City of Chicago

O2018-1124

Office of the City Clerk

Document Tracking Sheet

Meeting Date:	2/28/2018
Sponsor(s):	Emanuel (Mayor)
Type:	Ordinance
Title:	Repeal of O'Hare Rates and Operations Ordinance, amendment of Municipal Code Sections 2-20-020 and 10-36-190 and execution of new lease and license agreements with various air carriers at Chicago O'Hare International Airport
Committee(s) Assignment:	Committee on Aviation

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OFFICE OF THE MAYOR

CITY OF CHICAGO

RAHM EMANUEL
MAYOR

February 28, 2018

TO THE HONORABLE, THE CITY COUNCIL
OF THE CITY OF CHICAGO

Ladies and Gentlemen:

At the request of the Commissioner of Aviation, I transmit herewith an ordinance authorizing implementation of a new use and lease agreement for O'Hare International Airport and associated authorizations.

Your favorable consideration of this ordinance will be appreciated.

Very truly yours,

Mayor

ORDINANCE

WHEREAS, the City of Chicago ("City") is a home rule unit of government under Article VII, Section 6(a) of the 1970 Constitution of the State of Illinois and, as such, may exercise any power and perform any function pertaining to its government and affairs; and

WHEREAS, the City owns and operates an airport commonly known as Chicago O'Hare International Airport ("O'Hare"), and possesses the power and authority to lease premises and facilities and to grant other rights and privileges with respect thereto; and

WHEREAS, the City heretofore entered into the Amended and Restated Airport Use Agreement and Terminal Facilities Leases and the International Terminal Use Agreement and Facilities Leases at O'Hare with certain air carriers ("Existing Use Agreements"); and

WHEREAS, the Existing Use Agreements will expire on May 11, 2018, so it is necessary and desirable for the City to enter into a new form of Chicago O'Hare International Airport Airline Use and Lease Agreement (the "New Airline Use and Lease Agreement") with Alaska Airlines, Inc. ("Alaska"); All Nippon Airways, Co., LTD ("ANA"); American Airlines, Inc. ("American"); Delta Air Lines, Inc. ("Delta"); Deutsche Lufthansa AG ("Lufthansa"); Federal Express Corporation ("FedEx"); JetBlue Airways Corporation ("JetBlue"); Nippon Cargo Airlines Co., Ltd. ("Nippon"); Spirit Airlines, Inc. ("Spirit"); United Airlines, Inc. ("United"); and other commercial air carriers from time to time during the term of the New Airline Use and Lease Agreement, in substantially the form attached hereto as **Exhibit 1**; and

WHEREAS, the premises to be leased, respectively, to Alaska, ANA, American, Delta, Lufthansa, FedEx, JetBlue, Nippon, Spirit, and United, beginning on the effective date of the New Airline Use and Lease Agreement, May 12, 2018, will be described in an exhibit to each air carrier's New Airline Use and Lease Agreement, the forms of which are attached hereto, collectively, as **Exhibit 2** ("Premises Notices"); and

WHEREAS, it is also necessary and desirable for the City to enter into Affiliate Operating Agreements with certain air carriers, each operating at O'Hare as an Affiliate of an air carrier who is a signatory to the New Airline Use and Lease Agreement, as defined in and with the rates and charges as set forth in the New Airline Use and Lease Agreement, in substantially the form attached hereto as **Exhibit 3** ("Affiliate Operating Agreements"); and

WHEREAS, it is also necessary and desirable for the City to enter into Non-Signatory Airline Operating Agreements with air carriers who operate at O'Hare that are neither signatories to the New Airline Use and Lease Agreement nor Affiliates to signatories of the New Airline Use and Lease Agreement, with the rates and charges as set forth in the New Airline Use and Lease Agreement, in substantially the form attached hereto as **Exhibit 4** ("Non-Signatory Airline Operating Agreements"); and

WHEREAS, in an ordinance adopted by the City Council of the City of Chicago ("City Council") on August 4, 1993 ("1993 Ordinance"), the Mayor or his proxy was authorized to

execute license agreements for the short-term use of space at O'Hare with certain entities operating at O'Hare; and

WHEREAS, so that the rates and charges for short-term use of office, storage, or similar space by air carriers or aeronautical service providers at O'Hare shall be consistent with the rates and charges in the New Airline Use and Agreement, it is necessary and desirable for the City to update the 1993 Ordinance and replace its Exhibit 1 with the form of Short-Term Facilities Use Agreement attached to this ordinance as **Exhibit 5** ("Short-Term Facilities Use Agreement") with regards to such air carriers or aeronautical service providers who operate at O'Hare and may require office, storage, or similar operational space from time to time during the term of the New Airline Use Agreement; and

WHEREAS, the City adopted an ordinance on December 13, 2017 that would have governed air carrier use of the airfield and passenger airline terminals at O'Hare and prescribed methodology for charging air carriers for such use beginning May 12, 2018 in the absence of a New Airline Use and Lease Agreement (the "O'Hare Rates and Operations Ordinance"); and

WHEREAS, the City now desires to repeal the O'Hare Rates and Operations Ordinance and amend Sections 10-36-190 and 2-20-020 of the Municipal Code of Chicago (the "Code") in the event that the City has received fully executed New Airline Use and Lease Agreements with air carriers who, together with their Affiliates, as defined in the New Airline Use and Lease Agreement, collectively represented more than fifty percent (50%) of passengers enplaned in 2017 at O'Hare; now, therefore,

Be It Ordained by the City Council of the City of Chicago:

SECTION I. The above recitals are hereby incorporated by reference as if fully set forth herein.

SECTION II. The Mayor is authorized to execute the New Airline Use and Lease Agreement with Alaska, ANA, American, Delta, Lufthansa, FedEx, JetBlue, Nippon, Spirit, and United, and such other air carriers as may be recommended by the Commissioner of Aviation ("Commissioner"), in substantially the form attached hereto as **Exhibit 1**.

SECTION III. The Commissioner is authorized to execute Affiliate Operating Agreements in substantially the form attached hereto as **Exhibit 3** with air carriers approved by the Commissioner from time to time during the term of the New Airline Use and Lease Agreement to operate at O'Hare.

SECTION IV. The Commissioner is authorized to execute Non-Signatory Airline Operating Agreements in substantially the form attached hereto as **Exhibit 4** with air carriers approved by the Commissioner from time to time during the term of the New Airline Use and Lease Agreement to operate at O'Hare.

SECTION V. The Commissioner is authorized to execute Short-Term Facilities Use Agreements in substantially the form attached hereto as **Exhibit 5** with certain air carriers or

aeronautical service providers at O'Hare as may be approved by the Commissioner from time to time during the term of the New Airline Use and Lease Agreement.

SECTION VI. The Mayor, the Commissioner and the Corporation Counsel, and any other City official as shall be designated by the Mayor, the Commissioner or the Corporation Counsel, respectively, are each authorized, individually and jointly, to execute and deliver any and all agreements, documents, instruments or certificates as the executing officer shall deem necessary, advisable or appropriate in connection with the New Airline Use and Lease Agreements, the Affiliate Operating Agreements, the Non-Signatory Airline Operating Agreements, and the Short-Term Facilities Use Agreements.

SECTION VII. The Commissioner is authorized to adopt such rules as the Commissioner may deem necessary or appropriate to implement or administer this ordinance and the agreements contemplated herein.

SECTION VIII. Section 2-20-020 of the Municipal Code of Chicago is hereby amended by inserting the underscored language and deleting the struck-through language, as follows:

2-20-020 Commissioner – Appointment, powers and duties.

(Omitted text is unaffected by this ordinance)

The Commissioner is authorized to execute such agreements and promulgate such rules as provided for in the 2018 ordinance establishing the O'Hare Airline Use and Lease Agreement, as that term is defined in Section 10-36-190(a).

SECTION IX. Section 10-36-190 of the Municipal Code of Chicago is hereby amended by inserting the underscored language and deleting the struck-through language, as follows:

10-36-190 Compensation for use of Chicago-O'Hare International Airport and Chicago Midway Airport.

No person shall use the airport facilities of Chicago-O'Hare International Airport or Chicago Midway Airport, including non-commercial private aircraft, without paying compensation for the use of such facilities in accordance with the following schedule of fees:

(a) For each landing at Chicago-O'Hare International Airport of an aircraft operated by a signatory to ~~(I) an Amended and Restated~~ a Chicago-O'Hare International Airport Airline Use and Lease Agreement ~~and Terminal Facilities Lease,~~ in the form approved by this amendatory ordinance of 2018 ~~the city council as of January 1, 1985, as it may be amended from time to time~~ ("O'Hare Airline Use and Lease Agreement"), ~~or (ii) an International Terminal Use Agreement and Facilities Lease, in the form approved by the city council as of January 1, 1990, as it may be amended from time to time,~~ the landing fee rate ~~per 1,000 pounds approved maximum landing weight~~ shall be the landing fee rate then in effect pursuant to the O'Hare Airline Use and Lease Agreement.

(b) For each landing at Chicago-O'Hare International Airport of an aircraft other than those specified in subsection (a), the landing fee rate ~~per 1,000 pounds approved maximum landing weight~~ shall be determined by the commissioner of aviation consistent with the O'Hare Airline Use and Lease Agreement.

(c) For each aircraft at Chicago-O'Hare International Airport parking for each 24-hour period or fraction thereof in an aircraft parking area designated as public, a fee thereof shall be determined by the commissioner of aviation consistent with the O'Hare Airline Use and Lease Agreement ~~equal to the prescribed landing fee for such aircraft at the airport, except that no fee shall be due for parking an aircraft in such an area during the first hour after landing~~.

(Omitted text is unaffected by this ordinance)

~~(i) A charge ("Common Use Gate Charge") for the use of any gate designated by the commissioner of aviation as a Common Use Gate for common, non-exclusive use of airlines shall be paid by each airline which uses such Common Use Gate. The commissioner of aviation is hereby authorized to set, in compliance with all applicable federal laws, rules, regulations and orders, the Common Use Gate Charge from time to time applicable to each Common Use Gate calculated in a manner designed to achieve cost recovery plus, if determined by the commissioner of aviation to be in the best interests of the City, a premium not to exceed thirty-five percent. The Common Use Gate Charge shall be published in the Rules and Regulations for Chicago O'Hare International Airport.~~

SECTION X. The O'Hare Rates and Operations Ordinance, passed by City Council on December 13, 2017, is hereby repealed in its entirety.

SECTION XI. Sections I through VII of this ordinance shall be in full force and effect from and after the date of its passage and approval. Following passage and approval, Sections VIII, IX, and X shall be in full force and effect on such date, on or after May 12, 2018, that the City has received fully executed New Airline Use and Lease Agreements with air carriers who, together with their Affiliates, as defined in the New Airline Use and Lease Agreement, collectively represented more than fifty percent (50%) of passengers enplaned in 2017 at O'Hare. The receipt of the requisite number of executed New Airline Use and Lease Agreements shall be memorialized by a dated certification that the Commissioner files with the City Clerk.

Exhibits 1, 2, 3, 4, and 5 referred to in this Ordinance read as follows:

(*The remainder of this page is left intentionally blank*)

EXHIBIT 1

CITY OF CHICAGO

AIRLINE USE AND LEASE AGREEMENT

_____, 201_ – _____, 20__

AIRLINE:

_____

O'HARE INTERNATIONAL AIRPORT

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This AIRLINE USE AND LEASE AGREEMENT ("Agreement") is made by and between the **City of Chicago** (the "City"), a municipal corporation of the State of Illinois, and _____ ("Airline"), a corporation organized and existing under the laws of the State of _____ and authorized to do business in the State of Illinois.

Article 1

DEFINITIONS

1.1 Definitions

The following words, terms and phrases shall, for purposes of this Agreement, have the following meanings:

"**AAAC**" or "**Airline Airport Affairs Committee**" means the Airline Airport Affairs Committee consisting of a representative designated by each Signatory Airline operating at the Airport.

"**AAAC Representative**" means the person designated in writing by Airline to serve as its representative on the AAAC and to receive notice pursuant to Sections 9.3.1(a) and 11.3.

"**Activity-Based Terminal Charges**" means Terminal Charges calculated under Sections 8.10 and 8.11.

"**Additional TAP Elements**" means certain Capital Improvement Projects that have been approved by Airline by execution of this Agreement, subject to the conditions specified Section 10.3.

"**Additional TAP Element Trigger**" means the conditions, specified in Exhibit M, that must be met before the City may proceed with the design, construction and equipping of an Additional TAP Element.

"**Aeronautical Real Estate**" means the parcels and other areas of the Airport where aviation support, cargo, hangar and maintenance activities occur, including all roads and facilities serving such areas and associated air rights. The Aeronautical Real Estate areas as of the Effective Date are generally depicted in Exhibit A for illustrative purposes.

"**Aeronautical Real Estate Revenue**" means all revenues collected by the City for the right to use Aeronautical Real Estate.

"**Aeronautical Service Provider**" means any entity providing commercial aeronautical services to one or more Air Carriers with the approval of the City.

"**Affiliate**" means an Air Carrier providing air service at the Airport that has executed an Affiliate Operating Agreement and has been properly designated as an Affiliate by a Signatory Airline in accordance with Section 6.1 and either (a) is a parent or subsidiary of the designating

Signatory Airline or a subsidiary of said Signatory Airline's parent company or under the same parental control as said Signatory Airline, or (b) meets one or more of the following conditions:

(i) operates flights under an International Air Transport Association ("IATA") flight designator code of the designating Signatory Airline; or

(ii) otherwise operates under essentially the same trade name of the designating Signatory Airline and uses essentially the same livery as said Signatory Airline; or

(iii) operates cargo feeder flights at the Airport under the direction and control of the designating Signatory Airline;

provided, however, that an Air Carrier's Affiliate status under clause (b) shall be limited to the extent the Air Carrier is operating flights on behalf of the designating Signatory Airline.

"**Affiliate Operating Agreement**" means the agreement described in Section 6.1.1, the form of which is attached as Exhibit F.

"**Agreement**" means this Airline Use and Lease Agreement, together with its Exhibits, as hereafter amended or supplemented from time to time in accordance with its terms.

"**Air Carrier**" means a carrier certificated by the Secretary of the U.S. Department of Transportation as a Passenger Carrier under 49 U.S.C. § 41102 or a Cargo Carrier under 49 U.S.C. § 41103.

"**Air Transportation Business**" means that business operated by Airline at the Airport for the commercial transportation by air of persons, property, mail, parcels and/or cargo.

"**Aircraft Parking Fees**" means the Aircraft Parking Fees established by the City pursuant to Section 8.10.8.

"**Airfield**" means those areas of the Airport that provide for the landing, taking off, taxiing and parking of aircraft, and all facilities, equipment and improvements now or hereafter located thereon, including the runways, taxiways, Apron Areas and facilities at the Airport for the purpose of controlling and assisting arrivals, departures and operations of aircraft using the Airport, such as control towers or other facilities operated and maintained by the FAA or any other federal agency, security fences, service roads, signals, beacons, wind indicators, flood lights, landing lights, boundary lights, construction lights, radio and electronic aids or other aids to operations, navigation or ground control of aircraft whether or not of a type herein mentioned and even though located away from but related to the rest of the Airfield as all such areas, facilities, equipment and improvements may be modified, improved, or enlarged from time to time by the City. The Airfield as of the Effective Date is generally depicted in Exhibit A for illustrative purposes.

"**Airfield Revenue Requirement**" means the Airfield Revenue Requirement calculated in accordance with Section 8.2.1.

"**Airline**" means the Air Carrier named on the signature page hereof.

"**Airline Airport Affairs Committee**" or "**AAAC**" means the Airline Airport Affairs Committee consisting of a representative designated by each Signatory Airline operating at the Airport.

"**Airline Alliance**" means the Star Alliance, SkyTeam, oneworld and similar airline partnerships.

"**Airline Liaison Office**" means an entity designated by the Airline Airport Affairs Committee that provides technical and financial consulting services to the Airport and the Airline Airport Affairs Committee and facilitates airport/airline relations.

"**Airline Rate-Based Capital Costs**" means the Capital Costs of a Capital Improvement Project that are reasonably allocable to one or more Airline-Supported Cost Centers.

"**Airline Rate-Based O&M Expenses**" means the O&M Expenses of a Capital Improvement Project that are reasonably allocable to one or more Airline-Supported Cost Centers.

"**Airline Rate-Based Project Costs**" means the Project Costs of a Capital Improvement Project that are reasonably allocable to one or more Airline-Supported Cost Centers.

"**Airline Rented Space**" means any space in the Terminal Complex that is rented by Passenger Carriers on an exclusive, preferential or common use basis, plus any areas in the Terminal Complex that are rented to Aeronautical Service Providers; provided, however, that such leased space shall be at the same rental rate, and subject to the same rate adjustments as space leased to Passenger Carriers.

"**Airline-Supported Cost Centers**" means the following Cost Centers:

(i) Airfield Cost Center;

(ii) Terminal Cost Center;

(iii) Parking and Ground Transportation Cost Center;

(iv) Fueling System Cost Center;

(v) Aeronautical Real Estate Cost Center; and

(vi) Commercial Real Estate Cost Center.

"**Airline Use and Lease Agreement**" means an agreement with the City substantially similar to this Agreement.

"**Airport**" means Chicago O'Hare International Airport, together with any additions thereto, or improvements or enlargements of it, later made, but any land, rights-of-way, or improvements which are now or later owned by or are part of the transportation system operated

by the Chicago Transit Authority, or any successor thereto, wherever located within the boundaries of the Airport, are not deemed to be part of the Airport. The Airport as of the Effective Date is generally depicted in Exhibit A for illustrative purposes.

"**Airport Fees and Charges**" means, for any Fiscal Year, all rents, charges and fees payable by all Air Carriers for such Fiscal Year as determined and adjusted pursuant to Article 8.

"**Airport Revenue Bonds**" or "**GARBs**" means any bonds, commercial paper notes, credit agreement notes and any other debt obligations of the City, outstanding at any time having a lien on Revenues as provided in the Bond Indenture.

"**Airport Rules**" means, collectively, all rules, procedures, protocols and requirements currently effective and hereinafter amended, adopted or established by the City applicable to Airport operations and users, all of which are incorporated into and made a part of this Agreement, provided that such Airport Rules do not conflict with applicable provisions of state or federal law or the provisions of this Agreement.

"**Alliance Partner**" means a Signatory Airline or a Non-Signatory Airline that (a) is a member of the same Airline Alliance as Airline or a Codeshare Partner of Airline and (b) Airline has designated as an Alliance Partner pursuant to Section 6.5.

"**Allowable Airline Liaison Office Expenses**" means expenses of the Airline Liaison Office that are not Project Costs and have been approved for recovery through Landing Fees pursuant to Section 8.2.1(c) by Long-Term Signatory Airlines that together accounted for at least fifty percent (50%) of the total Maximum Gross Landed Weight of all Air Carriers during the immediately preceding Fiscal Year.

"**Applicable Laws**" means, collectively, all applicable present and future federal, state and local laws, rules, regulations, orders and ordinances, as they may be amended from time to time, whether foreseen or unforeseen, ordinary as well as extraordinary, including without implied limitation those relating to (i) health, sanitation and safety; (ii) the environment, including without limitation the Environmental Laws; (iii) access for persons with disabilities, including without limitation the Americans with Disabilities Act, 42 U.S.C. § 12101 *et seq.*; and (iv) airport security, including without limitation the regulations of the Transportation Security Administration, 49 CFR Parts 1540, 1542, 1544 *et seq.* This Agreement does not constitute a waiver by Airline of whatever rights it may have to challenge a local law, rule, regulation or ordinance on the basis that it is pre-empted by State or Federal law.

"**Approved Project**" means Previously Approved Projects, Phase I TAP Elements, Additional TAP Elements and Pre-Approved CIP Projects that have been approved by execution of this Agreement and New Projects submitted for Majority-in-Interest review pursuant to the procedures in Section 10.8 and not disapproved by a Majority-in-Interest.

"**Apron Areas**" means the paved areas surrounding the Terminal Complex intended for use by Passenger Carriers for aircraft or aircraft servicing equipment, including hardstand positions, and the paved areas available for use in common by or for the benefit of the Cargo Carriers, as all such paved areas may be modified, improved, or enlarged by the City during the

Term. The Apron Areas as of the Effective Date are generally depicted in Exhibit B for illustrative purposes.

"**Arriving Domestic Seats**" means all Delivered Arriving Seats on domestic flights or international flights without FIS Users.

"**Arriving International Seats Without FIS Users**" means all Delivered Arriving Seats on international flights without FIS Users.

"**Artwork**" means any work of visual art as defined in Section 101 of the Copyright Act.

"**Assignment**" means to assign, transfer, convey, sell, mortgage, pledge or encumber as described further in Section 4.2.

"**Associated Party(ies)**" means Airline's employees, contractors, subcontractors, agents, licensees, Sublessees, Affiliates, vendors, invitees (excluding passengers), and any other Air Carrier that Airline expressly authorizes to use its Premises, Airfield or Apron Area (regardless of whether Airline enters into a sublease or license with such Air Carrier), and other parties under Airline's direction or control that come onto the Airport arising out of or relating to Airline's use or occupancy of the Airport, but excluding Air Carriers that Airline is compelled by the City to accommodate within Airline's Premises pursuant to Article 5.

"**Bad Debt**" means a monetary amount owed to the City that is unlikely to be paid as it is beyond the collectible period as set by City policy as set forth in Section 9.2.3.

"**Bad Debt Recovery**" means the recapture of Bad Debt that has previously been allocated to a Cost Center.

"**Baggage Claim Space**" means the footprint of the Baggage Claim Systems and proximate circulation space, as it may be adjusted from time to time, all as shown in Exhibit B as of the Effective Date.

"**Baggage Claim System**" means all the equipment that delivers Inbound Checked Bags from inbound aircraft to arriving passengers through and including baggage claim devices and non-public conveyance equipment.

"**Baggage Make-up Space**" means the footprint of the Baggage Make-up Systems and proximate circulation space sufficient to accommodate the movement and parking of tugs and carts as well as any other operations required for the devices, as it may be adjusted from time to time, all as shown in Exhibit B as of the Effective Date.

"**Baggage Make-up Systems**" means all the equipment that delivers Outbound Checked Bags from passenger check-in areas through and including checked bag security screening conveyors, baggage make-up devices and interline belts.

"**Baggage Systems**" means equipment and related systems for the delivery of bags to arriving passengers and outbound aircraft, including both Baggage Claim Systems and Baggage Make-up Systems.

"**Bond Counsel**" means nationally-recognized municipal bond counsel selected by the City.

"**Bond Indenture**" means the Master Indenture of Trust Securing Chicago O'Hare International Airport General Airport Revenue Senior Lien Obligations, dated as of September 1, 2012, as the same may be amended, supplemented and restated from time to time, and any ordinance, credit agreement or indenture, or combination thereof adopted or authorized by the City Council of the City authorizing the issuance of notes, bonds or other obligations for the Airport and securing such obligations by a pledge of revenues or net revenues of the Airport, or any ordinance or indenture supplemental thereto.

"**Building Code**" means the "Building Code" as that term is defined in the Municipal Code.

"**Capital Costs**" means all costs related to the acquisition, construction or improvement of Airport assets, including the following:

(a) Debt Service net of pledged PFC revenues, grants and other applicable adjustments;

(b) Required Debt Service Coverage on the gross amount of such Debt Service;

(c) Program fees and other costs of borrowing not included in Debt Service;

(d) Costs of Capital Improvement Projects funded with Pre-Approved Allowances; and

(e) Equipment purchases and small capital outlays, if not otherwise classified as an O&M Expense.

"**Capital Improvement Project**" means an addition or improvement to the Airport's physical plant or equipment, and the acquisition of land or rights in land for expansion or operation of the Airport (including judgments and awards related to claims for inverse condemnation), or for avigation easements acquired from property owners releasing the City from any claims or liability arising from the flight of aircraft landing at or departing from the Airport.

"**Cargo Carrier**" means a carrier certificated by the Secretary of the U.S. Department of Transportation as a Cargo Carrier under 49 U.S.C. § 41103.

"**CDA**" or "**Department of Aviation**" means the Chicago Department of Aviation or any successor agency thereto.

"**Change in Project Scope Requiring MII Review**" means a change to the scope of an Approved Project, as specified in Exhibits J, L, M or N or in the proposal submitted for Majority-in-Interest review under Section 10.8.1, that triggers Majority-in-Interest review pursuant to the procedures in Section 10.8.

"**Check-in Hours**" means the number of hours that a Passenger Carrier has been assigned by the City or actually uses on each check-in, drop-off or queuing position within Common Use Check-in Space.

"**Check-in Space**" means the space in the Terminal Complex for passenger check-in, including the space used for counters, self-service kiosks and passenger check-in and baggage drop-off queuing space, as it may be adjusted from time to time, all as shown in Exhibit B as of the Effective Date.

"**City**" means the City of Chicago, a municipal corporation and home rule unit of local government organized and existing under Article VII, Sections 1 and (6)(a), respectively, of the 1970 Constitution of the State of Illinois.

"**City Equipment**" means moveable or permanent fixtures, furniture, millwork, technology systems, including SET components used by individual Passenger Carriers, and equipment located on or affixed to Airline's Premises, or elsewhere at the Airport, purchased, constructed or rented by the City or otherwise provided at the cost or expense of the City which the City makes available for use by Airline subject to Section 3.6 and the City Equipment Charge.

"**City Equipment Charges**" means standardized cost-recovery fees calculated annually by the City for the use of City Equipment.

"**City Equipment Costs**" means the Capital Costs, O&M Expenses, rental payments made by the City and any other cost or expense of the City allocable to City Equipment.

"**City Indemnified Parties**" means the City, its elected and appointed officials, officers, agents, employees, contractors, consultants and representatives.

"**Claim**" or "**Claims**" means any and all losses, liabilities, penalties, damages of whatever nature, causes of action, suits, claims, demands, judgments, injunctive relief, awards and settlements as described further in Section 13.1.1.

"**Codeshare Partner**" means a Signatory Airline or a Non-Signatory Airline that has entered into a codeshare agreement with Airline that covers all the flights that the Codeshare Partner operates at the Airport.

"**Commercial Real Estate**" means the parcels and other areas of the Airport where commercial non-aeronautical activities such as hotel, office, non-terminal retail, public vehicle fueling and charging stations not otherwise located in facilities included in the Parking and Ground Transportation Cost Center, and other real estate development occur, including all roads, utilities and facilities serving such areas and associated air rights. The Commercial Real Estate areas as of the Effective Date are generally depicted in Exhibit A for illustrative purposes.

"**Commercial Real Estate Revenue**" means revenues collected by the City for the right to use Commercial Real Estate.

"**Commissioner**" means the Commissioner of the Department of Aviation, her or his designee, or any successor to the duties of such official.

"**Common Use Baggage Claim Fees**" means the Common Use Baggage Claim Fees calculated pursuant to Section 8.10.5.

"**Common Use Baggage Claim Space**" means the Baggage Claim Space in the Terminal Complex designated by the Commissioner to be used in common by Passenger Carriers for arriving domestic flights or arriving international flights not carrying FIS Users, as it may be adjusted from time to time, all as shown in Exhibit B as of the Effective Date.

"**Common Use Baggage Make-up Space**" means the Baggage Make-up Space in the Terminal Complex designated by the Commissioner to be used in common by Passenger Carriers, as it may be adjusted from time to time, all as shown in Exhibit B as of the Effective Date.

"**Common Use Check-in Space**" means Check-in Space designated by the Commissioner to be used in common by Passenger Carriers. Common Use Check-in Space may be separately designated by the City as Domestic Common Use Check-in Space and International Common Use Check-in Space, as it may be adjusted from time to time, all as shown in Exhibit B as of the Effective Date.

"**Common Use City-owned Baggage Claim Systems**" means the Baggage Claim Systems owned by the City designated by the Commissioner from time to time to be used in common by Passenger Carriers to process inbound baggage.

"**Common Use Gate Space**" means the Gate Space designated by the City in accordance with Article 4 and Article 5 to be used in common by Passenger Carriers operating at the Airport, and shall not be deemed to include any Preferential Use Gate Space. Common Use Gate Space may be separately designated by the City as Domestic Common Use Gate Space and International Common Use Gate Space, as it may be adjusted from time to time, all as shown in Exhibit B as of the Effective Date.

"**Common Use Premises**" means those areas within the Terminal Complex, including Common Use Gate Space, Common Use Check-in Space, Common Use Baggage Claim Space and Common Use Baggage Make-up Space that are made available by the City to one or more Air Carriers, subject to Section 4.1.5 and as more fully described in the Terminal Complex Space Exhibit. Common Use Premises may be separately designated by the City as Domestic Common Use Premises and International Common Use Premises, as it may be adjusted from time to time, all as shown in Exhibit B as of the Effective Date.

"**Concluding Walk-Through**" means a physical walk-through of Airline's Premises or any portion thereof by a representative or consultant of the City and Airline prior to the date that such Premises are vacated or surrendered pursuant to this Agreement for the purpose of observing the environmental condition of Airline's Premises or any portion thereof and Airline's compliance with Section 14.10, the findings of which shall be documented in a report prepared by such City representative or consultant in consultation with Airline.

"**Consolidated Rental Car Facility**" or "**CONRAC**" means the portion of the joint use facility, roadways and equipment that constitutes the consolidated rental car facility at the Airport, including those portions of the joint use facility dedicated to rental car operations, the customer service area, and the quick turn-around facility. The CONRAC as of the Effective Date is generally depicted in Exhibit A for illustrative purposes.

"**Construction Cost Index**" means the Construction Cost Index for Chicago, Illinois published by Engineering News-Record or, in the event that Engineering News-Record ceases to publish such an index, a similar construction cost index selected in the reasonable discretion of the Commissioner after consultation with the Executive Working Group.

"**Contaminant**" means any of those materials set forth in 415 ILCS 5/3.165, as amended from time to time, that are subject to regulation under any Environmental Law.

"**Contractor**" means a person or firm hired by Airline to act as an agent or independent contractor, whether or not Airline is reimbursed by the City for costs of hiring such person or firm, as well as subcontractors of any such agent or independent contractor, in connection with or pursuant to the performance of any acts or obligations under this Agreement.

"**Copyright Act**" means the U.S. Copyright Act (17 U.S.C. § 101 *et seq.*).

"**Cost Centers**" means those areas of the Airport grouped together for the allocation of Capital Costs and O&M Expenses to calculate Airport Fees and Charges. The Cost Centers used to calculate Airport Fees and Charges are the Airfield Cost Center, Terminal Cost Center, Fueling System Cost Center, Aeronautical Real Estate Cost Center, Commercial Real Estate Cost Center, Parking and Ground Transportation Cost Center, and Consolidated Rental Car Facility Cost Center.

"**Customer Facility Charge**" means the customer facility charge authorized by the Illinois Vehicle Code (625 ILCS 5/6-305), or any successor law or provision, with respect to the Airport.

"**Date of Beneficial Occupancy**" or "**DBO**" means the date when a project or a phased element of a project has been substantially completed, a certificate of occupancy has been received, if required, and the Commissioner reasonably determines that it is available for use.

"**Debt Service**" means, collectively, debt service on GARBs and any other debt service on indebtedness payable from Revenues, net of capitalized interest.

"**Delivered Arriving Seats**" means all Seats on flights arriving at the Airport actually delivered by Passenger Carriers.

"**Delivered Departing Seats**" means all Seats on flights departing from the Airport actually delivered by Passenger Carriers.

"**Delivered Departing International Seats**" means all Delivered Departing Seats on international flights departing from International Common Use Gate Space.

"**Department of Aviation**" or "**CDA**" means the Chicago Department of Aviation or any successor agency thereto.

"**Design and Construction Manuals**" means the CDA Design, Renovation and Construction Tenant Projects Standard Operating Procedures and the CDA Design Standards, as may be amended from time to time by the CDA after consultation with the EWG.

"**Discharge**" means an act or omission by which Hazardous Substances or Other Regulated Material, now or in the future, are leaked, spilled, poured, deposited, or otherwise disposed into land, wetlands or Waters, or by which those substances are deposited where, unless controlled or removed, they may drain, seep, run or otherwise enter said land, wetlands or Waters.

"**Dispose,**" "**Disposal**" **or** "**Disposing**" and variants thereof mean the discharge, deposit, injection, dumping, spilling, leaking, or placing of any Hazardous Substance or Other Regulated Material into or on any land or water so that such Hazardous Substance or Other Regulated Material or any constituent thereof may enter the environment or be emitted into the air or discharged into any waters, including ground waters.

"**Domestic Common Use Baggage Make-up Fees**" means the Domestic Common Use Baggage Make-up Fees calculated pursuant to Section 8.10.3.

"**Domestic Common Use Baggage Make-up Space**" means the Baggage Make-up Space in the Terminal Complex designated by the Commissioner to be used in common by Passenger Carriers for processing outbound baggage primarily on domestic flights, as it may be adjusted from time to time, all as shown in Exhibit B as of the Effective Date.

"**Domestic Common Use City-owned Baggage Make-up Systems**" means Baggage Make-up Systems owned by the City designated by the Commissioner from time to time to be used in common by Passenger Carriers to process outbound baggage primarily on domestic flights.

"**Domestic Common Use Check-in Fees**" means the Domestic Common Use Check-in Fees calculated pursuant to Section 8.10.6.

"**Domestic Common Use Check-in Space**" means the Check-in Space designated by the Commissioner to be used in common by Passenger Carriers primarily for domestic passenger check-in, as it may be adjusted from time to time, all as shown in Exhibit B as of the Effective Date.

"**Domestic Common Use Gate Fees**" means the Domestic Common Use Gate Fees calculated pursuant to Section 8.10.1.

"**Domestic Common Use Gate Space**" means Domestic Gate Space that the City has designated as Common Use Gate Space in accordance with Article 5, as it may be adjusted from time to time, all as shown in Exhibit B as of the Effective Date.

"**Domestic Common Use Holdroom Space**" means the Holdroom Space associated with Domestic Common Use Gate Space.

"**Domestic Gate Space**" means any Gate Space that has not been designated as International Gate Space by the City.

"**Effective Date**" means the Effective Date as described in Section 2.1.

"**Enplaned Passengers**" means all originating and all outgoing on-line transfer and off-line transfer revenue passengers departing from the Airport, but does not include through passengers.

"**Environmental Claim**" means any demand, cause of action, proceeding or suit for (a) damages (actual or punitive), injuries to person or property, taking or damaging of property or interests in property without just compensation, nuisance, trespass, damages to natural resources, fines, penalties, interest, or (b) losses, or for the costs of site investigations, feasibility studies, information requests, health or risk assessments, contribution, settlement, or actions to correct, remove, remediate, Respond to, clean up, prevent, mitigate, monitor, evaluate, assess, or abate the Release of a Hazardous Substance or Other Regulated Material, or any other investigative, enforcement, cleanup, removal, containment, remedial, or other private or governmental or regulatory action at any time threatened, instituted, or completed pursuant to any applicable Environmental Law, or (c) to enforce insurance, contribution, or indemnification agreements being made pursuant to a claimed violation or non-compliance with any Environmental Law.

"**Environmental Indemnitees**" has the meaning set forth in Section 14.7.

"**Environmental Law(s)**" means any federal, state, or local law, statute, ordinance, code, rule, permit, plan, regulation, license, authorization, order, or injunction which pertains to health, safety, any Hazardous Substance or Other Regulated Material, or the environment (including, but not limited to, ground, air, water or noise pollution or contamination, and underground or above-ground tanks) and shall include, without limitation, the Emergency Planning and Community Right-to-Know Act, 42 U.S.C. § 11001 *et seq.*; the Toxic Substances Control Act, 15 U.S.C. § 2601 *et seq.*; the Hazardous Material Transportation Act, 49 U.S.C. § 1801 *et seq.*; the Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C. § 6901 *et seq.*, as amended by the Hazardous and Solid Waste Amendments of 1984; the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. § 9601 *et seq.* ("CERCLA"), as amended by the Superfund Amendments and Reauthorization Act of 1986 ("SARA"); the Occupational Safety and Health Act, 29 U.S.C. § 651 *et seq*; the Federal Water Pollution Control Act, 33 U.S.C. § 1251 *et seq.*; the Clean Air Act, 42 U.S.C. § 7401 *et seq.*; the Illinois Environmental Protection Act, 415 ILCS 5/1 *et seq.*; the Gasoline Storage Act, 430 ILCS 15/0.01 *et seq.*; the Sewage and Waste Control Ordinance of the Metropolitan Water Reclamation District of Greater Chicago ("MWRD"); the Municipal Code of the City of Chicago; and any other local, state, or federal environmental statutes, and all rules, regulations, orders, and decrees now or hereafter promulgated under any of the foregoing, as any of the foregoing now exist or may be changed or amended or come into effect in the future.

"**Equipment and Services Consortium**" means a consortium formed by Air Carriers and governed by an agreement amongst the consortium and its member Air Carriers.

"**Event of Default**" means an Event of Default as defined in Section 17.1.

"**EWG Protocols**" means the rules and protocols for the governance of the Executive Working Group, including procedures for establishing standing meetings, advance delivery of materials, provisions for remote participation, rules governing general and special meetings, quorum requirements and technical working groups for design and construction review on behalf of the Executive Working Group, as they may be developed and amended from time to time by the EWG, subject at all times to review and approval by the Commissioner.

"**Exclusive Use Premises**" means any office space, operation space, storage area, VIP Lounge, employee break room, baggage service office or other areas in the Terminal Complex designated for Airline's exclusive use, subject to Section 4.1.2 and as more fully described in the Premises Notice.

"**Executive Working Group**" or "**EWG**" means the group of City and Signatory Airline representatives established under Section 10.9.

"**Exempt Projects**" means those Capital Improvement Projects described in Section 10.7.

"**FAA**" or "**Federal Aviation Administration**" means the Federal Aviation Administration created under the Federal Aviation Act of 1958, as amended, or any successor agency thereto.

"**Facilities Maintenance Protocols**" means the City's policies, rules and protocols governing the maintenance of equipment and facilities at the Airport, as they shall be developed and may be amended from time to time by the Commissioner after consultation with the AAAC, which may include a matrix detailing operations and maintenance responsibilities of the City, the Airline, the Equipment and Services Consortium, and any other parties as indicated herein.

"**Federal Aviation Administration**" or "**FAA**" means the Federal Aviation Administration created under the Federal Aviation Act of 1958, as amended, or any successor agency thereto.

"**Federal Bankruptcy Code**" means 11 U.S.C. § 101 *et seq.*

"**Financial Accounting Protocols**" means the City's policies, rules and protocols, as they shall be developed and may be amended from time to time by the Commissioner after consultation with the AAAC, governing the allocation of costs, the compilation of the budgetary items used to calculate rates and charges under Article 8, the calculation of City Equipment Charges, the compilation of actual costs and Air Carrier activity information used to calculate annual adjustments-to-actual under Section 8.17 and other financial accounting matters arising under this Agreement.

"**Final Accounting**" means the annual calculation and reconciliation of actual revenues and expenditures and the final rates and charges for each Air Carrier for the preceding Fiscal Year as further specified in Section 8.17.

"**FIS Facilities**" means the federal inspection services facilities wherever located in the Terminal Complex, including the sterile corridors connecting any such facilities to International Gate Space, as they may be adjusted from time to time, all as shown in Exhibit B as of the Effective Date.

"**FIS Facility Fees**" means the FIS Facility Fees calculated pursuant to Section 8.11.

"**FIS User**" means passengers (excluding flight crew) arriving on international flights (including pre-cleared passengers) who are required to use FIS Facilities.

"**Fiscal Year**" means January 1 through December 31 of any year or such other fiscal year as the City may adopt for the Airport.

"**Fixed Terminal Charges**" means Terminal Charges calculated under Sections 8.4 through 8.9.

"**Fueling System**" means the fuel farm, fuel tanks, fuel hydrants and delivery systems and other facilities and infrastructure related to the fueling system at the Airport; the Fueling System does not include the real property or pipeline easements associated with the fueling systems, facilities and infrastructure.

"**Future Premises Commitment**" means Airline's commitment to accept the assignment of Exclusive Use Premises and Preferential Use Premises as the T-5 Extension and Phase I TAP Elements are completed, as further specified in Section 4.1.8 and Exhibit E.

"**GARBs**" or "**Airport Revenue Bonds**" means any bonds, commercial paper notes, credit agreement notes and any other debt obligations of the City, outstanding at any time having a lien on Revenues as provided in the Bond Indenture.

"**Gate**" means an area in the Terminal Complex made up of Holdroom Space and a portal or stairwell, if any, through which passengers must pass to board or disembark an aircraft and the associated Gate Ramp.

"**Gate Ramp**" means the Apron Area associated with Gate Space.

"**Gate-related Premises**" means the Exclusive Use Premises associated with the operation of a Gate consisting of back office support space (agent checkout, commissary storage or similar areas that are attached by function to the Gate Space) and operations space on the ramp level suitable to accommodate under-wing services, including but not limited to operations, maintenance, aircraft service, fueling, commissary storage and crew support.

"**Gate Space**" means the areas of the Terminal Complex and Apron Areas that consist of Linear Frontage and the associated Holdroom Space and Gate Ramp, as designated in the Premises Notice and Terminal Complex Space Exhibit.

"**Gate Space Plan**" means the aircraft parking layouts that shall be submitted in every Initial Schedule Submission of a Long-Term Signatory Airline that has been assigned Preferential Use Gate Space, as further specified in Section 5.5.2.

"**Gate Space Accommodating Airline**" means a Long-Term Signatory Airline that accommodates a Gate Space Requesting Airline, as further described in Section 5.5.

"**Gate Space Requesting Airline**" means a Scheduled Airline seeking to operate in Preferential Use Gate Space that is leased to a Long-Term Signatory Airline, as further described in Section 5.5.

"**Hazardous Substance**" has the meaning set forth in 415 ILCS 5/3.215, as amended from time to time.

"**Holdroom Space**" means the area in the Terminal Complex used for the staging of passengers waiting to board an aircraft.

"**IATA**" means the International Air Transport Association, a trade association of the world's airlines that is currently headquartered in Montreal, Quebec, Canada with executive offices in Geneva, Switzerland.

"**Inbound Checked Bags**" means inbound bags or other checked items delivered on Baggage Claim Systems.

"**Initial Schedule Submission**" means a Passenger Carrier's flight schedule that must be submitted to the Scheduling Manager at least semi-annually in the form specified in the Terminal Space Use Protocols required by the City and in accordance with Section 5.5.2.

"**Initial Walk-Through**" means a physical walk-through of the Premises by a representative or consultant of the City and Airline prior to the date Airline occupies the Premises or conducts operations thereon pursuant to this Agreement for the purpose of observing the environmental condition of Airline's Premises and Airline's state of compliance with Environmental Laws, the findings of which shall be documented in a report prepared by such City representative or consultant in consultation with Airline.

"**Interest Income**" means any interest on, and any gain realized from the investment of, moneys in any funds created pursuant to the Bond Indenture or this Agreement.

"**International Common Use Baggage Make-up Fees**" means the International Common Use Baggage Make-up Fees calculated pursuant to Section 8.10.4.

"**International Common Use Baggage Make-up Space**" means the space in the Terminal Complex designated by the Commissioner to be used in common by Passenger Carriers for processing of outbound baggage primarily on international flights, as it may be adjusted from time to time, all as shown in Exhibit B as of the Effective Date.

"**International Common Use Check-in Fees**" means the International Common Use Check-in Fees calculated pursuant to Section 8.10.7.

"**International Common Use Check-in Space**" means the Common Use Check-in Space designated by the Commissioner to be used in common by Passenger Carriers primarily for international passenger check-in, as it may be adjusted from time to time, all as shown in Exhibit B as of the Effective Date.

"**International Common Use City-owned Baggage Make-up Systems**" means Baggage Make-up Systems owned by the City designated by the Commissioner from time to time to be used in common by Passenger Carriers to process outbound baggage primarily on international flights.

"**International Common Use Gate Fees**" means the International Common Use Gate Fees calculated pursuant to Section 8.10.2.

"**International Common Use Gate Space**" means International Gate Space that the City has designated as Common Use Gate Space in accordance with Article 5, as it may be adjusted from time to time, all as shown in Exhibit B as of the Effective Date.

"**International Common Use Holdroom Space**" means the Holdroom Space associated with International Common Use Gate Space.

"**International Gate Space**" means Gate Space with direct passenger access to FIS Facilities that has currently been designated by the City for international flights, as it may be adjusted from time to time, all as shown in Exhibit B as of the Effective Date.

"**Irregular Operation**" means an off-schedule arrival or departure of an aircraft at a particular Gate that needs to operate at that Gate for reasons outside Airline's control.

"**Joint Use Baggage Claim Space**" means the Baggage Claim Space in the Terminal Complex assigned to multiple Passenger Carriers in their Premises Notices as Joint Use Premises.

"**Joint Use Baggage Make-up Space**" means the Baggage Make-up Space in the Terminal Complex assigned to multiple Passenger Carriers in their Premises Notices as Joint Use Premises.

"**Joint Use City-owned Baggage Claim Systems**" means the Baggage Claim Systems owned by the City within Joint Use Baggage Claim Space.

"**Joint Use City-owned Baggage Make-up Systems**" means Baggage Make-up Systems owned by the City within Joint Use Baggage Make-up Space.

"**Joint Use Premises**" means those areas designated as such in the Premises Notice that are within the Terminal Complex, including Joint Use Baggage Claim Space and Joint Use Baggage Make-up Space as more fully described in the Premises Notices of multiple Passenger Carriers, and as to which such Passenger Carriers have a priority of use over all other Passenger Carriers, subject to Article 5.

"**Landing Fee**" means the Landing Fee calculated pursuant to Section 8.2.

"**Light Maintenance**" means aircraft servicing and inspections that regularly occur on the terminal apron and unscheduled repairs necessary for continuing flight.

"**Linear Frontage**" means a line measured 100 feet from the face of the terminal building along usable areas where there is sufficient space to park passenger aircraft equivalent in size to a CRJ-100 or CRJ-200 aircraft. In determining usable areas, the City shall consider geometric factors that limit the ability to efficiently park aircraft. Factors that render an area unusable include (a) areas associated with "inside" 90 degree angles; (b) areas that are limited by the requirement to avoid active aircraft pushback operations onto taxiway; (c) areas that are limited by the location of retaining walls; and (d) areas that preclude efficient aircraft parking due to the geometry of the terminal. For illustrative purposes, Exhibit D depicts the Linear Frontage associated with the Terminal Complex as of the Effective Date and provides examples of excluded unusable areas.

"**Long-Term Signatory Airline**" means a Signatory Airline that executed this Agreement or a substantially similar agreement with a Term that expires on December 31, 2033 or otherwise qualifies as a Long-Term Signatory Airline pursuant to Section 2.2.3.

"**L-Stinger Gates**" means the "L-Stinger Gates" as defined in the L-Stinger Lease.

"**L-Stinger Lease**" means the Gate Ground Lease Agreement at Chicago O'Hare International Airport between City of Chicago and American Airlines, Inc. dated May 31, 2016, as it may be amended from time to time.

"**Main Terminal**" means the terminal buildings, associated concourses and facilities, other than Terminal 5, as all such facilities may be modified, improved, or enlarged during the Term. The Main Terminal as of the Effective Date is generally depicted in Exhibit A for illustrative purposes.

"**Majority-in-Interest**" means, for any Fiscal Year:

(i) for a Capital Improvement Project with Airline Rate-Based Project Costs allocated solely to the Airfield Cost Center, the Aeronautical Real Estate Cost Center or the Fueling System Cost Center, Long-Term Signatory Airlines that together accounted for at least seventy percent (70%) of the total Maximum Gross Landed Weight of all Air Carriers during the immediately preceding Fiscal Year;

(ii) for a Capital Improvement Project with Airline Rate-Based Project Costs allocated to the Terminal Cost Center, the Parking and Ground Transportation Cost Center or the Commercial Real Estate Cost Center, Long-Term Signatory Airlines that together paid at least seventy percent (70%) of the total Terminal Charges paid by all Air Carriers during the immediately preceding Fiscal Year; or

(iii) for a Capital Improvement Project with Airline Rate-Based Project Costs allocated to the Airfield Cost Center and the Terminal Cost Center, Long-Term Signatory Airlines that together paid at least seventy percent (70%) of all Airport Fees and Charges paid by all Air Carriers during the immediately preceding Fiscal Year.

For purposes of these calculations, a Long-Term Signatory Airline's activity and payments shall include the activity and payments of each of its Affiliates, but not its Alliance Partners.

"**Maximum Gross Landed Weight**" or "**MGLW**" means the maximum certificated weight, in thousand pound units, at which each aircraft operated by an Air Carrier is authorized by the FAA to land at the Airport, as certified by the aircraft's manufacturer and recited in the Air Carrier's flight manual governing that aircraft type.

"**MGLW**" or "**Maximum Gross Landed Weight**" means the maximum certificated weight, in thousand pound units, at which each aircraft operated by an Air Carrier is authorized by the FAA to land at the Airport, as certified by the aircraft's manufacturer and recited in the Air Carrier's flight manual governing that aircraft type.

"**Monthly Activity Report**" means the accurate summary report prepared by Airline describing Airline's operations (and the operations of Airline's Affiliates, if any) at the Airport during the month preceding the month in which the summary is submitted to the City, signed by an authorized representative of Airline certifying the accuracy of the information set forth therein, and submitted by Airline to the City in accordance with Section 8.19.1.

"**Municipal Code**" means the Municipal Code of the City at the time in effect.

"**New Projects**" means certain Capital Improvement Projects that require Majority-in-Interest review, as further described in Section 10.6.

"**Non-Signatory Airline**" means any Air Carrier using the Airport for scheduled cargo or passenger service that is not a Signatory Airline.

"**Non-Signatory Airline Operating Agreement**" means the agreement that must be executed by a Non-Signatory Airline that is not an Affiliate of a Signatory Airline in order to operate at the Airport, the form of which is attached as Exhibit H.

"**NPDES**" means the National Pollutant Discharge Elimination System.

"**O&M Expenses**" means the costs incurred by the City in operating and maintaining the Airport's facilities.

"**Other Airfield Revenues**" means revenues collected by the City for the aeronautical use of the Airfield other than Landing Fees collected from Air Carriers, including but not limited to aircraft tie-down fees, aircraft parking fees, fuel fees as applicable, minimum Landing Fees collected under Section 8.2.4, ground rent collected for the real property and pipeline easements associated with the Fueling System and general aviation landing fees.

"**Other Regulated Material**" means any Waste, Contaminant, or any other material, not otherwise specifically listed or designated as a Hazardous Substance, that (a) is or contains: petroleum, including crude oil or any fraction thereof, motor fuel, jet fuel, natural gas, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel or mixtures of natural gas and such synthetic gas, asbestos, radon, any polychlorinated biphenyl, urea, formaldehyde foam

insulation, explosive or radioactive material, or (b) is a hazard to the environment or to the health or safety of persons.

"**Other Terminal Rental Payments**" means payments of rent or utility reimbursements received by the City from government agencies and other non-airline tenants of the Terminal Complex that are not Aeronautical Service Providers or Terminal Concessions.

"**Outbound Checked Bags**" means outbound bags or other checked items (including bags transferred aircraft-to-aircraft if the bags entered the outbound baggage system) delivered on Baggage Make-up Systems.

"**Parking and Ground Transportation**" means all Airport-related (a) public parking, including off-airport parking; (b) employee parking provided by the City; (c) taxi, transportation network and other ground transportation services; and (d) rental car services and facilities, excluding the CONRAC, at the Airport. The Parking and Ground Transportation areas as of the Effective Date are generally depicted in Exhibit A for illustrative purposes.

"**Parking and Ground Transportation Revenue**" means all revenues collected by the City for the right to provide Parking and Ground Transportation services and concessions; provided, however, that Parking and Ground Transportation Revenues does not include Customer Facility Charges or any revenues pledged to the repayment of Customer Facility Charge revenue bonds or Transportation Infrastructure and Innovation Action of 1998 (TIFIA) loans used to finance the CONRAC and related improvements.

"**Passenger Carrier**" means a Passenger Carrier certificated by the Secretary of the U.S. Department of Transportation under 49 U.S.C. § 41102.

"**Passenger Facility Charge**" or "**PFC**" means the passenger facility charge authorized under 49 U.S.C. § 40117 or any predecessor or successor law, and as approved by the FAA from time to time with respect to the Airport.

"**Passenger Loading Bridge**" or "**PLB**" means a passenger loading bridge and any preconditioned air system(s), ground power supply unit(s) and other related equipment attached to the bridge or a concourse at a Gate.

"**Period of Use**" means, for all aircraft operations included in a Passenger Carrier's then current Initial Schedule Submission provided to the Scheduling Manager in accordance with Section 5.5.2, including any amendments submitted in accordance with Section 5.5.2(g), the periods of time, as specified in the Terminal Space Use Protocols, during which Airline shall have scheduling preference for itself and its Affiliates and Alliance Partners within Airline's Preferential Use Gate Space.

"**Phase I TAP Elements**" means certain Capital Improvement Projects that have been approved by Airline by execution of this Agreement subject to Section 10.2.

"**PLB**" or "**Passenger Loading Bridge**" means a passenger loading bridge and any preconditioned air system(s), ground power supply unit(s) and other related equipment attached to the bridge or a concourse at a Gate.

"**Pre-Approved Allowance**" means amounts listed on Exhibit O that the City may spend or encumber on Capital Improvement Projects each Fiscal Year, as approved by Airline by way of its execution of this Agreement. There shall be separate Pre-Approved Allowances for Capital Improvement Projects for the following categories: Taxiway Pavement Rehabilitation, Apron Pavement Repair, Airfield Roadway Repair and Replacement, Vehicle Replacement, Parking Maintenance and Repair, Roadway Pavement Replacement, Terminal Conveyance Replacement and Restroom Refresh and Modernization. There shall also be a separate category for Infrastructure Reliability, which shall not be a recurring expense each Fiscal Year.

"**Pre-Approved CIP Projects**" means certain Capital Improvement Projects that have been approved by Airline by execution of this Agreement as further described in Section 10.4 and Exhibit N.

"**Preferential Use Baggage Claim Space**" means Baggage Claim Space assigned to a Long-Term Signatory Airline as Preferential Use Premises.

"**Preferential Use Baggage Make-up Space**" means Baggage Make-up Space assigned to a Long-Term Signatory Airline as Preferential Use Premises.

"**Preferential Use Check-in Space**" means Check-in Space assigned to a Long-Term Signatory Airline as Preferential Use Premises.

"**Preferential Use Gate Space**" means Gate Space assigned to a Long-Term Signatory Airline as Preferential Use Premises in accordance with Article 5, as it may be adjusted from time to time, all as shown in Exhibits B and C as of the Effective Date.

"**Preferential Use International Gate Space**" means International Gate Space assigned by the City to a Long-Term Signatory Airline as Preferential Use Premises in accordance with Article 5.

"**Preferential Use Premises**" means those areas designated as such in the Premises Notice that are within the Terminal Complex and Apron Area, including Preferential Use Gate Space, Preferential Use Baggage Claim Space, Preferential Use Baggage Make-up Space and Preferential Use Check-in Space as more fully described in the Premises Notice, and to which Airline has a higher priority of use over all other Air Carriers, subject to Article 5.

"**Premises**" means any: (a) Exclusive Use Premises, (b) Preferential Use Premises, (c) Joint Use Premises, and (d) Common Use Premises assigned to Airline by City under this Agreement; provided, however, that in the case of Common Use Premises, such areas will only constitute "Premises" during the period of time for which Airline has the right to use such areas.

"**Premises Notice**" means the notice described in Section 4.1 and in the form attached as Exhibit C.

"**Previously Approved Projects**" means certain Capital Improvement Projects that have been approved by Air Carriers under Prior Use and Lease Agreements and reconfirmed by execution of this Agreement, as further described in Section 10.1 and Exhibit J.

"**Prior Use and Lease Agreement**" means the Chicago-O'Hare International Airport Amended and Restated Airport Use Agreement and Terminal Facilities Lease with a stated expiration date of May 11, 2018 (the "Main Terminal Prior Use and Lease Agreement") or the International Terminal Use Agreement and Facilities Lease with a stated expiration date of May 11, 2018 (the "Terminal 5 Prior Use and Lease Agreement"), or other substantially similar agreement to use or lease the Terminal Complex or the Airfield.

"**Project Costs**" means capitalized expenditures associated with a Capital Improvement Project including direct construction costs and allocated soft costs, including contingencies.

"**Release**" or "**Released**" means any actual or threatened spilling, leaking, pumping, pouring, emitting, emptying, Discharging, injecting, escaping, leaching, dumping or Disposing of any Hazardous Substance or Other Regulated Material into the environment.

"**Required Debt Service Coverage**" means the amount of debt service coverage required by Section 404 of the Bond Indenture (as it may be amended or supplemented in accordance with Section 7.2).

"**Required Deposits**" means deposits to establish or replenish (a) any funds or accounts required by the Bond Indenture, including without limitation the Maintenance Reserve Fund, that are not otherwise recovered as Capital Costs; and (b) any funds or accounts specified in Article 7, including without limitation the Supplemental O&M Reserve Fund.

"**Response**" or "**Respond**" means action taken in compliance with Environmental Laws to correct, remove, remediate, clean-up, prevent, mitigate, treat, monitor, evaluate, investigate, assess or abate the Release of any Hazardous Substance or Other Regulated Material, or to prevent or abate any public nuisance.

"**Revenues**" means "Revenues" as defined in the Bond Indenture.

"**RON Activities**" means parking an aircraft overnight at a Gate after an operation included in an Initial Schedule Submission provided to the Scheduling Manager in accordance with Section 5.5.2, including any amendments submitted in accordance with Section 5.5.2(g).

"**Runways**" means paved areas at the Airport designated for the landing and taking-off of aircraft, including all associated safety areas.

"**Scheduled Airline**" means a Passenger Carrier performing or seeking to perform scheduled passenger service operations at the Airport.

"**Scheduled Departure**" means a departing Scheduled Operation.

"**Scheduled Operation**" means a Scheduled Airline's operation (arrival or departure) that occurs pursuant to a schedule that is or will be published in the Official Airline Guide (OAG) or any similar publication, Global Distribution System (GDS) or airline website.

"**Scheduled Seasonal Service**" means Seasonal Service reported to the City in its Initial Schedule Submission pursuant to Section 5.5.2(e).

"**Scheduled Seats**" means the total number of Seats available on an arriving or departing Scheduled Operation.

"**Scheduling Manager**" means the third party hired by the City to receive and analyze Initial Schedule Submissions and Gate Space Plans and perform the tasks specified for the Scheduling Manager under Section 5.5.

"**Seasonal Service**" means air service on a route that is provided by a Passenger Carrier for less than twelve consecutive (12) months, as further specified in the Terminal Space Use Protocols.

"**Seat**" means a seat on an aircraft arriving or departing from the Airport other than those seats reserved in the flight deck or aircraft cabin for members of the flight crew.

"**Securities Exchange Act**" means the Securities Exchange Act of 1934.

"**Shared Equipment and Technology**" or "**SET**" means equipment owned and installed by the City for use in passenger processing, including without limitation equipment casework, supporting infrastructure, network wiring, flight information displays ("FIDS"), gate information displays ("GIDS"), the baggage information display system ("BIDS"), boarding gate readers, passenger processing workstations and self-service kiosks (for boarding passes and bag tagging), and other shared use technology (such as a reservation system portal open to all Passenger Carriers at the Airport).

"**Short-Term Signatory Airline**" means a Signatory Airline that is not a Long-Term Signatory Airline.

"**Signatory Airline**" means Airline and each other Air Carrier that has executed an Airline Use and Lease Agreement with the City substantially similar to this Agreement. A Signatory Airline may be either a Long-Term Signatory Airline or a Short-Term Signatory Airline.

"**Space Requesting Airline**" means a Passenger Carrier seeking to commence or expand operations at the Airport without adequate space other than Gate Space for its operations, as further described in Section 5.8.

"**Sublease**" means the event of a sublet, as more fully described in Section 4.2.

"**Sublessee**" means any entity to which Airline subleases, subject to Section 4.2, any of its Preferential Use or Exclusive Use Premises.

"**Support Space**" means airline ticket office, baggage service office and other airline operations space in the Terminal Complex.

"**SWPPP**" means Storm Water Pollution Prevention Plan.

"**T-5**" or "**Terminal 5**" means the terminal buildings, associated concourses and facilities designated as of the Effective Date as Terminal 5 of the Airport, as all such facilities may be

modified, improved or enlarged during the Term. T-5 as of the Effective Date is generally depicted in Exhibit A for illustrative purposes. T-5 may be renamed during the Term.

"**T-5 Extension**" means the project to expand Terminal 5 by adding Gate Space to the east end of the existing terminal.

"**TAP Budget**" means the aggregate amount of total Project Costs for the Phase I TAP Program that has been approved by execution of this Agreement as further specified in Article 10 and Exhibit L.

"**TAP Program**" means the Terminal Area Plan capital improvement program as more fully described in Exhibit K.

"**Taxiways**" means paved areas designated as taxiways and taxilanes at the Airport for the ground movement of aircraft to, from and between the Runways, aircraft parking areas and other portions of the Airport.

"**Term**" means the lease term of this Agreement as further described in Article 2.

"**Terminal 5**" or "**T-5**" means the terminal buildings, associated concourses and facilities designated as of the Effective Date as Terminal 5 of the Airport, as all such facilities may be modified, improved or enlarged during the Term. Terminal 5 as of the Effective Date is generally depicted in Exhibit A for illustrative purposes. Terminal 5 may be renamed during the Term.

"**Terminal Charges**" means the charges calculated pursuant to Sections 8.3 through 8.11.

"**Terminal Complex**" means the Main Terminal and Terminal 5.

"**Terminal Concessions**" means restaurants, bars, newsstands, gift shops, specialty shops, duty free, foreign currency exchanges, indoor and outdoor advertising displays, insurance, public telephones, internet kiosks and WiFi services, sleep centers, banking and ATMs, and other merchandising concessions and consumer services in the Terminal Complex.

"**Terminal Concession Revenue**" means revenue collected by the City from Terminal Concessions.

"**Terminal Facilities Advisory Committee**" or "**TFAC**" means the group that provides advice to the City about the assignment and use of Gate Space and other Terminal Complex facilities as more fully described in Section 5.7.

"**Terminal Rental Rates**" means, for any Fiscal Year, the Terminal Rental Rates established for such Fiscal Year pursuant to Section 8.3.

"**Terminal Space Revenue Requirement**" means for any Fiscal Year, the Terminal Space Revenue Requirement established for such Fiscal Year pursuant to Section 8.3.

"**Terminal Space Use Protocols**" means the City's policies, rules and protocols, as they shall be developed and may be amended from time to time by the Commissioner after consultation with the AAAC, governing priorities, procedures and requirements for the assignment and use of Common Use Space, Preferential Use Space, and Exclusive Use Space in the Terminal Complex and on the Apron Area, including Gate Space, Check-in Space, and Baggage Systems use, assignment, scheduling and accommodation.

"**TFAC**" or "**Terminal Facilities Advisory Committee**" means the group that provides advice to the City about the assignment and use of Gate Space and other Terminal Complex facilities as more fully described in Section 5.7.

"**Total Delivered Seats**" means the sum of Delivered Arriving Seats and Delivered Departing Seats.

"**Total Terminal Revenue Requirement**" means for any Fiscal Year, the Total Terminal Revenue Requirement established for such Fiscal Year pursuant to Section 8.3.

"**Trust Account**" means a Trust Account as defined in Section 16.6.

"**TSA**" means the Transportation Security Administration or other federal agency which assumes the oversight and functions of the Transportation Security Administration, if the Transportation Security Administration is abolished or combined with or merged into any other federal agency.

"**Unrecovered Domestic Common Use Gate Costs**" means the portion (if any) of the Domestic Common Use Gate Revenue Requirement calculated pursuant to Section 8.10.1(a) that is not recovered due to the proviso in Section 8.10.1(c) or the monthly cap on Domestic Common Use Gate Fees provided for in Section 8.10.1(d).

"**VIP Lounge**" means those Exclusive Use Premises (if any) used by Airline to provide premium services to its passengers.

"**Waste**" means those materials defined in the Illinois Environmental Protection Act, 415 ILCS 5/1 *et seq.* as waste and identified subcategories thereof, including but not limited to, construction or demolition debris, garbage, household waste, industrial process waste, landfill waste, landscape waste, municipal waste, pollution control waste, potentially infectious medical waste, refuse, or special waste.

"**Waste Sections**" has the meaning set forth in Section 16.15.

"**Waters**" has the meaning set forth in 415 ILCS 5/3.550, as amended from time to time.

1.2 Interpretation

The terms "hereby," "herein," "hereof," "hereunder" and any similar terms used in this Agreement refer to this Agreement.

The term "including" shall be construed to mean "including, without limitation."

All references in this Agreement to Articles, Sections, subsections, clauses, provisions, sentences or Exhibits, unless otherwise expressly stated, are to Articles, Sections, subsections, clauses, provisions, sentences or Exhibits of this Agreement.

Words importing persons shall include firms, associations, partnerships, trusts, corporations, limited liability companies and other legal entities, including public bodies, as well as natural persons.

Any headings preceding the text of the Articles and Sections of this Agreement, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Agreement, nor shall they affect the meaning, construction or effect of this Agreement.

Words importing the singular shall include the plural and vice versa. Words of the masculine gender shall be deemed to include correlative words of the feminine and neuter genders.

All references to a number of days mean calendar days, unless otherwise expressly indicated.

1.3 **Incorporation of Exhibits**

The following Exhibits attached hereto are hereby made a part of this Agreement:

Exhibit A Map of the Airport

Exhibit B Terminal Complex Space Exhibit

Exhibit C Premises Notice

Exhibit D Gate Space Assignments

Exhibit E Future Premises Commitment

Exhibit F Affiliate Operating Agreement

Exhibit G Alliance Partner Designation Form

Exhibit H Non-Signatory Airline Operating Agreement

Exhibit I Illustrative Rates and Charges Calculations

Exhibit J Previously Approved Projects

Exhibit K TAP Program

Exhibit L TAP Phase I Elements

Exhibit M Additional TAP Elements

Exhibit N Pre-Approved CIP Projects

Exhibit O Pre-Approved Allowances

Exhibit P Compliance with Laws

Exhibit Q Air Service Incentive Program Budget

Exhibit R Short-Term Facilities Use Agreement

Any changes to the Exhibits that occur from time to time consistent with the terms of this Agreement shall be reflected in revised Exhibits provided by the City to Airline. Such revised Exhibits shall be deemed to be effective without requiring a formal amendment to this Agreement.

Article 2

TERM

2.1 Effective Date

Subject to execution and delivery by both Airline and the City prior to or on May 12, 2018, this Agreement shall become effective and binding upon the parties hereto as of May 12, 2018. If, however, the City and Airline execute or deliver this Agreement after May 12, 2018, the Effective Date shall be such date as is mutually agreed to by the City and Airline and reflected on the signature pages of this Agreement.

2.2 Long-Term Signatory Airlines and Short-Term Signatory Airlines

2.2.1 Long-Term Signatory Airlines. Any Air Carrier that has executed this Agreement or a substantially similar agreement with a Term that expires on December 31, 2033 shall be deemed a Long-Term Signatory Airline. In addition to the other rights of Signatory Airlines specified in this Agreement, Long-Term Signatory Airlines shall (a) have the right to participate in the Majority-in-Interest approval process under Section 10.8 and (b) be eligible, subject to the provisions of Article 5, to receive assignments of Preferential Use Gate Space, Preferential Use Check-in Space, Preferential Use Baggage Claim Space and Preferential Use Baggage Make-up Space.

2.2.2 Short-Term Signatory Airlines. Any Signatory Airline that is not a Long-Term Signatory Airline shall be deemed to be a Short-Term Signatory Airline. Short-Term Signatory Airlines shall not (a) have the right to participate in the Majority-in-Interest approval process under Section 10.8 or (b) be eligible to receive assignments of Preferential Use Gate Space, Preferential Use Check-in Space, Preferential Use Baggage Claim Space or Preferential Use Baggage Make-up Space.

2.2.3 Transition from Short-Term Signatory Airline to Long-Term Signatory Airline. Any Short-Term Signatory Airline shall have the right to become a Long-Term

Signatory Airline by, at the time it notifies the City of its election to extend the Term under Section 2.4, extending the Term through December 31, 2033; provided, however, that any such election must be made prior to January 1, 2028.

2.3 **Term**

2.3.1 For any Long-Term Signatory Airline, this Agreement shall continue in effect from the Effective Date through December 31, 2033, unless terminated earlier by operation of law or pursuant to the express provisions of this Agreement.

2.3.2 For any Short-Term Signatory Airline, this Agreement shall continue in effect from the Effective Date through December 31, 2023 (if the Effective Date is prior to January 1, 2024), December 31, 2028 (if the Effective Date is between January 1, 2024 and December 31, 2028), or December 31, 2033 (if the Effective Date is between January 1, 2029 and December 31, 2033) unless extended in accordance with Section 2.4 or terminated earlier by operation of law or pursuant to the express provisions of this Agreement.

2.4 **Extension Periods**

2.4.1 Short-Term Signatory Airlines may extend the Term for each of two successive five (5) year periods through December 31, 2028 and then through December 31, 2033 by notifying the City in writing at least twelve (12) months prior to the end of the then-current Term. For example, if a Short-Term Signatory Airline executes this Agreement with an Effective Date of May 12, 2018 and a Term that expires on December 31, 2023, it must notify the City by December 31, 2022 of its request to extend the Term for another five years. The City shall approve the extension, subject to reallocations of such Short-Term Signatory Airline's Premises as reasonably determined by the City are necessary to foster expansion and competition at the Airport.

2.4.2 If the City intends to reallocate a Short-Term Signatory Airline's Premises, the City shall provide written notice to the Short-Term Signatory Airline describing the reallocation at least six (6) months prior to the end of the Term. All out-of-pocket costs associated with such reallocation of Short-Term Signatory Airline Premises, including without limitation the costs of the City, shall be funded by the Short-Term Signatory Airline.

2.5 **Termination of Prior Use and Lease Agreement**

Airline's Prior Use and Lease Agreement shall be deemed terminated and shall be of no further force or effect on and after the Effective Date.

Article 3

USES, RIGHTS AND PRIVILEGES

3.1 Airline Rights, Privileges, Limitations and Prohibitions on Use of the Airport

Subject to the terms of this Agreement and Airport Rules, including without limitation operating procedures and protocols that may be imposed by the Commissioner from time to time for the safe and secure operation of the Airport, Airline shall have the right to conduct its Air Transportation Business at the Airport and to perform all operations and functions in connection with the conduct and operation of such business at the Airport. Except as provided in this Article 3, nothing in this Agreement shall be construed as authorizing Airline to conduct any business at the Airport separate and apart from the conduct of its Air Transportation Business. Airline shall not use the Premises, and shall not cause or permit its Associated Parties to use the Premises, for any purpose other than as specified in this Agreement.

3.2 Terminal Complex

Airline's use of the Terminal Complex shall be limited to the following activities:

3.2.1 Airline's operation of an Air Transportation Business for the carriage and movement of persons, property, baggage, cargo, express packages and mail by means of aircraft, including but not limited to the following categories of flights: revenue, training, test, inspection, emergency, charter and sightseeing.

3.2.2 Airline's loading and unloading of persons, property, baggage, cargo, express packages and mail at the Terminal Complex by such motor vehicles or other means of conveyance as Airline may require in the operation of its Air Transportation Business; provided that Airline may designate third party transportation providers licensed by the City to operate at the Airport to transport Airline's employees, passengers and their baggage, if such transportation is paid for, directly or indirectly, or arranged, by Airline; provided, further, that Airline shall not operate commercial ground transportation for the general public; and provided, further, that Airline is not responsible for ensuring that hotel shuttle services utilized by Airline employees traveling to or from the Airport are properly licensed by the City. If such transportation is not paid for or arranged by Airline, the City may charge operators of vehicles carrying passengers for hire reasonable fees for the privilege of entering upon the Airport, using the streets, highways and public roads within the Airport, soliciting passengers upon the Airport, and otherwise operating on the Airport.

3.2.3 Airline's hiring, employment and training of personnel in the current or future employ of Airline, and training of Airline's Contractors.

3.2.4 Airline's use, alone or with other Air Carriers, for any and all purposes in connection with or incidental to the operation of its Air Transportation Business, including: the handling of reservations; the handling, ticketing and billing of passengers; services associated with the Airline's frequent flier program; the installation of debit-card dispensing or self-service ticketing kiosks; the operation of break rooms for Airline's employees and its Affiliates', Alliance Partners', and Contractors' employees only and, to the extent permitted by law, the

serving of food and beverages (complimentary or for sale) in such employee break rooms and cafeterias within Airline's Exclusive Use Premises, if any; the operation of one or more VIP Lounges, passenger clubs and lounge rooms, and, to the extent permitted by law, the serving of food and beverages (complimentary or for sale) in such VIP Lounges, passenger clubs and lounge rooms; and the offering of complimentary food and beverage during irregular operations and for limited promotions approved in writing by the Commissioner. Notwithstanding any provision in this Agreement to the contrary, Airline may sell retail items, food and beverages, or services to the public or to Airline's (or its Affiliates', Alliance Partners' or Contractors') employees and passengers in the Terminal Complex only to the extent expressly permitted by this Section 3.2.4. The City will not charge Airline a permit fee, concession fee or any other fee for the sale, or provision, of food and beverages or implementation of debit-card dispensing, self-service ticketing kiosks or similar amenities permitted under this Section 3.2.4.

3.2.5 Airline's installation and maintenance in Airline's Preferential Use Premises and Exclusive Use Premises, at Airline's sole cost and expense, of identifying signs, posters, displays, and other similar materials which advertise the services offered by Airline (or its Affiliates or Alliance Partners) to the traveling public; provided, however, that only corporate identifiers or "logos" of Airline (or its Affiliates or Alliance Partners) shall be permitted on the Gate Ramp within Airline's Preferential Use Premises; and further provided that identifying signs, posters, displays, and other similar materials which advertise the services offered by Airline (or its Affiliates or Alliance Partners) to the traveling public may be installed by Airline on any PLBs within such Preferential Use Premises if and only if Airline is a Long-Term Signatory Airline. All such signs, posters, displays, and other similar materials must comply with any applicable Airport Rules.

3.2.6 Airline's installation and operation, at Airline's expense, of static or digital signs identifying the name of Airline, and directional signs guiding passengers as needed; provided that such signs comply with the City's signage standards as set forth in the Airport Rules. In addition to such signage, Airline shall keep current its flight information on the City's multi-user flight information display system ("MUFIDS") and, if applicable, the Common Use Gate information display system ("GIDS"), the common use baggage information display system ("BIDS"), and other common use information display systems at the Airport as further delineated in Section 3.9.

3.2.7 Airline acknowledges and agrees that all passenger terminal facilities and amenities related thereto shall be located within the Terminal Complex, and that no passenger terminal functions, other than remote passenger and baggage check-in by Passenger Carriers that primarily check in passengers and baggage in the Terminal Complex, shall be conducted elsewhere on the Airport. The term "passenger terminal functions" as used in this Section 3.2.7 includes the reception, ticketing, collection of fees, check-in, loading, unloading, collection, or transfer of all persons and their baggage being transported by air, or by ground transport incidental to such transportation. The term specifically includes, without limitation, persons and their baggage being transported by Air Carriers and, except as hereinafter provided, all other aircraft operators, including operators of corporate and private aircraft. Notwithstanding the foregoing, the City reserves the right to permit fixed-base operators to operate passenger lounges and facilities within facilities leased by such operators on an exclusive

use basis to accommodate passengers and baggage being transported on private Air Carrier charter and corporate aircraft.

3.3 Gate Space and Gate Ramps

Subject to Article 4, Article 5 and the Terminal Space Use Protocols, Airline's use of Gate Space and Gate Ramps shall be limited to:

3.3.1 Airline's ticketing, check-in, passenger and baggage handling, boarding, deplaning, and collection of fees from passengers and use of the Passenger Loading Bridge, if any, and associated equipment and Gate Ramp during Airline's use of Gate Space.

3.3.2 Airline's and, subject to Section 3.7, Airline's third-party service provider's, operational staging of equipment for and performance of fueling, deicing, servicing, loading, unloading, and unscheduled repairs and Light Maintenance that can be completed during Airline's use of such Gate Space, provided, however, that:

(a) Airline may park or store its ground service equipment and operations vehicles on a Gate Ramp at its Preferential Use Gate Space, subject to Sections 5.5 and 5.6 and the Terminal Space Use Protocols;

(b) Nothing in this Section 3.3.2 shall be implied or construed to grant to Airline the right to store or park equipment on a Gate Ramp in a Common Use Gate Space other than as required for the regular servicing of aircraft parked in such Gate Space during Airline's use of such Common Use Gate Space; and

(c) In addition to regular Light Maintenance and so long as it does not interfere with another Passenger Carrier's operations, the City may permit Airline to perform emergency Light Maintenance of aircraft on a Gate Ramp within Common Use Gate Space.

3.3.3 Airline's loading and unloading of any persons, property, baggage, cargo, express packages and mail, and carriage and transport of all of the aforesaid, in properly designated areas by motor vehicles or other means of conveyance as Airline may reasonably require in the operation of its Air Transportation Business, all in accordance with Section 3.2.2.

3.3.4 Airline's installation, maintenance and operation of its loading bridge, air conditioning equipment, auxiliary power, potable water cabinets, dumbwaiter, baggage chutes, start-up and miscellaneous support equipment at Preferential Use Premises as reasonably necessary for Airline's operation of an Air Transportation Business and not otherwise provided by the City.

3.3.5 Subject to Section 3.7, Airline's provision, by its employees or others for whom Airline is responsible, to Airline's aircraft on Airline's Gate Ramp (including aircraft of each of Airline's Affiliates on such Gate Ramp) with supplies and services, including food and beverages and ground handling services required by Airline; provided, however, that Airline shall have the right to provide its own supplies and services, or to have such supplies and services provided by its wholly-owned subsidiary or majority-owned subsidiary, or wholly-owned subsidiary of its parent company, or by a third party (including another Air Carrier).

Airline may contract with another Air Carrier permitted by the City to operate at the Airport for the provision of supplies or services for Airline that Airline itself is permitted to provide under this Agreement without Airline entering into one or more additional agreements with the City, and without such Air Carrier being required to pay fees to the City that would otherwise be required. Additionally, subject to the requirements in Section 3.7, Airline may contract with other third parties for the provision of supplies or services for Airline that Airline itself is permitted to provide under this Agreement without Airline or any such third party being required to pay fees to the City (except for a license application fee) that may otherwise be required.

3.3.6 Subject to Section 3.7, Airline's provision, by its employees or others for whom Airline is responsible (including an Affiliate or Airline's third party service provider), to aircraft of another Passenger Carrier on a Gate Ramp with supplies and services, including food and beverages and ground handling services, required by such other Passenger Carrier; provided, however, that Airline shall cause its third-party service providers to comply with the requirements described in Section 3.7.

3.4 Airfield

3.4.1 Airline's use of the Airfield and related facilities shall be limited to take-off, landing, flying, taxiing, towing, maneuvering, parking, deicing, fueling, ground run-up, loading and unloading of Airline's aircraft by such motor vehicles, ground service equipment, or other equipment or means of conveyance as Airline may require, subject to the terms of this Agreement.

3.4.2 Airline shall control all of its vehicular traffic on the Airfield and employ such means as may be necessary to direct the movements of its vehicular traffic and take all precautions reasonably necessary to promote the safety of its passengers, customers, employees, business visitors and other persons.

3.5 Communications Equipment and Antennae

Airline has no right to install or use any telecommunications equipment or antennae on the roof or exterior of the Terminal Complex, unless (a) the installation and use are directly related to the conduct of Airline's business at the Premises and are in full compliance with Applicable Laws and Airport Rules, and (b) the installation is effected in compliance with the requirements of Section 4.9. Airline will not license, sublease or in any other manner permit any other person to use any telecommunications equipment or antennae installed by Airline at the Terminal Complex; provided, however, that Airline may, without compensation to the City or any City concessionaire, license, sublease or in any other manner permit Airline's Alliance Partners, Affiliates, Contractors and third-party service providers to use any telecommunications equipment or antennae installed by Airline at the Terminal Complex so long as (i) such use is for aeronautical purposes and (ii) neither Airline, its Alliance Partners, Affiliates, Contractors or third-party service providers receive compensation from such use other than on a cost recovery basis; and provided further that Airline's passengers may have access to Airline's Wi-Fi services in Airline's VIP Lounges (if any), without compensation to the City or any City concessionaire. The City may, without compensation to Airline, install or use telecommunications equipment or antennae on the roof or exterior of the Premises and to install and attach cables, wires and

conduits on, over or under the Premises in connection with telecommunications equipment or antennae, or to license or otherwise permit others to do so, provided that such installations and operations do not unreasonably interfere with Airline's communication systems or operations. Airline and the City shall reasonably cooperate with each other to resolve any conflicts between Airline's and the City's communication systems. If Airline incurs any costs to resolve any conflicts between Airline and City systems, the City shall reimburse Airline for its reasonable actual costs.

3.6 City Equipment

The City grants to Airline a non-exclusive license to use, subject to City Equipment Charges and the City's control and maintenance thereof in accordance with Section 11.1, City Equipment in the ordinary course of its business at the Airport and otherwise in accordance with this Agreement. Airline agrees to accept and use City Equipment in its "as is" condition, without any representations or warranties of any kind whatsoever, express or implied, from the City as to any matters concerning City Equipment, and Airline further agrees to assume all risk of loss, damage and injury arising out of Airline's use of City Equipment. The City shall provide and keep City Equipment in a safe and operable condition in accordance with the Facilities Maintenance Protocols.

3.7 Handling Arrangements and Third-Party Service Providers

3.7.1 For so long as Airline actively conducts an Air Transportation Business at the Airport, Airline may use, subject to the provisions of Section 3.3.2 and to the prior written consent of the Commissioner (which consent shall not be unreasonably withheld), its Premises for the handling of the air transportation operations of any other Air Carrier using the Airport to the same extent as they may be used for the operations of Airline under this Agreement. However, no prior written consent shall be required for Airline's use of its Preferential Use Premises for the handling of Airline's Affiliates or Alliance Partners. The handling operations shall be subject to compliance with all applicable FAA standards and Airport Rules.

3.7.2 Airline may, subject to the provisions of Sections 3.3.5 and 3.3.6, contract with third-party service providers for the handling of Airline's air transportation operations within its Premises and within space where it is accommodated by another Airline; provided, however, that Airline shall require any such third-party service provider to, before beginning to provide the services to Airline, (a) obtain a license or other type of written contract issued by the City authorizing the third party to conduct the activities or provide the services to Airline, (b) provide evidence of insurance as required by the City, (c) obtain all required security authorizations in accordance with Airport Rules; and (d) comply with any other requirements imposed by the City on third-party service providers pursuant to its authority under Municipal Code § 2-20-020. The handling operations shall be subject to compliance with all applicable FAA standards and Airport Rules.

3.7.3 As contemplated in Section 3.7.2 and pursuant to its authority under Municipal Code § 2-20-020, the City may require third-party service providers to obtain a license from the City authorizing the third-party service provider to conduct certain activities or provide certain services at the Airport for an Air Carrier or other Airport user. For the avoidance

of doubt, an Air Carrier (or its wholly-owned subsidiary or majority-owned subsidiary, or a subsidiary of its parent company, which service only the Air Carrier, its Affiliates and its Alliance Partners) shall not be considered a third-party service provider subject to this license requirement.

(a) The City may contract with a consortium established by Air Carriers to enforce compliance with Airport Rules related to third-party service providers licensed by the City, and if desired, to manage and maintain City-owned ground handling equipment.

(b) The City may after consultation with the AAAC approve the fueling sources or propulsion systems for the equipment utilized by each licensed third-party service provider, specifically to ensure compliance with City ordinances and Department of Aviation environmental and sustainability standards based on commercially reasonable best practices.

(c) The City may, at any time, after consulting with the AAAC, restrict the number of licensed third-party service providers at the Airport to no fewer than three (3) for safety and security reasons, and may, in such case, require an Air Carrier that wishes to contract with a third-party service provider to choose from a pool of third-party service providers approved and pre-qualified by the City.

3.8 **Exclusions and Reservations**

3.8.1 The City reserves the right to continue to offer Airline SET, rubbish removal and other services, including, but not limited to, new technology-related services, as provided in Sections 11.1 and 11.4, and to charge Airline for such services on a cost-recovery basis.

3.8.2 Airline shall not, by action or failure to act, knowingly interfere or permit interference with the use, operation, or maintenance of the Airport and other Air Carrier operations, including but not limited to, the effectiveness or accessibility of the drainage, sewerage, water, communications (including Wi-Fi services), fire protection, utility, electrical or other systems installed or located from time to time at the Airport.

3.8.3 Airline shall not do or permit to be done anything, either by act or failure to act, that shall cause the cancellation or violation of the provisions, or any part thereof, of any policy of insurance for the Airport or that shall cause a hazardous condition so as to increase the risks normally attendant upon operations permitted by this Agreement. If Airline shall do or permit to be done any act not permitted under this Agreement, or fail to do any act required under this Agreement, regardless of whether such act shall constitute a breach of this Agreement, which act or failure, in and of itself, causes an increase in City's insurance premiums, then upon written notice from the City to do so, Airline shall promptly remedy or commence such actions as necessary to remedy or shall be subject to paying the increase in premiums to the extent caused by such act or failure of Airline until the issue is remedied.

3.8.4 The City or its duly authorized representative may enter upon the Premises at any and all reasonable times and upon reasonable notice of not less than forty-eight

(48) hours (except in emergency situations) for the purpose of determining whether or not Airline is complying with the terms and conditions of this Agreement or for any other purpose incidental to the rights of the City; provided that such right of entry does not unreasonably interfere with Airline's operations. In the case of an emergency, the City shall provide as much notice as reasonably possible in light of the circumstances.

3.8.5 The City reserves the right to place advertising displays in all areas of the Airport that are visible to the public, including in Airline's Premises, except within Airline's Exclusive Use Premises and on any equipment owned by Airline, including PLBs, FIDs, BIDs and MIDs; provided, however, that (a) no City advertising display shall displace Airline's identifying signs, posters, displays, and other similar materials permitted pursuant to Section 3.2.5; (b) any City advertising display shall not unreasonably interfere with the use of Airline's Premises by Airline, its Affiliates or Alliance Partners; and (c) the City shall not allow the placement in Airline's Premises or in public space within thirty (30) feet of Airline's Premises of advertising of competing transportation services or of consumer products or services that are sold in competition with providers with which Airline has an affinity marketing program.. Airline shall not sell any advertising space anywhere within the Airport, including but not limited to within its Premises or on any information display equipment similar to the City's FIDs, BIDs, or MIDs that Airline may own, whether such equipment is located within Airline's Premises or not, except that Airline may sell advertising space on its PLBs or within its Exclusive Use Premises without paying a fee to the City. All advertising must comply with any applicable Airport Rules.

3.9 Flight Information Management System

Airline shall provide or cause a third party to provide to the City information for the City's Flight Information Management System by providing real time data output from Airline's internal flight information display system, computer reservations system, cargo load message transmission, ARINC or SITA transmissions, or other information systems (including commercial information systems) on a per flight basis. Airline's flight information shall be in a format prescribed by the City and consistent with the requirements of the City's FIDS, Baggage Information Display Systems ("BIDS") and Resource Management Systems ("RMS"), which also shall be consistent with IATA standards for providing information about Airline's operations and activities at the Airport.

3.10 Safety Management System

Airline agrees to cooperate with the City's implementation of a safety management system and safety risk management systems at the Airport including participation in committees, risk identification and assessment processes, training, and safety promotion and communication initiatives.

Article 4

AIRLINE'S PREMISES

4.1 Rights to Use Premises

4.1.1 Premises Notice and Terminal Complex Space Exhibit. On or before the Effective Date, the City will issue to Airline (a) a Premises Notice, attached hereto as Exhibit C, that will designate which areas of the Airport, if any, the City will make available for Airline's use as: (i) Exclusive Use Premises, (ii) Preferential Use Premises and (iii) Joint Use Premises, and (b) a Terminal Complex Space Exhibit that will designate which areas of the Airport the City will make available for Airline's use as Common Use Premises. Airline acknowledges and agrees that the Premises Notice and the Terminal Complex Space Exhibit may be revised by the City and reissued to Airline from time to time during the Term in accordance with the terms and conditions of this Agreement and the Terminal Space Use Protocols. The City and Airline agree that, upon issuance by the City, and acknowledgement and acceptance in writing by the Airline, each revised Premises Notice or Terminal Complex Space Exhibit shall be deemed attached to and incorporated into this Agreement as Exhibits B or C, and shall supersede and replace the last issued Premises Notice or Terminal Complex Space Exhibit deemed attached to and incorporated into this Agreement as Exhibit B or C without the need for a written amendment of the Agreement signed by the City and Airline.

4.1.2 Exclusive Use Premises. The City grants to Airline, subject to Article 5 of this Agreement and the Terminal Space Use Protocols, the exclusive right to use the Exclusive Use Premises (if any) identified in the Premises Notice. The City may also grant Airline, other Signatory Airlines, Non-Signatory Airlines and Aeronautical Service Providers the exclusive right to use other areas within the Terminal Complex on a month-to-month basis subject to the terms of a Short-Term Facilities Use Agreement in the form attached as Exhibit R.

4.1.3 Preferential Use Premises. The City grants to Airline, subject to Article 5 of this Agreement and the Terminal Space Use Protocols, the right to use, on a preferential use basis, the Preferential Use Premises (if any) identified in the Premises Notice.

4.1.4 Joint Use Premises. The City grants to Airline, subject to Article 5 of this Agreement and the Terminal Space Use Protocols, the right to use jointly with other assigned Passenger Carriers on a preferential use basis, the Joint Use Premises (if any) identified in the Premises Notice.

4.1.5 Common Use Premises. The City grants to Airline, subject to Article 5 of this Agreement and the Terminal Space Use Protocols, the right to use, on a common use basis, the Common Use Premises identified in the Terminal Complex Space Exhibit; provided, however, that the City shall at all times have exclusive control and management of the Common Use Premises in accordance with the terms of this Agreement. In the event of a conflict between this Agreement and the Terminal Space Use Protocols, the terms of this Agreement shall control.

4.1.6 Terminal Space Use Protocols. The City shall promulgate Terminal Space Use Protocols after consultation with the AAAC. The Commissioner may amend the

Terminal Space Use Protocols from time to time after consultation with the AAAC. In the event of a conflict between this Agreement and the Terminal Space Use Protocols, the terms of this Agreement shall control.

4.1.7 Condition of Premises. Except as otherwise expressly provided in this Agreement, including the City's maintenance responsibilities under Section 11.1, Airline specifically acknowledges and agrees that the City is permitting Airline's use of the Premises on an "as is with all faults" basis, and that Airline is not relying on any representations or warranties of any kind whatsoever, express or implied, from the City, as to any matters concerning the Premises.

4.1.8 Long-Term Signatory Airlines' Commitment to Future Premises. Each Long-Term Signatory Airline acknowledges and agrees that the location and amount of its Exclusive Use Premises and Preferential Use Premises is expected to be adjusted during the term of the Agreement in connection with the T-5 Extension and TAP Program. A summary of Airline's commitments, if any, and any applicable conditions are shown in Exhibit E ("Future Premises Commitment"). Each Long-Term Signatory Airline acknowledges that the plans for future facilities are conceptual in nature and therefore specific locations and quantities of future Premises have not been determined, but general locations, such as the terminal and concourse, have been identified and are specified in the Future Premises Commitment. Each Long-Term Signatory Airline agrees that, as the T-5 Extension and elements of the TAP Program are completed, it will relocate between and within the Main Terminal and Terminal 5 as directed by the City to the extent that it is consistent with the Future Premises Commitment, and each Long-Term Signatory Airline agrees subject to Article 5 to lease, at a minimum, the amounts of Exclusive Use Space and Preferential Use Space stated in the Future Premises Commitment in the locations specified by the City. The City agrees, subject to Article 5 and to the extent adequate space is constructed as part of the T-5 Extension and the TAP Program, to provide Airline the amounts of Exclusive Use Space and Preferential Use Space identified in the Future Premises Commitment within the terminals and concourses identified in Exhibit E. Before directing a Long-Term Signatory Airline to vacate Preferential Use Gate Space, the City shall make an equivalent amount of Linear Frontage available for Airline's relocation. Each Signatory Airline shall be responsible for any costs of relocating its Premises that are incurred as a result of this Section 4.1.8.

4.2 Assignment and Subletting

4.2.1 Airline covenants that it will not (i) assign, transfer, convey, sell, mortgage, pledge or encumber (any of the foregoing events being referred to as an "Assignment") or (ii) sublet (such event being referred to as "Sublease") the Premises or any part thereof, or any rights of Airline hereunder or any interest of Airline in this Agreement, nor will Airline allow the use of its Premises by any Air Carrier, except as otherwise provided in this Agreement (including Section 4.2.2, Section 4.2.8 and Section 6.2.1), without in each instance having first obtained the prior written consent of the City, to the extent required, as set forth in this Section 4.2. In determining whether or not to consent to an Assignment or Sublease, the City will take into account, among other factors, the balanced utilization of the Airport facilities and operational considerations relating to the proposed Assignment or Sublease.

4.2.2 The consent of the Commissioner on behalf of the City shall be required for any Assignment or Sublease, except for Airline's Assignment or Sublease of its Exclusive Use Premises or Preferential Use Premises to its Affiliates or Alliance Partners. Consent by the City to any type of Assignment or Sublease described in this Section 4.2 or elsewhere in this Agreement shall not in any way be construed to relieve Airline from obtaining further authorization from the City for any subsequent Assignment or Sublease of any nature whatsoever.

(a) All Sublessees under this Section 4.2.2 must execute an Airline Use and Lease Agreement, Affiliate Operating Agreement, Non-Signatory Airline Operating Agreement or other agreement with the City to operate at the Airport in a form acceptable to the City.

(b) If applicable, whenever Airline seeks consent for a proposed Sublease of its Premises under this Section 4.2.2, the City shall have the option to recapture such portion of the Premises Airline seeks to Sublease if the City has received a request from another Signatory Airline for such space. If the City exercises its option to recapture such portion of the Premises, Airline's leasehold with respect to such portion of the Premises shall terminate, and the City shall issue Airline a revised Premises Notice.

(c) In the event that Airline subleases any of its Premises pursuant to this Section 4.2, Airline shall charge the Sublessee no more than the sum of the following:

(i) Sublessee's pro rata share of Airline's Airport Fees and Charges;

(ii) additional amounts sufficient for Airline to recover its direct costs, if any, of such Sublease, including a reasonable allocation of tenant improvement costs and equipment costs for property and equipment owned by Airline; and

(iii) an additional administrative fee of up to 15 percent of the combined total of the amounts specified in Sections 4.2.2(c)(i) and (ii).

(d) Whenever Airline makes an Assignment or Sublease of its Premises to any of Airline's Affiliates or Alliance Partners or, subject to Section 4.2.9, enters into a license agreement with a third-party without seeking the City's consent, Airline shall deliver to the City, within thirty (30) days following the execution by Airline and the assignee, Sublessee or licensee, as applicable, written notice of such assignment, sublease or license, together with copies of all documents, if any, relating to such assignment, sublease or license and, as applicable, information establishing that the proposed assignee or Sublessee is its Affiliate or Alliance Partner. If Airline terminates any such Assignment, Sublease or license earlier than the termination date set forth in the written notice, Airline shall provide City written notice thereof within thirty (30) days of such termination.

4.2.3 Notwithstanding any Sublease with or without City consent, Airline shall remain fully liable for the payment of all of its Airport Fees and Charges and fully responsible for the performance of all of its other obligations hereunder.

4.2.4 Any and all requests by Airline requiring consent under Section 4.2.1 shall be made in writing to the City and shall include copies of the proposed documents of Assignment or Sublease. Said documents of Assignment or Sublease shall fully disclose any and all consideration provided to Airline for said Assignment or Sublease.

4.2.5 If any Assignment or Sublease shall occur, whether or not prohibited by this Section 4.2, and Airline is in default of its payment obligations under this Agreement, the City may provide written notice to Airline of the City's intent to collect assignee's, Sublessee's or other transferee's pro rata share of Airport Fees and Charges from such assignee or Sublessee or other transferee of Airline. If Airline does not cure any such payment default within fifteen (15) business days from the City's notice, the City may collect such amounts for as long as such payment defaults remain outstanding directly from the assignee or Sublessee, and in such event shall apply the amount collected, net of any costs of collection, to the Airline Fees and Charges due from Airline hereunder without such action by the City releasing Airline from this Agreement or any of its obligations hereunder. If any Assignment or Sublease prohibited by this Section 4.2 shall occur without the consent of the City, and the City collects Airport Fees and Charges from any assignee, Sublessee or other transferee of Airline and applies the net amount collected in the manner described in the preceding sentence, such actions by the City shall not be deemed to be a waiver of the covenant contained in this Section 4.2 or constitute acceptance by the City of such Assignment, Sublease or transfer.

4.2.6 Any Sublease or Assignment shall require the Sublessee or the assignee to be bound by all of the terms and provisions of this Agreement. For purposes of interpretation of the immediately preceding sentence, in all provisions of this Agreement applicable to the Sublessee or the assignee, including Section 13.1 of this Agreement requiring that the City Indemnified Parties be indemnified, reference to the "Airline" shall be deemed to refer to the Sublessee or assignee.

4.2.7 Any Sublease or Assignment under this Section 4.2 must expressly name the City as a third-party beneficiary of the Sublessee's or the assignee's obligations under the Sublease or the Assignment and grant a direct right of enforcement thereunder to the City in the event Airline fails, after thirty (30) days' written notice from the City, to successfully enforce the obligations of the Sublessee or assignee, as applicable.

4.2.8 Notwithstanding the foregoing, this Section 4.2 shall not be interpreted to preclude the Assignment of this Agreement, and Airline's rights and obligations hereunder, to a parent, subsidiary, subsidiary of a parent, or merged company if such parent, subsidiary, subsidiary of a parent, or merged company conducts Air Transportation Business at the Airport and assumes all rights and obligations hereunder. Consent to such Assignment shall not be required, but written notice of such assumption shall be provided by the parent, subsidiary, subsidiary of a parent, or merged company within thirty (30) days of the effective day of such Assignment.

4.2.9 Subject to Section 3.7 and the notice provisions set forth in Section 4.2.2(d) as applicable, Airline may enter into a license agreement under which Airline's Affiliate or Alliance Partner, a Contractor or other Air Carrier handled by Airline, is given rights or

privileges to utilize portions of Airline's Exclusive Use Premises or Preferential Use Premises without seeking the City's consent.

4.3 City's Right of Entry

The City, by its officers, employees, agents, representatives, contractors, consultants and furnishers of utilities and other services, shall have the right at all times upon reasonable notice to enter Airline's Premises for the purpose of inspecting the same, for emergency repairs to utilities systems, and for any other purpose necessary for or incidental to or connected with the performance of the City's obligations hereunder, or in the exercise of its governmental functions or in the City's capacity as Airport owner. The City shall make commercially reasonable efforts to conduct each inspection, repair or other activity in a manner that does not unreasonably interfere with Airline's operations. The City will provide forty-eight (48) hours advance notice pursuant to Section 18.4 (which additionally may be provided by telephone, accompanied with or separately by written notice or electronic mail to Airline's local operations manager) of any planned inspection or intrusive sampling to Airline, except in emergencies, when advance notice shall not be required. Airline shall have the right to accompany the City when any such inspection or sampling is performed, provided that the City is not required to unreasonably delay its inspection or sampling to enable Airline to be present. The City shall repair any damage to Airline's Premises caused by such inspection or intrusive sampling and the cost of any repairs shall be an O&M Expense of the Terminal Complex. Notwithstanding the above, the City, its contractors and other agents' right of entry to Airline's Premises to perform environmental inspections and sampling shall be governed exclusively by Section 14.2.

4.4 Quiet Enjoyment

The City covenants, unless otherwise provided by this Agreement, that, if Airline shall perform all obligations and make all payments as provided herein, Airline shall peaceably have and enjoy the Premises and all the rights, privileges, appurtenances and facilities granted herein, subject to the exercise of governmental police powers by either the City or any other governmental authority having jurisdiction over the Airport.

4.5 Surrender and Removal of Personal Property

4.5.1 Airline covenants and agrees to surrender possession of the Premises (or a portion of the Premises, if applicable) upon:

(a) the expiration or early termination of this Agreement;

(b) partial termination of Premises under Section 15.2.2;

(c) the effective date of the City's reallocation of all or any portion of the Premises under Article 5; or

(d) termination of any holdover period

in substantially the same condition as of the Effective Date (or in the case of improvements or alterations made or fixtures installed subsequent thereto, then as of the date of such

improvements, alternations, or fixtures were made or installed), reasonable wear and tear, damage from casualty and condemnation as described in Article 15 resulting in the termination of this Agreement, and repairs that are the responsibility of the City, all excepted. No act or thing done by the City during the Term shall be deemed acceptance of a surrender of the Premises, and no agreement to accept such surrender shall be valid, unless in writing and signed by the City. Airline's improvements to the Premises, if any, shall be removed unless the City agrees in writing to allow them to be left in place or an agreement between the City and Airline allows them to be left in place; provided, however, that any Baggage Systems within any Premises to be surrendered by Airline shall be left in place, and the City shall be deemed to own any such Baggage Systems upon surrender of such Premises.

4.5.2 In the event of such expiration or earlier termination, Airline shall have thirty (30) days after such expiration or termination during which to remove personal property and trade fixtures; provided, however, the City shall have the right to assert such lien or liens against said property as the City may by law be permitted. Any damage to the Airport, the structure, the Premises or any fixtures located therein resulting from such removal shall be repaired or paid for by Airline.

4.5.3 If, upon such expiration or earlier termination, Airline shall fail to remove any personal property or trade fixtures as required herein, the City may, but without the obligation to do so, (a) remove said personal property and trade fixtures and hold them for the owners thereof, or may place the same in a public warehouse, all at the expense and risk of the Airline; or (b) deem such property abandoned and keep such property or, after written notice to Airline and at Airline's sole risk and expense, remove such property to a public warehouse for deposit, or retain the same in the City's possession and after the expiration of thirty (30) days sell the same, with notice and in accordance with applicable law, the proceeds of which shall be applied first to the expenses of such removal and sale, second to any sum owed by Airline to the City, and any balance remaining shall be credited to offset the Terminal Space Revenue Requirement. If the expenses of such removal, storage, disposal or sale shall exceed the proceeds of sale, Airline shall pay such excess to the City upon demand. Except where, and to the extent, caused by any willful and wanton act of the City, its agents, employees, contractors, officers or directors, Airline shall indemnify, defend, release and hold harmless the City from any and all damage, cost and expenses related to said removal, storage, disposal and sale, which obligations shall survive expiration or earlier termination of this Agreement.

4.6 Hold Over

Airline acknowledges it is bound to comply with all provisions of this Agreement until Airline vacates the Premises. If Airline holds over, refuses, or fails to give up the possession of the Premises or the relevant portion thereof, as applicable, on the expiration or earlier termination of this Agreement without express written consent of the City, no periodic tenancy will be deemed to be created, and the City shall have all rights and remedies under Applicable Laws to recover the Premises and damages, including recovery of interest, attorney's fees and costs. In addition to continuing Airport Fees and Charges payable, the City shall assess a penalty in the amount of twenty-five (25%) percent of the Airport Fees and Charges payable for such Premises at the time of expiration or termination of this Agreement for the first sixty (60) days of such hold over and fifty percent (50%) of such Airport Fees and Charges thereafter.

Furthermore, if the City so elects, the City may accept payment of Airport Fees and Charges from Airline and concurrently commence legal proceedings to regain possession of the Premises. The foregoing provisions shall not serve as permission to Airline to hold over, nor serve to extend the Term. The provisions of this Section 4.6 shall not operate as a waiver of any right of the City under this Agreement or Applicable Laws to re-enter and take possession of the Premises. If, during Airline's holdover period, Airline and the City execute a new use and lease agreement applicable to the Premises, then the terms and conditions of such new use and lease agreement shall determine whether such terms and conditions shall apply retroactively to Airline's use and occupancy of the Premises during said holdover period.

4.7 No Warranty of Condition or Suitability

EXCEPT AS OTHERWISE PROVIDED HEREIN, THE CITY MAKES NO WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO THE CONDITION OF THE PREMISES OR THAT THE PREMISES SHALL BE SUITABLE FOR AIRLINE'S PURPOSES OR NEEDS. THE CITY SHALL NOT BE RESPONSIBLE FOR ANY LATENT DEFECT AND AIRLINE SHALL NOT, UNDER ANY CIRCUMSTANCES, WITHHOLD ANY RENTALS OR OTHER AMOUNTS PAYABLE TO THE CITY HEREUNDER ON ACCOUNT OF ANY DEFECT IN THE PREMISES. BY ITS ENTRY ONTO THE PREMISES, AIRLINE ACCEPTS THE PREMISES IN ITS "AS IS" CONDITION.

4.8 City's Title

The City's title to the Premises and the Airport is and always shall be paramount to the interest of Airline in the Premises. Nothing herein contained empowers Airline to commit or engage in any act which can, shall or may encumber the title of the City.

4.9 Work on Airline's Premises

4.9.1 Airline shall have the right to perform work (such as planning, design, fabrication, installation, construction, start-up, and testing) only in Airline's Exclusive Use Premises or Preferential Use Premises (if any). The City may fund such work for Airline, provided that the City and Airline enter into an agreement obligating Airline to fully reimburse the City, including financing costs. In addition, the City may, upon Airline's request, delegate to Airline responsibility for the design, construction, and equipping of Capital Improvement Projects elsewhere at the Airport. All such work shall be subject to the terms and conditions of this Agreement, any reimbursement agreement, ground lease or other agreement between Airline and City relating to such work, and all applicable procedures issued by the Commissioner in his or her reasonable discretion in accordance with the terms hereof, including, without limitation, applicable provisions of the City's most current versions of the Design and Construction Manuals.

4.9.2 As set forth in greater detail in any reimbursement agreement, ground lease or other agreement, to the extent applicable to such work between Airline and the City, Airline may not commence such work on its Premises without (a) the City's prior written approval of the plans and proposals relating thereto, which approval shall not be unreasonably

withheld, conditioned, or delayed, and (b) receipt of all necessary City, County, and other governmental approvals, licenses, and permits in connection therewith.

4.9.3 To the extent the City agrees to reimburse Airline for the costs of such work, Airline and the City shall enter into and comply with the terms set forth in the City's current form of reimbursement agreement, as such agreement may reasonably be revised by the City from time to time, modified to address the nature of specific projects and agreed to by Airline.

4.9.4 Airline covenants and agrees that it shall keep the Premises and any interest therein and any improvements thereon free and clear of any and all liens in any way arising out the construction, improvement or use thereof by Airline.

Article 5

ASSIGNMENT AND USE OF SPACE

5.1 Types of Gate Space

5.1.1 Airline acknowledges that no Gate Space at the Airport shall be assigned for any Passenger Carrier's exclusive use. Gate Space shall be designated by the City as either Common Use Gate Space or Preferential Use Gate Space in accordance with and subject to the terms of this Article 5. All of Airline's Preferential Use Gate Space shall be subject to the applicable accommodation and reallocation provisions of this Article 5, regardless of how or when such Gate Space is initially assigned to Airline.

5.1.2 The City shall only lease Preferential Use Gate Space to Long-Term Signatory Airlines.

5.1.3 The City shall retain exclusive control of the use of all Common Use Gate Space and manage Common Use Gate Space in accordance with the Terminal Space Use Protocols.

5.1.4 Airline's use of all Gate Space shall at all times be in compliance with and subject to the Terminal Space Use Protocols as they may be amended from time to time by the City after consultation with the AAAC. In the event of any conflict between this Agreement and the Terminal Space Use Protocols, this Agreement shall prevail.

5.1.5 Notwithstanding Section 5.1.1, the L-Stinger Gates shall not be subject to the terms of this Article 5 for so long as the L-Stinger Lease remains in effect, unless expressly stated otherwise in this Agreement. If the L-Stinger Lease terminates during the Term of this Agreement then, subject to American Airlines' right of first refusal pursuant to Section 15.21 of the L-Stinger Lease, each of the L-Stinger Gates shall thereafter be assigned by the City as Preferential Use Gate Space as shown in Exhibit D-1.2 subject to the terms of this Article 5 and shall no longer be considered to be L-Stinger Gates for the purposes of this Article 5. In the event that American Airlines exercises its right of first refusal pursuant to Section 15.21 of the

L-Stinger Lease, the L-Stinger Gates shall be assigned to American Airlines as Preferential Use Gate Space that, upon such assignment, shall be subject to the terms of this Article 5.

5.2 **Assignment of Preferential Use Gate Space Rights and Conversion of Common Use Gate Space to Preferential Use Gate Space**

5.2.1 Airline acknowledges and agrees that, in accordance with this Agreement, the City must, among other factors, balance the need for Common Use Gate Space to provide opportunities for new entry, expansion of incumbent Passenger Carrier flight activity and operational flexibility, with the desires of Passenger Carriers for Preferential Use Gate Space. Airline further acknowledges that Airline has no right to demand that the City convert Common Use Gate Space into Preferential Use Gate Space and assign it to Airline.

5.2.2 The allocation and assignments of all Preferential Use Gate Space and Common Use Gate Space at the Airport as of the Effective Date and interim milestones are shown on Exhibit D. The Preferential Use Gate Space assigned to and leased by Airline is identified in the Premises Notice.

5.2.3 The City shall have the right, but not the obligation, at any time to convert Common Use Gate Space into Preferential Use Gate Space for assignment to a Long-Term Signatory Airline if (a) the Long-Term Signatory Airline's Gate Space utilization meets or exceeds the average Preferential Use Gate Space utilization of all Long-Term Signatory Airlines, as measured by either Section 5.7.3(a) or Section 5.7.3(b), and (b) such conversion will not unduly impair the City's ability to accommodate incumbent users of Common Use Gate Space or potential new entrant Passenger Carriers on Common Use Gate Space that have committed to operate at the Airport if adequate Gate Space is made available. In converting and leasing such Gate Space to qualifying Long-Term Signatory Airlines, the City shall give preference to Long-Term Signatory Airlines (if any) that do not at such time hold any Preferential Use Gate Space.

5.2.4 Upon the completion of the T-5 Extension and the relocation from the Main Terminal to Terminal 5 of one or more Long-Term Signatory Airlines ("Relocating Airlines"), the City shall allocate Linear Frontage in accordance with Exhibit D-1.3 with such assignments to remain in place for a period of at least twelve (12) months ("Gate Space Ramp-up Period".

5.3 **Annual Redetermination of the Number and Locations of Common Use Gate Space**

5.3.1 Subject to Section 5.3.2, the first annual redetermination of Gate Space shall take effect on October 1, 2021. By April 1, 2021, and by April 1 of each year thereafter during the Term, and subject to Sections 5.3.2 and 5.3.3, the City shall, after consultation with the TFAC, determine and give written notice to all Signatory Airlines of the amount and locations of both Domestic Gate Space and International Gate Space to be reserved for use as Common Use Gate Space, to be effective on October 1 of the same year. The City's determination of the amount and locations of Common Use Gate Space shall take account of the following factors, among others:

(a) The recommendations of the TFAC, if any.

(b) The daily average number of Scheduled Seats and Scheduled Departures at the Airport divided by total Airport Linear Frontage during the preceding calendar year.

(c) The flights of Gate Space Requesting Airlines currently accommodated at the Airport on Preferential Use Gates and any requests to relocate the flights of Gate Space Requesting Airlines pursuant to Sections 5.5.6(f) or 5.5.7.

(d) The projected daily average number of Scheduled Seats and Scheduled Departures at the Airport divided by total Airport Linear Frontage during the 12-month period the reallocation will take effect.

(e) The daily average number of Scheduled Seats and Scheduled Departures processed in all Domestic Common Use Gate Space and all International Common Use Gate Space, respectively, divided by the Linear Frontage associated with such Gate Space during the preceding calendar year.

(f) Projected demand for use of Domestic Common Use Gate Space and International Common Use Gate Space during the 12-month period the reallocation will take effect.

(g) The need to accommodate new entrant Passenger Carriers or increases in service by Passenger Carriers already serving the Airport.

(h) Planned or completed changes in the Terminal Complex.

(i) The need to address operational issues or facility imbalances.

(j) Other factors affecting operational efficiency (from the perspective of the City, the Signatory Airlines and Non-Signatory Airlines) or the passenger experience at the Airport.

5.3.2 Upon the completion of the T-5 Extension and the relocation from the Main Terminal to Terminal 5 of one or more Long-Term Signatory Airlines, the City shall cease the annual redetermination of Gate Space currently in process, if any, and shall not initiate the next annual redetermination of Gate Space until April 1 of the year following the end of the Gate Space Ramp-up Period, as defined in Section 5.2.4.

5.3.3 In determining the amount and locations of both Domestic Gate Space and International Gate Space to be reserved for use as Common Use Gate Space pursuant to Section 5.3.1, the City shall not increase the then-current amount of Common Use Gate Space by more than 138 feet of Linear Frontage for Domestic Common Use Gate Space and 200 feet of Linear Frontage for International Common Use Gate Space unless one or more of the following events occur:

(a) the average number of daily Scheduled Operations on Domestic Common Use Gate Space per 138 feet of Linear Frontage during the preceding calendar year exceeds the average number of daily Scheduled Operations on all Domestic Gate Space per 138

feet of Linear Frontage during the preceding calendar year, in which case the City may reserve an amount of additional Domestic Common Use Gate Space reasonably necessary to equalize the average number of daily Scheduled Operations on Domestic Common Use Gate Space with the average number of daily Scheduled Operations on all Domestic Gate Space;

(b) the average number of daily Scheduled Operations on Preferential Use Gate Space per 138 feet of Linear Frontage during the prior calendar year is less than five (5), in which case the City may reserve an amount of additional Common Use Gate Space reasonably necessary to bring average number of daily Scheduled Operations on Preferential Use Gate Space to five (5).

5.3.4 All remaining Gate Space available for use after the City makes its annual redeterminations of the amount and locations of Common Use Gate Space shall be offered by the City to Long-Term Signatory Airlines for use as Preferential Use Gate Space to be allocated in accordance with Section 5.4.

5.4 Annual Redetermination of Preferential Use Gate Space Assignments

5.4.1 If, but only if, as of February 1, 2021 or no later than February 1 of each year thereafter during the Term (a) the City determines under Section 5.3 that the amount or locations of Common Use Gate Space should be changed, or (b) a Long-Term Signatory Airline requests additional Preferential Use Gate Space that would be available to such Signatory Airline if the City made a redetermination of Gate Space assignments under this Section 5.4, then by April 1, 2021 and April 1 each year thereafter during the Term when one or both of these triggering events occur, the City shall determine the Preferential Use Gate Space to be offered to each Long-Term Signatory Airline for the twelve (12) month period beginning October 1 of that year using the following methodology:

(a) The City shall calculate each Long-Term Signatory Airline's percentage share of total Scheduled Departures for all Long-Term Signatory Airlines based upon Scheduled Operations for the immediately preceding calendar year. In calculating each Long-Term Signatory Airline's percentage share of Scheduled Departures, the City shall include the Scheduled Departures of both (i) the Long-Term Signatory Airline's Affiliates and Alliance Partners operating in Airline's Preferential Use Gate Space and (ii) any Passenger Carrier voluntarily accommodated in Airline's Preferential Use Gate Space under Section 5.5.4(b), but shall exclude any Scheduled Departures of Airline operating in the Preferential Use Gate Space of any of its Affiliates or Alliance Partners.

(b) The City shall then calculate each Long-Term Signatory Airline's share of Preferential Use Gate Space ("Preferential Use Linear Frontage Share") by multiplying each Long-Term Signatory Airline's percentage share of total Scheduled Departures derived under Section 5.4.1(a) by the total Linear Frontage associated with the Preferential Use Gate Space made available by the City under Section 5.3.2 (including any newly constructed Preferential Use Gate Space that the City plans to make available during the twelve (12) month period after the reallocation will take effect); provided, however, that the Scheduled Operations on and Linear Frontage associated with the L-Stinger Gates (if any) shall be excluded from the calculation of Preferential Use Linear Frontage Shares.

5.4.2 The City shall then, exercising its reasonable discretion and after consultation with the TFAC, assign the amount and location of Preferential Use Gate Space to each Long-Term Signatory Airline based on the following requirements and factors:

(a) Only Long-Term Signatory Airlines with Preferential Use Linear Frontage Shares equal to or greater than 138 feet shall receive an assignment of Preferential Use Gate Space ("Qualifying Airlines");

(b) The City shall minimize, to the extent practicable, the difference between each Qualifying Airline's Preferential Use Linear Frontage Share and the amount of Linear Frontage associated with the Qualifying Airline's actual assignment of Preferential Use Gate Space, subject to Section 5.4.2(c); provided, however, that the City's assignment of Preferential Use Gate Space to any Qualifying Airline shall not deviate by more than 69 feet from its Preferential Use Linear Frontage Share without the approval of the Qualifying Airline;

(c) The City shall also take into account the following factors with respect to assigning locations of Preferential Use Gate Space:

(i) Maintaining the current locations of each Qualifying Airline's Preferential Use Gate Space;

(ii) Assigning contiguous Preferential Use Gate Space;

(iii) Avoiding the assignment of Preferential Use Gate Space that is distant from a Qualifying Airline's other Preferential Use Gate Space, its Gate-related Premises and VIP Lounges;

(iv) Preservation of hub connectivity;

(v) Planned or completed changes in the Terminal Complex;

(vi) The need to address operational issues or facility imbalances; and

(vii) Other factors affecting operational efficiency (from the perspective of the City, all Signatory Airlines and Non-Signatory Airlines) or the passenger experience at the Airport.

(d) The City shall also take into account the following factors with respect to assigning the of amount of Preferential Use Gate Space:

(i) Compatibility of assignments of Preferential Use Gate Space with the configurations of Gates specified in then-current Gate Space Plans in order to avoid assigning Gate Space that cannot be used; and

(ii) The compatibility of each Qualifying Airline's fleet with the Gate Space assigned.

5.4.3 Qualifying Airlines shall accept all Preferential Use Gate Space assigned by the City under Section 5.4.2 unless:

(a) the Linear Frontage associated with the Qualifying Airline's assigned Preferential Use Gate Space exceeds the greater of (i) the Linear Frontage specified in its Future Space Commitment or (ii) the Linear Frontage assigned to the Qualifying Airline in the year preceding the effective date of the reallocation, in which case the Qualifying Airline may reject the amount of excess Preferential Use Gate Space and the City will determine the location of excess Preferential Use Gate Space to remove from that Qualifying Airline's assignment; or

(b) a Qualifying Airline requests a reduction and the City elects to allow it based on requests for additional Preferential Use Gate Space from other Long-Term Signatory Airlines pursuant to Section 5.4.6.

5.4.4 Any Preferential Use Gate Space reduced by the City pursuant to Section 5.4.3 shall be reassigned to Qualifying Airlines that request additional Preferential Use Gate Space in accordance with Section 5.4.6(a). In the event the City does not have sufficient Preferential Use Gate Space available for reassignment to all such requesting Qualifying Airlines, the City will reassign the available Preferential Use Gate Space in order of the highest projected Gate Space utilization, as measured by Section 5.7.3(a), after taking into account the City's initial assignment under Section 5.4.2.

5.4.5 Any remaining, unassigned Preferential Use Gate Space will be offered to Long-Term Signatory Airlines that are not Qualifying Airlines in increments of 138 feet, in the order of the largest Preferential Use Linear Frontage Share. Any remaining Preferential Use Gate Space shall be reassigned to and accepted by Qualifying Airlines whose assignment of Linear Frontage under Section 5.4.2 is less than the greater of (a) the Linear Frontage in its Future Space Commitment or (b) the then-current amount assigned to the Qualifying Airline. In making such reassignments, the City shall seek to minimize, to the extent practicable, the difference between such Qualifying Airlines' assigned Linear Frontage and the greater of their Future Space Commitment or then-currently assigned Linear Frontage. In no event shall the City's assignment to such a Qualifying Airline exceed the greater of its Future Space Commitment or the then-current amount assigned to the Qualifying Airline without the Qualifying Airline's approval. Any remaining Gate Space shall remain vacant until the next reallocation of Gate Space.

5.4.6 In the event that a reallocation is triggered pursuant to Sections 5.3 or 5.4, the City shall give written notice of its initial determinations under Sections 5.3 and 5.4.2 to all Signatory Airlines, including Airline, by April 1 of each year in which the City's determination is to take effect. The City's written notice shall include an exhibit displaying the then-current assignments of all Preferential Use Gate Space and the Preferential Use Gate Space being assigned by the City to all Qualifying Airlines for the year the reallocation will take effect according to Section 5.4.2.

(a) A Qualifying Airline shall provide written notice to the City no later than thirty (30) days after the notice provided in Section 5.4.6 is given if (i) the Qualifying

Airline rejects or requests a reduction in its assigned Preferential Use Gate Space, pursuant to Section 5.4.3 or (ii) the Qualifying Airline wishes to receive additional Preferential Use Gate Space that may become available in accordance with Section 5.4.4.

(b) Any Long-Term Signatory Airline that is not a Qualifying Airline and seeking an assignment of Preferential Use Gate Space in accordance with Section 5.4.5 shall provide written notice to the City no later than thirty (30) days after the notice provided in Section 5.4.6 is given.

5.4.7 The City will issue written notice to all Signatory Airlines of its final determinations pursuant to Sections 5.4.1 through 5.4.6 no later than June 1 of the year in which the City's determinations are to take effect and the reallocations shall take effect on October 1 of that year. The City will consult with the TFAC and all affected Passenger Carriers to coordinate any relocations and minimize service disruptions resulting from the reassignment of Gate Space under Sections 5.4.3 through 5.4.5.

5.4.8 If the amount or locations of Preferential Use Gate Space assigned to Airline are changed during the term of this Agreement, Airline may, upon thirty (30) days written notice to the City, terminate its rights to and obligations for those portions of Airline's Gate-related Premises that are no longer proximate to the Preferential Use Gate Space assigned to Airline or no longer needed due to the reduction in Gate Space. Upon Airline's request, the City shall use reasonable efforts to offer Airline substitute Gate-related Premises more proximate to newly assigned Preferential Gate Space assigned to Airline for the remainder of the Term. The reasonable costs of relocating the Preferential Use Gate Space assigned to any Long-Term Signatory Airline, plus the reasonable costs of the displaced Long-Term Signatory Airline's tenant improvements at any substitute Premises, when constructed with the City's consent under Section 4.9 of this Agreement, shall be paid by the City and included in the Total Terminal Revenue Requirement calculated under Section 8.3.1 of this Agreement.

5.4.9 The City shall revise the Premises Notice and Terminal Complex Space Exhibit issued to Airline to reflect the reallocation of any Gate Space under Sections 5.3 or 5.4 and shall issue said revised Premises Notice and Terminal Complex Space Exhibit to Airline when any such reallocation takes effect.

5.5 City's Right to Accommodate Other Passenger Carriers in Airline's Preferential Use Gate Space

5.5.1 Objectives. Airline and the City acknowledge that an important objective of the City is to offer all Passenger Carriers desiring to serve the Airport access to the Airport and to accommodate the needs of Passenger Carriers desiring to introduce or expand service at the Airport. In furthering the objective of providing access to the Airport, including the accommodation of new entrants, this Agreement seeks to (a) provide Signatory Airlines with predictability and stability in the use of operational space at the Airport, (b) provide reasonable accommodation to Passenger Carriers seeking to serve the Airport, and (c) achieve a reasonable balance in the overall utilization of Gate Space, taking into account existing Signatory Airline operations and maximizing passenger convenience.

5.5.2 Airline's Initial Schedule Submission

(a) The Scheduling Manager shall receive and analyze Initial Schedule Submissions and Gate Space Plans and perform tasks specified for the Scheduling Manager under Section 5.5. Any decisions made by the Scheduling Manager pursuant to this Article 5 shall be made in consultation with and subject to the approval of the City unless otherwise specified in Terminal Space Use Protocols. The City and the Scheduling Manager shall, to the extent permitted by Illinois law, protect Airline's Initial Schedule Submission as proprietary, confidential and non-public business information. However, nothing herein shall prevent the City from complying with the law or court order. In the event that such information is released to the public the City shall not be liable to Airline for damages of any kind related to the disclosure. All costs incurred by the City related to the Scheduling Manager shall be allocated to the Terminal Complex.

(b) Airline shall submit its Initial Schedule Submission to the Scheduling Manager in the form and on the dates specified in the Terminal Space Use Protocols. The Terminal Space Use Protocols shall specify the information that must be reported in the Initial Schedule Submission. Airline's Initial Schedule Submission shall also include a Gate Space Plan that identifies the range of likely Gate configurations that Airline may use, as further specified in the Terminal Space Use Protocols. Airline shall have scheduling preference, for itself and its Affiliates and Alliance Partners, within its Preferential Use Gate Space under this Section 5.5 with respect to the Periods of Use of all aircraft operations, including RON Activities, and Scheduled Seasonal Service identified in Airline's Initial Schedule Submission, unless the City determines that Airline has demonstrated a pattern of failing to actually operate flights submitted in its Initial Schedule Submission in a manner that impairs the City's ability to accommodate Gate Space Requesting Airlines within Airline's Preferential Use Gate Space.

(c) Airline's Initial Schedule Submission shall also include information, as specified in the Terminal Space Use Protocols, for all aircraft operations, including RON Activities, and Scheduled Seasonal Service of Airline and its Affiliates that Airline plans to conduct within Common Use Gate Space.

(d) Any requests for accommodation from Gate Space Requesting Airlines must also be received by the dates specified in the Terminal Space Use Protocols to be considered for accommodation during the next scheduling period as specified in the Terminal Space Use Protocols.

(e) Airline shall also include with its Initial Schedule Submission information, as specified in the Terminal Space Use Protocols, with respect to Seasonal Service by Airline and its Affiliates that is planned for the next twelve (12) months ("Scheduled Seasonal Service").

(f) After the submission of Initial Schedule Submissions, the Scheduling Manager shall, pursuant to Section 5.5.4(b), notify all Long-Term Signatory Airlines of any requests for accommodation by a Gate Space Requesting Airline. After receipt of such notice from the Scheduling Manager, Airline may not revise its Initial Schedule Submission, if such revision would have the effect of making unavailable Preferential Use Gate Space that

would otherwise have been available to accommodate a Gate Space Requesting Airline, until the Scheduling Manager has selected a Gate Space accommodating Airline pursuant to Section 5.5.5.

(g) At any time after its submission to the Scheduling Manager, Airline may submit a written amendment of Airline's Initial Schedule Submission, including its Gate Space Plan, to the Scheduling Manager detailing and highlighting each such revision; provided, however, that such amendment complies with Airline's continuing obligations to accommodate Gate Space Requesting Airlines under Section 5.5.6 and 5.5.7, if any. Airline agrees that its Initial Schedule Submission and any written amendments to it shall be accurate, submitted to the Scheduling Manager in a timely manner and made in good faith, and that the Scheduling Manager shall be able to rely and act on Airline's Initial Schedule Submission and all written amendments thereto when accommodating one or more Gate Space Requesting Airlines in Airline's Preferential Use Gate Space or accommodating Irregular Operations in accordance with Section 5.5.8.

5.5.3 Periods of Use. For purposes of this Article 5, Airline's Periods of Use for operations specified in its then-current Initial Schedule Submission, including RON Activities and Scheduled Seasonal Service, shall be determined as specified in the Terminal Space Use Protocols.

5.5.4 Preconditions for Accommodation in Airline's Preferential Use Gate Space

(a) The Scheduling Manager shall attempt to accommodate Gate Space Requesting Airlines in Common Use Gate Space before scheduling Gate Space Requesting Airline arrivals and departures in any Preferential Use Gate Space.

(b) Within thirty (30) days after the date when Long-Term Signatory Airlines are required to submit their Initial Schedule Submission under Section 5.5.2(b), the Scheduling Manager shall notify all Long-Term Signatory Airlines currently assigned Preferential Use Gate Space of any requests by Gate Space Requesting Airlines that the Scheduling Manager has not been able to accommodate in Common Use Gate Space. Such notice shall include the requested times of arrival and associated Periods of Use, aircraft size and International Gate requirements, if any, but shall not include any information regarding destinations served. At any time during the accommodation process, any Long-Term Signatory Airline may voluntarily seek to accommodate the Gate Space Requesting Airline. However, the Scheduling Manager shall not be obligated to wait for such voluntary accommodation to be offered before seeking to accommodate a Gate Space Requesting Airline pursuant to this Section 5.5, and a Gate Space Requesting Airline shall not be obligated to accept a Long-Term Signatory Airline's voluntary offer of accommodation.

5.5.5 Accommodation Procedures. As part of the Initial Schedule Submission process under the Terminal Space Use Protocols, the Scheduling Manager shall have the right, upon reasonable notice to and after consultation with Airline in accordance with the process established in the Terminal Space Use Protocols, to schedule in Airline's Preferential

Use Gate Space arrivals and departures of a Gate Space Requesting Airline at all periods of time for the gauge of aircraft that do not conflict with Airline's Periods of Use as follows:

(a) The Scheduling Manager shall first review the Initial Schedule Submissions of all Long-Term Signatory Airlines and determine which, if any, Long-Term Signatory Airlines could accommodate the Gate Space Requesting Airline in its Preferential Use Gate Space based on the requested times of arrival and associated Periods of Use, aircraft size and International Gate requirements (if any). In reviewing the Initial Schedule Submissions of Long-Term Signatory Airlines leasing at least 1,380 feet of Linear Frontage, the Scheduling Manager shall include buffer operations of up to ten percent (10%) of each such Long-Term Signatory Airline's aircraft operations in its then-current Initial Schedule Submission at any given time during the day, which shall be excluded from consideration for accommodation.

(b) If, based on current Initial Schedule Submissions, more than one Long-Term Signatory Airline could accommodate the Gate Space Requesting Airline's flight within their Preferential Use Gate Space, the Scheduling Manager shall select the Long-Term Signatory Airline with the lowest average Gate utilization, as determined in accordance with Section 5.7.3(a) and as most recently reported by TFAC, to accommodate the Gate Space Requesting Airline as a Gate Space Accommodating Airline; provided, however, that if any Long-Term Signatory Airlines could accommodate the Gate Space Requesting Airline in the same terminal where the Gate Space Requesting Airline already conducts operations, the Scheduling Manager shall select such Long-Term Signatory Airline with the lowest average Gate utilization. In the event that no Long-Term Signatory Airline can accommodate a Gate Space Requesting Airline for a full year without disrupting Scheduled Seasonal Service, the Scheduling Manager may select the Long-Term Signatory Airline with the lowest average Gate utilization, as determined in accordance with Section 5.7.3(a) and as most recently reported by TFAC, as the Gate Space Accommodating Airline. Such an accommodation, however, shall be subject to the Gate Space Accommodating Airline's right to use its Preferential Use Gate Space for its Scheduled Seasonal Service ("Seasonal Use Right"). The Scheduling Manager shall commence a scheduling conference with Gate Space Requesting Airline and the Gate Space Accommodating Airline to confirm the actual location of the accommodation based on the Gate Space Accommodating Airline's Initial Schedule Submission and Gate Space Plan and subject to Section 5.5.5(c).

(c) A Gate Space Accommodating Airline may select its Preferential Use Gate Space for accommodation; provided, however, that the selected Preferential Use Gate Space shall be able to accommodate the size of the Gate Space Requesting Airline's aircraft and, if necessary, shall be Preferential Use International Gate Space; and provided, further, that the Scheduling Manager shall have the right to select available Preferential Use Gate Space other than that selected by the Gate Space Accommodating Airline if the Scheduling Manager reasonably determines, after consultation with the Gate Space Accommodating Airline, that (i) a different selection is warranted due to the proximity to the operations space and other aircraft operations, if any, of the Gate Space Requesting Airline; and the proximity to Common Use Gate Space, or the Preferential Use Gate Space of a Long-Term Signatory Airline other than the Gate Space Accommodating Airline, and (ii) such alternate selection does not unduly disrupt the operations, including Scheduled Seasonal Service, of the Gate Space Accommodating Airline or its Affiliates or Alliance Partners.

(d) In accommodating the City's right to schedule such operations, the Gate Space Accommodating Airline shall allow and provide for the Gate Space Requesting Airline's use of its podiums at the Preferential Use Gate (excluding proprietary systems) throughout the applicable Period of Use for the Gate Space Requesting Airline's operation or alternatively permit use of the City's podiums and equipment (including without limitation Common Use Passenger Processing Systems, if any), as may be required for the Gate Space Requesting Airline's efficient use of the Preferential Use Gate Space, subject to Section 5.5.9. The Gate Space Accommodating Airline shall also allow the Gate Space Requesting Airline and its contractors, including its third party service providers, to use the Gate Ramp associated with Airline's Preferential Use Gate Space for its aircraft and ground service equipment to the full extent permitted by Article 3 throughout the applicable Period of Use for the Gate Space Requesting Airline's operation.

5.5.6 Duration of Airline's Accommodation Obligation. Airline shall accommodate a Gate Space Requesting Airline assigned to Airline's Preferential Use Gate Space until one of the following conditions arises:

(a) Common Use Gate Space becomes available that is sufficient to accommodate the Gate Space Requesting Airline's flight(s);

(b) The quarterly Gate Space utilization reports issued by the TFAC demonstrate that another Long-Term Signatory Airline with equal or lower Gate Space utilization, as determined in accordance with Section 5.7.3(a), than Airline has Preferential Use Gate Space which could accommodate the Gate Space Requesting Airline's flight(s) without conflicting with that other Long-Term Signatory Airline's Initial Schedule Submission;

(c) Airline's accommodation is subject to a Seasonal Use Right pursuant to Section 5.5.2(e), in which case Airline may, upon providing at least sixty (60) days' prior written notice to the Scheduling Manager and the Gate Space Requesting Airline, utilize the Gate Space for the duration of its Seasonal Use Right;

(d) The Gate Space Requesting Airline discontinues the flight(s) for which it sought accommodation;

(e) The Gate Space Requesting Airline adjusts the schedule for its flight(s) in a manner that conflicts with Periods of Use in Airline's then-current Initial Schedule Submission; or

(f) At the time the Airline submits an Initial Schedule Submission, it notifies the Scheduling Manager of a new flight of Airline that could be scheduled within Airline's Preferential Use Gate Space, but only if the Gate Space Requesting Airline's flight can be relocated to another Long-Term Signatory Airline's Preferential Use Gate Space that is available and sufficient to accommodate the Requesting Airline's flight. In that event, the Scheduling Manager shall notify the Gate Requesting Airline and the other Long-Term Signatory Airline that the Gate Space Requesting Airline's flight will relocated. If more than one Long-Term Signatory Airline can accommodate the Gate Space Requesting Airline, the Scheduling Manager shall select the Long-Term Signatory Airline with the lowest average Gate utilization,

as determined in accordance with Section 5.7.3(a) and as most recently reported by TFAC, to accommodate the Gate Space Requesting Airline. The Long-Term Signatory Airline identified by the Scheduling Manager may select its Preferential Use Gate Space for accommodation as provided in Section 5.5.5(c). Airline shall be responsible for all costs related to the relocation Airline, the Gate Space Requesting Airline and the other Long-Term Signatory Airline, including the costs of relocating Gate-related Premises.

5.5.7 Changes to the Gate Selected for Accommodation

(a) The City and Airline acknowledge and agree that there must be a balance between the Gate Space Requesting Airline's need for stability in its operations and Airline's need to efficiently manage and use its Preferential Use Gate Space and expand its service to the Airport.

(b) No more than quarterly, Airline may propose to the Scheduling Manager in writing to relocate an accommodated Gate Space Requesting Airline to another location within its Preferential Use Gate Space, provided that the Gate Space is located in the same terminal and can accommodate the size of the Gate Space Requesting Airline's aircraft.

(c) Within thirty (30) days of receiving a written relocation request meeting the conditions of Section 5.5.7(b) from Airline, the Scheduling Manager shall consult with the Gate Space Requesting Airline and shall approve the request unless it unreasonably impedes the operations of the Gate Space Requesting Airline. The Scheduling Manager shall respond to Airline within forty-five (45) days after the Scheduling Manager receives a written relocation request from Airline, or the request shall be deemed approved. If the Scheduling Manager approves the request, the relocation shall take effect no sooner than sixty (60) days after the Scheduling Manager notifies Airline and the Gate Space Requesting Airline of its decision, unless Airline and the Gate Space Requesting Airline agree on an earlier relocation. Airline shall be responsible for all costs related to the relocation of Airline and the Gate Space Requesting Airline, including the costs of relocating Gate-related Premises.

5.5.8 Daily Gate Assignments

(a) Irregular Operations. If an Irregular Operation by Airline, its Affiliate or Alliance Partner interferes with a Gate Space Requesting Airline's use of Airline's Preferential Use Gate Space, Airline shall retain priority in that particular instance, but shall consult with and make commercially reasonable efforts to accommodate the Gate Space Requesting Airline on other Preferential Use Gate Space leased by Airline within the same concourse. Airline and the Gate Space Requesting Airline shall each be responsible for notifying CDA of any such interfering Irregular Operation and request assistance if needed.

(b) Period of Use Adjustments During Irregular Operations. During overlapping periods of Irregular Operations by Airline, its Affiliates or Alliance Partners and the Period of Use of a Gate Space Requesting Airline, the Period of Use for arrivals of aircraft shall terminate upon the later of the time period listed in Section 5.5.3 or the completion of the deplaning process, including any required clearance by government authorities for international arriving aircraft. For departures of aircraft, the Period of Use shall be extended if the originating

aircraft is being boarded and actively prepared for departure. In such instances, the extension shall extend only to the completion of the active boarding process.

(c) City's Right to Temporarily Schedule on Preferential Use Gate Space Not Actually Used by Airline. The Scheduling Manager shall have the right on a daily basis, upon reasonable consultation with Airline, if practicable, to schedule Irregular Operations that conflict with Airline's Periods of Use if Airline, its Affiliates or its Alliance Partners are not actually utilizing its Preferential Use Gate Space during the Period of Use for either an operation in Airline's then-current Initial Schedule Submission or for Airline's own Irregular Operation, but only if (a) no Common Use Gate Space within the same Terminal as that Preferential Use Gate Space can accommodate the aircraft size and any FIS requirements of the Irregular Operation and (b) such use by the City does not unduly disrupt Airline's operations.

5.5.9 Charges for Use of Gate Space by Gate Space Requesting Airline.

The City shall charge any Gate Space Requesting Airline that is accommodated in any of Airline's Preferential Use Gate Space the same charges for use of the Gate Space and Airline-owned PLB and equipment, if any, that the Gate Space Requesting Airline would have been required to pay the City for use of Common Use Gate Space and City-owned PLB and City Equipment. The City shall credit such charges against Airline's Terminal Charges. Airline shall not demand any additional payments from the Gate Space Requesting Airline on account of its use of such Gate Space, PLB or equipment of similar functionality to the City-owned Equipment provided within Common Use Gate Space.

5.5.10 Charges to Gate Space Requesting Airline for Failure to Vacate Gate.

The City may charge any Gate Space Requesting Airline that exceeds its allowable Period of Use in accordance with the Terminal Space Use Protocols. The City shall credit or remit such charges to Airline upon receipt.

5.5.11 Gate Space Requesting Airline's Insurance and Indemnification Obligations.

As a condition precedent to the accommodation of a Gate Space Requesting Airline in any of Airline's Preferential Use Gate Space, the Gate Space Requesting Airline shall have executed an agreement substantially in the form of this Agreement, an Affiliate Operating Agreement, or a Non-Signatory Airline Operating Agreement, as applicable, through which the Gate Space Requesting Airline is bound by insurance and indemnification obligations that are substantially similar to the obligations set forth in this Agreement. These insurance and indemnification obligations shall inure to the benefit of Airline as a third-party beneficiary for any period of accommodation, and Airline shall not be required to accommodate a Gate Space Requesting Airline in its Preferential Use Gate Space if the Gate Space Requesting Airline's insurance and indemnification obligations are not satisfied.

5.5.12 Treatment of Gate Space Requesting Airline's Activity.

The Scheduled Operations of a Gate Space Requesting Airline that is voluntarily accommodated under Section 5.5.4(b) shall be counted as a Scheduled Operation for both the

Gate Space Accommodating Airline and the Gate Space Requesting Airline for the purpose of reallocations of Preferential Use Gate Space and any calculation of average Gate Space utilization under this Article 5. The Scheduled Operations of a Gate Space Requesting Airline that is not voluntarily accommodated under Section 5.5.4(b) shall be counted as a Scheduled Operation of only the Gate Space Requesting Airline for the purpose of reallocations of Preferential Use Gate Space and any calculation of average Gate Space utilization under this Article 5.

5.6 Gate Accommodation and Reassignment During TAP Program Construction

The City and Signatory Airlines acknowledge the importance of reasonable maintenance of operations during the phasing for the TAP Program. The City and the Signatory Airlines recognize, however, that operational challenges are likely to occur during construction of the TAP Program, and Airline acknowledges the following gate management rights of the City are necessary during TAP Program construction:

5.6.1 Reassignment. In order to facilitate the continued operations of all Passenger Carriers at the Airport and to serve the traveling public, it will be necessary from time to time for the City, in its reasonable discretion, to reassign space assigned to Signatory Airlines, including Gate Space, on an interim, transitional basis during the construction of the TAP Program. The City shall consult with TFAC before reassigning space under this Section 5.6.1 and the costs of any reassignments under this Section 5.6.1 shall be allocated to the Terminal Cost Center. In reassigning any Long-Term Signatory Airline's Preferential Use Gate Space, the City shall maintain, at a minimum, the amount of Linear Frontage assigned to each Long-Term Signatory Airline.

5.6.2 Accommodation. In order to accommodate the needs of all Passenger Carriers for reasonable access to required Terminal Complex facilities, it is anticipated that the City may from time-to-time require Long-Term Signatory Airlines to accommodate other Passenger Carriers, including other Signatory Airlines, in Airline's Preferential Use Gate Space, in accordance with and subject to special construction accommodation protocols adopted by the City after consultation with the TFAC.

5.7 Terminal Facilities Advisory Committee

5.7.1 The City shall establish the TFAC to provide advice to the City about the assignment and use of Gate Space and other Terminal Complex facilities throughout the Term, but the TFAC shall not have any decision-making authority.

5.7.2 The airline members of the TFAC shall be one representative selected by each Long-Term Signatory Airline, one representative selected by the Short-Term Signatory Airlines offering domestic passenger service at the Airport, and one representative selected by the Short-Term Signatory Airlines offering only international service at the Airport. The City shall select its own Department of Aviation representatives.

5.7.3 The TFAC shall monitor relevant data compiled by the City showing the utilization of Gate Space and other Terminal Complex facilities by Air Carriers including:

(a) Airline-by-airline Gate Space utilization (measured on a rolling annual basis by Scheduled Departures per foot of Linear Frontage over the preceding twelve (12) months);

(b) Airline-by-airline Gate Space utilization (measured on a rolling annual basis by arriving and departing Scheduled Seats per foot of Linear Frontage over the preceding twelve (12) months); and

(c) Utilization (measured on a rolling annual basis) of Common Use Check-in Space or Baggage Systems in Common Use Baggage Claim Space or Common Use Baggage Make-up Space.

5.7.4 The TFAC shall make utilization data available in quarterly reports to all Passenger Carriers offering or proposing to offer scheduled service at ORD.

5.7.5 The TFAC shall provide advice on operational impacts during construction and help to resolve Terminal Complex facility conflicts arising during the course of construction of the T-5 Extension and TAP Program.

5.7.6 The TFAC shall monitor activity levels that trigger phasing of Additional TAP Program Elements.

5.7.7 The TFAC shall make timely recommendations to the City on the annual redeterminations of Common Use Gate Space and on the locations of Common Use Gate Space and Preferential Use Gate Space under Sections 5.3 and 5.4, during the construction of and after the completion of new passenger terminal facilities. In making these recommendations, the TFAC shall, among other factors, consider operational efficiency, including adjacencies and the avoidance of split operations (from the perspectives of the City, the Signatory Airlines and any Non-Signatory Airlines), and the customer service and cost implications of its recommendations. The TFAC's recommendations about the amount of Common Use Gate Space to be reserved by the City shall take into account, among other factors, the expected average number of Scheduled Departures and Scheduled Seats to be accommodated within all Gate Space at the Airport during the year the reallocation will take effect. The final amount and locations of all Common Use Gate Space and Preferential Use Gate Space, however, shall be determined in the City's discretion, after taking account of the recommendations, if any, of the TFAC.

5.7.8 The TFAC shall monitor requests for accommodation made pursuant to Sections 5.5 and 5.6.

5.8 Accommodation in Space Other than Gate Space

5.8.1 Priorities for Accommodation in Space Other than Gate Space

(a) If the City receives a request from a Space Requesting Airline for access to space in the Terminal Complex (other than Gate Space, which are subject to the provisions of Sections 5.1 through 5.6 in this Agreement), the City shall, whenever possible, accommodate such a request by providing access to existing common use or vacant space under the City's control or to space licensed by the City on a month-to-month basis.

(b) The City shall notify all Signatory Airlines in writing when the City has determined that a Space Requesting Airline cannot be accommodated in common use or vacant space under the City's control or in space licensed by the City on a month-to-month basis, and the Signatory Airlines shall have thirty (30) days from the receipt of such notice by the Signatory Airlines to voluntarily agree to accommodate the Space Requesting Airline. Any such agreements to accommodate a Space Requesting Airline must be in writing and are subject to the City's approval.

(c) If a Space Requesting Airline is unable to meet its reasonable requirements, as determined by the City, by using common use space, vacant space or month-to-month space made available by the City, or by using space voluntarily made available by Signatory Airlines, the City shall have the right, upon thirty (30) days' written notice to all Short-Term Signatory Airlines, or, if no space is reasonably available from a Short-Term Signatory Airline, then upon thirty (30) days' written notice to all Long-Term Signatory Airlines, to require Airline to accommodate the Space Requesting Airline in space designated by the Airline, subject to review and approval by the City, by allowing the Space Requesting Airline to use Airline's Preferential Use Premises or Joint Use Premises; as applicable, subject to Section 5.8.2; provided, however, that if the Space Requesting Airline is a Signatory Airline, the Space Requesting Airline must show, to the City's satisfaction, that it cannot reasonably accommodate its own expanded service within the Terminal Complex space already subject to its exclusive use or preferential use.

(d) If more than one Short-Term Signatory Airline or, if no Short-Term Signatory Airline has space reasonably available, more than one Long-Term Signatory Airline have space reasonably available for accommodation, the City shall consult with the TFAC prior to selecting the accommodating Signatory Airline. In making its determination, the City shall use any utilization metrics developed by the TFAC or in the Terminal Space Use Protocols to evaluate relative utilization of Preferential Use Premises subject to this Section 5.8.

(e) If the City is unable to meet the reasonable requirements of the Space Requesting Airline, as determined by the City, after requiring the Signatory Airlines, including Airline, to accommodate the Space Requesting Airline in their Preferential Use Premises or Joint Use Premises, as applicable, the City may consider whether the reasonable requirements of the Space Requesting Airline could be met in a reasonable, cost-effective way by constructing temporary or permanent new facilities, subject to Article 10.

5.8.2 Accommodation in Preferential Use Premises or Joint Use Premises Other than Gate Space. The City may not require Airline to accommodate a Space Requesting Airline in Airline's Preferential Use Premises or Joint Use Premises if such accommodation would require Airline, its Affiliates or Alliance Partners to reschedule one or more aircraft operations included in its current Initial Schedule Submission during Airline's Periods of Use. Airline shall otherwise, consistent with its rights to preferential use, accommodate such Space Requesting Airline as requested by the City by providing access to and use of reasonable amounts of its Preferential Use Premises and Joint Use Premises, as applicable; provided, however, that as a condition of accommodation in any of Airline's Preferential Use Premises or Joint Use Premises, the Space Requesting Airline shall have executed an Airline Use and Lease Agreement, Affiliate Operating Agreement, or Non-Signatory Airline Operating Agreement, as

applicable, through which the Space Requesting Airline is bound by insurance and indemnification obligations that are substantially similar to the obligations set forth in this Agreement. These insurance and indemnification obligations shall inure to the benefit of Airline as a third-party beneficiary for any period of accommodation, and Airline shall not be required to accommodate a Space Requesting Airline in its Preferential Use Premises or Joint Use Premises if the Space Requesting Airline's insurance and indemnification obligations are not satisfied.

5.8.3 Charges for Use of Facilities Other than Gate Space by Space Requesting Airlines. City shall charge the Space Requesting Airline that is accommodated in any of Airline's Preferential Use Premises or Joint Use Premises the same charges the Space Requesting Airline would have been required to pay the City for use of such a facility or equipment on a common use basis. The City shall credit such charges against Airline's Terminal Charges. Airline shall not demand any additional payments from the Space Requesting Airline on account of its use of such space; provided, however, that Airline may charge the Space Requesting Airline for Airline-owned equipment or services that would not be typically available in Common Use Gate Space.

5.8.4 Consolidation of Operations

(a) If the City is unable otherwise to meet the reasonable requirements of a Space Requesting Airline in accordance with the priorities established in Section 5.8.1, and the City, after consulting with TFAC, determines that Airline is under-utilizing its Preferential Use Premises other than Gate Space or its Joint Use Space, as applicable, the City may, upon not less than one hundred twenty (120) days' written notice to Airline, require Airline to vacate its under-utilized Preferential Use Premises or Joint Use Premises, and consolidate its operations in its remaining Preferential Use Premises or Joint Use Premises, as applicable. The City's determination of Airline's utilization of Preferential Use Premises other than Gate Space or Joint Use Space shall be made in the City's reasonable discretion, after consultation with TFAC and Airline, and may take into account, among other factors, the operational efficiency (from the perspectives of the City, the Signatory Airlines, and any Non-Signatory Airlines) of the Airport, the customer service implications of its determination, the operating and customer service models of the impacted Passenger Carriers and the City's ability to enhance fair and open competition among Air Carriers operating at or desiring to operate at the Airport.

(b) Airline may request that the City reconsider its determination of underutilization within fifteen (15) calendar days of receipt of the City's notice to consolidate and, if it does so, Airline shall provide reasonable documentation of its need for the Preferential Use Premises or Joint Use Premises, as applicable, that are the subject of the notice. If the City, after reconsidering its determination, elects to proceed with the consolidation, the City shall give Airline not less than one hundred and five (105) calendar days' notice to vacate such space. The City may either assign the vacated premises to the Space Requesting Airline on a Preferential or Joint Use basis, if the Space Requesting Airline is or becomes a Long-Term Signatory Airline, or deem the vacated premises to be available for common use and assignment to the Space Requesting Airline consistent with the Terminal Space Use Protocols.

(c) The City shall pay, as an O&M Expense, to Airline its reasonable costs of relocating Airline's furniture, equipment and signage in connection with the

consolidation of Airline's operations, if required by the City under this Section 5.8.4, plus the reasonable costs of Airline's unamortized tenant improvements originally constructed with the City's consent that cannot be relocated.

(d) The City shall revise the Premises Notice issued to Airline to reflect any consolidation of Airline's operations required by the City under this Section 5.8.4, and shall issue said revised Premises Notice to Airline when any such consolidation takes effect.

5.9 City's Use of Airline-Owned PLBs

If any Gate Space assigned to Airline is (a) reassigned by the City pursuant to Section 5.4 and (b) equipped with PLBs owned or controlled by Airline, Airline shall, at the City's request, permit the City to retain and use any such PLBs at such Gate Space for up to one (1) year from the effective date of such reassignment; provided, however, that during any such period the City shall (a) pay Airline the City Equipment Charge for PLBs and associated equipment, and (b) reimburse Airline for Airline's costs to maintain the Airline-owned PLB. At the conclusion of any such period, the City shall be obligated to supply its own PLBs to service any such Gate Space and Airline shall be required at its own expense to remove its PLBs, unless the parties can reach agreement on the purchase of such PLB by the City. In addition, the City will require that the Air Carrier assigned the use of the PLB first be trained on the use of such PLB before they are able to use the PLB.

Article 6

AFFILIATES AND ALLIANCE PARTNERS

6.1 Airline's Designation of Affiliates

Subject to the provisions of this Article 6, Airline may designate one or more Affiliates to operate at the Airport. In the event Airline designates an Affiliate, the following provisions shall apply to Airline and its Affiliates:

6.1.1 Airline's designation of an Affiliate shall not be effective until Airline has first (a) notified the Commissioner in writing, using the form attached to the Affiliate Operating Agreement (Exhibit F, Attachment 1), that Airline intends to designate an Air Carrier as an Affiliate to the extent that the Air Carrier is conducting activity on behalf of Airline at the Airport; (b) ensured that the Affiliate has entered into an Affiliate Operating Agreement with the City in substantially the same form as that attached as Exhibit F; and (c) confirmed for the Commissioner in writing that either: (i) Airline will pay to the City all of the Affiliate's Airport Fees and Charges for activity conducted as an Affiliate of Airline or (ii) Airline will cause its Affiliate to pay to the City all of the Affiliate's Airport Fees and Charges for activity conducted as an Affiliate of Airline.

6.1.2 Airline shall pay or cause its Affiliate to pay to the City all Airport Fees and Charges due to the City on account of the Affiliate's use of any Airport facilities for activity conducted as an Affiliate of Airline.

6.1.3 Airline shall submit or shall cause Airline's Affiliate to submit to the City all Monthly Activity Reports detailing each Affiliate's use of any Airport facilities or services as an Affiliate of Airline in accordance with Section 8.19.

6.1.4 Airline shall report and pay or shall cause each of its Affiliates to report and pay to the City any PFCs that they respectively collect as an Affiliate of Airline on account of Enplaned Passengers at the Airport.

6.1.5 Both Airline and the Affiliate shall remain jointly and severally liable to the City for the payment of all Airport Fees and Charges and PFCs, and for the submission of all Monthly Activity Reports, that are due to the City on account of the Affiliate's use of any Airport facilities or services as an Affiliate of Airline.

6.2 Applicability of Agreement to Affiliates

For so long as Airline and each of its Affiliates have complied with their payment and reporting obligations under Article 8 and Article 9, then:

6.2.1 Each Affiliate shall have the same rights as Airline to use Airline's Premises, and Assignments and Subleases by Airline to an Affiliate shall not be subject to Section 4.2.2.

6.2.2 The Airport Fees and Charges due on account of each Affiliate's use of Airport facilities or services shall be calculated as if the Affiliate were a Signatory Airline; provided, however, that the Affiliate's activity as an Affiliate of Airline shall be treated as activity of Airline.

6.2.3 Airline and all of its Affiliates shall be treated as a single Signatory Airline for purposes of determining a Majority-In-Interest and each Affiliate's landed weight and payment of Airport Fees and Charges to the City pursuant to Article 8 on account of the Affiliate's use of Airport facilities or services as an Affiliate of Airline shall be treated as landed weight of and payments by Airline for purposes of determining a Majority-in-Interest.

6.2.4 Each Affiliate's activity as an Affiliate of Airline on Airline's Premises shall be treated under Article 5 as activity of Airline for purposes of (a) allocations and reallocations of Airline Premises under Section 5.4.1(a); (b) establishing Airline's Periods of Use under Section 5.5.2; and (c) calculating average utilization under Section 5.7.3.

6.3 Designation by More than One Signatory Airline

More than one Signatory Airline may from time to time designate the same Passenger Carrier as its Affiliate, and each such Signatory Airline shall only be responsible for and credited with such Passenger Carrier's operations when such Passenger Carrier operates as such Signatory Airline's Affiliate.

6.4 Termination of Status of Affiliate

A Passenger Carrier's status as Affiliate of Airline may be terminated by Airline upon thirty (30) days' prior written notice to the City, provided that Airline's liability to the City for the payment of all Airport Fees and Charges, and PFCs, and the submission of all Monthly Activity Reports, that are due to the City on account of the use of any Airport facilities or services on behalf of Airline by Airline's Affiliates shall survive any termination of Affiliate status; provided, however, that Airline shall only be responsible for such payments and reports as they relate to a terminated Affiliate's operations through the later of: (a) the effective date of the termination of Affiliate status or (b) thirty (30) days after receipt by City from Airline of notice of such termination.

6.5 Airline's Designation of Alliance Partners

From time to time, Airline may designate one or more Alliance Partners by notifying the Commissioner in writing, using the Alliance Partner Designation Form attached as Exhibit G and providing reasonable, publicly available documentation of their alliance or codeshare relationship.

6.6 Application of Agreement to Alliance Partners

For so long as Airline and each of its Alliance Partners have complied with their payment and reporting obligations under Article 8 and Article 9, then:

6.6.1 Airline may exercise its rights with respect to its Alliance Partners set forth in Sections 3.2.4, 3.2.5, 3.3.5 and 4.2.2.

6.6.2 Each Alliance Partner's activity as an Alliance Partner of Airline on Airline's Premises shall be treated under Article 5 as activity of Airline for purposes of (a) allocations and reallocations of Airline Premises under Section 5.4.1(a); (b) establishing Airline's Periods of Use under Section 5.5.2; and (c) calculating average utilization under Section 5.7.3; provided, however, that if the Alliance Partner's activity is treated as activity of Airline for any of these purposes, such activity shall not also be treated for these purposes as activity of the Alliance Partner in its own right.

6.6.3 Any Alliance Partner's landed weight and payment of Airport Fees and Charges to the City on account of the Alliance Partner's use of Airport facilities or services as an Alliance Partner of Airline shall not be treated as landed weight of and payments by Airline for purposes of determining a Majority-in-Interest.

6.6.4 Airline's designation of an Alliance Partner shall not affect either Airline's or its Alliance Partner's payment or reporting obligations under this Agreement.

6.7 Designation by More than One Signatory Airline

No more than one Signatory Airline may from time to time designate the same Passenger Carrier as its Alliance Partner.

6.8 Termination of Status of Alliance Partner

A Passenger Carrier's status as Alliance Partner of Airline may be terminated by Airline upon thirty (30) days' written notice to the City.

Article 7

SUBORDINATION TO BOND INDENTURE AND CREATION OF FUNDS

7.1 Definitions

Capitalized words and phrases used in this Article 7 but not in defined Article 1 shall have the meanings set forth in the Bond Indenture or, if not so set forth, shall have their usual and customary meanings.

7.2 Subordination to Bond Indenture

7.2.1 In the event of any conflict between this Agreement and the Bond Indenture, the terms and conditions of the Bond Indenture will control. For example, but not by way of limitation, subject to the terms and provisions of the Bond Indenture, it is mutually understood and agreed that, so long as any bonds, contracts or other obligations treated as Senior Lien Obligations or Junior Lien Obligations which are secured by or payable from Revenues under the Bond Indenture are outstanding, the deposit and application of Airport Revenues, or any casualty or condemnation proceeds, shall be governed by the Bond Indenture, but subject to applicable law. Except as provided in Section 7.2.2, the City shall not amend, supplement or restate the Bond Indenture in any way that would have a material adverse effect on Air Carriers operating at the Airport without first consulting with the AAAC, unless financial exigencies make it impractical for the City to engage in such consultation.

7.2.2 Airline acknowledges that the City plans to amend the Bond Indenture to require higher percentages of Debt Service Coverage on Senior Lien Obligations, with increases to fifteen percent (15%) effective for Fiscal Year 2019; twenty percent (20%) for Fiscal Year 2020; and twenty-five percent (25%) for Fiscal Year 2021 and subsequent years.

7.3 Sufficiency of Airport Revenues

For each Fiscal Year, Airport Fees and Charges, together with other Revenues, shall be at all times sufficient to satisfy (a) the Deposit Requirements of the Senior Lien Master Indenture or any other Bond Indenture and (b) the debt service coverage covenants of the Bond Indenture.

7.4 Deposit of Revenues and Creation of Funds

7.4.1 All Revenues derived by the City from the operation of the Airport will be deposited into the Revenue Fund held by the Trustee under the Bond Indenture securing Senior Lien Obligations. Moneys held in the Revenue Fund shall be disbursed and applied by the Trustee.

7.4.2 The City shall maintain and use the Operation and Maintenance Fund, the Operation and Maintenance Reserve Fund and the Maintenance Reserve Fund in accordance with the Bond Indenture.

7.4.3 The City shall maintain and use a Supplemental O&M Reserve Fund. The City shall deposit into the Supplemental O&M Reserve Fund each year, beginning in Fiscal Year 2019, the amount, if any, required to increase the balance in such Fund (including amounts receivable from such Fund) to the following percentages of total O&M Expenses:

2019:	3.6%
2020:	7.2%
2021:	10.8%
2022:	14.4%
2023:	18.0%
2024:	21.6%
2025 and subsequent years:	25.0%

7.5 Assignment by the City

The City may assign, in accordance with the Bond Indenture, if applicable, and with the terms of this Agreement, certain of its interests in and pledge certain revenues and receipts under this Agreement as security for payment of the principal of, premium, if any, and interest on obligations issued pursuant to the Bond Indenture.

Article 8

CALCULATION OF RATES AND CHARGES

8.1 Generally

8.1.1 Rate Methodology. Subject to Section 8.18 the fees and rents to be charged by the City and paid by Airline (and by all other Signatory Airlines) for its use of the Airport from the Effective Date until the expiration or earlier termination of this Agreement shall be calculated in accordance with the City's Financial Accounting Protocols using the rate-setting methods set forth in this Article 8. In calculating the revenue requirements used to derive each of these kinds of rates and charges, the City shall exclude any cost (net of the cost of collection) that (a) has been reimbursed or covered by any insurance recovery, condemnation proceeds or other third-party payment; (b) has been reimbursed or is required to be reimbursed to the City by an individual Air Carrier in connection with projects undertaken by the City at the request and for the benefit of an individual Air Carrier; or (c) has been paid with PFCs or with federal or state grants received by the City. The City may, pursuant to Section 9.2.3, add to such revenue requirements any Bad Debt caused by the failure of any Air Carrier to pay fees and rents charged by the City under this Article 8. Illustrative calculations displaying how rates and charges will be calculated under the methodology set forth in this Article 8 are attached as Exhibit I.

8.1.2 Financial Accounting Protocols. The City shall promulgate Financial Accounting Protocols after consultation with the AAAC. The Commissioner may amend the

Financial Accounting Protocols from time to time after consultation with the AAAC. In the event of a conflict between this Agreement and the Financial Accounting Protocols, the terms of this Agreement shall control.

8.1.3 Airline Consultations on Proposed Rates and Charges. No later than October 1 of each year, the Commissioner shall provide, by electronic mail, each Air Carrier then currently operating scheduled passenger or cargo service at the Airport with a complete copy of the Department of Aviation's then-proposed operating budget and capital plan for the following Fiscal Year and, no later than November 1 of each year, the then-proposed rates and charges, calculated in accordance with this Article 8, for the following Fiscal Year. No later than November 10 of each year, the Commissioner shall consult with the AAAC concerning the then-proposed rates and charges. These annual rate consultations shall provide a reasonable opportunity for the AAAC to review the City's rate calculations, budgetary estimates and cost allocations. No later than December 1 of each year, after giving due consideration to the comments provided by the AAAC, the Commissioner shall make any revisions to the proposed rates and charges as the Commissioner determines, in his or her reasonable discretion, to be consistent with this Article 8 and warranted as a result of consultation with the AAAC or otherwise, and shall provide written notice, by electronic mail, to each Air Carrier then currently operating scheduled passenger or cargo service at the Airport of the new rates and charges to be effective as of January 1 of the following Fiscal Year. A copy of the notice shall be posted on the CDA's website.

8.2 Calculation of the Landing Fee

Airline shall pay Landing Fees for its use of the Airfield based on its aggregate Maximum Gross Landed Weight at the Airport during the Fiscal Year. The Landing Fee effective as of January 1 of each Fiscal Year shall be determined according to the rate-setting method set forth in this Section 8.2.

8.2.1 Calculation of the Airfield Revenue Requirement. The City shall calculate the Airfield Revenue Requirement by computing the sum of the following budgetary items for each Fiscal Year:

(a) Capital Costs allocable to the Airfield; *plus*

(b) O&M Expenses allocable to the Airfield; *plus*

(c) Allowable Airline Liaison Office Expenses; *plus*

(d) Required Deposits (if any) allocable to the Airfield; *minus*

(e) Other Airfield Revenues; *minus*

(f) Interest Income allocable to the Airfield; *plus or minus*

(g) Bad Debt or Bad Debt Recovery allocable to the Airfield; *plus or minus*

(h) Net losses or revenues from the Fueling System Cost Center; *plus or minus*

(i) Landing Fee True-ups pursuant to Section 8.17; *minus*

(j) Net Aeronautical Real Estate Revenue (if any) applied pursuant to Section 8.12.2(a) 8.12.2(a) to reduce Capital Costs allocable to the Airfield; *plus*

(k) Shortfalls in the Air Service Incentive Program (if any) pursuant to Section 8.15.

8.2.2 Forecast Maximum Gross Landed Weight. The City shall forecast, based upon estimates provided by Air Carriers and other available information, aggregate Maximum Gross Landed Weight for all aircraft greater than 12,500 pounds that are expected to land at the Airport during the next Fiscal Year.

8.2.3 Calculation of the Landing Fee Rate. The City shall calculate the Landing Fee rate applicable to all aircraft greater than 12,500 pounds that land at the Airport and are not otherwise exempt from paying Landing Fees under Section 8.2.5 by dividing the Airfield Revenue Requirement by aggregate forecast Maximum Gross Landed Weight. The Landing Fee rate shall be expressed in dollars and cents (to nearest thousandth) per one thousand pounds of Maximum Gross Landed Weight.

8.2.4 Minimum Landing Fee. The Landing Fee applicable to any aircraft less than or equal to 12,500 pounds that land at the Airport and are not otherwise exempt from paying Landing Fees under Section 8.2.5 shall be equal to 12,500 pounds times the Landing Fee rate calculated under Section 8.2.3.

8.2.5 Exemptions from Landing Fees

(a) No Landing Fee shall be due in the event an aircraft departs from the Airport for another destination and is forced to return and land at the Airport because of meteorological conditions, or mechanical or operational problems, or for any similar emergency or precautionary reason.

(b) No Landing Fee shall be due on account of landings by any aircraft owned and operated by the United States government and its agencies, non-commercial aircraft owned and operated by foreign governments on a flight authorized by the Department of State, or commercial aircraft on any flight dedicated to carrying foreign heads of state and not operating as a commercial flight. Foreign military aircraft are subject to landing fees calculated under Section 8.2.3.

(c) The Commissioner may, on an infrequent basis, waive landing fee payments, in his or her discretion, for medical, humanitarian, charity or non-profit events.

8.3 **Calculation of Terminal Rental Rates**

The City shall calculate Terminal Rental Rates for the Main Terminal and Terminal 5 on an equalized basis. Airline shall pay the Terminal Rental Rates applicable to all the Exclusive Use and Preferential Use space (if any) it leases in the Terminal Complex. The Terminal Rental Rates effective January 1 of each Fiscal Year for the Terminal Complex shall be determined according to the rate-setting methods set forth in this Section 8.3.

8.3.1 Calculation of the Total Terminal Revenue Requirement. The City shall calculate the Total Terminal Revenue Requirement by computing the sum of the following budgetary items for the Fiscal Year:

(a) Capital Costs allocable to the Terminal Complex; *plus*

(b) O&M Expenses allocable to the Terminal Complex; *plus*

(c) Required Deposits allocable to the Terminal Complex; *plus*

(d) Unrecovered Domestic Common Use Gate Costs (if any); *minus*

(e) Interest Income allocable to the Terminal Complex; *minus*

(f) Terminal Concession Revenue; *minus*

(g) Other Terminal Rental Payments; *minus*

(h) Any remaining balance from the sale of abandoned property or fixtures pursuant to Section 4.5.3; *plus or minus*

(i) Bad Debt or Bad Debt Recovery allocable to the Terminal Complex; *minus or plus*

(j) Net Parking and Ground Transportation Revenue (or losses); *minus or plus*

(k) Net revenue (or losses) allocable to Aeronautical Real Estate or Commercial Real Estate, subject to Sections 8.12and 8.13; *plus*.

(l) Any amount necessary to meet the Rate Covenant in Section 404 of the Bond Indenture.

8.3.2 Calculation of the Terminal Space Revenue Requirement. The City shall calculate the Terminal Space Revenue Requirement by computing the sum of the following budgetary items for the Fiscal Year:

(a) Total Terminal Revenue Requirement; *minus*

(b) Capital Costs and O&M Expenses for City-owned Baggage Claim Systems and City-owned Baggage Make-up Systems not allocable to FIS Facilities (to be recovered through separate charges for the use of City-owned Baggage Claim Systems and City-owned Baggage Make-up Systems); *minus*

(c) City Equipment Costs not allocable to FIS Facilities (to be recovered through separate City Equipment Charges and Common Use Charges); *minus*

(d) Capital Costs and O&M Expenses for City-owned Baggage Claim Systems and City Equipment Costs allocable to FIS Facilities (to be recovered through a separate FIS Facility Fee).

8.3.3 Calculation of the Terminal Rental Rate. In recognition of the differing utility of distinct types of Airline Rented Space, the City shall separately calculate rental rates for two (2) types of Airline Rented Space within the Terminal Complex: Base Space (consisting of all Airline Rented Space in the Terminal Complex except for Baggage Make-up Space and ramp-level unenclosed storage space) and Discount Space (consisting of Baggage Make-up Space, parts systems conveyance space and ramp-level unenclosed storage space).

(a) The rental rate per square foot for Discount Space shall be twenty-five percent (25%) less than the rental rate per square foot for Base Space.

(b) The rental rates per square foot for each of the two (2) types of Airline Rented Space will be calculated so that the aggregate amount chargeable for all types of Airline Rented Space equals the Terminal Space Revenue Requirement.

8.4 Exclusive Use Rent

Airline shall pay for its lease of Exclusive Use Space based on the square footage of Exclusive Use Space (if any) leased by Airline as shown in the Premises Notice multiplied, for Base Space (if any), by the Base Terminal Rental Rate and, for Discount Space (if any), by the Discount Terminal Rental Rate.

8.5 Preferential Use Gate Rent

Airline shall pay for its lease of Preferential Use Gate Space based on the square footage of the Holdroom Space associated with the Preferential Use Gate Space (if any) leased by Airline as shown in the Premises Notice multiplied by the Base Terminal Rental Rate.

8.6 Preferential Use Check-in Rent

Airline shall pay for its lease of Preferential Use Check-in Space based on the square footage of Check-in Space (if any) leased by Airline as shown in the Premises Notice multiplied by the Base Terminal Rental Rate.

8.7 Preferential Use and Joint Use Baggage Claim Rent

8.7.1 Preferential Use Baggage Claim Rent. Airline shall pay for its lease of Preferential Use Baggage Claim Space in the Terminal Complex based on the square footage of Preferential Baggage Claim Space (if any) leased by Airline in the Terminal Complex as shown in the Premises Notice multiplied by the Base Terminal Rental Rate.

8.7.2 Joint Use Baggage Claim Rent. Airline shall pay for its lease of Joint Use Baggage Claim Space based on the square footage of Joint Use Baggage Claim Space (if any) leased by Airline in the Terminal Complex as shown in the Premises Notice multiplied by the Base Terminal Rental Rate and further multiplied by Airline's respective share of Delivered Arriving Seats on all flights operated by Passenger Carriers utilizing such Joint Use Baggage Claim Space.

8.8 Preferential Use and Joint Use Baggage Make-up Rent

8.8.1 Preferential Use Baggage Make-up Rent. Airline shall pay for its lease of Preferential Use Baggage Make-up Space in the Terminal Complex based on the square footage of Preferential Baggage Make-up Space (if any) leased by Airline in the Terminal Complex as shown in the Premises Notice multiplied by the Discount Terminal Rental Rate.

8.8.2 Joint Use Baggage Make-up Rent. Airline shall pay for its lease of Joint Use Baggage Make-up Space in the Terminal Complex based on the square footage of Preferential Baggage Make-up Space (if any) leased by Airline in the Terminal Complex as shown in the Premises Notice multiplied by the Discount Terminal Rental Rate and further multiplied by Airline's respective share of Outbound Checked Bags for all flights operated by Passenger Carriers utilizing such Joint Use Baggage Make-up Space; provided, however, that if reliable counts of Outbound Checked Bags are unavailable, shares of Joint Use Baggage Make-up Rent shall be based upon each Passenger Carrier's respective share of Delivered Departing Seats for all flights utilizing such Joint Use Baggage Make-up Space.

8.9 Preferential Use and Joint Use City-owned Baggage System Charges

Airline shall pay for its Preferential Use and Joint Use of City-owned Baggage Make-up Systems and City-owned Baggage Claim Systems according to the rate-setting methods set forth in this Section 8.9.

8.9.1 Preferential Use and Joint Use of City-owned Baggage Make-up Charge. In addition to the Terminal Rent applicable to any Preferential Use Baggage Make-up Space leased by Airline, Airline shall pay a Preferential Use Baggage Make-up Charge for its use of City-owned Baggage Make-up Systems (if any) that are within Baggage Make-up Space (if any) that is leased by Airline on a Preferential Use basis. The Baggage Make-up Systems Charge effective January 1 of each Fiscal Year for Airline's Preferential Use of City-owned Baggage Make-up Systems shall be calculated as the sum of budgeted Capital Costs and O&M Expenses (if any) allocable to the City-owned Baggage Make-up Systems leased by Airline for its Preferential Use. Passenger Carriers leasing Joint Use Baggage Make-up Space shall each pay their pro rata share of the applicable charges for Joint Use City-owned Baggage Make-up Systems based on their respective shares of Outbound Checked Bags utilizing such Systems; provided, however, that if reliable counts of Outbound Checked Bags are unavailable, shares of Joint Use Baggage Make-up Charges shall be based upon each Passenger Carrier's respective share of Delivered Departing Seats for all flights utilizing such Joint Use Baggage Make-up Space.

8.9.2 Preferential Use and Joint Use of City-owned Baggage Claim Charge. In addition to the Terminal Rent applicable to any Preferential Use Baggage Claim Space leased by Airline, Airline shall pay a Preferential Use Baggage Claim Charge for its use of City-owned Baggage Claim Systems (if any) that are within Baggage Claim Space (if any) that is leased by Airline on a Preferential Use basis. The City-owned Baggage Claim Systems Charge effective January 1 of each Fiscal Year for Airline's Preferential Use of City-owned Baggage Claim Systems shall be calculated as the sum of budgeted Capital Costs and O&M Expenses (if any) allocable to the City-owned Baggage Claim Systems leased by Airline for its Preferential Use. Passenger Carriers leasing Joint Use Baggage Claim Space shall each pay their pro rata share of the applicable charges for Joint Use City-owned Baggage Claim Systems based on their respective shares of Delivered Arriving Seats on all flights utilizing such Systems.

8.10 **Common Use Fees**

8.10.1 Domestic Common Use Gate Fees. Airline shall pay Domestic Common Use Gate Fees for its use of Domestic Common Use Gate Space based on the number of Airline's Total Delivered Seats at Domestic Common Use Gate Space. The Domestic Common Use Gate Fee effective January 1 of each Fiscal Year shall be determined according to the rate-setting method set forth in this Section 8.10.1.

(a) Calculation of the Domestic Common Use Gate Revenue Requirement. The City shall calculate the Domestic Common Use Gate Revenue Requirement by computing the sum of the following budgetary items:

(i) the Base Terminal Rental Rate multiplied by the total square footage of Domestic Common Use Holdroom Space; *plus*

(ii) Capital Costs and O&M Expenses for SET allocable to Domestic Common Use Gate Space; *plus*

(iii) Capital Costs and O&M Expenses for City Equipment allocable to Domestic Common Use Gate Space.

(b) Forecast Total Delivered Seats at Domestic Common Use Gate Space. The City shall forecast, based upon estimates provided by Passenger Carriers and other available information, aggregate Total Delivered Seats at Domestic Common Use Gate Space.

(c) Calculation of the Domestic Common Use Gate Fee. The City shall calculate the Domestic Common Use Gate Fee by dividing the Domestic Common Use Gate Revenue Requirement by aggregate forecast Total Delivered Seats at Domestic Common Use Gate Space; provided, however, that an aggregate amount of no less than the product of 548,000 annual Delivered Seats multiplied by the total number of Domestic Common Use Gates shall be used to calculate the Domestic Common Use Gate Fee.

(d) Monthly Cap on Domestic Common Use Gate Fees. If (a) Airline has requested from the City, but has been unable to obtain, the assignment of a Preferential Use Gate and (b) the City's Airline's Initial Schedule Submission for Common Use Gate Space demonstrates that Airline's activity on one or more Domestic Common Use Gate Space would

meet or exceed the average Preferential Use Gate Space utilization of all Long-Term Signatory Airlines, as measured by either Section 5.7.3(a) or Section 5.7.3(b), Airline's aggregate monthly Domestic Common Use Gate Fees for each such Domestic Common Use Gate shall not exceed what Airline would have been charged if Airline had been able to lease Preferential Use Gate Space for which it would qualify. Domestic Common Use Gate Fees calculated for Airline's use of other Domestic Common Use Gate Space shall not be diminished by such monthly cap.

(e) Imputed Domestic Common Use Gate Fee. If there is no separately designated Domestic Common Use Gate Space, the City shall calculate the Domestic Common Use Gate Fee to be paid for domestic flights using International Common Use Gate Space or being accommodated on any other Signatory Airline's Preferential Use Gate Space by multiplying the Base Terminal Rental Rate by 2,650 square feet and dividing that product, together with Capital Costs and O&M Expenses for related SET and City Equipment for an individual Common Use Gate, by 548,000 annual Total Delivered Seats.

8.10.2 International Common Use Gate Fees. Airline shall pay International Common Use Gate Fees for its use of International Common Use Gate Space based on the number of Airline's Delivered Departing International Seats and Airline's Delivered Arriving International Seats Without FIS Users at International Common Use Gate Space. The International Common Use Gate Fee effective January 1 of each Fiscal Year shall be determined according to the rate-setting method set forth in this Section 8.10.2. Airline shall pay Domestic Common Use Gate Fees determined according to the rate-setting method set forth in Section 8.10.1 for its use of International Common Use Gate Space for any domestic flights.

(a) Calculation of the International Common Use Gate Revenue Requirement. The City shall calculate the International Common Use Gate Revenue Requirement by computing the sum of the following budgetary items:

(i) the Base Terminal Rental Rate multiplied by the total square footage of International Common Use Holdroom Space; *plus*

(ii) Capital Costs and O&M Expenses for SET allocable to International Common Use Gate Space; *plus*

(iii) Capital Costs and O&M Expenses for City Equipment allocable to International Common Use Gate Space; *minus*

(iv) Domestic Common Use Gate Fees (if any) paid for the use of International Common Use Gate Space for domestic flights.

(b) Forecast Seats at International Common Use Gate Space. The City shall forecast, based upon estimates provided by Passenger Carriers and other available information, aggregate Delivered Departing International Seats and Arriving International Seats Without FIS Users at International Common Use Gate Space.

(c) Calculation of the International Common Use Gate Fee. The City shall calculate the International Common Use Gate Fee by dividing the International Common

Use Gate Revenue Requirement by aggregate forecast Delivered Departing International Seats and Arriving International Seats Without FIS Users at International Common Use Gate Space.

8.10.3 Domestic Common Use Baggage Make-up Fees. Airline shall pay for its use (if any) of Domestic Common Use City-owned Baggage Make-up Systems, based on the number of Airline's Outbound Checked Bags for flights utilizing Domestic Common Use City-owned Baggage Make-up Systems during the Fiscal Year. The Domestic Common Use Baggage Make-up Fee shall be calculated according to the rate-setting method set forth in this Section 8.10.3.

(a) Calculation of the Domestic Common Use Baggage Make-up Revenue Requirement. The City shall calculate the Common Use Baggage Make-up Revenue Requirement by computing the sum of the following budgetary items:

(i) the Discount Terminal Rental Rate multiplied by the total square footage of Domestic Common Use Baggage Make-up Space; *plus*

(ii) Capital Costs and O&M Expenses for Domestic Common Use City-owned Baggage Make-up Systems and any related SET and City Equipment.

(b) Forecast Outbound Checked Bags for Flights Utilizing Domestic Common Use City-owned Baggage Make-up Systems. The City shall forecast, based upon estimates provided by Passenger Carriers and other available information, aggregate Outbound Checked Bags for flights utilizing Domestic Common Use City-owned Baggage Make-up Systems.

(c) Calculation of the Domestic Common Use Baggage Make-up Fee. The City shall calculate the Domestic Common Use Baggage Make-up Fee by dividing the Domestic Common Use Baggage Make-up Revenue Requirement by aggregate forecast Outbound Checked Bags for flights utilizing Domestic Common Use City-owned Baggage Make-up Systems.

8.10.4 International Common Use Baggage Make-up Fees. Airline shall pay for its use (if any) of International Common Use City-owned Baggage Make-up Systems, based on the number of Airline's Outbound Checked Bags for flights utilizing International Common Use City-owned Baggage Make-up Systems during the Fiscal Year. The International Common Use Baggage Make-up Fee shall be calculated according to the rate-setting method set forth in this Section 8.10.4.

(a) Calculation of the International Common Use Baggage Make-up Revenue Requirement. The City shall calculate the International Common Use Baggage Make-up Revenue Requirement by computing the sum of the following budgetary items:

(i) the Discount Terminal Rental Rate multiplied by the total square footage of International Common Use Baggage Make-up Space; *plus*

(ii) Capital Costs and O&M Expenses for International Common Use City-owned Baggage Make-up Systems and any related SET and City Equipment; *minus*

(iii) International Common Use Baggage Make-up Fees paid for the use of International Common Use Baggage Make-up Systems for domestic flights.

(b) Forecast Outbound Checked Bags for Flights Utilizing International Common Use City-owned Baggage Make-up Systems. The City shall forecast, based upon estimates provided by Passenger Carriers and other available information, aggregate Outbound Checked Bags for international flights utilizing International Common Use City-owned Baggage Make-up Systems.

(c) Calculation of the International Common Use Baggage Make-up Fee. The City shall calculate the International Common Use Baggage Make-up Fee by dividing the International Common Use Baggage Make-up Revenue Requirement by aggregate forecast Outbound Checked Bags for international flights utilizing International Common Use City-owned Baggage Make-up Systems.

8.10.5 Common Use Baggage Claim Fees. Airline shall pay for its use (if any) of Common Use City-owned Baggage Claim Systems, based on the number of Airline's Arriving Domestic Seats on flights utilizing Common Use City-owned Baggage Claim Systems during the Fiscal Year. The Common Use Baggage Claim Fee shall be calculated according to the rate-setting method set forth in this Section 8.10.5.

(a) Calculation of the Common Use Baggage Claim Revenue Requirement. The City shall calculate the Common Use Baggage Claim Revenue Requirement by computing the sum of the following budgetary items:

(i) the Base Terminal Rental Rate multiplied by the total square footage of Common Use Baggage Claim Space; *plus*

(ii) Capital Costs and O&M Expenses for Common Use City-Owned Baggage Claim Systems and any related SET and City Equipment.

(b) Forecast Arriving Domestic Seats on flights Utilizing Common Use City-owned Baggage Claim Systems. The City shall forecast, based upon estimates provided by Passenger Carriers and other available information, aggregate Arriving Domestic Seats on flights utilizing Common Use City-owned Baggage Claim Systems.

(c) Calculation of the Common Use Baggage Claim Fee. The City shall calculate the Common Use Baggage Claim Fee by dividing the Common Use Baggage Claim Revenue Requirement by aggregate forecast Arriving Domestic Seats on flights utilizing Common Use City-owned Baggage Claim Systems.

8.10.6 Domestic Common Use Check-in Fees. Airline shall pay Domestic Common Use Check-in Fees for its use (if any) of Domestic Common Use Check-in Space based on the greater of the number of (a) Check-in Hours that Airline and its Affiliates have been

assigned by the City or (b) Check-in Hours actually used by Airline and its Affiliates. The Domestic Common Use Check-in Fee effective January 1 of each Fiscal Year shall be determined according to the rate-setting method set forth in this Section 8.10.6.

(a) Calculation of the Domestic Common Use Check-in Revenue Requirement. The City shall calculate the Domestic Common Use Check-in Revenue Requirement by computing the sum of the following budgetary items:

(i) the Base Terminal Rental Rate multiplied by the total square footage of Domestic Common Use Check-in Space; *plus*

(ii) Capital Costs and O&M Expenses for SET and City Equipment allocable to Domestic Common Use Check-in Space.

(b) Forecast Domestic Common Use Check-in Hours. The City shall forecast, based upon estimated flight schedules provided by Passenger Carriers and other available information, aggregate Domestic Common Use Check-in Hours.

(c) Calculation of the Domestic Common Use Check-in Fee. The City shall calculate the Domestic Common Use Check-in Fee by dividing the Domestic Common Use Check-in Revenue Requirement by aggregate forecast Domestic Common Use Check-in Hours.

8.10.7 International Common Use Check-in Fees. Airline shall pay International Common Use Check-in Fees for its use (if any) of International Common Use Check-in Space based on the greater of the number of (a) Check-in Hours that Airline and its Affiliates have been assigned by the City or (b) Check-in Hours actually used by Airline and its Affiliates. The International Common Use Check-in Fee effective January 1 of each Fiscal Year shall be determined according to the rate-setting method set forth in this Section 8.10.7.

(a) Calculation of the International Common Use Check-in Revenue Requirement. The City shall calculate the International Common Use Check-in Revenue Requirement by computing the sum of the following budgetary items:

(i) the Base Terminal Rental Rate multiplied by the total square footage of International Common Use Check-in Space; *plus*

(ii) Capital Costs and O&M Expenses for SET and City Equipment allocable to International Common Use Check-in Space.

(b) Forecast International Common Use Check-in Hours. The City shall forecast, based upon estimated flight schedules provided by Passenger Carriers and other available information, aggregate International Common Use Check-in Hours.

(c) Calculation of the International Common Use Check-in Fee. The City shall calculate the International Common Use Check-in Fee by dividing the Common Use Check-in Revenue Requirement by aggregate forecast International Common Use Check-in Hours.

8.10.8 Aircraft Parking Fees. The City may establish, after consultation with the AAAC, reasonable fees for extended and overnight aircraft parking on common use Apron Areas and in remote areas of the Airfield not otherwise exclusively leased by an Air Carrier, including deicing pads. The City may also establish, after consultation with the AAAC, fees for the use of Common Use hard stands for the loading and unloading of aircraft.

8.11 **FIS Facility Fee**

Airline shall pay FIS Facility Fees for its use of FIS Facilities based on the number of Airline's FIS Users (if any) during the Fiscal Year. The FIS Facility Fee effective January 1 of each Fiscal Year shall be calculated according to the rate-setting method set forth in this Section 8.11.

8.11.1 Calculation of the FIS Revenue Requirement. The City shall calculate the FIS Revenue Requirement by computing the sum of the following budgetary items:

(a) the Base Terminal Rental Rate multiplied by the total square footage of FIS Facilities space; *plus*

(b) Capital Costs and O&M Expenses for Baggage Claim Systems, SET and City Equipment allocable to FIS Facilities.

8.11.2 Forecast FIS Users. The City shall forecast, based upon estimates provided by Passenger Carriers and other available information, aggregate FIS Users.

8.11.3 Calculation of the FIS Facility Fee. The City shall calculate FIS Facility Fee by dividing the FIS Revenue Requirement by aggregate forecast FIS Users.

8.12 **Priorities of Use for Net Aeronautical Real Estate Revenues**

8.12.1 The City shall calculate the amount of Net Aeronautical Real Estate Revenues remaining at the end of each Fiscal Year by computing the sum of the following budgetary items for each Fiscal Year

(a) Aeronautical Real Estate Revenue; *plus*

(b) Interest Income allocable to Aeronautical Real Estate; *minus*

(c) Capital Costs allocable to Aeronautical Real Estate; *minus*

(d) O&M Expenses allocable to Aeronautical Real Estate; *minus*

(e) Required Deposits allocable to Aeronautical Real Estate.

8.12.2 The City shall use Net Aeronautical Real Estate Revenues (if any) remaining at the end of each Fiscal Year in the next Fiscal Year according to the following priorities:

(a) An amount equal to the Pre-Approved Allowances set forth in Sections 1 and 2 of Exhibit O allocable to the Airfield Cost Center for the next Fiscal Year to reduce Capital Costs allocable to the Airfield Cost Center; and

(b) The remainder (if any) to reduce Capital Costs allocable to the Terminal Cost Center in the next Fiscal Year.

8.13 **Priorities of Use for Net Commercial Real Estate Revenues**

8.13.1 The City shall calculate the amount of Net Commercial Real Estate Revenues remaining at the end of each Fiscal Year by computing the sum of the following budgetary items for each Fiscal Year:

(a) Commercial Real Estate Revenue; *plus*

(b) Interest Income allocable to Commercial Real Estate; *minus*

(c) Capital Costs allocable to Commercial Real Estate; *minus*

(d) O&M Expenses allocable to Commercial Real Estate; *minus*

(e) Required Deposits allocable to Commercial Real Estate.

8.13.2 The City shall use Net Commercial Real Estate Revenues (if any) remaining at the end of each Fiscal Year in the next Fiscal Year according to the following priorities:

(a) To fund Air Service Incentive Programs undertaken pursuant to Section 8.15 and subject to the annual not-to-exceed annual budgets shown in Exhibit Q;

(b) To retain in each Fiscal Year, Five Million Dollars ($5,000,000) to be used by the City for interim financing or pay-go funding of Approved Projects and Exempt Projects; and

(c) The remainder (if any) to be used to reduce Capital Costs allocable to the Terminal Cost Center in the next Fiscal Year.

8.14 **City Equipment Charges**

Airline shall pay City Equipment Charges for its use of City Equipment. City Equipment Charges effective January 1 of each Fiscal Year shall be determined on a non-discriminatory, full cost-recovery basis.

8.15 **Air Service Incentive Program**

Notwithstanding any other provision in this Agreement and, in order to enhance and attract new air service to the Airport, the City reserves the right to adopt and implement a program of air service incentives at the Airport, consistent with applicable federal requirements, which may include rates and charges incentives and marketing support ("Air Service Incentive

Program"). The Air Service Incentive Program, if implemented, shall be offered to all eligible Air Carriers on a non-discriminatory basis. Airline acknowledges and expressly agrees that the City may use Net Commercial Real Estate Revenues to fund the full costs of the City's Air Service Incentive Program at the Airport, as provided in Section 8.13.2. The City's not-to-exceed annual budget for its Air Service Incentive Program, for each Fiscal Year during the Term, is attached as Exhibit Q. If Net Commercial Real Estate Revenues are insufficient in any Fiscal Year to fund the anticipated not-to-exceed budget of the City's Air Service Incentive Program in that Fiscal Year, as shown in Exhibit Q, Airline acknowledges and expressly agrees that the City may include any resulting shortfall in the Air Service Incentive Program in the Landing Fee calculated under Section 8.2.1.

8.16 Mid-year Adjustments

In order to reduce underpayments or overpayments of Airport Fees and Charges during each Fiscal Year, the City shall review the most recently available information with regard to the amounts actually incurred or realized during such Fiscal Year with respect to Capital Costs, O&M Expenses and levels of Air Carrier activity. If the City determines on the basis of information it is able to accumulate during the course of any Fiscal Year that the budgeted Capital Costs or O&M Expenses or projected levels of Air Carrier activity it has used to calculate the rates and charges set forth in this Article 8 are likely to vary significantly (higher or lower) from actual results, the City may make adjustments to such rates and charges to conform to its revised forecast as of July 1 of such Fiscal Year, and at one, and only one, other time during such Fiscal Year, the City may make adjustments to such rates and charges to conform to its revised forecast if the variance between the budgeted Capital Costs or O&M Expenses or projected levels of Air Carrier activity and actual results is expected to be five percent (5%) or more. The City shall provide the AAAC with at least thirty (30) days advance written notice ("Mid-Year Adjustment Notice") of any adjustments to be made under this Section 8.16. The AAAC may, within five (5) business days of receipt of the Mid-Year Adjustment Notice, request a meeting with the City to review the information that the City used as the basis for an adjustment under this Section 8.16 and if the AAAC does so, the City shall meet with the AAAC within five (5) days of the AAAC's request before making any mid-year adjustments.

8.17 Annual True-Up

8.17.1 Adjustments-to-Actual. No later than three hundred sixty five (365) days after the close of each Fiscal Year, the City shall provide to Airline its Final Accounting, covering the Airport's operations for such preceding Fiscal Year. Such Final Accounting shall contain information sufficient to (a) allow the City to recalculate the rates and charges as set forth in this Article 8 on the basis of actual Capital Costs and O&M Expenses, Air Carrier activity and other factors affecting the prescribed calculations (or, if such information is unavailable, on the basis of the City's then-current best estimates) and (b) determine the amount of any overpayment (credit) or underpayment (debit) due to or from Air Carriers for their use of the Airfield and Terminal Complex.

8.17.2 Landing Fee True-Up. The aggregate credit or debit (if any) due to or from all Air Carriers for Landing Fees, shall be applied to the Airfield Revenue Requirement for the following Fiscal Year under Section 8.2.1. If future interpretations of or revisions to federal

income tax laws would, in the opinion of Bond Counsel, permit the City to make settlements of Landing Fees with Airline and other individual Air Carriers by issuing credits or invoicing debits without adversely affecting the tax-exempt character of GARBs issued or to be issued to finance Capital Improvement Projects allocated to the Airfield Cost Center, the City shall offer to amend this Agreement to provide for such settlements, and this Agreement shall be so amended if the City's offer is accepted by a Majority-in-Interest of Long-Term Signatory Airlines for Capital Improvement Projects allocated solely to the Airfield Cost Center.

8.17.3 Settlements of Terminal Charges. For all other Airport Fees and Charges, any resulting credit will be issued to Airline in the form of a check, wire transfer through the Automatic Clearing House ("ACH") or electronic funds transfer ("EFT") (subject to the City's ability to make these payments using EFT or ACH), and any resulting debit will be invoiced to and payable by Airline. If Terminal Charges actually paid by Airline (if any) were greater than the corresponding amounts chargeable to Airline, the City shall remit the amount of such overpayment to Airline within thirty (30) days of the Final Accounting. If Terminal Charges paid by Airline (if any) were less than the corresponding amounts chargeable to Airline, the City shall apply the amount of such deficiency to the account of Airline within thirty (30) days of the Final Accounting, and invoice Airline, which amount shall be due and payable within sixty (60) days of invoice.

8.17.4 Final True-up under this Agreement. For Fiscal Year 2033, the final year of the Term, the City shall make an adjustment-to-actual in accordance with this Section 8.17, and any resulting credit will be issued to Airline and any resulting debits will be invoiced to and payable by Airline notwithstanding the expiration of the Agreement on December 31, 2033.

8.18 Transition Period Rates and Charges

8.18.1 Rates from May 12, 2018 through June 30, 2018. Notwithstanding anything to the contrary in this Article 8, the fees and charges to be charged by the City and paid by Airline for its use (if any) of the Airport from May 12, 2018 through June 30, 2018 shall be calculated according to the rate-setting methods set forth in Articles V, VI, XII, XIII and XIV of the Main Terminal Prior Use and Lease Agreement, as amended, and Articles V and VI of the Terminal 5 Prior Use and Lease Agreement, as amended, based upon the space leased by Airline under its Prior Use and Lease Agreement (if any); provided, however, that the City shall not charge Airline any fees or charges for the use of the Fueling System.

8.18.2 Rates from July 1, 2018 through December 31, 2018. The fees and charges to be charged by the City and paid by Airline for its use (if any) of the Airport from July 1, 2018 through December 31, 2018 shall be calculated according to the rate-setting methods in this Article 8; provided, however, that the consultation under Section 8.1.2 and the fees and charges calculated pursuant to Section 8.2 through Section 8.10 shall be based on the period July 1, 2018 through December 31, 2018.

8.18.3 Division of Revenue Requirements in 2018. The fees and charges calculated in accordance with Sections 8.18.1 and 8.18.2 shall be based upon the City's budget for Fiscal Year 2018, with one-half of the total revenue requirement allocated to the period

January 1, 2018 through June 30, 2018 and one-half of the total revenue requirement allocated to the period July 1, 2018 through December 31, 2018.

8.18.4 Final Accounting for 2018. Notwithstanding the provisions of Sections 7.07 and 7.09 of Prior Use and Lease Agreements for the Main Terminal and the provisions of Sections 6.06 and 6.08 of Prior Use and Lease Agreements for Terminal 5, Airline agrees that when the City makes its Final Accounting for Fiscal Year 2018, the City shall retain (a) on an aggregate net basis all credits or debits owed to or owed by Airline and all Airline Parties under any Prior Use and Lease Agreement for Terminal Area Charges or Special Revenue Bond Fees and Charges (as those terms are defined in Prior Use and Lease Agreements) and (b) on an aggregate net basis all credits or debits owed to or owed by Airline and all Airline Parties under any Prior Use and Lease Agreement for Landing Fees or Fueling System Fees (as those terms are defined in Prior Use and Lease Agreements).

8.19 **Activity Reports**

8.19.1 Airline Reporting. Airline shall provide to the City, on or before the 20th day of each and every month, the Monthly Activity Report. Each Monthly Activity Report shall be in a format prescribed by the City, and shall include at least the following information: (a) the aircraft make, model and series, MGLW and seating capacity of every aircraft type operated by Airline at the Airport; (b) the total MGLW of (i) all passenger aircraft and (ii) all cargo aircraft landing at the Airport; (c) the total number of domestic and international enplaned and deplaned passengers served by Airline at the Airport, including the breakdown of FIS Facility and non-FIS Facility deplaned passengers, revenue and non-revenue passengers; (d) the total amount (in pounds or kilograms) of domestic and international cargo (freight and express) and mail enplaned, deplaned and through by Airline at the Airport; (e) the total number of revenue and non-revenue aircraft operations; (f) total Airline use of Common Use Gate Space by date and time, including Gate, aircraft type ; (g) total number of domestic and international Delivered Arriving and Delivered Departing seats; (h) total number of hours that Airline used each Common Use Ticket Counter for domestic and international flights; (i) total number of Airline's Scheduled Departures, and (j) total number of Airline's Outbound Checked Bags on flights using Common Use Baggage Make-up Space, Joint Use Baggage Make-up Space and Joint Use City-owned Baggage-Make-up Systems.

8.19.2 Failure to Report. If Airline fails to provide to the City any Monthly Activity Report in a timely manner, Airline's Airport Fees and Charges due under this Agreement shall be determined by assuming that Airline's activity in any month for which Airline has failed to report its activity equaled Airline's maximum activity during any of the previous twelve (12) months for which Airline submitted a Monthly Activity Report to the City. Any necessary adjustments in Airline's charges shall be calculated after Airline delivers to the City an accurate Monthly Activity Report for the month in question. Resulting credits or debits shall be applied to the appropriate invoices in the next billing period.

Article 9

PAYMENT OF RENTALS, FEES AND CHARGES AND SECURITY DEPOSIT

9.1 Payment of Landing Fees and Terminal Charges

Beginning on the Effective Date, Airline shall pay to the City, on a monthly basis without invoice, Airport Fees and Charges calculated by the City in accordance with Article 8 as follows:

9.1.1 Not later than the first (1st) day of each month of each Fiscal Year, Airline shall remit to the City the amount of Airline's Fixed Terminal Charges, based on the Terminal Rental Rates then in effect.

9.1.2 Not later than the twentieth (20th) day of each month of each Fiscal Year, Airline shall remit to the City the amount of Airline's Landing Fees and Activity-Based Terminal Charges, together with Airline's Monthly Activity Report described in Section 8.19 on which Airline's payment under this Section 9.1.2 is based; provided, however, that the City reserves the right to use in the future an automated tracking system instead of Airline's Monthly Activity Report to determine the amount of Landing Fees due from Airline; and further provided, that if the City elects to use such an automated tracking system, the City shall consult with the AAAC and implement a reasonable method of reconciling the reports generated by the automated tracking system with Monthly Activity Reports submitted by each Air Carrier and resolving any discrepancies.

9.2 Place of Payment; Late Payments

9.2.1 All amounts due from Airline hereunder shall be paid in lawful money of the United States of America, without deduction or set off, to the City of Chicago at the Office of the City's Comptroller or at such other place as may be hereafter designated by the City. Airline shall pay all amounts payable by Airline hereunder by either check, wire transfer or electronic funds transfer ("EFT") or Automatic Clearing House ("ACH"), subject to the City's ability to receive these payments.

9.2.2 Any amount which is not paid within five (5) business days of when due and, if appropriate, when invoiced and such invoice is received by Airline, shall bear an annualized interest charge from its due date at a rate three percent (3%) higher than the "US Prime Rate" as published in the Wall Street Journal or similar successor index of national recognition as determined by the Commissioner.

9.2.3 Amounts due to the City from any Air Carrier under an Airline Use and Lease Agreement or Non-Signatory Airline Operating Agreement may be included in the calculation of Airport Fees and Charges hereunder when more than ninety (90) days past due and reasonably deemed by the City to be uncollectible after the City has made commercially reasonable efforts to recover such unpaid amounts taking into account application of any available security deposits both prior to and after the expiration of such ninety (90) day period and any such unpaid amounts subsequently collected shall be used to reduce the requirement for the applicable cost center.

9.3 Security Deposits

9.3.1 Delivery and Use of Security Deposit

(a) In the event that Airline fails to timely pay or take the necessary action to define the correct amount due for Terminal Charges or Landing Fees as required pursuant to Section 9.1 within ten (10) calendar days of receiving the City's written notice pursuant to Section 18.4 and to the AAAC Representative of late or incomplete payment more than twice within any twelve (12) month consecutive period, Airline shall provide to the City within sixty (60) days of receiving notice of the third late payment, and the City's written demand, a security deposit equal to the following (the "Security Deposit"):

(i) Airline's estimated Landing Fees for three (3) months (as determined on the basis of Airline's and its Affiliate(s), if applicable, published schedule as of that date and the actual Landing Fee Rate effective as of that date), *plus*

(ii) Airline's estimated Terminal Charges (including Affiliate's, if applicable) for three (3) months.

(b) The Security Deposit shall be in the form of a surety bond the terms of which are acceptable to the City or a letter of credit meeting the requirements set forth in Section 9.3.1(c) to secure Airline's performance and observance of Airline's obligations under this Agreement.

(c) The City may deduct from the Security Deposit an amount equal to: (i) any sums payable to the City under this Agreement; (ii) all reasonable sums, if any, that the City expends as the result of an Event of Default; and (iii) an amount equal to the City's reasonable costs of recovering possession, reletting Airline's Premises, and any and all other damages legally recoverable by the City, together with reasonable out-of-pocket costs and expenses incurred by the City, upon the occurrence of an Event of Default. In any such event, Airline shall again meet the Security Deposit requirement set forth in Section 9.3.1(a) above within seven (7) days from its receipt of such written notice; provided that if Airline does not so meet the Security Deposit requirement in a timely manner, the City shall be entitled to set-off such Security Deposit against the next ensuing payments by Airline of Airport Fees and Charges until such Security Deposit is complete. Once triggered, the Security Deposit requirements of this Section 9.3 shall continue until Airline demonstrates payment performance by having eighteen (18) consecutive months of on-time payments, at which time Airline may request the Security Deposit be returned and at such time the Security Deposit requirement shall be waived and any outstanding Security Deposit returned to Airline.

9.3.2 Letter of Credit Requirements

(a) For a Security Deposit in the form of a letter of credit, such letter of credit shall be an irrevocable commercial standby letter of credit for the amount of the Security Deposit in form and substance reasonably acceptable to the City that meets the following criteria:

(i) the letter of credit shall provide for its continuance for at least one year from issuance and for automatic extension for additional periods of at least one year from initial expiry date and each subsequent expiry date, unless the issuer of the letter of credit gives the City notice of its intention not to renew such letter of credit not less than sixty (60) days before such expiry date (a "Nonrenewal Notice");

(ii) the letter of credit shall be payable upon the City's presentation of the original of such letter of credit together with a sight draft to the issuer, accompanied by the City's signed statement that the City is entitled to draw on such letter of credit without further notice to Airline and hold the proceeds thereof;

(iii) the letter of credit shall be issued by a commercial bank reasonably satisfactory to the City which maintains a branch in Chicago, Illinois, provided that the Commissioner and the City Comptroller may jointly agree to waive the requirement set forth above that such financial institution maintain a branch in Chicago, for presentment for payment:

(1) that is chartered under the laws of the United States or any state thereof, or the District of Columbia;

(2) that is insured by the Federal Deposit Insurance Corporation;

(3) whose long-term, unsecured and unsubordinated debt obligations are rated by at least two of Fitch Ratings Ltd. ("Fitch"), Moody's Investors Service, Inc. ("Moody's) and Standard & Poor's Ratings Services ("S&P") or their respective successors (the "Rating Agencies") with ratings of not less than A- from Fitch, A3 from Moody's and A- from Standard & Poor's (the "Long-Term LC Issuer Requirements"); and

(4) whose short-term rating from at least two Rating Agencies is not less than F2 from Fitch, P-2 from Moody's and A-2 from S&P (the "Short-Term LC Issuer Requirements" and, together with the Long-Term LC Issuer Requirements, the "LC Issuer Requirements").

(iv) If at any time the LC Issuer Requirements are not met, or if the financial condition of such issuer changes in any other materially adverse way, then Airline shall within ten (10) days of written notice from the City deliver to the City a replacement letter of credit which otherwise meets the requirements of this Agreement and that meets the LC Issuer Requirements (and Airline's failure to do so shall, notwithstanding anything in this Agreement to the contrary, constitute an Event of Default for which there shall be no notice or grace or cure periods being applicable thereto other than the aforesaid ten-day period).

(b) The letter of credit shall remain in effect until the date which is thirty (30) days after the Term. If Airline shall hold over possession of the Premises pursuant to Section 4.6, then Airline shall ensure that the letter of credit is extended to cover a period which is not less than thirty (30) days after the expiration of any holdover period.

(c) The City shall consent to reduce or release such letter of credit when and as this Agreement would entitle Airline to any reduction or release of the Security Deposit.

9.3.3 Use of Letter of Credit

If any of the following occurs, then the City may draw upon the balance of the letter of credit in an amount equal to the aggregate amount of the Security Deposit this Agreement then requires: (A) the issuer delivers a Nonrenewal Notice that such issuer no longer intends to maintain a branch in Chicago, Illinois and Airline fails to deliver a replacement letter of credit that complies with this Agreement within thirty (30) days after Airline receives the Nonrenewal Notice (for purposes of which, the parties shall reasonably cooperate to facilitate the simultaneous exchange of the old letter of credit for the new letter of credit); (B) the happening of any instance in which the criteria set forth in Section 9.3.2(a) are not met; or (C) if the remaining term of the letter of credit is at any time less than thirty (30) days, but Airline has not delivered an extension or renewal of such letter of credit for at least one year.

9.4 **Right to Contest; No Abatement or Set-off**

9.4.1 Airline's payment to the City, and the City's acceptance from Airline, of any payment amount hereunder shall not preclude either Airline or the City from questioning, within six (6) months from the date of Airline's receipt of the Final Accounting, the accuracy of any statement on the basis of which such payment was made, or preclude the City from making, within such period, any claim against Airline for any additional amount payable by Airline under this Agreement, or preclude Airline from making, within such period, any claim against the City for any credit for any excess amount paid by Airline under this Agreement; provided, however, that the City shall not be limited by such six-month period if Airline shall have intentionally underreported its activity used in calculating any payment due by Airline under this Agreement.

9.4.2 Notwithstanding the foregoing, Airline shall not abate, suspend, postpone, set-off or discontinue any payments of Airport Fees and Charges which it is obligated to pay hereunder.

9.5 **Airline Books and Records**

9.5.1 Airline shall maintain or make available upon reasonable notice books (including documents or papers in physical or electronic form), records and accounts which are directly pertinent to this Agreement, including those relevant to the determination of any Airport Fees and Charges, each such item of information to be maintained at a minimum, until the later of seven (7) years from the date of creation or three (3) years after final payment is made, or for a longer period if necessary for pending litigation.

9.5.2 If such books, records and accounts are not maintained at Airline's offices in Chicago, Illinois, or at the Airport office, Airline shall in any case maintain such books, records and accounts within the United States or Canada, and Airline shall promptly furnish the Commissioner, the City's Chief Financial Officer (or, if there is no such officer, the City's Comptroller), the Federal Aviation Administration or the U.S. Comptroller General with all information reasonably requested by them with respect to such books, records and accounts.

The Commissioner, the City Chief Financial Officer (or, if there is no such officer, the City's Comptroller), the Federal Aviation Administration or the U.S. Comptroller General, and such persons as may be designated by them, shall each have the right, at all reasonable times, subject to prior written notice to Airline, to examine and make copies of such books, records and accounts. If the requested books, records and accounts are not made available at the Airport, and the City or its auditors are required to travel elsewhere to review them, the City may require that Airline reimburse the City for the reasonable costs of such review of Airline's books, records and accounts, provided that the City demonstrates an underpayment of five percent (5%) or more.

9.6 City Books and Records

The City shall follow such procedures and keep and maintain such books, records and accounts as may be necessary or appropriate under the provisions of this Agreement. Such books (physical and electronic), records and accounts shall contain all items affecting the computation of Airport Fees and Charges, recorded in accordance with generally accepted accounting principles. Airline shall have the right, at any reasonable time during the City's regular business hours and at its own expense, to examine, make copies of, and take extracts from such books, records and accounts.

Article 10

CAPITAL IMPROVEMENT PROJECTS

10.1 Previously Approved Projects

10.1.1 The City may proceed with any Capital Improvement Project approved under Prior Use and Lease Agreements ("Previously Approved Projects"), which may include design, construction and equipping, as further detailed in Exhibit J, without further Majority-in-Interest review under Section 10.8, but subject to the project oversight procedures in Sections 10.1.2 and 10.9. Previously Approved Projects shall not be subject to any conditions that are not expressly specified in Exhibit J, including without limitation any conditions placed on a majority-in-interest approval under a Prior Use and Lease Agreement, any other agreement with a Signatory Airline or any other document or representation by the City that previously purported to place a condition on the project.

10.1.2 The City may, subject to Section 10.9, modify a Previously Approved Project without further review by the Majority-in-Interest unless:

(a) At the time the City receives construction bids for the Previously Approved Project, the total estimated Project Costs of the Previously Approved Project exceed one hundred and ten percent (110%) of the total Project Costs estimated for the project in Exhibit J, as escalated from January 1, 2018 by the then-current Construction Cost Index; or

(b) The modification will result in a material change in project functionality as described in the applicable MII ballot.

If either of these events occurs, the City may proceed with the Previously Approved Project only if, after submitting the project for Majority-in-Interest review pursuant to Section 10.8, the project is not disapproved by a Majority-in-Interest.

10.2 **Pre-Approval of the Phase I TAP Elements**

10.2.1 The TAP Program is described in Exhibit K. The first phase of the TAP Program consists of several discrete elements ("Phase I TAP Elements") as further specified in Exhibit L. Exhibit L also contains procedures for the allocation and reallocation of soft costs and a program-wide design and construction contingency as well as the use of a program-wide management reserve. The total Project Costs of the Phase I TAP Elements approved by Airline are Six Billion Eighty-Three Million Sixty-Three Thousand Dollars ($6,083,063,000) ("TAP Budget"), as further specified in Exhibit L. The City shall proceed with the design, construction and equipping of each of the Phase I TAP Elements without further review by the Majority-in-Interest, subject to Sections 10.2.2 and 10.9.

10.2.2 The City may, subject to Section 10.9, modify a Phase I TAP Element without further review by the Majority-in-Interest unless any of the following occur:

(a) At the time the City receives construction bids for the modified Phase I TAP Element, the current estimates of total Project Costs for all Phase I TAP Elements, including all soft costs and design and construction contingencies as well as the use of the management reserve, exceed the TAP Budget, as escalated from January 1, 2018 by the then-current Construction Cost Index for any Phase I TAP Element that has not reached substantial completion; or

(b) The modification will result in a Change in Project Scope Requiring MII Review, as specified in Exhibit L.

If either of these events occurs, the City may proceed with the modified Phase I TAP Element only if, after submitting the proposed modifications for Majority-in-Interest review pursuant to Section 10.8, the modifications are not disapproved by a Majority-in-Interest.

10.2.3 The approved Phase I TAP Elements described in Exhibit L include a western employee parking and screening facility. If it is a Long-Term Signatory Airline, Airline shall meet with the City and other Long-Term Signatory Airlines no later than December 31, 2022 to evaluate the expansion of the parking and screening facility to include passenger parking and screening, taking into consideration, among other factors, (i) the implications for Passenger Carriers' operations, (ii) air quality conditions at the Airport and surrounding areas, the need for emission reductions or other actions to improve air quality and the feasibility, impacts and costs of mitigation measures, other than an expansion of the western parking and screening facility, to improve air quality, (iii) the expected utilization of such an expanded facility, (iv) the costs of such a facility and (v) the feasibility of expanding the facility. After meeting with the Long-Term Signatory Airlines, the City may submit a plan for the expanded parking facility for Majority-in-Interest review; provided, however, that the City may at any time after December 31, 2022 fund and allocate to appropriate Cost Centers the costs of the following planning and design activities for the expanded facility: planning, environmental review and up to thirty

percent (30%) design; provided, however, that these planning, environmental review and up to thirty percent (30%) design costs shall not exceed Forty Million Dollars ($40,000,000).

10.3 **Additional TAP Elements**

10.3.1 Exhibit M describes Additional TAP Elements and, where applicable, Additional TAP Element Triggers. Subject to Sections 10.3.2 and 10.3.4, the City may proceed with the design, construction and equipping of each Additional TAP Element that includes an Additional TAP Trigger without further review by the Majority-in-Interest if:

(a) The Additional TAP Element Trigger(s) specified for the project in Exhibit M have been met for any three (3) consecutive years, which may occur before or after the O'Hare Global Terminal ("OGT") and O'Hare Global Concourse ("OGC"), as defined in Exhibit L, are complete and in service;

(b) There are no airspace or airfield capacity constraints that would diminish the utility of the Additional TAP Element;

(c) The OGT and OGC are complete and in service;

(d) The City does not plan any modifications of the Additional TAP Element that would result in a Change in Project Scope Requiring MII review, as specified in Exhibit M; and

(e) The City first provides the Executive Working Group with documentation that the conditions in Sections 10.3.1(a) through (d) have all been met and consults with the Executive Working Group on the estimated timing of the Additional TAP Element.

10.3.2 Within twelve (12) months of the substantial completion of the OGT and OGC, the City shall meet with the Long-Term Signatory Carriers to:

(a) Determine whether Additional TAP Element Triggers in Exhibit M should be revised downward. Any such revisions to the Additional TAP Element Triggers proposed by the City shall be subject to review by the Majority-in-Interest in accordance with Sections 10.8.2 and 10.8.3 and, if not disapproved, shall replace the Additional TAP Element Triggers in Exhibit M; and

(b) Discuss the Additional TAP Elements in Exhibit M that do not include triggers and determine whether Additional TAP Element Triggers should be adopted or the projects should otherwise proceed. Any additions of Additional TAP Element Triggers or proposals to proceed with an Additional TAP Element that does include Additional TAP Element Triggers that are proposed by the City shall be subject to review by the Majority-in-Interest in accordance with Sections 10.8.2 and 10.8.3.

10.3.3 After satisfying the requirements specified in Sections 10.3.1 or 10.3.2, the total Project Costs for the Additional TAP Element specified in Exhibit M shall be added to

the TAP Budget and the Additional TAP Element shall be subject to the requirements of Sections 10.2.2 and 10.9.

10.3.4 Notwithstanding anything to the contrary in this Section 10.3:

(a) Airline acknowledges that the City may include environmental review of Project 13, "Completion of Consolidated APM and Utility Tunnel and installation of APM – Eastern and Western Section," described in Exhibit M, Additional TAP Elements, as part of TAP Phase I environmental review without further review by the Majority-in-Interest. The City may commence environmental review for Additional TAP Elements other than Project 13 and preliminary design for all Additional TAP Elements prior to July 1, 2023 only if such environmental review and preliminary design have been submitted for review and not disapproved by a Majority-in-Interest; thereafter, the City may commence environmental review and preliminary (up to thirty percent (30%)) design for all Additional TAP Elements without further review by the Majority-in-Interest.

(b) The City shall, to the extent permitted by the PFC Act and 14 CFR Part 158, Appendix A and subject to Section 16.5.3, utilize available PFCs to fund environmental review and preliminary design for Additional TAP Elements, including the Automated People Mover. For the avoidance of doubt, to the extent the City is unable to use PFCs to fund environmental review and preliminary design for Additional TAP Elements, including the Automated People Mover, the City may recover the resulting Airline Rate-Based Capital Costs.

10.3.5 Federal Approval of TAP. The TAP Program as described in Exhibit K, including the Phase I TAP Elements described in Section 10.2 and the Additional TAP Elements described in this Section 10.3, is subject to final approval by the FAA, which may require modifications to the TAP Program and mitigation to address project impacts, including environmental and historic property impacts. Any such modifications or mitigation shall be exempt from Majority-in-Interest review under this Article 10; provided, however, any such modifications or mitigation shall be reviewed and accepted by the Executive Working Group as set forth in the EWG Protocols; and further provided that the aggregate costs of such modifications and mitigation shall not exceed Fifty Million Dollars ($50,000,000).

10.4 Other Pre-Approved Projects in the City's Capital Improvement Program (CIP)

10.4.1 Airline agrees that the City may proceed with the design, construction and equipping of each of the Capital Improvement Projects described in Exhibit N ("Pre-Approved CIP Projects") without further review by the Majority-in-Interest, subject to Sections 10.4.2 and 10.9.

10.4.2 The City may, subject to Section 10.9, modify a Pre-Approved CIP Project without further review by the Majority-in-Interest unless:

(a) At the time the City receives construction bids for the Pre-Approved CIP Project, the total estimated Project Costs of the Pre-Approved CIP Project exceeds one hundred and ten percent (110%) of the total Project Costs estimated for the project in Exhibit N, as escalated from January 1, 2018 by the then-current Construction Cost Index; or

(b) The modification will result in a material change in project functionality.

If either of these events occurs, the City may proceed with the Pre-Approved CIP Project only if, after submitting the project for Majority-in-Interest review pursuant to Section 10.8, the project is not disapproved by a Majority-in-Interest.

10.5 **Pre-Approved Allowances**

10.5.1 The City may implement, and fund and finance, Capital Improvement Projects within the categories and limits of the Pre-Approved Allowances specified for each year in Exhibit O and allocate the costs of all such projects to the appropriate Airline-Supported Cost Centers.

10.5.2 At least sixty (60) days prior to each Fiscal Year, the City shall present to the Executive Working Group a list of projects to be implemented, and funded or financed, in the following year with Pre-Approved Allowances. After consultation, the City shall take into consideration any recommendations from the Executive Working Group before finalizing the list of such projects the City decides will be undertaken during the Fiscal Year and funded or financed within the limits of the Pre-Approved Allowances. At any point during the Fiscal Year, the City may alter the projects to be implemented and funded with Pre-Approved Allowances after consultation with the Executive Working Group, provided that the projects stay within the categories and limits specified in Exhibit O.

10.5.3 Any unused or unencumbered portion of an annual, recurring Pre-Approved Allowance for a given Fiscal Year must be encumbered within the following two (2) Fiscal Years, or will be forfeited; *provided*, however, that actual encumbrances and expenditures for any Fiscal Year shall not be greater than two hundred percent (200%) of that Fiscal Year's Pre-Approved Allowance. The Pre-Approved Allowance for Infrastructure Reliability may be used throughout the Term in the reasonable discretion of the City.

10.6 **Majority-in-Interest Review of New Projects**

10.6.1 Prior to proceeding, the City must submit to the Long-Term Signatory Airlines for Majority-in-Interest review under Section 10.8 Capital Improvement Projects that are not Approved Projects, Exempt Projects or projects funded with Pre-Approved Allowances ("New Projects"). The City may proceed with a New Project unless the project is disapproved by a Majority-in-Interest pursuant to Section 10.8.

10.6.2 If a New Project is not disapproved by a Majority-in-Interest, the City, after consultation with the Executive Working Group, may modify the New Project without further review by the Majority-in-Interest unless:

(a) At the time the City receives construction bids for the New Project, the total estimated Project Costs of the New Project exceed one hundred and ten percent (110%) of the total Project Costs estimated for the project pursuant to Section 10.8.1, as escalated from the date the City submits the project for review under Section 10.8.1 by the then-current Construction Cost Index; or

(b) The modification will result in a Change in Project Scope Requiring MII Review, as specified in the proposal submitted for Majority-in-Interest review under Section 10.8.1.

If either of these events occurs, the City may proceed with the New Project only if, after submitting the project for Majority-in-Interest review pursuant to Section 10.8, the project is not disapproved by a Majority-in-Interest.

10.7 Capital Improvement Projects Exempt from Majority-In-Interest Review

10.7.1 A Capital Improvement Project that is not an Approved Project or funded with Pre-Approved Allowances, but meets any one or more of the conditions set forth below shall be exempt from Majority-in-Interest review ("Exempt Project"):

(a) Capital Improvement Projects that will not increase the amount of Airline Rate-Based Capital Costs and with estimated annual Airline Rate-Based O&M Expenses of less than One Million Dollars ($1,000,000) per project or Five Million Dollars ($5,000,000) cumulatively per year as escalated annually from January 1, 2018 to the estimated DBO of the Project by the then-current Consumer Price Index for All Urban Consumers for Chicago.

(b) Capital Improvement Projects supported by federal and state grants that will fund at least seventy-five percent (75%) of the estimated Project Costs, provided that the total estimated Airline Rate-Based Project Costs of the project do not exceed Ten Million Dollars ($10,000,000) per project as escalated from January 1, 2018 by the then-current Construction Cost Index.

(c) Special facility projects or other Capital Improvement Projects to construct new or enlarge or improve existing Premises of a Signatory Airline, provided that the Signatory Airline fully and directly funds the Project Costs and any associated O&M Expenses using any funds available to the Signatory Airline, including without limitation funds received by the Signatory Airline from state or federal grants.

(d) Capital Improvement Projects necessary to comply with the requirements of federal, state and local agencies, including compliance with any applicable statutes, regulations, orders, certification requirements and FAA Advisory Circulars, building codes and local regulations of general application.

(e) Capital Improvement Projects to settle claims or lawsuits, satisfy judgments, or comply with judicial or administrative orders arising from or related to the ownership, operation and maintenance of the Airport.

(f) Capital Improvement Projects to repair or replace Airport property damaged or destroyed by fire, weather or other casualty, to a condition functionally equivalent to when the property was damaged or destroyed, provided that the City uses commercially reasonable efforts to obtain insurance proceeds and apply such proceeds, if any, to fund or offset the costs of the project.

(g) Capital Improvement Projects of an emergency nature, which in the reasonable judgment of the City, if not undertaken, would substantially impair the current operation of the Airport.

(h) Capital Improvement Projects necessary, in the reasonable judgment of the City, for public and employee safety or security.

10.7.2 This Article 10 shall be subordinate to the requirements of 49 U.S.C. § 40117(f). No Capital Improvement Project shall be subject to Majority-in-Interest review under this Article 10 to the extent such project is fully financed by PFCs or PFC-backed bonds. However, any Capital Improvement Project that includes Airline Rate-Based Project Costs may be subject to Majority-In-Interest review to the extent of those Airline Rate-Based Project Costs, unless otherwise exempt from Majority-In-Interest review.

10.7.3 The City shall notify all Long-Term Signatory Airlines in writing of any proposed Exempt Project under this Section 10.7. Except in the case of an emergency or if necessary for safety or security pursuant to Sections 10.7.1(g) and 10.7.1(h), such notice shall be given at least forty-five (45) days prior to incurring Airline Rate-Based Project Costs on the Exempt Project. The notice shall contain a statement as to why it is an Exempt Project. Airline, if a Long-Term Signatory Airline, may submit comments to the City within thirty (30) days of the City delivering such notice. The City shall give due consideration to any such comments. The City shall present the proposed Exempt Project at the next meeting of the Executive Working Group. After such meeting, the City may commence the Exempt Project. Airline shall use commercially reasonable efforts to take such action as the City may reasonably request to enable the City to implement Exempt Projects in a timely and cost-effective manner.

10.8 Method of Obtaining Majority-in-Interest Approval

10.8.1 Whenever the City shall be required to submit a Capital Improvement Project to the Long-Term Signatory Airlines for Majority-in-Interest review under this Article 10, the City shall submit a written proposal to Airline if Airline is a Long-Term Signatory Airline that includes the following:

(a) The current purpose, scope and definition for the project, including any modifications if the project was previously approved;

(b) A list of Changes in Project Scope Requiring MII Review;

(c) The currently anticipated schedule;

(d) The current funding plan, cost center(s) to which Project Costs will be allocated, and estimated total Project Costs and Airline Rate-Based Project Costs; and

(e) The currently projected impact on Airport Fees and Charges.

10.8.2 The City shall submit the written proposal under Section 10.8.1 to Airline at least forty-five (45) days prior to incurring Airline Rate-Based Project Costs on the Capital Improvement Project, and notify the chair of the AAAC that the written proposal has

been submitted to all Long-Term Signatories. A Capital Improvement Project shall be deemed to be approved if (a) a Majority-in-Interest approves it, or (b) the City is not notified in writing by the chair of the AAAC within thirty (30) days of delivery of the City's written proposal that a Majority-in-Interest has disapproved the City's proposal. Such written notification to the City shall include the written disapproval of each Long-Term Signatory Airline that disapproved the proposal. A conditional approval, disapproval of a portion of the proposal or counter-proposal delivered by the Long-Term Signatory Airlines' representative shall be deemed to be an approval of the entire Capital Improvement Project.

10.8.3 The City shall promptly notify Airline if the Capital Improvement Project has been disapproved or deemed approved by the Majority-in-Interest.

10.8.4 In the event that Majority-in-Interest review is required for an increase in total Project Costs under Sections 10.1.2(a), 10.2.2(a), 10.4.2(a) or 10.6.2(a), the increase in total Project Costs requested by the City shall be added to the total estimated Project Costs for the purpose of evaluating future increases in Project Costs, unless a Majority-in-Interest disapproves the City's request. For example, if the City, after Majority-in-Interest approval, modifies a New Project with an original estimate of $1,000,000 in total Project Costs in a way that increases total Project Costs by $300,000, the new estimate of total Project Costs shall be $1,300,000 and further Majority-in-Interest review will not be required unless costs are further increased by more than $130,000. Additionally, in the event that Majority-in-Interest review is required for an increase in total Project Costs under Section 10.2.2(a), the increase in total Project Costs requested by the City shall be added to the TAP Budget, unless a Majority-in-Interest disapproves the City's request.

10.9 **Project Implementation**

10.9.1 The Executive Working Group. The Executive Working Group shall consist of City representatives selected by the City and the following Signatory Airline representatives: one representative selected by each Long-Term Signatory Airline ("Long-term Signatory Airline Representatives"), and one representative selected by the Signatory Airlines offering only international passenger service at the Airport that are not Alliance Partners of a Long-Term Signatory Airline ("International Airlines Representative") (collectively, "Signatory Airline Representatives"). The City and the Signatory Airlines may change their representatives at their discretion. The International Airlines Representative may be a third party selected by the Signatory Airlines offering only international passenger service at the Airport that are not Alliance Partners of a Long-Term Signatory Airline.

10.9.2 Procedures for Executive Working Group Determinations. The City and the Executive Working Group shall develop EWG Protocols for establishing standing meetings, advance delivery of materials, provision for remote participation, rules governing general and special meetings, quorum requirements and technical working groups for design and construction review on behalf of the Executive Working Group.

10.9.3 City Presentations to the Executive Working Group. For each Approved Project, the City shall make three presentations to the Executive Working Group:

(a) 30% Design Completion. The City shall provide an updated estimate of total Project Costs and Airline Rate-Based Project Costs and report any changes to project scope or schedule.

(b) 60% Design Completion. The City shall provide an updated estimate of total Project Costs and Airline Rate-Based Project Costs and report any changes to project scope or schedule.

(c) 90% Design Completion. The City shall provide an updated estimate of total Project Costs and Airline Rate-Based Project Costs and report any changes to project scope or schedule.

10.9.4 The Executive Working Group shall meet at least once every month, but may meet more frequently as needed. At such meetings, the Executive Working Group shall:

(a) Review the status of all Approved Projects and Pre-Approved Allowances;

(b) Consult concerning modifications to Previously Approved Projects, Phase I TAP Elements, Additional TAP Elements, Pre-Approved CIP Projects and New Projects that change the scope of any project or increase its estimated total Project Costs;

(c) If the City's presentations to the Executive Working Group under Section 10.9.3 demonstrate that the updated estimates for an Approved Project will increase total Project Costs beyond the cost review thresholds specified in Sections 10.1.2(a), 10.2.2(a), 10.4.2(a) or 10.6.2(a), then the Signatory Airline Representatives may make recommendations to the City to modify the project to reduce costs. If the City rejects the recommendations, the City may continue with the design process; provided, however, that for CIP Projects and New Projects, if at 60% Design Completion or 90% Design Completion the project is more than fifty percent (50%) over the estimate for total Project Costs provided in Exhibit N or in the proposal for a New Project under Section 10.8.1, then the Signatory Airline Representatives may require the City to seek Majority-in-Interest review before advancing the design of the project. Determinations under this Section 10.9.4(c) shall be made by Signatory Airline Representative for Signatory Airlines that, during the previous Fiscal Year, together accounted for at least fifty percent (50%) of the total Maximum Gross Landed Weight of all Signatory Airlines with Signatory Airline Representatives. In the event of a tie, the City shall continue with the design process.

(d) After the award of a construction contract for any Approved Project, consult concerning proposed increases in total Project Costs exceeding one hundred and ten percent (110%) of the total Project Costs estimated for the project in Exhibit J, Exhibit M, Exhibit N, or the proposal submitted by the City pursuant to Section 10.8.1 and recommend alternatives to the Commissioner to minimize the proposed cost increases;

(e) Pursuant to Section 10.5.2, consult concerning the City's list of Capital Improvement Projects to be implemented and funded with Pre-Approved Allowances for the upcoming Fiscal year; and

(f) Create working groups or subcommittees, consisting of City and Signatory Airline representatives, to review specific issues and make recommendations to the Executive Working Group.

(g) Engage an Air Carrier facilities representative through the Airline Liaison Office to consult with the City to review the development and status of Capital Improvement Projects. The costs of the facilities representative shall be paid by the City and allocated to the Terminal Cost Center.

10.9.5 General Implementation Provisions

(a) Airline shall use commercially reasonable efforts to take such action as the City may reasonably request to enable the City to implement Approved Projects, projects funded with Pre-Approved Allowances and Exempt Projects in a timely and cost-effective manner.

(b) The City shall use commercially reasonable efforts to complete Approved Projects, projects funded with Pre-Approved Allowances and Exempt Projects in a manner that minimizes materially adverse impacts on Airline's operations and use and occupancy of the Premises.

(c) Airline acknowledges and agrees that the City may delegate responsibilities to Airline for the design, construction and equipping of Approved Projects, projects funded with Pre-Approved Allowances and Exempt Projects; provided, however, that all construction and equipping of Approved Projects shall be done in a good and workmanlike manner, and that the City shall retain the power and authority to enforce all terms and provisions of all design, construction and equipment contracts all as may be further specified in a reimbursement agreement between Airline and the City in accordance with Section 4.9.3.

(d) The City shall consult with Airline designated technical representatives, if requested by Airline, in the implementation of the TAP Program, Approved Projects, projects funded with Pre-Approved Allowances, and Exempt Projects.

10.9.6 Project Financing.

The City and Airline acknowledge and agree that it is the best interest of both parties to minimize total financing costs and that the timing of bond issuance relative to expenditures, market conditions and issuance costs, among other factors, shall be considered by the City when issuing bonds to finance Approved Projects.

10.10 **PFC Priorities**

10.10.1 To the full extent permitted by the PFC Act and 14 CFR Part 158, Appendix A and subject to Section 16.5.3, the City agrees to use all PFC funds collected by the City that are not, as of the Effective Date, already committed to PFC-eligible projects through applications approved by the FAA, and including PFC funds collected by the City in the event that Congress authorizes an increase in the current maximum PFC of $4.50 per passenger, for

one or more the following, as reasonably determined by the City and without regard to any priority:

(a) To fund any PFC eligible project with estimated total Project Costs of Five Million Dollars ($5,000,000) or less on a pay-go-basis.

(b) To fund the APM on a pay-go basis or through PFC-backed bonds, subject to Section 10.3 and to the extent the project is PFC eligible.

(c) To pay an aggregate amount of not less than Seven Hundred Thirty Million Dollars ($730,000,000) for annual debt service for Phase I TAP Elements to the extent that they are PFC eligible.

(d) To retain the PFC funds for future use on PFC-eligible projects as approved by the FAA.

Article 11

ADDITIONAL OBLIGATIONS OF THE AIRLINE AND THE CITY

11.1 Operation, Maintenance, Replacement and Repair

11.1.1 The City shall, in accordance with the Facilities Maintenance Protocols, operate, maintain and keep in good repair, expending such amounts for O&M Expenses as may be reasonably necessary therefor, all of the public areas, public facilities, Common Use Premises and City Equipment at the Airport, except as otherwise provided in Section 11.1.2.

11.1.2 Airline shall, in accordance with the Facilities Maintenance Protocols, be responsible for and shall perform or cause to be performed, maintenance and repair of its Exclusive Use Premises, Preferential Use Premises including any City Equipment within its Preferential Use Premises, and equipment owned by Airline at the Airport. Airline shall, at all times:

(a) keep all fixtures, equipment and personal property in a clean, safe, sanitary and orderly condition and appearance;

(b) maintain all fixtures, equipment and personal property owned by Airline and its Exclusive Use Premises and Preferential Use Premises in good condition (reasonable wear and tear excepted) and perform all ordinary repairs, replacements and inside painting, such repairs, replacements and painting by Airline to be of a quality and class not inferior to the original material and workmanship;

(c) for any equipment installed in or on the Exclusive Use Premises and Preferential Use Premises that is purchased using the proceeds of any financing sponsored by the City, repair, maintain and replace such equipment as is necessary to assure that at the end of the term hereof the fair market value of such equipment and its remaining useful life will be consistent with, and sufficient to establish for applicable tax and accounting purposes, ownership of such equipment by the City; and

(d) either directly or through a Contractor (which Contractor shall obtain a City permit), dispose of its garbage, debris and other waste materials (excluding snow and ice).

If the performance of any of the foregoing maintenance, repair, replacement or painting obligations of Airline requires work to be performed near an active taxiway or runway or where safety of Airport operations might be involved, Airline shall post guards or erect barriers or other safeguards at such locations as required and approved by the City and the FAA. Compliance with such requirements shall not relieve Airline from its liability for the safe performance of its obligations under this Agreement.

11.1.3 Airline shall maintain its assets at the Airport and City facilities for which it has responsibility to maintain all in accordance with the Facilities Maintenance Protocols to provide a safe, functional and compliant operating environment, and thereby protect the environment and the health of the traveling public and other users of the Terminal Complex. The City shall maintain Common Use Premises, City Equipment and other facilities at the Airport for which it has responsibility to maintain all in accordance with the Facilities Maintenance Protocols.

11.1.4 The City may, upon Airline's request, agree on terms satisfactory to the City to allow Airline to assume responsibility for the maintenance of City-owned Baggage Claim Equipment and City-owned Baggage Make-up Equipment in Airline's Preferential Use Premises.

11.2 Taxes, Licenses and Permits

11.2.1 Subject to Section 11.2.2, Airline shall pay or cause to be paid any and all taxes and shall obtain or cause to be obtained any and all licenses, permits, certificates and other authorizations required by any governmental authority in connection with the operations or activities performed by Airline at the Airport, including any and all taxes and other charges in connection with Airline's lease, use or occupancy of the Premises. Airline may contest any such taxes as provided in Section 13.1.2(b).

11.2.2 The City shall pay as an O&M Expense any and all applicable taxes or special assessments which may be levied or assessed upon the Premises, except, however, any taxes associated with or assessed on any personal property or leasehold interests of Airline located on such Premises shall be the obligation of Airline and, as such, shall be paid by Airline and not by the City.

11.2.3 Airline shall not permit a lien or encumbrance to attach to the Premises or the Airport by reason of any failure to pay taxes for which it is responsible.

11.3 Performance by the City upon Failure of Airline

If Airline or its Affiliate, Alliance Partner, Contractor, or Sublessee (a) fails to perform for a period of thirty (30) days after written notice from the City to Airline and its AAAC Representative in accordance with Section 18.4 any obligation required under this Article 11; or (b) if the obligation cannot be performed within thirty (30) days and Airline has failed to initiate corrective action within the thirty (30) days of the City's notice or fails to diligently pursue such

corrective action once initiated, then the City may perform such obligation of Airline (or its Affiliate, Alliance Partner, Contractor or Sublessee) without further notice and charge Airline for the costs of its performance plus an administrative fee of fifteen percent (15%); provided, however, that if Airline's (or its Affiliate, Alliance Partner, Contractor or Sublessee's) failure to perform any such obligation endangers the health or safety of persons or the safety of operations at the Airport and the City so states in its notice to Airline, the City may perform such obligation of Airline (or its Affiliate, Alliance Partner, Contractor or Sublessee) without waiting thirty (30) days after its notice if Airline does not take prompt action to address the issue after City has given such notice and charge Airline for its costs of its performance plus an administrative fee of twenty-five percent (25%). For any notices relating to this Section 11.3, the parties agree that written notice (in the forms provided in Section 18.4) is required but that the City may, at its option, provide supplemental notice by electronic mail to Airline and its AAAC Representative.

11.4 Utilities

11.4.1 Airline shall be solely responsible for paying all utilities provided to Airline, its Contractors, agents and employees at the Premises to the extent such utilities are metered or otherwise calculated to identify usage by Airline, its contractors, agents and employees at the Premises, provided that such metering or calculation is applied to Air Carriers on a non-discriminatory basis throughout the Airport.

11.4.2 The City shall provide or cause to be provided the following utility services to the Premises in reasonable amounts and at pressures appropriate for airline operations: water, electricity, gas, fire suppression systems, sewage outlets, heating, ventilation and air conditioning. The City shall reasonably determine the points in the Premises where such services will be made available to Airline, after consultation with Airline. In the event Airline desires to change the points of supply by the City, the expense of making such changes or alterations shall be at the sole cost of Airline. Any additional utility services requested by Airline and not otherwise provided by the City shall be provided only with the City's approval and shall be subject to separate tariffs imposed, if any, by the applicable utility.

11.4.3 Except where, and to the extent, caused by any willful and wanton act of the City, its agents, employees, contractors, officers, directors or predecessors in interest, Airline expressly waives any and all claims against the City for damages arising or resulting from failures or interruptions of utility services or any failure of performance by an independent party providing utility services to the Premises, including electricity, gas, water, plumbing, sewage, telephone, communications, heat, ventilation, air conditioning, or for the failure or interruption of any public or passenger conveniences.

11.5 City Ownership of Airport

Airline agrees and irrevocably elects, with respect to itself and any successors in interest under this Agreement it will not claim depreciation or an investment credit for purposes of federal income taxes with respect to any portion of the Airport except an improvement or project that has been solely financed by Airline.

Article 12

CONSORTIUM

12.1 Equipment and Services Consortium

The City acknowledges that a group of Air Carriers may choose to form an Equipment and Services Consortium. In such event, the City will negotiate in good faith in an effort to reach an agreement with the Equipment and Services Consortium pursuant to which the Consortium would operate and maintain certain specified equipment and perform specified services at the Airport.

Article 13

INDEMNIFICATION AND INSURANCE

13.1 Indemnification

13.1.1 Airline agrees to defend, indemnify and hold harmless the City Indemnified Parties to the maximum extent allowed by applicable statutes and case law, from and against any and all Claims, including payments of claims of liability resulting from any injury or death of any person or damage to or destruction of any property, arising out of or relating to:

(a) the tortious acts or omissions of Airline or its Associated Parties;

(b) Airline's or its Associated Party's use or occupancy of the Airport and the Premises;

(c) the violation by Airline of this Agreement or of any law, ordinance, regulation or court order affecting the Airport; or

(d) suits of whatever kind or nature alleging violations of any federal or state laws as a result of any actions taken by Airline or its Associated Parties, or Airline's failure to comply with obligations imposed upon Airline or its Associated Parties, pursuant to this Agreement;

and Airline will, at its own cost and expense, defend all such claims, demands and suits, whether frivolous or not. To the extent City Indemnified Parties reasonably expend any cost and expense, including attorney fees, in investigating or responding to such claims, demands and suits, Airline will reimburse the City Indemnified Parties for all such costs and expense, subject to Section 13.1.7.

13.1.2 Without limiting the foregoing, Airline also agrees to defend, indemnify and hold harmless the City Indemnified Parties:

(a) from and against any and all claims or liability for compensation under any workers' compensation statute arising out of the injury or death of any employee of Airline. Airline shall cause its licensees and Contractors to maintain in effect at all times workers' compensation insurance as required by law; and

(b) from, and to assume all liability for, and to pay, all taxes and assessments for payment of which the City may become liable and which by law may be levied or assessed on the Premises occupied by Airline pursuant to this Agreement (excluding those taxes which are the City's responsibility pursuant to Section 11.2.2), or which arise out of the operations of Airline or by reason of Airline's occupancy of its Premises. However, Airline may, at its own risk, cost and expense, and at no cost to the City, contest, by appropriate judicial or administrative proceedings, the applicability or the legal or constitutional validity of any such tax or assessment, and the City will, to the extent permitted by law, execute such documents as are necessary to permit Airline to contest or appeal the same. Airline shall be responsible for obtaining bills for all of said taxes and assessments for which Airline is responsible directly from the taxing authority and shall promptly deliver to the City copies of receipts of payment. In the event the City receives any tax billings, it will forward said billings to Airline as soon as practicable.

13.1.3 Without limiting the foregoing, Airline shall cause any Contractor to agree to protect, defend, indemnify and hold the City Indemnified Parties free and harmless from and against any and all claims, damages, demands, and causes of action of all kinds including claims of property damage, injury or death, in consequence of granting the relevant Contract or arising out of or being in any way connected with the Contractor's performance under this Agreement except for matters shown by final judgment to have been caused by or attributable to the negligence of any City Indemnified Party to the extent prohibited by 740 ILCS 35/1 *et seq.* The indemnification provided herein shall be effective to the maximum extent permitted by applicable statutes. To the extent Contractor fails to defend any and all claims, demands or suits against the City Indemnified Parties including claims by any employee, Contractors, agents or servants of Contractor even though the claimant may allege that a City Indemnified Party is or was in charge of the work or that there was negligence on the part of a City Indemnified Party, Airline shall be responsible for such defense. To the extent City Indemnified Parties reasonably expend any cost and expense, including attorney fees, in investigating or responding to such claims, demands and suits, Airline will reimburse the City Indemnified Parties for all such costs and expense, subject to Section 13.1.7. "Injury" or "damage," as such words are used in this Section 13.1 shall be construed to include injury, death or damage consequent upon the failure of or use or misuse by Contractor, its subcontractors, agents, servants or employees, of any scaffolding, hoist, cranes, stays, ladders, supports, rigging, blocking or any and all other kinds of items of equipment, whether or not the same be owned, furnished or loaned by the City. Notwithstanding Airline's obligation to cause any Contractor to agree to the requirements set forth in this Section 13.1.3 Airline's failure to cause Contractor to do so shall not constitute a breach hereof, provided that Airline performs all such actions Contractor would have been required to perform under this Section 13.1.3, including indemnifying and defending the City, itself.

13.1.4 The City shall notify Airline as soon as practicable of each Claim in respect of which indemnity may be sought by the City against Airline hereunder, setting forth the

particulars of such Claim, and shall furnish Airline with a copy of all judicial filings and legal process and any correspondence received by the City related thereto.

13.1.5 The City shall be invited to attend and participate in all meetings (including those related to settlement) and to appear and participate in all judicial proceedings related to any Claim against the City, provided that the City shall bear the costs of its participation to the extent such participation is not in furtherance of the City's defense of any such Claim. The City shall approve the terms of any settlement which requires the City to perform or refrain from performing any action, provided that such approval will not be unreasonably withheld if a settlement includes a full and unconditional release for City Indemnified Parties.

13.1.6 Without limiting the generality of any other provision hereof, Airline shall reimburse the City for the cost of any and all reasonable attorney's fees and investigation expenses and any other reasonable costs incurred by the City in the investigation defense and handling of said suits and claims and in enforcing the provisions of this Agreement.

13.1.7 Notwithstanding the provisions of this Section 13.1, in the event that the City and Airline mutually agree or a court of competent jurisdiction determines by a final order that (a) a City Indemnified Party's negligence is at least fifty-one (51%), or (b) a City Indemnified Party's willful and wanton misconduct is any percentage, of the total fault which proximately caused the Claims, Airline's obligation to indemnify the City for amounts to be paid in connection with the Claims shall be limited to the amount attributable to Airline's and its Associated Parties' proportionate share of the total fault which proximately caused the Claims. The City and Airline agree, however, that this Section 13.1.7 is not intended to obviate or lessen in any way Airline's duty to defend the City Indemnified Parties; provided, however, that to the extent the City and Airline mutually agree or a court of competent jurisdiction rules that the Claims were the result of the sole negligent act or omission or the willful and wanton misconduct of a City Indemnified Party, the City shall reimburse Airline for its proportionate share of the costs of defense, including, but not limited to, attorneys' fees and court costs. For the avoidance of doubt, the City shall reimburse Airline for all defense costs Airline incurred with respect to defending the City Indemnified Parties against Claims to the extent that the City and Airline mutually agree or a court of competent jurisdiction rules that such Claims were the result of the sole negligent act or omission of a City Indemnified Party.

13.1.8 Notwithstanding the provisions of this Section 13.1, Airline's indemnification obligations for Environmental Claims are set forth in Section 14.7.

13.1.9 The foregoing express obligation of indemnification shall not be construed to negate or abridge any other obligation of indemnification running to the City or a City Indemnified Party that would exist at common law or under other provisions of this Agreement, and the extent of the obligation of indemnification shall not be limited by any provision of insurance undertaken in accordance with this Agreement.

13.1.10 Subject to Section 13.1.7, Airline shall be liable for any loss or damage to any personal property or equipment of Airline, its agents, servants, employees, officials, or independent contractors.

13.1.11 Airline waives the right of contribution against the City Indemnified Parties, subject to Section 13.1.7, and subrogation against the City Indemnified Parties.

13.1.12 In the event that Airline is accommodated by another Signatory Airline pursuant to Article 5, Airline's indemnification obligations under this Section 13.1 to the City and City Indemnified Parties shall also apply to the accommodating Signatory Airline to the extent of Airline's use of the accommodating Signatory Airline's space.

13.1.13 This Section 13.1 shall survive expiration or early termination of this Agreement. Airline understands and agrees that any insurance protection furnished by Airline pursuant to Section 13.2 shall in no way limit Airline's responsibility to indemnify and hold harmless the City under the provisions of this Agreement.

13.2 **Insurance**

13.2.1 Insurance Coverage Required. Airline shall procure and maintain at all times, at Airline's own expense, the types of insurance specified below, with insurance companies having an AM Best rating of A- or better, financial size rating of IV or better; or for those insurance companies not subject to AM Best's rating (a) an equivalent financial strength rating from S&P or (b) as determined by the City in its sole discretion, a similar nationally or internationally recognized reputation and responsibility, or as reasonably approved by the City, covering all operations under this Agreement performed by Airline. The kinds and amounts of insurance required are as follows:

(a) Workers' Compensation and Employer's Liability Insurance. Workers' Compensation Insurance, as prescribed by Applicable Law, covering all employees who are to provide a service under this Agreement with statutory limits. Such insurance shall include Employer's Liability Insurance coverage with limits of not less than $1,000,000 each accident; $1,000,000 disease-policy limit; $1,000,000 disease-each employee. Coverage shall include other states endorsement, alternate employer and voluntary compensation, when applicable.

(b) Commercial General/Airline Liability Insurance (Primary and Umbrella). Commercial General/Airline Liability Insurance or equivalent coverage with limits of not less than $750,000,000 per occurrence and in the aggregate for war risks and allied peril, for Air Carriers using passenger aircrafts with 100 seats or more and $500,000,000 per occurrence and in the aggregate for war risks and allied peril, for Air Carriers using passenger aircrafts with less than 100 seats for bodily injury (including death), personal injury, property damage liability, and aircraft liability (including passengers), including a $25,000,000 sublimit for personal injury to non-passengers. Such insurance shall include but not be limited to: all premises and operations, products/completed operations, war risk and allied peril liability (including terrorism), liability for any auto (owned, non-owned and hired) including liability for vehicles on the restricted access area of the Airport, including but not limited to baggage tugs, aircraft pushback tugs, air stair trucks and belt loaders, mobile equipment, hangar keepers liability, cargo liability, explosion, collapse, underground, separation of insureds, defense, independent contractors (if commercially available), liquor liability and blanket contractual liability (not to include Endorsement CG 21 39 or equivalent).

The City shall be named as an additional insured on the policy and coverage shall be at least as broad as that afforded the named insured. Also, in the event that a Signatory Airline accommodates Airline pursuant to Article 5, such Signatory Airline shall be named as an additional insured on the policy and coverage shall be at least as broad as that afforded the named insured. The additional insured coverage shall not have any limiting endorsement or language under the policy such as but not limited to, Airline's sole negligence or the City vicarious liability. Airline's insurance shall be primary without right of contribution by any other insurance or self-insurance maintained by the City.

To the extent Airline relies on excess or umbrella insurance to satisfy the requirements of this Section (ii) or (iii), any such policy shall follow form and be no less broad than the underlying policy, shall cover the term of underlying policy without interruption, and shall include a drop down provision with no gap in policy limits.

(c) Automobile Liability Insurance (Primary and Umbrella). When any motor vehicles are used in connection with work to be performed by or on behalf of Airline, Airline shall provide Automobile Liability Insurance with limits of not less than $10,000,000 per occurrence combined single limit, for bodily injury and property damage for any auto including owned, non-owned or hired autos; provided, however, that Airline may reduce the foregoing amount to $1,000,000 per occurrence combined single limit so long as Airline's Commercial General/Airline Liability Insurance or equivalent coverage includes excess auto liability. The City and any Signatory Airline accommodating Airline pursuant to Sections 5.5 or 5.6 shall be named as an additional insured on a primary, non-contributory basis.

(d) All Risk Builders Risk Insurance. When Airline undertakes any construction at the Airport, including improvements, betterments or repairs, Airline shall provide or cause its Contractor to provide All Risk Blanket Builder's Risk Insurance to cover the materials, equipment, machinery and fixtures that are or will be part of the permanent facility. Coverage extensions shall include boiler and machinery, earthquake and flood.

(e) All Risk Property Insurance. All Risk Property Insurance shall be maintained at replacement cost valuation basis covering all loss, damage, or destruction for Airline's improvements and betterments on the Premises and personal property in Airline's care, custody and control at the Airport. Coverage shall include but not limited to boiler and machinery, earthquake, flood, sprinkler leakage, debris removal and business interruption and extra expense. The City and any Signatory Airline accommodating Airline pursuant to Sections 5.5 or 5.6 shall be named as a loss payee, as their interests may appear. Airline shall be responsible for all loss or damage to personal property owned, rented or used by Airline.

(f) Professional Liability. When any architects, engineers, project managers, construction managers or other professional consultants perform work in connection with this Agreement, Professional Liability Insurance covering acts, errors or omissions shall be maintained by such architects, engineers, project managers, construction managers or other professional consultants with limits of not less than $2,000,000; provided, however, that design and construction architects, engineers, project managers, construction managers or other professional consultants who perform work with respect to any construction project undertaken by Airline pursuant to this Agreement the cost of which is in excess of $50,000,000 shall be

maintained with limits of not less than $5,000,000. When policies are renewed or replaced, the policy retroactive date shall coincide with, or precede, start of work on the contract. A claims made policy that is not renewed or replaced shall have an extended reporting period of at least two (2) years.

(g) Pollution Liability Insurance. Pollution Liability Insurance shall be provided covering bodily injury, property damage, clean-up and other losses caused by pollution conditions or incidents including any Release, Discharge, or Disposal of a Hazardous Substance or Other Regulated Material with limits of not less than $10,000,000 per pollution condition or loss and $10,000,000 annual aggregate. Coverage shall include but not be limited to: response to and remediation of new, preexisting, known and unknown on-site and off-site pollution conditions and incidents, emergency response costs, repairs, removals, abatement, corrective actions, transportation, contractual liability and defense. When policies are renewed, the policy retroactive date shall coincide with, or precede, start of work in connection with the Agreement. A claims-made policy which is not renewed or replaced shall have an extended reporting period of two (2) years. The City and any Signatory Airline accommodating Airline pursuant to Sections 5.5 or 5.6 is to be named in the policy as an additional insured.

Coverage shall also include but not be limited to (a) underground and above ground storage tank(s) owned or operated by Airline or its Associated Parties including any on site integral piping or dispensing equipment at the Airport and (b) any structural controls (above-ground or below-ground) used to treat sanitary sewer waste and storm water runoff operated by Airline or Associated Parties on the Premises, as set forth in Section 14.1.6 (Environmental Article).

As an alternative to obtaining Pollution Liability Insurance, Airline may provide for reasonable limits of self-insurance as agreed with the City against the environmental risks that would be covered by a third-party insurer providing Pollution Liability Insurance. If Airline self-insures against such environment risks, Airline shall make available its financial statement on-line. All amounts paid to the City by Airline on account of any self-insurance program shall be deemed insurance proceeds for purposes of this Agreement.

13.2.2 Additional Requirements

(a) Evidence of Insurance. Airline will furnish the Commissioner and any Signatory Airline accommodating Airline pursuant to Sections 5.5 or 5.6, with original Certificates of Insurance (or copies thereof) and a copy of the additional insured endorsements where applicable evidencing the coverage required to be in force on the date of this Agreement, as well as renewal Certificates of Insurance and additional insured endorsements, or such similar evidence, if the coverages have an expiration or renewal date occurring during the term of this Agreement. Airline shall submit evidence prior to the Effective Date. The receipt of a certificate or other insurance evidence does not constitute an agreement by the City that the insurance coverage required in this Agreement has been fully met or the insurance policies indicated on the certificate or other evidence of insurance provided are in compliance with all the Agreement requirements. Failure of the City to obtain certificates or any other insurance evidence from Airline showing compliance with these requirements of the Agreement is not a waiver by the City of any requirements for Airline to obtain and maintain the specified coverages. Airline shall

advise all insurers of the Agreement provisions regarding insurance. The City in no way warrants that the insurance required herein is sufficient to protect Airline for liabilities that may arise from or relate to the Agreement. The City reserves the right to inspect complete, certified policy copies (or electronic copies thereof) of any required insurance at a mutually agreed location within the State of Illinois within ten (10) days of the City's written request.

(b) Failure to Maintain Insurance. The insurance hereinbefore specified shall be carried during the term of this Agreement. Failure to carry or keep such insurance in force shall constitute a violation of the Agreement and an Event of Default under Section 17.1. To the extent there is such a failure, the City shall provide written notice thereof and Airline shall have fifteen (15) business days to cure such failure, after which the City may exercise any remedy in Article 17 or any other remedies under this Agreement until proper evidence of insurance is provided.

(c) Notice of Cancellation, Material Change and Non-Renewal. Airline shall provide for thirty (30) days' advance notice to the City in the event coverage required in this Agreement (except coverage for war and allied peril risk for which Airline shall provide seven (7) days' advance notice or such other period as may be agreed by the City and Airline) has substantially changed, canceled, or non-renewed. Upon the earlier of Airline's receipt of a cancellation notice for non-payment of premium or Airline's knowledge thereof, Airline shall provide immediate notice to the City of such cancellation or impending cancellation with Airline's written plan for curing such non-payment and preventing non-payment of premiums thereafter.

(d) Insurance Required of Contractors, Affiliates and Sublessees. In each contract with any Contractor, Affiliate or Sublessee, Airline shall require such Contractor, Affiliate or Sublessee to obtain insurance coverages to adequately cover risks associated with any such Contractor, Affiliate or Sublessee that are reasonably appropriate in their limits and other terms and conditions to the nature of the contract and standard in the industry within which such Contractors, Affiliate or Sublessee practices. Such coverages shall insure the interests of the City, its employees, elected officials, agents and representatives including naming the City of Chicago as an additional insured on an additional insured form acceptable to the City. Airline is also responsible for ensuring that each Contractor, Affiliate and Sublessee has complied with the required coverage and terms and conditions outlined in this Section 13.2.2. When requested by the City, Airline shall provide, or cause to be provided, to the City certificates of insurance and copies of additional insured endorsements or such other evidence of insurance, acceptable in form and content to the City. The City reserves the right to inspect complete, certified policy copies (or electronic copies thereof) of any required insurance at a mutually agreed to location within the State of Illinois within ten (10) days of the City's written request. Failure of any Contractor, Affiliate or Sublessee to comply with required coverage and terms and condition outlined herein will not limit Airline's liability or responsibility hereunder.

(e) No Limitation as to Airline's Liabilities. Airline expressly understands and agrees that any insurance coverages and limits furnished by Airline shall in no way limit Airline's liabilities and responsibilities specified within this Agreement or by Applicable Law.

(f) Waiver of Subrogation. Airline waives and shall cause its insurers to waive, and Airline shall cause each of its Contractors, Affiliate and Sublessors and each of Contractor's, Affiliate's and Sublessor's insurers to waive, their respective rights of subrogation against the City Indemnified Parties for recovery of damages to the extent these damages are covered by the following insurance obtained by Airline pursuant to this Agreement; (1) Worker's Compensation and Employer's Liability Insurance; (2) Commercial General/Airline Liability Insurance (primary and umbrella); (3) Automobile Liability Insurance; (4) All Risk Blanket Builder's Risk Insurance; and (5) All Risk Property Insurance. With respect to the waiver of subrogation for Worker's Compensation and Employer's Liability Insurance, Airline shall obtain an endorsement equivalent to WC 00 03 13 to effect such waiver.

In the event the insurers of Airline, or the insurers of any Contractor, Affiliate or Sublessor, should seek to pursue contribution or a subrogation claim against the City, Airline shall be responsible to pay all cost of defending such claims, including actual attorney's fees of counsel of the City's choosing, subject to Section 13.1.7.

(g) Airline Insurance Primary. Airline expressly understands and agrees that any insurance maintained by the City shall apply in excess of and not contribute with insurance provided by Airline under this Agreement. All insurance policies required of Airline under this Agreement shall be endorsed to state that Airline's insurance policy is primary and not contributory with any insurance carried by the City.

(h) Insurance Limits maintained by Airline. If Airline maintains higher limits than the minimum required herein, the City requires and shall be entitled to coverage for the higher limits maintained by Airline. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to the City, as their interest may appear.

(i) Joint Venture or Limited Liability Company. If Airline is a joint venture or limited liability company, the insurance policies must name the joint venture or limited liability company as a named insured.

(j) Other Insurance obtained by Airline. If Airline desires additional coverages, Airline shall be responsible for the acquisition and cost.

(k) Self-Insurance of Airline. Airline may not self-insure any portion of any limit of primary coverage required hereunder unless specifically permitted under this Section 13.2 or otherwise permitted by the City in extraordinary circumstances. It is understood that in any instance in which Airline is permitted to and chooses to self-insure a portion of the limit of primary coverage required hereunder, Airline, as a self-insurer, has the same duties and obligations to the City (*e.g.* obligation to provide a defense for covered claims) and to the City's liability insurer(s) as a primary liability insurer has to excess insureds and excess insurers under a standard ISO policy form even though Airline's self-insurance is not on a standard ISO form. For purposes of this subsection, self-insurance shall not be construed to include deductibles that apply on a per-occurrence basis.

(l) City's Right to Modify. The City maintains the right, based on commercially reasonable standards, to modify, delete, alter or change the requirements set forth under this Section 13.2 with thirty (30) days' prior written notice to Airline.

13.3 City's Insurance

The City shall maintain in force during the Term commercial general liability and property insurance relating to its ownership, maintenance, use and occupancy of the Airport as determined by and as required by the Bond Indenture and Applicable Laws.

Article 14

ENVIRONMENTAL MATTERS

14.1 Airline Representations, Warranties, and Covenants

Airline represents, warrants, and covenants the following with respect to its use of the Airport pursuant to this Agreement:

14.1.1 Airline has obtained and throughout the term of this Agreement shall regularly maintain and timely update all applicable licenses, permits, registrations and other authorizations and approvals required under Environmental Laws, and shall provide any notices required under Environmental Laws, for conducting its operations at the Airport during the term of this Agreement. Airline shall ensure that its Associated Parties obtain, maintain and update all applicable licenses, permits, registrations and other authorizations required by Environmental Law pertaining to its and their use of and operations at the Airport.

14.1.2 Airline shall comply and shall ensure that its Associated Parties comply, with all applicable Environmental Laws pertaining to its and their use of and operations at the Airport.

14.1.3 Airline shall not conduct its operations at the Airport during the Term of this Agreement in such a manner so as to cause, unlawfully allow or contribute to, and shall ensure that its Associated Parties do not cause, unlawfully allow or contribute to:

(a) any Release, Discharge or Disposal of any Hazardous Substance or Other Regulated Material at the Airport, unless authorized by an Environmental Law;

(b) any violation of any applicable Environmental Law as a result, in whole or in part, of the use by or operations of Airline or its Associated Parties at the Airport;

(c) any Release, Discharge or Disposal in violation of any applicable Environmental Law which is a contributing cause of the City exceeding any terms, conditions or effluent limits of any NPDES permit or individual storm water discharge permit issued to the City, Multi-Sector General Permit, Municipal Separate Storm Sewer System permit, or any applicable federal or State of Illinois effluent limitation guideline, or standard of the MWRD;

(d) any Release, Discharge or Disposal to soil or Waters at, underlying, or adjacent to the Airport in violation of any applicable Environmental Law; or

(e) any emissions to the air in violation of any applicable Environmental Law that results in an exceedance of an applicable emission standard at the Airport or of any terms or conditions of any of Airline's air permits.

14.1.4 Airline shall, and shall ensure that its Associated Parties, handle, use, store, Dispose of, transport, or otherwise manage, any Hazardous Substance or Other Regulated Material at the Airport during the Term of this Agreement in a lawful manner. Without limiting the foregoing, Airline shall not conduct and shall ensure that its Associated Parties do not conduct any operations or activities involving the use or application of ethylene glycol, propylene glycol, or any other substance in de-icing or anti-icing at any location at the Airport except in accordance with all applicable Environmental Laws and in compliance with any de-icing policies and practices as may be adopted by the City in consultation with Airline.

14.1.5 Airline shall be, and shall ensure that its Associated Parties are, responsible for the proper transportation and Disposal of all Hazardous Substances or Other Regulated Material generated by Airline or its Associated Parties, or resulting from Airline's use, activities, and operations, at the Airport during the term of this Agreement, including those activities and operations conducted by its Associated Parties. In such cases, in the event a signature as "Generator" is required on waste manifests, waste profile sheets or generator's certifications of non-special waste, Airline shall ensure that either Airline or its appropriate Associated Party(ies) signs such documents. Airline shall be responsible for the proper removal, transportation, and Disposal of Hazardous Substances or Other Regulated Material confiscated by the Transportation Security Agency ("TSA") or the City, but only with respect to such Hazardous Substances or Other Regulated Material obtained from Airline's passengers' checked baggage.

14.1.6 Airline shall be, and shall ensure that its Associated Parties are, responsible for the maintenance of any structural controls (above-ground or below-ground), as defined below, used to treat sanitary sewer waste and storm water runoff operated by Airline or its Associated Parties on the Premises during the term of this Agreement. Maintenance frequencies for any such structural controls shall be established by Airline in a reasonable manner in accordance with industry standards and applicable Environmental Law to ensure effective operation of such controls and to prevent failures of such controls that could result in the Discharge, Release or Disposal of pollutants in violation of any applicable Environmental Law. Airline shall ensure that environmental records required to be kept by applicable law, including the O'Hare SWPPP, are maintained on-site for a period of three (3) years, unless a different document retention requirement is provided by applicable law. Structural controls to be maintained by Airline shall include, but not be limited to: oil/water separators (both storm and sanitary sewer), grease traps, sand traps, diversion valves, shut-off valves, storm sewer drain filters, trench drains, catch basins, rain gardens, and retention/holding ponds and any other structural controls. Airline shall remove and properly Dispose of any Waste in said designated structural controls maintained by Airline prior to vacating the Premises.

14.1.7 Airline shall be, and shall ensure that its Associated Parties are, responsible for the maintenance of any air pollution control equipment required by any applicable Environmental Law operated by Airline or its Associated Parties on the Premises during the term of this Agreement. Maintenance frequencies for any such air pollution control equipment shall be established by Airline in a reasonable manner in accordance with industry standards, the provisions of applicable air permits and applicable Environmental Law to ensure effective operation of such equipment and to prevent failures of such equipment that could result in the emission of pollutants in violation of any applicable Environmental Law. Airline shall ensure that environmental records required to be kept by applicable law are maintained on-site for a period of three (3) years, unless a different document retention requirement is provided by applicable law. The air pollution control equipment units to be maintained by Airline shall include, but are not limited to: scrubbers, filters, adsorbers, condensers, precipitators, and other equipment. Airline shall remove and properly Dispose of any Waste in said designated air pollution control equipment operated by Airline prior to vacating the Premises.

14.1.8 If Airline or its Associated Parties cause, unlawfully allow or contribute to a Release, Discharge, or Disposal of a Hazardous Substance or Other Regulated Material at the Airport in violation of any applicable Environmental Law that is above any applicable reportable quantity, emission standard or effluent guideline set forth in any applicable Environmental Law including the O'Hare Spill Response Guide, Airline shall report such Release, Discharge or Disposal to the appropriate governmental authorities in compliance with applicable Environmental Law, including the O'Hare Spill Response Guide. Airline shall ensure that its Associated Parties report any Release or Discharge in violation of any applicable Environmental Law to the appropriate governmental authorities, in compliance with applicable Environmental Law, if the operations of said third party cause, unlawfully allow or contribute to a Discharge or Release of a Hazardous Substance or Other Regulated Material in violation of any applicable Environmental Law that is above any reportable quantity set forth in any applicable Environmental Law.

14.1.9 Airline acknowledges that the City is subject to certain NPDES permits, state and federal storm water regulations, federal and state effluent limitation guidelines, and MWRD standards for operations at the Airport. Airline shall conduct operations and activities at the Airport, including but not limited to de-icing, anti-icing, and construction, and shall ensure that its Associated Parties conduct operations and activities at the Airport in compliance with applicable Environmental Laws. Airline acknowledges that its reasonable cooperation is necessary to ensure Airport's compliance with any applicable NPDES storm water permits and effluent limitation guidelines under Environmental Laws. Airline shall minimize the exposure to storm water of materials generated, stored, handled, or used by Airline or its Associated Parties at the Airport including Hazardous Substances or Other Regulated Material, by implementing and requiring implementation of certain written "Best Management Practices" as defined by and required under Environmental Laws, and shall make them available to the City upon reasonable request. Airline further acknowledges that any effluent limitation guidelines in any NPDES storm water discharge permit issued to the City and timely provided to Airline applicable to Airline are incorporated by reference into this Agreement to the extent affecting Airline's operations at or use of the Airport or operations or activities conducted on its behalf at the Airport, or necessitating Airline's reasonable cooperation to assure the City's compliance therewith. The City shall provide advance notice to Airline of and a reasonable opportunity to

comment on, and shall otherwise endeavor to negotiate reasonable and cost effective terms and conditions of, any permits issued to the City which may affect Airline's operations at or use of the Airport or operations or activities conducted on its behalf at the Airport, or which may necessitate Airline's reasonable cooperation to assure the City's compliance therewith.

14.1.10 Airline or its Associated Parties shall cooperate with the City, as reasonably requested from time to time by the City, to ensure that Airline's operations at or use of the Airport will not unreasonably interfere with the City's implementation of its Chicago O'Hare International Airport Wildlife Hazard Management Plan to reduce wildlife hazards at the Airport.

14.1.11 Airline, prior to vacating or surrendering any portion of its Premises for any reason, shall:

(a) remove and Dispose of any and all trash, debris, or Waste generated by Airline or its Associated Parties;

(b) remove any and all above-ground containers and non-permanent structural controls owned by Airline or its Associated Parties, including, but not limited to, removable filters, grates and above-ground tanks located on Airline's Premises, unless Airline and the City agree otherwise; and

(c) comply with applicable Environmental Laws regarding the closing or removal from service of any underground or aboveground tanks, vessels, and containers operated or owned by Airline or its Associated Parties and located on Airline's Premises, provided, however, that Airline shall have no such obligation with respect to any airport hydrant fuel system maintained by an airport fueling consortium.

14.1.12 Airline understands and acknowledges that certain of its and the City's future capital projects at the Airport may require review or approval by the FAA, the United States Environmental Protection Agency ("USEPA"), or the Illinois Environmental Protection Agency ("IEPA"), pursuant to requirements imposed upon the Airport or the City. If requested by the City, Airline shall reasonably cooperate with the City in its preparation of such submittals as are required of the City by FAA, USEPA, or IEPA, or their successor agencies, in connection with Airline's future capital projects or in connection with the City capital projects at the Airport which benefit Airline.

14.2 Right of Entry to Perform Environmental Inspections and Sampling

14.2.1 The City and its contractors and other agents shall have the full right to enter any part of the Premises, at all reasonable times and in the City's sole discretion, for the purpose of conducting an inspection, assessment, investigation, regular inspection, or regulatory compliance audit of Airline's operations thereon, or any other party's use and operations, including operations of Airline's Associated Parties. The City and its authorized agents may take samples and perform tests as needed, including but not limited to soil borings, ground water monitoring, and collection of samples of air, soil, water, groundwater, Hazardous Substances or Other Regulated Material Releases, and Discharges, at the City's expense. The City will provide seventy-two (72) hours' advance written notice of any City inspection, assessment, investigation,

regular inspection, or regulatory compliance audit of Airline's operations thereon, or any other party's use and operations, including operations of Airline's Associated Parties or intrusive City sampling to Airline, except in emergencies, when advance notice shall not be required. Airline shall have the right to accompany the City when any such inspection or sampling is performed, provided that the City is not required to unreasonably delay its inspection or sampling to enable Airline to be present. Airline shall have the right to obtain, at Airline's expense, split samples and City shall promptly provide copies of all analytical results of such sampling, including any non-privileged reports.

14.2.2 Airline shall cooperate, and shall ensure that its Associated Parties cooperate, in allowing prompt, reasonable access to the City to conduct such inspection, assessment, audit, sampling, or tests. In the exercise of its rights under this Section, the City shall not unreasonably interfere with the authorized use and occupancy of the Premises by Airline or Airline's Associated Parties. Airline remains solely responsible for its environmental, health, and safety compliance, notwithstanding any City inspection, audit, or assessment.

14.3 Information to be Provided to the City

14.3.1 If Airline receives any written notice, citation, order, warning, complaint, claim or demand regarding Airline's use of, or operations at, the Premises during the term of this Agreement or other property at the Airport used by Airline pursuant to this Agreement that is not legally privileged, made confidential by applicable law, or protected as trade secrets:

(a) concerning any alleged Release, Discharge or Disposal of a Hazardous Substance or Other Regulated Material by Airline or by its Associated Parties; or

(b) alleging that Airline or any of its Associated Parties is the subject of an Environmental Claim or alleging that Airline or any Associated Party is, or may be, in violation of any Environmental Laws; or

(c) asserting that Airline or any such third party as identified in Section (i) and (ii) above is liable for the cost of investigation or remediation of a Release or Discharge;

Airline shall promptly, but not later than five (5) business days after Airline's receipt, inform the City in writing of same, including a copy of such notice received by Airline.

14.3.2 Airline shall simultaneously provide to the City copies of its submittals of any non-privileged reports or notices required under Environmental Laws to any governmental agency regarding:

(a) Airline's or its Associated Parties' alleged failure to comply with any Environmental Laws at the Premises or other property at the Airport used by Airline pursuant to this Agreement, or

(b) any Release or Discharge arising out of the past or present operations at or use of the Premises or other property at the Airport used by Airline or its Associated Parties pursuant to this Agreement.

14.3.3 In connection with any matter arising under Section 14.3.1 above, Airline shall make available, within ten (10) business days of Airline's receipt of the City's written request, subject to document retention requirements provided by applicable law, the non-privileged documents that Airline has submitted to any governmental agency pertaining to the environmental compliance status of Airline's operations at or use of the Premises or other property at Airport used pursuant to this Agreement by Airline, including without limitation any and all non-privileged records, permits, permit applications, test results, sample results, written or electronic documentation, studies, or other documentation regarding environmental conditions or relating to the presence, use, storage, control, Disposal, or treatment of any Hazardous Substance or Other Regulated Material by Airline or its Associated Parties at the Premises or other property at the Airport used by Airline pursuant to this Agreement.

14.4 Airline's Environmental Response and Compliance Obligations

14.4.1 Without limiting the indemnity obligations of Section 14.7, if, during the term of this Agreement, Airline or any of its Associated Parties causes, unlawfully allows or contributes to a Release, Discharge, or Disposal of a Hazardous Substance or Other Regulated Material (including, but not limited to those which contaminate or pollute any air, soil, Waters, storm sewer, detention basin, other stormwater infrastructure, or conveyance system) in violation of any applicable Environmental Law that is above any applicable reportable quantity, emission standard or effluent guideline set forth in an applicable Environmental Law including the O'Hare Spill Response Guide, at any portion of the Airport or adjacent Waters, in connection with their operations at the Premises or at other property at the Airport used by Airline pursuant to this Agreement, Airline shall perform or shall cause to be performed, consistent with the provisions of Section 14.5, the following:

(a) notify the O'Hare Communications Center ("OCC") of such Release, Discharge, or Disposal as required by and in accordance with the O'Hare Spill Response Guide and applicable Environmental Laws;

(b) report such Release, Discharge, or Disposal to appropriate governmental agencies as required by and in accordance with applicable Environmental Laws;

(c) promptly Respond to the Release, Discharge, or Disposal of a Hazardous Substance or Other Regulated Material, as required by applicable Environmental Laws;

(d) promptly take all further actions required under Environmental Laws to abate any threat to human health or the environment;

(e) promptly undertake any further removals, remediation, or corrective actions as are required by Environmental Laws or a governmental agency exercising its authorized regulatory jurisdiction under Environmental Laws, to remedy any such Release,

Discharge or Disposal of a Hazardous Substance or Other Regulated Material, and any resulting impacts; and

(f) promptly obtain documentation of the approval of the closure of such Release, Discharge, or Disposal from the governmental agency(ies) with regulatory jurisdiction as such may be issued under Environmental Laws, and provide such documentation to the City.

14.4.2 Any remedial or other activity undertaken by Airline under this Article shall not be construed to impair Airline's rights, if any, to seek contribution or indemnity from any person, consistent with the terms and limitations of this Agreement, including Section 14.7, below.

14.4.3 Airline shall not be responsible under this Section 14.4 for a Discharge, Release, or Disposal to the extent caused by another Air Carrier that the City has compelled Airline to accommodate pursuant to Sections 5.5 and 5.6.

14.5 Investigation, Remediation, or Corrective Action Process

Before commencing any subsurface soil, surface water, stormwater, or groundwater investigations, removals, remediation, or corrective actions that Airline or Airline's Associated Parties are required to perform at the Airport under this Agreement, including any such actions mandated in Section 14.4, and except for immediate removal actions required by Environmental Laws and otherwise undertaken pursuant to Section 14.4, Airline shall promptly provide any proposed plans for such investigations, removals, remediation, or corrective actions to the City for approval in accordance with applicable Environmental Laws, which shall not be unreasonably withheld or conditioned. The work shall be performed in a diligent manner consistent with the time(s) prescribed by Environmental Laws and relevant governmental authorities and at Airline's expense, and the City shall have the right to review and inspect all such work at any time using consultants and representatives of the City's choice, at the City's expense. Specific cleanup levels for any environmental removals, remediation or corrective actions shall comply with applicable Environmental Laws, with commercial and industrial remediation standards being applied to such actions consistent with the use of the Airport for such purposes. Airline may also utilize institutional controls and other engineered barriers as part of any removals, remediation or corrective actions to the extent authorized by Environmental Laws and approved by the City in writing, which shall not be unreasonably withheld. In the event deed recordation by the City is necessary for the utilization of commercial and industrial remediation standards or other controls as part of any removals, remediation or corrective actions or any other costs and expenses are incurred in connection with the use of such standards or controls Airline shall reimburse the City for all deed recordation fees and reasonable attorneys' fees incurred in connection with such recordation. Airline shall, at Airline's own cost and expense, have all tests performed, and reports and studies prepared, and shall provide such information to any governmental agency as may be required by applicable Environmental Laws, with a copy simultaneously provided to the City. This obligation includes but is not limited to any requirements for a site characterization, site assessment, remediation objectives report, remedial action plan, and remedial action completion report that may be necessary to comply with applicable Environmental Laws.

14.6 **The City's Rights to Ensure Airline's Compliance with Environmental Response and Compliance Obligations**

14.6.1 If, as is reasonably determined by the City, Airline, Airline's Associated Parties or their Associated Parties:

(a) do not take appropriate Response actions required by applicable Environmental Laws in response to a Release, Discharge or Disposal for which it is responsible under Section 14.4, within the time(s) prescribed by such Environmental Law(s) and relevant governmental authorities; or

(b) do not perform or complete reporting, notifications, investigations, removals, remediation, corrective actions, or closure actions for which it is required under Section 14.4 within the time(s) prescribed by applicable Environmental Laws and relevant governmental authorities, or within the time reasonably necessary to enable the City to meet its obligations under Environmental Laws (subject to the condition that, in the case of both Sections 14.6.1(a) above and this 14.6.1(b), the City must first provide reasonable advance written notice to Airline of Airline's failure to comply with such obligations and a reasonable opportunity for Airline to cure such failure to comply by Airline initiating or recommencing any such actions consistent with required schedules (including exercising its legal right to reasonably and in good faith challenge such alleged obligation to comply), but in any event not to exceed forty-five (45) days, except in emergency circumstances in which such advance notice is not possible), then the City or its authorized contractor, in addition to its rights and remedies described elsewhere in this Agreement and otherwise available at law, in equity, or otherwise, may, at its election, upon reasonable notice, enter the affected area, and take whatever action the City reasonably deems necessary to meet Airline's obligations under Environmental Laws, within the time required under such Environmental Laws, consistent with the requirements of Section 14.4. In addition to notice and opportunity to cure as set forth in this Section 14.6.1(b), the City shall provide Airline with its plan to perform such work for Airline's review and comment at least seven (7) business days before the commencement of such work, which comments shall be reasonably considered by the City, except in emergency circumstances where such advance notice is not possible. Such action taken by the City consistent with the requirements of this Agreement shall be at Airline's expense plus administrative expenses of the greater of Five Hundred Dollars ($500.00) or 25% of all costs incurred by the City, including but not limited to reasonable attorneys' and consultants' fees and expenses, monetary fines and penalties, litigation costs or costs incurred in anticipation of litigation, expert witness fees, and expenses of investigation, removal, remediation, or other required plan, report, or Response action performed in accordance with applicable Environmental Laws.

14.6.2 Except as set forth in Section 14.6.3, below, if the City cannot identify with commercially reasonable effort any of the parties causing, unlawfully allowing, contributing to or responsible for a Release, Discharge, or Disposal at or from the Airport requiring the completion of appropriate Response actions as provided in Section 14.4.1, then City shall provide reasonable advance written notice to Airline of its intention to take actions, to the extent of Airline's obligations for such actions as provided in Section 14.4.1, to report, repair, contain, investigate, remove, correct or remediate such Release, Discharge, or Disposal consistent with the requirements of Section 14.4. Airline shall thereafter be afforded a reasonable opportunity

(not to exceed forty-five (45) days) to commence such actions or provide the City with information on the identity of the party or parties causing, contributing to, or responsible for such Release, Discharge, or Disposal, which information shall be considered in good faith by the City and, as appropriate, shall provide a basis for the City's pursuit of any responsible parties consistent with the provisions of Section 14.6.1. In addition to the above written notice, the City shall provide Airline with its plan to perform such actions for Airline's review and comment at least seven (7) business days before the commencement of any work (except in emergency circumstances in which such advance notice is not possible), which comments shall be reasonably considered by the City, after which the costs of such actions, if implemented by the City, shall be allocated by the City to Airline-Supported Cost Centers.

14.6.3 In the event a Release or Discharge, or Disposal in violation of Environmental Law which occurred prior to the Effective Date is encountered on any portion of Airline's Preferential Use Premises that Airline also leased as the equivalent of Exclusive or Preferential Use Premises under its Prior Use and Lease Agreement, Airline shall be deemed to be responsible for all costs incurred in connection with such contamination, including investigation, removal, remediation, or other required plan, report, or Response action, unless Airline provides clear evidence demonstrating that another party is fully responsible. This presumption shall not apply to any portion of Airline's Preferential Use Space not previously leased by Airline under its Prior Use and Lease Agreement.

14.6.4 Nothing in this Section 14.6 is intended or shall be construed so as to prevent the City or Airline from exercising, in their reasonable discretion, any rights granted or available elsewhere in this Article, in this Agreement, or by law.

14.7 Environmental Indemnification and Reimbursement

14.7.1 Notwithstanding any other provision to the contrary, Airline agrees to indemnify, defend, and hold harmless the City, its past and present elected and appointed officials, officers, agents and employees ("Environmental Indemnitees"), from and against any and all Environmental Claims resulting from:

(a) the breach by Airline of any representation or warranty made in this Article; or

(b) the failure of Airline to meet its obligations under this Article, whether caused or unlawfully allowed by Airline or any third party under Airline's direction or control; or

(c) documented loss by any Environmental Indemnitee(s) from any Environmental Claim, to the extent caused, unlawfully allowed or contributed to by the unauthorized Release, Discharge, or Disposal of a Hazardous Substance or Other Regulated Material by Airline or by its Associated Parties or the failure of Airline or any Associated Party to comply with applicable Environmental Laws in connection with the operations of Airline or its Associated Parties at the Premises or at other property at the Airport used by Airline pursuant to this Agreement, during the term of this Agreement;

14.7.2 Notwithstanding the provisions of this Section 14.7, in the event that the City and Airline mutually agree or a court of competent jurisdiction determines by a final order that an Environmental Indemnitee's negligence or willful and wanton misconduct is at least fifty-one (51%) of the total fault which proximately caused the Environmental Claims, Airline's obligation to indemnify the Environmental Indemnitee for amounts to be paid in connection with the Environmental Claims shall be limited to the amount attributable to Airline's and its Associated Parties' proportionate share of the total fault which proximately caused the Environmental Claims. The City and Airline agree, however, that this Section 14.7.2 is not intended to obviate or lessen in any way Airline's duty to defend the Environmental Indemnitees; provided, however, that to the extent the City and Airline mutually agree or a court of competent jurisdiction rules that the Environmental Claims were the result of the sole negligent act or omission or the willful and wanton misconduct of an Environmental Indemnitee, the City shall reimburse Airline for its proportionate share of the costs of defense, including, but not limited to, attorneys' fees and court costs. For the avoidance of doubt, the City shall reimburse Airline for all defense costs Airline incurred with respect to defending the City Indemnified Parties against Claims to the extent that the City and Airline mutually agree or a court of competent jurisdiction rules that such Claims were the result of the sole negligent act or omission of a City Indemnified Party.

14.7.3 The City shall provide Airline with prompt notice of any Environmental Claims to allow Airline the opportunity to properly and effectively respond to or otherwise defend such Environmental Claims. Airline shall, at its own cost and expense, defend all Environmental Claims whether frivolous or not. In the event the City undertakes any action, including but not limited to investigations, removals, remediation, or corrective actions with respect to any Environmental Claims in response to the failure of Airline to defend such Environmental Claims as Airline deems appropriate in its reasonable judgment, Airline shall reimburse the City, upon written demand by the City, for all reasonable and documented costs that the City incurs in association with such action, including but not limited to consultants' fees, contractors' fees, reasonable attorneys' fees and expenses of investigation, removal, Response, remediation, or corrective action.

14.7.4 Except to the extent set forth in Section 14.7.2, above, Airline waives the right of contribution and subrogation against the Environmental Indemnitees in connection with Environmental Claims set forth in Sections 14.7.1 and 14.7.3, above.

14.7.5 Regardless of the date of termination of this Agreement, the indemnifying party's representations, obligations and liabilities under this Article shall continue as long as the indemnified party bears any liability or responsibility under this Article or the Environmental Laws.

14.7.6 Any claims for environmental matters shall be subject to this Section 14.7 and shall not be subject to the General Indemnity provision of Section 13.1 in this Agreement.

14.8 Limitations

Except pursuant to Sections 14.6.2 and 14.6.3, Airline's obligations under this Article shall not apply to: (a) any Release, Discharge or Disposal, or Hazardous Substances or Other Regulated Materials that existed at the Airport prior to Airline's or its corporate predecessor(s)'s initial occupancy or operations at such area(s) of Release, Discharge or Disposal, or Hazardous Substances or Other Regulated Materials at the Airport, provided that neither Airline or its corporate predecessor(s) nor any other party under Airline's or its corporate predecessor(s)'s direction or control, or conducting operations or activities on its or their behalf caused, unlawfully allowed or contributed to such Release, Discharge or Disposal, or Hazardous Substances or Other Regulated Materials, or caused, unlawfully allowed or contributed to a subsequent Release, Discharge or Disposal of such pre-existing Hazardous Substances or Other Regulated Materials; or (b) Releases, Discharges, or Disposal that migrate onto, into, or from the Premises or the Airport and that were not caused, unlawfully allowed or contributed to by Airline or its corporate predecessor(s) or third parties under Airline's or its corporate predecessor(s)'s direction or control or conducting operations or activities on its or their behalf; or (c) Releases, Discharges, or Disposal on, at, or from the Airport not caused, unlawfully allowed or contributed to by Airline or its corporate predecessor(s) or by its or their Associated Parties, or any other party under Airline's or its corporate predecessor(s)'s direction or control.

14.9 Baseline Environmental Site Inspection

Prior to Airline's initial occupancy of, use of, or operations at the Premises, the City shall have the opportunity to perform, at its own expense, an Initial Walk-Through of the Premises regarding the environmental condition of the Premises and their state of compliance with Environmental Laws and produce an Initial Walk-Through report. The City shall provide Airline with an opportunity to participate in the walk-through and review and comment upon the conclusions and findings of the Initial Walk-Through report. In the event pre-existing environmental conditions are encountered, the provisions of Section 14.4 shall apply, except that the provision in Section 14.4.1 limiting Airline's obligations to incidents during the term of this Agreement shall not apply.

14.10 Concluding Environmental Site Inspection

At least sixty (60) days prior to vacating or surrendering the Premises or any portion of them for any reason, Airline shall provide the City with access to perform a Concluding Walk-Through in order to determine the environmental condition of the Premises or that part of the Premises being vacated, and their state of compliance with the requirements of Section 14.1.11. City shall provide Airline with an opportunity to participate in the walk-through. If the Concluding Walk-Through reveals that Airline has not removed all trash, containers, tanks, structures, debris, residue, and other items, materials and Waste for which Airline or anyone operating on its behalf is responsible as required by Section 14.1.11, or has otherwise failed to comply with the requirements of Section 14.1.11, the City will share its Concluding Walk-Through report and any relevant photographs with Airline. Airline will remove or correct any items to the extent not in compliance with the requirements of Section 14.1.11 within five (5) business days of receipt of said report and photographs or such longer period of time as reasonably requested by Airline to perform the corrective actions. Airline shall leave facilities

and equipment being surrendered or vacated by Airline in a state of good repair. However, tanks, structures and other items and materials owned by Airline may revert to the City upon agreement of Airline with the City accepting such tanks, structures and other items and materials in an "as is, where is" condition.

14.11 Airline's Hazardous Substance-Related Equipment and Fixtures

Any fixed tanks, pumps, chemical or Hazardous Substance or Other Regulated Material containers, pipelines, lines, and equipment or other such fixtures installed by or on behalf of Airline shall at all times remain the property of Airline, and ownership of or responsibility for such equipment shall not pass to the City by virtue of such equipment being installed at the Premises, except pursuant to the agreement of the City and Airline. No such equipment shall be installed without the written consent of the City.

14.12 Waiver

Any waiver of any provision of this Article, or any delay by the City in the enforcement of any right hereunder, shall neither be construed as a waiver, nor create an expectation of non-enforcement of that or any other provision or right. In order to be effective, any waiver of any right, benefit, or power hereunder must be in writing and signed by an authorized representative of the City, it being intended that no waiver shall be implied by the City's conduct or failure to act. Any specific written waiver shall be applicable only to the particular facts and circumstances thereby addressed and shall not be of any effect with respect to future events, even if any of said future events involve substantially similar circumstances. Any remedies provided for in this Article shall be cumulative and in addition to, and not in lieu of, any other remedies available to the City elsewhere in this Agreement, at law, in equity, or otherwise.

14.13 Notice for Environmental Matters

With respect to those provisions of this Article 14 which expressly require the City to provide written notice to Airline, electronic mail to the designated Airline representative will satisfy such requirement. Airline's representative for receiving environmental notices is designated in the general Notices provisions in Section 18.4.

14.14 Survival of Environmental Provisions

Unless specifically stated elsewhere herein, the provisions of this Article, including the representations, warranties, covenants and indemnities of Airline, are intended to and shall survive termination of this Agreement.

Article 15

DAMAGE, DESTRUCTION AND CONDEMNATION

15.1 Damage to, Destruction or Condemnation of Airport

If the Airport or any portion thereof shall be damaged or destroyed or is taken as a result of an eminent domain proceeding, all insurance proceeds or proceeds resulting from eminent domain proceedings, as the case may be, shall be applied as provided below:

15.1.1 the City may, at its option, replace, repair, rebuild or restore such portion of the Airport to substantially the same condition as that which existed prior to such damage, destruction or taking, with any alterations and additions as the City may determine; or

15.1.2 the City may, at its option, apply such proceeds to redeem any outstanding GARBs; provided, however, that GARBs may be redeemed only if such damage, destruction or condemnation is of property the acquisition of which was funded with the proceeds of GARBs, and if: (i) the Airport has been restored to substantially the same condition as it had been prior to such damage, destruction or taking; or (ii) the City has determined, in its reasonable discretion, that the portion of the Airport damaged, destroyed or taken is not necessary to the operation of the Airport.

The City shall use reasonable efforts to notify Airline of the City's determination whether to proceed pursuant to Section 15.1.1 or Section 15.1.2 within six (6) months of the date of such damage, destruction or taking. Notwithstanding anything in this Section 15.1 to the contrary, proceeds resulting from such damage, destruction or taking will be applied consistent with the Bond Indenture.

15.2 **Untenantable Conditions**

15.2.1 If the Premises occupied by Airline hereunder, or any substantial portion thereof, are damaged, destroyed or taken as result of an eminent domain proceeding and thereby rendered untenantable, then, after consultation with Airline, the City shall replace, repair, rebuild or restore such Premises to substantially the same condition as that which existed prior to such damage, destruction or taking, with any alterations and additions as the City and Airline determine, in all cases subject to the City's right to operate the Airport.

15.2.2 In addition, if the Premises occupied by Airline hereunder, or any substantial portion thereof, are damaged, destroyed or taken as result of an eminent domain proceeding and thereby rendered untenantable, then, unless the City provides Airline with alternative Premises reasonably satisfactory to Airline, (a) Airline shall not be obligated to pay Airport Fees and Charges for such untenantable portion during such time as it remains untenantable, and (b) if such untenantable portion remains untenantable for more than one (1) year, Airline shall be entitled, upon forty-five (45) days' prior written notice to the City, to delete such untenantable portion from its Premises Notice; provided that there shall be no abatement or reduction of Airport Fees and Charges or deletion from its Premises Notice at any time where the untenantable condition is caused by the willful or negligent act or omission of Airline or its Associated Parties.

Article 16

COMPLIANCE WITH LAWS AND RULES

16.1 Airport Rules

Airline shall comply, and, to the maximum extent Airline has the legal power to do so, shall cause its agents, employees, guests, invitees and Contractors to comply, with all Airport Rules.

16.2 Observance and Compliance with Laws

16.2.1 Airline shall comply, and to the maximum extent Airline has legal power to do so, shall cause its agents, employees, Contractors and licensees to, observe and comply with, and pay all taxes and obtain all licenses, permits, certificates and other authorizations required by, all applicable federal, state, county and municipal laws, statutes, ordinances and executive orders, including all rules, regulations and directives of the Federal Aviation Administration. Airline agrees to make a part of and incorporate into this Agreement, by reference or by setting forth at length, at the option of the City, any and all statutes, rules and regulations and any assurances and covenants required pursuant thereto which may now or hereafter be required by the Federal Aviation Administration or other federal, state, county or municipal agency. To the extent applicable, Airline shall comply with the provisions of Exhibit P, "Compliance with Laws," which may be amended by the Commissioner.

16.2.2 The City shall operate and maintain the Airport in a reasonably prudent manner and in accordance with Applicable Laws.

16.2.3 Airline shall operate and maintain the Premises in a reasonably prudent manner and in accordance with Applicable Laws; provided, however, that this provision shall not be construed as a waiver by Airline to challenge a local law, rule, regulation or ordinance that is pre-empted by State or Federal law.

16.2.4 Notwithstanding anything herein to the contrary, references herein to a statute or law shall be deemed to be a reference to (i) such statute or law as may be amended from time to time, (ii) all regulations, rules, executive orders, policies and instructions pertaining to or promulgated pursuant to such statute or law, and (iii) all future statutes, laws, regulations, rules, executive orders, policies and instructions pertaining to the same or similar subject matter.

16.3 Subordination to Sponsor's Assurance Agreement

This Agreement shall be subordinate and subject to the terms of any "Sponsor's Grant Assurances" or like agreement that has been or may be furnished by the City to the United States of America, its boards, commissions, or agencies, including without limitation the FAA, or that is required by Applicable Laws, as a condition precedent to receiving federal financial assistance for development of the Airport and other Airport programs and activities.

16.4 Agreements with the United States

This Agreement is subject and subordinate to the provisions of any agreement heretofore or hereafter made between the City and the United States, the terms and execution of which have been or may be required to enable or permit the transfer of rights or property to the City for airport purposes, or the expenditure of federal grant funds for Airport improvement, maintenance or development. Airline shall reasonably abide by the requirements of agreements entered into between the City and the United States, as applicable to Airline, and shall consent to amendments and modifications of this Agreement if required by such agreements or if required as a condition of the City's entry into such agreements.

16.5 **PFC Act and Assurances**

16.5.1 Notwithstanding anything to the contrary in this Agreement, no provision of this Agreement shall impair the authority of the City to impose a Passenger Facility Charge or to use the Passenger Facility Charge revenue as provided in the Aviation Safety and Capacity Expansion Act of 1990, 49 U.S.C. § 40117 (the "PFC Act").

16.5.2 Airline acknowledges that the City has given to the United States of America, acting by and through the FAA, certain assurances set forth in the PFC Act and implementing regulations at 14 C.F.R. Part 158 ("PFC Assurances"), and Airline agrees that this Agreement shall be subordinate and subject to the PFC Assurances.

16.5.3 In the event that the FAA or its successors require any modifications or changes in this Agreement as a condition precedent to the collection of PFCs or otherwise complying with the PFC Act, Airline shall not withhold its consent to such amendments, modifications, revisions, supplements or deletions of any of the terms, conditions or requirements of this Agreement as may reasonably be required to collect PFCs or comply with the PFC Act. The City agrees to provide Airline with advance written notice of any provisions that would adversely modify material terms of this Agreement.

16.6 **PFCs to be held in Trust for the City**

16.6.1 Airline shall hold the net principal amount of all PFCs that are collected by Airline or its agents on behalf of the City pursuant the PFC Act and the rules and regulations thereunder (14 C.F.R. Part 158, the "PFC Regulations") in trust for the City. For purposes of this Section 16.6, net principal amount shall mean the total principal amount of all PFCs that are collected by Airline or its agents on behalf of the City, reduced by all amounts that Airline is permitted to retain pursuant to Section 158.53(a) of the PFC Regulations.

16.6.2 In the event that Airline fails to make payments of PFCs to the City in accordance with the PFC Regulations, the City may require Airline to establish a PFC trust account pursuant to this Section 16.6.2. In the event the City requires Airline to establish a PFC trust account, and notwithstanding Section 158.49 of the PFC Regulations, upon receipt of PFCs that are collected by Airline or its agents on behalf of the City, Airline shall establish, and shall deposit the net principal amount of such PFCs in, an interest-bearing trust account for the City's benefit (the "Trust Account"). The Trust Account shall be held in the name of Airline as trustee for the City; provided that the City and Airline mutually agree to terms upon which amounts may be withdrawn from such account upon the joint direction of the City and Airline. If the City and

Airline do not so agree, the Trust Account shall be held by an independent third party bank trustee, in which event such trustee's fees shall be payable by the City. The City shall have the right to select such trustee subject to the approval of Airline, which approval will not be unreasonably withheld. The Trust Account shall be separate from and not commingled with all other Airline funds, including PFCs collected on behalf of other airports. In accordance with Section 158.51 of the PFC Regulations, any amounts required to be remitted to the City under such section shall be paid in any event by Airline, as trustee, or by such third party bank trustee, to the City on or before the date specified in such section first out of the net principal amount, then, to the extent of any deficiency, by Airline, out of income earned thereon and then, by Airline, out of any available funds of Airline. Funds in the Trust Account shall be invested solely in instruments issued or guaranteed by the United States government or any of its agencies, commercial paper rated A1 or P1 or better by, respectively, Standard & Poor's Rating Services or Moody's Investors Service, Inc., or federally insured bank certificates of deposit. Any income earned on funds in the Trust Account on or prior to the date of required remittance to the City shall be the property of Airline and shall be paid directly to Airline. Any income earned on funds in the Trust Account after the date of required remittance to the City shall be the property of the City and shall be paid immediately to the City and applied to the interest income in the O'Hare Passenger Facility Charge Revenue Fund.

16.6.3 Upon the determination of a United States bankruptcy court in a final non-appealable order that a trust account is not required to establish the City's absolute right immediately to receive all PFCs collected for the City and held by Airline, Section 16.7.2 shall no longer apply.

16.6.4 In the absence of additional regulations governing the treatment of refunds, any refunds of PFCs due to passengers as a result of changes of itinerary shall be paid proportionately out of the net principal amount attributable to such PFCs and the amount that Airline was permitted to retain under Section 158.53(a) of the PFC Regulations attributable to such PFCs. Airline hereby acknowledges that the net principal amount of all PFCs collected on behalf of the City shall remain at all times the property of the City, except to the extent of amounts refunded to passengers pursuant to the preceding sentence (which shall remain the property of the City until refunded and become the property of the passenger upon and after refund). Other than the amounts that Airline is entitled to retain pursuant to Section 158.53 of the PFC Regulations, Airline shall be entitled to no compensation.

16.7 Security and Payment of Fines for Violation of Federal Regulations

16.7.1 Airline acknowledges that security is of primary importance at the Airport and that security requirements are likely to change during the Term. Airline, its officers, employees, representatives, agents, servants, subtenants, consultants, contractors, successors, assigns and suppliers and those under its control, shall comply with security measures (a) required of Airline by the FAA or the TSA or by the City in accordance with applicable requirements of the FAA or the TSA or their authorized successor(s) or (b) contained in any Airport master security plan approved by the FAA or the TSA or their authorized successor(s). Airline shall comply, at its own expense, with the TSA's security requirements applicable to Airline at the Airport including, but not limited to, employee security training, badging, criminal

background checks, access control, screening and inspections. Airline shall cooperate with the TSA on all security matters.

16.7.2 Compliance with such security measures and requirements shall not relieve Airline of its responsibility for maintaining proper security for the above-noted items, nor shall it be construed as limiting in any manner Airline's obligations with respect to all applicable federal laws and regulations and its duty to undertake reasonable action to establish and maintain secure conditions at and around the Premises. To comply with TSA requirements, Airline hereby agrees to execute a reasonable exclusive area agreement pursuant to 49 C.F.R. 1542.111 with the City in form and substance which is reasonably acceptable to the parties. Airline accepts security responsibility to use best efforts to prevent unauthorized access to the Premises. Airline shall be responsible for preventing unauthorized persons from gaining access to the restricted areas of the Airport through the Premises during times and to the extent that Airline has control of the Premises.

16.7.3 Airline understands and agrees that security requirements may affect Airline's Air Transportation Business operations and costs. Airline shall be strictly liable for the payment of any fines assessed by the City or the payment of (or reimbursement of City for any payments of) any civil penalties assessed against City or Airline relating to security and resulting from the negligence or intentional acts of omission or commission of Airline's officers, employees, representatives, agents, servants, subtenants, consultants, contractors, successors, assigns and suppliers and those under its control, and Airline shall be solely and fully responsible for any and all breaches of security and the consequences thereof resulting from the negligence or intentional acts of omission or commission of its officers, employees, representatives, agents, servants, subtenants, consultants, contractors, successors, assigns and suppliers and those under its control.

16.7.4 The City may impose and Airline agrees to pay a reasonable non-discriminatory cost-based user fee, if any, for the privilege of using identification cards or badges to gain access to the Airport security access control system.

16.8 No Exclusive Rights

Nothing contained in this Agreement shall be deemed to grant to Airline any exclusive right or privilege within the meaning of 49 U.S.C. § 40103(e) with respect to activity at the Airport, except that, subject to the terms and provisions of this Agreement, Airline shall have the right to exclusive possession of any Exclusive Use Premises made available to Airline under this Agreement.

16.9 Federal Tax and Securities Laws

16.9.1 Airline, upon the City's request, shall provide to the City such information and certifications as the City may require to maintain the tax-exempt status of the interest on GARBs.

16.9.2 Airline, upon the City's request, shall provide to the City such information as the City may reasonably request in writing in connection with the offering, sale and remarketing of GARBs to enable the City to comply with the requirements of the federal

securities laws and to comply with the City's continuing disclosure requirements under SEC Rule 15c2-12, as it may be amended from time to time, provided, however, that Airline may, in lieu of providing the requested information, direct the City to an Airline or SEC website where the requested information is then currently available.

16.10 **Anti-Scofflaw**

Airline hereby represents and warrants and shall cause each of its Contractors to represent and warrant, that Airline or such Contractors, as the case may be, is not in violation of Section 2-92-380 of the Municipal Code, and further agrees that, in the event of any such violation, the City shall be entitled to set off from those amounts invoiced by Airline an amount equal to the amount of any fines or penalties owed to the City, subject to those exceptions stated in the Municipal Code.

16.11 **Ethics**

Airline hereby represents and warrants and shall cause each of its Contractors to represent and warrant that Airline or such Contractors, as the case may be, is not in violation of Chapter 2-156 of the Municipal Code.

16.12 **Inspector General**

Airline understands and will abide by the provisions of Chapter 2-56 of the Municipal Code. Airline acknowledges and agrees that it shall be the duty of Airline and its sub-licensees, Contractors and all their officers, directors, agents, partners and employees to cooperate with the Inspector General of the City in any investigation or hearing undertaken pursuant to Chapter 2-56 of the Municipal Code. All contracts and other agreements must inform the parties of this provision and require understanding and compliance with it.

16.13 **Business Relationships With Elected Officials, Municipal Code Section 2-156-030(b)**

Airline understands and will abide by the provisions of Section 2-156-030 of the Municipal Code, as applicable. Pursuant to Municipal Code Section 2-156-030(b), it is illegal for any elected official of the city, or any person acting at the direction of such official, to contact, either orally or in writing, any other city official or employee with respect to any matter involving any person with whom the elected official has a business relationship that creates a financial interest on the part of the official, or the domestic partner or spouse of the official, or from whom or which he has derived any income or compensation during the preceding twelve months or from whom or which he reasonably expects to derive any income or compensation in the following twelve months or to participate in any discussion in any city council committee hearing or in any city council meeting or to vote on any matter involving the person with whom an elected official has a business relationship that creates a financial interest on the part of the official, or the domestic partner or spouse of the official or from whom or which he has derived any income or compensation during the preceding twelve months or from whom or which he reasonably expects to derive any income or compensation in the following twelve months. Violation of Municipal Code Section 2-156-030(b) by any elected official with respect to this Agreement at the request or direction of Airline will be grounds for termination of this

Agreement. The term "financial interest" is defined as set forth in Municipal Code Section 2-156-080.

Municipal Code Section 2-156-010(l) defines a "financial interest" as an interest held by an official or employee that is valued or capable of valuation in monetary terms with a current value of more than $1,000.00, provided that such interest shall not include: (1) the authorized compensation paid to an official or employee for any office or employment; or (2) a time or demand deposit in a financial institution; or (3) an endowment or insurance policy or annuity contract purchased from an insurance company; or (4) any ownership through purchase at fair market value or inheritance of the shares of a mutual fund corporation, regardless of the value of or dividends on such shares, if such shares are registered on a securities exchange pursuant to the Securities Exchange Act of 1934, as amended; or (5) any ownership through purchase at fair market value or inheritance of not more than one-half of one percent of the outstanding common stock of the shares of a corporation, or any corporate subsidiary, parent or affiliate thereof, regardless of the dividends on such shares, if such shares are registered on a securities exchange pursuant to the Securities Exchange Act of 1934, as amended.

16.14 City of Chicago Hiring Plan (Shakman Accord)

The City is subject to the May 31, 2007 Order entitled "Agreed Settlement Order and Accord" and the June 16, 2014 "City of Chicago Hiring Plan" (the "2014 City Hiring Plan") entered in *Shakman v. Democratic Organization of Cook County*, Case No 69 C 2145 (United States District Court for the Northern District of Illinois). Among other things, the Agreed Settlement Order and Accord and the 2014 City Hiring Plan prohibit the City from hiring persons as governmental employees in non-exempt positions on the basis of political reasons or factors.

Airline is aware that City policy prohibits City employees from directing any individual to apply for a position with Airline, either as an employee or as a contractor, and from directing Airline to hire an individual as an employee or as a contractor. Accordingly, Airline must follow its own hiring and contracting procedures, without being influenced by City employees.

16.15 No Waste Disposal in Public Way, Municipal Code Section 11-4-1600(E)

Airline warrants and represents that it has not violated and is not in violation of the following sections of the Municipal Code (collectively, the "Waste Sections"):

- 7-28-390 Dumping on public way;
- 7-28-440 Dumping on real estate without permit;
- 11-4-1410 Disposal in waters prohibited;
- 11-4-1420 Ballast tank, bilge tank or other discharge;
- 11-4-1450 Gas manufacturing residue;
- 11-4-1500 Treatment and disposal of solid or liquid;
- 11-4-1530 Compliance with rules and regulations required;
- 11-4-1550 Operational requirements; and
- 11-4-1560 Screening requirements.

During the period while this Agreement is executory, Airline's violation of the Waste Sections, whether or not relating to this Agreement, constitutes a breach of and an event of default under this Agreement. Such breach and default entitles the City to all remedies under the Agreement, at law or in equity.

This Section 16.15 does not limit Airline's duty to comply with Applicable Law.

16.16 Visual Artists Rights Act Waiver

Airline shall not install any object in the Airline's Premises or elsewhere in the Airport that constitutes a work of visual art as defined in 17 U.S.C. § 101 (the "Artwork") unless and until Airline has both (a) obtained prior written approval of the Commissioner to install the Artwork and (b) provided the City with a written waiver from the author of the Artwork, in form and substance reasonably satisfactory to City, waiving any and all rights in the Artwork that may be granted or conferred under 17 U.S.C. § 106A and 17 U.S.C. § 113(d). Airline covenants that it will obtain a written waiver of all rights under 17 U.S.C. § 106A and 17 U.S.C. § 113(d) as necessary from any employees, contractors, subcontractors, subtenants or artists.

16.17 Boarding And Deplaning Assistance To Passengers With Disabilities

Airline shall comply, at its own expense, with all Applicable Laws relating to the boarding or deplaning of passengers with disabilities, including, but not limited to, 49 U.S.C. § 41705 and 14 C.F.R. § 382.

Article 17

DEFAULT, TERMINATION AND CHANGE OF LEASE TERM

17.1 Events of Default

Each of the following shall be an "Event of Default" under this Agreement:

17.1.1 Airline shall become insolvent (as such term is defined under Section 101 of the Federal Bankruptcy Code); or shall fail to pay its debts generally as they mature; or shall take the benefit of any present or future federal or state insolvency statute; or shall make a general assignment for the benefit of creditors.

17.1.2 Airline shall file a voluntary petition in bankruptcy or a petition or answer seeking an arrangement of its indebtedness under the Federal Bankruptcy Code or under any other law or statute of the United States or of any state thereof; or consent to the appointment of a receiver, trustee, custodian, liquidator or other similar official, of all or substantially all of its property; or an order for relief shall be entered by or against Airline under any chapter of the Federal Bankruptcy Code.

17.1.3 By order or decree of a court, Airline shall be adjudged bankrupt or an order shall be made approving a petition filed by any of its creditors or by any of its stockholders, seeking its reorganization or the restructuring of its indebtedness under the Federal

Bankruptcy Code or under any other law or statute of the United States or any state thereof and such order or decree shall not be stayed or vacated within sixty (60) days of its issuance.

17.1.4 A petition under any chapter of the Federal Bankruptcy Code or an action under any federal or state insolvency law or statute shall be filed against Airline and shall not be dismissed or stayed within sixty (60) days after the filing thereof.

17.1.5 By or pursuant to, or under authority of any legislative act, resolution or rule, or any order or decree of any court or governmental board, agency or officer, a receiver, trustee, custodian, liquidator or other similar official shall take possession or control of all or substantially all of the property of Airline and such possession or control shall continue in effect for a period of sixty (60) days.

17.1.6 Airline shall become a corporation in dissolution.

17.1.7 The letting, license or other interest of or rights of Airline hereunder shall be transferred to, pass to or devolve upon, by operation of law or otherwise, any other person, firm, corporation or other entity, by, in connection with or as a result of any bankruptcy, insolvency, trusteeship, liquidation or other proceedings or occurrence described in Sections 17.1.1 through 17.1.5.

17.1.8 Airline shall fail to duly and punctually pay any Airport Fees and Charges required to be paid hereunder or shall fail to make payment of any other sum required to be paid to the City pursuant to this Agreement on or prior to the date such payment is due and shall continue to remain unpaid ten (10) business days after written notice has been provided to Airline by the City or, with respect to any amount for which no payment date is provided herein, then ten (10) business days after written notice of the amount of such payment has been given to Airline or an invoice for such payment has been submitted to Airline.

17.1.9 Airline shall fail to keep, perform and observe any promise, covenant or other provision of this Agreement for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied is given to Airline by the City; provided, however, that any such failure which can be remedied, but which cannot with due diligence be remedied within such thirty (30) day period, shall not give rise to the City's right to exercise remedies under this Agreement if corrective action is instituted by Airline within such thirty (30) day period and diligently pursued until the failure is remedied.

17.1.10 Any lien shall be filed against the Premises or any portion thereof resulting from any act or omission of Airline, and shall not be discharged or bonded over within thirty (30) days after written notice from the City, unless Airline shall within the aforesaid thirty (30) days furnish the City such security as the Commissioner in his or her reasonable discretion determines to be adequate to protect the interests of the City.

17.1.11 Other than during a time of force majeure, Airline shall discontinue its Air Transportation Business at the Airport, other than for seasonal suspension of service or low frequency service, for a period of thirty (30) consecutive days or for a period of sixty (60) nonconsecutive days whenever occurring in the aggregate in any Fiscal Year or, after exhausting or abandoning any further appeals, Airline shall be prevented for a period of thirty (30)

consecutive days by action of any governmental agency other than the City from conducting its Air Transportation Business at the Airport.

17.1.12 Other than during a time of force majeure, Airline shall cease using or abandon substantially all of its Premises for a period of thirty (30) days, and Airline has not commenced use or re-occupied its Premises within thirty (30) days after notice from the City.

17.1.13 Airline shall make any purported Assignment or Sublease without the consent of the City (to the extent required), as set forth in Section 4.2, and which has not been remedied within thirty (30) days after notice from the City to Airline.

17.1.14 Airline shall fail to maintain its corporate existence or to remain duly qualified to do business in the State of Illinois or Airline shall dissolve or otherwise dispose of all or substantially all of its assets or shall consolidate with or merge into another corporation; provided, however, that it shall not be an Event of Default if Airline consolidates with or merges into another corporation as permitted under Section 4.2.8.

17.1.15 To the extent applicable, Airline shall fail to meet any of Airline's security deposit requirements set forth in Section 9.3.

17.1.16 Airline shall fail to transmit to the City PFCs on a timely basis in accordance with the PFC Regulations or shall fail to comply with the provisions of Sections 16.5 and 16.6.

17.1.17 Airline shall violate the Waste Sections of the Municipal Code or MCC 2-156-018, "Duty to report corrupt or unlawful activity" as set forth in Article 16 and Exhibit P; provided, however, that the Commissioner may provide for a reasonable cure period appropriate to the violation.

17.1.18 Airline shall fail to maintain insurance as required by this Agreement, including the cure period provided in Section 13.2.2(b).

17.2 **Termination by the City**

17.2.1 Whenever an Event of Default has occurred and is continuing, the City may, at its option, upon thirty (30) days' prior written notice of such Event of Default:

(a) terminate this Agreement and the lettings, licenses and other rights of Airline hereunder, without discharging any of Airline's obligations hereunder, including but not limited to Airport Fees and Charges, and, at the City's further option, exclude Airline from its Premises;

(b) without terminating this Agreement, exclude Airline from its Premises and use commercially reasonable efforts to lease such Premises to another airline for the account of Airline, holding Airline liable for all Airport Fees and Charges and other payments due hereunder up to the effective date of such leasing and for the excess, if any, of Airport Fees and Charges and other amounts payable by Airline under this Agreement for the

remainder of the term of this Agreement over the rentals and other amounts which are paid by such new airline under such new agreement; or

(c) without terminating this Agreement, request that Airline cease performing any work it may perform pursuant to Section 4.9.

17.2.2 In addition, the City may, from time to time, take whatever action at law or in equity appears necessary or desirable to collect Airport Fees and Charges and any other amounts payable by Airline hereunder then due and thereafter to become due, and to enforce the performance and observance of any obligation, agreement or covenant of Airline under this Agreement. For the avoidance of doubt, the City may seek an order for specific performance by Airline of any obligation pursuant to this Agreement, perform said obligations itself or take other actions to mitigate losses that may result from Airline's failure to perform and, if the City takes such actions, City may charge Airline for the City's costs plus a 15% administrative fee.

17.2.3 All rights and remedies given to the City in this Agreement and all rights and remedies given to the City by law, shall be cumulative and concurrent. No termination of this Agreement or the taking or recovering of the Premises shall deprive the City of any of the City's remedies or actions against Airline for Airport Fees and Charges or for damages or for the breach of any covenant herein contained, nor shall the bringing of any action for Airport Fees and Charges or breach of covenant, or the resort to any other remedy herein provided for the recovery of Airport Fees and Charges be construed as a waiver of the right to obtain possession of the Premises.

17.2.4 In no event shall this Agreement or any rights or privileges hereunder be an asset of Airline under any bankruptcy, insolvency or reorganization proceedings.

17.2.5 To the extent consistent with and permitted under the United States Bankruptcy Code or similar debtor relief laws, if Airline seeks protection under the United States Bankruptcy Code or similar debtor relief laws, or is currently operating under the protection of the United States Bankruptcy Code or other similar debtor relief laws, Airline will comply with every provision of this Agreement as and when required under this Agreement, including without limitation performing any required remediation relating to any environmental matter pursuant to Airline's obligations under Article 14 which arose prior to or arises during the course of Airline's bankruptcy case. No Air Carrier will be allowed to assume this Agreement without performing any required remediation as part of the cure of any Event of Default under this Agreement.

17.3 **Change of Lease Term**

17.3.1 Notwithstanding the provisions of Sections 2.3 and 2.4, upon the occurrence of an Event of Default described in Sections 17.1.1, 17.1.10, 17.1.11, 17.1.12, 17.1.13, 17.1.14, 17.1.15, or 17.1.16, the City may notify Airline that the term of this Agreement shall convert to month-to-month, commencing five (5) days after such notice and terminating upon thirty (30) days' written notice from the City to Airline, or from Airline to the City.

17.3.2 The conversion of the term of this Agreement pursuant to this Section 17.3 shall not discharge any of Airline's obligations hereunder nor affect any of the City's other remedies set forth herein.

17.4 Pursuit of Remedies Against Defaulting Air Carriers

A default by any Air Carrier (other than Airline) in the payment of Airport Fees and Charges pursuant to Article 9 or indemnification payments may, if not cured, result in a greater amount of Airport Fees and Charges payable by Airline than would otherwise have been required. Accordingly, the City shall diligently pursue all remedies deemed appropriate by the City against any such defaulting Air Carrier on behalf of and for the benefit of non-defaulting Air Carriers, including Airline, and shall give due consideration to any comments submitted to the City by Airline with respect to the pursuit of such remedies.

17.5 Agreement to Pay Attorneys' Fees and Expenses

In the event Airline defaults under this Agreement and the City employs attorneys or incurs other expenses for the collection of Airport Fees and Charges or any other amounts due hereunder, or for the enforcement or performance or observance of any obligation or agreement on the part of Airline herein contained, Airline shall, on demand, pay to the City the reasonable fees and expenses of such attorneys and any such other reasonable expenses incurred by the City as a result of such default.

17.6 Force Majeure

17.6.1 If either party shall be delayed or hindered in or prevented from the performance of any act required under this Agreement by reason of strikes, lockouts, labor disputes (all of which shall be subject to Section 18.15), inability to procure labor or materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, terrorism, war, fire or other casualty, or other reason of a similar nature beyond the reasonable control of the party delayed in performing work or doing acts required under this Agreement, performance of such act shall be excused for the period of the actual delay attributable to such causes, and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay (any such delay, an "Unavoidable Delay"). This Section 17.6.1 shall not be applicable to Airline's obligations to procure insurance or to pay Airport Fees and Charges, or any other sums, moneys, costs, charges or expenses required to be paid by Airline. If any provision of this Agreement negates or limits the period of any force majeure or Unavoidable Delay extension, such provision shall override this Section 17.6.1 and Airline shall give the City notice of any Unavoidable Delay within a reasonable time (not to exceed one (1) year) following the occurrence of the delaying event.

17.6.2 The City shall be under no obligation to supply any service if and to the extent and during any period that the supplying of any such service or the use of any component necessary therefor shall be prohibited or rationed by any Applicable Laws.

Article 18

GENERAL PROVISIONS

18.1 Agreement Not to Grant More Favorable Terms

During the Term, and subject to Section 8.15, the City agrees not to enter into any lease, contract, or other agreement directly or indirectly with any other Air Carrier conducting operations at the Airport that contains fees and charges or other terms more favorable to such Air Carrier than the fees and charges and other terms under this Agreement, unless the City also makes those more favorable terms available to Airline. The provisions of this Section 18.1 shall in no way limit, impair, or interfere with the City's ability to enter into any lease, contract, or other agreement with any party that is not an Air Carrier.

18.2 No Partnership or Agency

Nothing herein contained is intended or shall be construed to in any respect create or establish any relationship other than that of licensor and licensee or lessor and lessee, and nothing herein shall be construed to establish any partnership, joint venture or association or to make Airline the general representative or agent of the City for any purpose whatsoever.

18.3 No Personal Liability

No member, director, officer, elected official or employee of either party to this Agreement shall be charged personally or held contractually liable by or to the other party under any term or provision of this Agreement, or because of any breach thereof or because of its or their execution or attempted execution thereof.

18.4 Notices

Except as otherwise expressly provided hereunder, all notices and other communications provided for under this Agreement shall be in writing and shall be: (a) mailed; (b) personally delivered, including via overnight courier; or (c) to the extent expressly permitted elsewhere in this Agreement for a specific notice or as mutually agreed by parties, sent by electronic mail with electronic receipt, to the City and Airline at the following addresses:

If to the City, to:

Commissioner
Chicago Department of Aviation
Chicago O'Hare International Airport
10510 West Zemke Road
Chicago, IL 60666
CDACommissioner@cityofchicago.org

With a copy to:

General Counsel
Chicago Department of Aviation
Chicago O'Hare International Airport
10510 West Zemke Road
Chicago, IL 60666
CDAGeneralCounsel@cityofchicago.org

If to Airline for all notices, except pursuant to Sections 4.3 (City's Right of Entry), 11.3 (Performance by City upon Failure of Airline), 14.13 (Notice for Environmental Matters) or 18.8 (Service of Process) of this Agreement, to:

_____
_____
_____
_____
_____

If to Airline for notices on environmental matters pursuant to Section 14.13, to:

_____
[cc: airline general contact]_____
[Non-individual Electronic Mail Address]

If to Airline pursuant to Section 4.3 (City's Right of Entry) or Section 11.3 (Performance by City upon Failure of Airline) of this Agreement, to:

_____
_____
[local station manager] _____
[cc: airline general contact] _____
[Non-individual Electronic Mail Address]

With a copy to AAAC Representative:

_____
_____
_____
_____
_____

Or, with respect to any notice given pursuant to this Section 18.4, to such other person or address as either the City or Airline may hereafter designate by written notice to the other in accordance with this Notices section. Except as otherwise expressly provided hereunder, any notice or communication under this Agreement shall be deemed to have been given or made: (a) if a

messenger or courier service is used, when delivered to the addressee; (b) if sent by mail (certified or by other method with tracking and confirmation receipt), upon receipt, or upon attempted delivery where delivery is refused or mail is unclaimed five (5) days after being deposited in the mails, postage prepaid and properly addressed; and (c) if sent by electronic mail, upon receipt by either party of a written reply or electronic receipt). Airline agrees to provide City with any changes to its notice information, including electronic mail addresses, within five (5) business days of such change.

With respect to Section 18.8 (Service of Process) of this Agreement, Airline hereby designates as its agent in Chicago, Illinois;

_____

_____

_____

_____

_____

18.5 **Entire Agreement**

This Agreement, including the attached Exhibits and endorsements, constitutes the entire agreement of the parties on the subject matter hereof. The parties intend that this Agreement shall be the final expression of their agreement with respect to its subject matter, and may not be contradicted by evidence of any prior or contemporaneous written or oral agreements or understandings. The parties further intend that this Agreement shall constitute the complete and exclusive statement of its terms, and that no extrinsic evidence whatsoever (including prior drafts of the Agreement) may be introduced in any judicial, administrative or other legal proceeding involving this Agreement.

18.6 **Amendment**

Except as otherwise expressly provided herein, the provisions of this Agreement may be amended only by a written agreement signed by the City and Airline.

18.7 **Applicable Law**

This Agreement shall be deemed to have been made in, and shall be construed in accordance with, the laws of the State of Illinois.

18.8 **Authorization to Operate; Consent to Service of Process and Jurisdiction**

18.8.1 Airline represents that it is a corporation organized and existing under the laws of the state shown on the signature page hereof. Airline warrants that it is, and throughout the term of this Agreement it will continue to be, duly qualified to do business in the State of Illinois.

18.8.2 All judicial proceedings brought by the City against Airline with respect to this Agreement may be brought in any court of competent jurisdiction having situs within the boundaries of the federal court district of the Northern District of Illinois including

any of the courts within Cook County, and by execution and delivery of this Agreement, Airline accepts, for itself and in connection with its properties, generally and unconditionally, the nonexclusive jurisdiction of the aforesaid courts, and irrevocably agrees to be bound by any final judgment rendered thereby from which no appeal has been taken or is available. Airline hereby designates and appoints the representative designated in Section 18.4 as its agent in Chicago, Illinois to receive on its behalf service of all process in any such proceedings in any such court (which representative shall be available to receive such service during regular business hours), such service being hereby acknowledged by such representative to be effective and binding service in every respect. Said agent may be changed only upon the giving of written notice by Airline to the City of the name and address of a new Agent for Service of Process that works within the geographical boundaries of the State of Illinois and is employed by or contracted with Airline. Airline irrevocably waives any objection (including any objection of the laying of venue or based on the grounds of forum non conveniens) which it may now or hereafter have to the bringing of any action or proceeding with respect to this Agreement in the jurisdiction set forth above. Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of the City to bring proceedings against Airline in the courts of any other jurisdiction.

18.9 Severability

If any provision of this Agreement shall be held or deemed to be or shall in fact be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all cases because it conflicts with any other provision or provisions hereof or of any constitution, statute, ordinance, rule of law or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstances, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatsoever. The invalidity of any one or more phrases, sentences, clauses or sections contained in this Agreement shall not affect the remaining portions of this Agreement or any part hereof.

18.10 Representatives

The City and Airline shall each designate a representative who, except as otherwise provided hereunder, shall be authorized to act for the City and Airline, respectively, with respect to any actions to be taken by either of them under the terms of this Agreement. Except as specifically set forth herein, for the purposes of actions to be taken by it or by the Commissioner, the City's representative shall be the Commissioner. Airline's representative shall be designated in a written notice delivered to the City. Any party hereto may change its designated representative by notice to the other party.

18.11 Successors and Assigns

All of the covenants, stipulations and agreements herein contained shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto.

18.12 No Third Party Beneficiaries

Unless otherwise provided in this Agreement, this Agreement is for the sole benefit of the parties hereto and their permitted assigns and nothing herein expressed or implied shall give or be construed to give to any person or entity other than the parties hereto and their assigns any legal or equitable rights hereunder.

18.13 No Waiver

No failure by a party to insist upon the strict performance of any obligation of the other party under this Agreement or to exercise any right, power or remedy arising out of a breach thereof, irrespective of the length of time for which such failure continues, prior to the expiration of the Term, shall constitute a waiver of such breach or of the non-defaulting party's right to demand strict compliance with such term, covenant or condition or operate as a surrender of this Agreement.

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

18.14 No Exclusive Right or Remedy

All rights and remedies provided in this Agreement are cumulative and not exclusive of any other rights or remedies that may be available to the parties hereunder or at law or in equity.

18.15 Labor Disputes

Airline agrees to use commercially reasonable efforts to avoid disruption to the City, its tenants, or members of the public arising from labor disputes involving Airline, and in the event of a strike, picketing, demonstration or other labor difficulty involving Airline, to use its good offices, including the utilization of available legal remedies Airline deems appropriate, to minimize or eliminate any disruption to the City, its tenants or members of the public, arising from such strike, picketing, demonstration or other labor difficulty.

18.16 Action or Exercise of Power by the City

Any provision in this Agreement that requires action or an exercise of power by the City may be performed by the Commissioner or her or his designee, unless otherwise specified in this Agreement.

18.17 Headings

The headings of the several sections of this Agreement are inserted only as a matter of convenience and for reference, and in no way define, limit, or describe the scope or intent of any provisions of this Agreement, and shall not be construed to affect in any manner the terms and provisions, or the interpretation or construction, of this Agreement.

18.18 **Counterparts**

This Agreement may be executed in one or more counterparts.

IN WITNESS WHEREOF, the City has caused this Agreement to be executed on its behalf by its Mayor, pursuant to due authorization of the City Council of the City, and its seal to be hereunto affixed and attested by the City Clerk of the City, and Airline has caused this Agreement to be executed on its behalf by its _____, pursuant to due authorization, all as of the day and year first above written.

Attest:

_____
City Clerk

CITY OF CHICAGO

_____
Mayor

Recommended by:
DEPARTMENT OF AVIATION

_____
Commissioner

Approved as to form and legality:

_____
Chief Assistant Corporation Counsel

[AIRLINE]

By:_____
Its: _____

Address for Notice to Airline:

_____
_____
_____
_____

Designation of Agent for Service of Process:

_____

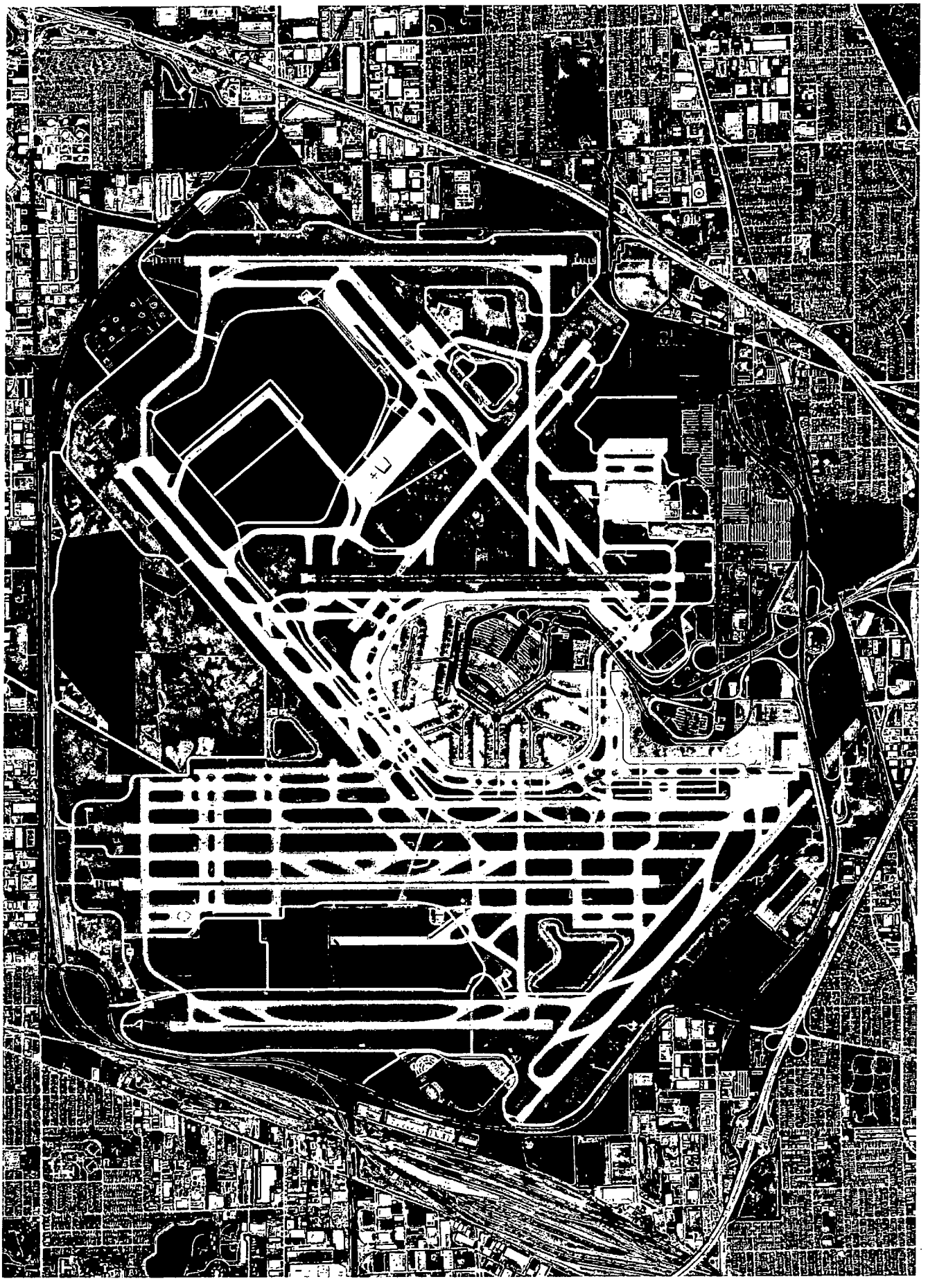
Term Expiration Date:

_____

CHICAGO DEPARTMENT OF AVIATION

Exhibit A

Map of the Airport



Airfield		Fuel System		H&R-COST POOL	
Main Terminal		Aeronautical Real Estate		ATS-COST POOL	
O&D Terminal		Commercial Real Estate		Pure Indirect-COST POOL	
		Parking/Ground Transp		Airfield Service Roadways	
		Consolidated Rental Car		Public Roadways	

Existing Condition 2018

CHICAGO DEPARTMENT OF AVIATION

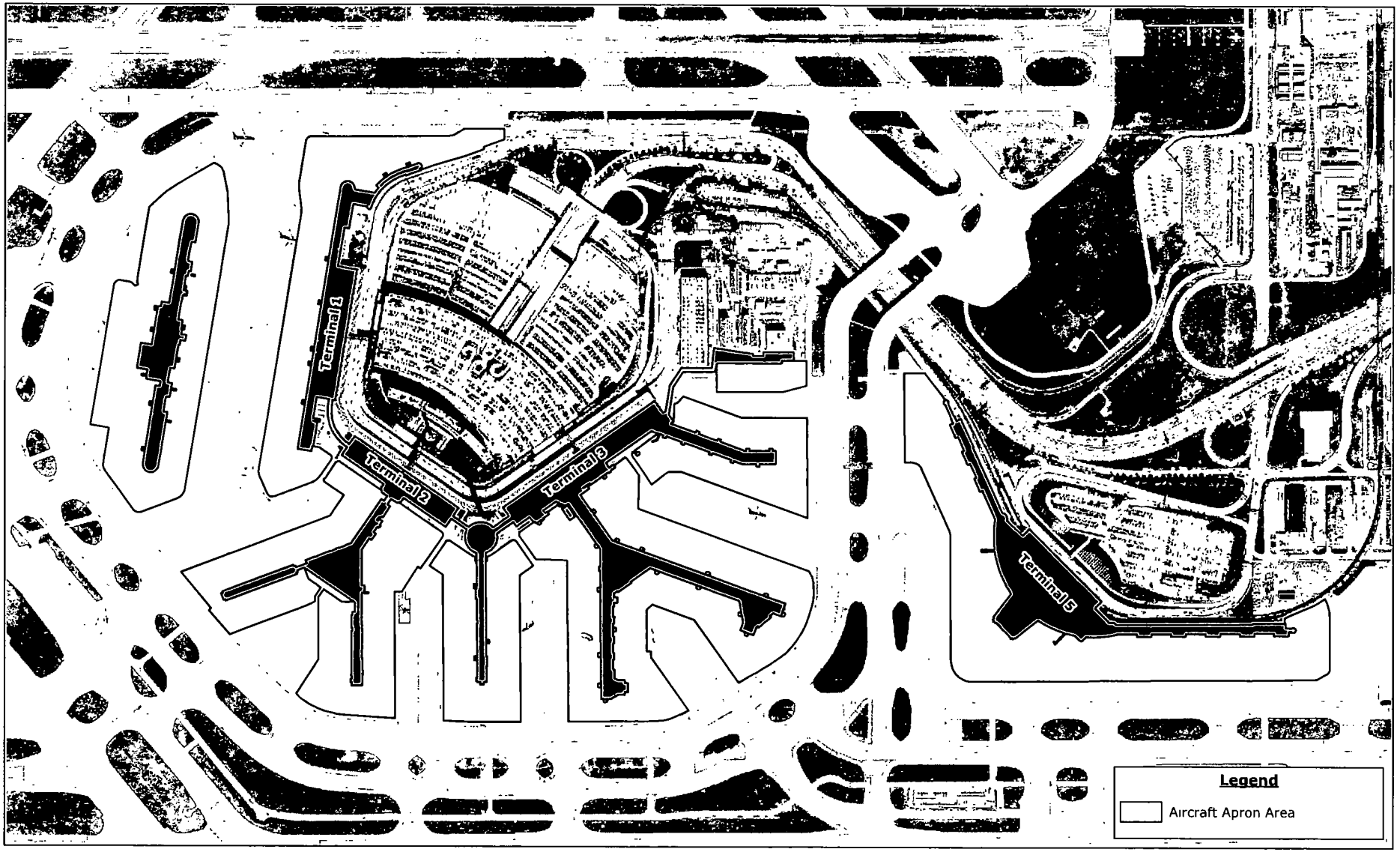
Exhibit B

Terminal Complex Space Exhibit

The following are included:

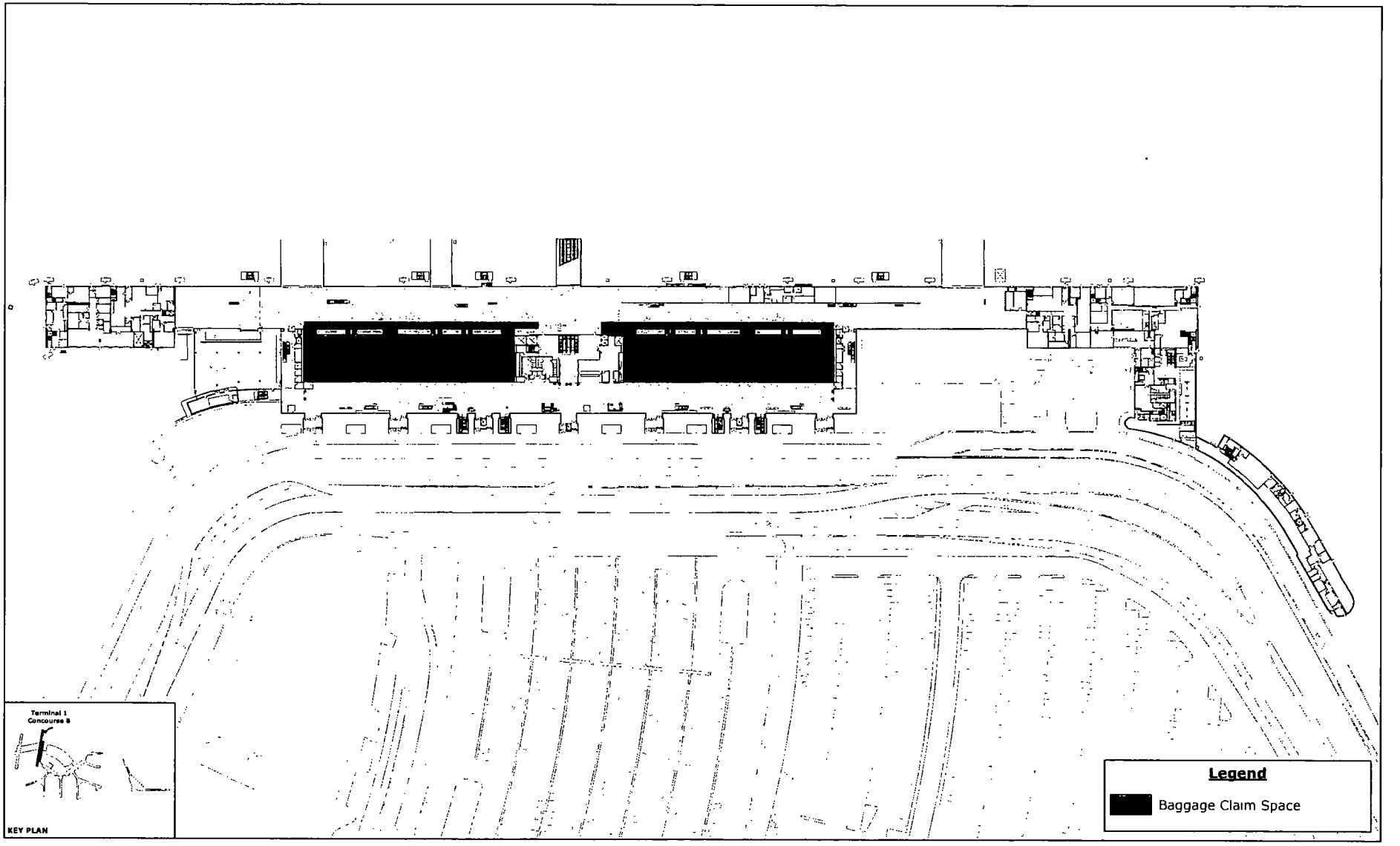
B-1.1	Aircraft Apron Areas
B-2.1	Baggage Claim Space Terminal 1 - Concourse B Lower Level
B-2.2	Baggage Claim Space Terminal 2 - Main Concourse Lower Level
B-2.3	Baggage Claim Space Terminal 3 - Main Concourse Lower Level
B-2.4	Baggage Claim Space Terminal 5 - Concourse M Basement
B-3.1	Baggage Make-Up Space Terminal 1 - Concourse B Lower Level
B-3.2	Baggage Make-Up Space Terminal 1 - Concourse B Upper Level
B-3.3	Baggage Make-Up Space Terminal 1 - Concourse C Lower Level
B-3.4	Baggage Make-Up Space Terminal 1 - BC Connector Basement
B-3.5	Baggage Make-Up Space Terminal 2 - Main Concourse Lower Level
B-3.6	Baggage Make-Up Space Terminal 2 - Main Concourse Upper Level
B-3.7	Baggage Make-Up Space Terminal 3 - Main Concourse/Concourse HK Basement
B-3.8	Baggage Make-Up Space Terminal 3 - Main Concourse/Concourse L Lower Level
B-3.9	Baggage Make-Up Space Terminal 3 - Main Concourse Upper Level
B-3.10	Baggage Make-Up Space Terminal 3 - Concourse H/Concourse K Lower Level
B-3.11	Baggage Make-Up Space Terminal 5 - Concourse M Basement
B-3.12	Baggage Make-Up Space Terminal 5 - Concourse M Lower Level
B-4.1	Check-in Space Terminal 1 - Concourse B Upper Level

B-4.2	Check-in Space Terminal 2 - Main Concourse Upper Level
B-4.3	Check-in Space Terminal 3 - Main Concourse Upper Level
B-4.4	Check-in Space Terminal 5 - Concourse M Basement
B-4.5	Check-in Space Terminal 5 - Concourse M Upper Level
B-5.1	FIS Facilities Terminal 5 - Concourse M Basement
B-5.2	FIS Facilities Terminal 5 - Concourse M Lower Level
B-5.3	FIS Facilities Terminal 5 - Concourse M Upper Level
B-6.1	Holdroom Space Terminal 1 - Concourse B Upper Level
B-6.2	Holdroom Space Terminal 1 - Concourse C Upper Level
B-6.3	Holdroom Space Terminal 2 Upper Level
B-6.4	Holdroom Space Terminal 3 Upper Level
B-6.5	Holdroom Space Terminal 5 - Concourse M Upper Level
B-7.1	Common Use Baggage Claim Space Terminal 5 - Concourse M Basement
B-7.2	Common Use Baggage Make-Up Space Terminal 5 - Concourse M Lower Level
B-7.3	Common Use Check-in Space Terminal 5 - Concourse M Upper Level
B-7.4	Common Use Holdroom Space Terminal 5 - Concourse M Upper Level



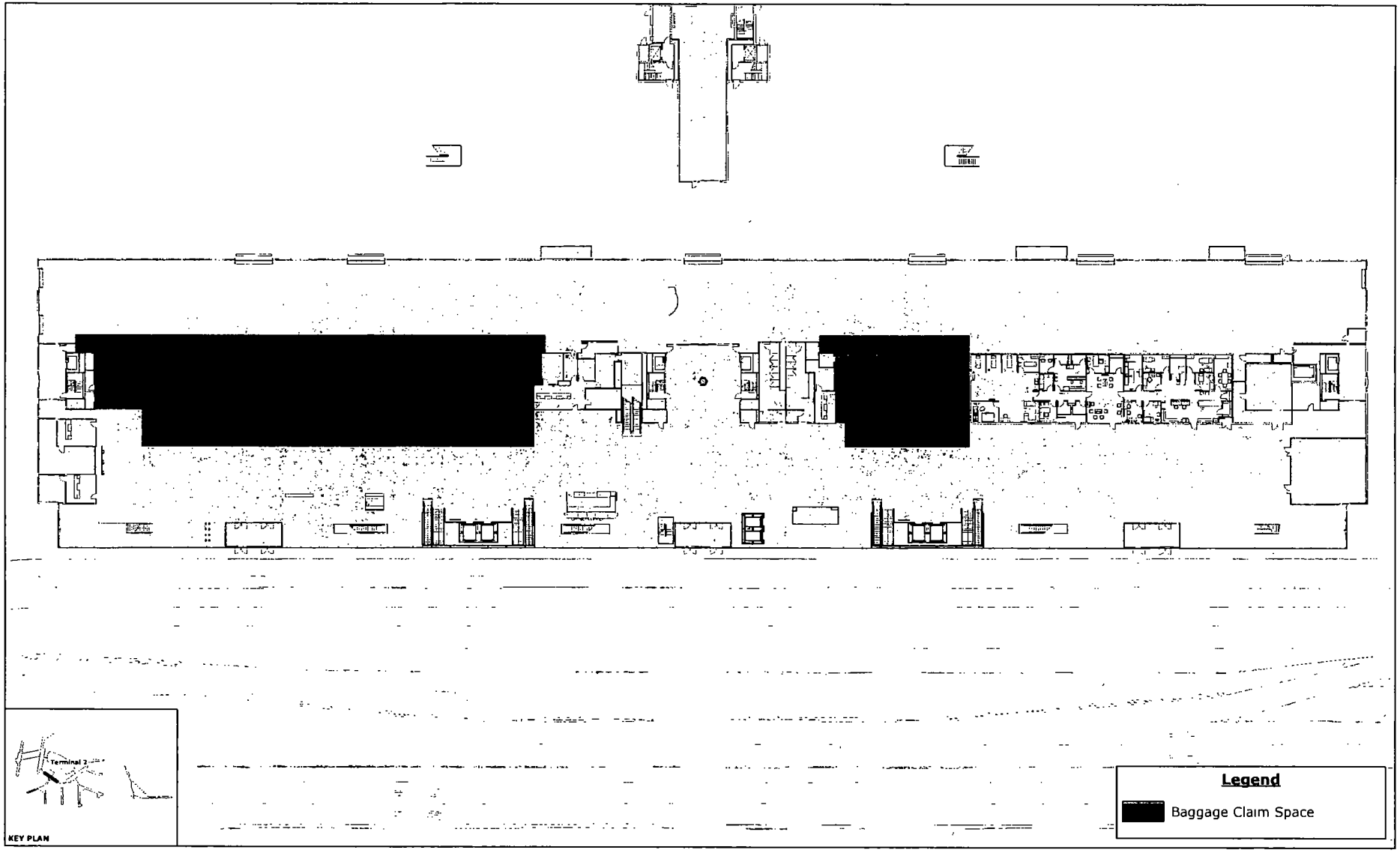
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	Aircraft Apron Areas	Effective May 12, 2018	0 500 1,000 Feet N	Exhibit B-1.1

As of 7/15/2018
Plot File B1 Apron_Areas.mxd



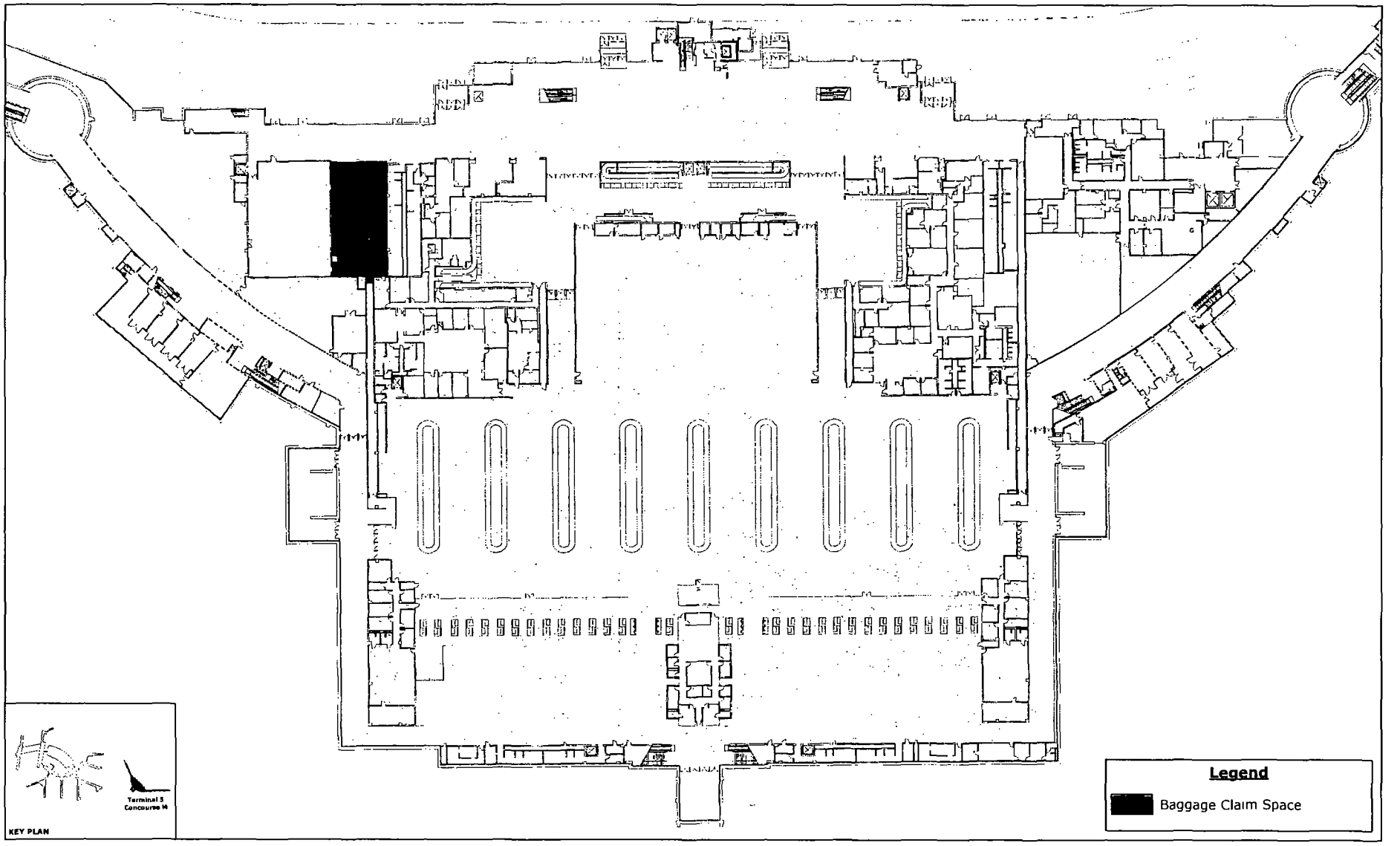
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA CHICAGO DEPARTMENT OF AVIATION	**Baggage Claim Space** Terminal 1 - Concourse B Lower Level	Effective May 12, 2018	0 100 200 Feet	Exhibit B-2.1

As of 2/15/2018
Plot File B2_1_Baggage\WM.mxd



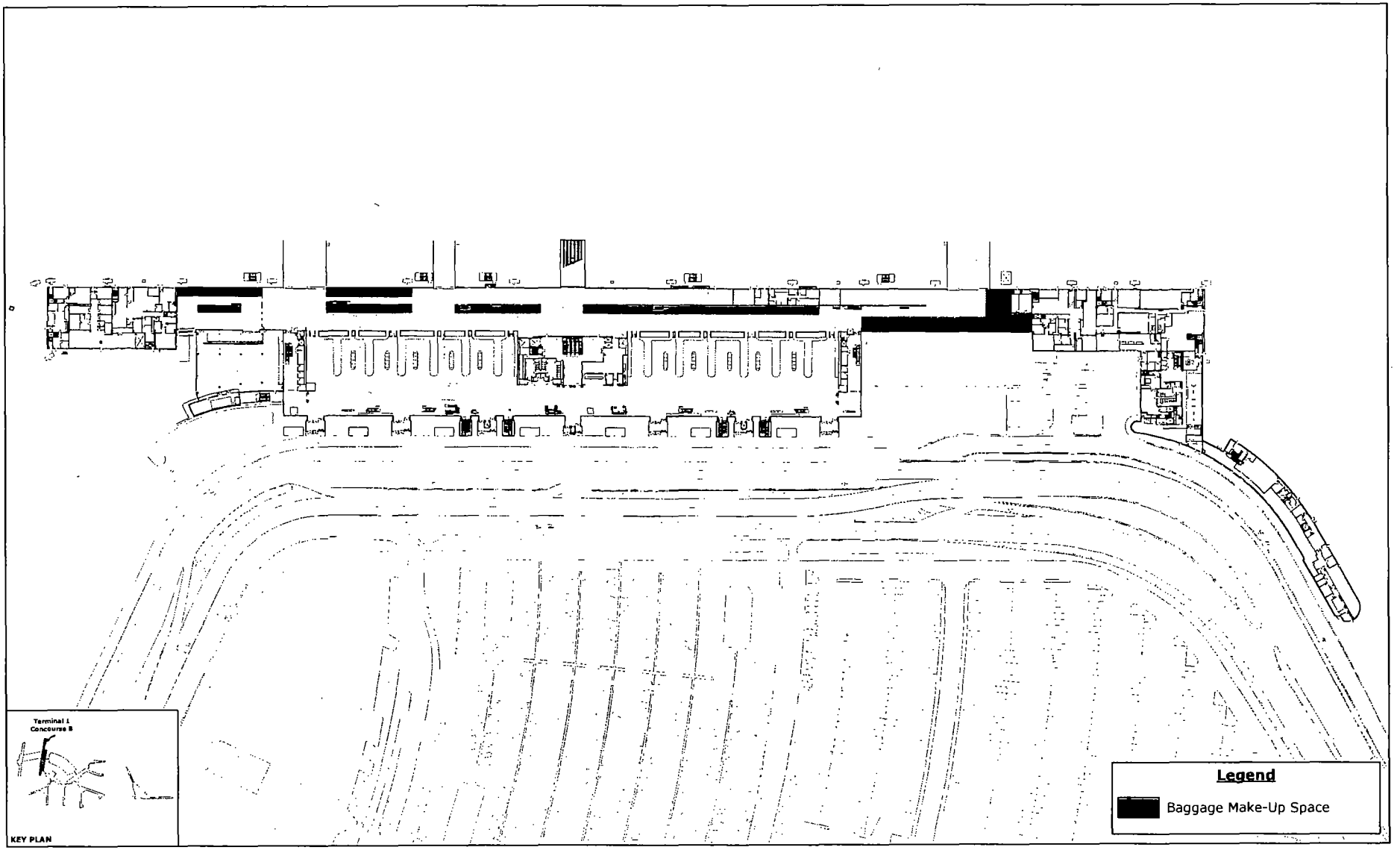
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA CHICAGO DEPARTMENT OF AVIATION	**Baggage Claim Space** Terminal 2 - Main Concourse Lower Level	Effective May 12, 2018	0 25 50 Feet	Exhibit B-2.2

As of 2/15/2018
Plot File B2_2_BaggageClaim.mxd



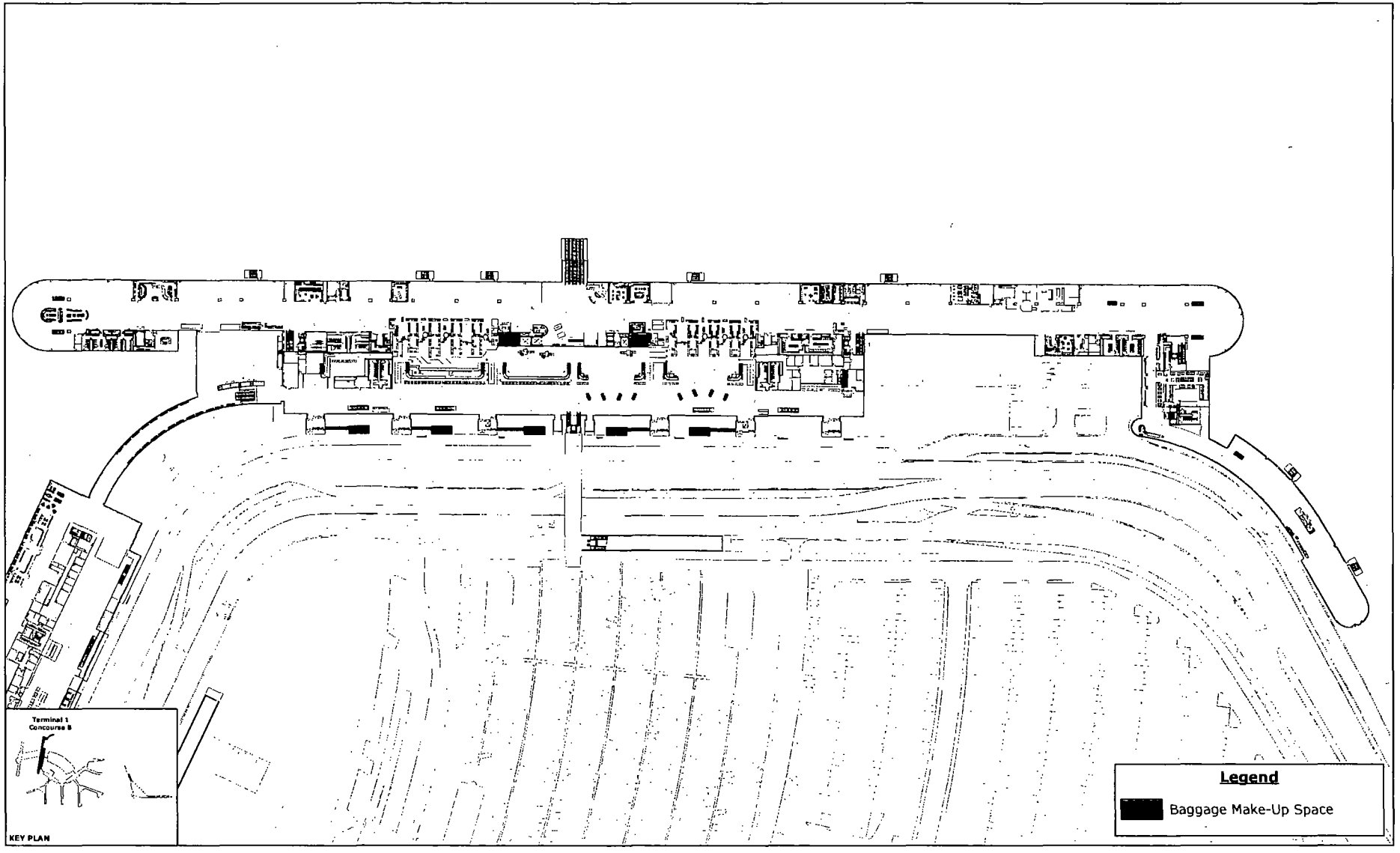
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	**Baggage Claim Space** Terminal 5 - Concourse M Basement	Effective May 12, 2018	0 50 100 Feet	Exhibit B-2.4

As of 2/15/2018
Plot File B2_4_BaggageClaim.mxd



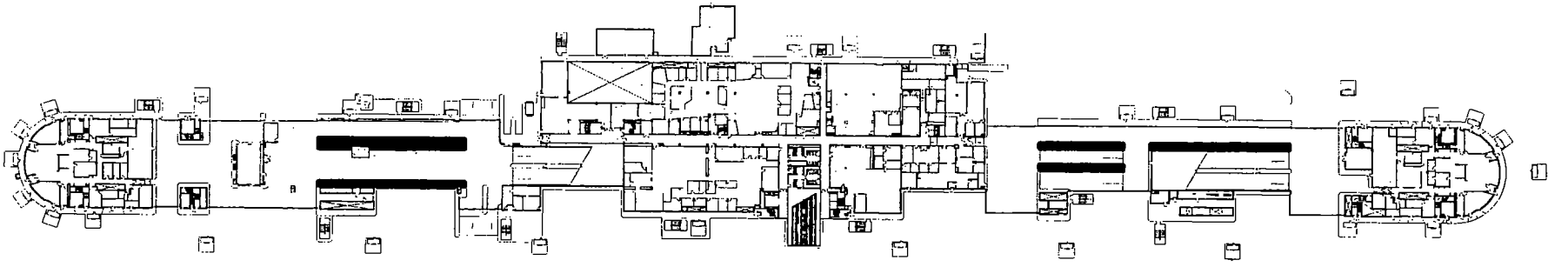
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	**Baggage Make-Up Space** Terminal 1 - Concourse B Lower Level	Effective May 12, 2018	0 100 200 Feet N	Exhibit B-3.1

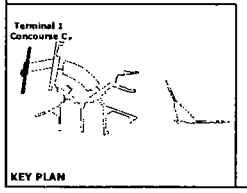
As of 2/15/2018
Plot File B3_1_BaggageMakeup.mxd



Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	**Baggage Make-Up Space** Terminal 1 - Concourse B Upper Level	Effective May 12, 2018	0 100 200 Feet N	Exhibit B-3.2

As of 2/15/2018
Plot File B3_2_BaggageMakeup.mxd



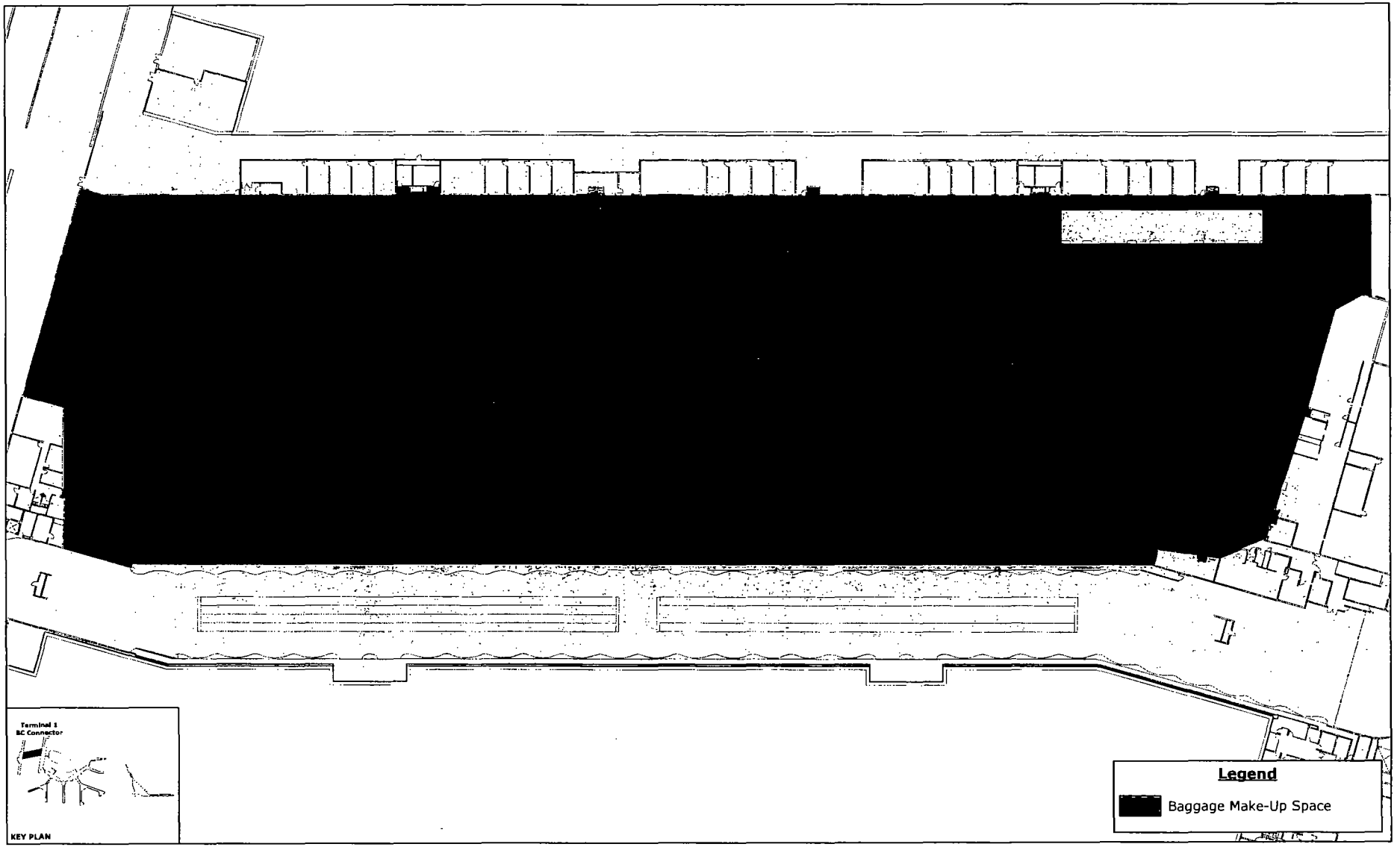


Legend

Baggage Make-Up Space

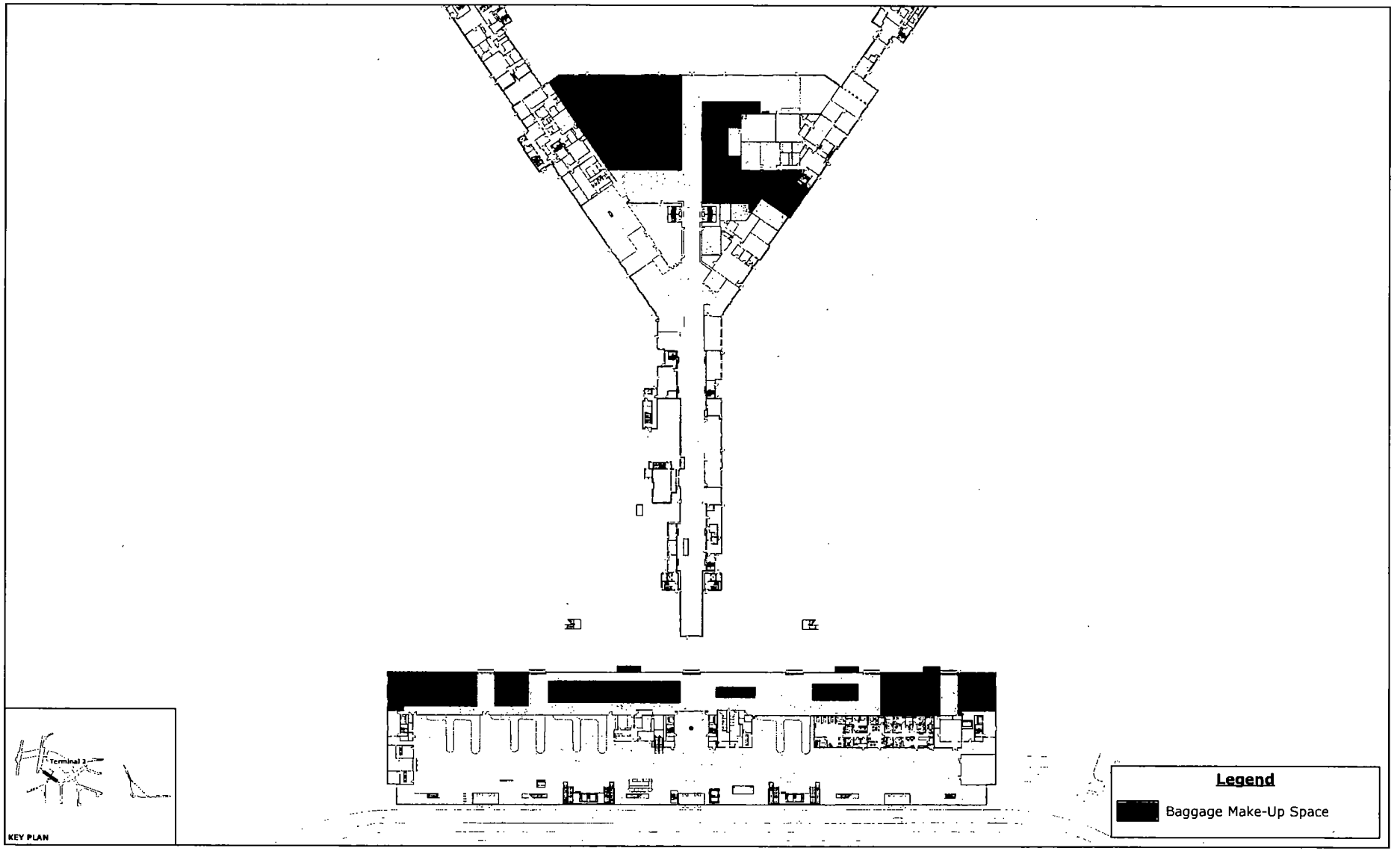
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	**Baggage Make-Up Space** Terminal 1 - Concourse C Lower Level	Effective May 12, 2018	0 100 200 Feet	**Exhibit B-3.3**

As of 7/15/2018
Plot File B3_3_BaggageMakeup.mxd



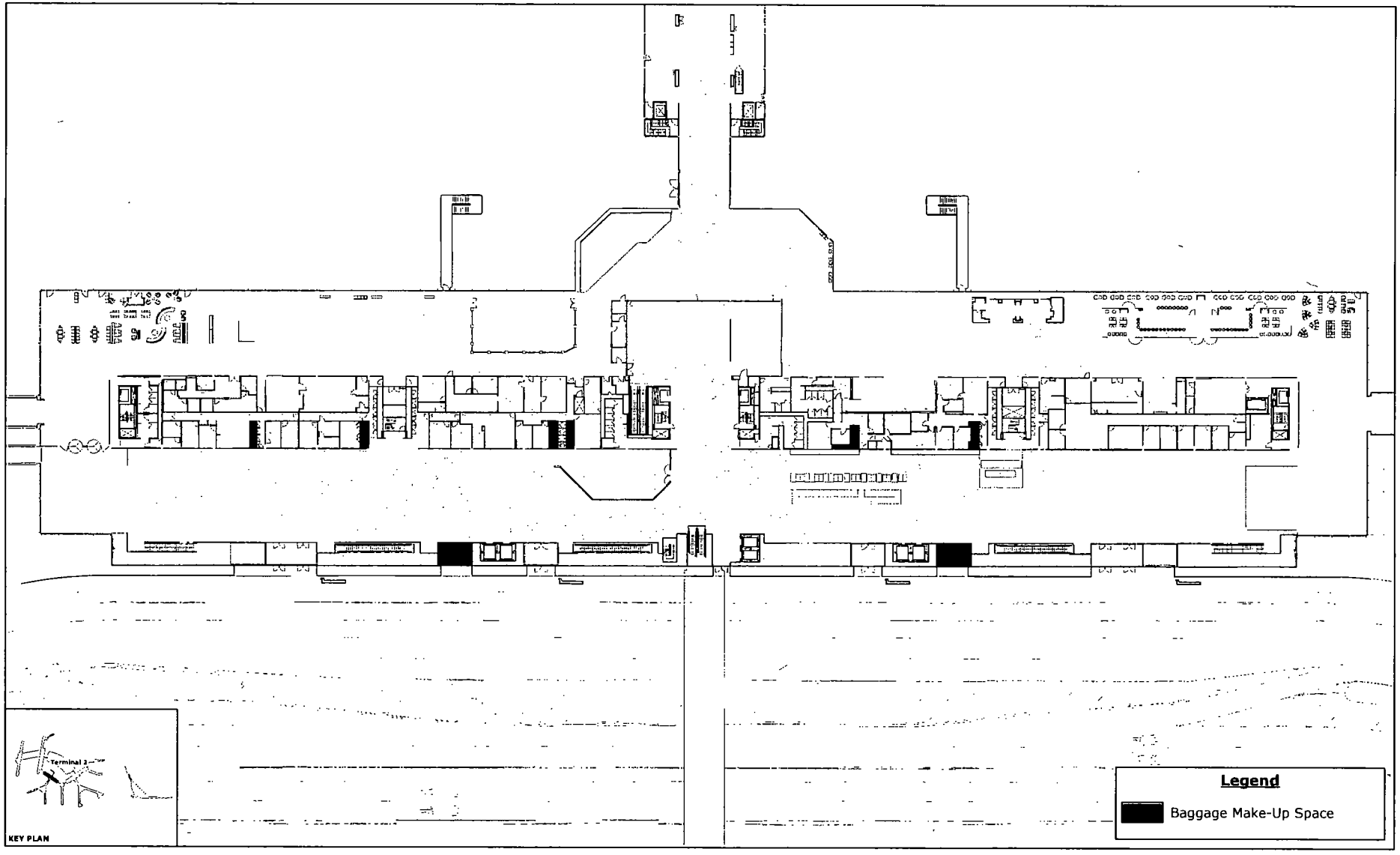
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	**Baggage Make-Up Space** Terminal 1 - BC Connector Basement	Effective May 12, 2018	0 50 100 Feet N	Exhibit B-3.4

As of 7/15/2018
Plot File B3_4 BaggageMakeup.mxd



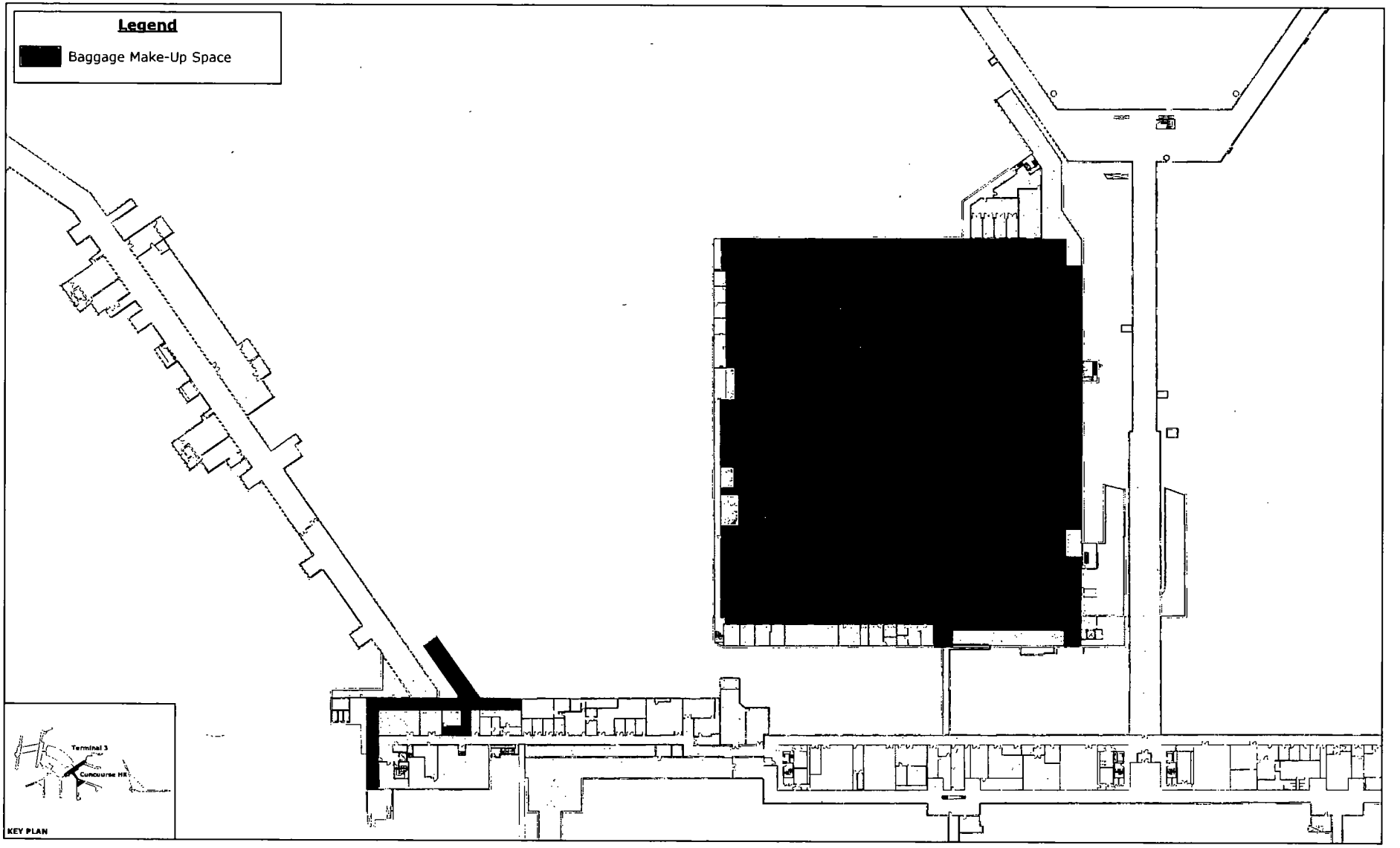
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA CHICAGO DEPARTMENT OF AVIATION	**Baggage Make-Up Space** Terminal 2 - Main Concourse Lower Level	Effective May 12, 2018	0 75 150 Feet	Exhibit B-3.5

As of 2/15/2018
Mxd File B3_5_BaggageMakeup.mxd



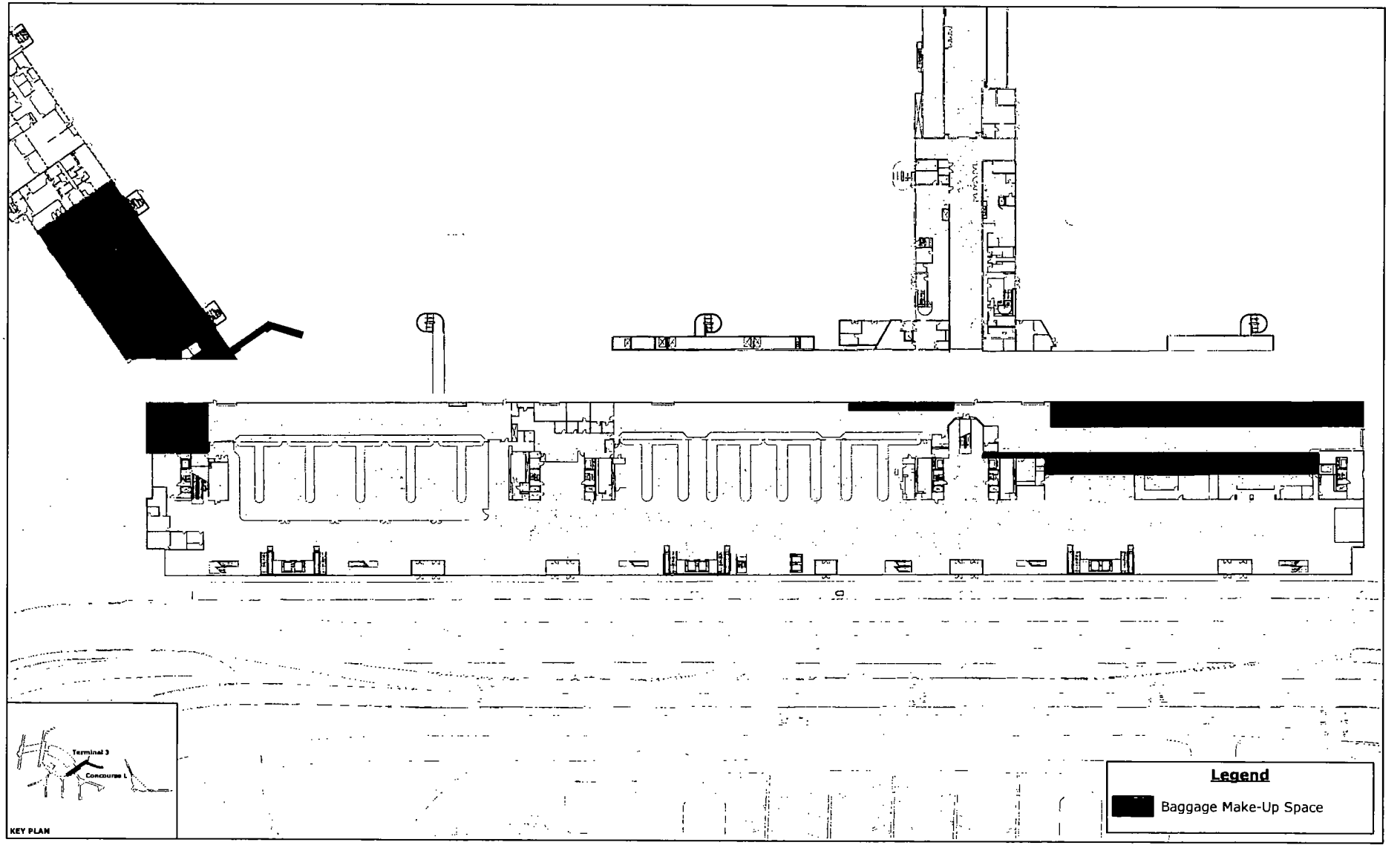
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	**Baggage Make-Up Space** Terminal 2 - Main Concourse Upper Level	Effective May 12, 2018	0 25 50 Feet	Exhibit B-3.6

As of 3/15/2018
Plot File B3_6_BaggageMakeup.mxd



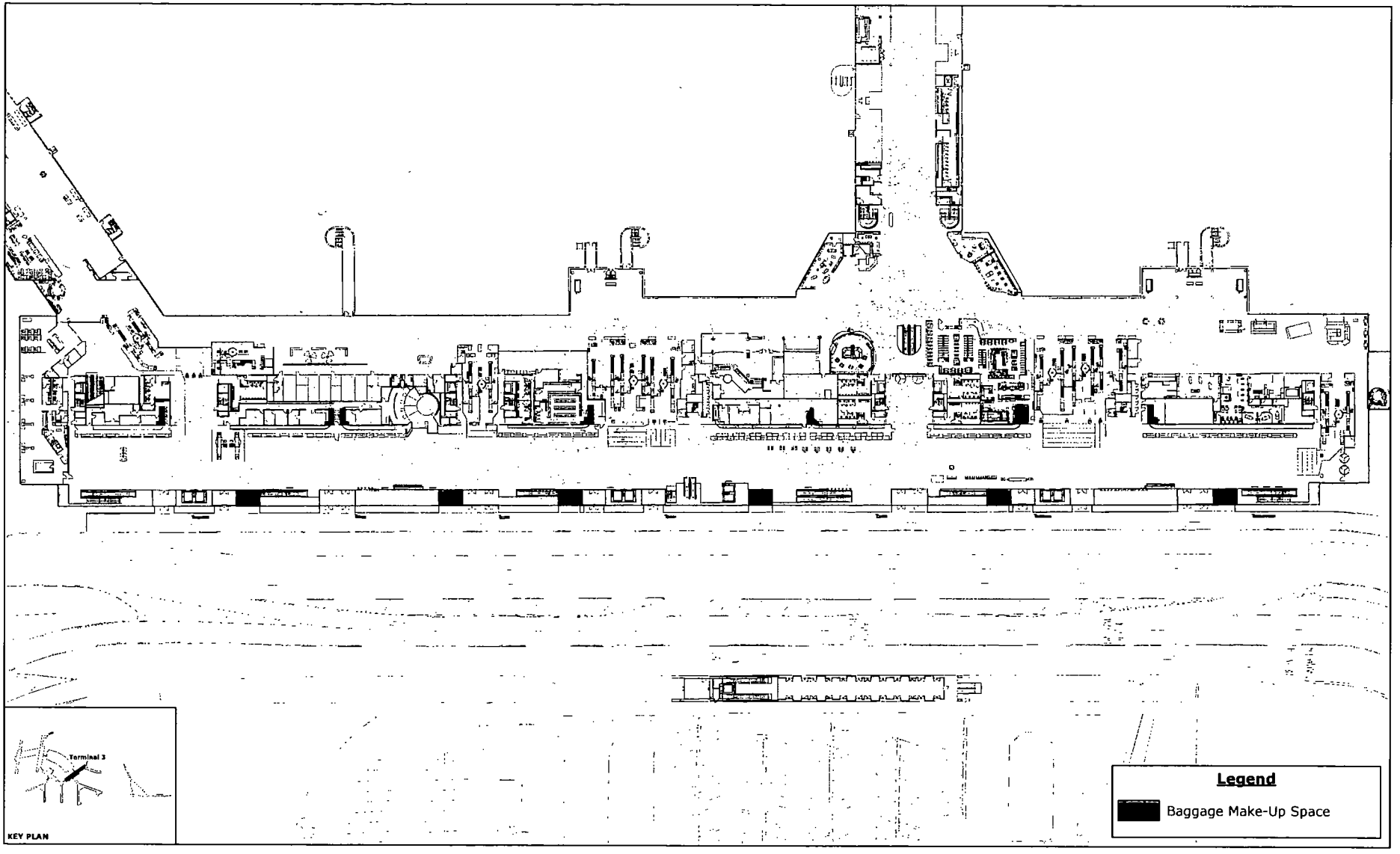
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	**Baggage Make-Up Space** Terminal 3 - Main Concourse/Concourse HK Basement	Effective May 12, 2018	0 50 100 Feet	**Exhibit B-3.7**

As of 2/15/2018
Plot File B3_7_BaggageMakeup.mxd



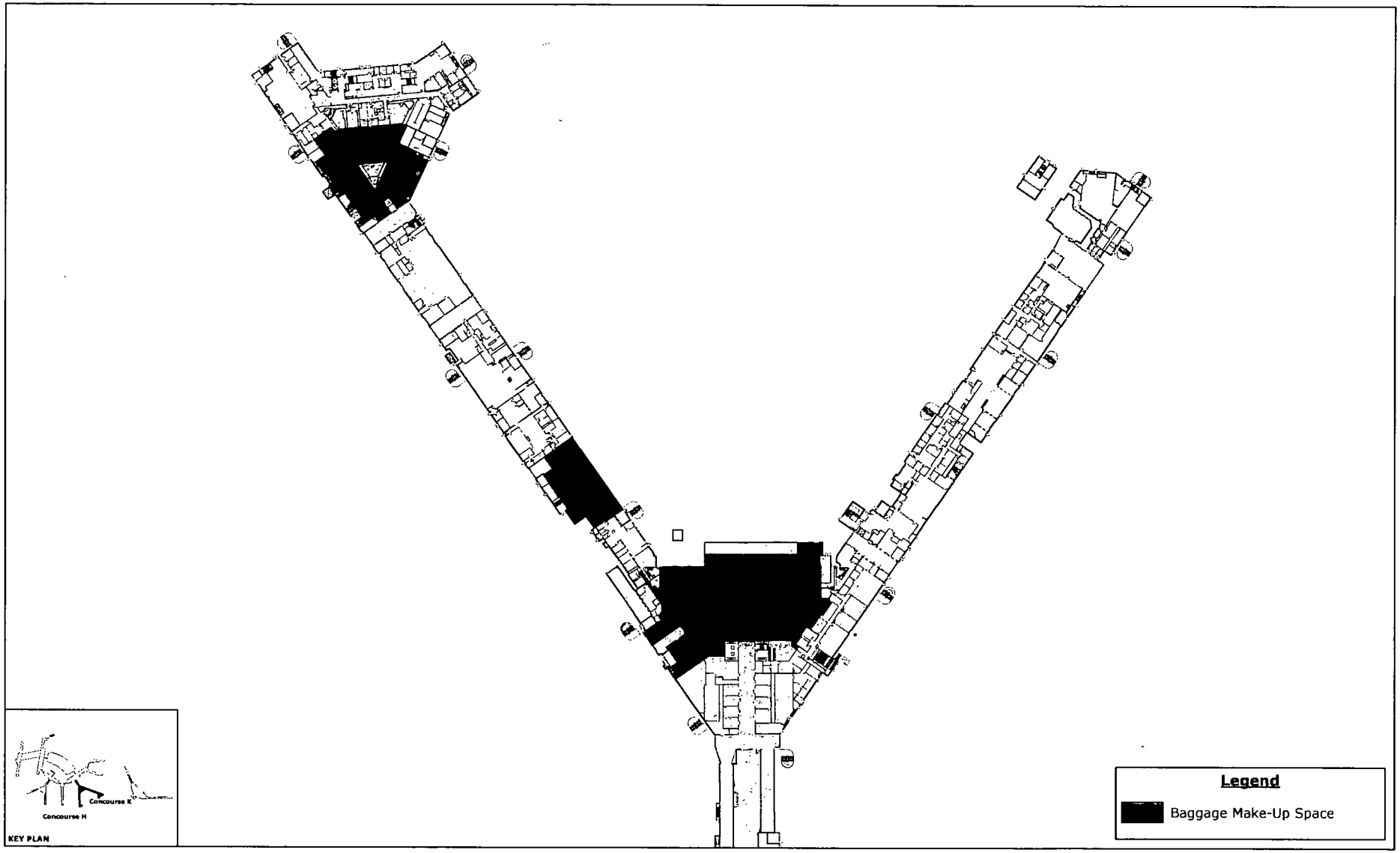
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	**Baggage Make-Up Space** Terminal 3 - Main Concourse/Concourse L Lower Level	Effective May 12, 2018	0 50 100 Feet	Exhibit B-3.8

As of 7/13/2018
Plot file B3_8_BaggageMakeup.mxd



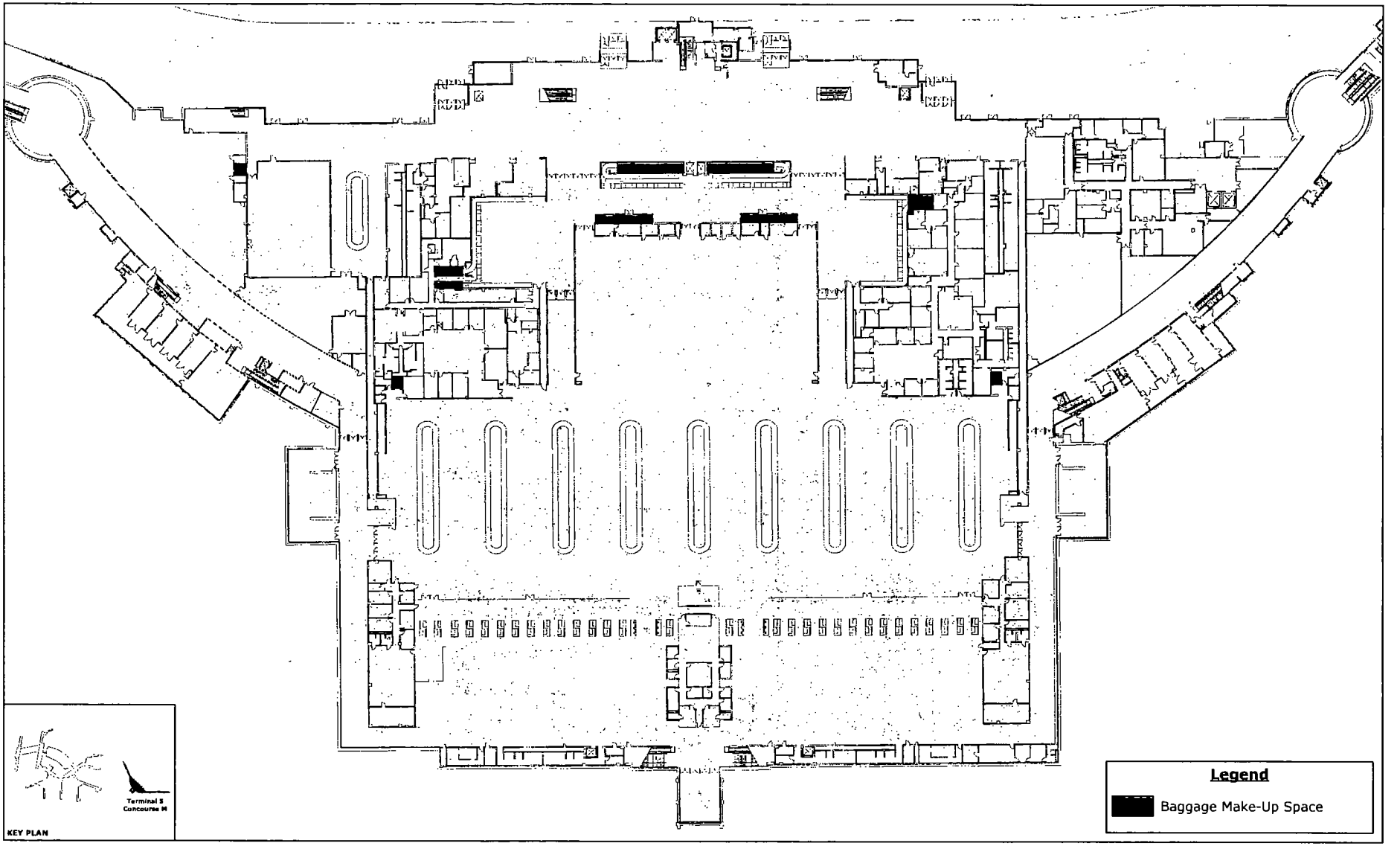
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	**Baggage Make-Up Space** Terminal 3 - Main Concourse Upper Level	Effective May 12, 2018	0 50 100 Feet	Exhibit B-3.9

AN of 2/13/2018
Plot File B3 9 BaggageMakeup.mxd



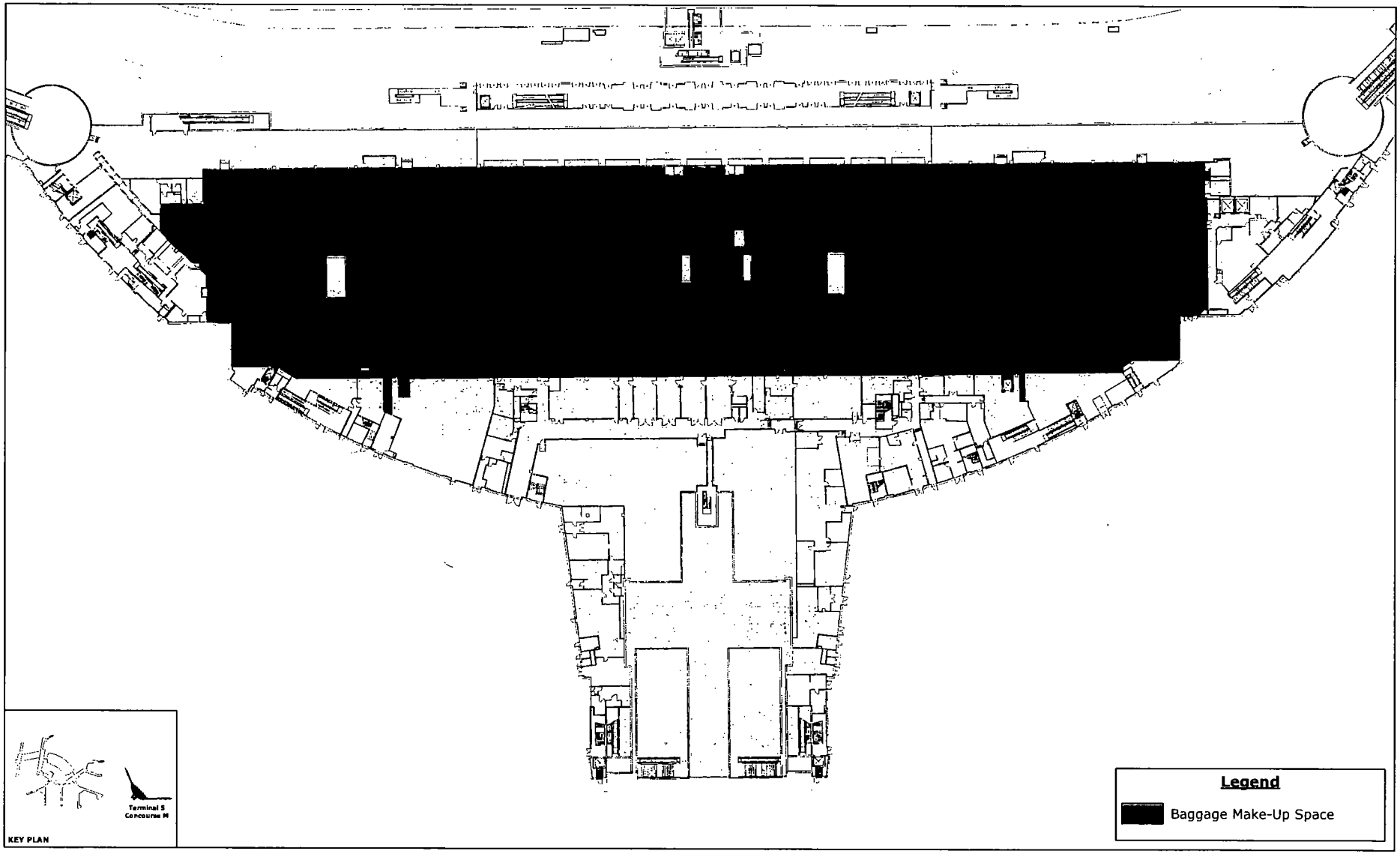
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	**Department of Aviation**	CDA CHICAGO DEPARTMENT OF AVIATION	**Baggage Make-Up Space** **Terminal 3 - Concourse H/Concourse K Lower Level**	**Effective May 12, 2018**	0 100 200 Feet	**Exhibit B-3.10**

As of 3/15/2018
Plot File B3_10_BaggageMakeup.mxd



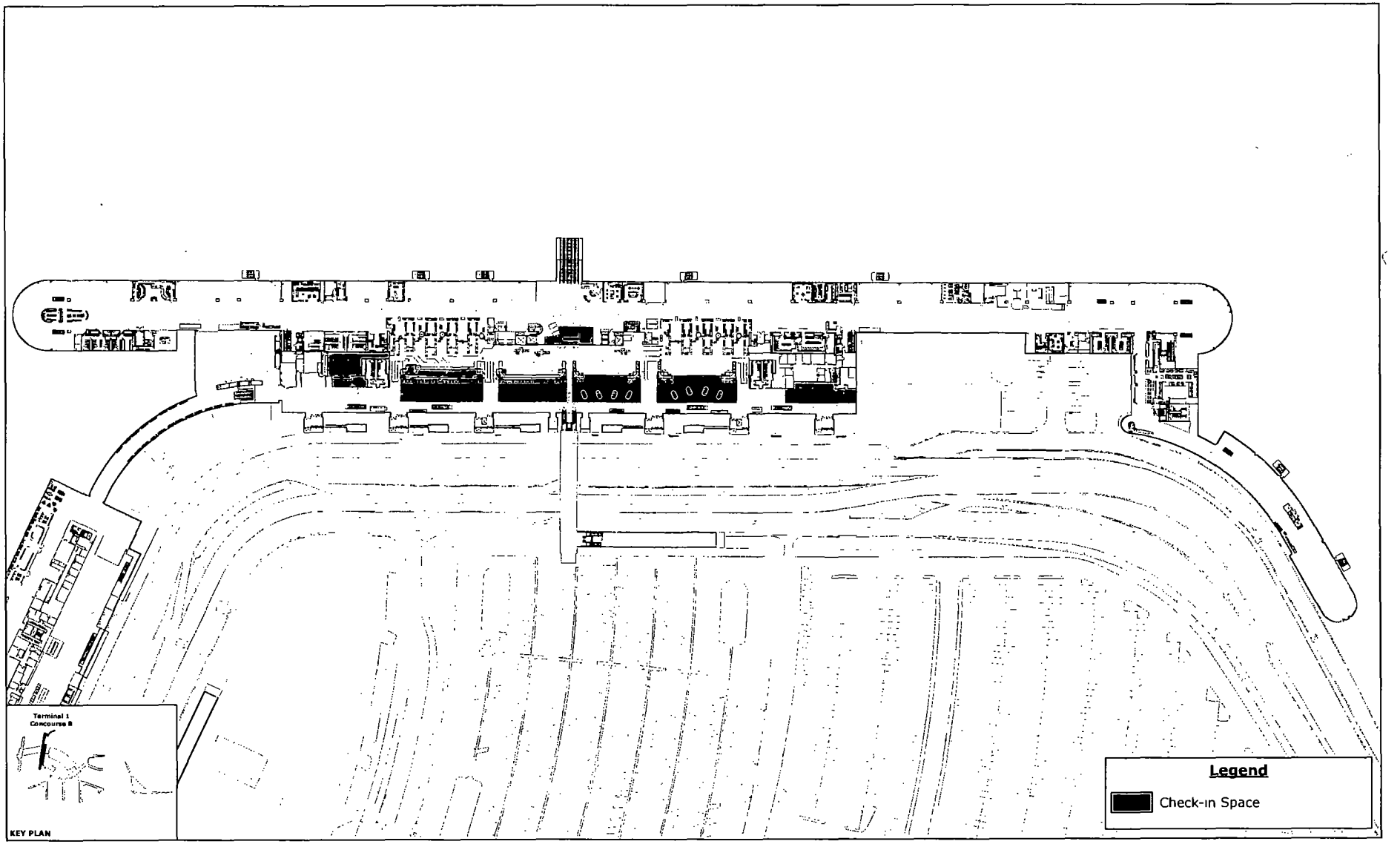
Chicago O'Hare International Airport	**City of Chicago Rahm Emanuel Mayor**	**Department of Aviation**	CDA CHICAGO DEPARTMENT OF AVIATION	**Baggage Make-Up Space** **Terminal 5 - Concourse M** **Basement**	**Effective May 12, 2018**	0 50 100 Feet	**Exhibit B-3.11**

As of 2/15/2018
Plot File B3_11_BaggageMakeup.mxd



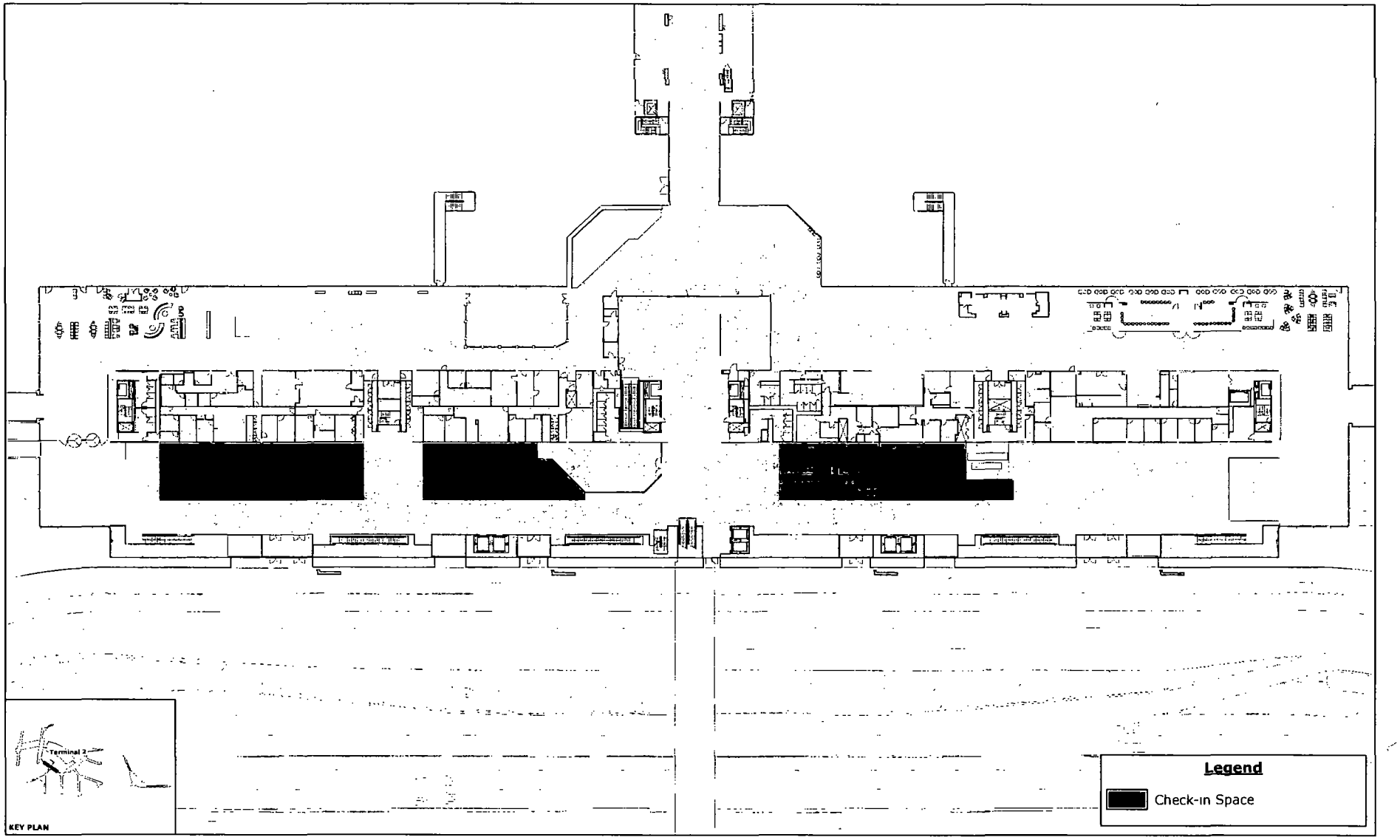
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA CHICAGO DEPARTMENT OF AVIATION	**Baggage Make-Up Space** Terminal 5 - Concourse M Lower Level	Effective May 12, 2018	0 50 100 Feet	Exhibit B-3.12

As of 2/15/2018
Plot File: B3_12_BaggageMakeup.mxd



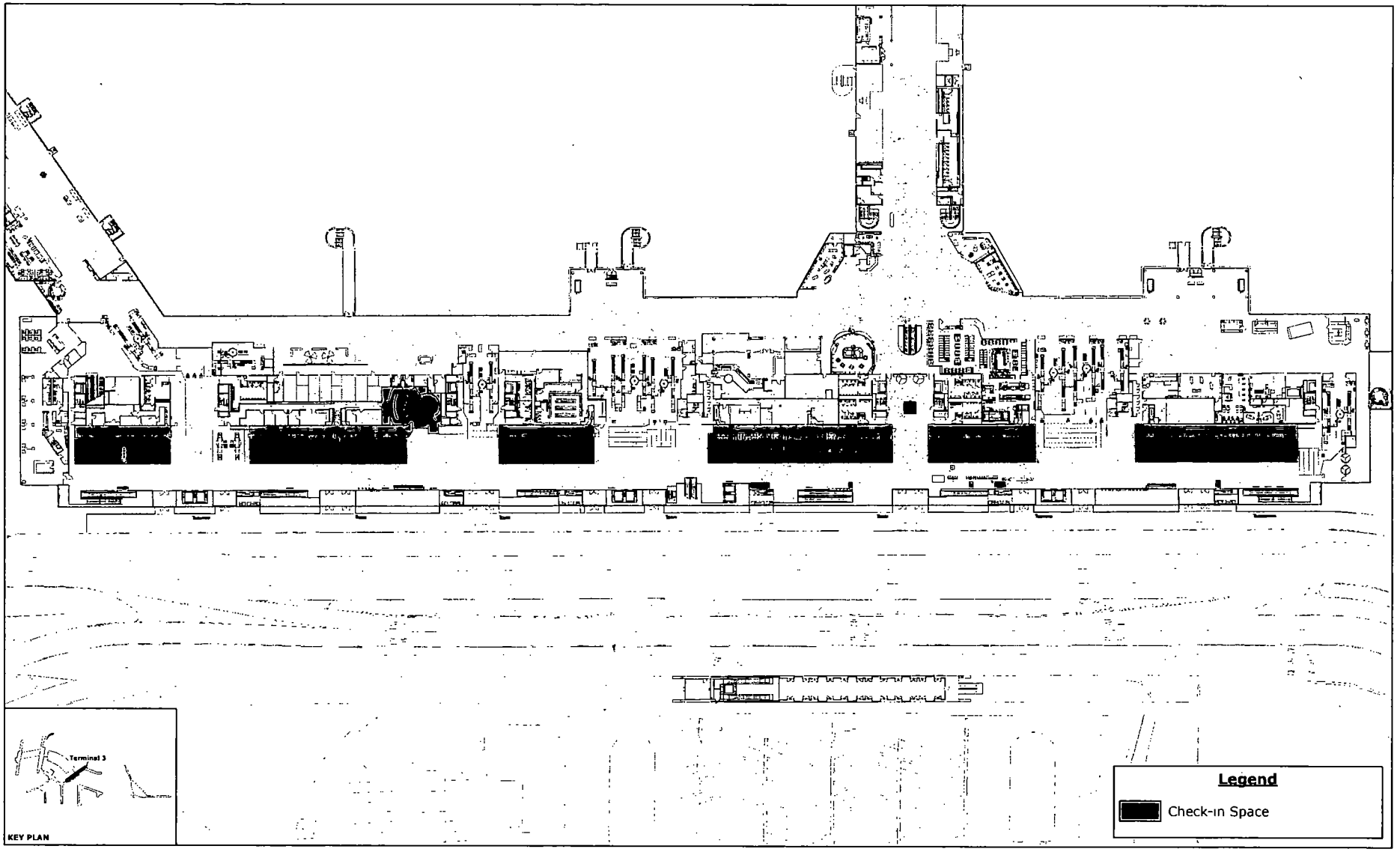
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA CHICAGO DEPARTMENT OF AVIATION	**Check-in Space** Terminal 1 - Concourse B Upper Level	Effective May 12, 2018	0 100 200 Feet	**Exhibit B-4.1**

As of 2/15/2018
Plot File B4_1_Checkin.nwd



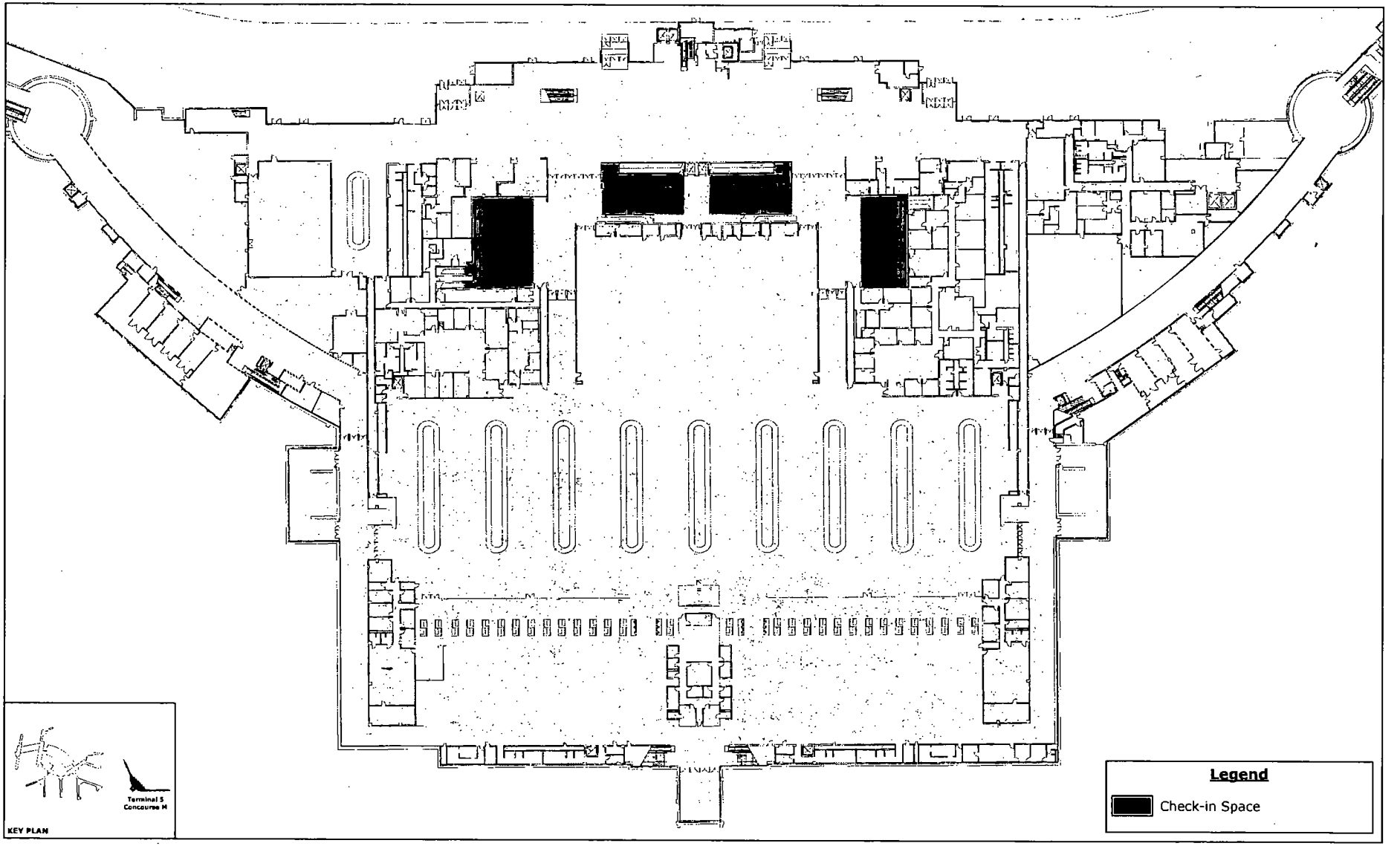
Chicago O'Hare International Airport	**City of Chicago Rahm Emanuel Mayor**	**Department of Aviation**	CDA CHICAGO DEPARTMENT OF AVIATION	**Check-in Space** **Terminal 2 - Main Concourse Upper Level**	**Effective May 12, 2018**	0 25 50 Feet	**Exhibit B-4.2**

As of 2/15/2018
Plot File B4_2_Checkin.mxd



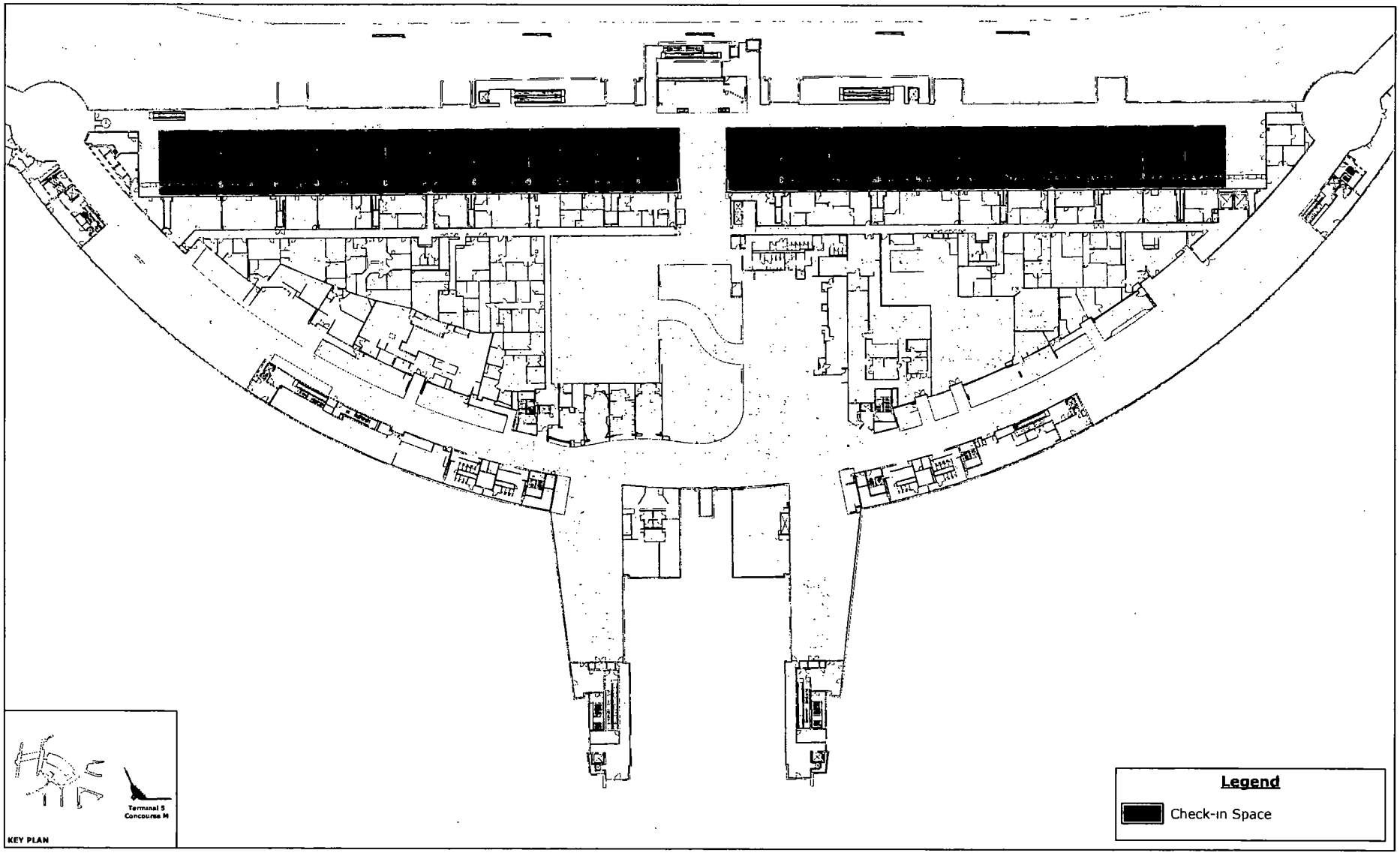
Chicago O'Hare International Airport	**City of Chicago Rahm Emanuel Mayor**	**Department of Aviation**	CHICAGO DEPARTMENT OF AVIATION	**Check-in Space** **Terminal 3 - Main Concourse Upper Level**	**Effective May 12, 2018**	0 50 100 Feet	**Exhibit B-4.3**

As of 7/15/2018
Plot File B4_3_Checkin.mxd



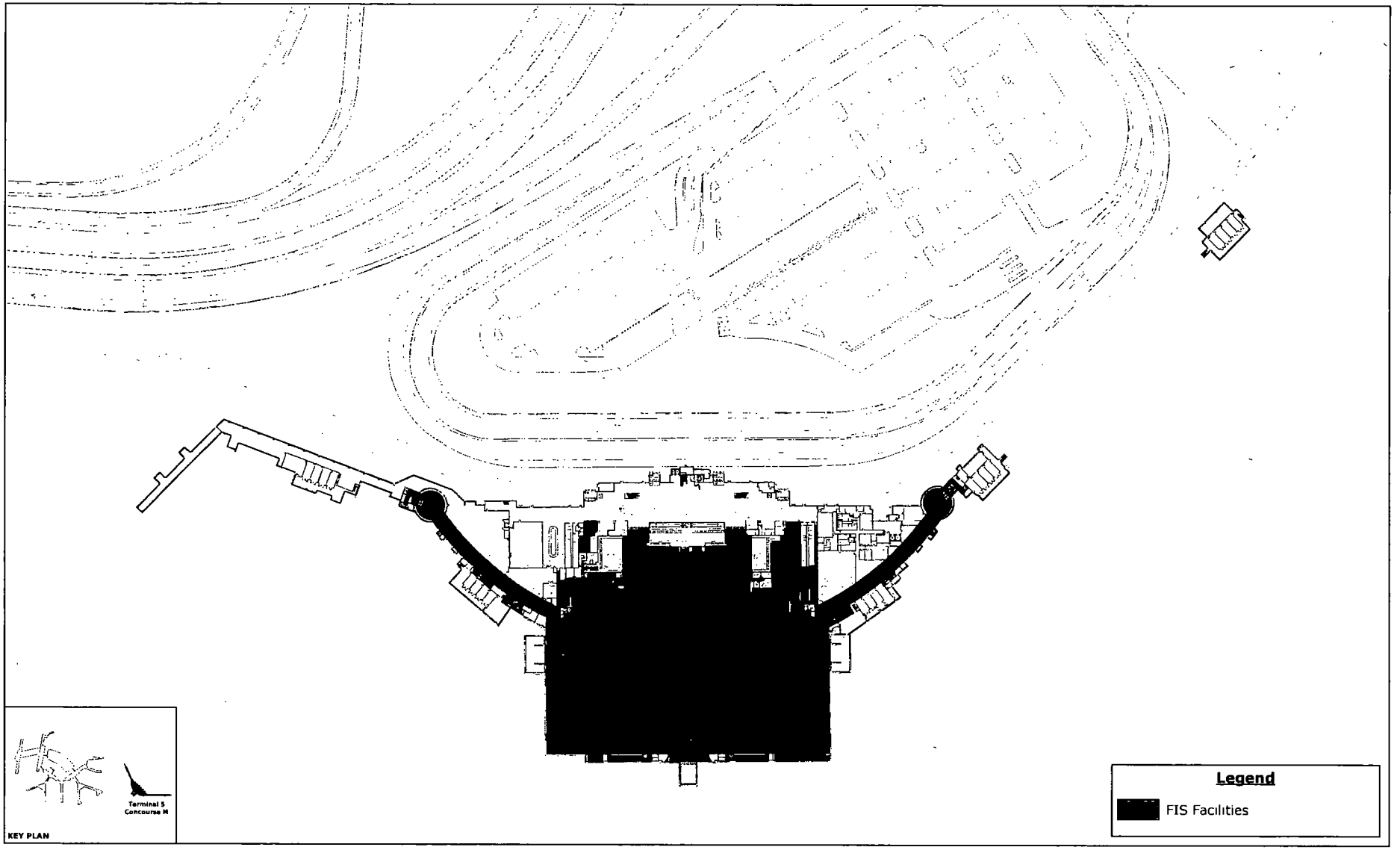
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	**Check-in Space** Terminal 5 - Concourse M Basement	Effective May 12, 2018	0 50 100 Feet	Exhibit B-4.4

As of 2/15/2018
Plot File B4_4_Checkin.mxd



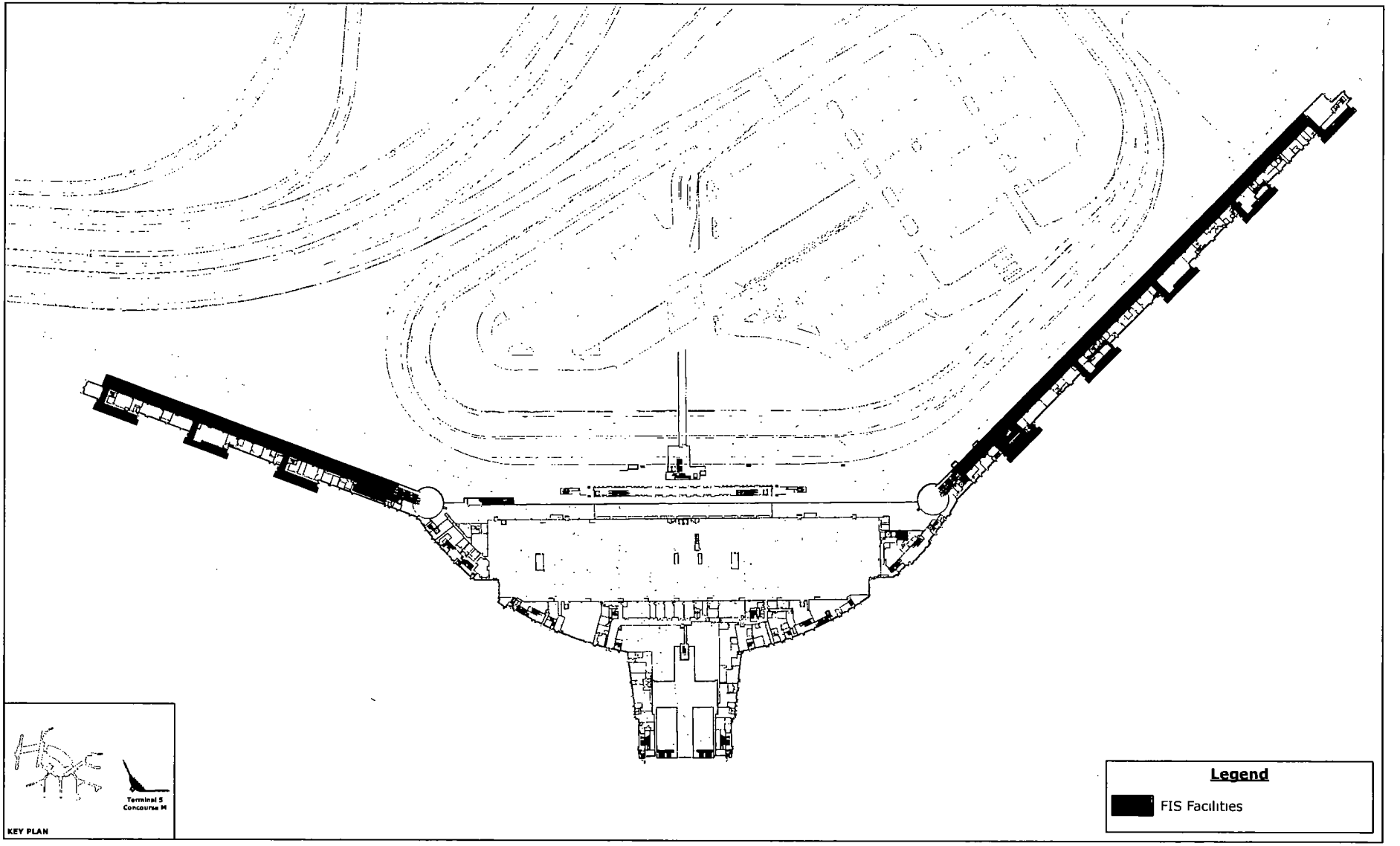
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA CHICAGO DEPARTMENT OF AVIATION	**Check-in Space** Terminal 5 - Concourse M Upper Level	Effective May 12, 2018	0 50 100 Feet	Exhibit B-4.5

As of 2/15/2018
Plot File B4_5_Checkin.mxd



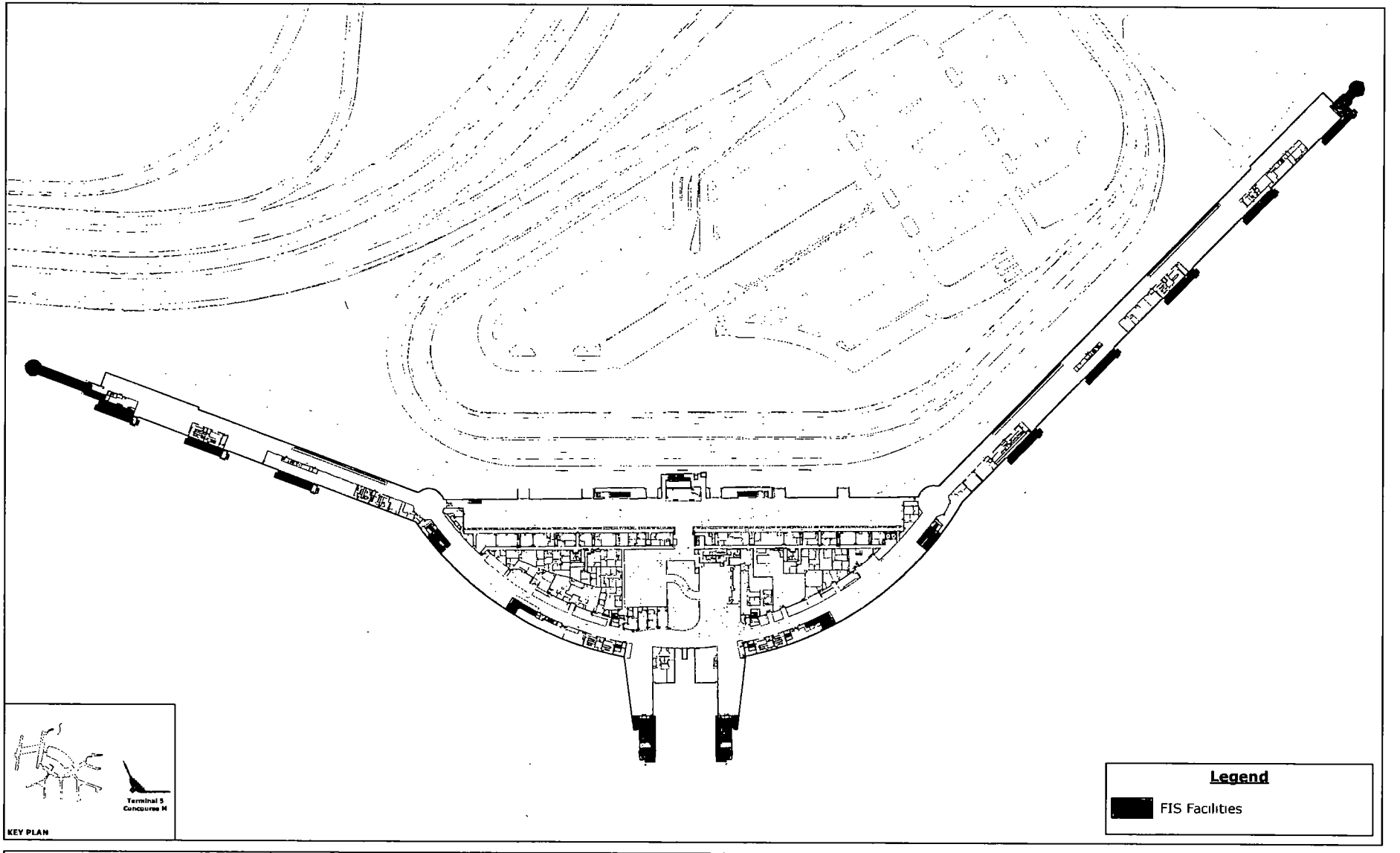
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	**FIS Facilities** Terminal 5 - Concourse M Basement	Effective May 12, 2018	0 150 300 Feet	Exhibit B-5.1

As of 2/15/2018
Plot File B5_1_FIS.mxd



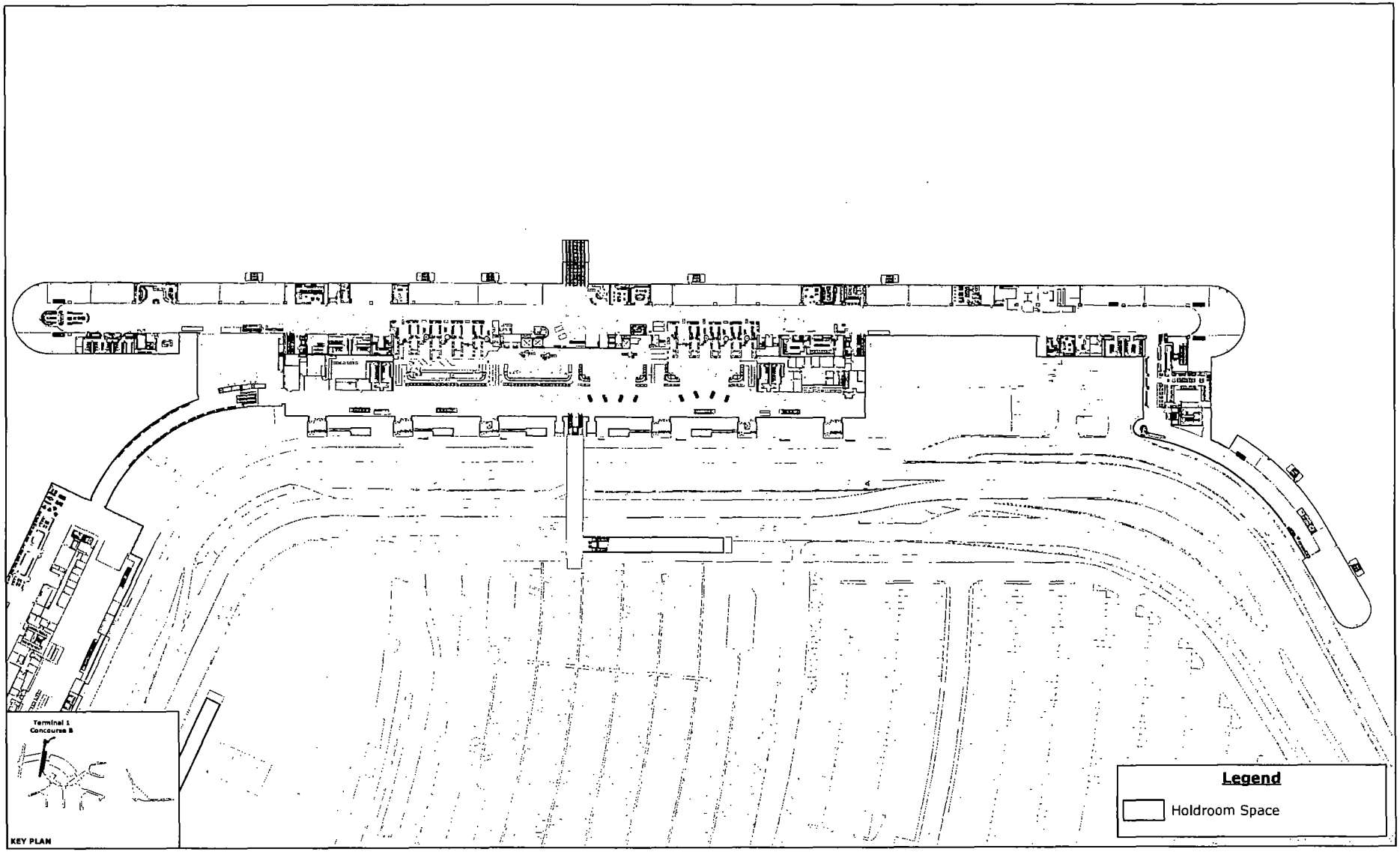
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA CHICAGO DEPARTMENT OF AVIATION	**FIS Facilities** Terminal 5 - Concourse M Lower Level	Effective May 12, 2018	0 150 300 Feet	Exhibit B-5.2

As of 7/15/2018
Plot File: B5 7_FIS.mxd



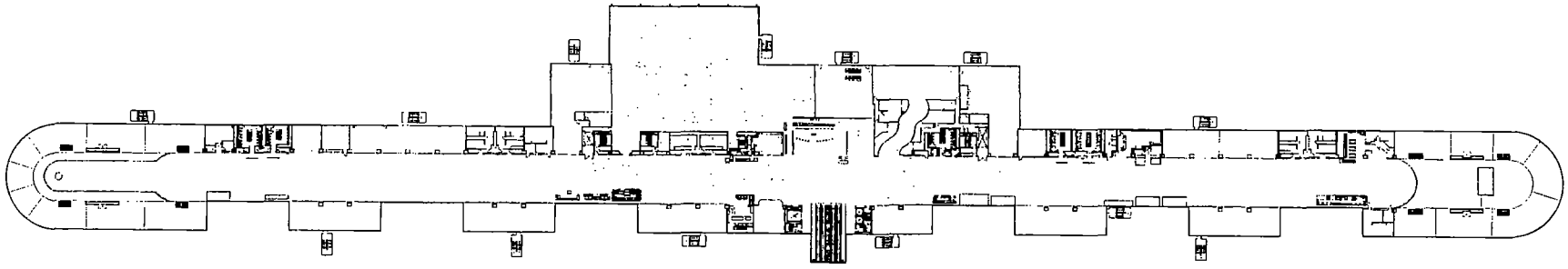
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	**FIS Facilities** Terminal 5 - Concourse M Upper Level	Effective May 12, 2018	0 150 300 Feet	**Exhibit B-5.3**

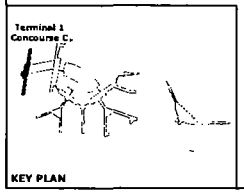
As of 2/15/2018
Plot File B5_3_FIS.nad



Chicago O'Hare International Airport	**City of Chicago Rahm Emanuel Mayor**	**Department of Aviation**	CHICAGO DEPARTMENT OF AVIATION	**Holdroom Space** **Terminal 1 - Concourse B** **Upper Level**	**Effective May 12, 2018**	0 100 200 Feet N	**Exhibit B-6.1**

As of 7/15/2018
Plot File B6_1 Holdroom.mxd



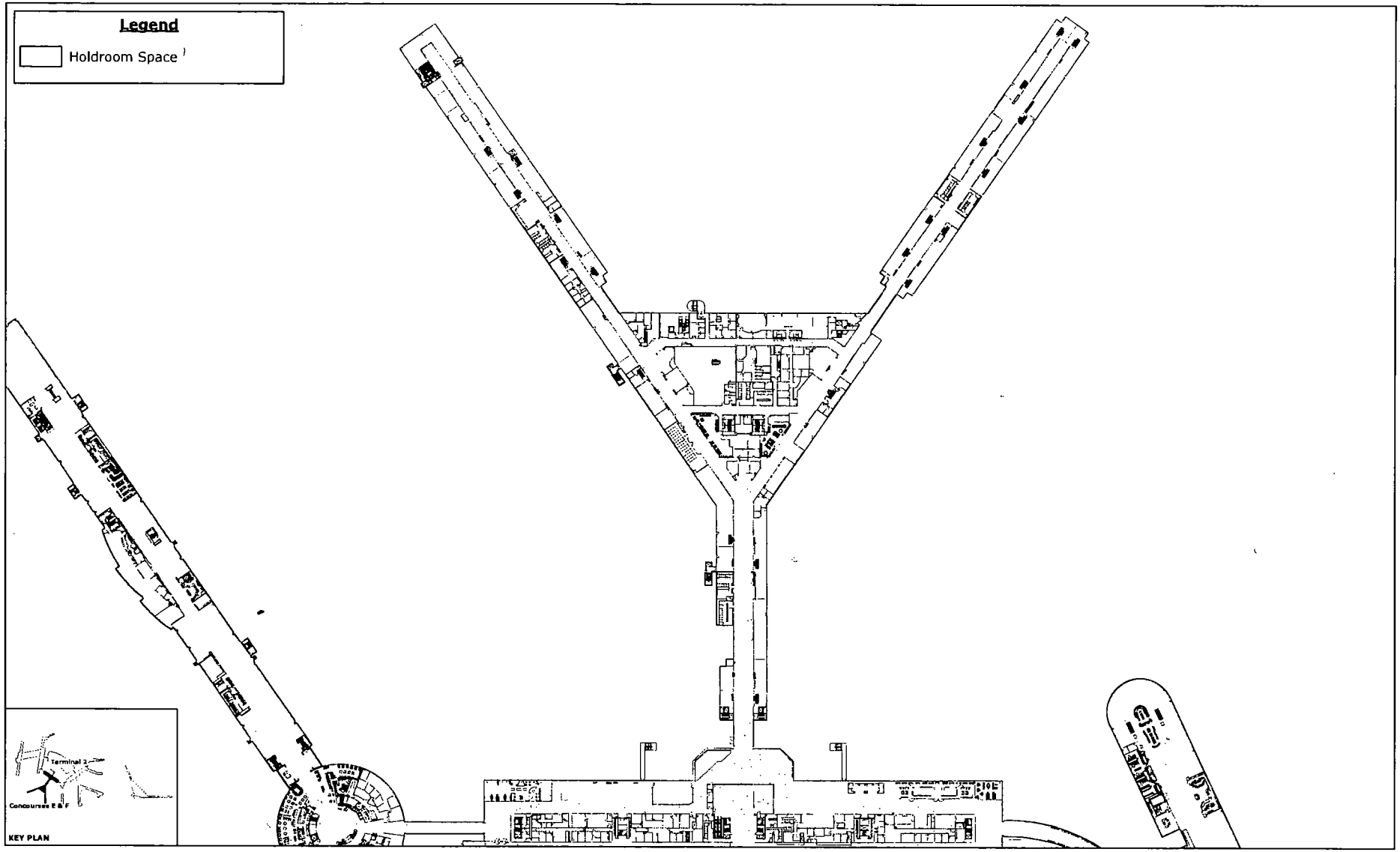


Legend

Holdroom Space

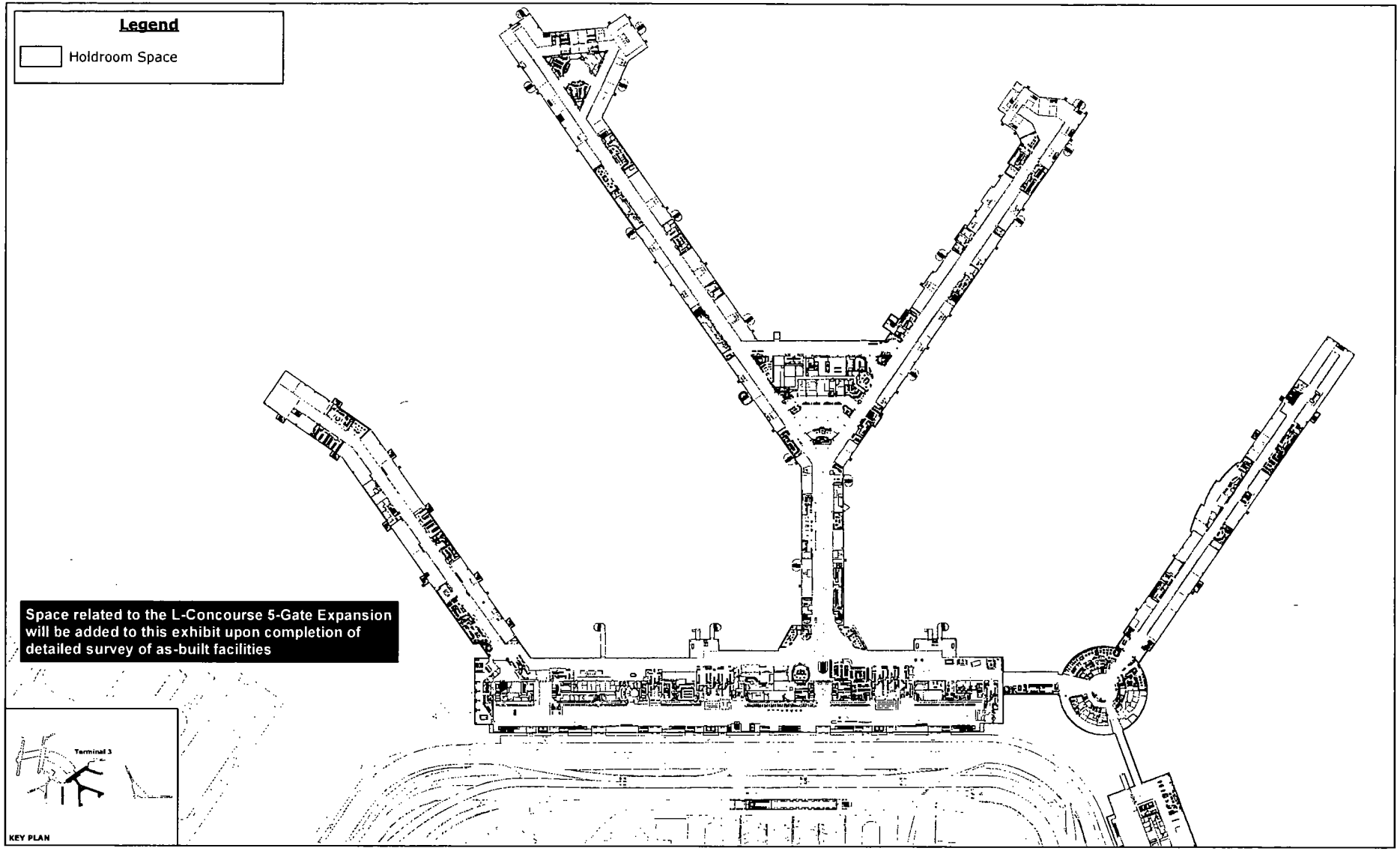
Chicago O'Hare International Airport	**City of Chicago Rahm Emanuel Mayor**	**Department of Aviation**	**Holdroom Space** **Terminal 1 - Concourse C** **Upper Level**	**Effective May 12, 2018**	0 100 200 Feet	**Exhibit B-6.2**

As of 7/15/2018
Plot File B6_2_Holdroom.mxd



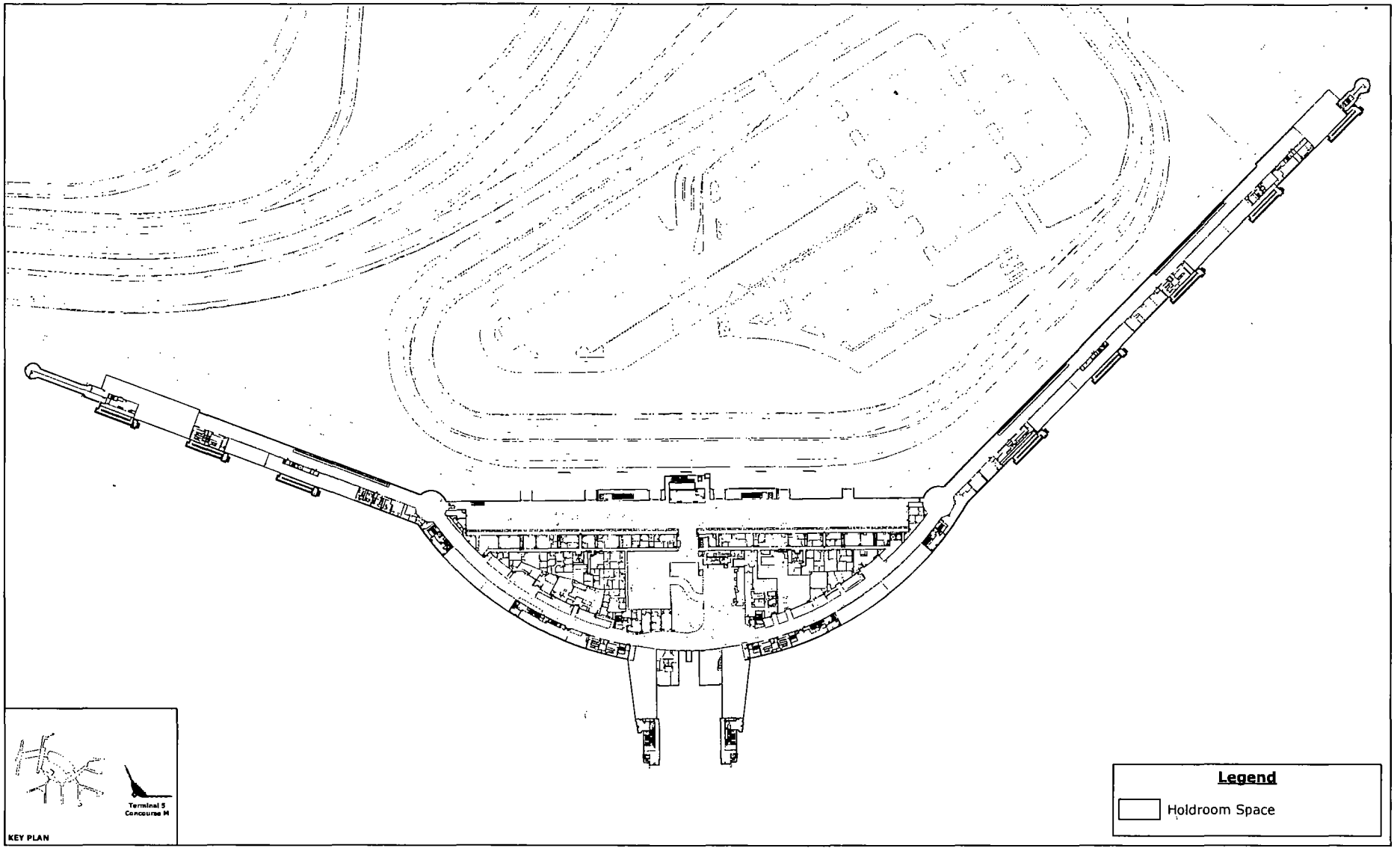
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA CHICAGO DEPARTMENT OF AVIATION	**Holdroom Space** Terminal 2 Upper Level	Effective May 12, 2018	0 100 200 Feet N	Exhibit B-6.3

As of 7/13/2018
Plot File B6_3_Holdroom.mxd



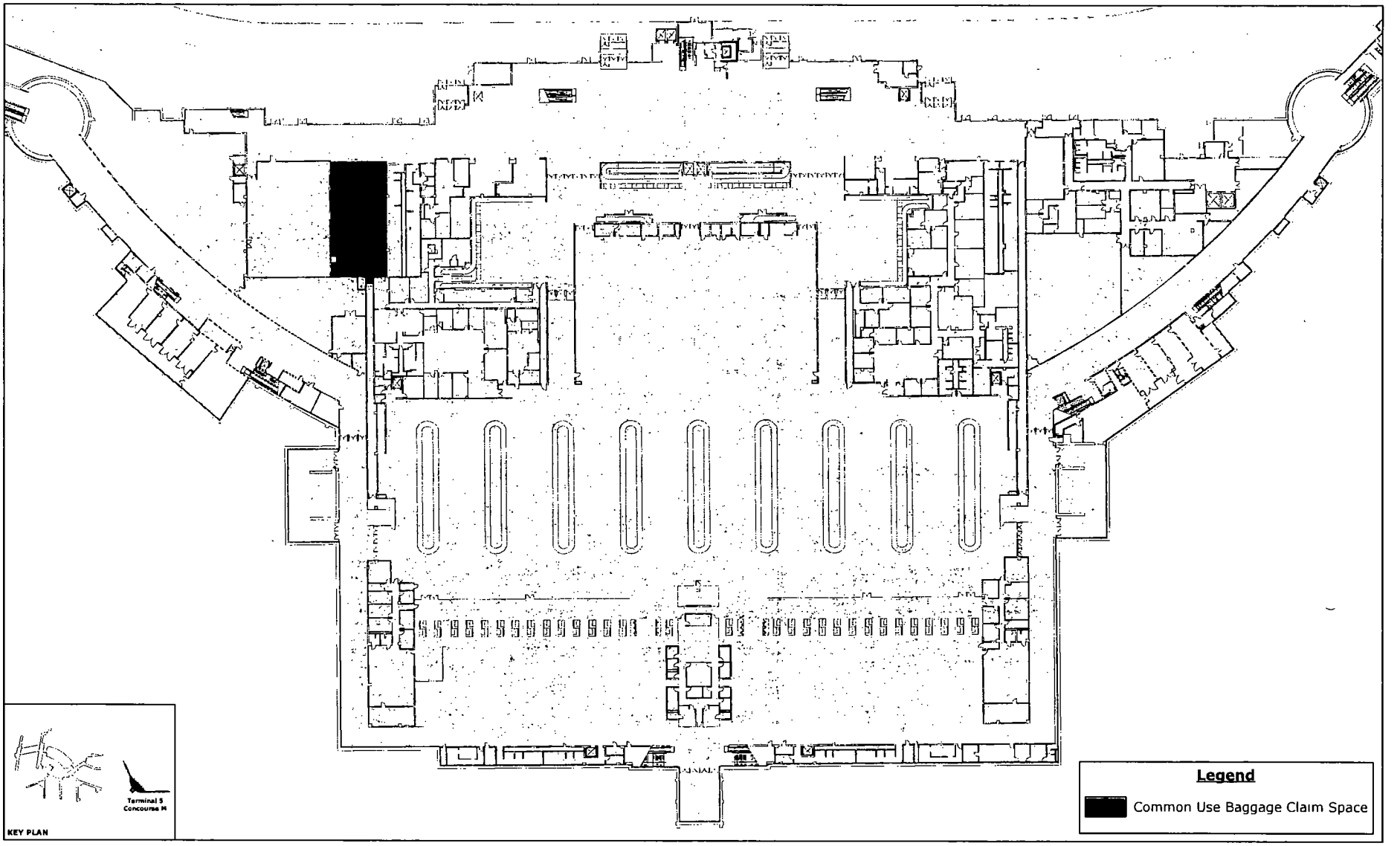
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	**Holdroom Space** Terminal 3 Upper Level	Effective May 12, 2018	0 150 300 Feet	**Exhibit B-6.4**

As of 7/15/2018
Plot File B6_4_Holdroom.mxd



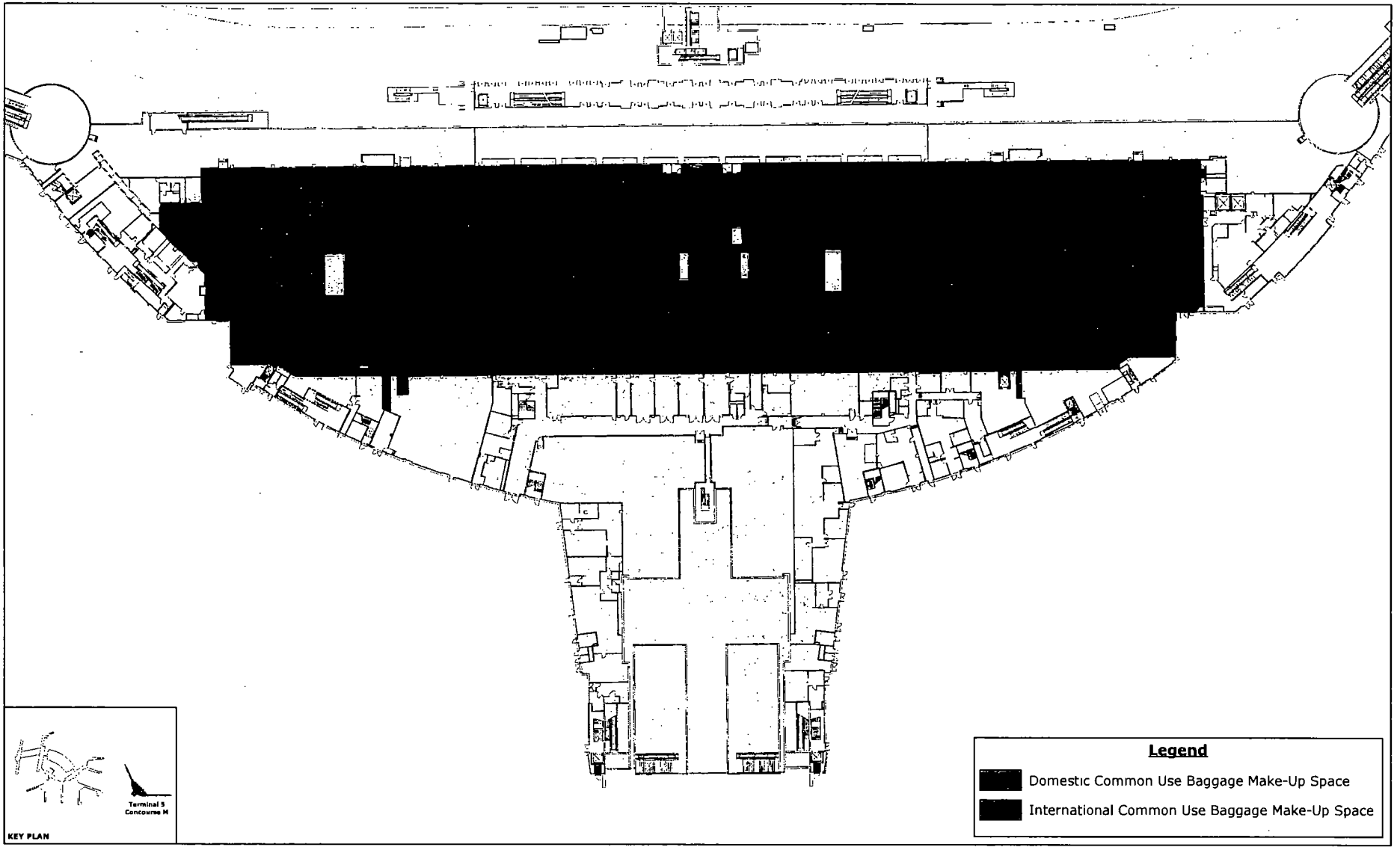
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	**Holdroom Space** Terminal 5 - Concourse M Upper Level	Effective May 12, 2018	0 150 300 Feet	Exhibit B-6.5

As of 2/15/2018
Plot File B6_5_Holdroom.mxd



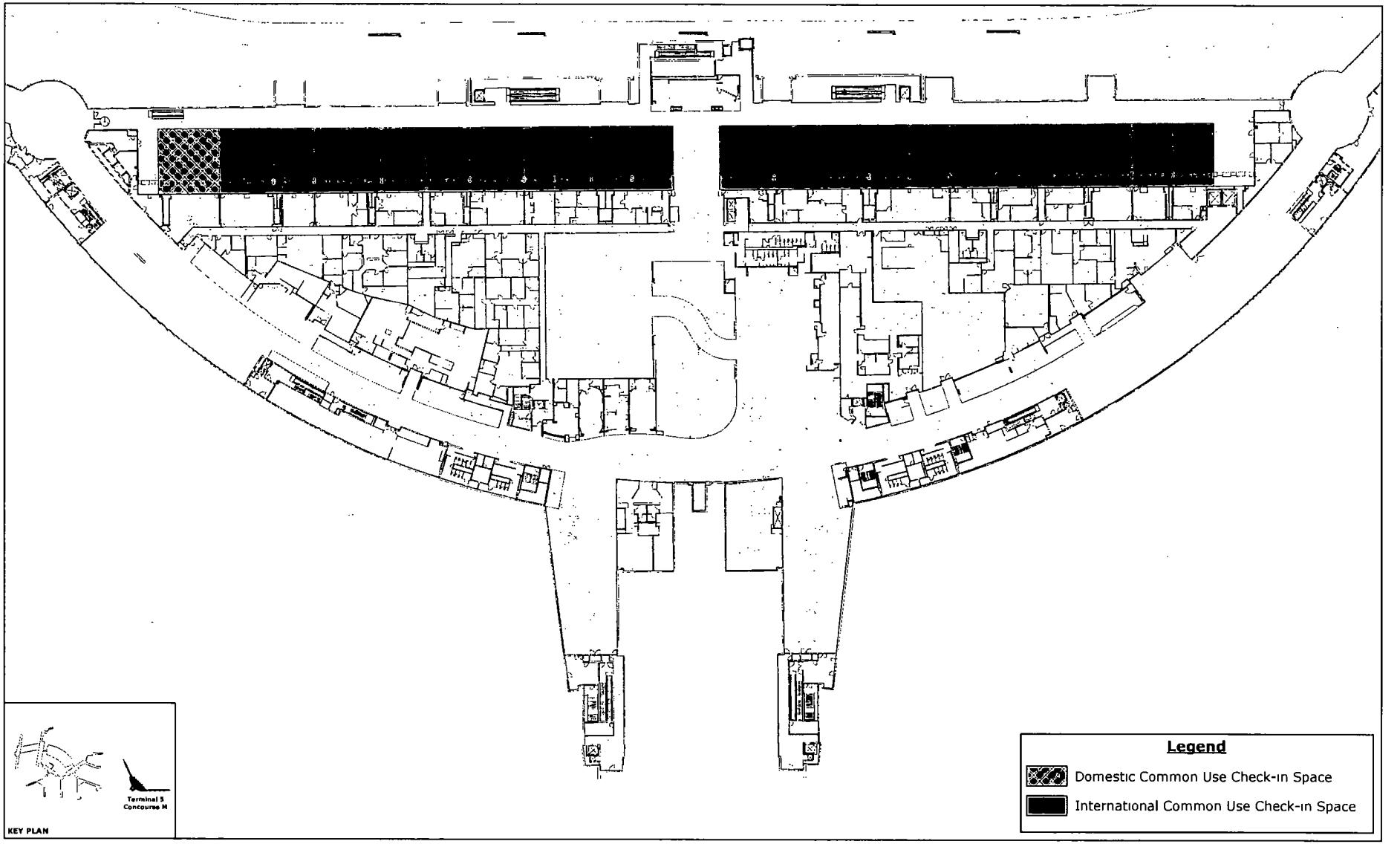
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	**Common Use Baggage Claim Space** Terminal 5 - Concourse M Basement	Effective May 12, 2018	0 50 100 Feet	Exhibit B-7.1

As of 7/15/2018
Plot File B7_1_Common_Baggage Claim.mxd



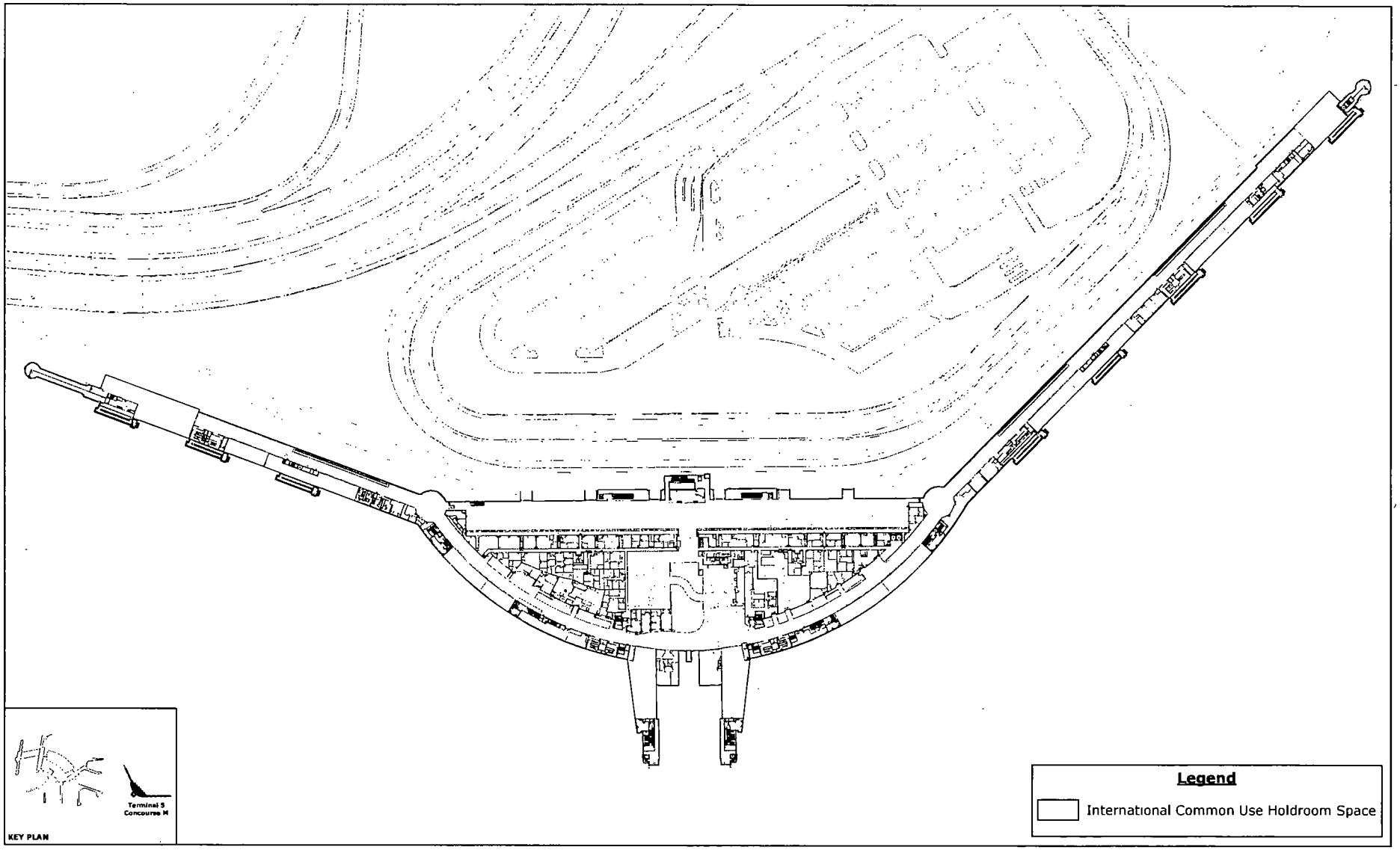
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	**Common Use Baggage Make-Up Space** Terminal 5 - Concourse M Lower Level	Effective May 12, 2018	0 50 100 Feet	Exhibit B-7.2

As of 2/15/2018
Plot File: B7_2_Common_Baggage_Makeup.mxd



Chicago O'Hare International Airport	**City of Chicago Rahm Emanuel Mayor**	**Department of Aviation**	CDA CHICAGO DEPARTMENT OF AVIATION	**Common Use Check-in Space** **Terminal 5 - Concourse M** **Upper Level**	**Effective May 12, 2018**	0 50 100 Feet	**Exhibit B-7.3**

As of 7/15/2018
Plot File B/_3_Common_Check-in.mxd



Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	**Common Use Holdroom Space** **Terminal 5 - Concourse M** **Upper Level**	**Effective May 12, 2018**	0 150 300 Feet	**Exhibit B-7.4**

As of 2/15/2018
Plot File B7_4_Common_Holdrooms.mad

CHICAGO DEPARTMENT OF AVIATION

Exhibit C
Premises Notice

The following are included:

C-1	Airline Premises Notice
C-2	Premises Summary

CHICAGO DEPARTMENT OF AVIATION

EXHIBIT C-1

Premises Notice

Chicago O'Hare International Airport

[AIRLINE]

Effective: May 12, 2018

Prepared: _____, 201_

TERMINAL	**Sq. Footage**
TERMINAL [ ]	

Baggage Claim	
Baggage Makeup	
Check-In	
Club	
Holdroom	
Post-Security Operations	
Pre-Security Operations	

GRAND TOTAL	

AIRCRAFT RAMP	
Linear Frontage	[ ] Linear Feet

Included Exhibits:

1) Exhibit __

CHICAGO DEPARTMENT OF AVIATION

EXHIBIT C-1

Airline Premises Notice

Chicago O'Hare International Airport

[AIRLINE]

Modifications Log

Mod #	Date	Sq. Footage Adjustment	Function of Space	Requested by	Notes

Signature

Date

CHICAGO DEPARTMENT OF AVIATION

PREMISES SUMMARY Effective Date Terminal 1 including Concourses B & C

Airline	Baggage Claim	Baggage Makeup	Check-In	Club	Holdroom	Post-Security Operations	Discounted Post-Security Operations	Pre-Security Operations	TOTAL	Gate Linear Frontage
Domestic Common Use	-	-	-	-	-	-	-	-	-	-
Int'l Common Use	-	-	-	-	-	-	-	-	-	-
Joint Use	-	-	-	-	-	-	-	-	-	-
Aer Lingus	-	-	-	-	-	-	-	-	-	-
Aeromexico	-	-	-	-	-	-	-	-	-	-
Air Canada	-	-	-	-	-	-	-	-	-	-
Air France	-	-	-	-	-	-	-	-	-	-
Air India	-	-	-	-	-	-	-	-	-	-
Alaska	-	-	-	-	-	-	-	-	-	-
Alitalia	-	-	-	-	-	-	-	-	-	-
All Nippon	-	-	-	-	-	-	-	-	-	-
American	-	-	-	-	-	-	-	-	-	-
Asiana	-	-	-	-	-	-	-	-	-	-
Avianca	-	-	-	-	-	-	-	-	-	-
British Airways	-	-	-	-	-	-	-	-	-	-
Cathay Pacific	-	-	-	-	-	-	-	-	-	-
Cayman	-	-	-	-	-	-	-	-	-	-
China Eastern	-	-	-	-	-	-	-	-	-	-
Copa	-	-	-	-	-	-	-	-	-	-
Delta	-	-	-	-	-	-	-	-	-	-
EAS	-	-	-	-	-	-	-	-	-	-
Emirates	-	-	-	-	-	-	-	-	-	-
Etihad	-	-	-	-	-	-	-	-	-	-
EVA	-	-	-	-	-	-	-	-	-	-
Frontier	-	-	-	-	-	-	-	-	-	-
Hainan	-	-	-	-	-	-	-	-	-	-
Iberia	-	-	-	-	-	-	-	-	-	-
Icelandair	-	-	-	-	-	-	-	-	-	-
Interjet	-	-	-	-	-	-	-	-	-	-
Japan Airlines	-	-	-	-	-	-	-	-	-	-
JetBlue	-	-	-	-	-	-	-	-	-	-
KLM	-	-	-	-	-	-	-	-	-	-
Korean	-	-	-	-	-	-	-	-	-	-
LOT	-	-	-	-	-	-	-	-	-	-
Lufthansa Group	-	-	-	-	-	-	-	-	-	-
Norwegian	-	-	-	-	-	-	-	-	-	-
Qatar	-	-	-	-	-	-	-	-	-	-
Royal Jordanian	-	-	-	-	-	-	-	-	-	-
Scandinavian	-	-	-	-	-	-	-	-	-	-
Spirit	-	-	-	-	-	-	-	-	-	-
Turkish	-	-	-	-	-	-	-	-	-	-
United	48,602	225,521	24,405	55,261	112,869	264,801	20,380	9,147	760,986	6,979
Volaris	-	-	-	-	-	-	-	-	-	-
WestJet	-	-	-	-	-	-	-	-	-	-
WOW air	-	-	-	-	-	-	-	-	-	-
TOTAL	48,602	225,521	24,405	55,261	112,869	264,801	20,380	9,147	760,986	6,979

PREMISES SUMMARY Effective Date Terminal 2 including Concourse E & F

Airline	Baggage Claim	Baggage Makeup	Check-In	Club	Holdroom	Post-Security Operations	Discounted Post-Security Operations	Pre-Security Operations	TOTAL	Gate Linear Frontage
Domestic Common Use	-	-	-	-	-	-	-	-	-	-
Int'l Common Use	-	-	-	-	-	-	-	-	-	-
Joint Use	-	-	-	-	-	-	-	-	-	-
Aer Lingus	-	-	-	-	-	-	-	-	-	-
Aeromexico	-	-	-	-	-	-	-	-	-	-
Air Canada	4,333	98	2,313	-	3,065	1,729	-	1,370	12,908	285
Air France	-	-	-	-	-	-	-	-	-	-
Air India	-	-	-	-	-	-	-	-	-	-
Alaska	-	-	-	-	-	-	-	-	-	-
Alitalia	-	-	-	-	-	-	-	-	-	-
All Nippon	-	-	-	-	-	-	-	-	-	-
American	-	-	-	-	-	-	-	-	-	-
Asiana	-	-	-	-	-	-	-	-	-	-
Avianca	-	-	-	-	-	-	-	-	-	-
British Airways	-	-	-	-	-	-	-	-	-	-
Cathay Pacific	-	-	-	-	-	-	-	-	-	-
Cayman	-	-	-	-	-	-	-	-	-	-
China Eastern	-	-	-	-	-	-	-	-	-	-
Copa	-	-	-	-	-	-	-	-	-	-
Delta	4,615	8,195	2,792	5,846	10,385	22,258	-	4,781	58,872	875
EAS	-	-	-	-	-	-	-	-	-	-
Emirates	-	-	-	-	-	-	-	-	-	-
Etihad	-	-	-	-	-	-	-	-	-	-
EVA	-	-	-	-	-	-	-	-	-	-
Frontier	-	-	-	-	-	-	-	-	-	-
Hainan	-	-	-	-	-	-	-	-	-	-
Iberia	-	-	-	-	-	-	-	-	-	-
Icelandair	-	-	-	-	-	-	-	-	-	-
Interjet	-	-	-	-	-	-	-	-	-	-
Japan Airlines	-	-	-	-	-	-	-	-	-	-
JetBlue	-	-	-	-	-	-	-	-	-	-
KLM	-	-	-	-	-	-	-	-	-	-
Korean	-	-	-	-	-	-	-	-	-	-
LOT	-	-	-	-	-	-	-	-	-	-
Lufthansa Group	-	-	-	-	-	-	-	-	-	-
Norwegian	-	-	-	-	-	-	-	-	-	-
Qatar	-	-	-	-	-	-	-	-	-	-
Royal Jordanian	-	-	-	-	-	-	-	-	-	-
Scandinavian	-	-	-	-	-	-	-	-	-	-
Spirit	-	-	-	-	-	-	-	-	-	-
Turkish	-	-	-	-	-	-	-	-	-	-
United	-	20,334	1,004	12,525	40,156	62,779	-	8,043	144,841	3,195
Volaris	-	-	-	-	-	-	-	-	-	-
WestJet	-	-	-	-	-	-	-	-	-	-
WOW air	-	-	-	-	-	-	-	-	-	-
TOTAL	8,948	28,627	6,109	18,371	53,606	86,766	-	14,194	216,621	4,355

PREMISES SUMMARY Effective Date Terminal 3 including Concourses G, H, K, L

Airline	Baggage Claim	Baggage Makeup	Check-in	Club	Holdroom	Post-Security Operations	Discounted Post-Security Operations	Pre-Security Operations	TOTAL	Gate Linear Frontage
Domestic Common Use	-	-	-	-	-	-	-	-	-	-
Int'l Common Use	-	-	-	-	-	-	-	-	-	-
Joint Use	7,144	2,933	-	-	-	-	-	-	10,077	-
Aer Lingus	-	-	-	-	-	-	-	-	-	-
Aeromexico	-	-	-	-	-	-	-	-	-	-
Air Canada	-	-	-	-	-	-	-	-	-	-
Air France	-	-	-	-	-	-	-	-	-	-
Air India	-	-	-	-	-	-	-	-	-	-
Alaska	JU	JU	805	-	4,977	1,531	-	499	7,812	294
Alitalia	-	-	-	-	-	-	-	-	-	-
All Nippon	-	-	-	-	-	-	-	-	-	-
American	31,540	170,340	19,391	62,723	120,728	220,018	13,077	30,918	668,735	8,222
Asiana	-	-	-	-	-	-	-	-	-	-
Avianca	-	-	-	-	-	-	-	-	-	-
British Airways	-	-	-	-	-	-	-	-	-	-
Cathay Pacific	-	-	-	-	-	-	-	-	-	-
Cayman	-	-	-	-	-	-	-	-	-	-
China Eastern	-	-	-	-	-	-	-	-	-	-
Copa	-	-	-	-	-	-	-	-	-	-
Delta	-	-	-	-	-	-	-	-	-	-
EAS	JU	JU	483	-	-	-	-	112	595	132
Emirates	-	-	-	-	-	-	-	-	-	-
Etihad	-	-	-	-	-	-	-	-	-	-
EVA	-	-	-	-	-	-	-	-	-	-
Frontier	-	-	-	-	-	-	-	-	-	-
Hainan	-	-	-	-	-	-	-	-	-	-
Iberia	-	-	-	-	-	-	-	-	-	-
Icelandair	-	-	-	-	-	-	-	-	-	-
Interjet	-	-	-	-	-	-	-	-	-	-
Japan Airlines	-	-	-	-	-	-	-	-	-	-
JetBlue	JU	JU	801	-	1,657	1,026	-	1,230	4,714	147
KLM	-	-	-	-	-	-	-	-	-	-
Korean	-	-	-	-	-	-	-	-	-	-
LOT	-	-	-	-	-	-	-	-	-	-
Lufthansa Group	-	-	-	-	-	-	-	-	-	-
Norwegian	-	-	-	-	-	-	-	-	-	-
Qatar	-	-	-	-	-	-	-	-	-	-
Royal Jordanian	-	-	-	-	-	-	-	-	-	-
Scandinavian	-	-	-	-	-	-	-	-	-	-
Spirit	JU	JU	2,113	-	7,700	9,355	-	1,510	20,678	597
Turkish	-	-	-	-	-	-	-	-	-	-
United	-	-	-	-	-	-	-	-	-	-
Volaris	-	-	-	-	-	-	-	-	-	-
WestJet	-	-	-	-	-	-	-	-	-	-
WOW air	-	-	-	-	-	-	-	-	-	-
TOTAL	38,684	173,273	23,593	62,723	135,062	231,930	13,077	34,269	712,611	9,392

PREMISES SUMMARY Effective Date Terminal 5

Airline	Baggage Claim	Baggage Makeup	Check-In	Club	Holdroom	Post-Security Operations	Discounted Post-Security Operations	Pre-Security Operations	TOTAL	Gate Linear Frontage
Domestic Common Use	3,565	3,105	2,202	-	-	-	-	-	8,872	-
Int'l Common Use	-	100,557	33,148	-	53,645	-	-	-	187,350	4,044
Joint Use	-	-	-	-	-	-	-	-	-	-
Aer Lingus	-	-	-	-	-	73	-	-	73	-
Aeromexico	-	-	-	-	-	587	-	1,088	1,675	-
Air Canada	-	-	-	-	-	-	-	-	-	-
Joint Use	-	-	-	-	-	-	-	-	-	-
Air France	-	-	-	2,885	-	460	-	568	3,913	-
Air India	-	-	-	-	-	-	-	1,405	1,405	-
Alaska	-	-	-	-	-	-	-	-	-	-
Alitalia	-	-	-	-	-	193	-	272	465	-
All Nippon	-	-	-	-	-	792	-	2,040	2,832	-
American	-	255	3,149	-	-	6,569	-	645	10,618	-
Asiana	-	-	-	-	-	-	-	1,062	1,062	-
Avianca	-	-	-	-	-	-	-	733	733	-
British Airways	-	-	-	6,910	-	2,440	-	1,605	10,955	-
Cathay Pacific	-	-	-	-	-	-	-	983	983	-
Cayman	-	-	-	-	-	-	-	363	363	-
China Eastern	-	-	-	-	-	-	-	965	965	-
Copa	-	-	-	-	-	-	-	610	610	-
Delta	-	-	-	-	-	-	-	-	-	-
EAS	-	-	-	-	-	-	-	-	-	-
Emirates	-	-	-	-	-	-	-	983	983	-
Etihad	-	-	-	-	-	1,498	-	1,511	3,009	-
EVA	-	-	-	-	-	-	-	813	813	-
Frontier	-	-	-	-	-	2,317	-	1,100	3,417	-
Hainan	-	-	-	-	-	-	-	717	717	-
Iberia	-	-	-	-	-	-	-	-	-	-
Icelandair	-	-	-	-	-	-	-	137	137	-
Interjet	-	-	-	-	-	-	-	527	527	-
Japan Airlines	-	-	-	-	-	-	-	-	-	-
JetBlue	-	-	-	-	-	-	-	-	-	-
KLM	-	-	-	-	-	-	-	1,052	1,052	-
Korean	-	-	-	-	-	-	-	2,203	2,203	-
LOT	-	-	-	-	-	-	-	735	735	-
Lufthansa Group	-	-	-	6,677	-	2,665	-	2,031	11,373	-
Norwegian	-	-	-	-	-	-	-	-	-	-
Qatar	-	-	-	-	-	-	-	1,490	1,490	-
Royal Jordanian	-	-	-	-	-	788	-	479	1,267	-
Scandinavian	-	-	-	2,116	-	-	-	736	2,852	-
Spirit	-	-	-	-	-	-	-	-	-	-
Turkish	-	-	-	-	-	392	-	575	967	-
United	-	224	2,387	-	-	12,908	-	-	15,519	-
Volaris	-	-	-	-	-	-	-	719	719	-
WestJet	-	-	-	-	-	-	-	125	125	-
WOW air	-	-	-	-	-	-	-	501	501	-
TOTAL	3,565	104,141	40,886	18,588	53,645	31,682	-	28,773	85,058	4,044

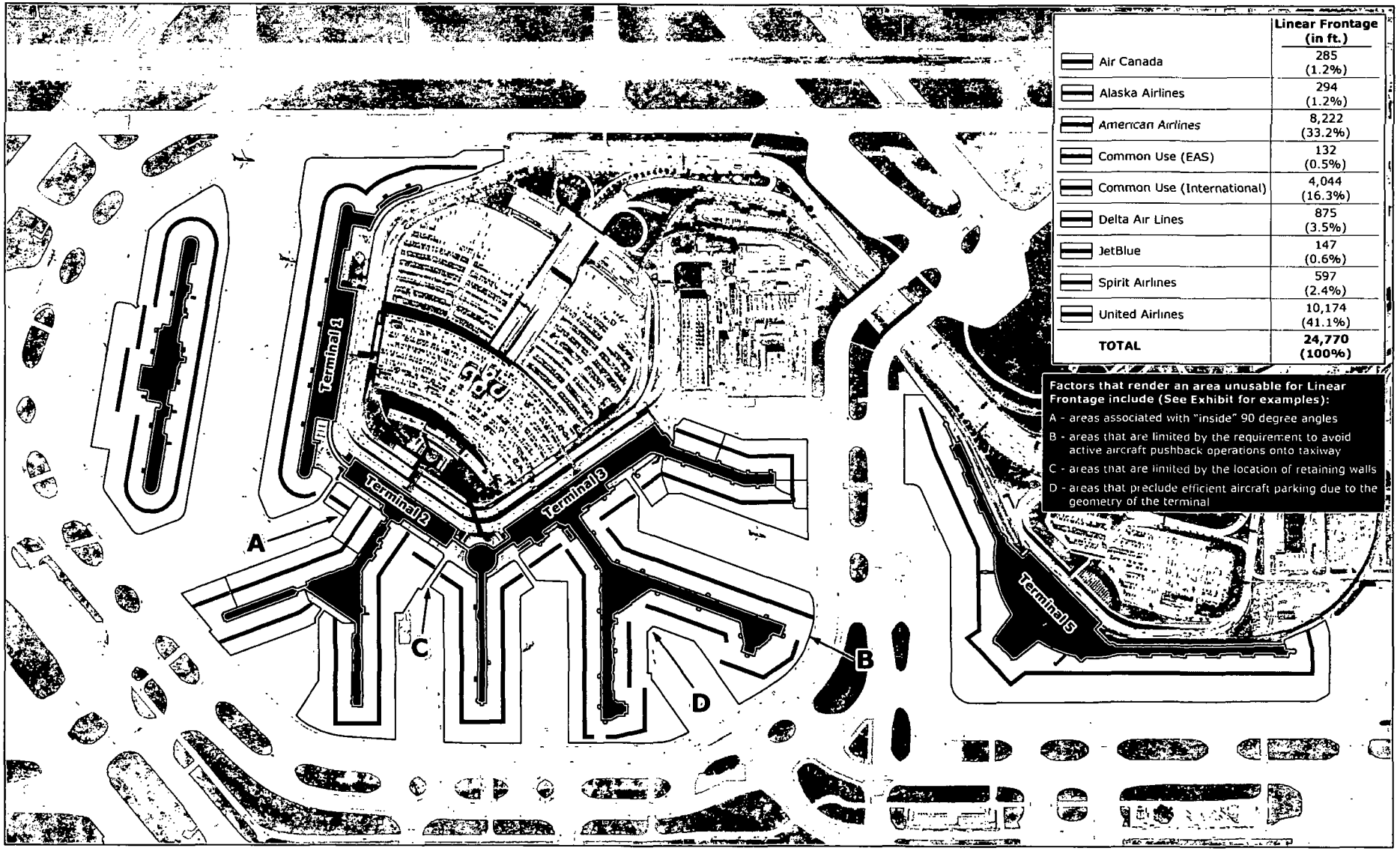
CHICAGO DEPARTMENT OF AVIATION

Exhibit D

Gate Space Assignments

The following are included:

D-1.1	Gate Space Assignments on May 12, 2018
D-1.2	1st Interim Gate Space Assignments – Post-G/L Swap and Concourse L 5-Gate Extension
D-1.3	2nd Interim Gate Space Assignments – Post-T-5 Extension



	Linear Frontage (in ft.)
Air Canada	285 (1.2%)
Alaska Airlines	294 (1.2%)
American Airlines	8,222 (33.2%)
Common Use (EAS)	132 (0.5%)
Common Use (International)	4,044 (16.3%)
Delta Air Lines	875 (3.5%)
JetBlue	147 (0.6%)
Spirit Airlines	597 (2.4%)
United Airlines	10,174 (41.1%)
TOTAL	**24,770 (100%)**

Factors that render an area unusable for Linear Frontage include (See Exhibit for examples):

A - areas associated with "inside" 90 degree angles

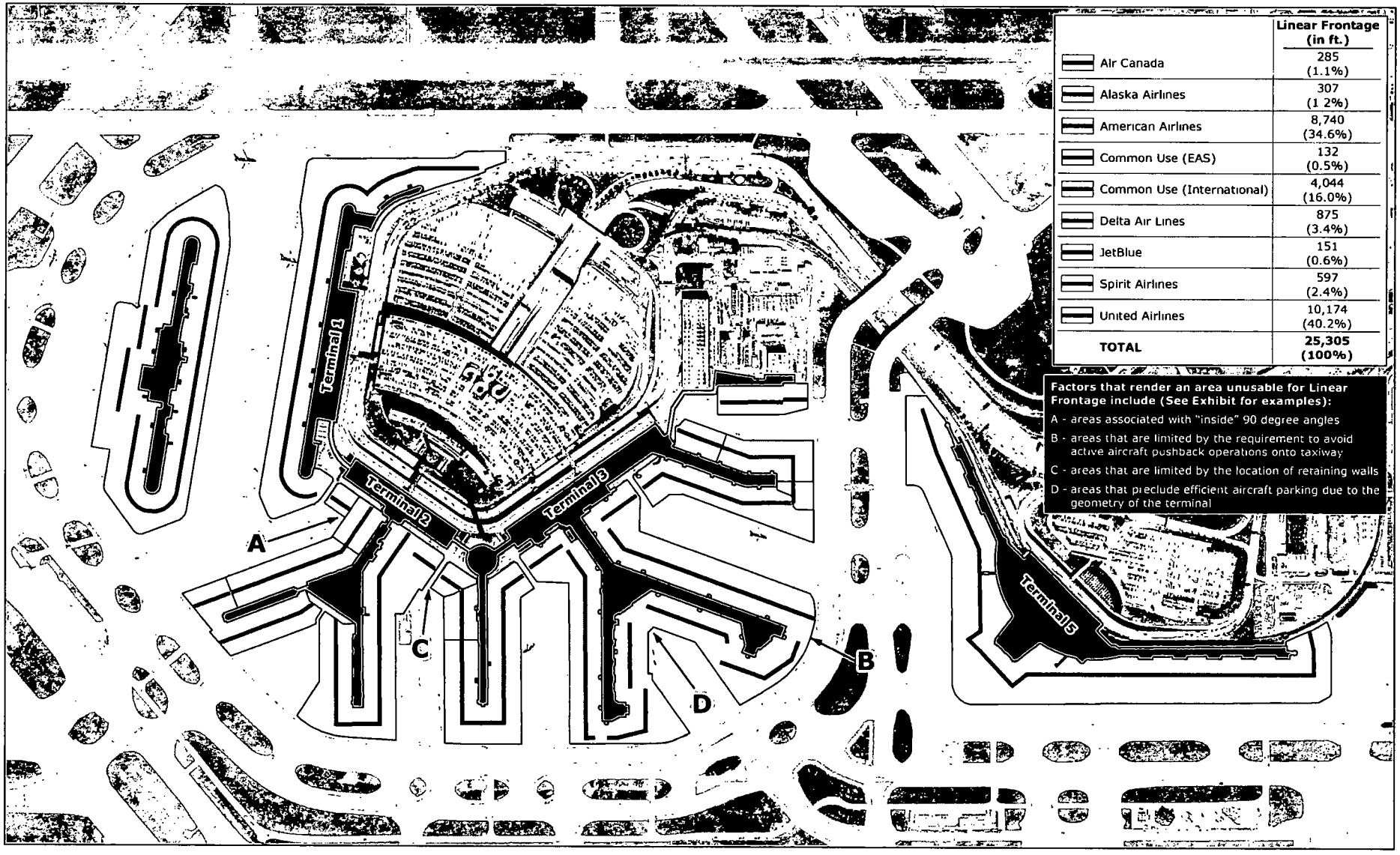
B - areas that are limited by the requirement to avoid active aircraft pushback operations onto taxiway

C - areas that are limited by the location of retaining walls

D - areas that preclude efficient aircraft parking due to the geometry of the terminal

Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	Gate Space Assignments on May 12, 2018	0 500 1,000 Feet N	Exhibit D-1.1

As of 2/27/2018
Plot File D1_1_GateAssignments_02272018_FINAL.mxd



	Linear Frontage (in ft.)
Air Canada	285 (1.1%)
Alaska Airlines	307 (1.2%)
American Airlines	8,740 (34.6%)
Common Use (EAS)	132 (0.5%)
Common Use (International)	4,044 (16.0%)
Delta Air Lines	875 (3.4%)
JetBlue	151 (0.6%)
Spirit Airlines	597 (2.4%)
United Airlines	10,174 (40.2%)
TOTAL	**25,305 (100%)**

Factors that render an area unusable for Linear Frontage include (See Exhibit for examples):

A - areas associated with "inside" 90 degree angles

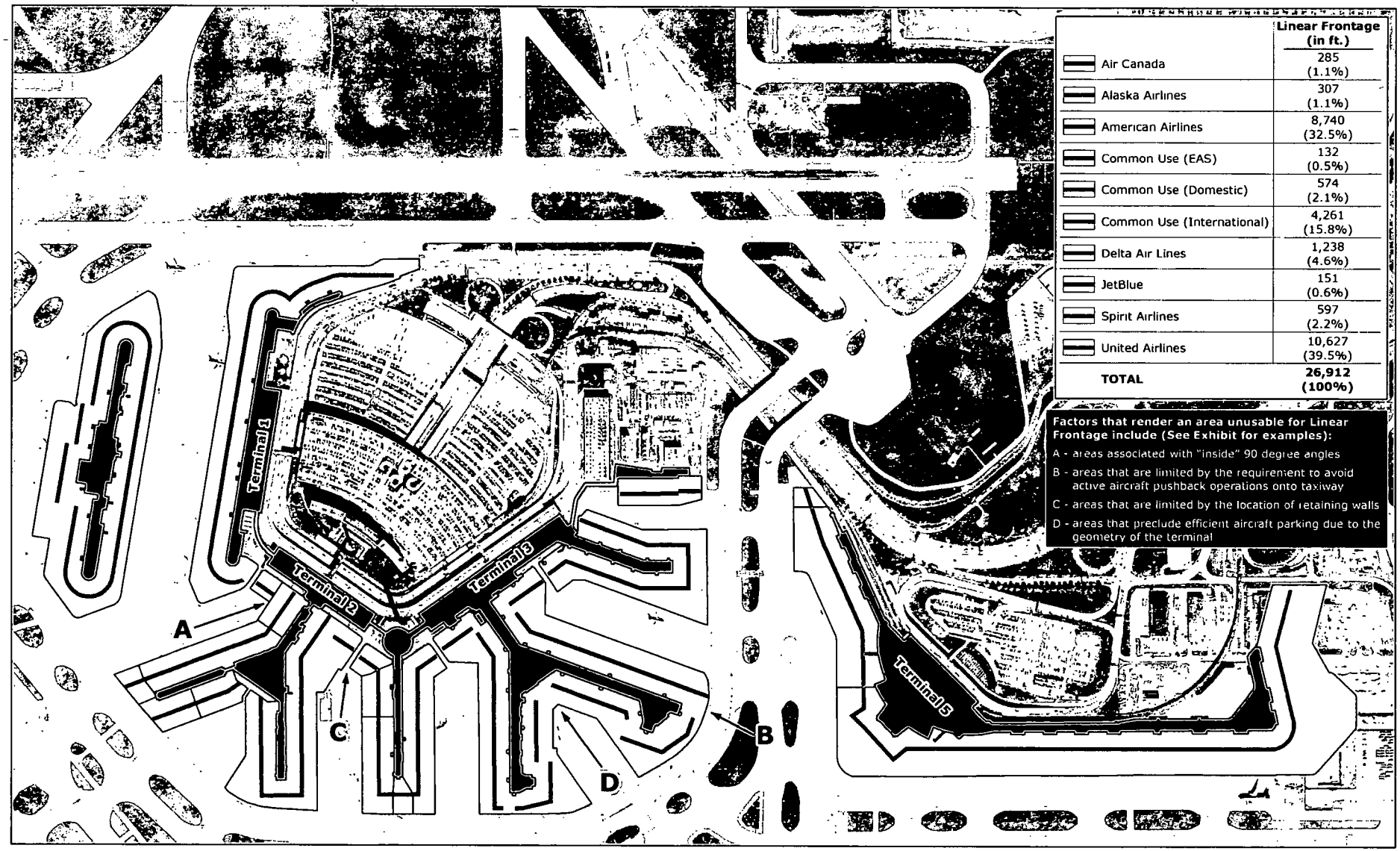
B - areas that are limited by the requirement to avoid active aircraft pushback operations onto taxiway

C - areas that are limited by the location of retaining walls

D - areas that preclude efficient aircraft parking due to the geometry of the terminal

Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	**1st Interim Gate Space Assignments Post-G/L Swap and Concourse L 5-Gate Extension**	0 500 1,000 Feet N	**Exhibit D-1.2**

As of 2/27/2018
Plot File D1_2_GateAssignments_02272018_FINAL.mxd



	Linear Frontage (in ft.)
Air Canada	285 (1.1%)
Alaska Airlines	307 (1.1%)
American Airlines	8,740 (32.5%)
Common Use (EAS)	132 (0.5%)
Common Use (Domestic)	574 (2.1%)
Common Use (International)	4,261 (15.8%)
Delta Air Lines	1,238 (4.6%)
JetBlue	151 (0.6%)
Spirit Airlines	597 (2.2%)
United Airlines	10,627 (39.5%)
TOTAL	**26,912 (100%)**

Factors that render an area unusable for Linear Frontage include (See Exhibit for examples):

A - areas associated with "inside" 90 degree angles

B - areas that are limited by the requirement to avoid active aircraft pushback operations onto taxiway

C - areas that are limited by the location of retaining walls

D - areas that preclude efficient aircraft parking due to the geometry of the terminal

Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	2st Interim Gate Space Assignments - Post T-5 Extension	0 500 1,000 Feet N	Exhibit D-1.3

As of 2/27/2018

Plot File D1_3_GateAssignments_02272018_FINAL.mxd

CHICAGO DEPARTMENT OF AVIATION

Exhibit E

Future Premises Commitment

The following are included:

E-1	Airline Future Premises Commitment
E-2	Future Premises Commitments Summary – 1st Interim Gate Space Assignments
E-3	Future Premises Commitments Summary – 2nd Interim Gate Space Assignments
E-4	Future Premises Commitments Summary – Post-TAP Phase I Completion

CHICAGO DEPARTMENT OF AVIATION

EXHIBIT E-1

Future Premises Commitment

Chicago O'Hare International Airport

[Airline]

1st Interim Gate Space Assignment
Post-G/L Swap and Concourse L 5-Gate Expansion

TERMINAL	**Sq. Footage**
TERMINAL [ ]	

Baggage Claim	
Baggage Makeup	
Check-In	
Club	
Holdroom	
Post-Security Operations	
Pre-Security Operations	

GRAND TOTAL	

AIRCRAFT RAMP	
Linear Frontage	[ ] Linear Feet

2nd Interim Gate Space Assignments
Post-T-5 Extension

TERMINAL	**Sq. Footage**
TERMINAL [ ]	

Baggage Claim	
Baggage Makeup	
Check-In	
Club	
Holdroom	
Post-Security Operations	
Pre-Security Operations	

GRAND TOTAL	

AIRCRAFT RAMP	
Linear Frontage	[ ] Linear Feet

By Completion of TAP Phase 1

TERMINAL	**Sq. Footage***
TERMINAL [ ]	

Baggage Claim	
Baggage Makeup	
Check-In	
Club	
Holdroom	
Post-Security Operations	
Pre-Security Operations	
AIRCRAFT RAMP	
Assumed Linear Frontage	

*Based on the assumed Linear Frontage, which is subject to the reallocation provisions of Article 5.

CHICAGO DEPARTMENT OF AVIATION

PREMISES SUMMARY #1 Interim Milestone Terminal 1 including Concourses B & C

Airline	Baggage Claim	Baggage Makeup	Check-In	Club	Holdroom	Post-Security Operations	Discounted Post-Security Operations	Pre-Security Operations	TOTAL	Gate Linear Frontage
Domestic Common Use	-	-	-	-	-	-	-	-	-	-
Int'l Common Use	-	-	-	-	-	-	-	-	-	-
Joint Use	-	-	-	-	-	-	-	-	-	-
Aer Lingus	-	-	-	-	-	-	-	-	-	-
Aeromexico	-	-	-	-	-	-	-	-	-	-
Air Canada	-	-	-	-	-	-	-	-	-	-
Air France	-	-	-	-	-	-	-	-	-	-
Air India	-	-	-	-	-	-	-	-	-	-
Alaska	-	-	-	-	-	-	-	-	-	-
Alitalia	-	-	-	-	-	-	-	-	-	-
All Nippon	-	-	-	-	-	-	-	-	-	-
American	-	-	-	-	-	-	-	-	-	-
Asiana	-	-	-	-	-	-	-	-	-	-
Avianca	-	-	-	-	-	-	-	-	-	-
British Airways	-	-	-	-	-	-	-	-	-	-
Cathay Pacific	-	-	-	-	-	-	-	-	-	-
Cayman	-	-	-	-	-	-	-	-	-	-
China Eastern	-	-	-	-	-	-	-	-	-	-
Copa	-	-	-	-	-	-	-	-	-	-
Delta	-	-	-	-	-	-	-	-	-	-
EAS	-	-	-	-	-	-	-	-	-	-
Emirates	-	-	-	-	-	-	-	-	-	-
Etihad	-	-	-	-	-	-	-	-	-	-
EVA	-	-	-	-	-	-	-	-	-	-
Frontier	-	-	-	-	-	-	-	-	-	-
Hainan	-	-	-	-	-	-	-	-	-	-
Iberia	-	-	-	-	-	-	-	-	-	-
Icelandair	-	-	-	-	-	-	-	-	-	-
Interjet	-	-	-	-	-	-	-	-	-	-
Japan Airlines	-	-	-	-	-	-	-	-	-	-
JetBlue	-	-	-	-	-	-	-	-	-	-
KLM	-	-	-	-	-	-	-	-	-	-
Korean	-	-	-	-	-	-	-	-	-	-
LOT	-	-	-	-	-	-	-	-	-	-
Lufthansa Group	-	-	-	-	-	-	-	-	-	-
Norwegian	-	-	-	-	-	-	-	-	-	-
Qatar	-	-	-	-	-	-	-	-	-	-
Royal Jordanian	-	-	-	-	-	-	-	-	-	-
Scandinavian	-	-	-	-	-	-	-	-	-	-
Spirit	-	-	-	-	-	-	-	-	-	-
Turkish	-	-	-	-	-	-	-	-	-	-
United	48,602	225,521	24,405	55,261	112,869	264,801	20,380	9,147	760,986	6,979
Volaris	-	-	-	-	-	-	-	-	-	-
WestJet	-	-	-	-	-	-	-	-	-	-
WOW air	-	-	-	-	-	-	-	-	-	-
TOTAL	48,602	225,521	24,405	55,261	112,869	264,801	20,380	9,147	760,986	6,979

CHICAGO DEPARTMENT OF AVIATION

PREMISES SUMMARY #1 Interim Milestone Terminal 2 including Concourse E & F

Airline	Baggage Claim	Baggage Makeup	Check-In	Club	Holdroom	Post-Security Operations	Discounted Post-Security Operations	Pre-Security Operations	TOTAL	Gate Linear Frontage
Domestic Common Use	-	-	-	-	-	-	-	-	-	-
Int'l Common Use	-	-	-	-	-	-	-	-	-	-
Joint Use	9,205	1,821	-	-	-	-	-	-	11,026	-
Aer Lingus	-	-	-	-	-	-	-	-	-	-
Aeromexico	-	-	-	-	-	-	-	-	-	-
Air Canada	4,333	98	2,313	-	3,065	1,729	-	1,370	12,908	285
Air France	-	-	-	-	-	-	-	-	-	-
Air India	-	-	-	-	-	-	-	-	-	-
Alaska	JU	JU	1,096	-	-	-	-	1,611	2,707	-
Alitalia	-	-	-	-	-	-	-	-	-	-
All Nippon	-	-	-	-	-	-	-	-	-	-
American	-	-	-	-	-	-	-	-	-	-
Asiana	-	-	-	-	-	-	-	-	-	-
Avianca	-	-	-	-	-	-	-	-	-	-
British Airways	-	-	-	-	-	-	-	-	-	-
Cathay Pacific	-	-	-	-	-	-	-	-	-	-
Cayman	-	-	-	-	-	-	-	-	-	-
China Eastern	-	-	-	-	-	-	-	-	-	-
Copa	-	-	-	-	-	-	-	-	-	-
Delta	4,615	8,195	2,792	5,846	10,385	22,258	-	4,781	58,872	875
EAS	-	-	-	-	-	-	-	-	-	-
Emirates	-	-	-	-	-	-	-	-	-	-
Etihad	-	-	-	-	-	-	-	-	-	-
EVA	-	-	-	-	-	-	-	-	-	-
Frontier	-	-	-	-	-	-	-	-	-	-
Hainan	-	-	-	-	-	-	-	-	-	-
Iberia	-	-	-	-	-	-	-	-	-	-
Icelandair	-	-	-	-	-	-	-	-	-	-
Interjet	-	-	-	-	-	-	-	-	-	-
Japan Airlines	-	-	-	-	-	-	-	-	-	-
JetBlue	JU	JU	582	-	-	-	-	562	1,144	-
KLM	-	-	-	-	-	-	-	-	-	-
Korean	-	-	-	-	-	-	-	-	-	-
LOT	-	-	-	-	-	-	-	-	-	-
Lufthansa Group	-	-	-	-	-	-	-	-	-	-
Norwegian	-	-	-	-	-	-	-	-	-	-
Qatar	-	-	-	-	-	-	-	-	-	-
Royal Jordanian	-	-	-	-	-	-	-	-	-	-
Scandinavian	-	-	-	-	-	-	-	-	-	-
Spirit	-	-	-	-	-	-	-	-	-	-
Turkish	-	-	-	-	-	-	-	-	-	-
United	-	20,334	1,004	12,525	40,156	62,779	-	8,043	144,841	3,195
Volaris	-	-	-	-	-	-	-	-	-	-
WestJet	-	-	-	-	-	-	-	-	-	-
WOW air	-	-	-	-	-	-	-	-	-	-
TOTAL	18,153	30,448	7,787	18,371	53,606	86,766	-	16,367	231,498	4,355

CHICAGO DEPARTMENT OF AVIATION

PREMISES SUMMARY #1 Interim Milestone Terminal 3 including Concourses G, H, K, L

Airline	Baggage Claim	Baggage Makeup	Check-In	Club	Holdroom	Post-Security Operations	Discounted Post-Security Operations	Pre-Security Operations	TOTAL	Gate Linear Frontage
Domestic Common Use	-	-	-	-	-	-	-	-	-	-
Int'l Common Use	-	-	-	-	-	-	-	-	-	-
Joint Use	7,144	2,933	-	-	-	-	-	-	10,077	-
Aer Lingus	-	-	-	-	-	-	-	-	-	-
Aeromexico	-	-	-	-	-	-	-	-	-	-
Air Canada	-	-	-	-	-	-	-	-	-	-
Air France	-	-	-	-	-	-	-	-	-	-
Air India	-	-	-	-	-	-	-	-	-	-
Alaska	-	-	-	-	3,996	1,531	-	-	5,527	307
Alitalia	-	-	-	-	-	-	-	-	-	-
All Nippon	-	-	-	-	-	-	-	-	-	-
American	31,540	171,628	19,391	62,723	129,628	225,152	13,077	30,918	684,057	8,740
Asiana	-	-	-	-	-	-	-	-	-	-
Avianca	-	-	-	-	-	-	-	-	-	-
British Airways	-	-	-	-	-	-	-	-	-	-
Cathay Pacific	-	-	-	-	-	-	-	-	-	-
Cayman	-	-	-	-	-	-	-	-	-	-
China Eastern	-	-	-	-	-	-	-	-	-	-
Copa	-	-	-	-	-	-	-	-	-	-
Delta	-	-	-	-	-	-	-	-	-	-
EAS	JU	JU	483	-	-	-	-	112	595	132
Emirates	-	-	-	-	-	-	-	-	-	-
Etihad	-	-	-	-	-	-	-	-	-	-
EVA	-	-	-	-	-	-	-	-	-	-
Frontier	-	-	-	-	-	-	-	-	-	-
Hainan	-	-	-	-	-	-	-	-	-	-
Iberia	-	-	-	-	-	-	-	-	-	-
Icelandair	-	-	-	-	-	-	-	-	-	-
Interjet	-	-	-	-	-	-	-	-	-	-
Japan Airlines	-	-	-	-	-	-	-	-	-	-
JetBlue	-	-	-	-	838	1,026	-	-	1,864	151
KLM	-	-	-	-	-	-	-	-	-	-
Korean	-	-	-	-	-	-	-	-	-	-
LOT	-	-	-	-	-	-	-	-	-	-
Lufthansa Group	-	-	-	-	-	-	-	-	-	-
Norwegian	-	-	-	-	-	-	-	-	-	-
Qatar	-	-	-	-	-	-	-	-	-	-
Royal Jordanian	-	-	-	-	-	-	-	-	-	-
Scandinavian	-	-	-	-	-	-	-	-	-	-
Spirit	JU	JU	2,113	-	7,700	11,355	-	1,510	22,678	597
Turkish	-	-	-	-	-	-	-	-	-	-
United	-	-	-	-	-	-	-	-	-	-
Volaris	-	-	-	-	-	-	-	-	-	-
WestJet	-	-	-	-	-	-	-	-	-	-
WOW air	-	-	-	-	-	-	-	-	-	-
TOTAL	38,684	174,561	21,987	62,723	142,162	239,064	13,077	32,540	724,798	9,927

CHICAGO DEPARTMENT OF AVIATION

PREMISES SUMMARY #1 Interim Milestone Terminal 5

Airline	Baggage Claim	Baggage Makeup	Check-In	Club	Holdroom	Post-Security Operations	Discounted Post-Security Operations	Pre-Security Operations	TOTAL	Gate Linear Frontage
Domestic Common Use	3,565	3,105	2,202	-	-	-	-	-	8,872	-
Int'l Common Use	-	100,557	33,148	-	53,645	-	-	-	187,350	4,044
Joint Use	-	-	-	-	-	-	-	-	-	-
Aer Lingus	-	-	-	-	-	73	-	-	73	-
Aeromexico	-	-	-	-	-	587	-	1,088	1,675	-
Air Canada	-	-	-	-	-	-	-	-	-	-
Air France	-	-	-	2,885	-	460	-	568	3,913	-
Air India	-	-	-	-	-	-	-	1,405	1,405	-
Alaska	-	-	-	-	-	-	-	-	-	-
Alitalia	-	-	-	-	-	193	-	272	465	-
All Nippon	-	-	-	-	-	792	-	2,040	2,832	-
American	-	255	3,149	-	-	6,569	-	645	10,618	-
Asiana	-	-	-	-	-	-	-	1,062	1,062	-
Avianca	-	-	-	-	-	-	-	733	733	-
British Airways	-	-	-	6,910	-	2,440	-	1,605	10,955	-
Cathay Pacific	-	-	-	-	-	-	-	983	983	-
Cayman	-	-	-	-	-	-	-	363	363	-
China Eastern	-	-	-	-	-	-	-	965	965	-
Copa	-	-	-	-	-	-	-	610	610	-
Delta	-	-	-	-	-	-	-	-	-	-
EAS	-	-	-	-	-	-	-	-	-	-
Emirates	-	-	-	-	-	-	-	983	983	-
Etihad	-	-	-	-	-	1,498	-	1,511	3,009	-
EVA	-	-	-	-	-	-	-	813	813	-
Frontier	-	-	-	-	-	2,317	-	1,100	3,417	-
Hainan	-	-	-	-	-	-	-	717	717	-
Iberia	-	-	-	-	-	-	-	-	-	-
Icelandair	-	-	-	-	-	-	-	137	137	-
Interjet	-	-	-	-	-	-	-	527	527	-
Japan Airlines	-	-	-	-	-	-	-	-	-	-
JetBlue	-	-	-	-	-	-	-	-	-	-
KLM	-	-	-	-	-	-	-	1,052	1,052	-
Korean	-	-	-	-	-	-	-	2,203	2,203	-
LOT	-	-	-	-	-	-	-	735	735	-
Lufthansa Group	-	-	-	6,677	-	2,665	-	2,031	11,373	-
Norwegian	-	-	-	-	-	-	-	-	-	-
Qatar	-	-	-	-	-	-	-	1,490	1,490	-
Royal Jordanian	-	-	-	-	-	788	-	479	1,267	-
Scandinavian	-	-	-	2,116	-	-	-	736	2,852	-
Spirit	-	-	-	-	-	-	-	-	-	-
Turkish	-	-	-	-	-	392	-	575	967	-
United	-	224	2,387	-	-	12,908	-	-	15,519	-
Volaris	-	-	-	-	-	-	-	719	719	-
WestJet	-	-	-	-	-	-	-	125	125	-
WOW air	-	-	-	-	-	-	-	501	501	-
TOTAL	3,565	104,141	40,886	18,588	53,645	31,682	-	28,773	281,280	4,044

CHICAGO DEPARTMENT OF AVIATION

PREMISES SUMMARY #2 Interim Milestone Terminal 1 including Concourses B & C

Airline	Baggage Claim	Baggage Makeup	Check-In	Club	Holdroom	Post-Security Operations	Discounted Post-Security Operations	Pre-Security Operations	TOTAL	Gate Linear Frontage
Domestic Common Use	-	-	-	-	-	-	-	-	-	-
Int'l Common Use	-	-	-	-	-	-	-	-	-	-
Joint Use	-	-	-	-	-	-	-	-	-	-
Aer Lingus	-	-	-	-	-	-	-	-	-	-
Aeromexico	-	-	-	-	-	-	-	-	-	-
Air Canada	-	-	-	-	-	-	-	-	-	-
Air France	-	-	-	-	-	-	-	-	-	-
Air India	-	-	-	-	-	-	-	-	-	-
Alaska	-	-	-	-	-	-	-	-	-	-
Alitalia	-	-	-	-	-	-	-	-	-	-
All Nippon	-	-	-	-	-	-	-	-	-	-
American	-	-	-	-	-	-	-	-	-	-
Asiana	-	-	-	-	-	-	-	-	-	-
Avianca	-	-	-	-	-	-	-	-	-	-
British Airways	-	-	-	-	-	-	-	-	-	-
Cathay Pacific	-	-	-	-	-	-	-	-	-	-
Cayman	-	-	-	-	-	-	-	-	-	-
China Eastern	-	-	-	-	-	-	-	-	-	-
Copa	-	-	-	-	-	-	-	-	-	-
Delta	-	-	-	-	-	-	-	-	-	-
EAS	-	-	-	-	-	-	-	-	-	-
Emirates	-	-	-	-	-	-	-	-	-	-
Etihad	-	-	-	-	-	-	-	-	-	-
EVA	-	-	-	-	-	-	-	-	-	-
Frontier	-	-	-	-	-	-	-	-	-	-
Hainan	-	-	-	-	-	-	-	-	-	-
Iberia	-	-	-	-	-	-	-	-	-	-
Icelandair	-	-	-	-	-	-	-	-	-	-
Interjet	-	-	-	-	-	-	-	-	-	-
Japan Airlines	-	-	-	-	-	-	-	-	-	-
JetBlue	-	-	-	-	-	-	-	-	-	-
KLM	-	-	-	-	-	-	-	-	-	-
Korean	-	-	-	-	-	-	-	-	-	-
LOT	-	-	-	-	-	-	-	-	-	-
Lufthansa Group	-	-	-	-	-	-	-	-	-	-
Norwegian	-	-	-	-	-	-	-	-	-	-
Qatar	-	-	-	-	-	-	-	-	-	-
Royal Jordanian	-	-	-	-	-	-	-	-	-	-
Scandinavian	-	-	-	-	-	-	-	-	-	-
Spirit	-	-	-	-	-	-	-	-	-	-
Turkish	-	-	-	-	-	-	-	-	-	-
United	48,602	225,521	24,405	55,261	112,869	264,801	20,380	9,147	760,986	6,979
Volaris	-	-	-	-	-	-	-	-	-	-
WestJet	-	-	-	-	-	-	-	-	-	-
WOW air	-	-	-	-	-	-	-	-	-	-
TOTAL	48,602	225,521	24,405	55,261	112,869	264,801	20,380	9,147	760,986	6,979

CHICAGO DEPARTMENT OF AVIATION

PREMISES SUMMARY #2 Interim Milestone Terminal 2 including Concourse E & F

Airline	Baggage Claim	Baggage Makeup	Check-In	Club	Holdroom	Post-Security Operations	Discounted Post-Security Operations	Pre-Security Operations	TOTAL	Gate Linear Frontage
Domestic Common Use	-	-		-	1,508	-	-	-	1,508	135
Int'l Common Use	-	-	-	-	-	-	-	-	-	-
Joint Use	13,820	1,821	-	-	-	-	-	-	15,641	-
Aer Lingus	-	-	-	-	-	-	-	-	-	-
Aeromexico	-	-	-	-	-	-	-	-	-	-
Air Canada	4,333	98	2,313	-	3,065	1,729	-	1,370	12,908	285
Air France	-	-	-	-	-	-	-	-	-	-
Air India	-	-	-	-	-	-	-	-	-	-
Alaska	JU	JU	1,096	-	2,909	2,000	-	1,611	7,616	307
Alitalia	-	-	-	-	-	-	-	-	-	-
All Nippon	-	-	-	-	-	-	-	-	-	-
American	-	-	-	-	-	-	-	-	-	-
Asiana	-	-	-	-	-	-	-	-	-	-
Avianca	-	-	-	-	-	-	-	-	-	-
British Airways	-	-	-	-	-	-	-	-	-	-
Cathay Pacific	-	-	-	-	-	-	-	-	-	-
Cayman	-	-	-	-	-	-	-	-	-	-
China Eastern	-	-	-	-	-	-	-	-	-	-
Copa	-	-	-	-	-	-	-	-	-	-
Delta	-	-	-	-	-	-	-	-	-	-
EAS	-	-	-	-	-	-	-	-	-	-
Emirates	-	-	-	-	-	-	-	-	-	-
Etihad	-	-	-	-	-	-	-	-	-	-
EVA	-	-	-	-	-	-	-	-	-	-
Frontier	-	-	-	-	-	-	-	-	-	-
Hainan	-	-	-	-	-	-	-	-	-	-
Iberia	-	-	-	-	-	-	-	-	-	-
Icelandair	-	-	-	-	-	-	-	-	-	-
Interjet	-	-	-	-	-	-	-	-	-	-
Japan Airlines	-	-	-	-	-	-	-	-	-	-
JetBlue	-	-	582	-	-	-	-	562	1,144	-
KLM	-	-	-	-	-	-	-	-	-	-
Korean	-	-	-	-	-	-	-	-	-	-
LOT	-	-	-	-	-	-	-	-	-	-
Lufthansa Group	-	-	-	-	-	-	-	-	-	-
Norwegian	-	-	-	-	-	-	-	-	-	-
Qatar	-	-	-	-	-	-	-	-	-	-
Royal Jordanian	-	-	-	-	-	-	-	-	-	-
Scandinavian	-	-	-	-	-	-	-	-	-	-
Spirit	JU	8,195	2,792	-	-	-	-	-	10,987	-
Turkish	-	-	-	-	-	-	-	-	-	-
United	-	20,334	1,004	18,371	46,126	62,779	-	8,043	156,657	3,648
Volaris	-	-	-	-	-	-	-	-	-	-
WestJet	-	-	-	-	-	-	-	-	-	-
WOW air	-	-	-	-	-	-	-	-	-	-
TOTAL	18,153	30,448	7,787	18,371	53,608	66,508	-	11,586	206,461	4,375

CHICAGO DEPARTMENT OF AVIATION

PREMISES SUMMARY #2 Interim Milestone Terminal 3 including Concourses G, H, K, L

Airline	Baggage Claim	Baggage Makeup	Check-In	Club	Holdroom	Post-Security Operations	Discounted Post-Security Operations	Pre-Security Operations	TOTAL	Gate Linear Frontage
Domestic Common Use	-	-	-	-	5,395	-	-	-	5,395	439
Int'l Common Use	-	-	-	-	-	-	-	-	-	-
Joint Use	-	-	-	-	-	-	-	-	-	-
Aer Lingus	-	-	-	-	-	-	-	-	-	-
Aeromexico	-	-	-	-	-	-	-	-	-	-
Air Canada	-	-	-	-	-	-	-	-	-	-
Air France	-	-	-	-	-	-	-	-	-	-
Air India	-	-	-	-	-	-	-	-	-	-
Alaska	-	-	-	-	-	-	-	-	-	-
Alitalia	-	-	-	-	-	-	-	-	-	-
All Nippon	-	-	-	-	-	-	-	-	-	-
American	38,684	174,561	19,391	62,723	128,673	225,152	13,077	30,918	693,179	8,740
Asiana	-	-	-	-	-	-	-	-	-	-
Avianca	-	-	-	-	-	-	-	-	-	-
British Airways	-	-	-	-	-	-	-	-	-	-
Cathay Pacific	-	-	-	-	-	-	-	-	-	-
Cayman	-	-	-	-	-	-	-	-	-	-
China Eastern	-	-	-	-	-	-	-	-	-	-
Copa	-	-	-	-	-	-	-	-	-	-
Delta	-	-	-	-	-	-	-	-	-	-
EAS	-	-	-	-	-	-	-	-	-	-
Emirates	-	-	-	-	-	-	-	-	-	-
Etihad	-	-	-	-	-	-	-	-	-	-
EVA	-	-	-	-	-	-	-	-	-	-
Frontier	-	-	-	-	-	-	-	-	-	-
Hainan	-	-	-	-	-	-	-	-	-	-
Iberia	-	-	-	-	-	-	-	-	-	-
Icelandair	-	-	-	-	-	-	-	-	-	-
Interjet	-	-	-	-	-	-	-	-	-	-
Japan Airlines	-	-	-	-	-	-	-	-	-	-
JetBlue	-	-	-	-	838	1,026	-	-	1,864	151
KLM	-	-	-	-	-	-	-	-	-	-
Korean	-	-	-	-	-	-	-	-	-	-
LOT	-	-	-	-	-	-	-	-	-	-
Lufthansa Group	-	-	-	-	-	-	-	-	-	-
Norwegian	-	-	-	-	-	-	-	-	-	-
Qatar	-	-	-	-	-	-	-	-	-	-
Royal Jordanian	-	-	-	-	-	-	-	-	-	-
Scandinavian	-	-	-	-	-	-	-	-	-	-
Spirit	-	-	-	-	7,265	11,355	-	1,510	20,130	597
Turkish	-	-	-	-	-	-	-	-	-	-
United	-	-	-	-	-	-	-	-	-	-
Volaris	-	-	-	-	-	-	-	-	-	-
WestJet	-	-	-	-	-	-	-	-	-	-
WOW air	-	-	-	-	-	-	-	-	-	-
TOTAL	38,684	174,561	19,391	62,723	142,171	237,533	13,077	32,428	720,568	9,927

PREMISES SUMMARY #2 Interim Milestone Terminal 5

CHICAGO DEPARTMENT OF AVIATION

Airline	Baggage Claim	Baggage Makeup	Check-In	Club	Holdroom	Post-Security Operations	Discounted Post-Security Operations	Pre-Security Operations	TOTAL	Gate Linear Frontage
Domestic Common Use	7,000	10,000	2,202	-	-	-	-	-	19,202	-
Int'l Common Use	-	100,557	28,993	-	34,120	-	-	-	163,670	4,261
Joint Use	-	-	-	-	-	-	-	-	-	-
Aer Lingus	-	-	-	-	-	73	-	-	73	-
Aeromexico	-	-	-	-	-	587	-	1,088	1,675	-
Air Canada	-	-	-	-	-	-	-	-	-	-
Air France	-	-	-	2,885	-	460	-	568	3,913	-
Air India	-	-	-	-	-	-	-	1,405	1,405	-
Alaska	-	-	-	-	-	-	-	-	-	-
Alitalia	-	-	-	-	-	193	-	272	465	-
All Nippon	-	-	-	-	-	792	-	2,040	2,832	-
American	-	255	3,149	-	-	6,569	-	645	10,618	-
Asiana	-	-	-	-	-	-	-	1,062	1,062	-
Avianca	-	-	-	-	-	-	-	733	733	-
British Airways	-	-	-	8,600	-	2,440	-	1,605	12,645	-
Cathay Pacific	-	-	-	-	-	-	-	983	983	-
Cayman	-	-	-	-	-	-	-	363	363	-
China Eastern	-	-	-	-	-	-	-	965	965	-
Copa	-	-	-	-	-	-	-	610	610	-
Delta	-	-	4,155	21,000	19,525	21,000	-	4,484	70,164	1,238
EAS	-	-	-	-	500	-	-	150	650	132
Emirates	-	-	-	-	-	-	-	983	983	-
Etihad	-	-	-	-	-	1,498	-	1,511	3,009	-
EVA	-	-	-	-	-	-	-	813	813	-
Frontier	-	-	-	-	-	2,317	-	1,100	3,417	-
Hainan	-	-	-	-	-	-	-	717	717	-
Iberia	-	-	-	-	-	-	-	-	-	-
Icelandair	-	-	-	-	-	-	-	137	137	-
Interjet	-	-	-	-	-	-	-	527	527	-
Japan Airlines	-	-	-	-	-	-	-	-	-	-
JetBlue	-	-	-	-	-	-	-	-	-	-
KLM	-	-	-	-	-	-	-	1,052	1,052	-
Korean	-	-	-	-	-	-	-	2,203	2,203	-
LOT	-	-	-	-	-	-	-	735	735	-
Lufthansa Group	-	-	-	6,677	-	2,665	-	2,031	11,373	-
Norwegian	-	-	-	-	-	-	-	-	-	-
Qatar	-	-	-	-	-	-	-	1,490	1,490	-
Royal Jordanian	-	-	-	-	-	788	-	479	1,267	-
Scandinavian	-	-	-	2,116	-	-	-	736	2,852	-
Spirit	-	-	-	-	-	-	-	-	-	-
Turkish	-	-	-	-	-	392	-	575	967	-
United	-	224	2,387	-	-	12,908	-	-	15,519	-
Volaris	-	-	-	-	-	-	-	719	719	-
WestJet	-	-	-	-	-	-	-	125	125	-
WOW air	-	-	-	-	-	-	-	501	501	-
TOTAL	7,000	111,036	40,886	41,278	54,145	52,682	-	33,407	340,434	5,631

CHICAGO DEPARTMENT OF AVIATION

PREMISES SUMMARY by Completion of TAP Phase 1 Terminal 1 including S1 & S2

Airline	Baggage Claim	Baggage Makeup	Check-In	Club	Holdroom	Post-Security Operations	Discounted Post-Security Operations	Pre-Security Operations	TOTAL	Gate Linear Frontage
Domestic Common Use	-	-	-	-	-	-	-	-	-	-
Int'l Common Use	-	-	-	-	-	-	-	-	-	-
Joint Use	-	-	-	-	-	-	-	-	-	-
Aer Lingus	-	-	-	-	-	-	-	-	-	-
Aeromexico	-	-	-	-	-	-	-	-	-	-
Air Canada	-	-	-	-	-	-	-	-	-	-
Air France	-	-	-	-	-	-	-	-	-	-
Air India	-	-	-	-	-	-	-	-	-	-
Alaska	-	-	-	-	-	-	-	-	-	-
Alitalia	-	-	-	-	-	-	-	-	-	-
All Nippon	-	-	-	-	-	-	-	-	-	-
American	-	-	-	-	-	-	-	-	-	-
Asiana	-	-	-	-	-	-	-	-	-	-
Avianca	-	-	-	-	-	-	-	-	-	-
British Airways	-	-	-	-	-	-	-	-	-	-
Cathay Pacific	-	-	-	-	-	-	-	-	-	-
Cayman	-	-	-	-	-	-	-	-	-	-
China Eastern	-	-	-	-	-	-	-	-	-	-
Copa	-	-	-	-	-	-	-	-	-	-
Delta	-	-	-	-	-	-	-	-	-	-
EAS	-	-	-	-	-	-	-	-	-	-
Emirates	-	-	-	-	-	-	-	-	-	-
Etihad	-	-	-	-	-	-	-	-	-	-
EVA	-	-	-	-	-	-	-	-	-	-
Frontier	-	-	-	-	-	-	-	-	-	-
Hainan	-	-	-	-	-	-	-	-	-	-
Iberia	-	-	-	-	-	-	-	-	-	-
Icelandair	-	-	-	-	-	-	-	-	-	-
Interjet	-	-	-	-	-	-	-	-	-	-
Japan Airlines	-	-	-	-	-	-	-	-	-	-
JetBlue	-	-	-	-	-	-	-	-	-	-
KLM	-	-	-	-	-	-	-	-	-	-
Korean	-	-	-	-	-	-	-	-	-	-
LOT	-	-	-	-	-	-	-	-	-	-
Lufthansa Group	-	-	-	-	-	-	-	-	-	-
Norwegian	-	-	-	-	-	-	-	-	-	-
Qatar	-	-	-	-	-	-	-	-	-	-
Royal Jordanian	-	-	-	-	-	-	-	-	-	-
Scandinavian	-	-	-	-	-	-	-	-	-	-
Spirit	-	-	-	-	-	-	-	-	-	-
Turkish	-	-	-	-	-	-	-	-	-	-
United	50,000	375,000	-	80,000	300,000	400,000	30,000	9,000	########	TBD
Volaris	-	-	-	-	-	-	-	-	-	-
WestJet	-	-	-	-	-	-	-	-	-	-
WOW air	-	-	-	-	-	-	-	-	-	-
TOTAL	50,000	375,000	-	80,000	300,000	400,000	30,000	9,000	########	TBD

CHICAGO DEPARTMENT OF AVIATION

PREMISES SUMMARY by Completion of TAP Phase 1 Terminal 2 including OGT & OGC

Airline	Baggage Claim	Baggage Makeup	Check-In	Club	Holdroom	Post-Security Operations	Discounted Post-Security Operations	Pre-Security Operations	TOTAL	Gate Linear Frontage
Domestic Common Use	-	-	TBD	-	1,508	-	-	-	1,508	TBD
Int'l Common Use	-	-	-	-	-	-	-	-	-	-
Joint Use	13,820	1,821	-	-	-	-	-	-	15,641	-
Aer Lingus	-	-	-	-	-	-	-	-	-	-
Aeromexico	-	-	-	-	-	-	-	-	-	-
Air Canada	4,333	98	2,313	-	3,065	1,729	-	1,370	12,908	TBD
Air France	-	-	-	-	-	-	-	-	-	-
Air India	-	-	-	-	-	-	-	-	-	-
Alaska	-	-	-	-	-	-	-		-	-
Alitalia	-	-	-	-	-	-	-	-	-	-
All Nippon	-	-	-	-	-	-	-	-	-	-
American	-	497,000	20,000	50,000	77,135	62,000	-	-	706,135	TBD
Asiana	-	-	-	-	-	-	-	-	-	-
Avianca	-	-	-	-	-	-	-	-	-	-
British Airways	-	-	-	-	-	-	-	-	-	-
Cathay Pacific	-	-	-	-	-	-	-	-	-	-
Cayman	-	-	-	-	-	-	-	-	-	-
China Eastern	-	-	-	-	-	-	-	-	-	-
Copa	-	-	-	-	-	-	-	-	-	-
Delta	-	-	-	-	-	-	-	-	-	-
EAS	-	-	-	-	-	-	-	-	-	-
Emirates	-	-	-	-	-	-	-	-	-	-
Etihad	-	-	-	-	-	-	-	-	-	-
EVA	-	-	-	-	-	-	-	-	-	-
Frontier	-	-	-	-	-	-	-	-	-	-
Hainan	-	-	-	-	-	-	-	-	-	-
Iberia	-	-	-	-	-	-	-	-	-	-
Icelandair	-	-	-	-	-	-	-	-	-	-
Interjet	-	-	-	-	-	-	-	-	-	-
Japan Airlines	-	-	-	-	-	-	-	-	-	-
JetBlue	-	-	-	-	-	-	-	-	-	-
KLM	-	-	-	-	-	-	-	-	-	-
Korean	-	-	-	-	-	-	-	-	-	-
LOT	-	-	-	-	-	-	-	-	-	-
Lufthansa Group	-	-	-	-	-	-	-	-	-	-
Norwegian	-	-	-	-	-	-	-	-	-	-
Qatar	-	-	-	-	-	-	-	-	-	-
Royal Jordanian	-	-	-	-	-	-	-	-	-	-
Scandinavian	-	-	-	-	-	-	-	-	-	-
Spirit	-	8,195	2,792	-	-	-	-	-	10,987	-
Turkish	-	-	-	-	-	-	-	-	-	-
United	5,000	-	27,000	20,846	-	2,000	-	2,000	56,846	TBD
Volaris	-	-	-	-	-	-	-	-	-	-
WestJet	-	-	-	-	-	-	-	-	-	-
WOW air	-	-	-	-	-	-	-	-	-	-
TOTAL	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD

PREMISES SUMMARY by Completion of TAP Phase 1 Terminal 3 including Concourses G, H, K, L

Airline	Baggage Claim	Baggage Makeup	Check-In	Club	Holdroom	Post-Security Operations	Discounted Post-Security Operations	Pre-Security Operations	TOTAL	Gate Linear Frontage
Domestic Common Use	-	-	-	-	5,395	-	-	-	5,395	TBD
Int'l Common Use	-	-	-	-	-	-	-	-	-	-
Joint Use	-	-	-	-	-	-	-	-	-	-
Aer Lingus	-	-	-	-	-	-	-	-	-	-
Aeromexico	-	-	-	-	-	-	-	-	-	-
Air Canada	-	-	-	-	-	-	-	-	-	-
Air France	-	-	-	-	-	-	-	-	-	-
Air India	-	-	-	-	-	-	-	-	-	-
Alaska	-	-	-	-	-	-	-	-	-	-
Alitalia	-	-	-	-	-	-	-	-	-	-
All Nippon	-	-	-	-	-	-	-	-	-	-
American	38,684	(94)	19,391	62,723	136,776	226,178	13,077	32,428	529,163	TBD
Asiana	-	-	-	-	-	-	-	-	-	-
Avianca	-	-	-	-	-	-	-	-	-	-
British Airways	-	-	-	-	-	-	-	-	-	-
Cathay Pacific	-	-	-	-	-	-	-	-	-	-
Cayman	-	-	-	-	-	-	-	-	-	-
China Eastern	-	-	-	-	-	-	-	-	-	-
Copa	-	-	-	-	-	-	-	-	-	-
Delta	-	-	-	-	-	-	-	-	-	-
EAS	-	-	-	-	-	-	-	-	-	-
Emirates	-	-	-	-	-	-	-	-	-	-
Etihad	-	-	-	-	-	-	-	-	-	-
EVA	-	-	-	-	-	-	-	-	-	-
Frontier	-	-	-	-	-	-	-	-	-	-
Hainan	-	-	-	-	-	-	-	-	-	-
Iberia	-	-	-	-	-	-	-	-	-	-
Icelandair	-	-	-	-	-	-	-	-	-	-
Interjet	-	-	-	-	-	-	-	-	-	-
Japan Airlines	-	-	-	-	-	-	-	-	-	-
JetBlue	-	-	-	-	-	-	-	-	-	-
KLM	-	-	-	-	-	-	-	-	-	-
Korean	-	-	-	-	-	-	-	-	-	-
LOT	-	-	-	-	-	-	-	-	-	-
Lufthansa Group	-	-	-	-	-	-	-	-	-	-
Norwegian	-	-	-	-	-	-	-	-	-	-
Qatar	-	-	-	-	-	-	-	-	-	-
Royal Jordanian	-	-	-	-	-	-	-	-	-	-
Scandinavian	-	-	-	-	-	-	-	-	-	-
Spirit	-	-	-	-	-	-	-	-	-	-
Turkish	-	-	-	-	-	-	-	-	-	-
United	-	-	-	-	-	-	-	-	-	-
Volaris	-	-	-	-	-	-	-	-	-	-
WestJet	-	-	-	-	-	-	-	-	-	-
WOW air	-	-	-	-	-	-	-	-	-	-
TOTAL	38,684	(94)	19,391	62,723	142,171	226,178	13,077	32,428	534,558	TBD

CHICAGO DEPARTMENT OF AVIATION

PREMISES SUMMARY by Completion of TAP Phase 1 Terminal 5

Airline	Baggage Claim	Baggage Makeup	Check-In	Club	Holdroom	Post-Security Operations	Discounted Post-Security Operations	Pre-Security Operations	TOTAL	Gate Linear Frontage
Domestic Common Use	14,000	20,000	2,202	-	-	-	-	-	36,202	TBD
Int'l Common Use	-	100,557	21,993	-	19,145	-	-	-	141,695	TBD
Joint Use	-	-	-	-	-	-	-	-	-	-
Aer Lingus	-	-	-	-	-	73	-	-	73	-
Aeromexico	-	-	-	-	-	587	-	1,088	1,675	-
Air Canada	-	-	-	-	-	-	-	-	-	-
Air France	-	-	-	2,885	-	460	-	568	3,913	-
Air India	-	-	-	-	-	-	-	1,405	1,405	-
Alaska	-	-	2,000	-	10,000	2,600	-	1,000	15,600	TBD
Alitalia	-	-	-	-	-	193	-	272	465	-
All Nippon	-	-	-	-	-	-	-	-	-	-
American	-	-	-	-	-	-	-	-	-	-
Asiana	-	-	-	-	-	-	-	-	-	-
Avianca	-	-	-	-	-	-	-	733	733	-
British Airways	-	-	-	-	-	-	-	-	-	-
Cathay Pacific	-	-	-	-	-	-	-	-	-	-
Cayman	-	-	-	-	-	-	-	363	363	-
China Eastern	-	-	-	-	-	-	-	-	-	-
Copa	-	-	-	-	-	-	-	610	610	-
Delta	-	-	4,155	21,000	19,525	21,000	-	4,484	70,164	TBD
EAS	-	-	-	-	500	-	-	150	650	TBD
Emirates	-	-	-	-	-	-	-	983	983	-
Etihad	-	-	-	-	-	1,498	-	1,511	3,009	-
EVA	-	-	-	-	-	-	-	813	813	-
Frontier	-	-	-	-	-	2,317	-	1,100	3,417	-
Hainan	-	-	-	-	-	-	-	717	717	-
Iberia	-	-	-	-	-	-	-	-	-	-
Icelandair	-	-	-	-	-	-	-	137	137	-
Interjet	-	-	-	-	-	-	-	527	527	-
Japan Airlines	-	-	-	-	-	-	-	-	-	-
JetBlue	-	-	1,000	-	5,000	1,000	-	500	7,500	TBD
KLM	-	-	-	-	-	-	-	1,052	1,052	-
Korean	-	-	-	-	-	-	-	2,203	2,203	-
LOT	-	-	-	-	-	-	-	735	735	-
Lufthansa Group	-	-	-	-	-	-	-	-	-	-
Norwegian	-	-	-	-	-	-	-	-	-	-
Qatar	-	-	-	-	-	-	-	1,490	1,490	-
Royal Jordanian	-	-	-	-	-	788	-	479	1,267	-
Scandinavian	-	-	-	2,116	-	-	-	736	2,852	-
Spirit	-	-	4,000	-	25,000	7,000	-	8,000	44,000	TBD
Turkish	-	-	-	-	-	392	-	575	967	-
United	-	-	-	-	-	-	-	-	-	-
Volaris	-	-	-	-	-	-	-	719	719	-
WestJet	-	-	-	-	-	-	-	125	125	-
WOW air	-	-	-	-	-	-	-	501	501	-
TOTAL	14,000	120,557	35,350	26,001		37,908	-	33,576	346,562	-

CHICAGO DEPARTMENT OF AVIATION

Exhibit F
Affiliate Operating Agreement

O'HARE INTERNATIONAL AIRPORT
AFFILIATE OPERATING AGREEMENT

ARTICLE 1

SCOPE OF AGREEMENT

This Agreement between the City of Chicago ("City") and [Affiliate] ("Affiliate") grants to Affiliate certain rights to use facilities to conduct its Air Transportation Business as an Affiliate of [Signatory Airline] ("Signatory Airline") at O'Hare International Airport ("Airport"). The Airline Use and Lease Agreement between the City and Signatory Airline ("Signatory Airline Agreement") gives Signatory Airline the opportunity to designate one or more Affiliates if certain conditions are met. The intent of this Agreement is to adopt by reference various specified provisions of the Signatory Airline Agreement, and make them applicable to Affiliate. If a provision of the Signatory Airline Agreement is not specified below, it shall not apply to Affiliate. In consideration of these benefits, Affiliate agrees to abide by all of the terms and conditions of this Agreement.

ARTICLE 2

DEFINITIONS

All capitalized terms used in this Agreement, if not defined within this Agreement, shall have the meanings specified in Article 1, "Definitions," of the Signatory Airline Agreement.

ARTICLE 3

TERM OF AGREEMENT

3.01 **Effective Date**. This Agreement shall take effect as of the date specified in the "Designation of Affiliate" form attached as **Attachment 1** and made a part hereof.

3.02 **Termination Date**. This Agreement shall terminate as of the earliest of (a) the expiration or earlier termination of the Signatory Airline Agreement; (b) the termination date of this Agreement due to default as provided in Article ARTICLE 15 below; (c) the effective date of Signatory Airline's termination of Affiliate's status as an Affiliate of the Signatory Airline in accordance with Section 6.4 of the Signatory Airline Agreement; or (d) the date on which Affiliate becomes a Signatory Airline under the Signatory Airline Agreement at the Airport and terminates this Agreement in accordance with Section 6.4 of the Signatory Airline Agreement.

ARTICLE 4

USE OF THE AIRPORT

4.01 **General Rights, Privileges, Exclusions and Obligations**. For the operation of Affiliate's Air Transportation Business as an Affiliate of Signatory Airline, Affiliate shall have

the same rights of use as the Signatory Airline under Article 3, "Uses, Rights and Privileges," of the Signatory Airline Agreement and shall be subject to the same exclusions and conditions applicable to Signatory Airline under Section 3.8 of the Signatory Airline Agreement.

ARTICLE 5

USE OF SIGNATORY AIRLINE PREMISES

Affiliate shall have the same rights to use Signatory Airline's Premises, as designated and described in Section 4.1 of the Signatory Airline Agreement, at times and locations within the Premises specified by Signatory Airline, and shall be bound by and subject to the same reallocation, accommodation, and other provisions under Article 5, "Assignment and Use of Space," of the Signatory Airline Agreement that may affect Signatory Airline's rights to and use of the Premises.

ARTICLE 6

AFFILIATE'S REPORTING AND PAYMENT OBLIGATIONS

Affiliate shall comply with and remain subject to Article 6, "Affiliates and Alliance Partners," of the Signatory Airline Agreement, including but not limited to the requirements to report and pay to the City all PFCs that Affiliate collects for enplaning passengers at the Airport (unless Signatory Airline pays such PFCs for Affiliate), and to remain, with Signatory Airline, jointly and severally liable to the City for payment of all Airport Fees and Charges, and other charges (including PFCs) and for submission of all Monthly Activity Reports that are due to the City for Affiliate's use of any Airport facilities or services as an Affiliate of Signatory Airline, which obligations are described in Articles 8 and 9 of the Signatory Airline Agreement.

If Affiliate executes and delivers to the City an Airline Use and Lease Agreement in substantially the same form as the Signatory Airline Agreement, and thus itself becomes a "Signatory Airline," Affiliate shall immediately terminate its status as an Affiliate of Signatory Airline by written notice to the City; provided, however, that unless otherwise agreed to in writing by Signatory Airline and the City, Affiliate shall remain responsible to Signatory Airline and the City for all payment and other obligations that survive termination of this Agreement.

ARTICLE 7

SUBORDINATION TO BOND INDENTURE

Affiliate shall be subject to and bound by Section 7.2 of the Signatory Airline Agreement.

ARTICLE 8

CALCULATION OF RATES AND CHARGES

The Airport Fees and Charges due to the City for Affiliate's use of the Airport facilities and services as an Affiliate of Signatory Airline shall be calculated in accordance with Article 8, "Calculations of Rates and Charges," of the Signatory Airline Agreement; provided, however, that Affiliate's activity as an Affiliate of Signatory Airline shall be treated as activity of Signatory Airline. Affiliate shall be subject to and bound by the PFC requirements in Sections 16.5 and 16.6 of the Signatory Airline Agreement.

The Airport Fees and Charges and other charges (including PFCs) due to the City for Affiliate's use of the Airport as an Affiliate of Signatory Airline shall be adjusted as provided in Sections 8.17 and 8.18 of the Signatory Airline Agreement.

ARTICLE 9

ACTIVITY REPORTS

Monthly Activity Reports detailing Affiliate's use of any Airport facilities or Services as an Affiliate of Signatory Airline shall be prepared by Affiliate or Signatory Airline and submitted to the City by Affiliate or Signatory Airline on behalf of Affiliate, as required by Section 6.1.3 of the Signatory Airline Agreement and in accordance with Section 8.20 of the Signatory Airline Agreement.

ARTICLE 10

PAYMENTS AND AUDIT

Payments of Airport Fees and Charges (including PFCs) due to the City on account of Affiliate's use of any Airport facilities or services as an Affiliate of Signatory Airline shall be made to the City by [check one]:

☐ Affiliate

☐ Signatory Airline on behalf of Affiliate

pursuant to the requirements of Article 8, "Calculations of Rates and Charges," and Article 9, "Payment of Rentals, Fees and Charges and Security Deposit" of the Signatory Airline Agreement. Affiliate shall be subject to the recordkeeping and audit requirements of Section 9.5 of the Signatory Airline Agreement.

ARTICLE 11

CAPITAL IMPROVEMENT PROJECTS

Article 10, "Capital Improvement Projects," of the Signatory Airline Agreement shall not apply to Affiliate.

ARTICLE 12

OPERATIONS AND MAINTENANCE

Affiliate shall conduct its Air Transportation Business as an Affiliate of Signatory Airline in a manner consistent with Signatory Airline's obligations under Article 11, "Additional Obligations of the Airline and the City," of the Signatory Airline Agreement.

ARTICLE 13

INDEMNIFICATION AND INSURANCE

Affiliate shall be subject to and bound by Article 13, "Indemnification and Insurance," of the Signatory Airline Agreement.

ARTICLE 14

ENVIRONMENTAL MATTERS

Affiliate shall be subject to and bound by Article 14, "Environmental Matters," of the Signatory Airline Agreement, including without limitation the same obligation to indemnify the City as provided in Section 14.7 of the Signatory Airline Agreement.

ARTICLE 15

DEFAULT AND TERMINATION

Affiliate shall be subject to and bound by Article 17, "Default, Termination and Change of Lease Term," of the Signatory Airline Agreement.

ARTICLE 16

SURRENDER AND HOLDING OVER

Section 4.5, "Surrender and Removal of Personal Property," and Section 4.6, "Hold Over," of the Signatory Airline Agreement shall not apply to Affiliate.

ARTICLE 17

ASSIGNMENT AND SUBLETTING

Section 4.2, "Assignment and Subletting," of the Signatory Airline Agreement shall not apply to Affiliate. Affiliate shall have no right to assign or transfer this Agreement or sublet the whole or any portion of the Premises leased to the Signatory Airline.

ARTICLE 18

COMPLIANCE WITH LAWS AND RULES

Affiliate shall be subject to and bound by Article 16, "Compliance With Laws and Rules," of the Signatory Airline Agreement.

ARTICLE 19

GENERAL PROVISIONS; NOTICE

Affiliate shall be subject to and bound by Article 18, "General Provisions," of the Signatory Airline Agreement, including without limitation the notice provisions in Section 18.4.

IN WITNESS WHEREOF, the parties intending to be legally bound have executed this Affiliate Operating Agreement this ____ day of _____ 20__.

CITY OF CHICAGO, an Illinois municipal corporation	[AFFILIATE]
By: _____ Name: _____ Title: _____	By: _____ Name: _____ Title: _____

Attachment 1 to Exhibit F Affiliate Operating Agreement

DESIGNATION OF AFFILIATE

[Airline] ("Airline"), a Signatory Airline under the Airline Use and Lease Agreement ("Signatory Airline Agreement") with the City of Chicago ("City"), dated as of [ ], hereby designates [Affiliate] ("Affiliate") as its Affiliate at O'Hare International Airport ("Airport") in accordance with and subject to Article 6 of the Signatory Airline Agreement. All capitalized terms not otherwise defined herein shall have the meanings specified in Article 1, "Definitions," of the Signatory Airline Agreement.

1. This designation is effective as of _____, 20__.

2. (a) Airline hereby represents to the City that Affiliate [check at least one]:

- ☐ is a parent or subsidiary, or a subsidiary of the parent company, of Airline, or is under the same parental control of Airline; or
- ☐ operates flights under an International Transport Association ("IATA") flight designator code of Airline; or
- ☐ otherwise operates under essentially the same trade name as Airline and uses essentially the same livery as Airline; or
- ☐ operates cargo feeder flights at the Airport under the direction and control of Airline.

(b) No Passenger Carrier that sells tickets to passengers under its own trade name and flight number at the Airport shall be classified as an Affiliate of another Passenger Carrier unless the Affiliate (i) is a parent or subsidiary, or a subsidiary of the parent company, of the Airline, or is under the same parental control as the Airline, or (ii) otherwise operates under essentially the same trade name as the Airline and uses essentially the same livery as the Airline.

Does Affiliate sell tickets to passengers under its own trade name and flight number at the Airport? [Circle one] Yes / No

If so, does either clause 2(b)(i) or 2(b)(ii) above define the relationship between Airline and Affiliate? [Circle one] Yes / No

(c) No Signatory Airline under the Airport Use and Lease Agreement shall be classified as an Affiliate of another Signatory Airline.

3. Affiliate has executed and delivered to the City an Affiliate Operating Agreement as required by Section 6.1.1 of the Signatory Airline Agreement.

4. Airline hereby confirms and agrees that [check one]:

- ☐ Airline

☐ Affiliate

will pay to the City all Airport Fees and Charges, and other charges due to the City for Affiliate's use of the Airport as an Affiliate of Airline, and will submit to the City the activity reports required by Article 8 of the Signatory Airline Agreement.

5. Airline hereby confirms and agrees that [check one]:

☐ Airline

☐ Affiliate

will pay to the City all PFCs collected for Affiliate's emplaning passengers at the Airport.

6. Airline confirms and agrees that it shall remain, with Affiliate, jointly and severally liable to the City for the payment of all Airport Fees and Charges, and other charges (including PFCs) and the submission of all activity reports due to the City for Affiliate's use of any Airport facilities or Airport services as an Affiliate of Airline.

[Airline]

By: _____, Airline's authorized representative

Name: _____

Title: _____

Date: _____

CHICAGO DEPARTMENT OF AVIATION

Exhibit G
Alliance Partner Designation Form

DESIGNATION OF ALLIANCE PARTNER

[Airline] ("Airline"), a Signatory Airline under the Airline Use and Lease Agreement ("Signatory Airline Agreement") with the City of Chicago ("City"), dated as of [ ], hereby designates [Alliance Partner] ("Alliance Partner") as its Alliance Partner at O'Hare International Airport ("Airport") in accordance with and subject to Article 6 of the Signatory Airline Agreement.

1. This designation is effective as of _____, 20__.

2. Airline hereby represents to the City that Alliance Partner is a member of the same Airline Alliance as Airline.

Name of Airline Alliance: _____

3. As required by Section 6.5 of the Signatory Airline Agreement, Airline has attached hereto publicly available documentation demonstrating that the aforementioned Airline Alliance is active.

4. Alliance Partner is either a Signatory Airline under the Signatory Airline Agreement or has executed and delivered to the City a Non-Affiliate/Non-Signatory Operating Agreement.

[Airline]

By: _____, Airline's authorized representative

Name: _____

Title: _____

Date: _____

Attachment(s) [ ] – See Paragraph 3.

CHICAGO DEPARTMENT OF AVIATION

Exhibit H
Non-Signatory Airline Operating Agreement

CITY OF CHICAGO

NON-SIGNATORY AIRLINE OPERATING AGREEMENT

_____, 201_ – _____, 20__

AIRLINE:

_____

O'HARE INTERNATIONAL AIRPORT

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This NON-SIGNATORY AIRLINE OPERATING AGREEMENT ("Agreement") is made by and between the **City of Chicago** (the "City"), a municipal corporation of the State of Illinois, and _____ ("Airline"), a corporation organized and existing under the laws of the State of _____ and authorized to do business in the State of Illinois.

Article 1

DEFINITIONS

1.1 Definitions

The following words, terms and phrases shall, for purposes of this Agreement, have the following meanings. Capitalized words, terms and phrases not defined in this Agreement shall have the meanings ascribed to them in the Signatory Airline Use and Lease Agreement.

"**AAAC**" or "**Airline Airport Affairs Committee**" means the Airline Airport Affairs Committee consisting of a representative designated by each Signatory Airline operating at the Airport.

"**Activity-Based Terminal Charges**" means Terminal Charges calculated under Sections 8.10 and 8.11 of the Signatory Airline Use and Lease Agreement.

"**Affiliate**" means an Air Carrier providing air service at the Airport that has executed an Affiliate Operating Agreement and has been properly designated as an Affiliate by a Signatory Airline in accordance with Section 6.1 of the Signatory Airline Use and Lease Agreement and either (a) is a parent or subsidiary of the designating Signatory Airline or a subsidiary of said Signatory Airline's parent company or under the same parental control as said Signatory Airline, or (b) meets one or more of the following conditions:

(i) operates flights under an International Air Transport Association ("IATA") flight designator code of the designating Signatory Airline; or

(ii) otherwise operates under essentially the same trade name of the designating Signatory Airline and uses essentially the same livery as said Signatory Airline; or

(iii) operates cargo feeder flights at the Airport under the direction and control of the designating Signatory Airline;

provided, however, that an Air Carrier's Affiliate status under clause (b) shall be limited to the extent the Air Carrier is operating flights on behalf of the designating Signatory Airline.

"**Agreement**" means this Non-Signatory Airline Operating Agreement, together with its Exhibits, as hereafter amended or supplemented from time to time in accordance with its terms.

"**Air Carrier**" means a carrier certificated by the Secretary of the U.S. Department of Transportation as a Passenger Carrier under 49 U.S.C. § 41102 or a Cargo Carrier under 49 U.S.C. § 41103.

"**Air Transportation Business**" means that business operated by Airline at the Airport for the commercial transportation by air of persons, property, mail, parcels and/or cargo.

"**Airfield**" means those areas of the Airport that provide for the landing, taking off, taxiing and parking of aircraft, and all facilities, equipment and improvements now or hereafter located thereon, including the runways, taxiways, Apron Areas and facilities at the Airport for the purpose of controlling and assisting arrivals, departures and operations of aircraft using the Airport, such as control towers or other facilities operated and maintained by the FAA or any other federal agency, security fences, service roads, signals, beacons, wind indicators, flood lights, landing lights, boundary lights, construction lights, radio and electronic aids or other aids to operations, navigation or ground control of aircraft whether or not of a type herein mentioned and even though located away from but related to the rest of the Airfield as all such areas, facilities, equipment and improvements may be modified, improved, or enlarged from time to time by the City. The Airfield as of the Effective Date is generally depicted in Exhibit A for illustrative purposes.

"**Airline**" means the Air Carrier named on the signature page hereof.

"**Airline Airport Affairs Committee**" or "**AAAC**" means the Airline Airport Affairs Committee consisting of a representative designated by each Signatory Airline operating at the Airport.

"**Airline Liaison Office**" means an entity designated by the Airline Airport Affairs Committee that provides technical and financial consulting services to the Airport and the Airline Airport Affairs Committee and facilitates airport/airline relations.

"**Airport**" means Chicago O'Hare International Airport, together with any additions thereto, or improvements or enlargements of it, later made, but any land, rights-of-way, or improvements which are now or later owned by or are part of the transportation system operated by the Chicago Transit Authority, or any successor thereto, wherever located within the boundaries of the Airport, are not deemed to be part of the Airport. The Airport as of the Effective Date is generally depicted in Exhibit A for illustrative purposes.

"**Airport Fees and Charges**" means, for any Fiscal Year, all rents, charges and fees payable by all Air Carriers for such Fiscal Year as determined and adjusted pursuant to Article 8 of the Signatory Airline Use and Lease Agreement.

"**Airport Revenue Bonds**" or "**GARBs**" means any bonds, commercial paper notes, credit agreement notes and any other debt obligations of the City, outstanding at any time having a lien on Revenues as provided in the Bond Indenture.

"**Airport Rules**" means, collectively, all rules, procedures, protocols and requirements currently effective and hereinafter amended, adopted or established by the City applicable to Airport operations and users, all of which are incorporated into and made a part of this

Agreement, provided that such Airport Rules do not conflict with applicable provisions of state or federal law or the provisions of this Agreement.

"**Applicable Laws**" means, collectively, all applicable present and future federal, state and local laws, rules, regulations, orders and ordinances, as they may be amended from time to time, whether foreseen or unforeseen, ordinary as well as extraordinary, including without implied limitation those relating to (i) health, sanitation and safety; (ii) the environment, including without limitation the Environmental Laws; (iii) access for persons with disabilities, including without limitation the Americans with Disabilities Act, 42 U.S.C. § 12101 *et seq.*; and (iv) airport security, including without limitation the regulations of the Transportation Security Administration, 49 CFR Parts 1540, 1542, 1544 *et seq.* This Agreement does not constitute a waiver by Airline of whatever rights it may have to challenge a local law, rule, regulation or ordinance on the basis that it is pre-empted by State or Federal law.

"**Apron Areas**" means the paved areas surrounding the Terminal Complex intended for use by Passenger Carriers for aircraft or aircraft servicing equipment, including hardstand positions, and the paved areas available for use in common by or for the benefit of the Cargo Carriers, as all such paved areas may be modified, improved, or enlarged by the City during the Term. The Apron Areas as of the Effective Date are generally depicted in Exhibit B for illustrative purposes.

"**Artwork**" means any work of visual art as defined in Section 101 of the Copyright Act.

"**Associated Party(ies)**" means Airline's employees, contractors, subcontractors, agents, licensees, vendors, invitees (excluding passengers), and any other Air Carrier that Airline expressly authorizes to use its Common Use Facilities (regardless of whether Airline enters into a license with such Air Carrier), and other parties under Airline's direction or control that come onto the Airport arising out of or relating to Airline's use or occupancy of the Airport.

"**Bond Indenture**" means the Master Indenture of Trust Securing Chicago O'Hare International Airport General Airport Revenue Senior Lien Obligations, dated as of September 1, 2012, as the same may be amended, supplemented and restated from time to time, and any ordinance, credit agreement or indenture, or combination thereof adopted or authorized by the City Council of the City authorizing the issuance of notes, bonds or other obligations for the Airport and securing such obligations by a pledge of revenues or net revenues of the Airport, or any ordinance or indenture supplemental thereto.

"**Cargo Carrier**" means a carrier certificated by the Secretary of the U.S. Department of Transportation as a Cargo Carrier under 49 U.S.C. § 41103.

"**CDA**" or "**Department of Aviation**" means the Chicago Department of Aviation or any successor agency thereto.

"**City**" means the City of Chicago, a municipal corporation and home rule unit of local government organized and existing under Article VII, Sections 1 and (6)(a), respectively, of the 1970 Constitution of the State of Illinois.

"**City Equipment**" means moveable or permanent fixtures, furniture, millwork, technology systems, including SET components used by individual Passenger Carriers, and equipment located on or affixed to Airline's Common Use Facilities, or elsewhere at the Airport, purchased, constructed or rented by the City or otherwise provided at the cost or expense of the City which the City makes available for use by Airline subject to Section 3.6 and the City Equipment Charge.

"**City Equipment Charges**" means standardized cost-recovery fees calculated annually by the City for the use of City Equipment.

"**City Indemnified Parties**" means the City, its elected and appointed officials, officers, agents, employees, contractors, consultants and representatives.

"**Claim**" or "**Claims**" means any and all losses, liabilities, penalties, damages of whatever nature, causes of action, suits, claims, demands, judgments, injunctive relief, awards and settlements as described further in Section 13.1.1.

"**Codeshare Partner**" means a Signatory Airline or a Non-Signatory Airline that has entered into a codeshare agreement with a Signatory Airline that covers all the flights that the Codeshare Partner operates at the Airport.

"**Commissioner**" means the Commissioner of the Department of Aviation, her or his designee, or any successor to the duties of such official.

"**Common Use Baggage Claim Space**" means the Baggage Claim Space in the Terminal Complex designated by the Commissioner to be used in common by Passenger Carriers for arriving domestic flights or arriving international flights not carrying FIS Users, as it may be adjusted from time to time, all as shown in Exhibit B as of the Effective Date.

"**Common Use Baggage Make-up Space**" means the Baggage Make-up Space in the Terminal Complex designated by the Commissioner to be used in common by Passenger Carriers, as it may be adjusted from time to time, all as shown in Exhibit B as of the Effective Date.

"**Common Use Check-in Space**" means Check-in Space designated by the Commissioner to be used in common by Passenger Carriers. Common Use Check-in Space may be separately designated by the City as Domestic Common Use Check-in Space and International Common Use Check-in Space, as it may be adjusted from time to time, all as shown in Exhibit B as of the Effective Date.

"**Common Use Gate Space**" means the Gate Space designated by the City in accordance with Article 4 and Article 5 of the Signatory Airline Use and Lease Agreement to be used in common by Passenger Carriers operating at the Airport, and shall not be deemed to include any Preferential Use Gate Space. Common Use Gate Space may be separately designated by the City as Domestic Common Use Gate Space and International Common Use Gate Space, as it may be adjusted from time to time, all as shown in Exhibit B as of the Effective Date.

"**Common Use Facilities**" means those areas within the Terminal Complex, including Common Use Gate Space, Common Use Check-in Space, Common Use Baggage Claim Space and Common Use Baggage Make-up Space, that are made available by the City to one or more Air Carriers, subject to Section 4.1 and as more fully described in the Terminal Complex Space Exhibit. Common Use Facilities may be separately designated by the City as Domestic Common Use Facilities and International Common Use Facilities, as it may be adjusted from time to time, all as shown in Exhibit B as of the Effective Date.

"**Contaminant**" means any of those materials set forth in 415 ILCS 5/3.165, as amended from time to time, that are subject to regulation under any Environmental Law.

"**Contractor**" means a person or firm hired by Airline to act as an agent or independent contractor, whether or not Airline is reimbursed by the City for costs of hiring such person or firm, as well as subcontractors of any such agent or independent contractor, in connection with or pursuant to the performance of any acts or obligations under this Agreement.

"**Copyright Act**" means the U.S. Copyright Act (17 U.S.C. § 101 *et seq.*).

"**Customer Facility Charge**" means the customer facility charge authorized by the Illinois Vehicle Code (625 ILCS 5/6-305), or any successor law or provision, with respect to the Airport.

"**Department of Aviation**" or "**CDA**" means the Chicago Department of Aviation or any successor agency thereto.

"**Discharge**" means an act or omission by which Hazardous Substances or Other Regulated Material, now or in the future, are leaked, spilled, poured, deposited, or otherwise disposed into land, wetlands or Waters, or by which those substances are deposited where, unless controlled or removed, they may drain, seep, run or otherwise enter said land, wetlands or Waters.

"**Dispose**," "**Disposal**" **or** "**Disposing**" and variants thereof mean the discharge, deposit, injection, dumping, spilling, leaking, or placing of any Hazardous Substance or Other Regulated Material into or on any land or water so that such Hazardous Substance or Other Regulated Material or any constituent thereof may enter the environment or be emitted into the air or discharged into any waters, including ground waters.

"**Domestic Common Use Baggage Make-up Space**" means the Baggage Make-up Space in the Terminal Complex designated by the Commissioner to be used in common by Passenger Carriers for processing outbound baggage primarily on domestic flights, as it may be adjusted from time to time, all as shown in Exhibit B as of the Effective Date.

"**Domestic Common Use Check-in Space**" means the Check-in Space designated by the Commissioner to be used in common by Passenger Carriers primarily for domestic passenger check-in, as it may be adjusted from time to time, all as shown in Exhibit B as of the Effective Date.

"**Domestic Common Use Gate Space**" means Domestic Gate Space that the City has designated as Common Use Gate Space in accordance with Article 5 of the Signatory Airline Use and Lease Agreement, as it may be adjusted from time to time, all as shown in Exhibit B as of the Effective Date.

"**Domestic Gate Space**" means any Gate Space that has not been designated as International Gate Space by the City.

"**Effective Date**" means the Effective Date as described in Section 2.1.

"**Environmental Claim**" means any demand, cause of action, proceeding or suit for (a) damages (actual or punitive), injuries to person or property, taking or damaging of property or interests in property without just compensation, nuisance, trespass, damages to natural resources, fines, penalties, interest, or (b) losses, or for the costs of site investigations, feasibility studies, information requests, health or risk assessments, contribution, settlement, or actions to correct, remove, remediate, Respond to, clean up, prevent, mitigate, monitor, evaluate, assess, or abate the Release of a Hazardous Substance or Other Regulated Material, or any other investigative, enforcement, cleanup, removal, containment, remedial, or other private or governmental or regulatory action at any time threatened, instituted, or completed pursuant to any applicable Environmental Law, or (c) to enforce insurance, contribution, or indemnification agreements being made pursuant to a claimed violation or non-compliance with any Environmental Law.

"**Environmental Indemnitees**" has the meaning set forth in Section 14.7.

"**Environmental Law(s)**" means any federal, state, or local law, statute, ordinance, code, rule, permit, plan, regulation, license, authorization, order, or injunction which pertains to health, safety, any Hazardous Substance or Other Regulated Material, or the environment (including, but not limited to, ground, air, water or noise pollution or contamination, and underground or above-ground tanks) and shall include, without limitation, the Emergency Planning and Community Right-to-Know Act, 42 U.S.C. § 11001 *et seq.*; the Toxic Substances Control Act, 15 U.S.C. § 2601 *et seq.*; the Hazardous Material Transportation Act, 49 U.S.C. § 1801 *et seq.*; the Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C. § 6901 *et seq.*, as amended by the Hazardous and Solid Waste Amendments of 1984; the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. § 9601 *et seq.* ("CERCLA"), as amended by the Superfund Amendments and Reauthorization Act of 1986 ("SARA"); the Occupational Safety and Health Act, 29 U.S.C. § 651 *et seq.*; the Federal Water Pollution Control Act, 33 U.S.C. § 1251 *et seq.*; the Clean Air Act, 42 U.S.C. § 7401 *et seq.*; the Illinois Environmental Protection Act, 415 ILCS 5/1 *et seq.*; the Gasoline Storage Act, 430 ILCS 15/0.01 *et seq.*; the Sewage and Waste Control Ordinance of the Metropolitan Water Reclamation District of Greater Chicago ("MWRD"); the Municipal Code of the City of Chicago; and any other local, state, or federal environmental statutes, and all rules, regulations, orders, and decrees now or hereafter promulgated under any of the foregoing, as any of the foregoing now exist or may be changed or amended or come into effect in the future.

"**Event of Default**" means an Event of Default as defined in Section 17.1.

"**Exclusive Use Premises**" means any office space, operation space, storage area, VIP Lounge, employee break room, baggage service office or other areas in the Terminal Complex designated for a Signatory Airline's exclusive use in accordance with the Signatory Airline Use and Lease Agreement.

"**FAA**" or "**Federal Aviation Administration**" means the Federal Aviation Administration created under the Federal Aviation Act of 1958, as amended, or any successor agency thereto.

"**Federal Aviation Administration**" or "**FAA**" means the Federal Aviation Administration created under the Federal Aviation Act of 1958, as amended, or any successor agency thereto.

"**Federal Bankruptcy Code**" means 11 U.S.C. § 101 *et seq.*

"**FIS Facilities**" means the federal inspection services facilities wherever located in the Terminal Complex, including the sterile corridors connecting any such facilities to International Gate Space, as they may be adjusted from time to time, all as shown in Exhibit B as of the Effective Date.

"**FIS User**" means passengers (excluding flight crew) arriving on international flights (including pre-cleared passengers) who are required to use FIS Facilities.

"**Fiscal Year**" means January 1 through December 31 of any year or such other fiscal year as the City may adopt for the Airport.

"**Fixed Terminal Charges**" means Terminal Charges calculated under Sections 8.4 through 8.9 of the Signatory Airline Use and Lease Agreement.

"**GARBs**" or "**Airport Revenue Bonds**" means any bonds, commercial paper notes, credit agreement notes and any other debt obligations of the City, outstanding at any time having a lien on Revenues as provided in the Bond Indenture.

"**Gate**" means an area in the Terminal Complex made up of Holdroom Space and a portal or stairwell, if any, through which passengers must pass to board or disembark an aircraft and the associated Gate Ramp.

"**Gate Ramp**" means the Apron Area associated with Gate Space.

"**Gate Space**" means the areas of the Terminal Complex and Apron Areas that consist of Linear Frontage and the associated Holdroom Space and Gate Ramp.

"**Gate Space Accommodating Airline**" means a Long-Term Signatory Airline that accommodates a Gate Space Requesting Airline, as further described in Article 5.

"**Gate Space Requesting Airline**" means a Scheduled Airline seeking to operate in Preferential Use Gate Space that is leased to a Long-Term Signatory Airline, as further described in Article 5.

"**Hazardous Substance**" has the meaning set forth in 415 ILCS 5/3.215, as amended from time to time.

"**Holdroom Space**" means the area in the Terminal Complex used for the staging of passengers waiting to board an aircraft.

"**IATA**" means the International Air Transport Association, a trade association of the world's airlines that is currently headquartered in Montreal, Quebec, Canada with executive offices in Geneva, Switzerland.

"**Initial Schedule Submission**" means a Passenger Carrier's flight schedule that must be submitted to the Scheduling Manager at least semi-annually in the form specified in the Terminal Space Use Protocols required by the City.

"**International Common Use Check-in Space**" means the Common Use Check-in Space designated by the Commissioner to be used in common by Passenger Carriers primarily for international passenger check-in, as it may be adjusted from time to time, all as shown in Exhibit B as of the Effective Date.

"**International Common Use Gate Space**" means International Gate Space that the City has designated as Common Use Gate Space in accordance with Article 5 of the Signatory Airline Use and Lease Agreement, as it may be adjusted from time to time, all as shown in Exhibit B as of the Effective Date.

"**International Gate Space**" means Gate Space with direct passenger access to FIS Facilities that has currently been designated by the City for international flights, as it may be adjusted from time to time, all as shown in Exhibit B as of the Effective Date.

"**Light Maintenance**" means aircraft servicing and inspections that regularly occur on the terminal apron and unscheduled repairs necessary for continuing flight.

"**Landing Fee**" means the Landing Fee calculated pursuant to Section 8.2 of the Signatory Airline Use and Lease Agreement.

"**Main Terminal**" means the terminal buildings, associated concourses and facilities, other than Terminal 5, as all such facilities may be modified, improved, or enlarged during the Term. The Main Terminal as of the Effective Date is generally depicted in Exhibit A for illustrative purposes.

"**Monthly Activity Report**" means the accurate summary report prepared by Airline describing Airline's operations (and the operations of Airline's Affiliates, if any) at the Airport during the month preceding the month in which the summary is submitted to the City, signed by an authorized representative of Airline certifying the accuracy of the information set forth therein, and submitted by Airline to the City in accordance with Section 8.20.1 of the Signatory Airline Use and Lease Agreement.

"**Municipal Code**" means the Municipal Code of the City at the time in effect.

"**Non-Signatory Airline**" means any Air Carrier using the Airport for scheduled cargo or passenger service that is not a Signatory Airline and that has executed an agreement with the City substantially similar to this Agreement.

"**Non-Signatory Airline Operating Agreement**" means an agreement with the City substantially similar to this Agreement.

"**NPDES**" means the National Pollutant Discharge Elimination System.

"**Other Regulated Material**" means any Waste, Contaminant, or any other material, not otherwise specifically listed or designated as a Hazardous Substance, that (a) is or contains: petroleum, including crude oil or any fraction thereof, motor fuel, jet fuel, natural gas, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel or mixtures of natural gas and such synthetic gas, asbestos, radon, any polychlorinated biphenyl, urea, formaldehyde foam insulation, explosive or radioactive material, or (b) is a hazard to the environment or to the health or safety of persons.

"**Passenger Carrier**" means a Passenger Carrier certificated by the Secretary of the U.S. Department of Transportation under 49 U.S.C. § 41102.

"**Passenger Facility Charge**" or "**PFC**" means the passenger facility charge authorized under 49 U.S.C. § 40117 or any predecessor or successor law, and as approved by the FAA from time to time with respect to the Airport.

"**Passenger Loading Bridge**" or "**PLB**" means a passenger loading bridge and any preconditioned air system(s), ground power supply unit(s) and other related equipment attached to the bridge or a concourse at a Gate.

"**PLB**" or "**Passenger Loading Bridge**" means a passenger loading bridge and any preconditioned air system(s), ground power supply unit(s) and other related equipment attached to the bridge or a concourse at a Gate.

"**Preferential Use Baggage Claim Space**" means Baggage Claim Space assigned to a Long-Term Signatory Airline as Preferential Use Premises.

"**Preferential Use Baggage Make-up Space**" means Baggage Make-up Space assigned to a Long-Term Signatory Airline as Preferential Use Premises.

"**Preferential Use Check-in Space**" means Check-in Space assigned to a Long-Term Signatory Airline as Preferential Use Premises.

"**Preferential Use Gate Space**" means Gate Space assigned to a Long-Term Signatory Airline as Preferential Use Premises in accordance with Article 5 of the Signatory Airline Use and Lease Agreement.

"**Preferential Use International Gate Space**" means International Gate Space assigned by the City to a Long-Term Signatory Airline as Preferential Use Premises in accordance with Article 5 of the Signatory Airline Use and Lease Agreement.

"**Preferential Use Premises**" means those areas assigned to a Long-Term Signatory Airline in accordance with Article 5 of the Signatory Airline Use and Lease Agreement that are within the Terminal Complex and Apron Area, including Preferential Use Gate Space, Preferential Use Baggage Claim Space, Preferential Use Baggage Make-up Space and Preferential Use Check-in Space.

"**Prior Use and Lease Agreement**" means the Chicago-O'Hare International Airport Amended and Restated Airport Use Agreement and Terminal Facilities Lease with a stated expiration date of May 11, 2018 (the "Main Terminal Prior Use and Lease Agreement") or the International Terminal Use Agreement and Facilities Lease with a stated expiration date of May 11, 2018 (the "Terminal 5 Prior Use and Lease Agreement"), or other substantially similar agreement to use or lease the Terminal Complex or the Airfield.

"**Release**" or "**Released**" means any actual or threatened spilling, leaking, pumping, pouring, emitting, emptying, Discharging, injecting, escaping, leaching, dumping or Disposing of any Hazardous Substance or Other Regulated Material into the environment.

"**Response**" or "**Respond**" means action taken in compliance with Environmental Laws to correct, remove, remediate, clean-up, prevent, mitigate, treat, monitor, evaluate, investigate, assess or abate the Release of any Hazardous Substance or Other Regulated Material, or to prevent or abate any public nuisance.

"**Revenues**" means "Revenues" as defined in the Bond Indenture.

"**Runways**" means paved areas at the Airport designated for the landing and taking-off of aircraft, including all associated safety areas.

"**Scheduled Airline**" means a Passenger Carrier performing or seeking to perform scheduled passenger service operations at the Airport.

"**Scheduling Manager**" means the third party hired by the City to receive and analyze Initial Schedule Submissions and perform the tasks specified for the Scheduling Manager under Section 5.5 of the Signatory Airline Use and Lease Agreement.

"**Securities Exchange Act**" means the Securities Exchange Act of 1934.

"**Shared Equipment and Technology**" or "**SET**" means equipment owned and installed by the City for use in passenger processing, including without limitation equipment casework, supporting infrastructure, network wiring, flight information displays ("FIDS"), gate information displays ("GIDS"), the baggage information display system ("BIDS"), boarding gate readers, passenger processing workstations and self-service kiosks (for boarding passes and bag tagging), and other shared use technology (such as a reservation system portal open to all Passenger Carriers at the Airport).

"**Signatory Airline**" means an Air Carrier that has executed a Signatory Airline Use and Lease Agreement with the City. A Signatory Airline may be either a Long-Term Signatory Airline or a Short-Term Signatory Airline.

"**Signatory Airline Use and Lease Agreement**" means the "City of Chicago O'Hare International Airport Airline Use and Lease Agreement" executed between the City of Chicago and Signatory Airlines for the use of the Airport and lease of space in the Terminal Area.

"**Space Requesting Airline**" means a Passenger Carrier seeking to commence or expand operations at the Airport without adequate space other than Gate Space for its operations, as further described in Article 5.

"**SWPPP**" means Storm Water Pollution Prevention Plan.

"**T-5**" or "**Terminal 5**" means the terminal buildings, associated concourses and facilities designated as of the Effective Date as Terminal 5 of the Airport, as all such facilities may be modified, improved or enlarged during the Term. T-5 as of the Effective Date is generally depicted in Exhibit A for illustrative purposes. T-5 may be renamed during the Term.

"**Taxiways**" means paved areas designated as taxiways and taxilanes at the Airport for the ground movement of aircraft to, from and between the Runways, aircraft parking areas and other portions of the Airport.

"**Term**" means the term of this Agreement as further described in Article 2.

"**Terminal 5**" or "**T-5**" means the terminal buildings, associated concourses and facilities designated as of the Effective Date as Terminal 5 of the Airport, as all such facilities may be modified, improved or enlarged during the Term. Terminal 5 as of the Effective Date is generally depicted in Exhibit A for illustrative purposes. Terminal 5 may be renamed during the Term.

"**Terminal Charges**" means the charges calculated pursuant to Sections 8.3 through 8.11 of the Signatory Airline Use and Lease Agreement.

"**Terminal Complex**" means the Main Terminal and Terminal 5.

"**Terminal Rental Rates**" means, for any Fiscal Year, the Terminal Rental Rates established for such Fiscal Year pursuant to Section 8.3 of the Signatory Airline Use and Lease Agreement.

"**Terminal Space Use Protocols**" means the City's policies, rules and protocols, as they shall be developed and may be amended from time to time by the Commissioner after consultation with the AAAC, governing priorities, procedures and requirements for the assignment and use of Common Use Space, Preferential Use Space, and Exclusive Use Space in the Terminal Complex and on the Apron Area, including Gate Space, Check-in Space, and Baggage Systems use, assignment, scheduling and accommodation.

"**Trust Account**" means a Trust Account as defined in Section 16.6.

"**TSA**" means the Transportation Security Administration or other federal agency which assumes the oversight and functions of the Transportation Security Administration, if the

Transportation Security Administration is abolished or combined with or merged into any other federal agency.

"**Waste**" means those materials defined in the Illinois Environmental Protection Act, 415 ILCS 5/1 *et seq.* as waste and identified subcategories thereof, including but not limited to, construction or demolition debris, garbage, household waste, industrial process waste, landfill waste, landscape waste, municipal waste, pollution control waste, potentially infectious medical waste, refuse, or special waste.

"**Waste Sections**" has the meaning set forth in Section 16.15.

"**Waters**" has the meaning set forth in 415 ILCS 5/3.550, as amended from time to time.

1.2 Interpretation

The terms "hereby," "herein," "hereof," "hereunder" and any similar terms used in this Agreement refer to this Agreement.

The term "including" shall be construed to mean "including, without limitation."

All references in this Agreement to Articles, Sections, subsections, clauses, provisions, sentences or Exhibits, unless otherwise expressly stated, are to Articles, Sections, subsections, clauses, provisions, sentences or Exhibits of this Agreement.

Words importing persons shall include firms, associations, partnerships, trusts, corporations, limited liability companies and other legal entities, including public bodies, as well as natural persons.

Any headings preceding the text of the Articles and Sections of this Agreement, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Agreement, nor shall they affect the meaning, construction or effect of this Agreement.

Words importing the singular shall include the plural and vice versa. Words of the masculine gender shall be deemed to include correlative words of the feminine and neuter genders.

All references to a number of days mean calendar days, unless otherwise expressly indicated.

1.3 Incorporation of Exhibits

The following Exhibits attached hereto are hereby made a part of this Agreement:

Exhibit A Map of the Airport

Exhibit B Terminal Complex Space Exhibit

Exhibit C Compliance with Laws

Any changes to the Exhibits that occur from time to time consistent with the terms of this Agreement shall be reflected in revised Exhibits provided by the City to Airline. Such revised Exhibits shall be deemed to be effective without requiring a formal amendment to this Agreement.

Article 2

TERM

2.1 Effective Date

This Agreement shall commence on **<DATE>**, and shall continue until the earlier of (a) cancellation by either party upon sixty (60) days' written notice to the other party, such cancellation to be effective at the end of the sixty (60) day notice period; (b) the date on which Airline becomes an Affiliate or a Signatory Airline at the Airport; (c) termination by the City in accordance with Section 17.2; or (d) expiration or earlier termination of the Signatory Airline Use and Lease Agreement with all Signatory Airlines (the "Term").

2.2 Termination of Prior Use and Lease Agreement

Airline's Prior Use and Lease Agreement, if any, shall be deemed terminated and shall be of no further force or effect on the Effective Date.

Article 3

USES, RIGHTS AND PRIVILEGES

3.1 Airline Rights, Privileges, Limitations and Prohibitions on Use of the Airport

Subject to the terms of this Agreement, the Terminal Space Use Protocols and Airport Rules, including without limitation operating procedures and protocols that may be imposed by the Commissioner from time to time for the safe and secure operation of the Airport, Airline shall have the right to conduct its Air Transportation Business at the Airport and to perform all operations and functions in connection with the conduct and operation of such business at the Airport. Except as provided in this Article 3, nothing in this Agreement shall be construed as authorizing Airline to conduct any business at the Airport separate and apart from the conduct of its Air Transportation Business. Airline shall not use, and shall not cause its Associated Parties to use, the Airport for any purpose other than as specified in this Agreement.

3.2 Terminal Complex

Airline's use of the Terminal Complex shall be limited to the following activities:

3.2.1 Airline's operation of an Air Transportation Business for the carriage and movement of persons, property, baggage, cargo, express packages and mail by means of

aircraft, including but not limited to the following categories of flights: revenue, training, test, inspection, emergency, charter and sightseeing.

3.2.2 Airline's loading and unloading of persons, property, baggage, cargo, express packages and mail at the Terminal Complex by such motor vehicles or other means of conveyance as Airline may require in the operation of its Air Transportation Business; provided that Airline may designate third party transportation providers licensed by the City to operate at the Airport to transport Airline's employees, passengers and their baggage, if such transportation is paid for, directly or indirectly, or arranged, by Airline; provided, further, that Airline shall not operate commercial ground transportation for the general public; and provided, further, that Airline is not responsible for ensuring that hotel shuttle services utilized by Airline employees traveling to or from the Airport are properly licensed by the City. If such transportation is not paid for or arranged by Airline, the City may charge operators of vehicles carrying passengers for hire reasonable fees for the privilege of entering upon the Airport, using the streets, highways and public roads within the Airport, soliciting passengers upon the Airport, and otherwise operating on the Airport.

3.2.3 Airline's hiring, employment and training of personnel in the current or future employ of Airline, and training of Airline's Contractors.

3.2.4 Airline's use, alone or with other Air Carriers, for any and all purposes in connection with or incidental to the operation of its Air Transportation Business, including: the handling of reservations; the handling, ticketing and billing of passengers; services associated with the Airline's frequent flier program.

3.2.5 Airline acknowledges and agrees that all passenger terminal facilities and amenities related thereto shall be located within the Terminal Complex, and that no passenger terminal functions, other than remote passenger and baggage check-in by Passenger Carriers that primarily check in passengers and baggage in the Terminal Complex, shall be conducted elsewhere on the Airport. The term "passenger terminal functions" as used in this Section 3.2.5 includes the reception, ticketing, collection of fees, check-in, loading, unloading, collection, or transfer of all persons and their baggage being transported by air, or by ground transport incidental to such transportation. The term specifically includes, without limitation, persons and their baggage being transported by Air Carriers and, except as hereinafter provided, all other aircraft operators, including operators of corporate and private aircraft. Notwithstanding the foregoing, the City reserves the right to permit fixed-base operators to operate passenger lounges and facilities within facilities leased by such operators on an exclusive use basis to accommodate passengers and baggage being transported on private Air Carrier charter and corporate aircraft.

3.3 Gate Space and Gate Ramps

Subject to the Terminal Space Use Protocols, Airline's use of Gate Space and Gate Ramps shall be limited to:

3.3.1 Airline's ticketing, check-in, passenger and baggage handling, boarding, deplaning, and collection of fees from passengers and use of the Passenger Loading Bridge, if any, and associated equipment and Gate Ramp during Airline's use of Gate Space.

3.3.2 Airline's and, subject to Section 3.7, Airline's third-party service provider's, operational staging of equipment for and performance of fueling, deicing, servicing, loading, unloading, and unscheduled repairs and Light Maintenance that can be completed during Airline's use of such Gate Space, provided, however, that:

(a) Nothing in this Section 3.3.2 shall be implied or construed to grant to Airline the right to store or park equipment on a Gate Ramp in a Common Use Gate Space other than as required for the regular servicing of aircraft parked in such Gate Space during Airline's use of such Common Use Gate Space; and

(b) In addition to regular Light Maintenance and so long as it does not interfere with another Passenger Carrier's operations, the City may permit Airline to perform emergency Light Maintenance of aircraft on a Gate Ramp within Common Use Gate Space.

3.3.3 Airline's loading and unloading of any persons, property, baggage, cargo, express packages and mail, and carriage and transport of all of the aforesaid, in properly designated areas by motor vehicles or other means of conveyance as Airline may reasonably require in the operation of its Air Transportation Business, all in accordance with Section 3.2.2.

3.3.4 Subject to Section 3.7, Airline's provision, by its employees or others for whom Airline is responsible, to Airline's aircraft on a Gate Ramp within Common Use Gate Space with supplies and services, including food and beverages and ground handling services required by Airline; provided, however, that Airline shall have the right to provide its own supplies and services, or to have such supplies and services provided by its wholly-owned subsidiary or majority-owned subsidiary, or wholly-owned subsidiary of its parent company, or by a third party (including another Air Carrier). Airline may contract with another Air Carrier permitted by the City to operate at the Airport for the provision of supplies or services for Airline that Airline itself is permitted to provide under this Agreement without Airline entering into one or more additional agreements with the City, and without such Air Carrier being required to pay fees to the City that would otherwise be required.

3.3.5 Subject to Section 3.7, Airline's provision, by its employees or others for whom Airline is responsible (including Airline's third party service provider), to aircraft of another Passenger Carrier on a Gate Ramp with supplies and services, including food and beverages and ground handling services, required by such other Passenger Carrier; provided, however, that Airline shall cause its third-party service providers to comply with the requirements described in Section 3.7.

3.4 **Airfield**

3.4.1 Airline's use of the Airfield and related facilities shall be limited to take-off, landing, flying, taxiing, towing, maneuvering, parking, deicing, fueling, ground run-up, loading and unloading of Airline's aircraft by such motor vehicles, ground service equipment, or

other equipment or means of conveyance as Airline may require, subject to the terms of this Agreement.

3.4.2 Airline shall control all of its vehicular traffic on the Airfield and employ such means as may be necessary to direct the movements of its vehicular traffic and take all precautions reasonably necessary to promote the safety of its passengers, customers, employees, business visitors and other persons.

3.5 Communications Equipment and Antennae

Airline has no right to install or use any telecommunications equipment or antennae on the roof or exterior of the Terminal Complex.

3.6 City Equipment

The City grants to Airline a non-exclusive license to use, subject to City Equipment Charges, City Equipment in the ordinary course of its business at the Airport and otherwise in accordance with this Agreement. Airline agrees to accept and use City Equipment in its "as is" condition, without any representations or warranties of any kind whatsoever, express or implied, from the City as to any matters concerning City Equipment, and Airline further agrees to assume all risk of loss, damage and injury arising out of Airline's use of City Equipment.

3.7 Handling Arrangements and Third-Party Service Providers

3.7.1 Airline may, subject to the provisions of Sections 3.3.4 and 3.3.5, contract with third-party service providers for the handling of Airline's air transportation operations within its Common Use Facilities and within space where it is accommodated by another Air Carrier; provided, however, that Airline shall require any such third-party service provider to, before beginning to provide the services to Airline, (a) obtain a license or other type of written contract issued by the City authorizing the third party to conduct the activities or provide the services to Airline, (b) provide evidence of insurance as required by the City, (c) obtain all required security authorizations in accordance with Airport Rules; and (d) comply with any other requirements imposed by the City on third-party service providers pursuant to its authority under Municipal Code § 2-20-020. The handling operations shall be subject to compliance with all applicable FAA standards and Airport Rules.

3.7.2 As contemplated in Section 3.7.1 and pursuant to its authority under Municipal Code § 2-20-020, the City may require third-party service providers to obtain a license from the City authorizing the third-party service provider to conduct certain activities or provide certain services at the Airport for an Air Carrier or other Airport user. For the avoidance of doubt, an Air Carrier (or its wholly-owned subsidiary or majority-owned subsidiary, or a subsidiary of its parent company, which service only the Air Carrier, its affiliates and its alliance partners) shall not be considered a third-party service provider subject to this license requirement.

(a) The City may contract with a consortium established by Air Carriers to enforce compliance with Airport Rules related to third-party service providers

licensed by the City, and if desired, to manage and maintain City-owned ground handling equipment.

(b) The City may after consultation with the AAAC approve the fueling sources or propulsion systems for the equipment utilized by each licensed third-party service provider, specifically to ensure compliance with City ordinances and Department of Aviation environmental and sustainability standards based on commercially reasonable best practices.

(c) The City may, at any time, after consulting with the AAAC, restrict the number of licensed third-party service providers at the Airport to no fewer than three (3) for safety and security reasons, and may, in such case, require an Air Carrier that wishes to contract with a third-party service provider to choose from a pool of third-party service providers approved and pre-qualified by the City.

3.8 **Exclusions and Reservations**

3.8.1 The City reserves the right to continue to offer Airline SET, rubbish removal and other services, including, but not limited to, new technology-related services and to charge Airline for such services on a cost-recovery basis.

3.8.2 Airline shall not, by action or failure to act, knowingly interfere or permit interference with the use, operation, or maintenance of the Airport and other Air Carrier operations, including but not limited to, the effectiveness or accessibility of the drainage, sewerage, water, communications (including Wi-Fi services), fire protection, utility, electrical or other systems installed or located from time to time at the Airport.

3.8.3 Airline shall not do or permit to be done anything, either by act or failure to act, that shall cause the cancellation or violation of the provisions, or any part thereof, of any policy of insurance for the Airport or that shall cause a hazardous condition so as to increase the risks normally attendant upon operations permitted by this Agreement. If Airline shall do or permit to be done any act not permitted under this Agreement, or fail to do any act required under this Agreement, regardless of whether such act shall constitute a breach of this Agreement, which act or failure, in and of itself, causes an increase in City's insurance premiums, then upon written notice from the City to do so, Airline shall promptly remedy or commence such actions as necessary to remedy or shall be subject to paying the increase in premiums to the extent caused by such act or failure of Airline until the issue is remedied.

3.8.4 The City or its duly authorized representative may enter Common Use Facilities at any and all reasonable times for the purpose of determining whether or not Airline is complying with the terms and conditions of this Agreement or for any other purpose incidental to the rights of the City; provided that such right of entry does not unreasonably interfere with Airline's operations.

3.8.5 The City reserves the right to place advertising displays in all areas of the Airport that are visible to the public, including all Common Use Facilities.

3.9 Flight Information Management System

Airline shall provide or cause a third party to provide to the City information for the City's Flight Information Management System by providing real time data output from Airline's internal flight information display system, computer reservations system, cargo load message transmission, ARINC or SITA transmissions, or other information systems (including commercial information systems) on a per flight basis. Airline's flight information shall be in a format prescribed by the City and consistent with the requirements of the City's FIDS, Baggage Information Display Systems ("BIDS") and Resource Management Systems ("RMS"), which also shall be consistent with IATA standards for providing information about Airline's operations and activities at the Airport.

3.10 Safety Management System

Airline agrees to cooperate with the City's implementation of a safety management system and safety risk management systems at the Airport including participation in committees, risk identification and assessment processes, training, and safety promotion and communication initiatives.

Article 4

COMMON USE FACILITIES

4.1 Use of Common Use Facilities

The City may grant to Airline, subject to the Terminal Space Use Protocols and any other common use protocols, regulations or policies that the Commissioner may adopt from time to time, the right to use, on a common use basis, Common Use Facilities; provided, however, that the City shall at all times have exclusive control and management of all Common Use Facilities.

4.2 Assignment

Airline shall not assign or transfer this Agreement or any right or interest herein or hereunder without first obtaining the City's prior written consent, which consent may be withheld in the sole discretion of the City.

4.3 City's Right of Entry

The City, by its officers, employees, agents, representatives, contractors, consultants and furnishers of utilities and other services, shall have the right at all times to enter any Common Use Facilities being used by Airline for the purpose of inspecting the same, for emergency repairs to utilities systems, and for any other purpose necessary for or incidental to or connected with the performance of the Airline's obligations hereunder, or in the exercise of its governmental functions or in the City's capacity as Airport owner.

4.4 No Warranty of Condition or Suitability

EXCEPT AS OTHERWISE PROVIDED HEREIN, THE CITY MAKES NO WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO THE CONDITION OF THE COMMON USE FACILITIES OR THAT THE COMMON USE FACILITIES SHALL BE SUITABLE FOR AIRLINE'S PURPOSES OR NEEDS. THE CITY SHALL NOT BE RESPONSIBLE FOR ANY LATENT DEFECT AND AIRLINE SHALL NOT, UNDER ANY CIRCUMSTANCES, WITHHOLD ANY AIRPORT FEES OR CHARGES OR OTHER AMOUNTS PAYABLE TO THE CITY HEREUNDER ON ACCOUNT OF ANY DEFECT IN THE COMMON USE FACILITIES. BY ITS ENTRY ONTO THE FACILITIES, AIRLINE ACCEPTS THE COMMON USE FACILITIES IN THEIR "AS IS" CONDITION.

Article 5

ACCOMMODATION OF AIRLINE BY SIGNATORY AIRLINES

5.1 General

If the City cannot accommodate Airline within Common Use Gate Space or within other Common Use Facilities under the City's control, the City may identify Airline as a Gate Space Requesting Airline or Space Requesting Airline, respectively, to one or more Signatory Airlines in order that one or more Signatory Airlines may accommodate Airline within their Preferential Use Gate Space or within its/their Exclusive Use Premises or Preferential Use Premises (other than Gate Space) in accordance with Section 5.6 or Section 5.11 of the Signatory Airline Use and Lease Agreement. This Article 5 shall only apply where Airline is a Passenger Carrier.

5.2 Schedule Submission

In order to request Common Use Gate Space or accommodation within the Preferential Use Gate Space of a Signatory Airline, Airline shall submit its Initial Schedule Submission in the form and on the dates specified in the Terminal Space Use Protocols. The Terminal Space Use Protocols shall specify the information that must be reported in the Initial Schedule Submission.

5.3 Accommodation at Preferential Use Gate Space of Signatory Airline

If Airline is accommodated within the Preferential Use Gate Space of a Signatory Airline, the City shall charge Airline the same charges for use of the Gate Space and Airline-owned PLB and equipment, if any, that Airline would have been required to pay the City for use of Common Use Gate Space and City-owned PLB and City Equipment. The City may also charge Airline if it exceeds its allowable Period of Use in accordance with the Terminal Space Use Protocols. The accommodating Signatory Airline shall not demand any additional payments from Airline on account of its use of such Gate Space, PLB or equipment of similar functionality to the City-owned Equipment provided within Common Use Gate Space.

5.4 Accommodation within Exclusive Use or Preferential Use Premises of Signatory Airline

If Airline is accommodated within the leased premises of a Signatory Airline other than Gate Space, the City shall charge Airline the same charges Airline would have been required to pay the City for use of such a facility or equipment on a common use basis. The accommodating Signatory Airline shall not demand any additional payments from Airline on account of its use of such space; provided, however, that Airline may charge Airline for equipment or services that would not be typically available in Common Use Facilities.

5.5 Insurance and Indemnification Requirements for Accommodation.

As a condition of Airline's accommodation on a Signatory Airline's Preferential Use Gate Space or within a Signatory Airline's Exclusive Use Premises or Preferential Use Premises other than Gate Space, Airline agrees that its insurance and indemnification obligations under this Agreement shall inure to the benefit of the accommodating Signatory Airline as a third-party beneficiary for any period of accommodation, and that Airline shall provide to the Signatory Airline upon its request proof of insurance, for the benefit of the Signatory Airline, of the types and with the limits of coverage that Airline is required to carry under this Agreement; and evidencing that the Signatory Airline has been named an additional insured on all liability policies of Airline.

Article 6

[RESERVED]

Article 7

SUBORDINATION TO BOND INDENTURE AND CREATION OF FUNDS

7.1 Definitions

Capitalized words and phrases used in this Article 7 but not in defined Article 1 shall have the meanings set forth in the Bond Indenture or, if not so set forth, shall have their usual and customary meanings.

7.2 Subordination to Bond Indenture

In the event of any conflict between this Agreement and the Bond Indenture, the terms and conditions of the Bond Indenture will control. For example, but not by way of limitation, subject to the terms and provisions of the Bond Indenture, it is mutually understood and agreed that, so long as any bonds, contracts or other obligations treated as Senior Lien Obligations or Junior Lien Obligations which are secured by or payable from Revenues under the Bond Indenture are outstanding, the deposit and application of Airport Revenues, or any casualty or condemnation proceeds, shall be governed by the Bond Indenture, but subject to applicable law.

Article 8

CALCULATION OF RATES AND CHARGES

Airline shall pay to City Airport Fees and Charges calculated in accordance with Article 8 of the Signatory Airline Use and Lease Agreement.

Article 9

PAYMENTS, SECURITY DEPOSIT AND RECORDS

9.1 Payment of Landing Fees and Terminal Charges

Beginning on the Effective Date, Airline shall pay to the City, on a monthly basis without invoice, Airport Fees and Charges calculated by the City in accordance with Article 8 as follows:

9.1.1 Not later than the first (1st) day of each month of each Fiscal Year, Airline shall remit to the City the amount of Airline's Fixed Terminal Charges, based on the Terminal Rental Rates then in effect.

9.1.2 Not later than the twentieth (20th) day of each month of each Fiscal Year, Airline shall remit to the City the amount of Airline's Landing Fees and Activity-Based Terminal Charges, together with Airline's Monthly Activity Report described in Section 8.19 of the Signatory Airline Use and Lease Agreement on which Airline's payment under this Section 9.1.2 is based; provided, however, that the City reserves the right to use in the future an automated tracking system instead of Airline's Monthly Activity Report to determine the amount of Landing Fees due from Airline; and further provided, that if the City elects to use such an automated tracking system, the City shall consult with the AAAC and implement a reasonable method of reconciling the reports generated by the automated tracking system with Monthly Activity Reports submitted by each Air Carrier and resolving any discrepancies.

9.2 Place of Payment; Late Payments

9.2.1 All amounts due from Airline hereunder shall be paid in lawful money of the United States of America, without deduction or set off, to the City of Chicago at the Office of the City's Comptroller or at such other place as may be hereafter designated by the City. Airline shall pay all amounts payable by Airline hereunder by either check, wire transfer or electronic funds transfer ("EFT") or Automatic Clearing House ("ACH"), subject to the City's ability to receive these payments.

9.2.2 Any amount which is not paid within five (5) business days of when due and, if appropriate, when invoiced and such invoice is received by Airline, shall bear an annualized interest charge from its due date at a rate three percent (3%) higher than the "US Prime Rate" as published in the Wall Street Journal or similar successor index of national recognition as determined by the Commissioner.

9.3 **Security Deposits**

9.3.1 Delivery and Use of Security Deposit

(a) Each Air Carrier shall provide to the City a security deposit equal to the following (the "Security Deposit"):

(i) Airline's estimated Landing Fees for three (3) months (as determined on the basis of Airline's and its Affiliate(s), if applicable, published schedule as of that date and the actual Landing Fee Rate effective as of that date), *plus*

(ii) Airline's estimated Terminal Charges (including Affiliate's, if applicable) for three (3) months.

(b) The Security Deposit shall be in the form of a surety bond the terms of which are acceptable to the City or a letter of credit meeting the requirements set forth in Section 9.3.1(c) to secure Airline's performance and observance of Airline's obligations under this Agreement.

(c) The City may deduct from the Security Deposit an amount equal to: (i) any sums payable to the City under this Agreement; (ii) all reasonable sums, if any, that the City expends as the result of an Event of Default; and (iii) an amount equal to the City's reasonable costs all damages legally recoverable by the City, together with reasonable out-of-pocket costs and expenses incurred by the City, upon the occurrence of an Event of Default. In any such event, Airline shall again meet the Security Deposit requirement set forth in Section 9.3.1(a) above within seven (7) days from its receipt of such written notice; provided that if Airline does not so meet the Security Deposit requirement in a timely manner, the City shall be entitled to set-off such Security Deposit against the next ensuing payments by Airline of Airport Fees and Charges until such Security Deposit is complete.

9.3.2 Letter of Credit Requirements

(a) For a Security Deposit in the form of a letter of credit, such letter of credit shall be an irrevocable commercial standby letter of credit for the amount of the Security Deposit in form and substance reasonably acceptable to the City that meets the following criteria:

(i) the letter of credit shall provide for its continuance for at least one year from issuance and for automatic extension for additional periods of at least one year from initial expiry date and each subsequent expiry date, unless the issuer of the letter of credit gives the City notice of its intention not to renew such letter of credit not less than sixty (60) days before such expiry date (a "Nonrenewal Notice");

(ii) the letter of credit shall be payable upon the City's presentation of the original of such letter of credit together with a sight draft to the issuer, accompanied by the City's signed statement that the City is entitled to draw on such letter of credit without further notice to Airline and hold the proceeds thereof;

(iii) the letter of credit shall be issued by a commercial bank reasonably satisfactory to the City which maintains a branch in Chicago, Illinois, provided that the Commissioner and the City Comptroller may jointly agree to waive the requirement set forth above that such financial institution maintain a branch in Chicago, for presentment for payment:

(1) that is chartered under the laws of the United States or any state thereof, or the District of Columbia;

(2) that is insured by the Federal Deposit Insurance Corporation;

(3) whose long-term, unsecured and unsubordinated debt obligations are rated by at least two of Fitch Ratings Ltd. ("Fitch"), Moody's Investors Service, Inc. ("Moody's) and Standard & Poor's Ratings Services ("S&P") or their respective successors (the "Rating Agencies") with ratings of not less than A- from Fitch, A3 from Moody's and A- from Standard & Poor's (the "Long-Term LC Issuer Requirements"); and

(4) whose short-term rating from at least two Rating Agencies is not less than F2 from Fitch, P-2 from Moody's and A-2 from S&P (the "Short-Term LC Issuer Requirements" and, together with the Long-Term LC Issuer Requirements, the "LC Issuer Requirements").

(iv) If at any time the LC Issuer Requirements are not met, or if the financial condition of such issuer changes in any other materially adverse way, then Airline shall within ten (10) days of written notice from the City deliver to the City a replacement letter of credit which otherwise meets the requirements of this Agreement and that meets the LC Issuer Requirements (and Airline's failure to do so shall, notwithstanding anything in this Agreement to the contrary, constitute an Event of Default for which there shall be no notice or grace or cure periods being applicable thereto other than the aforesaid ten-day period).

(b) The letter of credit shall remain in effect until the date which is thirty (30) days after the Term.

(c) The City shall consent to reduce or release such letter of credit when and as this Agreement would entitle Airline to any reduction or release of the Security Deposit.

9.3.3 Use of Letter of Credit

If any of the following occurs, then the City may draw upon the balance of the letter of credit in an amount equal to the aggregate amount of the Security Deposit this Agreement then requires: (A) the issuer delivers a Nonrenewal Notice that such issuer no longer intends to maintain a branch in Chicago, Illinois and Airline fails to deliver a replacement letter of credit that complies with this Agreement within thirty (30) days after Airline receives the Nonrenewal Notice (for purposes of which, the parties shall reasonably cooperate to facilitate the simultaneous exchange of the old letter of credit for the new letter of credit); (B) the happening of any instance in which the criteria set forth in Section 9.3.2(a) are not met; or (C) if the

remaining term of the letter of credit is at any time less than thirty (30) days, but Airline has not delivered an extension or renewal of such letter of credit for at least one year.

9.4 **Right to Contest; No Abatement or Set-off**

9.4.1 Airline's payment to the City, and the City's acceptance from Airline, of any payment amount hereunder shall not preclude either Airline or the City from questioning, within six (6) months from the date of Airline's payment receipt of the Final Accounting, as that phrase is described in Section 8.17 of the Signatory Airline Use and Lease Agreement, the accuracy of any statement on the basis of which such payment was made, or preclude the City from making, within such period, any claim against Airline for any additional amount payable by Airline under this Agreement, or preclude Airline from making, within such period, any claim against the City for any credit for any excess amount paid by Airline under this Agreement; provided, however, that the City shall not be limited by such six-month period if Airline shall have intentionally underreported its activity used in calculating any payment due by Airline under this Agreement.

9.4.2 Notwithstanding the foregoing, Airline shall not abate, suspend, postpone, set-off or discontinue any payments of Airport Fees and Charges which it is obligated to pay hereunder.

9.5 **Airline Books and Records**

9.5.1 Airline shall maintain or make available upon reasonable notice books (including documents or papers in physical or electronic form), records and accounts which are directly pertinent to this Agreement, including those relevant to the determination of any Airport Fees and Charges, each such item of information to be maintained at a minimum, until the later of seven (7) years from the date of creation or three (3) years after final payment is made, or for a longer period if necessary for pending litigation.

9.5.2 If such books, records and accounts are not maintained at Airline's offices in Chicago, Illinois, or at the Airport office, Airline shall in any case maintain such books, records and accounts within the United States or Canada, and Airline shall promptly furnish the Commissioner, the City's Chief Financial Officer (or, if there is no such officer, the City's Comptroller), the Federal Aviation Administration or the U.S. Comptroller General with all information reasonably requested by them with respect to such books, records and accounts. The Commissioner, the City Chief Financial Officer (or, if there is no such officer, the City's Comptroller), the Federal Aviation Administration or the U.S. Comptroller General, and such persons as may be designated by them, shall each have the right, at all reasonable times, subject to prior written notice to Airline, to examine and make copies of such books, records and accounts. If the requested books, records and accounts are not made available at the Airport, and the City or its auditors are required to travel elsewhere to review them, the City may require that Airline reimburse the City for the reasonable costs of such review of Airline's books, records and accounts, provided that the City demonstrates an underpayment of five percent (5%) or more.

9.6 **City Books and Records**

The City shall follow such procedures and keep and maintain such books, records and accounts as may be necessary or appropriate under the provisions of this Agreement. Such books (physical and electronic), records and accounts shall contain all items affecting the computation of Airport Fees and Charges, recorded in accordance with generally accepted accounting principles. Airline shall have the right, at any reasonable time during the City's regular business hours and at its own expense, to examine, make copies of, and take extracts from such books, records and accounts.

Article 10

[RESERVED]

Article 11

ADDITIONAL OBLIGATIONS OF THE AIRLINE AND THE CITY

11.1 **Maintenance of Common Use Facilities.**

Airline shall keep all Common Use Facilities that Airline uses clean at all times during and after its use. If Airline does not keep Common Use Facilities properly clean, in the reasonable opinion of the City, Airline will be so advised and shall take immediate corrective action. Airline shall promptly remove from all Common Use Facilities that Airline uses all garbage, refuse and trash, and shall store and dispose of it only in the manner approved by the City.

11.2 **Taxes, Licenses and Permits**

11.2.1 Airline shall pay or cause to be paid any and all taxes and shall obtain or cause to be obtained any and all licenses, permits, certificates and other authorizations required by any governmental authority in connection with the operations or activities performed by Airline at the Airport, including any and all taxes and other charges in connection with Airline's use or occupancy of the Common Use Facilities.

11.3 **Utilities**

11.3.1 Airline shall be solely responsible for paying all utilities provided to Airline, its Contractors, agents and employees at Common Use Facilities to the extent such utilities are metered or otherwise calculated to identify usage by Airline, its contractors, agents and employees..

11.3.2 Except where, and to the extent, caused by any willful and wanton act of the City, its agents, employees, contractors, officers, directors or predecessors in interest, Airline expressly waives any and all claims against the City for damages arising or resulting from failures or interruptions of utility services or any failure of performance by an independent

party providing utility services to the Common Use Facilities, including electricity, gas, water, plumbing, sewage, telephone, communications, heat, ventilation, air conditioning, or for the failure or interruption of any public or passenger conveniences.

11.4 City Ownership of Airport

Airline agrees and irrevocably elects, with respect to itself and any successors in interest under this Agreement, it will not claim depreciation or an investment credit for purposes of federal income taxes with respect to any portion of the Airport except an improvement or project that has been solely financed by Airline.

Article 12

[RESERVED]

Article 13

INDEMNIFICATION AND INSURANCE

13.1 Indemnification

13.1.1 Airline agrees to defend, indemnify and hold harmless the City Indemnified Parties to the maximum extent allowed by applicable statutes and case law, from and against any and all Claims, including payments of claims of liability resulting from any injury or death of any person or damage to or destruction of any property, arising out of or relating to:

(a) the tortious acts or omissions of Airline or its Associated Parties;

(b) Airline's or its Associated Party's use or occupancy of the Airport and the Common Use Facilities;

(c) the violation by Airline of this Agreement or of any law, ordinance, regulation or court order affecting the Airport; or

(d) suits of whatever kind or nature alleging violations of any federal or state laws as a result of any actions taken by Airline or its Associated Parties, or Airline's failure to comply with obligations imposed upon Airline or its Associated Parties, pursuant to this Agreement;

and Airline will, at its own cost and expense, defend all such claims, demands and suits, whether frivolous or not. To the extent City Indemnified Parties reasonably expend any cost and expense, including attorney fees, in investigating or responding to such claims, demands and suits, Airline will reimburse the City Indemnified Parties for all such costs and expense, subject to Section 13.1.7.

13.1.2 Without limiting the foregoing, Airline also agrees to defend, indemnify and hold harmless the City Indemnified Parties:

(a) from and against any and all claims or liability for compensation under any workers' compensation statute arising out of the injury or death of any employee of Airline. Airline shall cause its licensees and Contractors to maintain in effect at all times workers' compensation insurance as required by law; and

(b) from, and to assume all liability for, and to pay, all taxes and assessments for payment of which the City may become liable and which by law may be levied or assessed on the space used by Airline pursuant to this Agreement, or which arise out of the operations of Airline or by reason of Airline's use of Common Use Facilities. However, Airline may, at its own risk, cost and expense, and at no cost to the City, contest, by appropriate judicial or administrative proceedings, the applicability or the legal or constitutional validity of any such tax or assessment, and the City will, to the extent permitted by law, execute such documents as are necessary to permit Airline to contest or appeal the same. Airline shall be responsible for obtaining bills for all of said taxes and assessments for which Airline is responsible directly from the taxing authority and shall promptly deliver to the City copies of receipts of payment. In the event the City receives any tax billings, it will forward said billings to Airline as soon as practicable.

13.1.3 Without limiting the foregoing, Airline shall cause any Contractor to agree to protect, defend, indemnify and hold the City Indemnified Parties free and harmless from and against any and all claims, damages, demands, and causes of action of all kinds including claims of property damage, injury or death, in consequence of granting the relevant Contract or arising out of or being in any way connected with the Contractor's performance under this Agreement except for matters shown by final judgment to have been caused by or attributable to the negligence of any City Indemnified Party to the extent prohibited by 740 ILCS 35/1 *et seq.* The indemnification provided herein shall be effective to the maximum extent permitted by applicable statutes. To the extent Contractor fails to defend any and all claims, demands or suits against the City Indemnified Parties including claims by any employee, Contractors, agents or servants of Contractor even though the claimant may allege that a City Indemnified Party is or was in charge of the work or that there was negligence on the part of a City Indemnified Party, Airline shall be responsible for such defense. To the extent City Indemnified Parties reasonably expend any cost and expense, including attorney fees, in investigating or responding to such claims, demands and suits, Airline will reimburse the City Indemnified Parties for all such costs and expense, subject to Section 13.1.7. "Injury" or "damage," as such words are used in this Section 13.1 shall be construed to include injury, death or damage consequent upon the failure of or use or misuse by Contractor, its subcontractors, agents, servants or employees, of any scaffolding, hoist, cranes, stays, ladders, supports, rigging, blocking or any and all other kinds of items of equipment, whether or not the same be owned, furnished or loaned by the City. Notwithstanding Airline's obligation to cause any Contractor to agree to the requirements set forth in this Section 13.1.3 Airline's failure to cause Contractor to do so shall not constitute a breach hereof, provided that Airline performs all such actions Contractor would have been required to perform under this Section 13.1.3, including indemnifying and defending the City, itself.

13.1.4 The City shall notify Airline as soon as practicable of each Claim in respect of which indemnity may be sought by the City against Airline hereunder, setting forth the particulars of such Claim, and shall furnish Airline with a copy of all judicial filings and legal process and any correspondence received by the City related thereto.

13.1.5 The City shall be invited to attend and participate in all meetings (including those related to settlement) and to appear and participate in all judicial proceedings related to any Claim against the City, provided that the City shall bear the costs of its participation to the extent such participation is not in furtherance of the City's defense of any such Claim. The City shall approve the terms of any settlement which requires the City to perform or refrain from performing any action, provided that such approval will not be unreasonably withheld if a settlement includes a full and unconditional release for City Indemnified Parties.

13.1.6 Without limiting the generality of any other provision hereof, Airline shall reimburse the City for the cost of any and all reasonable attorney's fees and investigation expenses and any other reasonable costs incurred by the City in the investigation defense and handling of said suits and claims and in enforcing the provisions of this Agreement.

13.1.7 Notwithstanding the provisions of this Section 13.1, in the event that the City and Airline mutually agree or a court of competent jurisdiction determines by a final order that (a) a City Indemnified Party's negligence is at least fifty-one (51%), or (b) a City Indemnified Party's willful and wanton misconduct is any percentage, of the total fault which proximately caused the Claims, Airline's obligation to indemnify the City for amounts to be paid in connection with the Claims shall be limited to the amount attributable to Airline's and its Associated Parties' proportionate share of the total fault which proximately caused the Claims. The City and Airline agree, however, that this Section 13.1.7 is not intended to obviate or lessen in any way Airline's duty to defend the City Indemnified Parties; provided, however, that to the extent the City and Airline mutually agree or a court of competent jurisdiction rules that the Claims were the result of the sole negligent act or omission or the willful and wanton misconduct of a City Indemnified Party, the City shall reimburse Airline for its proportionate share of the costs of defense, including, but not limited to, attorneys' fees and court costs. For the avoidance of doubt, the City shall reimburse Airline for all defense costs Airline incurred with respect to defending the City Indemnified Parties against Claims to the extent that the City and Airline mutually agree or a court of competent jurisdiction rules that such Claims were the result of the sole negligent act or omission of a City Indemnified Party.

13.1.8 Notwithstanding the provisions of this Section 13.1, Airline's indemnification obligations for Environmental Claims are set forth in Section 14.7.

13.1.9 The foregoing express obligation of indemnification shall not be construed to negate or abridge any other obligation of indemnification running to the City or a City Indemnified Party that would exist at common law or under other provisions of this Agreement, and the extent of the obligation of indemnification shall not be limited by any provision of insurance undertaken in accordance with this Agreement.

13.1.10 Subject to Section 13.1.7, Airline shall be liable for any loss or damage to any personal property or equipment of Airline, its agents, servants, employees, officials, or independent contractors.

13.1.11 Airline waives the right of contribution against the City Indemnified Parties, subject to Section 13.1.7, and subrogation against the City Indemnified Parties.

13.1.12 In the event that Airline is accommodated by another Signatory Airline pursuant to Article 5, Airline's indemnification obligations under this Section 13.1 to the City and City Indemnified Parties shall also apply to the accommodating Signatory Airline to the extent of Airline's use of the accommodating Signatory Airline's space.

13.1.13 This Section 13.1 shall survive expiration or early termination of this Agreement. Airline understands and agrees that any insurance protection furnished by Airline pursuant to Section 13.2 shall in no way limit Airline's responsibility to indemnify and hold harmless the City under the provisions of this Agreement.

13.2 **Insurance**

13.2.1 Insurance Coverage Required. Airline shall procure and maintain at all times, at Airline's own expense, the types of insurance specified below, with insurance companies having an AM Best rating of A- or better, financial size rating of IV or better; or for those insurance companies not subject to AM Best's rating (a) an equivalent financial strength rating from S&P or (b) as determined by the City in its sole discretion, a similar nationally or internationally recognized reputation and responsibility, or as reasonably approved by the City, covering all operations under this Agreement performed by Airline. The kinds and amounts of insurance required are as follows:

(a) Workers' Compensation and Employer's Liability Insurance. Workers' Compensation Insurance, as prescribed by Applicable Law, covering all employees who are to provide a service under this Agreement with statutory limits. Such insurance shall include Employer's Liability Insurance coverage with limits of not less than $1,000,000 each accident; $1,000,000 disease-policy limit; $1,000,000 disease-each employee. Coverage shall include other states endorsement, alternate employer and voluntary compensation, when applicable.

(b) Commercial General/Airline Liability Insurance (Primary and Umbrella). Commercial General/Airline Liability Insurance or equivalent coverage with limits of not less than $750,000,000 per occurrence and in the aggregate for war risks and allied peril, for Air Carriers using passenger aircrafts with 100 seats or more and $500,000,000 per occurrence and in the aggregate for war risks and allied peril, for Air Carriers using passenger aircrafts with less than 100 seats for bodily injury (including death), personal injury, property damage liability, and aircraft liability (including passengers), including a $25,000,000 sublimit for personal injury to non-passengers. Such insurance shall include but not be limited to: all premises and operations, products/completed operations, war risk and allied peril liability (including terrorism), liability for any auto (owned, non-owned and hired) including liability for vehicles on the restricted access area of the Airport, including but not limited to baggage tugs,

aircraft pushback tugs, air stair trucks and belt loaders, mobile equipment, hangar keepers liability, cargo liability, explosion, collapse, underground, separation of insureds, defense, independent contractors (if commercially available), liquor liability and blanket contractual liability (not to include Endorsement CG 21 39 or equivalent).

The City shall be named as an additional insured on the policy and coverage shall be at least as broad as that afforded the named insured. Also, in the event that a Signatory Airline accommodates Airline pursuant to Article 5, such Signatory Airline shall be named as an additional insured on the policy and coverage shall be at least as broad as that afforded the named insured. The additional insured coverage shall not have any limiting endorsement or language under the policy such as but not limited to, Airline's sole negligence or the City vicarious liability. Airline's insurance shall be primary without right of contribution by any other insurance or self-insurance maintained by the City.

To the extent Airline relies on excess or umbrella insurance to satisfy the requirements of this Section (ii) or (iii), any such policy shall follow form and be no less broad than the underlying policy, shall cover the term of underlying policy without interruption, and shall include a drop down provision with no gap in policy limits.

(c) Automobile Liability Insurance (Primary and Umbrella). When any motor vehicles are used in connection with work to be performed by or on behalf of Airline, Airline shall provide Automobile Liability Insurance with limits of not less than $10,000,000 per occurrence combined single limit, for bodily injury and property damage for any auto including owned, non-owned or hired autos; provided, however, that Airline may reduce the foregoing amount to $1,000,000 per occurrence combined single limit so long as Airline's Commercial General/Airline Liability Insurance or equivalent coverage includes excess auto liability. The City and any Signatory Airline accommodating Airline pursuant to Sections 5.5 or 5.6 of the Airline Signatory Airline Use and Lease Agreement shall be named as an additional insured on a primary, non-contributory basis.

(d) All Risk Builders Risk Insurance. When Airline undertakes any construction at the Airport, including improvements, betterments or repairs, Airline shall provide or cause its Contractor to provide All Risk Blanket Builder's Risk Insurance to cover the materials, equipment, machinery and fixtures that are or will be part of the permanent facility. Coverage extensions shall include boiler and machinery, earthquake and flood.

(e) All Risk Property Insurance. All Risk Property Insurance shall be maintained at replacement cost valuation basis covering all loss, damage, or destruction for such premises including improvements and betterments on the Common Use Facilities and personal property in Airline's care, custody and control at the Airport. Coverage shall include but not limited to boiler and machinery, earthquake, flood, sprinkler leakage, debris removal and business interruption and extra expense. The City and any Signatory Airline accommodating Airline pursuant to Sections 5.5 or 5.6 of the Airline Signatory Airline Use and Lease Agreement shall be named as a loss payee, as their interests may appear. Airline shall be responsible for all loss or damage to personal property owned, rented or used by Airline.

(f) Professional Liability. When any architects, engineers, project managers, construction managers or other professional consultants perform work in connection with this Agreement, Professional Liability Insurance covering acts, errors or omissions shall be maintained by such architects, engineers, project managers, construction managers or other professional consultants with limits of not less than $2,000,000; provided, however, that design and construction architects, engineers, project managers, construction managers or other professional consultants who perform work with respect to any construction project undertaken by Airline pursuant to this Agreement the cost of which is in excess of $50,000,000 shall be maintained with limits of not less than $5,000,000. When policies are renewed or replaced, the policy retroactive date shall coincide with, or precede, start of work on the contract. A claims made policy that is not renewed or replaced shall have an extended reporting period of at least two (2) years.

(g) Pollution Liability Insurance. Pollution Liability Insurance shall be provided covering bodily injury, property damage, clean-up and other losses caused by pollution conditions or incidents including any Release, Discharge, or Disposal of a Hazardous Substance or Other Regulated Material with limits of not less than $10,000,000 per pollution condition or loss and $10,000,000 annual aggregate. Coverage shall include but not be limited to: response to and remediation of new, preexisting, known and unknown on-site and off-site pollution conditions and incidents, emergency response costs, repairs, removals, abatement, corrective actions, transportation, contractual liability and defense. When policies are renewed, the policy retroactive date shall coincide with, or precede, start of work in connection with the Agreement. A claims-made policy which is not renewed or replaced shall have an extended reporting period of two (2) years. The City and any Signatory Airline accommodating Airline pursuant to Sections 5.5 or 5.6 of the Airline Signatory Airline Use and Lease Agreement is to be named in the policy as an additional insured.

Coverage shall also include but not be limited to (a) underground and above ground storage tank(s) owned or operated by Airline or its Associated Parties including any on site integral piping or dispensing equipment at the Airport and (b) any structural controls (above-ground or below-ground) used to treat sanitary sewer waste and storm water runoff operated by Airline or Associated Parties at the Airport, as set forth in Section 14.1.6 (Environmental Article).

As an alternative to obtaining Pollution Liability Insurance, Airline may provide for reasonable limits of self-insurance as agreed with the City against the environmental risks that would be covered by a third-party insurer providing Pollution Liability Insurance. If Airline self-insures against such environment risks, Airline shall make available its financial statement on-line. All amounts paid to the City by Airline on account of any self-insurance program shall be deemed insurance proceeds for purposes of this Agreement.

13.2.2 Additional Requirements

(a) Evidence of Insurance. Airline will furnish the Commissioner and any Signatory Airline accommodating Airline pursuant to Sections 5.5 or 5.6 of the Signatory Airline Use and Lease Agreement, with original Certificates of Insurance (or copies thereof) and a copy of the additional insured endorsements where applicable evidencing the coverage required

to be in force on the date of this Agreement, as well as renewal Certificates of Insurance and additional insured endorsements, or such similar evidence, if the coverages have an expiration or renewal date occurring during the term of this Agreement. Airline shall submit evidence prior to the Effective Date. The receipt of a certificate or other insurance evidence does not constitute an agreement by the City that the insurance coverage required in this Agreement has been fully met or the insurance policies indicated on the certificate or other evidence of insurance provided are in compliance with all the Agreement requirements. Failure of the City to obtain certificates or any other insurance evidence from Airline showing compliance with these requirements of the Agreement is not a waiver by the City of any requirements for Airline to obtain and maintain the specified coverages. Airline shall advise all insurers of the Agreement provisions regarding insurance. The City in no way warrants that the insurance required herein is sufficient to protect Airline for liabilities that may arise from or relate to the Agreement. The City reserves the right to inspect complete, certified policy copies (or electronic copies thereof) of any required insurance at a mutually agreed location within the State of Illinois within ten (10) days of the City's written request.

(b) Failure to Maintain Insurance. The insurance hereinbefore specified shall be carried during the term of this Agreement. Failure to carry or keep such insurance in force shall constitute a violation of the Agreement and an Event of Default under Section 17.1. To the extent there is such a failure, the City shall provide written notice thereof and Airline shall have fifteen (15) business days to cure such failure, after which the City may exercise any remedy in Article 17 or any other remedies under this Agreement until proper evidence of insurance is provided.

(c) Notice of Cancellation, Material Change and Non-Renewal. Airline shall provide for thirty (30) days' advance notice to the City in the event coverage required in this Agreement (except coverage for war and allied peril risk for which Airline shall provide seven (7) days' advance notice or such other period as may be agreed by the City and Airline) has substantially changed, canceled, or non-renewed. Upon the earlier of Airline's receipt of a cancellation notice for non-payment of premium or Airline's knowledge thereof, Airline shall provide immediate notice to the City of such cancellation or impending cancellation with Airline's written plan for curing such non-payment and preventing non-payment of premiums thereafter.

(d) Insurance Required of Contractors. In each contract with any Contractor, Airline shall require such Contractor to obtain insurance coverages to adequately cover risks associated with any such Contractor that are reasonably appropriate in their limits and other terms and conditions to the nature of the contract and standard in the industry within which such Contractors practices. Such coverages shall insure the interests of the City, its employees, elected officials, agents and representatives including naming the City of Chicago as an additional insured on an additional insured form acceptable to the City. Airline is also responsible for ensuring that each Contractor has complied with the required coverage and terms and conditions outlined in this Section 13.2.2. When requested by the City, Airline shall provide, or cause to be provided, to the City certificates of insurance and copies of additional insured endorsements or such other evidence of insurance, acceptable in form and content to the City. The City reserves the right to inspect complete, certified policy copies (or electronic copies thereof) of any required insurance at a mutually agreed to location within the State of Illinois

within ten (10) days of the City's written request. Failure of any Contractor to comply with required coverage and terms and condition outlined herein will not limit Airline's liability or responsibility hereunder.

(e) No Limitation as to Airline's Liabilities. Airline expressly understands and agrees that any insurance coverages and limits furnished by Airline shall in no way limit Airline's liabilities and responsibilities specified within this Agreement or by Applicable Law.

(f) Waiver of Subrogation. Airline waives and shall cause its insurers to waive, and Airline shall cause each of its Contractors and each of Contractor's insurers to waive, their respective rights of subrogation against the City Indemnified Parties for recovery of damages to the extent these damages are covered by the following insurance obtained by Airline pursuant to this Agreement; (1) Worker's Compensation and Employer's Liability Insurance; (2) Commercial General/Airline Liability Insurance (primary and umbrella); (3) Automobile Liability Insurance; (4) All Risk Blanket Builder's Risk Insurance; and (5) All Risk Property Insurance. With respect to the waiver of subrogation for Worker's Compensation and Employer's Liability Insurance, Airline shall obtain an endorsement equivalent to WC 00 03 13 to effect such waiver.

In the event the insurers of Airline, or the insurers of any Contractor, should seek to pursue contribution or a subrogation claim against the City, Airline shall be responsible to pay all cost of defending such claims, including actual attorney's fees of counsel of the City's choosing, subject to Section 13.1.7.

(g) Airline Insurance Primary. Airline expressly understands and agrees that any insurance maintained by the City shall apply in excess of and not contribute with insurance provided by Airline under this Agreement. All insurance policies required of Airline under this Agreement shall be endorsed to state that Airline's insurance policy is primary and not contributory with any insurance carried by the City.

(h) Insurance Limits maintained by Airline. If Airline maintains higher limits than the minimum required herein, the City requires and shall be entitled to coverage for the higher limits maintained by Airline. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to the City, as their interest may appear.

(i) Joint Venture or Limited Liability Company. If Airline is a joint venture or limited liability company, the insurance policies must name the joint venture or limited liability company as a named insured.

(j) Other Insurance obtained by Airline. If Airline desires additional coverages, Airline shall be responsible for the acquisition and cost.

(k) Self-Insurance of Airline. Airline may not self-insure any portion of any limit of primary coverage required hereunder unless specifically permitted under this Section 13.2 or otherwise permitted by the City in extraordinary circumstances. It is understood that in any instance in which Airline is permitted to and chooses to self-insure a portion of the

limit of primary coverage required hereunder, Airline, as a self-insurer, has the same duties and obligations to the City (*e.g.* obligation to provide a defense for covered claims) and to the City's liability insurer(s) as a primary liability insurer has to excess insureds and excess insurers under a standard ISO policy form even though Airline's self-insurance is not on a standard ISO form. For purposes of this subsection, self-insurance shall not be construed to include deductibles that apply on a per-occurrence basis.

(l) City's Right to Modify. The City maintains the right, based on commercially reasonable standards, to modify, delete, alter or change the requirements set forth under this Section 13.2 with thirty (30) days' prior written notice to Airline.

13.3 City's Insurance

The City shall maintain in force during the Term commercial general liability and property insurance relating to its ownership, maintenance, use and occupancy of the Airport as determined by and as required by the Bond Indenture and Applicable Laws.

Article 14

ENVIRONMENTAL MATTERS

14.1 Airline Representations, Warranties, and Covenants

Airline represents, warrants, and covenants the following with respect to its use of the Airport pursuant to this Agreement:

14.1.1 Airline has obtained and throughout the term of this Agreement shall regularly maintain and timely update all applicable licenses, permits, registrations and other authorizations and approvals required under Environmental Laws, and shall provide any notices required under Environmental Laws, for conducting its operations at the Airport during the term of this Agreement. Airline shall ensure that its Associated Parties obtain, maintain and update all applicable licenses, permits, registrations and other authorizations required by Environmental Law pertaining to its and their use of and operations at the Airport.

14.1.2 Airline shall comply and shall ensure that its Associated Parties comply, with all applicable Environmental Laws pertaining to its and their use of and operations at the Airport.

14.1.3 Airline shall not conduct its operations at the Airport during the Term of this Agreement in such a manner so as to cause, unlawfully allow or contribute to, and shall ensure that its Associated Parties do not cause, unlawfully allow or contribute to:

(a) any Release, Discharge or Disposal of any Hazardous Substance or Other Regulated Material at the Airport, unless authorized by an Environmental Law;

(b) any violation of any applicable Environmental Law as a result, in whole or in part, of the use by or operations of Airline or its Associated Parties at the Airport;

(c) any Release, Discharge or Disposal in violation of any applicable Environmental Law which is a contributing cause of the City exceeding any terms, conditions or effluent limits of any NPDES permit or individual storm water discharge permit issued to the City, Multi-Sector General Permit, Municipal Separate Storm Sewer System permit, or any applicable federal or State of Illinois effluent limitation guideline, or standard of the MWRD;

(d) any Release, Discharge or Disposal to soil or Waters at, underlying, or adjacent to the Airport in violation of any applicable Environmental Law; or

(e) any emissions to the air in violation of any applicable Environmental Law that results in an exceedance of an applicable emission standard at the Airport or of any terms or conditions of any of Airline's air permits.

14.1.4 Airline shall, and shall ensure that its Associated Parties, handle, use, store, Dispose of, transport, or otherwise manage, any Hazardous Substance or Other Regulated Material at the Airport during the Term of this Agreement in a lawful manner. Without limiting the foregoing, Airline shall not conduct and shall ensure that its Associated Parties do not conduct any operations or activities involving the use or application of ethylene glycol, propylene glycol, or any other substance in de-icing or anti-icing at any location at the Airport except in accordance with all applicable Environmental Laws and in compliance with any de-icing policies and practices as may be adopted by the City in consultation with Airline.

14.1.5 Airline shall be, and shall ensure that its Associated Parties are, responsible for the proper transportation and Disposal of all Hazardous Substances or Other Regulated Material generated by Airline or its Associated Parties, or resulting from Airline's use, activities, and operations, at the Airport during the term of this Agreement, including those activities and operations conducted by its Associated Parties. In such cases, in the event a signature as "Generator" is required on waste manifests, waste profile sheets or generator's certifications of non-special waste, Airline shall ensure that either Airline or its appropriate Associated Party(ies) signs such documents. Airline shall be responsible for the proper removal, transportation, and Disposal of Hazardous Substances or Other Regulated Material confiscated by the Transportation Security Agency ("TSA") or the City, but only with respect to such Hazardous Substances or Other Regulated Material obtained from Airline's passengers' checked baggage.

14.1.6 Airline shall be, and shall ensure that its Associated Parties are, responsible for the maintenance of any structural controls (above-ground or below-ground), as defined below, used to treat sanitary sewer waste and storm water runoff operated by Airline or its Associated Parties at the Airport during the term of this Agreement. Maintenance frequencies for any such structural controls shall be established by Airline in a reasonable manner in accordance with industry standards and applicable Environmental Law to ensure effective operation of such controls and to prevent failures of such controls that could result in the Discharge, Release or Disposal of pollutants in violation of any applicable Environmental Law. Airline shall ensure that environmental records required to be kept by applicable law, including the O'Hare SWPPP, are maintained on-site for a period of three (3) years, unless a different document retention requirement is provided by applicable law. Structural controls to be maintained by Airline shall include, but not be limited to: oil/water separators (both storm and

sanitary sewer), grease traps, sand traps, diversion valves, shut-off valves, storm sewer drain filters, trench drains, catch basins, rain gardens, and retention/holding ponds and any other structural controls. Airline shall remove and properly Dispose of any Waste in said designated structural controls maintained by Airline prior to discontinuing use of the Common Use Facilities.

14.1.7 Airline shall be, and shall ensure that its Associated Parties are, responsible for the maintenance of any air pollution control equipment required by any applicable Environmental Law operated by Airline or its Associated Parties at the Airport during the term of this Agreement. Maintenance frequencies for any such air pollution control equipment shall be established by Airline in a reasonable manner in accordance with industry standards, the provisions of applicable air permits and applicable Environmental Law to ensure effective operation of such equipment and to prevent failures of such equipment that could result in the emission of pollutants in violation of any applicable Environmental Law. Airline shall ensure that environmental records required to be kept by applicable law are maintained on-site for a period of three (3) years, unless a different document retention requirement is provided by applicable law. The air pollution control equipment units to be maintained by Airline shall include, but are not limited to: scrubbers, filters, adsorbers, condensers, precipitators, and other equipment. Airline shall remove and properly Dispose of any Waste in said designated air pollution control equipment operated by Airline prior to discontinuing use of the Common Use Facilities.

14.1.8 If Airline or its Associated Parties cause, unlawfully allow or contribute to a Release, Discharge, or Disposal of a Hazardous Substance or Other Regulated Material at the Airport in violation of any applicable Environmental Law that is above any applicable reportable quantity, emission standard or effluent guideline set forth in any applicable Environmental Law including the O'Hare Spill Response Guide, Airline shall report such Release, Discharge or Disposal to the appropriate governmental authorities in compliance with applicable Environmental Law, including the O'Hare Spill Response Guide. Airline shall ensure that its Associated Parties report any Release or Discharge in violation of any applicable Environmental Law to the appropriate governmental authorities, in compliance with applicable Environmental Law, if the operations of said third party cause, unlawfully allow or contribute to a Discharge or Release of a Hazardous Substance or Other Regulated Material in violation of any applicable Environmental Law that is above any reportable quantity set forth in any applicable Environmental Law.

14.1.9 Airline acknowledges that the City is subject to certain NPDES permits, state and federal storm water regulations, federal and state effluent limitation guidelines, and MWRD standards for operations at the Airport. Airline shall conduct operations and activities at the Airport, including but not limited to de-icing, anti-icing, and construction, and shall ensure that its Associated Parties conduct operations and activities at the Airport in compliance with applicable Environmental Laws. Airline acknowledges that its reasonable cooperation is necessary to ensure Airport's compliance with any applicable NPDES storm water permits and effluent limitation guidelines under Environmental Laws. Airline shall minimize the exposure to storm water of materials generated, stored, handled, or used by Airline or its Associated Parties at the Airport including Hazardous Substances or Other Regulated Material, by implementing and requiring implementation of certain written "Best Management Practices"

as defined by and required under Environmental Laws, and shall make them available to the City upon reasonable request. Airline further acknowledges that any effluent limitation guidelines in any NPDES storm water discharge permit issued to the City and timely provided to Airline applicable to Airline are incorporated by reference into this Agreement to the extent affecting Airline's operations at or use of the Airport or operations or activities conducted on its behalf at the Airport, or necessitating Airline's reasonable cooperation to assure the City's compliance therewith. The City shall provide advance notice to Airline of and a reasonable opportunity to comment on, and shall otherwise endeavor to negotiate reasonable and cost effective terms and conditions of, any permits issued to the City which may affect Airline's operations at or use of the Airport or operations or activities conducted on its behalf at the Airport, or which may necessitate Airline's reasonable cooperation to assure the City's compliance therewith.

14.1.10 Airline or its Associated Parties shall cooperate with the City, as reasonably requested from time to time by the City, to ensure that Airline's operations at or use of the Airport will not unreasonably interfere with the City's implementation of its Chicago O'Hare International Airport Wildlife Hazard Management Plan to reduce wildlife hazards at the Airport.

14.1.11 Airline, prior to discontinuing use of any Common Use Facilities for any reason, shall remove and Dispose of any and all trash, debris, or Waste generated by Airline or its Associated Parties.

14.2 Right of Entry to Perform Environmental Inspections and Sampling

14.2.1 The City and its contractors and other agents shall have the full right to enter any part of the Common Use Facilities, at all reasonable times and in the City's sole discretion, for the purpose of conducting an inspection, assessment, investigation, regular inspection, or regulatory compliance audit of Airline's operations thereon, or any other party's use and operations, including operations of Airline's Associated Parties.

14.2.2 Airline shall cooperate, and shall ensure that its Associated Parties cooperate, in allowing prompt, reasonable access to the City to conduct such inspection, assessment, audit, sampling, or tests. Airline remains solely responsible for its environmental, health, and safety compliance, notwithstanding any City inspection, audit, or assessment.

14.3 Information to be Provided to the City

14.3.1 If Airline receives any written notice, citation, order, warning, complaint, claim or demand regarding Airline's use of, or operations at, the Common Use Facilities during the term of this Agreement or other property at the Airport used by Airline pursuant to this Agreement that is not legally privileged, made confidential by applicable law, or protected as trade secrets:

(a) concerning any alleged Release, Discharge or Disposal of a Hazardous Substance or Other Regulated Material by Airline or by its Associated Parties; or

(b) alleging that Airline or any of its Associated Parties is the subject of an Environmental Claim or alleging that Airline or any Associated Party is, or may be, in violation of any Environmental Laws; or

(c) asserting that Airline or any such third party as identified in Section (i) and (ii) above is liable for the cost of investigation or remediation of a Release or Discharge;

Airline shall promptly, but not later than five (5) business days after Airline's receipt, inform the City in writing of same, including a copy of such notice received by Airline.

14.3.2 Airline shall simultaneously provide to the City copies of its submittals of any non-privileged reports or notices required under Environmental Laws to any governmental agency regarding:

(a) Airline's or its Associated Parties' alleged failure to comply with any Environmental Laws at the Common Use Facilities or other property at the Airport used by Airline pursuant to this Agreement, or

(b) any Release or Discharge arising out of the past or present operations at or use of the Common Use Facilities or other property at the Airport used by Airline or its Associated Parties pursuant to this Agreement.

14.3.3 In connection with any matter arising under Section 14.3.1 above, Airline shall make available, within ten (10) business days of Airline's receipt of the City's written request, subject to document retention requirements provided by applicable law, the non-privileged documents that Airline has submitted to any governmental agency pertaining to the environmental compliance status of Airline's operations at or use of the Common Use Facilities or other property at Airport used pursuant to this Agreement by Airline, including without limitation any and all non-privileged records, permits, permit applications, test results, sample results, written or electronic documentation, studies, or other documentation regarding environmental conditions or relating to the presence, use, storage, control, Disposal, or treatment of any Hazardous Substance or Other Regulated Material by Airline or its Associated Parties at the Common Use Facilities or other property at the Airport used by Airline pursuant to this Agreement.

14.4 Airline's Environmental Response and Compliance Obligations

14.4.1 Without limiting the indemnity obligations of Section 14.7, if, during the term of this Agreement, Airline or any of its Associated Parties causes, unlawfully allows or contributes to a Release, Discharge, or Disposal of a Hazardous Substance or Other Regulated Material (including, but not limited to those which contaminate or pollute any air, soil, Waters, storm sewer, detention basin, other stormwater infrastructure, or conveyance system) in violation of any applicable Environmental Law that is above any applicable reportable quantity, emission standard or effluent guideline set forth in an applicable Environmental Law including the O'Hare Spill Response Guide, at any portion of the Airport or adjacent Waters, in connection with their operations at the Common Use Facilities or at other property at the Airport used by Airline

pursuant to this Agreement, Airline shall perform or shall cause to be performed, consistent with the provisions of Section 14.5, the following:

(a) notify the O'Hare Communications Center ("OCC") of such Release, Discharge, or Disposal as required by and in accordance with the O'Hare Spill Response Guide and applicable Environmental Laws;

(b) report such Release, Discharge, or Disposal to appropriate governmental agencies as required by and in accordance with applicable Environmental Laws;

(c) promptly Respond to the Release, Discharge, or Disposal of a Hazardous Substance or Other Regulated Material, as required by applicable Environmental Laws;

(d) promptly take all further actions required under Environmental Laws to abate any threat to human health or the environment;

(e) promptly undertake any further removals, remediation, or corrective actions as are required by Environmental Laws or a governmental agency exercising its authorized regulatory jurisdiction under Environmental Laws, to remedy any such Release, Discharge or Disposal of a Hazardous Substance or Other Regulated Material, and any resulting impacts; and

(f) promptly obtain documentation of the approval of the closure of such Release, Discharge, or Disposal from the governmental agency(ies) with regulatory jurisdiction as such may be issued under Environmental Laws, and provide such documentation to the City.

14.4.2 Any remedial or other activity undertaken by Airline under this Article shall not be construed to impair Airline's rights, if any, to seek contribution or indemnity from any person, consistent with the terms and limitations of this Agreement, including Section 14.7, below.

14.5 Investigation, Remediation, or Corrective Action Process

Before commencing any subsurface soil, surface water, stormwater, or groundwater investigations, removals, remediation, or corrective actions that Airline or Airline's Associated Parties are required to perform at the Airport under this Agreement, including any such actions mandated in Section 14.4, and except for immediate removal actions required by Environmental Laws and otherwise undertaken pursuant to Section 14.4, Airline shall promptly provide any proposed plans for such investigations, removals, remediation, or corrective actions to the City for approval in accordance with applicable Environmental Laws, which shall not be unreasonably withheld or conditioned. The work shall be performed in a diligent manner consistent with the time(s) prescribed by Environmental Laws and relevant governmental authorities and at Airline's expense, and the City shall have the right to review and inspect all such work at any time using consultants and representatives of the City's choice, at the City's expense. Specific cleanup levels for any environmental removals, remediation or corrective actions shall comply with applicable Environmental Laws, with commercial and industrial

remediation standards being applied to such actions consistent with the use of the Airport for such purposes. Airline may also utilize institutional controls and other engineered barriers as part of any removals, remediation or corrective actions to the extent authorized by Environmental Laws and approved by the City in writing, which shall not be unreasonably withheld. In the event deed recordation by the City is necessary for the utilization of commercial and industrial remediation standards or other controls as part of any removals, remediation or corrective actions or any other costs and expenses are incurred in connection with the use of such standards or controls Airline shall reimburse the City for all deed recordation fees and reasonable attorneys' fees incurred in connection with such recordation. Airline shall, at Airline's own cost and expense, have all tests performed, and reports and studies prepared, and shall provide such information to any governmental agency as may be required by applicable Environmental Laws, with a copy simultaneously provided to the City. This obligation includes but is not limited to any requirements for a site characterization, site assessment, remediation objectives report, remedial action plan, and remedial action completion report that may be necessary to comply with applicable Environmental Laws.

14.6 **The City's Rights to Ensure Airline's Compliance with Environmental Response and Compliance Obligations**

14.6.1 If, as is reasonably determined by the City, Airline, Airline's Associated Parties or their Associated Parties:

(a) do not take appropriate Response actions required by applicable Environmental Laws in response to a Release, Discharge or Disposal for which it is responsible under Section 14.4, within the time(s) prescribed by such Environmental Law(s) and relevant governmental authorities; or

(b) do not perform or complete reporting, notifications, investigations, removals, remediation, corrective actions, or closure actions for which it is required under Section 14.4 within the time(s) prescribed by applicable Environmental Laws and relevant governmental authorities, or within the time reasonably necessary to enable the City to meet its obligations under Environmental Laws (subject to the condition that, in the case of both Sections 14.6.1(a) and 14.6.1(b) above, the City must first provide reasonable advance written notice to Airline of Airline's failure to comply with such obligations and a reasonable opportunity for Airline to cure such failure to comply by Airline initiating or recommencing any such actions consistent with required schedules (including exercising its legal right to reasonably and in good faith challenge such alleged obligation to comply), but in any event not to exceed forty-five (45) days, except in emergency circumstances in which such advance notice is not possible), then the City or its authorized contractor, in addition to its rights and remedies described elsewhere in this Agreement and otherwise available at law, in equity, or otherwise, may, at its election, upon reasonable notice, enter the affected area, and take whatever action the City reasonably deems necessary to meet Airline's obligations under Environmental Laws, within the time required under such Environmental Laws, consistent with the requirements of Section 14.4. In addition to notice and opportunity to cure as set forth in Section 14.6.1(b) above, the City shall provide Airline with its plan to perform such work for Airline's review and comment at least seven (7) business days before the commencement of such work, which comments shall be reasonably considered by the City, except in emergency circumstances where such advance notice is not

possible. Such action taken by the City consistent with the requirements of this Agreement shall be at Airline's expense plus administrative expenses of the greater of five hundred dollars ($500.00) or 25% of all costs incurred by the City, including but not limited to reasonable attorneys' and consultants' fees and expenses, monetary fines and penalties, litigation costs or costs incurred in anticipation of litigation, expert witness fees, and expenses of investigation, removal, remediation, or other required plan, report, or Response action performed in accordance with applicable Environmental Laws.

14.6.2 If the City cannot identify with commercially reasonable effort any of the parties causing, unlawfully allowing, contributing to or responsible for a Release, Discharge, or Disposal at or from the Airport requiring the completion of appropriate Response actions as provided in Section 14.4.1, then City shall provide reasonable advance written notice to Airline of its intention to take actions, to the extent of Airline's obligations for such actions as provided in Section 14.4.1, to report, repair, contain, investigate, remove, correct or remediate such Release, Discharge, or Disposal consistent with the requirements of Section 14.4. Airline shall thereafter be afforded a reasonable opportunity (not to exceed forty-five (45) days) to commence such actions or provide the City with information on the identity of the party or parties causing, contributing to, or responsible for such Release, Discharge, or Disposal, which information shall be considered in good faith by the City and, as appropriate, shall provide a basis for the City's pursuit of any responsible parties consistent with the provisions of Section 14.6.1. In addition to the above written notice, the City shall provide Airline with its plan to perform such actions for Airline's review and comment at least seven (7) business days before the commencement of any work (except in emergency circumstances in which such advance notice is not possible), which comments shall be reasonably considered by the City, after which the costs of such actions, if implemented by the City, shall be allocated by the City to Airline-Supported Cost Centers.

14.6.3 Nothing in this Section 14.6 is intended or shall be construed so as to prevent the City or Airline from exercising, in their reasonable discretion, any rights granted or available elsewhere in this Article, in this Agreement, or by law.

14.7 Environmental Indemnification and Reimbursement

14.7.1 Notwithstanding any other provision to the contrary, Airline agrees to indemnify, defend, and hold harmless the City, its past and present elected and appointed officials, officers, agents and employees ("Environmental Indemnitees"), from and against any and all Environmental Claims resulting from:

(a) the breach by Airline of any representation or warranty made in this Article; or

(b) the failure of Airline to meet its obligations under this Article, whether caused or unlawfully allowed by Airline or any third party under Airline's direction or control; or

(c) documented loss by any Environmental Indemnitee(s) from any Environmental Claim, to the extent caused, unlawfully allowed or contributed to by the unauthorized Release, Discharge, or Disposal of a Hazardous Substance or Other Regulated

Material by Airline or by its Associated Parties or the failure of Airline or any Associated Party to comply with applicable Environmental Laws in connection with the operations of Airline or its Associated Parties at the Common Use Facilities or at other property at the Airport used by Airline pursuant to this Agreement, during the term of this Agreement;

14.7.2 Notwithstanding the provisions of this Section 14.7, in the event that the City and Airline mutually agree or a court of competent jurisdiction determines by a final order that an Environmental Indemnitee's negligence or willful and wanton misconduct is at least fifty-one (51%) of the total fault which proximately caused the Environmental Claims, Airline's obligation to indemnify the Environmental Indemnitee for amounts to be paid in connection with the Environmental Claims shall be limited to the amount attributable to Airline's and its Associated Parties' proportionate share of the total fault which proximately caused the Environmental Claims. The City and Airline agree, however, that this Section 14.7.2 is not intended to obviate or lessen in any way Airline's duty to defend the Environmental Indemnitees; provided, however, that to the extent the City and Airline mutually agree or a court of competent jurisdiction rules that the Environmental Claims were the result of the sole negligent act or omission or the willful and wanton misconduct of an Environmental Indemnitee, the City shall reimburse Airline for its proportionate share of the costs of defense, including, but not limited to, attorneys' fees and court costs. For the avoidance of doubt, the City shall reimburse Airline for all defense costs Airline incurred with respect to defending the City Indemnified Parties against Claims to the extent that the City and Airline mutually agree or a court of competent jurisdiction rules that such Claims were the result of the sole negligent act or omission of a City Indemnified Party.

14.7.3 The City shall provide Airline with prompt notice of any Environmental Claims to allow Airline the opportunity to properly and effectively respond to or otherwise defend such Environmental Claims. Airline shall, at its own cost and expense, defend all Environmental Claims whether frivolous or not. In the event the City undertakes any action, including but not limited to investigations, removals, remediation, or corrective actions with respect to any Environmental Claims in response to the failure of Airline to defend such Environmental Claims as Airline deems appropriate in its reasonable judgment, Airline shall reimburse the City, upon written demand by the City, for all reasonable and documented costs that the City incurs in association with such action, including but not limited to consultants' fees, contractors' fees, reasonable attorneys' fees and expenses of investigation, removal, Response, remediation, or corrective action.

14.7.4 Except to the extent set forth in Section 14.7.2, above, Airline waives the right of contribution and subrogation against the Environmental Indemnitees in connection with Environmental Claims set forth in Sections 14.7.1 and 14.7.3, above.

14.7.5 Regardless of the date of termination of this Agreement, the indemnifying party's representations, obligations and liabilities under this Article shall continue as long as the indemnified party bears any liability or responsibility under this Article or the Environmental Laws.

14.7.6 Any claims for environmental matters shall be subject to this Section 14.7 and shall not be subject to the General Indemnity provision of Section 13.1 in this Agreement.

14.8 Limitations

Except pursuant to Sections 14.6.2, Airline's obligations under this Article shall not apply to: (a) any Release, Discharge or Disposal, or Hazardous Substances or Other Regulated Materials that existed at the Airport prior to Airline's or its corporate predecessor(s)'s initial occupancy or operations at such area(s) of Release, Discharge or Disposal, or Hazardous Substances or Other Regulated Materials at the Airport, provided that neither Airline or its corporate predecessor(s) nor any other party under Airline's or its corporate predecessor(s)'s direction or control, or conducting operations or activities on its or their behalf caused, unlawfully allowed or contributed to such Release, Discharge or Disposal, or Hazardous Substances or Other Regulated Materials, or caused, unlawfully allowed or contributed to a subsequent Release, Discharge or Disposal of such pre-existing Hazardous Substances or Other Regulated Materials; or (b) Releases, Discharges, or Disposal that migrate onto, into, or from the Common Use Facilities or the Airport and that were not caused, unlawfully allowed or contributed to by Airline or its corporate predecessor(s) or third parties under Airline's or its corporate predecessor(s)'s direction or control or conducting operations or activities on its or their behalf; or (c) Releases, Discharges, or Disposal on, at, or from the Airport not caused, unlawfully allowed or contributed to by Airline or its corporate predecessor(s) or by its or their Associated Parties, or any other party under Airline's or its corporate predecessor(s)'s direction or control.

14.9 Waiver

Any waiver of any provision of this Article, or any delay by the City in the enforcement of any right hereunder, shall neither be construed as a waiver, nor create an expectation of non-enforcement of that or any other provision or right. In order to be effective, any waiver of any right, benefit, or power hereunder must be in writing and signed by an authorized representative of the City, it being intended that no waiver shall be implied by the City's conduct or failure to act. Any specific written waiver shall be applicable only to the particular facts and circumstances thereby addressed and shall not be of any effect with respect to future events, even if any of said future events involve substantially similar circumstances. Any remedies provided for in this Article shall be cumulative and in addition to, and not in lieu of, any other remedies available to the City elsewhere in this Agreement, at law, in equity, or otherwise.

14.10 Notice for Environmental Matters

With respect to those provisions of this Article 14 which expressly require the City to provide written notice to Airline, electronic mail to the designated Airline representative will satisfy such requirement. Airline's representative for receiving environmental notices is designated in the general Notices provisions in Section 18.3.

14.11 **Survival of Environmental Provisions**

Unless specifically stated elsewhere herein, the provisions of this Article, including the representations, warranties, covenants and indemnities of Airline, are intended to and shall survive termination of this Agreement.

Article 15

[RESERVED]

Article 16

COMPLIANCE WITH LAWS AND RULES

16.1 **Airport Rules**

Airline shall comply, and, to the maximum extent Airline has the legal power to do so, shall cause its agents, employees, guests, invitees and Contractors to comply, with all Airport Rules.

16.2 **Observance and Compliance with Laws**

16.2.1 Airline shall comply, and to the maximum extent Airline has legal power to do so, shall cause its agents, employees, Contractors and licensees to, observe and comply with, and pay all taxes and obtain all licenses, permits, certificates and other authorizations required by, all applicable federal, state, county and municipal laws, statutes, ordinances and executive orders, including all rules, regulations and directives of the Federal Aviation Administration. Airline agrees to make a part of and incorporate into this Agreement, by reference or by setting forth at length, at the option of the City, any and all statutes, rules and regulations and any assurances and covenants required pursuant thereto which may now or hereafter be required by the Federal Aviation Administration or other federal, state, county or municipal agency. To the extent applicable, Airline shall comply with the provisions of Exhibit C, "Compliance with Laws," which may be amended by the Commissioner.

16.2.2 The City shall operate and maintain the Airport in a reasonably prudent manner and in accordance with Applicable Laws.

16.2.3 Airline shall operate and maintain the Airport in a reasonably prudent manner and in accordance with Applicable Laws; provided, however, that this provision shall not be construed as a waiver by Airline to challenge a local law, rule, regulation or ordinance that is pre-empted by State or Federal law.

16.2.4 Notwithstanding anything herein to the contrary, references herein to a statute or law shall be deemed to be a reference to (i) such statute or law as may be amended from time to time, (ii) all regulations, rules, executive orders, policies and instructions pertaining

to or promulgated pursuant to such statute or law, and (iii) all future statutes, laws, regulations, rules, executive orders, policies and instructions pertaining to the same or similar subject matter.

16.3 **Subordination to Sponsor's Assurance Agreement**

This Agreement shall be subordinate and subject to the terms of any "Sponsor's Grant Assurances" or like agreement that has been or may be furnished by the City to the United States of America, its boards, commissions, or agencies, including without limitation the FAA, or that is required by Applicable Laws, as a condition precedent to receiving federal financial assistance for development of the Airport and other Airport programs and activities.

16.4 **Agreements with the United States**

This Agreement is subject and subordinate to the provisions of any agreement heretofore or hereafter made between the City and the United States, the terms and execution of which have been or may be required to enable or permit the transfer of rights or property to the City for airport purposes, or the expenditure of federal grant funds for Airport improvement, maintenance or development. Airline shall reasonably abide by the requirements of agreements entered into between the City and the United States, as applicable to Airline, and shall consent to amendments and modifications of this Agreement if required by such agreements or if required as a condition of the City's entry into such agreements.

16.5 **PFC Act and Assurances**

16.5.1 Notwithstanding anything to the contrary in this Agreement, no provision of this Agreement shall impair the authority of the City to impose a Passenger Facility Charge or to use the Passenger Facility Charge revenue as provided in the Aviation Safety and Capacity Expansion Act of 1990, 49 U.S.C. § 40117 (the "PFC Act").

16.5.2 Airline acknowledges that the City has given to the United States of America, acting by and through the FAA, certain assurances set forth in the PFC Act and implementing regulations at 14 C.F.R. Part 158 ("PFC Assurances"), and Airline agrees that this Agreement shall be subordinate and subject to the PFC Assurances.

16.5.3 In the event that the FAA or its successors require any modifications or changes in this Agreement as a condition precedent to the collection of PFCs or otherwise complying with the PFC Act, Airline shall not withhold its consent to such amendments, modifications, revisions, supplements or deletions of any of the terms, conditions or requirements of this Agreement as may reasonably be required to collect PFCs or comply with the PFC Act. The City agrees to provide Airline with advance written notice of any provisions that would adversely modify material terms of this Agreement.

16.6 **PFCs to be held in Trust for the City**

16.6.1 Airline shall hold the net principal amount of all PFCs that are collected by Airline or its agents on behalf of the City pursuant to 49 U.S.C. App. § 1513 and the rules and regulations thereunder (14 C.F.R. Part 158, the "PFC Regulations") in trust for the City. For purposes of this Section 16.6, net principal amount shall mean the total principal

amount of all PFCs that are collected by Airline or its agents on behalf of the City, reduced by all amounts that Airline is permitted to retain pursuant to Section 158.53(a) of the PFC Regulations.

16.6.2 In the event that Airline fails to make payments of PFCs to the City in accordance with the PFC Regulations, the City may require Airline to establish a PFC trust account pursuant to this Section 16.6.2. In the event the City requires Airline to establish a PFC trust account, and notwithstanding Section 158.49 of the PFC Regulations, upon receipt of PFCs that are collected by Airline or its agents on behalf of the City, Airline shall establish, and shall deposit the net principal amount of such PFCs in, an interest-bearing trust account for the City's benefit (the "Trust Account"). The Trust Account shall be held in the name of Airline as trustee for the City; provided that the City and Airline mutually agree to terms upon which amounts may be withdrawn from such account upon the joint direction of the City and Airline. If the City and Airline do not so agree, the Trust Account shall be held by an independent third party bank trustee, in which event such trustee's fees shall be payable by the City. The City shall have the right to select such trustee subject to the approval of Airline, which approval will not be unreasonably withheld. The Trust Account shall be separate from and not commingled with all other Airline funds, including PFCs collected on behalf of other airports. In accordance with Section 158.51 of the PFC Regulations, any amounts required to be remitted to the City under such section shall be paid in any event by Airline, as trustee, or by such third party bank trustee, to the City on or before the date specified in such section first out of the net principal amount, then, to the extent of any deficiency, by Airline, out of income earned thereon and then, by Airline, out of any available funds of Airline. Funds in the Trust Account shall be invested solely in instruments issued or guaranteed by the United States government or any of its agencies, commercial paper rated A1 or P1 or better by, respectively, Standard & Poor's Rating Services or Moody's Investors Service, Inc., or federally insured bank certificates of deposit. Any income earned on funds in the Trust Account on or prior to the date of required remittance to the City shall be the property of Airline and shall be paid directly to Airline. Any income earned on funds in the Trust Account after the date of required remittance to the City shall be the property of the City and shall be paid immediately to the City and applied to the interest income in the O'Hare Passenger Facility Charge Revenue Fund.

16.6.3 Upon the determination of a United States bankruptcy court in a final non-appealable order that a trust account is not required to establish the City's absolute right immediately to receive all PFCs collected for the City and held by Airline, Section 16.7.2 shall no longer apply.

16.6.4 In the absence of additional regulations governing the treatment of refunds, any refunds of PFCs due to passengers as a result of changes of itinerary shall be paid proportionately out of the net principal amount attributable to such PFCs and the amount that Airline was permitted to retain under Section 158.53(a) of the PFC Regulations attributable to such PFCs. Airline hereby acknowledges that the net principal amount of all PFCs collected on behalf of the City shall remain at all times the property of the City, except to the extent of amounts refunded to passengers pursuant to the preceding sentence (which shall remain the property of the City until refunded and become the property of the passenger upon and after refund). Other than the amounts that Airline is entitled to retain pursuant to Section 158.53 of the PFC Regulations, Airline shall be entitled to no compensation.

16.7 Security and Payment of Fines for Violation of Federal Regulations

16.7.1 Airline acknowledges that security is of primary importance at the Airport and that security requirements are likely to change during the Term. Airline, its officers, employees, representatives, agents, servants, consultants, contractors, successors, assigns and suppliers and those under its control, shall comply with security measures (a) required of Airline by the FAA or the TSA or by the City in accordance with applicable requirements of the FAA or the TSA or their authorized successor(s) or (b) contained in any Airport master security plan approved by the FAA or the TSA or their authorized successor(s). Airline shall comply, at its own expense, with the TSA's security requirements applicable to Airline at the Airport including, but not limited to, employee security training, badging, criminal background checks, access control, screening and inspections. Airline shall cooperate with the TSA on all security matters.

16.7.2 Compliance with such security measures and requirements shall not relieve Airline of its responsibility for maintaining proper security for the above-noted items, nor shall it be construed as limiting in any manner Airline's obligations with respect to all applicable federal laws and regulations and its duty to undertake reasonable action to establish and maintain secure conditions at and around the Common Use Facilities. To comply with TSA requirements, Airline hereby agrees to execute a reasonable exclusive area agreement pursuant to 49 C.F.R. 1542.111 with the City in form and substance which is reasonably acceptable to the parties. Airline accepts security responsibility to use best efforts to prevent unauthorized access to the Common Use Facilities. Airline shall be responsible for preventing unauthorized persons from gaining access to the restricted areas of the Airport through the Common Use Facilities during times and to the extent that Airline has control of the Common Use Facilities.

16.7.3 Airline understands and agrees that security requirements may affect Airline's Air Transportation Business operations and costs. Airline shall be strictly liable for the payment of any fines assessed by the City or the payment of (or reimbursement of City for any payments of) any civil penalties assessed against City or Airline relating to security and resulting from the negligence or intentional acts of omission or commission of Airline's officers, employees, representatives, agents, servants, consultants, contractors, successors, assigns and suppliers and those under its control, and Airline shall be solely and fully responsible for any and all breaches of security and the consequences thereof resulting from the negligence or intentional acts of omission or commission of its officers, employees, representatives, agents, servants, consultants, contractors, successors, assigns and suppliers and those under its control.

16.7.4 The City may impose and Airline agrees to pay a reasonable non-discriminatory cost-based user fee, if any, for the privilege of using identification cards or badges to gain access to the Airport security access control system.

16.8 No Exclusive Rights

Nothing contained in this Agreement shall be deemed to grant to Airline any exclusive right or privilege within the meaning of 49 U.S.C. § 40103(e) with respect to activity at the Airport.

16.9 **Federal Tax and Securities Laws**

16.9.1 Airline, upon the City's request, shall provide to the City such information and certifications as the City may require to maintain the tax-exempt status of the interest on GARBs.

16.9.2 Airline, upon the City's request, shall provide to the City such information as the City may reasonably request in writing in connection with the offering, sale and remarketing of GARBs to enable the City to comply with the requirements of the federal securities laws and to comply with the City's continuing disclosure requirements under SEC Rule 15c2-12, as it may be amended from time to time, provided, however, that Airline may, in lieu of providing the requested information, direct the City to an Airline or SEC website where the requested information is then currently available.

16.10 **Anti-Scofflaw**

Airline hereby represents and warrants and shall cause each of its Contractors to represent and warrant, that Airline or such Contractors, as the case may be, is not in violation of Section 2-92-380 of the Municipal Code, and further agrees that, in the event of any such violation, the City shall be entitled to set off from those amounts invoiced by Airline an amount equal to the amount of any fines or penalties owed to the City, subject to those exceptions stated in the Municipal Code.

16.11 **Ethics**

Airline hereby represents and warrants and shall cause each of its Contractors to represent and warrant that Airline or such Contractors, as the case may be, is not in violation of Chapter 2-156 of the Municipal Code.

16.12 **Inspector General**

Airline understands and will abide by the provisions of Chapter 2-56 of the Municipal Code. Airline acknowledges and agrees that it shall be the duty of Airline and its sub-licensees, Contractors and all their officers, directors, agents, partners and employees to cooperate with the Inspector General of the City in any investigation or hearing undertaken pursuant to Chapter 2-56 of the Municipal Code. All contracts and other agreements must inform the parties of this provision and require understanding and compliance with it.

16.13 **Business Relationships With Elected Officials, Municipal Code Section 2-156-030(b)**

Airline understands and will abide by the provisions of Section 2-156-030 of the Municipal Code, as applicable. Pursuant to Municipal Code Section 2-156-030(b), it is illegal for any elected official of the city, or any person acting at the direction of such official, to contact, either orally or in writing, any other city official or employee with respect to any matter involving any person with whom the elected official has a business relationship that creates a financial interest on the part of the official, or the domestic partner or spouse of the official, or from whom or which he has derived any income or compensation during the preceding twelve

months or from whom or which he reasonably expects to derive any income or compensation in the following twelve months or to participate in any discussion in any city council committee hearing or in any city council meeting or to vote on any matter involving the person with whom an elected official has a business relationship that creates a financial interest on the part of the official, or the domestic partner or spouse of the official or from whom or which he has derived any income or compensation during the preceding twelve months or from whom or which he reasonably expects to derive any income or compensation in the following twelve months. Violation of Municipal Code Section 2-156-030(b) by any elected official with respect to this Agreement at the request or direction of Airline will be grounds for termination of this Agreement. The term "financial interest" is defined as set forth in Municipal Code Section 2-156-080.

Municipal Code Section 2-156-010(l) defines a "financial interest" as an interest held by an official or employee that is valued or capable of valuation in monetary terms with a current value of more than $1,000.00, provided that such interest shall not include: (1) the authorized compensation paid to an official or employee for any office or employment; or (2) a time or demand deposit in a financial institution; or (3) an endowment or insurance policy or annuity contract purchased from an insurance company; or (4) any ownership through purchase at fair market value or inheritance of the shares of a mutual fund corporation, regardless of the value of or dividends on such shares, if such shares are registered on a securities exchange pursuant to the Securities Exchange Act of 1934, as amended; or (5) any ownership through purchase at fair market value or inheritance of not more than one-half of one percent of the outstanding common stock of the shares of a corporation, or any corporate subsidiary, parent or affiliate thereof, regardless of the dividends on such shares, if such shares are registered on a securities exchange pursuant to the Securities Exchange Act of 1934, as amended.

16.14 **City of Chicago Hiring Plan (Shakman Accord)**

The City is subject to the May 31, 2007 Order entitled "Agreed Settlement Order and Accord" and the June 16, 2014 "City of Chicago Hiring Plan" (the "2014 City Hiring Plan") entered in *Shakman v. Democratic Organization of Cook County*, Case No 69 C 2145 (United States District Court for the Northern District of Illinois). Among other things, the Agreed Settlement Order and Accord and the 2014 City Hiring Plan prohibit the City from hiring persons as governmental employees in non-exempt positions on the basis of political reasons or factors.

Airline is aware that City policy prohibits City employees from directing any individual to apply for a position with Airline, either as an employee or as a contractor, and from directing Airline to hire an individual as an employee or as a contractor. Accordingly, Airline must follow its own hiring and contracting procedures, without being influenced by City employees.

16.15 **No Waste Disposal in Public Way, Municipal Code Section 11-4-1600(E)**

Airline warrants and represents that it has not violated and is not in violation of the following sections of the Municipal Code (collectively, the "Waste Sections"):

- 7-28-390 Dumping on public way;
- 7-28-440 Dumping on real estate without permit;
- 11-4-1410 Disposal in waters prohibited;
- 11-4-1420 Ballast tank, bilge tank or other discharge;
- 11-4-1450 Gas manufacturing residue;
- 11-4-1500 Treatment and disposal of solid or liquid;
- 11-4-1530 Compliance with rules and regulations required;
- 11-4-1550 Operational requirements; and
- 11-4-1560 Screening requirements.

During the period while this Agreement is executory, Airline's violation of the Waste Sections, whether or not relating to this Agreement, constitutes a breach of and an event of default under this Agreement. Such breach and default entitles the City to all remedies under the Agreement, at law or in equity.

This Section 16.15 does not limit Airline's duty to comply with Applicable Law.

16.16 Visual Artists Rights Act Waiver

Airline shall not install any object in the Common Use Facilities or elsewhere in the Airport that constitutes a work of visual art as defined in 17 U.S.C. § 101 (the "Artwork") unless and until Airline has both (a) obtained prior written approval of the Commissioner to install the Artwork and (b) provided the City with a written waiver from the author of the Artwork, in form and substance reasonably satisfactory to City, waiving any and all rights in the Artwork that may be granted or conferred under 17 U.S.C. § 106A and 17 U.S.C. § 113(d). Airline covenants that it will obtain a written waiver of all rights under 17 U.S.C. § 106A and 17 U.S.C. § 113(d) as necessary from any employees, contractors, subcontractors, subtenants or artists.

16.17 Boarding And Deplaning Assistance To Passengers With Disabilities

Airline shall comply, at its own expense, with all Applicable Laws relating to the boarding or deplaning of passengers with disabilities, including, but not limited to, 49 U.S.C. § 41705 and 14 C.F.R. § 382.

Article 17

DEFAULT AND TERMINATION

17.1 Events of Default

Each of the following shall be an "Event of Default" under this Agreement:

17.1.1 Airline shall become insolvent (as such term is defined under Section 101 of the Federal Bankruptcy Code); or shall fail to pay its debts generally as they mature; or shall take the benefit of any present or future federal or state insolvency statute; or shall make a general assignment for the benefit of creditors.

17.1.2 Airline shall file a voluntary petition in bankruptcy or a petition or answer seeking an arrangement of its indebtedness under the Federal Bankruptcy Code or under any other law or statute of the United States or of any state thereof; or consent to the appointment of a receiver, trustee, custodian, liquidator or other similar official, of all or substantially all of its property; or an order for relief shall be entered by or against Airline under any chapter of the Federal Bankruptcy Code.

17.1.3 By order or decree of a court, Airline shall be adjudged bankrupt or an order shall be made approving a petition filed by any of its creditors or by any of its stockholders, seeking its reorganization or the restructuring of its indebtedness under the Federal Bankruptcy Code or under any other law or statute of the United States or any state thereof and such order or decree shall not be stayed or vacated within sixty (60) days of its issuance.

17.1.4 A petition under any chapter of the Federal Bankruptcy Code or an action under any federal or state insolvency law or statute shall be filed against Airline and shall not be dismissed or stayed within sixty (60) days after the filing thereof.

17.1.5 By or pursuant to, or under authority of any legislative act, resolution or rule, or any order or decree of any court or governmental board, agency or officer, a receiver, trustee, custodian, liquidator or other similar official shall take possession or control of all or substantially all of the property of Airline and such possession or control shall continue in effect for a period of sixty (60) days.

17.1.6 Airline shall become a corporation in dissolution.

17.1.7 The letting, license or other interest of or rights of Airline hereunder shall be transferred to, pass to or devolve upon, by operation of law or otherwise, any other person, firm, corporation or other entity, by, in connection with or as a result of any bankruptcy, insolvency, trusteeship, liquidation or other proceedings or occurrence described in Sections 17.1.1 through 17.1.5.

17.1.8 Airline shall fail to duly and punctually pay any Airport Fees and Charges required to be paid hereunder or shall fail to make payment of any other sum required to be paid to the City pursuant to this Agreement on or prior to the date such payment is due and shall continue to remain unpaid ten (10) business days after written notice has been provided to Airline by the City or, with respect to any amount for which no payment date is provided herein, then ten (10) business days after written notice of the amount of such payment has been given to Airline or an invoice for such payment has been submitted to Airline.

17.1.9 Airline shall fail to keep, perform and observe any promise, covenant or other provision of this Agreement for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied is given to Airline by the City; provided, however, that any such failure which can be remedied, but which cannot with due diligence be remedied within such thirty (30) day period, shall not give rise to the City's right to exercise remedies under this Agreement if corrective action is instituted by Airline within such thirty (30) day period and diligently pursued until the failure is remedied.

17.1.10 Airline shall make any purported Assignment or Sublease without the consent of the City, as set forth in Section 4.2.

17.1.11 Airline shall fail to maintain its corporate existence or to remain duly qualified to do business in the State of Illinois or Airline shall dissolve or otherwise dispose of all or substantially all of its assets or shall consolidate with or merge into another corporation; provided, however, that it shall not be an Event of Default if Airline consolidates with or merges into a wholly-owned subsidiary of Airline.

17.1.12 To the extent applicable, Airline shall fail to meet any of Airline's security deposit requirements set forth in Article 9 of the Signatory Airline Use and Lease Agreement**9.3**.

17.1.13 Airline shall fail to transmit to the City PFCs on a timely basis in accordance with the PFC Regulations or shall fail to comply with the provisions of Sections 16.5 and 16.6.

17.1.14 Airline shall violate the Waste Sections of the Municipal Code or MCC 2-156-018, "Duty to report corrupt or unlawful activity" as set forth in Article 16 and Exhibit C; provided, however, that the Commissioner may provide for a reasonable cure period appropriate to the violation.

17.1.15 Airline shall fail to maintain insurance as required by this Agreement, including the cure period provided in Section 13.2.2(b).

17.2 **Termination by the City**

17.2.1 Whenever an Event of Default has occurred and is continuing, the City may, at its option, upon thirty (30) days' prior written notice of such Event of Default:

(a) terminate this Agreement and all rights of Airline hereunder, without discharging any of Airline's obligations hereunder, including but not limited to Airport Fees and Charges;

17.2.2 In addition, the City may, from time to time, take whatever action at law or in equity appears necessary or desirable to collect Airport Fees and Charges and any other amounts payable by Airline hereunder then due and thereafter to become due, and to enforce the performance and observance of any obligation, agreement or covenant of Airline under this Agreement. For the avoidance of doubt, the City may seek an order for specific performance by Airline of any obligation pursuant to this Agreement, perform said obligations itself or take other actions to mitigate losses that may result from Airline's failure to perform and, if the City takes such actions, City may charge Airline for the City's costs plus a 15% administrative fee.

17.2.3 All rights and remedies given to the City in this Agreement and all rights and remedies given to the City by law, shall be cumulative and concurrent. No termination of this Agreement shall deprive the City of any of the City's remedies or actions against Airline for Airport Fees and Charges or for damages or for the breach of any covenant herein contained.

17.2.4 In no event shall this Agreement or any rights or privileges hereunder be an asset of Airline under any bankruptcy, insolvency or reorganization proceedings.

17.2.5 To the extent consistent with and permitted under the United States Bankruptcy Code or similar debtor relief laws, if Airline seeks protection under the United States Bankruptcy Code or similar debtor relief laws, or is currently operating under the protection of the United States Bankruptcy Code or other similar debtor relief laws, Airline will comply with every provision of this Agreement as and when required under this Agreement, including without limitation performing any required remediation relating to any environmental matter pursuant to Airline's obligations under Article 14 which arose prior to or arises during the course of Airline's bankruptcy case. No Air Carrier will be allowed to assume this Agreement without performing any required remediation as part of the cure of any Event of Default under this Agreement.

17.3 **Agreement to Pay Attorneys' Fees and Expenses**

In the event Airline defaults under this Agreement and the City employs attorneys or incurs other expenses for the collection of Airport Fees and Charges or any other amounts due hereunder, or for the enforcement or performance or observance of any obligation or agreement on the part of Airline herein contained, Airline shall, on demand, pay to the City the reasonable fees and expenses of such attorneys and any such other reasonable expenses incurred by the City as a result of such default.

17.4 **Force Majeure**

17.4.1 If either party shall be delayed or hindered in or prevented from the performance of any act required under this Agreement by reason of strikes, lockouts, labor disputes (all of which shall be subject to 18.14), inability to procure labor or materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, terrorism, war, fire or other casualty, or other reason of a similar nature beyond the reasonable control of the party delayed in performing work or doing acts required under this Agreement, performance of such act shall be excused for the period of the actual delay attributable to such causes, and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay (any such delay, an "Unavoidable Delay"). This Section 17.4.1 shall not be applicable to Airline's obligations to procure insurance or to pay Airport Fees and Charges, or any other sums, moneys, costs, charges or expenses required to be paid by Airline. If any provision of this Agreement negates or limits the period of any force majeure or Unavoidable Delay extension, such provision shall override this Section 17.4.1 and Airline shall give the City notice of any Unavoidable Delay within a reasonable time (not to exceed one (1) year) following the occurrence of the delaying event.

17.4.2 The City shall be under no obligation to supply any service if and to the extent and during any period that the supplying of any such service or the use of any component necessary therefor shall be prohibited or rationed by any Applicable Laws.

Article 18

GENERAL PROVISIONS

18.1 No Partnership or Agency

Nothing herein contained is intended or shall be construed to in any respect create or establish any relationship other than that of licensor and licensee, and nothing herein shall be construed to establish any partnership, joint venture or association or to make Airline the general representative or agent of the City for any purpose whatsoever.

18.2 No Personal Liability

No member, director, officer, elected official or employee of either party to this Agreement shall be charged personally or held contractually liable by or to the other party under any term or provision of this Agreement, or because of any breach thereof or because of its or their execution or attempted execution thereof.

18.3 Notices

Except as otherwise expressly provided hereunder, all notices and other communications provided for under this Agreement shall be in writing and shall be: (a) mailed; (b) personally delivered, including via overnight courier; or (c) to the extent expressly permitted elsewhere in this Agreement for a specific notice or as mutually agreed by parties, sent by electronic mail with electronic receipt, to the City and Airline at the following addresses:

If to the City, to:

Commissioner
Chicago Department of Aviation
Chicago O'Hare International Airport
10510 West Zemke Road
Chicago, IL 60666
[Non-individual Electronic Mail Address:]

With a copy to:

General Counsel
Chicago Department of Aviation
Chicago O'Hare International Airport
10510 West Zemke Road
Chicago, IL 60666
[Non-individual Electronic Mail Address:]

If to Airline for all notices, except pursuant to Sections 4.3 (City's Right of Entry), 14.10 (Notice for Environmental Matters) or 18.7 (Service of Process) of this Agreement, to:

_____
_____
_____
_____
_____

If to Airline for notices on environmental matters pursuant to Section 14.10, to:

_____
[cc: airline general contact]_____
[Non-individual Electronic Mail Address]

If to Airline pursuant to Section 4.3 (City's Right of Entry) of this Agreement, to:

_____
_____
[local station manager] _____
[cc: airline general contact] _____
[Non-individual Electronic Mail Address]

or, with respect to any notice given pursuant to this Section 18.3, to such other person or address as either the City or Airline may hereafter designate by written notice to the other in accordance with this Notices section. Except as otherwise expressly provided hereunder, any notice or communication under this Agreement shall be deemed to have been given or made: (a) if a messenger or courier service is used, when delivered to the addressee; (b) if sent by mail (certified or by other method with tracking and confirmation receipt), upon receipt, or upon attempted delivery where delivery is refused or mail is unclaimed five (5) days after being deposited in the mails, postage prepaid and properly addressed; and (c) if sent by electronic mail, upon receipt by either party of a written reply or electronic receipt). Airline agrees to provide City with any changes to its notice information, including electronic mail addresses, within five (5) business days of such change.

With respect to Section 18.7 (Service of Process) of this Agreement, Airline hereby designates as its agent in Chicago, Illinois;

_____
_____
_____
_____
_____

18.4 **Entire Agreement**

This Agreement, including the attached Exhibits and endorsements, constitutes the entire agreement of the parties on the subject matter hereof. The parties intend that this Agreement shall be the final expression of their agreement with respect to its subject matter, and may not be

contradicted by evidence of any prior or contemporaneous written or oral agreements or understandings. The parties further intend that this Agreement shall constitute the complete and exclusive statement of its terms, and that no extrinsic evidence whatsoever (including prior drafts of the Agreement) may be introduced in any judicial, administrative or other legal proceeding involving this Agreement.

18.5 Amendment

Except as otherwise expressly provided herein, the provisions of this Agreement may be amended only by a written agreement signed by the City and Airline.

18.6 Applicable Law

This Agreement shall be deemed to have been made in, and shall be construed in accordance with, the laws of the State of Illinois.

18.7 Authorization to Operate; Consent to Service of Process and Jurisdiction

18.7.1 Airline represents that it is a corporation organized and existing under the laws of the state shown on the signature page hereof. Airline warrants that it is, and throughout the term of this Agreement it will continue to be, duly qualified to do business in the State of Illinois.

18.7.2 All judicial proceedings brought by the City against Airline with respect to this Agreement may be brought in any court of competent jurisdiction having situs within the boundaries of the federal court district of the Northern District of Illinois including any of the courts within Cook County, and by execution and delivery of this Agreement, Airline accepts, for itself and in connection with its properties, generally and unconditionally, the nonexclusive jurisdiction of the aforesaid courts, and irrevocably agrees to be bound by any final judgment rendered thereby from which no appeal has been taken or is available. Airline hereby designates and appoints the representative designated in Section 18.3 as its agent in Chicago, Illinois to receive on its behalf service of all process in any such proceedings in any such court (which representative shall be available to receive such service during regular business hours), such service being hereby acknowledged by such representative to be effective and binding service in every respect. Said agent may be changed only upon the giving of written notice by Airline to the City of the name and address of a new Agent for Service of Process that works within the geographical boundaries of the State of Illinois and is employed by or contracted with Airline. Airline irrevocably waives any objection (including any objection of the laying of venue or based on the grounds of forum non conveniens) which it may now or hereafter have to the bringing of any action or proceeding with respect to this Agreement in the jurisdiction set forth above. Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of the City to bring proceedings against Airline in the courts of any other jurisdiction.

18.8 Severability

If any provision of this Agreement shall be held or deemed to be or shall in fact be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions

or in all cases because it conflicts with any other provision or provisions hereof or of any constitution, statute, ordinance, rule of law or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstances, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatsoever. The invalidity of any one or more phrases, sentences, clauses or sections contained in this Agreement shall not affect the remaining portions of this Agreement or any part hereof.

18.9 **Representatives**

The City and Airline shall each designate a representative who, except as otherwise provided hereunder, shall be authorized to act for the City and Airline, respectively, with respect to any actions to be taken by either of them under the terms of this Agreement. Except as specifically set forth herein, for the purposes of actions to be taken by it or by the Commissioner, the City's representative shall be the Commissioner. Airline's representative shall be designated in a written notice delivered to the City. Any party hereto may change its designated representative by notice to the other party.

18.10 **Successors and Assigns**

All of the covenants, stipulations and agreements herein contained shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto.

18.11 **No Third Party Beneficiaries**

Unless otherwise provided in this Agreement, this Agreement is for the sole benefit of the parties hereto and their permitted assigns and nothing herein expressed or implied shall give or be construed to give to any person or entity other than the parties hereto and their assigns any legal or equitable rights hereunder.

18.12 **No Waiver**

No failure by a party to insist upon the strict performance of any obligation of the other party under this Agreement or to exercise any right, power or remedy arising out of a breach thereof, irrespective of the length of time for which such failure continues, prior to the expiration of the Term, shall constitute a waiver of such breach or of the non-defaulting party's right to demand strict compliance with such term, covenant or condition or operate as a surrender of this Agreement.

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

18.13 **No Exclusive Right or Remedy**

All rights and remedies provided in this Agreement are cumulative and not exclusive of any other rights or remedies that may be available to the parties hereunder or at law or in equity.

18.14 **Labor Disputes**

Airline agrees to use commercially reasonable efforts to avoid disruption to the City, its tenants, or members of the public arising from labor disputes involving Airline, and in the event of a strike, picketing, demonstration or other labor difficulty involving Airline, to use its good offices, including the utilization of available legal remedies Airline deems appropriate, to minimize or eliminate any disruption to the City, its tenants or members of the public, arising from such strike, picketing, demonstration or other labor difficulty.

18.15 **Action or Exercise of Power by the City**

Any provision in this Agreement that requires action or an exercise of power by the City may be performed by the Commissioner or her or his designee, unless otherwise specified in this Agreement.

18.16 **Headings**

The headings of the several sections of this Agreement are inserted only as a matter of convenience and for reference, and in no way define, limit, or describe the scope or intent of any provisions of this Agreement, and shall not be construed to affect in any manner the terms and provisions, or the interpretation or construction, of this Agreement.

18.17 **Counterparts**

This Agreement may be executed in one or more counterparts.

IN WITNESS WHEREOF, the parties intending to be legally bound have executed this Non-Signatory Airline Operating Agreement this ____ day of _____ 20__.

CITY OF CHICAGO,
an Illinois municipal corporation

By: _____
Name: _____
Title: _____

[AIRLINE]

By: _____
Name: _____
Title: _____

EXHIBIT A

[Exhibit A to this Non-Signatory Operating Agreement is identical in form to Exhibit A to Exhibit 1 of this ordinance.]

EXHIBIT B

[Exhibit B to this Non-Signatory Operating Agreement is identical in form to Exhibit B to Exhibit 1 of this ordinance.]

EXHIBIT C

COMPLIANCE WITH LAWS

Section 1. General Provisions

(A) Airline shall comply, and shall include in all of its agreements entered into in connection with or pursuant to the performance of any acts or obligations under this Agreement (regardless of whether they are reimbursed by the City) a requirement that its Contractors comply, with all applicable federal, state, and local laws, codes, regulations, ordinances, executive orders, rules, and orders.

(B) Airline agrees that all of the applicable provisions set forth in this Exhibit will be incorporated in all of its agreements entered into in connection with or pursuant to the performance of any acts or obligations under this Agreement.

(C) Further, Airline shall execute, and shall include in all of its agreements entered into in connection with or pursuant to the performance of any acts or obligations under this Agreement a requirement that its Contractors execute, such affidavits and certifications as shall be required by the City setting forth Airline's and its Contractor's, as applicable, agreement to comply with all applicable federal, state, and local laws, codes, regulations, ordinances, executive orders, rules, and orders. Such certifications shall be attached and incorporated by reference in the applicable agreements.

(D) In the event that any Contractor is a partnership or joint venture, Airline shall also include provisions in its agreement with Contractor insuring that the entities comprising such partnership or joint venture shall be jointly and severally liable for its obligations thereunder.

(E) The City may unilaterally revise this Exhibit from time to time.

Section 2. Federal Nondiscrimination Requirements

(A) Airline acknowledges that the City has given to the United States of America, acting by and through the FAA, certain assurances with respect to nondiscrimination required by Title VI of the Civil Rights Act 1964 (42 U.S.C. § 2000d et seq., 78 Stat. 252), 49 CFR Part 21, 49 U.S.C. § 47123, 28 CFR § 50.3 and other acts and regulations relative to nondiscrimination in Federally-assisted programs of the U.S. Department of Transportation ("DOT") (collectively, and including all amendments thereto, the "Title VI Pertinent Nondiscrimination Acts and Authorities," and listed below) as a condition precedent to receiving Federal financial assistance from FAA for certain Airport programs and activities. The City is required under the Acts and Regulations to include in this Agreement, and Airline agrees to be bound by, the following covenants and requirements:

i. Airline, for itself, its assignees and successors in interest, covenants and agrees to comply with pertinent statutes, Executive Orders and such rules as are promulgated to ensure that no person shall, on the grounds of race, creed, color, national origin, sex, age, or

disability, be excluded from participating in any program or activity conducted with or benefitting from Federal financial assistance received by the City from the FAA. In the event of Airline's breach of any of the above Nondiscrimination covenants, the City shall have the right to terminate this Agreement.

ii. Airline, for itself, its personal representatives, successors in interest and assigns, as part of the consideration hereof, hereby covenants and agrees, as a covenant running with the land, that in the event facilities are constructed, maintained, or otherwise operated on the Airport for a purpose for which a DOT activity, facility, or program is extended or for another purpose involving the provision of similar services or benefits, Airline shall maintain and operate such facilities and services in compliance with all requirements imposed by the Nondiscrimination Acts and Regulations listed in the Title VI Pertinent Nondiscrimination Acts and Authorities (as may be amended) such that no person on the ground of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination in the use of said facilities.

iii. In the event of Airline's breach of any of the Nondiscrimination covenants described in subsection (ii), above, the City shall have the right to terminate this Agreement, and to enter, re-enter and repossess the Common Use Facilities and the facilities thereon, and hold the same as if this Agreement had never been made or issued. This subparagraph (iii) shall not become effective until the procedures of 49 CFR Part 21 are followed and completed, including the expiration of appeal rights.

iv. Airline shall include these subsections (i) through (iv), inclusive, in Airline's licenses, permits and other instruments relating to the Airport, and shall require that its licensees, permittees and others similarly include these statements in their licenses, permits and other instruments relating to the Airport.

(B) Title VI List of Pertinent Nondiscrimination Acts and Authorities

During the performance of this contract, Airline, for itself, its assignees, and successors in interest agrees to comply with the following nondiscrimination statutes and authorities; including but not limited to:

- Title VI of the Civil Rights Act of 1964 (42 U.S.C. § 2000d *et seq.*, 78 stat. 252), (prohibits discrimination on the basis of race, color, national origin);
- 49 CFR part 21 (Nondiscrimination In Federally-Assisted Programs of The Department of Transportation—Effectuation of Title VI of The Civil Rights Act of 1964);
- The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, (42 U.S.C. § 4601), (prohibits unfair treatment of persons displaced or whose property has been acquired because of Federal or Federal-aid programs and projects);
- Section 504 of the Rehabilitation Act of 1973, (29 U.S.C. § 794 *et seq.*), as amended, (prohibits discrimination on the basis of disability); and 49 CFR part 27;

- The Age Discrimination Act of 1975, as amended, (42 U.S.C. § 6101 *et seq.*), (prohibits discrimination on the basis of age);
- Airport and Airway Improvement Act of 1982, (49 USC § 471, Section 47123), as amended, (prohibits discrimination based on race, creed, color, national origin, or sex);
- The Civil Rights Restoration Act of 1987, (PL 100-209), (Broadened the scope, coverage and applicability of Title VI of the Civil Rights Act of 1964, The Age Discrimination Act of 1975 and Section 504 of the Rehabilitation Act of 1973, by expanding the definition of the terms "programs or activities" to include all of the programs or activities of the Federal-aid recipients, sub-recipients and contractors, whether such programs or activities are Federally funded or not);
- Titles II and III of the Americans with Disabilities Act of 1990, which prohibit discrimination on the basis of disability in the operation of public entities, public and private transportation systems, places of public accommodation, and certain testing entities (42 U.S.C. §§ 12131 – 12189) as implemented by Department of Transportation regulations at 49 CFR parts 37 and 38;
- The Federal Aviation Administration's Nondiscrimination statute (49 U.S.C. § 47123) (prohibits discrimination on the basis of race, color, national origin, and sex);
- Executive Order 12898, Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations, which ensures nondiscrimination against minority populations by discouraging programs, policies, and activities with disproportionately high and adverse human health or environmental effects on minority and low-income populations;
- Executive Order 13166, Improving Access to Services for Persons with Limited English Proficiency, and resulting agency guidance, national origin discrimination includes discrimination because of limited English proficiency (LEP). To ensure compliance with Title VI, you must take reasonable steps to ensure that LEP persons have meaningful access to your programs (70 Fed. Reg. at 74087 to 74100);
- Title IX of the Education Amendments of 1972, as amended, which prohibits you from discriminating because of sex in education programs or activities (20 U.S.C. 1681 *et seq.*).

(C) Nondiscrimination in Contracting Activities

i. Airline, with regard to any contract, will not discriminate on the grounds of race, color, or national origin in the selection and retention of contractors or subcontractors, including procurements of materials and leases of equipment. Any contractor will not participate directly or indirectly in the discrimination prohibited by the Acts and Regulations.

ii. In all solicitations, either by competitive bidding, or negotiation made by Airline or its contractor for work to be performed under a contract or subcontract, including procurements of materials, or leases of equipment, each potential contractor, subcontractor or

supplier will be notified by the contractor of Airline and contractor's obligations under the Acts and Regulations relative to non-discrimination on the grounds of race, color, or national origin.

Section 3. State Nondiscrimination Requirements

Airline must comply with the Illinois Human Rights Act, 775 ILCS 5/1-101 *et seq.*, as amended and any rules and regulations promulgated in accordance therewith, including the Equal Employment Opportunity Clause, 445 Ill. Admin. Code 750, Appendix A. Airline must also comply with the Public Works Employment Discrimination Act, 775 ILCS 10/0.01 *et seq.*, as amended; the Environmental Barriers Act, 410 ILCS 25/1 *et seq.*; and all other applicable state laws, rules, regulations and executive orders.

Section 4. City Nondiscrimination Requirements

(A) Airline must comply with the Chicago Human Rights Ordinance, Chapter 2-160, Section 2-160-010 et seq. of the Municipal Code; and all other applicable Municipal Code provisions, rules, regulations and executive orders.

(B) Further, Airline must furnish, or cause each of its Contractors to furnish, such reports and information as requested by the Chicago Commission of Human Relations.

Section 5. Affirmative Action

Airline assures that: (a) it shall undertake an affirmative action program as required by all federal, state and local laws, rules and regulations pertaining to Civil Rights (and any and all amendments thereto), including, without limitation, 49 CFR Part 21 and 49 U.S.C. § 47123, to assure that no person shall, on the grounds of race, creed, color, national origin, sex, or age be excluded from participation in or denied the benefits of the program or activity conducted with or benefitting from Federal financial assistance received by the City from the FAA; (b) it shall not engage in employment practices that result in excluding persons on the grounds of race, creed, color, national origin, sex, or age, from participating in or receiving the benefits of any program or activity conducted with or benefitting from Federal financial assistance received by the City from the FAA, or in subjecting them to discrimination or another violation of the regulations under any program covered by 49 CFR Part 21 and 49 U.S.C. § 47123; and (c) it shall include the preceding statements of this Section 5 in Airline's contracts and other applicable documents under this Agreement, and shall require that its contractors and others similarly include these statements in their subcontracts and applicable documents.

Section 6. Safety and Security

(A) Airline expressly acknowledges its responsibility to provide security at the Airport in accordance with 49 U.S.C. sec. 449 and 49 CFR Part 1542, "Airport Security," as such may be amended from time to time, including any applicable rules and regulations promulgated thereunder, and with all rules and regulations of the City concerning security procedures, including the Airport's approved security program. Airline expressly acknowledges its responsibility to provide security with respect to airplane operations in accordance with 49 CFR

Part 1544, "Aircraft Operator Security," as such may be amended from time to time, and with the rules and regulations of the City concerning security procedures, including the Airport's approved security program.

(B) All employees providing services at the Airport must be badged by the City, as provided below in Section 7, "Airport Security Badges." Airline, Contractors, and the respective employees of each are subject to such employment investigations, including criminal history record checks, as the Administrator of the Federal Aviation Administration ("FAA"), the Under Secretary of the Transportation Security Administration ("TSA"), and the City may deem necessary. Airline, its Contractors, their respective employees, invitees and all other persons under the control of Airline must comply strictly and faithfully with any and all rules, regulations and directions which the Commissioner, the FAA, or the TSA may issue from time to time during the life of this Agreement with regard to security, safety, maintenance and operation of the Airport and must promptly report any information regarding suspected violations in accordance with those rules and regulations.

(C) All gates and doors that permit entry into restricted areas at the Airport must be kept locked at all times when not in use or under constant security surveillance. Airline shall ensure that such gates and doors within its Common Use Facilities are kept locked at all times when not in use or under Airline's constant security surveillance. Any gate or door malfunctions discovered by Airline must be reported to the Commissioner without delay and must be kept under constant surveillance, in the case of malfunctions within its Common Use Facilities, until the malfunction is remedied, or in the case of other malfunctions, until relieved by a responsible party.

(D) Airline shall ensure that the following provision is inserted in all contracts entered into with any Contractors and with any labor organizations who furnish skilled, unskilled and craft union skilled labor, or who may provide any materials, labor or services in connection with this Agreement:

> "Aviation Security: This Agreement is subject to the airport security requirements of 49 U.S.C. chapter 449, as amended, the provisions of which govern airport security and are incorporated by reference, including without limitation the rules and regulations in 49 C.F.R. Part 1542 and all other applicable rules and regulations promulgated thereunder. In the event that Airline, or any individual employed by Airline, in the performance of this Agreement, has (i) unescorted access to aircraft located on or at the Airport (ii) unescorted access to secured areas or (iii) capability to allow others to have unescorted access to such aircraft or secured area, Airline shall be subject to, and further shall conduct with respect to its Contractors and their respective employees, such employment investigations, including criminal history record checks, as the Administrator of the Federal Aviation Administration, the Under Secretary of the Transportation Security Administration and City may deem necessary. Further, in the event this Agreement involves the construction, reconstruction, demolition or alteration of facilities to be

located at or on the Airport, Airline shall, notwithstanding anything contained herein, at no cost to City, perform all obligations hereunder in compliance with those guidelines developed by City, the Transportation Security Administration and the Federal Aviation Administration, and in effect as of the Effective Date with the objective of maximum security enhancement. In the event the Agreement involves the design of facilities or equipment, the drawings, plans, and specifications to be provided under the Agreement shall comply with those guidelines developed by City, the Transportation Security Administration and the Federal Aviation Administration and in effect at the time of the submittal of such drawings, plans, and specifications."

Section 7. Airport Security Badges

(A) As part of Airport operations and security, Airline must obtain from the Airport badging office Airport Security Badges for each of its employees, subcontractors, material men, invitees or any person(s) over whom Airline has control, which must be visibly displayed at all times while at the airport. No person will be allowed beyond security checkpoints without a valid Airport Security Badge. Each such person must submit signed and properly completed application forms to receive an Airport Security Badge. Additional forms and tests may be required to obtain Airport Driver's Certification and Vehicle Permits. The application forms will solicit such information as the Commissioner may require in his or her discretion, including but not limited to name, address, date of birth (and for vehicles, driver's license and appropriate stickers). Airline is responsible for requesting and completing the form for each employee and subcontractor employee who will be working at the Airport and all vehicles to be used on the job site. Upon signed approval of the application by the Commissioner or his or her designee, the employee will be required to attend a presentation regarding airport security and have his or her photo taken for the badge. The Commissioner may grant or deny the application in his or her sole discretion. Airline must make available to the Commissioner, within one day of request, the personnel file of any employee who will be working under this Agreement.

(B) As provided in Section 6 above, in order for a person to have an Airport Security Badge that allows access to the airfield or aircraft, a criminal history record check ("CHRC") conducted by the Department of Aviation will also be required. The CHRC will typically include a fingerprint analysis by the Federal Bureau of Investigation and such other procedures as may be required by the TSA.

(C) Airport Security Badges, Vehicle Permits and Driver's Licenses will only be issued based upon properly completed application forms. Employees or vehicles without proper credentials may be removed from the secured area and may be subject to fine or arrest. Airline will be jointly and severally liable for any fines imposed on its employees or its Contractors' employees at the Airport by the City.

(D) In addition to other rules and regulations, the following rules related to Airport Security Badges, Vehicle Permits and Driver's Licenses must be adhered to:

i. Each person must wear and display his or her Airport Security Badge on their outer apparel at all times while at the Airport.

ii. All individuals operating a vehicle on the Aircraft Operations Area ("AOA") must be familiar and comply with motor driving regulations and procedures of the State of Illinois, City of Chicago and the Department of Aviation. The operator must be in possession of a valid, State-issued Motor Vehicle Operator's Driver's License. All individuals operating a vehicle on the AOA without an escort must also be in possession of a valid Aviation-issued Airport Driver's Permit.

iii. All operating equipment must have an Airport Vehicle Access Permit affixed to the vehicle at all times while operating on the Airport. All required City stickers and State Vehicle Inspection stickers must be valid.

iv. Individuals must remain within their assigned area and haul routes unless otherwise instructed by the Department of Aviation.

v. Airline's personnel who function as supervisors, and those that escort Airline's equipment/operators to their designated work sites, may be required to obtain an added multi-area access designation on their personnel Airport Security Badge which must also be displayed while on the AOA.

Section 8. Confidentiality of Airport Security Data

Airline has an ongoing duty to protect confidential information, including but not limited to any information exempt from disclosure under the Illinois Freedom of Information Act, such as information affecting security of the airport ("Airport Security Data"). Airport Security Data includes any Sensitive Security Information as defined by 49 CFR Part 1520. Airline acknowledges that information provided to, generated by, or encountered by Airline may include Airport Security Data. If Airline fails to safeguard the confidentiality of Airport Security Data, Airline is liable for the reasonable costs of actions taken by the City, the Federal Aviation Administration ("FAA"), or the Transportation Security Administration ("TSA") that the applicable entity, in its sole discretion, determines to be necessary as a result, including without limitation the design and construction of improvements, procurement and installation of security devices, and posting of guards. All agreements entered into in connection with or pursuant to the performance of any acts or obligations under this Agreement by Airline must contain the language of this section. If Airline fails to incorporate the required language in all such agreements, the provisions of this section are deemed incorporated in all such agreements.

Section 9. Americans with Disabilities Act and Air Carrier Access Act

(A) Airline shall be solely and fully responsible for ensuring that Airline's operations, wherever they may occur at the Airport, and any improvements made by Airline pursuant to this Agreement, shall comply with Title II (to the extent applicable) and III of the Americans with Disabilities Act, 42 U.S.C. §§ 12101 et seq., as amended from time to time ("ADA"), and the Air Carrier Access Act, 49 U.S.C. § 41705, as amended from time to time ("ACAA"), including

without limitation any obligation to provide boarding and deplaning assistance at the Airport. In the event of a violation of or non-compliance with Title II (to the extent applicable) or III of the ADA or the ACAA, Airline shall develop a work plan to correct such violation or non-compliance. The City's approval of or acceptance of any aspect of Airline's activities under this Agreement shall not be deemed or construed in any way as a representation that such item, activity or practice complies with the ADA or the ACAA. Airline agrees to indemnify, defend, and hold the City harmless from any and all costs incurred by the City with respect to Airline's failure to comply with the ADA or the ACAA for Airline's operations or any improvements made by Airline at the Airport. The City shall comply with the ADA and the ACAA as applicable to any facilities constructed by the City and any improvements made by the City at the Airport.

(B) Airline shall insure that the appropriate provision set forth below is inserted in all contracts entered into with any design professional or with any Contractors and any labor organizations which furnish skilled, unskilled and craft union skilled labor, or which may provide any materials, labor or services in connection with this Agreement:

Designs

"The Consultant warrants that all design documents produced for the City under this Agreement shall comply with all federal, state and local laws and regulations regarding accessibility standards for disabled or environmentally limited persons including, but not limited to, the following: Americans with Disabilities Act, 42 U.S.C. sec. 12101 et seq.; 41 C.F.R. part 60 et seq.; the Uniform Federal Accessibility Standards ("UFAS") or the Americans with Disabilities Act Accessibility Guidelines for Buildings and Facilities ("ADAAG"); the Air Carrier Access Act, 49 U.S.C. § 41705, et seq. ("ACAA"); the Illinois Environmental Barriers Act. 410 ILCS 25/1 et seq., and the regulations promulgated thereto at 71 Ill. Adm. Code ch. 1, Sec. 400.110 et seq.; and all other applicable statutes, rules, regulations and executive orders. In the event that the above cited standards are inconsistent, the Consultant shall comply with the standards providing greater accessibility."

Construction Contracts

"All construction or alteration undertaken by Contractor under this contract shall be performed in compliance with all federal, state and local laws and regulations regarding accessibility standards for disabled or environmentally limited persons including, but not limited to, the following: Americans with Disabilities Act, 42 U.S.C. sec. 12101 et seq.; 41 C.F.R. part 60 et seq.; the Uniform Federal Accessibility Standards ("UFAS") or the Americans with Disabilities Act Accessibility Guidelines for Buildings and Facilities ("ADAG"); the Air Carrier Access Act, 49 U.S.C. § 41705, et seq. ("ACAA""); the Illinois Environmental Barriers Act, 410 ILCS 25/1 et seq., and the regulations promulgated thereto at 71

Ill. Adm. Code ch. 1, Sec. 400.110; and all other applicable statutes, rules, regulations and executive orders. The Contractor shall, prior to construction, review the plans and specifications and notify Airline and the City in the event that the plans and specifications are not in compliance with the above referenced standards."

Section 10. Boarding and Deplaning Assistance

(A) Airline Responsibilities

i. As required by 14 C.F.R. § 382.95(b), Airline "must . . . provide boarding and deplaning assistance through the use of lifts or ramps at [O'Hare] where boarding and deplaning by level-entry loading bridges or accessible passenger lounges is not available." Consistent with the requirements of 14 C.F.R. § 382, Airline shall be responsible for acquiring or making arrangement – whether directly or through its ground handlers, other airlines operating at O'Hare, CDA (as set forth below in Section (B) or otherwise – for boarding and deplaning assistance devices for use with its aircraft at O'Hare.

ii. Consistent with the requirements of 14 C.F.R. § 382.141, Airline shall ensure that those personnel involved in providing boarding and deplaning assistance through the use of lifts, ramps or other accessibility devices are properly trained in the use and operation of the devices and appropriate boarding and deplaning assistance procedures that safeguard the safety and dignity of passengers.

iii. As explained in 66 Federal Register 22107, the use of a boarding chair to carry a passenger up or down stairs is only permitted in "abnormal circumstances (e.g., if a lift breaks down)," and "is conditioned on the passenger's consent (except in the case of emergency evacuations)." Furthermore, pursuant to 14 C.F.R. § 382.101, Airline personnel "must never use hand-carrying (i.e., directly picking up the passenger's body in the arms of one or more carrier personnel to effect a level change the passenger needs to enter or leave the aircraft); even if the passenger consents, unless this is the only way of evacuating the individual in the event of an emergency."

(B) CDA Mechanical Lift

i. The City owns a mechanical lift ("CDA Lift") that can be used to board and deplane mobility-impaired passengers on aircraft covered by 49 CFR § 27.72.

ii. Airline may request the right to use the CDA Lift at O'Hare to satisfy its obligations under the Air Carrier Access Act (49 U.S.C. § 41705) and the regulations promulgated thereunder (14 CFR § 382.95) and will be allowed to use the CDA Lift, on the terms and conditions set forth herein.

iii. The City will make the CDA Lift available to Airline on a first-come, first-serve basis with other airlines. The City shall have no liability to Airline if the CDA Lift is not available at the time required by Airline.

(C) Agreements and Acknowledgements

i. Airline hereby acknowledges and agrees that the CDA Lift is made available to Airline "as is." The City makes no warranty or representation, either express or implied, as to the design or condition of, or as to the quality of the CDA Lift, and the City makes no warranty of merchantability of fitness for a particular purpose or any component thereof as to any other matter, it being agreed that all such risks, as between the City and Airline, are to be borne by Airline, and the benefits of any and all implied warranties of the City are hereby waived by Airline.

ii. Airline agrees that it will only use and operate the CDA Lift with trained City personnel: (i) in accordance with the manufacturer's instructions and the requirements of all applicable laws and regulations; (ii) on aircraft that are compatible with the CDA Lift; (iii) with Airline personnel or Airline's ground handler personnel who have been properly trained to assist passengers on or off of the CDA Lift; (iv) with reasonable care; and (v) in connection with aircraft that Airline is authorized to operate or ground handle.

iii. Airline further agrees to take good care of the CDA Lift when using it, reasonable wear and tear excepted. Airline agrees to reimburse the City promptly after written demand for any costs incurred by the City in repairing or replacing the CDA Lift, if it was damaged or destroyed while in Airline's possession or under its control.

Section 11. Inspector General

Pursuant to Article 16 of this Agreement, Airline shall ensure that the provision set forth below is inserted in all contracts or agreements entered into with any contractors, subtenants or licensees/sub-licensees, and any work or service providers providing any materials, labor, or services in connection with this Agreement, including but not limited to design professionals and Project Contractors and any labor organizations which furnish skilled, unskilled and craft union skilled labor:

> "[Contractor/Subtenant] and all of its [subcontractors/subtenants] have a duty to cooperate with the Inspector General of the City of Chicago in any investigation or hearing, if applicable, undertaken pursuant to Chapter 2-56 of the Municipal Code of Chicago. [Contractor/Subtenant] understands and will abide by all provisions of that chapter. All [subcontracts/subtenant agreements] must inform [contractors/subtenants] of this provision and require understanding and compliance with it."

Additionally, with respect to any work or services to be paid by the City, pursuant to MCC 2-156-018 it is the duty of Airline, and any of its Project Contractors, to report to the Inspector General, directly and without undue delay, any and all information concerning conduct which it knows to involve corrupt activity. "Corrupt activity" means any conduct set forth in Subparagraph (a)(1), (2) or (3) of Section 1-23-020 of the MCC. Knowing failure to make such

a report will be an event of default under any applicable reimbursement agreement. Reports may be made to the Inspector General's toll-free hotline, 866-IG-TIPLINE (866-448-4754).

Section 12. Multi-Project Labor Agreement

The City has entered into the Multi-Project Labor Agreement ("PLA") with various trades regarding projects involving construction, demolition, maintenance, rehabilitation, and/or renovation work on City property, as described in the PLA, a copy of which may be found on the City's website at:

http://www.cityofchicago.org/dam/city/depts/dps/RulesRegulations/Multi-ProjectLaborAgreement-PLAandSignatoryUnions.pdf.

To the extent that Airline engages in work subject to the PLA, whether or not reimbursed by the City, Airline acknowledges familiarity with the requirements of the PLA and shall comply with them.

Section 13. Minimum Wage and Other Labor Laws

Airline will comply with all applicable federal, state, and local labor laws and regulations, including, without limitation: the Fair Labor Standards Act, 29 U.S.C. § 201; the Occupational Safety and Health Act, 20 CFR Part 1910; and City minimum wage ordinances and executive orders and associated rules and regulations. This includes, without limitation, compliance with the wage requirements set forth in Mayoral Executive Order 2014-1, incorporated by reference, to the extent that the Order would apply to Airline's activities.

Section 14. Prohibition on Certain Contributions, Mayoral Executive Order 2011-4

(A) Neither Airline or any person or entity who directly or indirectly has an ownership or beneficial interest in Airline of more than 7.5% ("Owners"), spouses and domestic partners of such Owners, Airline's Subcontractors, any person or entity who directly or indirectly has an ownership or beneficial interest in any Subcontractor of more than 7.5% ("Sub-owners") and spouses and domestic partners of such Sub-owners (Airline and all the other preceding classes of persons and entities are together, the "Identified Parties"), shall make a contribution of any amount to the Mayor or to the Mayor's political fundraising committee (as such term is defined in Municipal Code Chapter 2-156) (a) after execution of this Agreement by Airline, (b) while this Agreement or another agreement between Airline and the City (an "Other Contract") is executory, (c) during the term of this Agreement or any Other Contract, or (d) during any period while an extension of this Agreement or any Other Contract is being sought or negotiated.

(B) From the date the City approached Airline or the date Airline approached the City, as applicable, regarding the formulation of this Agreement, no Identified Parties have made a contribution of any amount to the Mayor or to the Mayor's political fundraising committee.

(C) Airline shall not (i) coerce, compel or intimidate its employees to make a contribution of any amount to the Mayor or to the Mayor's political fundraising committee; (ii)

reimburse its employees for a contribution of any amount made to the Mayor or to the Mayor's political fundraising committee; or (iii) bundle or solicit others to bundle contributions to the Mayor or to the Mayor's political fundraising committee.

(D) The Identified Parties must not engage in any conduct whatsoever designed to intentionally violate this Section 14 or Mayoral Executive Order No. 2011-4 or to entice, direct or solicit others to intentionally violate this Section 14 or Mayoral Executive Order No. 2011-4.

(E) Violation of, non-compliance with, misrepresentation with respect to, or breach of any covenant or warranty under this Section 14 or violation of Mayoral Executive Order No. 2011-4 constitutes a breach and default under this Agreement and any Other Contract, for which no opportunity to cure will be granted. Such breach and default entitles the City to all remedies (including termination for default) under this Agreement, under any Other Contract, at law and in equity. This Section 14 amends any Other Contract with respect to the matters described herein and supersedes any inconsistent provision contained therein.

Section 15. Certification Regarding Lobbying

(A) Airline certifies by signing and submitting this Agreement, to the best of its knowledge and belief, that:

i. No Federal appropriated funds have been paid or will be paid, by or on behalf of Airline, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

ii. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

iii. Airline shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreements) and that all sub-recipients shall certify and disclose accordingly.

(B) This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

Section 16. Distracted Driving

(A) In accordance with Executive Order 13513, "Federal Leadership on Reducing Text Messaging While Driving" (10/1/2009) and DOT Order 3902.10 "Text Messaging While Driving" (12/30/2009), the FAA encourages recipients of Federal grant funds to adopt and enforce safety policies that decrease crashes by distracted drivers, including policies to ban text messaging while driving when performing work related to a grant or sub-grant.

(B) In support of this initiative, the City encourages Airline to promote policies and initiatives for its employees and other work personnel that decrease crashes by distracted drivers, including policies that ban text messaging while driving motor vehicles while performing work activities associated with the project. Airline must include the substance of this Section 16 in all sub-tier contracts exceeding $3,500 and involve driving a motor vehicle in performance of work activities associated with the project.

CHICAGO DEPARTMENT OF AVIATION

Exhibit I

Illustrative Rates and Charges Calculations

Table 1
Landing Fee
Chicago - O'Hare International Airport

	Index	Airfield
Airfield Revenue Requirement		
Capital Costs		
Debt Service	[a]	
minus.		
Pledged or Applied PFC Revenues	[b]	
Federal Funds, BAB Subsidy and Others	[c]	
Net Debt Service	[d] = [a] - [b] - [c]	
Debt Service Coverage Requirement	[e]	
Program Fees and Other Costs	[f]	
Pre-Approved Allowances	[g]	
Equipment Purchases and Small Capital Outlay	[h]	
Capital Costs	[A] = [d] + [e] + [f] + [g] + [h]	
O&M Expenses	[B]	
Allowable Airline Liaison Office Expenses	[C]	
Required Deposits	[D]	
Subtotal	[E]=[A] + [B] + [C] + [D]	
Plus or minus		
Other Airfield Revenues	[F]	
Interest Income	[G]	
Bad Debt or Bad Debt Recovery	[H]	
Net Loss (Revenues) from the Fuel System Cost Center	[I]	
Landing Fee True-up for prior Fiscal Years	[J]	
Net ARE Revenues for Capital Costs	[K]	
Shortfall in Air Service Incentive Program	[L]	
Airfield Revenue Requirement	[M]=[E] - [F] - [G] +/- [H] +/- [I] +/- [J] - [K] + [L]	
Forecast Maximum Gross Landed Weight	[N]	
Landing Fee Rate	[M]/[N]	

Table 2
Terminal Rental Rates
Chicago - O'Hare International Airport

	Index	Terminal Complex
Total Terminal Revenue Requirements		
Capital Costs		
Debt Service	[a]	
minus:		
Pledged or Applied PFC Revenues	[b]	
Federal Funds, BAB Subsidy and Others	[c]	
Net Debt Service	[d] = [a] - [b] - [c]	
Debt Service Coverage Requirement	[e]	
Program Fees and Other Costs	[f]	
Pre-Approved Allowances	[g]	
Equipment Purchases and Small Capital Outlay	[h]	
Capital Costs	[A] = [d] + [e] + [f] + [g] + [h]	
O&M Expenses	[B]	
Required Deposits	[C]	
Unrecovered Domestic Common Use Gate Fees	[D]	
Subtotal	[E]=[A] + [B] + [C] + [D]	
Plus or minus		
Interest Income	[F]	
Terminal Concession Revenues	[G]	
Other Terminal Rental Payments	[H]	
Sale of Abandoned Property or Fixtures	[I]	
Bad Debt or Bad Debt Recovery	[J]	
Net Loss (Revenues) of Parking and Ground Transportation	[K]	
Net ARE Revenues for Capital Costs	[L]	
Net CRE Revenues for Capital Costs	[M]	
Other Rate Covenant Requirements	[N]	
Total Terminal Revenue Requirements	[O]=[E] - [F] - [G] - [H] - [I] +/- [J] +/- [K] +/- [L] +/ [M] + [N]	
Less:		
Costs of Baggage Systems	[P]	
City Equipment Costs	[Q]	
FIS Equipment Costs	[R]	
Terminal Space Revenue Requirements	[S] = [O] - [P] - [Q] - [R]	
Weighted Airline Terminal Rented Space	[T]	
Base Terminal Rental Rate	[U]=[S]/[T]	
Discount Ratio	[V]	
Discount Terminal Rental Rate	[U]*[V]	

Table 3
Common Use Gate Fees
Chicago - O'Hare International Airport

	Index
Domestic Common Use Gate Revenue Requirement	
Domestic Common Use Holdroom Space Square Footage	[a]
Base Terminal Rental Rate	[b]
Domestic Common Use Holdroom Space Costs	[c] = [a] * [b]
plus	
SET Costs	[d]
City Equipment Costs	[e]
Domestic Common Use Gate Revenue Requirement	[A] = [c] + [d] + [e]
Total Delivered Seats	[B]
Domestic Common Use Gate Fee	[A]/[B]
Imputed Domestic Common Use Gate Fee	
Domestic Common Use Holdroom Space Square Footage	[a] = 2,650
Base Terminal Rental Rate	[b]
Domestic Common Use Holdroom Space Costs	[c] = [a] * [b]
plus	
SET Costs	[d] = estimated cost for one gate
City Equipment Costs	[e] = estimated cost for one gate
Subtotal	[A] = [c] + [d] + [e]
548,000 Annual Total Delivered Seats	[B]
Imputed Domestic Common Use Gate Fee	[A]/[B]
International Common Use Gate Revenue Requirement	
International Common Use Holdroom Space Square Footage	[a]
Base Terminal Rental Rate	[b]
International Common Use Holdroom Space Costs	[c] = [a] * [b]
plus	
SET Costs	[d]
City Equipment Costs	[e]
Less. Domestic Fees for Int'l Gate	[f]
International Common Use Gate Revenue Requirement	[A] = [c] + [d] + [e] - [f]
Int'l Common Use Gate Seats	[B]
Int'l Common Use Gate Fee	[A]/[B]

Table 4
Common Use Baggage System Fees
Chicago - O'Hare International Airport

	Index
Domestic Common Use Baggage Make-up Revenue Requirement	
Domestic Common Use Baggage Make-up Square Footage	[a]
Discount Terminal Rental Rate	[b]
Domestic Common Use Baggage Make-up Space Costs	[c] = [a] * [b]
plus	
SET Costs	[d]
City Equipment Costs	[e]
Domestic Common Use Baggage Make-up Revenue Requirement	[A] = [c] + [d] + [e]
Outbound Checked Bags	[B]
Domestic Common Use Baggage Make-up Fee	[A]/[B]
Int'l Common Use Baggage Make-up Revenue Requirement	
International Common Use Baggage Make-up Square Footage	[a]
Discount Terminal Rental Rate	[b]
International Common Use Baggage Make-up Space Costs	[c] = [a] * [b]
plus	
SET Costs	[d]
City Equipment Costs	[e]
Less: Int'l Fees for Domestic Flights	[f]
Int'l Common Use Baggage Make-up Revenue Requirement	[A] = [c] + [d] + [e] - [f]
Outbound Checked Bags	[B]
Int'l Common Use Baggage Make-up Fee	[A]/[B]
Common Use Baggage Claim Revenue Requirement	
Common Use Baggage Claim Square Footage	[a]
Base Terminal Rental Rate	[b]
Common Use Baggage Claim Space Costs	[c] = [a] * [b]
plus	
SET Costs	[d]
City Equipment Costs	[e]
Common Use Baggage Claim Revenue Requirement	[A] = [c] + [d] + [e]
Arriving Domestic Seats (inc. Pre-cleared)	[B]
Common Use Baggage Claim Fee	[A]/[B]

Table 5
Common Use Check-in Fees
Chicago - O'Hare International Airport

	Index
Domestic Common Use Check-in Revenue Requirement	
Domestic Common Use Check-in Square Footage	[a]
Base Terminal Rental Rate	[b]
Domestic Common Use Check-in Space Costs	[c] = [a] * [b]
plus	
SET Costs	[d]
City Equipment Costs	[e]
Domestic Common Use Check-in Revenue Requirement	[A] = [c] + [d] + [e]
Domestic Common Use Check-in Hours	[B]
Domestic Common Use Check-in Fee	[A]/[B]
Int'l Common Use Check-in Revenue Requirement	
Main Terminal Common Use Check-in Square Footage	[a]
Base Terminal Rental Rate	[b]
Main Terminal Common Use Check-in Space Costs	[c] = [a] * [b]
plus	
SET Costs	[d]
City Equipment Costs	[e]
Int'l Common Use Check-in Revenue Requirement	[A] = [c] + [d] + [e]
International Common Use Check-in Hours	[B]
Int'l Common Use Check-in Fee	[A]/[B]

Table 6
FIS Facility Fee
Chicago - O'Hare International Airport

	Index
FIS Revenue Requirement	
FIS Facility Space Costs	[a]
Base Terminal Rental Rate	[b]
FIS Facility Space Costs	[c] = [a] * [b]
plus	
SET Costs	[d]
City Equipment Costs	[e]
FIS Revenue Requirement	[A] = [c] + [d] + [e]
FIS Users	[B]
FIS Facility Fee	[A]/[B]

Exhibit J

Previously Approved Projects

Exhibit J

Previously Approved Projects

This exhibit provides the list of Previously Approved Projects that have been approved by Air Carriers under Prior Use and Lease Agreements and reconfirmed by execution of the Agreement, pursuant to Section 10 1. The exhibit contains two types of projects (1) projects that have been approved under Prior Use and Lease Agreements as of February 26, 2018 and (2) projects that are anticipated to be approved under Prior Use and Lease Agreements between February 27, 2018 and May 11, 2018. For the second category of projects, the projects shall not be considered Previously Approved Projects under the Section 10.1 of the Agreement unless they are approved under the Prior Use and Lease Agreements prior to May 12, 2018

CHICAGO O'HARE INTERNATIONAL AIRPORT
PREVIOUSLY APPROVED PROJECTS

PROJECT NAME	MII SUBMISSION	CRC ALLOCATION	PROJECT PHASE	APPROVED PROJECT COST	STATUS	Continuing Conditions of Approval
Projects in process						
ATS Running Rail Replacement	2012B	Park/Ground Trans	Construction	$ 9,945,160	ACTIVE	Work to be performed by OATS
ATS Railwork	2013A	ATS Cost Pool	Purchase and Install	$ 11,600,000	ACTIVE	
O'Hare Bridge Repairs (Bridge Structures, Roadway and Taxi Rehab Constrution)	2012B	50% Roadway Cost Pool & 50% Airfield	Construction	$ 2,300,000	ACTIVE	
Large Frame Aircraft Training Mock-Up RFP	2013A/2017A	Airfield	DBB	$ 5,100,000	ACTIVE	
Cathodic Protection Systems at Alpha and Bravo	2014/2016C	Airfield	Design/Construction	$ 806,268	ACTIVE	
Emergency and Standby Power System Upgrade	2014C/2017A	Terminal	Construction	$ 39,997,840	ACTIVE	
ORD Bridge and Elevated Parking Structure Biennial	2014C	Park/Ground Trans	Design	$ 350,000	ACTIVE	
Pedestrian Tunnel Repair (Water Infiltration)	2014C	Terminal	Design	$ 900,000	ACTIVE	
Ring and Utility Tunnel Repairs	2014C	H&R Cost Pool	Design	$ 1,000,000	ACTIVE	
Terminal Area Fire Main Replacement	2014C	Terminal	Design	$ 1,000,000	ACTIVE	
Bessie Coleman Water Main Replacement	2015A	Roadway cost pool	Design/Construction	$ 3,825,000	ACTIVE	
Ring and Utility Tunnel Repair Program	2015A	H&R Cost Pool	Construction	$ 8,820,000	ACTIVE	
Taxiways A & B Study U of I	2015A	Airfield	Planning	$ 405,000	ACTIVE	
Burlington Building Demo - Police Facility	2015B/2017A	Airfield	Demo/Construction	$ 7,300,000	ACTIVE	
Cathodic Protection Testing and Investigation	2015B	Airfield	Design	$ 840,000	ACTIVE	
Baggage Service Alley Retaining Wall Replacement	2012B	Airfield	Design	$ 700,000	ACTIVE	
Baggage Service Alley Retaining Wall Replacement	2012B	Airfield	Construction	$ 5,035,872	ACTIVE	
Replacement of High Temperature Water Generators (8)- Construction	2016A	H&R Cost Pool	Construction	$ 36,882,971	ACTIVE	
Elevated Parking Structure Repairs	2016C	Park/Ground Trans	Design	$ 300,000	ACTIVE	
Leak Repairs to B&C Tunnel	2016C	Terminal	Design	$ 1,000,000	ACTIVE	
Public Address System Upgrades	2016C	Terminal	DBB	$ 14,179,789	ACTIVE	
Trunk Radio System	2016C	Airfield	DBB	$ 8,171,000	ACTIVE	
Pedestrian Tunnel Repair (Architectural)	2016C/2017A	Park/Ground Trans	Design	$ 897,816	ACTIVE	
Recirculation Bridge Reconstruction (Design)	2017A	Roadway cost pool	Design	$ 600,000	ACTIVE	
Upper Level Roadway Traffic Barrier Rail Replacement	2017A	Roadway cost pool	Design & Construction	$ 2,950,000	ACTIVE	
T5 Expansion	2017 T5 Expansion	Terminal	Plan, Design & Const	$ 266,800,000	ACTIVE	
Implementation 2017	2017A/2017B	45% Terminal, 20% Parking & Ground Trans, 35% Airfield	Other	$ 22,606,462	ACTIVE	

Runway 9C-27C Site Prep, Earthwork and Paving	2016B	Airfield	Construction	$ 558,400,000	MULTIPLE BID PACKAGES, SOME IN CONSTRUCTION, SOME PENDING	
Runway 9C-27C Enabling Projects	2016B	Airfield	Construction	$ 90,100,000	ACTIVE	
Centralized De-Icing Pads	2016B	Airfield	Design/Construction	$ 118,000,000	ACTIVE	
Bravo Pad Employee Interim Parking Associated Roadway Reconfiguration	2017 - 9C Projects	Airfield	Design & Construction	$ 40,401,792	ACTIVE	
10R-28L (10R Safety & Security)	2011 - OMP	Airfield	Construction	$ 10,377,053	ACTIVE	
10R-28L (ARFF 1 Expansion)	2011 - OMP	Airfield	Construction	$ 8,492,000	ACTIVE	

Projects Not Yet Procured						**Conditions of Approval**
I-190 Lift Station Replacement	2014C	Airfield	Construction	$ 1,650,000	ACTIVE	
Miami Beach Lift Station Replacement	2016C	Terminal	Construction	$ 6,835,000	ACTIVE	
Airside People Mover (APM) and Associated Tunnels (Conceptual Design)	2017B	Airfield	Design	$ 9,500,000	ACTIVE	
Oversize GSE Road - NW Hangar Area (9C)	2017 - 9C Projects	Airfield	Design & Construction	$ 5,221,060	ACTIVE	
Central Basin Capacity Relocation (Design)	2017 - 9C Projects	Airfield	Design	$ 15,000,000	ACTIVE	
Crossfield Taxiway System and Taxiway A & B Relocation	2016B	Airfield	Design/Construction	$ 186,300,000	ACTIVE	
Additional ATS Pedestrian Bridges at Terminal 1 & 3	2017A	ATS Cost Pool	Study & Design	$ 1,500,000	ACTIVE	
Replace Passenger and Freight Elevators H&R Plant	2017A	H&R Cost Pool	Design & Construction	$ 2,170,000	ACTIVE	
Concourses G & L Gate Swap	2017B	Terminal	Design & Construction	$ 54,382,675	ACTIVE	
Restroom Modernization Program Phase 5	2017B	Terminal	Construction	$ 7,000,000	ACTIVE	
Runway 4L-22R Partial Reconstruction (Design)	2017B	Airfield	Design	$ 1,400,000	ACTIVE	
Terminal 5 Upper Level Control System Replacement	2017B	Terminal	Design & Construction	$ 875,000	ACTIVE	
Single Line Electrical Diagram Phase Study - Ph II	2013A/2017B	Terminal	Planning/Design	$ 2,100,000	ACTIVE	
I-190 Lift Station Replacement	2018A	Airfield	Construction	$ 3,566,736	March 2018 MII APPROVAL	
Implementation 2018 First Half	2018A	45% Terminal, 20% Parking & Ground Trans, 35% Airfield	Other	$ 16,336,735	March 2018 MII APPROVAL	
Implementation (Previously Approved Projects)	2018A	45% Terminal, 20% Parking & Ground Trans, 35% Airfield	Other	$ 24,254,485	March 2018 MII APPROVAL	
Concourses G & L Gate Swap	2018A	Terminal	N/A - no costs	Amended Scope Only	March 2018 MII APPROVAL	
Elevated Parking Structure (EPS) Repairs	2018A	Parking & Ground Transportation	Construction	$ 23,307,040	March 2018 MII APPROVAL	
H&R Plant Life Safety System	2018A	H&R Cost Pool	Installation	$ 3,352,800	March 2018 MII APPROVAL	
Incident Management Center (IMC) Renovations	2018A	Airfield	Construction	$ 2,145,000	March 2018 MII APPROVAL	
Measurement and Verification Control System	2018A	H&R Cost Pool	Installation	$ 1,520,640	March 2018 MII APPROVAL	
North Airfield Lighting Control Vault Upgrades	2018A	Airfield	Installation	$ 4,249,631	March 2018 MII APPROVAL	
Recirculation Bridge Reconstruction	2018A	Roadway cost pool	Construction	$ 6,879,600	March 2018 MII APPROVAL	
Ring and Utility Tunnel Concrete Repairs Priorities 1 & 2	2018A	H&R Cost Pool	Construction	$ (3,500,000)	March 2018 MII APPROVAL	
Ring and Utility Tunnel Concrete Repairs Priorities 3-9	2018A	H&R Cost Pool	Construction	$ 17,359,154	March 2018 MII APPROVAL	
Roadway Light Pole Replacement Program	2018A	Roadway cost pool	Installation	$ 672,000	March 2018 MII APPROVAL	
Salt Storage Facility	2018A	Roadway cost pool / Indirect	Construction	$ 4,187,500	March 2018 MII APPROVAL	

Terminal 1 Apron LED Lighting	2018A	Airfield	Installation	$ 1,393,920	March 2018 MII APPROVAL	
Terminal 3 Apron LED Lighting	2018A	Airfield	Installation	$ 1,742,400	March 2018 MII APPROVAL	
Terminal 3 Concourses H&K and Building 8C HVAC Upgrades	2018A	Terminal	Installation	$ 40,879,183	March 2018 MII APPROVAL	
Terminal 3 Safety Glass Installation	2018A	Terminal	Installation	$ 1,357,388	March 2018 MII APPROVAL	
Terminal 5 CBIS Optimization & CBRA Upgrade	2018A	Terminal	Construction	$ 990,939	March 2018 MII APPROVAL	
Terminal 5 Building Automation Migration and Upgrade of Life Safety Automation Panels	2018A	Terminal	Other	$ 3,181,220	March 2018 MII APPROVAL	
Terminal 5 Common Use Lobby Integration	2018A	Terminal	Construction	$ 5,252,029	March 2018 MII APPROVAL	
Terminal 5 Glazing Re-Gasketing	2018A	Terminal	Other	$ 6,045,600	March 2018 MII APPROVAL	
Terminal Area Fire Main Installation / Lower Level Utility / Pavement Reconstruction	2018A	Terminal	Installation	$ 26,616,394	March 2018 MII APPROVAL	

On Call Funding - Term Construction (Not Bid)						**Conditions of Approval**
Signage Planning and Changes Allowance	2012B	Terminal	Design/Construction	$ 1,000,000	ACTIVE	
Exterior Terminal Airside Maintenance Phase 2	2011B	Terminal	Design/Construction	$ 1,830,697	ACTIVE	
Exterior Terminal Airside Maintenance Phase 3	2012B	Terminal	Design/Construction	$ 2,500,000	ACTIVE	
Asbestos Abatement in Terminal 2 and Terminal 3	2013A	Terminal	Design/Construction	$ 1,000,000	ACTIVE	
Airside Pavement Replacement (Ramp)	2016C	Airfield	Construction	$ 5,500,000	ACTIVE	
T1 and T3 LED Lighting Retrofit	2016C	Terminal	Study & Installation	$ 1,500,000	ACTIVE	
Type 1 Marker Lightbase Replacement	2016C	Airfield	Construction	$ 1,000,000	ACTIVE	
Apron Pavement Replacement 2017-2018	2017B	Airfield	Construction	$ 17,000,000	ACTIVE	

Purchase Orders (no markup)						**Conditions of Approval**
Access Control Hardware Upgrade	2013A	Airfield	Purchase and Install	$ 4,157,826	ACTIVE	
Vehicle Procurement	2013A	Airfield	Purchase	$ 8,000,000	ACTIVE	
Vehicle Replacement Program - Snow Blowers	2014A	Airfield	Purchase	$ 12,825,000	ACTIVE	
Vehicle Purchase - 2015	2014C	Airfield	Purchase	$ 8,000,000	ACTIVE	
Vehicle Replacement Program 2015	2015A	Airfield	Purchase	$ 11,613,000	ACTIVE	
Vehicle Replacement Program 2016	2016A	Airfield	Purchase	$ 13,290,000	ACTIVE	
Vehicle Replacement Program 2017	2017A	Airfield	Purchase	$ 31,763,991	ACTIVE	

Reimbursement Agreement Projects						**Conditions of Approval**
Terminal 1 Roof Repair	2014A	Terminal	Design	$ 2,000,000	ACTIVE	Work will done by Airline via Reimb Agreement
Terminal 1 Roof Repair Project - B6 United Club Area	2016A	Terminal	Construction	$ 3,160,442	ACTIVE	Work will done by Airline via Reimb Agreement
Terminal 3 Air Handling Units S12 & S13 (Admirals Club)	2016C	H&R Cost Pool	Design & Construction	$ 3,553,680	ACTIVE	Work will done by Airline via Reimb Agreement
Terminal 1 Roof Repair at United Club C16	2016C	Terminal	Construction	$ 1,665,905	ACTIVE	Work will done by Airline via Reimb Agreement

T1 and T3 Innovation Lanes	2017A	Terminal	Construction	$ 2,789,000	ACTIVE	Work will done by Airline via Reimb Agreement
Relocation of Airline Support Facilities	2016B	Airfield	Design/Construction	$ 235,000,000	ACTIVE	Work will done by Airline via Reimb Agreement
West Fuel Line Relocation	2016B	Airfield	Design/Construction	$ 80,000,000	ACTIVE	Work will be done by OFC
AA Employee Parking Lot Improvements	2017 - 9C Projects	Airfield	Design & Construction	$ 11,588,407	ACTIVE	Work will done by Airline via Reimb Agreement
AA Hangar 2 Siding Modifications	2017 - 9C Projects	Airfield	Design & Construction	$ 1,908,500	ACTIVE	Work will done by Airline via Reimb Agreement
Fuel System Improvement Program Vault Modifications Phase 1	2017B	Fuel System	Design & Construction	$ 19,000,000	ACTIVE	Work will be done by OFC

Matching Share - Grant Projects						**Conditions of Approval**
T1 Checked Baggage Reconcilitation Area (CBRA) Optimization	2014	Terminal	Airline Matching Share GARB Issuance	$ 2,744,135	ACTIVE	
Terminal 5 Checked Baggage Inspection System (CBIS) Optimization Plan and Checked Baggage Resolution Area (CBRA) Upgrades - Airline Matching Share	2016 - Additional Certificates	Terminal	Airline Matching Share GARB Issuance	$ 2,568,528	ACTIVE	

Grant Projects/ Non Rate Based Funding - Fully Reimbursed	**Projects fully reimbursed by grants - interim only funding - not rate based**					**Conditions of Approval**
Terminal 1 Checked Baggage Recapitalization and Optimization	2013A	N/A - fully reimbursed	Design/Construction	$ 24,056,809	ACTIVE	Interim Funding Only
TSA Advance Surveillance Program CCTV Project	2013A	N/A - fully reimbursed	Design/Construction	$ 7,459,234	ACTIVE	Interim Funding Only
March 8, 2013 - T1 & T5 Recap/Optz	2013 Additional Cert	N/A - fully reimbursed	Design	$ 1,277,280	ACTIVE	Interim Funding Only
March 8, 2013 - T3 Recap/Optz	2013 Additional Cert	N/A - fully reimbursed	Design	$ 469,737	ACTIVE	Interim Funding Only
North Airfield Sanitary Sewer Relocation - Design & Construction	2015B	N/A - fully reimbursed	Design/Construction	$ 2,930,000	ACTIVE	Interim Funding Only
T5 Optimization - Design (TSA Reimbursable)	2015B	N/A - fully reimbursed	Design	$ 267,055	ACTIVE	Interim Funding Only
Runway 9R/27L Status Lights	2016A	N/A - fully reimbursed	Design/Construction	$ 3,221,125	ACTIVE	Interim Funding Only
Terminal 5 Checked Baggage Inspection System (CBIS) Optimization Plan and Checked Baggage Resolution Area (CBRA) Upgrades	2016 - Additional Certificates	N/A - fully reimbursed	Interim Funding	$ 24,601,646	ACTIVE	Interim Funding Only
Electric Vehicle Charging Station	2017B	N/A - fully reimbursed	Construction	$ 4,783,856	ACTIVE	Interim Funding Only
Remote GPU and Pre-Conditioned Air Units	2017B	N/A - fully reimbursed	Construction	$ 2,666,667	ACTIVE	Interim Funding Only
T2 Hydrant Fueling System	2017B	N/A - fully reimbursed	Construction	$ 2,666,667	ACTIVE	Interim Funding Only

Projects Completed	**In contract closeout**				
T5 Preliminary Design - Airline Equipment	2009 - OCT	Terminal	Design	$ 2,847,000	ACTIVE
Runway 9R/27L Comprehensive Maintenance	2011 - OMP / 2014 - NOV / 2015A	Airfield	Maintenance	$ 26,810,868	ACTIVE
Baggage Service (Depressed) Road - Post Des & Construction	2011A	Airfield	Construction	$ 9,419,994	ACTIVE
I-190 Entrance & Exit Roadway Rehab - Des & Post Des	2011A	Roadway Cost Pool	Design	$ 700,000	ACTIVE
O'Hare Cargo Tunnel Strengthening & Rehabilitation	2011A	Airfield	Rehabilitation	$ 3,564,518	ACTIVE
Terminal 5 Roof Replacement - Design & Post Design	2011A	Terminal	Design	$ 500,000	ACTIVE
AED Replacement	2011B	Terminal	Other	$ 300,000	ACTIVE
Upgrade Hydrazine Feed System	2011B	H&R Cost Pool	Design	$ 150,000	2013a

(PARCS) Parking Revenue Control System - Updates	2011B	Parking & Ground Transportation	Design & Installation	$	16,500,000	ACTIVE
East Cooling Tower Replacement - Design & Post Design	2011B	H&R Cost Pool	Design	$	900,000	ACTIVE
T1,T3,T5 Check Bag Resolution Area Upgrade (CBRA) - Design	2011B	Terminal	Design	$	733,600	ACTIVE
Conc E/F Concessions Redevelop & Passenger Upgrades	2012 - JAN	Terminal	Design	$	2,921,927	ACTIVE
AA Baggage Room HVAC Upgrade Construction	2012A / 2014A	Terminal	Design & Construction	$	8,110,000	ACTIVE
ORD Badging and Compliance Office at T3 EPS	2012A / 2014A	Airfield	Design & Construction	$	4,085,000	ACTIVE
Asbestos Abatement in Terminal 2 and Terminal 3	2012B	Terminal	Design/Construction	$	1,000,000	ACTIVE
Comprehensive Overhaul (No 4) of ATS Vehicles Phase 2 of 2	2012B	ATS Cost Pool	Construction	$	5,100,000	ACTIVE
AMC Expansion	2012B	Airfield	Design	$	1,000,000	ACTIVE
Replacement of Air Handling Units (AHU) in H&R Plant	2012B	H&R Cost Pool	Design	$	30,000	ACTIVE
Restroom Modernization Phase 4	2012B	Terminal	Construction	$	4,500,000	ACTIVE
Chillers 1,2,3,4,5 and South Cooling Tower Upgrades	2012B	H&R Cost Pool	Design	$	1,435,000	ACTIVE
Airside Catch Basin Repair-Construction	2012B	Airfield	Construction	$	3,750,000	ACTIVE
Airside Service Road Rehab - Construction	2012B	Airfield	Construction	$	1,000,000	ACTIVE
Outdoor Switchgear C&D & A&B in H&R - Construct	2012B	H&R Cost Pool	Construction	$	5,500,000	ACTIVE
Replacement of Terminal 2&3 LL Lighting - Construction	2012B	Terminal	Construction	$	1,200,000	ACTIVE
T2 Concourses E&F Chilled Water Upgrade - Design	2012B	Terminal	Design	$	600,000	ACTIVE
T5 FIDs, BIDs and VM Upgrade - Design/Install	2013 - ITAPS	Terminal - City Equipment / SET	Design & Installation	$	3,635,925	ACTIVE
Airside Apron Pavement Replacement 2014	2013A	Airfield	Construction	$	12,000,000	ACTIVE
AMC Access Road Reconstruction	2014 - NOV	Airfield	Construction	$	3,000,000	ACTIVE
H & R Plant AHU Replacement - Construction	2014 - NOV	H&R Cost Pool	Construction	$	2,830,000	ACTIVE
T 1 Commercial Vehicle Entrance Roadway - Des&Const	2014 - NOV	Roadway Cost Pool	Design & Construction	$	1,000,000	ACTIVE
Chillers 1,2,3,4,5 and South Cooling Tower Upgrades	2014A	H&R Cost Pool	Construction	$	64,400,000	ACTIVE
Airside Service Road Rehab	2014A	Airfield	Construction	$	3,000,000	ACTIVE
Fire Protection for the H&R Plant - Design&Const	2014A	H&R Cost Pool	Design & Construction	$	3,000,000	ACTIVE
T5 Type VI Gate Enhancement - Design to 30%	2014A	Terminal	Design	$	1,000,000	ACTIVE
T5 Landside PCC Pavement Reconstruction	2014A / 2015B	Terminal	Rehabilitation	$	2,925,000	ACTIVE
Repainting of Exterior Vertical Surface at T1	2015A	Terminal	Design/Construction	$	1,015,000	ACTIVE
T5 A380 Gate Enhancement - Phase 1 Const	2015A	Terminal - City Equipment	Construction	$	4,962,124	ACTIVE
AOA Security Fence	2015B	Airfield	Installation	$	2,600,000	ACTIVE
Sky Chef Building 511 Demolition	2015B	Terminal	Demolition	$	3,230,000	ACTIVE
AMC Expansion - Construction	2016A	Airfield	Construction	$	20,000,000	ACTIVE
Runway 10L/28R Rehabilitation - Construction	2016A	Airfield	Construction	$	18,500,000	ACTIVE

Design Projects Completed - Awaiting Construction Bid	**These design projects are in the bid cycle. No changes needed for design services. Some construction phase design support may be needed.**					
Measurement and Verification Plan	2012B	H&R Cost Pool	Design	$	1,000,000	ACTIVE
Terminal 1 HVAC System Upgrades	2012B	H&R Cost Pool	Design	$	650,000	ACTIVE

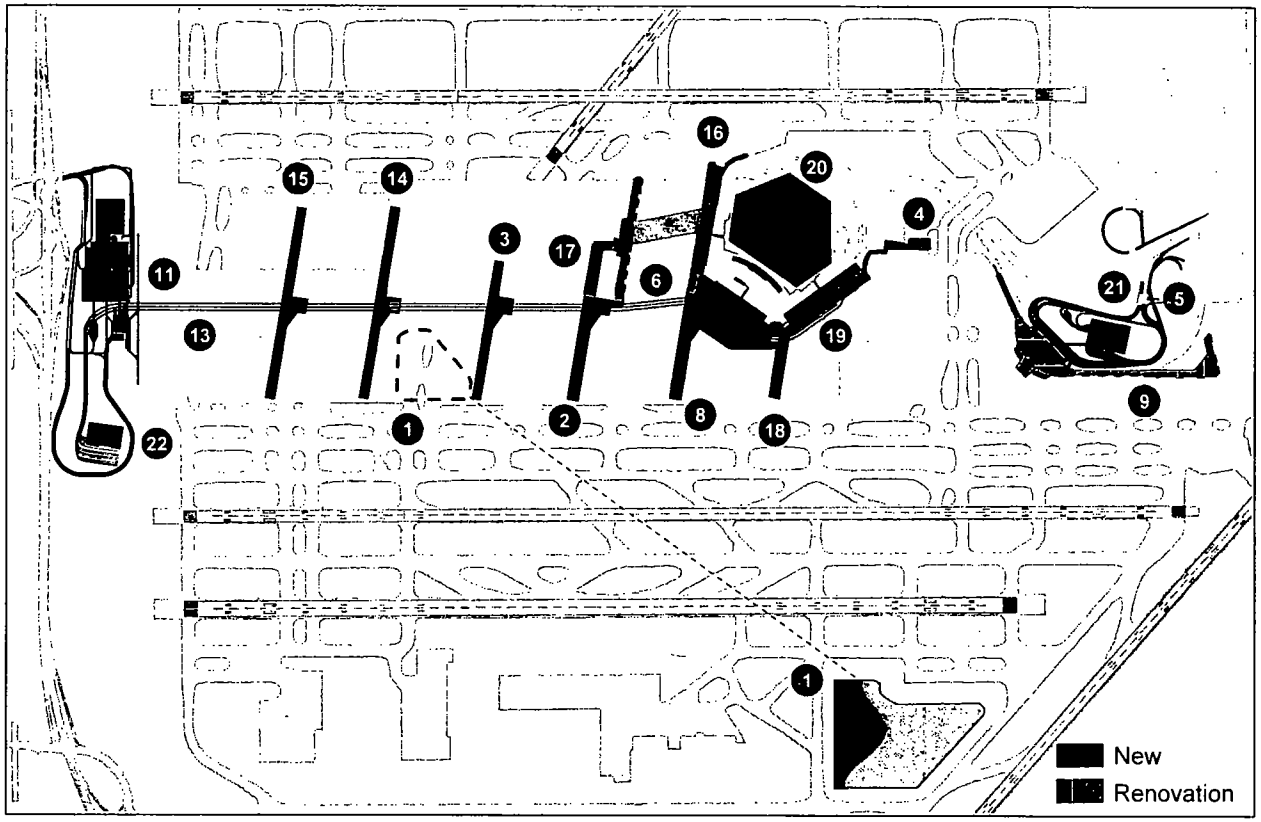
Miami Beach Lift Station Improvements	2013A	Terminal	Design	$ 610,000	ACTIVE
Restroom Modernization - Domestic Terminal 1, 2, 3 - Phase V	2013A	Terminal	Design	$ 1,200,000	ACTIVE
Rotunda Air Handling Unit Replacement	2015B	H&R Cost Pool	Design	$ 550,000	ACTIVE

Design Projects Completed - Project In Construction	**Projects that have been bid and are in construction - No design contingency or changes needed.**				
Emergency Standby Power Systems Upgrade O'Hare	2012A	H&R Cost Pool	Design	$ 950,000	ACTIVE
Replacement of High Temperature Water Generators	2012B	H&R Cost Pool	Design	$ 650,000	ACTIVE

Exhibit K

TAP Program

EXHIBIT K - TERMINAL AREA PROGRAM (TAP) (REFERENCED IN SECTION 10.2)



TAP Phase I Elements	Additional TAP Elements
1 Central Basin Elimination and South Basin Expansion	13 Completion of Consolidated APM and Utility Tunnel and installation of APM
2 Satellite 1 Concourse	14 Satellite 3 Concourse
3 Satellite 2 Concourse	15 Satellite 4 Concourse
4 Concourse L 3-Gate Expansion	16 Terminal 1/Concourses B and C Redevelopment
5 Terminal 5 Landside and Parking Improvements (Phase1)	17 Satellite 1 Northern Extension
6 Consolidated APM, Pedestrian, and Utility Tunnel	18 Concourse G Redevelopment
7 Baggage Handling System (BHS) Equipment*	19 Terminal 3 Redevelopment
8 Terminal 2 Redevelopment - O'Hare Global Terminal (OGT) and O'Hare Global Concourse (OGC)	20 Garage at the Terminal Core
9 Terminal 5 Repurposing and Core Expansion	21 Terminal 5 Landside and Parking (Phase 2)
10 TAP Phase 1 Utilities Allowance*	22 Western Parking and Screening Facility (Phase 2)
11 Western Parking and Screening Facility Allowance	23 Baggage Handling System (BHS) Equipment Expansion*
12 Concourse L 5-Gate Buyout*	
** Not shown on the exhibit*	** Not shown on the exhibit*

Exhibit L

TAP Phase I Elements

The Phase I TAP Elements approved by the Long-Term Signatory Airlines pursuant to Article 10 of the Airline Use and Lease Agreement consist of the following projects:

1. Central Basin Elimination and South Basin Expansion
2. Satellite 1 Concourse
3. Satellite 2 Concourse
4. Concourse L 3-Gate Expansion
5. Terminal 5 Landside and Parking Improvements (Phase 1)
6. Consolidated APM, Pedestrian, and Utility Tunnel (Phase 1 Segments)
7. Baggage Handling System (BHS) Equipment
8. Terminal 2 Redevelopment - O'Hare Global Terminal (OGT) and O'Hare Global Concourse (OGC)
9. Terminal 5 Repurposing and Core Expansion
10. TAP Phase I Utilities Allowance
11. Western Parking and Screening Facility Allowance
12. Concourse L 5-Gate Buy-out

This document provides an overview of each Phase I TAP Element, as well as a summary of conceptual project details under consideration for each element.

The Total Project Costs for the Phase 1 TAP Elements, and therefore the Phase I TAP Budget, is $6,083,063,000 as shown in the table on the following page. The individual project descriptions within this document identify the individual Construction Costs for each project.

For each Phase I TAP Element, the **Changes in Project Scope Requiring MII Review** is identified.

Linear Frontages for Phase I Elements are listed within each Project Description and are shown graphically on the final page of this Exhibit.

Project Costs for Phase I TAP Elements

Project	Total Construction Cost [1/]	Total Program Cost
1. Central Basin Elimination and South Basin Expansion	$149,682,000	
2. Satellite 1 Concourse	$578,168,000	
3. Satellite 2 Concourse	$447,350,000	
4. Concourse L 3-Gate Expansion	$18,175,000	
5. Terminal 5 Landside and Parking Improvements (Phase 1)	$137,412,000	
6. Consolidated APM, Pedestrian, and Utility Tunnel (Phase 1 Segments)	$353,220,000	
7. Baggage Handling System (BHS) Equipment	$690,578,000	
8. Terminal 2 Redevelopment - O'Hare Global Terminal (OGT) and O'Hare Global Concourse (OGC)	$1,581,724,000	
9. Terminal 5 Repurposing and Core Expansion	$186,292,000	
Total Construction Cost [1/]		$4,142,601,000
Total Owner's Soft Cost [2/]		$801,009,000
Total Design & Construction Contingency		$630,396,000
Total Management Reserve		$90,057,000
10. TAP Phase I Utilities Allowance		$126,000,000
11. Western Parking and Screening Facility Allowance		$215,000,000
12. Concourse L 5-Gate Buy-out		$78,000,000
TOTAL TAP BUDGET		**$6,083,063,000**

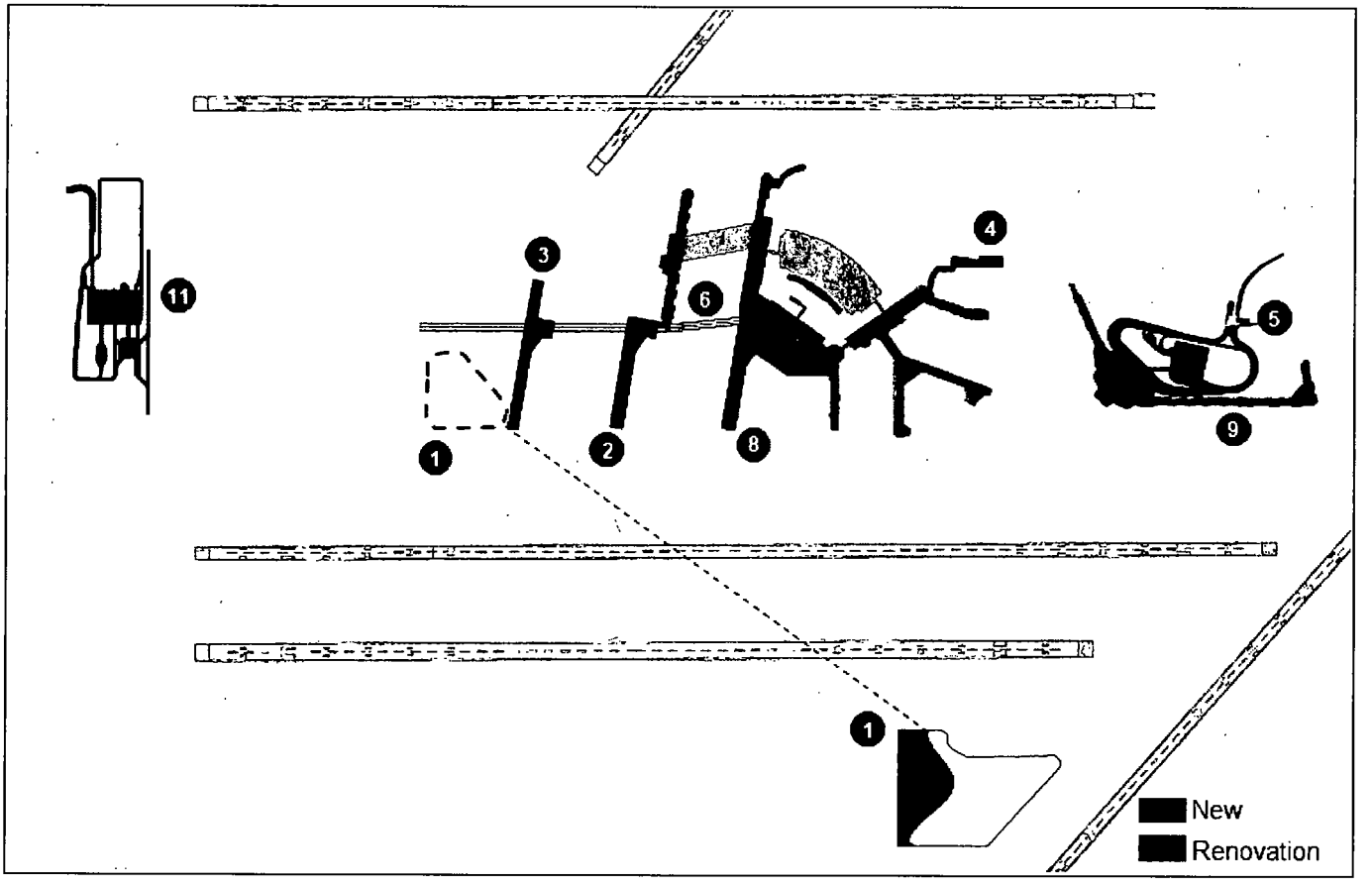
Source: Chicago Department of Aviation; February 18, 2018.

Notes:
[1/] Includes direct construction plus 12% for CMR General Conditions and fees ;plus 3% for CMR contingency.
[2/] $15.0 million for Public Art for Sat 1 & 2 and T2 included in owner soft cost.

Airline relocation costs are not included.

Costs are in 2017 dollars.

Chicago O'Hare International Airport
TAP Phase I Elements: Pre-Approved Phase I TAP Program



Note: Building dimensions and shapes are for planning purposes only. Final shapes and dimensions will be determined during design. Location, alignment and positioning of infrastructure elements (tunnel, utilities, roadways, and taxiways) are for planning purposes.

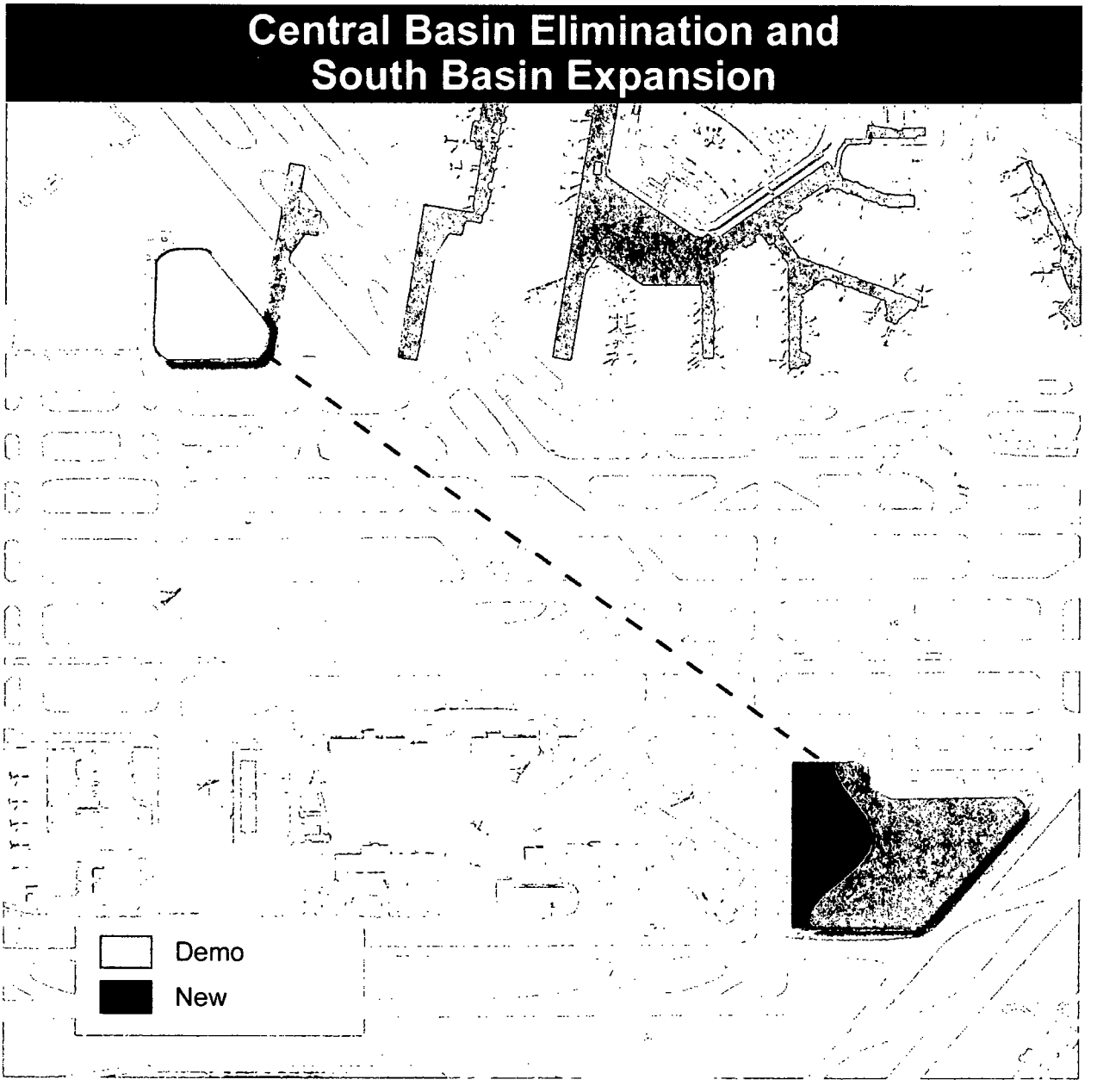
TAP Utilities and BHS Equipment are defined as separate projects

TAP Phase I Elements

1. Central Basin Elimination and South Basin Expansion
2. Satellite 1 Concourse
3. Satellite 2 Concourse
4. Concourse L 3-Gate Expansion
5. Terminal 5 Landside and Parking Improvements (Phase1)
6. Consolidated APM, Pedestrian, and Utility Tunnel
7. Baggage Handling System (BHS) Equipment*
8. Terminal 2 Redevelopment - O'Hare Global Terminal (OGT) and O'Hare Global Concourse (OGC)
9. Terminal 5 Repurposing and Core Expansion
10. TAP Phase 1 Utilities Allowance*
11. Western Parking and Screening Facility Allowance
12. Concourse L 5-Gate Buyout*

** Not shown on the exhibit*

1. **PROJECT NAME: Central Basin Elimination and South Basin Expansion**



Note: Dimensions and shape are for planning purposes only. Final shapes and dimensions will be determined during design.

PROJECT NAME: Central Basin Elimination and South Basin Expansion

PROJECT OVERVIEW: Elimination of the Central Detention Basin and rerouting the related storm-water detention to another viable location.

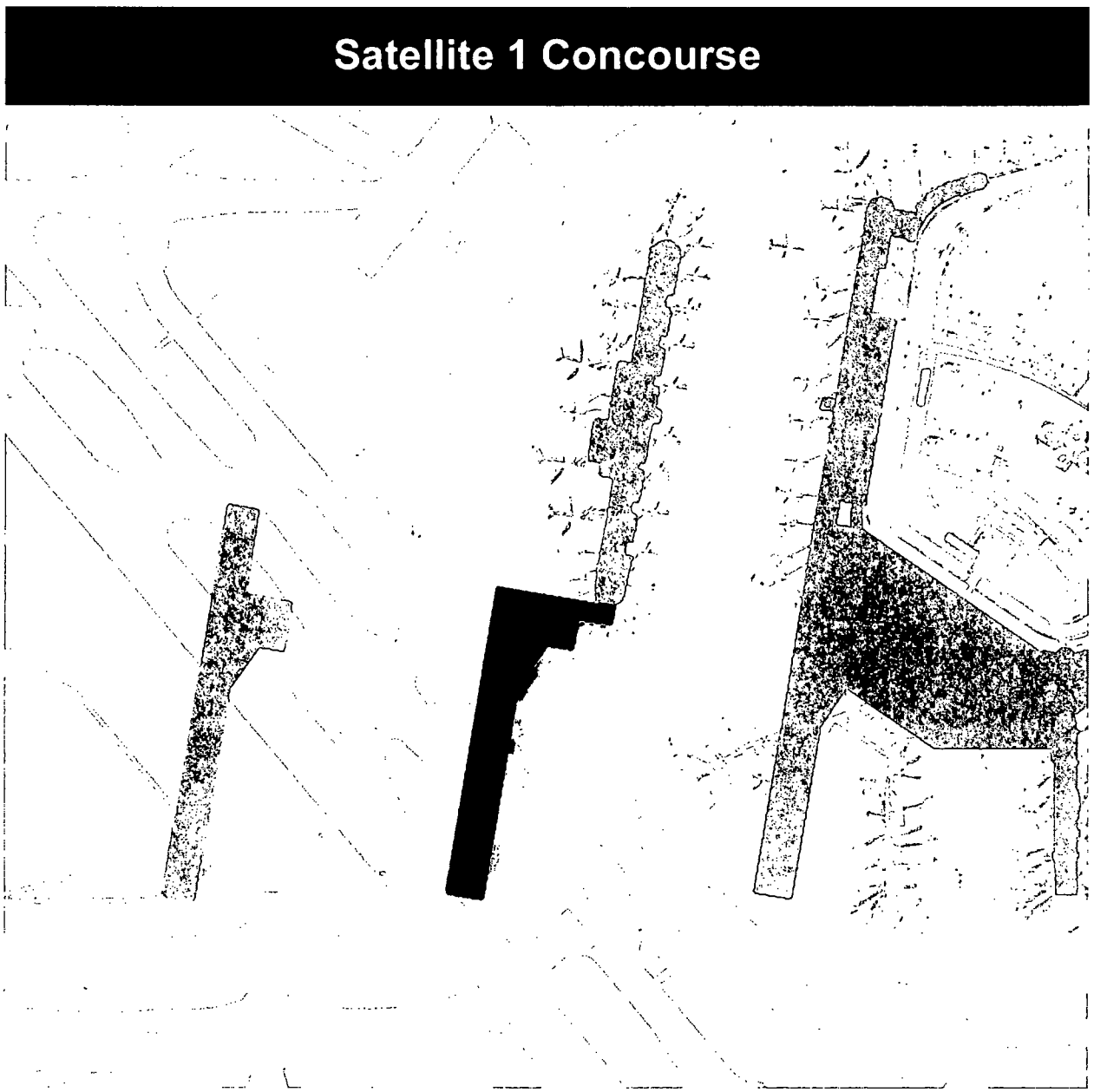
TOTAL ESTIMATED CONSTRUCTION COST: $149,682,000

CHANGES IN PROJECT SCOPE REQUIRING MII REVIEW: Selection of an alternative other than decommissioning the Central Basin and replacing the eliminated capacity with an expansion of the existing South Basin.

PROJECT SUMMARY

a. Elimination of the existing Central Basin, resulting in the loss of 350 acre-feet of storm water detention
b. Backfill of existing Central Basin with compacted material to grade
c. Expansion to the existing South Basin of approximately 500 acre-feet of storm water detention, which will have sufficient capacity to serve the full development of the western area to the full 30-Year development
d. Construct deep tunnel drainage system connecting existing drainage systems feeding the Central Basin and local drainage from terminal platform to South Detention Basin
e. Install new Lift / pump station and associated infrastructure and controls at South Basin to connect deep tunnel drainage to South Basin outfalls
f. Drainage structures and underground utilities to be located and aligned to allow a right-of-way for future construction of an east-west below grade airside service road, to the extent practical. This service road right-of-way would support bag carts, catering vehicles and other AOA traffic between the OGT to the western facility.
g. Relocation of the existing Central Basin Pumping Station
h. Modification of the existing storm drainage collection system at the central basin feeding into the deep tunnel connector
i. Installation of vertical subsurface drainage structures and subsurface junction stations(s) in connection with the deep trench and lift station(s).
j. Storm water drainage study to be conducted to determine:
    I. Excess capacity of the North Basin.
    II. Demand created by TAP Phase 1 and added TAP elements
    III. South Tunnel and South Basin capacity
    IV. Potential alternatives to improve drainage in the AMC Building area
k. New South Tunnel and South Basin should be planned to support excess demand from TAP phase 1 plus added TAP elements less other existing Basins. South Basin enlargement should be constructed to support only TAP phase 1 projects not supported by other existing basins.

2. PROJECT NAME: Satellite 1 Concourse



Note: Building dimensions and shape are for planning purposes only. Final shapes and dimensions will be determined during design.

PROJECT NAME: Satellite 1 Concourse

PROJECT OVERVIEW: The new Satellite 1 concourse will provide approximately 2,776 feet of Linear Frontage with Gate Space being designed for a Multiple Aircraft Ramp System (MARS) configuration to allow flexible use of Gate Space between regional jets, narrow body and wide body aircraft (as deemed appropriate) to serve international and domestic operations.

TOTAL ESTIMATED CONSTRUCTION COST: $578,168,000 (Excluding Utilities and BHS equipment)

CHANGES IN PROJECT SCOPE REQUIRING MII REVIEW: (1) Any reduction in concourse width from 150', or (2) Any change that reduces Linear Frontage from 2,776', or (3) Any reduction in concourse length by more than 68', or (4) Any modification that eliminates the use of Multiple Aircraft Ramp Stand (MARS) gates, or (5) The addition of more than 1 ADG VI Gate position, or (6) Gate Space is not capable of serving international operations, or (7) Expanding the APM station to more than 5 total cars.

PROJECT SUMMARY

a. A new multilevel concourse approximately 150' wide by 1,360' in length, to be built to the south of and in same north south orientation as existing Concourse C, including a 2-level temporary connector between Concourse C and S1 with boarding gate and hold room renovations in south Concourse C to make the connection to S-1
b. Approximately 690,679 new square feet of total building space to be constructed in phases
c. Apron level approximately 256,000 sq. ft., containing shell space including ready rooms for each gate
d. Departures level approximately 281,500 sq. ft., containing holdrooms, airline support space, and concessions shell space, restrooms, shell airline support space and secure circulation, and airline passenger clubs/lounges
e. Mezzanine level (level 3) approximately 153,200 sq. ft., containing sterile vertical circulation from each aircraft gate position to a sterile corridor network with an "effective" width of 20' for international arriving flights, restrooms, Automated Passport Control (APC) kiosks, and an airline business class lounge accessible from the departures level.
f. Two level Phase I Connector totaling approximately 22,450 sq. ft. connecting S1 to Concourse C on both the apron and departures levels.
g. Holdrooms and gates capable of handling independent domestic and international departures/arrivals from origins with and without CBP preclearance.
h. Provide for a maximum of one (1) Airport Design Group VI gates

i. Secure and Sterile Bus-Station facility including vertical circulation
j. Mechanical/electrical/plumbing utility support space including data fiber backbone, communications rooms, including a branch tunnel from the consolidated tunnel, for distribution of utilities
k. Provide for either a ramp control tower or virtual tower in either OGT and/or Satellite 1 pending assessment of technical and cost considerations.
l. Provide a backbone for common use terminal equipment (CUTE) in ticketing and holdroom areas, FF&E, holdroom gate equipment and boarding elements, unless an airline chooses to install their branded FF&E / equipment such as branded holdroom FF&E, backwall graphics, holdroom gate equipment and boarding elements.
m. A common-use data/voice backbone is to be installed throughout the program elements to support data and voice services, including functions to support ground control, customer processing, and potentially a virtual ramp tower. End use devices such as computers, printers, gate readers, voice sets, etc. will be provided at common use counters and gates. The common use backbone will be capable of interfacing with hub airlines standard millwork at all preferential gates. If the common use backbone is not capable of connecting, use of individual airline specific data feeds shall be permitted.
n. Provide all FF&E in CBP and all public spaces.
o. Passenger amenities, such as restrooms, and concessions shell space and airline lounge shell space are to be provided. Provide convenience power for holdroom seating, public Wi-Fi networks, and passenger charging stations with subsequent support facilities.
p. Provide the shell space, utilities and aircraft support elements such as; aircraft ground power (AC and/or DC), PCA, potable water cabinets with drains, docking systems, digital gate signs, late gate bag vertical conveyor (dumbwaiter) and passenger loading bridges unless an airline chooses to provide their own equipment, in which case the project budget shall be reduced.
q. Airline/tenant support spaces (employee break and locker rooms, operational management offices, restroom for employees), concessions and airline clubs will have the shell provided (outer walls only), and the interior finishes provided by the airline/tenant.
r. Provide dedicated building service functions, including loading docks, goods delivery, waste removal, freight elevators, service elevators, etc.
s. Signage including dynamic and static way-finding and individual gate signage
t. Parking locations and areas for recharging stations for electric GSE equipment
u. For shell space with airline or tenant lease commitment, utilities necessary for proposed fit out will be brought to the space for tenant extension and fit out. All utility extensions and fit out are subject to CDA standards. Unassigned shell space will have basic utilities brought to the space for future extension and fit out. Any costs for additional utilities will be the responsibility of the future tenant.

v. Third level shell space for airline clubs and support space based on airline requirement and CBP support space, including both passenger and service elevators and the sterile corridor system for international arrivals.
w. Provide FIDS and BIDS

APM Station

a. Provide for vertical transportation to underground 5-car train APM Station (potentially expandable to a 6-car train station), maximizing Linear Frontage and efficient passenger flows. Natural daylight into the APM station platform is highly desirable.
b. APM guideway shall be aligned to optimize aircraft parking and passenger flows, and tie into the Consolidated Tunnel that runs east to OGT and west to S-2. The APM is aligned so that the station provides for optimization of aircraft parking and efficient passenger flows.
c. The shell for the underground APM station will be constructed as part of the S-1 structure. The footprint will be extended vertically through the building to provide vertical circulation, approximately 52' wide and 390' in length.
d. No equipment or supporting utilities shall be installed prior to the approval of the actual train construction.

Sterile Arrivals Corridor and Cores

a. A sterile arrivals corridor connecting all international arrival gates to the CBP.
b. Arriving international passengers ascend vertical cores associated with gate door at the face of the concourse to a Third-Level corridor network with an "effective" width of 20' that includes Automated Passport Control kiosks that lead to escalators that descend to down to a sterile underground tunnel that leads to escalators up to the OGT CBP arrivals hall. Design may consider an arrivals corridor with a single side collection corridor with crossing corridors to vertical cores on opposite side of concourse.
c. To optimize gating flexibility for both international and domestic operations, vertical cores serving international arriving flights are to be located at the concourse perimeter within the concourse envelope. These cores are to facilitate arriving passenger flow to the arrivals corridor. Each core is to be equipped with two (2) loading bridges to serve two (2) aircraft simultaneously and be equipped to allow arrivals and departures from both gates. All gates connected to the international arrivals corridor should be made independent for both arrival and departure.
d. Ability to accommodate the implementation of BIWIS

Building MEP

a. While a study is needed to confirm; it is currently anticipated that the building HVAC delivery systems would be located on Third-Level and supplied by the existing H&R Plant. Major MEP systems cannot be located on levels where future expansion of BHS, gate holdrooms or other operational spaces are required.
b. Includes distribution of utilities inside the structure required to support the new facility. Includes upgrades to the existing central utility plant if determined to be necessary to support the new terminal/concourse facility. Scope includes existing utility modifications in Concourse "C" are to be directly impacted by the connection of the S-1 temporary corridor to Concourse "C."

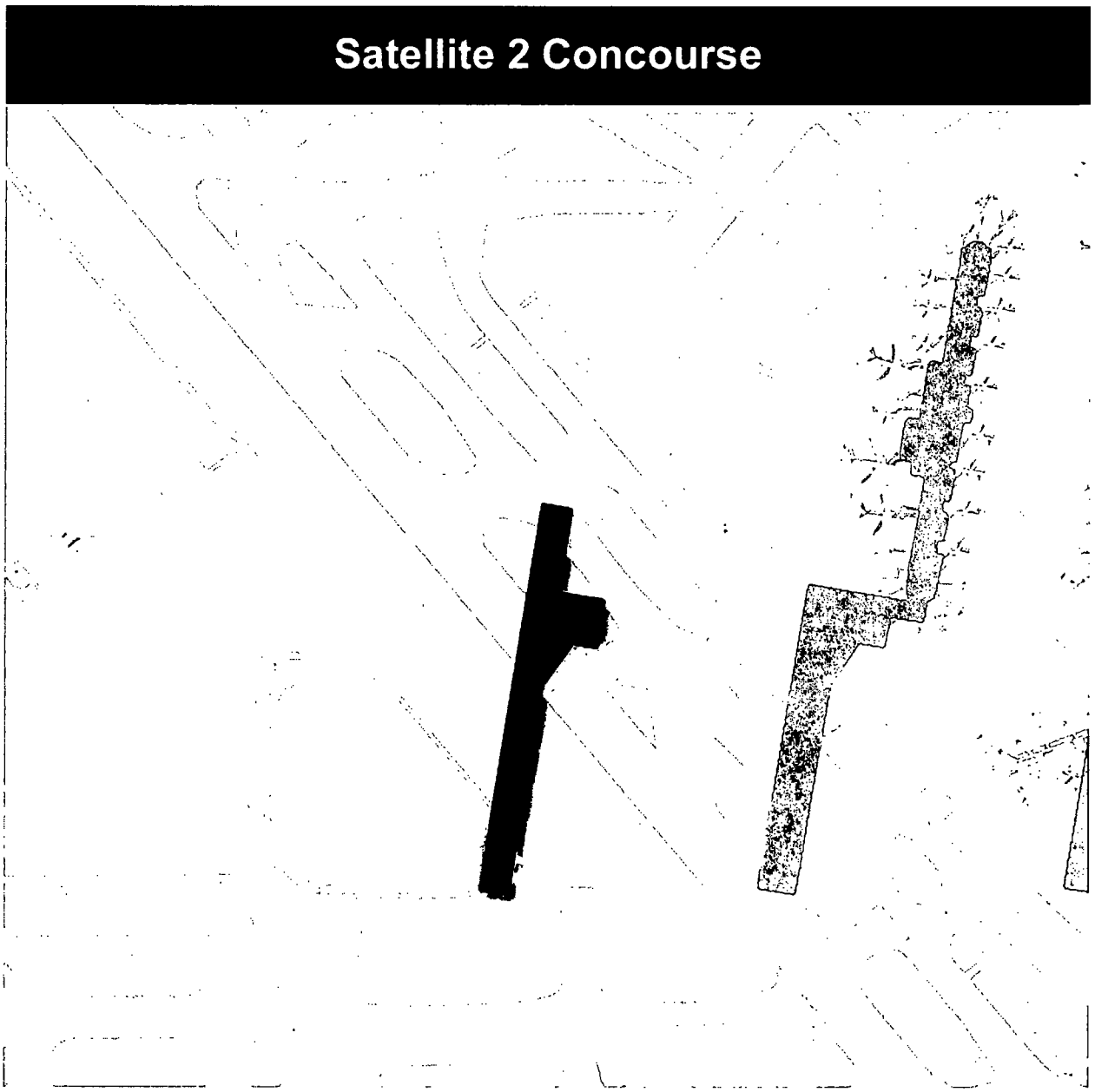
Apron - Civil

a. Airside work shall include new and transitional apron and taxilane pavement, demolition of pavement as needed, primary electrical distribution, storm water and sanitary sewer, potable water for domestic and fire protection systems, hydrant fueling, storm water and glycol collection, apron striping, in-ramp lighting systems, and airfield signage. Utility work will be from the termination of the utility main construction (included in the TAP Phase 1 Utilities project) to the exterior face of the structure.
b. Includes demolition of Runway 15/33, existing taxiways A/B, and existing apron areas as required to transition new apron and taxilane pavement with existing
c. Design shall include head of stand service road at all gates

POTENTIAL AIRLINE FUNDED ELEMENTS (NOT INCLUDED IN PROJECT COSTS AND NOT SUBJECT TO MII)

a. Preferentially leased counters and gates will utilize the common use backbone but will be equipped by the airlines.
b. Exclusive use spaces such as airline/tenant support spaces, concessions, and airline clubs will have the shell provided, and the interior finishes provided by the airline/tenant.

3. PROJECT NAME: Satellite 2 Concourse



Note: Building dimensions and shape are for planning purposes only. Final shapes and dimensions will be determined during design.

PROJECT NAME: Satellite 2 Concourse

PROJECT OVERVIEW: The new Satellite 2 concourse will provide approximately 3,561 feet of Linear Frontage with Gate Space being designed for a Multiple Aircraft Ramp System (MARS) configuration to allow flexible use of Gate Space between regional jets, narrow body and wide body aircraft (as deemed appropriate) to serve domestic and/or precleared international flights.

TOTAL ESTIMATED CONSTRUCTION COST: $447,350,000 (Excluding Utilities and BHS equipment)

CHANGES IN PROJECT SCOPE REQUIRING MII REVIEW: (1) Any reduction in concourse width from 120', or (2) Any change that reduces Linear Frontage from 3,561', or (3) Any reduction in concourse length by more than 88', or (4) Expanding the APM station to more than 5 total cars.

PROJECT SUMMARY

a. A new multilevel concourse approximately 120' wide by 1,760' in length, to be built directly to the west of the proposed Satellite 1 and in the same north south orientation of existing Concourse C.
b. Approximately 524,700 new square feet of total building space
c. Designed to serve domestic departures and arrivals and arrivals from international precleared markets.
d. Apron level approximately 263,400 sq. ft., containing shell space for airline/tenant operation/support, including BHS equipment if required.
e. Departures level approximately 261,300 sq. ft., containing passenger holdrooms, restrooms, secure circulation (no sterile corridors) and shell space for airline, concession and tenants, and airline passenger clubs/lounges
f. Holdrooms and gates capable of accommodating domestic departures and arrivals and arrivals from international precleared markets.
g. Secure Bus-Station facility including vertical circulation
h. Mechanical/electrical/plumbing utility support space including data fiber backbone, communications rooms, including a branch tunnel from the consolidated tunnel, for distribution of utilities.
i. Provide for either a ramp control tower or virtual tower in either OGT and/or Satellite 2 pending assessment of technical and cost considerations.
j. Provide a backbone for common use terminal equipment (CUTE) in ticketing and holdroom areas, FF&E, holdroom gate equipment and boarding elements, unless an airline chooses to install their branded FF&E / equipment such as branded holdroom FF&E, backwall graphics, holdroom gate equipment and boarding elements.

k. A common-use data/voice backbone is to be installed throughout the program elements to support data and voice services, including functions to support ground control, customer processing, and potentially a virtual ramp tower. End use devices such as computers, printers, gate readers, voice sets, etc. will be provided at common use counters and gates. The common use backbone will be capable of interfacing with hub airlines standard millwork at all preferential gates. If the common use backbone is not capable of connecting, use of individual airline specific data feeds shall be permitted.
l. Provide all FF&E in all public spaces.
m. Passenger amenities, such as, restrooms, and concessions shell space and airline lounge shell space are to be provided. Provide convenience power for holdroom seating, public Wi-Fi networks, and passenger charging stations with subsequent support facilities.
n. Provide the shell space, utilities and aircraft support elements such as; aircraft ground power (AC and/or DC), PCA, potable water cabinets with drains, docking systems, digital gate signs, late gate bag vertical conveyor (dumbwaiter) and passenger loading bridges unless an airline chooses to provide their own equipment, in which case the project budget shall be reduced.
o. Provide dedicated building service functions, including loading docks, goods delivery, waste removal, freight elevators, service elevators, etc.
p. Signage including dynamic and static way-finding and individual gate signage
q. Parking locations and areas for recharging stations for electric GSE equipment
r. Exclusive use spaces such as airline/tenant support spaces (employee break and locker rooms, operational management offices, restrooms for employees), concessions and airline clubs will have the shell provided (outer walls only), and the interior finishes provided by the airline/tenant.
s. Develop shell space for exclusive use. For shell space with airline or tenant lease commitment, utilities necessary for proposed fit out will be brought to the space for tenant extension and fit out. All utility extensions and fit out are subject to CDA standards. Unassigned shell space will have basic utilities brought to the space for future extension and fit out. Any costs for additional utilities will be the responsibility of the future tenant.
t. Provide FIDS and BIDS

APM Station

a. Provide for vertical transportation to underground 5-car train APM Station (potentially expandable to a 6-car train station), maximizing Linear Frontage and efficient passenger flows. Natural daylight into the APM station platform is highly desirable.
b. APM guideway shall be aligned to optimize aircraft parking and passenger flows, and tie into Consolidated Tunnels that runs east to S-1 and west to 10 feet past the western side of taxiway A/B OFA
c. The shell for the underground APM station will be constructed as part of the S-2 structure. The footprint will be extended vertically through the building for vertical circulation, approximately 52' wide and 395' in length.
d. No equipment or supporting utilities shall be installed prior to the approval of the actual train construction.

Building MEP

a. While a study is needed to confirm; it's currently anticipated that the building HVAC delivery systems would be located on Third-Level and supplied by the existing H&R Plant. Major MEP systems cannot be located on levels where future expansion of BHS, gate holdrooms or other operational spaces are required.
b. Includes installation of utilities inside the building required to support the new facility. Includes upgrades to the existing central utility plan if determined to be necessary to support the new terminal/concourse facility.

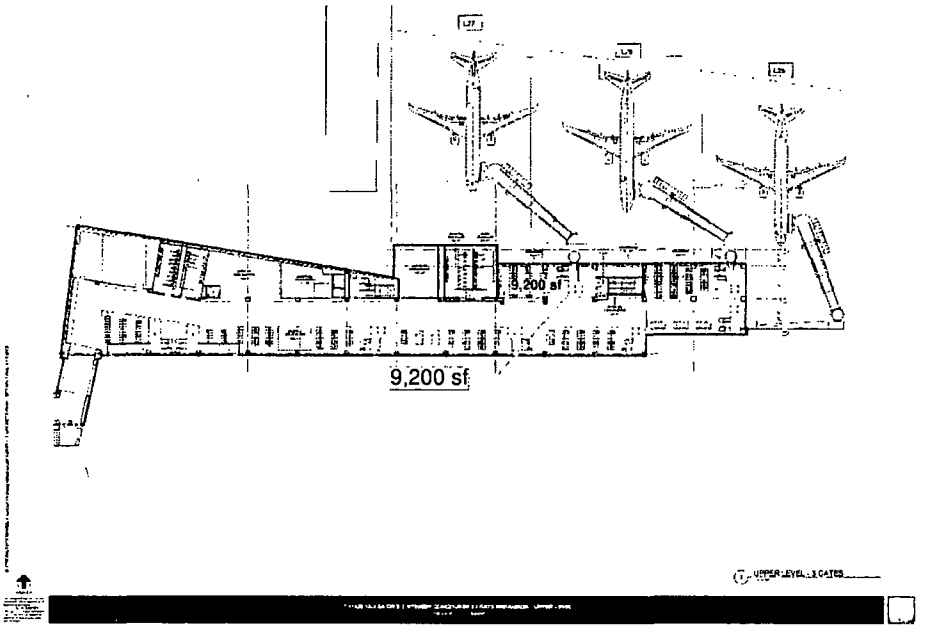
Apron - Civil

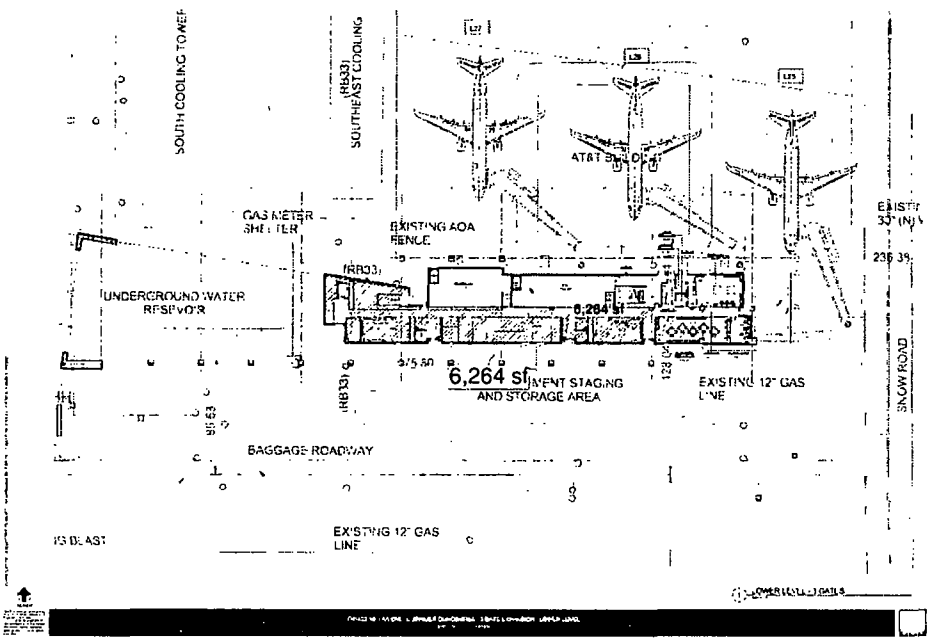
a. Airside work shall include new and transitional apron and taxilane pavement, demolition of pavement as needed, primary electrical distribution, storm water and sanitary sewer, potable water for domestic and fire protection systems, hydrant fueling, storm water and glycol collection, apron striping, in-ramp lighting systems, and airfield signage. Utility work will be from the termination of the utility main construction (included in the TAP Phase 1 Utilities project) to the exterior face of the structure.
b. Includes demolition of Runway 15/33, existing taxiways A/B, and existing apron areas as required to transition new apron and taxilane pavement with existing
c. Design shall include tail stand service road behind all gates

POTENTIAL AIRLINE FUNDED ELEMENTS (NOT INCLUDED IN PROJECT COSTS AND NOT SUBJECT TO MII)

a. Preferentially leased counters and gates will utilize the common use backbone but will be equipped by the airlines.
b. Exclusive use spaces such as airline/tenant support spaces, concessions and airline clubs will have the shell provided, and the interior finishes provided by the airline/tenant.

4. PROJECT NAME: Concourse L 3-Gate Expansion





Note: Building dimensions and shape are for planning purposes only. Final shapes and dimensions will be determined during design.

PROJECT NAME: Concourse L 3-Gate Expansion

PROJECT OVERVIEW: The Concourse L 3-Gate Expansion will provide approximately 330 linear feet of Linear Frontage with Gate Space being designed for regional jets to serve domestic and/or precleared international flights.

TOTAL ESTIMATED CONSTRUCTION COST: $18,175,000 (Excluding Utilities)

CHANGES IN PROJECT SCOPE REQUIRING MII REVIEW: Reduction of Linear Frontage by more than 33 linear feet.

PROJECT SUMMARY

a. Includes construction of approximately 15,500 square feet.
b. Holdrooms and gates capable of accommodating domestic departures and arrivals and arrivals from international precleared markets.
c. Provides a backbone for common use terminal equipment (CUTE) in ticketing and holdroom areas, FF&E, holdroom gate equipment and boarding elements, unless an airline chooses to install their branded FF&E / equipment such as branded holdroom FF&E, backwall graphics, holdroom gate equipment and boarding elements.
d. A common-use data/voice backbone is to be installed throughout the program elements to support data and voice services. End use devices such as computers, printers, gate readers, voice sets, etc. will be provided at common use counters and gates. The common use backbone will be capable of interfacing with hub airlines standard millwork at all preferential gates. If the common use backbone is not capable of connecting, use of individual airline specific data feeds shall be permitted.
e. Provide all FF&E in all public spaces.
f. Passenger amenities, such as restrooms, and concessions shell space and airline lounge shell space are to be provided. Provide convenience power for holdroom seating, public Wi-Fi networks, and passenger charging stations with subsequent support facilities.
g. Provide the shell space, utilities and aircraft support elements such as; aircraft ground power (AC and/or DC), PCA, potable water cabinets with drains, docking systems, digital gate signs, late gate bag vertical conveyor (dumbwaiter) and passenger loading bridges unless an airline chooses to provide their own equipment, in which case the project budget shall be reduced.
h. Provide dedicated building service functions, including loading docks, goods delivery, waste removal, service elevators, etc. both landside and airside
i. Signage including dynamic and static way-finding and individual gate signage
j. Parking locations and areas for recharging stations for electric GSE equipment

k. Exclusive use spaces such as airline/tenant support spaces (employee break and locker rooms, operational management offices, and restrooms, concessions and airline clubs will have the shell provided (outer walls only), and the interior finishes provided by the airline/tenant.
l. Develop shell space for exclusive use. For shell space with airline or tenant lease commitment, utilities necessary for proposed fit out will be brought to the space for tenant extension and fit out. All utility extensions and fit out are subject to CDA standards. Unassigned shell space will have basic utilities brought to the space for future extension and fit out. Any costs for additional utilities will be the responsibility of the future tenant.
m. Provide FIDS and BIDS
n. Expansion materials, design and image to match existing Stinger base building.

Building MEP

a. Includes provision of new utilities inside the building.

Apron - Civil

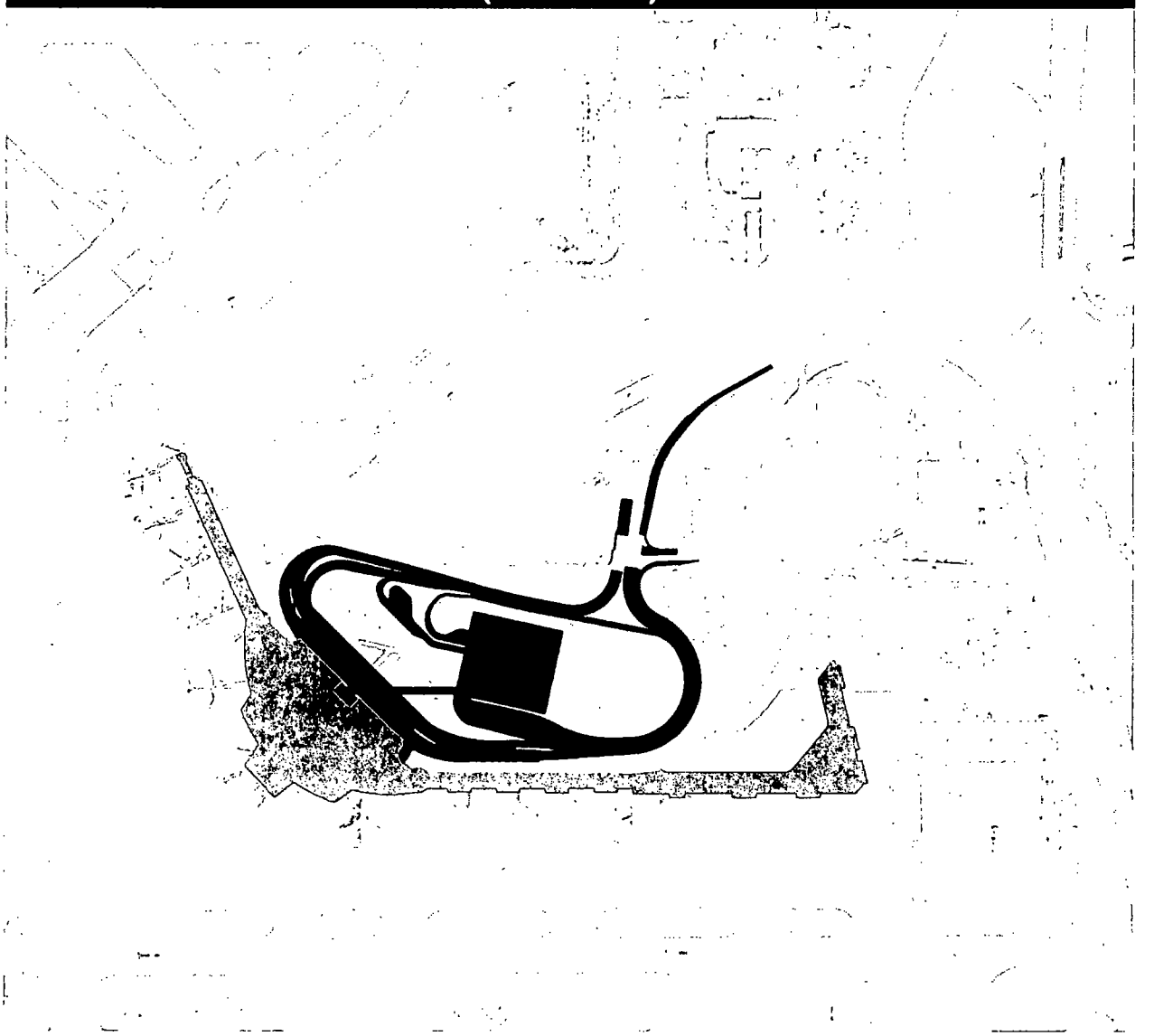
a. Airside work shall include: apron and taxilane pavement, hydrant fueling, storm water and glycol collection, apron striping and airfield signage.
b. Includes demolition (potentially) but not relocation of Building #464 (AT&T Telecommunications Building), Building #466 (AT&T Garage) and Building #451 (City Substation)

POTENTIAL AIRLINE FUNDED ELEMENTS (NOT INCLUDED IN PROJECT COSTS AND NOT SUBJECT TO MII)

a. Preferentially leased counters and gates will utilize the common use backbone but will be equipped by the airlines.
b. Exclusive use spaces such as airline/tenant support spaces, concessions and airline clubs will have the shell provided, and the interior finishes provided by the airline/tenant.

5. PROJECT NAME: Terminal 5 Landside and Parking Improvements

Terminal 5 Landside and Parking Improvements (Phase1)



Note: Building dimensions and shape are for planning purposes only. Final shapes and dimensions will be determined during design.

PROJECT NAME: Terminal 5 Landside and Parking Improvements

PROJECT OVERVIEW: Development of initial phase of parking structure and surface lot near Terminal 5 with approximately 2,600 total parking spaces. Roadway improvements include the widening of the inbound terminal roadway from two to three lanes immediately south of the Terminal 5 roadway/Balmoral at-grade intersection; widening of the inbound terminal roadway from three to four lanes north of the future parking structure; and reconfiguration of current loop ramp from I-190 to 50-feet west of Bessie Coleman Drive.

TOTAL ESTIMATED CONSTRUCTION COST: $137,412,000

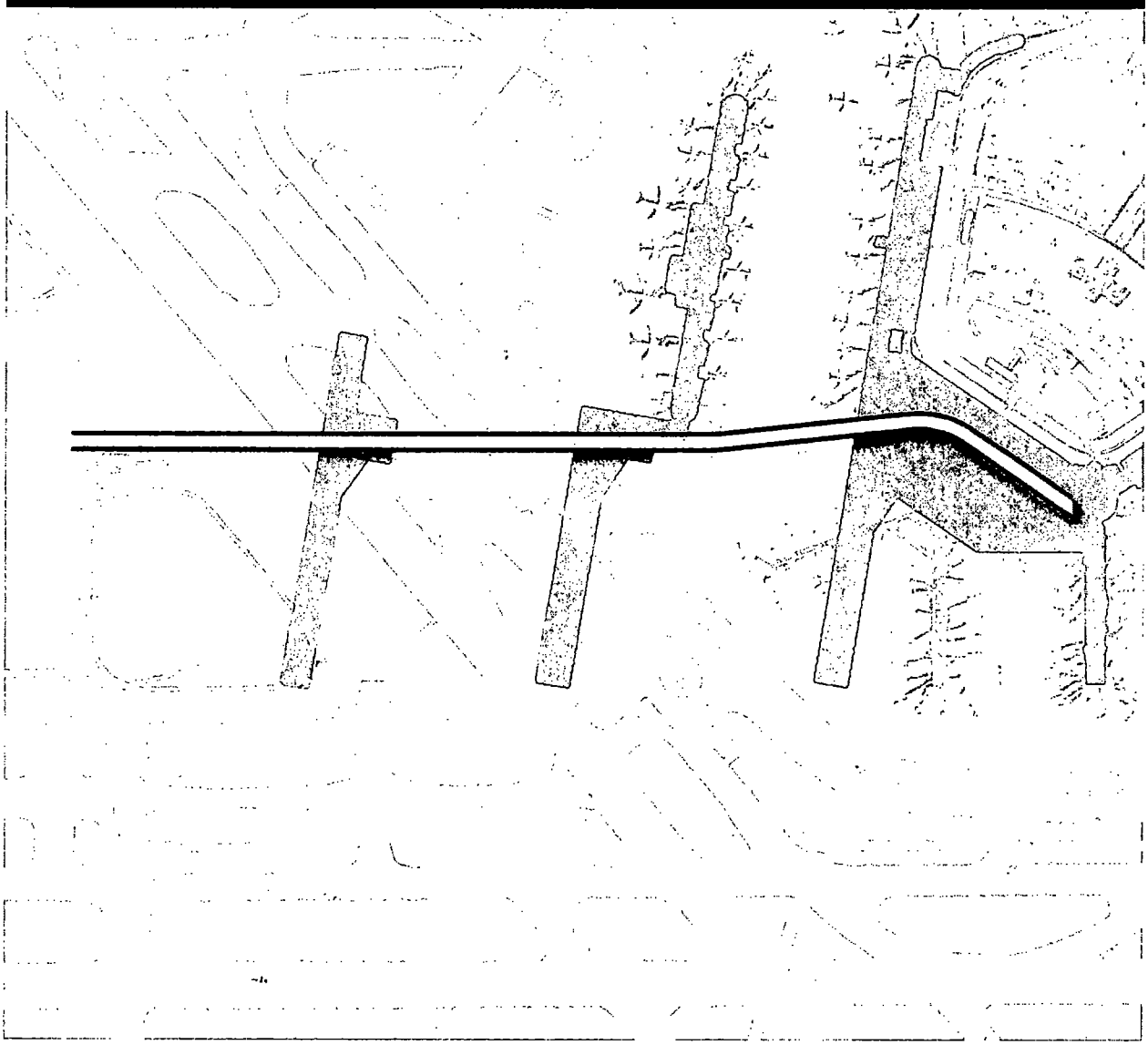
CHANGES IN PROJECT SCOPE REQUIRING MII REVIEW: (1) Change in roadway improvements forecast to cause Level of Service D or less, or (2) Elimination of more than 260 parking spaces.

PROJECT SUMMARY

a. Parking garage accommodating hourly (meeter/greeter) and daily (overnight) parking
b. Multi-level parking garage and adjacent surface parking lot with approximately 2,600 total parking spaces (approximately 9-foot by 18-foot spaces)
c. Includes parking structure revenue control, and parking guidance system, as well as other amenities and systems
d. New conditioned pedestrian bridge connection between parking garage and terminal building
e. Upper level curbside and roadway expansion
f. Roadway improvements sized to accommodate curbside and parking facility and provide separate service access for a future hotel
g. Includes demolition of parts of the existing T5 roadways, T5 Surface Parking, demolition of former Delta cargo building and surface lot, relocation of T5 Pumping Station, and relocation of building #407 Pumphouse Terminal 5
h. Includes provision of new utilities serving this area
i. Vertical transportation core to all levels and with adjacent floor to floor convenience stair
j. Static wayfinding for both vehicle and pedestrian movements – (possible dynamic signage and system to guide vehicles to available vacant parking space at each floor)
k. Garage maintenance and garage waste handling facility
l. Includes related modifications to existing utilities and provision of new related utilities.
m. Structure will be designed allowing future horizontal/vertical expansion without adversely impacting parking operations

6. PROJECT NAME: Consolidated APM, Pedestrian, and Utility Tunnel (Phase 1 Segments)

Consolidated APM Pedestrian, and Utility Tunnel



Note: Dimensions and shape are for planning purposes only. Final shapes and dimensions will be determined during design.

PROJECT NAME: Consolidated APM, Pedestrian, and Utility Tunnel (Phase 1 Segments)

PROJECT OVERVIEW: Tunnel system from the east end of Terminal 2, through Satellite Concourse 1 and Satellite Concourse 2, to a point beyond the relocated Taxiways A & B for the purpose of conveying passengers (sterile and non-sterile), baggage, utilities and bag carts/GSE between the OGT and the satellite concourses. The tunnel provides sufficient width to enable the future installation of an APM.

TOTAL ESTIMATED CONSTRUCTION COST: $353,220,000

CHANGES IN PROJECT SCOPE REQUIRING MII REVIEW: (1) Change in tunnel origin or destination, or (2) Elimination of APM right-of-way or sterile corridor for international passengers from the tunnel capability, or (3) Reduction in the baggage tug / system tunnel with an approximately clear volume 26' wide by 16' high for the tug cart drive, or (4) Reduction of the Baggage conveyor tunnel between OGC and Satellite 1 with an approximately clear volume 21' wide by 16' high for conveyor lines, or (5) Elimination of moving walkways in the passenger corridors between the OGT, S1, and S2.

PROJECT SUMMARY

a. Tunnels under the OGT and satellite concourses containing the shells for future APM stations are to be constructed as basements for these structures. Alignment, tunnel compartment partitions, sections, and general section dimensions are to be consistent in each tunnel segment between structures. Tunnels will be constructed in a phased manner.
b. The tunnel section includes separate compartments for:
    I. Two future APM guideways with emergency exit walkways, controls and propulsion power rights-of-way and required APM control rooms and other facilities. The approximate area is 196,400 square feet.
    II. Secure passenger corridor that directly connects to each APM station with minimal level change. All APM stations must have secure passenger walkways for daily use by passengers who prefer to walk and serve as back-up if the APM is out of service. Dual directional moving walks are to be included in the pedestrian corridors. The area of the corridor is approximately 170,000 square feet.

III. Baggage tug / system tunnel with an approximately clear volume 26' wide by 16' high for the tug cart drive. Included is an overhead space preserved for BHS conveyors or ICS tracks that run from the OGT to western limits. A ramp from this tug drive to apron is required at each satellite and OGT, concourse G and T3. The approximate area is 112,300 sq. ft.
IV. Baggage conveyor tunnel between OGC and Satellite 1 with an approximately clear volume 21' wide by 16' high for conveyor lines. The approximate area is 31,600 sq. ft.
V. International arriving passengers require a sterile separate pedestrian corridor to connect arriving passengers from S-1 to the OGT CBP facility. Moving walkways in single direction. This sterile corridor is approximately 55,300 square feet.
VI. Parallel emergency egress
VII. Dry and wet utility tunnels
VIII. Utility tunnels, pump rooms, and branch tunnel intersections

c. OGT includes basement space of approximately 78,650 square feet to accommodate certain BHS functions (Early Bag Storage (EBS), high speed transport system, sortation matrices, etc.) adjacent to OGT APM station with access to consolidated tunnels and OGT/OGC ramp level BHS sub-systems.
d. The OGT basement includes 17,500 sq. ft. of airline support space adjacent to the EBS and APM station
e. The OGT basement shall include approximately 8,000 sq. ft. of mechanical space
f. A total of approximately 102,400 sq. ft. of tunnels will be located at basement level in the OGT and OGC, as well as both satellite concourses.
g. Provide several vertical circulation access points for passengers, employees, baggage tug tractors and utility/maintenance functions
h. Requires utility relocations of off-site/civil utilities and/or realignments along Consolidated Tunnel alignment
i. Provide FIDS

POTENTIAL AIRLINE FUNDED ELEMENTS (NOT INCLUDED IN PROJECT COSTS AND NOT SUBJECT TO MII)

[None]

7. PROJECT NAME: Baggage Handling System (BHS) Equipment

PROJECT OVERVIEW: Baggage Handling System (BHS) equipment and related infrastructure (other than shell space build-out) to be installed for use by hub airlines within O'Hare Global Terminal (OGT), O'Hare Global Concourse (OGC), Satellite 1 (S-1) Concourse, Satellite 2 (S-2) and in the basement adjacent to the consolidated tunnel; as well as Terminal 5 for use by airlines in operation at Terminal 5.

TOTAL ESTIMATED CONSTRUCTION COST: $690,578,000 (Excluding build-out of shell space)

CHANGES IN PROJECT SCOPE REQUIRING MII REVIEW: Any reduction in scope related to the hub airline or T5 BHS

PROJECT SUMMARY

a. BHS for Hub Airlines
   i. Provide shell building space in OGT, OGC and S-1 for outbound BHS. One hub carrier outbound sortation system and bagroom is to be provided primarily in the apron level of the OGC. The other hub carrier outbound OGT is to be provided in the apron level of S-1 and in the location of the existing bag room between Concourses B and C subject to hub airline requirements. The cost of shell building space to accommodate BHS is accounted for in other projects described herein.
   ii. The OGT is to house two separate CBIS areas – 1 for each hub carrier. Each CBIS system is to meet non-redundant and redundant EDS requirements per PGDS-V5 (or current version/revision). Systems are to be interconnected for added redundancy. These systems will be fed from OGT and existing T-1 and T-3 ATO, outbound systems. The existing CBIS area located in the current United Bag Room shall be decommissioned and removed.
   iii. Originating and transfer conveyance, subject to hub airline requirements, from existing HUB carrier terminal and concourses are to be provided to the new sortation systems in either the OGC or S-1.
   iv. The consolidated tunnel section is to provide a right-of-way for GSE and future high-speed BHS technology from the OGT sortation areas to each satellite concourse.
   v. Include right of way for baggage conveyors between the existing bag room, proposed CBIS, Concourse C to S-1, and proposed bag room locations.
   vi. Satellite concourses will include provisions for ICS BHS interface for future outbound and transfer inputs.
   vii. Individual early bag storage systems (EBS) are to be provided for each hub carrier, subject to hub airline requirements.

viii. The BHS systems shall be interconnected at the EBS or other central location to provide the ability to transport interline baggage automatically to down line carrier.

ix. BHS right-of-way and clearance requirements are to take dimensional priority over building utilities, vertical circulation cores, mechanical/electrical room placements or escalator/elevator pits and other building elements. Critical airline support spaces are to be carefully integrated with the BHS plan.

x. An underground tug road is provided in the consolidated tunnel with direct access from "Tug Alley", OGT outbound bag room, and all planned satellites to the west.

xi. The number, location and alignment of interconnecting conveyors between each carrier existing systems, transfer input points will be determined during system design and approved by each carrier. Operational efficiency and system maintenance are critical requirements.

xii. Sloped pallet international claim devices will be provided, each with redundant feed conveyors

xiii. A minimum of four domestic/pre-clear claim devices will be provided

xiv. Basement areas to be provided if determined to be required by the airlines for elements of the BHS, including Early Bag Storage (EBS) to 20' minimum clearance from finished floor to bottom of any structural member to allow for BHS clearances, space for a future ICS, or other elements of the BHS. System shall be designed to be optimized for baggage retrieval times, efficient crane usage/bag throughput, and a minimized overall footprint of the system.

xv. In OGT, BHS right-of-way for originating and transfer conveyor connected from/to Terminals 1 and 3

xvi. In Terminal 1/OGT/Concourse C, the United Airlines existing bag room shall be integrated into the new BHS equipment and right of ways.

xvii. Bag make-up room ceiling heights should be designed to 16' minimum clearance from finished floor to bottom of any structural member to allow for BHS clearances.

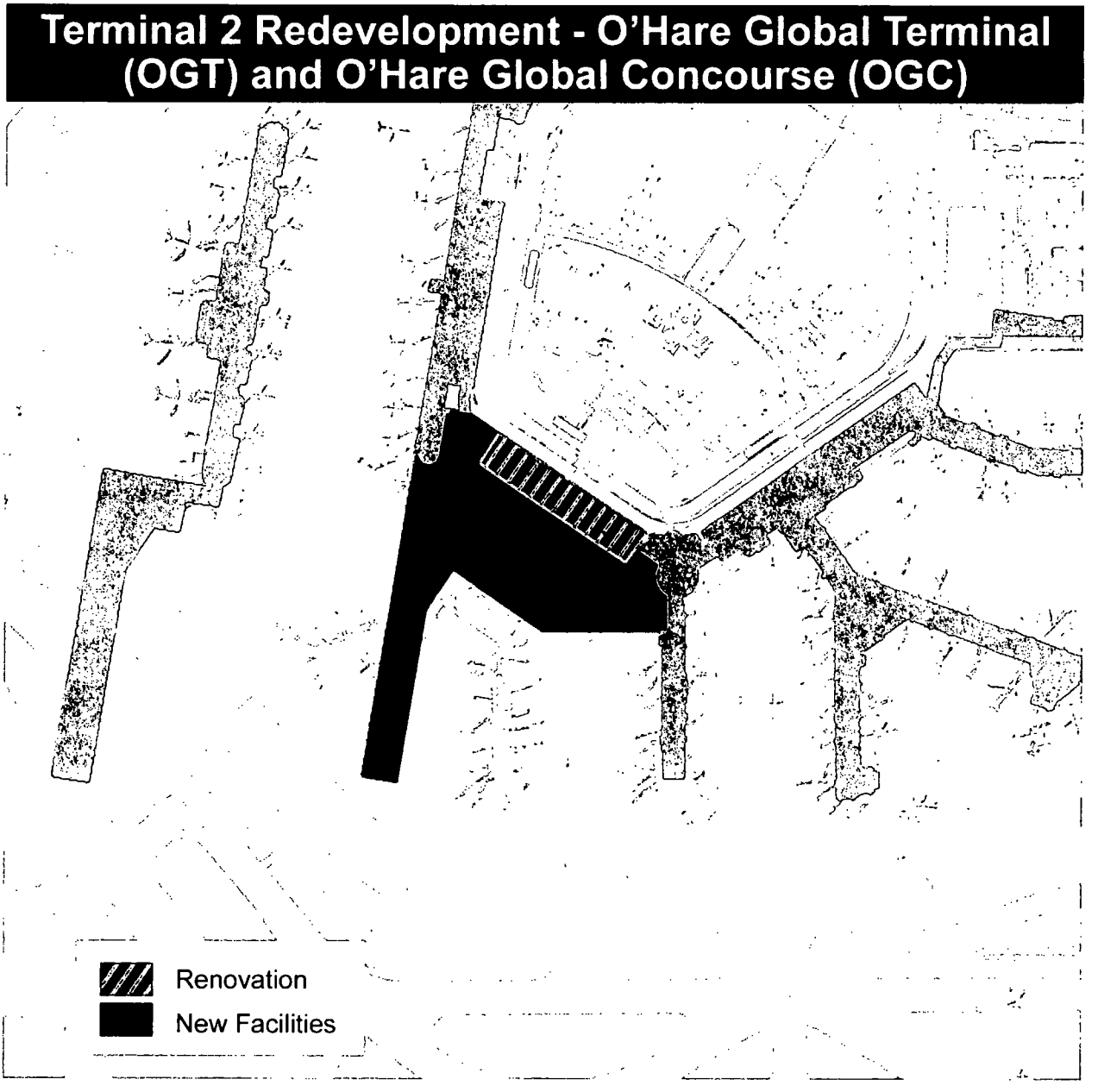
xviii. The program includes all BHS equipment such as transport, conveyance, screening, processing, and transfer equipment.

xix. Refurbishment of the existing T1 bag room including the relocation of the existing CBIS to the new OGT, replacement of the sort piers with new flat plate make-up devices, and connections from T1 to OGT, Concourse C, and S1 through conveyance systems shown in the illustration shown herein.

b. BHS for Terminal 5 Airlines
   i. Replacement of entire outbound baggage handling system, including conveyance between check-in, TSA screening, and outbound bagroom.
   ii. Existing conveyor demolition
   iii. New standard belt conveyors
   iv. New ICS conveyor or conventional conveyor, as recommended by independent third-party review
   v. New makeup devices
   vi. New CBIS, consolidating TSA's operation in a single system with 6 CTX 9800 DSI machines with space reserved for an additional 2 machines
   vii. Early bag storage system to be provided, sizing subject to airline requirements
   viii. Facility modifications to accommodate new system, including creation of conveyance rights-of-way and utility work

POTENTIAL AIRLINE FUNDED ELEMENTS (NOT INCLUDED IN PROJECT COSTS AND NOT SUBJECT TO MII): [None]

8. **PROJECT NAME: Terminal 2 Redevelopment - O'Hare Global Terminal (OGT) and O'Hare Global Concourse (OGC)**



Note: Building dimensions and shape are for planning purposes only. Final shapes and dimensions will be determined during design.

PROJECT NAME: Terminal 2 Redevelopment - O'Hare Global Terminal (OGT) and O'Hare Global Concourse (OGC)

PROJECT OVERVIEW: The new OGT and OGC will provide approximately 2,901 feet of Linear Frontage with Gate Space being designed for a Multiple Aircraft Ramp System (MARS) configuration to allow flexible use of Gate Space between regional jets, narrow body and wide body aircraft (as deemed appropriate) to serve international and domestic operations, as well as a Customs & Border Protection (CBP) arrival hall with sufficient capacity to serve a peak-hour passenger rate of 3,500 per hour.

TOTAL ESTIMATED CONSTRUCTION COST: $1,581,724,000

CHANGES IN PROJECT SCOPE REQUIRING MII REVIEW: (1) Any reduction in concourse width from 150', or (2) Any change that reduces Linear Frontage from 2,901', or (3) Any modification that eliminates the use of Multiple Aircraft Ramp Stand (MARS) gates, or (4) The addition of more than 1 ADG VI Gate position, or (5) Gate Space is not capable of serving international operations, or (6) Expanding the APM station to more than 5 total cars.

PROJECT SUMMARY

O'Hare Global Terminal (OGT)

a. Includes redevelopment of existing Terminal 2 with a new multi-level facility expansion comprised of/totaling approximately 1,875,700 sq. ft. (+/-), including a new Terminal 2 Concourse, which extends the alignment of existing Concourse B
b. Approximately 1,875,700 new sq. ft., of total building space to be constructed in phases
c. The number of gates is dependent upon the gated aircraft mix.
d. Apron level approximately 800,500 sq. ft., of support space area based on airlines requirements including outbound bag room.
e. Departures level approximately 806,300 sq. ft., containing holdrooms, concessions shell space, restrooms, shell airline space and secure circulation
f. Mezzanine level (level 3) approximately 268,900 sq. ft., containing sterile vertical circulation from each aircraft gate position to a sterile corridor system with an "effective" width of 20' for international arriving flights, restrooms, Automated Passport Control (APC) kiosks, an airline business class lounge accessible from the departures level and, CBP support space.
g. Designed to serve domestic flights and international arrival flights from origins without CBP Pre-clearance, as well as departures and arrivals from domestic and international Pre-cleared markets.

h. All new OGT/OGC gates and concourse holdrooms shall be capable of handling independent domestic and international departures/arrivals from origins with and without CBP preclearance.
i. New functional areas for ticketing, bag check, security checkpoint(s), check-in, domestic and international baggage handling and screening system, domestic and international bag claim, APM Station, international passenger processing and Customs & Border Patrol (CBP) facilities, international bag check/re-check, sterile and secure corridors, airline and tenant shell support space, concessions, meeter/greeter area and vertical core to ATS, and airline passenger clubs/lounges.
j. Secure and Sterile Bus-Station Facility including vertical circulation
k. Mechanical/electrical/plumbing utility support space including data fiber backbone, communications rooms, including a branch tunnel from the consolidated tunnel, for distribution of utilities throughout the OGT.
l. Provide a backbone for common use terminal equipment (CUTE) in ticketing and holdroom areas, FF&E, holdroom gate equipment and boarding elements, unless an airline chooses to install their branded FF&E / equipment such as branded holdroom FF&E, backwall graphics, holdroom gate equipment and boarding elements.
m. A common-use data/voice backbone is to be installed throughout the program elements to support data and voice services, including functions to support ground control, customer processing, and potentially a virtual ramp tower. End use devices such as computers, printers, gate readers, voice sets, etc. will be provided at common use counters and gates. The common use backbone will be capable of interfacing with hub airlines standard millwork at all preferential gates. If the common use backbone is not capable of connecting, use of individual airline specific data feeds shall be permitted.
n. Provide all FF&E in CBP and all public spaces.
o. Passenger amenities, such as restrooms, and concessions shell space and airline lounge shell space are to be provided. Provide convenience power for holdroom seating, public Wi-Fi networks, and passenger charging stations with subsequent support facilities.
p. Provide dedicated building service functions, including loading docks, goods delivery, waste removal, service elevators, etc. both landside and airside. Provide external guesthouses as required by the airlines.
q. Signage including dynamic and static way-finding and individual gate signage
r. Parking locations and areas for recharging stations for electric GSE equipment
s. Exclusive use spaces such as airline/tenant support spaces (break and locker rooms, operational management offices, and restrooms), concessions and airline clubs will have the shell provided (outer walls only), and the interior finishes provided by the airline/tenant.

t. Develop shell space for exclusive use. For shell space with airline or tenant lease commitment, utilities necessary for proposed fit out will be brought to the space for tenant extension and fit out. All utility extensions and fit out are subject to CDA standards. Unassigned shell space will have basic utilities brought to the space for future extension and fit out. Any costs for additional utilities will be the responsibility of the future tenant.
u. Third level shell space for airline clubs and support space based on airline requirement and CBP support space, including both passenger and service elevators and the sterile corridor system for international arrivals.
v. Provide FIDS and BIDS
w. Demolition of Concourses E and F
x. Includes Airport Transit System (ATS) station platform widening and vertical circulation improvements.
y. The west side of the OGT facility shall provide an efficient (same level) interface to existing Concourse B for passenger connectivity and accommodate use/relocation of loading/shipping docks and all existing baggage processing within the area.
z. The design of the east end will provide an efficient interface with the north end of existing Concourse G for passenger circulation and accommodate the required originating/transfer baggage conveyors from Terminal 3 and Concourses G/H/K/L. New construction to be fully integrated with a heavily renovated Terminal 2 and provide for landside and airside interface (same level) with Terminals 1 and 3, and "G" Rotunda for passenger connectivity
aa. TSA Unified Command Center
bb. Government Protocol Center (Diplomat Receiving Area)

APM Station

a. The shell for the underground APM station will be constructed as part of the OGT structure. The footprint will provide for vertical transportation to underground APM Station potentially supporting a 5-car train (with potential flexibility for a 6-car train expansion), centered on existing T-2 for equal walking distances to T-1 and T-3. Natural daylight into the APM station platform is highly desirable.
b. APM guideway shall be extended to northwest from OGT station and connect to the Consolidated Tunnels and to the southeast to limit line of construction for future extension to existing Terminal 3.
c. APM station is underground, footprint is maintained upwards throughout the building for vertical circulation, approximately 52' wide and 395' in length

d. Provide new basement level for future APM system guideway including cross-overs, train control and propulsion power facilities.
e. No equipment or supporting utilities shall be installed prior to the approval of the actual train construction.

CBP

a. Customs & Border Protection (CBP) arrival hall will serve a peak-hour rate of approximately 3,500 passengers; flexible to CBP "Bags First" (pending future CBP guidelines).
b. CBP will primarily be located on the departure level with the Automated Passport Control functions on a third level.
c. The International Bag Claim is to allow for segregation of precleared arrivals.

O'Hare Global Concourse (OGC)

a. The new OGC concourse is to be 150' +/- wide
b. Provide for a maximum of one (1) Airport Design Group VI gate
c. Mechanical/electrical/plumbing utility support space including data fiber backbone, communications rooms, including a branch tunnel from the consolidated tunnel, for distribution of utilities throughout the OGC.
d. Provide for either a ramp control tower or virtual tower, pending assessment of technical and cost considerations (to be considered relative to similar facilities in S1 and/or S2).
e. Provide a backbone for common use terminal equipment (CUTE) in ticketing and holdroom areas, FF&E, holdroom gate equipment and boarding elements, unless an airline chooses to install their branded FF&E / equipment such as branded holdroom FF&E, backwall graphics, holdroom gate equipment and boarding elements.
f. A common-use data/voice backbone is to be installed throughout the program elements to support data and voice services, including functions to support ground control, customer processing, and potentially a virtual ramp tower. End use devices such as computers, printers, gate readers, voice sets, etc. will be provided at common use counters and gates. The common use backbone will be capable of interfacing with hub airlines standard millwork at all preferential gates. If the common use backbone is not capable of connecting, use of individual airline specific data feeds shall be permitted.
g. Provide all FF&E in CBP and all public spaces.
h. Passenger amenities, such as restrooms, concessions shell space and airline lounge shell space are to be provided. Provide convenience power for holdroom seating, public Wi-Fi networks, and passenger charging stations with subsequent support facilities.

i. Provide the shell space, utilities and aircraft support elements such as; aircraft ground power (AC and/or DC), PCA, potable water cabinets with drains, docking systems, digital gate signs, late gate bag vertical conveyor (dumbwaiter) and passenger loading bridges unless an airline chooses to provide their own equipment, in which case the project budget shall be reduced.
j. Provide dedicated building service functions, including loading docks, goods delivery, waste removal, service elevators, etc. both landside and airside
k. Signage including dynamic and static way-finding and individual gate signage
l. Parking locations and areas for recharging stations for electric GSE equipment.
m. Exclusive use spaces such as airline/tenant support spaces, concessions and airline clubs will have the shell provided, and the interior finishes provided by the airline/tenant.
n. Develop shell space for exclusive use. For shell space with airline or tenant lease commitment, utilities necessary for proposed fit out will be brought to the space for tenant extension and fit out. All utility extensions and fit out are subject to CDA standards. Unassigned shell space will have basic utilities brought to the space for future extension and fit out. Any costs for additional utilities will be the responsibility of the future tenant.
o. Provide FIDS and BIDS

Sterile Arrivals Corridor and Cores

a. A sterile arrivals corridor connecting all international arrival gates to the CBP
b. Arriving international passengers ascend vertical cores associated with gate door at the face of the concourse to a Third-Level sterile corridor network with an "effective" width of 20' that lead to escalators that descend to the OGT CBP arrivals hall for international arriving passengers, restrooms, Automated Passport Control (APC) kiosks and an airline business class lounge. Design may consider an arrivals corridor with a single side collection corridor with crossing corridors to vertical cores on opposite side of concourse.
c. To optimize gating flexibility for both international and domestic operations, vertical cores serving international arriving flights are to be located at the concourse perimeter within the concourse envelope. These cores are to facilitate arriving passenger flow to the sterile arrivals corridor. Each gate core is to be equipped with two (2) loading bridges to serve two (2) aircraft simultaneously and be equipped to allow arrivals and departures from both gates. All gates connected to the international arrivals corridor should be made independent for both arrival and departure.
d. Ability to accommodate the implementation of BIWIS

Building MEP

a. While a study is needed to confirm; it's currently anticipated that the building HVAC delivery systems would be located on Third-Level and supplied by the existing H&R Plant. Major MEP systems cannot be located on levels where future expansion of BHS, CBP, holdrooms or other operational spaces are required.
b. Includes all related modifications to existing utilities and provision of new utilities serving this facility. Includes upgrades to the existing central utility plant necessary to support the new terminal/concourse facility.

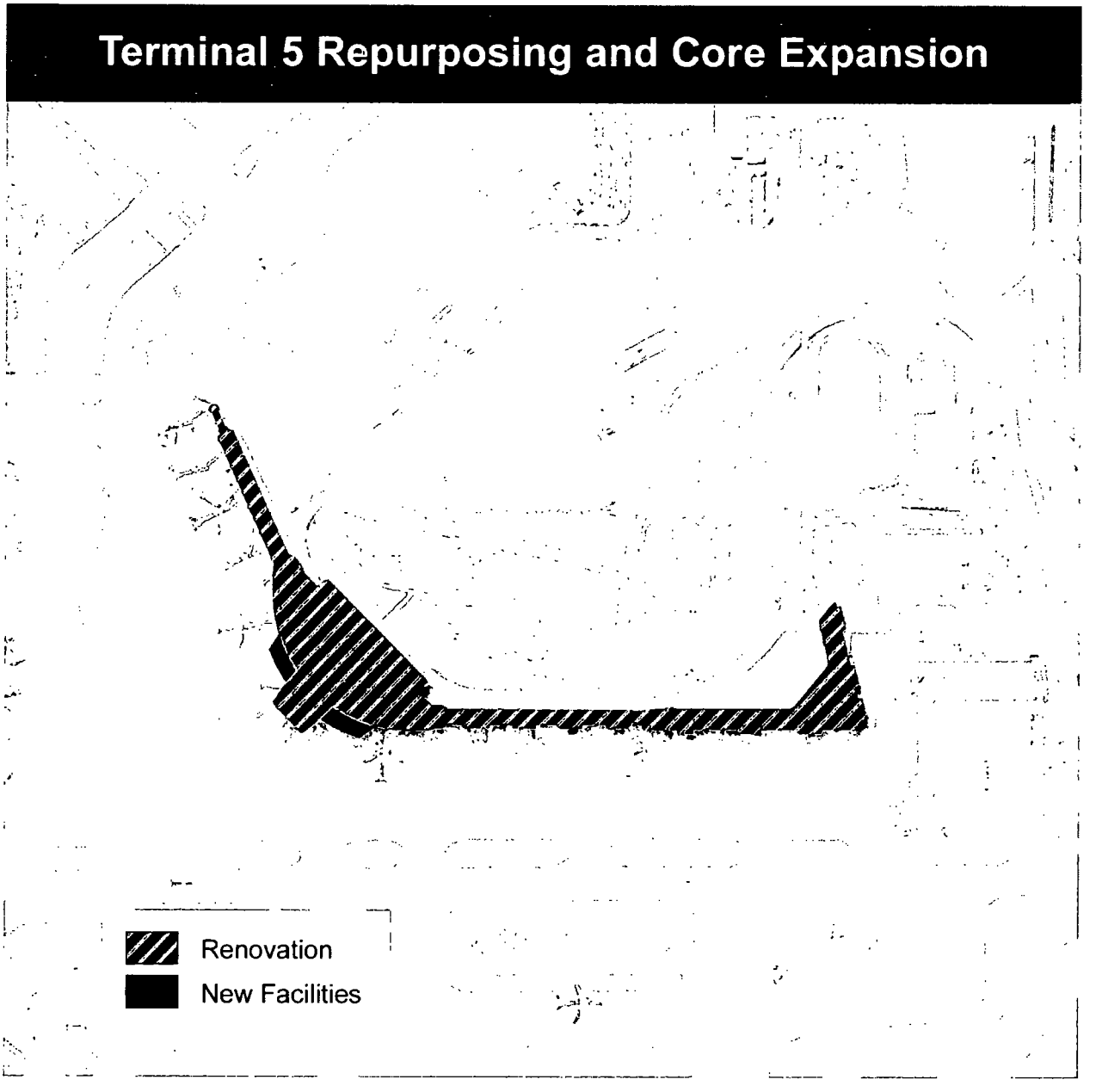
Apron - Civil

a. Airside work shall include new and transitional apron and taxilane pavement, demolition of pavement as needed, primary electrical distribution, storm water and sanitary sewer, potable water for domestic and fire protection systems, hydrant fueling, storm water and glycol collection, apron striping, in-ramp lighting systems, and airfield signage.
b. Design shall include head of stand service road. Utility work will be from the termination of the utility main construction (included in the TAP Phase 1 Utilities project) to the exterior face of the structure
c. Includes safety management system coordination and plan alterations to accommodate construction sequencing near active taxiways, taxilanes, and aprons.
d. RON areas as required to transition new apron and taxilane pavement with existing

POTENTIAL AIRLINE FUNDED ELEMENTS (NOT INCLUDED IN PROJECT COSTS AND NOT SUBJECT TO MII)

a. Preferentially leased counters and gates will utilize the common use backbone but will be equipped by the airlines.
b. Exclusive use spaces such as airline/tenant support spaces, concessions and airline clubs will have the shell provided, and the interior finishes provided by the airline/tenant.

9. PROJECT NAME: Terminal 5 Repurposing and Core Expansion



Note: Dimensions and shape are for planning purposes only. Final shapes and dimensions will be determined during design.

PROJECT NAME: Terminal 5 Repurposing and Core Expansion

PROJECT OVERVIEW: Reconfiguration and expansion of Terminal 5 (T5) facilities to accommodate increased domestic and reduced international passengers and flows.

TOTAL ESTIMATED CONSTRUCTION COST: $186,292,000

CHANGES IN PROJECT SCOPE REQUIRING MII REVIEW: Any modification that limits operational efficiency for airlines to be relocated to T5 upon completion of the OGT and OGC.

PROJECT SUMMARY

a. Expansion of building footprint between Gates M7 – M12
b. Enlarged passenger security screening checkpoint
c. Additional baggage claim
d. Airline space projects – Shell and Core Only (ATO, lounge, operations, etc.)
e. Reconfiguration and right-sizing of Terminal 5 FIS facility to match future demand
f. Enlarged passenger security screening checkpoint
g. East concourse widening and/or reconfiguration for two-way flow
h. Refinement to gate configurations, including MARS capability where needed
i. Improvements to domestic baggage claim area to meet demand for additional flight activity and additional pre-cleared international arrivals
j. Provision for flexible use of CBP space to serve swing gate capability for domestic and international CBP accessible flights. Including the redefining sterile CBP space with partitions to use CBP claim units for domestic/precleared arriving flights

POTENTIAL AIRLINE FUNDED ELEMENTS (NOT INCLUDED IN PROJECT COSTS AND NOT SUBJECT TO MII)

a. Preferentially leased counters and gates will utilize the common use backbone, but will be equipped by the airlines.
b. Exclusive use spaces such as airline/tenant support spaces, concessions and airline clubs will have the shell provided, and the interior finishes provided by the airline/tenant.

10. PROJECT NAME: TAP Phase I Utilities Allowance

PROJECT OVERVIEW: Allowance to provide supply capacity and utility mains for TAP Phase 1 facilities

TOTAL ESTIMATED PROJECT COST: $126,000,000

CHANGES IN PROJECT SCOPE REQUIRING MII REVIEW: Any investment for a purpose other than for utilities infrastructure improvement.

PROJECT SUMMARY

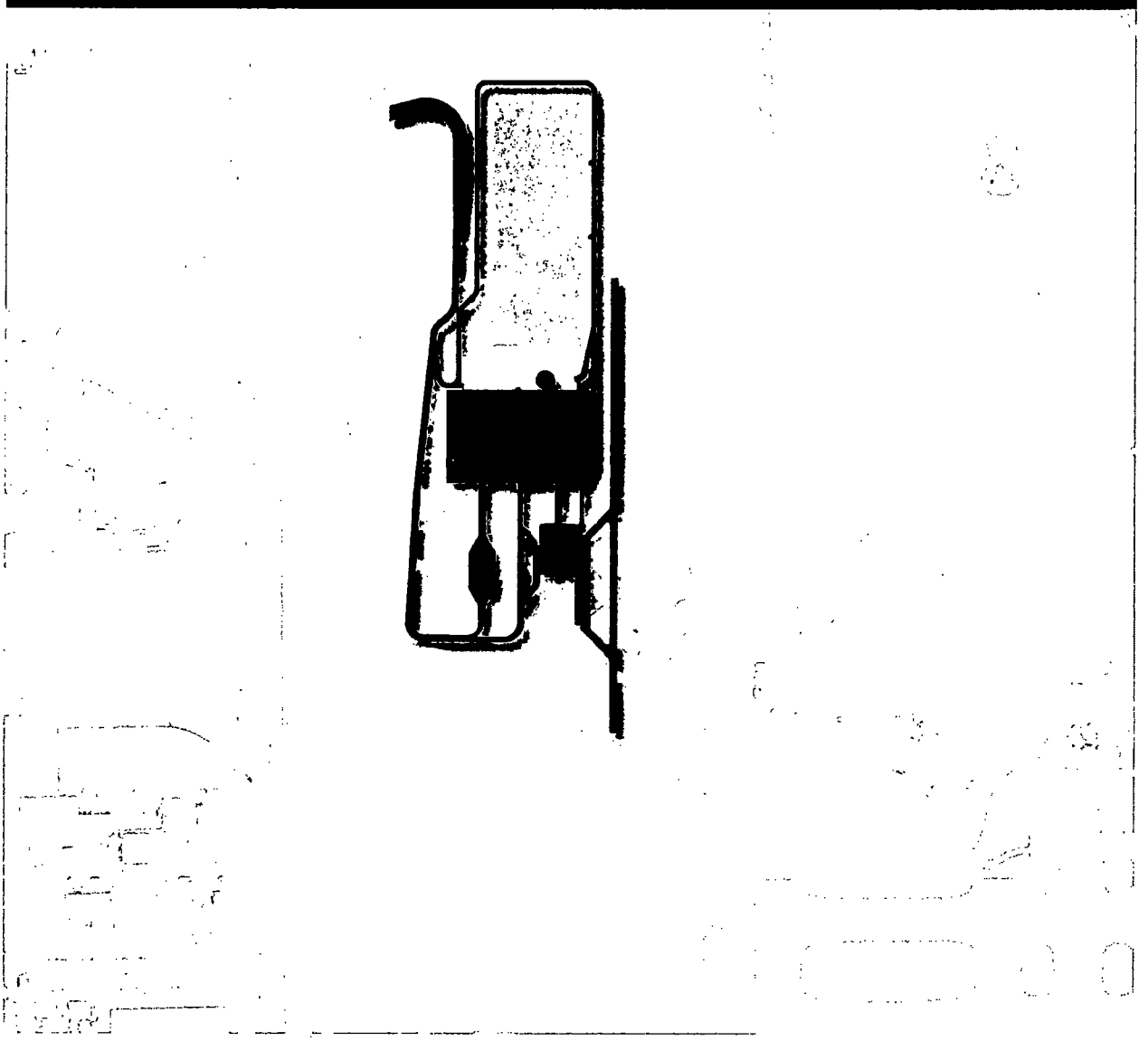
The scope of the TAP Phase 1 Utilities work will cover the costs associated with installing the distribution and collection systems to locations immediately outside S1, S2, and OGT/OGC (typically a point 50-100 foot from the face of buildings). The costs to extend these systems from the termination points to and inside the building are included in the estimates for S1, S2, and OGT/OGC. The aircraft fueling system included in this project will terminate at the tail of aircraft. Remaining expenses for the aircraft fueling system are included in the estimates for S1, S2, and OGT/OGC. For the T5 Parking Garage and Western Parking and Screening Facility, this project includes extension of utilities to points outside the buildings. The costs for distribution of utilities inside these structures are included in the individual projects.

a. Allowance for Power / Electricity Distribution
b. Allowance for Domestic Water Distribution
c. Allowance for Life Safety Systems
d. Allowance for Natural Gas Distribution
e. Allowance for Sanitary Sewer Collection and Conveyance
f. Allowance for Fuel Distribution
g. Allowance for Storm Water Collection and Conveyance Systems
h. Allowance for Communication Systems
i. Utilities for the OGT/OGC and Satellite concourses 1 and 2 facilities are anticipated to being brought in from the existing central H&R plant via the ring tunnel.
j. The remainder of the projects will connect to existing utilities or to new main feeder lines to be provided to the area of the project.
k. Modifications to existing utilities to increase capacity, relocate alignment, abandoning of redundant lines, and connections to new service lines.
l. Temporary utility relocations due to construction activities.
m. Temporary utilities for construction services.
n. All utilities up to the feeder line tie-in point including distribution systems within the project limits are considered part of the respective facility's project scope.

POTENTIAL AIRLINE FUNDED ELEMENTS (NOT INCLUDED IN PROJECT COSTS AND NOT SUBJECT TO MII): [None]

11. PROJECT NAME: Western Parking and Screening Facility Allowance

Western Parking and Screening Facility Allowance



Note: Building dimensions and shape are for planning purposes only. Final shapes and dimensions will be determined during design.

PROJECT NAME: Western Parking and Screening Facility Allowance

PROJECT OVERVIEW: Employee parking and security screening facility.

TOTAL ESTIMATED PROJECT COST: $215,000,000

CHANGES IN PROJECT SCOPE REQUIRING MII REVIEW: (1) Any change in facility-function other than employee parking and screening, or (2) Reduction in parking capacity of less than number necessary for all ORD airline employee parking other than employees based in maintenance or cargo areas, (3) Reduction in capacity of employee security pavilion to less than 3,200 employees within 45 minutes, or (4) Reduction in capacity of vehicle plaza to less than 2,900 vehicles within 45 minutes, or (5) Elimination of toll-free access to the facility.

PROJECT SUMMARY

a. May be a combination of structured and surface parking
b. Final number of parking spaces to be confirmed and agreed based on demand study.
c. Parking spaces, all measuring approximately 9-foot by 18-foot, to accommodate employee parking facilities and revenue control/electric vehicle charging stations/other amenities and systems.
d. Roadway projects to tie the multilevel parking structure and curbsides into the Elgin-O'Hare Expressway, future Western Bypass, and York Road at such time these are constructed.
e. Tie in to Hook ramp provided by the Illinois Department of Transportation and the Illinois Tollway Authority, connecting York Rd to and from Western Employee Parking and Screening Facility (accessible from surface roads not connected to the tollway). Access to the facility for Airline employees will not be subject to a toll.
f. Provide a security pavilion for employee processing with sufficient processing capacity to meet airline defined throughput rates
g. Includes provision of new utilities right-of-ways serving this area, including space for potential new utility feeds for the future Satellites.
h. Provide secure bus station with waiting area that is segregated from arriving shift-end employees
i. Provide vehicle plaza with sufficient capacity to meet airline defined processing rates
j. Exit ramp designed to accommodate large volume of vehicles at shift change
k. Static wayfinding for both vehicle and pedestrian movements

l. Plan for interface with future APM and alignment
m. Airside employee bus roadways and bus parking area adjacent to the waiting area and security pavilion
n. Landside bus curbside area for dropoff and pick-up
o. Includes installation of site utilities required to support the new facility
p. The facility will be sized to support target travel times for employee arrival to duty station per worker policy
q. Access into the parking area should be sufficient to support peak shift changes without producing traffic congestion.

POTENTIAL AIRLINE FUNDED ELEMENTS (NOT INCLUDED IN PROJECT COSTS AND NOT SUBJECT TO MII)

[None]

12. PROJECT NAME PROJECT NAME: Concourse L 5-Gate Buy-out

PROJECT OVERVIEW: Buy-out of Concourse L 5-Gate "Stinger" from American Airlines

TOTAL ESTIMATED PROJECT COST: $78,000,000

CHANGES IN PROJECT SCOPE REQUIRING MII REVIEW: Acquisition terms inconsistent with the L Stinger Lease.

PROJECT SUMMARY

a. Buy-out of the Concourse L 5-Gate "Stinger" pursuant to Section 15.19 of the Gate Ground Lease Agreement at Chicago O'Hare International Airport between City of Chicago and American Airlines, Inc. dated March __, 2016, as it may be amended from time to time.

TAP PROGRAM CONTINGENCY AND SOFT COSTS

The TAP Phase 1 Elements project descriptions do not specify an initial allocation of program-wide soft costs, design and construction contingency or the management reserve. The program-wide soft costs for the TAP Phase I Elements are $801,009,000. The program-wide design and construction contingency costs for the TAP Phase 1 Elements are $630,396,000. The total management reserve account costs for the TAP Phase 1 Elements are $90,057,000. Initial allocations will be made based on the type of project and risks and adjustments will be ongoing throughout the program.

Soft Costs: Soft costs include planning & design services; program management services; owner's legal & financial services; permits; testing & inspection services; CM inspections; QA/QC services; owner's insurance program; owner's administrative costs; and commissioning services. During each stage of design, at the time of the project bid and during construction, the City will allocate soft costs to each TAP Phase 1 Element in accordance with its complexity and size.

Design and Construction Contingency: The design and construction contingency consists of both a design contingency and a construction contingency. Design contracts shall include a "Design to Budget" clause that will limit the designer to the construction budget, plus any allocated design contingency, for the project. CMR's will be contractually responsible for providing cost estimates at key design milestones. Scope creep will be mitigated through the development of a clear and comprehensive project definition document for each project, along with the use of periodic value engineering sessions.

Construction contingency will be managed by the PMO rather than the CMR. Issues arising during construction that could affect budget or schedule will be addressed with selective use of resequencing and acceleration. Any proposed descoping for budget purposes will be considered in context of the required project functionality as described in this Exhibit L.

The City will consult with the EWG concerning the allocation of the design and construction contingency during risk workshops, monthly meetings and other scheduled meetings. The City has final approval authority for the allocation design and construction contingency.

Management Reserve: Measured as a percentage of Direct Construction Costs. Management reserve funds will be used only when the remaining design and construction contingencies are projected to be insufficient to complete the TAP Phase 1 elements. Before management reserve funds are committed, the PMO will provide the City with alternatives, justifications and recommendations. If the City agrees with the PMO recommendation, the City will consult with the EWG. After considering input from the EWG, the City will make the final determination on the use of the management reserve.

Guidelines for Contingency Management

The City, through the Program Management Office (PMO) created by the City, will establish a Work Breakdown Structure (WBS) and Cost Breakdown Structure (CBS) for each TAP Phase 1 Element. The CBS will allocate initial design, permitting, third party agreement, construction, commissioning, contingencies and project soft costs which will serve as the baseline for the total Project Costs of each project. Contingency amounts will be re-allocated to individual TAP Phase 1 Elements by the City based on updated risk assessments and project requirements. The City shall consult with the Air Carrier facilities representative when establishing the allocation of contingency funds and subsequent re allocations. The total soft cost, design and construction contingency and management reserve shall not exceed the amounts described in Table 1 of this Exhibit L. Contingency management functions will include the following.

- As estimates are updated during the design phase by the project teams and CMR's, the CBS will be updated with revised Current Working Estimates (CWE). Each revision will include a detailed analysis of the changes to include: scope and budget transfers, allocations of soft costs and contingencies to each TAP Phase 1 Element, reallocations of soft costs and contingencies among TAP Phase 1 Elements, and allocations and re-reallocations of the management reserve.
- Once a project enters the construction phase, the CBS report will be updated monthly with same information as described above.
- The City will provide EWG with a Phase I TAP program monthly cost report that tracks the total current working estimate for all TAP Phase 1 Elements and will also include an overall tabulation of total Project Costs for all TAP Phase 1 Elements relative to the TAP budget. The updated CBS cost reports included in the Phase I TAP program monthly cost report will include Current Working Estimates, commitments, expenditures, estimates to complete, and remaining soft costs and contingency amounts for each project.

- Usage/ replenishment of contingency funds will be tracked by the Program Controls team established by the City and will be categorized into one of the following: design errors and omissions; changing market conditions; infrastructure increases; unforeseen conditions; unanticipated scope required to complete the TAP Phase 1 Elements; additional safety and security requirements; additional regulatory requirements; additional operational/business continuity requirements; scope modifications, and others.
- Cost estimates will be prepared to support the decision-making actions associated with the allocation and reallocation of soft costs, contingencies and the management reserve.

Acronyms

AC	Alternating Current
AMC	Airport Maintenance Complex
AOA	Aircraft Operations Area
APC	Automated Passport Control
APM	Automated People Mover
ATO	Airline Ticket Office
ATS	Airport Transit System
BHS	Baggage Handling System
BIDS	Baggage Information Displays
CBIS	Check Bag Inspection System
CBP	Customs Boarder Protection
CBRA	Check Bag Resolution Area
CCTV	Closed Circuit Television
CDA	Chicago Department of Aviation
CUTE	Common Use Terminal Equipment
DC	Direct Current
EBS	Early Bag Storage
EDS	Electronic Detection System
FAA	Federal Aviation Administration
FF&E	Furniture Fixtures & Equipment
FIDS	Flight Information Displays
GSE	Ground Service Equipment
H&R	Heating and Refrigerant
HVAC	Heating, Ventilation, and Air Conditioning
ICS	Individual Carrier System
MARS	Multiple Aircraft Ramp System
MEP	Mechanical Electrical Plumbing
MII	Majority-In-Interest
MWDA	MWRD Agreement
MWRD	Metropolitan Water Reclamation District
OFA	Object Free Area
OGC	O'Hare Global Concourse
OGT	O'Hare Global Terminal
PCA	Pre-conditioned Air-conditioning
RON	Remain Over Night
ROW	Right-of-Way
RTR	Remote Transmitter / Receiver
SSCP	Security Screening Check Point
TAP	Terminal Area Plan
TSA	Transportation Security Administration
U&LA	Use & Lease Agreement
S-1	Satellite 1
S-2	Satellite 2
T-1	Terminal 1
T-2	Terminal 2
T-3	Terminal 3
T-5	Terminal 5
BIWIS	Baggage Imaging and Weight Identification System

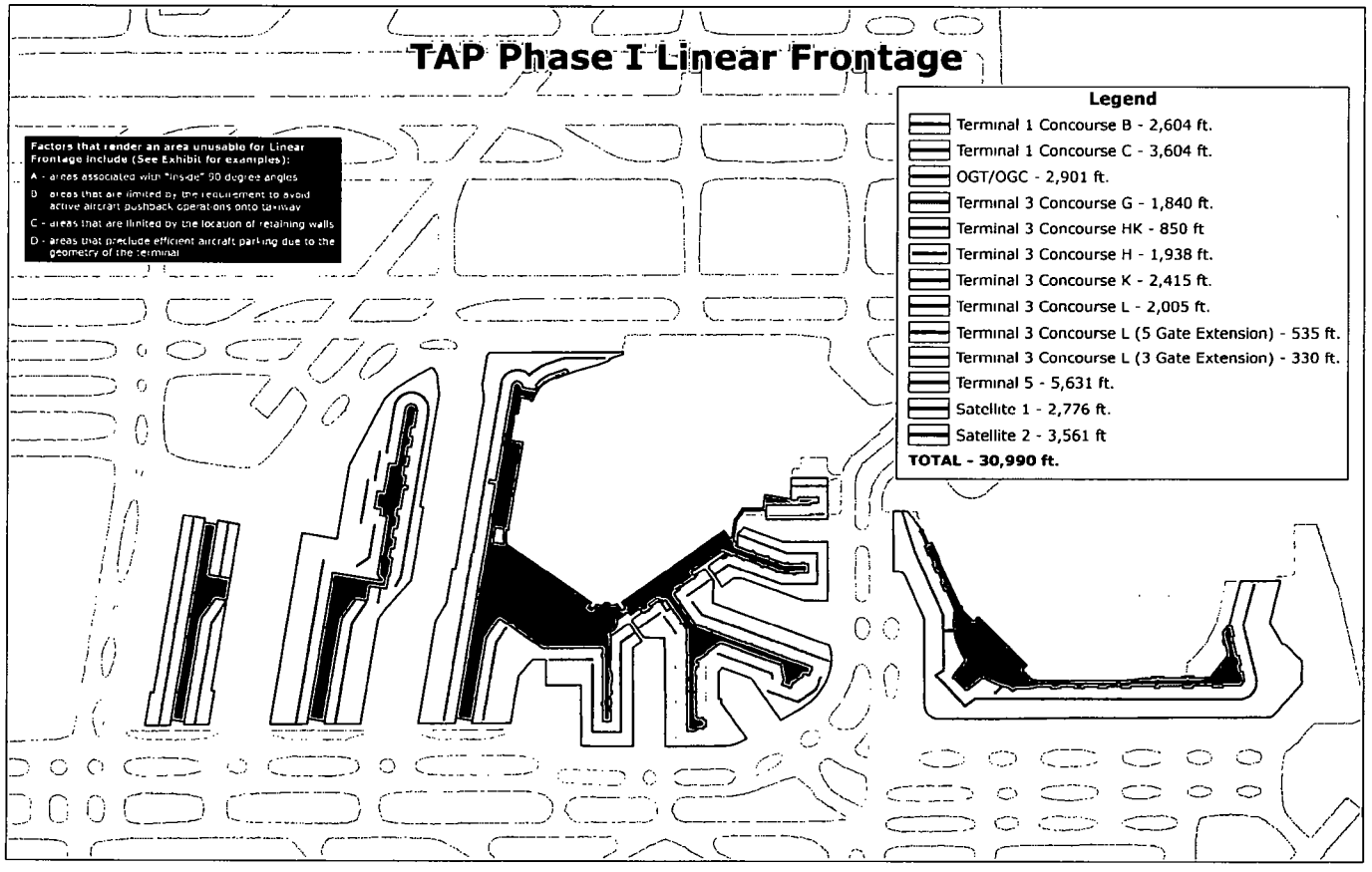

TAP Phase I Linear Frontage
Factors that render an area unusable for Linear Frontage include (See Exhibit for examples):
A - areas associated with "inside" 90 degree angles
B - areas that are limited by the requirement to avoid active aircraft pushback operations onto taxiway
C - areas that are limited by the location of retaining walls
D - areas that preclude efficient aircraft parking due to the geometry of the terminal
Legend
Terminal 1 Concourse B - 2,604 ft.
Terminal 1 Concourse C - 3,604 ft.
OGT/OGC - 2,901 ft.
Terminal 3 Concourse G - 1,840 ft.
Terminal 3 Concourse HK - 850 ft
Terminal 3 Concourse H - 1,938 ft.
Terminal 3 Concourse K - 2,415 ft.
Terminal 3 Concourse L - 2,005 ft.
Terminal 3 Concourse L (5 Gate Extension) - 535 ft.
Terminal 3 Concourse L (3 Gate Extension) - 330 ft.
Terminal 5 - 5,631 ft.
Satellite 1 - 2,776 ft.
Satellite 2 - 3,561 ft
TOTAL - 30,990 ft.

Exhibit M
Additional TAP Elements

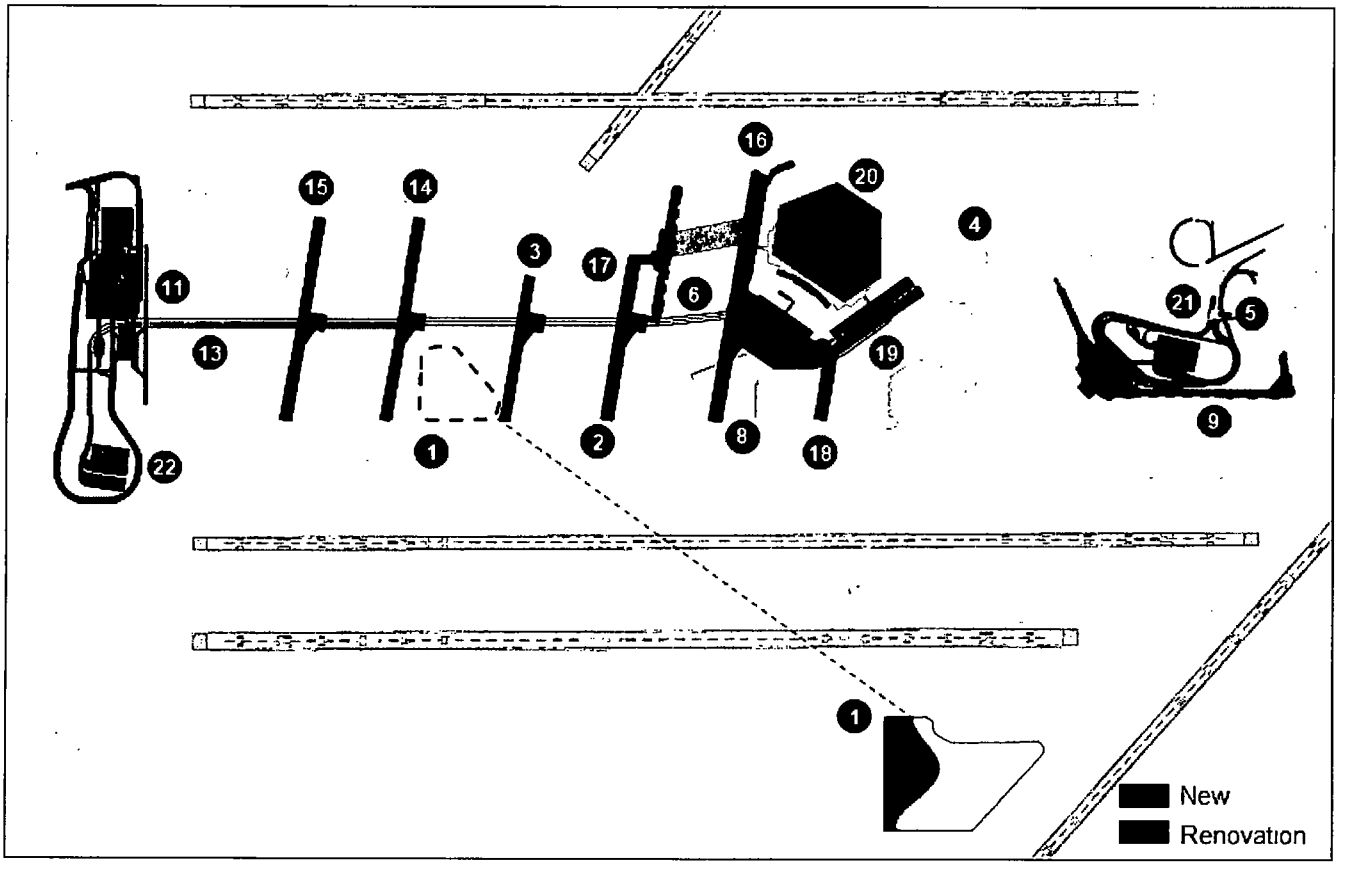
The Additional TAP Elements approved by the Long-Term Signatory Airlines pursuant to Article 10 of the Airline Use and Lease Agreement consist of the following projects:

13. Completion of Consolidated APM and Utility Tunnel and installation of APM
14. Satellite 3 Concourse
15. Satellite 4 Concourse
16. Terminal 1/Concourses B and C Redevelopment
17. Satellite 1 Northern Extension
18. Concourse G Redevelopment
19. Terminal 3 Redevelopment
20. Garage at the Terminal Core
21. Terminal 5 Landside and Parking Improvements (Phase 2)
22. Western Parking and Screening Facility (Phase 2)
23. Baggage Handling System (BHS) Equipment Expansion

This document provides an overview of each Additional TAP Element, as well as a summary of conceptual project details under consideration for each element. The current order of the projects does not indicate the construction sequencing. The order in which the projects shall be completed shall be determined by the Airlines and City after TAP Phase 1 is complete.

Linear Frontages for Additional TAP Elements are listed within each Project Description and are shown graphically on the final page of this Exhibit.

Chicago O'Hare International Airport
Terminal Area Plan (TAP) – Additional Elements

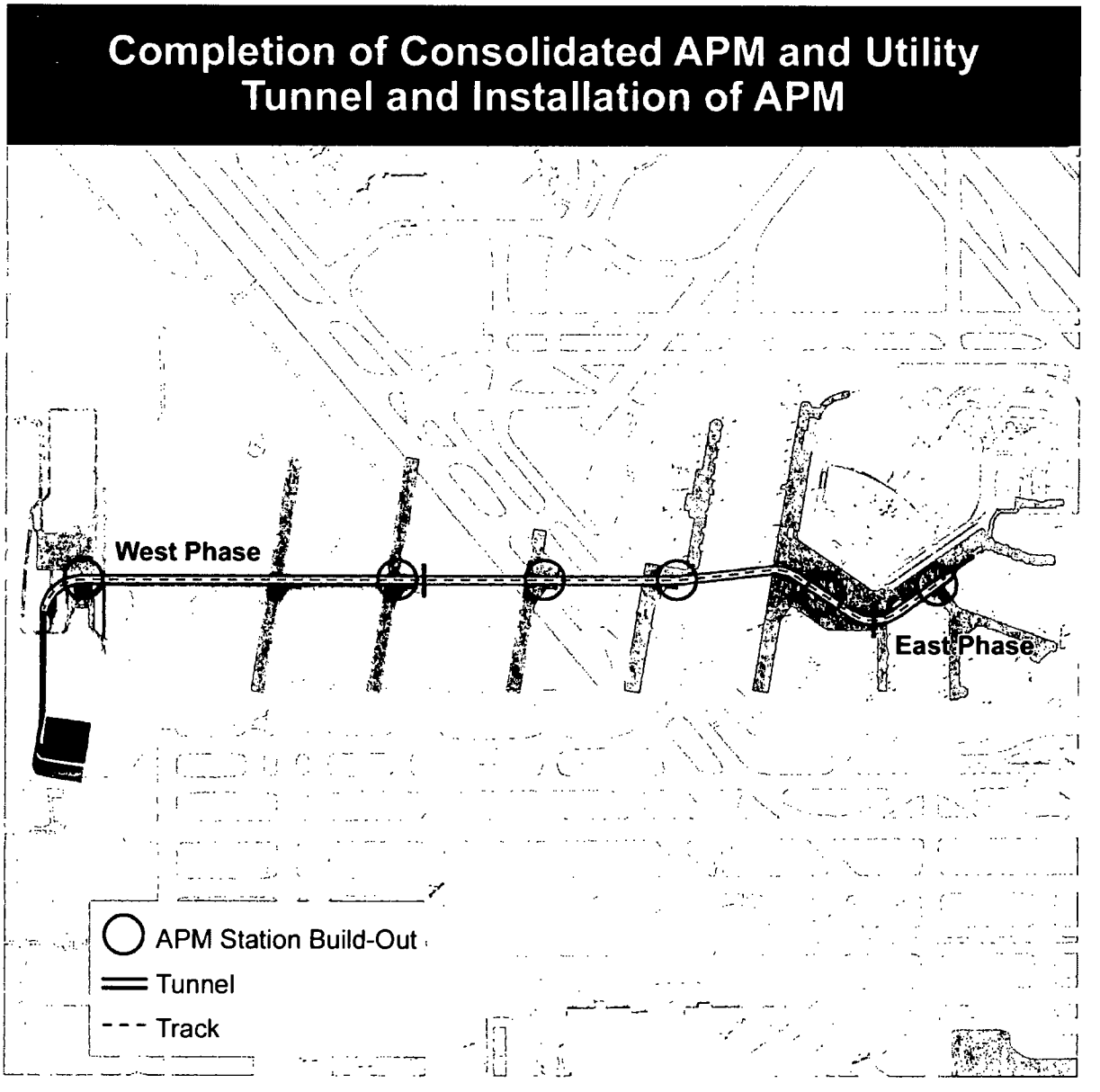


Note: Building dimensions and shape are for planning purposes only. Final shapes and dimensions will be determined during design.

TAP Phase 1 Elements: see Exhibit L.

TAP Phase I Elements	Additional TAP Elements
1 Central Basin Elimination and South Basin Expansion	13 Completion of Consolidated APM and Utility Tunnel and installation of APM
2 Satellite 1 Concourse	14 Satellite 3 Concourse
3 Satellite 2 Concourse	15 Satellite 4 Concourse
4 Concourse L 3-Gate Expansion	16 Terminal 1/Concourses B and C Redevelopment
5 Terminal 5 Landside and Parking Improvements (Phase1)	17 Satellite 1 Northern Extension
6 Consolidated APM, Pedestrian, and Utility Tunnel	18 Concourse G Redevelopment
7 Baggage Handling System (BHS) Equipment*	19 Terminal 3 Redevelopment
8 Terminal 2 Redevelopment - O'Hare Global Terminal (OGT) and O'Hare Global Concourse (OGC)	20 Garage at the Terminal Core
9 Terminal 5 Repurposing and Core Expansion	21 Terminal 5 Landside and Parking (Phase 2)
10 TAP Phase 1 Utilities Allowance*	22 Western Parking and Screening Facility (Phase 2)
11 Western Parking and Screening Facility Allowance	23 Baggage Handling System (BHS) Equipment Expansion*
12 Concourse L 5-Gate Buyout*	
** Not shown on the exhibit*	** Not shown on the exhibit*

13. PROJECT NAME: Completion of Consolidated APM and Utility Tunnel and installation of APM – Eastern and Western Section



Note: Dimensions and shape are for planning purposes only. Final shapes and dimensions will be determined during design.

PROJECT NAME: Completion of Consolidated APM and Utility Tunnel and installation of APM – Eastern and Western Section

PROJECT OVERVIEW: Completion of the Tunnel system, procurement, and installation of APM system extending in two directions from the completed Phase I tunnel segment:

- West Segment – from the west end of the Phase I tunnel westerly passing under the site of Satellite Concourse 3 (S3), Satellite Concourse 4 (S4), and below grade passing between the western parking and the screening facility to an Automated People Mover (APM) Maintenance Facility and test track situated in the southern portion of the western corridor. The APM station for S3 to be constructed along with the tunnel, to be fitted out during construction of S3

- East Segment – from the east end of the Phase I tunnel easterly to Terminal 3. The APM Station for T3 to be constructed along with the tunnel. T3 Station design shall include terminal master planning for T3 Redevelopment.

This project includes completion of the above two tunnel segments and related APM stations and installation of an airside APM system, guideway, rolling stock and associated infrastructure for conveying people between the Western Parking and Security Screening Facility and the core TAP terminals. This project includes the fit-out of APM stations at the O'Hare Global Terminal (OGT), Concourses S1, S2, and the Western Parking and Screening Facility, and the construction and fit-out of new APM stations at T3 and S3, and the APM Maintenance Facility and Test Track. All components and stations of the APM system must become operational on the same date.

TOTAL ESTIMATED PROJECT COST: $1,252,646,800

CHANGES IN PROJECT SCOPE REQUIRING MII REVIEW: (1) Change in tunnel origin or destination, or (2) elimination of APM right-of-way or sterile corridor for international passengers from the tunnel capability, or (3) Reductions to the tunnel dimensions for the tug/baggage clearances and widths, or (4) Removal of pedestrian moving walkways.

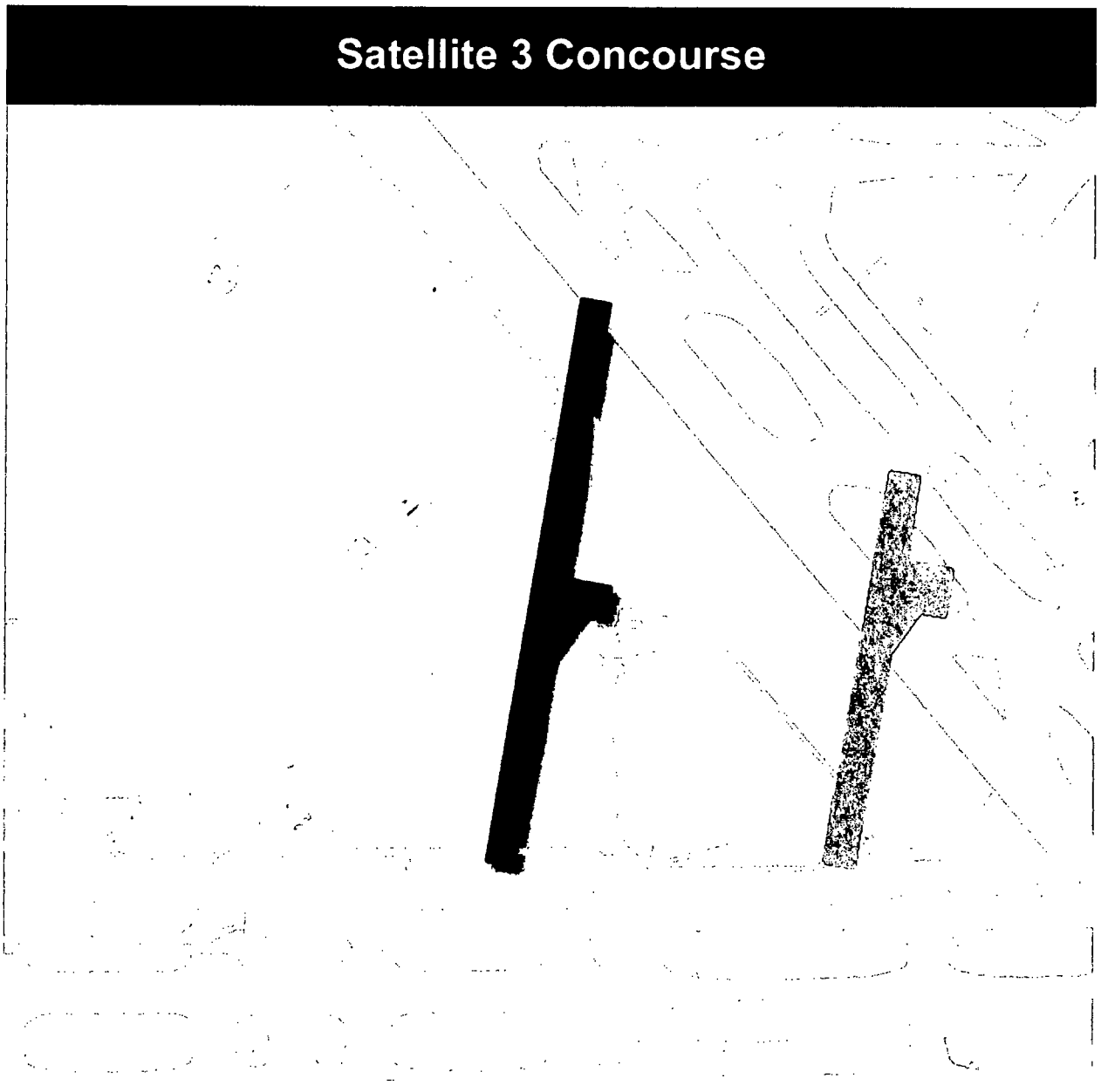
PASSENGER TRIGGER:

Additional TAP Element	Annual Passenger Trigger
Completion of Consolidated APM and Utility Tunnel and installation of APM	101,500,000

PROJECT SUMMARY

a. The West Phase incudes the construction of a new Consolidated Tunnel starting from its Phase I terminus just west of the midfield crossfield North/South taxiways extending westward underneath Concourses S3 and S4, passing between the newly constructed Employee Parking and Security Screening and terminating at the APM Maintenance Facility and Test Track.
b. The West Phase includes the construction and fit out of new APM stations at the OGT, S1, S2 and the Western Parking and Screening Facility
c. The East Phase includes the construction of the continuation of the Consolidated Tunnel starting from its Phase I completion point at the east end of the OGT wrapping around the southern side of the existing Rotunda and terminating at a new APM station at Terminal 3.
d. The East Phase includes the construction and fit-out of a new APM station at T3
e. Tunnel profiles must accommodate pedestrians, baggage, utilities, and Automated People Mover (APM) system
f. Several vertical circulation access points for passengers, employees, and utility/maintenance functions
g. APM Maintenance facility and test track at the end of the line to the west shall be outside of, and clear of, all adjacent runway protection zones, approach/departure surfaces, FAA transmission systems for airfield operations, and navigational aid systems.
h. APM track, rolling stock, and control systems Installed in the Consolidated Tunnel between the Western Facility and the O'Hare Global Terminal (OGT) and onwards to Terminal 3
i. Details regarding width and section will be determined during design process

14. PROJECT NAME: Satellite 3 Concourse



Note: Dimensions and shape are for planning purposes only. Final shapes and dimensions will be determined during design.

PROJECT NAME: Satellite 3 Concourse

PROJECT OVERVIEW: The new Satellite 3 Concourse will provide approximately 5,208 feet of Linear Frontage with Gate Space being designed for a Multiple Aircraft Ramp System (MARS) configuration to allow flexible use of Gate Space between regional jets and narrow body aircraft (as deemed appropriate) to serve domestic operations.

TOTAL ESTIMATED PROJECT COST: $980,942,825

CHANGES IN PROJECT SCOPE REQUIRING MII REVIEW: (1) Any reduction in concourse width from 120', or (2) Any change that reduces Linear Frontage from 5,208, or (3) any reduction in concourse length by more than 125', or (4) Expanding the APM station to more than 5 total cars, or (5) Any modification that eliminates the use of Multiple Aircraft Ramp Stand (MARS) gates.

PASSENGER TRIGGERS:

Additional TAP Element	Annual Passenger Trigger
Satellite 3 Concourse	101,500,000

PROJECT SUMMARY

a. A new multilevel concourse approximately 120' wide by 2,500' in length, to be built directly to the west of Satellite 2 and in the same north-south orientation of existing Concourse C.
b. Approximately 699,510 square feet of new building space
c. Designed to serve domestic departures and arrivals, and international arrivals from precleared markets.
d. Apron level approximately 349,755 sq. ft., containing shell space for airline/tenant operation/support.
e. Departures level approximately 349,755 sq. ft., containing passenger holdrooms, restrooms, secure circulation (no sterile corridors) and shell space for airline, concession and tenants, and airline passenger clubs/lounges
f. Holdrooms and gates capable of accommodating domestic departures and arrivals and international arrivals from precleared markets.
g. Secure Bus-Station facility including vertical circulation

h. Mechanical/electrical/plumbing utility support space including data fiber backbone, communications rooms, including a branch tunnel from the consolidated tunnel, for distribution of utilities.
i. Provide for either a ramp control tower or virtual tower in either OGT and/or Satellite 2 pending assessment of technical and cost considerations.
j. Provide a backbone for common use terminal equipment (CUTE) in ticketing and holdroom areas, FF&E, holdroom gate equipment and boarding elements, unless an airline chooses to install their branded FF&E / equipment such as branded holdroom FF&E, backwall graphics, holdroom gate equipment and boarding elements.
k. A common-use data/voice backbone is to be installed throughout the program elements to support data and voice services, including functions to support ground control, customer processing, and potentially a virtual ramp tower. End use devices such as computers, printers, gate readers, voice sets, etc. will be provided at common use counters and gates. The common use backbone will be capable of interfacing with hub airlines standard millwork at all preferential gates
l. Provide all FF&E in all public spaces
m. Passenger amenities, such as moving sidewalks (as required), restrooms, and concessions shell space and airline lounge shell space are to be provided. Provide convenience power for holdroom seating, public Wi-Fi networks, and passenger charging stations with subsequent support facilities.
n. Provide the shell space, utilities and aircraft support elements such as; aircraft ground power (AC and/or DC), PCA, potable water cabinets with drains, docking systems, digital gate signs, late gate bag vertical conveyor (dumbwaiter) and passenger loading bridges unless an airline chooses to provide their own equipment, in which case the project budget shall be reduced.
o. Provide dedicated building service functions, including loading docks, goods delivery, waste removal, freight elevators, service elevators, etc.
p. Signage including dynamic and static way-finding and individual gate signage
q. Parking locations and areas for recharging stations for electric GSE equipment
r. Exclusive use spaces such as airline/tenant support spaces, concessions and airline clubs will have the shell provided (outer walls only), and the interior finishes provided by the airline/tenant.
s. Develop shell space for exclusive use. For shell space with airline or tenant lease commitment, utilities necessary for proposed fit out will be brought to the space for tenant extension and fit out. All utility extensions and fit out are subject to CDA standards. Unassigned shell space will have basic utilities brought to the space for future extension and fit out. Any costs for additional utilities will be the responsibility of the future tenant.
t. Provide FIDS and BIDS

APM Station

a. Provide for vertical transportation to underground APM Station, maximizing Linear Frontage and efficient passenger flows. Natural daylight into the APM Station is highly desirable.

Building MEP

a. While a study is needed to confirm; it's currently anticipated that the building HVAC delivery systems would be located on Third-Level and supplied by the existing H&R Plant or by a new facility. Major MEP systems cannot be located on levels where future expansion of BHS, gate holdrooms or other operational spaces are required.

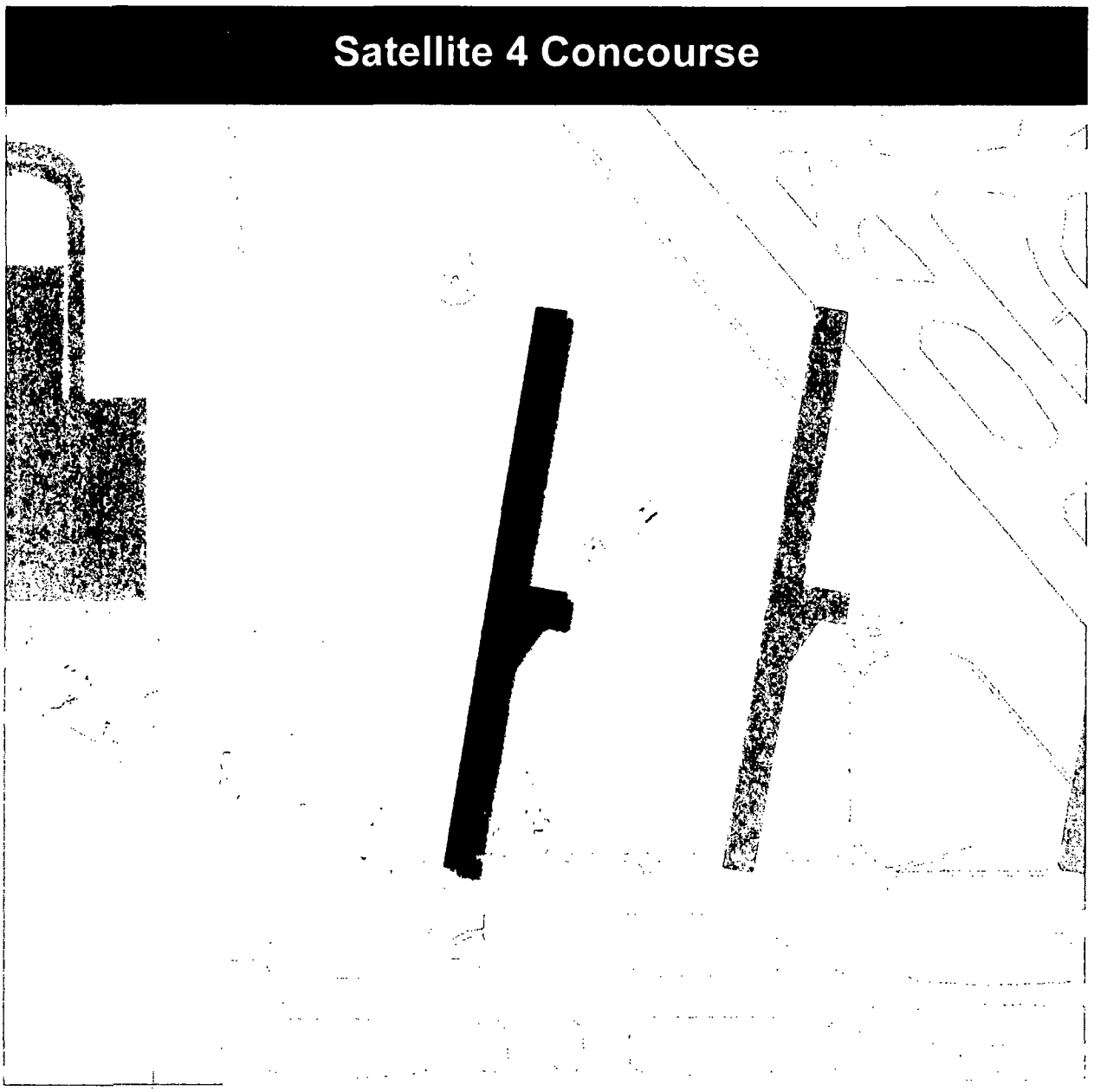
Apron - Civil

a. Airside work shall include new and transitional apron and taxilane pavement, demolition of pavement as needed, primary electrical distribution, storm water and sanitary sewer, potable water for domestic and fire protection systems, hydrant fueling, storm water and glycol collection, apron striping, in-ramp lighting systems, and airfield signage.
b. Design shall include tail of stand service road behind all gates

POTENTIAL AIRLINE FUNDED ELEMENTS (NOT INCLUDED IN PROJECT COSTS AND NOT SUBJECT TO MII)

a. Preferentially leased counters and gates will utilize the common use backbone, but will be equipped by the airlines.
b. Exclusive use spaces such as airline/tenant support spaces, concessions and airline clubs will have the shell provided, and the interior finishes provided by the airline/tenant.

15. PROJECT NAME: Satellite 4 Concourse



Note: Dimensions and shape are for planning purposes only. Final shapes and dimensions will be determined during design.

PROJECT NAME: Satellite 4 Concourse

PROJECT OVERVIEW: The new Satellite 4 Concourse will provide approximately 5,208 feet of Linear Frontage with Gate Space being designed for a Multiple Aircraft Ramp System (MARS) configuration to allow flexible use of Gate Space between regional jets and narrow body aircraft (as deemed appropriate) to serve domestic operations.

PROJECT SUMMARY

a. A new multilevel concourse approximately 120' wide by 2,500' in length, to be built directly to the west of the proposed Satellite 3 and in the same north south orientation of existing Concourse C.
b. The minimum number gates shall be determined by the gated fleet mix.
c. Approximately 699,510 new square feet of total building space
d. Designed to serve domestic departures and arrivals and arrivals from international precleared markets.
e. Apron level approximately 349,755 sq. ft., containing shell space for airline/tenant operation/support.
f. Departures level approximately 349,755 sq. ft., containing passenger holdrooms, restrooms, secure circulation (no sterile corridors) and shell space for airline, concession and tenants, and airline passenger clubs/lounges
g. Holdrooms and gates capable of accommodating domestic departures and arrivals and arrivals from international precleared markets.
h. Secure Bus-Station facility including vertical circulation
i. Mechanical/electrical/plumbing utility support space including data fiber backbone, communications rooms, including a branch tunnel from the consolidated tunnel, for distribution of utilities.
j. Provide for either a ramp control tower or virtual tower in either OGT and/or Satellite 2 pending assessment of technical and cost considerations.
k. Provide a backbone for common use terminal equipment (CUTE) in ticketing and holdroom areas, FF&E, holdroom gate equipment and boarding elements, unless an airline chooses to install their branded FF&E / equipment such as branded holdroom FF&E, backwall graphics, holdroom gate equipment and boarding elements.
l. A common-use data/voice backbone is to be installed throughout the program elements to support data and voice services, including functions to support ground control, customer processing, and potentially a virtual ramp tower. End use devices such as computers, printers, gate readers, voice sets, etc. will be provided at common use counters and gates. The common use backbone will be capable of interfacing with hub airlines standard millwork at all preferential gates. If the common use backbone is not capable of connecting, use of individual airline specific data feeds shall be permitted.

m. Provides all FF&E in all public spaces and FF&E not provided by airlines, concessions, or other tenants.
n. Passenger amenities, such as moving sidewalks (as required), restrooms, and concessions shell space and airline lounge shell space are to be provided. Provide convenience power for holdroom seating, public Wi-Fi networks, and passenger charging stations with subsequent support facilities.
o. Provide the shell space, utilities and aircraft support elements such as; aircraft ground power (AC and/or DC), PCA, potable water cabinets with drains, docking systems, digital gate signs, late gate bag vertical conveyor (dumbwaiter) and passenger loading bridges unless an airline chooses to provide their own equipment, in which case the project budget shall be reduced.
p. Provide dedicated building service functions, including loading docks, goods delivery, waste removal, freight elevators, service elevators, etc.
q. Signage including dynamic and static way-finding and individual gate signage
r. Parking locations and areas for recharging stations for electric GSE equipment
s. Exclusive use spaces such as airline/tenant support spaces (employee break and locker rooms, operational management offices, restroom for employees), concessions and airline clubs will have the shell provided, and the interior finishes provided by the airline/tenant.
t. Develop shell space for exclusive use. For shell space with airline or tenant lease commitment, utilities necessary for proposed fit out will be brought to the space for tenant extension and fit out. All utility extensions and fit out are subject to CDA standards. Unassigned shell space will have basic utilities brought to the space for future extension and fit out. Any costs for additional utilities will be the responsibility of the future tenant.
u. Provide FIDS and BIDS

APM Station

a. Construction and fit out of new APM station at S4
b. Provide for vertical transportation to underground APM Station, maximizing Linear Frontage and efficient passenger flows. Natural daylight into the APM station platform is highly desirable.

Building MEP

a. While a study is needed to confirm; it's currently anticipated that the building HVAC delivery systems would be located on Third-Level and supplied by the existing H&R Plant or by a new facility. Major MEP systems cannot be located on levels where future expansion of BHS, gate holdrooms or other operational spaces are required.

Apron - Civil

a. Airside work shall include new and transitional apron and taxilane pavement, demolition of pavement as needed, primary electrical distribution, storm water and sanitary sewer, potable water for domestic and fire protection systems, hydrant fueling, storm water and glycol collection, apron striping, in-ramp lighting systems, and airfield signage.
b. Design shall include tail of stand service road behind all gates

POTENTIAL AIRLINE FUNDED ELEMENTS (NOT INCLUDED IN PROJECT COSTS AND NOT SUBJECT TO MII)

a. Preferentially leased counters and gates will utilize the common use backbone, but will be equipped by the airlines.
b. Exclusive use spaces such as airline/tenant support spaces, concessions and airline clubs will have the shell provided, and the interior finishes provided by the airline/tenant.

16. PROJECT NAME: Terminal 1/Concourses B and C Redevelopment

Terminal 1/Concourses B and C Redevelopment

Note: Dimensions and shape are for planning purposes only. Final shapes and dimensions will be determined during design.

PROJECT NAME: Terminal 1/Concourses B and C Redevelopment

PROJECT OVERVIEW: Renovation of existing Terminal 1, Concourse B and Concourse C, and Expand existing Terminal 1 over the existing surface parking lot along Upper Level T1 Street (approximately 340' x 120'). Renovation and expansion to include new curbside access to Terminal 1, passenger processing, potential concession space, potential security checkpoint, airline support space, and necessary baggage system connections.

PROJECT SUMMARY

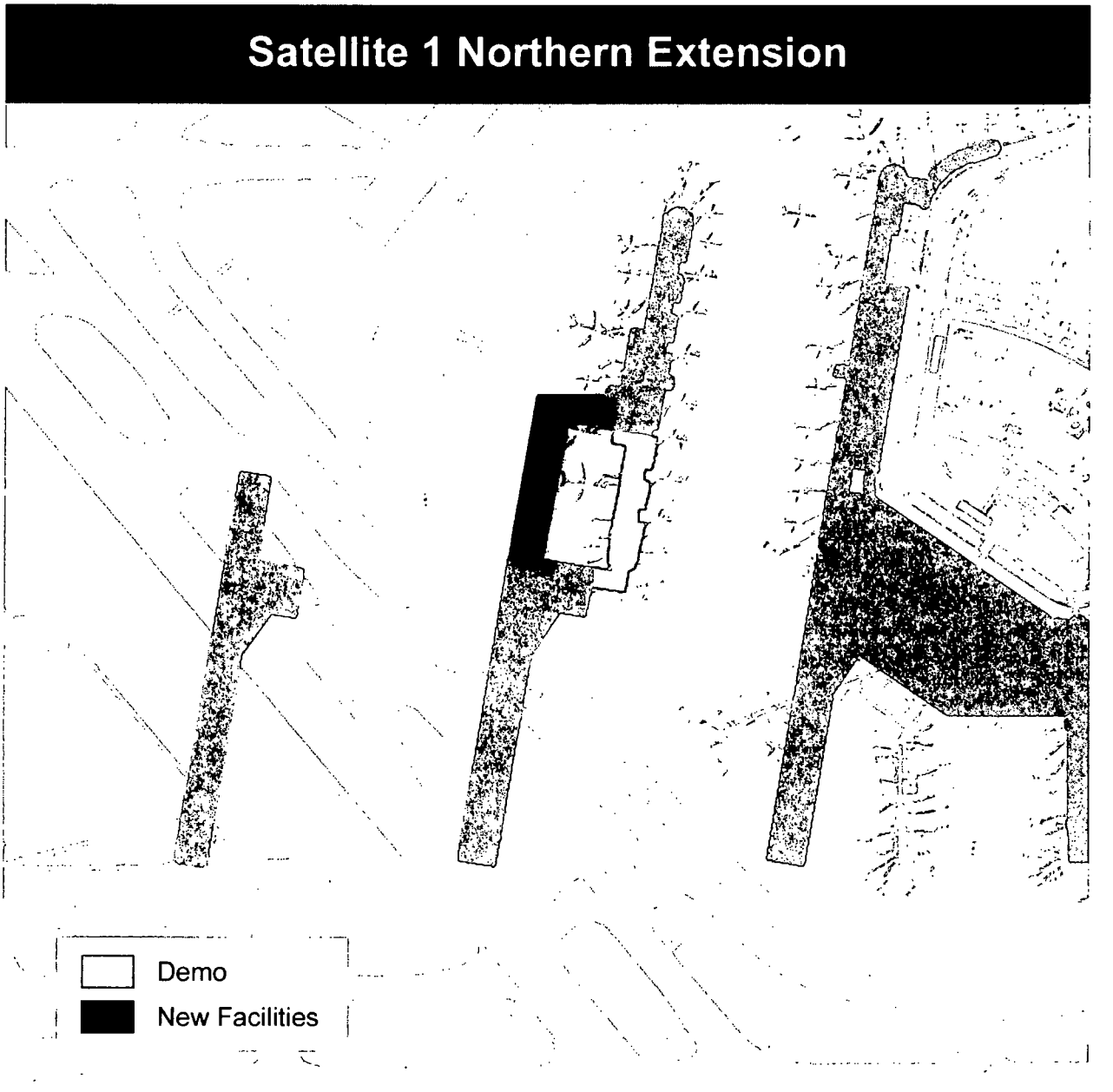
a. Infill of second level, Concourse B Terminal 1 space, of approximately 40,800 square feet
b. Renovation of existing Concourses B and C and Terminal 1
c. New curbside access to Terminal 1
d. New airline support space
e. Renovated passenger processing areas and holdrooms
f. Potential renovated and new concession space
g. Potential renovated and new security checkpoint
h. Concourses shall be renovated in a phased manner with no more than two gates being closed at once. Renovations shall include, but are not limited to, restroom replacement/upgrades, holdroom shell space upgrades, and public space upgrades
i. Necessary baggage system connections to the existing T1 bag room, new OGT CBIS, and new S-1 bag room
j. New terminal space to be designed to serve the processing of domestic passengers and precleared markets.
k. New terminal space to include mechanical/electrical/plumbing utility support space including data fiber backbone, necessary communications rooms. Concourses MEP shall be renovated to meet current demand and any failing services lines/equipment shall be replaced.
l. New terminal space and renovated areas to provide a backbone for common use terminal equipment (CUTE) in ticketing and FF&E unless an airline chooses to install their branded FF&E / equipment such as branded FF&E, backwall graphics, equipment and boarding elements; unless an airline chooses to provide their own equipment, in which case the project budget shall be reduced.
m. A common-use data/voice backbone is to be installed throughout the terminal and renovated holdrooms to support data and voice services, including functions to support customer processing. End use devices such as computers, printers, voice sets, etc. will be provided at common use counters. The common use backbone will be capable of interfacing with hub airlines standard millwork at all preferential gates. If the common use backbone is not capable of connecting, use of individual airline specific data feeds shall be permitted.

n. Provide all FF&E in all public spaces and FF&E not provided by airlines, concessions, or other tenants.
o. Provide dedicated building service functions, including loading docks, goods delivery, waste removal, freight elevators, service elevators, etc. for the new terminal space and resizing/ renovation of existing facilities to meet current demand
p. Signage including dynamic and static way-finding and individual counter signage
q. Develop shell space for exclusive use in the new terminal space. For shell space with airline or tenant lease commitment, utilities necessary for proposed fit out will be brought to the space for tenant extension and fit out. All utility extensions and fit out are subject to CDA standards. Unassigned shell space will have basic utilities brought to the space for future extension and fit out. Any costs for additional utilities will be the responsibility of the future tenant.

POTENTIAL AIRLINE FUNDED ELEMENTS (NOT INCLUDED IN PROJECT COSTS AND NOT SUBJECT TO MII)

a. Preferentially leased counters will utilize the common use backbone, but will be equipped by the airlines.
b. Exclusive use spaces such as airline/tenant support spaces, and concessions will have the shell provided, and the interior finishes provided by the airline/tenant.

17. PROJECT NAME: Satellite 1 Northern Extension



Note: Dimensions and shape are for planning purposes only. Final shapes and dimensions will be determined during design.

PROJECT NAME: Satellite 1 Northern Extension

PROJECT OVERVIEW: Northerly expansion of Satellite 1 concourse will provide approximately 1,322 feet of new Linear Frontage with Gate Space being designed for a Multiple Aircraft Ramp System (MARS) configuration to allow flexible use of Gate Space between regional jets, narrow body and wide body aircraft (as deemed appropriate) to serve international and domestic operations. Southern section of Concourse C will be demolished.

PROJECT SUMMARY

a. Northerly expansion of Satellite 1 and the associated demolition of the southern portion of existing Concourse C
b. Demolition of the southern portion of Concource C
c. Multilevel concourse extension approximately 150' wide by 715' in length, to be built directly north of S1 as a building extension
d. Approximately 300,500 square feet of new building space
e. Apron level approximately 124,300 sq. ft., containing hub airline outbound bag sortation system and airline shell support space
f. Departures level approximately 124,300 sq. ft., containing passenger holdrooms, restrooms, secure circulation (no sterile corridors) and shell space for airline, concession and tenants.
g. Mezzanine level (level 3) approximately 51,900 sq. ft., containing the sterile corridor system for international arriving flights and vertical circulation.
h. Provides additional wide-body, CBP accessible gates for non-pre-cleared international flights with increased lateral separation between Concourse B and Satellite 1
i. Provide a backbone for common use terminal equipment (CUTE) in ticketing and holdroom areas, FF&E, holdroom gate equipment and boarding elements, unless an airline chooses to install their branded FF&E / equipment such as branded holdroom FF&E, backwall graphics, holdroom gate equipment and boarding elements.
j. A common-use data/voice backbone is to be installed throughout the program elements to support data and voice services, including functions to support ground control, customer processing, and potentially a virtual ramp tower. End use devices such as computers, printers, gate readers, voice sets, etc. will be provided at common use counters and gates. The common use backbone will be capable of interfacing with hub airlines standard millwork at all preferential gates. If the common use backbone is not capable of connecting, use of individual airline specific data feeds shall be permitted.
k. Provides all FF&E in CBP and all public spaces and FF&E not provided by airlines, concessions, or other tenants.

l. Passenger amenities, such as moving sidewalks (as required), restrooms, and concessions shell space and airline lounge shell space are to be provided. Provide convenience power for holdroom seating, public Wi-Fi networks, and passenger charging stations with subsequent support facilities.
m. Provides the shell space, utilities and aircraft support elements such as; aircraft ground power (AC and/or DC), PCA, potable water cabinets with drains, docking systems, digital gate signs, late gate bag vertical conveyor (dumbwaiter) and passenger loading bridges unless an airline chooses to provide their own equipment, in which case the project budget shall be reduced.
n. Provide dedicated building service functions, including loading docks, goods delivery, waste removal, freight elevators, service elevators, etc.
o. Signage including dynamic and static way-finding and individual gate signage
p. Parking locations and areas for recharging stations for electric GSE equipment
q. Exclusive use spaces such as airline/tenant support spaces (employee break and locker rooms, operational management offices, restroom for employees), concessions and airline clubs will have the shell provided, and the interior finishes provided by the airline/tenant.
r. Develop shell space for exclusive use. For shell space with airline or tenant lease commitment, utilities necessary for proposed fit out will be brought to the space for tenant extension and fit out. All utility extensions and fit out are subject to CDA standards. Unassigned shell space will have basic utilities brought to the space for future extension and fit out. Any costs for additional utilities will be the responsibility of the future tenant.
s. Provide FIDS and BIDS

Sterile Corridor and Vertical Cores

a. A sterile arrivals corridor connecting all international arrival gates to the CBP.
b. Arriving international passengers ascend vertical cores associated with gate door at the face of the concourse to a Third-Level corridor network that includes Automated Passport Control kiosks that lead to escalators that descend to a sterile underground tunnel that leads to escalators up to the OGT CBP arrivals hall.
c. To optimize aircraft arrival and departing flexibility for both international and domestic operations, vertical cores serving international arriving flights are to be located at the concourse perimeter within the concourse envelope. These cores are to facilitate arriving passenger flow to the arrivals corridor. Each core is to be equipped with two (2) loading bridges to serve two (2) aircraft simultaneously and be equipped to allow arrivals and departures from both gates. All gates connected to the international arrivals corridor should be made independent for both arrival and departure.

Building MEP

a. While a study is needed to confirm; it's currently anticipated that the building HVAC delivery systems would be located on mezzanine and supplied by the existing H&R Plant. Major MEP systems cannot be located on levels where future expansion of BHS, gate holdrooms or other operational spaces are required.

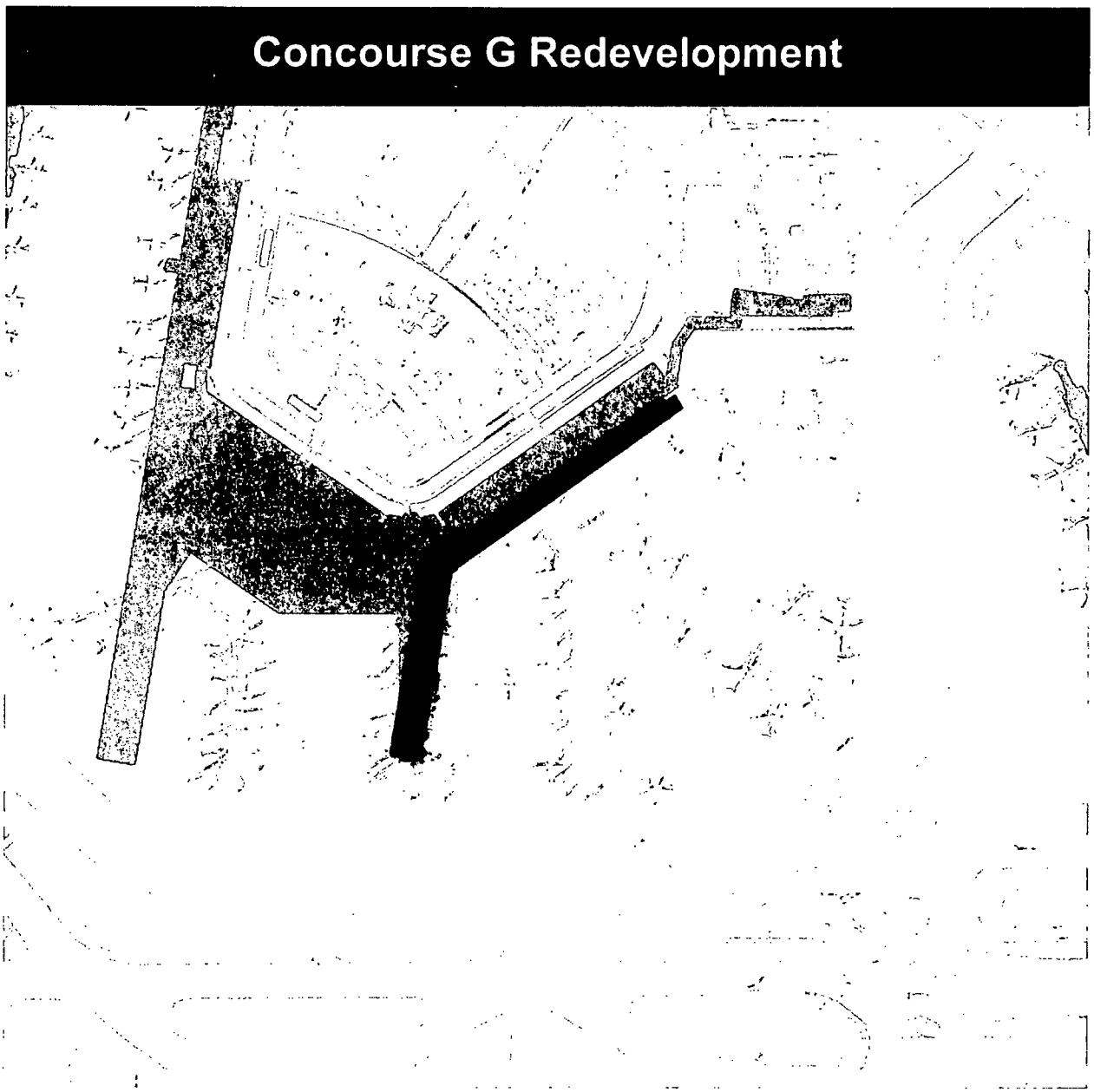
Apron - Civil

a. Airside work shall include: new apron and taxilane pavement, demolition of pavement as needed, hydrant fueling, storm water and glycol collection, apron striping, in-ramp lighting systems and airfield signage.
b. Design shall include head of stand service road at all gates

POTENTIAL AIRLINE FUNDED ELEMENTS (NOT INCLUDED IN PROJECT COSTS AND NOT SUBJECT TO MII)

a. Preferentially leased counters and gates will utilize the common use backbone, but will be equipped by the airlines.
b. Exclusive use spaces such as airline/tenant support spaces, concessions, and airline clubs will have the shell provided, and the interior finishes provided by the airline/tenant.

18. PROJECT NAME: Concourse G Redevelopment



Note: Dimensions and shape are for planning purposes only. Final shapes and dimensions will be determined during design.

PROJECT NAME: Concourse G Redevelopment

PROJECT OVERVIEW: Redevelopment of Concourse G will provide approximately 1,309 feet of Linear Frontage with Gate Space being designed for a Multiple Aircraft Ramp System (MARS) configuration to allow flexible use of Gate Space between regional jets, narrow body and wide body aircraft (as deemed appropriate) to serve international and domestic operations. Includes demolition of existing Concourse G.

PROJECT SUMMARY

a. Demolition of existing Concourse G
b. A new multilevel concourse approximately 120' wide by 844' in length
c. Approximately 305,200 square feet of new building space
d. Apron level approximately 116,400 sq. ft., containing hub airline outbound bag sortation system and shell space for airline/tenant operation/support.
e. Departures level approximately 116,400 sq. ft., containing passenger holdrooms, restrooms, secure circulation (no sterile corridors) and shell space for airline, concession and tenants
f. Mezzanine level (level 3) approximately 72,400 sq. ft., containing the sterile corridor system for international arriving flights and vertical circulation.
g. Provides additional wide-body, CBP accessible gates for non-pre-cleared international flights with increased lateral separation between OGT Concourse and Concourse G
h. Provides a net increase in International CBP Accessible Linear Feet of 1,400 +/-
i. Passenger holdrooms, capable of accommodating domestic departures and arrivals and arrivals from international precleared markets.
j. Secure Bus-Station facility
k. Provide convenience power for holdroom seating
l. Provide a backbone for common use terminal equipment (CUTE) in ticketing and holdroom areas, FF&E, holdroom gate equipment and boarding elements, unless an airline chooses to install their branded FF&E / equipment such as branded holdroom FF&E, backwall graphics, holdroom gate equipment and boarding elements.
m. A common-use data/voice backbone is to be installed throughout the program elements to support data and voice services, including functions to support ground control, customer processing, and potentially a virtual ramp tower. End use devices such as computers, printers, gate readers, voice sets, etc. will be provided at common use counters and gates. The common use backbone will be capable of interfacing with hub airlines standard millwork at all preferential gates. If the common use backbone is not capable of connecting, use of individual airline specific data feeds shall be permitted.

n. Mechanical, utility support space and supporting utilities including a branch tunnel from the consolidated tunnel to allow for distribution of primary services.
o. Technology-enabled and Data system/s for airline support and operations, ground control, virtual tower, automated processing and customer convenience.
p. Signage including dynamic and static way-finding

Sterile Corridor

a. A sterile arrivals corridor connecting all international arrival gates to the CBP
b. Arriving international passengers ascend vertical cores associated with gate door at the face of the concourse to a mezzanine level corridor network that includes Automated Passport Control kiosks and then descends into the OGT CBP arrivals hall

Building MEP

a. While a study is needed to confirm; it's currently anticipated that the building HVAC delivery systems would be located on mezzanine and supplied by the existing H&R Plant. Major MEP systems cannot be located on levels where future expansion of BHS, gate holdrooms or other operational spaces are required.

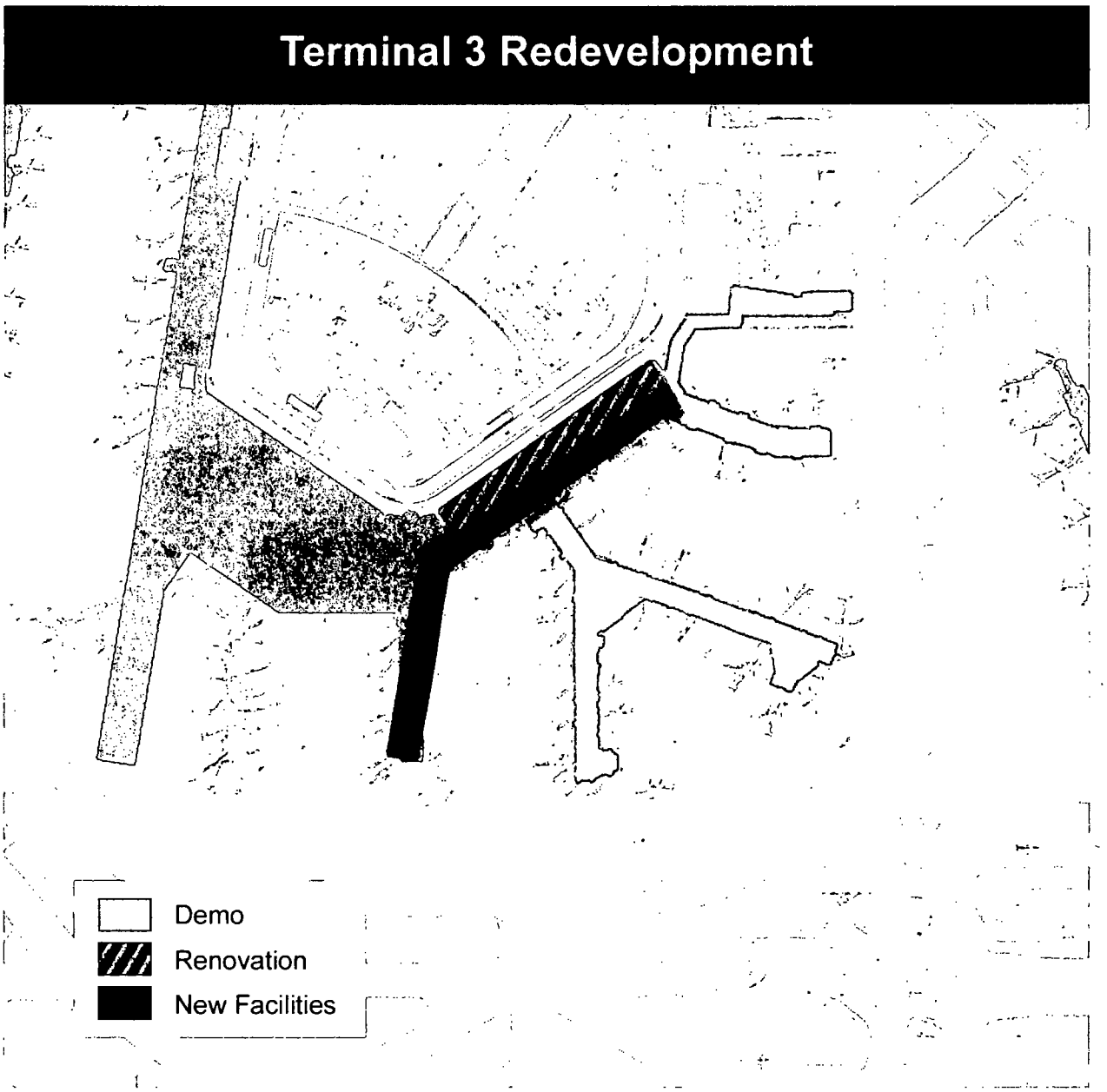
Apron - Civil

a. Airside work shall include: new apron and taxilane pavement, demolition of pavement as needed, hydrant fueling, storm water and glycol collection, apron striping, in-ramp lighting systems and airfield signage.

POTENTIAL AIRLINE FUNDED ELEMENTS (NOT INCLUDED IN PROJECT COSTS AND NOT SUBJECT TO MII)

a. Preferentially leased counters and gates will utilize the common use backbone, but will be equipped by the airlines.
b. Exclusive use spaces such as airline/tenant support spaces, concessions and airline clubs will have the shell provided, and the interior finishes provided by the airline/tenant.

19. PROJECT NAME: Terminal 3 Redevelopment



Note: Dimensions and shape are for planning purposes only. Final shapes and dimensions will be determined during design.

PROJECT NAME: Terminal 3 Redevelopment

PROJECT OVERVIEW: The Terminal 3 Redevelopment will provide approximately 1,495 feet of Linear Frontage with Gate Space being designed for a Multiple Aircraft Ramp System (MARS) configuration to allow flexible use of Gate Space between regional jets, narrow body and wide body aircraft (as deemed appropriate) to serve international and domestic operations. Includes demolition of existing Concourses H, K, L, and the Concourse-L expansion as new gates come on-line.

PROJECT SUMMARY

a. Phased demolition of Concourses H, K, L, and the Concourse L Expansion
b. Renovation of Existing Terminal 3 to include both structure and systems to be compliant with future requirements, and with minimum impact to operations
c. 100' Widening of Terminal 3 to integrage the new APM Station and associated vertical core within the T3 master plan
d. New curbside access to Terminal 3
e. New airline support space
f. Renovated passenger processing areas and holdrooms
g. Potential renovated and new concession space
h. Potential renovated and new security checkpoint
i. Necessary baggage system connections to OGT CBIS, EBS, and OGC bag room
j. Renovations shall include, but are not limited to, restroom replacement/upgrades, holdroom shell space upgrades, and public space upgrades
k. Necessary baggage system connections to the OGC bag room and OGT CBIS
l. New terminal space to be designed to serve the processing of domestic passengers and precleared markets.
m. New terminal space to include mechanical/electrical/plumbing utility support space including data fiber backbone, necessary communications rooms. Concourses MEP shall be renovated to meet current demand and any failing services lines/equipment shall be replaced.
n. New terminal space and renovated areas to provide a backbone for common use terminal equipment (CUTE) in ticketing and FF&E unless an airline chooses to install their branded FF&E / equipment such as branded FF&E, backwall graphics, equipment and boarding elements; unless an airline chooses to provide their own equipment, in which case the project budget shall be reduced.

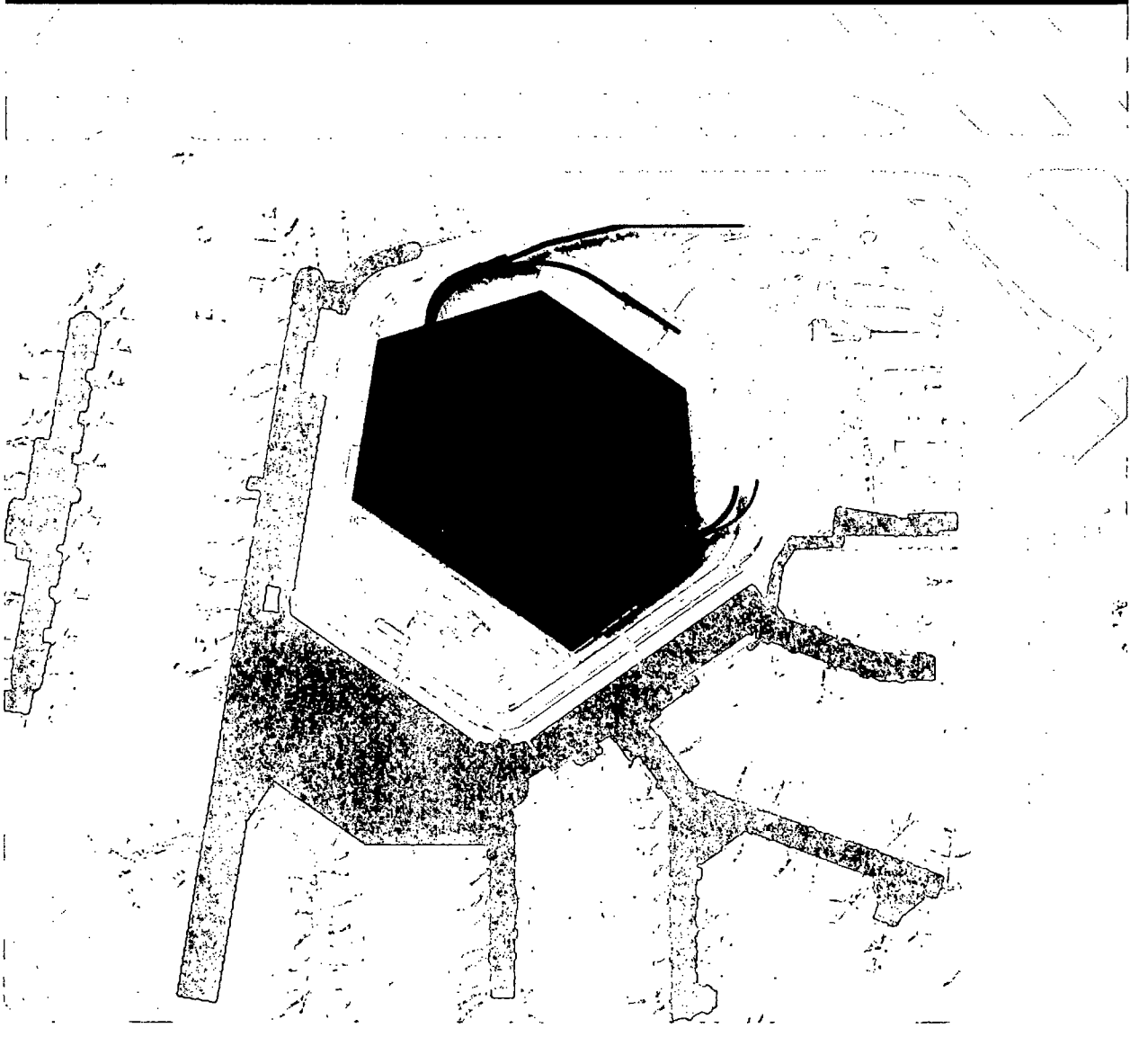
o. A common-use data/voice backbone is to be installed throughout the terminal and renovated holdrooms to support data and voice services, including functions to support customer processing. End use devices such as computers, printers, voice sets, etc. will be provided at common use counters. The common use backbone will be capable of interfacing with hub airlines standard millwork at all preferential gates. If the common use backbone is not capable of connecting, use of individual airline specific data feeds shall be permitted.
p. Provide all FF&E in all public spaces and FF&E not provided by airlines, concessions, or other tenants.
q. Provide dedicated building service functions, including loading docks, goods delivery, waste removal, freight elevators, service elevators, etc. for the new terminal space and resizing/ renovation of existing facilities to meet current demand
r. Signage including dynamic and static way-finding and individual counter signage
s. Develop shell space for exclusive use in the new terminal space. For shell space with airline or tenant lease commitment, utilities necessary for proposed fit out will be brought to the space for tenant extension and fit out. All utility extensions and fit out are subject to CDA standards. Unassigned shell space will have basic utilities brought to the space for future extension and fit out. Any costs for additional utilities will be the responsibility of the future tenant.

POTENTIAL AIRLINE FUNDED ELEMENTS (NOT INCLUDED IN PROJECT COSTS AND NOT SUBJECT TO MII)

a. Preferentially leased counters and gates will utilize the common use backbone, but will be equipped by the airlines.
b. Exclusive use spaces such as airline/tenant support spaces, concessions and airline clubs will have the shell provided, and the interior finishes provided by the airline/tenant

20. PROJECT NAME: Garage at the Terminal Core

Garage at the Terminal Core



Note: Dimensions and shape are for planning purposes only. Final shapes and dimensions will be determined during design.

PROJECT NAME: Garage at the Terminal Core

PROJECT OVERVIEW: Redevelopment and expansion of the current garage with integrated supplemental curbside and roadway to provide up to 16,000 public parking spaces.

PROJECT SUMMARY

a. Redevelopment and expansion of the current garage to accommodate long-term parking curbside and parking
b. Modifications to terminal access roadway necessary to accommodate redeveloped parking structure and supplemental curbsides
c. Redeveloped parking entry and cashier plaza and pedestrian access to passenger terminals, hotel, and ATS stations`
d. Includes improvements in revenue control systems and related technology

POTENTIAL AIRLINE FUNDED ELEMENTS (NOT INCLUDED IN PROJECT COSTS AND NOT SUBJECT TO MII)

[None]

21. PROJECT NAME: Terminal 5 Parking Garage & Landside Improvements (Phase 2)

Terminal 5 Landside and Parking (Phase2)

Note: Building dimensions and shape are for planning purposes only. Final shapes and dimensions will be determined during design.

PROJECT NAME: Terminal 5 Parking Garage & Landside Improvements (Phase 2)

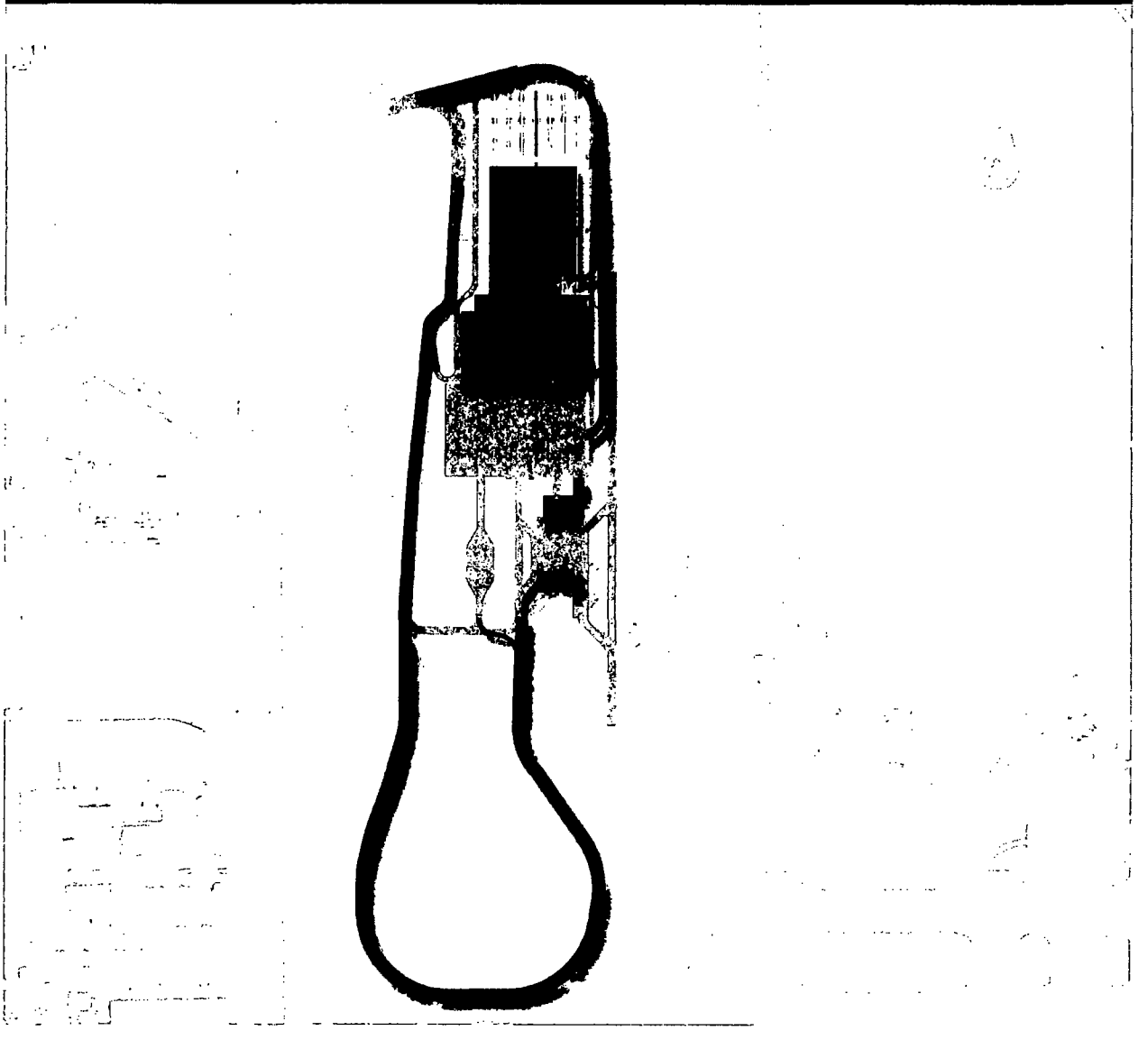
PROJECT OVERVIEW: Expansion of terminal access roadways and parking garage near Terminal 5 (T5) to provide up to 4,000 public parking spaces. Roadway improvements will support enlarged parking garage and increased passenger demand at T5.

PROJECT SUMMARY/AMENTIES FOR CONSIDERATION DURING DESIGN

a. Expansion of the parking garage constructed in TAP Phase I to provide up to 4,000 public parking spaces within walking distance of Terminal 5
b. Roadway improvements to accommodate increased demand at Terminal 5, including widening of the I-190 off-ramp for traffic heading to Terminal 5 and development of an overpass to carry outbound terminal curbside roadway traffic across Balmoral Avenue to outbound I-190

22. PROJECT NAME: Western Parking and Screening Facility (Phase 2)

Western Parking and Screening Facility (Phase 2)



Note: Building dimensions and shape are for planning purposes only. Final shapes and dimensions will be determined during design.

PROJECT NAME: Western Parking and Screening Facility (Phase 2)

PROJECT OVERVIEW: Build-out of the Western Parking and Screening Facility to include additional parking and passenger processing as required to meet demand and additional roadway connections.

PROJECT SUMMARY

a. Expansion of the TAP Phase I employee security pavilion to accommodate passenger processing if needed to meet future demand
b. Completion of on/off ramps and expanded roadway connections to the Western Bypass (future IL 490)

23. PROJECT NAME: Baggage Handling System (BHS) Equipment Expansion

PROJECT OVERVIEW: Future expansion of Baggage Handling System (BHS) equipment and related infrastructure to be defined, to be in S3 and S4, with interface and connections to the Phase I TAP BHS.

PROJECT SUMMARY

Details related to the expansion of the TAP Phase I BHS to be defined, as required to meet demand.

Acronyms

AC	Alternating Current	MARS	Multiple Aircraft Ramp System
AMC	Airport Maintenance Complex	MEP	Mechanical Electrical Plumbing
AOA	Aircraft Operations Area	MII	Majority-In-Interest
APC	Automated Passport Control	MWDA	MWRD Agreement
APM	Automated People Mover	MWRD	Metropolitan Water Reclamation District
ATO	Airline Ticket Office	OFA	Object Free Area
ATS	Airport Transit System	OGC	O'Hare Global Concourse
BHS	Baggage Handling System	OGT	O'Hare Global Terminal
BIDS	Baggage Information Displays	PCA	Pre-conditioned Air-conditioning
CBIS	Check Bag Inspection System	RON	Remain Over Night
CBP	Customs Boarder Protection	ROW	Right-of-Way
CBRA	Check Bag Resolution Area	RTR	Remote Transmitter / Receiver
CCTV	Closed Circuit Television	SSCP	Security Screening Check Point
CDA	Chicago Department of Aviation	TAP	Terminal Area Plan
CUTE	Common Use Terminal Equipment	TSA	Transportation Security Administration
DC	Direct Current	U&LA	Use & Lease Agreement
EBS	Early Bag Storage	S1	Satellite 1
EDS	Electronic Detection System	S2	Satellite 2
FAA	Federal Aviation Administration	S3	Satellite 3
FF&E	Furniture Fixtures & Equipment	S4	Satellite 4
FIDS	Flight Information Displays	T1	Terminal 1
GSE	Ground Service Equipment	T2	Terminal 2
H&R	Heating and Refrigerant	T3	Terminal 3
HVAC	Heating, Ventilation, and Air Conditioning	T5	Terminal 5
ICS	Individual Carrier System		

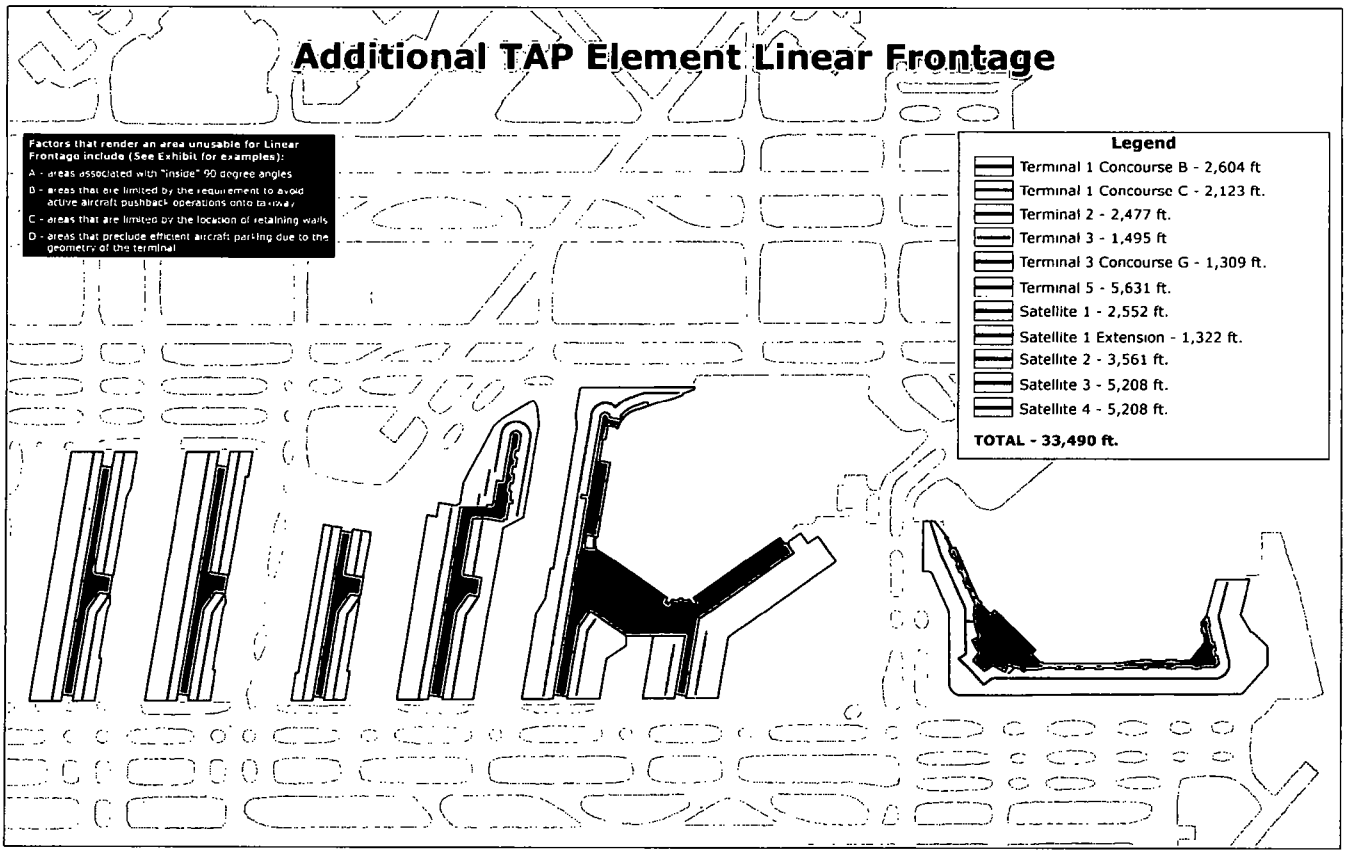

Additional TAP Element Linear Frontage
Factors that render an area unusable for Linear Frontage include (See Exhibit for examples):
A - areas associated with "inside" 90 degree angles
B - areas that are limited by the requirement to avoid active aircraft pushback operations onto taxiway
C - areas that are limited by the location of retaining walls
D - areas that preclude efficient aircraft parking due to the geometry of the terminal
Legend
Terminal 1 Concourse B - 2,604 ft
Terminal 1 Concourse C - 2,123 ft.
Terminal 2 - 2,477 ft.
Terminal 3 - 1,495 ft
Terminal 3 Concourse G - 1,309 ft.
Terminal 5 - 5,631 ft.
Satellite 1 - 2,552 ft.
Satellite 1 Extension - 1,322 ft.
Satellite 2 - 3,561 ft.
Satellite 3 - 5,208 ft.
Satellite 4 - 5,208 ft.
TOTAL - 33,490 ft.

Exhibit N

Pre-Approved CIP Projects

The Pre-Approved projects pursuant to section 10.4 of this Airline Use and Lease Agreement consist of the projects shown in the following summary table and described in the individual project sheets contained in this exhibit.

Project Listing and Costs

Project	Estimated Total Project Costs
1. Leak Repairs to Concourse B & C Pedestrian Tunnel – Construction	$25,110,250
2. Runway 4L-22R Partial Reconstruction – Construction	$29,276,581
3. Runway 4R-22L Rehabilitation	$20,405,000
4. Airport Maintenance Center (AMC) Building Renovations	$6,700,000
5. Runway 9R-27L (2022) Rehabilitation	$23,227,623
6. Taxiway LL Phase 2 Extension	$51,827,250
7. Runway 10L-28R (2023) Rehabilitation	$24,860,038
8. Runway 9R-27L Extension	$334,442,520
9. Bravo Hold Pad Reconfiguration – Aircraft Hold-pad Construction	$38,850,000
10. Taxiway A/B Relocation, Phase 2	$87,067,500
11. Infrastructure Asset Tagging Program	$5,000,000
12. Airport Geographic Information System (GIS)	$5,000,000
13. Airport Wide Asset Management System	$8,000,000
14. 202.2A West Pump Pad Improvements	$12,650,000
15. 203.2C West Tank Farm Electrical & Control Upgrades	$1,690,000
16. 210.2E East Pump Pad Improvements	$7,100,000
17. 2GDBF New West Administration Building & Other Facility Renovations	$7,360,000

18. 312.1B Truck Rack & Vehicle Fueling Facility	$19,360,000
19. 313.1C-2 Super Satellite Enabling & Decommissioning	$15,320,000
20. 315.1A New South Transmission Mains	$46,130,000
21. 314.1E.1 Vault Mods, EFSO and Related	$13,490,000
22. Ring Tunnel Exhaust System, EM Haz gas, and smoke evac	$21,976,000
23. H&R Ventilation and Pressurization – Design & Construction	$3,675,000
24. Ring Tunnel – Electrical and Lighting Infrastructure	$11,346,048
25. H&R Study Ph. 2 – Testing, Balancing, (TAB and Commissioning Reports)	$1,000,000
26. Upgrade Domestic Water Converters in H&R and Ops Tower	$1,200,450
27. Comprehensive Sewer Televising Program	$1,770,800
28. T1 & T3 Back-up Heat Exchanger Pump	$4,767,880
29. Sewer Main Lining – Construction	$2,126,125
30. Fire Hydrant and Backflow Prevention Improvements	$3,350,000
31. Domestic Water Pump Control Upgrades at H&R	$1,428,440
32. Water Main Automatic Meter Readers Replacement	$3,685,000
33. T2, T3, and Rotunda Heat Exchangers	$4,157,685
34. Pedestrian Tunnels – Civil & Architectural Renovation (Construction)	$34,860,000
35. United North Parking Lot Rehab – Design & Construction	$370,500
36. Spine Road Relocation – Design & Construction	$7,316,000

37. 90" JAWA Relocation – Design & Construction	$21,650,000
38. Concourse K Concessions Infrastructure Upgrades	$14,059,520
39. Concourse L Renovation	$43,013,799
40. L Concourse HVAC System Upgrades – Design & Construction	$34,423,500
41. Ramp Tower Improvements - T1	$230,000
42. Replacement of Rotunda Air Handling Units – Construction	$19,417,750
43. Restroom Modernization Program – International - Phase 1	$8,347,500
44. Restroom Modernization Program – International - Phase 2	$8,347,500
45. Terminal 1 - HVAC System Upgrades – Construction	$83,363,500
46. Terminal 5 Design/Development/Procurement/CIP Management	$2,000,000
47. T5 Comm. Room/Baggage Control Room HVAC Upgrades	$1,130,000
48. Terminal Building ADA Improvements	$4,663,750
49. Terminal LED Lighting Program – 2019	$1,325,000
50. Ramp Tower Improvements – T3 L & K	$459,406
51. T5 GIDS, Common Use Recheck Area, Baggage Make-up Monitors	$970,000
52. Terminal 5 Security Camera Upgrades	$4,180,000
53. Terminal 5 Self Park Upgrades	$3,010,000
54. Terminal 1 Roof Replacement – Construction	$88,550,000
55. H/K Skylight Repairs	$402,000

56. Concourses H/K Public Area Architectural Renovations	$46,197,036
57. Concourse B & C Public Area Architectural Renovations	$46,426,846
58. Terminal 5 Fuel System and EFSO Upgrades	$3,810,000
59. Terminal 5 Ticket Counter Baggage Scales	$780,000
60. Common-Use Jet-bridge, PC Air, 400 Hz Replacements – T5	$17,000,000
61. Guardbooth Replacement at Terminals	$3,678,300
62. Terminal 3 LL Sprinkler System Conversion from Wet to Dry System	$5,511,159
63. T1 – Terminal and Concourse Storm Sewer Repairs; Roof Drains & Oil/Water Separators	$2,779,810
64. T3 – Terminal and Concourse Storm Sewer Repairs; Roof Drains & Oil/Water Separators	$2,779,810
65. T1 B/C Terminal Apron Level Exterior Repairs (Masonry, columns, walls)	$2,186,553
66. T3 G,H,K,L Term. Apron Level Exterior Repairs (Masonry, columns, walls)	$7,123,822
67. Terminal Apron Level Exterior Repairs (Masonry, columns, walls) – T5	$1,310,129
68. Terminal Apron Level Overhead Roll-up Door Replacement – T1 B&C	$1,626,760
69. Terminal Apron Level Overhead Roll-up Door Replacement – T3 G,H,K,L	$1,922,900
70. Terminal Apron Level Overhead Roll-up Door Replacement – T5	$808,020
71. Terminal Building ADA Improvements – T5	$871,000
72. Terminal Core Upper Level Expansion Joints	$6,968,000

73. Terminal Domestic Water Infrastructure Improvements T1, B, C	$3,335,772
74. Terminal Domestic Water Infrastructure Improvements T3, G, H, K, L	$4,051,581
75. Terminal Fiber and Comm. Infrastructure Improvements T5	$7,652,211
76. Common-Use Jet-bridge, PC Air, 400 Hz Replacements	$10,630,500
77. Terrazzo Replacement in Concourse G, H & K	$23,115,000
78. T3 New Concessions/Freight Elevator – Design & Construction	$1,340,000
79. Rotunda Renovations	$28,194,201
80. T1 Exterior Emergency Stairwell Removal & Replacement	$1,270,320
81. T3 Exterior Emergency Stairwell Removal & Replacement	$1,143,288
82. T5 BAS & Fire Alarm System Controls Upgrades	$7,956,250
83. T5 Common & Maintenance Area LED Lighting Upgrades	$1,920,220
84. Concourse C Ramp Level Ceiling Replacement Drive Aisles	$7,754,547
85. Fire Alarm System Replacements – Design & Construction	$1,507,830
86. T5 HVAC Equipment & Controls Replacements & Upgrades	$46,351,721
87. G,H/K & L Concourse Window, Gasket, and Panel Replacement	$5,360,000
88. Concourse B & C Holdroom Architectural Renovations	$30,966,382
89. Concourse G Holdroom Architectural Renovations	$7,249,145
90. Concourse H/K Holdroom Architectural Renovations	$25,169,957
91. Concourse G Public Area Architectural Renovations	$10,118,340

92. T3 LL Metal Pan Ceiling Replacement Drive Aisles	$2,117,200
93. T3 G,H,K & L Roof Repairs	$20,877,602
94. T5 Curtainwall Repairs & Replacement – Design & Construction	$12,096,073
95. T5 Power Distribution Panels & Switchgear Upgrades & Recertification	$11,111,009
96. T5 Architectural Renovations – Public Areas and Holdrooms	$37,965,416

Notes: Costs are in 2017 dollars.

1. **PROJECT NAME: Leak Repairs to Concourse B & C Pedestrian Tunnel - Construction**

PROJECT ACTIVITY: Construction

SCOPE: The proposed scope of work consists of repairing water infiltration in the pedestrian tunnel between concourses B and C and taxiway pavement. A Task Order Services Agreement has been issued to investigate, analyze and conceptually propose a design solution to various impacted areas of improvement. Design solutions may include the following elements: expansion joint replacement, tunnel waterproofing membrane, apron pavement restoration, storm sewer pipe lining, surface and subsurface drainage improvements, leak mitigation systems, dewatering pumps, and other items that were identified during the investigation of the tunnel system. Construction bid documents will be prepared for the system improvements.

The scope of this project is to affect the changes recommended in the design and investigation phases. The apron pavement replacement, assumed at up to 50,000 square yards, will be coordinated to minimize impacts to the operation.

Design for this project was funded in 2017 and is underway under the CDA Project H1170.16.00.

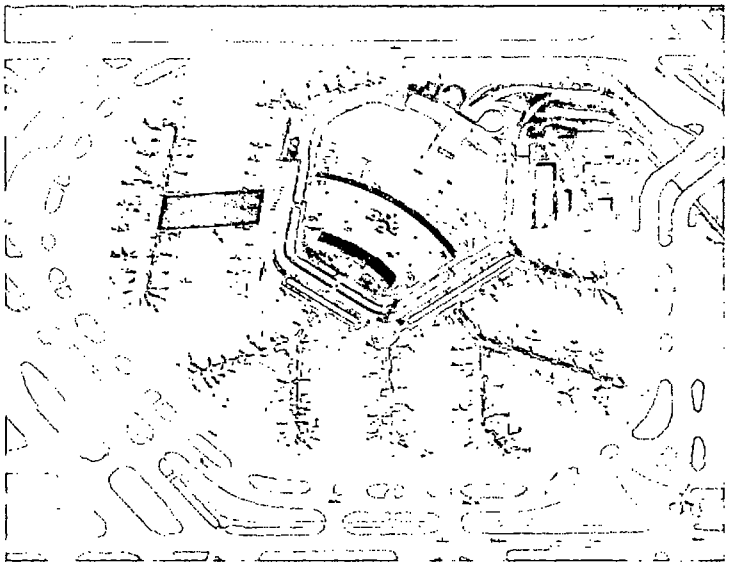
START AND END DATE: 2018 - 2021

TOTAL ESTIMATED PROJECT COST: $ 25,110,250

- Construction Cost: $19,850,000
- Soft Cost + Contingency: $ 5,260,250

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $25,110,250

COST CENTER: AIRFIELD



2. **PROJECT NAME: Runway 4L-22R Partial Reconstruction - Construction**

PROJECT ACTIVITY: ***Construction***

SCOPE: This project consists of the construction implementation of the rehabilitation of Runway 4L-22R. The construction work scope will consist of pavement removal and replacement of the existing runway surface, striping, grooving, and LED edge lighting. Concrete pavement will be placed north of future Runway 9C-27C with a bituminous overlay south of Taxiway Echo. This project will be coordinated with the Runway 9C/27C project to minimize impact to the airfield operations.

To mitigate the current FAA hot spot, Taxiway Alpha 2 will be demolished, and the area restored as infield as part of this project or potentially as a separate project. The FAA has indicated this demolition scope will be grant eligible in which case the funding will be reduced accordingly.

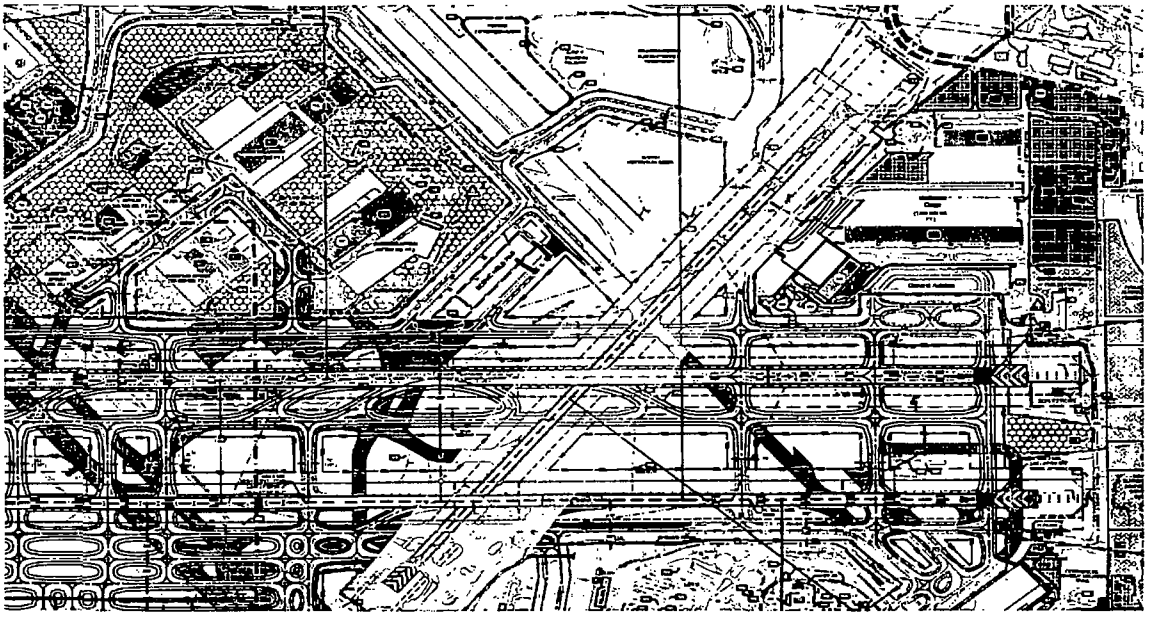
START AND END DATE: 2018 - 2020

TOTAL ESTIMATED PROJECT COST: $ 29,276,581

- Construction Cost: $ 21,848,195
- Soft Cost + Contingency: $ 7,428,386

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $29,276,581

COST CENTER: AIRFIELD



3. **PROJECT NAME: Runway 4R-22L Rehabilitation**

PROJECT ACTIVITY: Design and Construction

SCOPE: This project consists of the design and construction of the rehabilitation of Runway 4R-22L and adjacent taxiways. The construction scope will include pavement removal and replacement of the existing runway surface as well as the necessary striping, grooving and LED lighting installation.

The estimated cost is based on 148,000 SY of three (3) inch mill and overlay. The work area includes portions of Taxiway D and Taxiway Y5 within the Runway Object Free Area (OFA).

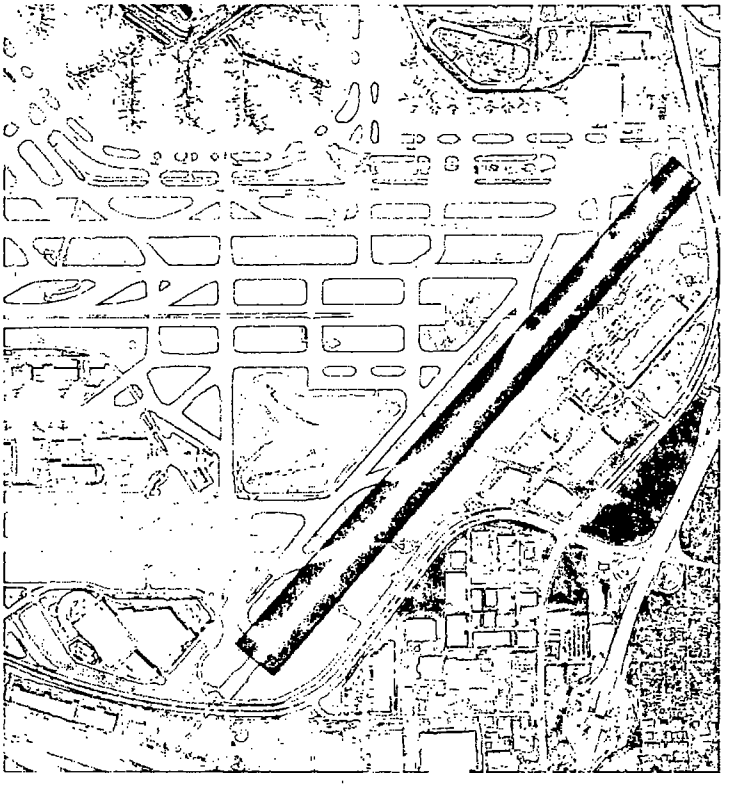
START AND END DATES: 2019 - 2020

TOTAL ESTIMATED PROJECT COST: $ 20,405,000

- Construction Cost: $ 15,400,000
- Soft Cost + Contingency: $ 5,005,000

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 20,405,000

COST CENTER: AIRFIELD



4. PROJECT NAME: Airport Maintenance Center (AMC) Building Renovations

PROJECT ACTIVITY: Design and Construction

SCOPE: The scope of work includes renovations to the existing AMC building which is currently not code compliant. Items to be addressed include carbon monoxide sensors, exhaust fans and dampers, oil and hazmat storage upgrades, battery room upgrades, and various ADA and CFD Code issues throughout the facility.

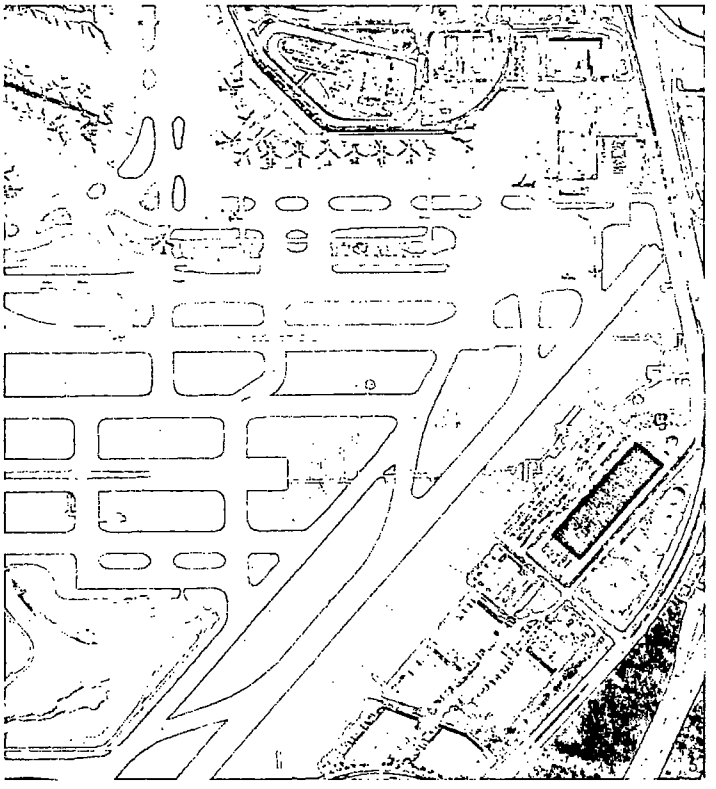
START AND END DATE: 2021 - 2022

TOTAL ESTIMATED PROJECT COST: $ 6,700,000

- Construction Cost: $ 5,000,000
- Soft Cost + Contingency: $ 1,700,000

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 6,700,000

COST CENTER: AIRFIELD



5. PROJECT NAME: RUNWAY 9R-27L (2022) Rehabilitation

PROJECT ACTIVITY: Design and Construction

SCOPE: This project consists of the design and construction of the comprehensive maintenance of Runway 9R-27L and adjacent taxiways. The construction scope will include a three (3) inch mill and overlay of the existing runway surface, along with the necessary striping, grooving and lighting adjustments. Work will be coordinated with airfield operations.

The cost estimate is based on 172,000 SY of milling and overlay.

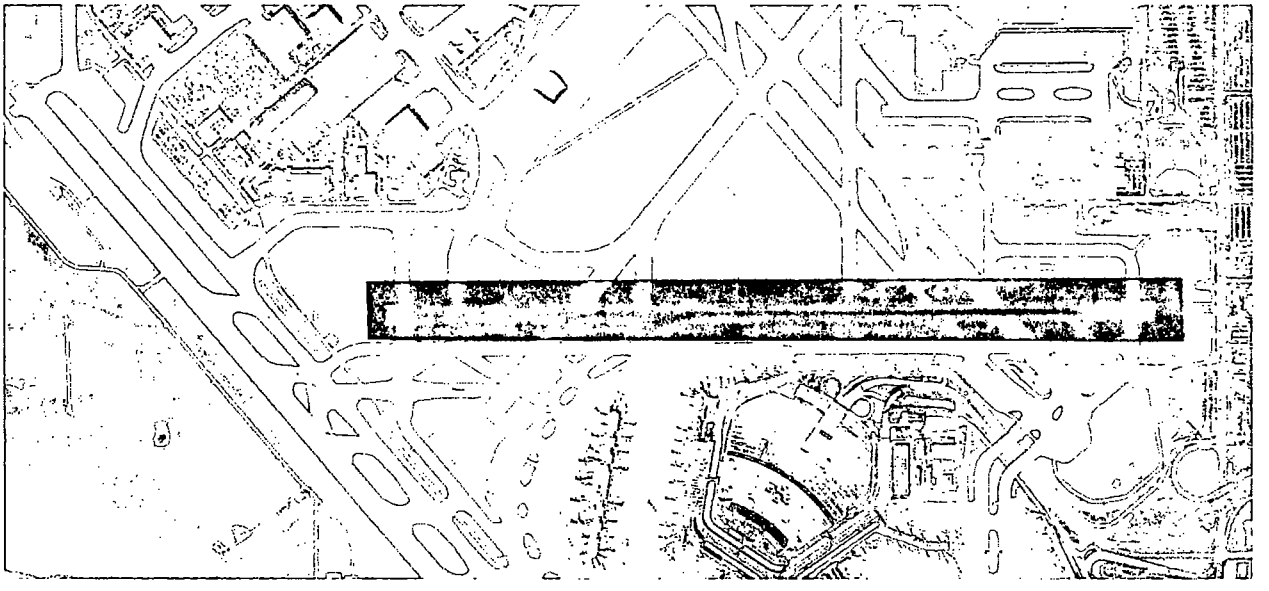
START AND END DATE: 2020 - 2021

TOTAL ESTIMATED PROJECT COST: $ 23,227,623

- Construction Cost: $18,656,725
- Soft Cost + Contingency: $ 4,570,898

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 23,227,623

COST CENTER: AIRFIELD



6. PROJECT NAME: Taxiway LL Phase 2 Extension

PROJECT ACTIVITY: Design and Construction

SCOPE: The Phase 2 portion of Taxiway LL consists of constructing new pavement to extend Taxiway LL between Taxiway EE and Taxiway Y. Also included in the scope of work is the relocation of Taxiway N to previously constructed pavement to the south and installing new airfield lighting and marking, demolishing existing Taxiway N pavement and constructing new shoulders where necessary. These improvements will enhance future airfield operations. The project will construct new ADG V Taxiways LL on the south-east airfield north of Runway 10L-28R between Domestic and International concourse facilities. The project has been divided into two (2) phases. Phase 1 was completed August 2016. The remaining Taxiway LL Phase 2 work is defined by the improvements east of Taxiway ZV realigning Taxiway M. This will require the relocation of the Super Fuel Satellite and the associated fuel piping. The fuel work is not included in this project but is described in other Pre-Approved Projects. Estimated work quantities include 42,200 SY of new taxiway pavement and 44,200 SY of existing taxiway pavement conversion (widen for future use). Construction work will be coordinated with airfield operations.

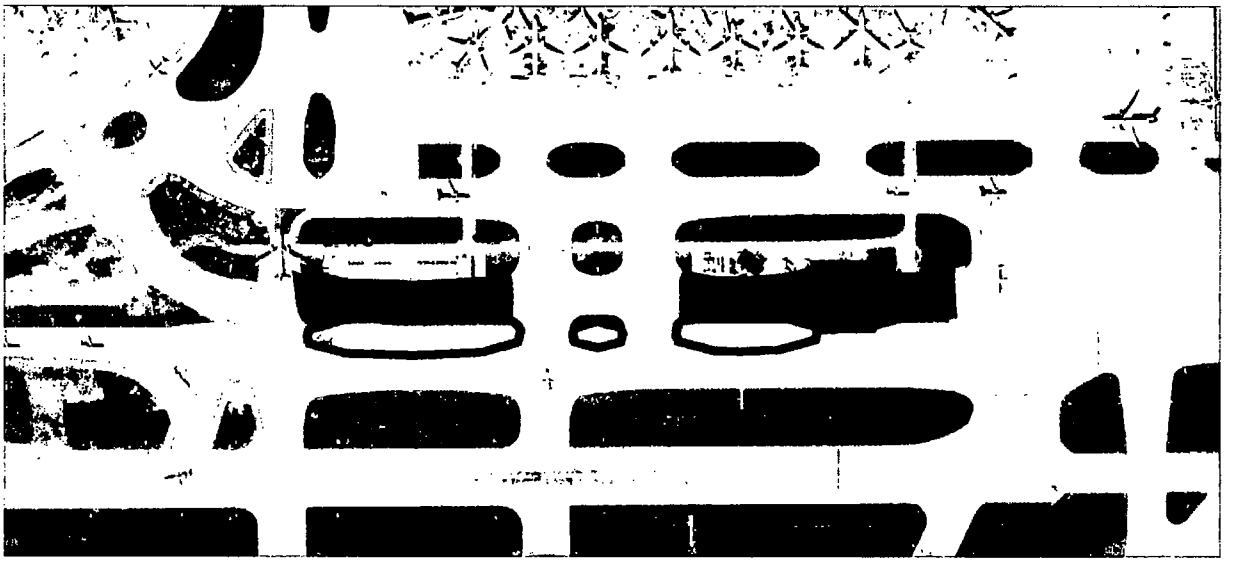
START AND END DATES: 2022 - 2023

TOTAL ESTIMATED PROJECT COST: $ 51,827,250

- Construction Cost: $ 36,370,000
- Soft Cost + Contingency: $ 15,457,250

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 51,827,250

COST CENTER: AIRFIELD



7. PROJECT NAME: Runway 10L-28R (2023) Rehabilitation

PROJECT ACTIVITY: Design and Construction

SCOPE: Runway 10L-28R will require a three (3) mill and overlay in 2023 to maintain reliable, operational pavement. Work will include the design and construction of the milling, asphalt overlay, pavement grooving, lighting adjustments, and markings of approximately 188,000 SY of the runway and taxiways within the Runway Safety Area (RSA). Work will be restricted to bituminous asphalt pavements. Construction work will be scheduled to comply with airfield operational requirements.

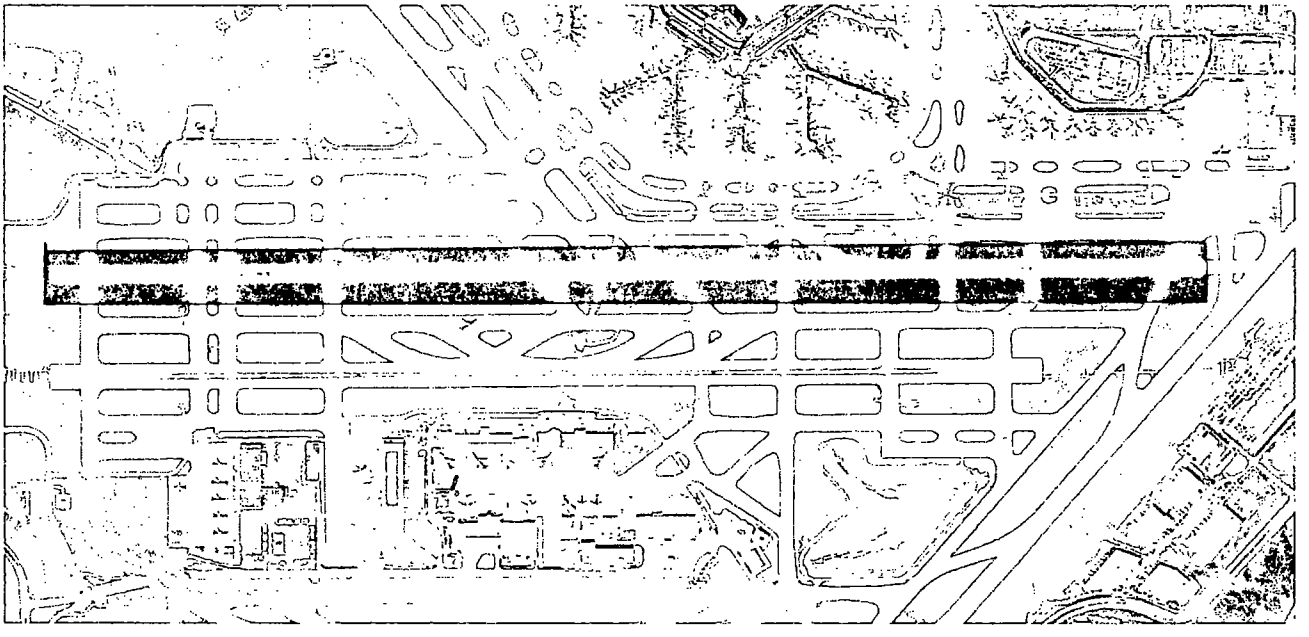
START AND END DATE: 2022 - 2023

TOTAL ESTIMATED PROJECT COST: $24,860,038

- Construction Cost: $ 19,967,902
- Soft Cost + Contingency: $ 4,892,136

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 24,860,038

COST CENTER: AIRFIELD



8. PROJECT NAME: Runway 9R-27L Extension

PROJECT ACTIVITY: Final Design and Construction

SCOPE: The project scope consists of extending the existing Runway 9R-27L by 3,593 feet to the west, relocation of the 27R threshold to meet FAA Runway Safety Area (RSA) requirements and construction of the associated taxiway system. This extension is the final runway element of the O'Hare Modernization Program. The work includes all site work, earthwork, drainage and grading, pavements, lighting and signage, and navigational and landing equipment. Work also includes construction of three (3) exit taxiways immediately east of the extension.

Construction will be coordinated with airfield operations and FAA. The existing runway will have to be closed during a portion of the construction duration.

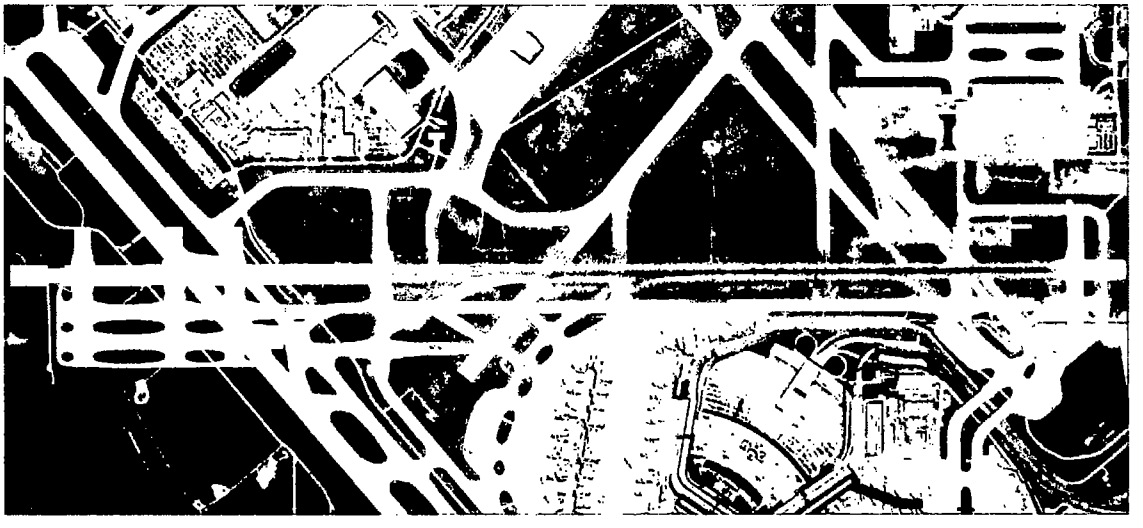
START AND END DATE: 2019 - 2021

TOTAL ESTIMATED PROJECT COST: $ 334,442,520

- Construction Cost: $ 242,601,153
- Soft Cost + Contingency: $ 91,841,367

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $334,442,520

COST CENTER: AIRFIELD



9. PROJECT NAME: Bravo Hold Pad Reconfiguration – Aircraft Hold-pad Construction

PROJECT ACTIVITY: Design and Construction

SCOPE: This project is the second phase and includes conversion of the Employee Parking Lot constructed at the Bravo Hold Pad location into an aircraft rated Hold Pad. This scope includes variable depth mill, selective pavement removal, and completion of a full depth aircraft rated pavement section. Drainage structure adjustments, lighting, pavement markings and removal of the parking and access control equipment are included in this scope. Also included is the construction of an area for GSE Storage, Snow equipment, and other Maintenance Vehicles.

In 2017, the CDA proposed the development of an employee parking lot along the south side of the Bravo Hold Pad. This is a phased development with the first phase serving as an airline employee facility and ultimately, the construction of an aircraft holding area. Included in this project, are several improvements to Bessie Coleman Drive and the addition of a Guard Post or checkpoint to accommodate multiple movements at the current intersection with the Commercial Vehicle lot and to accommodate the expected traffic resulting from the relocation of airline employee parking.

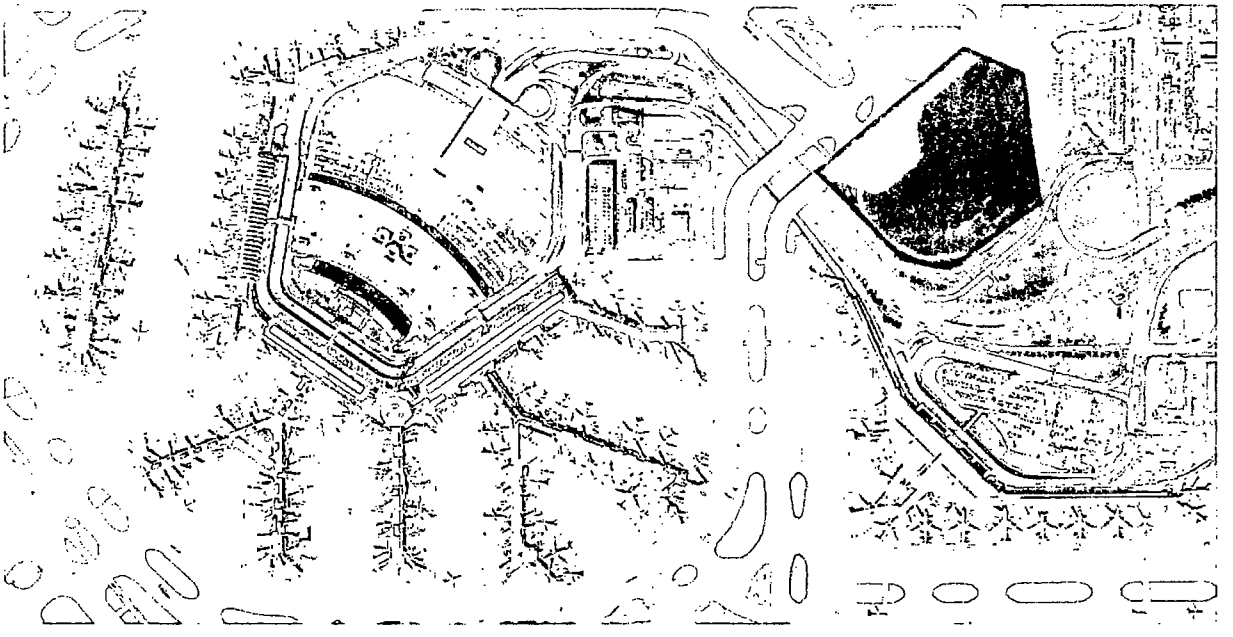
START AND END DATE: 2024 - 2025

TOTAL ESTIMATED PROJECT COST: $ 38,850,000

- Construction Cost: $ 30,000,000
- Soft Cost + Contingency: $ 8,850,000

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 38,850,000

COST CENTER: AIRFIELD



10. PROJECT NAME: Taxiway A/B Relocation, Phase 2

PROJECT ACTIVITY: Design and Construction

SCOPE: Phase 2 of the Taxiway A/B Relocation program will be an east-west connector between Phase 1 of the Taxiway A/B program and the terminal core area just west of Concourse C. This connector, once completed, will provide for enhanced aircraft movements between the airfield and the terminal core area. Work will include the design and construction of approximately 122,200 SY of new taxiway pavement, the removal of existing pavements, utilities to support the taxiway, grading and sub base improvements, lighting, signage, markings, and restoration work. Construction will be coordinated with airfield operations and the FAA.

START AND END DATES: Design 2018-2019 / Construction 2020-2021

TOTAL ESTIMATED PROJECT COST: $ 87,067,500

- Construction Cost: $ 61,100,000
- Soft Cost + Contingency: $ 25,967,500

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $87,067,500

COST CENTER: AIRFIELD

11. PROJECT NAME: Infrastructure Asset Tagging Program

PROJECT ACTIVITY: Planning and Implementation

SCOPE: The CDA will develop a tagging program for facilities and equipment at the Airport. This tagging program will be used to support the creation of a data base that will identify the types and locations of the equipment and other infrastructure components of selected Airport systems. This tagging program will include the major systems on the Airport. CDA may contract with a consultant to assist with this project. Costs associated with this project will be primarily for planning, inventorying equipment, and installing a system (tags) to identify the various equipment components. This project represents only a two-year startup phase. Additional capital and O&M will be required to support this project after the startup phase.

START AND END DATE: 2018 - 2019

TOTAL ESTIMATED PROJECT COST: $ 5,000,000

- Construction Cost: $ 0
- Soft Cost + Contingency: $ 5,000,000

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $5,000,000

COST CENTER: INDIRECT COST POOL

12. PROJECT NAME: Airport Geographic Information System (GIS)

PROJECT ACTIVITY: Planning and System Development

SCOPE: Development of a GIS program will support the long-term planning, design, construction, and asset management activities at the Airport. A GIS program will provide a standard platform for identifying, locating, and managing the various infrastructure systems and equipment at the Airport. The Airport GIS Manager will oversee the acquisition of hardware and software required to implement an Airport wide GIS for existing facilities as well as future ones to be designed and constructed. The scope will also include compiling and inputting existing information into the GIS. This information will include electronic asbuilts, surveys, and inventories conducted as part of the Airport Wide Asset Management System and Infrastructure Asset Tagging projects. CDA may hire a consultant to assist with this project. This project represents only a two-year startup phase. Additional capital and O&M will be required to support this project after the startup phase.

START AND END DATE: 2018 - 2020

TOTAL ESTIMATED PROJECT COST: $ 5,000,000

- Construction Cost: $ 0
- Soft Cost + Contingency: $ 5,000,000

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $5,000,000

COST CENTER: INDIRECT COST POOL

13. PROJECT NAME: Airport Wide Asset Management System

PROJECT ACTIVITY: Planning and Implementation

SCOPE: This project will plan and implement an airport wide asset management program. The program will include GIS based asset management software application as well as the framework for future enhancements. The initial implementation will focus on the automation of work order/service requests for facilities as well as life cycle analysis, inventory management and capital expense forecasting. Gradually, other user groups (airside ops, landside ops, terminal support, safety and security, real estate/revenue) will be incorporated with their own process specific asset management software modules. This project has 3 phases: 1) planning - creating a vision and selecting a solution; 2) implementation – launch and engage users; 3) enhancement – improve application and add additional users. This project represents only a two-year startup phase. Additional capital and O&M will be required to support this project after the startup phase.

START AND END DATE: 2019 - 2021

TOTAL ESTIMATED PROJECT COST: $ 8,000,000

- Construction Cost: $ 0
- Soft Cost + Contingency: $ 8,000,000

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $8,000,000

COST CENTER: INDIRECT COST POOL

14. PROJECT NAME: 202.2A West Pump Pad Improvements

PROJECT ACTIVITY: Design and Construction

SCOPE: The scope of this project consists of replacing 6-1,000-gpm / 150-hp constant speed centrifugal pumps (and concrete pads) and related vertical filter separators, valves, meters, gauges, probes, conduit, wiring, grounding and miscellaneous equipment, necessary to support growth, reconfiguration and planned expansion of the airport. This project will also add a new fire suppression system to the west pump pad. Demolition and disposal of existing components and related product and soils may be necessary and will be executed in accordance with governing Federal, State and Local Protocols and Laws. All project administration, construction and construction supervision will be performed under the jurisdiction of the O'Hare Fuel Committee (OFC) in accordance with the Fuel Master Plan and Lease Agreement.

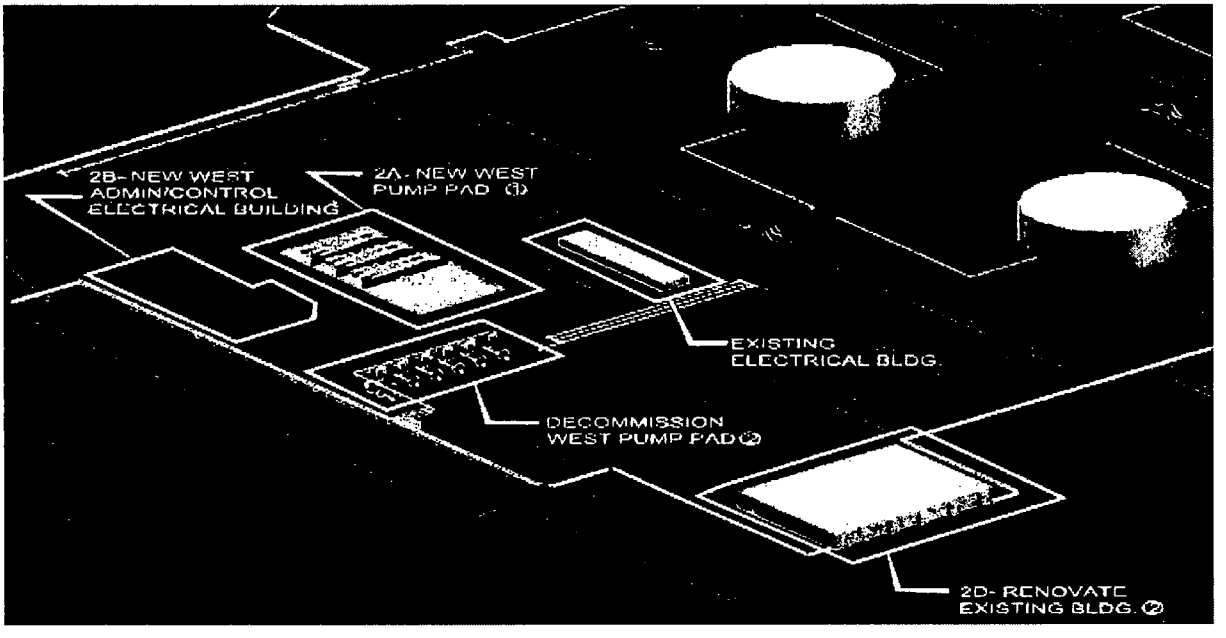
START AND END DATE: 2020 - 2021

TOTAL ESTIMATED PROJECT COST: $ 12,650,000

- Construction Cost: $ 10,773,000
- Soft Cost + Contingency: $ 1,877,000

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 12,650,000

COST CENTER: AIRFIELD



15. PROJECT NAME: 203.2C West Tank Farm Electrical & Control Upgrades

PROJECT ACTIVITY: Design and Construction

SCOPE: This project upgrades and replaces various electrical components and monitoring systems in both the east and west fuel farms to provide new integrated pump controls, an inventory management system and fire suppression system monitoring. The scope will include, but not be limited to ongoing re-programming of existing systems while new systems are constructed; upgrading emergency generator capability; providing conditioned air to the existing East Pump Farm electrical room; providing a centralized electrical distribution system within the Fuel Farm; replacing antiquated copper communication lines with reliable fiber-based systems within the farm itself, and from the farm to various monitoring points throughout the airport. The controls will also serve to combine the two existing pumping systems today into one single functioning system in the future. All project administration, construction and construction supervision will be performed under the jurisdiction of the O'Hare Fuel Committee (OFC) in accordance with the Fuel Master Plan and Lease Agreement.

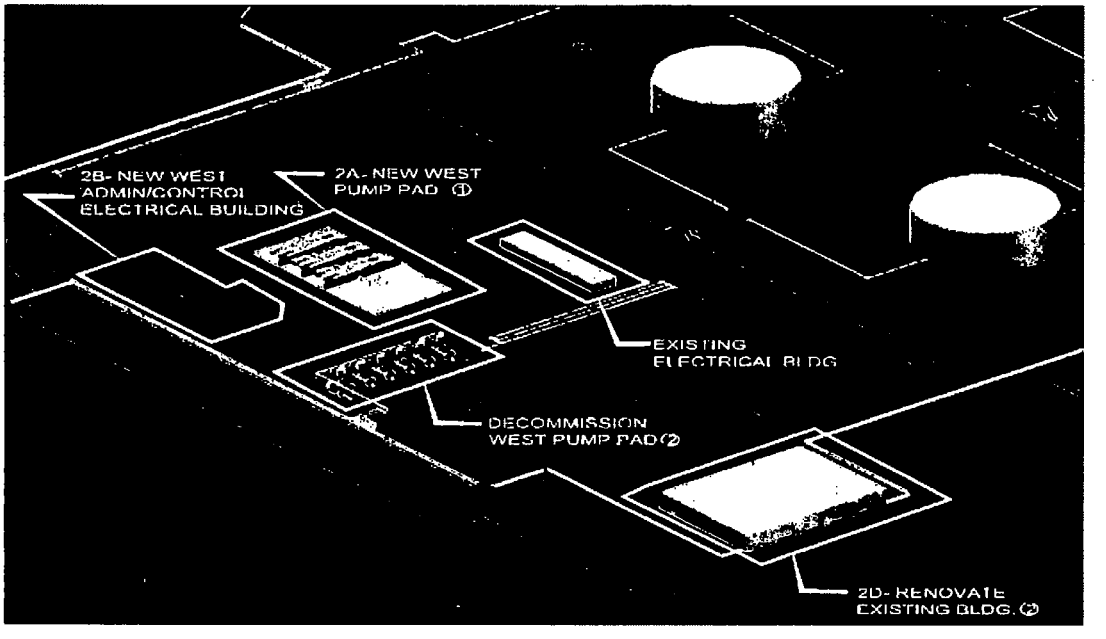
START AND END DATE: 2020 - 2021

TOTAL ESTIMATED PROJECT COST: $ 1,690,000

- Construction Cost: $ 1,431,675
- Soft Cost + Contingency: $ 258,325

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 1,690,000

COST CENTER: AIRFIELD



16. PROJECT NAME: 210.2E East Pump Pad Improvements

PROJECT ACTIVITY: Design and Construction

SCOPE: The existing East Fuel Farm operates independently from the West Fuel Farm and consists of two (2) twenty (24) inch fuel distribution mains, all of which serve Terminal 1. Located on the east pump pad, this project consists of replacing the pumps (and concrete pads) which currently sits in two (2) banks of seven (7), for a total of fourteen (14) 1,000 gpm / ISO hp constant speed centrifugal pumps. Pumps include related vertical filter separators, valves, meters, gauges, probes, conduit, wiring, grounding and miscellaneous equipment. Generator power upgrades will be included in this scope, along with providing conditioned air to the Generator/ Fire Pump Room. This project will also add a new fire suppression system, identical to the one for the west pump pad. Demolition and disposal of existing components and related product and soils may be necessary and will be executed in accordance with governing Federal, State and Local Protocols and laws. All project administration, construction and construction supervision will be performed under the jurisdiction of the O'Hare Fuel Committee (OFC) in accordance with the Fuel Master Plan and Lease Agreement.

START AND END DATE: 2020 - 2021

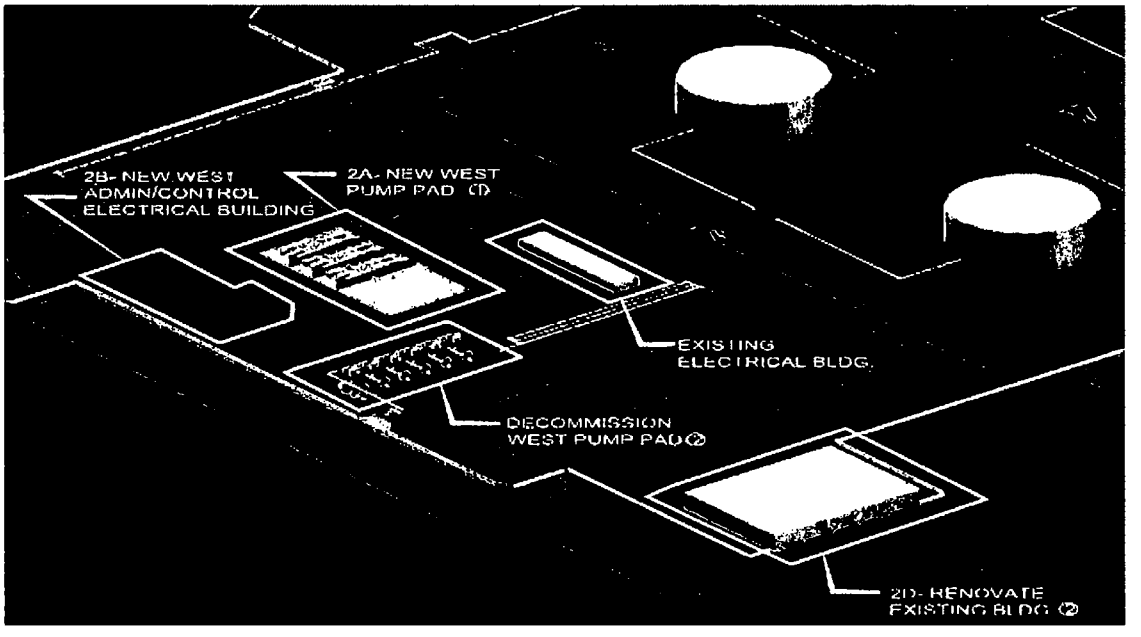
TOTAL ESTIMATED PROJECT COST: $ 7,100,000

- Construction Cost: $ 5,996,025
- Soft Cost + Contingency: $ 1,103,975

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 7,100,000

COST CENTER: AIRFIELD

Note: East Pump Pad will be located in proximity to West Pump Pad



17. PROJECT NAME: 2GDBF New West Administration Building & Other Facility Renovations

PROJECT ACTIVITY: Design and Construction

SCOPE: The scope of this project includes a new stand-alone 5,000 sf, two (2) story Administration Building that will house a state-of-the-art control room to monitor and operate both new and existing Fuel Farm Facilities, office space for administrative staff, combination conference / training room, restrooms and an electrical equipment room to support the new pump pads. The electrical equipment room will include new transformers, variable frequency drives (VFD's), motor starters and related pump support. The control room will feature state-of-the-art Programmable Logic Control (PLC) devices, an Uninterrupted Power Source (UPS) and related supporting components. The existing Maintenance and Administration Building will be re-purposed to serve solely as a maintenance building. The renovation will upgrade the maintenance bays, expand material and tool storage, provide maintenance manager offices, expand the break room, upgrade the locker area, painting and new flooring. All project administration, construction and construction supervision will be performed under the jurisdiction of the O'Hare Fuel Committee (OFC) in accordance with the Fuel Master Plan and Lease Agreement.

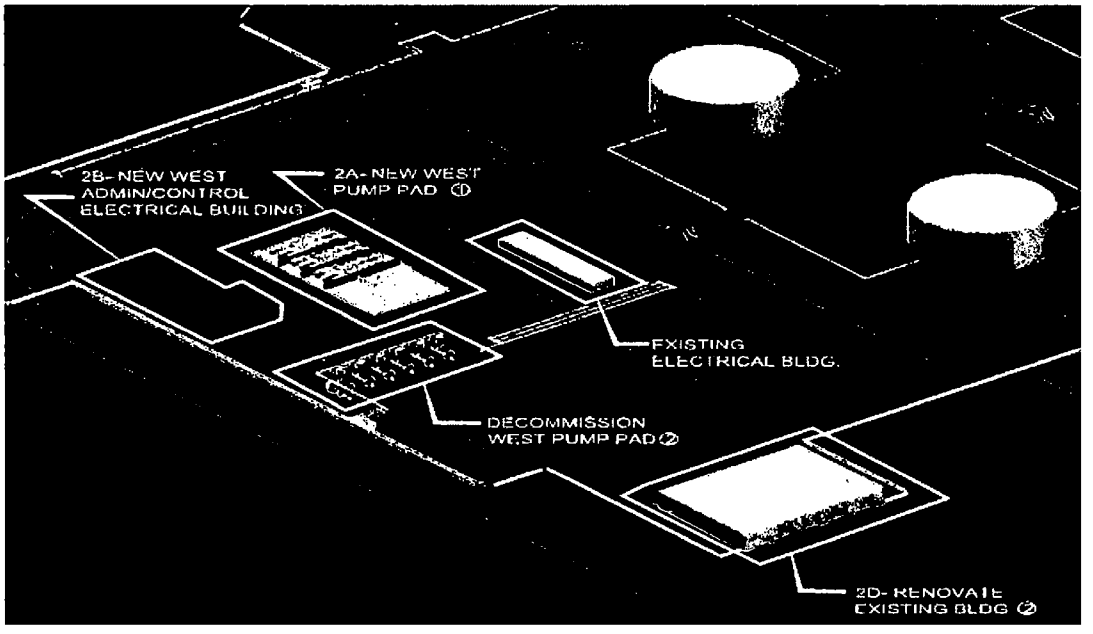
START AND END DATE: 2020 - 2021

TOTAL ESTIMATED PROJECT COST: $ 7,360,000

- Construction Cost: $ 6,262,515
- Soft Cost + Contingency: $ 1,097,485

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 7,360,000

COST CENTER: AIRFIELD



18. PROJECT NAME: 312.1B Truck Rack & Vehicle Fueling Facility

PROJECT ACTIVITY: Design and Construction

SCOPE: The new truck rack will be a multi-purpose facility, located adjacent to the proposed De-Icing Facility. The scope of the project includes a building, a jet fueling rack, and a Ground Service Equipment (GSE) re-fueling station. The building consists of a heated garage area, restrooms, a waiting area, an electrical room and a controls room, in support of the GSE and Jet-A fueling operation. The controls will include an inventory management system which will communicate with the existing Fuel Farm and provide the Farm with alerts in case of an alarm condition. With the exception of fiber and fuel, all utilities are brought to the site by the O'Hare Modernization Program. All storm drains will be directed to a 50,000 gallon underground Oil Water Separator (OWS). The site will have task lighting and cameras for safety and security. The site surface consists of eleven (11) inch thick concrete. The new facility includes four (4) Jet-A filling positions. Two 25,000 gallon underground fuel storage tanks are included; one (1) for gasoline and one (1) for diesel. All dispensing islands will have an Emergency Fuel Shut Off (EFSO) System. All project administration, construction and construction supervision will be performed under the jurisdiction of the O'Hare Fuel Committee (OFC) in accordance with the Fuel Master Plan and Lease Agreement.

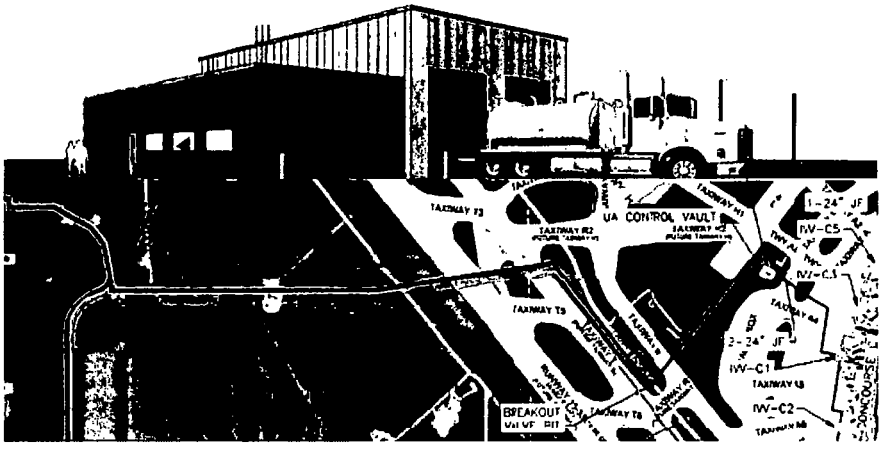
START AND END DATE: 2018 - 2019

TOTAL ESTIMATED PROJECT COST: $ 19,360,000

- Construction Cost: $ 16,576,000
- Soft Cost + Contingency: $ 2,784,000

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 19,360,000

COST CENTER: AIRFIELD



19. PROJECT NAME: 313.1C-2 Super Satellite Enabling & Decommissioning

PROJECT ACTIVITY: Design and Construction

SCOPE: The scope of this project includes connecting the two (2) twenty (20) inch lines that feed Concourses E/F, G, and H to the two (2) twenty (20) inch lines that feed the Concourse K/L and M bypass vaults being constructed in the Vault Modification Phase 1 project. Disconnecting existing ten (10) inch and sixteen (16) inch lines at the E/F vault is also necessary. Upon completion of the bypass, the scope of this work will include removing and disposing of eighteen (18) 50,000 gallon storage tanks, fuel product capture and disposal, soil remediation, and placement of specified backfill to support future taxiway construction. The scope of this project will plan to continue to feed the Truck Rack on an interim basis to support T5 hardstand fueling, to the extent possible, depending on the airport's development schedule. All project administration, construction and construction supervision will be performed under the jurisdiction of the O'Hare Fuel Committee (OFC) in accordance with the Fuel Master Plan and Lease Agreement.

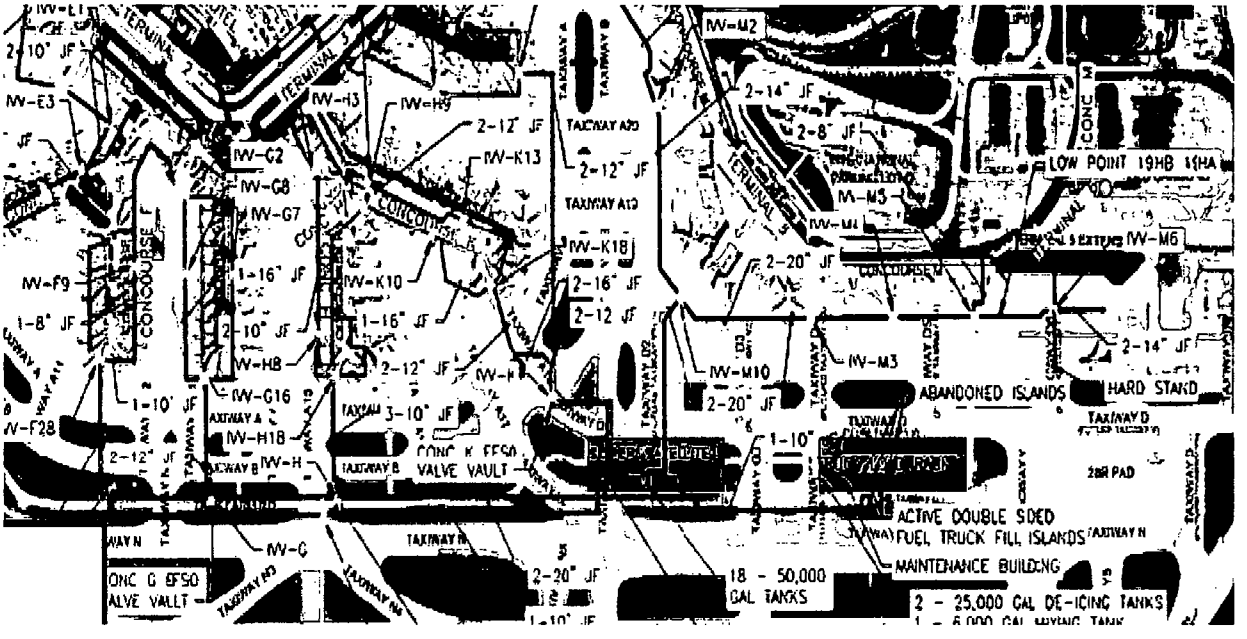
START AND END DATE: 2021 - 2022

TOTAL ESTIMATED PROJECT COST: $ 15,320,000

- Construction Cost: $ 13,041,000
- Soft Cost + Contingency: $ 2,279,000

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 15,320,000

COST CENTER: AIRFIELD



20. PROJECT NAME: 315.1A New South Transmission Mains

PROJECT ACTIVITY: Design and Construction

SCOPE: The project scope will consist of constructing two (2) twenty (20) inch transmission fuel mains, starting from the west airfield near the proposed Truck Fill Facility and traveling east toward the Terminal Core to an existing valve vault along the service road, south of Concourse G. The scope will include seamless single wall piping, coatings, protective backfill materials, isolation valve vaults, high point vents, low point drains, leak detection and cathodic protection systems. Installation methods will be by direct bury and horizontal directional drilling. The scope will include new pipe tie-ins to existing piping near Concourse G and at the existing Super Satellite, along with system flushing, testing and commissioning. Upon successful tie-in of the new transmission mains, existing mains will be nitrogen filled and left in place for the most part; smaller segments of piping will be removed; other segments will be left in place and grout filled. Existing break out and isolation valve vaults will be demolished. All project administration, construction and construction supervision will be performed under the jurisdiction of the O'Hare Fuel Committee (OFC) in accordance with the Fuel Master Plan and Lease Agreement.

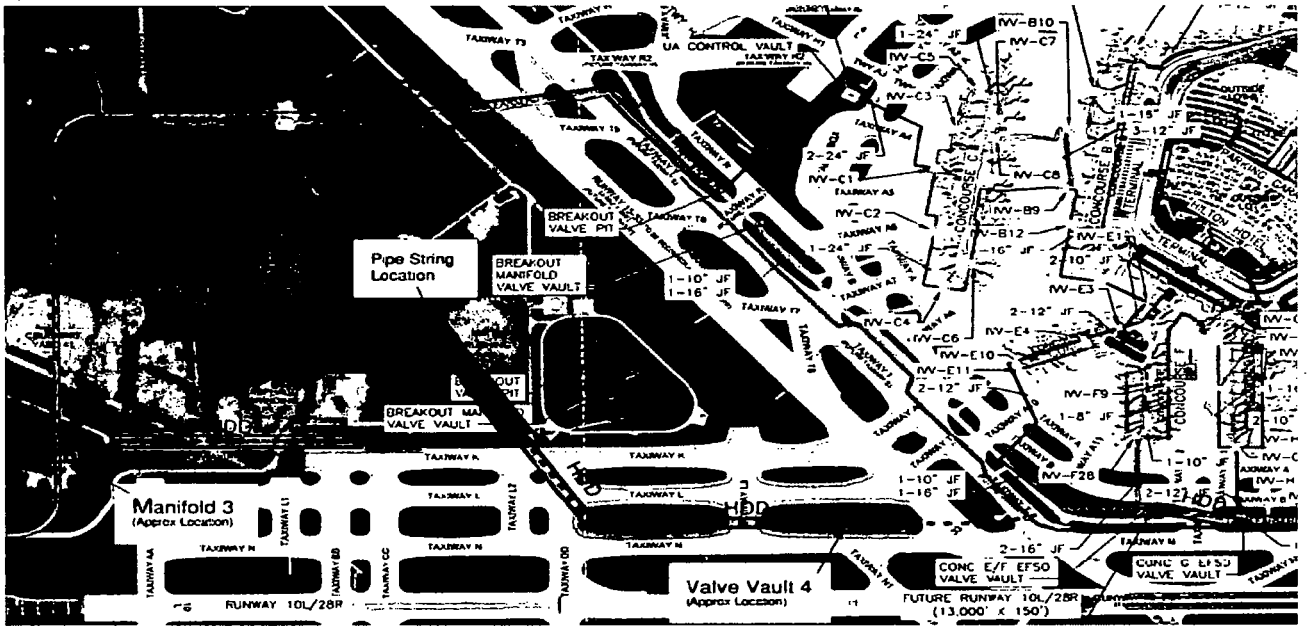
START AND END DATE: 2018 - 2020

TOTAL ESTIMATED PROJECT COST: $ 46,130,000

- Construction Cost: $ 39,290,265
- Soft Cost + Contingency: $ 6,839,735

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 46,130,000

COST CENTER: AIRFIELD



21. PROJECT NAME: 314.1E.1 Vault Mods, EFSO and Related

PROJECT ACTIVITY: Design and Construction

SCOPE: A portion of the Fuel System Master Plan (2014) took into consideration fuel vault improvements (including hydrant areas) and leak detection requirements for the fuel system to be compliant with 2015 Federal UST Regulations. In total, the fuel system is divided into twenty-six (26) segments for semi-annual leak detection testing. The Phase 2 scope includes the remaining segments not included in Phase 1 funding - West and East Tank Farm suction piping (Segments 1 through 4) and Concourse E/F (Segments 22 and 23). The work includes new or rehabilitated concrete vaults and pits, surrounding concrete pavement replacement, piping connections, related cathodic protection, EFSO valves, controls, and resultant disposal of contaminated soils and liquids, if necessary. All project administration, construction and construction supervision will be performed under the jurisdiction of the O'Hare Fuel Committee (OFC) in accordance with the Fuel Master Plan and Lease Agreement.

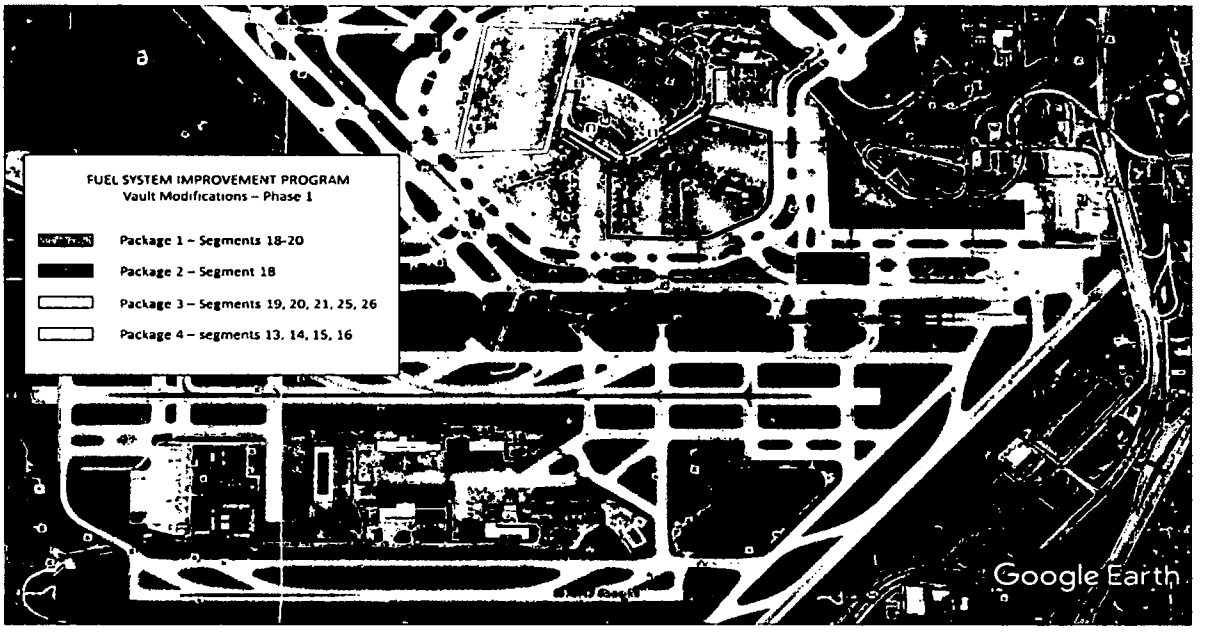
START AND END DATE: 2020 - 2021

TOTAL ESTIMATED PROJECT COST: $ 13,490,000

- Construction Cost: $ 11,481,750
- Soft Cost + Contingency: $ 2,008,250

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $13,490,000

COST CENTER: AIRFIELD



22. PROJECT NAME: Ring Tunnel Exhaust System, EM Haz gas, and smoke evac

PROJECT ACTIVITY: Design and Construction

SCOPE: The project consists of the design and construction to upgrade the existing exhaust fan system in the ring utility tunnel. The project will include, but not be limited to the following:

- Replace and upgrade of the two (2) existing exhaust North fans and the addition of two (2) new exhaust South fans.
- Upgrade and addition of new motorized intake dampers; new openings in existing shafts will be required.
- Replacement of the pneumatic controls with DDC Controls, with BACnet compatibility and linkage to the SMS for monitoring, alarming, and control.
- Install new DDC control system will include thermostats; pressure sensors; carbon monoxide, chlorides, hydrazine, and other gas sensors; all sensors will be interconnected with the Fire Alarm system.
- Upgrade of Fire Alarm devices which will include the installation of automatic door closers.
- Install a fire separation wall and door to T5, T3 L concourse.
- The new system will extract hazardous gases from the area to prevent any injuries or fatalities and provide the requisite ventilation.

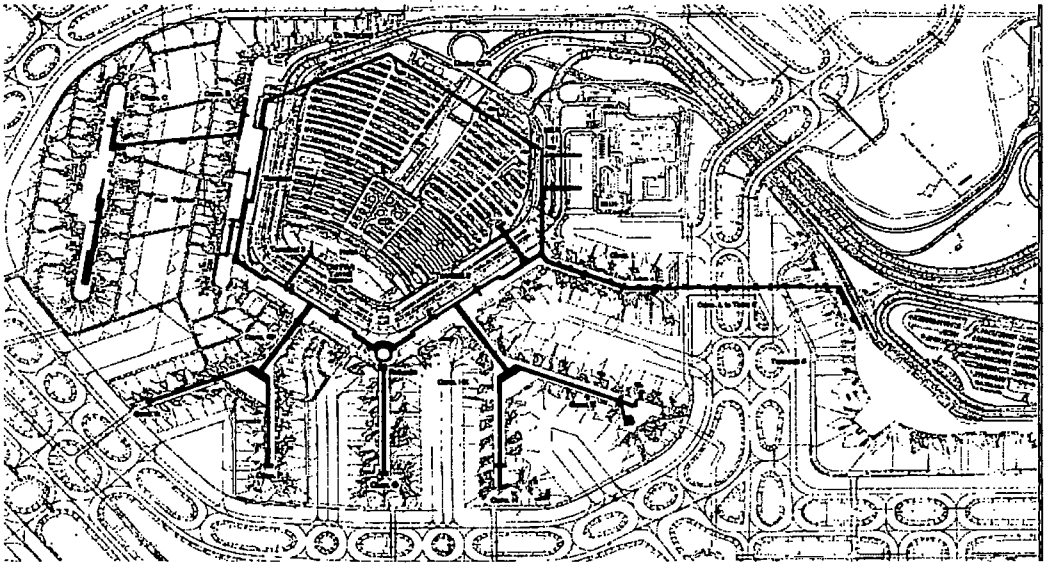
START AND END DATE: 2020 - 2021

TOTAL ESTIMATED PROJECT COST: $ 21,976,000

- Construction Cost: $ 16,400,000
- Soft Cost + Contingency: $ 5,576,000

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 21,976,000

COST CENTER: H&R COST POOL



23. PROJECT NAME: H&R Ventilation and Pressurization – Design & Construction

PROJECT ACTIVITY: Design and Construction

SCOPE: The project work scope consists of the design and construction of a ventilation and pressurization system to augment and replace parts of the existing H & R Building Ventilation Systems. The construction will include:

- The installation of an upgraded Ventilation Controls Systems to monitor control devices, sensors, detectors, and interlocks to optimize the operation of the ventilation system.
- The removal and replacement of twenty-three (23) existing roof Exhaust Fans (EF) and the installation of additional exhaust fans where design requires them. The installation will include upgraded controls.
- The removal and replacement of sixty-four (64) existing smoke vents and installation of operable dampers. The installation will include upgraded controls.
- The installation of pressure relief dampers and controls.
- The upgrade of existing Rooftop Air Handling Units (RTU) and the installation of additional RTU's in locations that require spot cooling.
- The installation of spot cooling systems for applicable temperature sensitive critical equipment.
- The construction of an enclosed air-conditioned "work-break" space for personnel.
- The installation of filters, insect screens, and bird screens on all outside ventilation air openings.

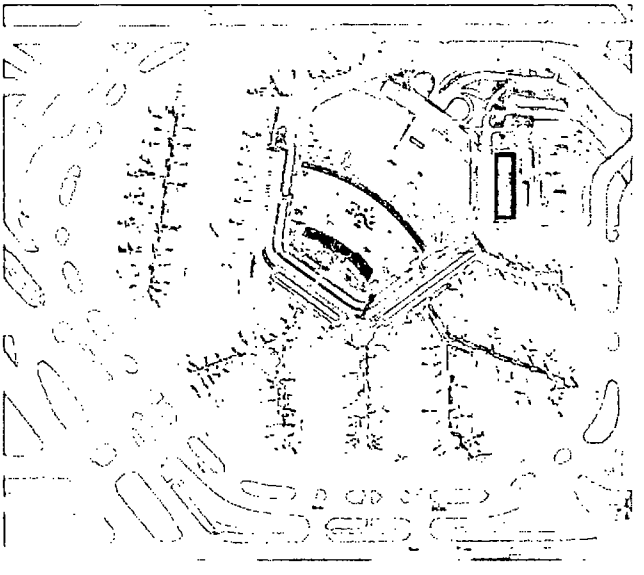
START AND END DATE: 2019 - 2020

TOTAL ESTIMATED PROJECT COST: $ 3,675,000

- Construction Cost: $ 3,000,000
- Soft Cost + Contingency: $ 675,000

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 3,675,000

COST CENTER: H&R COST POOL



24. PROJECT NAME: Ring Tunnel – Electrical and Lighting Infrastructure

PROJECT ACTIVITY: Design and Construction

SCOPE: The project work scope includes the replacement of approximately fifty (50) percent of the existing electrical and lighting infrastructure in the Ring Tunnel inclusive of cost saving LED lighting. The work will include the removal and replacement of conduit, wiring/cable, fixtures and Life Safety Improvements in approximately 196,000 SF of the entire 392,000 SF tunnel.

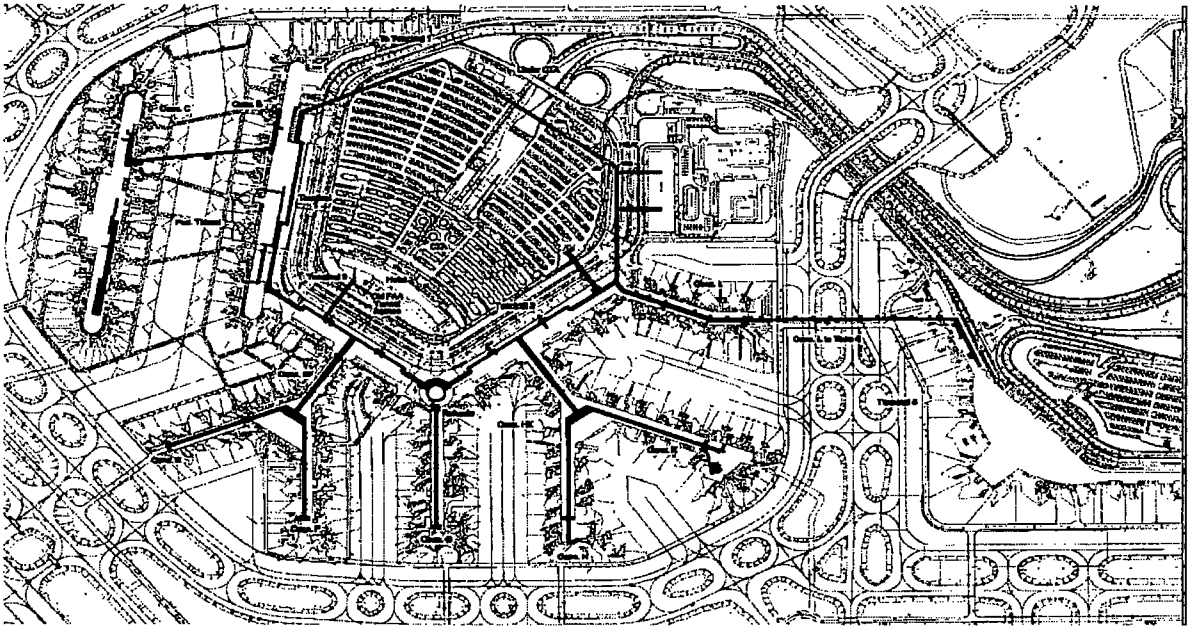
START AND END DATES: 2024 - 2025

TOTAL ESTIMATED PROJECT COST: $ 11,346,048

- Construction Cost: $ 8,467,200
- Soft Cost + Contingency: $ 2,878,848

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $11,346,048

COST CENTER: H&R COST POOL



25. PROJECT NAME: H&R Study Ph. 2 – Testing, Balancing, (TAB and Commissioning Reports)

PROJECT ACTIVITY: Investigation, Commissioning and Report

SCOPE: H&R Study Phase 2 will be conducted to provide empirical information based on the testing and balancing of the heating and cooling systems in the H&R Plant and the terminals. An existing system Commissioning Report will be issued upon completion. The Commissioning Agent (CxA) will develop a comprehensive building-operation plan (BOP) to accurately define the present-day requirements of the building and its ancillary systems. The plan which will incorporate the information from the Phase 1 Study in addition to the user's operation information. The CxA will prepare a commissioning plan for conducting the testing of all building systems to confirm correct operation and/or identify shortcomings. The testing will be conducted by a TAB Contractor and witnessed by the CxA. The resultant Commissioning Report will provide recommendations for immediate remedial work, equipment calibration, and repair or upgrade of systems found to be deficient during the testing process.

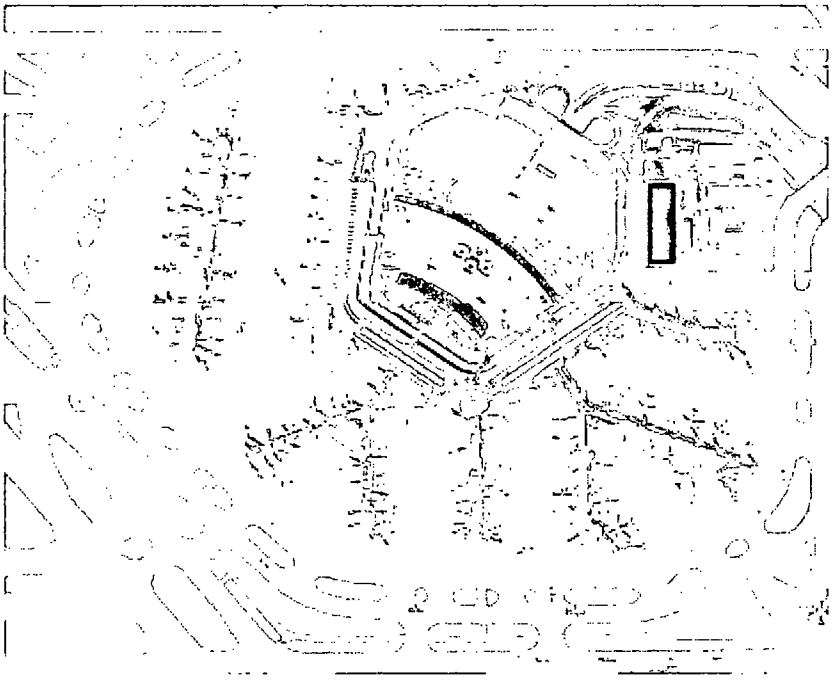
START AND END DATE: 2020 – 2021 – This will be scheduled based on the completion of ongoing improvements to the overall system.

TOTAL ESTIMATED PROJECT COST: $ 1,000,000

- Construction Cost: N/A
- Soft Cost + Contingency: $ 1,000,000

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 1,000,000

COST CENTER: H&R COST POOL



26. PROJECT NAME: Upgrade Domestic Water Converters in H&R and Ops Tower

PROJECT ACTIVITY: Design and Construction

SCOPE: The project consists of the design and construction to upgrade the existing domestic water converters in the H&R Plant and Ops Tower. Each domestic hot water system presently uses High Temperature Water (HTW) single-wall convertors to generate domestic hot water. Domestic hot water is stored in hot water storage tanks. The existing domestic hot water systems also include pumps, piping, and other ancillary devices. The system will be upgraded utilizing a combination of Low Temperature Water (LTW) to domestic hot water double-wall convertors and electric water heaters to generate domestic hot water.

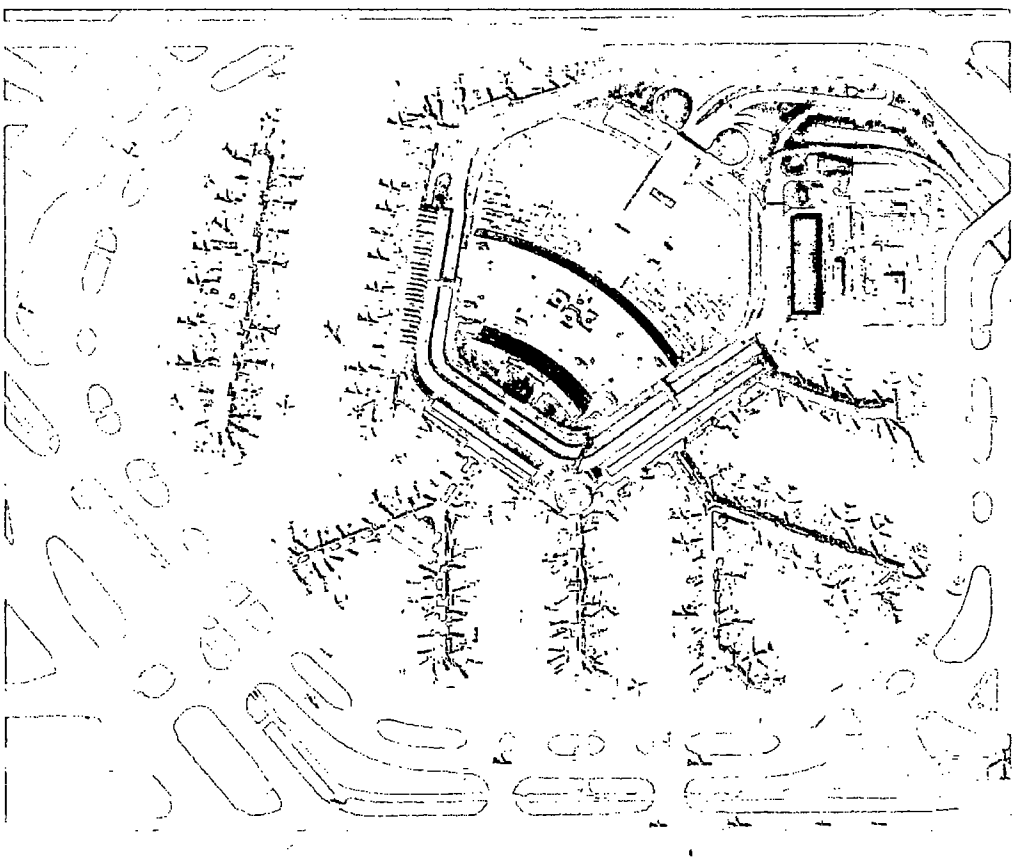
START AND END DATE: 2018 - 2019

TOTAL ESTIMATED PROJECT COST: $ 1,200,450

- Construction Cost: $ 906,000
- Soft Cost + Contingency: $ 294,450

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 1,200,450

COST CENTER: H&R COST POOL



27. PROJECT NAME: Comprehensive Sewer Televising Program

PROJECT ACTIVITY: Investigation and Report

SCOPE: The project scope of work includes televising a portion of the sanitary and storm sewer to identify issues with drainage throughout the airport that service O'Hare Terminals and Facilities.

The estimated cost is to televise 190,000 LF of the more than a million linear feet of sewer. The cost is expected to include the cost to monitor, evaluate and prepare recommendations for remediation.

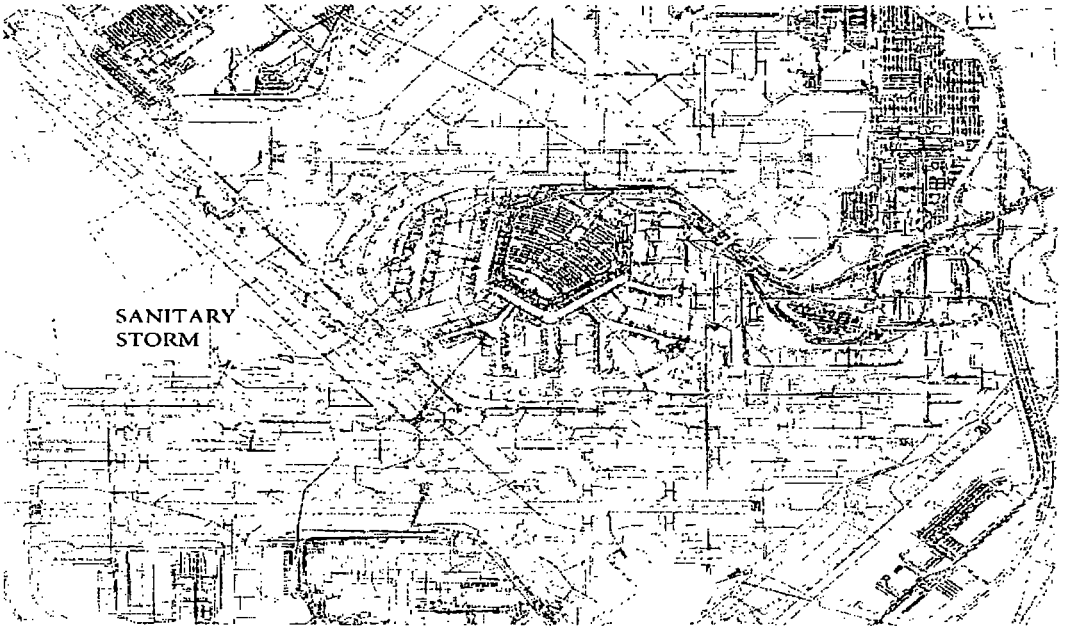
START AND END DATES: 2019 - 2020

TOTAL ESTIMATED PROJECT COST: $ 1,770,800

- Construction Cost: $ 1,520,000
- Soft Cost + Contingency: $ 250,800

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 1,770,800

COST CENTER: 50% TERMINAL / 50% INDIRECT COST POOL



28. PROJECT NAME: T1 & T3 Back-up Heat Exchanger Pump

PROJECT ACTIVITY: Design and Construction

SCOPE: The program consists of the design and construction of back-up heat exchanger systems for Terminal 1 and Terminal 3. Each terminal work scope will be performed in a separate phase. The designer shall evaluate the existing conditions and design replacements for the existing heat pumps and provide for back-up pumps. The work scope includes the design and installation of variable speed pumps, piping, valves, controls, control devices, sensors and electric power. Detailed calculations shall verify that the design will provide adequate pressure to distribute water throughout the existing systems.

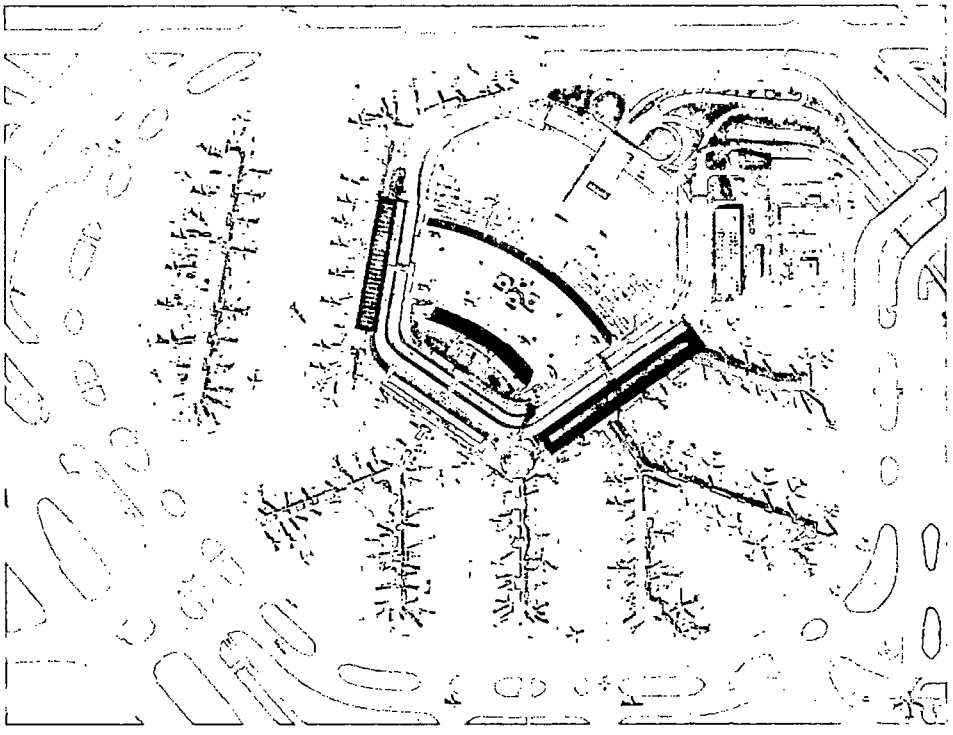
START AND END DATE: 2021 - 2022

TOTAL ESTIMATED PROJECT COST: $ 4,767,880

- Construction Cost: $ 3,598,400
- Soft Cost + Contingency: $ 1,169,480

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 4,767,880

COST CENTER: H&R COST POOL



29. PROJECT NAME: Sewer Main Lining - Construction

PROJECT ACTIVITY: Construction

SCOPE: The project scope of work includes lining segments of the sewer mains that were identified by the sewer televising project (Project No. 27).

Lining work will reduce inflow and infiltration and extend the useful life of the piping network.

The estimated cost is based on approximately 9,125 LF of sewer liner to be identified.

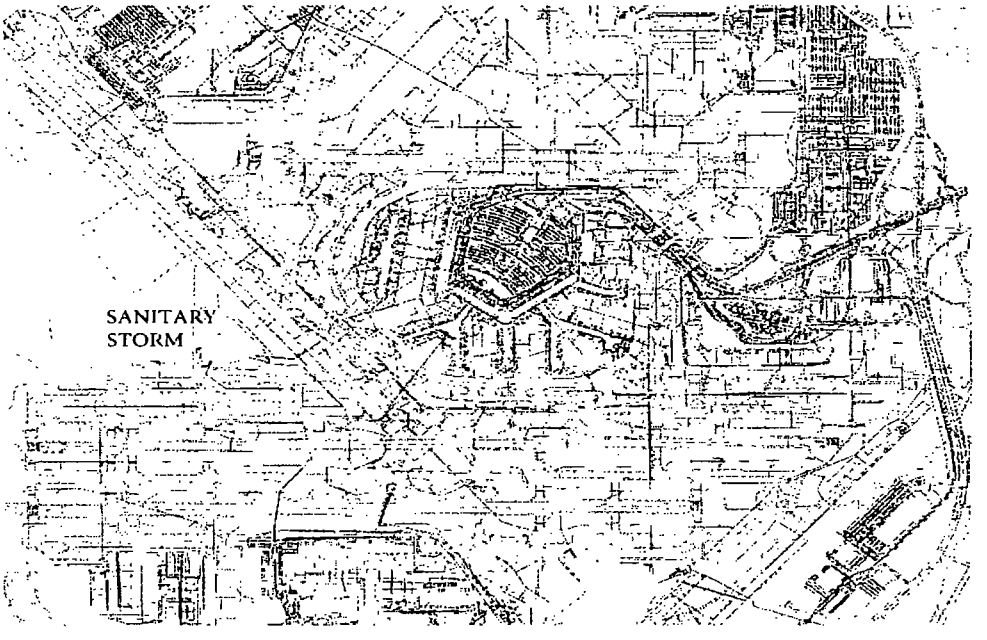
START AND END DATE: 2021 - 2022

TOTAL ESTIMATED PROJECT COST: $ 2,126,125

- Construction Cost: $ 1,825,000
- Soft Cost + Contingency: $ 301,125

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $2,126,125

COST CENTER: 50% TERMINAL / 50% INDIRECT COST POOL



30. PROJECT NAME: Fire Hydrant and Backflow Prevention Improvements

PROJECT ACTIVITY: Investigation, Design and Construction

SCOPE: The project will consist of improving both landside and airside domestic water quality by reducing the lengths of stagnant water lines leading to fire hydrants. This will be accomplished by utilizing the O'Hare GEM Water Model to determine where existing hydrants can be removed, relocated or looped back into the main. Areas of multiple hydrants out of code may require design of a separate fire main and backflow prevention to achieve the water quality requirements. This work will require coordination with ongoing interfacing projects.

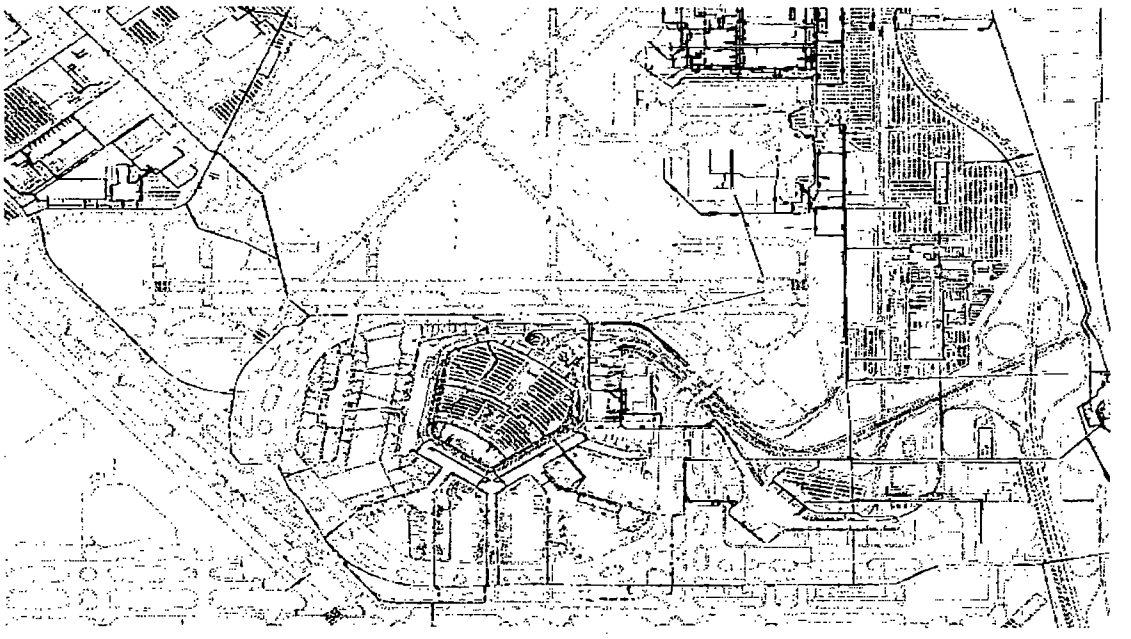
START AND END DATE: 2023 - 2032

TOTAL ESTIMATED PROJECT COST: $ 3,350,000

- Construction Cost: $ 2,500,000
- Soft Cost & Contingency: $ 850,000

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 3,350,000

COST CENTER: INDIRECT COST POOL



31. PROJECT NAME: Domestic Water Pump Control Upgrades at H&R

PROJECT ACTIVITY: Design and Construction

SCOPE: The Domestic Water Pump Control Upgrades project at the H&R requires the designer to evaluate the existing condition and provide a design to upgrade the existing Controls Systems. The project work scope requires the upgrade of the three (3) reservoirs, three (3) fill pumps & three (3) distribution pumps for Domestic Water Control Systems. The DWCS work scope includes the design and installation of variable speed pump controls, piping, automatic control valves, DDC controls, control devices, sensors, and electric power. Each system will be tested, adjusted, balanced and calibrated to efficiently distribute the systems flows based on upgrade design calculations.

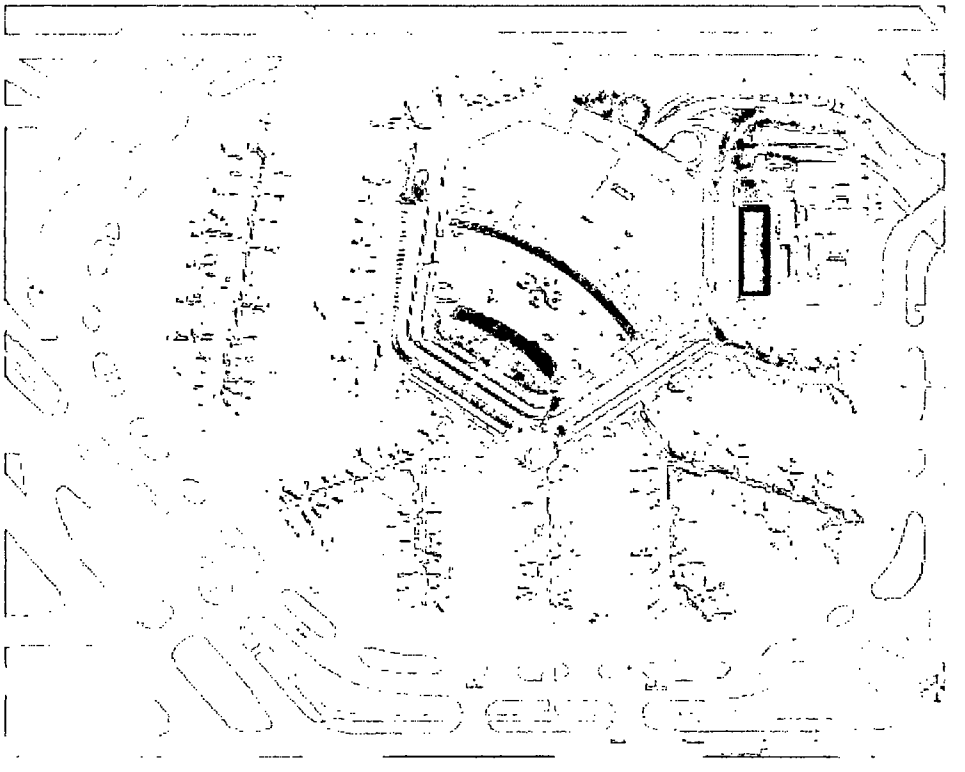
START AND END DATE: 2024

TOTAL ESTIMATED PROJECT COST: $ 1,428,440

- Construction Cost: $ 1,066,000
- Soft Cost + Contingency: $ 362,440

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 1,428,440

COST CENTER: H&R COST POOL



32. PROJECT NAME: Water Main Automatic Meter Readers Replacement

PROJECT ACTIVITY: Design and Construction

SCOPE: The project scope of work includes the installation or replacement of automatic water main meter reader systems at all water main connections that serve O'Hare Terminals and Facilities. Multiple locations have inadequate or missing readers, thereby allowing water usage to go unaccounted for. Updated meter reading systems will match demands with current water main infrastructure and provide a standard requirement for future upgrades.

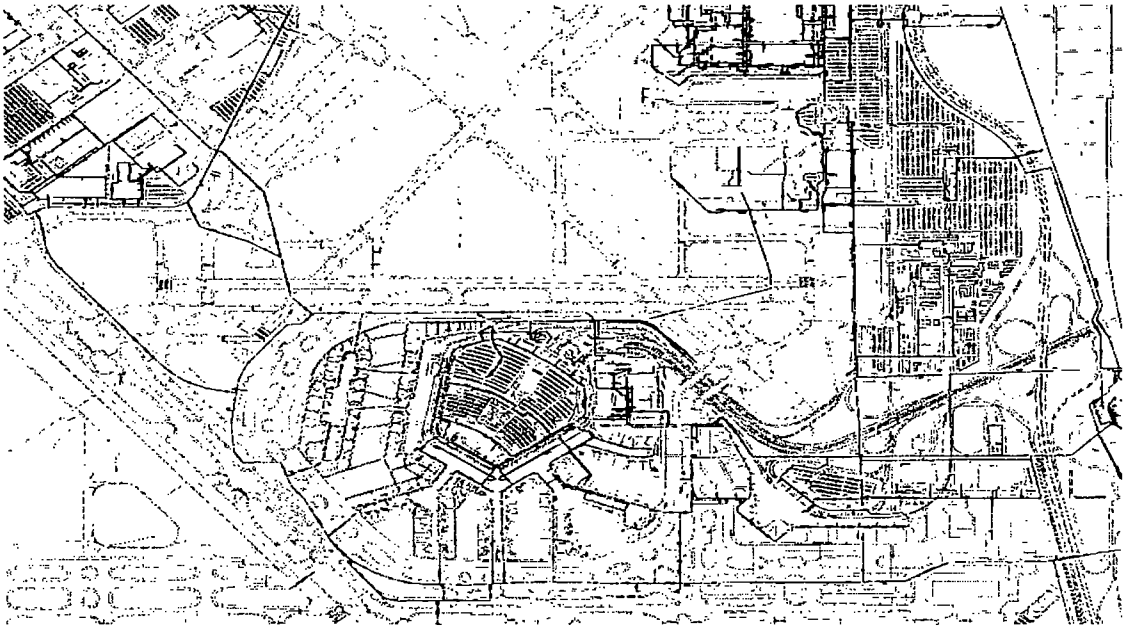
START AND END DATES: 2020 - 2023

TOTAL ESTIMATED PROJECT COST: $ 3,685,000

- Construction Cost: $ 2,750,000
- Soft Cost + Contingency: $ 935,000

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 3,685,000

COST CENTER: To Be Determined by Location



33. PROJECT NAME: T2, T3, and Rotunda Heat Exchangers

PROJECT ACTIVITY: Design and Construction

SCOPE: The project consists of upgrading current heat exchangers in Terminals 2, 3, and the Rotunda. The designer will evaluate the existing conditions of Heat Exchangers to provide detailed design documents. The Design/Construction will include the replacement of exchangers and upgrading the pneumatic controls to a DDC system.

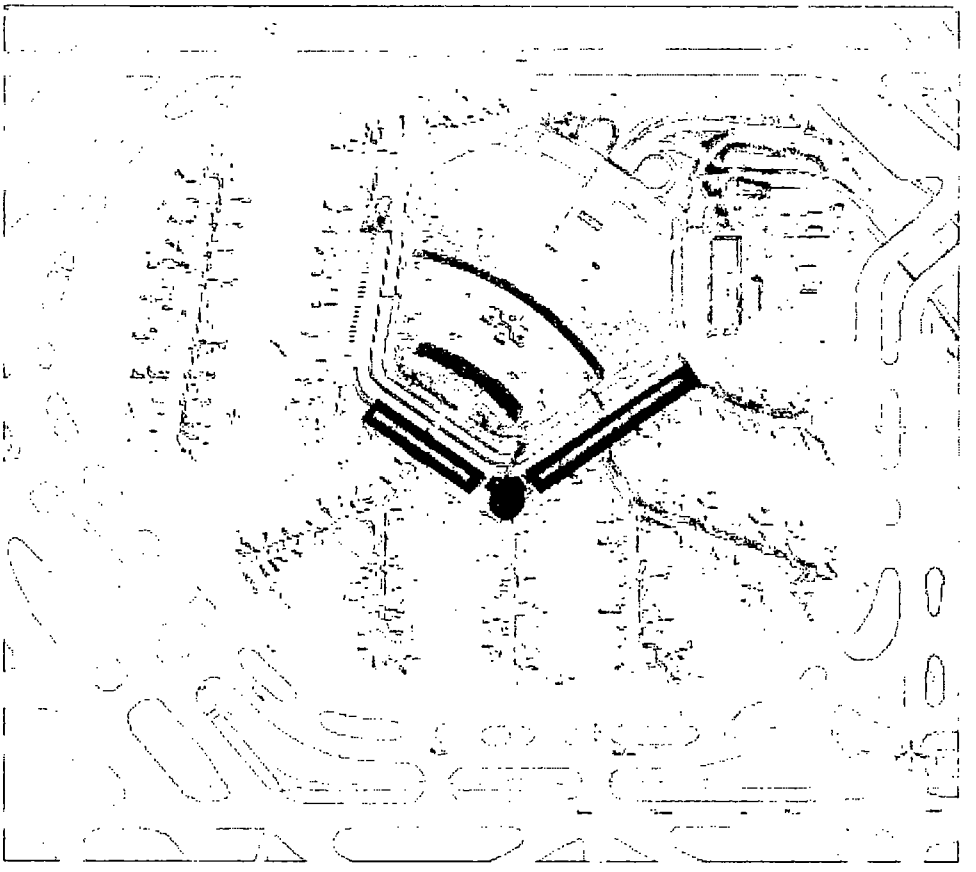
START AND END DATE: 2025 - 2026

TOTAL ESTIMATED PROJECT COST: $ 4,157,685

- Construction Cost: $ 3,102,750
- Soft Cost + Contingency: $ 1,054,935

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 4,157,685

COST CENTER: TERMINAL



34. PROJECT NAME: Pedestrian Tunnels – Civil & Architectural Renovation (Construction)

PROJECT ACTIVITY: Construction

SCOPE: The initial project steps consisted of investigating the sources of water infiltration. Based on the findings and remediation recommendations, a matrix of repairs and preventative measures was incorporated in construction documents. The repairs will include repairing surface elements, such as grading and drainage repairs. The damage to structural elements will be addressed by reconstructive patching. Preventative measures will include joint repairs, polyurethane void injection and epoxy crack injection. In addition, the work scope will address the water infiltration damaged tunnel finishes with the replacement of floors, walls and other interior elements which will also result in an updated interior. The repair and replacement of mechanical and electrical systems will be included in the work scope.

The prevention of the water seepage will include a comprehensive program to divert the groundwater's path to the tunnel, correct the above ground grading to flow away from the tunnel to drainage structures, install sub-drains as needed, repair damaged storm water piping or structures, install water barriers at tunnel repairs, replace failed expansion joints, repair damaged concrete including steel rebar, and inject epoxy in cracks.

The estimated cost is based on 90% complete design for water infiltration and architectural finishes.

Funding previously provided for this project includes:

- MII 2014C Funding for Design (Water Infiltration only) - $900,000 and;
- MII 2016C Funding for Design (Architectural Finishes) - $750,000

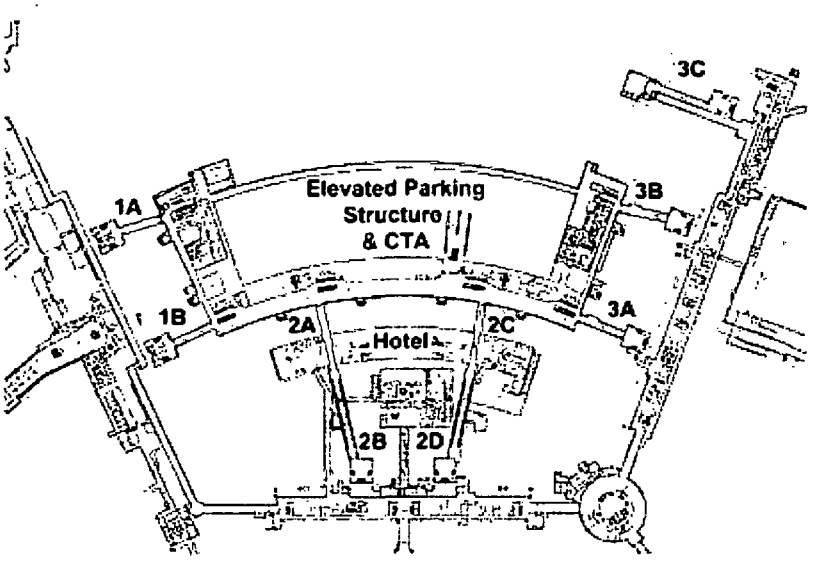
START AND END DATE: 2018 - 2020

TOTAL ESTIMATED PROJECT COST: $ 34,860,000

- Construction Cost: $ 29,620,506
- Soft Cost & Contingency: $ 5,239,494

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 34,860,000

COST CENTER: TERMINAL



35. PROJECT NAME: United North Parking Lot Rehab – Design & Construction

PROJECT ACTIVITY: Design and Construction

SCOPE: This project scope involves design and construction of the landside pavement of the United Small Package delivery area. Also included will be the improving of ADA compliant pedestrian walkway ramps adjacent to the pavement.

In Spring of 2017, the adjacent pavement of the United Employee parking lot has been reconstructed to improve the surface drainage in the area. To complete the surface drainage, the 555 SY pavement of the Small Package Delivery will be replaced along with the pedestrian walkway ramps. This lot was resurfaced as part of the pedestrian tunnel water remediation to stop the leaks, the lot is directly over the tunnel. Any future work should protect the current drainage profile.

START AND END DATE: 2019 - 2020

TOTAL ESTIMATED PROJECT COST: $ 370,500

- Construction Cost: $ 279,625
- Soft Costs + Contingency: $ 90,875

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 370,500

COST CENTER: TERMINAL

36. PROJECT NAME: Spine Road Relocation – Design and Construction

PROJECT ACTIVITY: Design and Construction

SCOPE: The purpose of this project is to upgrade a section of Spine Road and convert it to an airside roadway. This project will improve the traffic patterns along the eastern perimeter of the airfield, provide for a widened travel way, and increase the area for snow removal equipment storage. The project will also upgrade sections of deficient pavement and relocate a section of the existing AOA fence to an alignment east of Spine Road. The project also includes the relocation and possible expansion of the AMC guardpost. See the attached graphic.

Work includes demolition, approximately 34,000 SY of new pavement section, upgrades of the existing drainage system, miscellaneous utility work, miscellaneous grading and subgrade improvements, relocation of AOA fencing, relocation of a guard post, and pavement markings. Construction will be coordinated with airfield operations.

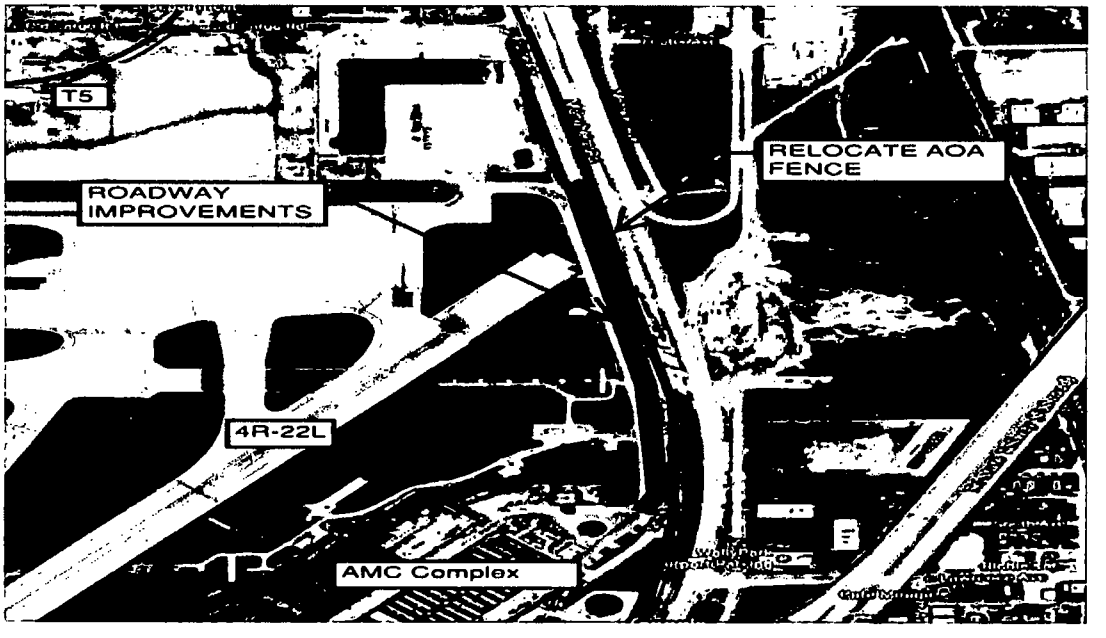
START AND END DATE: 2019 - 2020

TOTAL ESTIMATED PROJECT COST: $ 7,316,000

- Construction Cost: $ 5,460,000
- Soft Cost + Contingency: $ 1,856,000

COST CENTER: AIRFIELD

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $7,316,000



37. PROJECT NAME: 90" JAWA Relocation – Design & Construction

PROJECT ACTIVITY: Design and Construction

SCOPE: IDOT, CDOT, and the CDA currently have an intergovernmental agreement to reconfigure the I-190 corridor. The project is an enabling project to future reconfiguration projects at the I-190 and Mannheim Road interchange as the existing utility elevation need to be lowered in areas adjacent to I-190. The project will include installation of a by-pass forty-eight (48) inch water main, new forty-eight (48) inch CDWM water main, new 90" JAWA (Joint Action Water Agency) water main, two 90" hot taps, and other associated water main infrastructure.

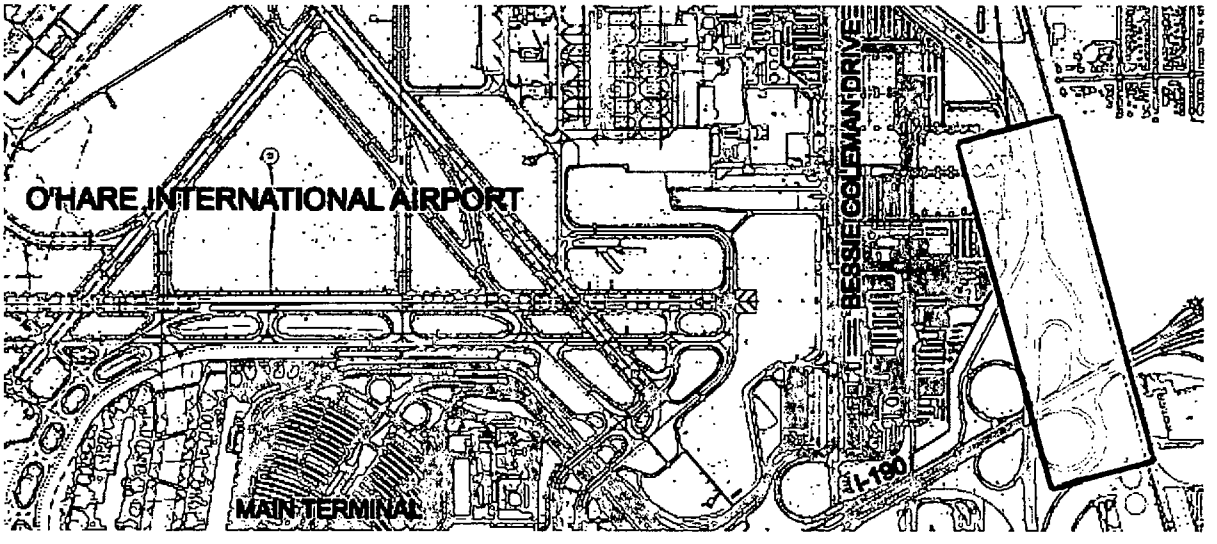
START AND END DATE: 2019 - 2021

TOTAL ESTIMATED PROJECT COST: $ 21,650,000

- Construction Cost: $ 16,160,000
- Soft Cost + Contingency: $ 5,490,000

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $21,650,000

COST CENTER: ROADWAY COST POOL



38. PROJECT NAME: Concourse K Concession Infrastructure Upgrades

PROJECT ACTIVITY: Design and Construction

SCOPE: The project consists of the renovation of the Concession space in the Concourse K. The work includes interior walls, structural and architectural finishes modifications; stairwell upgrades, plumbing, electrical, fire protection, communication infrastructure modifications and upgrades inclusive of restroom renovations.

The cost estimate is based on 36,825 SF and specifically excludes any work to HVAC, roofing, fixed furnishings, conveying systems, exterior enclosure, and provision of site mechanical & electrical utilities.

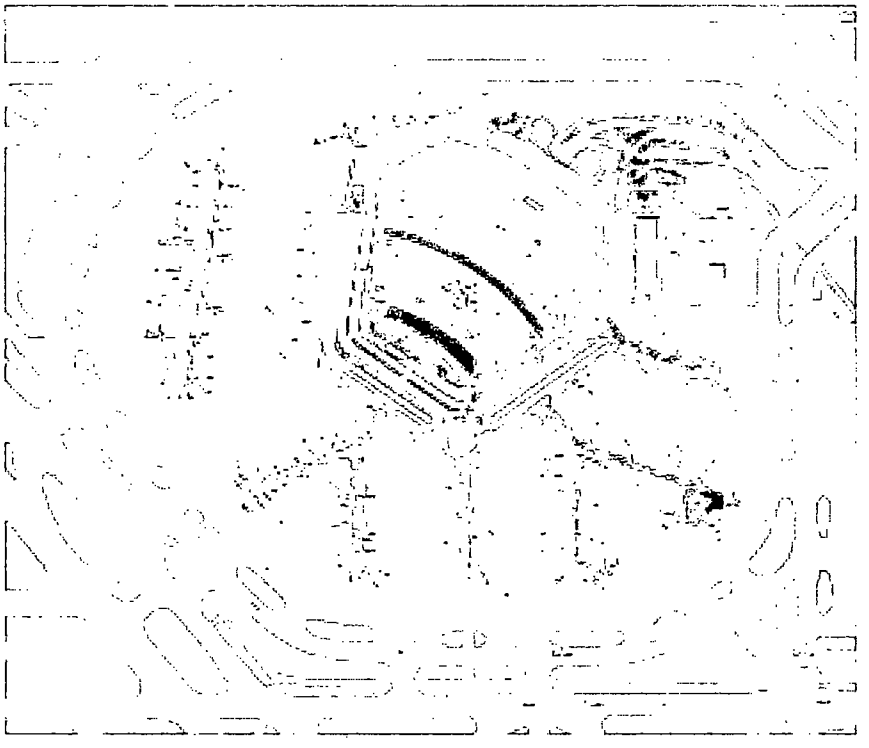
START AND END DATE: 2024 - 2026

TOTAL ESTIMATED PROJECT COST: $ 14,059,520

- Construction Cost: $10,492,179
- Soft Costs + Contingency: $3,567,341

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 14,059,520

COST CENTER: TERMINAL



39. PROJECT NAME: Concourse L Renovation

PROJECT ACTIVITY: Design and Construction

SCOPE: This project is to update and modernize the public areas and holdrooms in the L Concourse to create a modern and passenger friendly environment. The work will be focused on public circulation areas, and holdrooms and will include replacing architectural finishes such as paint, ceiling, column and wall coverings, lighting improvements, and terrazzo flooring.

Concessions and advertising shells and framework will be architecturally integrated into the building where required. Work could include relocation and minor reconfiguration of existing public spaces and hold rooms and will be coordinated to minimize the impact to passengers due to required closure of public corridors or holdrooms.

The cost estimate is based on 71,333 SF and specifically excludes any work to HVAC, roofing, fixed furnishings, conveying systems, exterior enclosure, and provision of site mechanical and electrical utilities.

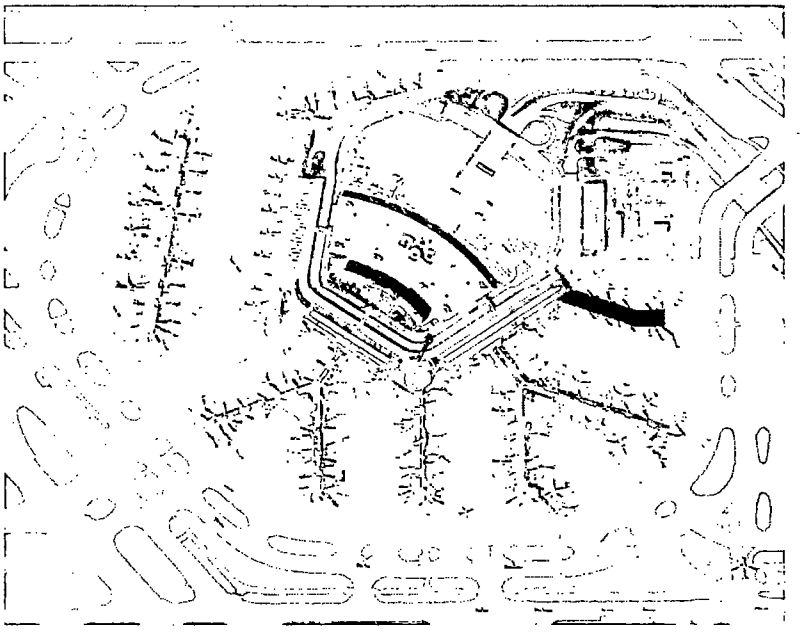
START AND END DATE: 2028 - 2032

TOTAL ESTIMATED PROJECT COST: $ 43,013,799

- Construction Cost: $32,099,850
- Soft Cost + Contingency: $10,913,949

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 43,013,799

COST CENTER: TERMINAL



40. PROJECT NAME: L Concourse HVAC System Upgrades – Design & Construction

PROJECT ACTIVITY: Design and Construction

SCOPE: The project consists of the design and replacement of the existing twelve (12) Air Handling Units and all VAV boxes in Terminal 3, Concourse L. The work scope will also include replacement or upgrades of the associated equipment including return/exhaust fans, smoke detectors, heat detectors, HVAC controls and supervisory monitoring system; the distribution system including ductwork and dampers, low temperature water piping, chilled water piping, pumps and valves. This will include associated electrical, DDC Control with BACnet and fiber optic system. All existing pneumatic controls are to be replaced with DDC Controls and devices with connection to the H&R SMS to monitor, control, and view alarms.

The cost estimate is based on twelve (12) upgraded and replaced AHU and 120 VAV boxes, concrete pad replacements and associated waterproofing.

The work will be phased to minimize disruptions to airport operations. Temporary HVAC systems will be employed as necessary to maintain comfort levels throughout the construction of the project.

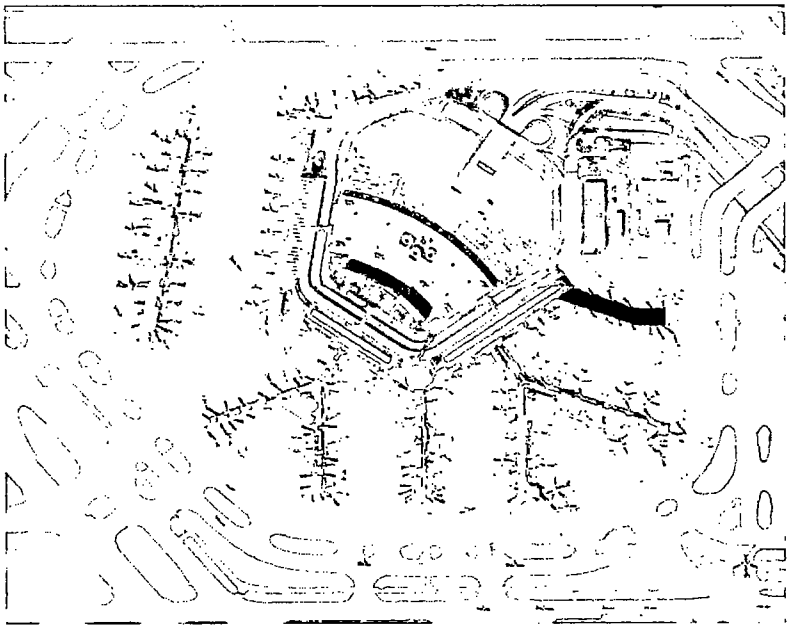
START AND END DATE: 2018 – 2022

TOTAL ESTIMATED PROJECT COST: $ 34,423,500

- Construction Cost: $25,980,000
- Soft Cost + Contingency: $ 8,443,500

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 34,423,500

COST CENTER: TERMINAL



41. PROJECT NAME: Ramp Tower Improvements – T1

PROJECT ACTIVITY: Design and Construction

SCOPE: The project consists of improvements of the T1 ramp tower including roof repairs, exterior façade repair, interior finishes, HVAC, and communications infrastructure.

The cost estimate is based on a nominal 1,000 SF and specifically excludes communications equipment, fixed furnishings, elevators, electrical, fire protection, and provision of site mechanical & electrical utilities.

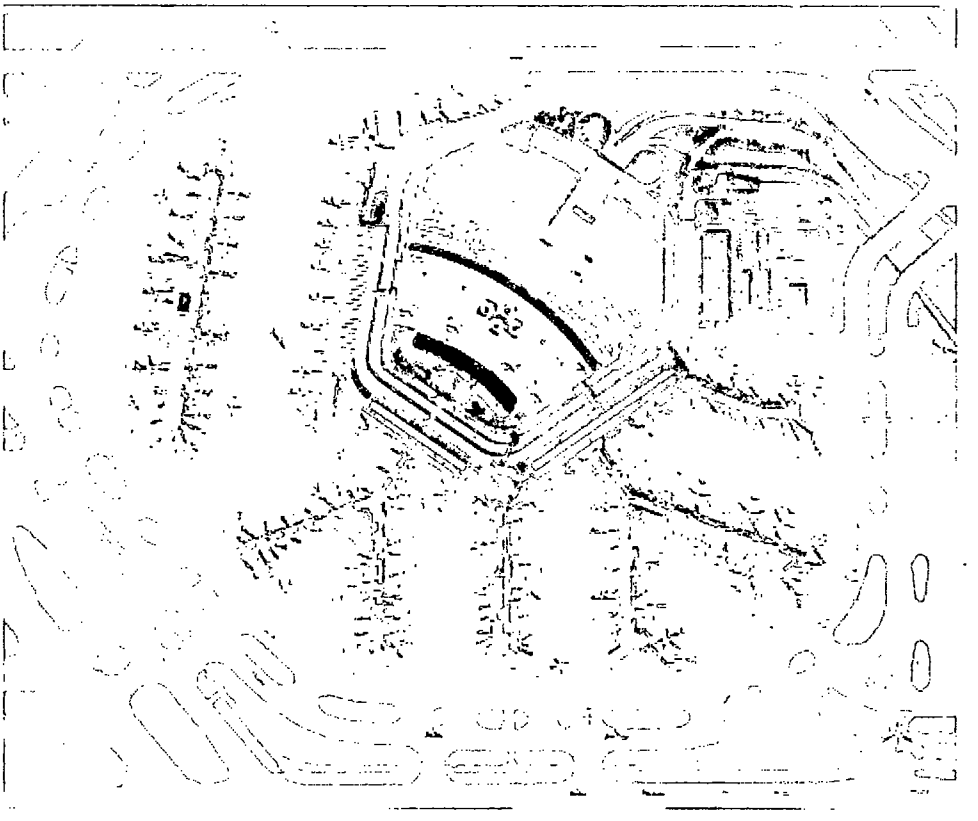
START AND END DATE: 2021 – 2022

TOTAL ESTIMATED PROJECT COST: $ 230,000

- Construction Cost: $171,420
- Soft Cost + Contingency: $ 58,580

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 230,000

COST CENTER: TERMINAL



42. PROJECT NAME: Replacement of Rotunda Air Handling Units – Construction

PROJECT ACTIVITY: Construction*

SCOPE: The Replacement of Rotunda AHUs project requires the removal of eleven (11) existing air handling units and associated return fans serving the Rotunda. The existing units will be replaced with ten (10) new air-handling units and return fans located in the lower level and basement. Existing ductwork will be modified to accommodate the new units. Interconnection of main ducts shall be provided to have redundancies in the systems. The chilled water and low temperature heating water piping will be removed and replaced from the tunnel to the new air-handling units. The existing hot water coil pumps on each air-handling unit will be replaced with new. The existing controls are pneumatic and will be replaced with DDC for all new air handling units. Electrical service will be provided to the new air handling units. Existing pneumatic air valves will be replaced with new DDC VAV terminal units. New VAV terminal units with hot water reheat coils shall be provided for each zone of the existing multi-zone air handling units. Modifications of concrete pads and other structural work will be provided to accommodate new equipment. If any material contains asbestos, abatement will be performed.

The cost estimate is based on a lump sum for replacement of the AHU and seventy (70) VAV boxes.

* Design for this project is complete and was funded in MII 2015B and performed under the CDA Project H7106.15-00.

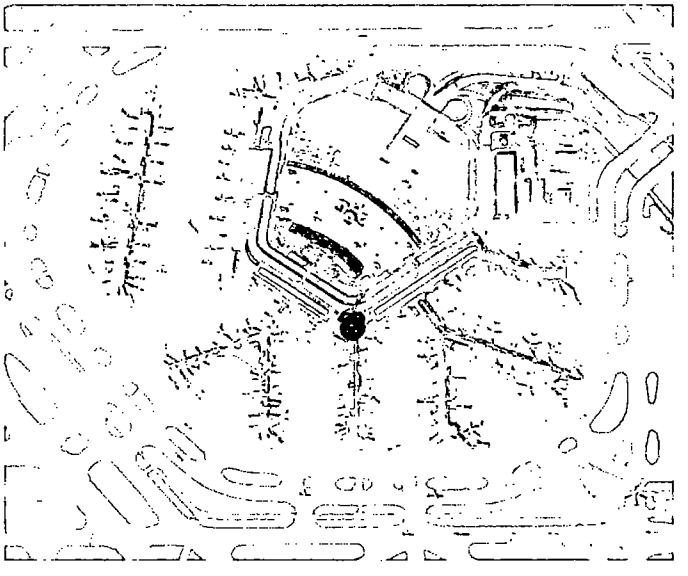
START AND END DATE: 2018 – 2020

TOTAL ESTIMATED PROJECT COST: $ 19,417,750

- Construction Cost: $15,350,000
- Soft Cost + Contingency: $ 4,067,750

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 19,417,750

COST CENTER: TERMINAL



43. PROJECT NAME: Restroom Modernization Program – International – Phase 1

PROJECT ACTIVITY: Design and Construction

SCOPE: The design and subsequent construction work will include renovation of three restrooms in locations throughout Terminal 5. All the planning and schematic design for restrooms will be advanced at the same time; however, detail design packages focusing on three (3) locations related to a program of annual construction will be advanced such that bidding documents can be issued in a timely manner to support the construction schedules. From the fifteen (15) locations, the first group to create bid documents for construction will include three (3) restrooms locations, one (1) men's, one (1) women's and one (1) FIS restroom. The renovation priority is based on the condition of the restrooms.

The design will incorporate the latest airport restroom design standards, ADA requirements and all applicable Federal, State and local codes and ordinances and, where possible the inclusion of family and assisted toilets. The CDA, in coordination with the carriers, will determine standardized finishes and fixtures to coordinate restrooms throughout the terminal.

The cost estimate is based on a total of 5,260 SF of restroom renovation for this phase of work.

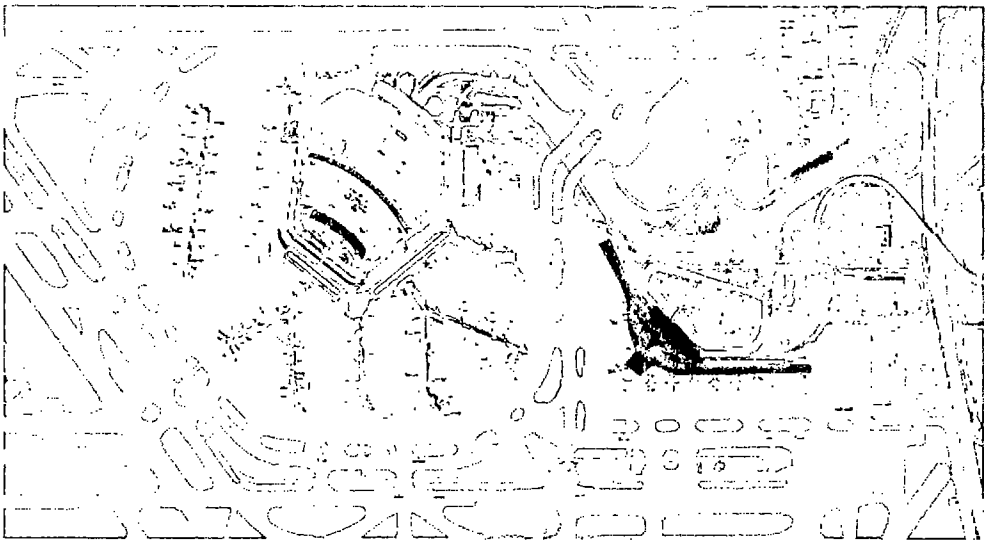
START AND END DATE: 2018 – 2020

TOTAL ESTIMATED PROJECT COST: $ 8,347,500

- Construction Cost: $6,300,000
- Soft Cost + Contingency: $2,047,500

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 8,347,500

COST CENTER: TERMINAL



44. PROJECT NAME: Restroom Modernization Program – International – Phase 2

PROJECT ACTIVITY: Design and Construction

SCOPE: The design and subsequent construction work will include renovation of 3 to 4 restrooms in locations throughout Terminal 5. Planning and schematic design for restrooms will be advanced at the same time in Phase 1. In Phase 2, detail design packages focusing on three (3) or four (4) locations related to a program of annual construction will be advanced such that bidding documents can be issued in a timely manner to support the construction schedules. From the fifteen (15) locations, the second group to create bid documents for construction will include locations selected based on the condition of the remaining restrooms.

The design will incorporate the latest airport restroom design standards, ADA requirements and all applicable Federal, State and local codes and ordinances and, where possible the inclusion of family and assisted toilets. The CDA, in coordination with the carriers, will determine standardized finishes and fixtures to coordinate restrooms throughout the terminal

The cost estimate is based on a total of 5,260 SF of restroom renovation for this phase of work.

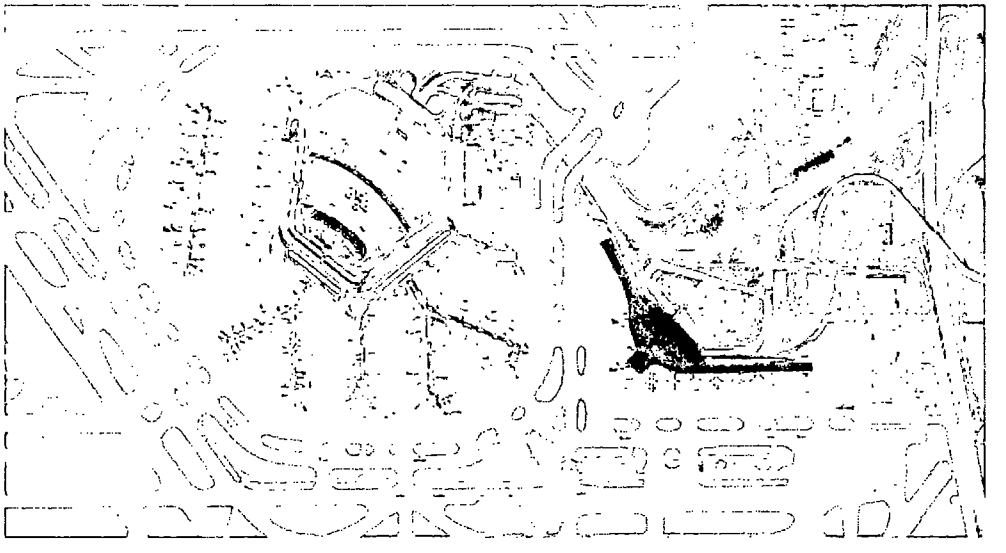
START AND END DATES: 2020 – 2022

TOTAL ESTIMATED PROJECT COST: $ 8,347,500

- Construction Cost: $6,300,000
- Soft Cost + Contingency: $2,047,500

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 8,347,500

COST CENTER: TERMINAL



45. PROJECT NAME: Terminal 1 – HVAC System Upgrades - Construction

PROJECT ACTIVITY: Construction*

SCOPE: The project consists of implementation of the completed design for the T1 HVAC Upgrades. The work scope includes:

- Replacing existing air handling unit fans and motors
- Installing VFD's for the fan motors
- Installing pressure-independent control valves
- Upgrading existing controls including developing control sequences
- Upgrading existing cooling coils
- Modifying air distribution systems
- Installing terminal-wide fiber optic infrastructure
- Installing new air handling units
- Replacing pneumatic VAV boxes with digital VAV boxes
- Upsizing associated distribution ductwork
- Modifying diffuser systems

The estimated cost is based on the design engineer's Final Design Cost Estimate

* Design for this project is complete and was performed under the CDA Project H7100.13-01.

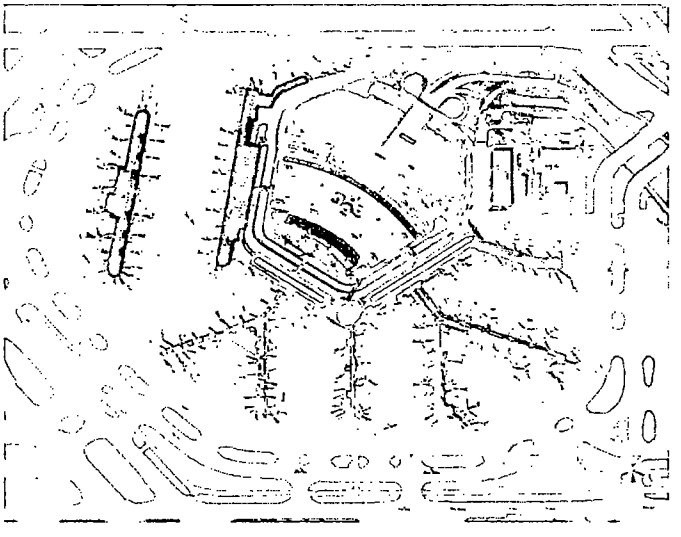
START AND END DATE: 2019 - 2021

TOTAL ESTIMATED PROJECT COST: $ 83,363,500

- Construction Cost: $ 65,900,000
- Soft Cost + Contingency: $ 17,463,500

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 83,363,500

COST CENTER: TERMINAL



46. PROJECT NAME: Terminal 5 Design/Development/Procurement/CIP Management

PROJECT ACTIVITY: Design and Construction

SCOPE: Services include design development, stakeholder coordination and approvals, design procurement, design management, construction procurement, and overall CIP management for the duration of the projects listed in the associated program plan. (Program management only)

Projects are included as follows:

- Jet bridge replacement
- Security camera upgrades
- Communication room / Control room HVAC
- Common use re-check area / baggage make-up monitors
- Fuel system and EFSO upgrades
- Self Park upgrades
- Ticket counter baggage scales

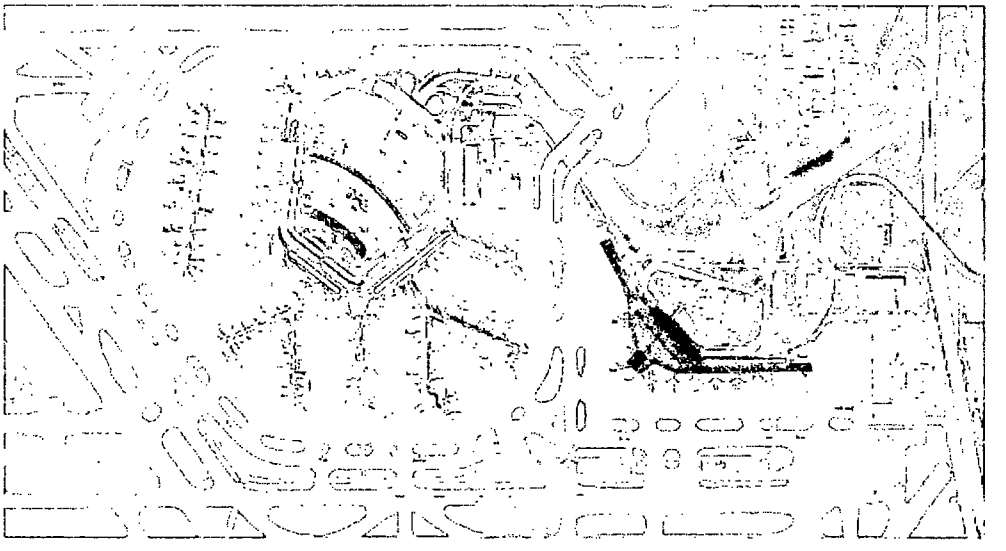
START AND END DATE: 2018 - 2021

TOTAL ESTIMATED PROJECT COST: $ 2,000,000

- Construction Cost: $ 0
- Soft Cost + Contingency: $ 2,000,000

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 2,000,000

COST CENTER: TERMINAL



47. PROJECT NAME: T5 Comm. Room/ Baggage Control Room HVAC Upgrades

PROJECT ACTIVITY: Design and Construction

SCOPE: Replacement and right sizing of the existing Communication Room HVAC, Baggage Control Room, and Break Room HVAC system. Work will be coordinated with the new proposed BHS proposed for T5.

START AND END DATE: 2018 - 2019

TOTAL ESTIMATED PROJECT COST: $ 1,130,000

- Construction Cost: $ 915,300
- Soft Cost + Contingency: $ 214,700

Design not included as it was previously performed by CCJM and completed in 2017. The soft cost and contingency amount reflects twenty-three (23) percent of the estimated construction cost.

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 1,130,000

COST CENTER: TERMINAL

48. PROJECT NAME: Terminal Building ADA Improvements

PROJECT ACTIVITY: Design and Construction

SCOPE: This project consists of the design and construction of ADA improvements in and adjacent to the Terminal Buildings. The project will incorporate the most current compliance issues as identified by the FAA and the ADA standards for Accessible Design.

The estimated cost is based on build-out of five (5) ADA disabled persons restroom facilities as well as interior and exterior building improvements.

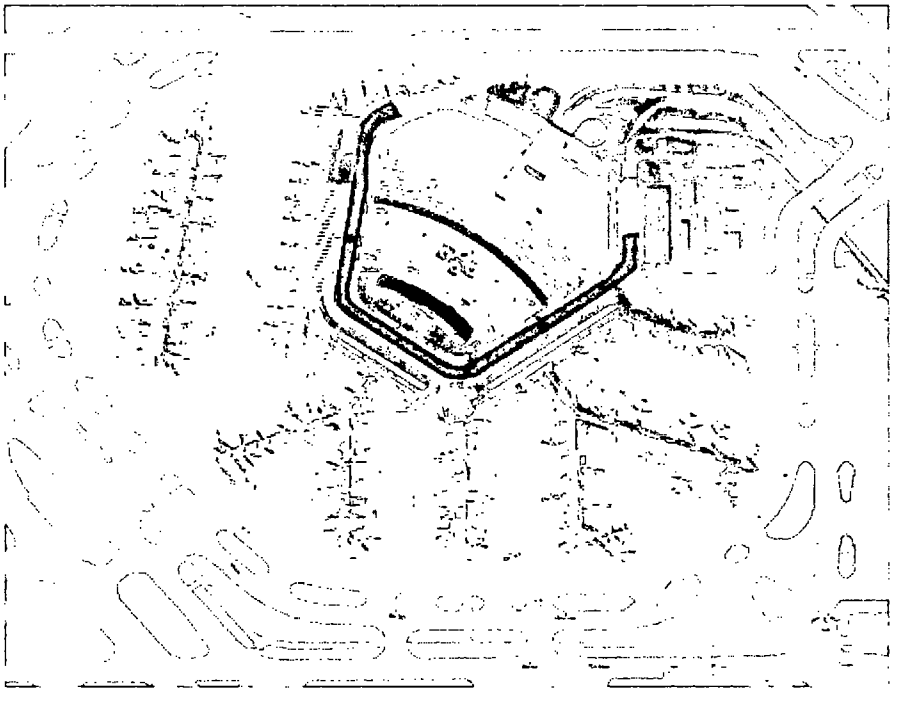
START AND END DATE: 2018 - 2020

TOTAL ESTIMATED PROJECT COST: $ 4,663,750

- Construction Cost: $ 3,500,000
- Soft Cost + Contingency: $ 1,163,750

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 4,663,750

COST CENTER: TERMINAL



49. PROJECT NAME: Terminal LED Lighting Program - 2019

PROJECT ACTIVITY: Material and Equipment

SCOPE: The CDA intends to reduce maintenance costs and increase safety with an improved Terminal LED Lighting. The current Terminals have many different fixtures and luminaires and, as a result, each terminal will be addressed differently in achieving LED lighting goals. With rising energy costs, there is added benefit to increasing efficiency by cost-effective LED lighting at the Airport. The first phase of the ongoing program will address LED lighting in the Terminal 3 Concourses. Subsequent areas will be identified and coordinated with the users.

This project provides funding for material and equipment purchase to be installed by CDA Operations and Maintenance labor.

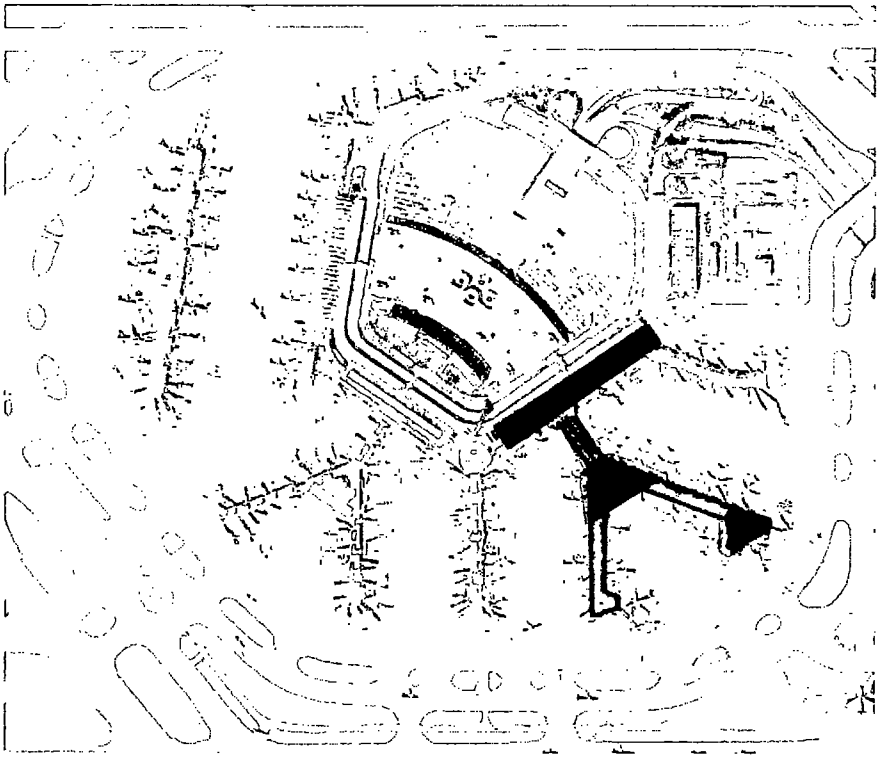
START AND END DATE: 2018 - 2019

TOTAL ESTIMATED PROJECT COST: $ 1,325,000

- Construction Cost: $ 1,000,000
- Soft Cost + Contingency: $ 325,000

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 1,325,000

COST CENTER: TERMINAL



50. PROJECT NAME: Ramp Tower Improvements – T3 L & K

PROJECT ACTIVITY: Design and Construction

SCOPE: The project consists of renovation of the T3, Concourses L and K ramp towers including roof repairs, exterior façade repair, interior finishes, HVAC, and communications infrastructure.

The cost estimate is based on a nominal 1,000 SF for each of two (2) towers and specifically excludes communications equipment, fixed furnishings, elevators, electrical, fire protection, and provision of site mechanical & electrical utilities.

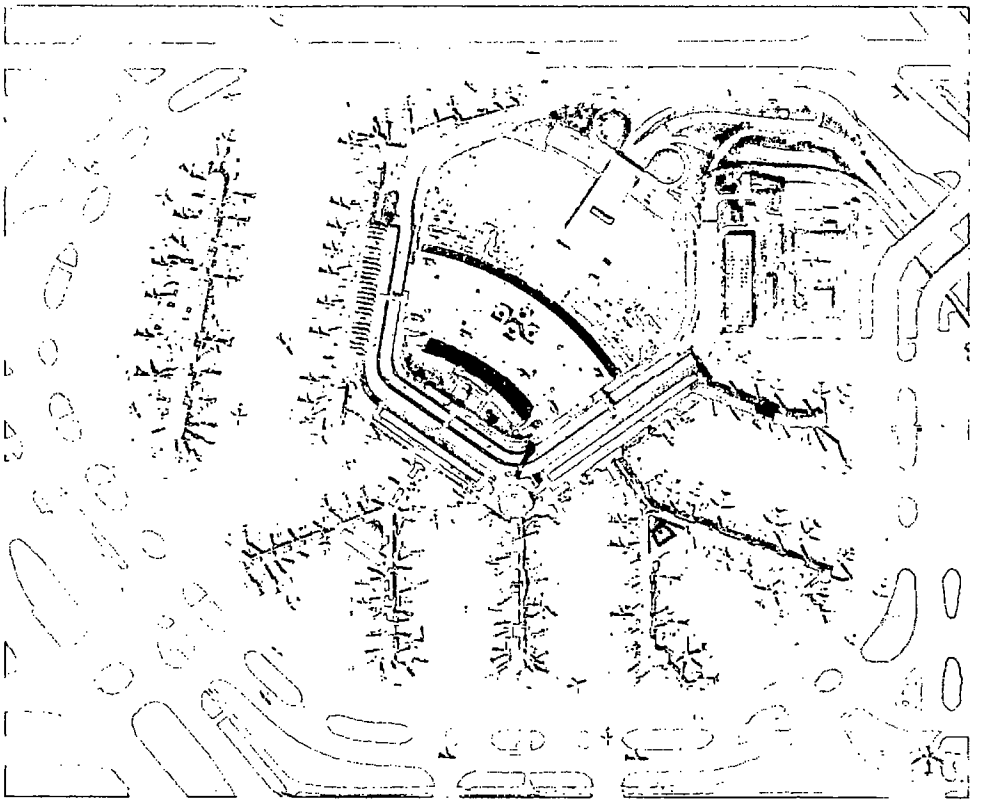
START AND END DATE: 2021 - 2022

TOTAL ESTIMATED PROJECT COST: $ 459,406

- Construction Cost: $ 342,840
- Soft Cost + Contingency: $ 116,566

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 459,406

COST CENTER: TERMINAL



51. PROJECT NAME: T5 GIDS, Common Use Recheck Area, Baggage Make-up Monitors

PROJECT ACTIVITY: Design and Construction

SCOPE: Replacement of the existing, outdated, and failing monitors included in the gate, common use re-check, and baggage make-up areas.

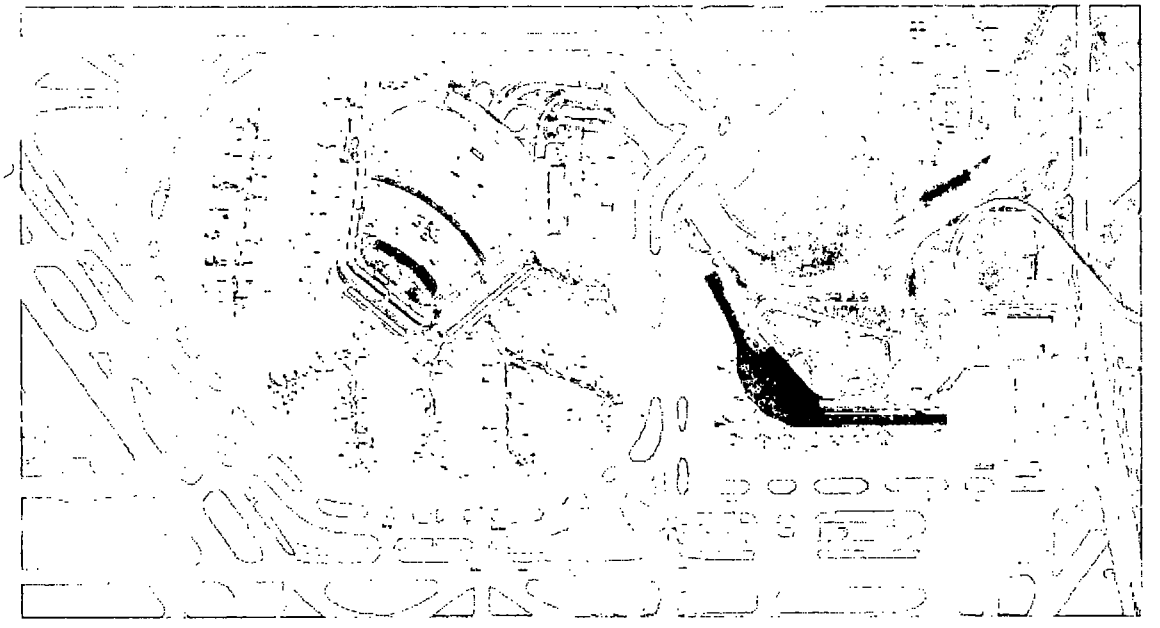
START AND END DATE: 2019

TOTAL ESTIMATED PROJECT COST: $ 970,000

- Construction Cost: $ 659,600
- Soft Cost + Contingency: $ 310,400

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 970,000

COST CENTER: TERMINAL – SET



52. PROJECT NAME: Terminal 5 Security Camera Upgrades

PROJECT ACTIVITY: Design and Construction

SCOPE: Upgrades to the existing T5 security camera system including replacement of existing cameras/hardware, upgrades to efficiencies in the system infrastructure and updates to the end user hardware, software, and user interfaces.

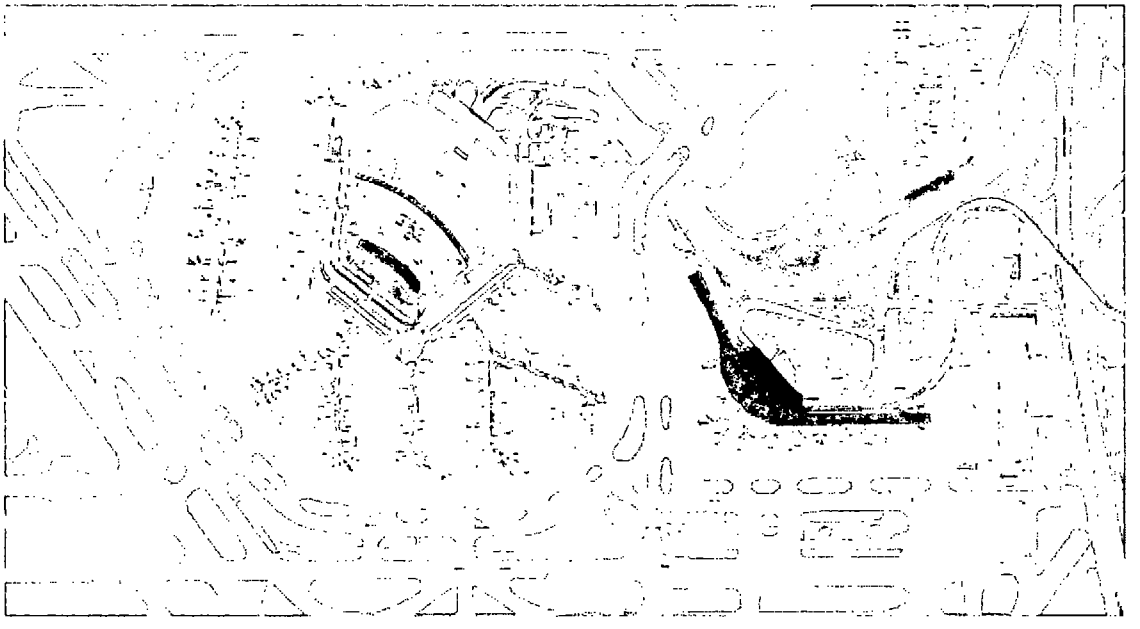
START AND END DATE: 2019 - 2020

TOTAL ESTIMATED PROJECT COST: $ 4,180,000

- Construction Cost: $ 2,842,400
- Soft Cost + Contingency: $ 1,337,600

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 4,180,000

COST CENTER: TERMINAL



53. PROJECT NAME: Terminal 5 Self Park Upgrades

PROJECT ACTIVITY: Design and Construction

SCOPE: Installation/replacement of Self-Parking Units – current units are obsolete, they will be replaced under a systematic program until all units have been upgraded to provide the safest and most efficient means of aircraft parking.

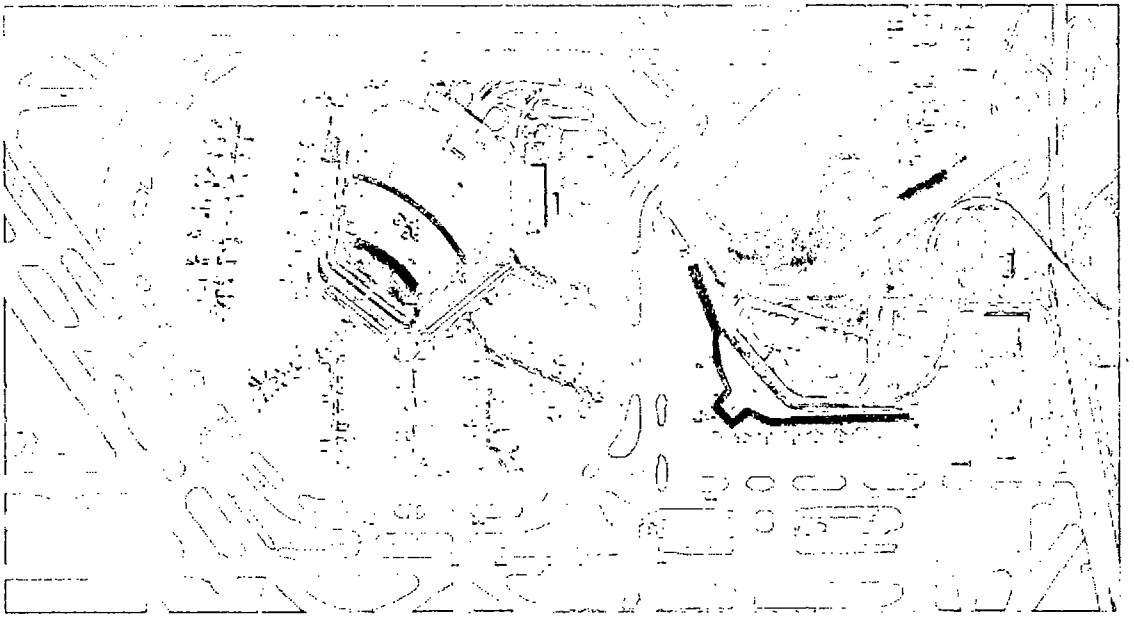
START AND END DATE: 2019

TOTAL ESTIMATED PROJECT COST: $ 3,010,000

- Construction Cost: $ 2,046,800
- Soft Cost + Contingency: $ 963,200

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 3,010,000

COST CENTER: AIRFIELD



54. PROJECT NAME: Terminal 1 Roof Replacement - Construction

PROJECT ACTIVITY: Design and Construction

SCOPE: This work follows extensive investigation and mock-up to determine the best roofing system to achieve the project purpose. Preceding projects include:

- T1 Roof Leak Repairs (Design) MII2011A
- T1 Roof Leak Repairs – Demonstration Section (Construction) MII2012B
- T1 Roof Repair/Replacement (Design) - MII2014A
- T1 Roof Repair at B6 United Club – MII2016A
- T1 Roof Repair at United Club C16 – MII2016C

Scope includes replacement of the roof at Terminal 1, Concourses B and C. This project will be executed by United Air Lines under a reimbursement agreement.

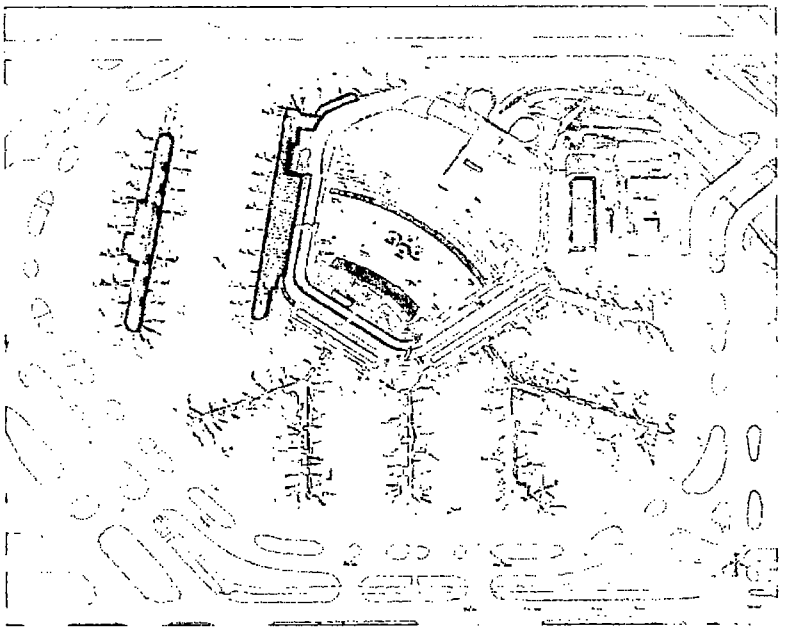
START AND END DATE: 2019 - 2020

TOTAL ESTIMATED PROJECT COST: $ 88,550,000

- Construction Cost: $ 70,000,000
- Soft Cost + Contingency: $ 18,550,000

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 88,550,000

COST CENTER: TERMINAL



55. PROJECT NAME: H/K Skylight Repairs

PROJECT ACTIVITY: Investigation, Design and Construction

SCOPE: The H and K Concourses were upgraded in the 1980's which included the addition of skylights and other features to improve lighting and passenger experience within the concourse.

The scope of this project is to evaluate, design and construct a replacement for the existing roof level skylight in the Admirals Club area at the apex of the H and K Concourses in Terminal 3. This replacement is required to address a leakage issue and repair damage that has resulted from the leaks. Project scope will include engineering investigation of the original design for the skylight as well as a determination of the source of the existing leaks. The design is to eliminate the current leak issue while maintaining the architectural look and feel of the skylight architecture. Design is to include phasing and staging to minimize impacts to the passengers and to airline operations. This project also includes all construction and staging to replace the leaking skylight system along with any identified damage that has resulted from the leaking over time.

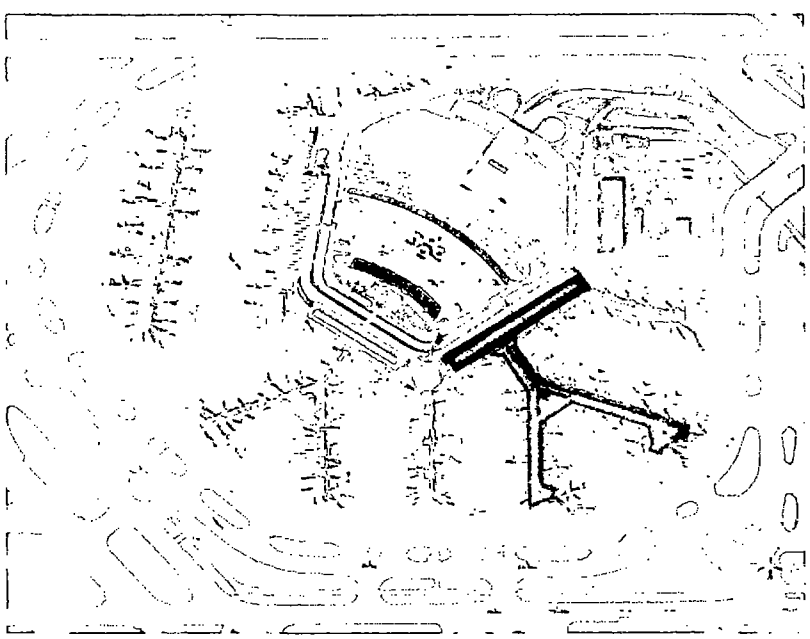
START AND END DATE: 2019 - 2020

TOTAL ESTIMATED PROJECT COST: $ 402,000

- Construction Cost: $ 300,000
- Soft Cost + Contingency: $ 102,000

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 402,000

COST CENTER: TERMINAL



56. PROJECT NAME: Concourse H/K Public Area Architectural Renovations

PROJECT ACTIVITY: Design and Construction

SCOPE: The project consists of an architectural renovation in the public areas of Concourses H and K including wall coverings, skylight repairs, ceilings, soffits, and column covers. Concessions and advertising shells and framework may be architecturally integrated into the building where required.

Minor infrastructure work may be necessary to install the new finishes, but the estimated cost does not include HVAC replacement, restroom modernization, terrazzo replacement, roofing, building changes or other major infrastructure.

CDA will work closely with the airlines to prioritize the areas and finishes to fit within the budgeted amount.

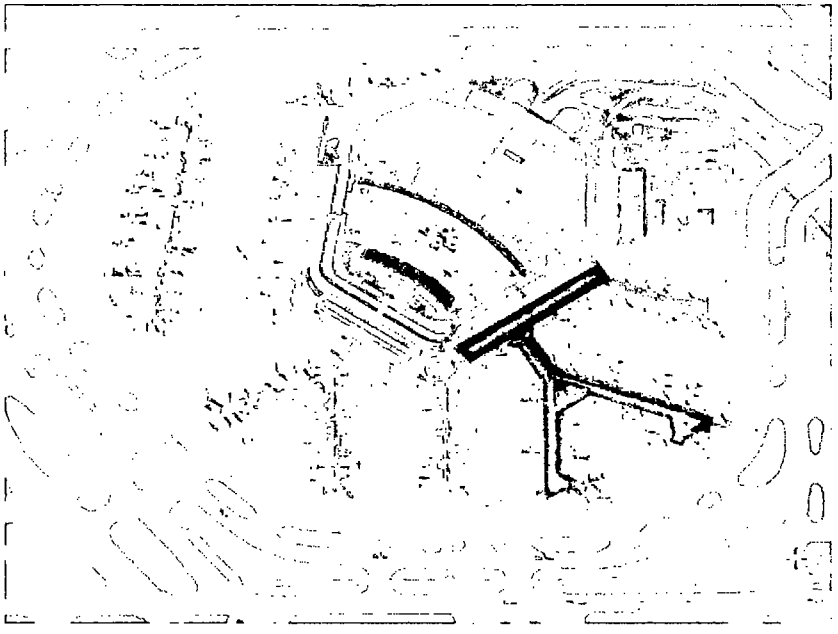
START AND END DATE: 2028 - 2032

TOTAL ESTIMATED PROJECT COST: $ 46,197,036

- Construction Cost: $ 34,475,400
- Soft Cost + Contingency: $ 11,721,636

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 46,197,036

COST CENTER: TERMINAL



57. PROJECT NAME: Concourse B & C Public Area Architectural Renovations

PROJECT ACTIVITY: Design and Construction

SCOPE: The project consists of an architectural renovation in the public areas of Concourses B and C including walls, skylight repairs, ceilings, soffits, and column covers. Concessions and advertising shells and framework may be architecturally integrated into the building where required.

Minor infrastructure work may be necessary to install the new finishes, but the estimated cost does not include HVAC replacement, restroom modernization, terrazzo replacement, roofing, building changes or other major infrastructure.

CDA will work closely with the airlines to prioritize the areas and finishes to fit within the budgeted amount.

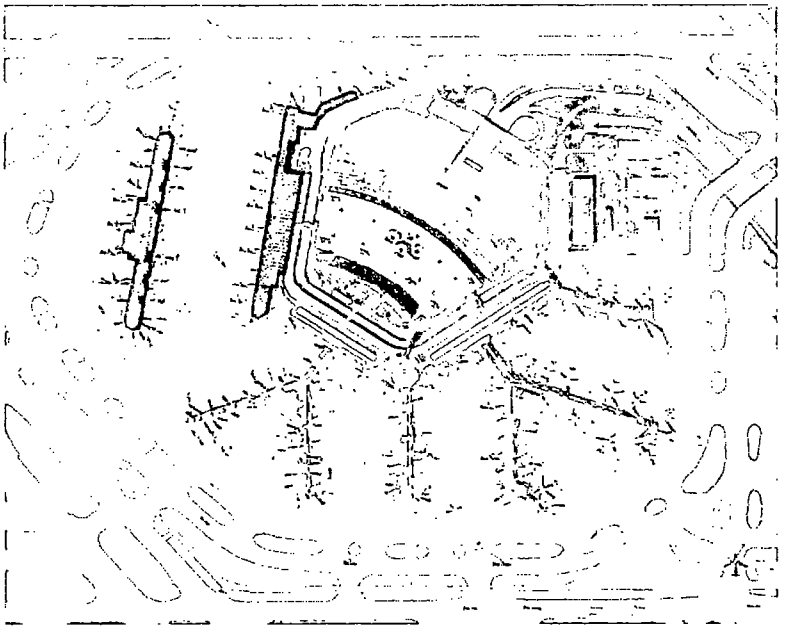
START AND END DATE: 2028 - 2032

TOTAL ESTIMATED PROJECT COST: $ 46,426,846

- Construction Cost: $ 34,646,900
- Soft Cost + Contingency: $ 11,779,946

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 46,426,846

COST CENTER: TERMINAL



58. PROJECT NAME: Terminal 5 Fuel System and EFSO Upgrades

PROJECT ACTIVITY: Design and Construction

SCOPE: The project includes upgrades to the existing Terminal 5 fuel system including the Emergency Fuel Shut Off (EFSO) system, as a result of Terminal 5 extension and related apron / ramp work. All project administration, construction and construction supervision will be performed under the jurisdiction of the O'Hare Fuel Committee (OFC) in accordance with the Fuel Master Plan and Lease Agreement.

START AND END DATE: 2021

TOTAL ESTIMATED PROJECT COST: $ 3,810,000

- Construction Cost: $ 2,590,800
- Soft Cost + Contingency: $ 1,219,200

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 3,810,000

COST CENTER: AIRFIELD

59. PROJECT NAME: Terminal 5 Ticket Counter Baggage Scales

PROJECT ACTIVITY: Design and Construction

SCOPE: Replacement of existing ticket counter and recheck scales with new scales, displays, and controls. Project includes demolition and responsible disposal of existing scales as well as balancing/commissioning of new scales by an independent certified scales contractor.

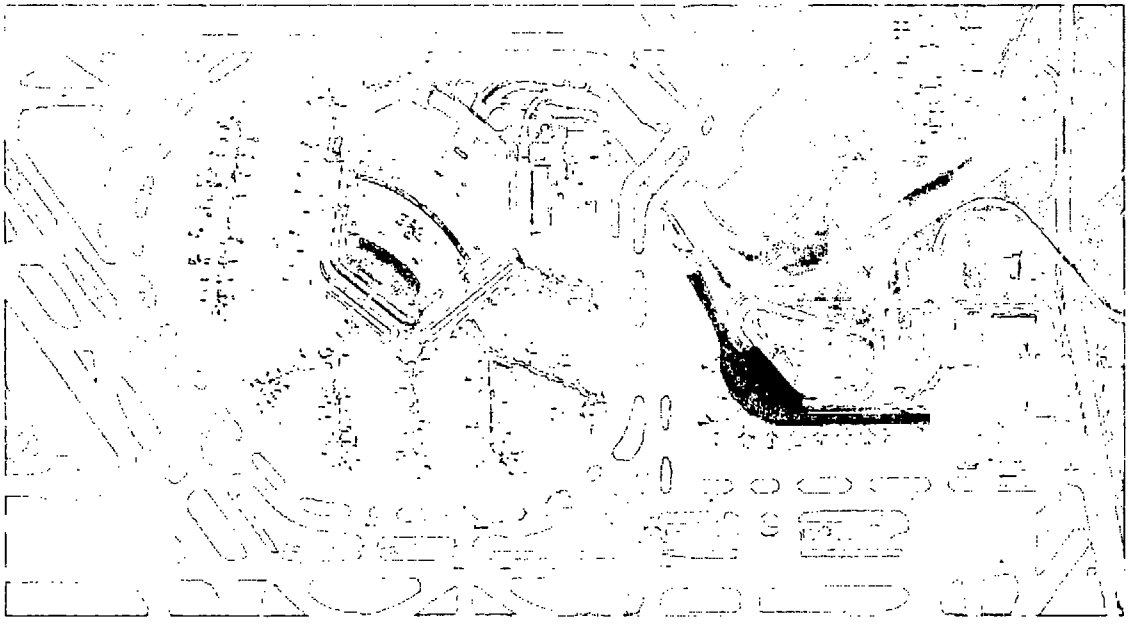
START AND END DATE: 2021

TOTAL ESTIMATED PROJECT COST: $ 780,000

- Construction Cost: $ 530,400
- Soft Cost + Contingency: $ 249,600

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 780,000

COST CENTER: TERMINAL



60. PROJECT NAME: Common-Use Jet-bridge, PC Air, 400 Hz Replacements – T5

PROJECT ACTIVITY: Design and Construction

SCOPE: Replacement of seventeen (17) existing jet bridges original to the T5 facility with seventeen (17) new jet bridges.

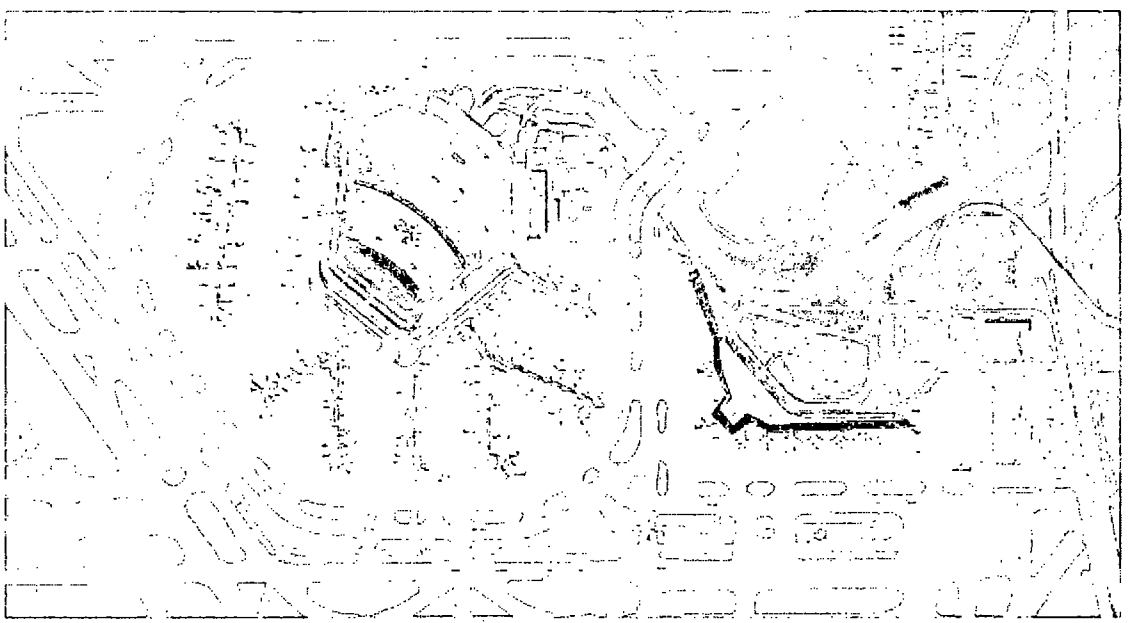
START AND END DATE: 2018 - 2019

TOTAL ESTIMATED PROJECT COST: $ 17,000,000

- Construction Cost: $ 11,560,000
- Soft Cost + Contingency: $ 5,440,000

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 17,000,000

COST CENTER: TERMINAL – CITY EQUIPMENT



61. PROJECT NAME: Guardbooth Replacement at Terminals

PROJECT ACTIVITY: Design and Construction

SCOPE: The project will replace three (3) guardbooths. One at each of Posts 7, 8, and 10. Scope will include concrete work to install new islands, conduit for communications and electricity, installation of the new booths, and bollards to protect them as required.

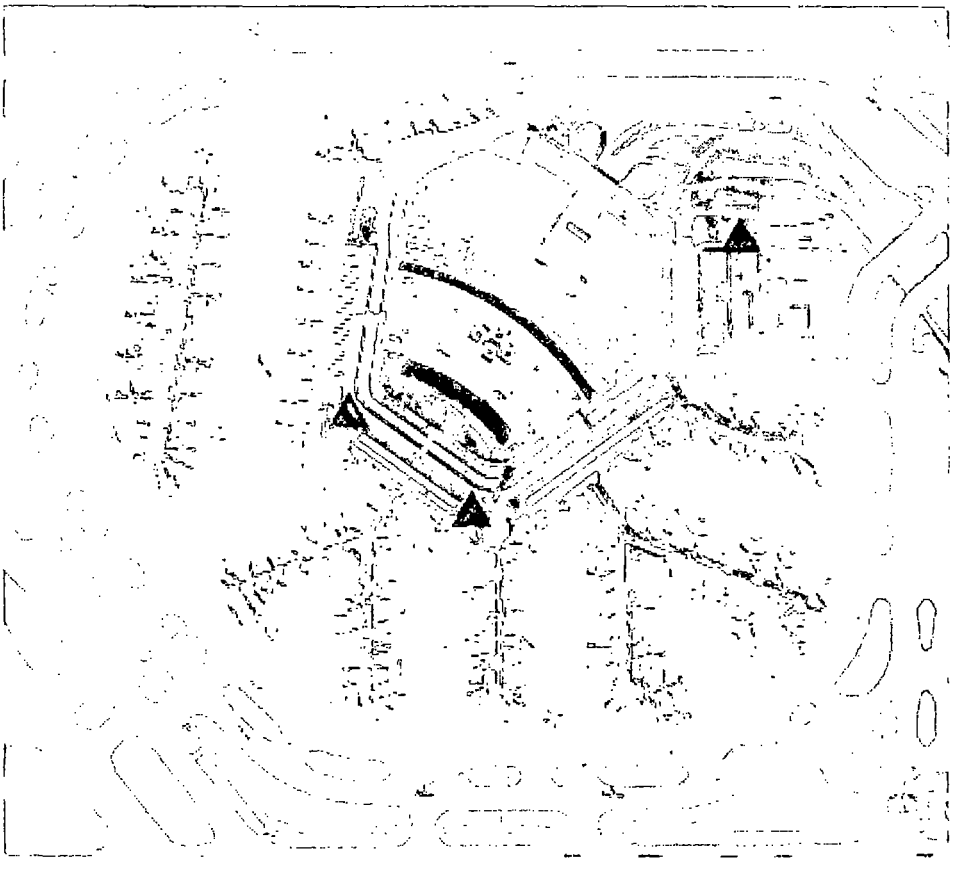
START AND END DATE: 2022 - 2024

TOTAL ESTIMATED PROJECT COST: $ 3,678,300

- Construction Cost: $ 2,745,000
- Soft Cost + Contingency: $ 933,300

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 3,678,300

COST CENTER: TERMINAL



62. PROJECT NAME: Terminal 3 LL Sprinkler System Conversion from Wet to Dry System

PROJECT ACTIVITY: Design and Construction

SCOPE: This Project consists of the conversion of the T3 Lower Level sprinkler system. These systems are to be converted from a wet to a dry system to prevent freezing damages and EM repairs. The A/E shall evaluate existing conditions of the system, and recommend their Design with critical changes that need to be made to make the wet system a dry system or provide additional heat in limited areas where freezing occurs. This could include changing only a portion of a wet system to a dry system.

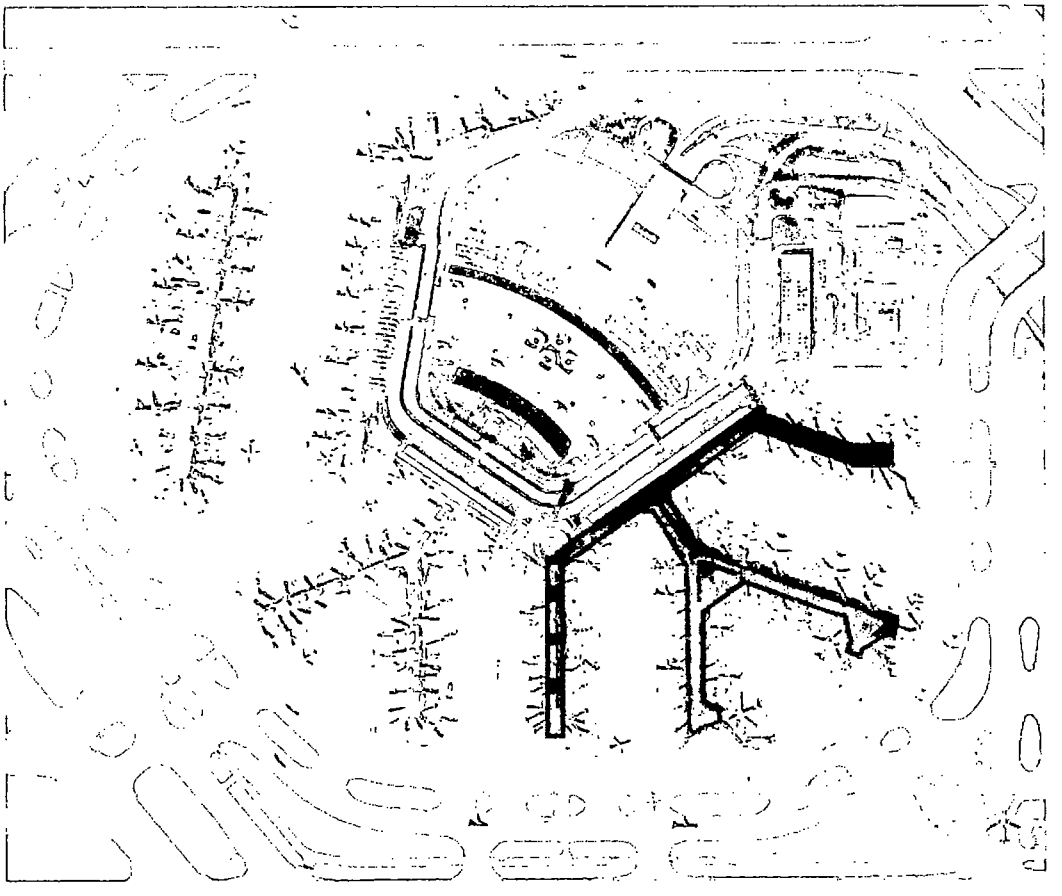
START AND END DATE: 2023 - 2024

TOTAL ESTIMATED PROJECT COST: $ 5,511,159

- Construction Cost: $ 4,112,805
- Soft Cost + Contingency: $ 1,398,354

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 5,511,159

COST CENTER: TERMINAL



63. PROJECT NAME: T1 – Terminal and Concourse Storm Sewer Repairs; Roof Drains & Oil/Water Separators

PROJECT ACTIVITY: Design and Construction

SCOPE: This project will install or repair existing storm sewers including roof drains and related oil/water separators.

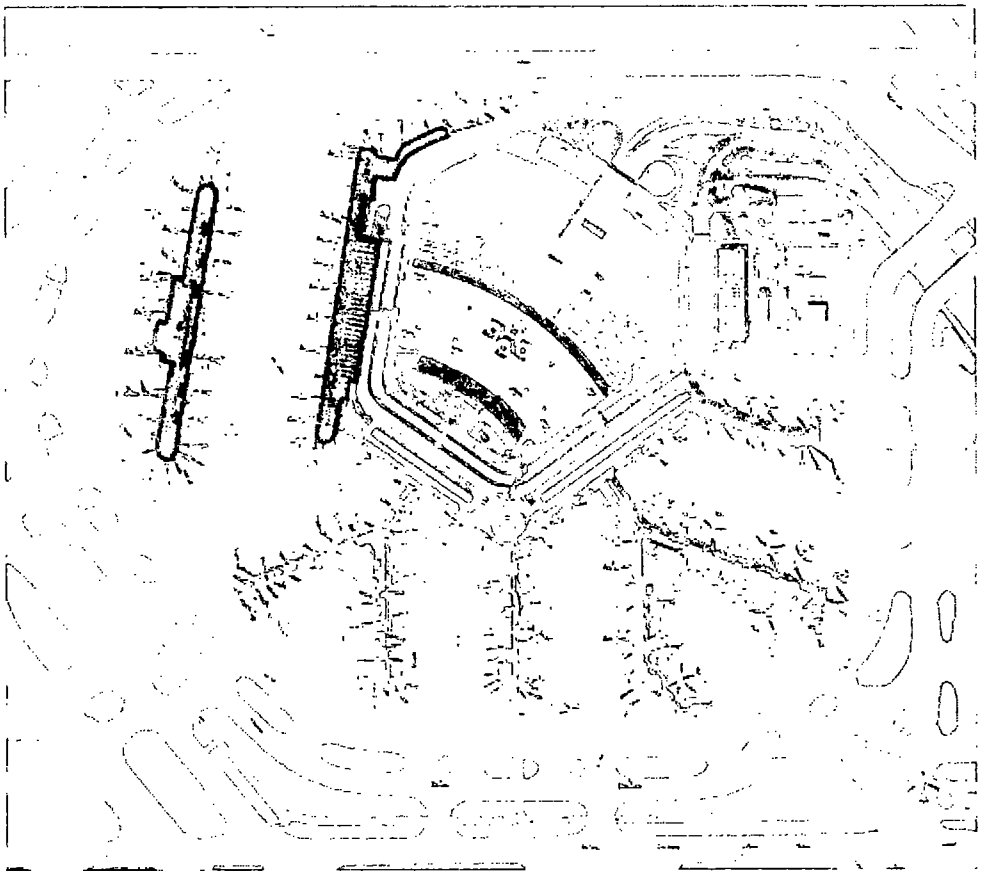
START AND END DATE: 2023 - 2024

TOTAL ESTIMATED PROJECT COST: $ 2,779,810

- Construction Cost: $ 2,074,485
- Soft Cost + Contingency: $ 705,325

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 2,779,810

COST CENTER: TERMINAL



64. PROJECT NAME: T3 – Terminal and Concourse Storm Sewer Repairs; Roof Drains & Oil/Water Separators

PROJECT ACTIVITY: Design and Construction

SCOPE: This project will install or repair existing storm sewers including roof drains and related oil/water separators.

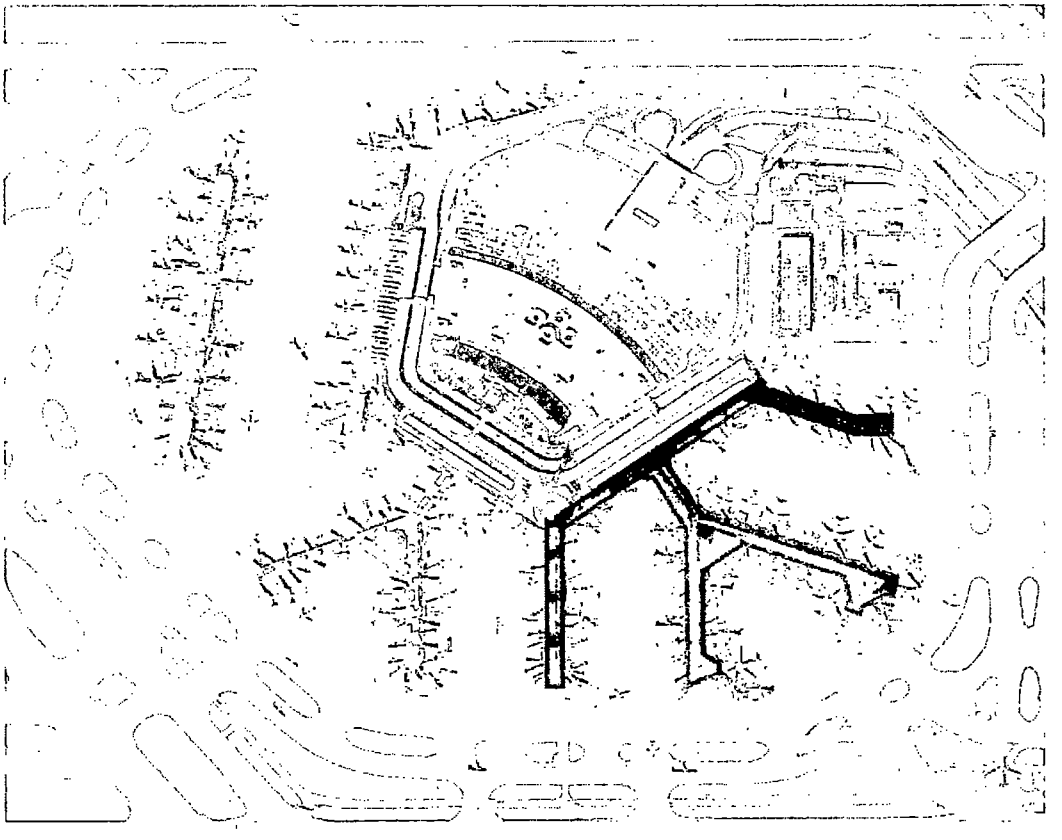
START AND END DATE: 2023 - 2024

TOTAL ESTIMATED PROJECT COST: $ 2,779,810

- Construction Cost: $ 2,074,485
- Soft Cost + Contingency: $ 705,325

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 2,779,810

COST CENTER: TERMINAL



65. PROJECT NAME: T1 B/C Terminal Apron Level Exterior Repairs (Masonry, columns, walls)

PROJECT ACTIVITY: Design and Construction

SCOPE: The project consists of masonry repairs including tuckpointing, partial and full brick repair/replacement along the exterior LL walls of Terminal 1 concourses B & C.

The estimated cost is based on 3,020 LF of wall on Concourse B and 4,190 LF of wall on Concourse C.

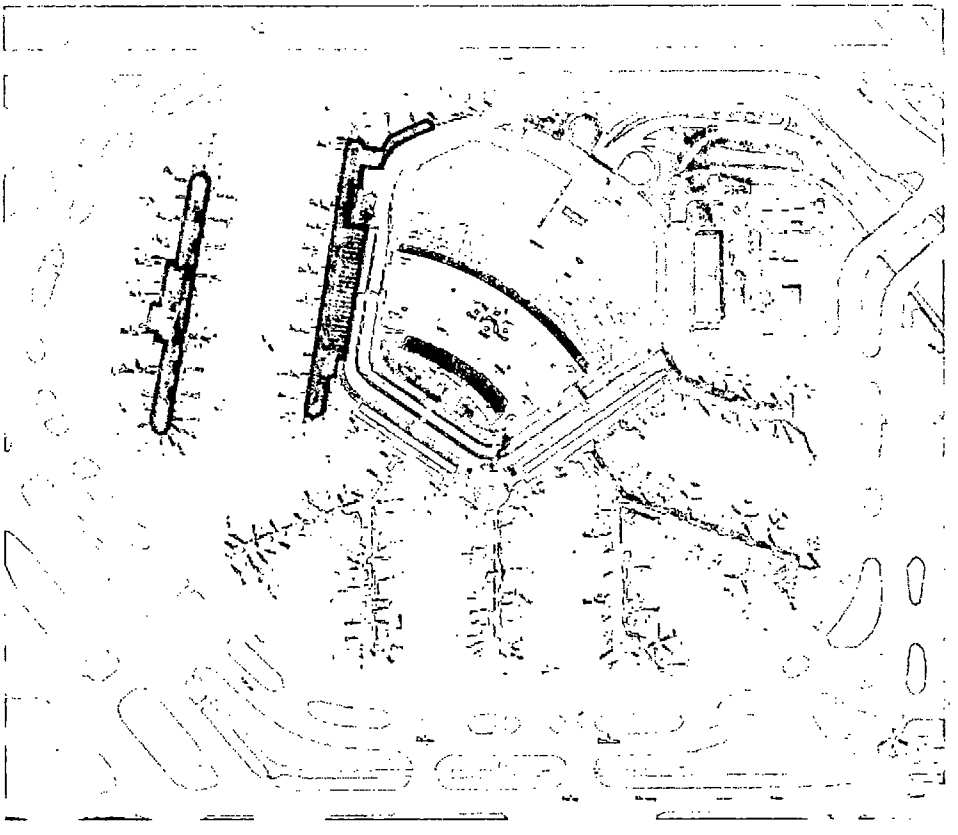
START AND END DATE: 2018 - 2019

TOTAL ESTIMATED PROJECT COST: $ 2,186,553

- Construction Cost: $ 1,631,756
- Soft Cost + Contingency: $ 554,797

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 2,186,553

COST CENTER: TERMINAL



66. PROJECT NAME: T3 G,H,K,L Term. Apron Level Exterior Repairs (Masonry, columns, walls)

PROJECT ACTIVITY: Design and Construction

SCOPE: The project consists of masonry repairs including tuckpointing, partial and full brick repair/replacement along the exterior LL walls of Terminal 3 concourses G,H,K and L.

The estimated cost is based on 2,210 LF of wall on Concourse G, 2,260 LF of wall on Concourse H, 2,760 LF of wall on Concourse K and 1,840 LF of wall on Concourse L.

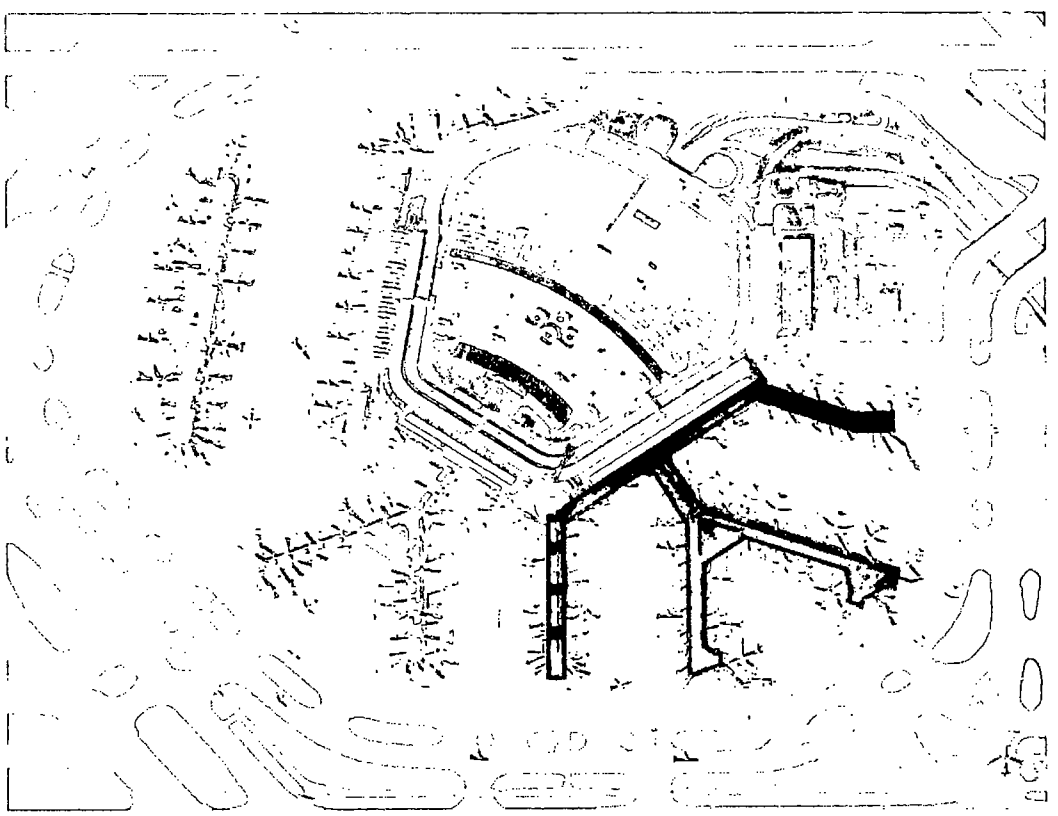
START AND END DATE: 2024 - 2026

TOTAL ESTIMATED PROJECT COST: $ 7,123,822

- Construction Cost: $ 5,316,285
- Soft Cost + Contingency: $ 1,807,537

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 7,123,822

COST CENTER: TERMINAL



67. PROJECT NAME: Terminal Apron Level Exterior Repairs (Masonry, columns, walls) – T5

PROJECT ACTIVITIES: Design and Construction

SCOPE: The project consists of masonry repairs including tuckpointing, partial and full brick repair/replacement along the exterior LL walls of Terminal 5 concourse M. The estimated cost is based on 4,320 LF of wall.

START AND END DATE: 2021 - 2023

TOTAL ESTIMATED PROJECT COST: $ 1,310,129

- Construction Cost: $ 977,708
- Soft Cost + Contingency: $ 332,421

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 1,310,129

COST CENTER: TERMINAL

68. PROJECT NAME: Terminal Apron Level Overhead Roll-up Door Replacement – T1 B & C

PROJECT ACTIVITY: Design and Construction

SCOPE: The project consists of the removal of the existing Overhead Roll-up Doors and the replacement with high-speed, insulated, high wind resistant, metal coiling doors inclusive of all electrical work and controls.

The estimated cost includes sixteen (16) doors total.

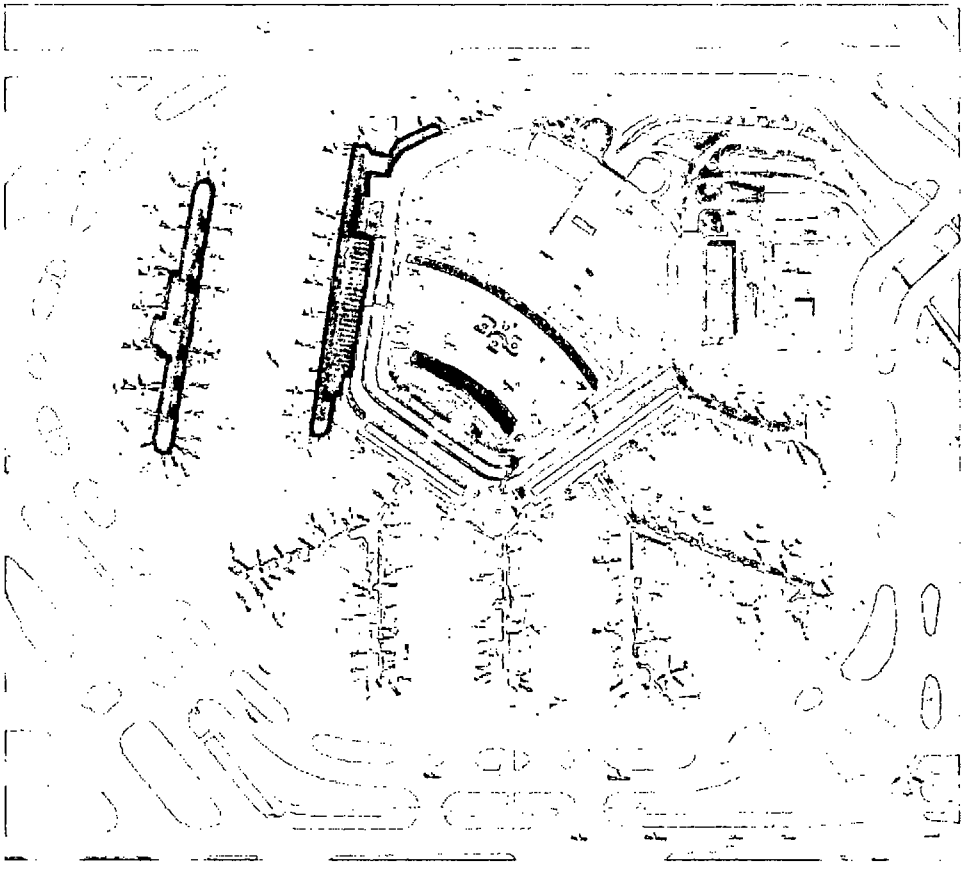
START AND END DATE: 2023

TOTAL ESTIMATED PROJECT COST: $ 1,626,760

- Construction Cost: $ 1,220,070
- Soft Cost + Contingency: $ 406,690

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 1,626,760

COST CENTER: TERMINAL



69. PROJECT NAME: Terminal Apron Level Overhead Roll-up Door Replacement – T3 G,H,K,L

PROJECT ACTIVITY: Design and Construction

SCOPE: The project consists of the removal of the existing Overhead Roll-up Doors and the replacement with high-speed, insulated, high wind resistant, metal coiling doors inclusive of all electrical work and controls.

The estimated cost includes twenty-six (26) doors total.

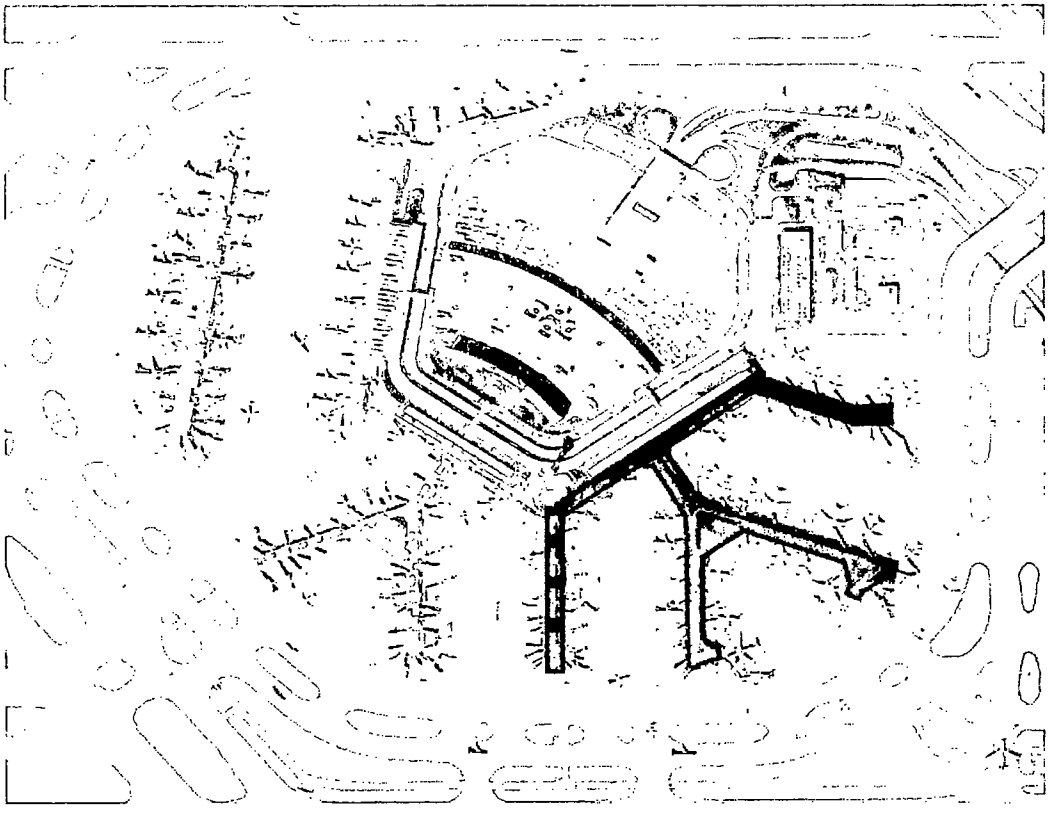
START AND END DATE: 2023

TOTAL ESTIMATED PROJECT COST: $ 1,922,900

- Construction Cost: $ 1,435,358
- Soft Cost + Contingency: $ 487,542

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 1,922,900

COST CENTER: TERMINAL



70. PROJECT NAME: Terminal Apron Level Overhead Roll-up Door Replacement – T5

PROJECT ACTIVITY: Design and Construction

SCOPE: The project consists of the removal of the existing Overhead Roll-up Doors and the replacement with high-speed, insulated, high wind resistant, metal coiling doors inclusive of all electrical work and controls.

The estimated cost includes ten (10) doors total.

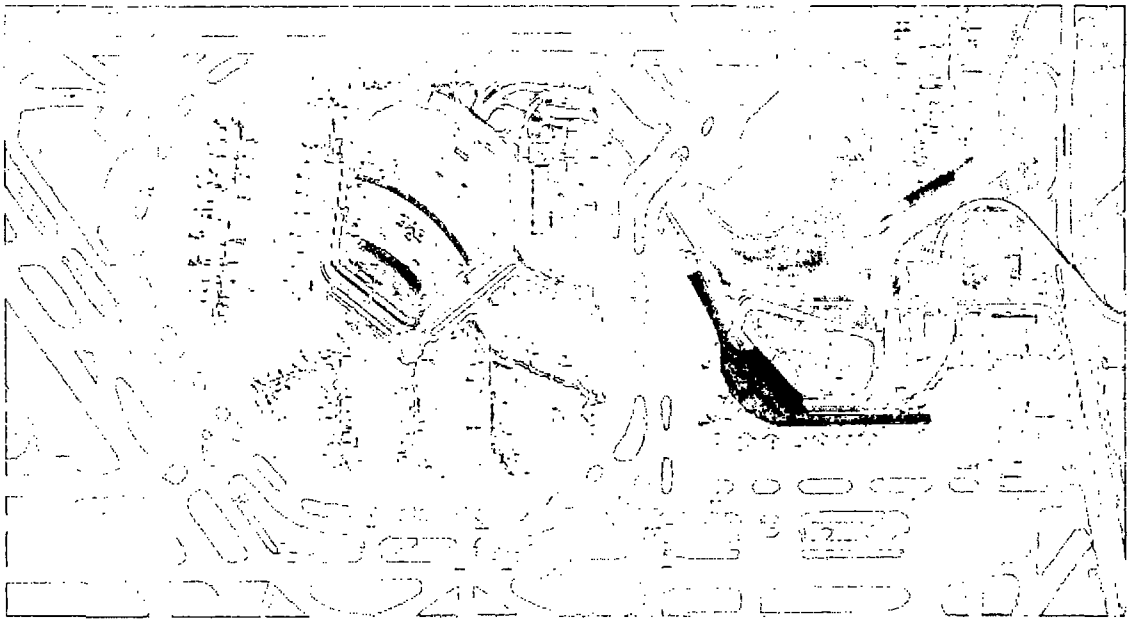
START AND END DATE: 2023 – 2024

TOTAL ESTIMATED PROJECT COST: $ 808,020

- Construction Cost: $ 603,000
- Soft Cost + Contingency: $ 205,020

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 808,020

COST CENTER: TERMINAL



71. PROJECT NAME: Terminal Building ADA Improvements – T5

PROJECT ACTIVITY: Design and Construction

SCOPE: This project consists of the design and construction of ADA improvements in and adjacent to the Terminal Building. The project will incorporate the most current code compliance requirements as identified by the FAA and the ADA standards for Accessible Design.

The estimated cost includes one (1) ADA restroom build-out as well as correction of FAA/ADA compliance Exterior Terminal issues and Interior Terminal issues.

START AND END DATE: 2019 – 2021

TOTAL ESTIMATED PROJECT COST: $ 871,000

- Construction Cost: $ 650,000
- Soft Cost + Contingency: $ 221,000

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 871,000

COST CENTER: TERMINAL

72. PROJECT NAME: Terminal Core Upper Level Expansion Joints

PROJECT ACTIVITY: Inspection, Design and Construction

SCOPE: The inner bridge expansion joints and sidewalks in the upper level roadway consisting of the inner roadway lanes and sidewalk in front of Terminals 1, 2, and 3 at O'Hare International Airport were not replaced during the last expansion joint replacement project in 2015 which replaced only the outer bridge expansion joints. In the sidewalk areas, the contraction and longitudinal joints have been repaired/replaced; however, it appears many of the transition joints in the sidewalks (that extend from the roadway transition joints) may need to be replaced.

The existing expansion joints have been repaired numerous times over the past several years. They can no longer be effectively repaired and must be cut out and replaced with a new Expansion Joint System. Currently, they represent a safety hazard to pedestrians and vehicles alike. The existing membranes have been penetrated, water and debris are falling down below. In the 2013 Bridge Inspection Report, it was found that the strip seal expansion joints were in poor condition and in need of replacement. Existing conditions will greatly worsen, and increase repair/replacement costs, if action is not implemented at this juncture.

It is desired to have an AE firm, solicited and selected via the CDA TOSR process, to perform an inspection of all the expansion joints, determine the extent of the failures, develop a bid package to address the failed joints, including bid/award phase, construction phase, and post construction phase services.

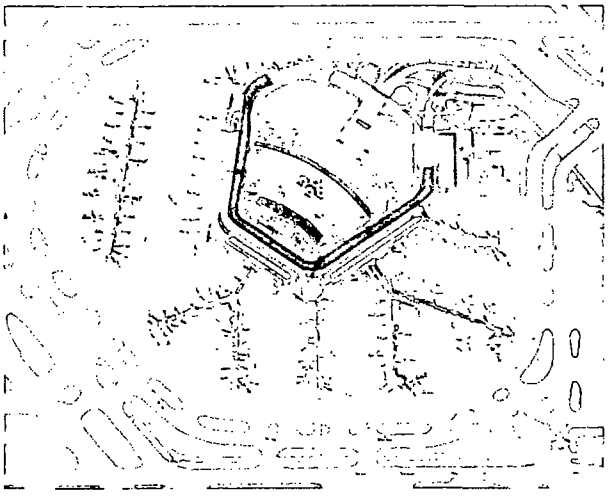
START AND END DATE: 2023 - 2024

TOTAL ESTIMATED PROJECT COST: $ 6,968,000

- Construction Cost: $ 5,200,000
- Soft Cost + Contingency: $ 1,768,000

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 6,968,000

COST CENTER: TERMINAL



73. PROJECT NAME: Terminal Domestic Water Infrastructure Improvements T1, B, C

PROJECT ACTIVITY: Design and Construction (as required)

SCOPE: The Project consists of replacing plumbing piping and other components to maintain continuous flow in the terminals, eliminating restrictions where possible. Metering may need to be installed at various locations as determined by an engineer.

The estimated cost is a non-specific $6.00 per square foot across the area.

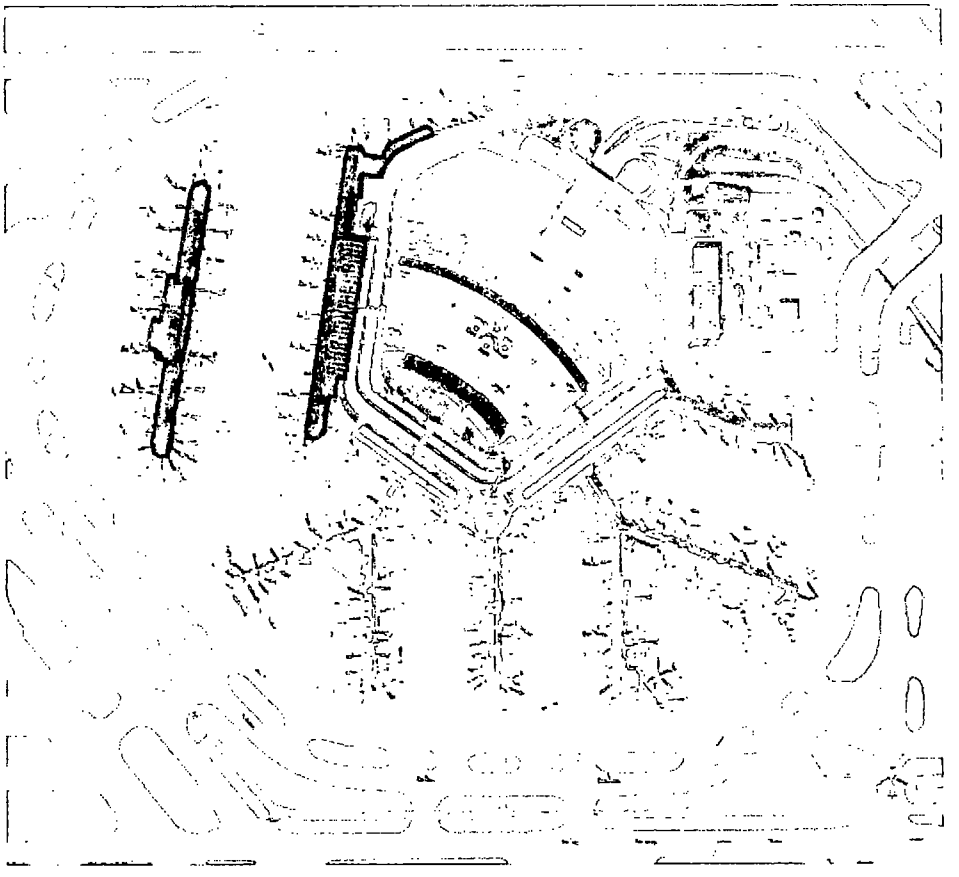
START AND END DATE: 2021 - 2023

TOTAL ESTIMATED PROJECT COST: $ 3,335,772

- Construction Cost: $ 2,489,382
- Soft Cost + Contingency: $ 846,390

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 3,335,772

COST CENTER: TERMINAL



74. PROJECT NAME: Terminal Domestic Water Infrastructure Improvements T3, G, H, K, L

PROJECT ACTIVITY: Design and Construction

SCOPE: The Project consists of replacing plumbing piping and other components to maintain continuous flow in the terminals, eliminating restrictions where possible. Metering may need to be installed at various locations determined by an engineer.

The estimated cost is a non-specific $6.00 per square foot across the area.

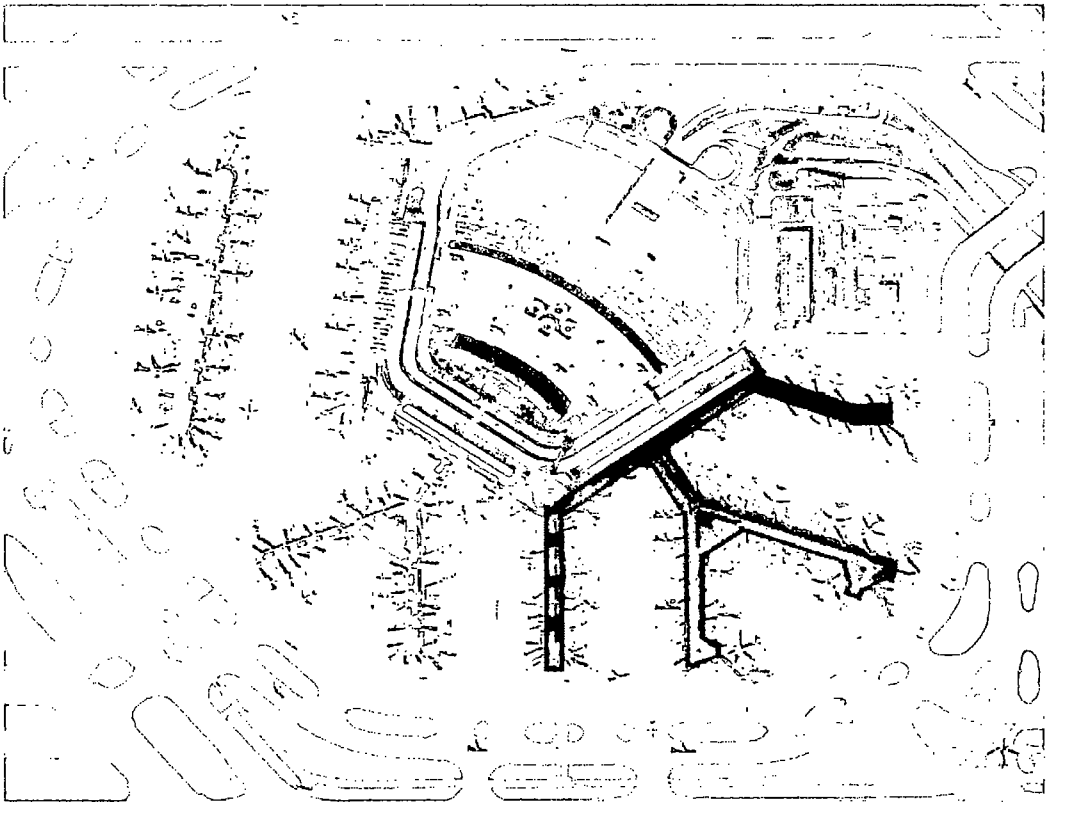
START AND END DATE: 2021 - 2023

TOTAL ESTIMATED PROJECT COST: $ 4,051,581

- Construction Cost: $ 3,023,568
- Soft Cost + Contingency: $ 1,028,013

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 4,051,581

COST CENTER: TERMINAL



75. PROJECT NAME: Terminal Fiber and Comm. Infrastructure Improvements T5

PROJECT ACTIVITY: Design and Construction

SCOPE: The project consists of fiber and communications cabling installation or replacement as necessary to accommodate existing equipment in Terminal 5.

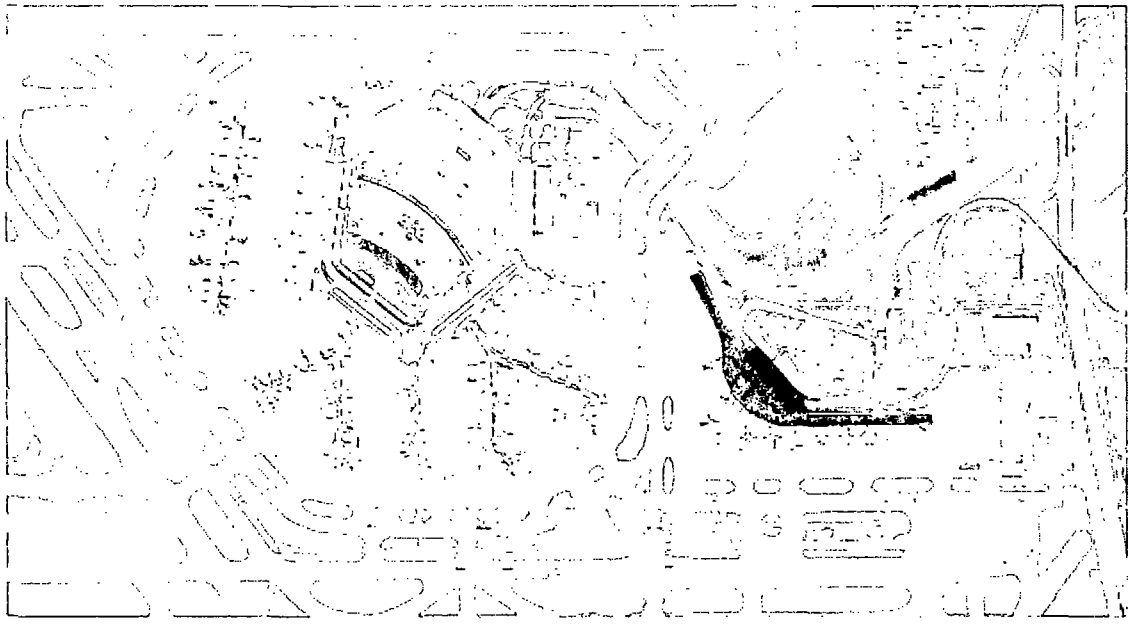
START AND END DATE: 2023

TOTAL ESTIMATED PROJECT COST: $ 7,652,211

- Construction Cost: $ 5,710,605
- Soft Cost + Contingency: $ 1,941,606

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 7,652,211

COST CENTER: TERMINAL



76. PROJECT NAME: Common-Use Jet-bridge, PC Air, 400 Hz Replacements

PROJECT ACTIVITY: Equipment Purchase and Construction

SCOPE: The project consists of the replacement of eight (8) Jet Bridges at Terminal 3, which are owned by the city.

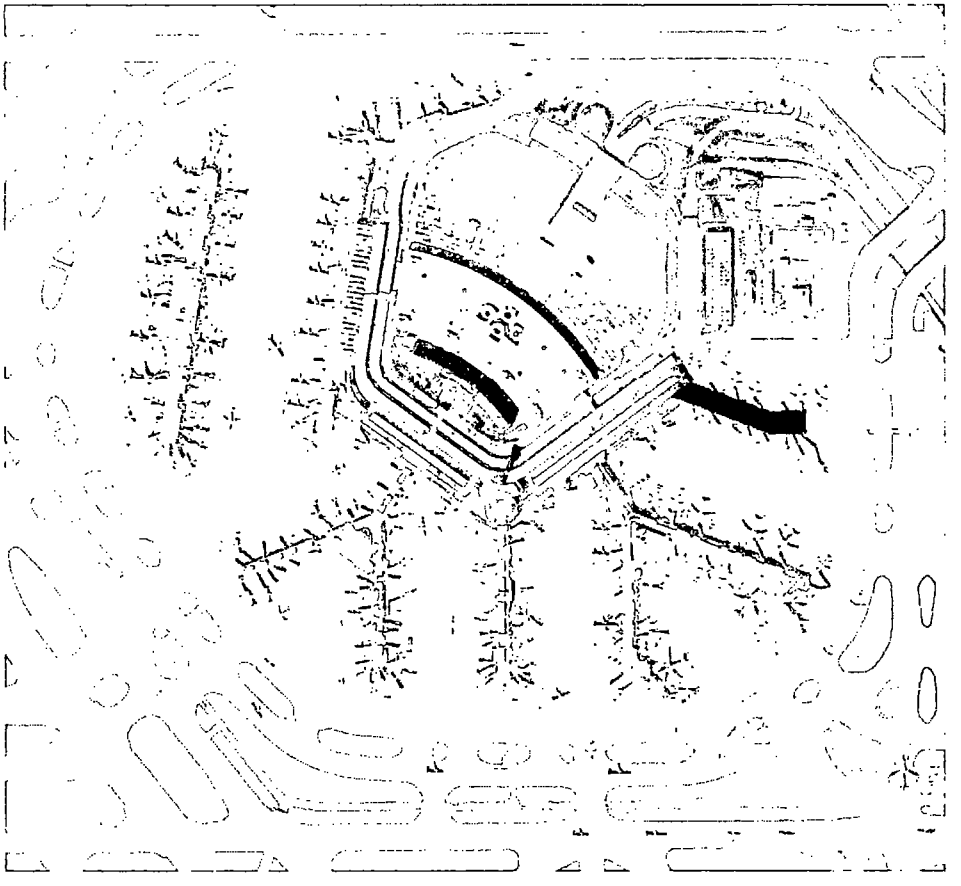
START AND END DATE: 2019 – 2021

TOTAL ESTIMATED PROJECT COST: $ 10,630,500

- Construction Cost: $ 7,933,200
- Soft Cost + Contingency: $ 2,697,300

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 10,630,500

COST CENTER: TERMINAL – CITY EQUIPMENT



77. PROJECT NAME: Terrazzo Replacement in Concourse G, H & K

PROJECT ACTIVITY: Design and Construction

SCOPE: The project consists of replacing twenty-five (25) percent of T3 terrazzo and all of G, H and K terrazzo. The estimated cost includes 345,000 SF of terrazzo replacement in T3 G, H, and K.

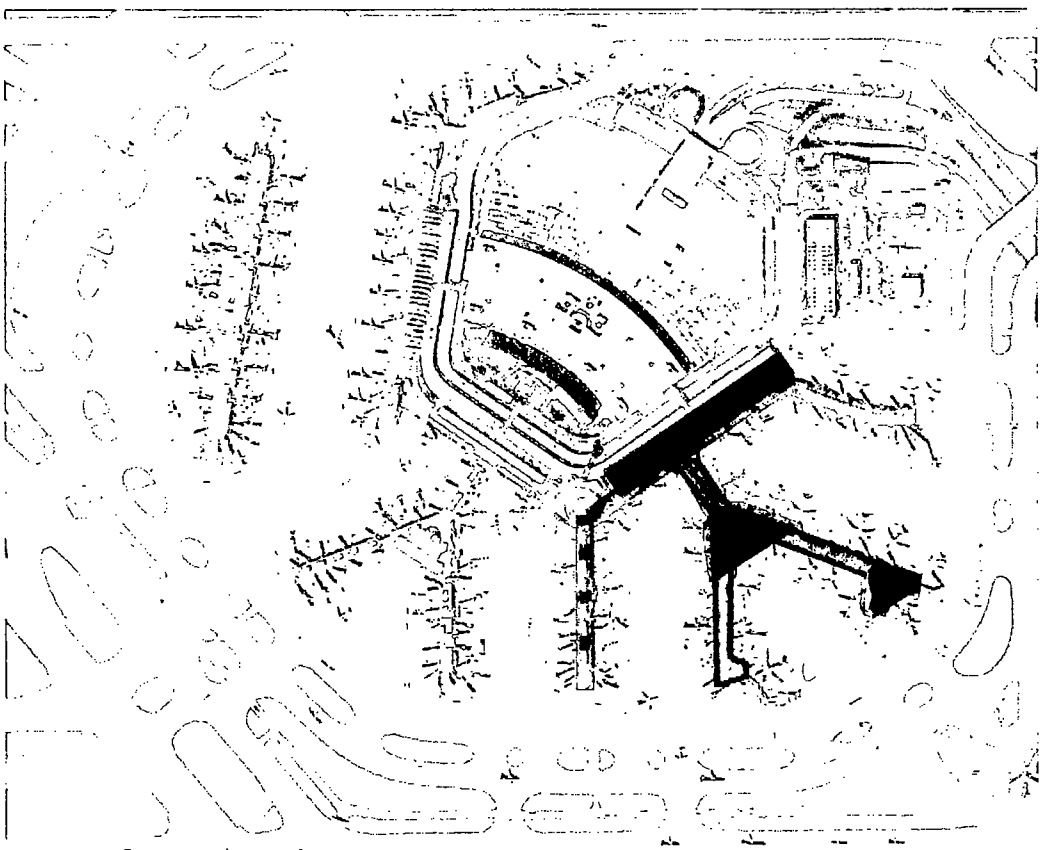
START AND END DATE: 2022

TOTAL ESTIMATED PROJECT COST: $ 23,115,000

- Construction Cost: $ 17,250,000
- Soft Cost + Contingency: $ 5,865,000

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 23,115,000

COST CENTER: TERMINAL



78. PROJECT NAME: T3 New Concessions/Freight Elevator – Design & Construction

PROJECT ACTIVITY: Design and Construction

SCOPE: This project will install a new freight elevator in Terminal 3. The location will be determined based on both the 2017 elevator study and available operations space.

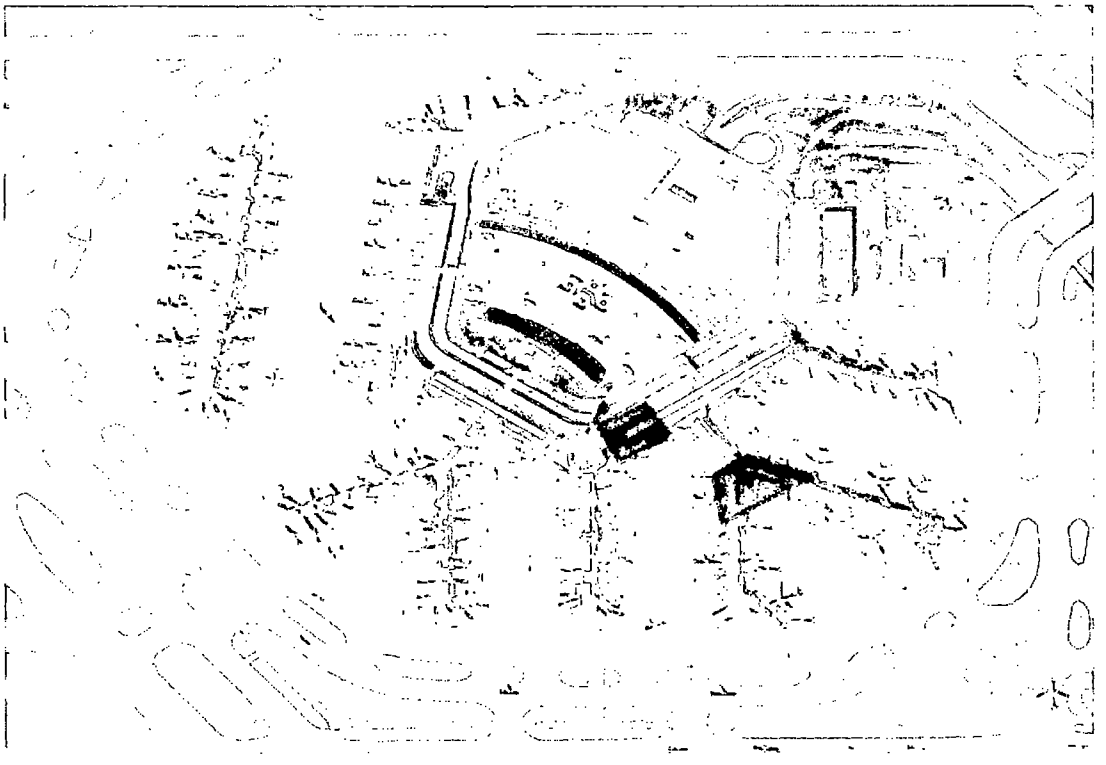
START AND END DATE: 2025

TOTAL ESTIMATED PROJECT COST: $ 1,340,000

- Construction Cost: $ 1,000,000
- Soft Cost + Contingency: $ 340,000

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 1,340,000

COST CENTER: TERMINAL



79. PROJECT NAME: Rotunda Renovations

PROJECT ACTIVITY: Design and Construction

SCOPE: The Rotunda Renovation project consists of a Renovation of the existing space, including replacement of interior finishes, staircases, electrical, fire protection, repair of existing exterior finish, reconfiguration of current space to allow for new tenants and services to the space. HVAC and Roofing have been removed from the scope of this project as they are captured in other projects.

The estimated cost is based on 56,442 SF of renovation (less HVAC and roofing).

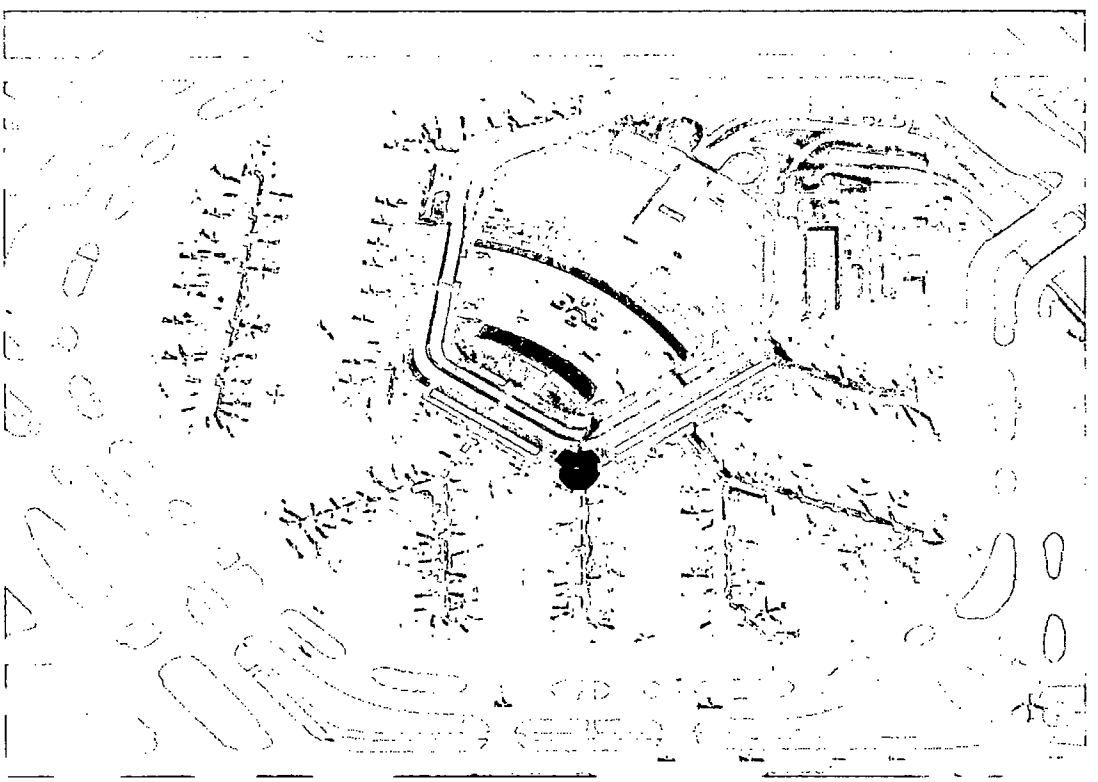
START AND END DATE: 2028 - 2032

TOTAL ESTIMATED PROJECT COST: $ 28,194,201

- Construction Cost: $ 21,145,650
- Soft Cost + Contingency: $ 7,048,551

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 28,194,201

COST CENTER: TERMINAL



80. PROJECT NAME: T1 Exterior Emergency Stairwell Removal & Replacement

PROJECT ACTIVITY: Design and Construction

SCOPE: The project consists of replacement of twenty (20) emergency stairwells on Concourses B & C.

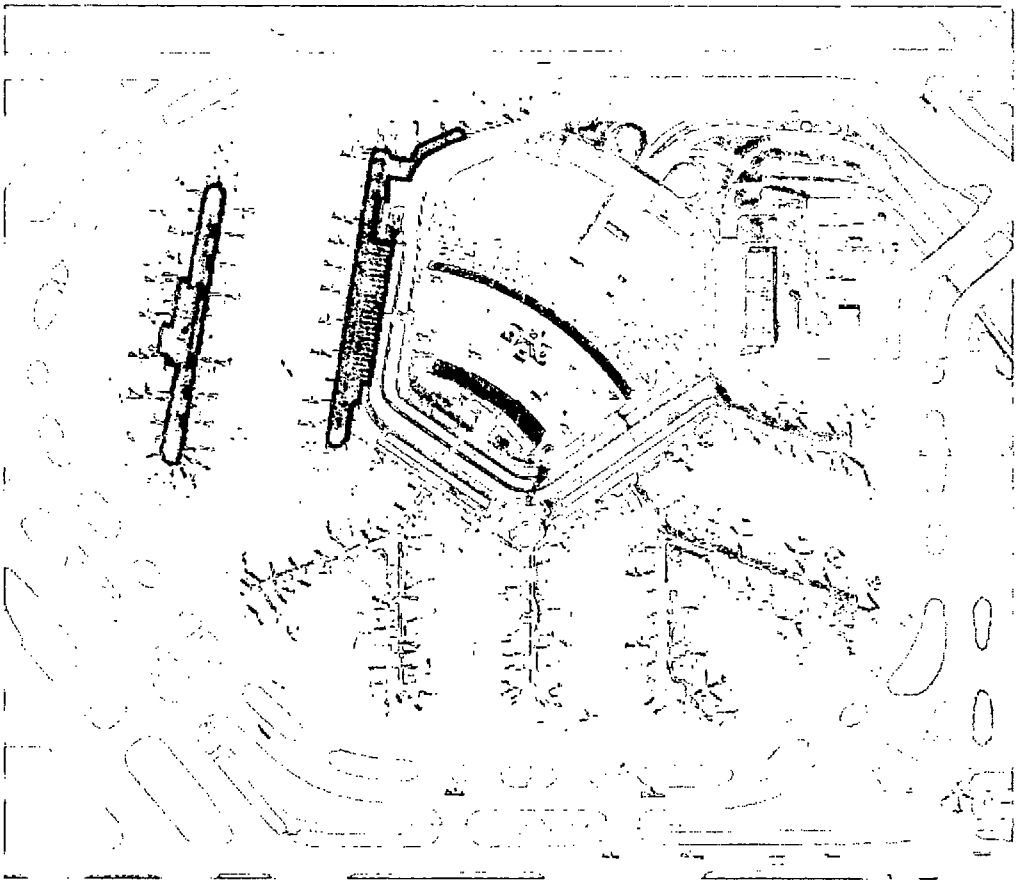
START AND END DATE: 2025

TOTAL ESTIMATED PROJECT COST: $ 1,270,320

- Construction Cost: $ 952,740
- Soft Cost + Contingency: $ 317,580

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 1,270,320

COST CENTER: TERMINAL



81. PROJECT NAME: T3 Exterior Emergency Stairwell Removal & Replacement

PROJECT ACTIVITY: Design and Construction

SCOPE: The project consists of replacement of eighteen (18) emergency stairwells on concourses G, H, K & L.

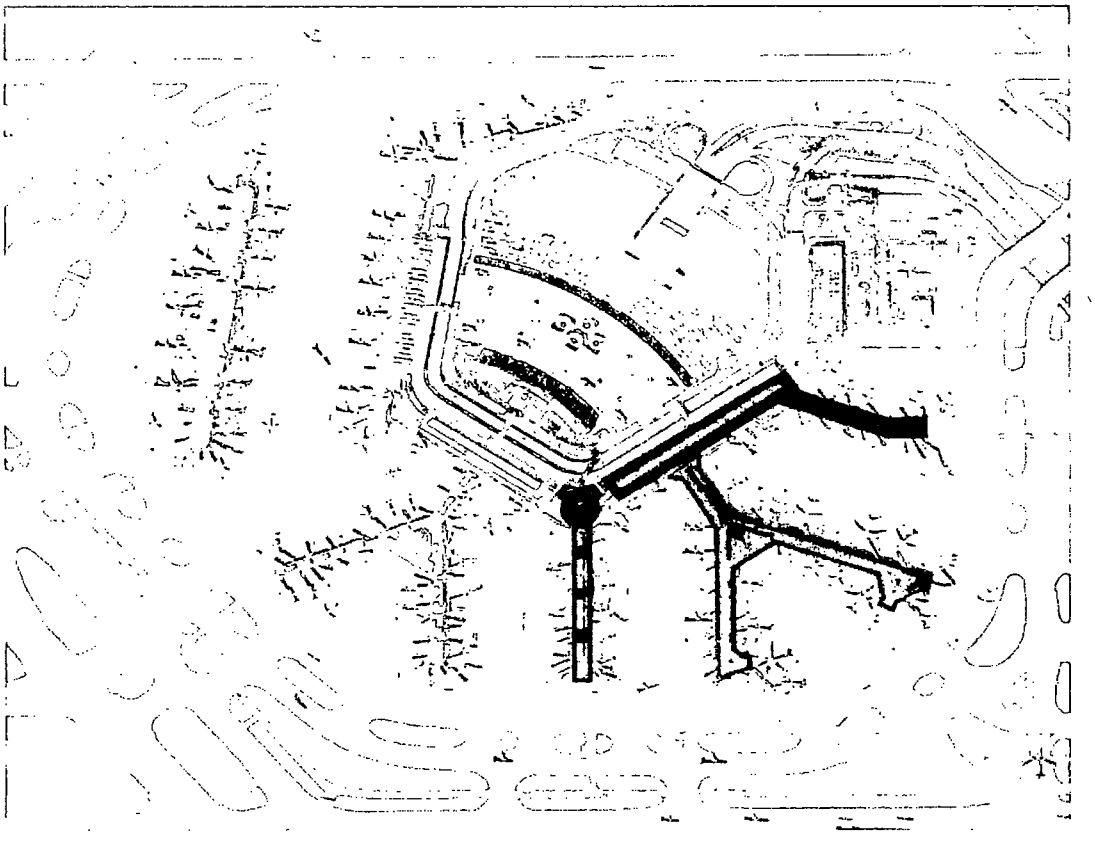
START AND END DATE: 2025

TOTAL ESTIMATED PROJECT COST: $ 1,143,288

- Construction Cost: $ 857,466
- Soft Cost + Contingency: $ 285,822

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 1,143,288

COST CENTER: TERMINAL



82. PROJECT NAME: T5 BAS & Fire Alarm System Controls Upgrades

PROJECT ACTIVITY: Design and Construction

SCOPE: The project will upgrade the existing Fire Alarm (FA) Control Panels and test all FA Devices to assure devices are all properly operating and reporting to all annunciator panels in the Terminal. The project will upgrade the fire safety devices and the Fire Alarm (FA) System. The work scope will include upgrading annunciators and graphics for each terminal panel. The work scope will also include upgrading or adding horn/strobes, pull stations, door holders, shunt trip breakers, and FA Control Panel(s) where required. In addition, the work scope will also include the testing, repair, replacement and/or addition of air monitoring systems devices. The BAS upgrades will monitor the status of the fire alarm system for the prompting of emergency operating modes of the HVAC and lighting/electrical systems. Fire Alarm System hardware and software will be upgraded to meet current code requirements.

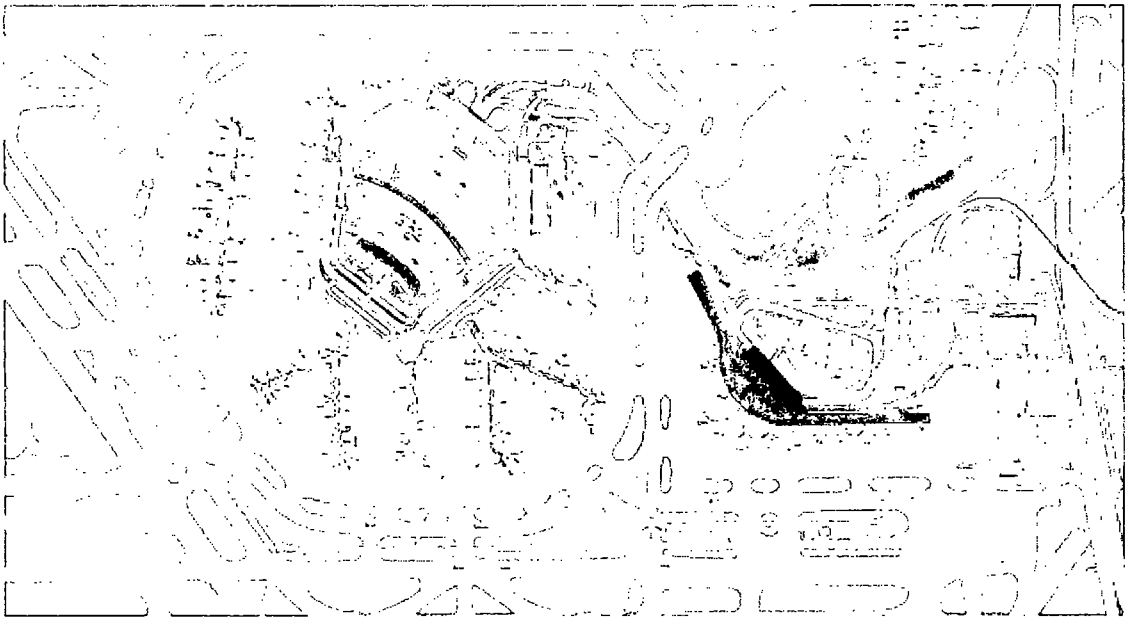
START AND END DATE: 2025 – 2026

TOTAL ESTIMATED PROJECT COST: $ 7,956,250

- Construction Cost: $ 5,937,500
- Soft Cost + Contingency: $ 2,018,750

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 7,956,250

COST CENTER: TERMINAL



83. PROJECT NAME: T5 Common & Maintenance Area LED Lighting Upgrades

PROJECT ACTIVITY: Design and Construction

SCOPE: Project scope consists of replacing the current lighting system in the common and maintenance areas with a cost-effective LED lighting system. Installation labor will be performed by CDA trades or SMG trades.

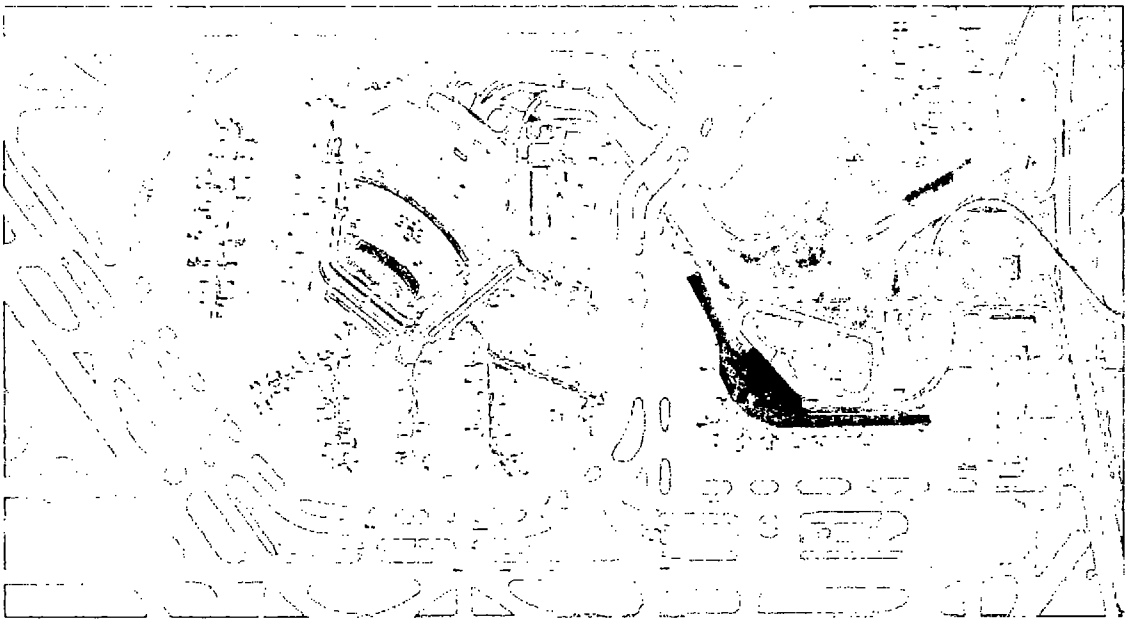
START AND END DATE: 2019 – 2020

TOTAL ESTIMATED PROJECT COST: $ 1,920,220

- Construction Cost: $ 1,433,000
- Soft Cost + Contingency: $ 487,220

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 1,920,220

COST CENTER: TERMINAL



84. PROJECT NAME: Concourse C Ramp Level Ceiling Replacement Drive Aisles

PROJECT ACTIVITIES: Design and Construction

SCOPE: The project consists of the removal and replacement of the ceiling in the lower level of Terminal 1 Concourse C in the non-public driving areas (i.e. Tug Roads), inclusive of the installation of LED lighting, controls and associated electrical upgrades and the installation of insulation for piping and walls for thermal and moisture protection at locations exposed to the exterior.

The estimated cost is based on 125,000 SF of removed and replaced drywall and 80,000 SF of LED lighting, along with associated insulation and interface/fascia reconstruction.

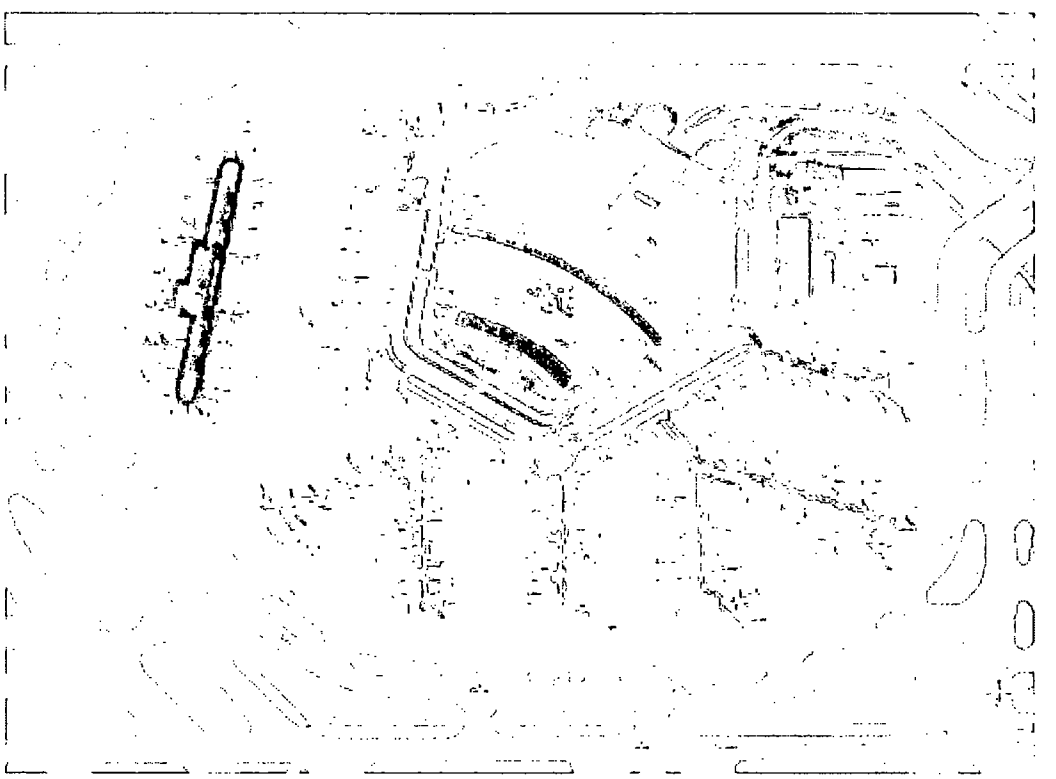
START AND END DATE: 2024 - 2025

TOTAL ESTIMATED PROJECT COST: $ 7,754,547

- Construction Cost: $ 5,775,000
- Soft Cost + Contingency $ 1,979,547

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 7,754,547

COST CENTER: TERMINAL



85. PROJECT NAME: Fire Alarm System Replacements – Design & Construction

PROJECT ACTIVITY: Design and Construction

SCOPE: The project Design & Construction will upgrade the existing Fire Alarm (FA) Control Panels and test all FA Devices to assure devices are all properly operating and reporting to all Annunciator Panels in each Terminal. The work scope will include upgrading annunciators and graphics for each Terminal's panel. The Contractor will then verify that each device in the system is operating properly.

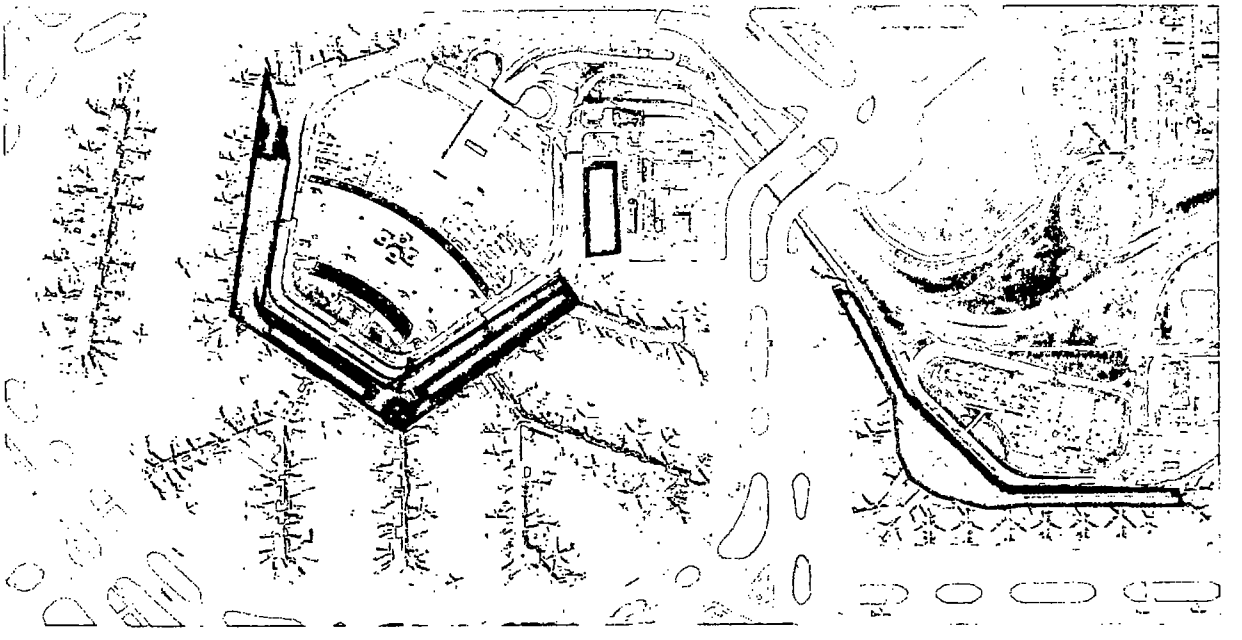
START AND END DATE: 2019 - 2020

TOTAL ESTIMATED PROJECT COST: $ 1,507,830

- Construction Cost: $ 1,130,872
- Soft Cost + Contingency: $ 376,958

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 1,507,830

COST CENTER: TERMINAL



86. PROJECT NAME: T5 HVAC Equipment & Controls Replacements & Upgrades

PROJECT ACTIVITY: Design and Construction

SCOPE: This project includes selective replacement and renovations of the HVAC system including VAV's, AHU's and ductwork as required. The system is approaching thirty (30) years old and will require upgrades to controls and valves, as well new monitoring and test points. This funding provides for replacement of approximately fifty (50) percent of the existing system.

START AND END DATE: 2026 – 2030

TOTAL ESTIMATED PROJECT COST: $ 46,351,721

- Construction Cost: $ 34,590,836
- Soft Cost + Contingency: $ 11,760,885

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 46,351,721

COST CENTER: TERMINAL

87. PROJECT NAME: G,H/K & L Concourse Window, Gasket and Panel Replacement

PROJECT ACTIVITY: Design and Construction

SCOPE: The project consists of the removal and replacement of the existing window gaskets and window repairs in the upper level of the G, H, K, and L Concourses.

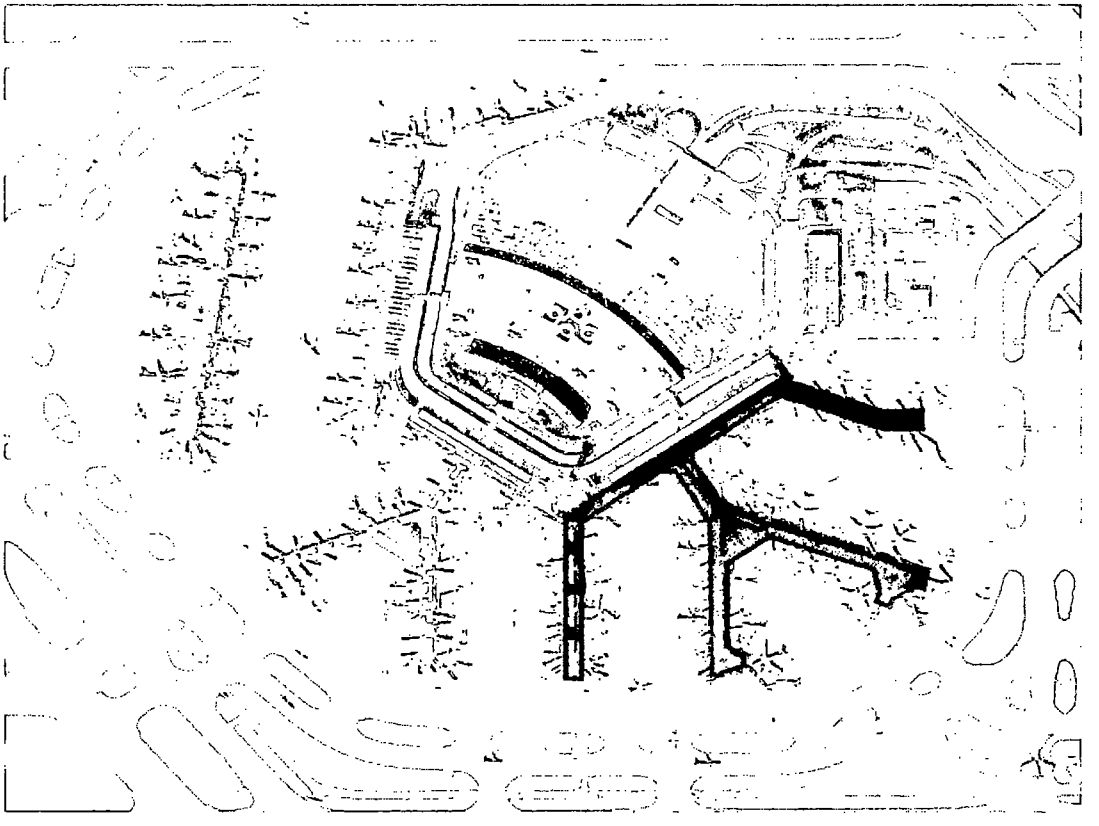
START AND END DATE: 2028

TOTAL ESTIMATED PROJECT COST: $ 5,360,000

- Construction Cost: $ 4,000,000
- Soft Cost + Contingency: $ 1,360,000

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 5,360,000

COST CENTER: TERMINAL



88. PROJECT NAME: Concourse B & C Holdroom Architectural Renovations

PROJECT ACTIVITY: Design and Construction

SCOPE: This project scope consists of renovations to the Concourse B and C holdroom architectural finishes. The work will focus on the holdrooms and gate areas on Concourse B and C. This project will include replacing architectural finishes such as paint, ceiling and wall coverings, new carpeting, and lighting improvements. The estimated area is 110,000 SF.

Minor infrastructure work may be necessary to install the new finishes. The estimated cost does not include City equipment, other gate systems, ticket counters, seating, HVAC replacement, restroom modernization, gate furniture, jet bridges, roofing, building changes or other major infrastructure. Replacement finishes and upgrades are assumed to be like for like and meet current standards for passenger amenities. Work may require closure of holdrooms and gates for periods of time.

CDA will work closely with the airlines to prioritize the areas and finishes to fit within the budgeted amount.

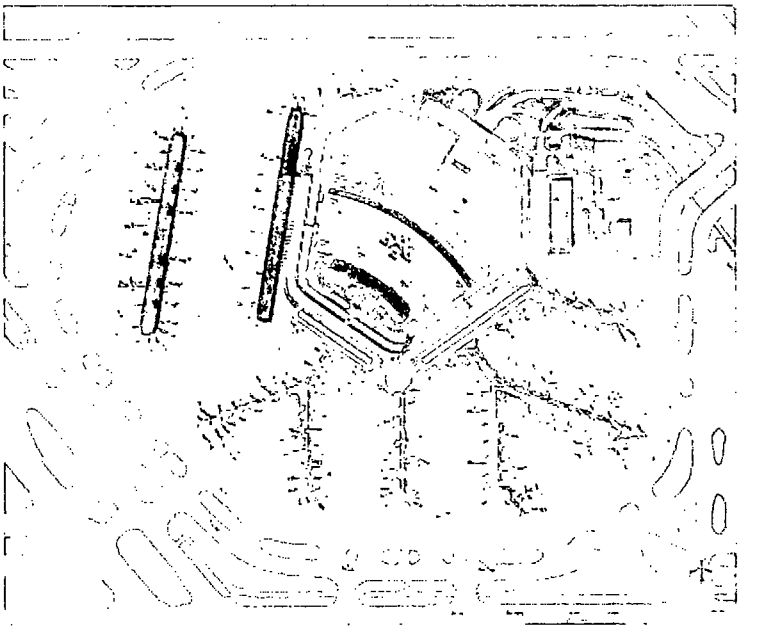
START AND END DATE: 2028 - 2032

TOTAL ESTIMATED PROJECT COST: $ 30,966,382

- Construction Cost: $ 23,224,787
- Soft Cost + Contingency: $ 7,741,595

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 30,966,382

COST CENTER: TERMINAL



89. PROJECT NAME: Concourse G Holdroom Architectural Renovations

PROJECT ACTIVITY: Design and Construction

SCOPE: This project scope consists of renovations to the Concourse G holdroom architectural finishes. The work will focus on the holdrooms and gate area on the G Concourse. This project will include replacing architectural finishes such as paint, ceiling and wall coverings, new carpeting, and lighting improvements. The estimated area is 25,760 SF.

Minor infrastructure work may be necessary to install the new finishes. The estimated cost does not include City equipment, other gate systems, ticket counters, seating, HVAC replacement, restroom modernization, gate furniture, jet bridges, roofing, building changes or other major infrastructure. Replacement finishes and upgrades are assumed to be like for like and meet current standards for passenger amenities. Work may require closure of hold rooms and gates for periods of time.

CDA will work closely with the airlines to prioritize the areas and finishes to fit within the budgeted amount.

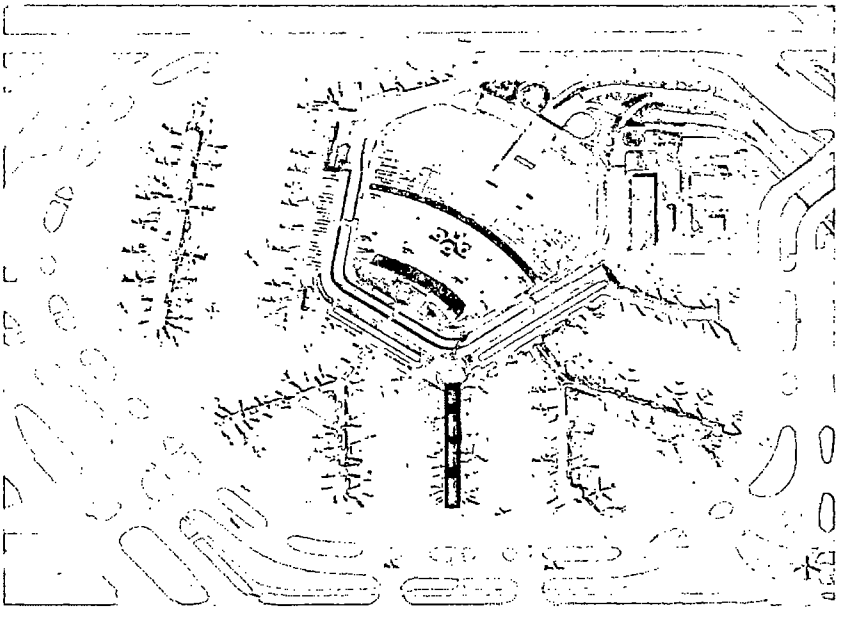
START AND END DATE: 2028 - 2032

TOTAL ESTIMATED PROJECT COST: $ 7,249,145

- Construction Cost: $ 5,436,859
- Soft Cost + Contingency: $ 1,812,286

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 7,249,145

COST CENTER: TERMINAL



90. PROJECT NAME: Concourse H/K Holdroom Architectural Renovations

PROJECT ACTIVITY: Design and Construction

SCOPE: This project scope consists of renovations to the Concourse H and K holdroom architectural finishes. The work will focus on the holdrooms and gate area on the H and K Concourses. This project will include replacing architectural finishes such as paint, ceiling and wall coverings, new carpeting, and lighting improvements. The estimated area is 79,900 SF.

Minor infrastructure work may be necessary to install the new finishes. The estimated cost does not include City equipment, other gate systems, ticket counters, seating, HVAC replacement, restroom modernization, gate furniture, jet bridges, roofing, building changes or other major infrastructure. Replacement finishes and upgrades are assumed to be like for like and meet current standards for passenger amenities. Work may require closure of hold rooms and gates for periods of time.

CDA will work closely with the airlines to prioritize the areas and finishes to fit within the budgeted amount.

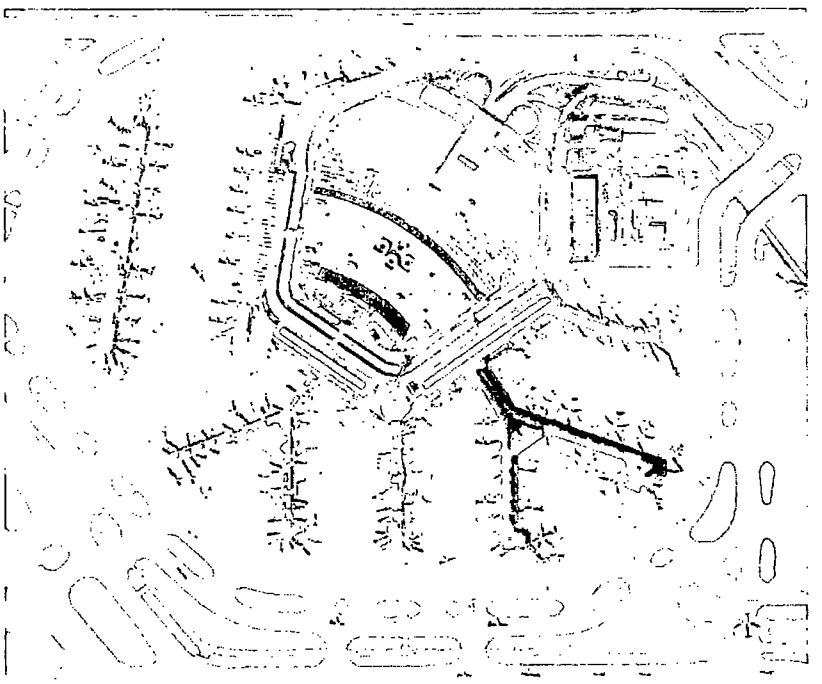
START AND END DATE: 2028 - 2032

TOTAL ESTIMATED PROJECT COST: $ 25,169,957

- Construction Cost: $ 18,783,550
- Soft Cost + Contingency: $ 6,386,407

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 25,169,957

COST CENTER: TERMINAL



91. PROJECT NAME: Concourse G Public Area Architectural Renovations

PROJECT ACTIVITY: Design and Construction

SCOPE: This project scope consists of renovations to the public areas of Concourse G to replace aging architectural finishes. The work will focus on the public circulation areas in the concourse, excluding hold rooms. The project will include replacing architectural finishes such as paint, ceiling, column and wall coverings, and lighting improvements. Concessions and advertising shells and framework may be architecturally integrated into the building where required. The estimated area is 50,340 SF.

Minor infrastructure work may be necessary to install the new finishes, but the estimated cost does not include HVAC replacement, restroom modernization, roofing, building changes or other major infrastructure.

CDA will work closely with the airlines to prioritize the areas and finishes to fit within the budgeted amount.

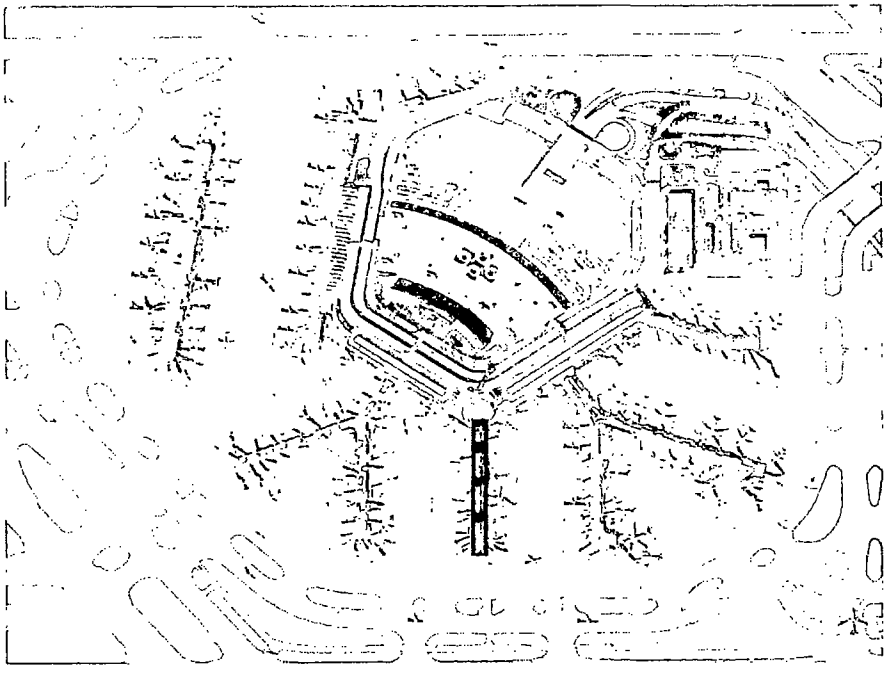
START AND END DATE: 2028 - 2032

TOTAL ESTIMATED PROJECT COST: $ 10,118,340

- Construction Cost: $ 7,551,000
- Soft Cost + Contingency: $ 2,567,340

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 10,118,340

COST CENTER: TERMINAL



92. PROJECT NAME: T3 LL Metal Pan Ceiling Replacement Drive Aisles

PROJECT ACTIVITY: Design and Construction

SCOPE: The project consists of the removal and replacement of the metal pan ceiling in the lower level of Terminal 3. The Terminal 3 lower level metal pan ceiling was installed in 2007. Based on similar airport installations, the ceiling will require replacement before 2028. The estimated area is 165,000 SF.

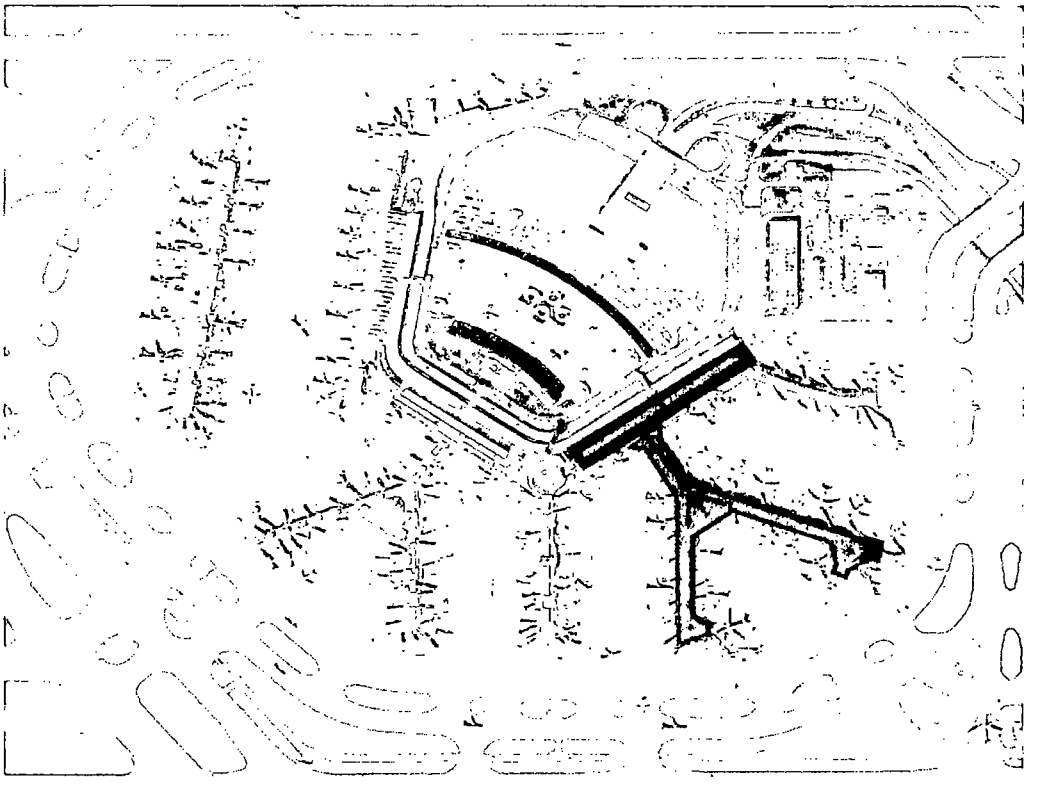
START AND END DATE: 2023 - 2024

TOTAL ESTIMATED PROJECT COST: $ 2,117,200

- Construction Cost: $ 1,580,000
- Soft Cost + Contingency: $ 537,200

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 2,117,200

COST CENTER: TERMINAL



93. PROJECT NAME: T3 G,H,K & L Roof Repairs

PROJECT ACTIVITY: Design and Construction

SCOPE: The project consists of the full removal and replacement of the Terminal 3 roof including the G, H, K, and L Concourses. The barrel section of the H and K Concourse is excluded. The total area included is approximately 577,000 SF.

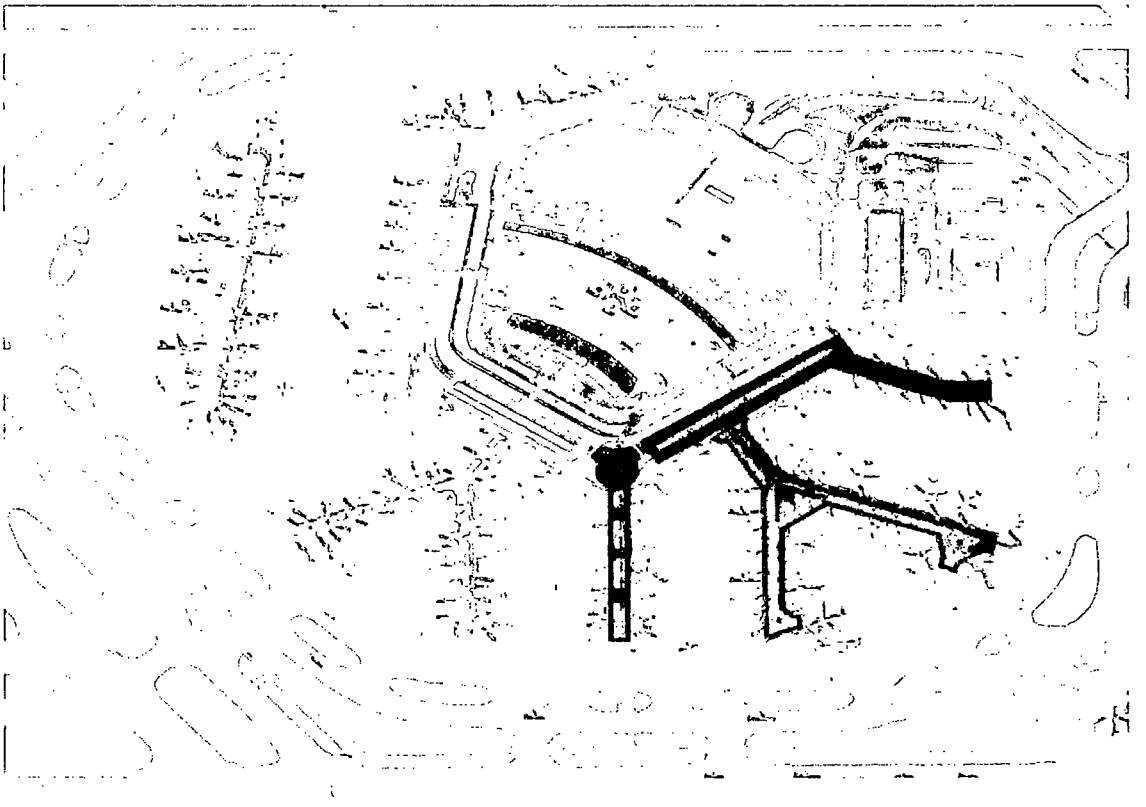
START AND END DATE: 2027 - 2028

TOTAL ESTIMATED PROJECT COST: $ 20,877,602

- Construction Cost: $ 15,580,300
- Soft Cost + Contingency: $ 5,297,302

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 20,877,602

COST CENTER: TERMINAL



94. PROJECT NAME: T5 Curtainwall Repairs & Replacement – Design & Construction

PROJECT ACTIVITY: Design and Construction

SCOPE: The exterior walls of the Terminal 5 building and the Concourse mechanical rooms have deep ribbed metal panel siding. Over time the ribbed metal siding, in particular at the corners, has experienced serious degradation. Comparative analysis over the years suggests the wear has progressed and indications are it will continue without remedial action. The scope of this project provides for a combination of replacement of deteriorated panels and refinishing existing panels. It is assumed that thirty (30) percent of the panels will need to be replaced. The project also includes repairs and painting of the T5 front fascia.

START AND END DATE: 2029 – 2030

TOTAL ESTIMATED PROJECT COST: $ 12,096,073

- Construction Cost: $ 9,026,920
- Soft Cost + Contingency: $ 3,069,153

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 12,096,073

COST CENTER: TERMINAL

95. PROJECT NAME: T5 Power Distribution Panels & Switchgear Upgrades & Recertification

PROJECT ACTIVITIY: Design and Construction

SCOPE: This project includes replacement and recertification of Switchgears and Power Distribution panels through-out Terminal 5. The facility will be 35 years old at the time this project is scheduled for completion, the panels will be due for replacement.

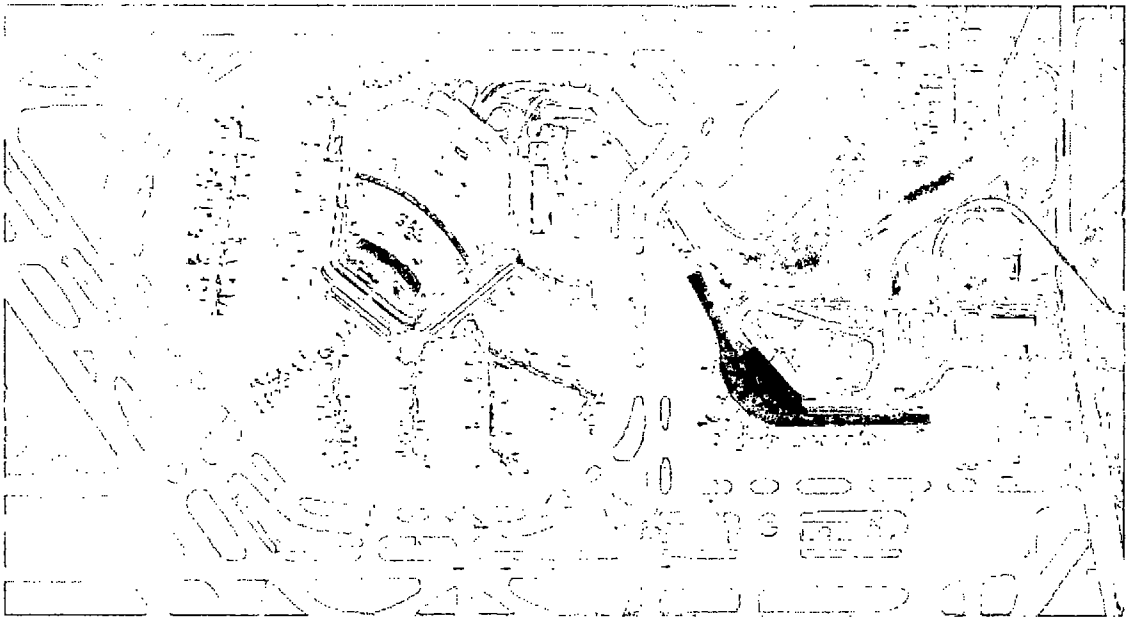
START AND END DATE: 2020 - 2022

TOTAL ESTIMATED PROJECT COST: $ 11,111,009

- Construction Cost: $ 8,291,798
- Soft Cost + Contingency: $ 2,819,211

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 11,111,009

COST CENTER: TERMINAL



96. PROJECT NAME: T5 Architectural Renovations – Public Areas and Holdrooms

PROJECT ACTIVITY: Design and Construction

SCOPE: The proposed scope of work is to implement a plan for the refurbishment and modernization of the T5 Concourse, gates M1-M21. A total of 58,960 SF of holdroom space will be renovated as well as 82,702 SF of public spaces. Work will include new carpet, base, new ceilings, new efficient lighting, and the repair and repainting of walls.

Work will not include restrooms and concession spaces.

START AND END DATE: 2024 - 2026

TOTAL ESTIMATED PROJECT COST: $ 37,965,416

- Construction Cost: $ 28,332,400
- Soft Cost + Contingency: $ 9,633,016

TOTAL ESTIMATED AIRLINE RATE-BASED COST: $ 37,965,416

COST CENTER: TERMINAL

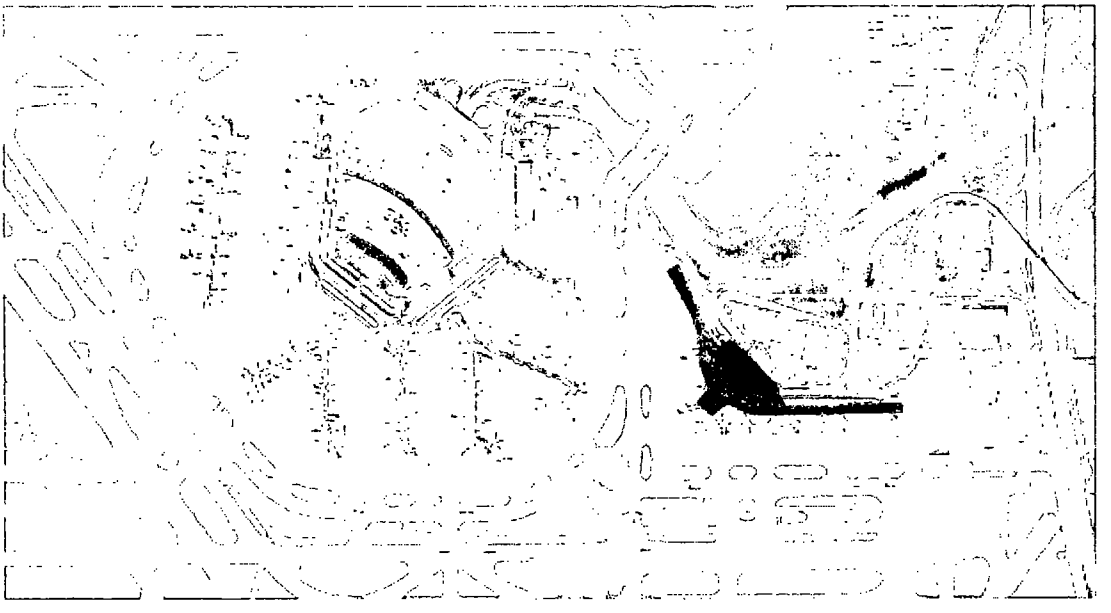


Exhibit O

Pre-Approved Allowances

The Pre-Approved Allowances approved by the Long-Term Signatory Airlines pursuant to Article 10.5 of the Airline Use and Lease Agreement consist of the following:

Pre-Approved Allowance Descriptions

Section 1. Annual budgets

For each funded year included in the Airline Use and Lease Agreement, the City will provide the EWG with a listing of scheduled projects for the upcoming year. The project listing and associated cost estimates will categorize projects per the types listed below. To provide flexibility to meet Airport requirements, the annual allowances listed for each category are only a guide and can be transferred from one type of allowance to another. Funding expenditures will be limited to the total annual amount plus any unspent transfers from previous years as provided for in and subject to the terms Article 10 of the Airline Use and Lease Agreement.

Pre-Approved Allowance	Estimated Annual Budget	Total for 15 Years
Taxiway Pavement Rehabilitation	$7.0M	$105.0M
Apron Pavement Repair	$8.0 M	$120.0 M
Airfield Roadway Repair and Replacement	$1.0 M	$15.0 M
Parking Maintenance and Repair	$3.0 M	$45.0 M
Roadway Pavement Replacement	$5.0 M	$75.0 M
Terminal Conveyance Replacement	$3.0 M	$45.0 M
Restroom Refresh and Modernization	$1.0M	$15.0M
Vehicle Replacement	$12.0M	$180.0M
Total Pre-Approved Allowances:	**$40.0M**	**$600.0M**

While annual budgets have been defined above, CDA in consultation with the EWG may increase amounts spent annually within a category provided that annual expenditures in other categories are reduced so that total annual allowance expenditures do not exceed $40 million.

Section 2. Pre-Approved Allowance Descriptions

"**Taxiway Pavement Rehabilitation**": This allowance is intended for minor taxiway maintenance and repair projects. Work includes, but is not limited to:

- Removal and replacement of asphalt and concrete pavements;
- Taxiway bridge deck pavement as well as taxiway shoulders;
- Demolition of hotspots outside runway object free area when requested by FAA to prevent surface incidents or incursions;
- Contaminated material remediation and subgrade/subbase stabilization;
- Necessary installation, repair, replacement or adjustment of utility/infrastructure, lighting, signage, pavement markings, artificial turf, grading and drainage of turf areas, drainage structures and other appurtenances, devices and/or incidental items required for compliance with current codes, laws, standards and best industry practices; and
- Costs associated with phasing and logistics for construction including temporary construction or other measures to maintain airfield operations as necessary.

"**Apron Pavement Repair**": Removal and replacement or repair of apron and taxilane concrete or asphalt pavement which includes, but is not limited to:

- Contaminated material remediation and subgrade/subbase stabilization, if necessary;
- Necessary installation, repair, replacement or adjustment of utility/infrastructure, joint sealing, bollards, and associated sewers, pavement markings, drainage and drainage structures and other appurtenances, devices and/or incidental items required for compliance with current codes, laws, standards and best industry practices; and
- Hauling, storage and crushing of removed pavement and materials, and aggregate stockpiling for future use.

"**Airfield Roadways and Bridges Maintenance and Repair**": Work includes, but is not limited to:

- Removal and replacement or repair of asphalt and concrete roadways;
- Contaminated material remediation and subgrade/subbase stabilization, if necessary;
- Necessary installation, repair, replacement or adjustment of sealants, utility/infrastructure, drainage, landscaping, fencing and gates, bollards, medians and pavement markings;
- Lighting repair/replacement, signage and guard rails/attenuators;
- Repairs, modifications and improvements of Airfield Guard posts and access gates;
- Inspection and minor structural repairs to taxiway bridges;
- Crack sealing and spall repairs of bridge structures;
- Maintenance of bridge lighting, signage and guardrails;
- Concrete repairs to bridge decks, columns, and abutments; and

- Other appurtenances, devices and/or incidental items required for compliance with current codes, laws, standards and best industry practices.

"**Parking Maintenance and Repair**": Removal and replacement or repair of asphalt and concrete parking lots which includes, but is not limited to.

- Contaminated material remediation and subgrade/subbase stabilization, if necessary;
- Necessary installation, repair, replacement or adjustment of sealants, utility/infrastructure, drainage, landscaping, rain gutters, expansion joints, fencing, bollards and pavement markings;
- Other appurtenances, devices and/or incidental items required for compliance with current codes, laws, standards and best industry practices;
- Lighting repair/replacement and toll plaza repairs;
- Bus shelter repair / replacement including call boxes, heating and other infrastructure
- Changes or additions to revenue and access control technology and equipment; and
- Maintenance and minor repairs to elevated parking structures.

"**Landside Roadways and Bridges Maintenance and Repairs**": Work includes, but is not limited to:

- Removal and replacement or repair of asphalt and concrete pavements;
- Contaminated material remediation and subgrade/subbase stabilization, if necessary:
- Necessary installation, repair, replacement or adjustment of utility/infrastructure, drainage, landscaping, fencing, bollards, medians and pavement markings;
- Inspection and minor structural repairs to bridges;
- Crack sealing and spall repairs;
- Concrete repairs to bridge decks, column, and abutments;
- Lighting repair/replacement, signage and guard rails/attenuators; and
- Other appurtenances, devices and/or incidental items required for compliance with current codes, laws, standards and best industry practices.

"**Terminal Conveyance Replacement**": Removal and replacement or modernization of escalators, elevators, moving walkways and dumbwaiters which includes, but is not limited to:

- Work in all hoist ways, pits and machine rooms;
- Structural/MEP modifications and repairs, air conditioning, oil cooling;
- Replacement of elevator cabs or cab components;
- System controls;
- Treads, handrails, architectural finishes;
- Necessary infrastructure to install compliant equipment; and
- Other appurtenances, devices and/or incidental items required for compliance with current codes, laws, standards and best industry practices.

"**Restroom Refresh and Modernization**": Removal and replacement of restroom architectural finishes, in accordance with all CDA and ADA requirements, which includes, but is not limited to:

- Flooring, wall panels, ceiling, lighting, lavatories, stalls, counters, mirrors, etc.;
- Partial or total plumbing, mechanical, electrical infrastructure and fixture replacement; and
- Family companion restrooms, assisted shower/changing and mother's rooms, pet relief areas; and
- Other appurtenances, devices and/or incidental items required for compliance with current codes, laws, standards and best industry practices.

"**Vehicle Replacement**": Replacement of City of Chicago vehicles and equipment dedicated for use at the Airport, which includes, but is not limited to:

- Snow equipment, landscape, construction and facility maintenance equipment, fire department, OEMC and police department vehicles, CDA operations, CDA maintenance vehicles; and
- Necessary equipment and attachments for useful function of vehicles including sirens, lighting, and radios.

Section 3. Infrastructure Reliability Allowance Descriptions

The aggregate amount of the Infrastructure Reliability allowance for the term of this agreement is equal to $168,157,000; provided that the expenditure of this amount is not restricted to any individual year. When the City presents to the EWG the list of projects to be implemented in the following year with Pre-Approved Allowances, the City will specify the Infrastructure Reliability projects to be implemented and funded or financed, in the following year with Pre-Approved Allowances for Infrastructure Reliability Projects. The use or encumbrance of the aggregate Pre-Approved Allowance for Infrastructure Reliability projects shall not be taken into account under Section 10.5.3.

"**Infrastructure Reliability Allowances**": Work includes, but is not limited to the following repairs, upgrades, replacement of existing airport infrastructure:

- Building expansion joints, electrical infrastructure and equipment, fiber and communication infrastructure and cabling, mechanical equipment, mechanical/plumbing valves, pumps and piping, civil infrastructure;
- Water main system replacement, duct bank, lift stations and sewer;

- Incidental work to complete the abovementioned systems such as insulation, painting and identification, excavation, backfill, pavement repair, landscaping, temporary requirements, design, utility infrastructure owned/maintained by CDA, etc.; and
- Other appurtenances, devices and/or incidental items related to the Infrastructure Reliability Projects required for compliance with current codes, laws, standards and best industry practices.

EXHIBIT P

COMPLIANCE WITH LAWS

Section 1. General Provisions

(A) Airline shall comply, and shall include in all of its agreements entered into in connection with or pursuant to the performance of any acts or obligations under this Agreement (regardless of whether they are reimbursed by the City) a requirement that its Contractors comply, with all applicable federal, state, and local laws, codes, regulations, ordinances, executive orders, rules, and orders.

(B) Airline agrees that all of the applicable provisions set forth in this Exhibit will be incorporated in all of its agreements entered into in connection with or pursuant to the performance of any acts or obligations under this Agreement.

(C) Further, Airline shall execute, and shall include in all of its agreements entered into in connection with or pursuant to the performance of any acts or obligations under this Agreement a requirement that its Contractors execute, such affidavits and certifications as shall be required by the City setting forth Airline's and its Contractor's, as applicable, agreement to comply with all applicable federal, state, and local laws, codes, regulations, ordinances, executive orders, rules, and orders. Such certifications shall be attached and incorporated by reference in the applicable agreements.

(D) In the event that any Contractor is a partnership or joint venture, Airline shall also include provisions in its agreement with Contractor insuring that the entities comprising such partnership or joint venture shall be jointly and severally liable for its obligations thereunder.

(E) The City may unilaterally revise this Exhibit from time to time.

Section 2. Federal Nondiscrimination Requirements

(A) Airline acknowledges that the City has given to the United States of America, acting by and through the FAA, certain assurances with respect to nondiscrimination required by Title VI of the Civil Rights Act 1964 (42 U.S.C. § 2000d et seq., 78 Stat. 252), 49 CFR Part 21, 49 U.S.C. § 47123, 28 CFR § 50.3 and other acts and regulations relative to nondiscrimination in Federally-assisted programs of the U.S. Department of Transportation ("DOT") (collectively, and including all amendments thereto, the "Title VI Pertinent Nondiscrimination Acts and Authorities," and listed below) as a condition precedent to receiving Federal financial assistance from FAA for certain Airport programs and activities. The City is required under the Acts and Regulations to include in this Agreement, and Airline agrees to be bound by, the following covenants and requirements:

i. Airline, for itself, its assignees and successors in interest, covenants and agrees to comply with pertinent statutes, Executive Orders and such rules as are promulgated to ensure that no person shall, on the grounds of race, creed, color, national origin, sex, age, or

disability, be excluded from participating in any program or activity conducted with or benefitting from Federal financial assistance received by the City from the FAA. In the event of Airline's breach of any of the above Nondiscrimination covenants, the City shall have the right to terminate this Agreement.

ii. Airline, for itself, its personal representatives, successors in interest and assigns, as part of the consideration hereof, hereby covenants and agrees, as a covenant running with the land, that in the event facilities are constructed, maintained, or otherwise operated on the Premises for a purpose for which a DOT activity, facility, or program is extended or for another purpose involving the provision of similar services or benefits, Airline shall maintain and operate such facilities and services in compliance with all requirements imposed by the Nondiscrimination Acts and Regulations listed in the Title VI Pertinent Nondiscrimination Acts and Authorities (as may be amended) such that no person on the ground of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination in the use of said facilities.

iii. In the event of Airline's breach of any of the Nondiscrimination covenants described in subsection (ii), above, the City shall have the right to terminate this Agreement, and to enter, re-enter and repossess the Premises and the facilities thereon, and hold the same as if this Agreement had never been made or issued. This subparagraph (iii) shall not become effective until the procedures of 49 CFR Part 21 are followed and completed, including the expiration of appeal rights.

iv. Airline shall include these subsections (i) through (iv), inclusive, in Airline's licenses, permits and other instruments relating to the Premises, and shall require that its licensees, permittees and others similarly include these statements in their licenses, permits and other instruments relating to the Premises.

(B) Title VI List of Pertinent Nondiscrimination Acts and Authorities

During the performance of this contract, Airline, for itself, its assignees, and successors in interest agrees to comply with the following nondiscrimination statutes and authorities; including but not limited to:

- Title VI of the Civil Rights Act of 1964 (42 U.S.C. § 2000d *et seq.*, 78 stat. 252), (prohibits discrimination on the basis of race, color, national origin);
- 49 CFR part 21 (Nondiscrimination In Federally-Assisted Programs of The Department of Transportation—Effectuation of Title VI of The Civil Rights Act of 1964);
- The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, (42 U.S.C. § 4601), (prohibits unfair treatment of persons displaced or whose property has been acquired because of Federal or Federal-aid programs and projects);
- Section 504 of the Rehabilitation Act of 1973, (29 U.S.C. § 794 *et seq.*), as amended, (prohibits discrimination on the basis of disability); and 49 CFR part 27;

- The Age Discrimination Act of 1975, as amended, (42 U.S.C. § 6101 *et seq.*), (prohibits discrimination on the basis of age);
- Airport and Airway Improvement Act of 1982, (49 USC § 471, Section 47123), as amended, (prohibits discrimination based on race, creed, color, national origin, or sex);
- The Civil Rights Restoration Act of 1987, (PL 100-209), (Broadened the scope, coverage and applicability of Title VI of the Civil Rights Act of 1964, The Age Discrimination Act of 1975 and Section 504 of the Rehabilitation Act of 1973, by expanding the definition of the terms "programs or activities" to include all of the programs or activities of the Federal-aid recipients, sub-recipients and contractors, whether such programs or activities are Federally funded or not);
- Titles II and III of the Americans with Disabilities Act of 1990, which prohibit discrimination on the basis of disability in the operation of public entities, public and private transportation systems, places of public accommodation, and certain testing entities (42 U.S.C. §§ 12131 – 12189) as implemented by Department of Transportation regulations at 49 CFR parts 37 and 38;
- The Federal Aviation Administration's Nondiscrimination statute (49 U.S.C. § 47123) (prohibits discrimination on the basis of race, color, national origin, and sex);
- Executive Order 12898, Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations, which ensures nondiscrimination against minority populations by discouraging programs, policies, and activities with disproportionately high and adverse human health or environmental effects on minority and low-income populations;
- Executive Order 13166, Improving Access to Services for Persons with Limited English Proficiency, and resulting agency guidance, national origin discrimination includes discrimination because of limited English proficiency (LEP). To ensure compliance with Title VI, you must take reasonable steps to ensure that LEP persons have meaningful access to your programs (70 Fed. Reg. at 74087 to 74100);
- Title IX of the Education Amendments of 1972, as amended, which prohibits you from discriminating because of sex in education programs or activities (20 U.S.C. 1681 *et seq.*).

(C) Nondiscrimination in Contracting Activities

i. Airline, with regard to any contract, will not discriminate on the grounds of race, color, or national origin in the selection and retention of contractors or subcontractors, including procurements of materials and leases of equipment. Any contractor will not participate directly or indirectly in the discrimination prohibited by the Acts and Regulations.

ii. In all solicitations, either by competitive bidding, or negotiation made by Airline or its contractor for work to be performed under a contract or subcontract, including procurements of materials, or leases of equipment, each potential contractor, subcontractor or

supplier will be notified by the contractor of Airline and contractor's obligations under the Acts and Regulations relative to non-discrimination on the grounds of race, color, or national origin.

Section 3. State Nondiscrimination Requirements

Airline must comply with the Illinois Human Rights Act, 775 ILCS 5/1-101 *et seq.*, as amended and any rules and regulations promulgated in accordance therewith, including the Equal Employment Opportunity Clause, 445 Ill. Admin. Code 750, Appendix A. Airline must also comply with the Public Works Employment Discrimination Act, 775 ILCS 10/0.01 *et seq.*, as amended; the Environmental Barriers Act, 410 ILCS 25/1 *et seq.*; and all other applicable state laws, rules, regulations and executive orders.

Section 4. City Nondiscrimination Requirements

(A) Airline must comply with the Chicago Human Rights Ordinance, Chapter 2-160, Section 2-160-010 et seq. of the Municipal Code; and all other applicable Municipal Code provisions, rules, regulations and executive orders.

(B) Further, Airline must furnish, or cause each of its Contractors to furnish, such reports and information as requested by the Chicago Commission of Human Relations.

Section 5. Affirmative Action

Airline assures that: (a) it shall undertake an affirmative action program as required by all federal, state and local laws, rules and regulations pertaining to Civil Rights (and any and all amendments thereto), including, without limitation, 49 CFR Part 21 and 49 U.S.C. § 47123, to assure that no person shall, on the grounds of race, creed, color, national origin, sex, or age be excluded from participation in or denied the benefits of the program or activity conducted with or benefitting from Federal financial assistance received by the City from the FAA; (b) it shall not engage in employment practices that result in excluding persons on the grounds of race, creed, color, national origin, sex, or age, from participating in or receiving the benefits of any program or activity conducted with or benefitting from Federal financial assistance received by the City from the FAA, or in subjecting them to discrimination or another violation of the regulations under any program covered by 49 CFR Part 21 and 49 U.S.C. § 47123; and (c) it shall include the preceding statements of this Section 5 in Airline's contracts and other applicable documents under this Agreement, and shall require that its contractors and others similarly include these statements in their subcontracts and applicable documents.

Section 6. Safety and Security

(A) Airline expressly acknowledges its responsibility to provide security at the Airport in accordance with 49 U.S.C. sec. 449 and 49 CFR Part 1542, "Airport Security," as such may be amended from time to time, including any applicable rules and regulations promulgated thereunder, and with all rules and regulations of the City concerning security procedures, including the Airport's approved security program. Airline expressly acknowledges its responsibility to provide security with respect to airplane operations in accordance with 49 CFR

Part 1544, "Aircraft Operator Security," as such may be amended from time to time, and with the rules and regulations of the City concerning security procedures, including the Airport's approved security program.

(B) All employees providing services at the Airport must be badged by the City, as provided below in Section 7, "Airport Security Badges." Airline, Contractors, and the respective employees of each are subject to such employment investigations, including criminal history record checks, as the Administrator of the Federal Aviation Administration ("FAA"), the Under Secretary of the Transportation Security Administration ("TSA"), and the City may deem necessary. Airline, its Contractors, their respective employees, invitees and all other persons under the control of Airline must comply strictly and faithfully with any and all rules, regulations and directions which the Commissioner, the FAA, or the TSA may issue from time to time during the life of this Agreement with regard to security, safety, maintenance and operation of the Airport and must promptly report any information regarding suspected violations in accordance with those rules and regulations.

(C) All gates and doors that permit entry into restricted areas at the Airport must be kept locked at all times when not in use or under constant security surveillance. Airline shall ensure that such gates and doors within its Premises are kept locked at all times when not in use or under Airline's constant security surveillance. Any gate or door malfunctions discovered by Airline must be reported to the Commissioner without delay and must be kept under constant surveillance, in the case of malfunctions within its Premises, until the malfunction is remedied, or in the case of other malfunctions, until relieved by a responsible party.

(D) Airline shall ensure that the following provision is inserted in all contracts entered into with any Contractors and with any labor organizations who furnish skilled, unskilled and craft union skilled labor, or who may provide any materials, labor or services in connection with this Agreement:

> "Aviation Security: This Agreement is subject to the airport security requirements of 49 U.S.C. chapter 449, as amended, the provisions of which govern airport security and are incorporated by reference, including without limitation the rules and regulations in 49 C.F.R. Part 1542 and all other applicable rules and regulations promulgated thereunder. In the event that Airline, or any individual employed by Airline, in the performance of this Agreement, has (i) unescorted access to aircraft located on or at the Airport (ii) unescorted access to secured areas or (iii) capability to allow others to have unescorted access to such aircraft or secured area, Airline shall be subject to, and further shall conduct with respect to its Contractors and their respective employees, such employment investigations, including criminal history record checks, as the Administrator of the Federal Aviation Administration, the Under Secretary of the Transportation Security Administration and City may deem necessary. Further, in the event this Agreement involves the construction, reconstruction, demolition or alteration of facilities to be located at or on the Airport, Airline shall, notwithstanding anything

contained herein, at no cost to City, perform all obligations hereunder in compliance with those guidelines developed by City, the Transportation Security Administration and the Federal Aviation Administration, and in effect as of the Effective Date with the objective of maximum security enhancement. In the event the Agreement involves the design of facilities or equipment, the drawings, plans, and specifications to be provided under the Agreement shall comply with those guidelines developed by City, the Transportation Security Administration and the Federal Aviation Administration and in effect at the time of the submittal of such drawings, plans, and specifications."

Section 7. Airport Security Badges

(A) As part of Airport operations and security, Airline must obtain from the Airport badging office Airport Security Badges for each of its employees, subcontractors, material men, invitees or any person(s) over whom Airline has control, which must be visibly displayed at all times while at the airport. No person will be allowed beyond security checkpoints without a valid Airport Security Badge. Each such person must submit signed and properly completed application forms to receive an Airport Security Badge. Additional forms and tests may be required to obtain Airport Driver's Certification and Vehicle Permits. The application forms will solicit such information as the Commissioner may require in his or her discretion, including but not limited to name, address, date of birth (and for vehicles, driver's license and appropriate stickers). Airline is responsible for requesting and completing the form for each employee and subcontractor employee who will be working at the Airport and all vehicles to be used on the job site. Upon signed approval of the application by the Commissioner or his or her designee, the employee will be required to attend a presentation regarding airport security and have his or her photo taken for the badge. The Commissioner may grant or deny the application in his or her sole discretion. Airline must make available to the Commissioner, within one day of request, the personnel file of any employee who will be working under this Agreement.

(B) As provided in Section 6 above, in order for a person to have an Airport Security Badge that allows access to the airfield or aircraft, a criminal history record check ("CHRC") conducted by the Department of Aviation will also be required. The CHRC will typically include a fingerprint analysis by the Federal Bureau of Investigation and such other procedures as may be required by the TSA.

(C) Airport Security Badges, Vehicle Permits and Driver's Licenses will only be issued based upon properly completed application forms. Employees or vehicles without proper credentials may be removed from the secured area and may be subject to fine or arrest. Airline will be jointly and severally liable for any fines imposed on its employees or its Contractors' employees at the Airport by the City.

(D) In addition to other rules and regulations, the following rules related to Airport Security Badges, Vehicle Permits and Driver's Licenses must be adhered to:

i. Each person must wear and display his or her Airport Security Badge on their outer apparel at all times while at the Airport.

ii. All individuals operating a vehicle on the Aircraft Operations Area ("AOA") must be familiar and comply with motor driving regulations and procedures of the State of Illinois, City of Chicago and the Department of Aviation. The operator must be in possession of a valid, State-issued Motor Vehicle Operator's Driver's License. All individuals operating a vehicle on the AOA without an escort must also be in possession of a valid Aviation-issued Airport Driver's Permit.

iii. All operating equipment must have an Airport Vehicle Access Permit affixed to the vehicle at all times while operating on the Airport. All required City stickers and State Vehicle Inspection stickers must be valid.

iv. Individuals must remain within their assigned area and haul routes unless otherwise instructed by the Department of Aviation.

v. Airline's personnel who function as supervisors, and those that escort Airline's equipment/operators to their designated work sites, may be required to obtain an added multi-area access designation on their personnel Airport Security Badge which must also be displayed while on the AOA.

Section 8. Confidentiality of Airport Security Data

Airline has an ongoing duty to protect confidential information, including but not limited to any information exempt from disclosure under the Illinois Freedom of Information Act, such as information affecting security of the airport ("Airport Security Data"). Airport Security Data includes any Sensitive Security Information as defined by 49 CFR Part 1520. Airline acknowledges that information provided to, generated by, or encountered by Airline may include Airport Security Data. If Airline fails to safeguard the confidentiality of Airport Security Data, Airline is liable for the reasonable costs of actions taken by the City, the Federal Aviation Administration ("FAA"), or the Transportation Security Administration ("TSA") that the applicable entity, in its sole discretion, determines to be necessary as a result, including without limitation the design and construction of improvements, procurement and installation of security devices, and posting of guards. All agreements entered into in connection with or pursuant to the performance of any acts or obligations under this Agreement by Airline must contain the language of this section. If Airline fails to incorporate the required language in all such agreements, the provisions of this section are deemed incorporated in all such agreements.

Section 9. Americans with Disabilities Act and Air Carrier Access Act

(A) Airline shall be solely and fully responsible for ensuring that Airline's operations, wherever they may occur at the Airport, and any improvements made by Airline pursuant to this Agreement, shall comply with Title II (to the extent applicable) and III of the Americans with Disabilities Act, 42 U.S.C. §§ 12101 et seq., as amended from time to time ("ADA"), and the Air Carrier Access Act, 49 U.S.C. § 41705, as amended from time to time ("ACAA"), including

without limitation any obligation to provide boarding and deplaning assistance at the Airport. In the event of a violation of or non-compliance with Title II (to the extent applicable) or III of the ADA or the ACAA, Airline shall develop a work plan to correct such violation or non-compliance. The City's approval of or acceptance of any aspect of Airline's activities under this Agreement shall not be deemed or construed in any way as a representation that such item, activity or practice complies with the ADA or the ACAA. Airline agrees to indemnify, defend, and hold the City harmless from any and all costs incurred by the City with respect to Airline's failure to comply with the ADA or the ACAA for Airline's operations or any improvements made by Airline at the Airport. The City shall comply with the ADA and the ACAA as applicable to any facilities constructed by the City and any improvements made by the City at the Airport.

(B) Airline shall insure that the appropriate provision set forth below is inserted in all contracts entered into with any design professional or with any Contractors and any labor organizations which furnish skilled, unskilled and craft union skilled labor, or which may provide any materials, labor or services in connection with this Agreement:

Designs

"The Consultant warrants that all design documents produced for the City under this Agreement shall comply with all federal, state and local laws and regulations regarding accessibility standards for disabled or environmentally limited persons including, but not limited to, the following: Americans with Disabilities Act, 42 U.S.C. sec. 12101 et seq.; 41 C.F.R. part 60 et seq.; the Uniform Federal Accessibility Standards ("UFAS") or the Americans with Disabilities Act Accessibility Guidelines for Buildings and Facilities ("ADAAG"); the Air Carrier Access Act, 49 U.S.C. § 41705, et seq. ("ACAA"); the Illinois Environmental Barriers Act. 410 ILCS 25/1 et seq., and the regulations promulgated thereto at 71 Ill. Adm. Code ch. 1, Sec. 400.110 et seq.; and all other applicable statutes, rules, regulations and executive orders. In the event that the above cited standards are inconsistent, the Consultant shall comply with the standards providing greater accessibility."

Construction Contracts

"All construction or alteration undertaken by Contractor under this contract shall be performed in compliance with all federal, state and local laws and regulations regarding accessibility standards for disabled or environmentally limited persons including, but not limited to, the following: Americans with Disabilities Act, 42 U.S.C. sec. 12101 et seq.; 41 C.F.R. part 60 et seq.; the Uniform Federal Accessibility Standards ("UFAS") or the Americans with Disabilities Act Accessibility Guidelines for Buildings and Facilities ("ADAG"); the Air Carrier Access Act, 49 U.S.C. § 41705, et seq. ("ACAA""); the Illinois Environmental Barriers Act, 410 ILCS 25/1 et seq., and the regulations promulgated thereto at 71

Ill. Adm. Code ch. 1, Sec. 400.110; and all other applicable statutes, rules, regulations and executive orders. The Contractor shall, prior to construction, review the plans and specifications and notify Airline and the City in the event that the plans and specifications are not in compliance with the above referenced standards."

Section 10. Boarding and Deplaning Assistance

(A) Airline Responsibilities

i. As required by 14 C.F.R. § 382.95(b), Airline "must . . . provide boarding and deplaning assistance through the use of lifts or ramps at [O'Hare] where boarding and deplaning by level-entry loading bridges or accessible passenger lounges is not available." Consistent with the requirements of 14 C.F.R. § 382, Airline shall be responsible for acquiring or making arrangement – whether directly or through its ground handlers, other airlines operating at O'Hare, CDA (as set forth below in Section (B) or otherwise – for boarding and deplaning assistance devices for use with its aircraft at O'Hare.

ii. Consistent with the requirements of 14 C.F.R. § 382.141, Airline shall ensure that those personnel involved in providing boarding and deplaning assistance through the use of lifts, ramps or other accessibility devices are properly trained in the use and operation of the devices and appropriate boarding and deplaning assistance procedures that safeguard the safety and dignity of passengers.

iii. As explained in 66 Federal Register 22107, the use of a boarding chair to carry a passenger up or down stairs is only permitted in "abnormal circumstances (e.g., if a lift breaks down)," and "is conditioned on the passenger's consent (except in the case of emergency evacuations)." Furthermore, pursuant to 14 C.F.R. § 382.101, Airline personnel "must never use hand-carrying (i.e., directly picking up the passenger's body in the arms of one or more carrier personnel to effect a level change the passenger needs to enter or leave the aircraft), even if the passenger consents, unless this is the only way of evacuating the individual in the event of an emergency."

(B) CDA Mechanical Lift

i. The City owns a mechanical lift ("CDA Lift") that can be used to board and deplane mobility-impaired passengers on aircraft covered by 49 CFR § 27.72.

ii. Airline may request the right to use the CDA Lift at O'Hare to satisfy its obligations under the Air Carrier Access Act (49 U.S.C. § 41705) and the regulations promulgated thereunder (14 CFR § 382.95) and will be allowed to use the CDA Lift, on the terms and conditions set forth herein.

iii. The City will make the CDA Lift available to Airline on a first-come, first-serve basis with other airlines. The City shall have no liability to Airline if the CDA Lift is not available at the time required by Airline.

(C) Agreements and Acknowledgements

i. Airline hereby acknowledges and agrees that the CDA Lift is made available to Airline "as is." The City makes no warranty or representation, either express or implied, as to the design or condition of, or as to the quality of the CDA Lift, and the City makes no warranty of merchantability of fitness for a particular purpose or any component thereof as to any other matter, it being agreed that all such risks, as between the City and Airline, are to be borne by Airline, and the benefits of any and all implied warranties of the City are hereby waived by Airline.

ii. Airline agrees that it will only use and operate the CDA Lift with trained City personnel: (i) in accordance with the manufacturer's instructions and the requirements of all applicable laws and regulations; (ii) on aircraft that are compatible with the CDA Lift; (iii) with Airline personnel or Airline's ground handler personnel who have been properly trained to assist passengers on or off of the CDA Lift; (iv) with reasonable care; and (v) in connection with aircraft that Airline is authorized to operate or ground handle.

iii. Airline further agrees to take good care of the CDA Lift when using it, reasonable wear and tear excepted. Airline agrees to reimburse the City promptly after written demand for any costs incurred by the City in repairing or replacing the CDA Lift, if it was damaged or destroyed while in Airline's possession or under its control.

Section 11. Inspector General

Pursuant to Article 16 of this Agreement, Airline shall ensure that the provision set forth below is inserted in all contracts or agreements entered into with any contractors, subtenants or licensees/sub-licensees, and any work or service providers providing any materials, labor, or services in connection with this Agreement, including but not limited to design professionals and Project Contractors and any labor organizations which furnish skilled, unskilled and craft union skilled labor:

> "[Contractor/Subtenant] and all of its [subcontractors/subtenants] have a duty to cooperate with the Inspector General of the City of Chicago in any investigation or hearing, if applicable, undertaken pursuant to Chapter 2-56 of the Municipal Code of Chicago. [Contractor/Subtenant] understands and will abide by all provisions of that chapter. All [subcontracts/subtenant agreements] must inform [contractors/subtenants] of this provision and require understanding and compliance with it."

Additionally, with respect to any work or services to be paid by the City, pursuant to MCC 2-156-018 it is the duty of Airline, and any of its Project Contractors, to report to the Inspector General, directly and without undue delay, any and all information concerning conduct which it knows to involve corrupt activity. "Corrupt activity" means any conduct set forth in Subparagraph (a)(1), (2) or (3) of Section 1-23-020 of the MCC. Knowing failure to make such

a report will be an event of default under any applicable reimbursement agreement. Reports may be made to the Inspector General's toll-free hotline, 866-IG-TIPLINE (866-448-4754).

Section 12. Multi-Project Labor Agreement

The City has entered into the Multi-Project Labor Agreement ("PLA") with various trades regarding projects involving construction, demolition, maintenance, rehabilitation, and/or renovation work on City property, as described in the PLA, a copy of which may be found on the City's website at:

http://www.cityofchicago.org/dam/city/depts/dps/RulesRegulations/Multi-ProjectLaborAgreement-PLAandSignatoryUnions.pdf.

To the extent that Airline engages in work subject to the PLA, whether or not reimbursed by the City, Airline acknowledges familiarity with the requirements of the PLA and shall comply with them.

Section 13. Minimum Wage and Other Labor Laws

Airline will comply with all applicable federal, state, and local labor laws and regulations, including, without limitation: the Fair Labor Standards Act, 29 U.S.C. § 201; the Occupational Safety and Health Act, 20 CFR Part 1910; and City minimum wage ordinances and executive orders and associated rules and regulations. This includes, without limitation, compliance with the wage requirements set forth in Mayoral Executive Order 2014-1, incorporated by reference, to the extent that the Order would apply to Airline's activities.

Section 14. Prohibition on Certain Contributions, Mayoral Executive Order 2011-4

(A) Neither Airline or any person or entity who directly or indirectly has an ownership or beneficial interest in Airline of more than 7.5% ("Owners"), spouses and domestic partners of such Owners, Airline's Subcontractors, any person or entity who directly or indirectly has an ownership or beneficial interest in any Subcontractor of more than 7.5% ("Sub-owners") and spouses and domestic partners of such Sub-owners (Airline and all the other preceding classes of persons and entities are together, the "Identified Parties"), shall make a contribution of any amount to the Mayor or to the Mayor's political fundraising committee (as such term is defined in Municipal Code Chapter 2-156) (a) after execution of this Agreement by Airline, (b) while this Agreement or another agreement between Airline and the City (an "Other Contract") is executory, (c) during the term of this Agreement or any Other Contract, or (d) during any period while an extension of this Agreement or any Other Contract is being sought or negotiated.

(B) From the date the City approached Airline or the date Airline approached the City, as applicable, regarding the formulation of this Agreement, no Identified Parties have made a contribution of any amount to the Mayor or to the Mayor's political fundraising committee.

(C) Airline shall not (i) coerce, compel or intimidate its employees to make a contribution of any amount to the Mayor or to the Mayor's political fundraising committee; (ii)

reimburse its employees for a contribution of any amount made to the Mayor or to the Mayor's political fundraising committee; or (iii) bundle or solicit others to bundle contributions to the Mayor or to the Mayor's political fundraising committee.

(D) The Identified Parties must not engage in any conduct whatsoever designed to intentionally violate this Section 14 or Mayoral Executive Order No. 2011-4 or to entice, direct or solicit others to intentionally violate this Section 14 or Mayoral Executive Order No. 2011-4.

(E) Violation of, non-compliance with, misrepresentation with respect to, or breach of any covenant or warranty under this Section 14 or violation of Mayoral Executive Order No. 2011-4 constitutes a breach and default under this Agreement and any Other Contract, for which no opportunity to cure will be granted. Such breach and default entitles the City to all remedies (including termination for default) under this Agreement, under any Other Contract, at law and in equity. This Section 14 amends any Other Contract with respect to the matters described herein and supersedes any inconsistent provision contained therein.

Section 15. Certification Regarding Lobbying

(A) Airline certifies by signing and submitting this Agreement, to the best of its knowledge and belief, that:

i. No Federal appropriated funds have been paid or will be paid, by or on behalf of Airline, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

ii. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

iii. Airline shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreements) and that all sub-recipients shall certify and disclose accordingly.

(B) This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

Section 16. Distracted Driving

(A) In accordance with Executive Order 13513, "Federal Leadership on Reducing Text Messaging While Driving" (10/1/2009) and DOT Order 3902.10 "Text Messaging While Driving" (12/30/2009), the FAA encourages recipients of Federal grant funds to adopt and enforce safety policies that decrease crashes by distracted drivers, including policies to ban text messaging while driving when performing work related to a grant or sub-grant.

(B) In support of this initiative, the City encourages Airline to promote policies and initiatives for its employees and other work personnel that decrease crashes by distracted drivers, including policies that ban text messaging while driving motor vehicles while performing work activities associated with the project. Airline must include the substance of this Section 16 in all sub-tier contracts exceeding $3,500 and involve driving a motor vehicle in performance of work activities associated with the project.

CHICAGO DEPARTMENT OF AVIATION

EXHIBIT Q

Air Service Incentive Program Annual Budget

Chicago O'Hare International Airport

Annual Not-To-Exceed Budgets

Year	Annual Budget
2018-2019	$2.0 M
2020-2022	$2.5 M
2023-2025	$3.0 M
2026-2028	$3.5 M
2029-2031	$4.0 M
2032-2033	$4.5 M

CHICAGO DEPARTMENT OF AVIATION

Exhibit R
Short-Term Facilities Use Agreement

CITY OF CHICAGO

SHORT-TERM FACILITIES USE AGREEMENT

TENANT:

_____

O'HARE INTERNATIONAL AIRPORT

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This SHORT-TERM FACILITIES USE AGREEMENT ("Agreement") is made by and between the **City of Chicago** (the "City"), a municipal corporation of the State of Illinois, and _____ ("Tenant"), a corporation organized and existing under the laws of the State of _____ and authorized to do business in the State of Illinois.

Article 1

DEFINITIONS

1.1 Definitions

All capitalized terms used in this Agreement, if not defined within this Agreement, shall have the meanings specified in Article 1, "Definitions," of the Signatory Airline Agreement.

The following words, terms and phrases shall, for purposes of this Agreement, have the following meanings:

"**AAAC**" or "**Airline Airport Affairs Committee**" means the Airline Airport Affairs Committee consisting of a representative designated by each Signatory Airline operating at the Airport.

"**Agreement**" means this Short-Term Facilities Use Agreement, together with its Exhibits, as hereafter amended or supplemented from time to time in accordance with its terms.

"**Air Carrier**" means a carrier certificated by the Secretary of the U.S. Department of Transportation as a Passenger Carrier under 49 U.S.C. § 41102 or a Cargo Carrier under 49 U.S.C. § 41103.

"**Airline Airport Affairs Committee**" or "**AAAC**" means the Airline Airport Affairs Committee consisting of a representative designated by each Signatory Airline operating at the Airport.

"**Airport**" means Chicago O'Hare International Airport, together with any additions thereto, or improvements or enlargements of it, later made, but any land, rights-of-way, or improvements which are now or later owned by or are part of the transportation system operated by the Chicago Transit Authority, or any successor thereto, wherever located within the boundaries of the Airport, are not deemed to be part of the Airport.

"**Airport Rules**" means, collectively, all rules, procedures, protocols and requirements currently effective and hereinafter amended, adopted or established by the City applicable to Airport operations and users, all of which are incorporated into and made a part of this Agreement, provided that such Airport Rules do not conflict with applicable provisions of state or federal law or the provisions of this Agreement.

"**Applicable Laws**" means, collectively, all applicable present and future federal, state and local laws, rules, regulations, orders and ordinances, as they may be amended from time to time, whether foreseen or unforeseen, ordinary as well as extraordinary, including without

implied limitation those relating to (i) health, sanitation and safety; (ii) the environment, including without limitation the Environmental Laws; (iii) access for persons with disabilities, including without limitation the Americans with Disabilities Act, 42 U.S.C. § 12101 *et seq.*; and (iv) airport security, including without limitation the regulations of the Transportation Security Administration, 49 CFR Parts 1540, 1542, 1544 *et seq.* This Agreement does not constitute a waiver by Tenant of whatever rights it may have to challenge a local law, rule, regulation or ordinance on the basis that it is pre-empted by State or Federal law.

"**Artwork**" means any work of visual art as defined in Section 101 of the Copyright Act.

"**Assignment**" means to assign, transfer, convey, sell, mortgage, pledge or encumber as described further in Section 4.2.

"**Associated Party(ies)**" means Tenant's employees, contractors, subcontractors, agents, licensees, vendors, invitees (excluding passengers), and any other party that Tenant expressly authorizes to use its Premises (regardless of whether Tenant enters into a sublease or license with such party), and other parties under Tenant's direction or control that come onto the Airport arising out of or relating to Tenant's use or occupancy of the Airport.

"**Bond Indenture**" means the Master Indenture of Trust Securing Chicago O'Hare International Airport General Airport Revenue Senior Lien Obligations, dated as of September 1, 2012, as the same may be amended, supplemented and restated from time to time, and any ordinance, credit agreement or indenture, or combination thereof adopted or authorized by the City Council of the City authorizing the issuance of notes, bonds or other obligations for the Airport and securing such obligations by a pledge of revenues or net revenues of the Airport, or any ordinance or indenture supplemental thereto.

"**Cargo Carrier**" means a carrier certificated by the Secretary of the U.S. Department of Transportation as a Cargo Carrier under 49 U.S.C. § 41103.

"**CDA**" or "**Department of Aviation**" means the Chicago Department of Aviation or any successor agency thereto.

"**City**" means the City of Chicago, a municipal corporation and home rule unit of local government organized and existing under Article VII, Sections 1 and (6)(a), respectively, of the 1970 Constitution of the State of Illinois.

"**City Equipment**" means moveable or permanent fixtures, furniture, millwork, technology systems, including SET components used by individual Passenger Carriers, and equipment located on or affixed to Tenant's Premises, or elsewhere at the Airport, purchased, constructed or rented by the City or otherwise provided at the cost or expense of the City which the City makes available for use by Tenant subject to Section 3.3 and the City Equipment Charge.

"**City Equipment Charges**" means standardized cost-recovery fees calculated annually by the City for the use of City Equipment.

"**City Indemnified Parties**" means the City, its elected and appointed officials, officers, agents, employees, contractors, consultants and representatives.

"**Claim**" or "**Claims**" means any and all losses, liabilities, penalties, damages of whatever nature, causes of action, suits, claims, demands, judgments, injunctive relief, awards and settlements as described further in Section 13.1.1.

"**Commissioner**" means the Commissioner of the Department of Aviation, her or his designee, or any successor to the duties of such official.

"**Concluding Walk-Through**" means a physical walk-through of Tenant's Premises or any portion thereof by a representative or consultant of the City and Tenant prior to the date that such Premises are vacated or surrendered pursuant to this Agreement for the purpose of observing the environmental condition of Tenant's Premises or any portion thereof and Tenant's compliance with Section 14.10, the findings of which shall be documented in a report prepared by such City representative or consultant in consultation with Tenant.

"**Contaminant**" means any of those materials set forth in 415 ILCS 5/3.165, as amended from time to time, that are subject to regulation under any Environmental Law.

"**Contractor**" means a person or firm hired by Tenant to act as an agent or independent contractor, whether or not Tenant is reimbursed by the City for costs of hiring such person or firm, as well as subcontractors of any such agent or independent contractor, in connection with or pursuant to the performance of any acts or obligations under this Agreement.

"**Copyright Act**" means the U.S. Copyright Act (17 U.S.C. § 101 *et seq.*).

"**Department of Aviation**" or "**CDA**" means the Chicago Department of Aviation or any successor agency thereto.

"**Discharge**" means an act or omission by which Hazardous Substances or Other Regulated Material, now or in the future, are leaked, spilled, poured, deposited, or otherwise disposed into land, wetlands or Waters, or by which those substances are deposited where, unless controlled or removed, they may drain, seep, run or otherwise enter said land, wetlands or Waters.

"**Dispose,**" "**Disposal**" **or** "**Disposing**" and variants thereof mean the discharge, deposit, injection, dumping, spilling, leaking, or placing of any Hazardous Substance or Other Regulated Material into or on any land or water so that such Hazardous Substance or Other Regulated Material or any constituent thereof may enter the environment or be emitted into the air or discharged into any waters, including ground waters.

"**Effective Date**" means the Effective Date as described in Section 2.1.

"**Environmental Claim**" means any demand, cause of action, proceeding or suit for (a) damages (actual or punitive), injuries to person or property, taking or damaging of property or interests in property without just compensation, nuisance, trespass, damages to natural resources, fines, penalties, interest, or (b) losses, or for the costs of site investigations, feasibility studies,

information requests, health or risk assessments, contribution, settlement, or actions to correct, remove, remediate, Respond to, clean up, prevent, mitigate, monitor, evaluate, assess, or abate the Release of a Hazardous Substance or Other Regulated Material, or any other investigative, enforcement, cleanup, removal, containment, remedial, or other private or governmental or regulatory action at any time threatened, instituted, or completed pursuant to any applicable Environmental Law, or (c) to enforce insurance, contribution, or indemnification agreements being made pursuant to a claimed violation or non-compliance with any Environmental Law.

"**Environmental Indemnitees**" has the meaning set forth in Section 14.7.

"**Environmental Law(s)**" means any federal, state, or local law, statute, ordinance, code, rule, permit, plan, regulation, license, authorization, order, or injunction which pertains to health, safety, any Hazardous Substance or Other Regulated Material, or the environment (including, but not limited to, ground, air, water or noise pollution or contamination, and underground or above-ground tanks) and shall include, without limitation, the Emergency Planning and Community Right-to-Know Act, 42 U.S.C. § 11001 *et seq.*; the Toxic Substances Control Act, 15 U.S.C. § 2601 *et seq.*; the Hazardous Material Transportation Act, 49 U.S.C. § 1801 *et seq.*; the Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C. § 6901 *et seq.*, as amended by the Hazardous and Solid Waste Amendments of 1984; the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. § 9601 *et seq.* ("CERCLA"), as amended by the Superfund Amendments and Reauthorization Act of 1986 ("SARA"); the Occupational Safety and Health Act, 29 U.S.C. § 651 *et seq.*; the Federal Water Pollution Control Act, 33 U.S.C. § 1251 *et seq.*; the Clean Air Act, 42 U.S.C. § 7401 *et seq.*; the Illinois Environmental Protection Act, 415 ILCS 5/1 *et seq.*; the Gasoline Storage Act, 430 ILCS 15/0.01 *et seq.*; the Sewage and Waste Control Ordinance of the Metropolitan Water Reclamation District of Greater Chicago ("MWRD"); the Municipal Code of the City of Chicago; and any other local, state, or federal environmental statutes, and all rules, regulations, orders, and decrees now or hereafter promulgated under any of the foregoing, as any of the foregoing now exist or may be changed or amended or come into effect in the future.

"**Exclusive Use Premises**" means any office space, operation space, storage area, employee break room, baggage service office or other areas in the Terminal Complex designated for Tenant's exclusive use, subject to Section 4.1.2 and as more fully described in the Premises Notice.

"**FAA**" or "**Federal Aviation Administration**" means the Federal Aviation Administration created under the Federal Aviation Act of 1958, as amended, or any successor agency thereto.

"Facilities Maintenance Protocols" means the City's policies, rules and protocols governing the maintenance of equipment and facilities at the Airport, as they shall be developed and may be amended from time to time by the Commissioner after consultation with the AAAC, which may include a matrix detailing operations and maintenance responsibilities of the City, Tenant, the Equipment and Services Consortium, and any other parties as indicated herein.

"**Federal Aviation Administration**" or "**FAA**" means the Federal Aviation Administration created under the Federal Aviation Act of 1958, as amended, or any successor agency thereto.

"**Federal Bankruptcy Code**" means 11 U.S.C. § 101 *et seq.*

"**Fiscal Year**" means January 1 through December 31 of any year or such other fiscal year as the City may adopt for the Airport.

"**Fixed Terminal Charges**" means charges calculated under Article 8.

"**GARBs**" or "**Airport Revenue Bonds**" means any bonds, commercial paper notes, credit agreement notes and any other debt obligations of the City, outstanding at any time having a lien on Revenues as provided in the Bond Indenture.

"**Hazardous Substance**" has the meaning set forth in 415 ILCS 5/3.215, as amended from time to time.

"**Initial Walk-Through**" means a physical walk-through of the Premises by a representative or consultant of the City and Tenant prior to the date Tenant occupies the Premises or conducts operations thereon pursuant to this Agreement for the purpose of observing the environmental condition of Tenant's Premises and Tenant's state of compliance with Environmental Laws, the findings of which shall be documented in a report prepared by such City representative or consultant in consultation with Tenant.

"**Main Terminal**" means the terminal buildings, associated concourses and facilities, other than Terminal 5, as all such facilities may be modified, improved, or enlarged during the Term.

"**Municipal Code**" means the Municipal Code of the City at the time in effect.

"**NPDES**" means the National Pollutant Discharge Elimination System.

"**O&M Expenses**" means the costs incurred by the City in operating and maintaining the Airport's facilities.

"**Other Regulated Material**" means any Waste, Contaminant, or any other material, not otherwise specifically listed or designated as a Hazardous Substance, that (a) is or contains: petroleum, including crude oil or any fraction thereof, motor fuel, jet fuel, natural gas, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel or mixtures of natural gas and such synthetic gas, asbestos, radon, any polychlorinated biphenyl, urea, formaldehyde foam insulation, explosive or radioactive material, or (b) is a hazard to the environment or to the health or safety of persons.

"**Passenger Carrier**" means a Passenger Carrier certificated by the Secretary of the U.S. Department of Transportation under 49 U.S.C. § 41102.

"**Premises**" means any Exclusive Use Premises assigned to Tenant by the City under this Agreement.

"**Premises Notice**" means the notice described in Section 4.1 and in the form attached as Exhibit A.

"**Release**" or "**Released**" means any actual or threatened spilling, leaking, pumping, pouring, emitting, emptying, Discharging, injecting, escaping, leaching, dumping or Disposing of any Hazardous Substance or Other Regulated Material into the environment.

"**Response**" or "**Respond**" means action taken in compliance with Environmental Laws to correct, remove, remediate, clean-up, prevent, mitigate, treat, monitor, evaluate, investigate, assess or abate the Release of any Hazardous Substance or Other Regulated Material, or to prevent or abate any public nuisance.

"**Securities Exchange Act**" means the Securities Exchange Act of 1934.

"**Shared Equipment and Technology**" or "**SET**" means equipment owned and installed by the City for use in passenger processing, including without limitation equipment casework, supporting infrastructure, network wiring, flight information displays ("FIDS"), gate information displays ("GIDS"), the baggage information display system ("BIDS"), boarding gate readers, passenger processing workstations and self-service kiosks (for boarding passes and bag tagging), and other shared use technology (such as a reservation system portal open to all Passenger Carriers at the Airport).

"**Signatory Airline**" means an Air Carrier that has executed a Signatory Airline Use and Lease Agreement with the City. A Signatory Airline may be either a Long-Term Signatory Airline or a Short-Term Signatory Airline.

"**Signatory Airline Use and Lease Agreement**" means the "City of Chicago O'Hare International Airport Airline Use and Lease Agreement" executed between the City of Chicago and Signatory Airlines for the use of the Airport and lease of space in the Terminal Area.

"**SWPPP**" means Storm Water Pollution Prevention Plan.

"**T-5**" or "**Terminal 5**" means the terminal buildings, associated concourses and facilities designated as of the Effective Date as Terminal 5 of the Airport, as all such facilities may be modified, improved or enlarged during the Term.

"**Term**" means the lease term of this Agreement as further described in Article 2.

"**Terminal 5**" or "**T-5**" means the terminal buildings, associated concourses and facilities designated as of the Effective Date as Terminal 5 of the Airport, as all such facilities may be modified, improved or enlarged during the Term.

"**Terminal Complex**" means the Main Terminal and Terminal 5.

"**Terminal Space Use Protocols**" means the City's policies, rules and protocols, as they shall be developed and may be amended from time to time by the Commissioner after consultation with the AAAC, governing priorities, procedures and requirements for the assignment and use of Common Use Space, Preferential Use Space, and Exclusive Use Space in the Terminal Complex and on the Apron Area, including Gate Space, Check-in Space, and Baggage Systems use, assignment, scheduling and accommodation.

"**TSA**" means the Transportation Security Administration or other federal agency which assumes the oversight and functions of the Transportation Security Administration, if the Transportation Security Administration is abolished or combined with or merged into any other federal agency.

"**VIP Lounge**" means Exclusive Use Premises used by Air Carriers to provide premium services to its passengers.

"**Waste**" means those materials defined in the Illinois Environmental Protection Act, 415 ILCS 5/1 *et seq.* as waste and identified subcategories thereof, including but not limited to, construction or demolition debris, garbage, household waste, industrial process waste, landfill waste, landscape waste, municipal waste, pollution control waste, potentially infectious medical waste, refuse, or special waste.

"**Waste Sections**" has the meaning set forth in Section 16.12.

"**Waters**" has the meaning set forth in 415 ILCS 5/3.550, as amended from time to time.

1.2 **Interpretation**

The terms "hereby," "herein," "hereof," "hereunder" and any similar terms used in this Agreement refer to this Agreement.

The term "including" shall be construed to mean "including, without limitation."

All references in this Agreement to Articles, Sections, subsections, clauses, provisions, sentences or Exhibits, unless otherwise expressly stated, are to Articles, Sections, subsections, clauses, provisions, sentences or Exhibits of this Agreement.

Words importing persons shall include firms, associations, partnerships, trusts, corporations, limited liability companies and other legal entities, including public bodies, as well as natural persons.

Any headings preceding the text of the Articles and Sections of this Agreement, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Agreement, nor shall they affect the meaning, construction or effect of this Agreement.

Words importing the singular shall include the plural and vice versa. Words of the masculine gender shall be deemed to include correlative words of the feminine and neuter genders.

All references to a number of days mean calendar days, unless otherwise expressly indicated.

1.3 Incorporation of Exhibits

The following Exhibits attached hereto are hereby made a part of this Agreement:

Exhibit A Permitted Uses

Exhibit B Premises Notice

Exhibit C Compliance with Laws

Any changes to the Exhibits that occur from time to time consistent with the terms of this Agreement shall be reflected in revised Exhibits provided by the City to Tenant. Such revised Exhibits shall be deemed to be effective without requiring a formal amendment to this Agreement.

Article 2

TERM

2.1 Effective Date

The Effective Date shall be such date as is mutually agreed to by the City and Tenant and reflected on the signature page of this Agreement.

2.2 Term

The City's grant of rights to Tenant under this Agreement shall be on a month-to-month basis and continue until the earlier of (a) cancellation of this Agreement by either party for any reason upon thirty (30) days' written notice to the other party, such cancellation to be effective at the end of the thirty (30) day notice period; (b) termination of this Agreement by the City in accordance with Section 17.1; or (c) expiration or earlier termination of the Signatory Airline Use and Lease Agreement with all Signatory Airlines (the "Term").

Article 3

RIGHTS AND PRIVILEGES

3.1 Tenant Rights, Privileges, Limitations and Prohibitions on Use of the Premises

Subject to the terms of this Agreement and Airport Rules, including without limitation operating procedures and protocols that may be imposed by the Commissioner from time to time for the safe and secure operation of the Airport, Tenant shall have the right to use the Premises

on an exclusive basis. Tenant's use of the Premises shall be limited to the permitted uses described in Exhibit A ("Permitted Uses"). Tenant shall not use the Premises, and shall not cause or permit its Associated Parties to use the Premises, for any purpose other than as specified in this Agreement.

3.2 Communications Equipment and Antennae

Tenant has no right to install or use any telecommunications equipment or antennae on the roof or exterior of the Terminal Complex, unless (a) the installation and use are directly related to the conduct of Tenant's business at the Premises and are in full compliance with Applicable Laws and Airport Rules, and (b) the installation is effected in compliance with the prior written consent of the City. Tenant will not license, sublease or in any other manner permit any other person to use any telecommunications equipment or antennae installed by Tenant at the Terminal Complex.

3.3 City Equipment

The City grants to Tenant a non-exclusive license to use, subject to City Equipment Charges and the City's control and maintenance thereof in accordance with Section 11.1, City Equipment in the ordinary course of its business at the Airport and otherwise in accordance with this Agreement. Tenant agrees to accept and use City Equipment in its "as is" condition, without any representations or warranties of any kind whatsoever, express or implied, from the City as to any matters concerning City Equipment, and Tenant further agrees to assume all risk of loss, damage and injury arising out of Tenant's use of City Equipment.

3.4 Exclusions and Reservations

3.4.1 The City reserves the right to offer Tenant SET, rubbish removal and other services, including, but not limited to, new technology-related services, as provided in Sections 11.1 and 11.4, and to charge Tenant for such services on a cost-recovery basis.

3.4.2 Tenant shall not, by action or failure to act, knowingly interfere or permit interference with the use, operation, or maintenance of the Airport, including but not limited to, the effectiveness or accessibility of the drainage, sewerage, water, communications (including Wi-Fi services), fire protection, utility, electrical or other systems installed or located from time to time at the Airport.

3.4.3 Tenant shall not do or permit to be done anything, either by act or failure to act, that shall cause the cancellation or violation of the provisions, or any part thereof, of any policy of insurance for the Airport or that shall cause a hazardous condition so as to increase the risks normally attendant upon operations permitted by this Agreement. If Tenant shall do or permit to be done any act not permitted under this Agreement, or fail to do any act required under this Agreement, regardless of whether such act shall constitute a breach of this Agreement, which act or failure, in and of itself, causes an increase in City's insurance premiums, then upon written notice from the City to do so, Tenant shall promptly remedy or commence such actions as necessary to remedy or shall be subject to paying the increase in premiums to the extent caused by such act or failure of Tenant until the issue is remedied.

3.4.4 The City or its duly authorized representative may enter upon the Premises at any and all reasonable times and upon reasonable notice (except in emergency situations) for the purpose of determining whether or not Tenant is complying with the terms and conditions of this Agreement or for any other purpose incidental to the rights of the City; provided that such right of entry does not unreasonably interfere with Tenant's operations. In the case of an emergency, the City shall provide as much notice as reasonably possible in light of the circumstances.

3.4.5 Tenant shall not use the Premises for the operation of any VIP Lounge, passenger club or lounge room.

3.5 Safety Management System

Tenant agrees to cooperate with the City's implementation of a safety management system and safety risk management systems at the Airport including participation in committees, risk identification and assessment processes, training, and safety promotion and communication initiatives.

Article 4

TENANT'S PREMISES

4.1 Rights to Use Premises

4.1.1 Premises Notice. On or before the Effective Date, the City will issue to Tenant a Premises Notice, attached hereto as Exhibit B, that will designate which areas of the Airport the City will make available for Tenant's use on an exclusive use basis.

4.1.2 Exclusive Use Premises. The City grants to Tenant, subject to the terms of this Agreement and Airport Rules, the exclusive right to use the Premises identified in the Premises Notice.

4.1.3 Condition of Premises. Except as otherwise expressly provided in this Agreement, including the City's maintenance responsibilities under Section 11.1, Tenant specifically acknowledges and agrees that the City is permitting Tenant's use of the Premises on an "as is with all faults" basis, and that Tenant is not relying on any representations or warranties of any kind whatsoever, express or implied, from the City, as to any matters concerning the Premises.

4.2 Assignment

Tenant shall not assign or transfer this Agreement or any right or interest herein or hereunder without first obtaining the City's prior written consent, which consent may be withheld in the sole discretion of the City.

4.3 City's Right of Entry

The City, by its officers, employees, agents, representatives, contractors, consultants and furnishers of utilities and other services, shall have the right at all times upon reasonable notice to enter Tenant's Premises for the purpose of inspecting the same, for emergency repairs to utilities systems, and for any other purpose necessary for or incidental to or connected with the performance of the City's obligations hereunder, or in the exercise of its governmental functions or in the City's capacity as Airport owner. The City shall make commercially reasonable efforts to conduct each inspection, repair or other activity in a manner that does not unreasonably interfere with Tenant's operations. The City will provide forty-eight (48) hours advance notice pursuant to Section 18.3 (which additionally may be provided by telephone, accompanied with or separately by written notice or electronic mail) of any planned inspection or intrusive sampling to Tenant, except in emergencies, when advance notice shall not be required. Tenant shall have the right to accompany the City when any such inspection or sampling is performed, provided that the City is not required to unreasonably delay its inspection or sampling to enable Tenant to be present. The City shall repair any damage to Tenant's Premises caused by such inspection or intrusive sampling and the cost of any repairs shall be an O&M Expense of the Terminal Complex. Notwithstanding the above, the City, its contractors and other agents' right of entry to Tenant's Premises to perform environmental inspections and sampling shall be governed exclusively by Section 14.2.

4.4 Quiet Enjoyment

The City covenants, unless otherwise provided by this Agreement, that, if Tenant shall perform all obligations and make all payments as provided herein, Tenant shall peaceably have and enjoy the Premises and all the rights, privileges, appurtenances and facilities granted herein, subject to the exercise of governmental police powers by either the City or any other governmental authority having jurisdiction over the Airport.

4.5 Surrender and Removal of Personal Property

4.5.1 Tenant covenants and agrees to surrender possession of the Premises (or a portion of the Premises, if applicable) upon:

(a) the expiration or early termination of this Agreement;

(b) partial termination of Premises under Section 15.2.2;

(c) termination of any holdover period

in substantially the same condition as of the Effective Date (or in the case of improvements or alterations made or fixtures installed subsequent thereto, then as of the date of such improvements, alternations, or fixtures were made or installed), reasonable wear and tear, damage from casualty and condemnation as described in Article 15 resulting in the termination of this Agreement, and repairs that are the responsibility of the City, all excepted. No act or thing done by the City during the term of this Agreement shall be deemed acceptance of a surrender of the Premises, and no agreement to accept such surrender shall be valid, unless in writing and signed by the City. Tenant's improvements to the Premises, if any, shall be removed unless the City agrees in writing to allow them to be left in place or an agreement between the City and Tenant allows them to be left in place.

4.5.2 In the event of such expiration or earlier termination, Tenant shall have thirty (30) days after such expiration or termination during which to remove personal property and trade fixtures; provided, however, the City shall have the right to assert such lien or liens against said property as the City may by law be permitted. Any damage to the Airport, the structure, the Premises or any fixtures located therein resulting from such removal shall be repaired or paid for by Tenant.

4.5.3 If, upon such expiration or earlier termination, Tenant shall fail to remove any personal property or trade fixtures as required herein, the City may, but without the obligation to do so, (a) remove said personal property and trade fixtures and hold them for the owners thereof, or may place the same in a public warehouse, all at the expense and risk of the Tenant; or (b) deem such property abandoned and keep such property or, after written notice to Tenant and at Tenant's sole risk and expense, remove such property to a public warehouse for deposit, or retain the same in the City's possession and after the expiration of thirty (30) days sell the same, with notice and in accordance with applicable law, the proceeds of which shall be applied first to the expenses of such removal and sale, second to any sum owed by Tenant to the City, and any remaining balance shall be credited to Tenant. If the expenses of such removal, storage, disposal or sale shall exceed the proceeds of sale, Tenant shall pay such excess to the City upon demand. Except where, and to the extent, caused by any willful and wanton act of the City, its agents, employees, contractors, officers or directors, Tenant shall indemnify, defend, release and hold harmless the City from any and all damage, cost and expenses related to said removal, storage, disposal and sale, which obligations shall survive expiration or earlier termination of this Agreement.

4.6 Hold Over

Tenant acknowledges it is bound to comply with all provisions of this Agreement until Tenant vacates the Premises. If Tenant holds over, refuses, or fails to give up the possession of the Premises or the relevant portion thereof, as applicable, on the expiration or earlier termination of this Agreement without express written consent of the City, no periodic tenancy will be deemed to be created, and the City shall have all rights and remedies under Applicable Laws to recover the Premises and damages, including recovery of interest, attorney's fees and costs. In addition to continuing Fixed Terminal Charges payable, the City shall assess a holdover fee in the amount of twenty-five (25%) percent of the Fixed Terminal Charges payable for such Premises at the time of expiration or termination of this Agreement for the first sixty (60) days of such hold over and fifty percent (50%) of such Fixed Terminal Charges thereafter. Furthermore, if the City so elects, the City may accept payment of Fixed Terminal Charges from Tenant and concurrently commence legal proceedings to regain possession of the Premises. The foregoing provisions shall not serve as permission to Tenant to hold over, nor serve to extend the Term. The provisions of this Section 4.6 shall not operate as a waiver of any right of the City under this Agreement or Applicable Laws to re-enter and take possession of the Premises.

4.7 No Warranty of Condition or Suitability

EXCEPT AS OTHERWISE PROVIDED HEREIN, THE CITY MAKES NO WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO THE CONDITION OF THE PREMISES OR THAT THE PREMISES SHALL BE SUITABLE FOR TENANT'S

PURPOSES OR NEEDS. THE CITY SHALL NOT BE RESPONSIBLE FOR ANY LATENT DEFECT AND TENANT SHALL NOT, UNDER ANY CIRCUMSTANCES, WITHHOLD ANY RENTALS OR OTHER AMOUNTS PAYABLE TO THE CITY HEREUNDER ON ACCOUNT OF ANY DEFECT IN THE PREMISES. BY ITS ENTRY ONTO THE PREMISES, TENANT ACCEPTS THE PREMISES IN ITS "AS IS" CONDITION.

4.8 **City's Title**

The City's title to the Premises and the Airport is and always shall be paramount to the interest of Tenant in the Premises. Nothing herein contained empowers Tenant to commit or engage in any act which can, shall or may encumber the title of the City.

Article 5

[RESERVED]

Article 6

[RESERVED]

Article 7

[RESERVED]

Article 8

CALCULATION OF RATES AND CHARGES

Tenant shall pay to the City Fixed Terminal Charges for its lease of the Premises based on the square footage of Exclusive Use Space leased by Tenant, as shown in the Premises Notice, multiplied, for Base Space (if any), by the Base Terminal Rental Rate and, for Discount Space (if any), by the Discount Terminal Rental Rate calculated by the City pursuant to Section 8.3.3 of the Signatory Airline Use and Lease Agreement. The City shall provide at least fifteen (15) days' advance notice of the Terminal Rental Rate effective as of January 1 of each Fiscal Year, and at least ten (10) days' advance notice of any adjusted Terminal Rental Rate pursuant to Section 8.16 of the Signatory Airline Use and Lease Agreement.

Article 9

PAYMENT OF RENTALS, FEES AND CHARGES AND SECURITY DEPOSIT

9.1 Payment of Rentals, Fees and Charges

Beginning on the Effective Date, Tenant shall pay to the City, on a monthly basis without invoice, not later than the first (1st) day of each month of each Fiscal Year, the amount of Fixed Terminal Charges based on the Terminal Rental Rates then in effect.

9.2 Place of Payment; Late Payments

All amounts due from Tenant hereunder shall be paid in lawful money of the United States of America, without deduction or set off, to the City of Chicago at the Office of the City's Comptroller or at such other place as may be hereafter designated by the City. Tenant shall pay all amounts payable by Tenant hereunder by either check, wire transfer or electronic funds transfer ("EFT") or Automatic Clearing House ("ACH"), subject to the City's ability to receive these payments.

Any amount which is not paid within five (5) business days of when due and, if appropriate, when invoiced and such invoice is received by Tenant, shall bear an annualized interest charge from its due date at a rate three percent (3%) higher than the "US Prime Rate" as published in the Wall Street Journal or similar successor index of national recognition as determined by the Commissioner.

9.3 Security Deposits

9.3.1 Delivery and Use of Security Deposit

(a) Tenant shall provide to the City a security deposit equal to Tenant's estimated Fixed Terminal Charges for three (3) months.

(b) The Security Deposit shall be in the form of a surety bond the terms of which are acceptable to the City or a letter of credit meeting the requirements set forth in Section 9.3.1(c) to secure Tenant's performance and observance of Tenant's obligations under this Agreement.

(c) The City may deduct from the Security Deposit an amount equal to: (i) any sums payable to the City under this Agreement; (ii) an amount equal to the City's reasonable costs of recovering possession, and any and all other damages legally recoverable by the City, together with reasonable out-of-pocket costs and expenses incurred by the City, upon the termination of this Agreement. In any such event, Tenant shall again meet the Security Deposit requirement set forth in Section 9.3.1(a) above within seven (7) days from its receipt of such written notice.

9.3.2 Letter of Credit Requirements

(a) For a Security Deposit in the form of a letter of credit, such letter of credit shall be an irrevocable commercial standby letter of credit for the amount of the Security Deposit in form and substance reasonably acceptable to the City that meets the following criteria:

(i) the letter of credit shall provide for its continuance for at least one year from issuance and for automatic extension for additional periods of at least one year from initial expiry date and each subsequent expiry date, unless the issuer of the letter of credit gives the City notice of its intention not to renew such letter of credit not less than sixty (60) days before such expiry date (a "Nonrenewal Notice");

(ii) the letter of credit shall be payable upon the City's presentation of the original of such letter of credit together with a sight draft to the issuer, accompanied by the City's signed statement that the City is entitled to draw on such letter of credit without further notice to Tenant and hold the proceeds thereof;

(iii) the letter of credit shall be issued by a commercial bank reasonably satisfactory to the City which maintains a branch in Chicago, Illinois, provided that the Commissioner and the City Comptroller may jointly agree to waive the requirement set forth above that such financial institution maintain a branch in Chicago, for presentment for payment:

(1) that is chartered under the laws of the United States or any state thereof, or the District of Columbia;

(2) that is insured by the Federal Deposit Insurance Corporation;

(3) whose long-term, unsecured and unsubordinated debt obligations are rated by at least two of Fitch Ratings Ltd. ("Fitch"), Moody's Investors Service, Inc. ("Moody's) and Standard & Poor's Ratings Services ("S&P") or their respective successors (the "Rating Agencies") with ratings of not less than A- from Fitch, A3 from Moody's and A- from Standard & Poor's (the "Long-Term LC Issuer Requirements"); and

(4) whose short-term rating from at least two Rating Agencies is not less than F2 from Fitch, P-2 from Moody's and A-2 from S&P (the "Short-Term LC Issuer Requirements" and, together with the Long-Term LC Issuer Requirements, the "LC Issuer Requirements").

(iv) If at any time the LC Issuer Requirements are not met, or if the financial condition of such issuer changes in any other materially adverse way, then Tenant shall within ten (10) days of written notice from the City deliver to the City a replacement letter of credit which otherwise meets the requirements of this Agreement and that meets the LC Issuer Requirements.

(b) The letter of credit shall remain in effect until the date which is thirty (30) days after the Term.

(c) The City shall consent to reduce or release such letter of credit when and as this Agreement would entitle Tenant to any reduction or release of the Security Deposit.

9.3.3 Use of Letter of Credit

If any of the following occurs, then the City may draw upon the balance of the letter of credit in an amount equal to the aggregate amount of the Security Deposit this Agreement then requires: (A) the issuer delivers a Nonrenewal Notice that such issuer no longer intends to maintain a branch in Chicago, Illinois and Tenant fails to deliver a replacement letter of credit that complies with this Agreement within thirty (30) days after Tenant receives the Nonrenewal Notice (for purposes of which, the parties shall reasonably cooperate to facilitate the simultaneous exchange of the old letter of credit for the new letter of credit); (B) the happening of any instance in which the criteria set forth in Section 9.3.2(a) are not met; or (C) if the remaining term of the letter of credit is at any time less than thirty (30) days, but Tenant has not delivered an extension or renewal of such letter of credit for at least one year.

Article 10

[RESERVED]

Article 11

ADDITIONAL OBLIGATIONS OF THE TENANT AND THE CITY

11.1 Operation, Maintenance, Replacement and Repair

11.1.1 Tenant shall, in accordance with the Facilities Maintenance Protocols, be responsible for and shall perform or cause to be performed, maintenance and repair of its Premises, and equipment owned by Tenant at the Airport. Tenant shall, at all times:

(a) keep all fixtures, equipment and personal property in a clean, safe, sanitary and orderly condition and appearance;

(b) maintain all fixtures, equipment and personal property owned by Tenant and its Premises in good condition (reasonable wear and tear excepted) and perform all ordinary repairs, replacements and inside painting, such repairs, replacements and painting by Tenant to be of a quality and class not inferior to the original material and workmanship;

(c) for any equipment installed in or on the Premises that is purchased using the proceeds of any financing sponsored by the City, repair, maintain and replace such equipment as is necessary to assure that at the end of the term hereof the fair market value of such equipment and its remaining useful life will be consistent with, and sufficient to establish for applicable tax and accounting purposes, ownership of such equipment by the City; and

(d) either directly or through a Contractor (which Contractor shall obtain a City permit), dispose of its garbage, debris and other waste materials (excluding snow and ice).

If the performance of any of the foregoing maintenance, repair, replacement or painting obligations of Tenant requires work to be performed near an active taxiway or runway or where safety of Airport operations might be involved, Tenant shall post guards or erect barriers or other safeguards at such locations as required and approved by the City and the FAA. Compliance with such requirements shall not relieve Tenant from its liability for the safe performance of its obligations under this Agreement.

11.1.2 Tenant shall maintain its assets at the Airport and City facilities for which it has responsibility to maintain all in accordance with the Facilities Maintenance Protocols to provide a safe, functional and compliant operating environment, and thereby protect the environment and the health of the traveling public and other users of the Terminal Complex.

11.2 Taxes, Licenses and Permits

11.2.1 Subject to Section 11.2.2, Tenant shall pay or cause to be paid any and all taxes and shall obtain or cause to be obtained any and all licenses, permits, certificates and other authorizations required by any governmental authority in connection with the operations or activities performed by Tenant at the Airport, including any and all taxes and other charges in connection with Tenant's lease, use or occupancy of the Premises. Tenant may contest any such taxes as provided in Section 13.1.2(b).

11.2.2 The City shall pay as an O&M Expense any and all applicable taxes or special assessments which may be levied or assessed upon the Premises, except, however, any taxes associated with or assessed on any personal property or leasehold interests of Tenant located on such Premises shall be the obligation of Tenant and, as such, shall be paid by Tenant and not by the City.

11.2.3 Tenant shall not permit a lien or encumbrance to attach to the Premises or the Airport by reason of any failure to pay taxes for which it is responsible.

11.3 Performance by the City upon Failure of Tenant

If Tenant or its Contractor (a) fails to perform for a period of thirty (30) days after written notice from the City to Tenant in accordance with Section 18.3 any obligation required under this Article 11; or (b) if the obligation cannot be performed within thirty (30) days and Tenant has failed to initiate corrective action within the thirty (30) days of the City's notice or fails to diligently pursue such corrective action once initiated, then the City may perform such obligation of Tenant (or its Contractor) without further notice and charge Tenant for the costs of its performance plus an administrative fee of fifteen percent (15%); provided, however, that if Tenant's failure to perform any such obligation endangers the health or safety of persons or the safety of operations at the Airport and the City so states in its notice to Tenant, the City may perform such obligation of Tenant (or its Contractor) without waiting thirty (30) days after its notice if Tenant does not take prompt action to address the issue after City has given such notice and charge Tenant for its costs of its performance plus an administrative fee of twenty-five

percent (25%). For any notices relating to this Section 11.3, the parties agree that written notice (in the forms provided in Section 18.3) is required but that the City may, at its option, provide supplemental notice by electronic mail to Tenant.

11.4 Utilities

11.4.1 Tenant shall be solely responsible for paying all utilities provided to Tenant, its Contractors, agents and employees at the Premises.

11.4.2 The City shall provide or cause to be provided the following utility services to the Premises in reasonable amounts and at pressures appropriate for Tenant operations: water, electricity, gas, fire suppression systems, sewage outlets, heating, ventilation and air conditioning. The City shall reasonably determine the points in the Premises where such services will be made available to Tenant, after consultation with Tenant. In the event Tenant desires to change the points of supply by the City, the expense of making such changes or alterations shall be at the sole cost of Tenant. Any additional utility services requested by Tenant and not otherwise provided by the City shall be provided only with the City's approval and shall be subject to separate tariffs imposed, if any, by the applicable utility.

11.4.3 Except where, and to the extent, caused by any willful and wanton act of the City, its agents, employees, contractors, officers, directors or predecessors in interest, Tenant expressly waives any and all claims against the City for damages arising or resulting from failures or interruptions of utility services or any failure of performance by an independent party providing utility services to the Premises, including electricity, gas, water, plumbing, sewage, telephone, communications, heat, ventilation, air conditioning, or for the failure or interruption of any public or passenger conveniences.

11.5 City Ownership of Airport

Tenant agrees and irrevocably elects, with respect to itself and any successors in interest under this Agreement it will not claim depreciation or an investment credit for purposes of federal income taxes with respect to any portion of the Airport except an improvement or project that has been solely financed by Tenant.

Article 12

[RESERVED]

Article 13

INDEMNIFICATION AND INSURANCE

13.1 Indemnification

13.1.1 Tenant agrees to defend, indemnify and hold harmless the City Indemnified Parties to the maximum extent allowed by applicable statutes and case law, from

and against any and all Claims, including payments of claims of liability resulting from any injury or death of any person or damage to or destruction of any property, arising out of or relating to:

(a) the tortious acts or omissions of Tenant or its Associated Parties;

(b) Tenant's or its Associated Party's use or occupancy of the Airport and the Premises;

(c) the violation by Tenant of this Agreement or of any law, ordinance, regulation or court order affecting the Airport; or

(d) suits of whatever kind or nature alleging violations of any federal or state laws as a result of any actions taken by Tenant or its Associated Parties, or Tenant's failure to comply with obligations imposed upon Tenant or its Associated Parties, pursuant to this Agreement;

and Tenant will, at its own cost and expense, defend all such claims, demands and suits, whether frivolous or not. To the extent City Indemnified Parties reasonably expend any cost and expense, including attorney fees, in investigating or responding to such claims, demands and suits, Tenant will reimburse the City Indemnified Parties for all such costs and expense, subject to Section 13.1.7.

13.1.2 Without limiting the foregoing, Tenant also agrees to defend, indemnify and hold harmless the City Indemnified Parties:

(a) from and against any and all claims or liability for compensation under any workers' compensation statute arising out of the injury or death of any employee of Tenant. Tenant shall cause its licensees and Contractors to maintain in effect at all times workers' compensation insurance as required by law; and

(b) from, and to assume all liability for, and to pay, all taxes and assessments for payment of which the City may become liable and which by law may be levied or assessed on the Premises occupied by Tenant pursuant to this Agreement (excluding those taxes which are the City's responsibility pursuant to Section 11.2.2), or which arise out of the operations of Tenant or by reason of Tenant's occupancy of its Premises. However, Tenant may, at its own risk, cost and expense, and at no cost to the City, contest, by appropriate judicial or administrative proceedings, the applicability or the legal or constitutional validity of any such tax or assessment, and the City will, to the extent permitted by law, execute such documents as are necessary to permit Tenant to contest or appeal the same. Tenant shall be responsible for obtaining bills for all of said taxes and assessments for which Tenant is responsible directly from the taxing authority and shall promptly deliver to the City copies of receipts of payment. In the event the City receives any tax billings, it will forward said billings to Tenant as soon as practicable.

13.1.3 Without limiting the foregoing, Tenant shall cause any Contractor to agree to protect, defend, indemnify and hold the City Indemnified Parties free and harmless from and against any and all claims, damages, demands, and causes of action of all kinds including

claims of property damage, injury or death, in consequence of granting the relevant Contract or arising out of or being in any way connected with the Contractor's performance under this Agreement except for matters shown by final judgment to have been caused by or attributable to the negligence of any City Indemnified Party to the extent prohibited by 740 ILCS 35/1 *et seq.* The indemnification provided herein shall be effective to the maximum extent permitted by applicable statutes. To the extent Contractor fails to defend any and all claims, demands or suits against the City Indemnified Parties including claims by any employee, Contractors, agents or servants of Contractor even though the claimant may allege that a City Indemnified Party is or was in charge of the work or that there was negligence on the part of a City Indemnified Party, Tenant shall be responsible for such defense. To the extent City Indemnified Parties reasonably expend any cost and expense, including attorney fees, in investigating or responding to such claims, demands and suits, Tenant will reimburse the City Indemnified Parties for all such costs and expense, subject to Section 13.1.7. "Injury" or "damage," as such words are used in this Section 13.1 shall be construed to include injury, death or damage consequent upon the failure of or use or misuse by Contractor, its subcontractors, agents, servants or employees, of any scaffolding, hoist, cranes, stays, ladders, supports, rigging, blocking or any and all other kinds of items of equipment, whether or not the same be owned, furnished or loaned by the City. Notwithstanding Tenant's obligation to cause any Contractor to agree to the requirements set forth in this Section 13.1.3 Tenant's failure to cause Contractor to do so shall not constitute a breach hereof, provided that Tenant performs all such actions Contractor would have been required to perform under this Section 13.1.3, including indemnifying and defending the City, itself.

13.1.4 The City shall notify Tenant as soon as practicable of each Claim in respect of which indemnity may be sought by the City against Tenant hereunder, setting forth the particulars of such Claim, and shall furnish Tenant with a copy of all judicial filings and legal process and any correspondence received by the City related thereto.

13.1.5 The City shall be invited to attend and participate in all meetings (including those related to settlement) and to appear and participate in all judicial proceedings related to any Claim against the City, provided that the City shall bear the costs of its participation to the extent such participation is not in furtherance of the City's defense of any such Claim. The City shall approve the terms of any settlement which requires the City to perform or refrain from performing any action, provided that such approval will not be unreasonably withheld if a settlement includes a full and unconditional release for City Indemnified Parties.

13.1.6 Without limiting the generality of any other provision hereof, Tenant shall reimburse the City for the cost of any and all reasonable attorney's fees and investigation expenses and any other reasonable costs incurred by the City in the investigation defense and handling of said suits and claims and in enforcing the provisions of this Agreement.

13.1.7 Notwithstanding the provisions of this Section 13.1, in the event that the City and Tenant mutually agree or a court of competent jurisdiction determines by a final order that (a) a City Indemnified Party's negligence is at least fifty-one (51%), or (b) a City Indemnified Party's willful and wanton misconduct is any percentage, of the total fault which proximately caused the Claims, Tenant's obligation to indemnify the City for amounts to be paid

in connection with the Claims shall be limited to the amount attributable to Tenant's and its Associated Parties' proportionate share of the total fault which proximately caused the Claims. The City and Tenant agree, however, that this Section 13.1.7 is not intended to obviate or lessen in any way Tenant's duty to defend the City Indemnified Parties; provided, however, that to the extent the City and Tenant mutually agree or a court of competent jurisdiction rules that the Claims were the result of the sole negligent act or omission or the willful and wanton misconduct of a City Indemnified Party, the City shall reimburse Tenant for its proportionate share of the costs of defense, including, but not limited to, attorneys' fees and court costs. For the avoidance of doubt, the City shall reimburse Tenant for all defense costs Tenant incurred with respect to defending the City Indemnified Parties against Claims to the extent that the City and Tenant mutually agree or a court of competent jurisdiction rules that such Claims were the result of the sole negligent act or omission of a City Indemnified Party.

13.1.8 Notwithstanding the provisions of this Section 13.1, Tenant's indemnification obligations for Environmental Claims are set forth in Section 14.7.

13.1.9 The foregoing express obligation of indemnification shall not be construed to negate or abridge any other obligation of indemnification running to the City or a City Indemnified Party that would exist at common law or under other provisions of this Agreement, and the extent of the obligation of indemnification shall not be limited by any provision of insurance undertaken in accordance with this Agreement.

13.1.10 Subject to Section 13.1.7, Tenant shall be liable for any loss or damage to any personal property or equipment of Tenant, its agents, servants, employees, officials, or independent contractors.

13.1.11 Tenant waives the right of contribution against the City Indemnified Parties, subject to Section 13.1.7, and subrogation against the City Indemnified Parties.

13.1.12 This Section 13.1 shall survive expiration or early termination of this Agreement. Tenant understands and agrees that any insurance protection furnished by Tenant pursuant to Section 13.2 shall in no way limit Tenant's responsibility to indemnify and hold harmless the City under the provisions of this Agreement.

13.2 **Insurance**

13.2.1 Insurance Coverage Required. Tenant shall procure and maintain at all times, at Tenant's own expense, the types of insurance specified below, with insurance companies having an AM Best rating of A- or better, financial size rating of IV or better; or for those insurance companies not subject to AM Best's rating (a) an equivalent financial strength rating from S&P or (b) as determined by the City in its sole discretion, a similar nationally or internationally recognized reputation and responsibility, or as reasonably approved by the City, covering all operations under this Agreement performed by Tenant. The kinds and amounts of insurance required are as follows:

(a) Workers' Compensation and Employer's Liability Insurance. Workers' Compensation Insurance, as prescribed by Applicable Law, covering all employees who are to provide a service under this Agreement with statutory limits. Such insurance shall

include Employer's Liability Insurance coverage with limits of not less than $1,000,000 each accident; $1,000,000 disease-policy limit; $1,000,000 disease-each employee. Coverage shall include other states endorsement, alternate employer and voluntary compensation, when applicable.

(b) Commercial General/Tenant Liability Insurance (Primary and Umbrella). Commercial General Liability Insurance or equivalent coverage with limits of not less than $10,000,000 per occurrence and in the aggregate for war risks and allied peril for bodily injury (including death), personal injury and property damage liability. Such insurance shall include but not be limited to: all premises and operations, products/completed operations, war risk and allied peril liability (including terrorism), explosion, collapse, underground, separation of insureds, defense, independent contractors, liquor liability and blanket contractual liability (not to include Endorsement CG 21 39 or equivalent).

The City shall be named as an additional insured on the policy and coverage shall be at least as broad as that afforded the named insured. The additional insured coverage shall not have any limiting endorsement or language under the policy such as but not limited to, Tenant's sole negligence or the City vicarious liability. Tenant's insurance shall be primary without right of contribution by any other insurance or self-insurance maintained by the City.

To the extent Tenant relies on excess or umbrella insurance to satisfy the requirements of this Section (ii) or (iii), any such policy shall follow form and be no less broad than the underlying policy, shall cover the term of underlying policy without interruption, and shall include a drop down provision with no gap in policy limits.

(c) Automobile Liability Insurance (Primary and Umbrella). When any motor vehicles are used in connection with work to be performed by or on behalf of Tenant, Tenant shall provide Automobile Liability Insurance with limits of not less than $10,000,000 per occurrence combined single limit, for bodily injury and property damage for any auto including owned, non-owned or hired autos; provided, however, that Tenant may reduce the foregoing amount to $1,000,000 per occurrence combined single limit so long as Tenant's Commercial General/Tenant Liability Insurance or equivalent coverage includes excess auto liability.

(d) All Risk Builders Risk Insurance. When Tenant undertakes any construction at the Airport, including improvements, betterments or repairs, Tenant shall provide or cause its Contractor to provide All Risk Blanket Builder's Risk Insurance to cover the materials, equipment, machinery and fixtures that are or will be part of the permanent facility. Coverage extensions shall include boiler and machinery, earthquake and flood.

(e) All Risk Property Insurance. All Risk Property Insurance shall be maintained at replacement cost valuation basis covering all loss, damage, or destruction for Tenant's improvements and betterments on the Premises and personal property in Tenant's care, custody and control at the Airport. Coverage shall include but not limited to boiler and machinery, earthquake, flood, sprinkler leakage, debris removal and business interruption and extra expense. Tenant shall be responsible for all loss or damage to personal property owned, rented or used by Tenant.

13.2.2 Additional Requirements

(a) Evidence of Insurance. Tenant will furnish the Commissioner, with original Certificates of Insurance (or copies thereof) and a copy of the additional insured endorsements where applicable evidencing the coverage required to be in force on the date of this Agreement, as well as renewal Certificates of Insurance and additional insured endorsements, or such similar evidence, if the coverages have an expiration or renewal date occurring during the term of this Agreement. Tenant shall submit evidence prior to the Effective Date. The receipt of a certificate or other insurance evidence does not constitute an agreement by the City that the insurance coverage required in this Agreement has been fully met or the insurance policies indicated on the certificate or other evidence of insurance provided are in compliance with all the Agreement requirements. Failure of the City to obtain certificates or any other insurance evidence from Tenant showing compliance with these requirements of the Agreement is not a waiver by the City of any requirements for Tenant to obtain and maintain the specified coverages. Tenant shall advise all insurers of the Agreement provisions regarding insurance. The City in no way warrants that the insurance required herein is sufficient to protect Tenant for liabilities that may arise from or relate to the Agreement. The City reserves the right to inspect complete, certified policy copies (or electronic copies thereof) of any required insurance at a mutually agreed location within the State of Illinois within ten (10) days of the City's written request.

(b) Failure to Maintain Insurance. The insurance hereinbefore specified shall be carried during the term of this Agreement. If Tenant fails to carry or keep such insurance in force, the City may terminate this Agreement pursuant to Section 17.1.8.

(c) Notice of Cancellation, Material Change and Non-Renewal. Tenant shall provide for thirty (30) days' advance notice to the City in the event coverage required in this Agreement (except coverage for war and allied peril risk for which Tenant shall provide seven (7) days' advance notice or such other period as may be agreed by the City and Tenant) has substantially changed, canceled, or non-renewed. Upon the earlier of Tenant's receipt of a cancellation notice for non-payment of premium or Tenant's knowledge thereof, Tenant shall provide immediate notice to the City of such cancellation or impending cancellation with Tenant's written plan for curing such non-payment and preventing non-payment of premiums thereafter.

(d) Insurance Required of Contractors. In each contract with any Contractor, Tenant shall require such Contractor to obtain insurance coverages to adequately cover risks associated with any such Contractor that are reasonably appropriate in their limits and other terms and conditions to the nature of the contract and standard in the industry within which such Contractors practices. Such coverages shall insure the interests of the City, its employees, elected officials, agents and representatives including naming the City of Chicago as an additional insured on an additional insured form acceptable to the City. Tenant is also responsible for ensuring that each Contractor has complied with the required coverage and terms and conditions outlined in this Section 13.2.2. When requested by the City, Tenant shall provide, or cause to be provided, to the City certificates of insurance and copies of additional insured endorsements or such other evidence of insurance, acceptable in form and content to the City. The City reserves the right to inspect complete, certified policy copies (or electronic copies

thereof) of any required insurance at a mutually agreed to location within the State of Illinois within ten (10) days of the City's written request. Failure of any Contractor to comply with required coverage and terms and condition outlined herein will not limit Tenant's liability or responsibility hereunder.

(e) No Limitation as to Tenant's Liabilities. Tenant expressly understands and agrees that any insurance coverages and limits furnished by Tenant shall in no way limit Tenant's liabilities and responsibilities specified within this Agreement or by Applicable Law.

(f) Waiver of Subrogation. Tenant waives and shall cause its insurers to waive, and Tenant shall cause each of its Contractors and each of Contractor's insurers to waive, their respective rights of subrogation against the City Indemnified Parties for recovery of damages to the extent these damages are covered by the following insurance obtained by Tenant pursuant to this Agreement; (1) Worker's Compensation and Employer's Liability Insurance; (2) Commercial General/Tenant Liability Insurance (primary and umbrella); (3) Automobile Liability Insurance; (4) All Risk Blanket Builder's Risk Insurance; and (5) All Risk Property Insurance. With respect to the waiver of subrogation for Worker's Compensation and Employer's Liability Insurance, Tenant shall obtain an endorsement equivalent to WC 00 03 13 to effect such waiver.

In the event the insurers of Tenant or the insurers of any Contractor should seek to pursue contribution or a subrogation claim against the City, Tenant shall be responsible to pay all cost of defending such claims, including actual attorney's fees of counsel of the City's choosing, subject to Section 13.1.7.

(g) Tenant Insurance Primary. Tenant expressly understands and agrees that any insurance maintained by the City shall apply in excess of and not contribute with insurance provided by Tenant under this Agreement. All insurance policies required of Tenant under this Agreement shall be endorsed to state that Tenant's insurance policy is primary and not contributory with any insurance carried by the City.

(h) Insurance Limits maintained by Tenant. If Tenant maintains higher limits than the minimum required herein, the City requires and shall be entitled to coverage for the higher limits maintained by Tenant. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to the City, as their interest may appear.

(i) Joint Venture or Limited Liability Company. If Tenant is a joint venture or limited liability company, the insurance policies must name the joint venture or limited liability company as a named insured.

(j) Other Insurance obtained by Tenant. If Tenant desires additional coverages, Tenant shall be responsible for the acquisition and cost.

(k) Self-Insurance of Tenant. Tenant may not self-insure any portion of any limit of primary coverage required hereunder unless specifically permitted under this Section 13.2 or otherwise permitted by the City in extraordinary circumstances. It is understood

that in any instance in which Tenant is permitted to and chooses to self-insure a portion of the limit of primary coverage required hereunder, Tenant, as a self-insurer, has the same duties and obligations to the City (*e.g.* obligation to provide a defense for covered claims) and to the City's liability insurer(s) as a primary liability insurer has to excess insureds and excess insurers under a standard ISO policy form even though Tenant's self-insurance is not on a standard ISO form. For purposes of this subsection, self-insurance shall not be construed to include deductibles that apply on a per-occurrence basis.

(l) City's Right to Modify. The City maintains the right, based on commercially reasonable standards, to modify, delete, alter or change the requirements set forth under this Section 13.2 with thirty (30) days' prior written notice to Tenant.

Article 14

ENVIRONMENTAL MATTERS

14.1 Tenant Representations, Warranties, and Covenants

Tenant represents, warrants, and covenants the following with respect to its use of the Airport pursuant to this Agreement:

14.1.1 Tenant has obtained and throughout the term of this Agreement shall regularly maintain and timely update all applicable licenses, permits, registrations and other authorizations and approvals required under Environmental Laws, and shall provide any notices required under Environmental Laws, for conducting its operations at the Airport during the term of this Agreement. Tenant shall ensure that its Associated Parties obtain, maintain and update all applicable licenses, permits, registrations and other authorizations required by Environmental Law pertaining to its and their use of and operations at the Airport.

14.1.2 Tenant shall comply and shall ensure that its Associated Parties comply, with all applicable Environmental Laws pertaining to its and their use of and operations at the Airport.

14.1.3 Tenant shall not conduct its operations at the Airport during the Term of this Agreement in such a manner so as to cause, unlawfully allow or contribute to, and shall ensure that its Associated Parties do not cause, unlawfully allow or contribute to:

(a) any Release, Discharge or Disposal of any Hazardous Substance or Other Regulated Material at the Airport, unless authorized by an Environmental Law;

(b) any violation of any applicable Environmental Law as a result, in whole or in part, of the use by or operations of Tenant or its Associated Parties at the Airport;

(c) any Release, Discharge or Disposal in violation of any applicable Environmental Law which is a contributing cause of the City exceeding any terms, conditions or effluent limits of any NPDES permit or individual storm water discharge permit issued to the

City, Multi-Sector General Permit, Municipal Separate Storm Sewer System permit, or any applicable federal or State of Illinois effluent limitation guideline, or standard of the MWRD;

(d) any Release, Discharge or Disposal to soil or Waters at, underlying, or adjacent to the Airport in violation of any applicable Environmental Law; or

(e) any emissions to the air in violation of any applicable Environmental Law that results in an exceedance of an applicable emission standard at the Airport or of any terms or conditions of any of Tenant's air permits.

14.1.4 Tenant shall, and shall ensure that its Associated Parties, handle, use, store, Dispose of, transport, or otherwise manage, any Hazardous Substance or Other Regulated Material at the Airport during the Term of this Agreement in a lawful manner. Without limiting the foregoing, Tenant shall not conduct and shall ensure that its Associated Parties do not conduct any operations or activities involving the use or application of ethylene glycol, propylene glycol, or any other substance in de-icing or anti-icing at any location at the Airport except in accordance with all applicable Environmental Laws and in compliance with any de-icing policies and practices as may be adopted by the City in consultation with Tenant.

14.1.5 Tenant shall be, and shall ensure that its Associated Parties are, responsible for the proper transportation and Disposal of all Hazardous Substances or Other Regulated Material generated by Tenant or its Associated Parties, or resulting from Tenant's use, activities, and operations, at the Airport during the term of this Agreement, including those activities and operations conducted by its Associated Parties. In such cases, in the event a signature as "Generator" is required on waste manifests, waste profile sheets or generator's certifications of non-special waste, Tenant shall ensure that either Tenant or its appropriate Associated Party(ies) signs such documents. Tenant shall be responsible for the proper removal, transportation, and Disposal of Hazardous Substances or Other Regulated Material confiscated by the Transportation Security Agency ("TSA") or the City, but only with respect to the Premises.

14.1.6 Tenant shall be, and shall ensure that its Associated Parties are, responsible for the maintenance of any structural controls (above-ground or below-ground), as defined below, used to treat sanitary sewer waste and storm water runoff operated by Tenant or its Associated Parties on the Premises during the term of this Agreement. Maintenance frequencies for any such structural controls shall be established by Tenant in a reasonable manner in accordance with industry standards and applicable Environmental Law to ensure effective operation of such controls and to prevent failures of such controls that could result in the Discharge, Release or Disposal of pollutants in violation of any applicable Environmental Law. Tenant shall ensure that environmental records required to be kept by applicable law, including the O'Hare SWPPP, are maintained on-site for a period of three (3) years, unless a different document retention requirement is provided by applicable law. Structural controls to be maintained by Tenant shall include, but not be limited to: oil/water separators (both storm and sanitary sewer), grease traps, sand traps, diversion valves, shut-off valves, storm sewer drain filters, trench drains, catch basins, rain gardens, and retention/holding ponds and any other structural controls. Tenant shall remove and properly Dispose of any Waste in said designated structural controls maintained by Tenant prior to vacating the Premises.

14.1.7 Tenant shall be, and shall ensure that its Associated Parties are, responsible for the maintenance of any air pollution control equipment required by any applicable Environmental Law operated by Tenant or its Associated Parties on the Premises during the term of this Agreement. Maintenance frequencies for any such air pollution control equipment shall be established by Tenant in a reasonable manner in accordance with industry standards, the provisions of applicable air permits and applicable Environmental Law to ensure effective operation of such equipment and to prevent failures of such equipment that could result in the emission of pollutants in violation of any applicable Environmental Law. Tenant shall ensure that environmental records required to be kept by applicable law are maintained on-site for a period of three (3) years, unless a different document retention requirement is provided by applicable law. The air pollution control equipment units to be maintained by Tenant shall include, but are not limited to: scrubbers, filters, adsorbers, condensers, precipitators, and other equipment. Tenant shall remove and properly Dispose of any Waste in said designated air pollution control equipment operated by Tenant prior to vacating the Premises.

14.1.8 If Tenant or its Associated Parties cause, unlawfully allow or contribute to a Release, Discharge, or Disposal of a Hazardous Substance or Other Regulated Material at the Airport in violation of any applicable Environmental Law that is above any applicable reportable quantity, emission standard or effluent guideline set forth in any applicable Environmental Law including the O'Hare Spill Response Guide, Tenant shall report such Release, Discharge or Disposal to the appropriate governmental authorities in compliance with applicable Environmental Law, including the O'Hare Spill Response Guide. Tenant shall ensure that its Associated Parties report any Release or Discharge in violation of any applicable Environmental Law to the appropriate governmental authorities, in compliance with applicable Environmental Law, if the operations of said third party cause, unlawfully allow or contribute to a Discharge or Release of a Hazardous Substance or Other Regulated Material in violation of any applicable Environmental Law that is above any reportable quantity set forth in any applicable Environmental Law.

14.1.9 Tenant acknowledges that the City is subject to certain NPDES permits, state and federal storm water regulations, federal and state effluent limitation guidelines, and MWRD standards for operations at the Airport. Tenant shall conduct operations and activities at the Airport, including but not limited to de-icing, anti-icing, and construction, and shall ensure that its Associated Parties conduct operations and activities at the Airport in compliance with applicable Environmental Laws. Tenant acknowledges that its reasonable cooperation is necessary to ensure Airport's compliance with any applicable NPDES storm water permits and effluent limitation guidelines under Environmental Laws. Tenant shall minimize the exposure to storm water of materials generated, stored, handled, or used by Tenant or its Associated Parties at the Airport including Hazardous Substances or Other Regulated Material, by implementing and requiring implementation of certain written "Best Management Practices" as defined by and required under Environmental Laws, and shall make them available to the City upon reasonable request. Tenant further acknowledges that any effluent limitation guidelines in any NPDES storm water discharge permit issued to the City and timely provided to Tenant applicable to Tenant are incorporated by reference into this Agreement to the extent affecting Tenant's operations at or use of the Airport or operations or activities conducted on its behalf at the Airport, or necessitating Tenant's reasonable cooperation to assure the City's compliance therewith. The City shall provide advance notice to Tenant of and a reasonable opportunity to

comment on, and shall otherwise endeavor to negotiate reasonable and cost effective terms and conditions of, any permits issued to the City which may affect Tenant's operations at or use of the Airport or operations or activities conducted on its behalf at the Airport, or which may necessitate Tenant's reasonable cooperation to assure the City's compliance therewith.

14.1.10 Tenant or its Associated Parties shall cooperate with the City, as reasonably requested from time to time by the City, to ensure that Tenant's operations at or use of the Airport will not unreasonably interfere with the City's implementation of its Chicago O'Hare International Airport Wildlife Hazard Management Plan to reduce wildlife hazards at the Airport.

14.1.11 Tenant, prior to vacating or surrendering any portion of its Premises for any reason, shall:

(a) remove and Dispose of any and all trash, debris, or Waste generated by Tenant or its Associated Parties;

(b) remove any and all above-ground containers and non-permanent structural controls owned by Tenant or its Associated Parties, including, but not limited to, removable filters, grates and above-ground tanks located on Tenant's Premises, unless Tenant and the City agree otherwise; and

(c) comply with applicable Environmental Laws regarding the closing or removal from service of any underground or aboveground tanks, vessels, and containers operated or owned by Tenant or its Associated Parties and located on Tenant's Premises, provided, however, that Tenant shall have no such obligation with respect to any airport hydrant fuel system maintained by an airport fueling consortium.

14.1.12 Tenant understands and acknowledges that certain of its and the City's future capital projects at the Airport may require review or approval by the FAA, the United States Environmental Protection Agency ("USEPA"), or the Illinois Environmental Protection Agency ("IEPA"), pursuant to requirements imposed upon the Airport or the City. If requested by the City, Tenant shall reasonably cooperate with the City in its preparation of such submittals as are required of the City by FAA, USEPA, or IEPA, or their successor agencies, in connection with Tenant's future capital projects or in connection with the City capital projects at the Airport which benefit Tenant.

14.2 Right of Entry to Perform Environmental Inspections and Sampling

14.2.1 The City and its contractors and other agents shall have the full right to enter any part of the Premises, at all reasonable times and in the City's sole discretion, for the purpose of conducting an inspection, assessment, investigation, regular inspection, or regulatory compliance audit of Tenant's operations thereon, or any other party's use and operations, including operations of Tenant's Associated Parties. The City and its authorized agents may take samples and perform tests as needed, including but not limited to soil borings, ground water monitoring, and collection of samples of air, soil, water, groundwater, Hazardous Substances or Other Regulated Material Releases, and Discharges, at the City's expense. The City will provide seventy-two (72) hours' advance written notice of any City inspection, assessment, investigation,

regular inspection, or regulatory compliance audit of Tenant's operations thereon, or any other party's use and operations, including operations of Tenant's Associated Parties or intrusive City sampling to Tenant, except in emergencies, when advance notice shall not be required. Tenant shall have the right to accompany the City when any such inspection or sampling is performed, provided that the City is not required to unreasonably delay its inspection or sampling to enable Tenant to be present. Tenant shall have the right to obtain, at Tenant's expense, split samples and City shall promptly provide copies of all analytical results of such sampling, including any non-privileged reports.

14.2.2 Tenant shall cooperate, and shall ensure that its Associated Parties cooperate, in allowing prompt, reasonable access to the City to conduct such inspection, assessment, audit, sampling, or tests. In the exercise of its rights under this Section, the City shall not unreasonably interfere with the authorized use and occupancy of the Premises by Tenant or Tenant's Associated Parties. Tenant remains solely responsible for its environmental, health, and safety compliance, notwithstanding any City inspection, audit, or assessment.

14.3 **Information to be Provided to the City**

14.3.1 If Tenant receives any written notice, citation, order, warning, complaint, claim or demand regarding Tenant's use of, or operations at, the Premises during the term of this Agreement or other property at the Airport used by Tenant pursuant to this Agreement that is not legally privileged, made confidential by applicable law, or protected as trade secrets:

(a) concerning any alleged Release, Discharge or Disposal of a Hazardous Substance or Other Regulated Material by Tenant or by its Associated Parties; or

(b) alleging that Tenant or any of its Associated Parties is the subject of an Environmental Claim or alleging that Tenant or any Associated Party is, or may be, in violation of any Environmental Laws; or

(c) asserting that Tenant or any such third party as identified in Section (i) and (ii) above is liable for the cost of investigation or remediation of a Release or Discharge;

Tenant shall promptly, but not later than five (5) business days after Tenant's receipt, inform the City in writing of same, including a copy of such notice received by Tenant.

14.3.2 Tenant shall simultaneously provide to the City copies of its submittals of any non-privileged reports or notices required under Environmental Laws to any governmental agency regarding:

(a) Tenant's or its Associated Parties' alleged failure to comply with any Environmental Laws at the Premises or other property at the Airport used by Tenant pursuant to this Agreement, or

(b) any Release or Discharge arising out of the past or present operations at or use of the Premises or other property at the Airport used by Tenant or its Associated Parties pursuant to this Agreement.

14.3.3 In connection with any matter arising under Section 14.3.1 above, Tenant shall make available, within ten (10) business days of Tenant's receipt of the City's written request, subject to document retention requirements provided by applicable law, the non-privileged documents that Tenant has submitted to any governmental agency pertaining to the environmental compliance status of Tenant's operations at or use of the Premises or other property at Airport used pursuant to this Agreement by Tenant, including without limitation any and all non-privileged records, permits, permit applications, test results, sample results, written or electronic documentation, studies, or other documentation regarding environmental conditions or relating to the presence, use, storage, control, Disposal, or treatment of any Hazardous Substance or Other Regulated Material by Tenant or its Associated Parties at the Premises or other property at the Airport used by Tenant pursuant to this Agreement.

14.4 Tenant's Environmental Response and Compliance Obligations

14.4.1 Without limiting the indemnity obligations of Section 14.7, if, during the term of this Agreement, Tenant or any of its Associated Parties causes, unlawfully allows or contributes to a Release, Discharge, or Disposal of a Hazardous Substance or Other Regulated Material (including, but not limited to those which contaminate or pollute any air, soil, Waters, storm sewer, detention basin, other stormwater infrastructure, or conveyance system) in violation of any applicable Environmental Law that is above any applicable reportable quantity, emission standard or effluent guideline set forth in an applicable Environmental Law including the O'Hare Spill Response Guide, at any portion of the Airport or adjacent Waters, in connection with their operations at the Premises or at other property at the Airport used by Tenant pursuant to this Agreement, Tenant shall perform or shall cause to be performed, consistent with the provisions of Section 14.5, the following:

(a) notify the O'Hare Communications Center ("OCC") of such Release, Discharge, or Disposal as required by and in accordance with the O'Hare Spill Response Guide and applicable Environmental Laws;

(b) report such Release, Discharge, or Disposal to appropriate governmental agencies as required by and in accordance with applicable Environmental Laws;

(c) promptly Respond to the Release, Discharge, or Disposal of a Hazardous Substance or Other Regulated Material, as required by applicable Environmental Laws;

(d) promptly take all further actions required under Environmental Laws to abate any threat to human health or the environment;

(e) promptly undertake any further removals, remediation, or corrective actions as are required by Environmental Laws or a governmental agency exercising its authorized regulatory jurisdiction under Environmental Laws, to remedy any such Release,

Discharge or Disposal of a Hazardous Substance or Other Regulated Material, and any resulting impacts; and

(f) promptly obtain documentation of the approval of the closure of such Release, Discharge, or Disposal from the governmental agency(ies) with regulatory jurisdiction as such may be issued under Environmental Laws, and provide such documentation to the City.

14.4.2 Any remedial or other activity undertaken by Tenant under this Article shall not be construed to impair Tenant's rights, if any, to seek contribution or indemnity from any person, consistent with the terms and limitations of this Agreement, including Section 14.7, below.

14.5 Investigation, Remediation, or Corrective Action Process

Before commencing any subsurface soil, surface water, stormwater, or groundwater investigations, removals, remediation, or corrective actions that Tenant or Tenant's Associated Parties are required to perform at the Airport under this Agreement, including any such actions mandated in Section 14.4, and except for immediate removal actions required by Environmental Laws and otherwise undertaken pursuant to Section 14.4, Tenant shall promptly provide any proposed plans for such investigations, removals, remediation, or corrective actions to the City for approval in accordance with applicable Environmental Laws, which shall not be unreasonably withheld or conditioned. The work shall be performed in a diligent manner consistent with the time(s) prescribed by Environmental Laws and relevant governmental authorities and at Tenant's expense, and the City shall have the right to review and inspect all such work at any time using consultants and representatives of the City's choice, at the City's expense. Specific cleanup levels for any environmental removals, remediation or corrective actions shall comply with applicable Environmental Laws, with commercial and industrial remediation standards being applied to such actions consistent with the use of the Airport for such purposes. Tenant may also utilize institutional controls and other engineered barriers as part of any removals, remediation or corrective actions to the extent authorized by Environmental Laws and approved by the City in writing, which shall not be unreasonably withheld. In the event deed recordation by the City is necessary for the utilization of commercial and industrial remediation standards or other controls as part of any removals, remediation or corrective actions or any other costs and expenses are incurred in connection with the use of such standards or controls Tenant shall reimburse the City for all deed recordation fees and reasonable attorneys' fees incurred in connection with such recordation. Tenant shall, at Tenant's own cost and expense, have all tests performed, and reports and studies prepared, and shall provide such information to any governmental agency as may be required by applicable Environmental Laws, with a copy simultaneously provided to the City. This obligation includes but is not limited to any requirements for a site characterization, site assessment, remediation objectives report, remedial action plan, and remedial action completion report that may be necessary to comply with applicable Environmental Laws.

14.6 The City's Rights to Ensure Tenant's Compliance with Environmental Response and Compliance Obligations

14.6.1 If, as is reasonably determined by the City, Tenant, Tenant's Associated Parties or their Associated Parties:

(a) do not take appropriate Response actions required by applicable Environmental Laws in response to a Release, Discharge or Disposal for which it is responsible under Section 14.4, within the time(s) prescribed by such Environmental Law(s) and relevant governmental authorities; or

(b) do not perform or complete reporting, notifications, investigations, removals, remediation, corrective actions, or closure actions for which it is required under Section 14.4 within the time(s) prescribed by applicable Environmental Laws and relevant governmental authorities, or within the time reasonably necessary to enable the City to meet its obligations under Environmental Laws (subject to the condition that, in the case of both Sections 14.6.1(a) above and this 14.6.1(b), the City must first provide reasonable advance written notice to Tenant of Tenant's failure to comply with such obligations and a reasonable opportunity for Tenant to cure such failure to comply by Tenant initiating or recommencing any such actions consistent with required schedules (including exercising its legal right to reasonably and in good faith challenge such alleged obligation to comply), but in any event not to exceed forty-five (45) days, except in emergency circumstances in which such advance notice is not possible), then the City or its authorized contractor, in addition to its rights and remedies described elsewhere in this Agreement and otherwise available at law, in equity, or otherwise, may, at its election, upon reasonable notice, enter the affected area, and take whatever action the City reasonably deems necessary to meet Tenant's obligations under Environmental Laws, within the time required under such Environmental Laws, consistent with the requirements of Section 14.4. In addition to notice and opportunity to cure as set forth in this Section 14.6.1(b), the City shall provide Tenant with its plan to perform such work for Tenant's review and comment at least seven (7) business days before the commencement of such work, which comments shall be reasonably considered by the City, except in emergency circumstances where such advance notice is not possible. Such action taken by the City consistent with the requirements of this Agreement shall be at Tenant's expense plus administrative expenses of the greater of Five Hundred Dollars ($500.00) or 25% of all costs incurred by the City, including but not limited to reasonable attorneys' and consultants' fees and expenses, monetary fines and penalties, litigation costs or costs incurred in anticipation of litigation, expert witness fees, and expenses of investigation, removal, remediation, or other required plan, report, or Response action performed in accordance with applicable Environmental Laws.

14.6.2 Except as set forth in Section 14.6.3, below, if the City cannot identify with commercially reasonable effort any of the parties causing, unlawfully allowing, contributing to or responsible for a Release, Discharge, or Disposal at or from the Airport requiring the completion of appropriate Response actions as provided in Section 14.4.1, then City shall provide reasonable advance written notice to Tenant of its intention to take actions, to the extent of Tenant's obligations for such actions as provided in Section 14.4.1, to report, repair, contain, investigate, remove, correct or remediate such Release, Discharge, or Disposal consistent with the requirements of Section 14.4. Tenant shall thereafter be afforded a reasonable opportunity (not to exceed forty-five (45) days) to commence such actions or provide the City with information on the identity of the party or parties causing, contributing to, or responsible for such Release, Discharge, or Disposal, which information shall be considered in good faith by the City

and, as appropriate, shall provide a basis for the City's pursuit of any responsible parties consistent with the provisions of Section 14.6.1. In addition to the above written notice, the City shall provide Tenant with its plan to perform such actions for Tenant's review and comment at least seven (7) business days before the commencement of any work (except in emergency circumstances in which such advance notice is not possible), which comments shall be reasonably considered by the City, after which the costs of such actions, if implemented by the City, shall be allocated by the City to Airline-Supported Cost Centers.

14.6.3 In the event a Release or Discharge, or Disposal in violation of Environmental Law which occurred prior to the Effective Date is encountered on any portion of Tenant's Premises that Tenant also leased as the equivalent of Exclusive or Preferential Use Premises under any prior use or lease of the Premises, if any, Tenant shall be deemed to be responsible for all costs incurred in connection with such contamination, including investigation, removal, remediation, or other required plan, report, or Response action, unless Tenant provides clear evidence demonstrating that another party is fully responsible.

14.6.4 Nothing in this Section 14.6 is intended or shall be construed so as to prevent the City or Tenant from exercising, in their reasonable discretion, any rights granted or available elsewhere in this Article, in this Agreement, or by law.

14.7 Environmental Indemnification and Reimbursement

14.7.1 Notwithstanding any other provision to the contrary, Tenant agrees to indemnify, defend, and hold harmless the City, its past and present elected and appointed officials, officers, agents and employees ("Environmental Indemnitees"), from and against any and all Environmental Claims resulting from:

(a) the breach by Tenant of any representation or warranty made in this Article; or

(b) the failure of Tenant to meet its obligations under this Article, whether caused or unlawfully allowed by Tenant or any third party under Tenant's direction or control; or

(c) documented loss by any Environmental Indemnitee(s) from any Environmental Claim, to the extent caused, unlawfully allowed or contributed to by the unauthorized Release, Discharge, or Disposal of a Hazardous Substance or Other Regulated Material by Tenant or by its Associated Parties or the failure of Tenant or any Associated Party to comply with applicable Environmental Laws in connection with the operations of Tenant or its Associated Parties at the Premises or at other property at the Airport used by Tenant pursuant to this Agreement, during the term of this Agreement;

14.7.2 Notwithstanding the provisions of this Section 14.7, in the event that the City and Tenant mutually agree or a court of competent jurisdiction determines by a final order that an Environmental Indemnitee's negligence or willful and wanton misconduct is at least fifty-one (51%) of the total fault which proximately caused the Environmental Claims, Tenant's obligation to indemnify the Environmental Indemnitee for amounts to be paid in connection with the Environmental Claims shall be limited to the amount attributable to Tenant's

and its Associated Parties' proportionate share of the total fault which proximately caused the Environmental Claims. The City and Tenant agree, however, that this Section 14.7.2 is not intended to obviate or lessen in any way Tenant's duty to defend the Environmental Indemnitees; provided, however, that to the extent the City and Tenant mutually agree or a court of competent jurisdiction rules that the Environmental Claims were the result of the sole negligent act or omission or the willful and wanton misconduct of an Environmental Indemnitee, the City shall reimburse Tenant for its proportionate share of the costs of defense, including, but not limited to, attorneys' fees and court costs. For the avoidance of doubt, the City shall reimburse Tenant for all defense costs Tenant incurred with respect to defending the City Indemnified Parties against Claims to the extent that the City and Tenant mutually agree or a court of competent jurisdiction rules that such Claims were the result of the sole negligent act or omission of a City Indemnified Party.

14.7.3 The City shall provide Tenant with prompt notice of any Environmental Claims to allow Tenant the opportunity to properly and effectively respond to or otherwise defend such Environmental Claims. Tenant shall, at its own cost and expense, defend all Environmental Claims whether frivolous or not. In the event the City undertakes any action, including but not limited to investigations, removals, remediation, or corrective actions with respect to any Environmental Claims in response to the failure of Tenant to defend such Environmental Claims as Tenant deems appropriate in its reasonable judgment, Tenant shall reimburse the City, upon written demand by the City, for all reasonable and documented costs that the City incurs in association with such action, including but not limited to consultants' fees, contractors' fees, reasonable attorneys' fees and expenses of investigation, removal, Response, remediation, or corrective action.

14.7.4 Except to the extent set forth in Section 14.7.2, above, Tenant waives the right of contribution and subrogation against the Environmental Indemnitees in connection with Environmental Claims set forth in Sections 14.7.1 and 14.7.3, above.

14.7.5 Regardless of the date of termination of this Agreement, the indemnifying party's representations, obligations and liabilities under this Article shall continue as long as the indemnified party bears any liability or responsibility under this Article or the Environmental Laws.

14.7.6 Any claims for environmental matters shall be subject to this Section 14.7 and shall not be subject to the General Indemnity provision of Section 13.1 in this Agreement.

14.8 Limitations

Except pursuant to Sections 14.6.2 and 14.6.3, Tenant's obligations under this Article shall not apply to: (a) any Release, Discharge or Disposal, or Hazardous Substances or Other Regulated Materials that existed at the Airport prior to Tenant's or its corporate predecessor(s)'s initial occupancy or operations at such area(s) of Release, Discharge or Disposal, or Hazardous Substances or Other Regulated Materials at the Airport, provided that neither Tenant or its corporate predecessor(s) nor any other party under Tenant's or its corporate predecessor(s)'s direction or control, or conducting operations or activities on its or their behalf caused,

unlawfully allowed or contributed to such Release, Discharge or Disposal, or Hazardous Substances or Other Regulated Materials, or caused, unlawfully allowed or contributed to a subsequent Release, Discharge or Disposal of such pre-existing Hazardous Substances or Other Regulated Materials; or (b) Releases, Discharges, or Disposal that migrate onto, into, or from the Premises or the Airport and that were not caused, unlawfully allowed or contributed to by Tenant or its corporate predecessor(s) or third parties under Tenant's or its corporate predecessor(s)'s direction or control or conducting operations or activities on its or their behalf; or (c) Releases, Discharges, or Disposal on, at, or from the Airport not caused, unlawfully allowed or contributed to by Tenant or its corporate predecessor(s) or by its or their Associated Parties, or any other party under Tenant's or its corporate predecessor(s)'s direction or control.

14.9 Baseline Environmental Site Inspection

Prior to Tenant's initial occupancy of, use of, or operations at the Premises, the City shall have the opportunity to perform, at its own expense, an Initial Walk-Through of the Premises regarding the environmental condition of the Premises and their state of compliance with Environmental Laws and produce an Initial Walk-Through report. The City shall provide Tenant with an opportunity to participate in the walk-through and review and comment upon the conclusions and findings of the Initial Walk-Through report. In the event pre-existing environmental conditions are encountered, the provisions of Section 14.4 shall apply, except that the provision in Section 14.4.1 limiting Tenant's obligations to incidents during the term of this Agreement shall not apply.

14.10 Concluding Environmental Site Inspection

At least sixty (60) days prior to vacating or surrendering the Premises or any portion of them for any reason, Tenant shall provide the City with access to perform a Concluding Walk-Through in order to determine the environmental condition of the Premises or that part of the Premises being vacated, and their state of compliance with the requirements of Section 14.1.11. City shall provide Tenant with an opportunity to participate in the walk-through. If the Concluding Walk-Through reveals that Tenant has not removed all trash, containers, tanks, structures, debris, residue, and other items, materials and Waste for which Tenant or anyone operating on its behalf is responsible as required by Section 14.1.11, or has otherwise failed to comply with the requirements of Section 14.1.11, the City will share its Concluding Walk-Through report and any relevant photographs with Tenant. Tenant will remove or correct any items to the extent not in compliance with the requirements of Section 14.1.11 within five (5) business days of receipt of said report and photographs or such longer period of time as reasonably requested by Tenant to perform the corrective actions. Tenant shall leave facilities and equipment being surrendered or vacated by Tenant in a state of good repair. However, tanks, structures and other items and materials owned by Tenant may revert to the City upon agreement of Tenant with the City accepting such tanks, structures and other items and materials in an "as is, where is" condition.

14.11 Tenant's Hazardous Substance-Related Equipment and Fixtures

Any fixed tanks, pumps, chemical or Hazardous Substance or Other Regulated Material containers, pipelines, lines, and equipment or other such fixtures installed by or on behalf of

Tenant shall at all times remain the property of Tenant, and ownership of or responsibility for such equipment shall not pass to the City by virtue of such equipment being installed at the Premises, except pursuant to the agreement of the City and Tenant. No such equipment shall be installed without the written consent of the City.

14.12 Waiver

Any waiver of any provision of this Article, or any delay by the City in the enforcement of any right hereunder, shall neither be construed as a waiver, nor create an expectation of non-enforcement of that or any other provision or right. In order to be effective, any waiver of any right, benefit, or power hereunder must be in writing and signed by an authorized representative of the City, it being intended that no waiver shall be implied by the City's conduct or failure to act. Any specific written waiver shall be applicable only to the particular facts and circumstances thereby addressed and shall not be of any effect with respect to future events, even if any of said future events involve substantially similar circumstances. Any remedies provided for in this Article shall be cumulative and in addition to, and not in lieu of, any other remedies available to the City elsewhere in this Agreement, at law, in equity, or otherwise.

14.13 Notice for Environmental Matters

With respect to those provisions of this Article 14 which expressly require the City to provide written notice to Tenant, electronic mail to the designated Tenant representative will satisfy such requirement. Tenant's representative for receiving environmental notices is designated in the general Notices provisions in Section 18.3.

14.14 Survival of Environmental Provisions

Unless specifically stated elsewhere herein, the provisions of this Article, including the representations, warranties, covenants and indemnities of Tenant, are intended to and shall survive termination of this Agreement.

Article 15

DAMAGE, DESTRUCTION AND CONDEMNATION

15.1 Damage to, Destruction or Condemnation of Airport

If the Airport or any portion thereof shall be damaged or destroyed or is taken as a result of an eminent domain proceeding, all insurance proceeds or proceeds resulting from eminent domain proceedings, as the case may be, shall be applied as provided below:

15.1.1 the City may, at its option, replace, repair, rebuild or restore such portion of the Airport to substantially the same condition as that which existed prior to such damage, destruction or taking, with any alterations and additions as the City may determine; or

15.1.2 the City may, at its option, apply such proceeds to redeem any outstanding GARBs; provided, however, that GARBs may be redeemed only if such damage,

destruction or condemnation is of property the acquisition of which was funded with the proceeds of GARBs, and if: (i) the Airport has been restored to substantially the same condition as it had been prior to such damage, destruction or taking; or (ii) the City has determined, in its reasonable discretion, that the portion of the Airport damaged, destroyed or taken is not necessary to the operation of the Airport.

The City shall use reasonable efforts to notify Tenant of the City's determination whether to proceed pursuant to Section 15.1.1 or Section 15.1.2 within six (6) months of the date of such damage, destruction or taking. Notwithstanding anything in this Section 15.1 to the contrary, proceeds resulting from such damage, destruction or taking will be applied consistent with the Bond Indenture.

15.2 Untenantable Conditions

15.2.1 If the Premises occupied by Tenant hereunder, or any substantial portion thereof, are damaged, destroyed or taken as result of an eminent domain proceeding and thereby rendered untenantable, then, after consultation with Tenant, the City shall replace, repair, rebuild or restore such Premises to substantially the same condition as that which existed prior to such damage, destruction or taking, with any alterations and additions as the City and Tenant determine, in all cases subject to the City's right to operate the Airport.

15.2.2 In addition, if the Premises occupied by Tenant hereunder, or any substantial portion thereof, are damaged, destroyed or taken as result of an eminent domain proceeding and thereby rendered untenantable, then, unless the City provides Tenant with alternative Premises reasonably satisfactory to Tenant, (a) Tenant shall not be obligated to pay Fixed Terminal Charges for such untenantable portion during such time as it remains untenantable, and (b) if such untenantable portion remains untenantable for more than one (1) year, Tenant shall be entitled, upon forty-five (45) days' prior written notice to the City, to delete such untenantable portion from its Premises Notice; provided that there shall be no abatement or reduction of Fixed Terminal Charges or deletion from its Premises Notice at any time where the untenantable condition is caused by the willful or negligent act or omission of Tenant or its Associated Parties.

Article 16

COMPLIANCE WITH LAWS AND RULES

16.1 Airport Rules

Tenant shall comply, and, to the maximum extent Tenant has the legal power to do so, shall cause its agents, employees, guests, invitees and Contractors to comply, with all Airport Rules.

16.2 Observance and Compliance with Laws

16.2.1 Tenant shall comply, and to the maximum extent Tenant has legal power to do so, shall cause its agents, employees, Contractors and licensees to, observe and

comply with, and pay all taxes and obtain all licenses, permits, certificates and other authorizations required by, all applicable federal, state, county and municipal laws, statutes, ordinances and executive orders, including all rules, regulations and directives of the Federal Aviation Administration. Tenant agrees to make a part of and incorporate into this Agreement, by reference or by setting forth at length, at the option of the City, any and all statutes, rules and regulations and any assurances and covenants required pursuant thereto which may now or hereafter be required by the Federal Aviation Administration or other federal, state, county or municipal agency. To the extent applicable, Tenant shall comply with the provisions of Exhibit C, "Compliance with Laws," which may be amended by the Commissioner.

16.2.2 The City shall operate and maintain the Airport in a reasonably prudent manner and in accordance with Applicable Laws.

16.2.3 Tenant shall operate and maintain the Premises in a reasonably prudent manner and in accordance with Applicable Laws; provided, however, that this provision shall not be construed as a waiver by Tenant to challenge a local law, rule, regulation or ordinance that is pre-empted by State or Federal law.

16.2.4 Notwithstanding anything herein to the contrary, references herein to a statute or law shall be deemed to be a reference to (i) such statute or law as may be amended from time to time, (ii) all regulations, rules, executive orders, policies and instructions pertaining to or promulgated pursuant to such statute or law, and (iii) all future statutes, laws, regulations, rules, executive orders, policies and instructions pertaining to the same or similar subject matter.

16.3 Subordination to Sponsor's Assurance Agreement

This Agreement shall be subordinate and subject to the terms of any "Sponsor's Grant Assurances" or like agreement that has been or may be furnished by the City to the United States of America, its boards, commissions, or agencies, including without limitation the FAA, or that is required by Applicable Laws, as a condition precedent to receiving federal financial assistance for development of the Airport and other Airport programs and activities.

16.4 Agreements with the United States

This Agreement is subject and subordinate to the provisions of any agreement heretofore or hereafter made between the City and the United States, the terms and execution of which have been or may be required to enable or permit the transfer of rights or property to the City for airport purposes, or the expenditure of federal grant funds for Airport improvement, maintenance or development. Tenant shall reasonably abide by the requirements of agreements entered into between the City and the United States, as applicable to Tenant, and shall consent to amendments and modifications of this Agreement if required by such agreements or if required as a condition of the City's entry into such agreements.

16.5 Security and Payment of Fines for Violation of Federal Regulations

16.5.1 Tenant acknowledges that security is of primary importance at the Airport and that security requirements are likely to change during the Term. Tenant, its officers, employees, representatives, agents, servants, subtenants, consultants, contractors, successors,

assigns and suppliers and those under its control, shall comply with security measures (a) required of Tenant by the FAA or the TSA or by the City in accordance with applicable requirements of the FAA or the TSA or their authorized successor(s) or (b) contained in any Airport master security plan approved by the FAA or the TSA or their authorized successor(s). Tenant shall comply, at its own expense, with the TSA's security requirements applicable to Tenant at the Airport including, but not limited to, employee security training, badging, criminal background checks, access control, screening and inspections. Tenant shall cooperate with the TSA on all security matters.

16.5.2 Compliance with such security measures and requirements shall not relieve Tenant of its responsibility for maintaining proper security for the above-noted items, nor shall it be construed as limiting in any manner Tenant's obligations with respect to all applicable federal laws and regulations and its duty to undertake reasonable action to establish and maintain secure conditions at and around the Premises. To comply with TSA requirements, Tenant hereby agrees to execute a reasonable exclusive area agreement pursuant to 49 C.F.R. 1542.111 with the City in form and substance which is reasonably acceptable to the parties. Tenant accepts security responsibility to use best efforts to prevent unauthorized access to the Premises. Tenant shall be responsible for preventing unauthorized persons from gaining access to the restricted areas of the Airport through the Premises during times and to the extent that Tenant has control of the Premises.

16.5.3 Tenant understands and agrees that security requirements may affect Tenant's operations and costs. Tenant shall be strictly liable for the payment of any fines assessed by the City or the payment of (or reimbursement of City for any payments of) any civil penalties assessed against City or Tenant relating to security and resulting from the negligence or intentional acts of omission or commission of Tenant's officers, employees, representatives, agents, servants, subtenants, consultants, contractors, successors, assigns and suppliers and those under its control, and Tenant shall be solely and fully responsible for any and all breaches of security and the consequences thereof resulting from the negligence or intentional acts of omission or commission of its officers, employees, representatives, agents, servants, subtenants, consultants, contractors, successors, assigns and suppliers and those under its control.

16.5.4 The City may impose and Tenant agrees to pay a reasonable non-discriminatory cost-based user fee, if any, for the privilege of using identification cards or badges to gain access to the Airport security access control system.

16.6 **No Exclusive Rights**

Nothing contained in this Agreement shall be deemed to grant to Tenant any exclusive right or privilege within the meaning of 49 U.S.C. § 40103(e) with respect to activity at the Airport, except that, subject to the terms and provisions of this Agreement, Tenant shall have the right to exclusive possession of any Exclusive Use Premises made available to Tenant under this Agreement.

16.7 **Anti-Scofflaw**

Tenant hereby represents and warrants and shall cause each of its Contractors to represent and warrant, that Tenant or such Contractors, as the case may be, is not in violation of Section 2-92-380 of the Municipal Code, and further agrees that, in the event of any such violation, the City shall be entitled to set off from those amounts invoiced by Tenant an amount equal to the amount of any fines or penalties owed to the City, subject to those exceptions stated in the Municipal Code.

16.8 **Ethics**

Tenant hereby represents and warrants and shall cause each of its Contractors to represent and warrant that Tenant or such Contractors, as the case may be, is not in violation of Chapter 2-156 of the Municipal Code.

16.9 **Inspector General**

Tenant understands and will abide by the provisions of Chapter 2-56 of the Municipal Code. Tenant acknowledges and agrees that it shall be the duty of Tenant and its sub-licensees, Contractors and all their officers, directors, agents, partners and employees to cooperate with the Inspector General of the City in any investigation or hearing undertaken pursuant to Chapter 2-56 of the Municipal Code. All contracts and other agreements must inform the parties of this provision and require understanding and compliance with it.

16.10 **Business Relationships With Elected Officials, Municipal Code Section 2-156-030(b)**

Tenant understands and will abide by the provisions of Section 2-156-030 of the Municipal Code, as applicable. Pursuant to Municipal Code Section 2-156-030(b), it is illegal for any elected official of the city, or any person acting at the direction of such official, to contact, either orally or in writing, any other city official or employee with respect to any matter involving any person with whom the elected official has a business relationship that creates a financial interest on the part of the official, or the domestic partner or spouse of the official, or from whom or which he has derived any income or compensation during the preceding twelve months or from whom or which he reasonably expects to derive any income or compensation in the following twelve months or to participate in any discussion in any city council committee hearing or in any city council meeting or to vote on any matter involving the person with whom an elected official has a business relationship that creates a financial interest on the part of the official, or the domestic partner or spouse of the official or from whom or which he has derived any income or compensation during the preceding twelve months or from whom or which he reasonably expects to derive any income or compensation in the following twelve months. Violation of Municipal Code Section 2-156-030(b) by any elected official with respect to this Agreement at the request or direction of Tenant will be grounds for termination of this Agreement. The term "financial interest" is defined as set forth in Municipal Code Section 2-156-080.

Municipal Code Section 2-156-010(l) defines a "financial interest" as an interest held by an official or employee that is valued or capable of valuation in monetary terms with a current value of more than $1,000.00, provided that such interest shall not include: (1) the authorized

compensation paid to an official or employee for any office or employment; or (2) a time or demand deposit in a financial institution; or (3) an endowment or insurance policy or annuity contract purchased from an insurance company; or (4) any ownership through purchase at fair market value or inheritance of the shares of a mutual fund corporation, regardless of the value of or dividends on such shares, if such shares are registered on a securities exchange pursuant to the Securities Exchange Act of 1934, as amended; or (5) any ownership through purchase at fair market value or inheritance of not more than one-half of one percent of the outstanding common stock of the shares of a corporation, or any corporate subsidiary, parent or affiliate thereof, regardless of the dividends on such shares, if such shares are registered on a securities exchange pursuant to the Securities Exchange Act of 1934, as amended.

16.11 **City of Chicago Hiring Plan (Shakman Accord)**

The City is subject to the May 31, 2007 Order entitled "Agreed Settlement Order and Accord" and the June 16, 2014 "City of Chicago Hiring Plan" (the "2014 City Hiring Plan") entered in *Shakman v. Democratic Organization of Cook County*, Case No 69 C 2145 (United States District Court for the Northern District of Illinois). Among other things, the Agreed Settlement Order and Accord and the 2014 City Hiring Plan prohibit the City from hiring persons as governmental employees in non-exempt positions on the basis of political reasons or factors.

Tenant is aware that City policy prohibits City employees from directing any individual to apply for a position with Tenant, either as an employee or as a contractor, and from directing Tenant to hire an individual as an employee or as a contractor. Accordingly, Tenant must follow its own hiring and contracting procedures, without being influenced by City employees.

16.12 **No Waste Disposal in Public Way, Municipal Code Section 11-4-1600(E)**

Tenant warrants and represents that it has not violated and is not in violation of the following sections of the Municipal Code (collectively, the "Waste Sections"):

- 7-28-390 Dumping on public way;
- 7-28-440 Dumping on real estate without permit;
- 11-4-1410 Disposal in waters prohibited;
- 11-4-1420 Ballast tank, bilge tank or other discharge;
- 11-4-1450 Gas manufacturing residue;
- 11-4-1500 Treatment and disposal of solid or liquid;
- 11-4-1530 Compliance with rules and regulations required;
- 11-4-1550 Operational requirements; and
- 11-4-1560 Screening requirements.

During the period while this Agreement is executory, Tenant's violation of the Waste Sections, whether or not relating to this Agreement, constitutes a breach of this Agreement. Such breach and default entitles the City to all remedies under the Agreement, at law or in equity.

This Section 16.12 does not limit Tenant's duty to comply with Applicable Law.

16.13 **Visual Artists Rights Act Waiver**

Tenant shall not install any object in the Tenant's Premises or elsewhere in the Airport that constitutes a work of visual art as defined in 17 U.S.C. § 101 (the "Artwork") unless and until Tenant has both (a) obtained prior written approval of the Commissioner to install the Artwork and (b) provided the City with a written waiver from the author of the Artwork, in form and substance reasonably satisfactory to City, waiving any and all rights in the Artwork that may be granted or conferred under 17 U.S.C. § 106A and 17 U.S.C. § 113(d). Tenant covenants that it will obtain a written waiver of all rights under 17 U.S.C. § 106A and 17 U.S.C. § 113(d) as necessary from any employees, contractors, subcontractors, subtenants or artists.

Article 17

DEFAULT, TERMINATION AND CHANGE OF LEASE TERM

17.1 **Termination by the City**

The City may terminate this Agreement upon any of the following to occur:

17.1.1 Tenant shall become insolvent (as such term is defined under Section 101 of the Federal Bankruptcy Code); or shall fail to pay its debts generally as they mature; or shall take the benefit of any present or future federal or state insolvency statute; or shall make a general assignment for the benefit of creditors.

17.1.2 Tenant shall file a voluntary petition in bankruptcy or a petition or answer seeking an arrangement of its indebtedness under the Federal Bankruptcy Code or under any other law or statute of the United States or of any state thereof; or consent to the appointment of a receiver, trustee, custodian, liquidator or other similar official, of all or substantially all of its property; or an order for relief shall be entered by or against Tenant under any chapter of the Federal Bankruptcy Code.

17.1.3 By order or decree of a court, Tenant shall be adjudged bankrupt or an order shall be made approving a petition filed by any of its creditors or by any of its stockholders, seeking its reorganization or the restructuring of its indebtedness under the Federal Bankruptcy Code or under any other law or statute of the United States or any state thereof and such order or decree shall not be stayed or vacated within five (5) days of its issuance.

17.1.4 A petition under any chapter of the Federal Bankruptcy Code or an action under any federal or state insolvency law or statute shall be filed against Tenant and shall not be dismissed or stayed within five (5) days after the filing thereof.

17.1.5 By or pursuant to, or under authority of any legislative act, resolution or rule, or any order or decree of any court or governmental board, agency or officer, a receiver, trustee, custodian, liquidator or other similar official shall take possession or control of all or substantially all of the property of Tenant and such possession or control shall continue in effect for a period of five (5) days.

17.1.6 Tenant shall become a corporation in dissolution.

17.1.7 The letting, license or other interest of or rights of Tenant hereunder shall be transferred to, pass to or devolve upon, by operation of law or otherwise, any other person, firm, corporation or other entity, by, in connection with or as a result of any bankruptcy, insolvency, trusteeship, liquidation or other proceedings or occurrence described in Sections 17.1.1 through 17.1.5.

17.1.8 Tenant shall fail to duly and punctually pay any Fixed Terminal Charges required to be paid hereunder or shall fail to make payment of any other sum required to be paid to the City pursuant to this Agreement on or prior to the date such payment is due and shall continue to remain unpaid five (5) days after such payment becomes due or, with respect to any amount for which no payment date is provided herein, then five (5) days after written notice of the amount of such payment has been given to Tenant or an invoice for such payment has been submitted to Tenant.

17.1.9 Tenant shall fail to keep, perform and observe any promise, covenant or other provision of this Agreement.

17.1.10 Tenant shall fail to maintain its corporate existence or to remain duly qualified to do business in the State of Illinois or Tenant shall dissolve or otherwise dispose of all or substantially all of its assets or shall consolidate with or merge into another corporation.

17.1.11 To the extent applicable, Tenant shall fail to meet any of Tenant's security deposit requirements set forth in Sections 9.2 and 9.3.

17.1.12 Tenant shall fail to meet any of Tenant's waste disposal requirements set forth in Section 16.12

17.1.13 Tenant shall fail to maintain insurance as required by Section 13.2 of this Agreement.

17.2 **In the Event of Termination**

17.2.1 Whenever the City terminates this Agreement pursuant to Section 17.1, Tenant must immediately vacate its Premises and in no event shall any of Tenant's obligations be discharged hereunder, including but not limited to Tenant's payment of Fixed Terminal Charges.

17.2.2 In addition, the City may, from time to time, take whatever action at law or in equity appears necessary or desirable to collect Fixed Terminal Charges and any other amounts payable by Tenant hereunder then due and thereafter to become due, and to enforce the performance and observance of any obligation, agreement or covenant of Tenant under this Agreement. For the avoidance of doubt, the City may seek an order for specific performance by Tenant of any obligation pursuant to this Agreement, perform said obligations itself or take other actions to mitigate losses that may result from Tenant's failure to perform and, if the City takes such actions, City may charge Tenant for the City's costs plus a 15% administrative fee.

17.2.3 All rights and remedies given to the City in this Agreement and all rights and remedies given to the City by law, shall be cumulative and concurrent. No termination of this Agreement or the taking or recovering of the Premises shall deprive the City of any of the City's remedies or actions against Tenant for Fixed Terminal Charges or for damages or for the breach of any covenant herein contained, nor shall the bringing of any action for Fixed Terminal Charges or breach of covenant, or the resort to any other remedy herein provided for the recovery of Fixed Terminal Charges be construed as a waiver of the right to obtain possession of the Premises.

17.2.4 In no event shall this Agreement or any rights or privileges hereunder be an asset of Tenant under any bankruptcy, insolvency or reorganization proceedings.

17.2.5 To the extent consistent with and permitted under the United States Bankruptcy Code or similar debtor relief laws, if Tenant seeks protection under the United States Bankruptcy Code or similar debtor relief laws, or is currently operating under the protection of the United States Bankruptcy Code or other similar debtor relief laws, Tenant will comply with every provision of this Agreement as and when required under this Agreement, including without limitation performing any required remediation relating to any environmental matter pursuant to Tenant's obligations under Article 14 which arose prior to or arises during the course of Tenant's bankruptcy case.

17.3 Agreement to Pay Attorneys' Fees and Expenses

In the event Tenant defaults under this Agreement and the City employs attorneys or incurs other expenses for the collection of Fixed Terminal Charges or any other amounts due hereunder, or for the enforcement or performance or observance of any obligation or agreement on the part of Tenant herein contained, Tenant shall, on demand, pay to the City the reasonable fees and expenses of such attorneys and any such other reasonable expenses incurred by the City as a result of such default.

17.4 Force Majeure

17.4.1 If either party shall be delayed or hindered in or prevented from the performance of any act required under this Agreement by reason of strikes, lockouts, labor disputes (all of which shall be subject to Section 18.14), inability to procure labor or materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, terrorism, war, fire or other casualty, or other reason of a similar nature beyond the reasonable control of the party delayed in performing work or doing acts required under this Agreement, performance of such act shall be excused for the period of the actual delay attributable to such causes, and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay (any such delay, an "Unavoidable Delay"). This Section 17.4.1 shall not be applicable to Tenant's obligations to procure insurance or to pay Fixed Terminal Charges, or any other sums, moneys, costs, charges or expenses required to be paid by Tenant. If any provision of this Agreement negates or limits the period of any force majeure or Unavoidable Delay extension, such provision shall override this Section 17.4.1 and Tenant shall give the City notice of any Unavoidable Delay within a reasonable time (not to exceed one (1) year) following the occurrence of the delaying event.

17.4.2 The City shall be under no obligation to supply any service if and to the extent and during any period that the supplying of any such service or the use of any component necessary therefor shall be prohibited or rationed by any Applicable Laws.

Article 18

GENERAL PROVISIONS

18.1 No Partnership or Agency

Nothing herein contained is intended or shall be construed to in any respect create or establish any relationship other than that of licensor and licensee or lessor and lessee, and nothing herein shall be construed to establish any partnership, joint venture or association or to make Tenant the general representative or agent of the City for any purpose whatsoever.

18.2 No Personal Liability

No member, director, officer, elected official or employee of either party to this Agreement shall be charged personally or held contractually liable by or to the other party under any term or provision of this Agreement, or because of any breach thereof or because of its or their execution or attempted execution thereof.

18.3 Notices

Except as otherwise expressly provided hereunder, all notices and other communications provided for under this Agreement shall be in writing and shall be: (a) mailed; (b) personally delivered, including via overnight courier; or (c) to the extent expressly permitted elsewhere in this Agreement for a specific notice or as mutually agreed by parties, sent by electronic mail with electronic receipt, to the City and Tenant at the following addresses:

If to the City, to:

Commissioner
Chicago Department of Aviation
Chicago O'Hare International Airport
10510 West Zemke Road
Chicago, IL 60666
[CDACommissioner@cityofchicago.org

With a copy to:

General Counsel
Chicago Department of Aviation
Chicago O'Hare International Airport
10510 West Zemke Road
Chicago, IL 60666
CDAGeneralCounsel@cityofchicago.org

If to Tenant for all notices, except pursuant to Sections 4.3 (City's Right of Entry), 11.3 (Performance by City upon Failure of Tenant), 14.13 (Notice for Environmental Matters) or 18.7 (Service of Process) of this Agreement, to:

_____
_____
_____
_____
_____

If to Tenant for notices on environmental matters pursuant to Section 14.13, to:

_____
[cc: Tenant general contact]_____
[Non-individual Electronic Mail Address]

If to Tenant pursuant to Section 4.3 (City's Right of Entry) or Section 11.3 (Performance by City upon Failure of Tenant) of this Agreement, to:

_____
_____
[cc: Tenant general contact] _____
[Non-individual Electronic Mail Address]

Or, with respect to any notice given pursuant to this Section 18.3, to such other person or address as either the City or Tenant may hereafter designate by written notice to the other in accordance with this Notices section. Except as otherwise expressly provided hereunder, any notice or communication under this Agreement shall be deemed to have been given or made: (a) if a messenger or courier service is used, when delivered to the addressee; (b) if sent by mail (certified or by other method with tracking and confirmation receipt), upon receipt, or upon attempted delivery where delivery is refused or mail is unclaimed five (5) days after being deposited in the mails, postage prepaid and properly addressed; and (c) if sent by electronic mail, upon receipt by either party of a written reply or electronic receipt). Tenant agrees to provide City with any changes to its notice information, including electronic mail addresses, within five (5) business days of such change.

With respect to Section 18.7 (Service of Process) of this Agreement, Tenant hereby designates as its agent in Chicago, Illinois;

_____
_____
_____
_____
_____

18.4 **Entire Agreement**

This Agreement, including the attached Exhibits and endorsements, constitutes the entire agreement of the parties on the subject matter hereof. The parties intend that this Agreement shall be the final expression of their agreement with respect to its subject matter, and may not be contradicted by evidence of any prior or contemporaneous written or oral agreements or understandings. The parties further intend that this Agreement shall constitute the complete and exclusive statement of its terms, and that no extrinsic evidence whatsoever (including prior drafts of the Agreement) may be introduced in any judicial, administrative or other legal proceeding involving this Agreement.

18.5 **Amendment**

Except as otherwise expressly provided herein, the provisions of this Agreement may be amended only by a written agreement signed by the City and Tenant.

18.6 **Applicable Law**

This Agreement shall be deemed to have been made in, and shall be construed in accordance with, the laws of the State of Illinois.

18.7 **Authorization to Operate; Consent to Service of Process and Jurisdiction**

18.7.1 Tenant represents that it is a corporation organized and existing under the laws of the state shown on the signature page hereof. Tenant warrants that it is, and throughout the term of this Agreement it will continue to be, duly qualified to do business in the State of Illinois.

18.7.2 All judicial proceedings brought by the City against Tenant with respect to this Agreement may be brought in any court of competent jurisdiction having situs within the boundaries of the federal court district of the Northern District of Illinois including any of the courts within Cook County, and by execution and delivery of this Agreement, Tenant accepts, for itself and in connection with its properties, generally and unconditionally, the nonexclusive jurisdiction of the aforesaid courts, and irrevocably agrees to be bound by any final judgment rendered thereby from which no appeal has been taken or is available. Tenant hereby designates and appoints the representative designated in Section 18.3 as its agent in Chicago, Illinois to receive on its behalf service of all process in any such proceedings in any such court (which representative shall be available to receive such service during regular business hours), such service being hereby acknowledged by such representative to be effective and binding service in every respect. Said agent may be changed only upon the giving of written notice by Tenant to the City of the name and address of a new Agent for Service of Process that works within the geographical boundaries of the State of Illinois and is employed by or contracted with Tenant. Tenant irrevocably waives any objection (including any objection of the laying of venue or based on the grounds of forum non conveniens) which it may now or hereafter have to the bringing of any action or proceeding with respect to this Agreement in the jurisdiction set forth above. Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of the City to bring proceedings against Tenant in the courts of any other jurisdiction.

18.8 Severability

If any provision of this Agreement shall be held or deemed to be or shall in fact be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all cases because it conflicts with any other provision or provisions hereof or of any constitution, statute, ordinance, rule of law or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstances, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatsoever. The invalidity of any one or more phrases, sentences, clauses or sections contained in this Agreement shall not affect the remaining portions of this Agreement or any part hereof.

18.9 Representatives

The City and Tenant shall each designate a representative who, except as otherwise provided hereunder, shall be authorized to act for the City and Tenant, respectively, with respect to any actions to be taken by either of them under the terms of this Agreement. Except as specifically set forth herein, for the purposes of actions to be taken by it or by the Commissioner, the City's representative shall be the Commissioner. Tenant's representative shall be designated in a written notice delivered to the City. Any party hereto may change its designated representative by notice to the other party.

18.10 Successors and Assigns

All of the covenants, stipulations and agreements herein contained shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto.

18.11 No Third Party Beneficiaries

Unless otherwise provided in this Agreement, this Agreement is for the sole benefit of the parties hereto and their permitted assigns and nothing herein expressed or implied shall give or be construed to give to any person or entity other than the parties hereto and their assigns any legal or equitable rights hereunder.

18.12 No Waiver

No failure by a party to insist upon the strict performance of any obligation of the other party under this Agreement or to exercise any right, power or remedy arising out of a breach thereof, irrespective of the length of time for which such failure continues, prior to the expiration of the Term, shall constitute a waiver of such breach or of the non-defaulting party's right to demand strict compliance with such term, covenant or condition or operate as a surrender of this Agreement.

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

18.13 **No Exclusive Right or Remedy**

All rights and remedies provided in this Agreement are cumulative and not exclusive of any other rights or remedies that may be available to the parties hereunder or at law or in equity.

18.14 **Labor Disputes**

Tenant agrees to use commercially reasonable efforts to avoid disruption to the City, its tenants, or members of the public arising from labor disputes involving Tenant, and in the event of a strike, picketing, demonstration or other labor difficulty involving Tenant, to use its good offices, including the utilization of available legal remedies Tenant deems appropriate, to minimize or eliminate any disruption to the City, its tenants or members of the public, arising from such strike, picketing, demonstration or other labor difficulty.

18.15 **Action or Exercise of Power by the City**

Any provision in this Agreement that requires action or an exercise of power by the City may be performed by the Commissioner or her or his designee, unless otherwise specified in this Agreement.

18.16 **Headings**

The headings of the several sections of this Agreement are inserted only as a matter of convenience and for reference, and in no way define, limit, or describe the scope or intent of any provisions of this Agreement, and shall not be construed to affect in any manner the terms and provisions, or the interpretation or construction, of this Agreement.

18.17 **Counterparts**

This Agreement may be executed in one or more counterparts.

IN WITNESS WHEREOF, the parties intending to be legally bound have executed this Short-Term Facilities Use Agreement this ____ day of _____ 20__.

CITY OF CHICAGO, an Illinois municipal corporation	[TENANT]
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

Effective Date:

_____

CHICAGO DEPARTMENT OF AVIATION

EXHIBIT A

Permitted Uses

Chicago O'Hare International Airport

[TENANT]

Effective:

[Description of Permitted Uses for Leased Premises]

CHICAGO DEPARTMENT OF AVIATION

EXHIBIT B

Premises Notice

Chicago O'Hare International Airport

[TENANT]

Effective:

Prepared:

TERMINAL	Sq. Footage
TERMINAL [ ]	

Post-Security Operations	
Pre-Security Operations	

GRAND TOTAL	

Included Exhibits:

1) Exhibit __

CHICAGO DEPARTMENT OF AVIATION

EXHIBIT B

Premises Notice

Chicago O'Hare International Airport

[TENANT]

Modifications Log

Mod #	Date	Sq. Footage Adjustment	Function of Space	Requested by	Notes

Signature

Date

EXHIBIT C

COMPLIANCE WITH LAWS

Section 1. General Provisions

(A) Tenant shall comply, and shall include in all of its agreements entered into in connection with or pursuant to the performance of any acts or obligations under this Agreement (regardless of whether they are reimbursed by the City) a requirement that its Contractors comply, with all applicable federal, state, and local laws, codes, regulations, ordinances, executive orders, rules, and orders.

(B) Tenant agrees that all of the applicable provisions set forth in this Exhibit will be incorporated in all of its agreements entered into in connection with or pursuant to the performance of any acts or obligations under this Agreement.

(C) Further, Tenant shall execute, and shall include in all of its agreements entered into in connection with or pursuant to the performance of any acts or obligations under this Agreement a requirement that its Contractors execute, such affidavits and certifications as shall be required by the City setting forth Tenant's and its Contractor's, as applicable, agreement to comply with all applicable federal, state, and local laws, codes, regulations, ordinances, executive orders, rules, and orders. Such certifications shall be attached and incorporated by reference in the applicable agreements.

(D) In the event that any Contractor is a partnership or joint venture, Tenant shall also include provisions in its agreement with Contractor insuring that the entities comprising such partnership or joint venture shall be jointly and severally liable for its obligations thereunder.

(E) The City may unilaterally revise this Exhibit from time to time.

Section 2. Federal Nondiscrimination Requirements

(A) Tenant acknowledges that the City has given to the United States of America, acting by and through the FAA, certain assurances with respect to nondiscrimination required by Title VI of the Civil Rights Act 1964 (42 U.S.C. § 2000d et seq., 78 Stat. 252), 49 CFR Part 21, 49 U.S.C. § 47123, 28 CFR § 50.3 and other acts and regulations relative to nondiscrimination in Federally-assisted programs of the U.S. Department of Transportation ("DOT") (collectively, and including all amendments thereto, the "Title VI Pertinent Nondiscrimination Acts and Authorities," and listed below) as a condition precedent to receiving Federal financial assistance from FAA for certain Airport programs and activities. The City is required under the Acts and Regulations to include in this Agreement, and Tenant agrees to be bound by, the following covenants and requirements:

i. Tenant, for itself, its assignees and successors in interest, covenants and agrees to comply with pertinent statutes, Executive Orders and such rules as are promulgated to ensure that no person shall, on the grounds of race, creed, color, national origin, sex, age, or

disability, be excluded from participating in any program or activity conducted with or benefitting from Federal financial assistance received by the City from the FAA. In the event of Tenant's breach of any of the above Nondiscrimination covenants, the City shall have the right to terminate this Agreement.

ii. Tenant, for itself, its personal representatives, successors in interest and assigns, as part of the consideration hereof, hereby covenants and agrees, as a covenant running with the land, that in the event facilities are constructed, maintained, or otherwise operated on the Premises for a purpose for which a DOT activity, facility, or program is extended or for another purpose involving the provision of similar services or benefits, Tenant shall maintain and operate such facilities and services in compliance with all requirements imposed by the Nondiscrimination Acts and Regulations listed in the Title VI Pertinent Nondiscrimination Acts and Authorities (as may be amended) such that no person on the ground of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination in the use of said facilities.

iii. In the event of Tenant's breach of any of the Nondiscrimination covenants described in subsection (ii), above, the City shall have the right to terminate this Agreement, and to enter, re-enter and repossess the Premises and the facilities thereon, and hold the same as if this Agreement had never been made or issued. This subparagraph (iii) shall not become effective until the procedures of 49 CFR Part 21 are followed and completed, including the expiration of appeal rights.

iv. Tenant shall include these subsections (i) through (iv), inclusive, in Tenant's licenses, permits and other instruments relating to the Premises, and shall require that its licensees, permittees and others similarly include these statements in their licenses, permits and other instruments relating to the Premises.

(B) Title VI List of Pertinent Nondiscrimination Acts and Authorities

During the performance of this contract, Tenant, for itself, its assignees, and successors in interest agrees to comply with the following nondiscrimination statutes and authorities; including but not limited to:

- Title VI of the Civil Rights Act of 1964 (42 U.S.C. § 2000d *et seq.*, 78 stat. 252), (prohibits discrimination on the basis of race, color, national origin);
- 49 CFR part 21 (Nondiscrimination In Federally-Assisted Programs of The Department of Transportation—Effectuation of Title VI of The Civil Rights Act of 1964);
- The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, (42 U.S.C. § 4601), (prohibits unfair treatment of persons displaced or whose property has been acquired because of Federal or Federal-aid programs and projects);
- Section 504 of the Rehabilitation Act of 1973, (29 U.S.C. § 794 *et seq.*), as amended, (prohibits discrimination on the basis of disability); and 49 CFR part 27;

- The Age Discrimination Act of 1975, as amended, (42 U.S.C. § 6101 *et seq.*), (prohibits discrimination on the basis of age);
- Airport and Airway Improvement Act of 1982, (49 USC § 471, Section 47123), as amended, (prohibits discrimination based on race, creed, color, national origin, or sex);
- The Civil Rights Restoration Act of 1987, (PL 100-209), (Broadened the scope, coverage and applicability of Title VI of the Civil Rights Act of 1964, The Age Discrimination Act of 1975 and Section 504 of the Rehabilitation Act of 1973, by expanding the definition of the terms "programs or activities" to include all of the programs or activities of the Federal-aid recipients, sub-recipients and contractors, whether such programs or activities are Federally funded or not);
- Titles II and III of the Americans with Disabilities Act of 1990, which prohibit discrimination on the basis of disability in the operation of public entities, public and private transportation systems, places of public accommodation, and certain testing entities (42 U.S.C. §§ 12131 – 12189) as implemented by Department of Transportation regulations at 49 CFR parts 37 and 38;
- The Federal Aviation Administration's Nondiscrimination statute (49 U.S.C. § 47123) (prohibits discrimination on the basis of race, color, national origin, and sex);
- Executive Order 12898, Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations, which ensures nondiscrimination against minority populations by discouraging programs, policies, and activities with disproportionately high and adverse human health or environmental effects on minority and low-income populations;
- Executive Order 13166, Improving Access to Services for Persons with Limited English Proficiency, and resulting agency guidance, national origin discrimination includes discrimination because of limited English proficiency (LEP). To ensure compliance with Title VI, you must take reasonable steps to ensure that LEP persons have meaningful access to your programs (70 Fed. Reg. at 74087 to 74100);
- Title IX of the Education Amendments of 1972, as amended, which prohibits you from discriminating because of sex in education programs or activities (20 U.S.C. 1681 *et seq.*).

(C) <u>Nondiscrimination in Contracting Activities</u>

i. Tenant, with regard to any contract, will not discriminate on the grounds of race, color, or national origin in the selection and retention of contractors or subcontractors, including procurements of materials and leases of equipment. Any contractor will not participate directly or indirectly in the discrimination prohibited by the Acts and Regulations.

ii. In all solicitations, either by competitive bidding, or negotiation made by Tenant or its contractor for work to be performed under a contract or subcontract, including procurements of materials, or leases of equipment, each potential contractor, subcontractor or

supplier will be notified by the contractor of Tenant and contractor's obligations under the Acts and Regulations relative to non-discrimination on the grounds of race, color, or national origin.

Section 3. State Nondiscrimination Requirements

Tenant must comply with the Illinois Human Rights Act, 775 ILCS 5/1-101 *et seq.*, as amended and any rules and regulations promulgated in accordance therewith, including the Equal Employment Opportunity Clause, 445 Ill. Admin. Code 750, Appendix A. Tenant must also comply with the Public Works Employment Discrimination Act, 775 ILCS 10/0.01 *et seq.*, as amended; the Environmental Barriers Act, 410 ILCS 25/1 *et seq.*; and all other applicable state laws, rules, regulations and executive orders.

Section 4. City Nondiscrimination Requirements

(A) Tenant must comply with the Chicago Human Rights Ordinance, Chapter 2-160, Section 2-160-010 et seq. of the Municipal Code; and all other applicable Municipal Code provisions, rules, regulations and executive orders.

(B) Further, Tenant must furnish, or cause each of its Contractors to furnish, such reports and information as requested by the Chicago Commission of Human Relations.

Section 5. Affirmative Action

Tenant assures that: (a) it shall undertake an affirmative action program as required by all federal, state and local laws, rules and regulations pertaining to Civil Rights (and any and all amendments thereto), including, without limitation, 49 CFR Part 21 and 49 U.S.C. § 47123, to assure that no person shall, on the grounds of race, creed, color, national origin, sex, or age be excluded from participation in or denied the benefits of the program or activity conducted with or benefitting from Federal financial assistance received by the City from the FAA; (b) it shall not engage in employment practices that result in excluding persons on the grounds of race, creed, color, national origin, sex, or age, from participating in or receiving the benefits of any program or activity conducted with or benefitting from Federal financial assistance received by the City from the FAA, or in subjecting them to discrimination or another violation of the regulations under any program covered by 49 CFR Part 21 and 49 U.S.C. § 47123; and (c) it shall include the preceding statements of this Section 5 in Tenant's contracts and other applicable documents under this Agreement, and shall require that its contractors and others similarly include these statements in their subcontracts and applicable documents.

Section 6. Safety and Security

(A) Tenant expressly acknowledges its responsibility to provide security at the Airport in accordance with 49 U.S.C. sec. 449 and 49 CFR Part 1542, "Airport Security," as such may be amended from time to time, including any applicable rules and regulations promulgated thereunder, and with all rules and regulations of the City concerning security procedures, including the Airport's approved security program. Tenant expressly acknowledges its responsibility to provide security with respect to airplane operations in accordance with 49 CFR

Part 1544, "Aircraft Operator Security," as such may be amended from time to time, and with the rules and regulations of the City concerning security procedures, including the Airport's approved security program.

(B) All employees providing services at the Airport must be badged by the City, as provided below in Section 7, "Airport Security Badges." Tenant, Contractors, and the respective employees of each are subject to such employment investigations, including criminal history record checks, as the Administrator of the Federal Aviation Administration ("FAA"), the Under Secretary of the Transportation Security Administration ("TSA"), and the City may deem necessary. Tenant, its Contractors, their respective employees, invitees and all other persons under the control of Tenant must comply strictly and faithfully with any and all rules, regulations and directions which the Commissioner, the FAA, or the TSA may issue from time to time during the life of this Agreement with regard to security, safety, maintenance and operation of the Airport and must promptly report any information regarding suspected violations in accordance with those rules and regulations.

(C) All gates and doors that permit entry into restricted areas at the Airport must be kept locked at all times when not in use or under constant security surveillance. Tenant shall ensure that such gates and doors within its Premises are kept locked at all times when not in use or under Tenant's constant security surveillance. Any gate or door malfunctions discovered by Tenant must be reported to the Commissioner without delay and must be kept under constant surveillance, in the case of malfunctions within its Premises, until the malfunction is remedied, or in the case of other malfunctions, until relieved by a responsible party.

(D) Tenant shall ensure that the following provision is inserted in all contracts entered into with any Contractors and with any labor organizations who furnish skilled, unskilled and craft union skilled labor, or who may provide any materials, labor or services in connection with this Agreement:

> "Aviation Security: This Agreement is subject to the airport security requirements of 49 U.S.C. chapter 449, as amended, the provisions of which govern airport security and are incorporated by reference, including without limitation the rules and regulations in 49 C.F.R. Part 1542 and all other applicable rules and regulations promulgated thereunder. In the event that Tenant, or any individual employed by Tenant, in the performance of this Agreement, has (i) unescorted access to aircraft located on or at the Airport (ii) unescorted access to secured areas or (iii) capability to allow others to have unescorted access to such aircraft or secured area, Tenant shall be subject to, and further shall conduct with respect to its Contractors and their respective employees, such employment investigations, including criminal history record checks, as the Administrator of the Federal Aviation Administration, the Under Secretary of the Transportation Security Administration and City may deem necessary. Further, in the event this Agreement involves the construction, reconstruction, demolition or alteration of facilities to be located at or on the Airport, Tenant shall, notwithstanding anything

contained herein, at no cost to City, perform all obligations hereunder in compliance with those guidelines developed by City, the Transportation Security Administration and the Federal Aviation Administration, and in effect as of the Effective Date with the objective of maximum security enhancement. In the event the Agreement involves the design of facilities or equipment, the drawings, plans, and specifications to be provided under the Agreement shall comply with those guidelines developed by City, the Transportation Security Administration and the Federal Aviation Administration and in effect at the time of the submittal of such drawings, plans, and specifications."

Section 7. Airport Security Badges

(A) As part of Airport operations and security, Tenant must obtain from the Airport badging office Airport Security Badges for each of its employees, subcontractors, material men, invitees or any person(s) over whom Tenant has control, which must be visibly displayed at all times while at the airport. No person will be allowed beyond security checkpoints without a valid Airport Security Badge. Each such person must submit signed and properly completed application forms to receive an Airport Security Badge. Additional forms and tests may be required to obtain Airport Driver's Certification and Vehicle Permits. The application forms will solicit such information as the Commissioner may require in his or her discretion, including but not limited to name, address, date of birth (and for vehicles, driver's license and appropriate stickers). Tenant is responsible for requesting and completing the form for each employee and subcontractor employee who will be working at the Airport and all vehicles to be used on the job site. Upon signed approval of the application by the Commissioner or his or her designee, the employee will be required to attend a presentation regarding airport security and have his or her photo taken for the badge. The Commissioner may grant or deny the application in his or her sole discretion. Tenant must make available to the Commissioner, within one day of request, the personnel file of any employee who will be working under this Agreement.

(B) As provided in Section 6 above, in order for a person to have an Airport Security Badge that allows access to the airfield or aircraft, a criminal history record check ("CHRC") conducted by the Department of Aviation will also be required. The CHRC will typically include a fingerprint analysis by the Federal Bureau of Investigation and such other procedures as may be required by the TSA.

(C) Airport Security Badges, Vehicle Permits and Driver's Licenses will only be issued based upon properly completed application forms. Employees or vehicles without proper credentials may be removed from the secured area and may be subject to fine or arrest. Tenant will be jointly and severally liable for any fines imposed on its employees or its Contractors' employees at the Airport by the City.

(D) In addition to other rules and regulations, the following rules related to Airport Security Badges, Vehicle Permits and Driver's Licenses must be adhered to:

i. Each person must wear and display his or her Airport Security Badge on their outer apparel at all times while at the Airport.

ii. All individuals operating a vehicle on the Aircraft Operations Area ("AOA") must be familiar and comply with motor driving regulations and procedures of the State of Illinois, City of Chicago and the Department of Aviation. The operator must be in possession of a valid, State-issued Motor Vehicle Operator's Driver's License. All individuals operating a vehicle on the AOA without an escort must also be in possession of a valid Aviation-issued Airport Driver's Permit.

iii. All operating equipment must have an Airport Vehicle Access Permit affixed to the vehicle at all times while operating on the Airport. All required City stickers and State Vehicle Inspection stickers must be valid.

iv. Individuals must remain within their assigned area and haul routes unless otherwise instructed by the Department of Aviation.

v. Tenant's personnel who function as supervisors, and those that escort Tenant's equipment/operators to their designated work sites, may be required to obtain an added multi-area access designation on their personnel Airport Security Badge which must also be displayed while on the AOA.

Section 8. Confidentiality of Airport Security Data

Tenant has an ongoing duty to protect confidential information, including but not limited to any information exempt from disclosure under the Illinois Freedom of Information Act, such as information affecting security of the airport ("Airport Security Data"). Airport Security Data includes any Sensitive Security Information as defined by 49 CFR Part 1520. Tenant acknowledges that information provided to, generated by, or encountered by Tenant may include Airport Security Data. If Tenant fails to safeguard the confidentiality of Airport Security Data, Tenant is liable for the reasonable costs of actions taken by the City, the Federal Aviation Administration ("FAA"), or the Transportation Security Administration ("TSA") that the applicable entity, in its sole discretion, determines to be necessary as a result, including without limitation the design and construction of improvements, procurement and installation of security devices, and posting of guards. All agreements entered into in connection with or pursuant to the performance of any acts or obligations under this Agreement by Tenant must contain the language of this section. If Tenant fails to incorporate the required language in all such agreements, the provisions of this section are deemed incorporated in all such agreements.

Section 9. Americans with Disabilities Act and Air Carrier Access Act

(A) Tenant shall be solely and fully responsible for ensuring that Tenant's operations, wherever they may occur at the Airport, and any improvements made by Tenant pursuant to this Agreement, shall comply with Title II (to the extent applicable) and III of the Americans with Disabilities Act, 42 U.S.C. §§ 12101 et seq., as amended from time to time ("ADA"), and the Air Carrier Access Act, 49 U.S.C. § 41705, as amended from time to time ("ACAA"), including

without limitation any obligation to provide boarding and deplaning assistance at the Airport. In the event of a violation of or non-compliance with Title II (to the extent applicable) or III of the ADA or the ACAA, Tenant shall develop a work plan to correct such violation or non-compliance. The City's approval of or acceptance of any aspect of Tenant's activities under this Agreement shall not be deemed or construed in any way as a representation that such item, activity or practice complies with the ADA or the ACAA. Tenant agrees to indemnify, defend, and hold the City harmless from any and all costs incurred by the City with respect to Tenant's failure to comply with the ADA or the ACAA for Tenant's operations or any improvements made by Tenant at the Airport. The City shall comply with the ADA and the ACAA as applicable to any facilities constructed by the City and any improvements made by the City at the Airport.

(B) Tenant shall insure that the appropriate provision set forth below is inserted in all contracts entered into with any design professional or with any Contractors and any labor organizations which furnish skilled, unskilled and craft union skilled labor, or which may provide any materials, labor or services in connection with this Agreement:

Designs

"The Consultant warrants that all design documents produced for the City under this Agreement shall comply with all federal, state and local laws and regulations regarding accessibility standards for disabled or environmentally limited persons including, but not limited to, the following: Americans with Disabilities Act, 42 U.S.C. sec. 12101 et seq.; 41 C.F.R. part 60 et seq.; the Uniform Federal Accessibility Standards ("UFAS") or the Americans with Disabilities Act Accessibility Guidelines for Buildings and Facilities ("ADAAG"); the Air Carrier Access Act, 49 U.S.C. § 41705, et seq. ("ACAA"); the Illinois Environmental Barriers Act. 410 ILCS 25/1 et seq., and the regulations promulgated thereto at 71 Ill. Adm. Code ch. 1, Sec. 400.110 et seq.; and all other applicable statutes, rules, regulations and executive orders. In the event that the above cited standards are inconsistent, the Consultant shall comply with the standards providing greater accessibility."

Construction Contracts

"All construction or alteration undertaken by Contractor under this contract shall be performed in compliance with all federal, state and local laws and regulations regarding accessibility standards for disabled or environmentally limited persons including, but not limited to, the following: Americans with Disabilities Act, 42 U.S.C. sec. 12101 et seq.; 41 C.F.R. part 60 et seq.; the Uniform Federal Accessibility Standards ("UFAS") or the Americans with Disabilities Act Accessibility Guidelines for Buildings and Facilities ("ADAG"); the Air Carrier Access Act, 49 U.S.C. § 41705, et seq. ("ACAA""); the Illinois Environmental Barriers Act, 410 ILCS 25/1 et seq., and the regulations promulgated thereto at 71

Ill. Adm. Code ch. 1, Sec. 400.110; and all other applicable statutes, rules, regulations and executive orders. The Contractor shall, prior to construction, review the plans and specifications and notify Tenant and the City in the event that the plans and specifications are not in compliance with the above referenced standards."

Section 10. Inspector General

Pursuant to Article 16 of this Agreement, Tenant shall ensure that the provision set forth below is inserted in all contracts or agreements entered into with any contractors, subtenants or licensees/sub-licensees, and any work or service providers providing any materials, labor, or services in connection with this Agreement, including but not limited to design professionals and Project Contractors and any labor organizations which furnish skilled, unskilled and craft union skilled labor:

> "[Contractor/Subtenant] and all of its [subcontractors/subtenants] have a duty to cooperate with the Inspector General of the City of Chicago in any investigation or hearing, if applicable, undertaken pursuant to Chapter 2-56 of the Municipal Code of Chicago. [Contractor/Subtenant] understands and will abide by all provisions of that chapter. All [subcontracts/subtenant agreements] must inform [contractors/subtenants] of this provision and require understanding and compliance with it."

Additionally, with respect to any work or services to be paid by the City, pursuant to MCC 2-156-018 it is the duty of Tenant, and any of its Project Contractors, to report to the Inspector General, directly and without undue delay, any and all information concerning conduct which it knows to involve corrupt activity. "Corrupt activity" means any conduct set forth in Subparagraph (a)(1), (2) or (3) of Section 1-23-020 of the MCC. Knowing failure to make such a report will be an event of default under any applicable reimbursement agreement. Reports may be made to the Inspector General's toll-free hotline, 866-IG-TIPLINE (866-448-4754).

Section 11. Multi-Project Labor Agreement

The City has entered into the Multi-Project Labor Agreement ("PLA") with various trades regarding projects involving construction, demolition, maintenance, rehabilitation, and/or renovation work on City property, as described in the PLA, a copy of which may be found on the City's website at:

http://www.cityofchicago.org/dam/city/depts/dps/RulesRegulations/Multi-ProjectLaborAgreement-PLAandSignatoryUnions.pdf.

To the extent that Tenant engages in work subject to the PLA, whether or not reimbursed by the City, Tenant acknowledges familiarity with the requirements of the PLA and shall comply with them.

Section 12. Minimum Wage and Other Labor Laws

Tenant will comply with all applicable federal, state, and local labor laws and regulations, including, without limitation: the Fair Labor Standards Act, 29 U.S.C. § 201; the Occupational Safety and Health Act, 20 CFR Part 1910; and City minimum wage ordinances and executive orders and associated rules and regulations. This includes, without limitation, compliance with the wage requirements set forth in Mayoral Executive Order 2014-1, incorporated by reference, to the extent that the Order would apply to Tenant's activities.

Section 13. Prohibition on Certain Contributions, Mayoral Executive Order 2011-4

(A) Neither Tenant or any person or entity who directly or indirectly has an ownership or beneficial interest in Tenant of more than 7.5% ("Owners"), spouses and domestic partners of such Owners, Tenant's Subcontractors, any person or entity who directly or indirectly has an ownership or beneficial interest in any Subcontractor of more than 7.5% ("Sub-owners") and spouses and domestic partners of such Sub-owners (Tenant and all the other preceding classes of persons and entities are together, the "Identified Parties"), shall make a contribution of any amount to the Mayor or to the Mayor's political fundraising committee (as such term is defined in Municipal Code Chapter 2-156) (a) after execution of this Agreement by Tenant, (b) while this Agreement or another agreement between Tenant and the City (an "Other Contract") is executory, (c) during the term of this Agreement or any Other Contract, or (d) during any period while an extension of this Agreement or any Other Contract is being sought or negotiated.

(B) From the date the City approached Tenant or the date Tenant approached the City, as applicable, regarding the formulation of this Agreement, no Identified Parties have made a contribution of any amount to the Mayor or to the Mayor's political fundraising committee.

(C) Tenant shall not (i) coerce, compel or intimidate its employees to make a contribution of any amount to the Mayor or to the Mayor's political fundraising committee; (ii) reimburse its employees for a contribution of any amount made to the Mayor or to the Mayor's political fundraising committee; or (iii) bundle or solicit others to bundle contributions to the Mayor or to the Mayor's political fundraising committee.

(D) The Identified Parties must not engage in any conduct whatsoever designed to intentionally violate this Section 13 or Mayoral Executive Order No. 2011-4 or to entice, direct or solicit others to intentionally violate this Section 13 or Mayoral Executive Order No. 2011-4.

(E) Violation of, non-compliance with, misrepresentation with respect to, or breach of any covenant or warranty under this Section 13 or violation of Mayoral Executive Order No. 2011-4 constitutes a breach and default under this Agreement and any Other Contract, for which no opportunity to cure will be granted. Such breach and default entitles the City to all remedies (including termination for default) under this Agreement, under any Other Contract, at law and in equity. This Section 13 amends any Other Contract with respect to the matters described herein and supersedes any inconsistent provision contained therein.

Section 14. Certification Regarding Lobbying

(A) Tenant certifies by signing and submitting this Agreement, to the best of its knowledge and belief, that:

i. No Federal appropriated funds have been paid or will be paid, by or on behalf of Tenant, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

ii. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

iii. Tenant shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreements) and that all sub-recipients shall certify and disclose accordingly.

(B) This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

Section 15. Distracted Driving

(A) In accordance with Executive Order 13513, "Federal Leadership on Reducing Text Messaging While Driving" (10/1/2009) and DOT Order 3902.10 "Text Messaging While Driving" (12/30/2009), the FAA encourages recipients of Federal grant funds to adopt and enforce safety policies that decrease crashes by distracted drivers, including policies to ban text messaging while driving when performing work related to a grant or sub-grant.

(B) In support of this initiative, the City encourages Tenant to promote policies and initiatives for its employees and other work personnel that decrease crashes by distracted drivers, including policies that ban text messaging while driving motor vehicles while performing work activities associated with the project. Tenant must include the substance of this Section 15 in all sub-tier contracts exceeding $3,500 and involve driving a motor vehicle in performance of work activities associated with the project.

EXHIBIT 2

CHICAGO DEPARTMENT OF AVIATION

EXHIBIT C

Premises Notice

Chicago O'Hare International Airport

ALASKA AIRLINES

Effective: May 12, 2018

Prepared: February 27, 2018

TERMINAL	Sq. Footage
TERMINAL 3	

Baggage Claim	0
Baggage Makeup	0
Check-In	805
Club	0
Holdroom	4,977
Post-Security Operations	1,531
Pre-Security Operations	499

GRAND TOTAL	**7,812**

AIRCRAFT RAMP	
Aircraft Frontage	294 Linear Feet

Included Exhibits:

1) Exhibit AS.3.01
2) Exhibit AS.3.02
3) Exhibit AS.3.03
4) Exhibit AS.3.04
5) Exhibit AS.R.01

CHICAGO DEPARTMENT OF AVIATION

EXHIBIT C

Premises Notice

Chicago O'Hare International Airport

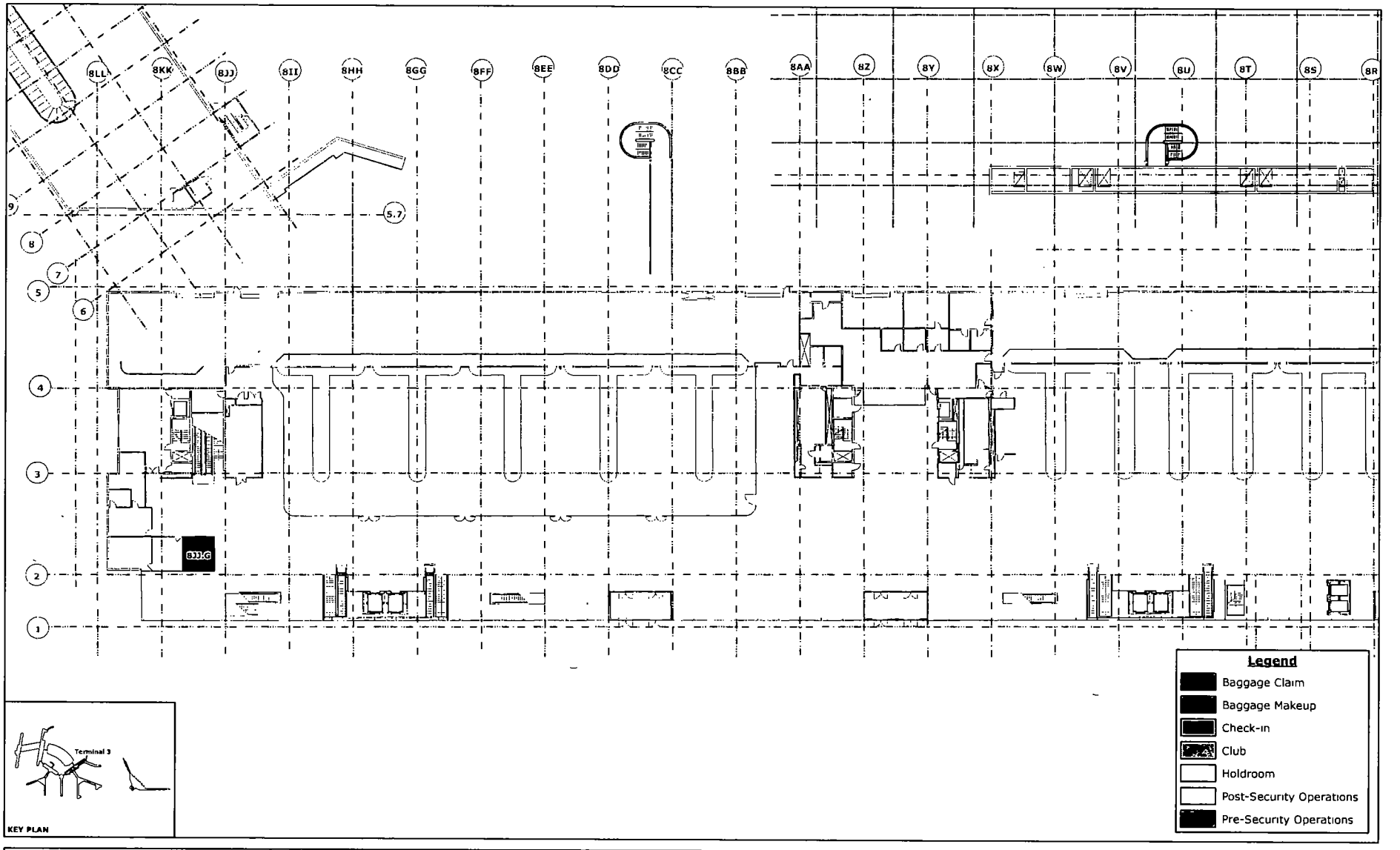
ALASKA AIRLINES

Modifications Log

Mod #	Date	Sq. Footage Adjustment	Function of Space	Requested by	Notes

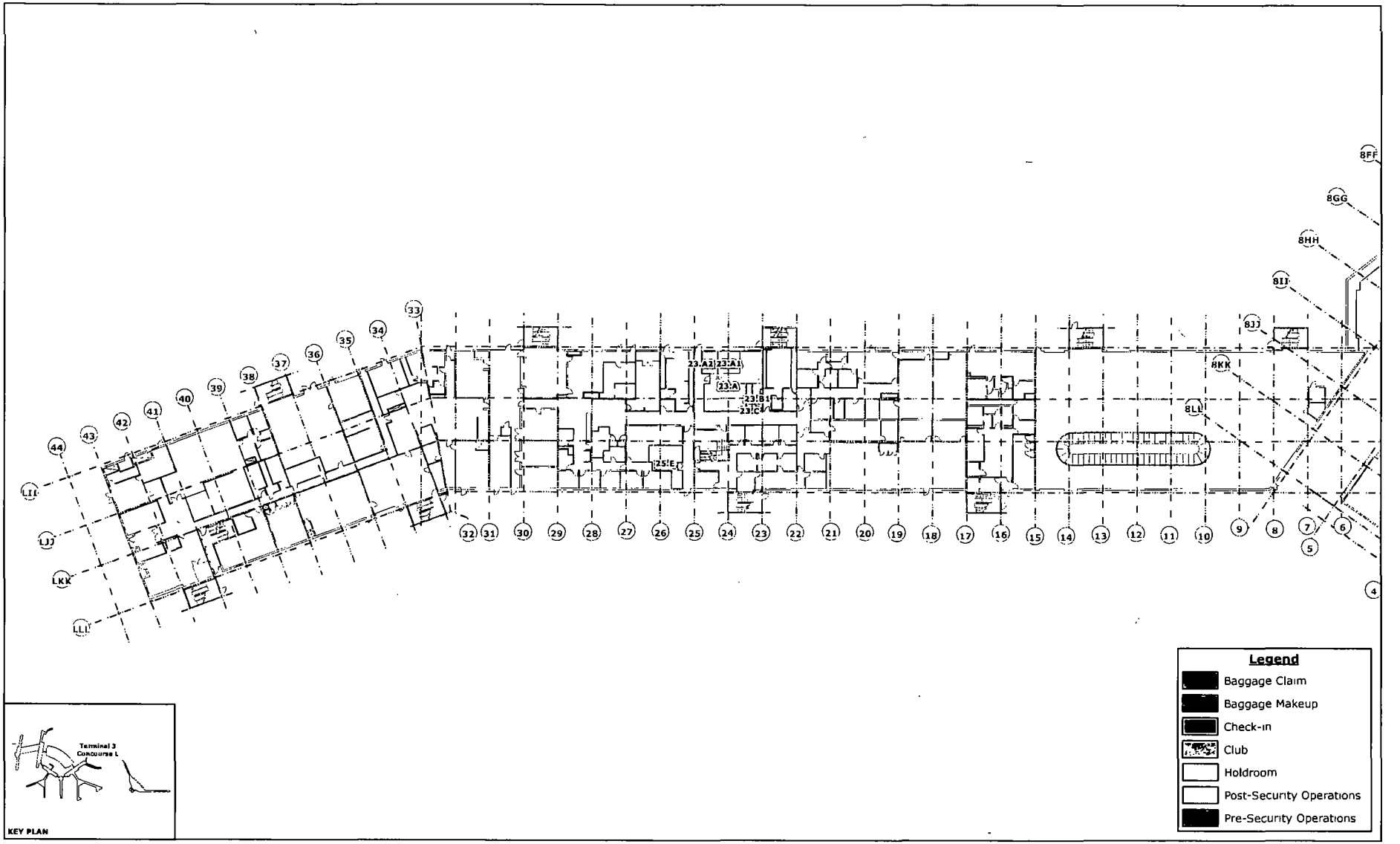
Signature

Date



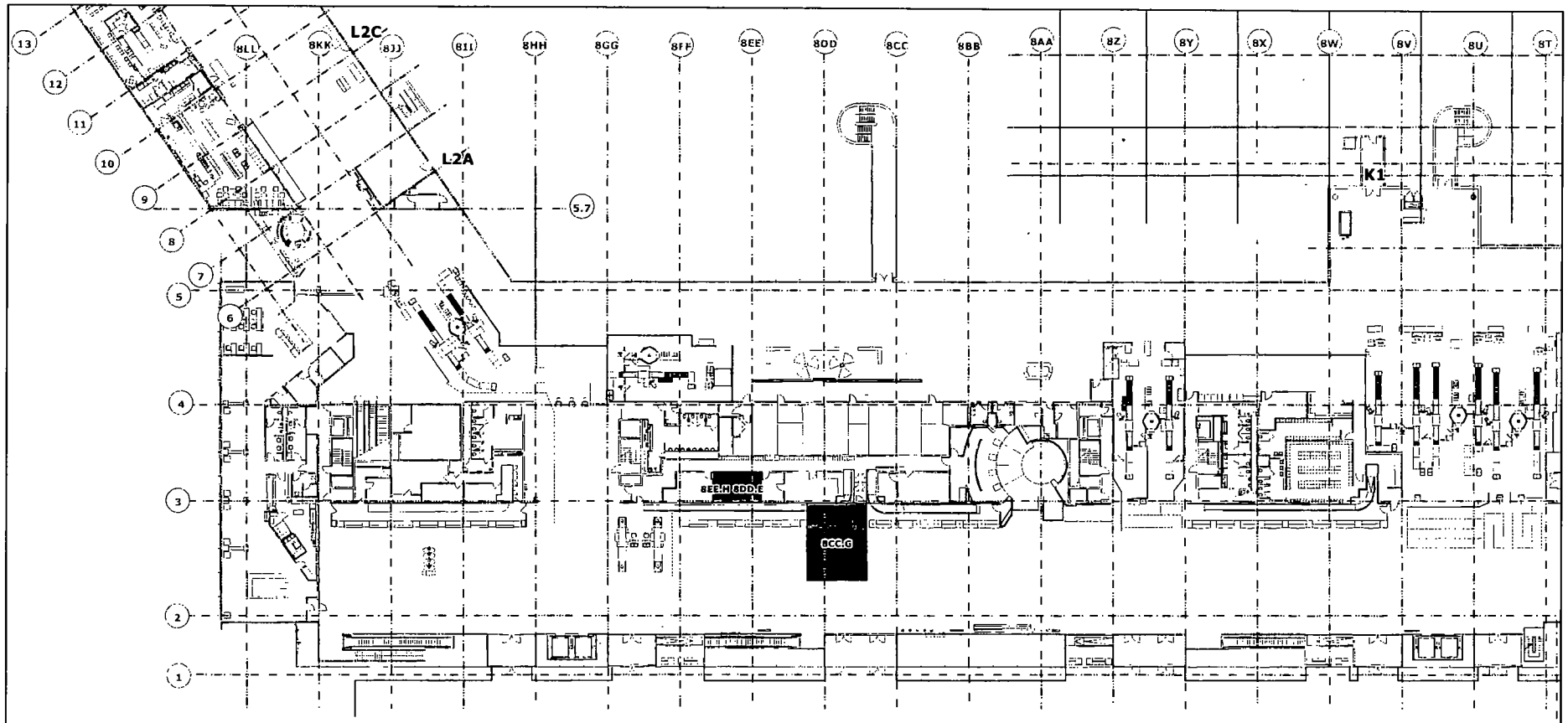
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	cda CHICAGO DEPARTMENT OF AVIATION	Terminal 3 - Main Concourse - Lower Level Effective May 12, 2018	Alaska Airlines	0 25 50 Feet	Exhibit AS.3.01

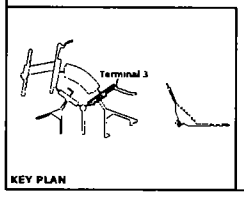
As of 2/27/2018
Plot File AS1 13ML.mxd



Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 3 - L Concourse - Lower Level Effective May 12, 2018	Alaska Airlines	0 25 50 Feet	Exhibit AS.3.02

As of 2/27/2018
Plot File AS2.T3LL.mxd



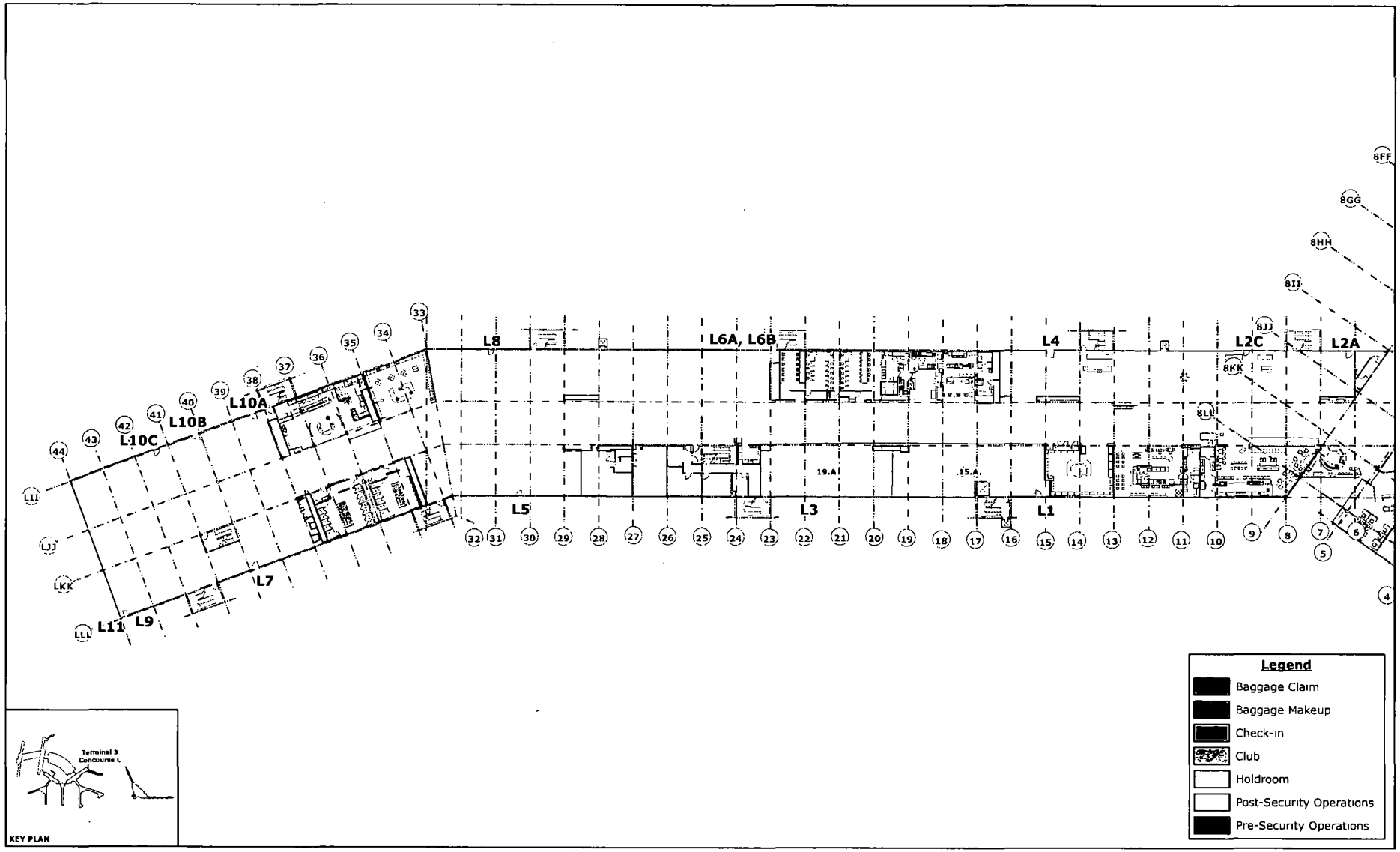


Legend

- Baggage Claim
- Baggage Makeup
- Check-in
- Club
- Holdroom
- Post-Security Operations
- Pre-Security Operations

Chicago O'Hare International Airport	**City of Chicago Rahm Emanuel Mayor**	**Department of Aviation**	CDA Chicago Department of Aviation	**Terminal 3 - Main Concourse - Upper Level Effective May 12, 2018**	**Alaska Airlines**	0 25 50 Feet	**Exhibit AS.3.03**

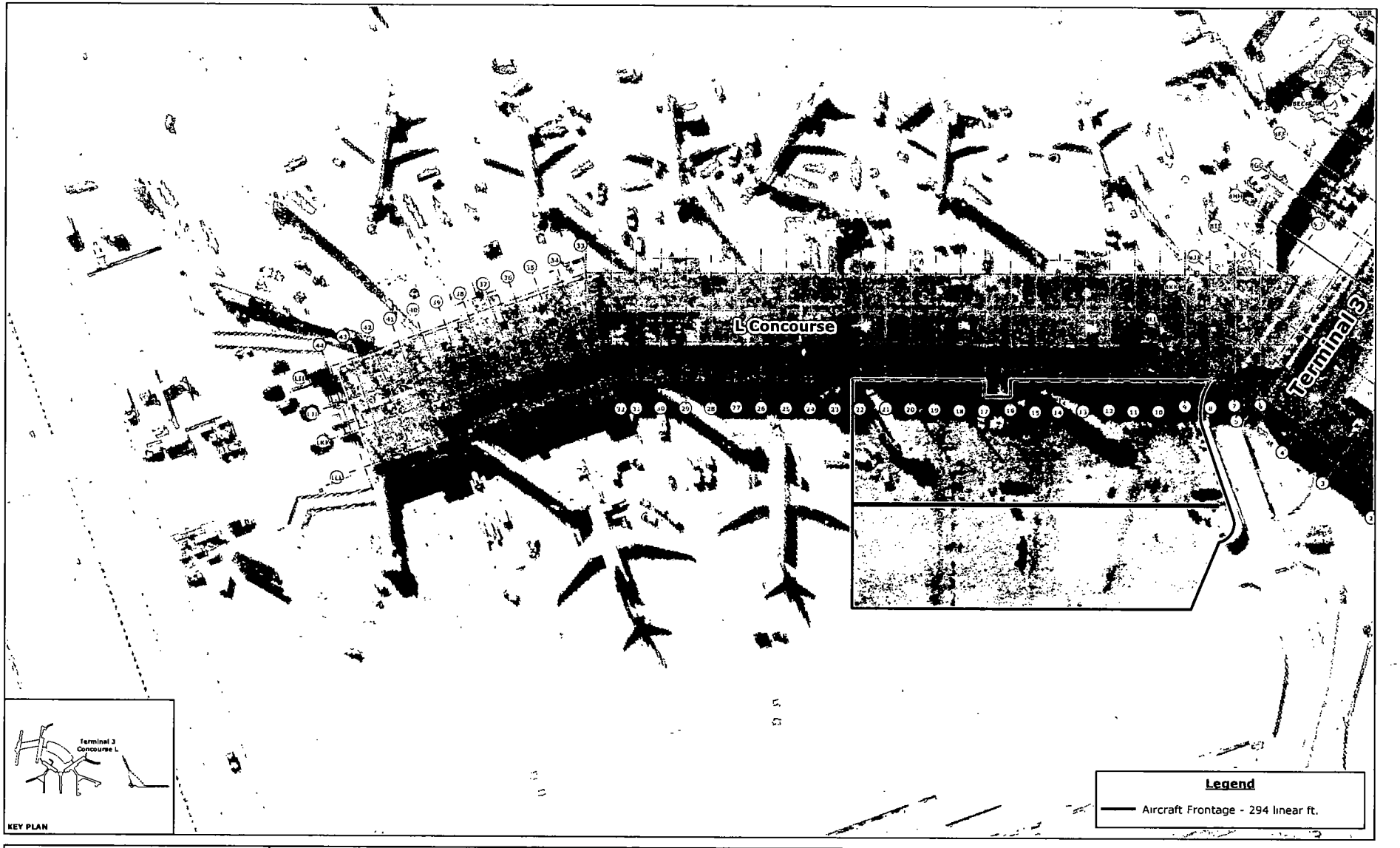
As of 2/27/2018
Plot File AS3 13MU.mxd



Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CHICAGO DEPARTMENT OF AVIATION	Terminal 2 - L Concourse - Upper Level Effective May 12, 2018	Alaska Airlines	Exhibit AS.3.04

0 25 50 Feet

As of 2/27/2018
Plot File AS4 T3LU.mxd



Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Aircraft Ramp Area Effective May 12, 2018	Alaska Airlines	0 50 100 Feet	Exhibit AS.R.01

As of 7/27/2018
Plot File AS5 RAMP.mxd

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
8JJ.G	3	Main	Lower	239	Pre-Security Operations	AS.3.01
8CC.G	3	Main	Upper	805	Check-In	AS.3.03
8DD.E	3	Main	Upper	139	Pre-Security Operations	AS.3.03
8EE.H	3	Main	Upper	121	Pre-Security Operations	AS.3.03
15.A	3	L	Upper	2,670	Holdroom	AS.3.04
19.A	3	L	Upper	2,307	Holdroom	AS.3.04
23.A	3	L	Lower	768	Post-Security Operations	AS.3.02
23.A1	3	L	Lower	173	Post-Security Operations	AS.3.02
23.A2	3	L	Lower	124	Post-Security Operations	AS.3.02
23.B1	3	L	Lower	93	Post-Security Operations	AS.3.02
23.C	3	L	Lower	29	Post-Security Operations	AS.3.02
25.E	3	L	Lower	344	Post-Security Operations	AS.3.02
Aircraft Frontage	3			294 Linear Feet		

Total Sq. Footage 7,812

*excluding ramp

CHICAGO DEPARTMENT OF AVIATION

EXHIBIT C

Premises Notice

Chicago O'Hare International Airport

ALL NIPPON AIRWAYS

Effective: May 12, 2018

Prepared: February 21, 2018

TERMINAL	Sq. Footage
TERMINAL 5	

Baggage Claim	0
Baggage Makeup	0
Check-In	0
Club	0
Holdroom	0
Post-Security Operations	792
Pre-Security Operations	2,040

GRAND TOTAL	**2,832**

AIRCRAFT RAMP	
Aircraft Frontage	0 Linear Feet

Included Exhibits:

1) Exhibit NH.5.01
2) Exhibit NH.5.02

CHICAGO DEPARTMENT OF AVIATION

EXHIBIT C

Premises Notice

Chicago O'Hare International Airport

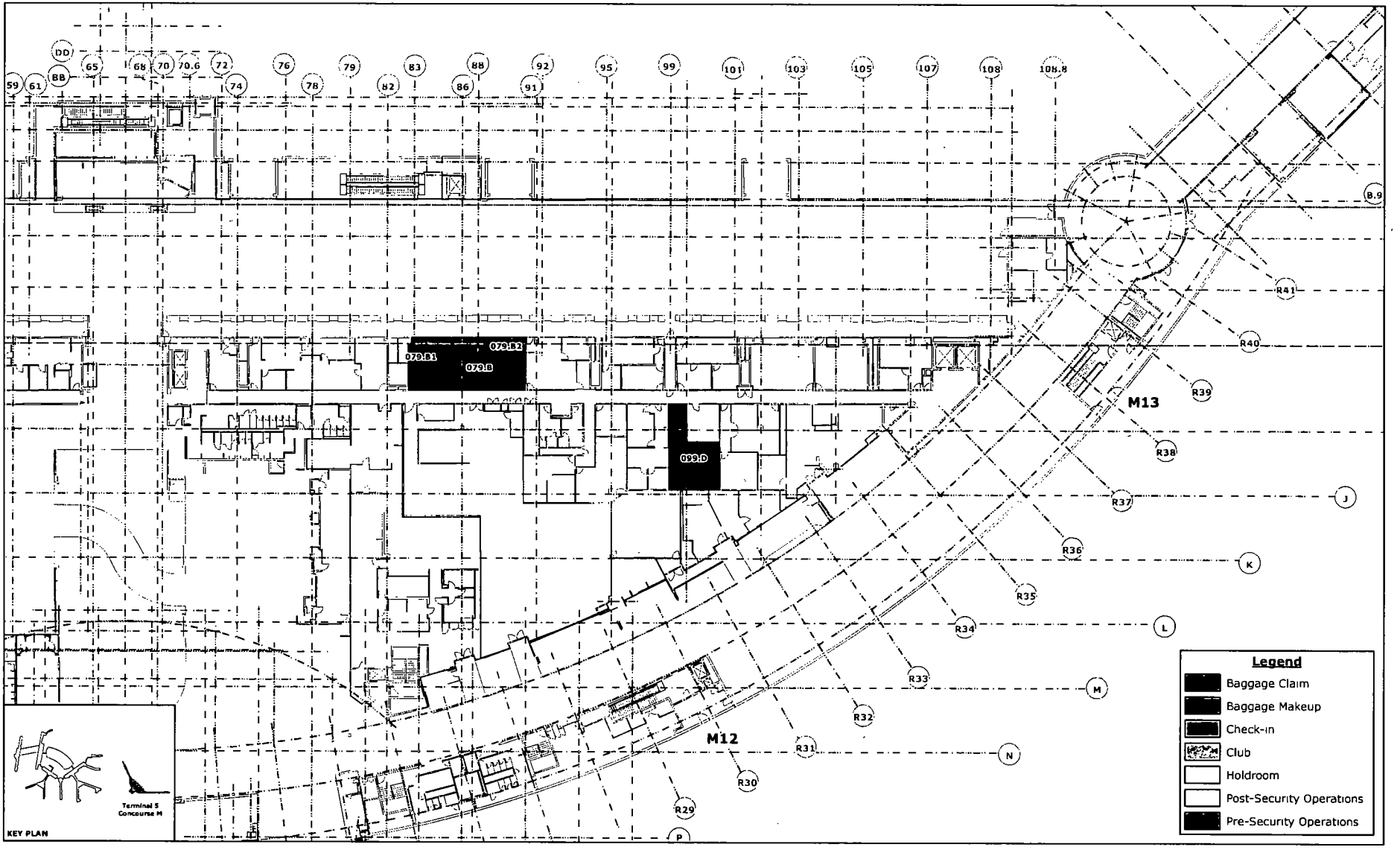
ALL NIPPON AIRWAYS

Modifications Log

Mod #	Date	Sq. Footage Adjustment	Function of Space	Requested by	Notes

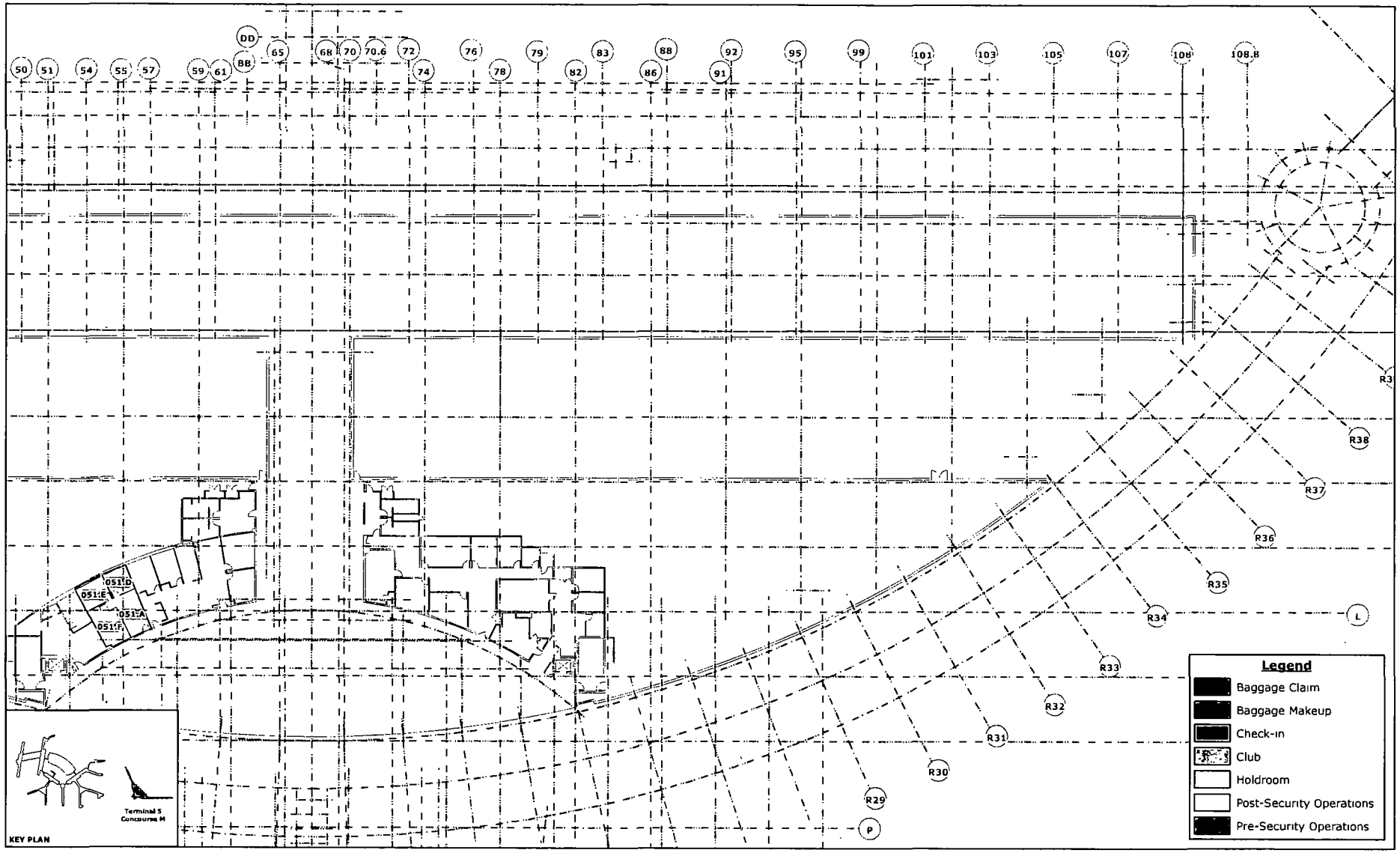
Signature

Date



Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 5 - Main Concourse - Upper Level Effective May 12, 2018	All Nippon Airways	0 25 50 Feet	Exhibit NH.5.01

As of 2/16/2018
Plot File NH1 T5U.nwd



Chicago O'Hare International Airport	**City of Chicago Rahm Emanuel Mayor**	**Department of Aviation**	**Terminal 5 - Main Concourse - Mezzanine Effective May 12, 2018**	**All Nippon Airways**	0 25 50 Feet	**Exhibit NH.5.02**

As of 2/16/2018
Plot File NH2 T5M.mxd

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
051.A	5	Main	Mezzanine	239	Post-Security Operations	NH.5.02
051.D	5	Main	Mezzanine	143	Post-Security Operations	NH.5.02
051.E	5	Main	Mezzanine	174	Post-Security Operations	NH.5.02
051.F	5	Main	Mezzanine	236	Post-Security Operations	NH.5.02
079.B	5	Main	Upper	1,120	Pre-Security Operations	NH.5.01
079.B1	5	Main	Upper	184	Pre-Security Operations	NH.5.01
079.B2	5	Main	Upper	47	Pre-Security Operations	NH.5.01
099.D	5	Main	Upper	689	Pre-Security Operations	NH.5.01

Total Sq. Footage 2,832

CHICAGO DEPARTMENT OF AVIATION

EXHIBIT C

Premises Notice

Chicago O'Hare International Airport

AMERICAN AIRLINES

Effective: May 12, 2018

Prepared: February 27, 2018

TERMINAL	Sq. Footage
TERMINAL 3	668,735

Baggage Claim	31,540
Baggage Makeup	170,340
Check-In	19,391
Club	62,723
Holdroom	120,728
Post-Security Operations	220,018
Discounted Post-Security Operations	13,077
Pre-Security Operations	30,918

TERMINAL 5	10,618

Baggage Claim	0
Baggage Makeup	255
Check-In	3,149
Club	0
Holdroom	0
Post-Security Operations	6,569
Pre-Security Operations	645

GRAND TOTAL	**679,239**

AIRCRAFT RAMP	
Aircraft Frontage	8,222 Linear Feet

CHICAGO DEPARTMENT OF AVIATION

EXHIBIT C

Premises Notice

Chicago O'Hare International Airport

AMERICAN AIRLINES

Included Exhibits:

1) Exhibit AA.3.01
2) Exhibit AA.3.02
3) Exhibit AA.3.03
4) Exhibit AA.3.04
5) Exhibit AA.3.05
6) Exhibit AA.3.06
7) Exhibit AA.3.07
8) Exhibit AA.3.08
9) Exhibit AA.3.09
10) Exhibit AA.3.10
11) Exhibit AA.3.11
12) Exhibit AA.3.12
13) Exhibit AA.3.13
14) Exhibit AA.3.14
15) Exhibit AA.3.15
16) Exhibit AA.3.16
17) Exhibit AA.3.17
18) Exhibit AA.3.18
19) Exhibit AA.3.19
20) Exhibit AA.3.03
21) Exhibit AA.3.21
22) Exhibit AA.3.22
23) Exhibit AA.3.23
24) Exhibit AA.3.24
25) Exhibit AA.3.25
26) Exhibit AA.5.01
27) Exhibit AA.5.02
28) Exhibit AA.5.03
29) Exhibit AA.5.04
30) Exhibit AA.R.01

CHICAGO DEPARTMENT OF AVIATION

EXHIBIT C

Premises Notice

Chicago O'Hare International Airport

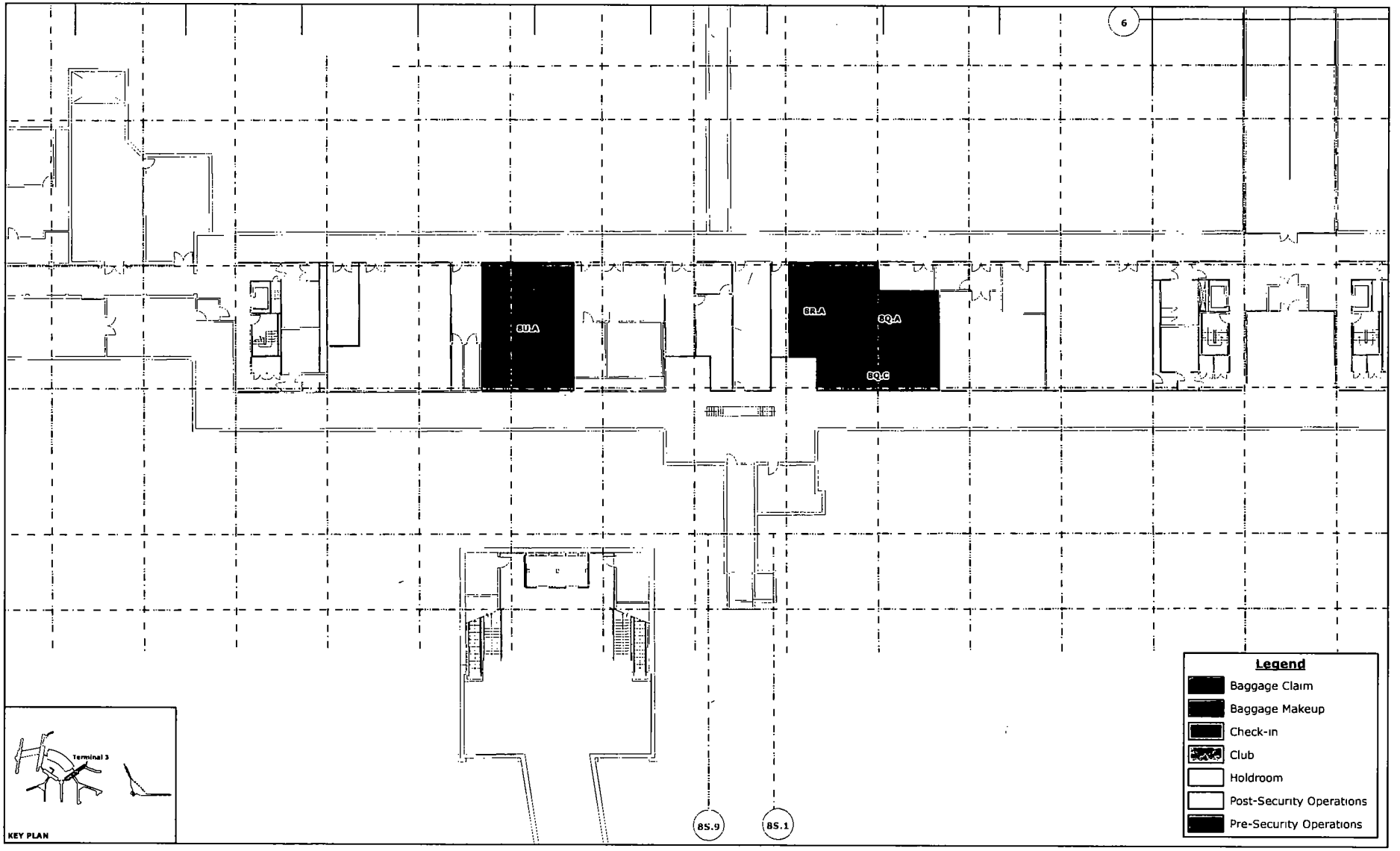
AMERICAN AIRLINES

Modifications Log

Mod #	Date	Sq. Footage Adjustment	Function of Space	Requested by	Notes

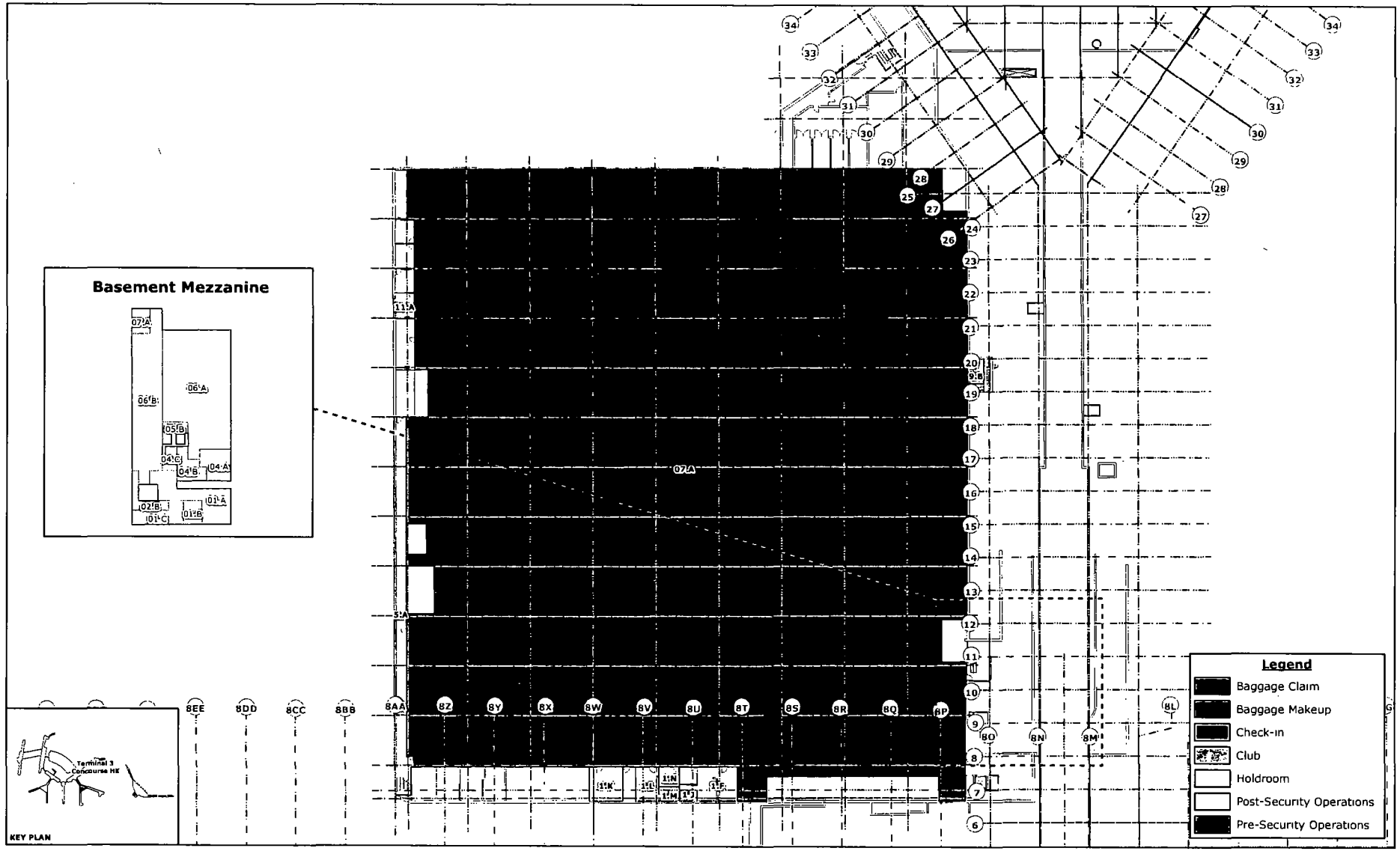
Signature

Date



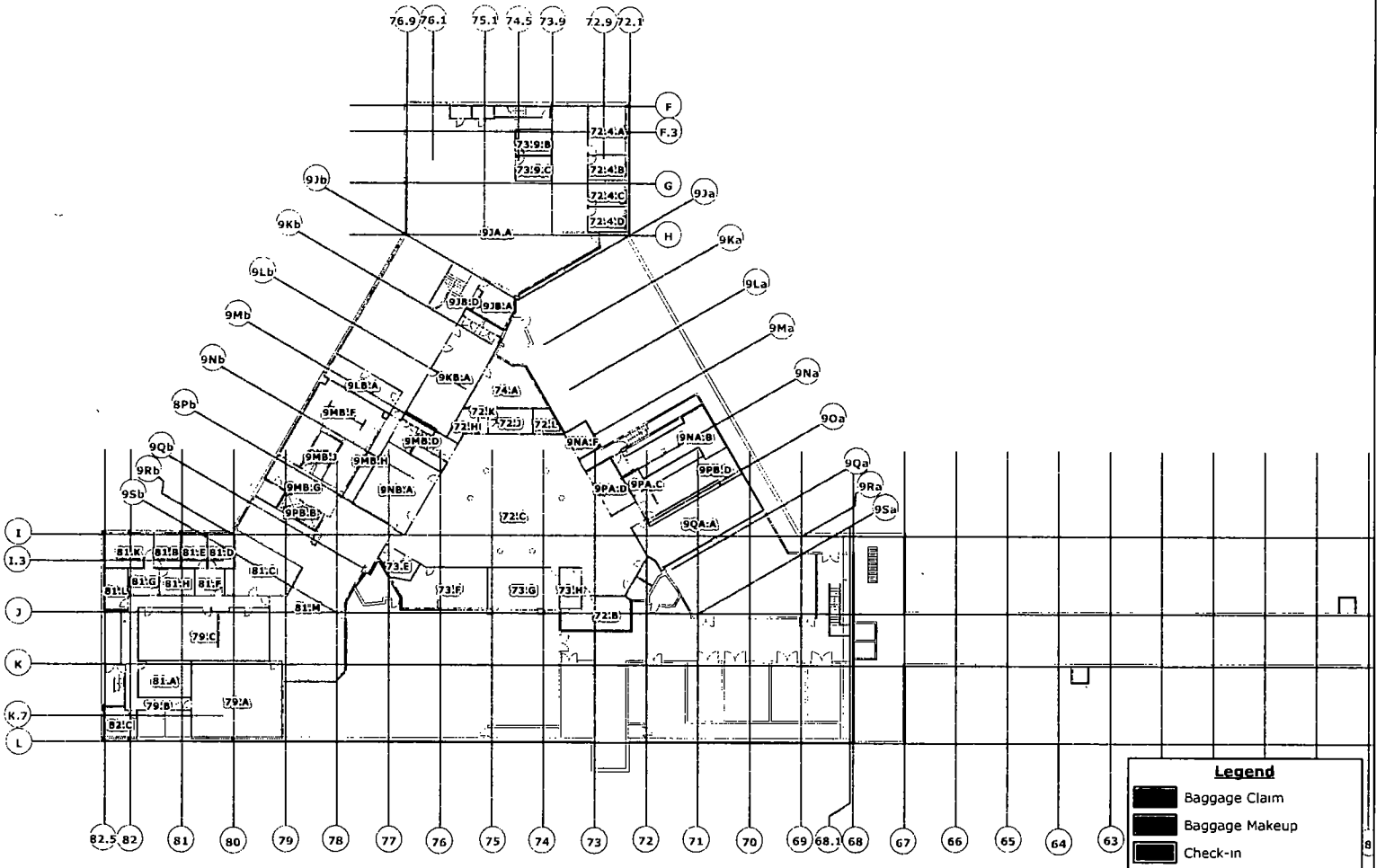
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	Terminal 3 - Main Concourse - Basement Effective May 12, 2018	American Airlines	0 25 50 Feet	Exhibit AA.3.01

As of 7/27/2018
Plot File AA1 13MB.mxd



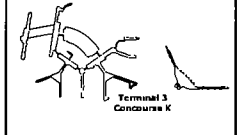
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 3 - HK Concourse - Basement Effective May 12, 2018	American Airlines	0 25 50 Feet	Exhibit AA.3.02

As of 2/27/2018
Plot File AA2.13HKB.mad



Legend

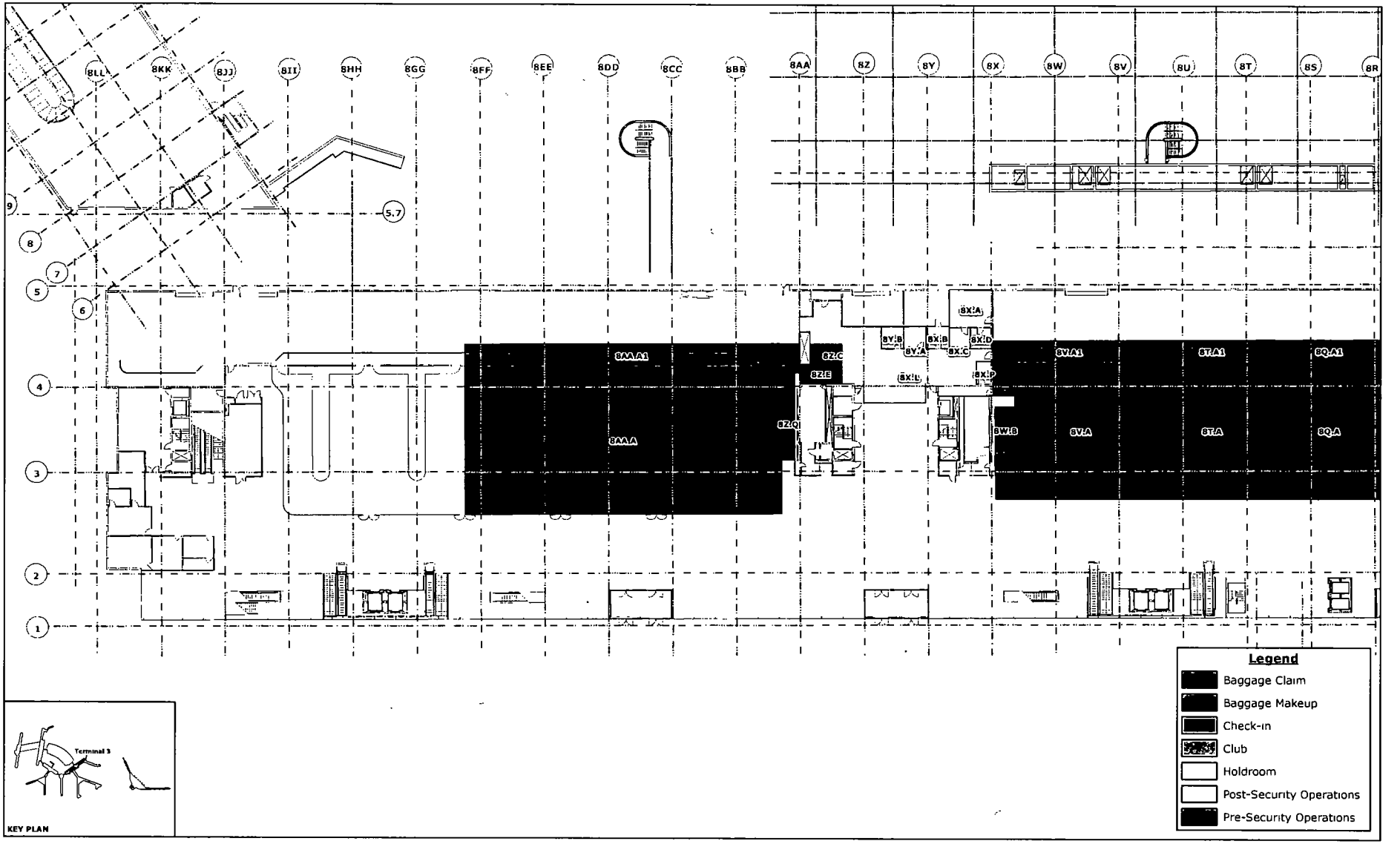
- Baggage Claim
- Baggage Makeup
- Check-in
- Club
- Holdroom
- Post-Security Operations
- Pre-Security Operations



KEY PLAN

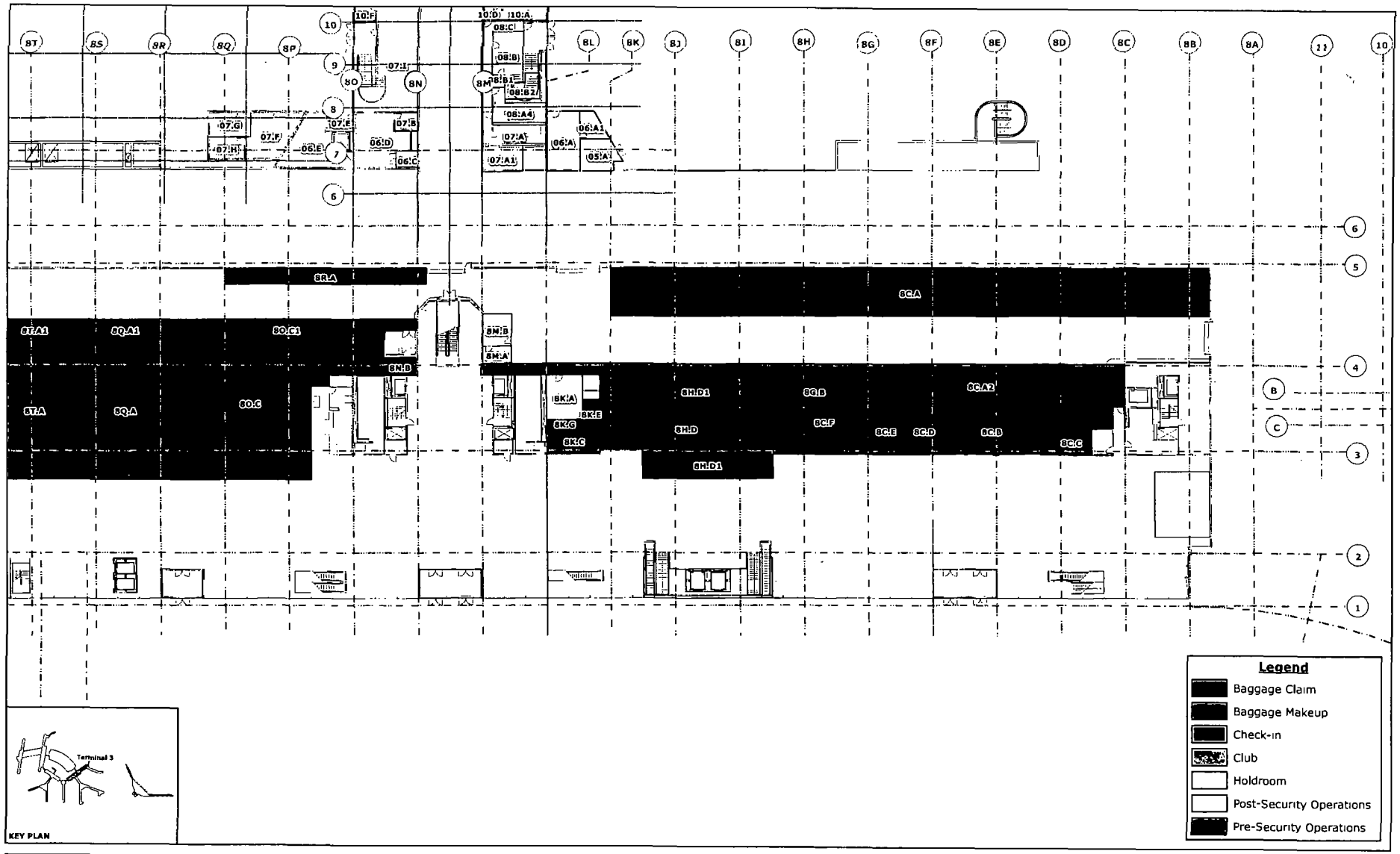
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 3 - K Concourse - Basement Effective May 12, 2018	American Airlines	0 25 50 Feet	Exhibit AA.3.03

As of 2/27/2018
Plot File AA3 TJKB.mxd



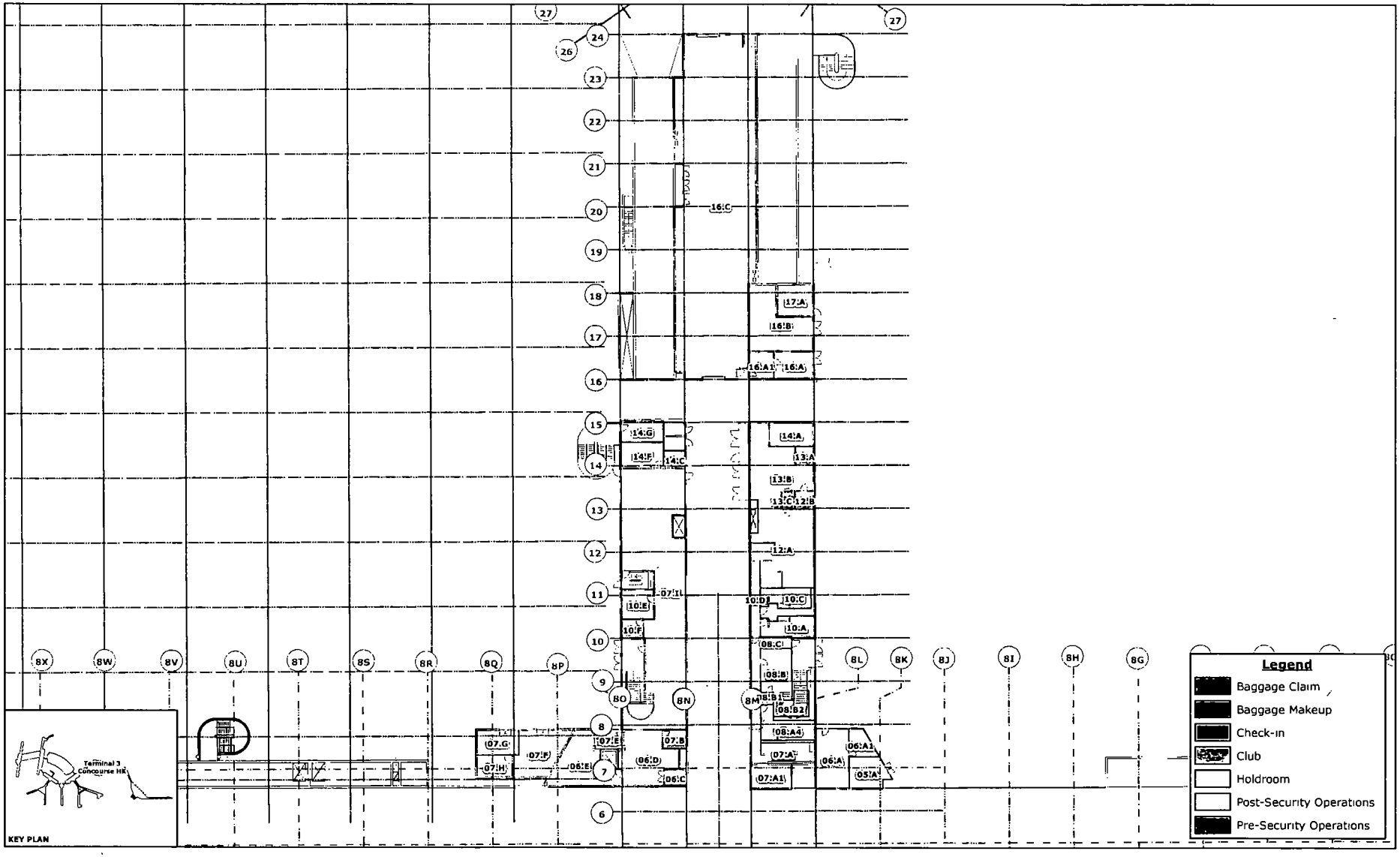
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	Terminal 3 - Main Concourse - Lower Level Effective May 12, 2018	American Airlines	0 25 50 Feet	Exhibit AA.3.04

As of 2/27/2018
Plot File AA4 13MLL.mxd



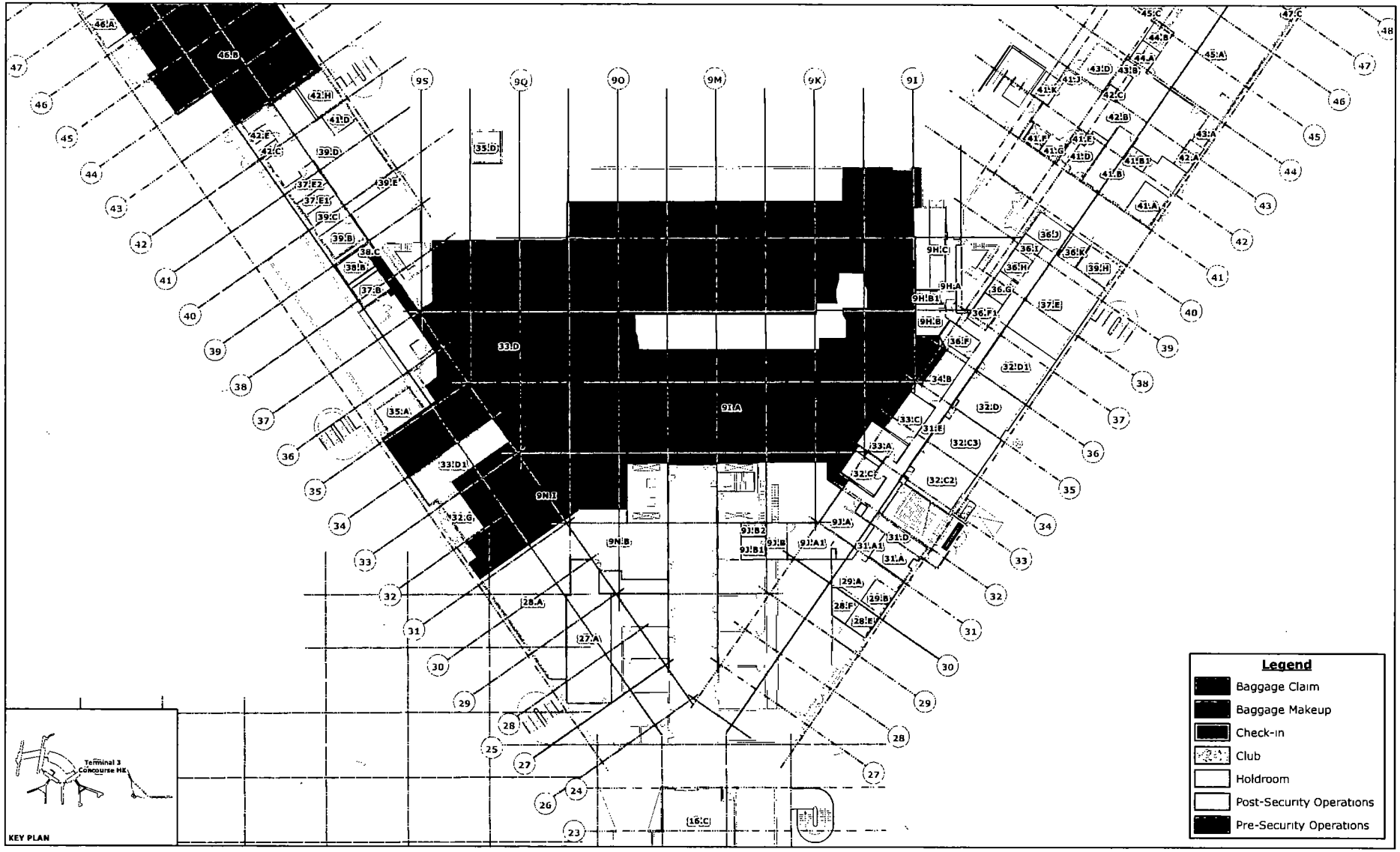
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 3 - Main Concourse - Lower Level Effective May 12, 2018	American Airlines	0 25 50 Feet	Exhibit AA.3.05

As of 2/27/2018
Plot File AAS T3ML2.mxd



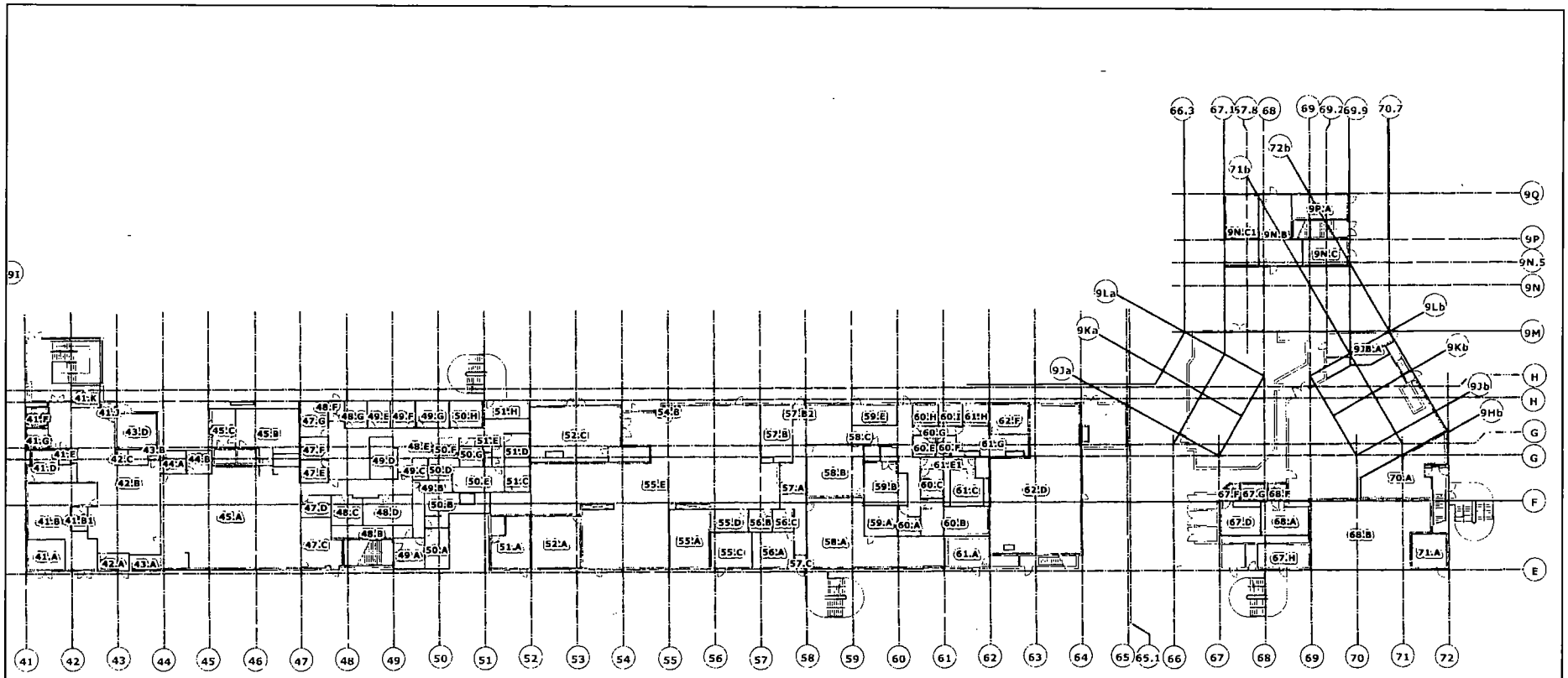
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 3 - HK Concourse - Lower Level Effective May 12, 2018	American Airlines	0 25 50 Feet	Exhibit AA.3.06

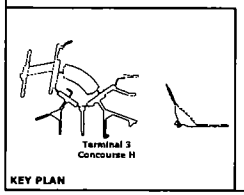
As of 2/27/2018
Plot File AA6.T3HK11.mad



Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CHICAGO DEPARTMENT OF AVIATION	Terminal 3 - HK Concourse - Lower Level Effective May 12, 2018	American Airlines	0 25 50 Feet	Exhibit AA.3.07

As of 2/27/2018
Plot File: AA7 T3HKL2.mxd



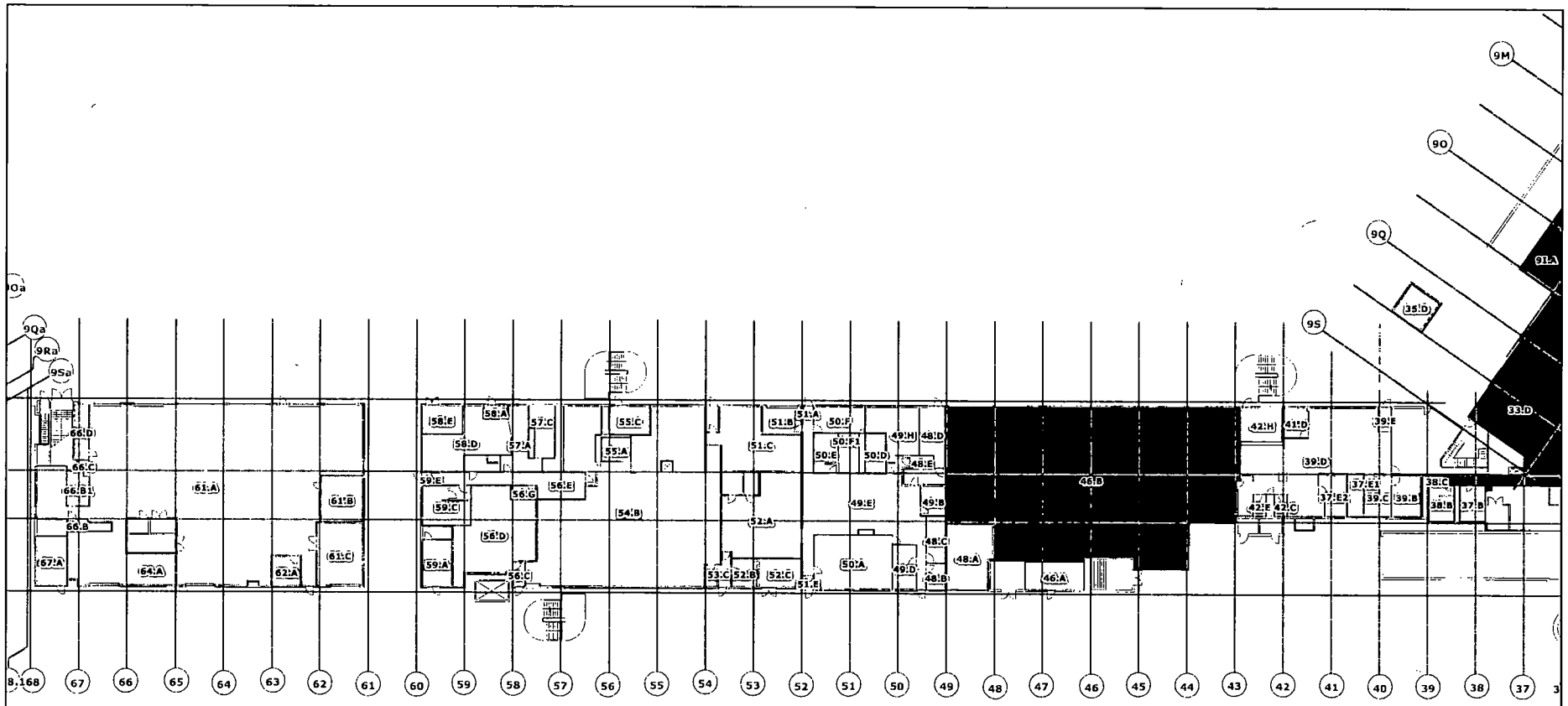


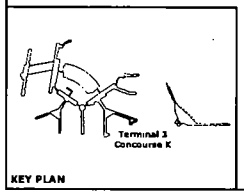
Legend

- Baggage Claim
- Baggage Makeup
- Check-in
- Club
- Holdroom
- Post-Security Operations
- Pre-Security Operations

Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 3 - H Concourse - Lower Level Effective May 12, 2018	American Airlines	0 25 50 Feet	Exhibit AA.3.08

As of 2/27/2018
Plot File AA8 T3HL.mxd





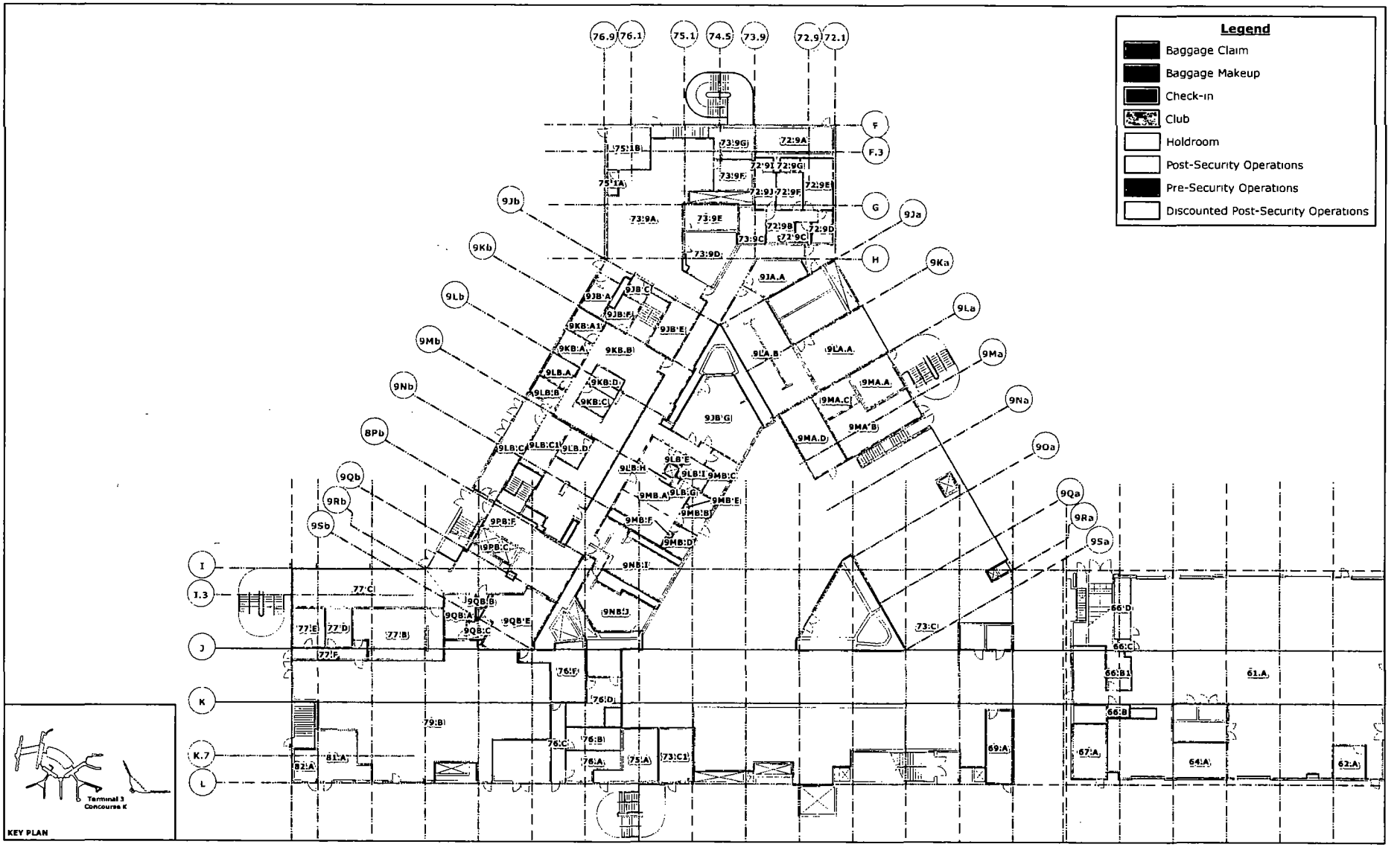
Legend

- Baggage Claim
- Baggage Makeup
- Check-in
- Club
- Holdroom
- Post-Security Operations
- Pre-Security Operations

Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	Terminal 3 - K Concourse - Lower Level Effective May 12, 2018	American Airlines	Exhibit AA.3.09

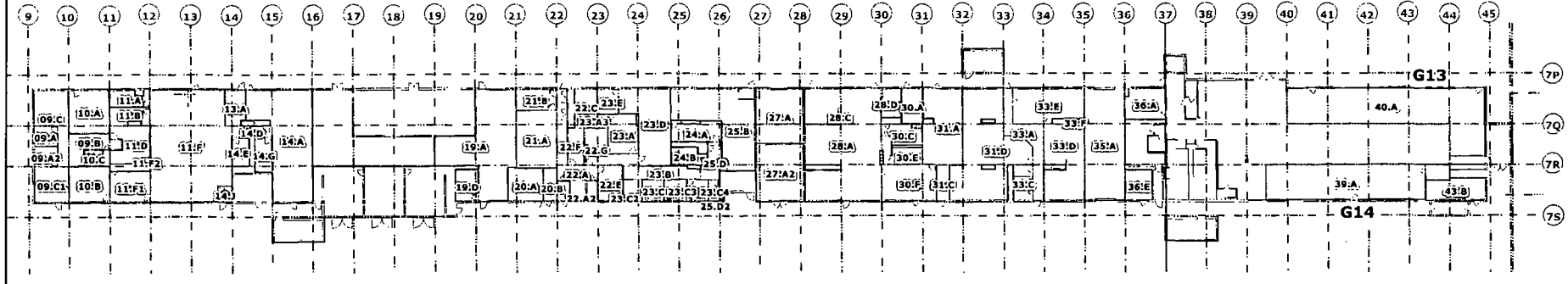
0 25 50 Feet

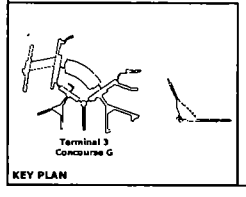
As of 2/27/2018
Plot File AA9 T3K1.mxd



Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 3 - K Concourse - Lower Level Effective May 12, 2018	American Airlines	0 25 50 Feet	Exhibit AA.3.10

As of 7/27/2018
Plot File AA10 T3K12.mxd



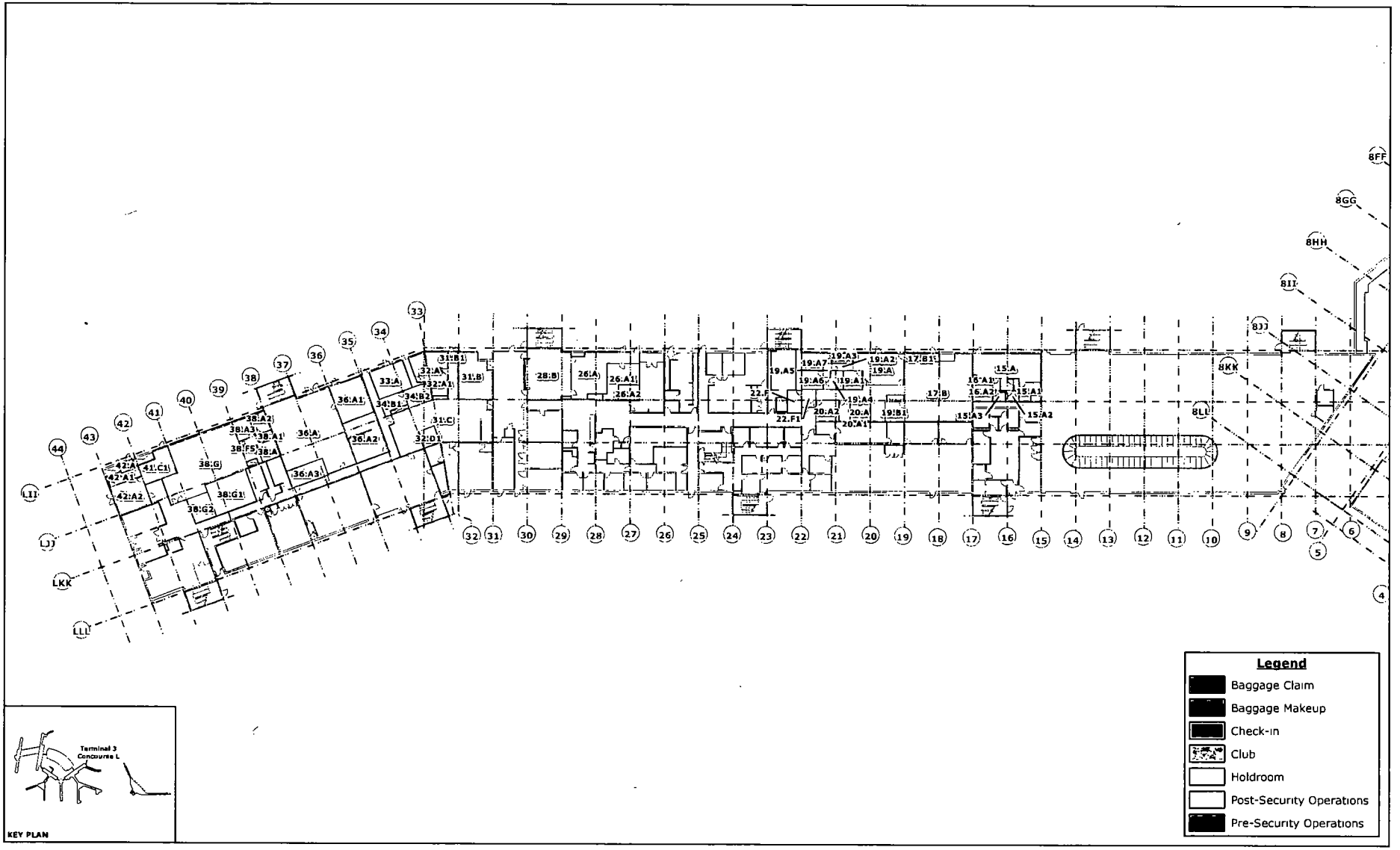


Legend

- Baggage Claim
- Baggage Makeup
- Check-in
- Club
- Holdroom
- Post-Security Operations
- Pre-Security Operations

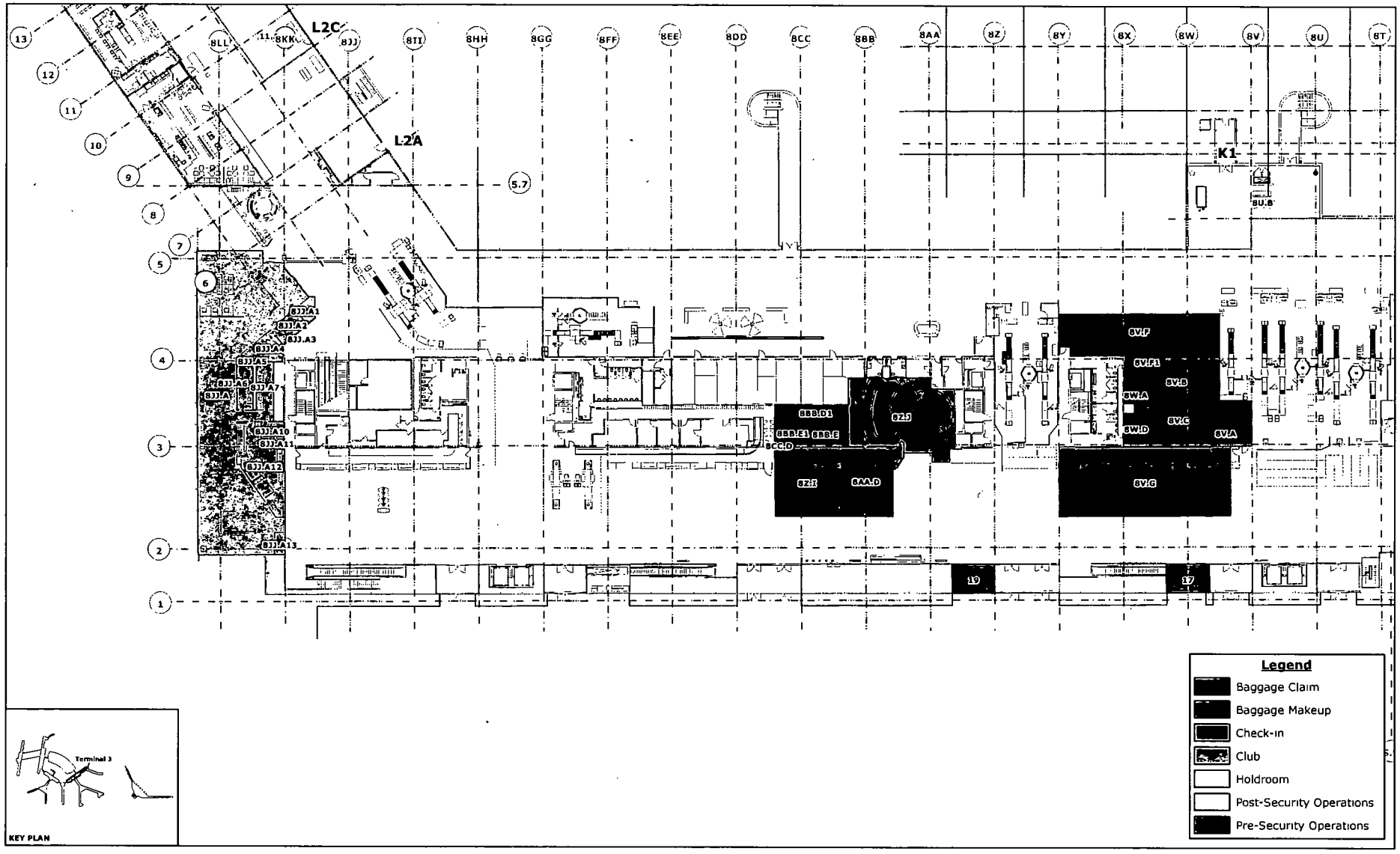
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	Terminal 3 - G Concourse - Lower Level Effective May 12, 2018	American Airlines	0 25 50 Feet	Exhibit AA.3.11

As of 2/27/2018
Plot File AA11 13GL.mxd



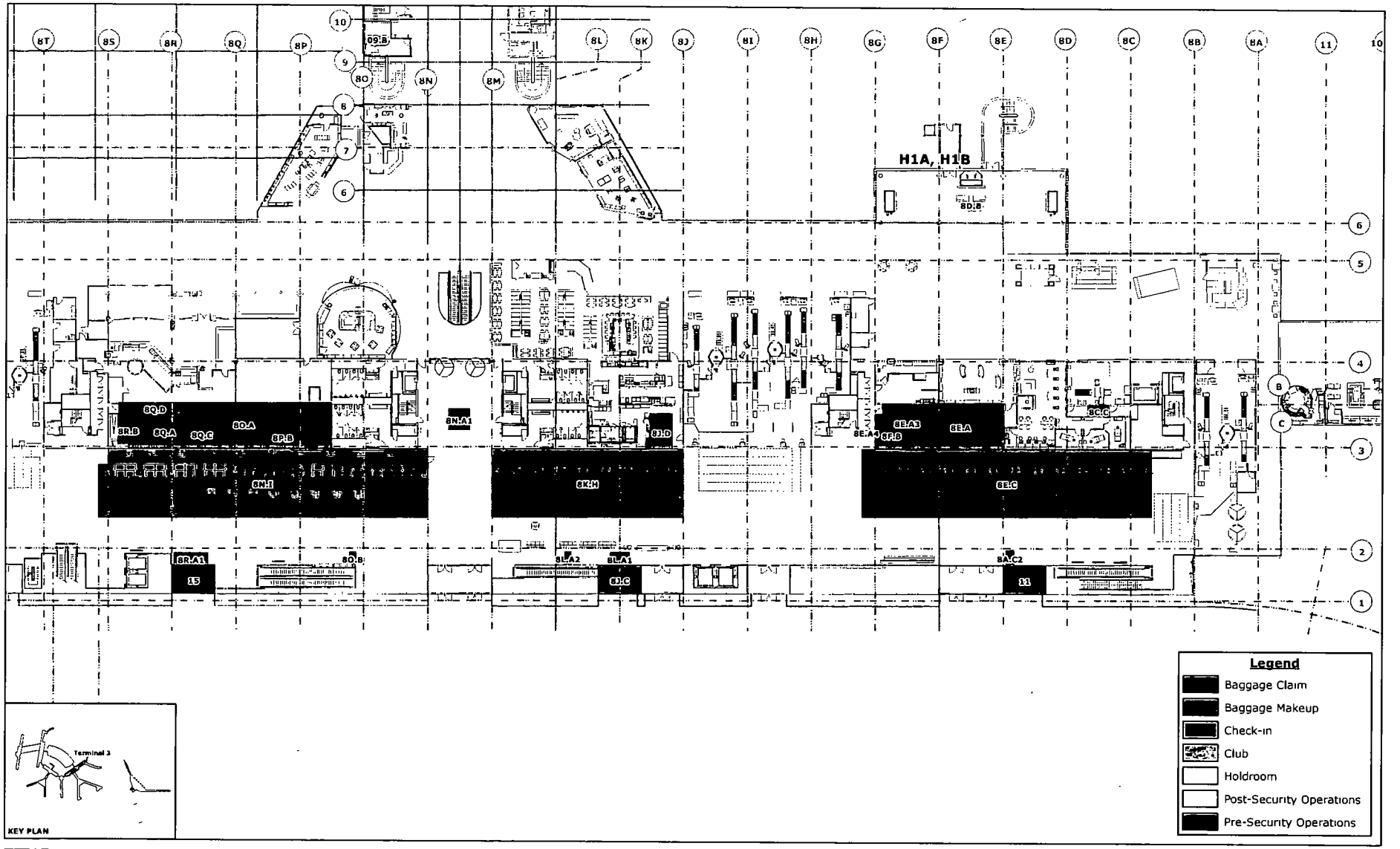
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 3 - L Concourse - Lower Level Effective May 12, 2018	American Airlines	0 50 100 Feet	Exhibit AA.3.12

As of 7/27/2018
Plot File AA12 T3LL.mxd



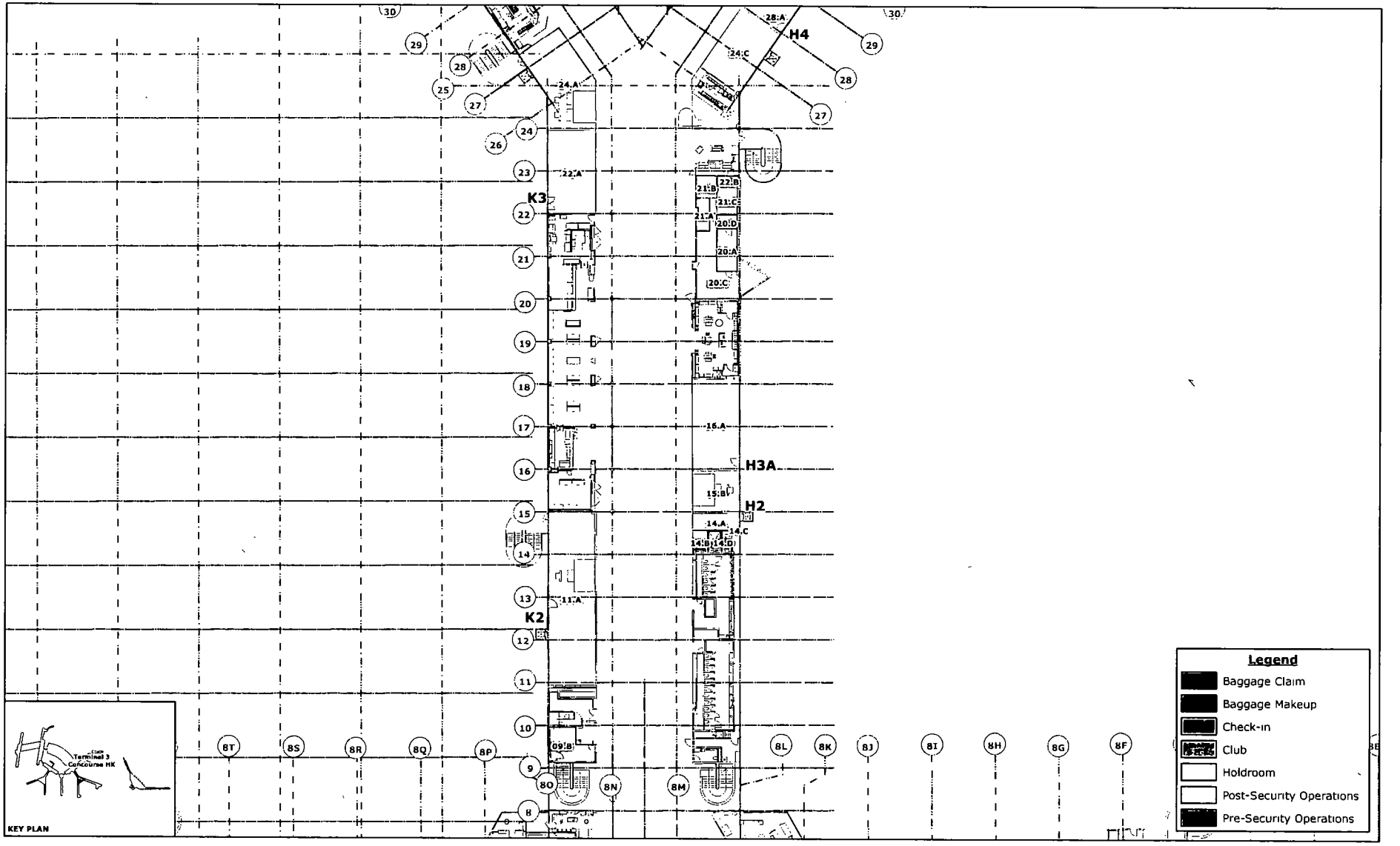
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 3 - Main Concourse - Upper Level Effective May 12, 2018	American Airlines	0 25 50 Feet	Exhibit AA.3.13

As of 2/27/2018
Plot File AA13.T3MU1.nad



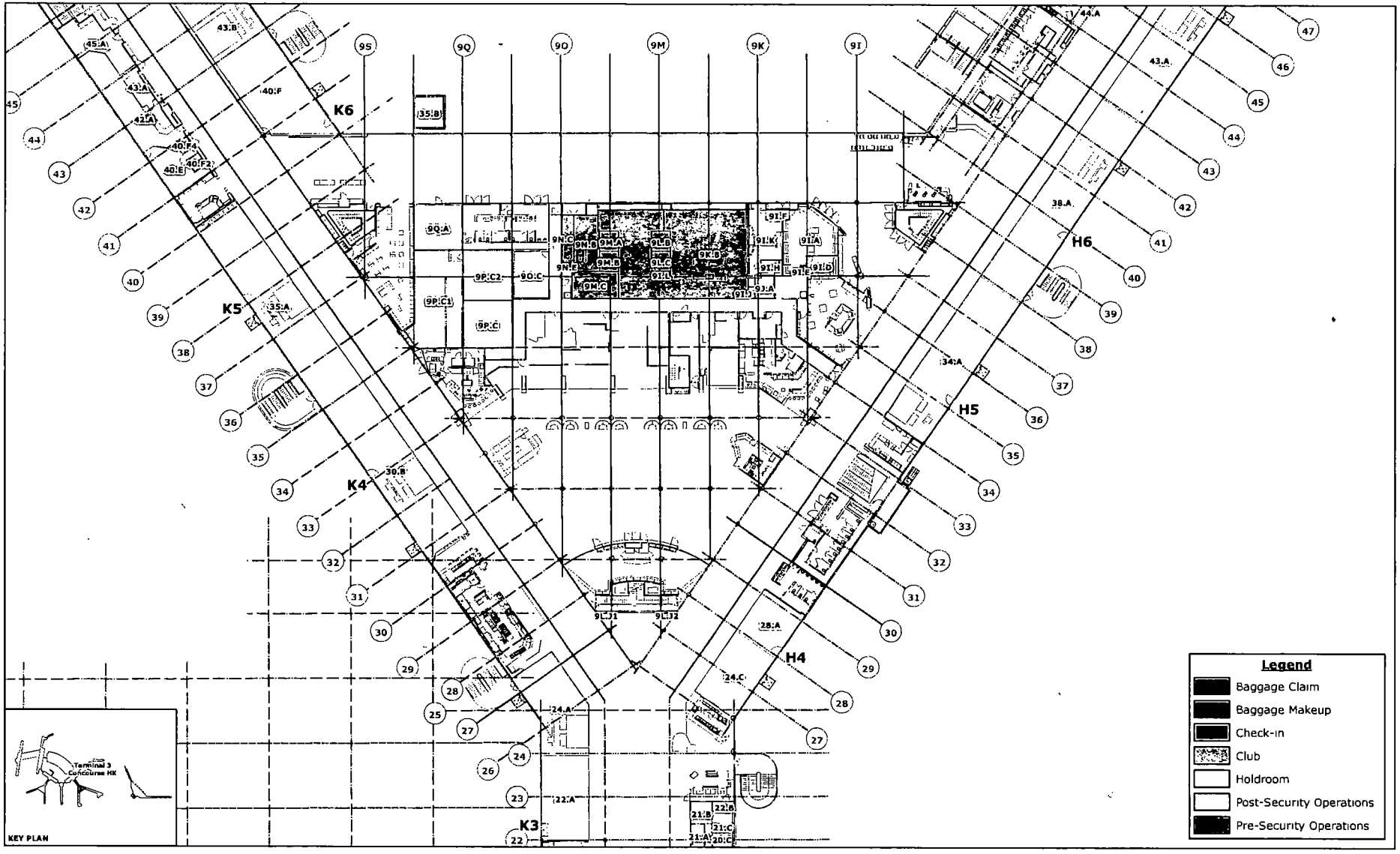
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 3 - Main Concourse - Upper Level Effective May 12, 2018	American Airlines	0 25 50 Feet	Exhibit AA.3.14

As of 7/27/2018
Mot File AA14 T3MU2.mxd



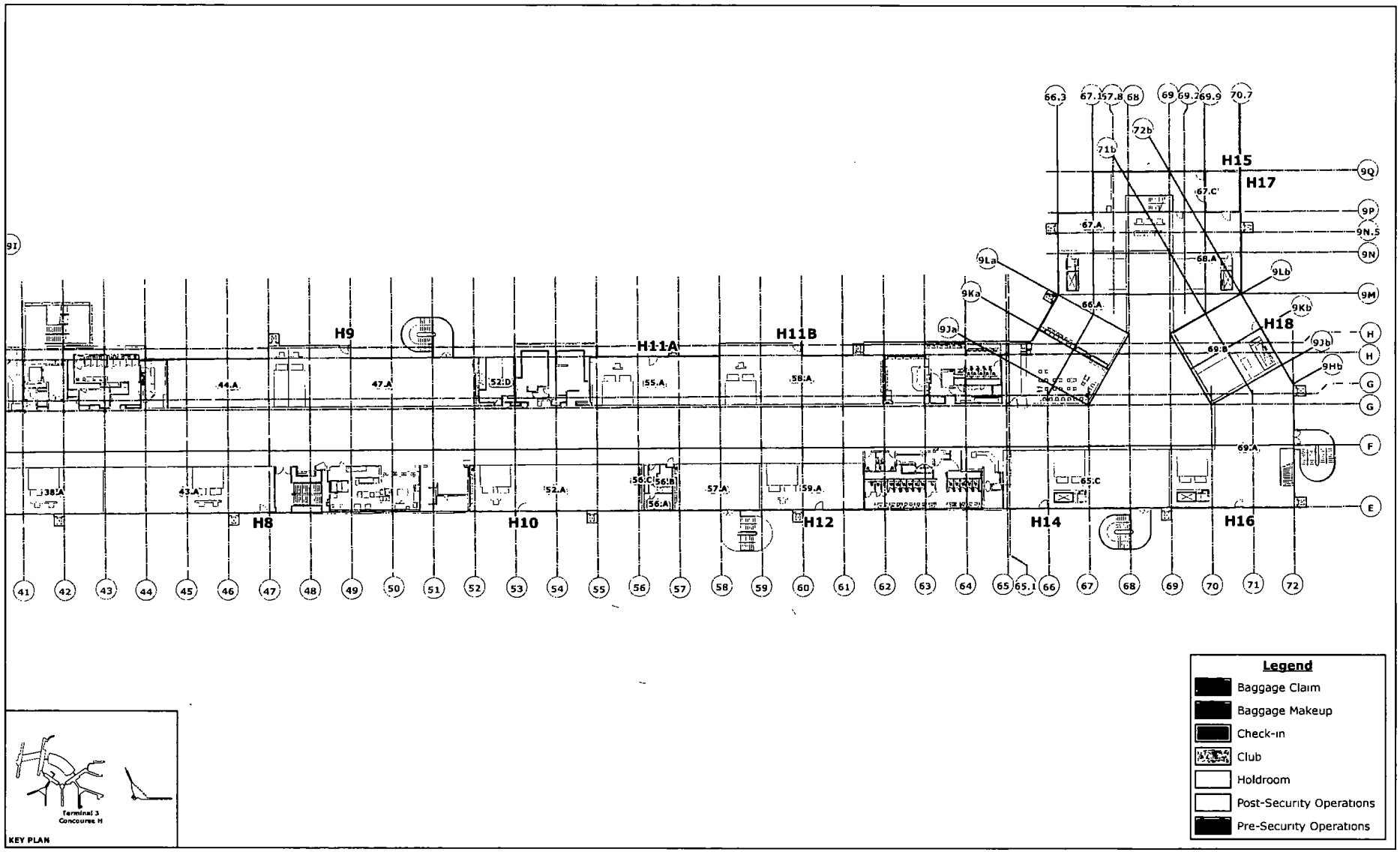
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	Terminal 3 - HK Concourse - Upper Level Effective May 12, 2018	American Airlines	0 25 50 Feet	Exhibit AA.3.15

As of 2/27/2018
Plot File AA15 T3HKU1.mxd



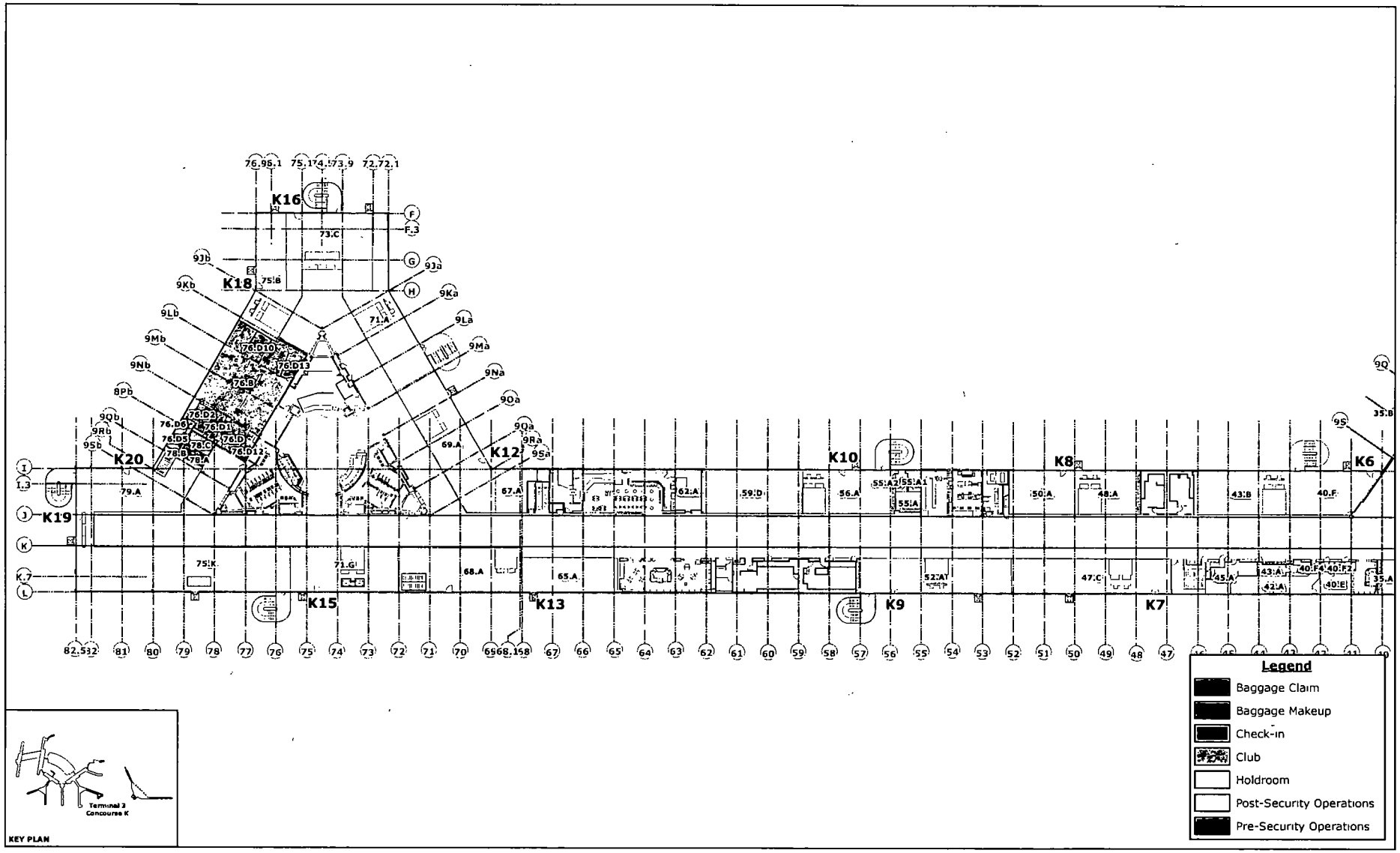
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 3 - HK Concourse - Upper Level Effective May 12, 2018	American Airlines	0 25 50 Feet	Exhibit AA.3.16

As of 2/27/2018
Plot File: AA16 T3HKU02.mad



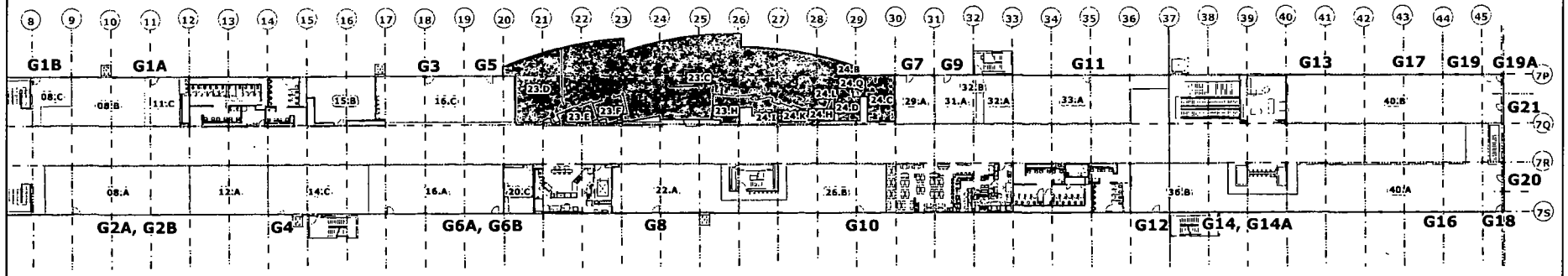
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	Terminal 3 - H Concourse - Upper Level Effective May 12, 2018	American Airlines	0 25 50 Feet	Exhibit AA.3.17

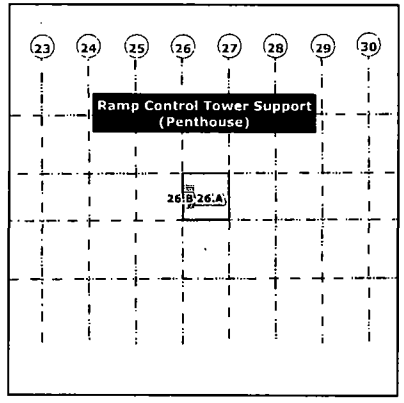
As of 2/27/2018
Plot File AA17 13HU.mxd

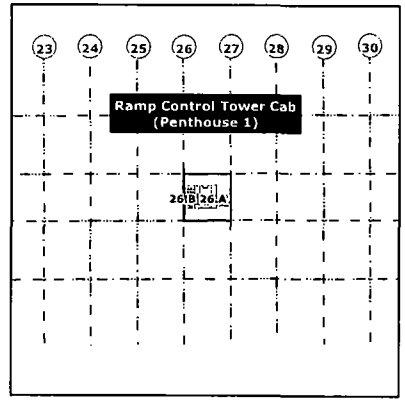


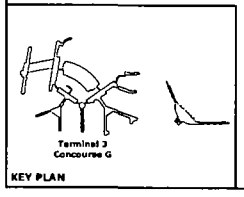
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 3 - K Concourse - Upper Level Effective May 12, 2018	American Airlines	0 50 100 Feet	Exhibit AA.3.18

As of 2/27/2018
Plot File AA18 T3KU.mxd







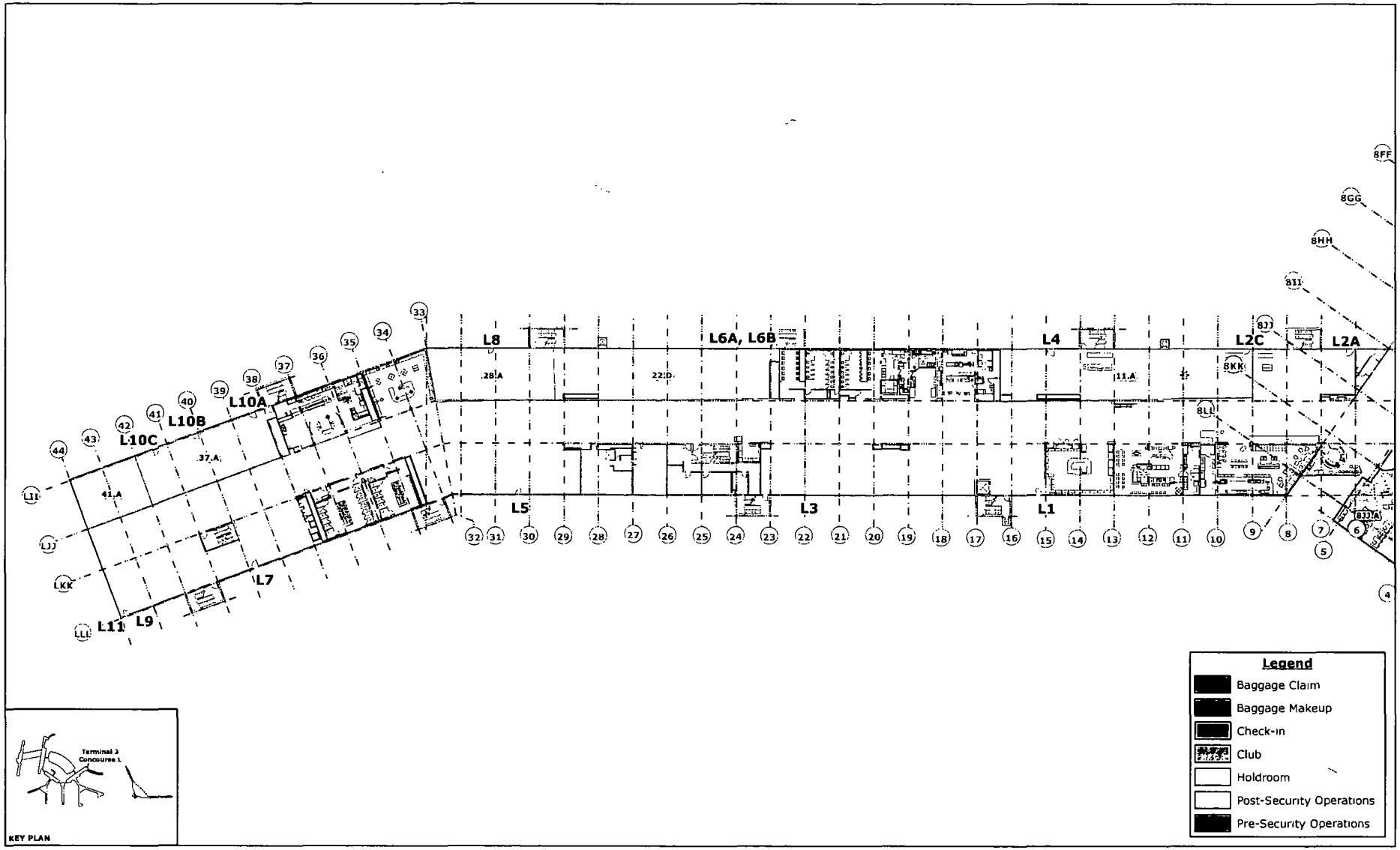


Legend

- Baggage Claim
- Baggage Makeup
- Check-in
- Club
- Holdroom
- Post-Security Operations
- Pre-Security Operations

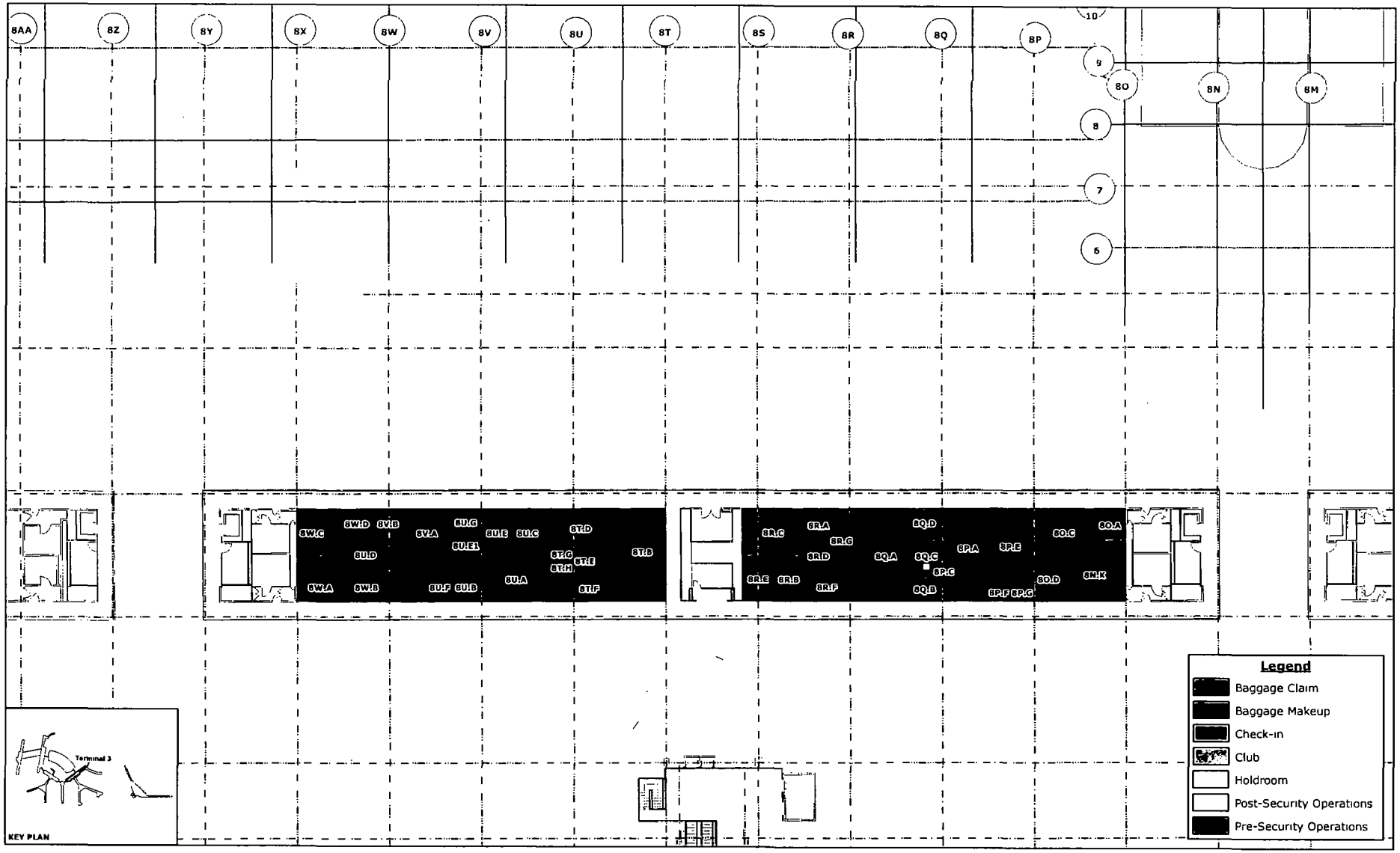
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 3 - G Concourse - Upper Level Effective May 12, 2018	American Airlines	0 25 50 Feet	Exhibit AA.3.19

As of 2/27/2018
Plot File AA19.T3GU.nwd



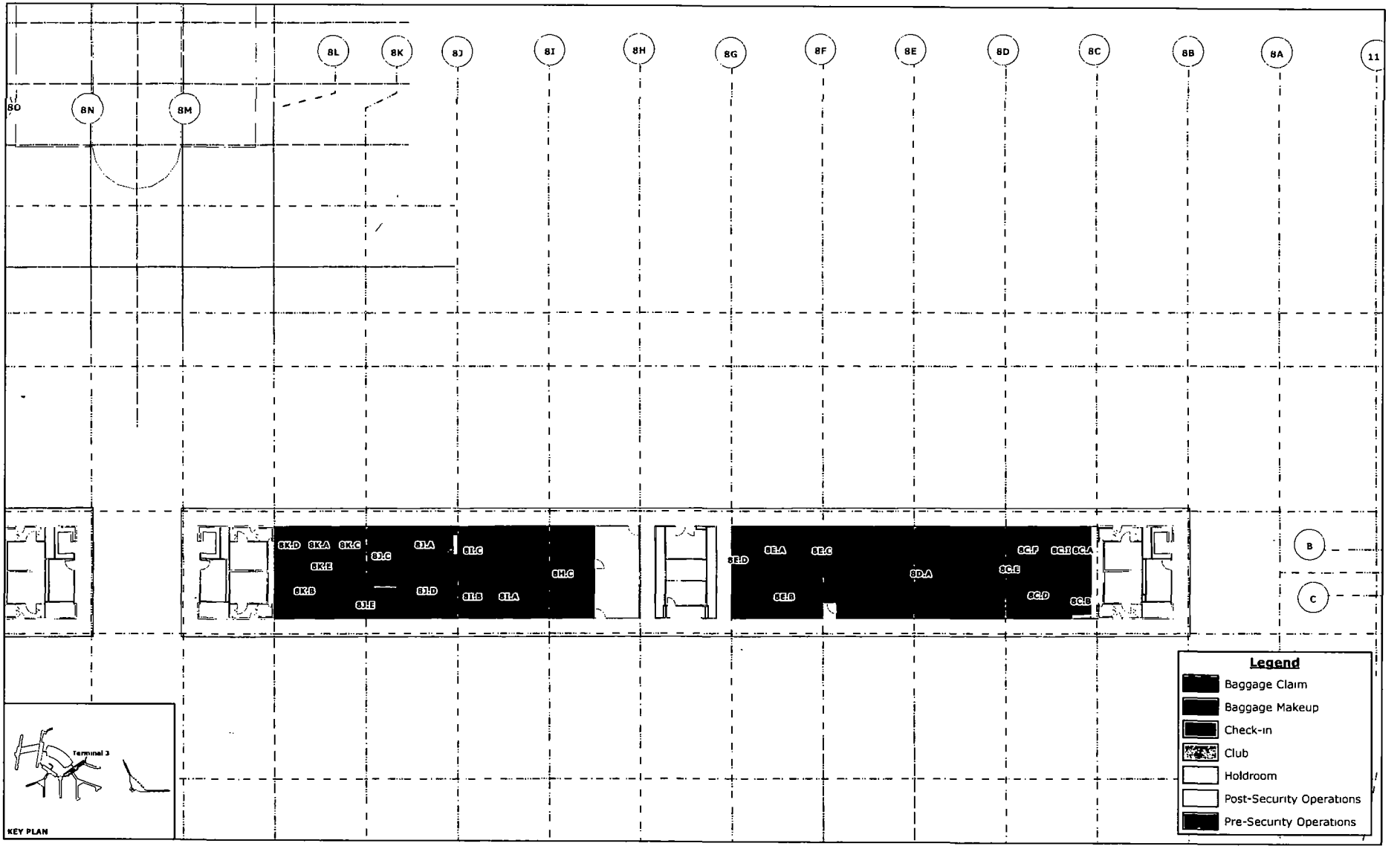
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 3 - L Concourse - Upper Level Effective May 12, 2018	American Airlines	0 50 100 Feet	Exhibit AA.3.20

As of 2/27/2018
Plot File AA20 T3LU.mxd



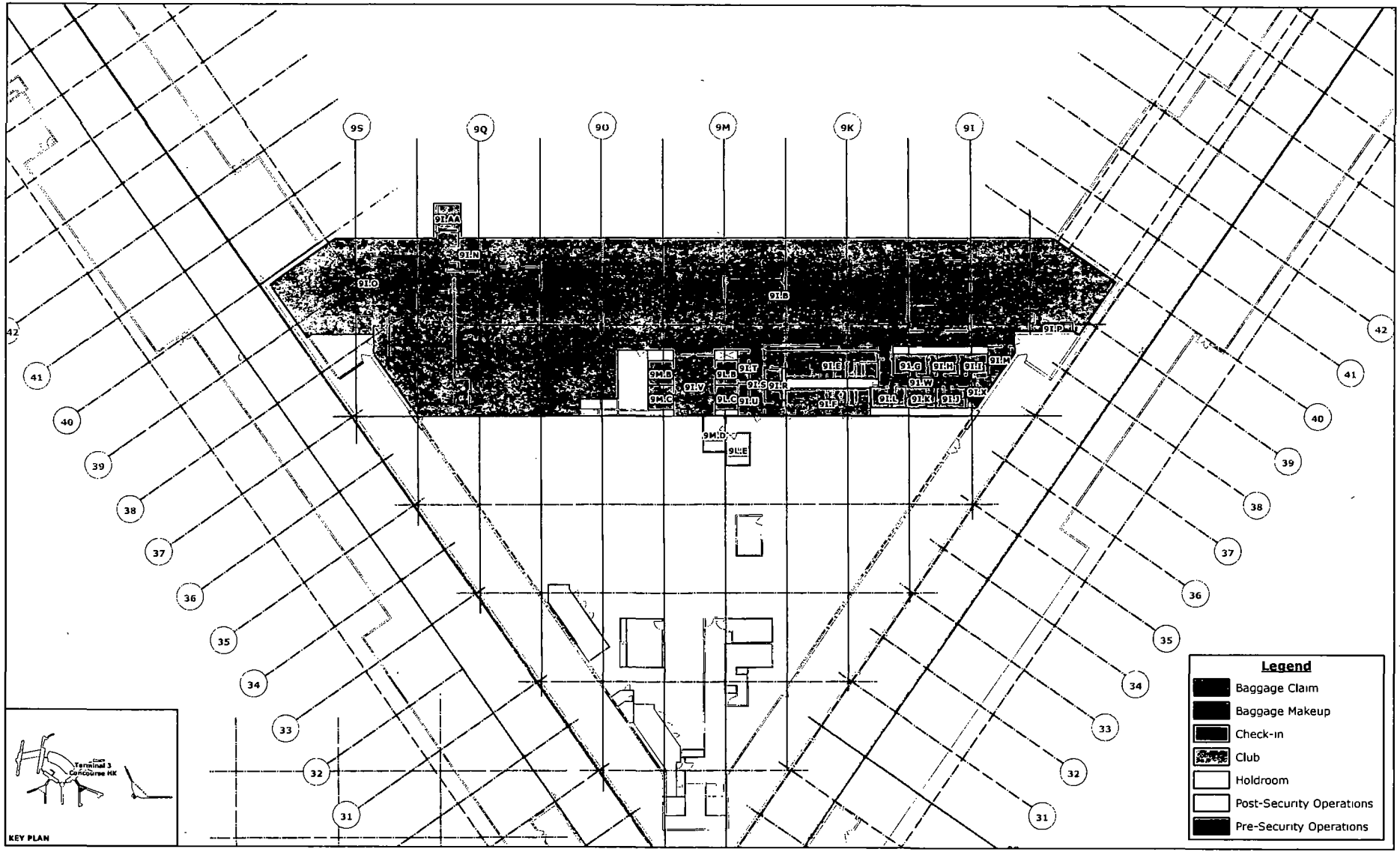
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 3 - Main Concourse - Mezzanine Effective May 12, 2018	American Airlines	0 25 50 Feet	Exhibit AA.3.21

As of 7/27/2018
Plot File AA21 T3MM1.mxd



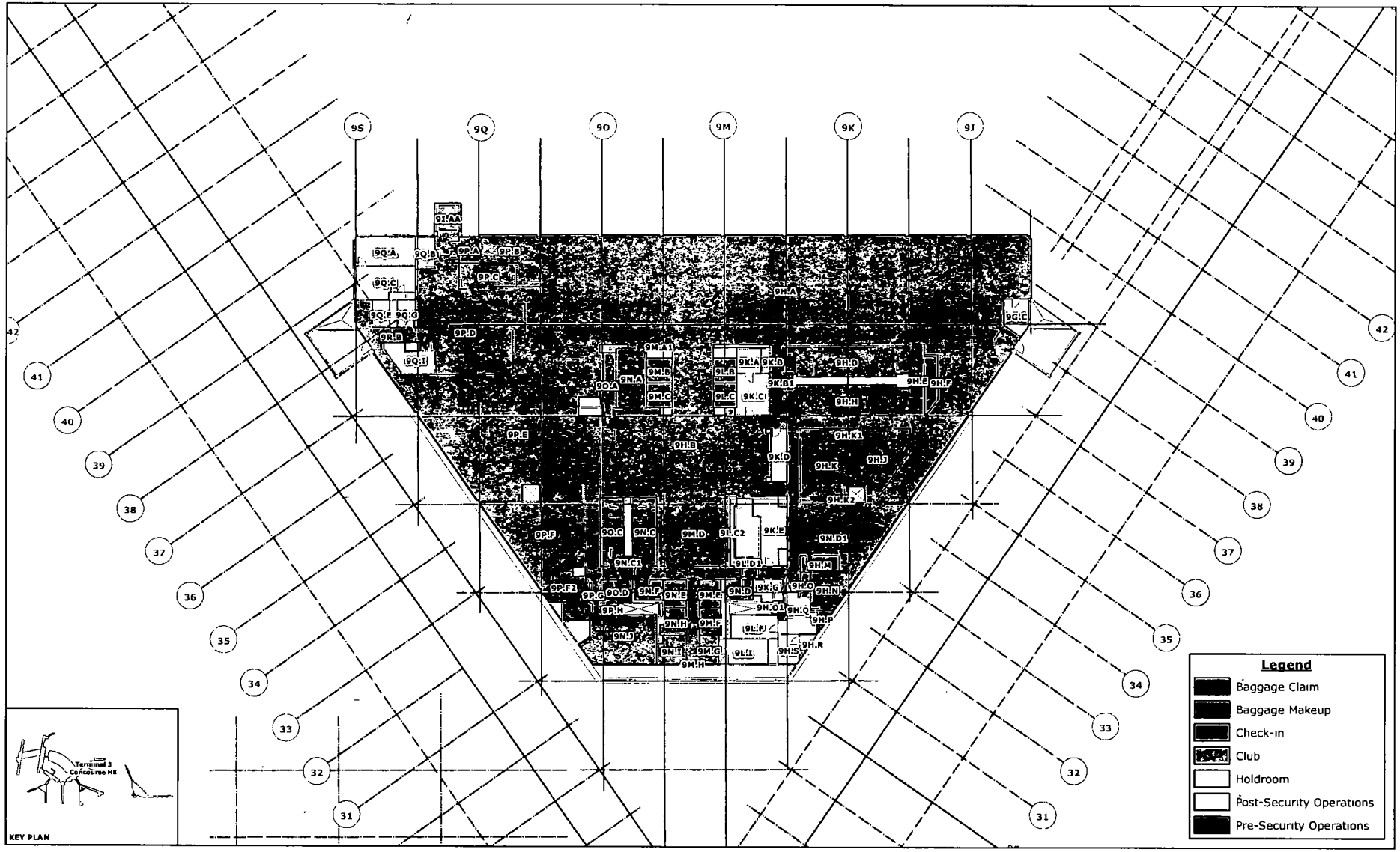
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	Terminal 3 - Main Concourse - Mezzanine Effective May 12, 2018	American Airlines	0 25 50 Feet	Exhibit AA.3.22

As of 2/27/2018
Plot File: AA22 T3MMZ.mxd



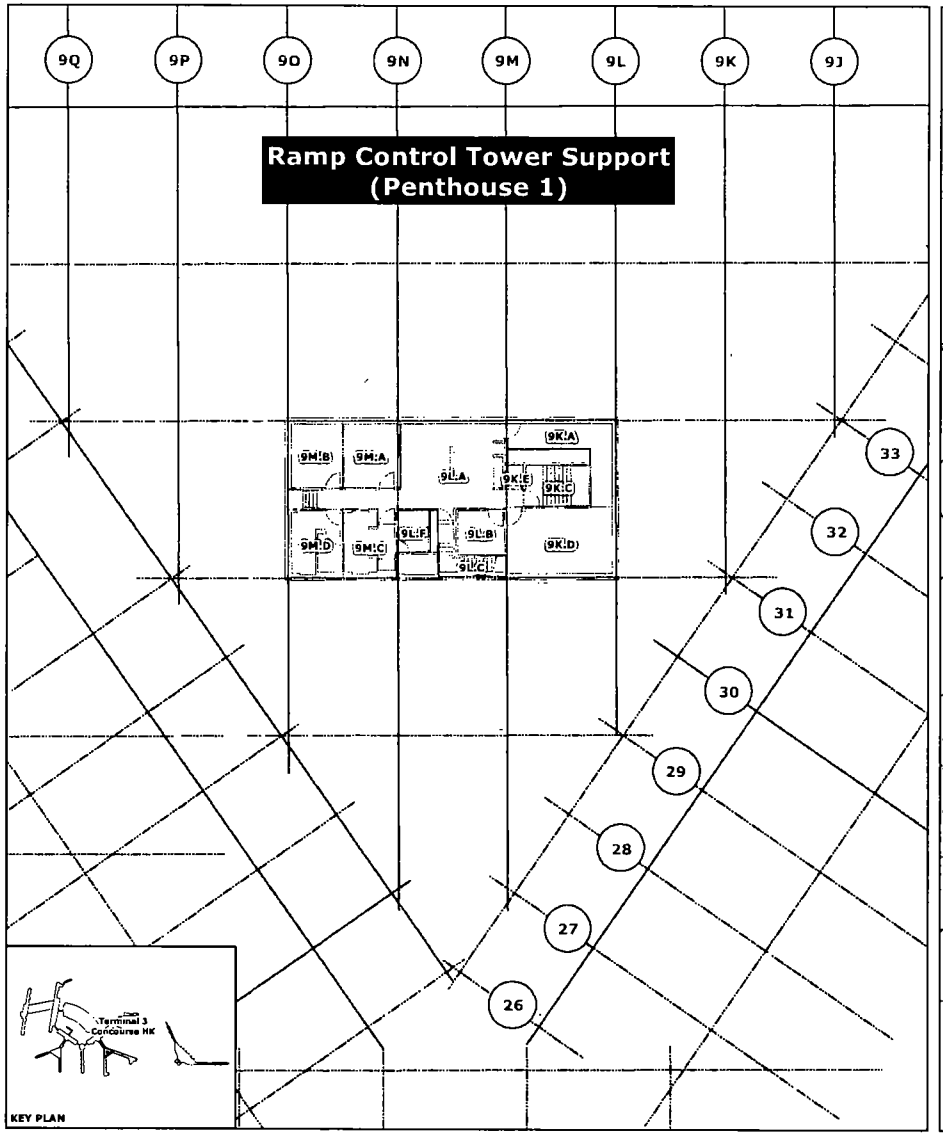
Chicago O'Hare International Airport	**City of Chicago Rahm Emanuel Mayor**	**Department of Aviation**	CDA CHICAGO DEPARTMENT OF AVIATION	**Terminal 3 - HK Concourse - Mezzanine Effective May 12, 2018**	**American Airlines**	0 25 50 Feet	**Exhibit AA.3.23**

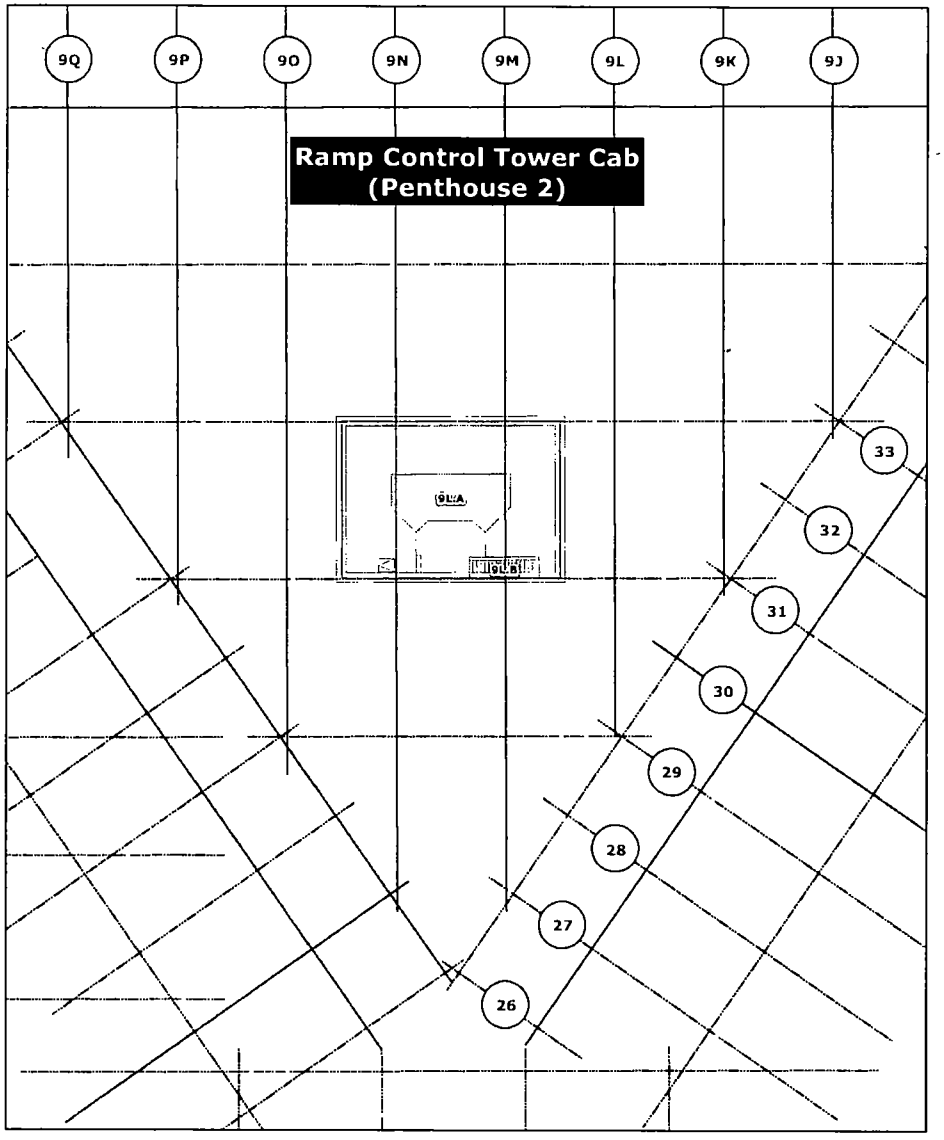
As of 7/27/2018
Plot File: AA23 T3HKM.mxd



Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	Terminal 3 - HK Concourse - Penthouse Effective May 12, 2018	American Airlines	0 25 50 Feet	Exhibit AA.3.24

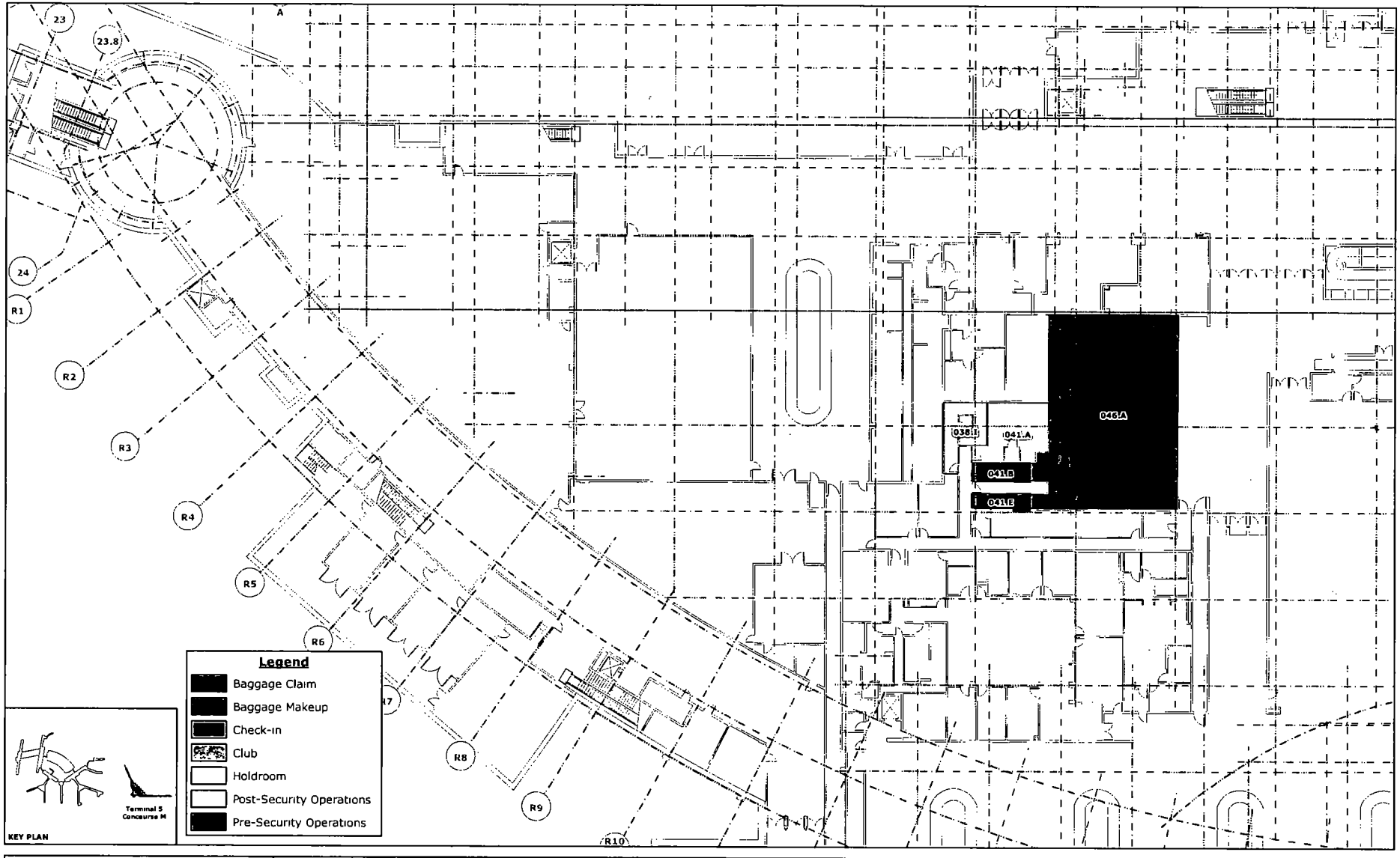
As of 2/27/2018
Plot File AA24.13HxP1.mxd





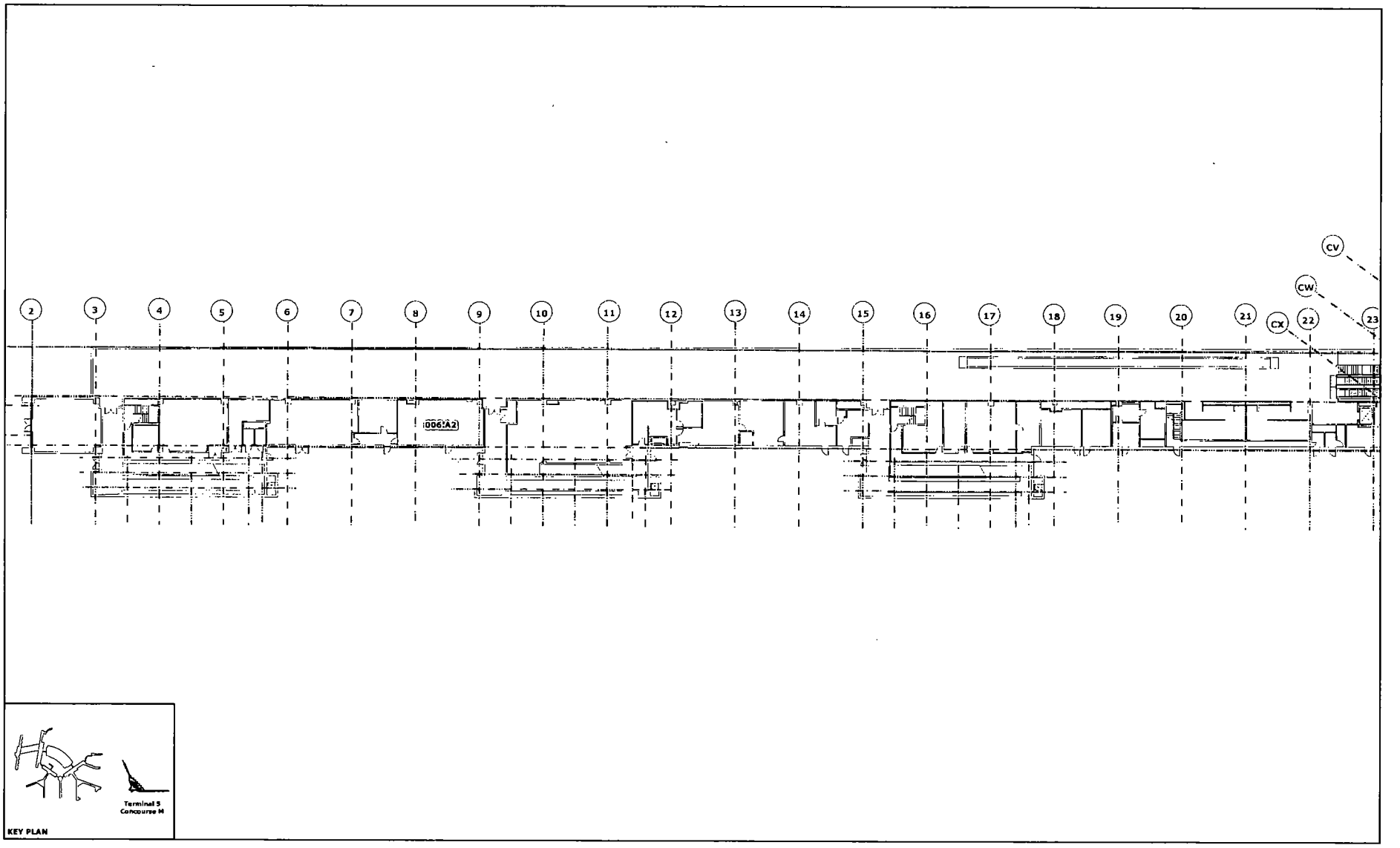
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	Terminal 3 - HK Concourse - Penthouse Effective May 12, 2018	American Airlines	0 20 40 Feet	Exhibit AA.3.25

As of 2/27/2018
Plot File AA25.T3HKP2.mxd



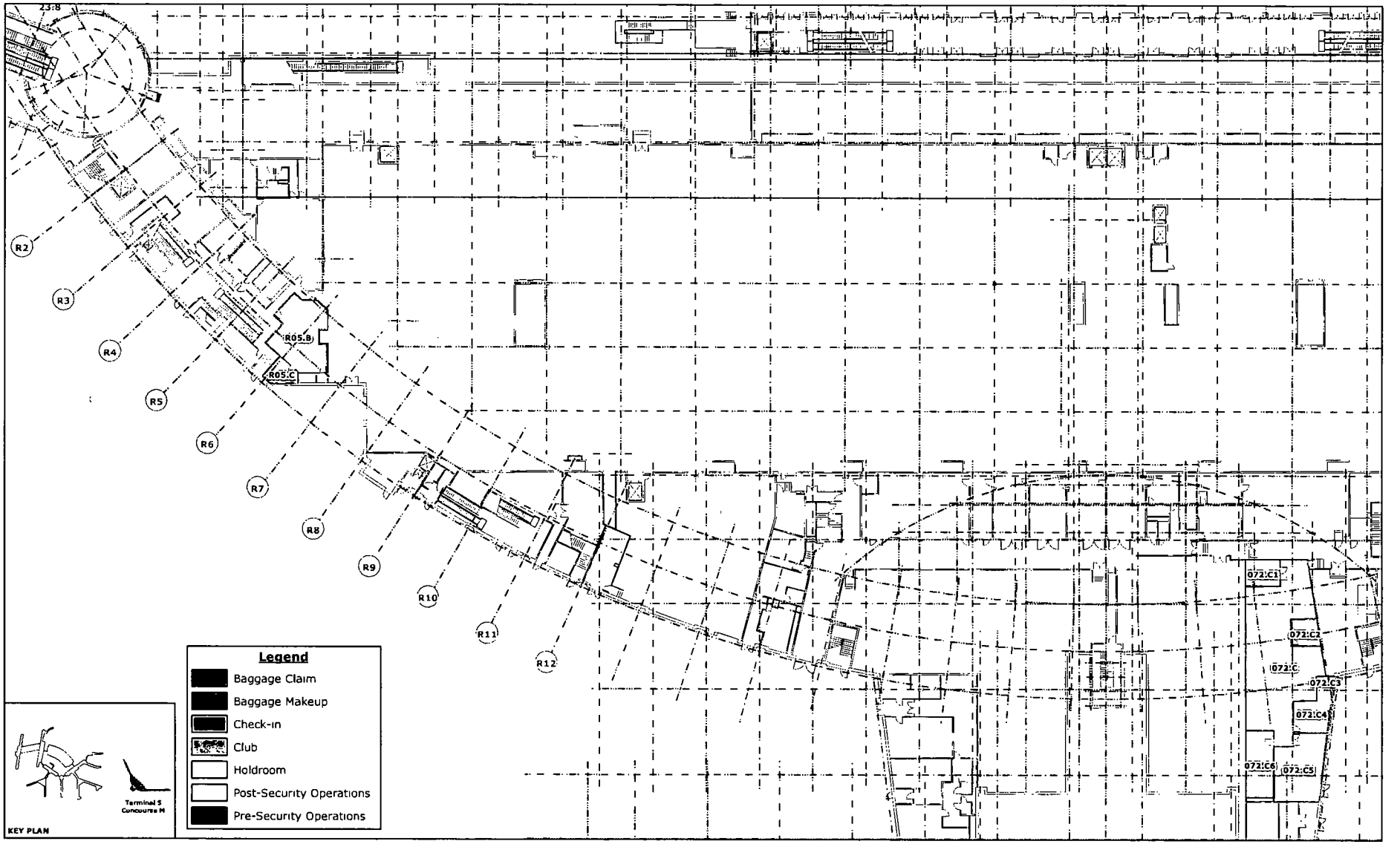
Chicago O'Hare International Airport	**City of Chicago Rahm Emanuel Mayor**	**Department of Aviation**	CDA CHICAGO DEPARTMENT OF AVIATION	**Terminal 5 - Main Concourse - Basement Effective May 12, 2018**	**American Airlines**	0 25 50 Feet	**Exhibit AA.5.01**

As of 2/27/2018
Plot File: AA26 T5B.mxd



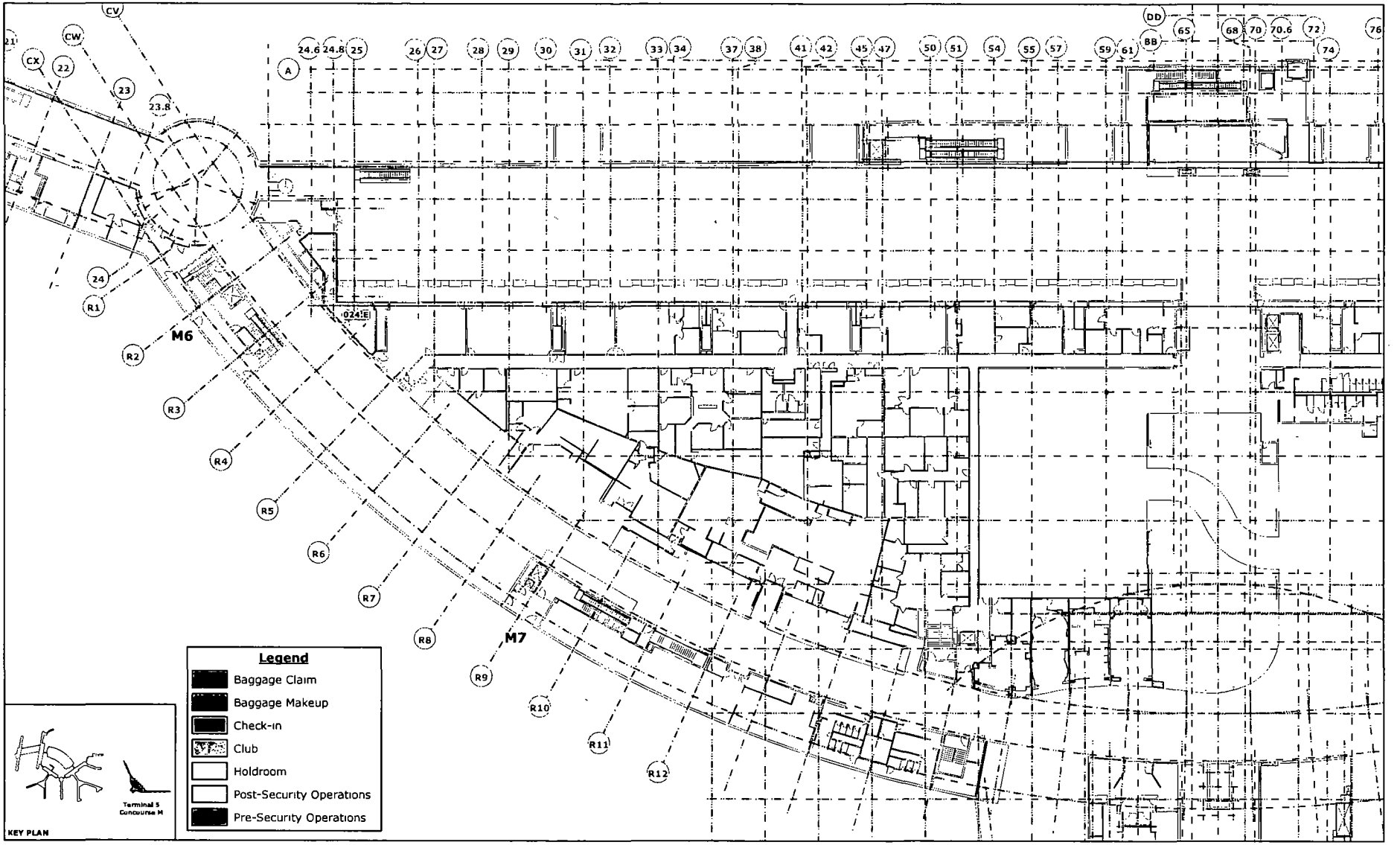
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	Terminal 5 - Main Concourse - Lower Level Effective May 12, 2018	American Airlines	0 25 50 Feet	Exhibit AA.5.02

As of 2/27/2018
Plot File AA27 T5L1.mxd



Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 5 - Main Concourse - Lower Level Effective May 12, 2018	American Airlines	0 25 50 Feet	Exhibit AA.5.03

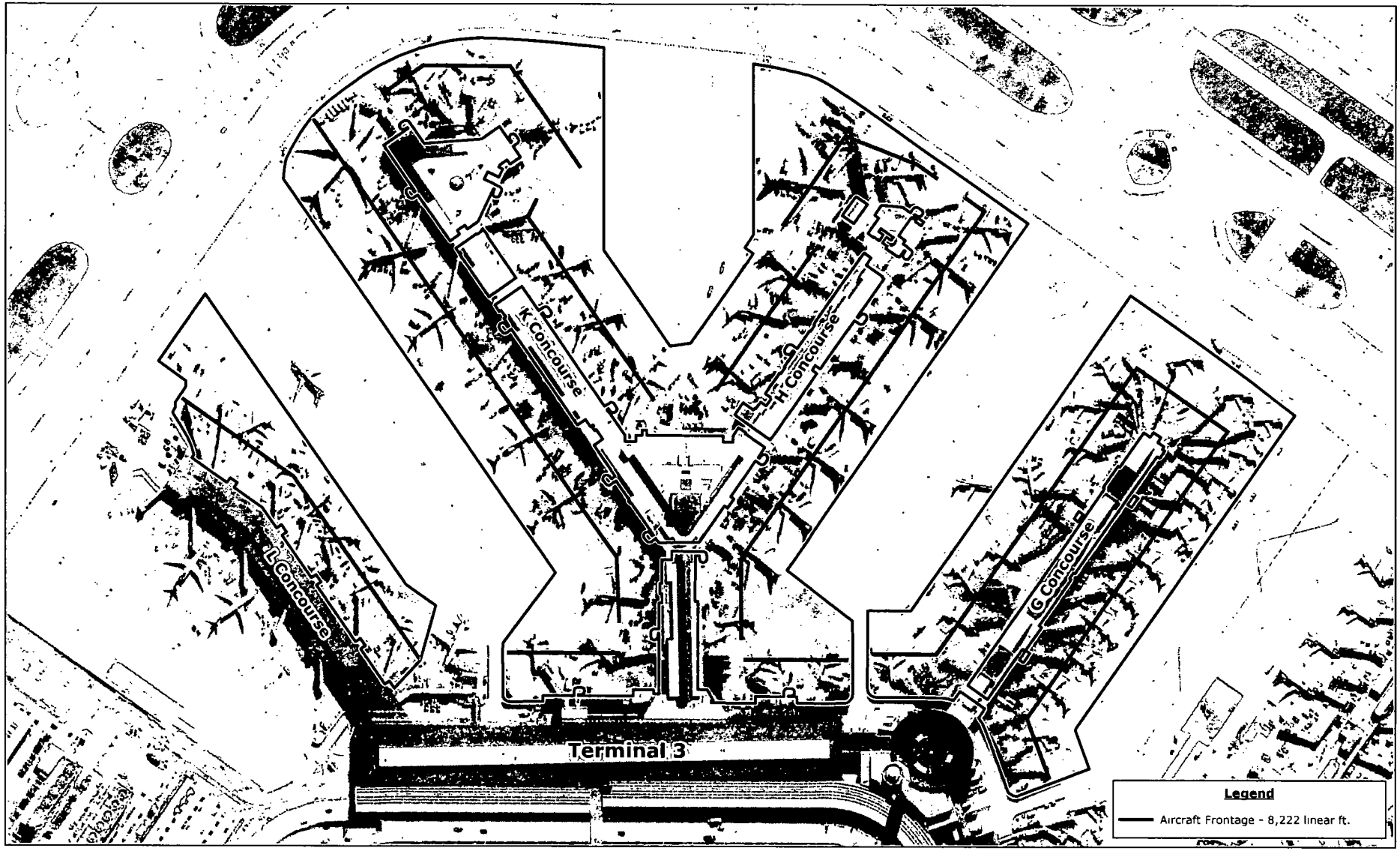
As of 2/27/2018
Plot File AA78 15L2.mxd



Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CHICAGO DEPARTMENT OF AVIATION	Terminal 5 - Main Concourse - Upper Level Effective May 12, 2018	American Airlines	Exhibit AA.5.04

0 25 50 Feet

As of 2/27/2018
Plot File AA29 T5U.mxd



Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Aircraft Ramp Area Effective May 12, 2018	American Airlines	0 150 300 Feet	Exhibit AA.R.01

As of 7/27/2018
Plot File AA3B RAMP.mxd

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
01.A	3	HK	Basement2	288	Post-Security Operations	AA.3.02
01.B	3	HK	Basement2	64	Post-Security Operations	AA.3.02
01.C	3	HK	Basement2	124	Post-Security Operations	AA.3.02
1.F	3	HK	Basement	508	Post-Security Operations	AA.3.02
1.J	3	HK	Basement	113	Post-Security Operations	AA.3.02
1.K	3	HK	Basement	429	Post-Security Operations	AA.3.02
1.L	3	HK	Basement	293	Post-Security Operations	AA.3.02
1.M	3	HK	Basement	115	Post-Security Operations	AA.3.02
1.N	3	HK	Basement	152	Post-Security Operations	AA.3.02
02.B	3	HK	Basement2	79	Post-Security Operations	AA.3.02
04.A	3	HK	Basement2	128	Post-Security Operations	AA.3.02
04.B	3	HK	Basement2	102	Post-Security Operations	AA.3.02
04.C	3	HK	Basement2	45	Post-Security Operations	AA.3.02
05.A	3	HK	Lower	252	Post-Security Operations	AA.3.06
05.B	3	HK	Basement2	68	Post-Security Operations	AA.3.02
06.A	3	HK	Lower	439	Post-Security Operations	AA.3.06
06.A	3	HK	Basement2	1,076	Post-Security Operations	AA.3.02
06.A1	3	HK	Lower	135	Post-Security Operations	AA.3.06
006.A2	5	M	Lower	888	Post-Security Operations	AA.5.02
06.B	3	HK	Basement2	662	Post-Security Operations	AA.3.02
06.C	3	HK	Lower	84	Post-Security Operations	AA.3.06
06.D	3	HK	Lower	582	Post-Security Operations	AA.3.06
06 E	3	HK	Lower	564	Post-Security Operations	AA.3.06
07.A	3	HK	Basement	121,512	Baggage Makeup	AA.3.02
07.A	3	HK	Lower	313	Post-Security Operations	AA.3.06
07.A	3	HK	Basement2	65	Post-Security Operations	AA.3.02
07.A1	3	HK	Lower	230	Post-Security Operations	AA.3.06
07.B	3	HK	Lower	98	Post-Security Operations	AA.3.06
07.E	3	HK	Lower	127	Post-Security Operations	AA.3.06
07.F	3	HK	Lower	471	Post-Security Operations	AA.3.06
07.G	3	HK	Lower	232	Post-Security Operations	AA.3.06
07.H	3	HK	Lower	177	Post-Security Operations	AA.3.06
07.I	3	HK	Lower	2,847	Post-Security Operations	AA.3.06
08.A	3	G	Upper	1,851	Holdroom	AA.3.19
08.A4	3	HK	Lower	274	Post-Security Operations	AA.3.06
08.B	3	HK	Lower	323	Post-Security Operations	AA.3.06
08.B	3	G	Upper	1,087	Holdroom	AA.3.19
08.B1	3	HK	Lower	26	Post-Security Operations	AA.3.06
08.B2	3	HK	Lower	156	Post-Security Operations	AA.3.06
08.C	3	HK	Lower	290	Post-Security Operations	AA.3.06
08.C	3	G	Upper	350	Holdroom	AA.3.19
8A.C2	3	Main	Upper	28	Check-In	AA.3.14
8AA.A	3	Main	Lower	10,476	Baggage Claim	AA.3.04
8AA.A1	3	Main	Lower	1,612	Baggage Claim	AA.3.04
8AA.D	3	Main	Upper	854	Check-In	AA.3.13
8BB.D1	3	Main	Upper	228	Pre-Security Operations	AA.3.13
8BB.E	3	Main	Upper	281	Pre-Security Operations	AA.3.13
8BB.E1	3	Main	Upper	104	Pre-Security Operations	AA.3.13
8C.A	3	Main	Lower	6,332	Baggage Makeup	AA.3.05
8C.A	3	Main	Mezzanine	91	Pre-Security Operations	AA.3.22
8C.A2	3	Main	Lower	3,618	Baggage Makeup	AA.3.05
8C.B	3	Main	Lower	1,529	Pre-Security Operations	AA.3.05
8C.B	3	Main	Mezzanine	61	Pre-Security Operations	AA.3.22
8C.C	3	Main	Lower	228	Pre-Security Operations	AA.3.05
8C.C	3	Main	Upper	54	Pre-Security Operations	AA.3.14
8C.D	3	Main	Lower	184	Pre-Security Operations	AA.3.05
8C.D	3	Main	Mezzanine	370	Pre-Security Operations	AA.3.22
8C.E	3	Main	Lower	1,065	Pre-Security Operations	AA.3.05
8C.E	3	Main	Mezzanine	6	Pre-Security Operations	AA.3.22
8C.F	3	Main	Lower	418	Pre-Security Operations	AA.3.05

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
8C.F	3	Main	Mezzanine	210	Pre-Security Operations	AA.3.22
8C.I	3	Main	Mezzanine	103	Pre-Security Operations	AA.3.22
8CC.D	3	Main	Upper	68	Baggage Makeup	AA.3.13
8D.A	3	Main	Mezzanine	1,666	Pre-Security Operations	AA.3.22
8D.B	3	Main	Upper	2,499	Holdroom	AA.3.14
8E.A	3	Main	Upper	857	Pre-Security Operations	AA.3.14
8E.A	3	Main	Mezzanine	335	Pre-Security Operations	AA.3.22
8E.A3	3	Main	Upper	229	Pre-Security Operations	AA.3.14
8E.A4	3	Main	Upper	81	Pre-Security Operations	AA.3.14
8E.B	3	Main	Mezzanine	497	Pre-Security Operations	AA.3.22
8E.C	3	Main	Upper	4,367	Check-In	AA.3.14
8E.C	3	Main	Mezzanine	150	Pre-Security Operations	AA.3.22
8E.D	3	Main	Mezzanine	36	Pre-Security Operations	AA.3 22
8F.B	3	Main	Upper	94	Baggage Makeup	AA.3.14
8G.B	3	Main	Lower	305	Baggage Makeup	AA.3.05
8H.C	3	Main	Mezzanine	845	Pre-Security Operations	AA.3.22
8H.D	3	Main	Lower	1,644	Pre-Security Operations	AA.3.05
8H.D1	3	Main	Lower	824	Check-In	AA.3.05
8H.D1	3	Main	Lower	1,306	Baggage Makeup	AA.3.05
8I.A	3	Main	Mezzanine	211	Pre-Security Operations	AA.3.22
8I.B	3	Main	Mezzanine	152	Pre-Security Operations	AA.3.22
8I.C	3	Main	Mezzanine	149	Pre-Security Operations	AA.3.22
8J.A	3	Main	Mezzanine	213	Pre-Security Operations	AA.3.22
8J.C	3	Main	Upper	271	Baggage Makeup	AA.3.14
8J.C	3	Main	Mezzanine	190	Pre-Security Operations	AA.3.22
8J.D	3	Main	Upper	179	Baggage Makeup	AA.3.14
8J.D	3	Main	Mezzanine	378	Pre-Security Operations	AA.3.22
8J.E	3	Main	Mezzanine	200	Pre-Security Operations	AA.3.22
8JJ.A	3	Main	Upper	4,268	Club	AA.3.13
8JJ.A1	3	Main	Upper	78	Club	AA.3.13
8JJ.A10	3	Main	Upper	71	Club	AA.3.13
8JJ.A11	3	Main	Upper	33	Club	AA.3.13
8JJ.A12	3	Main	Upper	647	Club	AA.3.13
8JJ.A13	3	Main	Upper	52	Club	AA.3.13
8JJ.A2	3	Main	Upper	98	Club	AA.3.13
8JJ.A3	3	Main	Upper	24	Club	AA.3.13
8JJ.A4	3	Main	Upper	132	Club	AA.3.13
8JJ.A5	3	Main	Upper	64	Club	AA.3.13
8JJ.A6	3	Main	Upper	164	Club	AA.3.13
8JJ.A7	3	Main	Upper	181	Club	AA.3.13
8K.A	3	Main	Lower	353	Post-Security Operations	AA.3.05
8K.A	3	Main	Mezzanine	112	Pre-Security Operations	AA.3.22
8K.B	3	Main	Mezzanine	473	Pre-Security Operations	AA.3.22
8K.C	3	Main	Lower	305	Pre-Security Operations	AA.3.05
8K.C	3	Main	Mezzanine	112	Pre-Security Operations	AA.3.22
8K.D	3	Main	Mezzanine	108	Pre-Security Operations	AA.3.22
8K.E	3	Main	Lower	103	Pre-Security Operations	AA.3.05
8K.E	3	Main	Mezzanine	5	Pre-Security Operations	AA.3.22
8K.G	3	Main	Lower	62	Pre-Security Operations	AA.3.05
8K.H	3	Main	Upper	2,892	Check-In	AA.3.14
8L.A1	3	Main	Upper	54	Check-In	AA.3.14
8L.A2	3	Main	Upper	18	Check-In	AA.3.14
8M.A	3	Main	Lower	107	Post-Security Operations	AA.3.05
8M.B	3	Main	Lower	201	Post-Security Operations	AA.3.05
8N.A1	3	Main	Upper	100	Check-In	AA.3.14
8N.B	3	Main	Lower	126	Pre-Security Operations	AA.3.05
8N.I	3	Main	Upper	4,952	Check-In	AA.3.14
8N.K	3	Main	Mezzanine	357	Pre-Security Operations	AA.3.21
8O.A	3	Main	Upper	1,190	Pre-Security Operations	AA.3.14
8O.A	3	Main	Mezzanine	100	Pre-Security Operations	AA.3.21

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
8O.B	3	Main	Upper	18	Check-In	AA.3.14
8O.C	3	Main	Lower	4,337	Baggage Claim	AA.3.05
8O.C	3	Main	Mezzanine	304	Pre-Security Operations	AA.3.21
8O.C1	3	Main	Lower	979	Baggage Claim	AA.3.05
8O.D	3	Main	Mezzanine	151	Pre-Security Operations	AA.3.21
8P.A	3	Main	Mezzanine	413	Pre-Security Operations	AA.3.21
8P.B	3	Main	Upper	87	Baggage Makeup	AA.3.14
8P.C	3	Main	Mezzanine	183	Pre-Security Operations	AA.3.21
8P.E	3	Main	Mezzanine	356	Pre-Security Operations	AA.3.21
8P.F	3	Main	Mezzanine	48	Pre-Security Operations	AA.3.21
8P.G	3	Main	Mezzanine	49	Pre-Security Operations	AA.3.21
8Q.A	3	Main	Basement	819	Pre-Security Operations	AA.3.01
8Q.A	3	Main	Lower	3,851	Baggage Claim	AA.3.05
8Q.A	3	Main	Upper	411	Pre-Security Operations	AA.3.14
8Q.A	3	Main	Mezzanine	716	Pre-Security Operations	AA.3.21
8Q.A1	3	Main	Lower	574	Baggage Claim	AA.3.05
8Q.B	3	Main	Mezzanine	10	Pre-Security Operations	AA.3.21
8Q.C	3	Main	Basement	441	Pre-Security Operations	AA.3.01
8Q.C	3	Main	Upper	130	Pre-Security Operations	AA.3.14
8Q.C	3	Main	Mezzanine	14	Pre-Security Operations	AA.3.21
8Q.D	3	Main	Upper	176	Pre-Security Operations	AA.3.14
8Q.D	3	Main	Mezzanine	9	Pre-Security Operations	AA.3.21
8R.A	3	Main	Basement	519	Pre-Security Operations	AA.3.01
8R.A	3	Main	Lower	725	Baggage Makeup	AA.3.05
8R.A	3	Main	Mezzanine	97	Pre-Security Operations	AA.3.21
8R.A1	3	Main	Upper	95	Check-In	AA.3.14
8R.B	3	Main	Upper	140	Pre-Security Operations	AA.3.14
8R.B	3	Main	Mezzanine	152	Pre-Security Operations	AA.3.21
8R.C	3	Main	Mezzanine	300	Pre-Security Operations	AA.3.21
8R.D	3	Main	Mezzanine	98	Pre-Security Operations	AA.3.21
8R.E	3	Main	Mezzanine	152	Pre-Security Operations	AA.3.21
8R.F	3	Main	Mezzanine	151	Pre-Security Operations	AA.3.21
8R.G	3	Main	Mezzanine	106	Pre-Security Operations	AA.3.21
8T.A	3	Main	Lower	4,020	Baggage Claim	AA.3.05
8T.A1	3	Main	Lower	603	Baggage Claim	AA.3.05
8T.B	3	Main	Mezzanine	395	Pre-Security Operations	AA.3.21
8T.D	3	Main	Mezzanine	312	Pre-Security Operations	AA.3.21
8T.E	3	Main	Mezzanine	86	Pre-Security Operations	AA.3.21
8T.F	3	Main	Mezzanine	393	Pre-Security Operations	AA.3.21
8T.G	3	Main	Mezzanine	11	Pre-Security Operations	AA.3.21
8T.H	3	Main	Mezzanine	11	Pre-Security Operations	AA.3.21
8U.A	3	Main	Basement	1,265	Pre-Security Operations	AA.3.01
8U.A	3	Main	Mezzanine	267	Pre-Security Operations	AA.3.21
8U.B	3	Main	Upper	1,860	Holdroom	AA.3.13
8U.B	3	Main	Mezzanine	150	Pre-Security Operations	AA.3.21
8U.C	3	Main	Mezzanine	150	Pre-Security Operations	AA.3.21
8U.D	3	Main	Mezzanine	671	Pre-Security Operations	AA.3.21
8U.E	3	Main	Mezzanine	150	Pre-Security Operations	AA 3.21
8U.E1	3	Main	Mezzanine	70	Pre-Security Operations	AA.3.21
8U.F	3	Main	Mezzanine	25	Pre-Security Operations	AA.3.21
8U.G	3	Main	Mezzanine	83	Pre-Security Operations	AA.3.21
8V.A	3	Main	Lower	4,385	Baggage Claim	AA.3.04
8V.A	3	Main	Upper	103	Baggage Makeup	AA.3.13
8V.A	3	Main	Mezzanine	226	Pre-Security Operations	AA.3.21
8V.A1	3	Main	Lower	703	Baggage Claim	AA.3.04
8V.B	3	Main	Upper	285	Pre-Security Operations	AA.3.13
8V.B	3	Main	Mezzanine	89	Pre-Security Operations	AA.3.21
8V.C	3	Main	Upper	765	Pre-Security Operations	AA.3.13
8V.F	3	Main	Upper	1,886	Pre-Security Operations	AA.3.13
8V.F1	3	Main	Upper	252	Pre-Security Operations	AA.3.13

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
8V.G	3	Main	Upper	2,600	Check-In	AA.3.13
8W.A	3	Main	Upper	126	Pre-Security Operations	AA.3.13
8W.A	3	Main	Mezzanine	150	Pre-Security Operations	AA.3.21
8W.B	3	Main	Lower	201	Pre-Security Operations	AA.3.04
8W.B	3	Main	Mezzanine	150	Pre-Security Operations	AA.3.21
8W.C	3	Main	Mezzanine	142	Pre-Security Operations	AA.3.21
8W.D	3	Main	Upper	210	Pre-Security Operations	AA.3.13
8W.D	3	Main	Mezzanine	91	Pre-Security Operations	AA.3.21
8X.A	3	Main	Lower	362	Post-Security Operations	AA.3.04
8X.B	3	Main	Lower	115	Post-Security Operations	AA.3.04
8X.C	3	Main	Lower	99	Post-Security Operations	AA.3.04
8X.D	3	Main	Lower	104	Post-Security Operations	AA.3.04
8X.L	3	Main	Lower	2,040	Post-Security Operations	AA.3.04
8X.P	3	Main	Lower	82	Post-Security Operations	AA.3.04
8Y.A	3	Main	Lower	110	Post-Security Operations	AA.3.04
8Y.B	3	Main	Lower	110	Post-Security Operations	AA.3.04
8Z.C	3	Main	Lower	81	Pre-Security Operations	AA.3.04
8Z.E	3	Main	Lower	252	Pre-Security Operations	AA.3.04
8Z.I	3	Main	Upper	965	Check-In	AA.3.13
8Z.J	3	Main	Upper	1,624	Check-In	AA.3.13
8Z.Q	3	Main	Lower	210	Pre-Security Operations	AA.3.04
09.A	3	G	Lower	121	Post-Security Operations	AA.3.11
09.A2	3	G	Lower	121	Post-Security Operations	AA.3.11
09.B	3	G	Lower	255	Post-Security Operations	AA.3.11
09.B	3	HK	Upper	289	Post-Security Operations	AA.3.15
9.B	3	HK	Basement	147	Post-Security Operations	AA.3.02
09.C	3	G	Lower	421	Post-Security Operations	AA.3.11
09.C1	3	G	Lower	313	Post-Security Operations	AA.3.11
9G.C	3	HK	Penthouse	110	Post-Security Operations	AA.3.24
9H.A	3	HK	Lower	247	Post-Security Operations	AA.3.07
9H.A	3	HK	Penthouse	7,889	Club	AA.3.24
9H.B	3	HK	Lower	207	Post-Security Operations	AA.3.07
9H.B	3	HK	Penthouse	2,455	Club	AA.3.24
9H.B1	3	HK	Lower	67	Post-Security Operations	AA.3.07
9H.C	3	HK	Lower	288	Post-Security Operations	AA.3.07
9H.D	3	HK	Penthouse	530	Club	AA.3.24
9H.E	3	HK	Penthouse	146	Club	AA.3.24
9H.F	3	HK	Penthouse	96	Club	AA.3.24
9H.H	3	HK	Penthouse	516	Club	AA.3.24
9H.J	3	HK	Penthouse	430	Club	AA.3.24
9H.K	3	HK	Penthouse	502	Club	AA.3.24
9H.K1	3	HK	Penthouse	10	Club	AA.3.24
9H.K2	3	HK	Penthouse	11	Club	AA.3.24
9H.M	3	HK	Penthouse	88	Club	AA.3.24
9H.N	3	HK	Penthouse	190	Club	AA.3.24
9H.O	3	HK	Penthouse	40	Club	AA.3.24
9H.O1	3	HK	Penthouse	26	Club	AA.3.24
9H.P	3	HK	Penthouse	28	Club	AA.3.24
9H.Q	3	HK	Penthouse	191	Post-Security Operations	AA.3.24
9H.R	3	HK	Penthouse	33	Post-Security Operations	AA.3.24
9H.S	3	HK	Penthouse	88	Post-Security Operations	AA.3.24
9I.A	3	HK	Lower	17,461	Baggage Makeup	AA.3.07
9I.A	3	HK	Upper	606	Post-Security Operations	AA.3 16
9I.AA	3	HK	Mezzanine	106	Club	AA.3.23
9I.AA	3	HK	Penthouse	106	Club	AA.3.24
9I.B	3	HK	Mezzanine	11,126	Club	AA.3.23
9I.D	3	HK	Upper	140	Post-Security Operations	AA.3.16
9I.E	3	HK	Upper	12	Post-Security Operations	AA.3.16
9I.E	3	HK	Mezzanine	394	Club	AA.3.23
9I.F	3	HK	Upper	52	Post-Security Operations	AA.3.16

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
9I.F	3	HK	Mezzanine	372	Club	AA.3.23
9I.H	3	HK	Upper	52	Post-Security Operations	AA.3.16
9I.H	3	HK	Mezzanine	87	Club	AA.3.23
9I.I	3	HK	Mezzanine	88	Club	AA.3.23
9I.J	3	HK	Upper	17	Post-Security Operations	AA.3.16
9I.J	3	HK	Mezzanine	87	Club	AA.3.23
9I.K	3	HK	Upper	405	Post-Security Operations	AA.3.16
9I.K	3	HK	Mezzanine	87	Club	AA.3.23
9I.L	3	HK	Upper	26	Club	AA.3.16
9I.L	3	HK	Mezzanine	105	Club	AA.3.23
9I.M	3	HK	Mezzanine	86	Club	AA.3.23
9I.N	3	HK	Mezzanine	89	Club	AA.3.23
9I.O	3	HK	Mezzanine	2,702	Club	AA.3.23
9I.P	3	HK	Mezzanine	50	Club	AA.3.23
9I.R	3	HK	Mezzanine	79	Club	AA.3.23
9I.S	3	HK	Mezzanine	140	Club	AA.3.23
9I.T	3	HK	Mezzanine	51	Club	AA.3.23
9I.U	3	HK	Mezzanine	51	Club	AA.3.23
9I.V	3	HK	Mezzanine	347	Club	AA.3.23
9I.X	3	HK	Mezzanine	86	Club	AA.3.23
9J.A	3	HK	Lower	351	Post-Security Operations	AA.3.07
9J.A	3	HK	Upper	92	Post-Security Operations	AA.3.16
9J.A1	3	HK	Lower	433	Post-Security Operations	AA.3.07
9J.B	3	HK	Lower	170	Post-Security Operations	AA.3.07
9J.B1	3	HK	Lower	122	Post-Security Operations	AA.3.07
9J.B2	3	HK	Lower	74	Post-Security Operations	AA.3.07
9JA.A	3	K	Basement	5,968	Post-Security Operations	AA.3.03
9JA.A	3	K	Lower	237	Post-Security Operations	AA.3.10
9JB.A	3	K	Basement	212	Post-Security Operations	AA.3.03
9JB.A	3	H	Lower	223	Post-Security Operations	AA.3.08
9JB.A	3	K	Lower	140	Post-Security Operations	AA.3.10
9JB.C	3	K	Lower	73	Post-Security Operations	AA.3.10
9JB.D	3	K	Basement	21	Post-Security Operations	AA.3.03
9JB.E	3	K	Lower	248	Post-Security Operations	AA.3.10
9JB.F	3	K	Lower	119	Post-Security Operations	AA.3.10
9JB.G	3	K	Lower	695	Post-Security Operations	AA.3.10
9K.A	3	HK	Penthouse	86	Post-Security Operations	AA.3.24
9K.A	3	HK	Penthouse1	207	Post-Security Operations	AA.3.25
9K.B	3	HK	Upper	2,378	Club	AA.3.16
9K.B	3	HK	Penthouse	29	Post-Security Operations	AA.3.24
9K B1	3	HK	Penthouse	150	Club	AA.3.24
9K.C	3	HK	Penthouse	191	Post-Security Operations	AA.3.24
9K.C	3	HK	Penthouse1	122	Post-Security Operations	AA.3.25
9K.D	3	HK	Penthouse	117	Post-Security Operations	AA.3.24
9K.D	3	HK	Penthouse1	341	Post-Security Operations	AA.3.25
9K.E	3	HK	Penthouse	242	Post-Security Operations	AA.3.24
9K.E	3	HK	Penthouse1	21	Post-Security Operations	AA.3.25
9K.G	3	HK	Penthouse	86	Post-Security Operations	AA.3.24
9KB.A	3	K	Basement	795	Post-Security Operations	AA.3.03
9KB.A	3	K	Lower	120	Post-Security Operations	AA.3.10
9KB.A1	3	K	Lower	111	Post-Security Operations	AA.3.10
9KB.B	3	K	Lower	1,699	Post-Security Operations	AA.3.10
9KB.C	3	K	Lower	97	Post-Security Operations	AA.3.10
9KB.D	3	K	Lower	97	Post-Security Operations	AA.3.10
9L.A	3	HK	Penthouse1	549	Post-Security Operations	AA.3.25
9L.A	3	HK	Penthouse 2	1,440	Post-Security Operations	AA.3.25
9L.B	3	HK	Upper	83	Club	AA.3.16
9L.B	3	HK	Mezzanine	80	Club	AA.3.23
9L.B	3	HK	Penthouse	81	Club	AA.3.24
9L.B	3	HK	Penthouse1	100	Post-Security Operations	AA.3.25

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
9L.B	3	HK	Penthouse 2	64	Post-Security Operations	AA.3.25
9L.C	3	HK	Upper	83	Club	AA.3.16
9L.C	3	HK	Mezzanine	79	Club	AA.3.23
9L.C	3	HK	Penthouse	80	Club	AA.3.24
9L.C	3	HK	Penthouse1	91	Post-Security Operations	AA.3.25
9L.C2	3	HK	Penthouse	49	Post-Security Operations	AA.3.24
9L.D1	3	HK	Penthouse	29	Post-Security Operations	AA.3.24
9L.E	3	HK	Mezzanine	109	Post-Security Operations	AA.3.23
9L.F	3	HK	Penthouse	154	Post-Security Operations	AA.3.24
9L.F	3	HK	Penthouse1	64	Post-Security Operations	AA.3.25
9L.I	3	HK	Penthouse	176	Post-Security Operations	AA.3.24
9L.J1	3	HK	Upper	29	Post-Security Operations	AA.3.16
9L.J2	3	HK	Upper	29	Post-Security Operations	AA.3.16
9LA.A	3	K	Lower	603	Post-Security Operations	AA.3.10
9LA.B	3	K	Lower	880	Post-Security Operations	AA.3.10
9LB.A	3	K	Basement	295	Post-Security Operations	AA.3.03
9LB.A	3	K	Lower	120	Post-Security Operations	AA.3.10
9LB.B	3	K	Lower	89	Post-Security Operations	AA.3.10
9LB.C	3	K	Lower	408	Post-Security Operations	AA.3.10
9LB.C1	3	K	Lower	231	Post-Security Operations	AA.3.10
9LB.D	3	K	Lower	123	Post-Security Operations	AA.3.10
9LB.E	3	K	Lower	25	Post-Security Operations	AA.3.10
9LB.G	3	K	Lower	9	Post-Security Operations	AA.3.10
9LB.H	3	K	Lower	14	Post-Security Operations	AA.3.10
9LB.I	3	K	Lower	102	Post-Security Operations	AA.3.10
9M.A	3	HK	Upper	86	Club	AA.3.16
9M.A	3	HK	Penthouse1	168	Post-Security Operations	AA.3.25
9M.A1	3	HK	Penthouse	13	Post-Security Operations	AA.3.24
9M.B	3	HK	Upper	87	Club	AA.3.16
9M.B	3	HK	Mezzanine	88	Club	AA.3.23
9M.B	3	HK	Penthouse	89	Club	AA.3.24
9M.B	3	HK	Penthouse1	160	Post-Security Operations	AA.3.25
9M.C	3	HK	Upper	275	Club	AA.3.16
9M.C	3	HK	Mezzanine	88	Club	AA 3.23
9M.C	3	HK	Penthouse	88	Club	AA.3.24
9M.C	3	HK	Penthouse1	147	Post-Security Operations	AA.3.25
9M.D	3	HK	Mezzanine	113	Post-Security Operations	AA.3.23
9M.D	3	HK	Penthouse	684	Club	AA.3.24
9M.D	3	HK	Penthouse1	162	Post-Security Operations	AA.3.25
9M.E	3	HK	Penthouse	84	Club	AA.3.24
9M.F	3	HK	Penthouse	82	Club	AA.3.24
9M.G	3	HK	Penthouse	77	Club	AA.3.24
9M.H	3	HK	Penthouse	14	Club	AA.3.24
9MA.A	3	K	Lower	255	Post-Security Operations	AA.3.10
9MA.B	3	K	Lower	479	Post-Security Operations	AA.3.10
9MA.C	3	K	Lower	172	Post-Security Operations	AA.3.10
9MA.D	3	K	Lower	385	Post-Security Operations	AA.3.10
9MB.A	3	K	Lower	633	Post-Security Operations	AA.3.10
9MB B	3	K	Lower	147	Post-Security Operations	AA.3.10
9MB.C	3	K	Lower	150	Post-Security Operations	AA 3.10
9MB.D	3	K	Basement	208	Post-Security Operations	AA.3.03
9MB.D	3	K	Lower	104	Post-Security Operations	AA.3.10
9MB.E	3	K	Lower	5	Post-Security Operations	AA.3.10
9MB.F	3	K	Basement	877	Post-Security Operations	AA.3.03
9MB.F	3	K	Lower	4	Post-Security Operations	AA.3.10
9MB.G	3	K	Basement	319	Post-Security Operations	AA.3.03
9MB.H	3	K	Basement	180	Post-Security Operations	AA.3.03
9MB.J	3	K	Basement	157	Post-Security Operations	AA.3.03
9N.A	3	HK	Penthouse	253	Club	AA.3.24
9N.B	3	H	Lower	507	Post-Security Operations	AA.3 08

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
9N.B	3	HK	Lower	1,206	Post-Security Operations	AA.3.07
9N.B	3	HK	Upper	298	Club	AA.3.16
9N.C	3	H	Lower	238	Post-Security Operations	AA.3.08
9N.C	3	HK	Upper	115	Club	AA.3.16
9N.C	3	HK	Penthouse	226	Club	AA.3.24
9N.C1	3	H	Lower	460	Post-Security Operations	AA.3.08
9N.C1	3	HK	Penthouse	28	Club	AA.3.24
9N.D	3	HK	Penthouse	78	Club	AA.3.24
9N.D1	3	HK	Penthouse	2,949	Club	AA.3.24
9N.E	3	HK	Upper	20	Club	AA.3.16
9N.E	3	HK	Penthouse	84	Club	AA.3.24
9N.F	3	HK	Penthouse	83	Club	AA.3.24
9N.H	3	HK	Penthouse	89	Club	AA.3.24
9N.I	3	HK	Lower	2,892	Baggage Makeup	AA.3.07
9N.I	3	HK	Penthouse	112	Club	AA.3.24
9N.J	3	HK	Penthouse	576	Club	AA.3.24
9NA.B	3	K	Basement	508	Post-Security Operations	AA.3.03
9NA.F	3	K	Basement	113	Post-Security Operations	AA.3.03
9NB.A	3	K	Basement	665	Post-Security Operations	AA.3.03
9NB.I	3	K	Lower	484	Post-Security Operations	AA.3.10
9NB.J	3	K	Lower	440	Post-Security Operations	AA 3 10
9O.A	3	HK	Penthouse	116	Club	AA.3.24
9O.C	3	HK	Upper	371	Post-Security Operations	AA.3.16
9O.C	3	HK	Penthouse	215	Club	AA.3.24
9O.D	3	HK	Penthouse	90	Club	AA.3.24
9P.A	3	H	Lower	270	Post-Security Operations	AA.3.08
9P.A	3	HK	Penthouse	72	Club	AA.3.24
9P.B	3	HK	Penthouse	312	Club	AA.3 24
9P.C	3	HK	Upper	503	Post-Security Operations	AA.3.16
9P.C	3	HK	Penthouse	188	Club	AA.3.24
9P.C1	3	HK	Upper	1,061	Post-Security Operations	AA.3.16
9P.C2	3	HK	Upper	539	Post-Security Operations	AA.3.16
9P.D	3	HK	Penthouse	1,357	Club	AA.3.24
9P.E	3	HK	Penthouse	2,762	Club	AA.3.24
9P.F	3	HK	Penthouse	780	Club	AA.3.24
9P.F2	3	HK	Penthouse	198	Club	AA.3.24
9P.G	3	HK	Penthouse	41	Club	AA.3.24
9P.H	3	HK	Penthouse	19	Club	AA.3.24
9PA.C	3	K	Basement	62	Post-Security Operations	AA.3.03
9PA.D	3	K	Basement	217	Post-Security Operations	AA.3.03
9PB.B	3	K	Basement	134	Post-Security Operations	AA.3.03
9PB.C	3	K	Lower	132	Post-Security Operations	AA.3.10
9PB.D	3	K	Basement	457	Post-Security Operations	AA.3.03
9PB.F	3	K	Lower	2,405	Post-Security Operations	AA.3.10
9Q.A	3	HK	Upper	485	Post-Security Operations	AA.3.16
9Q.A	3	HK	Penthouse	242	Post-Security Operations	AA.3.24
9Q.B	3	HK	Penthouse	88	Post-Security Operations	AA.3.24
9Q.C	3	HK	Penthouse	255	Post-Security Operations	AA.3.24
9Q.E	3	HK	Penthouse	66	Post-Security Operations	AA.3.24
9Q.G	3	HK	Penthouse	68	Post-Security Operations	AA.3.24
9Q.I	3	HK	Penthouse	156	Post-Security Operations	AA.3.24
9QA.A	3	K	Basement	800	Post-Security Operations	AA.3.03
9QB.A	3	K	Lower	181	Post-Security Operations	AA.3.10
9QB.B	3	K	Lower	24	Post-Security Operations	AA.3.10
9QB.C	3	K	Lower	61	Post-Security Operations	AA.3.10
9QB.E	3	K	Lower	449	Post-Security Operations	AA.3.10
9R.B	3	HK	Penthouse	232	Club	AA.3.24
10.A	3	HK	Lower	232	Post-Security Operations	AA.3.06
10.A	3	G	Lower	430	Post-Security Operations	AA.3.11
10.B	3	G	Lower	357	Post-Security Operations	AA.3.11

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
10.C	3	HK	Lower	209	Post-Security Operations	AA.3.06
10.C	3	G	Lower	75	Post-Security Operations	AA.3.11
10.D	3	HK	Lower	166	Post-Security Operations	AA.3.06
10.E	3	HK	Lower	212	Post-Security Operations	AA.3.06
10.F	3	HK	Lower	92	Post-Security Operations	AA.3.06
11	3	Curbside	Upper	277	Baggage Makeup	AA.3.14
11.A	3	HK	Basement	189	Post-Security Operations	AA.3.02
11.A	3	G	Lower	161	Post-Security Operations	AA.3.11
11.A	3	HK	Upper	1,818	Holdroom	AA.3.15
11.A	3	L	Upper	4,283	Holdroom	AA.3.20
11.B	3	G	Lower	167	Post-Security Operations	AA.3.11
11.C	3	G	Upper	466	Holdroom	AA.3.19
11.D	3	G	Lower	332	Post-Security Operations	AA.3.11
11 F	3	G	Lower	2,109	Post-Security Operations	AA.3.11
11.F1	3	G	Lower	310	Post-Security Operations	AA.3.11
11.F2	3	G	Lower	17	Post-Security Operations	AA.3.11
12.A	3	HK	Lower	995	Post-Security Operations	AA.3.06
12.A	3	G	Upper	1,000	Holdroom	AA.3.19
12.B	3	HK	Lower	75	Post-Security Operations	AA.3.06
13.A	3	G	Lower	177	Post-Security Operations	AA.3.11
13.A	3	HK	Lower	75	Post-Security Operations	AA.3.06
13.B	3	HK	Lower	753	Post-Security Operations	AA.3.06
13.C	3	HK	Lower	52	Post-Security Operations	AA.3.06
14.A	3	G	Lower	1,319	Post-Security Operations	AA.3.11
14.A	3	HK	Lower	233	Post-Security Operations	AA.3.06
14.A	3	HK	Upper	219	Holdroom	AA.3.15
14.B	3	HK	Upper	77	Post-Security Operations	AA.3.15
14.C	3	HK	Lower	80	Post-Security Operations	AA.3.06
14.C	3	HK	Upper	52	Post-Security Operations	AA.3.15
14.C	3	G	Upper	1,277	Holdroom	AA.3.19
14.D	3	G	Lower	112	Post-Security Operations	AA.3.11
14.D	3	HK	Upper	69	Post-Security Operations	AA.3.15
14.E	3	G	Lower	124	Post-Security Operations	AA.3.11
14.F	3	HK	Lower	243	Post-Security Operations	AA.3.06
14.G	3	G	Lower	147	Post-Security Operations	AA.3.11
14.G	3	HK	Lower	205	Post-Security Operations	AA.3.06
14.J	3	G	Lower	58	Post-Security Operations	AA.3.11
15	3	Curbside	Upper	273	Baggage Makeup	AA.3.14
15.A	3	L	Lower	671	Post-Security Operations	AA.3.12
15.A1	3	L	Lower	125	Post-Security Operations	AA.3.12
15.A2	3	L	Lower	51	Post-Security Operations	AA.3.12
15.A3	3	L	Lower	46	Post-Security Operations	AA.3.12
15.B	3	G	Upper	764	Post-Security Operations	AA.3.19
15.B	3	HK	Upper	450	Holdroom	AA.3.15
16.A	3	HK	Lower	237	Post-Security Operations	AA.3.06
16.A	3	G	Upper	1,719	Holdroom	AA.3.19
16.A	3	HK	Upper	995	Holdroom	AA.3.15
16.A1	3	HK	Lower	148	Post-Security Operations	AA.3.06
16.A1	3	L	Lower	33	Post-Security Operations	AA.3.12
16.A2	3	L	Lower	145	Post-Security Operations	AA.3.12
16.B	3	HK	Lower	679	Post-Security Operations	AA.3.06
16.C	3	HK	Lower	5,687	Post-Security Operations	AA.3.06
16.C	3	G	Upper	1,658	Holdroom	AA.3.19
17	3	Curbside	Upper	273	Baggage Makeup	AA.3.13
17.A	3	HK	Lower	255	Post-Security Operations	AA.3.06
17.B	3	L	Lower	1,911	Post-Security Operations	AA.3.12
17.B1	3	L	Lower	105	Post-Security Operations	AA.3.12
19	3	Curbside	Upper	275	Baggage Makeup	AA.3.13
19.A	3	L	Lower	510	Post-Security Operations	AA.3.12
19.A	3	G	Lower	1,313	Post-Security Operations	AA.3.11

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
19.A1	3	L	Lower	123	Post-Security Operations	AA.3.12
19.A2	3	L	Lower	52	Post-Security Operations	AA.3.12
19.A3	3	L	Lower	77	Post-Security Operations	AA.3.12
19.A4	3	L	Lower	112	Post-Security Operations	AA 3.12
19.A5	3	L	Lower	38	Post-Security Operations	AA.3 12
19.A6	3	L	Lower	137	Post-Security Operations	AA.3.12
19.A7	3	L	Lower	163	Post-Security Operations	AA.3.12
19.B1	3	L	Lower	140	Post-Security Operations	AA.3.12
19.D	3	G	Lower	183	Post-Security Operations	AA.3.11
20.A	3	L	Lower	149	Post-Security Operations	AA.3.12
20.A	3	G	Lower	288	Post-Security Operations	AA.3.11
20.A	3	HK	Upper	190	Post-Security Operations	AA.3.15
20.A1	3	L	Lower	80	Post-Security Operations	AA.3.12
20.A2	3	L	Lower	169	Post-Security Operations	AA.3.12
20.B	3	G	Lower	112	Post-Security Operations	AA.3.11
20.C	3	G	Upper	368	Post-Security Operations	AA.3.19
20.C	3	HK	Upper	515	Post-Security Operations	AA.3.15
20.D	3	HK	Upper	62	Post-Security Operations	AA.3.15
21.A	3	G	Lower	568	Post-Security Operations	AA.3.11
21.A	3	HK	Upper	96	Post-Security Operations	AA.3.15
21.B	3	G	Lower	214	Post-Security Operations	AA.3.11
21.B	3	HK	Upper	104	Post-Security Operations	AA.3.15
21 C	3	HK	Upper	133	Post-Security Operations	AA.3.15
22.A	3	G	Lower	355	Post-Security Operations	AA.3.11
22.A	3	G	Upper	1,454	Holdroom	AA.3.19
22.A	3	HK	Upper	882	Holdroom	AA.3.16
22.A2	3	G	Lower	64	Post-Security Operations	AA.3.11
22.B	3	HK	Upper	49	Post-Security Operations	AA.3.15
22.C	3	G	Lower	200	Post-Security Operations	AA.3.11
22.D	3	L	Upper	3,739	Holdroom	AA.3.20
22.E	3	G	Lower	220	Post-Security Operations	AA.3.11
22.F	3	G	Lower	157	Post-Security Operations	AA.3.11
22.F	3	L	Lower	114	Post-Security Operations	AA.3.12
22.F1	3	L	Lower	86	Post-Security Operations	AA.3.12
22.G	3	G	Lower	319	Post-Security Operations	AA.3.11
23.A	3	G	Lower	292	Post-Security Operations	AA.3.11
23.A3	3	G	Lower	26	Post-Security Operations	AA.3.11
23.B	3	G	Lower	240	Post-Security Operations	AA.3.11
23.C	3	G	Lower	116	Post-Security Operations	AA.3.11
23.C	3	G	Upper	4,488	Club	AA.3.19
23.C2	3	G	Lower	103	Post-Security Operations	AA.3.11
23.C3	3	G	Lower	116	Post-Security Operations	AA.3.11
23.C4	3	G	Lower	115	Post-Security Operations	AA.3.11
23.D	3	G	Lower	742	Post-Security Operations	AA.3.11
23.D	3	G	Upper	857	Club	AA.3.19
23.E	3	G	Lower	132	Post-Security Operations	AA.3.11
23.E	3	G	Upper	160	Club	AA.3.19
23.F	3	G	Upper	167	Club	AA.3.19
23.H	3	G	Upper	452	Club	AA.3.19
24.A	3	G	Lower	247	Post-Security Operations	AA.3.11
24.A	3	HK	Upper	1,059	Holdroom	AA.3.16
24.B	3	G	Lower	145	Post-Security Operations	AA.3.11
24.B	3	G	Upper	42	Club	AA.3.19
24.C	3	HK	Upper	765	Holdroom	AA.3.16
24.C	3	G	Upper	346	Club	AA.3.19
24.D	3	G	Upper	208	Club	AA.3.19
024.E	5	M	Upper	645	Pre-Security Operations	AA.5.04
24.E	3	G	Upper	33	Club	AA.3.19
24.H	3	G	Upper	82	Club	AA.3.19
24.I	3	G	Upper	43	Club	AA.3.19

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
24.K	3	G	Upper	30	Club	AA.3.19
24.L	3	G	Upper	12	Club	AA.3.19
24.Q	3	G	Upper	79	Club	AA.3.19
25.B	3	G	Lower	1,084	Post-Security Operations	AA.3.11
25.D	3	G	Lower	145	Post-Security Operations	AA.3.11
25.D2	3	G	Lower	69	Post-Security Operations	AA.3.11
26.A	3	L	Lower	620	Post-Security Operations	AA.3.12
26.A	3	G	Penthouse	355	Post-Security Operations	AA.3.19
26.A	3	G	Penthouse1	354	Post-Security Operations	AA.3.19
26.A1	3	L	Lower	305	Post-Security Operations	AA.3.12
26.A2	3	L	Lower	112	Post-Security Operations	AA.3.12
26.B	3	G	Upper	1,425	Holdroom	AA.3.19
26.B	3	G	Penthouse	45	Post-Security Operations	AA.3.19
26.B	3	G	Penthouse1	46	Post-Security Operations	AA.3.19
27.A	3	HK	Lower	1,262	Post-Security Operations	AA.3.07
27.A	3	G	Lower	657	Post-Security Operations	AA.3.11
27.A2	3	G	Lower	675	Post-Security Operations	AA.3.11
28.A	3	G	Lower	2,096	Post-Security Operations	AA.3.11
28.A	3	HK	Lower	1,737	Post-Security Operations	AA.3.07
28.A	3	HK	Upper	531	Holdroom	AA.3.16
28.A	3	L	Upper	2,207	Holdroom	AA.3.20
28.B	3	L	Lower	775	Post-Security Operations	AA.3.12
28.C	3	G	Lower	13	Post-Security Operations	AA.3.11
28.D	3	G	Lower	142	Post-Security Operations	AA.3.11
28.E	3	HK	Lower	149	Post-Security Operations	AA.3.07
28.F	3	HK	Lower	151	Post-Security Operations	AA.3.07
29.A	3	HK	Lower	396	Post-Security Operations	AA.3.07
29.A	3	G	Upper	508	Holdroom	AA.3.19
29.B	3	HK	Lower	142	Post-Security Operations	AA.3.07
30.A	3	G	Lower	192	Post-Security Operations	AA.3.11
30.B	3	K	Upper	1,906	Holdroom	AA.3.16
30.C	3	G	Lower	175	Post-Security Operations	AA.3 11
30.E	3	G	Lower	144	Post-Security Operations	AA.3.11
30.F	3	G	Lower	481	Post-Security Operations	AA.3.11
31.A	3	HK	Lower	249	Post-Security Operations	AA.3.07
31.A	3	G	Lower	732	Post-Security Operations	AA.3.11
31.A	3	G	Upper	511	Holdroom	AA.3.19
31.A1	3	HK	Lower	96	Post-Security Operations	AA.3.07
31.B	3	L	Lower	497	Post-Security Operations	AA.3.12
31.B1	3	L	Lower	35	Post-Security Operations	AA.3.12
31.C	3	L	Lower	1,482	Post-Security Operations	AA.3.12
31.C	3	G	Lower	115	Post-Security Operations	AA.3.11
31.D	3	HK	Lower	160	Post-Security Operations	AA.3.07
31.D	3	G	Lower	1,432	Post-Security Operations	AA.3.11
31.E	3	HK	Lower	881	Post-Security Operations	AA.3.07
32.A	3	L	Lower	380	Post-Security Operations	AA.3.12
32.A	3	G	Upper	378	Holdroom	AA.3.19
32.A1	3	L	Lower	67	Post-Security Operations	AA.3.12
32.B	3	G	Upper	92	Holdroom	AA.3.19
32.C	3	HK	Lower	219	Post-Security Operations	AA.3.07
32 C2	3	HK	Lower	609	Post-Security Operations	AA.3.07
32.C3	3	HK	Lower	553	Post-Security Operations	AA.3.07
32.D	3	HK	Lower	560	Post-Security Operations	AA.3.07
32.D1	3	HK	Lower	714	Post-Security Operations	AA.3.07
32.D1	3	L	Lower	102	Post-Security Operations	AA.3.12
32.G	3	HK	Lower	225	Post-Security Operations	AA.3.07
33.A	3	G	Lower	386	Post-Security Operations	AA.3.11
33.A	3	HK	Lower	244	Post-Security Operations	AA.3.07
33.A	3	L	Lower	355	Post-Security Operations	AA.3.12
33.A	3	G	Upper	1,605	Holdroom	AA.3.19

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
33.C	3	HK	Lower	291	Post-Security Operations	AA.3.07
33.C	3	G	Lower	176	Post-Security Operations	AA.3.11
33.D	3	G	Lower	731	Post-Security Operations	AA.3.11
33.D	3	HK	Lower	7,079	Baggage Makeup	AA.3.07
33.D1	3	HK	Lower	702	Post-Security Operations	AA.3.07
33.E	3	G	Lower	591	Post-Security Operations	AA.3.11
33.F	3	G	Lower	23	Post-Security Operations	AA.3.11
34.A	3	H	Upper	1,793	Holdroom	AA.3.16
34.B	3	HK	Lower	326	Post-Security Operations	AA.3.07
34.B1	3	L	Lower	131	Post-Security Operations	AA.3.12
34.B2	3	L	Lower	164	Post-Security Operations	AA.3.12
35.A	3	G	Lower	1,112	Post-Security Operations	AA.3.11
35.A	3	HK	Lower	251	Post-Security Operations	AA.3.07
35.A	3	K	Upper	2,334	Holdroom	AA.3.16
35.B	3	HK	Upper	208	Post-Security Operations	AA.3.16
35.D	3	HK	Lower	208	Post-Security Operations	AA.3.07
36.A	3	G	Lower	310	Post-Security Operations	AA.3.11
36.A	3	L	Lower	1,733	Post-Security Operations	AA.3.12
36.A1	3	L	Lower	467	Post-Security Operations	AA.3.12
36.A2	3	L	Lower	501	Post-Security Operations	AA.3.12
36.A3	3	L	Lower	230	Post-Security Operations	AA.3.12
36.B	3	G	Upper	1,533	Holdroom	AA.3.19
36.E	3	G	Lower	208	Post-Security Operations	AA.3.11
36.F	3	HK	Lower	177	Post-Security Operations	AA.3.07
36.F1	3	HK	Lower	152	Post-Security Operations	AA.3.07
36.G	3	HK	Lower	130	Post-Security Operations	AA.3.07
36.H	3	HK	Lower	130	Post-Security Operations	AA.3.07
36.I	3	HK	Lower	90	Post-Security Operations	AA.3.07
36.J	3	HK	Lower	246	Post-Security Operations	AA.3.07
36.K	3	HK	Lower	125	Post-Security Operations	AA.3.07
37.A	3	L	Upper	2,473	Holdroom	AA.3.20
37.B	3	HK	Lower	157	Post-Security Operations	AA.3.07
37.E	3	HK	Lower	1,425	Post-Security Operations	AA.3.07
37.E1	3	HK	Lower	126	Post-Security Operations	AA.3.07
37.E2	3	HK	Lower	190	Post-Security Operations	AA.3.07
038.I	5	M	Basement	286	Post-Security Operations	AA.5.01
38.A	3	L	Lower	125	Post-Security Operations	AA.3.12
38.A	3	H	Upper	2,267	Holdroom	AA.3.16
38.A1	3	L	Lower	33	Post-Security Operations	AA.3.12
38.A2	3	L	Lower	124	Post-Security Operations	AA.3.12
38.A3	3	L	Lower	126	Post-Security Operations	AA.3.12
38.B	3	HK	Lower	157	Post-Security Operations	AA.3.07
38.C	3	HK	Lower	26	Post-Security Operations	AA.3.07
38.F5	3	L	Lower	150	Post-Security Operations	AA.3.12
38.G	3	L	Lower	1,362	Post-Security Operations	AA.3.12
38.G1	3	L	Lower	487	Post-Security Operations	AA.3.12
38.G2	3	L	Lower	193	Post-Security Operations	AA.3.12
39.A	3	G	Lower	1,399	Holdroom	AA.3.11
39.B	3	HK	Lower	225	Post-Security Operations	AA.3.07
39.C	3	HK	Lower	205	Post-Security Operations	AA.3.07
39.D	3	HK	Lower	1,771	Post-Security Operations	AA.3.07
39.E	3	HK	Lower	55	Post-Security Operations	AA.3.07
39.H	3	HK	Lower	215	Post-Security Operations	AA.3.07
40.A	3	G	Lower	2,033	Holdroom	AA.3.11
40.A	3	G	Upper	2,853	Holdroom	AA.3.19
40.B	3	G	Upper	2,768	Holdroom	AA.3.19
40.E	3	K	Upper	361	Post-Security Operations	AA.3.18
40.F	3	K	Upper	1,431	Holdroom	AA.3.18
40.F2	3	K	Upper	42	Post-Security Operations	AA.3.18
40.F3	3	K	Upper	22	Post-Security Operations	AA.3.18

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
40.F4	3	K	Upper	42	Post-Security Operations	AA.3.18
041.A	5	M	Basement	470	Post-Security Operations	AA.5 01
041.B	5	M	Basement	141	Baggage Makeup	AA.5.01
041.E	5	M	Basement	114	Baggage Makeup	AA.5.01
41.A	3	H	Lower	226	Post-Security Operations	AA.3.08
41.A	3	L	Upper	1,214	Holdroom	AA.3.20
41.B	3	H	Lower	815	Post-Security Operations	AA.3.08
41.B1	3	H	Lower	79	Post-Security Operations	AA.3.08
41.C1	3	L	Lower	292	Post-Security Operations	AA.3.12
41.D	3	H	Lower	252	Post-Security Operations	AA.3.08
41.D	3	HK	Lower	132	Post-Security Operations	AA.3.07
41.E	3	H	Lower	34	Post-Security Operations	AA.3.08
41.F	3	H	Lower	88	Post-Security Operations	AA.3.08
41.G	3	H	Lower	93	Post-Security Operations	AA.3.08
41.J	3	H	Lower	47	Post-Security Operations	AA.3.08
41.K	3	H	Lower	123	Post-Security Operations	AA.3.08
42.A	3	L	Lower	50	Post-Security Operations	AA.3.12
42.A	3	H	Lower	105	Post-Security Operations	AA.3.08
42.A	3	K	Upper	795	Post-Security Operations	AA.3.18
42.A1	3	L	Lower	119	Post-Security Operations	AA.3.12
42.A2	3	L	Lower	346	Post-Security Operations	AA.3.12
42.B	3	H	Lower	1,861	Post-Security Operations	AA 3 08
42.C	3	H	Lower	38	Post-Security Operations	AA.3.08
42.C	3	HK	Lower	51	Post-Security Operations	AA.3.07
42.E	3	HK	Lower	51	Post-Security Operations	AA.3.07
42.H	3	HK	Lower	262	Post-Security Operations	AA.3.07
43.A	3	H	Lower	91	Post-Security Operations	AA.3.08
43.A	3	K	Upper	144	Post-Security Operations	AA.3.18
43.A	3	H	Upper	1,894	Holdroom	AA.3.17
43.B	3	G	Lower	320	Post-Security Operations	AA.3.11
43.B	3	H	Lower	27	Post-Security Operations	AA.3.08
43.B	3	K	Upper	1,809	Holdroom	AA.3.18
43.D	3	H	Lower	273	Post-Security Operations	AA.3.08
44.A	3	H	Lower	118	Post-Security Operations	AA.3.08
44.A	3	H	Upper	1,451	Holdroom	AA.3.17
44.B	3	H	Lower	117	Post-Security Operations	AA.3.08
45.A	3	H	Lower	3,026	Post-Security Operations	AA.3.08
45 A	3	K	Upper	452	Post-Security Operations	AA.3.18
45.B	3	H	Lower	558	Post-Security Operations	AA.3.08
45.C	3	H	Lower	179	Post-Security Operations	AA.3.08
046.A	5	M	Basement	3,149	Check-In	AA.5.01
46.A	3	K	Lower	291	Post-Security Operations	AA.3.09
46.B	3	K	Lower	7,210	Baggage Makeup	AA.3.09
47.A	3	H	Upper	2,367	Holdroom	AA.3.17
47.C	3	H	Lower	355	Post-Security Operations	AA.3.08
47.C	3	K	Upper	2,367	Holdroom	AA.3.18
47.D	3	H	Lower	129	Post-Security Operations	AA.3.08
47.E	3	H	Lower	126	Post-Security Operations	AA.3.08
47.F	3	H	Lower	126	Post-Security Operations	AA.3.08
47.G	3	H	Lower	195	Post-Security Operations	AA.3.08
48.A	3	K	Lower	520	Post-Security Operations	AA.3.09
48.A	3	K	Upper	1,227	Holdroom	AA.3.18
48.B	3	K	Lower	92	Post-Security Operations	AA.3.09
48 B	3	H	Lower	201	Post-Security Operations	AA.3.08
48.C	3	K	Lower	160	Post-Security Operations	AA.3.09
48.C	3	H	Lower	174	Post-Security Operations	AA.3.08
48.D	3	K	Lower	246	Post-Security Operations	AA.3.09
48.D	3	H	Lower	284	Post-Security Operations	AA.3.08
48.E	3	K	Lower	53	Post-Security Operations	AA.3.09
48.E	3	H	Lower	1,053	Post-Security Operations	AA.3.08

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
48.F	3	H	Lower	60	Post-Security Operations	AA.3.08
48.G	3	H	Lower	117	Post-Security Operations	AA.3.08
49.A	3	H	Lower	187	Post-Security Operations	AA.3.08
49.B	3	K	Lower	135	Post-Security Operations	AA.3.09
49.B	3	H	Lower	194	Post-Security Operations	AA.3.08
49.C	3	H	Lower	66	Post-Security Operations	AA.3.08
49.D	3	K	Lower	187	Post-Security Operations	AA.3.09
49.D	3	H	Lower	220	Post-Security Operations	AA.3.08
49.E	3	K	Lower	1,560	Post-Security Operations	AA.3.09
49.E	3	H	Lower	120	Post-Security Operations	AA.3.08
49.F	3	H	Lower	131	Post-Security Operations	AA.3.08
49 G	3	H	Lower	173	Post-Security Operations	AA.3.08
49.H	3	K	Lower	451	Post-Security Operations	AA.3.09
5.A	3	HK	Basement	1,646	Post-Security Operations	AA.3.02
50.A	3	K	Lower	739	Post-Security Operations	AA.3.09
50.A	3	H	Lower	189	Post-Security Operations	AA.3.08
50.A	3	K	Upper	1,233	Holdroom	AA.3.18
50.B	3	H	Lower	295	Post-Security Operations	AA.3.08
50.D	3	K	Lower	146	Post-Security Operations	AA.3.09
50.D	3	H	Lower	113	Post-Security Operations	AA.3.08
50.E	3	H	Lower	252	Post-Security Operations	AA.3.08
50.E	3	K	Lower	174	Post-Security Operations	AA.3.09
50.F	3	K	Lower	240	Post-Security Operations	AA.3.09
50.F	3	H	Lower	76	Post-Security Operations	AA.3.08
50.F1	3	K	Lower	142	Post-Security Operations	AA.3.09
50.G	3	H	Lower	130	Post-Security Operations	AA.3.08
50.H	3	H	Lower	173	Post-Security Operations	AA.3.08
51.A	3	K	Lower	26	Post-Security Operations	AA.3.09
51.A	3	H	Lower	358	Post-Security Operations	AA.3.08
51.B	3	K	Lower	199	Post-Security Operations	AA 3.09
51.C	3	H	Lower	125	Post-Security Operations	AA.3.08
51.C	3	K	Lower	770	Post-Security Operations	AA.3.09
51.D	3	H	Lower	160	Post-Security Operations	AA.3.08
51.E	3	K	Lower	31	Post-Security Operations	AA.3.09
51.E	3	H	Lower	25	Post-Security Operations	AA.3.08
51.H	3	H	Lower	162	Post-Security Operations	AA.3.08
52.A	3	K	Lower	1,031	Post-Security Operations	AA.3.09
52.A	3	H	Lower	516	Post-Security Operations	AA.3.08
52.A	3	K	Upper	2,291	Holdroom	AA.3.18
52.A	3	H	Upper	1,904	Holdroom	AA.3.17
52.B	3	K	Lower	135	Post-Security Operations	AA.3.09
52.C	3	H	Lower	931	Post-Security Operations	AA.3.08
52.C	3	K	Lower	221	Post-Security Operations	AA.3.09
52.D	3	H	Upper	327	Post-Security Operations	AA.3.17
53.C	3	K	Lower	128	Post-Security Operations	AA.3 09
54.B	3	H	Lower	27	Post-Security Operations	AA.3.08
54.B	3	K	Lower	4,682	Post-Security Operations	AA.3.09
55.A	3	H	Lower	463	Post-Security Operations	AA.3.08
55.A	3	K	Lower	123	Post-Security Operations	AA.3.09
55.A	3	K	Upper	222	Post-Security Operations	AA.3.18
55.A	3	H	Upper	1,474	Holdroom	AA.3.17
55.A1	3	K	Upper	125	Post-Security Operations	AA.3.18
55.A2	3	K	Upper	106	Post-Security Operations	AA.3.18
55.C	3	H	Lower	287	Post-Security Operations	AA.3.08
55.C	3	K	Lower	214	Post-Security Operations	AA.3.09
55.D	3	H	Lower	166	Post-Security Operations	AA.3.08
55.E	3	H	Lower	4,731	Post-Security Operations	AA.3.08
56.A	3	H	Lower	291	Post-Security Operations	AA.3.08
56.A	3	H	Upper	117	Post-Security Operations	AA.3.17
56.A	3	K	Upper	1,735	Holdroom	AA.3.18

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
56.B	3	H	Lower	105	Post-Security Operations	AA.3.08
56.B	3	H	Upper	95	Post-Security Operations	AA.3.17
56.C	3	H	Lower	95	Post-Security Operations	AA.3.08
56.C	3	K	Lower	55	Post-Security Operations	AA.3.09
56.C	3	H	Upper	66	Post-Security Operations	AA.3.17
56.D	3	K	Lower	1,064	Post-Security Operations	AA.3.09
56.E	3	K	Lower	448	Post-Security Operations	AA.3.09
56.G	3	K	Lower	61	Post-Security Operations	AA.3.09
57.A	3	H	Lower	450	Post-Security Operations	AA.3.08
57.A	3	K	Lower	276	Post-Security Operations	AA.3.09
57.A	3	H	Upper	939	Holdroom	AA.3.17
57.B	3	H	Lower	348	Post-Security Operations	AA.3.08
57.B2	3	H	Lower	38	Post-Security Operations	AA.3.08
57.C	3	K	Lower	211	Post-Security Operations	AA.3.09
57.C	3	H	Lower	31	Post-Security Operations	AA.3.08
58.A	3	H	Lower	1,261	Post-Security Operations	AA.3.08
58.A	3	K	Lower	57	Post-Security Operations	AA.3.09
58.A	3	H	Upper	2,169	Holdroom	AA.3.17
58.B	3	H	Lower	569	Post-Security Operations	AA.3.08
58.C	3	H	Lower	859	Post-Security Operations	AA.3.08
58.D	3	K	Lower	631	Post-Security Operations	AA.3.09
58.E	3	K	Lower	208	Post-Security Operations	AA.3.09
59.A	3	H	Lower	196	Post-Security Operations	AA.3.08
59.A	3	K	Lower	249	Post-Security Operations	AA.3.09
59.A	3	H	Upper	1,157	Holdroom	AA.3.17
59.B	3	H	Lower	338	Post-Security Operations	AA.3.08
59.C	3	K	Lower	343	Post-Security Operations	AA.3.09
59.D	3	K	Upper	1,894	Holdroom	AA.3.18
59.E	3	H	Lower	183	Post-Security Operations	AA.3.08
59.E	3	K	Lower	41	Post-Security Operations	AA.3 09
60.A	3	H	Lower	106	Post-Security Operations	AA.3.08
60.B	3	H	Lower	433	Post-Security Operations	AA.3.08
60.C	3	H	Lower	121	Post-Security Operations	AA.3.08
60.E	3	H	Lower	94	Post-Security Operations	AA.3.08
60.F	3	H	Lower	79	Post-Security Operations	AA.3.08
60.G	3	H	Lower	78	Post-Security Operations	AA.3.08
60.H	3	H	Lower	108	Post-Security Operations	AA.3.08
60.I	3	H	Lower	101	Post-Security Operations	AA.3.08
61.A	3	H	Lower	269	Post-Security Operations	AA.3.08
61.A	3	K	Lower	7,493	Post-Security Operations	AA.3.09
61.B	3	K	Lower	338	Post-Security Operations	AA.3.09
61.C	3	H	Lower	223	Post-Security Operations	AA.3.08
61.C	3	K	Lower	516	Post-Security Operations	AA.3.09
61.E1	3	H	Lower	125	Post-Security Operations	AA.3.08
61.G	3	H	Lower	324	Post-Security Operations	AA.3.08
61.H	3	H	Lower	113	Post-Security Operations	AA.3.08
62.A	3	K	Lower	154	Post-Security Operations	AA.3.09
62.A	3	K	Upper	460	Post-Security Operations	AA.3 18
62 D	3	H	Lower	2,211	Post-Security Operations	AA.3.08
62.F	3	H	Lower	232	Post-Security Operations	AA.3.08
64.A	3	K	Lower	281	Post-Security Operations	AA.3.09
65.A	3	K	Upper	1,380	Holdroom	AA.3.18
65.C	3	H	Upper	2,216	Holdroom	AA.3.17
66.A	3	H	Upper	1,656	Holdroom	AA.3.17
66.B	3	K	Lower	44	Post-Security Operations	AA.3.09
66.B1	3	K	Lower	133	Post-Security Operations	AA.3.09
66.C	3	K	Lower	22	Post-Security Operations	AA.3.09
66.D	3	K	Lower	150	Post-Security Operations	AA.3.09
67.A	3	K	Lower	269	Post-Security Operations	AA.3.09
67.A	3	H	Upper	789	Holdroom	AA.3.17

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
67.A	3	K	Upper	650	Holdroom	AA.3.18
67.C	3	H	Upper	1,048	Holdroom	AA.3.17
67.D	3	H	Lower	234	Post-Security Operations	AA.3.08
67.F	3	H	Lower	59	Post-Security Operations	AA.3.08
67.G	3	H	Lower	93	Post-Security Operations	AA.3.08
67.H	3	H	Lower	249	Post-Security Operations	AA.3.08
68.A	3	H	Lower	291	Post-Security Operations	AA.3.08
68.A	3	H	Upper	2,024	Holdroom	AA.3.17
68.A	3	K	Upper	2,117	Holdroom	AA.3.18
68.B	3	H	Lower	1,492	Post-Security Operations	AA.3.08
68.F	3	H	Lower	68	Post-Security Operations	AA.3.08
69.A	3	K	Lower	278	Post-Security Operations	AA.3.10
69.A	3	H	Upper	2,877	Holdroom	AA.3.17
69 A	3	K	Upper	2,668	Holdroom	AA.3.18
69.B	3	H	Upper	1,364	Holdroom	AA.3.17
70.A	3	H	Lower	622	Post-Security Operations	AA.3.08
71.A	3	H	Lower	244	Post-Security Operations	AA.3.08
71.A	3	K	Upper	2,418	Holdroom	AA.3.18
71.G	3	K	Upper	1,937	Holdroom	AA.3.18
072.C	5	M	Lower	2,209	Post-Security Operations	AA.5.03
072.C1	5	M	Lower	202	Post-Security Operations	AA.5.03
072.C2	5	M	Lower	166	Post-Security Operations	AA.5.03
072.C3	5	M	Lower	42	Post-Security Operations	AA.5.03
072.C4	5	M	Lower	310	Post-Security Operations	AA.5.03
072.C5	5	M	Lower	698	Post-Security Operations	AA.5.03
072.C6	5	M	Lower	410	Post-Security Operations	AA.5.03
72.4.A	3	K	Basement	296	Post-Security Operations	AA.3.03
72.4.B	3	K	Basement	149	Post-Security Operations	AA.3.03
72.4.C	3	K	Basement	152	Post-Security Operations	AA.3.03
72.4.D	3	K	Basement	149	Post-Security Operations	AA.3.03
72.9A	3	K	Lower	284	Post-Security Operations	AA.3.10
72.9B	3	K	Lower	176	Post-Security Operations	AA.3.10
72.9C	3	K	Lower	50	Post-Security Operations	AA.3.10
72.9D	3	K	Lower	95	Post-Security Operations	AA.3.10
72 9E	3	K	Lower	231	Post-Security Operations	AA.3.10
72.9F	3	K	Lower	140	Post-Security Operations	AA.3.10
72.9G	3	K	Lower	41	Post-Security Operations	AA.3.10
72.9I	3	K	Lower	42	Post-Security Operations	AA.3.10
72.9J	3	K	Lower	121	Post-Security Operations	AA.3.10
72.B	3	K	Basement	328	Post-Security Operations	AA.3.03
72.C	3	K	Basement	3,904	Post-Security Operations	AA.3.03
72.H	3	K	Basement	103	Post-Security Operations	AA.3.03
72.J	3	K	Basement	175	Post-Security Operations	AA.3.03
72.K	3	K	Basement	38	Post-Security Operations	AA.3.03
72.L	3	K	Basement	95	Post-Security Operations	AA.3.03
73.9.B	3	K	Basement	142	Post-Security Operations	AA.3.03
73.9 C	3	K	Basement	135	Post-Security Operations	AA.3.03
73.9A	3	K	Lower	1,683	Post-Security Operations	AA.3.10
73.9C	3	K	Lower	143	Post-Security Operations	AA.3.10
73.9D	3	K	Lower	323	Post-Security Operations	AA.3.10
73.9E	3	K	Lower	219	Post-Security Operations	AA.3.10
73.9F	3	K	Lower	175	Post-Security Operations	AA.3.10
73.9G	3	K	Lower	198	Post-Security Operations	AA.3.10
73.C	3	K	Lower	13,077	Discounted Post-Security Operations	AA.3.10
73.C	3	K	Upper	2,694	Holdroom	AA.3.18
73.C1	3	K	Lower	269	Post-Security Operations	AA.3.10
73.E	3	K	Basement	133	Post-Security Operations	AA.3.03
73.F	3	K	Basement	540	Post-Security Operations	AA.3.03
73.G	3	K	Basement	458	Post-Security Operations	AA.3.03
73.H	3	K	Basement	137	Post-Security Operations	AA.3.03

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
74.A	3	K	Basement	423	Post-Security Operations	AA.3.03
75.1A	3	K	Lower	42	Post-Security Operations	AA.3.10
75.1B	3	K	Lower	266	Post-Security Operations	AA.3.10
75.A	3	K	Lower	326	Post-Security Operations	AA.3.10
75 B	3	K	Upper	1,846	Holdroom	AA.3.18
75.K	3	K	Upper	3,065	Holdroom	AA.3.18
76.A	3	K	Lower	198	Post-Security Operations	AA.3.10
76.B	3	K	Lower	182	Post-Security Operations	AA.3.10
76.B	3	K	Upper	2,669	Club	AA.3.18
76.C	3	K	Lower	172	Post-Security Operations	AA.3.10
76.D	3	K	Lower	271	Post-Security Operations	AA.3.10
76.D	3	K	Upper	253	Club	AA.3.18
76.D1	3	K	Upper	204	Club	AA.3.18
76.D10	3	K	Upper	201	Club	AA.3.18
76.D12	3	K	Upper	140	Club	AA.3.18
76 D13	3	K	Upper	192	Club	AA.3.18
76.D2	3	K	Upper	171	Club	AA.3.18
76.D5	3	K	Upper	166	Club	AA.3.18
76.D6	3	K	Upper	46	Club	AA.3.18
76.F	3	K	Lower	360	Post-Security Operations	AA.3.10
77.B	3	K	Lower	625	Post-Security Operations	AA.3.10
77.C	3	K	Lower	795	Post-Security Operations	AA.3.10
77 D	3	K	Lower	149	Post-Security Operations	AA.3.10
77.E	3	K	Lower	184	Post-Security Operations	AA.3.10
77.F	3	K	Lower	147	Post-Security Operations	AA.3.10
78.A	3	K	Upper	68	Club	AA.3.18
78.B	3	K	Upper	63	Club	AA.3.18
78.C	3	K	Upper	170	Club	AA.3.18
79.A	3	K	Basement	1,056	Post-Security Operations	AA.3.03
79.A	3	K	Upper	3,376	Holdroom	AA.3.18
79.B	3	K	Basement	611	Post-Security Operations	AA.3.03
79.B	3	K	Lower	3,467	Post-Security Operations	AA.3.10
79.C	3	K	Basement	1,030	Post-Security Operations	AA.3.03
81.A	3	K	Basement	294	Post-Security Operations	AA.3.03
81.A	3	K	Lower	323	Post-Security Operations	AA.3.10
81.B	3	K	Basement	143	Post-Security Operations	AA.3.03
81.C	3	K	Basement	492	Post-Security Operations	AA.3.03
81.D	3	K	Basement	145	Post-Security Operations	AA.3.03
81.E	3	K	Basement	143	Post-Security Operations	AA.3.03
81.F	3	K	Basement	120	Post-Security Operations	AA.3.03
81.G	3	K	Basement	142	Post-Security Operations	AA.3.03
81.H	3	K	Basement	142	Post-Security Operations	AA.3.03
81.K	3	K	Basement	258	Post-Security Operations	AA.3.03
81.L	3	K	Basement	157	Post-Security Operations	AA.3.03
81.M	3	K	Basement	2,246	Post-Security Operations	AA.3.03
82.A	3	K	Lower	115	Post-Security Operations	AA.3.10
82.C	3	K	Basement	157	Post-Security Operations	AA.3.03
91.G	3	HK	Mezzanine	103	Club	AA.3.23
91 W	3	HK	Mezzanine	195	Club	AA.3.23
R05.B	5	M	Lower	745	Post-Security Operations	AA 5.03
R05.C	5	M	Lower	143	Post-Security Operations	AA.5.03
Aircraft Frontage			Ramp	8,222		AA.R.01

Total Sq. Footage 679,353

*excluding ramp

CHICAGO DEPARTMENT OF AVIATION

EXHIBIT C

Premises Notice

Chicago O'Hare International Airport

DELTA AIR LINES

Effective: May 12, 2018

Prepared: February 22, 2018

TERMINAL	Sq. Footage
TERMINAL 2	

Baggage Claim	4,615
Baggage Makeup	8,195
Check-In	2,792
Club	5,846
Holdroom	10,385
Post-Security Operations	22,258
Pre-Security Operations	4,781

GRAND TOTAL	**58,872**

AIRCRAFT RAMP	
Aircraft Frontage	875 Linear Feet

Included Exhibits:

1) Exhibit DL.2.01
2) Exhibit DL.2.02
3) Exhibit DL.2.03
4) Exhibit DL.2.04
5) Exhibit DL.2.05
6) Exhibit DL.2.06
7) Exhibit DL.2.07
8) Exhibit DL.2.08
9) Exhibit DL.R.01

CHICAGO DEPARTMENT OF AVIATION

EXHIBIT C

Premises Notice

Chicago O'Hare International Airport

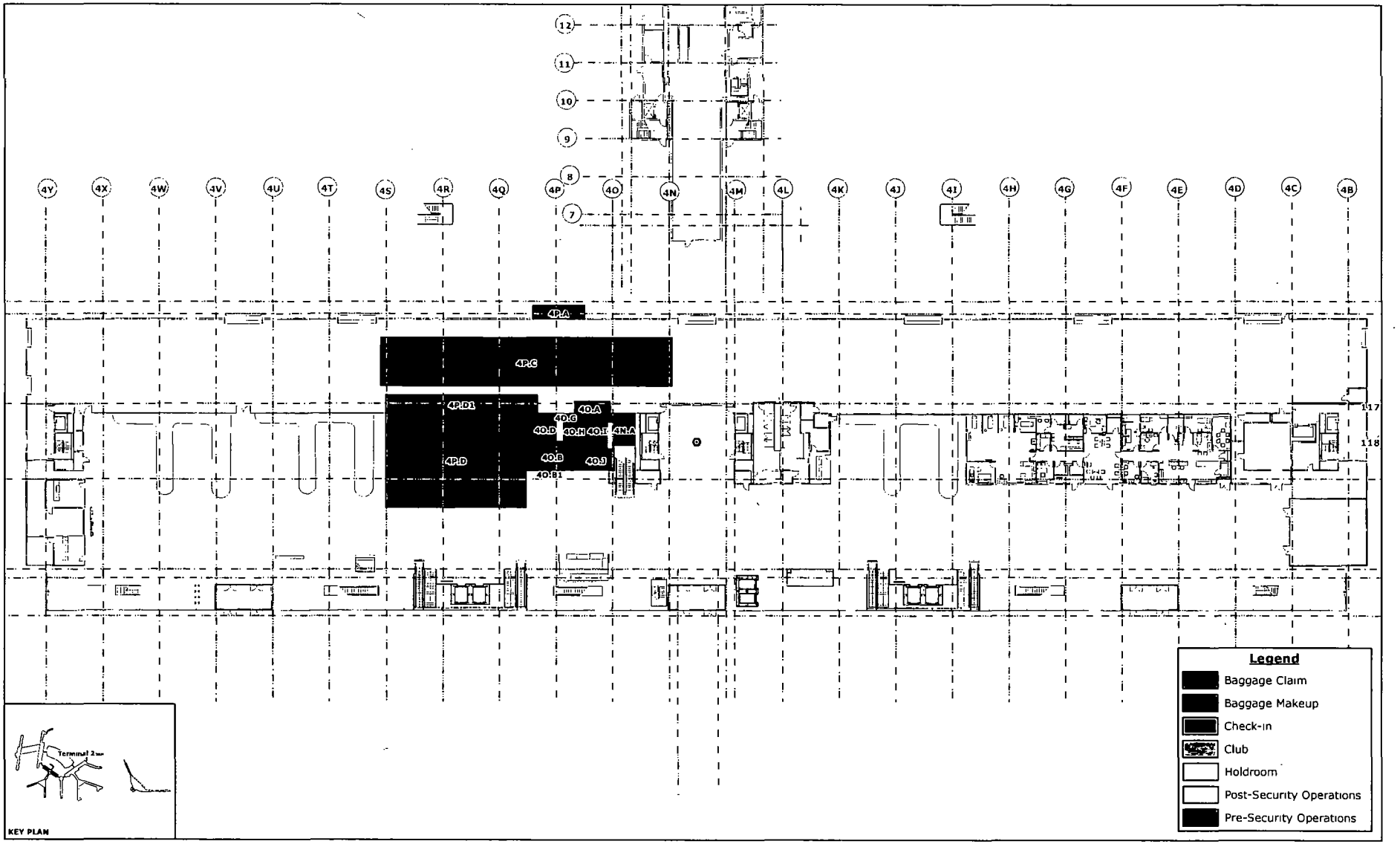
DELTA AIR LINES

Modifications Log

Mod #	Date	Sq. Footage Adjustment	Function of Space	Requested by	Notes

Signature

Date



Chicago O'Hare International Airport	**City of Chicago Rahm Emanuel Mayor**	**Department of Aviation**	CDA CHICAGO DEPARTMENT OF AVIATION	**Terminal 2 - Main Concourse - Lower Level Effective May 12, 2018**	**Delta Air Lines**	0 25 50 Feet	**Exhibit DL.2.01**

As of 2/27/2018
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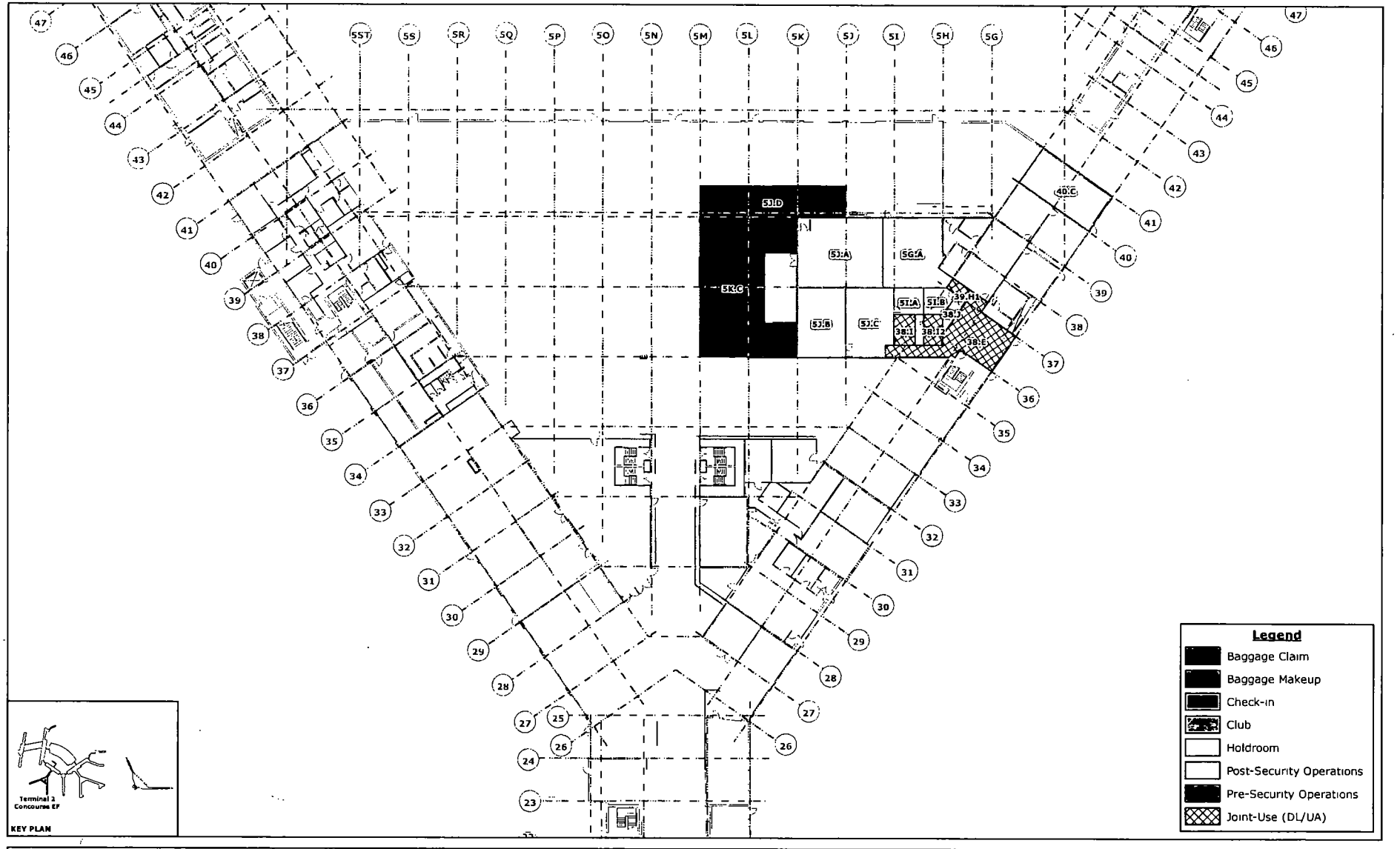
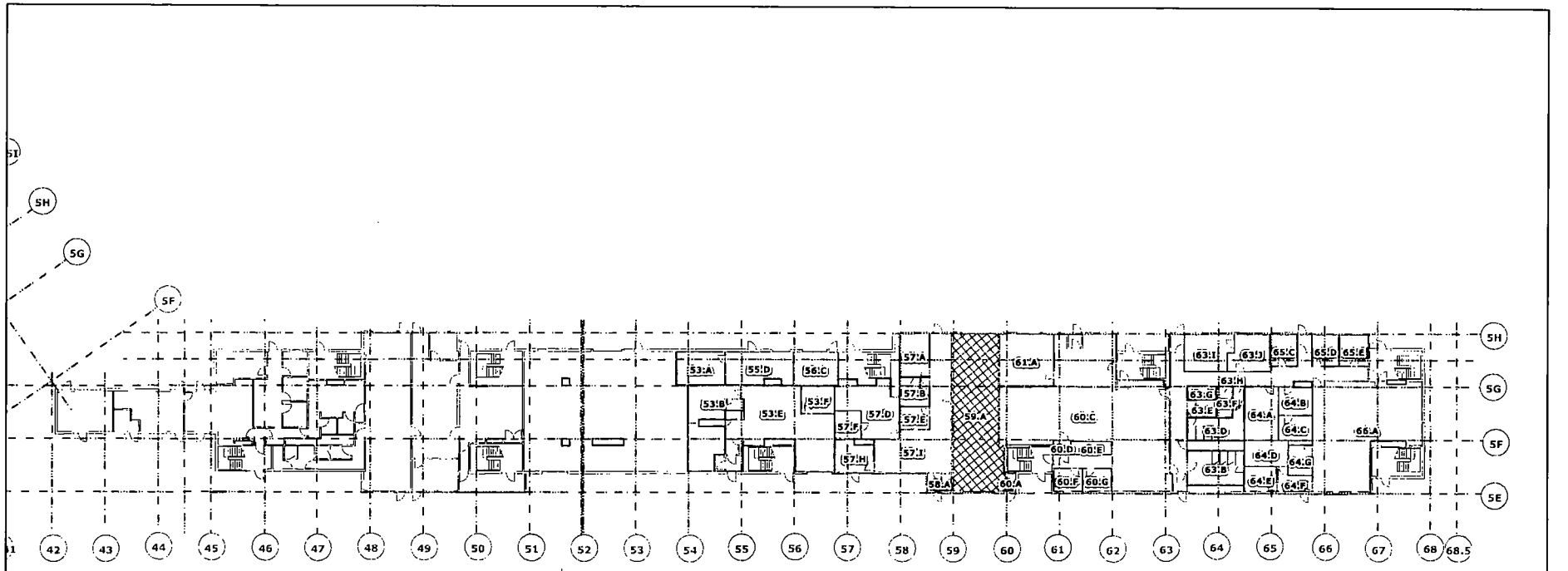
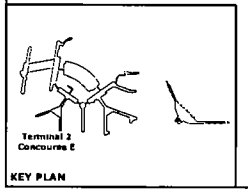


Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	Terminal 2 - EF Concourse - Lower Level Effective May 12, 2018	Delta Air Lines	0 25 50 Feet	Exhibit DL.2.02

As of 7/12/2018
Plot File DL2 T2EFL.mxd



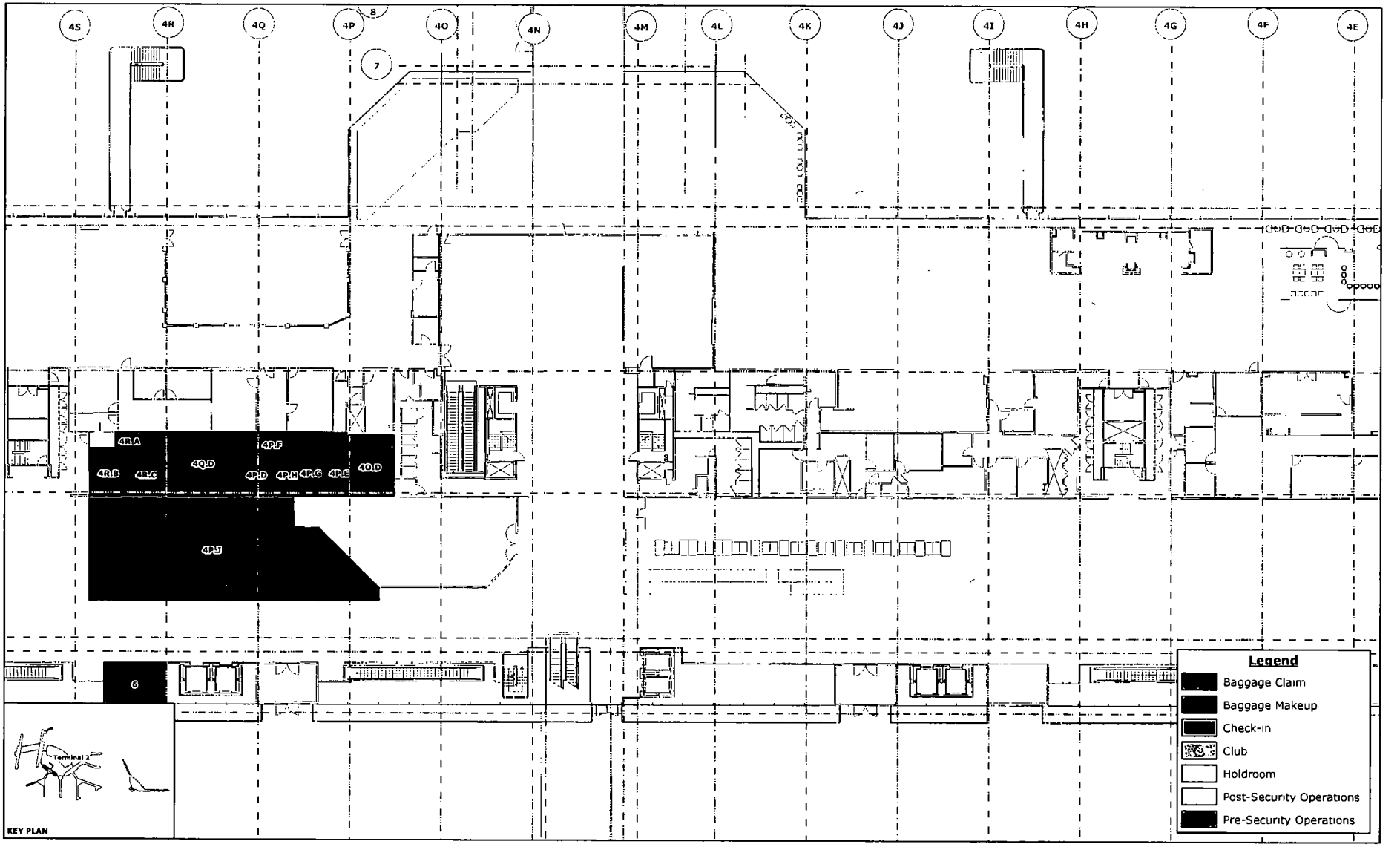


Legend

- Baggage Claim
- Baggage Makeup
- Check-in
- Club
- Holdroom
- Post-Security Operations
- Pre-Security Operations
- Unconditioned Space

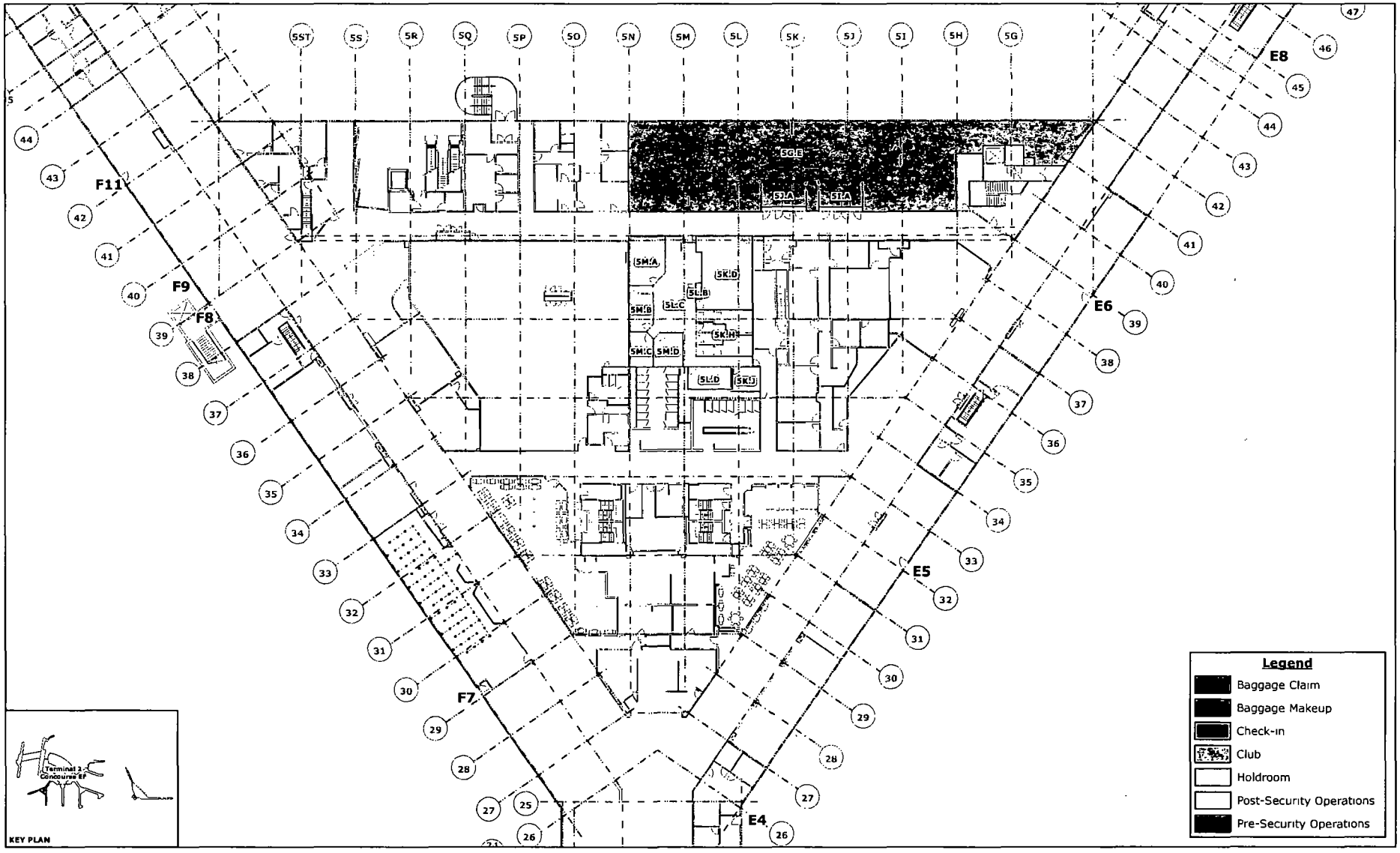
Chicago O'Hare International Airport	**City of Chicago Rahm Emanuel Mayor**	**Department of Aviation**	CDA Chicago Department of Aviation	**Terminal 2 - E Concourse - Lower Level Effective May 12, 2018**	**Delta Air Lines**	0 25 50 Feet N	**Exhibit DL.2.03**

As of 1/29/2018
Plot File DL3 T2E1.mxd



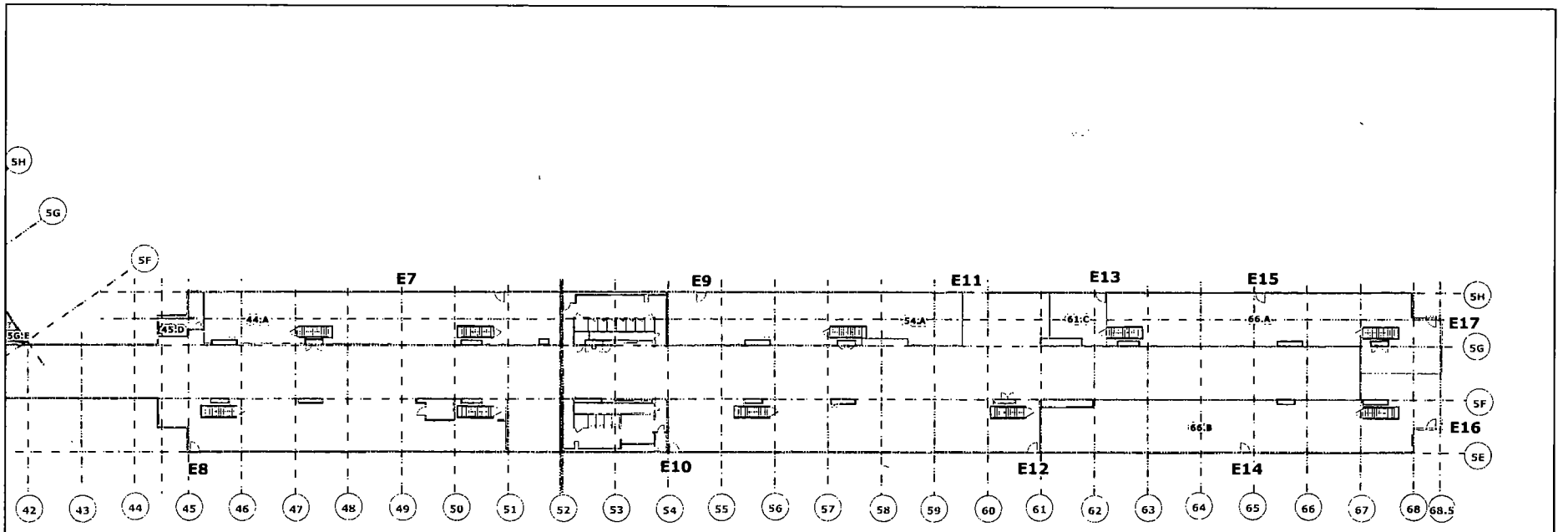
Chicago O'Hare International Airport	**City of Chicago Rahm Emanuel Mayor**	**Department of Aviation**	CDA CHICAGO DEPARTMENT OF AVIATION	**Terminal 2 - Main Concourse - Upper Level Effective May 12, 2018**	**Delta Air Lines**	0 25 50 Feet	**Exhibit DL.2.04**

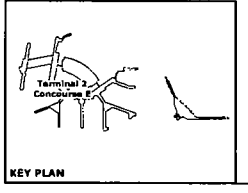
As of 1/29/2018
Plot File DL4.12MU.mxd



Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	Terminal 2 - EF Concourse - Upper Level Effective May 12, 2018	Delta Air Lines	0 25 50 Feet	Exhibit DL.2.05

As of 2/9/2018
Plot File DL5 T2FFU.mxd



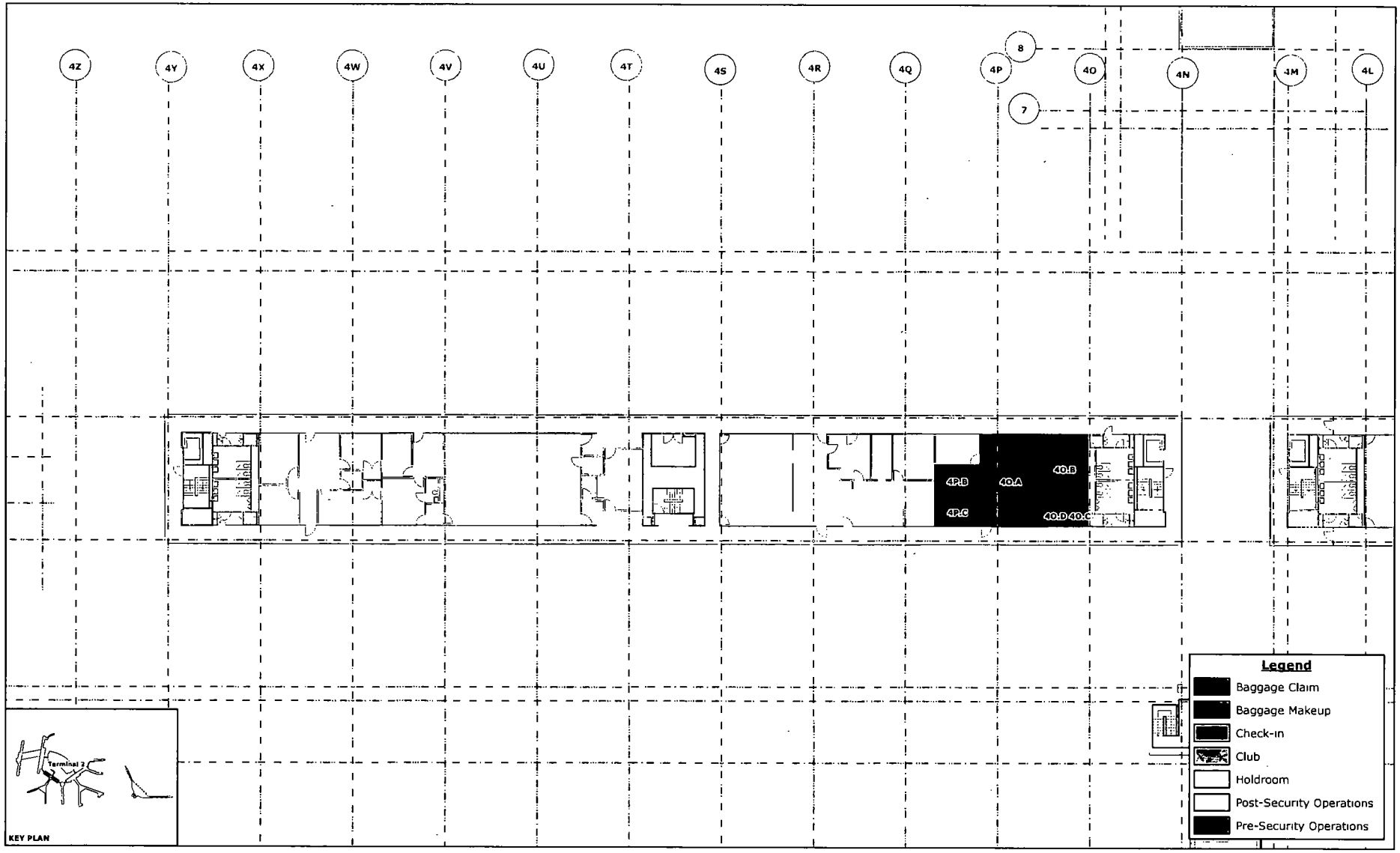


Legend

- Baggage Claim
- Baggage Makeup
- Check-in
- Club
- Holdroom
- Post-Security Operations
- Pre-Security Operations

Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	Terminal 2 - E Concourse - Upper Level Effective May 12, 2018	Delta Air Lines	0 25 50 Feet N	Exhibit DL.2.06

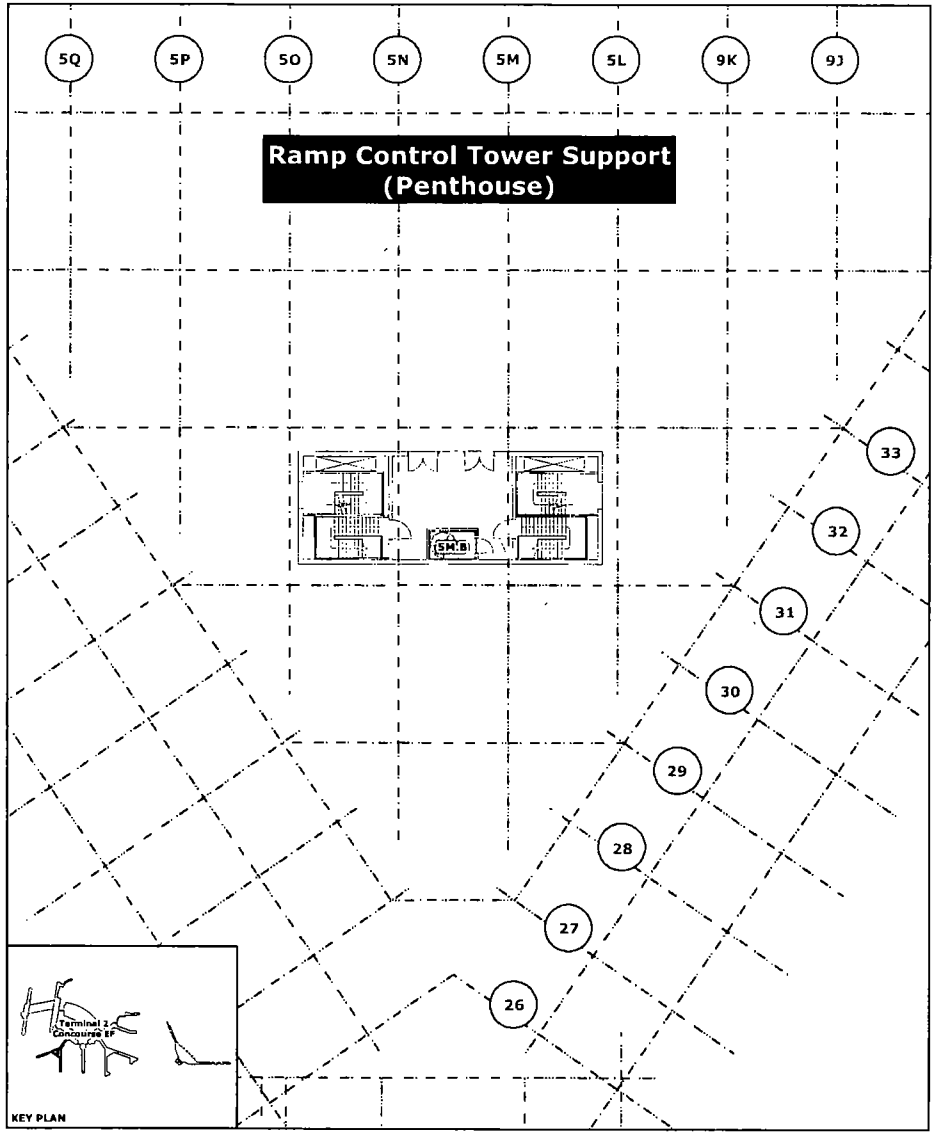
As of 2/22/2018
Plot File: DLb T2EU.mxd

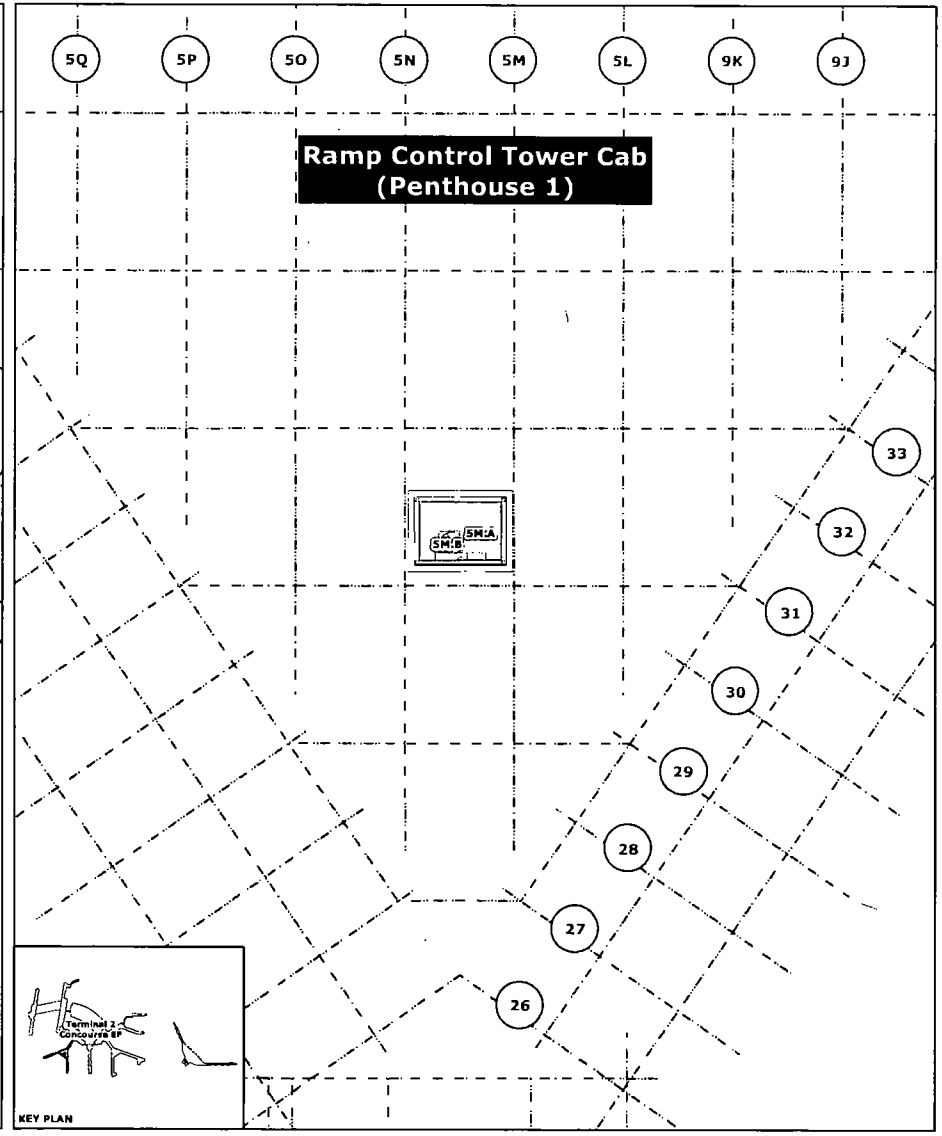


Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	Terminal 2 - Main Concourse - Mezzanine Effective May 12, 2018	Delta Air Lines	Exhibit DL.2.07

0 25 50 Feet

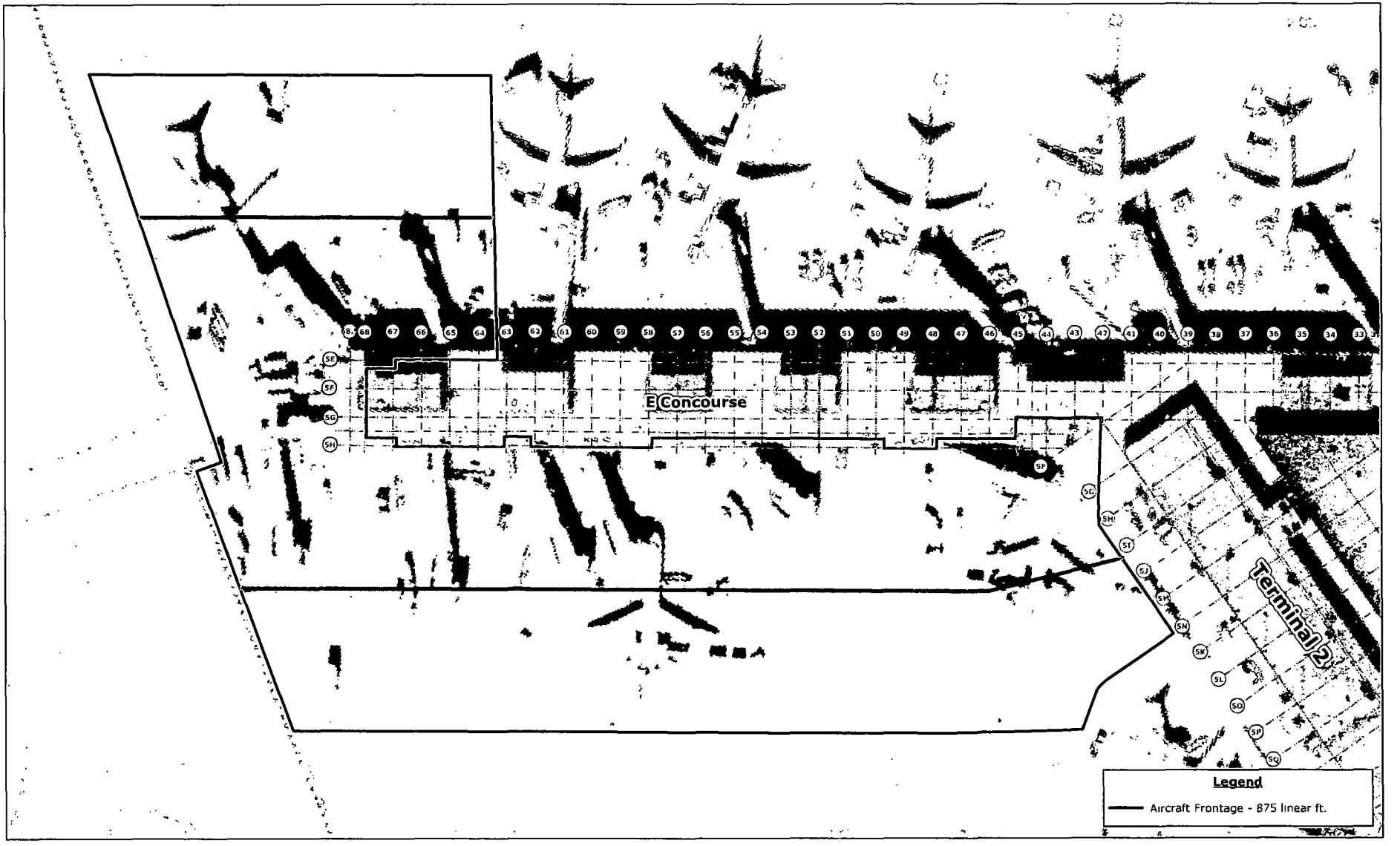
As of 1/24/2018
Plot File DL/ T2MM.mxd





Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA CHICAGO DEPARTMENT OF AVIATION	Terminal 2 - EF Concourse - Penthouse Effective May 12, 2018	Delta Air Lines	Exhibit DL.2.08

As of 7/27/2018
Plot File DL8 T2EFP.mxd



Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Aircraft Ramp Area Effective May 12, 2018	Delta Air Lines	0 50 100 Feet	Exhibit DL.R.01

As of 1/29/2018
Plot File: DL9 RAMP.mxd

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
4N.A	2	Main	Lower	190	Pre-Security Operations	DL.2.01
4O.A	2	Main	Lower	140	Pre-Security Operations	DL.2.01
4O.A	2	Main	Mezzanine	606	Pre-Security Operations	DL.2.07
4O.B	2	Main	Lower	417	Pre-Security Operations	DL.2.01
4O.B	2	Main	Mezzanine	332	Pre-Security Operations	DL.2.07
4O.B1	2	Main	Lower	18	Check-In	DL.2.01
4O.C	2	Main	Mezzanine	48	Pre-Security Operations	DL.2.07
4O.D	2	Main	Lower	191	Pre-Security Operations	DL.2.01
4O.D	2	Main	Upper	313	Pre-Security Operations	DL.2.04
4O.D	2	Main	Mezzanine	71	Pre-Security Operations	DL.2.07
4O.G	2	Main	Lower	57	Pre-Security Operations	DL.2.01
4O.H	2	Main	Lower	110	Pre-Security Operations	DL.2.01
4O.I	2	Main	Lower	210	Pre-Security Operations	DL.2.01
4O.J	2	Main	Lower	220	Pre-Security Operations	DL.2.01
4P.A	2	Main	Lower	210	Baggage Makeup	DL.2.01
4P.B	2	Main	Mezzanine	148	Pre-Security Operations	DL.2.07
4P.C	2	Main	Lower	4,030	Baggage Makeup	DL.2.01
4P.C	2	Main	Mezzanine	148	Pre-Security Operations	DL.2.07
4P.D	2	Main	Lower	3,813	Baggage Claim	DL.2.01
4P.D	2	Main	Upper	148	Pre-Security Operations	DL.2.04
4P.D1	2	Main	Lower	802	Baggage Claim	DL.2.01
4P.E	2	Main	Upper	74	Baggage Makeup	DL.2.04
4P.F	2	Main	Upper	277	Pre-Security Operations	DL.2.04
4P.G	2	Main	Upper	81	Baggage Makeup	DL.2.04
4P.H	2	Main	Upper	147	Pre-Security Operations	DL.2.04
4P.J	2	Main	Upper	2,774	Check-In	DL.2.04
4Q.D	2	Main	Upper	575	Pre-Security Operations	DL.2.04
4R.A	2	Main	Upper	51	Pre-Security Operations	DL.2.04
4R.B	2	Main	Upper	197	Pre-Security Operations	DL.2.04
4R.C	2	Main	Upper	185	Pre-Security Operations	DL.2.04
5G.A	2	EF	Lower	946	Post-Security Operations	DL.2.02
5G.E	2	EF	Upper	5,460	Club	DL.2.05
5I.A	2	EF	Lower	174	Post-Security Operations	DL.2.02
5I.A	2	EF	Upper	191	Club	DL.2.05
5I.B	2	EF	Lower	156	Post-Security Operations	DL.2.02
5J.A	2	EF	Lower	1,329	Post-Security Operations	DL.2.02
5J.A	2	EF	Upper	195	Club	DL.2.05
5J.B	2	EF	Lower	750	Post-Security Operations	DL.2.02
5J.C	2	EF	Lower	727	Post-Security Operations	DL.2.02
5J.D	2	EF	Lower	1,026	Baggage Makeup	DL.2.02
5K.C	2	EF	Lower	2,493	Baggage Makeup	DL.2.02
5K.D	2	EF	Upper	686	Post-Security Operations	DL.2.05
5K.H	2	EF	Upper	462	Post-Security Operations	DL.2.05
5K.J	2	EF	Upper	124	Post-Security Operations	DL.2.05
5L.B	2	EF	Upper	17	Post-Security Operations	DL.2.05
5L.C	2	EF	Upper	834	Post-Security Operations	DL.2.05
5L.D	2	EF	Upper	172	Post-Security Operations	DL.2.05
5M.A	2	EF	Upper	305	Post-Security Operations	DL.2.05
5M.A	2	EF	Penthouse1	194	Post-Security Operations	DL.2.08
5M.B	2	EF	Upper	197	Post-Security Operations	DL.2.05
5M.B	2	EF	Penthouse	62	Post-Security Operations	DL.2.08
5M.B	2	EF	Penthouse1	19	Post-Security Operations	DL.2.08
5M.C	2	EF	Upper	148	Post-Security Operations	DL.2.05
5M.D	2	EF	Upper	172	Post-Security Operations	DL.2.05
6	2	Curbside	Upper	281	Baggage Makeup	DL.2.04
38.E[1]	2	EF	Lower	386	Post-Security Operations	DL.2.02
38.I[1]	2	EF	Lower	72	Post-Security Operations	DL 2.02
38.I.2[1]	2	EF	Lower	65	Post-Security Operations	DL.2.02

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
38.J	2	EF	Lower	84	Post-Security Operations	DL.2.02
39.H1[1]	2	EF	Lower	55	Post-Security Operations	DL.2.02
40.C	2	EF	Lower	785	Post-Security Operations	DL.2.02
44.A	2	E	Upper	2,421	Holdroom	DL.2.06
45.D	2	E	Upper	159	Post-Security Operations	DL.2.06
53.A	2	E	Lower	231	Post-Security Operations	DL.2.03
53.B	2	E	Lower	468	Post-Security Operations	DL.2.03
53.E	2	E	Lower	928	Post-Security Operations	DL.2.03
53.F	2	E	Lower	132	Post-Security Operations	DL.2.03
54.A	2	E	Upper	2,037	Holdroom	DL.2.06
55.D	2	E	Lower	309	Post-Security Operations	DL.2.03
56.C	2	E	Lower	217	Post-Security Operations	DL.2.03
57.A	2	E	Lower	186	Post-Security Operations	DL.2.03
57.B	2	E	Lower	128	Post-Security Operations	DL.2.03
57.D	2	E	Lower	404	Post-Security Operations	DL.2.03
57.E	2	E	Lower	99	Post-Security Operations	DL.2.03
57.F	2	E	Lower	107	Post-Security Operations	DL.2.03
57.H	2	E	Lower	175	Post-Security Operations	DL.2.03
57.I	2	E	Lower	746	Post-Security Operations	DL 2.03
58.A	2	E	Lower	66	Post-Security Operations	DL.2.03
59.A	2	E	Lower	1,087	Post-Security Operations	DL.2.03
60.A	2	E	Lower	29	Post-Security Operations	DL.2.03
60.C	2	E	Lower	2,410	Post-Security Operations	DL.2.03
60.D	2	E	Lower	36	Post-Security Operations	DL.2.03
60.E	2	E	Lower	76	Post-Security Operations	DL.2.03
60.F	2	E	Lower	98	Post-Security Operations	DL.2.03
60.G	2	E	Lower	96	Post-Security Operations	DL.2.03
61.A	2	E	Lower	408	Post-Security Operations	DL.2.03
61.C	2	E	Upper	389	Holdroom	DL.2.06
63.B	2	E	Lower	281	Post-Security Operations	DL.2.03
63.D	2	E	Lower	237	Post-Security Operations	DL.2.03
63.E	2	E	Lower	76	Post-Security Operations	DL.2.03
63.F	2	E	Lower	72	Post-Security Operations	DL.2.03
63.G	2	E	Lower	56	Post-Security Operations	DL.2.03
63.H	2	E	Lower	835	Post-Security Operations	DL.2.03
63.I	2	E	Lower	243	Post-Security Operations	DL.2.03
63.J	2	E	Lower	207	Post-Security Operations	DL.2.03
64.A	2	E	Lower	263	Post-Security Operations	DL.2.03
64.B	2	E	Lower	138	Post-Security Operations	DL 2.03
64.C	2	E	Lower	122	Post-Security Operations	DL.2.03
64.D	2	E	Lower	162	Post-Security Operations	DL.2.03
64.E	2	E	Lower	118	Post-Security Operations	DL.2.03
64.F	2	E	Lower	96	Post-Security Operations	DL.2.03
64.G	2	E	Lower	105	Post-Security Operations	DL.2.03
65.C	2	E	Lower	122	Post-Security Operations	DL.2.03
65.D	2	E	Lower	121	Post-Security Operations	DL.2.03
65.E	2	E	Lower	131	Post-Security Operations	DL.2.03
66 A	2	E	Lower	1,357	Post-Security Operations	DL.2.03
66.A	2	E	Upper	2,519	Holdroom	DL.2.06
66.B	2	E	Upper	3,019	Holdroom	DL.2.06
Aircraft Frontage	2		Ramp	875 linear ft.		DL.R.01

Total Sq. Footage 58,872

*excluding ramp

[1] Space is considered Joint Use between Delta and United Square Footage shown is half of the actual square footage.

CHICAGO DEPARTMENT OF AVIATION

EXHIBIT C

Premises Notice

Chicago O'Hare International Airport

LUFTHANSA GROUP

Effective: May 12, 2018

Prepared: February 7, 2018

TERMINAL	Sq. Footage
TERMINAL 5	

Baggage Claim	0
Baggage Makeup	0
Check-In	0
Club	6,677
Holdroom	0
Post-Security Operations	2,665
Pre-Security Operations	2,031

GRAND TOTAL	**11,373**

AIRCRAFT RAMP	
Aircraft Frontage	0 Linear Feet

Included Exhibits:

1) Exhibit LHG.5.01
2) Exhibit LHG.5.02

CHICAGO DEPARTMENT OF AVIATION

EXHIBIT C

Premises Notice

Chicago O'Hare International Airport

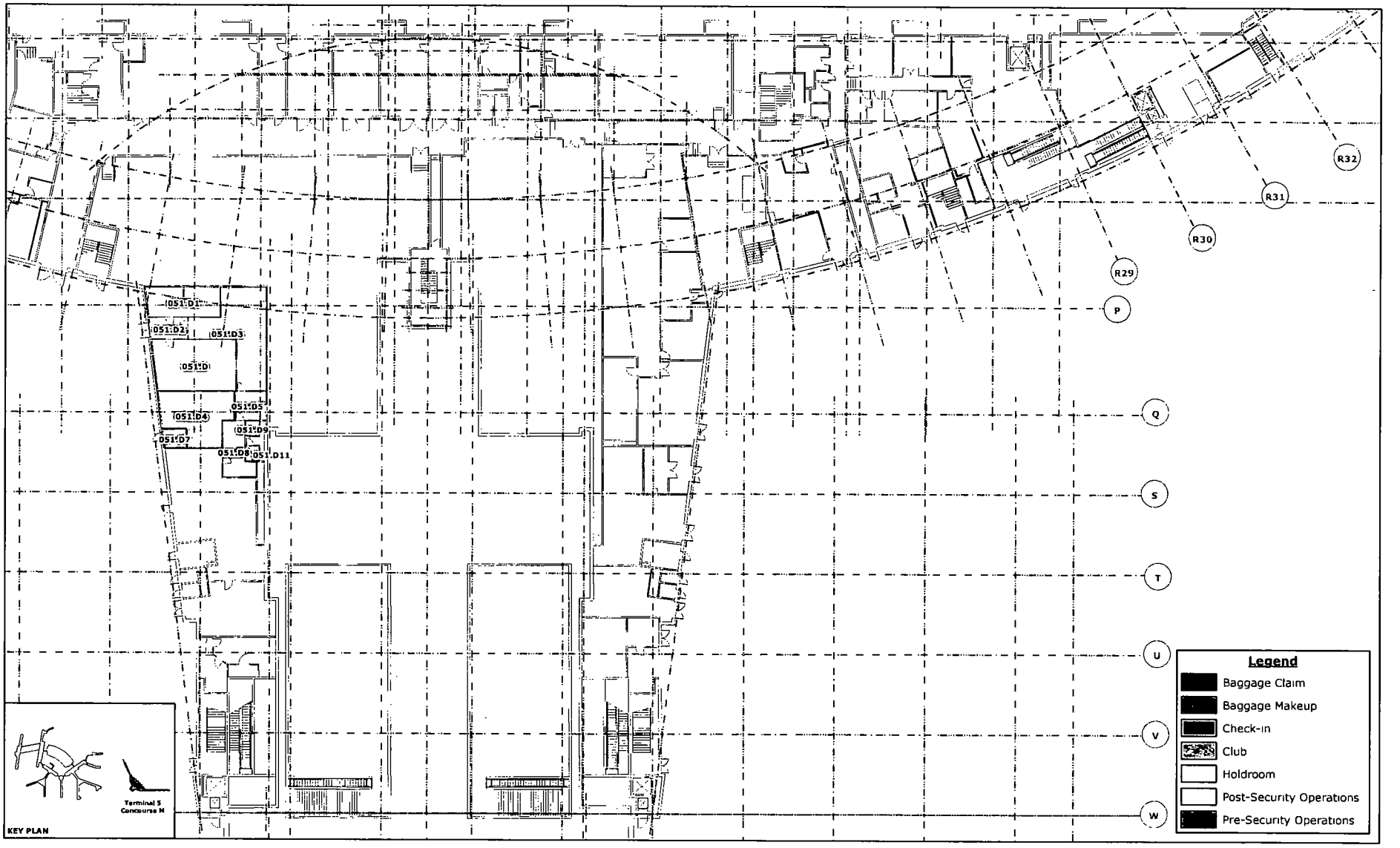
LUFTHANSA GROUP

Modifications Log

Mod #	Date	Sq. Footage Adjustment	Function of Space	Requested by	Notes

Signature

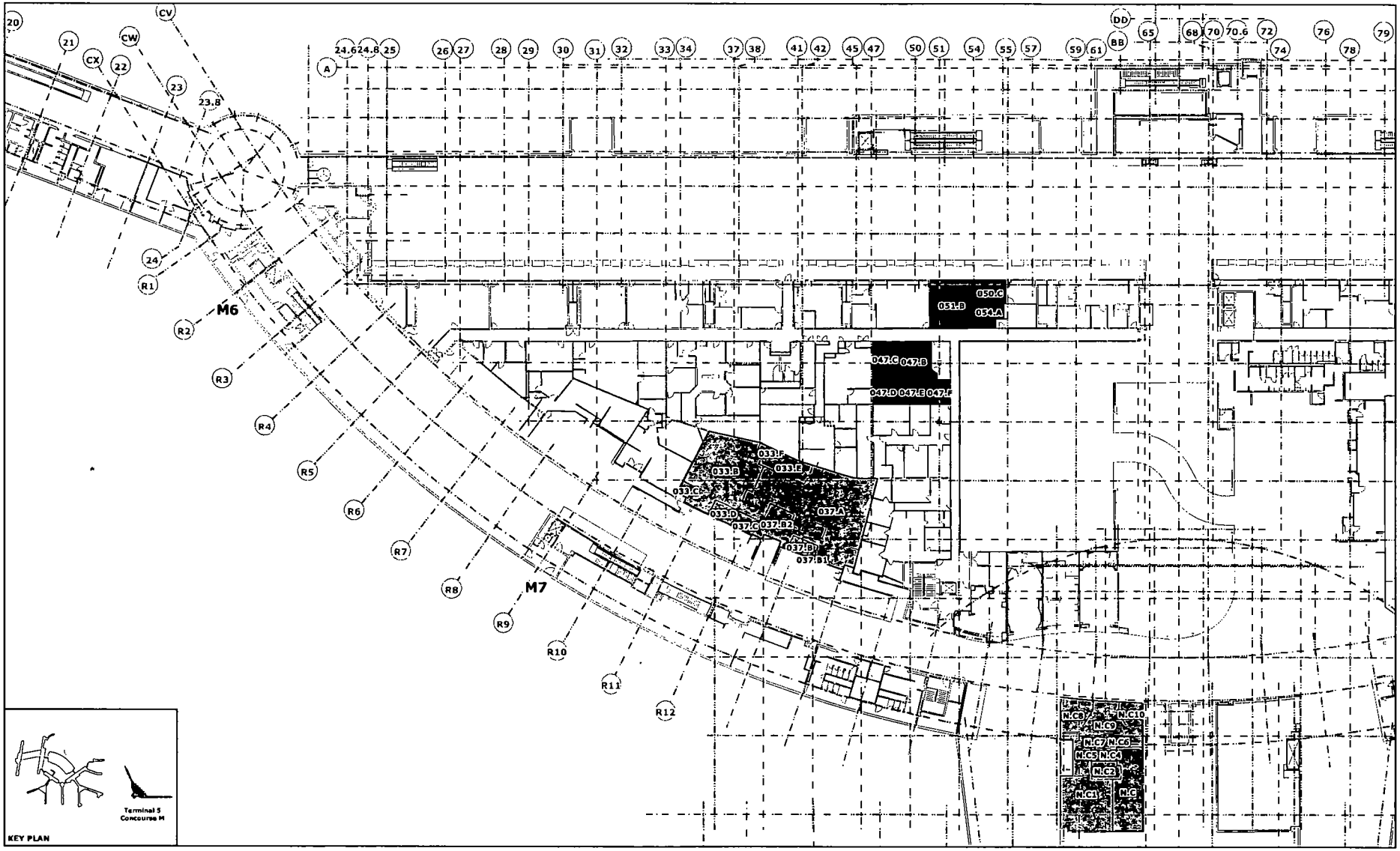
Date



Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	Terminal 5 - Main Concourse - Lower Level Effective May 12, 2018	Lufthansa Group	Exhibit LHG.5.01

0 25 50 Feet

As of 2/6/2018
Plot File LHG1 T5L.mxd



Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 5 - Main Concourse - Upper Level Effective May 12, 2018	Lufthansa Group	0 25 50 Feet	Exhibit LHG.5.02

As of 2/6/2018
Plot File: LHG2 150.mxd

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
033.B	5	M	Upper	1,250	Club	LHG.5.02
033.C	5	M	Upper	43	Club	LHG.5.02
033.D	5	M	Upper	106	Club	LHG.5.02
033.E	5	M	Upper	230	Club	LHG.5.02
033.F	5	M	Upper	26	Club	LHG.5.02
037.A	5	M	Upper	1,970	Club	LHG.5.02
037.B	5	M	Upper	74	Club	LHG.5.02
037.B1	5	M	Upper	28	Club	LHG.5.02
037.B2	5	M	Upper	283	Club	LHG.5.02
047.B	5	M	Upper	364	Pre-Security Operations	LHG.5.02
047.C	5	M	Upper	209	Pre-Security Operations	LHG.5.02
047.D	5	M	Upper	163	Pre-Security Operations	LHG.5.02
047.E	5	M	Upper	214	Pre-Security Operations	LHG.5.02
047.F	5	M	Upper	154	Pre-Security Operations	LHG.5.02
050.C	5	M	Upper	196	Pre-Security Operations	LHG.5.02
051.B	5	M	Upper	561	Pre-Security Operations	LHG.5.02
051.D	5	M	Lower	607	Post-Security Operations	LHG.5.01
051.D1	5	M	Lower	325	Post-Security Operations	LHG.5.01
051.D11	5	M	Lower	32	Post-Security Operations	LHG.5.01
051.D2	5	M	Lower	124	Post-Security Operations	LHG.5.01
051.D3	5	M	Lower	667	Post-Security Operations	LHG.5.01
051.D4	5	M	Lower	485	Post-Security Operations	LHG.5.01
051.D5	5	M	Lower	118	Post-Security Operations	LHG.5.01
051.D7	5	M	Lower	67	Post-Security Operations	LHG.5.01
051.D8	5	M	Lower	208	Post-Security Operations	LHG.5.01
051.D9	5	M	Lower	32	Post-Security Operations	LHG.5.01
054.A	5	M	Upper	170	Pre-Security Operations	LHG.5.02
N.C	5	M	Upper	610	Club	LHG.5.02
N.C1	5	M	Upper	932	Club	LHG.5.02
N.C10	5	M	Upper	129	Club	LHG.5.02
N.C2	5	M	Upper	134	Club	LHG.5.02
N.C4	5	M	Upper	37	Club	LHG.5.02
N.C5	5	M	Upper	37	Club	LHG.5.02
N.C6	5	M	Upper	69	Club	LHG.5.02
N.C7	5	M	Upper	70	Club	LHG.5.02
N.C8	5	M	Upper	249	Club	LHG.5.02
N.C9	5	M	Upper	400	Club	LHG.5.02

Total Sq. Footage 11,373

CHICAGO DEPARTMENT OF AVIATION

EXHIBIT C

Premises Notice

Chicago O'Hare International Airport

FEDERAL EXPRESS CORPORATION

Effective: May 12, 2018

Prepared: February 27, 2018

TERMINAL	Sq. Footage

Baggage Claim	0
Baggage Makeup	0
Check-In	0
Club	0
Holdroom	0
Post-Security Operations	0
Pre-Security Operations	0

GRAND TOTAL	**0**

AIRCRAFT RAMP	
Aircraft Frontage	0 Linear Feet

CHICAGO DEPARTMENT OF AVIATION

EXHIBIT C

Premises Notice

Chicago O'Hare International Airport

Modifications Log

Mod #	Date	Sq. Footage Adjustment	Function of Space	Requested by	Notes

Signature

Date

CHICAGO DEPARTMENT OF AVIATION

EXHIBIT C

Premises Notice

Chicago O'Hare International Airport

JETBLUE

Effective: May 12, 2018

Prepared: February 27, 2018

TERMINAL	Sq. Footage
TERMINAL 3	

Baggage Claim	0
Baggage Makeup	0
Check-In	801
Club	0
Holdroom	1,657
Post-Security Operations	1,026
Pre-Security Operations	1,230

GRAND TOTAL	**4,714**

AIRCRAFT RAMP	
Aircraft Frontage	147 Linear Feet

Included Exhibits:

1) Exhibit B6.3.01
2) Exhibit B6.3.02
3) Exhibit B6.3.03
4) Exhibit B6.3.04
5) Exhibit B6.R.01

CHICAGO DEPARTMENT OF AVIATION

EXHIBIT C

Premises Notice

Chicago O'Hare International Airport

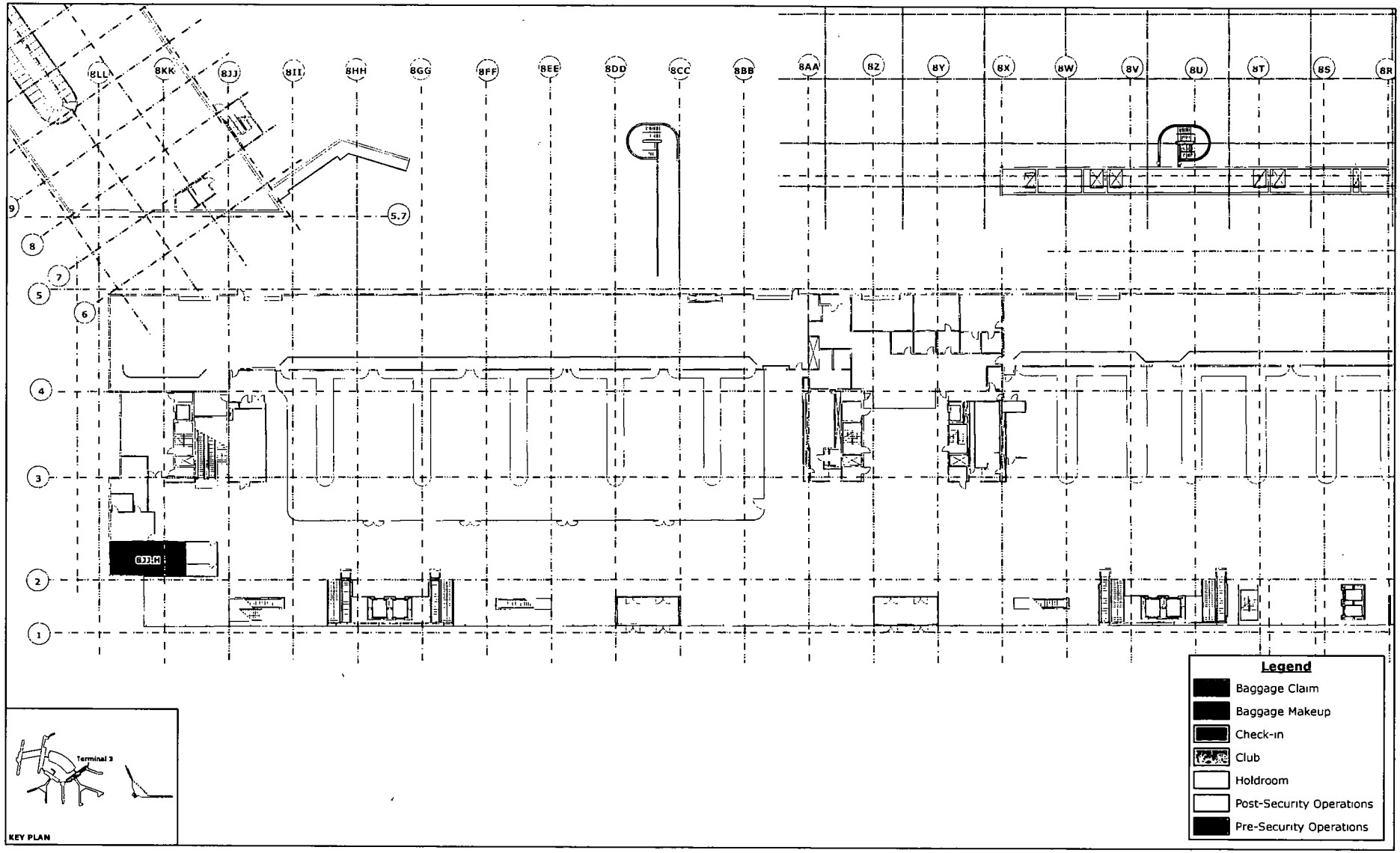
JETBLUE

Modifications Log

Mod #	Date	Sq. Footage Adjustment	Function of Space	Requested by	Notes

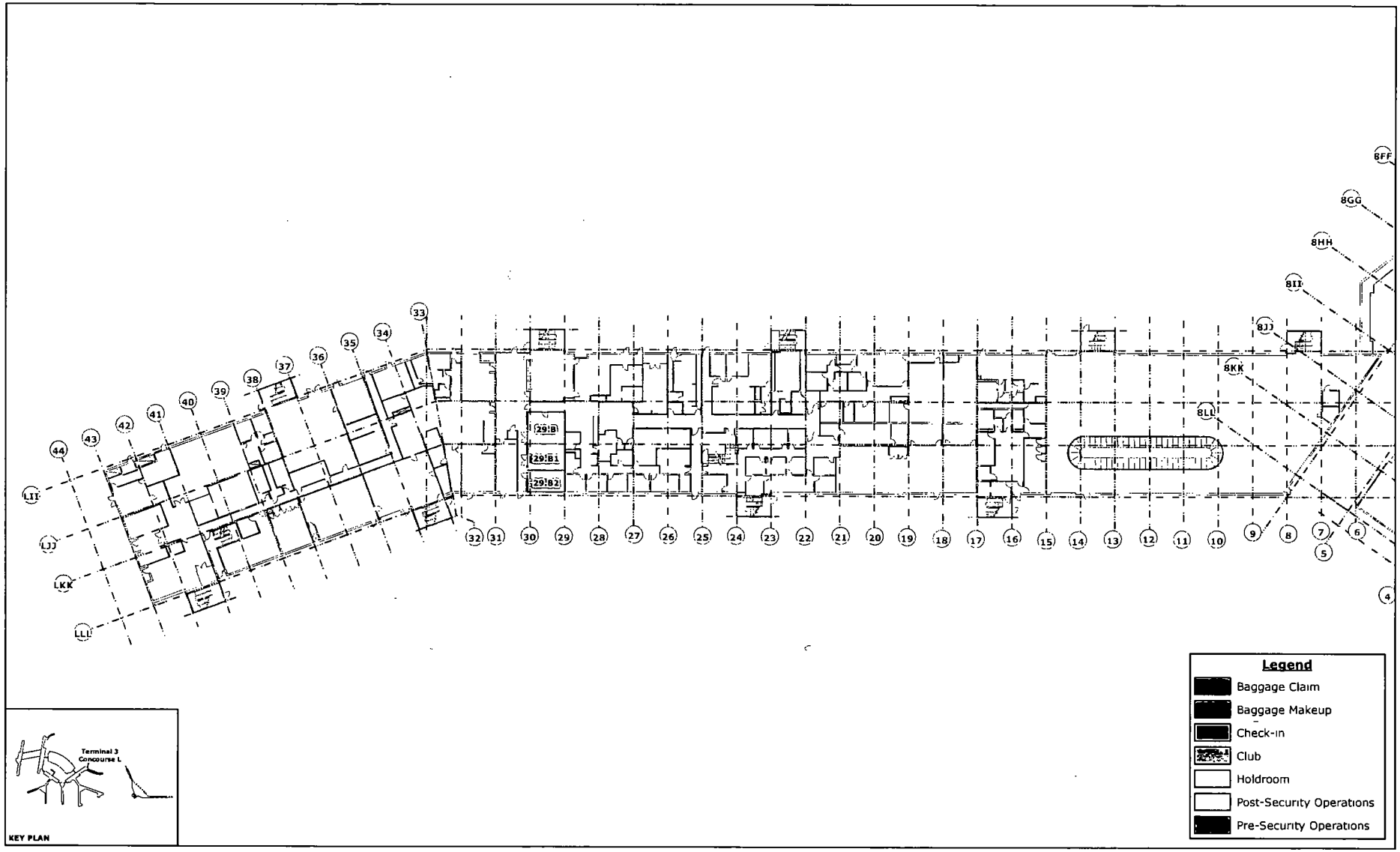
Signature

Date



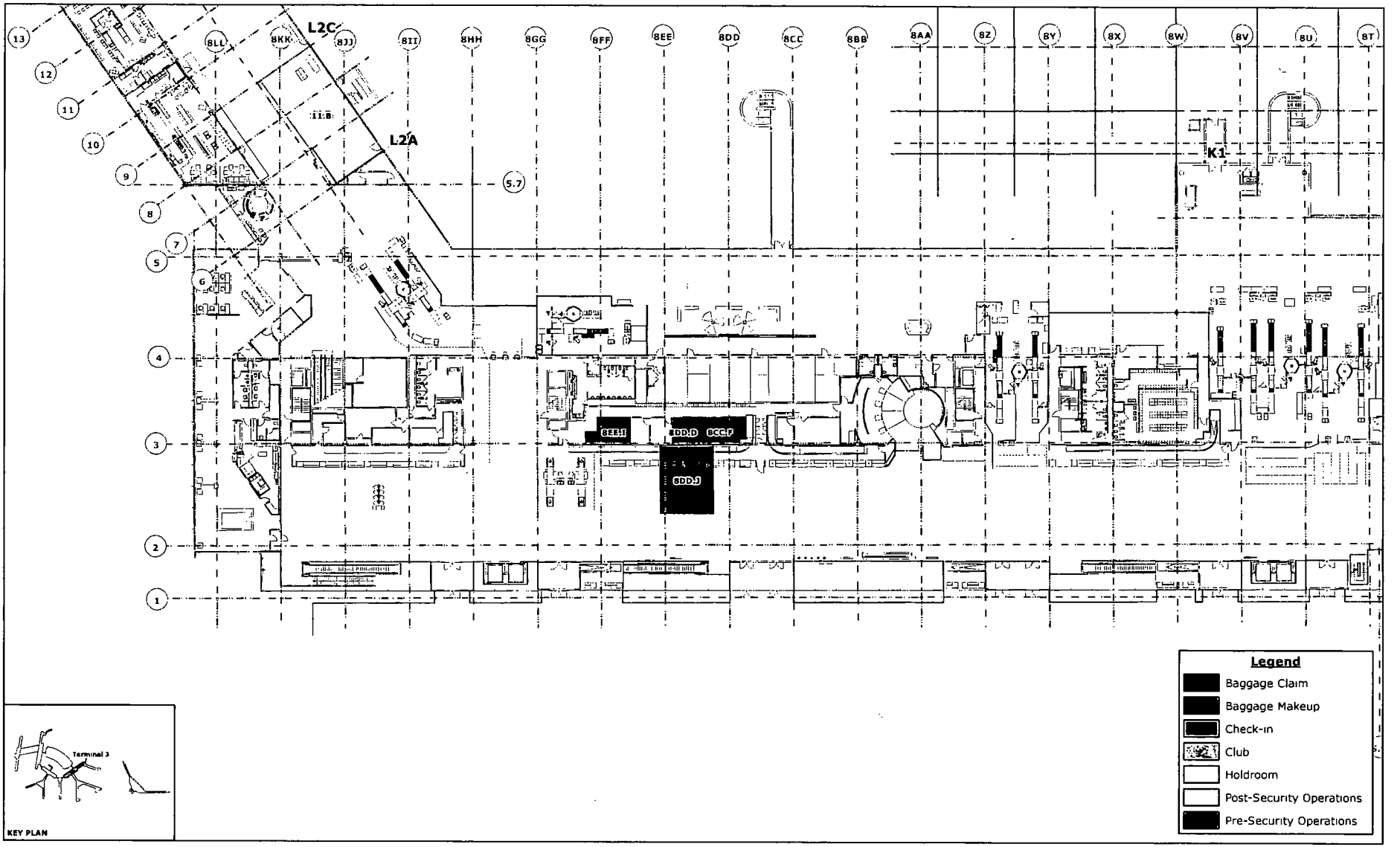
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	Terminal 3 - Main Concourse - Lower Level Effective May 12, 2018	JetBlue	0 25 50 Feet	Exhibit B6.3.01

As of 2/27/2018
Plot File 6b1 T3MLL.mxd



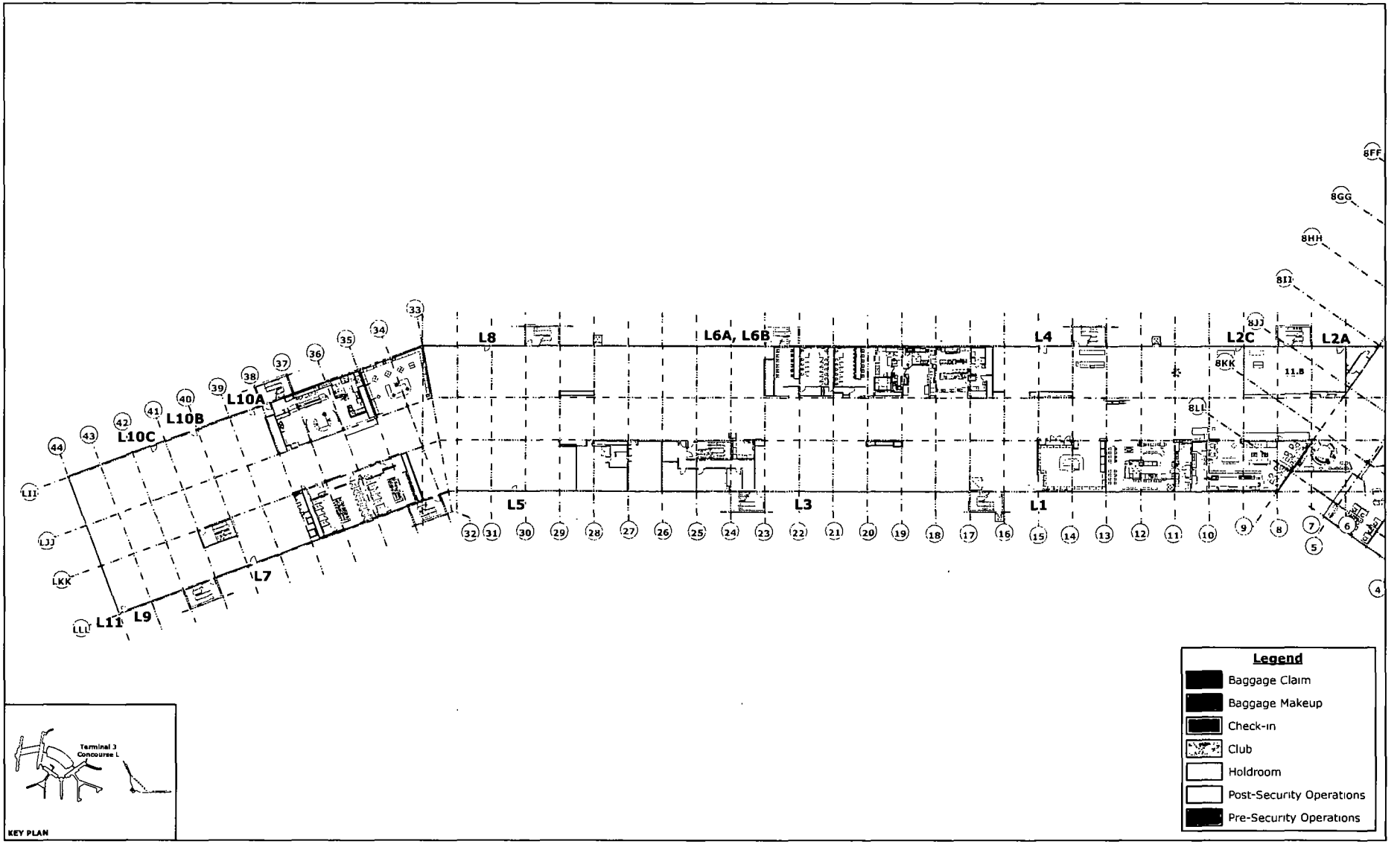
Chicago O'Hare International Airport	**City of Chicago Rahm Emanuel Mayor**	**Department of Aviation**	CHICAGO DEPARTMENT OF AVIATION	**Terminal 3 - L Concourse - Lower Level Effective May 12, 2018**	**JetBlue**	**Exhibit B6.3.02**

As of 2/27/2018
Plot File: B62 T3LL.nwd



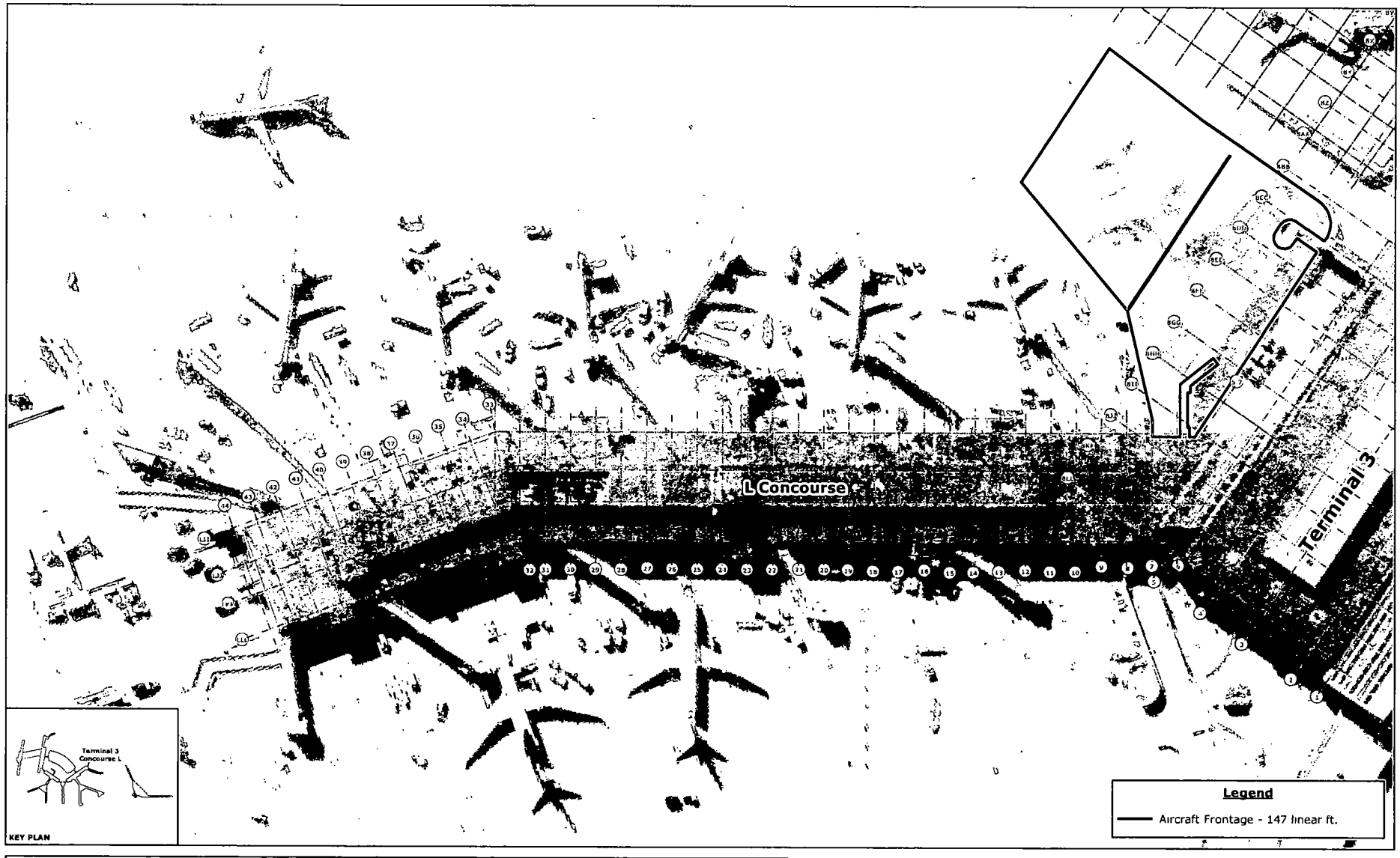
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 3 - Main Concourse - Upper Level Effective May 12, 2018	JetBlue	0 25 50 Feet	Exhibit B6.3.03

As of 2/27/2018
Plot File B63 T3MU mad



Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 2 - L Concourse - Upper Level Effective May 12, 2018	JetBlue	0 25 50 Feet	Exhibit B6.3.04

As of 2/27/2018
Plot File B64 T3LU.dwg



Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Aircraft Ramp Area Effective May 12, 2018	JetBlue	0 50 100 Feet	Exhibit B6.R.01

As of 3/27/2018
Plot File B65 RAMP.mxd

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
8CC.F	3	Main	Upper	314	Pre-Security Operations	B6.3.02
8DD.D	3	Main	Upper	126	Pre-Security Operations	B6.3.02
8DD.J	3	Main	Upper	801	Check-In	B6.3.02
8EE.I	3	Main	Upper	232	Pre-Security Operations	B6.3.02
8JJ.H	3	Main	Lower	558	Pre-Security Operations	B6.3.01
11.B	3	Main	Upper	1,657	Holdroom	B6.3.04
29.B	3	L	Lower	407	Post-Security Operations	B6.3.03
29.B1	3	L	Lower	338	Post-Security Operations	B6.3 03
29.B2	3	L	Lower	281	Post-Security Operations	B6.3.03
Aircraft Frontage	3			147 Linear Feet		

Total Sq. Footage 4,714

*excluding ramp

CHICAGO DEPARTMENT OF AVIATION

EXHIBIT C

Premises Notice

Chicago O'Hare International Airport

NIPPON CARGO AIRLINES CO., LTD.

Effective: May 12, 2018

Prepared: February 27, 2018

TERMINAL	Sq. Footage

Baggage Claim	0
Baggage Makeup	0
Check-In	0
Club	0
Holdroom	0
Post-Security Operations	0
Pre-Security Operations	0

GRAND TOTAL	**0**

AIRCRAFT RAMP	
Aircraft Frontage	0 Linear Feet

CHICAGO DEPARTMENT OF AVIATION

EXHIBIT C

Premises Notice

Chicago O'Hare International Airport

Modifications Log

Mod #	Date	Sq. Footage Adjustment	Function of Space	Requested by	Notes

Signature

Date

CHICAGO DEPARTMENT OF AVIATION

EXHIBIT C

Premises Notice

Chicago O'Hare International Airport

SPIRIT AIRLINES

Effective: May 12, 2018

Prepared: January 31, 2018

TERMINAL	Sq. Footage
TERMINAL 3	

Baggage Claim	0
Baggage Makeup	0
Check-In	2,113
Club	0
Holdroom	7,700
Post-Security Operations	9,355
Pre-Security Operations	1,510

GRAND TOTAL	**20,678**

AIRCRAFT RAMP	
Aircraft Frontage	597 Linear Feet

Included Exhibits:

1) Exhibit NK.3.01
2) Exhibit NK.3.02
3) Exhibit NK.3.03
4) Exhibit NK.3.04
5) Exhibit NK.R.01

CHICAGO DEPARTMENT OF AVIATION

EXHIBIT C

Premises Notice

Chicago O'Hare International Airport

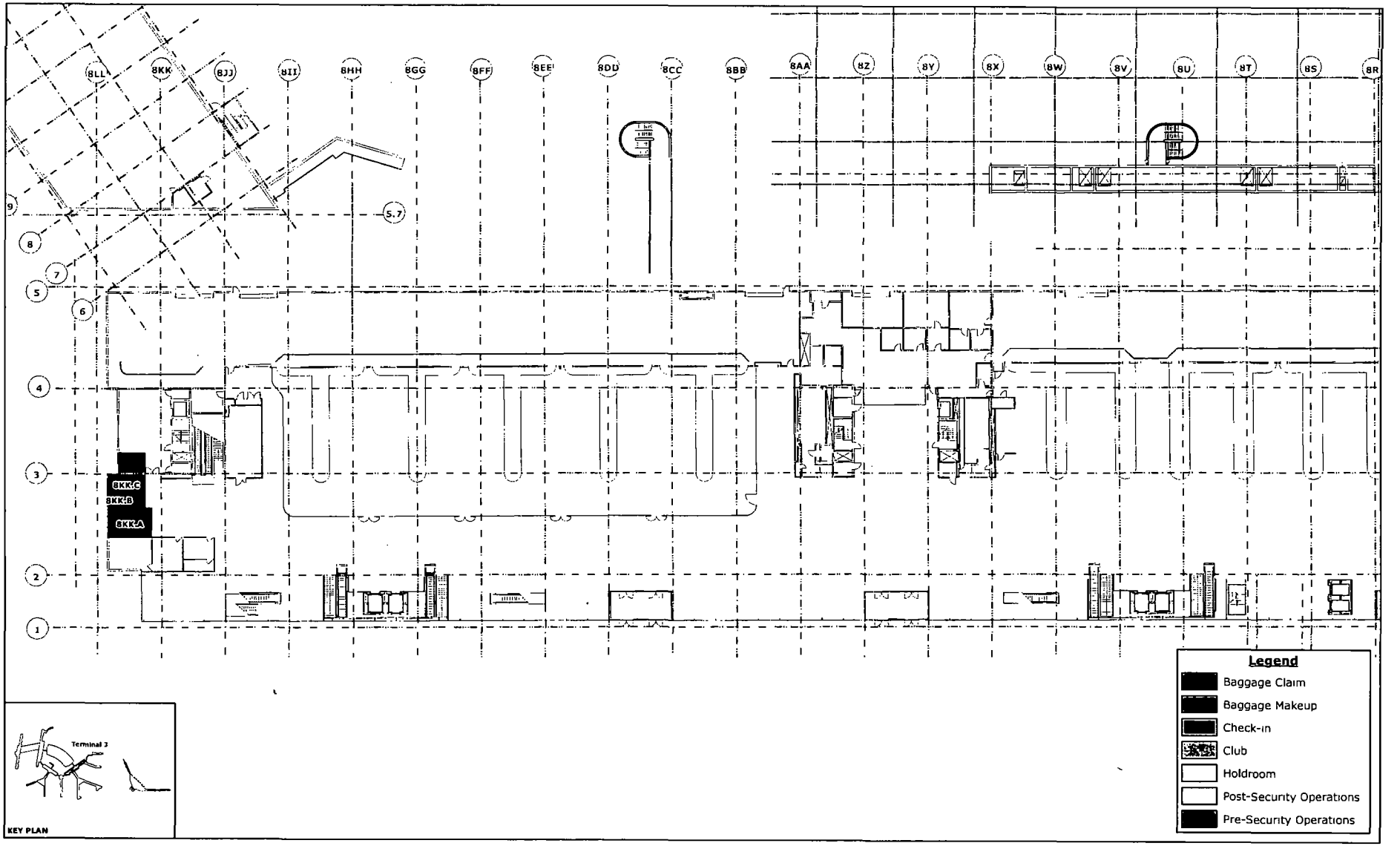
SPIRIT AIRLINES

Modifications Log

Mod #	Date	Sq. Footage Adjustment	Function of Space	Requested by	Notes

Signature

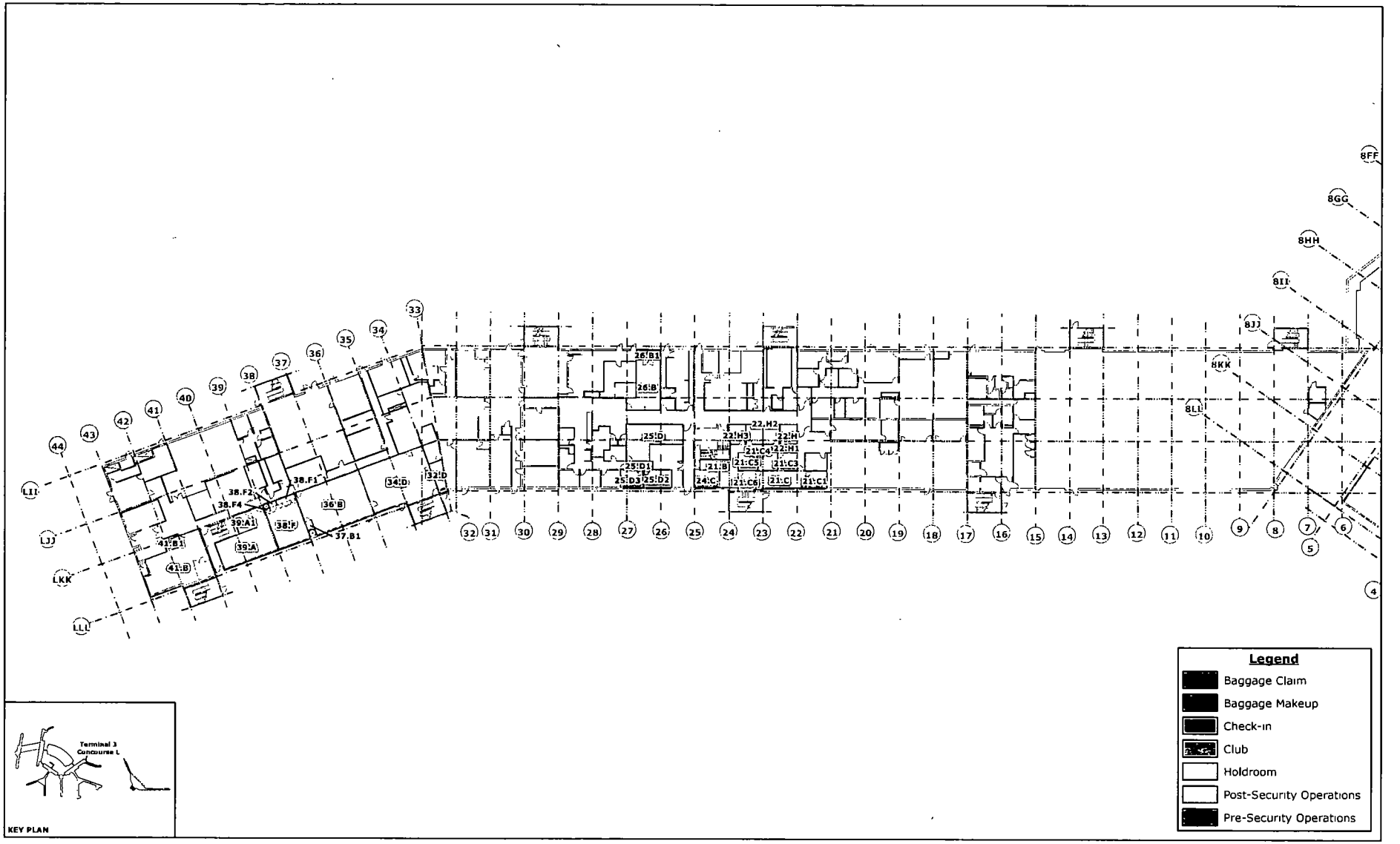
Date



Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	Terminal 3 - Main Concourse - Lower Level Effective May 12, 2018	Spirit Airlines	Exhibit NK.3.01

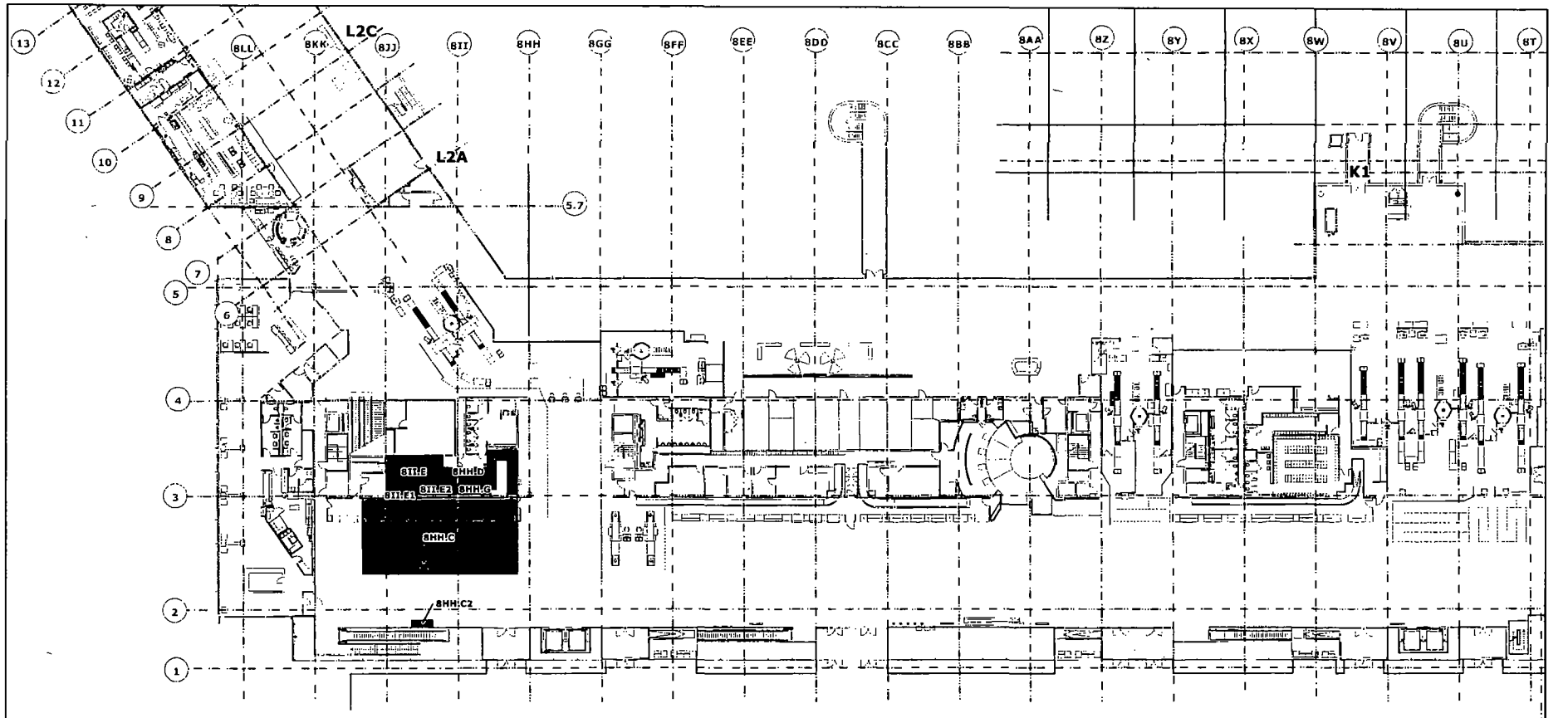
0 25 50 Feet

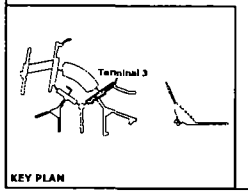
As of 1/22/2018
Plot File NK1 T3ML.mxd



Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 3 - L Concourse - Lower Level Effective May 12, 2018	Spirit Airlines	0 25 50 Feet	Exhibit NK.3.02

As of 1/23/2018
Plot File NK2 T3LL.mxd



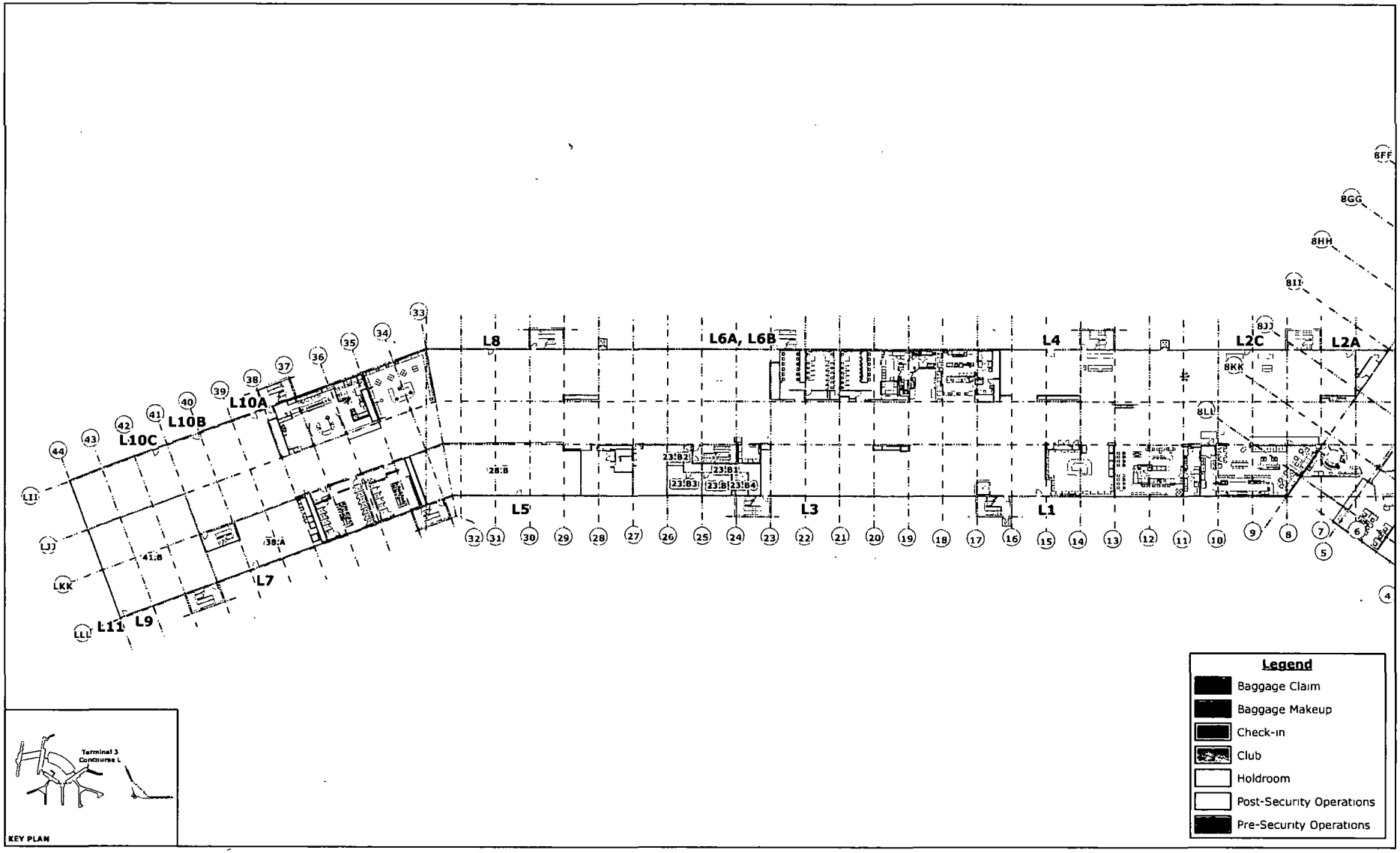


Legend

- Baggage Claim
- Baggage Makeup
- Check-in
- Club
- Holdroom
- Post-Security Operations
- Pre-Security Operations

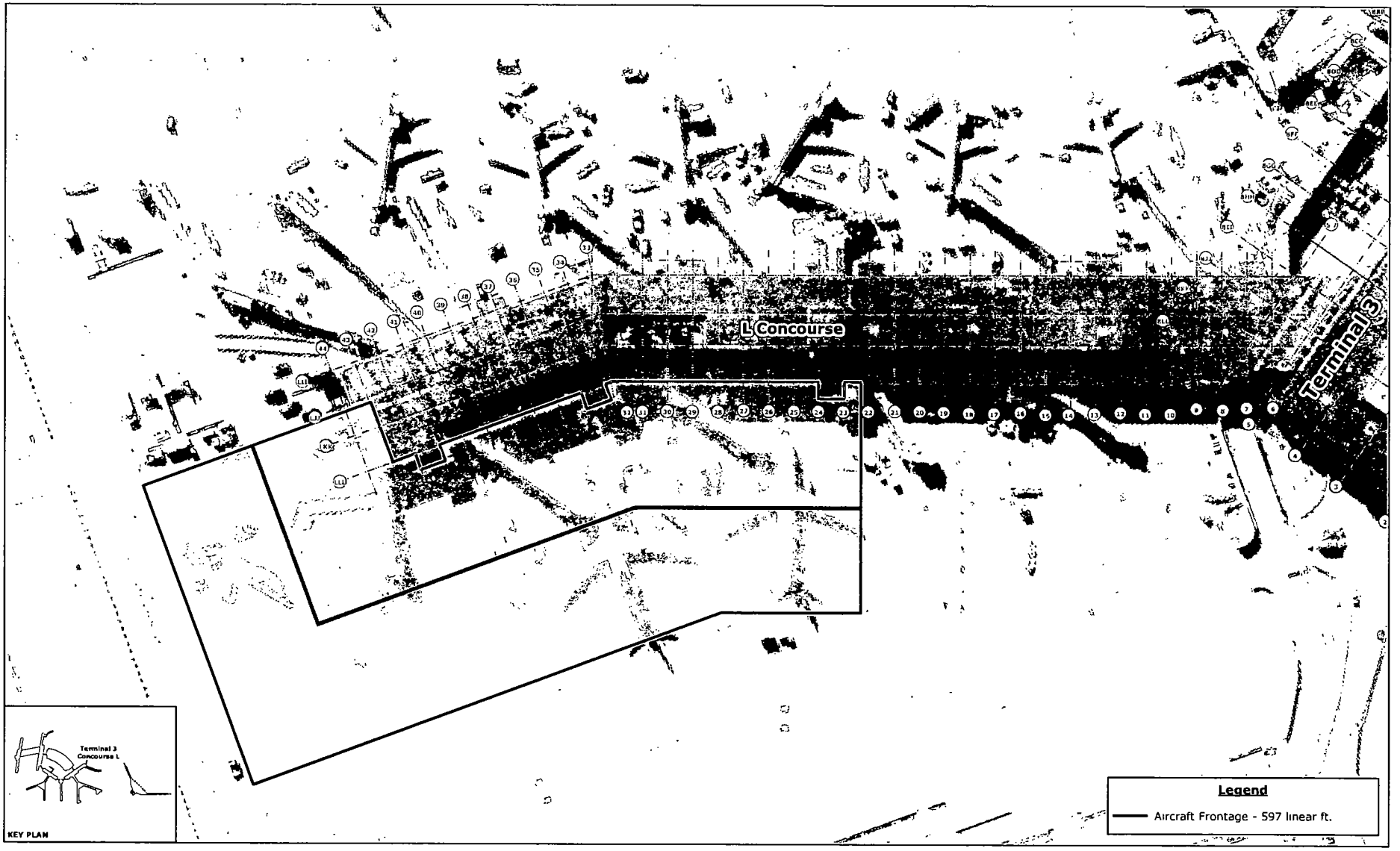
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 3 - Main Concourse - Upper Level Effective May 12, 2018	Spirit Airlines	0 25 50 Feet	Exhibit NK.3.03

As of 1/26/2018
Plot File NK3 T3MU.mxd



Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 2 - L Concourse - Upper Level Effective May 12, 2018	Spirit Airlines	0 25 50 Feet	Exhibit NK.3.04

As of 1/23/2018
Plot File: NK4 T3LU.mxd



Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Aircraft Ramp Area Effective May 12, 2018	Spirit Airlines	0 50 100 Feet	Exhibit NK.R.01

As of 1/23/2018
Plot File NKS RAMP.mxd

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
8HH.C	3	Main	Upper	2,086	Check-In	NK.3.03
8HH.C2	3	Main	Upper	27	Check-In	NK.3.03
8HH.D	3	Main	Upper	232	Pre-Security Operations	NK.3.03
8HH.G	3	Main	Upper	122	Pre-Security Operations	NK.3.03
8II.E	3	Main	Upper	290	Pre-Security Operations	NK.3.03
8II.E1	3	Main	Upper	42	Pre-Security Operations	NK.3.03
8II.E2	3	Main	Upper	143	Pre-Security Operations	NK.3.03
8KK.A	3	Main	Lower	280	Pre-Security Operations	NK.3.01
8KK.B	3	Main	Lower	90	Pre-Security Operations	NK.3.01
8KK.C	3	Main	Lower	310	Pre-Security Operations	NK.3.01
21.B	3	L	Lower	462	Post-Security Operations	NK.3.02
21.C	3	L	Lower	308	Post-Security Operations	NK.3.02
21.C1	3	L	Lower	131	Post-Security Operations	NK.3.02
21.C3	3	L	Lower	123	Post-Security Operations	NK.3.02
21.C4	3	L	Lower	121	Post-Security Operations	NK.3.02
21.C5	3	L	Lower	123	Post-Security Operations	NK.3.02
21.C6	3	L	Lower	130	Post-Security Operations	NK.3.02
22.H	3	L	Lower	119	Post-Security Operations	NK 3.02
22.H1	3	L	Lower	116	Post-Security Operations	NK.3.02
22.H2	3	L	Lower	116	Post-Security Operations	NK.3.02
22.H3	3	L	Lower	117	Post-Security Operations	NK.3.02
23.B	3	L	Upper	233	Post-Security Operations	NK.3.04
23.B1	3	L	Upper	386	Post-Security Operations	NK.3.04
23.B2	3	L	Upper	118	Post-Security Operations	NK.3.04
23.B3	3	L	Upper	307	Post-Security Operations	NK.3.04
23.B4	3	L	Upper	121	Post-Security Operations	NK.3.04
24.C	3	L	Lower	156	Post-Security Operations	NK.3.02
25.D	3	L	Lower	531	Post-Security Operations	NK.3.02
25.D1	3	L	Lower	78	Post-Security Operations	NK.3.02
25.D2	3	L	Lower	182	Post-Security Operations	NK.3.02
25.D3	3	L	Lower	143	Post-Security Operations	NK.3.02
26.B	3	L	Lower	462	Post-Security Operations	NK.3.02
26.B1	3	L	Lower	82	Post-Security Operations	NK.3.02
28.B	3	L	Upper	2,871	Holdroom	NK.3.04
32.D	3	L	Lower	105	Post-Security Operations	NK.3.02
34.D	3	L	Lower	1,158	Post-Security Operations	NK.3.02
36.B	3	L	Lower	1,073	Post-Security Operations	NK.3.02
37.B1	3	L	Lower	22	Post-Security Operations	NK.3.02
38.A	3	L	Upper	1,600	Holdroom	NK.3.04
38.F	3	L	Lower	477	Post-Security Operations	NK.3.02
38.F1	3	L	Lower	33	Post-Security Operations	NK.3.02
38.F2	3	L	Lower	13	Post-Security Operations	NK.3.02
38.F4	3	L	Lower	6	Post-Security Operations	NK.3.02
39.A	3	L	Lower	664	Post-Security Operations	NK.3.02
39.A1	3	L	Lower	120	Post-Security Operations	NK.3.02
41.B	3	L	Lower	949	Post-Security Operations	NK.3.02
41.B	3	L	Upper	3,229	Holdroom	NK.3.04
41.B1	3	L	Lower	71	Post-Security Operations	NK.3.02
Aircraft Frontage	3		Ramp	597 linear ft.		NK.R.01

Total Sq. Footage 20,678

*excluding ramp

CHICAGO DEPARTMENT OF AVIATION

EXHIBIT C

Premises Notice

Chicago O'Hare International Airport

UNITED AIRLINES

Effective: May 12, 2018

Prepared: February 22, 2018

TERMINAL	Sq. Footage
TERMINAL 1	760,986

Baggage Claim	48,602
Baggage Makeup	225,521
Check-In	24,405
Club	55,261
Holdroom	112,869
Post-Security Operations	264,801
Discounted Post Security Operations	20,380
Pre-Security Operations	9,147

TERMINAL 2	144,481

Baggage Claim	0
Baggage Makeup	20,553
Check-In	1,004
Club	12,525
Holdroom	40,156
Post-Security Operations	62,779
Pre-Security Operations	8,043

CHICAGO DEPARTMENT OF AVIATION

EXHIBIT C

Premises Notice

Chicago O'Hare International Airport

UNITED AIRLINES

TERMINAL 5	15,519

Baggage Claim	0
Baggage Makeup	224
Check-In	2,387
Club	0
Holdroom	0
Post-Security Operations	12,908
Pre-Security Operations	0

GRAND TOTAL	**921,346**

AIRCRAFT RAMP	
Aircraft Frontage	10,174 Linear Feet

Included Exhibits:

1) Exhibit UA.1.01
2) Exhibit UA.1.02
3) Exhibit UA.1.03
4) Exhibit UA.1.04
5) Exhibit UA.1.05
6) Exhibit UA.1.06
7) Exhibit UA.1.07
8) Exhibit UA.1.08
9) Exhibit UA.1.09
10) Exhibit UA.1.10
11) Exhibit UA.1.11

CHICAGO DEPARTMENT OF AVIATION

EXHIBIT C

Premises Notice

Chicago O'Hare International Airport

UNITED AIRLINES

12) Exhibit UA.1.12
13) Exhibit UA.1.13
14) Exhibit UA.1.14
15) Exhibit UA.1.15
16) Exhibit UA.1.16
17) Exhibit UA.1.17
18) Exhibit UA.1.18
19) Exhibit UA.1.19
20) Exhibit UA.1.20
21) Exhibit UA.1.21
22) Exhibit UA.1.22
23) Exhibit UA.1.23
24) Exhibit UA.1.24
25) Exhibit UA.2.01
26) Exhibit UA.2.02
27) Exhibit UA.2.03
28) Exhibit UA.2.04
29) Exhibit UA.2.05
30) Exhibit UA.2.06
31) Exhibit UA.2.07
32) Exhibit UA.2.08
33) Exhibit UA.2.09
34) Exhibit UA.2.10
35) Exhibit UA.2.11
36) Exhibit UA.2.12
37) Exhibit UA.2.13
38) Exhibit UA.5.01
39) Exhibit UA.5.02
40) Exhibit UA.5.03
41) Exhibit UA.R.01

CHICAGO DEPARTMENT OF AVIATION

EXHIBIT C

Premises Notice

Chicago O'Hare International Airport

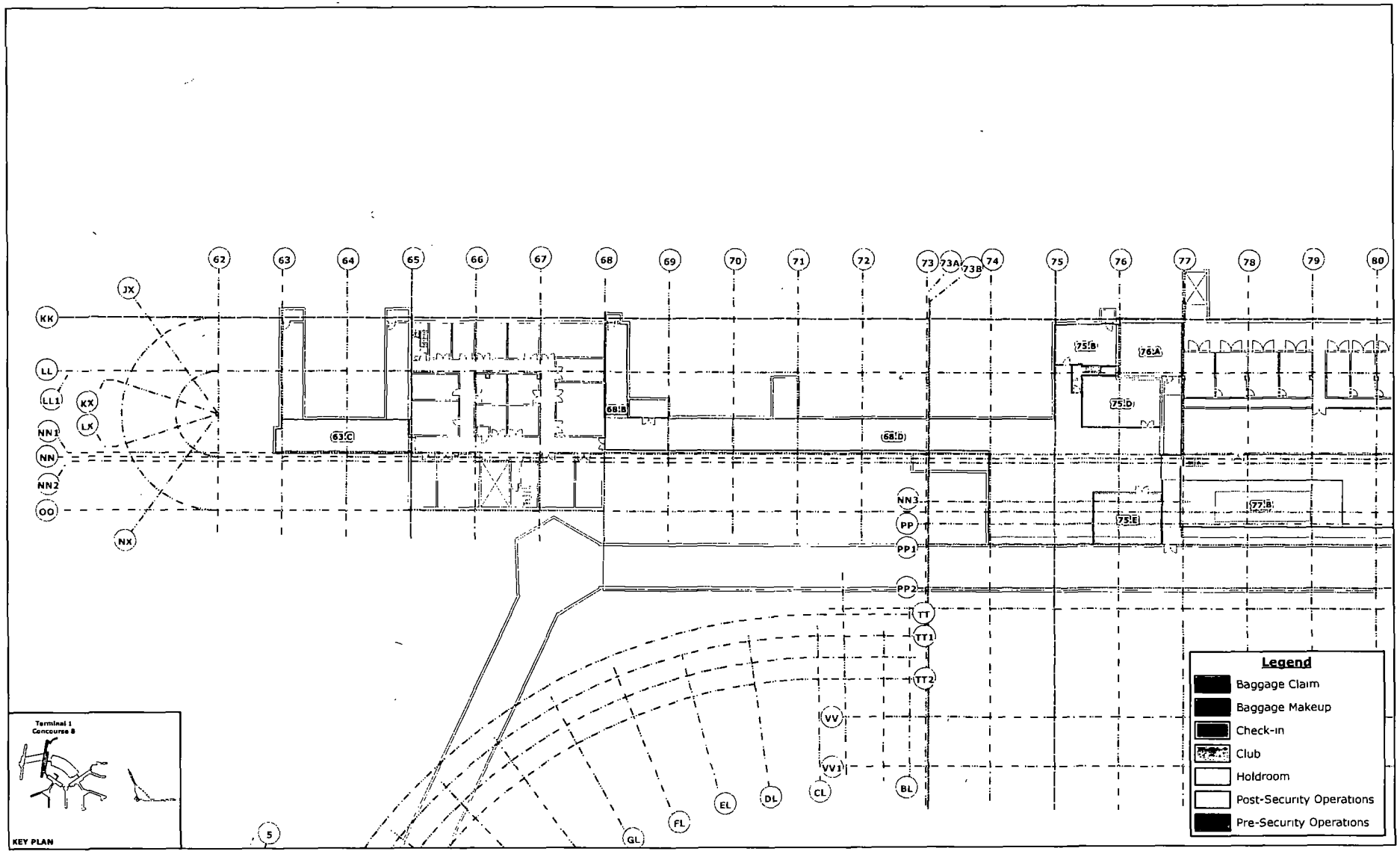
UNITED AIRLINES

Modifications Log

Mod #	Date	Sq. Footage Adjustment	Function of Space	Requested by	Notes

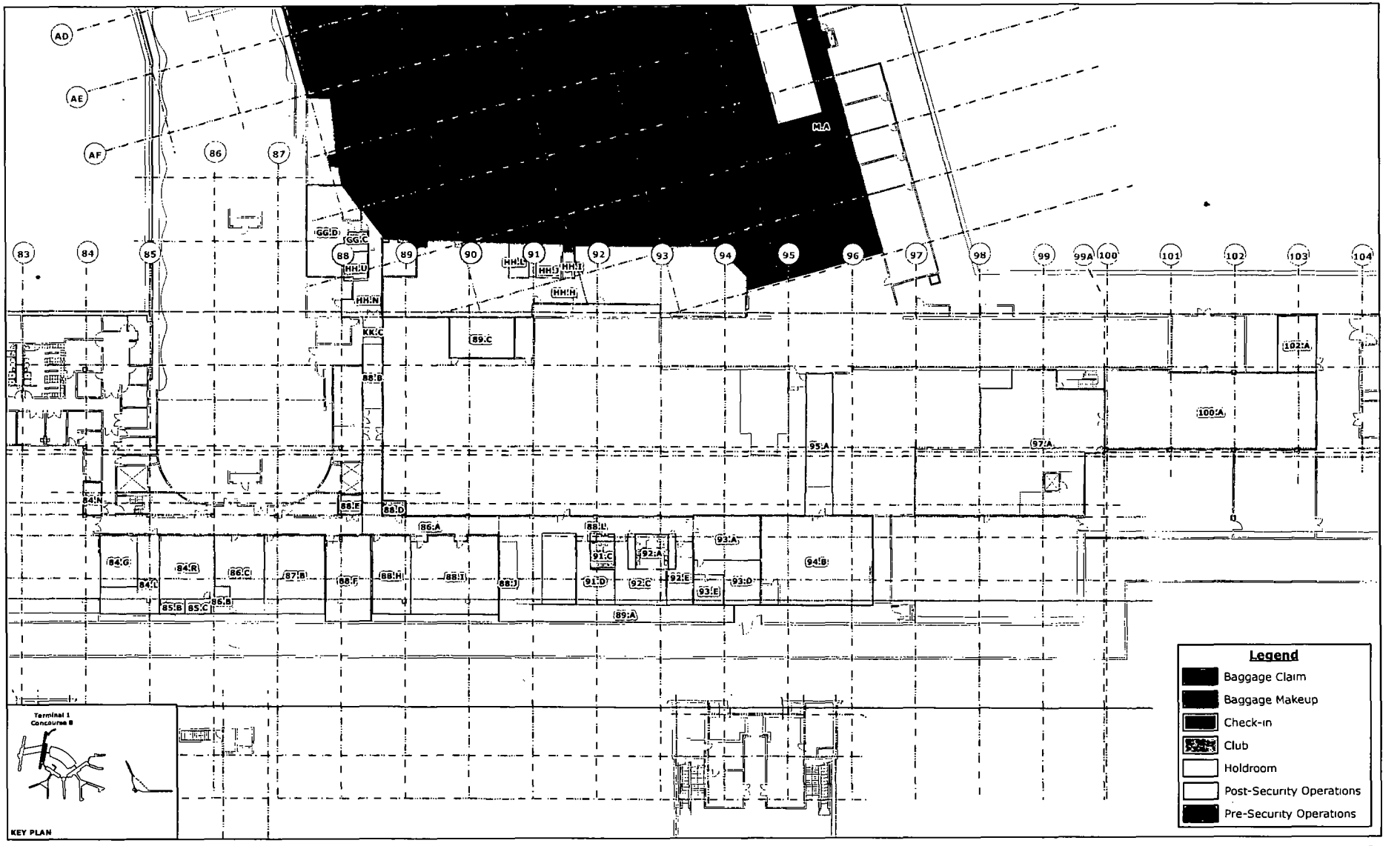
Signature

Date



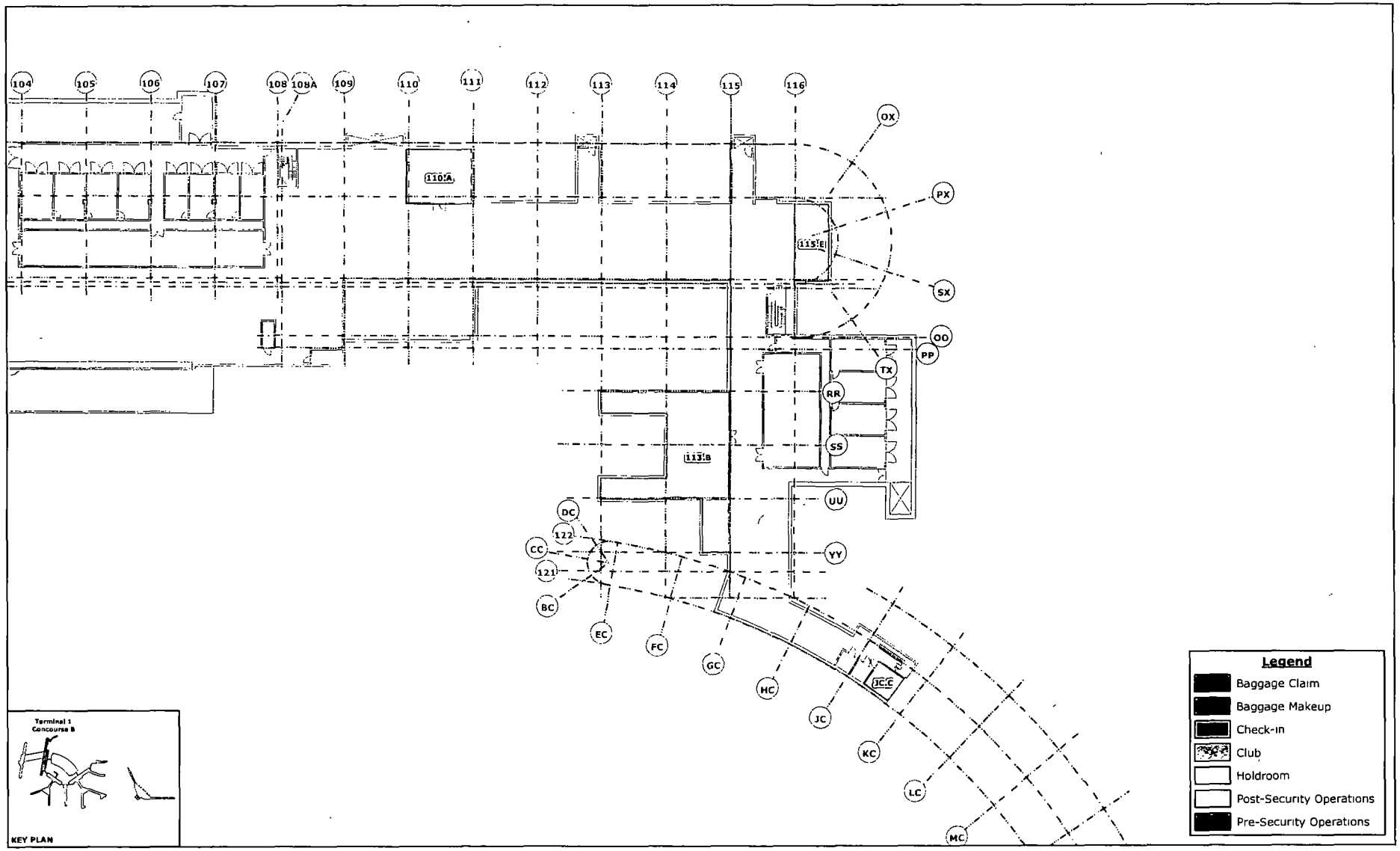
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 1 - B Concourse - Basement Effective May 12, 2018	United Airlines	0 25 50 Feet	Exhibit UA.1.01

As of 2/15/2018
Plot File: UA1.T1BB1.mxd



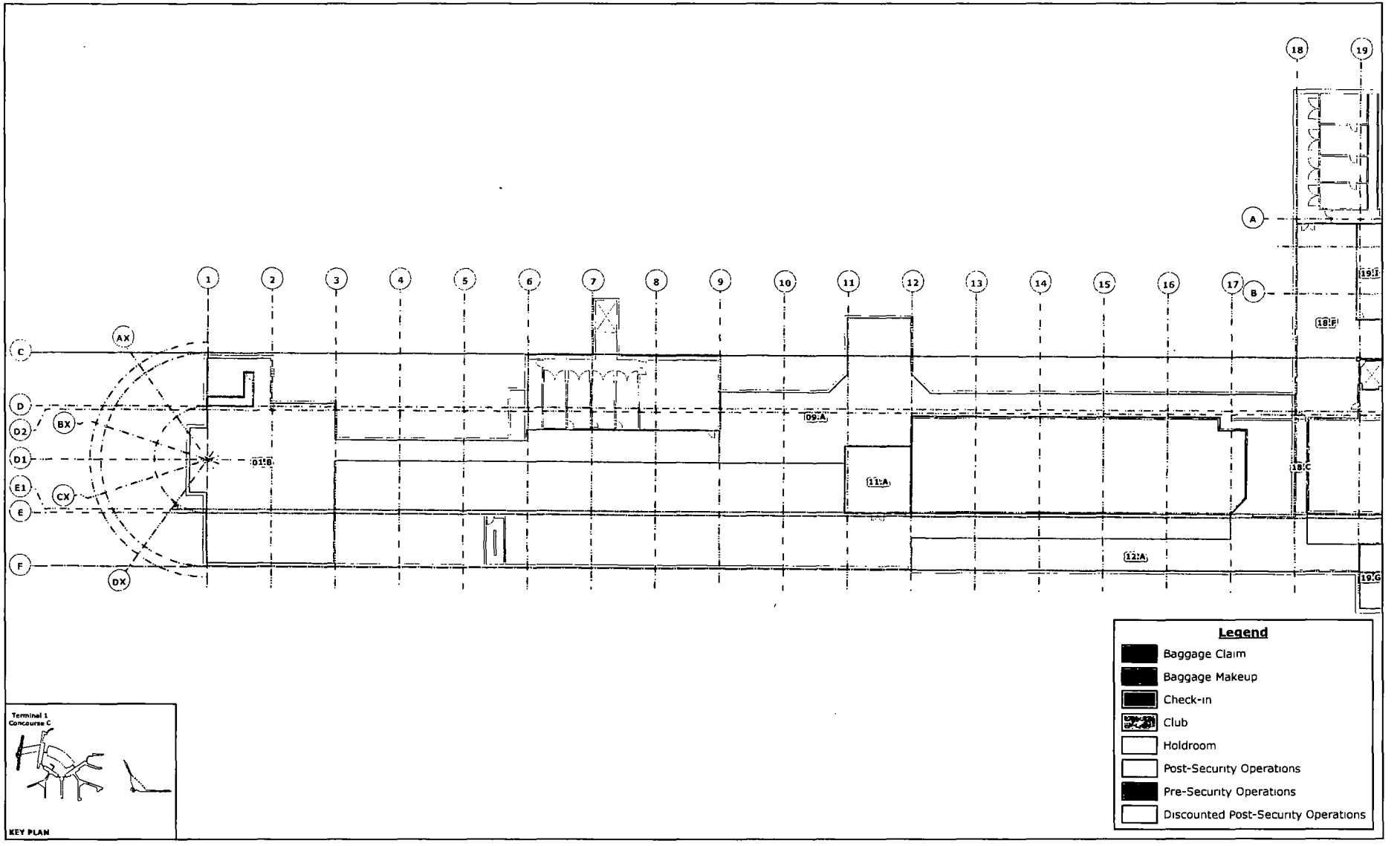
Chicago O'Hare International Airport	**City of Chicago Rahm Emanuel Mayor**	**Department of Aviation**	CDA CHICAGO DEPARTMENT OF AVIATION	**Terminal 1 - B Concourse - Basement Effective May 12, 2018**	**United Airlines**	0 25 50 Feet N	**Exhibit UA.1.02**

As of 2/15/2018
Plot File UA2 11B82.mxd



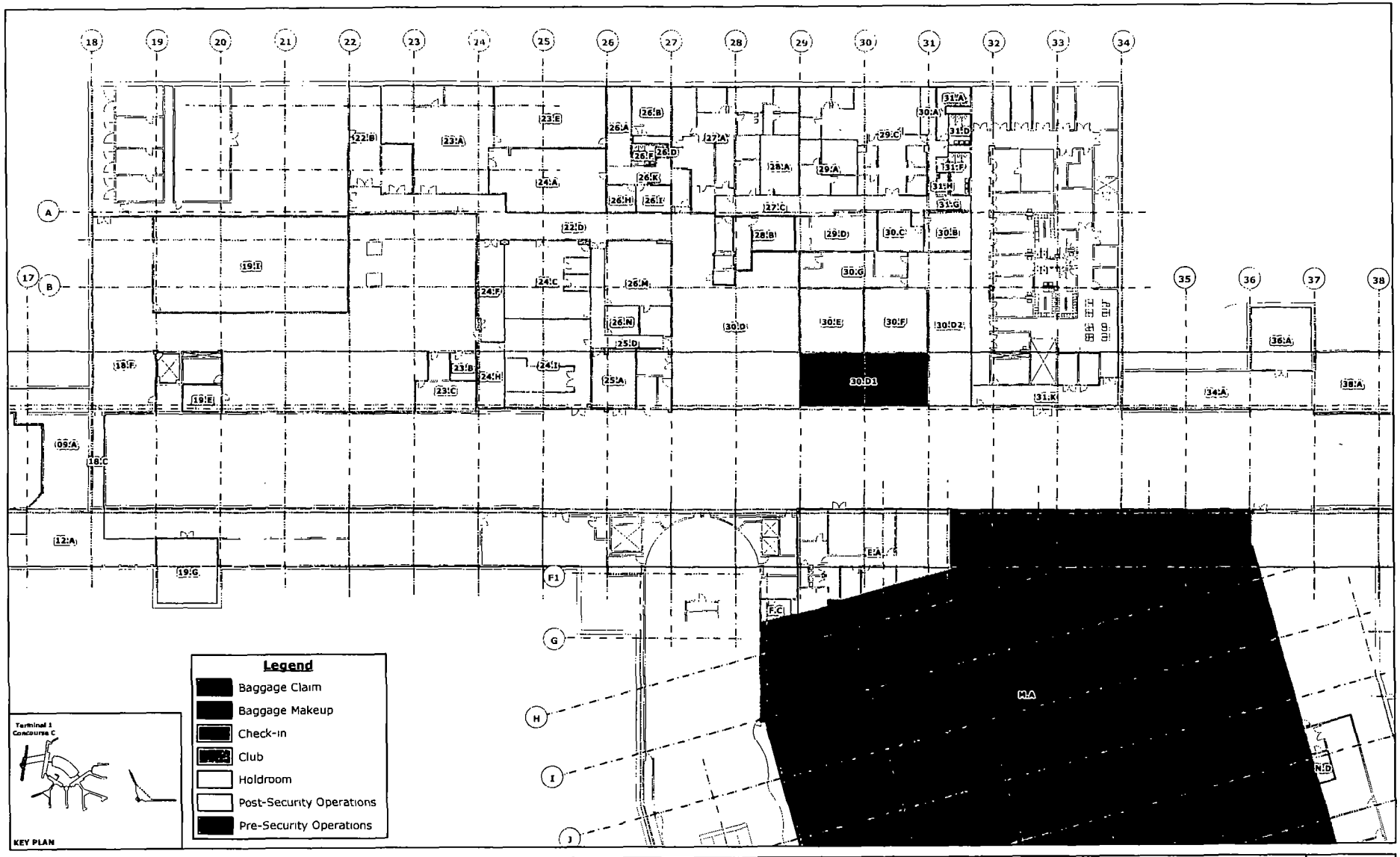
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 1 - B Concourse - Basement Effective May 12, 2018	United Airlines	0 25 50 Feet	Exhibit UA.1.03

As of 2/15/2018
Plot File UA3 T1B03.map



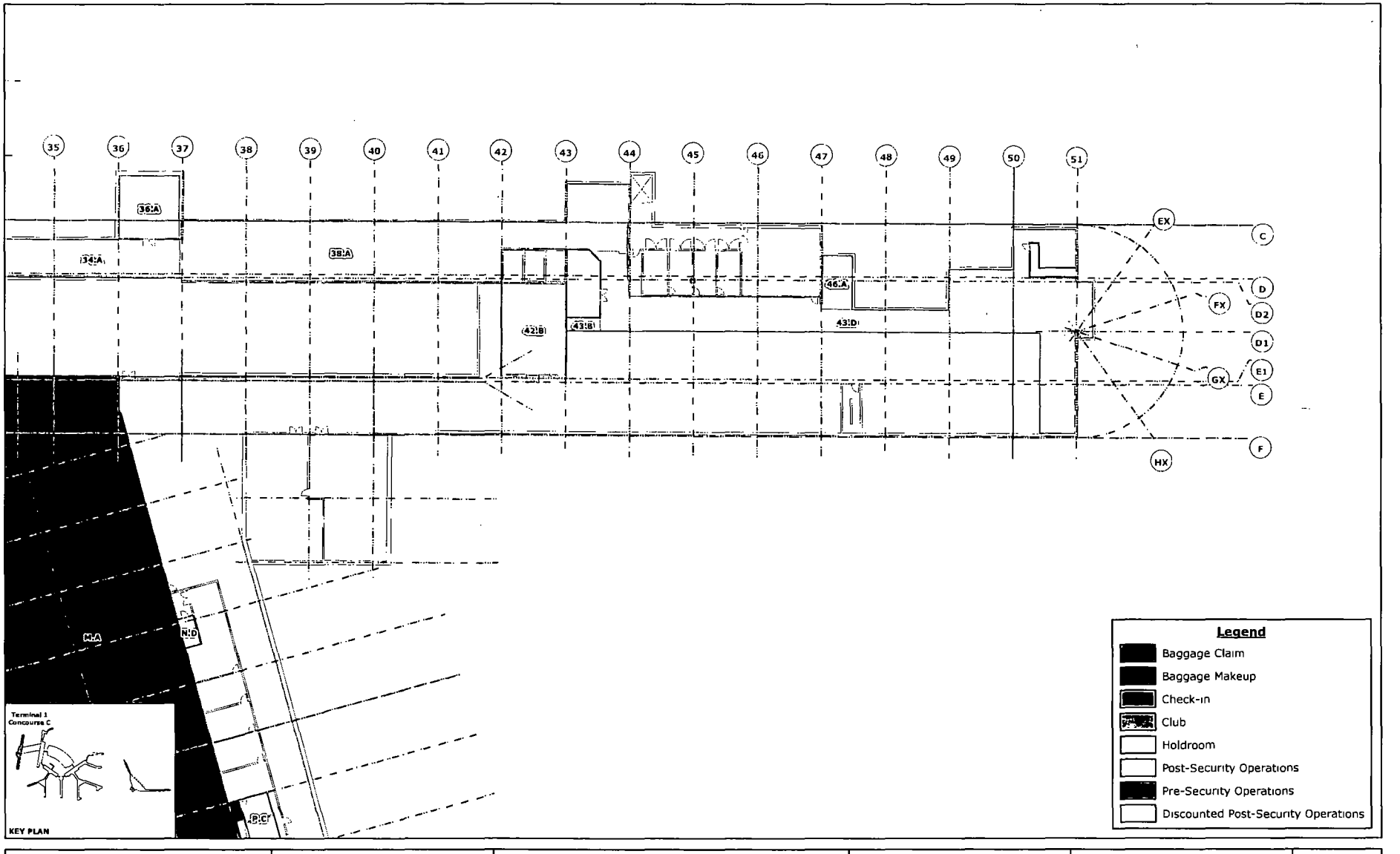
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 1 - C Concourse - Basement Effective May 12, 2018	United Airlines	0 25 50 Feet	Exhibit UA.1.04

As of 2/21/2018
Plot File: UA4 T1CR1.mxd



Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 1 - C Concourse - Basement Effective May 12, 2018	United Airlines	0 25 50 Feet	Exhibit UA.1.05

As of 2/15/2018
Plot File UA5 T1C02.mxd

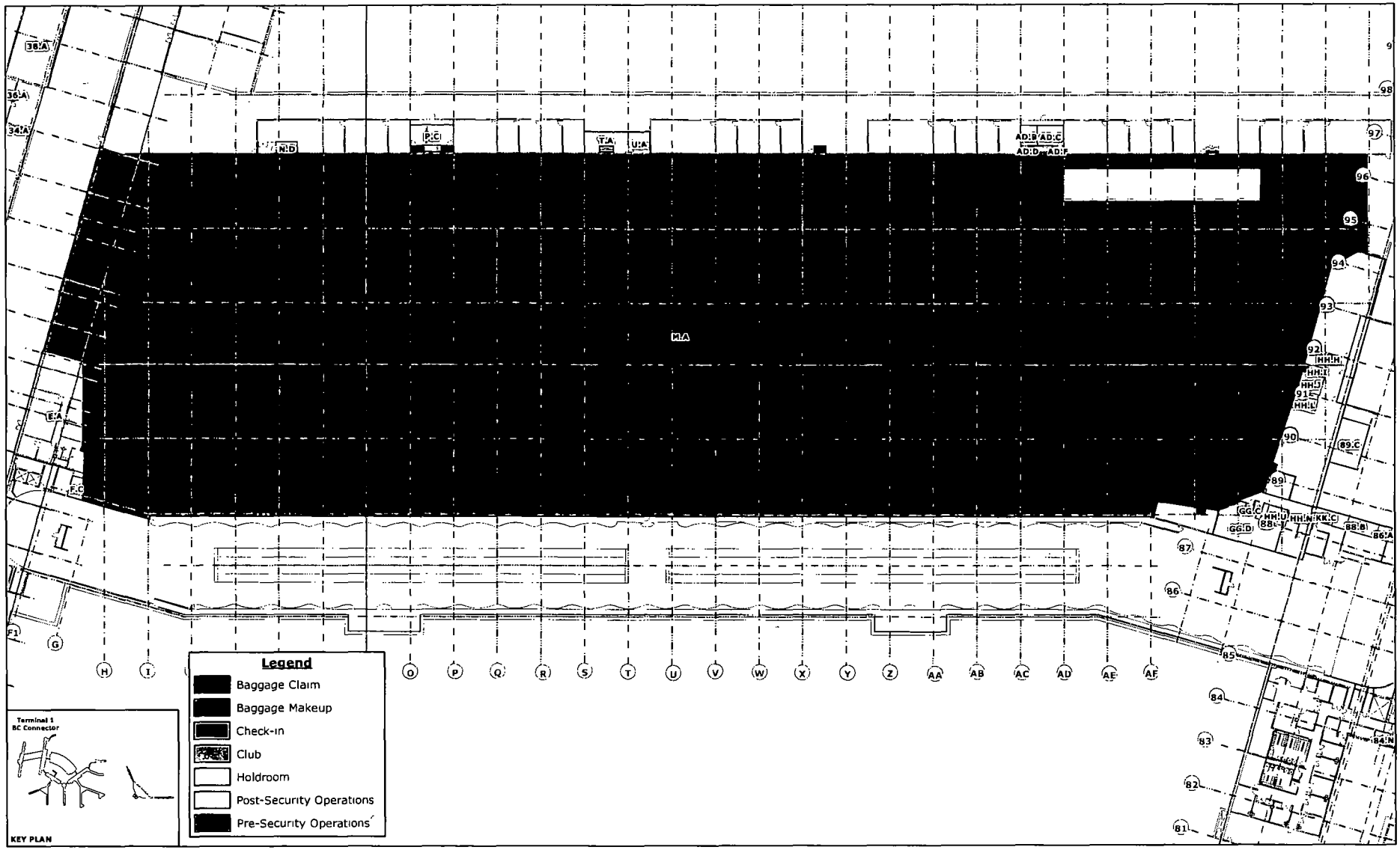


Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CHICAGO DEPARTMENT OF AVIATION	Terminal 1 - C Concourse - Basement Effective May 12, 2018	United Airlines	Exhibit UA.1.06

0 25 50 Feet

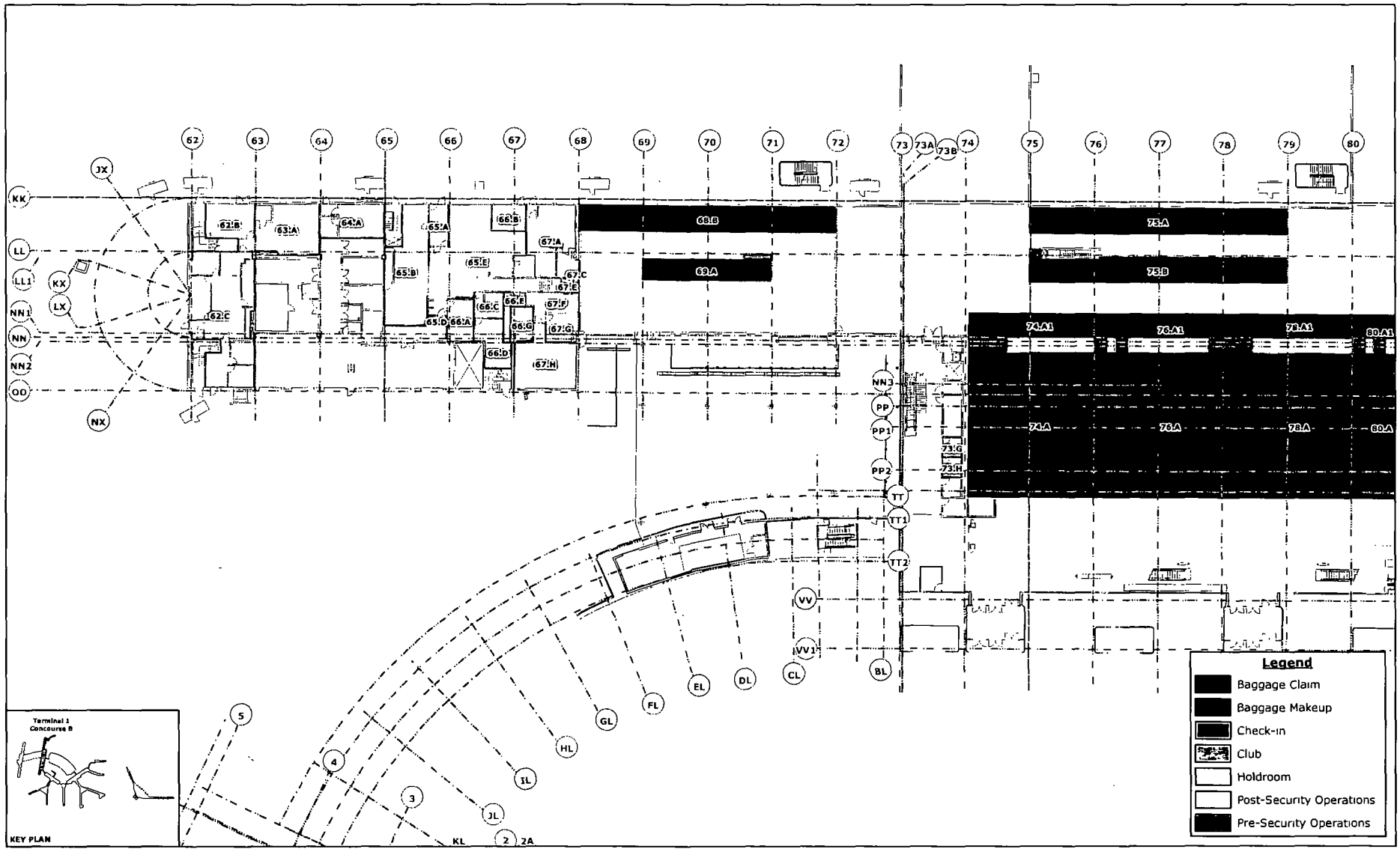
N

As of 2/21/2018
Plot File UA5 11CB3.mxd



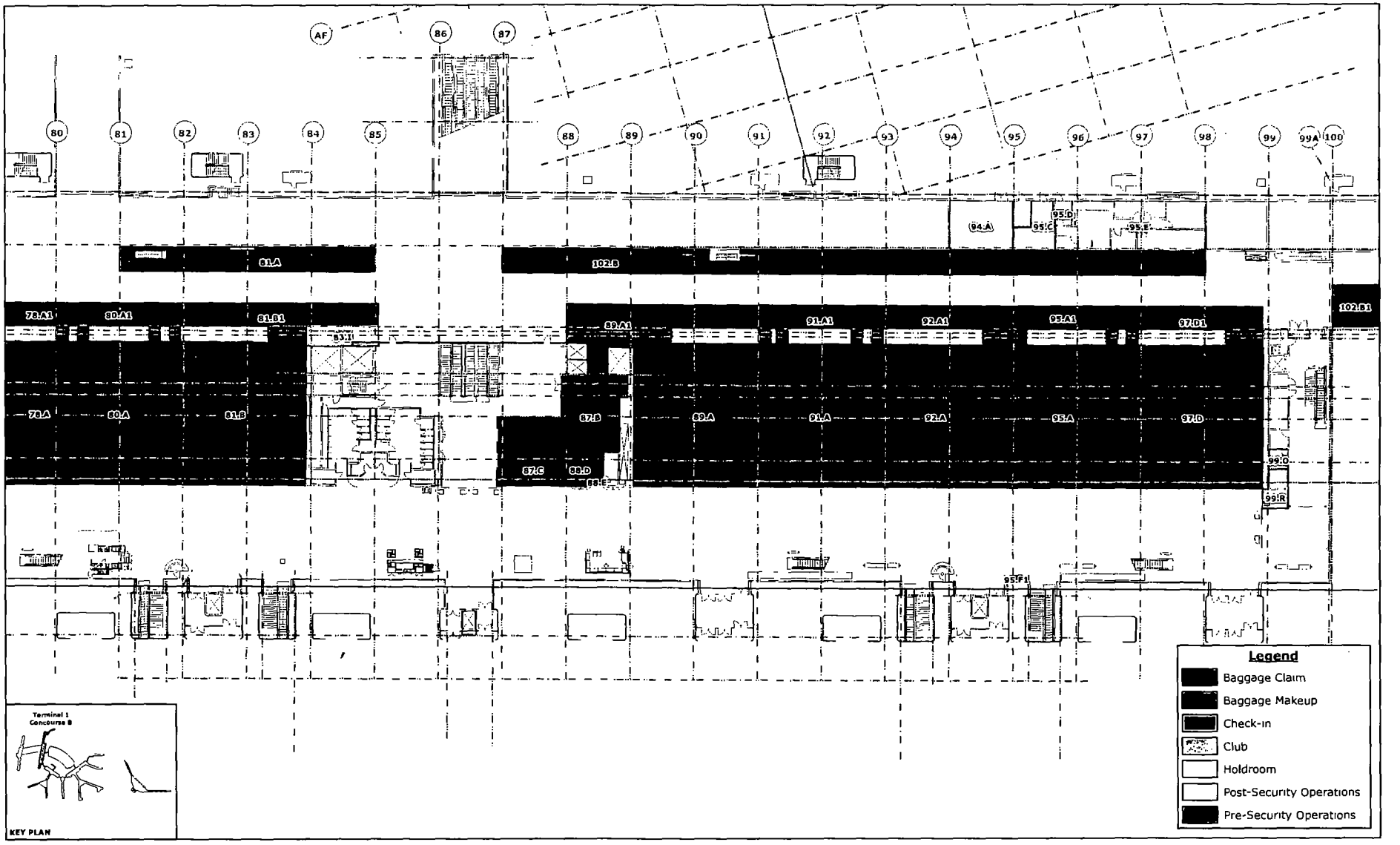
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 1 - BC Connector - Basement Effective May 12, 2018	United Airlines	0 50 100 Feet N	Exhibit UA.1.07

As of 2/15/2018
Plot File UA7 T1BCC.mxd



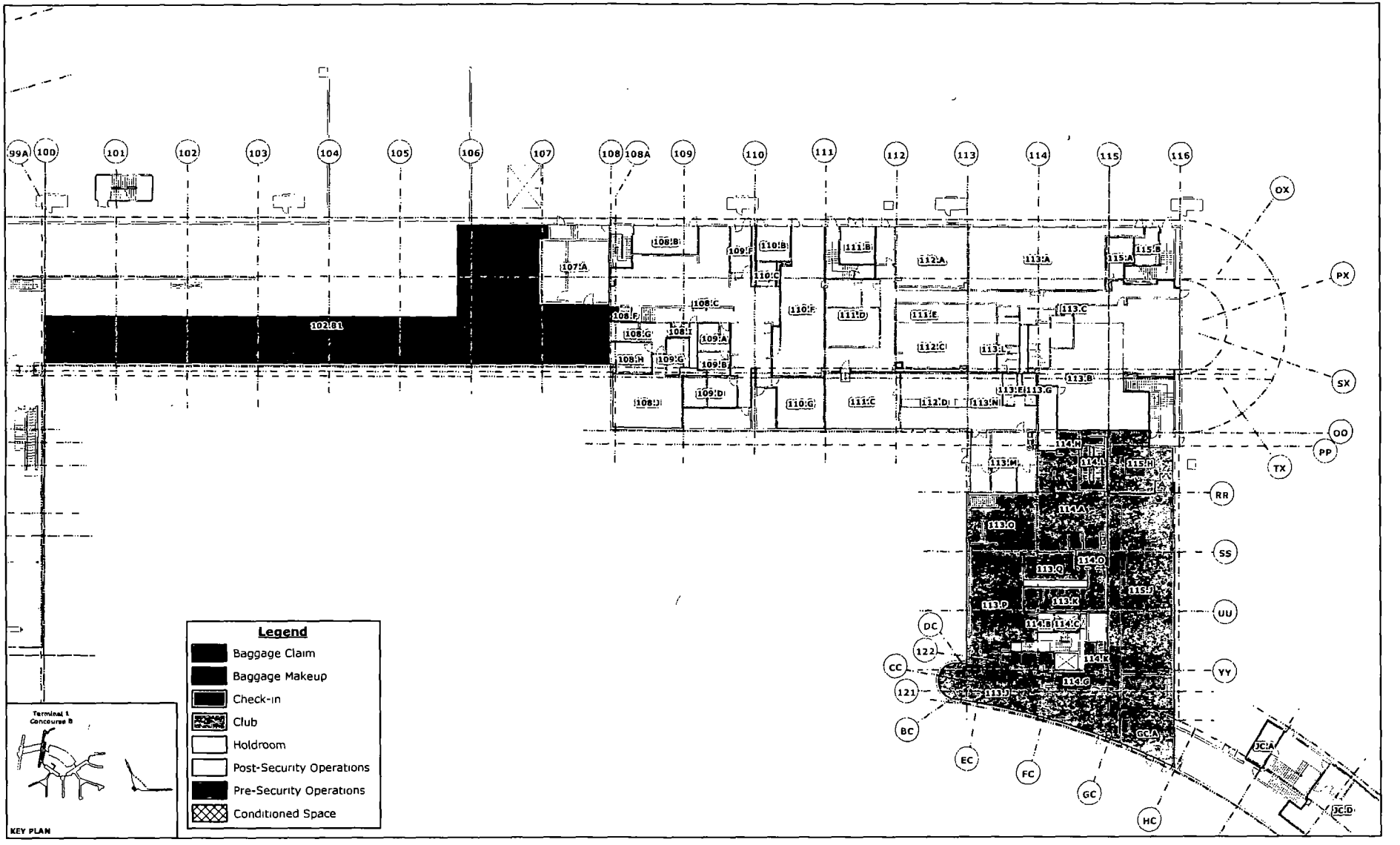
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 1 - B Concourse - Lower Level Effective May 12, 2018	United Airlines	0 25 50 Feet	Exhibit UA.1.08

As of 7/15/2018
Plot File UA8 T1BL1.mxd



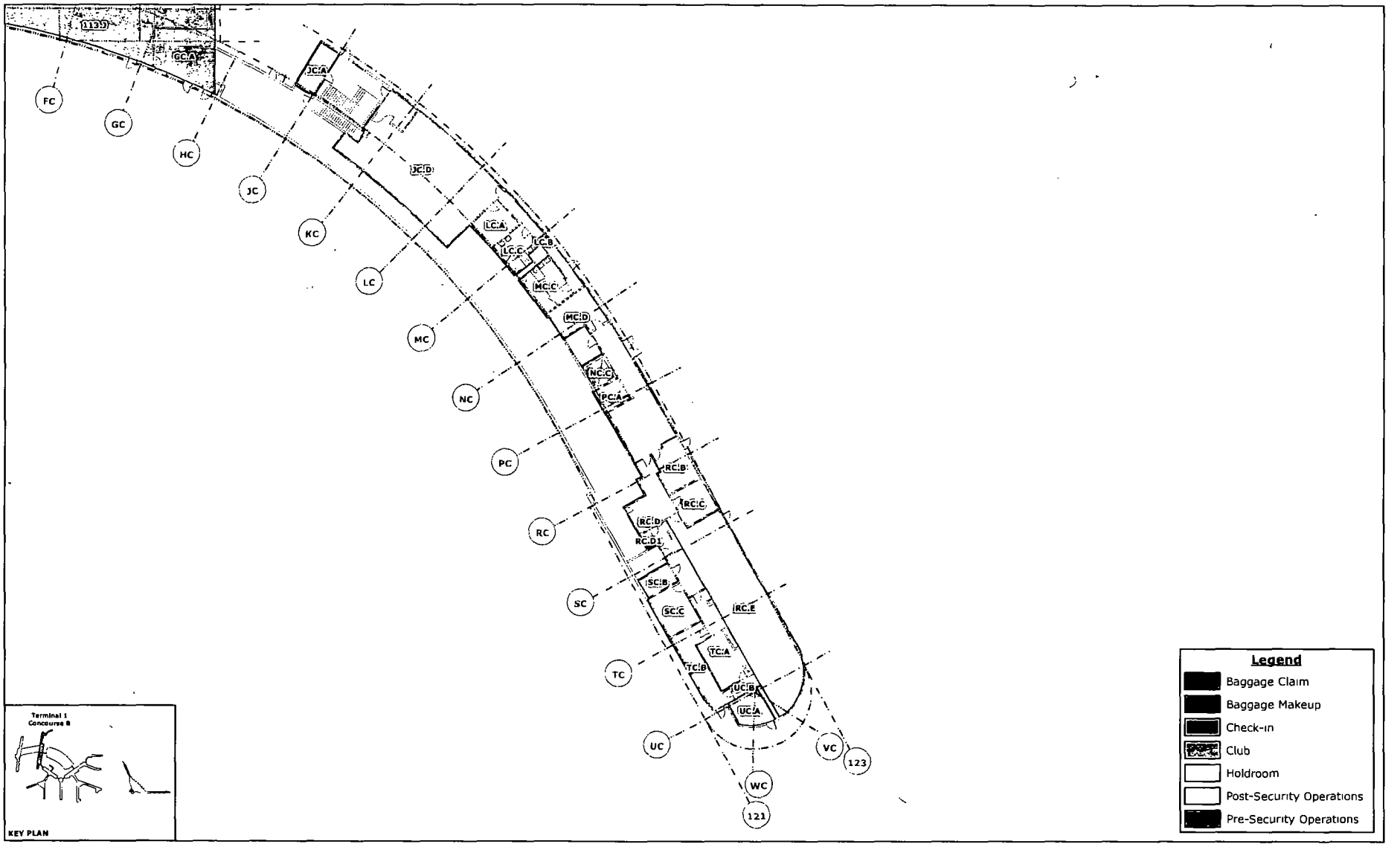
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 1 - B Concourse - Lower Level Effective May 12, 2018	United Airlines	0 25 50 Feet	Exhibit UA.1.09

As of 2/15/2018
Plot File UA9 T1BL2.mxd



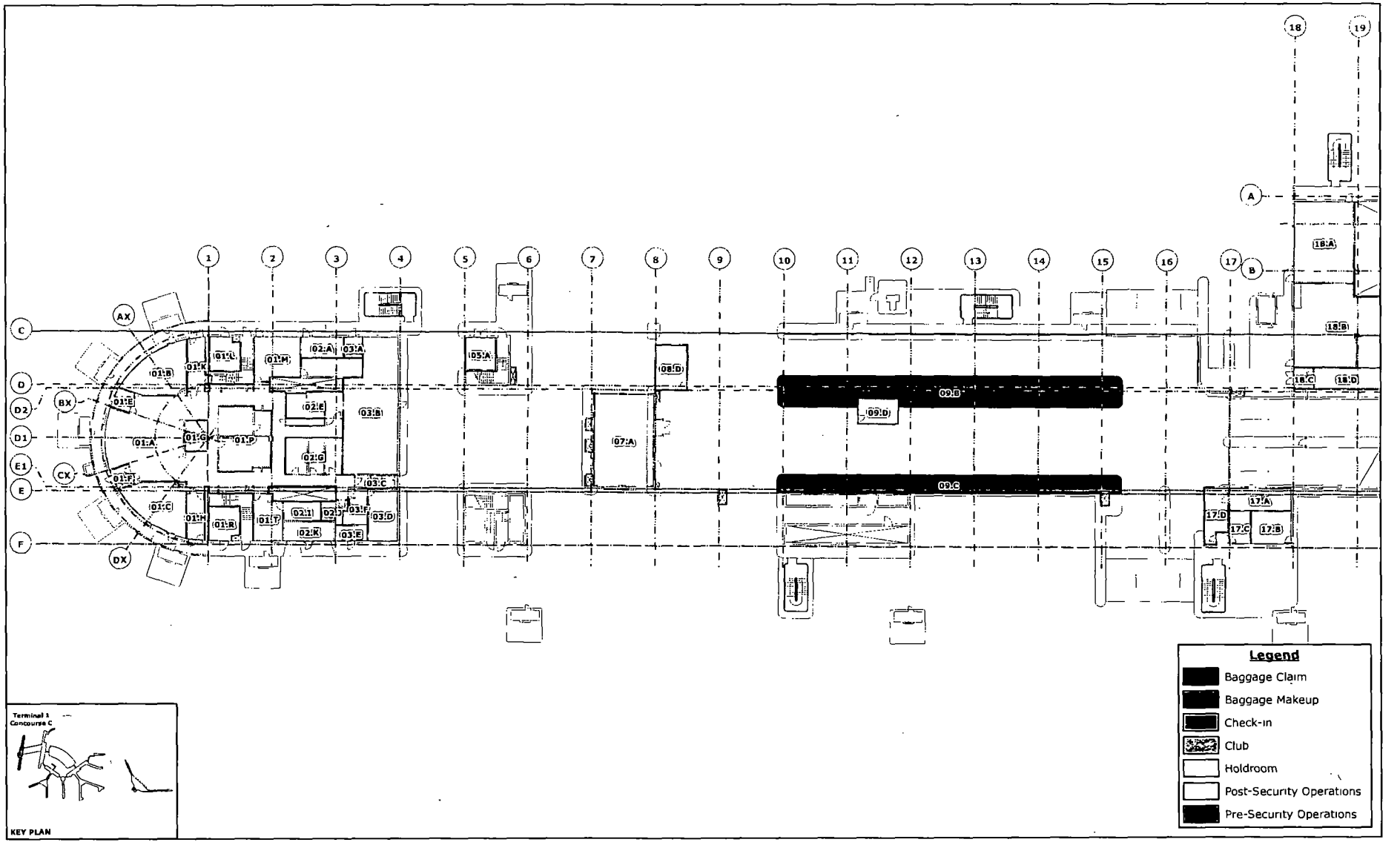
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 1 - B Concourse - Lower Level Effective May 12, 2018	United Airlines	0 25 50 Feet	Exhibit UA.1.10

As of 2/15/2018
Plot File UA10 T1B13.mxd



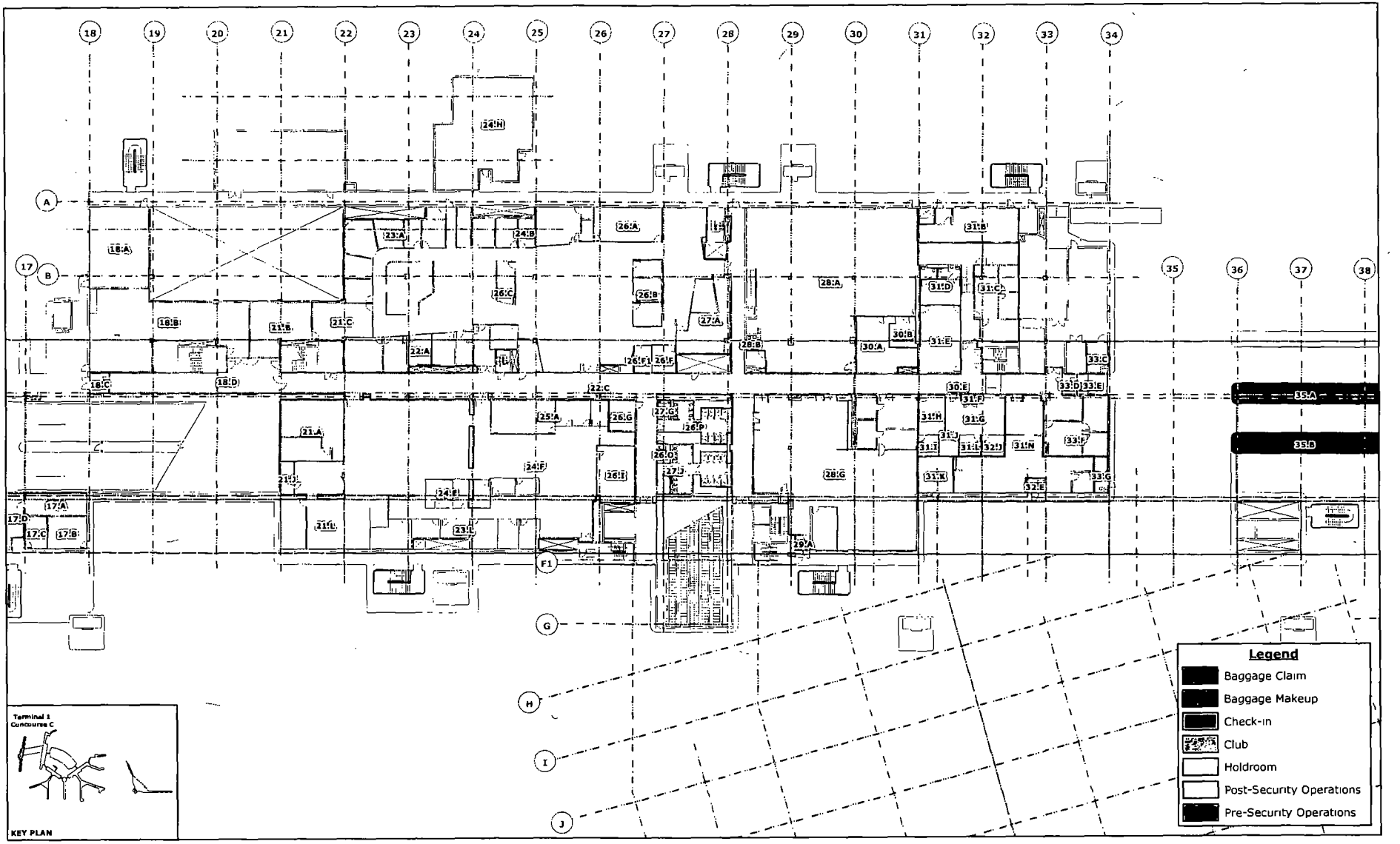
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CHICAGO DEPARTMENT OF AVIATION	Terminal 1 - B Concourse - Lower Level Effective May 12, 2018	United Airlines	0 25 50 Feet	Exhibit UA.1.11

As of 7/15/2018
Plot File UA11 T1BL4.mxd



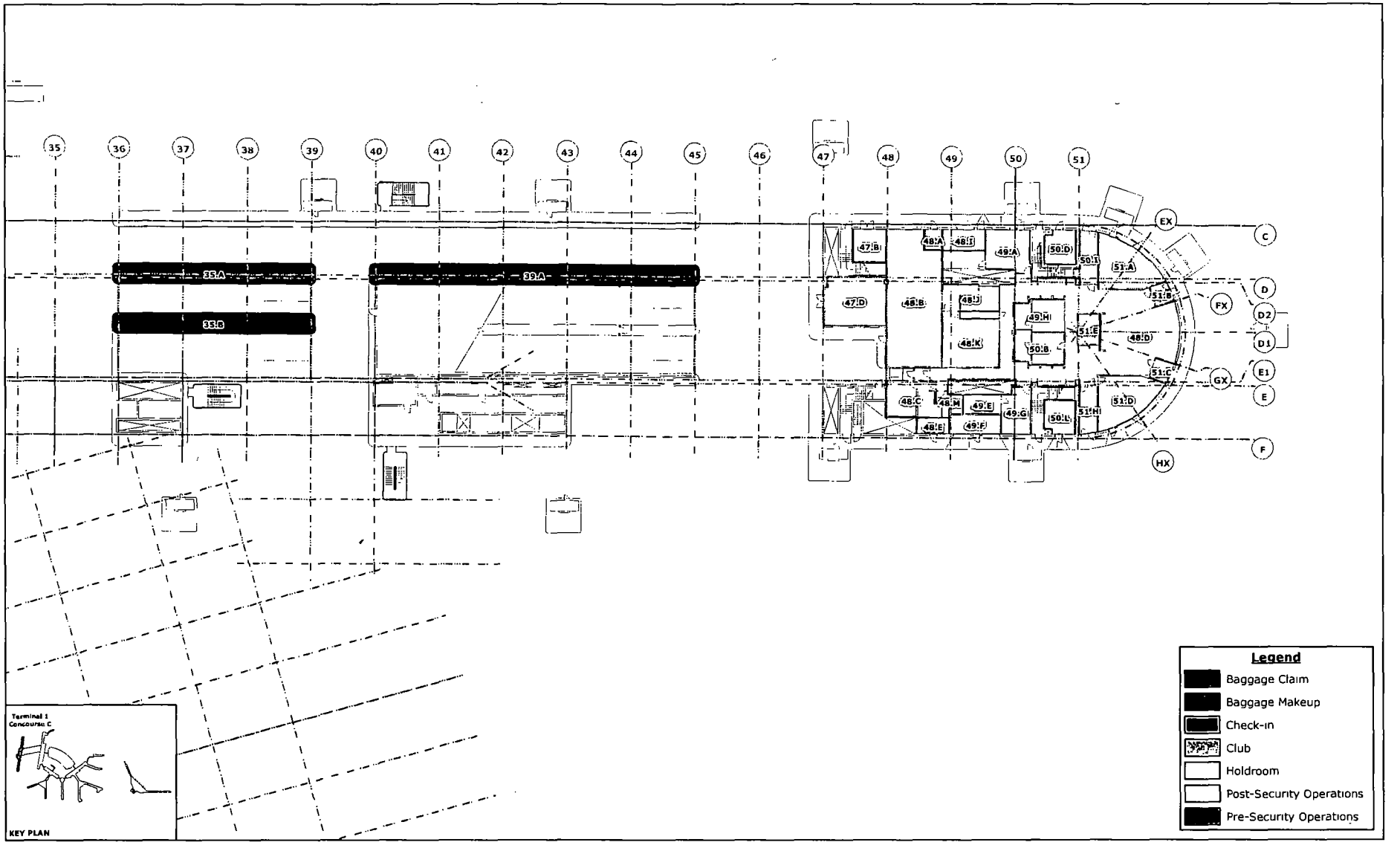
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 1 - C Concourse - Lower Level Effective May 12, 2018	United Airlines	0 25 50 Feet	Exhibit UA.1.12

As of 2/20/2018
Plot File UA12 1C11.dwg



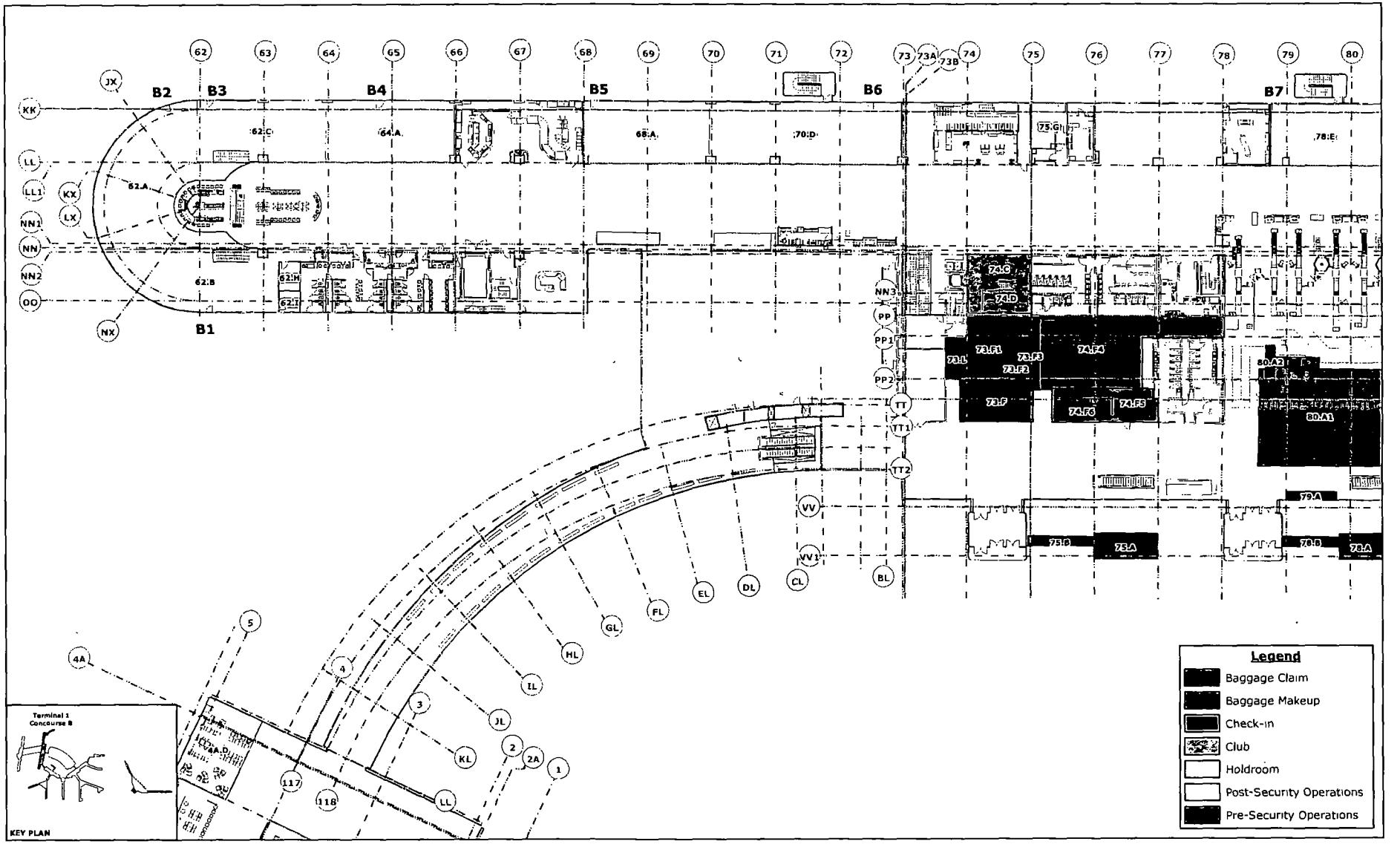
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 1 - C Concourse - Lower Level Effective May 12, 2018	United Airlines	0 25 50 Feet	Exhibit UA.1.13

As of 2/15/2018
Plot File: UA13 T1CL2.mxd



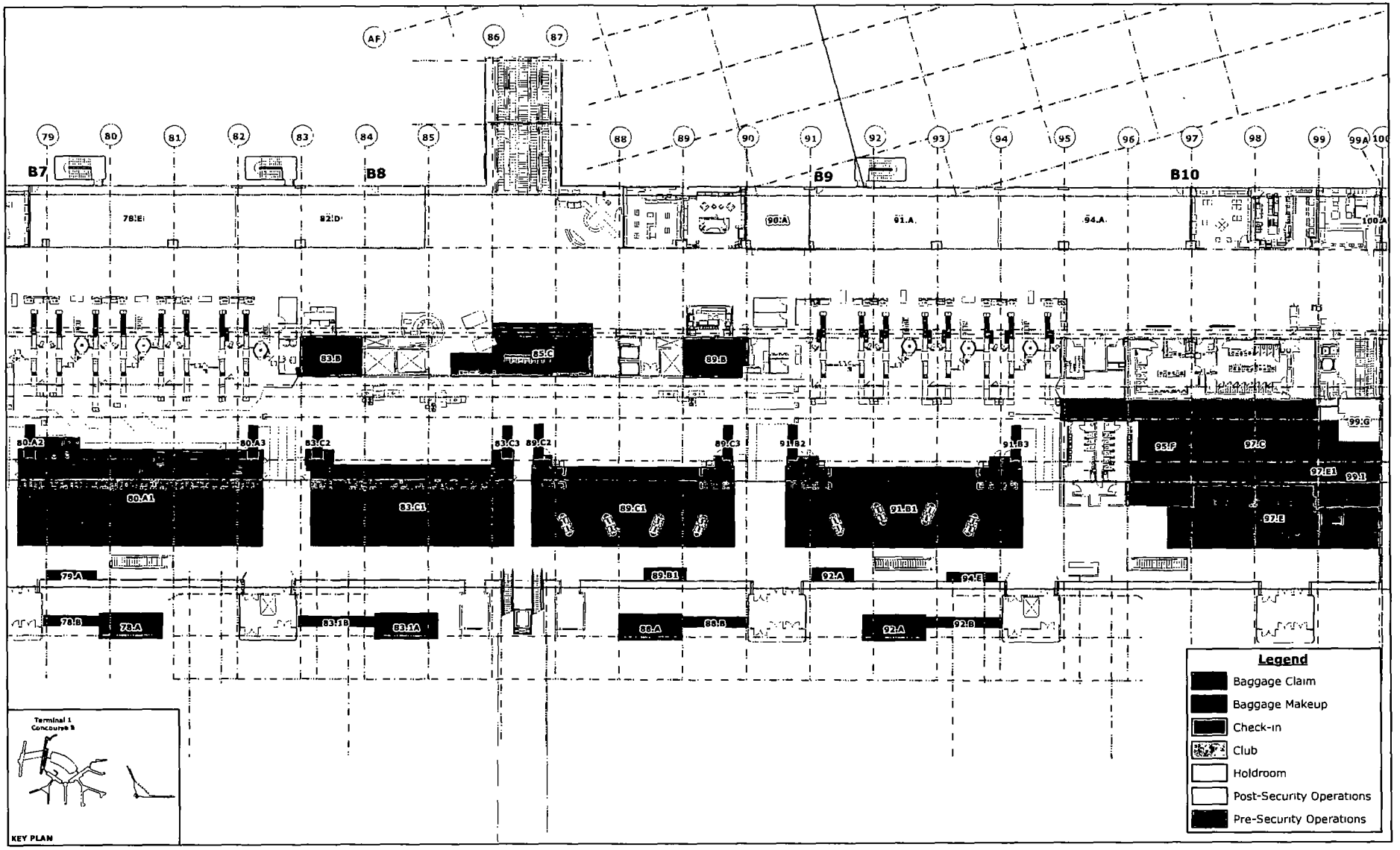
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 1 - C Concourse - Lower Level Effective May 12, 2018	United Airlines	0 25 50 Feet	Exhibit UA.1.14

As of 2/20/2018
Plot File UA14 F1CL3.nwd



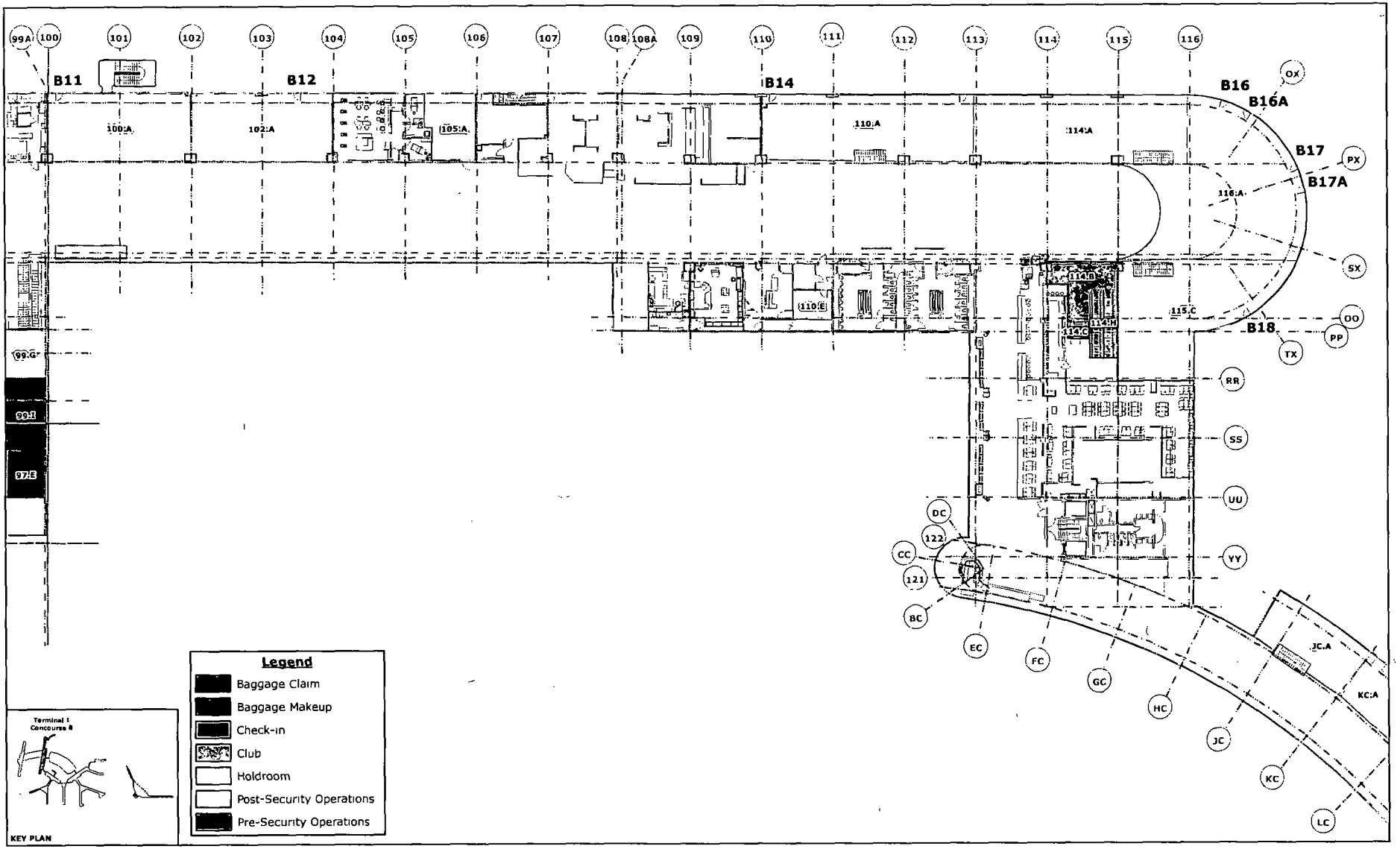
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 1 - B Concourse - Upper Level Effective May 12, 2018	United Airlines	0 25 50 Feet	Exhibit UA.1.15

As of 7/15/2018
Plot File: UA15 T1B01.mxd



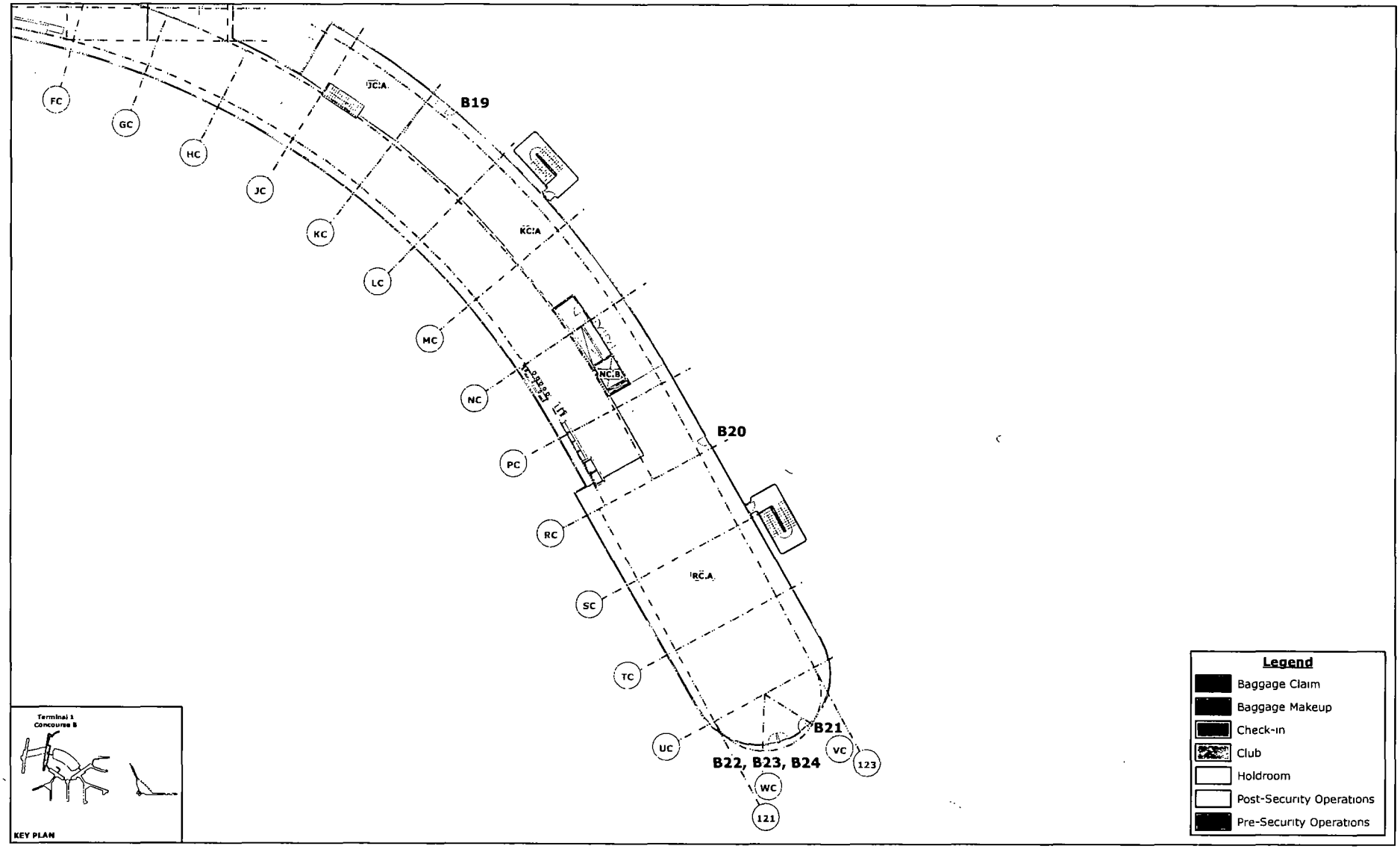
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 1 - B Concourse - Upper Level Effective May 12, 2018	United Airlines	0 25 50 Feet	Exhibit UA.1.16

As of 2/20/2018
Plot File UA16.T1B12.mxd



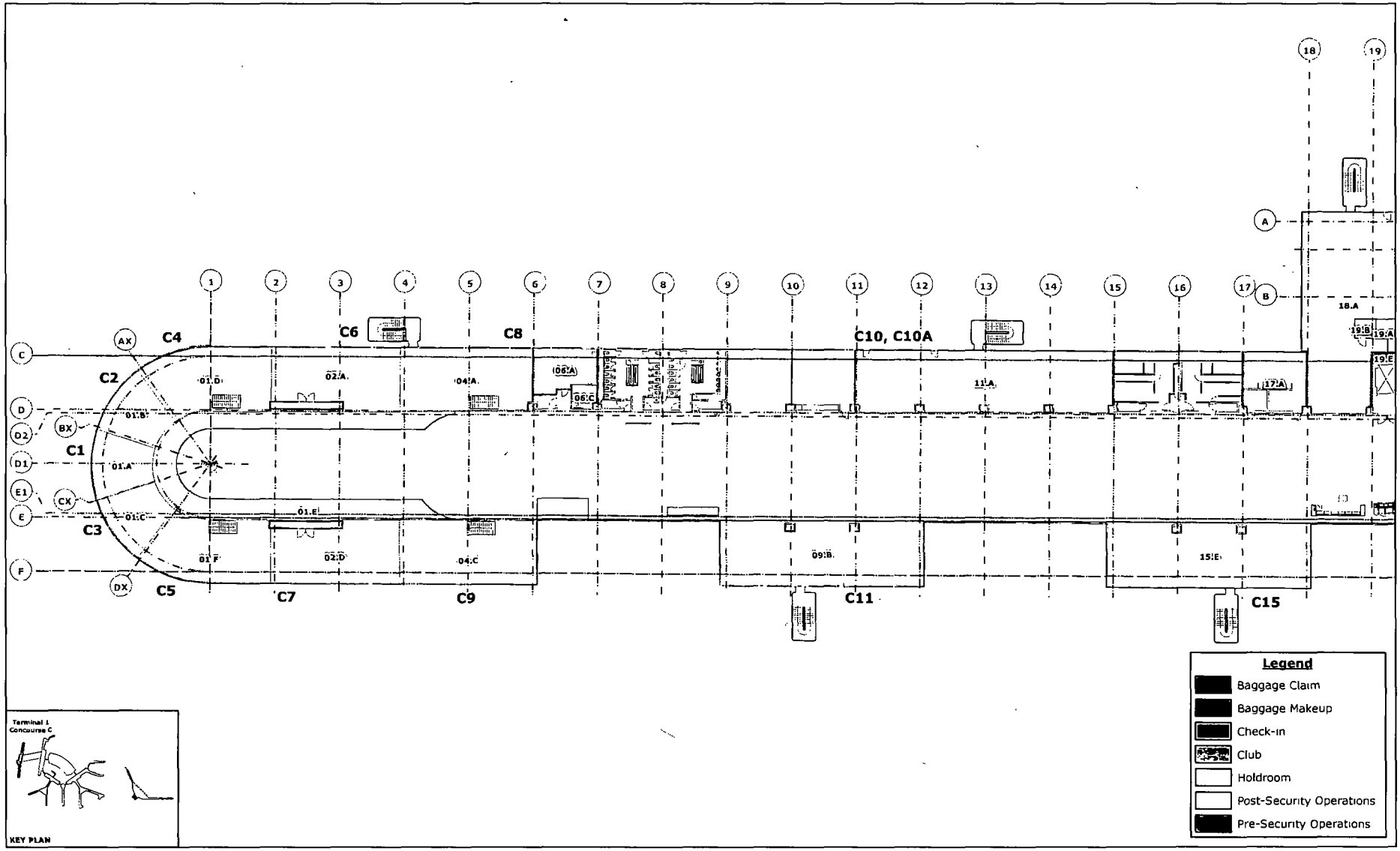
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 1 - B Concourse - Upper Level Effective May 12, 2018	United Airlines	0 25 50 Feet	Exhibit UA.1.17

As of 2/20/2018
Plot File UA1 / T1BU3.mxd



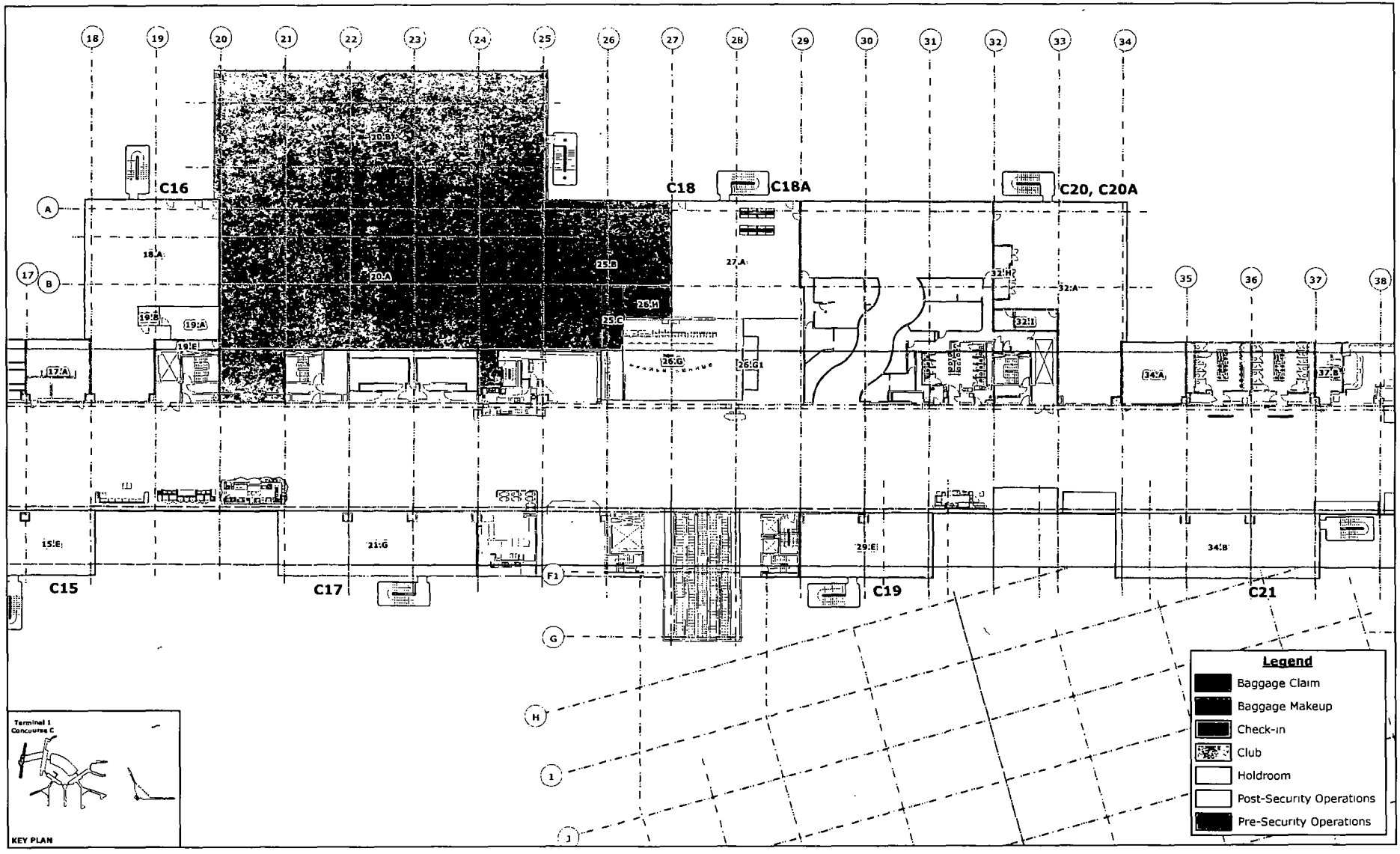
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	Terminal 1 - B Concourse - Upper Level Effective May 12, 2018	United Airlines	0 25 50 Feet N	Exhibit UA.1.18

As of 7/15/2018
Plot File UA18 T1BU4.mxd



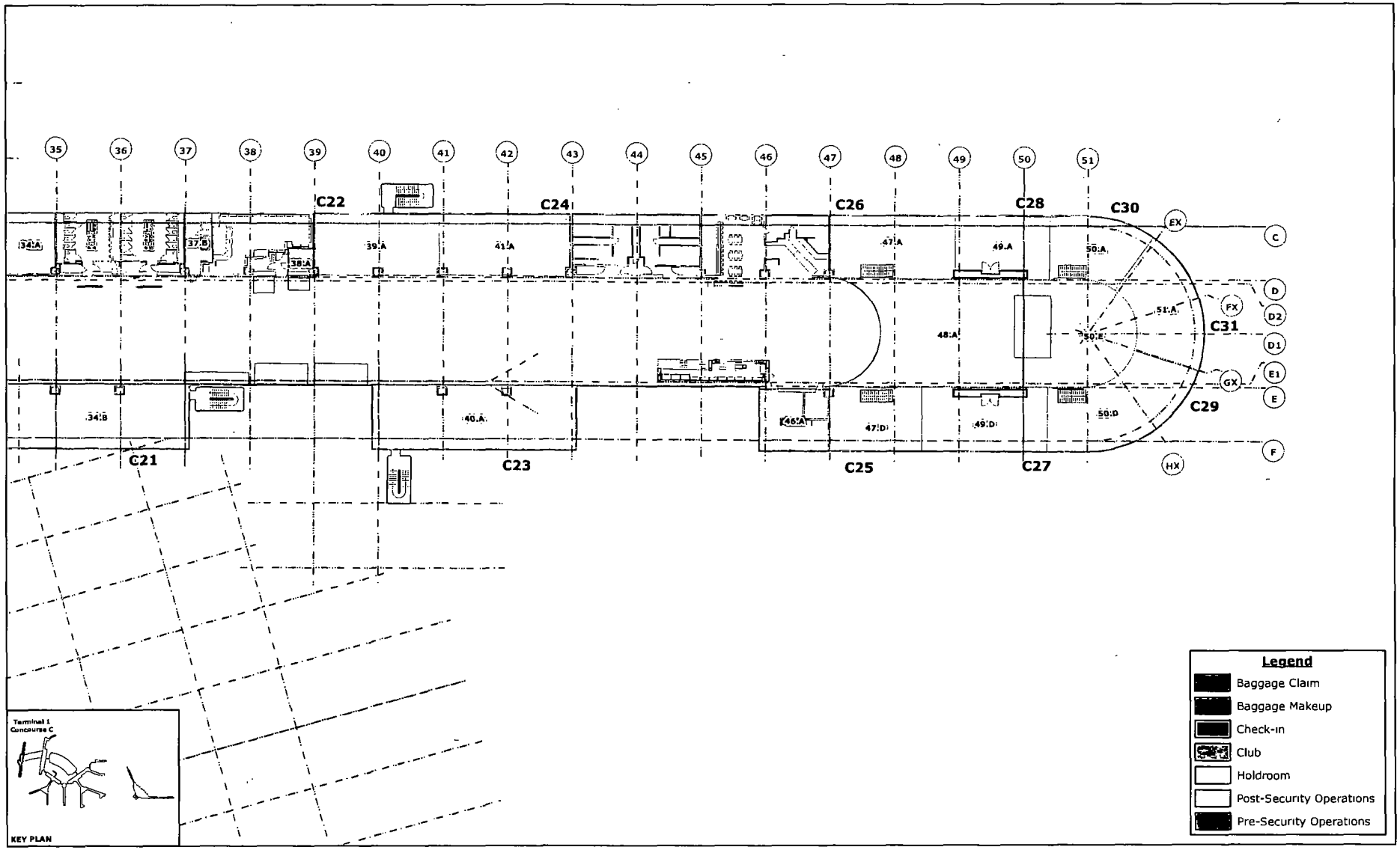
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 1 - C Concourse - Upper Level Effective May 12, 2018	United Airlines	0 25 50 Feet	Exhibit UA.1.19

As of 2/15/2018
Plot File: UA19 T1CU1.mxd



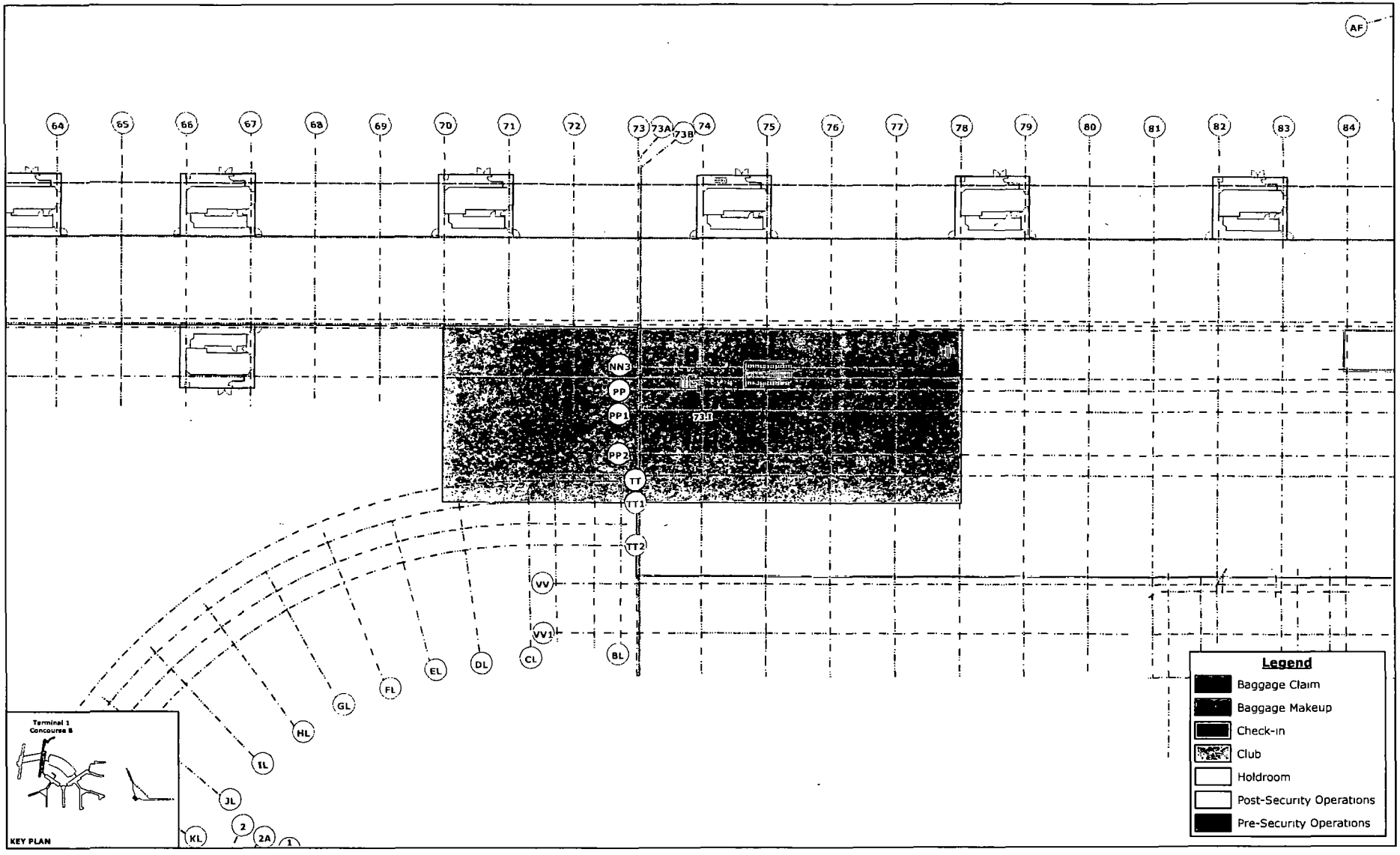
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 1 - C Concourse - Upper Level Effective May 12, 2018	United Airlines	0 25 50 Feet	Exhibit UA.1.20

As of 2/15/2018
Plot File UA20 T1CU2.mnd



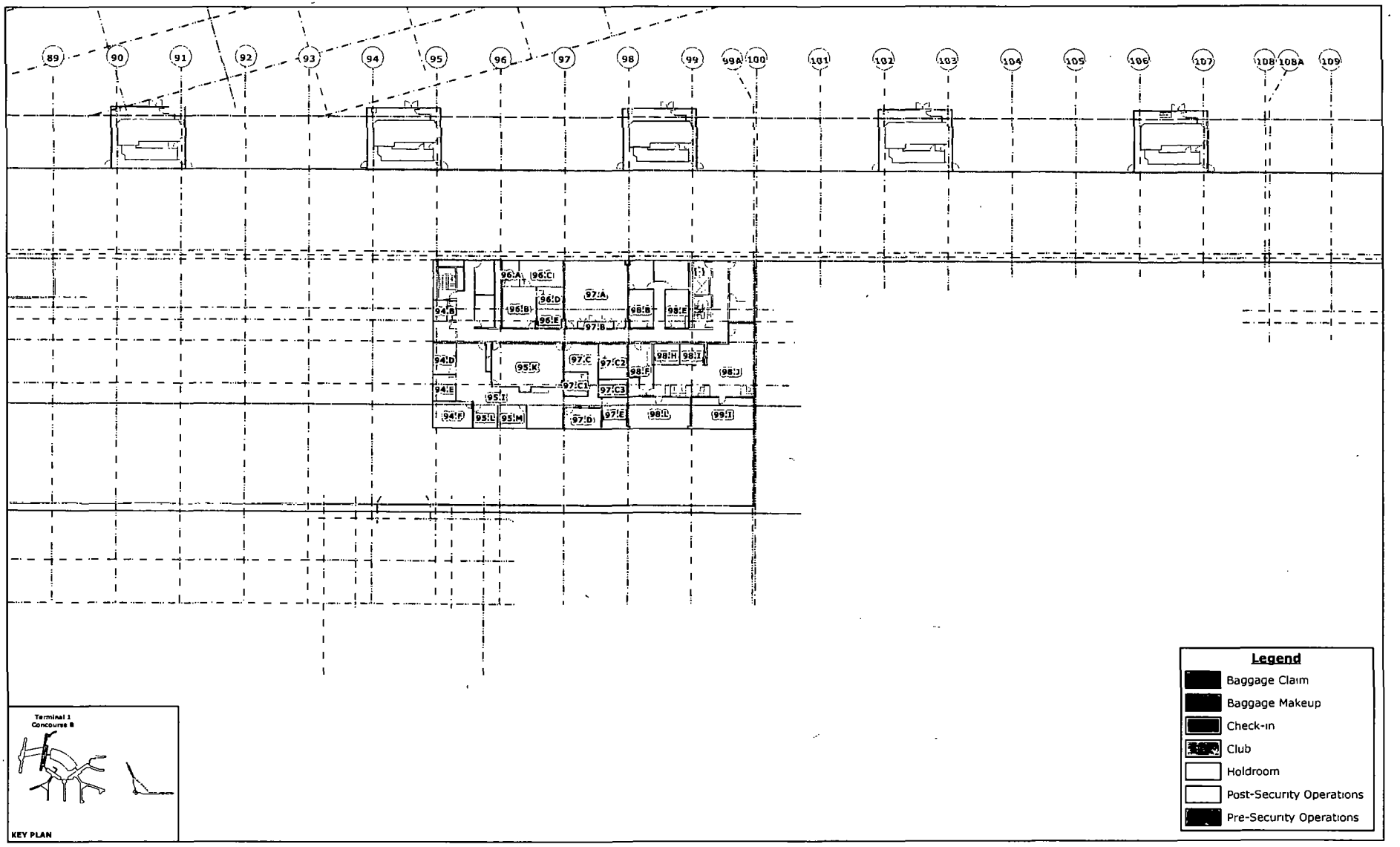
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	Terminal 1 - C Concourse - Upper Level Effective May 12, 2018	United Airlines	0 25 50 Feet N	Exhibit UA.1.21

As of 2/15/2018
Plot File UA21 T1CU3.mxd



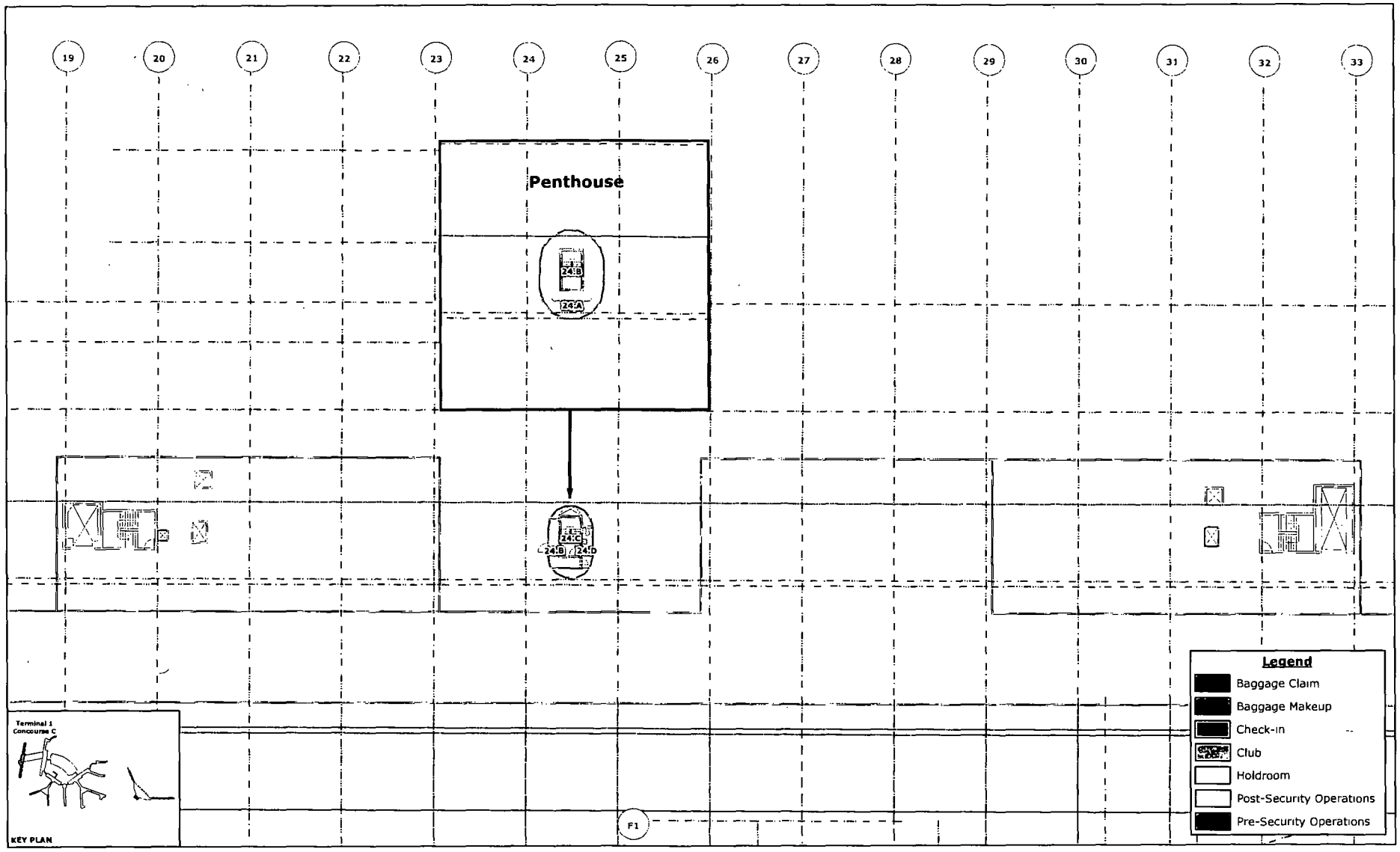
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 1 - B Concourse - Mezzanine Effective May 12, 2018	United Airlines	0 25 50 Feet	Exhibit UA.1.22

As of 7/15/2018
Plot file: UA22 T1BM1.mxd



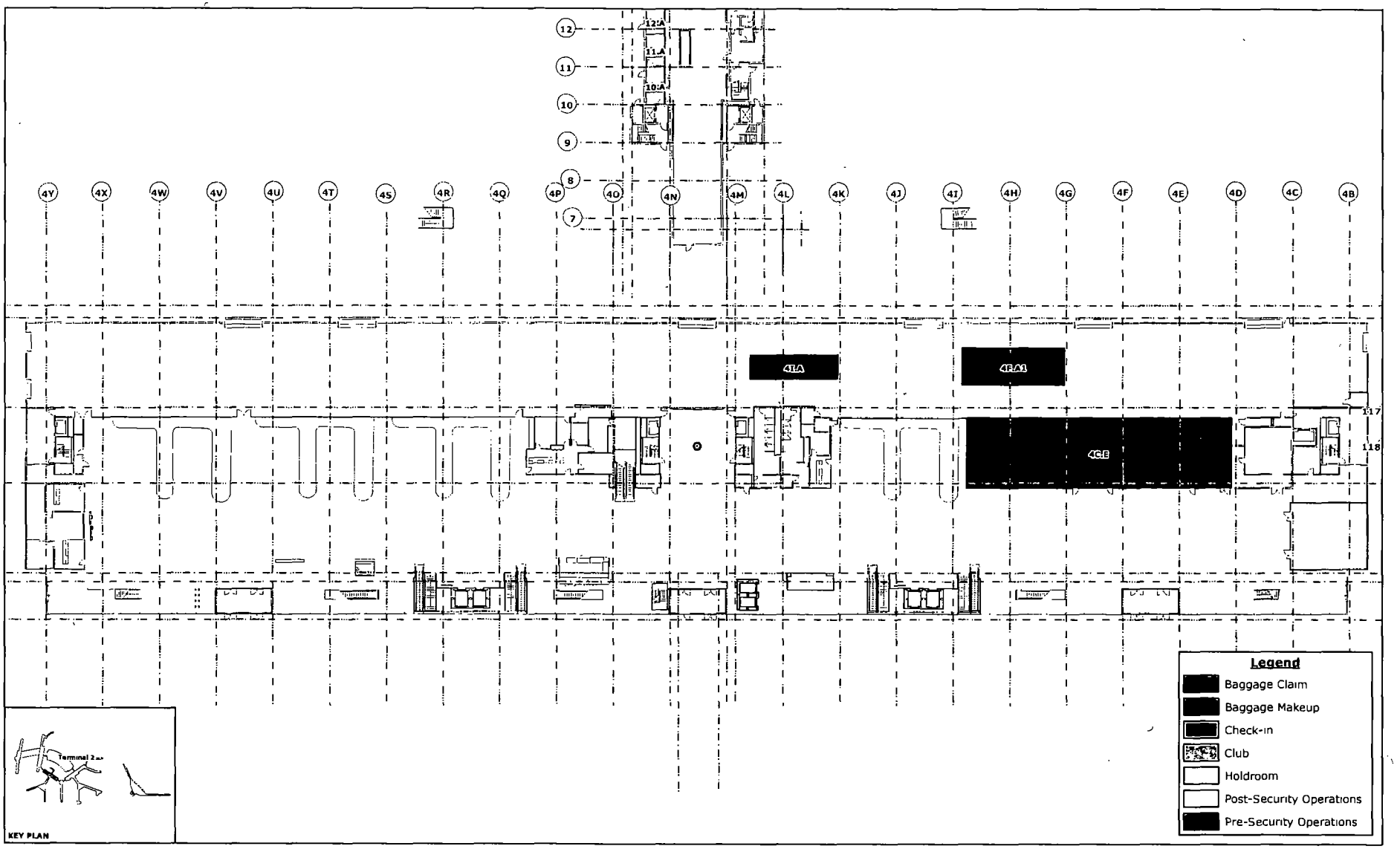
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 1 - B Concourse - Mezzanine Effective May 12, 2018	United Airlines	0 25 50 Feet	Exhibit UA.1.23

As of 2/15/2018
Plot File UA23 11BM2.mxd



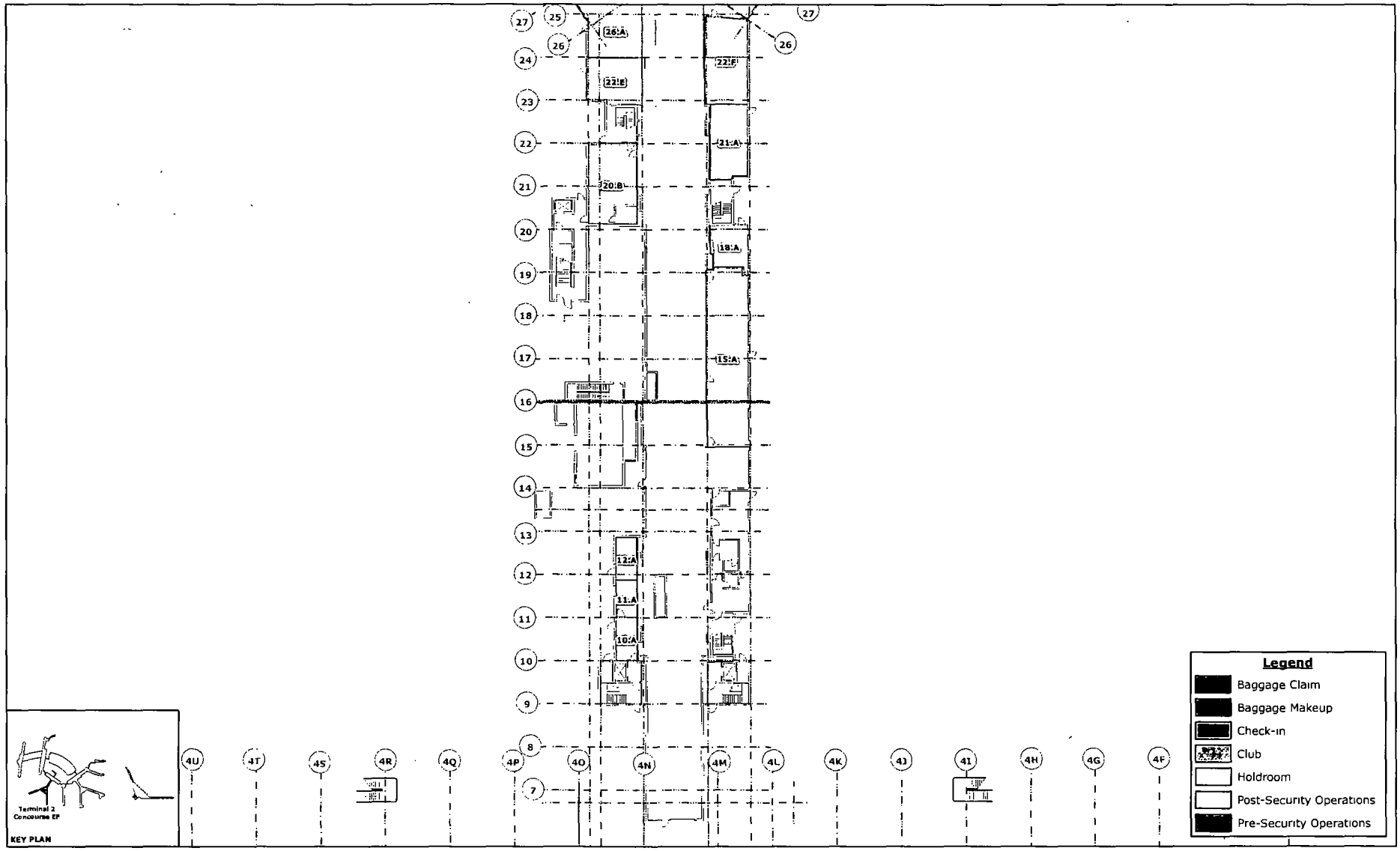
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 1 - C Concourse - Mezzanine Effective May 12, 2018	United Airlines	0 25 50 Feet	Exhibit UA.1.24

As of 2/15/018
Plot File UA24 T1CMP.mxd



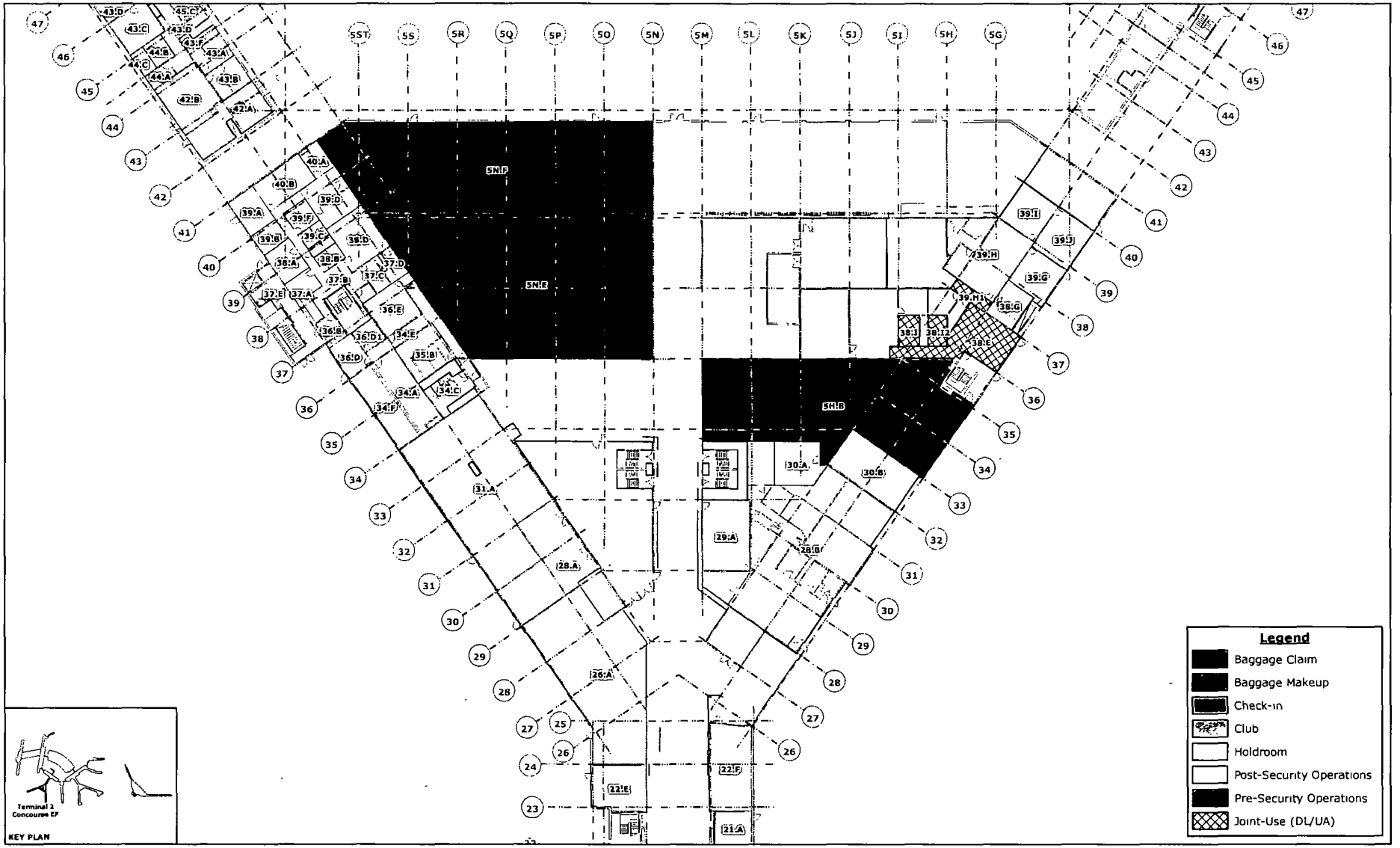
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 2 - Main Concourse - Lower Level Effective May 12, 2018	United Airlines	0 25 50 Feet	Exhibit UA.2.01

As of 7/27/2018
Plot File UA25 T2ML.mxd



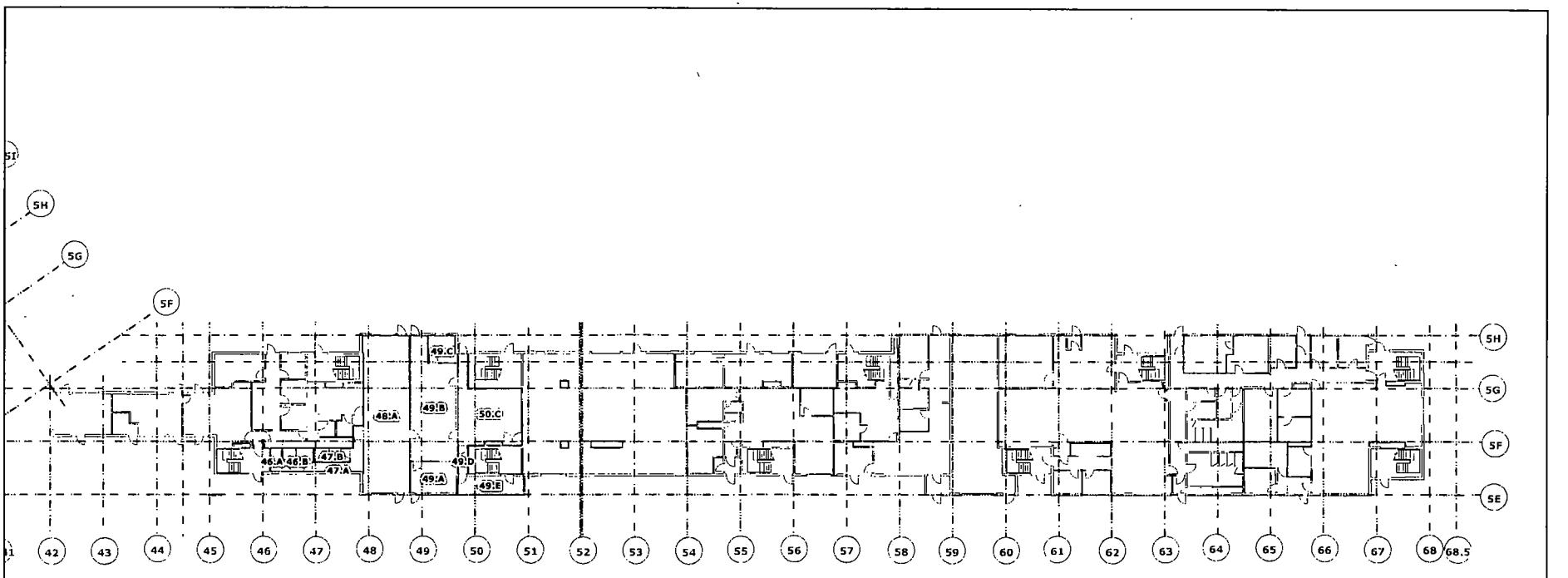
Chicago O'Hare International Airport	**City of Chicago Rahm Emanuel Mayor**	**Department of Aviation**	CDA Chicago Department of Aviation	**Terminal 2 - EF Concourse - Lower Level Effective May 12, 2018**	**United Airlines**	0 25 50 Feet	**Exhibit UA.2.02**

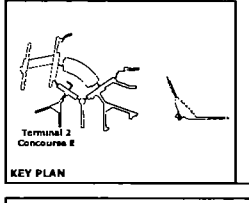
As of 2/15/2018
Plot File UA26 12EF11.mxd



Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 2 - EF Concourse - Lower Level Effective May 12, 2018	United Airlines	0 25 50 Feet	Exhibit UA.2.03

As of 2/22/2018
Plot File: UA27 T2E1L2.mxd



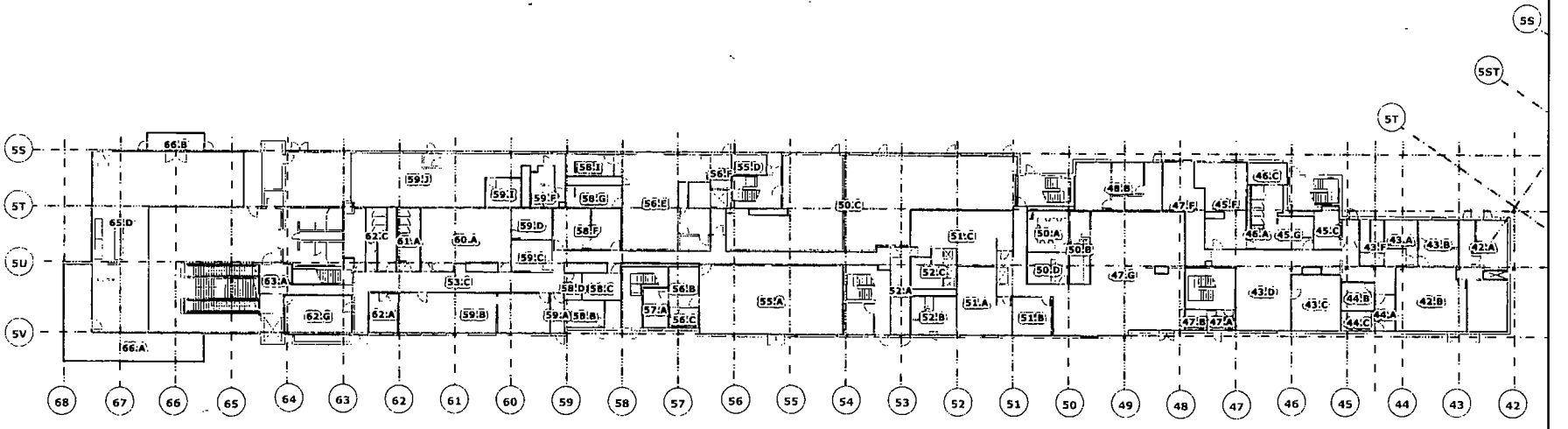


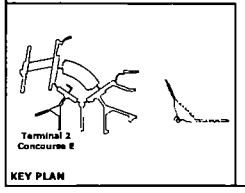
Legend

- Baggage Claim
- Baggage Makeup
- Check-in
- Club
- Holdroom
- Post-Security Operations
- Pre-Security Operations

Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 2 - E Concourse - Lower Level Effective May 12, 2018	United Airlines	0 25 50 Feet N	Exhibit UA.2.04

As of 2/15/2018
Plot File: UA26 T2Fl.mxd



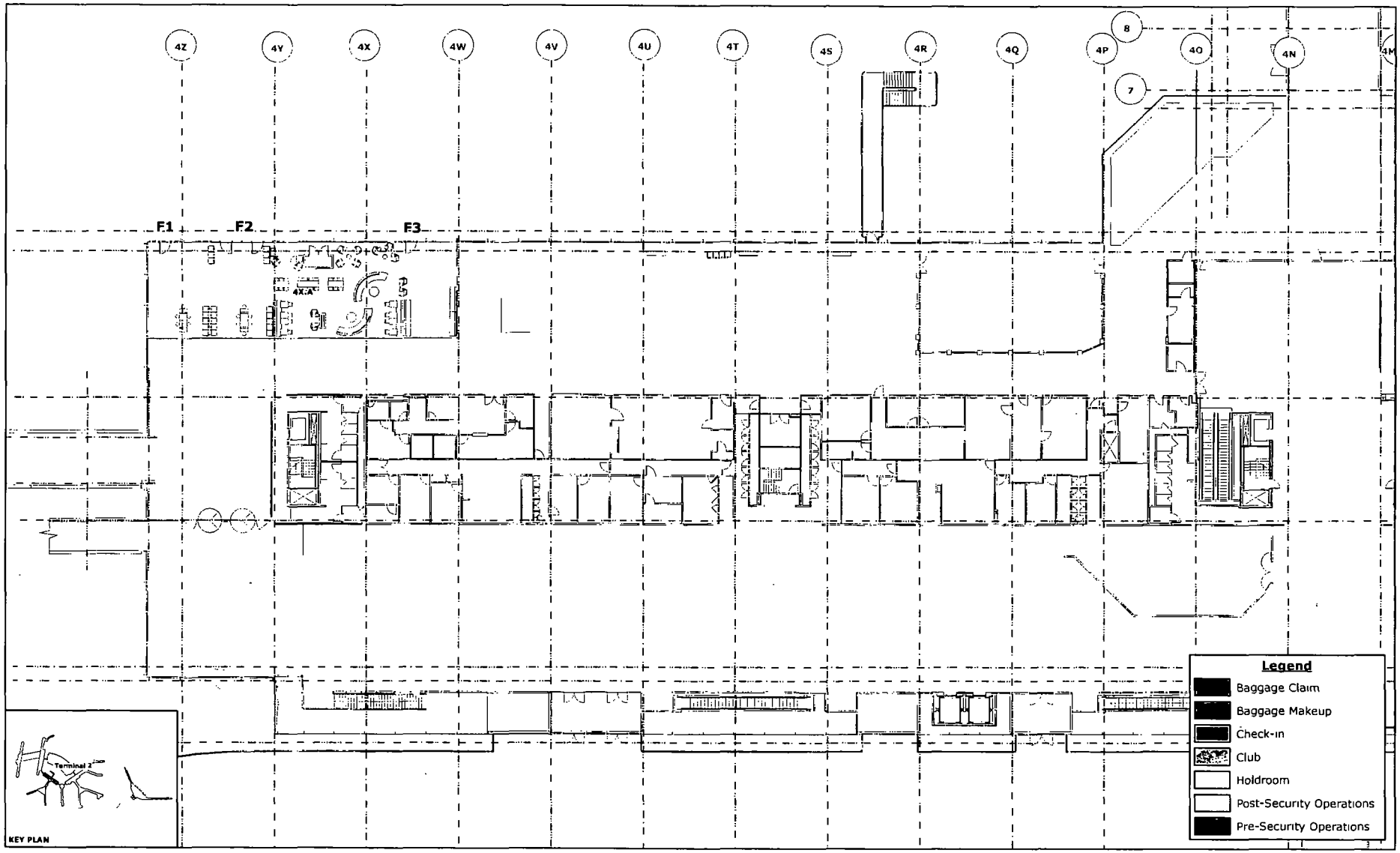


Legend

- Baggage Claim
- Baggage Makeup
- Check-in
- Club
- Holdroom
- Post-Security Operations
- Pre-Security Operations

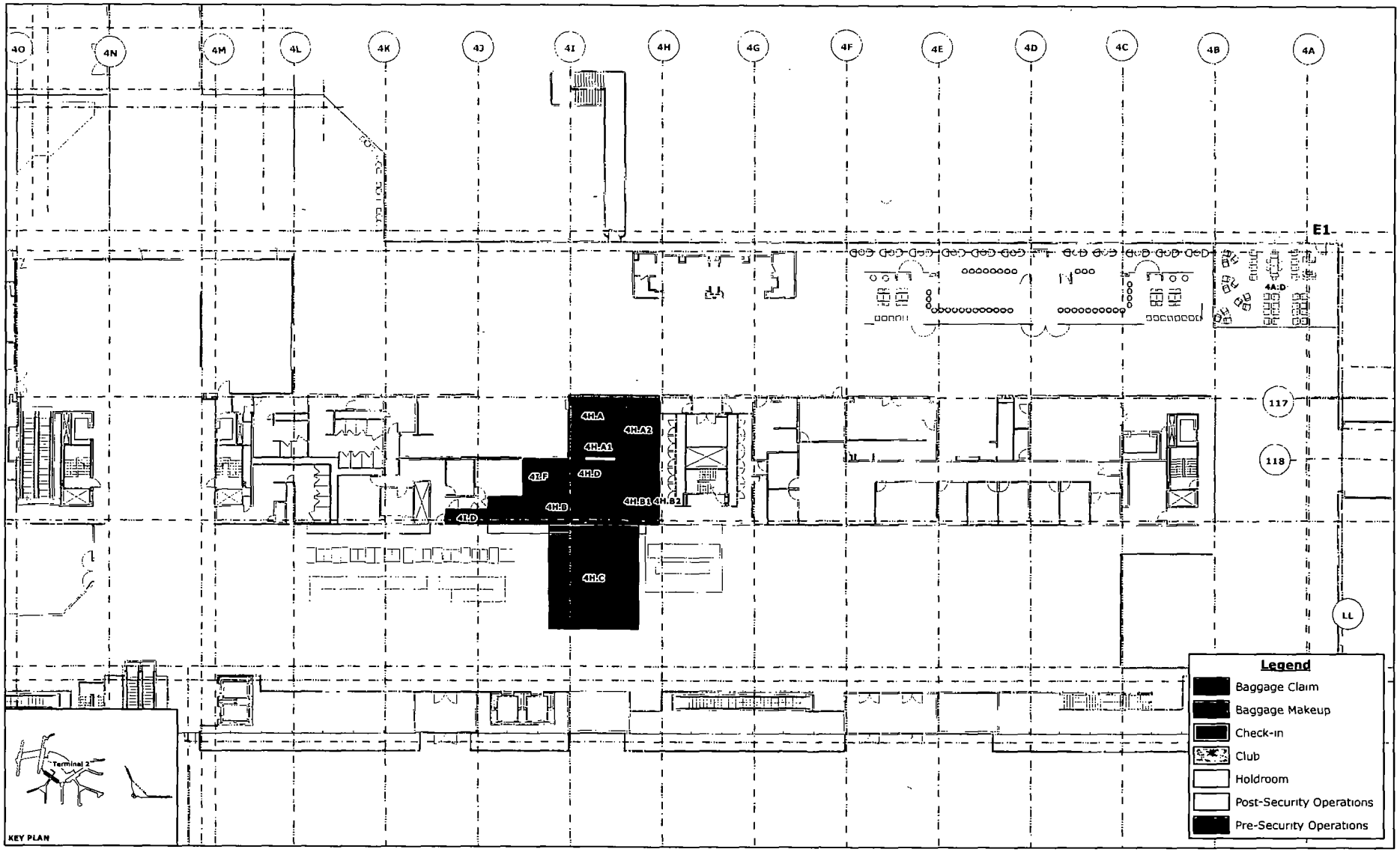
Chicago O'Hare International Airport	**City of Chicago Rahm Emanuel Mayor**	**Department of Aviation**	CDA CHICAGO DEPARTMENT OF AVIATION	**Terminal 2 - F Concourse - Lower Level Effective May 12, 2018**	**United Airlines**	0 25 50 Feet N	**Exhibit UA.2.05**

As of 2/20/2018
Plot File UA2-9 T2Fl.mxd



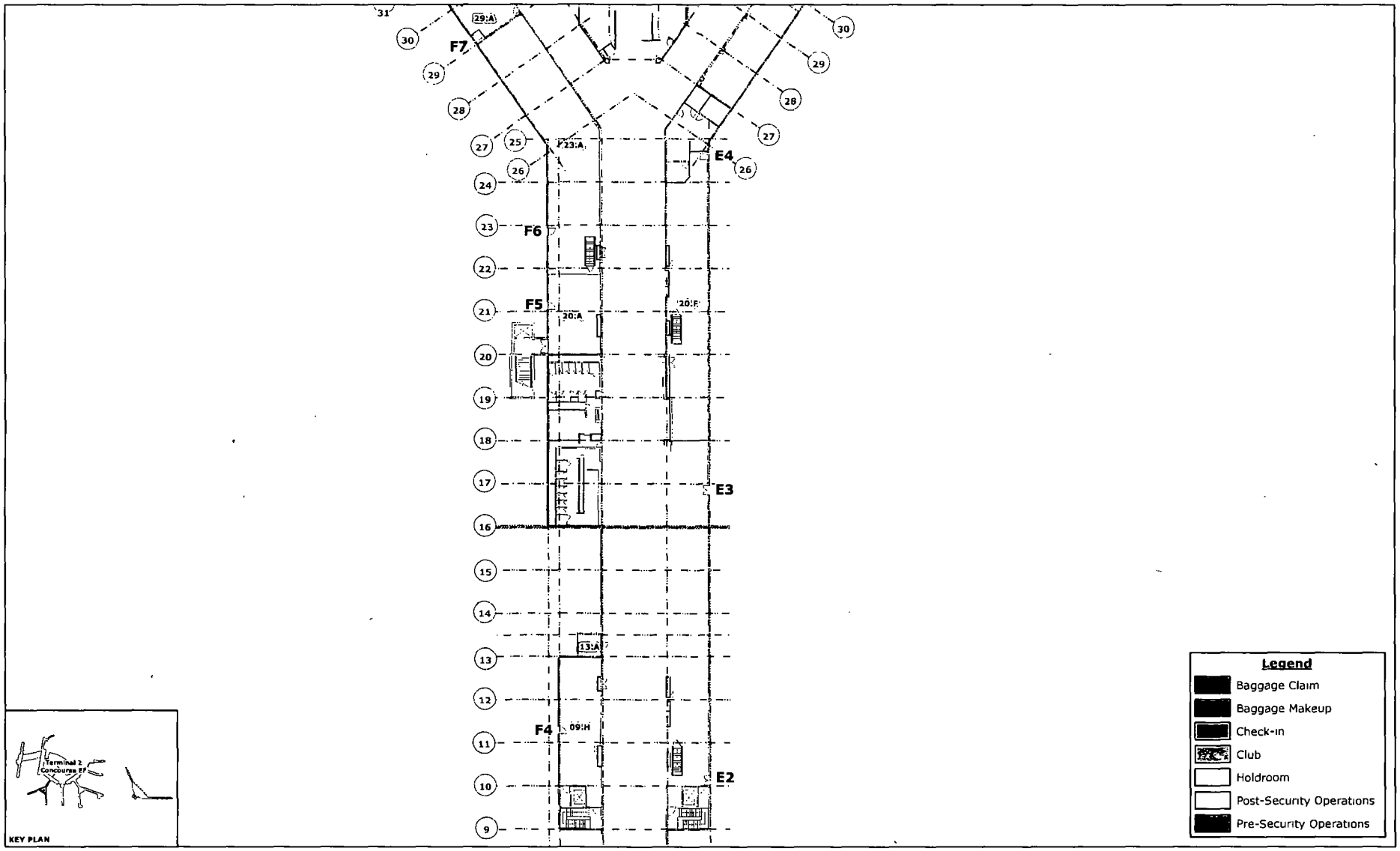
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 2 - Main Concourse - Upper Level Effective May 12, 2018	United Airlines	0 25 50 Feet	Exhibit UA.2.06

As of 2/15/2018
Plot File UA3U T2MU1.mxd



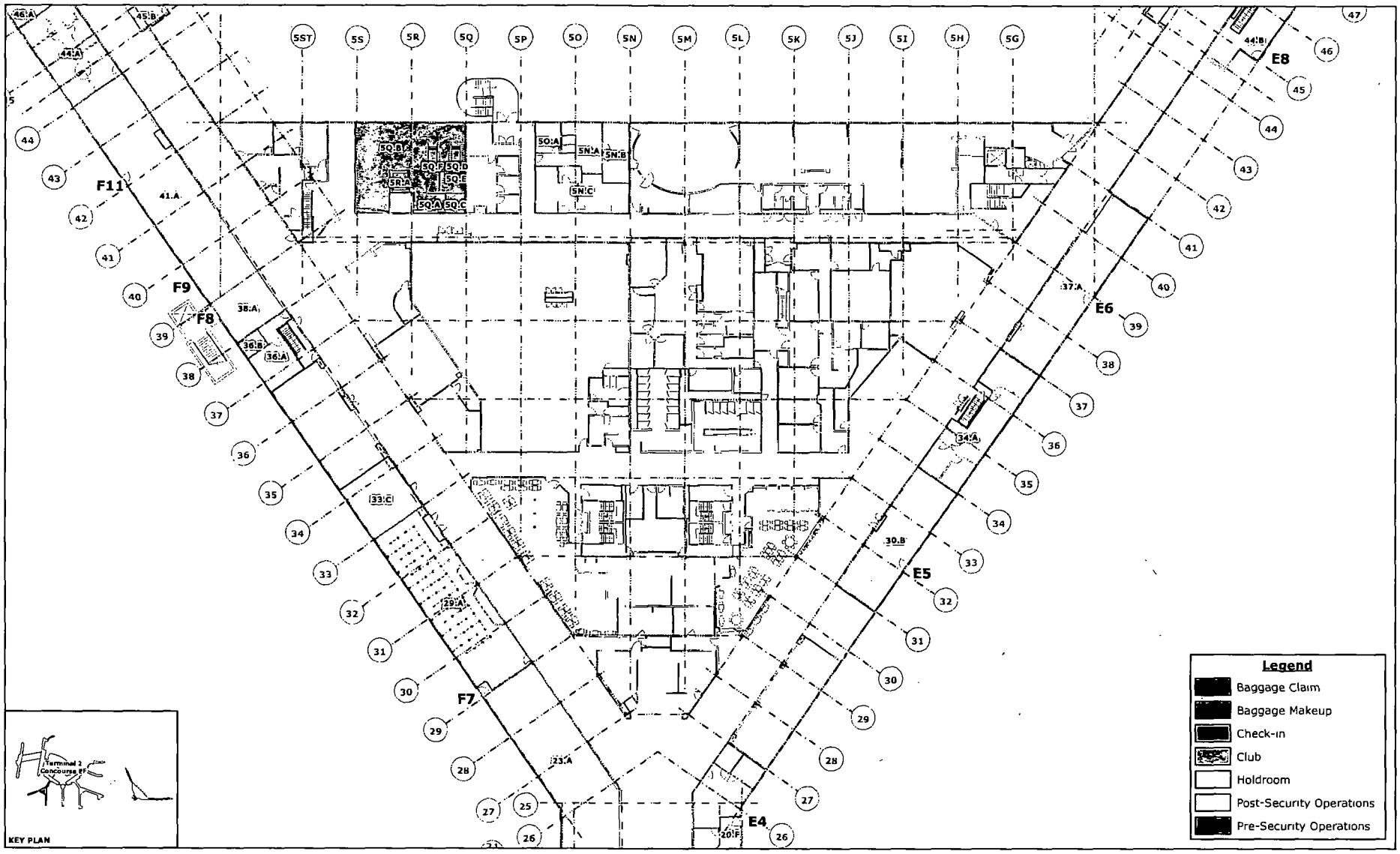
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	Terminal 2 - Main Concourse - Upper Level Effective May 12, 2018	United Airlines	0 25 50 Feet	Exhibit UA.2.07

As of 7/26/2018
Plot File UA31 T2MU2.mxd



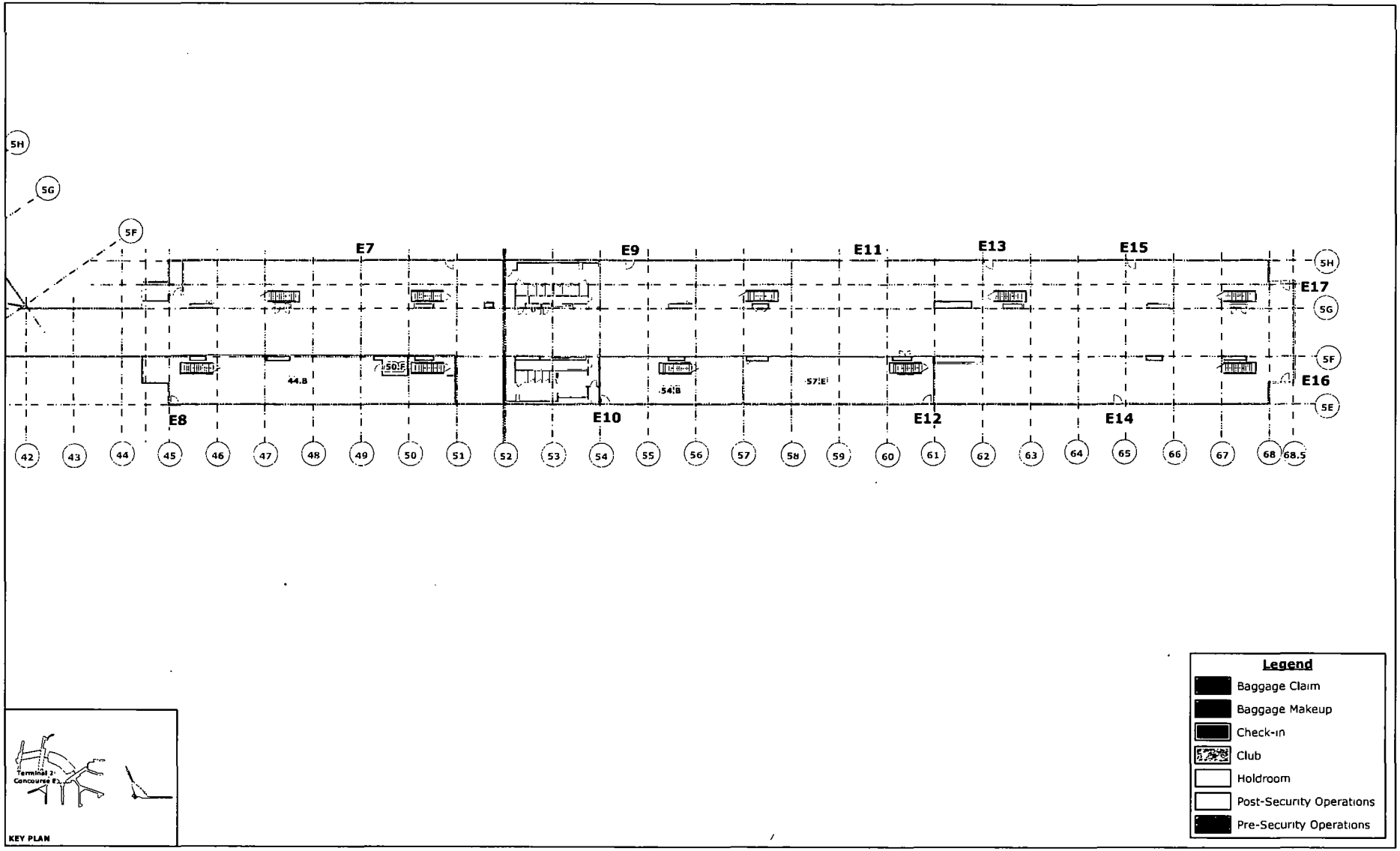
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 2 - EF Concourse - Upper Level Effective May 12, 2018	United Airlines	0 25 50 Feet	Exhibit UA.2.08

As of 7/15/2018
Plot File UA32,T2FFU1.mxd



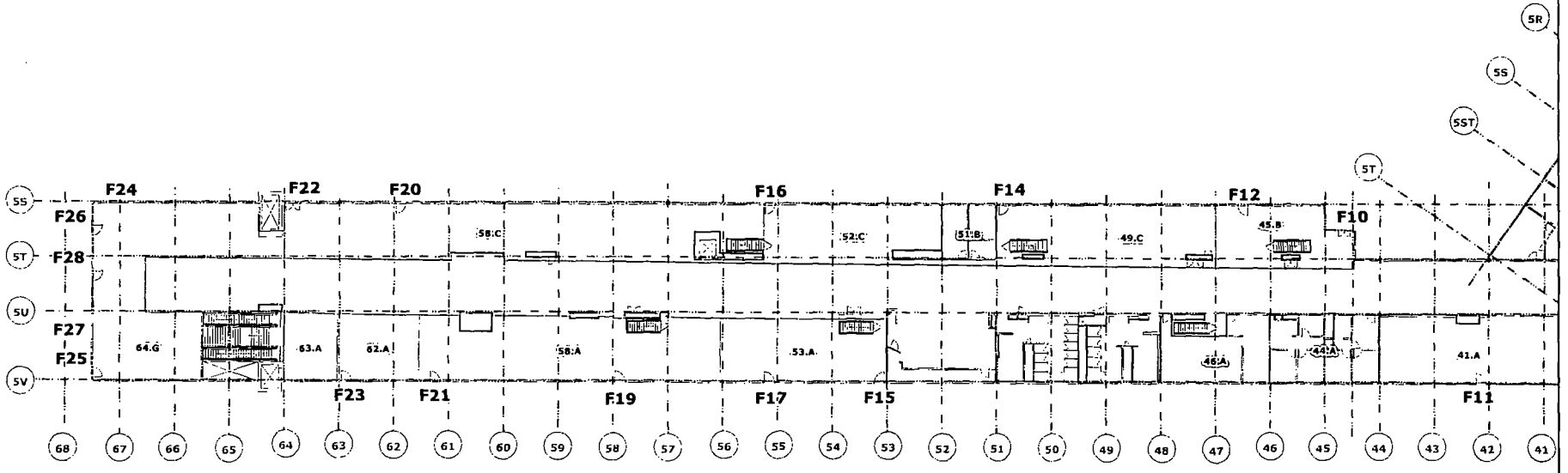
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 2 - EF Concourse - Upper Level Effective May 12, 2018	United Airlines	0 25 50 Feet	Exhibit UA.2.09

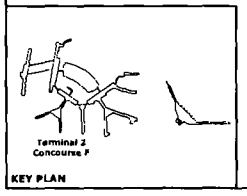
As of 2/21/2018
Plot File UA33 T2EFU2.mxd



Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 2 - E Concourse - Upper Level Effective May 12, 2018	United Airlines	0 25 50 Feet	Exhibit UA.2.10

As of 3/20/2018
Plot File UA34 T2FU.mxd



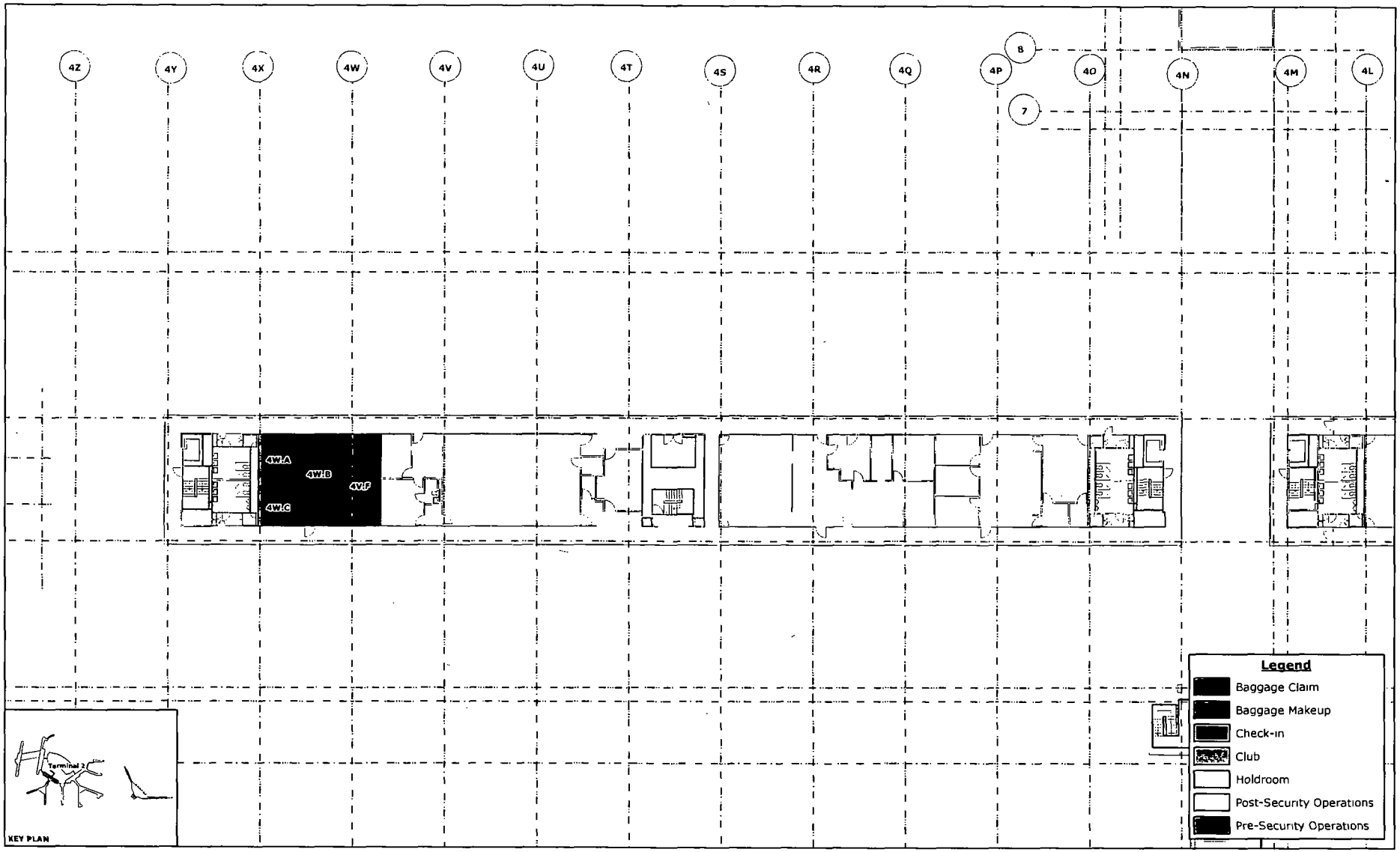


Legend

- Baggage Claim
- Baggage Makeup
- Check-in
- Club
- Holdroom
- Post-Security Operations
- Pre-Security Operations

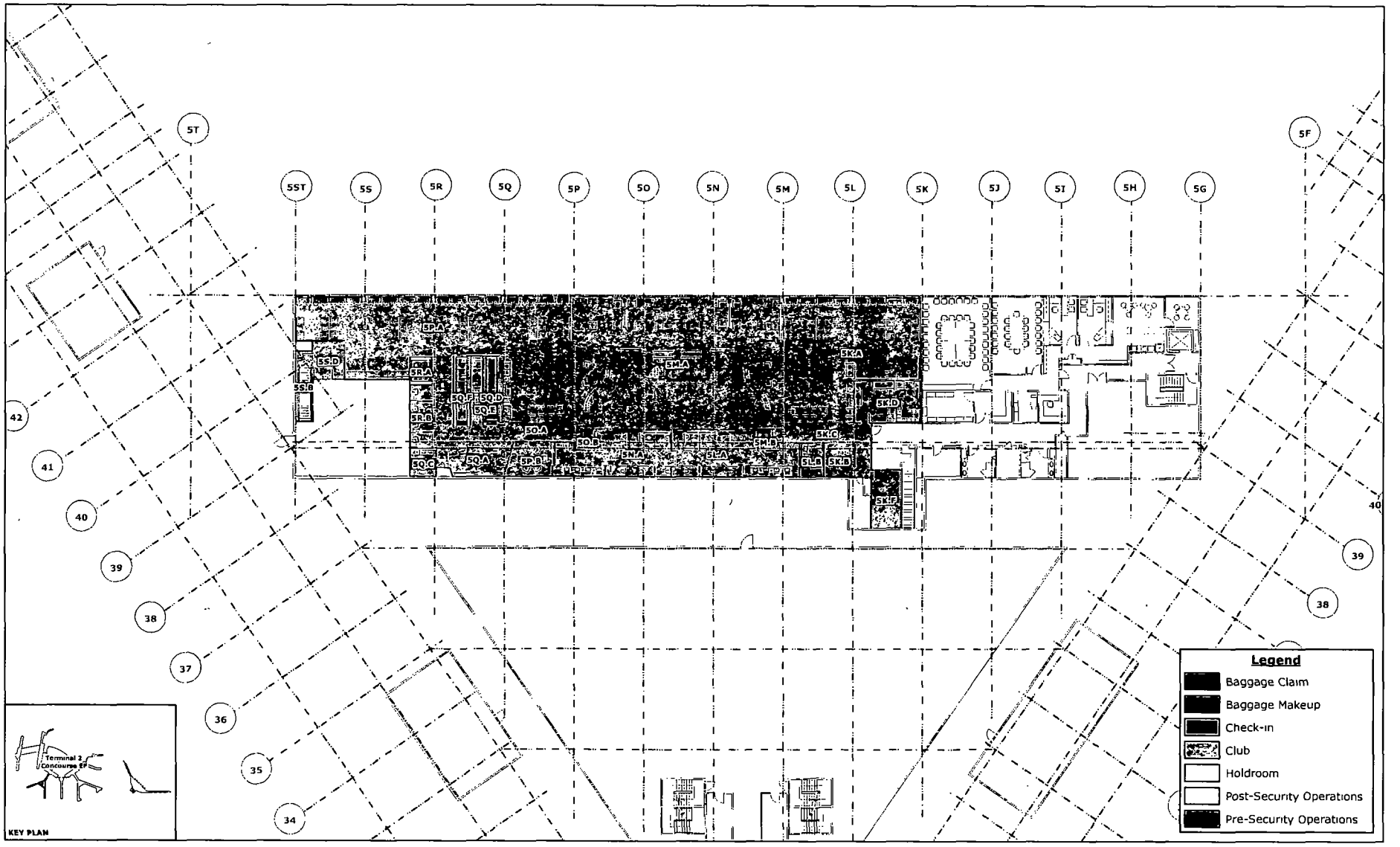
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 2 - F Concourse - Upper Level Effective May 12, 2018	United Airlines	0 25 50 Feet	Exhibit UA.2.11

As of 2/15/2018
Plot File UA35 T2RU.mxd



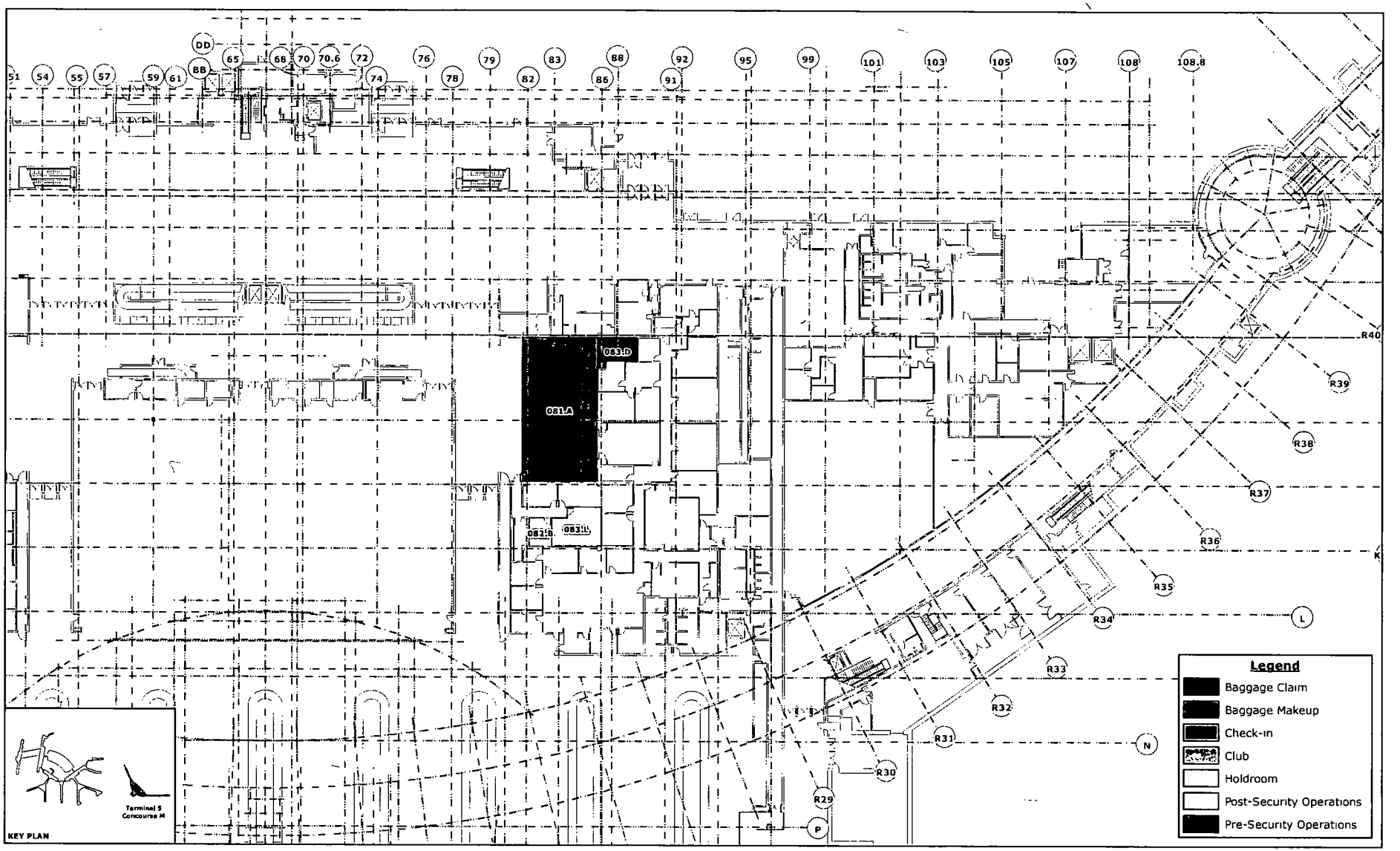
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	Terminal 2 - Main Concourse - Mezzanine Effective May 12, 2018	United Airlines	0 25 50 Feet	Exhibit UA.2.12

As of 2/15/2018
Plot File UA36 12MH.mxd



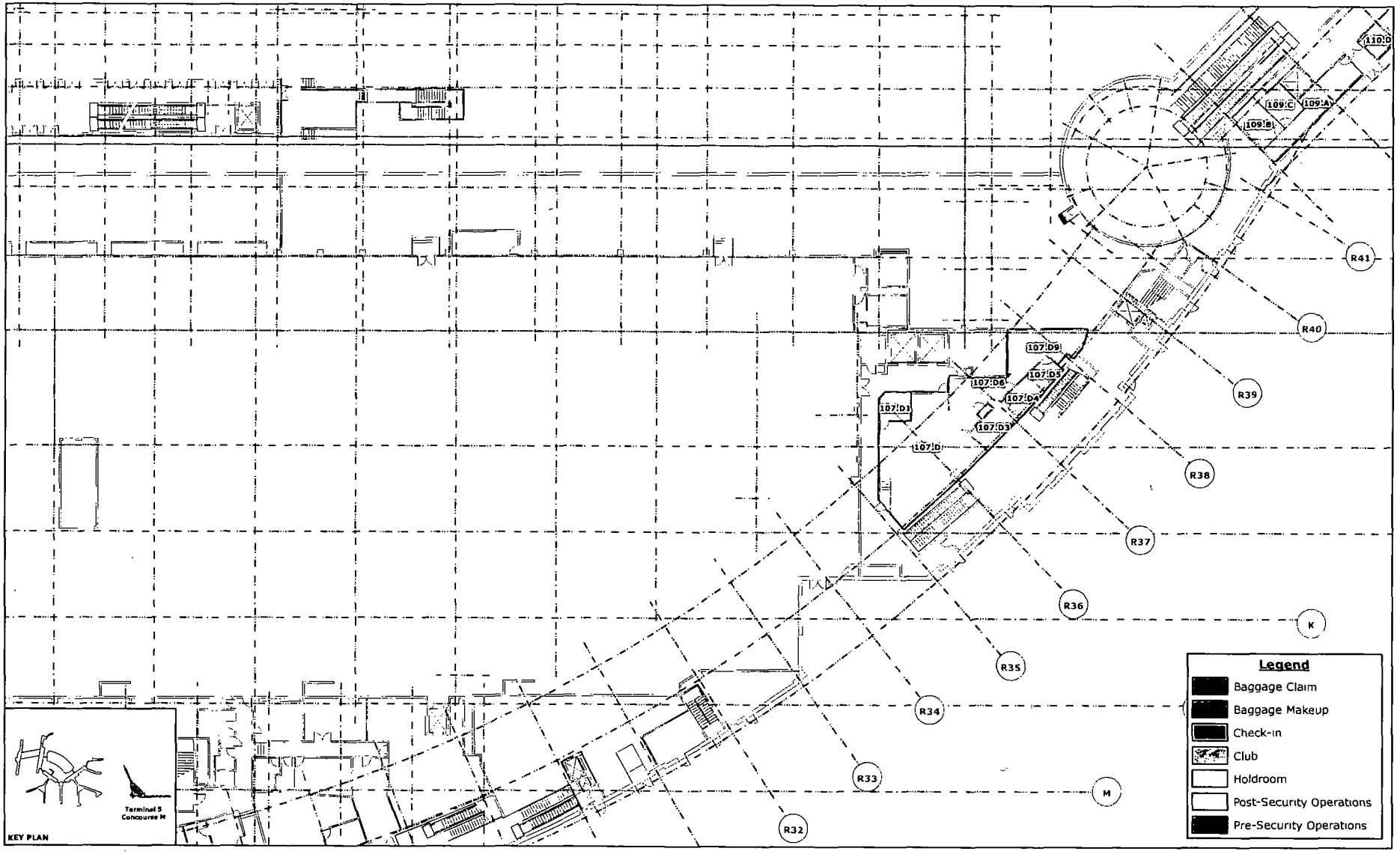
Chicago O'Hare International Airport	**City of Chicago Rahm Emanuel Mayor**	**Department of Aviation**	CDA CHICAGO DEPARTMENT OF AVIATION	**Terminal 2 - EF Concourse - Mezzanine Effective May 12, 2018**	**United Airlines**	25 50 Feet	**Exhibit UA.2.13**

As of 2/15/2018
Plot File UA37 T2EFH.mxd



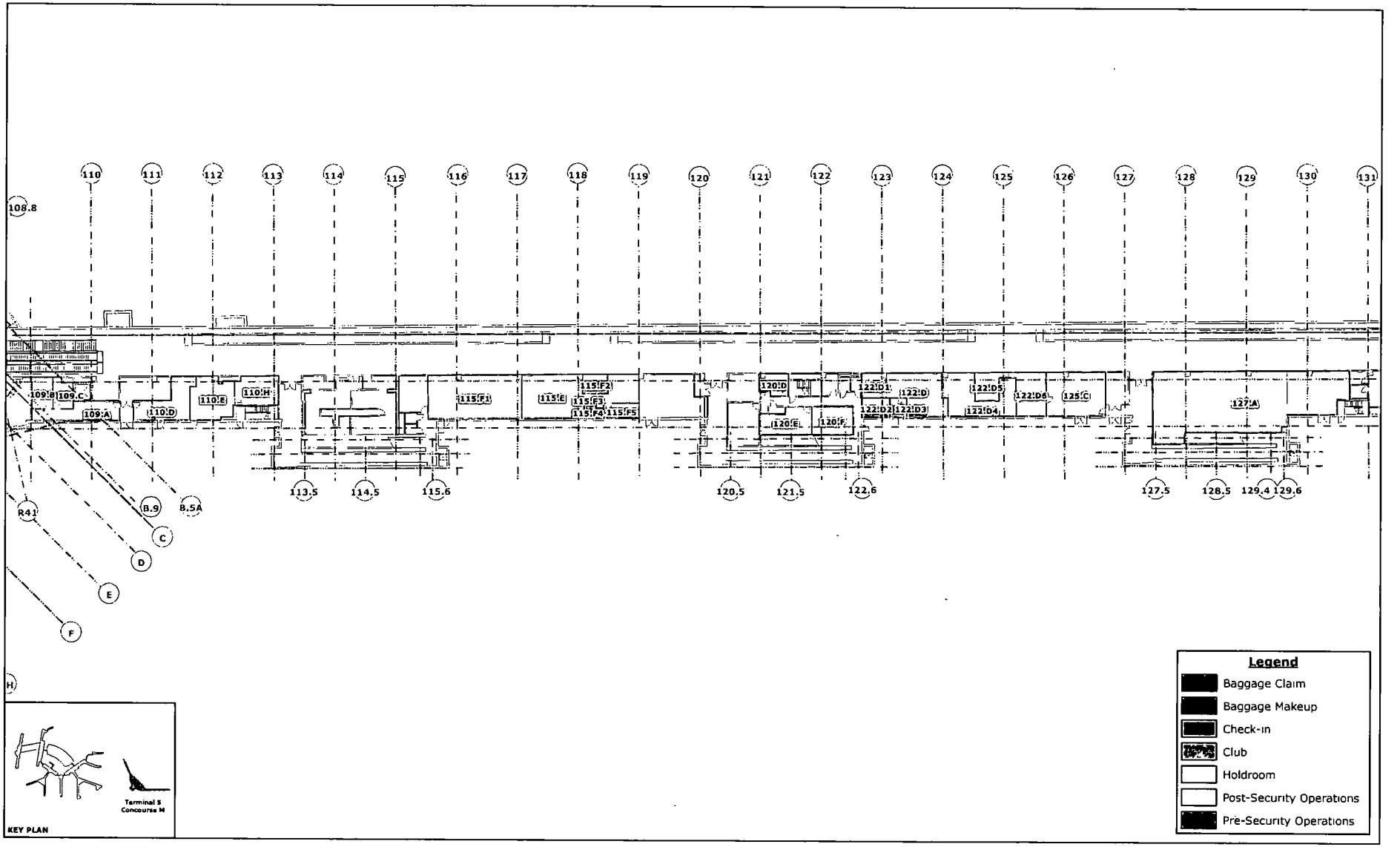
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 5 - Main Concourse - Basement Effective May 12, 2018	United Airlines	0 25 50 Feet	Exhibit UA.5.01

As of 2/15/2018
Plot File UA38 158.mxd



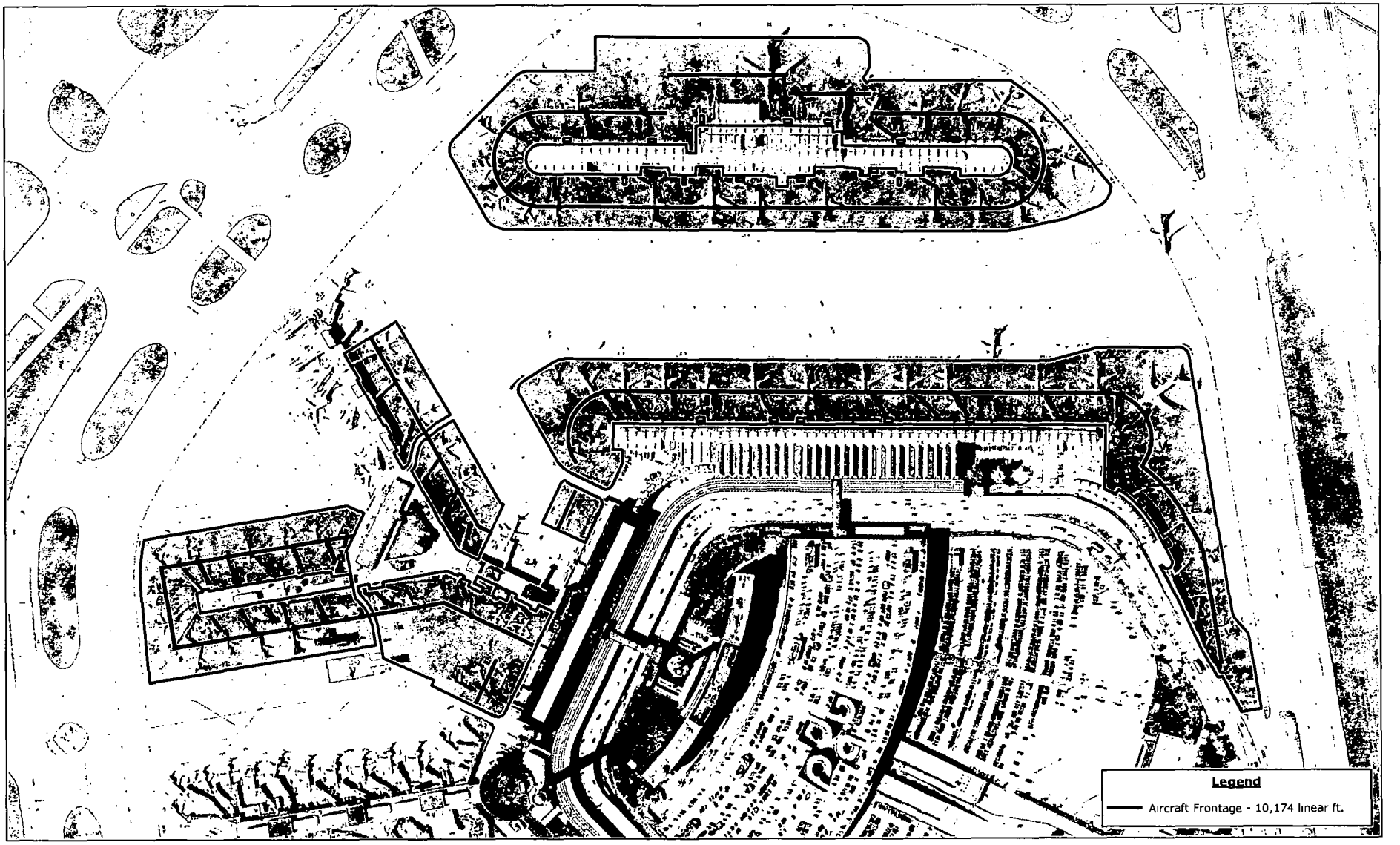
Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	Terminal 5 - Main Concourse - Lower Level Effective May 12, 2018	United Airlines	0 25 50 Feet	Exhibit UA.5.02

As of 7/15/2018
Plot File UA39 T5L1.mad



Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	Terminal 5 - Main Concourse - Lower Level Effective May 12, 2018	United Airlines	0 25 50 Feet N	Exhibit UA.5.03

As of 2/15/2018
Plot File UA40.T5L2 mxd



Chicago O'Hare International Airport	City of Chicago Rahm Emanuel Mayor	Department of Aviation	CDA Chicago Department of Aviation	Aircraft Ramp Area Effective May 12, 2018	United Airlines	0 250 500 Feet	Exhibit UA.R.01

As of 7/15/2018
Plot File UA41_RAMP.nxd

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
01.A	1	C	Lower	3,161	Post-Security Operations	UA.1.12
01.A	1	C	Upper	692	Holdroom	UA.1.19
01.B	1	C	Basement	7,494	Discounted Post-Security Operations	UA.1.04
01.B	1	C	Lower	572	Post-Security Operations	UA.1.12
01.B	1	C	Upper	706	Holdroom	UA.1.19
01.C	1	C	Lower	569	Post-Security Operations	UA 1.12
01 C	1	C	Upper	696	Holdroom	UA 1.19
01.D	1	C	Upper	1,549	Holdroom	UA.1.19
01.E	1	C	Lower	89	Post-Security Operations	UA.1 12
01.E	1	C	Upper	2,563	Holdroom	UA.1.19
01.F	1	C	Lower	89	Post-Security Operations	UA.1.12
01.F	1	C	Upper	1,517	Holdroom	UA 1.19
01.G	1	C	Lower	153	Post-Security Operations	UA.1.12
01.H	1	C	Lower	189	Post-Security Operations	UA.1.12
01.K	1	C	Lower	231	Post-Security Operations	UA.1.12
01.L	1	C	Lower	228	Post-Security Operations	UA.1.12
01.M	1	C	Lower	433	Post-Security Operations	UA.1.12
01 P	1	C	Lower	735	Post-Security Operations	UA 1.12
01.R	1	C	Lower	228	Post-Security Operations	UA.1.12
01 T	1	C	Lower	295	Post-Security Operations	UA.1.12
02.A	1	C	Lower	201	Post-Security Operations	UA.1.12
02.A	1	C	Upper	1,676	Holdroom	UA.1.19
02.D	1	C	Upper	1,626	Holdroom	UA.1.19
02.E	1	C	Lower	331	Post-Security Operations	UA.1.12
02.G	1	C	Lower	467	Post-Security Operations	UA.1.12
02.I	1	C	Lower	164	Post-Security Operations	UA.1.12
02.J	1	C	Lower	91	Post-Security Operations	UA.1.12
02 K	1	C	Lower	227	Post-Security Operations	UA.1.12
03.A	1	C	Lower	86	Post-Security Operations	UA.1.12
03 B	1	C	Lower	1,499	Post-Security Operations	UA 1.12
03.C	1	C	Lower	131	Post-Security Operations	UA.1.12
03.D	1	C	Lower	348	Post-Security Operations	UA.1 12
03.E	1	C	Lower	115	Post-Security Operations	UA.1.12
03.F	1	C	Lower	171	Post-Security Operations	UA.1.12
04.A	1	C	Upper	1,712	Holdroom	UA.1.19
04.C	1	C	Upper	1,796	Holdroom	UA.1.19
4A.D	2	Main	Upper	1,104	Holdroom	UA.2.07
4C.E	2	Main	Lower	5,219	Pre-Security Operations	UA.2.01
4F.A1	2	Main	Lower	1,092	Baggage Makeup	UA.2 01
4H A	2	Main	Upper	201	Pre-Security Operations	UA.2.07
4H.A1	2	Main	Upper	82	Pre-Security Operations	UA.2.07
4H.A2	2	Main	Upper	305	Pre-Security Operations	UA.2.07
4H.B	2	Main	Upper	527	Pre-Security Operations	UA.2.07
4H.B1	2	Main	Upper	92	Baggage Makeup	UA.2.07
4H.B2	2	Main	Upper	75	Pre-Security Operations	UA.2.07
4H.C	2	Main	Upper	1,004	Check-In	UA.2.07
4H.D	2	Main	Upper	261	Pre-Security Operations	UA.2.07
4I.A	2	Main	Lower	611	Baggage Makeup	UA.2.01
4I.D	2	Main	Upper	64	Pre-Security Operations	UA.2.07
4I.F	2	Main	Upper	109	Pre-Security Operations	UA 2.07
4V.F	2	Main	Mezzanine	488	Pre-Security Operations	UA.2 12
4W.A	2	Main	Mezzanine	211	Pre-Security Operations	UA.2.12
4W B	2	Main	Mezzanine	333	Pre-Security Operations	UA.2.12
4W.C	2	Main	Mezzanine	168	Pre-Security Operations	UA.2.12
4X.A	2	Main	Upper	3,139	Holdroom	UA.2.06
05.A	1	C	Lower	232	Post-Security Operations	UA.1.12
5H B	2	EF	Lower	4,920	Baggage Makeup	UA.2.03
5K.A	2	EF	Mezzanine	1,573	Club	UA.2.13
5K.B	2	EF	Mezzanine	115	Club	UA.2.13
5K.C	2	EF	Mezzanine	267	Club	UA.2.13
5K.D	2	EF	Mezzanine	309	Club	UA.2.13
5K F	2	EF	Mezzanine	189	Club	UA 2.13
5L.A	2	EF	Mezzanine	581	Club	UA.2.13
5L.B	2	EF	Mezzanine	91	Club	UA.2 13

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
5M.A	2	EF	Mezzanine	2,959	Club	UA.2.13
5M.B	2	EF	Mezzanine	45	Club	UA 2 13
5N.A	2	EF	Upper	350	Post-Security Operations	UA.2.09
5N.A	2	EF	Mezzanine	542	Club	UA.2.13
5N.B	2	EF	Upper	280	Post-Security Operations	UA.2.09
5N.C	2	EF	Upper	663	Post-Security Operations	UA.2.09
5N E	2	EF	Lower	7,111	Baggage Makeup	UA.2.03
5N.F	2	EF	Lower	6,508	Baggage Makeup	UA.2.03
5O.A	2	EF	Upper	181	Post-Security Operations	UA 2.09
5O.A	2	EF	Mezzanine	423	Club	UA.2 13
5O.B	2	EF	Mezzanine	39	Club	UA.2.13
5P.A	2	EF	Mezzanine	2,382	Club	UA 2.13
5P.B	2	EF	Mezzanine	173	Club	UA.2 13
5Q.A	2	EF	Upper	116	Club	UA.2.09
5Q.A	2	EF	Mezzanine	227	Club	UA.2.13
5Q.B	2	EF	Upper	1,003	Club	UA.2.09
5Q.C	2	EF	Upper	67	Club	UA.2.09
5Q.C	2	EF	Mezzanine	82	Club	UA.2.13
5Q.D	2	EF	Upper	148	Club	UA.2.09
5Q D	2	EF	Mezzanine	135	Club	UA 2.13
5Q.E	2	EF	Upper	111	Club	UA 2.09
5Q.E	2	EF	Mezzanine	126	Club	UA.2.13
5Q.F	2	EF	Upper	119	Club	UA.2.09
5Q.F	2	EF	Mezzanine	135	Club	UA.2.13
5R A	2	EF	Upper	80	Club	UA.2.09
5R.A	2	EF	Mezzanine	69	Club	UA.2.13
5R.B	2	EF	Mezzanine	155	Club	UA.2 13
5S.B	2	EF	Mezzanine	132	Club	UA.2.13
5S.D	2	EF	Mezzanine	132	Club	UA.2.13
06.A	1	C	Upper	570	Post-Security Operations	UA.1.19
06.C	1	C	Upper	133	Post-Security Operations	UA.1.19
07.A	1	C	Lower	1,227	Post-Security Operations	UA.1.12
08.D	1	C	Lower	320	Post-Security Operations	UA.1.12
09.A	1	C	Basement	7,040	Discounted Post-Security Operations	UA.1.04
09.B	1	C	Lower	2,355	Baggage Makeup	UA.1.12
09.B	1	C	Upper	2,819	Holdroom	UA.1.19
09.C	1	C	Lower	1,438	Baggage Makeup	UA.1.12
09.D	1	C	Lower	226	Post-Security Operations	UA.1 12
09.H	2	EF	Upper	1,216	Holdroom	UA.2.08
10.A	2	EF	Lower	204	Post-Security Operations	UA.2.02
11.A	1	C	Basement	977	Post-Security Operations	UA.1 04
11.A	2	EF	Lower	171	Post-Security Operations	UA.2.02
11.A	1	C	Upper	3,443	Holdroom	UA.1.19
12.A	1	C	Basement	3,532	Post-Security Operations	UA.1.04
12.A	2	EF	Lower	201	Post-Security Operations	UA.2.02
13.A	2	EF	Upper	116	Post-Security Operations	UA.2.08
15 A	2	EF	Lower	1,610	Post-Security Operations	UA.2.02
15.E	1	C	Upper	2,819	Holdroom	UA.1.19
17.A	1	C	Lower	318	Post-Security Operations	UA 1.12
17.A	1	C	Upper	845	Post-Security Operations	UA.1.19
17.B	1	C	Lower	295	Post-Security Operations	UA.1.12
17.C	1	C	Lower	166	Post-Security Operations	UA 1 12
17 D	1	C	Lower	272	Post-Security Operations	UA.1.12
18.A	2	EF	Lower	354	Post-Security Operations	UA.2.02
18.A	1	C	Lower	1,084	Post-Security Operations	UA 1 13
18.A	1	C	Upper	4,403	Holdroom	UA.1.20
18.B	1	C	Lower	2,110	Post-Security Operations	UA.1.13
18.C	1	C	Basement	284	Post-Security Operations	UA.1.04
18.C	1	C	Lower	94	Post-Security Operations	UA.1.13
18.D	1	C	Lower	1,285	Post-Security Operations	UA.1.13
18 F	1	C	Basement	10,727	Post-Security Operations	UA.1.05
19.A	1	C	Upper	399	Post-Security Operations	UA.1 20
19 B	1	C	Upper	89	Post-Security Operations	UA.1 20
19.E	1	C	Basement	244	Post-Security Operations	UA.1.05

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
19.E	1	C	Upper	140	Post-Security Operations	UA.1.20
19.G	1	C	Basement	858	Post-Security Operations	UA.1.05
19.I	1	C	Basement	4,080	Post-Security Operations	UA.1.04
20.A	1	C	Upper	11,383	Club	UA.1.20
20.A	2	EF	Upper	902	Holdroom	UA.2.08
20.B	1	C	Upper	9,196	Club	UA.1.20
20.B	2	EF	Lower	842	Post-Security Operations	UA.2.02
20.F	2	EF	Upper	2,313	Holdroom	UA.2.08
21.A	1	C	Lower	869	Post-Security Operations	UA.1.13
21.A	2	EF	Lower	605	Post-Security Operations	UA.2.02
21.B	1	C	Lower	652	Post-Security Operations	UA.1.13
21.C	1	C	Lower	495	Post-Security Operations	UA.1.13
21.G	1	C	Upper	2,736	Holdroom	UA.1.20
21.J	1	C	Lower	105	Post-Security Operations	UA.1.13
21.L	1	C	Lower	1,151	Post-Security Operations	UA.1.13
22.A	1	C	Lower	1,482	Post-Security Operations	UA.1.13
22.B	1	C	Basement	1,047	Post-Security Operations	UA.1 05
22 C	1	C	Lower	4,463	Post-Security Operations	UA.1.13
22.D	1	C	Basement	1,919	Post-Security Operations	UA.1.05
22 E	2	EF	Lower	544	Post-Security Operations	UA.2.02
22 F	2	EF	Lower	802	Post-Security Operations	UA.2.02
23.A	1	C	Basement	2,248	Post-Security Operations	UA.1.05
23.A	1	C	Lower	1,066	Post-Security Operations	UA.1.13
23.A	2	EF	Upper	3,016	Holdroom	UA.2.08
23 B	1	C	Basement	162	Post-Security Operations	UA.1.05
23.C	1	C	Basement	554	Post-Security Operations	UA.1.05
23.E	1	C	Basement	1,515	Post-Security Operations	UA.1.05
23.L	1	C	Lower	966	Post-Security Operations	UA.1.13
24 A	1	C	Basement	1,567	Post-Security Operations	UA.1.05
24 A	1	C	Penthouse	405	Post-Security Operations	UA 1 24
24.B	1	C	Lower	1,062	Post-Security Operations	UA.1.13
24.B	1	C	Mezzanine	82	Post-Security Operations	UA.1.24
24.B	1	C	Penthouse	91	Post-Security Operations	UA.1.24
24.C	1	C	Basement	1,460	Post-Security Operations	UA.1.05
24.C	1	C	Mezzanine	91	Post-Security Operations	UA.1.24
24 D	1	C	Mezzanine	47	Post-Security Operations	UA.1.24
24 E	1	C	Lower	562	Post-Security Operations	UA.1.13
24.F	1	C	Basement	602	Post-Security Operations	UA.1.05
24.F	1	C	Lower	5,783	Post-Security Operations	UA.1.13
24.H	1	C	Basement	412	Post-Security Operations	UA.1.05
24.H	1	C	Lower	2,015	Post-Security Operations	UA.1.13
24.I	1	C	Basement	1,676	Post-Security Operations	UA.1.05
25.A	1	C	Basement	583	Post-Security Operations	UA.1.05
25.A	1	C	Lower	804	Post-Security Operations	UA.1.13
25.B	1	C	Upper	3,223	Club	UA.1.20
25.C	1	C	Upper	310	Club	UA.1 20
25.D	1	C	Basement	466	Post-Security Operations	UA.1.05
26.A	1	C	Basement	444	Post-Security Operations	UA.1.05
26.A	2	EF	Lower	2,845	Post-Security Operations	UA.2.03
26.A	1	C	Lower	522	Post-Security Operations	UA.1.13
26 B	1	C	Basement	436	Post-Security Operations	UA.1.05
26.B	1	C	Lower	436	Post-Security Operations	UA.1.13
26 C	1	C	Lower	7,186	Post-Security Operations	UA 1 13
26.D	1	C	Basement	36	Post-Security Operations	UA.1.05
26.F	1	C	Basement	122	Post-Security Operations	UA.1.05
26.F	1	C	Lower	152	Post-Security Operations	UA.1.13
26.F1	1	C	Lower	113	Post-Security Operations	UA.1.13
26.G	1	C	Lower	187	Post-Security Operations	UA.1.13
26.G	1	C	Upper	2,367	Post-Security Operations	UA.1 20
26.G1	1	C	Upper	175	Post-Security Operations	UA.1 20
26 H	1	C	Basement	181	Post-Security Operations	UA.1.05
26 H	1	C	Upper	330	Club	UA.1.20
26.I	1	C	Basement	214	Post-Security Operations	UA.1.05
26.I	1	C	Lower	482	Post-Security Operations	UA.1.13

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
26.K	1	C	Basement	450	Post-Security Operations	UA.1.05
26.M	1	C	Basement	1,152	Post-Security Operations	UA.1.05
26.N	1	C	Basement	223	Post-Security Operations	UA.1.05
26.O	1	C	Lower	56	Post-Security Operations	UA.1.13
26.P	1	C	Lower	456	Post-Security Operations	UA.1.13
27.A	1	C	Basement	2,493	Post-Security Operations	UA.1.05
27.A	1	C	Lower	750	Post-Security Operations	UA.1.13
27.A	1	C	Upper	3,266	Holdroom	UA.1.20
27 C	1	C	Basement	884	Post-Security Operations	UA 1 05
27.G	1	C	Lower	56	Post-Security Operations	UA.1.13
27.J	1	C	Lower	597	Post-Security Operations	UA.1.13
28.A	1	C	Basement	506	Post-Security Operations	UA.1.05
28.A	1	C	Lower	5,402	Post-Security Operations	UA.1.13
28.A	2	EF	Lower	1,335	Post-Security Operations	UA.2.03
28.B	1	C	Basement	542	Post-Security Operations	UA.1.05
28 B	1	C	Lower	42	Post-Security Operations	UA.1.13
28.B	2	EF	Lower	4,204	Post-Security Operations	UA.2.03
28.G	1	C	Lower	5,121	Post-Security Operations	UA.1.13
29 A	1	C	Basement	709	Post-Security Operations	UA.1 05
29.A	1	C	Lower	54	Post-Security Operations	UA.1.13
29 A	2	EF	Lower	738	Post-Security Operations	UA.2.03
29.A	2	F	Upper	1,918	Post-Security Operations	UA.2.09
29.C	1	C	Basement	2,239	Post-Security Operations	UA.1.05
29.D	1	C	Basement	689	Post-Security Operations	UA.1.05
29 E	1	C	Upper	1,835	Holdroom	UA.1.20
30.A	1	C	Basement	168	Post-Security Operations	UA.1.05
30.A	1	C	Lower	559	Post-Security Operations	UA 1.13
30.A	2	EF	Lower	435	Post-Security Operations	UA 2.03
30.B	1	C	Basement	420	Post-Security Operations	UA.1.05
30.B	1	C	Lower	175	Post-Security Operations	UA.1.13
30.B	2	EF	Lower	767	Post-Security Operations	UA.2.03
30.B	2	E	Upper	1,189	Holdroom	UA.2.09
30.C	1	C	Basement	374	Post-Security Operations	UA.1.05
30.D	1	C	Basement	4,542	Post-Security Operations	UA.1.05
30.D1	1	C	Basement	1,500	Baggage Makeup	UA.1.05
30 D2	1	C	Basement	1,619	Post-Security Operations	UA.1.05
30.E	1	C	Basement	900	Post-Security Operations	UA.1.05
30.E	1	C	Lower	1,388	Post-Security Operations	UA.1.13
30.F	1	C	Basement	900	Post-Security Operations	UA.1.05
30.G	1	C	Basement	866	Post-Security Operations	UA.1.05
31 A	1	C	Basement	232	Post-Security Operations	UA.1.05
31.A	2	EF	Lower	3,268	Post-Security Operations	UA.2.03
31.B	1	C	Lower	715	Post-Security Operations	UA.1.13
31.C	1	C	Lower	1,479	Post-Security Operations	UA.1.13
31.D	1	C	Basement	153	Post-Security Operations	UA.1.05
31.D	1	C	Lower	364	Post-Security Operations	UA.1 13
31.E	1	C	Lower	637	Post-Security Operations	UA.1.13
31 F	1	C	Basement	237	Post-Security Operations	UA.1.05
31.F	1	C	Lower	27	Post-Security Operations	UA 1 13
31.G	1	C	Basement	319	Post-Security Operations	UA.1.05
31.G	1	C	Lower	504	Post-Security Operations	UA.1.13
31.H	1	C	Basement	55	Post-Security Operations	UA.1.05
31.H	1	C	Lower	242	Post-Security Operations	UA.1.13
31.I	1	C	Lower	101	Post-Security Operations	UA.1 13
31.J	1	C	Lower	95	Post-Security Operations	UA.1.13
31.K	1	C	Basement	731	Post-Security Operations	UA.1.05
31.K	1	C	Lower	293	Post-Security Operations	UA.1.13
31.L	1	C	Lower	105	Post-Security Operations	UA.1.13
31.N	1	C	Lower	1,582	Post-Security Operations	UA.1 13
32.A	1	C	Upper	4,231	Holdroom	UA.1.20
32.E	1	C	Lower	62	Post-Security Operations	UA.1.13
32.H	1	C	Upper	199	Post-Security Operations	UA.1.20
32.I	1	C	Upper	300	Post-Security Operations	UA 1 20
32.J	1	C	Lower	111	Post-Security Operations	UA.1.13

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
33.C	1	C	Lower	155	Post-Security Operations	UA.1.13
33.C	2	F	Upper	626	Post-Security Operations	UA.2.09
33.D	1	C	Lower	71	Post-Security Operations	UA.1.13
33.E	1	C	Lower	148	Post-Security Operations	UA.1.13
33.F	1	C	Lower	662	Post-Security Operations	UA.1.13
33.G	1	C	Lower	116	Post-Security Operations	UA.1.13
34.A	1	C	Basement	1,616	Post-Security Operations	UA.1.05
34.A	1	C	Upper	852	Post-Security Operations	UA.1.20
34.A	2	E	Upper	1,040	Post-Security Operations	UA.2.09
34.A	2	EF	Lower	480	Post-Security Operations	UA.2.03
34.B	1	C	Upper	2,819	Holdroom	UA.1.20
34.C	2	EF	Lower	270	Post-Security Operations	UA.2.03
34.E	2	EF	Lower	464	Post-Security Operations	UA.2.03
34.F	2	EF	Lower	532	Post-Security Operations	UA.2.03
35.A	1	C	Lower	945	Baggage Makeup	UA.1.14
35.B	1	C	Lower	945	Baggage Makeup	UA.1.14
35 B	2	EF	Lower	426	Post-Security Operations	UA 2 03
36.A	1	C	Basement	839	Post-Security Operations	UA.1.05
36.A	2	F	Upper	378	Post-Security Operations	UA.2.09
36.B	2	EF	Lower	128	Post-Security Operations	UA.2.03
36.B	2	F	Upper	84	Post-Security Operations	UA.2.09
36.D	2	EF	Lower	230	Post-Security Operations	UA.2.03
36.D1	2	EF	Lower	134	Post-Security Operations	UA.2.03
36.E	2	EF	Lower	423	Post-Security Operations	UA.2.03
37.A	2	E	Upper	1,539	Holdroom	UA.2.09
37 A	2	EF	Lower	212	Post-Security Operations	UA.2.03
37.B	1	C	Upper	324	Post-Security Operations	UA 1.20
37.B	2	EF	Lower	513	Post-Security Operations	UA 2.03
37.C	2	EF	Lower	141	Post-Security Operations	UA.2.03
37.D	2	EF	Lower	123	Post-Security Operations	UA.2.03
37 E	2	EF	Lower	492	Post-Security Operations	UA.2 03
38 A	1	C	Basement	5,573	Post-Security Operations	UA.1.06
38.A	1	C	Upper	148	Post-Security Operations	UA.1.21
38.A	2	EF	Lower	235	Post-Security Operations	UA.2.03
38.A	2	F	Upper	482	Holdroom	UA.2.09
38.B	2	EF	Lower	105	Post-Security Operations	UA.2.03
38 D	2	EF	Lower	476	Post-Security Operations	UA.2 03
38.E[1]	2	EF	Lower	386	Post-Security Operations	UA.2.03
38.G	2	EF	Lower	267	Post-Security Operations	UA.2.03
38.I[1]	2	EF	Lower	72	Post-Security Operations	UA.2.03
38.I 2[1]	2	EF	Lower	65	Post-Security Operations	UA.2.03
39.A	1	C	Lower	1,545	Baggage Makeup	UA.1.14
39.A	1	C	Upper	1,680	Holdroom	UA 1 21
39.A	2	EF	Lower	265	Post-Security Operations	UA.2.03
39 B	2	EF	Lower	150	Post-Security Operations	UA.2.03
39.C	2	EF	Lower	99	Post-Security Operations	UA.2.03
39 D	2	EF	Lower	436	Post-Security Operations	UA.2.03
39.F	2	EF	Lower	149	Post-Security Operations	UA.2.03
39.G	2	EF	Lower	398	Post-Security Operations	UA.2.03
39.H	2	EF	Lower	1,088	Post-Security Operations	UA.2.03
39.H1[1]	2	EF	Lower	55	Post-Security Operations	UA 2.03
39 I	2	EF	Lower	406	Post-Security Operations	UA.2.03
39.J	2	EF	Lower	458	Post-Security Operations	UA 2.03
40.A	1	C	Upper	2,823	Holdroom	UA.1 21
40.A	2	EF	Lower	149	Post-Security Operations	UA.2.03
40.B	2	EF	Lower	375	Post-Security Operations	UA.2.03
41.A	1	C	Upper	1,733	Holdroom	UA.1.21
42.A	2	F	Lower	621	Post-Security Operations	UA.2.05
41.A	2	F	Upper	2,434	Holdroom	UA.2.09
42.B	1	C	Basement	1,322	Post-Security Operations	UA.1.06
42.B	2	F	Lower	577	Post-Security Operations	UA.2.05
43.A	2	F	Lower	152	Post-Security Operations	UA 2.05
43.B	1	C	Basement	101	Post-Security Operations	UA.1.06
43.B	2	F	Lower	241	Post-Security Operations	UA.2.05

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
43.C	2	F	Lower	365	Post-Security Operations	UA.2.05
43.D	1	C	Basement	5,846	Discounted Post-Security Operations	UA.1 06
43.D	2	F	Lower	1,089	Post-Security Operations	UA.2.05
43 F	2	F	Lower	103	Post-Security Operations	UA.2.05
44.A	2	F	Lower	99	Post-Security Operations	UA.2.05
44.A	2	F	Upper	990	Post-Security Operations	UA.2.11
44.B	2	F	Lower	122	Post-Security Operations	UA.2.05
44.B	2	E	Upper	2,265	Holdroom	UA 2 10
44.C	2	F	Lower	86	Post-Security Operations	UA.2.05
45.B	2	F	Upper	978	Holdroom	UA.2 11
45.C	2	F	Lower	144	Post-Security Operations	UA.2.05
45.F	2	F	Lower	498	Post-Security Operations	UA.2.05
45.G	2	F	Lower	380	Post-Security Operations	UA.2.05
46.A	1	C	Basement	369	Post-Security Operations	UA.1.06
46.A	2	E	Lower	40	Post-Security Operations	UA.2.04
46.A	2	F	Lower	23	Post-Security Operations	UA.2.05
46.A	2	F	Upper	833	Post-Security Operations	UA.2.11
46 A	1	C	Upper	924	Post-Security Operations	UA.1.21
46.B	2	E	Lower	104	Post-Security Operations	UA.2.04
46.C	2	F	Lower	117	Post-Security Operations	UA.2.05
47.A	1	C	Upper	1,611	Holdroom	UA.1.21
47.A	2	E	Lower	129	Post-Security Operations	UA.2.04
47.A	2	F	Lower	77	Post-Security Operations	UA.2.05
47.B	1	C	Lower	245	Post-Security Operations	UA.1.14
47.B	2	E	Lower	73	Post-Security Operations	UA.2.04
47.B	2	F	Lower	59	Post-Security Operations	UA.2.05
47 D	1	C	Lower	678	Post-Security Operations	UA 1 14
47.D	1	C	Upper	1,200	Holdroom	UA.1.21
47 F	2	F	Lower	387	Post-Security Operations	UA.2.05
47.G	2	F	Lower	2,010	Post-Security Operations	UA.2.05
48.A	1	C	Lower	82	Post-Security Operations	UA.1.14
48.A	1	C	Upper	3,536	Holdroom	UA.1.21
48.A	2	E	Lower	1,043	Post-Security Operations	UA.2.04
48.B	1	C	Lower	1,613	Post-Security Operations	UA.1.14
48.B	2	F	Lower	556	Post-Security Operations	UA.2.05
48.C	1	C	Lower	415	Post-Security Operations	UA.1.14
48.D	1	C	Lower	3,122	Post-Security Operations	UA.1 14
48.E	1	C	Lower	116	Post-Security Operations	UA.1 14
48.I	1	C	Lower	202	Post-Security Operations	UA.1.14
48.J	1	C	Lower	332	Post-Security Operations	UA.1.14
48.K	1	C	Lower	645	Post-Security Operations	UA.1.14
48.M	1	C	Lower	97	Post-Security Operations	UA.1.14
49.A	1	C	Lower	402	Post-Security Operations	UA.1.14
49.A	1	C	Upper	1,164	Holdroom	UA.1.21
49.A	2	E	Lower	210	Post-Security Operations	UA.2.04
49.B	2	E	Lower	735	Post-Security Operations	UA.2.04
49.C	2	E	Lower	109	Post-Security Operations	UA.2.04
49.C	2	F	Upper	1,740	Holdroom	UA.2.11
49.D	1	C	Upper	1,618	Holdroom	UA.1.21
49.D	2	E	Lower	41	Post-Security Operations	UA.2.04
49.E	1	C	Lower	166	Post-Security Operations	UA.1.14
49.E	2	E	Lower	195	Post-Security Operations	UA.2.04
49.F	1	C	Lower	227	Post-Security Operations	UA.1.14
49.G	1	C	Lower	294	Post-Security Operations	UA.1.14
49 H	1	C	Lower	345	Post-Security Operations	UA 1 14
50.A	1	C	Upper	1,137	Holdroom	UA.1.21
50.A	2	F	Lower	224	Post-Security Operations	UA.2.05
50 B	1	C	Lower	362	Post-Security Operations	UA.1.14
50 B	2	F	Lower	199	Post-Security Operations	UA.2.05
50.C	2	E	Lower	557	Post-Security Operations	UA.2.04
50.C	2	F	Lower	2,584	Post-Security Operations	UA.2.05
50.D	1	C	Lower	227	Post-Security Operations	UA.1.14
50.D	1	C	Upper	1,964	Holdroom	UA.1.21
50.D	2	F	Lower	174	Post-Security Operations	UA 2 05

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
50.E	1	C	Upper	2,051	Holdroom	UA 1.21
50.F	2	E	Upper	94	Post-Security Operations	UA.2.10
50.I	1	C	Lower	232	Post-Security Operations	UA.1.14
50.L	1	C	Lower	228	Post-Security Operations	UA.1.14
51.A	1	C	Lower	570	Post-Security Operations	UA.1.14
51.A	1	C	Upper	1,564	Holdroom	UA.1.21
51 A	2	F	Lower	432	Post-Security Operations	UA.2.05
51.B	1	C	Lower	89	Post-Security Operations	UA.1.14
51.B	2	F	Lower	198	Post-Security Operations	UA.2.05
51.B	2	F	Upper	395	Post-Security Operations	UA 2.11
51.C	1	C	Lower	89	Post-Security Operations	UA.1 14
51.C	2	F	Lower	616	Post-Security Operations	UA.2.05
51.D	1	C	Lower	572	Post-Security Operations	UA.1.14
51.E	1	C	Lower	150	Post-Security Operations	UA.1.14
51.H	1	C	Lower	189	Post-Security Operations	UA.1.14
52.A	2	F	Lower	236	Post-Security Operations	UA.2.05
52.B	2	F	Lower	230	Post-Security Operations	UA.2.05
52.C	2	F	Lower	218	Post-Security Operations	UA.2.05
52.C	2	F	Upper	1,353	Holdroom	UA.2.11
53 A	2	F	Upper	1,331	Holdroom	UA.2.11
53 C	2	F	Lower	1,386	Post-Security Operations	UA 2.05
54 B	2	E	Upper	1,109	Holdroom	UA.2.10
55.A	2	F	Lower	1,279	Post-Security Operations	UA.2.05
55.D	2	F	Lower	91	Post-Security Operations	UA.2.05
56.B	2	F	Lower	158	Post-Security Operations	UA.2.05
56.C	2	F	Lower	81	Post-Security Operations	UA.2 05
56.E	2	F	Lower	1,045	Post-Security Operations	UA.2.05
56.F	2	F	Lower	92	Post-Security Operations	UA.2.05
57.A	2	F	Lower	134	Post-Security Operations	UA.2.05
57.E	2	E	Upper	1,483	Holdroom	UA.2.10
58 A	2	F	Upper	2,444	Holdroom	UA.2.11
58.B	2	F	Lower	143	Post-Security Operations	UA.2.05
58.C	2	F	Lower	137	Post-Security Operations	UA.2.05
58.C	2	F	Upper	3,384	Holdroom	UA.2.11
58.D	2	F	Lower	62	Post-Security Operations	UA.2.05
58 F	2	F	Lower	370	Post-Security Operations	UA.2.05
58.G	2	F	Lower	166	Post-Security Operations	UA 2 05
58 I	2	F	Lower	137	Post-Security Operations	UA.2.05
59.A	2	F	Lower	73	Post-Security Operations	UA.2.05
59.B	2	F	Lower	786	Post-Security Operations	UA.2.05
59 C	2	F	Lower	169	Post-Security Operations	UA.2.05
59.D	2	F	Lower	171	Post-Security Operations	UA.2.05
59 F	2	F	Lower	146	Post-Security Operations	UA.2.05
59.I	2	F	Lower	140	Post-Security Operations	UA.2.05
59 J	2	F	Lower	1,152	Post-Security Operations	UA.2.05
60.A	2	F	Lower	697	Post-Security Operations	UA.2.05
61.A	2	F	Lower	193	Post-Security Operations	UA 2 05
62.A	1	B	Upper	2,945	Holdroom	UA 1.15
62.A	2	F	Lower	153	Post-Security Operations	UA 2 05
62.A	2	F	Upper	715	Holdroom	UA.2 11
62.B	1	B	Lower	418	Post-Security Operations	UA.1 08
62 B	1	B	Upper	2,047	Holdroom	UA.1.15
62.C	1	B	Lower	1,682	Post-Security Operations	UA.1.08
62.C	1	B	Upper	1,641	Holdroom	UA.1.15
62.C	2	F	Lower	133	Post-Security Operations	UA.2.05
62.G	2	F	Lower	345	Post-Security Operations	UA.2.05
62.H	1	B	Upper	135	Post-Security Operations	UA.1.15
62.I	1	B	Upper	99	Post-Security Operations	UA.1.15
63.A	1	B	Lower	697	Post-Security Operations	UA.1 08
63.A	2	F	Lower	212	Post-Security Operations	UA.2 05
63.A	2	F	Upper	479	Holdroom	UA.2.11
63.C	1	B	Basement	918	Post-Security Operations	UA.1.01
64.A	1	B	Lower	478	Post-Security Operations	UA.1.08
64.A	1	B	Upper	1,743	Holdroom	UA.1.15

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
64 G	2	F	Upper	2,686	Holdroom	UA.2.11
65 A	1	B	Lower	180	Post-Security Operations	UA.1.08
65.B	1	B	Lower	1,002	Post-Security Operations	UA.1.08
65.D	1	B	Lower	42	Post-Security Operations	UA 1.08
65.D	2	F	Lower	1,975	Holdroom	UA.2 05
65.E	1	B	Lower	1,752	Post-Security Operations	UA.1.08
66.A	1	B	Lower	245	Post-Security Operations	UA.1.08
66 A	2	F	Lower	747	Holdroom	UA.2.05
66.B	1	B	Lower	197	Post-Security Operations	UA.1.08
66.B	2	F	Lower	133	Holdroom	UA.2.05
66.C	1	B	Lower	170	Post-Security Operations	UA.1 08
66.D	1	B	Lower	307	Post-Security Operations	UA.1.08
66.E	1	B	Lower	66	Post-Security Operations	UA.1.08
66.G	1	B	Lower	173	Post-Security Operations	UA.1.08
67.A	1	B	Lower	756	Post-Security Operations	UA.1.08
67.C	1	B	Lower	18	Post-Security Operations	UA.1.08
67 E	1	B	Lower	40	Post-Security Operations	UA.1.08
67 F	1	B	Lower	256	Post-Security Operations	UA.1 08
67 G	1	B	Lower	210	Post-Security Operations	UA.1.08
67.H	1	B	Lower	677	Post-Security Operations	UA 1.08
68.A	1	B	Upper	1,737	Holdroom	UA 1 15
68.B	1	B	Basement	468	Post-Security Operations	UA.1.01
68.B	1	B	Lower	1,452	Baggage Makeup	UA.1.08
68.D	1	B	Basement	7,109	Post-Security Operations	UA.1.01
69.A	1	B	Lower	610	Baggage Makeup	UA.1.08
70.D	1	B	Upper	2,635	Holdroom	UA.1.15
73.F	1	B	Upper	639	Pre-Security Operations	UA.1 15
73.F1	1	B	Upper	659	Pre-Security Operations	UA.1.15
73.F2	1	B	Upper	75	Baggage Makeup	UA.1.15
73.F3	1	B	Upper	305	Pre-Security Operations	UA 1 15
73.G	1	B	Lower	84	Post-Security Operations	UA.1.08
73 H	1	B	Lower	84	Post-Security Operations	UA.1.08
73 I	1	B	Mezzanine	19,542	Club	UA.1.22
73.L	1	B	Upper	208	Pre-Security Operations	UA.1.15
74.A	1	B	Lower	4,471	Baggage Claim	UA.1.08
74 A1	1	B	Lower	895	Baggage Claim	UA.1.08
74.C	1	B	Upper	471	Club	UA 1 15
74.D	1	B	Upper	343	Club	UA.1.15
74 F4	1	B	Upper	1,999	Check-In	UA.1.15
74.F5	1	B	Upper	468	Check-In	UA 1 15
74.F6	1	B	Upper	308	Check-In	UA.1.15
75 A	1	B	Lower	1,469	Baggage Makeup	UA.1.08
75 A	1	Curbside	Upper	369	Baggage Makeup	UA 1.15
75.B	1	B	Basement	580	Post-Security Operations	UA.1.01
75.B	1	B	Lower	1,434	Baggage Makeup	UA.1.08
75.B	1	Curbside	Upper	153	Baggage Makeup	UA.1.15
75.D	1	B	Basement	879	Post-Security Operations	UA.1.01
75.E	1	B	Basement	764	Post-Security Operations	UA.1.01
75 G	1	B	Upper	361	Post-Security Operations	UA.1.15
76.A	1	B	Basement	761	Post-Security Operations	UA 1 01
76.A	1	B	Lower	3,724	Baggage Claim	UA.1.08
76.A1	1	B	Lower	719	Baggage Claim	UA.1.08
77.B	1	B	Basement	1,647	Post-Security Operations	UA.1 01
78.A	1	B	Lower	4,353	Baggage Claim	UA.1.08
78.A	1	Curbside	Upper	369	Baggage Makeup	UA.1.16
78.A1	1	B	Lower	822	Baggage Claim	UA.1.08
78.B	1	Curbside	Upper	129	Baggage Makeup	UA.1.16
78.E	1	B	Upper	2,816	Holdroom	UA.1.16
79.A	1	B	Upper	96	Check-In	UA.1.16
80.A	1	B	Lower	2,906	Baggage Claim	UA.1.09
80.A1	1	B	Lower	550	Baggage Claim	UA.1 09
80.A1	1	B	Upper	5,322	Check-In	UA.1.16
80 A2	1	B	Upper	70	Baggage Makeup	UA.1.16
80.A3	1	B	Upper	71	Baggage Makeup	UA.1.16

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
081.A	5	M	Basement	2,387	Check-In	UA.5.01
81.A	1	B	Lower	1,364	Baggage Makeup	UA.1.09
81.B	1	B	Lower	4,471	Baggage Claim	UA.1.09
81.B1	1	B	Lower	1,253	Baggage Claim	UA 1.09
082.B	5	M	Basement	140	Post-Security Operations	UA.5.01
82.D	1	B	Upper	2,606	Holdroom	UA.1.16
083.D	5	M	Basement	224	Baggage Makeup	UA.5.01
083 L	5	M	Basement	393	Post-Security Operations	UA 5 01
83.1A	1	Curbside	Upper	369	Baggage Makeup	UA.1.16
83.1B	1	Curbside	Upper	179	Baggage Makeup	UA.1.16
83.B	1	B	Upper	561	Baggage Makeup	UA.1 16
83.C1	1	B	Upper	3,814	Check-In	UA 1.16
83.C2	1	B	Upper	71	Baggage Makeup	UA.1.16
83.C3	1	B	Upper	71	Baggage Makeup	UA.1.16
83.I	1	B	Lower	334	Post-Security Operations	UA 1 09
84.G	1	B	Basement	434	Post-Security Operations	UA.1.02
84.L	1	B	Basement	609	Post-Security Operations	UA.1.02
84.N	1	B	Basement	136	Post-Security Operations	UA.1.02
84.R	1	B	Basement	779	Post-Security Operations	UA.1.02
85.B	1	B	Basement	85	Post-Security Operations	UA.1.02
85.C	1	B	Basement	85	Post-Security Operations	UA.1.02
85.C	1	B	Upper	1,400	Check-In	UA.1 16
86.A	1	B	Basement	1,075	Post-Security Operations	UA.1.02
86.B	1	B	Basement	103	Post-Security Operations	UA.1.02
86.C	1	B	Basement	787	Post-Security Operations	UA.1.02
87.B	1	B	Basement	1,067	Post-Security Operations	UA.1.02
87.B	1	B	Lower	1,656	Pre-Security Operations	UA 1.09
87.C	1	B	Lower	534	Pre-Security Operations	UA.1 09
88.A	1	Curbside	Upper	369	Baggage Makeup	UA.1.16
88.B	1	B	Basement	282	Post-Security Operations	UA.1.02
88.B	1	Curbside	Upper	155	Baggage Makeup	UA.1.16
88.D	1	B	Basement	78	Post-Security Operations	UA.1.02
88.D	1	B	Lower	166	Pre-Security Operations	UA.1.09
88.E	1	B	Basement	108	Post-Security Operations	UA.1.02
88.E	1	B	Lower	56	Pre-Security Operations	UA.1.09
88.F	1	B	Basement	860	Post-Security Operations	UA.1.02
88.H	1	B	Basement	687	Post-Security Operations	UA.1.02
88.I	1	B	Basement	1,509	Post-Security Operations	UA.1.02
88.J	1	B	Basement	317	Post-Security Operations	UA.1.02
88.L	1	B	Basement	1,242	Post-Security Operations	UA.1.02
89 A	1	B	Basement	842	Post-Security Operations	UA 1 02
89.A	1	B	Lower	4,421	Baggage Claim	UA.1 09
89 A1	1	B	Lower	1,517	Baggage Claim	UA.1.09
89.B	1	B	Upper	563	Baggage Makeup	UA.1.16
89.B1	1	B	Upper	120	Check-In	UA.1.16
89.C	1	B	Basement	590	Post-Security Operations	UA.1.02
89.C1	1	B	Upper	3,685	Check-In	UA.1.16
89 C2	1	B	Upper	67	Baggage Makeup	UA 1.16
89.C3	1	B	Upper	70	Baggage Makeup	UA.1 16
90.A	1	B	Upper	886	Post-Security Operations	UA.1.16
91.A	1	B	Lower	2,957	Baggage Claim	UA.1.09
91.A	1	B	Upper	2,599	Holdroom	UA.1 16
91 A1	1	B	Lower	559	Baggage Claim	UA.1.09
91.B1	1	B	Upper	4,384	Check-In	UA.1.16
91.B2	1	B	Upper	68	Baggage Makeup	UA 1 16
91.B3	1	B	Upper	69	Baggage Makeup	UA.1.16
91.C	1	B	Basement	143	Post-Security Operations	UA.1.02
91.D	1	B	Basement	385	Post-Security Operations	UA.1.02
92 A	1	B	Basement	254	Post-Security Operations	UA.1.02
92.A	1	B	Lower	4,348	Baggage Claim	UA.1.09
92.A	1	Curbside	Upper	369	Baggage Makeup	UA.1 16
92.A	1	B	Upper	120	Check-In	UA.1.16
92.A1	1	B	Lower	819	Baggage Claim	UA.1.09
92 B	1	Curbside	Upper	180	Baggage Makeup	UA.1.16

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
92.C	1	B	Basement	491	Post-Security Operations	UA.1.02
92.E	1	B	Basement	319	Post-Security Operations	UA.1.02
93.A	1	B	Basement	668	Post-Security Operations	UA.1.02
93.D	1	B	Basement	464	Post-Security Operations	UA.1.02
93.E	1	B	Basement	201	Post-Security Operations	UA.1 02
94.A	1	B	Lower	689	Post-Security Operations	UA.1.09
94.A	1	B	Upper	2,595	Holdroom	UA.1.16
94.B	1	B	Basement	2,216	Post-Security Operations	UA.1.02
94.B	1	B	Mezzanine	96	Post-Security Operations	UA.1.23
94.D	1	B	Mezzanine	163	Post-Security Operations	UA.1.23
94 E	1	B	Upper	96	Check-In	UA.1.16
94.E	1	B	Mezzanine	137	Post-Security Operations	UA.1.23
94.F	1	B	Mezzanine	239	Post-Security Operations	UA.1.23
95.A	1	B	Basement	852	Post-Security Operations	UA.1.02
95.A	1	B	Lower	3,731	Baggage Claim	UA.1.09
95 A1	1	B	Lower	720	Baggage Claim	UA.1.09
95.C	1	B	Lower	348	Post-Security Operations	UA.1.09
95.D	1	B	Lower	97	Post-Security Operations	UA.1.09
95.E	1	B	Lower	1,539	Post-Security Operations	UA.1 09
95.F	1	B	Upper	1,780	Pre-Security Operations	UA.1.16
95.F1	1	B	Lower	18	Check-In	UA.1.09
95 I	1	B	Mezzanine	894	Post-Security Operations	UA.1.23
95.K	1	B	Mezzanine	707	Post-Security Operations	UA.1.23
95.L	1	B	Mezzanine	127	Post-Security Operations	UA.1.23
95.M	1	B	Mezzanine	151	Post-Security Operations	UA.1.23
96.A	1	B	Mezzanine	102	Post-Security Operations	UA.1.23
96.B	1	B	Mezzanine	316	Post-Security Operations	UA 1 23
96.C	1	B	Mezzanine	258	Post-Security Operations	UA.1 23
96.D	1	B	Mezzanine	131	Post-Security Operations	UA.1.23
96 E	1	B	Mezzanine	113	Post-Security Operations	UA.1.23
97.A	1	B	Basement	4,303	Post-Security Operations	UA.1.02
97.A	1	B	Mezzanine	891	Post-Security Operations	UA.1.23
97.B	1	B	Mezzanine	54	Post-Security Operations	UA.1.23
97.C	1	B	Upper	2,422	Pre-Security Operations	UA.1.16
97.C	1	B	Mezzanine	369	Post-Security Operations	UA.1.23
97.C1	1	B	Mezzanine	129	Post-Security Operations	UA.1.23
97 C2	1	B	Mezzanine	228	Post-Security Operations	UA.1 23
97.C3	1	B	Mezzanine	115	Post-Security Operations	UA.1.23
97.D	1	B	Lower	4,471	Baggage Claim	UA.1.09
97.D	1	B	Mezzanine	181	Post-Security Operations	UA.1.23
97.D1	1	B	Lower	895	Baggage Claim	UA 1.09
97.E	1	B	Upper	2,575	Check-In	UA.1.16
97.E	1	B	Mezzanine	180	Post-Security Operations	UA.1.23
97.E1	1	B	Upper	166	Baggage Makeup	UA.1.16
98.B	1	B	Mezzanine	218	Post-Security Operations	UA.1.23
98.E	1	B	Mezzanine	208	Post-Security Operations	UA.1.23
98.F	1	B	Mezzanine	300	Post-Security Operations	UA.1.23
98 H	1	B	Mezzanine	125	Post-Security Operations	UA.1.23
98.I	1	B	Mezzanine	115	Post-Security Operations	UA.1.23
98 J	1	B	Mezzanine	1,049	Post-Security Operations	UA.1.23
98.L	1	B	Mezzanine	447	Post-Security Operations	UA.1.23
99.G	1	B	Upper	466	Post-Security Operations	UA.1.16
99.I	1	B	Upper	722	Pre-Security Operations	UA.1.16
99 I	1	B	Mezzanine	446	Post-Security Operations	UA.1.23
99.O	1	B	Lower	84	Post-Security Operations	UA.1.09
99.R	1	B	Lower	192	Post-Security Operations	UA.1.09
100.A	1	B	Basement	3,651	Post-Security Operations	UA.1.02
100.A	1	B	Upper	1,704	Holdroom	UA.1.17
102 A	1	B	Basement	486	Post-Security Operations	UA.1.02
102 A	1	B	Upper	1,713	Holdroom	UA.1 17
102.B	1	B	Lower	3,857	Baggage Makeup	UA.1.09
102 B1	1	B	Lower	6,337	Baggage Makeup	UA.1.10
105 A	1	B	Upper	568	Post-Security Operations	UA.1.17
107 A	1	B	Lower	976	Post-Security Operations	UA 1.10

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
107.D	5	M	Lower	1,343	Post-Security Operations	UA.5.02
107.D1	5	M	Lower	113	Post-Security Operations	UA 5 02
107.D3	5	M	Lower	146	Post-Security Operations	UA.5.02
107 D4	5	M	Lower	115	Post-Security Operations	UA.5.02
107.D5	5	M	Lower	82	Post-Security Operations	UA.5.02
107.D6	5	M	Lower	14	Post-Security Operations	UA.5.02
107 D9	5	M	Lower	353	Post-Security Operations	UA.5.02
108 B	1	B	Lower	344	Post-Security Operations	UA.1.10
108.C	1	B	Lower	2,389	Post-Security Operations	UA.1.10
108.F	1	B	Lower	37	Post-Security Operations	UA.1.10
108.G	1	B	Lower	242	Post-Security Operations	UA.1.10
108.H	1	B	Lower	235	Post-Security Operations	UA 1.10
108.I	1	B	Lower	50	Post-Security Operations	UA.1.10
108.J	1	B	Lower	672	Post-Security Operations	UA.1.10
109.A	1	B	Lower	168	Post-Security Operations	UA.1.10
109 A	5	M	Lower	360	Post-Security Operations	UA.5.03
109 B	1	B	Lower	134	Post-Security Operations	UA 1.10
109 B	5	M	Lower	164	Post-Security Operations	UA.5.03
109 C	5	M	Lower	143	Post-Security Operations	UA.5.03
109.D	1	B	Lower	309	Post-Security Operations	UA.1.10
109.F	1	B	Lower	181	Post-Security Operations	UA.1.10
109.G	1	B	Lower	196	Post-Security Operations	UA.1.10
110.A	1	B	Basement	769	Post-Security Operations	UA.1.03
110.A	1	B	Upper	2,444	Holdroom	UA.1.17
110.B	1	B	Lower	220	Post-Security Operations	UA.1.10
110 C	1	B	Lower	90	Post-Security Operations	UA.1.10
110.D	5	M	Lower	408	Post-Security Operations	UA.5 03
110.E	1	B	Upper	208	Post-Security Operations	UA.1.17
110.E	5	M	Lower	432	Post-Security Operations	UA.5.03
110.F	1	B	Lower	1,197	Post-Security Operations	UA 1.10
110.G	1	B	Lower	457	Post-Security Operations	UA 1.10
110.H	5	M	Lower	302	Post-Security Operations	UA.5.03
111.B	1	B	Lower	244	Post-Security Operations	UA.1.10
111.C	1	B	Lower	780	Post-Security Operations	UA.1.10
111.D	1	B	Lower	684	Post-Security Operations	UA.1.10
111 E	1	B	Lower	1,099	Post-Security Operations	UA.1.10
112.A	1	B	Lower	835	Post-Security Operations	UA.1 10
112 C	1	B	Lower	581	Post-Security Operations	UA.1.10
112 D	1	B	Lower	686	Post-Security Operations	UA.1.10
113.A	1	B	Lower	1,635	Post-Security Operations	UA.1.10
113 B	1	B	Basement	2,362	Post-Security Operations	UA.1.03
113.B	1	B	Lower	1,756	Post-Security Operations	UA.1.10
113.C	1	B	Lower	1,866	Post-Security Operations	UA.1.10
113.E	1	B	Lower	80	Post-Security Operations	UA.1.10
113.G	1	B	Lower	82	Post-Security Operations	UA.1.10
113.J	1	B	Lower	1,771	Club	UA 1 10
113 K	1	B	Lower	449	Club	UA.1.10
113.L	1	B	Lower	454	Post-Security Operations	UA.1 10
113.M	1	B	Lower	739	Post-Security Operations	UA 1 10
113.N	1	B	Lower	526	Post-Security Operations	UA.1.10
113.O	1	B	Lower	764	Club	UA.1.10
113.P	1	B	Lower	1,046	Club	UA.1.10
113.Q	1	B	Lower	273	Club	UA 1.10
114.A	1	B	Lower	1,058	Club	UA.1.10
114.A	1	B	Upper	2,489	Holdroom	UA.1.17
114.B	1	B	Lower	62	Post-Security Operations	UA.1.10
114.B	1	B	Upper	445	Club	UA.1.17
114.C	1	B	Lower	88	Post-Security Operations	UA.1.10
114 C	1	B	Upper	71	Club	UA.1.17
114.G	1	B	Lower	164	Club	UA.1.10
114.H	1	B	Lower	94	Club	UA.1 10
114 H	1	B	Upper	356	Club	UA.1.17
114.K	1	B	Lower	118	Club	UA.1.10
114.L	1	B	Lower	310	Club	UA.1 10

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
114.O	1	B	Lower	103	Club	UA.1.10
115.A	1	B	Lower	189	Post-Security Operations	UA.1.10
115.B	1	B	Lower	160	Post-Security Operations	UA.1.10
115 C	1	B	Upper	2,448	Holdroom	UA.1.17
115 E	1	B	Basement	577	Post-Security Operations	UA.1.03
115 E	5	M	Lower	944	Post-Security Operations	UA.5 03
115 F1	5	M	Lower	1,015	Post-Security Operations	UA.5.03
115 F2	5	M	Lower	119	Post-Security Operations	UA.5.03
115.F3	5	M	Lower	10	Post-Security Operations	UA.5.03
115.F4	5	M	Lower	63	Post-Security Operations	UA.5.03
115.F5	5	M	Lower	136	Post-Security Operations	UA 5.03
115.H	1	B	Lower	612	Club	UA.1.10
115.J	1	B	Lower	2,381	Club	UA.1.10
116.A	1	B	Upper	3,579	Holdroom	UA.1.17
120.D	5	M	Lower	150	Post-Security Operations	UA.5.03
120 E	5	M	Lower	317	Post-Security Operations	UA.5.03
120.F	5	M	Lower	283	Post-Security Operations	UA.5.03
122.D	5	M	Lower	536	Post-Security Operations	UA.5.03
122 D1	5	M	Lower	151	Post-Security Operations	UA.5.03
122.D2	5	M	Lower	134	Post-Security Operations	UA.5.03
122 D3	5	M	Lower	79	Post-Security Operations	UA.5 03
122.D4	5	M	Lower	583	Post-Security Operations	UA.5.03
122.D5	5	M	Lower	179	Post-Security Operations	UA.5.03
122.D6	5	M	Lower	344	Post-Security Operations	UA.5.03
125.C	5	M	Lower	647	Post-Security Operations	UA.5.03
127 A	5	M	Lower	2,710	Post-Security Operations	UA.5 03
AD.B	1	BC Tunnel	Basement	150	Post-Security Operations	UA.1 07
AD.C	1	BC Tunnel	Basement	246	Post-Security Operations	UA.1.07
AD.D	1	BC Tunnel	Basement	46	Post-Security Operations	UA.1.07
AD.F	1	BC Tunnel	Basement	44	Post-Security Operations	UA.1.07
E.A	1	BC Tunnel	Basement	2,709	Post-Security Operations	UA 1.07
F.C	1	BC Tunnel	Basement	130	Post-Security Operations	UA.1 07
GC A	1	B	Lower	448	Club	UA.1.10
GG.C	1	BC Tunnel	Basement	60	Post-Security Operations	UA.1.07
GG.D	1	BC Tunnel	Basement	898	Post-Security Operations	UA.1.07
HH.H	1	BC Tunnel	Basement	4,655	Post-Security Operations	UA.1.07
HH I	1	BC Tunnel	Basement	68	Post-Security Operations	UA.1 07
HH J	1	BC Tunnel	Basement	191	Post-Security Operations	UA.1.07
HH.L	1	BC Tunnel	Basement	153	Post-Security Operations	UA.1.07
HH.N	1	BC Tunnel	Basement	471	Post-Security Operations	UA.1.07
HH.U	1	BC Tunnel	Basement	141	Post-Security Operations	UA.1.07
JC A	1	B	Lower	154	Post-Security Operations	UA.1.11
JC.A	1	B	Upper	979	Holdroom	UA.1.18
JC.C	1	B	Basement	182	Post-Security Operations	UA.1.03
JC.D	1	B	Lower	1,711	Post-Security Operations	UA.1.11
KC.A	1	B	Upper	2,642	Holdroom	UA.1.18
KK.C	1	BC Tunnel	Basement	120	Post-Security Operations	UA.1.07
LC.A	1	B	Lower	174	Post-Security Operations	UA.1.11
LC.B	1	B	Lower	204	Post-Security Operations	UA.1.11
LC.C	1	B	Lower	183	Post-Security Operations	UA.1.11
M A	1	BC Tunnel	Basement	195,707	Baggage Makeup	UA.1.07
MC.C	1	B	Lower	240	Post-Security Operations	UA.1.11
MC D	1	B	Lower	898	Post-Security Operations	UA.1.11
N.D	1	BC Tunnel	Basement	108	Post-Security Operations	UA.1.07
NC.B	1	B	Upper	91	Post-Security Operations	UA.1.18
NC.C	1	B	Lower	95	Post-Security Operations	UA.1.11
P.C	1	BC Tunnel	Basement	396	Post-Security Operations	UA.1.07
PC.A	1	B	Lower	100	Post-Security Operations	UA.1.11
RC A	1	B	Upper	6,522	Holdroom	UA.1 18
RC.B	1	B	Lower	225	Post-Security Operations	UA 1.11
RC.C	1	B	Lower	188	Post-Security Operations	UA.1.11
RC.D	1	B	Lower	510	Post-Security Operations	UA.1.11
RC.D1	1	B	Lower	28	Post-Security Operations	UA.1.11
RC E	1	B	Lower	1,452	Post-Security Operations	UA 1 11

Room ID	Terminal	Concourse	Level	Square Footage	Type of Space	Exhibit Number
SC.B	1	B	Lower	104	Post-Security Operations	UA.1 11
SC.C	1	B	Lower	228	Post-Security Operations	UA.1.11
T.A	1	BC Tunnel	Basement	380	Post-Security Operations	UA.1.07
TC.A	1	B	Lower	396	Post-Security Operations	UA.1.11
TC B	1	B	Lower	287	Post-Security Operations	UA.1 11
U.A	1	BC Tunnel	Basement	212	Post-Security Operations	UA.1.07
UC.A	1	B	Lower	154	Post-Security Operations	UA.1.11
UC.B	1	B	Lower	56	Post-Security Operations	UA 1.11
Aircraft Frontage			Ramp	10,174		UA R.01

Total Sq. Footage 921,346

*excluding ramp

[1] Space is considered Joint Use between Delta and United Square Footage shown is half of the actual square footage.

EXHIBIT 3

[Exhibit 3 to this ordinance is identical in form to Exhibit F to Exhibit 1 of this ordinance.]

EXHIBIT 4

[Exhibit 4 to this ordinance is identical in form to Exhibit H to Exhibit 1 of this ordinance.]

EXHIBIT 5

[Exhibit 5 to this ordinance is identical in form to Exhibit R to Exhibit 1 of this ordinance.]

UNITED AIRLINES, INC.

[100% OWNED BY UNITED CONTINENTAL HOLDINGS, INC.]

ECONOMIC DISCLOSURE STATEMENT

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT
AND AFFIDAVIT

SECTION I – GENERAL INFORMATION

A. Legal name of the Disclosing Party submitting this EDS. Include d/b/a/ if applicable:

UNITED AIRLINES, INC.

Check ONE of the following three boxes:

Indicate whether the Disclosing Party submitting this EDS is:

1. [X] the Applicant

OR

2. [ ] a legal entity currently holding, or anticipated to hold within six months after City action on the contract, transaction or other undertaking to which this EDS pertains (referred to below as the "Matter"), a direct or indirect interest in excess of 7.5% in the Applicant. State the Applicant's legal name: _____

OR

3. [ ] a legal entity with a direct or indirect right of control of the Applicant (see Section II(B)(1)) State the legal name of the entity in which the Disclosing Party holds a right of control:

_____

B. Business address of the Disclosing Party: 233 South Wacker Drive, Chicago, IL 60606

C. Telephone: (872) 825-8527 Fax: N/A Email: sandra.m.widerborg@united.com

D. Name of contact person: Sandra Widerborg

E. Federal Employer Identification No. (if you have one): _____

F. Brief description of the Matter to which this EDS pertains. (Include project number and location of property, if applicable):

The following O'Hare International Airport leases between the Applicant and the City: (1) Airline Use and Lease Agreement; (2) Ground and Building Lease for Hangar Facility and Certain Relocation Matters; (3) Ground and Building Leases for Hangar Facilities; (4) Ground and Building Lease for Ground Equipment Maintenance Facility and Certain Relocation Matters; and (5) Ground Lease for Airline Employee Parking.

G. Which City agency or department is requesting this EDS? Department of Aviation

If the Matter is a contract being handled by the City's Department of Procurement Services, please complete the following:

Specification # _____ and Contract # _____

SECTION II – DISCLOSURE OF OWNERSHIP INTERESTS

A. NATURE OF THE DISCLOSING PARTY

1. Indicate the nature of the Disclosing Party:

[ ] Person
[X] Publicly registered business corporation**
[ ] Privately held business corporation
[ ] Sole proprietorship
[ ] General partnership
[ ] Limited partnership
[ ] Trust
[ ] Limited liability company
[ ] Limited liability partnership
[ ] Joint venture
[ ] Not-for-profit corporation
(Is the not-for-profit corporation also a 501(c)(3))?
[ ] Yes [ ] No
[ ] Other (please specify)

**Disclosing Party is registered with the Securities and Exchange Commission, but is not publicly traded.

2. For legal entities, the state (or foreign country) of incorporation or organization, if applicable:

Delaware

3. For legal entities not organized in the State of Illinois: Has the organization registered to do business in the State of Illinois as a foreign entity?

[X] Yes [ ] No [ ] Organized in Illinois

B. IF THE DISCLOSING PARTY IS A LEGAL ENTITY:

1. List below the full names and titles, if applicable, of: (i) all executive officers and all directors of the entity; (ii) **for not-for-profit corporations**, all members, if any, which are legal entities (if there are no such members, write "no members which are legal entities"); (iii) **for trusts, estates or other similar entities**, the trustee, executor, administrator, or similarly situated party; (iv) **for general or limited partnerships, limited liability companies, limited liability partnerships or joint ventures**, each general partner, managing member, manager or any other person or legal entity that directly or indirectly controls the day-to-day management of the Applicant.

NOTE: Each legal entity listed below must submit an EDS on its own behalf.

Name	Title
See Attachment 1.	

2. Please provide the following information concerning each person or legal entity having a direct or indirect, current or prospective (i.e. within 6 months after City action) beneficial interest (including ownership) in excess of 7.5% of the Applicant. Examples of such an interest include shares in a corporation, partnership interest in a partnership or joint venture, interest of a member or manager in a

limited liability company, or interest of a beneficiary of a trust, estate or other similar entity. If none, state "None."

NOTE: Each legal entity listed below may be required to submit an EDS on its own behalf.

Name	Business Address	Percentage Interest in the Applicant
United Continental Holdings, Inc.	233 South Wacker Drive Chicago, IL 60606	100%

SECTION III -- INCOME OR COMPENSATION TO, OR OWNERSHIP BY, CITY ELECTED OFFICIALS

Has the Disclosing Party provided any income or compensation to any City elected official during the 12-month period preceding the date of this EDS? [ ] Yes [X] No

Does the Disclosing Party reasonably expect to provide any income or compensation to any City elected official during the 12-month period following the date of this EDS? [ ] Yes [X] No

If "yes" to either of the above, please identify below the name(s) of such City elected official(s) and describe such income or compensation:

Does any City elected official or, to the best of the Disclosing Party's knowledge after reasonable inquiry, any City elected official's spouse or domestic partner, have a financial interest (as defined in Chapter 2-156 of the Municipal Code of Chicago ("MCC")) in the Disclosing Party?
[ ] Yes [X] No

If "yes," please identify below the name(s) of such City elected official(s) and/or spouse(s)/domestic partner(s) and describe the financial interest(s).

SECTION IV -- DISCLOSURE OF SUBCONTRACTORS AND OTHER RETAINED PARTIES

The Disclosing Party must disclose the name and business address of each subcontractor, attorney, lobbyist (as defined in MCC Chapter 2-156), accountant, consultant and any other person or entity whom the Disclosing Party has retained or expects to retain in connection with the Matter, as well as the nature of the relationship, and the total amount of the fees paid or estimated to be paid. The Disclosing Party is not required to disclose employees who are paid solely through the Disclosing Party's regular payroll. If the Disclosing Party is uncertain whether a disclosure is required under this Section, the Disclosing Party must either ask the City whether disclosure is required or make the disclosure.

Name (indicate whether retained or anticipated to be retained)	Business Address	Relationship to Disclosing Party (subcontractor, attorney, lobbyist, etc.)	Fees (indicate whether paid or estimated.) NOTE: "hourly rate" or "t.b.d." is not an acceptable response.
See Attachment 2.			

(Add sheets if necessary)

[ ] Check here if the Disclosing Party has not retained, nor expects to retain, any such persons or entities.

SECTION V – CERTIFICATIONS

A. COURT-ORDERED CHILD SUPPORT COMPLIANCE

Under MCC Section 2-92-415, substantial owners of business entities that contract with the City must remain in compliance with their child support obligations throughout the contract's term.

Has any person who directly or indirectly owns 10% or more of the Disclosing Party been declared in arrearage on any child support obligations by any Illinois court of competent jurisdiction?

[ ] Yes [ ] No [X] No person directly or indirectly owns 10% or more of the Disclosing Party.*
*No individual person owns 10% or more of the Disclosing Party; Disclosing Party is 100% owned by United Continental Holdings, Inc., a corporation.

If "Yes," has the person entered into a court-approved agreement for payment of all support owed and is the person in compliance with that agreement?

[ ] Yes [ ] No

B. FURTHER CERTIFICATIONS

1. [This paragraph 1 applies only if the Matter is a contract being handled by the City's Department of Procurement Services.] In the 5-year period preceding the date of this EDS, neither the Disclosing Party nor any Affiliated Entity [see definition in (5) below] has engaged, in connection with the performance of any public contract, the services of an integrity monitor, independent private sector inspector general, or integrity compliance consultant (i.e., an individual or entity with legal, auditing, investigative, or other similar skills, designated by a public agency to help the agency monitor the activity of specified agency vendors as well as help the vendors reform their business practices so they can be considered for agency contracts in the future, or continue with a contract in progress).

2. The Disclosing Party and its Affiliated Entities are not delinquent in the payment of any fine, fee, tax or other source of indebtedness owed to the City of Chicago, including, but not limited to, water and sewer charges, license fees, parking tickets, property taxes and sales taxes, nor is the Disclosing Party delinquent in the payment of any tax administered by the Illinois Department of Revenue.

3. The Disclosing Party and, if the Disclosing Party is a legal entity, all of those persons or entities identified in Section II(B)(1) of this EDS:

a. are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from any transactions by any federal, state or local unit of government;

b. have not, during the 5 years before the date of this EDS, been convicted of a criminal offense, adjudged guilty, or had a civil judgment rendered against them in connection with: obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; a violation of federal or state antitrust statutes; fraud; embezzlement; theft; forgery; bribery; falsification or destruction of records; making false statements; or receiving stolen property;

c. are not presently indicted for, or criminally or civilly charged by, a governmental entity (federal, state or local) with committing any of the offenses set forth in subparagraph (b) above;

d. have not, during the 5 years before the date of this EDS, had one or more public transactions (federal, state or local) terminated for cause or default; and

e. have not, during the 5 years before the date of this EDS, been convicted, adjudged guilty, or found liable in a civil proceeding, or in any criminal or civil action, including actions concerning environmental violations, instituted by the City or by the federal government, any state, or any other unit of local government.

4. The Disclosing Party understands and shall comply with the applicable requirements of MCC Chapters 2-56 (Inspector General) and 2-156 (Governmental Ethics).

5. Certifications (5), (6) and (7) concern:
- the Disclosing Party;
- any "Contractor" (meaning any contractor or subcontractor used by the Disclosing Party in connection with the Matter, including but not limited to all persons or legal entities disclosed under Section IV, "Disclosure of Subcontractors and Other Retained Parties");
- any "Affiliated Entity" (meaning a person or entity that, directly or indirectly: controls the Disclosing Party, is controlled by the Disclosing Party, or is, with the Disclosing Party, under common control of another person or entity). Indicia of control include, without limitation: interlocking management or ownership; identity of interests among family members, shared facilities and equipment; common use of employees; or organization of a business entity following the ineligibility of a business entity to do business with federal or state or local government, including the City, using substantially the same management, ownership, or principals as the ineligible entity. With respect to Contractors, the term Affiliated Entity means a person or entity that directly or indirectly controls the Contractor, is controlled by it, or, with the Contractor, is under common control of another person or entity;
- any responsible official of the Disclosing Party, any Contractor or any Affiliated Entity or any other official, agent or employee of the Disclosing Party, any Contractor or any Affiliated Entity, acting pursuant to the direction or authorization of a responsible official of the Disclosing Party, any Contractor or any Affiliated Entity (collectively "Agents").

Neither the Disclosing Party, nor any Contractor, nor any Affiliated Entity of either the Disclosing Party or any Contractor, nor any Agents have, during the 5 years before the date of this EDS, or, with respect to a Contractor, an Affiliated Entity, or an Affiliated Entity of a Contractor during the 5 years before the date of such Contractor's or Affiliated Entity's contract or engagement in connection with the Matter:

a. bribed or attempted to bribe, or been convicted or adjudged guilty of bribery or attempting to bribe, a public officer or employee of the City, the State of Illinois, or any agency of the federal government or of any state or local government in the United States of America, in that officer's or employee's official capacity;

b. agreed or colluded with other bidders or prospective bidders, or been a party to any such agreement, or been convicted or adjudged guilty of agreement or collusion among bidders or prospective bidders, in restraint of freedom of competition by agreement to bid a fixed price or otherwise; or

c. made an admission of such conduct described in subparagraph (a) or (b) above that is a matter of record, but have not been prosecuted for such conduct; or

d. violated the provisions referenced in MCC Subsection 2-92-320(a)(4)(Contracts Requiring a Base Wage); (a)(5)(Debarment Regulations); or (a)(6)(Minimum Wage Ordinance).

6. Neither the Disclosing Party, nor any Affiliated Entity or Contractor, or any of their employees, officials, agents or partners, is barred from contracting with any unit of state or local government as a result of engaging in or being convicted of (1) bid-rigging in violation of 720 ILCS 5/33E-3; (2) bid-rotating in violation of 720 ILCS 5/33E-4; or (3) any similar offense of any state or of the United States of America that contains the same elements as the offense of bid-rigging or bid-rotating.

7. Neither the Disclosing Party nor any Affiliated Entity is listed on a Sanctions List maintained by the United States Department of Commerce, State, or Treasury, or any successor federal agency.

8. [FOR APPLICANT ONLY] (i) Neither the Applicant nor any "controlling person" [see MCC Chapter 1-23, Article I for applicability and defined terms] of the Applicant is currently indicted or charged with, or has admitted guilt of, or has ever been convicted of, or placed under supervision for, any criminal offense involving actual, attempted, or conspiracy to commit bribery, theft, fraud, forgery, perjury, dishonesty or deceit against an officer or employee of the City or any "sister agency"; and (ii) the Applicant understands and acknowledges that compliance with Article I is a continuing requirement for doing business with the City. NOTE: If MCC Chapter 1-23, Article I applies to the Applicant, that Article's permanent compliance timeframe supersedes 5-year compliance timeframes in this Section V.

9. [FOR APPLICANT ONLY] The Applicant and its Affiliated Entities will not use, nor permit their subcontractors to use, any facility listed as having an active exclusion by the U.S. EPA on the federal System for Award Management ("SAM").

10. [FOR APPLICANT ONLY] The Applicant will obtain from any contractors/subcontractors hired or to be hired in connection with the Matter certifications equal in form and substance to those in Certifications (2) and (9) above and will not, without the prior written consent of the City, use any such

contractor/subcontractor that does not provide such certifications or that the Applicant has reason to believe has not provided or cannot provide truthful certifications.

11. If the Disclosing Party is unable to certify to any of the above statements in this Part B (Further Certifications), the Disclosing Party must explain below:

See Attachment 3.

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

12. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all current employees of the Disclosing Party who were, at any time during the 12-month period preceding the date of this EDS, an employee, or elected or appointed official, of the City of Chicago (if none, indicate with "N/A" or "none").

See Attachment 4.

13. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all gifts that the Disclosing Party has given or caused to be given, at any time during the 12-month period preceding the execution date of this EDS, to an employee, or elected or appointed official, of the City of Chicago. For purposes of this statement, a "gift" does not include: (i) anything made generally available to City employees or to the general public, or (ii) food or drink provided in the course of official City business and having a retail value of less than $25 per recipient, or (iii) a political contribution otherwise duly reported as required by law (if none, indicate with "N/A" or "none"). As to any gift listed below, please also list the name of the City recipient.

N/A

C. CERTIFICATION OF STATUS AS FINANCIAL INSTITUTION

1. The Disclosing Party certifies that the Disclosing Party (check one)

[ ] is [X] is not

a "financial institution" as defined in MCC Section 2-32-455(b).

2. If the Disclosing Party IS a financial institution, then the Disclosing Party pledges:

"We are not and will not become a predatory lender as defined in MCC Chapter 2-32. We further pledge that none of our affiliates is, and none of them will become, a predatory lender as defined in MCC Chapter 2-32. We understand that becoming a predatory lender or becoming an affiliate of a predatory lender may result in the loss of the privilege of doing business with the City."

If the Disclosing Party is unable to make this pledge because it or any of its affiliates (as defined in MCC Section 2-32-455(b)) is a predatory lender within the meaning of MCC Chapter 2-32, explain here (attach additional pages if necessary):

_____

_____

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

D. CERTIFICATION REGARDING FINANCIAL INTEREST IN CITY BUSINESS

Any words or terms defined in MCC Chapter 2-156 have the same meanings if used in this Part D.

1. In accordance with MCC Section 2-156-110: To the best of the Disclosing Party's knowledge after reasonable inquiry, does any official or employee of the City have a financial interest in his or her own name or in the name of any other person or entity in the Matter?

[ ] Yes [X] No

NOTE: If you checked "Yes" to Item D(1), proceed to Items D(2) and D(3). If you checked "No" to Item D(1), skip Items D(2) and D(3) and proceed to Part E.

2. Unless sold pursuant to a process of competitive bidding, or otherwise permitted, no City elected official or employee shall have a financial interest in his or her own name or in the name of any other person or entity in the purchase of any property that (i) belongs to the City, or (ii) is sold for taxes or assessments, or (iii) is sold by virtue of legal process at the suit of the City (collectively, "City Property Sale"). Compensation for property taken pursuant to the City's eminent domain power does not constitute a financial interest within the meaning of this Part D.

Does the Matter involve a City Property Sale?

[ ] Yes [ ] No

3. If you checked "Yes" to Item D(1), provide the names and business addresses of the City officials or employees having such financial interest and identify the nature of the financial interest:

Name	Business Address	Nature of Financial Interest

4. The Disclosing Party further certifies that no prohibited financial interest in the Matter will be acquired by any City official or employee.

E. CERTIFICATION REGARDING SLAVERY ERA BUSINESS

Please check either (1) or (2) below. If the Disclosing Party checks (2), the Disclosing Party must disclose below or in an attachment to this EDS all information required by (2). Failure to comply with these disclosure requirements may make any contract entered into with the City in connection with the Matter voidable by the City.

X 1. The Disclosing Party verifies that the Disclosing Party has searched any and all records of the Disclosing Party and any and all predecessor entities regarding records of investments or profits from slavery or slaveholder insurance policies during the slavery era (including insurance policies issued to slaveholders that provided coverage for damage to or injury or death of their slaves), and the Disclosing Party has found no such records.

___ 2. The Disclosing Party verifies that, as a result of conducting the search in step (1) above, the Disclosing Party has found records of investments or profits from slavery or slaveholder insurance policies. The Disclosing Party verifies that the following constitutes full disclosure of all such records, including the names of any and all slaves or slaveholders described in those records:

_____

_____

_____

SECTION VI – CERTIFICATIONS FOR FEDERALLY FUNDED MATTERS

NOTE: If the Matter is federally funded, complete this Section VI. **If the Matter is not federally funded,** proceed to Section VII. For purposes of this Section VI, tax credits allocated by the City and proceeds of debt obligations of the City are not federal funding.

A. CERTIFICATION REGARDING LOBBYING

1. List below the names of all persons or entities registered under the federal Lobbying Disclosure Act of 1995, as amended, who have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter: (Add sheets if necessary):

_____

_____

_____

(If no explanation appears or begins on the lines above, or if the letters "NA" or if the word "None" appear, it will be conclusively presumed that the Disclosing Party means that NO persons or entities registered under the Lobbying Disclosure Act of 1995, as amended, have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter.)

2. The Disclosing Party has not spent and will not expend any federally appropriated funds to pay any person or entity listed in paragraph A(1) above for his or her lobbying activities or to pay any person or entity to influence or attempt to influence an officer or employee of any agency, as defined by applicable federal law, a member of Congress, an officer or employee of Congress, or an employee

of a member of Congress, in connection with the award of any federally funded contract, making any federally funded grant or loan, entering into any cooperative agreement, or to extend, continue, renew, amend, or modify any federally funded contract, grant, loan, or cooperative agreement.

3. The Disclosing Party will submit an updated certification at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the statements and information set forth in paragraphs A(1) and A(2) above.

4. The Disclosing Party certifies that either: (i) it is not an organization described in section 501(c)(4) of the Internal Revenue Code of 1986; or (ii) it is an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 but has not engaged and will not engage in "Lobbying Activities," as that term is defined in the Lobbying Disclosure Act of 1995, as amended.

5. If the Disclosing Party is the Applicant, the Disclosing Party must obtain certifications equal in form and substance to paragraphs A(1) through A(4) above from all subcontractors before it awards any subcontract and the Disclosing Party must maintain all such subcontractors' certifications for the duration of the Matter and must make such certifications promptly available to the City upon request.

B. CERTIFICATION REGARDING EQUAL EMPLOYMENT OPPORTUNITY

If the Matter is federally funded, federal regulations require the Applicant and all proposed subcontractors to submit the following information with their bids or in writing at the outset of negotiations.

Is the Disclosing Party the Applicant?
[ ] Yes [ ] No

If "Yes," answer the three questions below:

1. Have you developed and do you have on file affirmative action programs pursuant to applicable federal regulations? (See 41 CFR Part 60-2.)
[ ] Yes [ ] No

2. Have you filed with the Joint Reporting Committee, the Director of the Office of Federal Contract Compliance Programs, or the Equal Employment Opportunity Commission all reports due under the applicable filing requirements?
[ ] Yes [ ] No [ ] Reports not required

3. Have you participated in any previous contracts or subcontracts subject to the equal opportunity clause?
[ ] Yes [ ] No

If you checked "No" to question (1) or (2) above, please provide an explanation:

_____

_____

SECTION VII – FURTHER ACKNOWLEDGMENTS AND CERTIFICATION

The Disclosing Party understands and agrees that:

A. The certifications, disclosures, and acknowledgments contained in this EDS will become part of any contract or other agreement between the Applicant and the City in connection with the Matter, whether procurement, City assistance, or other City action, and are material inducements to the City's execution of any contract or taking other action with respect to the Matter. The Disclosing Party understands that it must comply with all statutes, ordinances, and regulations on which this EDS is based.

B. The City's Governmental Ethics Ordinance, MCC Chapter 2-156, imposes certain duties and obligations on persons or entities seeking City contracts, work, business, or transactions. The full text of this ordinance and a training program is available on line at www.cityofchicago.org/Ethics, and may also be obtained from the City's Board of Ethics, 740 N. Sedgwick St., Suite 500, Chicago, IL 60610, (312) 744-9660. The Disclosing Party must comply fully with this ordinance.

C. If the City determines that any information provided in this EDS is false, incomplete or inaccurate, any contract or other agreement in connection with which it is submitted may be rescinded or be void or voidable, and the City may pursue any remedies under the contract or agreement (if not rescinded or void), at law, or in equity, including terminating the Disclosing Party's participation in the Matter and/or declining to allow the Disclosing Party to participate in other City transactions. Remedies at law for a false statement of material fact may include incarceration and an award to the City of treble damages.

D. It is the City's policy to make this document available to the public on its Internet site and/or upon request. Some or all of the information provided in, and appended to, this EDS may be made publicly available on the Internet, in response to a Freedom of Information Act request, or otherwise. By completing and signing this EDS, the Disclosing Party waives and releases any possible rights or claims which it may have against the City in connection with the public release of information contained in this EDS and also authorizes the City to verify the accuracy of any information submitted in this EDS.

E. The information provided in this EDS must be kept current. In the event of changes, the Disclosing Party must supplement this EDS up to the time the City takes action on the Matter. If the Matter is a contract being handled by the City's Department of Procurement Services, the Disclosing Party must update this EDS as the contract requires. **NOTE:** With respect to Matters subject to MCC Chapter 1-23, Article I (imposing **PERMANENT INELIGIBILITY** for certain specified offenses), the information provided herein regarding eligibility must be kept current for a longer period, as required by MCC Chapter 1-23 and Section 2-154-020.

CERTIFICATION

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute this EDS, and Appendices A and B (if applicable), on behalf of the Disclosing Party, and (2) warrants that all certifications and statements contained in this EDS, and Appendices A and B (if applicable), are true, accurate and complete as of the date furnished to the City.

UNITED AIRLINES, INC.
(Print or type exact legal name of Disclosing Party)

By: Jennifer L. Kraft
(Sign here)

Jennifer L. Kraft
(Print or type name of person signing)

Vice President, Deputy General Counsel & Corporate Secretary
(Print or type title of person signing)

Signed and sworn to before me on (date) 2/8/2018,

at Kane County, Illinois (state).

Sarah Voss
Notary Public

"OFFICIAL SEAL"
SARAH VOSS
NOTARY PUBLIC, STATE OF ILLINOIS
My Commission Expires August 1, 2021

Commission expires: 8/1/2021

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5%. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under MCC Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B.1.a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5% ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

[ ] Yes [X] No (to the best of Disclosing Party's knowledge after reasonable inquiry)

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

_____

_____

_____

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX B

BUILDING CODE SCOFFLAW/PROBLEM LANDLORD CERTIFICATION

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5% (an "Owner"). It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

1. Pursuant to MCC Section 2-154-010, is the Applicant or any Owner identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

[ ] Yes [X] No

2. If the Applicant is a legal entity publicly traded on any exchange, is any officer or director of the Applicant identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

[ ] Yes [ ] No [X] The Applicant is not publicly traded on any exchange.

3. If yes to (1) or (2) above, please identify below the name of each person or legal entity identified as a building code scofflaw or problem landlord and the address of each building or buildings to which the pertinent code violations apply.

_____

_____

_____

Attachment 1
Executive Officers and Directors
of United Airlines, Inc.

Executive Officers:

Oscar Munoz, *Chief Executive Officer*
J. Scott Kirby, *President*
Kate Gebo, *Executive Vice President Human Resources and Labor Relations*
Brett J. Hart, *Executive Vice President, Chief Administrative Officer and General Counsel*
Gregory L. Hart, *Executive Vice President and Chief Operations Officer*
Linda P. Jojo, *Executive Vice President and Chief Digital Officer*
Andrew Levy, *Executive Vice President and Chief Financial Officer*
Andrew Nocella, *Executive Vice President and Chief Commercial Officer*

Directors:

Oscar Munoz
J. Scott Kirby
Gregory L. Hart
Andrew C. Levy

Attachment 2

Disclosure of Subcontractors and Other Retained Parties

Name (indicate whether retained or anticipated to be retained)	Business Address	Relationship to Disclosing Party (subcontractor, attorney, lobbyist, etc.)	Fees (indicate whether paid or estimated.) **NOTE:** "hourly rate" or "t.b.d" is not an acceptable response.
John Watson	Baker & McKenzie LLP 300 East Randolph St Suite 5000 Chicago, IL 60601	Outside Counsel (Environmental)	$39,000 paid
Bill Singer	300 North LaSalle Chicago, IL 60654	Lobbyist	$240,000 estimated for 2017
Burns & McDonnell	200 West Adams Street Suite 1600 Chicago, IL 60606	Consultant	$1,140,000 paid, plus $200,000 estimated to be paid
SCB	625 N. Michigan Ave Chicago, IL 60611	Consultant	$30,500 paid
WSP	One Penn Plaza New York, NY 10119	Consultant	$15,325 paid

Attachment 3
Further Certifications

The Disclosing Party is a large, multi-national corporation with predecessor entities dating back to 1926, and with facilities and operations all over the United States that are subject to city, state or federal laws and regulations. Furthermore, Disclosing Party contracts with a multitude of vendors who employ thousands of employees throughout these facilities and operations all over the United States and who separately are subject to city, state or federal laws and regulations. As a result, the Disclosing Party can only certify and/or acknowledge such statements to the best of its knowledge as of the date of this Economic Disclosure Statement after making reasonable inquiry of the information within its possession.

In addition, with such a large number of facilities and broad scope of operations that are subject to an extensive legal and regulatory framework, the Disclosing Party has invariably been the recipient of various citations, findings, allegations or notices of non-compliance issued by federal, state, and local government agencies such as the Federal Aviation Administration, the Environmental Protection Agency, and the Occupational Health and Safety Administration. As it is the policy of the Disclosing Party to comply with all applicable legal requirements, it diligently investigates and resolves all such circumstances. Furthermore, Disclosing Party contractually obligates its vendors to comply with any applicable local, city, state or federal laws and regulations. In addition, reference is made to the periodic and current reports has filed and will file from time to time by the Disclosing Party with the Securities and Exchange Commission, in particular the Legal Proceedings section of the Disclosing Party's filings on Form 10-K and Form 10-Q.

Attachment 4
Employees

1. Glenn, Tyler M.
2. Ford, Kemecha S.
3. Fong, Brennan Zackary
4. Nolan, Megan
5. Morrissette Jr, Kevin C.
6. Mcalee, Natalia

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

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Under MCC Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B. 1 .a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5%ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

[ ]Yes [X] No *(to the best of Disclosing Party's knowledge after reasonable inquiry)*

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

_____

_____

_____

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX B

BUILDING CODE SCOFFLAW/PROBLEM LANDLORD CERTIFICATION

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5% (an "Owner"). It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

1. Pursuant to MCC Section 2-154-010, is the Applicant or any Owner identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

   [ ]Yes [X] No

2. If the Applicant is a legal entity publicly traded on any exchange, is any officer or director of the Applicant identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

   [ ] Yes [ ] No [X] The Applicant is not publicly traded on any exchange.

3. If yes to (1) or (2) above, please identify below the name of each person or legal entity identified as a building code scofflaw or problem landlord and the address of each building or buildings to which the pertinent code violations apply.

_____

_____

_____

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute Appendices A and B **on behalf of the Disclosing Party**, and (2) warrants that all certifications and statements contained in Appendices A and B are true, accurate and complete as of the date furnished to the City.

UNITED AIRLINES, INC.
Print or type the name of the Applicant

UNITED CONTINENTAL HOLDINGS, INC. 2/8/2018
Print or type exact legal name of Disclosing Party Date

By: Jennifer L. Kraft (*Sign here*) Title Vice President & Corporate Secretary
of *Check One*: ___ Applicant or _X_ Disclosing Party

Print or type name of person signing Jennifer L. Kraft

Signed and sworn to before me on (date) 2/8/2018

at Kane **County,** Illinois **(state).**

Notary Public Sarah Voss

Commission expires 8/1/2021

OFFICIAL SEAL
SARAH VOSS
NOTARY PUBLIC, STATE OF ILLINOIS
My Commission Expires Aug 1 2021

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

UNITED

Commission File Number	Exact Name of Registrant as Specified in Its Charter, Principal Executive Office Address, Zip Code and Telephone Number, Including Area Code	State of Incorporation	I.R.S. Employer Identification No.
001-06033	United Continental Holdings, Inc. 233 South Wacker Drive Chicago, Illinois 60606 (872) 825-4000	Delaware	
001-10323	United Airlines, Inc. 233 South Wacker Drive Chicago, Illinois 60606 (872) 825-4000	Delaware	

Securities registered pursuant to Section 12(b) of the Act:

	Title of Each Class	Name of Each Exchange on Which Registered
United Continental Holdings, Inc	Common Stock, $0.01 par value	New York Stock Exchange
United Airlines, Inc	None	None

Securities registered pursuant to Section 12(g) of the Act:

United Continental Holdings, Inc	None
United Airlines, Inc	None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act

United Continental Holdings, Inc	Yes ☒	No ☐
United Airlines, Inc	Yes ☒	No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

United Continental Holdings, Inc	Yes ☐	No ☒
United Airlines, Inc.	Yes ☐	No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days

United Continental Holdings, Inc	Yes ☒	No ☐
United Airlines, Inc	Yes ☒	No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files)

United Continental Holdings, Inc	Yes ☒	No ☐
United Airlines, Inc.	Yes ☒	No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

United Continental Holdings, Inc	☒
United Airlines, Inc	☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one)

United Continental Holdings, Inc.	Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐	Smaller reporting company ☐
United Airlines, Inc.	Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act)

United Continental Holdings, Inc	Yes ☐	No ☒
United Airlines, Inc	Yes ☐	No ☒

The aggregate market value of common stock held by non-affiliates of United Continental Holdings, Inc was $12,558,237,332 as of June 30, 2016, based on the closing price of $41.04 on the New York Stock Exchange reported for that date. There is no market for United Airlines, Inc common stock

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of February 13, 2017

United Continental Holdings, Inc	314,622,651 shares of common stock ($0.01 par value)
United Airlines, Inc	1,000 (100% owned by United Continental Holdings, Inc.)

This combined Form 10-K is separately filed by United Continental Holdings, Inc and United Airlines, Inc

OMISSION OF CERTAIN INFORMATION

United Airlines, Inc. meets the conditions set forth in General Instruction I(1)(a) and (b) of Form 10-K and are therefore filing this form with the reduced disclosure format allowed under that General Instruction

DOCUMENTS INCORPORATED BY REFERENCE

Information required by Items 10, 11, 12 and 13 of Part III of this Form 10-K are incorporated by reference for United Continental Holdings, Inc from its definitive proxy statement for its 2017 Annual Meeting of Stockholders

United Continental Holdings, Inc. and Subsidiary Companies
United Airlines, Inc. and Subsidiary Companies

Annual Report on Form 10-K
For the Year Ended December 31, 2016

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This Form 10-K contains various "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements represent our expectations and beliefs concerning future events, based on information available to us on the date of the filing of this Form 10-K, and are subject to various risks and uncertainties. Factors that could cause actual results to differ materially from those referenced in the forward-looking statements are listed in Part I, Item 1A, Risk Factors and in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations. We disclaim any intent or obligation to update or revise any of the forward-looking statements, whether in response to new information, unforeseen events, changed circumstances or otherwise, except as required by applicable law.

PART I

ITEM 1. BUSINESS.

Overview

United Continental Holdings, Inc. (together with its consolidated subsidiaries, "UAL" or the "Company") is a holding company and its principal, wholly-owned subsidiary is United Airlines, Inc. (together with its consolidated subsidiaries, "United"). As UAL consolidates United for financial statement purposes, disclosures that relate to activities of United also apply to UAL, unless otherwise noted. United's operating revenues and operating expenses comprise nearly 100% of UAL's revenues and operating expenses. In addition, United comprises approximately the entire balance of UAL's assets, liabilities and operating cash flows. When appropriate, UAL and United are named specifically for their individual contractual obligations and related disclosures and any significant differences between the operations and results of UAL and United are separately disclosed and explained. We sometimes use the words "we," "our," "us," and the "Company" in this report for disclosures that relate to all of UAL and United.

UAL was incorporated under the laws of the State of Delaware on December 30, 1968. Our principal executive office is located at 233 South Wacker Drive, Chicago, Illinois 60606 (telephone number (872) 825-4000).

The Company's website is www.unitedcontinentalholdings.com. The information contained on or connected to the Company's website is not incorporated by reference into this annual report on Form 10-K and should not be considered part of this or any other report filed with the U.S. Securities and Exchange Commission ("SEC"). Through this website, the Company's filings with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports, as well as our proxy statement for our annual meeting of stockholders, are accessible without charge, as soon as reasonably practicable, after such material is electronically filed with or furnished to the SEC. Such filings are also available on the SEC's website at www.sec.gov.

Operations

The Company transports people and cargo through its mainline and regional operations. With key global aviation rights in North America, Asia-Pacific, Europe, Middle East and Latin America, UAL has the world's most comprehensive global route network. UAL, through United and its regional carriers, operates more than 4,500 flights a day to 339 airports across five continents from the Company's hubs at Newark Liberty International Airport ("Newark"), Chicago O'Hare International Airport ("Chicago O'Hare"), Denver International Airport ("Denver"), George Bush Intercontinental Airport ("Houston Bush"), Los Angeles International Airport ("LAX"), A.B. Won Pat International Airport ("Guam"), San Francisco International Airport ("SFO") and Washington Dulles International Airport ("Washington Dulles").

All of the Company's domestic hubs are located in large business and population centers, contributing to a large amount of "origin and destination" traffic. The hub and spoke system allows us to transport passengers between a large number of destinations with substantially more frequent service than if each route were served directly. The

hub system also allows us to add service to a new destination from a large number of cities using only one or a limited number of aircraft. As discussed under *Alliances* below, United is a member of Star Alliance, the world's largest alliance network.

Financial information on the Company's operating revenues by geographic regions, as reported to the U.S. Department of Transportation (the "DOT"), can be found in Note 17 to the financial statements included in Part II, Item 8 of this report.

Regional. The Company has contractual relationships with various regional carriers to provide regional jet and turboprop service branded as United Express. These regional operations are an extension of the Company's mainline network. This regional service complements our operations by carrying traffic that connects to our mainline service and allows flights to smaller cities that cannot be provided economically with mainline aircraft. Republic Airlines ("Republic"), Champlain Enterprises, LLC d/b/a CommutAir ("CommutAir"), ExpressJet Airlines ("ExpressJet"), GoJet Airlines ("GoJet"), Mesa Airlines ("Mesa"), Shuttle America ("Shuttle"), SkyWest Airlines ("SkyWest") and Trans States Airlines ("Trans States") are all regional carriers, which operate most of their capacity contracted to United under capacity purchase agreements ("CPAs") with United. Under these CPAs, the Company pays the regional carriers contractually agreed fees (carrier-controlled costs) for operating these flights plus a variable reimbursement (incentive payment for operational performance) based on agreed performance metrics. The fees for carrier-controlled costs are based on specific rates for various operating expenses of the regional carriers, such as crew expenses, maintenance and aircraft ownership, some of which are multiplied by specific operating statistics (e.g., block hours, departures) while others are fixed monthly amounts. Under these CPAs, the Company is responsible for all fuel costs incurred as well as landing fees, facilities rent and other costs, which are either passed through by the regional carrier to the Company without any markup or directly incurred by the Company. In return, the regional carriers operate this capacity exclusively for United, on schedules determined by the Company. The Company also determines pricing and revenue management, assumes the inventory and distribution risk for the available seats and permits mileage accrual and redemption for regional flights through its MileagePlus® loyalty program.

Alliances. United is a member of Star Alliance, a global integrated airline network and the largest and most comprehensive airline alliance in the world. As of January 1, 2017, Star Alliance carriers served 1,300 airports in 190 countries with 18,450 daily departures. Star Alliance members, in addition to United, are Adria Airways, Aegean Airlines, Air Canada, Air China, Air India, Air New Zealand, All Nippon Airways ("ANA"), Asiana Airlines, Austrian Airlines, Avianca, Avianca Brasil, Brussels Airlines, Copa Airlines, Croatia Airlines, EGYPTAIR, Ethiopian Airlines, EVA Air, LOT Polish Airlines, Lufthansa, SAS Scandinavian Airlines, Shenzhen Airlines, Singapore Airlines, South African Airways, SWISS, TAP Portugal, THAI Airways International and Turkish Airlines. In October 2016, Star Alliance announced the future inclusion of Juneyao Airlines as a new connecting partner.

United has a variety of bilateral commercial alliance agreements and obligations with Star Alliance members, addressing, among other things, reciprocal earning and redemption of frequent flyer miles, access to airport lounges and, with certain Star Alliance members, codesharing of flight operations (whereby one carrier's selected flights can be marketed under the brand name of another carrier). In addition to the alliance agreements with Star Alliance members, United currently maintains independent marketing alliance agreements with other air carriers, including Aeromar, Aer Lingus, Air Dolomiti, Azul, Cape Air, Eurowings, Germanwings, Great Lakes Airlines, Hawaiian Airlines, Island Air, Jet Airways and Silver Airways. In addition to the marketing alliance agreements with air partners, United also offers a train-to-plane codeshare and frequent flyer alliance with Amtrak from Newark on select city pairs in the northeastern United States.

United also participates in three passenger joint ventures, one with Air Canada and the Lufthansa Group (which includes Lufthansa and its affiliates Austrian Airlines, Brussels Airlines, Eurowings and SWISS) covering transatlantic routes, one with ANA covering certain transpacific routes and one with Air New Zealand covering certain routes between the United States and New Zealand. These passenger joint ventures enable the participating carriers to integrate the services they provide in the respective regions, capturing revenue synergies and delivering highly competitive flight schedules, fares and services. United has also begun implementation of a

cargo joint venture with ANA for transpacific cargo services. This cargo joint venture offers expanded and more seamless access to cargo space across the carriers' respective combined networks.

Loyalty Program. United's MileagePlus program builds customer loyalty by offering awards, benefits and services to program participants Members in this program earn miles for flights on United, United Express, Star Alliance members and certain other airlines that participate in the program Members can also earn miles by purchasing the goods and services of our network of non-airline partners, such as credit card issuers, retail merchants, hotels and car rental companies. Members can redeem miles for free (other than taxes and government imposed fees), discounted or upgraded travel and non-travel awards.

The Company has an agreement with Chase Bank USA, N.A. ("Chase"), pursuant to which members of the Company's MileagePlus loyalty program who are residents of the United States can earn miles for making purchases using a MileagePlus credit card issued by Chase The agreement also provides for joint marketing and other support for the MileagePlus credit card and provides Chase with other benefits such as permission to market to the Company's customer database

Approximately 5.2 million and 5 0 million MileagePlus flight awards were used on United in 2016 and 2015, respectively. These awards represented 7.7% and 7 5% of United's total revenue passenger miles in 2016 and 2015, respectively. Total miles redeemed for flights on United in 2016, including class-of-service upgrades, represented approximately 84% of the total miles redeemed In addition, excluding miles redeemed for flights on United, MileagePlus members redeemed miles for approximately 2.0 million other awards in 2016 as compared to 1 8 million in 2015. These awards include United Club memberships, car and hotel awards, merchandise and flights on other air carriers.

Aircraft Fuel. The table below summarizes UAL's aircraft fuel consumption and expense during the last three years.

Year	Gallons Consumed (in millions)	Fuel Expense (in millions)	Average Price Per Gallon	Percentage of Total Operating Expense
2016	3,904	$ 5,813	$ 1.49	18%
2015	3,886	$ 7,522	$ 1.94	23%
2014	3,905	$ 11,675	$ 2.99	32%

Our operational and financial results can be significantly impacted by changes in the price and availability of aircraft fuel To provide adequate supplies of fuel, the Company routinely enters into purchase contracts that are customarily indexed to market prices for aircraft fuel, and the Company generally has some ability to cover short-term fuel supply and infrastructure disruptions at some major demand locations. The price of aircraft fuel has fluctuated substantially in the past several years and in order to lower its exposure to unpredictable increases in the market prices of aircraft fuel, the Company has historically hedged a portion of its planned fuel requirements As of December 31, 2016, the Company did not have any outstanding fuel hedging contracts. The Company's current strategy is to not enter into transactions to hedge its fuel consumption, although the Company regularly reviews its strategy based on market conditions and other factors.

Third-Party Business. United generates third-party business revenue that includes frequent flyer award non-air redemptions, maintenance services, catering and ground handling Third-party business revenue is recorded in Other operating revenue Expenses associated with third-party business are recorded in Other operating expenses.

Distribution Channels. The Company's airline seat inventory and fares are distributed through the Company's direct channels, traditional travel agencies and on-line travel agencies The use of the Company's direct sales website, united.com, the Company's mobile applications and alternative distribution systems, provides the Company with an opportunity to de-commoditize its services, better present its content, make more targeted offerings, better retain its customers, enhance its brand and lower its ticket distribution costs Agency sales are

primarily sold using global distribution systems ("GDS"). United has developed capabilities to sell certain ancillary products through the GDS channel to provide an enhanced buying experience for customers who purchase in that channel. To increase the Company's opportunities to sell its full range of products and services and lower distribution costs, the Company will continue to develop new selling capabilities in third-party channels and expand the capabilities of its website and mobile applications.

Industry Conditions

Domestic Competition. The domestic airline industry is highly competitive and dynamic. The Company's competitors consist primarily of other airlines and, to a certain extent, other forms of transportation. Currently, any U.S. carrier deemed fit by the DOT is free to operate scheduled passenger service between any two points within the United States. Competition can be direct, in the form of another carrier flying the exact non-stop route, or indirect, where a carrier serves the same two cities non-stop from an alternative airport in that city or via an itinerary requiring a connection at another airport. Air carriers' cost structures are not uniform and there are numerous factors influencing cost structure. Carriers with lower costs may offer lower fares to passengers, which could have a potential negative impact on the Company's revenues. Decisions on domestic pricing are based on intense competitive pressure exerted on the Company by other U.S. airlines. In order to remain competitive and maintain passenger traffic levels, we often find it necessary to match competitors' discounted fares. Since we compete in a dynamic marketplace, attempts to generate additional revenue through increased fares oftentimes fail.

International Competition. Internationally, the Company competes not only with U.S. airlines, but also with foreign carriers. International competition has increased and may increase in the future as a result of airline mergers and acquisitions, joint ventures, alliances, restructurings, liberalization of aviation bilateral agreements and new or increased service by competitors, including government subsidized competitors from certain Middle East countries. Competition on international routes is subject to varying degrees of governmental regulation. The Company's ability to compete successfully with non-U.S. carriers on international routes depends in part on its ability to generate traffic to and from the entire United States via its integrated domestic route network and its ability to overcome business and operational challenges across its network worldwide. Foreign carriers currently are prohibited by U.S. law from carrying local passengers between two points in the United States and the Company generally experiences comparable restrictions in foreign countries. Separately, "fifth freedom rights" allow the Company to operate between points in two different foreign countries and foreign carriers may also have fifth freedom rights between the U.S. and another foreign country. In the absence of fifth freedom rights, or some other extra-bilateral right to conduct operations between two foreign countries, U.S. carriers are constrained from carrying passengers to points beyond designated international gateway cities. To compensate partially for these structural limitations, U.S. and foreign carriers have entered into alliances, joint ventures and marketing arrangements that enable these carriers to exchange traffic between each other's flights and route networks. See *Alliances*, above, for additional information.

Seasonality. The air travel business is subject to seasonal fluctuations. Historically, demand for air travel is higher in the second and third quarters, driving higher revenues, than in the first and fourth quarters, which are periods of lower travel demand.

Industry Regulation

Domestic Regulation

All carriers engaged in air transportation in the United States are subject to regulation by the DOT. Absent an exemption, no air carrier may provide air transportation of passengers or property without first being issued a DOT certificate of public convenience and necessity. The DOT also grants international route authority, approves international codeshare arrangements and regulates methods of competition. The DOT regulates consumer protection and maintains jurisdiction over advertising, denied boarding compensation, tarmac delays, baggage liability and other areas and may add additional expensive regulatory burdens in the future. The DOT has

launched investigations or claimed rulemaking authority to regulate commercial agreements among carriers or between carriers and third parties in a wide variety of contexts.

Airlines are also regulated by the Federal Aviation Administration (the "FAA"), an agency within the DOT, primarily in the areas of flight safety, air carrier operations and aircraft maintenance and airworthiness The FAA issues air carrier operating certificates and aircraft airworthiness certificates, prescribes maintenance procedures, oversees airport operations, and regulates pilot and other employee training. From time to time, the FAA issues directives that require air carriers to inspect or modify aircraft and other equipment, potentially causing the Company to incur substantial, unplanned expenses. The airline industry is also subject to numerous other federal laws and regulations. The U.S Department of Homeland Security ("DHS") has jurisdiction over virtually every aspect of civil aviation security. The Antitrust Division of the U.S. Department of Justice ("DOJ") has jurisdiction over certain airline competition matters. The U.S. Postal Service has authority over certain aspects of the transportation of mail by airlines Labor relations in the airline industry are generally governed by the Railway Labor Act ("RLA"), a federal statute. The Company is also subject to investigation inquiries by the DOT, FAA, DOJ, DHS and other U.S. and international regulatory bodies.

Airport Access. Access to landing and take-off rights, or "slots," at several major U.S. airports and many foreign airports served by the Company are, or recently have been, subject to government regulation. Federally mandated domestic slot restrictions that limit operations and regulate capacity currently apply at Reagan National Airport in Washington, D.C. and at John F. Kennedy International Airport and LaGuardia Airport in the New York City metropolitan region. Additional restrictions on airline routes and takeoff and landing slots at these and other airports may be proposed in the future that could affect the Company's rights of ownership and transfer In April 2016, the FAA announced that it was lifting slot controls at Newark as of the winter 2016 season. This change may result in additional congestion at Newark and in the New York City metropolitan region airspace as a whole. If slots are eliminated at an airport, or if the number of hours of operation governed by slots is reduced at an airport, the lack of controls on takeoffs and landings could result in greater congestion both at the affected airport or in the regional airspace (e g , the New York City metropolitan airspace) and could significantly impact the Company's operations.

Legislation . The airline industry is subject to legislative activity that may have an impact on operations and costs In 2017, the U.S. Congress will continue to consider legislation to reauthorize the FAA, which encompasses all significant aviation tax and policy-related issues As with previous reauthorization legislation, the U.S. Congress may consider a range of policy changes that could impact operations and costs. Finally, aviation security continues to be the subject of legislative and regulatory action, requiring changes to the Company's security processes, potentially increasing the cost of its security procedures and affecting its operations.

International Regulation

International air transportation is subject to extensive government regulation. In connection with the Company's international services, the Company is regulated by both the U S. government and the governments of the foreign countries the Company serves In addition, the availability of international routes to U.S. carriers is regulated by aviation agreements between the U.S. and foreign governments, and in some cases, fares and schedules require the approval of the DOT and/or the relevant foreign governments.

Legislation. Foreign countries are increasingly enacting passenger protection laws, rules and regulations that meet or exceed U.S. requirements. In cases where this activity exceeds U.S requirements, additional burden and liability may be placed on the Company. Certain countries have regulations requiring passenger compensation and/or enforcement penalties from the Company in addition to changes in operating procedures due to canceled and delayed flights

Airport Access. Historically, access to foreign markets has been tightly controlled through bilateral agreements between the U.S. and each foreign country involved. These agreements regulate the markets served, the number of carriers allowed to serve each market and the frequency of carriers' flights. Since the early 1990s, the U.S. has pursued a policy of "Open Skies" (meaning all U.S -flag carriers have access to the destination), under which the

U S government has negotiated a number of bilateral agreements allowing unrestricted access between U S and foreign markets. Currently, there are more than 100 Open Skies agreements in effect However, even with Open Skies, many of the airports that the Company serves in Europe, Asia and Latin America maintain slot controls. A large number of these slot controls exist due to congestion, environmental and noise protection and reduced capacity due to runway and air traffic control ("ATC") construction work, among other reasons. London Heathrow International Airport, Frankfurt Rhein-Main Airport, Shanghai Pudong International Airport, Beijing Capital International Airport, Sao Paulo Guarulhos International Airport and Tokyo Haneda International Airport are among the most restrictive foreign airports due to slot and capacity limitations.

The Company's ability to serve some foreign markets and expand into certain others is limited by the absence of aviation agreements between the U.S. government and the relevant foreign governments. Shifts in U S. or foreign government aviation policies may lead to the alteration or termination of air service agreements. Depending on the nature of any such change, the value of the Company's international route authorities and slot rights may be materially enhanced or diminished.

Environmental Regulation

The airline industry is subject to increasingly stringent federal, state, local and international environmental requirements, including those regulating emissions to air, water discharges, safe drinking water and the use and management of hazardous substances and wastes.

Climate Change . There is an increasing global regulatory focus on greenhouse gas ("GHG") emissions and their potential impacts relating to climate change. In October 2013, the International Civil Aviation Organization ("ICAO"), a United Nations body, agreed to develop a global market based measure to address carbon emissions from international aviation, which was adopted in October 2016 The program, the Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA"), is intended to create a single global market-based measure to achieve carbon-neutral growth for international aviation after 2020, which will be achieved through airline purchases of carbon offset credits. Certain CORSIA program details remain to be developed and the impact of CORSIA cannot be fully predicted, but CORSIA is expected to increase operating costs for airlines that operate internationally In 2016, ICAO also adopted a carbon dioxide ("CO2") emission standard for aircraft and the U.S. Environmental Protection Agency has started the process required to adopt the standard. While the precise timing and final form of these various programs and requirements continue to evolve, the Company is taking various actions that are expected to help to reduce its CO2 emissions over time such as fleet renewal, aircraft retrofits and the commercialization of aviation alternative fuels.

Other Regulations . Our operations are subject to a variety of other environmental laws and regulations both in the United States and internationally. These include noise-related restrictions on aircraft types and operating times, which have or could in the future, result in curtailments in services, increased operating costs or limits on expansion. Certain foreign airports and/or governments either have or are seeking to establish environmental fees applicable to carbon emissions, local air quality pollutants and/or noise. In the United States, new regulations affecting underground storage tanks became effective in 2015, which are expected to affect certain airport fuel hydrant systems, potentially impacting operating costs. The implementation of revised national ambient air quality standards for ozone by individual affected states, scheduled for early 2020, is expected to trigger restrictions on mobile sources such as cars, trucks and airport ground support equipment in those jurisdictions where ozone levels exceed the new standards. Finally, environmental cleanup laws can require the Company to undertake or subject the Company to liability for investigation and remediation costs at owned or leased locations or third party disposal locations.

Until applicability of new regulations to our specific operations is better defined and/or when new regulations are finalized, future costs to comply with such regulations will remain uncertain but are likely to increase our operating costs over time. While we continue to monitor these developments, the precise nature of future requirements and their applicability to the Company are difficult to predict, but the financial impact to the Company and the aviation industry could be significant.

Employees

As of December 31, 2016, UAL, including its subsidiaries, had approximately 88,000 employees. Approximately 80% of the Company's employees were represented by various U.S. labor organizations as of December 31, 2016.

Collective bargaining agreements between the Company and its represented employee groups are negotiated under the RLA. Such agreements typically do not contain an expiration date and instead specify an amendable date, upon which the agreement is considered "open for amendment." In 2016, the Company finalized new or extension agreements with all 11 of its U.S. employee groups, including joint collective bargaining agreements with its flight attendants and technicians and related employees.

The following table reflects the Company's represented employee groups, the number of employees per represented group, union representation for each of United's employee groups, and the amendable date for each employee group's collective bargaining agreement as of December 31, 2016:

Employee Group	Number of Employees	Union	Agreement Open for Amendment
Flight Attendants	22,779	Association of Flight Attendants (the "AFA")	August 2021
Fleet Service	12,812	International Association of Machinists and Aerospace Workers (the "IAM")	December 2021
Passenger Service	12,012	IAM	December 2021
Pilots	11,454	Air Line Pilots Association, International	January 2019
Technicians and Related & Flight Simulator Technicians	9,521	International Brotherhood of Teamsters (the "IBT")	December 2022
Storekeeper Employees	977	IAM	December 2021
Dispatchers	396	Professional Airline Flight Control Association	December 2021
Fleet Tech Instructors	128	IAM	December 2021
Load Planners	67	IAM	December 2021
Security Officers	50	IAM	December 2021
Maintenance Instructors	42	IAM	December 2021

ITEM 1A. RISK FACTORS.

The following risk factors should be read carefully when evaluating the Company's business and the forward-looking statements contained in this report and other statements the Company or its representatives make from time to time. Any of the following risks could materially and adversely affect the Company's business, operating results, financial condition and the actual outcome of matters as to which forward-looking statements are made in this report.

Global economic, political and industry conditions constantly change and unfavorable conditions may have a material adverse effect on the Company's business and results of operations.

The Company's business and results of operations are significantly impacted by global economic and industry conditions. The airline industry is highly cyclical, and the level of demand for air travel is correlated to the strength of the U.S and global economies. The Company is a global business with operations outside of the United States from which it derives significant operating revenues. The Company's international operations are a vital part of its worldwide airline network. Volatile economic, political and market conditions in these international regions may have a negative impact on the Company's operating results and its ability to achieve its business objectives.

Robust demand for the Company's air transportation services depends largely on favorable economic conditions, including the strength of the domestic and foreign economies, low unemployment levels, strong consumer confidence levels and the availability of consumer and business credit Air transportation is often a discretionary purchase that leisure travelers may limit or eliminate during difficult economic times. In addition, during periods of unfavorable economic conditions, business travelers usually reduce the volume of their travel, either due to cost-saving initiatives or as a result of decreased business activity requiring travel. During such periods, the Company's business and results of operations may be adversely affected due to significant declines in industry passenger demand, particularly with respect to the Company's business and premium cabin travelers, and a reduction in fare levels

Stagnant or weakening global economic conditions either in the United States or in other geographic regions, and any future volatility in U.S. and global financial and credit markets may have a material adverse effect on the Company's revenues, results of operations and liquidity If such economic conditions were to disrupt capital markets in the future, the Company may be unable to obtain financing on acceptable terms (or at all) to refinance certain maturing debt and to satisfy future capital commitments.

Recently, United Kingdom ("UK") voters voted for the UK to exit the European Union (the "EU"), a non-binding referendum that, if passed into law, could adversely affect European and worldwide economic and market conditions and could contribute to instability in global financial and foreign exchange markets, including volatility in the value of the British pound and European euro, additional travel restrictions on passengers traveling between the UK and other EU countries and legal uncertainty and potentially divergent national laws and regulations. These adverse effects in European market conditions could negatively impact the Company's business, results of operations and financial condition.

In addition, significant or volatile changes in exchange rates between the U.S. dollar and other currencies may have a material adverse impact upon the Company's liquidity, revenues, costs and operating results.

The airline industry is highly competitive and susceptible to price discounting and changes in capacity, which could have a material adverse effect on the Company.

The U S. airline industry is characterized by substantial price competition including from low-cost carriers The significant market presence of low-cost carriers, which engage in substantial price discounting, may diminish our ability to achieve sustained profitability on domestic and international routes.

Airlines also compete for market share by increasing or decreasing their capacity, including route systems and the number of markets served Several of the Company's domestic and international competitors have increased

their international capacity by including service to some destinations that the Company currently serves, causing overlap in destinations served and therefore increasing competition for those destinations. This increased competition in both domestic and international markets may have a material adverse effect on the Company's results of operations, financial condition or liquidity.

Terrorist attacks or international hostilities, or the fear of terrorist attacks or hostilities, even if not made directly on the airline industry, could negatively affect the Company and the airline industry.

The terrorist attacks on September 11, 2001 involving commercial aircraft severely and adversely impacted the Company's financial condition and results of operations, as well as the prospects for the airline industry. Among the effects experienced from the September 11, 2001 terrorist attacks were substantial flight disruption costs caused by the FAA-imposed temporary grounding of the U.S airline industry's fleet, significantly increased security costs and associated passenger inconvenience, increased insurance costs, substantially higher ticket refunds and significantly decreased traffic and passenger revenue.

Additional terrorist attacks, even if not made directly on the airline industry, or the fear of or the precautions taken in anticipation of such attacks (including elevated national threat warnings or selective cancellation or redirection of flights) could materially and adversely affect the Company and the airline industry. Wars and other international hostilities could also have a material adverse impact on the Company's financial condition, liquidity and results of operations The Company's financial resources may not be sufficient to absorb the adverse effects of any future terrorist attacks or other international hostilities.

Increasing privacy and data security obligations or a significant data breach may adversely affect the Company's business.

The Company is subject to increasing legislative, regulatory and customer focus on privacy issues and data security Also, a number of the Company's commercial partners, including credit card companies, have imposed data security standards that the Company must meet and these standards continue to evolve. The Company will continue its efforts to meet its privacy and data security obligations; however, it is possible that certain new obligations may be difficult to meet and could increase the Company's costs. Additionally, the Company must manage evolving cybersecurity risks. The loss, disclosure, misappropriation of or access to customers', employees' or business partners' information or the Company's failure to meet its obligations could result in legal claims or proceedings, liability or regulatory penalties. A significant data breach or the Company's failure to meet its obligations may adversely affect the Company's reputation, business, results of operations and financial condition

The Company relies heavily on technology and automated systems to operate its business and any significant failure or disruption of the technology or these systems could materially harm its business.

The Company depends on automated systems and technology to operate its business, including computerized airline reservation systems, flight operations systems, revenue management systems, accounting systems, telecommunication systems and commercial websites, including www.united.com. United's website and other automated systems must be able to accommodate a high volume of traffic, maintain secure information and deliver important flight and schedule information, as well as process critical financial transactions These systems could suffer substantial or repeated disruptions due to various events, some of which are beyond the Company's control, including natural disasters, power failures, terrorist attacks, equipment or software failures, computer viruses or cyber security attacks. Substantial or repeated systems failures or disruptions, including failures or disruptions related to the Company's complex integration of systems, could reduce the attractiveness of the Company's services versus those of its competitors, materially impair its ability to market its services and operate its flights, result in the unauthorized release of confidential or otherwise protected information, result in increased costs, lost revenue and the loss or compromise of important data, and may adversely affect the Company's business, results of operations and financial condition

Current or future litigation and regulatory actions, or failure to comply with the terms of any settlement, order or arrangement relating to these actions, could have a material adverse impact on the Company.

From time to time, we are subject to litigation and other legal and regulatory proceedings relating to our business or investigations or other actions by governmental agencies, including as described in Part I, Item 3 "Legal Proceedings" of this annual report on Form 10-K. No assurances can be given that the results of these or new matters will be favorable to us. An adverse resolution of lawsuits, arbitrations, investigations or other proceedings or actions could have a material adverse effect on our financial condition and results of operations, including as a result of non-monetary remedies. Defending ourselves in these matters may be time-consuming, expensive and disruptive to normal business operations and may result in significant expense and a diversion of management's time and attention from the operation of our business, which could impede our ability to achieve our business objectives. Additionally, any amount that we may be required to pay to satisfy a judgment, settlement, fine or penalty may not be covered by insurance. If we fail to comply with the terms contained in any settlement, order or agreement with a governmental authority relating to these matters, we could be subject to criminal or civil penalties, which could have a material adverse impact on the Company. Under our charter and certain indemnification agreements that we have entered into (and may in the future enter into) with our officers, directors and certain third parties, we could be required to indemnify and advance expenses to them in connection with their involvement in certain actions, suits, investigations and other proceedings. There can be no assurance that any of these payments will not be material.

Disruptions to the Company's regional network and United Express flights provided by third-party regional carriers could adversely affect the Company's operations and financial condition.

The Company has contractual relationships with various regional carriers to provide regional jet and turboprop service branded as United Express. These regional operations are an extension of the Company's mainline network and complement the Company's operations by carrying traffic that connects to mainline service and allows flights to smaller cities that cannot be provided economically with mainline aircraft. The Company's business and operations are dependent on its regional flight network, with regional capacity accounting for approximately 11% of the Company's total capacity as of December 31, 2016.

Although the Company has agreements with its regional carriers that include contractually agreed performance metrics, the Company does not control the operations of these carriers. A number of factors may impact the Company's regional network, including weather-related effects and seasonality. In addition, the decrease in qualified pilots driven by federal regulations has adversely impacted and could continue to affect the Company's regional flying. For example, the FAA's expansion of minimum pilot qualification standards, including a requirement that a pilot have at least 1,500 total flight hours, as well as the FAA's revised pilot flight and duty time rules, effective January 2014, have contributed to a smaller supply of pilots available to regional carriers. The decrease in qualified pilots resulting from the regulations as well as factors including a decreased student pilot population and a shrinking U.S. military from which to hire qualified pilots, could adversely impact the Company's operations and financial condition, and also require the Company to reduce regional carrier flying.

If a significant disruption occurs to the Company's regional network or flights or if one or more of the regional carriers with which the Company has relationships is unable to perform their obligations over an extended period of time, there could be a material adverse effect on the Company's business, financial condition and operations.

The Company's business relies extensively on third-party service providers. Failure of these parties to perform as expected, or interruptions in the Company's relationships with these providers or their provision of services to the Company, could have an adverse effect on the Company's financial position and results of operations.

The Company has engaged third-party service providers to perform a large number of functions that are integral to its business, including regional operations, operation of customer service call centers, distribution and sale of airline seat inventory, provision of information technology infrastructure and services, transmitting or uploading of data, provision of aircraft maintenance and repairs, provision of various utilities and performance of aircraft

fueling operations, among other vital functions and services. The Company does not directly control these third-party service providers, although it does enter into agreements with most of them that define expected service performance. Any of these third-party service providers, however, may materially fail to meet their service performance commitments to the Company, may suffer disruptions to their systems that could impact their services, or the agreements with such providers may be terminated. For example, flight reservations booked by customers and travel agencies via third-party GDSs may be adversely affected by disruptions in the business relationships between the Company and GDS operators. Such disruptions, including a failure to agree upon acceptable contract terms when contracts expire or otherwise become subject to renegotiation, may cause the Company's flight information to be limited or unavailable for display, significantly increase fees for both the Company and GDS users and impair the Company's relationships with its customers and travel agencies. The failure of any of the Company's third-party service providers to perform their service obligations adequately, or other interruptions of services, may reduce the Company's revenues and increase its expenses, prevent the Company from operating its flights and providing other services to its customers or result in adverse publicity or harm to its brand. In addition, the Company's business and financial performance could be materially harmed if its customers believe that its services are unreliable or unsatisfactory.

Orders for new aircraft typically must be placed years in advance of scheduled deliveries, and changes in the Company's route network over time may make aircraft on order less economic for the Company, but any modification or termination of such orders could result in material liability for the Company.

The Company's orders for new aircraft are typically made years in advance of actual delivery of such aircraft, and the financial commitment required for purchases of new aircraft is substantial. At December 31, 2016, the Company had firm commitments to purchase 257 new aircraft from The Boeing Company ("Boeing"), Airbus S.A.S. ("Airbus") and Embraer S.A. ("Embraer"), as well as related agreements with engine manufacturers, maintenance providers and others. At December 31, 2016, the Company's commitments relating to the acquisition of aircraft and related spare engines, aircraft improvements and other related obligations aggregated $23.6 billion.

Subsequent to the Company placing an order for new aircraft, the Company's route network may change, such that the aircraft on order become less economic to operate flights in the Company's network. As a result, the Company's preference for a particular aircraft that it has ordered, often years in advance, may be decreased or eliminated. If the Company were to seek to modify or terminate its existing aircraft order commitments, it may be responsible for material obligations to its counterparties arising from any such change. However, the Company expects that any such change that it makes would be in the long-term best economic interest of the Company.

The Company could experience adverse publicity, harm to its brand, reduced travel demand and potential tort liability as a result of an accident, catastrophe, or incident involving its aircraft, the aircraft of its regional carriers or the aircraft of its codeshare partners, which may result in a material adverse effect on the Company's results of operations or financial position.

An accident, catastrophe, or incident involving an aircraft that the Company operates, or an aircraft that is operated by a codeshare partner or one of the Company's regional carriers, could have a material adverse effect on the Company if such accident, catastrophe, or incident created a public perception that the Company's operations, or the operations of its codeshare partners or regional carriers, are not safe or reliable, or are less safe or reliable than other airlines. Such public perception could in turn result in adverse publicity for the Company, cause harm to the Company's brand and reduce travel demand on the Company's flights, or the flights of its codeshare partners or regional carriers.

In addition, any such accident, catastrophe, or incident could expose the Company to significant tort liability. Although the Company currently maintains liability insurance in amounts and of the type the Company believes to be consistent with industry practice to cover damages arising from any such accident or catastrophe, and the Company's codeshare partners and regional carriers carry similar insurance and generally indemnify the

Company for their operations, if the Company's liability exceeds the applicable policy limits or the ability of another carrier to indemnify it, the Company could incur substantial losses from an accident, catastrophe or incident which may result in a material adverse effect on the Company's results of operations or financial position

If we experience changes in, or are unable to retain, our senior management team or other key employees, our operating results could be adversely affected.

Much of our future success depends on the continued availability of skilled personnel with industry experience and knowledge, including our senior management team and other key employees. If we are unable to attract and retain talented, highly qualified senior management and other key employees, or if we are unable to effectively provide for the succession of senior management, our business may be adversely affected.

High and/or volatile fuel prices or significant disruptions in the supply of aircraft fuel could have a material adverse impact on the Company's strategic plans, operating results, financial position and liquidity.

Aircraft fuel is critical to the Company's operations and is one of its single largest operating expenses. The timely and adequate supply of fuel to meet operational demand depends on the continued availability of reliable fuel supply sources, as well as related service and delivery infrastructure. Although the Company has some ability to cover short-term fuel supply and infrastructure disruptions at some major demand locations, it can neither predict nor guarantee the continued timely availability of aircraft fuel throughout the Company's system. The Company generally sources fuel at prevailing market prices.

Aircraft fuel has historically been the Company's most volatile operating expense due to the highly unpredictable nature of market prices for fuel Market prices for aircraft fuel have historically fluctuated substantially in short periods of time and continue to be highly volatile due a dependence on a multitude of unpredictable factors beyond the Company's control These factors include changes in global crude oil prices, the balance between aircraft fuel supply and demand, natural disasters, prevailing inventory levels and fuel production and transportation infrastructure. Prices of fuel are also impacted by indirect factors that may potentially impact fuel supply or demand balance, such as geopolitical events, economic growth indicators, fiscal/monetary policies, fuel tax policies, environmental concerns and financial investments in energy markets Both actual changes in these factors, as well as changes in market expectations of these factors can potentially drive rapid changes in fuel price levels in short periods of time.

Given the highly competitive nature of the airline industry, the Company may not be able to increase its fares and fees sufficiently to offset the full impact of increases in fuel prices, especially if these increases are significant, rapid and sustained. Further, such fare and fee increases may not be sustainable, may reduce the general demand for air travel and may also eventually impact the Company's strategic growth and investment plans for the future In addition, decreases in fuel prices for an extended period of time may result in increased industry capacity, increased competitive actions for market share and lower fares or surcharges in general If fuel prices were to then subsequently rise quickly, there may be a lag between the rise in fuel prices and any improvement of the revenue environment.

To protect against increases in the market prices of fuel, the Company may hedge a portion of its future fuel requirements However, the Company's hedging program may not be successful in mitigating higher fuel costs, and any price protection provided may be limited due to choice of hedging instruments and market conditions, including breakdown of correlation between hedging instrument and market price of aircraft fuel and failure of hedge counterparties. To the extent that the Company decides to hedge a portion of its future fuel requirements and uses hedge contracts that have the potential to create an obligation to pay upon settlement if fuel prices decline significantly, such hedge contracts may limit the Company's ability to benefit fully from lower fuel costs in the future. If fuel prices decline significantly from the levels existing at the time the Company enters into a hedge contract, the Company may be required to post collateral (margin) beyond certain thresholds There can be no assurance that the Company's hedging arrangements will provide any particular level of protection against

rises in fuel prices or that its counterparties will be able to perform under the Company's hedging arrangements. Additionally, deterioration in the Company's financial condition could negatively affect its ability to enter into new hedge contracts in the future.

See Note 10 to the financial statements included in Part II, Item 8 of this report for additional information on the Company's hedging activities.

Union disputes, employee strikes or slowdowns, and other labor-related disruptions could adversely affect the Company's operations and could result in increased costs that impair its financial performance.

United is a highly unionized company. As of December 31, 2016, the Company and its subsidiaries had approximately 88,000 active employees, of whom approximately 80% were represented by various U S. labor organizations.

There is a risk that unions or individual employees might pursue judicial or arbitral claims arising out of changes implemented as a result of the Company entering into collective bargaining agreements with its represented employee groups. There is also a possibility that employees or unions could engage in job actions such as slowdowns, work-to-rule campaigns, sick-outs or other actions designed to disrupt the Company's normal operations, in an attempt to pressure the Company in collective bargaining negotiations. Although the RLA makes such actions unlawful until the parties have been lawfully released to self-help, and the Company can seek injunctive relief against premature self-help, such actions can cause significant harm even if ultimately enjoined. In addition, collective bargaining agreements with the Company's represented employee groups increase the Company's labor costs, which increase could be material for any applicable reporting period.

See Notes 15 and 16 to the financial statements included in Part II, Item 8 of this report for additional information on labor negotiations and costs.

An outbreak of a disease or similar public health threat could have a material adverse impact on the Company's business, financial position and results of operations.

An outbreak of a disease or similar public health threat that affects travel demand or travel behavior, or travel restrictions or reduction in the demand for air travel caused by an outbreak of a disease or similar public health threat in the future, could have a material adverse impact on the Company's business, financial condition and results of operations.

Extensive government regulation could increase the Company's operating costs and restrict its ability to conduct its business.

Airlines are subject to extensive regulatory and legal oversight. Compliance with U S. and international regulations imposes significant costs and may have adverse effects on the Company. Laws, regulations, taxes and airport rates and charges, both domestically and internationally, have been proposed from time to time that could significantly increase the cost of airline operations or reduce airline revenue.

United provides air transportation under certificates of public convenience and necessity issued by the DOT If the DOT altered, amended, modified, suspended or revoked these certificates, it could have a material adverse effect on the Company's business. The FAA regulates the safety of United's operations. United operates pursuant to an air carrier operating certificate issued by the FAA. In January 2014, the FAA's more stringent pilot flight and duty time requirements under Part 117 of the Federal Aviation Regulations took effect, which has increased costs for all carriers. In July 2014, minimum qualifications took effect for air carrier first officers. These regulations will continue to impact the industry and the Company for years to come, as they have caused mainline airlines to hire regional pilots, while simultaneously significantly reducing the pool of new pilots from which regional carriers themselves can hire Although this is an industry issue, it directly affects the Company and requires it to reduce regional partner flying, as several regional partners have experienced difficulty flying their schedules due to reduced pilot availability. From time to time, the FAA also issues orders, airworthiness

directives and other regulations relating to the maintenance and operation of aircraft that require material expenditures or operational restrictions by the Company. These FAA orders and directives could include the temporary grounding of an entire aircraft type if the FAA identifies design, manufacturing, maintenance or other issues requiring immediate corrective action These FAA directives or requirements could have a material adverse effect on the Company

In addition, the Company's operations may be adversely impacted due to the existing antiquated ATC system utilized by the U S government. During peak travel periods in certain markets, the current ATC system's inability to handle ATC demand has led to short-term capacity constraints imposed by government agencies and resulted in delays and disruptions of air traffic. In addition, the current system will not be able to effectively handle projected future air traffic growth Imposition of these ATC constraints on a long-term basis may have a material adverse effect on the Company's operations. Failure to update the ATC system in a timely manner, and the substantial funding requirements of a modernized ATC system that may be imposed on air carriers may have an adverse impact on the Company's financial condition or results of operations

Access to landing and take-off rights, or "slots," at several major U.S. airports and many foreign airports served by the Company are, or recently have been, subject to government regulation. Certain of the Company's major hubs are among the most congested airports in the United States and have been or could be the subject of regulatory action that might limit the number of flights and/or increase costs of operations at certain times or throughout the day. The FAA may limit the Company's airport access by limiting the number of departure and arrival slots at high density traffic airports, which could affect the Company's ownership and transfer rights, and local airport authorities may have the ability to control access to certain facilities or the cost of access to their facilities, which could have an adverse effect on the Company's business The FAA historically has taken actions with respect to airlines' slot holdings that airlines have challenged, if the FAA were to take actions that adversely affect the Company's slot holdings, the Company could incur substantial costs to preserve its slots or may lose slots. If slots are eliminated at an airport, or if the number of hours of operation governed by slots is reduced at an airport, the lack of controls on takeoffs and landings could result in greater congestion both at the affected airport or in the regional airspace (e.g , the New York City metropolitan region airspace) and could significantly impact the Company's operations. Further, the Company's operating costs at airports, including the Company's major hubs, may increase significantly because of capital improvements at such airports that the Company may be required to fund, directly or indirectly. Such costs could be imposed by the relevant airport authority without the Company's approval and may have a material adverse effect on the Company's financial condition.

The ability of carriers to operate flights on international routes between the United States and other countries may be subject to change. Applicable arrangements between the United States and foreign governments may be amended from time to time, government policies with respect to airport operations may be revised, and the availability of appropriate slots or facilities may change The Company currently operates a number of flights on international routes under government arrangements, regulations or policies that designate the number of carriers permitted to operate on such routes, the capacity of the carriers providing services on such routes, the airports at which carriers may operate international flights, or the number of carriers allowed access to particular airports. Any further limitations, additions or modifications to such arrangements, regulations or policies could have a material adverse effect on the Company's financial position and results of operations Additionally, a change in law, regulation or policy for any of the Company's international routes, such as Open Skies, could have a material adverse impact on the Company's financial position and results of operations and could result in the impairment of material amounts of related tangible and intangible assets. In addition, competition from revenue-sharing joint ventures and other alliance arrangements by and among other airlines could impair the value of the Company's business and assets on the Open Skies routes. The Company's plans to enter into or expand U.S. antitrust immunized alliances and joint ventures on various international routes are subject to receipt of approvals from applicable U.S. federal authorities and obtaining other applicable foreign government clearances or satisfying the necessary applicable regulatory requirements There can be no assurance that such approvals and clearances will be granted or will continue in effect upon further regulatory review or that changes in regulatory requirements or standards can be satisfied.

Many aspects of the Company's operations are also subject to increasingly stringent federal, state, local and international laws protecting the environment. Future environmental regulatory developments, such as climate change regulations in the United States and abroad could adversely affect operations and increase operating costs in the airline industry. In addition, there is the potential for additional regulatory actions in regard to the emission of GHGs by the aviation industry. The precise nature of future requirements and their applicability to the Company are difficult to predict, but the financial impact to the Company and the aviation industry would likely be adverse and could be significant.

In 2017, the U.S. Congress will continue to consider legislation to reauthorize the FAA, which encompasses all significant aviation tax and policy related issues. As with previous reauthorization legislation, the U.S. Congress may consider a range of policy changes that could impact the Company's operations and costs.

See Part I, Item 1, Business—Industry Regulation, of this report for additional information on government regulation impacting the Company.

The airline industry may undergo further change with respect to alliances and joint ventures or due to consolidations, any of which could have a material adverse effect on the Company.

The Company faces and may continue to face strong competition from other carriers due to the modification of alliances and formation of new joint ventures. Carriers may improve their competitive positions through airline alliances, slot swaps and/or joint ventures. Certain types of airline joint ventures further competition by allowing multiple airlines to coordinate routes, pool revenues and costs, and enjoy other mutual benefits, achieving many of the benefits of consolidation. "Open Skies" agreements, including the agreements between the United States and the EU and between the United States and Japan, may also give rise to better integration opportunities among international carriers. Movement of airlines between current global airline alliances could reduce joint network coverage for members of such alliances while also creating opportunities for joint ventures and bilateral alliances that did not exist before such realignment. There is ongoing speculation that further airline and airline alliance consolidations or reorganizations could occur in the future, especially if new "Open Skies" agreements between Brazil and the United States are fully implemented. The Company routinely engages in analysis and discussions regarding its own strategic position, including current and potential alliances, asset acquisitions and divestitures and may have future discussions with other airlines regarding strategic activities. If other airlines participate in such activities, those airlines may significantly improve their cost structures or revenue generation capabilities, thereby potentially making them stronger competitors of the Company and potentially impairing the Company's ability to realize expected benefits from its own strategic relationships.

Insufficient liquidity may have a material adverse effect on the Company's financial position and business.

The Company has a significant amount of financial leverage from fixed obligations, including aircraft lease and debt financings, leases of airport property and other facilities, and other material cash obligations. In addition, the Company has substantial noncancelable commitments for capital expenditures, including for the acquisition of new aircraft and related spare engines.

Although the Company's cash flows from operations and its available capital, including the proceeds from financing transactions, have been sufficient to meet these obligations and commitments to date, the Company's future liquidity could be negatively affected by the risk factors discussed in this Item 1A., including, but not limited to, substantial volatility in the price of fuel, adverse economic conditions, disruptions in the global capital markets and catastrophic external events.

If the Company's liquidity is materially diminished due to the various risk factors noted in this Item 1A. or otherwise, the Company might not be able to timely pay its leases and debts or comply with certain operating and financial covenants under its financing and credit card processing agreements or with other material provisions of its contractual obligations. Certain of these covenants require the Company or United, as applicable, to maintain minimum liquidity and/or minimum collateral coverage ratios. The Company's or United's ability to comply with these covenants may be affected by events beyond its control, including the overall industry revenue environment, the level of fuel costs and the appraised value of the collateral.

If the Company does not timely pay its leases and debts or comply with such covenants, a variety of adverse consequences could result These potential adverse consequences include an increase of required reserves under credit card processing agreements, withholding of credit card sale proceeds by its credit card service providers, loss of undrawn lines of credit, the occurrence of one or more events of default under the relevant agreements, the acceleration of the maturity of debt and/or the exercise of other remedies by its creditors and equipment lessors that could result in a material adverse effect on the Company's financial position and results of operations. The Company cannot provide assurance that it would have sufficient liquidity to repay or refinance such debt if it were accelerated. In addition, an event of default or acceleration of debt under certain of its financing agreements could result in one or more events of default under certain of the Company's other financing agreements due to cross default and cross acceleration provisions

Furthermore, insufficient liquidity may limit the Company's ability to withstand competitive pressures and downturns in the travel business and the economy in general

The Company's substantial level of indebtedness and non-investment grade credit rating, as well as market conditions and the availability of assets as collateral for loans or other indebtedness, may make it difficult for the Company to raise additional capital if needed to meet its liquidity needs on acceptable terms, or at all.

See Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of this report for additional information regarding the Company's liquidity.

Increases in insurance costs or reductions in insurance coverage may materially and adversely impact the Company's results of operations and financial condition.

The Company could be exposed to significant liability or loss if its property or operations were to be affected by a natural catastrophe or other event, including aircraft accidents If the Company is unable to obtain sufficient insurance (including but not limited to terrorism, aviation hull and liability, workers' compensation and property and business interruption insurance) with acceptable terms or if the coverage obtained is insufficient relative to actual liability or losses that the Company experiences, whether due to insurance market conditions or otherwise, its results of operations and financial condition could be materially and adversely affected.

The Company's results of operations fluctuate due to seasonality and other factors associated with the airline industry.

Due to greater demand for air travel during the spring and summer months, revenues in the airline industry in the second and third quarters of the year are generally stronger than revenues in the first and fourth quarters of the year, which are periods of lower travel demand. The Company's results of operations generally reflect this seasonality, but have also been impacted by numerous other factors that are not necessarily seasonal including, among others, the imposition of excise and similar taxes, extreme or severe weather, ATC congestion, geological events, natural disasters, changes in the competitive environment due to industry consolidation, general economic conditions and other factors As a result, the Company's quarterly operating results are not necessarily indicative of operating results for an entire year and historical operating results in a quarterly or annual period are not necessarily indicative of future operating results

The Company may never realize the full value of its intangible assets or its long-lived assets causing it to record impairments that may negatively affect its financial position and results of operations.

In accordance with applicable accounting standards, the Company is required to test its indefinite-lived intangible assets for impairment on an annual basis, or more frequently if conditions indicate that an impairment may have occurred. In addition, the Company is required to test certain of its other assets for impairment if conditions indicate that an impairment may have occurred

The Company may be required to recognize impairments in the future due to, among other factors, extreme fuel price volatility, tight credit markets, a decline in the fair value of certain tangible or intangible assets,

unfavorable trends in historical or forecasted results of operations and cash flows and an uncertain economic environment, as well as other uncertainties. The Company can provide no assurance that a material impairment charge of tangible or intangible assets will not occur in a future period. The value of the Company's aircraft could be impacted in future periods by changes in supply and demand for these aircraft. Such changes in supply and demand for certain aircraft types could result from grounding of aircraft by the Company or other carriers. An impairment charge could have a material adverse effect on the Company's financial position and results of operations.

The Company's ability to use its net operating loss carryforwards to offset future taxable income for U.S. federal income tax purposes may be significantly limited due to various circumstances, including certain possible future transactions involving the sale or issuance of UAL common stock, or if taxable income does not reach sufficient levels.

As of December 31, 2016, UAL reported consolidated federal net operating loss ("NOL") carryforwards of approximately $4.4 billion.

The Company's ability to use its NOL carryforwards may be limited if it experiences an "ownership change" as defined in Section 382 ("Section 382") of the Internal Revenue Code of 1986, as amended. An ownership change generally occurs if certain stockholders increase their aggregate percentage ownership of a corporation's stock by more than 50 percentage points over their lowest percentage ownership at any time during the testing period, which is generally the three-year period preceding any potential ownership change.

There is no assurance that the Company will not experience a future ownership change under Section 382 that may significantly limit or possibly eliminate its ability to use its NOL carryforwards. Potential future transactions involving the sale or issuance of UAL common stock, including the exercise of conversion options under the terms of any convertible debt that UAL may issue in the future, the repurchase of such debt with UAL common stock, any issuance of UAL common stock for cash, and the acquisition or disposition of such stock by a stockholder owning 5% or more of UAL common stock, or a combination of such transactions, may increase the possibility that the Company will experience a future ownership change under Section 382.

Under Section 382, a future ownership change would subject the Company to additional annual limitations that apply to the amount of pre-ownership change NOLs that may be used to offset post-ownership change taxable income. This limitation is generally determined by multiplying the value of a corporation's stock immediately before the ownership change by the applicable long-term tax-exempt rate. Any unused annual limitation may, subject to certain limits, be carried over to later years, and the limitation may under certain circumstances be increased by built-in gains in the assets held by such corporation at the time of the ownership change. This limitation could cause the Company's U.S. federal income taxes to be greater, or to be paid earlier, than they otherwise would be, and could cause all or a portion of the Company's NOL carryforwards to expire unused. Similar rules and limitations may apply for state income tax purposes. The Company's ability to use its NOL carryforwards will also depend on the amount of taxable income it generates in future periods. Its NOL carryforwards may expire before the Company can generate sufficient taxable income to use them in full.

Our significant investments in airlines in other parts of the world and the commercial relationships that we have with those carriers may not produce the returns or results we expect.

An important part of our strategy to expand our global network includes making significant investments in airlines in other parts of the world and expanding our commercial relationships with these carriers. In 2015, we made a $100 million investment in Azul Linhas Aéreas Brasileiras S.A. ("Azul") and enhanced our commercial arrangements with Azul. We expect to continue exploring similar non-controlling investments in, and entering into joint ventures, commercial agreements, loan transactions and strategic alliances with, other carriers as part of our global business strategy. These transactions and relationships (including our strategic partnership with, and investment in, Azul) involve significant challenges and risks, including that we may not realize a satisfactory return on our investment, that we may not receive repayment of invested funds, that they may distract

management from our operations or that they may not generate the expected revenue synergies. These events could have a material adverse effect on our operating results or financial condition.

In addition, we are dependent on these other carriers for significant aspects of our network in the regions in which they operate While we work closely with these carriers, we do not have control over their operations or business methods We may be subject to consequences from any improper behavior of joint venture partners, including for failure to comply with anti-corruption laws such as the United States Foreign Corrupt Practices Act. Furthermore, our relationships with these carriers may be subject to the laws and regulations of non-U.S. jurisdictions in which these carriers are located or conduct business. Any political or regulatory change in these jurisdictions that negatively impact or prohibit our arrangements with these carriers could have an adverse effect on our results of operations or financial condition. To the extent that the operations of any of these carriers are disrupted over an extended period of time or their actions subject us to the consequences of failure to comply with laws and regulations, our results of operations may be adversely affected

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

Fleet

Including aircraft operated by United's regional carriers, United's fleet consisted of 1,231 aircraft as of December 31, 2016, the details of which are presented in the tables below:

Aircraft Type	Total	Owned	Leased	Seats in Standard Configuration	Average Age (In Years)
Mainline:					
747-400	20	15	5	374	20.9
777-300ER	2	2	—	366	—
777-200ER	55	38	17	267-269	16.8
777-200	19	19	—	266-364	19.5
787-9	18	18	—	252	1.4
787-8	12	12	—	219	3.5
767-400ER	16	14	2	242	15.3
767-300ER	35	22	13	183-214	21.5
757-300	21	9	12	213	14.3
757-200	56	47	9	142-169	19.9
737-900ER	136	136	—	167-179	4.0
737-900	12	8	4	167-179	15.3
737-800	137	64	73	154-166	13.2
737-700	40	14	26	118-126	17.8
A320-200	97	57	40	150	18.5
A319-100	61	47	14	128	16.3
Total mainline	737	522	215		13.9

Aircraft Type	Capacity Purchase Agreement Total	Owned	Leased	Owned or Leased by Regional Carrier	Regional Carrier Operator and Number of Aircraft	Seats in Standard Configuration
Regional:						
Embraer E175	118	30	—	88	SkyWest: 54 Mesa: 48 Republic: 16	76
Embraer 170	38	—	—	38	Republic: 34 Shuttle: 4	70
CRJ700	79	—	—	79	SkyWest: 34 GoJet: 25 Mesa: 20	70
CRJ200	50	—	29	21	SkyWest: 50	50
Embraer ERJ 145 (XR/ER/LR)	183	16	167	—	ExpressJet: 139 Trans States: 34 CommutAir: 10	50
Q300	5	—	—	5	CommutAir: 5	50
Embraer ERJ 135	5	—	5	—	ExpressJet: 5	37
Q200	16	—	—	16	CommutAir: 16	37
Total regional	494	46	201	247		
Total	1,231	568	416	247		

In addition to the aircraft presented in the tables above, United owns or leases the following aircraft listed below as of December 31, 2016.

- One owned Boeing 767-200, which is being subleased to another airline,
- Four Boeing 757-200s, which are owned and being held for disposition;
- Ten leased Embraer ERJ 135s, which are permanently grounded; and
- Three owned Embraer ERJ 145s, which are temporarily grounded.

Firm Order and Option Aircraft

As of December 31, 2016, United had firm commitments and options to purchase aircraft from Boeing, Embraer and Airbus presented in the table below:

Aircraft Type	Number of Firm Commitments (a)
Airbus A350-1000	35
Boeing 737NG/737MAX	165
Boeing 777-300ER	12
Boeing 787-8/-9/-10	21
Embraer E175	24

(a) United also has options and purchase rights for additional aircraft

In 2016, United announced a modification to its then-existing narrow body order book by converting its original order for 65 Boeing 737-700 aircraft into four 737-800s to be delivered in 2017 and 61 Boeing 737MAX aircraft with delivery dates to be determined.

The aircraft listed in the table above are scheduled for delivery from 2017 through 2027. In 2017, United expects to take delivery of four Boeing 737NG aircraft, three Boeing 787-9 aircraft, 12 Boeing 777-300ER aircraft, 24 Embraer aircraft and six used Airbus A319s. In addition, up to 14 additional used Airbus A319s may be delivered between 2018 and 2021, subject to certain conditions. To the extent the Company and the aircraft manufacturers with whom the Company has existing orders for new aircraft agree to modify the contracts governing those orders, the amount and timing of the Company's future capital commitments could change See Notes 11 and 15 to the financial statements included in Part II, Item 8 of this report for additional information.

Facilities

United's principal facilities relate to leases of airport facilities, gates, hangar sites, terminal buildings and other facilities in the municipalities it serves. United has major terminal facility leases at SFO, Washington Dulles, Chicago O'Hare, LAX, Denver, Newark, Houston Bush, Hopkins International Airport and Guam with expiration dates ranging from 2018 to 2041 Substantially all of these facilities are leased on a net-rental basis, resulting in the Company's responsibility for maintenance, insurance and other facility-related expenses and services.

United also maintains administrative offices, catering, cargo, training facilities, maintenance facilities and other facilities to support operations in the cities served. United also has multiple leases, which expire from 2017 through 2029 for its principal executive office and operations center in downtown Chicago, and certain administrative offices in downtown Houston.

ITEM 3. LEGAL PROCEEDINGS.

On June 30, 2015, UAL received a Civil Investigative Demand ("CID") from the Antitrust Division of the DOJ seeking documents and information from the Company in connection with a DOJ investigation related to statements and decisions about airline capacity The Company is working with the DOJ and has completed its response to the CID. The Company is not able to predict what action, if any, might be taken in the future by the DOJ or other governmental authorities as a result of the investigation. Beginning on July 1, 2015, subsequent to the announcement of the CID, UAL and United were named as defendants in multiple class action lawsuits that

asserted claims under the Sherman Antitrust Act, which have been consolidated in the United States District Court for the District of Columbia. The complaints generally allege collusion among U.S. airlines on capacity impacting airfares and seek treble damages. The Company intends to vigorously defend against the class action lawsuits.

On October 13, 2015, United received a CID from the Civil Division of the DOJ. The CID requested documents and oral testimony from United in connection with an industry-wide DOJ investigation related to delivery scan and other data purportedly required for payment for the carriage of mail under United's International Commercial Air Contracts with the United States Postal Service. The Company has been responding to the DOJ's request and cooperating in the investigation since that time. On November 8, 2016, the DOJ Criminal Division met with representatives from the Company and advised they are conducting an industry-wide investigation into the same matter. The Company is also cooperating with the government in this aspect of their investigation and on December 21, 2016 representatives from the Company met with both the Civil and Criminal Divisions to provide additional information. The Company cannot predict what action, if any, might be taken in the future by the DOJ or other governmental authorities as a result of these investigations.

As disclosed in the Company's prior two Annual Reports on Form 10-K for fiscal years 2014 and 2015, the Company and certain of its current and former executive officers and employees received federal grand jury subpoenas requesting records and testimony related to certain individuals formerly associated with the Port Authority of New York and New Jersey and related operations of the Company. As announced on September 8, 2015, certain of the Company's executives stepped down in connection with its related internal investigation. The Company cooperated with the investigation by the USAO in respect of the Port Authority matter and, as announced on July 14, 2016, the Company reached a resolution in the form of a Non-Prosecution Agreement with the USAO. As announced on December 2, 2016, the Company also resolved the previously disclosed related investigation by the SEC in respect of the Port Authority matter.

Other Legal Proceedings

The Company is involved in various other claims and legal actions involving passengers, customers, suppliers, employees and government agencies arising in the ordinary course of business. Additionally, from time to time, the Company becomes aware of potential non-compliance with applicable environmental regulations, which have either been identified by the Company (through internal compliance programs such as its environmental compliance audits) or through notice from a governmental entity. In some instances, these matters could potentially become the subject of an administrative or judicial proceeding and could potentially involve monetary sanctions. After considering a number of factors, including (but not limited to) the views of legal counsel, the nature of contingencies to which the Company is subject and prior experience, management believes that the ultimate disposition of these other claims and legal actions will not materially affect its consolidated financial position or results of operations. However, the ultimate resolutions of these matters are inherently unpredictable. As such, the Company's financial condition and results of operations could be adversely affected in any particular period by the unfavorable resolution of one or more of these matters.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

UAL's common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "UAL." The following table sets forth the ranges of high and low sales prices per share of UAL common stock during the last two fiscal years, as reported by the NYSE:

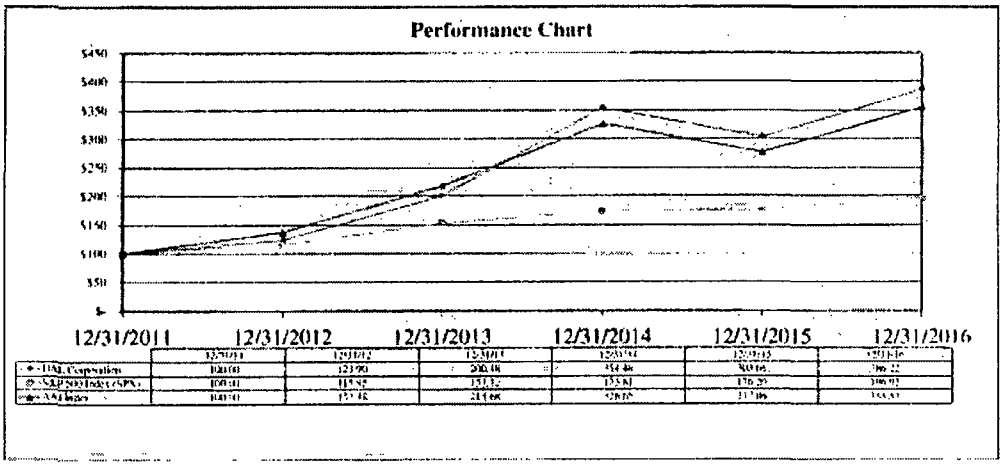
	UAL			
	2016		2015	
	High	Low	High	Low
1st quarter	$ 61.41	$ 42.17	$ 74.52	$ 62.37
2nd quarter	58.90	37.41	65.85	49.85
3rd quarter	54.53	37.64	62.21	49.20
4th quarter	76.80	51.34	61.87	49.76

Based on reports by the Company's transfer agent for UAL common stock, as of February 13, 2017, there were 8,049 holders of record of UAL common stock.

UAL did not pay any dividends in 2016 or 2015. Under the restricted payment provisions of the Company's Credit and Guaranty Agreement, dated as of March 27, 2013 (the "Credit Agreement"), and certain indentures, UAL's ability to pay dividends on or repurchase UAL's common stock is subject to limits on the amount of such payments and to certain conditions, including that no default or event of default exists under those instruments and that after giving effect to the making of any such payments, UAL would be in compliance with a minimum fixed charge coverage ratio. Any future determination regarding dividend or distribution payments will be at the discretion of the UAL Board of Directors, subject to the foregoing limits and applicable limitations under Delaware law

United paid dividends of $2.6 billion and $1.2 billion to UAL in 2016 and 2015, respectively.

The following graph shows the cumulative total stockholder return for UAL's common stock during the period from December 31, 2011 to December 31, 2016 The graph also shows the cumulative returns of the Standard and Poor's ("S&P") 500 Index and the NYSE Arca Airline Index ("AAI") of 15 investor-owned airlines. The comparison assumes $100 was invested on December 31, 2011 in UAL common stock.



Note: The stock price performance shown in the graph above should not be considered indicative of potential future stock price performance. The foregoing performance graph is being furnished as part of this report solely in accordance with the requirement under Rule 14a-3(b)(9) to furnish our stockholders with such information, and therefore, shall not be deemed to be filed or incorporated by reference into any filings by the Company under the Securities Act or the Exchange Act.

The following table presents repurchases of UAL common stock made in the fourth quarter of 2016.

Period	Total number of shares purchased (a)(b)	Average price paid per share (b)(c)	Total number of shares purchased as part of publicly announced plans or programs (a)	Approximate dollar value of shares that may yet be purchased under the plans or programs (in millions) (a)
October 1, 2016 through October 31, 2016	1,282,714	$ 54.19	1,282,714	$ 1,930
November 1, 2016 through November 30, 2016	1,368,204	62.96	1,368,204	1,844
December 1, 2016 through December 31, 2016	—	—	—	1,844
Total	2,650,918		2,650,918	

(a) In 2016, UAL repurchased approximately 50 million shares of UAL common stock for $2.6 billion. In July 2016, UAL's Board of Directors authorized a $2 billion share repurchase program to acquire UAL's common stock. As of December 31, 2016, the Company had approximately $1.8 billion remaining to purchase shares under its share repurchase program. UAL may repurchase shares through the open market, privately negotiated transactions, block trades or accelerated share repurchase transactions from time to time in accordance with applicable securities laws.

(b) The table does not include shares withheld from employees to satisfy certain tax obligations due upon the vesting of restricted stock units. The United Continental Holdings, Inc. 2008 Incentive Compensation Plan provides for the withholding of shares to satisfy tax obligations due upon the vesting of restricted stock units. However, this plan does not specify a maximum number of shares that may be withheld for this purpose. A total of 502 shares were withheld under this plan in the fourth quarter of 2016 at an average share price of $62.50. These shares of common stock withheld to satisfy tax withholding obligations may be deemed to be "issuer purchases" of shares that are required to be disclosed pursuant to this Item.

(c) Average price paid per share is calculated on a settlement basis and excludes commission.

ITEM 6. SELECTED FINANCIAL DATA.

UAL's consolidated financial statements and statistical data are provided in the tables below:

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Income Statement Data (in millions, except per share amounts):					
Operating revenue	$ 36,556	$ 37,864	$ 38,901	$ 38,279	$ 37,152
Operating expense	32,218	32,698	36,528	37,030	37,113
Operating income	4,338	5,166	2,373	1,249	39
Net income (loss)	2,263	7,340	1,132	571	(723)
Basic earnings (loss) per share	6.86	19.52	3.05	1.64	(2.18)
Diluted earnings (loss) per share	6.85	19.47	2.93	1.53	(2.18)
Balance Sheet Data at December 31 (in millions):					
Unrestricted cash, cash equivalents and short-term investments	$ 4,428	$ 5,196	$ 4,384	$ 5,121	$ 6,543
Total assets	40,140	40,861	36,595	36,021	36,963
Debt and capital lease obligations	11,705	11,759	11,947	12,293	13,043

Mainline	Year Ended December 31, 2016	2015	2014	2013	2012
Passengers (thousands) (a)	101,007	96,327	91,475	91,329	93,595
Revenue passenger miles ("RPMs") (millions) (b)	186,181	183,642	179,015	178,578	179,416
Available seat miles ("ASMs") (millions) (c)	224,692	219,989	214,105	213,007	216,330
Cargo ton miles (millions)	2,805	2,614	2,487	2,213	2,460
Passenger load factor (d)	82.9%	83.5%	83.6%	83.8%	82.9%
Passenger revenue per available seat mile ("PRASM") (cents)	11.31	11.97	12.51	12.20	11.93
Total revenue per available seat mile (cents)	13.50	14.19	14.81	14.51	13.92
Average yield per revenue passenger mile ("Yield") (cents) (e)	13.65	14.34	14.96	14.56	14.38
Cost per available seat mile ("CASM") (cents)	12.22	12.42	14.03	14.31	11.12
Average price per gallon of fuel, including fuel taxes	$ 1.49	$ 1.96	$ 2.98	$ 3.12	$ 3.27
Fuel gallons consumed (millions)	3,261	3,216	3,183	3,204	3,275
Average stage length (miles) (f)	1,859	1,922	1,958	1,934	1,895
Average daily utilization of each aircraft (hours) (g)	10.06	10.24	10.26	10.29	10.38
Consolidated					
Passengers (thousands) (a)	143,172	140,369	138,029	139,209	140,441
RPMs (millions) (b)	210,309	208,611	205,559	205,167	205,185
ASMs (millions) (c)	253,590	250,003	246,021	245,354	248,860
Passenger load factor (d)	82.9%	83.4%	83.6%	83.6%	82.6%
PRASM (cents)	12.40	13.11	13.72	13.50	13.09
Total revenue per available seat mile (cents)	14.42	15.15	15.81	15.60	14.93
Yield (cents) (e)	14.96	15.72	16.42	16.14	15.86
CASM (cents)	12.70	13.08	14.85	15.09	14.91
Average price per gallon of fuel, including fuel taxes	$ 1.49	$ 1.94	$ 2.99	$ 3.13	$ 3.27
Fuel gallons consumed (millions)	3,904	3,886	3,905	3,947	4,016
Average stage length (miles) (f)	1,473	1,487	1,480	1,445	1,429

(a) The number of revenue passengers measured by each flight segment flown.
(b) The number of scheduled miles flown by revenue passengers
(c) The number of seats available for passengers multiplied by the number of scheduled miles those seats are flown
(d) RPM divided by ASM
(e) The average passenger revenue received for each revenue passenger mile flown
(f) Average stage length equals the average distance a flight travels weighted for size of aircraft
(g) The average number of hours per day that an aircraft flown in revenue service is operated (from gate departure to gate arrival)

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Overview

United Continental Holdings, Inc. (together with its consolidated subsidiaries, "UAL" or the "Company") is a holding company and its principal, wholly-owned subsidiary is United Airlines, Inc. (together with its consolidated subsidiaries, "United"). As UAL consolidates United for financial statement purposes, disclosures that relate to activities of United also apply to UAL, unless otherwise noted. United's operating revenues and operating expenses comprise nearly 100% of UAL's revenues and operating expenses. In addition, United comprises approximately the entire balance of UAL's assets, liabilities and operating cash flows. When appropriate, UAL and United are named specifically for their individual contractual obligations and related disclosures and any significant differences between the operations and results of UAL and United are separately disclosed and explained. We sometimes use the words "we," "our," "us," and the "Company" in this report for disclosures that relate to all of UAL and United.

2016 Financial Highlights

- 2016 net income was $2.3 billion, or $6.85 diluted earnings per share.
- United's consolidated PRASM decreased 5.4% in 2016 compared to 2015.
- Aircraft fuel cost decreased 23% year-over-year due mainly to lower fuel prices.
- 2016 CASM decreased 2.9% year-over-year on a consolidated capacity increase of 1.4%.
- In 2016, UAL repurchased approximately 50 million shares of UAL common stock for $2.6 billion. As of December 31, 2016, the Company had approximately $1.8 billion remaining to purchase shares under its share repurchase program.
- UAL ended the year with $5.8 billion in unrestricted liquidity, which consisted of unrestricted cash, cash equivalents, short-term investments and available capacity under the revolving credit facility of the Company's Credit Agreement.

2016 Operational Highlights

- Consolidated RPMs for 2016 increased 0.8% as compared to 2015, and consolidated ASMs increased 1.4% from the prior year, resulting in a consolidated load factor of 82.9% in 2016 versus 83.4% in 2015.
- For 2016 and 2015, the Company recorded a DOT on-time arrival rate of 81.3% and 78.1%, respectively, and a system completion factor of 99.0% and 98.7%, respectively.
- The Company took delivery of five new Boeing 787-9 Dreamliners, eight new Boeing 737-900ERs, seven new Boeing 737-800s, two new Boeing 777-300ERs and six used Airbus A319s. United exited from scheduled service four Boeing 757-200s, 16 Embraer ERJ 145s and two Boeing 747-400s. The Company took delivery of the first Boeing 777-300ER in the Company's fleet, named the "New Spirit of United," featuring the all-new United Polaris business class seat.
- The Company introduced new products to its industry-leading existing portfolio of products such as United Polaris service and announced Basic Economy fares which will expand its customers' options.
- During 2016, the Company reached new agreements with every domestic unionized work group.

Outlook

Set forth below is a discussion of the principal matters that we believe could impact our financial and operating performance and cause our results of operations in future periods to differ materially from our historical

operating results and/or from our anticipated results of operations described in the forward-looking statements in this report. See Part I, Item 1A., Risk Factors, of this report and the factors described under "Forward-Looking Information" below for additional discussion of these and other factors that could affect us.

The Company is committed to improving the efficiency and quality of all aspects of its business in 2017. In order to continue improving operational performance in 2017, our top focus will be on further improvements in completion factor, departure performance and baggage handling.

As outlined at our 2016 Investor Day presentation, the Company expects to drive significant incremental value by 2020 relative to 2015. United anticipates capturing this value through a variety of initiatives including a re-fleeting and upgauge program, additional customer choice through segmentation, improvements to the revenue management systems, ongoing sensible cost management, realizing our full network potential through improved schedule quality and enhancements to the MileagePlus program. In addition, the Company will continue to focus on improving reliability while increasing the efficiency of the operation.

Economic Conditions. The economic outlook for the aviation industry in 2017 is characterized by moderate U.S. and global economic growth. In such conditions, we expect a moderate increase in the demand for air travel. Continuing economic uncertainty, along with the strengthening U.S. dollar, is providing uncertainty in key Asian, South American and European markets, and continued political and socioeconomic tensions may result in diminished demand for air travel.

Capacity. In 2017, the Company expects consolidated ASMs to grow between 1% and 2% year-over-year.

Fuel. The Company's average aircraft fuel price per gallon including related taxes was $1.49 in 2016 as compared to $1.94 in 2015. Since 2014, the price of jet fuel has declined and remains volatile. Based on projected fuel consumption in 2017, a one dollar change in the price of a barrel of crude oil would change the Company's annual fuel expense by approximately $95 million.

Labor. As of December 31, 2016, United had approximately 80% of employees represented by unions. In 2016, United reached contract extensions with its pilots and dispatchers, amended collective bargaining agreements with its IAM represented employees, reached a five-year contract with the AFA covering all of its flight attendants and reached a six-year contract with the IBT covering its technicians and related employees. Additionally, the Company will be increasing pay for its pilots in order to align with a recently implemented contract of another airline. The costs associated with all these agreements is expected to add approximately $900 million of costs for full-year 2017. The Company cannot predict the outcome of future negotiations with its unionized employee groups. Increases in the pay and benefits resulting from new collective bargaining agreements could have a material financial impact on the Company.

Results of Operations

In this section, we compare results of operations for the year ended December 31, 2016 with results of operations for the year ended December 31, 2015, and results of operations for the year ended December 31, 2015 with results of operations for the year ended December 31, 2014.

2016 compared to 2015

Operating Revenue

The table below illustrates the year-over-year percentage change in the Company's operating revenues for the years ended December 31 (in millions, except percentage changes):

	2016	2015	Increase (Decrease)	% Change
Passenger—Mainline	$25,414	$26,333	$ (919)	(3.5)
Passenger—Regional	6,043	6,452	(409)	(6.3)
Total passenger revenue	31,457	32,785	(1,328)	(4.1)
Cargo	876	937	(61)	(6.5)
Other operating revenue	4,223	4,142	81	2.0
	$36,556	$37,864	$ (1,308)	(3.5)

The table below presents the Company's selected passenger revenue and selected operating data based on geographic region (regional flights consist primarily of domestic routes)

	Increase (decrease) in 2016 from 2015 (a):						
	Domestic	Atlantic	Pacific	Latin	Total Mainline	Regional	Consolidated
Passenger revenue (in millions)	$ (118)	$ (512)	$(215)	$ (74)	$ (919)	$ (409)	$ (1,328)
Passenger revenue	(0.9)%	(8.6)%	(4.9)%	(2.7)%	(3.5)%	(6.3)%	(4.1)%
Average fare per passenger	(6.6)%	(5.2)%	(5.6)%	(8.0)%	(8.0)%	(2.2)%	(5.9)%
Yield	(3.2)%	(4.6)%	(7.4)%	(7.8)%	(4.8)%	(3.1)%	(4.8)%
PRASM	(3.8)%	(8.4)%	(6.7)%	(5.5)%	(5.5)%	(2.7)%	(5.4)%
Passengers	6.1 %	(3.7)%	0.7 %	5.8 %	4.9 %	(4.3)%	2.0 %
RPMs (traffic)	2.3 %	(4.3)%	2.7 %	5.5 %	1.4 %	(3.4)%	0.8 %
ASMs (capacity)	3.1 %	(0.2)%	2.0 %	2.8 %	2.1 %	(3.7)%	1.4 %
Passenger load factor (points)	(0.6)	(3.3)	0.6	2.2	(0.6)	0.3	(0.5)

(a) See Part II, Item 6 of this report for the definition of these statistics

Consolidated passenger revenue decreased $1.3 billion, or 4.1%, in 2016 as compared to 2015. Consolidated PRASM decreased 5.4% in 2016 as compared to 2015. The decline in PRASM was driven by factors including a competitive domestic fare environment, lower surcharges, a strong U.S. dollar and reductions from energy-related corporate travel.

Cargo revenue decreased $61 million, or 6.5%, in 2016 as compared to 2015 due to lower freight yields and lower mail volumes year-over-year, partially offset by an increase in freight volumes. Freight yields were negatively impacted as air freighter competitors increased capacity in response to lower fuel prices. Another contributing factor to the year-over-year decrease was a U.S. West Coast port labor dispute that resulted in an increase in air freight results in the first quarter of 2015. The labor dispute was resolved during the first quarter of 2015.

Operating Expense

The table below includes data related to the Company's operating expense for the year ended December 31 (in millions, except percentage changes).

	2016	2015	Increase (Decrease)	% Change
Salaries and related costs	$10,275	$ 9,713	$ 562	5.8
Aircraft fuel	5,813	7,522	(1,709)	(22.7)
Regional capacity purchase	2,197	2,290	(93)	(4.1)
Landing fees and other rent	2,165	2,203	(38)	(1.7)
Depreciation and amortization	1,977	1,819	158	8.7
Aircraft maintenance materials and outside repairs	1,749	1,651	98	5.9
Distribution expenses	1,303	1,342	(39)	(2.9)
Aircraft rent	680	754	(74)	(9.8)
Special charges	638	326	312	NM
Other operating expenses	5,421	5,078	343	6.8
	$32,218	$32,698	$ (480)	(1.5)

Salaries and related costs increased $562 million, or 5.8%, in 2016 as compared to 2015 primarily due to higher pay rates and benefit expenses driven by new and extended collective bargaining agreements, an increase in employee incentive expenses due to improvements in operational performance and a 2.2% increase in average full-time equivalent employees, partially offset by a reduction in profit sharing expense in 2016 as compared to 2015, a reduction in medical and dental costs and the results of certain costs savings initiatives in 2016.

The decrease in aircraft fuel expense was primarily attributable to decreased fuel prices and a reduction in fuel hedge losses, partially offset by the impact of a 1.4% increase in capacity. 2016 fuel expense includes the benefit of a $20 million fuel tax refund. The table below presents the significant changes in aircraft fuel cost per gallon for the year ended December 31 (in millions, except percentage changes):

	(In millions)			Average price per gallon		
	2016	2015	% Change	2016	2015	% Change
Total aircraft fuel purchase cost excluding fuel hedge impacts	$ 5,596	$ 6,918	(19.1)	$ 1.43	$ 1.78	(19.7)
Hedge losses reported in fuel expense	(217)	(604)	NM	(0.06)	(0.16)	NM
Fuel expense	5,813	7,522	(22.7)	1.49	1.94	(23.2)
Total fuel consumption (gallons)	3,904	3,886	0.5			

Depreciation and amortization increased $158 million, or 8.7%, in 2016 as compared to 2015 primarily due to additions of new aircraft, conversions of operating leases to capital leases, aircraft improvements, accelerated depreciation of certain assets related to several fleet types and increases in information technology assets.

Aircraft maintenance materials and outside repairs increased $98 million, or 5.9%, in 2016 as compared to 2015 primarily due to a year-over-year increase in airframe maintenance visits as a result of the cyclical timing of these visits and volume-driven increases in component costs, partially offset by a reduction in costs due to the timing of maintenance on certain engines.

Aircraft rent decreased $74 million, or 9.8%, in 2016 as compared to 2015 primarily due to lease expirations, the purchase or capital lease conversion of several operating leased aircraft and lower lease renewal rates for certain aircraft.

The table below presents special charges incurred by the Company during the years ended December 31 (in millions).

	2016	2015
Impairment of assets	$412	$ 79
Cleveland airport lease restructuring	74	—
Labor agreement costs	64	18
Severance and benefit costs	37	107
(Gains) losses on sale of assets and other special charges	51	122
Total special charges	$638	$326

See Note 16 to the financial statements included in Part II, Item 8 of this report for additional information.

Other operating expenses increased $343 million, or 6.8%, in 2016 as compared to 2015 primarily due to increases in ground handling costs, food and technology costs associated with the Company's enhanced customer experience initiatives, rate-driven increases in hotel expenses for crews, increases in marketing expenses related to the 2016 Summer Olympics and volume-driven increases in cargo costs.

Nonoperating Income (Expense)

The following table illustrates the year-over-year dollar and percentage changes in the Company's nonoperating income (expense) (in millions, except percentage changes)

	2016	2015	Increase (Decrease)	% Change
Interest expense	$(614)	$(669)	$ (55)	(8.2)
Interest capitalized	72	49	23	46.9
Interest income	42	25	17	68.0
Miscellaneous, net	(19)	(352)	(333)	(94.6)
Total	$(519)	$(947)	$ (428)	(45.2)

The decrease in interest expense of $55 million, or 8.2%, in 2016 as compared to 2015 was primarily due to the prepayment of certain debt issuances in 2015 and declining balances of other debt, partially offset by interest expense on debt issued for the acquisition of new aircraft, the conversion of certain operating leases to capital leases and certain constructed airport assets accounted for as capital leases.

In 2015, Miscellaneous, net included losses of $80 million from fuel derivatives not qualifying for hedge accounting. Foreign currency losses were approximately $43 million and $129 million in 2016 and 2015, respectively. Foreign currency results included $8 million and $61 million of foreign exchange losses for 2016 and 2015, respectively, related to the Company's cash holdings in Venezuela. Miscellaneous, net for 2015 also includes a $134 million special charge related to the write-off of unamortized non-cash debt discounts for the early redemption of the 6% Notes due 2026 (the "2026 Notes") and the 6% Notes due 2028 (the "2028 Notes")

2015 compared to 2014

Operating Revenue

The table below illustrates the year-over-year percentage change in the Company's operating revenues for the years ended December 31 (in millions, except percentage changes).

	2015	2014	Increase (Decrease)	% Change
Passenger—Mainline	$26,333	$26,785	$ (452)	(1.7)
Passenger—Regional	6,452	6,977	(525)	(7.5)
Total passenger revenue	32,785	33,762	(977)	(2.9)
Cargo	937	938	(1)	(0.1)
Other operating revenue	4,142	4,201	(59)	(1.4)
	$37,864	$38,901	$ (1,037)	(2.7)

The table below presents the Company's selected passenger revenue and selected operating data based on geographic region (regional flights consist primarily of domestic routes).

	Increase (decrease) in 2015 from 2014 (a):						
	Domestic	Pacific	Atlantic	Latin	Total Mainline	Regional	Consolidated
Passenger revenue (in millions)	$ 132	$(331)	$ (159)	$ (94)	$ (452)	$ (525)	$ (977)
Passenger revenue	1.0 %	(7.0)%	(2.6)%	(3.4)%	(1.7)%	(7.5)%	(2.9)%
Average fare per passenger	(5.0)%	(7.5)%	(1.2)%	(10.2)%	(6.6)%	(2.2)%	(4.5)%
Yield	(1.9)%	(9.4)%	(1.7)%	(10.3)%	(4.1)%	(1.7)%	(4.3)%
PRASM	(1.6)%	(9.2)%	(3.1)%	(11.3)%	(4.3)%	(1.6)%	(4.4)%
Passengers	6.3 %	0.5 %	(1.4)%	7.6 %	5.3 %	(5.4)%	1.7 %
RPMs (traffic)	3.0 %	2.7 %	(0.9)%	7.7 %	2.6 %	(5.9)%	1.5 %
ASMs (capacity)	2.6 %	2.4 %	0.5 %	8.9 %	2.7 %	(6.0)%	1.6 %
Passenger load factor (points)	0.3	0.2	(1.0)	(1.0)	(0.1)	—	(0.2)

(a) See Part II, Item 6 of this report for the definition of these statistics

Consolidated passenger revenue in 2015 decreased $977 million, or 2.9%, as compared to 2014 primarily due to a decrease in consolidated yield of 4.3% year-over-year. Yields were impacted by a competitive domestic fare environment, unfavorable foreign currency results due to the strengthening of the U.S. dollar, international surcharge declines, travel reductions from corporate customers in the energy sector and increased industry capacity in certain regions. The decline in yields was partially offset by a 1.5% year-over-year increase in traffic

Operating Expense

The table below includes data related to the Company's operating expense for the year ended December 31 (in millions, except percentage changes):

	2015	2014	Increase (Decrease)	% Change
Salaries and related costs	$ 9,713	$ 8,935	$ 778	8.7
Aircraft fuel	7,522	11,675	(4,153)	(35.6)
Regional capacity purchase	2,290	2,344	(54)	(2.3)
Landing fees and other rent	2,203	2,274	(71)	(3.1)
Depreciation and amortization	1,819	1,679	140	8.3
Aircraft maintenance materials and outside repairs	1,651	1,779	(128)	(7.2)
Distribution expenses	1,342	1,373	(31)	(2.3)
Aircraft rent	754	883	(129)	(14.6)
Special charges	326	443	(117)	NM
Other operating expenses	5,078	5,143	(65)	(1.3)
	$32,698	$36,528	$ (3,830)	(10.5)

Salaries and related costs increased $778 million, or 8.7%, in 2015 as compared to 2014 primarily due to a $463 million increase in profit sharing costs as a result of improved profitability, higher pay rates driven by new collective bargaining agreements, an increase in medical and dental costs and an increase in pension expense resulting from changes in actuarial assumptions.

The decrease in aircraft fuel expense was primarily attributable to decreased fuel prices partially offset by losses from fuel hedging activity and a 1.6% increase in capacity. The table below presents the significant changes in aircraft fuel cost per gallon for the year ended December 31 (in millions, except percentage changes):

	(In millions)			Average price per gallon		
	2015	2014	% Change	2015	2014	% Change
Total aircraft fuel purchase cost excluding fuel hedge impacts	$ 6,918	$ 11,586	(40.3)	$ 1.78	$ 2.97	(40.1)
Hedge losses reported in fuel expense	(604)	(89)	NM	(0.16)	(0.02)	NM
Fuel expense as reported	7,522	11,675	(35.6)	1.94	2.99	(35.1)
Total fuel consumption (gallons)	3,886	3,905	(0.5)			

Depreciation and amortization increased $140 million, or 8.3%, in 2015 as compared to 2014 primarily due to additions in owned property and equipment, specifically related to new aircraft, information technology assets and several aircraft capital lease conversions from operating leases

Aircraft maintenance materials and outside repairs decreased $128 million, or 7.2%, in 2015 as compared to 2014 primarily due to a year-over-year decrease in significant airframe maintenance visits as a result of the cyclical timing of these visits, improvements in the efficiency of in-house maintenance programs, a reduced volume of seat and landing gear maintenance and a reduction of flying hours under certain power-by-the-hour engine maintenance agreements, partially offset by increases in expenses related to aircraft reliability projects and Wi-Fi systems maintenance

Aircraft rent decreased $129 million or 14.6% in 2015 as compared to 2014 primarily due to lease expirations, the purchase or capital lease conversion of several operating leased aircraft and lower lease renewal rates for certain aircraft.

The table below presents special charges incurred by the Company during the years ended December 31 (in millions):

	2015	2014
Severance and benefit costs	$107	$199
Impairment of assets	79	49
Labor agreement costs	18	—
(Gains) losses on sale of assets and other miscellaneous (gains) losses, net	122	195
Total special charges	$326	$443

See Note 16 to the financial statements included in Part II, Item 8 of this report for additional information.

Nonoperating Income (Expense)

The following table illustrates the year-over-year dollar and percentage changes in UAL's nonoperating income (expense) (in millions, except percentage changes):

	2015	2014	Increase (Decrease)	% Change
Interest expense	$(669)	$ (735)	$ (66)	(9.0)
Interest capitalized	49	52	(3)	(5.8)
Interest income	25	22	3	13.6
Miscellaneous, net	(352)	(584)	(232)	(39.7)
Total	$(947)	$(1,245)	$ (298)	(23.9)

The decrease in interest expense of $66 million, or 9.0%, in 2015 as compared to 2014 was primarily due to the prepayment of certain debt issuances and declining balances of other debt, partially offset by interest expense on debt issued for the acquisition of new aircraft.

Miscellaneous, net included losses of $80 million and $462 million from fuel derivatives not qualifying for hedge accounting in 2015 and 2014, respectively. Foreign currency losses were approximately $129 million and $41 million in 2015 and 2014, respectively. Foreign currency results included $61 million and $10 million of foreign exchange losses for 2015 and 2014, respectively, related to the Company's cash holdings in Venezuela. Miscellaneous, net for 2015 includes a $134 million special charge related to the write-off of unamortized non-cash debt discounts for the early redemption of the 2026 Notes and the 2028 Notes. 2014 Miscellaneous, net includes a $64 million debt extinguishment charge related to the retirement of the $248 million 6% Convertible Junior Subordinated Debentures due 2030.

Liquidity and Capital Resources

As of December 31, 2016, the Company had $4.4 billion in unrestricted cash, cash equivalents and short-term investments, a decrease of $0.8 billion from December 31, 2015. The Company had its entire commitment capacity of $1.35 billion under the Credit Agreement available for letters of credit or borrowings as of December 31, 2016. As of December 31, 2016, the Company had $124 million of restricted cash and cash equivalents, which is primarily collateral for letters of credit and estimated future workers' compensation claims. We may be required to post significant additional cash collateral to provide security for obligations. Restricted cash and cash equivalents at December 31, 2015 totaled $206 million.

We have a significant amount of fixed obligations, including debt, aircraft leases and financings, leases of airport property and other facilities and pension funding obligations. At December 31, 2016, the Company had

approximately $11.7 billion of debt and capital lease obligations, including $1.0 billion that are due within the next 12 months. In addition, we have substantial noncancelable commitments for capital expenditures, including the acquisition of new aircraft and related spare engines. As of December 31, 2016, our current liabilities exceeded our current assets by approximately $5.0 billion. However, approximately $5.9 billion of our current liabilities are related to our advance ticket sales and frequent flyer deferred revenue, both of which largely represent revenue to be recognized for travel in the near future and not actual cash outlays. The deficit in working capital does not have an adverse impact to our cash flows, liquidity or operations. The Company made principal payments of debt and capital lease obligations totaling $1.4 billion in 2016.

The Company will continue to evaluate opportunities to prepay its debt, including open market repurchases, to reduce its indebtedness and related interest.

For 2017, the Company expects between $4.2 billion and $4.4 billion of gross capital expenditures. See Notes 11 and 15 to the financial statements included in Part II, Item 8 of this report for additional information on commitments.

As of December 31, 2016, a substantial portion of the Company's assets, principally aircraft, route authorities, airport slots and loyalty program intangible assets, was pledged under various loan and other agreements. We must sustain our profitability and/or access the capital markets to meet our significant long-term debt and capital lease obligations and future commitments for capital expenditures, including the acquisition of aircraft and related spare engines. See Note 11 to the financial statements included in Part II, Item 8 of this report for additional information on assets provided as collateral by the Company.

The following is a discussion of the Company's sources and uses of cash from 2014 through 2016.

Cash Flows from Operating Activities

2016 compared to 2015

Cash flow provided by operations for the year ended December 31, 2016 was $5.5 billion compared to $6.0 billion in the same period in 2015. Working capital changes reduced cash flow from operations by $0.5 billion year-over-year in 2016 as compared to 2015. The following were significant working capital items in 2016:

- Frequent flyer and advance purchase of miles decreased $0.6 billion due to increased utilization of pre-purchased miles.
- Other assets, including spare parts, increased by $0.3 billion as part of the Company's efforts to improve fleet reliability.
- Accounts payable increased $0.2 billion, driven by the timing of payments.

2015 compared to 2014

Cash flow provided by operations for the year ended December 31, 2015 was $6.0 billion compared to $2.6 billion in the same period in 2014. The $3.4 billion increase is primarily attributable to an increase of $3.1 billion in income before income taxes and a $0.4 billion increase in non-cash items for the year ended December 31, 2015 as compared to the same period in 2014. Working capital changes reduced cash flow from operations by $0.1 billion year-over-year in 2015 as compared to 2014. The following were significant working capital items in 2015.

- Cash flow increased by $0.2 billion from the return of hedge collateral net of the impact of changes in fuel derivative positions.
- Other liabilities, including accrued wages, decreased $0.2 billion, which included $0.8 billion in pension contributions offset by $0.7 billion in profit sharing accruals.
- Frequent flyer deferred revenue and advanced purchase of miles decreased $0.2 billion.

Cash Flows from Investing Activities

2016 compared to 2015

The Company's capital expenditures were $3.2 billion and $2.7 billion in 2016 and 2015, respectively. The Company's capital expenditures for both years were primarily attributable to the purchase of aircraft, facility and fleet-related costs and the purchase of information technology assets.

2015 compared to 2014

The Company's capital expenditures were $2.7 billion and $2.0 billion in 2015 and 2014, respectively. The Company's capital expenditures for both years were primarily attributable to the purchase of aircraft, facility and fleet-related costs. In 2015, the Company announced a strategic partnership with Azul. Through a wholly-owned subsidiary, the Company invested $100 million for an economic stake of approximately five percent in Azul, Brazil's largest carrier by cities served, which provides a range of customer benefits including codesharing of flights, joint loyalty program participation and expanded connection opportunities on routes between the U.S. and Brazil, a key market for United, in addition to other points in North and South America.

Cash Flows from Financing Activities

Significant financing events in 2016 were as follows:

Share Repurchases

The Company used $2.6 billion of cash to purchase 50 million shares of its common stock during 2016 under its share repurchase programs. As of December 31, 2016, the Company has $1.8 billion remaining to spend under its share repurchase program.

Debt Issuances

In 2016, United completed two enhanced equipment trust certificate ("EETC") offerings for a total principal amount of $2.0 billion. Of the $2.0 billion, United received and recorded $708 million of proceeds as debt as of December 31, 2016 to finance the purchase of 17 aircraft. United expects to receive all proceeds from the pass-through trusts by the end of the second quarter of 2017.

In 2016, United borrowed approximately $369 million aggregate principal amount from various financial institutions to finance the purchase of several aircraft delivered in 2016.

Debt and Capital Lease Principal Payments

During the year ended December 31, 2016, the Company made debt and capital lease principal payments of $1.4 billion.

Significant financing events in 2015 were as follows:

Share Repurchases

The Company used $1.2 billion of cash to purchase 21 million shares of its common stock during 2015 under its share repurchase programs.

Debt Issuances

During 2015, United issued $1.4 billion of debt related to EETC offerings to finance aircraft.

In 2015, United borrowed approximately $590 million aggregate principal amount from various financial institutions to finance the purchase of several aircraft delivered in 2015.

Debt and Capital Lease Principal Payments

During the year ended December 31, 2015, the Company made debt and capital lease principal payments of $2.3 billion, including the following prepayments:

- UAL used cash to repurchase all $321 million par value 2026 Notes
- UAL used cash to repurchase all $311 million par value 2028 Notes.
- UAL used cash to prepay, at par, $300 million principal amount of its $500 million term loan due September 2021 under the Credit Agreement

Financing Activities Not Affecting Cash

The holders of substantially all of the remaining $202 million principal amount of United's 4.5% Convertible Notes due 2015 exercised their conversion option resulting in the issuance of 11 million shares of UAL common stock.

Significant financing events in 2014 were as follows:

Share Repurchases

The Company used $320 million of cash to purchase approximately 7 million shares of its common stock under the 2014 Program.

Debt Issuances

During 2014, United issued $1 8 billion of debt related to EETC offerings to finance aircraft.

United borrowed a $500 million term loan under the Credit Agreement

Debt and Capital Lease Principal Payments

During the year ended December 31, 2014, the Company made debt and capital lease principal payments of $2.6 billion, including the following prepayments:

- UAL retired, at par, $400 million principal balance of its 8% Notes due 2024
- United used cash to purchase approximately $276 million principal amount of convertible notes and retired the notes.
- United retired, at par, the entire $800 million principal balance of its 6 75% Senior Secured Notes.

Financing Activities Not Affecting Cash

UAL amended its revolving credit facility under the Credit Agreement, increasing the capacity from $1 0 billion to $1.35 billion and establishing the maturity date for $1.315 billion in lender commitments as January 2, 2019.

UAL issued approximately 17 million shares in exchange for, or conversion of, $260 million of convertible notes and retired the notes.

For additional information regarding these Liquidity and Capital Resource matters, see Notes 3, 11, 13 and 14 to the financial statements included in Part II, Item 8 of this report For information regarding non-cash investing and financing activities, see the Company's statements of consolidated cash flows.

Other significant financing event was as follows

Debt Issuance

In January 2017, United issued $300 million aggregate principal amount of 5% Senior Notes due February 1, 2024. See Note 11 to the financial statements included in Part II, Item 8 of this report for additional information.

Credit Ratings. As of the filing date of this report, UAL and United had the following corporate credit ratings:

	S&P	Moody's	Fitch
UAL	BB-	Ba2	BB
United	BB-	*	BB

*The credit agency does not issue corporate credit ratings for subsidiary entities.

These credit ratings are below investment grade levels. Downgrades from these rating levels, among other things, could restrict the availability or increase the cost of future financing for the Company.

Other Liquidity Matters

Below is a summary of additional liquidity matters. See the indicated notes to our consolidated financial statements included in Part II, Item 8 of this report for additional details related to these and other matters affecting our liquidity and commitments.

Pension and other postretirement plans	Note 8
Hedging activities	Note 10
Long-term debt and debt covenants	Note 11
Leases and capacity purchase agreements	Note 13
Commitments and contingencies	Note 15

Contractual Obligations. The Company's business is capital intensive, requiring significant amounts of capital to fund the acquisition of assets, particularly aircraft. In the past, the Company has funded the acquisition of aircraft through outright purchase, by issuing debt, by entering into capital or operating leases, or through vendor financings. The Company also often enters into long-term lease commitments with airports to ensure access to terminal, cargo, maintenance and other required facilities.

The table below provides a summary of the Company's material contractual obligations as of December 31, 2016 (in billions).

	2017	2018	2019	2020	2021	After 2021	Total
Long-term debt (a)	$ 0.8	$1.4	$1.9	$1.0	$1.2	$ 4.6	$10.9
Capital lease obligations—principal portion	0.1	0.1	0.1	—	—	0.6	0.9
Total debt and capital lease obligations	0.9	1.5	2.0	1.0	1.2	5.2	11.8
Interest on debt and capital lease obligations (b)	0.5	0.5	0.4	0.3	0.3	0.9	2.9
Aircraft operating lease obligations	1.3	1.1	0.9	0.7	0.5	2.0	6.5
Regional CPAs (c)	1.9	1.9	1.3	1.0	1.0	4.3	11.4
Other operating lease obligations	1.2	1.1	1.0	1.1	0.9	6.7	12.0
Postretirement obligations (d)	0.1	0.1	0.1	0.1	0.1	0.7	1.2
Pension obligations (e)	—	—	—	0.4	0.3	1.1	1.8
Capital purchase obligations (f)	4.5	3.2	3.1	2.5	2.2	7.8	23.3
Total contractual obligations	$10.4	$9.4	$8.8	$7.1	$6.5	$28.7	$70.9

(a) Long-term debt presented in the Company's financial statements is net of $124 million of debt discount, premiums and debt issuance costs which are being amortized over the debt terms. Contractual payments are not net of the debt discount, premiums and debt issuance costs.

(b) Includes interest portion of capital lease obligations of $67 million in 2017, $57 million in 2018, $50 million in 2019, $47 million in 2020, $44 million in 2021 and $339 million thereafter. Future interest payments on variable rate debt are estimated using estimated future variable rates based on a yield curve.

(c) Represents our estimates of future minimum noncancelable commitments under our CPAs and does not include the portion of the underlying obligations for aircraft and facility rent that is disclosed as part of aircraft and nonaircraft operating leases. Amounts also exclude a portion of United's capital lease obligation recorded for certain of its CPAs. See Note 13 to the financial statements included in Part II, Item 8 of this report for the significant assumptions used to estimate the payments.

(d) Amounts represent postretirement benefit payments, net of subsidy receipts, through 2026. Benefit payments approximate plan contributions as plans are substantially unfunded.

(e) Represents estimate of the minimum funding requirements as determined by government regulations for United's material pension plans. Amounts are subject to change based on numerous assumptions, including the performance of assets in the plan and bond rates. See Critical Accounting Policies, below, for a discussion of our current year assumptions regarding United's pension plans.

(f) Represents contractual commitments for firm order aircraft, spare engines and other capital purchase commitments. See Note 15 to the financial statements included in Part II, Item 8 of this report for a discussion of our purchase commitments.

Off-Balance Sheet Arrangements. An off-balance sheet arrangement is any transaction, agreement or other contractual arrangement involving an unconsolidated entity under which a company has (1) made guarantees, (2) a retained or a contingent interest in transferred assets, (3) an obligation under derivative instruments classified as equity, or (4) any obligation arising out of a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support, or that engages in leasing, hedging or research and development arrangements. The Company's primary off-balance sheet arrangements include operating leases, which are summarized in the contractual obligations table in *Contractual Obligations*, above, and certain municipal bond obligations, as discussed below.

As of December 31, 2016, United had cash collateralized $72 million of letters of credit. United also had $383 million of surety bonds securing various obligations at December 31, 2016. Most of the letters of credit have evergreen clauses and are expected to be renewed on an annual basis and the surety bonds have expiration dates through 2021.

As of December 31, 2016, United is the guarantor of approximately $1.9 billion in aggregate principal amount of tax-exempt special facilities revenue bonds and interest thereon. These bonds, issued by various airport municipalities, are payable solely from rentals paid under long-term agreements with the respective governing bodies. The leasing arrangements associated with a majority of these obligations are accounted for as operating leases. The leasing arrangements associated with a portion of these obligations are accounted for as capital leases. The annual lease payments for those obligations accounted for as operating leases are included in the operating lease payments in the contractual obligations table above.

As of December 31, 2016, United is the guarantor of $168 million of aircraft mortgage debt issued by one of United's regional carriers. The aircraft mortgage debt is subject to increased cost provisions and the Company would potentially be responsible for those costs under the guarantees. The increased cost provisions in the $168 million of aircraft mortgage debt are similar to those in certain of the Company's debt agreements. See Note 15 to the financial statements included in Part II, Item 8 of this report for additional information on increased cost provisions related to the Company's debt.

EETCs. In June 2016 and September 2016, United completed two separate EETC offerings for a total principal amount of $2.0 billion. United has received and recorded $708 million of the proceeds from these offerings as debt as of December 31, 2016. See Notes 11 and 14 to the financial statements included in Part II, Item 8 of this report for additional information on EETC pass-through trusts and variable interest entity consideration.

Increased Cost Provisions. See Note 15 to the financial statements included in Part II, Item 8 of this report for additional information on increased cost provisions related to the Company's debt.

Fuel Consortia. United participates in numerous fuel consortia with other air carriers at major airports to reduce the costs of fuel distribution and storage. Interline agreements govern the rights and responsibilities of the consortia members and provide for the allocation of the overall costs to operate the consortia based on usage. The consortia (and in limited cases, the participating carriers) have entered into long-term agreements to lease certain airport fuel storage and distribution facilities that are typically financed through tax-exempt bonds (either special facilities lease revenue bonds or general airport revenue bonds), issued by various local municipalities. In general, each consortium lease agreement requires the consortium to make lease payments in amounts sufficient

to pay the maturing principal and interest payments on the bonds. As of December 31, 2016, approximately $1.5 billion principal amount of such bonds were secured by significant fuel facility leases in which United participates, as to which United and each of the signatory airlines has provided indirect guarantees of the debt. As of December 31, 2016, the Company's contingent exposure was approximately $234 million principal amount of such bonds based on its recent consortia participation. The Company's contingent exposure could increase if the participation of other air carriers decreases. The guarantees will expire when the tax-exempt bonds are paid in full, which ranges from 2017 to 2049. The Company did not record a liability at the time these indirect guarantees were made. See Note 15 to the financial statements included in Part II, Item 8 of this report for additional information related to the Company's fuel consortia.

Critical Accounting Policies

Critical accounting policies are defined as those that are affected by significant judgments and uncertainties which potentially could result in materially different accounting under different assumptions and conditions. The Company has prepared the financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"), which requires management to make estimates and assumptions that affect the reported amounts in the financial statements. Actual results could differ from those estimates under different assumptions or conditions. The Company has identified the following critical accounting policies that impact the preparation of the financial statements.

Revenue Recognition. The Company records passenger ticket sales and tickets sold by other airlines for use on United as passenger revenue when the transportation is provided or upon estimated breakage. The value of unused passenger tickets is included in current liabilities as Advance ticket sales. Tickets sold by other airlines are recorded at the estimated values to be billed to the other airlines. Differences between amounts billed and the actual amounts may be rejected and rebilled or written off if the amount recorded was different from the original estimate. When necessary, the Company records a reserve against its interline billings and payables if historical experience indicates that these amounts are different. Non-refundable tickets generally expire on the date of the intended flight, unless the date is extended by notification from the customer on or before the intended flight date.

Fees charged in association with changes or extensions to non-refundable tickets are recorded as other revenue at the time the fee is incurred. The fare on the changed ticket, including any additional collection of fare, is deferred and recognized in accordance with our transportation revenue recognition policy at the time the transportation is provided. Change fees related to non-refundable tickets are considered a separate transaction from the air transportation because they represent a charge for the Company's additional service to modify a previous sale. Therefore, the pricing of the change fee and the initial customer order are separately determined and represent distinct earnings processes.

The Company records an estimate of breakage revenue on the flight date for tickets that will expire unused. These estimates are based on the evaluation of actual historical results and forecasted trends. Refundable tickets expire after one year from the date of issuance.

The Financial Accounting Standards Board ("FASB") amended the FASB Accounting Standards Codification and created a new Topic 606, *Revenue from Contracts with Customers*. This amendment prescribes that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendment supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance throughout the Industry Topics of the Accounting Standards Codification. The Company currently plans to use the full-retrospective approach in adopting this standard on January 1, 2018. Under the new standard, certain airline ancillary fees directly related to passenger revenue tickets, such as ticket change fees and baggage fees, are likely to no longer be considered distinct performance obligations separate from the passenger travel component. In addition, the ticket change fees which were previously recognized when received and booking fees when paid, will likely be recognized when transportation is provided. The Company

has previously recorded ancillary fees and change fees in other operating revenue but will record these in passenger revenue under the new standard. The Company is evaluating other possible impacts from the new standard on its consolidated financial statements.

Frequent Flyer Accounting. The Company's MileagePlus program is designed to increase customer loyalty. Program participants earn miles by flying on United and certain other participating airlines. Program participants can also earn miles through purchases from other non-airline partners that participate in the Company's loyalty program. We sell miles to these partners, which include credit card issuers, retail merchants, hotels, car rental companies and our participating airline partners. Miles can be redeemed for free (other than taxes and government imposed fees), discounted or upgraded air travel and non-travel awards. The Company records its obligation for future award redemptions using a deferred revenue model.

When frequent flyers earn miles for flights, the Company recognizes a portion of the ticket sales as revenue when the air transportation occurs and defers a portion of the ticket sale representing the value of the related miles as a multiple-deliverable revenue arrangement. The Company determines the estimated selling price of air transportation and miles as if each element is sold on a separate basis. The total consideration from each ticket sale is then allocated to each of these elements, individually, on a pro rata basis. The miles are recorded in Frequent flyer deferred revenue on the Company's consolidated balance sheet and recognized into revenue when the transportation is provided.

The Company's estimated selling price of miles is based on an equivalent ticket value less fulfillment discount, which incorporates the expected redemption of miles, as the best estimate of selling price for these miles. The equivalent ticket value is based on the prior 12 months' weighted average equivalent ticket value of similar fares as those used to settle award redemptions while taking into consideration such factors as redemption pattern, cabin class, loyalty status and geographic region. The estimated selling price of miles is adjusted by a fulfillment discount that considers a number of factors, including redemption patterns of various customer groups.

United has a significant contract to sell MileagePlus miles to its co-branded credit card partner, Chase. United identified the following significant revenue elements in its Second Amended and Restated Co-Branded Card Marketing Services Agreement (the "Co-Brand Agreement"): the air transportation element represented by the value of the mile (generally resulting from its redemption for future air transportation and whose fair value is described above); use of the United brand and access to MileagePlus member lists, advertising; and other travel related benefits.

The fair value of the elements is determined using management's estimated selling price of each element. The objective of using the estimated selling price based methodology is to determine the price at which we would transact a sale if the product or service were sold on a stand-alone basis. Accordingly, we determine our best estimate of selling price by considering multiple inputs and methods including, but not limited to, discounted cash flows, brand value, volume discounts, published selling prices, number of miles awarded and number of miles redeemed. The Company estimated the selling prices and volumes over the term of the Co-Brand Agreement in order to determine the allocation of proceeds to each of the multiple elements to be delivered. We also evaluate volumes on an annual basis, which may result in a change in the allocation of estimated selling price on a prospective basis.

The Company records passenger revenue related to the air transportation element when the transportation is delivered. The other elements are generally recognized as Other operating revenue when earned.

The Company accounts for miles sold and awarded that will never be redeemed by program members, which we refer to as breakage. The Company reviews its breakage estimates annually based upon the latest available information regarding redemption and expiration patterns. Miles expire after 18 months of member account inactivity. The Company's estimate of the expected expiration of miles requires significant management judgment. Current and future changes to expiration assumptions or to the expiration policy, or to program rules and program redemption opportunities, may result in material changes to the deferred revenue balance as well as recognized revenues from the programs.

The following table summarizes information related to the Company's Frequent flyer deferred revenue liability:

Frequent flyer deferred revenue at December 31, 2016 (in millions)	$4,883
% of miles earned expected to expire	16%
Impact of 1% change in outstanding miles or weighted average ticket value on deferred revenue (in millions)	$ 54

Long-Lived Assets. The net book value of operating property and equipment for the Company was $23 billion and $22 billion at December 31, 2016 and 2015, respectively. The assets' recorded value is impacted by a number of accounting policy elections, including the estimation of useful lives and residual values and, when necessary, the recognition of asset impairment charges.

The Company records assets acquired, including aircraft, at acquisition cost. Depreciable life is determined through economic analysis, such as reviewing existing fleet plans, obtaining appraisals and comparing estimated lives to other airlines that operate similar fleets. As aircraft technology has improved, useful life has increased and the Company has generally estimated the lives of those aircraft to be 30 years. Residual values are estimated based on historical experience with regard to the sale of both aircraft and spare parts and are established in conjunction with the estimated useful lives of the related fleets. Residual values are based on when the aircraft are acquired and typically reflect asset values that have not reached the end of their physical life. Both depreciable lives and residual values are revised periodically as facts and circumstances arise to recognize changes in the Company's fleet plan and other relevant information. A one-year increase in the average depreciable life of the Company's flight equipment would reduce annual depreciation expense on flight equipment by approximately $57 million.

The Company evaluates the carrying value of long-lived assets and intangible assets subject to amortization whenever events or changes in circumstances indicate that an impairment may exist. For purposes of this testing, the Company has generally identified the aircraft fleet type as the lowest level of identifiable cash flows for purposes of testing aircraft for impairment. An impairment charge is recognized when the asset's carrying value exceeds its net undiscounted future cash flows and its fair market value. The amount of the charge is the difference between the asset's carrying value and fair market value.

In 2016, the Company determined that the FAA's action impaired the entire value of its Newark slots because the slots no longer were the mechanism that governed take-off and landing rights, and the Company recorded a special charge to write off the intangible asset. See Notes 16 to the financial statements included in Part II, Item 8 of this report for additional information.

Defined Benefit Plan Accounting. We sponsor defined benefit pension plans for eligible employees and retirees. The most critical assumptions impacting our defined benefit pension plan obligations and expenses are the weighted average discount rate and the expected long-term rate of return on the plan assets.

United's pension plans' under-funded status was $1.9 billion at December 31, 2016. Funding requirements for tax-qualified defined benefit pension plans are determined by government regulations. In 2017, we anticipate contributing at least $400 million to our pension plans. The fair value of the plans' assets was $3.4 billion at December 31, 2016.

When calculating pension expense for 2017, the Company assumed that its plans' assets would generate a long-term rate of return of approximately 7.0%. The expected long-term rate of return assumption was developed based on historical experience and input from the trustee managing the plans' assets. The expected long-term rate of return on plan assets is based on a target allocation of assets, which is based on a goal of earning the highest rate of return while maintaining risk at acceptable levels. Our projected long-term rate of return reflects the active management of our plans' assets. The plans strive to have assets sufficiently diversified so that adverse or unexpected results from one security class will not have an unduly detrimental impact on the entire portfolio. Plan fiduciaries regularly review actual asset allocation and the pension plans' investments are periodically rebalanced to the targeted allocation when considered appropriate.

The defined benefit pension plans' assets consist of return generating investments and risk mitigating investments which are held through direct ownership or through interests in common collective trusts. Return generating investments include primarily equity securities, fixed-income securities and alternative investments (e.g. private equity and hedge funds). Risk mitigating investments include primarily U.S. government and investment grade corporate fixed-income securities. The allocation of assets was as follows at December 31, 2016:

	Percent of Total	Expected Long-Term Rate of Return
Equity securities	35 %	9.5 %
Fixed-income securities	39	5.0
Alternatives	17	7.3
Other	9	7.0

Pension expense increases as the expected rate of return on plan assets decreases. Lowering the expected long-term rate of return on plan assets by 50 basis points (from 7.0% to 6.5%) would increase estimated 2017 pension expense by approximately $17 million. Future pension obligations for United's plans were discounted using a weighted average rate of 4.18% at December 31, 2016. The Company selected the discount rate for substantially all of its plans by using a hypothetical portfolio of high quality bonds at December 31, 2016 that would provide the necessary cash flows to match the projected benefit payments. The pension liability and future pension expense both increase as the discount rate is reduced. Lowering the discount rate by 50 basis points (from 4.18% to 3.68%) would increase the pension liability at December 31, 2016 by approximately $575 million and increase the estimated 2017 pension expense by approximately $73 million. Future changes in plan asset returns, plan provisions, assumed discount rates, pension funding law and various other factors related to the participants in our pension plans will impact our future pension expense and liabilities. We cannot predict with certainty what these factors will be in the future.

Actuarial gains or losses are triggered by changes in assumptions or experience that differ from the original assumptions. Under the applicable accounting standards for defined benefit pension plans, those gains and losses are not required to be recognized currently as pension benefit expense, but instead may be deferred as part of accumulated other comprehensive income and amortized into expense over the average remaining service life of the covered active employees. All gains and losses in accumulated other comprehensive income are amortized to expense over the remaining years of service of the covered active employees. At December 31, 2016 and 2015, the Company had unrecognized actuarial losses for pension benefit plans of $1.5 billion and $844 million, respectively, recorded in accumulated other comprehensive income.

Other Postretirement Benefit Plan Accounting. United's postretirement plan provides certain health care benefits, primarily in the United States, to retirees and eligible dependents, as well as certain life insurance benefits to certain retirees reflected as "Other Benefits." United also has retiree medical programs that permit retirees who meet certain age and service requirements to continue medical coverage between retirement and Medicare eligibility. Eligible employees are required to pay a portion of the costs of their retiree medical benefits, which in some cases may be offset by accumulated unused sick time at the time of their retirement. Plan benefits are subject to co-payments, deductibles and other limits as described in the plans.

The Company accounts for other postretirement benefits by recognizing the difference between plan assets and obligations, or the plan's funded status, in its financial statements. Other postretirement benefit expense is recognized on an accrual basis over employees' approximate service periods and is generally calculated independently of funding decisions or requirements. United has not been required to pre-fund its plan obligations, which has resulted in a significant net obligation, as discussed below. The Company's benefit obligation was $1.7 billion and $2.0 billion for the other postretirement benefit plans at December 31, 2016 and 2015, respectively.

The calculation of other postretirement benefit expense and obligations requires the use of a number of assumptions, including the assumed discount rate for measuring future payment obligations and the health care cost trend rate The Company determines the appropriate discount rate for each of the plans based on current rates on high quality corporate bonds that would generate the cash flow necessary to pay plan benefits when due The Company's weighted average discount rate to determine its benefit obligations as of December 31, 2016 was 4.07%, as compared to 4.49% for December 31, 2015 The health care cost trend rate assumed for 2016 was 6.75%, declining to 5.0% in 2023, as compared to assumed trend rate for 2017 of 6.50%, declining to 5.0% in 2023. A 1% increase in assumed health care trend rates would increase the Company's total service and interest cost for the year ended December 31, 2016 by $13 million; whereas, a 1% decrease in assumed health care trend rates would decrease the Company's total service and interest cost for the year ended December 31, 2016 by $11 million. A one percentage point decrease in the weighted average discount rate would increase the Company's postretirement benefit liability by approximately $181 million and increase the estimated 2016 benefits expense by approximately $11 million.

Actuarial gains or losses are triggered by changes in assumptions or experience that differ from the original assumptions and prior service credits result from a retroactive reduction in benefits due under the plans. Under the applicable accounting standards for postretirement welfare benefit plans, actuarial gains and losses and prior service credits are not required to be recognized currently, but instead may be deferred as part of accumulated other comprehensive income and amortized into expense over the average remaining service life of the covered active employees or the average life expectancy of inactive participants. At December 31, 2016 and 2015, the Company had unrecognized actuarial gains for postretirement welfare benefit plans of $384 million and $236 million, respectively, recorded in accumulated other comprehensive income.

Income Taxes. The Company has a net deferred tax asset totaling $655 million as of December 31, 2016, including $1.6 billion of federal and state NOL carryforwards and $108 million of alternative minimum tax credit carryforwards, net of a $8 million valuation allowance, which do not expire. The federal NOL carryforwards will expire beginning in 2026 if unused. In addition, the majority of tax benefits of the state net operating losses of $56 million, net of a $36 million valuation allowance, will expire over a five to 20-year period. At the end of 2016, the Company maintained a valuation allowance of $68 million against certain state and local NOLs and credit carryforwards which will expire unused due to limited carryforward periods.

The Company periodically assesses whether it is more likely than not that it will generate sufficient taxable income to realize its deferred income tax assets The Company establishes valuation allowances if it is not likely it will realize its deferred income tax assets. In making this determination, the Company considers all available positive and negative evidence and makes certain assumptions. The Company considers, among other things, projected future taxable income, scheduled reversals of deferred tax liabilities, the overall business environment, the Company's historical financial results and tax planning strategies. In evaluating the likelihood of utilizing the Company's net deferred income tax assets, the significant factors that the Company considers include (1) the Company's recent history and forecasted profitability; (2) growth in the U.S. and global economies, and (3) future impact of taxable temporary differences. During 2015, after considering all positive and negative evidence and the four sources of taxable income, the Company concluded that its deferred income tax assets were more likely than not to be realized. Therefore, the Company released almost all of its valuation allowance in 2015, resulting in a $3.1 billion benefit in its provision for income taxes.

Forward-Looking Information

Certain statements throughout Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and elsewhere in this report are forward-looking and thus reflect the Company's current expectations and beliefs with respect to certain current and future events and anticipated financial and operating performance. Such forward-looking statements are and will be subject to many risks and uncertainties relating to the Company's operations and business environment that may cause actual results to differ materially from any future results expressed or implied in such forward-looking statements. Words such as "expects," "will," "plans," "anticipates," "indicates," "believes," "forecast," "guidance," "outlook," "goals" and similar expressions are intended to identify forward-looking statements.

Additionally, forward-looking statements include statements that do not relate solely to historical facts, such as statements which identify uncertainties or trends, discuss the possible future effects of current known trends or uncertainties or which indicate that the future effects of known trends or uncertainties cannot be predicted, guaranteed or assured. All forward-looking statements in this report are based upon information available to the Company on the date of this report. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as required by applicable law.

Our actual results could differ materially from these forward-looking statements due to numerous factors including, without limitation, the following: our ability to comply with the terms of our various financing arrangements; the costs and availability of financing; our ability to maintain adequate liquidity; our ability to execute our operational plans and revenue-generating initiatives, including optimizing our revenue, our ability to control our costs, including realizing benefits from our resource optimization efforts, cost reduction initiatives and fleet replacement programs; costs associated with any modification or termination of our aircraft orders; our ability to utilize our net operating losses; our ability to attract and retain customers; demand for transportation in the markets in which we operate; an outbreak of a disease that affects travel demand or travel behavior, demand for travel and the impact that global economic and political conditions have on customer travel patterns; excessive taxation and the inability to offset future taxable income; general economic conditions (including interest rates, foreign currency exchange rates, investment or credit market conditions, crude oil prices, costs of aircraft fuel and energy refining capacity in relevant markets); economic and political instability and other risks of doing business globally; the effects of any hostilities, act of war or terrorist attack; the ability of other air carriers with whom we have alliances or partnerships to provide the services contemplated by the respective arrangements with such carriers; the effects of any technology failures or cybersecurity breaches; disruptions to our regional network; the costs and availability of aviation and other insurance; industry consolidation or changes in airline alliances; the success of our investments in airlines in other parts of the world, competitive pressures on pricing and on demand; our capacity decisions and the capacity decisions of our competitors; U.S. or foreign governmental legislation, regulation and other actions (including Open Skies agreements and environmental regulations); the impact of regulatory, investigative and legal proceedings and legal compliance risks, the impact of any management changes; labor costs; our ability to maintain satisfactory labor relations and the results of any collective bargaining agreement process with our union groups; any disruptions to operations due to any potential actions by our labor groups; weather conditions; and other risks and uncertainties set forth under Part I, Item 1A, "Risk Factors" of this report, as well as other risks and uncertainties set forth from time to time in the reports we file with the SEC.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rates. Our net income (loss) is affected by fluctuations in interest rates (e.g. interest expense on variable rate debt and interest income earned on short-term investments). The Company's policy is to manage interest rate risk through a combination of fixed and variable rate debt. The following table summarizes information related to the Company's interest rate market risk at December 31 (in millions):

	2016	2015
Variable rate debt		
Carrying value of variable rate debt at December 31	$2,582	$2,345
Impact of 100 basis point increase on projected interest expense for the following year	25	23
Fixed rate debt		
Carrying value of fixed rate debt at December 31	8,185	8,552
Fair value of fixed rate debt at December 31	8,469	9,022
Impact of 100 basis point increase in market rates on fair value	(340)	(369)

A change in market interest rates would also impact interest income earned on our cash, cash equivalents and short-term investments. Assuming our cash, cash equivalents and short-term investments remain at their average

2016 levels, a 100 basis point increase in interest rates would result in a corresponding increase in the Company's interest income of approximately $47 million during 2017.

Commodity Price Risk (Aircraft Fuel). The price level of aircraft fuel can significantly affect the Company's operations, results of operations, financial position and liquidity. Since 2014, the price of jet fuel has declined but remains volatile.

Our operational and financial results can be significantly impacted by changes in the price and availability of aircraft fuel. To provide adequate supplies of fuel, the Company routinely enters into purchase contracts that are customarily indexed to market prices for aircraft fuel, and the Company generally has some ability to cover short-term fuel supply and infrastructure disruptions at some major demand locations. The price of aircraft fuel has fluctuated substantially in the past several years and in order to lower its exposure to unpredictable increases in the market prices of aircraft fuel, the Company has historically hedged a portion of its planned fuel requirements. As of December 31, 2016, the Company did not have any outstanding fuel hedging contracts. The Company's current strategy is to not enter into transactions to hedge its fuel consumption, although the Company regularly reviews its policy based on market conditions and other factors. The Company's 2017 forecasted fuel consumption is presently approximately four billion gallons, and based on this forecast, a one dollar change in the price of a barrel of crude oil would change the Company's annual fuel expense by approximately $95 million.

Foreign Currency. The Company generates revenues and incurs expenses in numerous foreign currencies. Changes in foreign currency exchange rates impact the Company's results of operations through changes in the dollar value of foreign currency-denominated operating revenues and expenses. Some of the Company's more significant foreign currency exposures include the Canadian dollar, Chinese renminbi, European euro, British pound and Japanese yen. The Company's current strategy is to not enter into transactions to hedge its foreign currency sales, although the Company regularly reviews its policy based on market conditions and other factors. As of December 31, 2016, the Company did not have any foreign currency derivative contracts outstanding. The last of the Company's foreign currency derivatives expired in December 2016.

The result of a uniform 10 percent strengthening in the value of the U.S. dollar from December 31, 2016 levels relative to each of the currencies in which the Company has foreign currency exposure would result in a decrease in pre-tax income of approximately $239 million for the year ending December 31, 2017. This sensitivity analysis was prepared based upon projected 2017 foreign currency-denominated revenues and expenses as of December 31, 2016.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
United Continental Holdings, Inc.

We have audited the accompanying consolidated balance sheets of United Continental Holdings, Inc. (the "Company") as of December 31, 2016 and 2015, and the related statements of consolidated operations, comprehensive income (loss), cash flows, and stockholders' equity for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) and our report dated February 23, 2017, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Chicago, Illinois
February 23, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholder of
United Airlines, Inc.

We have audited the accompanying consolidated balance sheets of United Airlines, Inc. (the "Company") as of December 31, 2016 and 2015, and the related statements of consolidated operations, comprehensive income (loss), cash flows, and stockholder's equity for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Ernst & Young LLP

Chicago, Illinois
February 23, 2017

UNITED CONTINENTAL HOLDINGS, INC.
STATEMENTS OF CONSOLIDATED OPERATIONS
(In millions, except per share amounts)

	Year Ended December 31,		
	2016	2015	2014
Operating revenue:			
Passenger—Mainline	$ 25,414	$ 26,333	$ 26,785
Passenger—Regional	6,043	6,452	6,977
Total passenger revenue	31,457	32,785	33,762
Cargo	876	937	938
Other operating revenue	4,223	4,142	4,201
	36,556	37,864	38,901
Operating expense:			
Salaries and related costs	10,275	9,713	8,935
Aircraft fuel	5,813	7,522	11,675
Regional capacity purchase	2,197	2,290	2,344
Landing fees and other rent	2,165	2,203	2,274
Depreciation and amortization	1,977	1,819	1,679
Aircraft maintenance materials and outside repairs	1,749	1,651	1,779
Distribution expenses	1,303	1,342	1,373
Aircraft rent	680	754	883
Special charges (Note 16)	638	326	443
Other operating expenses	5,421	5,078	5,143
	32,218	32,698	36,528
Operating income	4,338	5,166	2,373
Nonoperating income (expense):			
Interest expense	(614)	(669)	(735)
Interest capitalized	72	49	52
Interest income	42	25	22
Miscellaneous, net (Note 16)	(19)	(352)	(584)
	(519)	(947)	(1,245)
Income before income taxes	3,819	4,219	1,128
Income tax expense (benefit)	1,556	(3,121)	(4)
Net income	$ 2,263	$ 7,340	$ 1,132
Earnings per share, basic	$ 6.86	$ 19.52	$ 3.05
Earnings per share, diluted	$ 6.85	$ 19.47	$ 2.93

The accompanying Combined Notes to Consolidated Financial Statements are an integral part of these statements

UNITED CONTINENTAL HOLDINGS, INC.
STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS)
(In millions)

	Year Ended December 31,		
	2016	2015	2014
Net income	$ 2,263	$ 7,340	$ 1,132
Other comprehensive income (loss), net change related to:			
Employee benefit plans, net of taxes	(313)	70	(1,171)
Fuel derivative financial instruments, net of taxes	316	182	(510)
Investments and other, net of taxes	(1)	(4)	(6)
	2	248	(1,687)
Total comprehensive income (loss), net	$ 2,265	$ 7,588	$ (555)

The accompanying Combined Notes to Consolidated Financial Statements are an integral part of these statements.

UNITED CONTINENTAL HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except shares)

	At December 31,	
ASSETS	**2016**	**2015**
Current assets:		
Cash and cash equivalents	$ 2,179	$ 3,006
Short-term investments	2,249	2,190
Receivables, less allowance for doubtful accounts (2016—$10; 2015—$18)	1,176	1,128
Fuel hedge collateral deposits	—	26
Aircraft fuel, spare parts and supplies, less obsolescence allowance (2016—$295; 2015—$235)	873	738
Prepaid expenses and other	832	740
	7,309	7,828
Operating property and equipment:		
Owned—		
Flight equipment	25,873	23,728
Other property and equipment	5,652	4,542
	31,525	28,270
Less—Accumulated depreciation and amortization	(9,975)	(8,339)
	21,550	19,931
Purchase deposits for flight equipment	1,059	788
Capital leases—		
Flight equipment	1,319	1,527
Other property and equipment	331	332
	1,650	1,859
Less—Accumulated amortization	(941)	(998)
	709	861
	23,318	21,580
Other assets:		
Goodwill	4,523	4,523
Intangibles, less accumulated amortization (2016—$1,234; 2015—$1,144)	3,632	4,136
Deferred income taxes	655	2,037
Restricted cash	124	204
Other, net	579	553
	9,513	11,453
	$ 40,140	$ 40,861

(continued on next page)

UNITED CONTINENTAL HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except shares)

	At December 31,	
LIABILITIES AND STOCKHOLDERS' EQUITY	**2016**	**2015**
Current liabilities:		
Advance ticket sales	$ 3,730	$ 3,753
Frequent flyer deferred revenue	2,135	2,117
Accounts payable	2,139	1,869
Accrued salaries and benefits	2,307	2,350
Current maturities of long-term debt	849	1,224
Current maturities of capital leases	116	135
Fuel derivative instruments	—	124
Other	1,010	842
	12,286	12,414
Long-term debt	9,918	9,673
Long-term obligations under capital leases	822	727
Other liabilities and deferred credits:		
Frequent flyer deferred revenue	2,748	2,826
Postretirement benefit liability	1,581	1,882
Pension liability	1,892	1,488
Advanced purchase of miles	430	1,010
Lease fair value adjustment, net	277	359
Other	1,527	1,516
	8,455	9,081
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	—	—
Common stock at par $0.01 par value; authorized 1,000,000,000 shares; outstanding 314,612,744 and 364,609,108 shares at December 31, 2016 and 2015, respectively	3	4
Additional capital invested	6,569	7,946
Retained earnings	3,427	3,457
Stock held in treasury, at cost	(511)	(1,610)
Accumulated other comprehensive loss	(829)	(831)
	8,659	8,966
	$40,140	$40,861

The accompanying Combined Notes to Consolidated Financial Statements are an integral part of these statements.

UNITED CONTINENTAL HOLDINGS, INC.
STATEMENTS OF CONSOLIDATED CASH FLOWS
(In millions)

	Year Ended December 31,		
	2016	2015	2014
Cash Flows from Operating Activities			
Net income	$ 2,253	$ 7,340	$ 1,132
Adjustments to reconcile net income to net cash provided by operating activities -			
Deferred income taxes	1,648	(3,177)	13
Depreciation and amortization	1,977	1,819	1,679
Special charges, non-cash portion	391	247	78
Other operating activities	109	115	(21)
Changes in operating assets and liabilities -			
(Increase) decrease in fuel hedge collateral	26	551	(577)
(Decrease) increase in fuel derivatives	(20)	(305)	436
Decrease in other liabilities	(114)	(198)	(238)
Decrease in frequent flyer deferred revenue and advanced purchase of miles	(641)	(200)	(88)
Increase in other assets	(298)	(160)	(34)
Increase (decrease) in accounts payable	239	(77)	(251)
Increase (decrease) in advance ticket sales	(22)	52	296
(Increase) decrease in receivables	(16)	(115)	209
Net cash provided by operating activities	5,542	5,992	2,634
Cash Flows from Investing Activities			
Capital expenditures	(3,223)	(2,747)	(2,005)
Purchases of short-term and other investments	(2,768)	(2,517)	(3,569)
Proceeds from sale of short-term and other investments	2,712	2,707	3,112
Proceeds from sale of property and equipment	28	86	94
Other, net	13	(136)	37
Net cash used in investing activities	(3,238)	(2,607)	(2,331)
Cash Flows from Financing Activities			
Repurchases of common stock	(2,614)	(1,233)	(312)
Payments of long-term debt	(1,215)	(2,178)	(2,503)
Proceeds from issuance of long-term debt	808	1,073	1,432
Principal payments under capital leases	(136)	(123)	(127)
Capitalized financing costs	(64)	(37)	(104)
Proceeds from the exercise of stock options	6	16	60
Other, net	2	(13)	(42)
Net cash used in financing activities	(3,213)	(2,495)	(1,596)
Net increase (decrease) in cash, cash equivalents and restricted cash	(909)	890	(293)
Cash, cash equivalents and restricted cash at beginning of year	3,212	2,322	3,015
Cash, cash equivalents and restricted cash at end of year	$ 2,303	$ 3,212	$ 2,322
Investing and Financing Activities Not Affecting Cash			
Property and equipment acquired through the issuance of debt	$ 380	$ 866	$ 1,114
Airport construction financing	91	17	14
Operating lease conversions to capital lease	12	285	—
Exchange of convertible notes for common stock	—	202	260
Cash Paid (Refunded) During the Period for			
Interest	$ 581	$ 660	$ 748
Income taxes	$ 4	$ 15	$ (16)

The accompanying Combined Notes to Consolidated Financial Statements are an integral part of these statements

UNITED CONTINENTAL HOLDINGS, INC.
STATEMENTS OF CONSOLIDATED STOCKHOLDERS' EQUITY
(In millions)

	Common Stock		Additional Capital Invested	Treasury Stock	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount					
Balance at December 31, 2013	362	$ 4	$ 7,425	$ (38)	$ (5,015)	$ 608	$ 2,984
Net income	—	—	—	—	1,132	—	1,132
Other comprehensive loss	—	—	—	—	—	(1,687)	(1,687)
Convertible debt redemption	17	—	260	—	—	—	260
Repurchase of convertible debt	—	—	(34)	—	—	—	(34)
Share-based compensation	—	—	10	—	—	—	10
Proceeds from exercise of stock options	2	—	60	—	—	—	60
Repurchases of common stock	(6)	—	—	(320)	—	—	(320)
Other	—	—	—	(9)	—	—	(9)
Balance at December 31, 2014	375	4	7,721	(367)	(3,883)	(1,079)	2,396
Net income	—	—	—	—	7,340	—	7,340
Other comprehensive income	—	—	—	—	—	248	248
Convertible debt redemptions	11	—	202	—	—	—	202
Share-based compensation	—	—	7	—	—	—	7
Proceeds from exercise of stock options	—	—	16	—	—	—	16
Repurchases of common stock	(21)	—	—	(1,232)	—	—	(1,232)
Other	—	—	—	(11)	—	—	(11)
Balance at December 31, 2015	365	4	7,946	(1,610)	3,457	(831)	8,966
Net income	—	—	—	—	2,263	—	2,263
Other comprehensive income	—	—	—	—	—	2	2
Share-based compensation	—	—	32	—	—	—	32
Proceeds from exercise of stock options	—	—	6	—	—	—	6
Repurchases of common stock	(50)	—	—	(2,607)	—	—	(2,607)
Treasury stock retired	—	(1)	(1,415)	3,709	(2,293)	—	—
Other	—	—	—	(3)	—	—	(3)
Balance at December 31, 2016	315	$ 3	$ 6,569	$ (511)	$ 3,427	$ (829)	$ 8,659

The accompanying Combined Notes to Consolidated Financial Statements are an integral part of these statements.

UNITED AIRLINES, INC.
STATEMENTS OF CONSOLIDATED OPERATIONS
(In millions)

	Year Ended December 31,		
	2016	2015	2014
Operating revenue:			
Passenger—Mainline	$ 25,414	$ 26,333	$ 26,785
Passenger—Regional	6,043	6,452	6,977
Total passenger revenue	31,457	32,785	33,762
Cargo	876	937	938
Other operating revenue	4,223	4,142	4,201
	36,556	37,864	38,901
Operating expense:			
Salaries and related costs	10,275	9,713	8,935
Aircraft fuel	5,813	7,522	11,675
Regional capacity purchase	2,197	2,290	2,344
Landing fees and other rent	2,165	2,203	2,274
Depreciation and amortization	1,977	1,819	1,679
Aircraft maintenance materials and outside repairs	1,749	1,651	1,779
Distribution expenses	1,303	1,342	1,373
Aircraft rent	680	754	883
Special charges (Note 16)	638	326	443
Other operating expenses	5,418	5,076	5,139
	32,215	32,696	36,524
Operating income	4,341	5,168	2,377
Nonoperating income (expense):			
Interest expense	(614)	(670)	(742)
Interest capitalized	72	49	52
Interest income	42	25	22
Miscellaneous, net (Note 16)	(19)	(351)	(599)
	(519)	(947)	(1,267)
Income before income taxes	3,822	4,221	1,110
Income tax expense (benefit)	1,558	(3,080)	(4)
Net income	$ 2,264	$ 7,301	$ 1,114

The accompanying Combined Notes to Consolidated Financial Statements are an integral part of these statements.

UNITED AIRLINES, INC.
STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS)
(In millions)

	Year Ended December 31,		
	2016	2015	2014
Net income	$ 2,264	$ 7,301	$ 1,114
Other comprehensive income (loss), net change related to:			
Employee benefit plans, net of taxes	(313)	70	(1,171)
Fuel derivative financial instruments, net of taxes	316	182	(510)
Investments and other, net of taxes	(1)	(4)	(6)
	2	248	(1,687)
Total comprehensive income (loss), net	$ 2,266	$ 7,549	$ (573)

The accompanying Combined Notes to Consolidated Financial Statements are an integral part of these statements.

UNITED AIRLINES, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except shares)

	At December 31,	
ASSETS	**2016**	**2015**
Current assets:		
Cash and cash equivalents	$ 2,173	$ 3,000
Short-term investments	2,249	2,190
Receivables, less allowance for doubtful accounts (2016—$10; 2015—$18)	1,176	1,128
Fuel hedge collateral deposits	—	26
Aircraft fuel, spare parts and supplies, less obsolescence allowance (2016—$295; 2015—$235)	873	738
Prepaid expenses and other	832	787
	7,303	7,869
Operating property and equipment:		
Owned—		
Flight equipment	25,873	23,728
Other property and equipment	5,652	4,542
	31,525	28,270
Less—Accumulated depreciation and amortization	(9,975)	(8,339)
	21,550	19,931
Purchase deposits for flight equipment	1,059	788
Capital leases—		
Flight equipment	1,319	1,527
Other property and equipment	331	332
	1,650	1,859
Less—Accumulated amortization	(941)	(998)
	709	861
	23,318	21,580
Other assets:		
Goodwill	4,523	4,523
Intangibles, less accumulated amortization (2016—$1,234; 2015—$1,144)	3,632	4,136
Deferred income taxes	612	1,995
Restricted cash	124	204
Other, net	579	554
	9,470	11,412
	$ 40,091	$ 40,861

(continued on next page)

UNITED AIRLINES, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except shares)

	At December 31,	
LIABILITIES AND STOCKHOLDER'S EQUITY	**2016**	**2015**
Current liabilities:		
Advance ticket sales	$ 3,730	$ 3,753
Frequent flyer deferred revenue	2,135	2,117
Accounts payable	2,144	1,874
Accrued salaries and benefits	2,307	2,350
Current maturities of long-term debt	849	1,224
Current maturities of capital leases	116	135
Fuel derivative instruments	—	124
Other	1,009	840
	12,290	12,417
Long-term debt	9,918	9,673
Long-term obligations under capital leases	822	727
Other liabilities and deferred credits:		
Frequent flyer deferred revenue	2,748	2,826
Postretirement benefit liability	1,581	1,882
Pension liability	1,892	1,488
Advanced purchase of miles	430	1,010
Lease fair value adjustment, net	277	359
Other	1,527	1,516
	8,455	9,081
Commitments and contingencies		
Stockholder's equity:		
Common stock at par, $0.01 par value; authorized 1,000 shares; issued and outstanding 1,000 shares at December 31, 2016 and 2015	—	—
Additional capital invested	3,573	6,138
Retained earnings	5,937	3,673
Accumulated other comprehensive loss	(829)	(831)
Receivable from related parties	(75)	(17)
	8,606	8,963
	$40,091	$40,861

The accompanying Combined Notes to Consolidated Financial Statements are an integral part of these statements.

UNITED AIRLINES, INC.
STATEMENTS OF CONSOLIDATED CASH FLOWS
(In millions)

	Year Ended December 31,		
	2016	2015	2014
Cash Flows from Operating Activities			
Net income	$ 2,264	$ 7,301	$ 1,114
Adjustments to reconcile net income to net cash provided by operating activities -			
Deferred income taxes	1,650	(3,136)	(13)
Depreciation and amortization	1,977	1,819	1,679
Special charges, non-cash portion	391	247	78
Other operating activities	108	115	4
Changes in operating assets and liabilities -			
(Increase) decrease in fuel hedge collateral	26	551	(577)
(Decrease) increase in fuel derivatives	(20)	(305)	436
Decrease in other liabilities	(112)	(199)	(236)
Decrease in frequent flyer deferred revenue and advanced purchase of miles	(641)	(200)	(88)
Increase in other assets	(251)	(160)	(34)
Increase (decrease) in accounts payable	239	(77)	(251)
Increase (decrease) in advance ticket sales	(22)	52	206
(Increase) decrease in receivables	(16)	(15)	209
Increase in intercompany receivables	(58)	(12)	—
Decrease in intercompany payables	—	—	(118)
Net cash provided by operating activities	5,535	5,981	2,525
Cash Flows from Investing Activities			
Capital expenditures	(3,223)	(2,747)	(2,005)
Purchases of short-term and other investments	(2,768)	(2,517)	(3,569)
Proceeds from sale of short-term and other investments	2,712	2,707	3,112
Proceeds from sale of property and equipment	28	86	94
Other, net	13	(136)	37
Net cash used in investing activities	(3,238)	(2,607)	(2,331)
Cash Flows from Financing Activities			
Dividend to UAL	(2,614)	(1,233)	(212)
Payments of long-term debt	(1,215)	(2,178)	(2,503)
Proceeds from issuance of long-term debt	808	1,073	1,432
Principal payments under capital leases	(136)	(123)	(127)
Capitalized financing costs	(64)	(37)	(104)
UAL contributions related to stock plans	6	16	60
Other, net	9	(2)	(33)
Net cash used in financing activities	(3,206)	(2,484)	(1,487)
Net increase (decrease) in cash, cash equivalents and restricted cash	(909)	890	(1,293)
Cash, cash equivalents and restricted cash at beginning of year	3,206	2,316	3,609
Cash, cash equivalents and restricted cash at end of year	$ 2,297	$ 3,206	$ 2,316
Investing and Financing Activities Not Affecting Cash			
Property and equipment acquired through the issuance of debt	$ 386	$ 866	$ 1,114
Airport construction financing	91	17	14
Operating lease conversions to capital lease	12	285	—
Transfer of UAL subsidiaries to United	—	—	180
Exchange of convertible notes for common stock	—	—	156
Cash Paid (Refunded) During the Period for			
Interest	$ 584	$ 660	$ 748
Income taxes	14	15	(16)

The accompanying Combined Notes to Consolidated Financial Statements are an integral part of these statements.

UNITED AIRLINES, INC.
STATEMENTS OF CONSOLIDATED STOCKHOLDER'S EQUITY
(In millions)

	Additional Capital Invested	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Receivable from Related Parties, Net	Total
Balance at December 31, 2013	$ 7,590	$ (4,743)	$ 608	$ (232)	$ 3,223
Net income	—	1,114	—	—	1,114
Other comprehensive loss	—	—	(1,687)	—	(1,687)
Convertible debt redemption	156	—	—	—	156
Dividend and other capital distributions to UAL	(469)	—	—	232	(236)
Share-based compensation	10	—	—	—	10
UAL contribution related to stock plans	60	—	—	—	60
Other	—	—	—	(5)	(5)
Balance at December 31, 2014	7,347	(3,628)	(1,079)	(5)	2,635
Net income	—	7,301	—	—	7,301
Other comprehensive income	—	—	248	—	248
Dividend to UAL	(1,232)	—	—	—	(1,232)
Share-based compensation	7	—	—	—	7
UAL contribution related to stock plans	16	—	—	—	16
Other	—	—	—	(12)	(12)
Balance at December 31, 2015	6,138	3,673	(831)	(17)	8,963
Net income	—	2,264	—	—	2,264
Other comprehensive income	—	—	2	—	2
Dividend to UAL	(2,603)	—	—	—	(2,603)
Share-based compensation	32	—	—	—	32
UAL contribution related to stock plans	6	—	—	—	6
Other	—	—	—	(58)	(58)
Balance at December 31, 2016	$ 3,573	$ 5,937	$ (829)	$ (75)	$ 8,606

The accompanying Combined Notes to Consolidated Financial Statements are an integral part of these statements

UNITED CONTINENTAL HOLDINGS, INC.
UNITED AIRLINES, INC.
COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Overview

United Continental Holdings, Inc. (together with its consolidated subsidiaries, "UAL" or the "Company") is a holding company and its principal, wholly-owned subsidiary is United Airlines, Inc. (together with its consolidated subsidiaries, "United"). As UAL consolidates United for financial statement purposes, disclosures that relate to activities of United also apply to UAL, unless otherwise noted. United's operating revenues and operating expenses comprise nearly 100% of UAL's revenues and operating expenses. In addition, United comprises approximately the entire balance of UAL's assets, liabilities and operating cash flows. When appropriate, UAL and United are named specifically for their individual contractual obligations and related disclosures and any significant differences between the operations and results of UAL and United are separately disclosed and explained. We sometimes use the words "we," "our," "us," and the "Company" in this report for disclosures that relate to all of UAL and United.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

(a) **Use of Estimates**— The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

(b) **Revenue Recognition**— The Company records passenger ticket sales and tickets sold by other airlines for use on United as passenger revenue when the transportation is provided or upon estimated breakage. The value of unused passenger tickets is included in current liabilities as Advance ticket sales. Tickets sold by other airlines are recorded at the estimated values to be billed to the other airlines. Differences between amounts billed and the actual amounts may be rejected and rebilled or written off if the amount recorded was different from the original estimate. When necessary, the Company records a reserve against its interline billings and payables if historical experience indicates that these amounts are different. Non-refundable tickets generally expire on the date of the intended flight, unless the date is extended by notification from the customer on or before the intended flight date.

Fees charged in association with changes or extensions to non-refundable tickets are recorded as other revenue at the time the fee is incurred. The fare on the changed ticket, including any additional collection of fare, is deferred and recognized in accordance with our transportation revenue recognition policy at the time the transportation is provided. Change fees related to non-refundable tickets are considered a separate transaction from the air transportation because they represent a charge for the Company's additional service to modify a previous sale. Therefore, the pricing of the change fee and the initial customer order are separately determined and represent distinct earnings processes.

The Company records an estimate of breakage revenue on the flight date for tickets that will expire unused. These estimates are based on the evaluation of actual historical results and forecasted trends. Refundable tickets expire after one year from the date of issuance.

The Company recognizes cargo and other revenue as service is provided.

Under our capacity purchase agreements ("CPAs") with regional carriers, we purchase all of the capacity related to aircraft covered by the contracts and are responsible for selling all of the related seat inventory. We record the passenger revenue and related expenses as separate operating revenue and expense in the consolidated statement of operations.

Accounts receivable primarily consist of amounts due from credit card companies and customers of our aircraft maintenance and cargo transportation services. We provide an allowance for uncollectible

accounts equal to the estimated losses expected to be incurred based on historical write-offs and other specific analyses. Bad debt expense and write-offs were not material for the years ended December 31, 2016, 2015 and 2014.

(c) **Frequent Flyer Accounting**— United's MileagePlus ® program builds customer loyalty by offering awards, benefits and services to program participants. Members in this program earn miles for flights on United, United Express, Star Alliance members and certain other airlines that participate in the program. Members can also earn miles by purchasing the goods and services of our network of non-airline partners. We sell miles to these partners, which include credit card issuers, retail merchants, hotels, car rental companies and our participating airline partners. Miles can be redeemed for free (other than taxes and government imposed fees), discounted or upgraded air travel and non-travel awards. The Company records its obligation for future award redemptions using a deferred revenue model.

Miles Earned in Conjunction with Flights

When frequent flyers earn miles for flights, the Company recognizes a portion of the ticket sales as revenue when the air transportation occurs and defers a portion of the ticket sale representing the value of the related miles as a multiple-deliverable revenue arrangement. The Company determines the estimated selling price of air transportation and miles as if each element is sold on a separate basis. The total consideration from each ticket sale is then allocated to each of these elements, individually, on a pro rata basis. The miles are recorded in Frequent flyer deferred revenue on the Company's consolidated balance sheet and recognized into revenue when the transportation is provided.

The Company's estimated selling price of miles is based on an equivalent ticket value less fulfillment discount, which incorporates the expected redemption of miles, as the best estimate of selling price for these miles. The equivalent ticket value is based on the prior 12 months' weighted average equivalent ticket value of similar fares as those used to settle award redemptions while taking into consideration such factors as redemption pattern, cabin class, loyalty status and geographic region. The estimated selling price of miles is adjusted by a fulfillment discount that considers a number of factors, including redemption patterns of various customer groups.

Co-branded Credit Card Partner Mileage Sales

United has a significant contract, the Second Amended and Restated Co-Branded Card Marketing Services Agreement (the "Co-Brand Agreement"), to sell MileagePlus miles to its co-branded credit card partner, Chase Bank USA, N.A. ("Chase"). United identified the following significant revenue elements in the Co-Brand Agreement: the air transportation element represented by the value of the mile (generally resulting from its redemption for future air transportation and whose fair value is described above); use of the United brand and access to MileagePlus member lists; advertising; and other travel related benefits.

The fair value of the elements is determined using management's estimated selling price of each element. The objective of using the estimated selling price based methodology is to determine the price at which we would transact a sale if the product or service were sold on a stand-alone basis. Accordingly, we determine our best estimate of selling price by considering multiple inputs and methods including, but not limited to, discounted cash flows, brand value, volume discounts, published selling prices, number of miles awarded and number of miles redeemed. The Company estimated the selling prices and volumes over the term of the Co-Brand Agreement in order to determine the allocation of proceeds to each of the multiple elements to be delivered. We also evaluate volumes on an annual basis, which may result in a change in the allocation of estimated selling price on a prospective basis.

The Company records passenger revenue related to the air transportation element when the transportation is delivered. The other elements are generally recognized as Other operating revenue when earned.

Expiration of Miles

The Company accounts for miles sold and awarded that will never be redeemed by program members, which we refer to as breakage. The Company reviews its breakage estimates annually based upon the latest available information regarding redemption and expiration patterns. Miles expire after 18 months of member account inactivity.

The Company's estimate of the expected expiration of miles requires significant management judgment. Current and future changes to expiration assumptions or to the expiration policy, or to program rules and program redemption opportunities, may result in material changes to the deferred revenue balance as well as recognized revenues from the programs.

Other Information

The following table provides additional information related to the frequent flyer program (in millions):

Year Ended December 31,	Cash Proceeds from Miles Sold and Earned	Other Revenue Recognized Upon Award of Miles to Third-Party Customers (a)	Increase in Frequent Flyer Deferred Revenue for Miles Awarded (b)	Decrease in Advanced Purchase of Miles (c)
2016	$ 3,022	$ 1,221	$ 2,050	$ (249)
2015	2,999	1,050	2,173	(224)
2014	2,861	882	2,178	(199)

(a) This amount represents other revenue recognized during the period from the sale of miles to third parties, representing the marketing-related deliverable services component of the sale
(b) This amount represents the increase to Frequent flyer deferred revenue during the period
(c) This amount represents the net decrease in the advance purchase of miles obligation due to cash payments for the sale of miles less than miles awarded to customers.

(d) **Cash and Cash Equivalents and Restricted Cash**— Highly liquid investments with a maturity of three months or less on their acquisition date are classified as cash and cash equivalents.

Restricted cash primarily includes cash collateral associated with workers' compensation obligations and reserves for institutions that process credit card ticket sales. Restricted cash is classified as short-term or long-term in the consolidated balance sheets based on the expected timing of return of the assets to the Company.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the statements of consolidated cash flows:

	UAL At December 31,			United At December 31,		
	2016	2015	2014	2016	2015	2014
Current assets:						
Cash and cash equivalents	$2,179	$3,006	$2,002	$2,173	$3,000	$1,996
Restricted cash included in Prepaid expenses and other	—	2	44	—	2	44
Other assets:						
Restricted cash	124	204	276	124	204	276
Total cash, cash equivalents and restricted cash shown in the statement of consolidated cash flows	$2,303	$3,212	$2,322	$2,297	$3,206	$2,316

(e) **Short-term Investments**— Short-term investments are classified as available-for-sale and are stated at fair value. Realized gains and losses on sales of investments are reflected in nonoperating income (expense) in the consolidated statements of operations. Unrealized gains and losses on available-for-sale securities are reflected as a component of accumulated other comprehensive income (loss).

(f) **Aircraft Fuel, Spare Parts and Supplies**— The Company accounts for aircraft fuel, spare parts and supplies at average cost and provides an obsolescence allowance for aircraft spare parts with an assumed residual value of 10% of original cost.

(g) **Property and Equipment**— The Company records additions to owned operating property and equipment at cost when acquired. Property under capital leases and the related obligation for future lease payments are recorded at an amount equal to the initial present value of those lease payments. Modifications that enhance the operating performance or extend the useful lives of airframes or engines are capitalized as property and equipment. It is the Company's policy to record compensation from delays in delivery of aircraft as a reduction of the cost of the related aircraft.

Depreciation and amortization of owned depreciable assets is based on the straight-line method over the assets' estimated useful lives. Leasehold improvements are amortized over the remaining term of the lease, including estimated facility renewal options when renewal is reasonably assured at key airports, or the estimated useful life of the related asset, whichever is less. Properties under capital leases are amortized on the straight-line method over the life of the lease or, in the case of certain aircraft, over their estimated useful lives, whichever is shorter. Amortization of capital lease assets is included in depreciation and amortization expense. The estimated useful lives of property and equipment are as follows:

	Estimated Useful Life (in years)
Aircraft and related rotable parts	25 to 30
Buildings	25 to 45
Other property and equipment	3 to 15
Computer software	5
Building improvements	1 to 40

As of December 31, 2016 and 2015, the Company had a carrying value of computer software of $356 million and $279 million, respectively. For the years ended December 31, 2016, 2015 and 2014, the Company's depreciation expense related to computer software was $108 million, $93 million and $81 million, respectively. Aircraft and aircraft spare parts were assumed to have residual values of approximately 10% of original cost, and other categories of property and equipment were assumed to have no residual value.

(h) **Maintenance and Repairs**— The cost of maintenance and repairs, including the cost of minor replacements, is charged to expense as incurred, except for costs incurred under our power-by-the-hour ("PBTH") engine maintenance agreements. PBTH contracts transfer certain risk to third-party service providers and fix the amount we pay per flight hour or per cycle to the service provider in exchange for maintenance and repairs under a predefined maintenance program. Under PBTH agreements, the Company recognizes expense at a level rate per engine hour, unless the level of service effort and the related payments during the period are substantially consistent, in which case the Company recognizes expense based on the amounts paid.

(i) **Lease Fair Value Adjustments**— Lease fair value adjustments, which arose from recording operating leases at fair value under fresh start or business combination accounting, are amortized on a straight-line basis over the related lease term.

(j) **Regional Capacity Purchase**— Payments made to regional carriers under CPAs are reported in Regional capacity purchase in our consolidated statements of operations.

(k) **Advertising**— Advertising costs, which are included in Other operating expenses, are expensed as incurred Advertising expenses were $220 million, $201 million and $179 million for the years ended December 31, 2016, 2015 and 2014, respectively

(l) **Intangibles**— The Company has finite-lived and indefinite-lived intangible assets, including goodwill. Finite-lived intangible assets are amortized over their estimated useful lives. Goodwill and indefinite-lived intangible assets are not amortized but are reviewed for impairment annually or more frequently if events or circumstances indicate that the asset may be impaired. Goodwill and indefinite-lived assets are reviewed for impairment on an annual basis as of October 1, or on an interim basis whenever a triggering event occurs. See Note 2 of this report for additional information related to intangibles.

(m) **Long-Lived Asset Impairments**— The Company evaluates the carrying value of long-lived assets subject to amortization whenever events or changes in circumstances indicate that an impairment may exist. For purposes of this testing, the Company has generally identified the aircraft fleet type as the lowest level of identifiable cash flows An impairment charge is recognized when the asset's carrying value exceeds its net undiscounted future cash flows and its fair market value The amount of the charge is the difference between the asset's carrying value and fair market value. See Note 16 of this report for additional information related to asset impairments

(n) **Share-Based Compensation**— The Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant date fair value of the award. The resulting cost is recognized over the period during which an employee is required to provide service in exchange for the award, usually the vesting period. Obligations for cash-settled restricted stock units ("RSUs") are remeasured at fair value throughout the requisite service period on the last day of each reporting period based upon UAL's stock price. In addition to the service requirement, certain RSUs have performance metrics that must be achieved prior to vesting. These awards are accrued based on the expected level of achievement at each reporting period. A cumulative adjustment is recorded on the last day of each reporting period to adjust compensation expense based on both UAL's stock price and the then current level of expected performance achievement for the performance-based awards. See Note 5 of this report for additional information on UAL's share-based compensation plans.

(o) **Ticket Taxes**— Certain governmental taxes are imposed on the Company's ticket sales through a fee included in ticket prices The Company collects these fees and remits them to the appropriate government agency. These fees are recorded on a net basis (excluded from operating revenue).

(p) **Retirement of Leased Aircraft**— The Company accrues for estimated lease costs over the remaining term of the lease at the present value of future minimum lease payments, net of estimated sublease rentals (if any), in the period that aircraft are permanently removed from service. When reasonably estimable and probable, the Company estimates maintenance lease return condition obligations for items such as minimum aircraft and engine conditions specified in leases and accrues these amounts over the lease term while the aircraft are operating, and any remaining unrecognized estimated obligations are accrued in the period that an aircraft is removed from service

(q) **Uncertain Income Tax Positions**— The Company has recorded reserves for income taxes and associated interest that may become payable in future years Although management believes that its positions taken on income tax matters are reasonable, the Company nevertheless has established tax and interest reserves in recognition that various taxing authorities may challenge certain of the positions taken by the Company, potentially resulting in additional liabilities for taxes and interest. The Company's uncertain tax position reserves are reviewed periodically and are adjusted as events occur that affect its estimates, such as the availability of new information, the lapsing of applicable statutes of limitation, the conclusion of tax audits, the measurement of additional estimated liability, the identification of new tax matters, the release of administrative tax guidance affecting its estimates of tax liabilities, or the rendering of relevant court decisions The Company records penalties and interest relating to uncertain tax positions in Other operating expense and Interest expense, respectively, in its

consolidated statements of operations The Company has not recorded any material expense or liabilities related to interest or penalties in its consolidated financial statements.

(r) **Labor Costs**— The Company records expenses associated with amendable labor agreements when the amounts are probable and estimable. These include costs associated with lump sum cash payments that would be made in conjunction with the ratification of labor agreements. To the extent these upfront costs are in lieu of future pay increases, they would be capitalized and amortized over the term of the labor agreements. If not, these amounts would be expensed.

(s) **Third-Party Business**— The Company has third-party business revenue that includes fuel sales, catering, ground handling, maintenance services and frequent flyer award non-air redemptions, and third-party business revenue is recorded in Other operating revenue. The Company also incurs third-party business expenses, such as maintenance, ground handling and catering services for third parties, fuel sales and non-air mileage redemptions, and those third-party business expenses are recorded in Other operating expenses.

(t) **Recently Issued Accounting Standards**— The Financial Accounting Standards Board ("FASB") amended the FASB Accounting Standards Codification and created a new Topic 606, *Revenue from Contracts with Customers*. This amendment prescribes that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendment supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance throughout the Industry Topics of the Accounting Standards Codification. The Company currently plans to use the full-retrospective approach in adopting this standard on January 1, 2018. Under the new standard, certain airline ancillary fees directly related to passenger revenue tickets, such as ticket change fees and baggage fees, are likely to no longer be considered distinct performance obligations separate from the passenger travel component. In addition, the ticket change fees which were previously recognized when received and booking fees when paid, will likely be recognized when transportation is provided. The Company has previously recorded ancillary fees and change fees in other operating revenue but will record these in passenger revenue under the new standard. The Company is evaluating other possible impacts from the new standard on its consolidated financial statements.

In 2016, the FASB amended the FASB Accounting Standards Codification and created a new Topic 842, *Leases* ("Topic 842"). The guidance requires lessees to recognize a right-of-use asset and a lease liability for all leases (with the exception of short-term leases) at the commencement date and recognize expenses on their income statements similar to the current Topic 840, *Leases*. It is effective for fiscal years and interim periods beginning after December 15, 2018, and early adoption is permitted. Lessees and lessors are required to adopt Topic 842 using a modified retrospective approach for all leases existing at or commencing after the date of initial application with an option to use certain practical expedients. The Company is evaluating the impact the adoption of this standard will have on its consolidated financial statements and believes this standard will have a significant impact on its consolidated balance sheets

In 2016, the FASB issued Accounting Standards Update No. 2016-09, *Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"). The update requires excess tax benefits and tax deficiencies, which arise due to differences between the measure of compensation expense and the amount deductible for tax purposes, to be recorded directly through earnings as a component of income tax expense. Under current GAAP, these differences are generally recorded in additional paid-in capital and thus have no impact on net income. The change in treatment of excess tax benefits and tax deficiencies will also impact the computation of diluted earnings per share and the cash flows associated with those items will be classified as operating activities on the statements of consolidated cash flows. Additionally, entities will be permitted to make an accounting policy election for the impact of forfeitures on the recognition of expense for share-based payment awards. Forfeitures can be estimated, as required under current GAAP, or recognized when they occur The amendments in this update are

effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company does not expect the adoption of ASU 2016-09 to have a material impact on its consolidated financial statements.

In 2016, the FASB issued Accounting Standards Update No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). The update amends the guidance in Accounting Standards Codification 230, *Statement of Cash Flows* ("ASC 230"), and clarifies how entities should classify certain cash receipts and cash payments on the statement of cash flows with the objective of reducing the existing diversity in practice related to eight specific cash flow issues. The Company adopted ASU 2016-15 as of December 31, 2016 and the standard did not have a material impact on its consolidated financial statements.

In 2016, the FASB issued Accounting Standards Update No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The update amends ASC 230 to add guidance on the classification and presentation of restricted cash in the statement of cash flows. Furthermore, a reconciliation between the statement of financial position and the statement of cash flows must be disclosed when the statement of financial position includes more than one line item for cash, cash equivalents, restricted cash, and restricted cash equivalents. The Company adopted this standard as of December 31, 2016 and included $124 million, $206 million and $320 million of restricted cash in the total of cash, cash equivalents and restricted cash in its statements of consolidated cash flows for the year ended December 31, 2016, 2015 and 2014, respectively. A reconciliation of restricted cash for each period of the Company's balance sheet to its statement of consolidated cash flows is included in Note 1(d) Cash and Cash Equivalents and Restricted Cash of this report.

The FASB issued Accounting Standards Update No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. Under the standard, investments for which fair value is measured at net asset value ("NAV") per share (or its equivalent) using the practical expedient are no longer categorized in the fair value hierarchy. The Company adopted this standard on January 1, 2016. As of December 31, 2016, the Company had approximately $182 million of such investments as part of Short-term investments on its consolidated balance sheets. In addition, pension plan investments measured at NAV per share are no longer categorized within the fair value hierarchy. As of December 31, 2016, the Company had approximately $1.8 billion of such investments.

NOTE 2 - GOODWILL AND OTHER INTANGIBLE ASSETS

The following table presents information about the Company's goodwill and other intangible assets at December 31 (in millions)

Item	Asset life (a)	2016 Gross Carrying Amount	2016 Accumulated Amortization	2015 Gross Carrying Amount	2015 Accumulated Amortization
Goodwill		$ 4,523		$ 4,523	
Finite-lived intangible assets					
Frequent flyer database (b)	22	$ 1,177	$ 771	$ 1,177	$ 702
Hubs	20	145	82	145	74
Contracts	13	135	95	135	86
Patents and tradenames	3	108	108	108	108
Airport slots and gates	8	97	97	97	97
Other	25	109	81	109	77
Total		$ 1,771	$ 1,234	$ 1,771	$ 1,144
Indefinite-lived intangible assets					
Route authorities		$ 1,562		$ 1,570	
Airport slots and gates		536		942	
Tradenames and logos		593		593	
Alliances		404		404	
Total		$ 3,095		$ 3,509	

(a) Weighted average life expressed in years

(b) The frequent flyer database is amortized based on an accelerated amortization schedule to reflect utilization of the assets. Estimated cash flows correlating to the expected attrition rate of customers in the frequent flyer database is considered in the determination of the amortization schedules.

Amortization expense in 2016, 2015 and 2014 was $90 million, $105 million and $128 million, respectively. Projected amortization expense in 2017, 2018, 2019, 2020 and 2021 is $79 million, $70 million, $64 million, $58 million and $53 million, respectively.

See Note 16 of this report for additional information related to impairment of intangible assets.

NOTE 3 - COMMON STOCKHOLDERS' EQUITY AND PREFERRED SECURITIES

In 2016, UAL repurchased approximately 50 million shares of UAL common stock for $2.6 billion. As of December 31, 2016, the Company had approximately $1.8 billion remaining to purchase shares under its share program. UAL may repurchase shares through the open market, privately negotiated transactions, block trades or accelerated share repurchase transactions from time to time in accordance with applicable securities laws. UAL may repurchase shares of UAL common stock subject to prevailing market conditions, and may discontinue such repurchases at any time. See Part II, Item 5, "Market for registrant's common equity, related stockholder matters and issuer purchases of equity securities" of this report for additional information.

In 2016, the Company retired 70 million treasury shares that were originally acquired at an average cost of approximately $53 per share.

At December 31, 2016, approximately 5 million shares of UAL's common stock were reserved for future issuance related to the issuance of equity-based awards under the Company's incentive compensation plans.

As of December 31, 2016, UAL had two shares of junior preferred stock (par value $0.01 per share) outstanding. In addition, UAL is authorized to issue 250 million shares of preferred stock (without par value) under UAL's amended and restated certificate of incorporation.

NOTE 4 - EARNINGS PER SHARE

The computations of UAL's basic and diluted earnings per share are set forth below for the years ended December 31 (in millions, except per share amounts):

	2016	2015	2014
Basic earnings per share:			
Earnings available to common stockholders	$ 2,263	$ 7,340	$ 1,132
Basic weighted-average shares outstanding	329.9	376.1	371.1
Earnings per share, basic	$ 6.86	$ 19.52	$ 3.05
Diluted earnings per share:			
Earnings available to common stockholders	$ 2,263	$ 7,340	$ 1,132
Effect of dilutive securities	—	—	11
Earnings available to common stockholders including the effect of dilutive securities	$ 2,263	$ 7,340	$ 1,143
Diluted shares outstanding:			
Basic weighted-average shares outstanding	329.9	376.1	371.1
Effect of convertible notes	—	0.3	17.7
Effect of employee stock awards	0.4	0.5	0.9
Diluted weighted-average shares outstanding	330.3	376.9	389.7
Earnings per share, diluted	$ 6.85	$ 19.47	$ 2.93

The number of antidilutive securities excluded from the computation of diluted earnings per share amounts was not material.

NOTE 5 - SHARE-BASED COMPENSATION PLANS

UAL maintains several share-based compensation plans. These plans provide for grants of qualified and non-qualified stock options, stock appreciation rights, restricted stock awards, RSUs, performance compensation awards, performance units, cash incentive awards and other types of equity-based and equity-related awards.

All awards are recorded as either equity or a liability in the Company's consolidated balance sheets. The share-based compensation expense is directly recorded in salaries and related costs or integration-related expense.

During 2016, UAL granted share-based compensation awards pursuant to the United Continental Holdings, Inc. 2008 Incentive Compensation Plan. These share-based compensation awards include approximately 1.9 million RSUs, 0.4 million shares of restricted stock and 0.4 million stock options. The time-vested RSUs and the restricted stock awards vest in one-third increments over the first three anniversaries of the date of grant. The time-vested RSUs are generally stock-settled for domestic employees and cash-settled for international employees based on the 20-day average closing price of UAL common stock immediately prior to the vesting date. The remainder of the RSUs are performance-based and vest based on the Company's return on invested capital and the Company's relative improvement in pre-tax margin for the three years ending December 31, 2018. If the applicable performance conditions are achieved, cash payments will be made after the end of the performance period based on the 20-day average closing price of UAL common stock immediately prior to the vesting date. The stock options vest in one-third increments over either (i) the first three anniversaries of the date of grant (for seven-year term options) or (ii) the fourth, fifth and sixth anniversaries of the date of grant (for ten-year term options).

The following table provides information related to UAL's share-based compensation plan cost for the years ended December 31 (in millions).

	2016	2015	2014
Compensation cost (a)			
RSUs	$ 58	$ 52	$ 104
Restricted stock	11	6	10
Stock options	1	—	—
Total	$ 70	$ 58	$ 114

(a) All compensation cost is recorded to Salaries and related costs, with the exception of $3 million in 2014 that was recorded in integration-related costs as a component of special items

The table below summarizes UAL's unearned compensation and weighted-average remaining period to recognize costs for all outstanding share-based awards that are probable of being achieved as of December 31, 2016 (in millions, except as noted):

	Unearned Compensation	Weighted-Average Remaining Period (in years)
RSUs	$ 49	1.5
Restricted stock	11	1.5
Stock options	5	3.2
Total	$ 65	

RSUs and Restricted Stock. All performance-based RSUs, as well as a portion of the time-vested RSUs, will be settled in cash. As of December 31, 2016, UAL had recorded a liability of $70 million related to its RSUs. UAL paid $69 million, $85 million and $86 million related to its RSUs during 2016, 2015 and 2014, respectively.

The table below summarizes UAL's RSUs and restricted stock activity for the years ended December 31 (shares in millions).

	RSUs	Restricted Stock	Weighted-Average Grant Price
Non-vested at December 31, 2013	5.4	0.9	$ 25.02
Granted	0.9	0.3	43.33
Vested	(2.2)	(0.4)	24.66
Forfeited	(0.3)	(0.1)	28.88
Non-vested at December 31, 2014	3.8	0.7	32.55
Granted	1.0	0.2	66.53
Vested	(1.6)	(0.4)	31.14
Forfeited	(0.6)	(0.2)	46.23
Non-vested at December 31, 2015	2.6	0.3	48.68
Granted	1.9	0.4	50.63
Vested	(1.4)	(0.1)	41.47
Forfeited	(0.2)	(0.1)	53.42
Non-vested at December 31, 2016	2.9	0.5	52.00

The fair value of RSUs and restricted stock that vested in 2016, 2015 and 2014 was $80 million, $92 million and $97 million, respectively. The fair value of the restricted stock awards was based upon the UAL common stock price on the date of grant. These awards are accounted for as equity awards. The fair value of the RSUs was based on the UAL common stock price as of the last day preceding the settlement date. These awards were accounted for as either equity or liability awards based on their method of settlement. Restricted stock vesting and the recognition of the expense is similar to the stock option vesting described below.

Stock Options. During 2016, UAL granted 0.1 million stock options with exercise prices equal to the fair market value of UAL's common stock on the date of grant and an additional 0.3 million stock options with exercise prices at a 25% premium of the grant date fair market value resulting in a weighted-average exercise price of $56.19 and a weighted-average grant date fair value of approximately $2.3 million. Prior to 2016, UAL had not granted any stock options since 2010. Expense related to each portion of an option grant is recognized on a straight-line basis over the specific vesting period for those options.

The Company determined the fair value of stock options at the grant date using a Black Scholes option pricing model, which requires the use of several assumptions. The risk-free interest rate is based on the U.S. treasury yield curve in effect for the expected term of the option at the time of grant. The dividend yield on UAL's common stock was assumed to be zero since UAL did not have any plans to pay dividends at the time of the option grants. The volatility assumptions were based upon historical volatilities of UAL using daily stock price returns equivalent to the expected term of the option. The expected lives of the options were determined based upon a simplified assumption that the option will be exercised evenly from vesting to expiration due to the Company's lack of relevant historical data.

As of December 31, 2016, there were approximately 0.5 million outstanding stock option awards, 0.1 million of which were exercisable, with weighted-average exercise prices of $46.83 and $18.58, respectively, intrinsic values of $14 million and $7 million, respectively, and weighted-average remaining contractual lives (in years) of 6.3 and 1.6, respectively.

NOTE 6 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The tables below present the components of the Company's accumulated other comprehensive income (loss) ("AOCI"), net of tax (in millions):

	Pension and Other Postretirement Liabilities	Fuel Derivatives Contracts	Investments and Other	Deferred Taxes: Pension and Other Postretirement Liabilities	Deferred Taxes: Fuel Derivative Contracts	Total
Balance at December 31, 2013	$ 699	$ 11	$ 13	$ (115)	$ — (c)	$ 608
Other comprehensive loss before reclassifications (a)	(1,106)(b)	(599)	—	—	—	(1,705)
Amounts reclassified from accumulated other comprehensive income (a)	(65)	89	(6)	—	—	18
Net current-period other comprehensive income (loss)	(1,171)	(510)	(6)	—	—	(1,687)
Balance at December 31, 2014	$ (472)	$ (499)	$ 7	$ (115)	$ — (c)	$ (1,079)
Other comprehensive income (loss) before reclassifications	78(b)	(320)	(4)	(28)	115	(159)
Amounts reclassified from accumulated other comprehensive income	31	604	—	(11)	(217)	407
Net current-period other comprehensive income (loss)	109	284	(4)	(39)	(102)	248
Balance at December 31, 2015	$ (363)	$ (215)	$ 3	$ (154)	$ (102)	$ (831)
Other comprehensive income (loss) before reclassifications	(517)(b)	(4)	—	186	1	(334)
Amounts reclassified from accumulated other comprehensive income	26	217	(1)	(8)	102	336
Net current-period other comprehensive income (loss)	(491)	213	(1)	178	103	2
Balance at December 31, 2016	$ (854)	$ (2)	$ 2	$ 24	$ 1	$ (829)

Details about AOCI Components	Amount Reclassified from AOCI to Income: Year Ended December 31, 2016	2015	2014	Affected Line Item in the Statement Where Net Income is Presented
Fuel derivative contracts				
Fuel contracts-reclassifications of losses into earnings	$ 217	$ 604	$ 89	Aircraft fuel
Pension and Postretirement liabilities				
Amortization of unrecognized (gains) losses and prior service cost and the effect of curtailments and settlements (d)	26	31	(65)	Salaries and related costs
Investments and other				
Available-for-sale securities—reclassifications of gains into earnings	(1)	—	(6)	Miscellaneous, net

(a) Income tax expense for these items was offset by the Company's valuation allowance.
(b) Prior service credits increased by $30 million, $0 million and $3 million and actuarial gains (losses) increased (decreased) by approximately $560 million, $78 million and $(1.1) billion for 2016, 2015 and 2014, respectively.
(c) Deferred tax balance was offset by the Company's valuation allowance.
(d) This AOCI component is included in the computation of net periodic pension and other postretirement costs (see Note 8 of this report for additional information).

Prior to the release of the deferred income tax valuation allowance in the third quarter of 2015, the Company recorded approximately $465 million of valuation allowance adjustments in AOCI. Subsequent to the release of

the deferred income tax valuation allowance in 2015, the $465 million debit remained within AOCI, of which $180 million related to losses on fuel hedges designated for hedge accounting and $285 million related to pension and other postretirement liabilities. Accounting rules required the adjustments to remain in AOCI as long as the Company had fuel derivatives designated for cash flow hedge accounting and the Company continues to provide pension and postretirement benefits. In 2016, we settled all of our fuel hedges and have not entered into any new fuel derivative contracts for hedge accounting. Accordingly, the Company reclassified the $180 million to income tax expense in 2016.

NOTE 7 - INCOME TAXES

The significant components of the income tax expense (benefit) are as follows (in millions):

2016	UAL	United
Current	$ (92)	$ (92)
Deferred	1,648	1,650
	$ 1,556	$ 1,558
2015		
Current	$ 56	$ 56
Deferred	(3,177)	(3,136)
	$(3,121)	$(3,080)
2014		
Current	$ (17)	$ (17)
Deferred	13	13
	$ (4)	$ (4)

The income tax provision differed from amounts computed at the statutory federal income tax rate, as follows (in millions):

UAL	2016	2015	2014
Income tax provision at statutory rate	$1,337	$ 1,177	$ 395
State income taxes, net of federal income tax	38	38	10
Foreign income taxes	3	4	2
Nondeductible employee meals	16	15	15
Income tax adjustment	180	—	—
State rate change	(12)	—	—
Valuation allowance	20	(4,662)	(435)
Other, net	(26)	7	9
	$1,556	$(3,121)	$ (4)

United	2016	2015	2014
Income tax provision at statutory rate	$1,338	$ 1,477	$ 388
State income taxes, net of federal income tax	38	38	10
Foreign income taxes	3	4	2
Nondeductible employee meals	16	15	15
Derivative market adjustment	—	—	(7)
Income tax adjustment	180	—	—
State rate change	(12)	—	—
Valuation allowance	20	(4,621)	(421)
Other, net	(25)	7	9
	$1,558	$(3,080)	$ (4)

The Company's effective tax rate for the year ended December 31, 2016 differed from the federal statutory rate of 35% primarily because of the non-cash income tax expense of $180 million that was related to losses on fuel derivatives designated for hedge accounting. Subsequent to the release of the valuation allowance in 2015, this deferred income tax expense of $180 million remained in AOCI until all fuel derivatives were settled in December 2016. The change in the effective tax rate each period is impacted by a number of factors, including the relative mix of domestic and state income tax expense in the U.S., adjustments to the valuation allowances and discrete items

Temporary differences and carryforwards that give rise to deferred tax assets and liabilities at December 31, 2016 and 2015 were as follows (in millions):

	UAL		United	
	December 31,		December 31,	
	2016	2015	2016	2015
Deferred income tax asset (liability):				
Federal and state net operating loss ("NOL") carryforwards	$ 1,613	$ 2,897	$ 1,571	$ 2,855
Deferred revenue	2,096	2,160	2,096	2,160
Employee benefits, including pension, postretirement and medical	1,662	1,662	1,662	1,662
Alternative minimum tax ("AMT") credit carryforwards	116	232	116	232
Other	523	566	522	566
Less: Valuation allowance	(68)	(48)	(68)	(48)
Total deferred tax assets	$ 5,942	$ 7,469	$ 5,899	$ 7,427
Depreciation	$ (3,961)	$(3,921)	$(3,961)	$(3,921)
Intangibles	(1,326)	(1,511)	(1,326)	(1,511)
Total deferred tax liabilities	$ (5,287)	$(5,432)	$(5,287)	$(5,432)
Net deferred tax asset	$ 655	$ 2,037	$ 612	$ 1,995

United and its domestic consolidated subsidiaries file a consolidated federal income tax return with UAL. Under an intercompany tax allocation policy, United and its subsidiaries compute, record and pay UAL for their own tax liability as if they were separate companies filing separate returns. In determining their own tax liabilities, United and each of its subsidiaries take into account all tax credits or benefits generated and utilized as separate companies and they are each compensated for the aforementioned tax benefits only if they would be able to use those benefits on a separate company basis.

The Company's federal and state NOL carryforwards relate to prior years' NOLs, which may be used to reduce tax liabilities in future years. These tax benefits are mostly attributable to federal pre-tax NOL carryforwards of $4.4 billion for UAL. If not utilized these federal pre-tax NOLs will expire as follows (in billions): $0.5 in 2026, $1.4 in 2027 and $2.5 after 2028. In addition, the majority of tax benefits of the state net operating losses of $56 million, net of a valuation allowance of $36 million, for UAL will expire over a five to 20-year period. Additionally, the Company has $108 million of AMT credit carryforwards, net of a valuation allowance of $8 million, which do not expire.

The Company periodically assesses whether it is more likely than not that it will generate sufficient taxable income to realize its deferred income tax assets. The Company establishes valuation allowances if it is not likely it will realize its deferred income tax assets. In making this determination, the Company considers all available positive and negative evidence and makes certain assumptions. The Company considers, among other things, projected future taxable income, scheduled reversals of deferred tax liabilities, the overall business environment, the Company's historical financial results and tax planning strategies. In evaluating the likelihood of utilizing the Company's net deferred income tax assets, the significant factors that the Company considers include (1) the Company's recent history and forecasted profitability; (2) growth in the U.S. and global economies; and (3) future impact of taxable temporary differences. In 2015, the Company concluded that its deferred income tax assets were more likely than not to be realized and released almost all of its valuation allowance in 2015, resulting in a $3.1 billion benefit in its provision for income taxes. The valuation allowance recorded in AOCI in prior years was released through the income statement.

The Company has a valuation allowance of $68 million for certain state and local NOLs and credit carryforwards The Company expects these NOLs and credits will expire unused due to limited carryforward periods. The ability to utilize these state NOLs and credits will be evaluated on a quarterly basis to determine if there are any significant events or any prudent and feasible tax planning strategies that would affect the Company's ability to realize these deferred tax assets.

The Company's unrecognized tax benefits related to uncertain tax positions were $74 million, $24 million and $9 million at 2016, 2015 and 2014, respectively. Included in the ending balance at 2016 is $20 million that would affect the Company's effective tax rate if recognized The changes in unrecognized tax benefits relating to settlements with taxing authorities, unrecognized tax benefits as a result of tax positions taken during a prior period and unrecognized tax benefits relating from a lapse of the statute of limitations were immaterial during 2016, 2015 and 2014. The Company does not expect significant increases or decreases in their unrecognized tax benefits within the next 12 months.

There are no material amounts included in the balance at December 31, 2016 for tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility.

The Company's federal income tax returns for tax years after 2002 remain subject to examination by the Internal Revenue Service ("IRS") and state taxing jurisdictions. Currently, there are no ongoing examinations of the Company's prior year tax returns being conducted by the IRS.

NOTE 8 - PENSION AND OTHER POSTRETIREMENT PLANS

The following summarizes the significant pension and other postretirement plans of United:

Pension Plans

United maintains two primary defined benefit pension plans, one covering certain pilot employees and another covering certain U S. non-pilot employees. Each of these plans provide benefits based on a combination of years of benefit accruals service and an employee's final average compensation. Additional benefit accruals are frozen under the plan covering certain pilot employees and management and administrative employees Benefit accruals for certain non-pilot employees continue United maintains additional defined benefit pension plans, which cover certain international employees.

Other Postretirement Plans

United maintains postretirement medical programs which provide medical benefits to certain retirees and eligible dependents, as well as life insurance benefits to certain retirees participating in the plan. Benefits provided are subject to applicable contributions, co-payments, deductibles and other limits as described in the specific plan documentation.

Actuarial assumption changes are reflected as a component of the net actuarial gains/(losses) during 2016 and 2015. These amounts will be amortized over the average remaining service life of the covered active employees or the average life expectancy of inactive participants and will impact 2016 and 2015 pension and retiree medical expense as described below.

The following table sets forth the reconciliation of the beginning and ending balances of the benefit obligation and plan assets, the funded status and the amounts recognized in these financial statements for the defined benefit and other postretirement plans (in millions):

	Pension Benefits	
	Year Ended December 31, 2016	Year Ended December 31, 2015
Accumulated benefit obligation	$ 4,158	$ 3,795
Change in projected benefit obligation		
Projected benefit obligation at beginning of year	$ 4,473	$ 4,803
Service cost	112	124
Interest cost	200	200
Actuarial (gain) loss	738	(298)
Gross benefits paid and settlements	(243)	(343)
Other	(27)	(13)
Projected benefit obligation at end of year	$ 5,253	$ 4,473
Change in plan assets		
Fair value of plan assets at beginning of year	$ 2,975	$ 2,562
Actual gain (loss) on plan assets	230	(59)
Employer contributions	421	824
Gross benefits paid and settlements	(243)	(343)
Other	(28)	(9)
Fair value of plan assets at end of year	$ 3,355	$ 2,975
Funded status – Net amount recognized	$ (1,898)	$ (1,498)

	Pension Benefits	
	December 31, 2016	December 31, 2015
Amounts recognized in the consolidated balance sheets consist of:		
Noncurrent asset	$ 2	$ 2
Current liability	(8)	(12)
Noncurrent liability	(1,892)	(1,488)
Total liability	$ (1,898)	$ (1,498)
Amounts recognized in accumulated other comprehensive loss consist of:		
Net actuarial loss	$ (1,482)	$ (844)
Prior service loss	(1)	(1)
Total accumulated other comprehensive loss	$ (1,483)	$ (845)

	Other Postretirement Benefits	
	Year Ended December 31, 2016	Year Ended December 31, 2015
Change in benefit obligation		
Benefit obligation at beginning of year	$ 2,002	$ 2,052
Service cost	19	21
Interest cost	86	82
Plan participants' contributions	69	68
Benefits paid	(191)	(205)
Actuarial gain	(165)	(22)
Plan amendments	(138)	
Other	5	6
Benefit obligation at end of year	$ 1,687	$ 2,002
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 56	$ 57
Actual return on plan assets	2	1
Employer contributions	119	135
Plan participants' contributions	69	68
Benefits paid	(191)	(205)
Fair value of plan assets at end of year	55	56
Funded status—Net amount recognized	$ (1,632)	$ (1,946)

	Other Postretirement Benefits	
	December 31, 2016	December 31, 2015
Amounts recognized in the consolidated balance sheets consist of:		
Current liability	$ (51)	$ (64)
Noncurrent liability	(1,581)	(1,882)
Total liability	$ (1,632)	$ (1,946)
Amounts recognized in accumulated other comprehensive income consist of:		
Net actuarial gain	$ 384	$ 236
Prior service credit	245	246
Total accumulated other comprehensive income	$ 629	$ 482

The following information relates to all pension plans with an accumulated benefit obligation and a projected benefit obligation in excess of plan assets at December 31 (in millions):

	2016	2015
Projected benefit obligation	$ 5,025	$ 4,292
Accumulated benefit obligation	3,985	3,655
Fair value of plan assets	3,164	2,794

Net periodic benefit cost for the years ended December 31 included the following components (in millions):

	2016		2015		2014	
	Pension Benefits	Other Postretirement Benefits	Pension Benefits	Other Postretirement Benefits	Pension Benefits	Other Postretirement Benefits
Service cost	$ 112	$ 19	$ 124	$ 21	$ 98	$ 19
Interest cost	200	86	200	82	201	88
Expected return on plan assets	(216)	(2)	(194)	(2)	(180)	(2)
Curtailment gain	—	(107)	—	—	—	—
Amortization of unrecognized actuarial (gain) loss	76	(19)	85	(22)	12	(47)
Amortization of prior service credits	—	(31)	—	(32)	—	(31)
Other	5	—	4	—	1	—
Net periodic benefit cost	$ 177	$ (54)	$ 219	$ 47	$ 132	$ 27

As part of the ratified contract with the Association of Flight Attendants ("AFA") in 2016, the Company amended two of its flight attendant postretirement medical plans. The amendments triggered curtailment accounting, resulting in the recognition of a one-time $47 million gain for accelerated recognition of a prior service credit in one of the plans. Also, as part of the ratified contract with the International Brotherhood of Teamsters (the "IBT") in 2016, the Company amended some of its technicians and related employees' postretirement medical plans. The amendments triggered curtailment accounting, resulting in the recognition of a one-time $60 million gain for accelerated recognition of a prior service credit in one of the plans.

The estimated amounts that will be amortized in 2017 out of accumulated other comprehensive income (loss) into net periodic benefit cost are as follows (in millions):

	Pension Benefits	Other Postretirement Benefits
Actuarial (gain) loss	$ 127	$ (36)
Prior service credit		(37)

The assumptions used for the benefit plans were as follows:

	Pension Benefits	
Assumptions used to determine benefit obligations	2016	2015
Discount rate	4.18%	4.58%
Rate of compensation increase	3.54%	3.66%
Assumptions used to determine net expense		
Discount rate	4.58%	4.20%
Expected return on plan assets	7.04%	7.40%
Rate of compensation increase	3.53%	3.51%

	Other Postretirement Benefits	
Assumptions used to determine benefit obligations	**2016**	**2015**
Discount rate	4.07%	4.49%
Assumptions used to determine net expense		
Discount rate	4.49%	4.07%
Expected return on plan assets	3.00%	3.00%
Health care cost trend rate assumed for next year	6.50%	6.75%
Rate to which the cost trend rate is assumed to decline (ultimate trend rate in 2023)	5.00%	5.00%

The Company used the Society of Actuaries' 2014 mortality tables, modified to reflect the Social Security Administration Trustee's Report on current projections regarding expected longevity improvements.

The Company selected the 2016 discount rate for substantially all of its plans by using a hypothetical portfolio of high quality bonds at December 31, 2016, that would provide the necessary cash flows to match projected benefit payments.

We develop our expected long-term rate of return assumption for our defined benefit plans based on historical experience and by evaluating input from the trustee managing the plans' assets. Our expected long-term rate of return on plan assets for these plans is based on a target allocation of assets, which is based on our goal of earning the highest rate of return while maintaining risk at acceptable levels. The plans strive to have assets sufficiently diversified so that adverse or unexpected results from one security class will not have an unduly detrimental impact on the entire portfolio. Plan fiduciaries regularly review our actual asset allocation and the pension plans' investments are periodically rebalanced to our targeted allocation when considered appropriate. United's plan assets are allocated within the following guidelines:

	Percent of Total	Expected Long-Term Rate of Return
Equity securities	30-40 %	9.5 %
Fixed-income securities	34-44	5.0
Alternatives	14-27	7.3
Other	0-10	7.0

One-hundred percent of other postretirement plan assets are invested in a deposit administration fund.

Assumed health care cost trend rates have a significant effect on the amounts reported for the other postretirement plans. A 1% change in the assumed health care trend rate for the Company would have the following additional effects (in millions):

	1% Increase	1% Decrease
Effect on total service and interest cost for the year ended December 31, 2016	$ 13	$ (11)
Effect on postretirement benefit obligation at December 31, 2016	169	(149)

A one percentage point decrease in the weighted average discount rate would increase the postretirement benefit liability by approximately $181 million and increase the estimated 2016 benefits expense by approximately $11 million.

Fair Value Information. Accounting standards require us to use valuation techniques to measure fair value that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized as follows.

Level 1	Unadjusted quoted prices in active markets for assets or liabilities identical to those to be reported at fair value
Level 2	Other inputs that are observable directly or indirectly, such as quoted prices for similar assets or liabilities or market-corroborated inputs
Level 3	Unobservable inputs for which there is little or no market data and which require us to develop our own assumptions about how market participants would price the assets or liabilities

Assets and liabilities measured at fair value are based on the valuation techniques identified in the tables below. The valuation techniques are as follows:

(a) *Market approach.* Prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities; and

(b) *Income approach.* Techniques to convert future amounts to a single current value based on market expectations (including present value techniques, option-pricing and excess earnings models).

The following tables present information about United's pension and other postretirement plan assets at December 31 (in millions):

	2016					2015				
Pension Plan Assets	Total	Level 1	Level 2	Level 3	Assets Measured at NAV(a)	Total	Level 1	Level 2	Level 3	Assets Measured at NAV(a)
Equity securities funds	$1,173	$ 230	$ 111	$ —	$ 832	$1,135	$ 254	$ 135	$ —	$ 746
Fixed-income securities	1,298	—	824	11	463	1,109	—	877	9	223
Alternatives	586	—	—	134	452	527	—	1	125	401
Other investments	298	47	68	87	96	204	37	56	18	93
Total	$3,355	$ 277	$ 1,003	$ 232	$ 1,843	$2,975	$ 291	$ 1,069	$ 152	$ 1,463
Other Postretirement Benefit Plan Assets										
Deposit administration fund	$ 55	$ —	$ —	$ 55	$ —	$ 56	$ —	$ —	$ 56	$ —

(a) In accordance with the relevant accounting standards, certain investments that are measured at fair value using the NAV per share (or its equivalent) have not been classified in the fair value hierarchy. These investments are commingled funds that invest in fixed-income instruments including bonds, debt securities, and other similar instruments issued by various U.S. and non-U.S. public- or private-sector entities. Redemption periods for these investments range from daily to annually.

Equity and Fixed-Income. Equities include investments in both developed market and emerging market equity securities. Fixed-income includes primarily U.S. and non-U.S. government fixed-income securities and U.S. and non-U.S. corporate fixed-income securities.

Deposit Administration Fund. This investment is a stable value investment product structured to provide investment income.

Alternatives. Alternative investments consist primarily of investments in hedge funds, real estate and private equity interests.

Other investments. Other investments consist of cash, insurance contracts and other funds.

The reconciliation of United's defined benefit plan assets measured at fair value using unobservable inputs (Level 3) for the years ended December 31, 2016 and 2015 is as follows (in millions).

	2016	2015
Balance at beginning of year	$ 208	$ 188
Actual return on plan assets:		
Sold during the year	4	8
Held at year end	3	(1)
Purchases, sales, issuances and settlements (net)	72	13
Balance at end of year	$ 287	$ 208

Funding requirements for tax-qualified defined benefit pension plans are determined by government regulations. United's contributions reflected above have satisfied its required contributions through the 2016 calendar year. In 2017, employer anticipated contributions to all of United's pension and postretirement plans are at least $400 million and approximately $108 million, respectively.

The estimated future benefit payments, net of expected participant contributions, in United's pension plans and other postretirement benefit plans as of December 31, 2016 are as follows (in millions).

	Pension	Other Postretirement	Other Postretirement—subsidy receipts
2017	$ 303	$ 112	$ 6
2018	300	117	6
2019	310	122	7
2020	319	126	7
2021	337	130	8
Years 2022 – 2026	1,782	682	44

Defined Contribution Plans

Depending upon the employee group, employer contributions consist of matching contributions and/or non-elective employer contributions. United's employer contribution percentages vary from 1% to 16% of eligible earnings depending on the terms of each plan. United recorded contributions to its defined contribution plans of $592 million, $522 million and $503 million in the years ended December 31, 2016, 2015 and 2014, respectively.

Multi-Employer Plans

United's participation in the IAM National Pension Plan ("IAM Plan") for the annual period ended December 31, 2016 is outlined in the table below. There have been no significant changes that affect the comparability 2016 and 2015 contributions. The risks of participating in these multi-employer plans are different from single-employer plans, as United may be subject to additional risks that others do not meet their obligations, which in certain circumstances could revert to United. The IAM Plan reported $395 million in employers' contributions for the year ended December 31, 2015. For 2015, the Company's contributions to the IAM Plan represented more than 5% of total contributions to the IAM Plan.

Pension Fund	IAM National Pension Fund
EIN/ Pension Plan Number	51-6031295 - 002
Pension Protection Act Zone Status (2016 and 2015)	Green Zone. Plans in the green zone are at least 80 percent funded.
FIP/RP Status Pending/Implemented	No
United's Contributions	$41 million, $40 million and $39 million in the years ended December 31, 2016, 2015 and 2014, respectively
Surcharge Imposed	No
Expiration Date of Collective Bargaining Agreement	N/A

At the date the financial statements were issued, Forms 5500 were not available for the plan year ending in 2016.

Profit Sharing

Substantially all employees participate in profit sharing based on a percentage of pre-tax earnings, excluding special items, profit sharing expense and share-based compensation. Profit sharing percentages range from 5% to 20% depending on the work group, and in some cases profit sharing percentages vary above and below certain pre-tax margin thresholds. Eligible U.S. co-workers in each participating work group receive a profit sharing payout using a formula based on the ratio of each qualified co-worker's annual eligible earnings to the eligible earnings of all qualified co-workers in all domestic work groups. Eligible non-U.S. co-workers receive profit sharing based on the calculation under the U.S. profit sharing plan for management and administrative employees. The Company recorded profit sharing and related payroll tax expense of $628 million, $698 million and $235 million in 2016, 2015 and 2014, respectively. Profit sharing expense is recorded as a component of Salaries and related costs in the Company's statements of consolidated operations.

NOTE 9 - FAIR VALUE MEASUREMENTS

Fair Value Information. Accounting standards require us to use valuation techniques to measure fair value that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are described in Note 8 of this report. The table below presents disclosures about the fair value of financial assets and liabilities measured at fair value on a recurring basis in the Company's financial statements as of December 31 (in millions):

	2016				2015			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
	UAL							
Cash and cash equivalents	$ 2,179	$ 2,179	$ —	$ —	$ 3,006	$ 3,006	$ —	$ —
Short-term investments								
Corporate debt	835	—	835	—	891	—	891	—
Asset-backed securities	792	—	792	—	710	—	710	—
Certificates of deposit placed through an account registry service ("CDARS")	246	—	246	—	281	—	281	—
U.S. government and agency notes	140	—	140	—	72	—	72	—
Auction rate securities	—	—	—	—	9	—	—	9
Other fixed-income securities	54	—	54	—	26	—	26	—
Other investments measured at NAV (a)	182	—	—	—	201	—	—	—
Restricted cash	124	124	—	—	206	206	—	—
Enhanced equipment trust certificates ("EETC")	23	—	—	23	26	—	—	26
Fuel derivatives liability, net	—	—	—	—	124	—	124	—

(a) In accordance with the relevant accounting standards, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position. The investments measured using NAV are shares of mutual funds that invest in fixed-income instruments including bonds, debt securities and other similar instruments issued by various U.S. and non-U.S. public- or private-sector entities. The Company can redeem its shares at any time at NAV subject to a three-day settlement period.

Available-for-sale investment maturities —The short-term investments shown in the table above are classified as available-for-sale. As of December 31, 2016, asset-backed securities have remaining maturities of less than one year to approximately 30 years, corporate debt securities have remaining maturities of less than one year to approximately five years and CDARS have maturities of less than one year. U.S. government and other securities have maturities of less than one year to approximately three years. The EETC securities mature in 2019.

Derivative instruments and investments presented in the table above have the same fair value as their carrying value. The table below presents the carrying values and estimated fair values of financial instruments not presented in the tables above as of December 31 (in millions):

Fair Value of Debt by Fair Value Hierarchy Level

	2016					2015				
	Carrying Amount	Fair Value				Carrying Amount	Fair Value			
		Total	Level 1	Level 2	Level 3		Total	Level 1	Level 2	Level 3
Long-term debt	$ 10,767	$ 11,055	$ —	$ 8,184	$ 2,871	$ 10,897	$ 11,371	$ —	$ 8,646	$ 2,725

Fair value of the financial instruments included in the tables above was determined as follows:

Description	Fair Value Methodology
Cash and cash equivalents	The carrying amounts approximate fair value because of the short-term maturity of these assets.
Short-term investments and Restricted cash	Fair value is based on (a) the trading prices of the investment or similar instruments, (b) an income approach, which uses valuation techniques to convert future amounts into a single present amount based on current market expectations about those future amounts when observable trading prices are not available, (c) internally-developed models of the expected future cash flows related to the securities, or (d) broker quotes obtained by third-party valuation services.
Fuel derivatives	Derivative contracts are privately negotiated contracts and are not exchange traded. Fair value measurements are estimated with option pricing models that employ observable inputs. Inputs to the valuation models include contractual terms, market prices, yield curves, fuel price curves and measures of volatility, among others
Debt	Fair values were based on either market prices or the discounted amount of future cash flows using our current incremental rate of borrowing for similar liabilities.

NOTE 10—HEDGING ACTIVITIES

Fuel Derivatives

As of December 31, 2016, the Company did not have any fuel hedging contracts outstanding to hedge its fuel consumption. The last of the Company's fuel hedge derivatives designated for cash flow hedge accounting expired in December 2016. The Company's current strategy is to not enter into transactions to hedge its fuel consumption, although the Company regularly reviews its strategy based on market conditions and other factors.

The Company records each derivative instrument as a derivative asset or liability (on a gross basis) in its consolidated balance sheets, and, accordingly, records any related collateral on a gross basis. The table below presents the fair value amounts of fuel derivative assets and liabilities and the location of amounts recognized in the Company's financial statements.

At December 31, the Company's derivatives were reported in its consolidated balance sheets as follows (in millions):

Classification	Balance Sheet Location	2016	2015
Derivatives designated as cash flow hedges			
Liabilities			
Fuel contracts due within one year	Fuel derivative instruments	$ —	$ 119
Derivatives not designated for hedge accounting			
Liabilities:			
Fuel contracts due within one year	Fuel derivative instruments	$ —	$ 5
Total derivatives			
Total liabilities		$ —	$ 124

The following tables present the fuel hedge gains (losses) recognized during the periods presented and their classification in the financial statements (in millions)

Derivatives designated as cash flow hedges

	Amount of Loss Recognized in AOCI on Derivatives (Effective Portion)		Loss Reclassified from AOCI into Income (Fuel Expense) (Effective Portion)		Amount of Loss Recognized in Nonoperating income (expense): Miscellaneous, net (Ineffective Portion)	
	2016	2015	2016	2015	2016	2015
Fuel contracts	$ (4)	$ (320)	$ (217)	$ (604)	$ —	$ —

Derivatives not designated for hedge accounting

	Amount of Loss Recognized in Nonoperating income (expense): Miscellaneous, net		
	2016	2015	2014
Fuel contracts	$ —	$ (80)	$ (462)

Foreign Currency Derivatives

As of December 31, 2016, the Company did not have any foreign currency contracts outstanding to hedge its foreign currency sales The last of the Company's foreign currency derivatives designated for cash flow hedge accounting expired in December 2016 The Company's current strategy is to not enter into transactions to hedge its foreign currency sales, although the Company regularly reviews its strategy based on market conditions and other factors.

NOTE 11 - DEBT

(In millions)	At December 31,	
	2016	2015
Secured		
Notes payable, fixed interest rates of 1.42% to 9.75% (weighted average rate of 4.85% as of December 31, 2016), payable through 2028	$ 7,586	$ 7,971
Notes payable, floating interest rates of the London Interbank Offered Rate ("LIBOR") plus 0 20% to 2 85%, payable through 2028	1,546	1,302
Term loan, LIBOR subject to a 0.75% floor, plus 2.50%, or alternative rate based on certain market rates plus 1.50%, due 2019	866	875
Term loan, LIBOR subject to a 0.75% floor, plus 2.75%, or alternative rate based on certain market rates plus 1.75%, due 2021	192	194
Unsecured		
6% Senior Notes due 2020 (a)	300	300
6 375% Senior Notes due 2018 (a)	300	300
Other	101	100
	10,891	11,042
Less: unamortized debt discount, premiums and debt issuance costs	(124)	(115)
Less: current portion of long-term debt	(849)	(1,224)
Long-term debt, net	$ 9,918	$ 9,673

(a) UAL is the issuer of this debt. United is a guarantor

The table below presents the Company's contractual principal payments at December 31, 2016 under then-outstanding long-term debt agreements in each of the next five calendar years (in millions):

2017	$ 849
2018	1,427
2019	1,852
2020	1,007
2021	1,174
After 2021	4,582
	$ 10,891

As of December 31, 2016, a substantial portion of the Company's assets, principally aircraft, route authorities, airport slots and loyalty program intangible assets, was pledged under various loan and other agreements. As of December 31, 2016, UAL and United were in compliance with their respective debt covenants. Continued compliance depends on many factors, some of which are beyond the Company's control, including the overall industry revenue environment and the level of fuel costs.

Secured debt

2013 Credit and Guaranty Agreement. United and UAL are parties to a Credit and Guaranty Agreement (the "Credit Agreement") as the borrower and guarantor, respectively. The Credit Agreement consists of a $900 million term loan due April 2019 (of which $866 million was outstanding as of December 31, 2016) (the "Term Loan due 2019"), a $500 million term loan due September 2021 (of which $192 million was outstanding as of December 31, 2016) (the "Term Loan due 2021") and a $1.35 billion revolving credit facility, with $1.35 billion being available for drawing until April 2018 and $1.315 billion being available for drawing until January 2019.

Borrowings under the revolving credit facility of the Credit Agreement bear interest at a variable rate equal to LIBOR plus a margin of 3.0% per annum, or another rate based on certain market interest rates, plus a margin of 2.0% per annum. The principal amount of the term loans must be repaid in consecutive quarterly installments of 0.25% of the original principal amount thereof, with any unpaid balance due, in the case of the Term Loan due 2019, on April 1, 2019 and, in the case of the Term Loan due 2021, on September 15, 2021. United may prepay all or a portion of the term loans from time to time, at par plus accrued and unpaid interest. United pays a commitment fee equal to 0.75% per-annum on the undrawn amount available under the revolving credit facility.

The Term Loan due 2021 ranks pari passu with the Term Loan due 2019 that United originally borrowed under the Credit Agreement. The Credit Agreement requires United to repay the term loans and any other outstanding borrowings under the Credit Agreement at par plus accrued and unpaid interest if certain changes of control of UAL occur.

As of December 31, 2016, United had its entire capacity of $1.35 billion available under the revolving credit facility of the Company's Credit Agreement.

As of December 31, 2016, United had cash collateralized $72 million of letters of credit. United also had $383 million of surety bonds securing various obligations at December 31, 2016. Most of the letters of credit have evergreen clauses and are expected to be renewed on an annual basis and the surety bonds have expiration dates through 2021.

EETCs. United has $7.5 billion principal amount of equipment notes outstanding issued under EETC financings included in notes payable in the table of outstanding debt above. Generally, the structure of these EETC financings consists of pass-through trusts created by United to issue pass-through certificates, which represent fractional undivided interests in the respective pass-through trusts and are not obligations of United. The proceeds of the issuance of the pass-through certificates are used to purchase equipment notes which are issued

by United and secured by its aircraft. The payment obligations under the equipment notes are those of United. Proceeds received from the sale of pass-through certificates are initially held by a depositary in escrow for the benefit of the certificate holders until United issues equipment notes to the trust, which purchases such notes with a portion of the escrowed funds. These escrowed funds are not guaranteed by United and are not reported as debt on United's consolidated balance sheet because the proceeds held by the depositary are not United's assets

In September 2016 and June 2016, United created separate EETC pass-through trusts, each of which issued pass-through certificates. The proceeds of the issuance of the pass-through certificates are used to purchase equipment notes issued by United and secured by its aircraft. The Company records the debt obligation upon issuance of the equipment notes rather than upon the initial issuance of the pass-through certificates United expects to receive all proceeds from the September 2016 and June 2016 pass-through trusts by the end of the second quarter of 2017. Certain details of the pass-through trusts with proceeds received from issuance of debt in 2016 are as follows (in millions, except stated interest rate):

EETC Date	Class	Principal	Final expected distribution date	Stated interest rate	Total debt recorded as of December 31, 2016	Proceeds received from issuance of debt during 2016	Remaining proceeds from issuance of debt to be received in future periods
September 2016	AA	$ 637	October 2028	2.875%	$ 80	$ 80	$ 557
September 2016	A	283	October 2028	3.10%	36	36	247
June 2016	AA	729	July 2028	3.10%	410	410	319
June 2016	A	324	July 2028	3.45%	182	182	142
		$ 1,973			$ 708	$ 708	$ 1,265

In 2016, United borrowed approximately $369 million aggregate principal amount from various financial institutions to finance the purchase of several aircraft delivered in 2016. The notes evidencing these borrowings, which are secured by the related aircraft, have maturity dates ranging from 2026 to 2028 and have interest rates comprised of the LIBOR plus a specified margin.

Unsecured debt

5% Senior Notes due 2024. In January 2017, United issued $300 million aggregate principal amount of 5% Senior Notes due February 1, 2024 (the "5% Senior Notes due 2024"). These notes are fully and unconditionally guaranteed and recorded by United on its balance sheet as debt. The indenture for the 5% Senior Notes due 2024 requires UAL to offer to repurchase the notes for cash if certain changes of control of UAL occur at a purchase price equal to 101% of the principal amount of notes repurchased plus accrued and unpaid interest.

The collateral, covenants and cross default provisions of the Company's principal debt instruments that contain such provisions are summarized in the table below

Debt Instrument	Collateral, Covenants and Cross Default Provisions
Various equipment notes and other notes payable	Secured by certain aircraft. The indentures contain events of default that are customary for aircraft financing, including in certain cases cross default to other related aircraft
Credit Agreement	Secured by certain of United's international route authorities, specified take-off and landing slots at certain airports and certain other assets. The Credit Agreement requires the Company to maintain at least $3.0 billion of unrestricted liquidity at all times, which includes unrestricted cash, short-term investments and any undrawn amounts under any revolving credit facility, and to maintain a minimum ratio of appraised value of collateral to the outstanding obligations under the Credit Agreement of 1.67 to 1.0 at all times The Credit Agreement contains covenants that, among other things, restrict the ability of UAL and its restricted subsidiaries (as defined in the Credit Agreement) to incur additional indebtedness and to pay dividends on or repurchase stock, although the Company currently has ample ability under these restrictions to repurchase stock under the Company's share repurchase program. The Credit Agreement contains events of default customary for this type of financing, including a cross default and cross acceleration provision to certain other material indebtedness of the Company.
6.375% Senior Notes due 2018 6% Senior Notes due 2020 5% Senior Notes due 2024	The indentures for these notes contain covenants that, among other things, restrict the ability of the Company and its restricted subsidiaries (as defined in the indenture) to incur additional indebtedness and pay dividends on or repurchase stock, although the Company currently has ample ability under these restrictions to repurchase stock under the Company's share repurchase program

NOTE 12 - ADVANCED PURCHASE OF MILES

United previously sold MileagePlus miles to Chase which United recorded as Advanced purchase of miles. The remaining balance of pre-purchased miles is eligible to be allocated by Chase to MileagePlus members' accounts in 2017. The Company has recorded these amounts as Advanced purchase of miles in the liabilities section of the Company's consolidated balance sheets. The Co-Brand Agreement contains termination penalties that may require United to make certain payments and repurchase outstanding pre-purchased miles in cases such as United's insolvency, bankruptcy or other material breaches.

NOTE 13 - LEASES AND CAPACITY PURCHASE AGREEMENTS

United leases aircraft, airport passenger terminal space, aircraft hangars and related maintenance facilities, cargo terminals, other airport facilities, other commercial real estate, office and computer equipment and vehicles.

At December 31, 2016, United's scheduled future minimum lease payments under operating leases having initial or remaining noncancelable lease terms of more than one year, aircraft leases, including aircraft rent under CPAs and capital leases (substantially all of which are for aircraft) were as follows (in millions):

	Capital Leases	Facility and Other Operating Leases	Aircraft Operating Leases
2017	$ 183	$ 1,256	$ 1,271
2018	170	1,106	1,074
2019	105	991	894
2020	85	1,104	669
2021	84	888	551
After 2021	915	6,702	2,049
Minimum lease payments	$ 1,542	$ 12,047	$ 6,508
Imputed interest	(604)		
Present value of minimum lease payments	938		
Current portion	(116)		
Long-term obligations under capital leases	$ 822		

As of December 31, 2016, United's aircraft capital lease minimum payments relate to leases of 38 mainline and 29 regional aircraft as well as to leases of nonaircraft assets Imputed interest rate ranges are 3 5% to 20.8%

Aircraft operating leases have initial terms of five to 26 years, with expiration dates ranging from 2017 through 2028. Under the terms of most leases, United has the right to purchase the aircraft at the end of the lease term, in some cases at fair market value, and in others, at fair market value or a percentage of cost. United has facility operating leases that extend to 2041.

During 2015, the Company reached an agreement with AerCap Holdings N V , a major aircraft leasing company, to lease used Airbus S A S ("Airbus") A319s. Five such aircraft are expected to be delivered in 2017 In addition, up to 14 more aircraft may be delivered over the next four years subject to certain conditions.

United is the lessee of real property under long-term operating leases at a number of airports where we are also the guarantor of approximately $1.4 billion of underlying debt and interest thereon as of December 31, 2016. These leases are typically with municipalities or other governmental entities, which are excluded from the consolidation requirements concerning a variable interest entity ("VIE"). To the extent United's leases and related guarantees are with a separate legal entity other than a governmental entity, United is not the primary beneficiary because the lease terms are consistent with market terms at the inception of the lease and the lease does not include a residual value guarantee, fixed-price purchase option, or similar feature

In 2016, United signed a seven year lease extension through 2024 with the Metropolitan Washington Airports Authority to continue its use of terminals at Washington Dulles International Airport.

United's nonaircraft rent expense was approximately $1 2 billion, $1.3 billion and $1.4 billion for the years ended December 31, 2016, 2015 and 2014, respectively.

In addition to nonaircraft rent and aircraft rent, which is separately presented in the consolidated statements of operations, United had aircraft rent related to regional aircraft operating leases, which is included as part of Regional capacity purchase expense in United's consolidated statement of operations, of $439 million, $461 million and $442 million for the years ended December 31, 2016, 2015 and 2014, respectively.

In connection with UAL Corporation's and United Air Lines, Inc.'s fresh-start reporting requirements upon their exit from Chapter 11 bankruptcy protection in 2006 and the Company's acquisition accounting adjustments related to the Company's merger transaction in 2010, lease valuation adjustments for operating leases were initially recorded in the consolidated balance sheet, representing the net present value of the differences between contractual lease rates and the fair market lease rates for similar leased assets at the time. An asset (liability) results when the contractual lease rates are more (less) favorable than market lease terms at the valuation date. The lease valuation adjustment is amortized on a straight-line basis as an increase (decrease) to rent expense over the individual applicable remaining lease terms, resulting in recognition of rent expense as if United had entered into the leases at market rates. The related remaining lease terms, primarily related to aircraft which make up the majority of the fair value lease adjustment balance, are one to eight years for United. The lease valuation adjustments are classified within other noncurrent liabilities and the net accretion amounts are $82 million, $107 million and $160 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Regional CPAs

United has CPAs with certain regional carriers. We purchase all of the capacity from the flights covered by the CPA at a negotiated price. We pay the regional carrier a predetermined rate, subject to annual inflation adjustments, primarily for block hours flown (the hours from gate departure to gate arrival) and other operating factors and reimburse the regional carrier for various pass-through expenses related to the flights. Under the CPAs, we are responsible for the cost of providing fuel for all flights and for paying aircraft rent for all of the aircraft covered by the CPAs. Generally, the CPAs contain incentive bonus and rebate provisions based upon each regional carrier's operational performance. United's CPAs are for 494 regional aircraft, and the CPAs have terms expiring through 2029. Aircraft operated under CPAs include aircraft leased directly from the regional carriers and those owned by United or leased from third-party lessors and operated by the regional carriers. See Part I, Item 2, "Properties" of this report for additional information.

In 2016 and 2015, Republic Airline Inc. ("Republic"), a wholly-owned subsidiary of Republic Airways Holdings ("Republic Airways"), purchased and took delivery of 16 new 76-seat Embraer S.A. ("Embraer") E175 aircraft, and placed these aircraft into service under the United Express brand. Subsequent to the Chapter 11 bankruptcy filing by Republic Airways and certain of its subsidiaries in the first quarter of 2016, United entered into amendments to its CPA with Republic in 2016 for Republic to operate a total of 28 Embraer E175 aircraft, 16 of which were delivered as previously described and 12 of which remain to be delivered in 2017. In connection with the amended CPA, United will own the 12 remaining Embraer E175 aircraft.

In 2016, United agreed to purchase 12 new Embraer E175 aircraft that were previously expected to be purchased by one of its United Express operators, and in the first quarter of 2017, United entered into a CPA amendment with Mesa Air Group, Inc. ("Mesa Air Group") and Mesa Airlines, Inc. ("Mesa"), a wholly-owned subsidiary of Mesa Air Group, for Mesa to operate these 12 additional Embraer E175 aircraft under the United Express brand. As of December 31, 2016, all 12 of these aircraft are expected to be delivered in 2017.

In 2015, United entered into amendments to the CPA with SkyWest Airlines, Inc. ("SkyWest"), a wholly-owned subsidiary of SkyWest, Inc., to operate an additional 25 new 76-seat Embraer E175 aircraft under the United Express brand. SkyWest purchased all of these 76-seat aircraft directly from the manufacturer with seven deliveries remaining in 2017.

In 2015, United entered into a new CPA with Champlain Enterprises, LLC d/b/a CommutAir ("CommutAir"), pursuant to which CommutAir will operate 40 used Embraer ERJ145 aircraft under the United Express brand that are currently being operated by a different United Express regional carrier, with transfers that are continuing through 2018. As of December 31, 2016, 28 aircraft are still pending transfer.

Our future commitments under our CPAs are dependent on numerous variables, and are therefore difficult to predict. The most important of these variables is the number of scheduled block hours. Although we are not required to purchase a minimum number of block hours under certain of our CPAs, we have set forth below estimates of our future payments under the CPAs based on our assumptions. United's estimates of its future

payments under all of the CPAs do not include the portion of the underlying obligation for any aircraft leased to a regional carrier or deemed to be leased from other regional carriers and facility rent that are disclosed as part of aircraft and nonaircraft operating leases. For purposes of calculating these estimates, we have assumed (1) the number of block hours flown is based on our anticipated level of flight activity or at any contractual minimum utilization levels if applicable, whichever is higher, (2) that we will reduce the fleet as rapidly as contractually allowed under each CPA, (3) that aircraft utilization, stage length and load factors will remain constant, (4) that each carrier's operational performance will remain at historic levels and (5) an annual projected inflation rate. These amounts exclude variable pass-through costs such as fuel and landing fees, among others. Based on these assumptions as of December 31, 2016, our future payments through the end of the terms of our CPAs are presented in the table below (in billions):

2017	$ 1.9
2018	1.9
2019	1.3
2020	1.0
2021	1.0
After 2021	4.3
	$ 11.4

The actual amounts we pay to our regional operators under CPAs could differ materially from these estimates. For example, a 10% increase or decrease in scheduled block hours for all of United's regional operators (whether as a result of changes in average daily utilization or otherwise) in 2017 would result in a corresponding change in annual cash obligations under the CPAs of approximately $147 million.

NOTE 14 - VARIABLE INTEREST ENTITIES

Variable interests are contractual, ownership or other monetary interests in an entity that change with fluctuations in the fair value of the entity's net assets exclusive of variable interests. A VIE can arise from items such as lease agreements, loan arrangements, guarantees or service contracts. An entity is a VIE if (a) the entity lacks sufficient equity or (b) the entity's equity holders lack power or the obligation and right as equity holders to absorb the entity's expected losses or to receive its expected residual returns. Therefore, if the equity owners as a group do not have the power to direct the entity's activities that most significantly impact its economic performance, the entity is a VIE.

If an entity is determined to be a VIE, the entity must be consolidated by the primary beneficiary. The primary beneficiary is the holder of the variable interests that has the power to direct the activities of a VIE that (i) most significantly impact the VIE's economic performance and (ii) has the obligation to absorb losses of or the right to receive benefits from the VIE that could potentially be significant to the VIE. Therefore, the Company must identify which activities most significantly impact the VIE's economic performance and determine whether it, or another party, has the power to direct those activities.

The Company's evaluation of its association with VIEs is described below.

Aircraft Leases . We are the lessee in a number of operating leases covering the majority of our leased aircraft. The lessors are trusts established specifically to purchase, finance and lease aircraft to us. These leasing entities meet the criteria for VIEs. We are generally not the primary beneficiary of the leasing entities if the lease terms are consistent with market terms at the inception of the lease and do not include a residual value guarantee, fixed-price purchase option or similar feature that obligates us to absorb decreases in value or entitles us to participate in increases in the value of the aircraft. This is the case for many of our operating leases, however, leases of 37 mainline jet aircraft contain a fixed-price purchase option that allow United to purchase the aircraft at predetermined prices on specified dates during the lease term. Additionally, leases covering 192 leased

regional jet aircraft contain an option to purchase the aircraft at the end of the lease term at prices that, depending on market conditions, could be below fair value. United has not consolidated the related trusts because, even taking into consideration these purchase options, United is still not the primary beneficiary United's maximum exposure under these leases is the remaining lease payments, which are reflected in future lease commitments in Note 13 of this report.

EETCs. United evaluated whether the pass-through trusts formed for its EETC financings, treated as either debt or aircraft operating leases, are VIEs required to be consolidated by United under applicable accounting guidance, and determined that the pass-through trusts are VIEs Based on United's analysis as described below, United determined that it does not have a variable interest in the pass-through trusts

The primary risk of the pass-through trusts is credit risk (i e. the risk that United, the issuer of the equipment notes, may be unable to make its principal and interest payments). The primary purpose of the pass-through trust structure is to enhance the credit worthiness of United's debt obligation through certain bankruptcy protection provisions, a liquidity facility (in certain of the EETC structures) and improved loan-to-value ratios for more senior debt classes These credit enhancements lower United's total borrowing cost. Pass-through trusts are established to receive principal and interest payments on the equipment notes purchased by the pass-through trusts from United and remit these proceeds to the pass-through trusts' certificate holders.

United does not invest in or obtain a financial interest in the pass-through trusts. Rather, United has an obligation to make interest and principal payments on its equipment notes held by the pass-through trusts. United did not intend to have any voting or non-voting equity interest in the pass-through trusts or to absorb variability from the pass-through trusts. Based on this analysis, the Company determined that it is not required to consolidate the pass-through trusts.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Commitments. As of December 31, 2016, United had firm commitments and options to purchase aircraft from The Boeing Company ("Boeing"), Embraer and Airbus presented in the table below:

Aircraft Type	Number of Firm Commitments (a)
Airbus A350-1000	35
Boeing 737NG/737MAX	165
Boeing 777-300ER	12
Boeing 787-8/-9/-10	21
Embraer E175	24

(a) United also has options and purchase rights for additional aircraft

The aircraft listed in the table above are scheduled for delivery from 2017 through 2027 To the extent the Company and the aircraft manufacturers with whom the Company has existing orders for new aircraft agree to modify the contracts governing those orders, the amount and timing of the Company's future capital commitments could change.

The table below summarizes United's commitments as of December 31, 2016, which primarily relate to the acquisition of aircraft and related spare engines, aircraft improvements and include other capital purchase commitments for the years ended December 31 (in billions). Any new firm aircraft orders, including through the exercise of purchase options and purchase rights, will increase the total future capital commitments of the Company.

2017	$ 4.5
2018	3.2
2019	3.1
2020	2.5
2021	2.2
After 2021	7.8
	$ 23.3

In the first quarter of 2017, the Company announced that it will retire its fleet of Boeing 747 aircraft from scheduled service by the end of 2017. The Company does not expect there to be a material impact to depreciation and amortization expense.

As of December 31, 2016, United had $1.3 billion in financing available through EETC transactions for the financing of all of its aircraft deliveries scheduled in the first half of 2017. See Note 11 of this report for additional information on aircraft financing. The Company has also secured backstop financing commitments from certain of its aircraft manufacturers for a limited number of its future aircraft deliveries, subject to certain customary conditions. Financing may be necessary to satisfy the Company's capital commitments for its firm order aircraft and other related capital expenditures.

Legal and Environmental. The Company has certain contingencies resulting from litigation and claims incident to the ordinary course of business. As of December 31, 2016, management believes, after considering a number of factors, including (but not limited to) the information currently available, the views of legal counsel, the nature of contingencies to which the Company is subject and prior experience, that the ultimate disposition of the litigation and claims will not materially affect the Company's consolidated financial position or results of operations. The Company records liabilities for legal and environmental claims when a loss is probable and reasonably estimable. These amounts are recorded based on the Company's assessments of the likelihood of their eventual disposition.

Guarantees and Indemnifications. In the normal course of business, the Company enters into numerous real estate leasing and aircraft financing arrangements that have various guarantees included in the contracts. These guarantees are primarily in the form of indemnities under which the Company typically indemnifies the lessors and any tax/financing parties against tort liabilities that arise out of the use, occupancy, operation or maintenance of the leased premises or financed aircraft. Currently, the Company believes that any future payments required under these guarantees or indemnities would be immaterial, as most tort liabilities and related indemnities are covered by insurance (subject to deductibles). Additionally, certain leased premises such as fueling stations or storage facilities include indemnities of such parties for any environmental liability that may arise out of or relate to the use of the leased premises.

As of December 31, 2016, United is the guarantor of approximately $1.9 billion in aggregate principal amount of tax-exempt special facilities revenue bonds and interest thereon. These bonds, issued by various airport municipalities, are payable solely from rentals paid under long-term agreements with the respective governing bodies. The leasing arrangements associated with $1.4 billion of these obligations are accounted for as operating leases with the associated expense recorded on a straight-line basis resulting in ratable accrual of the lease obligation over the expected lease term. These tax-exempt special facilities revenue bonds are included in our lease commitments disclosed in Note 13 of this report. The leasing arrangements associated with $400 million of these obligations are accounted for as capital leases. All of these bonds are due between 2017 and 2038.

In United's financing transactions that include loans, United typically agrees to reimburse lenders for any reduced returns with respect to the loans due to any change in capital requirements and, in the case of loans in which the interest rate is based on LIBOR, for certain other increased costs that the lenders incur in carrying these loans as a result of any change in law, subject, in most cases, to obligations of the lenders to take certain limited steps to mitigate the requirement for, or the amount of, such increased costs. At December 31, 2016, the Company had $2.6 billion of floating rate debt and $90 million of fixed rate debt, with remaining terms of up to 12 years, that are subject to these increased cost provisions. In several financing transactions involving loans or leases from non-U.S. entities, with remaining terms of up to 12 years and an aggregate balance of $2.6 billion, the Company bears the risk of any change in tax laws that would subject loan or lease payments thereunder to non-U.S. entities to withholding taxes, subject to customary exclusions.

As of December 31, 2016, United is the guarantor of $168 million of aircraft mortgage debt issued by one of United's regional carriers. The aircraft mortgage debt is subject to similar increased cost provisions as described above for the Company's debt and the Company would potentially be responsible for those costs under the guarantees.

Fuel Consortia. United participates in numerous fuel consortia with other air carriers at major airports to reduce the costs of fuel distribution and storage. Interline agreements govern the rights and responsibilities of the consortia members and provide for the allocation of the overall costs to operate the consortia based on usage. The consortia (and in limited cases, the participating carriers) have entered into long-term agreements to lease certain airport fuel storage and distribution facilities that are typically financed through tax-exempt bonds (either special facilities lease revenue bonds or general airport revenue bonds), issued by various local municipalities. In general, each consortium lease agreement requires the consortium to make lease payments in amounts sufficient to pay the maturing principal and interest payments on the bonds. As of December 31, 2016, approximately $1.5 billion principal amount of such bonds were secured by significant fuel facility leases in which United participates, as to which United and each of the signatory airlines has provided indirect guarantees of the debt. As of December 31, 2016, the Company's contingent exposure was approximately $234 million principal amount of such bonds based on its recent consortia participation. The Company's contingent exposure could increase if the participation of other air carriers decreases. The guarantees will expire when the tax-exempt bonds are paid in full, which ranges from 2017 to 2049. The Company did not record a liability at the time these indirect guarantees were made.

Regional Capacity Purchase. As of December 31, 2016, United had 223 call options to purchase regional jet aircraft being operated by certain regional carriers. At December 31, 2016, none of the call options were exercisable because none of the required conditions to make an option exercisable by United was met.

Credit Card Processing Agreements. The Company has agreements with financial institutions that process customer credit card transactions for the sale of air travel and other services. Under certain of the Company's credit card processing agreements, the financial institutions in certain circumstances have the right to require that the Company maintain a reserve equal to a portion of advance ticket sales that has been processed by that financial institution, but for which the Company has not yet provided the air transportation. Such financial institutions may require additional cash or other collateral reserves to be established or additional withholding of payments related to receivables collected if the Company does not maintain certain minimum levels of unrestricted cash, cash equivalents and short-term investments (collectively, "Unrestricted Liquidity"). The Company's current level of Unrestricted Liquidity is substantially in excess of these minimum levels.

Labor Negotiations. As of December 31, 2016, United, including its subsidiaries, had approximately 88,000 employees. Approximately 80% of United's employees were represented by various U.S. labor organizations as of December 31, 2016. In January 2016, United's pilots, represented by the Air Line Pilots Association, International ("ALPA"), agreed to extend their contract through January 31, 2019. In March 2016, the Company's dispatchers, represented by the Professional Airline Flight Control Association, agreed to extend their current contract through 2021. In April 2016, the fleet service, passenger service, storekeeper and other employees represented by the International Association of Machinists and Aerospace Workers ("IAM") ratified seven new contracts with the Company which extended the contracts through 2021. In August 2016, United's

flight attendants, represented by the AFA, ratified a five-year joint collective bargaining agreement through 2021. In December 2016, the technicians and related employees, represented by the IBT, ratified a six-year joint collective bargaining agreement which extended the contract through 2022. The agreements with ALPA and IBT contain provisions that require the Company to align contract terms with other airlines' workgroups under certain conditions.

NOTE 16 - SPECIAL ITEMS

Special items classified as special charges in the statements of consolidated operations consisted of the following for the years ended December 31 (in millions):

	2016	2015	2014
Operating			
Impairment of assets	$ 412	$ 79	$ 49
Cleveland airport lease restructuring	74	—	—
Labor agreement costs	64	18	—
Severance and benefit costs	37	107	199
(Gains) losses on sale of assets and other special charges	51	122	195
Special charges	638	326	443
Nonoperating and income taxes			
Losses (gain) on extinguishment of debt and other	(1)	202	74
Income tax benefit related to special charges	(229)	(11)	(10)
Income tax adjustments (Notes 6 and 7)	180	(3,130)	—
Total operating and nonoperating special items, net of income taxes	$ 588	$ (2,613)	$ 507

2016

In April 2016, the Federal Aviation Administration ("FAA") announced that it will designate Newark Liberty International Airport ("Newark") as a Level 2 schedule-facilitated airport under the International Air Transport Association Worldwide Slot Guidelines effective October 30, 2016. The designation was associated with an updated demand and capacity analysis of Newark by the FAA. In 2016, the Company determined that the FAA's action impaired the entire value of its Newark slots because the slots are no longer the mechanism that governs take-off and landing rights. Accordingly, the Company recorded a $412 million special charge ($264 million net of taxes) to write off the intangible asset.

In 2016, the City of Cleveland agreed to amend the Company's lease, which runs through 2029, associated with certain excess airport terminal space (principally Terminal D) and related facilities at Hopkins International Airport ("Cleveland"). The Company recorded an accrual for remaining payments under the lease for facilities that the Company no longer uses and will continue to incur costs under the lease without economic benefit to the Company. This liability was measured and recorded at its fair value when the Company ceased its right to use such facilities leased to it pursuant to the lease. The Company recorded a net charge of $74 million ($47 million net of taxes) related to the amended lease.

The fleet service, passenger service, storekeeper and other employees represented by the IAM ratified seven new contracts with the Company which extended the contracts through 2021. The technicians and related employees represented by the IBT ratified a six-year joint collective bargaining agreement which extended the contract through 2022. During 2016, the Company recorded $171 million ($110 million net of taxes) of special charges primarily for payments in conjunction with the IAM and IBT agreements described above. As part of the ratified

contract with the IBT, the Company amended some of its technicians and related employees' postretirement medical plans. The amendments triggered curtailment accounting, resulting in the recognition of a one-time $60 million gain ($38 million net of taxes) for accelerated recognition of a prior service credit in one of the plans. Also, as part of the ratified contract with the AFA, the Company amended two of its flight attendant postretirement medical plans. The amendments triggered curtailment accounting, resulting in the recognition of a one-time $47 million gain ($30 million net of taxes) for accelerated recognition of a prior service credit.

During 2016, the Company recorded $37 million ($24 million net of taxes) of severance and benefit costs related to a voluntary early-out program for the Company's flight attendants and other severance agreements. In 2014, more than 2,500 flight attendants elected to voluntarily separate from the Company for a severance payment, with a maximum value of $100,000 per participant, based on years of service, with retirement dates through the end of 2016.

During 2016, the Company recorded gains and losses on sale of assets and other special charges of $51 million ($33 million net of taxes). In addition, the Company recorded $8 million ($5 million net of taxes) of losses due to exchange rate changes in Venezuela applicable to funds held in local currency and recorded a $9 million ($6 million net of taxes) gain on the sale of an affiliate.

2015

During its annual assessment in the fourth quarter, the Company recorded $33 million ($22 million net of related income tax benefit) related to the impairment of its indefinite-lived intangible assets (certain domestic slots and international Pacific routes), $8 million for the write-off of unexercised aircraft purchase options and $7 million for inventory held for sale. For the full-year 2015, the Company also recorded other impairments, including $10 million for discontinued internal software projects and $10 million for the impairment of several engines held for sale.

The Company recorded $107 million of severance and benefit costs primarily related to a voluntary early-out program for its flight attendants. In 2014, more than 2,500 flight attendants elected to voluntarily separate from the Company for a severance payment, with a maximum value of $100,000 per participant, based on years of service, with retirement dates through the end of 2016.

During 2015, the Company also recorded $18 million related to collective bargaining agreements, $60 million of integration-related costs primarily related to systems integration and training for employees, $32 million related to charges for settlements in connection with legal matters, $16 million for the cease use of an aircraft under lease and $14 million for losses on the sale of aircraft and other miscellaneous gains and losses.

The Company recorded $202 million of losses as part of Nonoperating income (expense): Miscellaneous, net due primarily to the write-off of $134 million related to the unamortized non-cash debt discount from the extinguishment of the 6% Notes due 2026 and the 6% Notes due 2028. During 2015, the Company also recorded a $61 million foreign exchange loss related to its cash holdings in Venezuela. The Venezuelan government has maintained currency controls and fixed official exchange rates (i.e. Sistema Complementario de Administracion de Divisas ("SICAD"), and Sistema Marginal de Divisas ("SIMADI")) for many years. Previously, airlines were permitted to use the more favorable SICAD rate (13.5 Venezuelan bolivars to one U.S. dollar) if repatriating profits and for payments of local goods and services in Venezuela. During 2015, many of the payments for local goods and services transitioned to utilizing the SIMADI rate (200 Venezuelan bolivars to one U.S. dollar) or were required to be paid in U.S. dollars. Furthermore, the Venezuelan government has not permitted the exchange and repatriations of local currency since mid-2014. As a result, the Company changed the exchange rate from historical SICAD rates to a combination of SIMADI and SICAD rates based on projections of future cash payments. Including this adjustment, the Company's resulting cash balance held in Venezuelan bolivars at December 31, 2015 was approximately $13 million.

2014

The Company recorded a charge of $16 million ($10 million net of related income tax benefits) related to its annual assessment of impairment of its indefinite-lived intangible assets (certain international Pacific routes). The Company also recorded $33 million for charges related primarily to impairment of its flight equipment held for disposal associated with its Boeing 737-300 and 737-500 fleets

The Company recorded $141 million of severance and benefit costs related primarily to a voluntary early-out program for its flight attendants. More than 2,500 participants elected a one-time opportunity to voluntarily separate from the Company for a severance payment, with a maximum value of $100,000 per participant, based on years of service, with retirement dates through the end of 2016 In addition, the Company recorded $58 million of severance and benefits primarily related to reductions of management and front-line employees, including from Cleveland, as part of its cost savings initiatives.

The Company recorded $66 million for the permanent grounding of 21 of the Company's Embraer ERJ 135 regional aircraft under lease through 2018, which included an accrual for remaining lease payments and an amount for maintenance return conditions The Company decided to permanently ground these 21 Embraer ERJ 135 aircraft as a result of new Embraer E175 regional jet deliveries, the impact of pilot shortages at regional carriers and fuel prices. The Company also recorded $33 million for losses on the sale of assets and other special charges In addition, $96 million of integration-related costs included compensation costs related to systems integration, training, severance and relocation for employees.

United used cash to retire, at par, the entire $248 million principal balance of the 6% Convertible Debentures and the 6% Convertible Preferred Securities, Term Income Deferrable Equity Securities (TIDES) and incurred $64 million of expense primarily associated with the write-off of the related non-cash debt discounts The Company also recorded $10 million of foreign exchange losses in Venezuela in 2014.

Accrual Activity

Activity related to the accruals for severance and medical costs and future lease payments on permanently grounded aircraft is as follows (in millions):

	Severance/ Benefit Costs	Permanently Grounded Aircraft
Balance at December 31, 2013	$ 91	$ 11
Accrual	199	102
Payments	(181)	(11)
Balance at December 31, 2014	109	102
Accrual	107	30
Payments	(189)	(54)
Balance at December 31, 2015	27	78
Accrual and related adjustments	37	(17)
Payments	(50)	(20)
Balance at December 31, 2016	$ 14	$ 41

The Company's accrual and payment activity is primarily related to severance and other compensation expense associated with voluntary employee early retirement programs.

NOTE 17 - SEGMENT INFORMATION

Operating segments are defined as components of an enterprise with separate financial information, which are evaluated regularly by the chief operating decision maker and are used in resource allocation and performance assessments

The Company deploys its aircraft across its route network through a single route scheduling system to maximize its value. When making resource allocation decisions, the Company's chief operating decision maker evaluates flight profitability data, which considers aircraft type and route economics. The Company's chief operating decision maker makes resource allocation decisions to maximize the Company's consolidated financial results. Managing the Company as one segment allows management the opportunity to maximize the value of its route network.

The Company's operating revenue by principal geographic region (as defined by the U.S. Department of Transportation) for the years ended December 31 is presented in the table below (in millions).

	2016
Domestic (U.S. and Canada)	$ 22,202
Pacific	4,959
Atlantic	6,157
Latin America	3,238
Total	$ 36,556

	2015
Domestic (U.S. and Canada)	$ 21,931
Pacific	5,498
Atlantic	7,068
Latin America	3,367
Total	$ 37,864

	2014
Domestic (U.S. and Canada)	$ 22,320
Pacific	5,767
Atlantic	7,321
Latin America	3,493
Total	$ 38,901

The Company attributes revenue among the geographic areas based upon the origin and destination of each flight segment. The Company's operations involve an insignificant level of dedicated revenue-producing assets in geographic regions as the overwhelming majority of the Company's revenue producing assets (primarily U.S. registered aircraft) can be deployed in any of its geographic regions

NOTE 18 - SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

UAL	Quarter Ended			
(In millions, except per share amounts)	March 31	June 30	September 30	December 31
2016				
Operating revenue	$ 8,195	$ 9,396	$ 9,913	$ 9,052
Income from operations	649	1,060	1,624	1,005
Net income	313	588	965	397
Basic earnings per share	0.88	1.78	3.02	1.26
Diluted earnings per share	0.88	1.78	3.01	1.26
2015				
Operating revenue	$ 8,608	$ 9,914	$ 10,306	$ 9,036
Income from operations	741	1,445	1,809	1,081
Net income	508	1,193	1,816	823
Basic earnings per share	1.33	3.14	12.83	2.24
Diluted earnings per share	1.32	3.14	12.82	2.24

UAL's quarterly financial data is subject to seasonal fluctuations and historically its second and third quarter financial results, which reflect higher travel demand, are better than its first and fourth quarter financial results. UAL's quarterly results were impacted by the following significant items (in millions).

	Quarter Ended			
	March 31	June 30	September 30	December 31
2016				
Operating:				
Impairment of assets	$ —	$ 412	$ —	$ —
Cleveland airport lease restructuring	74	—	—	—
Labor agreement costs and related items	100	10	14	(60)
Severance and benefit costs	8	6	13	10
(Gains) losses on sale of assets and other special charges	8	6	18	19
Special charges	190	434	45	(31)
Nonoperating and income taxes:				
Losses (gain) on extinguishment of debt and other	8	(9)	—	—
Income tax expense (benefit) related to special charges	(72)	(153)	(16)	12
Income tax adjustments (Note 6)	—	—	—	180
Total operating and nonoperating special items, net of income taxes	$ 126	$ 272	$ 29	$ 161
2015				
Operating:				
Impairment of assets	$ 2	$ 11	$ 18	$ 48
Labor agreement costs and related items	—	—	—	18
Severance and benefit costs	50	25	28	4
(Gains) losses on sale of assets and other special charges	12	19	30	61
Special charges	64	55	76	131
Nonoperating and income taxes:				
Losses on extinguishment of debt and other	6	128	61	7
Income tax benefit related to special charges	—	—	—	(11)
Income tax expense (benefit) associated with valuation allowance release	—	—	(3,218)	88
Total operating and nonoperating special items, net of income taxes	$ 70	$ 183	$ (3,081)	$ 215

See Note 16 of this report for additional information of these items

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Control and Procedures

UAL and United each maintain controls and procedures that are designed to ensure that information required to be disclosed in the reports filed or submitted by UAL and United to the Securities and Exchange Commission ("SEC") is recorded, processed, summarized and reported, within the time periods specified by the SEC's rules and forms, and is accumulated and communicated to management including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The management of UAL and United, including the Chief Executive Officer and Chief Financial Officer, performed an evaluation to conclude with reasonable assurance that UAL's and United's disclosure controls and procedures were designed and operating effectively to report the information each company is required to disclose in the reports they file with the SEC on a timely basis. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer of UAL and United have concluded that as of December 31, 2016, disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting during the Quarter Ended December 31, 2016

During the three months ended December 31, 2016, there was no change in UAL's or United's internal control over financial reporting during their most recent fiscal quarter that materially affected, or is reasonably likely to materially affect, their internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
United Continental Holdings, Inc.

We have audited United Continental Holdings, Inc.'s (the "Company") internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the "COSO criteria"). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control Over Financial Reporting in Item 9A. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2016 of the Company and our report dated February 23, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Chicago, Illinois
February 23, 2017

United Continental Holdings, Inc. Management Report on Internal Control Over Financial Reporting

February 23, 2017

To the Stockholders of United Continental Holdings, Inc

Chicago, Illinois

The management of United Continental Holdings, Inc ("UAL") is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the design and operating effectiveness of our internal control over financial reporting as of December 31, 2016 In making this assessment, management used the framework set forth in Internal Control—Integrated Framework (2013 Framework) issued by the Committee of the Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our internal control over financial reporting was effective as of December 31, 2016.

Our independent registered public accounting firm, Ernst & Young LLP, who audited UAL's consolidated financial statements included in this Form 10-K, has issued a report on UAL's internal control over financial reporting, which is included herein

United Airlines, Inc. Management Report on Internal Control Over Financial Reporting

February 23, 2017

To the Stockholder of United Airlines, Inc.

Chicago, Illinois

The management of United Airlines, Inc. ("United") is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). United's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, our internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate

Under the supervision and with the participation of management, including United's Chief Executive Officer and Chief Financial Officer, United conducted an evaluation of the design and operating effectiveness of our internal control over financial reporting as of December 31, 2016 In making this assessment, management used the framework set forth in Internal Control—Integrated Framework (2013 Framework) issued by the Committee of the Sponsoring Organizations of the Treadway Commission Based on this evaluation, United's Chief Executive Officer and Chief Financial Officer concluded that its internal control over financial reporting was effective as of December 31, 2016

This annual report does not include an attestation report of United's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by United's registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit United to provide only management's report in this annual report

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Certain information required by this item with respect to UAL is incorporated by reference from UAL's definitive proxy statement for its 2017 Annual Meeting of Stockholders. Information regarding the executive officers of UAL is presented below

Information required by this item with respect to United is omitted pursuant to General Instruction I(2)(c) of Form 10-K.

EXECUTIVE OFFICERS OF UAL

The executive officers of UAL as of February 23, 2017 are listed below, along with their ages, tenure as officer and business background for at least the last five years

Michael P. Bonds. Age 54. Mr. Bonds has served as Executive Vice President Human Resources and Labor Relations of UAL and United since October 2010. From June 2005 to September 2010, Mr. Bonds served as Senior Vice President Human Resources and Labor Relations of Continental Airlines, Inc ("Continental"). Mr. Bonds joined Continental in 1995.

Brett J. Hart. Age 47. Mr Hart has served as Executive Vice President and General Counsel of UAL and United since February 2012. Mr. Hart served as acting Chief Executive Officer and principal executive officer of the Company, on an interim basis, from October 2015 to March 2016. From December 2010 to February 2012, he served as Senior Vice President, General Counsel and Secretary of UAL, United and Continental From June 2009 to December 2010, Mr. Hart served as Executive Vice President, General Counsel and Corporate Secretary at Sara Lee Corporation, a consumer food and beverage company. From March 2005 to May 2009, Mr Hart served as Deputy General Counsel and Chief Global Compliance Officer of Sara Lee Corporation. Mr. Hart joined UAL in 2010.

Gregory L. Hart. Age 51. Mr. Hart has served as Executive Vice President and Chief Operations Officer of UAL and United since February 2014. From December 2013 to February 2014, he served as Senior Vice President Operations of UAL and United From September 2012 to December 2013, Mr. Hart served as Senior Vice President Technical Operations of United. From October 2010 to September 2012, Mr. Hart served as Senior Vice President Network of United and Continental. From September 2008 to September 2010, Mr Hart served as Vice President Network Strategy of Continental. Mr. Hart joined Continental in 1997.

Linda P. Jojo. Age 51. Ms. Jojo has served as Executive Vice President and Chief Information Officer of UAL and United since November 2014. From July 2011 to October 2014, Ms. Jojo served as Executive Vice President and Chief Information Officer of Rogers Communications, Inc., a Canadian communications and media company. From October 2008 to June 2011, Ms. Jojo served as Chief Information Officer of Energy Future Holdings, a Dallas-based privately held energy company and electrical utility provider.

Chris Kenny. Age 52 Mr Kenny has served as Vice President and Controller of UAL and United since October 2010 From September 2003 to September 2010, Mr Kenny served as Vice President and Controller of Continental. Mr. Kenny joined Continental in 1997

J. Scott Kirby. Age 49. Mr. Kirby has served as President of UAL and United since August 2016 Prior to joining the Company, from December 2013 to August 2016, Mr. Kirby served as President of American Airlines Group and American Airlines, Inc. Mr. Kirby also previously served as President of US Airways from October 2006 to December 2013. Mr. Kirby held significant other leadership roles at US Airways and at America West prior to the 2005 merger of those carriers, including Executive Vice President—Sales and Marketing (2001 to 2006); Senior Vice President, e-business (2000 to 2001); Vice President, Revenue Management (1998 to 2000);

Vice President, Planning (1997 to 1998); and Senior Director, Scheduling and Planning (1995 to 1998). Prior to joining America West, Mr. Kirby worked for American Airlines Decision Technologies and at the Pentagon.

Andrew C. Levy. Age 47. Mr. Levy has served as Executive Vice President and Chief Financial Officer since August 2016. From November 2014 to August 2016, he was the Chief Executive Officer and Managing Partner of AML Ventures, LLC, an investment and advisory firm specializing in the airline industry. Previously, Mr. Levy held leadership roles at Allegiant Travel Company ("Allegiant") for thirteen years, including as Chief Operating Officer and a Director from September 2013 to October 2014; President from September 2009 to October 2014; Chief Financial Officer from October 2007 to May 2010; and Managing Director, Planning & Treasurer from April 2001 to October 2010. Prior to joining Allegiant, Mr. Levy worked at Mpower Communications, Inc., Savoy Capital and ValuJet Airlines, Inc.

Oscar Munoz. Age 58. Mr. Munoz has served as Chief Executive Officer since September 2015, and also as President from September 2015 until August 2016. From February 2015 to September 2015, Mr. Munoz served as President and Chief Operating Officer of CSX Corporation ("CSX"), a railroad and intermodal transportation services company, overseeing operations, sales and marketing, human resources, service design and information technology. Prior to his appointment as President and Chief Operating Officer of CSX, Mr. Munoz served as Executive Vice President and Chief Operating Officer of CSX Transportation from January 2012 to February 2015 and as Executive Vice President and Chief Financial Officer of CSX from 2003 to 2012. Mr. Munoz has been a member of the UAL Board of Directors ("Board of Directors") since 2010.

There are no family relationships among the executive officers or the directors of UAL. The executive officers are elected by the Board of Directors each year and hold office until the next annual meeting of stockholders, until their successors are elected and qualified, or until their earlier death, resignation or removal.

The Company has a code of ethics, the "Ethics and Compliance Principles," for its directors, officers and employees. The code serves as a "Code of Ethics" as defined by SEC regulations, and as a "Code of Business Conduct and Ethics" under the listed Company Manual of the NYSE. The code is available on the Company's website at http://ir.united.com. Waivers granted to certain officers from compliance with or future amendments to the code will be disclosed on the Company's website in accordance with Item 5.05 of Form 8-K.

ITEM 11. EXECUTIVE COMPENSATION.

Information required by this item with respect to UAL is incorporated by reference from UAL's definitive proxy statement for its 2017 Annual Meeting of Stockholders.

Information required by this item with respect to United is omitted pursuant to General Instruction I(2)(c) of Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Information required by this item with respect to UAL is incorporated by reference from UAL's definitive proxy statement for its 2017 Annual Meeting of Stockholders.

Information required by this item with respect to United is omitted pursuant to General Instruction I(2)(c) of Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Information required by this item with respect to UAL is incorporated by reference from UAL's definitive proxy statement for its 2017 Annual Meeting of Stockholders.

Information required by this item with respect to United is omitted pursuant to General Instruction I(2)(c) of Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The Audit Committee of the Board of Directors has adopted a policy on pre-approval of services of the Company's independent registered public accounting firm. As a wholly-owned subsidiary of UAL, United's audit services are determined by UAL. The policy provides that the Audit Committee shall pre-approve all audit and non-audit services to be provided to UAL and its subsidiaries and affiliates by its independent auditors. The process by which this is carried out is as follows:

For recurring services, the Audit Committee reviews and pre-approves the independent registered public accounting firm's annual audit services in conjunction with the annual appointment of the outside auditors. The reviewed materials include a description of the services along with related fees. The Audit Committee also reviews and pre-approves other classes of recurring services along with fee thresholds for pre-approved services. In the event that the additional services are required prior to the next scheduled Audit Committee meeting, pre-approvals of additional services follow the process described below.

Any requests for audit, audit related, tax and other services not contemplated with the recurring services approval described above must be submitted to the Audit Committee for specific pre-approval and cannot commence until such approval has been granted. Normally, pre-approval is provided at regularly scheduled meetings. However, the authority to grant specific pre-approval between meetings, as necessary, has been delegated to the Chair of the Audit Committee. The Chair must update the Audit Committee at the next regularly scheduled meeting of any services that were granted specific pre-approval.

On a periodic basis, the Audit Committee reviews the status of services and fees incurred year-to-date and a list of newly pre-approved services since its last regularly scheduled meeting. The Audit Committee has considered whether the 2016 and 2015 non-audit services provided by Ernst & Young LLP, the Company's independent registered public accounting firm, are compatible with maintaining auditor independence.

All of the services in 2016 and 2015 under the Audit Fees, Audit Related Fees, Tax Fees and All Other Fees categories below have been approved by the Audit Committee pursuant to paragraph (c)(7) of Rule 2-01 of Regulation S-X of the Exchange Act.

The aggregate fees billed for professional services rendered by the Company's independent auditors in 2016 and 2015 are as follows (in thousands):

Service	2016	2015
Audit Fees	$ 3,751	$ 4,193
Audit Related Fees	215	98
Tax Fees	1,252	2,050
All Other Fees	2	5
	$ 5,220	$ 6,346

Note: UAL and United amounts are the same.

AUDIT FEES

For 2016 and 2015, audit fees consist primarily of the audit and quarterly reviews of the consolidated financial statements and the audit of the effectiveness of internal control over financial reporting of United Continental Holdings, Inc. and its wholly-owned subsidiaries. Audit fees also include the audit of the consolidated financial statements of United, employee benefit plan audits, attestation services required by statute or regulation, comfort letters, consents, assistance with and review of documents filed with the SEC, and accounting and financial reporting consultations and research work necessary to comply with generally accepted auditing standards.

AUDIT RELATED FEES

For 2016 and 2015, fees for audit related services consisted of professional services related to due diligence and understanding key process changes and identifying and testing changes in the internal control environment prior to implementation of system conversions.

TAX FEES

Tax fees for 2016 and 2015 include professional services provided for foreign and state tax returns, research and consultations regarding tax accounting, and tax compliance matters and assistance in assembling data to prepare for and respond to governmental reviews of past tax filings, exclusive of tax services rendered in connection with the audit.

ALL OTHER FEES

Fees for all other services billed in 2016 and 2015 consist of subscriptions to Ernst & Young LLP's on-line accounting research tool.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a)(1) *Financial Statements* The financial statements required by this item are listed in Part II, Item 8, *Financial Statements and Supplementary Data* herein

(2) *Financial Statement Schedules.* The financial statement schedule required by this item is listed below and included in this report after the signature page hereto.

Schedule II-Valuation and Qualifying Accounts for the years ended December 31, 2016, 2015 and 2014.

All other schedules are omitted because they are not applicable, not required or the required information is shown in the consolidated financial statements or notes thereto.

(b) *Exhibits.* The exhibits required by this item are listed in the Exhibit Index which immediately precedes the exhibits filed with this Form 10-K and is incorporated herein by this reference Each management contract or compensatory plan or arrangement is denoted with a "†" in the Exhibit Index

ITEM 16. FORM 10-K SUMMARY.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, each registrant has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

UNITED CONTINENTAL HOLDINGS, INC.
UNITED AIRLINES, INC.
(Registrants)

By. /s/ Andrew C. Levy

Andrew C Levy
Executive Vice President and Chief Financial Officer

Date: February 23, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934, this Form 10-K has been signed below by the following persons on behalf of United Continental Holdings, Inc and in the capacities and on the date indicated.

Signature	Capacity
/s/ Oscar Munoz Oscar Munoz	Chief Executive Officer, Director (Principal Executive Officer)
/s/ Andrew C Levy Andrew C. Levy	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ Chris Kenny Chris Kenny	Vice President and Controller (Principal Accounting Officer)
/s/ Carolyn Corvi Carolyn Corvi	Director
/s/ Jane C. Garvey Jane C Garvey	Director
/s/ Barney Harford Barney Harford	Director
/s/ Todd M. Insler Todd M Insler	Director
/s/ Walter Isaacson Walter Isaacson	Director
/s/ James A.C. Kennedy James A C Kennedy	Director

Signature	Capacity
/s/ Robert A. Milton Robert A. Milton	Director
/s/ William R. Nuti William R. Nuti	Director
/s/ Sito Pantoja Sito Pantoja	Director
/s/ Edward M. Philip Edward M. Philip	Director
/s/ Edward L. Shapiro Edward L. Shapiro	Director
/s/ Laurence E. Simmons Laurence E. Simmons	Director
/s/ David J. Vitale David J. Vitale	Director
/s/ James M. Whitehurst James M. Whitehurst	Director

Date February 23, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934, this Form 10-K has been signed below by the following persons on behalf of United Airlines, Inc. and in the capacities and on the date indicated

Signature	Capacity
/s/ Oscar Munoz Oscar Munoz	Chief Executive Officer (Principal Executive Officer)
/s/ Andrew C. Levy Andrew C. Levy	Executive Vice President and Chief Financial Officer and Director (Principal Financial Officer)
/s/ Chris Kenny Chris Kenny	Vice President and Controller (Principal Accounting Officer)
/s/ Gregory L. Hart Gregory L. Hart	Director
/s/ J. Scott Kirby J. Scott Kirby	Director

Date: February 23, 2017

Schedule II

Valuation and Qualifying Accounts
For the Years Ended December 31, 2016, 2015 and 2014

(In millions) Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions (a)	Other	Balance at End of Period
Allowance for doubtful accounts—UAL and United:					
2016	$ 18	$ 18	$ 26	$ —	$ 10
2015	22	25	29	—	18
2014	13	45	36	—	22
Obsolescence allowance—spare parts—UAL and United:					
2016	$ 235	$ 61	$ 16	$ 15	$ 295
2015	169	38	—	28	235
2014	162	35	28	—	169
Valuation allowance for deferred tax assets—UAL:					
2016	$ 48	$ 47	$ 27	$ —	$ 68
2015	4,751	—	4,703	—	48
2014	4,591	156	—	4	4,751
Valuation allowance for deferred tax assets—United:					
2016	$ 48	$ 47	$ 27	$ —	$ 68
2015	4,721	—	4,673	—	48
2014	4,561	167	—	(7)	4,721

(a) Deduction from reserve for purpose for which reserve was created

EXHIBIT INDEX

Exhibit No.	Registrant	Exhibit
		Plan of Merger
*2.1	UAL United	Agreement and Plan of Merger, dated as of May 2, 2010, by and among UAL Corporation, Continental Airlines, Inc. and JT Merger Sub Inc (schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K) (filed as Exhibit 2.1 to UAL's Form 8-K filed May 4, 2010, Commission file number 1-6033, and incorporated herein by reference)
*2.2	United	Agreement and Plan of Merger, dated as of March 28, 2013, by and between Continental Airlines, Inc. and United Air Lines, Inc. (filed as Exhibit 2.1 to UAL's Form 8-K filed April 3, 2013, Commission file number 1-6033, and incorporated herein by reference)
		Articles of Incorporation and Bylaws
*3.1	UAL	Amended and Restated Certificate of Incorporation of United Continental Holdings, Inc (filed as Exhibit 3.1 to UAL's Form 8-K filed October 1, 2010, Commission file number 1-6033, and incorporated herein by reference)
*3.2	UAL	Amended and Restated Bylaws of United Continental Holdings, Inc (filed as Exhibit 3.1 to UAL's Form 10-Q for the quarter ended March 31, 2016, Commission file number 1-6033, and incorporated herein by reference)
*3.3	United	Amended and Restated Certificate of Incorporation of United Airlines, Inc. (filed as Exhibit 3.1 to UAL's Form 8-K filed April 3, 2013, Commission file number 1-6033, and incorporated herein by reference)
*3.4	United	Amended and Restated By-laws of United Airlines, Inc (filed as Exhibit 3.2 to UAL's Form 8-K filed April 3, 2013, Commission file number 1-6033, and incorporated herein by reference)
		Instruments Defining Rights of Security Holders, Including Indentures
*4.1	UAL United	Amended and Restated Indenture, dated as of January 11, 2013, by and among United Continental Holdings, Inc as Issuer, United Air Lines, Inc as Guarantor, and the Bank of New York Mellon Trust Company, N.A as Trustee, providing for issuance of 6% Notes due 2028, 6% Notes due 2026 and 8% Notes due 2024 (filed as Exhibit 4.6 to UAL's Form 10-K for the year ended December 31, 2012, Commission file number 1-6033, and incorporated herein by reference)
*4.2	UAL United	First Supplemental Indenture, dated as of April 1, 2013, by and among United Continental Holdings, Inc , United Airlines, Inc and The Bank of New York Mellon Trust Company, N A , as trustee, to the Amended and Restated Indenture, dated as of January 11, 2013 (filed as Exhibit 4.1 to UAL's Form 8-K filed April 3, 2013, Commission file number 1-6033, and incorporated herein by reference)
*4.3	UAL United	Second Supplemental Indenture, dated as of September 13, 2013, by and among United Continental Holdings, Inc , United Airlines, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee, to the Amended and Restated Indenture, dated as of January 11, 2013 (filed as Exhibit 4.1 to UAL's Form 8-K filed September 19, 2013, Commission file number 1-6033, and incorporated herein by reference)

*4.4	United	Indenture, dated as of July 15, 1997, between Continental Airlines, Inc. and The Bank of New York Mellon Trust Company, N.A. (as successor to Bank One, N A), as trustee related to Continental Airlines, Inc 's 4.5% Convertible Notes due 2015 (filed as Exhibit to 4.1 to Continental's Form S-3/A filed July 18, 1997, Commission file number 1-10323, and incorporated herein by reference)
*4.5	UAL United	Fourth Supplemental Indenture, dated as of October 1, 2010, by and among Continental Airlines, Inc., United Continental Holdings, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee, with respect to the Indenture, dated as of July 15, 1997, between Continental Airlines, Inc. and The Bank of New York Mellon Trust Company, N.A. (as successor to Bank One, N.A.), as trustee related to Continental Airlines, Inc.'s 4 5% Convertible Notes due 2015 (filed as Exhibit 4.3 to UAL's Form 8-K dated October 1, 2010, Commission file number 1-6033, and incorporated herein by reference)
*4.6	UAL United	Fifth Supplemental Indenture, dated as of May 15, 2014, among United Continental Holdings, Inc., United Airlines, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee (filed as Exhibit 4.1 to UAL's Form 8-K filed on May 19, 2014, Commission file number 1-6033, and incorporated herein by reference)
*4.7	UAL United	Indenture, dated as of May 7, 2013, among United Continental Holdings, Inc., United Airlines, Inc. and The Bank of New York Mellon Trust Company, N.A , as Trustee (filed as Exhibit 4.1 to UAL's Form 8-K filed on May 10, 2013, Commission file number 1-6033, and incorporated herein by reference)
*4 8	UAL United	First Supplemental Indenture, dated as of May 7, 2013, among United Continental Holdings, Inc., United Airlines, Inc. and The Bank of New York Mellon Trust Company, N.A., as Trustee, providing for the issuance of 6 375% Senior Notes due 2018 (filed as Exhibit 4.2 to UAL's Form 8-K filed on May 10, 2013, Commission file number 1-6033, and incorporated herein by reference)
*4 9	UAL United	Form of 6.375% Senior Notes due 2018 (filed as Exhibit A to Exhibit 4 2 to UAL's Form 8-K filed on May 10, 2013, Commission file number 1-6033, and incorporated herein by reference)
*4.10	UAL United	Form of Notation of Note Guarantee (filed as Exhibit B to Exhibit 4 2 to UAL's Form 8-K filed on May 10, 2013, Commission file number 1-6033, and incorporated herein by reference)
*4.11	UAL United	Second Supplemental Indenture, dated as of November 8, 2013, among United Continental Holdings, Inc., United Airlines, Inc. and The Bank of New York Mellon Trust Company, N.A , as Trustee, providing for the issuance of 6 000% Senior Notes due 2020 (filed as Exhibit 4.2 to UAL's Form 8-K filed on November 12, 2013, Commission file number 1-6033, and incorporated herein by reference)
*4 12	UAL United	Form of 6.000% Senior Notes due 2020 (filed as Exhibit 4.3 to UAL's Form 8-K filed on November 12, 2013, Commission file number 1-6033, and incorporated herein by reference)
*4.13	UAL United	Form of Notation of Note Guarantee (filed as Exhibit 4 4 to UAL's Form 8-K filed on November 12, 2013, Commission file number 1-6033, and incorporated herein by reference)

Material Contracts

*†10.1	UAL	Agreement, dated April 19, 2016, by and among PAR Capital Management, Inc., Altimeter Capital Management, LP, United Continental Holdings, Inc. and the other signatories listed on the signature page thereto (filed as Exhibit 10.1 to UAL's Form 8-K filed April 20, 2016, Commission file number 1-6033, and incorporated herein by reference)
†10.2	UAL	United Continental Holdings, Inc. Profit Sharing Plan (amended and restated effective January 1, 2016)
*†10.3	UAL United	Employment Agreement, dated December 31, 2015, among United Continental Holdings, Inc., United Airlines, Inc. and (filed as Exhibit 10.1 to UAL's Form 8-K/A filed January 7, 2016, Commission file number 1-6033, and incorporated herein by reference)
*†10.4	UAL United	Amendment to Employment Agreement, dated April 19, 2016, by and among United Continental Holdings, Inc., United Airlines, Inc. and ed as Exhibit 10.1 to UAL's Form 8-K filed April 20, 2016, Commission file number 1-6033, and incorporated herein by reference)
*†10.5	UAL	SERP Agreement, dated as of October 1, 2010, by and among United Continental Holdings, Inc., Continental Airlines, Inc. and filed as Exhibit 10.12 to UAL's Form 10-K for the year ended December 31, 2010, Commission file number 1-6033, and incorporated herein by reference)
*†10.6	UAL United	SERP Agreement, dated as of October 1, 2010, by and among United Continental Holdings, Inc., Continental Airlines, Inc. and led as Exhibit 10.2 to UAL's Form 10-Q for the quarter ended September 30, 2015, Commission file number 1-10323, and incorporated herein by reference)
*†10.7	UAL	SERP Agreement, dated as of October 1, 2010, by and among United Continental Holdings, Inc., Continental Airlines, Inc. and ls (filed as Exhibit 10.10 to UAL's Form 10-K for the year ended December 31, 2010, Commission file number 1-6033, and incorporated herein by reference)
*†10.8	UAL United	United Continental Holdings, Inc. Senior Officer Severance Plan (effective October 1, 2014) (filed as Exhibit 10.1 to UAL's Form 10-Q for the quarter ended September 30, 2015, Commission file number 1-10323, and incorporated herein by reference)
*†10.9	UAL	Employment Agreement, dated as of October 1, 2010, by and among United Continental Holdings, Inc., United Air Lines, Inc., Continental Airlines, Inc. and ed as Exhibit 10.21 to UAL's Form 10-K for the year ended December 31, 2010, Commission file number 1-6033, and incorporated herein by reference)
*†10.10	UAL United	Performance Award Agreement, dated May 5, 2016, by and among United Continental Holdings, Inc., United Airlines, Inc. and (filed as Exhibit 10.3 to UAL's Form 10-Q for the quarter ended June 30, 2016, Commission file number 1-6033, and incorporated herein by reference)
*†10.11	UAL	Form of Stock Option Award Notice pursuant to the United Continental Holdings, Inc. 2008 Incentive Compensation Plan (filed as Exhibit 10.1 to UAL's Form 10-Q for the quarter ended September 30, 2016, Commission file number 1-6033, and incorporated herein by reference)

*†10.12	UAL	Form of Restricted Stock Unit Award Notice pursuant to the United Continental Holdings, Inc 2008 Incentive Compensation Plan (filed as Exhibit 10.2 to UAL's Form 10-Q for the quarter ended September 30, 2016, Commission file number 1-6033, and incorporated herein by reference)
*†10.13	UAL	Confidentiality and Non-Competition Agreement, dated April 23, 2009, by and among Continental Airlines, Inc. and (filed as Exhibit 10.1 to Continental Airlines, Inc 's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, Commission file number 1-10323, and incorporated herein by reference)
*†10.14	UAL United	Separation Agreement, dated as of September 8, 2015, by and among United Continental Holdings, Inc., United Airlines, Inc. and (filed as Exhibit 10.1 to UAL's Form 8-K filed September 8, 2015, Commission file number 1-6033, and incorporated herein by reference)
*†10.15	UAL	Description of Benefits for Officers of United Continental Holdings, Inc. and United Airlines, Inc. (filed as Exhibit 10.11 to UAL's Form 10-K for the year ended December 31, 2015, Commission file number 1-6033 and incorporated herein by reference)
*†10.16	UAL	United Continental Holdings, Inc. Officer Travel Policy (filed as Exhibit 10.24 to UAL's Form 10-K for the year ended December 31, 2010, Commission file number 1-6033, and incorporated herein by reference)
*†10 17	UAL	United Continental Holdings, Inc. 2008 Incentive Compensation Plan (filed as Annex A to UAL Corporation's 2013 Definitive Proxy Statement filed on April 26, 2013, Commission file number 1-6033, and incorporated herein by reference) (now named the United Continental Holdings, Inc 2008 Incentive Compensation Plan)
*†10 18	UAL	First Amendment to the United Continental Holdings, Inc 2008 Incentive Compensation Plan (changing the name to United Continental Holdings, Inc 2008 Incentive Compensation Plan) (filed as Annex A to UAL's Definitive Proxy Statement filed on April 26, 2013, Commission file number 1-6033, and incorporated herein by reference)
†10.19	UAL	Second Amendment to the United Continental Holdings, Inc 2008 Incentive Compensation Plan
*†10.20	UAL	Form of Stock Option Award Notice pursuant to the United Continental Holdings, Inc. 2008 Incentive Compensation Plan (filed as Exhibit 10 25 to UAL's Form 10-Q for the quarter ended June 30, 2008, Commission file number 1-6033, and incorporated herein by reference)
†10.21	UAL	Form of Restricted Stock Unit Award Notice pursuant to the United Continental Holdings, Inc. 2008 Incentive Compensation Plan (stock settled)
*†10.22	UAL	Form of Restricted Share Award Notice pursuant to the United Continental Holdings, Inc. 2008 Incentive Compensation Plan (awards during and after 2014) (filed as Exhibit 10.27 to UAL's Form 10-K for the year ended December 31, 2013, Commission file number 1-6033, and incorporated by reference)
*†10.23	UAL	United Continental Holdings, Inc. Performance-Based Restricted Stock Unit Program (adopted pursuant to the United Continental Holdings, Inc. 2008 Incentive Compensation Plan) (filed as Exhibit 10.31 to UAL's Form 10-K for the year ended December 31, 2010, Commission file number 1-6033, and incorporated herein by reference)

*†10.24	UAL	First Amendment to the United Continental Holdings, Inc Performance-Based Restricted Stock Unit Program (adopted pursuant to the United Continental Holdings, Inc. 2008 Incentive Compensation Plan) (effective with respect to performance periods beginning on or after January 1, 2012) (filed as Exhibit 10 33 to UAL's Form 10-K for the year ended December 31, 2011, Commission file number 1-6033, and incorporated herein by reference)
*†10.25	UAL	Second Amendment to the United Continental Holdings, Inc. Performance-Based Restricted Stock Unit Program (adopted pursuant to the United Continental Holdings, Inc. 2008 Incentive Compensation Plan) (filed as Exhibit 10.29 to UAL's Form 10-K for the year ended December 31, 2012, Commission file number 1-6033, and incorporated herein by reference)
*†10 26	UAL	Third Amendment to the United Continental Holdings, Inc. Performance-Based Restricted Stock Unit Program (adopted pursuant to the United Continental Holdings, Inc. 2008 Incentive Compensation Plan) (filed as Exhibit 10.1 to UAL's Form 10-Q for the quarter ended March 31, 2015, Commission file number 1-6033, and incorporated herein by reference)
*†10.27	UAL	Fourth Amendment to the United Continental Holdings, Inc. Performance-Based Restricted Stock Unit Program (adopted pursuant to the United Continental Holdings, Inc. 2008 Incentive Compensation Plan) (filed as Exhibit 10.22 to UAL's Form 10-K for the year ended December 31, 2015, Commission file number 1-6033 and incorporated herein by reference)
*†10.28	UAL	Form of Performance-Based Restricted Stock Unit Award Notice pursuant to the United Continental Holdings, Inc. Performance-Based Restricted Stock Unit Program (ROIC awards) (filed as Exhibit 10.23 to UAL's Form 10-K for the year ended December 31, 2015, Commission file number 1-6033 and incorporated herein by reference)
*†10 29	UAL	Form of Performance-Based Restricted Stock Unit Award Notice pursuant to the United Continental Holdings, Inc. Performance-Based Restricted Stock Unit Program (Relative Pre-tax Margin awards) (for performance periods beginning on or after January 1, 2015) (filed as Exhibit 10 2 to UAL's Form 10-Q for the quarter ended March 31, 2015, Commission file number 1-6033, and incorporated herein by reference)
*†10.30	UAL	United Continental Holdings, Inc. Incentive Plan 2010, as amended and restated February 17, 2011 (previously named the Continental Airlines, Inc. Incentive Plan 2010) (filed as Annex B to UAL's Definitive Proxy Statement filed April 26, 2013, Commission file number 1-6033, and incorporated herein by reference)
*†10.31	UAL	First Amendment to the United Continental Holdings, Inc. Incentive Plan 2010, as amended and restated February 17, 2011 (filed as Annex B to UAL's 2013 Definitive Proxy Statement filed on April 26, 2013, Commission file number 1-6033, incorporated herein by reference)
*†10.32	UAL	United Continental Holdings, Inc. Annual Incentive Program (adopted pursuant to the United Continental Holdings, Inc. Incentive Plan 2010) (as amended and restated February 21, 2013) (filed as Exhibit 10 43 to UAL's Form 10-K for the year ended December 31, 2012, Commission file number 1-6033, and incorporated herein by reference)
*†10.33	UAL	United Continental Holdings, Inc Long-Term Relative Performance Program (adopted pursuant to the United Continental Holdings, Inc. Incentive Plan 2010) (filed as Exhibit 10 43 to UAL's Form 10-K for the year ended December 31, 2010, Commission file number 1-6033, and incorporated herein by reference)

*†10.34	UAL	First Amendment to the United Continental Holdings, Inc. Long-Term Relative Performance Program (adopted pursuant to the United Continental Holdings, Inc. Incentive Plan 2010) (effective with respect to performance periods beginning on or after January 1, 2012) (filed as Exhibit 10.49 to UAL's Form 10-K for the year ended December 31, 2011, Commission file number 1-6033, and incorporated herein by reference)
*†10.35	UAL	Second Amendment to the United Continental Holdings, Inc. Long-Term Relative Performance Program (adopted pursuant to the United Continental Holdings, Inc. Incentive Plan 2010) (effective with respect to performance periods beginning on or after January 1, 2014) (filed as Exhibit 10.40.2 to UAL's Form 10-K for the year ended December 31, 2013, Commission file number 1-6033, and incorporated herein by reference)
*†10.36	UAL	Form of Annual Incentive Program Award Notice pursuant to the United Continental Holdings, Inc. Annual Incentive Program (for fiscal years beginning on or after January 1, 2013) (filed as Exhibit 10.47 to UAL's Form 10-K for the year ended December 31, 2012, Commission file number 1-6033, and incorporated herein by reference)
*†10.37	UAL	Form of Long-Term Relative Performance Award Notice pursuant to the United Continental Holdings, Inc. Long-Term Relative Performance Program (for use with respect to performance periods beginning January 1, 2014) (filed as Exhibit 10.45 to UAL's Form 10-K for the year ended December 31, 2013, Commission file number 1-6033, and incorporated herein by reference)
*†10.38	UAL	Description of Compensation and Benefits for United Continental Holdings, Inc. Non-Employee Directors (filed as Exhibit 10.30 to UAL's Form 10-K for the year ended December 31, 2014, Commission file number 1-6033, and incorporated herein by reference)
*†10.39	UAL	United Continental Holdings, Inc. 2006 Director Equity Incentive Plan (as amended and restated, effective February 20, 2014, filed as Annex A to UAL's Definitive Proxy Statement filed April 25, 2014, Commission file number 1-6033, and incorporated herein by reference)
*†10.40	UAL	Form of Share Unit Award Notice pursuant to the United Continental Holdings, Inc. 2006 Director Equity Incentive Plan (filed as Exhibit 10.9 to UAL's Form 10-Q for the quarter ended June 30, 2014, Commission file number 1-6033, and incorporated herein by reference) (for awards granted on or after June 2011)
*†10.41	UAL	Continental Airlines, Inc. 1998 Stock Incentive Plan (filed as Exhibit 4.3 to Continental's Form S-8 Registration Statement (No. 333-57297), Commission file number 1-10323, and incorporated herein by reference)
*†10.42	UAL	Amendment No. 1 to 1998 Incentive Plan, 1997 Incentive Plan and 1994 Incentive Plan (filed as Exhibit 10.2 to Continental's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001, Commission file no. 1-10323, and incorporated herein by reference)
*†10.43	UAL	Amendment to 1998 Incentive Plan, 1997 Incentive Plan and 1994 Incentive Plan (filed as Exhibit 10.5 to Continental's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004, Commission file no. 1-10323 and incorporated herein by reference)
*†10.44	UAL	Form of Outside Director Stock Option Grant pursuant to the Continental Airlines, Inc. 1998 Incentive Plan (filed as Exhibit 10.12(c) to Continental's Form 10-K for the year ended December 31, 2006, Commission file number 1-10323, and incorporated herein by reference)

*†10.45	UAL	Continental Airlines, Inc. Incentive Plan 2000, as amended and restated (filed as Exhibit 10.1 to Continental's Form 10-Q for the quarter ended March 31, 2002, Commission file number 1-10323, and incorporated herein by reference)
*†10.46	UAL	Amendment to Incentive Plan 2000, dated as of March 12, 2004 (filed as Exhibit 10.6 to Continental's Form 10-Q for the quarter ended March 31, 2004, Commission file number 1-10323, and incorporated herein by reference)
*†10.47	UAL	Second Amendment to Incentive Plan 2000, dated as of June 6, 2006 (filed as Exhibit 10.1 to Continental's Form 10-Q for the quarter ended June 30, 2006, Commission file number 1-10323, and incorporated herein by reference)
*†10.48	UAL	Third Amendment to Incentive Plan 2000, dated as of September 14, 2006 (filed as Exhibit 10.1 to Continental's Form 10-Q for the quarter ended September 30, 2006, Commission file number 1-10323, and incorporated herein by reference)
*†10.49	UAL	Form of Outside Director Stock Option Agreement pursuant to Incentive Plan 2000 (filed as Exhibit 10.14(b) to Continental's Form 10-K for the year ended December 31, 2000, Commission file number 1-10323, and incorporated herein by reference)
*†10.50	UAL	Form of Outside Director Stock Option Grant pursuant to Incentive Plan 2000 (filed as Exhibit 10.1 to Continental's Form 10-Q for the quarter ended March 31, 2008, Commission file number 1-10323, and incorporated herein by reference)
*†10.51	UAL	Form of Non-Employee Director Option Grant Document pursuant to Continental Airlines, Inc. Incentive Plan 2010, as amended and restated through February 17, 2010 (filed as Exhibit 10.2(a) to Continental's Form 10-K for the year ended December 31, 2009, Commission file number 1-10323, and incorporated herein by reference)
*†10.52	UAL	United Air Lines, Inc. Management Cash Direct & Cash Match Program (amended and restated effective January 1, 2014) (filed as Exhibit 10.64 to UAL's Form 10-K for the year ended December 31, 2013, Commission file number 1-10323, and incorporated herein by reference)
*†10.53	UAL	United Continental Holdings, Inc. Executive Severance Plan (effective October 1, 2014) (filed as Exhibit 10.1 to UAL's Form 8-K filed June 20, 2014, Commission file number 1-10323, and incorporated herein by reference)
*^10.54	UAL United	Airbus A350-900XWB Purchase Agreement, dated March 5, 2010, by and among Airbus S.A.S and United Air Lines, Inc. (filed as Exhibit 10.27 to UAL's Form 10-Q for the quarter ended March 31, 2010, Commission file number 1-6033, and incorporated herein by reference)
*^10.55	UAL United	Letter Agreement No. 1 to the Airbus A350-900XWB Purchase Agreement, dated March 5, 2010, by and among Airbus S.A.S and United Air Lines, Inc. (filed as Exhibit 10.28 to UAL's Form 10-Q for the quarter ended March 31, 2010, Commission file number 1-6033, and incorporated herein by reference)
*^10.56	UAL United	Letter Agreement No. 2 to the Airbus A350-900XWB Purchase Agreement, dated March 5, 2010, by and among Airbus S.A.S and United Air Lines, Inc. (filed as Exhibit 10.29 to UAL's Form 10-Q for the quarter ended March 31, 2010, Commission file number 1-6033, and incorporated herein by reference)
*^10.57	UAL United	Amended and Restated Letter Agreement No. 2 to the Airbus A350-900XWB Purchase Agreement, dated June 19, 2013 (filed as Exhibit 10.9 to UAL's Form 10-Q for the quarter ended June 30, 2013, Commission file number 1-6033, and incorporated herein by reference)

*^10.58	UAL United	Letter Agreement No 3 to the Airbus A350-900XWB Purchase Agreement, dated March 5, 2010, by and among Airbus S A.S and United Air Lines Inc. (filed as Exhibit 10 30 to UAL's Form 10-Q for the quarter ended March 31, 2010, Commission file number 1-6033, and incorporated herein by reference)
*^10.59	UAL United	Amended and Restated Letter Agreement No 3 to the Airbus A350-900XWB Purchase Agreement, dated June 19, 2013 (filed as Exhibit 10.10 to UAL's Form 10-Q for the quarter ended June 30, 2013, Commission file number 1-6033, and incorporated herein by reference)
*^10.60	UAL United	Letter Agreement No 4 to the Airbus A350-900XWB Purchase Agreement, dated March 5, 2010, by and among Airbus S.A S and United Air Lines. Inc (filed as Exhibit 10.31 to UAL's Form 10-Q for the quarter ended March 31, 2010, Commission file number 1-6033, and incorporated herein by reference)
*^10.61	UAL United	Amended and Restated Letter Agreement No. 4 to the Airbus A350-900XWB Purchase Agreement, dated June 19, 2013 (filed as Exhibit 10.11 to UAL's Form 10-Q for the quarter ended June 30, 2013, Commission file number 1-6033, and incorporated herein by reference)
*^10.62	UAL United	Letter Agreement No. 5 to the Airbus A350-900XWB Purchase Agreement, dated March 5, 2010, by and among Airbus S.A S and United Air Lines Inc (filed as Exhibit 10.32 to UAL's Form 10-Q for the quarter ended March 31, 2010, Commission file number 1-6033, and incorporated herein by reference)
*^10.63	UAL United	Letter Agreement No. 6 to the Airbus A350-900XWB Purchase Agreement, dated March 5, 2010, by and among Airbus S.A S and United Air Lines. Inc (filed as Exhibit 10.33 to UAL's Form 10-Q for the quarter ended March 31, 2010, Commission file number 1-6033, and incorporated herein by reference)
*^10.64	UAL United	Letter Agreement No 7 to the Airbus A350-900XWB Purchase Agreement, dated March 5, 2010, by and among Airbus S.A.S and United Air Lines. Inc. (filed as Exhibit 10.34 to UAL's Form 10-Q for the quarter ended March 31, 2010, Commission file number 1-6033, and incorporated herein by reference)
*^10.65	UAL United	Letter Agreement No. 8 to the Airbus A350-900XWB Purchase Agreement, dated March 5, 2010, by and among Airbus S A S and United Air Lines. Inc. (filed as Exhibit 10.35 to UAL's Form 10-Q for the quarter ended March 31, 2010, Commission file number 1-6033, and incorporated herein by reference)
*^10.66	UAL United	Letter Agreement No. 9 to the Airbus A350-900XWB Purchase Agreement, dated March 5, 2010, by and among Airbus S.A.S and United Air Lines Inc (filed as Exhibit 10.36 to UAL's Form 10-Q for the quarter ended March 31, 2010, Commission file number 1-6033, and incorporated herein by reference)
*^10.67	UAL United	Letter Agreement No. 10 to the Airbus A350-900XWB Purchase Agreement, dated March 5, 2010, by and among Airbus S A.S and United Air Lines. Inc. (filed as Exhibit 10.37 to UAL's Form 10-Q for the quarter ended March 31, 2010, Commission file number 1-6033, and incorporated herein by reference)
*^10.68	UAL United	Letter Agreement No. 11 to the Airbus A350-900XWB Purchase Agreement, dated March 5, 2010, by and among Airbus S.A.S and United Air Lines. Inc. (filed as Exhibit 10 38 to UAL's Form 10-Q for the quarter ended March 31, 2010, Commission file number 1-6033, and incorporated herein by reference)
*^10 69	UAL United	Letter Agreement No. 12 to the Airbus A350-900XWB Purchase Agreement, dated March 5, 2010, by and among Airbus S A.S and United Air Lines. Inc. (filed as Exhibit 10.39 to UAL's Form 10-Q for the quarter ended March 31, 2010, Commission file number 1-6033, and incorporated herein by reference)

*^10.70	UAL United	Letter Agreement No. 13 to the Airbus A350-900XWB Purchase Agreement, dated March 5, 2010, by and among Airbus S.A S and United Air Lines. Inc. (filed as Exhibit 10.40 to UAL's Form 10-Q for the quarter ended March 31, 2010. Commission file number 1-6033, and incorporated herein by reference)
*^10.71	UAL United	Amendment No. 1 to the Airbus A350-900XWB Purchase Agreement, dated June 25, 2010, by and among Airbus S.A.S and United Air Lines, Inc. (filed as Exhibit 10.6 to UAL's Form 10-Q for the quarter ended June 30, 2010, Commission file number 1-6033, and incorporated herein by reference)
*^10.72	UAL United	Amendment No. 2 to the Airbus A350-900XWB Purchase Agreement, dated June 19, 2013 (filed as Exhibit 10.8 to UAL's Form 10-Q for the quarter ended June 30, 2013, Commission file number 1-6033, and incorporated herein by reference)
*^10.73	UAL United	Amended and Restated Letter Agreement No. 5 to the Airbus A350-900XWB Purchase Agreement, dated June 19, 2013 (filed as Exhibit 10.12 to UAL's Form 10-Q for the quarter ended June 30, 2013, Commission file number 1-6033, and incorporated herein by reference)
*^10 74	UAL United	Amended and Restated Letter Agreement No. 6 to the Airbus A350-900XWB Purchase Agreement, dated June 19, 2013 (filed as Exhibit 10.13 to UAL's Form 10-Q for the quarter ended June 30, 2013, Commission file number 1-6033, and incorporated herein by reference)
*^10 75	UAL United	Amended and Restated Letter Agreement No 7 to the Airbus A350-900XWB Purchase Agreement, dated June 19, 2013 (filed as Exhibit 10 14 to UAL's Form 10-Q for the quarter ended June 30, 2013, Commission file number 1-6033, and incorporated herein by reference)
*^10.76	UAL United	Amended and Restated Letter Agreement No. 10 to the Airbus A350-900XWB Purchase Agreement, dated June 19, 2013 (filed as Exhibit 10.15 to UAL's Form 10-Q for the quarter ended June 30, 2013, Commission file number 1-6033, and incorporated herein by reference)
*^10.77	UAL United	Amended and Restated Letter Agreement No. 12 to the Airbus A350-900XWB Purchase Agreement, dated June 19, 2013 (filed as Exhibit 10.16 to UAL's Form 10-Q for the quarter ended June 30, 2013, Commission file number 1-6033, and incorporated herein by reference)
*^10.78	UAL United	Letter Agreement No. 14 to the Airbus A350-900XWB Purchase Agreement, dated May 6, 2016, between Airbus S.A.S and United Airlines, Inc. (filed as Exhibit 10.6 to UAL's Form 10-Q for the quarter ended June 30, 2016, Commission file number 1-6033, and incorporated herein by reference)
*^10.79	UAL United	Purchase Agreement No. 1951, including exhibits and side letters thereto, dated July 23, 1996, by and among Continental and Boeing (filed as Exhibit 10.8 to Continental's Form 10-Q for the quarter ended June 30, 1996, Commission file number 1-10323, and incorporated herein by reference)
*^10.80	UAL United	Supplemental Agreement No. 1 to Purchase Agreement No 1951, dated October 10, 1996 (filed as Exhibit 10.14(a) to Continental's Form 10-K for the year ended December 31, 1996, Commission file number 1-10323, and incorporated herein by reference)
*^10 81	UAL United	Supplemental Agreement No. 2 to Purchase Agreement No. 1951, dated March 5, 1997 (filed as Exhibit 10.3 to Continental's Form 10-Q for the quarter ended March 31, 1997, Commission file number 1-10323 and incorporated herein by reference)

*^10.82	UAL United	Supplemental Agreement No. 3, including exhibit and side letter, to Purchase Agreement No. 1951, dated July 17, 1997 (filed as Exhibit 10.14(c) to Continental's Form 10-K for the year ended December 31, 1997, Commission file number 1-10323, and incorporated herein by reference)
*^10.83	UAL United	Supplemental Agreement No. 4, including exhibits and side letters, to Purchase Agreement No. 1951, dated October 10, 1997 (filed as Exhibit 10.14(d) to Continental's Form 10-K for the year ended December 31, 1997, Commission file number 1-10323, and incorporated herein by reference)
*^10 84	UAL United	Supplemental Agreement No. 5, including exhibits and side letters, to Purchase Agreement No. 1951, dated October 10, 1997 (filed as Exhibit 10.1 to Continental's Form 10-Q for the quarter ended June 30, 1998, Commission file number 1-10323, and incorporated herein by reference)
*^10.85	UAL United	Supplemental Agreement No. 6, including exhibits and side letters, to Purchase Agreement No. 1951, dated July 30, 1998 (filed as Exhibit 10.1 to Continental's Form 10-Q for the quarter ended September 30, 1998, Commission file number 1-10323, and incorporated herein by reference)
*^10 86	UAL United	Supplemental Agreement No. 7, including side letters, to Purchase Agreement No. 1951, dated November 12, 1998 (filed as Exhibit 10.24(g) to Continental's Form 10-K for the year ended December 31, 2008, Commission file number 1-10323, and incorporated herein by reference)
*^10.87	UAL United	Supplemental Agreement No 8, including side letters, to Purchase Agreement No. 1951, dated December 7, 1998 (filed as Exhibit 10.24(h) to Continental's Form 10-K for the year ended December 31, 2008, Commission file number 1-10323, and incorporated herein by reference)
*^10 88	UAL United	Letter Agreement No 6-1162-GOC-131R1 to Purchase Agreement No. 1951, dated March 26, 1998 (filed as Exhibit 10 1 to Continental's Form 10-Q for the quarter ended March 31, 1998, Commission file number 1-10323, and incorporated herein by reference)
*^10 89	UAL United	Supplemental Agreement No. 9, including side letters, to Purchase Agreement No 1951, dated February 18, 1999 (filed as Exhibit 10.4 to Continental's Form 10-Q for the quarter ended March 31, 1999, Commission file number 1-10323, and incorporated herein by reference)
*^10.90	UAL United	Supplemental Agreement No. 10, including side letters, to Purchase Agreement No 1951, dated March 19, 1999 (filed as Exhibit 10 4(a) to Continental's Form 10-Q for the quarter ended March 31, 1999, Commission file number 1-10323, and incorporated herein by reference)
*^10.91	UAL United	Supplemental Agreement No. 11, including side letters, to Purchase Agreement No. 1951, dated March 14, 1999 (filed as Exhibit 10.4(a) to Continental's Form 10-Q for the quarter ended June 30, 1999, Commission file number 1-10323, and incorporated herein by reference)
*^10 92	UAL United	Supplemental Agreement No. 12, including side letters, to Purchase Agreement No. 1951, dated July 2, 1999 (filed as Exhibit 10.8 to Continental's Form 10-Q for the quarter ended September 30, 1999, Commission file number 1-10323, and incorporated herein by reference)
*^10.93	UAL United	Supplemental Agreement No. 13 to Purchase Agreement No. 1951, dated October 13, 1999 (filed as Exhibit 10.25(n) to Continental's Form 10-K for the year ended December 31, 1999, Commission file number 1-10323, and incorporated herein by reference)

*^10 94	UAL United	Supplemental Agreement No. 14 to Purchase Agreement No. 1951, dated December 13, 1999 (filed as Exhibit 10.25(o) to Continental's Form 10-K for the year ended December 31, 1999, Commission file number 1-10323, and incorporated herein by reference)
*^10 95	UAL United	Supplemental Agreement No. 15, including side letters, to Purchase Agreement No. 1951, dated January 13, 2000 (filed as Exhibit 10.1 to Continental's Form 10-Q for the quarter ended March 31, 2000, Commission file number 1-10323, and incorporated herein by reference)
*^10.96	UAL United	Supplemental Agreement No. 16, including side letters, to Purchase Agreement No. 1951, dated March 17, 2000 (filed as Exhibit 10 2 to Continental's Form 10-Q for the quarter ended March 31, 2000, Commission file number 1-10323, and incorporated herein by reference)
*^10.97	UAL United	Supplemental Agreement No. 17, including side letters, to Purchase Agreement No. 1951, dated May 16, 2000 (filed as Exhibit 10.2 to Continental's Form 10-Q for the quarter ended June 30, 2000, Commission file number 1-10323, and incorporated herein by reference)
*^10.98	UAL United	Supplemental Agreement No. 18, including side letters, to Purchase Agreement No. 1951, dated September 11, 2000 (filed as Exhibit 10.6 to Continental's Form 10-Q for the quarter ended September 30, 2000, Commission file number 1-10323, and incorporated herein by reference)
*^10.99	UAL United	Supplemental Agreement No. 19, including side letters, to Purchase Agreement No. 1951, dated October 31, 2000 (filed as Exhibit 10.20(t) to Continental's Form 10-K for the year ended December 31, 2000, Commission file number 1-10323, and incorporated herein by reference)
*^10.100	UAL United	Supplemental Agreement No. 20, including side letters, to Purchase Agreement No 1951, dated December 21, 2000 (filed as Exhibit 10.20(u) to Continental's Form 10-K for the year ended December 31, 2000, Commission file number 1-10323, and incorporated herein by reference)
*^10.101	UAL United	Supplemental Agreement No. 21, including side letters, to Purchase Agreement No. 1951, dated March 30, 2001 (filed as Exhibit 10 1 to Continental's Form 10-Q for the quarter ended March 31, 2001, Commission file number 1-10323, and incorporated herein by reference)
*^10.102	UAL United	Supplemental Agreement No. 22, including side letters, to Purchase Agreement No. 1951, dated May 23, 2001 (filed as Exhibit 10.3 to Continental's Form 10-Q for the quarter ended June 30, 2001, Commission file number 1-10323, and incorporated herein by reference)
*^10.103	UAL United	Supplemental Agreement No. 23, including side letters, to Purchase Agreement No 1951, dated June 29, 2001 (filed as Exhibit 10 4 to Continental's Form 10-Q for the quarter ended June 30, 2001, Commission file number 1-10323, and incorporated herein by reference)
*^10 104	UAL United	Supplemental Agreement No 24, including side letters, to Purchase Agreement No 1951, dated August 31, 2001 (filed as Exhibit 10.11 to Continental's Form 10-Q for the quarter ended September 30, 2001, Commission file number 1-10323, and incorporated herein by reference)
*^10 105	UAL United	Supplemental Agreement No 25, including side letters, to Purchase Agreement No. 1951, dated December 31, 2001 (filed as Exhibit 10.22(z) to Continental's Form 10-K for the year ended December 31, 2001, Commission file number 1-10323, and incorporated herein by reference)

*^10.106	UAL United	Supplemental Agreement No. 26, including side letters, to Purchase Agreement No. 1951, dated March 29, 2002 (filed as Exhibit 10.4 to Continental's Form 10-Q for the quarter ended March 31, 2002, Commission file number 1-10323, and incorporated herein by reference)
*^10.107	UAL United	Supplemental Agreement No. 27, including side letters, to Purchase Agreement No. 1951, dated November 6, 2002 (filed as Exhibit 10.4 to Continental's Form 10-Q for the quarter ended March 31, 2002, Commission file number 1-10323, and incorporated herein by reference)
*^10.108	UAL United	Supplemental Agreement No. 28, including side letters, to Purchase Agreement No. 1951, dated April 1, 2003 (filed as Exhibit 10.2 to Continental's Form 10-Q for the quarter ended March 31, 2003, Commission file number 1-10323, and incorporated herein by reference)
*^10.109	UAL United	Supplemental Agreement No. 29, including side letters, to Purchase Agreement No. 1951, dated August 19, 2003 (filed as Exhibit 10.2 to Continental's Form 10-Q for the quarter ended September 30, 2003, Commission file number 1-10323, and incorporated herein by reference)
*^10.110	UAL United	Supplemental Agreement No. 30 to Purchase Agreement No. 1951, dated November 4, 2003 (filed as Exhibit 10.23(ae) to Continental's Form 10-K for the year ended December 31, 2003, Commission file number 1-10323, and incorporated herein by reference)
*^10.111	UAL United	Supplemental Agreement No. 31 to Purchase Agreement No. 1951, dated August 20, 2004 (filed as Exhibit 10.4 to Continental's Form 10-Q for the quarter ended September 30, 2004, Commission file number 1-10323, and incorporated herein by reference)
*^10.112	UAL United	Supplemental Agreement No. 32, including side letters, to Purchase Agreement No. 1951, dated December 29, 2004 (filed as Exhibit 10.21(ag) to Continental's Form 10-K for the year ended December 31, 2004, Commission file number 1-10323, and incorporated herein by reference)
*^10.113	UAL United	Supplemental Agreement No. 33, including side letters, to Purchase Agreement No. 1951, dated December 29, 2004 (filed as Exhibit 10.21(ah) to Continental's Form 10-K for the year ended December 31, 2004, Commission file number 1-10323, and incorporated herein by reference)
*^10.114	UAL United	Supplemental Agreement No. 34 to Purchase Agreement No. 1951, dated June 22, 2005 (filed as Exhibit 10.3 to Continental's Form 10-Q for the quarter ended June 30, 2005, Commission file number 1-10323, and incorporated herein by reference)
*^10.115	UAL United	Supplemental Agreement No. 35 to Purchase Agreement No. 1951, dated June 30, 2005 (filed as Exhibit 10.4 to Continental's Form 10-Q for the quarter ended June 30, 2005, Commission file number 1-10323, and incorporated herein by reference)
*^10.116	UAL United	Supplemental Agreement No. 36 to Purchase Agreement No. 1951, dated July 28, 2005 (filed as Exhibit 10.1 to Continental's Form 10-Q for the quarter ended September 30, 2005, Commission file number 1-10323, and incorporated herein by reference)
*^10.117	UAL United	Supplemental Agreement No. 37 to Purchase Agreement No. 1951, dated March 30, 2006 (filed as Exhibit 10.2 to Continental's Form 10-Q for the quarter ended March 31, 2006, Commission file number 1-10323, and incorporated herein by reference)

*^10.118	UAL United	Supplemental Agreement No. 38 to Purchase Agreement No. 1951, dated June 6, 2006 (filed as Exhibit 10.3 to Continental's Form 10-Q for the quarter ended June 30, 2006, Commission file number 1-10323, and incorporated herein by reference)
*^10.119	UAL United	Supplemental Agreement No. 39 to Purchase Agreement No. 1951, dated August 3, 2006 (filed as Exhibit 10.4 to Continental's Form 10-Q for the quarter ended September 30, 2006, Commission file number 1-10323, and incorporated herein by reference)
*^10.120	UAL United	Supplemental Agreement No. 40 to Purchase Agreement No. 1951, dated December 5, 2006 (filed as Exhibit 10.23(ao) to Continental's Form 10-K for the year ended December 31, 2006, Commission file number 1-10323, and incorporated herein by reference)
*^10.121	UAL United	Supplemental Agreement No. 41 to Purchase Agreement No. 1951, dated June 1, 2007 (filed as Exhibit 10.1 to Continental's Form 10-Q for the quarter ended June 30, 2007, Commission file number 1-10323, and incorporated herein by reference)
*^10.122	UAL United	Supplemental Agreement No. 42 to Purchase Agreement No. 1951, dated June 12, 2007 (filed as Exhibit 10.2 to Continental's Form 10-Q for the quarter ended June 30, 2007, Commission file number 1-10323, and incorporated herein by reference)
*^10.123	UAL United	Supplemental Agreement No. 43 to Purchase Agreement No. 1951, dated July 18, 2007 (filed as Exhibit 10.1 to Continental's Form 10-Q for the quarter ended September 30, 2007, Commission file number 1-10323, and incorporated herein by reference)
*^10.124	UAL United	Supplemental Agreement No. 44 to Purchase Agreement No. 1951, dated December 7, 2007 (filed as Exhibit 10.21(as) to Continental's Form 10-K for the year ended December 31, 2007, Commission file number 1-10323, and incorporated herein by reference)
*^10.125	UAL United	Supplemental Agreement No. 45 to Purchase Agreement No. 1951, dated February 20, 2008 (filed as Exhibit 10.2 to Continental's Form 10-Q for the quarter ended March 31, 2008, Commission file number 1-10323, and incorporated herein by reference)
*^10.126	UAL United	Supplemental Agreement No. 46 to Purchase Agreement No. 1951, dated June 25, 2008 (filed as Exhibit 10.5 to Continental's Form 10-Q for the quarter ended June 30, 2008, Commission file number 1-10323, and incorporated herein by reference)
*^10.127	UAL United	Supplemental Agreement No. 47 to Purchase Agreement No. 1951, dated October 30, 2008 (filed as Exhibit 10.21(av) to Continental's Form 10-K for the year ended December 31, 2008, Commission file number 1-10323, and incorporated herein by reference)
*^10.128	UAL United	Supplemental Agreement No. 48 to Purchase Agreement No. 1951, dated January 29, 2009 (filed as Exhibit 10.3 to Continental's Form 10-Q for the quarter ended June 30, 2009, Commission file number 1-10323, and incorporated herein by reference)
*^10.129	UAL United	Supplemental Agreement No. 49 to Purchase Agreement No. 1951, dated May 1, 2009 (filed as Exhibit 10.4 to Continental's Form 10-Q for the quarter ended June 30, 2009, Commission file number 1-10323, and incorporated herein by reference)

*^10.130	UAL United	Supplemental Agreement No 50 to Purchase Agreement No 1951, dated July 23, 2009 (filed as Exhibit 10.2 to Continental's Form 10-Q for the quarter ended September 30, 2009, Commission file number 1-10323, and incorporated herein by reference)
*^10 131	UAL United	Supplemental Agreement No 51 to Purchase Agreement No. 1951, dated August 5, 2009 (filed as Exhibit 10 3 to Continental's Form 10-Q for the quarter ended September 30, 2009, Commission file number 1-10323, and incorporated herein by reference)
*^10.132	UAL United	Supplemental Agreement No. 52 to Purchase Agreement No. 1951, dated August 31, 2009 (filed as Exhibit 10 4 to Continental's Form 10-Q for the quarter ended September 30, 2009, Commission file number 1-10323, and incorporated herein by reference)
*^10 133	UAL United	Supplemental Agreement No. 53 to Purchase Agreement No. 1951, dated December 23, 2009 (filed as Exhibit 10.22(hh) to Continental's Form 10-K for the year ended December 31, 2009, Commission file number 1-10323, and incorporated herein by reference)
*^10 134	UAL United	Supplemental Agreement No. 54 to Purchase Agreement No. 1951, dated March 2, 2010 (filed as Exhibit 10.2 to Continental's Form 10-Q for the quarter ended March 31, 2010, Commission file number 1-10323, and incorporated herein by reference)
*^10 135	UAL United	Supplemental Agreement No. 55 to Purchase Agreement No 1951, dated March 31, 2010 (filed as Exhibit 10.3 to Continental's Form 10-Q for the quarter ended March 31, 2010, Commission file number 1-10323, and incorporated herein by reference)
*^10 136	UAL United	Supplemental Agreement No. 56 to Purchase Agreement No. 1951, dated August 12, 2010 (filed as Exhibit 10.4 to Continental's Form 10-Q for the quarter ended September 30, 2010, Commission File Number 1-10323, and incorporated herein by reference)
*^10.137	UAL United	Supplemental Agreement No. 57 to Purchase Agreement No. 1951, dated March 2, 2011 (filed as Exhibit 10.1 to UAL's Form 10-Q for the quarter ended March 31, 2011, Commission file number 1-6033, and incorporated herein by reference)
*^10 138	UAL United	Supplemental Agreement No. 58 to Purchase Agreement No. 1951, dated January 6, 2012 (filed as Exhibit 10.1 to UAL's Form 10-Q for the quarter ended March 31, 2012, Commission file number 1-6033, and incorporated herein by reference)
*^10.139	UAL United	Supplemental Agreement No. 59 to Purchase Agreement No. 1951, dated July 12, 2012 (filed as Exhibit 10 5 to UAL's Form 10-Q for the quarter ended June 30, 2012, Commission file number 1-6033, and incorporated herein by reference)
*^10.140	UAL United	Supplemental Agreement No 60 to Purchase Agreement No 1951, dated November 7, 2012 (filed as Exhibit 10.2 to UAL's Form 10-Q for the quarter ended June 30, 2013, Commission file number 1-6033, and incorporated herein by reference)
*^10 141	UAL United	Supplemental Agreement No. 61 to Purchase Agreement No. 1951, dated September 11, 2013 (filed as Exhibit 10.1 for the quarter ended September 30, 2013, Commission file number 1-6033, and incorporated herein by reference)
*^10 142	UAL United	Supplemental Agreement No 62 to Purchase Agreement No 1951, dated January 14, 2015 (filed as Exhibit 10.3 for the quarter ended March 31, 2015, Commission file number 1-6033, and incorporated herein by reference)

*^10.143	UAL United	Supplemental Agreement No. 63 to Purchase Agreement No. 1951, dated May 26, 2015 (filed as Exhibit 10.1 for the quarter ended June 30, 2015, Commission file number 1-10323, and incorporated herein by reference)
*^10.144	UAL United	Supplemental Agreement No. 64 to Purchase Agreement No. 1951, dated June 12, 2015 (filed as Exhibit 10.2 for the quarter ended June 30, 2015, Commission file number 1-10323, and incorporated herein by reference)
*^10.145	UAL United	Aircraft General Terms Agreement, dated October 10, 1997, by and among Continental and Boeing (filed as Exhibit 10.15 to Continental's Form 10-K for the year ended December 31, 1997, Commission File Number 1-10323, and incorporated herein by reference)
*^10.146	UAL United	Letter Agreement 6-1162-CHL-048, dated February 8, 2002, by and among Continental and Boeing (filed as Exhibit 10.44 to Continental's Form 10-K for the year ended December 31, 2001, Commission file number 1-10323, and incorporated herein by reference)
*^10.147	UAL United	Purchase Agreement No. 2484, including exhibits and side letters, dated December 29, 2004, by and among Continental and Boeing (filed as Exhibit 10.27 to Continental's Form 10-K for the year ended December 31, 2004, Commission file number 1-10323, and incorporated herein by reference)
*^10.148	UAL United	Supplemental Agreement No. 1 to Purchase Agreement No 2484, dated June 30, 2005 (filed as Exhibit 10.5 to Continental's Form 10-Q for the quarter ended June 30, 2005, Commission file number 1-10323, and incorporated herein by reference)
*^10.149	UAL United	Supplemental Agreement No. 2, including exhibits and side letters, to Purchase Agreement No. 2484, dated January 20, 2006 (filed as Exhibit 10.27(b) to Continental's Form 10-K for the year ended December 31, 2005, Commission file number 1-10323, and incorporated herein by reference)
*^10.150	UAL United	Supplemental Agreement No. 3 to Purchase Agreement No 2484, dated May 3, 2006 (filed as Exhibit 10.4 to Continental's Form 10-Q for the quarter ended June 30, 2006, Commission file number 1-10323, and incorporated herein by reference)
*^10.151	UAL United	Supplemental Agreement No. 4 to Purchase Agreement No 2484, dated July 14, 2006 (filed as Exhibit 10.5 to Continental's Form 10-Q for the quarter ended September 30, 2006, Commission file number 1-10323, and incorporated herein by reference)
*^10.152	UAL United	Supplemental Agreement No 5 to Purchase Agreement No 2484, dated March 12, 2007 (filed as Exhibit 10.1 to Continental's Form 10-Q for the quarter ended March 31, 2007, Commission file number 1-10323, and incorporated herein by reference)
*^10.153	UAL United	Supplemental Agreement No 6 to Purchase Agreement No. 2484, dated October 22, 2008 (filed as Exhibit 10.25(f) to Continental's Form 10-K for the year ended December 31, 2008, Commission file number 1-10323, and incorporated herein by reference)
*^10.154	UAL United	Supplemental Agreement No. 7 to Purchase Agreement No. 2484, dated November 7, 2012 (filed as Exhibit 10.179 to UAL's Form 10-K for the year ended December 31, 2012, Commission file number 1-6033, and incorporated herein by reference)

*^10.155	UAL United	Supplemental Agreement No. 8 to Purchase Agreement No. 2484, dated June 17, 2013 (filed as Exhibit 10.4 to UAL's Form 10-Q for the quarter ended June 30, 2013, Commission file number 1-6033, and incorporated herein by reference)
*^10.156	UAL United	Supplemental Agreement No. 9 to Purchase Agreement No. 2484, dated June 6, 2014 (filed as Exhibit 10.4 to UAL's Form 10-Q for the quarter ended June 30, 2014, Commission file number 1-6033, and incorporated herein by reference)
*^10.157	UAL United	Supplemental Agreement No. 10 to Purchase Agreement No. 2484, dated January 14, 2015 (filed as Exhibit 10.4 to UAL's Form 10-Q for the quarter ended March 31, 2015, Commission file number 1-6033, and incorporated herein by reference)
*^10.158	UAL United	Supplemental Agreement No. 11 to Purchase Agreement No. 2484, dated April 30, 2015 (filed as Exhibit 10.3 to UAL's Form 10-Q for the quarter ended June 30, 2015, Commission file number 1-10323, and incorporated herein by reference)
*^10.159	UAL United	Amended and Restated Letter Agreement No. 11, dated August 8, 2005, by and among Continental and General Electric Company (filed as Exhibit 10.3 to Continental's Form 10-Q for the quarter ended September 30, 2005, Commission file number 1-10323, and incorporated herein by reference)
*^10.160	UAL United	Agreement, dated May 7, 2003, by and among Continental and the United States of America, acting through the Transportation Security Administration (filed as Exhibit 10.1 to Continental's Form 10-Q for the quarter ended June 30, 2003, Commission file number 1-10323, and incorporated herein by reference)
*^10.161	UAL United	Purchase Agreement No. PA-03784, dated July 12, 2012, between The Boeing Company and United Air Lines, Inc. (filed as Exhibit 10.1 to UAL's Form 10-Q for the quarter ended September 30, 2012, Commission file number 1-6033, and incorporated herein by reference)
*^10.162	UAL United	Supplemental Agreement No. 01 to Purchase Agreement No. PA-03784, dated September 27, 2012 (filed as Exhibit 10.1 to UAL's Form 10-Q for the quarter ended September 30, 2012, Commission file number 1-6033, and incorporated herein by reference)
*^10.163	UAL United	Supplemental Agreement No. 02 to Purchase Agreement Number PA-03784, dated March 1, 2013 (filed as Exhibit 10.3 to UAL's Form 10-Q for the quarter ended June 30, 2013, Commission file number 1-6033, and incorporated herein by reference)
*^10.164	UAL United	Supplemental Agreement No. 03 to Purchase Agreement Number PA-03784, dated June 27, 2013 (filed as Exhibit 10.7 to UAL's Form 10-Q for the quarter ended June 30, 2013, Commission file number 1-6033, and incorporated herein by reference)
*^10.165	UAL United	Supplemental Agreement No. 04 to Purchase Agreement Number PA-03784, dated September 11, 2013 (filed as Exhibit 10.2 to UAL's Form 10-Q for the quarter ended September 30, 2013, Commission file number 1-6033, and incorporated herein by reference)
*^10.166	UAL United	Supplemental Agreement No. 05 to Purchase Agreement Number PA-03784, dated March 3, 2014 (filed as Exhibit 10.2 to UAL's Form 10-Q for the quarter ended June 30, 2014, Commission file number 1-6033 and incorporated herein by reference)

*^10.167	UAL United	Supplemental Agreement No. 06 to Purchase Agreement Number PA-03784, dated June 6, 2014 (filed as Exhibit 10.3 to UAL's Form 10-Q for the quarter ended June 30, 2014, Commission file number 1-6033, and incorporated herein by reference)
*^10.168	UAL United	Supplemental Agreement No. 07 to Purchase Agreement Number PA-03784, dated May 26, 2015 (filed as Exhibit 10.6 to UAL's Form 10-Q for the quarter ended June 30, 2015, Commission file number 1-10323 and incorporated herein by reference)
*^10.169	UAL United	Supplemental Agreement No. 08 to Purchase Agreement Number PA-03784, dated June 12, 2015 (filed as Exhibit 10.7 to UAL's Form 10-Q for the quarter ended June 30, 2015, Commission file number 1-10323 and incorporated herein by reference)
*^10.170	UAL United	Supplemental Agreement No. 9 to Purchase Agreement No. 03784, dated January 20, 2016, between The Boeing Company and United Airlines, Inc. (filed as Exhibit 10.2 to UAL's Form 10-Q for the quarter ended March 31, 2016, Commission file number 1-6033, and incorporated herein by reference)
*^10.171	UAL United	Supplemental Agreement No. 10 to Purchase Agreement No. 03784, dated February 8, 2016, between The Boeing Company and United Airlines, Inc. (filed as Exhibit 10.4 to UAL's Form 10-Q for the quarter ended March 31, 2016, Commission file number 1-6033, and incorporated herein by reference)
*^10.172	UAL United	Supplemental Agreement No. 11 to Purchase Agreement Number No 03784, dated March 7, 2016, between The Boeing Company and United Airlines, Inc. (filed as Exhibit 10.6 to UAL's Form 10-Q for the quarter ended March 31, 2016, Commission file number 1-6033, and incorporated herein by reference)
*^10.173	UAL United	Supplemental Agreement No. 12 to Purchase Agreement No. 03784, dated June 24, 2016, between The Boeing Company and United Airlines, Inc. (filed as Exhibit 10.7 to UAL's Form 10-Q for the quarter ended June 30, 2016, Commission file number 1-6033, and incorporated herein by reference)
^10.174	UAL United	Supplemental Agreement No. 13 to Purchase Agreement No. 03784, dated December 27, 2016, between The Boeing Company and United Airlines, Inc
*^10.175	UAL United	Purchase Agreement No. PA-03776, dated July 12, 2012, between The Boeing Company and United Continental Holdings, Inc. (filed as Exhibit 10.3 to UAL's Form 10-Q for the quarter ended September 30, 2012, Commission file number 1-6033, and incorporated herein by reference)
*^10.176	UAL United	Supplemental Agreement No. 01 to Purchase Agreement No. 03776, dated June 17, 2013 (filed as Exhibit 10.5 to UAL's Form 10-Q for the quarter ended June 30, 2013, Commission file number 1-6033, and incorporated herein by reference)
*^10.177	UAL United	Purchase Agreement Assignment to Purchase Agreement No. 03776, dated October 23, 2013, between United Continental Holdings, Inc and United Airlines, Inc (filed as Exhibit 10.3 to UAL's Form 10-Q for the quarter ended September 30, 2013, Commission file number 1-6033, and incorporated herein by reference)
*^10.178	UAL United	Supplemental Agreement No. 02 to Purchase Agreement No 03776, dated January 14, 2015 (filed as Exhibit 10.5 to UAL's Form 10-Q for the quarter ended March 31, 2015, Commission file number 1-6033, and incorporated herein by reference)
*^10.179	UAL United	Supplemental Agreement No. 03 to Purchase Agreement No. 03776, dated May 26, 2015 (filed as Exhibit 10.4 to UAL's Form 10-Q for the quarter ended June 30, 2015, Commission file number 1-10323, and incorporated herein by reference)

*^10.180	UAL United	Supplemental Agreement No. 04 to Purchase Agreement No. 03776, dated June 12, 2015 (filed as Exhibit 10.5 to UAL's Form 10-Q for the quarter ended June 30, 2015, Commission file number 1-10323, and incorporated herein by reference)
*^10.181	UAL United	Supplemental Agreement No. 5 to Purchase Agreement No. 03776, dated January 20, 2016, between The Boeing Company and United Airlines, Inc. (filed as Exhibit 10.1 to UAL's Form 10-Q for the quarter ended March 31, 2016, Commission file number 1-6033, and incorporated herein by reference)
*^10.182	UAL United	Supplemental Agreement No. 6 to Purchase Agreement No. 03776, dated February 8, 2016, between The Boeing Company and United Airlines, Inc. (filed as Exhibit 10.3 to UAL's Form 10-Q for the quarter ended March 31, 2016, Commission file number 1-6033, and incorporated herein by reference)
^10.183	UAL United	Supplemental Agreement No. 7 to Purchase Agreement No 03776, dated December 27, 2016, between The Boeing Company and United Airlines, Inc.
*^10.184	UAL United	Letter Agreement No 6-1162-KKT-080, dated July 12, 2012, among Boeing, United Continental Holdings, Inc., United Air Lines, Inc., and Continental Airlines, Inc. (filed as Exhibit 10.4 to UAL's Form 10-Q for the quarter ended September 30, 2012, Commission file number 1-6033, and incorporated herein by reference)
*^10.185	UAL United	Purchase Agreement No. 3860, dated September 27, 2012, between Boeing and United Air Lines, Inc. (filed as Exhibit 10.6 to UAL's Form 10-Q for the quarter ended September 30, 2012, Commission file number 1-6033, and incorporated herein by reference)
*^10.186	UAL United	Supplemental Agreement No. 1 to Purchase Agreement No. 3860, dated June 17, 2013 (filed as Exhibit 10.6 to UAL's Form 10-Q for the quarter ended June 30, 2013, Commission file number 1-6033, and incorporated herein by reference)
*^10.187	UAL United	Supplemental Agreement No. 2 to Purchase Agreement No 3860, dated December 16, 2013 (filed as Exhibit 10.1 to UAL's Form 10-Q for the quarter ended June 30, 2014, Commission file number 1-6033, and incorporated by reference)
*^10.188	UAL United	Supplemental Agreement No. 3 to Purchase Agreement No. 3860, dated as of July 22, 2014 (filed as Exhibit 10.3 to UAL's Form 10-Q for the quarter ended September 30, 2014, Commission file number 1-6033, and incorporated by reference)
*^10.189	UAL United	Supplemental Agreement No. 4 to Purchase Agreement No 3860, dated as of January 14, 2015 (filed as Exhibit 10.6 to UAL's Form 10-Q for the quarter ended March 31, 2015, Commission file number 1-6033, and incorporated by reference)
*^10.190	UAL United	Supplemental Agreement No. 5 to Purchase Agreement No. 3860, dated as of April 30, 2015 (filed as Exhibit 10.8 to UAL's Form 10-Q for the quarter ended June 30, 2015, Commission file number 1-10323, and incorporated by reference)
*^10.191	UAL United	Supplemental Agreement No. 6 to Purchase Agreement No 3860, dated as of December 31, 2015 (filed as Exhibit 10.178 to UAL's Form 10-K for the year ended December 31, 2015, Commission file number 1-6033, and incorporated by reference)
*^10.192	UAL United	Supplemental Agreement No. 7 to Purchase Agreement No. 3860, dated March 7, 2016, between The Boeing Company and United Airlines, Inc. (filed as Exhibit 10.5 to UAL's Form 10-Q for the quarter ended March 31, 2016, Commission file number 1-6033, and incorporated herein by reference)

*^10.193	UAL United	Letter Agreement to Purchase Agreement No. 3860, dated May 5, 2016, between The Boeing Company and United Airlines, Inc. (filed as Exhibit 10.5 to UAL's Form 10-Q for the quarter ended June 30, 2016, Commission file number 1-6033, and incorporated herein by reference)
^10.194	UAL United	Letter Agreement No. UAL-LA-1604287 to Purchase Agreement Nos. 3776, 3784 and 3860, dated December 27, 2016, between The Boeing Company and United Airlines, Inc.
*10.195	UAL United	Credit and Guaranty Agreement, dated as of March 27, 2013, among Continental Airlines, Inc. and United Air Lines, Inc., as co-borrowers, United Continental Holdings, Inc., as parent and a guarantor, the subsidiaries of United Continental Holdings, Inc. other than the co-borrowers party thereto from time to time, as guarantors, the lenders party thereto from time to time, and JPMorgan Chase Bank, N.A., as administrative agent (filed as Exhibit 10.1 to UAL's Form 8-K filed March 28, 2013, Commission file number 1-6033, and incorporated herein by reference)
*10.196	UAL United	First Amendment to Credit and Guaranty Agreement, dated as of March 27, 2014 (filed as Exhibit 10.1 to UAL's Form 10-Q for the quarter ended March 31, 2014, Commission file number 1-6033, and incorporated herein by reference)
*10.197	UAL United	Second Amendment to Credit and Guaranty Agreement, dated as of July 25, 2014 (filed as Exhibit 10.1 to UAL's Form 8-K filed September 19, 2014, Commission file number 1-6033, and incorporated herein by reference)
*10.198	UAL United	Third Amendment to Credit and Guaranty Agreement, dated as of September 15, 2014 (filed as Exhibit 10.2 to UAL's Form 8-K filed September 19, 2014, Commission file number 1-6033, and incorporated herein by reference)
*10.199	UAL United	Fourth Amendment to Credit and Guaranty Agreement, dated as of May 24, 2016 (filed as Exhibit 10.4 to UAL's Form 10-Q for the quarter ended June 30, 2016, Commission file number 1-6033, and incorporated herein by reference)
		Computation of Ratios
12.1	UAL	United Continental Holdings, Inc. and Subsidiary Companies Computation of Ratio of Earnings to Fixed Charges
12.2	United	United Airlines, Inc. and Subsidiary Companies Computation of Ratio of Earnings to Fixed Charges
		List of Subsidiaries
21	UAL United	List of United Continental Holdings, Inc. and United Airlines, Inc. Subsidiaries
		Consents of Experts and Counsel
23.1	UAL	Consent of Independent Registered Public Accounting Firm (Ernst & Young LLP) for United Continental Holdings, Inc.
23.2	United	Consent of Independent Registered Public Accounting Firm (Ernst & Young LLP) for United Airlines, Inc.
		Rule 13a-14(a)/15d-14(a) Certifications
31.1	UAL	Certification of the Principal Executive Officer of United Continental Holdings, Inc. pursuant to 15 U.S.C. 78m(a) or 78o(d) (Section 302 of the Sarbanes-Oxley Act of 2002)

31.2	UAL	Certification of the Principal Financial Officer of United Continental Holdings, Inc. pursuant to 15 U.S.C. 78m(a) or 78o(d) (Section 302 of the Sarbanes-Oxley Act of 2002)
31.3	United	Certification of the Principal Executive Officer of United Airlines, Inc. pursuant to 15 U.S.C. 78m(a) or 78o(d) (Section 302 of the Sarbanes-Oxley Act of 2002)
31.4	United	Certification of the Principal Financial Officer of United Airlines, Inc. pursuant to 15 U.S.C. 78m(a) or 78o(d) (Section 302 of the Sarbanes-Oxley Act of 2002)
		Section 1350 Certifications
32.1	UAL	Certification of the Chief Executive Officer and Chief Financial Officer of United Continental Holdings, Inc. pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)
32.2	United	Certification of the Chief Executive Officer and Chief Financial Officer of United Airlines, Inc. pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)
		Interactive Data File
101	UAL, United	The following materials from each of United Continental Holdings, Inc.'s and United Airlines, Inc.'s Annual Reports on Form 10-K for the year ended December 31, 2016, formatted in XBRL (Extensible Business Reporting Language): (i) the Statements of Consolidated Operations, (ii) the Statements of Consolidated Comprehensive Income (Loss), (iii) the Consolidated Balance Sheets, (iv) the Statements of Consolidated Cash Flows, (v) the Statements of Consolidated Stockholders' Equity (Deficit) and (vi) the Combined Notes to Consolidated Financial Statements.

* Previously filed

† Indicates management contract or compensatory plan or arrangement. Pursuant to Item 601(b)(10), United and Continental are permitted to omit certain compensation-related exhibits from this report and therefore only UAL is identified as the registrant for purposes of those items.

Confidential portion of this exhibit has been omitted and filed separately with the SEC pursuant to a request for confidential treatment.

Exhibit 10.2

UNITED CONTINENTAL HOLDINGS, INC.
PROFIT SHARING PLAN

(Amended and Restated Effective January 1, 2016, Except As Otherwise Provided Herein)

I. General

A. *Purpose.* United Continental Holdings, Inc (the "Company") sponsors this United Continental Holdings, Inc Profit Sharing Plan (the "Plan") for the benefit of certain employees of United Air Lines, Inc., Continental Airlines, Inc., and other participating Affiliates.

B. *Collective Bargaining.* As it relates to Qualified Employees who are in the class or craft of employees covered by a collective bargaining agreement with the Employer pursuant to which the Employer has agreed to provide such Qualified Employees with participation in a profit sharing bonus plan, this Plan is maintained pursuant to such agreement.

C. *Cash Bonus Plan.* The Plan is a cash bonus plan and is not intended to be (and will not be construed or administered as) an employee benefit plan within the meaning of ERISA. The Plan is intended to be a discretionary cash bonus plan and payments under the Plan will not constitute a part of an employee's regular rate of pay for any purpose; provided, however, all Awards will be paid to Qualified Employees in accordance with the terms of the Plan and the applicable collective bargaining agreements. Except to the extent specifically provided under a particular pension, insurance, profit sharing, retirement, welfare or other employee benefit plan or arrangement maintained or contributed to by the Company or an Affiliate, the payments to an employee under the Plan will not be treated as "salary," "wages," or "cash compensation" to the employee for the purpose of computing benefits to which the employee may be entitled under any such plan or arrangement.

D *Effective Date* . The Plan commenced on January 1, 2006 as the UAL Corporation Success Sharing Program – Profit Sharing Plan, was previously amended and restated effective January 1, 2011, and again effective January 1, 2014, and is hereby amended and restated effective January 1, 2016, to incorporate the requirements of certain collective bargaining agreements. This amendment and restatement is effective for the 2016 Plan Year and future Plan Years, except as otherwise stated herein, and does not apply to 2015 Plan Year profit sharing payments made in 2016.

E *Term* The provisions of the Plan shall continue indefinitely subject to termination by the Company, or, as it relates to any Qualified Employees who are in the class or craft of employees covered by a collective bargaining agreement with the Employer pursuant to which the Employer has agreed to provide such Qualified Employees with participation in a profit sharing bonus plan, subject to termination pursuant to the terms of such collective bargaining agreement.

F. *Definitions.* Unless otherwise specified, the capitalized terms under the Plan have the meanings given below:

Affiliate . "Affiliate" means any entity, corporate or otherwise, in which the Company, directly or indirectly, owns or controls a greater than 80% interest.

Award. "Award" means the dollar value of the award payable to a Qualified Employee for an Award Year as determined under the Plan

Award Year . "Award Year" means the Plan Year for which a profit sharing Award, if any, is determined under the Plan

Base Percentage A. "Base Percentage A" means the percentage determined in accordance with Section III B 1.

Base Percentage B. "Base Percentage B" means the percentage determined in accordance with Section III B.2.

Board. "Board" means the Board of Directors of the Company

Code. "Code" means the Internal Revenue Code of 1986, as amended (including, when the context requires, all regulations, interpretations and rulings issued thereunder).

Committee. "Committee" means the Compensation Committee of the Board or such other committee appointed by the Board to exercise the powers and perform the duties assigned to the Compensation Committee under this Plan.

Company. "Company" means United Continental Holdings, Inc

Disability. "Disability" means the Qualified Employee has been determined to be disabled under the Employer's long-term disability plan in which such Qualified Employee participates, under the union-sponsored long-term disability plan in which such Qualified Employee participates, or by the Company pursuant to Plan Rules.

Domestic Employee. "Domestic Employee" means any regular full-time or regular part-time U.S. employee of an Employer, and also includes (1) any internationally based flight attendant covered by the collective bargaining agreement between United Air Lines, Inc and the Association of Flight Attendants, (2) any employee of Continental Micronesia, Inc on the U.S. payroll, and (3) any employee designated by the Employer as an expatriate

Employer. "Employer" means United Airlines, Inc , Continental Airlines, Inc., Continental Micronesia, Inc , Mileage Plus, Inc., and any other Affiliate which is designated by the Company from time to time as participating in the Plan.

ERISA. "ERISA" means the Employee Retirement Income Security Act of 1974, as from time to time amended, including any related regulations.

Furlough. "Furlough" means a Qualified Employee's termination of employment with the Employer in connection with which such Qualified Employee has reemployment rights, or, in the case of a Qualified Employee who is in a class or craft of employees covered by a collective bargaining agreement with the Employer pursuant to which the Employer has agreed to provide such Qualified Employees with participation in a profit sharing bonus plan, such other employment action as may be defined as a "furlough" in the applicable collective bargaining agreement.

International Employee. "International Employee" means any regular full-time or regular part-time employee of an Employer whose regular work is in a location outside of the United States, but does not include (1) any internationally based flight attendant covered by the collective bargaining agreement between United Air Lines, Inc. and AFA, (2) any employee of Continental Micronesia, Inc on the U.S. payroll, or (3) any employee designated by the Company as an expatriate. In addition, any full-time or regular part-time employee who is not classified by an Employer as a "U.S employee" shall be considered an International Employee.

Management and Administrative Employee Group. "Management and Administrative Employee Group" means those Domestic Employees of the Employer (i) who are classified by the Employer as management and administrative employees (on other than a temporary reclassification basis), (ii) whose employment is for an indefinite period, and (iii) who are employed in an Employer established job classification not covered by a collective bargaining agreement In addition, the term "Management and Administrative Employee Group includes any class or craft of U.S. employees who are not covered by a collective bargaining agreement between an Employer and a union and who are not classified by the Employer as management and administrative employees but who nevertheless generally receive the same benefits as the Management and Administrative Employee Group.

Officer. "Officer" means (i) an "officer" of the Company as such term is defined in Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended ("Rule 16a-1(f)"), or (ii) a designated senior officer of the subsidiaries of the Company, including any officer of United Air Lines, Inc. or Continental Airlines, Inc. who is an "officer" of the Company under Rule 16a-1(f) or who reports directly to the Chairman or the CEO

Participating Employee Group. Each employee group set forth in Appendix B is a Participating Employee Group. Expressly excluded from the definition are: (i) any class or craft of employees represented by a union but not covered by an agreement between an Employer and such union expressly providing for coverage under a Company-sponsored (or Employer-sponsored) profit sharing plan, and (ii) International Employees. In the event of any conflict between Appendix B and a collective bargaining agreement, the collective bargaining agreement shall govern.

Plan. "Plan" means the United Continental Holdings, Inc Profit Sharing Plan as set forth herein. The Plan is an amendment and restatement of the UAL Corporation Success Sharing Program – Profit Sharing Plan.

Plan Rules. "Plan Rules" means rules, procedures, policies or practices established by the Company (or the Committee) with respect to the administration of the Plan, which need not be reflected in a written instrument and may be changed at any time without notice.

Plan Year. "Plan Year" means the 12-month period that corresponds to the Company's fiscal year.

Pre-Tax Margin. "Pre-Tax Margin" means Pre-Tax Profit divided by Total Revenue as determined under U.S. generally accepted accounting principles.

Pre-Tax Profit. "Pre-Tax Profit" means the Company's consolidated net income as determined under U.S. generally accepted accounting principles, but excluding as determined by the Committee: (i) consolidated federal, state and local income tax expense (or credit), (ii) unusual, special, or non-recurring charges, (iii) charges with respect to the grant, exercise or vesting of equity, securities or options granted to employees of the Company or any Affiliate, and (iv) expense associated with the profit sharing contributions

Qualified Employee. "Qualified Employee" means a Domestic Employee of an Employer who, in accordance with the Employer's personnel policies, has completed a year of service as of December 31 of the Award Year and satisfies the eligibility requirements of Section II A.

Retirement. "Retirement" means the Employee has retired in accordance with the Employer's employment policies and regulations, including under an "early out" program in which the Company specifies (or otherwise determines in its sole discretion) that the Employee is to be considered retired for purposes of this Plan.

Total Revenue. "Total Revenue" means the Company's consolidated total revenue as determined under U.S. generally accepted accounting principles, but excluding, as determined by the Committee, any unusual, special or non-recurring revenue item

Wages. "Wages" has the meaning provided in Section III.C.

II. Participation.

A *Eligibility.* A Qualified Employee who is employed for any portion of an Award Year is eligible to receive payment of an Award for such Award Year, unless (1) prior to the end of the Award Year he or she voluntarily terminates employment or (2) prior to the payment date he or she is terminated "for cause" as determined by the Company Termination of employment due to other reasons, such as involuntary termination (not "for cause"), voluntary termination after the end of the Award Year, death, Disability, Retirement, or Furlough do not disqualify a Qualified Employee from receiving payment of an Award for an Award Year.

B *Employee Classifications.* The classification by an Employer of an individual as an

employee of an Employer within the meaning of the Plan, or as a person who is not an employee of an Employer or as being within a particular employee classification will be conclusive for all purposes of this Plan. For purposes of this Plan, a temporary reclassification or special assignment will be disregarded for purposes of determining a Qualified Employee's classification. No reclassification of an individual as an employee of an Employer, whether by judicial or administrative action or otherwise, will be effective to qualify the individual as a Qualified Employee under this Plan except as the Company agrees, and no reclassification will be given retroactive effect, except as the Company agrees.

III. Profit Sharing Awards.

A. *Annual Threshold*. After the end of each Award Year, if the Company's Pre-Tax Profit for that year exceeds ten million dollars ($10,000,000), Awards will be determined in accordance with Section III.B. If this threshold is not met, no Awards will be payable under the Plan for the Award Year.

B. *Determination of Awards.* Awards will be determined as follows:

1. Determination of Base Percentage A: Base Percentage A is equal to one percent (1%) of Pre-Tax Profit up to and including a Pre-Tax Margin of 6.9%, divided by the total Wages of all Qualified Employees of the Employers for the Award Year. Notwithstanding the foregoing, for the group of Qualified Employees covered by the collective bargaining agreement between the Company and the Association of Flight Attendants – CWA, Base Percentage A is equal to one percent (1%) of Pre-Tax Profit up to and including Pre-Tax Profit for the previous Plan Year.

2. Determination of Base Percentage B: Base Percentage B is equal to one percent (1%) of Pre-Tax Profit in excess of a Pre-Tax Margin of 6.9%, divided by the total Wages of all Qualified Employees of the Employers for the Award Year. Notwithstanding the foregoing, for the group of Qualified Employees covered by the collective bargaining agreement between the Company and the Association of Flight Attendants – CWA, Base Percentage A is equal to one percent (1%) of Pre-Tax Profit in excess of Pre-Tax Profit for the previous Plan Year.

3. Calculation. Each Qualified Employee eligible under Section II shall be entitled to an Award equal to the following:

   a. The Qualified Employee's Wages x Base Percentage A x the Factor for Base Percentage A set forth in Appendix B applicable to such Qualified Employee's Participating Employee Group;

   Plus

b. The Qualified Employee's Wages x Base Percentage B x the Factor for Base Percentage B set forth in Appendix B applicable to such Qualified Employee's Participating Employee Group

C. *Wages*. Wages for a Plan Year will be determined as follows.

1. Compensation Included. "Wages" will only include compensation paid (or payable) during a Plan Year to a Qualified Employee for the period he or she is a Qualified Employee and shall include the items listed in Paragraph A-1 of Appendix A. Wages will include compensation not paid as a result of an earnings reduction election made by the Qualified Employee under a Code Sec. 125 cafeteria plan or under any qualified cash or deferred arrangement under Code Sec. 401(k).

2. Exclusions. "Wages" will *not* include the items of compensation or other payments listed in Paragraph A-2 of Appendix A.

3. Reemployment. In the event a Qualified Employee terminates employment and is reemployed by an Employer, such employee's Wages will include amounts paid during the applicable Plan Year, both prior to the termination and following such reemployment.

4. Change of Position. In the event that a Qualified Employee transfers from one Employee Group to another Employee Group during the calendar year, the Qualified Employee's Wages while a member of each Employee Group shall be distinguished and applied to the appropriate formula under Section III.B.

5. Determination of Wages. Subject to the provisions of Appendix A, the Company's Executive Vice President – Human Resources and Labor Relations will determine, in his or her discretion (subject to a contrary requirement under any applicable collective bargaining agreement determination under any applicable collective bargaining agreement grievance procedure in the case of an employee who is in the class or craft of employees covered by a collective bargaining agreement), whether an item of compensation is included or excluded from the definition of "Wages."

D. *Time of Payment*. Award payments will be made following determination of the Company's Pre-Tax Profit for the fiscal year, but not later than March 15 or as soon as administratively practicable thereafter. Notwithstanding the foregoing, the Committee may, in its reasonable discretion, vary the time for making the payments provided herein, provided such modification does not cause the payments to become subject to the tax under Section 409A of the Code. Nothing herein shall be construed to grant to any Qualified Employee who is entitled to payment of an Award or to any person claiming under or through such Qualified Employee the right to elect a modification of the time for receiving payments hereunder.

E *Payment Methods.* Each Qualified Employee entitled to an Award will receive payment of the Award in cash, subject to such employee's right, if any, to elect to defer receipt of a portion of such cash payment as may be permitted under any Employer-sponsored 401(k) plan in which the Qualified Employee is eligible to participate Payment is subject to any applicable withholding taxes and other amounts the Company reasonably determines it is obligated to withhold or deduct pursuant to federal, state or local laws Notwithstanding the foregoing:

1 The Committee shall have the right, in its reasonable discretion, to vary the form of payment of Awards payable to Officers by payment in shares of the Company's common stock. In the event the Company reasonably anticipates that the Company's deduction with respect to a payment otherwise would be limited or eliminated by application of Section 162(m) of the Code, the Committee may enter into an agreement with an Officer to provide payment of an Award on a deferred basis through a bookkeeping account, the value of which may be determined by reference to the Company's common stock, provided such written deferred payment arrangement complies with the requirements of Section 409A of the Code, including the requirement that the payment be made either at the earliest date at which the Company reasonably anticipates the payment of the amount will not be limited or eliminated by application of Section 162(m) of the Code or the calendar year in which the officer separates from service with the Company and all affiliates.

2. Payment of Awards for any employee group shall be made as a profit sharing contribution to the applicable Employer-sponsored 401(k) plan if required under the terms of the applicable collective bargaining agreement or, in the case of the Management and Administrative Employee Group, if so determined by the Company

IV. Plan Administration.

A. *Plan Administration* . The Company or its delegate has the authority and responsibility to manage and control the general administration of the Plan, except as to matters expressly reserved in the Plan to the Committee Determinations, decisions and actions of the Company or, if applicable, the Committee, in connection with the construction, interpretation, administration, or application of the Plan will be final, conclusive, and binding upon any person, including any employee of any Employer, any Qualified Employee and any person claiming under or through the Qualified Employee No employee of an Employer, any member of the Board, any delegate of the Board, or any member of the Committee will be liable for any determination, decision, or action made in good faith with respect to the Plan or any Award made under the Plan.

B. *Committee* The Committee has the sole authority and responsibility to administer Awards payable to Officers.

V. Amendment or Termination.

A. *Authority to Amend or Terminate Plan*. The Plan may at any time be amended, modified, suspended or terminated, as the Company in its sole discretion determines. Such amendment, modification, or termination of the Plan will not require any notice or the consent, ratification, or approval of any party, including any Qualified Employee who is then eligible to participate in the Plan.

B. *Authority to Amend Awards*. The Committee in its sole discretion may reduce or eliminate an Award payable to any member of the Management and Administrative Employee Group classified by the Company as a management employee. In addition, the Company may reduce any Award other than an Award payable to an Officer, prior to the payment of the Award, to the extent it deems necessary or appropriate to comply with laws, including applicable securities laws, local laws outside the United States and the pooling of interests requirements in connection with a merger, provided that nothing in this Section V.B affects the rights of any employee to an Award required under the terms of a collective bargaining agreement.

VI. Miscellaneous.

A. *No Contract of Employment, etc.* Neither this Plan nor any award under the Plan constitutes a contract of employment and participation in the Plan will not give any employee the right to be retained in the service of the Company or any Affiliate or to continue in any position or at any level of compensation. Nothing contained in the Plan will prohibit or interfere with the Company's or an Affiliate's right to assign projects, tasks and responsibilities to any employee or to alter the nature of the Company's or an Affiliate's rights with respect to the employee's employment relationship, including the right to terminate any employee at any time, with or without prior notice, and for any reason within the constraints of existing law.

B. *Governing Law.* The validity, construction, interpretation, administration and effect of the Plan and any rules, regulations and actions relating to the Plan will be governed by and construed exclusively in accordance with the laws of the United States and the State of Illinois, notwithstanding the conflicts of law principles of any jurisdiction.

C. *Conflict.* Notwithstanding anything to the contrary in the Plan, the Plan Rules or Plan administration, the Employer's obligations to any employees covered by collective bargaining agreements shall be governed by the applicable terms of such agreements, and any conflict between the terms of the Plan, the Plan Rules or Plan administration and the applicable collective bargaining agreements with respect to such employees shall be resolved in favor of the Employer's obligations under the applicable collective bargaining agreements.

IN WITNESS WHEREOF, the Company has caused this amendment and restatement of the Plan to be executed on its behalf, effective as of January 1, 2016, except as otherwise provided herein.

UNITED CONTINENTAL HOLDINGS, INC.

/s/ Michael P. Bonds
Michael P. Bonds
Executive Vice President
Human Resources and Labor Relations

Dated: December 20, 2016

APPENDIX A—WAGES

A-1. **Inclusions**. For purposes of Section III.C.1. the following items are included in the definition of Wages.

- base pay
- overtime pay
- holiday pay
- longevity pay
- sick pay
- lead/purser/service director pay
- high skill premium/longevity pay
- language premium
- international and night flying premium pay
- pay for time taken as vacation
- payment for accrued vacation not taken as vacation when paid on account of (i) a leave or (ii) a termination of employment due to a reduction in force or for a military leave
- shift differential pay
- back pay to the extent such pay is otherwise categorized as Wages related to the applicable Plan Year (other than judicial or administrative awards of grievance pay or back pay (including settlements thereof))
- delayed activation pay
- bypass pay
- check pilot premium pay
- double town salary expense
- senior/junior manning pay
- operational integrity pay
- temporary reclass pay
- Hawaiian override

A-2. **Exclusions**. For purposes of Section III C 2. the following items are excluded in the definition of Wages.

- deferred compensation (other than pursuant to Code Sec. 125 or 401(k))
- moving expense and similar allowances
- performance incentive awards, profit sharing awards or sales incentive awards
- expense reimbursements and per diems
- severance, termination pay and related payments
- payment for accrued vacation time not taken as vacation when paid on account of termination of employment, other than on account of a reduction in force or for a military leave
- disability and workers compensation payments
- duty-free commissions
- recognition lump sums
- flight expense

- retropay created by execution of a collective bargaining agreement, unless the collective bargaining agreement requires inclusion
- reimbursable cleaning
- Employer contributions to employee benefit plans
- solely for purposes of making an award payment under this Plan, judicial or administrative awards for grievance pay or back pay (including settlements thereof)
- imputed income for employee or dependent life insurance coverage
- imputed income from pass service charges
- taxable travel
- imputed income from domestic partner benefits
- cash payments made pursuant to any agreement, program, arrangement or plan designed to compensate an employee for amounts that may not be credited or allocated to the employee under a qualified retirement plan due to limitations imposed by tax laws
- taxable fringe benefits, including taxable reimbursement of insurance premiums
- expatriate allowances
- hiring bonuses or other special payments relating to the initiation of employment
- amounts realized with respect to restricted stock, non-qualified stock options or stock appreciation rights
- lost luggage advance
- interest payments
- taxable distributions of the Company's common stock or notes (including cash in lieu of such stock or notes) made in connection with UAL Corporation's confirmed plan of reorganization under Chapter 11 of the U.S. Bankruptcy Code
- payments made to employees domiciled outside of the United States that are in lieu of Employer contributions to a retirement plan
- any amount counted as wages under this Plan or any other profit sharing plan for a prior Award Year.

A-3. Special Crediting Rule. For purposes of allocating Wages earned by a Qualified Employee for services rendered during a Plan Year but received following termination of employment, such Wages will be treated as received on the Qualified Employee's last day of employment with the Employer.

APPENDIX B—FACTORS

Labor Group	Union Representation	Union Code	Factor for Base Percentage A	Factor for Base Percentage B
Joint Agreements				
Customer Service Representatives	IAM	PCE	5	10
Dispatchers	PAFCA	DIS	5	10
Fleet Service Employees	IAM	RMP	5	10
Pilots	ALPA	PT, SPT	10	20
Reservations Representatives	IAM	PCE	5	10
Storekeeper Employees	IAM	RMP	5	10
Flight Attendants	AFA	FA, IFA	10	20
Maintenance Instructors	IAM	MTI	5	10
Emergency Procedure Instructors	IAM	FEI	5	10
Individual Agreements				
Central Load Planners	IAM	CLP	5	10
Food Service Personnel	IAM	FS	15	15
Simulator Technicians*	IBT	MEC, MGT	5	10
Technicians*	IBT	MEC	5	10
Non-Union				
Chelsea Food Service	None	FS	5	10
TQM (Flight Qualified Management)	None	FMT	5	10
Management & Administrative	None	SAL, MGT, OFC, SIA, SLS, TPT	5	10

* Factors for Technicians and Simulator Technicians for 2016 profit sharing paid in 2017 are 15 and 15.

Exhibit 10.19

SECOND AMENDMENT TO
UNITED CONTINENTAL HOLDINGS, INC.
2008 INCENTIVE COMPENSATION PLAN

WHEREAS, United Continental Holdings, Inc (the "Company") has heretofore adopted the United Continental Holdings, Inc. 2008 Incentive Compensation Plan, as amended (the "Plan"); and

WHEREAS, the Company wishes to amend the Plan to eliminate certain provisions in the "Change of Control" definition in the Plan,

NOW, THEREFORE, the Plan shall be amended as follows, effective as of February 23, 2017:

1 The beginning clause of Section 2(f) is deleted and replaced with the following.

(f) *"Change of Control"* shall mean the first of the following events to occur

2 Section 2(f) is amended to delete clause (F); to add "or" following the end of clause (D), and to delete the "; or" at the end of clause (E) and to replace it with "."

IN WITNESS WHEREOF, the undersigned officer of the Company acting pursuant to authority granted to him by the Board of Directors of the Company has executed this instrument on this 23 day of February, 2017

UNITED CONTINENTAL HOLDINGS, INC.

By: /s/ Brett J. Hart
Name: Brett J Hart
Title. Executive Vice President and General Counsel

Exhibit 10.21

RESTRICTED STOCK UNIT AWARD NOTICE
to [NAME]

Pursuant to the United Continental Holdings, Inc.
2008 Incentive Compensation Plan

This Restricted Stock Unit Award Notice (the " Award Notice "), dated as of (the " Grant Date "), sets forth the terms and conditions of an award of restricted stock units (the " Award ") that are subject to the terms and conditions specified herein (" RSUs ") and that are granted to (" you ") by United Continental Holdings, Inc., a Delaware corporation (the " Company "), under the United Continental Holdings, Inc. 2008 Incentive Compensation Plan, as amended (the " Plan ").

SECTION 1. The Plan. This Award is made pursuant to the Plan, all the terms of which are hereby incorporated in this Award Notice. In the event of any conflict between the terms of the Plan and the terms of this Award Notice, the terms of the Plan shall govern.

SECTION 2. Definitions. Capitalized terms used in this Award Notice that are not defined in this Award Notice have the meanings as used or defined in the Plan. As used in this Award Notice, the term " Vesting Date " means each date on which you become vested in any of the RSUs that are subject to this Award Notice, as provided in Section 3(a) of this Award Notice. As used in this Award Notice, the term " retirement " means your separation from employment upon having achieved age 50 with 20 years of service, age 55 with 10 years of service, or age 65.

SECTION 3. Vesting and Settlement. (a) Vesting. Your RSUs shall vest according to the schedule set forth in Section 3(a)(i) below, provided that you must be actively employed by the Company or an Affiliate on the relevant Vesting Date, except as set forth in Section 3(a)(iii) and (iv) below or as otherwise determined by the Committee in its sole discretion, provided further that; in the event of your Termination of Employment by reason of death or Disability, you shall immediately become entitled to vesting and settlement of all outstanding RSUs

(i) Subject to the terms and conditions of this Award Notice and to the provisions of the Plan, your RSUs shall vest and no longer be subject to any restriction in accordance with the following schedule: **[vesting increments to be determined at date of grant]** of the RSUs shall vest on **[vesting dates to be determined at date of grant]** . In the event that this vesting schedule results in a fractional share, the fractional share will be rounded down on the first **[number of vesting dates to be determined at date of grant]** Vesting Dates and carried forward to the final Vesting Date.

(ii) Notwithstanding Section 8(a) of the Plan, the RSUs granted to you pursuant to this Award shall not automatically vest and restrictions and forfeiture provisions shall not automatically lapse in the event of a Change in Control

(iii) If you experience an involuntary Termination of Employment (other than an involuntary termination for "cause" as determined by the Committee in its sole discretion) during the two-year period following a Change in Control that occurs after the Grant Date, the RSUs shall immediately vest upon such Termination of Employment and

you shall be entitled to settlement of all then outstanding RSUs within 60 days of your Termination of Employment. Notwithstanding the foregoing, your rights with respect to such RSUs shall be forfeited in accordance with Section 4 unless on or before the 60th day following your Termination of Employment, you have executed and delivered to the Company a valid waiver and release of all claims against the Company and its Subsidiaries and Affiliates, and you have not revoked such waiver and release of claims in accordance with its terms.

(iv) In the event of your Termination of Employment by reason of retirement, your then outstanding RSUs shall vest on a pro-rata basis effective as of the date of your Termination of Employment as follows:

A. If such retirement occurs on or before the first vest date, the number of RSUs scheduled to vest on such vest date pursuant to Section 3(a)(i) shall be multiplied by a fraction, the numerator of which is the number of days during the period beginning on the grant date and ending on the date of your retirement and the denominator of which is 365, up to a maximum fraction equivalent to 100% All remaining unvested RSUs shall be forfeited.

B. If such retirement occurs after the first vest date but on or before the second vest date, the number of RSUs scheduled to vest on the second vest date pursuant to Section 3(a)(i) shall be multiplied by a fraction, the numerator of which is the number of days during the period beginning on the day following the first vest date and ending on the date of your retirement and the denominator of which is 365. All remaining unvested RSUs shall be forfeited.

C. If such retirement occurs after the second vest date, but on or before the final vest date pursuant to Section 3(a)(i), the number of RSUs scheduled to vest on the **[final vest date][to be completed based on vesting dates determined at date of grant]** pursuant to Section 3(a)(i) shall be multiplied by a fraction, the numerator of which is the number of days during the period beginning on the day following the second vest date and ending on the date of your retirement and the denominator of which is 365.

(b) Settlement of RSUs. The RSUs granted to you pursuant to this Award will be settled in Shares. The Company shall deliver to you, within 15 days after the Vesting Date on which the RSUs become vested, one Share for each RSU that becomes vested in accordance with the terms of this Award Notice, provided that if you are eligible for retirement, such delivery date shall not be later than March 15 th of the year following the year in which you are eligible for pro-rata vesting in accordance with this Award Notice. Upon settlement, a number of RSUs equal to the number of shares of Common Stock represented thereby shall be extinguished and such number of RSUs will no longer be considered to be held by you for any purpose.

SECTION 4 Forfeiture of RSUs. Unless the Committee determines otherwise, and except as otherwise provided in Section 3 of this Award Notice, if the Vesting Date with respect to any RSUs awarded to you pursuant to this Award Notice has not occurred prior to the date of your Termination of Employment, your rights with respect to such RSUs shall immediately terminate upon your Termination of Employment, and you will be entitled to no further payments or benefits with respect thereto

SECTION 5. Voting Rights, Dividend Equivalents. You do not have any of the rights of a stockholder with respect to the RSUs granted to you pursuant to this Award. Further, you do not have the right to vote or to receive any dividends or any dividend equivalents relating to such dividends declared or paid on the Shares with respect to the RSUs granted to you pursuant to this Award.

SECTION 6. Non-Transferability of RSUs. Unless otherwise provided by the Committee in its discretion and notwithstanding clause (ii) of Section 10(a) of the Plan, prior to the date that they become vested, RSUs may not be sold, assigned, alienated, transferred, pledged, attached or otherwise encumbered by you, otherwise than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company, provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

SECTION 7. Data Privacy . You hereby explicitly consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this Award Notice by and among, as applicable, the Company, its Affiliates and its Subsidiaries for the exclusive purpose of implementing, administering and managing your participation in the Plan. You understand that the Company (and/or your local employer, if applicable) holds certain personal information about you, which information may include, but is not limited to, your name, home address and telephone number, date of birth, email address, family size, marital status, sex, beneficiary information, emergency contacts, passport/visa information, age, language skills, drivers license information, nationality, resume, wage history, employment references, social insurance number or other identification number, salary, job title, employment or severance contract details, current wage and benefit information, personal bank account number, tax related information, plan or benefit enrollment forms and elections, option or benefit statements, any shares of stock or directorships in the company, details of all shares (if any) granted, canceled, purchased, vested, unvested or outstanding for purpose of managing and administering the Plan (" Data ") You understand that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in your country or elsewhere, and that the recipient's country may have different data privacy laws and protections than your country You authorize the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom you may elect to deposit any proceeds acquired You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing Human Resources You understand, however, that refusing or withdrawing your consent may affect your ability to participate in the Plan For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact Human Resources.

SECTION 8. Restrictive Covenants. You acknowledge that the Company is engaged in a highly competitive business and that the preservation of its Proprietary or

Confidential Information (as defined in Section 8(a) below) to which you have been exposed or acquired, and will continue to be exposed to and acquire, is critical to the Company's continued business success. You also acknowledge that the Company's relationships with its business partners (which shall mean companies with whom the Company has corporate volume agreements or other high volume business, preferred vendors/suppliers, and travel distribution channel providers, hereinafter " Business Partners "), are extremely valuable and that, by virtue of your employment with the Company, you have had or may have contact with such Business Partners on behalf of and for the benefit of the Company. As a result, your engaging in or working for or with any business which is directly or indirectly competitive with the Company's business, given your knowledge of the Company's Proprietary or Confidential Information, would cause the Company great and irreparable harm if not done in strict compliance with the provisions of this Section 8. You, therefore, acknowledge and agree that in exchange for the Award and/or access to the Company's Proprietary or Confidential Information (as defined in Section 8(a) below) you will be bound by, and comply in all respects with, the provisions of this Section 8.

(a) Confidentiality . You shall at all times hold in strict confidence any Proprietary or Confidential Information related to the Company or any of its Affiliates, except that you may disclose such information as required by law, court order, regulation, or similar order or as otherwise provided in Section 8(*i*) below. For purposes of this Award Notice, the term " Proprietary or Confidential Information " shall mean all non-public information relating to the Company or any of its Affiliates (including but not limited to all marketing, alliance, social media, advertising, and sales plans and strategies; pricing information; financial, advertising, and product development plans and strategies; compensation and incentive programs for employees; alliance agreements, plans, and processes; plans, strategies, and agreements related to the sale of assets; third party provider agreements, relationships, and strategies; business methods and processes used by the Company and its employees; all personally identifiable information regarding Company employees, contractors, and applicants; lists of actual or potential Business Partners, and all other business plans, trade secrets, or financial information of strategic importance to the Company or its Affiliates) that is not generally known in the airline industry, that was learned, discovered, developed, conceived, originated, or prepared during your employment with Company, and the competitive use or disclosure of which would be harmful to the business prospects, financial status, or reputation of the Company or its Affiliates at the time of any disclosure by you

The relationship between you and the Company and its Affiliates is and shall continue to be one in which the Company and its Affiliates repose special trust and confidence in you, and one in which you have and shall have a fiduciary relationship to the Company and its Affiliates As a result, the Company and its Affiliates shall, in the course of your duties to the Company, entrust you with, and disclose to you, Proprietary or Confidential Information. You recognize that Proprietary or Confidential Information has been developed or acquired, or will be developed or acquired, by the Company and its Affiliates at great expense, is proprietary to the Company and its Affiliates, and is and shall remain the property of the Company and its Affiliates. You acknowledge the confidentiality of Proprietary or Confidential Information and further acknowledge that you could not competently perform your duties and responsibilities in your position with the Company and/or its Affiliates without access to such information. You acknowledge that any use of Proprietary or Confidential Information by persons not in the employ of the Company and its Affiliates would provide such persons with an unfair competitive advantage which they would not have without the knowledge and/or use of the Proprietary or

Confidential Information and that this would cause the Company and its Affiliates irreparable harm. You further acknowledge that because of this unfair competitive advantage, and the Company's and its Affiliates' legitimate business interests, which include their need to protect their goodwill and the Proprietary or Confidential Information, you have agreed to the post-employment restrictions set forth in this Section 8. Nothing in this Section 8(a) is intended, or shall be construed, to limit the protection of any applicable law or policy of the Company or its Affiliates that relates to the protection of trade secrets or confidential or proprietary information

(b) Non-Solicitation of Employees . During your employment and for the one-year period following termination of your employment for any reason (the " Coverage Period "), you hereby agrees not to, directly or indirectly, solicit, hire, seek to hire, or assist any other person or entity (on your own behalf or on behalf of such other person or entity) in soliciting or hiring any person who is at that time an employee, consultant, independent contractor, representative, or other agent of the Company or any of its Affiliates to perform services for any entity (other than the Company or its Affiliates), or attempt to induce or encourage any such employee to leave the employ of the Company or its Affiliates.

(c) Notice of Intent to Resign . In the event you wish to voluntarily terminate your employment, you agree to provide the Company with four (4) weeks advance written notice (the " Notice Period ") of your intent to do so, and, if you intend or contemplate alternative employment, you also agree to provide the Company with accurate information concerning such alternative employment in sufficient detail to allow the Company to meaningfully exercise its rights under this Section 8. After receipt of such notice, the Company, in its sole, absolute and unreviewable discretion, may (i) require you to continue working during the Notice Period, (ii) relieve you of some or all of your work responsibilities during the Notice Period, or (iii) shorten the Notice Period and make your voluntary termination of employment effective immediately. Notwithstanding the foregoing, if you provide notice of resignation, in no event shall your separation of employment be considered an involuntary termination by the Company, even if the effective date of termination is accelerated by the Company.

(d) Non-Competition

(i) In return for, among other things, this Award and the Company's promise to provide the Proprietary or Confidential Information described herein, you agree that during your employment and the Coverage Period, you shall not compete with the Company by providing work, services or any other form of assistance (whether or not for compensation) in any capacity, whether as an employee, consultant, partner, or otherwise, to any Competitor (as defined below) that (1) are the same or similar to the services you provided to the Company or (2) creates the reasonable risk that you will (willfully, inadvertently or inevitably) use or disclose the Company's Proprietary or Confidential Information. " Competitor " means any airline or air carrier that operates or does business in any State, territory, or protectorate of the United States in which the Company or an Affiliate does business and/or in any foreign country in which the Company or an Affiliate has an office, station, or branch or conducts business through its worldwide route structure, as of the date of your termination of employment with the Company or any of its Affiliates. You acknowledge that the Company and its Affiliates compete in a world-wide air transportation market that includes passenger transportation and services, air cargo services, repair and maintenance of aircraft and staffing services for third parties, logistics management and consulting, private jet operations and fuel deployment and management, and that the Company's business plan is international in scope You agree that, because the

Company's business is global in scope, this restriction is reasonable. You further acknowledge and agree that the restrictions imposed in this paragraph will not prevent you from earning a livelihood.

(ii) Notwithstanding the foregoing, should you consider working for or with any actually, arguably, or potentially competing business following the termination of your employment with the Company or any of its Affiliates and during the Coverage Period, then you agree to provide the Company with two (2) weeks advance written notice of your intent to do so, and also to provide the Company with accurate information concerning the nature of your anticipated job responsibilities in sufficient detail to allow the Company to meaningfully exercise its rights under this paragraph. After receipt of such notice, the Company may then agree, in its sole, absolute, and unreviewable discretion, to waive, modify, or condition its rights under this Section 8. In particular, the Company may agree to modify Section 8(d)(i) if the Company concludes that (1) the work you will be performing for a Competitor is different from the work you were performing during your employment with the Company or any of its Affiliates; and/or (2) there is no reasonable risk that you will (willfully, inadvertently or inevitably) use or disclose the Company's Proprietary or Confidential Information.

(iii) Further, notwithstanding the foregoing, you will not be subject to the non-competition obligations of Section 8(d) if the termination of your employment with the Company constitutes an involuntary termination (which means your termination for any reason other than resignation, death, termination for cause, retirement under the Company's retirement policy or program generally applicable to similarly situated employees, or disability) or, if applicable to you, termination by you for "good reason" under the terms of any applicable employment agreement or other agreement or Company plan.

(e) Non-Solicitation of Business Partners You acknowledge that, by virtue of your employment by the Company or its Affiliates, you have gained or will gain knowledge of the identity, characteristics, and preferences of the Company's Business Partners, among other Proprietary or Confidential Information, and that you would inevitably have to draw on such information if you were to solicit or service the Company's Business Partners on behalf of a Competitor Accordingly, during your employment and the Coverage Period, you agree not to, directly or indirectly, solicit the business of or perform any services of the type you performed or sell any products of the type you sold during your employment with the Company for or to actual or prospective Business Partners of the Company (i) as to which you performed services, sold products or as to which employees or persons under your supervision or authority performed such services, or had direct contact, or (ii) as to which you had access to Proprietary or Confidential Information during the course of your employment by the Company, or in any manner encourage or induce any such actual or prospective Business Partner to cease doing business with or in any way interfere with the relationship between the Company and its Affiliates and such actual or prospective Business Partner. You further agree that during your employment and the Covered Period, you will not encourage or assist any Competitor to solicit or service any actual or prospective Business Partners or otherwise seek to encourage or induce any Business Partners to cease doing business with, or reduce the extent of its business dealings with the Company.

(f) Non-Interference During your employment and the Coverage Period, you agrees that you shall not, directly or indirectly, induce or encourage any Business Partner or other third party, including any provider of goods or services to the Company, to terminate or diminish its business relationship with the Company; nor will you take any other action that

could, directly or indirectly, be detrimental to the Company's relationships with its Business Partners and providers of goods or services or other business affiliates or that could otherwise interfere with the Company's business.

(g) Non-Disparagement. You agree during and following employment not to make, or cause to be made, any statement, observation, or opinion, or communicate any information (whether oral or written, directly or indirectly) that (i) accuses or implies that the Company or its Affiliates engaged in any wrongful, unlawful or improper conduct, whether relating to your employment (or the termination thereof), the business or operations of the Company or its Affiliates, or otherwise; or (ii) disparages, impugns, or in any way reflects adversely upon the business or reputation of the Company or its subsidiaries or affiliates. Nothing herein will be deemed to preclude you from providing truthful testimony or information pursuant to subpoena, court order, or similar legal process, instituting and pursuing legal action, or engaging in other legally protected speech or other activities as set forth in Section 8(*i*) below.

(h) Breach. You acknowledge that the restrictions contained in this Award Notice are fair, reasonable, and necessary for the protection of the legitimate business interests of the Company, that the Company will suffer irreparable harm in the event of any actual or threatened breach by you, and that it is difficult to measure in money the damages which will accrue to the Company by reason of a failure by you to perform any of your obligations under this Section 8. Accordingly, if the Company or any of its subsidiaries or affiliates institutes any action or proceeding to enforce their rights under this Section 8, to the extent permitted by applicable law, you hereby waive the claim or defense that the Company or its Affiliates has an adequate remedy at law, you shall not claim that any such remedy at law exists, and you consent to the entry of a restraining order, preliminary injunction, or other preliminary, provisional, or permanent court order to enforce this Award Notice, and expressly waives any security that might otherwise be required in connection with such relief. You also agree that any request for such relief by the Company shall be in addition and without prejudice to any claim for monetary damages and/or other relief which the Company might elect to assert. In the event you violate any provision of this Section 8, the Company shall be entitled to recover all costs and expenses of enforcement, including reasonable attorneys' fees, and the time periods set forth above shall be extended for the period of time you remain in violation of the provisions.

(*i*) Protected Rights. You understand that nothing contained in this Award Notice limits your ability to report possible violations of law or regulation to, or file a charge or complaint with, the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Department of Justice, the Congress, any Inspector General, or any other federal, state or local governmental agency or commission ("Government Agencies"). You further understand that this Agreement does not limit your ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. Nothing in this Agreement shall limit your ability under applicable United States federal law to (i) disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law or (ii) disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure.

(j) Blue Pencil. In the event any of the prohibitions or restrictions set forth in this Section 8 is found by a court or arbitrator of competent jurisdiction to be unreasonable or otherwise unenforceable, it is the purpose and intent of the parties that any such prohibitions or restrictions be deemed modified or limited so that, as modified or limited, such prohibitions or restrictions may be enforced to the fullest extent possible.

SECTION 9. Tax Withholding and Consents.

(a) Tax Withholding. The delivery of Shares pursuant to Section 3(b) of this Award Notice is conditioned on satisfaction of any applicable withholding taxes in accordance with Section 10(d) of the Plan. The Company will withhold from the number of Shares otherwise deliverable to you pursuant to Section 3(b) a number of Shares (or, to the extent applicable, such other securities) having a Fair Market Value equal to such withholding liability; provided that you may elect alternatively to satisfy your tax withholding obligation, in whole or in part, by any of the following means: (i) a cash payment to the Company or (ii) delivery (either actual delivery or by attestation procedures established by the Company) to the Company of previously owned whole Shares having an aggregate Fair Market Value equal to such withholding liability. Notwithstanding the foregoing, the Company shall be authorized to take such actions as the Company may deem necessary (including, without limitation, in accordance with applicable law, withholding amounts from any compensation or other amounts owing from the Company to you) to satisfy all obligations for the payment of such taxes. Subject to the terms of the Plan and as a condition of the Award, you acknowledge that, regardless of any action taken by the Company, or if different, your employer, the ultimate liability for all applicable Federal, state, local or foreign income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to your participation in the plan and legally applicable to you ("Tax-Related Items"), is and remains your responsibility and may exceed the amount actually withheld by the Company, or if different, your employer. You further acknowledge that the Company and/or your employer (1) make no representations or undertaking regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including but not limited to, the grant, vesting or settlement of the Award; and (2) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you are subject to Tax-Related Items in more than one jurisdiction between the date of grant and the date of any relevant taxable or tax withholding event, as applicable, you acknowledge that the Company and/or the employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(b) Consents. Your rights in respect of the RSUs are conditioned on the receipt to the full satisfaction of the Committee of any required consents that the Committee may determine to be necessary or advisable (including, without limitation, your consenting to the Company's supplying to any third-party recordkeeper of the Plan such personal information as the Committee deems advisable to administer the Plan).

SECTION 10. Successors and Assigns of the Company. The terms and conditions of this Award Notice shall be binding upon and shall inure to the benefit of the Company and its successors and assigns.

SECTION 11. Committee Discretion. Pursuant to Section 3(e) of the Plan, the Committee may delegate to one or more senior officers of the Company the authority to make grants of Awards and all necessary and appropriate decisions and determinations with respect

thereto. The Committee, and any officer to whom the Committee has delegated authority pursuant to the Plan, shall have full and plenary discretion with respect to any actions to be taken or determinations to be made in connection with this Award Notice, and any such determinations shall be final, binding and conclusive Any references in this Award Notice to the Committee shall be deemed to include any officer to whom the Committee has delegated authority pursuant to the Plan.

SECTION 12. Amendment of this Award Notice The Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate this Award Notice prospectively or retroactively; provided, however, that, except as set forth in Section 10(e) of the Plan relating to Section 409A of the Code, any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would materially and adversely impair your rights under this Award Notice shall not to that extent be effective without your consent (it being understood, notwithstanding the foregoing proviso, that this Award Notice and the RSUs shall be subject to the provisions of Section 7(c) of the Plan relating to the adjustment of Awards upon the occurrence of certain unusual or nonrecurring events).

SECTION 13. Priority of Interpretation. To the extent permitted by the Plan, in the event of any conflict between the terms of this Award Notice and the terms of any plan, program, agreement or arrangement of the Company or any of its Subsidiaries applicable to you, the terms of such plan, program, agreement or arrangement shall govern; provided that the restrictions in Section 8 of this Award Notice shall apply in addition to, and shall not supersede or preclude or be superseded or precluded by, any similar restrictions in any other plan, program, agreement or arrangement applicable to you.

SECTION 14. Miscellaneous.

(a) Continuation of Employment; Not a Contract of Employment; No Acquired Rights This Award Notice shall not confer upon you any right to continuation of employment by the Company, its Affiliates, and/or its Subsidiaries, nor shall this Award Notice interfere in any way with the Company's, its Affiliates', and/or its Subsidiaries' right to terminate your employment at any time, except to the extent expressly provided otherwise in a written agreement between you and the Company, an Affiliate or Subsidiary or as prohibited by law

(b) Not a Part of Salary In accepting the grant of an Award under the Plan, you acknowledge that: (i) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, suspended or terminated by the Company at any time, as provided in the Plan and this Award Notice, (ii) the grant of the RSUs is voluntary and occasional and does not create any contractual or other right to receive future grants of RSUs, or benefits in lieu of RSUs, even if RSUs have been granted repeatedly in the past; (iii) all decisions with respect to future grants, if any, will be at the sole discretion of the Company; (iv) your participation in the Plan is voluntary; (v) the RSUs and any Shares received upon vesting of the RSUs is not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments; (vi) the grant of RSUs is provided for future services to the Company and its Affiliates and is not under any circumstances to be considered compensation for past services; (vii) in the event that you are an employee of the Company, Affiliate or Subsidiary, the grant will not be interpreted to

form an employment contract or relationship with the Company, and furthermore, the grant will not be interpreted to form an employment contract with the Affiliate or Subsidiary that is your employer; (viii) the future value of the Shares is unknown and cannot be predicted with certainty; (ix) no claim or entitlement to compensation or damages arises from forfeiture or termination of the RSUs or diminution in value of the RSUs and you irrevocably release the Company, its Affiliates and its Subsidiaries from any such claim that may arise; and (x) in the event of involuntary termination of your employment, your right to receive RSUs and vest in RSUs and/or receive Shares under the Plan, if any, will terminate in accordance with the terms of the Plan and will not be extended by any notice period mandated under local law; furthermore, your right to vest in the RSUs after such termination of employment, if any, will be measured by the date of termination of your active employment and will not be extended by any notice period mandated under local law.

(c) Electronic Delivery . The Company may, in its sole discretion, deliver any documents related to the RSUs or other awards granted to you under the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party-designated by the Company.

(d) Foreign Indemnity . You agree to indemnify the Company for your portion of any social insurance obligations or taxes arising under any foreign law with respect to the grant or settlement of this Award

(e) Not a Public Offering in Non-U.S. Jurisdictions . If you are resident or employed outside of the United States, neither the grant of the RSUs under the Plan nor the issuance of Shares upon vesting of the RSUs is intended to be a public offering of securities in your country of residence (and country of employment, if different). The Company has not submitted any registration statement, prospectus or other filings to the local securities authorities in jurisdictions outside of the United States unless otherwise required under local law.

(f) English Language . If you are resident and/or employed outside of the United States, you acknowledge and agree that it is your express intent that the Award Notice, the Plan and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the RSUs, be drawn up in English. If you have received the Award Notice, the Plan or any other documents related to the RSUs translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version will control.

(g) Section 409A . This Award is intended to comply with the requirements of Section 409A of the Code, and shall be interpreted and construed consistently with such intent. The payments to you pursuant to this Award Notice are also intended to be exempt from Section 409A of the Code to the maximum extent possible as short-term deferrals pursuant to Treasury regulation §1.409A-1(b)(4). In the event the terms of this Award Notice would subject you to taxes or penalties under Section 409A of the Code (" 409A Penalties "), the Company and you shall cooperate diligently to amend the terms of this Award Notice to avoid such 409A Penalties, to the extent possible; provided that in no event shall the Company be responsible for any 409A Penalties that arise in connection with any amounts payable under this Award Notice. To the extent any amounts under this Award Notice are payable by reference to your termination of employment, such term shall be deemed to refer to your "separation from

service," within the meaning of Section 409A of the Code. Notwithstanding any other provision in this Award Notice, if you are a "specified employee," as defined in Section 409A of the Code, as of the date of your separation from service, then to the extent any amount payable to you (i) constitutes the payment of nonqualified deferred compensation, within the meaning of Section 409A of the Code, (ii) is payable upon your separation from service and (iii) under the terms of this Award Notice would be payable prior to the six-month anniversary of your separation from service, such payment shall be delayed until the earlier to occur of (a) the first business day following the six-month anniversary of the separation from service and (b) the date of your death.

(h) Compliance with Local Law. If you are resident or employed outside of the United States, as a condition to the grant of RSUs, you agree to repatriate all payments attributable to the cash acquired under the Plan, if any, in accordance with local foreign exchange rules and regulations in your country of residence (and country of employment, if different). In addition, you agree to take any and all actions, and consent to any and all actions taken by the Company and the Company's Affiliates and Subsidiaries, as may be required to allow the Company and the Company's Affiliates and Subsidiaries to comply with local laws, rules and regulations in your country of residence (and country of employment, if different). Finally, you agree to take any and all actions as may be required to comply with your personal legal and tax obligations under local laws, rules and regulations in your country of residence (and country of employment, if different).

(i) Requirements of Law. The grant of RSUs under the Plan, and the issuance of Shares upon the vesting of the RSUs shall be subject to, and conditioned upon, satisfaction of all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

(j) Governing Law. All questions concerning the construction, validity and interpretation of this Award Notice and the Plan shall be governed and construed according to the laws of the State of Delaware, without regard to the application of the conflicts of laws provisions thereof. Any disputes regarding this Award or the Plan shall be brought only in the state or federal courts of the State of Delaware.

(k) Additional Requirements. The Company reserves the right to impose other requirements on the RSUs, and your participation in the Plan, to the extent the Company determines, in its sole discretion, that such other requirements are necessary or advisable in order to comply with local laws, rules and regulations, or to facilitate the administration of the Award and the Plan. Such requirements may include (but are not limited to) requiring you to sign any agreements or undertakings that may be necessary to accomplish the foregoing.

(l) Additional Information. If you have any questions regarding this Award Notice, please contact at , or your HR Partner. If you wish to obtain a copy of the Plan or a list of names and addresses of any potential recipients of the Data please contact .

CONFIDENTIAL MATERIAL APPEARING IN THIS DOCUMENT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION IN ACCORDANCE WITH THE SECURITIES ACT OF 1933, AS AMENDED, AND RULE 24B-2 PROMULGATED THEREUNDER. OMITTED INFORMATION HAS BEEN REPLACED WITH ASTERISKS.

Supplemental Agreement No. 13

to

Purchase Agreement Number 03784

Between

The Boeing Company

and

United Airlines, Inc

Relating to Boeing Model 737NG Aircraft

THIS SUPPLEMENTAL AGREEMENT is entered into as of December 27th, 2016 by and between THE BOEING COMPANY (**Boeing**) and UNITED AIRLINES, INC (**Customer**);

WHEREAS, the parties hereto entered into Purchase Agreement Number 03784 dated July 12, 2012 (**Purchase Agreement**), as amended and supplemented, relating to the purchase and sale of Boeing Model 737NG aircraft (**Aircraft** for all purposes within the Purchase Agreement), and

WHEREAS, Customer and Boeing agree to cross model substitute four (4) 737-700 aircraft with four (4) 737-800 aircraft as specified below in Figure 1:

Figure 1

	Aircraft Type at SA-12	Delivery Month at SA-12	Aircraft Type as of SA-13	New Delivery Month
1	737-700	***-2017	737-800	***-2017
2	737-700	***-2017	737-800	***-2017
3	737-700	***-2017	737-800	***-2017
4	737-700	***-2017	737-800	***-2017

Each resulting 737-800 aircraft shall be designated as 737-800 substitution aircraft (**737-800 Substitution Aircraft**).

WHEREAS, Customer and Boeing agree to cross model substitute sixty-one (61) 737-700 aircraft with sixty-one (61) 737-9 aircraft as specified further in Purchase Agreement 3776 and specified below in Figure 2 and to incorporate applicable amendments to the Purchase Agreement:

Figure 2

	Aircraft Type at SA-12	Delivery Month at SA-12	Aircraft Type as of SA-13	New Delivery Month		Aircraft Type at SA-12	Delivery Month at SA-12	Aircraft Type as of SA-13	New Delivery Month
1	737-700	***	737-9	***	32	737-700	***	737-9	***
2	737-700	***	737-9	***	33	737-700	***	737-9	***
3	737-700	***	737-9	***	34	737-700	***	737-9	***
4	737-700	***	737-9	***	35	737-700	***	737-9	***
5	737-700	***	737-9	***	36	737-700	***	737-9	***
6	737-700	***	737-9	***	37	737-700	***	737-9	***
7	737-700	***	737-9	***	38	737-700	***	737-9	***
8	737-700	***	737-9	***	39	737-700	***	737-9	***
9	737-700	***	737-9	***	40	737-700	***	737-9	***
10	737-700	***	737-9	***	41	737-700	***	737-9	***
11	737-700	***	737-9	***	42	737-700	***	737-9	***
12	737-700	***	737-9	***	43	737-700	***	737-9	***
13	737-700	***	737-9	***	44	737-700	***	737-9	***
14	737-700	***	737-9	***	45	737-700	***	737-9	***
15	737-700	***	737-9	***	46	737-700	***	737-9	***
16	737-700	***	737-9	***	47	737-700	***	737-9	***
17	737-700	***	737-9	***	48	737-700	***	737-9	***
18	737-700	***	737-9	***	49	737-700	***	737-9	***
19	737-700	***	737-9	***	50	737-700	***	737-9	***
20	737-700	***	737-9	***	51	737-700	***	737-9	***
21	737-700	***	737-9	***	52	737-700	***	737-9	***
22	737-700	***	737-9	***	53	737-700	***	737-9	***
23	737-700	***	737-9	***	54	737-700	***	737-9	***
24	737-700	***	737-9	***	55	737-700	***	737-9	***
25	737-700	***	737-9	***	56	737-700	***	737-9	***
26	737-700	***	737-9	***	57	737-700	***	737-9	***
27	737-700	***	737-9	***	58	737-700	***	737-9	***
28	737-700	***	737-9	***	59	737-700	***	737-9	***
29	737-700	***	737-9	***	60	737-700	***	737-9	***
30	737-700	***	737-9	***	61	737-700	***	737-9	***
31	737-700	***	737-9	***					

NOW THEREFORE, in consideration of the mutual covenants contained herein, the parties agree to amend the Purchase Agreement as follows:

1 Table of Contents, Tables, Exhibits, Supplemental Exhibits, and Letter Agreements

1.1 The "Table of Contents" is deleted in its entirety and replaced with the attached "Table of Contents" (identified by "SA-13").

1.2 Table 1B entitled "2016 737-700 Aircraft Delivery, Description, Price and ***" is deleted in its entirety due to elimination of 2016 737-700 Aircraft from the Purchase Agreement

1.3 Table 1D entitled "Aircraft Information Table –737-800 Substitution Aircraft" is added to the Purchase Agreement to incorporate the 737-800 Substitution Aircraft.

1.4 Exhibit A1 entitled "Aircraft Configuration - 2016 737-700 Aircraft" is deleted in its entirety due to elimination of 2016 737-700 Aircraft from the Purchase Agreement.

1.5 Supplemental Exhibit BFE2 entitled "Buyer Furnished Equipment Variables for 2016 737-700 Aircraft" and Attachment A1 thereto entitled "Attachment A1, BFE Variables for the *** 2016 737-700 Aircraft Incorporated by SA-11" are deleted in their entirety due to elimination of 2016 737-700 Aircraft from the Purchase Agreement

1.6 Attachment A2 to Supplemental Exhibit BFE3 entitled "Buyer Furnished Equipment Variables for Firm 737-800 Aircraft and 737-800 Substitution Aircraft" is added to the Purchase Agreement

1.7 Letter Agreement UAL-PA-03784-LA-1207879R4 entitled "737-700 *** Aircraft" is deleted in its entirety due to expiration of Customer's rights in 737-700 *** Aircraft.

1.8 Letter Agreement UAL-PA-03784-LA-1208155R2 entitled "*** Matters: 737-900ER and 2016 737-700 Aircraft" is deleted in its entirety and replaced with UAL-PA-03784-LA-1208155R3 entitled "737-900ER, Firm 737-800 Aircraft and 737-800 Substitution Aircraft" to reflect addition of 737-800 Substitution Aircraft and elimination of 2016 737-700 Aircraft from the Purchase Agreement

1.9 Letter Agreement UAL-PA-03784-LA-1208156R1 entitled "*** for the 737NG Aircraft" is deleted in its entirety and replaced with UAL-PA-03784- LA-1208156R2 entitled "*** for the 737NG Aircraft" to reflect addition of Firm 737-800 Aircraft, 737-800 Substitution Aircraft and elimination of 2016 737NG *** Aircraft from the Purchase Agreement.

1.10 Letter Agreement UAL-PA-03784-LA-1208172 entitled "***" is deleted in its entirety and replaced with UAL-PA-03784- LA-1208172R1 entitled "***" to reflect revised corrected definition of Aircraft incorporated by this Supplemental Agreement No. 13.

1.11 Letter Agreement UAL-PA-03784-LA-1208173 entitled *** is deleted in its entirety and replaced with UAL-PA-03784-LA-1208173R1 entitled *** to reflect revised corrected definition of Aircraft incorporated by this Supplemental Agreement No. 13.

1.12 Letter Agreement UAL-PA-03784-LA-1208939 entitled "Aircraft Model ***" (relating to 737-700 and 737-800 aircraft) is deleted in its entirety due to agreement by the parties that there will be no *** permitted for any of the 737-800 Substitution Aircraft.

1.13 Letter Agreement UAL-PA-03784-LA-1504843 entitled "Open Matters – 2016 737-700 Aircraft" is deleted in its entirety due to elimination of 2016 737-700 Aircraft from the Purchase Agreement.

1.14 Letter Agreement UAL-PA-03784-LA-1504844 entitled "Special Matters-2016 737-700 Aircraft" is deleted in its entirety due to elimination of 2016 737-700 Aircraft from the Purchase Agreement.

1.15 Letter Agreement UAL-PA-03784-LA-1600041 entitled "Special Matters – Firm 737-800 Aircraft, as defined in Supplemental Agreement No. 10 to the Purchase Agreement" is deleted in its entirety and replaced with Letter Agreement UAL-PA-03784-LA-1600041R1 entitled "Special Matters – Firm 737-800 Aircraft, as defined in Supplemental Agreement No. 10 to the Purchase Agreement and 737-800 Substitution Aircraft as defined in Supplemental Agreement No. 13 to the Purchase Agreement (individually and collectively **737-800 Special Matters Aircraft**)"

1.16 Letter Agreement UAL-PA-03784-LA-1600586 entitled "737-900ER *** Aircraft" is deleted in its entirety due to expiration of Customer's rights in 737-900ER *** Aircraft.

1.17 Letter Agreement UAL-PA-03784-LA-1601963 entitled "Aircraft Performance Guarantees – Firm 737-800 Aircraft" is deleted in its entirety and replaced with UAL-PA-03784-LA-1601963R1 entitled "Aircraft Performance Guarantees – Firm 737-800 Aircraft and 737-800 Substitution Aircraft" to reflect addition of 737-800 Substitution Aircraft to the Purchase Agreement

1.18 Letter Agreement UAL-LA-1604287 entitled "Certain ***" is hereby incorporated by the Purchase Agreement.

2. Miscellaneous.

2.1 If Boeing or Customer determines that an Exhibit, a Supplemental Exhibit or a Letter Agreement should be further amended to incorporate Firm 737-800 Aircraft and/or 737-800 Substitution Aircraft, then Boeing and Customer will work together for a mutually agreeable solution.

2.2 Boeing and Customer agree to apply the following amounts received by Boeing from Customer as follows.

*** in the aggregate amount of *** from the expired rights in *** 737-700 *** Aircraft;

*** in the aggregate amount of *** from the expired rights in *** 737-900ER *** Aircraft; and

*** in the amount of *** from the *** former *** 737-700 Aircraft.

The resulting aggregate amount of *** will be applied first toward the payment obligation of *** due at the effective date of this Supplemental Agreement No. 13 for the *** 737-800 Substitution Aircraft. The remaining aggregate amount of *** of *** will be *** on the effective date of this Supplemental Agreement No. 13 exclusively to Customer purchase agreement payment obligations as follows:

		Purchase Agreement No. 3784	Purchase Agreement No. 3776	Purchase Agreement No. 3860	Purchase Agreement No. 4308	TOTAL
Amount due for SA-7 to Purchase Agreement No. 3776 (61) 737-9 Aircraft			$ ***			$ ***
Payment Application Date	**Payment Due Date**					
Effective date of SA 13 for 737NG	***	$ ***	$ ***	$ ***	$ ***	$ ***
Effective date SA 13 for 737NG	***		$ ***	$ ***	$ ***	$ ***
Effective date SA 13 for 737NG	***	$ ***	$ ***	$ ***	$ ***	$ ***
Effective date SA 13 for 737NG	***	$ ***	$ ***	$ ***	$ ***	$ ***
Total		$ ***	$ ***	$ ***	$ ***	$ ***

The Purchase Agreement will be deemed to be supplemented to the extent provided herein as of the date hereof and as so supplemented will continue in full force and effect.

EXECUTED IN DUPLICATE as of the day and year first written above.

THE BOEING COMPANY	UNITED AIRLINES, INC.
/s/ Irma L. Krueger	/s/ Gerald Laderman
Signature	Signature
Irma L. Krueger	Gerald Laderman
Printed Name	Printed Name
Attorney-in-Fact	Senior Vice President Finance, Procurement and Treasurer
Title	Title

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1B.	**Aircraft Information Table – 2016 737-700 Aircraft (DELETED)**	**Per §1.2 of SA-13**
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UAL-PA-03784-LA-1207871	Special Matters	
UAL-PA-03784-LA-1207878	Demonstration Flight Waiver	
UAL-PA-03784-LA-1207879R2	*** Aircraft (DELETED)	SA-9
UAL-PA-03784-LA-1207879R4	**737-700 *** Aircraft (DELETED)**	**Per §1.7 of SA-13**
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Supplemental Agreement No. 4	September 11, 2013
Supplemental Agreement No 5	March 3, 2014
Supplemental Agreement No. 6	June 6, 2014
Supplemental Agreement No. 7	May 26, 2015
Supplemental Agreement No. 8	June 12, 2015
Supplemental Agreement No. 9	January 20, 2016
Supplemental Agreement No. 10	February 8, 2016
Supplemental Agreement No. 11	March 7, 2016
Supplemental Agreement No 12	June 24, 2016
Supplemental Agreement No. 13	**December 27, 2016**
Dec. 2016 Letter Agreement No. 1 UAL-LA-1604287 entitled "Certain ***	**December 27, 2016**

Table 1D To
Purchase Agreement No. PA-03784
737-800 Substitution Aircraft Delivery, Description, Price and ***

Airframe Model/MTOW:	737-800 *** pounds #	**Detail Specification:**	***
Engine Model/Thrust:	CFM56-7B*** *** pounds	**Airframe Price Base Year/Escalation Formula:**	*** ***
Airframe Price:	$***	**Engine Price Base Year/Escalation Formula:**	*** ***
Optional Features:	$***	**Airframe Escalation Data:**	
Sub-Total of Airframe and Features:	$***	**Base Year Index (ECI):**	***
Engine Price (Per Aircraft):	$***	**Base Year Index (CPI):**	***
Aircraft Basic Price (Excluding BFE/SPE):	$***		
Buyer Furnished Equipment (BFE) Estimate:	$***		
Seller Purchased Equipment (SPE) Estimate:	$***		
Deposit per Aircraft:	$****		

Delivery Date	Number of Aircraft	Escalation Factor (Airframe)	Escalation Estimate *** Base Price Per A/P	*** Per Aircraft (Amts. Due/*** Prior to Delivery): *** ***	*** ***	*** ***	*** ***
***	***	***	$***	$***	$***	$***	$***
Total:	4						

* - Immediately prior to effective date of SA-13, *** had been received from Customer by Boeing. See §2 of SA-13
\# - Purchased MTOW is *** pounds Aircraft are eligible for the provisions of Letter Agreement 6-1162-MMF-311R8 entitled

"Provisions Relating to Buyer's *** for Model 737 Aircraft".

Attachment A2 to Supplemental Exhibit BFE3 to Purchase Agreement Number PA 03784

Preliminary BFE On-Dock Dates for the 737-800 Substitution Aircraft

***	***	***	***	***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***	***	***	***	***
Total	4										

The above dates apply solely if Customer selects a BFE component specified above; e g., if BFE avionics are not selected by Customer, then the dates specified above in the "Avionics" column do not apply.

The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

UAL-PA-03784-LA-1208155R3

United Airlines, Inc.
233 South Wacker Drive
Chicago, IL 60606

Subject: *** Matters 737-900ER, Firm 737-800 Aircraft and 737-800 Substitution Aircraft

Reference Purchase Agreement No. PA-03784 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and United Airlines, Inc. (**Customer**) relating to Model 737NG aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement. **This Letter Agreement supersedes and replaces in its entirety Letter Agreement UAL-PA-03784-LA-1208155R2.**

The Purchase Agreement incorporates the terms and conditions of AGTA-UAL between Boeing and Customer. This Letter Agreement modifies certain terms and conditions of the AGTA with respect to the Aircraft.

1. ***

1.1 ***

BOEING / UNITED AIRLINES PROPRIETARY

1.2 ***

*** ***

*** ***%

Total ***%

1.3 [Reserved]

1.4 ***

1.4.1 With respect to (i) each aircraft in Table 1A as of the effective date of the Purchase Agreement (ii) each aircraft in Table 1C as of the effective date of the Purchase Agreement, and (iii) each aircraft in Table 1D as of the effective date of the Purchase Agreement, *** agrees *** on *** pursuant to Article 1.1 of this Letter Agreement *** The *** will be the *** on *** will be *** will ***.

1.4.2 *** the *** for each Aircraft covered by Table 1A, Table 1C or Table 1D, will be ***.

1.4.3 *** for each 737-*** Aircraft (resulting from Customer's *** aircraft under Supplemental Agreement No. 8 to the Purchase Agreement) scheduled to deliver in 2016 *** to the scheduled delivery date for such Aircraft.

BOEING / UNITED AIRLINES PROPRIETARY

1.5 Delivery *** Impact on *** Calculations. If the delivery of any Aircraft covered by Table 1A, Table 1C or Table 1D is *** due to ***, then interest on the *** in respect of each such Aircraft will not *** during the time period from *** Payment of *** that has *** prior to the start of the *** but remains unpaid will be paid on the normal quarterly *** payment schedule set forth in Article 2 of this Letter Agreement or on the delivery date of such *** Aircraft, whichever comes first.

2. Boeing Invoice for ***.

Boeing shall submit to Customer, not less than *** days prior to the end of each quarter, an invoice for *** during each such quarter. Customer's payment is due and payable to Boeing on the first business day of the following month. Boeing's invoice will show *** during the quarter for each Aircraft covered by Table 1A, Table 1C, or Table 1D for which *** have been ***. The invoice will also include *** on *** with respect to other aircraft in other purchase agreements between Customer and Boeing.

3. *** Rights.

3.1 ***.

3.2 In the event Boeing seeks to *** the Purchase Agreement as amended by this Letter Agreement, Customer will ***.

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3.3 For all purposes of this Article 3 including without limitation, notice, *** or any other application, the term "Boeing" means and includes The Boeing Company, its divisions, subsidiaries, affiliates and the assignees of each Nothing herein shall constitute an election or waiver of any remedy of Boeing; all such remedies shall be cumulative Boeing expressly reserves all of its rights and remedies under any agreement and applicable law .

3.4 Notwithstanding Article 3.1, Boeing shall not *** under the Purchase Agreement with respect to any Aircraft that is subject to ***.

4. Confidentiality .

Customer and Boeing understand that certain commercial and financial information contained in this Letter Agreement are considered by Boeing and Customer as confidential and are subject to the terms and conditions set forth in Letter Agreement No. UAL-PA-03784-LA-1208938.

5. Assignment .

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer's becoming the operator of the Aircraft and cannot be assigned in whole or, in part.

If the foregoing correctly sets forth your understanding of our agreement with respect to the matters treated above, please indicate your acceptance and approval below.

Very truly yours,

THE BOEING COMPANY

By. /s/ Irma L. Krueger

Its: Attorney-in-Fact

ACCEPTED AND AGREED TO this

Date December 27, 2016

UNITED AIRLINES, INC.

By: /s/ Gerald Laderman

Its: Senior Vice President Finance, Procurement and Treasurer

The Boeing Company
P O Box 3707
Seattle, WA 98124-2207

UAL-PA-03784-LA-1208156R2

United Airlines, Inc.
233 South Wacker Drive
Chicago, Illinois 60606

Subject. *** for the 737NG Aircraft

Reference. Purchase Agreement No 03784 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and United Airlines, Inc (**Customer**) relating to 737NG aircraft

This letter agreement UAL-PA-03784-LA-1208156R2 (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement. This Letter Agreement supersedes and replaces in its entirety UAL-PA-03784-LA-1208156R1.

1. Definitions

*** **Notice** means the written communication provided by Boeing to Customer in accordance with the requirements of Article 4.1, below.

*** **Aircraft** means each Aircraft.

2 Applicability

Notwithstanding any other provision of the Purchase Agreement to the contrary, the parties agree that the *** for the Airframe Price and Optional Features Prices for each Program Aircraft shall be determined in accordance with this Letter Agreement

3 *** Forecast

Boeing will release an *** forecast in *** of each year based on Boeing's then current standard ***. Only one *** forecast shall be used to conduct the *** analysis performed in accordance with Article 4 1, below, for a given Program Aircraft. The *** forecast applicable to a given Program Aircraft is set forth in Attachment A

BOEING / UNITED AIRLINES PROPRIETARY

The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

UAL-PA-03776-LA-1207650R1

United Airlines, Inc.
233 South Wacker Drive
Chicago, Illinois 60606

Subject: Special Matters – 737 MAX Aircraft

References:
1) Purchase Agreement No. PA-03776 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and United Airlines, Inc. (**Customer**) relating to Model 737 MAX aircraft (**Aircraft**); and
2) **Letter Agreement UAL-PA-03776-1207638 entitled "Aircraft ***" (*** Letter)**

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement. This Letter Agreement supersedes and replaces in its entirety Letter Agreement UAL-PA-03776-LA-1207650 dated July 12, 2012.

1. ***

1.1 ***. At the *** of each 737-9 Aircraft, Boeing *** to Customer *** in an *** the 737-9 Aircraft ***.

1.2 737-9 ***. At the *** of each 737-9 Aircraft, Boeing *** to Customer *** in an ***. Boeing represents that *** of this 737-9 *** is consistent with the terms of Letter Agreement 6-1162-KKT-080, as amended.

1.3 737-8 *** Aircraft ***. Pursuant to the *** Letter, Customer may *** of 737-8 aircraft *** (**737-8 *** Aircraft**). At the *** of each 737-8 *** Aircraft, Boeing *** to Customer *** (**737-8 *** Aircraft** ***).

BOEING / UNITED AIRLINES PROPRIETARY

1.4 737-7 *** Aircraft ***. Pursuant to the *** Letter, Customer may *** 737-7 aircraft in place of certain Aircraft (**737-7 *** Aircraft**). At the time of delivery of each 737-7 *** Aircraft, Boeing *** to Customer *** 737-7 *** Aircraft *** (**737-7 *** Aircraft** ***).

1.5 *** 737 *** and ***.

The parties agree to the following *** which will *** Aircraft (*** **Aircraft**).

1.5.1 At the time *** of each applicable *** 737-9 Aircraft, Boeing *** to Customer *** **737-9 Aircraft** *** **and** *** to be used solely for the *** of Boeing *** and *** and shall not be applied to *** or ***.

1.5.2 Boeing and Customer will work together to assess and agree to determine whether and how *** established in Attachment 1 is *** provided in Attachment 2 to this Letter Agreement. Such assessment will incorporate the methodology and assumptions incorporated in development of Attachment 1 to this Letter Agreement including *** to the effective date of Supplemental Agreement No. 7 to the 787 Purchase Agreement No. 3860 and *** in Attachment 1 to this Letter Agreement.

2 ***

Unless otherwise noted, the *** stated in Paragraphs 1.1 through 1.5 *** are in *** dollars and will be *** to the scheduled month of the respective Aircraft delivery pursuant to the *** formula set forth in the Purchase Agreement applicable to the Aircraft. The *** may, at the election of Customer, be *** Boeing *** and *** (but shall ***).

3 737-9 *** Configuration.

Boeing agrees to make the 737 *** available for the 737-9 through Boeing's standard pricing and offerability process **(Offerable).** In the event that Boeing does not make the 737 *** Offerable for delivery starting with Customer's *** 737-9 aircraft by its scheduled delivery month, then Boeing will *** of each 737-9 equal to *** for each

BOEING / UNITED AIRLINES PROPRIETARY

passenger seat *** in the Aircraft configuration with the 737 *** as set forth in Attachment 1 to this Letter Agreement as opposed to the number of passenger seats in a 737-9 aircraft configuration (subject to the requirements in Attachment 3, unless otherwise mutually agreed) without the 737 *** per 737-9 Aircraft). For the avoidance of doubt, Boeing's *** the 737 *** will *** when the 737 *** (or any improved version of such which does not ***) becomes, and remains, Offerable for the 737-9 aircraft not yet delivered to Customer.

4. 737 Supplier Management.

It is Boeing's 737 MAX design intent to maintain as much commonality with the 737NG while also achieving the 737 MAX performance requirements (including, but not limited to, fuel burn, range, payload, etc.) that the market demands. If a *** leads to a Supplier Product to be available *** for the 737 MAX where *** on the 737NG, or if an existing 737NG ***, then Boeing will ensure that *** the *** 737 MAX operators ***. These *** agreements, known as ***, will include (but not be limited to) enforceable provisions related to ***. Boeing will utilize *** efforts to ensure that the terms of such *** agreements are ***.

5. Supplier Diversity.

Customer and Boeing agree to work towards a mutually agreeable solution for meeting diversity requirements in the supply base. Notwithstanding the foregoing sentence, Boeing agrees to (i) identify parts and equipment where Customer makes the procurement decision for potential opportunities; (ii) submit indirect reports until other options are vetted and approved; and (iii) continue to engage with Customer with regard to supplier diversity to ensure Boeing supports Customer's requirements.

6. Delivery ***.

Customer and Boeing agree that both Customer and Boeing will have certain Aircraft ***. Such *** are provided to Customer and Boeing pursuant to Letter Agreement No. UAL-PA-03776-LA-1208869.

7. Assignment.

Unless otherwise noted herein, the *** described in this Letter Agreement are provided as *** to Customer and in consideration of ***

***. Except as provided in Letter Agreement No. UAL-PA-03776-LA-1208238, this Letter Agreement cannot be assigned, in whole or in part, without the prior written consent of Boeing. ***

8. Confidentiality

Customer and Boeing understand that certain commercial and financial information contained in this Letter Agreement are considered by Boeing and Customer as confidential and are subject to the terms and conditions set forth in Letter Agreement No. UAL-PA-03776-LA-1208234.

Very truly yours,

THE BOEING COMPANY

By: Irma L. Krueger

Its: Attorney-in-Fact

ACCEPTED AND AGREED TO this

Date: December 27, 2016

UNITED AIRLINES, INC.

By: /s/ Gerald Laderman

Its: Senior Vice President Finance,
Procurement and Treasurer

Attachment 1 to Letter Agreement UAL-PA-03776-LA-1207650R1: ***

***

Current scenario:

Year	787-10 ***-	787-10 ***	777-300***	737 *** and ***	Fixed *** and *** +	***		
***	***	***				***		
							Discount Rate	***%
Total	***	***	***	***	***	***		
PV (***%)	***	***	***	***	***	***	***	$ ***

Alternative scenario:

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7		
Year	787-10 ***-	787-10 ***	777-300***	Special 737-7 *** and ***	*** +	***		
***	***	***	***	***	***	***		
							Discount Rate	***%
Total	***	***	***	***	***	***		
PV (***%)	***	***	***	***	***	***	***	$ ***
				*** of Boeing ***:		***		

+ - Note: Payment dates for the "Fixed *** and ***" amounts and other related payments to Customer will be subject to adjustment as mutually agreed by the parties to reflect *** incorporated by the Supplemental Agreements executed on March 7 and this Supplemental Agreement 7. *** subsequent to March 7 should be reviewed for *** to be issued in columns (5) and (6).

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Attachment 2 to Letter Agreement UAL-PA-03776-LA-1207650R1: Limited 737-9 Aircraft ***

***

Current scenario:

Year	787-10 ***	787-10 ***	777-300***	737 *** and ***	*** and ***	Total Cashflow		
***	***	***				***		
							Discount Rate	***%
Total	***	***				***		
PV (***%)	***	***				***	***	$ ***

Alternative scenario: ***s & 4th Quarter * Forecast:**

Year	787-10 ***	787-10 ***	777-300***	737 MAX9 ***	***	***		
***	***	***	***	***	***	***		
							Discount Rate	***%
Total	***	***	***	***	***	***		
PV (***%)	***	***	***	***	***	***	***	$ ***

The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

UAL-PA-03776-LA-1208055R1

United Continental Holdings, Inc.
233 South Wacker Drive
Chicago, Illinois 60606

Subject: *** Program

Reference: Purchase Agreement No. PA-03776 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and United Continental Holdings, Inc (**Customer**) relating to Model 737-9 MAX aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement. This Letter Agreement supersedes and replaces in its entirety Letter Agreement UAL-PA-03776-LA-1208055 dated July 12, 2012

1 Definitions.

*** **Notice** means the written communication provided by Boeing to Customer in accordance with the requirements of Article 4.1, below.

*** **Aircraft** will have the meaning specified in letter agreement UAL-PA-03776-LA-1207644 relating to 737-9 *** Aircraft

Program Aircraft means each Aircraft specified in Table 1 of the Purchase Agreement as of the date of this Letter Agreement and any *** Aircraft for which Customer has ***.

2. Applicability.

Notwithstanding any other provision of the Purchase Agreement to the contrary, the parties agree that the *** for the Airframe Price and *** Features Prices for each Program Aircraft shall be determined in accordance with this Letter Agreement.

3 *** Forecast

Boeing will release an *** forecast in *** of each year based on Boeing's then current standard *** Only one *** forecast shall be used to conduct the *** analysis performed in accordance with Article 4.1, below, for a given Program Aircraft The *** forecast applicable to a given Program Aircraft is set forth in Attachment A

4. ***.

4.1 If the *** forecast, as set forth in Article 3, above, ***

BOEING / UNITED AIRLINES, INC. PROPRIETARY

***

Attachment 3 to Letter Agreement UAL-PA-03776-LA-1207650R1

01-20-12

***, as set forth in Attachment B, *** any Program Aircraft that is *** such *** forecast, as set forth in Attachment A, then Boeing shall issue an *** Notice to the Customer by the date set forth in Attachment A. Such *** Notice shall, ***, either

4.1.1 *** for such affected Program Aircraft *** as set forth in Attachment B; or

4.1.2 provide Customer with the *** as set forth in Attachment B and the actual *** factor determined in accordance with ***, or

4.1.3 provide Customer with *** as set forth in Attachment B, with Boeing and Customer *** as set forth in Attachment B ***.

4.1.4 In the event that Boeing *** the *** Notice as detailed in Article 4.1.2 or Article 4.1.3 and Customer ***, then Customer *** the Purchase Agreement with respect to such affected Program Aircraft.

4.2 If Boeing provides Customer the *** described in Article 4.1.2 or Article 4.1.3 above, then Customer shall notify Boeing *** contained in Articles 4.1.2, 4.1.3, or 4.1.4 above within *** of its receipt of the *** Notice from Boeing. In the event Customer *** in accordance with Article 4.1.4 above, then Boeing *** Customer, *** for the *** Program Aircraft.

4.2.1 Within *** of Boeing's receipt of *** notice for any such *** Program Aircraft under Article 4.2 above, Boeing *** written notice to Customer to *** related to such *** Program Aircraft ***, by Customer.

4.2.2 Should Customer *** any notice to Boeing in accordance with Article 4.2 above, then the *** for such Program Aircraft shall be *** in accordance with Article 4.1.2

4.3 In the event that the *** of a Program Aircraft that is subject to either Article 4.1.1, Article 4.1.2 or Article 4.1.3 above, *** applicable to such Program Aircraft will be determined pursuant to Article 5 below.

5. ***.

5.1 If the *** forecast, as set forth in Article 3, *** any Program Aircraft *** as set forth in Attachment B and *** as set forth in Attachment B, *** for such Program Aircraft *** as set forth in Attachment B *** as set forth in Attachment B ***.

5.2 In the event the *** at *** a Program Aircraft subject to Article 5.1 above, *** applicable to such Program Aircraft will be determined pursuant to Article 6 below.

6. ***.

If the *** forecast, as set forth in Article 3, above, ***, as set forth in Attachment B, *** any Program Aircraft *** such *** forecast, as set forth in Attachment A, then such *** applicable to such Program Aircraft ***.

6.1 If the *** of a Program Aircraft, *** as set forth in Attachment B for such Program Aircraft, then the *** for such Program Aircraft.

6.2 *** of a Program Aircraft, *** as set forth in Attachment B for such Program Aircraft, then the *** for such Program Aircraft *** as set forth in Attachment B

7 Applicability to ***.

The ***, identified in the Purchase Agreement as subject to ***pursuant to Supplemental Exhibit AE1, and which pertains to the Program Aircraft shall be *** established in this Letter Agreement for such Program Aircraft *** provisions of the Purchase Agreement ***.

8 Assignment.

Except as provided in Letter Agreement No. UAL-PA-03776-LA-1208238, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer's becoming the operator of the Aircraft and cannot be assigned in whole or, in part.

9. Confidential Treatment.

Customer and Boeing understand that certain commercial and financial information contained in this Letter Agreement are considered by Boeing and Customer as confidential and are subject to the terms and conditions set forth in Letter Agreement No. UAL-PA-03776-LA-1208234.

Very truly yours,

THE BOEING COMPANY

By /s/ Irma L. Krueger

Its Attorney-in-Fact

ACCEPTED AND AGREED TO this

Date December 27, 2016

UNITED AIRLINES, INC.

By /s/ Gerald Laderman

Its Senior Vice President Finance, Procurement and Treasurer

BOEING

ATTACHMENT A
*** Forecast & *** Notice Date

*** Forecast ***	Applicable to Program Aircraft Delivering in Time Period ***	*** Notice Date ***

UAL-PA-03776-LA-1208055R1
*** Program

BOEING/UNITED AIRLINES, INC. PROPRIETARY

ATTACHMENT B
***** Factors - *****

***	***	***	***
***	***	***	***

The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

UAL-PA-3776-LA-1606848

United Airlines, Inc.
233 South Wacker Drive
Chicago, Illinois 60606

Subject *** Special MAX9 Aircraft

Reference: Purchase Agreement No. PA-03776 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and United Airlines, Inc. (**Customer**) relating to Model 737 MAX aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreement. References to the Purchase Agreement are to the Purchase Agreement as amended from time to time, including by way of this Letter Agreement and other letter agreements between Boeing and Customer.

1. ***

Customer has the right to *** the delivery of any of the *** Special MAX9 Aircraft from *** delivery month into ***, pursuant to the terms of this Letter Agreement ***. For the avoidance of doubt, the aggregate maximum number of *** is ***.

2. Notice Requirement

Customer will provide written notice (*** **Notice**) of its intent to *** purchase of any eligible Special MAX9 Aircraft no later than the Exercise Notice Due Date specified in Attachment 1 to this Letter Agreement. Each such ***Special MAX9 Aircraft, once confirmed with Boeing as specified in Section 4 herein, is referred to herein as an *** **Aircraft**.

3 ***

The *** of Special MAX9 Aircraft which can be *** into *** is specified in Attachment 1 to this Letter Agreement.

4. Definitive Agreement.

If Customer agrees with the *** in the *** Confirmation, then the parties will sign a definitive agreement to incorporate the *** for each *** Aircraft (**Supplemental Agreement**) within *** of the *** Confirmation. The Supplemental Agreement will include the provisions of the Purchase Agreement as modified to reflect the provisions of this Letter Agreement. In the event the parties *** a Supplemental Agreement within *** following *** Confirmation, either party may *** of a Special MAX9 Aircraft by giving written notice to the other within *** If Customer and Boeing *** Supplemental Agreement, then the delivery month of such Special MAX9 Aircraft is *** specified in the *** Confirmation.

5 BFE.

The BFE *** dates will *** to support the scheduled delivery month of any applicable *** Aircraft.

6 Assignment.

Except as provided in Letter Agreement No. UAL-PA-03776-LA-1208238, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer's becoming the operator of the Aircraft and cannot be assigned in whole or in part.

7 Confidential Treatment

Customer and Boeing understand that certain commercial and financial information contained in this Letter Agreement are considered by Boeing and Customer as confidential and are subject to the terms and conditions set forth in Letter Agreement No. UAL-PA-03776-LA-1208234.

Very truly yours,

THE BOEING COMPANY

By: Irma L. Kreuger

Its: Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: December 27, 2016

UNITED AIRLINES, INC.

By: Gerald Laderman

Its: Senior Vice President Finance,
Procurement and Treasurer

Attachment 1: * Notice Due Date for ***Special MAX9 Aircraft**

***	Annual Limitation Specifics	*** Delivery Month	*** Due Date
***	***	***	***

BOEING PROPRIETARY

The Boeing Company
P.O Box 3707
Seattle, WA 98124-2207

UAL-LA-1604287

United Airlines, Inc
233 South Wacker Drive
Chicago, Illinois 60606

Subject: Certain *** (**Letter Agreement**)

References:

(1) Aircraft General Terms Agreement between The Boeing Company (**Boeing**) and United Airlines, Inc (**Customer**) identified as AGTA-UAL (**AGTA**),

(2) Purchase Agreement No. 3776 between the parties relating to Model 737-9 aircraft, including Letter Agreement UAL-PA-03776-LA- 1207637 entitled "*** Matters" (**MAX PDP Letter**);

(3) Purchase Agreement No 3784 between the parties relating to Model 737NG aircraft, including Letter Agreement UAL-PA-03784-LA-1208155R2 entitled "*** Matters: 737-*** and 2016 737NG Aircraft" (**NG PDP Letter**);

(4) Purchase Agreement No. 3860 between the parties relating to Model 787 aircraft, including Section 3 of Letter Agreement UAL-PA-03860- LA-1209413R1 entitled "Special Matters" (**787 PDP Matters Section of the Special Matters Letter**); and

(5) Purchase Agreement No. 04308 between the parties relating to Model 777-300ER aircraft, including Letter Agreement UAL-PA-04308-LA-1404408R1 entitled "*** Matters" (**777 PDP Letter**), (references (2) through (5) are referred to herein as the **Purchase Agreement** or **Purchase Agreements** as the context requires).

Ladies and gentlemen

All terms used but not defined in this Letter Agreement shall have the same meaning as in the corresponding purchase agreement or AGTA, as applicable

1 *** Matter ***

Notwithstanding the *** Schedule contained in Table 1 of each of the Purchase Agreements or the terms set forth in the 777 PDP Letter, the 787 PDP Matters Section of the Special Matters Letter, the NG PDP Letter and the MAX PDP Letter (collectively, the **UAL PDP Letters** or **UAL PDP Letter** as the context requires), Customer *** for any Aircraft on order as of the date of signing the applicable Purchase Agreement, and for any *** Aircraft in accordance with the terms of the applicable UAL PDP Letter, provided, however, that Customer shall retain the right to either (a) *** set forth in any of the UAL PDP Letters, and to the extent that Customer *** then Customer's *** shall be *** or (b) *** provided that (1) Boeing *** to such *** and (2) such ***.

2 Confidential Treatment.

Customer and Boeing understand that certain commercial and financial information contained in this Letter Agreement are considered by Boeing and Customer as confidential and are subject to the terms and conditions set forth in Letter Agreement No. UAL-PA-04308-LA-1404407 of the 777 Purchase Agreement entitled " Privileged and Confidential Matters ".

Very truly yours,

THE BOEING COMPANY

By: /s/ Irma L. Krueger

Its: Attorney-In-Fact

AGREED AND ACCEPTED this 27th day of December of 2016

UNITED AIRLINES, INC.

/s/ Gerald Laderman
Signature

Gerald Laderman
Printed Name

Senior Vice President Finance,
Procurement and Treasurer
Title

UAL-LA-1604287
Certain ***

CONFIDENTIAL MATERIAL APPEARING IN THIS DOCUMENT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION IN ACCORDANCE WITH THE SECURITIES ACT OF 1933, AS AMENDED, AND RULE 24B-2 PROMULGATED THEREUNDER. OMITTED INFORMATION HAS BEEN REPLACED WITH ASTERISKS.

The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

UAL-LA-1604287

United Airlines, Inc
233 South Wacker Drive
Chicago, Illinois 60606

Subject: Certain *** (**Letter Agreement**)

References:

(1) Aircraft General Terms Agreement between The Boeing Company (**Boeing**) and United Airlines, Inc. (**Customer**) identified as AGTA-UAL (**AGTA**);

(2) Purchase Agreement No. 3776 between the parties relating to Model 737-9 aircraft, including Letter Agreement UAL-PA-03776-LA- 1207637 entitled "*** Matters" (**MAX PDP Letter**);

(3) Purchase Agreement No. 3784 between the parties relating to Model 737NG aircraft, including Letter Agreement UAL-PA-03784-LA- 1208155R2 entitled "*** Matters 737-*** and 2016 737NG Aircraft" (**NG PDP Letter**);

(4) Purchase Agreement No 3860 between the parties relating to Model 787 aircraft, including Section 3 of Letter Agreement UAL-PA-03860- LA-1209413R1 entitled "Special Matters" (**787 PDP Matters Section of the Special Matters Letter**); and

(5) Purchase Agreement No 04308 between the parties relating to Model 777-300ER aircraft, including Letter Agreement UAL-PA-04308-LA-1404408R1 entitled "*** Matters" (**777 PDP Letter**), (references (2) through (5) are referred to herein as the **Purchase Agreement** or **Purchase Agreements** as the context requires).

Ladies and gentlemen

All terms used but not defined in this Letter Agreement shall have the same meaning as in the corresponding purchase agreement or AGTA, as applicable

1 *** Matter ***

Notwithstanding the *** Schedule contained in Table 1 of each of the Purchase Agreements or the terms set forth in the 777 PDP Letter, the 787 PDP Matters Section of the Special Matters Letter, the NG PDP Letter and the MAX PDP Letter (collectively, the **UAL PDP Letters** or **UAL PDP Letter** as the context requires). Customer *** for any Aircraft on order as of the date of signing the applicable Purchase Agreement, and for any *** Aircraft in accordance with the terms of the applicable UAL PDP Letter, provided, however, that Customer shall retain the right to either (a) *** set forth in any of the UAL PDP Letters, and to the extent that Customer *** then Customer's *** shall be *** or (b) *** provided that (1) Boeing *** to such *** and (2) such ***

2. Confidential Treatment.

Customer and Boeing understand that certain commercial and financial information contained in this Letter Agreement are considered by Boeing and Customer as confidential and are subject to the terms and conditions set forth in Letter Agreement No UAL-PA-04308-LA-1404407 of the 777 Purchase Agreement entitled " Privileged and Confidential Matters ".

Very truly yours,

THE BOEING COMPANY

By /s/ Irma L. Krueger

Its: Attorney-In-Fact

AGREED AND ACCEPTED this 27th day of December of 2016

UNITED AIRLINES, INC.

/s/ Gerald Laderman
Signature

Gerald Laderman
Printed Name

Senior Vice President Finance,
Procurement and Treasurer
Title

UAL-LA-1604287
Certain ***

Exhibit 12.1

United Continental Holdings, Inc. and Subsidiary Companies
Computation of Ratio of Earnings to Fixed Charges

(In millions, except ratios)	2016	2015	2014	2013	2012
Earnings (losses):					
Earnings (loss) before income taxes	$3,819	$4,219	$1,128	$ 539	$ (724)
Add (deduct):					
Fixed charges, from below	1,370	1,428	1,648	1,629	1,526
Amortization of capitalized interest	11	12	12	11	9
Distributed earnings of affiliates	1	1	1	—	—
Interest capitalized	(72)	(49)	(52)	(49)	(37)
Equity earnings in affiliates	—	(2)	(1)	(1)	(4)
Earnings as adjusted	$5,129	$5,609	$2,736	$2,129	$ 770
Fixed charges:					
Interest expense	$ 614	$ 669	$ 735	$ 783	$ 835
Portion of rent expense representative of the interest factor (a)	756	759	913	846	691
Fixed charges	$1,370	$1,428	$1,648	$1,629	$1,526
Ratio of earnings to fixed charges	3.74	3.93	1.66	1.31	(b)

(a) Imputed interest applied to rent expense
(b) Earnings were inadequate to cover fixed charges by $756 million in 2012

Exhibit 12.2

United Airlines, Inc. and Subsidiary Companies
Computation of Ratio of Earnings to Fixed Charges

(In millions, except ratios)	2016	2015	2014	2013	2012
Earnings (losses):					
Earnings (loss) before income taxes	$3,822	$4,221	$1,110	$ 637	$(657)
Add (deduct):					
Fixed charges, from below	1,370	1,429	1,655	1,627	1,514
Amortization of capitalized interest	11	12	12	11	9
Distributed earnings of affiliates	1	1	1	—	—
Interest capitalized	(72)	(49)	(52)	(49)	(37)
Equity earnings in affiliates	—	(2)	(1)	(1)	(4)
Earnings as adjusted	$5,132	$5,612	$2,725	$2,225	$ 825
Fixed charges:					
Interest expense	$ 614	$ 670	$ 742	$ 781	$ 823
Portion of rent expense representative of the interest factor (a)	756	759	913	846	691
Fixed charges	$1,370	$1,429	$1,655	$1,627	$1,514
Ratio of earnings to fixed charges	3.75	3.93	1.65	1.37	(b)

(a) Imputed interest applied to rent expense.
(b) Earnings were inadequate to cover fixed charges by $689 million in 2012.

Exhibit 21

United Continental Holdings, Inc. and United Airlines, Inc. Subsidiaries
(as of February 23, 2017)

Entity	Jurisdiction of Incorporation
United Continental Holdings, Inc	Delaware
***Wholly-owned subsidiaries* * :**	
United Airlines, Inc	Delaware
• Air Wis Services, Inc.	Wisconsin
• Air Wisconsin, Inc.	Delaware
• Domicile Management Services, Inc. **	Delaware
• Air Micronesia, Inc.	Delaware
• Continental Micronesia, Inc.	Delaware
• CAL Cargo, S.A. de C.V.**	Mexico
• CALFINCO Inc	Delaware
• Century Casualty Company	Vermont
• Continental Airlines de Mexico, S.A.**	Mexico
• Continental Airlines Domain Name Limited	England
• Continental Airlines Finance Trust II	Delaware
• Continental Airlines Fuel Purchasing Group, LLC	Delaware
• Continental Airlines, Inc. Supplemental Retirement	
• Plan for Pilots Trust Agreement	Delaware
• Continental Airlines Purchasing Holdings LLC	Delaware
• Continental Airlines Purchasing Services LLC**	Delaware
• Continental Express, Inc	Delaware
• Covia LLC	Delaware
• Mileage Plus Holdings, LLC	Delaware
• MPH I, Inc.	Delaware
• Mileage Plus Marketing, Inc.	Delaware
• Mileage Plus, Inc.	Delaware
• Presidents Club of Guam, Inc.	Delaware
• UABSPL Holdings, Inc.	Delaware
• UAL Benefits Management, Inc.	Delaware
• United Aviation Fuels Corporation	Delaware
• United Airlines Business Private Services Limited**	India
• United Ground Express, Inc.	Delaware
• United Vacations, Inc	Delaware

* *Subsidiaries of United Continental Holdings, Inc are wholly owned unless otherwise indicated*

** *Domicile Management Services Inc. is 99.9% owned by Air Wis Services, Inc. and 0.1% owned by United Airlines, Inc. CAL Cargo, S.A. de C.V. is 99.99% owned by United Airlines, Inc and .01% owned by CALFINCO Inc. Continental Airlines de Mexico, S.A. is 99.9997% owned by United Airlines, Inc. and .0003% owned by private entities. Continental Airlines Purchasing Services LLC is 99% owned by Continental Airlines Purchasing Holdings LLC and 1% owned by United Airlines, Inc. United Airlines Business Private Services Limited is 99.99% owned by United Airlines, Inc. and 0.01% owned by David Kinzelman, on behalf of United Airlines, Inc*

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 No. 333-203630),

(2) Registration Statement (Form S-4 No. 333-167801),

(3) Registration Statement (Form S-8 No. 333-197815),

(4) Registration Statement (Form S-8 No. 333-151778),

(5) Registration Statement (Form S-8 No. 333-131434),

of our reports dated February 23, 2017, with respect to the consolidated financial statements and schedule of United Continental Holdings, Inc. and the effectiveness of internal control over financial reporting of United Continental Holdings, Inc., included in this Annual Report (Form 10-K) of United Continental Holdings, Inc. for the year ended December 31, 2016.

/s/ Ernst & Young LLP

Chicago, Illinois
February 23, 2017

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Form S-3 No 333-203630-1) of our report dated February 23, 2017, with respect to the consolidated financial statements and schedule of United Airlines, Inc., included in this Annual Report (Form 10-K) of United Airlines, Inc. for the year ended December 31, 2016.

/s/ Ernst & Young LLP

Chicago, Illinois
February 23, 2017

Exhibit 31.1

Certification of the Principal Executive Officer
Pursuant to 15 U.S.C. 78m(a) or 78o(d)
(Section 302 of the Sarbanes-Oxley Act of 2002)

I, Oscar Munoz, certify that:

(1) I have reviewed this annual report on Form 10-K for the period ended December 31, 2016 of United Continental Holdings, Inc. (the "Company");

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

(4) The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

(5) The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting

/s/ Oscar Munoz

Oscar Munoz
Chief Executive Officer

Date February 23, 2017

Exhibit 31.2

Certification of the Principal Financial Officer
Pursuant to 15 U.S.C 78m(a) or 78o(d)
(Section 302 of the Sarbanes-Oxley Act of 2002)

I, Andrew C. Levy, certify that:

(1) I have reviewed this annual report on Form 10-K for the period ended December 31, 2016 of United Continental Holdings, Inc (the "Company");

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

(4) The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles,

(c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

(5) The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

/s/ Andrew C. Levy

Andrew C. Levy
Executive Vice President and Chief
Financial Officer

Date: February 23, 2017

Exhibit 31.3

Certification of the Principal Executive Officer
Pursuant to 15 U.S.C. 78m(a) or 78o(d)
(Section 302 of the Sarbanes-Oxley Act of 2002)

I, Oscar Munoz, certify that:

(1) I have reviewed this annual report on Form 10-K for the period ended December 31, 2016 of United Airlines, Inc. (the "Company");

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

(4) The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

(5) The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting

/s/ Oscar Munoz

Oscar Munoz
Chief Executive Officer

Date: February 23, 2017

Exhibit 31.4

Certification of the Principal Financial Officer
Pursuant to 15 U S C. 78m(a) or 78o(d)
(Section 302 of the Sarbanes-Oxley Act of 2002)

I, Andrew C. Levy, certify that:

(1) I have reviewed this annual report on Form 10-K for the period ended December 31, 2016 of United Airlines, Inc. (the "Company");

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

(4) The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting, and

(5) The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information, and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting

/s/ Andrew C. Levy
Andrew C. Levy
Executive Vice President and Chief Financial Officer

Date: February 23, 2017

Exhibit 32.1

Certification of United Continental Holdings, Inc
Pursuant to 18 U.S.C. 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)

Each undersigned officer certifies that to the best of his knowledge based on a review of the annual report on Form 10-K for the period ended December 31, 2016 of United Continental Holdings, Inc. (the "Report"):

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of United Continental Holdings, Inc.

Date. February 23, 2017

/s/ Oscar Munoz

Oscar Munoz
Chief Executive Officer

/s/ Andrew C. Levy

Andrew C. Levy
Executive Vice President and Chief Financial Officer

Exhibit 32.2

Certification of United Airlines, Inc
Pursuant to 18 U.S.C. 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)

Each undersigned officer certifies that to the best of his knowledge based on a review of the annual report on Form 10-K for the period ended December 31, 2016 of United Airlines, Inc. (the "Report")

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of United Airlines, Inc.

Date: February 23, 2017

/s/ Oscar Munoz
Oscar Munoz
Chief Executive Officer

/s/ Andrew C. Levy
Andrew C. Levy
Executive Vice President and Chief Financial Officer

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

☐ Preliminary Proxy Statement

☐ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

☒ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material under §240.14a-12

United Continental Holdings, Inc.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

☐ Fee paid previously with preliminary materials.

☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

UNITED CONTINENTAL HOLDINGS, INC.

April 21, 2017

Dear Stockholder:

On behalf of our Board of Directors, we are pleased to invite you to the 2017 Annual Meeting of Stockholders of United Continental Holdings, Inc. (the "Company"), to be held on May 24, 2017. A notice of the 2017 Annual Meeting and proxy statement follows. Please read the enclosed information and our 2016 Annual Report carefully before voting your proxy.

Your vote is important. Even if you plan to attend the Annual Meeting in person, please authorize your proxy or direct your vote by following the instructions on each of your voting options described in the proxy statement. You may vote your shares by Internet, telephone or mail pursuant to the instructions included on the proxy card or voting instruction card. We encourage you to use the first option and vote by Internet.

Thank you for your continued support of United. We look forward to seeing you at the 2017 Annual Meeting.

Sincerely,

Oscar Munoz
Chief Executive Officer

UNITED CONTINENTAL HOLDINGS, INC.

233 South Wacker Drive
Chicago, Illinois 60606

NOTICE OF 2017 ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD MAY 24, 2017

DATE	Wednesday, May 24, 2017
TIME	9:30 a.m., Central Time
PLACE	Willis Tower 233 South Wacker Drive Chicago, Illinois 60606
RECORD DATE	March 29, 2017

MATTERS TO BE VOTED ON:

1. Election of nominees to the Board of Directors, as follows:
   - Thirteen directors, to be elected by the holders of Common Stock;
   - One ALPA director, to be elected by the holder of Class Pilot MEC Junior Preferred Stock; and
   - One IAM director, to be elected by the holder of Class IAM Junior Preferred Stock.
2. Ratification of the appointment of Ernst & Young LLP as the independent registered public accounting firm of the Company and its subsidiaries for the fiscal year ending December 31, 2017.
3. An advisory vote to approve the compensation of the Company's named executive officers as presented in the proxy statement.
4. An advisory vote to approve the frequency of future advisory votes on the compensation of the Company's named executive officers.
5. Approval of the United Continental Holdings, Inc. 2017 Incentive Compensation Plan.
6. Any other matters that may be properly brought before the Annual Meeting.

Jennifer L. Kraft
Deputy General Counsel and Secretary

Chicago, Illinois
April 21, 2017

Even if you plan to attend the Annual Meeting in person, *please authorize your proxy or direct your vote as promptly as possible*. You may vote your shares by Internet, telephone or mail pursuant to the instructions included on the proxy card or voting instruction card. If you mail the proxy or voting instruction card using the envelope provided, no postage is required if mailed in the United States. If you attend the Annual Meeting in person and want to withdraw your proxy, you may do so as described in the attached proxy statement and vote in person on all matters properly brought before the Annual Meeting.

You can find detailed information regarding voting in the section entitled "General Information" in the attached proxy statement.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 24, 2017. The Company's Notice of Annual Meeting, Proxy Statement and 2016 Annual Report to Stockholders are available on the Internet at *http://www.envisionreports.com/ual*

PROXY STATEMENT

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UNITED CONTINENTAL HOLDINGS, INC.

233 South Wacker Drive
Chicago, Illinois 60606

PROXY STATEMENT
2017 ANNUAL MEETING OF STOCKHOLDERS
To Be Held May 24, 2017

GENERAL INFORMATION

Purpose, Place, Date and Time

This proxy statement is furnished to you by the Board of Directors (the "Board") in connection with the solicitation of your proxy to be voted at the 2017 annual meeting of stockholders of United Continental Holdings, Inc., which we refer to as the "Annual Meeting," to be held on Wednesday, May 24, 2017 at 9:00 a.m. Central Time, at the Willis Tower, 233 South Wacker Drive, Chicago, Illinois 60606. This proxy statement and the accompanying proxy card are being made available to you on approximately April 21, 2017.

In this proxy statement, the terms "we," "our," "us," "UAL" and the "Company" refer to United Continental Holdings, Inc.

Householding

The rules of the SEC allow us to deliver a single set of proxy materials and annual reports to one address shared by two or more of our stockholders. This delivery method is referred to as "householding" and can result in significant cost savings. To take advantage of this opportunity, we have delivered only one set of proxy materials and annual report to multiple stockholders who share an address, unless we have received different instructions from the impacted stockholders prior to the record date. We agree to deliver promptly, upon written or oral request, a separate set of proxy materials and annual reports as requested to any stockholder at a shared address to which a single copy of these documents was delivered. If you prefer to receive separate copies of the Annual Meeting materials, contact Broadridge Financial Solutions, Inc. ("Broadridge") by telephone at (800) 579-1639 or in writing at Broadridge, Householding Department, 51 Mercedes Way, Edgewood, New York 11717.

If you are currently a stockholder sharing an address with another stockholder and are receiving multiple copies of our proxy materials and wish to receive only one copy of future proxy materials and annual reports for your household, please contact Broadridge at the above telephone number or address.

Voting Rights and Proxy Information

Who is entitled to vote?

If you are a stockholder with shares of our voting stock, including our common stock ($0.01 par value per share) ("Common Stock"), registered in your name with Computershare Investor Services ("Computershare"), the Company's transfer agent, you are considered a "stockholder of record." Stockholders of record as of the close of business on March 29, 2017, which is known as the "record date" for the Annual Meeting, are entitled to notice of and to vote at the Annual Meeting or any adjournments or postponements thereof.

The following chart shows the number of shares of each class of our voting stock outstanding as of the record date, the number of record holders of each class as of the record date entitled to vote at the Annual Meeting, the votes per share for each class for all matters on which the shares vote, and the directors each class is entitled to elect. The aggregate number of votes to which a class is entitled is equal to the number of shares outstanding of such class.

Title of Class	Shares Outstanding	Holders of Record(a)	Votes per Share	Voting for Directors
Common Stock	31[illegible]318,[illegible]9	7,86[illegible]	1	Class elects 3 directors
Class Pilot MEC Junior Preferred Stock	1	1	1	Class elects 1 director
Class IAM Junior Preferred Stock	1	1	1	Class elects 1 director

(a) The holder of record of Class Pilot MEC Junior Preferred Stock is the United Airlines Pilots Master Executive Council of Air Line Pilots Association International ("ALPA"). The holder of record of Class IAM Junior Preferred Stock is the International Association of Machinists and Aerospace Workers ("IAM").

How do I vote if I am a stockholder of record?

If you are a stockholder of record that holds shares as of the record date, you have three options for delivering your proxy to vote your shares:

- *Vote by Internet*

You can vote via the Internet by logging onto *http://www.envisionreports.com/ual* and following the prompts using the control number located on your proxy card. This vote will be counted immediately, and there is no need to mail your proxy card.

- *Vote by Telephone*

To use the telephone voting procedure, dial (800) 652-8683 and listen for further directions. You must use a touch-tone telephone in order to respond to the questions. This vote will be counted immediately, and there is no need to mail your proxy card.

- *Vote by Mail*

Shares eligible to be voted, and for which a properly signed proxy card is returned, will be voted in accordance with the instructions specified on the proxy card.

Proxies submitted by Internet or telephone must be received by 11:59 p.m., Central Time, on Tuesday, May 23, 2017, the day before the Annual Meeting.

Even if you have submitted a proxy before the Annual Meeting, you may still attend the Annual Meeting and vote in person. If you vote in person at the Annual Meeting, your previously submitted proxy will be disregarded, but simply attending the Annual Meeting will not revoke a previously submitted proxy. See "Can I attend the Annual Meeting?" below for information regarding how to attend the Annual Meeting.

We encourage you to vote by Internet as instructed on the proxy card.

How are my shares voted if I do not indicate how to vote on the proxy card?

If we receive a signed and dated proxy card and the proxy card does not specify how your shares are to be voted, your shares will be voted in accordance with the recommendations of the Board, including FOR the election of each of the nominees for director (Proposal No. 1), FOR the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting.

for the fiscal year ending December 31, 2017 (Proposal No. 2), FOR the advisory vote to approve the compensation of the Company's named executive officers (Proposal No. 3), ONE YEAR on the advisory vote to approve the frequency of future advisory votes on the compensation of the Company's named executive officers (Proposal No. 4) and FOR the approval of the United Continental Holdings, Inc. 2017 Incentive Compensation Plan (Proposal No. 5).

How do I vote if I hold my shares through an account at a broker, bank, trust or other nominee?

If you hold your shares in an account at a broker, bank, trust or other nominee, you are considered the "beneficial owner" of shares held in "street name," and you should have received a voting instruction card and any voting instructions with these proxy materials from that organization rather than from us. To ensure that your vote is counted, follow the directions set forth on the voting instruction card and the voting instructions that you receive. To vote in person at the Annual Meeting, you must obtain a legal proxy from your broker, bank, trust or other nominee. Follow the instructions from your broker, bank, trust or other nominee included with the proxy materials, or contact your broker, bank, trust or other nominee to request a legal proxy.

How do I vote my shares if I participate in one of the United 401(k) plans?

If you hold shares in an account under the United Airlines 401(k) Savings Plan or the United Airlines Flight Attendant 401(k) Plan (each a "Plan," and collectively, the "United 401(k) Plans"), Computershare is sending you the Company's proxy materials electronically, including the voting instruction card. You may direct the trustee of the United 401(k) Plans, Fidelity Trust Company, N.A., on how to vote your Plan shares by directing the voting of your Plan shares by Internet, telephone or mail pursuant to the instructions included on the proxy card. Please note that, in order to permit the trustee for the United 401(k) Plans to fully and vote all of the shares of Common Stock held in the United 401(k) Plans, your instructions, whether by Internet, telephone or proxy card, must be completed and received prior to 8:00 a.m. Central Time on Monday, May 22, 2017. You may not change your vote related to such Plan shares after this deadline.

If you do not provide voting instructions to the trustee, your Plan shares will be voted by the trustee in the same proportion that it votes shares in the Plan as to which it did receive timely voting instructions. The proportional voting policy is detailed under the terms of each Plan and trust agreement.

What does it mean if I receive more than one set of proxy materials?

If you receive more than one set of proxy materials, your shares are registered in more than one name or are registered in different accounts. In order to vote all of the shares that you own, you must execute, sign and return all of the proxy cards or follow the instructions for any alternative voting procedure on each of the proxy cards that you receive.

Who counts the votes?

Representatives of Computershare will tabulate the votes and act as inspectors of election at the Annual Meeting.

How is a quorum determined?

A quorum is necessary for conducting a valid Annual Meeting. The presence in person or represented by proxy of the holders of outstanding shares representing at least a majority of the total voting power entitled to vote at the Annual Meeting is necessary to constitute a quorum at the Annual Meeting. Where a separate vote of a class or series of stock is required, the presence in person or represented by proxy of the holders of outstanding shares representing at least a majority of the total

voting power of all outstanding shares of such class or series is necessary to constitute a quorum thereof entitled to take action with respect to such separate vote.

What are "broker non-votes"?

Under the rules of the New York Stock Exchange ("NYSE") brokers, banks, trusts or other nominees holding shares on behalf of a beneficial owner may vote those shares in their discretion on certain "routine" matters even if they do not receive timely voting instructions from the beneficial owner. With respect to "non-routine" matters, the broker, bank, trust or other nominee is not permitted to vote shares for a beneficial owner without timely received voting instructions.

A broker non-vote occurs when a beneficial owner of shares held by a broker, bank, trust or other nominee fails to provide the record holder with specific instructions concerning how to vote on any "non-routine" matters brought to a vote at a stockholders meeting. At the Annual Meeting, brokers will have discretionary authority to vote shares on the ratification of the appointment of the independent registered public accounting firm (Proposal No. 2), which is the only "routine" matter presented at the Annual Meeting. If brokers exercise this discretionary voting authority on Proposal No. 2, such shares will be considered present at the Annual Meeting for quorum purposes and broker non-votes will occur as to each of the other proposals presented at the Annual Meeting (Proposal Nos. 1, 3, 4 and 5), which are considered "non-routine".

How are abstentions and broker non-votes treated for quorum purposes, and how do they impact the voting results?

Abstentions are counted for purposes of determining whether a quorum is present. Abstentions will have the effect of a vote against the matters presented for a vote of the stockholders other than the election of directors and the advisory vote to approve the frequency of future advisory votes on the compensation of the Company's named executive officers. Abstentions have no effect with respect to the election of directors or the advisory vote to approve the frequency of future advisory votes on the compensation of the Company's named executive officers (Proposal Nos. 1 and 4).

As explained above under "What are 'broker non-votes'?," if brokers exercise their discretionary voting authority on Proposal No. 2, such shares will be considered present at the meeting for quorum purposes and broker non-votes will occur as to each of the other proposals presented at the meeting (Proposal Nos. 1, 3, 4 and 5), which are considered "non-routine". Broker non-votes will have no impact on the voting results on the election of directors (Proposal No. 1), the advisory vote to approve the compensation of the Company's named executive officers (Proposal No. 3), the advisory vote to approve the frequency of future advisory votes on the compensation of the Company's named executive officers (Proposal No. 4) and the approval of the United Commercial Holdings, Inc. 2017 Incentive Compensation Plan (Proposal No. 5).

If you are a beneficial owner of shares held by a broker, bank, trust or other nominee holding shares on your behalf, we urge you to submit your voting instructions to your broker, bank, trust or other nominee in advance of the Annual Meeting. Please see "How do I vote if I hold my shares through an account at a broker, bank, trust or other nominee?" above for a discussion of the procedures.

What classes of stock vote on each proposal, and what is the vote required?

The holders of Common Stock, Class Pilot MFC Junior Preferred Stock and Class JAM Junior Preferred Stock will vote together as a single class on all proposals presented at the Annual Meeting other than the election of directors (Proposal No.

Election of Directors (Proposal No. 1)

Each director will be elected by vote of a majority of the votes cast with respect to that director's election (the "majority voting standard"). For purposes of the election of directors, "majority of the votes cast" means that the number of shares voted FOR a director exceeds the number of shares voted AGAINST that director (with abstentions and broker non-votes not counted as a vote cast either FOR or AGAINST that director's election). A nominee director who is not elected in an election in which majority voting applies is required to tender his or her resignation promptly following certification of the stockholders' vote. The Nominating/Governance Committee will then consider the tendered resignation and recommend to the Board whether to accept or reject the resignation offer, or whether other action should be taken. The Board is expected to act on the recommendation within 120 days following certification of the stockholders' vote and will promptly disclose its decision regarding whether to accept the director's resignation offer. The director who tenders his or her resignation will not participate in the recommendation of the Nominating/Governance Committee or the decision of the Board with respect to his or her resignation.

Proposal Nos. 2, 3 and 5

The affirmative vote of a majority in voting power of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote on the matter will be required to approve the ratification of the appointment of the independent registered public accounting firm (Proposal No. 2), the advisory vote to approve the compensation of the Company's named executive officers (Proposal No. 3) and the approval of the United Continental Holdings, Inc. 2017 Incentive Compensation Plan (Proposal No. 5).

Proposal No. 4

The option of one year, two years or three years that receives the highest number of votes cast by stockholders will be considered by the Board as the stockholders' recommendation as to the frequency of future advisory votes on the compensation of the Company's named executive officers.

How does the proxy voting process work?

If you vote using the Internet or telephone procedures specified in the proxy card or your proxy card is properly signed, dated and returned to us, the proxy will be voted at the Annual Meeting in accordance with the instructions indicated by you or if there are no such instructions, then in accordance with the recommendations of the Board.

If a quorum is not present at the time the Annual Meeting is convened, for any particular matter or for any other reason, we believe that adjournments should be allowed for the solicitation of proxies. We may adjourn the Annual Meeting with the vote of the stockholders then present.

How do I revoke a proxy?

Any proxy may be revoked by the person giving it at any time before it is voted, except [illegible] (as described above with respect to shares held in the United Airlines 401(k) Plan, as certain). A proxy may be revoked by a later proxy delivered using the Internet or telephone voting procedures or by written notice mailed to the Secretary prior to the Annual Meeting. If you hold your shares through a broker, bank, trust or other nominee, you should follow their instructions as to how you can revoke a proxy. Attendance at the Annual Meeting will not automatically revoke a proxy, but a holder of Common Stock who is in attendance and entitled to vote at the Annual Meeting may request a ballot and vote in person, which will revoke a previously granted proxy.

How are proxies being solicited and who pays solicitation expenses?

Proxies are being solicited by the Board on behalf of the Company. All expenses of this solicitation, including the cost of preparing and mailing this proxy statement, will be borne by us. Arrangements will also be made with custodians, nominees and fiduciaries for forwarding of proxy solicitation material to beneficial owners of Common Stock held of record, and we may reimburse them for reasonable expenses. In addition to mailing proxy materials, our proxy materials will also be available over the Internet, and directors, officers and employees may also solicit proxies in person by telephone or by other means of communication. These individuals will not be additionally compensated, but may be reimbursed for out-of-pocket expenses incurred in connection with solicitation. To help assure the presence in person or representation by proxy of the largest number of stockholders possible, we have engaged Georgeson LLC ("Georgeson") a proxy solicitation firm, to solicit proxies on our behalf. We are paying Georgeson a proxy solicitation fee of $13,500 plus reasonable out-of-pocket costs and expenses.

Can I attend the Annual Meeting?

Admittance is limited to stockholders of the Company. The following procedures have been adopted to ensure that the Company's stockholders can check in efficiently when entering the Annual Meeting:

Stockholders of Record

If you are a stockholder of record on March 29, 2017 (the record date), you (or your duly appointed proxy holder) are entitled to attend the Annual Meeting. If you are a stockholder of record (as you own shares through a Plan), there is an admission ticket attached to your proxy card. You will be asked to present the admission ticket and valid photo identification to obtain admittance to the Annual Meeting.

If you are a record holder (or a record holder's duly appointed proxy) and you do not have an admission ticket with you to the Annual Meeting, you will be admitted upon verification of ownership at the stockholders' registration desk. Please be prepared to present valid picture identification.

Beneficial Owners

If you are a beneficial owner of Common Stock as of March 29, 2017, you may obtain admittance of the stockholder's registration desk by presenting evidence of your Common Stock ownership. This evidence could be a legal proxy from the financial firm of the record holder of your shares, or your most recent account statement from your broker, bank, trust or other nominee that includes the record date, along with valid photo identification. Please note that in order to vote at the Annual Meeting, beneficial owners must present the legal proxy from the record holder.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

[illegible]

[illegible]

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF THE NOMINEES NAMED BELOW, WHICH IS DESIGNATED AS PROPOSAL NO. 1.

Director Qualifications

[illegible]

Directors to be Elected by the Holders of Common Stock

[illegible]

Nominee		(1) Business Experience (2) Public Company and Registered Investment Company Directorships (3) Experience and Qualifications	Age	Director Since
Carolyn Corvi	(1)	Retired Vice President and General Manager, Airplane Programs, Commercial Airplanes of Boeing Commercial Airplanes (commercial jet aircraft services), of The Boeing Company ("Boeing") (2008-2008). Various other positions with Boeing for 34 years, including Vice President and General Manager of 737/757 Programs, Vice President of Aircraft Systems and Interiors, Vice President of the Propulsion Systems Division, Director of Quality Assurance for the Fabrication Division and Director of Program Management for 737/757 Programs.	65	2010
	(2)	Directors—Allegheny Technologies Inc. (2012-present), Hyster-Yale Materials Handling, Inc. (2012-present), Goodrich Corporation (2009-2012), Continental Airlines, Inc. ("Continental") (2009-2010).		
	(3)	Ms. Corvi provides extensive management expertise to the Board, having served in key management and operational oversight roles for Boeing during her 34 years of service. She also brings an expertise with respect to the manufacturing of commercial aircraft which she developed through her management of commercial airplane production for Boeing as Vice President and General Manager, Airplane Programs, Commercial Airplanes, Vice President and General Manager of 737/757 Programs, Vice President of Aircraft Systems and Interiors, Vice President of the Propulsion Systems Division, and in the other positions indicated above. Ms. Corvi brings experience to the audit committee function of the Board through her previous service on the Audit Committees of Continental and Goodrich Corporation and her current service on the Audit Committees of Allegheny Technologies Inc. and Hyster-Yale Materials Handling, Inc. Her service on the Continental board of directors provided her with valuable experience in the airline industry.		
Jack C. Garvey	(1)	Chairman of Meridian North America (infrastructure development fund) (2009-present), Vice President of U.S. Public Private Partnerships to Transportation at JPMorgan Chase (global financial services firm) (2008-2009), Executive Vice President and Chairman of Transportation Practice of APCO Worldwide (public affairs and strategic communications consulting firm) (2005-2008).	73	2009
	(2)	Directors—Bombardier Inc. (2007-2008), Skanska (2007-2008).		

Nominee	(1) Business Experience (2) Public Company and Registered Investment Company Directorships (3) Experience and Qualifications	Year	Director Since
	(3) Ms. Garvey brings extensive management oversight experience to the Board as Chairman of Meridiam North America. She also provides various leadership experience and knowledge of the airline industry from her past role as administrator of the Federal Aviation Administration ("FAA") where she was the first administrator to serve a five-year term and as the recipient of the National Air Transportation Association's Distinguished Service Award. Through her various professional responsibilities, Ms. Garvey has also gained experience in a broad range of industries, including infrastructure development, financial services, transportation, construction and consulting.		
Barney Harford	(1) Chief Executive Officer of Orbitz Worldwide, Inc. (online travel company) (2009-2015), multiple roles at Expedia, Inc. (online travel company) (1999-2006), including President of Expedia Asia Pacific (2004-2006) (2) Director—Orbitz Worldwide, Inc. (2009-2015), eLong, Inc. (2001-2008) (3) Mr. Harford brings travel industry and ecommerce insight, combined with a successful track record deploying large technology teams, having served as Chief Executive Officer of Orbitz Worldwide, Inc. He also provides experience with international markets in particular the Asia Pacific region, having led Expedia's entry into China, Australia and Japan. He serves as Non-Executive Chairman of the board of directors of Lola, the mobile food booking service that provides personalized and curated hotel recommendations (2015 present), and as a director of FreshPlanet, Inc. in online project management software company (2007-present). He previously served as a director of Globalfinglish Corporation (2008-2011) and Crystal Orange Hotel Group (formerly Mandarin Holdings) (2009-2012).	45	2016
Walter Isaacson	(1) President and Chief Executive Officer of the Aspen Institute (international education and leadership institute) (2003-present) Chairman and Chief Executive Officer of CNN (2001-2003). (2) Chairman—CNN (July 2001-January 2003)	61	2006

Nominee	(1) Business Experience (2) Public Company and Registered Investment Company Directorships (3) Experience and Qualifications	Age	Director Since
	(3) Mr. Isaacson provides valuable business operations expertise and extensive management knowledge, having served as President and Chief Executive Officer of The Aspen Institute. Prior to that position, he gained leadership experience and strategic development and implementation skills as Chairman and Chief Executive Officer of CNN. Mr. Isaacson has also served as the editor of *Time* Magazine. In 2009, Mr. Isaacson was appointed by President Obama to be Chairman of the Broadcasting Board of Governors, which runs international broadcasts for the U.S. government. He served in this role until January 2012. Through his various professional positions, Mr. Isaacson has gained experience in a broad range of industries, including education, economics, communications and broadcasting.		
James A. C. Kennedy	(1) President and Chief Executive Officer of T. Rowe Price Group, Inc. ("T. Rowe Price") (global investment management organization) (2007-2015) (2) Director of T. Rowe Price (1996-April 2016). (3) Mr. Kennedy brings to the Board a stockholder's perspective and his expertise in management and finance, particularly as result of his tenure as President and Chief Executive Officer of T. Rowe Price, a global investment management organization which provides mutual fund, sub-advisory and institutional asset management. Prior to his appointment as President and Chief Executive Officer of T. Rowe Price, Mr. Kennedy served in roles of increasing responsibility since 1978, including equity analysis, Director of Equity Research as of 1987, and Head of U.S. Equities (1997-2006). Mr. Kennedy also brings executive compensation experience to the Board, having served as the Chairman of the Management Compensation Committee at T. Rowe Price for nine years.	63	2016
Robert A. Milton	(1) Chairman and Chief Executive Officer of ACE Aviation Holdings Inc. (holding company for Air Canada and other aviation interests) (2011-2012); Chairman, President and Chief Executive Officer of ACE Aviation Holdings Inc. (2001-2011); Chairman of Air Canada (2004-2007); President and Chief Executive Officer of Air Canada (1999-2004); Executive Vice-President and Chief Operating Officer of Air Canada (1996-1999); Chairman of the Board of Governors of IATA (The International Air Transport Association) (2005-2006).	[illegible]	2016

Name		(1) Business Experience (2) Public Company and Registered Investment Company Directorships (3) Experience and Qualifications	Age	Director Since
	(2)	Lead Director – Air Lease Corporation (2010-present); Air Asia Berhad (June 2013-June 2015); Director – Hi Airway, Inc. (2005-2006)		
	(3)	Mr. Milton brings extensive airline industry experience to the Board providing deep industry experience in management and operations relevant to the Company. Mr. Milton has spent his entire career in the airline industry, most recently as Chairman and Chief Executive Officer of ACE Aviation Holdings Inc. and previously as Chairman, President and Chief Executive Officer of Air Canada. Having joined Air Canada in 1997 in a consulting capacity, Mr. Milton also held previous roles including Senior Director of Scheduling, Vice President, Scheduling and Product Management, Senior Vice President, Marketing and In-Flight Service and Executive Vice President and Chief Operating Officer. Further, Mr. Milton brings corporate governance expertise to the Board having served as the lead independent director of Air Lease Corporation since 2010. Mr. Milton also brings executive compensation experience and financial expertise to the Board, enhanced by his service on the Audit and Compensation Committees of Air Lease Corporation.		
Oscar Munoz	(1)	Chief Executive Officer of the Company (Sept. 2015-present); President of the Company (Sept. 2015-Aug. 2016); President and Chief Operating Officer of CSX Corporation ("CSX") (railroad and intermodal transportation services company) (Feb. 2015-Sept. 2015); Executive Vice President and Chief Operating Officer of CSX (2012-2015); Executive Vice President and Chief Financial Officer of CSX (2005-2012)	58	2016
	(2)	Director – CSX (Feb. 2015-Sept. 2015); Continental (2004-2010)		

Nominee	(1) Business Experience (2) Public Company and Registered Investment Company Directorships (3) Experience and Qualifications	Age	Director Since
	(1) Mr. Munoz provides valuable expertise in management, finance, accounting and trading to the Board. He developed this expertise during his more than 25 years of service prior to joining the Company in key executive positions within the telecommunications, beverage and transportation industries. As our Chief Executive Officer, Mr. Munoz is responsible for and has extensive familiarity with the Company's origin, operations and management's efforts to implement the strategic priorities identified by the Board. Mr. Munoz is uniquely suited to inform the Board with respect to these matters. Prior to joining the Company, Mr. Munoz served as the President and Chief Operating Officer of CSX from February 2015 until September 2015, with responsibility for managerial aspects of CSX's operations across its 2,000-mile network, including transportation, service design, customer service, engineering, mechanical and technology. In this role, Mr. Munoz also oversaw sales and marketing, human resources and information technology. Immediately prior to this role, Mr. Munoz served as Executive Vice President and Chief Operating Officer of CSX. Mr. Munoz also previously served as Executive Vice President and Chief Financial Officer of CSX with responsibility for management and oversight of all financial strategy, planning, information technology, purchasing and real estate activities of CSX. In addition, he developed extensive experience in the airline industry during his six years of service on the Continental Board of Directors.	[illegible]	[illegible]
William R. Nuti	(1) Chairman and Chief Executive Officer of NCR Corporation (global technology) (2007-present). President of NCR Corporation (2007-September 2016). Chief Executive Officer and President of NCR Corporation (2005-2007) (2) Director of NCR Corporation (2005-present), Coach, Inc. (2011-present). Sprint Nextel Corporation (2008-2013)	[illegible]	[illegible]

Nominee	(1) Business Experience (2) Public Company and Registered Investment Company Directorships (3) Experience and Qualifications	Age	Director Since
	(3) Mr. Nuti provides the Board with valuable experience in management finance and technology, developed during his years of service in the technology industry. Mr. Nuti has extensive experience in key management and operational oversight roles, including serving as Chairman, Chief Executive Officer and President of NCR Corporation and President, Chief Executive Officer and Chief Operating Officer of Symbol Technologies. Mr. Nuti also brings to the Board the perspective of an active chief executive officer with primary responsibility for the oversight of all aspects of a public-traded, global technology company with international operations. Mr. Nuti also brings executive compensation and financial experience to the Board, enhanced by his service on the Compensation Committee of Coach, Inc., having previously served on its Audit Committee and having served on the Compensation and Finance Committees of Sprint Nextel Corporation.		
Edward M. Philip	(1) Chief Operating Officer of Evolution Health (non-profit healthcare organization) (Jan. 2012-present); Special Partner of Highland Consumer Fund (consumer-oriented investment fund) (2013-present); Managing General Partner of Highland Consumer Fund (2005-2013); President and Chief Executive Officer of Evolution Metrix Group (management consulting firm) (2001-2005); Senior Vice President of Terra Networks, S.A. (Spanish-based multinational company) (Oct. 2000-Jan. 2004). (2) Director of Evolution, Inc. (2012-present); FRP Inc. (2005-present); Trepanier, Inc. (Jun. 2011-Dec. 2014). (3) Mr. Philip brings to the Board nearly three decades of leadership across the technology, health care and financial services sectors. Mr. Philip was also one of the founding members of the internet search company Lycos, Inc. During his tenure with Lycos, Mr. Philip held the positions of President, Chief Operating Officer and Chief Financial Officer and Herein Chief. Prior to joining Lycos, he spent time as the Vice President of Finance for The Walt Disney Company and a number of years in investment banking.	31	2016

Nominee		Business Experience (2) Public Company and Registered Investment Company Directorships SEI Partners Fund Qualifications	Age	Director Since
Edward L. Shapiro	(1)	Retired Managing Partner of PAR (investment management firm) since December 31, 2016; retirement follows a leave of absence from PAR upon joining the Board in April 2016 which continued until his retirement; has up to roles at PAR, including Managing Partner (2011-April 25, 2016), Partner (1999-2013) and Portfolio Manager at PAR (1997-April 25, 2016);	52	2016
	(2)	Chairman of Global Eagle Entertainment, Inc. (2015-present); Director of LodgeNet Interactive Corporation (2010-2017); US Airways (2005-2008);		
	(3)	Mr. Shapiro brings to the Board financial expertise and a investor's perspective having served in various capacities at PAR, an investment management firm specializing in investments in travel, media and Internet-related companies. From 1997 to present, Mr. Shapiro serves as Chairman of Global Eagle Entertainment, Inc., a provider of a wide range of connectivity solutions, including portable entertainment solutions. He also formerly served as Chairman of the Board of Directors of Lantexis Corporation, an in-seat in-flight entertainment company, and as a member of the board of directors of Sorrell Solutions (formerly LodgeNet Interactive Corporation).		
Laurence E. Simmons	(1)	Chairman of SCI Partners (private equity investment management) (1989-present);	70	2010
	(2)	Director of SEI Recreation (2005-Sept. 2016); Continental (2009-2010); Outstanding Investment Fund (2008-2009);		
	(3)	Mr. Simmons provides the Board his extensive experience in finance, corporate strategic transactions and the energy industry. Mr. Simmons is the founder and Chairman of SCI Partners, a firm providing equity capital and strategic growth assistance to public energy service and equipment companies. Mr. Simmons also brings to the Board his experience in both the entire industry and the audit committee function, having served on the Boards of Directors and Audit Committees of Commonwealth and Expressed Holdings, Inc. In addition, he serves in leadership roles in a number of civic and community organizations in the Houston area, the location of one of the Company's fun airports.		

Nominee	(1) Business Experience (2) Public Company and Registered Investment Company Directorship (3) Governance and Qualifications	Age	Director Since
David J. Vitale	(1) Chief of the Lower Partnership Bank (2010-present); Chairman of Duff & Phelps Global Utility Income Fund (2011-present); DNP Select Income Fund, Inc. (2009-present); DTF Tax-Free Income Inc. (2015-present) and Duff & Phelps Utility and Corporate Bond Trust (investment companies) (2015-present); President, Chicago Board of Education (education) (2011-2015); Senior Advisor to the Chief Executive Officer of the Chicago Public Schools (education) (2007-2008); Chief Administrative Officer of the Chicago Public Schools (2003-2007)	[illegible]	2006
	(2) Director, Duff & Phelps Global Utility Income Fund (2011-present); DTF Tax-Free Income Inc. (2005-present); Duff & Phelps Utility and Corporate Bond Trust (2005-present); DNP Select Income Fund, Inc. (2006-present); Avon Science & Technology Corporation (2009-2014)		
	(3) Mr. Vitale provides valuable financial and management expertise to the Board through many years of experience in significant business roles. Mr. Vitale served as President of the Chicago Board of Education with responsibility for the governance, organizational and financial oversight of the Chicago Public Schools. Mr. Vitale has acted both as Chief Administrative Officer of the Chicago Public Schools and Senior Advisor to the Chief Executive Officer of the Chicago Public Schools, where he provided oversight for all educational departments including finance operations, human resources, technology and procurement. He brings to the Board expertise in the audit committee function having served on the Audit Committee of Avon Science & Technology Corporation. He brings additional leadership experience to the Board by serving as Chairman of Duff & Phelps Global Utility Income Fund, DNP Select Income Fund, Inc., DTF Tax-Free Income Inc. and Duff & Phelps Utility and Corporate Bond Trust (through an extensive professional role). Mr. Vitale's broad experience in a number of industries, including education, banking, financial services and investment management.		

Nominee	(1) Business Experience (2) Public Company and Registered Investment Company Directorships (3) Experience and Qualifications	Age	Director Since
James M. Whitehurst	(1) President and Chief Executive Officer of Red Hat, Inc. ("Red Hat") (2008-present), Chief Operating Officer of Delta Air Lines, Inc. ("Delta") (2005-2007), Chief Network and Planning Officer of Delta (2004-2005), Senior Vice President – Finance, Treasury and Business Development of Delta (2002-2004) (2) Director – Sect reWorks Corp. (2016-present), Red Hat (2008-present), DigitalGlobe, Inc. (2009-2016) (3) Mr. Whitehurst provides valuable business experience and addition to airline industry knowledge to the Board. Prior to Red Hat, Mr. Whitehurst spent six years at Delta, where he managed airline operations and drove significant international expansion as Chief Operating Officer. Mr. Whitehurst helped put the company back on firm footing as it emerged from bankruptcy in 2007. Before Delta, he held several corporate development leadership roles at The Boston Consulting Group with clients across a wide range of industries.	19	2016

Directors to be Elected by the Holders of Other Classes of Stock

The following classes of directors are to be elected by the holders of certain classes of our stock other than Common Stock.

THE HOLDERS OF COMMON STOCK DO NOT VOTE ON THE ELECTION OF THE FOLLOWING DIRECTORS

Each nominee serves only elected or appointed by the holder of the applicable class of our preferred stock and has served continuously as a director since the date of his first election or appointment. If a nominee unexpectedly becomes unavailable before election, or we are notified that a substitute nominee has been selected, votes will be cast pursuant to the authority granted by the proxies from the respective holders for the person who may be designated as a substitute nominee.

ALPA Directors Elected by the Holder of Class Pilot MLC Junior Preferred Stock

One director (the "ALPA director") is to be elected by the United Airlines Pilots Master Executive Council of ALPA (the "ALPA MLC"), the holder of our Class Pilot MLC Junior Preferred Stock. The

ALPA MEC has nominated and intends to elect Todd M. Insler as the ALPA director. The Board has recommended that the ALPA MEC vote FOR Mr. Insler.

Nominee	(1) Business Experience (2) Public Company and Registered Investment Company Directorships (3) Experience and Qualifications	Age	Director Since
Todd M. Insler	(1) Master Executive Council Chairman of ALPA MEC (2016-present), Captain United Boeing 767 (2015-present), Captain, Airbus A320 Aircraft (2010-2015) (2) Not applicable (3) Captain Insler provides valuable management expertise and knowledge of aviation and airline services to the Board. Captain Insler has served in key labor union management positions within ALPA, including most recently Chairman of the MEC Grievance Committee, member of the United Pilots System Board of Adjustment and member of the ALPA National Information Technology Advisory Committee. In addition, Captain Insler has served as a captain for Boeing 767 aircraft since October 2015 and previously as a captain for Airbus A320 aircraft.	48	2016

IAM Director – Elected by the Holder of Class IAM Junior Preferred Stock

One director (the "IAM director") is to be elected by the IAM, the holder of our Class IAM Junior Preferred Stock. The IAM has nominated and intends to elect Sito Pantoja as the IAM director. The Board has recommended that the IAM vote FOR Mr. Pantoja.

Nominee	(1) Business Experience (2) Public Company and Registered Investment Company Directorships (3) Experience and Qualifications	Age	Director Since
Sito M. Pantoja	(1) Current Vice President of the IAM Transportation Department (2012-present), Transportation Department Chief of Staff (2005-2012) (2) Not applicable (3) Mr. Pantoja provides valuable management expertise and knowledge of aviation and airline services to the Board. In addition to his current position, Mr. Pantoja has served in key labor union management positions such as the IAM's representative to the Federal Aviation Administration's Rulemaking Advisory Committee and as a member of the IAM's National Pension Fund's Board of Trustees.	50	2016

CORPORATE GOVERNANCE

We are committed to high standards of corporate governance and have adopted Corporate Governance Guidelines, developed and recommended by the Nominating and Governance Committee, which are available on the Company's website. The Guidelines reflect, among other things, the Board's current practices and procedures with respect to, among other matters, the Board's composition, independence, committees, and other matters relating to corporate governance and the Board's oversight of the Company's business and affairs.

Corporate Governance Guidelines

The Nominating/Governance Committee monitors developments in the laws, regulations and best practices relating to corporate governance and periodically recommends to the Board the adoption of additional items to the Corporate Governance Guidelines as it deems necessary or appropriate. The current Corporate Governance Guidelines provide for the governance practices described below.

Independence. The Corporate Governance Guidelines provide that a majority of the Board be "independent" under the criteria set forth in the rules and regulations promulgated by the SEC and the Board has adopted categorical standards of independence in determining whether a director or nominee has a material relationship with the Company. The Board's determination of the independence of the Board's Independent Directors, independence determinations and related disclosures are made by the Nominating/Governance Committee. Please see "Director Independence" below for a description of the Board's independence determinations.

Limitation on Board Service. None of our directors is permitted to serve on the board of directors of more than four additional public companies in addition to his or her service on our Board. In addition, our directors are restricted from serving on the boards of more than two other public companies. No member of the Company's management is permitted to serve on the board of directors of another company. Each independent director of the Company's subsidiaries is restricted from serving on the board of directors of another company.

Mr. Nattrass and Mr. Winchester each is a former chief executive officer of public companies while serving as a member of these public companies' boards. In addition to considering the recommendations of Mr. Nattrass and Mr. Winchester, the Nominating/Governance Committee considered the outside positions of each director, together with the time and attention required of each director to perform his or her duties to the Company and to our Board. In addition to the board of directors of the Company, the Board currently has two standing committees, the Audit Committee and the Nominating/Governance Committee. The Audit Committee is composed of Messrs. Lee, Nattrass and Mr. Winchester, with Mr. Nattrass serving as the Chairman of the Board of Directors (the "SEC") on February 2, 2017). In the opinion of Mr. Nattrass and Mr. Winchester, each of the aforementioned directors is "independent" under the rules of the SEC and the Schedule 14C filed with the SEC on February 2, 2017.

As set forth in the section entitled "Directors to be Elected by the Holders of Common Stock" on pg. 4 of this Proxy Statement, Mr. Nattrass and Mr. Winchester are directors to bring valuable expertise to our Board which is related to the Company's business. Mr. Nattrass provides our Board with extensive experience in addition to his service on the boards of other publicly held companies and extensive experience in addition to his service as a director of a publicly held company. Mr. Winchester provides our Board with extensive experience in addition to his service on the boards of other publicly held companies and extensive experience in addition to his service as Chief Operating Officer of a publicly held company for a period of three years. Mr. Winchester's experience in operations management, marketing and sales, and his service on the boards of other publicly held companies provides our Board with valuable experience in addition to his service as a director of a publicly held company.

As a result of our consideration, the Nominating/Governance Committee determined that each of Mr. Nattrass and Mr. Winchester possesses the qualities sufficient to justify the necessary time and attention to matters concerning our Board.

Retirement Age for Directors. No candidate will be eligible for election or re-election as a director if the date of such election he or she is 70 or more years of age, unless the Board at its sole discretion determines otherwise.

Changes in Business or Professional Affiliations or Responsibilities. If a director experiences a substantial change in his or her personal business or professional affiliations or responsibilities during the time such individual is a member of the Board, the director is required to submit a resignation from the Board. The Board, through the Nominating/Governance Committee (excluding the director who tendered the resignation, the "Governance Committee"), will have the sole authority to review the contemplated employment or other affiliation and the particular circumstances, and will determine whether to accept such resignation.

Conflicts of Interest. Our Corporate Governance Guidelines, including our director code of conduct, require directors to disclose their duties to the Chairman of the Board (and the Lead Director if appointed at the time, as defined below) of any actual or potential conflicts of interest related to the matter. If the Chairman of the Board and the Lead Director, in consultation with legal counsel, determine that a conflict exists, or that the perception of a conflict is likely to be significant, then the director is obligated to recuse himself or herself from any discussion or vote related to the conflict.

Lead Director. Pursuant to our Corporate Governance Guidelines, in the event that the Chairman of the Board is not an independent director, the independent directors may designate a lead director from among the independent directors (the "Lead Director"). If the independent directors do not designate a Lead Director, then the Chairman of the Nominating/Governance Committee will perform the Lead Director functions described herein. The Lead Director's responsibilities include but are not limited to the following: consulting with the Chairman of the Board to determine the agenda for Board meetings, presiding at all meetings of the Board at which the Chairman of the Board is not present, including executive sessions of the independent directors, serving as liaison between the Chairman of the Board and the independent directors, approving information sent to the Board, approving meeting agendas for the Board, approving meeting schedules to assure that there is sufficient time for discussion of all agenda items, having the authority to call meetings of the independent directors, consulting with the chairs of the Board's committees, assuring the Board in ensuring compliance with and implementation of the Corporate Governance Guidelines, and performing such other functions as the Board may from time to time determine.

Annual Performance Evaluation of the Board. The Nominating/Governance Committee develops recommendations to the Board and conducts an annual performance evaluation of the Board to determine whether the Board is functioning effectively. Annual meeting objectives and goals for each of the Audit Committee, Compensation Committee, Executive Committee, Finance Committee, Nominating/Governance Committee and the Public Responsibility Committee are periodically reviewed, and annual self-evaluations are conducted. The collective evaluation results are reported to the Board and committees for discussion. In addition, the Nominating/Governance Committee also shall perform an evaluation of each director's individual performance.

Annual Meeting Attendance. Our directors are expected to attend the annual meeting of stockholders absent exceptional reasons. All of our directors then in office at the time attended the 2010 annual meeting of stockholders.

Bylaws, Committee Charters and Other Policies

In addition to these policies established by our Corporate Governance Guidelines, our Amended and Restated Bylaws (the "Bylaws"), the charters of the Board committees and our other Company policies provide for the following significant corporate governance practices:

- All of the members of the Board are elected annually by our stockholders.

- Each of the Board and its committees have the authority to retain outside consultants or advisers at the Company's expense as the directors deem necessary or appropriate.

- Our stockholders have the right to submit director nominees to the Board to be included in the Company's annual proxy statement, known as "proxy access." Stockholders are eligible to use proxy access if they individually or together with a group of up to 20 stockholders) own 3% or more of the Company's capital stock entitled to vote in the election of directors. In addition, such stockholder (or group) must have owned such stock continuously for at least three years. Our proxy access allows any eligible stockholder (or group) to nominate director candidates constituting up to the greater of two or 20% of the Board elected by the holders of common stock (subject to recruitment in certain circumstances), provided that the stockholder (or group) and each nominee satisfy the requirements specified in the Bylaws.

- Our officers and directors are prohibited from engaging in speculative and derivative trading, short-selling or otherwise hedging or pledging of our securities.

Director Independence

In connection with the annual determination of director independence, the Board has adopted the following categorical standards as part of the Company's Corporate Governance Guidelines to assist the Board in determining whether a director has any direct or indirect material relationship with the Company.

Under the categorical standards adopted by the Board, a director is not independent if:

- The director is or has been within the last three years an employee of the Company, or any of the director's immediate family members is or has been within the last three years an executive officer of the Company.

- The director or any immediate family member of the director has received, during any 12-month period within the last three years, more than $120,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).

- (i) The director is a current partner or employee of a firm that is the internal or external auditor of the Company; (ii) the director has an immediate family member who is a current partner of such a firm; (iii) the director has an immediate family member who is a current employee of such a firm and is personally working on the Company's audit; (iv) the director or any immediate family member of the director was within the last three years a partner or employee of such a firm and personally worked on the Company's audit within that time.

- The director or any immediate family member of the director is or has been within the last three years employed as an executive officer of another company where any of the Company's present executive officers at the same time serves or served on the other company's compensation committee; or

- The director is a current employee or any immediate family member of the director is a current executive officer of a company that has made payments to or received payments from the

Company for purchases of services in an amount which, in any of the last three fiscal years, exceeded the greater of $1,000,000 or two percent (2%) of such other company's consolidated gross revenues.

The Board has determined that the purchase of the Company's air carrier services in the ordinary course by the employees, any director who is currently employed and his determination that such purchases are immaterial in amount and in the aggregate, are therefore do not preclude a finding of independence for such director.

For purposes of these categorical standards (i) an "immediate family member" of a director includes a director's spouse, parents, children, siblings, mothers-in-law, fathers-in-law, sons and daughters-in-law, brothers-in-law, sisters-in-law, and anyone (other than domestic employees) who shares such director's home, and (ii) the "Company" refers to United Continental Holdings, Inc. and its wholly-owned subsidiaries.

In connection with the determination of director independence, the Nominating/Governance Committee reviewed the categorical standards adopted by the Board together with the rules of the NYSE and of any applicable legal jurisdictions. The Nominating/Governance Committee also reviewed information compiled from the responses to questionnaires completed by each of the directors, information collected from the Company's corporate and financial records and information available from public records.

Consistent with the recommendation of the Nominating/Governance Committee, the Board has applied these independence tests and standards to each of the current directors and nominees for directors. The Board made a determination that (i) each of Messrs. Greenfield, Carney, and Mesdames Garland, Douglas, Kennedy, Milton, Nitti-Bitritto, Shapiro, Stevens, Vitale and Whitehurst qualifies as "independent" under the applicable independence tests and standards and (ii) Messrs. Munoz, Tosterud and Pompeo, do not qualify as "independent" under the applicable tests and standards. Mr. Munoz is not independent, as he is an executive officer and employee of the Company. Mr. Tosterud is not independent because he is a current employee of United Airlines. Mr. Pompeo is not independent because he is affiliated with the IAM, a union that represents a portion of the Company's employees. Please see "Proposal No. 1 Election of Directors" above for a list of all nominees, together with biographical information for the nominees, including their ages, business experience, directorships and qualifications.

In addition, three directors who retired from the Board in 2016 not serving on the Board for part of 2016, Mr. Henry L. Meyer III, Ms. Sylvia H. Walker and Mr. Charles A. Yamarone, qualified as "independent" under the applicable independence tests and standards. Two directors who have departed the Company but served on the Board during 2016, Mr. Richard A. Deluzio and Mr. James E. Heppelmann, do not qualify as "independent" under the applicable independence tests and standards. Mr. Deluzio is not independent because he was employed by United Airlines during the last three years. Mr. Heppelmann is not independent because he was and still is an employee of United Airlines.

Majority Voting, Resignation Policy

The By-laws and the Corporate Governance Guidelines provide that directors will be elected by a majority vote in uncontested elections and a plurality vote in contested elections. When a majority vote standard applies, the Corporate Governance Guidelines require any director nominee who fails to receive a majority of the votes cast in an uncontested election to promptly tender his or her resignation to the Board. The Nominating/Governance Committee will consider the tendered resignation and recommend to the Board whether to accept or reject the resignation offer or whether other action should be taken. The Board will act on the recommendation of the Nominating/Governance Committee, and promptly disclose all material facts relevant in a Current Report on

Form 8-K or other reports of public disclosure deemed appropriate in determining whether to accept the director's nomination or not.

Board Meetings

The Board meets regularly and as needed, and the independent directors meet in executive session when required. The Board held [illegible] meetings in 2016. During 2016, each of the directors who served in 2016 attended at least 75% in the aggregate of the total number of meetings of the Board and each committee of which he or she was a member (each such director's service on the Board and such committee during the period for which he or she was a member). As indicated above under "Corporate Governance Guidelines – Annual Meeting Attendance," our directors are also expected to attend each annual meeting of stockholders absent exceptional reasons.

Executive Sessions of Non-Management Directors

Our non-management directors regularly meet separately in executive session outside the presence of management directors. Our Corporate Governance Guidelines currently provide that the Independent Chairman of the Board or Lead Director (if there even, the Chairman of the Board is not independent) preside over non-management director executive sessions. In addition, our Corporate Governance Guidelines require our independent directors to meet outside the presence of management and the non-directors at least twice per year, with the independent Chairman or Lead Director, as applicable, presiding over such sessions.

Board Leadership Structure

The Board has the responsibility for selecting the appropriate leadership structure for the Company. Our Corporate Governance Guidelines state that the roles of the Chairman of the Board and Chief Executive Officer may be either combined or separated, in the Board's discretion.

The Board is currently led by an independent Chairman, Ari Munoz. The Board believes that separating the roles of Chief Executive Officer and Chairman of the Board is the most appropriate structure at this time. Having an independent Chairman of the Board is a [illegible] that Ari Munoz is able to more effectively focus on his role as Chief Executive Officer. The Board also believes that an independent chairman of the Board can effectively manage the relationship between the Board and the Chief Executive Officer.

Board Oversight of Risk Management

The Board considers effective risk oversight an important priority. In overseeing risk in connection with virtually every business decision, the Board takes into account the risks generally and in connection with specific proposed actions. The Board's approach to risk oversight includes understanding the critical risks in the Company's business and strategy, evaluating the Company's risk management processes, allocating responsibilities for risk oversight among the full Board and its committees, and fostering an appropriate culture of integrity and compliance with legal and ethical responsibilities.

The Board exercises its oversight of overall business risk policies and practices primarily through its committees as described below, which regularly report back to the Board regarding their risk oversight activities.

- The Audit Committee oversees the Company's risk assessment and risk management policies and practices with respect to major business risk exposures, including information technology, the risk assessment and risk management processes and practices managed through the Company's Finance Committee, including risks relative to the Company's financial statements, the financial reporting process, accounting and certain legal and compliance matters and data privacy and

network security. The Audit Committee also oversees the internal audit function and the Company's ethics and compliance program.

The Finance Committee oversees the Company's management of certain financial, operating and economic risks, including the Company's liquidity and ability to fund its operations and increase cash flow, capital structure and leverage, risk management for property, casualty, liability and workers' compensation and employee health and welfare benefits, and investment and cash management activities, taking into account the review of the Company's risk assessment and risk management policies and strategies as overseen by the Audit Committee.

- The Compensation Committee periodically reviews the policies and risks arising from the compensation policies, practices and programs in light of the Company's risk profile and risk management approach, as well as assessing factors and conditions to determine whether any such risks are material to the Company. In approving the 2016 compensation program design, the Compensation Committee engaged and its advisors with its independent compensation consultant, management regarding any potential risks arising from executive compensation programs, policies and practices. Consideration was assessed in the context of compensation program design, setting of performance targets, continuing performance against targets, compensation risk in the context of overall risk procedures and our broad-based compensation programs. Based on those discussions and a 2016 compensation risk assessment, the Compensation Committee determined that the structure of the Company's compensation programs, policies and practices in place at that time did not create risks that were reasonably likely to have a material adverse effect on the Company. In reaching this determination, some of our compensation policies, practices and programs that were considered include oversight by an independent compensation committee, balance of base pay, cash bonus and long-term incentives that reward both absolute and relative performance measures, our incentive awards include a capped annual payout opportunity, performance awards vest annually, results are not capped, performance metrics that even in business cycles and extended economic downturns leverage an effective blended mix of multiple performance metrics to create a balance between rewards for payout change over multi-year and overall points performance periods, the use of consistent performance measures and incentives across performance periods, the inclusion of a pool fidelity gate on the annual incentive and a discretionary gate on the other incentives based on the Company's backlog and cash balance, inclusion of equity vice awards and stock ownership guidelines that mitigate short-term risks that disadvantage long-term stock price, the inclusion of clawback provisions in our programs, and the anti-hedging and pledging of our securities, including our common stock, by our officers and directors.

- The Nominating/Governance Committee periodically reviews the risks arising from our corporate governance policies and practices, including the structure and composition of the Board, its committees and our internal functions. The Nominating/Governance Committee also reviews and oversees the Company's succession planning process for executive officers.

- The Public Responsibility Committee oversees social, political, safety and environmental issues that could pose significant risk to the Company's reputation, business or performance.

While the Board oversees risk management, the Company's management is charged with identifying and managing the risks. The Company has robust internal processes and a strong internal control environment to identify, assess and rank risks for materiality with the Board at these risks. These include the enterprise risk management program, an enterprise risk management committee, an ethics and compliance committee, and comprehensive internal audit processes. The Board receives periodic reports on each of these aspects of the Company's risk.

management process. In addition, the Board delegates to the Audit and Finance Committee its oversight of the Company's risk management process by providing feedback on management's identification and assessment of the Company's risks, including the Company's

Communications with the Board

Stockholders and other interested parties may send communications to a single or any individual member including the Chairman, or the non-management or independent directors as a group, by letter to the office of the Corporate Secretary, Board of Directors, Bank of Commerce Holdings, Inc., c/o the Corporate Secretary's Office, 2320 Westwood Drive, Chicago, Illinois 60646, or by email to the Board at *BoardMail@bankofcommerce.com*.

Stockholders may communicate with the Board on an anonymous basis or confidential basis. The Board has designated the General Counsel and the Corporate Secretary's Office as its agents for receipt of communications. All communications will be received, processed and initially reviewed by the Corporate Secretary's Office. The Corporate Secretary's Office generally does not forward communications that are not related to the duties and responsibilities of the Board, including junk mail, service complaints, employment inquiries, business solicitations, suggestions, job inquiries, opinion surveys and business solicitations. The Corporate Secretary's Office maintains all communications and they are available for review by any member of the Board at his or her request.

The Chairman of the Audit Committee is promptly advised of any communication that alleges management misconduct or fraud, or that relates to compliance concerns, Company policies and practices. The Chairman of the Audit Committee receives a periodic update from the Corporate Secretary's Office on other communications from stockholders and determines which of these communications to review or report to or refer to another member of the Board.

Code of Ethics and Business Conduct

The Company has adopted a code of ethics, the "Code of Ethics and Business Conduct," for directors, officers (including the Company's principal executive officer, principal financial officer, and principal accounting officer), employees and third party representatives, such as contractors, consultants and agents of the Company and its subsidiaries. The code serves as a "Code of Conduct" as defined by SEC regulations, and as a "Code of Business Conduct and Ethics" under the Listed Company Manual of the NYSE. The code is available on the Company's website at www.bankofcommerce.com by clicking the link "Corporate Governance" and selecting "Code of Ethics and Business Conduct."

Nomination of Directors

As described below, our Nominating/Governance Committee identifies, evaluates and recommends for nomination candidates to the Board, including those to be elected by holders of preferred stock of the Company (the "PA directors") and the "NAI directors." The Nominating/Governance Committee identifies director candidates through a variety of sources and advice, including recommendations from members of the Nominating/Governance Committee and the Board as well as management, Company officers, employees, stockholders and others. The Nominating/Governance Committee may retain a search firm to identify director candidates (other than those elected by holders of preferred stock of the Company). The Nominating/Governance Committee retained Spencer Stuart, an executive search and leadership consulting firm, to assist in identifying potential director candidates. In addition, the Nominating/Governance Committee considers candidates for director proposed by stockholders pursuant to the Settlement Agreement (see April 2010 to the Board's experience with new directors Nicosia, Harford and Shapiro to the Board and in July 2010 the Board appointed a third new mutually agreed independent director, Mr. Parry, to the Board. Concurrently with the Settlement Agreement, the Board has nominated Mr. Parry for election at the Annual Meeting.

Holders of Common Stock may submit director candidates for consideration (other than those elected by holders of preferred stock of the Company) by writing to the Chairman of the Nominating/Governance Committee, United Continental Holdings, Inc., c/o the Corporate Secretary's Office, 233 S. Wacker Drive, Chicago, Illinois 60606. Stockholders must provide the recommended candidate's name, biographical data, qualifications and other information required by Section 2.10 of the Bylaws with respect to director nominations by stockholders.

A candidate for election as a director of the Board (other than those elected by holders of preferred stock of the Company) should possess a variety of characteristics. Candidates for director recommended by stockholders must be able to fulfill the independence standards established by the Board as set forth in the listing standards of the NYSE and any other applicable rules or regulations, and in the Company's Corporate Governance Guidelines as outlined above under "Director Independence."

Submissions of candidates who meet the criteria for director nominees approved by the Board will be forwarded to the Chairman of the Nominating/Governance Committee for further review and consideration. The Nominating/Governance Committee reviews the qualifications of each candidate and makes a recommendation to the full Board. The Nominating/Governance Committee considers all potential candidates in the same manner and by the same standards regardless of the source of the recommendation and acts in its discretion in making recommendations to the full Board. Any nomination to join the Board (other than with respect to any director who is elected by holders of preferred stock of the Company) is extended by the entire Board through the Chairman of the Board or the Chairman of the Nominating/Governance Committee.

In addition to recommending director candidates to the Nominating/Governance Committee, stockholders may also pursuant to procedures established in the Bylaws, directly nominate one or more director candidates to stand for election at an annual or special meeting of stockholders. For an annual meeting of stockholders, a stockholder wishing to make such a nomination must deliver written notice of the proposed nomination to the Secretary of the Company not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of stockholders. For a special meeting of stockholders, a stockholder wishing to make such a nomination must deliver written notice of the nomination to the Secretary of the Company not earlier than 120 days prior to the date of such special meeting and not later than the close of business on the later of (x) 90 days prior to the date of such special meeting and (y) 10 days following the day on which public announcement is first made of the date of such special meeting. In either case, a notice of nomination submitted by a stockholder must include information concerning the nominating stockholder and the stockholder's nominee(s) as required by the Bylaws.

In accordance with the Bylaws, stockholders may also submit director nominees to the Board to be included in the Company's annual proxy statement, known as "proxy access." Stockholders who intend to submit director nominees for inclusion in the Company's proxy materials for the 2018 annual meeting of stockholders must comply with the requirements of proxy access as set forth in the Bylaws. The stockholder or group of stockholders who wish to submit director nominees pursuant to proxy access must deliver the required materials to the Company not less than 120 days nor more than 150 days prior to the anniversary of the date that the Company first mailed its proxy materials for the annual meeting of the previous year.

Although the Company does not have a formal policy on Board diversity, the Board seeks independent directors with diverse professional backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity. A candidate for director should have experience in positions with a high degree of responsibility and be selected based upon contributions he or she can make to the Board and upon his or her willingness to devote adequate time and effort to Board responsibilities. In making this assessment, the Nominating/Governance Committee will consider the number of other boards on which the candidate serves and the other business and professional

[illegible] of the candidate. The candidate should also have the ability to exercise sound business judgment to act in what he or she reasonably believes to be in the best interests of the Company and its stockholders. No candidate is eligible for election or reelection as a director that, the time of such election he or she is 75 or more years of age unless the Board affirmatively determines otherwise.

Committees of the Board

The Board has six standing committees: Audit, Compensation, Executive, Finance, Nominating/Governance and Public Responsibility. The Audit Committee, Compensation Committee and Nominating/Governance Committee are comprised solely of independent directors. Below is a chart showing the current membership of each committee and a summary of the functions performed by each committee.

	COMMITTEE MEMBERSHIP					
	AUDIT	COMPENSATION	EXECUTIVE	FINANCE	NOMINATING/ GOVERNANCE	PUBLIC RESPONSIBILITY
Carolyn Corvi	M		M	C		
Jane C. Carvey			M		M	C
Barney Harford	M				M	M
Todd M. Insler						M
Walter Isaacson		M			M	M
James A.C. Kennedy		C	M	M		
Robert A. Milton	M		C		C	
Oscar Munoz			M	M		
William R. Nuti		M		M		M
Sito Pantoja						M
Edward M. Philip	M				M	M
Edward L. Shapiro		M		M		M
Lawrence C. Simmons	M			M	M	
David J. Vitale	C		M	M		
James M. Whitehurst		M		M	M	

Key: M = Committee Member

C = Committee Chair

Audit Committee

The Audit Committee met eight times during 2011 and has a written charter adopted by the Board, which is available on the Company's website, in United Company following the link "Corporate Governance" and selecting "Audit" under the heading "Governance Documents." All of the members of the Audit Committee are independent as defined by the applicable NYSE and SEC standards. The Board has determined that each of the Audit Committee members is financially literate and that each of Messrs. Philip and Vitale qualifies as an "audit committee financial expert" as defined by [illegible] regulations.

The purpose of the Audit Committee is to: (i) oversee the Company's financial reporting processes of the Company and the audits of the Company's financial statements; (ii) assist the Board in fulfilling its responsibility to oversee (a) the integrity of the Company's financial statements and the adequacy of the Company's system of disclosure controls and internal controls over financial reporting; (b) the Company's compliance with legal and regulatory requirements and ethical standards; (c) the independent auditor's qualifications and independence; and (d) the performance of the Company's internal audit function and independent auditors; (iii) provide an open avenue of communication

between the independent auditor, the internal auditors, management and the financial reporting process, including reports required to be filed with the SEC which relate to this the proxy statement under "Annual Compensation Report."

In discharging its duties, the Audit Committee has the authority to conduct or authorize investigations into any matters within the Audit Committee's scope of responsibilities. The Audit Committee has the authority to retain and delegate to subcommittees, if any, to the extent consistent with its duties, Board approval, to obtain, at the expense of the Company, advice and assistance from internal or external legal, accounting or other advisors or independent consultants.

Compensation Committee

The Compensation Committee met 12 times during 2004 and has a written charter adopted by the Board. A copy is available on the Company's website at www.ibm.com by following the link "Corporate Governance" on selecting "Compensation" under "Governance Documents." All of the members of the Compensation Committee are independent as defined by the NYSE's applicable listing standards.

The Compensation Committee is responsible for, among other things, (i) overseeing the administration of the Company's compensation plans (other than plans covering only directors of the Company), including incentive, retirement and executive compensation programs of the Company, and discharging the Board's responsibilities relating to the performance evaluation and compensation of the Company's officers, including the Company's Chief Executive Officer, and (ii) preparing the compensation committee report required by the SEC to be included in the annual proxy statement, which is set forth in this proxy statement under "Executive Compensation — Compensation Committee Report." The Compensation Committee also is responsible for reviewing and discussing with management the Compensation Discussion and Analysis ("CD&A") and based on such discussions, determining whether to recommend to the Board that the CD&A be included in the Company's annual proxy statement or Form 10-K, as applicable. The Compensation Committee also reviews and makes recommendations to the Board with respect to the adoption (or, if required, submission to stockholders for approval) or amendment of such executive incentive compensation plans and all equity-based or cash-based plans covering any directors of the Company. Further, the Compensation Committee exercises the powers and performs the duties and functions, as applicable, from time to time under any compensation or benefit plan of the Company or any of its subsidiaries.

The Compensation Committee performs an annual review of the goals and objectives of the Company's executive compensation plans, including the goals and objectives for the Chief Executive Officer. In addition, the Compensation Committee annually evaluates the performance of the Chief Executive Officer against the Chief Executive Officer's achievement in light of the goals and objectives relevant to his compensation, and reviews with the Board. The Compensation Committee has the sole authority to set the Chief Executive Officer's compensation based on this evaluation and the Company's compensation philosophy. The Compensation Committee also reviews and approves or, at least annually, recommends the compensation of each other executive officer of the Company. In addition to the Chief Executive Officer, the Compensation Committee oversees the annual performance evaluation process of the other executives in the ranks of the Company.

The Compensation Committee has delegated to the Chief Executive Officer the authority to grant stock options and other equity-based awards to participants (other than executive officers of the Company) in accordance with the Company's incentive compensation plans, policies and procedures, including the form of such awards, to such eligible participants and the modification of the terms of such participants' awards following a merger or acquisition. Additionally, the Chief Executive Officer makes recommendations to the Compensation Committee regarding the compensation of the

officers who are to [illegible] recommendations are based on input from the Executive Vice President Human Resources and Labor Relations and his staff, and the Compensation Committee is a dependent compensation consultant. The Compensation Committee has the authority to review, approve and revise these recommendations as it deems appropriate.

The Compensation Committee has the authority, in its sole discretion, to retain or obtain the advice of a compensation consultant, independent legal counsel or other adviser (each, a "compensation adviser"). The Compensation Committee may select a compensation adviser to the extent required by applicable NYSE rules, only after taking into consideration all factors relevant to the compensation adviser's independence from management, including the factors specified by NYSE rules. The Compensation Committee is directly responsible for the appointment, compensation and oversight of the work of any compensation adviser retained by the Compensation Committee. It also has the authority, without further Board approval, to obtain, at the expense of the Company, advice and assistance from internal and external legal, accounting or other advisers as it deems advisable. The Compensation Committee is responsible for determining the scope of the executive compensation services provided by any consultant, including its fees. The Compensation Committee can also form and delegate authority to subcommittees.

Role of Compensation Consultant in Determining Executive Compensation

The Compensation Committee has retained Exequity LLP ("Exequity") as its independent compensation consultant since November 2010. A representative of Exequity regularly attends Compensation Committee meetings, participates in discussions regarding executive compensation issues, and, from time to time and in connection with the setting of incentive compensation targets and/or executive compensation recommendations to the Compensation Committee based on available marketplace compensation data for U.S. peer and other [illegible] companies with comparable revenue and other characteristics. Exequity reports exclusively to the Compensation Committee and does not provide any additional services to the Company other than advice to the Nominating Governance Committee with respect to director compensation.

In November 2010, the Compensation Committee adopted a conflict of interest policy governing the relationship with its compensation consultant in order to ensure objectivity and minimize the potential for conflicts of interest in the delivery of executive compensation advice. The policy establishes management's obligation to report periodically to the Compensation Committee the scope and amount of work being performed by the consultant or its affiliates for the Company. The policy also specifies that the consultant reports directly to the Compensation Committee and has direct access to the Compensation Committee through its Chairman (or in the case of services being provided to the Board through the Chairman of the Board or as applicable, the Lead Director). The policy prohibits the consultant from soliciting business from the Company other than work on behalf of the Compensation Committee or the Board and requires the consultant to develop policies and procedures to prevent any employee of the consultant who advises the Compensation Committee or the Board from discussing such services with other employees of the consultant who currently provide other services to the Company or who were providing other services during the [illegible]. The Compensation Committee has assessed the independence of Exequity pursuant to NYSE rules and concluded that Exequity's work for the Compensation Committee does not raise any conflict of interest.

Executive Committee

The Executive Committee, [illegible] during 2010, [illegible] a written charter adopted by the Board, which is available on the Company's website, [illegible] by following the [illegible] "Corporate Governance" [illegible] "Executive" under the heading "Governance Documents." The Executive Committee is authorized to exercise all of the powers of the Board, subject to certain limitations, in the management of the business and affairs of the Company, excluding any powers granted by the Board.

from time to time, to any other committee of the Board. The Executive Committee can also form and delegate authority to subcommittees.

Finance Committee

The Finance Committee met six times during 2016 and has a written charter adopted by the Board, which is available on the Company's website, in United Com by following the link "Corporate Governance" and selecting "Finance" under the heading "Governance Documents." The Finance Committee is responsible for, among other things, (i) reviewing financial plans and budgets and each management policies and activities, (ii) evaluating and advising the Board on any proposed merger or consolidation or any significant acquisition or disposition of assets, (iii) evaluating and advising the Board on business opportunities and financing transactions, (iv) evaluating capital structure and recommending certain proposed issuances of securities, and (v) reviewing strategies relating to financial, operating or economic risk. The Finance Committee can also form and delegate authority to subcommittees.

Nominating/Governance Committee

The Nominating/Governance Committee met 22 times during 2016 and has a written charter adopted by the Board, which is available on the Company's website, in United Com by following the link "Corporate Governance" and selecting "Nominating/Governance" under the heading "Governance Documents." All of the members of the Nominating/Governance Committee are independent as defined by the NYSE's applicable listing standards.

The Nominating/Governance Committee is responsible for, among other things, (i) identifying, evaluating and recommending for nomination individuals qualified to be Board members, other than directors appointed by holders of preferred stock of the Company, (ii) developing, recommending and periodically reviewing the Company's Corporate Governance Guidelines and overseeing corporate governance matters, (iii) reviewing and overseeing the Company's succession planning process for executive officers, including the Chief Executive Officer, (iv) overseeing an annual evaluation of the Board, and (v) reviewing and making recommendations to the Board with respect to director compensation. In discharging its duties, the Nominating/Governance Committee has the authority to conduct or authorize investigations into any matters within the Nominating/Governance Committee's scope of responsibilities. The Nominating/Governance Committee can form and delegate authority to subcommittees.

The Nominating/Governance Committee has the sole authority to retain and terminate any search firm to be used to identify director candidates, including sole authority to approve the search firm's fees and other terms of engagement. It also has the authority, without further Board approval, to obtain at the expense of the Company advice and assistance from internal or external legal, accounting or other advisors as it deems advisable.

Public Responsibility Committee

The Public Responsibility Committee met four times during 2016 and has a written charter adopted by the Board, which is available on the Company's website, in United Com by following the link "Corporate Governance" and selecting "Public Responsibility" under the heading "Governance Documents."

The Public Responsibility Committee is responsible for overseeing all of the Company's policies, positions and practices concerning various broad public policy issues, including those that relate to safety (including workplace safety and security), environmental affairs, political and governmental affairs, consumer affairs, diversity, including without limitation, employee diversity and supplier diversity, environmental and business practices that impact communities in which the Company does

business, and charitable, political, social and educational organizations. The Public Responsibility Committee can also form and delegate authority to subcommittees.

Special Committee and Subcommittee

In addition to the standing board committees, on March 2, 2015, the Board established a Special Committee in respect of the Port Authority matter, which is currently comprised of Mr. Vitale (Chair), Ms. Corvi, Mr. Harford, Mr. Isaacson, Mr. Kennedy, Mr. Milton, Mr. Nutt, Mr. Shapiro, Mr. Simmons and Mr. Whitehurst. As disclosed in the first quarter of 2015, the Company and certain of its current and former executive officers and employees received federal grand jury subpoenas requesting records and testimony related to certain individuals formerly associated with the Port Authority of New York and New Jersey and related operations of the Company. In addition, on March 2, 2015, the Special Committee formed a Subcommittee of the Special Committee, and authorized the Subcommittee to exercise certain authority of the Special Committee with respect to the investigation. The members of the Subcommittee currently are Mr. Vitale (Chair), Ms. Corvi, Mr. Kennedy and Mr. Milton. The Company cooperated with the investigation by the USAO in respect of the Port Authority matter and, as announced on July 4, 2016, the Company reached a resolution in the form of a Non-Prosecution Agreement with the USAO. As announced on December 2, 2016, the Company also resolved the previously disclosed related investigation by the SEC in respect of the Port Authority matter. The Special Committee was delegated over-sight responsibility for the internal investigation related to the Port Authority matter, which includes oversight of compliance by the Company with agreements with government authorities.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee is currently composed of Messrs. Isaacson, Kennedy, Nutt, Shapiro and Whitehurst, each of whom is an independent non-management director, and no member of the Compensation Committee has ever been an officer or employee of the Company or any of its subsidiaries. None of our executive officers has served as a member of any board of directors or compensation committee of any other company for which any of our directors served as an executive officer at any time since January 1, 2016. In addition, no member of the Compensation Committee had any relationship requiring disclosure under Item 404 of Regulation S-K promulgated by the SEC.

Certain Relationships and Related Transactions

Review, Approval or Ratification of Transactions with Related Parties

The Board recognizes that transactions involving the Company and related parties present a heightened risk of conflicts of interest. It is the Board to ensure that the Company acts in the best interests of its stockholders. The Board has adopted a written policy for the review and approval of any Related Party Transaction (as defined below). It is the policy of the Company that any Related Party Transaction must be approved or ratified by the Audit Committee or, if the Board determines that a transaction should instead be reviewed by all of the disinterested directors on the Board, by a majority of the disinterested directors on the Board. No director is permitted to participate in the review or approval of a Related Party Transaction if the director or his or her immediate family member is a related party (as defined below). In reviewing a proposed transaction, the Audit Committee or the disinterested directors, as applicable, must (i) satisfy themselves that they have been fully informed as to the Related Party's relationship and interest and as to the material facts of the proposed transaction, (ii) consider all of the relevant facts and circumstances available to them, including, but not limited to, the benefits to the Company, the impact on a director's independence, the availability of other sources for comparable products or services, the terms of the transaction and the terms available to or to the third parties or to employees generally, and (iii) determine whether or not the proposed transaction is

[illegible] to the Company and is not inconsistent with the best interests of the Company and its stockholders.

If the Company enters into a transaction that (i) the Company was not aware constituted a Related Party Transaction at the time it was entered into but which it subsequently determines is a Related Party Transaction or (ii) did not constitute a Related Party Transaction at the time it was entered into but thereafter becomes a Related Party Transaction, then in either such case the Related Party Transaction shall be presented for ratification by the Audit Committee or a majority of the disinterested directors on the Board. If such Related Party Transaction is not ratified by the Audit Committee or a majority of the disinterested directors, then the Company shall take all reasonable actions to attempt to terminate the Company's participation in the Transaction.

As set forth in the policy, a "Related Party Transaction" is a transaction (including any financial transaction, a commitment or relationship (including an indebtedness or guarantee of indebtedness)) or series of similar transactions, or any material amendment to any such transaction, in which:

(a) the aggregate amount involved exceeds or is expected to exceed $120,000;

(b) a Related Party had, has or will have a direct or indirect material interest (other than solely as a result of being a director, limited partner or less than 10% beneficial owner (together with all other Related Parties) of another entity that is party to the transaction); and

(c) the Company is a participant.

For purposes of this definition, a "Related Party" means (i) an executive officer of the Company, (ii) a director of the Company or nominee for director of the Company, (iii) a person (including an entity or group) known to the Company to be the beneficial owner of more than 5% of any class of the Company's voting securities, or (iv) an individual who is an immediate family member (as defined below) of an executive officer, director, nominee for director or 5% stockholder of the Company.

An "immediate family member" includes any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of such person, and any person (other than a tenant or employee) sharing such person's [illegible].

Related Party Transactions

The Company has not entered into any Related Party Transactions (as defined above) since January 1, 2015.

BENEFICIAL OWNERSHIP OF CERTAIN SECURITIES

Certain Beneficial Owners

The following table shows the number of shares of our voting securities beneficially owned by persons or groups known to us as of April 11, 2017 to be the beneficial owner of more than 5% of any class of our voting securities.

Name and Address of Beneficial Owner	Title of Class	Amount and Nature of Ownership	Percent of Class
Berkshire Hathaway Inc.(1) 3555 Farnam Street Omaha, Nebraska 68131	Common Stock	28,621,353	9.2%
BlackRock, Inc.(2) 55 East 52nd Street New York, NY 10022	Common Stock	22,356,202	7.1%
The Vanguard Group(3) 100 Vanguard Blvd. Malvern, PA 19355	Common Stock	21,672,721	6.9%
PRIMECAP Management Company(4) 177 E. Colorado Blvd., 11th Floor Pasadena, CA 91105	Common Stock	19,777,254	6.3%
FMR LLC(5) 245 Summer Street Boston, MA 02210	Common Stock	6,254,711	2.0%
United Airlines Pilots Master Executive Council, Air Line Pilots Association International(6) 9250 West Higgins Road Rosemont, IL 60018	Class AAA Junior Preferred Stock	1	100%
International Association of Machinists and Aerospace Workers District #141 9000 Marquette Place Chippewa Falls, WI 54729	Class AAA Junior Preferred Stock		100%

(1) Based on Schedule 13G/A filed on February 14, 2017 by Berkshire Hathaway Inc. ("Berkshire") on behalf of itself and Berkshire Hathaway Inc. and certain subsidiaries (collectively, "Berkshire") reporting shared voting and dispositive power for a total of 28,621,353 shares.

(2) Based on Schedule 13G/A (Amendment No. 1) filed on January 24, 2017 by BlackRock, Inc. ("BlackRock") reporting sole voting power for 20,816,101 shares, sole dispositive power for 22,356,202 shares and shared dispositive power for 22,356,202 shares.

(3) Based on Schedule 13G/A (Amendment No. 3) filed on February 10, 2017 by The Vanguard Group ("Vanguard") reporting sole voting power for 172,656 shares, shared voting power for 15,611 shares, sole dispositive power for 21,672,721 shares and shared dispositive power for 416,785 shares.

(4) Based on Schedule 13G/A (Amendment No. 9) filed on February 9, 2017 by PRIMECAP Management Company ("PRIMECAP") reporting sole voting power for 6,489,827 shares and sole dispositive power for 19,777,254 shares.

(5) Based on Schedule 13G filed on February 9, 2017 by FMR LLC ("FMR"), Fidelity Investments Partners I, LP ("FMR Investment Partners") and FMR Group, LP ("FMR Group") and FMR reported sole voting power for 1,294,711 shares. FMR Group is the sole general partner of FMR Investment Partners, and FMR is the sole general partner of FMR Group. As of FMR's filing, FMR may be deemed to be the beneficial owner of all shares held directly by FMR Investment Partners.

(6) Shares of Class AAA Junior Preferred Stock are held by the United Airlines Pilots Association and the International Association of Machinists and Aerospace Workers. Holders have no voting rights, except with respect to certain matters, including the election of directors.

Directors and Executive Officers

The following table shows the number of shares of our voting securities owned by the named executive officers identified in this proxy statement (including our executive officers who have departed the Company or our directors), and all of our directors and executive officers as a group as of April 11, 2017. The persons and entities listed below have sole voting and investment power with respect to all shares of our Common Stock beneficially owned by them except to the extent this power may be shared with a spouse, or as otherwise described in the footnotes following the table.

Name of Beneficial Owner	Title of Class	Amount and Nature of Ownership	Percent of Class
Directors			
Carolyn Corvi	Common Stock		*
Jane C. Garvey	Common Stock		*
Barney Harford	Common Stock		*
Todd M. Insler	Common Stock		*
Walter Isaacson	Common Stock		*
James A. C. Kennedy	Common Stock		*
Robert A. Milton	Common Stock		*
Oscar Munoz, II	Common Stock		*
William R. Nuti	Common Stock		*
Rita Rodriguez	Common Stock		*
Edward M. Philip	Common Stock		*
Edward L. Shapiro	Common Stock		*
Laurence E. Simmons	Common Stock		*
David J. Vitale	Common Stock		*
James M. Whitehurst	Common Stock		*
Named Executive Officers			
James L. Compton	Common Stock		*
Rick C. Hall	Common Stock		*
Julie Hesselwood	Common Stock		*
J. Scott Kirby	Common Stock		*
Gerald Laderman	Common Stock		*
Andrew Levy	Common Stock		*
Directors and Executive Officers as a Group (26 persons)	Common Stock		

Less than 1% of outstanding shares.

(1) Mr. Munoz's sole amount is vested restricted stock.

(2) Includes the portion of the Director's Fee Grant described that will be settled in Common Stock on June 9, 2017. For Mr. Milton, also includes the equity portion of the additional compensation paid to him in connection with his service as Non-Executive Chairman that will be settled in Common Stock on June 9, 2017.

(3) Includes shares representing Restricted Stock Units, including fees in lieu of the Director's cash retainer, deferred pursuant to the terms of the Company's 2006 Director Equity Incentive Plan, as amended and restated (the "DEIP"). These share units will be settled in Common Stock within 60 days following the Director's separation from service on the Board.

(4) Includes 1,875 options to purchase shares of our Common Stock at $17.67 per share.

(5) Includes 2,250 options to purchase shares of our Common Stock at $5.15 per share, 1,875 options to purchase shares of our Common Stock at $11.87 per share and 1,875 options to purchase shares of our Common Stock at $9.79 per share.

(6) Includes shares over which Mr. Hall has investment power but no voting power.

(7) Mr. Kirby's amount includes 1,000 CARS (effective December 1, 2016) following the closing of the merger of Virgin America Inc. with and into Alaska Airlines, Inc. on April 25, 2016.

(8) Includes 7,875 options to purchase shares of our Common Stock at $17.79 per share.

(5) Mr. Cornelius previously served as the Company's Vice Chairman and Chief Revenue Officer. Mr. Cornelius retired and separated from the Company on December 31, 2016. The ownership information for Mr. Cornelius is consistent with our records as of the date of his retirement and separation from the Company.

(6) Ms. Haywood previously served as the Company's Executive Vice President and Chief Commercial Officer. Ms. Haywood resigned from the Company on January 28, 2017. The ownership information for Ms. Haywood is consistent with our records as of the date of her resignation from the Company.

(7) Includes 5,000 shares of Common Stock held by a trust for the benefit of Mr. Kirby's children and of which Mr. Kirby serves as the trustee. Mr. Kirby disclaims beneficial ownership of these securities except to the extent of his pecuniary interest therein.

Also includes 8,150 shares of Common Stock held by a trust for the benefit of Mr. Kirby's children and of which Mr. Kirby's mother serves as the trustee. Mr. Kirby disclaims beneficial ownership of these securities.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires our directors, executive officers and holders of more than 10% of our Common Stock to file with the SEC initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities. Such executive officers, directors and beneficial owners are required by SEC regulations to furnish us with copies of all Section 16(a) forms filed by such reporting persons. Based solely on a review of such reports filed by or on behalf of such persons, in this regard and written representations from them, all Section 16(a) reporting requirements were timely fulfilled during 2016.

Equity Compensation Plan Information

The following table sets forth information as of December 31, 2016 regarding the number of shares of our Common Stock that may be issued under the Company's equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-Average Exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column)
Equity compensation plans approved by security holders			
Options	18,[illegible]258 (1)	19.09	
Restricted Stock Units	827,[illegible]96	--	
Subtotal	[illegible]	18.16	[illegible]
Equity compensation plans not approved by security holders	33,875,015	[illegible]	3,[illegible]
Total	[illegible]	8.[illegible]	[illegible]

(1) In addition to the foregoing, the Company has issued 18,000 restricted stock units that were unvested as of December 31, 2016. [illegible] restricted stock units are included in the total number of outstanding shares at December 31, 2016. All stock based compensation shares, including the stock based compensation shares that were not approved by Security Holders, are discussed in Note 9—Share-Based Compensation set out Part II, the Consolidated Notes to the Consolidated Financial Statements included at Item 8—Financial Statements and Supplementary Data of the 2016 Form 10-K.

(2) Includes 5,[illegible],672 shares available under the Amended and Restated 2006 Director Equity Incentive Plan and [illegible],833,[illegible]19 shares available under the 2008 Incentive Compensation Plan.

(3) Represents shares available pursuant to non-employee director stock options issued in connection with the Merger transaction with Continental Resources, Inc. ("Merger") on October 2, 2010 (the "Merger"). For further stock options outstanding under the following pre-Merger plans: Continental Resources, Inc. 1996 Incentive Plan: 13,546

(Queen), Continental Airlines, Inc. Incentive Plan 2000 ("2000 Plan") and United Continental Holdings, Inc. Incentive Plan 2010 (the "Incentive Plan 2010") (1,750 shares)

(1) Represents 1,315,007 shares available for the Incentive Plan 2010.

Incentive Plan 2010

The Incentive Plan 2010 was adopted by the Board of Directors of Continental in December 2009 and approved by Continental stockholders in 2010 and was amended by the Company in connection with the Merger on October 1, 2010. Subject to awards outstanding prior to the Merger that remain outstanding will vest on their original vesting schedule. The Incentive Plan 2010 provides for the grant of incentive stock options, nonstatutory stock options, stock appreciation rights ("SARs"), restricted stock awards, performance awards, incentive awards, other stock awards, and cash awards to officers and employees of United Airlines prior to the Merger closing date and not eligible to receive awards of equity based awards under the Incentive Plan 2010.

The Incentive Plan 2010 is administered by the Compensation Committee with respect to awards made to persons subject to Section 16 of the Exchange Act and by the Compensation Committee or the Chief Executive Officer with respect to awards made to persons who are not subject to Section 16 of the Exchange Act. The Incentive Plan 2010 also provides that the Compensation Committee will take specific action or the Compensation Committee specifies that it will serve as administrator.

Subject to adjustment for changes in capitalization, the aggregate number of shares which may be granted under the Incentive Plan 2010 is not to exceed [illegible] Common Stock (which is subject to adjustment based on the exchange ratio that applied in connection with the Merger). To the extent that an award lapses, is terminated, or is forfeited, or an award is granted in such that all or some of the shares of Common Stock covered by the award are not issued to the holder, or which is forfeited or reissued shares of Common Stock, then such shares, to such award will be added back to the number of shares available for issuance under the Incentive Plan 2010. No awards may be granted under the Incentive Plan 2010 after November 30, 2019. In addition, effective February 23, 2011, and in connection with the adoption of the 2012 Incentive Compensation Plan, the Board eliminated the Company's ability to make any new equity award pursuant to the Incentive Plan 2010. See Proposal No. 3 and Appendix B to this proxy statement.

The exercise price for all stock options and SARs under the Incentive Plan 2010 may not be less than the fair market value of the shares of Common Stock underlying such stock options and SARs and may not be exercisable after the expiration of 10 years following the date of grant. Performance awards and incentive awards may be granted in an amount, or restricted stock units or stock other than as determined by the plan administrator.

Vesting and exercisability of awards may be conditioned on the satisfaction of certain performance criteria or on the continued employment or other relationship with the Company or its affiliates, or on the determination of such conditions. Awards granted under the Incentive Plan 2010 that vest based solely on the continued employment or other relationship with the Company or its affiliates will generally vest or become exercisable in full in respect of three years from the date of grant and awards that are based on the satisfaction of performance measures will be subject to a minimum vesting period for vesting or exercise of one year from the date of grant. However, awards that have conditions based solely on performance measures may vest or become exercisable upon the earlier satisfaction of the performance measures subject to the one year minimum vesting period, or upon the occurrence of a change in control of the Company, subject to the terms and conditions set forth in the plan and applicable award agreement. Upon the occurrence of a change in control of the Company, the plan administrator may, in its discretion, provide for the acceleration of vesting or exercisability of awards, or the termination of awards in exchange for payment in cash or other consideration, or the assumption or substitution of awards by a successor entity, or other treatment as provided pursuant to the plan. Upon the termination of a participant's employment or other relationship with the Company or its affiliates, the participant's unvested awards will be forfeited, and vested awards will be exercisable for a period of time as provided pursuant to the plan.

PROPOSAL FOUR: RATIFICATION

Compensation Discussion and Analysis

Notice Regarding Adjustments to our 2017 Compensation Program in Response to Shareholder Feedback

United Management and the Board of Directors are extremely committed to the success of key employees and company management promotion decisions, and we are that employees incentive opportunities for 2017 are clearly and meaningfully tied to progress in improving the customer experience and driving necessary cultural and process changes in support of this goal. While the basic framework for the 2017 incentive program was already approved in the normal course in early 2017, the Compensation Committee is working with management to revise the 2017 incentive structures to further reflect improvements in customer satisfaction. Accordingly, while the annually elected specific 2017 goals and metrics that are tied to key management and operations will continue to apply, the bonuses earned for 2017 in connection with achievement of these objectives will be more thoroughly linked to demonstrable progress toward improvement in the customer experience and the implementation of necessary cultural and process changes going forward.

This proxy statement provides compensation information regarding our chief executive officer, who served as the Company's principal executive officer during 2016, our chief financial officer, who served as the Company's principal financial officer during 2016, and our three other highly compensated executive officers as of December 31, 2016, determined in accordance with applicable SEC disclosure rules. This Compensation Discussion and Analysis, or CD&A, section of this proxy statement describes the 2016 compensation decisions and determinations related to these "named executive officers" or "NEOs." Our 2016 named executive officers consisted of:

- Oscar Munoz, Chief Executive Officer
- Brian Hart, Acting Chief Financial Officer (through March 13, 2017) and Executive Vice President and Chief Accounting Officer
- Andrew Levy, Executive Vice President and Chief Financial Officer
- Gerald Laderman, Senior Vice President and General Counsel, Acting Chief Financial Officer (through August 2016) and Interim Vice President, Finance Transformation and Treasury
- Helen E. Compton, Vice Chairman and Chief Revenue Officer (through December 31, 2016)
- Scott Kirby, President and
- Jake Hawkins, Executive Vice President and Chief Commercial Officer (through February 28, 2017)

Executive Summary

Below is a summary of our 2016 Compensation Program, including a discussion of the factors and considerations underlying our 2016 compensation decisions. For a discussion of our compensation philosophy, please see our discussion of our pay-for-performance philosophy.

Certain 2016 Company Highlights. In 2016, we focused on our customers and creating a culture of loyalty to our employees and our customers. Below is an explanation of our progress in 2016 toward our goals for our employees, our customers, our results, our stakeholders and our overall accomplishments.

- *Safety* is our top priority at United. Every one of our employees is responsible for building and maintaining a safety culture. We put our employees and our customers at the center of our operations to enhance the safety of our employees and our customers.

- Our 2016 pre-tax income was $[illegible] billion, and we achieved pre-tax income of $[illegible] billion for 2016, as measured under our Annual Incentive Program and adjusted for special items.[1] The pre-tax income financial metric represented [illegible]% of the total target opportunity under the 2016 Annual Incentive Program. The $1.462 billion pre-tax income level represents performance at [illegible]% of the target level under our 2016 Annual Incentive Program for the financial performance portion of the award.

- Substantially all our employees participate in profit sharing plans. In 2016 we the Company recorded profit sharing and related payroll taxes expense of $[illegible] million for the year. Profit sharing payments are made to [illegible]% to 20% of pre-tax income for each eligible employee, depending on the work group and income pre-tax profit sharing percentages vary above and below [illegible] specified thresholds. Out of those salaried employees, management-level employees are not eligible to receive profit sharing.

- The Company achieved top-tier on-time arrival performance for all 12 months of 2016. This represents our best full-year on-time performance while reducing the overall number of cancellations, delay minutes and mishandled bags in Company history. The on-time arrival metric represented 30% of the total target opportunity under the 2016 Annual Incentive Program. Continued improvement in 2016 on our performance resulted in achievement at a stretch level for this portion of the award. Our Top-Tier on-time arrival performance was measured by the number of months that we achieved #1 or #2 on-time performance as compared to American Airlines Group Inc. ("American"), Delta and Southwest Airlines Co. ("Southwest"). On-time arrival performance is viewed as a leading indicator of customer satisfaction and positive results.

- In 2016, the Compensation Committee of the Board (referred to as the "Committee" throughout this Executive Compensation section of the proxy statement) adjusted the Annual Incentive Program structure to include an individual performance modifier feature to permit the Committee to adjust the award payment based on individual performance and contribution to the Company's success. The Committee may exercise discretion to reduce the payment, but may not increase the payment by up to 10%.

- We earned a 19.3% return on invested capital ("ROIC") in 2016.[2] For the second [illegible] consecutive performance period ending the 2013-2016 performance period, as linked performance based restricted stock units ("the Performance Units" or "PSUs") awarded with performance measured on our three-year ROIC achievement [illegible] the 2013-2016 performance period for ROIC [illegible] exceeded the maximum stretch level of 110%. These 2014 awards were settled in cash in the first quarter of 2017.

- Our Long-term Incentive compensation program during the 2014-2016 performance period included long-term relative performance awards that measure and reward performance based on our progress toward closing the pre-tax income gap versus our industry peers. We did not achieve entry level performance under these 2014 long-term relative performance awards. As a result, based on the performance results of these awards, no payments were

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(1) See the accompanying Appendix A for a reconciliation of our 2016 pre-tax income results to the most comparable GAAP measure. See also "Note 16—Special Items" in the 2016 Form 10-K for information on the "special items" which consisted of [illegible] related to LAX developments with respect to the New Terminal, Cleveland airport lease restructuring, labor agreement [illegible], and other miscellaneous items. Note: [illegible] on-time performance, [illegible] to make [illegible] on fuel hedges to consider with the [illegible] and other miscellaneous items. Unless otherwise indicated, references to pre-tax income or pre-tax income [illegible] GAAP. [illegible] Program [illegible] such special items.

(2) See Appendix A for a reconciliation of our 2016 ROIC results.

made for the performance period that ended December 31, 2016. We continue to focus on improvement in our relative pre-tax margin performance.

- All of our long-term incentive compensation awards granted in 2016 are directly linked to our stock price performance. The 2016 long-term incentives are in the form of Performance Based RSU awards and restricted shares. All of our long-term incentives have three-year performance or vesting periods.

- During 2016, the Company reached new agreements with every domestic unionized work group.

- For full-year 2016, the Company purchased $2.6 billion in its common shares, representing approximately 13% of shares outstanding, at an average price of $51.80 per share. As of December 31, 2016, the Company had approximately $1.8 billion remaining to purchase shares under its share repurchase program.

- We ended 2016 with $5.3 billion in unrestricted liquidity, which consisted of unrestricted cash, cash equivalents, short-term investments and available borrowing capacity under the revolving credit facility of the Company's credit agreement.

- The Company continues to focus on upgrading our customers' experience. In December 2016, the Company launched a redesigned international travel experience. United Polaris service and opened the first premier United Polaris lounge in Chicago. Six other United Club lounges across the system also were redesigned and upgraded during the year. During the fourth quarter of 2016, automated screening lanes to increase efficiency and improve the screening experience were opened for our customers at hubs in Chicago, Los Angeles and Newark. We announced Basic Economy fares in 2016, introducing further choice for our customers. The Company also reintroduced free snacks and began offering premium coffee on board and in United Club lounges. For 2016, our Mileage Plus® loyalty program was named best overall frequent flyer program in the world for the 13th consecutive year by Global Traveler. We also expanded the capabilities of United's award-winning mobile app, used on more than 28 million devices, enhancing the customer experience with new reboosting options and features to improve management of international travel documents. We believe that these and other enhancements are delivering operational benefits as well as continued improvement in customer satisfaction, employee pride and financial performance.

- Over the summer of 2016, United had the opportunity to fly 1,000 athletes, coaches and Team USA staff to the 2016 Rio Olympic and Paralympic Games. We celebrated more than 35 years partnership with Team USA. This partnership underscores the shared purpose of the new United: Connecting people. Uniting the world.

Our Leadership Team. As CEO, Mr. Munoz is focused on the core mission of driving our overall strategy, business innovation and financial performance. As the architect of our strategic vision, Mr. Munoz also retains overall supervision and authority over United's performance, including our employee and customer relationships, legal and regulatory strategy, technology programs, and our financial and accounting responsibilities. Prior to becoming CEO in September 2015, Mr. Munoz developed valuable expertise in management, finance, accounting and operations during his more than 25 years of service in key executive positions within the beverage, telecommunications and transportation industries.

During 2016, with input, review and approval of the Committee and the Board, the Company made key adjustments to the executive leadership team. We believe these changes will advance our efforts to become the best airline for employees, customers and investors. In August 2016, Scott Kirby was hired as President of United. Mr. Kirby reports to Mr. Munoz and oversees the execution of United's strategy with regard to operations, marketing, sales, alliances, route planning and revenue management, with an aim to improve operations and strengthen our product revenue and global

[illegible]. With over three decades of experience in the airline industry, we believe that Mr. [illegible] has valuable insight and perspective on the [illegible] from capital [illegible] efficiency, service to employee development and Company leadership. Mr. [illegible] previously served as president of Americas.

In August 2016, we also welcomed Andrew Levy as our Executive Vice President and Chief Financial Officer. Mr. Levy came to United following a career that [illegible] years of leadership at Allegiant Travel Company, a low-cost carrier in Las Vegas, a competitive and [illegible] ground to United, serving as the role of president, chief operating officer and chief financial officer. We believe that Mr. Levy's experience in both finance and airline operations is valuable as United is executing and redefining aspects of our business. In August 2016, Julia Heywood, our former Executive Vice President of Chief Commercial Officer, joined United from the Boston Consulting Group ("BCG"). Ms. Heywood was a partner at BCG's revenue network team consulting to United and brought to the Company her expertise in global commercial travel. Upon the appointment of Mr. Kirby, the Company recognized certain leadership expenses in accordance with the following transition period. As Ms. Heywood separated from the Company effective February 28, 2017. In addition, Prasad Gopinath, our former Vice President and Chief Revenue Officer, resigned and separated from the Company, effective December 31, 2016. After making a payment for the transition in management and following separation, our [illegible] years of service and leadership with the Company.

In addition to the above noted leadership changes, our 2016 named executive officer group includes Brett Hart, our Executive Vice President and General Counsel, who served as acting CFO for part of 2016, and Corey Underwood, our Senior Vice President – Finance, Procurement and Treasurer, who served as acting CFO for the rest of 2016. Their leadership through the transition periods of the CFO and CRO roles was critical to the Company, and both officers continue to serve as members of our executive leadership team.

The membership of our Committee also changed in connection with Board committee membership adjustments that were made in June 2016, with four new Committee members, including a new Committee Chair. Certain elements of the 2016 compensation program for our named executive officers were approved by the Committee prior to that membership rotation, which Compensation Committee for the recommendations of our management team were approved by the current members of the Committee.

Our 2016 CD&A and the related tabular disclosures reflect the 2016 compensation for our executive leadership team that achieved above. Many of the items discussed in our CD&A and the related executive compensation disclosures are forward-looking, comparable to our transition in prior years, given that the elements of our annual and long-term compensation programs are largely similar to those in place in recent years.

Executive Compensation Philosophy: Our executive compensation programs are designed to reward our executives for achieving the following objectives:

- aligning the interests of our executives with those of our shareholders;
- linking executive pay to Company performance; and
- attracting, retaining and appropriately rewarding our executives to have such strategic priorities.

The 2016 executive compensation programs were designed to directly link compensation to specific financial and operational performance objectives that we believe are appropriate measures of success in our business, including pre-tax margin performance, improvement over a three-year period, RCE, stock price performance and customer satisfaction, as measured by our Net Promoter Score. In 2016, we included greater emphasis on individual performance contributions, as we refined our "adjusted performance modifier" in our Annual Incentive Program (AIP).

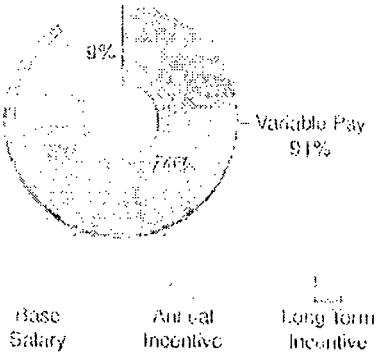
newly appointed officer compensation packages were evaluated based on external market benchmarking with an emphasis on individual duties and responsibilities.

Consideration of Prior Say-on-Pay Vote. A key objective of our executive compensation programs is aligning the interests of our executives with the interests of our stockholders, and we place emphasis on maintaining executive compensation programs that address and satisfy the key concerns of our stockholders. Our "Say-on-pay" proposal received approximately 97% approval from our stockholders at our 2016 annual meeting. The Committee considers this voting result to be a strong endorsement of our executive pay programs and has not made any changes to the executive compensation program based on the results of the 2016 say-on-pay vote. The Committee considers stockholder interests and concerns relating to executive pay as it designs our executive compensation programs and implements specific compensation elements that represent what it believes to be best practices. The Committee will continue to consider stockholder feedback, including say-on-pay voting results, as part of its decision-making process.

Tight Linkage between Performance and Executive Pay

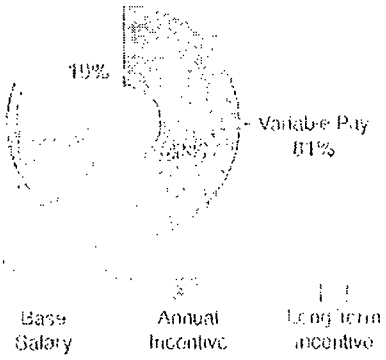
The compensation opportunities of our executives are directly tied to the performance of the Company as outlined below. The chart below shows the allocation of targeted pay across base salary, annual incentives, and long-term incentives as approved for (1) Mr. Munoz pursuant to his employment agreement, and (2) the remaining named executive officers with respect to their 2016 targeted compensation levels. As reflected in the chart below, the percentages of our named executive officers' target compensation represented by annual and long-term incentives that are linked to Company performance and stock price are as follows: 91% for Mr. Munoz and an average of approximately 81% for our remaining named executive officers.

CEO Annual Target Compensation Chart



This chart represents the 2016 target compensation level for Mr. Munoz as reflected under the terms of his employment agreement. In addition, annual and long-term incentive levels, the agreement provided Mr. Munoz a one-time sign-on cash payment of $5.2 million (paid in 2016) and an initial equity award (granted [illegible]) with grant date value of $6.8 million. See "2016 Special Compensation Components" below.

CEO Annual Target Compensation Chart



- This table includes 2016 target compensation for Mr. Hart, our Executive Vice President and General Counsel. Although Mr. Hart served as acting CEO during portions of 2015 and 2016, his targeted compensation was established by the Compensation Committee with respect to his role as Executive Vice President and General Counsel. In connection with Mr. Hart's appointment to serve as the CEO and Mr. Lademann's appointment to serve as acting CEO, the Compensation Committee approved additional monthly cash payments of $[illegible] and $[illegible], respectively, for the duration of their service in such roles. These payments are not included in the compensation charts above because they represent special compensation, compensation expected to be of a limited duration, and includes no equity awards granted to Messrs. Hart and Lademann in recognition of performance and retention. With respect to Messrs. Lowe, Lindley and Mr. Hawwood, the chart is based on targets. 2016 compensation approved by the Compensation Committee with respect to Mr. Lowe, Mr. Lindley and Mr. Hawwood includes no equity and cash awards as applicable. See "2016 Special Compensation Components" below. With respect to Mr. Gerard, the chart excludes amounts paid in connection with his retirement and separation from the Company at year-end. See "Post-and Payments upon Termination or Change in Control" below.

We believe that the charts above demonstrate our pay-for-performance philosophy as a great deal of our 2016 compensation opportunities are at risk and variable, and that is directly linked to Company performance and stock price. Specifically:

- Long-term incentive compensation continues to comprise the single largest component of our named executive officers' target compensation, representing approximately [illegible]% of the 2016 target compensation for Mr. Mhlotshwa and an average of approximately [illegible]% of the compensation for our other named executive officers.

- Our 2016 incentive awards are directly tied to Company performance metrics and are subject to performance achievement and thus will have no value for our executive officers if annual pre-tax income, ROIC, long-term pre-tax income growth or cash flow improvement are not achieved or our relative business segment cumulative revenues, stock price performance and customer satisfaction fall at or below the 25th percentile.

- We balance absolute financial goals with a relative performance goal that rewards our management team for long-term performance compared to our industry peers. The structure is designed to reward the achievement of company performance [illegible] compared to our peers.

  Two-thirds of our most recently 2016 long-term incentive awards are only delivered in the form of performance based restricted stock units, tied to our relative financial metrics.

- All of the targeted value of our 2016 long-term incentive awards is tied to our stock price performance, so that [illegible] pay directly to the creation of value for our stockholders.

Our 2016 Executive Compensation Governance Features

Our 2016 executive compensation policies and practices include the following features that we believe demonstrate our commitment to corporate governance "best practices" and the principles stated above.

- ***Multiple performance metrics aligned with shareholder values.*** We utilize multiple performance metrics (per [illegible]) to reinforce customer satisfaction (as measured by on-time arrivals), ROIC, relative measures (sales and stock price) to motivate and reward executives, revenue as it relates to achieve our complementary set of our markets and to contribute to the long-term creation of shareholder value.

- ***Focus on both relative and absolute performance goals.***

  Pay is targeted with reference to peer group median levels.

- ***Balanced peer group companies.*** We have maintained the same standards for our peer group since it was established in 2011. Our peer group for compensation benchmarking purposes was carefully selected to include well-run companies in our national industry, with a primary focus on airlines, aerospace, and transportation companies, companies of similar revenue size (0.5 to 2.0 times UAL's revenue) and the largest U.S. based airlines (regardless of revenue range).

- ***"Double-triggers" on change in control.*** Our annual long-term incentive awards have "double trigger" accelerated vesting provisions. A "double-trigger" means that acceleration of vesting requires two events: first, the transaction that represents the change in control, and second, a qualified termination of service such as an involuntary termination without "cause."

- ***No change in control tax indemnity.*** Our policy provides that we do not indemnify for excise taxes in change in control transactions.

  Stock ownership guidelines. Our [illegible] executive officers are subject to stock ownership guidelines based on a multiple of base salary. These guidelines were revised most recently in February 2014. The changes increased the target ownership levels and eliminated credit for profits realized on stock awards toward the specified ownership levels. The revised stock ownership guidelines for our Performance Officers (CEO, [illegible] Executive Vice President (EVP), Senior Vice President (SVP) and Senior Vice President (SVP)) are based on a multiple of base salary and are to be achieved by executive officers within a prescribed period of time. We expect our executive officers to achieve the stock ownership targets set forth in the guidelines.

- ***Prohibition on pledging and hedging.*** Our Corporate Securities Trading and Confidentiality Policy prohibits pledging and hedging transactions by our officers and directors.

- ***"Claw back" provision.*** Our programs include provisions to recover the cash and equity incentive payments to executive officers in certain circumstances in the event of a restatement of our financial results.

- ***Profit sharing bundle.*** Non-union employees are paid an annual incentive payment based on company performance, and receive a profit sharing payment to the extent [illegible].

  Risk mitigation. Our executive pay programs have been assessed to ensure that executive risk taking is not encouraged.

- ***Standard severance policies.*** We maintain standard severance policies for our officers other than the CEO. We previously eliminated employment agreements for our officers other than our CEO.

  Annual say-on-pay vote. We have adopted an annual policy for our say-on-pay vote, as recommended by our stockholders at our 2011 Annual Meeting. The vote whereby our pay proposal included in this proxy statement enables our stockholders to express their views on our executive compensation. See "Proposal 1."

- *Communication with investors.* We continue to work with our investment community regarding our performance that is linked to our incentive awards.

- *Independent Compensation Committee.* The Committee is comprised solely of independent directors and approves all compensation for our Section 16 reporting officers.

- *Independent Compensation Consultant.* The Committee has retained an independent compensation consultant who provides services directly to the Committee and has adopted an "Independent Executive Compensation Consultant Conflict of Interest Policy," compliance with which is regularly monitored by the Committee.

Philosophy and Objectives of Our 2016 Executive Compensation Programs

Aligning the interests of our stockholders and executives. The elements of our 2016 executive compensation program were aligned with the interests of our stockholders by linking our incentive compensation performance metrics to the following key indicators of the Company's financial performance: annual pre-tax income (30% of our 2016 Annual Incentive Program awards), long-term pre-tax margin performance improvement relative to our industry peers, and our level of ROIC achievement. All of the value of our 2016 long-term incentive awards is in the form of either Performance-Based RSUs or restricted share awards, both of which provide a direct link to our stock value.

Furthermore, we believe that our executives should have a meaningful financial stake in our long-term success. As described in greater detail below, the Committee adopted stock ownership guidelines in 2011 that require covered executive officers, including the named executive officers, to maintain a stake in the long-term success of our business. These guidelines were enhanced in February 2017 to increase the target ownership levels and to eliminate counting cash-settled equity awards toward the specified ownership levels. In addition, the Company's Securities Trading Policy prohibits speculative and derivative trading and short selling with respect to our securities by all officers. The policy further prohibits pledging Company securities and hedging transactions with respect to Company securities. We believe these requirements, coupled with our long-term incentive program, effectively align the interests of our executives with those of our stockholders and motivate the creation of long-term stockholder value.

Our broad-based employee incentive opportunities also are designed to further our objective of aligning the interests of our employees with those of our stockholders, and customers. Our profit sharing plans provide eligible employees with incentives that are aligned with the interests of our stockholders through payout opportunities based on our annual pre-tax profit. The Company also rewards employees with an aircraft on-time departure and arrival incentive program and a perfect attendance program. Our annual incentive awards to executives also reward our on-time arrival performance, a key driver of customer satisfaction (30% of our 2016 Annual Incentive Program awards). We believe that these programs ensure a focus on operational performance that aligns pay with customer satisfaction, enhances our product, and ultimately drives financial performance.

Linking executive pay to performance. The 2016 awards to our executives are directly tied to the financial performance metrics that we believe are appropriate measures of success in our business: annual pre-tax income, long-term pre-tax margin performance improvement relative to our industry peers, and our absolute ROIC performance. In addition, all of the expected value of our 2016 long-term incentive awards is tied to our stock price performance. We believe our compensation programs create strong incentives to align our executive performance to the successful execution of our strategic plan as well as long-term shareholder value creation.

Attracting, retaining and appropriately rewarding our executives in line with market practices. We seek to attract world-class executives and to retain our existing executives by setting our compensation and benefits at competitive levels relative to companies of similar size, scope and complexity. Because we

[illegible] that our senior executives have specific [illegible] factors including [illegible] and because we [illegible] talent [illegible] and the [illegible] and [illegible] a broad spectrum of leading businesses, we compare the overall compensation levels of our executives with those companies provided to our executives [illegible] the [illegible] peer group [illegible] discussed in further detail in "Compensation Process and Oversight—Benchmarking" below. Compensation decisions are also considered in light of the executive's responsibilities, level of [illegible] and other factors.

In prior years, the Committee emphasized internal pay equity as an important factor in setting executive compensation levels. In 2016, the Committee placed greater emphasis on adjusting compensation packages based on market conditions and other factors specific to individual executives. The structure of the 2016 annual incentive Pay-for-Performance award was tailored to allow the Committee to provide greater rewards for sustainability and accountability based on individual performance and contributions to the Company's success through application of an individual performance modifier. Contributions considered included improvements in executives' competencies, skills and capabilities, [illegible] leadership, [illegible] performance and future pay levels, and the overall scope of the executive's responsibilities. With regard to new executives, the Committee [illegible] compensation to compensation at a prior employer, including compensation structure and forfeited compensation.

Compensation Process and Oversight

Compensation Committee Role and Management Participation in Setting Executive Compensation. All 2016 incentive cash compensation decisions with respect to the five named executive officers were made by the Committee, with input from Exequity, the Committee's independent compensation consultant. In [illegible], Exequity assisted the Committee in reviewing the CEO compensation package for Mr. Munoz, the supplemental monthly compensation for Messrs. Hart and Lederman in their roles as acting CFO and acting CEO, respectively, which commenced prior to 2016. This review included consideration of Mr. Munoz's compensation at his prior employer, including unvested compensation and prospective compensation opportunities, and benchmark comparisons related to the Company's peer group in 2016. Exequity also assisted the Committee in reviewing the compensation packages for Messrs. Kirby and Levy and Ms. Haywood in connection with their joining the Company, including review of comparable compensation levels and structure and benchmark comparisons. The compensation paid to Mr. Compton in connection with his separation and retirement effective as of December 31, 2016 was specified by the terms of the United Continental Holdings, Inc. Executive Severance Plan (the "Executive Severance Plan") based on an over-the-counter [illegible] retirement eligibility under outstanding awards. The Committee reviewed and approved the secretary and compensation calculations in advance of the announcement of Mr. Compton's retirement and separation. The compensation paid to Mr. Hart in connection with his separation, effective as of February 28, 2017, was specified by the terms of the Executive Severance Plan based on an involuntary termination and included certain [illegible] benefits related to [illegible] compensation opportunities, as [illegible] and approved by the Committee in January 2017. See "Potential Payments upon Termination or Change in Control."

Exequity provides the Committee with [illegible] including preparation of the benchmark peer group described below and peer prices in Committee recommendations to support the Committee's executive compensation decision-making process and to respond to questions. Exequity also assists the Committee in performing [illegible] compensation risk assessment of the Company's compensation programs. The Committee retained Exequity as its independent compensation consultant in October 2010. Exequity reports directly to the Committee, and the Committee has the sole authority to retain and terminate Exequity and to review and approve Exequity's fees and other retention terms. The Committee has adopted an "Independent Executive Compensation Consultant Conflicts Of Interest Policy," in accordance with which Exequity is required to provide the Committee with [illegible] reports, [illegible] for the Committee. During 2016, Exequity did not perform any work on behalf of

The Company other than the executive compensation services provided to the Nominating/Governance Committee. Additional information concerning the Committee, including its authority and the role of executive compensation consultants, see "Committees of the Board – Compensation Committee" above. The Committee was assisted by its independent executive compensation consultant, Frederic W. Cook & Co., Inc., which reported to the Committee and did not perform any services for the Company other than as necessary in connection with its work as the Committee's independent executive compensation consultant.

The Committee also receives recommendations regarding executive compensation decisions from management. The Company's Executive Vice President, Human Resources & Employee Relations, in consultation with the Company's senior management, prepares and supports recommendations for Committee meetings. The CEO attends Committee meetings and provides qualitative and quantitative input to the Committee with respect to compensation decisions, other than with respect to the CEO, including, but not limited to, individual performance assessments with respect to payments under the Annual Incentive Program. The CEO and other members of the Company's finance, planning and analysis group participate in discussions with the Committee relating to the Company's financial plan and proposed performance goals under the executive compensation program, and members of the Company's internal audit group provide special reports to the Committee, including the review of procedures and calculations relating to the attainment of achievement of performance goals and payout of incentives. Management's annual compensation process involves preparation of annual financial forecasts, capital expenditure budgets, and the Company's annual business plan. Based on the Company's 2015 planning process and the financial budget approved by the Board, management developed and proposed performance targets under the 2016 incentive compensation programs. These targets were evaluated by Executive in light of compensation trends, benchmarking and compensation trends, below. The Committee made final decisions regarding performance goals and the compensation arrangements of the Company's executive officers, including salary levels and incentive award opportunity levels. Following the review and consideration of a recommendation, an individual deemed appropriate. The Committee regularly holds executive sessions to discuss executive compensation practices without members of management present.

Benchmarking. We recruit and hire competitively to retain executives not only from within the airline industry, but also from across a broad spectrum of leading businesses. In making compensation decisions, we examine the practices of companies in a general comparator group (the "GCG") comprised of companies of the size (in revenue), scope and complexity of the Company's global business operations, and that includes the largest U.S.-based airline companies (regardless of revenue size).

The Committee believes that the airline industry does not have enough development talent to provide a sufficient pool of talent to establish reliable ranges of competitive market pay for executive talent. Accordingly, for purposes of benchmarking pay levels, we rely on the GCG and other peers, and comparable companies in general industry that the Committee believes are representative of the competitive landscape for executive talent. In addition, we also review and evaluate pay data from several additional non-airline peers. We reference these other peer companies for purposes of benchmarking pay levels and not to the performance of the Company for the fiscal year. The following primary factors are considered in identifying the most appropriate peer companies for purposes of benchmarking pay levels and the companies in general industry with a primary focus on airlines, across and transportation companies, companies of similar revenue size (the "U.S. Companies of Similar Revenue"), talent competition within the Company's geographic and the largest U.S.-based airlines that are viewed as comparators for purposes of revenue size. These factors are guidelines, the composition of the peer group was reviewed and unchanged for 2016 compensation decisions. The comparative benchmarking analysis was conducted by the Committee in December 2015 in

advisor of the Company's 2015 compensation decisions included the 21 comparator companies set forth below:

- 3M Company
- Alcoa Inc.
- American Airlines Group Inc.
- The Boeing Company
- Caterpillar Inc.
- Cummins Inc.
- Deere & Company
- Delta Air Lines, Inc.
- FedEx Corporation
- General Dynamics Corporation
- Honeywell International Inc.
- Illinois Tool Works Inc.
- Ingersoll-Rand Company Limited
- Lockheed Martin Corporation
- McDonnell Douglas Corporation
- Northrop Grumman Corporation
- Raytheon Company
- Southwest Airlines Co.
- Union Pacific Corporation
- United Parcel Service, Inc.
- United Technologies Corporation

Compensation data was obtained from the most recent proxy statements of the peer group companies (in most cases the 2015 proxy statements, reflecting 2014 pay data). During review, the peer group had median annual revenue of approximately $17.9 billion and the Company's 2015 annual revenue at the time of the review was estimated at approximately $17.9 billion. The benchmarking review also considered information from Equilar's *Executive Compensation Survey*, which provides information on executive roles in each of the 21 comparator companies. Within the peer group, 14 of the 21 peer companies participated in the Equilar survey, with median annual revenue of approximately $36 billion.

We compare total compensation opportunities for our executives to the market median (50th percentile) of our peer group. Total compensation for our benchmarking purposes means the sum of base salary, annual cash incentive opportunities, and long-term incentive targets. As a consequence, these types of pay studies, retention bonuses were not included in the benchmark comparison. The Executive Performance Review process compares the Company's executive pay by position in comparison to the most similarly situated executive roles in each of the peer organizations. Data is analyzed by grade for the CEO and CFO positions and pay comparisons for these roles were made solely against the CEO and CFO positions among the peer companies. For other executives with similar duties, the benchmarks were based on Equilar's combined matching roles based on title within the proxy and within the survey, or other similar roles in the peer group proxies or survey roles.

The compensation information for our peer group companies was used as a starting point for our executives. The Committee benchmarks its offers with identical factors, such as each executive's experience, knowledge, skill, roles, and contributions to the Company, as well as consideration for internal parity of compensation among our executives. In selected cases, in the Committee's discretion, pay in excess of the 50th percentile may be made to attract specialized talent, or to compensate for specific roles in demand from other companies, or to reflect other factors that may be supplemental or eliminating in nature, in addition to the information from the full peer set. The Committee reviews all of these relevant factors and applies a discretionary weighting to the various factors. Based on the benchmarking results, and with assistance from Exequity, the Committee made adjustments in the 2016 proxy that shifted a portion of the total target opportunity from the annual incentive opportunity to the long-term incentive opportunity. Further, certain one-time adjustments that have been made in prior years.

In addition, in the case of executives who are recruited to join the Company, the Committee is focused the executive's pay in his or her prior employer in order to facilitate the recruitment of top talent executives. In 2016, the Company recruited Messrs. Ichiyama and Vasquez to join the Company. The Committee reviewed the following factors in connection with the development of competitive pay packages that would support the Company's ability to succeed in the recruitment and

[illegible] the integration of these key compensation [illegible] with the pay [illegible] of existing executives

- Alignment with the median pay levels and practices among the peer set used from benchmarking executive pay
- Alignment with the pay levels and practices among the Company's primary airline peers (Delta and American for this purpose)
- Desired internal pay relationships and individual pay components and total target pay balanced relative to roles and responsibilities and
- Transition of the executive's current and legacy arrangements from his or her former employer into the Company's executive compensation programs at internal pay parity

Tally Sheets — Comprehensive tally sheets covering each of the Company's Section 16 reporting officers are provided to the Committee annually in advance of the meeting at which incentive compensation performance targets and award levels opportunities are set and actual compensation levels and annual incentive awards are considered and decisions are made. The tally sheets provide a summary for each executive of total targeted and actual compensation levels over a multi-year period, an accumulation of vesting of outstanding awards, and estimated total payments under alternative separation scenarios. These tally sheets allow the Committee to make prospective pay decisions during the year informed by compensation opportunities and earnings for and prior years.

2016 Compensation Components

The section and table below summarize the key components of our 2016 executive compensation program. Detailed descriptions of these components appear below the table. In addition to the significant changes to our executive leadership team during 2016, our 2016 executive compensation program included several special one-time recognition and stock awards that are not a standard part of our annual targeted compensation structure. These special awards are described following the discussion of the key annual compensation components.

Key Annual Compensation Components

The 2016 salary and incentive compensation award levels were considered and approved by the Committee through the compensation process described below, taking into account the information provided by and reviewed with Mercer. The salary, compensation opportunities and employment terms and conditions for Mr. Marcy are set forth in his employment agreement, which was entered into in December 2015. The compensation levels for the other named executive officers were considered and approved through the certain at-risk process described above and with effective to the foregoing discussion of the new hiring dates among the peer companies. In addition, with respect to Messrs. Kolb and Levy and Ms. Harwood, the Committee considered their compensation on a date-hire, opportunities and outstanding incentive awards with their prior employers as applicable, as well as alignment with comparable roles among the Company's primary airline peers and the internal pay parity among the Company's top executive ranks. The Committee also considered the recommendations of the new hire compensation analysis and provided advice on compensation levels, including the value of outstanding incentive awards and a statement of the pay packages in a best practices.

[illegible] increases in the 2016 salary and incentive target levels for Messrs. Marcy, Kolb, Lakhmani and Corrigan as compared to the 2015 salary and target incentive award levels. However, for 2016, the Committee approved the elimination, as of January 1, 2016, of a portion of the total target level compensation opportunity for [illegible], and Corrigan, and the total incentive opportunity to the annual incentive opportunity, which [illegible] with market practice, with [illegible] the shift, as well as other factors, including the considerations described above.

was indicated that the Company's overall target total compensation levels for the named executive officers were generally [illegible] percentile of the peer group, and the aggregate percentage of the named executive officers' total targeted incentives were being delivered in the form of long-term incentives. For corporate [illegible] the percentage of the named executive officers' total targeted incentives was being delivered in the form of long-term incentives, which was the same as among the benchmark peer companies. For newly hired officers in 2016 (Messrs. Hayward and Kelly and Ms. Hayward), we emphasized that the Company's executive stock and long-term incentive awards are [illegible] and that executives pay for performance, the executive's compensation with the remainder of the executive team.

Compensation Component	Program Type	Performance Measure
Base Salary	• Fixed cash income throughout the year	
Annual Incentive Awards	• Absolute and relative performance • Standard cash award	• Pre-tax income (AIP) • Customer satisfaction (based on Net Promoter Scores) • Individual Performance Modifier
Long-term Incentive Awards		
• Performance-Based RSUs (ROIC)	• Absolute performance • 3-year cliff vesting • Stock price based • Cash settled	• ROIC • Stock price performance over time
• Performance-Based RSUs (Relative P.O. Alpha)	• Relative performance • 3-year cliff vesting • Stock price based • Cash settled	• Pre-tax income improvement relative to industry peer group • Stock price performance over time
• Restricted Stock Awards	• 3-year ratable vesting	• Stock price performance over time

Base Salary. [illegible] executives in the Company, in consideration of internal pay equity and to balance fixed and variable compensation levels. The base salary level for Mr. Mahoney was established with reference to the foregoing factors, including the level of compensation for comparable positions at peer companies. The base salary levels for Messrs. Lockwood and Kelly were generally established based on reference to the salary levels for comparable executives with comparable tenure at peer companies. Mr. Hayward's salary was elevated to more closely align with his prior compensation at BGC. Mr. Mahoney's annual base salary is set forth in his employment agreement [illegible]. The salary levels for the other named executive officers were [illegible]. Mr. Lockwood [illegible], Mr. Kelly [illegible], Mr. Compton [illegible] and Ms. Hayward [illegible]. For Messrs. Mahoney, Lockwood and Compton, these salary levels are unchanged from fiscal 2015 levels and remain effective for the continuing named executive officers.

Annual Incentive Awards. In 2016, the named executive officers participated in the Annual Incentive Plan, the Annual Incentive Plan and the Company's Executive Plan. [illegible] for participation in each under the [illegible] Annual Incentive Plan [illegible] amount not to exceed the maximum level permitted under established by the Committee and [illegible] payment amounts have been made pursuant to [illegible] under the Company's Executive Plan [illegible] for such fiscal year. In either of these cases, the amounts to be paid to the named executive officers under the Annual Incentive Plan [illegible]

payment also requires that the Company must have an adequate level of funds to be held aside to cover all the performance payments as determined by the Committee. The 2016 awards permit the exercise of negative discretion to reduce award payments. In addition, in 2016 the Committee adopted the AIP structure to include individual performance modifiers in addition to permit the Committee to adjust the AIP award payments based on the individual performance and contributions of the Company's executives. The Committee also exercises discretion to reduce the payment or may increase the payment by up to 50%. The CEO makes recommendations to the Committee with respect to the performance of the executive officers and proposes other than himself. Pursuant to the terms of his offer letter, the AIP award for Mr. Levy did not include the individual performance modifier and was not subject to discretion. In a fashion similar to the AIP, a discretionary bonus was applied to the AIP award for our Chairman, Charles the AIP "pre-tax income" measure with respect to a fiscal year. The aggregated consolidated net income adjusted to exclude expense in excess of the Company's as shown on the Company's consolidated financial statements for such year but calculated excluding any special items and non-recurring items as determined by the Committee in accordance with applicable accounting rules.[1]

The 2016 award opportunities under the AIP were based on an individual award opportunity granted to each participant. A participant could earn an amount equal to 50% of the target opportunity, the target payout equal to 100% of the target opportunity and a stretch payout equal to 200% of the target opportunity, with the opportunity to earn up to 300% of the target opportunity after the application of the individual performance modifier. The target award opportunity was allocated so that 1/3 of the target opportunity was based on pre-tax income performance goals and (2) 30% of the target opportunity was based on the achievement of customer satisfaction performance goals (increased from a 20% weight under the 2015 awards). For 2016, the customer service component was changed from a customer survey metric to an independent third party survey which is a leading indicator of customer satisfaction.

The 2016 AIP individual target bonus opportunities for each of the named executive officers were expressed as a percentage of the executive's base salary and are shown in the table below: Mr. Murez – 100%; Mr. Harris – 100%; Mr. Levy – 100%; Mr. Lefkowitz – 100%; Mr. Champion – 100%; Mr. McKinney – 125%; and Ms. Haywood – 100%. As discussed above, in 2016 the Committee approved a continued collaboration of the incentive opportunity between AIP and long term incentive compensation, resulting in a decline in the 2016 AIP opportunity for Messrs. Harris and Champion. The AIP opportunity for Mr. Murez is set forth in his employment agreement. With respect to the new members of the management team, Mr. Levy's AIP opportunity was primarily established with consideration of the amount to be held pro rata in the full year 2016 median target level bonus and the median of the Company's peer airline peers, particularly Delta and American, for purposes of the new officer compensation comparisons. Mr. McKinney's AIP opportunity was established with reference to his prior target bonus opportunity at American, the average target bonus levels for the comparable role at Delta and American, and the median target value bonus for the other two named executive officers, the full year group. With respect to Ms. Haywood, her AIP opportunity was set at her same percentage of salary as set for other EVP level officers and consideration was also given to median target value for the same or similar role at the Company's peer peers.

The 2016 pre-tax income performance goals, representing 70% of the target award opportunities, were established as a dollar amount of $[illegible] million and stretch of $[illegible] million. The target pre-tax income goal was based on the Company's 2016 full year expectations, at the time the goals were established in February 2016. For 2016, measurements of customer satisfaction, repeat service, 70% of the target award opportunity required exceeding the 80th percentile in the J.D. Power and Associates 2016 Airline Customer Satisfaction Study, as compared to an industry peer group (American, Delta and Southwest), with the goals set at the 80th percentile, together performance at the 85th percentile (Stretch Target – 2 months and stretch – 9 months).

(1) See "Item 10 – Special Items" in the 2016 Form 10-K for a reconciliation of the 2016 special items.

Our 2016 pre-tax income was [illegible] billion and we achieved pre-tax income of $[illegible] billion for 2016 as measured under the AIP and adjusted for special items and eligible employees received payments pursuant to the Company's pre-tax sharing plans. The 2016 AIP awards paid out at nearly 98.17% of the target level with respect to the pre-tax income performance [illegible]. With respect to the customer satisfaction goal (measured on a [illegible] time arrival performance on a proxy for the customer satisfaction metric), the Company achieved top-tier performance in all 12 months of 2016, which resulted in stretch level (200%) performance. The combined 2016 performance relating to pre-tax income and customer satisfaction (measured by [illegible] time arrivals) resulted in achievement at 78.68% of the total target opportunity level. The Committee also considered individual performance and contributions to the Company's success. Based on input from the CEO with respect to named executive officers other than himself. Based on these considerations, the 2016 AIP individual performance modifier that was applied to the payout to each of the named executive officers was as follows: Mr. Munoz—110%, Mr. Hart—120%, Mr. Cadermann—[illegible], Mr. Kirby—110% and Mr. Haywood—100%. The [illegible] compensation package for Mr. Levy and the separation summary terms for Mr. Compton specified that the individual performance modifier would not apply to the calculation of their 2016 AIP payments. Payments under the AIP are included in the 2016 Summary Compensation Table under the column captioned "Non-Equity Incentive Plan Compensation." The named executive officers are not eligible to receive payments under our pre-tax sharing plans.

2016 Long-Term Incentive Awards. In designing the long-term incentive award structure for the Company, the Committee divided the long-term incentive opportunity into three separate awards, each of which has a three-year performance or vesting period. This design was put in place and has continued since our 2015 awards with the 2016 long-term incentive awards as follows:

- ROIC Performance Awards: Designed to reward the creation of economic value measured by our ROIC achievement.
- Relative Pre-tax Margin Performance Awards: Designed to reward improvement in pre-tax margin performance relative to improvement by our airline peers; and
- Restricted Share Awards: Intended to align executive interests with the creation of shareholder value.

Mr. Munoz's total target long-term incentive opportunity was established in connection with the review, negotiation and finalization of his employment agreement in December 2015. The total target long-term incentive opportunities of the remaining named executive officers were established with reference to the applicable benchmarking analysis conducted by Exequity and discussed with the Committee in December 2015 with respect to Messrs. Hart, Cadermann and Compton and in August 2016 with respect to Messrs. Kirby and Levy and Mr. Haywood. As discussed above with respect to the AIP awards, for 2016, the Committee approved a reallocation of a portion of the total target compensation opportunity for Messrs. Hart and Compton from the annual incentive opportunity to the long-term incentive opportunity to align more closely within market practice within our peer group. This shift was made after considering the benchmarking analysis discussed above, which indicated that the Company's total targeted compensation levels for the named executive officers were generally slightly below the 50th percentile of the peer group but slightly higher than the group with respect to target levels of annual compensation as compared to long-term incentives. With respect to the new members of the management team, Mr. Levy's long-term incentive opportunity was primarily established with consideration of alignment to the full peer group median for targeted long-term incentive value, as well as alignment to compensation for persons in similar roles at Delta and American. Mr. Kirby's opportunity was established with strong consideration to alignment with his prior target long-term incentive value. Amounts, while also considering the targeted compensation levels for the president roles at Delta and American and placement between the CEO and other top executives at United. With respect to Mr. Haywood, his opportunity was influenced by internal parity and in light of the

[illegible] of her salary at a level that took into consideration the fixed compensation elements of our prior employer [illegible]

For the named executive officers, the 2016 total long-term incentive target level opportunities were as follows: Mr. Mangan [illegible] $215,33[illegible]; Mr. Gadomski [illegible] $[illegible]; Mr. Campion [illegible]; Mr. [illegible] and Mr. Haverkamp $649,180 [illegible]. See "— Compensation Process and Oversight — [illegible] Haverkamp [illegible] the 2016 total long-term target opportunities were [illegible] actual award levels for Messrs. Kaiby and [illegible] long-term incentive awards. Consistent with 2015, all of the 2016 long-term incentives are linked to the Company's stock price performance.

ROIC Performance Awards. One third of the 2016 long-term incentive awards were based on a ROIC performance measure. In 2013, the Committee adopted the Long-Term Incentive [illegible] Performance-Based RSU Program (the "RSU Program") pursuant to the provisions of the Company's 2008 Incentive Compensation Plan. The RSU Program requires the Company to achieve specified levels of ROIC. The ROIC calculation for the 2016 awards was set to reflect ROIC on a pre-tax basis due to the uncertainty of the timing and amount of [illegible] on the ROIC [illegible]. For 2016, the ROIC goals were set at absolute levels of ROIC performance. Each RSU represents the potential right to receive a cash payment at the end of a three-year performance period based on the average closing price per share of Common Stock over the 20 trading days preceding the end of the performance period. The number of RSUs that become vested under the RSU Program increases as the Company's ROIC for the performance period exceeds the specified goal. If the Company achieves at least the minimum level of performance, the awards will be settled in cash following the end of the three-year performance period. [illegible] Company must have an adequate level of [illegible] determined by the Committee [illegible] [illegible] with respect to the 2016 ROIC Performance-Based RSU awards.

The 2016 Performance-Based RSU awards have a performance period of January 1, 2016 through December 31, 2018. We believe that the ROIC definition applicable to the 2016 awards is aligned with the parameters generally used by investors as well as our external reporting methodology, including certain [illegible] adjustments [illegible] expense [illegible] and only including [illegible] operating leases [illegible]. The Committee did not apply a 2016 the ROIC goals were set based on the Company's expectations for the performance period at the time the performance goals were established in February 2016 [illegible] level performance goal [illegible] selected based on our approximate cost of capital at the time [illegible] calculation of invested capital. For [illegible] goal that was established above the ROIC level that the Company had achieved in the prior three-year period but below the Company's [illegible] [illegible] and the maximum [illegible] performance goal [illegible] from the levels established with respect to the prior three-year average earnings [illegible] to reflect the Company's recent financial performance improvement. The goals are established with reference to the Company's operating plan and [illegible] the time the goals were set and a variety of scenarios for the Company's multi-year financial plans [illegible] three-year measurement period. The 2016 ROIC Performance-Based RSUs include [illegible] to the extent that [illegible] any year of the performance period vary by more than [illegible] percent based on the incentive table used to establish the ROIC goal.

The 2016 ROIC Performance-Based RSU awards have a threshold opportunity equal to 50% of the target award value and a maximum of [illegible] opportunity of 100% of the target

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Stock Option Opportunity equal to 200% of the target award value. Payment opportunities under the ROIC Performance Based RSU awards are scaled between performance levels as reflected in the 2016 Summary Compensation Table below. The grant date fair value of the 2016 Performance Based RSUs at the target level of the award based on the probable outcome of the applicable performance condition as of the grant date. The number of Performance Based RSUs granted was calculated based on the target opportunity divided by the closing price per share of Common Stock on the date of grant and with the result multiplied by the stock option opportunity level rounded up to the nearest whole unit.

The 2014 Performance Based RSU awards, which had a performance period of January 1, 2014 through December 31, 2016, had the following performance results: 9.1% ROIC (target = 10% ROIC and threshold = 11% ROIC). In order to have the number of RSUs subject to the 2014 Performance Based RSU awards, the Committee applied a discount factor to the closing price per share of Common Stock on the date of grant in recognition of the Company's history of ROIC not exceeding our cost of capital. As a result, as an factor payment of the awards, it also expected that the Company would have an adequate level of cash available at the end of the vesting period as determined by the Committee. The Committee also established a maximum payment cap on the awards with respect to the 2014 awards equal to two times the stock price on the date of grant (representing a 50% maximum payment cap) for the 2014 Performance period. The Company's ROIC (9.1%) exceeded the recast stretch level of performance (11% ROIC) and the 2014 Performance Based RSUs were settled in cash in the first quarter of 2017 following review and certification by the Committee. The 20-day average closing price per share of Common Stock immediately preceding December 31, 2016 was $73.32 per share. The payments to the named executive officers were included in the "Option Exercises and Stock Vested for 2016" table below.

Relative Pre-tax Margin Performance Awards. In prior years, the Committee has undertaken a series of evaluations of the relative performance compared of the long-term incentive programs to consider potential alternative award structures, including several different types for implementing a form of Performance Share Rights ("PSRs") implemented for 2016, the Committee determined that the relative performance metric based on improvement in the relative pre-tax margin as compared to industry peers continues to be an appropriate metric for incentivizing executive performance in line with stockholder interests.

One-third of the 2016 long-term incentives were based on a relative pre-tax margin performance measure. These incentives were granted in the form of consecutive Performance Based RSU awards that measure and reward performance based on the Company's improvement in cumulative pre-tax margin over three three-year performance periods as compared to the industry peer group (Delta, Southwest, JetBlue, American, United, and Alaska Air Group, Inc.).

The goals established for the 2016 pre-tax margin Performance Based RSU awards measure the Company's relative pre-tax margin improvement over the 2016-2018 performance periods as compared to the industry peer group improvement over the performance period by the Company and the industry peers measured with comparison to pre-tax margin performance achieved in 2015. Performance is generally measured as (A) the Company's pre-tax income over the performance period divided by its revenue over such period *minus* the Company's 2015 pre-tax margin, as compared to (B) the peer companies' aggregate pre-tax income over the performance period divided by the peer companies' aggregate revenues over such period *minus* the peer companies' aggregate 2015 pre-tax margin. The calculations are adjusted to exclude special items in accordance with applicable accounting rules. If the Company achieves at least the maximum (the "cap") level of performance, participants will be eligible to receive up to 150% of the target number of shares at the three-year performance period. Any fractional share factor payment will be rounded down.

the Company must have an adjusted level of income from operations at the end of the performance period. As determined by the Committee, the Committee did not apply a discretionary payment percentage with respect to the 2016 pre-tax margin Performance Based RSU awards.

The 2016 pre-tax margin Performance Based RSU awards have a performance period of January 1, 2016 through December 31, 2018. The target performance level established for the 2016 relative pre-tax margin PBRSUs was set by the Committee so that executives could earn a target cash incentive award ("Target") level for achieving pre-tax margin improvement substantially in excess of the peer group, equal to peer group pre-tax margin change over the performance period plus 90 basis points. The entry performance level was designed to be attainable with solid relative performance (peer group change plus 30 basis points), while the stretch performance level (peer group change plus 150 basis points) was set at a high level requiring exceptional relative performance. In determining the 2016-2018 performance goals, the Committee considered the historical performance of the Company and the peer group, the Company's multi-year financial plan and the economic and market conditions at the time the goals were established.

The 2016 pre-tax margin Performance Based RSU awards have an entry opportunity equal to 50% of the target award value, a target opportunity of 100% of the target award value and a maximum or "stretch" opportunity equal to 150% of the target award value. Payment opportunities under the relative pre-tax margin Performance Based RSUs are subject to linear interpolation between performance levels. In accordance with ASC Topic 718 and as noted in the 2016 Summary Compensation Table below, the grant date fair value of the relative pre-tax margin Performance Based RSUs is zero because the satisfaction of the requisite performance conditions was not considered probable as of the grant date. As of year end, the Committee believes that improvement in pre-tax margin continues to be an appropriate metric for motivating executive performance in line with stockholder interests. Although the performance conditions were not considered probable as of the grant date, the Committee established the goals at a level they believe is appropriate for the Company and stockholders.

The 2015 relative pre-tax margin awards, which have a performance period of January 1, 2015 through December 31, 2016, were cash-based awards and had the following performance goals: entry = relative improvement in pre-tax margin as the metric (entry = peer group change in pre-tax margin plus 30 basis points); target = peer group change in pre-tax margin plus 90 basis points; and stretch = peer group change in pre-tax margin plus 150 basis points. As a risk mitigation factor, the awards also required that the Company achieve a cash quick level of unlevered cash at year end. The performance period, as determined by the Committee, the Company's pre-tax margin performance with respect to the 2015 relative performance awards did not meet the entry level of performance, and no payments were made to the named executive officers with respect to this 2015 long-term incentive award.

Restricted Share Awards — The final one third of the 2016 long-term incentive opportunity was delivered in the form of restricted share awards that vest in one-third increments on February 28, 2017, 2018 and 2019. These awards were granted pursuant to the Company's 2016 Incentive Compensation Plan. The 2016 restricted share awards were calculated based on the cash opportunity divided by the closing price per share of Cameron stock on the date of grant, rounded down to the nearest whole share.

2016 Special Compensation Components

There were several special performance, retention and sign-on awards granted during 2016 related to the hiring of Mr. Munoz, employee retention and recognition of unique circumstances related to internal moves in the CEO and CFO roles, performance and retention considerations and sign-on compensation. The special compensation components applicable to Messrs. Munoz, Hall, Levy, LaCorte, Lane, Kirby and McCluskey would be described below.

Mr. Munoz. In December 2015 the Company and Mr. Munoz entered into an employment agreement to memorialize his role as the Company's CEO. As described above, the compensation, benefits, terms and conditions of the employment agreement were approved by the Compensation Committee. For Mr. Munoz's compensation, his pay mix, employee benefits, tax compensation and prospective incentive opportunities, the Board made analyses of U.S. peer companies and conducted succession planning processes within the Company. Equity awards and repurchases of Company stock in excess of the cost of employee stock option exercises and tax payments for incentive and equity compensation reflected in this proxy support the equity component of his compensation. For fiscal 2016, Mr. Munoz received a performance cash award (see Footer 2(b)) with a grant date value of $6.7 million vesting over a three year period. The agreement also provided for an annual base salary of $1,200,000 and beginning in 2016, Mr. Munoz became eligible to participate in the Company's annual cash bonus program with a target annual bonus not less than 200% of his annual base salary. Also beginning in 2016, Mr. Munoz became eligible to receive a cash annual long term incentive award with a grant date value of at least $10,000,000.

Mr. Hart. As referenced above, in connection with Mr. Hart's appointment to serve as acting CEO, the Committee approved an additional monthly cash payment of $100,000 for the duration of his service in such role. This special monthly stipend represents special assignment compensation of a limited duration and was terminated on March 14, 2016. The 2016 special monthly stipend is included in the Bonus column of the 2016 Summary Compensation Table. In addition, on May 5, 2016, the Committee approved a performance award for Mr. Hart in recognition of his continued leadership and extraordinary contribution to the company and in recognition of the importance to the company of the Company's ability to retain employed by the Company over the award vesting periods. Under the terms of the performance award, Mr. Hart received an immediate cash payment of $500,000 and a restricted stock award with a grant date value of $2,000,000, vesting in equal installments on January 1, 2017 and January 1, 2018. The unvested portion of the equity award will be forfeited if Mr. Hart's employment with the Company is terminated prior to the applicable vesting date, for reasons other than termination by Mr. Hart due to good reason (as defined in the Executive Severance Plan), termination by the Company due to an involuntary termination without cause (as defined in the Executive Severance Plan), death or disability. The cash portion of the performance award is included in the Bonus column and the equity award is included in the Stock Awards column of the 2016 Summary Compensation Table.

Mr. Levy. Effective August 22, 2016, the Committee approved a stipend award for Mr. Levy of 86,000 stock options. The stock options vest over a three year period on each anniversary of the grant date and have a seven year term. The stock option award was designed to enhance Mr. Levy's ownership alignment with shareholder value creation and to bring his total annualized pay into alignment with (i) the average total target pay for the CEO role at United's primary airline peers (Delta and American) and (ii) the division internal pay mix among the Company's top executives. The options are included in the Option Awards column of the 2016 Summary Compensation Table.

Mr. Lederman. As referenced above, in connection with Mr. Lederman's appointment to serve as acting CFO, the Committee approved an additional monthly cash payment of $100,000 for the duration of his service in such role. This special monthly stipend represents special assignment compensation of a limited duration and was terminated as of the end of August 2016. The 2016 total of special pay for Mr. Lederman is included in the Bonus column of the 2016 Summary Compensation Table. In addition, in connection with his return to the position of Senior Vice President, Finance, Procurement and Treasurer, the Committee approved a retention award for Mr. Lederman. The retention award consists of a $500,000 cash payment and a grant of 15,000 restricted stock units that will vest over a three year period and will be settled in stock. The cash portion of the retention award is subject to a clawback provision under which Mr. Lederman will be required to pay back 50% of the cash portion of the retention award if he leaves the Company within two years following the payment date. The cash

[illegible] the series [illegible] awards [illegible] the equity portion [illegible] included in the Stock Awards column of the 2016 Summary Compensation Table. The original [illegible] award was approved effective August [illegible], 2016 and on December [illegible], 2016 the Compensation Committee approved the equity [illegible] of the award to specify the stock will vest [illegible] rather than [illegible] Accordingly, this change in settlement form [illegible] on the Grants of Plan-Based Awards in 2016 table with one line showing the original award and the line showing the modification of the original grant.

Mr. Kibby. [illegible] in connection with his appointment as President of the Company, Mr. Kibby received a sign-on retention award consisting of premium priced stock options (with an exercise price that was at 150% of the Company's closing stock price on the date of grant) with a total Black-Scholes grant value of $[illegible] million. The sign-on award was intended to facilitate the transition of Mr. Kibby to the Company, as well as to offer an overall pay opportunity that is heavily tied to the delivery of significant stockholder value. The options were split into two tranches, as follows: (i) 50% of the grant date value consists of stock options with a seven-year term that vest in one third increments on the first, second and third anniversary of the grant date and (ii) $[illegible] million of the grant date value consists of stock options with a [illegible]-year term that vest in one-fifth increments on the fourth, fifth and sixth anniversary of the grant date. These amounts are included in the Option Awards column of the 2016 Summary Compensation Table.

Ms. Haywood. In connection with her appointment to serve as Executive Vice President and Chief Commercial Officer, the Committee approved a sign-on award for Ms. Haywood consisting of (i) a $600,000 cash payment and (ii) an award of $2 million in restricted stock units that vest over a three-year period on December 31, 2016, 2017 and 2018. These awards were established by reference to the [illegible] in maintaining levels consistent with the level of Ms. Haywood's fixed forms of compensation at her previous employer, (iii) a [illegible], with peer projections, and (iv) a [illegible] with the annualized total targeted pay of [illegible] at the Company. While the cash portion of the sign-on award was subject to clawback for a termination of employment, the repayment obligation was not applied in connection with Ms. Haywood's involuntary termination from the Company. The restricted stock units that were scheduled to vest in 2017 and 2018 were forfeited in connection with her separation. The cash [illegible] total the sign-on award is included in the Bonus column and the equity portion is included in the Stock Awards column of the 2016 Summary Compensation Table.

2017 Incentive Compensation Structural Changes

In designing the incentive compensation program for 2017, the Company made changes to the structure of the Annual Incentive Program awards and the annual long-term incentive program. While [illegible] remains the largest percentage of the award opportunity, the 2017 AIP awards include a broader array of performance metrics that are [illegible] important [illegible] including [illegible] and [illegible]. The 2017 AIP award opportunities [illegible] engage [illegible] achieving specific strategic objectives. The individual performance modifier was retained in the 2017 AIP to reward [illegible] to the annual bonus plan, and [illegible] the Company eliminated ROIC as a performance [illegible] for the 2017 awards.

Some Rewarding Adjustments to the 2017 Compensation Program in Response to Recent Events

The overall design framework for the 2017 incentive compensation program was developed early in 2017. Given recent events in United's business and the Compensation Committee's goal that the annual incentive opportunity for management will be made more comprehensively subject to progress in 2017 on satisfaction improvement, financial stewardship, United's adaptive changes to United's culture and processes, Progressive initiatives, financial, operational and strategic initiatives will continue to determine the actual sizing of the annual incentive opportunity. However, the Compensation Committee will use its discretion to acknowledge the current state of the customer experience and operational challenges and to strengthen the statutory linkage between improvement in the customer experience and executive annual incentives in 2017. The Compensation Committee's judgment on these matters will be applied to adjust the entire 2017 annual incentive opportunity.

The 2017 long-term incentive target opportunity is equally divided between time-vested RSU awards and Performance-Based RSUs with relative pre-tax margin performance as the performance metric. The Committee believes that the changes in the 2017 program motivate management performance towards achieving goals that are considered by the Board to be important to our customers and investors.

As noted in the text box above, in 2017, an investment in the customer experience and United's culture will be critical components in the determination of the 2017 executive bonus amounts, making the entire 2017 AIP award opportunity responsive to these initiatives.

2016	2017
Annual Incentive Program	*Annual Incentive Program*
Pre-tax income (70%)	Pre-tax income (70%)
Operational goals (30%) *(measured by on-time arrivals)*	Operational goals (20%) *(measured by on-time departures, mishandled baggage ratio, and completion factor)*
	Customer initiatives (10%)

Long-term Incentive Program	*Long-term Incentive Program*
Performance-Based RSUs—ROIC (15%)	
Performance-Based RSUs—Relative Pre-tax Margin (15%)	Performance-Based RSUs—Relative Pre-tax Margin (50%)
Restricted Shares (time-vested) (15%)	RSUs (time-vested) (50%)

Other Compensation Components

Severance Benefits. We have established terms applicable to each of our named executive officers that provide for severance payments and benefits in certain events. In 2016, the Committee determined that individual employment agreements, other than agreements with our CEO, were no longer necessary.

The Company maintains the Executive Severance Plan, which provides severance benefits to our executive officers, including Messrs. Hunt, Levy, Compton and Kelly and Ms. Lawson, and the United Contractual Holidays, Inc. Senior Officer Severance Plan, which provides severance benefits to some of our officers, including Mr. Leightman. The severance and post-employment benefits provided under the severance plans are consistent with the level of benefits that were provided under the named executive officers' prior employment agreements, which expired in September 2014, and these plans

were approved and adopted by the Committee in 2013. The terms of Mr. Compton's and Ms. Haywood's departures were governed by the Executive Severance Plan and the payments and benefits provided upon an involuntary termination. Under the terms of their stand-alone incentive awards, Mr. Compton is eligible to vote earned on the long-term performance awards on a prorata basis and based on actual Company performance through the end of the applicable performance period. The Compensation Committee agreed to provide Ms. Haywood with the benefits through her two year severance period and acknowledged that her resignation was not subject to a payment based on her involuntary termination.

Based on advice of our consultants, we believe that the overall Executive Compensation and Benefits are competitive with typical practices and that they provide appropriate levels of compensation and terms and conditions relative to executive operations. Further, we believe that these benefits are an important component of our compensation packages in terms of attracting and retaining top caliber talent in several key corporate functions and under terms and conditions of executive separation events. See "Potential Payments upon Termination or Change in Control" below for a discussion and estimate of the potential compensation and benefits provided pursuant to these arrangements.

Retirement Benefits

Frozen SERP. Continental maintains a supplemental executive retirement plan ("SERP") for its Messrs. Lindemann and Compton that provides a annual retirement benefit expressed as a percentage of the executive's final average compensation. The SERP is not a current element of the Company's compensation program. The SERP benefit for Mr. Compton was frozen as of December 31, 2010, and the SERP benefit for Mr. Lindemann was partially frozen as of December 31, 2010 and fully frozen as of December 31, 2013. The benefit formulas and the compensation limitations applicable to the SERP are described below under "Narrative to Pension Benefits Table."

Frozen Pension Benefits. Management and administrative employees from Continental Building Products, Lindemann and Compton, participate in the Continental Retirement Plan ("CARP"), a non-contributory defined benefit pension plan in which substantially all of Continental's non-production employees participate. The CARP benefits for management and administrative employees were frozen as of December 31, 2013. The CARP benefit is based on a formula that utilizes the average compensation and service of the participant. The benefit formulas and the compensation limitations of the plan in the CARP are described below under "Narrative to Pension Benefits Table."

Defined Contribution Retirement Benefits. We provide retirement benefits including a tax-qualified 401(k) plan to all of our non-union employees. The Company matches a tax-qualified 401(k) percent and an excess 401(k) deferred compensation plan for management and administrative employees, including the named executive officers. We believe these benefits encourage retention and are part of delivering a competitive compensation package necessary to attract and retain talented executives.

Perquisites. We offer our named executive officers certain perquisites that we believe are generally consistent with those provided to executives in similar levels in companies within the industry and general industry groups. We believe that providing certain perquisites to our executives tailored for each executive's position results in cost savings to the Company and strengthens our relationship with our executives. For example, travel privileges on United flights may be given to executives and their immediate family members, directors, the Company's board of directors, and to those with our customers and employees. The incremental cost to the Company of providing such flight benefits is minimal, while we believe the value of this benefit to the non-executive officers is perceived by them to be high. Other benefits are provided to assist in maintaining the health of our executives and to assist in financial and tax planning and assurance of such benefits that were provided as

Continental and were generally offered an individual benefit program. The table below in "2016 Stock Ownership Compensation" table and the footnotes below provide additional information regarding perquisites.

Other Executive Compensation Matters

Recoupment of Earned Awards/"Claw back" Provisions. All of our executive incentive plan contains provisions requiring the recoupment of executive performance financial results in circumstances of the restatement of our financial results in accordance with applicable law, including, without limitation, the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act and any SEC rule.

Stock Ownership Guidelines. The Committee has approved stock ownership guidelines that apply to our executive officers. The guidelines encourage our executives, including each of the named executive officers, to hold shares of Common Stock or equity-based awards with a fair market value that equals or exceeds a multiple of the executive's base salary. In February 2017, the Committee made adjustments to the guidelines. Currently, the CEO level stock ownership target is six times base salary, the President level stock ownership guideline is four times base salary, the EVP level stock ownership target is three times base salary, and the SVP stock ownership target is two times base salary. For purposes of determining whether an executive satisfies the ownership guidelines, restricted share and share-settled restricted stock units are included in total stock holdings. A newly hired or promoted executive has five years to achieve the stock ownership guidelines set forth in the guidelines. The Committee reviews equity ownership at least annually. Once an executive is determined to be in compliance with the stock ownership guidelines, the executive will be considered to be in compliance until such time as he or she sells or otherwise disposes of any shares of our Common Stock. In lieu of such sales or dispositions, the Committee will reevaluate the executive's compliance with the stock ownership guidelines at the next annual evaluation date. As of April 1, 2017, all of our continuing named executive officers are in compliance with the guidelines. We also maintain stock ownership guidelines that apply to our non-employee directors, which were discussed below in "2016 Director Compensation."

Securities Trading Policy. Our securities trading policy prohibits speculative and derivative trading and short selling with respect to our securities by all officers and directors. Our securities trading policy prohibits pledging and hedging. Compliance with our policy is monitored by our officers and directors.

Tax Matters. In designing and implementing the program, applicable tax consequences are considered, including the applicable provisions of the Internal Revenue Code of 1986, as amended ("the "Code"), including section 162(m) of the Code. Section 162(m) of the Code limits the deductibility for a company's chief executive officer and its three other highly compensated executive officers (other than the chief financial officer) of compensation in excess of $1 million paid to the company's chief executive officer and its three other highly compensated executive officers (other than the chief financial officer). However, performance-based compensation that has been approved by stockholders is excluded from the $1 million limit. In addition, other exceptions to the limitation on deductibility of compensation are available only upon attainment of pre-established, objective, verifiable performance goals. While the tax impact of any compensation arrangement is one factor the Committee may consider in its deliberations, this impact would be evaluated in light of the Company's overall compensation philosophy and objectives. Under these circumstances, the Committee believes that the Company's and stockholders' interests would be best served by providing compensation that is not fully deductible if it is consistent with our overall compensation philosophy and objectives, rather than taking actions to preserve the advantages of retaining the full compensation be qualified under section 162(m).

Consistent with historical practice and the overall policies, other than the Company's policy described on the stated benefits provided to executive and certain former officers. The Company has eliminated tax gross-up information for post-termination perquisites, such due to officers relative to the officers as of the date the policy was adopted. The tax information only provided to each of the named executive officers within respect to a prior and former qualifying executive officer, and is subject to an annual limit.

Compensation Committee Report

We have reviewed and discussed the CD&A with management. Based on such review and discussions, we recommended to the Board that the CD&A be included in the Company's Proxy Statement on Schedule 14A and the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

Respectfully submitted,
James A. Cockerham, Chairman
Walter Isaacson
William R. Nuti
Edward F. Shapiro
James M. Whitehurst

2016 Summary Compensation Table

The following table provides information regarding [illegible] who served as the Company's principal executive officer during 2016 (Oscar Munoz and Brett Hart), [illegible] each person who served as the Company's principal [illegible] during 2016 (Andrew Levy and Gerald Laderman), [illegible] the three other most highly compensated executive officers [illegible] 2016 [illegible] (James Compton, J. Scott Kirby and Linda Hayward) determined in accordance with applicable SEC disclosure rules. The table provides information for 2016 and, to the extent required by applicable SEC disclosure rules, 2015 and 2014.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value ($)	All Other Compensation ($)	Total ($)
Oscar Munoz [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brett Hart [illegible]	2016 2015	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Andrew Levy [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gerald Laderman [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
James Compton [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
J. Scott Kirby President	2016	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Linda Hayward [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

(1) The Company named Mr. Munoz [illegible] CEO effective September 8, 2015. On October 19, 2015, the Company announced that Mr. Munoz [illegible]. Mr. Munoz returned [illegible] on March [illegible] 2016. Brett Hart served as acting Chief Executive Officer from October 19, 2015 through March 13, 2016 during [illegible] medical leave of absence. On March 14, 2016, Mr. Hart resumed [illegible] position as Executive Vice President and General Counsel. Mr. [illegible] the Company and was appointed Executive Vice President and Chief Financial Officer effective August [illegible] 2016. Mr. [illegible] Senior Vice President [illegible] and Acting Chief Financial Officer [illegible] August [illegible] 2016. On August [illegible] 2016, Mr. [illegible] his role as Senior Vice President—Finance, Procurement and Treasurer. Mr. Kirby joined the Company and was appointed President effective August [illegible] 2016. Ms. Hayward joined the Company and was appointed Executive Vice President and Chief Customer [illegible] Officer effective [illegible] 2016. Mr. Compton retired and separated from the Company effective December [illegible] 2016 and Ms. Hayward separated from the Company effective February [illegible] 2017.

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(2) In connection with Mr. Hall's appointment to serve as interim CEO, the Compensation Committee approved an additional cash payment of $[illegible] to Mr. Hall in consideration of his service as interim CEO. The additional amount is included in the payments to Mr. Hall terminated on March [illegible], 2016. In connection with Mr. Hall's appointment as acting CEO, the Compensation Committee approved an additional cash payment of $[illegible] per month for his duties in his service as acting CEO. The additional monthly cash payments to Mr. Hall were terminated as of the end of August 2016.

The amount shown for Mr. Munster for 2016 includes amounts of $[illegible] in cash payments in consideration of his commencement of employment and relocation to Boston, for incentive and equity awards forfeited with respect to his previous employer, and for his relocation to his new place of employment.

(3) On May [illegible], 2016, the Compensation Committee approved a performance award for Mr. Hall, which included a cash payment of $[illegible]. On August [illegible], 2016, the Compensation Committee approved a retention award for Mr. Lederman, which included a cash payment of $[illegible], of which [illegible]% is subject to clawback if Mr. Lederman leaves the Company within two years following the payment date. On August [illegible], 2015, the Compensation Committee approved the compensation package for Ms. Haywood, which included a $[illegible] cash sign-on payment.

(4) For each named executive officer, the amount shown includes the grant date fair value of Nine Long Term Incentive awards determined in accordance with ASC Topic 718, Compensation – Stock Compensation.

For Mr. Munster, the amount also includes the sign-on restricted share award (26,3[illegible]) granted in January 2016 pursuant to the terms of his 2015 employment agreement. For Mr. Hall, the amount includes the equity portion of his 2016 performance award (1[illegible]) and the 12,[illegible] For Mr. Lederman, the amount includes the equity portion of his retention award (15,000 time vested restricted stock units ("RSUs") awarded). For Ms. Haywood, the amount includes the equity portion of her sign-on award granted as described (RSUs ($2 million)). For further information on these 2015 sign-on awards, see footnote 5 to the Grants of Plan-Based Awards for 2016 table.

Restricted Share and Restricted Stock Unit Awards. For the restricted share and time-vested RSU awards, the amount was calculated by multiplying the number of restricted shares or RSUs awarded by the closing price per share of Common Stock on the date of grant. See the footnotes to the Grants of Plan-Based Awards for 2016 table above for the applicable share price on the date of grant.

Performance-Based RSUs. The Company's 2016 long-term incentives included two separate awards: (1) Performance-Based RSUs, which are based on performance against ROIC achievement and the revenue with performance based on the Company's one-year compound annual growth rate ("CAGR") relative to a peer group. In accordance with the SEC disclosure rules, the aggregate grant date fair value of the Performance-Based RSUs is based on the probable outcome of the performance condition for those awards as of the date of grant. In accordance with ASC Topic 718, the grant date fair value of the RSUs Performance-Based RSUs represents the target value of the award, based on the satisfaction of the required performance conditions as of the grant date and calculated based on the average closing price per share of Common Stock for the 20 trading days immediately preceding the date of grant. In accordance with ASC Topic 718, the grant date fair value of the relative performance-based RSUs is not based on the probable outcome of the performance condition, as this condition is not a factor in determining the grant date fair value. The following table reflects the aggregate grant date fair value of the 2016 Performance-Based RSUs at the maximum or "stretch" level, using the average closing price per share of Common Stock for the 20 trading days immediately preceding the applicable date of grant for the relevant awards (see footnotes below):

	Average Closing Price per Share of Common Stock for the Applicable Date of Grant ($)	ROIC Performance-Based RSUs Maximum Value ($)	Revenue Growth Performance-Based RSUs Maximum Value ($)
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

Based on his retirement eligibility and in accordance with the terms of the underlying award agreements, Mr. [illegible] forfeited the 2016 Performance-Based RSU awards based on actual Company performance during the performance period and [illegible] for the [illegible] period that he served the Company. The unvested incentive awards held by Mr. Hall would vest [illegible] in connection with his separation from the Company.

(5) Amounts represent the aggregate of stock options made under the Cheesecake Factory Incentive Compensation Plan. Due to a [illegible] in connection with the commencement of his employment with the Company and election to the role of Executive Vice President and Chief Financial Officer, the award to Mr. Hall was made in connection with the commencement of his employment. For the [illegible] and [illegible] the amounts reported are based on the aggregate grant date fair value.

compared in accordance with ASC Topic 718. See Note 9 to the Consolidated Notes to Consolidated Financial Statements included in the 2016 Form 10-K for a discussion of the relevant assumptions used in calculating the amounts as of December 31, 2016.

(b) Amounts reported in "Bonus" represent amounts earned under the Company's Annual Incentive Plan for 2016. Given the performance results achieved, a 138.6% of the aggregate target opportunity level was earned and vested, subject to discretionary performance modifiers under the Annual Incentive Plan. See "2016 Compensation Components—Annual Incentive Award" for further information regarding the 2016 AIP. The Company did not have the same level of performance under the Executive Relative Performance Plan as it had in prior years, and for the 2014-2016 performance period, no payouts were earned under these awards.

(c) The amounts shown for 2016 represent the difference in the present value of accumulated benefits determined as of December 31, 2016 and December 31, 2015 for both the CARP and SERP benefits previously established by Continental. These benefits are frozen into the values of the investment benefits will continue to fluctuate due to changes in actuarial assumptions and the passage of time. Continental maintained SERP benefits for certain officers that provide an annual retirement benefit expressed as a percentage of the executive's final average compensation. The SERP is not an element of the Company's executive compensation. Continental benefits were earned in certain individual compensation packages. The SERP benefit for Mr. Compton was frozen as of December 31, 2010, when Mr. Compton's final oversight payment in the SERP calculation was frozen as of December 31, 2010 and the SERP benefit was fully vested as of December 31, 2013. The remaining named executive officers do not have a SERP benefit. Messrs. Greenhalgh and Compton also participate in the CARP, which was frozen as of December 31, 2013.

(d) The following table provides details regarding amounts disclosed in the "All Other Compensation" column for 2016:

Name	Economic Protection Paid by Company ($)(1)	401(k) Company Contribution ($)(2)	401(k) Cash Dividend Contribution ($)(3)	Perquisites and Other Benefits ($)(4)	Tax Indemnification ($)(5)	Repayment Bonus ($)(6)	Total ($)
Oscar Munoz	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	[illegible]
Brett Hart	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	[illegible]
Andrea Fenn	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	[illegible]
Gerald Laderman	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	[illegible]
James Compton	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Duncan Kress	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	[illegible]
Justin Heyrman	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	[illegible]

(a) Represents premiums paid by the Company for supplemental life insurance provided to the named executive officers.

(b) Amounts shown represent Company contributions to the 401(k) plan. The 401(k) Dividend Cash Match program provides cash equivalent contributions to the 401(k) and deferred compensation accounts that would have been made to the applicable 401(k) plan as a result of certain dividends paid under the Code.

(c) For each named executive officer, the aggregate incremental cost of providing the named executive officer with an aircraft for flights operated by unrelated parties, the "Limited Equipment" and reserved parking at the Company's headquarters. The named executive officers also have access to certain travel-related benefits with no incremental cost to the Company, such as access to an Executive Club facility, data stations in our Mileage Plus programs for the executives and their immediate family members, complimentary travel passes provided by certain travel partners, and flight privileges on certain other airlines. In connection with the Company's sponsorship of certain events and participation in various organizations and conferences, certain personnel that have no additional incremental cost to the Company, including tickets, tickets and other participation access, are made available to the Company's executives and other employees. Office of the Company executive agreed to purchase a vacation home located in Vail, Colorado, for a large discount. The cost of the coverage is $5,000. Given the comparatively low incremental cost, coverage is not provided to the spouse or other family members. The Company does not gross up these perquisites, and does not include the cost of airline ticket payments, such as for travel coverage. During 2016, Messrs. Munoz, Hart, Fenn, Laderman and Kress and Ms. Compton received pro-rated vacation/sick leave payments.

Under his employment agreement, Mr. Munoz was entitled to reimbursement for his and his spouse's expenses associated with their living between his principal home and Chicago, Illinois, and for commuting to and from Chicago, Illinois in connection with his service as Chairman of the Board. Pursuant to his employment agreement, Mr. Munoz was entitled to reimbursement of his and his spouse's relocation expenses, including moving and other ancillary costs, legal fees, tax preparation, financial advisory services, home search and estate planning services, up to a maximum of $250,000, which cap was exceeded in 2016. The amount

shown for Mr. Munoz [illegible] relocation benefits ($[illegible]) [illegible] services ($[illegible]) [illegible] physical and [illegible] in Chicago.

The amounts shown for Messrs. [illegible] and Compton include an executive physical. The amount shown for Mr. [illegible] includes health club membership fees and financial planning and tax services. The amount shown for Mr. [illegible] also includes health club membership fees and financial planning and tax services. The amount shown for Mr. [illegible] includes [illegible] and financial planning and tax services. The amount shown for Mr. Compton [illegible] includes health club membership fees, financial planning and tax services ($[illegible]) and an automobile benefit related to the vehicle transferred to him in connection with his separation from service ($[illegible]). The automobile benefit of Mr. Compton was grandfathered from a employment arrangements prior to the Merger. No other officers have this benefit. The amount for Mr. Kirby includes relocation benefits ($[illegible]) and financial planning and tax services. The cost of the financial planning and tax services, relocation benefits, and car services is the amount paid by the Company to the service provider or through reimbursement to the officer. The amount for Mr. Haywood includes relocation benefits ($[illegible]). The incremental cost of the automobile benefit of Mr. Compton is the Company's net purchase price of the vehicle transferred to Mr. Compton at the time of his separation.

(d) In each case this amount includes [illegible] and [illegible] executive officers with respect to air travel on flights operated by any UAL subsidiary or operated as "United Express." The amount for Messrs. [illegible] and Kirby and Mr. Haywood also includes tax reimbursements related to relocation benefits.

(e) This amount represents payments made to Mr. Compton in connection with his separation from the Company, consisting of cash severance ($[illegible]) and unused vacation as of his separation date ($[illegible]). The payments and benefits provided to Mr. Compton in connection with his separation from the Company are discussed below under "Potential Payments upon Termination or Change in Control."

Grants of Plan-Based Awards for 2016

The following table sets forth information regarding awards granted during 2016 to our named executive officers. The annual incentive awards were granted pursuant to our Annual Incentive Program, which is implemented under our Incentive Plan. The EOBC Performance-Based PSUs, including the Performance-Based RSUs, were granted pursuant to our Performance-Based RSU Program, which is implemented under our 2008 Incentive Compensation Plan. The other stock and option awards were granted pursuant to our 2008 Incentive Compensation Plan.

Name	Grant Date	Approval Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
			Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(#)	(#)	($/Sh)	($)
Sanjay Mehrotra	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]				[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
	[illegible]	[illegible]					[illegible]		[illegible]	[illegible]		[illegible]
	[illegible]	[illegible]							[illegible]			[illegible]
Gilad Arnold	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]					[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]			[illegible]	[illegible]	[illegible]			[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]						[illegible]			[illegible]
Lisa Ellis	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]					[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]					[illegible]	[illegible]				[illegible]
	[illegible]	[illegible]					[illegible]		[illegible]	[illegible]		[illegible]
	[illegible]	[illegible]				[illegible]	[illegible]			[illegible]	[illegible]	[illegible]
Lisa Hunter	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]				[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]		[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]					[illegible]	[illegible]		[illegible]
	[illegible]	[illegible]	[illegible]					[illegible]	[illegible]	[illegible]		[illegible]
Manish Gupta	[illegible]	[illegible]		[illegible]			[illegible]			[illegible]		
	[illegible]	[illegible]				[illegible]	[illegible]					[illegible]
	[illegible]	[illegible]				[illegible]	[illegible]	[illegible]		[illegible]		[illegible]
	[illegible]	[illegible]							[illegible]	[illegible]		[illegible]
	[illegible]	[illegible]								[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]								[illegible]	[illegible]	[illegible]
Christopher Nelson	[illegible]	[illegible]	[illegible]	[illegible]						[illegible]		
	[illegible]	[illegible]				[illegible]	[illegible]	[illegible]				[illegible]
	[illegible]	[illegible]				[illegible]	[illegible]	[illegible]			[illegible]	[illegible]
	[illegible]	[illegible]							[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]					[illegible]		[illegible]		[illegible]	[illegible]

(1) Series of rights to receive cash payments under our Annual Cash Incentive Program (the "Incentive Program") and the Annual Incentive Plan, which are to be paid to the named executive officers as included in our "Non-Equity Incentive Plan Compensation" in the Summary Compensation Table. The "Annual Opportunity" is the target Annual Incentive Program for 2016. The "Threshold" is the lowest level of payout under the Annual Incentive Program, which is 50% of the Annual Opportunity. The "Maximum" is the highest level of payout under the Annual Incentive Program, which is 200% of the Annual Opportunity. The amounts were calculated based on those salary rates in effect during the year and their respective participation rates for 2016. See "Annual Incentive Program" for 2016 in Annual Incentive Program.

(5) Represents award opportunities for 2018 Performance Based RSUs. These awards will be settled in the first quarter of 2019 and payout will depend on the Company's ROIC performance for the period January 1, 2016 through December 31, 2018.

(5) Represents award opportunities for the Performance Based RSUs. The awards will be settled in the first quarter of 2019 and payout will depend on the Company's cumulative five year EBITDA performance compared to an industry peer group over the period January 1, 2014 through December 31, 2018.

(6) Represents restricted shares awarded pursuant to the Company's 2008 Incentive Compensation Plan. This award is scheduled to vest in one-third increments on February 28, 2017, 2018 and 2019.

(7) For Mr. Munoz, this represents the unvested restricted share awards granted pursuant to the terms of his employment agreement that is scheduled to vest in one-third increments on February 17, 2017, 2018 and 2019. For Mr. Fell, this represents the equity portion of his 2016 performance award granted as a restricted share award that is scheduled to vest in 50% increments on January 1, 2017 and 2018. For Mr. Lakemann, this represents the equity portion of his retention award granted as a time-based RSU award that is scheduled to vest in one-third increments on August 10, 2017, 2018 and 2019. The RSU award pursuant to Mr. Lakemann's retention bonus letter dated December 7, 2016 to specify that the RSU award will be settled in shares of common stock rather than cash. The grants reported in the "December 7, 2016" row do not represent a new equity grant, but rather the number of RSUs impacted by the modification and the incremental accounting resulting from the modification of the award and the retention bonus letter described in footnote (7). For Mr. Harwood, this represents the equity portion of his sign-on award, granted as cash-settled RSUs that were scheduled to vest in one third increments on December 31, 2016, 2017 and 2018. In connection with Mr. Harwood's 2017 separation from the Company, Mr. Harwood forfeited the portion of this award that was scheduled to vest in 2017 and 2018.

(9) For Mr. Levy, this represents a stock option award with a seven-year term ending August 22, 2023 that vests in one third increments on August 22, 2017, 2018 and 2019. For Mr. Ashby, this represents a stock option award or a grant of performance-based stock options with a seven-year term (the "Ashby Stock Option Grant") on the date of grant. The options are performance awards, one-third of which vest on the date Ashby Stock Option Grant, the "Vesting Date") on August 29, 2017, 2018 and 2019 and one-third of which vest four years after August 22, 2016 that vest in one-third increments on August 29, 2020, 2021 and 2022.

(10) Represents Performance Based RSU awards, the vesting of which is based on the achievement of certain performance goals. Performance Based RSU awards and option awards do not vest in accordance with ASC Topic 718.

For the 2016 stock awards reported for the Performance Based RSUs that are subject to the achievement of certain performance goals, the number of shares of Common Stock underlying the Performance Based RSUs awarded by the Company pursuant to the Company's 2008 Incentive Compensation Plan (the "Plan") and granted to Mr. Lakemann was amended on December 7, 2016 to specify that the awards will be settled in shares of Common Stock rather than cash. This amendment resulted in the "Long Term Incentive" to be equity, rather than a liability award, and the incremental difference in the value of the award on the date of the amendment as compared to the original grant date is reflected in the table. The applicable share price calculations for the awards are as follows: February 17, 2016 – $50.01; May 2, 2016 – $54.09; August 16, 2016 – $47.78; August 17, 2016 – $46.95; August 29, 2016 – $46.95; September 22, 2016 – $50.01; and December 7, 2016 – $52.[illegible].

In accordance with the SEC's disclosure rules, the grant date fair value of the Performance Based RSUs has been determined based on the probable outcome of the performance conditions as of the date of grant in accordance with ASC Topic 718, the grant date fair value of the ROIC Performance Based RSUs represents the aggregate value of the awards assuming the achievement of the required performance conditions as of the grant date. For the Performance Based RSUs, vesting of the RSUs is subject to the achievement of the applicable average share price of Common Stock over the 20 trading days immediately preceding the date of grant. The applicable average share prices applicable to the awards are set forth in the table above. For February 17, 2016 – $47.02; August 29, 2016 – $47.20; August 29, 2017 – $47.20; and September 22, 2016 – $50.01. In accordance with ASC Topic 718, the grant date fair value of the relative peer group Performance Based RSUs is zero because the Company's relative performance is not deemed probable and the amounts reflect the amount of compensation expense that may be recognized if the performance goals are achieved.

The amounts reported for the 2016 awards are based on the aggregate grant date fair value computed in accordance with ASC Topic 718. See Note 1 to the Consolidated Statements of Income and Financial Condition included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 for a discussion of the assumptions and methodologies used in calculating the amounts reported for 2016.

(iii) In accordance with the terms of the underlying awards, eligible Restricted Stock Units (RSUs) and Performance Stock Units (PSUs) of Mr. Munoz and Mr. Kirby, the outstanding Performance Based RSU awards, based on actual performance during the performance period and prorated for the period in which he served the Company during the performance period, Mr. Munoz and Mr. Kirby forfeited RSUs held as of the date of his separation date. See "Potential Payments upon Termination or Change in Control" below for further information regarding the treatment of equity awards, including the treatment of equity awards, in connection with the separations from the Company.

Narrative to 2016 Summary Compensation Table and Grants of Plan-Based Awards for 2016 Table

The following is a description of material factors necessary to understanding the information disclosed in the 2016 Summary Compensation Table and the Grants of Plan-Based Awards for 2016 table.

Employment agreement with Mr. Munoz. On December 31, 2015, Mr. Munoz, the Company and United Airlines entered into an amended and restated employment agreement (the "Amended Agreement") to reflect the terms of Mr. Munoz's employment with the Company and United Airlines. The employment agreement has a term of five years from its effective date (the "Section 409A Date"). Pursuant to the Amended Agreement, Mr. Munoz receives an annual base salary of $1,250,000 per year. Beginning in 2016, Mr. Munoz became eligible to participate in the Company's annual cash bonus program, with a target annual bonus not less than 200% of his annual base salary. As a result, in 2016, Mr. Munoz receives an annual long-term incentive award with a grant date value of at least $10.5 million, to be delivered through vehicles at the designated discretion of the compensation committee, those awarded to the Company's other senior executive officers for each year. Mr. Munoz was not eligible to receive the calendar 2016 long-term incentive award until he had been a continuous service as Chief Executive Officer for a period of six months. Accordingly, Mr. Munoz received his 2016 annual long-term incentive awards on September 22, 2016, the Company's first regularly scheduled meeting following the six-month service date of his continuous service as Chief Executive Officer. In connection with the commencement of Mr. Munoz's employment, and in part to compensate Mr. Munoz for certain awards forfeited or otherwise prospective compensation opportunities from his prior employer, Mr. Munoz received a signing bonus in the amount of $5.2 million (paid in 2015). Mr. Munoz's sign-on compensation also included a time-based restricted share award which was granted in February 2016 at the same time as the Company's 2016 annual equity awards to other senior executive officers. This sign-on award had a grant date value of $6.2 million and vests in three equal annual tranches on the first, second and third anniversaries of the grant date, and is included in 2016 compensation in the 2016 Summary Compensation Table.

Non-Incentive Compensation Awards.

The individual target level opportunities under the 2016 annual and long-term incentive compensation awards were expressed as a percentage of the executive's base salary earned during the year.

Annual Incentive Awards. As discussed in the CD&A, during 2016 each of the named executive officers participated in the AIP, an annual incentive program adopted pursuant to the Company's Incentive Plan 2010. The 2016 AIP awards opportunities were as follows: threshold = 50% of target award value, target = 100% of targeted value, and stretch = 150% of targeted value, in addition to the 2016 awards, we made an "add-on" award based on performance modifiers, for a total of 1.08x. Application of the individual performance modifier resulted in achievement at 128.68% of the total target opportunities. Awards were based on the CD&A and the "2016 Compensation Components" section. Annual Incentive Awards" in the Compensation Discussion and Analysis section of the Proxy Statement. The actual executive officer awards follow: Mr. Munoz = 110%, Mr. Hart = 120%, Mr. Trabandt = 75%, Mr. Kirby = 110%, and Ms. Jackson = 100%. The specific compensation and age for Mr. Kirby and Ms. Jackson are not applicable.

summary terms of the Company's plan specified that the individual performance goals would not apply to the calculation of our 2016 AIP awards. The actual incentive awards payable to the named executive officers are included in the "Non-Equity Incentive Plan Compensation" column in the 2016 Summary Compensation Table. The "2016 Compensation Components – Annual Incentive Awards" section of the CD&A above sets forth further information regarding the operation of the AIP, including the 2016 performance measures and the application of the individual modifier.

Annual Long-Term Incentive Awards. As discussed in the CD&A, the 2016 targeted annual long-term incentive opportunity for each of the named executive officers was divided into one-third increments and granted in the form of the following long-term incentive awards:

- Performance-Based RSU Awards based on EBITDA achievement (cash settled);
- Performance-Based RSU Awards based on pre-tax margin improvement relative to industry peers (cash settled); and
- Restricted Stock Awards.

Each of these awards is structured with a three-year performance or vesting period. Please see "2016 Compensation Components – 2016 Long-Term Incentive Awards" in the CD&A above for further information regarding the long-term incentive awards, including the establishment of the 2016 opportunity level and the applicable performance measures.

Performance-Based RSUs. The Compensation Committee adopted the RSU Program in 2014 pursuant to the provisions of the Company's 2012 Incentive Compensation Plan. For 2016, the Committee granted two forms of Performance-Based RSU Awards:

- ROIC PB RSUs with performance measured by the Company's ROIC achievement over the January 1, 2016 through December 31, 2018 performance period; and
- Pre-tax margin PB RSUs with performance based on the Company's pre-tax margin improvement relative to peer companies over the January 1, 2016 through December 31, 2018 performance period versus an industry peer group and a comparable 2016 pre-tax margin result.

Subject to achievement of the specified performance conditions, the Performance-Based RSUs are cash settled based on the average closing price per share of Common Stock for the 20 trading days immediately preceding the end of the performance period. Participants must remain continuously employed through the end of the performance period to receive a payment, with limited exceptions for pro rata payments in the event of death, disability, retirement, termination without cause or certain change in control events.

Restricted Share Awards. The Fund granted in the 2016 fiscal year only vested restricted share awards in the form of restricted share awards granted pursuant to the Company's 2012 Incentive Compensation Plan. These shares are scheduled to vest in equal increments on December 28, 2017, 2018 and 2019, subject to continued employment through each vesting date. The 2016 restricted share awards vest in full upon the holder's death or disability. The holders of restricted shares will be eligible to receive any dividends or other distributions paid on or attributed with respect to the restricted shares at the same time the restricted shares vest and all in accordance with the terms of the restricted stock awards. The award agreements include restrictive covenants, including, upon separation of employment for any reason, non-competition and non-solicitation.

2016 Special Compensation Components.

There were no special performance retention, one-time awards or special bonuses granted during 2016 related to the terms of Mr. Gunnard's employment, promotion or other extraordinary employee contribution or related to prior service or achievement. Other compensation elements for the named executive officers, other than compensation applicable to Mr. Gunnard, Mr. Xiao, Mr. Rose, Mr. Lebovitz and Mr. Wallace, are described in the Summary Compensation Table.

Mr. Atmos. In consideration of his continued employment and in part to compensate him for [illegible] the compensation forfeited due to his [illegible] 2016 [illegible] the agreement provided for a signing cash payment of $[illegible] million (paid in 2016) and [illegible] the equity awards forfeited in 2016 with a grant date value of $[illegible] million, vesting over a three-year period. The cash payment is included in the Bonus column for 2016 and the equity awards is included in the Stock Awards column (2016) of the 2016 Summary Compensation Table.

Mr. Chan. As referenced above, in connection with Mr. Chan's appointment [illegible] the Compensation Committee approved an additional income in the payment of $[illegible] which was applicable in 2016 and was terminated on March 15, 2016. The 2016 special monthly stipend is included in the Bonus column of the 2016 Summary Compensation Table. In addition, on May 5, 2016, the Committee approved a performance award for Mr. Chan including a base cash payment of $[illegible] and a restricted stock award with a grant date fair value equal to $[illegible] vesting in equal annual increments on January 1, 2017, 2018 and 2019. The cash portion of the performance award is included in the Bonus column and the equity award is included in the Stock Awards column of the 2016 Summary Compensation Table.

Mr. Lee. Effective August 22, 2016, the Compensation Committee approved a stock option award for Mr. Lee of 80,000 stock options. The stock options vest over a three-year period on each anniversary of the grant date and have a seven-year term. The options are included in the Option Awards column of the 2016 Summary Compensation Table.

Mr. Lederman. In connection with Mr. Lederman's appointment to serve as Acting CFO, the Compensation Committee approved an additional monthly cash payment of $[illegible], which was applicable during 2016 and terminated as of the end of August 2016. The 2016 monthly stipend for Mr. Lederman is included in the Bonus column of the 2016 Summary Compensation Table. In addition, in connection with his return to the position of Senior Vice President, Finance, Treasurer and Tax, the Compensation Committee approved a retention award for Mr. Lederman equaling a [illegible] $200,000 cash payment and an award of 15,000 restricted stock units that vest over the service period, subject to his continued service. The cash portion of the performance award is included in the Bonus column and the equity portion is included in the Stock Awards column of the 2016 Summary Compensation Table. The original retention award was approved effective August 16, 2016 for a cash settlement award and a December 7, 2016 the Compensation Committee approved the equity portion of the award to specify the stock settlement feature (rather than cash settlement). As a result of this change in settlement form, this award is included in two rows in the Grants of Plan-Based Awards in 2016 table, with one line showing the original grant and another line showing the modification of the original grant.

Mr. Kirby. In connection with his appointment as President of the Company, Mr. Kirby received an option award, [illegible] of premium priced stock options with an exercise price that was set [illegible] higher than the closing [illegible] on the date of grant, with [illegible] Black-Scholes [illegible] the fair value of the option. The option award splits into two tranches as follows: [illegible] tranche. The grant date vesting [illegible] options with a seven-year term [illegible] vesting on the first [illegible] anniversary of the grant date, and (ii) a tranche of the remaining [illegible] value [illegible] vesting on a [illegible] basis [illegible] the fourth, fifth and sixth anniversary of the grant date. These options are included in the Option Awards column of the 2016 Summary Compensation Table.

Mr. Hanson. In connection with his appointment to serve as Executive Vice President and Chief Operating Officer, the Compensation Committee approved a signing award for Mr. Hanson of an aggregate of [illegible] $500,000 in cash payments and (ii) an award of [illegible] restricted stock units over a three-year period of December 31, 2016, 2017 and 2018. The restricted stock units that were scheduled to vest in 2017 and 2018 were forfeited in connection with his separation. The cash portion of the signing award is included in the Bonus column and the equity portion is included in the Stock Awards column of the 2016 Summary Compensation Table.

Outstanding Equity Awards at 2016 Fiscal Year-End

The following table provides information regarding the outstanding equity awards held by our named executive officers as of December 31, 2016. Due to a change in the reporting of achievement of performance through 2016 for executive officers, the Compensation and Human Resources Committee of the Board of Directors approved Performance-based RSUs, that have not vested and the related payout value shown in the table below, based on achieving the most favorable performance measure that exceeds the performance achieved through the 2016 fiscal year. The final determination of the actual value of each award will be made based upon the achievement of the specified performance measures and the value of the Common Stock at the time of vesting.

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards; Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards; Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)[1]
Sean Orzechowski	[illegible]	[illegible]	[illegible]	[illegible]				
	[illegible]		[illegible]	[illegible]			[illegible]	
	[illegible]		[illegible]	[illegible]				[illegible]
		[illegible]	[illegible]		[illegible]	[illegible]		
	[illegible]						[illegible]	[illegible]
	[illegible]						[illegible]	[illegible]
Brent Hall	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]		[illegible]
	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]		
	[illegible]	[illegible]			[illegible]	[illegible]	[illegible]	
	[illegible]				[illegible]	[illegible]	[illegible]	
							[illegible]	[illegible]
	[illegible]			[illegible]	[illegible]		[illegible]	[illegible]
		[illegible]	[illegible]				[illegible]	[illegible]
Andrew Ross		[illegible]	[illegible]	[illegible]				
		[illegible]			[illegible]	[illegible]		
							[illegible]	[illegible]
				[illegible]			[illegible]	[illegible]
Gerard Underwood	[illegible]				[illegible]	[illegible]	[illegible]	
				[illegible]	[illegible]	[illegible]	[illegible]	
			[illegible]	[illegible]	[illegible]	[illegible]		
				[illegible]	[illegible]	[illegible]		
			[illegible]				[illegible]	[illegible]
	[illegible]		[illegible]				[illegible]	[illegible]
				[illegible]			[illegible]	[illegible]
							[illegible]	[illegible]
Louis Gaspard III			[illegible]				[illegible]	[illegible]
						[illegible]	[illegible]	[illegible]
			[illegible]				[illegible]	[illegible]
							[illegible]	[illegible]
Lucio Lanza	[illegible]	[illegible]	[illegible]	[illegible]				
		[illegible]	[illegible]	[illegible]				
					[illegible]	[illegible]		
	[illegible]		[illegible]				[illegible]	[illegible]
							[illegible]	[illegible]
Mark S. Lewis[2]	[illegible]		[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
					[illegible]	[illegible]		
							[illegible]	[illegible]
							[illegible]	[illegible]

(1) [illegible]

(2) [illegible]

[illegible] incentive and equity compensation for hired or promoted employees. The awards vest in equal installments on February 12, 2017, 2018 and 2019, subject to continued employment through each vesting date.

(3) Represents restricted shares granted [illegible] on January [illegible] 2017, 2018 and 2019, subject to continued employment through each vesting date. This award is subject to certain of the [illegible] termination provisions described elsewhere herein.

(4) The net book value of our [illegible] and was calculated based on the carrying value of our [illegible] shares held as of December 31, 2016 multiplied by the closing price per share of Common Stock on December 30, 2016 ($22.58).

(5) Represents ROIC performance based RSU awards granted in 2016 assuming that the awards achieve the stretch level of performance. Vesting of these awards is subject to achievement of specified performance conditions over the January 1, 2016 through December 31, 2018 performance period. This award represents one third of the 2016 annual long term incentive award to eligible employees.

(6) Represents relative pre-tax margin improvement Performance Based RSU awards granted in 2016 assuming that the awards achieve the stretch level of performance. Vesting of these awards is subject to achievement of specified performance conditions over the January 1, 2016 through December 31, 2018 performance period. This award represents one third of the 2016 annual long term incentive award to eligible employees.

(7) The market value of the unvested Performance Based RSUs shown in the table was calculated based on the number of unvested units of RSU awards at December 31, 2016 that represent the level of achievement of all applicable performance conditions, [illegible] 11 and 12 to the table, multiplied by the closing price per share of Common Stock on December 30, 2016 ($22.58). Vested Performance Based RSUs will be settled based on the average closing price per share of Common Stock over the 20 trading days at the end of the performance period.

(8) Represents the remaining one third of vesting of the awards on February 15, 2017, which vested on February 28, 2017.

(9) Represents the remaining two thirds of restricted share grants dated February 16, 2016 which vest ratably in equal increments on February 28, 2017 and 2018, subject to continued employment through each vesting date.

(10) Represents restricted share grants dated [illegible] 2016 to eligible Hartford employees in lieu of a cash incentive award. The shares vest in equal installments on January 1, 2017 and 2018.

(11) Represents ROIC performance based RSU awards granted in 2015 assuming that the awards achieve the stretch level of performance. Vesting on these awards is subject to achievement of specified performance conditions over the January 1, 2015 through December 31, 2017 performance period.

(12) Represents relative pre-tax margin improvement Performance Based RSU awards granted in 2015 assuming that the awards achieve the stretch level of performance. Vesting of these awards is subject to achievement of specified performance conditions over the January 1, 2015 through December 31, 2017 performance period.

(13) Represents a sign-on stock option award granted to Kevin Ehrlich. Vesting dates are the anniversaries of August 22, 2017, 2018 and 2019.

(14) Represents time vested RSU award granted to Mr. Hartwell in connection with his hire. Vesting dates are the anniversaries of August 16, 2017, 2018 and 2019.

(15) Mr. Complaire's vesting information reflects the original terms of his RSU awards in effect as of the date of his separation from the Company. Upon the Company's December 31, 2016 Board approval, his unvested eligible RSU awards will be prorated at the end of the respective performance periods based solely on the achievement of the applicable performance conditions. All of the outstanding restricted share awards held by Mr. Complaire were forfeited in connection with his separation from the Company. Mr. Hartwell forfeited his unvested awards when he resigned from the Company on February 28, 2017.

(16) In connection with his hire, Mr. Scarpato [illegible] stock options with an exercise price of [illegible] the closing stock price on the date of grant. The options [illegible] vesting August 29, 2023 that vest in accordance with the schedule on August 29, 2017, 2018, 2019 and one-third in each of August 29, 2020, 2021 and 2022 and one-third in each of August 29, 2020, 2021 and 2022.

(17) Represents the remaining two thirds of the [illegible] vested RSU award that was set to vest in one third increments on December 31, 2016, 2017 and 2018. The unvested awards were forfeited upon his [illegible] resignation.

Option Exercises and Stock Vested for 2016

The following table provides information regarding option exercises and the vesting of restricted stock units and RSU awards during the fiscal year ended December 31, 2016. Mr. Manoogian is the only named executive officer with stock options exercised during 2016. Certain RSU awards were granted to certain directors as compensation for their service as a member of the Board prior to their employment in 2013 as President and CEO.

Name	Option Awards: Number of Shares Acquired on Exercise (#)	Option Awards: Value Realized on Exercise ($)	Stock Awards: Number of Units Vested (#)	Stock Awards: Value Realized on Vesting ($)
Peter Neyer	[illegible]	[illegible]	[illegible](1)	[illegible](1)
	—	—	[illegible]	[illegible]
David Ruth	—	—	12,255(2)	675,685(2)
			[illegible]	[illegible](3)
Andrew Levy	—	—	—	—
Gerald Lederman			[illegible](5)	[illegible](2)
			[illegible](3)	[illegible](3)
James Comparin			[illegible](2)	[illegible](2)
		—	[illegible](3)	[illegible](3)
L. Scott Cobb			—	—
Sabia Hassan			[illegible]	[illegible](6)

(1) Represents the vesting of [illegible] restricted stock units granted to Mr. Neyer pursuant to the Company's Executive Equity Incentive Plan in connection with his election to the Board in June 2013 (annual stock grant in the amount of [illegible] shares, which shares represents the economic equivalent of one share of Common Stock at the date of [illegible] and dividends equivalent units with respect thereto, which shares and dividend units were calculated based on the average of the high and low sales prices of a share of Common Stock on the vesting date [illegible] on June 14, 2016) [illegible] of Common Stock with respect thereto, calculated for purposes of the above table based on the average of the high and low sales prices of a share of Common Stock on the vesting date [illegible] on June 14, 2016.

(2) Represents the vesting of [illegible] of the Company's restricted stock units granted in each of 2013, 2014 and 2015 and [illegible] of the Company's Common Stock on the vesting date.

(3) Represents performance based RSU awards granted in 2014 that vested in connection with the Company's achievement of ROIC performance goals for the three year performance period ending December 31, 2016 through December 31, 2016. The 2014 performance based RSU awards were settled in cash in the first quarter of 2017 upon certification by the Compensation Committee of the Company achieved the stretch level of performance. The RSUs were set at the Base Level Performance Average closing price [illegible] for the 60 trading days ending December 31, 2016 (vesting date 157.22 [illegible]).

(4) Represents the vesting on December 31, 2016, one third of the [illegible] granted to Mr. Hassan on August 3, 2015, [illegible] December 31, 2016 (vesting date closing price $[illegible] of Common Stock on the vesting date [illegible]).

2016 Pension Benefits Table

Continental [illegible] Mr. [illegible] is not a participant in a pension plan. [illegible] expressed as a percentage of the executive's [illegible] average compensation. The SERP is a non-qualified [illegible] plan. The SERP benefit to Mr. Comparin was frozen as of December 31, 2013. The SERP benefit for Mr. Cobb and Mr. Levy [illegible]

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[illegible] the Company's Consolidated Financial Statements for the year ended December 31, 2016, which are included in the Company's Annual Report on Form 10-K filed with the SEC on February [illegible], 2017. The following table sets forth the number of years of credited service, the present value of accumulated benefits and the payments made during the fiscal year ended December 31, 2016 for each of the named executive officers under the CARP and the SERP. The amounts shown in this proxy statement reflect an estimated lump sum payment, which is subject to the effects of the Internal Revenue Code Section 409A, and the payment of such amounts may be delayed for six months following the date of such executive's termination of employment with the Company. The named executive officers do not receive additional service credit for purposes of the CARP or the SERP. The following table sets forth the number of years of credited service, the present value of accumulated benefits under the CARP and the SERP as of December 31, 2016, for the named executive officers, as of December 31, 2016. The amounts shown in this proxy statement reflect an estimated lump sum payment, which is subject to the effects of the Internal Revenue Code Section 409A, and the payment of such amounts may be delayed for six months following the date of such executive's termination of employment with the Company.

Name	Plan Name	Number of Years of Credited Service (#)(1)	Present Value of Accumulated Benefit ($)(2)	Payments During Last Fiscal Year ($)
[illegible]	CARP	[illegible]	[illegible]	[illegible]
	SERP	[illegible]	[illegible]	[illegible]
[illegible]	CARP	[illegible]	[illegible]	[illegible]
	SERP	[illegible]	[illegible]	[illegible]

(1) Years of credited service recognized under the SERP differ from those shown for the Company's Actual Company service, including Continuous Service, as shown with respect to the CARP.

(2) The assumptions used to calculate the lump sum value of accumulated benefits are the same as those used for pension plan accounting under FASB ASC Topic 715-30 "Compensation—Retirement Benefits—Defined Benefit Plans—General" ("ASC 715-30"), except that each month's actual date with the exception of the payment month is assumed to be the first of the month, and the payment is made on the first day of the month.

(3) Mr. [illegible] retired as of the year December 31, 2016. The payment of $[illegible] represents the Accelerated Benefit, which may prevent the potential [illegible] to Mr. [illegible] benefits, subject to the economic delay required under Section 409A of the Code, of $[illegible] was payable on January 1, 2017. Mr. [illegible] received the lump sum contribution of his entire benefit under the CARP of $[illegible] on February [illegible], 2017. The Present Value of Accumulated Benefits shown above for his CARP and SERP benefits as of January 1, 2017 payment was calculated as of December 31, 2016 using the discount rate shown below. The [illegible] Compensation [illegible] the Present Value of Accumulated Benefits as of December 31, 2016 to the payment date lump sum value and the Present Value of Accumulated Benefits as of December 31, 2015.

Sensitivity to Pension Benefits Table

Assumptions	[illegible]	[illegible]	[illegible]
Discount Rate / Long-Term Interest Rate			
• CARP	4.31%	4.70%	[illegible]
• SERP	[illegible]	3.63%	3.98%
Lump Sum Election	100%	100%	100%
Preretirement Mortality	None	None	None
Mortality Assumption			
• Nonretirement	None	None	None
• Lump Sum	2015 IRS 417(e) Table	2016 IRS 417(e) Table	2017 IRS 417(e) Table
Assumed Retirement Age (not applicable to SERP)			
• CARP	Age 65	Age 65	Age 65
• SERP	Age 66 (or current age if older)	Age 66 (or current age if older)	Age 66 (or current age if older)

CARP. The CARP is a tax-qualified defined benefit pension plan in which substantially all of Continental's non-pilot domestic employees, including Messrs. Lederman and Compton, are eligible to participate. During 2016, the Company contributed $40.0 million to its tax-qualified U.S. defined benefit pension plans, including $35.0 million contributed to CARP.

Effective December 31, 2013, the Company froze benefit accruals in CARP for all management and administrative employees, including Messrs. Lederman and Compton. Effective January 1, 2014, all management and administrative employees in the Company, including the named executive officers, participate in defined contribution plans in accordance with management employees with comparable compensation and qualified plans, including these officers, participate in the Retirement Savings Plan, the Retirement Savings Plan Supplement, Deferred & Cash Match Program. The Company's decision to freeze CARP was part of the Company's organizational efforts to standardize management and administrative benefits.

The CARP benefit is based on a formula that takes into account compensation and service, which differs for eligible employees. Continental Compensation used to determine benefits is generally equal to the sum of which includes salary, deferrals under tax-qualified defined contribution and flexible benefit programs (such as Company matching 401(k) plan), but excludes bonuses, taxable income derived from group term life insurance, payments pursuant to qualified retirement plans, and amounts of reimbursement or income under compensation arrangements. A participant's applicable annual compensation for any year is the highest consecutive five calendar years of compensation of the participant during the ten calendar years of employment. The final average compensation used for calculating the lump sum value of the frozen accrued CARP benefit for Messrs. Lederman and Compton is $[illegible].

The benefit under the CARP is calculated as (A) minus (B), where:

(A) is 1.10% of final average compensation plus 0.65% of the final average compensation in excess of the participant's average Social Security wage base, and

(B) is credited service limited to 30 years.

Normal retirement under the CARP is age 65, but a participant may elect to receive a reduced benefit commencing as early as age 55 with 10 years of service or age 50 with 20 years of service. Early retirement benefits are based on the normal retirement benefit, but actuarially reduced from age 65 to the early retirement age. Messrs. Lederman and Compton will be eligible for early retirement as of December 31, 2016.

The CARP benefit is payable to a participant as a life annuity or an actuarially equivalent or unreduced annuity with 75% and 100% of the participant's payments continuing for the life of the surviving spouse or beneficiary. The participant's death benefit is an actuarially equivalent lump sum. The lump sum payment option is available if the participant retires before being eligible for either normal or early retirement.

Frozen SERP. The SERP is effective generally were grandfathered in connection with the acquisition of Tandem by the Company and Tandem's former parent, Compaq Computer Corporation, in 2002. Under the terms of the SERP, benefits are paid or payable under the CARP. There is no SERP benefit not provided from assets held in the trust established in connection with the acquisition and administered by the Pension Benefit Guaranty Corporation. Compensation provided for in SERP benefits includes base compensation, annual bonus and incentive compensation. The financial value of continued employment with Compaq as of December 31, 2010 in the SERP benefit was frozen for Mr. Compton while Mr. Tadelman's SERP benefit was partially frozen as of December 31, 2010 and fully frozen as of December 31, 2013.

Payouts under the SERP are based on final average compensation, which was frozen as of December 31, 2010 for all SERP participants and credited years of service, which were frozen as of December 31, 2010 for Mr. Compton and as of December 31, 2013 for Mr. Tadelman. Under the SERP, final average compensation means the greater of a specified minimum amount or the average of the participant's highest five years of compensation during the last ten calendar years through the date. For purposes of such calculation, compensation includes salary and cash bonus, excluding reimbursements, fringe benefits, amounts and terms of payment payable under the Continental Office Retention and Incentive Award Program (which has been terminated), proceeds from awards under stock option or stock incentive plans and any cash awards paid under a long-term incentive plan. The final average compensation used to calculate the frozen SERP accrued benefit is $[illegible] for Mr. Tadelman and $789,360 for Mr. Compton.

Credited years of service recognized under the SERP began January 1, 1988 for Mr. Tadelman and January 1, 2001 for Mr. Compton. Accordingly, Mr. Tadelman and Mr. Compton received additional credited years of service under the SERP for each calendar year of service during a specified period of time, as follows: from 2000 through 2013, one additional year for each year of service for Mr. Tadelman; from 2001 through 2006, one additional year for each year of service for Mr. Compton. This additional credited service was provided as a retention incentive. The portion of the Present Value of Accumulated Benefits attributable to years of service credited under the SERP that are in excess of actual years worked while participating in the SERP is as follows: $[illegible] for Mr. Tadelman and $1,[illegible]364 for Mr. Compton.

The benefit under the SERP is defined as a single life annuity commencing at normal retirement date, which is the

(a) [illegible] final average compensation

(b) [illegible] credited service, and

(c) [illegible] the benefit payable from the CARP.

The Company will reimburse the amount for the executive's portion of any Medicare tax payable by the executive upon the vesting of the SERP payout (the "income tax on such payment payment"). This Medicare tax is indicated by the [illegible] to be paid in the event of executive terminates.

Normal retirement under the SERP is age 65 but is also available to vested executives upon their termination of employment after attaining age 55 or earlier under the CARP. The benefit is payable as a lump sum which is the actuarial equivalent of the single life annuity benefit payable at age 65. The lump sum is calculated using the same mortality table that is used in the CARP (pursuant to Internal Revenue Service Revenue Procedure 2007-67) [illegible] calculation assumptions [illegible] with the provisions of the Moving Ahead for Progress in the 21st Century Act and [illegible] the Worldwide Pension Plan.

Potential Payments upon Termination or Change in Control

[illegible] Mr. Munoz, Mr. Levy and Mr. Haywood [illegible] Company [illegible] Mr. Munoz, Mr. Levy and Mr. Haywood [illegible] certain terminations of employment [illegible] upon a change in control of the Company [illegible] and [illegible] Company [illegible] section [illegible] and described [illegible] payments and continued future payments and benefits [illegible] the Company [illegible] in connection with the separation from the Company effective December 31, 2016. The terms of Mr. Haywood's separation [illegible] Department of Mr. Haywood.

This section does not quantify or include a description of [illegible] that would be made upon certain public announcements or compensation or a change in control of the Company with respect to awards the Company granted or vested [illegible] December 31, 2016, severance payments and the following awards:

(i) Annual Incentive Program awards for 2016 (see the Non-Equity Incentive Plan Compensation column of the 2016 Summary Compensation Table and the footnotes thereto for information regarding the amounts paid under these awards);

(ii) Long-term Relative Performance awards for the performance period January 1, 2014 through December 31, 2016 (the amounts were earned under these awards, which awards were not applicable to Messrs. Munoz, Levy and Kirby or Mr. Haywood);

(iii) Performance-Based RSU awards for the performance period January 1, 2016 through December 31, 2016 (see the Option Exercises and Stock Vested for 2016 table and the footnotes thereto for information regarding the amounts paid under these awards, which awards were not applicable to Messrs. Munoz, Levy and Kirby or Mr. Haywood).

Termination Benefits of Mr. Munoz

As of December 31, 2016, Mr. Munoz was eligible for the [illegible] of the [illegible] in the event of Mr. Munoz's employment is terminated with the "Cause" or "Good Reason" [illegible] Mr. Munoz will be entitled to [illegible] payments or benefits, including the following: (i) a cash severance payment in the amount of $2.5 million (representing [illegible] Mr. Munoz's base salary plus [illegible]); (ii) [illegible] of the initial equity award specified in the agreement which was granted on February 2016; (iii) [illegible] of Mr. Munoz's [illegible] of termination based on actual achievement of the performance targets; and (iv) continuation of Mr. Munoz's welfare benefits for [illegible] years. The Company [illegible] severance payments or benefits and obligations. See "Terminations Due to Death or Disability," "Involuntary Termination Without Cause or Voluntary Termination for Good Reason," and "Change in Control." Following the discussion of the separation benefits available to Mr. Munoz under his outstanding [illegible] "Outstanding Equity Awards at 2016 Fiscal Year-End" table above for a summary of Mr. Munoz's outstanding awards as of December 31, 2016.

Mr. Munoz is bound by certain non-solicitation and non-competition [illegible] during the term of his employment and for a period of one year thereafter. Upon a termination Mr. Munoz is eligible to receive benefits and related [illegible] in the amounts and [illegible] in the [illegible] and [illegible] the Company. As of December 31, 2016, Mr. Munoz [illegible] retirement.

[illegible]

Name of Payment or Benefit	Termination Without Good Reason	Death	Disability	Involuntary Termination Not Cause or Voluntary Termination Good Reason	Change in Control	Change in Control With Qualifying Termination
Cash Severance	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Equity Acceleration						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
2016 Stock Option Equity Incentive Plan	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
Continuation Coverage Benefits						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Perquisites						
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

As of December 31, 2016, Messrs. Hart, Lewis, Compton and Scott, and Ms. Haywood were eligible for benefits pursuant to the Company's Executive Severance Plan, and Mr. Fadem was eligible for benefits pursuant to the Company's Senior Officer Severance Plan. The Company's executive awards also specify benefits and obligations under certain separation scenarios. Below is a description of potential payments upon (1) termination for "cause" or resignation without "good reason" (voluntary termination), (2) involuntary termination without "cause" or voluntary termination "good reason" (involuntary termination without cause), (3) change in control, and (4) change in control followed by involuntary termination without "cause" or voluntary termination "good reason" (change in control with qualifying termination). Amounts shown in the columns of the table set forth below, the following narrative description, Mr. Compton's separation from the Company effective December 31, 2016, and the information about his payments are included based on his retirement eligibility and involuntary termination without cause. Due to the fact that Ms. Haywood's employment commenced on January 28, 2017, she is excluded from the table below. Mr. Haywood's hypothetical termination without "cause" and by him for "good reason" would be approximately the same.

Termination for "Cause"

Upon termination for "cause" or voluntary resignation without "good reason", no additional payments or benefits would be payable to Messrs. Hart, Lewis, Compton, Scott or Fadem or Ms. Haywood under the Company's Senior Officer Severance Plan or Executive Severance Plan. Messrs. Hart, Lewis and Compton would retain their vested SERP benefits.

The vested and frozen SERP benefit payable on December 31, 2016 is set forth in the 2016 Pension Benefits Table and the benefits are described under "Narrative to Pension Benefits Table." [illegible] the Company's [illegible] the Plan [illegible] payable at the [illegible] (payable on July 1, 2017). As a result of termination on December 31, 2016, the lump sum [illegible] would be $2,[illegible] and the benefit would be payable to his surviving spouse on January 1, 2017. Upon his termination on December 31, 2016, the lump sum benefit payable to Mr. Compton was $1,[illegible] (payable January 1, 2017) and $3,283,[illegible] (payable May 1, 2017). For purposes of these calculations, we have assumed that the lump sum interest rate [illegible]

effect at the time of payment for those benefits payable after January 1, 2017 will be the same as the corporate income tax rate of 35%. For the benefits payable in 2017 and thereafter, we have used the 2017 IRS prescribed HIP rate table.

Retirement or Resignation without "Good Reason"

Messrs. Lederman and Compton were retirement eligible on December 31, 2016 and were entitled to the retirement benefits described below. Such benefits are in addition to their vested 401(k) benefits described above. Messrs. Mariz, Frey and Kelly and Ms. Haywood were not retirement eligible as of December 31, 2016 and therefore voluntary separation would occur upon resignation without "Good Reason" (as defined in the Executive Severance Plan or, in the case of Mr. Mariz, his employment agreement). The only part of benefits provided to Messrs. Lederman and Compton in the event of a voluntary termination are lifetime health benefits. Messrs. Frey and Kelly and Ms. Haywood were not eligible for lifetime health benefits as of December 31, 2016, which benefits require five years of Company service.

- *Relative Pre-tax Margin and ROIC Performance Awards.* Retirement eligible participants receive payments (pro-rated through the retirement date) under the relative pre-tax margin Performance-Based RSUs and ROIC Performance-Based RSUs actually earned by participants received based on the Company's actual performance results through the end of the applicable performance period. The performance period for the 2015 awards ends on December 31, 2017 and the performance period for the 2016 awards ends on December 31, 2018. The actual potential payment opportunities (without pro-ration) under the 2016 awards granted to Messrs. Lederman and Compton are set forth in the Grants of Plan-Based Awards for 2016 table. Assuming retirement at December 31, 2016, Messrs. Lederman and Compton would be eligible for payment of (i) the shares of the 2015 awards vested on the Company's actual performance achieved through December 31, 2017 and (ii) one-third of the 2016 awards based on the Company's actual performance through December 31, 2018.

  As an estimate of the future payments to Messrs. Lederman and Compton, the information tables set forth below include (i) two-thirds of the shares approximately under the 2015 relative pre-tax margin Performance-Based RSUs assuming that the awards meet the only level of performance, (ii) one-third of the value of the 2016 relative pre-tax margin Performance-Based RSU assuming that the awards meet the only level of performance, (iii) one-third of the value of the 2015 ROIC Performance-Based RSU awards assumed at the target level of performance and (iv) one-third of the value of the 2016 ROIC Performance-Based RSU awards assuming that the awards meet the stretch level of performance. These estimated performance levels are the same as the performance level estimates used in the Outstanding Equity Awards at 2016 Fiscal Year-End table. The estimated market value of the 2015 and 2016 Performance-Based RSUs was determined based on the average closing price per share of Common Stock for December 30, 2016 (57.884). Vesting of the pre-tax margin and ROIC Performance-Based RSUs will be determined based on the average closing price per share of Common Stock over the 20 trading days at the end of the performance period. The pre-tax margin and ROIC Performance-Based RSU awards outstanding as of December 31, 2016 are set forth in the Outstanding Equity Awards at 2016 Fiscal Year-End table.

  No amounts are payable as a result of the Performance-Based RSU awards in connection with a termination of Mr. Mariz for "good reason" and therefore no information has been included for these awards under this section for Messrs. Mariz, Frey, Kelly and Ms. Haywood.

Restricted Shares. All outstanding restricted shares are fully vested.

Time-vested Restricted Stock Units. The time-vested restricted stock units granted to Mr. Lederman in 2016 vest on a pro-rata basis with respect to the portion of the award scheduled to vest on the next vesting date and the remainder of the time-vested restricted stock

[illegible] forfeited. One-third of the [illegible] shares of the Company's common stock held by Mr. Lawrence [illegible] shares of the value of the bonus under the retention agreement. The remaining vested restricted stock units granted to Mr. Levy would be [illegible] 2016 vesting dates.

- *Stock Options.* The [illegible] stock options held by Messrs. Levy and [illegible] would terminate upon their respective separation from Company service.

- *Continuation Coverage Benefits.* Upon any termination other than for "cause," Mr. [illegible] would receive [illegible] the Company's [illegible] health and welfare benefit plans for himself and his eligible dependents at rates equivalent to those paid by similarly situated employees who continue to receive such benefits, for a period of 18 months (24 months in the event by reason of death). Messrs. Muñoz, Hart, Levy and Mr. Hayward would receive a payment equivalent to such continuation coverage premiums upon their respective separations from service, in lieu of such "provision."

- *Flight Benefits.* Upon any termination other than for "cause," flight benefits would be provided for Messrs. Muñoz, Hart, Levy and Kilberg and Mr. Hayward, for a period of five years following the executive's retirement, subject to certain limitations. Messrs. Muñoz, Hart, Levy and Kilberg and Mr. Hayward have not yet served with the Company for five years. Messrs. Muñoz, Hart, Levy and Kilberg also would receive a gross-up payment for any income taxes on imputed income relating to the flight benefits, subject to an annual limit. The Company previously adopted a policy to eliminate tax reimbursement payments for any such gross-up payments, however Messrs. Muñoz, Hart, Levy and Kilberg and Mr. Hayward had vested rights to these post-separation tax reimbursements. Upon their respective separations from service, executives would receive limited flight benefits. For purposes of the table below, the Company has not been able to reasonably estimate the value of such benefits, which would be received at their respective separations from service, because the other terms and conditions of such benefits are not known at this time.

- *Automobile.* Upon any termination other than for "cause," Mr. Hart would be entitled to retain an automobile that he was then using, the value of which would be included in the "All Other Compensation" column of the 2016 Summary Compensation Table. [illegible] the Merger." No other [illegible] would be provided.

Termination Due to Death or Disability

If a named executive officer terminated employment due to death or disability on December 31, 2016, the following benefits would have been made available to the executive or his estate:

- *Relative Pretax Margin and ROIC Performance Awards.* Upon a termination due to death or disability, the [illegible] 2016 Pretax Margin Performance-Based RSU Awards and the 2015 and 2016 ROIC Performance-Based RSU Awards would vest at the target level and be settled [illegible] the [illegible] of the termination date. [illegible] of the target opportunity under the "Non-Equity" [illegible] of the payments to Messrs. Muñoz, Hart, Levy, Lawrence and Kilberg and Mr. Hayward. The ultimate [illegible] Pretax Margin and ROIC Performance-Based RSU Awards [illegible] based on the closing stock price [illegible] the date of [illegible].

- *Restricted Shares.* The restricted stock awards would vest upon death or disability. The value of each restricted share was calculated based on the closing price of a share of Common Stock on December 30, 2016 ($72.88 per share).

- *Time-vested Restricted Stock Units.* The time-vested [illegible] vest in full upon death or disability. The value of each RSU was estimated based on the closing price of a share of Common Stock on December 30, 2016 ($57.88 per share).

- *Stock Options.* The outstanding stock options [illegible] vest in full upon death or disability and remain exercisable for [illegible] months. The value of the stock options was estimated based on the difference between the exercisable option exercise price and the closing price of a share of Common Stock on December 30, 2016 ($57.88 per share).

- *Frozen SERP Benefit.* If the executive dies, the surviving spouse would be entitled to cancel the payment of the SERP benefit in a lump sum. The lump sum payment is the present value of the hypothetical benefit that would be payable if the participant had retired on the date of death, survived until age 65, been entitled to an elected actuarial equivalent annuity, and had a 50% [illegible] the benefit continued to his surviving spouse at his death, and died the day after benefits commenced. Assuming a date of death of December 31, 2016, the lump sum benefit would be payable on January 1, 2017 and the amount payable to the beneficiaries of Mr. Lederman would be $2,034,523.

- *Continuation Coverage Benefits.* In the case of Cause, the named executive officers would be [illegible] entitled to receive proceeds of life insurance benefits equal to three times his base salary at the time of death, and in the case of disability, the named executive officers is eligible to receive monthly benefits under the Company's applicable disability policies. There is no additional cost to the Company associated with payments under these policies and therefore no additional amounts are included in the tables with respect to these policies.

Involuntary Termination Without "Cause" or Voluntary Termination for "Good Reason"

If any of the named executive officers was terminated by the Company without "cause" or voluntarily for "good reason" (as defined in the applicable severance plan) on December 31, 2016, in addition to the benefits described above (and other payments and benefits, including awards with respect to the named executive officers who are retirement eligible and executing a liability release or non-competition agreement described below), he would have been entitled to the following:

- *Cash Severance.* For Messrs. Hale, Levy, Courtney, and Kelly and Ms. Haywood, a severance payment equal to (x) two times the sum of (i) his/her base salary (Hale – $1,215,000, Levy – $678,000, Courtney – $475,000, Kelly – $575,000, and Haywood – $800,000) and (ii) the applicable target bonus percentage under the annual incentive plan for the prior year (or, if greater, the target bonus percentage used for Messrs. Levy and Kelly and Ms. Haywood) (Hale – 120% of base salary, Levy – 100% of base salary, Courtney – 120% of base salary, Kelly – [illegible] of base salary, and Haywood – 60% of base salary) multiplied by a year end base salary. For Mr. Lederman, the severance payment equal to 1.5 times the sum of (x) (i) and (ii) the target bonus under the annual incentive plan for 2016 (100% of base salary multiplied by year end base salary). To the extent consistent with Section 409A of the Code, the severance payments are made in a lump sum payment. If the severance payments are subject to Section 409A, the payments are made over time and are paid or the deferred payment.

- *Relative Pretax Margin and EBIC Performance Awards.* Los Angeles Lakers, Inc. and Crystal Lake, Inc. shall, at their sole discretion, determine eligibility, the performance goals and ROIC Performance-Based RSUs have been treated upon involuntary termination without cause or voluntary termination for good reason as described above upon retirement. For Messrs. Hale, Levy, and Courtney and Ms. Haywood, such awards would be forfeited.

- *Retention Bonuses.* [illegible] the Company's executive incentive program would be forfeited. The amount of the performance [illegible] granted to Mr. Hartz [illegible] would be forfeited. If a [illegible] award granted to Mr. Mentz in 2010 would be forfeited in full upon his termination [illegible] without "cause" or voluntary [illegible] for "good reason".

- *Unvested Restricted Stock Units.* [illegible] of his retirement eligibility, the unvested RSUs held by the [illegible] upon voluntary termination [illegible] for "good reason" as described above upon retirement. The unvested restricted stock units held by Mr. Hartwood would be forfeited.

- *Stock Options.* The outstanding stock options held by Messrs. Levy and Kirby would be forfeited.

- *Continuation Coverage Benefits.* For Mr. Hartz, continued coverage under the Company's health and welfare benefit plans and continued life insurance benefits as set forth above. For Messrs. Hartz, Levy, Coughlin and Kirby and Mrs. Hartwood, continued coverage under the Company's welfare benefit plans for themselves and their eligible dependents at rates equivalent to those paid by similarly situated employees who continue to active service for 12 months following termination (which December 31, 2013, or if earlier, until he or she receives such benefits from a subsequent employer). The continued welfare benefits shall be subject to any Messrs. Levy, Coughlin and Kirby's continuation of such benefits under a private welfare benefit plan. Messrs. Hartz, Levy, Coughlin and Kirby and Mrs. Hartwood also receive continued life insurance benefits for 24 months following termination.

- *Outplacement Services.* Outplacement consulting services and 12 months following termination with an estimated cost based on current contractor rates and other position.

"Change in Control"

If a "change in control" of the Company occurs on or after December 31, 2010, except as noted below with respect to retirement eligibility, participation and the special [illegible] [illegible] vesting [illegible] in the named executive officers unless there is a qualifying termination [illegible] "qualifying termination" includes a voluntary termination with an "[illegible]" right to a termination for "good reason" death, disability and termination for extreme and gross duty. However, the health and welfare benefits would be provided to Messrs. Hartz, Levy, Coughlin, and Kirby and Mrs. Hartwood only upon involuntary termination without "cause" or voluntary termination for "good reason".

The outstanding restricted share units and stock RSUs would vest immediately upon a double trigger, which requires both a change in control and a termination of employment "good reason" or upon a qualifying termination within two years of the change in control. The outstanding performance-based RSU awards also include double trigger provisions that require that the performance goal would be deemed satisfied at the target level of performance. Payments would be subject to continued employment through the end of the performance period except in situations involving a qualifying termination, death or disability, in which case, the executive would retain a pro rata portion of the award and would be eligible to receive a pro rata payment. Payments with respect to the 2011 Performance-Based RSU Awards with respect to Messrs. Hartz and Coughlin and to the 2010 Performance-Based RSU Awards with respect to all named executive officers would be made on a pro rated basis upon the qualifying termination event or death or disability. The stock option award granted to Messrs. Levy and Kirby would vest upon a change in control without regard to the cause event.

Some of our named executive officers will be entitled to a tax gross-up with respect to excise taxes under Section 4999 of the Code for a change in control. Indexed payments for each named

executive officer that would be subject to the excise tax will be reduced to the level at which the excise tax will not be applied unless such executive would be in a better net after tax position by receiving the full payments and paying the excise tax.

Material Defined Terms

The terms "cause" and "good reason" as used above are defined under Mr. Munoz's employment agreement, as amended, and the Executive Severance Plan and the Senior Officer Severance Plan with respect to the remaining named executive officers and are set forth below.

- *"Cause"* means, in general, (i) gross negligence or willful gross misconduct, (ii) conviction of, or plea of nolo contendere to, a felony or crime involving moral turpitude, (iii) the executive's commission of fraud or deceit or fraud intended to result in personal and unauthorized enrichment of the executive at the Company's expense, (iv) a material breach of a material obligation of the executive under the Company's bylaws or pursuant to any award or agreement with the executive, (v) the executive's abuse of alcohol or drugs rendering the executive unable to perform the material duties and services required by his position, and (vi) a material violation of Company policies.

- *"Good Reason"* means, in general, (i) a material diminution in the executive's authority, duty or responsibilities, (ii) a material diminution in the executive's base salary, except as part of an across-the-board reduction in salary, (iii) a relocation of the executive's principal place of employment by more than 50 miles, or (iv) a material breach by the Company of the applicable severance plan. With respect to Mr. Munoz, "good reason" also means the failure of any successor or assignee of the Company to assume his employment agreement.

- *"Change in Control"* means, in general, the occurrence of any one of the following events: (i) certain acquisitions by a third-party or third-parties acting in concert of at least a specified threshold percentage of the Company's then-outstanding voting securities, (ii) consummation of certain mergers or consolidations of the Company with any other corporation, (iii) stockholder approval of a plan of complete liquidation or dissolution of the Company, (iv) consummation of certain sales or dispositions of all or substantially all the assets of the Company, and (v) certain changes in the membership of the Company's board of directors.

Restrictive Covenants and Release Requirement

The 2015 and 2016 restricted share awards include restrictive covenants related to non-solicitation, non-competition and cosine provisions for a period of one year following termination of employment (except with respect to the non-competition covenant, if such termination is an involuntary termination by the Company without "cause" or by the executive for "good reason"). Similar restrictive covenants appear under the employment agreement of Mr. Munoz and there are related surviving obligations under the prior employment agreements with Messrs. Hart, Lederman and Company. In addition, each of the above named executives officers is bound by an obligation of confidentiality for an indefinite duration. The Company's officers severance plans and Mr. Munoz's employment agreement contain a requirement to execute a release of claims in favor of the Company in order to receive the above described separation benefits rather than the frozen SERP benefits (if applicable).

Summary of Activity in Performance Based Restricted Stock Units for the Year Ended December 31, 2016

	Nonvested Beginning Balance	Granted	Vested	Forfeited for Good Reason	Forfeited for Cause or Voluntarily without Good Reason	Changes in Control	Changes in Control with Qualifying Termination
Type of Performance Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cash Settlement	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Long Term Incentive							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other Compensation Bonus and Retention Bonus	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Contribution Coverage Benefits							
Health and Welfare	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Life Insurance	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Perquisites							
Outplacement Services	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Legal Services	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Summary of Activity in Performance Based Restricted Stock Units for the Year Ended December 31, 2016

	Nonvested Beginning Balance	Granted	Vested	Forfeited for Good Reason	Forfeited for Cause or Voluntarily without Good Reason	Changes in Control	Changes in Control with Qualifying Termination
Type of Performance Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cash Settlement	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Long Term Incentive							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Restricted Stock Units	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Stock Stock Option Bonus	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Contribution Coverage Benefits							
Health and Welfare	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Life Insurance	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Perquisites							
Outplacement Services	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Legal Benefits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		

	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)(2)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($)	All Other Compensation ($)(3)	Total ($)
Typical Promotion, Pre-IPO	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cash Severance	[illegible]	[illegible]				[illegible]	[illegible]
Long Term Incentives							
Pro-rata Vesting in Performance-Based RSUs (1) (Equity Grant)	[illegible]	[illegible]	[illegible]	[illegible]			[illegible]
RSU Performance-Based RSUs (2015 and 2016)	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]
Stock Option Vesting (2015 and 2016)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2015 Accelerated Vesting of RSUs	[illegible]	[illegible]	[illegible]	[illegible]			[illegible]
Continuation Coverage Benefits							
Health and Welfare	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]
Life Insurance	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]
Fees, Dues and Tax Payments							
Professional Fees	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]
Health Benefits	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]
Tax Reimbursement and Gross Up Payment	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]

(1) The Performance-Based RSU awards for the 2016 vesting period would be paid in accordance with the employment agreement contained herein on Mr. Federman's retirement eligibility on December 31, 2016.

	Retirement	Involuntary Termination without Cause
Typical Promotion, Pre-IPO	[illegible]	[illegible]
Cash Severance		[illegible]
Long Term Incentives		
Pro-rata Vesting in Performance-Based RSUs (1)	[illegible]	[illegible]
RSU Performance-Based RSUs (2015 and 2016)	[illegible]	[illegible]
Performance Stock Options (2015 and 2016)		[illegible]
Continuation Coverage Benefits		
Health and Welfare		[illegible]
Life Insurance		[illegible]
Fees, Dues and Tax Payments		
Outplacement Services		[illegible]
[illegible]		[illegible]
Tax Reimbursement and Gross Up Payment		[illegible]
Total		[illegible]

(1) The Performance-Based RSU awards for the 2016 vesting period would be paid in accordance with the employment agreement contained herein on Mr. Federman's retirement eligibility on December 31, 2016.

	Restricted Stock Award Grant ($)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Date of Grant	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lump Sum	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Long-Term Incentive						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Stock Options	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Continuation Coverage Benefits						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Perquisites						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Restricted Stock Award Grant ($)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Date of Grant	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cash Severance	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Long-Term Incentive						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Stock Options	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Continuation Coverage Benefits						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Perquisites						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Separation of Mr. Haywood

Separation Agreement with Mr. Haywood. [illegible] Separation and Release Agreement (the "Separation Agreement") in connection with Mr. Haywood's separation from the Company effective [illegible] 2017. [illegible] Separation Agreement are substantially consistent with [illegible] Severance Plan. In addition, the Separation Agreement provides the following enhanced benefits: (1) each payment of $[illegible] (the "Lump Sum") shall be made within [illegible] following the Separation Date (defined below) and shall be in an amount equal to [illegible] approximately $[illegible] and (iii) [illegible] to make reasonable efforts to assist Mr. Haywood in the potential sale of the Chicago home that Mr. Haywood owns in connection with joining the Company.

Methodologies and Assumptions used for Calculating Other Pre-and Post-Employment Payments

For purposes of [illegible] payments and [illegible] benefits discussed in the foregoing tables, the Company utilized the following assumptions and methodologies in [illegible] the applicable costs to the Company.

Continuation Coverage benefits. The present value of medical and prescription drug benefits and life insurance benefits that are continued to [illegible] defined period following certain qualifying triggering events was determined based on assumptions used for financial reporting purposes (i.e., FASB ASC 715-30-50 assumptions) using a discount rate of 4.0%. The expected future present values for the continuation coverage benefits were based on 2017 employer gross costs, with a [illegible] to the medical and prescription drug benefits (including employer and employee contributions) of 6.3% in 2017, grading down to 5.0% in 2023. The separation scenarios include the portion of the benefits that is greater than the benefit that would be provided to all management employees. Medicare is assumed to be eligible for Medicare beginning on September 30, 2022. The value of the continued life insurance benefits was calculated using the [illegible] term life insurance cost to the Company for purchasing this coverage and assuming no cost increase because the premium is not age-related.

Flight benefits and related tax reimbursements. The value of lifetime travel privilege [illegible] by utilizing the following assumptions: [illegible] and eligible family members and significant others continue to utilize the travel benefit for a period of 20 years; (ii) the level of usage for each year is the same as the actual usage was for the executive and such persons for 2016; and (iii) the incremental cost to the Company for providing travel benefits to the executive and eligible family members and significant others for 2016. On the basis of these assumptions, the Company determined the value of lifetime travel benefits by calculating the present value of the assumed incremental cost of providing the benefit to the executive and the executive's eligible family members over a 20-year period using a discount rate of 4.07%. The tax indemnification of lifetime flight benefits was determined [illegible] the same three assumptions stated above. Using these assumptions, the Company determined the value of the indemnification by calculating the present value of the executive's actual 2016 tax indemnity over a 20-year period using a discount rate of 4.07%. For Ms. [illegible], the two-year travel privilege was valued using the same incremental cost information related to her 2016 benefit usage and assuming that she will continue to utilize the travel benefit at the same level on an annualized basis as the benefit was utilized in 2016.

2016 DIRECTOR COMPENSATION

The following table represents the amount of director compensation in 2016 for each director who served during the year, other than Mr. Manoogian. All of the compensation of Mr. Marozas shown in the 2016 Summary Compensation Table. For purposes of the disclosure contained in this section, we refer to the non-employee director elected by the holders of our Common Stock as "non-employee directors."

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	All Other Compensation ($)(2)	Total ($)
Current Directors who Served as Directors in 2016				
Gerald M. Gray	109,991	125,710	3,065	238,766
Eric C. Garvey	125,066	125,710	1,696	252,472
Stacey Harris	91,375	125,710	12,999	230,084
Todd Hester	—	—	7,303	7,303
Walter Kennedy	116,500	125,710	36,739	309,149
James A.C. Kennedy	139,965	125,710	3,020	268,695
Robert A. Milton	175,652	193,956	25,901	495,508
William B. Neaves	171,010	125,710	4,561	301,271
Sam Pardoja	—	—	12,340	12,340
Edward M. Philip	126,083	127,655	23,895	277,633
Edward L. Shapiro	95,917	127,706	36,516	258,139
Lawrence J. Sumberg	49,060	125,710	16,657	191,426
Dale G. Wise	177,000	125,710	20,099	323,809
Jeffrey M. Wislicki	[illegible]	[illegible]	[illegible]	[illegible]
Former Directors who Served as Directors in 2016				
Richard A. Delaney	—	—	1,932	1,932
James F. Hoppins	—	—	11,467	11,467
Henry F. Mayer III	175,461	—	31,047	206,508
John H. Weller	97,812	—	17,156	114,968
Charles A. Yamarone	99,983	—	6,759	106,742

(1) The amounts shown in this column represent the grant date fair value of 2,747,99 restricted stock units, or RSUs, granted to each of the non-employee directors, other than Mr. Marozas, on July 9, 2016 determined in accordance with FASB ASC Topic 718. For Mr. Milton, the amount shown also includes the grant date fair value of 4,699 RSUs granted to him on June 9, 2016 in connection with his service as Non-Executive Chairman of the Board. The amount shown in this column for the grant date fair value of RSUs granted on December 8, 2016 in connection with his service on the board of directors following his appointment to the board on July 12, 2016.

(2) Consists of the value of cash dividends paid on unvested shares of restricted stock units, based on the average of the high and low sales prices of Common Stock on the anniversary date which is one year after the date of Company's initial public offering, or on 50% of the shares of Common Stock which had vested on a property awarded. With respect to the portion of the restricted stock units awarded that vested, vesting in full upon the grant date fair value was calculated by multiplying the number of shares by the average of the high and low sales prices per share of Common Stock on the date of grant ($[illegible] per share on June [illegible]). With respect to the portion of the restricted stock units granted that vested in equal annual installments, the grant date fair value was calculated by multiplying the number of shares by the average of the high and low sales prices per share of Common Stock on the date of grant ($[illegible] per share on June [illegible]). In [illegible] the amount of dividends to the extent that the fair value of Common Stock on the date of grant ($[illegible] per share on June [illegible]).

As of December 31, 2010, the aggregate number of shares underlying fashion awards applicable deferred [illegible] which served as an employee director was [illegible] for each of [illegible] Hartford, [illegible] Sullivan, Spencer, [illegible] Wheelhouse [illegible] Mr. Bailey [illegible] for Mr. Milton [illegible] for Mr. Delaney [illegible] for Mr. [illegible] and [illegible] for Mr. [illegible]

(2) All other compensation includes [illegible] with respect to certain non-employee directors, including contributions to nonprofit organizations to which the director makes a personal recommendation, excluded for comparison purposes of $15,000 with respect to Mr. Carver and [illegible] payments of $25,000 with respect to each of Messrs. Hartford, Bailey, Kerrigan, Pepper, Sullivan and Spencer, as described under the caption "Charitable Contributions" below, and [illegible] reimbursement relating to flight benefits, which amount is greater than the aggregate cost to the Company of providing such benefits to each director. It is believed Mr. Carver $3,062, Mr. Delaney $150, Mr. Hartford $[illegible], Mr. [illegible] $[illegible], Mr. Lowe $[illegible], Mr. Kerrigan $2,[illegible], Mr. Milton $3,064, Mr. Nash $1,723, Mr. Pepper $2,[illegible], Mr. Sullivan $2,[illegible], Mr. Wheelhouse $10,120, Mr. Delaney $1,[illegible], Mr. Pepper $9,[illegible], Mr. Sullivan $[illegible], and Mr. Yamada $[illegible], and for those required by SEC rules, for certain directors whose perquisites equal or exceed $10,000, the aggregate incremental cost to the Company of such directors' flight benefits.

(3) Messrs. Delaney and Pepper each served as members of the Board until March 1, 2010 and were replaced by Messrs. Pantoja and Bailey, respectively.

We also pay directors who are employees of the Company or directors who are owners of a class of stock other than Common Stock additional cash compensation for their services in this capacity. Awards of each of the AIPA director and the IAM director are entitled to receive certain fringe benefits. See "Fringe Benefits" below.

The Nominating/Governance Committee periodically reviews and makes recommendations to the Board regarding the form and amount of compensation of the Company's non-employee directors. The Nominating/Governance Committee has not delegated any authority with respect to director compensation matters, and no executive officer plays a role in recommending the amount of director compensation. The Compensation Committee [illegible] has developed a Nominating/Governance Committee work plan in director compensation matters. The Committee [illegible] the Company's overall market and [illegible] Board of Directors' pay and benefits, and [illegible] ownership guideline.

For compensation for the Non-Executive Chairman, the members of the Nominating/Governance Committee, the Board and the members of the Subcommittee of such Special Committees were approved by the Board upon recommendation of the Nominating/Governance Committee. Except as provided below from time to time the Nominating/Governance Committee will review and make recommendations regarding market practices in connection with such determinations.

Cash Retainers for Board and Committee Service

Effective January 1, 2011 (except as noted below), the Compensation Committee, in its review of Executive of the Company's non-employee director compensation program, the Board approved the following cash retainers for Board and committee service:

- [illegible] Director retainer of $[illegible];
- an additional annual retainer of $[illegible] for the Chairperson of each of the Compensation Committee, the Audit Committee, the Nominating/Governance Committee, the Public Responsibilities Committee and the Audit Committee and an additional annual retainer of $[illegible] for the Chairperson of the Audit Committee; and
- an additional annual retainer of $[illegible] for each of the members other than the Chairperson of the Compensation Committee, Audit Committee, Nominating/Governance Committee and Public Responsibility.

Committees, the additional annual retainer of $[illegible] for each of the chairs of the Audit Committee and the Compensation Committee.

In addition, effective March 2015, the Board approved an additional annual retainer of $[illegible] to the chairs of the Special Committee, [illegible] the Special Committee, and the Subcommittee, and an additional annual cash retainer of $[illegible] to the Lead Independent Director, [illegible] of both the Special Committee and the Subcommittee of the Special Committee.

Equity Compensation

To attract and retain the services of experienced and knowledgeable non-employee directors, the Company adopted the 2008 Director Equity Incentive Plan, as amended and restated on December 20, 2013 (the "DEIP"). Under the DEIP, non-employee directors receive a semi-annual periodic awards, stock compensation and [illegible] compensation. Periodic awards are equity-based awards such as stock options, restricted stock, RSUs and other stock-based awards to non-employee directors from time to time at the discretion of the Board.

The Board has approved annual equity compensation under the DEIP valued at $[illegible] based on the average of the reported low sales prices of Common Stock on the date of grant. Such awards are granted in connection with the non-employee director election, the Board [illegible] meeting. For the year ended December 31, 2016, no non-employee director received an option to purchase shares of Common Stock, with a grant date fair value of $[illegible]. In addition, in connection with his role as non-executive chairman, Mr. Milton received a share unit award with respect to [illegible] shares of Common Stock. In each case, each share unit represents the economic equivalent of one share of Common Stock and vests on the one year anniversary of the date of grant, pursuant to [illegible] shares will be settled [illegible] 30th trading day based on the average of the high and low sales prices of Common Stock on the anniversary of the date of grant, or the 30th trading day of January of the following year. Any additional unvested units will be settled in cash.

Effective January 1, 2017, in connection with a review by the Equity of the Company's non-employee director compensation program to benchmark with peer director pay levels among the companies used to compare the pay for executive talent, [illegible] the Company's executive and director pay. The Board approved an increase in the annual equity compensation granted to non-employee directors from $[illegible] to $[illegible]. The annual cash retainers for Board and committee service will continue in 2017 at unchanged from the current levels.

Stock Ownership Guidelines

The stock ownership guidelines discussed above for non-employee directors require non-employee directors to own shares of Common Stock or equity-based awards (including vested shares and vested stock units, but excluding stock options) equal to a specified multiple of the annual cash retainer paid to the non-employee director, which is currently set at 5x [illegible]. The guidelines provide for a transition period for all new non-employee directors to achieve the ownership guidelines. The Nominating/Governance Committee reviews equity awards granted to non-employee directors annually. Once a non-employee director is elected to the Board, he or she is expected to achieve the ownership guidelines. Each non-employee director will be considered in compliance with the stock ownership guidelines if he or she has met the ownership guidelines, or is making progress towards achieving the ownership guidelines, which is determined by the Nominating/Governance Committee with the assistance of its compensation consultant, Frederic W. Cook & Co., Inc. Kennedy Milton Public Shareholder of Wilshire is a point of contact for Board members and management [illegible] compliance with the stock ownership guidelines. All of the non-employee directors are currently in compliance with the guidelines.

Non-Executive Chairman Compensation

[illegible] Equity [illegible] the Board approved additional compensation for the Non-Executive Chairman of $[illegible] annually, of which [illegible] $50,000 is paid in [illegible] and the [illegible] $[illegible] is granted in share units under the DEIP.

Director Compensation Deferral under the DFIP

Effective January 1, 2017, non-employee directors may defer the receipt of some or all cash compensation through credits to a cash and/or share account, not established and maintained by the Company on behalf of the director. Non-employee directors may also defer the receipt of shares that would otherwise be issued under an equity compensation award through credits to his/her share account. Distribution from the cash and/or share accounts will be made, if in a lump sum, or will commence, if in installments, within 60 days following the date on which the non-employee director terminates his/her position as a director of the Company. The compensation deferral option was not available to non-employee directors in 2016.

Travel Benefits

We consider it important for our directors to understand our business and to have exposure to our operations and employees. For that reason, our directors receive flight benefits, including travel card permitting positive space travel by the director, the director's spouse or qualified domestic partner and certain other eligible travelers, and access to our United Club facilities. These benefits are taxable to the director, subject to the reimbursement of certain of such taxes by the Company. Prior to the Merger, the Company and Continental adopted policies to eliminate any indemnification for post-separation perquisites provided to non-employee directors who did not have an existing right to such benefits as of the date the respective policy was adopted. The tax indemnification provided to the non-employee directors is subject to an annual limit. A non-employee director who retires from the Board with at least five consecutive years of service as a director will receive lifetime travel benefits, subject to certain exceptions.

Charitable Contributions

We adopted a program in 2009 through which the Company provides a matching charitable contribution to qualifying nonprofit organizations to which a director makes a personal commitment in an aggregate amount of up to $20,000 per year. In the case of each of the AFPA directors and the IAM director, the Company will provide a matching charitable contribution to qualifying nonprofit organizations to which the director or the director's union contributes up to $20,000 per year in the aggregate. During 2016, directors elected by the holders of Common Stock were also entitled to deliver sen[illegible] tickets for complimentary positive space travel to charity.

AUDIT COMMITTEE REPORT

Unica Corporation Holdings, Inc. Audit Committee Report

To the Board of Unica Corporation Holdings, Inc.

The Audit Committee is composed of four non-employee members of the Board. After reviewing the qualifications of the current members of the Audit Committee, and the representations they made to the Company and its affiliates, their independence from the Company, the Board has determined that each of the Audit Committee members is "independent" as that concept is defined in Section 10A of the Exchange Act, (2) the current Audit Committee meets the "independence" standard contained in the applicable NYSE listing standards, (3) all current Audit Committee members have financial literacy, including under the applicable NYSE listing standards, and (4) Messrs. Mr. Vaude and Mr. Philippe qualify as audit committee financial experts under the applicable rules promulgated pursuant to the Exchange Act.

The Board appointed the right-angled directors, members of the Audit Committee and adopted a written charter setting forth the procedures and responsibilities of the Audit Committee. At each year-end, the Audit Committee reviews the adequacy of the charter and the corresponding changes to the Board for approval. In addition, the Company will promptly notify the NYSE in writing of any material changes to the charter, consistent with the NYSE listing standards, of the internal report of this report and the adequacy of the company's charter.

During the fiscal year ended December 31, 2016, the Audit Committee taken the following actions:

- reviewed and discussed the audited financial statements included in the 2016 Form 10-K with management and the Company's independent registered public accounting firm, referred to in the report as the "independent auditors";

- reviewed the overall scope and plans for the annual audit of the Company's financial statements to be included in the 2016 Form 10-K and the results of the Company's independent auditors;

- met with management and the independent auditors prior to the filing of the Company's annual report on Form 10-K to discuss the adequacy of the Company's internal control over financial reporting and the quality and accuracy of the financial reporting and discussed these matters with the Company's independent auditors and with appropriate Company financial and internal auditors;

- reviewed and discussed with the independent auditors (1) their judgments as to the quality, not just acceptability, of the Company's accounting principles applied in the Company's financial reporting, (2) the written disclosures and the letter received from the independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditors' communications with the Audit Committee concerning independence, that the independence of the independent auditors and (3) the matters required to be discussed by the Audit Committee under applicable Generally Accepted Auditing Standards in the United States including Auditing Standard No. 1301, "Communications with Audit Committees," as amended;

- based on these reviews and discussions as well as review and discussions with the independent auditors, the Company's internal auditors and management, recommended to the Board that the audited financial statements of the Company be included in the 2016 Form 10-K; and

- determined that the non-audit services provided to the Company by the independent auditors (discussed below under Proposal Two) are compatible with maintaining the independence of the independent auditors. The Audit Committee's pre-approval policies and procedures are discussed below under Proposal Two.

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Accordingly, the foregoing actions and those powers [illegible] set forth in the charter of the Audit Committee, the Audit Committee is not responsible for certifying the Company's financial statements or guaranteeing the independent auditor's report. The authority of the Audit Committee is not intended to duplicate or substitute the activities of management and the independent auditor, and the Audit Committee is not providing any expert or special assurance as to the Company's financial statements or internal controls or any professional certification as to the independent auditor's work. Management is responsible for the Company's financial reporting process, including its system of internal controls and for the preparation of consolidated financial statements in accordance with generally accepted accounting principles in the United States. The independent auditor is responsible for expressing an opinion on those financial statements based on its audit. The Audit Committee and the [illegible] employees of the Company, and the independent auditor, are expected to act in good faith and in reliance on information and advice provided on behalf of the Company. The role of the Audit Committee is to oversee and review, to the extent it deems appropriate, the financial statements have been prepared with integrity and objectivity and in conformity with accounting principles generally accepted in the United States and on the representations of the independent auditor contained in their report on the Company's financial statements.

The Audit Committee meets periodically with management, the internal auditors, and the independent auditor, including private discussions with the independent auditor, in the Company's internal audit department, as the Committee deems appropriate. The Audit Committee has also established procedures for (1) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and (2) the confidential, anonymous submission by the Company's employees of concerns regarding questionable accounting or auditing matters. However, there is no assurance that the Audit Committee will be able to detect or deter management from [illegible] (1) appropriate accounting and financial reporting principles and policies or (2) appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee's considerations and discussions with management and the independent auditors do not assure that the Company's financial statements are presented in accordance with accounting principles generally accepted in the United States or that the audit of the Company's financial statements has been conducted in accordance with auditing standards generally accepted in the United States.

The information contained in this report shall not be deemed to be "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filings with the SEC, or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that the Company specifically incorporates it by reference into a document filed under the Securities Act of 1933, as amended, or the Exchange Act.

Respectfully submitted,

Audit Committee:

David Mitchell, Chair
Gordon Carter
Bruce Hepburn
Robert A. Milton
Edward M. Philip
Lawrence E. Simmons

PROPOSAL NO. 3

RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2017

Independent Public Accountants

Ernst & Young LLP was the Company's independent registered public accounting firm for the fiscal year ended December 31, 2016. The Audit Committee has approved the appointment of Ernst & Young LLP to serve as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2017.

Audit Committee Pre-approval Policy and Procedures

The Audit Committee has adopted a policy on pre-approval of services for the Company's independent registered public accounting firm. The policy provides that the Audit Committee shall pre-approve all audit and non-audit services to be provided to the Company and its subsidiaries and affiliates by its independent auditors. The process by which this is carried out is as follows:

For recurring services, the Audit Committee reviews and pre-approves the independent registered public accounting firm's annual audit services in connection with the annual appointment of the outside auditors. The reviewed materials include a description of the services along with related fees. The Audit Committee also reviews and pre-approves other classes of recurring services along with fee threshold for pre-approved services. In the event that the additional services are required prior to the next scheduled Audit Committee meeting, pre-approvals of additional services follow the process described below.

Any request for audit, audit-related, tax and other services not contemplated with the recurring services approval described above must be submitted to the Audit Committee for specific pre-approval and cannot commence until such approval has been granted. Normally, pre-approvals provided at regularly scheduled meetings. However, the authority to grant specific pre-approval between meetings as necessary, has been delegated to the Chairman of the Audit Committee. The Chairman is updated by the Audit Committee at the next regularly scheduled meeting of any services that were granted specific pre-approval.

On a periodic basis, the Audit Committee reviews the status of services and fees incurred year to date and a list of newly pre-approved services since its last regularly scheduled meeting. The Audit Committee has considered whether the 2016 and 2017 non-audit services provided by Ernst & Young LLP are compatible with maintaining and for independence and concluded that such services were compatible with maintaining Ernst & Young LLP's independence.

All of the services in 2016 and 2017 under the Audit Fees, Audit-Related Fees, Tax Fees and All Other Fees categories below have been approved by the Audit Committee pursuant to paragraph (c)(7) of Rule 2-01 of Regulation S-X of the Exchange Act.

Independent Registered Public Accounting Firm Fees

The aggregate fees billed or payable for services rendered to the Company for the fiscal years ended December 31, 2016 and 2015 were as follows (in thousands):

Service	2016	2015
Audit Fees	$ 1,152	$ 1,193
Audit-Related Fees	215	98
Tax Fees	1,352	2,157
All Other Fees	2	—
Total	$ 2,721	$ 3,448

Audit Fees

For 2016 and 2015, audit fees consisted primarily of the audit and review of the Company's financial statements and the audit of the effectiveness of internal control over financial reporting in the Company's annual consolidated financial statements. Audit fees also include the audit of the consolidated financial statements of United Airlines, employee benefit plan audits, statutory services rendered, consultations concerning financial accounting and reporting standards, and other services normally provided in connection with statutory and regulatory filings or engagements, including accounting and tax reporting, consents and research work necessary to comply with generally accepted auditing standards.

Audit-Related Fees

For 2016 and 2015, fees for audit-related services consisted primarily of accounting consultations, assurance and identifying and evaluating risks in the internal control environment prior to implementation of system conversions, and information technology security-related controls.

Tax Fees

Tax fees for 2016 and 2015 include professional services rendered for domestic and international tax compliance, tax planning, and tax compliance matters, including preparation of tax returns, claims for refund, and tax payment planning, as well as fees for tax consultations and tax audits. Fees also include fees for general reviews of part tax filings, exclusive of fees for services rendered in connection with the audit.

All Other Fees

Fees for "All other fees" included in 2016 and 2015 consisted solely of [illegible]

Confirmation of Appointment of Independent Registered Public Accounting Firm

The Audit Committee has appointed Ernst & Young LLP as the Company's independent registered public accounting firm to audit the Company's consolidated financial statements and internal control over financial reporting for the year ending December 31, 2017. Ernst & Young LLP has served as the Company's independent registered public accounting firm since 2010. It is anticipated that a representative of Ernst & Young LLP will be present at the Annual Meeting of Stockholders to make a statement if it so desires and will be available to respond to appropriate questions from the stockholders at the Annual Meeting.

Ratification of the appointment of Ernst & Young LLP is not required by our bylaws or other governing documents. However, the Audit Committee is submitting the appointment of Ernst & Young LLP to the stockholders for ratification as a matter of good corporate governance. In the event of a negative vote on such ratification, the Audit Committee may reconsider

Resolution. Even if the appointment is ratified, the Audit Committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and its stockholders.

THE BOARD AND AUDIT COMMITTEE UNANIMOUSLY RECOMMEND A VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF GRANT THORNTON LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, WHICH IS DESIGNATED AS PROPOSAL NO. 2.

PROPOSAL NO. 3

ADVISORY VOTE TO APPROVE THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS

In accordance with Section 14A of the Exchange Act, we are provide our stockholders with the opportunity to vote on an advisory (non-binding) basis, pursuant to Rule 14a-21 of the Exchange Act, a "say-on-pay" proposal, approving the Company's executive compensation as reported in this proxy statement.

> RESOLVED, that the stockholders approve the compensation of the Company's named executive officers as reported in Fortinet's Condensed Consolidated Statements of Income, Inc., as disclosed in the proxy statement for the 2017 Annual Meeting of Stockholders under the "Executive Compensation" including the Compensation Discussion and Analysis, the compensation tables, the accompanying footnotes, and the other related disclosures contained therein.

At the 2011 annual meeting of stockholders, stockholders were asked to vote on a non-binding advisory vote on whether the say-on-pay vote should be held every one year, every two years or every three years (the "Frequency Vote"). A majority of our stockholders voting on the matter indicated a preference for holding the say-on-pay vote on an annual basis. Accordingly, the Board determined that the non-binding advisory vote on the compensation of the Company's named executive officers will be held on an annual basis until the 2014 Frequency Vote Proposal. At the Company's annual meeting in 2014, approximately 97% of the votes cast were voted in favor of the "say-on-pay" proposal.

Our executive compensation program for 2016 is described in this proxy statement under the section entitled "Executive Compensation" including the Compensation Discussion and Analysis ("CD&A"), the compensation tables, the accompanying footnotes, and the other related disclosures contained therein.

As discussed in the CD&A, our executive compensation program is designed to achieve the following objectives: (1) align the interests of our stockholders and executives, (2) link executive pay to Company performance and performance management, and (3) provide competitive total compensation that is fair and reasonable.

Our 2016 executive compensation policies and practices reflect the foregoing objectives, which we believe illustrate our commitment to corporate governance. For a discussion of our policies and the principles described in the CD&A, see:

- *Multiple performance measures aligned to stockholder value.* We utilize multiple performance metrics (including revenue, income from operations, billings, annual ROIC, relative pretax margin, and stock price performance) and peer benchmarks, which we believe are a combination of our strategic and financial priorities and contribute to the long-term creation of stockholder value.

  Focus on both relative and absolute performance goals.

  Pay is targeted with reference to peer group median levels.

- *Balance of peer group comparables.* We use a peer group of companies in the same industry or with similar characteristics to our Company (the "Peer Group") for purposes of assessing the reasonableness of our executive compensation. The Peer Group includes companies with a mix of revenues, market capitalization, and other characteristics, which provides a balance of companies of similar size and scale to the Company, as well as companies in other industries and companies of different types.

- *Variable, at-risk, and change in control.* Our annual bonus and long-term equity awards have variable payouts, which depend on the achievement of specified performance goals, and change in control provisions that accelerate vesting.

[illegible] without "cause"

- *No change in control tax indemnity* – Company policy prohibits excise tax indemnity for change in control transactions.

- *Stock ownership guidelines* – [illegible] revised most recently in February 2011. The changes increased the target ownership level and eliminated the [illegible] specified ownership levels. The current ownership guidelines for our NEOs are as follows: CEO – 6x base salary, President – 5x base salary, SVP – 3x base salary and SVP – 2x base salary. A new vested or promoted executive has five years to achieve the stock ownership targets set forth in the guidelines.

- *Prohibition on pledging and hedging* – We maintain a securities trading policy which prohibits pledging and hedging Company securities by our officers and directors.

- *"claw-back" provision* – Our program [illegible] claw-back provisions, requiring the return of incentive [illegible] financial restatement situation.

- *Profit sharing hurdle* – No annual incentives are paid to officers unless [illegible] receive a profit sharing payment for the year.

- *Risk mitigation* – Our executive pay programs have been designed to discourage excessive risk taking by our executives.

- *Standardized severance policies* – We maintain standardized severance policies for our officers, either in the CEO. We previously [illegible] employment agreements for all officers other than our CEO.

- *Annual say-on-pay vote* – We have [illegible] policy for [illegible] recommendation [illegible] stockholders [illegible] 2011 [illegible] proposal included in this proxy statement [illegible] recommendation [illegible] the [illegible]

- *Communication with investors* – We [illegible] with the investment community regarding [illegible] incentive awards.

- *Independent Compensation Committee* – The Compensation Committee is comprised solely of independent [illegible] Section 16 reporting officers.

- *Independent Compensation Consultant* – The Compensation Committee has retained an independent compensation consultant [illegible] to the Compensation Committee, and has adopted an "Independent Executive Compensation Consultant [illegible] Policy" [illegible] regularly monitored by the Compensation Committee.

We [illegible] the CDC [illegible] principle. We [illegible] stockholders [illegible] Proxy statement.

Because this vote is advisory, it will not be binding upon the Board, [illegible] the Company's stockholders to [illegible] compensation. However, the Compensation Committee will take into account the outcome of the vote [illegible] compensation arrangements.

THE BOARD OF DIRECTORS [illegible] THE ADVISORY VOTE TO APPROVE THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS [illegible] PROPOSAL [illegible].

PROPOSAL NO. 4

ADVISORY VOTE TO APPROVE THE FREQUENCY OF FUTURE ADVISORY VOTES ON THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS

The Dodd-Frank Act requires us to include, at least once every six years, an advisory vote to approve how often the Company will hold a "say-on-pay" vote. Stockholders may select "one," "two" or "three" years to reflect frequency for any absolute form voting or abstain from voting on the following advisory resolution:

- RESOLVED, that the stockholders recommend United Continental Holdings, Inc. to include an advisory vote on the compensation of its named executive officers pursuant to Section 14.* of the Securities Exchange Act every:

  - one year (annual);

  - two years (biennial); or

  - three years (triennial).

Even though this vote will not be binding on the Company or the Board, the Board will take into account the outcome of this vote in making a determination on the frequency at which advisory votes on executive compensation will be included in the Company's Proxy Statement.

An annual vote on executive compensation will encourage open communication with our stockholders on our pay practices and will provide us with stockholder input on our new compensation programs in a timely manner. Therefore, the Board believes that an annual "say-on-pay" vote is in the best interests of the Company and its stockholders.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ONE YEAR FOR THE FREQUENCY OF FUTURE ADVISORY VOTES ON THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS, WHICH IS DESIGNATED AS PROPOSAL 4.

PROPOSAL NO. 5

APPROVAL OF THE 2017 INCENTIVE COMPENSATION PLAN

At the Annual Meeting, our stockholders are being asked to approve the United Continental Holdings, Inc. 2017 Incentive Compensation Plan (the "2017 Plan"). The 2017 Plan was approved by our Board on February 23, 2017, subject to stockholder approval, and will replace the United Continental Holdings, Inc. 2010 Incentive Compensation Plan (the "2010 Plan"). As of March 29, 2017, we were approximately 166,300,000 shares of Common Stock remaining available for future issuances under the 2010 Plan and which will cease to be available for future grants if the 2017 Plan is approved by stockholders. If the 2017 Plan is approved by stockholders, we will continue to utilize a mix of long-term equity incentives which we believe are critical for attracting, motivating, rewarding, and retaining talented management team members who will contribute to our success. The Company believes that it has used equity awards responsibly.

General

Under the 2017 Plan, the Company may grant incentive stock options, nonqualified stock options, stock appreciation rights ("SARs"), restricted stock, restricted stock units ("RSUs"), performance compensation awards, performance units, cash awards, other equity-based awards, and dividend and dividend equivalents (collectively, the "Awards").

For historical information, as of March 29, 2017, we had [illegible] options outstanding, with a weighted average exercise price of $[illegible] and a weighted average remaining term of [illegible] years. In addition, as of March 29, 2017, we had 371,761 restricted stock units outstanding and 1,348,386 shares added to restricted stock units outstanding. As of March 29, 2017, there were [illegible] shares of Common Stock available for future issuance under the Company's 2010 Plan. See "Security Ownership of Securities Equity Compensation Plan Information" for information regarding the number of shares of our Common Stock that may be issued under the Company's equity compensation plans.

Purpose of the 2017 Plan

The purpose of the 2017 Plan is to promote the interests of the Company and its stockholders by attracting and retaining officers and other employees, consultants, and directors of the Company and its subsidiaries, and by motivating such persons to contribute to the growth and profitability of the Company and its subsidiaries. The Company's Board and its Compensation Committee believe that the ability to grant equity-based awards is an important factor in attracting, retaining, and rewarding such persons, and that such persons should be given an opportunity to participate in the ownership of the Company and its subsidiaries.

Certain Features of the 2017 Plan

The following features of the 2017 Plan are designed to protect the interests of the Company's stockholders and to ensure that the 2017 Plan is in the best interests of the Company and its stockholders:

- 10,000,000 shares of Common Stock will initially be available for Awards under the 2017 Plan.
- No discounted stock options or stock appreciation rights.
- No repricing or repurchase of underwater stock options or SARs without stockholder approval.
- No dividend equivalents on stock options or SARs.

- Dividends and dividend equivalents paid with respect to Awards other than options and SARs will be subject to the same restrictions as the underlying Award

- No liberal definition of "change of control" and

Awards granted under the 2017 Plan will be subject to any clawback policy adopted by the Company as in effect from time to time

Description of the 2017 Plan

The following description is qualified in its entirety by reference to the plan document, a copy of which is attached as Appendix B and incorporated herein by reference.

Administration

The 2017 Plan will be administered by the Compensation Committee of the Board or a committee thereof, or such other committee of the Board as may be delegated power by the Board to administer the plan (the "Committee"). Subject to the terms of the 2017 Plan and applicable laws, the Committee will have sole authority to administer the 2017 Plan including but not limited to, the authority to designate participants, determine the types of Awards to be granted to participants, determine the number of shares of Common Stock to be covered by Awards, prescribe terms and conditions of Awards, establish the vesting schedules of Awards, determine the performance criteria to be attained in order for an Award to vest or be earned or paid out, disclose information, interpret and certify whether and to what extent, and under what circumstances, performance criteria have been met, and (vii) adjust, direct to be recorded, and be consistent with, correct any defect in any document supplied under or pursuant to the 2017 Plan, and to establish, amend and rescind rules and regulations and appoint such agents as it deems appropriate for the proper administration of the 2017 Plan, (viii) accelerate the vesting or exercisability of, payment for or lapse of restrictions on Awards, and (ix) take any other action contemplated by or necessary or desirable for the administration of the 2017 Plan.

The Committee may delegate some or all of its power and authority under the 2017 Plan to the Board or any member thereof, subject to applicable laws, to a subcommittee of the Board or a member of the Board, to one or more officers of the Company or to the Compensation Committee or a subcommittee thereof; provided, however, that (i) in no event shall any such delegation of power and authority to the Board or any member thereof or any officer of the Company with regard to any Award to be granted to a "covered employee" (as defined in Section 162(m) of the Code) or to accelerate the vesting or exercisability of an Award be permitted, and (ii) the Committee may not delegate its power and authority to any officer of the Company with regard to the selection for participation in the 2017 Plan of an officer or other employee subject to Section 16 of the Exchange Act.

Available Shares

Subject to adjustment for changes in capitalization in accordance with the terms of the 2017 Plan, the aggregate number of shares of Common Stock that may be delivered pursuant to Awards granted under the Plan will be [illegible] plus (i) any shares subject to awards under the Company's 2010 Plan, (ii) any shares that may be delivered pursuant to Awards granted under the 2010 Plan on or after March 29, 2017, the closing sales price per share of our Common Stock as reported on the NYSE on March 29, 2017.

Each share with respect to which an Award is granted or a share is granted under the 2017 Plan will reduce the aggregate number of shares available for issuance under the 2017 Plan by one. Upon exercise of a stock settled SAR, only the net shares actually issued upon exercise of such SAR will be counted against the number of shares available for issuance under the 2017 Plan. In addition, the number of shares actually delivered upon exercise of any stock settled SAR

[illegible]

[illegible]

Change of Control

[illegible]

[illegible]

The Company [illegible] the [illegible] of the Company's [illegible] securities by any person or entity, or group of persons or entities acting in concert, [illegible] the deemed beneficial owner of Company [illegible] all of the Company's [illegible] and other [illegible] of the Company's [illegible] voting power [illegible] the Company immediately prior to the [illegible] stockholders [illegible] the Company [illegible] the [illegible] of the Board [illegible] Board [illegible] exercised.

Award Agreements

Each Award will be evidenced by an Award agreement [illegible] the participant and [illegible] the terms and conditions of the Award, any rules applicable thereto, Notwithstanding any thing contained in the 2017 Plan to the contrary, the Committee may approve an Award agreement that provides the participant or participant's employer, provides for, or [illegible] the sole [illegible] review or [illegible] and [illegible] and [illegible] taking or failing to take action, including an Award agreement such that (i) any or all outstanding vesting and [illegible] will be [illegible] in full, in full or a portion of the time-based vesting requirements applicable to any outstanding Award, will lapse with respect to all or a portion of the performance period applicable to any outstanding Award, or any Dollar Incentive to be earned at a target or any other level.

No Repricing

Under the terms of the 2017 Plan, in no event may any [illegible] be [illegible] to decrease the exercise price thereof, (ii) be cancelled at a time when its exercise price exceeds the fair market value of the underlying shares of common stock in exchange for another Award or any cash payment or other property that would be treated, for accounting purposes, as a repricing of such option or SAR, unless such action is approved by the Company's stockholders, other than in connection with a change in control or pursuant to the adjustment provisions of the 2017 Plan.

Clawback of Awards

Awards granted under the 2017 Plan and the [illegible] Common Stock delivered under such Awards are subject to forfeiture, recovery to the Company or other action pursuant to the applicable Award agreement or [illegible] provision by which the Company may require from time to time the building and policy of which the Company may be required to adopt under the Dodd-Frank Act or other [illegible] required by law.

Transferability of Awards

Awards generally will not be transferable except [illegible] Exchange Act [illegible] provided, however, [illegible] Awards to [illegible] Awards may be transferred to an organization in which directors, officers, employees, family members, family partners, spouse, former spouse and other individuals and entities that are considered "Family Members" within the meaning of Rule 701 of the Securities Act of 1933, as amended, or any Award may be transferred to any third party in exchange for value.

Effective Date, Termination and Amendment

The 2017 Plan is [illegible] effective as of [illegible] 2017, [illegible] stockholders prior to the [illegible] Meeting. The 2017 Plan remains [illegible] of the date on which [illegible] Board [illegible] by the Board. The

Tax and Accounting

[illegible]

[illegible]

Eligibility

Participants in the 2017 Plan will consist of such officers and employees, including any prospective officer or employee, of the Company and its affiliates as selected by the Committee. As of March 31, 2017, of 88,000 employees, the Company would be eligible to participate in the 2017 Plan if selected by the Committee. Awards are not subject to any practice but based on information to officers and employees as of such date. Throughout the remaining operating expenses, vesting officers and employees.

Types of Awards

Stock Options. The Committee will be permitted to grant Incentive Stock Options and Nonqualified Stock Options under the 2017 Plan. The exercise price for options may not be less than the fair market value of the Common Stock on the grant date. Options will vest and become exercisable as set forth in the applicable Award Agreement. Prior notice regarding the exercise or lapse of options following termination of employment, other than as a result of death or disability, would be set forth in the applicable Award Agreement. Except as otherwise provided in an Award Agreement, upon a participant's employment or service to the Company or an affiliate ceasing for any reason, the participant would retain such right for 12 months after the date such termination of employment. Notwithstanding any provision in the 2017 Plan or an Award Agreement, in no event will an option be exercisable after the expiration of ten years from the date of grant. The 2017 Plan prohibits the repricing of options at a lower value without stockholder approval.

Stock Appreciation Rights. The Committee will be permitted to grant SARs under the 2017 Plan. The exercise price for SARs will not be less than the fair market value of the Common Stock on the grant date. Upon exercise of a SAR, the holder will receive shares of our Common Stock, other securities or property, or a combination thereof, in an amount equal to the excess of the fair market value of one share of our Common Stock on the date of exercise over the exercise price of the SAR. Subject to the provisions of the 2017 Plan and the applicable Award Agreement, the Committee may, in its sole discretion, determine the terms and conditions of any SAR, including the vesting and exercisability of any SAR, the exercise price of any SAR, the term of any SAR, the effect of termination of employment or service to the Company or an affiliate, or of death or disability, with respect to any SAR, and any other terms and conditions of any SAR. Except as otherwise provided in an Award Agreement, upon a participant's employment or service to the Company or an affiliate ceasing for any reason, the participant would retain such right for 12 months after the date such termination of employment. Notwithstanding any provision in the 2017 Plan or an Award Agreement, in no event will an SAR be exercisable after the expiration of ten years from the date of grant. The 2017 Plan prohibits the repricing of dividend equivalents with respect to SARs.

Restricted Shares and Restricted Stock Units. Subject to the provisions of the 2012 Plan, the Committee may from time to time grant shares of Restricted Stock and RSUs. Restricted Stock and RSUs may not be sold, assigned, transferred, pledged or otherwise encumbered except as permitted by the 2012 Plan or as specifically permitted by the Committee. Shares of Restricted Stock will be evidenced in such manner as the Committee deems appropriate.

A RSU is an unfunded and unsecured promise to deliver shares of Common Stock or have a value equal to the fair market value of shares of Common Stock in the future, subject to such restrictions and conditions as the Committee may impose at the time of the grant. At the time of grant, the Committee will specify the date or dates on which the RSUs will become fully vested and nonforfeitable, and may specify conditions to the payment of the RSUs, which may include, without limitation, the achievement of specified performance goals or the passage of specified periods of time. Except as provided in the applicable Award Agreement, then in connection with each outstanding RSU, the holder shall be entitled to the rights of a stockholder (including the right to vote) in respect of the underlying shares. Except as otherwise provided in the applicable Award Agreement, upon the termination of a participant's employment during the applicable restriction period, the participant's unvested RSUs shall be forfeited, subject to such exceptions as may be approved by the Committee in its sole discretion.

Performance Units. Subject to the provisions of the 2012 Plan, the Committee may from time to time grant Performance Units. Performance Units will have an initial value as established by the Committee on the date of grant, which may be different for different Participants. The Committee may set performance goals in its discretion which, depending on the extent to which they are met, will determine the number and/or value of Performance Units that will be paid out to the participant. The Committee may, in its discretion, subject to the terms of the 2012 Plan, pay earned Performance Units in the form of cash, in shares of Common Stock, or in any combination thereof that would have an aggregate fair market value equal to the value of the earned Performance Units in the applicable Performance Period. The determination of the Committee with respect to the form and timing of payout of performance awards shall be set forth in the applicable Award Agreement.

Cash Incentive Awards. Subject to the provisions of the 2012 Plan, the Committee may grant Cash Incentive Awards payable upon the attainment of performance goals.

Other Stock-based Awards. Subject to the provisions of the 2012 Plan, the Committee may from time to time grant other Awards based on, measured by or payable in cash, shares of Common Stock or other securities or other Awards or other property, in such amounts and on such terms and conditions as the Committee in its sole discretion, including, without limitation, (A) at the time of such grant or by the Committee prior to vesting of the Award or (B) upon the occurrence of specified events, in addition to or in tandem with other Awards, provided, however, that any dividends or dividend equivalents shall be subject to the same restrictions as the underlying Award to which they relate.

Performance Compensation Awards. The Committee may designate any Award granted under the 2012 Plan to be a performance compensation award in order to qualify such Award as performance based compensation under Section 162(m) of the Code. The performance goals that will be used to establish the performance targets with respect to performance compensation Awards will be based on the attainment of specified levels of performance of the Company or any of its subsidiaries, affiliates, divisions or operating units or the Company combination of the foregoing and will be based on the following: (A) net income before or after taxes, (B) earnings before interest, taxes, depreciation and amortization ("EBITDA") or EBITDA margin, (C)

[illegible] (Y) cash flow [illegible] customer satisfaction [illegible] employee satisfaction [illegible] combination of the foregoing.

Such performance criteria may be applied on [illegible] to one or more [illegible] of the Company or indices or any combination thereof. The Committee [illegible] Section 162(m) of the Code [illegible] performance compensation Award [illegible] Section 162(m) of the Code [illegible] accounting principles.

In the case of any performance compensation Award [illegible] in cash or in restricted [illegible] RSUs or fully vested shares [illegible] specified in the Award [illegible] such other terms [illegible] by the Committee [illegible] set forth in the Award agreement.

New Plan Benefits

The number of stock options and other forms of Awards that will be granted under the 2017 Plan is not currently determinable.

Federal Income Tax Consequences

The following is a brief summary of certain United States federal income tax consequences [illegible] Awards under the 2017 Plan. This discussion does not address all aspects of the United States federal income tax consequences of participating in the 2017 Plan [illegible]. Each participant is advised to consult his or her personal tax advisor [illegible] United States federal income tax laws [illegible] the applicability and effect of any state, local or non-United States tax laws [illegible] Award.

Section 162(m)

Section 162(m) generally limits to $1 million the amount that a publicly held corporation is allowed each year to deduct for the compensation paid to the corporation's [illegible] Covered Employees. However, "qualified performance-based compensation" is not subject to the $1 million limit.

[illegible]

Stock Options

[illegible]

SARs

[illegible]

Stock Awards

[illegible]

[illegible] The amount of the ordinary income [illegible] be above deducted [illegible] section [illegible] Lapse of Restrictions [illegible] substantial risk of forfeiture [illegible] by the Company [illegible] deduction limits of Section 162(m) apply.

A participant will not recognize taxable income at the time RSUs [illegible] Company will not be entitled to [illegible] deduction at that time. Upon settlement of the RSUs or performance units, the participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of [illegible]) in an amount equal to the fair market value of any cash paid by the Company and the Company will be entitled to a corresponding deduction, except to the extent the deduction limits of Section 162(m) apply.

A participant who receives shares of Common Stock that are not subject to any restrictions under the Plan will recognize compensation taxable as ordinary income on the date of [illegible] in an amount equal to the fair market value of such shares on that date, and the Company will be entitled to a corresponding deduction, except to the extent the deduction limits of Section 162(m) apply.

Cash Incentive Awards

A participant will not recognize taxable income at the time a cash incentive Award is granted and the Company will not be entitled to any deduction at that time. Upon payment of a cash incentive Award, the participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) in an amount equal to the fair market value of any cash paid by the Company and the Company will be entitled to a corresponding deduction, except to the extent the deduction limits of Section 162(m) apply.

General

Any compensation includable in the [illegible] income of [illegible] participant will generally be subject to applicable [illegible] and local income tax withholding.

Recommendation of the Board

THE BOARD UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE APPROVAL OF THE [illegible] PROPOSAL NO. 5.

SUBMISSION OF STOCKHOLDER PROPOSALS AND NOMINATIONS FOR 2018 ANNUAL MEETING

If a stockholder wishes to submit a proposal for inclusion in the Company's proxy statement for the annual meeting and proposal must be received by the Company no later than December 22, 2017 and otherwise must comply with SEC rules. If a stockholder wishes to submit a proposal to be included in the proxy material, the proposal must be submitted to the Corporate Secretary at the Company's principal executive offices, 233 S. Wacker Drive, Chicago, Illinois 60606.

Stockholders wishing to submit a proposal or director nomination for consideration at the Company's annual meeting of stockholders must comply with the requirements of provisions set forth in the By-laws. The stockholder or group of stockholders who wish to submit a proposal or nominee pursuant to proxy access must deliver the required information to the Company no later than November 27, 2017 and no earlier than October 28, 2017.

To propose business or nominate a director at the 2018 annual meeting of stockholders without inclusion of such proposal or nominee in our proxy materials, proxy access must be submitted by a stockholder or group no earlier than January 25, 2018 and no later than February 24, 2018 in accordance with our By-laws, but not earlier than the deadline for proposals by the proxy access. No nominee proposed by a stockholder can be nominated for the 2018 annual meeting of stockholders and no proposal by a stockholder will be considered unless the notice satisfies the requirements set forth in the By-laws. If we do not receive timely notice of any matter that a stockholder wishes to bring at the 2018 annual meeting of stockholders, the By-laws provide that the matter shall not be transacted and be not permitted to be considered.

ANNUAL REPORT

A copy of our 2016 Form 10-K has been made available with this proxy statement and is also available at *http://www.investorpage.com/ind*. Additional copies of the 2016 Form 10-K and the Notice of Annual Meeting and proxy statement are available upon request and free of charge from the Corporate Secretary, United Continental Holdings, Inc., 233 S. Wacker Drive, Chicago, Illinois 60606.

[illegible] ARE ENTITLED TO VOTE MAY REVOKE THEIR PROXY AT ANY TIME PRIOR TO THE EXERCISE THEREOF BY GIVING WRITTEN NOTICE TO THE CORPORATE SECRETARY OF UNITED CONTINENTAL HOLDINGS, INC., 233 S. WACKER DRIVE, CHICAGO, ILLINOIS 60606, ATTENTION: [illegible] A LATER DATED PROXY, OR BY ATTENDING THE ANNUAL MEETING AND VOTING IN PERSON. ATTENDANCE AT THE MEETING WILL NOT IN ITSELF CONSTITUTE REVOCATION OF A PROXY. [illegible]

OTHER BUSINESS

The Company's management does not intend to present any other matters for action at the Annual Meeting, and we do not know of any other matters to be presented by others for action at the Annual Meeting. If any other matters properly come before the Annual Meeting, it is intended that the persons named in the proxy card will act in accordance with their best judgment.

APPENDIX A

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES

The Company evaluates its financial performance utilizing various accounting principles that are accepted in the United States of America ("GAAP") and non-GAAP financial measures, including the Company's income, excluding special charges and return on invested capital ("ROIC"). The Company believes that the Company's financial results are not fully reflected because the special items are not recurring items, not indicative of the Company's ongoing performance. For additional information related to special items, see Note [illegible] Items in the 2016 Form 10-K. ROIC is a non-GAAP financial measure that we believe provides useful supplemental information to management and investors by measuring the effectiveness of our operations' use of invested capital to generate profit. 2016 ROIC is calculated as the Company's net operating profit after tax ("NOPAT") divided by the Company's average invested capital (as defined in the Performance Based LSO Program). Pursuant to SEC Regulation [illegible] the Company has included the following reconciliation of reported non-GAAP financial measures to the most close [illegible] comparable financial measures reported in GAAP [illegible] (in millions, except ratios):

Pre-tax income	[illegible]
Less: Special items before income tax benefit	[illegible]
Pre-tax income excluding special items	[illegible]
NOPAT adjustments	[illegible]
NOPAT	[illegible]
Effective tax rate	[illegible]
Invested Capital (five-quarter average)	
Total assets	[illegible]
Invested capital adjustments	[illegible]
Average invested capital	[illegible]
Return on invested capital	[illegible]

(a) NOPAT adjustments include [illegible] (tax shield) [illegible] expense [illegible] of capitalized [illegible] (p. [illegible])

(b) Effective cash tax rate is calculated by dividing [illegible] taxes paid by [illegible] income

(c) Invested capital adjustments include [illegible] capital [illegible] at 7 (x) and deferred [illegible] taxes less advance [illegible] deferred [illegible] tax valuation [illegible] other [illegible]

APPENDIX B

UNITED CONTINENTAL HOLDINGS, INC.
2010 INCENTIVE COMPENSATION PLAN

1. *Purpose.*

The purpose of this United Continental Holdings, Inc. 2010 Incentive Compensation Plan (as amended from time to time, the "*Plan*") is to attract, retain, motivate and reward officers and employees of the Company and its subsidiaries by providing them with the opportunity to acquire a proprietary interest in the Company's stockholders and to provide recipients hereunder with an incentive for superior performance, and to attract and reward officers and employees (including prospective officers and employees) of the Company and its subsidiaries by providing compensation opportunities designed to reward such persons for their contributions to the growth and profitability of the Company and its stockholders.

This Plan replaces the United Continental Holdings, Inc. 2008 Incentive Compensation Plan, as amended from time to time (the "*Prior Plan*"), which Prior Plan shall be automatically terminated and replaced and superseded by this Plan on the date on which the Plan is approved by the Company's stockholders, except that any outstanding awards granted under the Prior Plan shall remain in effect according to their terms. In addition, effective February 25, 2011, the maximum number of the Company's shares of common stock available for grant of new equity award pursuant to the United Continental Holdings, Inc. Incentive Plan 2010 (as amended from time to time, the "IP 2010") provided that any outstanding awards granted under the IP 2010 shall remain in effect pursuant to their terms.

2. *Definitions.*

As used herein, the following terms shall have the meanings set forth below:

(a) "*Affiliate*" means (i) any entity that directly or indirectly is controlled by, is controlling or is under common control with the Company, and (ii) any entity in which the Company has a significant equity interest, as determined by the Committee.

(b) "*Award*" means any award or benefit granted to a participant under the Plan.

(c) "*Award Agreement*" means any written or electronic agreement, contract, notice, instrument or other document evidencing the terms and conditions of an Award, including any amendment or supplement thereto.

(d) "*Board*" means the Board of Directors of the Company.

(e) "*Cash Incentive Award*" means an Award pursuant to Section 9 of the Plan, the value of which is not based on or related to the value of Shares and which is payable by the Company in cash or in Shares valued by reference to the Fair Market Value of Shares.

(f) "*Change of Control*" shall mean the occurrence of the following event, in each

(A) there is consummated a merger or consolidation or other business combination of the Company or any Subsidiary of the Company (a "*Transaction*") other than (i) a Transaction which would result in the voting securities of the Company outstanding immediately prior to such Transaction or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) more than 50% of the combined voting power of the securities of the surviving entity or such parent thereof outstanding immediately after such Transaction or consolidation,

(B) the direct or indirect beneficial ownership (as defined in Rule 13d-3 under the Exchange Act or any successor provision of the Exchange Act) of more than 20% of

[illegible] paragraph (A) above [illegible] Change in Control [illegible]

(C) [illegible] the sale or disposition by the Company of all or substantially all of the Company's assets [illegible] securities [illegible] at least 80% of the combined voting power of the voting securities of [illegible] stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale;

(D) the stockholders of the Company approve any plan or proposal for the liquidation of the Company; or

(E) the occurrence within any [illegible] month period [illegible] of the Board such that the "Continuity Directors" cease for any reason to constitute at least a majority of the Board. For purposes of this [illegible], "Continuity Directors" means (1) those members of the Board who were directors on the date hereof and (2) those members of the Board (other than a director whose initial assumption of office was as a result of an actual or threatened election contest [illegible] relating to the election of directors of the Company) who were elected or appointed by or on the nomination or recommendation of at least a two-thirds majority of the then-existing directors who either were directors on the date hereof or were previously so elected or appointed.

(g) "Code" means the Internal Revenue Code [illegible] or any successor statute thereto and the [illegible] promulgated thereunder.

(h) "Committee" means the [illegible] of the Board [illegible] committee of the Board [illegible] by the Board to administer the [illegible].

(i) "Company" means [illegible] a corporation organized under the laws of Delaware, together with any successor thereto.

(j) "Disability" means [illegible] the Company or Subsidiary [illegible] within the meaning of Section 2 [illegible] Section 409A of the Code [illegible] constitutes deferred compensation [illegible] within the meaning of Section 409A of the Code [illegible].

[illegible]

(k) "*Exchange Act*" [illegible]

(l) "*Fair Market Value*" [illegible]

(m) "*Fair Market Value*" [illegible]

(n) "*Incentive Stock Option*" [illegible]

(o) "*Independent Director*" [illegible]

(p) "*IRS*" [illegible]

(q) "*NASDAQ*" [illegible]

(r) "*Nonqualified Stock Option*" [illegible]

(s) "*Option*" [illegible]

(t) "*Participant*" [illegible]

(u) "*Performance Compensation Award*" [illegible]

(ss) "*Performance Criteria*" [illegible] the Committee shall select for purposes of establishing the Annual Incentive Goals for a Performance Period with respect to the Performance Compensation Award or Performance Unit or Cash Incentive Award under the Plan.

(tt) "*Performance Formula*" means, for a Performance Period, one or more objective formulas or standards utilizing the applicable Performance Criteria for determining whether or not the Performance Compensation Award or Performance Unit or Cash Incentive Award is earned in particular Participants, which shall set forth a portion but less than 100% of such Award that has been earned for the Performance Period.

(uu) "*Performance Goal*" means, for a Performance Period, one or more statements or descriptions of an objective Performance Goal established by the Committee for the Performance Period based on the Performance Criteria.

(vv) "*Performance Period*" means one or more periods of time as the Committee may select over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant's right to and the payment of a Performance Compensation Award, Performance Unit or Cash Incentive Award.

(ww) "*Performance Share*" means an Award under Section 6(g) hereof that has a value, set by the Committee, or to be determined by reference to a valuation formula specified by the Committee at the time of the Award, but Value of Shares which may be paid to the Participant by delivery of such property as the Committee shall determine, including cash or shares of Stock or a combination thereof, upon achievement of such Performance Goals for the relevant Performance Period as the Committee shall establish at the time of such Award or thereafter.

(xx) "*Person*" [illegible] shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act.

(yy) "*Plan*" [illegible] the Plan, as hereinafter defined, as set forth herein and as hereinafter amended from time to time.

(zz) "*Prior Plan*" [illegible] Section 4.

(aa) "*Restricted Stock*" means a Share that is subject to certain restrictions under the terms of the Plan that lapse upon the satisfaction of such conditions as the Committee may specify in the applicable Award Agreement.

(bb) "*RSU*" means a Restricted Stock Unit Award that is a bookkeeping entry under Section 6(g) of the Plan and is designated as such in the applicable Award Agreement and that represents an unfunded and unsecured promise to pay, upon or as soon as practicable after the vesting date, one Share for each Share subject to the applicable Award Agreement.

(cc) "*Securities Laws*" means the Exchange Act, the Securities Act, the rules and regulations promulgated by the SEC under the Exchange Act or the Securities Act, and any other rules or regulations thereunder, as each shall be in effect from time to time.

(dd) "*Share*" means a share of Stock, or such other securities or property as may become subject to Awards pursuant to an adjustment or substitution in accordance with the provisions of Section 9 hereof.

(ee) "*SAR*" means a Stock Appreciation Right Award that is a bookkeeping entry under Section 6(d) of the Plan and is designated as such in the applicable Award Agreement and that represents an unfunded and unsecured promise to pay, upon or as soon as practicable after the vesting date, one Share for each Share subject to the applicable Award Agreement, in an amount equal to the excess of the Fair Market Value of one Share on the Exercise Date over the SAR Exercise Price, all as set forth in the applicable Award Agreement.

(ff) "*SEC*" means the Securities and Exchange Commission or any successor thereto and shall include the staff thereof.

(gg) "*Stock*" means the Common Stock of the Company, par value $0.01 per share, or such other class or kind of shares or other securities resulting from an adjustment or substitution pursuant to Section 9 hereof.

[illegible]

(g) "*Subsidiary*" [illegible]

(h) "*Substitute Award*" shall mean an award [illegible] *provided, however*, that in no event shall the term "Substitute Award" [illegible] with the cancellation and exchange of an Option or SAR.

(i) "*Termination of Employment*" [illegible] *provided, however*, that [illegible] is intended to be [illegible] pursuant to Section 409A(a)(2)(A)(i) of the Code [illegible] shall mean that the Participant has experienced a "separation from service" within the meaning of Section 409A of the Code.

(j) "*Section 16 Persons*" [illegible]

Administration

(a) *Composition of Committee.* The Plan shall be administered by the Committee, which shall be composed of one or more directors as determined by the Board, provided that to the extent necessary to comply with the rules of the NYSE, Rule 16b-3 and to satisfy applicable requirements of Section 162(m) of the Code and any regulations or rulings issued thereunder, the Committee shall be composed of two or more directors, all of whom shall be Independent Directors, and each of whom shall qualify as "outside director" under Section 162(m) of the Code and the Independence requirements of the NYSE. Notwithstanding the foregoing, in no event shall any action taken by the Committee be considered void or otherwise invalid and the exercise of the terms of the Plan solely as a result of the failure of one or more members of the Committee to be an Independent Director or to satisfy the requirements set forth in clause (i) or (ii) of the immediately preceding sentence.

(b) *Authority of Committee.* Subject to the terms of the Plan and applicable law and in addition to other express powers and authorities conferred on the Committee by the Plan, the Committee shall have sole and plenary authority, in its discretion, but not limited to the authority to: (i) designate Participants; (ii) determine the type or types of Awards to be granted to a Participant; (iii) determine the number of Shares to be covered by or with respect to Awards; (iv) determine the terms and conditions of any Award, including, but not limited to, the exercise price, any vesting schedule or restrictions with respect to an Award, and the conditions under which an Award may be forfeited, modified, or accelerated in connection with an Change in Control, a Participant's Termination of Employment or other activities or events, and any amendment or waiver of any of the foregoing; (v) determine whether, to what extent and under what circumstances Awards may be settled or exercised in cash, shares of Common Stock, other securities, other Awards or other property, or may be canceled, forfeited or suspended; (vi) determine whether, to what extent and under what circumstances the delivery of any Award or other amount under the Plan may be deferred at the election of an Award recipient or any other person entitled to make such election; and

[illegible]

(c) *Committee Decisions.* [illegible]

(d) *Indemnification.* [illegible]

[illegible] Restated By-Law. The [illegible] of indemnification shall not be exclusive of any other right of indemnification to which Covered Persons may be entitled under the Company's Amended and Restated Certificate of Incorporation, Amended and Restated By-Law [illegible] the Company may have to indemnify such persons or hold them harmless.

(c) *Delegation of Authority.* The Committee may delegate some or all of its power and authority hereunder to the Board or any members thereof, subject to applicable law, and [illegible] Committee of the Board, a member of the Board or to one or more [illegible] officers of the Company as the Committee deems appropriate *provided, however,* that [illegible] Committee may not delegate [illegible] and authority to the Board or any members thereof or senior officers of the Company with regard to the [illegible] of an award to any person who is a "Covered employee" within the meaning of Section 162(m) of the Code or who in the Committee's judgment is likely to be a covered employee [illegible] during the period [illegible] hereunder to such employee would be [illegible] and (ii) the Committee may *not* delegate its power and authority to a member of the Board or senior officer of the Company with regard to the selection for participation in this Plan of an officer or other employee [illegible] Section [illegible] of the Exchange Act or decisions concerning the timing, [illegible] of an award to such an officer or other employee.

[illegible] *Shares Available for Awards, Cash Payable Pursuant to Awards*

(a) *Shares and Cash Available.* Subject to adjustment as provided in Section 4(b), the maximum aggregate number of Shares that may be delivered pursuant to Awards granted under the Plan, other than Substitute Awards, shall be equal to [illegible] all of which may be delivered pursuant to Incentive Stock Options. Each Share with respect to which any Award denominated in Shares is granted under the Plan shall reduce the aggregate number of Shares that may be delivered under the Plan by one.

Upon exercise of a stock settled SAR, each Share with respect to which such stock settled SAR is exercised shall be counted as one Share against the maximum aggregate number of Shares that may be delivered pursuant to Awards granted under the Plan as provided above, regardless of the number of Shares actually delivered upon settlement of such stock settled SAR.

If after the Effective Date of the Plan, any Award granted under the Plan or the Prior Plan, or any Share or any Award (1) is [illegible] or otherwise expires [illegible] without the delivery of all Shares subject thereto (including the [illegible] of Shares subject to a performance-based award [illegible] the Shares [illegible] or (2) is settled in cash [illegible] the case of [illegible] and (3) the number of Shares subject to such Award that were not issued with respect to such Award shall again be available under this Plan. In addition, the Shares subject to an Award under this Plan or a Prior Plan shall [illegible] be available for issuance under this Plan if such Shares are shares delivered to or withheld by the Company to pay the withholding taxes related to an outstanding Award. For the avoidance of doubt, any Award granted under the Plan that is [illegible] only be settled in cash [illegible] cash settled RSU shall not reduce the number of Shares available for issuance under the Plan. Notwithstanding the foregoing, Shares subject to an Award under this Plan or a Prior Plan shall not again be available for issuance under the Plan if such Shares are [illegible] Shares that were subject to a [illegible] of an Stock Settled SAR and were not issued or delivered upon the net settlement or net exercise of such Option or SAR.

(y) Shares delivered or withheld by the Company to pay the purchase price and/or withholding Awards or (z) shares repurchased by the Company on the open market or pursuant to a tender offer or other Qualified Share Repurchase.

(c) Number of Shares. Subject to adjustment as provided in Section 8(a) hereof, the Plan shall initially be limited to (i) the number of Shares remaining available for issuance under the Company's 2004 Stock Incentive Plan as of the effective date of the Company's initial public offering (the "Initial Public Offering") (the "Initial Public Offering Date") plus (ii) any Shares subject to Awards granted under the Company's 2004 Stock Incentive Plan that are forfeited, expire or are terminated for any reason prior to exercise or settlement, or are forfeited or repurchased by the Company, or withheld to satisfy tax withholding obligations, after the Initial Public Offering Date, provided, however, that the number of Shares that may be issuable under the Plan shall not exceed the sum of (A) 3,000,000 plus (B) the number of Shares subject to Awards granted under the Company's 2004 Stock Incentive Plan that are forfeited, expire or are terminated for any reason prior to exercise or settlement, or are forfeited or repurchased by the Company, or withheld to satisfy tax withholding obligations, after the Initial Public Offering Date, provided, however, that the number of Shares that may be issuable under the Plan shall not exceed the sum of (A) 3,000,000 plus (B) the number of Shares subject to Awards granted under the Company's 2004 Stock Incentive Plan that are forfeited, expire or are terminated for any reason prior to exercise or settlement, or are forfeited or repurchased by the Company, or withheld to satisfy tax withholding obligations, after the Initial Public Offering Date, provided, however, that the number of Shares that may be issuable under the Plan shall not exceed the sum of (A) 3,000,000 plus (B) the number of Shares subject to Awards granted under the Company's 2004 Stock Incentive Plan that are forfeited, expire or are terminated for any reason prior to exercise or settlement, or are forfeited or repurchased by the Company, or withheld to satisfy tax withholding obligations, after the Initial Public Offering Date, provided, however, that the number of Shares that may be issuable under the Plan shall not exceed the sum of (A) 3,000,000 plus (B) the number of Shares subject to Awards granted under the Company's 2004 Stock Incentive Plan that are forfeited, expire or are terminated for any reason prior to exercise or settlement, or are forfeited or repurchased by the Company, or withheld to satisfy tax withholding obligations, after the Initial Public Offering Date, provided, however, that the number of Shares that may be issuable under the Plan shall not exceed the sum of (A) 3,000,000 plus (B) the number of Shares subject to Awards granted under the Company's 2004 Stock Incentive Plan that are forfeited, expire or are terminated for any reason prior to exercise or settlement, or are forfeited or repurchased by the Company, or withheld to satisfy tax withholding obligations, after the Initial Public Offering Date, provided, however, that the number of Shares that may be issuable under the Plan shall not exceed the sum of (A) 3,000,000 plus (B) the number of Shares subject to Awards granted under the Company's 2004 Stock Incentive Plan that are forfeited, expire or are terminated for any reason prior to exercise or settlement, or are forfeited or repurchased by the Company, or withheld to satisfy tax withholding obligations, after the Initial Public Offering Date, provided, however, that the number of Shares that may be issuable under the Plan shall not exceed the sum of (A) 3,000,000 plus (B) the number of Shares subject to Awards granted under the Company's 2004 Stock Incentive Plan that are forfeited, expire or are terminated for any reason prior to exercise or settlement, or are forfeited or repurchased by the Company, or withheld to satisfy tax withholding obligations, after the Initial Public Offering Date, provided, [illegible]

(d) *Effect of Change in Capitalization or Corporate Transaction.*

[illegible]

(iii) In the event that the Committee determines that any recapitalization, reorganization, merger, consolidation, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that an adjustment is required in order to preserve the benefits or potential benefits intended to be made available under the Plan, then the Committee may, in such manner as it may deem equitable or appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, substitute or adjust, as applicable, (A) the number and kind of Shares or other securities of the Company (or number and kind of other securities or property) with respect to which Awards may be granted or subsisting (including, but not limited to, adjustments of the maximum aggregate number of Shares that may be delivered pursuant to Awards granted under the Plan and the maximum number of Shares or other securities of the Company with respect to which any one person may be granted Options or Performance Awards during any fiscal year of the Company under Section 6(b)), and (B) the terms of any outstanding Award, including (1) the number of Shares or other securities of the Company (or number and kind of other securities or property) subject to outstanding Awards, and (2) the Exercise Price or purchase price relating to any Award; (B) if deemed appropriate or desirable by the Committee, to be provided for a cash payment to the holder of an outstanding Award in consideration for the cancellation of such Award, including, in the case of an outstanding Option or SAR, a cash payment to the holder of such Option or SAR in consideration for the cancellation of such Option or SAR in an amount equal to the excess, if any, of the Fair Market Value (as of a date specified by the Committee) of the Shares subject to such Option or SAR over the aggregate Exercise Price of such Option or SAR; and (C) to cancel, provided, to the extent deemed appropriate or desirable by the Committee, to be cancelled and terminated, any Option or SAR having a per Share exercise price equal to, or in excess of, the Fair Market Value of Shares subject to such Option or SAR without the payment of consideration therefor.

(c) *Shares of Stock Deliverable Under Awards.* Any Shares delivered pursuant to an Award may consist, in whole or in part, of Common Stock, treasury Shares or authorized but unissued Shares.

5. *Eligibility.*

Any officer or employee (including any prospective officer or employee) of the Company or any of its Affiliates shall be eligible to be designated a Participant.

6. *Awards.*

(a) *Types of Awards.* Awards may be made under the Plan in the form of (i) Options, (ii) SARs, (iii) Restricted Shares or RSUs, (iv) Performance Cash Incentive Awards, (v) Performance Units, (vi) Cash Incentive Awards, and (vii) any other equity-based or cash-based Awards. Awards that the Committee determines are consistent with the purposes of the Plan and the interests of the Company. Awards may be granted in lieu of, or in addition to, other Awards. Notwithstanding anything to the contrary herein, Incentive Stock Options may be granted only to employees of the Company or its Subsidiaries (within the meaning of Section 424(f) of the Code) and may be granted only within the period ending on the tenth anniversary of the date the Plan is adopted by the Board.

(b) *Options.*

(i) *General.* Subject to the provisions of the Plan, the Committee shall have sole and plenary authority to determine (A) the Participants to whom Options shall be granted, the number of Shares to be covered by each Option, and the terms and conditions of each Option; (B) whether Options are Incentive Stock Options or Non-Qualified Stock Options; (C) the Exercise Price of Options; (D) the manner in which the Exercise Price may be paid by a Participant upon exercise of an Option; (E) the manner in which Shares may be delivered or deemed to be delivered to Participants upon exercise of an Option; (F) the manner in which a Participant may elect to satisfy any federal, state and local income tax withholding obligation arising upon exercise of an Option; (G) the period within which a Participant may exercise an Option; (H) the extent to which, and the circumstances under which, Options may be exercised in the event of a Participant's Termination of Employment; (I) the extent to which, and the circumstances under which, Options may be exercised in the event of a Change in Control; (J) the extent to which, and the circumstances under which, Options may be cancelled or terminated in the event of a Participant's Termination of Employment; (K) the extent to which, and the circumstances under which, Options may be cancelled or terminated in the event of a Change in Control; (L) the extent to which, and the circumstances under which, Options may be exercised in the event of a Participant's Termination of Employment for Cause; and (M) the extent to which, and the circumstances under which, Options may be cancelled or terminated in the event of a Participant's Termination of Employment for Cause.

[illegible]

(ii) *Exercise Price.* The Exercise Price [illegible] Fair Market Value of such Share, determined as of the date the Option is granted [illegible] Option [illegible] Exercise Price [illegible] Market Value [illegible] Code on the date of the grant.

Notwithstanding the foregoing [illegible] Exercise Price of the Shares subject to such Option [illegible] Fair Market Value [illegible] Substitute Award [illegible] Substitute Award [illegible] determined by the Committee [illegible] Company [illegible]

(iii) *Vesting and Exercise.* [illegible] Committee [illegible] Option [illegible] Exercise [illegible] Option [illegible] Shares [illegible] Option [illegible] Shares [illegible]

[illegible]

(c) *Exercise.* No Shares shall be delivered pursuant to the exercise of an Option until payment in full of the aggregate Exercise Price of such Shares is received by the Company and the Participant has paid to the Company (or the Company in accordance with Section 10(d) hereof) all federal, state and local income and employment taxes required to be withheld. Such payment may be made in any form or combination of forms specified in the Company's sole and absolute discretion in the applicable Award Agreement. Only certificates representing delivery of Shares by an authorized agent, or by book entry, pursuant to a Share Ownership Program established by the Company and Shares in uncertificated form held by the Company to withhold which Shares Cannot Be Issued shall be issued to the Participant. The Company shall have no public market for the Shares, and the Participant understands and acknowledges that the Company may be under no obligation to sell the Shares to the Participant upon the exercise of an Option due to the Company's inability to deliver Shares in compliance with applicable laws, rules and regulations, or due to the Company's inability to obtain sufficient funds to pay the aggregate Exercise Price of the Shares and other amounts payable in connection with the exercise of an Option due to the Company's inability to obtain sufficient funds in a manner deemed by the Company in its sole discretion to be acceptable, or due to the Company's inability to withhold any taxes arising upon exercise of the Option. In the event the Participant is unable to purchase Shares because the Company is unable to deliver Shares in compliance with applicable laws, rules and regulations, or due to the Company's inability to withhold any taxes arising upon exercise of the Option, the Participant's Option shall be cancelled to the extent of such inability, and the Participant shall be entitled to receive a refund of the Exercise Price paid by the Participant, but shall have no further rights with respect to such Option. In the event the Participant is unable to purchase Shares because the Company is unable to withhold any taxes arising upon exercise of the Option, the Participant's Option shall be cancelled to the extent of such inability, and the Participant shall be entitled to receive a refund of the Exercise Price paid by the Participant, but shall have no further rights with respect to such Option.

(d) *Dividend Equivalents.* Notwithstanding any provision in an Award Agreement to the contrary, the holder of an Option shall not be entitled to receive dividend equivalents with respect to the underlying Shares covered by such Option.

(e) *Internal Revenue Service.* The Company may, in its sole discretion, provide in an Award Agreement or adopt procedures such that an Option held in a manner that is intended to be exempt from Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and guidance issued thereunder (collectively, "Section 409A") shall be treated as a "Specified Stock Right" (as defined in Section 409A) if the Participant is a "specified employee" (as defined in Section 409A) on the date of his or her death, the participant's permanent and total disability (within the meaning of Section 409A) or such other date as may be required or permitted under Section 409A. In the event that such provisions are not approved by the Company's stockholders, the Company shall delay or withhold any payment or delivery of Shares with respect to such Option to the extent necessary to comply with Section 409A. For purposes of this Section 6(e), the "Cash Equivalent Value" of the Option shall be the Fair Market Value per Share minus the Exercise Price of the Option per Share, subject to the Participant's right to receive Shares upon exercise of the Option. The Company's election to discontinue the normal exercise of Options pursuant to this Section 6(e) may, in the Company's sole discretion, be made with respect to any Option or class of Options, or to all Options, or to any Participant or class of Participants. The automatic exercise of an Option pursuant to this Section 6(e) will apply only to the Option or class of Options and Participants and to such extent as specified by the Company from time to time.

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(c) (i) *Other Terms and Conditions.* Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine the terms and conditions of any Award. Without limiting the generality of the foregoing, the Committee may, in its sole discretion, provide in any Award Agreement that the Participant may exercise the Option granted thereunder prior to the date the Option is vested, subject to such terms and conditions as the Committee shall determine, provided that any Shares so purchased pursuant to such exercise prior to the vesting of such Option shall be subject to such restrictions as the Committee may determine. Upon the termination of Employment, such Option shall be deemed canceled pursuant to Section 9(a) of the Plan or forfeited in accordance with the applicable Award Agreement. Any determination by the Committee that is made pursuant to this Section 9(b)(i) may be changed by the Committee from time to time and may, among other things, take into account the circumstances of Participants generally or a class of Participants generally.

(2) *SARs.*

(a) (i) *Grant.* Subject to the terms and conditions of the Plan, the Committee shall determine the Participants to whom SARs shall be granted, the aggregate number of Shares subject to SARs to be granted to each Participant, the Exercise Price thereof and the conditions and limitations applicable to the exercise thereof. SARs are intended to qualify as "performance based compensation" under Section 162(m) of the Code.

(ii) *Exercise Price.* The Exercise Price of a Share covered by a SAR shall be not less than 100% of the Fair Market Value of such Share determined as of the date the SAR is granted, provided that, for a period of 30 days after the Exercise Price of an Award granted in tandem with an Option shall be the per Share Exercise Price of the related Option.

Notwithstanding the foregoing, in the case of a SAR that is a Substitute Award, the per Share Exercise Price of the Shares covered by such SAR may be less than 100% of the Fair Market Value per Share on the date of grant, provided that the exercise price of such SAR shall be determined in accordance with the applicable rules of Section 424(a) of the Code. Substitute Awards may be granted on such terms as the Committee deems appropriate, notwithstanding limitations on Awards contained in the Plan. Substitute Awards shall not reduce the shares authorized for grant under the Plan or the maximum share limitations specified in Section 3(a) of the Plan (after giving effect to the adjustments contemplated by Section 3(b) of the Plan). Subject to the foregoing, the Committee may, in its sole discretion, provide for the assumption of outstanding awards or the granting of replacement awards in connection with mergers, other Affiliate transactions, acquisitions or other corporate transactions.

(iii) *Vesting and Expiration.* Except as otherwise provided in the Plan, a SAR shall be exercisable on such date or dates, during such period and for such number of Shares as shall be determined by the Committee and set forth in the applicable Award Agreement; provided that no SAR shall be exercisable after the expiration of ten years from the date it was granted.

(iv) *Payment Upon Exercise.* Upon the exercise of a SAR, the Participant or other person entitled to exercise the SAR pursuant to the Plan shall be entitled to receive payment from the Company in an amount determined by multiplying the difference between the Fair Market Value of a Share on the date of exercise over the Exercise Price times the number of Shares with respect to which the SAR is exercised, but subject to limitations imposed by the Committee. Such payment may be made in cash, Shares or any combination thereof, as the Committee may determine, and may be subject to such conditions, restrictions and contingencies as the Committee may determine.

[illegible] be exercised on the Automatic Exercise Date. Payment of the Exercise Price may be made pursuant to the procedures as may be approved by the Company from time to time and the Company shall deduct or withhold a [illegible] to satisfy all taxes associated with such exercise in accordance with Section 10(d). For purposes of this Section 6(b)(ii), the term "Special Mandatory Value" means that the Fair Market Value per Share exceeds the Exercise Price of a Share subject to an exercise of SAR by at least $[illegible] per Share or such other amount as the Company shall determine from time to time. The Company may elect to cancel the [illegible] exercise of SARs pursuant to this Section 6(b)(ii) at any time upon notice to a Participant or to apply the automatic exercise [illegible] certain groups of Participants. The automatic exercise of an SAR pursuant to this Section 6(b)(ii) shall apply only to an SAR that has one [illegible] accepted by a Participant or any procedures specified by the Company from time to time.

(v) *Other Terms and Conditions.* Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine and set forth in the Award Agreement the vesting criteria, terms, methods of exercise and any other terms and conditions of any SAR, *provided, however,* that no exercise may any SAR be exercisable after the tenth anniversary of the date of the [illegible] Provisions relating to exercisability of SARs following termination of Employment will be determined pursuant to Section [illegible] to the applicable Award Agreement. Any determination by the Committee that is made pursuant to this Section 6(b)(ii) may be changed by the Committee from time to time and may govern the exercise of SARs granted or exercised thereafter.

(d) *Restricted Shares and RSUs.*

(i) *Grant.* Subject to the provisions of the Plan, the Committee shall have sole and plenary authority to determine (A) the Participants to whom Restricted Shares and RSUs shall be granted, (B) subject to Section 10(a), the number of Restricted Shares and the number of Shares subject to RSUs to be granted to each Participant, (C) the duration of the period during which, and the [illegible] under which, the Restricted Shares and RSUs may vest or may be forfeited to the Company, and (D) the other terms and conditions of such Awards.

(ii) *Transfer Restrictions.* Restricted Shares and RSUs may not be sold, assigned, transferred, pledged or otherwise encumbered except as provided in the Plan or as may be provided in the applicable Award Agreement. Restricted Shares may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Shares are registered in the name of the applicable Participant, such certificates must be in an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Shares, and the Company may, at its discretion, retain [illegible] possession of such certificates until such time as all applicable restrictions lapse. If the Restricted Shares shall be held by a custodian in book entry form, restrictions on such Shares shall be duly noted.

(iii) *Payment Lapse of Restrictions.* Each RSU shall be granted with respect to one Share or shall have a value equal to the Fair Market Value of one Share. RSUs shall be paid in cash, Shares, other securities, other Awards or other property, as determined in the sole and plenary discretion of the Committee and set forth in the applicable Award Agreement upon the lapse of restrictions applicable thereto or otherwise in accordance with the applicable Award Agreement. If a Restricted

[illegible] "qualified performance-based compensation" under Section 162(m) of the Code [illegible] Restricted Share or RSU [illegible] Section 162(m) of the Code [illegible] Participant [illegible] Section 9(a) [illegible] Award Agreement.

(iv) *Performance Compensation Awards*

(i) *General.* [illegible] Performance Compensation Award in order for such Award to [illegible] "qualified performance-based compensation" under Section 162(m) of the Code.

(ii) *Eligibility.* The Committee shall [illegible] designate within the first 90 days of a Performance Period [illegible] period [illegible] Section 162(m) of the Code) [illegible] Performance Period [illegible] Performance Period shall not [illegible] Performance Compensation Award [illegible] Performance Period. The determination as to whether or not [illegible] Performance Compensation Award shall be [illegible] Performance Period [illegible] Award hereunder [illegible] Performance Period [illegible] Participant [illegible] Award hereunder shall not require designation of any other person as a Participant eligible to receive an Award [illegible] period [illegible]

(iii) *Discretion of Committee with Respect to Performance Compensation Awards.* With regard to a particular Performance Period, the Committee shall have full discretion [illegible] Performance Period [illegible] Performance Compensation Award [illegible] Performance Period [illegible] Performance Period [illegible] Company [illegible] Within the first 90 days of a Performance Period [illegible] Performance Compensation Awards [illegible] Performance Period [illegible] Committee [illegible] Performance Compensation Awards [illegible] Performance Period [illegible] discretion [illegible] Committee [illegible] Performance Compensation Awards shall be based on the attainment of specific levels of performance of the Company [illegible] divisions or

[illegible] or any combination thereof [illegible] and shall be limited to the following:

(A) net income before or after taxes;

(B) earnings before interest, taxes, depreciation and amortization ("EBITDA") or EBITDA margin;

(C) earnings before interest, taxes, depreciation, amortization and rent;

(D) operating income;

(E) earnings per share;

(F) total shareholder return, return on shareholders' equity, or shareholder value appreciation;

(G) return on invested capital;

(H) return on assets;

(I) net operating profit;

(J) share price;

(K) profitability or profit margins;

(L) market share [illegible];

(M) revenues or sales [illegible];

(N) costs (including [illegible]);

(O) cash flow;

(P) cost per available seat mile (CASM);

(Q) CASM-[illegible];

(R) economic value added; or

(S) strategic business criteria, consisting of one or more objectives based on meeting specified [illegible] [illegible].

Such performance criteria may be applied on an absolute basis or a relative basis [illegible] [illegible] of the Company [illegible] Section 162(m) of the Code, the Committee shall, within [illegible] days of the applicable Performance Period [illegible] the Performance Criteria selected for such Performance Period.

[illegible] *Modification of Performance Criteria.* [illegible] The Committee [illegible] Performance Period [illegible] [illegible] the Performance Criteria [illegible] Participant for the Performance Period [illegible]

[illegible]

(v) *Payment of Performance Compensation Awards*

(A) *Conditions to Receipt of Payments.* A Participant [illegible] the Company or one of its Affiliates on the last day of a Performance Period to be eligible for any [illegible] Performance Compensation Award for such Performance Period. Notwithstanding the foregoing and to the extent permitted by Section 162(m) of the Code in the discretion of the Committee, Performance Compensation Awards may be paid to Participants who have retired or whose employment has [illegible] the Performance Period for which a Performance Compensation Award is made, or to the designee or estate of a Participant [illegible] the last day of the Performance Period.

(B) *Limitation.* Except as otherwise permitted by Section 162(m) of the Code, a Participant shall be eligible to receive payments in respect of a Performance Compensation Award only to the extent that the Performance Goal(s) for the relevant Performance Period are achieved and certified by the Committee in accordance with [illegible] Performance Formula as applied against such Performance Goals determines that the Participant's Performance Compensation Award has been earned for such Performance Period.

(C) *Certification.* Following the completion of a Performance Period and prior to the payment of the Performance Compensation Award, the Committee shall meet to review and certify in writing [illegible] the Performance Goals for the Performance Period have been achieved and [illegible] to calculate and certify [illegible] the Performance Compensation Awards earned for the period based upon the Performance Formula. The Committee [illegible] Performance Compensation Award for the Performance Period and [illegible] by Section 162(m)(4)(D).

(D) *Negative Discretion.* In determining the actual size of an individual Performance Compensation Award for a Performance Period, the Committee may [illegible] plenary discretion [illegible] the amount of the Award earned in the Performance Period even if applicable Performance Goals have been attained and, in exercising such discretion, may consider additional performance criteria, whether or not listed herein.

(E) *Discretion.* Except as otherwise permitted by Section 162(m) of the Code, in no event shall any discretionary authority [illegible] the Committee by the Plan be used to [illegible] payment [illegible] Performance Compensation Award for a Performance Period if the Performance Goals

for such Performance Period [illegible] to increase the payment [illegible] a Performance Compensation Award above the resulting payment level from the achievement of the Performance Goals [illegible] Performance Compensation Award to any Participant [illegible] the Performance Period [illegible] Section 162(m) of the Code [illegible] a Performance Compensation Award above the maximum [illegible] payment under [illegible] of the Plan.

(ii) *Form of Payment.* [illegible] Performance Compensation Award [illegible] Restricted Shares [illegible] of equivalent value [illegible] Agreement [illegible] Restricted Shares [illegible] Shares [illegible] Performance Period [illegible] shorter, within the maximum period [illegible] Section 162(m) of the Code.

(c) *Performance Units.*

(i) *Grants.* Subject to the provisions of the Plan, the Committee shall have sole and plenary authority to determine the Participants to whom Performance Units shall be granted.

(ii) *Value of Performance Units.* [illegible] shall have an initial value that is established by the Committee at the time of grant. The Committee shall set Performance Goals [illegible] which may be met during a Performance Period [illegible] determines in accordance with Section [illegible] value of Performance Units that will be paid out to the Participant.

(iii) *Earning of Performance Units.* Subject to the provisions of the Plan [illegible] Performance Period has ended, the holder of Performance Units shall be entitled to receive a payment of the number and value of Performance Units earned by the Participant over the Performance Period, to be determined by the Committee [illegible] Performance Goals have been achieved.

(iv) *Form and Timing of Payment of Performance Units.* Subject to the provisions of the Plan, the Committee [illegible] sole and plenary discretion may pay earned Performance Units in the form of [illegible] Shares [illegible] Value [illegible] of the earned Performance Units at the close of the applicable Performance Period [illegible] Agreement [illegible] Performance Units [illegible] Section 162(m) of the Code [illegible] Participant to be entitled to payment.

(g) *Cash Incentive Awards.* Subject to the provisions of the Plan, the Committee [illegible]

(h) *Other Stock-Based Awards.* [illegible]

(i) *Dividends and Dividend Equivalents.* [illegible]

7. *Amendment and Termination*

(a) *Amendments to the Plan.* [illegible]

(b) *Amendments to Awards.* [illegible]

[illegible]

(c) *Unauthorized Awards; [illegible]* [illegible]

2. *Change of Control*

Subject to the terms of the applicable Award Agreement [illegible]

(a) [illegible]

(b) [illegible]

[illegible]

(c) [illegible] the Participant's [illegible] Section 409A of the Code [illegible] each such Option or SAR surrendered, whether or not vested [illegible] the Change of Control over the per Share Exercise Price [illegible] Option or SAR [illegible] the number of Shares [illegible] such Award [illegible] satisfied pursuant to Section [illegible] above [illegible] of the Change of Control, and (C) in the case of an Award [illegible] the Performance Goals applicable to such Award have been [illegible] shares of capital stock of the corporation resulting from or succeeding to the business of the Company [illegible] having a fair market value not less than the amount determined under clause (II) above [illegible] and the issuance of shares pursuant to clause (II) above.

9. *Effect of Termination of Employment*

(a) *Termination of Employment Due to Death or Disability.* Except as otherwise provided [illegible] Award Agreement, in the event of a Participant's Termination of Employment by reason of death or Disability, (i) all outstanding Options and SARs then held by the Participant [illegible] subject to vesting based solely on the Participant's continued employment shall become immediately [illegible] and exercisable [illegible] period of 12 months after such [illegible] Shares and RSUs then held by the Participant that are subject to vesting based solely on the Participant's continued employment shall become [illegible] vested, and (iii) all outstanding Awards then held by the Participant that are subject to performance-based vesting [illegible] performance level on a prorated basis [illegible] during the applicable Performance Period up to and including the date of Termination of Employment due to death or Disability.

(b) *Termination of Employment for Reasons Other than Death or Disability.* [illegible] Participant's Termination of Employment [illegible] death or Disability [illegible] of the Company [illegible] the Participant [illegible] outstanding [illegible] by the Participant.

10. *General Provisions*

(a) *Nontransferability.* [illegible] Award [illegible] obligation thereunder shall be exercisable only by the Participant [illegible] under applicable law, by the Participant's legal guardian or representative [illegible] Award [illegible] assigned, alienated, pledged, attached [illegible].

[illegible]

(b) *No Rights to Awards* — No Participant or other Person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Participants or holders or beneficiaries of Awards. The terms and conditions of Awards and the Committee's determinations and interpretations with respect thereto need not be the same with respect to each Participant and may be made selectively among Participants, whether or not such Participants are similarly situated.

(c) *Share Certificates* — All certificates for Shares or other securities of the Company or any Affiliate delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan, the applicable Award Agreement or the rules, regulations and other requirements of the SEC, the NYSE or any other stock exchange or quotation system upon which such Shares or other securities are then listed or reported and any applicable federal or state laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(d) *Withholding*

(i) *Authority to Withhold* — A Participant may be required to pay to the Company or any Affiliate or the Company or any Affiliate shall have the right and is hereby authorized to withhold from any Award, from any payment due or transfer made under any Award or under the Plan or from any compensation or other amount owing to a Participant, the amount (in cash, Shares, other securities, other Awards or other property) of any applicable withholding or other [illegible] in respect of an Award, its exercise or any payment or transfer under an Award or under the Plan and to take such other action as may be necessary in the opinion of the Committee or the Company to satisfy all obligations for the payment of such taxes.

(ii) *Alternative Ways to Satisfy Withholding Liability* — Without limiting the generality of clause (i) above, a Participant may satisfy any Federal or state or foreign withholding liability by delivery of cash, Shares owned by the Participant (which may be subject to any pledge or other [illegible] Fair Market Value equal to the withholding liability) or the retention of Shares [illegible] Shares [illegible] to the exercise of the Option or SAR, or the lapse of the restrictions on any other Award, or the [illegible] of such SARs and other Awards, or the Awards and Title on Shares, a number of Shares having a Fair

[illegible]

(iii) [illegible]

(c) *Section 409A*

(i) It is intended that the provisions of the Plan comply with or be exempt from Section 409A of the Code and all provisions of the Plan shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code.

(ii) [illegible] Section 409A of the Code [illegible] Section 409A of the Code [illegible] Section 409A of the Code [illegible] Participant [illegible] the Company [illegible]

(iii) [illegible] Participant [illegible] Section 409A of the Code [illegible] Section 409A of the Code [illegible] Section 409A of the Code [illegible] Participant [illegible] Company [illegible] Participant.

(iv) [illegible] Section 409A of the Code, the Company [illegible] Section 409A of the Code [illegible] Section 409A of the Code [illegible]

(i) *Award Agreement.* [illegible]

(ii) *No Right to Adjust Compensation Arrangements.* [illegible]

(iii) *No Right to Employment.* [illegible]

(iv) *No Rights as Stockholder.* [illegible]

(v) *Governing Law.* [illegible]

(vi) *Severability.* [illegible]

[illegible]

(d) *Other Laws, Restrictions, or Limitations on Sale.* [illegible]

(e) *No Trust or Fund Created.* [illegible]

(f) *No Fractional Shares.* [illegible]

(g) *Cutback.* [illegible]

(h) *Foreign Employees.* [illegible]

(i) *Headings.* [illegible]

II. *Amendment of the Plan*

(a) *Effective Date.* [illegible]

Company's 2017 Plan [illegible] of stockholders. In the event that this Plan is not approved by the stockholders of the Company, this Plan and any Award hereunder shall be void and of no force or effect.

(b) *Expiration Date.* No Award shall be granted under the Plan after the [illegible] the date the Plan is approved by the Company's stockholders [illegible] Section 11(a) *provided that* [illegible] no Incentive Stock Option may be granted [illegible] years after the date on which the Plan was approved by the Board. Unless otherwise expressly provided in the Plan or in an applicable Award agreement, any Award granted hereunder [illegible] Committee to a [illegible] suspend, discontinue or terminate any such Award or to cause any conditions or rights under any [illegible] Award [illegible] shall continue the earlier.

UNITED CONTINENTAL HOLDINGS, INC.

IMPORTANT ANNUAL MEETING INFORMATION

[illegible]

Proxy/Voting Instruction Card

[illegible]

Electronic Voting Instructions

Available 24 hours a day, 7 days a week

[illegible]

Internet

[illegible]

Telephone

[illegible]

[illegible]

Using a black ink [illegible] X [illegible]

Annual Meeting Proxy/Voting Instruction Card

[illegible]

IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE

A Proposals — The Board of Directors recommends a vote FOR all the nominees listed under Proposal 1, FOR Proposal 2, FOR Proposal 3, ONE YEAR as the vote frequency under Proposal 4 and FOR Proposal 5.

1. Election of Directors	For	Against	Abstain		For	Against	Abstain		For	Against	Abstain
01 - Carolyn Corvi	☐	☐	☐	02 - Jane C. Garvey	☐	☐	☐	03 - [illegible]	☐	☐	☐
04 - Walter Isaacson	☐	☐	☐	05 - James A. C. Kennedy	☐	☐	☐	06 - [illegible]	☐	☐	☐
07 - Gene Marroz	☐	☐	☐	08 - William R. Nat	☐	☐	☐	09 - [illegible]	☐	☐	☐
10 - Patricia F. Shepard	☐	☐	☐	11 - [illegible]	☐	☐	☐	12 - [illegible]	☐	☐	☐
13 - James M. Whitehurst	☐	☐	☐								

	For	Against	Abstain
2. Ratification of the Appointment of Ernst & Young LLP as the Company's Independent Registered Public Accounting Firm for the Fiscal Year Ending December 31, 2017	☐	☐	☐
3. Advisory Vote to Approve the Compensation of the Company's Named Executive Officers	☐	☐	☐

	1 Year	2 Years	3 Years	Abstain
4. Advisory Vote to Approve the Frequency of the Advisory Vote on the Compensation of the Company's Named Executive Officers	☐	☐	☐	☐

	For	Against	Abstain
5. [illegible]	☐	☐	☐

B Authorized Signatures — This section must be completed for your vote to be counted. — Date and Sign Below

[illegible]

Date (mm/dd/yyyy) [illegible]	Signature [illegible]	[illegible]
/ /		

IF VOTING BY MAIL, YOU MUST COMPLETE SECTIONS A - C ON BOTH SIDES OF THIS CARD

[illegible]

UNITED CONTINENTAL HOLDINGS, INC.

Admission Ticket

2017 Annual Meeting of Stockholders of United Continental Holdings, Inc.

Wednesday, May 24, 2017
9:00 a.m., Central Time
Willis Tower
233 S. Wacker Dr.
Chicago, IL 60606

Doors will open for registration and admittance at 8:30 a.m., Central Time. Upon arrival, you must present this admission ticket and valid picture identification at the registration desk to be admitted to the Annual Meeting.

* The Proxy Statement and 2016 Annual Report are available at *http://www.envisionreports.com/ual.*

IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.

Annual Meeting Proxy/Voting Instruction Card - United Continental Holdings, Inc.

The undersigned [illegible] Oscar Munoz and Brett J. Hart [illegible] power of [illegible] United Continental Holdings, Inc. [illegible] the matters [illegible] as may properly come before the 2017 Annual Meeting of Stockholders to be held at the Willis Tower, 233 S. Wacker Dr., Chicago, IL 60606 on May 24, 2017 at 9:00 a.m., Central Time, and at any adjournments or postponements [illegible] otherwise specified herein. This proxy, when properly executed, will be voted in the manner directed. If no direction is made, this proxy will be voted FOR all the director nominees listed under Proposal 1, FOR Proposal 2, FOR Proposal 3, [illegible] as the vote frequency under Proposal 4 and FOR Proposal 5 in their discretion. The proxies are each authorized to vote upon other business as may properly come before the Annual Meeting.

EMPLOYEES/PARTICIPANTS HOLDING SHARES IN UNITED AIRLINES 401(k) PLANS: [illegible] constitutes your voting instructions to Evercore Trust Company, N.A., or its successor, as trustee under the United Airlines 401(k) plans. By signing on the [illegible] instructing the trustee to vote the shares of common stock of United Continental Holdings, Inc. held in the 401(k) plan in which you participate with regard to [illegible] on the reverse side of this proxy card and to [illegible] upon other matters [illegible] before the Annual Meeting or any [illegible] thereof, all as set forth in the Notice to Plan Participants. Your voting instructions to the trustee are confidential. If properly executed and timely received, this voting instruction card will constitute a direction to the trustee to vote on the matters as directed. In its discretion, the trustee is authorized to vote upon other business as may properly come before the Annual Meeting. If no choice is made or no timely direction is received, the trustee will vote your shares in proportion to allocated shares in such plan for which timely instructions are received, subject to applicable law.

The proxies cannot vote your shares and the trustee cannot ensure that your instructions are [illegible] unless you vote or instruct the trustee by telephone, Internet or signing and return this card. Voting instructions to the trustee from employees/participants holding shares in the 401(k) plans must be received prior to 5:00 a.m., Central Time, on Monday, May 23, 2017. Votes cast at other stockholders that are submitted by Internet or telephone must be received prior to 11:30 p.m., Central Time, on Tuesday, May 23, 2017.

U.S. SIGNED AND DATED ON THE REVERSE SIDE

Non-Voting Items

Change of Address [illegible]

IF VOTING BY MAIL, YOU MUST COMPLETE SECTIONS A - C ON BOTH SIDES OF THIS CARD.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2017

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

UNITED

Commission File Number	Exact Name of Registrant as Specified in its Charter, Principal Executive Office Address and Telephone Number	State of Incorporation	I.R.S. Employer Identification No.
001-06033	United Continental Holdings, Inc. 233 South Wacker Drive, Chicago, Illinois 60606 (872) 825-4000	Delaware	36-2675207
001-10323	United Airlines, Inc. 233 South Wacker Drive, Chicago, Illinois 60606 (872) 825-4000	Delaware	74-2099724

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

United Continental Holdings, Inc Yes ☒ No ☐
United Airlines, Inc Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232 405 of this Chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files)

United Continental Holdings, Inc Yes ☒ No ☐
United Airlines, Inc Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

United Continental Holdings, Inc	Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐	Smaller reporting company ☐	Emerging growth company ☐
United Airlines, Inc.	Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

United Continental Holdings, Inc ☐
United Airlines, Inc ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

United Continental Holdings, Inc Yes ☐ No ☒
United Airlines, Inc Yes ☐ No ☒

The number of shares outstanding of each of the issuer's classes of common stock as of October 12, 2017 is shown below

United Continental Holdings, Inc 296,252,435 shares of common stock ($0 01 par value)
United Airlines, Inc 1,000 (100% owned by United Continental Holdings, Inc)
There is no market for United Airlines, Inc common stock.

OMISSION OF CERTAIN INFORMATION

This combined Quarterly Report on Form 10-Q is separately filed by United Continental Holdings, Inc and United Airlines, Inc. United Airlines, Inc meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this form with the reduced disclosure format allowed under that General Instruction

United Continental Holdings, Inc.
United Airlines, Inc.

Quarterly Report on Form 10-Q
For the Quarter Ended September 30, 2017

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

UNITED CONTINENTAL HOLDINGS, INC.
STATEMENTS OF CONSOLIDATED OPERATIONS (UNAUDITED)
(In millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Operating revenue:				
Passenger—Mainline	$ 7,083	$ 7,017	$ 19,970	$ 19,119
Passenger—Regional	1,445	1,586	4,354	4,577
Total passenger revenue	8,528	8,603	24,324	23,696
Cargo	257	224	731	626
Other operating revenue	1,093	1,086	3,243	3,182
Total operating revenue	9,878	9,913	28,298	27,504
Operating expense:				
Salaries and related costs	2,812	2,625	8,341	7,707
Aircraft fuel	1,809	1,603	5,038	4,258
Landing fees and other rent	585	546	1,670	1,612
Regional capacity purchase	567	572	1,652	1,645
Depreciation and amortization	556	503	1,610	1,473
Aircraft maintenance materials and outside repairs	451	451	1,377	1,301
Distribution expenses	352	345	1,021	987
Aircraft rent	145	168	476	521
Special charges (Note 10)	50	45	145	669
Other operating expenses	1,459	1,431	4,199	3,998
Total operating expenses	8,786	8,289	25,529	24,171
Operating income	1,092	1,624	2,769	3,333
Nonoperating income (expense):				
Interest expense	(164)	(150)	(472)	(466)
Interest capitalized	20	20	64	48
Interest income	17	14	41	31
Miscellaneous, net (Note 10)	15	2	(3)	(11)
Total nonoperating expense, net	(112)	(114)	(370)	(398)
Income before income taxes	980	1,510	2,399	2,935
Income tax expense	343	545	848	1,069
Net income	$ 637	$ 965	$ 1,551	$ 1,866
Earnings per share, basic	$ 2.12	$ 3.02	$ 5.06	$ 5.57
Earnings per share, diluted	$ 2.12	$ 3.01	$ 5.04	$ 5.57

The accompanying Combined Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

UNITED CONTINENTAL HOLDINGS, INC.
STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS) (UNAUDITED)
(In millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income	$ 637	$ 965	$ 1,551	$ 1,866
Other comprehensive income (loss), net change related to:				
Fuel derivative financial instruments, net of taxes	—	12	1	123
Employee benefit plans, net of taxes	3	(75)	(1)	(89)
Investments and other, net of taxes	17	(1)	5	(1)
Total other comprehensive income (loss), net	20	(64)	5	33
Total comprehensive income, net	$ 657	$ 901	$ 1,556	$ 1,899

The accompanying Combined Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

UNITED CONTINENTAL HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except shares)

	(Unaudited) September 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,870	$ 2,179
Short-term investments	2,458	2,249
Receivables, less allowance for doubtful accounts (2017 — $11, 2016 — $10)	1,603	1,176
Aircraft fuel, spare parts and supplies, less obsolescence allowance (2017 — $342, 2016 — $295)	937	873
Prepaid expenses and other	1,009	832
Total current assets	7,877	7,309
Operating property and equipment:		
Owned—		
Flight equipment	29,043	25,873
Other property and equipment	6,186	5,652
Total owned property and equipment	35,229	31,525
Less — Accumulated depreciation and amortization	(11,358)	(9,975)
Total owned property and equipment, net	23,871	21,550
Purchase deposits for flight equipment	1,044	1,059
Capital leases—		
Flight equipment	1,136	1,319
Other property and equipment	488	331
Total capital leases	1,624	1,650
Less — Accumulated amortization	(910)	(941)
Total capital leases, net	714	709
Total operating property and equipment, net	25,629	23,318
Other assets:		
Goodwill	4,523	4,523
Intangibles, less accumulated amortization (2017 — $1,294, 2016 — $1,234)	3,558	3,632
Deferred income taxes	—	655
Restricted cash	96	124
Investments in affiliates and other, net	882	579
Total other assets	9,059	9,513
Total assets	$ 42,565	$ 40,140

(continued on next page)

UNITED CONTINENTAL HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except shares)

	(Unaudited) September 30, 2017	December 31, 2016
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Advance ticket sales	$ 4,537	$ 3,730
Accounts payable	2,231	2,139
Frequent flyer deferred revenue	1,992	2,135
Accrued salaries and benefits	1,983	2,307
Current maturities of long-term debt	1,516	849
Current maturities of capital leases	125	116
Other	703	1,010
Total current liabilities	13,087	12,286
Long-term debt	11,334	9,918
Long-term obligations under capital leases	968	822
Other liabilities and deferred credits:		
Frequent flyer deferred revenue	2,793	2,748
Postretirement benefit liability	1,588	1,581
Pension liability	1,631	1,892
Deferred income taxes	253	—
Advanced purchase of miles	106	430
Lease fair value adjustment, net	219	277
Other	1,616	1,527
Total other liabilities and deferred credits	8,206	8,455
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	—	—
Common stock at par, $0.01 par value; authorized 1,000,000,000 shares; outstanding 296,252,431 and 314,612,744 shares at September 30, 2017 and December 31, 2016, respectively	3	3
Additional capital invested	6,591	6,569
Retained earnings	4,991	3,427
Stock held in treasury, at cost	(1,791)	(511)
Accumulated other comprehensive loss	(824)	(829)
Total stockholders' equity	8,970	8,659
Total liabilities and stockholders' equity	$ 42,565	$ 40,140

The accompanying Combined Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

UNITED CONTINENTAL HOLDINGS, INC.
CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS (UNAUDITED)
(In millions)

	Nine Months Ended September 30,	
	2017	2016
Cash Flows from Operating Activities		
Net cash provided by operating activities	$ 2,685	$ 4,884
Cash Flows from Investing Activities:		
Capital expenditures	(2,900)	(2,343)
Purchases of short-term and other investments	(2,584)	(1,989)
Proceeds from sale of short-term and other investments	2,380	1,957
Proceeds from sale of property and equipment	8	24
Investment in and loans to affiliates	—	(8)
Other, net	142	(5)
Net cash used in investing activities	(2,954)	(2,364)
Cash Flows from Financing Activities		
Proceeds from issuance of long-term debt and airport construction financing	2,119	510
Repurchases of common stock	(1,291)	(2,442)
Payments of long-term debt	(722)	(911)
Principal payments under capital leases	(84)	(95)
Other, net	(77)	(40)
Net cash used in financing activities	(55)	(2,978)
Net decrease in cash, cash equivalents and restricted cash	(324)	(458)
Cash, cash equivalents and restricted cash at beginning of the period	2,303	3,212
Cash, cash equivalents and restricted cash at end of the period (a)	$ 1,979	$ 2,754
Investing and Financing Activities Not Affecting Cash:		
Property and equipment acquired through the issuance of debt and capital leases	$ 918	$ 115
Airport construction financing	41	68
Operating lease conversions to capital lease	—	12

(a) The following table provides a reconciliation of cash, cash equivalents and restricted cash to amounts reported within the consolidated balance sheet:

Reconciliation of cash, cash equivalents and restricted cash:		
Current assets		
Cash and cash equivalents	$ 1,870	$ 2,630
Restricted cash included in Prepaid expenses and other	13	1
Other assets		
Restricted cash	96	123
Total cash, cash equivalents and restricted cash	$ 1,979	$ 2,754

The accompanying Combined Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

UNITED AIRLINES, INC.
STATEMENTS OF CONSOLIDATED OPERATIONS (UNAUDITED)
(In millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Operating revenue				
Passenger—Mainline	$7,083	$7,017	$19,970	$19,119
Passenger—Regional	1,445	1,586	4,354	4,577
Total passenger revenue	8,528	8,603	24,324	23,696
Cargo	257	224	731	626
Other operating revenue	1,093	1,086	3,243	3,182
Total operating revenue	9,878	9,913	28,298	27,504
Operating expense:				
Salaries and related costs	2,812	2,625	8,341	7,707
Aircraft fuel	1,809	1,603	5,038	4,258
Landing fees and other rent	585	546	1,670	1,612
Regional capacity purchase	567	572	1,652	1,645
Depreciation and amortization	556	503	1,610	1,473
Aircraft maintenance materials and outside repairs	451	451	1,377	1,301
Distribution expenses	352	345	1,021	987
Aircraft rent	145	168	476	521
Special charges (Note 10)	50	45	145	669
Other operating expenses	1,459	1,431	4,198	3,997
Total operating expense	8,786	8,289	25,528	24,170
Operating income	1,092	1,624	2,770	3,334
Nonoperating income (expense):				
Interest expense	(164)	(150)	(472)	(466)
Interest capitalized	20	20	64	48
Interest income	17	14	41	31
Miscellaneous, net (Note 10)	15	2	(3)	(11)
Total nonoperating expense, net	(112)	(114)	(370)	(398)
Income before income taxes	980	1,510	2,400	2,936
Income tax expense	343	545	848	1,069
Net income	$ 637	$ 965	$ 1,552	$ 1,867

The accompanying Combined Notes to Condensed Consolidated Financial Statements are an integral part of these statements

UNITED AIRLINES, INC.
STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS) (UNAUDITED)
(In millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income	$ 637	$ 965	$ 1,552	$ 1,867
Other comprehensive income (loss), net change related to:				
Fuel derivative financial instruments, net of taxes	—	12	1	123
Employee benefit plans, net of taxes	3	(75)	(1)	(89)
Investments and other, net of taxes	17	(1)	5	(1)
Total other comprehensive income (loss), net	20	(64)	5	33
Total comprehensive income, net	$ 657	$ 901	$ 1,557	$ 1,900

The accompanying Combined Notes to Condensed Consolidated Financial Statements are an integral part of these statements

UNITED AIRLINES, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except shares)

	(Unaudited) September 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,864	$ 2,173
Short-term investments	2,458	2,249
Receivables, less allowance for doubtful accounts (2017 — $11; 2016 — $10)	1,603	1,176
Aircraft fuel, spare parts and supplies, less obsolescence allowance (2017 — $342; 2016 — $295)	937	873
Prepaid expenses and other	1,008	832
Total current assets	7,870	7,303
Operating property and equipment:		
Owned—		
Flight equipment	29,043	25,873
Other property and equipment	6,186	5,652
Total owned property and equipment	35,229	31,525
Less — Accumulated depreciation and amortization	(11,358)	(9,975)
Total owned property and equipment, net	23,871	21,550
Purchase deposits for flight equipment	1,044	1,059
Capital leases—		
Flight equipment	1,136	1,319
Other property and equipment	488	331
Total capital leases	1,624	1,650
Less — Accumulated amortization	(910)	(941)
Total capital leases, net	714	709
Total operating property and equipment, net	25,629	23,318
Other assets		
Goodwill	4,523	4,523
Intangibles, less accumulated amortization (2017 — $1,294; 2016 — $1,234)	3,558	3,632
Deferred income taxes	—	612
Restricted cash	96	124
Investments in affiliates and other, net	882	579
Total other assets	9,059	9,470
Total assets	$ 42,558	$ 40,091

(continued on next page)

UNITED AIRLINES, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except shares)

	(Unaudited) September 30, 2017	December 31, 2016
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Advance ticket sales	$ 4,537	$ 3,730
Accounts payable	2,231	2,144
Frequent flyer deferred revenue	1,992	2,135
Accrued salaries and benefits	1,983	2,307
Current maturities of long-term debt	1,516	849
Current maturities of capital leases	125	116
Other	707	1,009
Total current liabilities	13,091	12,290
Long-term debt	11,334	9,918
Long-term obligations under capital leases	968	822
Other liabilities and deferred credits:		
Frequent flyer deferred revenue	2,793	2,748
Postretirement benefit liability	1,588	1,581
Pension liability	1,631	1,892
Deferred income taxes	297	—
Advanced purchase of miles	106	430
Lease fair value adjustment, net	219	277
Other	1,616	1,527
Total other liabilities and deferred credits	8,250	8,455
Commitments and contingencies		
Stockholder's equity:		
Common stock at par, $0.01 par value; authorized 1,000 shares, issued and outstanding 1,000 shares at both September 30, 2017 and December 31, 2016	—	—
Additional capital invested	2,325	3,573
Retained earnings	7,504	5,937
Accumulated other comprehensive loss	(824)	(829)
Receivable from related parties	(90)	(75)
Total stockholder's equity	8,915	8,606
Total liabilities and stockholder's equity	$ 42,558	$ 40,091

The accompanying Combined Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

UNITED AIRLINES, INC.
CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS (UNAUDITED)
(In millions)

	Nine Months Ended September 30,	
	2017	2016
Cash Flows from Operating Activities		
Net cash provided by operating activities	$ 2,671	$ 4,878
Cash Flows from Investing Activities:		
Capital expenditures	(2,900)	(2,343)
Purchases of short-term investments and other investments	(2,584)	(1,989)
Proceeds from sale of short-term and other investments	2,380	1,957
Proceeds from sale of property and equipment	8	24
Investment in and loans to affiliates	—	(8)
Other, net	142	(5)
Net cash used in investing activities	(2,954)	(2,364)
Cash Flows from Financing Activities		
Proceeds from issuance of long-term debt and airport construction financing	2,119	510
Dividend to UAI	(1,291)	(2,442)
Payments of long-term debt	(722)	(911)
Principal payments under capital leases	(84)	(95)
Other, net	(63)	(34)
Net cash used in financing activities	(41)	(2,972)
Net decrease in cash, cash equivalents and restricted cash	(324)	(458)
Cash, cash equivalents and restricted cash at beginning of the period	2,297	3,206
Cash, cash equivalents and restricted cash at end of the period (a)	$ 1,973	$ 2,748
Investing and Financing Activities Not Affecting Cash:		
Property and equipment acquired through the issuance of debt and capital leases	$ 918	$ 115
Airport construction financing	41	68
Operating lease conversions to capital lease	—	12

(a) The following table provides a reconciliation of cash, cash equivalents and restricted cash to amounts reported within the consolidated balance sheet:

Reconciliation of cash, cash equivalents and restricted cash:		
Current assets		
Cash and cash equivalents	$ 1,864	$ 2,624
Restricted cash included in Prepaid expenses and other	13	1
Other assets:		
Restricted cash	96	123
Total cash, cash equivalents and restricted cash	$ 1,973	$ 2,748

The accompanying Combined Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

UNITED CONTINENTAL HOLDINGS, INC. AND UNITED AIRLINES, INC.

COMBINED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

United Continental Holdings, Inc. (together with its consolidated subsidiaries, "UAL" or the "Company") is a holding company and its principal, wholly-owned subsidiary is United Airlines, Inc. (together with its consolidated subsidiaries, "United"). This Quarterly Report on Form 10-Q is a combined report of UAL and United, including their respective consolidated financial statements. As UAL consolidates United for financial statement purposes, disclosures that relate to activities of United also apply to UAL, unless otherwise noted. United's operating revenues and operating expenses comprise nearly 100% of UAL's revenues and operating expenses. In addition, United comprises approximately the entire balance of UAL's assets, liabilities and operating cash flows. When appropriate, UAL and United are named specifically for their individual contractual obligations and related disclosures and any significant differences between the operations and results of UAL and United are separately disclosed and explained. We sometimes use the words "we," "our," "us," and the "Company" in this report for disclosures that relate to all of UAL and United.

The UAL and United unaudited condensed consolidated financial statements shown here have been prepared as required by the U.S. Securities and Exchange Commission (the "SEC"). Some information and footnote disclosures normally included in financial statements that comply with accounting principles generally accepted in the United States ("GAAP") have been condensed or omitted as permitted by the SEC. The financial statements include all adjustments, including normal recurring adjustments and other adjustments, which are considered necessary for a fair presentation of the Company's financial position and results of operations. The UAL and United financial statements should be read together with the information included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016. The Company's quarterly financial data is subject to seasonal fluctuations and historically its second and third quarter financial results, which reflect higher travel demand, are better than its first and fourth quarter financial results.

NOTE 1 - RECENTLY ISSUED ACCOUNTING STANDARDS

The Financial Accounting Standards Board ("FASB") amended the FASB Accounting Standards Codification and created a new Topic 606, *Revenue from Contracts with Customers*. This amendment prescribes that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendment supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance throughout the Industry Topics of the Accounting Standards Codification. The Company will use the full-retrospective approach in adopting this standard on January 1, 2018. We have reached conclusions on the applicability of the standard on accounting for contracts with customers. The standard impacts the classification of certain revenue streams and affects the timing of revenue and expense recognition for others. The most significant impact is the reclassification of certain ancillary fees from other operating revenue into passenger revenue on the statement of consolidated operations. For 2016, the amount to be reclassified at adoption of the new standard from other operating revenue into passenger revenue under Topic 606 is approximately $2.0 billion. These ancillary fees are directly related to passenger travel, such as ticket change fees and baggage fees and will no longer be considered distinct performance obligations separate from the passenger travel component. In addition, the ticket change fees, which were previously recognized when received, will be recognized when transportation is provided. While the classification of certain transactions within operating revenue and between operating revenue and operating expenses will change, the Company believes that the adoption of the standard will not have a material impact on its earnings.

In February 2016, the FASB amended the FASB Accounting Standards Codification and created a new Topic 842, *Leases* ("Topic 842"). The guidance requires lessees to recognize a right-of-use asset and a lease liability for all leases (with the exception of short-term leases) at the commencement date and recognize expenses on their income statements similar to the current Topic 840, *Leases*. It is effective for fiscal years and interim periods beginning after December 15, 2018, and early adoption is permitted. Lessees and lessors are required to adopt Topic 842 using a modified retrospective approach for all leases existing at or commencing after the date of initial application with an option to use certain practical expedients. We have not completed our evaluation of the impact but believe this standard will have a significant impact on our consolidated balance sheets but is not expected to have a material impact on the Company's results of operations or cash flows. The primary effect of adopting the new standard will be to record assets and obligations for its operating leases.

In January 2016, the FASB issued Accounting Standards Update No. 2016-01, *Financial Instruments – Overall* (Subtopic 825-10) ("ASU 2016-01"). This standard makes several changes, including the elimination of the available-for-sale classification of equity investments, and requires equity investments with readily determinable fair values to be measured at fair value with changes in fair value recognized in net income. It is effective for interim and annual periods beginning after December 15, 2017. Based on its portfolio of investments as of September 30, 2017, the Company does not expect the adoption of ASU 2016-01 to have a material impact on its consolidated financial statements.

In March 2017, the FASB issued Accounting Standards Update No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* ("ASU 2017-07"). The update requires employers to present the service cost component of the net periodic benefit cost in the same income statement line item as other employee compensation costs arising from services rendered during the period. The other components of net benefit cost, including interest cost, expected return on plan assets, amortization of prior service cost/credit and actuarial gain/loss, and settlement and curtailment effects, are to be presented outside of any subtotal of operating income. Employers will have to disclose the line(s) used to present the other components of net periodic benefit cost, if the components are not presented separately in the income statement. ASU 2017-07 is effective for fiscal years and interim periods beginning after December 15, 2017, and early adoption is permitted. The Company does not expect the adoption of ASU 2017-07 to have a material impact on its consolidated financial statements.

NOTE 2 - EARNINGS PER SHARE

The computations of UAL's basic and diluted earnings per share are set forth below (in millions, except per share amounts).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Earnings available to common stockholders	$ 637	$ 965	$ 1,551	$ 1,866
Basic weighted-average shares outstanding	299.8	320.0	306.8	334.9
Effect of employee stock awards	0.8	0.4	0.8	0.3
Diluted weighted-average shares outstanding	300.6	320.4	307.6	335.2
Earnings per share, basic	$ 2.12	$ 3.02	$ 5.06	$ 5.57
Earnings per share, diluted	$ 2.12	$ 3.01	$ 5.04	$ 5.57

The number of antidilutive securities excluded from the computation of diluted earnings per share amounts was not material.

In the three and nine months ended September 30, 2017, UAL repurchased approximately 8 million and 18 million shares of UAL common stock in open market transactions, respectively, for $0.6 billion and $1.3 billion, respectively. As of September 30, 2017, the Company had approximately $0.6 billion remaining to purchase shares under its existing share repurchase authority. UAL may repurchase shares through the open market, privately negotiated transactions, block trades or accelerated share repurchase transactions from time to time in accordance with applicable securities laws. UAL will repurchase shares of UAL common stock subject to prevailing market conditions, and may discontinue such repurchases at any time. See Part II, Item 2, "Unregistered Sales of Equity Securities and Use of Proceeds" of this report for additional information.

NOTE 3 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The tables below present the components of the Company's accumulated other comprehensive income (loss), net of tax ("AOCI") (in millions).

				Deferred Taxes			
UAL	Pension and Other Postretirement Liabilities	Fuel Derivative Contracts	Investments and Other	Pension and Other Postretirement Liabilities	Fuel Derivative Contracts	Investments and Other	Total
Balance at June 30, 2017	$ (860)	$ —	$ (16)	$ 26	$ —	$ 6	$ (844)
Changes in value	(9)	—	26	3	—	(9)	11
Amounts reclassified to earnings	14	—	—	(5)	—	—	9
Net change	5	—	26	(2)	—	(9)	20
Balance at September 30, 2017	$ (855)	$ —	$ 10	$ 24	$ —	$ (3)	$ (824)
Balance at December 31, 2016	$ (854)	$ (2)	$ 1	$ 24	$ 1	$ 1	$ (829)
Changes in value	(42)	—	9	15	—	(3)	(21)
Amounts reclassified to earnings	41	2	—	(15)	(1)	(1)	26
Net change	(1)	2	9	—	(1)	(4)	5
Balance at September 30, 2017	$ (855)	$ —	$ 10	$ 24	$ —	$ (3)	$ (824)

				Deferred Taxes			
UAL	Pension and Other Postretirement Liabilities	Fuel Derivative Contracts	Investments and Other	Pension and Other Postretirement Liabilities	Fuel Derivative Contracts	Investments and Other	Total
Balance at June 30, 2016	$ (385)	$ (41)	$ 3	$ (146)	$ (165)	$ —	$ (734)
Changes in value	(124)	(6)	1	45	2	(1)	(83)
Amounts reclassified to earnings	6	24	(2)	(2)	(8)	1	19
Net change	(118)	18	(1)	43	(6)	—	(64)
Balance at September 30, 2016	$ (503)	$ (23)	$ 2	$ (103)	$ (171)	$ —	$ (798)
Balance at December 31, 2015	$ (363)	$ (215)	$ 3	$ (154)	$ (102)	$ —	$ (831)
Changes in value	(157)	(5)	1	57	2	(1)	(103)
Amounts reclassified to earnings	17	197	(2)	(6)	(71)	1	136
Net change	(140)	192	(1)	51	(69)	—	33
Balance at September 30, 2016	$ (503)	$ (23)	$ 2	$ (103)	$ (171)	$ —	$ (798)

Details about AOCI Components	Amount Reclassified from AOCI to Income				Affected Line Item in the Statements of Consolidated Operations
	Three Months Ended September 30,		Nine Months Ended September 30,		
	2017	2016	2017	2016	
Pension and other postretirement liabilities					
Amortization of unrecognized losses and prior service cost (a)	$ 14	$ 6	$ 41	$ 17	Salaries and related costs
Fuel derivative contracts					
Reclassifications of losses into earnings	—	24	2	197	Aircraft fuel
Investments and other					
Reclassifications of gains into earnings	—	(2)	—	(2)	Miscellaneous, net

(a) This AOCI component is included in the computation of net periodic pension and other postretirement costs (see Note 5 of this report for additional information)

NOTE 4 - INCOME TAXES

The Company's effective tax rate for the three and nine months ended September 30, 2017 was 35.0% and 35.3%, respectively, and the effective tax rate for the three and nine months ended September 30, 2016 was 36.1% and 36.4%, respectively. The effective tax rates represented a blend of federal, state and foreign taxes and included the impact of certain nondeductible items. The effective tax rate for the three and nine months ended September 30, 2017 also reflects the impact of a change in the mix of domestic and foreign earnings

NOTE 5 - EMPLOYEE BENEFIT PLANS

Defined Benefit Pension and Other Postretirement Benefit Plans. The Company's net periodic benefit cost includes the following components (in millions).

	Pension Benefits		Other Postretirement Benefits	
	Three Months Ended September 30,		Three Months Ended September 30,	
	2017	2016	2017	2016
Service cost	$ 48	$ 29	$ 4	$ 4
Interest cost	55	50	16	22
Expected return on plan assets	(61)	(54)	—	—
Amortization of unrecognized (gain) loss and prior service cost (credit)	32	19	(18)	(13)
Settlement loss	3	2	—	—
Curtailment gain	—	—	—	(47)
Total	$ 77	$ 46	$ 2	$ (34)

	Pension Benefits		Other Postretirement Benefits	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Service cost	$ 146	$ 84	$ 10	$ 14
Interest cost	165	151	50	66
Expected return on plan assets	(182)	(162)	(1)	(1)
Amortization of unrecognized (gain) loss and prior service cost (credit)	95	57	(54)	(40)
Settlement loss	5	4	—	—
Curtailment gain	—	—	—	(47)
Total	$ 229	$ 134	$ 5	$ (8)

During the three and nine months ended September 30, 2017, the Company contributed $160 million and $400 million, respectively, to its U.S. domestic tax-qualified defined benefit pension plans.

Share-Based Compensation. During the first nine months of 2017, UAL's Board of Directors and stockholders approved the United Continental Holdings, Inc. 2017 Incentive Compensation Plan (the "2017 Plan"). The 2017 Plan is an incentive compensation plan that allows the Company to use different forms of long-term equity incentives to attract, retain, and reward officers and employees (including prospective officers and employees). The 2017 Plan replaced the United Continental Holdings, Inc. 2008 Incentive Compensation Plan (the "2008 Plan"). Any awards granted under the 2008 Plan prior to the approval of the 2017 Plan remain in effect pursuant to their terms. Awards may not be granted under the 2017 Plan after May 24, 2027. Under the 2017 Plan, the Company may grant non-qualified stock options, incentive stock options (within the meaning of Section 422 of the Internal Revenue Code of 1986), stock appreciation rights, restricted shares, restricted share units ("RSUs"), performance compensation awards, performance units, cash incentive awards, other equity-based and equity-related awards, and dividends and dividend equivalents

In the nine months ended September 30, 2017, UAL granted share-based compensation awards pursuant to both the 2008 Plan and the 2017 Plan These share-based compensation awards include 1 5 million RSUs, consisting of 0.9 million time-vested RSUs and 0 6 million performance-based RSUs, and 36,000 stock options The time-vested RSUs vest pro-rata, on February 28th of each year, over a three year period from the date of grant These RSUs are generally equity awards settled in stock for domestic employees and liability awards settled in cash for international employees. The cash payments are based on the 20-day average closing price of UAL common stock immediately prior to the vesting date. The performance-based RSUs vest based on the Company's relative improvement in pre-tax margin for the three years ending December 31, 2019 If this performance condition is achieved, cash payments will be made after the end of the performance period based on the 20-day average closing price of UAL common stock immediately prior to the vesting date The Company accounts for the performance-based RSUs as liability awards

The table below presents information related to share-based compensation (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Share-based compensation expense	$ 10	$ 23	$ 66	$ 36

	September 30, 2017	December 31, 2016
Unrecognized share-based compensation	$ 90	$ 65

NOTE 6 - FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

The table below presents disclosures about the financial assets and liabilities measured at fair value on a recurring basis in UAL's financial statements (in millions):

	September 30, 2017				December 31, 2016			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 1,870	$ 1,870	$ —	$ —	$ 2,179	$ 2,179	$ —	$ —
Short-term investments								
Corporate debt	959	—	959	—	835	—	835	—
Asset-backed securities	891	—	891	—	792	—	792	—
Certificates of deposit placed through an account registry service ("CDARS")	142	—	142	—	246	—	246	—
U.S. government and agency notes	112	-	112	—	140	—	140	—
Other fixed-income securities	171	—	171	—	54	—	54	—
Other investments measured at NAV	183	—	—	—	182	—	—	—
Restricted cash	109	109	—	—	124	124	—	—
Long-term investments								
Equity securities	114	114	—	—	—	—	—	—
Enhanced equipment trust certificates ("EETC")	21	—	—	21	23	—	—	23

Available-for-sale investment maturities - The short-term investments shown in the table above are classified as available-for-sale. As of September 30, 2017, asset-backed securities have remaining maturities of less than one year to approximately 17 years, corporate debt securities have remaining maturities of less than one year to approximately three years and CDARS have maturities of less than one year. U.S. government and other securities have maturities of less than one year to approximately two years. The EETC securities mature in 2019.

Restricted cash - Restricted cash primarily includes collateral for letters of credit and collateral associated with workers' compensation obligations

Equity securities - Equity securities represent United's investment in Azul Linhas Aereas Brasileiras S A ("Azul"), which was previously accounted for as a cost-method investment The fair value of Azul's shares became readily determinable in the second quarter of 2017 upon its initial public offering and is now accounted for as an available-for-sale investment.

Investments presented in the table above have the same fair value as their carrying value. The table below presents the carrying values and estimated fair values of financial instruments not presented in the tables above (in millions):

	Fair Value of Debt by Fair Value Hierarchy Level									
	September 30, 2017					December 31, 2016				
	Carrying Amount	Fair Value				Carrying Amount	Fair Value			
		Total	Level 1	Level 2	Level 3		Total	Level 1	Level 2	Level 3
Long-term debt	$ 12,850	$ 13,217	$ —	$ 9,640	$ 3,577	$ 10,767	$ 11,055	$ —	$ 8,184	$ 2,871

Fair value of the financial instruments included in the tables above was determined as follows:

Description	Fair Value Methodology
Cash and cash equivalents	The carrying amounts approximate fair value because of the short-term maturity of these assets.
Short-term investments, Equity securities, EETC and Restricted cash	Fair value is based on (a) the trading prices of the investment or similar instruments, (b) an income approach, which uses valuation techniques to convert future amounts into a single present amount based on current market expectations about those future amounts when observable trading prices are not available, or (c) broker quotes obtained by third-party valuation services.
Other investments measured at NAV	In accordance with the relevant accounting standards, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position. The investments measured using NAV are shares of mutual funds that invest in fixed-income instruments including bonds, debt securities, and other similar instruments issued by various U S and non-U S. public- or private-sector entities. The Company can redeem its shares at any time at NAV subject to a three-day settlement period.
Long-term debt	Fair values were based on either market prices or the discounted amount of future cash flows using our current incremental rate of borrowing for similar liabilities.

NOTE 7 - HEDGING ACTIVITIES

Fuel Derivatives

As of September 30, 2017, the Company did not have any fuel hedging contracts outstanding to hedge its fuel consumption. The last of the Company's fuel hedge derivatives designated for cash flow hedge accounting expired in December 2016. The Company's current strategy is to not enter into transactions to hedge its fuel consumption, although the Company regularly reviews its strategy based on market conditions and other factors

The following table presents the impact of derivative instruments and their location within the Company's unaudited statements of consolidated operations (in millions):

Derivatives designated as cash flow hedges

	Amount of Loss Recognized in AOCI on Derivatives (Effective Portion)		Loss Reclassified from AOCI into Fuel Expense	
	Three Months Ended September 30,		Three Months Ended September 30,	
	2017	2016	2017	2016
Fuel contracts	$ —	$ (6)	$ —	$ (24)

	Amount of Loss Recognized in AOCI on Derivatives (Effective Portion)		Loss Reclassified from AOCI into Fuel Expense (a)	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Fuel contracts	$	$ (5)	$ (2)	$ (197)

(a) The 2017 loss reclassified from AOCI into fuel expense represents hedge losses on December 2016 settled trades, but for which the associated fuel purchased in December was not consumed until January 2017

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Commitments. As of September 30, 2017, United had firm commitments and options to purchase aircraft from The Boeing Company ("Boeing"), Airbus S.A.S. ("Airbus"), and Embraer S A ("Embraer") presented in the table below

Aircraft Type	Number of Firm Commitments (a)
Airbus A350	45
Boeing 737 MAX	161
Boeing 777-300ER	4
Boeing 787	18
Embraer E175	5

(a) United also has options and purchase rights for additional aircraft

The aircraft listed in the table above are scheduled for delivery through 2027 To the extent the Company and the aircraft manufacturers with whom the Company has existing orders for new aircraft agree to modify the contracts governing those orders, the amount and timing of the Company's future capital commitments could change For the remainder of 2017, United expects to take delivery of five Embraer E175 aircraft. Additionally, the Company also currently expects to take delivery of four used Airbus A319s and two used Airbus A320s for the remainder of 2017.

The table below summarizes United's commitments as of September 30, 2017, which primarily relate to the acquisition of aircraft and related spare engines, aircraft improvements and include other capital purchase commitments. Any new firm aircraft orders, including through the exercise of purchase options and purchase rights, will increase the total future capital commitments of the Company

	(in billions)
Last three months of 2017	$ 0.9
2018	3.0
2019	3.1
2020	2.2
2021	1.4
After 2021	11.4
	$ 22.0

United secured individual bank financing for five Embraer E175 aircraft to be delivered in the last three months of 2017. See Note 9 of this report for additional information on aircraft financing. The Company has also secured backstop financing commitments from certain of its aircraft manufacturers for a limited number of its future aircraft deliveries, subject to certain customary conditions. Financing may be necessary to satisfy the Company's capital commitments for its firm order aircraft and other related capital expenditures.

Regional CPAs. In February 2017, United entered into a five-year capacity purchase agreement ("CPA") with Air Wisconsin Airlines for regional service under the United Express brand to operate up to 65 CRJ 200 aircraft.

In the third quarter of 2017, United reached agreements with certain of its regional air partners to accelerate the retirement of 21 turboprop aircraft from service, modify some aircraft service entry and exit dates, as well as extend the term of up to approximately 125 aircraft under an existing CPA through December 31, 2022. The future commitments have been incorporated into the table below.

The table below summarizes the Company's future payments through the end of the terms of our CPAs, excluding variable pass-through costs such as fuel and landing fees, among others.

	(in billions)
Last three months of 2017	$ 0.5
2018	2.0
2019	1.8
2020	1.6
2021	1.5
After 2021	4.6
	$ 12.0

Guarantees. As of September 30, 2017, United is the guarantor of approximately $1.8 billion in aggregate principal amount of tax-exempt special facilities revenue bonds and interest thereon. These bonds, issued by various airport municipalities, are payable solely from rentals paid under long-term agreements with the respective governing bodies. The leasing arrangements associated with $1.4 billion of these obligations are accounted for as operating leases with the associated expense recorded on a straight-line basis resulting in ratable accrual of the lease obligation over the expected lease term. The leasing arrangements associated with approximately $441 million of these obligations are accounted for as capital leases. All of these bonds are due between 2019 and 2038.

In the Company's financing transactions that include loans, the Company typically agrees to reimburse lenders for any reduced returns with respect to the loans due to any change in capital requirements and, in the case of loans in which the interest rate is based on the London Interbank Offered Rate ("LIBOR"), for certain other increased costs that the lenders incur in carrying these loans as a result of any change in law, subject, in most cases, to obligations of the lenders to take certain limited steps to mitigate the requirement for, or the amount of, such increased costs. At September 30, 2017, the Company had $3.3 billion of floating rate debt and $68 million of fixed rate debt, with remaining terms of up to 11 years, that are subject to these increased cost provisions. In several financing transactions involving loans or leases from non-U.S. entities, with remaining terms of up to 11 years and an aggregate balance of $3.2 billion, the Company bears the risk of any change in tax laws that would subject loan or lease payments thereunder to non-U.S. entities to withholding taxes, subject to customary exclusions.

As of September 30, 2017, United is the guarantor of $159 million of aircraft mortgage debt issued by one of United's regional carriers. The aircraft mortgage debt is subject to similar increased cost provisions as described above for the Company's debt and the Company would potentially be responsible for those costs under the guarantees

Labor Negotiations. As of September 30, 2017, United had approximately 89,700 employees, of whom approximately 80% were represented by various U.S. labor organizations

NOTE 9 - DEBT

As of September 30, 2017, a substantial portion of the Company's assets, principally aircraft, route authorities, airport slots and loyalty program intangible assets, was pledged under various loan and other agreements. As of September 30, 2017, UAL and United were in compliance with their debt covenants

2017 Credit and Guaranty Agreement. On March 29, 2017, United and UAL, as borrower and guarantor, respectively, entered into an Amended and Restated Credit and Guaranty Agreement (the "2017 Credit Agreement"). The 2017 Credit Agreement consists of a $1.5 billion term loan due April 1, 2024, which (i) was used to retire the entire principal balance of the term loans under the credit and guaranty agreement, dated March 27, 2013 (as amended, the "2013 Credit Agreement"), and (ii) increased the term loan balance by approximately $440 million, and a $2.0 billion revolving credit facility available for drawing until April 1, 2022, which increased the available capacity under the revolving credit facility of the 2013 Credit Agreement As of September 30, 2017, United had its entire capacity of $2.0 billion available under the revolving credit facility. The obligations of United under the 2017 Credit Agreement are secured by liens on certain international route authorities, certain take-off and landing rights and related assets of United.

Borrowings under the 2017 Credit Agreement bear interest at a variable rate equal to LIBOR, subject to a 0% floor, plus a margin of 2.25% per annum, or another rate based on certain market interest rates, plus a margin of 1.25% per annum. The principal amount of the term loan must be repaid in consecutive quarterly installments of 0.25% of the original principal amount thereof, commencing on June 30, 2017, with any unpaid balance due on April 1, 2024. United may prepay all or a portion of the loan from time to time, at par plus accrued and unpaid interest. United pays a commitment fee equal to 0.75% per annum on the undrawn amount available under the revolving credit facility.

The 2017 Credit Agreement includes covenants that, among other things, require the Company to maintain at least $2.0 billion of unrestricted liquidity and a minimum ratio of appraised value of collateral to the outstanding obligations under the Credit Agreement of 1.60 to 1.0. The 2017 Credit Agreement contains events of default customary for this type of financing, including a cross default and cross acceleration provision to certain other material indebtedness of the Company. Under the provisions of the 2017 Credit Agreement, UAL's ability to make investments and to pay dividends on, or repurchase, UAL's common stock is restricted

EETCs. In September 2016 and June 2016, United created EETC pass-through trusts, each of which issued pass-through certificates The proceeds of the issuance of the pass-through certificates are used to purchase equipment notes issued by United and secured by its aircraft. The Company records the debt obligation upon issuance of the equipment notes rather than upon the initial issuance of the pass-through certificates. The pass-through certificates represent fractional undivided interests in the respective pass-through trusts and are not obligations of United. The payment obligations under the equipment notes are those of United Proceeds received from the sale of pass-through certificates are initially held by a depositary in escrow for the benefit of the certificate holders until United issues equipment notes to the trust, which purchases such notes with a portion of the escrowed funds These escrowed funds are not guaranteed by United and are not reported as debt on our consolidated balance sheet because the proceeds held by the depositary are not United's assets Certain details of the pass-through trusts with proceeds received from issuance of debt in 2017 are as follows (in millions, except stated interest rate):

EETC Date	Class	Principal	Final expected distribution date	Stated interest rate	Total debt recorded as of September 30, 2017	Proceeds received from issuance of debt during 2017
September 2016	AA	$ 637	October 2028	2.875%	$ 637	$ 557
September 2016	A	283	October 2028	3.10%	283	247
June 2016	AA	729	July 2028	3.10%	729	316
June 2016	A	324	July 2028	3.45%	324	142
		$ 1,973			$ 1,973	$ 1,265

Secured Notes Payable. In the first nine months of 2017, United borrowed approximately $392 million aggregate principal amount from various financial institutions to finance the purchase of several aircraft delivered in 2017. The notes evidencing these borrowings, which are secured by the related aircraft, mature in 2027 and each has an interest rate comprised of LIBOR plus a specified margin.

4.25% Senior Notes due 2022. In September 2017, UAL issued $400 million aggregate principal amount of 4.25% Senior Notes due October 1, 2022 (the "4.25% Senior Notes due 2022"). These notes are fully and unconditionally guaranteed and recorded by United on its balance sheet as debt. The indenture for the 4.25% Senior Notes due 2022 requires UAL to offer to repurchase the notes for cash at a purchase price equal to 101% of the principal amount of notes repurchased plus accrued and unpaid interest if certain changes of control of UAL occur.

5% Senior Notes due 2024. In January 2017, UAL issued $300 million aggregate principal amount of 5% Senior Notes due February 1, 2024 (the "5% Senior Notes due 2024"). These notes are fully and unconditionally guaranteed and recorded by United on its balance sheet as debt. The indenture for the 5% Senior Notes due 2024 requires UAL to offer to repurchase the notes for cash at a purchase price equal to 101% of the principal amount of notes repurchased plus accrued and unpaid interest if certain changes of control of UAL occur.

The table below presents the Company's contractual principal payments (not including debt discount or debt issuance costs) at September 30, 2017 under then-outstanding long-term debt agreements (in millions).

Last three months of 2017	$ 184
2018	1,527
2019	1,115
2020	1,120
2021	1,107
After 2021	7,963
	$ 13,016

NOTE 10 - SPECIAL CHARGES

For the three and nine months ended September 30, special charges consisted of the following (in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Operating:				
Severance and benefit costs	$ 23	$ 13	$ 101	$ 27
Impairment of assets	15	—	15	412
Labor agreement costs	—	14	—	124
Cleveland airport lease restructuring	—	—	—	74
(Gains) losses on sale of assets and other special charges	12	18	29	32
Special charges	50	45	145	669
Nonoperating:				
Other (gain) loss	—	—	—	(1)
Special charges before income taxes	50	45	145	668
Income tax benefit related to special charges	(18)	(16)	(52)	(241)
Total special charges, net of tax	$ 32	$ 29	$ 93	$ 427

During the three and nine months ended September 30, 2017, the Company recorded $16 million ($10 million net of taxes) and $73 million ($47 million net of taxes), respectively, of severance and benefit costs related to a voluntary early-out program for its technicians and related employees represented by the International Brotherhood of Teamsters (the "IBT"). In the first quarter of 2017, approximately 1,000 technicians and related employees elected to voluntarily separate from the Company and will receive a severance payment, with a maximum value of $100,000 per participant, based on years of service, with retirement dates through early 2019. Also during the three and nine months ended September 30, 2017, the Company recorded $7 million ($5 million net of taxes) and $28 million ($18 million net of taxes), respectively, of severance primarily related to its management reorganization initiative.

During the three and nine months ended September 30, 2016, the Company recorded $13 million ($8 million net of taxes) and $27 million ($17 million net of taxes), respectively, of severance and benefit costs primarily related to a voluntary early-out program for its flight attendants.

During the three months ended September 30, 2017, the Company recorded a $15 million ($10 million net of taxes) intangible asset impairment charge related to a maintenance service agreement.

In April 2016, the Federal Aviation Administration ("FAA") announced that, effective October 30, 2016, it would designate Newark Liberty International Airport ("Newark") as a Level 2 schedule-facilitated airport under the International Air Transport Association Worldwide Slot Guidelines. The designation was associated with an updated demand and capacity analysis of Newark by the FAA. In the second quarter of 2016, the Company determined that the FAA's action impaired the entire value of its Newark slots because the slots are no longer the mechanism that governs take-off and landing rights. Accordingly, the Company recorded a $412 million special charge ($264 million net of taxes) to write off the intangible asset.

During the nine months ended September 30, 2016, the fleet service, passenger service, storekeeper and other employees represented by the International Association of Machinists and Aerospace Workers (the "IAM") ratified seven new contracts with the Company which extended the contracts through 2021. The Company also reached a tentative agreement with the IBT during the same time period. During the three and nine months ended September 30, 2016, the Company recorded $61 million ($39 million net of taxes) and $171 million ($109 million net of taxes), respectively, of special charges primarily for payments in conjunction with the IAM and IBT agreements described above. Also, as part of its contract with the Association of Flight Attendants, the Company amended two of its flight attendant postretirement medical plans. The amendments triggered curtailment accounting, resulting in the recognition of a one-time $47 million gain ($30 million net of taxes) for accelerated recognition of a prior service credit.

During the nine months ended September 30, 2016, the City of Cleveland agreed to amend the Company's lease, which runs through 2029, associated with certain excess airport terminal space (principally Terminal D) and related facilities at Hopkins International Airport. The Company recorded an accrual for remaining payments under the lease for facilities that the Company

no longer uses and will continue to incur costs under the lease without economic benefit to the Company. This liability was measured and recorded at its fair value when the Company ceased its right to use such facilities leased to it pursuant to the lease. The Company recorded a special charge of $74 million ($47 million net of taxes) related to the amended lease.

Accrual

The accrual balance for severance and benefits was $31 million as of September 30, 2017, compared to $34 million as of September 30, 2016. The severance-related accrual as of September 30, 2017 is expected to be mostly paid through early 2019. The accrual balance for future lease payments on permanently grounded aircraft was $28 million as of September 30, 2017, compared to $41 million as of September 30, 2016. The grounded aircraft related accrual as of September 30, 2017 is expected to be mostly paid through 2025. The following is a reconciliation of severance and permanently grounded aircraft accrual activity for the nine months ended September 30:

	Severance and Benefits	Permanently Grounded Aircraft
Balance at December 31, 2016	$ 14	$ 41
Accrual	101	—
Payments	(84)	(13)
Balance at September 30, 2017	$ 31	$ 28

	Severance and Benefits	Permanently Grounded Aircraft
Balance at December 31, 2015	$ 27	$ 78
Accrual	27	(17)
Payments	(20)	(20)
Balance at September 30, 2016	$ 34	$ 41

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Overview

United Continental Holdings, Inc. (together with its consolidated subsidiaries, "UAL" or the "Company") is a holding company and its principal, wholly-owned subsidiary is United Airlines, Inc. (together with its consolidated subsidiaries, "United") This Quarterly Report on Form 10-Q is a combined report of UAL and United including their respective consolidated financial statements As UAL consolidates United for financial statement purposes, disclosures that relate to activities of United also apply to UAL, unless otherwise noted. United's operating revenues and operating expenses comprise nearly 100% of UAL's revenues and operating expenses. In addition, United comprises approximately the entire balance of UAL's assets, liabilities and operating cash flows. When appropriate, UAL and United are named specifically for their individual contractual obligations and related disclosures and any significant differences between the operations and results of UAL and United are separately disclosed and explained. We sometimes use the words "we," "our," "us," and the "Company" in this report for disclosures that relate to all of UAL and United.

The Company transports people and cargo through its mainline operations, which utilize jet aircraft with at least 118 seats, and regional operations, which utilize smaller aircraft that are operated under contract by United Express carriers. The Company serves virtually every major market around the world, either directly or through participation in Star Alliance ®, the world's largest airline alliance. UAL, through United and its regional carriers, operates approximately 4,500 flights a day to 337 airports across five continents.

Third Quarter Financial Highlights

- Third quarter 2017 net income was $637 million, or $2.12 diluted earnings per share, as compared to net income of $965 million, or diluted earnings per share of $3 01, in the third quarter of 2016
- During the quarter, the Company canceled approximately 8,300 flights as a result of severe weather in southeast Texas, Florida and parts of the Caribbean. The operational disruption reduced third quarter income before income taxes by an estimated $185 million.
- Passenger revenue decreased 0.9% to $8.5 billion during the third quarter of 2017 as compared to the third quarter of 2016. Revenue was impacted by an estimated $210 million due to the operational disruption.
- Third quarter 2017 aircraft fuel cost increased $206 million, 12.9% year-over-year.
- Unrestricted liquidity at September 30, 2017 was $6.3 billion, including $2 0 billion of undrawn commitments under the Company's revolving credit facility.
- In the three months ended September 30, 2017, UAL repurchased approximately 8 million of its common stock in open market transactions for $0 6 billion As of September 30, 2017, the Company had $0.6 billion remaining to purchase shares under its existing share repurchase authority.

Third Quarter Operational Highlights

- United achieved the best-ever third-quarter consolidated on-time departures in its history.
- Consolidated traffic increased 1.7% and consolidated capacity increased 3% during the third quarter of 2017 as compared to the third quarter of 2016. The Company's load factor for the third quarter of 2017 was 84.4%.
- The Company took delivery of one Boeing 787-9 aircraft, four Boeing 737-800 aircraft and nine Embraer E175 aircraft during the third quarter of 2017.

Outlook

The Company expects full-year 2017 consolidated capacity to increase approximately 3.5% year-over-year Domestic capacity is expected to increase approximately 4.5% year-over-year and international capacity is expected to increase approximately 2.0% year-over-year

As outlined at our November 2016 Investor Day presentation, the Company expects to drive significant incremental value by 2020 relative to 2015. United anticipates capturing this value through a variety of initiatives including a re-fleeting and upgauge program, additional customer choice through segmentation, improvements to the revenue management systems, ongoing sensible cost management, realizing our full network potential through improved schedule quality and enhancements to the MileagePlus program. In addition, the Company will continue to focus on improving reliability while increasing the efficiency of the operation.

The price of jet fuel remains volatile. Based on projected fuel consumption in 2017, a one dollar change in the price of a barrel of crude oil would change the Company's annual fuel expense by approximately $95 million

RESULTS OF OPERATIONS

The following discussion provides an analysis of results of operations and reasons for material changes therein for the three months ended September 30, 2017 as compared to the corresponding period in 2016

Third Quarter 2017 Compared to Third Quarter 2016

The Company recorded net income of $637 million in the third quarter of 2017 as compared to net income of $965 million in the third quarter of 2016. The Company considers a key measure of its performance to be operating income, which was $1.1 billion for the third quarter of 2017, as compared to $1.6 billion for the third quarter of 2016, a $532 million decrease year-over-year Third quarter 2017 income before income taxes was negatively impacted by an estimated $185 million as a result of severe weather in southeast Texas, Florida and parts of the Caribbean. Significant components of the Company's operating results for the three months ended September 30 are as follows (in millions, except percentage changes):

	2017	2016	Increase (Decrease)	% Increase (Decrease)
Operating revenue	$ 9,878	$9,913	$ (35)	(0.4)
Operating expense	8,786	8,289	497	6.0
Operating income	1,092	1,624	(532)	(32.8)
Nonoperating expense	(112)	(114)	(2)	(1.8)
Income tax expense	343	545	(202)	(37.1)
Net income	$ 637	$ 965	$ (328)	(34.0)

Certain consolidated statistical information for the Company's operations for the three months ended September 30 is as follows:

	2017	2016	Increase (Decrease)	% Increase (Decrease)
Passengers (thousands) (a)	39,302	38,651	651	1.7
Revenue passenger miles ("RPMs") (millions) (b)	59,145	58,172	973	1.7
Available seat miles ("ASMs") (millions) (c)	70,083	68,074	2,009	3.0
Passenger load factor (d)	84.4%	85.5%	(1.1) pts.	N/A
Passenger revenue per available seat mile ("PRASM") (cents)	12.17	12.64	(0.47)	(3.7)
Average yield per revenue passenger mile ("Yield") (cents) (e)	14.42	14.79	(0.37)	(2.5)
Cost per available seat mile ("CASM") (cents)	12.54	12.18	0.36	3.0
Average price per gallon of fuel, including fuel taxes	$ 1.70	$ 1.52	$ 0.18	11.8
Fuel gallons consumed (millions)	1,065	1,057	8	0.8
Average full-time equivalent employees	87,300	85,100	2,200	2.6

(a) The number of revenue passengers measured by each flight segment flown
(b) The number of scheduled miles flown by revenue passengers
(c) The number of seats available for passengers multiplied by the number of scheduled miles those seats are flown
(d) Revenue passenger miles divided by available seat miles
(e) The average passenger revenue received for each revenue passenger mile flown.

Operating Revenue

The table below shows year-over-year comparisons by type of operating revenue for the three months ended September 30 (in millions, except for percentage changes).

	2017	2016	Increase (Decrease)	% Change
Passenger—Mainline	$7,083	$7,017	$ 66	0.9
Passenger—Regional	1,445	1,586	(141)	(8.9)
Total passenger revenue	8,528	8,603	(75)	(0.9)
Cargo	257	224	33	14.7
Other operating revenue	1,093	1,086	7	0.6
Total operating revenue	$9,878	$9,913	$ (35)	(0.4)

The table below presents selected third quarter passenger revenue and operating data, broken out by geographic region, expressed as year-over-year changes:

	Domestic	Atlantic	Pacific	Latin	Total Consolidated	Mainline	Regional
Increase (decrease) from 2016.							
Passenger revenue (in millions)	$ (2)	$ 3	$ (109)	$33	$ (75)	$ 66	$ (141)
Passenger revenue	-- %	0.2 %	(9.3)%	4.7 %	(0.9)%	0.9 %	(8.9)%
Average fare per passenger	(2.2)%	(0.1)%	(6.0)%	3.8 %	(2.5)%	(4.9)%	0.4 %
Yield	(3.2)%	(0.9)%	(6.6)%	3.4 %	(2.5)%	(2.1)%	1.9 %
PRASM	(4.4)%	(0.4)%	(10.4)%	3.5 %	(3.7)%	(3.1)%	(1.8)%
Passengers	2.2 %	0.3 %	(3.5)%	0.9 %	1.7 %	6.1 %	(9.2)%
RPMs (traffic)	3.3 %	1.1 %	(2.9)%	1.3 %	1.7 %	3.2 %	(10.6)%
ASMs (capacity)	4.6 %	0.6 %	1.2 %	1.3 %	3.0 %	4.2 %	(7.2)%
Passenger load factor (points)	(1.1)	0.4	(3.5)	—	(1.1)	(0.9)	(3.0)

Consolidated passenger revenue in the third quarter of 2017 decreased $75 million, or 0.9%, as compared to the year-ago period primarily due to a 1.1 percentage point decrease in load factor. Third quarter 2017 consolidated PRASM and consolidated yield decreased 3.7% and 2.5%, respectively, compared to the third quarter of 2016. The Pacific region experienced a 10.4% decline in PRASM in the third quarter of 2017 as compared to the year-ago period due to unfavorable supply and demand dynamics in China. The Domestic region experienced a 4.4% and a 3.2% decline in PRASM and yield, respectively, as compared to the year-ago period due to severe weather in southeast Texas, Florida, and parts of the Caribbean, uncompetitive Basic Economy pricing, and competitive pricing environment with ultra-low-cost carriers.

Cargo revenue increased $33 million, or 14.7%, in the third quarter of 2017 as compared to the year-ago period primarily due to higher international freight volume.

Operating Expenses

The table below includes data related to the Company's operating expenses for the three months ended September 30 (in millions, except for percentage changes):

	2017	2016	Increase (Decrease)	% Change
Salaries and related costs	$2,812	$2,625	$ 187	7.1
Aircraft fuel	1,809	1,603	206	12.9
Landing fees and other rent	585	546	39	7.1
Regional capacity purchase	567	572	(5)	(0.9)
Depreciation and amortization	556	503	53	10.5
Aircraft maintenance materials and outside repairs	451	451	—	—
Distribution expenses	352	345	7	2.0
Aircraft rent	145	168	(23)	(13.7)
Special charges	50	45	5	NM
Other operating expenses	1,459	1,431	28	2.0
Total operating expenses	$8,786	$8,289	$ 497	6.0

Salaries and related costs increased $187 million, or 7.1%, in the third quarter of 2017 as compared to the year-ago period primarily due to higher pay rates and benefit expenses driven by collective bargaining agreements finalized in 2016, and a 2.6% increase in average full-time equivalent employees, partially offset by a decrease in profit sharing and other employee incentive programs expense.

Aircraft fuel expense increased $206 million, or 12.9%, year-over-year primarily due to an 11.8% increase in the average price per gallon of aircraft fuel in the third quarter of 2017 compared to the year-ago period. The table below presents the significant changes in aircraft fuel cost per gallon in the three month period ended September 30, 2017 as compared to the year-ago period:

	(In millions)			Average price per gallon		
	2017	2016	% Change	2017	2016	% Change
Total aircraft fuel purchase cost excluding fuel hedge impacts	$1,809	$1,579	14.6	$1.70	$1.49	14.1
Hedge losses reported in fuel expense	—	24	NM	—	0.03	NM
Fuel expense	$1,809	$1,603	12.9	$1.70	$1.52	11.8
Total fuel consumption (gallons)	1,065	1,057	0.8			

Landing fees and other rent increased $39 million, or 7.1%, in the third quarter of 2017 as compared to the year-ago period due to higher rental rates and a 3% increase in consolidated capacity.

Depreciation and amortization increased $53 million, or 10.5%, in the third quarter of 2017 as compared to the year-ago period, primarily due to additions of new aircraft, aircraft improvements and increases in information technology assets.

Aircraft rent decreased $23 million, or 13.7%, in the third quarter of 2017 as compared to the year-ago period, primarily due to the purchase of leased aircraft and lower lease renewal rates.

Details of the Company's special charges include the following for the three months ended September 30 (in millions):

	2017	2016
Severance and benefit costs	$23	$13
Impairment of assets	15	—
Labor agreement costs	—	14
(Gains) losses on sale of assets and other special charges	12	18
Special charges	$50	$45

See Note 10 to the financial statements included in Part I, Item 1 of this report for additional information

Nonoperating Income (Expense). The following table illustrates the year-over-year dollar and percentage changes in the Company's nonoperating income (expense) for the three months ended September 30 (in millions, except for percentage changes):

	2017	2016	Increase (Decrease)	% Change
Interest expense	$(164)	$(150)	$ 14	9.3
Interest capitalized	20	20	—	—
Interest income	17	14	3	21.4
Miscellaneous, net	15	2	13	NM
Total	$(112)	$(114)	$ (2)	(1.8)

Income Taxes. See Note 4 to the financial statements included in Part I, Item 1 of this report for information related to income taxes.

First Nine Months 2017 Compared to First Nine Months 2016

The Company recorded net income of $1.6 billion in the first nine months of 2017 as compared to net income of $1.9 billion in the first nine months of 2016. The Company considers a key measure of its performance to be operating income, which was $2.8 billion for the first nine months of 2017 as compared to $3.3 billion for the first nine months of 2016, a $564 million decrease year-over-year. Income before income taxes for the first nine months of 2017 was negatively impacted by an estimated $185 million as a result of severe weather in southeast Texas, Florida and parts of the Caribbean. Significant components of the Company's operating results for the nine months ended September 30 are as follows (in millions, except percentage changes).

	2017	2016	Increase (Decrease)	% Increase (Decrease)
Operating revenue	$28,298	$27,504	$ 794	2.9
Operating expense	25,529	24,171	1,358	5.6
Operating income	2,769	3,333	(564)	(16.9)
Nonoperating expense	(370)	(398)	(28)	(7.0)
Income tax expense	848	1,069	(221)	(20.7)
Net income	$ 1,551	$ 1,866	$ (315)	(16.9)

Certain consolidated statistical information for the Company's operations for the nine months ended September 30 is as follows:

	2017	2016	Increase (Decrease)	% Increase (Decrease)
Passengers (thousands) (a)	110,654	107,154	3,500	3.3
RPMs (millions) (b)	163,112	158,771	4,341	2.7
ASMs (millions) (c)	197,358	191,072	6,286	3.3
Passenger load factor (d)	82.6%	83.1%	(0.5) pts	N/A
PRASM (cents)	12.32	12.40	(0.08)	(0.6)
Yield (cents) (e)	14.91	14.92	(0.01)	(0.1)
CASM (cents)	12.94	12.65	0.29	2.3
Average price per gallon of fuel, including fuel taxes	$ 1.68	$ 1.45	$ 0.23	15.9
Fuel gallons consumed (millions)	2,998	2,942	56	1.9
Average full-time equivalent employees	86,200	83,600	2,600	3.1

(a) The number of revenue passengers measured by each flight segment flown
(b) The number of scheduled miles flown by revenue passengers.
(c) The number of seats available for passengers multiplied by the number of scheduled miles those seats are flown
(d) Revenue passenger miles divided by available seat miles
(e) The average passenger revenue received for each revenue passenger mile flown

Operating Revenue

The table below shows year-over-year comparisons by type of operating revenue for the nine months ended September 30 (in millions, except for percentage changes):

	2017	2016	Increase (Decrease)	% Change
Passenger—Mainline	$19,970	$19,119	$ 851	4.5
Passenger—Regional	4,354	4,577	(223)	(4.9)
Total passenger revenue	24,324	23,696	628	2.7
Cargo	731	626	105	16.8
Other operating revenue	3,243	3,182	61	1.9
Total operating revenue	$28,298	$27,504	$ 794	2.9

The table below presents selected passenger revenue and operating data, broken out by geographic region, expressed as year-over-year changes for the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016:

	Domestic	Atlantic	Pacific	Latin	Total Consolidated	Mainline	Regional
Increase (decrease) from 2016:							
Passenger revenue (in millions)	$ 523	$ 37	$ (84)	$ 152	$ 628	$ 851	$ (223)
Passenger revenue	3.7%	0.9%	(2.7)%	7.2%	2.7%	4.5%	(4.9)%
Average fare per passenger	(0.2)%	1.2%	(1.6)%	4.1%	(0.6)%	(2.9)%	2.1%
Yield	(0.6)%	0.7%	(3.2)%	4.7%	(0.1)%	0.4%	2.7%
PRASM	(0.8)%	1.5%	(6.8)%	4.5%	(0.6)%	—%	0.5%
Passengers	3.8%	(0.3)%	(1.1)%	2.9%	3.3%	7.5%	(6.9)%
RPMs (traffic)	4.3%	0.1%	0.5%	2.3%	2.7%	4.0%	(7.4)%
ASMs (capacity)	4.5%	(0.6)%	4.4%	2.5%	3.3%	4.4%	(5.4)%
Passenger load factor (points)	(0.2)	0.6	(3.2)	(0.1)	(0.5)	(0.3)	(1.7)

Consolidated passenger revenue in the first nine months of 2017 increased $628 million, or 2.7%, as compared to the year-ago period primarily due to a 2.7% increase in traffic. Consolidated PRASM and consolidated yield for the first nine months of 2017 decreased 0.6% and 0.1%, respectively, as compared to the first nine months of 2016. The Pacific region experienced a 6.8% decline in PRASM in the first nine months of 2017 as compared to the year-ago period due to unfavorable supply and demand dynamics in China. The Domestic region experienced a 0.8% and a 0.6% decline in PRASM and yield, respectively, as compared to the year-ago period due to severe weather in southeast Texas, Florida and parts of the Caribbean, uncompetitive Basic Economy pricing, and competitive pricing environment with ultra-low-cost carriers.

Cargo revenue increased $105 million, or 16.8%, in the first nine months of 2017 as compared to the year-ago period primarily due to higher international freight volume.

Operating Expenses

The table below includes data related to the Company's operating expenses for the nine months ended September 30 (in millions, except for percentage changes):

	2017	2016	Increase (Decrease)	% Change
Salaries and related costs	$ 8,341	$ 7,707	$ 634	8.2
Aircraft fuel	5,038	4,258	780	18.3
Landing fees and other rent	1,670	1,612	58	3.6
Regional capacity purchase	1,652	1,645	7	0.4
Depreciation and amortization	1,610	1,473	137	9.3
Aircraft maintenance materials and outside repairs	1,377	1,301	76	5.8
Distribution expenses	1,021	987	34	3.4
Aircraft rent	476	521	(45)	(8.6)
Special charges	145	669	(524)	NM
Other operating expenses	4,199	3,998	201	5.0
Total operating expenses	$25,529	$24,171	$ 1,358	5.6

Salaries and related costs increased $634 million, or 8.2%, in the first nine months of 2017 as compared to the year-ago period primarily due to higher pay rates and benefit expenses driven by collective bargaining agreements finalized in 2016, and a 3.1% increase in average full-time equivalent employees, partially offset by a decrease in profit sharing and other employee incentive programs expense.

Aircraft fuel expense increased $780 million, or 18.3%, year-over-year primarily due to a 15.9% increase in the average price per gallon of aircraft fuel in the first nine months of 2017 compared to the year-ago period. The table below presents the significant changes in aircraft fuel cost per gallon in the nine months ended September 30, 2017 as compared to the year-ago period:

	(In millions)			Average price per gallon		
	2017	2016	% Change	2017	2016	% Change
Total aircraft fuel purchase cost excluding fuel hedge impacts	$5,036	$4,061	24.0	$1.68	$1.38	21.7
Hedge losses reported in fuel expense	2	197	NM	—	0.07	NM
Fuel expense	$5,038	$4,258	18.3	$1.68	$1.45	15.9
Total fuel consumption (gallons)	2,998	2,942	1.9			

Depreciation and amortization increased $137 million, or 9.3%, in the first nine months of 2017 as compared to the year-ago period, primarily due to additions of new aircraft, aircraft improvements, accelerated depreciation of assets related to certain fleet types and increases in information technology assets.

Aircraft maintenance materials and outside repairs increased $76 million, or 5.8%, in the first nine months of 2017 as compared to the year-ago period, primarily due to an increase in airframe and engine maintenance visits due to the cyclical timing of these events.

Aircraft rent decreased $45 million, or 8.6%, in the first nine months of 2017 as compared to the year-ago period, primarily due to the purchase of leased aircraft and lower lease renewal rates.

Other operating expenses increased $201 million, or 5.0%, in the first nine months of 2017 as compared to the year-ago period primarily due to increases in purchased services and technology initiatives, as well as increases in food and other amenities associated with the Company's customer experience initiatives.

Details of the Company's special charges include the following for the nine months ended September 30 (in millions)

	2017	2016
Severance and benefit costs	$101	$ 27
Impairment of assets	15	412
Labor agreement costs	—	124
Cleveland airport lease restructuring	—	74
(Gains) losses on sale of assets and other special charges	29	32
Special charges	$145	$669

See Note 10 to the financial statements included in Part I, Item 1 of this report for additional information

Nonoperating Income (Expense) The following table illustrates the year-over-year dollar and percentage changes in the Company's nonoperating income (expense) for the nine months ended September 30 (in millions, except for percentage changes):

	2017	2016	Increase (Decrease)	% Change
Interest expense	$(472)	$(466)	$ 6	1.3
Interest capitalized	64	48	16	33.3
Interest income	41	31	10	32.3
Miscellaneous, net	(3)	(11)	(8)	(72.7)
Total	$(370)	$(398)	$ (28)	(7.0)

Income Taxes: See Note 4 to the financial statements included in Part I, Item 1 of this report for information related to income taxes.

LIQUIDITY AND CAPITAL RESOURCES

Current Liquidity

As of September 30, 2017, the Company had $4.3 billion in unrestricted cash, cash equivalents and short-term investments, as compared to $4.4 billion at December 31, 2016. At September 30, 2017, the Company also had $109 million of restricted cash and cash equivalents, which is primarily collateral for letters of credit and estimated future workers' compensation claims. As of September 30, 2017, the Company had its entire commitment capacity of $2.0 billion under the revolving credit facility of the Company's Amended and Restated Credit and Guaranty Agreement, dated as of March 29, 2017 (the "2017 Credit Agreement") available for borrowings.

As is the case with many of our principal competitors, we have a high proportion of debt compared to capital and a deficit in working capital. We have a significant amount of fixed obligations, including debt, aircraft leases and financings, leases of airport property and other facilities, and pension funding obligations. At September 30, 2017, the Company had approximately $13.9 billion of debt and capital lease obligations, including $1.6 billion that will become due in the next 12 months. In addition, we have substantial noncancelable commitments for capital expenditures, including the acquisition of certain new aircraft and related spare engines. As of September 30, 2017, our current liabilities exceeded our current assets by approximately $5.2 billion. However, approximately $6.5 billion of our current liabilities are related to our advance ticket sales and frequent flyer deferred revenue, both of which largely represent revenue to be recognized for travel in the near future and not actual cash outlays. The deficit in working capital does not have an adverse impact to our cash flows, liquidity or operations.

As of September 30, 2017, United had firm commitments and options to purchase aircraft from The Boeing Company ("Boeing"), Airbus S.A.S. ("Airbus") and Embraer S.A. ("Embraer") presented in the table below.

Aircraft Type	Number of Firm Commitments (a)
Airbus A350	45
Boeing 737 MAX	161
Boeing 777-300ER	4
Boeing 787	18
Embraer E175	5

(a) United also has options and purchase rights for additional aircraft

The aircraft listed in the table above are scheduled for delivery through 2027. To the extent the Company and the aircraft manufacturers with whom the Company has existing orders for new aircraft agree to modify the contracts governing those orders, the amount and timing of the Company's future capital commitments could change. For the remainder of 2017, United expects to take delivery of five Embraer E175 aircraft. Additionally, the Company also currently expects to take delivery of four used Airbus A319s and two used Airbus A320s for the remainder of 2017.

As of September 30, 2017, UAL and United have total capital commitments primarily related to the acquisition of aircraft and related spare engines, aircraft improvements and include other capital purchase commitments for approximately $22.0 billion, of which approximately $0.9 billion, $3.0 billion, $3.1 billion, $2.2 billion, $1.4 billion and $11.4 billion are due in the last three months of 2017 and for the full year for 2018, 2019, 2020, 2021 and thereafter, respectively. Any new firm aircraft orders, including through the exercise of purchase options and purchase rights, will increase the total future capital commitments of the Company.

United secured individual bank financing for five Embraer E175 aircraft to be delivered in the last three months of 2017. See Note 9 to the financial statements included in Part I, Item 1 of this report for additional information on aircraft financing. The Company has also secured backstop financing commitments from certain of its aircraft manufacturers for a limited number of its future aircraft deliveries, subject to certain customary conditions. Financing may be necessary to satisfy the Company's capital commitments for its firm order aircraft and other related capital expenditures.

As of September 30, 2017, a substantial portion of the Company's assets, principally aircraft, route authorities, airport slots and loyalty program intangible assets, was pledged under various loan and other agreements. We must sustain our profitability and/or access the capital markets to meet our significant long-term debt and capital lease obligations and future commitments for capital expenditures, including the acquisition of aircraft and related spare engines.

Credit Ratings. As of the filing date of this report, UAL and United had the following corporate credit ratings:

	S&P	Moody's	Fitch
UAL	BB-	Ba2	BB-
United	BB-	*	BB

* The credit agency does not issue corporate credit ratings for subsidiary entities

These credit ratings are below investment grade levels. Downgrades from these rating levels, among other things, could restrict the availability or increase the cost of future financing for the Company.

Sources and Uses of Cash

Operating Activities. Cash flow provided by operations was $2.7 billion for the nine months ended September 30, 2017 compared to $4.9 billion in the same period in 2016. Operating income for the first nine months of 2017 was $2.8 billion compared to $3.3 billion versus the year-ago period. Excluding the non-cash impairment of the Newark slots, operating income for the first nine months of 2017 was approximately $1.0 billion lower than the first nine months of 2016. Additionally, there were approximately $1.2 billion of changes in working capital items primarily related to $0.5 billion decrease in advanced purchase of miles due to increased utilization of pre-purchased miles, $0.4 billion increase in prepayments for maintenance contracts, and $0.2 billion decrease related to timing of accounts payable.

Investing Activities. Capital expenditures were $2.9 billion and $2.3 billion in the nine months ended September 30, 2017 and 2016, respectively. Capital expenditures for the nine months ended September 30, 2017 were primarily attributable to additions of new aircraft, aircraft improvements, and increases in information technology assets.

Financing Activities. During the nine months ended September 30, 2017, the Company made debt and capital lease payments of $0.8 billion.

On March 29, 2017, United and UAL, as borrower and guarantor, respectively, entered into the 2017 Credit Agreement The 2017 Credit Agreement consists of a $1 5 billion term loan due April 1, 2024, which (i) was used to retire the entire principal balance of the term loans under the credit and guaranty agreement, dated March 27, 2013 (as amended, the "2013 Credit Agreement"), and (ii) increased the term loan balance by approximately $440 million, and a $2.0 billion revolving credit facility available for drawing until April 1, 2022, which increased the available capacity under the revolving credit facility of the 2013 Credit Agreement As of September 30, 2017, United had its entire capacity of $2 0 billion available under the revolving credit facility. The obligations of United under the 2017 Credit Agreement are secured by liens on certain international route authorities, certain take-off and landing rights and related assets of United. See Note 9 to the financial statements included in Part I, Item 1 of this report for additional information.

In the nine months ended September 30, 2017, United received and recorded $1 3 billion of proceeds as debt from the two EETC pass-through trusts established in 2016. See Note 9 to the financial statements included in Part I, Item 1 of this report for additional information.

In the nine months ended September 30, 2017, United borrowed approximately $392 million aggregate principal amount from various financial institutions to finance the purchase of several aircraft delivered in 2017. The notes evidencing these borrowings, which are secured by the related aircraft, mature in 2027 and each has an interest rate comprised of LIBOR plus a specified margin.

In the nine months ended September 30, 2017, UAL received and recorded $400 million proceeds of the 4 25% Senior Notes due October 1, 2022, and $300 million proceeds of the 5% Senior Notes due February 1, 2024

Share Repurchase Programs. In the nine months ended September 30, 2017, UAL repurchased approximately 18 million shares of UAL common stock in open market transactions for $1.3 billion. As of September 30, 2017, the Company had approximately $0.6 billion remaining to purchase shares under its existing share repurchase authority.

UAL may repurchase shares through the open market, privately negotiated transactions, block trades or accelerated share repurchase transactions from time to time in accordance with applicable securities laws. UAL will repurchase shares of UAL common stock subject to prevailing market conditions, and may discontinue such repurchases at any time. See Part II, Item 2, "Unregistered Sales of Equity Securities and Use of Proceeds" of this report for additional information

Commitments, Contingencies and Liquidity Matters. As described in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 ("2016 Annual Report"), the Company's liquidity may be adversely impacted by a variety of factors, including, but not limited to, pension funding obligations, reserve requirements associated with credit card processing agreements, guarantees, commitments and contingencies.

See the 2016 Annual Report and Notes 5, 7, 8 and 9 to the financial statements contained in Part I, Item 1 of this report for additional information.

CRITICAL ACCOUNTING POLICIES

See "Critical Accounting Policies" in Management's Discussion and Analysis of Financial Condition and Results of Operations in the 2016 Annual Report and Note 1 to the financial statements contained in Part I, Item 1 of this report for a discussion of the Company's critical accounting policies.

FORWARD-LOOKING INFORMATION

Certain statements throughout Management's Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this report are forward-looking and thus reflect our current expectations and beliefs with respect to certain current and future events and anticipated financial and operating performance. Such forward-looking statements are and will be subject to many risks and uncertainties relating to our operations and business environment that may cause actual results to differ materially from any future results expressed or implied in such forward-looking statements. Words such as "expects," "will," "plans," "anticipates," "indicates," "believes," "forecast," "guidance," "outlook," "goals" and similar expressions are intended to identify forward-looking statements.

Additionally, forward-looking statements include statements that do not relate solely to historical facts, such as statements which identify uncertainties or trends, discuss the possible future effects of current known trends or uncertainties, or which indicate that the future effects of known trends or uncertainties cannot be predicted, guaranteed or assured. All forward-looking statements in this report are based upon information available to us on the date of this report. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as required by applicable law.

Our actual results could differ materially from these forward-looking statements due to numerous factors including, without limitation, the following: our ability to comply with the terms of our various financing arrangements, the costs and availability of financing; our ability to maintain adequate liquidity; our ability to execute our operational plans and revenue-generating initiatives, including optimizing our revenue; our ability to control our costs, including realizing benefits from our resource optimization efforts, cost reduction initiatives and fleet replacement programs, costs associated with any modification or termination of our aircraft orders; our ability to utilize our net operating losses; our ability to attract and retain customers; potential reputational or other impact from adverse events in our operations, demand for transportation in the markets in which we operate; an outbreak of a disease that affects travel demand or travel behavior; demand for travel and the impact that global economic and political conditions have on customer travel patterns, excessive taxation and the inability to offset future taxable income; general economic conditions (including interest rates, foreign currency exchange rates, investment or credit market conditions, crude oil prices, costs of aircraft fuel and energy refining capacity in relevant markets); economic and political instability and other risks of doing business globally; our ability to cost-effectively hedge against increases in the price of aircraft fuel if we decide to do so, any potential realized or unrealized gains or losses related to fuel or currency hedging programs, the effects of any hostilities, act of war or terrorist attack; the ability of other air carriers with whom we have alliances or partnerships to provide the services contemplated by the respective arrangements with such carriers; the effects of any technology failures or cybersecurity breaches, disruptions to our regional network; the costs and availability of aviation and other insurance; industry consolidation or changes in airline alliances, the success of our investments in airlines in other parts of the world, competitive pressures on pricing and on demand; our capacity decisions and the capacity decisions of our competitors; U.S. or foreign governmental legislation, regulation and other actions (including Open Skies agreements and environmental regulations); the impact of regulatory, investigative and legal proceedings and legal compliance risks; the impact of any management changes; labor costs, our ability to maintain satisfactory labor relations and the results of any collective bargaining agreement process with our union groups; any disruptions to operations due to any potential actions by our labor groups; weather conditions, and other risks and uncertainties set forth under Part I, Item 1A., "Risk Factors" of our 2016 Annual Report, as well as other risks and uncertainties set forth from time to time in the reports we file with the U.S. Securities and Exchange Commission (the "SEC").

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There have been no material changes in market risk from the information provided in Part II, Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" in our 2016 Annual Report.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Control and Procedures

The Company maintains controls and procedures that are designed to ensure that information required to be disclosed in the reports filed or submitted to the SEC is recorded, processed, summarized and reported, within the time periods specified by the SEC's rules and forms, and is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Company's management, including the Chief Executive Officer and Chief Financial Officer, performed an evaluation to conclude with reasonable assurance that UAL's and United's disclosure controls and procedures were designed and operating effectively to report the information each company is required to disclose in the reports they file with the SEC on a timely basis. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer of UAL and United have concluded that as of September 30, 2017, disclosure controls and procedures of each of UAL and United were effective.

Changes in Internal Control over Financial Reporting during the Quarter Ended September 30, 2017

During the three months ended September 30, 2017, there were no changes in UAL's or United's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, their internal control over financial reporting (as defined in rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934).

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Part I, Item 3., "Legal Proceedings" of the 2016 Annual Report for a description of legal proceedings

Item 1A. RISK FACTORS

See Part I, Item 1A., "Risk Factors," of the 2016 Annual Report for a detailed discussion of the risk factors affecting UAL and United.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

(a) None

(b) None

(c) The following table presents repurchases of UAL common stock made in the third quarter of fiscal year 2017:

Period	Total number of shares purchased (a)(b)	Average price paid per share (b)(c)	Total number of shares purchased as part of publicly announced plans or programs (a)	Approximate dollar value of shares that may yet be purchased under the plans or programs (in millions) (a)
July 2017	2,537,939	$ 73.35	2,537,939	$ 923
August 2017	3,592,802	66.80	3,592,802	683
September 2017	2,159,408	60.20	2,159,408	553
Total	8,290,149		8,290,149	

(a) In July 2016, UAL's Board of Directors authorized a $2 billion share repurchase program. As of September 30, 2017, the Company had approximately $0.6 billion remaining to purchase shares under its share repurchase program. UAL may repurchase shares through the open market, privately negotiated transactions, block trades or accelerated share repurchase transactions from time to time in accordance with applicable securities laws.

(b) The table does not include shares withheld from employees to satisfy certain tax obligations due upon the vesting of restricted stock awards and restricted stock units. The United Continental Holdings, Inc. 2017 Incentive Compensation Plan, which replaced the United Continental Holdings, Inc. 2008 Incentive Compensation Plan on May 24, 2017, provides for the withholding of shares to satisfy tax obligations due upon the vesting of restricted stock. However, this plan does not specify a maximum number of shares that may be withheld for this purpose. A total of 8,457 shares were withheld under this plan in the third quarter of 2017 at an average share price of $67.88. These shares of common stock withheld to satisfy tax withholding obligations may be deemed to be "issuer purchases" of shares that are required to be disclosed pursuant to this Item.

(c) Average price paid per share is calculated on a settlement basis and excludes commission.

ITEM 6. EXHIBITS.

EXHIBIT INDEX

Exhibit No.	Registrant	Exhibit
*4.1	UAL United	Fourth Supplemental Indenture, dated as of September 29, 2017, among United Continental Holdings, Inc., United Airlines, Inc. and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the Commission on October 4, 2017)
^10.1	UAL United	Amended and Restated A350-900 Purchase Agreement, dated September 1, 2017, including letter agreements related thereto, between Airbus S.A.S. and United Airlines, Inc.
12.1	UAL	United Continental Holdings, Inc. and Subsidiary Companies Computation of Ratio of Earnings to Fixed Charges
12.2	United	United Airlines, Inc. and Subsidiary Companies Computation of Ratio of Earnings to Fixed Charges
31.1	UAL	Certification of the Principal Executive Officer of United Continental Holdings, Inc. Pursuant to 15 U.S.C. 78m(a) or 78o(d) (Section 302 of the Sarbanes-Oxley Act of 2002)
31.2	UAL	Certification of the Principal Financial Officer of United Continental Holdings, Inc. Pursuant to 15 U.S.C. 78m(a) or 78o(d) (Section 302 of the Sarbanes-Oxley Act of 2002)
31.3	United	Certification of the Principal Executive Officer of United Airlines, Inc. Pursuant to 15 U.S.C. 78m(a) or 78o(d) (Section 302 of the Sarbanes-Oxley Act of 2002)
31.4	United	Certification of the Principal Financial Officer of United Airlines, Inc. Pursuant to 15 U.S.C. 78m(a) or 78o(d) (Section 302 of the Sarbanes-Oxley Act of 2002)
32.1	UAL	Certification of the Chief Executive Officer and Chief Financial Officer of United Continental Holdings, Inc. Pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)
32.2	United	Certification of the Chief Executive Officer and Chief Financial Officer of United Airlines, Inc. Pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)
101.1	UAL United	XBRL Instance Document
101.2	UAL United	XBRL Taxonomy Extension Schema Document
101.3	UAL United	XBRL Taxonomy Extension Calculation Linkbase Document
101.4	UAL United	XBRL Taxonomy Extension Definition Linkbase Document
101.5	UAL United	XBRL Taxonomy Extension Labels Linkbase Document
101.6	UAL United	XBRL Taxonomy Extension Presentation Linkbase Document

^ Confidential portion of this exhibit has been omitted and filed separately with the SEC pursuant to a request for confidential treatment
* Previously Filed

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature for each undersigned company shall be deemed to relate only to matters having reference to such company or its subsidiaries.

United Continental Holdings, Inc
(Registrant)

Date: October 19, 2017

By: /s/ Andrew C. Levy

Andrew C. Levy
Executive Vice President and Chief Financial Officer (principal financial officer)

Date: October 19, 2017

By: /s/ Chris Kenny

Chris Kenny
Vice President and Controller
(principal accounting officer)

United Airlines, Inc.
(Registrant)

Date: October 19, 2017

By: /s/ Andrew C. Levy

Andrew C. Levy
Executive Vice President and Chief Financial Officer
(principal financial officer)

Date: October 19, 2017

By: /s/ Chris Kenny

Chris Kenny
Vice President and Controller
(principal accounting officer)

Exhibit 10.1

CONFIDENTIAL MATERIAL APPEARING IN THIS DOCUMENT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION IN ACCORDANCE WITH THE SECURITIES ACT OF 1933, AS AMENDED, AND RULE 24B-2 PROMULGATED THEREUNDER. OMITTED INFORMATION HAS BEEN REPLACED WITH ASTERISKS.

AMENDED AND RESTATED
A350-900 PURCHASE AGREEMENT

Dated as of 1 September 2017

between

AIRBUS S.A.S.,
as Seller

and

UNITED AIRLINES, INC.
as Buyer

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AMENDED AND RESTATED A350-900 PURCHASE AGREEMENT

This Amended and Restated A350-900 Purchase Agreement is made as of 1 September, 2017

between

AIRBUS S.A.S., a *société par actions simplifiée*, organized and existing under the laws of the Republic of France, having its registered office located at 2, Rond-Point Emile Dewoitine, 31700 BLAGNAC, FRANCE (hereinafter referred to as the " **Seller** ").

and

UNITED AIRLINES, INC. a corporation organized and existing under the laws of the State of Delaware, United States of America, having its principal corporate offices located at 233 South Wacker Drive, Chicago, Illinois 60606 (hereinafter referred to as the " **Buyer** ").

WHEREAS the Buyer and the Seller have entered into an Airbus A350-900XWB Purchase Agreement, ref. CT0900252, dated as of March 5 th, 2010, as amended and supplemented from time to time (the " **Original A350XWB PA** ") relating to, inter alia, the sale by the Seller and the purchase by the Buyer of certain A350-1000 aircraft (the " **Original A350XWB Order** ");

WHEREAS the Buyer and the Seller agree to modify the Buyer's Original A350XWB Order so that it consists of a firm order for certain A350-900 aircraft (the " **New A350-900 Order** ") under the terms and conditions provided herein,

WHEREAS the Buyer and the Seller wish to amend and restate the Original A350XWB PA to read in its entirety as set forth herein,

NOW THEREFORE IT IS AGREED AS FOLLOWS:

0 - DEFINITIONS

For all purposes of this Agreement (defined below), except as otherwise expressly provided, the following terms will have the following meanings:

A350-900 Aircraft – any or all of the Airbus A350-900 model aircraft to be sold by the Seller and purchased by the Buyer pursuant to this Agreement, together with all components, equipment, parts and accessories installed in or on such aircraft and the Propulsion Systems installed thereon upon delivery.

A350-1000 Aircraft – any or all of the Airbus A350-1000 model aircraft to be sold by the Seller and purchased by the Buyer pursuant to this Agreement, together with all components, equipment, parts and accessories installed in or on such aircraft and the Propulsion Systems installed thereon upon delivery.

A350-900 ULR Aircraft – any or all of the Airbus A350-900 ultra-long range model aircraft to be sold by the Seller and purchased by the Buyer pursuant to this Agreement, together with all components, equipment, parts and accessories installed in or on such aircraft and the Propulsion Systems installed thereon upon delivery.

A350-900 Standard Specification – the A350-900 standard specification document ***, a copy of which is annexed hereto as Exhibit A-1

A350-1000 Standard Specification – the A350-1000 standard specification document ***, a copy of which is annexed hereto as Exhibit A-2

ACS – as defined in Clause 2.1.

Affiliate - with respect to any person or entity, any other person or entity directly or indirectly controlling, controlled by or under common control with such person or entity.

Agreement - this Amended and Restated A350-900 Purchase Agreement, including all exhibits and appendices attached hereto, as the same may be amended or modified and in effect from time to time.

Airbus Contracted Suppliers Equipment or ACS Equipment – as defined in Clause 2.1

Airbus Contracted Suppliers or ACS Suppliers – the suppliers of Airbus Contracted Supplier Equipment selected by the Buyer

Airbus World – as defined Clause 14.4.1.

Aircraft - any or all of the A350-900 Aircraft, the A350-1000 Aircraft and the A350-900 ULR Aircraft, to be sold by the Seller and purchased by the Buyer pursuant to this Agreement.

Airframe – any Aircraft, excluding the Propulsion Systems therefor, but including the nacelles and thrust reversers

Aircraft Training Services - all flight support services that are performed on an aircraft including but not limited to any and all training courses, flight training, flight assistance, line training, line assistance and more generally all flights of any kind performed by the Seller, its agents, employees or subcontractors, and maintenance support, maintenance training (including Practical Training) and training support of any kind provided to the Buyer pursuant to this Agreement

AACS – Airbus Americas Customer Services, Inc , a corporation organized and existing under the laws of Delaware, having its registered office located at 2550 Wasser Terrace, Suite 9100, Herndon, VA 20171, or any successor thereto

ATA Specification – recommended specifications developed by the Air Transport Association of America reflecting consensus in the commercial aviation industry on accepted means of communicating information, conducting business, performing operations and adhering to accepted practices.

Aviation Authority – when used with respect to any jurisdiction, the government entity that, under the laws of such jurisdiction, has control over civil aviation or the registration, airworthiness or operation of civil aircraft in such jurisdiction.

Balance of the Final Price of the Aircraft – the amount payable by the Buyer to the Seller on the Delivery Date for an Aircraft after deducting from the Final Price of the Aircraft the amount of all Predelivery Payments received by the Seller from the Buyer in respect of such Aircraft on or before the Delivery Date for such Aircraft, and not applied pursuant to Clause 5.6 to any other amount owed by the Buyer to the Seller.

Base Price – for any Aircraft or SCN, its base price, as more completely described in Clause 3.1.

Business Day - with respect to any action to be taken hereunder, a day other than a Saturday, Sunday or other day designated as a holiday in the jurisdiction(s) in which such action is required to be taken.

Buyer Furnished Equipment (BFE) - as defined in Clause 18 1.1

Certificate of Acceptance - as defined in Clause 8.3

Commitment Fee - the commitment fee amount described in Clause 5 3.

Contractual Definition Freeze or CDF – as defined in 2.4 2

Customization Milestones Chart – as defined in 2.4 1

Delivery - the transfer of title to the Aircraft from the Seller to the Buyer in accordance with Clause 9

Delivery Date - the date on which Delivery occurs

Delivery Location - the facilities of the Seller at the location of final assembly of the Aircraft, which is currently at Airbus Operations S.A.S. works in Toulouse, France.

Development Changes - as defined in Clause 2 2 2.

DGAC - the *Direction Générale de l'Aviation Civile* of France or any successor thereto.

EASA - European Aviation Safety Agency or any successor thereto

Excusable Delay - as defined in Clause 10.1.

Export Certificate of Airworthiness - an export certificate of airworthiness issued by the Aviation Authority of the Delivery Location

FAA - the U.S. Federal Aviation Administration, or any successor thereto.

Family ADD - as the context requires, either the A350XWB Family Aircraft Description Document – ***, or any ***.

Final Price of the Aircraft - as defined in Clause 3.3.

Goods and Services - any goods, excluding Aircraft or aircraft, and services that may be purchased by the Buyer from the Seller or its designee.

Inexcusable Delay - as defined in Clause 11 1.

In-Flight Consulting – advisory services, provided at the Buyer's request that are performed on an Aircraft by a Seller Representative, or other designee of the Seller, at commercial terms to be agreed on a case by case basis.

In-Flight Entertainment (IFE) – as defined in Clause 18 1.2.2.

LBA - *Luftfahrt-Bundesamt* of Germany or any successor thereto

Manufacture Facilities - the various manufacture facilities of the Seller, its Affiliates or any subcontractor, where the Airframe or its parts are manufactured or assembled

Manufacturer Specification Change Notice (MSCN) - as defined in Clause 2.2 2.1

Predelivery Payment - any of the payments determined in accordance with Clause 5.2

Predelivery Payment Reference Price - as defined in Clause 5 2.2.

Propulsion Systems -- with respect to an Aircraft of any type, a set of engines as specified in Clause 2.3.

Propulsion Systems Manufacturer - means the manufacturer of the Propulsion Systems.

Ready for Delivery -- with respect to any Aircraft, when (i) the Technical Acceptance Process has been successfully completed for an Aircraft and (ii) the Export Certificate of Airworthiness has been issued for such Aircraft

Scheduled Delivery Month - as defined in Clause 9 1.1

Scheduled Delivery Quarter -- as defined in Clause 9.1.

Scheduled Delivery Period -- for any given Aircraft, its Scheduled Delivery Quarter or Scheduled Delivery Month, as applicable.

Seller Price Revision Formula - the price revision formula set forth in Exhibit C

Seller Representatives - the representatives of the Seller referred to in Clause 15

Service Life Policy - as defined in Clause 12.2.

Specification -- the Standard Specification for the Aircraft, as amended by all applicable SCNs.

Specification Change Notice (SCN) - as defined in Clause 2.2 1.

Standard Specification -- the A350-900 Standard Specification or the A350-1000 Standard Specification, as applicable

Supplier - any supplier of Supplier Parts.

Supplier Part - any component, equipment, accessory or part installed in an Aircraft at the time of Delivery thereof, not including the Propulsion Systems or Buyer Furnished Equipment, for which there exists a Supplier Product Support Agreement

Supplier Product Support Agreement - an agreement between the Seller and a Supplier containing, among other things, enforceable and transferable warranties (and in the case of landing gear suppliers, service life policies for selected structural landing gear elements)

Technical Data - as defined in Clause 14.1

Termination Event - as defined in Clause 20.1

Total Loss - as defined in Clause 10.4

Training Conference - as defined in Clause 16 1.3

Type Certificate - as defined in Clause 7 1

Warranted Part - as defined in Clause 12.1 1

Warranty Claim - as defined in Clause 12.1.7(v)

Warranty Period – as defined in Clause 12.1.3

The terms "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement, and not a particular Clause thereof. The definition of a singular will apply to plurals of the same words.

Except as provided in Clause 22.6.4, references in this Agreement to an exhibit, schedule, article, section, subsection or clause refer to the appropriate exhibit or schedule to, or article, section, subsection or clause in this Agreement.

Each agreement defined in this Clause 0 will include all appendixes, exhibits and schedules thereto If the prior written consent of any person is required hereunder for an amendment, restatement, supplement or other modification to any such agreement and the consent of each such person is obtained, references in this Agreement to such agreement shall be to such agreement as so amended, restated, supplemented or modified.

References in this Agreement to any statute, regulation or other law will be to such statute, regulation or other law, as amended or modified and in effect at the time any such reference is operative

The term "including" when used in this Agreement means "including without limitation" except when used in the computation of time periods

Technical and trade terms not otherwise defined herein will have the meanings assigned to them as generally accepted in the aircraft manufacturing industry.

1 - SALE AND PURCHASE

The Seller will sell and deliver to the Buyer, and the Buyer will purchase and take delivery of all of the forty-five (45) A350-900 Aircraft from the Seller, subject to the terms and conditions in this Agreement.

2 - SPECIFICATION

2.1 Aircraft Specification

2.1.1 Aircraft Standard Specification and design weights

The Aircraft will be manufactured in accordance with the Specification.

2.1.1.1 A350-900 Aircraft

At the time of signature of this Agreement, the design development of the A350-900 Aircraft is finalized and the aircraft definition corresponding to the Base Price of the A350-900 set forth in Clause 3.1.1 of the Agreement is as set forth in the Seller's current reference document, the A350-900 Standard Specification

The estimated Manufacturer's Weight Empty (MWE) as set forth in paragraph *** of the A350-900 Standard Specification has been *** (expressed in metric tons).

In accordance with the A350-900 Standard Specification, the design weights (expressed in metric tons) (Maximum Take-off Weight ("MTOW"), Maximum Landing Weight ("MLW") and Maximum Zero Fuel Weight ("MZFW")) applicable to the A350-900 Aircraft are as follows:

	MTOW	MLW	MZFW
A350-900 Aircraft	***	***	***

Notwithstanding the foregoing, the Buyer has elected that the A350-900 Aircraft be manufactured with the ***.

	MTOW	MLW	MZFW
A350-900 Aircraft	***	***	***

The *** shall be based on ***, the implementation of which shall be recorded by means of Manufacturer Specification Change Notice(s) / Development Change(s) (as set out in Exhibit B-2) and is hereby irrevocably accepted by the Buyer for each A350-900 Aircraft delivered hereunder with the ***.

2.1.1.2 A350-1000 Aircraft

At the time of signature of this Agreement, the design development of the A350-1000 Aircraft is finalized and the aircraft definition corresponding to the Base Price of the A350-1000 Aircraft set forth in Clause 3.1.2 of the Agreement is as set forth in the Seller's current reference document, the A350-1000 Standard Specification.

In accordance with the A350-1000 Standard Specification, the A350-1000 Aircraft, if purchased by the Buyer, shall be manufactured with the following design weights (expressed in metric tons) (MTOW, MLW and MZFW)

	MTOW	MLW	MZFW
A350-1000 Aircraft	***	***	***

2.1.1.3 A350-900 ULR Aircraft

At the time of signature of this Agreement, the design development of the A350-900 ULR Aircraft is in the process of being finalized and the aircraft definition corresponding to the Base Price of the A350-900 ULR Aircraft set forth in Clause 3.1.3 of the Agreement is as set forth in the Seller's current reference document, the A350-900 Standard Specification, combined with the Improvement Package and the ULR Option Changes as set out below

The specification of the A350-900 ULR Aircraft shall be derived from the current A350-900 Standard Specification and shall be based on (i) ***, as well as on (ii) *** as well as on (iii) ***.

Consequently the implementation of ***, as set out in Exhibit B-2, is hereby irrevocably accepted by the Buyer for each A350-900 ULR Aircraft (if purchased by the Buyer) delivered hereunder.

In accordance with the A350-900 Standard Specification, *** if purchased by the Buyer, shall be manufactured with the following design weights (expressed in metric tons) (MTOW, MLW and MZFW):

	MTOW	MLW	MZFW
A350-900 ULR Aircraft	***	***	***

2.1.1.4 The Seller agrees to promptly inform the Buyer of any Standard Specification evolutions that the Seller is contemplating offering to airlines for incorporation in the Aircraft.

2.1.2 Aircraft – Comprehensive Offer

In order to provide a comprehensive view of the available standard and optional features for the A350XWB family of aircraft, the Seller has also issued the Family ADD. The Family ADD includes, in addition to the basic aircraft features and functionalities set forth in the Standard Specification, sections identified as "Overview", which provide descriptions of design concepts, and sections marked "Customization", which detail the currently foreseen optional features available.

2.1.3 ***

2.2 Specification Amendment

The parties understand and agree that the Specification may be further amended following signature of this Agreement in accordance with the terms of this Clause 2.

2.2.1 Specification Change Notice

The Specification may be amended by written agreement between the parties in a Specification Change Notice (" **SCN** "). Each SCN will be substantially in the form set out in Exhibit B-1 and will set out the SCN's Aircraft embodiment rank and will also set forth, in detail, the particular change to be made to the Specification and the effect, if any, of such change on design, performance, weight, Delivery Date of the Aircraft affected thereby and on the text of the Specification. An SCN may result in an adjustment of the Base Price of the Aircraft, which adjustment, if any, will be specified in the SCN

2.2.2 Development Changes

The Specification may also be amended to incorporate changes deemed necessary by the Seller to improve the Aircraft, prevent delay or ensure compliance with this Agreement (" **Development Changes** "), as set forth in this Clause 2.

2.2.2.1 Manufacturer Specification Changes Notices

The Specification may be amended by the Seller through a Manufacturer Specification Change Notice (" **MSCN** "), which will be substantially in the form set out in Exhibit B-3 hereto and will set out the MSCN's Aircraft embodiment rank as well as, in detail, the particular change to be made to the Specification and the effect, if any, of such change on performance, weight, Base Price of the Aircraft, Delivery Date of the Aircraft affected thereby and on interchangeability or replaceability requirements under the Specification.

Except when the MSCN is necessitated by an Aviation Authority directive or by equipment obsolescence (in which case the MSCN will be accomplished without requiring the Buyer's consent) if the MSCN adversely affects the performance, weight, Base Price, Delivery Date of the Aircraft affected thereby or the interchangeability or replaceability requirements under the Specification, the Seller will notify the Buyer of a reasonable period of time during which the Buyer must accept or reject such MSCN. If the Buyer does not notify the Seller of the rejection of the MSCN within such period, the MSCN will be deemed accepted by the Buyer and the corresponding modification will be accomplished.

2.2.2.2 If the Seller revises the Specification to incorporate Development Changes which have no adverse effect on any of the elements set forth in Clause 2.2.2.1 above, such revision will be performed by the Seller without the Buyer's consent.

In such cases, the Seller will provide to the Buyer the details of all changes on a regular basis.

2.3 Propulsion Systems

The A350-900 Aircraft and the A350-900 ULR Aircraft will be equipped with a set of *** engines, including standard equipment

The A350-1000 Aircraft will be equipped with a set of *** engines, including standard equipment.

2.4 Milestones

2.4.1 Customization Milestones Chart

Within a reasonable period following signature of the Agreement, the Seller will provide the Buyer with a customization milestones chart (**the "Customization Milestone Chart "**), setting out how far in advance of the Scheduled Delivery Month of the Aircraft an SCN must be executed in order to integrate into the Specification any items requested by the Buyer from the Seller's catalogues of Specification change options (the " **Option Catalogues** ").

2.4.2 Contractual Definition Freeze

The Customization Milestone Chart shall define the date(s) by which the contractual definition of the Aircraft must be finalized and all SCNs selected by the Buyer must be executed by the Buyer (the **"Contractual Definition Freeze "** or " **CDF** ") in order to enable their incorporation into the manufacturing of the Aircraft and Delivery of the Aircraft in the Scheduled Delivery Month. Each such date will be referred to as a " **CDF Date** ".

2.5 ***

3 - PRICE

3.1 Base Price of the Aircraft

3.1.1 Base Price of the A350-900 Aircraft

The Base Price of the A350-900 Aircraft is the sum of:

(i) the base price of the A350-900 Aircraft as defined in the A350-900 Standard Specification (excluding Buyer Furnished Equipment and Airbus Contracted Supplier equipment), which is:

***

and

(ii) the sum of the base prices of all SCNs set forth in Part 1 of Exhibit B-2 (**the "A350-900 SCN Budget"**), which is:

***

and

(iii) the base price of the ***, which is.

***

The Base Price of the A350-900 Aircraft has been established in accordance ***.

3.1.2 Base Price of the A350-1000 Aircraft

The Base Price of the A350-1000 Aircraft, if purchased by the Buyer, is the sum of:

(i) the base price of the A350-1000 Aircraft as defined in the A350-1000 Standard Specification (excluding Buyer Furnished Equipment and Airbus Contracted Supplier equipment), which is:

***

and

(ii) the sum of the base prices of all SCNs set forth in Part 2 of Exhibit B-2 (**the "A350-1000 SCN Budget"**), which is:

***

The Base Price of the A350-1000 Aircraft has been established in accordance with ***.

3.1.3 Base Price of the A350-900 ULR Aircraft

The Base Price of the A350-900 ULR Aircraft, if purchased by the Buyer, is the sum of:

(i) the base price of the A350-900 Aircraft as defined in the A350-900 Standard Specification (excluding Buyer Furnished Equipment and Airbus Contracted Supplier equipment), as modified by the ULR Option Changes, which is

***

and

(ii) the sum of the base prices of all SCNs set forth in Part 3 of Exhibit B-2 (the "**A350-900 ULR SCN Budget**"), which is:

***

The Base Price of the A350-900 ULR Aircraft has been established in accordance with ***.

3.2 Airbus Contracted Supplier (ACS) Equipment Price

The conditions of purchasing of ACS Equipment for the Aircraft will be the subject to an agreement among the Seller, ACS Suppliers and the Buyer at the time of the final selection of the ACS Equipment from the Option Catalogues.

Notwithstanding the foregoing, it is understood that ACS Equipment for the Aircraft will be purchased by the Seller, in accordance with the agreed terms as set forth above, and invoiced to the Buyer in accordance with Clause 3.3.

The following reference amount (the "**ACS Reference Price**") may be used *** for the ACS Equipment for the Buyer's Aircraft:

***

in each case, at economic conditions prevailing for a theoretical delivery ***.

Nothing in this Clause 3.2 will be construed to prevent the Buyer from entering into direct negotiations with any ACS Supplier(s) with the view to negotiate more favorable terms and conditions than those as set forth in the Option Catalogues.

3.3 Final Price of the Aircraft

The Final Price of the Aircraft will be the sum of:

(i) the Base Price of the Aircraft, as adjusted to the applicable Delivery Date of such Aircraft in accordance with Clause 4;

(ii) the aggregate of all increases or decreases to the Base Price of the Aircraft as agreed in any Specification Change Notice for the Aircraft or part thereof subsequent to the date of this Agreement as adjusted to the Delivery Date in accordance with Clause 4;

(iii) the price of any and all ACS Equipment selected by the Buyer in the Seller's Option Catalogues and purchased by the Seller, either at the then applicable ACS Supplier Base Price or in accordance with the terms and conditions agreed between the Buyer and the ACS Suppliers and communicated to the Seller; and

(iv) any other amount resulting from any other provisions of this Agreement and/or any other written agreement between the Buyer and the Seller relating to the Aircraft.

4 - PRICE REVISION

The Base Price of the Aircraft and of the SCNs for the Aircraft are subject to revision up to and including the month in which Delivery occurs, in accordance with the Seller Price Revision Formula

5 - PAYMENT TERMS

5.1 Seller's Account

The Buyer will pay the Predelivery Payments, the Balance of the Final Price of the Aircraft and any other amount due hereunder in immediately available funds in United States dollars to. AIRBUS S.A.S., Account. No *** 787, Seventh Avenue, New York, NY 10019. USA, or to such other account as may be designated by the Seller.

5.2 Predelivery Payments

***

5.5 Taxes

5.5.1 The amounts stated in this Agreement to be payable by the Buyer are exclusive of value added tax (" **VAT** ") chargeable under the laws of any jurisdiction and accordingly the Buyer shall pay any VAT chargeable with respect to any Aircraft, component, accessory, equipment or part delivered or furnished under this Agreement. ***

5.5.2 The Seller will pay all other Taxes (except for Taxes based on or measured by the income of the Buyer or any Taxes levied against the Buyer for the privilege of doing business in any jurisdiction), levied, assessed, charged or collected, on or prior to Delivery of any Aircraft, for or in connection with the manufacture, assembly, sale and delivery under this Agreement of such Aircraft or any parts, instructions or data installed thereon or incorporated therein (except Buyer Furnished Equipment referred to in Clause 18).

5.5.3 The Buyer will pay all Taxes not assumed by the Seller under Clause 5.5.2, except for Taxes based on or measured by the income of the Seller or any Taxes levied against the Seller for the privilege of doing business in any jurisdiction.

5.5.4 ***

"**Taxes** " means any present or future tax, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any governmental authority or any political subdivision or taxing authority thereof or therein

5.6 Application of Payments

Notwithstanding any other rights the Seller may have at contract or at law, the Buyer and the Seller hereby agree that should any amount (whether under this Agreement or under any other agreement between the Buyer and its Affiliates on the one hand and the Seller and its Affiliates on the other hand and whether at the stated maturity of such amount, by acceleration or otherwise) become due and payable by the Buyer or its Affiliates, and not be paid in full in immediately available funds on the date due, then the Seller will have the right to debit and apply, in whole or in part, the Predelivery Payments paid to the Seller by the Buyer against such unpaid amount. The Seller will promptly notify the Buyer in writing after such debiting and application, and the Buyer will immediately pay to the Seller the amount required to comply with Clause 5.2.3.

5.7 Setoff Payments

Notwithstanding anything to the contrary contained herein, before being required to make any payments to the Buyer, the Seller will have the right to deduct from any such payments an amount equal to any other amounts the Buyer or any of its Affiliates owes to the Seller or any Affiliate thereof under any agreement between them.

5.8 Overdue Payments

5.8.1 If any payment due to the Seller is not received by the Seller on the date or dates due, the Seller will have the right to claim from the Buyer, and the Buyer will promptly pay to the Seller on receipt of such claim, interest at the rate of *** on the amount of such overdue payment, to be calculated from and including the due date of such payment to (but excluding) the date such payment is received by the Seller. The Seller's right to receive such interest will be in addition to any other rights of the Seller hereunder or at law.

5.8.2 If any Predelivery Payment is not received ***, the Seller, in addition to any other rights and remedies available to it, will be under no obligation to deliver any Aircraft remaining to be delivered under this Agreement within such Aircraft's Scheduled Delivery Month(s). Upon receipt of full payment of all such overdue Predelivery Payments, together with interest on such Predelivery Payments in accordance with Clause 5.8.1, the Seller will provide the Buyer with new Scheduled Delivery Months for the affected Aircraft, subject to the Seller's commercial and industrial constraints.

5.9 Proprietary Interest

Notwithstanding any provision of law to the contrary, the Buyer will not, by virtue of anything contained in this Agreement (including, without limitation, any Commitment Fee or Predelivery Payments hereunder, or any designation or identification by the Seller of a particular aircraft as an Aircraft to which any of the provisions of this Agreement refers) acquire any proprietary, insurable or other interest whatsoever in any Aircraft before Delivery of and payment for such Aircraft, as provided in this Agreement.

5.10 Payment in Full

The Buyer's obligation to make payments to the Seller hereunder will not be affected by and will be determined without regard to any setoff, counterclaim, recoupment, defense or other right that the Buyer may have against the Seller or any other person and all such payments will be made without deduction or withholding of any kind. The Buyer will ensure that the sums received by the Seller under this Agreement will be equal to the full amounts expressed to be due to the Seller hereunder, without deduction or withholding on account of and free from any and all taxes, levies, imposts, duties or charges of whatever nature, except that if the Buyer is compelled by law to make any such deduction or withholding the Buyer will pay such additional amounts to the Seller as may be necessary so that the net amount received by the Seller after such deduction or withholding will equal the amounts that would have been received in the absence of such deduction or withholding.

5.11 Other Charges

Unless expressly stipulated otherwise, any other charges due under this Agreement other than those set out in Clauses 5.2, 5.3 and 5.4 will be paid by the Buyer at the same time as payment of the Balance of the Final Price or, if invoiced after the Delivery Date, within ten (10) days after the invoice date.

6 - MANUFACTURE PROCEDURE - INSPECTION

6 1 Manufacture Procedures

The Airframe will be manufactured in accordance with the requirements of the laws of the jurisdiction of incorporation of the Seller or of its relevant Affiliate as enforced by the Aviation Authority of such jurisdiction.

6 2 Inspection

6 2.1 The Buyer or its duly authorized representatives (the **"Buyer's Inspector(s)"**) will be entitled to inspect the manufacture of the Airframe and all materials and parts obtained by the Seller for the manufacture of the Airframe (the **"Inspection "**) on the following terms and conditions,

(i) any Inspection will be conducted pursuant to the Seller's system of inspection and the relevant Airbus procedures, as developed under the supervision of the relevant Aviation Authority;

(ii) *** the Buyer's Inspector(s) will have access to such relevant technical documentation as is reasonably necessary for the purpose of the Inspection,

(iii) any Inspection and any related discussions with the Seller and other relevant personnel by the Buyer's Inspector(s) will be at reasonable times during business hours and will take place in the presence of the relevant inspection department personnel of the Seller;

(iv) the Inspections will be performed in a manner not to unduly delay or hinder the manufacture or assembly of the Aircraft or the performance of this Agreement by the Seller or any other work in progress at the Manufacture Facilities.

6.2.2 Location of Inspections

The Buyer's Inspector(s) will be entitled to conduct any such Inspection at the relevant Manufacture Facility of the Seller or its Affiliates and at the Manufacture Facilities of the sub-contractors provided that if access to any part of the Manufacture Facilities where the Airframe manufacture is in progress or materials or parts are stored are restricted for security or confidentiality reasons, the Seller will be allowed reasonable time to make the relevant items available elsewhere

6 3 Seller's Service for Buyer's Inspector(s)

For the purpose of the Inspections, and starting from a mutually agreed date until the Delivery Date, the Seller will furnish without additional charge suitable space and office equipment in or conveniently located with respect to the Delivery Location for the use of a reasonable number of Buyer's Inspector(s).

7 - CERTIFICATION

Except as set forth in this Clause 7, the Seller will not be required to obtain any certificate or approval with respect to the Aircraft

7.1 Type Certification

The Aircraft have been type certificated under EASA procedures for joint certification in the transport category The Seller will obtain or cause to be obtained an FAA type certificate (the " **Type Certificate** ") to allow the issuance of the Export Certificate of Airworthiness.

7.2 Export Certificate of Airworthiness

Subject to the provisions of Clause 7.3, the Aircraft will be delivered to the Buyer with an Export Certificate of Airworthiness issued by the DGAC and in a condition enabling the Buyer (or an eligible person under then applicable law) to obtain at the time of Delivery a Standard Airworthiness Certificate issued pursuant to Part 21 of the US Federal Aviation Regulations and a Certificate of Sanitary Construction issued by the U.S. Public Health Service of the Food and Drug Administration. However, the Seller will have no obligation to make and will not be responsible for any costs of alterations or modifications to such Aircraft to enable such Aircraft to meet FAA or U S Department of Transportation requirements for specific operation on the Buyer's routes, whether before, at or after Delivery of any Aircraft.

If the FAA requires additional or modified data before the issuance of the Export Certificate of Airworthiness, the Seller will provide such data or implement the required modification to the data, in either case, at the Buyer's cost.

7.3 Specification Changes before Aircraft Ready for Delivery

7.3.1 If, any time before the date on which the Aircraft is Ready for Delivery, any law, rule or regulation is enacted, promulgated, becomes effective and/or an interpretation of any law, rule or regulation is issued by the EASA that requires any change to the Specification for the purposes of obtaining the Export Certificate of Airworthiness (a **"Change in Law** "), the Seller will make the required modification and the parties hereto will sign an SCN.

7.3.2 The Seller will as far as practicable, but at its sole discretion and without prejudice to Clause 7.3.3(ii), take into account the information available to it concerning any proposed law, rule or regulation or interpretation that could become a Change in Law, in order to minimize the costs of changes to the Specification as a result of such proposed law, regulation or interpretation becoming effective before the applicable Aircraft is Ready for Delivery

7.3.3 The cost of implementing the required modifications referred to in Clause 7.3.1 will be

***

7.3.4 Notwithstanding the provisions of Clause 7.3.3, if a Change in Law relates to an item of BFE or to the Propulsion Systems the costs related thereto will be borne in accordance with such arrangements as may be made separately between the Buyer and the manufacturer of the BFE or the Propulsion Systems, as applicable, and the Seller will have no obligation with respect thereto.

7.4 Specification Changes after Aircraft Ready For Delivery

Nothing in Clause 7.3 will require the Seller to make any changes or modifications to, or to make any payments or take any other action with respect to, any Aircraft that is Ready for Delivery before the compliance date of any law or regulation referred to in Clause 7.3. Any such changes or modifications made to an Aircraft after it is Ready for Delivery will be at the ***.

8 - TECHNICAL ACCEPTANCE

8 1 Technical Acceptance Process

8.1.1 Prior to Delivery, the Aircraft will undergo a technical acceptance process developed by the Seller (the "**Technical Acceptance Process**") Completion of the Technical Acceptance Process will demonstrate the satisfactory functioning of the Aircraft and will be deemed to demonstrate compliance with the Specification. The Seller will without hindrance from the Buyer be entitled to carry out any necessary changes and, as soon as practicable thereafter, resubmit the Aircraft to such further Technical Acceptance Process as is necessary to demonstrate the elimination of any non-compliance

8 1 2 The Technical Acceptance Process will,

(i) commence on a date notified by the Seller to the Buyer by no less than *** notice,

(ii) take place at the Delivery Location,

(iii) be carried out by the personnel of the Seller, and

(iv) include a technical acceptance flight (the "**Technical Acceptance Flight**") that will not exceed ***.

8 2 Buyer's Attendance

8.2.1 The Buyer is entitled to attend the Technical Acceptance Process.

8 2.2 If the Buyer elects to attend the Technical Acceptance Process, the Buyer:

(i) will comply with the reasonable requirements of the Seller, with the intention of completing the Technical Acceptance Process within ***, and

(ii) may have a maximum of *** of its representatives (no more than *** of whom will have access to the cockpit at any one time) accompany the Seller's representatives on the Technical Acceptance Flight, during which the Buyer's representatives will comply with the instructions of the Seller's representatives.

8.2.3 If the Buyer does not attend or fails to cooperate in the Technical Acceptance Process, the Seller will be entitled to complete the Technical Acceptance Process and the Buyer will be deemed to have accepted that the Technical Acceptance Process has been completed, in all respects.

8.3 Certificate of Acceptance

Upon successful completion of the Technical Acceptance Process, the Buyer will, on or before the Delivery Date, sign and deliver to the Seller a certificate of acceptance in respect of the Aircraft in the form of Exhibit D (the "**Certificate of Acceptance**")

8.4 Finality of Acceptance

The Buyer's signature of the Certificate of Acceptance for the Aircraft will constitute waiver by the Buyer of any right it may have, under the Uniform Commercial Code as adopted by the State of New York or otherwise, to revoke acceptance of the Aircraft for any reason, whether known or unknown to the Buyer at the time of acceptance.

8.5 Aircraft Utilization

The Seller will, without payment or other liability, be entitled to use the Aircraft before Delivery as may be necessary to obtain the certificates required under Clause 7. Such use will not limit the Buyer's obligation to accept Delivery hereunder.

The Seller will be authorized to use the Aircraft *** for any other purpose without specific agreement of the Buyer.

9 - DELIVERY

9.1 Delivery Schedule

Subject to Clauses 2, 7, 8, 10 and 18, the Seller will have the Aircraft Ready for Delivery at the Delivery Location within the following quarters (each a **"Scheduled Delivery Quarter"**) :

Aircraft number	Aircraft type	Scheduled Delivery ***
Aircraft N°1	A350-900 Aircraft	*** 2022
Aircraft N°2	A350-900 Aircraft	***
Aircraft N°3	A350-900 Aircraft	***
Aircraft N°4	A350-900 Aircraft	***
Aircraft N°5	A350-900 Aircraft	***
Aircraft N°6	A350-900 Aircraft	***
Aircraft N°7	A350-900 Aircraft	***
Aircraft N°8	A350-900 Aircraft	***
Aircraft N°9	A350-900 Aircraft	***
Aircraft N°10	A350-900 Aircraft	***
Aircraft N°11	A350-900 Aircraft	***
Aircraft N°12	A350-900 Aircraft	***
Aircraft N°13	A350-900 Aircraft	***
Aircraft N°14	A350-900 Aircraft	***
Aircraft N°15	A350-900 Aircraft	***
Aircraft N°16	A350-900 Aircraft	***
Aircraft N°17	A350-900 Aircraft	***
Aircraft N°18	A350-900 Aircraft	***
Aircraft N°19	A350-900 Aircraft	***
Aircraft N°20	A350-900 Aircraft	***
Aircraft N°21	A350-900 Aircraft	***
Aircraft N°22	A350-900 Aircraft	***
Aircraft N°23	A350-900 Aircraft	***
Aircraft N°24	A350-900 Aircraft	***
Aircraft N°25	A350-900 Aircraft	***
Aircraft N°26	A350-900 Aircraft	***
Aircraft N°27	A350-900 Aircraft	***
Aircraft N°28	A350-900 Aircraft	***
Aircraft N°29	A350-900 Aircraft	***
Aircraft N°30	A350-900 Aircraft	***
Aircraft N°31	A350-900 Aircraft	***
Aircraft N°32	A350-900 Aircraft	***
Aircraft N°33	A350-900 Aircraft	***
Aircraft N°34	A350-900 Aircraft	***
Aircraft N°35	A350-900 Aircraft	***
Aircraft N°36	A350-900 Aircraft	***
Aircraft N°37	A350-900 Aircraft	***
Aircraft N°38	A350-900 Aircraft	***
Aircraft N°39	A350-900 Aircraft	***
Aircraft N°40	A350-900 Aircraft	***
Aircraft N°41	A350-900 Aircraft	***
Aircraft N°42	A350-900 Aircraft	***
Aircraft N°43	A350-900 Aircraft	***
Aircraft N°44	A350-900 Aircraft	***
Aircraft N°45	A350-900 Aircraft	*** 2027

9.1.1 The Seller will communicate to the Buyer the scheduled delivery month of each Aircraft (its "**Scheduled Delivery Month**"), no later than *** before the first day of the calendar year corresponding to the Scheduled Delivery Quarter of such Aircraft.

9.1.2 The Seller will give the Buyer (i) *** Thereafter the Seller will notify the Buyer of any change to such dates

9.2 Delivery Process

9.2.1 The Buyer will send its representatives to the Delivery Location to take Delivery of the Aircraft at the date on which the Aircraft is Ready for Delivery.

9.2.2 The Seller will deliver and transfer title to the Aircraft to the Buyer free and clear of all encumbrances (except for any liens or encumbrances created by or on behalf of the Buyer) provided that the Balance of the Final Price of the Aircraft has been paid by the Buyer pursuant to Clause 5.4 and that the Certificate of Acceptance has been signed and delivered to the Seller pursuant to Clause 8.3. The Seller will provide the Buyer with a bill of sale in the form of Exhibit E (the "**Bill of Sale**") and/or such other documentation confirming transfer of title and receipt of the Final Price of the Aircraft as may reasonably be requested by the Buyer. Title to and risk of loss of or damage to the Aircraft will pass to the Buyer contemporaneously with the delivery by the Seller to the Buyer of such Bill of Sale.

9.2.3 Upon successful completion of the Technical Acceptance Process, if the Buyer fails to (i) deliver the signed Certificate of Acceptance to the Seller, or (ii) pay the Balance of the Final Price of the Aircraft for the Aircraft to the Seller, as set forth in Clause 9.2.2 above, then the Buyer will be deemed to have rejected Delivery wrongfully when the Aircraft was duly tendered to the Buyer hereunder. If such a deemed rejection arises, the Seller will retain title to the Aircraft and the Buyer will indemnify and hold the Seller harmless against any

and all costs (including but not limited to any parking, storage, and insurance costs, ***) and consequences resulting from the Buyer's rejection, it being understood that the Seller will be under no duty to the Buyer to store, park, or otherwise protect the Aircraft. These rights of the Seller will be in addition to the Seller's other rights and remedies in this Agreement.

9.3 Flyaway

9.3.1 The Buyer and the Seller will cooperate to obtain any licenses that may be required by the Aviation Authority of the Delivery Location for the purpose of exporting the Aircraft

9.3.2 All expenses of, or connected with, flying the Aircraft from the Delivery Location after Delivery will be borne by the Buyer The Buyer will make direct arrangements with the supplying companies for the fuel and oil required for all post-Delivery flights.

10 - EXCUSABLE DELAY AND TOTAL LOSS

10.1 Scope of Excusable Delay

Neither the Seller nor any Affiliate of the Seller, will be responsible for or be deemed to be in default on account of delays in delivery of the Aircraft or failure to deliver or otherwise in the performance of this Agreement or any part hereof due to causes beyond the Seller's, or any Affiliate's control or not occasioned by the Seller's, fault or negligence (" **Excusable Delay** "), including, but not limited to, (i) acts of God or the public enemy, natural disasters, fires, floods, storms beyond ordinary strength, explosions or earthquakes, epidemics or quarantine restrictions; serious accidents; any law, decision, regulation, directive or other act (whether or not having the force of law) of any government or of the Council of the European Community or the Commission of the European Community or of any national, Federal, State, municipal or other governmental department, commission, board, bureau, agency, court or instrumentality, domestic or foreign; governmental priorities, regulations or orders affecting allocation of materials, facilities or a completed Aircraft; war, civil war or warlike operations, terrorism, insurrection or riots, failure of transportation; strikes or labor troubles causing cessation, slow down or interruption of work, delay in obtaining any airworthiness or type certification, inability after due and timely diligence to procure materials, accessories, equipment or parts; general hindrance in transportation; or failure of a subcontractor or Supplier to furnish materials, components, accessories, equipment or parts; (ii) any delay caused directly or indirectly by the action or inaction of the Buyer, and (iii) delay in delivery or otherwise in the performance of this Agreement by the Seller due in whole or in part to any delay in or failure of the delivery of, or any other event or circumstance relating to, the Propulsion Systems or Buyer Furnished Equipment .

10.2 Consequences of Excusable Delay

10.2.1 If an Excusable Delay occurs the Seller will

(i) notify the Buyer of such Excusable Delay as soon as practicable after becoming aware of the same,

(ii) not be deemed to be in default in the performance of its obligations hereunder as a result of such Excusable Delay,

(iii) not be responsible for any damages arising from or in connection with such Excusable Delay suffered or incurred by the Buyer;

(iv) as soon as practicable after the removal of the cause of such Excusable Delay resume performance of its obligations under this Agreement and in particular will notify the Buyer of the revised Scheduled Delivery Month.

10 3 Termination on Excusable Delay

10.3 1 If any Delivery is delayed as a result of an Excusable Delay for a period of more than ***.

10.3 2 If the Seller advises the Buyer in its notice of a revised Scheduled Delivery Month pursuant to Clause 10 2.1(iv) that there will be a delay in Delivery of an Aircraft of more than ***.

If this Agreement *** The Seller will notify the Buyer of the new Scheduled Delivery Month after the thirty (30) day period referred to in Clause 10.3.1 or 10 3 2, and this new Scheduled Delivery Month will be deemed to be an amendment to the applicable Scheduled Delivery Month in Clause 9.1 1

10.4 Total Loss, Destruction or Damage

If, prior to Delivery, any Aircraft is lost, destroyed or in the reasonable opinion of the Seller is damaged beyond economic repair (**"Total Loss"**), the Seller will notify the Buyer to this effect ***. The Seller will include in said notification (or as soon after the issue of the notice as such information becomes available to the Seller) the earliest date consistent with the Seller's other commitments and production capabilities that an aircraft to replace the Aircraft may be delivered to the Buyer and the Scheduled Delivery Month will be extended as specified in the Seller's notice to accommodate the delivery of the replacement aircraft; provided, however, that if the Scheduled Delivery Month is extended to a month that is later than twelve (12) months after the last day of the original Scheduled Delivery Month ***:

(i) the Buyer notifies the Seller ***; and

(ii) the parties execute an amendment to this Agreement recording the change in the Scheduled Delivery Month.

Nothing herein will require the Seller to manufacture and deliver a replacement aircraft if such manufacture would require the reactivation of its production line for the model or series of aircraft that includes the Aircraft

10.5 Termination Rights Exclusive

***, such termination will discharge all obligations and liabilities of the parties hereunder with respect to such affected Aircraft and undelivered material, services, data or other items applicable thereto and to be furnished under the Agreement

10.6 Remedies

THIS CLAUSE 10 SETS FORTH THE SOLE AND EXCLUSIVE REMEDY OF THE BUYER FOR DELAYS IN DELIVERY OR FAILURE TO DELIVER, OTHER THAN SUCH DELAYS AS ARE COVERED BY CLAUSE 11, AND THE BUYER HEREBY WAIVES ALL RIGHTS TO WHICH IT WOULD OTHERWISE BE ENTITLED IN RESPECT THEREOF, INCLUDING, WITHOUT LIMITATION, ANY RIGHTS TO INCIDENTAL AND CONSEQUENTIAL DAMAGES OR SPECIFIC PERFORMANCE. THE BUYER WILL NOT BE ENTITLED TO CLAIM THE REMEDIES AND RECEIVE THE BENEFITS PROVIDED IN THIS CLAUSE 10 WHERE THE DELAY REFERRED TO IN THIS CLAUSE 10 IS CAUSED BY THE NEGLIGENCE OR FAULT OF THE BUYER OR ITS REPRESENTATIVES.

11 - INEXCUSABLE DELAY

11.1 Liquidated Damages

Should an Aircraft not be Ready for Delivery *** may be changed pursuant to Clauses 2, 7 or 10) (the **"Delivery Period"**) and such delay is not as a result of an Excusable Delay or Total Loss, then such delay will be termed an **"Inexcusable Delay"**

In the event of an Inexcusable Delay, the Buyer will have the right to claim, and the Seller will pay the Buyer liquidated damages of ***.

In no event will the amount of liquidated damages ***.

The Buyer's right to liquidated damages in respect of an Aircraft is conditioned on the Buyer's submitting a written claim for liquidated damages to the Seller not later than ***.

11.2 Renegotiation

If, as a result of an Inexcusable Delay, the Delivery does not occur *** the Buyer will have the right, exercisable by written notice to the Seller given between ***, to require from the Seller a renegotiation of the Scheduled Delivery Month for the affected Aircraft. Unless otherwise agreed between the Seller and the Buyer during such renegotiation, the said renegotiation will not prejudice the Buyer's right to receive liquidated damages in accordance with Clause 11.1.

11.3 Termination

If, as a result of an Inexcusable Delay, the Delivery does not occur ***, then both parties will have the right, exercisable by written notice to the other party, given between ***, to terminate this Agreement in respect of the affected Aircraft. In the event of termination, ***, except that ***

11.4 Remedies

THIS CLAUSE 11 SETS FORTH THE SOLE AND EXCLUSIVE REMEDY OF THE BUYER FOR DELAYS IN DELIVERY OR FAILURE TO DELIVER, OTHER THAN SUCH DELAYS AS ARE COVERED BY CLAUSE 10, AND THE BUYER HEREBY WAIVES ALL RIGHTS TO WHICH IT WOULD OTHERWISE BE ENTITLED IN RESPECT THEREOF, INCLUDING WITHOUT LIMITATION ANY RIGHTS TO INCIDENTAL AND CONSEQUENTIAL DAMAGES OR SPECIFIC PERFORMANCE. THE BUYER WILL NOT BE ENTITLED TO CLAIM THE REMEDIES AND RECEIVE THE BENEFITS PROVIDED IN THIS CLAUSE 11 WHERE THE DELAY REFERRED TO IN THIS CLAUSE 11 IS CAUSED BY THE NEGLIGENCE OR FAULT OF THE BUYER OR ITS REPRESENTATIVES.

12 - WARRANTIES AND SERVICE LIFE POLICY

12.1 Warranty

12.1.1 Nature of Warranty

Subject to the limitations and conditions hereinafter provided, and except as provided in Clause 12.1.2, the Seller warrants to the Buyer that the Aircraft and each Warranted Part will at the time of Delivery to the Buyer be free from defects:

(i) in material,

(ii) in workmanship, including, without limitation, processes of manufacture,

(iii) in design (including, without limitation, selection of materials) having regard to the state of the art at the date of such design, and

(iv) arising from failure to conform to the Specification, except as to those portions of the Specification that are expressly stated in the Specification to be estimates or approximations or design aims.

For the purposes of this Agreement, the term **"Warranted Part"** will mean any Seller proprietary component, equipment, software, or part, that (a) is installed on an Aircraft at Delivery, (b) is manufactured to the detail design of the Seller or a subcontractor of the Seller and (c) bears a Seller's part number at the time of Delivery

12.1.2 Exclusions

The warranties set forth in Clause 12.1.1 will not apply to Buyer Furnished Equipment, Propulsion Systems, or to any component, accessory, equipment or part purchased by the Buyer that is not a Warranted Part, provided, however, that:

(i) any defect in the Seller's workmanship in respect of the installation of such items in the Aircraft, including any failure by the Seller to conform to the installation instructions of the manufacturers of such items that invalidates any applicable warranty from such manufacturers, will constitute a defect in workmanship for the purpose of this Clause 12.1 and be covered by the warranty set forth in Clause 12.1.1(ii), and

(ii) any defect inherent in the Seller's design of the installation, considering the state of the art at the date of such design, that impairs the use of such items will constitute a defect in design for the purposes of this Clause 12.1 and will be covered by the warranty set forth in Clause 12.1.1(iii).

12.1.3 Warranty Periods

The warranties described in Clauses 12.1.1 and 12.1.2 hereinabove will be limited to those defects that become apparent within *** (the **"Warranty Period"**).

12.1.4 Limitations of Warranty

12.1.4.1 The Buyer's remedy and the Seller's obligation and liability under Clauses 12.1.1 and 12.1.2 are limited to, at the Seller's expense and option, the repair, replacement or correction (to include, in the case of software, supply of a comparable product with equivalent function) of any defective Warranted Part. The Seller may elect to effect such repair, replacement or correction by supplying modification kits designed to rectify the defect or by furnishing a credit to the Buyer for the future purchase of goods and services (not including Aircraft) equal to the price at which the Buyer is then entitled to acquire a replacement for the defective Warranted Part.

12.1.4.2 If the Seller corrects a defect covered by Clause 12.1.1(iii) that becomes apparent within the Warranty Period, on the Buyer's written request the Seller will correct any such defect of the same type in any Aircraft that has not already been delivered to the Buyer. The Seller will not be responsible for, nor deemed to be in default on account of any delay in Delivery of any Aircraft or otherwise, in respect of performance of this Agreement, due to the Seller's undertaking to make such correction. Alternatively, the Buyer and the Seller may agree to deliver such Aircraft with subsequent correction of the defect by the Buyer at the Seller's expense, or the Buyer may elect to accept Delivery and thereafter file a Warranty Claim as though the defect had become apparent immediately after Delivery of such Aircraft.

12.1.5 Cost of Inspection

12.1.5.1 In addition to the remedies set forth in Clauses 12.1.4.1 and 12.1.4.2, the Seller will reimburse the direct labor costs incurred by the Buyer in performing inspections of the Aircraft that are conducted to determine whether or not a defect exists in any warranted Part within the Warranty Period subject to the following conditions:

(i) Such inspections are recommended in a Seller Service Bulletin to be performed within the Warranty Period;

(ii) Such inspections are not performed in lieu of any corrective action that has been provided by the Seller prior to the dates of such inspection;

(iii) the labor rate for the reimbursements will be the In-house Warranty Labor Rate, and

(iv) the manhours used to determine such reimbursement will not exceed the Seller's estimate of the manhours required for such inspections

12.1.6 Warranty Claim Requirements

The Buyer's remedy and the Seller's obligation and liability under this Clause 12.1 with respect to each claimed defect are subject to the following conditions:

(i) the defect has becomes apparent within the Warranty Period,

(ii) the Buyer has filed a Warranty Claim *** of a defect becoming apparent, except where the Seller has issued a Service Bulletin intended to provide a remedy for such a defect, in which case the Warranty Claim must be filed no later than *** following embodiment of the Seller Service Bulletin in the Aircraft;

(iii) the Buyer has submitted to the Seller evidence reasonably satisfactory to the Seller that (i) the claimed defect is due to a matter covered under the provisions of this Clause 12, and (ii) that such defect did not result from any act or omission of the Buyer, including but not limited to, any failure to operate and maintain the affected Aircraft or part thereof in accordance with the standards set forth in Clause 12.1.11 or from any act or omission of any third party;

(iv) the Buyer returns the Warranted Part claimed to be defective to the repair facilities designated by the Seller as soon as practicable, unless the Buyer elects to repair a defective Warranted Part in accordance with the provisions of Clause 12.1.8; and

(v) the Seller's receives a Warranty Claim complying with the provisions of Clause 12.1.7(v).

12.1.7 Warranty Administration

The warranties set forth in this Clause 12.1 will be administered as hereinafter provided:

(i) Claim Determination

Determination by the Seller as to whether any claimed defect in any Warranted Part is a valid Warranty Claim will be made by the Seller and will be based on claim details, reports from the Seller's regional representative, historical data logs, inspections, tests, findings during repair, defect analysis and other relevant documents and information.

(ii) Transportation Costs

The cost of transporting a Warranted Part claimed to be defective to the facilities designated by the Seller will be borne by the Buyer.

(iii) On-Aircraft Work by the Seller

If either (a) the Seller determines that a defect subject to this Clause 12.1 requires the dispatch by the Seller of a Seller's working team to the Buyer's facilities, to repair or correct such defect through implementation of one or more Seller's Service Bulletins, or (b) the Seller accepts the return of an Aircraft to perform or have performed a repair or correction, then, the labor costs for such on-Aircraft work will be borne by the Seller at the In-House Warranty Labor Rate.

On-Aircraft work by the Seller will be undertaken only if, in the Seller's opinion, the work requires the Seller's technical expertise. In such case, the Seller and the Buyer will agree on a schedule and place for the work to be performed.

(iv) Return of an Aircraft

If the Buyer desires to return an Aircraft to the Seller for consideration of a Warranty Claim, the Buyer will notify the Seller of its intention to do so, and the Seller will, prior to such return, have the right to inspect such Aircraft, and without prejudice to the Seller's rights hereunder, to repair such Aircraft either at the Buyer's facilities or at another place acceptable to the Seller. Delivery of any Aircraft by the Buyer to the Seller and return of such Aircraft to the Buyer's facilities will be at the Buyer's expense

(v) Warranty Claim Substantiation

For each claim under this Clause 12.1 the Buyer will give written notice (a "Warranty Claim") to the Seller that contains at least the data listed below with respect to an Aircraft or Warranted Part, as applicable The Buyer will deliver the Warranty Claim *** of discovering each defect giving rise to a claim by the Buyer under this Clause 12.

The minimum data to be supplied are as follows:

(a) Description of the defect and any action taken,

(b) Date of incident and/or removal,

(c) Description of the Warranted Part claimed to be defective,

(d) Part number,

(e) Serial number (if applicable),

(f) Position on Aircraft, according to Catalog Sequence Number of the Illustrated Parts Catalog, Component Maintenance Manual or Structural Repair Manual as applicable,

(g) Total flying hours or calendar times, as applicable, at the date of appearance of a defect,

(h) Time since last shop visit at the date of appearance of defect,

(i) Manufacturer's serial number or "MSN" of the Aircraft and/or its registration number,

(j) Aircraft total flying hours and/or number of landings at the date of appearance of defect,

(k) Claim number,

(l) Date of claim and

(m) Date of Delivery of an Aircraft to the Buyer.

Warranty Claims are to be addressed as follows:

AIRBUS
CUSTOMER SERVICES DIRECTORATE
WARRANTY ADMINISTRATION
ROND-POINT MAURICE BELLONTE
B P 33
F-31707 BLAGNAC CEDEX
FRANCE

(vi) Replacements

Replaced components, equipment, accessories or parts will become the Seller's property

Title to and risk of loss of any Aircraft, component, accessory, equipment or part returned by the Buyer to the Seller will at all times remain with the Buyer, except that (i) when the Seller has possession of a returned Aircraft, component, accessory, equipment or part to which the Buyer has title, the Seller will have such responsibility therefor as is chargeable by law to a bailee for hire, but the Seller will not be liable for loss of use, and (ii) title to and risk of loss of a returned component, accessory, equipment or part will pass to the Seller on shipment by the Seller to the Buyer of any item furnished by the Seller to the

Buyer as a replacement therefor. Upon the Seller's shipment to the Buyer of any replacement component, accessory, equipment or part provided by the Seller pursuant to this Clause 12.1, title to and risk of loss of such replacement component accessory, equipment or part will pass to the Buyer.

(vii) Rejection

The Seller will provide reasonable written substantiation in case of rejection of a Warranty Claim. The Buyer will pay to the Seller reasonable inspection and test charges incurred by the Seller in connection with the investigation and processing of a rejected Warranty Claim

(viii) Inspection

The Seller will have the right to inspect the affected Aircraft and documents and other records relating thereto in the event of any claim under this Clause 12 1.

12.1.8 In-house Warranty

(i) Authorization

The Buyer is hereby authorized to repair Warranted Parts, subject to the terms of this Clause 12 1 8 (" **In-house Warranty Repair**") When the estimated cost of an In-house Warranty Repair ***, the Buyer will notify the Resident Customer Support Representative, of its decision to perform any in-house repairs before such repairs are commenced. The Buyer's notice will include sufficient detail regarding the defect, estimated labor hours and material to allow the Seller to ascertain the reasonableness of the estimate. The Seller will use reasonable efforts to ensure a prompt response and will not unreasonably withhold authorization.

(ii) Conditions of Authorization

The Buyer will be entitled to the benefits under this Clause 12 1 8 for repair of Warranted Parts

(a) if the Buyer complies with the terms of Clause 12 1 8(i);

(b) if adequate facilities and qualified personnel are available to the Buyer.

(c) provided that repairs are to be performed in accordance with the Seller's written instructions set forth in applicable Technical Data and

(d) only to the extent specified by the Seller, or, in the absence of the Seller's specifying, to the extent reasonably necessary to correct the defect, in accordance with the standards set forth in Clause 12.1.11

(iii) Seller's Rights

The Seller will have the right to require the return to Seller of any Warranted Part, or any part removed therefrom, that is claimed to be defective, if, in the Seller's judgment, the nature of the claimed defect requires technical investigation. Such delivery will be subject to the provisions of Clause 12.1.7(ii).

The Seller will have the right to have a representative present during the disassembly, inspection and testing of any Warranted Part claimed to be defective.

(iv) In-house Warranty Claim Substantiation

Claims for In-house Warranty Repair credit must be submitted to the Seller no later than *** after completion of such In-house Warranty Repair, and will comply with the requirements for Warranty Claims under Clause 12.1 6 (v) and in addition will include.

(a) a report of technical findings with respect to the defect,

(b) for parts required to remedy the defect:

(c) part numbers, serial numbers (if applicable), description of the parts, quantity of parts, unit price of parts, copies of related Seller's or third party's invoices (if applicable), total price of parts

(d) detailed number of labor hours,

(e) In-house Warranty Labor Rate, and

(f) total claim value

(v) Credit

The Buyer's sole remedy, and the Seller's sole obligation and liability, in respect of In-house Warranty Repair claims, will be a credit to the Buyer's account. Such credit will be equal to the sum of the direct labor cost expended in performing such repair, plus the direct cost of materials incorporated in the repair. Such costs will be determined as set forth below.

(a) To determine direct labor costs, only the man-hours spent on removal from the Aircraft disassembly, inspection, repair, reassembly, and final inspection and test of the Warranted Part, and reinstallation thereof on the Aircraft will be counted The hours required for maintenance work concurrently being carried out on the Aircraft or Warranted Part will not be included

(b) The hours counted as set forth in Clause 12.1.8 (v)(a) above will ***, which is deemed to represent the Buyer's composite average hourly labor rate (excluding all fringe benefits, premium time allowances, social security charges, business taxes and similar items) paid to the Buyer's employees or to a third party that the Buyer has authorized to perform the repair, whose jobs, in both cases, are directly related to the performance of the repair. This labor rate is *** (the " **In-house Warranty Labor Rate** ").

The In-house Warranty Labor Rate is subject to adjustment annually *** Labor Index defined in the Seller Price Revision Formula

(c) Direct material costs are determined by the prices at which the Buyer acquired such material, excluding any parts and materials used for overhaul furnished free of charge by the Seller.

(vi) Limitation on Credit

The Buyer will in no event be credited for repair costs (labor or material) for any Warranted Part if such repair costs exceed in the *** for a replacement of such defective Warranted Part provided such replacement part is available for purchase.

The Seller will substantiate such Seller costs in writing on reasonable request by the Buyer.

(vii) Scrapped Material

The Buyer may, with the agreement of the Seller's Resident Customer Support Representative, scrap any defective Warranted Parts that are beyond economic repair and not required for technical evaluation

If the Buyer does not obtain the agreement of the Seller's Resident Customer Support Representative to scrap a Warranted Part immediately, the Buyer will retain such Warranted Part and any defective part removed from a Warranted Part during repair for a period of either *** after the date of completion of repair or *** after submission of a claim for In-house Warranty Repair credit relating thereto, whichever is longer. Such parts will be returned to the Seller within *** of receipt of the Seller's request therefor, made within such retention periods.

A record of scrapped Warranted Parts, certified by an authorized representative of the Buyer, will be kept by the Buyer for at least the duration of the Warranty Period

(viii) DISCLAIMER OF SELLER LIABILITY FOR BUYER'S REPAIR

THE SELLER WILL NOT BE LIABLE FOR, AND THE BUYER WILL INDEMNIFY THE SELLER AGAINST, THE CLAIMS OF ANY THIRD PARTIES FOR LOSSES DUE TO ANY DEFECT, NONCONFORMANCE OR PROBLEM OF ANY KIND, ARISING OUT OF OR IN CONNECTION WITH ANY REPAIR OF WARRANTED PARTS UNDERTAKEN BY THE BUYER UNDER THIS CLAUSE 12.1.8 OR ANY OTHER ACTIONS UNDERTAKEN BY THE BUYER UNDER THIS CLAUSE 12.1.8, WHETHER SUCH CLAIM IS ASSERTED IN CONTRACT OR IN TORT, OR IS PREMISED ON ALLEGED, ACTUAL, IMPUTED, ORDINARY OR INTENTIONAL ACTS OR OMISSIONS OF THE BUYER OR THE SELLER

12.1.9 Warranty Transferability

Notwithstanding the provisions of Clause 21.1, the warranties provided for in this Clause 12.1 for any Warranted Part will accrue to the benefit of any airline in revenue service other than the Buyer, if the Warranted Part enters into the possession of any such airline as a result of a pooling agreement between such airline and the Buyer, in accordance with the terms and subject to the limitations and exclusions of the foregoing warranties and to applicable laws or regulations.

12.1.9.1 Warranty for Corrected, Replacement or Repaired Warranted Parts

Whenever any Warranted Part that contains a defect for which the Seller is liable under this Clause 12.1 has been corrected, repaired or replaced pursuant to the terms hereof, the period of the Seller's warranty with respect to such corrected, repaired or replacement Warranted Part, will be the remaining portion of the original warranty in respect of such corrected, repaired or replaced Warranted Part or twelve (12) months, whichever is longer. If a defect is attributable to a defective repair or replacement by the Buyer, a Warranty Claim with respect to such defect will be rejected, notwithstanding any subsequent correction or repair, and will immediately terminate the remaining warranties under this Clause 12.1 in respect of the affected Warranted Part.

12.1.10 Good Airline Operation - Normal Wear and Tear

The Buyer's rights under this Clause 12.1 are subject to the Aircraft and each component, equipment, accessory and part thereof being maintained, overhauled, repaired and operated in accordance with good commercial airline practice, all technical documentation and any other instructions issued by the Seller, the Suppliers or the Propulsion Systems Manufacturer and all applicable rules, regulations and directives of the relevant Aviation Authorities.

The Seller's liability under this Clause 12.1 will not extend to normal wear and tear or to

(i) any Aircraft or component, equipment, accessory or part thereof that has been repaired, altered or modified after Delivery in a manner other than that approved by the Seller,

(ii) any Aircraft or component, equipment, accessory or part thereof that has been operated in a damaged state; or

(iii) any component, equipment, accessory or part from which the trademark, trade name, part or serial number or other identification marks have been removed.

12.2 Service Life Policy

12.2.1 Scope and Definitions

In addition to the warranties set forth in Clause 12.1, the Seller agrees that should a Failure occur in any Item (as these terms are defined below), then, subject to the general conditions and limitations set forth in Clause 12.2.4, the provisions of this Clause 12.2 will apply.

For the purposes of this Clause 12.2.

(i) " **Item** " means any of the Seller components, equipment, accessories or parts listed in Exhibit F that are installed on an Aircraft at any time during the period of effectiveness of the Service Life Policy specified in Clause 12.2.2

(ii) " **Failure** " means any breakage of, or defect in, an Item that materially impairs the utility or safety of the Item, provided that (a) any such breakage of, or defect in, such Item did not result from any breakage or defect in any other Aircraft part or component or from any other extrinsic force and (b) has occurred or can reasonably be expected to occur on a repetitive or fleetwide basis.

The Seller's obligations under this Clause 12.1.2 are referred to as the " **Service Life Policy** ."

12.2.2 Periods and Seller's Undertaking

Subject to the general conditions and limitations set forth in Clause 12.2.4, the Seller agrees that if a Failure occurs in an Item *** after the Delivery of the Aircraft in which such Item is installed, the Seller will, at its discretion, as promptly as practicable and for a price that reflects the Seller's financial participation as hereinafter provided, either:

(i) design and furnish to the Buyer a correction for such Item and provide any parts required for such correction (including Seller designed standard parts but excluding industry standard parts), or

(ii) replace such Item.

12.2.3 ***

Any part or Item or part that the Seller is required to furnish to the Buyer under this Service Life Policy will be furnished to the Buyer ***, which will be determined in accordance with the following formula:

***

12.2.4 General Conditions and Limitations

12.2.4.1 Notwithstanding any provision of this Clause 12.2, during the Warranty Period, all Items will be covered by the provisions of Clause 12.1 of this Agreement and not by the provisions of this Clause 12.2.

12.2.4.2 The Buyer's remedies and the Seller's obligations and liabilities under this Service Life Policy are subject to the following conditions:

(i) The Buyer maintains log books and other historical records with respect to each Item adequate to enable the Seller to determine whether the alleged Failure is covered by this Service Life Policy and, if so, to define the portion of the cost to be borne by the Seller in accordance with Clause 12.2.3.

(ii) The Buyer keeps the Seller informed of any significant incidents relating to an Aircraft, however occurring or recorded.

(iii) The Buyer complies with the conditions of Clause 12.1.11

(iv) The Buyer implements specific structural inspection programs for monitoring purposes as may be established from time to time by the Seller. Such programs will be, to the extent possible, compatible with the Buyer's operational requirements and will be carried out at the Buyer's expense, reports relating thereto to be regularly furnished to the Seller.

(v) The Buyer reports in writing any breakage or defect to the Seller *** after any breakage or defect in an Item becomes apparent, whether or not the breakage or defect can reasonably be expected to occur in any other Aircraft, and the Buyer provides the Seller with sufficient detail about the breakage or defect to enable the Seller to determine whether said breakage or defect is subject to this Service Life Policy.

12.2.4.3 Except as otherwise provided in this Clause 12.2, any claim under this Service Life Policy will be administered as provided in, and will be subject to the terms and conditions of, Clause 12.1.6.

12.2.4.4 If the Seller has issued a service bulletin modification applicable to an Aircraft, the purpose of which is to avoid a Failure, the Seller may elect to supply the necessary modification kit free of charge or under a pro rata formula established by the Seller. If such a kit is so offered to the Buyer, then, in respect of such Failure and any Failures that could ensue therefrom, the validity of the Seller's commitment under this Clause 12.2 will be subject to the Buyer's incorporating such modification in the relevant Aircraft, within a reasonable time, in accordance with the Seller's instructions.

12.2.4.5 THIS SERVICE LIFE POLICY IS NEITHER A WARRANTY, PERFORMANCE GUARANTEE, NOR AN AGREEMENT TO MODIFY ANY AIRCRAFT OR AIRFRAME COMPONENTS TO CONFORM TO NEW DEVELOPMENTS OCCURRING IN THE STATE OF AIRFRAME DESIGN AND MANUFACTURING ART. THE SELLER'S OBLIGATION UNDER THIS CLAUSE 12.2 IS TO MAKE ONLY THOSE CORRECTIONS TO THE ITEMS OR FURNISH REPLACEMENTS THEREFOR AS PROVIDED IN THIS CLAUSE 12.2. THE BUYER'S SOLE REMEDY AND RELIEF FOR THE NONPERFORMANCE OF ANY OBLIGATION OR LIABILITY OF THE SELLER ARISING UNDER OR BY VIRTUE OF THIS SERVICE LIFE POLICY WILL BE IN A CREDIT FOR GOODS AND SERVICES, LIMITED TO THE AMOUNT THE BUYER REASONABLY EXPENDS IN PROCURING A CORRECTION OR REPLACEMENT FOR ANY ITEM THAT IS THE SUBJECT OF A FAILURE COVERED BY THIS SERVICE LIFE POLICY AND TO WHICH SUCH NONPERFORMANCE IS RELATED, LESS THE AMOUNT THAT THE BUYER OTHERWISE WOULD HAVE BEEN REQUIRED TO PAY UNDER THIS CLAUSE 12.2 IN RESPECT OF SUCH CORRECTED OR REPLACEMENT ITEM. WITHOUT LIMITING THE EXCLUSIVITY OF WARRANTIES AND GENERAL LIMITATIONS OF LIABILITY PROVISIONS SET FORTH IN CLAUSE 12.5, THE BUYER HEREBY WAIVES, RELEASES AND RENOUNCES ALL CLAIMS TO ANY FURTHER DIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES, INCLUDING LOSS OF PROFITS AND ALL OTHER RIGHTS, CLAIMS AND REMEDIES, ARISING UNDER OR BY VIRTUE OF THIS SERVICE LIFE POLICY.

12.3 Supplier Warranties and Service Life Policies

12.3.1 Seller's Support

Before Delivery of the first Aircraft, the Seller will provide the Buyer with the warranties and service life policies that the Seller has obtained pursuant to the Supplier Product Support Agreements.

12.3.2 Supplier's Default

12.3.2.1 If any Supplier under any warranty referred to in Clause 12.3.1 defaults in the performance of any material obligation under such warranty with respect to a Supplier Part and the Buyer submits reasonable evidence, within a reasonable time, that such default has occurred, then Clause 12.1 of this Agreement will apply to the extent it would have applied had such Supplier Part been a Warranted Part, to the extent the Seller can reasonably perform said Supplier's obligations, except that the Supplier's warranty period indicated in the Supplier Product Support Agreements will apply.

12.3.2.2 If any Supplier under any Supplier service life policy referred to in to Clause 12.3.1 defaults in the performance of any material obligation under such service life policy, and (i) the Buyer has used its best efforts to enforce its rights under such service life policy, and (ii) the Buyer submits within reasonable time to the Seller reasonable evidence that such default has occurred, then Clause 12.2 of this Agreement will apply to the extent the same would have applied had such component, equipment, accessory or part been listed in Exhibit F hereto, to the extent that the Seller can reasonably perform said Supplier's service life policy.

12.3.2.3 At the Seller's request, the Buyer will assign to the Seller, and the Seller will be subrogated to, all of the Buyer's rights against the relevant Supplier with respect to, and arising by reason of, such default and the Buyer will provide reasonable assistance to enable the Seller to enforce the rights so assigned.

12.4 Interface Commitment

12.4.1 Interface Problem

If the Buyer experiences any technical problem in the operation of an Aircraft or its systems due to a malfunction, the cause of which, after due and reasonable investigation, is not readily identifiable by the Buyer, but which the Buyer reasonably believes to be attributable to the design characteristics of one or more components of the Aircraft (an "Interface Problem"), the Seller will, if requested by the Buyer, and without additional charge to the Buyer, except for transportation of the Seller's or its designee's personnel to the Buyer's facilities, promptly conduct or have conducted an investigation and analysis of such problem to determine, if possible, the cause or causes of the problem and to recommend such corrective action as may be feasible. The Buyer will furnish to the Seller all data and information in the Buyer's possession relevant to the Interface Problem and will cooperate with the Seller in the conduct of the Seller's investigations and such tests as may be required. At the conclusion of such investigation the Seller will promptly advise the Buyer in writing of the Seller's opinion as to the cause or causes of the Interface Problem and the Seller's recommendations as to corrective action

12.4.2 Seller's Responsibility

If the Seller determines that the Interface Problem is primarily attributable to the design of a Warranted Part, the Seller will, if requested by the Buyer, correct the design of such Warranted Part pursuant to the terms and conditions of Clause 12.1

12.4.3 Supplier's Responsibility

If the Seller determines that the Interface Problem is primarily attributable to the design of any Supplier Part, the Seller will, at the Buyer's request, reasonably assist the Buyer in processing any warranty claim the Buyer may have against the manufacturer of such Supplier Part.

12.4.4 Joint Responsibility

If the Seller determines that the Interface Problem is attributable partially to the design of a Warranted Part and partially to the design of any Supplier Part, the Seller will, if requested by the Buyer, seek a solution to the Interface Problem through cooperative efforts of the Seller and any Supplier involved. The Seller will promptly advise the Buyer of any corrective action proposed by the Seller and any such Supplier. Such proposal will be consistent with any then existing obligations of the Seller hereunder and of any such Supplier to the Buyer. Such corrective action, unless reasonably rejected by the Buyer, will constitute full satisfaction of any claim the Buyer may have against either the Seller or any such Supplier with respect to such Interface Problem.

12.4.5 General

12.4.5.1 All requests under this Clause 12.4 will be directed both to the Seller and to the affected Suppliers.

12.4.5.2 Except as specifically set forth in this Clause 12.4, this Clause 12.4 will not be deemed to impose on the Seller any obligations not expressly set forth elsewhere in this Agreement.

12.4.5.3 All reports, recommendations, data and other documents furnished by the Seller to the Buyer pursuant to this Clause 12.4 will be deemed to be delivered under this Agreement and will be subject to the terms, covenants and conditions set forth in this Clause 12 and in Clause 22.10.

12.5 Exclusivity of Warranties

THIS CLAUSE 12 SETS FORTH THE EXCLUSIVE WARRANTIES, EXCLUSIVE LIABILITIES AND EXCLUSIVE OBLIGATIONS OF THE SELLER, AND THE EXCLUSIVE REMEDIES AVAILABLE TO THE BUYER, WHETHER UNDER THIS AGREEMENT OR OTHERWISE, ARISING FROM ANY DEFECT OR NONCONFORMITY OR PROBLEM OF ANY KIND IN ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY, PART, SOFTWARE, DATA OR SERVICE DELIVERED BY THE SELLER UNDER THIS AGREEMENT

THE BUYER RECOGNIZES THAT THE RIGHTS, WARRANTIES AND REMEDIES IN THIS CLAUSE 12 ARE ADEQUATE AND SUFFICIENT TO PROTECT THE BUYER FROM ANY DEFECT OR NONCONFORMITY OR PROBLEM OF ANY KIND IN THE GOODS AND SERVICES SUPPLIED UNDER THIS AGREEMENT THE BUYER HEREBY WAIVES, RELEASES AND RENOUNCES ALL OTHER WARRANTIES, OBLIGATIONS, GUARANTEES AND LIABILITIES OF THE SELLER AND ALL OTHER RIGHTS, CLAIMS AND REMEDIES OF THE BUYER AGAINST THE SELLER, WHETHER EXPRESS OR IMPLIED BY CONTRACT, TORT, OR STATUTORY LAW OR OTHERWISE, WITH RESPECT TO ANY NONCONFORMITY OR DEFECT OR PROBLEM OF ANY KIND IN ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY, PART, SOFTWARE, DATA OR SERVICE DELIVERED BY THE SELLER UNDER THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO:

ANY IMPLIED WARRANTY OF MERCHANTABILITY AND/OR FITNESS FOR ANY GENERAL OR PARTICULAR PURPOSE;

ANY IMPLIED OR EXPRESS WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE;

ANY RIGHT, CLAIM OR REMEDY FOR BREACH OF CONTRACT,

ANY RIGHT, CLAIM OR REMEDY FOR TORT, UNDER ANY THEORY OF LIABILITY, HOWEVER ALLEGED, INCLUDING, BUT NOT LIMITED TO, ACTIONS AND/OR CLAIMS FOR NEGLIGENCE, GROSS NEGLIGENCE, INTENTIONAL ACTS, WILLFUL DISREGARD, IMPLIED WARRANTY, PRODUCT LIABILITY, STRICT LIABILITY OR FAILURE TO WARN,

ANY RIGHT, CLAIM OR REMEDY ARISING UNDER THE UNIFORM COMMERCIAL CODE OR ANY OTHER STATE OR FEDERAL STATUTE,

ANY RIGHT, CLAIM OR REMEDY ARISING UNDER ANY REGULATIONS OR STANDARDS IMPOSED BY ANY INTERNATIONAL, NATIONAL, STATE OR LOCAL STATUTE OR AGENCY.

ANY RIGHT, CLAIM OR REMEDY TO RECOVER OR BE COMPENSATED FOR:

LOSS OF USE OR REPLACEMENT OF ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY OR PART PROVIDED UNDER THIS AGREEMENT;

(i) LOSS OF, OR DAMAGE OF ANY KIND TO, ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY OR PART PROVIDED UNDER THIS AGREEMENT;

(ii) LOSS OF PROFITS AND/OR REVENUES;

(iii) ANY OTHER INCIDENTAL OR CONSEQUENTIAL DAMAGE.

THE WARRANTIES AND SERVICE LIFE POLICY PROVIDED BY THIS AGREEMENT WILL NOT BE EXTENDED, ALTERED OR VARIED EXCEPT BY A WRITTEN INSTRUMENT SIGNED BY THE SELLER AND THE BUYER. IN THE EVENT THAT ANY PROVISION OF THIS CLAUSE 12 SHOULD FOR ANY REASON BE HELD UNLAWFUL, OR OTHERWISE UNENFORCEABLE, THE REMAINDER OF THIS CLAUSE 12 WILL REMAIN IN FULL FORCE AND EFFECT.

FOR THE PURPOSE OF THIS CLAUSE 12.5, "SELLER" WILL BE UNDERSTOOD TO INCLUDE THE SELLER, ITS AFFILIATES AND SUPPLIERS.

12.6 Duplicate Remedies

The remedies provided to the Buyer under Clause 12.1 and Clause 12.2 as to any defect in respect of the Aircraft or any part thereof are mutually exclusive and not cumulative. The Buyer will be entitled to the remedy that provides the maximum benefit to it, as the Buyer may elect, pursuant to the terms and conditions of this Clause 12 for any particular defect for which remedies are provided under this Clause 12; provided, however, that the Buyer will not be entitled to elect a remedy under both Clause 12.1 and Clause 12.2 for the same defect. The Buyer's rights and remedies herein for the nonperformance of any obligations or liabilities of the Seller arising under these warranties will be in monetary damages limited to the amount the Buyer expends in procuring a correction or replacement for any covered part subject to a defect or nonperformance covered by this Clause 12, and the Buyer will not have any right to require specific performance by the Seller.

12.7 Transferability

The Buyer's rights under this Clause 12 may not be assigned, sold, transferred, novated or otherwise alienated by operation of law or otherwise, without the Seller's prior written consent. Any assignment, sale, transfer or novation in violation of this Clause 12.7 will, as to the Aircraft involved, immediately void the rights and warranties of the Buyer under this Clause 12 and any and all other warranties that might arise under, or be implied, in Law or otherwise

12.8 Negotiated Agreement

The parties each acknowledge that

(i) the Specification has been agreed upon after careful consideration by the Buyer using its judgment as a professional operator of, and maintenance provider with respect to, aircraft used in public transportation and as such is a professional within the same industry as the Seller;

(ii) this Agreement, and in particular this Clause 12, has been the subject of discussion and negotiation and is fully understood by the Buyer; and

(iii) the price of the Aircraft and the other mutual agreements of the Buyer set forth in this Agreement were arrived at in consideration of, inter alia, the provisions of this Clause 12, specifically including the Exclusivity of Warranties set forth in Clause 12.

13 - PATENT AND COPYRIGHT INDEMNITY

13.1 Indemnity

13.1.1 Subject to the provisions of Clause 13.2.3, the Seller will indemnify the Buyer from and against any damages, costs and expenses including reasonable legal costs (excluding damages, costs, expenses, loss of profits and other liabilities in respect of or resulting from loss of use of the Aircraft) resulting from any infringement or claim of infringement by the Airframe or any part or software installed therein at Delivery of:

(i) any British, French, German, Spanish or U.S. patent; and

(ii) any patent issued under the laws of any other country in which the Buyer may lawfully operate the Aircraft, provided that from the time of design of such Airframe or any part or software installed therein at Delivery and until infringement claims are resolved, the country of the patent and the flag country of the Aircraft are both parties to:

(1) the Chicago Convention on International Civil Aviation of December 7, 1944, and are each fully entitled to all benefits of Article 27 thereof, or,

(2) the International Convention for the Protection of Industrial Property of March 20, 1883 (the "Paris Convention"); and

(iii) in respect of computer software installed on the Aircraft, any copyright, provided that the Seller's obligation to indemnify will be limited to infringements in countries which, at the time of design versus infringement claim are members of The Berne Union and recognize computer software as a "work" under the Berne Convention.

13.1.2 Clause 13.1.1 will not apply to

(i) Buyer Furnished Equipment;

(ii) the Propulsion Systems;

(iii) Supplier Parts; or

(iv) software not developed by the Seller.

13.1.3 If the Buyer, due to circumstances contemplated in Clause 13.1.1, is prevented from using the Aircraft (whether by a valid judgment of a court of competent jurisdiction or by a settlement arrived at among the claimant, the Seller and the Buyer), the Seller will at its expense either

(i) procure for the Buyer the right to use the affected Airframe, part or software free of charge; or

(ii) replace the infringing part or software as soon as possible with a non-infringing substitute

13.2 Administration of Patent and Copyright Indemnity Claims

13.2.1 If the Buyer receives a written claim or a suit is threatened or begun against the Buyer for infringement of a patent or copyright referred to in Clause 13.1, the Buyer will

(i) forthwith notify the Seller, giving particulars thereof;

(ii) furnish to the Seller all data, papers and records within the Buyer's control or possession relating to such patent or claim;

(iii) refrain from admitting any liability or making any payment, or assuming any expenses, damages, costs or royalties, or otherwise acting in a manner prejudicial to the defense or denial of the suit or claim, it being agreed that nothing in this Clause 13.2.1(iii) will prevent the Buyer from paying the sums that may be required to obtain the release of the Aircraft, provided that payment is accompanied by a denial of liability and is made without prejudice;

(iv) fully cooperate with, and render all assistance to, the Seller as may be pertinent to the defense or denial of the suit or claim; and

(v) act to mitigate damages and/or to reduce the amount of royalties that may be payable, and act to minimize costs and expenses.

13.2.2 The Seller will be entitled either in its own name or on behalf of the Buyer to conduct negotiations with the party or parties alleging infringement and may assume and conduct the defense or settlement of any suit or claim in the manner that, in the Seller's opinion, it deems proper.

13.2.3 The Seller's liability hereunder will be conditioned on the strict and timely compliance by the Buyer with the terms of this Clause 13 and is in lieu of any other liability to the Buyer, whether express or implied, which the Seller might incur at law as a result of any infringement or claim of infringement of any patent or copyright.

THE INDEMNITY PROVIDED IN THIS CLAUSE 13 AND THE OBLIGATIONS AND LIABILITIES OF THE SELLER UNDER THIS CLAUSE 13 ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND THE BUYER HEREBY WAIVES, RELEASES AND RENOUNCES ALL OTHER INDEMNITIES, WARRANTIES, OBLIGATIONS, GUARANTEES AND

LIABILITIES ON THE PART OF THE SELLER AND RIGHTS, CLAIMS AND REMEDIES OF THE BUYER AGAINST THE SELLER, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE (INCLUDING WITHOUT LIMITATION ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY ARISING FROM OR WITH RESPECT TO LOSS OF USE OR REVENUE OR CONSEQUENTIAL DAMAGES), WITH RESPECT TO ANY ACTUAL OR ALLEGED PATENT INFRINGEMENT OR THE LIKE BY ANY AIRFRAME, PART OR SOFTWARE INSTALLED THEREIN AT DELIVERY, OR THE USE OR SALE THEREOF, PROVIDED THAT, IN THE EVENT THAT ANY OF THE AFORESAID PROVISIONS SHOULD FOR ANY REASON BE HELD UNLAWFUL OR OTHERWISE INEFFECTIVE, THE REMAINDER OF THIS CLAUSE WILL REMAIN IN FULL FORCE AND EFFECT. THIS INDEMNITY AGAINST PATENT AND COPYRIGHT INFRINGEMENTS WILL NOT BE EXTENDED, ALTERED OR VARIED EXCEPT BY A WRITTEN INSTRUMENT SIGNED BY THE SELLER AND THE BUYER.

14 - TECHNICAL DATA AND SOFTWARE SERVICES

14 1 Scope

This Clause 14 covers the terms and conditions for the supply of technical data (hereinafter " **Technical Data** ") and software services described hereunder (hereinafter " **Software Services** ") to support the Aircraft operation.

14.1.1 The Technical Data shall be supplied in the English language using the aeronautical terminology in common use

14.1 2 All Technical Data shall be available on-line as set forth in Clause 14.4. Range, type, format and delivery schedule of the on-line Technical Data to be provided under this Agreement are outlined in Exhibit G hereto

14.2 Aircraft Identification for Technical Data

14 2 1 For those Technical Data that are customized to the Buyer's Aircraft, the Buyer agrees to the allocation of fleet serial numbers (" **Fleet Serial Numbers** ") in the form of blocks of numbers selected in the range from 001 to 999.

14 2.2 The sequence shall not be interrupted unless two (2) different Propulsion Systems or two (2) different Aircraft models are selected

14.2.3 The Buyer shall indicate to the Seller the Fleet Serial Number allocated to each Aircraft corresponding to the delivery schedule set forth in Clause 9.1 ***. Neither the designation of such Fleet Serial Numbers nor the subsequent allocation of the Fleet Serial Numbers to Manufacturer Serial Numbers for the purpose of producing certain customized Technical Data shall constitute any property, insurable or other interest of the Buyer in any Aircraft prior to the Delivery of such Aircraft as provided for in this Agreement

The customized Technical Data that are affected thereby are the following.

- Aircraft Maintenance Manual,
- Illustrated Parts Catalog,
- Trouble Shooting Manual,
- Aircraft Wiring Manual,
- Aircraft Schematics Manual,
- Aircraft Wiring Lists

14.3 Integration of Equipment Data

14.3.1 Supplier Equipment

Information, including revisions, relating to Supplier equipment that is installed on the Aircraft at Delivery or through Airbus Service Bulletins thereafter shall be introduced into the customized Technical Data to the extent necessary for the comprehension of the affected systems, at no additional charge to the Buyer.

14.3.2 Buyer Furnished Equipment

14.3.2.1 The Seller shall introduce data related to Buyer Furnished Equipment, for equipment that is installed on the Aircraft by the Seller (hereinafter "BFE Data") into the customized Technical Data, at no additional charge to the Buyer for the initial issue of the Technical Data provided at first Aircraft Delivery, provided such BFE Data is provided in accordance with the conditions set forth in Clauses 14.3.2.2 through 14.3.2.6.

14.3.2.2 The Buyer shall supply the BFE Data to the Seller at least six (6) months prior to the Scheduled Delivery Month of the first Aircraft.

14.3.2.3 The BFE Data shall be supplied in English and shall be established in compliance with the then applicable revision of ATA *i* Specification 2200 and/or S1000D Specification jointly defined by the ASD (Aerospace and Defense Industries Association of Europe), AIA (Aerospace Industries Association) and ATA (Air Transport Association of America), as applicable.

14.3.2.4 The Buyer and the Seller shall agree on the requirements for the provision to the Seller of BFE Data for "on-aircraft maintenance", such as but not limited to timeframe, media and format in which the BFE Data shall be supplied to the Seller, in order to manage the BFE Data integration process in an efficient, expeditious and economic manner.

14.3.2.5 The BFE Data shall be delivered in digital format (SGML or XML raw data) and/or in Portable Document Format (PDF), as agreed between the Buyer and the Seller

14.3.2.6 All costs related to the delivery to the Seller of the applicable BFE Data shall be borne by the Buyer.

14.4 Supply

14.4.1 Except as specifically otherwise set forth in Exhibit G, all Technical Data shall be made available on-line through the relevant services on the Seller's customer portal Airbus World (" **Airbus World** "), under terms and conditions described in Exhibit H to the Agreement.

14.4.2 The Technical Data shall be delivered according to *** to correspond with the Deliveries of Aircraft. The Buyer shall provide *** notice when requesting a change to such delivery schedule

14.4.3 It shall be the responsibility of the Buyer to coordinate and satisfy local Aviation Authorities' requirements with respect to Technical Data. Upon request from the Buyer's Aviation Authorities, such Aviation Authorities shall be given on-line access to the Buyer's Technical Data

14.5 Revision Service

For each firmly ordered Aircraft covered under this Agreement, revision service for the Technical Data shall be provided *** (each a " **Revision Service Period** ").

Thereafter revision service shall be provided in accordance with the terms and conditions set forth in the Seller's then current Customer Services Catalog.

14.6 Service Bulletins (SB) Incorporation

During any Revision Service Period and upon the Buyer's request, Seller Service Bulletin information shall be incorporated into the Technical Data, provided that the Buyer notifies the Seller through the Airbus World " **Service Bulletin Reporting** " service that it intends to accomplish such Service Bulletin, after which post Service Bulletin status shall be shown.

14.7 Technical Data Familiarization

Upon request by the Buyer, the Seller shall provide up to *** of Technical Data familiarization training at the Seller's or the Buyer's facilities. The basic familiarization course is tailored for maintenance and engineering personnel.

14.8 Customer Originated Changes (COC)

If the Buyer wishes to introduce Buyer originated data (hereinafter "COC Data") into any of the customized Technical Data that are identified as eligible for such incorporation in the Seller's then current Customer Services Catalog, the Buyer shall notify the Seller of such intention.

The incorporation of any COC Data shall be perfomed under the methods and tools for achieving such introduction and the conditions specified in the Seller's then current Customer Services Catalog.

14.9 Advanced Consultation Tool

14.9.1 Some Technical Data shall be made available through several domains listed herebelow and shall be provided on-line through an Advanced Consultation Tool, which shall include the necessary navigation software and viewer to browse the Technical Data (hereinafter together referred to as "Advanced Consultation Tool").

14.9.2 The Advanced Consultation Tool encompasses the following domains

- AirN@v / Line Maintenance.
- AirN@v /Planning.
- AirN@v / Engineering.
- AirN@v / Associated Data

14.9.3 Further details on the Technical Data included in such Advanced Consultation Tool are set forth in Exhibit "G".

14.9.4 The licensing conditions for the use of the Advanced Consultation Tool software shall be as set forth in the " **End-User License Agreement for Airbus Software** ", which is available in the Seller's Customer Services Catalog.

14.9.5 The revision service for, and the license to use, the Advanced Consultation Tool shall be *** of the corresponding Revision Service Period. At the end of such Revision Service Period, the yearly revision service for the Advanced Consultation Tool and the associated license fee shall be provided to the Buyer under the commercial conditions set forth in the Seller's then current Customer Services Catalog.

14.10 On-Line Access to Technical Data

14.10.1 Access to Airbus World shall be subject to the "General Terms and Conditions of Access to and Use of Airbus World" (hereinafter the " **GTC** "), as set forth in Exhibit H to this Agreement

14.10.2 Access to Airbus World shall be *** for the Technical Data related to the Aircraft which shall be operated by the Buyer

14.10.3 Should Airbus World provide access to Technical Data in software format, the use of such software shall be further subject to the conditions of Exhibit H to the Agreement.

14.11 Waiver, Release and Renunciation

The Seller warrants that the Technical Data are prepared in accordance with the state of art at the date of their conception. Should any Technical Data prepared by the Seller contain any non-conformity or defect, the sole and exclusive liability of the Seller shall be to take all reasonable and proper steps to correct such Technical Data. Notwithstanding the above, no warranties of any kind shall be given for the Customer Originated Changes, as set forth in Clause 14.8.

THE WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER (AS DEFINED BELOW FOR THE PURPOSES OF THIS CLAUSE 14) AND REMEDIES OF THE BUYER SET FORTH IN THIS CLAUSE 14 ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND THE BUYER HEREBY WAIVES, RELEASES AND RENOUNCES ALL OTHER WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER

AND RIGHTS, CLAIMS AND REMEDIES OF THE BUYER AGAINST THE SELLER, EXPRESS OR IMPLIED, ARISING BY LAW, CONTRACT OR OTHERWISE, WITH RESPECT TO ANY NON-CONFORMITY OR DEFECT OF ANY KIND, IN ANY TECHNICAL DATA OR SERVICES DELIVERED UNDER THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO

A. ANY WARRANTY AGAINST HIDDEN DEFECTS,

B. ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS;

C ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OR TRADE;

D. ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY, WHETHER IN CONTRACT OR IN TORT, WHETHER OR NOT ARISING FROM THE SELLER'S NEGLIGENCE, ACTUAL OR IMPUTED; AND

E. ANY OBLIGATION, LIABILITY, RIGHT, CLAIM, OR REMEDY FOR LOSS OF OR DAMAGE TO ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY, PART, SOFTWARE, DATA OR SERVICES DELIVERED UNDER THIS AGREEMENT, FOR LOSS OF USE, REVENUE OR PROFIT, OR FOR ANY OTHER DIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES;

PROVIDED THAT, IN THE EVENT THAT ANY OF THE AFORESAID PROVISIONS SHOULD FOR ANY REASON BE HELD UNLAWFUL OR OTHERWISE INEFFECTIVE, THE REMAINDER OF THIS AGREEMENT SHALL REMAIN IN FULL FORCE AND EFFECT

FOR THE PURPOSES OF THIS CLAUSE 14, THE "SELLER" SHALL BE UNDERSTOOD TO INCLUDE THE SELLER, ANY OF ITS SUPPLIERS AND SUBCONTRACTORS, ITS AFFILIATES AND ANY OF THEIR RESPECTIVE INSURERS.

14 12 Proprietary Rights

14 12 1 All proprietary rights, including but not limited to patent, design and copyrights, relating to Technical Data shall remain with the Seller and/or its Affiliates as the case may be. These proprietary rights shall also apply to any translation into a language or languages or media that may have been performed or caused to be performed by the Buyer

14.12.2 Whenever this Agreement and/or any Technical Data provides for manufacturing by the Buyer, the consent given by the Seller shall not be construed as express or implicit approval howsoever neither of the Buyer nor of the manufactured products The supply of the Technical Data shall not be construed as any further right for the Buyer to design or manufacture any Aircraft or part thereof or spare part.

14.13 Performance Engineer's Program

14.13.1 In addition to the Technical Data provided under Clause 14, the Seller shall provide to the Buyer Software Services, which shall consist of the Performance Engineer's Program (" **PEP** ") for the Aircraft type covered under this Agreement. Such PEP is composed of software components and databases and its use is subject to the license conditions set forth in Part 1 of Exhibit H to the Agreement "End-User License Agreement for Airbus Software"

14.13.2 Use of the PEP shall be limited to *** to be used on the Buyer's computers for the purpose of computing performance engineering data. The PEP is intended for use on ground only and shall not be installed on board the Aircraft.

14.13.3 The license to use the PEP and the revision service shall be provided *** of the corresponding Revision Service Period as set forth in Clause 14.5.

14.13.4 At the end of such Revision Service Period, the PEP shall be provided to the Buyer under commercial conditions set forth in the Seller's then current Customer Services Catalog.

14.14 Future Developments

The Seller continuously monitors technological developments and applies them to Technical Data, document and information systems' functionalities, production and methods of transmission

The Seller shall implement and the Buyer shall accept such new developments, it being understood that the Buyer shall be informed in due time by the Seller of such new developments and their application and of the date by which the same shall be implemented by the Seller.

14.15 Confidentiality

14.15.1 This Clause, the Technical Data, the Software Services and their content are designated as confidential. All such Technical Data and Software Services are provided to the Buyer for the sole use of the Buyer who undertakes not to disclose the contents thereof to any third party without the prior written consent of the Seller save as permitted therein or pursuant to any government or legal requirement imposed upon the Buyer

14.15.2 If the Seller authorizes the disclosure of this Clause or any Technical Data or Software Services to third parties either under this Agreement or by an express prior written authorization and specifically, in the event of the Buyer intending to designate a maintenance and repair organization or a third party to perform the maintenance of the Aircraft or to perform data processing on its behalf (each a "**Third Party**"), the Buyer shall notify the Seller of such intention prior to any disclosure of this Clause and/or the Technical Data and/or the Software Services to such Third Party.

The Buyer hereby undertakes to cause such Third Party to agree to be bound by the conditions and restrictions set forth in this Clause 14 with respect to the disclosed Clause, Technical Data or Software Services and shall in particular cause such Third Party to enter into a confidentiality agreement with the Seller, and appropriate licensing conditions, and to commit to use the Technical Data solely for the purpose of maintaining the Buyer's Aircraft and the Software Services exclusively for processing the Buyer's data.

14.16 Transferability

Without prejudice to Clause 21.1, the Buyer's rights under this Clause 14 may not be assigned, sold, transferred, novated or otherwise alienated by operation of law or otherwise, without the Seller's prior written consent.
Any transfer in violation of this Clause 14.16 shall, as to the particular Aircraft involved, void the rights and warranties of the Buyer under this Clause 14 and any and all other warranties that might arise under or be implied in law.

15 - SELLER REPRESENTATIVE SERVICES

The Seller shall *** to the Buyer the services described in this Clause 15, at the Buyer's main base or at other locations.

15.1 Customer Support Representative(s)

15.1.1 The Seller shall *** to the Buyer the services of Seller customer support representative(s), as defined in Appendix A to this Clause 15 (each a " **Seller Representative** "), at the Buyer's main base or such other locations as the parties may agree.

15.1.2 In providing the services as described herein, any Seller Representatives, or any Seller employee(s) providing services to the Buyer hereunder, are deemed to be acting in an advisory capacity only and at no time will they be deemed to be acting as Buyer's employees or agents, either directly or indirectly.

15.1.3 The Seller shall provide to the Buyer an annual written accounting of the consumed man-months and any remaining man-month balance from the allowance defined in Appendix A to this Clause 15. Such accounting shall be deemed final and accepted by the Buyer unless the Seller receives written objection from the Buyer within *** of receipt of such accounting

15.1.4 If Aircraft On Ground (" **AOG** ") technical assistance is needed after the end of the assignment referred to in Appendix A to this Clause 15, the Buyer shall have non-exclusive access to:

a) AIRTAC (Airbus Technical AOG Center), for as long as the Buyer operates at least one Airbus aircraft, and

b) The Seller Representative network closest to the Buyer's main base A list of contacts of the Seller Representatives closest to the Buyer's main base shall be provided to the Buyer,

15.1.5 Should the Buyer request Seller Representative services exceeding the allocation specified in Appendix A to this Clause 15, the Seller may provide such additional services subject to terms and conditions to be mutually agreed.

15.1.6 The Seller shall cause similar services to be provided by representatives of the Propulsion Systems Manufacturer and Suppliers, when necessary and applicable

15.1.7 The Seller will cause **AACS** to assign the services of *** Customer Support Director based in Herndon, Virginia, to liaise between the Seller and the Buyer on product support matters, after signature of this Agreement and ***.

15.2 Buyer's Support

15.2.1 From the date of arrival of the first Seller Representative and for the duration of the assignment, the Buyer shall provide free of charge a suitable lockable office, conveniently located with respect to the Buyer's maintenance facilities, with complete office furniture and equipment including telephone, internet, email and facsimile connections for the sole use of the Seller Representative(s). All related communication costs shall be borne by the Seller upon receipt by the Seller of all relevant justifications.

15.2.2 The Buyer shall *** of the Seller Representatives of ***, to and from their place of assignment and Toulouse, France.

15.2.3 The Buyer shall *** of the Seller Representatives to and from their place of assignment and Toulouse, France.

15.2.4 Should the Buyer request any Seller Representative to travel on business to a city other than such Seller Representative usual place of assignment, the Buyer shall be responsible for all related reasonable and substantiated transportation costs and expenses.

15.3 Withdrawal of the Seller Representative

The Seller shall have the right to withdraw its assigned Seller Representatives if conditions arise, which are in the Seller's opinion dangerous to their safety or health or which prevent them from fulfilling their contractual tasks.

APPENDIX "A" TO CLAUSE 15

SELLER REPRESENTATIVE ALLOCATION

The Seller Representative allocation provided to the Buyer pursuant to Clause 15.1 is defined hereunder.

1 The Seller shall provide to the Buyer Seller Representative services at the Buyer's main base or at other locations to be ***

2 Seller Representatives' services shall include initial Aircraft entry into service assistance and sustaining support services.

3 The number of the Seller Representatives assigned to the Buyer at any one time shall be mutually agreed, but shall at no time *** Seller Representatives

16 - TRAINING SUPPORT AND SERVICES

16.1 General

16.1.1 This Clause 16 sets forth the terms and conditions for the supply of training support and services for the Buyer's personnel to support the Aircraft operation.

16.1.2 The range, quantity and validity of training to be provided *** under this Agreement are covered in Appendix A to this Clause 16.

16.1.3 Scheduling of training courses covered in Appendix A shall be mutually agreed during a training conference (the " **Training Conference** ") that shall ***.

16.2 Training Location

16.2.1 The Seller shall provide training at its training center in Blagnac, France, and/or in Hamburg, Germany, or shall designate an affiliated training center in Miami, U.S.A., or Beijing, China (individually a " **Seller's Training Center** " and collectively the " **Seller's Training Centers** ")

16.2.2 If the unavailability of facilities or scheduling difficulties make training by the Seller at any Seller's Training Center impractical, the Seller shall ensure that the Buyer is provided with such training at another location designated by the Seller.

16.2.3 Upon the Buyer's request, the Seller may also provide certain training at a location other than the Seller's Training Centers, including one of the Buyer's bases, if and when practicable for the Seller, under terms and conditions to be mutually agreed upon. In such event, all additional charges listed in Clauses 16.5.2 and 16.5.3 shall be borne by the Buyer.

16.2.4 If the Buyer requests training at a location as indicated in Clause 16.2.3 and requires such training to be an Airbus approved course, the Buyer undertakes that the training facilities shall be approved prior to the performance of such training. The Buyer shall, as necessary and in due time prior to the performance of such training, provide access to the training facilities set forth in Clause 16.2.3 to the Seller's and the competent Aviation Authority's representatives for approval of such facilities.

16.3 Training Courses

16.3.1 Training courses shall be as described in the Seller's customer services catalog (the " **Seller's Customer Services Catalog** "). The Seller's Customer Services Catalog also sets forth the minimum and maximum number of trainees per course.

All training requests or training course changes made outside of the Training Conference shall be submitted by the Buyer with a *** prior notice

16.3.2 The following terms and conditions shall apply to training performed by the Seller.

(i) Training courses shall be the Seller's standard courses as described in the Seller's Customer Services Catalog valid at the time of execution of the course. The Seller shall be responsible for all training course syllabi, training aids and training equipment necessary for the organization of the training courses; for the purpose of performing training, such training equipment does not include aircraft.

(ii) The training equipment and the training curricula used for the training of flight, cabin and maintenance personnel shall not be fully customized but shall be configured in order to obtain the relevant Aviation Authority's approval and to support the Seller's training programs

(iii) Training data and documentation for trainees receiving the training at the Seller's Training Centers shall be provided free of charge. Training data and documentation shall be marked "FOR TRAINING ONLY" and as such are supplied for the sole and express purpose of training, revisions of training data and documentation shall not be provided by the Seller.

16.3.3 When the Seller's training courses are provided by the Seller's instructors (individually an " **Instructor** " and collectively " **Instructors** ") the Seller shall deliver a Certificate of Recognition or a Certificate of Course Completion (each a " **Certificate** ") or an attestation (an " **Attestation** "), as applicable, at the end of any such training course. Any such Certificate or Attestation shall not represent authority or qualification by any Aviation Authority but may be presented to such Aviation Authority in order to obtain relevant formal qualification.

In the event of training courses being provided by a training provider selected by the Seller as set forth in Clause 16.2.2, the Seller shall cause such training provider to deliver a Certificate or Attestation, which shall not represent authority or qualification by any Aviation Authority, but may be presented to such Aviation Authority in order to obtain relevant formal qualification.

16.3.4 Should the Buyer wish to exchange any of the training courses provided under Appendix A hereto, the Buyer shall place a request for ***.

16.3.5 Should the Buyer use none or only part of the training to be provided pursuant to this Clause 16, no compensation or credit of any nature shall be provided.

16 3.6 Should the Buyer decide to cancel or reschedule, fully or partially, and irrespective of the location of the training, a training course, a minimum advance notification of at least *** prior to the relevant training course start date is required

16.3.7 If the notification occurs *** prior to such training, *** shall be, as applicable, either deducted from the training allowance defined in Appendix A or invoiced at the Seller's then applicable price

16.3.8 If the notification occurs less than *** prior to such training, a *** of such training shall be, as applicable, either deducted from the training allowance defined in Appendix A to this Clause 16 or invoiced at the Seller's then applicable price.

16.3.9 ***

16.4 Prerequisites and Conditions

16 4 1 Training shall be conducted in English and all training aids used during such training shall be written in English using common aeronautical terminology

16.4.2 The Buyer hereby acknowledges that all training courses conducted pursuant to this Clause 16 are " **Standard Transition Training Courses** " and not " **Ab Initio Training Courses** ".

16.4.3 Trainees shall have the prerequisite knowledge and experience specified for each course in the Seller's Customer Services Catalog

16.4.4 1 The Buyer shall be responsible for the selection of the trainees and for any liability with respect to the entry knowledge level of the trainees

16 4.4.2 The Seller reserves the right to verify the trainees' proficiency and previous professional experience.

16 4.4 3 The Seller shall provide to the Buyer during the Training Conference an " **Airbus Pre-Training Survey** " for completion by the Buyer for each trainee

The Buyer shall provide the Seller with an attendance list of the trainees for each course, with the validated qualification of each trainee, at the time of reservation of the training course and in no event any later than *** before the start of the training course. The Buyer shall return concurrently thereto the completed Airbus Pre-Training Survey, detailing the trainees' associated background If the Seller determines through the Airbus Pre-Training Survey that a trainee does not match the prerequisites set forth in the Seller's Customer Services Catalog, following consultation with the Buyer, such trainee shall be withdrawn from the program or directed through a relevant entry level training (ELT) program, which shall be at the Buyer's expense.

16.4.4.4 If the Seller reasonably determines at any time during the training that a trainee lacks the required qualifications, following consultation with the Buyer, such trainee shall be withdrawn from the program. Upon the Buyer's request, the Seller will recommend specific additional training, which shall be at the Buyer's expense

16.4.5 The Seller shall in no case warrant or otherwise be held liable for any trainee's performance as a result of any training provided.

16.5 Logistics

16.5.1 Trainees

16.5.1.1 Living and travel expenses for the Buyer's trainees ***.

16.5.1.2 It will be the responsibility of the Buyer to make all necessary arrangements relative to authorizations, permits and/or visas necessary for the Buyer's trainees to attend the training courses to be provided hereunder. Rescheduling or cancellation of courses due to the Buyer's failure to obtain any such authorizations, permits and/or visas shall be subject to the provisions of Clauses 16.3.5.1 through 16.3.5.3.

16.5.2 Training at External Location - Seller's Instructors

16.5.2.1 If, training is provided at the Seller's request at any location other than the Seller's Training Centers, as provided for in Clause 16.2.2, the expenses of the Seller's Instructors will be borne directly by the Seller.

16.5.2.2 If, at the Buyer's request, training is provided by the Seller's Instructor(s) at any location other than the Seller's Training Centers, the Buyer *** related to the assignment of such Seller Instructors and the performance of their duties as aforesaid.

16.5.2.3 Living Expenses

Except as provided for in Clause 16.5.2.1 above, the Buyer *** set forth in the Seller's Customer Services Catalog current at the time of the corresponding training or support.

Travel expenses shall include, but shall not be limited to, lodging, food and local transportation to and from the place of lodging and the training course location.

16.5.2.4 Air Travel

Except as provided for in Clause 16.5.2.1 above, the Buyer *** set forth in the Seller's Customer Services Catalog current at the time of the corresponding training or support.

16.5.2.5 ***

16.5.3 Training Material and Equipment Availability - Training at External Location

Training material and equipment necessary for course performance at any location other than the Seller's Training Centers or the facilities of a training provider selected by the Seller shall be provided by the Buyer at its own cost in accordance with the Seller's specifications.

Notwithstanding the foregoing, should the Buyer request the performance of a course at another location as per Clause 16.2.3.1, the Seller may, upon the Buyer's request, provide the training material and equipment necessary for such course's performance. Such provision shall be at the Buyer's expense

16.6 Flight Operations Training

The Seller shall provide training for the Buyer's flight operations personnel as further detailed in Appendix A to this Clause 16, including the courses described in this Clause 16.6

16.6.1 Flight Crew Training Course

The Seller shall perform a flight crew training course program for the Buyer's flight crews, each of which shall consist of two (2) crew members, who shall be either captain(s) or first officer(s).

16.6.2 Base Flight Training

16.6.2.1 The Buyer shall provide at its own cost its delivered Aircraft, or any other aircraft it operates, for any base flight training, which shall consist of *** per pilot, performed in accordance with the related Airbus training course definition (the " **Base Flight Training** ").

16.6.2.2 Should it be necessary to ferry the Buyer's delivered Aircraft to the location where the Base Flight Training shall take place, the additional flight time required for the ferry flight to and/or from the Base Flight Training field shall not be deducted from the Base Flight Training time.

16.6.2.3 If the Base Flight Training is performed outside of the zone where the Seller usually performs such training, the ferry flight to the location where the Base Flight Training shall take place shall be performed by a crew composed of the Seller's and/or the Buyer's qualified pilots, in accordance with the relevant Aviation Authority's regulations related to the place of performance of the Base Flight Training.

16.6.3 Flight Crew Line Initial Operating Experience

In order to assist the Buyer with initial operating experience after Delivery of the first Aircraft, the Seller shall provide to the Buyer pilot Instructor(s) as set forth in Appendix A to this Clause 16.

Should the Buyer request, subject to the Seller's consent, such Seller pilot Instructors to perform any other flight support during the flight crew line initial operating period, such as but not limited to line assistance, demonstration flight(s), ferry flight(s) or any flight(s) required by the Buyer during the period of entry into service of the Aircraft, it is understood that such flight(s) shall be deducted from the flight crew line initial operating experience allowance set forth in Appendix A to this Clause 16.

It is hereby understood by the parties that the Seller's pilot Instructors shall only perform the above flight support services to the extent they bear the relevant qualifications to do so.

16.6.4 Type Specific Cabin Crew Training Course

The Seller shall provide type specific training for cabin crews, at one of the locations defined in Clause 16.2.1.

If the Buyer's Aircraft is to incorporate special features, the type specific cabin crew training course shall be performed no earlier than ***.

16.6.5 Training on Aircraft

During any and all flights performed in accordance with this Clause 16.6, the Buyer shall bear full responsibility for the aircraft upon which the flight is performed, including but not limited to any required maintenance, all expenses such as fuel, oil or landing fees and the provision of insurance in line with Clause 16.13.

The Buyer shall assist the Seller, if necessary, in obtaining the validation of the licenses of the Seller's pilots performing Base Flight Training or initial operating experience by the Aviation Authority of the place of registration of the Aircraft.

16.7 Performance / Operations Courses

The Seller shall provide performance/operations training for the Buyer's personnel as defined in Appendix A to this Clause 16.

The available courses shall be listed in the Seller's Customer Services Catalog current at the time of the course.

16.8 Maintenance Training

16.8.1 The Seller shall provide maintenance training for the Buyer's ground personnel as further set forth in Appendix A to this Clause 16.

The available courses shall be as listed in the Seller's Customer Services Catalog current at the time of the course.

The practical training provided in the frame of maintenance training shall be performed on the training devices in use in the Seller's Training Centers.

16.8.2 Practical Training on Aircraft

Notwithstanding Clause 16.8.1 above, upon the Buyer's request, the Seller may provide Instructors for the performance of practical training on aircraft (" **Practical Training** ").

Irrespective of the location at which the training takes place, the Buyer shall provide at its own cost an aircraft for the performance of the Practical Training.

Should the Buyer require the Seller's Instructors to provide Practical Training at facilities selected by the Buyer, such training shall be subject to prior approval of the facilities by the Seller. All costs related to such Practical Training, including but not limited to the Seller's approval of the facilities, ***.

The provision of a Seller Instructor for the Practical Training shall be deducted from the trainee days allowance defined in Appendix A to this Clause 16, subject to the conditions detailed in Paragraph 3.3.4 thereof.

16.9 Supplier and Propulsion Systems Manufacturer Training

Upon the Buyer's request, the Seller shall provide to the Buyer the list of the maintenance and overhaul training courses provided by major Suppliers and the Propulsion Systems Manufacturer on their respective products.

16.10 Proprietary Rights

All proprietary rights, including but not limited to patent, design and copyrights, relating to the Seller's training data and documentation shall remain with the Seller and/or its Affiliates and/or its Suppliers, as the case may be

These proprietary rights shall also apply to any translation into a language or languages or media that may have been performed or caused to be performed by the Buyer.

16.11 Confidentiality

The Seller's training data and documentation are designated as confidential and as such are provided to the Buyer for the sole use of the Buyer, for training of its own personnel, who undertake not to disclose the content thereof in whole or in part, to any third party without the prior written consent of the Seller, save as permitted herein or otherwise pursuant to any government or legal requirement imposed upon the Buyer.

If the Seller authorizes the disclosure of any training data and documentation to third parties either under this Agreement or by an express prior written authorization, the Buyer shall cause such third party to agree to be bound by the same conditions and restrictions as the Buyer with respect to the disclosed training data and documentation and to use such training data and documentation solely for the purpose for which they are provided.

16.12 Transferability

Without prejudice to Clause 21.1, the Buyer's rights under this Clause 16 may not be assigned, sold, transferred, novated or otherwise alienated by operation of law or otherwise, without the Seller's prior written consent.

16.13 Indemnities and Insurance

INDEMNIFICATION PROVISIONS AND INSURANCE REQUIREMENTS APPLICABLE TO THIS CLAUSE 16 ARE AS SET FORTH IN CLAUSE 19

THE BUYER SHALL PROVIDE THE SELLER WITH AN ADEQUATE INSURANCE CERTIFICATE PRIOR TO ANY TRAINING ON AIRCRAFT.

APPENDIX "A" TO CLAUSE 16

TRAINING ALLOWANCE

All quantities indicated below are the total quantities granted for the whole of the Buyer's fleet of Aircraft firmly ordered, unless otherwise specified

The contractual training courses defined in this Appendix A shall be provided up to ***.

Notwithstanding the above, flight operations training courses granted per firmly ordered Aircraft in this Appendix A shall be provided by the Seller ***.

Any deviation to said training delivery schedule will be agreed between the Buyer and the Seller

1 FLIGHT OPERATIONS TRAINING

1.1 Flight Crew Training (standard transition course)

The Seller shall provide flight crew training (standard transition course) *** of the Buyer's flight crews

1.2 Extended Range For Twin Engine Aircraft Operations (ETOPS) Training

The Seller shall provide *** ETOPS training for a total of *** of the Buyer's flight crews.

1.3 Low Visibility Operations Training

The Seller shall provide *** Low Visibility Operations Training for a total of *** of the Buyer's flight crews.

1.4 Flight Crew Line Initial Operating Experience

***

Unless otherwise agreed during the Training Conference, in order to follow the Aircraft Delivery schedule, the maximum number of pilot Instructors present at any one time shall be limited to *** pilot Instructors

1.5 Type Specific Cabin Crew Training Course

The Seller shall provide to the Buyer *** type specific training for cabin crews for *** of the Buyer's cabin crew instructors, pursers or cabin attendants.

1.6 Airbus Pilot Instructor Course (APIC)

The Seller shall provide to the Buyer transition Airbus Pilot Instructor Course(s) (APIC), for flight and synthetic instruction, *** of the Buyer's flight instructors. APIC courses shall be performed in groups of *** trainees.

2. PERFORMANCE / OPERATIONS COURSE(S)

The Seller shall provide to the Buyer *** of performance / operations training *** for the Buyer's personnel.

3 MAINTENANCE TRAINING

3.1 The Seller shall provide to the Buyer *** of maintenance training *** for the Buyer's personnel.

3.2 The Seller shall provide to the Buyer *** Engine Run-up courses consisting of up to *** trainees per course.

4. TRAINEE DAYS ACCOUNTING

Trainee days are counted as follows:

4.1 For instruction at the Seller's Training Centers: *** of instruction for *** trainee equals *** The number of trainees originally registered at the beginning of the course shall be counted as the number of trainees to have taken the course

4.2 For instruction outside of the Seller's Training Centers: *** of instruction by *** Seller Instructor equals the actual number of trainees attending the course or a ***, except for structure maintenance training course(s).

4.3 For structure maintenance training courses outside the Seller's Training Center(s), *** of instruction by *** Seller Instructor equals the actual number of trainees attending the course or the *** of trainees as indicated in the Seller's Customer Services Catalog.

4.4 For Practical Training, whether on training devices or on aircraft, *** of instruction by *** Seller Instructor equals the actual number of trainees attending the course or a ***.

17 - EQUIPMENT SUPPLIER PRODUCT SUPPORT

17 1 Equipment Supplier Product Support Agreements

17.1 1 The Seller has obtained enforceable and transferable product support agreements from Suppliers of Seller Furnished Equipment listed in the Specification, the benefit of which is hereby accepted by the Buyer. Said agreements become enforceable as soon as and for as long as an operator is identified as an Airbus aircraft operator.

17.1.2 These agreements are based on the "World Airlines Suppliers Guide" and include Supplier commitments as contained in the "Supplier Product Support Agreements" which include the following provisions:

(i) Technical data and manuals required to operate, maintain, service and overhaul the Supplier Parts will be prepared in accordance with the applicable provisions of ATA Specification including revision service and be published in the English language The Seller will recommend that a software user guide, where applicable, be supplied in the form of an appendix to the Component Maintenance Manual. Such data will be provided in compliance with the applicable ATA Specification;

(ii) Warranties and guarantees, including standard warranties

(iii) With respect to landing gear Suppliers, service life policies for selected structural landing gear elements;

(1) Training to ensure efficient operation, maintenance and overhaul of the Supplier Parts for the Buyer's instructors, shop and line service personnel;

(2) Spares data in compliance with ATA iSpecification 2200, initial provisioning recommendations, spare parts and logistic service including routine and expedite deliveries;

(iv) Technical service to assist the Buyer with maintenance, overhaul, repair, operation and inspection of Supplier Parts as well as required tooling and spares provisioning

17 1 3 Upon the Buyer's request, the Seller will provide the Buyer with Supplier Product Support Agreements familiarization training at the Seller's facilities in Blagnac, France. An on-line training module will also be available through Airbus World, access to which will be subject to the " **General Terms and Conditions of Access to and Use of Airbus World** " (hereinafter the "GTC"), as set forth in Exhibit H to this Agreement.

17.2 Supplier Compliance

The Seller will monitor Suppliers' compliance with support commitments defined in the Supplier Product Support Agreements and will, if necessary, take remedial action jointly with the Buyer

18 BUYER FURNISHED EQUIPMENT

18.1 Administration

18.1.1 Buyer Furnished Equipment

18.1.1.1 *** and in accordance with the Specification, the Seller will provide for the installation of those items of equipment that are identified in the Specification as being furnished by the Buyer (" **Buyer Furnished Equipment** " or " **BFE** "), provided that the BFE and the supplier of such BFE (the " **BFE Supplier** ") are referred to in the Airbus BFE Product Catalog valid at the time the BFE Supplier is selected

18.1.1.2 Notwithstanding the foregoing and without prejudice to Clause 2.4, if the Buyer wishes to install BFE manufactured by a supplier who is not referred to in the Airbus BFE Product Catalog, the Buyer will so inform the Seller and the Seller will conduct a feasibility study of the Buyer's request, in order to consider approving such supplier, provided that such request is compatible with the Seller's industrial planning and the associated Scheduled Delivery Month for the Buyer's Aircraft. In addition, it is a prerequisite to such approval that the supplier being considered is qualified by the Seller's Aviation Authorities to produce equipment for installation on civil aircraft. Any approval of a supplier by the Seller will be performed at the Buyer's expense. The Buyer will cause any BFE supplier approved under this Clause 18.1.1.2 (each an " **Approved BFE Supplier** ") to comply with the conditions set forth in this Clause 18 and specifically Clause 18.2.

Except for the specific purposes of this Clause 18.1.1.2, the term " **BFE Supplier** " will be deemed to include Approved BFE Suppliers.

18.1.2.1 The Seller will advise the Buyer of the dates by which, in the planned release of engineering for the Aircraft, the Seller requires the BFE Supplier Data as set forth in Clause 2.5.2 and, subsequently, the final written detailed engineering definition encompassing a Declaration of Design and Performance (the " **BFE Engineering Definition** ") The Seller will provide to the Buyer and/or the BFE Supplier(s), within an appropriate timeframe, the necessary interface documentation and other technical data and information as is required by the Buyer to develop the BFE Engineering Definition.

The BFE Engineering Definition will include the description of the dimensions and weight of BFE, the information related to its certification and the information necessary for the installation and operation thereof The Buyer will furnish, or cause the BFE Suppliers to furnish, both the BFE Supplier Data and BFE Engineering Definition by the dates specified through the Customization Milestone Chart as set forth in Clause 2.4.1.

Thereafter, the BFE Engineering Definition will not be revised, except through an SCN executed in accordance with Clause 2.

18.1.2.2 The Seller will also provide in due time to the Buyer a schedule of dates and the shipping addresses for delivery of the BFE and, where requested by the Seller, additional spare BFE to permit installation in the Aircraft and Delivery of the Aircraft in accordance with the Aircraft delivery schedule. The Buyer will provide, or cause the BFE Suppliers to provide, the BFE by such dates in a serviceable condition, in order to allow performance of any assembly, test or acceptance process in accordance with the Seller's industrial schedule. In order to facilitate the follow-up of the timely receipt of BFE, the Buyer will, upon the Seller's request, provide to the Seller dates and references of all BFE purchase orders placed by the Buyer.

Notwithstanding the foregoing, for BFE in-flight entertainment ("IFE") equipment to be integrated into BFE Premium Class Seats, the Buyer shall provide, or cause the BFE Premium Class Seat Supplier to provide to the BFE IFE equipment Supplier a schedule of dates and shipping addresses for delivery of the IFE equipment. In addition, where requested by the BFE Premium Class Seat Supplier, the IFE Supplier shall provide the former with additional spare IFE equipment to permit installation of the IFE equipment into the BFE Premium Class Seats in accordance with the BFE Premium Class Seat contractual delivery schedule. For BFE Premium Class Seats, each unit shall be delivered fully tested and ready for installation.

The Buyer will also provide, when requested by the Seller, at AIRBUS OPERATIONS S.A.S. works in TOULOUSE (FRANCE) and/or at AIRBUS OPERATIONS GmbH works in HAMBURG (GERMANY) adequate field service including support from BFE Suppliers to act in a technical advisory capacity to the Seller in the installation, calibration and possible repair of any BFE.

18.1.3 At a suitable time prior to CDF and without prejudice to the Buyer's obligations hereunder, in order to facilitate the development of the BFE Engineering Definition, the Seller will organize when relevant an Initial Technical Coordination Meeting (ITCM) between the Seller, the Buyer and BFE Suppliers at the A350XWB Customer Definition Centre in Hamburg, Germany. The Buyer hereby agrees to participate in such meetings and to provide adequate technical and engineering expertise to reach decisions within the defined timeframe.

In addition, throughout the development phase and up to Delivery of the Aircraft to the Buyer, the Buyer agrees:

1. to monitor the BFE Suppliers and ensure that they will enable the Buyer to fulfil its obligations, including but not limited to those set forth in the Customization Milestone Chart,

2. that, should a timeframe, quality or other type of risk be identified at a given BFE Supplier, the Buyer will allocate resources to such BFE Supplier so as not to jeopardize the industrial schedule of the Aircraft;

3. for major BFE, including, but not being limited to, seats, galleys and IFE (" **Major BFE** ") to participate on a mandatory basis in the specific meetings that take place between BFE Supplier selection and BFE delivery, namely:

   (i) Preliminary Design Review (" **PDR** "),

   (ii) Critical Design Review (" **CDR** ");

4. to attend the First Article Inspection (" **FAI** ") for the first shipset of all Major BFE. Should the Buyer fail to attend such FAI (due to reasons beyond the Buyer's control), the Buyer will delegate the FAI to the BFE Supplier and confirmation thereof will be supplied to the Seller in writing;

5. to attend the Source Inspection (" **SI** ") that takes place at the BFE Supplier's premises prior to shipping, for each shipset of all Major BFE. Should the Buyer fail to attend such SI (due to reasons beyond the Buyer's control), the Buyer will delegate the SI to the BFE Supplier and confirmation thereof will be brought to the Seller in writing. Should the Buyer not attend the SI, the Buyer will be deemed to have accepted the conclusions of the BFE Supplier with respect to such SI.

The Seller will be entitled to attend the ITCMs, the PDR, the CDR and the FAI. In doing so, the Seller's employees will be acting in an advisory capacity only and at no time will they be deemed to be acting as Buyer's employees or agents, either directly or indirectly.

18.1.4 The BFE will be imported into FRANCE or into GERMANY by the Buyer under a suspensive customs system ("Régime de l'entrepôt douanier ou régime de perfectionnement actif" or "Zollverschluss") without application of any French or German tax or customs duty, and will be Delivered Duty Unpaid (DDU) according to the Incoterms, to the following shipping addresses:

AIRBUS OPERATIONS S.A.S.
316 Route de Bayonne
31300 TOULOUSE
FRANCE

or

AIRBUS OPERATIONS GmbH
Kreetslag 10
21129 HAMBURG
GERMANY

as specified by the Seller

18.2 Aviation Authorities' Requirements

The Buyer is responsible for, at its expense, and warrants that the BFE will:

1 be manufactured by a qualified BFE Supplier, and

2 meet the requirements of the applicable Specification of the Aircraft, and

3. comply with the BFE Engineering Definition, and

4 comply with applicable requirements incorporated by reference to the Type Certificate and listed in the Type Certificate Data Sheet, and

5 be approved by the Aviation Authority delivering the Export Airworthiness Certificate and by the Buyer's Aviation Authority for installation and use on the Aircraft at the time of Delivery of the Aircraft, and

6. not infringe any patent, copyright or other intellectual property right of any third party, and

7. not be subject to any legal obligation or other encumbrance that may prevent, hinder or delay the installation of the BFE in the Aircraft and/or the Delivery of the Aircraft.

The Seller will be entitled to refuse any item of BFE that it considers incompatible with the Specification, the BFE Engineering Definition or the certification requirements.

18.3 Buyer's Obligation and Seller's Remedies

18.3.1 Any delay or failure by the Buyer or the BFE Suppliers in:

1. complying with the foregoing warranty or in providing the BFE Engineering Definition or field service mentioned in Clause 18.1.2.2, or

2 furnishing the BFE in a serviceable condition at the requested delivery date, or

3 obtaining any required approval for such BFE equipment under the above mentioned Aviation Authorities' regulations,

may delay the performance of any act to be performed by the Seller, including Delivery of the Aircraft. The Seller will not be responsible for such delay which will cause the Final Price of the Aircraft to be adjusted in accordance with the updated delivery schedule and to include in particular the amount of the Seller's additional costs attributable to such delay or failure by the Buyer or the BFE Suppliers, such as storage, taxes, insurance and costs of out-of sequence installation.

18.3.2 In addition, in the event of any delay or failure mentioned in 18.3.1 above, the Seller may:

(i) select, purchase and install equipment similar to the BFE at issue, in which event the Final Price of the Aircraft for the affected Aircraft will also be increased by the purchase price of such equipment plus reasonable costs and expenses incurred by the Seller for handling charges, transportation, insurance, packaging and, if so required and not already provided for in the Final Price of the Aircraft, for adjustment and calibration, or

(ii) if the BFE is delayed by more than *** beyond, or is not approved within *** of the dates specified in Clause 18.1.2.2, deliver the Aircraft without the installation of such BFE, notwithstanding applicable terms of Clause 7, if any, and the Seller will thereupon be relieved of all obligations to install such equipment.

18.4 Title and Risk of Loss

Title to and risk of loss of any BFE will at all times remain with the Buyer except that risk of loss (limited to cost of replacement of said BFE) will be with the Seller for as long as such BFE is under the care, custody and control of the Seller

18.5 Disposition of BFE Following Termination

18.5.1. If the Seller terminates this Agreement pursuant to the provisions of Clause 20 with respect to an Aircraft in which all or any part of the BFE has been installed prior to the date of such termination, the Seller will be entitled, but not required, to remove all items of BFE that can be removed without damage to the Aircraft and to undertake commercially reasonable efforts to facilitate the sale of such items of BFE to other customers, retaining and applying the proceeds of such sales to reduce the Seller's damages resulting from the termination

18.5.2 The Buyer will cooperate with the Seller in facilitating the sale of BFE pursuant to Clause 18.5.1 and will be responsible for all costs incurred by the Seller in removing and facilitating the sale of such BFE. The Buyer ***

18.5.3 The Seller will notify the Buyer as to those items of BFE not sold by the Seller pursuant to Clause 18.5.1 above and, at the Seller's request, the Buyer will undertake to remove such items from the Seller' facility within *** of the date of such notice. The Buyer will have no claim against the Seller for damage, loss or destruction of any item of BFE removed from the Aircraft and not removed from Seller's facility within such period.

18.5.4 The Buyer will have no claim against the Seller for damage to or destruction of any item of BFE damaged or destroyed in the process of being removed from the Aircraft, provided that the Seller will use reasonable care in such removal.

18.5.5 The Buyer will grant the Seller title to any BFE items that cannot be removed from the Aircraft without causing damage to the Aircraft or rendering any system in the Aircraft unusable

18.6 ***

19 - INDEMNITIES AND INSURANCE

The Seller and the Buyer will each be liable for Losses (as defined below) arising from the acts or omissions of their respective directors, officers, agents or employees occurring during or incidental to such party's exercise of its rights and performance of its obligations under this Agreement, except as provided in Clauses 19.1 and 19.2

19.1 Seller's Indemnities

The Seller will, except in the case of gross negligence or willful misconduct of the Buyer, its directors, officers, agents and/or employees, be solely liable for and will indemnify and hold the Buyer, its Affiliates and each of their respective directors, officers, agents, employees and insurers harmless against all losses, liabilities, claims, damages, costs and expenses, including court costs and reasonable attorneys' fees ("**Losses**"), arising from:

(a) claims for injuries to, or death of, the Seller's directors, officers, agents or employees, or loss of, or damage to, property of the Seller or its employees when such Losses occur during or are incidental to either party's exercise of any right or performance of any obligation under this Agreement, and

(b) claims for injuries to, or death of, third parties, or loss of, or damage to, property of third parties, occurring during or incidental to the Technical Acceptance Flights.

19.2 Buyer's Indemnities

The Buyer will, except in the case of gross negligence or willful misconduct of the Seller, its directors, officers, agents and/or employees, be solely liable for and will indemnify and hold the Seller, its Affiliates, its subcontractors, and each of their respective directors, officers, agents, employees and insurers, harmless against all Losses arising from.

(a) claims for injuries to, or death of, the Buyer's directors, officers, agents or employees, or loss of, or damage to, property of the Buyer or its employees, when such Losses occur during or are incidental to either party's exercise of any right or performance of any obligation under this Agreement, and

(b) claims for injuries to, or death of, third parties, or loss of, or damage to, property of third parties, occurring during or incidental to (i) the provision of Seller Representatives services under Clause 15, or (ii) ***, or (iii) the provision of Aircraft Training Services to the Buyer.

19.3 Notice and Defense of Claims

If any claim is made or suit is brought against a party or entity entitled to indemnification under this Clause 19 (the " **Indemnitee** ") for damages for which liability has been assumed by the other party under this Clause 19 (the " **Indemnitor** "), the Indemnitee will promptly give notice to the Indemnitor and the Indemnitor (unless otherwise requested by the Indemnitee) will assume and conduct the defense, or settlement, of such claim or suit, as the Indemnitor will deem prudent Notice of the claim or suit will be accompanied by all information pertinent to the matter as is reasonably available to the Indemnitee and will be followed by such cooperation by the Indemnitee as the Indemnitor or its counsel may reasonably request, at the expense of the Indemnitor.

If the Indemnitor fails or refuses to assume the defense of any claim or suit notified to it under this Clause 19, the Indemnitee will have the right to proceed with the defense or settlement of the claim or suit as it deems prudent and will have a claim against the Indemnitor for any judgments, settlements, costs or expenses, including reasonable attorneys' fees. Further, in such event, the Indemnitor will be deemed to have waived any objection or defense to the Indemnitee's claim based on the reasonableness of any settlement.

19.4 Insurance

For all Aircraft Training Services, to the extent of the Buyer's undertaking set forth in Clause 19.2, the Buyer will:

(a) cause the Seller, its Affiliates, its subcontractors and each of their respective directors, officers, agents and employees to be named as additional insured under the Buyer's Comprehensive Aviation Legal Liability insurance policies, including War Risks and Allied Perils (such insurance to include the AVN 52E Extended Coverage Endorsement Aviation Liabilities or any further Endorsement replacing AVN 52E as may be available as well as any excess coverage in respect of War and Allied Perils Third Parties Legal Liabilities Insurance), and

(b) with respect to the Buyer's Hull All Risks and Hull War Risks insurances and Allied Perils, cause the insurers of the Buyer's hull insurance policies to waive all rights of subrogation against the Seller, its Affiliates, its subcontractors and each of their respective directors, officers, agents, employees and insurers.

Any applicable deductible will be borne by the Buyer. The Buyer will furnish to the Seller, not less than *** prior to the start of any Aircraft Training Services, certificates of insurance, in English, evidencing the limits of liability cover and period of insurance coverage in a form acceptable to the Seller from the Buyer's insurance broker(s), certifying that such policies have been endorsed as follows:

(i) under the Comprehensive Aviation Legal Liability Insurances, the Buyer's policies are primary and non-contributory to any insurance maintained by the Seller,

(ii) such insurance can only be cancelled or materially altered by the giving of not less than thirty (30) days (but seven (7) days or such lesser period as may be customarily available in respect of War Risks and Allied Perils) prior written notice thereof to the Seller, and

(iii) under any such cover, all rights of subrogation against the Seller, its Affiliates, its subcontractors and each of their respective directors, officers, agents, employees and insurers have been waived.

20 - TERMINATION

20.1 Termination Events

20 1.1 Each of the following shall constitute a " **Termination Even t** " under this Agreement and promptly upon the knowledge of the occurrence of a Termination Event by the Buyer, the Buyer shall notify the Seller of such occurrence in writing and by courier or telefax, provided, however, that any failure by the Buyer to notify the Seller shall not prejudice the Seller's rights hereunder

(1) The Buyer or any of its Affiliates or any other party shall commence any case, proceeding or other action with respect to the Buyer or any of its Affiliates in any jurisdiction relating to bankruptcy, insolvency, reorganization, relief from debtors, an arrangement, winding-up, liquidation, dissolution or other relief with respect to its debts and such case, proceeding or other action remains unstayed, undismissed or undischarged for ***

(2) An action is commenced seeking the appointment of a receiver, trustee, custodian or other similar official for the Buyer or any of its Affiliates for all or substantially all of its assets, and such action remains unstayed, undismissed or undischarged for ***, or the Buyer or any of its Affiliates makes a general assignment for the benefit of its creditors.

(3) An action is commenced against the Buyer or any of its Affiliates seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets, and such action remains unstayed, undismissed or undischarged for ***

(4) The Buyer or any of its Affiliates fails generally to pay its debts as they become due.

(5) The Buyer commences negotiations with its significant creditors in preparation for a "prepackaged" bankruptcy filing under the U S. Bankruptcy Code.

(6) Any event occurs with respect to the Buyer or any of its Affiliates in any jurisdiction to which such party is subject which has an effect equivalent to any of the events mentioned in 20 1 1 (1), (2), (3) or (4)

(7) The Buyer or any of its Affiliates fails to make (i) any payment required to be made pursuant to this Agreement or any other material agreement between the Buyer or any of its Affiliates and the Seller or any of its Affiliates when such payment comes due (ii) any Predelivery Payment required to be made pursuant to this Agreement or (iii) payment of all or part of the Final Contract Price required to be made pursuant to Clause 5 of this Agreement.

(8) An "Event of Default" (as such term (or any analogous term) is defined in the relevant transaction documents that govern the relevant transaction) shall have occurred under the terms of any purchase, service ***, guarantee or other material agreement entered into from time to time between (i) the Buyer or any Affiliate of the Buyer (the " **Borrower** ") on one hand and (ii) the Seller or any of its Affiliates on the other hand

(9) An "Event of Default" (as such term (or any analogous term) is defined in the relevant transaction documents that govern the relevant transaction) shall have occurred under the terms of any material financing, lease or guarantee agreement to which the Borrower is a party from time to time

(10) ***

(11) The Buyer shall repudiate this Agreement.

(12) The Buyer shall default in its obligation to take delivery of an Aircraft as provided in Clause 9.2 of this Agreement

(13) The Buyer shall breach this Agreement or materially default in the observance or performance of any other covenant, undertaking or obligation contained in this Agreement or any other material agreement between the Buyer and the Seller (including but not limited to the Buyer's obligation to notify the Seller of the existence of a Termination Event hereunder, but only if such lack of notice itself operates to prejudice the Seller's rights under the Purchase Agreement or otherwise), ***.

(14) A Termination Event or Event of Default (as defined in the relevant agreement) shall have occurred under any other material agreement between the Buyer or any of its respective Affiliates and the Seller or any of its respective Affiliates, to the extent that such agreements relate to the transaction contemplated by this Agreement.

(15) Any other event that the parties shall have agreed in writing constitutes a Termination Event hereunder

20.2 ***

20.3 Definitions

For purposes of this Clause 20, the terms "Affected Aircraft", "Applicable Date and "Escalated Price" are defined as follows.

(i) " **Affected Aircraft** " – any or all Aircraft with respect to which the Seller has cancelled or terminated this Agreement pursuant to Clause 20. 2 (1) (iv),

(ii) " **Applicable Date** " – for any Affected Aircraft the date of the Termination Event specified in the Seller's notice and demand for payment of liquidated damages delivered under Clause 20.2(3).

(iii) " **Escalated Price** " - the sum of (i) the Base Price of the Aircraft and (ii) the Base Price of SCNs and MSCNs entered into after the date of this Agreement, all as escalated to the Applicable Date in accordance with the provisions of Clause 4

21 - ASSIGNMENTS AND TRANSFERS

21.1 Assignments

Except as hereinafter provided, neither party may sell, assign, novate or transfer its rights or obligations under this Agreement to any person without the prior written consent of the other, except that the Seller may sell, assign, novate or transfer its rights or obligations under this Agreement to any Affiliate without the Buyer's consent.

21.2 Assignments on Sale, Merger or Consolidation

The Buyer will be entitled to assign its rights under this Agreement at any time due to a merger, consolidation or a sale of all or substantially all of its assets, provided the Buyer first obtains the written consent of the Seller. The Buyer will provide the Seller with *** notice if the Buyer wishes the Seller to provide such consent. The Seller will provide its consent if

(i) the surviving or acquiring entity is organized and existing under the laws of the United States;

(ii) the surviving or acquiring entity has executed an assumption agreement, in form and substance reasonably acceptable to the Seller, agreeing to assume all of the Buyer's obligations under this Agreement;

(iii) at the time, and immediately following the consummation, of the merger, consolidation or sale, no event of default exists or will have occurred and be continuing;

(iv) there exists with respect to the surviving or acquiring entity no basis for a Termination Event;

the surviving or acquiring entity is an airline holding an operating certificate issued by the FAA at the time, and immediately following the consummation, of such sale, merger or consolidation; and

following the sale, merger or consolidation, the surviving entity is in a financial condition at least equal to that of the Buyer at time of execution of the Agreement.

21.3 Designations by Seller

The Seller may at any time by notice to the Buyer designate facilities or personnel of AACS or any other Affiliate of the Seller at which or by whom the services to be performed under this Agreement will be performed.

Notwithstanding such designation, the Seller will remain ultimately responsible for fulfillment of all obligations undertaken by the Seller in this Agreement.

21.4 Transfer of Rights and Obligations upon Reorganization

In the event that the Seller is subject to a corporate restructuring having as its object the transfer of, or succession by operation of law in, all or a substantial part of its assets and liabilities, rights and obligations, including those existing under this Agreement, to a person (the "**Successor**") that is an Affiliate of the Seller at the time of that restructuring, for the purpose of the Successor carrying on the business carried on by the Seller at the time of the restructuring, such restructuring will be completed without consent of the Buyer following notification by the Seller to the Buyer in writing. The Buyer recognizes that succession of the Successor to the Agreement by operation of law that is valid under the law pursuant to which that succession occurs will be binding upon the Buyer.

22 - MISCELLANEOUS PROVISIONS

22 1 Data Retrieval

On the Seller's reasonable request, the Buyer will provide the Seller with all the necessary data, as customarily compiled by the Buyer and pertaining to the operation of the Aircraft, to assist the Seller in making an efficient and coordinated survey of all reliability, maintenance, operational and cost data with a view to improving the safety, availability and operational costs of the Aircraft

22.2 Notices

All notices and requests required or authorized hereunder will be given in writing either by personal delivery to a authorized officer of the party to whom the same is given or by commercial courier, certified air mail (return receipt requested) or facsimile at the addresses and numbers set forth below. The date on which any such notice or request is so personally delivered, or if such notice or request is given by commercial courier, certified air mail or facsimile, the date on which sent, will be deemed to be the effective date of such notice or request.

The Seller will be addressed at

Airbus S.A.S.
2, rond-point Emile Dewoitine,
31700 Blagnac, France
Attention: Senior Vice President Contracts

Telephone 33 (0) 5 61 93 43 85
Facsimile. 33 (0) 5 61 93 47 27

The Buyer will be addressed at

United Airlines, Inc
233 South Wacker Drive,
Chicago, Illinois 60606
Attention: Head of Fleet Planning

Telephone. 1 (312) 997 8000
Email: fleet.planning@united.com

From time to time, the party receiving the notice or request may designate another address or another person

22.3 Waiver

The failure of either party to enforce at any time any of the provisions of this Agreement, to exercise any right herein provided or to require at any time performance by the other party of any of the provisions hereof will in no way be construed to be a present or future waiver of such provisions nor in any way to affect the validity of this Agreement or any part hereof or the right of the other party thereafter to enforce each and every such provision. The express waiver by either party of any provision, condition or requirement of this Agreement will not constitute a waiver of any future obligation to comply with such provision, condition or requirement.

22.4 International Supply Contract

The Buyer and the Seller recognize that this Agreement is an international supply contract which has been the subject of discussion and negotiation, that all its terms and conditions are fully understood by the parties, and that the Specification and price of the Aircraft and the other mutual agreements of the parties set forth herein were arrived at in consideration of, inter alia, all the provisions hereof specifically including all waivers, releases and remunerations by the Buyer set out herein.

22.5 Certain Representations of the Parties

22.5.1 Buyer's Representations

The Buyer represents and warrants to the Seller:

(i) the Buyer is a corporation organized and existing in good standing under the laws of the State of Delaware and has the corporate power and authority to enter into and perform its obligations under this Agreement;

(ii) neither the execution and delivery by the Buyer of this Agreement, nor the consummation of any of the transactions by the Buyer contemplated thereby, nor the performance by the Buyer of the obligations thereunder, constitutes a breach of any agreement to which the Buyer is a party or by which its assets are bound,

(iii) this Agreement has been duly authorized, executed and delivered by the Buyer and constitutes the legal, valid and binding obligation of the Buyer enforceable against the Buyer in accordance with its terms.

22.5.2 Seller's Representations

The Seller represents and warrants to the Buyer:

(i) the Seller is organized and existing in good standing under the laws of the Republic of France and has the corporate power and authority to enter into and perform its obligations under the Agreement;

(ii) neither the execution and delivery by the Seller of this Agreement, nor the consummation of any of the transactions by the Seller contemplated thereby, nor the performance by the Seller of the obligations there under, constitutes a breach of any agreement to which the Seller is a party or by which its assets are bound;

(iii) this Agreement has been duly authorized, executed and delivered by the Seller and constitutes the legal, valid and binding obligation of the Seller enforceable against the Seller in accordance with its terms.

22.6 Interpretation and Law

THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED AND THE PERFORMANCE THEREOF WILL BE DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO ITS CONFLICTS OF LAWS PROVISIONS THAT WOULD RESULT IN THE APPLICATION OF THE LAW OF ANY OTHER JURISDICTION

Each of the Seller and the Buyer (i) hereby irrevocably submits itself to the nonexclusive jurisdiction of the courts of the state of New York, New York County, of the United States District Court for the Southern District of New York, for the purposes of any suit, action or other proceeding arising out of this Agreement, the subject matter hereof or any of the transactions contemplated hereby brought by any party or parties hereto, and (ii) hereby waives, and agrees not to assert, by way of motion, as a defense or otherwise, in any such suit, action or proceeding, to the extent permitted by applicable law, any defense based on sovereign or other immunity or that the suit, action or proceeding which is referred to in clause (i) above is brought in an inconvenient forum, that the venue of such suit, action or proceeding is improper, or that this Agreement or the subject matter hereof or any of the transactions contemplated hereby may not be enforced in or by these courts

THE PARTIES HEREBY ALSO AGREE THAT THE UNITED NATIONS CONVENTION ON CONTRACTS FOR THE INTERNATIONAL SALE OF GOODS WILL NOT APPLY TO THIS TRANSACTION.

22.6.1 The Buyer for itself and its successors and assigns hereby designates and appoints the Secretary of the Buyer duly elected from time to time as its legal agent and attorney-in-fact upon whom all processes against the Buyer in any suit, action or proceeding in respect of any matter as to which it has submitted to jurisdiction under Clause 22.6 may be served with the same effect as if the

Buyer were a corporation organized under the laws of the State of New York and had lawfully been served with such process in such state, it being understood that such designation and appointments will become effective without further action on the part of its Secretary. The Seller for itself and its successors and assigns hereby designates and appoints CT Corporation, located at CT Corporation, 111 Eighth Avenue, New York, NY 10011, as its legal agent and attorney-in-fact upon whom all processes against the Seller in any suit, action or proceeding in respect of any matter as to which it has submitted to jurisdiction under Clause 22 6 may be served with the same effect as if the Seller were a corporation organized under the laws of the State of New York and had lawfully been served with such process in such state.

22.6.2 The assumption in Clause 22.6.1 made for the purpose of effecting the service of process will not affect any assertion of diversity by either party hereto initiating a proceeding in the New York Federal Courts or seeking transfer to the New York Federal Courts on the basis of diversity.

22.6.3 Service of process in any suit, action or proceeding in respect of any matter as to which the Seller or the Buyer has submitted to jurisdiction under Clause 22 6 (i) may be made on the Seller by delivery of the same personally or by dispatching the same via Federal Express, UPS, or similar international air courier service prepaid to, CT Corporation, New York City offices as agent for the Seller, it being agreed that service upon CT Corporation will constitute valid service upon the Seller or by any other method authorized by the laws of the State of New York, and (ii) may be made on the Buyer by delivery of the same personally or by dispatching the same by Federal Express, UPS, or similar international air courier service prepaid, return receipt requested to, Corporate Secretary, located at 233 South Wacker Drive, Chicago, Illinois 60606, or by any other method authorized by the laws of the State of New York

22.6.4 Headings

All headings in this Agreement are for convenience of reference only and do not constitute a part of this Agreement

22.7 Waiver of Jury Trial

EACH OF THE PARTIES HERETO WAIVES ITS RIGHT TO TRIAL BY JURY IN ANY LITIGATION ARISING OUT OF OR RELATING TO THIS AGREEMENT AND FOR ANY COUNTERCLAIM OR CROSS-CLAIM THEREIN

22.8 Waiver of Consequential Damages

In no circumstances shall either party claim or receive incidental or consequential damages under this Agreement.

22.9 No Representations Outside of this Agreement

The parties declare that, prior to the execution of this Agreement, they, with the advice of their respective counsel, apprised themselves of sufficient relevant data in order that they might intelligently exercise their own judgments in deciding whether to execute this Agreement and in deciding on the contents of this Agreement. Each party further declares that its decision to execute this Agreement is not predicated on or influenced by any declarations or representations by any other person, party, or any predecessors in interest, successors, assigns, officers, directors, employees, agents or attorneys of any said person or party, except as set forth in this Agreement This Agreement resulted from negotiation involving counsel for all of the parties hereto and no term herein will be construed or interpreted against any party under the contra proferentum or any related doctrine.

22.10 Confidentiality

Subject to any legal or governmental requirements of disclosure, the parties (which for this purpose will include their employees, and legal counsel) will maintain the terms and conditions of this Agreement and any reports or other data furnished hereunder strictly confidential, including but not limited to, the Aircraft pricing (the "Confidential Information"). Without limiting the generality of the foregoing, the Buyer will use its best efforts to limit the disclosure of the contents of this Agreement to the extent legally permissible in (i) any filing required to be made by the Buyer with any governmental agency and will make such applications as will be necessary to implement the foregoing, and (ii) any press release concerning the whole or any part of the contents and/or subject matter hereof or of any future addendum hereto With respect to any public disclosure or filing, the Buyer agrees to submit to the Seller a copy of the proposed document to be filed or disclosed and will give the Seller a reasonable period of time in which to review said document The Buyer and the Seller will consult with each other prior to the making of any public disclosure or filing, permitted hereunder, of this Agreement or the terms and conditions thereof

The provisions of this Clause 22 10 will survive any termination of this Agreement

22 11 Severability

Any provision of the Agreement determined to be unlawful or unenforceable under applicable law applied by any court of competent jurisdiction shall, to the extent required by such law, be deemed severed from the Agreement and rendered ineffective so far as is possible without modifying the remaining provisions Where, however, the provisions of any such applicable law may be

waived, they are hereby waived by the parties hereto to the fullest extent permitted by such law, with the result that the provisions of the Agreement shall be a valid and binding and enforceable in accordance with their terms The parties agree to replace, so far as practicable, any provision which is prohibited, unlawful or unenforceable with another provision having substantially the same effect (in its legal and commercial content) as the replaced provision, but which is not prohibited, unlawful or unenforceable. The invalidity in whole or in part of any provisions of the Agreement shall not void or affect the validity of any other provision.

22.12 Entire Agreement

This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and thereof and supersedes any previous understanding, commitments or representations whatsoever, whether oral or written. This Agreement will not be amended or modified except by an instrument in writing of even date herewith or subsequent hereto executed by both parties or by their fully authorized representatives

22 13 Inconsistencies

In the event of any inconsistency between the terms of this Agreement and the terms contained in either (i) the Specification, or (ii) any other Exhibit, in each such case the terms of this Agreement will prevail over the terms of the Specification or any other Exhibit For the purpose of this Clause 22.13, the term Agreement will not include the Specification or any other Exhibit hereto.

22.14 Language

All correspondence, documents and any other written matters in connection with this Agreement will be in English.

22.15 Counterparts

This Agreement has been executed in two (2) original copies

Notwithstanding the foregoing, this Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument

IN WITNESS WHEREOF, this Amended and Restated A350-900 Purchase Agreement was entered into as of the day and year first above written

AIRBUS, S.A.S

By /s/ Kiran Rao
Title Deputy to COO Customers EVP Strategy

UNITED AIRLINES, INC.

By. /s/ Gerald Laderman
Title· Senior Vice President Finance, Procurement and Treasurer

STANDARD SPECIFICATION

Exhibit A-1 : A350-900 Standard Specification

Exhibit A-2 : A350-1000 Standard Specification

A350-900 STANDARD SPECIFICATION

The A350-900 Standard Specification is contained in a separate folder

A350-1000 STANDARD SPECIFICATION

The A350-1000 Standard Specification is contained in a separate folder.

SPECIFICATION CHANGE NOTICES

Exhibit B-1 Form of Specification Change Notice

Exhibit B-2 Lists of Specification Change Notices

- Part 1 A350-900 SCN Budget
- Part 2 A350-1000 SCN Budget
- Part 3 A350-900 ULR SCN Budget
- Part 4 A350-900 *** SCNs
- Part 5 A350-1000 *** SCNs
- Part 6 A350-900 ULR *** SCNs

Exhibit B-3 Form of Manufacturer's Specification Change Notice

AIRBUS

EXHIBIT B-1

SPECIFICATION CHANGE NOTICE

(SCN)

For

SCN Number
Issue
Dated
Page

Title:

Description

Remarks / References

Specification changed by this SCN

This SCN requires prior or concurrent acceptance of the following SCN (s):

Price per aircraft

US DOLLARS

AT DELIVERY CONDITIONS

This change will be effective on AIRCRAFT N° , and subsequent.

Provided approval is received by

Buyer approval	**Seller approval**
By	By
Date :	Date

AIRBUS

SPECIFICATION CHANGE NOTICE

(SCN)

For

SCN Number
Issue
Dated
Page

Specification repercussion:

After contractual agreement with respect to weight, performance, delivery, etc. the indicated part of the specification wording will read as follows:

AIRBUS

SPECIFICATION CHANGE NOTICE

(SCN)

For

SCN Number
Issue
Dated
Page

Scope of change (FOR INFORMATION ONLY)

SCN LISTS

Part 1 : A350-900 SCN Budget

Part 2 : A350-1000 SCN Budget

Part 3 : A350-900 ULR SCN Budget

Part 4 : A350-900 *** SCNs

Part 5 : A350-1000 *** SCNs

Part 6 : A350-900 ULR *** SCNs

Part 1 : A350-900 SCN Budget

***

Part 2 : A350-1000 SCN Budget

***

Part 3 : A350-900 ULR SCN Budget

***

Part 4 : A350-900 * SCNs**

***

Part 5 : A350-1000 * SCNs**

***

Part 6 : A350-900 ULR * SCNs**

***

AIRBUS

EXHIBIT B-3

For

MANUFACTURER'S SPECIFICATION
CHANGE NOTICE

(MSCN)

MSCN Number
Issue
Dated
Page

Title:

Description:

Effect on weight

Manufacturer's Weight Empty Change
Operational Weight Empty Change :
Allowable Payload Change :

Remarks / References

Specification changed by this MSCN

Price per aircraft

US DOLLARS:

AT DELIVERY CONDITIONS:

This change will be effective on AIRCRAFT N° and subsequent.

Provided MSCN is not rejected by

Buyer Approval	**Seller Approval**
By :	By
Date :	Date

AIRBUS

For

MANUFACTURER'S SPECIFICATION
CHANGE NOTICE

(MSCN)

MSCN Number
Issue
Dated
Page

Specification repercussion:

AIRBUS

For

MANUFACTURER'S SPECIFICATION CHANGE NOTICE

(MSCN)

MSCN Number
Issue
Dated
Page

Scope of change (FOR INFORMATION ONLY)

SELLER PRICE REVISION FORMULA

***

EXHIBIT D

FORM OF CERTIFICATE OF ACCEPTANCE

In accordance with the terms of Clause 8.3 of the Amended and Restated A350-900 Purchase Agreement dated [*day*] [*month*] [*year*] and made between United Airlines, Inc. (the " **Buyer** ") and Airbus S.A.S. as amended and supplemented from time to time (the " **Purchase Agreement** "), the technical acceptance tests relating to one Airbus A350-[•] aircraft, bearing manufacturer's serial number [•], and registration mark [•](the " **Aircraft** ") have taken place in Toulouse, France.

In view of said tests having been carried out with satisfactory results, the Buyer hereby approves the Aircraft as being in conformity with the provisions of the Purchase Agreement and accepts the Aircraft for delivery in accordance with the provisions of the Purchase Agreement.

Such acceptance shall not impair the rights that may be derived from the warranties relating to the Aircraft set forth in the Purchase Agreement.

Any right at law or otherwise to revoke this acceptance of the Aircraft is hereby irrevocably waived

IN WITNESS WHEREOF, the Buyer, has caused this instrument to be executed by its duly authorized representative this day of [*month*], [*year*] in Toulouse, France.

RECEIPT AND ACCEPTANCE OF THE
ABOVE-DESCRIBED AIRCRAFT ACKNOWLEDGED

UNITED AIRLINES, INC

Name

Title

Signature:

EXHIBIT E

FORM OF BILL OF SALE

Know all men by these presents that Airbus S.A.S , a *Société par Actions Simplifiée* existing under French law and having its principal office at 2, Rond-Point Emile Dewoitine, 31700 Blagnac, FRANCE (the " **Seller** "), was this [*day*] [*month*] [*year*] the owner of the title to the following airframe (the " **Airframe** "), the [engines/propulsion systems] as specified (the "[**Engines / Propulsion Systems**]") and [all appliances, components, parts, instruments, accessories, furnishings, modules and other equipment of any nature], [excluding buyer furnished equipment (" **BFE** ")] incorporated therein, installed thereon or attached thereto on the date hereof (the " **Parts** "):

AIRFRAME:

AIRBUS Model A3[•]-[•]

MANUFACTURER'S SERIAL NUMBER [•]

REGISTRATION MARK : [•]

[ENGINES/PROPULSION SYSTEMS]:

[Insert name of engine or propulsion system manufacturer] Model [•]

ENGINE SERIAL NUMBERS

LH: [•]

RH: [•]

[and [had] such title to the BFE as was acquired by it from [*insert name of vendor of the BFE*] pursuant to a bill of sale dated [month] [year] (the " **BFE Bill of Sale** ")].

The Airframe, [Engines/Propulsion Systems] and Parts are hereafter together referred to as the " **Aircraft** ".

The Seller did this day of [month] [year], sell, transfer and deliver all of its above described rights, title and interest in and to the Aircraft [and the BFE] to the following entity and to its successors and assigns forever, said Aircraft [and the BFE] to be the property thereof.

[*Insert Name/Address of Buyer*]
(the " **Buyer** ")

The Seller hereby warrants to the Buyer, its successors and assigns that (i) the Seller had good and lawful right to sell, deliver and transfer title to the Aircraft to the Buyer and (ii) there was conveyed to the Buyer good, legal and valid title to the Aircraft, free and clear of all liens, claims, charges, encumbrances and rights of others and (iii) the Seller will warrant and defend such title forever against all claims and demands whatsoever [and (iv) the Seller had such title to the BFE as Seller has acquired from [*insert name of vendor of the BFE*] pursuant to the BFE Bill of Sale].

This Bill of Sale shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the undersigned has caused this instrument to be executed by its duly authorized representative this day of [month], [year] in [Blagnac/Hamburg]

AIRBUS S.A.S.
Name
Title:
Signature

EXHIBIT F

SERVICE LIFE POLICY

LIST OF ITEMS

EXHIBIT F

SELLER SERVICE LIFE POLICY

1 The Items covered by the Service Life Policy pursuant to Clause 12.2 are those Seller Items of primary and auxiliary structure described hereunder

***

TECHNICAL DATA INDEX

TECHNICAL DATA INDEX

Buyer and Seller hereby acknowledge that the Aircraft Technical Data represented in this Exhibit G is ***, such updated Technical Data shall automatically be incorporated by reference herein and shall constitute the Exhibit G to this Agreement.

Where applicable, data will be established in general compliance with ATA iSpecification 2200 and/or S1000D Specification jointly defined by the ASD (Aerospace and Defense Industries Association of Europe), AIA (Aerospace Industries Association) and ATA (Air Transport Association of America), as applicable

AVAILABILITY

Except as specifically otherwise set forth in this Exhibit G, all Technical Data shall be available on-line through the relevant service on the Airbus customer portal "Airbus World".

The following index identifies the Technical Data provided in support of the Aircraft.

The explanation of the table is as follows.

NOMENCLATURE	Self-explanatory
ABBR.	Abbreviated designation of the relevant Technical Data

FORMATS:

ADVANCED CONSULTATION TOOL

Includes the relevant Technical Data and an advanced consultation and navigation software to browse the data

SPECIFIC FORMATS

Refers to Technical Data, which are neither located in an "Advanced Consultation Tool" nor issued as XML raw data. Such Technical Data may be available as either:

- Portable Document Format (PDF), allowing data consultation, or
- Office Automation Format, such as XLS and/or Rich Text Format (Word RTF) or HyperText Markup Language (HTML), for consultation and information update, or
- Task Structure Data File (TSDF)

XML raw data

1/ Maintenance, Planning, Structural, Overhaul, Engineering Data

S1000D compliant raw data, for data processing by the Buyer

If XML has been selected by the Buyer in the present Exhibit G, effective delivery shall only take place at the time of explicit request from the Buyer

2/ Flight Operations Data

XML standard is yet to be defined

TYPE	C	CUSTOMIZED: Refers to manuals that are applicable to an individual Airbus customer/operator fleet or aircraft.
	G	GENERIC: Refers to manuals that are applicable for all Airbus aircraft types/models/series
	E	ENVELOPE: Refers to manuals that are applicable to a whole group of Airbus customers for a specific aircraft type/model/series

QTY /QUANTITY	Self explanatory
DELIVERY (Deliv)	Delivery refers to scheduled delivery dates and is expressed in either the number of corresponding days prior to first Aircraft delivery, or nil (0) referring to the Delivery Date of corresponding Aircraft The number of days indicated shall be rounded up to the next regular revision release date

***

EXHIBIT II

GENERAL TERMS AND CONDITIONS OF ACCESS TO AND USE OF AIRBUS WORLD

The general terms and conditions of access to and use of the secure area of the Airbus world / online services (as amended and supplemented from time to time) are contained in a separate folder.

CONFIDENTIAL MATERIAL APPEARING IN THIS DOCUMENT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION IN ACCORDANCE WITH THE SECURITIES ACT OF 1933, AS AMENDED, AND RULE 24B-2 PROMULGATED THEREUNDER. OMITTED INFORMATION HAS BEEN REPLACED WITH ASTERISKS.

LETTER AGREEMENT NO 1

TO THE AMENDED AND RESTATED
A350-900 PURCHASE AGREEMENT

As of 1 September 2017

UNITED AIRLINES, INC.
233 South Wacker Drive
Chicago, Illinois 60606
USA

Re: SPARE PARTS PROCUREMENT

Dear Ladies and Gentlemen,

UNITED AIRLINES, INC (the " **Buyer** "), and AIRBUS S.A.S. (the " **Seller** "), have entered into an Amended and Restated A350-900 Purchase Agreement dated as of the date hereof (the " **Agreement** "), which covers, among other things, the sale by the Seller and the purchase by the Buyer of certain Aircraft, under the terms and conditions set forth in said Agreement The Buyer and the Seller have agreed to set forth in this Letter Agreement No 1 (the " **Letter Agreement** ") certain additional terms and conditions regarding the sale of the Aircraft Capitalized terms used herein and not otherwise defined in this Letter Agreement will have the meanings assigned thereto in the Agreement. The terms "herein," "hereof" and "hereunder" and words of similar import refer to this Letter Agreement.

Both parties agree that this Letter Agreement will constitute an integral, nonseverable part of said Agreement, that the provisions of said Agreement are hereby incorporated herein by reference, and that this Letter Agreement will be governed by the provisions of said Agreement, except that if the Agreement and this Letter Agreement have specific provisions which are inconsistent, the specific provisions contained in this Letter Agreement will govern

CONTENTS

PARAGRAPHS

1 - GENERAL
2 - INITIAL PROVISIONING
3 - WARRANTIES
4 - LEAD TIMES
5 - DELIVERY STATUS
6 - MATERIAL CONSUMPTION DATA
7 - OTHER MATERIAL SUPPORT
8 - COMMERCIAL CONDITIONS
9 - TITLE
10 - TERMINATION
11 - INCONSISTENCIES
12 - ASSIGNMENT
13 - TERMINATION
14 - ASSIGNMENT

1. GENERAL

1.1 Scope of Material Support

1.1.1 This Letter Agreement defines the terms and conditions for the support services offered by the Seller to the Buyer relating to the Aircraft only, in the following areas:

***

1.1.2 References made to Paragraphs shall refer to paragraphs of this Letter Agreement. Unless otherwise specified.

1.1.3 For the purposes of this Letter Agreement, the term "Supplier" shall mean any supplier providing any of the Material listed in Paragraph 1.2.1 hereunder (each item of Material supplied by a Supplier being a "Supplier Part").

1.1.4 Notwithstanding any other agreement in force between the Buyer and the Seller as of the date hereof pertaining to spare parts procurement by the Buyer in relation to Airbus aircraft, this Letter Agreement shall be the only agreement between the Buyer and the Seller governing the terms and conditions applicable to the A350 Spare Parts Procurement

1.2 Material

1.2.1 The "Material" will be comprised of the following:

***

1.3 Term

***

1.4 Stores

***

1.4.3 Other Points of Shipment

***

1.4.4 Customer Order Desk

***

1.5 Spare Parts Representative

1.5.1 Spare Parts Representative Services

***

1.6 Commitment of the Buyer

***

1.7 Manufacture of Material by the Buyer

***

2 INITIAL PROVISIONING AND REPLENISHMENT

2.1 Initial Provisioning

2.1.1 Period

***

2.1.2 Pre-Provisioning Meeting

***

2.1.3 Initial Provisioning Conference

***

2.1.4 Initial Provisioning Data

***

2.1.5 Supplier-Supplied Data

***

2.1.6 Supplementary Data

***

2.1.7 Commercial Offer for Certain Material

***

2.1.8 Delivery of Initial Provisioning Material

***

3 WARRANTIES ON SELLER PARTS

3.1 Nature of Warranty

***

3.2 Exceptions

***

3.3 Warranty Periods

***

3.4 Limitations of Warranty

***

3.6 Duplicate Remedies

***

4. LEAD TIMES

***

4.3 Expedite Service

***

5. DELIVERY STATUS

***

5.1 Shortages, Overshipments, Non-Conformity in Orders

***

5.1.4 Packaging

***

5.1.5 Cessation of Deliveries

***

6 MATERIAL CONSUMPTION DATA

***

7 OTHER MATERIAL SUPPORT

***

7.1.1 General

***

7.1.2 Title

***

7.1.3 Warranties

***

7.1.3.2 Warranty and Notice Periods

***

7.1.3.4 Suspension and Transportation Costs

***

7.2 Tools and Ground Support Equipment

***

8 COMMERCIAL CONDITIONS

8.1 Price

8.1.1 All Material prices shall be quoted for delivery

***

8.2 Payment Procedures and Conditions

***

8.3 Payment in Full

***

9. TITLE

The Buyer will at all times keep an amount of Material at least equal in value to the total amount of invoices for Material outstanding to the Seller at any given time free from any lien, debenture, security interest or other similar interest charge or claim in favor of any third party.

10 TERMINATION OF SPARES PROCUREMENT COMMITMENTS

Any termination of the Agreement under its terms shall *** The Seller may, but shall not be required, to ***.

11. INCONSISTENCY

In the event of any inconsistency between *** this Letter Agreement shall prevail to the extent of such inconsistency

12. ASSIGNMENT

This Letter Agreement and the rights and obligations of the parties will be subject to the provisions of Clause 21 of the Agreement

13 CONFIDENTIALITY

This Letter Agreement is subject to the terms and conditions of Clause 22.10 of the Agreement.

14. COUNTERPARTS

This Letter Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.

If the foregoing correctly sets forth your understanding, please execute the original and one (1) copy hereof in the space provided below and return a copy to the Seller

Very truly yours,

AIRBUS S.A.S.

By: /s/ Kiran Rao

Its. Deputy to COO Customers
EVP Product Strategy

Accepted and Agreed

UNITED AIRLINES, INC.

By: /s/ Gerald Laderman

Its: Senior Vice President Finance,
Procurement and Treasurer

APPENDIX "A" TO PARAGRAPH 7.1.1

***

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LETTER AGREEMENT NO 2

TO THE AMENDED AND RESTATED
A350-900 PURCHASE AGREEMENT

As of 1 September 2017

UNITED AIRLINES, INC
233 South Wacker Drive
Chicago, Illinois 60606
USA

Re. PREDELIVERY PAYMENTS

Dear Ladies and Gentlemen,

UNITED AIRLINES, INC. (the " **Buyer** "), and AIRBUS S.A.S. (the " **Seller** "), have entered into an Amended and Restated A350-900 Purchase Agreement dated as of the date hereof (the " **Agreement** "), which covers, among other things, the sale by the Seller and the purchase by the Buyer of certain Aircraft, under the terms and conditions set forth in said Agreement. The Buyer and the Seller have agreed to set forth in this Letter Agreement No 2 (the " **Letter Agreement** ") certain additional terms and conditions regarding the sale of the Aircraft. Capitalized terms used herein and not otherwise defined in this Letter Agreement will have the meanings assigned thereto in the Agreement. The terms "herein," "hereof" and "hereunder" and words of similar import refer to this Letter Agreement

Both parties agree that this Letter Agreement will constitute an integral, nonseverable part of said Agreement, that the provisions of said Agreement are hereby incorporated herein by reference, and that this Letter Agreement will be governed by the provisions of said Agreement, except that if the Agreement and this Letter Agreement have specific provisions which are inconsistent, the specific provisions contained in this Letter Agreement will govern.

1. PREDELIVERY PAYMENTS

Clause 5 of the Agreement is deleted in its entirety and replaced with the following quoted text:

QUOTE

5 - PAYMENT TERMS

5.1 Seller's Account

The Buyer will pay the Predelivery Payments, the Balance of the Final Price of the Aircraft and any other amount due hereunder in immediately available funds in United States dollars to: ***, or to such other account as may be designated by the Seller in writing to the Buyer.

5.2 Predelivery Payments

5.2.1 ***

5.2.2 The Predelivery Payment Reference Price for an Aircraft to be delivered in calendar year T is determined in accordance with the following formula:

***

5.2.3 Predelivery Payments will be paid according to the following schedules

***

5.2.3.1 For the initial firm order of forty-five (45) A350-900 Aircraft

Payment Date		Percentage of Predelivery Payment Reference Price
***	***	***
TOTAL PAYMENT PRIOR TO DELIVERY		***%

Notwithstanding the above, it is agreed that with respect to Aircraft ***

5.2.3.2 ***:

Payment Date		Percentage of Predelivery Payment Reference Price
***	***	***
TOTAL PAYMENT PRIOR TO DELIVERY		***%

5.2.3.3 For Converted Firm Aircraft

Payment Date		Percentage of Predelivery Payment Reference Price
***	***	***
TOTAL PAYMENT PRIOR TO DELIVERY		***%

Notwithstanding the above, it is agreed that with respect to Aircraft ***.

***

5.5 Payment of Balance of the Final Price of the Aircraft

***

5 6 Taxes

***

" **Taxes** " means any present or future tax, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any governmental authority or any political subdivision or taxing authority thereof or therein.

5 7 Application of Payments

Notwithstanding any other rights the Seller may have at contract or at law, the Buyer and the Seller hereby agree that should any amount (whether under this Agreement or under any other agreement between the Buyer or a direct or indirect subsidiary of the Buyer on the one hand and the Seller or any of the Seller's Affiliates on the other hand) become due and payable by the Buyer or an Affiliate of the Buyer, ***

5.9 Overdue Predelivery Payments

If any Predelivery Payment due to the Seller is not received by the Seller on the date or dates agreed upon between the Buyer and the Seller, the Seller will have the right to claim from the Buyer and the Buyer will promptly pay to the Seller upon receipt of such claim, interest at the rate of ***. The Seller's right to receive such interest will be in addition to any other rights of the Seller hereunder or at law. ***.

5.10 Proprietary Interest

Notwithstanding any provision of law to the contrary, the Buyer will not, by virtue of anything contained in this Agreement (including, without limitation, any *** or Predelivery Payments hereunder, or any designation or identification by the Seller of a particular aircraft as an Aircraft to which any of the provisions of this Agreement refers) acquire any proprietary, insurable or other interest whatsoever in any Aircraft before Delivery of and payment for such Aircraft, as provided in this Agreement.

5.11 Payment in Full

***

5.12 Other Charges

***

UNQUOTE

2 ASSIGNMENT

This Letter Agreement and the rights and obligations of the parties will be subject to the provisions of Clause 21 of the Agreement.

3 CONFIDENTIALITY

This Letter Agreement is subject to the terms and conditions of Clause 22.10 of the Agreement

4 COUNTERPARTS

This Letter Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.

If the foregoing correctly sets forth your understanding, please execute the original and one (1) copy hereof in the space provided below and return a copy to the Seller

Very truly yours,

AIRBUS S.A.S

By. /s/ Kiran Roa

Its. Deputy to COO Customers
EVP Product Strategy

Accepted and Agreed

UNITED AIRLINES, INC.

By. /s/ Gerald Laderman

Its: Senior Vice President Finance,
Procurement and Treasurer

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LETTER AGREEMENT NO. 3

TO THE AMENDED AND RESTATED
A350-900 PURCHASE AGREEMENT

As of 1 September 2017

UNITED AIRLINES, INC.
233 South Wacker Drive
Chicago, Illinois 60606
USA

Re. CREDIT MATTERS

Dear Ladies and Gentlemen,

UNITED AIRLINES, INC (the " **Buyer** "), and AIRBUS S.A.S. (the " **Seller** "), have entered into an Amended and Restated A350-900 Purchase Agreement dated as of the date hereof (the " **Agreement** "), which covers, among other things, the sale by the Seller and the purchase by the Buyer of certain Aircraft, under the terms and conditions set forth in said Agreement. The Buyer and the Seller have agreed to set forth in this Letter Agreement No. 3 (the " **Letter Agreement** ") certain additional terms and conditions regarding the sale of the Aircraft. Capitalized terms used herein and not otherwise defined in this Letter Agreement will have the meanings assigned thereto in the Agreement. The terms "herein," "hereof" and "hereunder" and words of similar import refer to this Letter Agreement.

Both parties agree that this Letter Agreement will constitute an integral, nonseverable part of said Agreement, that the provisions of said Agreement are hereby incorporated herein by reference, and that this Letter Agreement will be governed by the provisions of said Agreement, except that if the Agreement and this Letter Agreement have specific provisions which are inconsistent, the specific provisions contained in this Letter Agreement will govern.

1 ***** TO ALL AIRCRAFT OF A TYPE**

***

7. ASSIGNMENT

This Letter Agreement and the rights and obligations of the parties will be subject to the provisions of Clause 21 of the Agreement

8 CONFIDENTIALITY

This Letter Agreement is subject to the terms and conditions of Clause 22.10 of the Agreement.

9 COUNTERPARTS

This Letter Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.

If the foregoing correctly sets forth your understanding, please execute the original and one (1) copy hereof in the space provided below and return a copy to the Seller

Very truly yours,

AIRBUS S.A.S.

By: /s/ Kiran Rao

Its: Deputy to COO Customers
EVP Product Strategy

Accepted and Agreed

UNITED AIRLINES, INC

By: /s/ Gerald Laderman

Its: Senior Vice President Finance,
Procurement and Treasurer

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LETTER AGREEMENT NO. 4

TO THE AMENDED AND RESTATED
A350-900 PURCHASE AGREEMENT

As of 1 September 2017

UNITED AIRLINES, INC
233 South Wacker Drive
Chicago, Illinois 60606
USA

Re. ***

Dear Ladies and Gentlemen,

UNITED AIRLINES, INC. (the " **Buyer** "), and AIRBUS S A S. (the " **Seller** "), have entered into an Amended and Restated A350-900 Purchase Agreement dated as of the date hereof (the " **Agreement** "), which covers, among other things, the sale by the Seller and the purchase by the Buyer of certain Aircraft, under the terms and conditions set forth in said Agreement. The Buyer and the Seller have agreed to set forth in this Letter Agreement No. 4 (the " **Letter Agreement** ") certain additional terms and conditions regarding the sale of the Aircraft. Capitalized terms used herein and not otherwise defined in this Letter Agreement will have the meanings assigned thereto in the Agreement. The terms "herein," "hereof" and "hereunder" and words of similar import refer to this Letter Agreement.

Both parties agree that this Letter Agreement will constitute an integral, nonseverable part of said Agreement, that the provisions of said Agreement are hereby incorporated herein by reference, and that this Letter Agreement will be governed by the provisions of said Agreement, except that if the Agreement and this Letter Agreement have specific provisions which are inconsistent, the specific provisions contained in this Letter Agreement will govern.

1. DEFINITIONS

Clause 0 to the Agreement is amended to either modify or add the following defined terms between the "QUOTE" and "UNQUOTE".

QUOTE

*** A350XWB Aircraft – has the meaning set forth in Paragraph 3.1

*** Aircraft – has the meaning set forth in Paragraph 3.1

*** A350-900 ULR Aircraft – has the meaning set forth in Paragraph 3.1

*** A350-1000 Aircraft – has the meaning set forth in Paragraph 3.1

*** Aircraft – has the meaning set forth in Paragraph 3.1

*** A350-900 *** Aircraft – has the meaning set forth in Paragraph 3.1

*** A350-900 ULR *** Aircraft – has the meaning set forth in Paragraph 3.1

*** A350-1000 *** Aircraft – has the meaning set forth in Paragraph 3.1

***

A350-900 *** Aircraft – has the meaning set forth in Paragraph 2.1

A350-900 *** Aircraft – has the meaning set forth in Paragraph 2.1.

A350-1000 *** Aircraft – has the meaning set forth in Paragraph 2.1

*** Fee – has the meaning set forth in Paragraph 2.1.

UNQUOTE

***

2.2 ***

***

Such written notice will include, for each *** Aircraft, the requested (i) delivery month and year and (ii) *** Aircraft type.

***

6. INTENTIONALLY LEFT BLANK

7 ASSIGNMENT

This Letter Agreement and the rights and obligations of the parties will be subject to the provisions of Clause 21 of the Agreement.

8 CONFIDENTIALITY

This Letter Agreement is subject to the terms and conditions of Clause 22 10 of the Agreement

9 COUNTERPARTS

This Letter Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.

If the foregoing correctly sets forth your understanding, please execute the original and one (1) copy hereof in the space provided below and return a copy to the Seller.

Very truly yours,

AIRBUS S.A.S.

By: /s/ Kiran Rao

Its: Deputy to COO Customers
EVP Product Strategy

Accepted and Agreed

UNITED AIRLINES, INC.

By: /s/ Gerald Laderman

Its: Senior Vice President Finance,
Procurement and Treasurer

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LETTER AGREEMENT NO. 5

TO THE AMENDED AND RESTATED
A350-900 PURCHASE AGREEMENT

As of 1 September 2017

UNITED AIRLINES, INC
233 South Wacker Drive
Chicago, Illinois 60606
USA

Re: PRODUCT SUPPORT MATTERS

Dear Ladies and Gentlemen,

UNITED AIRLINES, INC. (the " **Buyer** "), and AIRBUS S.A.S. (the " **Seller** "), have entered into an Amended and Restated A350-900 Purchase Agreement dated as of the date hereof (the " **Agreement** "), which covers, among other things, the sale by the Seller and the purchase by the Buyer of certain Aircraft, under the terms and conditions set forth in said Agreement. The Buyer and the Seller have agreed to set forth in this Letter Agreement No. 5 (the " **Letter Agreement** ") certain additional terms and conditions regarding the sale of the Aircraft. Capitalized terms used herein and not otherwise defined in this Letter Agreement will have the meanings assigned thereto in the Agreement. The terms "herein," "hereof" and "hereunder" and words of similar import refer to this Letter Agreement.

Both parties agree that this Letter Agreement will constitute an integral, nonseverable part of said Agreement, that the provisions of said Agreement are hereby incorporated herein by reference, and that this Letter Agreement will be governed by the provisions of said Agreement, except that if the Agreement and this Letter Agreement have specific provisions which are inconsistent, the specific provisions contained in this Letter Agreement will govern.

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1 AIRBUS WORLD

Notwithstanding anything in Exhibit H, the Buyer will have full access to Airbus World ***.

2 CLAUSE 14 TECHNICAL DATA

Clause 14 of the Agreement is deleted in its entirety and replaced with the following quoted text:

QUOTE

14 - TECHNICAL DATA

14 1 Scope

This Clause 14 covers the terms and conditions for the supply of technical data by the Seller (" **Technical Data** ") needed to support the Aircraft operation ***.

14 1.1 The Technical Data shall be supplied in the English language using the aeronautical terminology in common use.

14 1 2 All Technical Data shall be available on-line as set forth in Clause 14.4. Range, type, format and delivery schedule of the on-line Technical Data to be provided under this Agreement are outlined in Exhibit G hereto.

14.2 Aircraft Identification for Technical Data

14 2 1 For those Technical Data that are customized to the Buyer's Aircraft, the Buyer agrees to the allocation of fleet serial numbers (" **Fleet Serial Numbers** ") in the form of blocks of numbers selected in the range from 001 to 999.

14.2 2 The sequence shall not be interrupted unless two (2) different Propulsion Systems or two (2) different Aircraft models are selected.

14.2 3 The Buyer shall indicate to the Seller the Fleet Serial Number allocated to each Aircraft corresponding to the delivery schedule set forth in Clause 9.1 ***. Neither the designation of such Fleet Serial Numbers nor the subsequent allocation of the Fleet Serial Numbers to Manufacturer Serial Numbers for the purpose of producing certain customized Technical Data shall constitute any property, insurable or other interest of the Buyer in any Aircraft prior to the Delivery of such Aircraft as provided for in this Agreement

The customized Technical Data that are affected thereby are the following:

- Aircraft Maintenance Manual,
- Illustrated Parts Catalog,
- Trouble Shooting Manual,

- Aircraft Wiring Manual,
- Aircraft Schematics Manual,
- Aircraft Wiring Lists.

14 3 Integration of Equipment Data

14 3 1 Supplier Parts

Information, including revisions, relating to Supplier Parts that are installed on the Aircraft at Delivery or through Airbus Service Bulletins thereafter will be introduced into the customized Technical Data to the extent necessary for the comprehension of the affected systems, at no additional charge to the Buyer

14 3 2 Buyer Furnished Equipment

14 3 2.1 The Seller shall introduce data related to Buyer Furnished Equipment, for equipment that is installed on the Aircraft by the Seller (" **BFE Data** ") into the customized Technical Data, at no additional charge to the Buyer for the initial issue of the Technical Data provided at first Aircraft Delivery, provided such BFE Data is provided in accordance with the conditions set forth in Clauses 14.3 2.2 through 14.3.2.6.

14.3 2 2 The Buyer shall supply the BFE Data to the Seller at least six (6) months prior to the Scheduled Delivery Month of the first Aircraft

14 3 2 3 The BFE Data shall be supplied in English and shall be established in compliance with the then applicable revision of ATA iSpecification 2200 and/or S1000D Specification jointly defined by the ASD (Aerospace and Defense Industries Association of Europe), AIA (Aerospace Industries Association) and ATA (Air Transport Association of America), as applicable.

14.3.2 4 The Buyer and the Seller shall agree on the requirements for the provision to the Seller of BFE Data for "on-aircraft maintenance", such as but not limited to timeframe, media and format in which the BFE Data shall be supplied to the Seller, in order to manage the BFE Data integration process in an efficient, expeditious and economic manner

14 3 2 5 The BFE Data shall be delivered in digital format (SGML or XML raw data) and/or in Portable Document Format (PDF), as agreed between the Buyer and the Seller.

14 3 2.6 All costs related to the delivery to the Seller of the applicable BFE Data shall be borne by the Buyer

14.4 Supply

14.4.1 Except as specifically otherwise set forth in Exhibit G, all Technical Data shall be made available on-line through the relevant services on the Seller's customer portal Airbus World (" **Airbus World** "), under terms and conditions described in Exhibit H to the Agreement

14.4.2 The Technical Data shall be delivered according to a *** schedule to correspond with the Deliveries of Aircraft. The Buyer shall provide no less than sixty (60) days notice when requesting a change to such delivery schedule.

14.4.3 It will be the responsibility of the Buyer to *** Upon request from the Buyer's Aviation Authorities, such Aviation Authorities shall be given on-line access to the Buyer's Technical Data.

14.5 Revision Service

For each firmly ordered Aircraft covered under this Agreement, revision service for the Technical Data shall be provided *** (each a " **Revision Service Period** ").

Thereafter revision service shall be provided in accordance with the terms and conditions set forth in the Seller's then current Customer Services Catalog

14.6 Service Bulletins (SB) Incorporation

During any Revision Service Period and upon the Buyer's request, Seller Service Bulletin information shall be incorporated into the Technical Data, provided that the Buyer notifies the Seller through the Airbus World "Service Bulletin Reporting" service that it intends to accomplish such Service Bulletin, after which post-Service Bulletin status shall be shown ***

14.7 Technical Data Familiarization

Upon request by the Buyer, the Seller shall provide up to *** of Technical Data familiarization training at the Seller's or the Buyer's facilities The basic familiarization course is tailored for maintenance and engineering personnel.

14.8 Customer Originated Changes (COC)

If the Buyer wishes to introduce Buyer originated data (" **COC Data** ") into any of the customized Technical Data that are identified as eligible for such incorporation in the Seller's then current Customer Services Catalog, the Buyer shall notify the Seller of such intention.

The incorporation of any COC Data shall be performed under the methods and tools for achieving such introduction and the conditions specified in the Seller's then current Customer Services Catalog.

14.9 Advanced Consultation Tool

14.9.1 Some Technical Data shall be made available through several domains listed in Paragraph 14.9.2 and shall be provided on-line through an Advanced Consultation Tool, which shall include the necessary navigation software and viewer to browse the Technical Data (together, " **Advanced Consultation Tool** ").

14.9.2 The Advanced Consultation Tool encompasses the following domains

- AirN@v / Line Maintenance,
- AirN@v /Planning,
- AirN@v / Engineering,
- AirN@v / Associated Data.

14.9.3 Further details on the Technical Data included in such Advanced Consultation Tool are set forth in Exhibit G

14.9.4 The parties agree to negotiate in good faith license terms governing use of the Advanced Consultation Tool software prior to delivery of such Advanced Consultation Tool, but no later than six (6) months of the date of signature of this Agreement.

14.9.5 The revision service for, and the license to use, the Advanced Consultation Tool shall be *** for the duration of the corresponding Revision Service Period At the end of such Revision Service Period, the yearly revision service for the Advanced Consultation Tool and the associated license fee shall be provided to the Buyer under the commercial conditions set forth in the Seller's then current Customer Services Catalog.

14.10 On-Line Access to Technical Data

14.10.1 Access to Airbus World shall be subject to the "General Terms and Conditions of Access to and Use of Airbus World" (the " **GTC** "), as set forth in Exhibit H

14.10.2 Access to Airbus World shall be *** of the Buyer's users (including *** Buyer's Administrators) for the Technical Data related to the Aircraft which shall be operated by the Buyer.

14.10.3 Should Airbus World provide access to Technical Data in software format, the use of such software shall be further subject to ***

14.11 Waiver, Release and Renunciation

The Seller warrants that the Technical Data are prepared in accordance with the state of art at the date of their conception. Should any Technical Data prepared by the Seller contain any non-conformity or defect, the sole and exclusive liability of the Seller shall be to correct such Technical Data. Notwithstanding the above, no warranties of any kind shall be given for the Customer Originated Changes.

THE WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER (AS DEFINED BELOW FOR THE PURPOSES OF THIS CLAUSE 14) AND REMEDIES OF THE BUYER SET FORTH IN THIS CLAUSE 14 ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND THE BUYER HEREBY WAIVES, RELEASES AND RENOUNCES ALL OTHER WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER AND RIGHTS, CLAIMS AND REMEDIES OF THE BUYER AGAINST THE SELLER, EXPRESS OR IMPLIED, ARISING BY LAW, CONTRACT OR OTHERWISE, WITH RESPECT TO ANY NON-CONFORMITY OR DEFECT OF ANY KIND, IN ANY TECHNICAL DATA OR SERVICES DELIVERED UNDER THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO:

A. ANY WARRANTY AGAINST HIDDEN DEFECTS;

B. ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS;

C. ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OR TRADE;

D. ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY, WHETHER IN CONTRACT OR IN TORT, WHETHER OR NOT ARISING FROM THE SELLER'S NEGLIGENCE, ACTUAL OR IMPUTED; AND

E. ANY OBLIGATION, LIABILITY, RIGHT, CLAIM, OR REMEDY FOR LOSS OF OR DAMAGE TO ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY, PART, SOFTWARE, DATA OR SERVICES DELIVERED UNDER THIS AGREEMENT, FOR LOSS OF USE, REVENUE OR PROFIT, OR FOR ANY OTHER DIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES;

PROVIDED THAT, IN THE EVENT THAT ANY OF THE AFORESAID PROVISIONS SHOULD FOR ANY REASON BE HELD UNLAWFUL OR OTHERWISE INEFFECTIVE, THE REMAINDER OF THIS AGREEMENT SHALL REMAIN IN FULL FORCE AND EFFECT.

***

FOR THE PURPOSES OF THIS CLAUSE 14, THE "SELLER" SHALL BE UNDERSTOOD TO INCLUDE THE SELLER, ANY OF ITS SUPPLIERS AND SUBCONTRACTORS, ITS AFFILIATES AND ANY OF THEIR RESPECTIVE INSURERS.

14.12 Proprietary Rights

14.12.1 All proprietary rights, including but not limited to patent, design and copyrights, relating to Technical Data shall remain with the Seller and/or its Affiliates as the case may be. These proprietary rights shall also apply to any translation into a language or languages or media that may have been performed or caused to be performed by the Buyer.

14.12.2 Whenever this Agreement and/or any Technical Data provides for manufacturing by the Buyer, the consent given by the Seller shall not be construed as express or implicit approval howsoever neither of the Buyer nor of the manufactured products. The supply of the Technical Data shall not be construed as any further right for the Buyer to design or manufacture any Aircraft or part thereof or spare part.

14.13 Performance Engineer's Program

14.13.1 In addition to the Technical Data provided under Clause 14, the Seller shall provide to the Buyer Software Services, which shall consist of the Performance Engineer's Program ("**PEP**") for the Aircraft type covered under this Agreement. Such PEP is composed of software components and databases. The parties agree to negotiate in good faith license terms governing use of the PEP prior to delivery of the PEP, but no later than six (6) months of the date of signature of this Agreement.

14.13.2 Use of the PEP shall be limited to *** to be used on the Buyer's computers for the purpose of computing performance engineering data. The PEP is intended for use on ground only and shall not be installed on board the Aircraft.

14.13.3	The license to use the PEP and the revision service shall be provided *** of the corresponding Revision Service Period as set forth in Clause 14.5.
14.13.4	At the end of such Revision Service Period, the PEP shall be provided to the Buyer under commercial conditions set forth in the Seller's then current Customer Services Catalog.
14.14	***

UNQUOTE

3. CLAUSE 15 – SELLER REPRESENTATIVE SERVICES

Clause 15 of the Agreement is amended as follows:

3.1 Customer Support Representative(s)

Clause 15.1.3 of the Agreement is deleted in its entirety and replaced with the following quoted text:

QUOTE

15.1.3 The Seller shall provide to the Buyer an annual written accounting of the consumed man-months and any remaining man-month balance from the allowance defined in Appendix A to this Clause 15. Such accounting shall be deemed final and accepted by the Buyer unless the Seller receives written objection from the Buyer within *** of receipt of such accounting.

UNQUOTE

3.2 Buyer's Support

3.2.1 Clause 15.2.2 of the Agreement is deleted in its entirety and replaced with the following quoted text:

QUOTE

15.2.2 The Buyer shall *** of the Seller Representatives of ***, to and from their place of assignment and Toulouse, France.

UNQUOTE

3.2.2 *** and replaced with the following quoted text.

QUOTE

15.2.3 Intentionally left blank

UNQUOTE

3.3 Seller Representative

Paragraph 1 of Appendix A to Clause 15 of the Agreement is deleted in its entirety and replaced with the following quoted text:

QUOTE

***

UNQUOTE

4 CLAUSE 16 – TRAINING SUPPORT AND SERVICES

Clause 16 of the Agreement is deleted in its entirety and replaced with the following quoted text:
QUOTE:

16 - TRAINING SUPPORT AND SERVICES

16.1 General

16.1.1 This Clause 16 sets forth the terms and conditions for the supply of training support and services for the Buyer's personnel to support the Aircraft operation

16.1.2 The range, quantity and validity of training to be provided *** under this Agreement are covered in Appendix A to this Clause 16.

16.1.3 Scheduling of training courses covered in Appendix A shall be mutually agreed during a training conference (the " **Training Conference** ") that shall be ***

16.2 Training Location

16.2.1 The Seller shall provide training at its training center in Blagnac, France, and/or in Hamburg, Germany, or shall designate an affiliated training center in Miami, U.S.A., or Beijing, China (each a " **Seller's Training Center** ")

16.2.2 If the unavailability of facilities or scheduling difficulties make training by the Seller at any Seller's Training Center impractical, the Seller shall ensure that the Buyer is provided with such training at another location designated by the Seller.

16.2.3 Upon the Buyer's request, the Seller may also provide certain training at a location other than the Seller's Training Centers, including one of the Buyer's bases, if and when practicable for the Seller, under terms and conditions to be mutually agreed upon. In such event, all additional *** charges listed in Clauses 16.5.2 and 16.5.3 shall be borne by the Buyer.

16.2.4 If the Buyer requests training at a location as indicated in Clause 16.2.3 and requires such training to be an Airbus approved course, the Buyer undertakes that the training facilities shall be approved prior to the performance of such training. The Buyer shall, as necessary and in due time prior to the performance of such training, provide access to the training facilities set forth in Clause 16.2.3 to the Seller's and the competent Aviation Authority's representatives for approval of such facilities.

16.3 Training Courses

16.3.1 Training courses shall be as described in the Seller's customer services catalog (the " **Seller's Customer Services Catalog** ") The Seller's Customer Services Catalog also sets forth the minimum and maximum number of trainees per course. ***.

All training requests or training course changes made outside of the Training Conference shall be submitted by the Buyer with a minimum of *** prior notice

16.3.2 The following terms and conditions shall apply to training performed by the Seller:

(i) Training courses shall be the Seller's standard courses as described in the Seller's Customer Services Catalog valid at the time of execution of the course The Seller shall be responsible for all training course syllabi, training aids and training equipment necessary for the organization of the training courses, for the purpose of performing training, such training equipment does not include aircraft.

(ii) The training equipment and the training curricula used for the training of flight, cabin and maintenance personnel shall not be fully customized but shall be configured in order to obtain the relevant Aviation Authority's approval and to support the Seller's training programs

(iii) Training data and documentation for trainees receiving the training at the Seller's Training Centers shall be provided *** Training data and documentation shall be marked "FOR TRAINING ONLY" and as such are supplied for the sole and express purpose of training, revisions of training data and documentation shall not be provided by the Seller

16.3.3 When the Seller's training courses are provided by the Seller's instructors (each an " **Instructor** ") the Seller shall deliver a Certificate of Recognition or a Certificate of Course Completion (each a " **Certificate** ") or an attestation (an " **Attestation** "), as applicable, at the end of any such training course Any such Certificate or Attestation shall not represent authority or qualification by any Aviation Authority but may be presented to such Aviation Authority in order to obtain relevant formal qualification

In the event of training courses being provided by a training provider selected by the Seller as set forth in Clause 16.2.2, the Seller shall cause such training provider to deliver a Certificate or Attestation, which shall not represent authority or qualification by any Aviation Authority, but may be presented to such Aviation Authority in order to obtain relevant formal qualification.

16.3.4 Should the Buyer wish to ***

16.3.5 Should the Buyer use none or only part of the training to be provided pursuant to this Clause 16, no compensation or credit of any nature shall be provided.

16.3.6 Should the Buyer decide to cancel or reschedule, fully or partially, and irrespective of the location of the training, a training course, a minimum advance notification of *** prior to the relevant training course start date is required.

16.3.7 If the notification occurs *** prior to such training, *** shall be, as applicable, either deducted from the training allowance defined in Appendix A or invoiced at the Seller's then applicable price, ***.

16.3.8 If the notification occurs *** prior to such training, *** shall be, as applicable, either deducted from the training allowance defined in Appendix A to this Clause 16 or invoiced at the Seller's then applicable price, ***.

***

16.4 <u>Prerequisites and Conditions</u>

16.4.1 Training shall be conducted in English and all training aids used during such training shall be written in English using common aeronautical terminology.

16.4.2 The Buyer hereby acknowledges that all training courses conducted pursuant to this Clause 16 are "Standard Transition Training Courses" and not "Ab Initio Training Courses".

16.4.3 Trainees shall have the prerequisite knowledge and experience specified for each course in the Seller's Customer Services Catalog

16.4.4.1 The Buyer shall be responsible for the selection of the trainees and for any liability with respect to the entry knowledge level of the trainees

16.4.4.2 The Seller reserves the right to verify the trainees' proficiency and previous professional experience.

16.4.4.3 The Seller shall provide to the Buyer during the Training Conference an " **Airbus Pre-Training Survey** " for completion by the Buyer for each trainee.

The Buyer shall provide the Seller with an attendance list of the trainees for each course, with the validated qualification of each trainee, at the time of reservation of the training course and in no event any later than *** before the start of the training course. The Buyer shall return concurrently thereto the completed Airbus Pre-Training Survey, detailing the trainees' associated background. If the Seller determines through the Airbus Pre-Training Survey that a trainee does not match the prerequisites set forth in the Seller's Customer Services Catalog, following consultation with the Buyer, such trainee shall be withdrawn from the program or directed through a relevant entry level training (ELT) program, which shall be at the Buyer's expense. ***

16.4.4.4 If the Seller reasonably determines at any time during the training that a trainee lacks the required qualifications, following consultation with the Buyer, such trainee shall be withdrawn from the program. Upon the Buyer's request, the Seller will recommend specific additional training, which shall be at the Buyer's expense

16.4.5 The Seller shall in no case warrant or otherwise be held liable for any trainee's performance as a result of any training provided.

16.5 Logistics

16.5.1 Trainees

16.5.1.1 Living and travel expenses for the Buyer's trainees shall be ***

16.5.1.2 It will be the responsibility of the Buyer to make all necessary arrangements relative to authorizations, permits and/or visas necessary for the Buyer's trainees to attend the training courses to be provided hereunder. Rescheduling or cancellation of courses due to the Buyer's failure to obtain any such authorizations, permits and/or visas shall be subject to the provisions of Clauses 16.3.5.1 through 16.3.5.3.

16.5.2 Training at External Location - Seller's Instructors

16.5.2.1 If training is provided at the Seller's request at any location other than the Seller's Training Centers, as provided for in Clause 16.2.2, the expenses of the Seller's Instructors will be borne directly by the Seller.

16 5 2 2 If, at the Buyer's request, training is provided by the Seller's Instructor(s) at any location other than the Seller's Training Centers, the Buyer *** related to the assignment of such Seller Instructors and the performance of their duties as aforesaid

16.5 2 3 Living Expenses

Except as provided for in Clause 16 5 2 1 above, the ***

16 5 2 4 Air Travel

Except as provided for in Clause 16 5 2.1 above, the Buyer *** to and from the Buyer's designated training site and the Seller's Training Centers.

16 5 2.5 ***

16 5.3 Training Material and Equipment Availability - Training at External Location

Training material and equipment necessary for course performance at any location other than the Seller's Training Centers or the facilities of a training provider selected by the Seller shall be provided by the Buyer at its own cost in accordance with the Seller's specifications.

Notwithstanding the foregoing, should the Buyer request the performance of a course at another location as per Clause 16.2 3.1, the Seller may, upon the Buyer's request, provide the training material and equipment necessary for such course's performance. Such provision shall be at the Buyer's expense.

16 6 Flight Operations Training

The Seller shall provide training for the Buyer's flight operations personnel as further detailed in Appendix A to this Clause 16, including the courses described in this Clause 16 6. ***

16.6.1 Flight Crew Training Course

The Seller shall perform a flight crew training course program for the Buyer's flight crews, each of which shall consist of two (2) crew members, who shall be either captain(s) or first officer(s).

16.6.2 Base Flight Training

16.6.2.1 The Buyer shall provide at its own cost its delivered Aircraft, or any other aircraft it operates, for any base flight training, which shall consist of *** per pilot, performed in accordance with the related Airbus training course definition (the " **Base Flight Training** ").

16.6.2.2 Should it be necessary to ferry the Buyer's delivered Aircraft to the location where the Base Flight Training shall take place, the additional flight time required for the ferry flight to and/or from the Base Flight Training field shall not be deducted from the Base Flight Training time

16.6.2.3 If the Base Flight Training is performed outside of the zone where the Seller usually performs such training, the ferry flight to the location where the Base Flight Training shall take place shall be performed by a crew composed of the Seller's and/or the Buyer's qualified pilots, in accordance with the relevant Aviation Authority's regulations related to the place of performance of the Base Flight Training

16.6.3 Flight Crew Line Initial Operating Experience

In order to assist the Buyer with initial operating experience after Delivery of the first Aircraft, the Seller shall provide to the Buyer pilot Instructor(s) as set forth in Appendix A to this Clause 16

Should the Buyer request, subject to the Seller's consent, such Seller pilot Instructors to perform any other flight support during the flight crew line initial operating period, such as but not limited to line assistance, demonstration flight(s), ferry flight(s) or any flight(s) required by the Buyer during the period of entry into service of the Aircraft, it is understood that such flight(s) shall be deducted from the flight crew line initial operating experience allowance set forth in Appendix A to this Clause 16.

It is hereby understood by the Parties that the Seller's pilot Instructors shall only perform the above flight support services to the extent they bear the relevant qualifications to do so.

16.6.4 Type Specific Cabin Crew Training Course

The Seller shall provide type specific training for cabin crews, at one of the locations defined in Clause 16.2.1.

If the Buyer's Aircraft is to incorporate special features, the type specific cabin crew training course shall be performed no earlier than ***.

16.6.5 Training on Aircraft

During any and all flights performed in accordance with this Clause 16.6, the Buyer shall bear full responsibility for the aircraft upon which the flight is performed, including but not limited to any required maintenance, all expenses such as fuel, oil or landing fees and the provision of insurance in line with Clause 16.13.

The Buyer shall assist the Seller, if necessary, in obtaining the validation of the licenses of the Seller's pilots performing Base Flight Training or initial operating experience by the Aviation Authority of the place of registration of the Aircraft.

16 7 Performance / Operations Courses

The Seller shall provide performance/operations training for the Buyer's personnel as defined in Appendix A to this Clause 16

The available courses shall be listed in the Seller's Customer Services Catalog current at the time of the course.

16 8 Maintenance Training

16.8.1 The Seller shall provide maintenance training for the Buyer's ground personnel as further set forth in Appendix A to this Clause 16

The available courses shall be as listed in the Seller's Customer Services Catalog current at the time of the course. ***

The practical training provided in the frame of maintenance training shall be performed on the training devices in use in the Seller's Training Centers.

16 8 2 Practical Training on Aircraft

Notwithstanding Clause 16.8.1 above, upon the Buyer's request, the Seller may provide Instructors for the performance of practical training on aircraft (" **Practical Training** ").

Irrespective of the location at which the training takes place, the Buyer shall provide at its own cost an aircraft for the performance of the Practical Training

Should the Buyer require the Seller's Instructors to provide Practical Training at facilities selected by the Buyer, such training shall be subject to prior approval of the facilities by the Seller All costs related to such Practical Training, including but not limited to the Seller's approval of the facilities, ***.

The provision of a Seller Instructor for the Practical Training shall be deducted from the trainee days allowance defined in Appendix A to this Clause 16, subject to the conditions detailed in Paragraph 3 3.4 thereof

16 9 Supplier and Propulsion Systems Manufacturer Training

Upon the Buyer's request, the Seller shall provide to the Buyer the list of the maintenance and overhaul training courses provided by major Suppliers and the Propulsion Systems Manufacturer on their respective products.

16 10 Proprietary Rights

All proprietary rights, including but not limited to patent, design and copyrights, relating to the Seller's training data and documentation shall remain with the Seller and/or its Affiliates and/or its Suppliers, as the case may be

These proprietary rights shall also apply to any translation into a language or languages or media that may have been performed or caused to be performed by the Buyer.

16 11 Use of Training Materials

***

APPENDIX "A" TO CLAUSE 16

TRAINING ALLOWANCE

All quantities indicated below are the total quantities granted for the whole of the Buyer's fleet of Aircraft firmly ordered, unless otherwise specified and save for any allowances already used by the Buyer in respect of the Aircraft, as of the date hereof.

The contractual training courses defined in this Appendix A shall be provided ***.

Except with respect to EIS Training (defined below), flight operations training courses granted per firmly ordered Aircraft in this Appendix A shall be provided by the Seller ***

Any deviation to said training delivery schedule will be agreed between the Buyer and the Seller.

1. FLIGHT OPERATIONS TRAINING

1.1 Flight Crew Training (standard transition course)

The Seller shall provide flight crew training (standard transition course) *** for *** of the Buyer's flight crews for each of the forty-five (45) Aircraft firmly ordered under the Agreement, and delivered thereunder.

1.2 Extended Range For Twin Engine Aircraft Operations (ETOPS) Training

The Seller shall provide *** ETOPS training for *** of the Buyer's flight crews for each of the forty-five (45) Aircraft firmly ordered under the Agreement, and delivered thereunder.

1.3 Low Visibility Operations Training

The Seller shall provide *** Low Visibility Operations Training for *** of the Buyer's flight crews for each of the forty-five (45) Aircraft firmly ordered under the Agreement, and delivered thereunder.

1.4 Flight Crew Line Initial Operating Experience

The Seller shall provide to the Buyer pilot Instructor(s) *** for a period of ***.

Unless otherwise agreed during the Training Conference, in order to follow the Aircraft Delivery schedule, the maximum number of pilot Instructors present at any one time shall be limited to *** pilot Instructors.

1.5 Type Specific Cabin Crew Training Course

The Seller shall provide to the Buyer *** type specific training for cabin crews for *** of the Buyer's cabin crew instructors, pursers or cabin attendants.

1.6 Airbus Pilot Instructor Course (APIC)

The Seller shall provide to the Buyer transition Airbus Pilot Instructor Course(s) (APIC), for flight and synthetic instruction, *** for *** of the Buyer's flight instructors. APIC courses shall be performed in groups of *** trainees.

2. PERFORMANCE / OPERATIONS COURSE(S)

The Seller shall provide to the Buyer *** trainee days of performance / operations training *** for the Buyer's personnel.

3. MAINTENANCE TRAINING

3.1 The Seller shall provide to the Buyer *** trainee days of maintenance training *** for the Buyer's personnel.

3.2 The Seller shall provide to the Buyer *** Engine Run-up courses consisting of up to *** trainees per course.

4. TRAINEE DAYS ACCOUNTING

Trainee days are counted as follows:

4.1 For instruction at the Seller's Training Centers *** day of instruction for *** trainee equals *** trainee day. The number of trainees originally registered at the beginning of the course shall be counted as the number of trainees to have taken the course

4.2 For instruction outside of the Seller's Training Centers, *** day of instruction by *** Seller Instructor equals the actual number of trainees attending the course or a ***, except for structure maintenance training course(s).

4.3 For structure maintenance training courses outside the Seller's Training Center(s), *** day of instruction by *** Seller Instructor equals the actual number of trainees attending the course or the *** of trainees as indicated in the Seller's Customer Services Catalog

4.4 For practical training, whether on training devices or on aircraft, *** day of instruction by *** Seller Instructor equals the actual number of trainees attending the course or ***.

UNQUOTE

5. CLAUSE 17 – EQUIPMENT SUPPLIER PRODUCT SUPPORT

Sub-clause (ii) of Clause 17.1.2 of the Agreement is deleted in its entirety and replaced with the following quoted text.

QUOTE

(ii) ***

UNQUOTE

7 ASSIGNMENT

This Letter Agreement and the rights and obligations of the parties will be subject to the provisions of Clause 21 of the Agreement

8 CONFIDENTIALITY

This Letter Agreement is subject to the terms and conditions of Clause 22 10 of the Agreement.

9. COUNTERPARTS

This Letter Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.

If the foregoing correctly sets forth your understanding, please execute the original and one (1) copy hereof in the space provided below and return a copy to the Seller.

Very truly yours,

AIRBUS S.A.S.

By: /s/ Kiran Rao

Its. Deputy to COO Customers
EVP Product Strategy

Accepted and Agreed

UNITED AIRLINES, INC.

By. /s/ Gerald Laderman

Its: Senior Vice President Finance,
Procurement and Treasurer

CONFIDENTIAL MATERIAL APPEARING IN THIS DOCUMENT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION IN ACCORDANCE WITH THE SECURITIES ACT OF 1933, AS AMENDED, AND RULE 24B-2 PROMULGATED THEREUNDER. OMITTED INFORMATION HAS BEEN REPLACED WITH ASTERISKS.

LETTER AGREEMENT NO 6

TO THE AMENDED AND RESTATED
A350-900 PURCHASE AGREEMENT

As of 1 September 2017

UNITED AIRLINES, INC.
233 South Wacker Drive
Chicago, Illinois 60606
USA

Re: SPECIFICATION MATTERS

Dear Ladies and Gentlemen,

UNITED AIRLINES, INC. (the " **Buyer** "), and AIRBUS S.A.S. (the " **Seller** "), have entered into an Amended and Restated A350-900 Purchase Agreement dated as of the date hereof (the " **Agreement** "), which covers, among other things, the sale by the Seller and the purchase by the Buyer of certain Aircraft, under the terms and conditions set forth in said Agreement. The Buyer and the Seller have agreed to set forth in this Letter Agreement No. 6 (the " **Letter Agreement** ") certain additional terms and conditions regarding the sale of the Aircraft Capitalized terms used herein and not otherwise defined in this Letter Agreement will have the meanings assigned thereto in the Agreement The terms "herein," "hereof" and "hereunder" and words of similar import refer to this Letter Agreement

Both parties agree that this Letter Agreement will constitute an integral, nonseverable part of said Agreement, that the provisions of said Agreement are hereby incorporated herein by reference, and that this Letter Agreement will be governed by the provisions of said Agreement, except that if the Agreement and this Letter Agreement have specific provisions which are inconsistent, the specific provisions contained in this Letter Agreement will govern

1 SPECIFICATION

Clause 2 of the Agreement is deleted in its entirety and replaced with the following quoted text:

QUOTE

***

UNQUOTE

2. INTENTIONALLY LEFT BLANK

3. INTENTIONALLY LEFT BLANK

***

8. ASSIGNMENT

This Letter Agreement and the rights and obligations of the parties will be subject to the provisions of Clause 21 of the Agreement

9. CONFIDENTIALITY

This Letter Agreement is subject to the terms and conditions of Clause 22.10 of the Agreement.

10. COUNTERPARTS

This Letter Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.

If the foregoing correctly sets forth your understanding, please execute the original and one (1) copy hereof in the space provided below and return a copy to the Seller

Very truly yours,

AIRBUS S.A.S.

By: /s/ Kiran Rao

Its: Deputy to COO Customers
EVP Product Strategy

Accepted and Agreed

UNITED AIRLINES, INC.

By: /s/ Gerald Laderman

Its: Senior Vice President Finance,
Procurement and Treasurer

CONFIDENTIAL MATERIAL APPEARING IN THIS DOCUMENT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION IN ACCORDANCE WITH THE SECURITIES ACT OF 1933, AS AMENDED, AND RULE 24B-2 PROMULGATED THEREUNDER. OMITTED INFORMATION HAS BEEN REPLACED WITH ASTERISKS.

LETTER AGREEMENT NO 7

TO THE AMENDED AND RESTATED
A350-900 PURCHASE AGREEMENT

As of 1 September 2017

UNITED AIRLINES, INC.
233 South Wacker Drive
Chicago, Illinois 60606
USA

Re: ***

Dear Ladies and Gentlemen,

UNITED AIRLINES, INC. (the " **Buyer** "), and AIRBUS S.A.S. (the " **Seller** "), have entered into an Amended and Restated A350-900 Purchase Agreement dated as of the date hereof (the " **Agreement** "), which covers, among other things, the sale by the Seller and the purchase by the Buyer of certain Aircraft, under the terms and conditions set forth in said Agreement. The Buyer and the Seller have agreed to set forth in this Letter Agreement No 7 (the " **Letter Agreement** ") certain additional terms and conditions regarding the sale of the Aircraft Capitalized terms used herein and not otherwise defined in this Letter Agreement will have the meanings assigned thereto in the Agreement The terms "herein," "hereof" and "hereunder" and words of similar import refer to this Letter Agreement

Both parties agree that this Letter Agreement will constitute an integral, nonseverable part of said Agreement, that the provisions of said Agreement are hereby incorporated herein by reference, and that this Letter Agreement will be governed by the provisions of said Agreement, except that if the Agreement and this Letter Agreement have specific provisions which are inconsistent, the specific provisions contained in this Letter Agreement will govern

***

12. CONFIDENTIALITY

13. COUNTERPARTS

***

11 ASSIGNMENT

This Letter Agreement and the rights and obligations of the parties will be subject to the provisions of Clause 21 of the Agreement.

12 CONFIDENTIALITY

This Letter Agreement and the rights and obligations of the parties will be subject to the provisions of Clause 22.10 of the Agreement.

13. COUNTERPARTS

This Letter Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument

If the foregoing correctly sets forth your understanding, please execute the original and one (1) copy hereof in the space provided below and return a copy to the Seller.

Very truly yours,

AIRBUS S A S

By: /s/ Kiran Rao

Its. Deputy to COO Customers
EVP Product Strategy

Accepted and Agreed

UNITED AIRLINES, INC.

By: /s/ Gerald Laderman

Its: Senior Vice President Finance,
Procurement and Treasurer

***

CONFIDENTIAL MATERIAL APPEARING IN THIS DOCUMENT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION IN ACCORDANCE WITH THE SECURITIES ACT OF 1933, AS AMENDED, AND RULE 24B-2 PROMULGATED THEREUNDER. OMITTED INFORMATION HAS BEEN REPLACED WITH ASTERISKS.

LETTER AGREEMENT NO. 8

TO THE AMENDED AND RESTATED
A350-900 PURCHASE AGREEMENT

As of 1 September 2017

UNITED AIRLINES, INC.
233 South Wacker Drive
Chicago, Illinois 60606
USA

Re: A350-900 ***

Dear Ladies and Gentlemen,

UNITED AIRLINES, INC. (the " **Buyer** "), and AIRBUS S.A.S. (the " **Seller** "), have entered into an Amended and Restated A350-900 Purchase Agreement dated as of the date hereof (the " **Agreement** "), which covers, among other things, the sale by the Seller and the purchase by the Buyer of certain Aircraft, under the terms and conditions set forth in said Agreement. The Buyer and the Seller have agreed to set forth in this Letter Agreement No. 8 (the " **Letter Agreement** ") certain additional terms and conditions regarding the sale of the Aircraft. Capitalized terms used herein and not otherwise defined in this Letter Agreement will have the meanings assigned thereto in the Agreement. The terms "herein," "hereof" and "hereunder" and words of similar import refer to this Letter Agreement.

Both parties agree that this Letter Agreement will constitute an integral, nonseverable part of said Agreement, that the provisions of said Agreement are hereby incorporated herein by reference, and that this Letter Agreement will be governed by the provisions of said Agreement, except that if the Agreement and this Letter Agreement have specific provisions which are inconsistent, the specific provisions contained in this Letter Agreement will govern.

1 INTRODUCTION

***

3 BUYER'S OBLIGATIONS

3.1 The *** will be contingent upon the fulfilment by the Buyer of the following obligations.

***

Any failure by the Buyer to comply with the obligations set forth in Paragraph 3.1 will result in *** with respect to which such obligations are not met from the ***, for the period of time during which such obligations are not met

***

6 REMEDIES - RECONCILIATION

***

1. The Buyer and the Seller will jointly investigate the cause(s) *** with the Buyer providing all pertinent information, data and records

2. Provided that all conditions contained in this Letter Agreement are satisfied, at the end of the Term, the Seller will ***.

3. The Seller will make reasonable efforts to provide ***

7 TERMINATION

***

8 COST ALLOCATION

***

11 ASSIGNMENT

This Letter Agreement and the rights and obligations of the parties will be subject to the provisions of Clause 21 of the Agreement.

12 CONFIDENTIALITY

This Letter Agreement and the rights and obligations of the parties will be subject to the provisions of Clause 22.10 of the Agreement.

13 COUNTERPARTS

This Letter Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.

If the foregoing correctly sets forth your understanding, please execute the original and one (1) copy hereof in the space provided below and return a copy to the Seller.

Very truly yours,

AIRBUS S.A.S.

By: /s/ Kiran Rao

Its. Deputy to COO Customers
EVP Product Strategy

Accepted and Agreed

UNITED AIRLINES, INC.

By: /s/ Gerald Laderman

Its: Senior Vice President Finance,
Procurement and Treasurer

APPENDIX A – A350-900XWB DELIVERY SCHEDULE

Aircraft 1	*** 2022		
Aircraft 2	***		
Aircraft 3	***		
Aircraft 4	***	Aircraft 30	***
Aircraft 5	***	Aircraft 31	***
Aircraft 6	***	Aircraft 32	***
Aircraft 7	***	Aircraft 33	***
Aircraft 8	***	Aircraft 34	***
Aircraft 9	***	Aircraft 35	***
Aircraft 10	***	Aircraft 36	***
Aircraft 11	***	Aircraft 37	***
Aircraft 12	***	Aircraft 38	***
Aircraft 13	***	Aircraft 39	***
Aircraft 14	***	Aircraft 40	***
Aircraft 15	***	Aircraft 41	***
Aircraft 16	***	Aircraft 42	***
Aircraft 17	***	Aircraft 43	***
Aircraft 18	***	Aircraft 44	***
Aircraft 19	***	Aircraft 45	*** 2027
Aircraft 20	***		
Aircraft 21	***		
Aircraft 22	***		
Aircraft 23	***		
Aircraft 24	***		
Aircraft 25	***		
Aircraft 26	***		
Aircraft 27	***		
Aircraft 28	***		
Aircraft 29	***		

***

APPENDIX C -- ***

***

CONFIDENTIAL MATERIAL APPEARING IN THIS DOCUMENT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION IN ACCORDANCE WITH THE SECURITIES ACT OF 1933, AS AMENDED, AND RULE 24B-2 PROMULGATED THEREUNDER. OMITTED INFORMATION HAS BEEN REPLACED WITH ASTERISKS.

LETTER AGREEMENT NO. 9

TO THE AMENDED AND RESTATED
A350-900 PURCHASE AGREEMENT

As of 1 September 2017

UNITED AIRLINES, INC.
233 South Wacker Drive
Chicago, Illinois 60606
USA

Re: MISCELLANEOUS MATTERS

Dear Ladies and Gentlemen,

UNITED AIRLINES, INC (the "**Buyer**"), and AIRBUS S.A.S. (the "**Seller**"), have entered into an Amended and Restated A350-900 Purchase Agreement dated as of the date hereof (the "**Agreement**"), which covers, among other things, the sale by the Seller and the purchase by the Buyer of certain Aircraft, under the terms and conditions set forth in said Agreement. The Buyer and the Seller have agreed to set forth in this Letter Agreement No. 9 (the "**Letter Agreement**") certain additional terms and conditions regarding the sale of the Aircraft. Capitalized terms used herein and not otherwise defined in this Letter Agreement will have the meanings assigned thereto in the Agreement. The terms "herein," "hereof" and "hereunder" and words of similar import refer to this Letter Agreement.

Both parties agree that this Letter Agreement will constitute an integral, nonseverable part of said Agreement, that the provisions of said Agreement are hereby incorporated herein by reference, and that this Letter Agreement will be governed by the provisions of said Agreement, except that if the Agreement and this Letter Agreement have specific provisions which are inconsistent, the specific provisions contained in this Letter Agreement will govern.

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0. GENERAL

0.1 Definitions

Clause 0 of the Agreement is amended to add the following quoted text

QUOTE

***

UNQUOTE

0.2 General Statement

***

1. CLAUSE 6 – MANUFACTURE PROCEDURE – INSPECTION

Clause 6 3 of the Agreement is deleted in its entirety and replaced with the following quoted text

QUOTE

6 3 Seller's Service for Buyer's Inspector(s)

***

UNQUOTE

2. CLAUSE 7 – CERTIFICATION

Clause 7 of the Agreement is deleted in its entirety and replaced with the following quoted text.

QUOTE

7. CERTIFICATION

Except as set forth in this Clause 7, the Seller will not be required to obtain any certificate or approval with respect to the Aircraft.

7.1 Type Certification

The Aircraft have been type certificated under EASA procedures for joint certification in the transport category. The Seller will obtain or cause to be obtained an FAA type certificate (the "**Type Certificate**") to allow the issuance of the Export Certificate of Airworthiness.

7.2 Export Certificate of Airworthiness

Subject to the provisions of Clause 7.3, the Aircraft will be delivered to the Buyer with an Export Certificate of Airworthiness issued by the DGAC if Delivery occurs in Toulouse, France and in a condition enabling the Buyer (or an eligible person under then applicable law) to obtain at the time of Delivery a Standard Airworthiness Certificate issued pursuant to Part 21 of the US Federal Aviation Regulations and a Certificate of Sanitary Construction issued by the U.S. Public Health Service of the Food and Drug Administration. However, the Seller will have no obligation to make and will not be responsible for any costs of alterations or modifications to such Aircraft to enable such Aircraft to meet FAA or U.S. Department of Transportation requirements for specific operation on the Buyer's routes, whether before, at or after Delivery of any Aircraft.

If the FAA requires additional or modified data before the issuance of the Export Certificate of Airworthiness, the Seller will provide such data or implement the required modification to the data, in either case, ***

7.3 Specification Changes before Aircraft Ready for Delivery

7.3.1 If, any time before the date on which the Aircraft is Ready for Delivery, any law, rule or regulation is enacted, promulgated, becomes effective and/or an interpretation of any law, rule or regulation is issued by the EASA that requires any change to the Specification for the purposes of obtaining the Export Certificate of Airworthiness or the Standard Airworthiness Certificate referred to in 7.2 above (a "**Change in Law**"), the Seller will make the required modification and the parties hereto will sign an SCN

7 3 2 The Seller will as far as practicable, but at its sole discretion and without prejudice to Clause 7.3.3(ii), take into account the information available to it concerning any proposed law, rule or regulation or interpretation that could become a Change in Law, in order to minimize the costs of changes to the Specification as a result of such proposed law, regulation or interpretation becoming effective before the applicable Aircraft is Ready for Delivery

7 3.3 The cost of implementing the required modifications referred to in Clause 7 3 1 will be:

***

7 3 4 Notwithstanding the provisions of Clause 7.3.3, if a Change in Law relates to an item of BFE or to the Propulsion Systems the costs related thereto will be borne in accordance with such arrangements as may be made separately between the Buyer and the manufacturer of the BFE or the Propulsion Systems, as applicable, and the Seller will have no obligation with respect thereto

7.4 Specification Changes after Aircraft Ready For Delivery

Nothing in Clause 7.3 will require the Seller to make any changes or modifications to, or to make any payments or take any other action with respect to, any Aircraft that is Ready for Delivery before the compliance date of any law or regulation referred to in Clause 7.3 Any such changes or modifications made to an Aircraft after it is Ready for Delivery will be at the ***.

UNQUOTE

3. CLAUSE 8 – TECHNICAL ACCEPTANCE

Clause 8 of the Agreement is deleted in its entirety and replaced with the following quoted text:

QUOTE

8 - TECHNICAL ACCEPTANCE

8.1 Technical Acceptance Process

8.1.1 Prior to Delivery, the Aircraft will undergo a technical acceptance process developed by the Seller (the "**Technical Acceptance Process**"). Completion of the Technical Acceptance Process will demonstrate the satisfactory functioning of the Aircraft and will be deemed to demonstrate compliance with the Specification. The Seller will without hindrance from the Buyer be entitled to carry out any necessary changes and, as soon as practicable thereafter, resubmit the Aircraft to such further Technical Acceptance Process as is necessary to demonstrate the elimination of any non-compliance. ***

8.1.2 The Technical Acceptance Process will:

(i) commence on a date notified by the Seller to the Buyer by no less than ***,

(ii) take place at the Delivery Location,

(iii) be carried out by the personnel of the Seller, and

(iv) include a technical acceptance flight (the "Technical Acceptance Flight") that will not exceed ***.

8.2 Buyer's Attendance

8.2.1 The Buyer is entitled to attend the Technical Acceptance Process

8.2.2 If the Buyer elects to attend the Technical Acceptance Process, the Buyer

(i) will comply with the reasonable requirements of the Seller, with the intention of completing the Technical Acceptance Process within ***, and

(ii) may have a maximum of *** of its representatives (no more than *** of whom will have access to the cockpit at any one time) accompany the Seller's representatives on the Technical Acceptance Flight, during which the Buyer's representatives will comply with the instructions of the Seller's representatives.

8.2 3 If the Buyer, ***, does not attend or if the Buyer fails to cooperate in the Technical Acceptance Process, the Seller will be entitled to complete the Technical Acceptance Process and the Buyer will be deemed to have accepted that the Technical Acceptance Process has been completed, in all respects ***

8.3 Certificate of Acceptance

Upon successful completion of the Technical Acceptance Process, the Buyer will, on or before the Delivery Date, sign and deliver to the Seller a certificate of acceptance in respect of the Aircraft in the form of Exhibit D (the **"Certificate of Acceptance"**) ***

8.4 Finality of Acceptance

The Buyer's signature of the Certificate of Acceptance for the Aircraft, ***, will constitute waiver by the Buyer of any right it may have, under the Uniform Commercial Code as adopted by the State of New York or otherwise, to revoke acceptance of the Aircraft for any reason, whether known or unknown to the Buyer at the time of acceptance

8.5 Aircraft Utilization

The Seller will, without payment or other liability, be entitled to use the Aircraft before Delivery ***. Such use will not limit the Buyer's obligation to accept Delivery hereunder

***

UNQUOTE

4. CLAUSE 9 - DELIVERY

Clause 9.3 of the Agreement is deleted in its entirety and replaced with the following quoted text.

QUOTE

9.3 Flyaway

9.3.1 The Buyer and the Seller will cooperate to obtain any licenses that may be required by the Aviation Authority of the Delivery Location for the purpose of exporting the Aircraft, ***

9.3.2 All expenses of, or connected with, flying the Aircraft from the Delivery Location after Delivery will be borne by the Buyer. The *** Buyer to make arrangements with the supplying companies for the fuel and oil required for all post-Delivery flights

UNQUOTE

5. CLAUSE 10 EXCUSABLE DELAY

Clause 10 of the Agreement is deleted in its entirety and replaced with the following quoted text:

QUOTE

10. EXCUSABLE DELAY AND TOTAL LOSS

10.1 Scope of Excusable Delay

Neither the Seller nor any Affiliate of the Seller, will be responsible for or be deemed to be in default on account of delays in delivery of the Aircraft or failure to deliver or otherwise in the performance of this Agreement or any part hereof due to causes beyond the Seller's, or any Affiliate's control or not occasioned by the Seller's, fault or negligence ("**Excusable Delay**"), including, but not limited to (i) acts of God or the public enemy, natural disasters, fires, floods, storms beyond ordinary strength, explosions or earthquakes; epidemics or quarantine restrictions; serious accidents; any law, decision, regulation, directive or other act (whether or not having the force of law) of any government or of the Council of the European Community or the Commission of the European Community or of any national, Federal, State, municipal or other governmental department, commission, board, bureau, agency, court or instrumentality, domestic or foreign; governmental priorities, regulations or orders affecting allocation of materials, facilities or a completed Aircraft, war, civil war or warlike operations, terrorism, insurrection or riots; failure of transportation; strikes or labor troubles causing cessation, slow down or interruption of work; delay in obtaining any airworthiness or type certification, ***, inability after due and timely diligence to procure materials, accessories, equipment or parts; failure of a subcontractor or Supplier to furnish materials, components, accessories, equipment or parts, ***, (ii) any delay caused directly by the action or inaction of the Buyer; and (iii) delay in delivery or otherwise in the performance of this Agreement by the Seller due in whole or in part to any delay in or failure of the delivery of, or any other event or circumstance relating to, the Propulsion Systems or Buyer Furnished Equipment .

10.2 Consequences of Excusable Delay

10.2.1 If an Excusable Delay occurs the Seller will

(i) notify the Buyer of such Excusable Delay as soon as practicable after becoming aware of the same;

(ii) not be deemed to be in default in the performance of its obligations hereunder as a result of such Excusable Delay,

(iii) not be responsible for any damages arising from or in connection with such Excusable Delay suffered or incurred by the Buyer;

(iv) as soon as practicable after the removal of the cause of such Excusable Delay resume performance of its obligations under this Agreement and in particular will notify the Buyer of the revised Scheduled Delivery Month

10.3 Termination on Excusable Delay

10.3.1 ***

10.3.2 If the Seller advises the Buyer in its notice of a revised Scheduled Delivery Month pursuant to Clause 10.2.1(iv) that there will be a delay in Delivery of an Aircraft of more than ***.

If this Agreement ***. The Seller will notify the Buyer of the new Scheduled Delivery Month after *** referred to in Clause 10.3.1 or 10.3.2, and this new Scheduled Delivery Month will be deemed to be an amendment to the applicable Scheduled Delivery Month in Clause 9.1.1

10.4 Total Loss, Destruction or Damage

If, prior to Delivery, ***, any Aircraft is lost, destroyed or in the reasonable opinion of the Seller is damaged beyond economic repair ("Total Loss"), the Seller will notify the Buyer to this *** The Seller will include in said notification (or as soon after the issue of the notice as such information becomes available to the Seller) the earliest date consistent with the Seller's other commitments and production capabilities that an aircraft to replace the Aircraft may be delivered to the Buyer and the Scheduled Delivery Month will be extended as specified in the Seller's notice to accommodate the delivery of the replacement aircraft; provided, however, that if the Scheduled Delivery Month is ***:

(i) the Buyer notifies the Seller ***; and

(ii) the parties execute an amendment to this Agreement recording the change in the Scheduled Delivery Month

Nothing herein will require the Seller to manufacture and deliver a replacement aircraft if such manufacture would require the reactivation of its production line for the model or series of aircraft that includes the Aircraft.

10.5 Termination Rights Exclusive

***, such termination will discharge all obligations and liabilities of the parties hereunder with respect to such affected Aircraft and undelivered material, services, data or other items applicable thereto and to be furnished under the Agreement

10.6 Remedies

THIS CLAUSE 10 SETS FORTH THE SOLE AND EXCLUSIVE REMEDY OF THE BUYER FOR DELAYS IN DELIVERY OR FAILURE TO DELIVER, OTHER THAN SUCH DELAYS AS ARE COVERED BY CLAUSE 11, AND THE BUYER HEREBY WAIVES ALL RIGHTS TO WHICH IT WOULD OTHERWISE BE ENTITLED IN RESPECT THEREOF, INCLUDING, WITHOUT LIMITATION, ANY RIGHTS TO INCIDENTAL AND CONSEQUENTIAL DAMAGES OR SPECIFIC PERFORMANCE. THE BUYER WILL NOT BE ENTITLED TO CLAIM THE REMEDIES AND RECEIVE THE BENEFITS PROVIDED IN THIS CLAUSE 10 WHERE THE DELAY REFERRED TO IN THIS CLAUSE 10 IS CAUSED BY THE NEGLIGENCE OR FAULT OF THE BUYER OR ITS REPRESENTATIVES

UNQUOTE

6. CLAUSE 11 - INEXCUSABLE DELAY AND TOTAL LOSS

Clause 11 of the Agreement is deleted in its entirety and replaced with the following quoted text:

QUOTE

11. INEXCUSABLE DELAY AND TOTAL LOSS

11.1 Liquidated Damages

Should an Aircraft not be Ready for Delivery *** may be changed pursuant to Clauses 2, 7 or 10) (the **"Delivery Period"**) and such delay is not as a result of an Excusable Delay or Total Loss as defined in Clause 10.4, then such delay will be termed an **"Inexcusable Delay"** ***, for each day of delay in the Delivery starting on the date which is *** after the last day of the Scheduled Delivery Month

In no event will the total amount of liquidated damages ***

If at any time after the date which is ***,

In no event will the total amount of liquidated damages ***,

11.2 ***

11.3 Renegotiation

If, as a result of an Inexcusable Delay, the Delivery does not occur within six (6) months after the last day of the Delivery Period the Buyer will have the right, exercisable by written notice to the Seller given between ***, to require from the Seller a renegotiation of the Scheduled Delivery Month for the affected Aircraft. Unless otherwise agreed between the Seller and the Buyer during such renegotiation, the said renegotiation will not prejudice the Buyer's right to receive liquidated damages in accordance with Clause 11.1.

11.4 Termination

If, as a result of *** Inexcusable Delays, the Delivery does not occur within an *** and the parties have not renegotiated the Scheduled Delivery Month pursuant to Clause 11.3, then both parties will have the right exercisable by written notice to the other party, given between ***

11.5 Remedies

THIS CLAUSE 11 SETS FORTH THE SOLE AND EXCLUSIVE REMEDY OF THE BUYER FOR DELAYS IN DELIVERY OR FAILURE TO DELIVER, OTHER THAN SUCH DELAYS AS ARE COVERED BY CLAUSE 10, AND THE BUYER HEREBY WAIVES ALL RIGHTS TO WHICH IT WOULD OTHERWISE BE ENTITLED IN RESPECT THEREOF, INCLUDING WITHOUT LIMITATION ANY RIGHTS TO INCIDENTAL AND CONSEQUENTIAL DAMAGES OR SPECIFIC PERFORMANCE. THE BUYER WILL NOT BE ENTITLED TO CLAIM THE REMEDIES AND RECEIVE THE BENEFITS PROVIDED IN THIS CLAUSE 11 WHERE THE DELAY REFERRED TO IN THIS CLAUSE 11 IS CAUSED BY THE NEGLIGENCE OR FAULT OF THE BUYER OR ITS REPRESENTATIVES

UNQUOTE

7 CLAUSE 13 - PATENT AND COPYRIGHT INDEMNITY

Clause 13 of the Agreement is deleted in its entirety and replaced with the following quoted text

QUOTE:

13 - PATENT AND COPYRIGHT INDEMNITY

13.1 Indemnities at Delivery

13.1.1 Subject to the provisions of Clause 13.3.3, the Seller will indemnify the Buyer from and against any damages, costs and expenses (including reasonable attorneys' fees but excluding damages, costs, expenses, loss of profits and other liabilities in respect of or resulting from loss of use of the Aircraft) resulting from any infringement or claim of infringement by the Airframe or any part or software installed therein at Delivery of:

(i) any British, French, German, Spanish or U.S. patent, and

(ii) any patent issued under the laws of any other country in which the Buyer may lawfully operate the Aircraft, provided that from the time of design of such Airframe or any part or software installed therein at Delivery and until infringement claims are resolved, the country of the patent and the flag country of the Aircraft are both parties to:

(1) the Chicago Convention on International Civil Aviation of December 7, 1944, and are each fully entitled to all benefits of Article 27 thereof, or

(2) the International Convention for the Protection of Industrial Property of March 20, 1883 (the "Paris Convention"), and

(iii) in respect of computer software installed on the Aircraft, any copyright provided that the Seller's obligation to indemnify will be limited to infringements in countries which, at the time of design versus infringement claim are members of The Berne Union and recognize computer software as a "work" under the Berne Convention.

13.1.2 Clause 13.1.1 will not apply to

(i) Buyer Furnished Equipment.

(ii) the Propulsion Systems,

(iii) Supplier Parts, ***; or

(iv) software not developed by the Seller

13.1.3 If the Buyer, due to circumstances contemplated in Clause 13.1.1, is prevented from using the Aircraft (whether by a valid judgment of a court of competent jurisdiction or by a settlement arrived at among the claimant, the Seller and the Buyer), the Seller will *** at its expense either,

(i) procure for the Buyer the right to use the affected Airframe, part or software free of charge; or

(ii) replace the infringing part or software with a non-infringing substitute ***.

13.2 ***

13.3 Administration of Patent and Copyright Indemnity Claims

13.3.1 If the Buyer receives a written claim or a suit is threatened or begun against the Buyer for infringement of a patent or copyright referred to in Clause 13.1, the Buyer will

(i) forthwith notify the Seller, giving particulars thereof;

(ii) furnish to the Seller all data, papers and records within the Buyer's control or possession relating to such patent or claim,

(iii) refrain from admitting any liability or making any payment or assuming any expenses, damages, costs or royalties, or otherwise acting in a manner prejudicial to the defense or denial of the suit or claim, it being agreed that nothing in this Clause 13.2.1(iii) will prevent the Buyer from paying the sums that may be required to obtain the release of the Aircraft, provided that payment is accompanied by a denial of liability and is made without prejudice;

(iv) ***, fully cooperate with, and render all assistance to, the Seller as may be pertinent to the defense or denial of the suit or claim; and

(v) act to *** mitigate damages and/or to reduce the amount of royalties that may be payable, and minimize costs and expenses

13.3.2 The Seller will be entitled either in its own name or on behalf of the Buyer to conduct negotiations with the party or parties alleging infringement and may assume and conduct the defense or settlement of any suit or claim in the manner that, in the Seller's opinion, it deems proper. ***

13.3.3 The Seller's liability hereunder will be conditioned on the strict and timely compliance by the Buyer with the terms of this Clause 13 and is in lieu of any other liability to the Buyer, whether express or implied, which the Seller might incur at law as a result of any infringement or claim of infringement of any patent or copyright.

13.4 ***

13.5 THE INDEMNITY PROVIDED IN THIS CLAUSE 13 AND THE OBLIGATIONS AND LIABILITIES OF THE SELLER UNDER THIS CLAUSE 13 ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND THE BUYER HEREBY WAIVES, RELEASES AND RENOUNCES ALL OTHER INDEMNITIES, WARRANTIES, OBLIGATIONS, GUARANTEES AND LIABILITIES ON THE PART OF THE SELLER AND RIGHTS, CLAIMS AND REMEDIES OF THE BUYER AGAINST THE SELLER, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE (INCLUDING WITHOUT LIMITATION ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY ARISING FROM OR WITH RESPECT TO LOSS OF USE OR REVENUE OR CONSEQUENTIAL DAMAGES), WITH RESPECT TO ANY ACTUAL OR ALLEGED PATENT INFRINGEMENT OR THE LIKE BY ANY AIRFRAME, PART OR SOFTWARE INSTALLED THEREIN AT DELIVERY, OR BY ANY TECHNICAL DATA, SUPPLIER PART OR TRAINING MATERIAL, OR THE USE OR SALE THEREOF, PROVIDED THAT, IN THE EVENT THAT ANY OF THE AFORESAID PROVISIONS SHOULD FOR ANY REASON BE HELD UNLAWFUL OR OTHERWISE INEFFECTIVE, THE REMAINDER OF THIS CLAUSE WILL REMAIN IN FULL FORCE AND EFFECT. THIS INDEMNITY AGAINST PATENT AND COPYRIGHT INFRINGEMENTS WILL NOT BE EXTENDED, ALTERED OR VARIED EXCEPT BY A WRITTEN INSTRUMENT SIGNED BY THE SELLER AND THE BUYER.

UNQUOTE

8 CLAUSE 18 BUYER FURNISHED EQUIPMENT

8.1 INTENTIONALLY LEFT BLANK

8.2 Clause 18.3.2 of the Agreement is deleted in its entirety and replaced with the following quoted text:

QUOTE

18.3.2 In addition, in the event of any delay or failure mentioned in 18.3.1 above, the Seller, ***:

(i) ***, or

(ii) if the BFE is delayed by more than *** beyond, or is not approved within *** of the dates specified in Clause 18.1.2.2, ***.

UNQUOTE

8.3 Clause 18.5.5 of the Agreement is deleted in its entirety and replaced with the following quoted text.

QUOTE

18.5.5 ***.

UNQUOTE

9. CLAUSE 19 - INDEMNITIES AND INSURANCE

9.1 Clause 19.3 of the Agreement is deleted in its entirety and replaced with the following quoted text.

QUOTE

19 - INDEMNITIES AND INSURANCE

The Seller and the Buyer will each be liable for Losses (as defined below) arising from the acts or omissions of their respective directors, officers, agents or employees occurring during or incidental to such party's exercise of its rights and performance of its obligations under this Agreement, except as provided in Clauses 19.1 and 19.2

19.1 Seller's Indemnities

The Seller will, except in the case of gross negligence or willful misconduct of the Buyer, its directors, officers, agents and/or employees, be solely liable for and will indemnify and hold the Buyer, its Affiliates and each of their respective directors, officers, agents, employees and insurers harmless against all losses, liabilities, claims, damages, costs and expenses, including court costs and reasonable attorneys' fees (" **Losses** "), arising from:

(a) claims for injuries to, or death of, the Seller's directors, officers, agents or employees, or loss of, or damage to, property of the Seller or its employees when such Losses occur during or are incidental to either party's exercise of any right or performance of any obligation under this Agreement, and

(b) claims for injuries to, or death of, third parties, or loss of, or damage to, property of third parties, occurring during or incidental to the Technical Acceptance Flights

19.2 Buyer's Indemnities

The Buyer will, except in the case of gross negligence or willful misconduct of the Seller, its directors, officers, agents and/or employees, be solely liable for and will indemnify and hold the Seller, its Affiliates, its subcontractors, and each of their respective directors, officers, agents, employees and insurers, harmless against all Losses arising from

(a) claims for injuries to, or death of, the Buyer's directors, officers, agents or employees, or loss of, or damage to, property of the Buyer or its employees, when such Losses occur during or are incidental to either party's exercise of any right or performance of any obligation under this Agreement, and

(b) claims for injuries to, or death of, third parties, or loss of, or damage to, property of third parties, occurring during or incidental to (i) the provision of Seller Representatives services under Clause 15, or (ii) ***, or (iii) the provision of Aircraft Training Services to the Buyer

19.3 Notice and Defense of Claims

If any claim is made or suit is brought against a party or entity entitled to indemnification under this Clause 19 (the "**Indemnitee**") for damages for which liability has been assumed by the other party under this Clause 19 (the "**Indemnitor**"), the Indemnitee will promptly give notice to the Indemnitor and the Indemnitor (unless otherwise requested by the Indemnitee) will assume and conduct the defense, or settlement, of such claim or suit, as the Indemnitor will deem prudent, ***. Notice of the claim or suit will be accompanied by all information pertinent to the matter as is reasonably available to the Indemnitee and will be followed by such cooperation by the Indemnitee as the Indemnitor or its counsel may reasonably request, at the expense of the Indemnitor

If the Indemnitor fails or refuses to assume the defense of any claim or suit notified to it under this Clause 19, the Indemnitee will have the right to proceed with the defense or settlement of the claim or suit as it deems prudent and will have a claim against the Indemnitor for any judgments, settlements, costs or expenses, including reasonable attorneys' fees. Further, in such event, the Indemnitor will be deemed to have waived any objection or defense to the Indemnitee's claim based on the reasonableness of any settlement.

19.4 Insurance

For all Aircraft Training Services, to the extent of the Buyer's undertaking set forth in Clause 19.2, the Buyer will

(a) cause the Seller, its Affiliates, its subcontractors and each of their respective directors, officers, agents and employees to be named as additional insured under the Buyer's Comprehensive Aviation Legal Liability insurance policies, including War Risks and *** Perils (such insurance to include the AVN 52E Extended Coverage Endorsement Aviation Liabilities or any further Endorsement replacing AVN 52E, or equivalent coverages, as may be available as well as any excess coverage in respect of War and *** Perils Third Parties Legal Liabilities Insurance), and

(b) with respect to the Buyer's Hull All Risks and Hull War Risk and *** Perils insurance, cause the insurers of the Buyer's hull insurance policies to waive all rights of subrogation against the Seller, its Affiliates, its subcontractors and each of their respective directors, officers, agents, employees and insurers, ***

Any applicable deductible will be borne by the Buyer. The Buyer will furnish to the Seller, not less than seven (7) working days prior to the start of any Aircraft Training Services, certificates of insurance, in English, evidencing the limits of liability cover and period of insurance coverage in a form acceptable to the Seller from the Buyer's insurance broker(s), certifying that such policies have been endorsed as follows:

(i) under the Comprehensive Aviation Legal Liability Insurances, the Buyer's policies are primary and non-contributory to any insurance maintained by the Seller.

(ii) such insurance can only be cancelled or materially altered by the giving of not less than thirty (30) days (but seven (7) days or such lesser period as may be customarily available in respect of War Risks and *** Perils) prior written notice thereof to the Seller, and

(iii) under any such cover, all rights of subrogation against the Seller, its Affiliates, its subcontractors and each of their respective directors, officers, agents, employees and insurers have been waived.

UNQUOTE

10 CLAUSE 20 TERMINATION

Clause 20 of the Agreement is deleted in its entirety and replaced with the following quoted text

QUOTE

20 - TERMINATION

20.1 Termination Events - Buyer and Seller

20.1.1 Each of the following shall constitute a " **Termination Event** " under this Agreement and promptly upon the knowledge of the occurrence of a Termination Event by the ***

(1) *** shall commence any case, proceeding or other action with respect to the Buyer or *** in any jurisdiction relating to bankruptcy, insolvency, reorganization, relief from debtors, an arrangement, winding-up, liquidation, dissolution or other relief *** debts and such case, proceeding or other action remains unstayed, undismissed or undischarged for ***

(2) An action is commenced seeking the appointment of a receiver, trustee, custodian or other similar official for the Buyer or *** for all or substantially all of its assets, and such action remains unstayed, undismissed or undischarged for ***, or the Buyer or ***, makes a general assignment for the benefit of its creditors

(3) An action is commenced against the Buyer *** any substantial part of its assets, and such action remains unstayed, undismissed or undischarged for ***.

(4) *** Buyer or *** is unable to generally pay its debts as they become due.

20.2 Termination Events - Buyer

***

20.5 Definitions

For purposes of this Clause 20, the terms " **Affected Aircraft** ", " **Applicable Date** ", " **Escalated Price** " and " **Escalation** " are defined as follows:

(i) " **Affected Aircraft** " means any or all Aircraft with respect to which the Seller *** has cancelled or terminated this Agreement pursuant to Clause 20.4.1 or 20.4.2,

(ii) " **Applicable Date** " means for any Affected Aircraft the date of the Termination Event specified in the Seller's notice and demand for payment of liquidated damages delivered under Clause 20.4.2(2),

(iii) " **Escalated Price** " means the sum of (a) the Base Price of the Aircraft and (b) the Base Price of SCNs and MSCNs entered into after the date of this Agreement, all as escalated to the Applicable Date in accordance with the provisions of Clause 4

(iv) ***

UNQUOTE

11. CLAUSE 21 – ASSIGNMENTS AND TRANSFERS

Clause 21 of the Agreement is deleted in its entirety and replaced with the following quoted text

QUOTE

21 - ASSIGNMENTS AND TRANSFERS

21 1 Assignments

Except as hereinafter provided, neither party may sell, assign or transfer its rights or obligations under this Agreement to any person without the prior written consent of the other, except that the Seller may sell, assign, or transfer its rights or obligations under this Agreement to any Affiliate without the Buyer's consent.

***

21 2 Assignments on Sale, Merger or Consolidation

21 2 1 ***

(a) ***;

(b) the surviving or acquiring entity has executed an assumption agreement, in form and substance reasonably acceptable to the Seller, agreeing to assume all of the Buyer's obligations under this Agreement;

(c) at the time, and immediately following the consummation of the merger, consolidation or sale, no Termination Event exists or will have occurred and be continuing;

(d) there exists with respect to the surviving or acquiring entity no basis for a Termination Event,

***

21 3 Designations by Seller

The Seller may at any time by notice to the Buyer designate facilities or personnel of AACS or any other Affiliate of the Seller at which or by whom the services to be performed under this Agreement will be performed. Notwithstanding such designation, the Seller will remain ultimately responsible for fulfillment of all obligations undertaken by the Seller in this Agreement

UNQUOTE

12. CLAUSE 22 CONFIDENTIALITY

Clause 22 10 of the Agreement is deleted in its entirety and replaced with the following quoted text

QUOTE

22.10 Confidentiality

***

22.10.8 The provisions of this Clause 22 10 will survive termination of the Agreement.

13. ASSIGNMENT

This Letter Agreement and the rights and obligations of the parties will be subject to the provisions of Clause 21 of the Agreement.

14. CONFIDENTIALITY

This Letter Agreement is subject to the terms and conditions of Clause 22.10 of the Agreement.

15 COUNTERPARTS

This Letter Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.

If the foregoing correctly sets forth your understanding, please execute the original and one (1) copy hereof in the space provided below and return a copy to the Seller

Very truly yours,

AIRBUS S A S.

By /s/ Kiran Rao

Its: Deputy to COO Customers
EVP Product Strategy

Accepted and Agreed

UNITED AIRLINES, INC

By /s/ Gerald Laderman

Its Senior Vice President Finance,
Procurement and Treasurer

CONFIDENTIAL MATERIAL APPEARING IN THIS DOCUMENT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION IN ACCORDANCE WITH THE SECURITIES ACT OF 1933, AS AMENDED, AND RULE 24B-2 PROMULGATED THEREUNDER. OMITTED INFORMATION HAS BEEN REPLACED WITH ASTERISKS.

LETTER AGREEMENT NO 10

TO THE AMENDED AND RESTATED
A350-900 PURCHASE AGREEMENT

As of 1 September 2017

UNITED AIRLINES, INC.
233 South Wacker Drive
Chicago, Illinois 60606
USA

Re: ***

Dear Ladies and Gentlemen,

UNITED AIRLINES, INC. (the " **Buyer** "), and AIRBUS S.A.S. (the " **Seller** "), have entered into an Amended and Restated A350-900 Purchase Agreement dated as of the date hereof (the " **Agreement** "), which covers, among other things, the sale by the Seller and the purchase by the Buyer of certain Aircraft under the terms and conditions set forth in said Agreement. The Buyer and the Seller have agreed to set forth in this Letter Agreement No 10 (the " **Letter Agreement** ") certain additional terms and conditions regarding the sale of the Aircraft. Capitalized terms used herein and not otherwise defined in this Letter Agreement will have the meanings assigned thereto in the Agreement The terms "herein," "hereof" and "hereunder" and words of similar import refer to this Letter Agreement

Both parties agree that this Letter Agreement will constitute an integral, nonseverable part of said Agreement, that the provisions of said Agreement are hereby incorporated herein by reference, and that this Letter Agreement will be governed by the provisions of said Agreement, except that if the Agreement and this Letter Agreement have specific provisions which are inconsistent, the specific provisions contained in this Letter Agreement will govern.

1 ***

2 ASSIGNMENT

This Letter Agreement and the rights and obligations of the parties will be subject to the provisions of Clause 21 of the Agreement

3 CONFIDENTIALITY

This Letter Agreement is subject to the terms and conditions of Clause 22 10 of the Agreement

4 COUNTERPARTS

This Letter Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.

If the foregoing correctly sets forth your understanding, please execute the original and one (1) copy hereof in the space provided below and return a copy to the Seller

Very truly yours,

AIRBUS S.A.S.

By: /s/ Kiran Rao

Its: Deputy to COO Customers
EVP Product Strategy

Accepted and Agreed

UNITED AIRLINES, INC

By: /s/ Gerald Laderman

Its: Senior Vice President Finance,
Procurement and Treasurer

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LETTER AGREEMENT NO. 11

TO THE AMENDED AND RESTATED
A350-900 PURCHASE AGREEMENT

As of 1 September 2017

UNITED AIRLINES, INC.
233 South Wacker Drive
Chicago, Illinois 60606
USA

Re: ***.

Dear Ladies and Gentlemen,

UNITED AIRLINES, INC. (the "**Buyer**"), and AIRBUS S.A.S. (the "**Seller**"), have entered into an Amended and Restated A350-900 Purchase Agreement dated as of even date herewith (the "**Agreement**"), which covers, among other things, the sale by the Seller and the purchase by the Buyer of certain Aircraft, under the terms and conditions set forth in said Agreement. The Buyer and the Seller have agreed to set forth in this Letter Agreement No. 11 (the "**Letter Agreement**") certain additional terms and conditions regarding the sale of the Aircraft. Capitalized terms used herein and not otherwise defined in this Letter Agreement will have the meanings assigned thereto in the Agreement. The terms "herein," "hereof" and "hereunder" and words of similar import refer to this Letter Agreement.

Both parties agree that this Letter Agreement will constitute an integral, nonseverable part of said Agreement, that the provisions of said Agreement are hereby incorporated herein by reference, and that this Letter Agreement will be governed by the provisions of said Agreement, except that if the Agreement and this Letter Agreement have specific provisions which are inconsistent, the specific provisions contained in this Letter Agreement will govern.

0 INTRODUCTION

***

1 DEFINITIONS AND INTERPRETATION

1 1 Capitalized words and terms used in this Letter Agreement that are not defined herein shall have the meaning assigned thereto in the Agreement

1 2 The terms "herein", "hereof" and "hereunder" and words of similar import refer to this Letter Agreement.

1 3 The following words and terms shall have the following meanings

***

2 *** COSTS

***

3 ADJUSTMENTS

***

4 ACCOUNTING AND REPORTING

***

6 RECONCILIATION AND REMEDIES

***

7 CONDITIONS OF ***

***

10 3 *** Notwithstanding the foregoing, nothing herein will operate to diminish or modify the Buyer's rights and remedies under Clause 12

11 DUPLICATE REMEDIES

Except as provided in Paragraph 10.3, the remedies provided to the Buyer under this Guarantee are not cumulative of any other remedies provided to the Buyer under any other warranty or guarantee contained in the Agreement and the Buyer will not be entitled to duplicate remedies with respect to any single defect or costs incurred for any single defect.

12 ASSIGNMENT

This Letter Agreement and the rights and obligations of the parties will be subject to the provisions of Clause 21 of the Agreement.

13 CONFIDENTIALITY

This Letter Agreement is subject to the terms and conditions of Clause 22.10 of the Agreement.

14 COUNTERPARTS

This Letter Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.

If the foregoing correctly sets forth your understanding, please execute the original and one (1) copy hereof in the space provided below and return a copy to the Seller

Very truly yours,

AIRBUS S.A.S.

By: /s/ Kiran Rao

Its: Deputy to COO Customers
EVP Product Strategy

Accepted and Agreed

UNITED AIRLINES, INC.

By: /s/ Gerald Laderman

Its: Senior Vice President Finance,
Procurement and Treasurer

APPENDIX 1 ASSUMPTIONS

***

APPENDIX 2 – EXCLUSIONS

The following items are specifically excluded from the ***

APPENDIX 3 - FORMULAS

***

APPENDIX 4 – ***

***

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LETTER AGREEMENT NO. 12

TO THE AMENDED AND RESTATED
A350-900 PURCHASE AGREEMENT

As of 1 September 2017

UNITED AIRLINES, INC.
233 South Wacker Drive
Chicago, Illinois 60606
USA

Re: ***

Dear Ladies and Gentlemen,

UNITED AIRLINES, INC. (the "**Buyer**"), and AIRBUS S.A.S. (the "**Seller**"), have entered into an Amended and Restated A350-900 Purchase Agreement dated as of the date hereof (the "**Agreement**"), which covers, among other things, the sale by the Seller and the purchase by the Buyer of certain Aircraft, under the terms and conditions set forth in said Agreement. The Buyer and the Seller have agreed to set forth in this Letter Agreement No. 12 (the "**Letter Agreement**") certain additional terms and conditions regarding the sale of the Aircraft. Capitalized terms used herein and not otherwise defined in this Letter Agreement will have the meanings assigned thereto in the Agreement. The terms "herein," "hereof" and "hereunder" and words of similar import refer to this Letter Agreement.

Both parties agree that this Letter Agreement will constitute an integral, nonseverable part of said Agreement, that the provisions of said Agreement are hereby incorporated herein by reference, and that this Letter Agreement will be governed by the provisions of said Agreement, except that if the Agreement and this Letter Agreement have specific provisions which are inconsistent, the specific provisions contained in this Letter Agreement will govern.

0 INTRODUCTION

***

1 DEFINITIONS AND INTERPRETATION

1.1 Capitalized words and terms used in this Letter Agreement that are not defined herein shall have the meaning assigned thereto in the Agreement

1.2 The terms "herein", "hereof" and "hereunder" and words of similar import refer to this Letter Agreement

1.3 The following words and terms shall have the following meanings:

***

3 ADJUSTMENTS

***

4 REPORTING

***

12 ASSIGNMENT

This Letter Agreement and the rights and obligations of the parties will be subject to the provisions of Clause 21 of the Agreement

13 CONFIDENTIALITY

This Letter Agreement and the rights and obligations of the parties will be subject to the provisions of Clause 22.10 of the Agreement

14 COUNTERPARTS

This Letter Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.

If the foregoing correctly sets forth your understanding, please execute the original and one (1) copy hereof in the space provided below and return a copy to the Seller.

Very truly yours,

AIRBUS S.A.S

By: /s/ Kuan Rao

Its. Deputy to COO Customers
EVP Product Strategy

Accepted and Agreed

UNITED AIRLINES, INC.

By: /s/ Gerald Laderman

Its Senior Vice President Finance,
Procurement and Treasurer

APPENDIX 1 - ASSUMPTIONS

***

APPENDIX 2 – EXCLUSIONS

*** due to any of the following reasons are specifically excluded from the ***:

***

APPENDIX 3 - FORMULAS

***

APPENDIX 4 – ***

***

CONFIDENTIAL MATERIAL APPEARING IN THIS DOCUMENT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION IN ACCORDANCE WITH THE SECURITIES ACT OF 1933, AS AMENDED, AND RULE 24B-2 PROMULGATED THEREUNDER. OMITTED INFORMATION HAS BEEN REPLACED WITH ASTERISKS.

LETTER AGREEMENT NO. 13

TO THE AMENDED AND RESTATED
A350-900 PURCHASE AGREEMENT

As of 1 September 2017

UNITED AIRLINES, INC.
233 South Wacker Drive
Chicago, Illinois 60606
USA

Re: WARRANTIES AND SERVICE LIFE POLICY

Dear Ladies and Gentlemen,

UNITED AIRLINES, INC. (the "**Buyer**"), and AIRBUS S.A.S. (the "**Seller**"), have entered into an Amended and Restated A350-900 Purchase Agreement dated as of the date hereof (the "**Agreement**"), which covers, among other things, the sale by the Seller and the purchase by the Buyer of certain Aircraft, under the terms and conditions set forth in said Agreement. The Buyer and the Seller have agreed to set forth in this Letter Agreement No. 13 (the "**Letter Agreement**") certain additional terms and conditions regarding the sale of the Aircraft. Capitalized terms used herein and not otherwise defined in this Letter Agreement will have the meanings assigned thereto in the Agreement. The terms "herein," "hereof" and "hereunder" and words of similar import refer to this Letter Agreement.

Both parties agree that this Letter Agreement will constitute an integral, nonseverable part of said Agreement, that the provisions of said Agreement are hereby incorporated herein by reference and that this Letter Agreement will be governed by the provisions of said Agreement, except that if the Agreement and this Letter Agreement have specific provisions which are inconsistent, the specific provisions contained in this Letter Agreement will govern.

1. WARRANTIES AND SERVICE LIFE POLICY

Clause 12 of the Agreement is deleted in its entirety and replaced with the following quoted text

QUOTE

12 - WARRANTIES AND SERVICE LIFE POLICY

12.1 Warranty

12.1.1 Nature of Warranty

Subject to the limitations and conditions hereinafter provided, and except as provided in Clause 12.1.2, the Seller warrants to the Buyer that the Aircraft and each Warranted Part will at the time of Delivery to the Buyer be free from defects:

(i) in material,

(ii) in workmanship, including, without limitation, processes of manufacture,

(iii) in design (including, without limitation, selection of materials) having regard to the State of the Art at the date of such design, and

(iv) arising from failure to conform to the Specification, except as to those portions of the Specification that are expressly stated in the Specification to be estimates or approximations or design aims.

For the purpose of this Agreement, the term "**Warranted Part**" will mean any Seller proprietary component, equipment, software, or part, that (a) is installed on an Aircraft at Delivery, (b) is manufactured to the detail design of the Seller or a subcontractor of the Seller and (c) bears a Seller's part number at the time of Delivery

12.1.2 Exclusions

The warranties set forth in Clause 12.1.1 will not apply to Buyer Furnished Equipment, Propulsion Systems, or to any component, accessory, equipment or part purchased by the Buyer that is not a Warranted Part, provided, however, that

(i) any defect in the Seller's workmanship in respect of the installation of such items in the Aircraft, including any failure by the Seller to conform to the installation instructions of the manufacturers of such items that invalidates any applicable warranty from such manufacturers, will constitute a defect in workmanship for the purpose of this Clause 12.1 and be covered by the warranty set forth in Clause 12.1.1(ii), and

(ii) any defect inherent in the Seller's design of the installation, considering the state of the art at the date of such design, that impairs the use of such items will constitute a defect in design for the purposes of this Clause 12.1 and be covered by the warranty set forth in Clause 12.1.1(iii).

12.1.3 Warranty Periods

The warranties described in Clauses 12.1.1 and 12.1.2 will be limited to those defects that become apparent within ***

12.1.4 Limitations of Warranty

12.1.4.1 The Buyer's remedy and the Seller's obligation and liability under Clauses 12.1.1 and 12.1.2 are limited to, at the Seller's expense and option, the repair, replacement or correction (to include, in the case of software, supply of a comparable product with equivalent function) of any defective Warranted Part. The Seller may elect to effect such repair, replacement or correction by supplying modification kits designed to rectify the defect or by furnishing a credit to the Buyer for the future purchase of goods and services (not including Aircraft) equal to the price at which the Buyer is then entitled to acquire a replacement for the defective Warranted Part.

12.1.4.2 If the Seller corrects a defect covered by Clause 12.1.1(iii) that becomes apparent within the Warranty Period, on the Buyer's written request the Seller will correct any such defect of the same type in any Aircraft that has not already been delivered to the Buyer. The Seller will not be responsible for, nor deemed to be in default on account of any delay in Delivery of any Aircraft or otherwise, in respect of performance of this Agreement, due to the Seller's undertaking to make such correction. Alternatively, the Buyer and the Seller may agree to deliver such Aircraft with subsequent correction of the defect by the Buyer at the Seller's expense, or the Buyer may elect to accept Delivery and thereafter file a Warranty Claim as though the defect had become apparent immediately after Delivery of such Aircraft.

12.1.5 Cost of Inspection

In addition to the remedies set forth in Clauses 12.1.4.1 and 12.1.4.2, the Seller will reimburse the direct labor costs incurred by the Buyer in performing inspections of the Aircraft that are conducted to determine whether or not a defect exists in any Warranted Part within the Warranty Period subject to the following conditions:

(i) Such inspections are recommended in a Seller Service Bulletin to be performed within the Warranty Period,

(ii) Such inspections are not performed in lieu of corrective action that has been provided by the Seller prior to the dates of such inspection,

(iii) the labor rate for the reimbursements will be the In-house Warranty Labor Rate, and

(iv) the manhours used to determine such reimbursement will not exceed the Seller's *** estimate of the *** manhours required for such inspections

12.1.6 Warranty Claim Requirements

The Buyer's remedy and the Seller's obligation and liability under this Clause 12.1 with respect to each claimed defect are subject to the following conditions.

(i) the defect has becomes apparent within the Warranty Period.

(ii) the Buyer has filed a Warranty Claim *** of a defect becoming apparent, except where the Seller has issued a Service Bulletin intended to provide a Remedy for such a defect in which case the Warranty Claim must be filed no later than *** following embodiment of the Seller Service Bulletin in the Aircraft,

(iii) the Buyer has submitted to the Seller evidence reasonably satisfactory to the Seller that (i) the claimed defect is due to a matter covered under the provisions of this Clause 12, and (ii) that such defect did not result from any act or omission of the Buyer (except when such act or omission is in accordance with the Seller's instructions), including but not limited to, any failure to operate and maintain the affected Aircraft or part thereof in accordance with the standards set forth in Clause 12.1.11 or from any act or omission of any third party,

(iv) the Buyer returns the Warranted Part claimed to be defective to the repair facilities designated by the Seller as soon as practicable, unless the Buyer elects to repair a defective Warranted Part in accordance with the provisions of Clause 12.1.8, and

(v) the Seller's receives a Warranty Claim complying with the provisions of Clause 12.1.7(v)

12.1.7 Warranty Administration

The warranties set forth in this Clause 12.1 will be administered as hereinafter provided:

(i) Claim Determination

Determination by the Seller as to whether any claimed defect in any Warranted Part is a valid Warranty Claim will be made by the Seller, acting reasonably and will be based on claim details, reports from the Seller's regional representative, historical data logs, inspections, tests, findings during repair, defect analysis and other relevant documents and information. The Seller will make reasonable efforts to make such determination within thirty (30) Business Days of the submission of all information required by Clause 12.1.7(v).

(ii) Transportation Costs

The cost of transporting a Warranted Part claimed to be defective to the facilities designated by the Seller will be borne by the Seller, ***.

(iii) On-Aircraft Work by the Seller

If either (a) the Seller determines that a defect subject to this Clause 12.1 requires the dispatch by the Seller of a Seller's working team to the Buyer's facilities, to repair or correct such defect through implementation of one or more Seller's Service Bulletins, or (b) the Seller accepts the return of an Aircraft to perform or have performed a repair or correction, then, the labor costs for such on-Aircraft work will be borne by the Seller at the In-House Warranty Labor Rate.

On-Aircraft work by the Seller will be undertaken only if, in the Seller's opinion, the work requires the Seller's technical expertise. In such case, the Seller and the Buyer will agree on a schedule and place for the work to be performed.

(iv) Return of an Aircraft

If the Buyer desires to return an Aircraft to the Seller for consideration of a Warranty Claim, the Buyer will notify the Seller of its intention to do so, and the Seller will, prior to such return, have the right to inspect such Aircraft, and without prejudice to the Seller's rights hereunder, to repair such Aircraft either at the Buyer's facilities or at another place acceptable to the Seller. *** Aircraft by the Buyer to the Seller and return of such Aircraft to the Buyer's facilities will be at the Buyer's expense.

(v) Warranty Claim Substantiation

For each claim under this Clause 12.1 the Buyer will give written notice (a "**Warranty Claim**") to the Seller that contains at least the data listed below with respect to an Aircraft or Warranted Part, as applicable. The Buyer will deliver the Warranty Claim *** of discovering each defect giving rise to a claim by the Buyer under this Clause 12.

The minimum data to be supplied are as follows.

(a) Description of the defect and any action taken,

(b) Date of incident and/or removal,

(c) Description of the Warranted Part claimed to be defective,

(d) Part number,

(e) Serial number (if applicable),

(f) Position on Aircraft, according to Catalog Sequence Number of the Illustrated Parts Catalog, Component Maintenance Manual or Structural Repair Manual as applicable,

(g) ***, total flying hours or dates operated, as applicable, at the date of appearance of a defect,

(h) Time since last shop visit before appearance of the defect,

(i) Manufacturer's serial number or "MSN" of the Aircraft and/or its registration number,

(j) ***, Aircraft total flying hours and/or number of landings at the date of appearance of defect,

(k) Claim number,

(l) Date of claim and

(m) Date of Delivery of an Aircraft to the Buyer.

Warranty Claims are to be addressed as follows

AIRBUS
CUSTOMER SERVICES DIRECTORATE
WARRANTY ADMINISTRATION
ROND-POINT MAURICE BELLONTE
B.P. 33
F-31707 BLAGNAC CEDEX
FRANCE

Or electronically through Airbus World, using the contracts and warranty administration tool.

(vi) Replacements

Replaced components, equipment, accessories or parts will become the Seller's property

Title to and risk of loss of any Aircraft, component, accessory, equipment or part returned by the Buyer to the Seller will at all times remain with the Buyer, except that (i) when the Seller has possession of a returned Aircraft, component, accessory, equipment or part to which the Buyer has title, the Seller will have such responsibility therefor as is chargeable by law to a bailee for hire, but the Seller will not be liable for loss of use, and (ii) title to and risk of loss of a returned component, accessory, equipment or part will pass to the Seller on shipment by the Seller to the Buyer of any item furnished by the Seller to the Buyer as a replacement therefor. Upon the Seller's shipment to the Buyer of any replacement component, accessory, equipment or part provided by the Seller pursuant to this Clause 12.1, title to and risk of loss of such replacement component, accessory, equipment or part will pass to the Buyer.

(vii) Rejection

The Seller will provide reasonable written substantiation in case of rejection of a Warranty Claim. The Buyer will pay to the Seller reasonable inspection and test charges incurred by the Seller in connection with the investigation and processing of a rejected Warranty Claim.

(viii) Inspection

The Seller will have the right to inspect the affected Aircraft and documents and other records relating thereto in the event of any claim under this Clause 12.1.

12.1.8 In-house Warranty

(i) Authorization

The Buyer is hereby authorized to repair Warranted Parts, subject to the terms of this Clause 12.1.8 ("**In-house Warranty Repair**"). ***, when the estimated cost of an In-house Warranty Repair ***, the Buyer will notify the Resident Customer Support Representative, of its decision to perform any in-house repairs before such repairs are commenced. *** the Buyer's notice will include sufficient detail regarding the defect, estimated labor hours and material to allow the Seller to ascertain the reasonableness of the estimate. The Seller will use reasonable efforts to ensure a prompt response and will not unreasonably withhold authorization.

(ii) Conditions of Authorization

The Buyer will be entitled to the benefits under this Clause 12.1.8 for repair of Warranted Parts:

(a) if the Buyer complies with the terms of Clause 12.1.8(i).

(b) if adequate facilities and qualified personnel are available to the Buyer

(c) provided that repairs are to be performed in accordance with the Seller's written instructions set forth in applicable Technical Data and

(d) only to the extent specified by the Seller, or, in the absence of the Seller's specifying, to the extent reasonably necessary to correct the defect, in accordance with the standards set forth in Clause 12.1.10.

(iii) Seller's Rights

The Seller will have the right to require the return to Seller of any Warranted Part, or any part removed therefrom, that is claimed to be defective, if, in the Seller's judgment, the nature of the claimed defect requires technical investigation. Such delivery will be subject to the provisions of Clause 12.1.7(ii).

The Seller will have the right to have a representative present during the disassembly, inspection and testing of any Warranted Part claimed to be defective.

(iv) In-house Warranty Claim Substantiation

Claims for In-house Warranty Repair credit must be submitted to the Seller no later than *** after completion of such In-house Warranty Repair, and will comply with the requirements for Warranty Claims under Clause 12.1.6(v) and in addition will include:

(a) a report of technical findings with respect to the defect.

(b) for parts required to remedy the defect

(c) part numbers, serial numbers (if applicable), description of the parts, quantity of parts, unit price of parts, copies of related Seller's or third party's invoices (if applicable), total price of parts

(d) detailed number of labor hours,

(e) In-house Warranty Labor Rate, and

(f) total claim value.

(v) Credit

The Buyer's sole remedy, and the Seller's sole obligation and liability, in respect of In-house Warranty Repair claims, will be a credit to the Buyer's account Such credit will be equal to the sum of the direct labor cost expended in performing such repair, plus the direct cost of materials incorporated in the repair Such costs will be determined as set forth below

(a) To determine direct labor costs, only the man-hours spent on removal from the Aircraft disassembly, inspection, repair, reassembly, and final inspection and test of the Warranted Part, and reinstallation thereof on the Aircraft will be counted The hours required for maintenance work concurrently being carried out on the Aircraft or other Warranted Part will not be included.

(b) The hours counted as set forth in Clause 12.1 8 (v)(a) above will be ***, which is deemed to represent the Buyer's composite average hourly labor rate (excluding all fringe benefits, premium time allowances, social security charges, business taxes and similar items) paid to the Buyer's employees or to a third party that the Buyer has authorized to perform the repair, whose jobs, in both cases, are directly related to the performance of the repair This labor rate is *** (the "In-house Warranty Labor Rate")

The In-house Warranty Labor Rate is subject to adjustment *** Labor Index defined in the Seller Price Revision Formula

(c) Direct material costs are determined by the prices at which the Buyer acquired such material, excluding any parts and materials used for overhaul furnished free of charge by the Seller

(vi) Limitation on Credit

The Buyer will in no event be credited for repair costs (labor or material) for any Warranted Part to the extent such repair costs exceed in the *** for a replacement of such defective Warranted Part provided such replacement part is available for purchase

The Seller will substantiate such Seller costs in writing on reasonable request by the Buyer

(vii) Scrapped Material

The Buyer may with the agreement of the Seller's Resident Customer Support Representative, scrap any defective Warranted Parts that are beyond economic repair and not required for technical evaluation.

If the Buyer does not obtain the agreement of the Seller's Resident Customer Support Representative to scrap a Warranted Part immediately, the Buyer will retain such Warranted Part and any defective part removed from a Warranted Part during repair for a period of either *** after the date of completion of repair or *** after submission of a claim for In-house Warranty Repair credit relating thereto, whichever is longer Such parts will be returned to the Seller *** of receipt of the Seller's request therefor, made within such retention periods.

A record of scrapped Warranted Parts, certified by an authorized representative of the Buyer, will be kept in the Buyer's file for at least the duration of the Warranty Period

(viii) DISCLAIMER OF SELLER LIABILITY FOR BUYER'S REPAIR

THE SELLER WILL NOT BE LIABLE FOR, AND THE BUYER WILL INDEMNIFY THE SELLER AGAINST, THE CLAIMS OF ANY THIRD PARTIES FOR LOSSES DUE TO ANY DEFECT, NONCONFORMANCE OR PROBLEM OF ANY KIND, ARISING OUT OF OR IN CONNECTION WITH ANY REPAIR OF WARRANTED PARTS UNDERTAKEN BY THE BUYER UNDER THIS CLAUSE 12.1.8 OR ANY OTHER ACTIONS UNDERTAKEN BY THE BUYER UNDER THIS CLAUSE 12.1.8, WHETHER SUCH CLAIM IS ASSERTED IN CONTRACT OR IN TORT, OR IS PREMISED ON ALLEGED, ACTUAL, IMPUTED, ORDINARY OR INTENTIONAL ACTS OR OMISSIONS OF THE BUYER OR THE SELLER, ***

12.1.9 Warranty Transferability

Notwithstanding the provisions of Clause 21.1, the warranties provided for in this Clause 12.1 for any Warranted Part will accrue to the benefit of any airline in revenue service other than the Buyer, if the Warranted Part enters into the possession of any such airline as a result of a pooling agreement between such airline and the Buyer, in accordance with the terms and subject to the limitations and exclusions of the foregoing warranties and to applicable laws or regulations

12.1.9.1 Warranty for Corrected, Replacement or Repaired Warranted Parts

Whenever any Warranted Part that contains a defect for which the Seller is liable under this Clause 12.1 has been corrected, repaired or replaced pursuant to the terms hereof, the period of the Seller's warranty with respect to such corrected, repaired or replacement Warranted Part, will be the remaining portion of the original warranty in respect of such corrected, repaired or replaced Warranted Part or twelve (12) months, whichever is longer. If a defect is attributable to a defective repair or replacement by the Buyer, a Warranty Claim with respect to such defect will be rejected, notwithstanding any subsequent correction or repair, and will immediately terminate the remaining warranties under this Clause 12.1 in respect of the affected Warranted Part

12.1.10 Good Airline Operation - Normal Wear and Tear

The Buyer's rights under this Clause 12.1 are subject to the Aircraft and each component, equipment, accessory and part thereof being maintained, overhauled, repaired and operated in accordance with good commercial airline practice, all technical documentation and any other instructions issued by the Seller, the Suppliers or the Propulsion Systems Manufacturer and all applicable rules, regulations and directives of the relevant Aviation Authorities.

The Seller's liability under this Clause 12.1 will not extend to normal wear and tear or to

(i) any Aircraft or component, equipment, accessory or part thereof that has been repaired, altered or modified after Delivery in a manner other than that approved by the Seller;

(ii) any Aircraft or component, equipment, accessory or part thereof that has been operated in a damaged state; or

(iii) any component, equipment, accessory or part from which the trademark, trade name, part or serial number or other identification marks have been removed.

***

12.2 Service Life Policy

12.2.1 Scope and Definitions

In addition to the warranties set forth in Clause 12.1, the Seller agrees that should a Failure occur in any Item (as these terms are defined below), then, subject to the general conditions and limitations set forth in Clause 12.2.4, the provisions of this Clause 12.2 will apply.

For the purposes of this Clause 12.2:

(i) "Item" means any of the Seller components, equipment, accessories or parts listed in Exhibit F that are installed on an Aircraft at any time during the period of effectiveness of the Service Life Policy specified in Clause 12.2.2

(ii) "Failure" means any breakage of, or defect in, an Item that materially impairs the utility or safety of the Item, provided that (a) any such breakage of, or defect in, such Item did not result from any breakage or defect in any other Aircraft part or component or from any other extrinsic force and (b) has occurred or can reasonably be expected to occur on a repetitive or fleetwide basis.

The Seller's obligations under this Clause 12.1.2 are referred to as the "Service Life Policy."

12.2.2 Periods and Seller's Undertaking

Subject to the general conditions and limitations set forth in Clause 12.2.4, the Seller agrees that if a Failure occurs in an Item within fifteen (15) years after the Delivery of the Aircraft in which such Item is installed, the Seller will, at its discretion, as promptly as practicable and for a price that reflects the Seller's financial participation as hereinafter provided, either

(i) design and furnish to the Buyer a correction for such Item and provide any parts required for such correction (including Seller designed standard parts but excluding industry standard parts), or

(ii) replace such Item.

12.2.3 ***

Any part or Item or part that the Seller is required to furnish to the Buyer under this Service Life Policy will be furnished to the Buyer at the ***, which will be determined in accordance with the following formula.

***

12.2.4 General Conditions and Limitations

12.2.4.1 Notwithstanding any provision of this Clause 12.2, during the Warranty Period, all Items will be covered by the provisions of Clause 12.1 of this Agreement and not by the provisions of this Clause 12.2.

12.2.4.2 The Buyer's remedies and the Seller's obligations and liabilities under this Service Life Policy are subject to the following conditions:

(i) The Buyer maintains log books and other historical records with respect to each Item adequate to enable the Seller to determine whether the alleged Failure is covered by this Service Life Policy and, if so, to define the portion of the cost to be borne by the Seller in accordance with Clause 12.2.3.

(ii) The Buyer complies with the conditions of Clause 12.1.11.

(iii) The Buyer implements specific structural inspection programs for monitoring purposes as may be established from time to time by the Seller. Such programs will be, to the extent possible, compatible with the Buyer's operational requirements and will be carried out at the Buyer's expense, reports relating thereto to be regularly furnished to the Seller.

(iv) The Buyer reports in writing any breakage or defect to the Seller within "*" after any breakage or defect in an Item becomes apparent, whether or not the breakage or defect can reasonably be expected to occur in any other Aircraft, and the Buyer provides the Seller with sufficient detail about the breakage or defect to enable the Seller to determine whether said breakage or defect is subject to this Service Life Policy.

12.2.4.3 Except as otherwise provided in this Clause 12.2, any claim under this Service Life Policy will be administered as provided in, and will be subject to the terms and conditions of, Clause 12.1.6. All claims under this Service Life Policy will include all information reasonably available to the Buyer regarding significant incidents relating to the relevant Aircraft.

12.2.4.4 If the Seller has issued a service bulletin modification applicable to an Aircraft, the purpose of which is to avoid a Failure, the Seller may elect to supply the necessary modification kit free of charge or under a pro rata formula established by the Seller. If such a kit is so offered to the Buyer, then, in respect of such Failure and any Failures that could ensue therefrom, the validity of the Seller's commitment under this Clause 12.2 will be subject to the Buyer's incorporating such modification in the relevant Aircraft, within a reasonable time, in accordance with the Seller's instructions.

12.2.4.5 THIS SERVICE LIFE POLICY IS NEITHER A WARRANTY, PERFORMANCE GUARANTEE, NOR AN AGREEMENT TO MODIFY ANY AIRCRAFT OR AIRFRAME COMPONENTS TO CONFORM TO NEW DEVELOPMENTS OCCURRING IN THE STATE OF AIRFRAME DESIGN AND MANUFACTURING ART. THE SELLER'S OBLIGATION UNDER THIS CLAUSE 12.2 IS TO MAKE ONLY THOSE CORRECTIONS TO THE ITEMS OR FURNISH REPLACEMENTS THEREFOR AS PROVIDED IN THIS CLAUSE 12.2. THE BUYER'S SOLE REMEDY AND RELIEF FOR THE NONPERFORMANCE OF ANY OBLIGATION OR LIABILITY OF THE SELLER ARISING UNDER OR BY VIRTUE OF THIS SERVICE LIFE POLICY WILL BE IN A CREDIT FOR GOODS AND SERVICES, LIMITED TO THE AMOUNT THE BUYER REASONABLY EXPENDS IN PROCURING A CORRECTION OR REPLACEMENT FOR ANY ITEM THAT IS THE SUBJECT OF A FAILURE COVERED BY THIS SERVICE LIFE POLICY AND TO WHICH SUCH NONPERFORMANCE IS RELATED, LESS THE AMOUNT THAT THE BUYER OTHERWISE WOULD HAVE BEEN REQUIRED TO PAY UNDER THIS CLAUSE 12.2 IN RESPECT OF SUCH CORRECTED OR REPLACEMENT ITEM. WITHOUT LIMITING THE EXCLUSIVITY OF WARRANTIES AND GENERAL LIMITATIONS OF LIABILITY PROVISIONS SET FORTH IN CLAUSE 12.5, THE BUYER HEREBY WAIVES, RELEASES AND RENOUNCES ALL CLAIMS TO ANY FURTHER DIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES, INCLUDING LOSS OF PROFITS AND ALL OTHER RIGHTS, CLAIMS AND REMEDIES, ARISING UNDER OR BY VIRTUE OF THIS SERVICE LIFE POLICY.

12.3 Supplier Warranties and Service Life Policies

12.3.1 Seller's Support

Before Delivery of the first Aircraft, the Seller will provide the Buyer with the warranties and service life policies that the Seller has obtained pursuant to the Supplier Product Support Agreements

12.3.2 Supplier's Default

12.3.2.1 ***

12.3.2.2 If any Supplier under any Supplier service life policy referred to in to Clause 12.3.1 defaults in the performance of any material obligation under such service life policy, and (i) the Buyer has used its *** efforts to enforce its rights under such service life policy, and (ii) the Buyer submits within reasonable time to the Seller reasonable evidence that such default has occurred, then Clause 12.2 of this Agreement will apply to the extent the same would have applied had such component, equipment, accessory or part been listed in Exhibit F hereto, to the extent that the Seller can reasonably perform said Supplier's service life policy

12.3.2.3 At the Seller's request, the Buyer will assign to the Seller, and the Seller will be subrogated to, all of the Buyer's rights against the relevant Supplier with respect to, and arising by reason of, such default and the Buyer will provide reasonable assistance to enable the Seller to enforce the rights so assigned.

12.4 Interface Commitment

12.4.1 Interface Problem

If the Buyer experiences any technical problem in the operation of an Aircraft or its systems due to a malfunction, the cause of which, after due and reasonable investigation, is not readily identifiable by the Buyer, but which the Buyer reasonably believes to be attributable to the design characteristics of one or more components of the Aircraft (an "**Interface Problem**"), the Seller will, if requested by the Buyer, and without additional charge to the Buyer, except for *** transportation of the Seller's or its designee's personnel to the Buyer's facilities, promptly conduct or have conducted an investigation and analysis of such problem to determine, if possible, the cause or causes of the problem and to recommend such corrective action as may be feasible. The Buyer will furnish to the Seller all data and information in the Buyer's possession relevant to the Interface Problem and will cooperate with the Seller in the conduct of the Seller's investigations and such tests as may be required. At the conclusion of such investigation the Seller will promptly advise the Buyer in writing of the Seller's opinion as to the cause or causes of the Interface Problem and the Seller's recommendations as to corrective action.

12.4.2 Seller's Responsibility

If the Seller determines that the Interface Problem is primarily attributable to the design of a Warranted Part, the Seller will, if requested by the Buyer, correct the design of such Warranted Part pursuant to the terms and conditions of Clause 12.1.

12.4.3 Supplier's Responsibility

If the Seller determines that the Interface Problem is primarily attributable to the design of any Supplier Part, the Seller will at the Buyer's request, assume the management of the resolution of the interface problem and make reasonable efforts to find a solution satisfactory to the Buyer.

12.4.4 Joint Responsibility

If the Seller determines that the Interface Problem is attributable partially to the design of a Warranted Part and partially to the design of any Supplier Part, the Seller will, if requested by the Buyer, ***. The Seller will promptly advise the

Buyer of any corrective action proposed by the Seller and any such Supplier. Such proposal will be consistent with any then existing obligations of the Seller hereunder and of any such Supplier to the Buyer. Such corrective action, unless reasonably rejected by the Buyer, will constitute full satisfaction of any claim the Buyer may have against either the Seller or any such Supplier with respect to such Interface Problem.

12.4.5 General

12.4.5.1 All requests under this Clause 12.4 will be directed both to the Seller and to the affected Suppliers.

12.4.5.2 Except as specifically set forth in this Clause 12.4, this Clause 12.4 will not be deemed to impose on the Seller any obligations not expressly set forth elsewhere in this Agreement.

12.4.5.3 All reports, recommendations, data and other documents furnished by the Seller to the Buyer pursuant to this Clause 12.4 will be deemed to be delivered under this Agreement and will be subject to the terms, covenants and conditions set forth in this Clause 12 and in Clause 22.10.

12.5 Exclusivity of Warranties

THIS CLAUSE 12 SETS FORTH THE EXCLUSIVE WARRANTIES, EXCLUSIVE LIABILITIES AND EXCLUSIVE OBLIGATIONS OF THE SELLER, AND THE EXCLUSIVE REMEDIES AVAILABLE TO THE BUYER, WHETHER UNDER THIS AGREEMENT OR OTHERWISE, ARISING FROM ANY DEFECT OR NONCONFORMITY OR PROBLEM OF ANY KIND IN ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY, PART, SOFTWARE, DATA OR SERVICE DELIVERED BY THE SELLER UNDER THIS AGREEMENT.

THE BUYER RECOGNIZES THAT THE RIGHTS, WARRANTIES AND REMEDIES IN THIS CLAUSE 12 ARE ADEQUATE AND SUFFICIENT TO PROTECT THE BUYER FROM ANY DEFECT OR NONCONFORMITY OR PROBLEM OF ANY KIND IN THE GOODS AND SERVICES SUPPLIED UNDER THIS AGREEMENT. THE BUYER HEREBY WAIVES, RELEASES AND RENOUNCES ALL OTHER WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER AND ALL OTHER RIGHTS, CLAIMS AND REMEDIES OF THE BUYER AGAINST THE SELLER, WHETHER EXPRESS OR IMPLIED BY CONTRACT, TORT, OR STATUTORY LAW OR OTHERWISE, WITH RESPECT TO ANY NONCONFORMITY OR DEFECT OR PROBLEM OF ANY KIND IN ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY, PART, SOFTWARE, DATA OR SERVICE DELIVERED BY THE SELLER UNDER THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO

ANY IMPLIED WARRANTY OF MERCHANTABILITY AND/OR FITNESS FOR ANY GENERAL OR PARTICULAR PURPOSE,

ANY IMPLIED OR EXPRESS WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE,

ANY RIGHT, CLAIM OR REMEDY FOR BREACH OF CONTRACT,

ANY RIGHT, CLAIM OR REMEDY FOR TORT, UNDER ANY THEORY OF LIABILITY, HOWEVER ALLEGED INCLUDING, BUT NOT LIMITED TO, ACTIONS AND/OR CLAIMS FOR NEGLIGENCE, GROSS NEGLIGENCE, INTENTIONAL ACTS, WILLFUL DISREGARD, IMPLIED WARRANTY, PRODUCT LIABILITY, STRICT LIABILITY OR FAILURE TO WARN,

ANY RIGHT, CLAIM OR REMEDY ARISING UNDER THE UNIFORM COMMERCIAL CODE OR ANY OTHER STATE OR FEDERAL STATUTE;

ANY RIGHT, CLAIM OR REMEDY ARISING UNDER ANY REGULATIONS OR STANDARDS IMPOSED BY ANY INTERNATIONAL, NATIONAL, STATE OR LOCAL STATUTE OR AGENCY;

ANY RIGHT, CLAIM OR REMEDY TO RECOVER OR BE COMPENSATED FOR

LOSS OF USE OR REPLACEMENT OF ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY OR PART PROVIDED UNDER THIS AGREEMENT;

(I) LOSS OF, OR DAMAGE OF ANY KIND TO, ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY OR PART PROVIDED UNDER THIS AGREEMENT,

(II) LOSS OF PROFITS AND/OR REVENUES,

(III) ANY OTHER INCIDENTAL OR CONSEQUENTIAL DAMAGE.

THE WARRANTIES AND SERVICE LIFE POLICY PROVIDED BY THIS AGREEMENT WILL NOT BE EXTENDED, ALTERED OR VARIED EXCEPT BY A WRITTEN INSTRUMENT SIGNED BY THE SELLER AND THE BUYER. IN THE EVENT THAT ANY PROVISION OF THIS CLAUSE 12 SHOULD FOR ANY REASON BE HELD UNLAWFUL, OR OTHERWISE UNENFORCEABLE, THE REMAINDER OF THIS CLAUSE 12 WILL REMAIN IN FULL FORCE AND EFFECT.

CLAIMS BY THE BUYER AGAINST THE SELLER FOR CONTRIBUTION TO THIRD PARTY CLAIMS BROUGHT AGAINST THE BUYER FOR PERSONAL INJURY OR PROPERTY DAMAGE ARE EXCLUDED FROM THIS CLAUSE 12.5 IF, AND ONLY TO THE EXTENT THAT, SUCH CONTRIBUTION CLAIMS ARISE OUT OF THE SELLER'S ACTIVITIES AS DESIGNER OR MANUFACTURER OF THE AIRCRAFT

FOR THE PURPOSE OF THIS CLAUSE 12.5, "SELLER" WILL BE UNDERSTOOD TO INCLUDE THE SELLER, Seller AFFILIATES AND SUPPLIERS

12.6 Duplicate Remedies

The remedies provided to the Buyer under Clause 12.1 and Clause 12.2 as to any defect in respect of the Aircraft or any part thereof are mutually exclusive and not cumulative. The Buyer will be entitled to the remedy that provides the maximum benefit to it, as the Buyer may elect, pursuant to the terms and conditions of this Clause 12 for any particular defect for which remedies are provided under this Clause 12, provided, however, that the Buyer will not be entitled to elect a remedy under both Clause 12.1 and Clause 12.2 for the same defect. The Buyer's rights and remedies herein for the nonperformance of any obligations or liabilities of the Seller arising under these warranties will be in monetary damages limited to the amount the Buyer expends in procuring a correction or replacement for any covered part subject to a defect or nonperformance covered by this Clause 12, and the Buyer will not have any right to require specific performance by the Seller

12.8 Negotiated Agreement

The Parties each acknowledge that

(i) the Specification has been agreed upon after careful consideration by the Buyer using its judgment as a professional operator of, and maintenance provider with respect to, aircraft used in public transportation and as such is a professional within the same industry as the Seller;

(ii) this Agreement, and in particular this Clause 12, has been the subject of discussion and negotiation and is fully understood by the Buyer, and

(iii) the price of the Aircraft and the other mutual agreements of the Buyer set forth in this Agreement were arrived at in consideration of, inter alia, the provisions of this Clause 12, specifically including the Exclusivity of Warranties set forth in Clause 12.

UNQUOTE

2 ASSIGNMENT

This Letter Agreement and the rights and obligations of the parties will be subject to the provisions of Clause 21 of the Agreement.

3 CONFIDENTIALITY

This Letter Agreement is subject to the terms and conditions of Clause 22.10 of the Agreement.

4 COUNTERPARTS

This Letter Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.

If the foregoing correctly sets forth your understanding, please execute the original and one (1) copy hereof in the space provided below and return a copy to the Seller

Very truly yours,

AIRBUS S.A.S.

By: /s/ Kiran Rao

Its: Deputy to COO Customers
EVP Product Strategy

Accepted and Agreed

UNITED AIRLINES, INC.

By: /s/ Gerald Laderman

Its: Senior Vice President Finance,
Procurement and Treasurer

CONFIDENTIAL MATERIAL APPEARING IN THIS DOCUMENT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION IN ACCORDANCE WITH THE SECURITIES ACT OF 1933, AS AMENDED, AND RULE 24B-2 PROMULGATED THEREUNDER. OMITTED INFORMATION HAS BEEN REPLACED WITH ASTERISKS.

LETTER AGREEMENT NO. 14

TO THE AMENDED AND RESTATED
A350-900 PURCHASE AGREEMENT

As of 1 September 2017

UNITED AIRLINES, INC.
233 South Wacker Drive
Chicago, Illinois 60606
USA

Re AIRCRAFT ORDER MATTERS

Dear Ladies and Gentlemen,

UNITED AIRLINES, INC. (the "**Buyer**"), and AIRBUS S.A.S. (the "**Seller**"), have entered into an Amended and Restated A350-900 Purchase Agreement dated as of the date hereof (the "**Agreement**"), which covers, among other things, the sale by the Seller and the purchase by the Buyer of certain Aircraft, under the terms and conditions set forth in said Agreement. The Buyer and the Seller have agreed to set forth in this Letter Agreement No. 14 (the "**Letter Agreement**") certain additional terms and conditions regarding the sale of the Aircraft. Capitalized terms used herein and not otherwise defined in this Letter Agreement will have the meanings assigned thereto in the Agreement. The terms "herein," "hereof" and "hereunder" and words of similar import refer to this Letter Agreement.

Both parties agree that this Letter Agreement will constitute an integral, nonseverable part of said Agreement, that the provisions of said Agreement are hereby incorporated herein by reference, and that this Letter Agreement will be governed by the provisions of said Agreement, except that if the Agreement and this Letter Agreement have specific provisions which are inconsistent, the specific provisions contained in this Letter Agreement will govern.

1 ***

1.1 The Seller offers the Buyer the *** certain Aircraft under the Agreement (the "***"), subject to the following terms and conditions:

(i) The *** is only granted to the Buyer for *** of the Aircraft which are included in the Buyer's *** order of forty-five (45) Aircraft, as follows (each a "***").

a. Aircraft ***.

b. *** Aircraft with a Scheduled Delivery ***.

c. *** Aircraft with a Scheduled Delivery ***.

d. *** Aircraft with a Scheduled Delivery ***.

e. *** Aircraft with a Scheduled Delivery ***.

f. *** Aircraft with a Scheduled Delivery ***.

g. *** Aircraft with a Scheduled Delivery ***.

(ii) The Buyer will give *** a one-time written notice of its desire to *** on a date falling between *** and *** (the "**Decision Window**"). Such notice shall identify all of the *** with respect to which the Buyer wishes to ***.

(iii) Any *** for which the Buyer has exercised its *** under the conditions set out in this Clause 1 shall be referred to as "***" and the order for such particular Aircraft will be deemed ***, and the terms of Clauses 1 and 3 hereof shall apply.

Any *** for which the Buyer has *** under the conditions set out in this Clause 1 shall remain an Aircraft under the Agreement, and the Buyer's *** with respect to such Aircraft shall lapse.

(iv) Should the Buyer not exercise its *** pursuant to this Clause, the Buyer's *** will lapse with respect to all ***, and the Buyer and ***.

1.2 Should the Buyer exercise its *** with respect to ***, which shall in such case be Aircraft ***, then:

(i) *** made by the Buyer with respect to such ***, and

(ii) the *** advanced under the *** of even date hereof at the *** (as such terms are defined in such Financing Letter Agreement) shall ***

1.3 Should the Buyer exercise its *** with respect to ***, then *** made by the Buyer with respect to any such ***

2 ***

2.1 The Seller offers the Buyer the ***, in lieu of the ***, to renounce its *** and *** its firm order for the *** under this Agreement ***, subject to the following terms and conditions

(i) The *** is only granted to the Buyer with respect to the ***, and for a number of *** that is ***.

(ii) The Buyer will give the Seller a one-time written notice of its desire to exercise its *** in lieu of its ***, on a date falling during the Decision Window. Such notice shall identify all of the *** with respect to which the Buyer wishes to exercise its ***. The Buyer and the Seller shall then formalize the firm order for the *** by way of a purchase agreement (the "***"), subject to Clause 2.2.

(iii) Exercise by the Buyer of its *** with respect to ***.

(iv) Any *** for which the Buyer has exercised its *** under the conditions set out in this Clause 2 shall be referred to as a "***" **Aircraft** " and will be *** and ordered under the ***, subject to the conditions of Clause 2.2 below being met. Should such conditions not be met, the *** Aircraft shall be deemed to be a ***, and the terms and conditions of Clauses 1 and 3 hereof shall apply.

Any *** for which the Buyer has not exercised its *** under the conditions set out in this Clause 2 shall remain an Aircraft under the Agreement, and the Buyer's *** with respect to such Aircraft shall lapse.

(v) Should the Buyer not exercise its *** pursuant to this Clause, the Buyer's *** will lapse with respect to ***, and the Buyer and the Seller will have no more rights or obligations with respect to the ***

2.2 The *** shall meet the following conditions.

(i) The *** shall enter in full force and effect no later than on ***, and

(ii) The *** shall include applicable commercial conditions agreed between the Buyer and the Seller with respect to the sale by the Seller and the purchase by the Buyer of the ***, and

***

3 A350 ***

3.1 Should the Buyer, at any time and for any reason, have less than *** Aircraft *** under the Agreement *** then, in addition to any other remedies available to Seller under the Agreement, ***

4 ***

Should the Buyer exercise its *** or its *** with respect to any of the *** in accordance with this Letter Agreement, then all *** based on a fleet size of *** A350-900 Aircraft shall be adjusted to reflect the revised fleet size, in a methodologically consistent manner.

5 ASSIGNMENT

This Letter Agreement and the rights and obligations of the parties will be subject to the provisions of Clause 21 of the Agreement.

6 CONFIDENTIALITY

This Letter Agreement is subject to the terms and conditions of Clause 22.10 of the Agreement

7. COUNTERPARTS

This Letter Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument

If the foregoing correctly sets forth your understanding, please execute the original and one (1) copy hereof in the space provided below and return a copy to the Seller

Very truly yours,

AIRBUS S.A.S.

By: /s/ Kiran Rao

Its. Deputy to COO Customers
EVP Product Strategy

Accepted and Agreed

UNITED AIRLINES, INC

By. /s/ Gerald Laderman

Its. Senior Vice President Finance,
Procurement and Treasurer

Exhibit 12.1

United Continental Holdings, Inc. and Subsidiary Companies
Computation of Ratio of Earnings to Fixed Charges

(In millions, except ratios)	Nine Months Ended September 30, 2017	2016	2015	2014	2013	2012
Earnings (losses):						
Earnings (loss) before income taxes	$ 2,399	$3,819	$4,219	$1,128	$ 539	$(724)
Add (deduct)						
Fixed charges, from below	1,032	1,370	1,428	1,648	1,629	1,526
Amortization of capitalized interest	7	11	12	12	11	9
Distributed earnings of affiliates	—	1	1	1	—	—
Interest capitalized	(64)	(72)	(49)	(52)	(49)	(37)
Equity earnings in affiliates	—	—	(2)	(1)	(1)	(4)
Earnings as adjusted	$ 3,374	$5,129	$5,609	$2,736	$2,129	$ 770
Fixed charges						
Interest expense	$ 472	$ 614	$ 669	$ 735	$ 783	$ 835
Portion of rent expense representative of the interest factor (a)	560	756	759	913	846	691
Fixed charges	$ 1,032	$ 1,370	$ 1,428	$ 1,648	$ 1,629	$ 1,526
Ratio of earnings to fixed charges	3.27	3.74	3.93	1.66	1.31	(b)

(a) Imputed interest applied to rent expense
(b) Earnings were inadequate to cover fixed charges by $756 million in 2012

Exhibit 12.2

United Airlines, Inc. and Subsidiary Companies
Computation of Ratio of Earnings to Fixed Charges

(In millions, except ratios)	Nine Months Ended September 30, 2017	2016	2015	2014	2013	2012
Earnings (losses):						
Earnings (loss) before income taxes	$ 2,400	$3,822	$4,221	$1,110	$ 637	$ (657)
Add (deduct)						
Fixed charges from below	1,032	1,370	1,429	1,655	1,627	1,514
Amortization of capitalized interest	7	11	12	12	11	9
Distributed earnings of affiliates	—	1	1	1	—	—
Interest capitalized	(64)	(72)	(49)	(52)	(49)	(37)
Equity earnings in affiliates	—	—	(2)	(1)	(1)	(4)
Earnings as adjusted	$ 3,375	$ 5,132	$5,612	$ 2,725	$2,225	$ 825
Fixed charges:						
Interest expense	$ 472	$ 614	$ 670	$ 742	$ 781	$ 823
Portion of rent expense representative of the interest factor (a)	560	756	759	913	846	691
Fixed charges	$ 1,032	$ 1,370	$ 1,429	$ 1,655	$ 1,627	$ 1,514
Ratio of earnings to fixed charges	3.27	3.75	3.93	1.65	1.37	(b)

(a) Imputed interest applied to rent expense
(b) Earnings were inadequate to cover fixed charges by $689 million in 2012

Exhibit 31.1

Certification of the Principal Executive Officer
Pursuant to 15 U.S.C. 78m(a) or 78o(d)
(Section 302 of the Sarbanes-Oxley Act of 2002)

I, Oscar Munoz, certify that

(1) I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2017 of United Continental Holdings, Inc. (the "Company");

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

(4) The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

(5) The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

/s/ Oscar Munoz
Oscar Munoz
Chief Executive Officer

Date: October 19, 2017

Exhibit 31.2

Certification of the Principal Financial Officer
Pursuant to 15 U.S.C. 78m(a) or 78o(d)
(Section 302 of the Sarbanes-Oxley Act of 2002)

I, Andrew C. Levy, certify that:

(1) I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2017 of United Continental Holdings, Inc. (the "Company").

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report.

(4) The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared.

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation, and

(d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

(5) The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions)

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

/s/ Andrew C. Levy
Andrew C. Levy
Executive Vice President and Chief Financial Officer

Date: October 19, 2017

Exhibit 31.3

Certification of the Principal Executive Officer
Pursuant to 15 U.S.C. 78m(a) or 78o(d)
(Section 302 of the Sarbanes-Oxley Act of 2002)

I, Oscar Munoz, certify that:

(1) I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2017 of United Airlines, Inc. (the "Company").

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report,

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

(4) The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles,

(c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting, and

(5) The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting

/s/ Oscar Munoz
Oscar Munoz
Chief Executive Officer

Date: October 19, 2017

Exhibit 31.4

Certification of the Principal Financial Officer
Pursuant to 15 U.S.C. 78m(a) or 78o(d)
(Section 302 of the Sarbanes-Oxley Act of 2002)

I, Andrew C. Levy, certify that

(1) I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2017 of United Airlines, Inc. (the "Company");

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

(4) The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

(5) The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions)

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

/s/ Andrew C. Levy
Andrew C. Levy
Executive Vice President and Chief Financial Officer

Date: October 19, 2017

Exhibit 32.1

Certification of United Continental Holdings, Inc.
Pursuant to 18 U.S.C. 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)

Each undersigned officer certifies that to the best of his knowledge based on a review of the quarterly report on Form 10-Q for the period ended September 30, 2017 of United Continental Holdings, Inc. (the "Report").

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of United Continental Holdings, Inc.

Date: October 19, 2017

/s/ Oscar Munoz
Oscar Munoz
Chief Executive Officer

/s/ Andrew C. Levy
Andrew C. Levy
Executive Vice President and Chief Financial Officer

Exhibit 32.2

Certification of United Airlines, Inc
Pursuant to 18 U.S.C. 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)

Each undersigned officer certifies that to the best of his knowledge based on a review of the quarterly report on Form 10-Q for the period ended September 30, 2017 of United Airlines, Inc. (the "Report"):

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of United Airlines, Inc.

Date: October 19, 2017

/s/ Oscar Munoz
Oscar Munoz
Chief Executive Officer

/s/ Andrew C. Levy
Andrew C. Levy
Executive Vice President and Chief Financial Officer

Delta Air Lines, Inc.

Economic Disclosure Statement

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT
AND AFFIDAVIT

SECTION I -- GENERAL INFORMATION

A. Legal name of the Disclosing Party submitting this EDS. Include d/b/a/ if applicable:

Delta Air Lines, Inc.

Check ONE of the following three boxes:

Indicate whether the Disclosing Party submitting this EDS is:

1. [x] the Applicant

OR

2. [ ] a legal entity currently holding, or anticipated to hold within six months after City action on the contract, transaction or other undertaking to which this EDS pertains (referred to below as the "Matter"), a direct or indirect interest in excess of 7.5% in the Applicant. State the Applicant's legal name: _____

OR

3. [ ] a legal entity with a direct or indirect right of control of the Applicant (see Section II(B)(1)) State the legal name of the entity in which the Disclosing Party holds a right of control:

_____

B. Business address of the Disclosing Party: 1030 Delta Blvd.
Atlanta, GA 30354

C. Telephone: 404-715-6515 Fax: 404-773-2026 Email: blaine.peters@delta.com

D. Name of contact person: Blaine Peters

E. Federal Employer Identification No. (if you have one): _____

F. Brief description of the Matter to which this EDS pertains. (Include project number and location of property, if applicable):
"(1) O'Hare Use and Lease Agreement; (2) O'Hare Operating Agreement; (3) O'Hare Letter of Authorization; (4) O'Hare Rate Agreement; (5) Cargo Building Lease Agreement; (6) Hangar Ramp Lease Agreement."

G. Which City agency or department is requesting this EDS? Department of Aviation

If the Matter is a contract being handled by the City's Department of Procurement Services, please complete the following:

Specification # _____ and Contract # _____

SECTION II -- DISCLOSURE OF OWNERSHIP INTERESTS

A. NATURE OF THE DISCLOSING PARTY

1. Indicate the nature of the Disclosing Party:

[ ] Person
[x] Publicly registered business corporation
[ ] Privately held business corporation
[ ] Sole proprietorship
[ ] General partnership
[ ] Limited partnership
[ ] Trust
[ ] Limited liability company
[ ] Limited liability partnership
[ ] Joint venture
[ ] Not-for-profit corporation
(Is the not-for-profit corporation also a 501(c)(3))?
[ ] Yes [ ] No
[ ] Other (please specify)

2. For legal entities, the state (or foreign country) of incorporation or organization, if applicable:

Delaware

3. For legal entities not organized in the State of Illinois: Has the organization registered to do business in the State of Illinois as a foreign entity?

[X] Yes [ ] No [ ] Organized in Illinois

B. IF THE DISCLOSING PARTY IS A LEGAL ENTITY:

1. List below the full names and titles, if applicable, of: (i) all executive officers and all directors of the entity; (ii) **for not-for-profit corporations**, all members, if any, which are legal entities (if there are no such members, write "no members which are legal entities"); (iii) **for trusts, estates or other similar entities**, the trustee, executor, administrator, or similarly situated party; (iv) **for general or limited partnerships, limited liability companies, limited liability partnerships or joint ventures**, each general partner, managing member, manager or any other person or legal entity that directly or indirectly controls the day-to-day management of the Applicant.

NOTE: Each legal entity listed below must submit an EDS on its own behalf.

Name	Title
SEE ATTACHMENT A	

2. Please provide the following information concerning each person or legal entity having a direct or indirect, current or prospective (i.e. within 6 months after City action) beneficial interest (including ownership) in excess of 7.5% of the Applicant. Examples of such an interest include shares in a corporation, partnership interest in a partnership or joint venture, interest of a member or manager in a

limited liability company, or interest of a beneficiary of a trust, estate or other similar entity. If none, state "None."

NOTE: Each legal entity listed below may be required to submit an EDS on its own behalf.

Name	Business Address	Percentage Interest in the Applicant
NONE		

SECTION III -- INCOME OR COMPENSATION TO, OR OWNERSHIP BY, CITY ELECTED OFFICIALS

Has the Disclosing Party provided any income or compensation to any City elected official during the 12-month period preceding the date of this EDS? [ ] Yes [x] No

Does the Disclosing Party reasonably expect to provide any income or compensation to any City elected official during the 12-month period following the date of this EDS? [ ] Yes [x] No

If "yes" to either of the above, please identify below the name(s) of such City elected official(s) and describe such income or compensation:

Does any City elected official or, to the best of the Disclosing Party's knowledge after reasonable inquiry, any City elected official's spouse or domestic partner, have a financial interest (as defined in Chapter 2-156 of the Municipal Code of Chicago ("MCC")) in the Disclosing Party?
[ ] Yes [x] No

If "yes," please identify below the name(s) of such City elected official(s) and/or spouse(s)/domestic partner(s) and describe the financial interest(s).

SECTION IV -- DISCLOSURE OF SUBCONTRACTORS AND OTHER RETAINED PARTIES

The Disclosing Party must disclose the name and business address of each subcontractor, attorney, lobbyist (as defined in MCC Chapter 2-156), accountant, consultant and any other person or entity whom the Disclosing Party has retained or expects to retain in connection with the Matter, as well as the nature of the relationship, and the total amount of the fees paid or estimated to be paid. The Disclosing Party is not required to disclose employees who are paid solely through the Disclosing Party's regular payroll. If the Disclosing Party is uncertain whether a disclosure is required under this Section, the Disclosing Party must either ask the City whether disclosure is required or make the disclosure.

Name (indicate whether retained or anticipated to be retained)	Business Address	Relationship to Disclosing Party (subcontractor, attorney, lobbyist, etc.)	Fees (indicate whether paid or estimated.) **NOTE:** "hourly rate" or "t.b.d." is not an acceptable response.
NONE			

(Add sheets if necessary)

[x] Check here if the Disclosing Party has not retained, nor expects to retain, any such persons or entities.

SECTION V -- CERTIFICATIONS

A. COURT-ORDERED CHILD SUPPORT COMPLIANCE

Under MCC Section 2-92-415, substantial owners of business entities that contract with the City must remain in compliance with their child support obligations throughout the contract's term.

Has any person who directly or indirectly owns 10% or more of the Disclosing Party been declared in arrearage on any child support obligations by any Illinois court of competent jurisdiction?

[ ] Yes [ ] No [x] No person directly or indirectly owns 10% or more of the Disclosing Party.

If "Yes," has the person entered into a court-approved agreement for payment of all support owed and is the person in compliance with that agreement?

[ ] Yes [ ] No

B. FURTHER CERTIFICATIONS

1. [This paragraph 1 applies only if the Matter is a contract being handled by the City's Department of Procurement Services.] In the 5-year period preceding the date of this EDS, neither the Disclosing Party nor any Affiliated Entity [see definition in (5) below] has engaged, in connection with the performance of any public contract, the services of an integrity monitor, independent private sector inspector general, or integrity compliance consultant (i.e., an individual or entity with legal, auditing, investigative, or other similar skills, designated by a public agency to help the agency monitor the activity of specified agency vendors as well as help the vendors reform their business practices so they can be considered for agency contracts in the future, or continue with a contract in progress).

2. The Disclosing Party and its Affiliated Entities are not delinquent in the payment of any fine, fee, tax or other source of indebtedness owed to the City of Chicago, including, but not limited to, water and sewer charges, license fees, parking tickets, property taxes and sales taxes, nor is the Disclosing Party delinquent in the payment of any tax administered by the Illinois Department of Revenue.

3. The Disclosing Party and, if the Disclosing Party is a legal entity, all of those persons or entities identified in Section II(B)(1) of this EDS:

a. are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from any transactions by any federal, state or local unit of government;

b. have not, during the 5 years before the date of this EDS, been convicted of a criminal offense, adjudged guilty, or had a civil judgment rendered against them in connection with: obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; a violation of federal or state antitrust statutes; fraud; embezzlement; theft; forgery; bribery; falsification or destruction of records; making false statements; or receiving stolen property;

c. are not presently indicted for, or criminally or civilly charged by, a governmental entity (federal, state or local) with committing any of the offenses set forth in subparagraph (b) above;

d. have not, during the 5 years before the date of this EDS, had one or more public transactions (federal, state or local) terminated for cause or default; and

e. have not, during the 5 years before the date of this EDS. been convicted, adjudged guilty, or found liable in a civil proceeding, or in any criminal or civil action, including actions concerning environmental violations, instituted by the City or by the federal government, any state, or any other unit of local government.

4. The Disclosing Party understands and shall comply with the applicable requirements of MCC Chapters 2-56 (Inspector General) and 2-156 (Governmental Ethics).

5. Certifications (5), (6) and (7) concern:
   - the Disclosing Party;
   - any "Contractor" (meaning any contractor or subcontractor used by the Disclosing Party in connection with the Matter, including but not limited to all persons or legal entities disclosed under Section IV, "Disclosure of Subcontractors and Other Retained Parties");
   - any "Affiliated Entity" (meaning a person or entity that, directly or indirectly: controls the Disclosing Party, is controlled by the Disclosing Party, or is, with the Disclosing Party, under common control of another person or entity). Indicia of control include, without limitation: interlocking management or ownership; identity of interests among family members, shared facilities and equipment; common use of employees; or organization of a business entity following the ineligibility of a business entity to do business with federal or state or local government, including the City, using substantially the same management, ownership, or principals as the ineligible entity. With respect to Contractors, the term Affiliated Entity means a person or entity that directly or indirectly controls the Contractor, is controlled by it, or, with the Contractor, is under common control of another person or entity;
   - any responsible official of the Disclosing Party, any Contractor or any Affiliated Entity or any other official, agent or employee of the Disclosing Party, any Contractor or any Affiliated Entity, acting pursuant to the direction or authorization of a responsible official of the Disclosing Party, any Contractor or any Affiliated Entity (collectively "Agents").

Neither the Disclosing Party, nor any Contractor, nor any Affiliated Entity of either the Disclosing Party or any Contractor, nor any Agents have, during the 5 years before the date of this EDS, or, with respect to a Contractor, an Affiliated Entity, or an Affiliated Entity of a Contractor during the 5 years before the date of such Contractor's or Affiliated Entity's contract or engagement in connection with the Matter:

a. bribed or attempted to bribe, or been convicted or adjudged guilty of bribery or attempting to bribe, a public officer or employee of the City, the State of Illinois, or any agency of the federal government or of any state or local government in the United States of America, in that officer's or employee's official capacity;

b. agreed or colluded with other bidders or prospective bidders, or been a party to any such agreement, or been convicted or adjudged guilty of agreement or collusion among bidders or prospective bidders, in restraint of freedom of competition by agreement to bid a fixed price or otherwise; or

c. made an admission of such conduct described in subparagraph (a) or (b) above that is a matter of record, but have not been prosecuted for such conduct; or

d. violated the provisions referenced in MCC Subsection 2-92-320(a)(4)(Contracts Requiring a Base Wage); (a)(5)(Debarment Regulations); or (a)(6)(Minimum Wage Ordinance).

6. Neither the Disclosing Party, nor any Affiliated Entity or Contractor, or any of their employees, officials, agents or partners, is barred from contracting with any unit of state or local government as a result of engaging in or being convicted of (1) bid-rigging in violation of 720 ILCS 5/33E-3; (2) bid-rotating in violation of 720 ILCS 5/33E-4; or (3) any similar offense of any state or of the United States of America that contains the same elements as the offense of bid-rigging or bid-rotating.

7. Neither the Disclosing Party nor any Affiliated Entity is listed on a Sanctions List maintained by the United States Department of Commerce, State, or Treasury, or any successor federal agency.

8. [FOR APPLICANT ONLY] (i) Neither the Applicant nor any "controlling person" [see MCC Chapter 1-23, Article I for applicability and defined terms] of the Applicant is currently indicted or charged with, or has admitted guilt of, or has ever been convicted of, or placed under supervision for, any criminal offense involving actual, attempted, or conspiracy to commit bribery, theft, fraud, forgery, perjury, dishonesty or deceit against an officer or employee of the City or any "sister agency"; and (ii) the Applicant understands and acknowledges that compliance with Article I is a continuing requirement for doing business with the City. NOTE: If MCC Chapter 1-23, Article I applies to the Applicant, that Article's permanent compliance timeframe supersedes 5-year compliance timeframes in this Section V.

9. [FOR APPLICANT ONLY] The Applicant and its Affiliated Entities will not use, nor permit their subcontractors to use, any facility listed as having an active exclusion by the U.S. EPA on the federal System for Award Management ("SAM").

10. [FOR APPLICANT ONLY] The Applicant will obtain from any contractors/subcontractors hired or to be hired in connection with the Matter certifications equal in form and substance to those in Certifications (2) and (9) above and will not, without the prior written consent of the City, use any such

contractor/subcontractor that does not provide such certifications or that the Applicant has reason to believe has not provided or cannot provide truthful certifications.

11. If the Disclosing Party is unable to certify to any of the above statements in this Part B (Further Certifications), the Disclosing Party must explain below:

_____

_____

_____

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

12. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all current employees of the Disclosing Party who were, at any time during the 12-month period preceding the date of this EDS, an employee, or elected or appointed official, of the City of Chicago (if none, indicate with "N/A" or "none").

N/A

13. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all gifts that the Disclosing Party has given or caused to be given, at any time during the 12-month period preceding the execution date of this EDS, to an employee, or elected or appointed official, of the City of Chicago. For purposes of this statement, a "gift" does not include: (i) anything made generally available to City employees or to the general public, or (ii) food or drink provided in the course of official City business and having a retail value of less than $25 per recipient, or (iii) a political contribution otherwise duly reported as required by law (if none, indicate with "N/A" or "none"). As to any gift listed below, please also list the name of the City recipient.

N/A

C. CERTIFICATION OF STATUS AS FINANCIAL INSTITUTION

1. The Disclosing Party certifies that the Disclosing Party (check one)

   [ ] is [x] is not

   a "financial institution" as defined in MCC Section 2-32-455(b).

2. If the Disclosing Party IS a financial institution, then the Disclosing Party pledges:

"We are not and will not become a predatory lender as defined in MCC Chapter 2-32. We further pledge that none of our affiliates is, and none of them will become, a predatory lender as defined in MCC Chapter 2-32. We understand that becoming a predatory lender or becoming an affiliate of a predatory lender may result in the loss of the privilege of doing business with the City."

If the Disclosing Party is unable to make this pledge because it or any of its affiliates (as defined in MCC Section 2-32-455(b)) is a predatory lender within the meaning of MCC Chapter 2-32, explain here (attach additional pages if necessary):

_____

_____

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

D. CERTIFICATION REGARDING FINANCIAL INTEREST IN CITY BUSINESS

Any words or terms defined in MCC Chapter 2-156 have the same meanings if used in this Part D.

1. In accordance with MCC Section 2-156-110: To the best of the Disclosing Party's knowledge after reasonable inquiry, does any official or employee of the City have a financial interest in his or her own name or in the name of any other person or entity in the Matter?

[ ] Yes [x] No

NOTE: If you checked "Yes" to Item D(1), proceed to Items D(2) and D(3). If you checked "No" to Item D(1), skip Items D(2) and D(3) and proceed to Part E.

2. Unless sold pursuant to a process of competitive bidding, or otherwise permitted, no City elected official or employee shall have a financial interest in his or her own name or in the name of any other person or entity in the purchase of any property that (i) belongs to the City, or (ii) is sold for taxes or assessments, or (iii) is sold by virtue of legal process at the suit of the City (collectively, "City Property Sale"). Compensation for property taken pursuant to the City's eminent domain power does not constitute a financial interest within the meaning of this Part D.

Does the Matter involve a City Property Sale?

[ ] Yes [ ] No

3. If you checked "Yes" to Item D(1), provide the names and business addresses of the City officials or employees having such financial interest and identify the nature of the financial interest:

Name	Business Address	Nature of Financial Interest

4. The Disclosing Party further certifies that no prohibited financial interest in the Matter will be acquired by any City official or employee.

E. CERTIFICATION REGARDING SLAVERY ERA BUSINESS

Please check either (1) or (2) below. If the Disclosing Party checks (2), the Disclosing Party must disclose below or in an attachment to this EDS all information required by (2). Failure to comply with these disclosure requirements may make any contract entered into with the City in connection with the Matter voidable by the City.

X 1. The Disclosing Party verifies that the Disclosing Party has searched any and all records of the Disclosing Party and any and all predecessor entities regarding records of investments or profits from slavery or slaveholder insurance policies during the slavery era (including insurance policies issued to slaveholders that provided coverage for damage to or injury or death of their slaves), and the Disclosing Party has found no such records.

____2. The Disclosing Party verifies that, as a result of conducting the search in step (1) above, the Disclosing Party has found records of investments or profits from slavery or slaveholder insurance policies. The Disclosing Party verifies that the following constitutes full disclosure of all such records, including the names of any and all slaves or slaveholders described in those records:

_____

_____

_____

SECTION VI -- CERTIFICATIONS FOR FEDERALLY FUNDED MATTERS

NOTE: If the Matter is federally funded, complete this Section VI. **If the Matter is not federally funded,** proceed to Section VII. For purposes of this Section VI, tax credits allocated by the City and proceeds of debt obligations of the City are not federal funding.

A. CERTIFICATION REGARDING LOBBYING

1. List below the names of all persons or entities registered under the federal Lobbying Disclosure Act of 1995, as amended, who have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter: (Add sheets if necessary):

McGuireWoods Consulting (John Dunn and Patrick Carey)

_____

_____

(If no explanation appears or begins on the lines above, or if the letters "NA" or if the word "None" appear, it will be conclusively presumed that the Disclosing Party means that NO persons or entities registered under the Lobbying Disclosure Act of 1995, as amended, have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter.)

2. The Disclosing Party has not spent and will not expend any federally appropriated funds to pay any person or entity listed in paragraph A(1) above for his or her lobbying activities or to pay any person or entity to influence or attempt to influence an officer or employee of any agency, as defined by applicable federal law, a member of Congress, an officer or employee of Congress, or an employee

of a member of Congress, in connection with the award of any federally funded contract, making any federally funded grant or loan, entering into any cooperative agreement, or to extend, continue, renew, amend, or modify any federally funded contract. grant, loan, or cooperative agreement.

3. The Disclosing Party will submit an updated certification at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the statements and information set forth in paragraphs A(1) and A(2) above.

4. The Disclosing Party certifies that either: (i) it is not an organization described in section 501(c)(4) of the Internal Revenue Code of 1986; or (ii) it is an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 but has not engaged and will not engage in "Lobbying Activities," as that term is defined in the Lobbying Disclosure Act of 1995, as amended.

5. If the Disclosing Party is the Applicant, the Disclosing Party must obtain certifications equal in form and substance to paragraphs A(1) through A(4) above from all subcontractors before it awards any subcontract and the Disclosing Party must maintain all such subcontractors' certifications for the duration of the Matter and must make such certifications promptly available to the City upon request.

B. CERTIFICATION REGARDING EQUAL EMPLOYMENT OPPORTUNITY

If the Matter is federally funded, federal regulations require the Applicant and all proposed subcontractors to submit the following information with their bids or in writing at the outset of negotiations.

Is the Disclosing Party the Applicant?
[ ] Yes [ ] No

If "Yes," answer the three questions below:

1. Have you developed and do you have on file affirmative action programs pursuant to applicable federal regulations? (See 41 CFR Part 60-2.)
[ ] Yes [ ] No

2. Have you filed with the Joint Reporting Committee, the Director of the Office of Federal Contract Compliance Programs, or the Equal Employment Opportunity Commission all reports due under the applicable filing requirements?
[ ] Yes [ ] No [ ] Reports not required

3. Have you participated in any previous contracts or subcontracts subject to the equal opportunity clause?
[ ] Yes [ ] No

If you checked "No" to question (1) or (2) above, please provide an explanation:

_____

_____

SECTION VII -- FURTHER ACKNOWLEDGMENTS AND CERTIFICATION

The Disclosing Party understands and agrees that:

A. The certifications, disclosures, and acknowledgments contained in this EDS will become part of any contract or other agreement between the Applicant and the City in connection with the Matter, whether procurement, City assistance, or other City action, and are material inducements to the City's execution of any contract or taking other action with respect to the Matter. The Disclosing Party understands that it must comply with all statutes, ordinances, and regulations on which this EDS is based.

B. The City's Governmental Ethics Ordinance, MCC Chapter 2-156, imposes certain duties and obligations on persons or entities seeking City contracts, work, business, or transactions. The full text of this ordinance and a training program is available on line at www.cityofchicago.org/Ethics, and may also be obtained from the City's Board of Ethics, 740 N. Sedgwick St., Suite 500, Chicago, IL 60610, (312) 744-9660. The Disclosing Party must comply fully with this ordinance.

C. If the City determines that any information provided in this EDS is false, incomplete or inaccurate, any contract or other agreement in connection with which it is submitted may be rescinded or be void or voidable, and the City may pursue any remedies under the contract or agreement (if not rescinded or void), at law, or in equity, including terminating the Disclosing Party's participation in the Matter and/or declining to allow the Disclosing Party to participate in other City transactions. Remedies at law for a false statement of material fact may include incarceration and an award to the City of treble damages.

D. It is the City's policy to make this document available to the public on its Internet site and/or upon request. Some or all of the information provided in, and appended to, this EDS may be made publicly available on the Internet, in response to a Freedom of Information Act request, or otherwise. By completing and signing this EDS, the Disclosing Party waives and releases any possible rights or claims which it may have against the City in connection with the public release of information contained in this EDS and also authorizes the City to verify the accuracy of any information submitted in this EDS.

E. The information provided in this EDS must be kept current. In the event of changes, the Disclosing Party must supplement this EDS up to the time the City takes action on the Matter. If the Matter is a contract being handled by the City's Department of Procurement Services, the Disclosing Party must update this EDS as the contract requires. **NOTE:** With respect to Matters subject to MCC Chapter 1-23, Article I (imposing **PERMANENT INELIGIBILITY** for certain specified offenses), the information provided herein regarding eligibility must be kept current for a longer period, as required by MCC Chapter 1-23 and Section 2-154-020.

CERTIFICATION

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute this EDS, and Appendices A and B (if applicable), on behalf of the Disclosing Party, and (2) warrants that all certifications and statements contained in this EDS, and Appendices A and B (if applicable), are true, accurate and complete as of the date furnished to the City.

Delta Air Lines, Inc.
(Print or type exact legal name of Disclosing Party)

By: _____
(Sign here)

David Hamm
Managing Director - Corporate Real Estate
(Print or type name of person signing)

_____
(Print or type title of person signing)

Signed and sworn to before me on (date) February 7, 2017

at Coweta County, Georgia (state).

Dawn McCallister
Notary Public

Commission expires: October 10, 2020

DAWN MCCALLISTER
MY COMMISSION EXPIRES
NOTARY
PUBLIC
OCTOBER 10, 2020
COWETA COUNTY, GEO

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5%. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under MCC Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B.1.a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5% ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

[ ] Yes [x] No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

_____

_____

_____

Attachment A

DELTA AIR LINES, INC.
EXECUTIVE OFFICERS

NAME	TITLE
Edward H. Bastian	Chief Executive Officer
Glen W. Hauenstein	President
W. Gilbert West	Senior Executive Vice President and Chief Operating Officer
Peter W. Carter	Executive Vice President & Chief Legal Officer and Corporate Secretary
Paul A. Jacobson	Executive Vice President and Chief Financial Officer
Steven M. Sear	President International & Exec. VP – Global Sales
Joanne D. Smith	Executive Vice President – Human Resources Officer

DELTA AIR LINES, INC.
BOARD OF DIRECTORS

Edward H. Bastian
Francis S. Blake
Daniel A. Carp
Ashton B. Carter
David G. DeWalt
William H. Easter III
Mickey P. Foret
Jeanne P. Jackson
George N. Mattson
Douglas R. Ralph
Sergio A. L. Rial
Kathy N. Waller

American Airlines, Inc.

Economic Disclosure Statement

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT
AND AFFIDAVIT

SECTION I -- GENERAL INFORMATION

A. Legal name of the Disclosing Party submitting this EDS. Include d/b/a/ if applicable:

American Airlines, Inc.

Check ONE of the following three boxes:

Indicate whether the Disclosing Party submitting this EDS is:

1. [x] the Applicant

OR

2. [ ] a legal entity currently holding, or anticipated to hold within six months after City action on the contract, transaction or other undertaking to which this EDS pertains (referred to below as the "Matter"), a direct or indirect interest in excess of 7.5% in the Applicant. State the Applicant's legal name: _____

OR

3. [ ] a legal entity with a direct or indirect right of control of the Applicant (see Section II(B)(1)) State the legal name of the entity in which the Disclosing Party holds a right of control:

_____

B. Business address of the Disclosing Party: 4333 Amon Carter Blvd., MD5675
Fort Worth, TX 76155

C. Telephone: 817-931-6415 Fax: 817-967-3111 Email: Amanda.Zhang@aa.com

D. Name of contact person: Amanda Zhang

E. Federal Employer Identification No. (if you have one): _____

F. Brief description of the Matter to which this EDS pertains. (Include project number and location of property, if applicable): Airline Use and Lease Agreement, Ground and Building Lease for Cargo Facility, Ground and Building Lease for Hangar Facility and Certain Relocation Matters, Ground and Building Lease for Hangar Facility, Ground and Building Lease for Ground Equipment Maintenance Facility and Certain Relocation Matters

G. Which City agency or department is requesting this EDS? Department of Aviation

If the Matter is a contract being handled by the City's Department of Procurement Services, please complete the following:

Specification # N/A and Contract # _____

SECTION II -- DISCLOSURE OF OWNERSHIP INTERESTS

A. NATURE OF THE DISCLOSING PARTY

1. Indicate the nature of the Disclosing Party:

[ ] Person
[ ] Publicly registered business corporation
[x] Privately held business corporation
[ ] Sole proprietorship
[ ] General partnership
[ ] Limited partnership
[ ] Trust
[ ] Limited liability company
[ ] Limited liability partnership
[ ] Joint venture
[ ] Not-for-profit corporation
(Is the not-for-profit corporation also a 501(c)(3))?
[ ] Yes [ ] No
[ ] Other (please specify)

2. For legal entities, the state (or foreign country) of incorporation or organization, if applicable:

Delaware

3. For legal entities not organized in the State of Illinois: Has the organization registered to do business in the State of Illinois as a foreign entity?

[x] Yes [ ] No [ ] Organized in Illinois

B. IF THE DISCLOSING PARTY IS A LEGAL ENTITY:

1. List below the full names and titles, if applicable, of: (i) all executive officers and all directors of the entity; (ii) **for not-for-profit corporations**, all members, if any, which are legal entities (if there are no such members, write "no members which are legal entities"); (iii) **for trusts, estates or other similar entities**, the trustee, executor, administrator, or similarly situated party; (iv) **for general or limited partnerships, limited liability companies, limited liability partnerships or joint ventures**, each general partner, managing member, manager or any other person or legal entity that directly or indirectly controls the day-to-day management of the Applicant.

NOTE: Each legal entity listed below must submit an EDS on its own behalf.

Name	Title
See attached list	

2. Please provide the following information concerning each person or legal entity having a direct or indirect, current or prospective (i.e. within 6 months after City action) beneficial interest (including ownership) in excess of 7.5% of the Applicant. Examples of such an interest include shares in a corporation, partnership interest in a partnership or joint venture, interest of a member or manager in a

limited liability company, or interest of a beneficiary of a trust, estate or other similar entity. If none, state "None."

NOTE: Each legal entity listed below may be required to submit an EDS on its own behalf.

Name	Business Address	Percentage Interest in the Applicant
American Airlines Group Inc.	4333 Amon Carter Blvd., MD5675 Fort Worth, TX 76155	100%

SECTION III -- INCOME OR COMPENSATION TO, OR OWNERSHIP BY, CITY ELECTED OFFICIALS

Has the Disclosing Party provided any income or compensation to any City elected official during the 12-month period preceding the date of this EDS? [ ] Yes [x] No

to the best of Disclosing Party's knowledge after making reasonable inquiry

Does the Disclosing Party reasonably expect to provide any income or compensation to any City elected official during the 12-month period following the date of this EDS? [ ] Yes [x] No

to the best of Disclosing Party's knowledge after making reasonable inquiry

If "yes" to either of the above, please identify below the name(s) of such City elected official(s) and describe such income or compensation:

Does any City elected official or, to the best of the Disclosing Party's knowledge after reasonable inquiry, any City elected official's spouse or domestic partner, have a financial interest (as defined in Chapter 2-156 of the Municipal Code of Chicago ("MCC")) in the Disclosing Party?

[ ] Yes [x] No

If "yes," please identify below the name(s) of such City elected official(s) and/or spouse(s)/domestic partner(s) and describe the financial interest(s).

SECTION IV -- DISCLOSURE OF SUBCONTRACTORS AND OTHER RETAINED PARTIES

The Disclosing Party must disclose the name and business address of each subcontractor, attorney, lobbyist (as defined in MCC Chapter 2-156), accountant, consultant and any other person or entity whom the Disclosing Party has retained or expects to retain in connection with the Matter, as well as the nature of the relationship, and the total amount of the fees paid or estimated to be paid. The Disclosing Party is not required to disclose employees who are paid solely through the Disclosing Party's regular payroll. If the Disclosing Party is uncertain whether a disclosure is required under this Section, the Disclosing Party must either ask the City whether disclosure is required or make the disclosure.

Name (indicate whether retained or anticipated to be retained)	Business Address	Relationship to Disclosing Party (subcontractor, attorney, lobbyist, etc.)	Fees (indicate whether paid or estimated.) **NOTE:** "hourly rate" or "t.b.d." is not an acceptable response.
See Rider 4A			

(Add sheets if necessary)

[ ] Check here if the Disclosing Party has not retained, nor expects to retain, any such persons or entities.

SECTION V -- CERTIFICATIONS

A. COURT-ORDERED CHILD SUPPORT COMPLIANCE

Under MCC Section 2-92-415, substantial owners of business entities that contract with the City must remain in compliance with their child support obligations throughout the contract's term.

Has any person who directly or indirectly owns 10% or more of the Disclosing Party been declared in arrearage on any child support obligations by any Illinois court of competent jurisdiction?

[ ] Yes [ ] No [x] No person directly or indirectly owns 10% or more of the Disclosing Party.

If "Yes," has the person entered into a court-approved agreement for payment of all support owed and is the person in compliance with that agreement?

[ ] Yes [ ] No

B. FURTHER CERTIFICATIONS

1. [This paragraph 1 applies only if the Matter is a contract being handled by the City's Department of Procurement Services.] In the 5-year period preceding the date of this EDS, neither the Disclosing Party nor any Affiliated Entity [see definition in (5) below] has engaged, in connection with the performance of any public contract, the services of an integrity monitor, independent private sector inspector general, or integrity compliance consultant (i.e., an individual or entity with legal, auditing, investigative, or other similar skills, designated by a public agency to help the agency monitor the activity of specified agency vendors as well as help the vendors reform their business practices so they can be considered for agency contracts in the future, or continue with a contract in progress).

2. The Disclosing Party and its Affiliated Entities are not delinquent in the payment of any fine, fee, tax or other source of indebtedness owed to the City of Chicago, including, but not limited to, water and sewer charges, license fees, parking tickets, property taxes and sales taxes, nor is the Disclosing Party delinquent in the payment of any tax administered by the Illinois Department of Revenue.

3. The Disclosing Party and, if the Disclosing Party is a legal entity, all of those persons or entities identified in Section II(B)(1) of this EDS:

a. are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from any transactions by any federal, state or local unit of government;

b. have not, during the 5 years before the date of this EDS, been convicted of a criminal offense, adjudged guilty, or had a civil judgment rendered against them in connection with: obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; a violation of federal or state antitrust statutes; fraud; embezzlement; theft; forgery; bribery; falsification or destruction of records; making false statements; or receiving stolen property;

c. are not presently indicted for, or criminally or civilly charged by, a governmental entity (federal, state or local) with committing any of the offenses set forth in subparagraph (b) above;

d. have not, during the 5 years before the date of this EDS, had one or more public transactions (federal, state or local) terminated for cause or default; and

e. have not, during the 5 years before the date of this EDS, been convicted, adjudged guilty, or found liable in a civil proceeding, or in any criminal or civil action, including actions concerning environmental violations, instituted by the City or by the federal government, any state, or any other unit of local government.

4. The Disclosing Party understands and shall comply with the applicable requirements of MCC Chapters 2-56 (Inspector General) and 2-156 (Governmental Ethics).

5. Certifications (5), (6) and (7) concern:
   - the Disclosing Party;
   - any "Contractor" (meaning any contractor or subcontractor used by the Disclosing Party in connection with the Matter, including but not limited to all persons or legal entities disclosed under Section IV, "Disclosure of Subcontractors and Other Retained Parties");
   - any "Affiliated Entity" (meaning a person or entity that, directly or indirectly: controls the Disclosing Party, is controlled by the Disclosing Party, or is, with the Disclosing Party, under common control of another person or entity). Indicia of control include, without limitation: interlocking management or ownership; identity of interests among family members, shared facilities and equipment; common use of employees; or organization of a business entity following the ineligibility of a business entity to do business with federal or state or local government, including the City, using substantially the same management, ownership, or principals as the ineligible entity. With respect to Contractors, the term Affiliated Entity means a person or entity that directly or indirectly controls the Contractor, is controlled by it, or, with the Contractor, is under common control of another person or entity;
   - any responsible official of the Disclosing Party, any Contractor or any Affiliated Entity or any other official, agent or employee of the Disclosing Party, any Contractor or any Affiliated Entity, acting pursuant to the direction or authorization of a responsible official of the Disclosing Party, any Contractor or any Affiliated Entity (collectively "Agents").

Neither the Disclosing Party, nor any Contractor, nor any Affiliated Entity of either the Disclosing Party or any Contractor, nor any Agents have, during the 5 years before the date of this EDS, or, with respect to a Contractor, an Affiliated Entity, or an Affiliated Entity of a Contractor during the 5 years before the date of such Contractor's or Affiliated Entity's contract or engagement in connection with the Matter:

a. bribed or attempted to bribe, or been convicted or adjudged guilty of bribery or attempting to bribe, a public officer or employee of the City, the State of Illinois, or any agency of the federal government or of any state or local government in the United States of America, in that officer's or employee's official capacity;

b. agreed or colluded with other bidders or prospective bidders, or been a party to any such agreement, or been convicted or adjudged guilty of agreement or collusion among bidders or prospective bidders, in restraint of freedom of competition by agreement to bid a fixed price or otherwise; or

c. made an admission of such conduct described in subparagraph (a) or (b) above that is a matter of record, but have not been prosecuted for such conduct; or

d. violated the provisions referenced in MCC Subsection 2-92-320(a)(4)(Contracts Requiring a Base Wage); (a)(5)(Debarment Regulations); or (a)(6)(Minimum Wage Ordinance).

6. Neither the Disclosing Party, nor any Affiliated Entity or Contractor, or any of their employees, officials, agents or partners, is barred from contracting with any unit of state or local government as a result of engaging in or being convicted of (1) bid-rigging in violation of 720 ILCS 5/33E-3; (2) bid-rotating in violation of 720 ILCS 5/33E-4; or (3) any similar offense of any state or of the United States of America that contains the same elements as the offense of bid-rigging or bid-rotating.

7. Neither the Disclosing Party nor any Affiliated Entity is listed on a Sanctions List maintained by the United States Department of Commerce, State, or Treasury, or any successor federal agency.

8. [FOR APPLICANT ONLY] (i) Neither the Applicant nor any "controlling person" [see MCC Chapter 1-23, Article I for applicability and defined terms] of the Applicant is currently indicted or charged with, or has admitted guilt of, or has ever been convicted of, or placed under supervision for, any criminal offense involving actual, attempted, or conspiracy to commit bribery, theft, fraud, forgery, perjury, dishonesty or deceit against an officer or employee of the City or any "sister agency"; and (ii) the Applicant understands and acknowledges that compliance with Article I is a continuing requirement for doing business with the City. NOTE: If MCC Chapter 1-23, Article I applies to the Applicant, that Article's permanent compliance timeframe supersedes 5-year compliance timeframes in this Section V.

9. [FOR APPLICANT ONLY] The Applicant and its Affiliated Entities will not use, nor permit their subcontractors to use, any facility listed as having an active exclusion by the U.S. EPA on the federal System for Award Management ("SAM").

10. [FOR APPLICANT ONLY] The Applicant will obtain from any contractors/subcontractors hired or to be hired in connection with the Matter certifications equal in form and substance to those in Certifications (2) and (9) above and will not, without the prior written consent of the City, use any such

contractor/subcontractor that does not provide such certifications or that the Applicant has reason to believe has not provided or cannot provide truthful certifications.

11. If the Disclosing Party is unable to certify to any of the above statements in this Part B (Further Certifications), the Disclosing Party must explain below:

The Disclosing Party can only certify to the above statements in this Part B to the best of its knowledge after making reasonable inquiry

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

12. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all current employees of the Disclosing Party who were, at any time during the 12-month period preceding the date of this EDS, an employee, or elected or appointed official, of the City of Chicago (if none, indicate with "N/A" or "none").

N/A

13. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all gifts that the Disclosing Party has given or caused to be given, at any time during the 12-month period preceding the execution date of this EDS, to an employee, or elected or appointed official, of the City of Chicago. For purposes of this statement, a "gift" does not include: (i) anything made generally available to City employees or to the general public, or (ii) food or drink provided in the course of official City business and having a retail value of less than $25 per recipient, or (iii) a political contribution otherwise duly reported as required by law (if none, indicate with "N/A" or "none"). As to any gift listed below, please also list the name of the City recipient.

N/A

C. CERTIFICATION OF STATUS AS FINANCIAL INSTITUTION

1. The Disclosing Party certifies that the Disclosing Party (check one)
   [ ] is [x] is not

   a "financial institution" as defined in MCC Section 2-32-455(b).

2. If the Disclosing Party IS a financial institution, then the Disclosing Party pledges:

"We are not and will not become a predatory lender as defined in MCC Chapter 2-32. We further pledge that none of our affiliates is, and none of them will become, a predatory lender as defined in MCC Chapter 2-32. We understand that becoming a predatory lender or becoming an affiliate of a predatory lender may result in the loss of the privilege of doing business with the City."

If the Disclosing Party is unable to make this pledge because it or any of its affiliates (as defined in MCC Section 2-32-455(b)) is a predatory lender within the meaning of MCC Chapter 2-32, explain here (attach additional pages if necessary):

_____

_____

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

D. CERTIFICATION REGARDING FINANCIAL INTEREST IN CITY BUSINESS

Any words or terms defined in MCC Chapter 2-156 have the same meanings if used in this Part D.

1. In accordance with MCC Section 2-156-110: To the best of the Disclosing Party's knowledge after reasonable inquiry, does any official or employee of the City have a financial interest in his or her own name or in the name of any other person or entity in the Matter?

[ ] Yes [x] No to the best of the Disclosing Party's knowledge after making reasonable inquiry

NOTE: If you checked "Yes" to Item D(1), proceed to Items D(2) and D(3). If you checked "No" to Item D(1), skip Items D(2) and D(3) and proceed to Part E.

2. Unless sold pursuant to a process of competitive bidding, or otherwise permitted, no City elected official or employee shall have a financial interest in his or her own name or in the name of any other person or entity in the purchase of any property that (i) belongs to the City, or (ii) is sold for taxes or assessments, or (iii) is sold by virtue of legal process at the suit of the City (collectively, "City Property Sale"). Compensation for property taken pursuant to the City's eminent domain power does not constitute a financial interest within the meaning of this Part D.

Does the Matter involve a City Property Sale?

[ ] Yes [x] No

3. If you checked "Yes" to Item D(1), provide the names and business addresses of the City officials or employees having such financial interest and identify the nature of the financial interest:

Name	Business Address	Nature of Financial Interest

4. The Disclosing Party further certifies that no prohibited financial interest in the Matter will be acquired by any City official or employee.

E. CERTIFICATION REGARDING SLAVERY ERA BUSINESS

Please check either (1) or (2) below. If the Disclosing Party checks (2), the Disclosing Party must disclose below or in an attachment to this EDS all information required by (2). Failure to comply with these disclosure requirements may make any contract entered into with the City in connection with the Matter voidable by the City.

_x_ 1. The Disclosing Party verifies that the Disclosing Party has searched any and all records of the Disclosing Party and any and all predecessor entities regarding records of investments or profits from slavery or slaveholder insurance policies during the slavery era (including insurance policies issued to slaveholders that provided coverage for damage to or injury or death of their slaves), and the Disclosing Party has found no such records.

____2. The Disclosing Party verifies that, as a result of conducting the search in step (1) above, the Disclosing Party has found records of investments or profits from slavery or slaveholder insurance policies. The Disclosing Party verifies that the following constitutes full disclosure of all such records, including the names of any and all slaves or slaveholders described in those records:

_____

_____

_____

SECTION VI -- CERTIFICATIONS FOR FEDERALLY FUNDED MATTERS

NOTE: If the Matter is federally funded, complete this Section VI. **If the Matter is not federally funded**, proceed to Section VII. For purposes of this Section VI, tax credits allocated by the City and proceeds of debt obligations of the City are not federal funding.

A. CERTIFICATION REGARDING LOBBYING

1. List below the names of all persons or entities registered under the federal Lobbying Disclosure Act of 1995, as amended, who have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter: (Add sheets if necessary):

_____

_____

_____

(If no explanation appears or begins on the lines above, or if the letters "NA" or if the word "None" appear, it will be conclusively presumed that the Disclosing Party means that NO persons or entities registered under the Lobbying Disclosure Act of 1995, as amended, have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter.)

2. The Disclosing Party has not spent and will not expend any federally appropriated funds to pay any person or entity listed in paragraph A(1) above for his or her lobbying activities or to pay any person or entity to influence or attempt to influence an officer or employee of any agency, as defined by applicable federal law, a member of Congress, an officer or employee of Congress, or an employee

of a member of Congress, in connection with the award of any federally funded contract, making any federally funded grant or loan, entering into any cooperative agreement, or to extend, continue, renew, amend, or modify any federally funded contract, grant, loan, or cooperative agreement.

3. The Disclosing Party will submit an updated certification at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the statements and information set forth in paragraphs A(1) and A(2) above.

4. The Disclosing Party certifies that either: (i) it is not an organization described in section 501(c)(4) of the Internal Revenue Code of 1986; or (ii) it is an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 but has not engaged and will not engage in "Lobbying Activities," as that term is defined in the Lobbying Disclosure Act of 1995, as amended.

5. If the Disclosing Party is the Applicant, the Disclosing Party must obtain certifications equal in form and substance to paragraphs A(1) through A(4) above from all subcontractors before it awards any subcontract and the Disclosing Party must maintain all such subcontractors' certifications for the duration of the Matter and must make such certifications promptly available to the City upon request.

B. CERTIFICATION REGARDING EQUAL EMPLOYMENT OPPORTUNITY

If the Matter is federally funded, federal regulations require the Applicant and all proposed subcontractors to submit the following information with their bids or in writing at the outset of negotiations.

Is the Disclosing Party the Applicant?
[ ] Yes [ ] No

If "Yes," answer the three questions below:

1. Have you developed and do you have on file affirmative action programs pursuant to applicable federal regulations? (See 41 CFR Part 60-2.)
[ ] Yes [ ] No

2. Have you filed with the Joint Reporting Committee, the Director of the Office of Federal Contract Compliance Programs, or the Equal Employment Opportunity Commission all reports due under the applicable filing requirements?
[ ] Yes [ ] No [ ] Reports not required

3. Have you participated in any previous contracts or subcontracts subject to the equal opportunity clause?
[ ] Yes [ ] No

If you checked "No" to question (1) or (2) above, please provide an explanation:

_____

_____

SECTION VII -- FURTHER ACKNOWLEDGMENTS AND CERTIFICATION

The Disclosing Party understands and agrees that:

A. The certifications, disclosures, and acknowledgments contained in this EDS will become part of any contract or other agreement between the Applicant and the City in connection with the Matter, whether procurement, City assistance, or other City action, and are material inducements to the City's execution of any contract or taking other action with respect to the Matter. The Disclosing Party understands that it must comply with all statutes, ordinances, and regulations on which this EDS is based.

B. The City's Governmental Ethics Ordinance, MCC Chapter 2-156, imposes certain duties and obligations on persons or entities seeking City contracts, work, business, or transactions. The full text of this ordinance and a training program is available on line at www.cityofchicago.org/Ethics, and may also be obtained from the City's Board of Ethics, 740 N. Sedgwick St., Suite 500, Chicago, IL 60610, (312) 744-9660. The Disclosing Party must comply fully with this ordinance.

C. If the City determines that any information provided in this EDS is false, incomplete or inaccurate, any contract or other agreement in connection with which it is submitted may be rescinded or be void or voidable, and the City may pursue any remedies under the contract or agreement (if not rescinded or void), at law, or in equity, including terminating the Disclosing Party's participation in the Matter and/or declining to allow the Disclosing Party to participate in other City transactions. Remedies at law for a false statement of material fact may include incarceration and an award to the City of treble damages.

D. It is the City's policy to make this document available to the public on its Internet site and/or upon request. Some or all of the information provided in, and appended to, this EDS may be made publicly available on the Internet, in response to a Freedom of Information Act request, or otherwise. By completing and signing this EDS, the Disclosing Party waives and releases any possible rights or claims which it may have against the City in connection with the public release of information contained in this EDS and also authorizes the City to verify the accuracy of any information submitted in this EDS.

E. The information provided in this EDS must be kept current. In the event of changes, the Disclosing Party must supplement this EDS up to the time the City takes action on the Matter. If the Matter is a contract being handled by the City's Department of Procurement Services, the Disclosing Party must update this EDS as the contract requires. **NOTE:** With respect to Matters subject to MCC Chapter 1-23, Article I (imposing **PERMANENT INELIGIBILITY** for certain specified offenses), the information provided herein regarding eligibility must be kept current for a longer period, as required by MCC Chapter 1-23 and Section 2-154-020.

CERTIFICATION

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute this EDS, and Appendices A and B (if applicable), on behalf of the Disclosing Party, and (2) warrants that all certifications and statements contained in this EDS, and Appendices A and B (if applicable), are true, accurate and complete as of the date furnished to the City.

American Airlines, Inc.
(Print or type exact legal name of Disclosing Party)

By: _____
(Sign here)

Kenneth W. Wimberly, Jr.
(Print or type name of person signing)
Vice President, Deputy General Counsel
and Assistant Corporate Secretary
(Print or type title of person signing)

Signed and sworn to before me on (date) Dec. 20, 2017,

at Tarrant County, Texas (state).

_____
Notary Public

Commission expires: 2-24-2020

KEVIN A. PATTERSON
Notary Public, State of Texas
Comm. Expires 02-24-2020
Notary ID 6521631

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5%. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under MCC Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B.1.a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5% ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

[ ] Yes [x] No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

_____

_____

_____

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX B

BUILDING CODE SCOFFLAW/PROBLEM LANDLORD CERTIFICATION

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5% (an "Owner"). It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

1. Pursuant to MCC Section 2-154-010, is the Applicant or any Owner identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

[ ] Yes [x] No

2. If the Applicant is a legal entity publicly traded on any exchange, is any officer or director of the Applicant identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

[ ] Yes [x] No [ ] The Applicant is not publicly traded on any exchange.

3. If yes to (1) or (2) above, please identify below the name of each person or legal entity identified as a building code scofflaw or problem landlord and the address of each building or buildings to which the pertinent code violations apply.

_____

_____

_____

AMERICAN AIRLINES, INC.
4333 Amon Carter Blvd.
Fort Worth, TX 76155
(Delaware Corporation)
(EIN 13-1502798)

OFFICERS

Chief Executive Officer	W. Douglas Parker
President	Robert D. Isom, Jr.
Executive Vice President—People and Communications	Elise R. Eberwein
Executive Vice President—Corporate Affairs and Assistant Secretary	Stephen L. Johnson
Executive Vice President and Chief Financial Officer	Derek J. Kerr
Executive Vice President and Chief Information Officer	Maya Leibman
Senior Vice President—Product and Service Delivery	Hector E. Adler
Senior Vice President—Los Angeles	Suzanne F. Boda
Senior Vice President—International and Cargo	James W. Butler
Senior Vice President—Revenue Management	Donald B. Casey
Senior Vice President—Government Affairs	Nathan J. Gatten
Senior Vice President—Finance and Corporate Development	Kenji C. Hashimoto
Senior Vice President, General Counsel and Chief Ethics and Compliance Officer	Paul D. Jones
Senior Vice President—Network Strategy	Devon E. May
Senior Vice President—People	Patrick J. O'Keeffe
Senior Vice President—Customer Experience	Kerry F. Philipovitch
Senior Vice President—Integrated Operations	David G. Seymour
Senior Vice President—Marketing, Loyalty & Sales	Kurt Stache
Senior Vice President—Hubs and Gateways	Joseph Taney
Senior Vice President—Global Sales	Alison C. Taylor
President-Cargo	Richard D. Elieson
Vice President—Technical Services	Craig A. Barton
Vice President—Engineering, Quality & Training	John B. Beavers
Vice President—Customer Loyalty and Insights and President AAdvantage Program	Bridget Blaise-Shamai
Vice President—Safety, Environmental, Regulatory Compliance & Operations Integration	Kevin R. Brickner
Vice President—Base Maintenance and Engines	William J. Cade
Vice President and Corporate Controller	Michael R. Carreon
Vice President—IOC	Lorne W. Cass
Vice President—Airline Operations Technology	Todd L. Christy
Vice President—Hub Operations PHL	Olympia Colasante
Vice President—Global Communications	Ronald J. DeFeo
Vice President—International Sales	Christopher J. DeGroot
Vice President—Pricing & Yield Management	James P. Fox
Vice President—Financial Planning	Heather L. Garboden
Vice President—Global Reservations	JonCarlo L. Gulbranson
Vice President—Digital Customer Experience	John A. Gustafson
Vice President—Finance	Brandon G. Kahle
Vice President—Regulatory Affairs	Howard E. Kass
Vice President—Hub Operations CLT	Declan M. Lee
Vice President—Enterprise Technology Services	Steven D. Leist
Vice President—Customer Planning	Timothy M. Lindemann
Vice President—Hub Operations MIA	Ralph J.A. Lopez

AMERICAN AIRLINES, INC. (Cont'd.)

Vice President—Government and Airport Affairs	Michael J. Minerva
Vice President—Alliances & Partnerships	Joseph L. Mohan
Vice President—Passenger Service Systems and Corporate Technology	Poonam Mohan
Vice President—Stations	Donna E.G. Paladini
Vice President—Network & Schedule Planning	Vasu S. Raja
Vice President—Hub Operations DFW	Cedric L. Rockamore
Vice President—Operations & Crew Performance	Charles J. Schubert, III
Vice President—Airport Affairs and Facilities	Timothy K. Skipworth
Vice President—Flight	Captain Kimball Stone
Vice President—Benefits	Neisha Strambler-Butler
Vice President—Flight Service	Jill R. Surdek
Vice President—Hub Operations ORD	Franco Tedeschi
Vice President and Deputy General Counsel	R. Bruce Wark
Vice President—Financial Analysis	Peter M. Warlick
Vice President and Treasurer	Thomas T. Weir
Vice President, Deputy General Counsel and Assistant Corporate Secretary	Kenneth W. Wimberly, Jr.
Vice President—Line Maintenance	Paul N. Wroble
Corporate Secretary	Caroline B. Ray

DIRECTORS

W. Douglas Parker, Chairman of the Board
Robert D. Isom, Jr.
Stephen L. Johnson

Rider 4A to City of Chicago Economic Disclosure Statement and Affidavit

Name/Retained/To Be Retained	Business Address	Relationship to Disclosing Party	Fees (paid/estimated)
Bill Griffin	2124 N Cleveland, Chicago, IL 60614	Consultant/Lobbyist	
Pamela Louik	600 S. Dearborn, Chicago IL 60605	Consultant/Lobbyist	
Ken Bower	P.O. Box 215 Forestburg TX 76239	Consultant	Contract amount: $82,500 Invoiced amount: $42,298.18
John Murphy	Corgan 401 North Houston Street Dallas, TX 75202	Architectural Consultant	Contract Amount: $730,900 Invoiced Amount: $566,598.23
David Lind	Corgan 401 North Houston Street Dallas, TX 75202	Architectural Consultant	Same as Above
Greg Blunt	CAGE 6440 North Beltline Road Suite 125 Irving, TX 75063	Baggage System Consultant	Contract Amount: $50,000 Invoiced Amount: $14,153.76
Belinda Hargrove	TransSolutions 14600 Trinity Blvd., Suite 200 Fort Worth, TX 76155	Baggage System Consultant	Contract Amount: $50,000 Invoiced Amount: $49,661.78
Yoges Warren	TransSolution 14600 Trinity Blvd., Suite 200 Fort Worth, TX 76155	Baggage System Consultant	Same as Above
Andrew Vanell	Lewis Roca Rothberger Christie LLP 201 East Washington Street Suite 1200 Phoenix, AZ 85004	Lawyer	$16,002.50

Note: Disclosing Party has not included employees of Disclosing Party who may meet the definition of Lobbyist under the belief that same is not required.

American Airlines Group Inc.

Economic Disclosure Statement

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT
AND AFFIDAVIT

SECTION I -- GENERAL INFORMATION

A. Legal name of the Disclosing Party submitting this EDS. Include d/b/a/ if applicable:

American Airlines Group Inc.

Check ONE of the following three boxes:

Indicate whether the Disclosing Party submitting this EDS is:

1. [ ] the Applicant

OR

2. [x] a legal entity currently holding, or anticipated to hold within six months after City action on the contract, transaction or other undertaking to which this EDS pertains (referred to below as the "Matter"), a direct or indirect interest in excess of 7.5% in the Applicant. State the Applicant's legal name: _____

OR

3. [ ] a legal entity with a direct or indirect right of control of the Applicant (see Section II(B)(1)) State the legal name of the entity in which the Disclosing Party holds a right of control:

_____

B. Business address of the Disclosing Party: 4333 Amon Carter Blvd., MD5675
Fort Worth, TX 76155

C. Telephone: 817-931-6415 Fax: 817-967-3111 Email: Amanda.Zhang@aa.com

D. Name of contact person: Amanda Zhang

E. Federal Employer Identification No. (if you have one): _____

F. Brief description of the Matter to which this EDS pertains. (Include project number and location of property, if applicable): Airline Use and Lease Agreement, Ground and Building Lease for Cargo Facility, Ground and Building Lease for Hangar Facility and Certain Relocation Matters, Ground and Building Lease for Hangar Facility, and Ground and Building Lease for Ground Equipment Maintenance Facility and Certain Relocation Matters

G. Which City agency or department is requesting this EDS? Department of Aviation

If the Matter is a contract being handled by the City's Department of Procurement Services, please complete the following:

Specification # N/A and Contract # _____

SECTION II -- DISCLOSURE OF OWNERSHIP INTERESTS

A. NATURE OF THE DISCLOSING PARTY

1. Indicate the nature of the Disclosing Party:

[ ] Person
[x] Publicly registered business corporation
[ ] Privately held business corporation
[ ] Sole proprietorship
[ ] General partnership
[ ] Limited partnership
[ ] Trust

[ ] Limited liability company
[ ] Limited liability partnership
[ ] Joint venture
[ ] Not-for-profit corporation
(Is the not-for-profit corporation also a 501(c)(3))?
[ ] Yes [ ] No
[ ] Other (please specify)

_____

2. For legal entities, the state (or foreign country) of incorporation or organization, if applicable:

Delaware

3. For legal entities not organized in the State of Illinois: Has the organization registered to do business in the State of Illinois as a foreign entity?

[ ] Yes [x] No [ ] Organized in Illinois

B. IF THE DISCLOSING PARTY IS A LEGAL ENTITY:

1. List below the full names and titles, if applicable, of: (i) all executive officers and all directors of the entity; (ii) **for not-for-profit corporations**, all members, if any, which are legal entities (if there are no such members, write "no members which are legal entities"); (iii) **for trusts, estates or other similar entities**, the trustee, executor, administrator, or similarly situated party; (iv) **for general or limited partnerships, limited liability companies, limited liability partnerships or joint ventures**, each general partner, managing member, manager or any other person or legal entity that directly or indirectly controls the day-to-day management of the Applicant.

NOTE: Each legal entity listed below must submit an EDS on its own behalf.

Name	Title
See attached list	

2. Please provide the following information concerning each person or legal entity having a direct or indirect, current or prospective (i.e. within 6 months after City action) beneficial interest (including ownership) in excess of 7.5% of the Applicant. Examples of such an interest include shares in a corporation, partnership interest in a partnership or joint venture, interest of a member or manager in a

limited liability company, or interest of a beneficiary of a trust, estate or other similar entity. If none, state "None."

NOTE: Each legal entity listed below may be required to submit an EDS on its own behalf.

Name	Business Address	Percentage Interest in the Applicant
American Airlines Group Inc.	4333 Amon Carter Blvd., MD5675 Fort Worth, TX 76155	100%

The following sets forth information regarding Beneficial Ownership of Common Stock as of 9/30/2017 for each person known to be a beneficial owner of more than 7.5%. T-Rowe Price 14.9% 100 East Pratt Street, Baltimore, MD USA;

PrimeCap 10.7% 177 East Colorado Boulevard, 11th Floor, Pasadena, CA 91105; and Berkshire Hathaway 9.8% 3555 Farnam St., Omaha, NE 68131

SECTION III -- INCOME OR COMPENSATION TO, OR OWNERSHIP BY, CITY ELECTED OFFICIALS

Has the Disclosing Party provided any income or compensation to any City elected official during the 12-month period preceding the date of this EDS? [ ] Yes [x] No

to the best of Disclosing Party's knowledge after making reasonable inquiry

Does the Disclosing Party reasonably expect to provide any income or compensation to any City elected official during the 12-month period following the date of this EDS? [ ] Yes [x] No

to the best of Disclosing Party's knowledge after making reasonable inquiry

If "yes" to either of the above, please identify below the name(s) of such City elected official(s) and describe such income or compensation:

Does any City elected official or, to the best of the Disclosing Party's knowledge after reasonable inquiry, any City elected official's spouse or domestic partner, have a financial interest (as defined in Chapter 2-156 of the Municipal Code of Chicago ("MCC")) in the Disclosing Party?

[ ] Yes [x] No

If "yes," please identify below the name(s) of such City elected official(s) and/or spouse(s)/domestic partner(s) and describe the financial interest(s).

SECTION IV -- DISCLOSURE OF SUBCONTRACTORS AND OTHER RETAINED PARTIES

The Disclosing Party must disclose the name and business address of each subcontractor, attorney, lobbyist (as defined in MCC Chapter 2-156), accountant, consultant and any other person or entity whom the Disclosing Party has retained or expects to retain in connection with the Matter, as well as the nature of the relationship, and the total amount of the fees paid or estimated to be paid. The Disclosing Party is not required to disclose employees who are paid solely through the Disclosing Party's regular payroll. If the Disclosing Party is uncertain whether a disclosure is required under this Section, the Disclosing Party must either ask the City whether disclosure is required or make the disclosure.

Name (indicate whether retained or anticipated to be retained)	Business Address	Relationship to Disclosing Party (subcontractor, attorney, lobbyist, etc.)	Fees (indicate whether paid or estimated.) **NOTE:** "hourly rate" or "t.b.d." is not an acceptable response.
N/A			

(Add sheets if necessary)

[ ] Check here if the Disclosing Party has not retained, nor expects to retain, any such persons or entities.

SECTION V -- CERTIFICATIONS

A. COURT-ORDERED CHILD SUPPORT COMPLIANCE

Under MCC Section 2-92-415, substantial owners of business entities that contract with the City must remain in compliance with their child support obligations throughout the contract's term.

Has any person who directly or indirectly owns 10% or more of the Disclosing Party been declared in arrearage on any child support obligations by any Illinois court of competent jurisdiction?

[ ] Yes [ ] No [x] No person directly or indirectly owns 10% or more of the Disclosing Party.

If "Yes," has the person entered into a court-approved agreement for payment of all support owed and is the person in compliance with that agreement?

[ ] Yes [ ] No

B. FURTHER CERTIFICATIONS

1. [This paragraph 1 applies only if the Matter is a contract being handled by the City's Department of Procurement Services.] In the 5-year period preceding the date of this EDS, neither the Disclosing Party nor any Affiliated Entity [see definition in (5) below] has engaged, in connection with the performance of any public contract, the services of an integrity monitor, independent private sector inspector general, or integrity compliance consultant (i.e., an individual or entity with legal, auditing, investigative, or other similar skills, designated by a public agency to help the agency monitor the activity of specified agency vendors as well as help the vendors reform their business practices so they can be considered for agency contracts in the future, or continue with a contract in progress).

2. The Disclosing Party and its Affiliated Entities are not delinquent in the payment of any fine, fee, tax or other source of indebtedness owed to the City of Chicago, including, but not limited to, water and sewer charges, license fees, parking tickets, property taxes and sales taxes, nor is the Disclosing Party delinquent in the payment of any tax administered by the Illinois Department of Revenue.

3. The Disclosing Party and, if the Disclosing Party is a legal entity, all of those persons or entities identified in Section II(B)(1) of this EDS:

a. are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from any transactions by any federal, state or local unit of government;

b. have not, during the 5 years before the date of this EDS, been convicted of a criminal offense, adjudged guilty, or had a civil judgment rendered against them in connection with: obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; a violation of federal or state antitrust statutes; fraud; embezzlement; theft; forgery; bribery; falsification or destruction of records; making false statements; or receiving stolen property;

c. are not presently indicted for, or criminally or civilly charged by, a governmental entity (federal, state or local) with committing any of the offenses set forth in subparagraph (b) above;

d. have not, during the 5 years before the date of this EDS, had one or more public transactions (federal, state or local) terminated for cause or default; and

e. have not, during the 5 years before the date of this EDS, been convicted, adjudged guilty, or found liable in a civil proceeding, or in any criminal or civil action, including actions concerning environmental violations, instituted by the City or by the federal government, any state, or any other unit of local government.

4. The Disclosing Party understands and shall comply with the applicable requirements of MCC Chapters 2-56 (Inspector General) and 2-156 (Governmental Ethics).

5. Certifications (5), (6) and (7) concern:
   - the Disclosing Party;
   - any "Contractor" (meaning any contractor or subcontractor used by the Disclosing Party in connection with the Matter, including but not limited to all persons or legal entities disclosed under Section IV, "Disclosure of Subcontractors and Other Retained Parties");
   - any "Affiliated Entity" (meaning a person or entity that, directly or indirectly: controls the Disclosing Party, is controlled by the Disclosing Party, or is, with the Disclosing Party, under common control of another person or entity). Indicia of control include, without limitation: interlocking management or ownership; identity of interests among family members, shared facilities and equipment; common use of employees; or organization of a business entity following the ineligibility of a business entity to do business with federal or state or local government, including the City, using substantially the same management, ownership, or principals as the ineligible entity. With respect to Contractors, the term Affiliated Entity means a person or entity that directly or indirectly controls the Contractor, is controlled by it, or, with the Contractor, is under common control of another person or entity;
   - any responsible official of the Disclosing Party, any Contractor or any Affiliated Entity or any other official, agent or employee of the Disclosing Party, any Contractor or any Affiliated Entity, acting pursuant to the direction or authorization of a responsible official of the Disclosing Party, any Contractor or any Affiliated Entity (collectively "Agents").

Neither the Disclosing Party, nor any Contractor, nor any Affiliated Entity of either the Disclosing Party or any Contractor, nor any Agents have, during the 5 years before the date of this EDS, or, with respect to a Contractor, an Affiliated Entity, or an Affiliated Entity of a Contractor during the 5 years before the date of such Contractor's or Affiliated Entity's contract or engagement in connection with the Matter:

a. bribed or attempted to bribe, or been convicted or adjudged guilty of bribery or attempting to bribe, a public officer or employee of the City, the State of Illinois, or any agency of the federal government or of any state or local government in the United States of America, in that officer's or employee's official capacity;

b. agreed or colluded with other bidders or prospective bidders, or been a party to any such agreement, or been convicted or adjudged guilty of agreement or collusion among bidders or prospective bidders, in restraint of freedom of competition by agreement to bid a fixed price or otherwise; or

c. made an admission of such conduct described in subparagraph (a) or (b) above that is a matter of record, but have not been prosecuted for such conduct; or

d. violated the provisions referenced in MCC Subsection 2-92-320(a)(4)(Contracts Requiring a Base Wage); (a)(5)(Debarment Regulations); or (a)(6)(Minimum Wage Ordinance).

6. Neither the Disclosing Party, nor any Affiliated Entity or Contractor, or any of their employees, officials, agents or partners, is barred from contracting with any unit of state or local government as a result of engaging in or being convicted of (1) bid-rigging in violation of 720 ILCS 5/33E-3; (2) bid-rotating in violation of 720 ILCS 5/33E-4; or (3) any similar offense of any state or of the United States of America that contains the same elements as the offense of bid-rigging or bid-rotating.

7. Neither the Disclosing Party nor any Affiliated Entity is listed on a Sanctions List maintained by the United States Department of Commerce, State, or Treasury, or any successor federal agency.

8. [FOR APPLICANT ONLY] (i) Neither the Applicant nor any "controlling person" [see MCC Chapter 1-23, Article I for applicability and defined terms] of the Applicant is currently indicted or charged with, or has admitted guilt of, or has ever been convicted of, or placed under supervision for, any criminal offense involving actual, attempted, or conspiracy to commit bribery, theft, fraud, forgery, perjury, dishonesty or deceit against an officer or employee of the City or any "sister agency"; and (ii) the Applicant understands and acknowledges that compliance with Article I is a continuing requirement for doing business with the City. NOTE: If MCC Chapter 1-23, Article I applies to the Applicant, that Article's permanent compliance timeframe supersedes 5-year compliance timeframes in this Section V.

9. [FOR APPLICANT ONLY] The Applicant and its Affiliated Entities will not use, nor permit their subcontractors to use, any facility listed as having an active exclusion by the U.S. EPA on the federal System for Award Management ("SAM").

10. [FOR APPLICANT ONLY] The Applicant will obtain from any contractors/subcontractors hired or to be hired in connection with the Matter certifications equal in form and substance to those in Certifications (2) and (9) above and will not, without the prior written consent of the City, use any such

contractor/subcontractor that does not provide such certifications or that the Applicant has reason to believe has not provided or cannot provide truthful certifications.

11. If the Disclosing Party is unable to certify to any of the above statements in this Part B (Further Certifications), the Disclosing Party must explain below:

The Disclosing Party can only certify to the above statements in this Part B to the best of its knowledge after making reasonable inquiry

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

12. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all current employees of the Disclosing Party who were, at any time during the 12-month period preceding the date of this EDS, an employee, or elected or appointed official, of the City of Chicago (if none, indicate with "N/A" or "none").

N/A

13. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all gifts that the Disclosing Party has given or caused to be given, at any time during the 12-month period preceding the execution date of this EDS, to an employee, or elected or appointed official, of the City of Chicago. For purposes of this statement, a "gift" does not include: (i) anything made generally available to City employees or to the general public, or (ii) food or drink provided in the course of official City business and having a retail value of less than $25 per recipient, or (iii) a political contribution otherwise duly reported as required by law (if none, indicate with "N/A" or "none"). As to any gift listed below, please also list the name of the City recipient.

N/A

C. CERTIFICATION OF STATUS AS FINANCIAL INSTITUTION

1. The Disclosing Party certifies that the Disclosing Party (check one)
   [ ] is [x] is not

   a "financial institution" as defined in MCC Section 2-32-455(b).

2. If the Disclosing Party IS a financial institution, then the Disclosing Party pledges:

"We are not and will not become a predatory lender as defined in MCC Chapter 2-32. We further pledge that none of our affiliates is, and none of them will become, a predatory lender as defined in MCC Chapter 2-32. We understand that becoming a predatory lender or becoming an affiliate of a predatory lender may result in the loss of the privilege of doing business with the City."

If the Disclosing Party is unable to make this pledge because it or any of its affiliates (as defined in MCC Section 2-32-455(b)) is a predatory lender within the meaning of MCC Chapter 2-32, explain here (attach additional pages if necessary):

_____

_____

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

D. CERTIFICATION REGARDING FINANCIAL INTEREST IN CITY BUSINESS

Any words or terms defined in MCC Chapter 2-156 have the same meanings if used in this Part D.

1. In accordance with MCC Section 2-156-110: To the best of the Disclosing Party's knowledge after reasonable inquiry, does any official or employee of the City have a financial interest in his or her own name or in the name of any other person or entity in the Matter?

[ ] Yes [x] No to the best of the Disclosing Party's knowledge after making reasonable inquiry

NOTE: If you checked "Yes" to Item D(1), proceed to Items D(2) and D(3). If you checked "No" to Item D(1), skip Items D(2) and D(3) and proceed to Part E.

2. Unless sold pursuant to a process of competitive bidding, or otherwise permitted, no City elected official or employee shall have a financial interest in his or her own name or in the name of any other person or entity in the purchase of any property that (i) belongs to the City, or (ii) is sold for taxes or assessments, or (iii) is sold by virtue of legal process at the suit of the City (collectively, "City Property Sale"). Compensation for property taken pursuant to the City's eminent domain power does not constitute a financial interest within the meaning of this Part D.

Does the Matter involve a City Property Sale?

[ ] Yes [x] No

3. If you checked "Yes" to Item D(1), provide the names and business addresses of the City officials or employees having such financial interest and identify the nature of the financial interest:

Name	Business Address	Nature of Financial Interest

4. The Disclosing Party further certifies that no prohibited financial interest in the Matter will be acquired by any City official or employee.

E. CERTIFICATION REGARDING SLAVERY ERA BUSINESS

Please check either (1) or (2) below. If the Disclosing Party checks (2), the Disclosing Party must disclose below or in an attachment to this EDS all information required by (2). Failure to comply with these disclosure requirements may make any contract entered into with the City in connection with the Matter voidable by the City.

_x_ 1. The Disclosing Party verifies that the Disclosing Party has searched any and all records of the Disclosing Party and any and all predecessor entities regarding records of investments or profits from slavery or slaveholder insurance policies during the slavery era (including insurance policies issued to slaveholders that provided coverage for damage to or injury or death of their slaves), and the Disclosing Party has found no such records.

____ 2. The Disclosing Party verifies that, as a result of conducting the search in step (1) above, the Disclosing Party has found records of investments or profits from slavery or slaveholder insurance policies. The Disclosing Party verifies that the following constitutes full disclosure of all such records, including the names of any and all slaves or slaveholders described in those records:

_____

_____

_____

SECTION VI -- CERTIFICATIONS FOR FEDERALLY FUNDED MATTERS

NOTE: If the Matter is federally funded, complete this Section VI. **If the Matter is not federally funded,** proceed to Section VII. For purposes of this Section VI, tax credits allocated by the City and proceeds of debt obligations of the City are not federal funding.

A. CERTIFICATION REGARDING LOBBYING

1. List below the names of all persons or entities registered under the federal Lobbying Disclosure Act of 1995, as amended, who have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter: (Add sheets if necessary):

_____

_____

_____

(If no explanation appears or begins on the lines above, or if the letters "NA" or if the word "None" appear, it will be conclusively presumed that the Disclosing Party means that NO persons or entities registered under the Lobbying Disclosure Act of 1995, as amended, have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter.)

2. The Disclosing Party has not spent and will not expend any federally appropriated funds to pay any person or entity listed in paragraph A(1) above for his or her lobbying activities or to pay any person or entity to influence or attempt to influence an officer or employee of any agency, as defined by applicable federal law, a member of Congress, an officer or employee of Congress, or an employee

of a member of Congress, in connection with the award of any federally funded contract, making any federally funded grant or loan, entering into any cooperative agreement, or to extend, continue, renew, amend, or modify any federally funded contract, grant, loan, or cooperative agreement.

3. The Disclosing Party will submit an updated certification at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the statements and information set forth in paragraphs A(1) and A(2) above.

4. The Disclosing Party certifies that either: (i) it is not an organization described in section 501(c)(4) of the Internal Revenue Code of 1986; or (ii) it is an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 but has not engaged and will not engage in "Lobbying Activities," as that term is defined in the Lobbying Disclosure Act of 1995, as amended.

5. If the Disclosing Party is the Applicant, the Disclosing Party must obtain certifications equal in form and substance to paragraphs A(1) through A(4) above from all subcontractors before it awards any subcontract and the Disclosing Party must maintain all such subcontractors' certifications for the duration of the Matter and must make such certifications promptly available to the City upon request.

B. CERTIFICATION REGARDING EQUAL EMPLOYMENT OPPORTUNITY

If the Matter is federally funded, federal regulations require the Applicant and all proposed subcontractors to submit the following information with their bids or in writing at the outset of negotiations.

Is the Disclosing Party the Applicant?

[ ] Yes [ ] No

If "Yes," answer the three questions below:

1. Have you developed and do you have on file affirmative action programs pursuant to applicable federal regulations? (See 41 CFR Part 60-2.)

[ ] Yes [ ] No

2. Have you filed with the Joint Reporting Committee, the Director of the Office of Federal Contract Compliance Programs, or the Equal Employment Opportunity Commission all reports due under the applicable filing requirements?

[ ] Yes [ ] No [ ] Reports not required

3. Have you participated in any previous contracts or subcontracts subject to the equal opportunity clause?

[ ] Yes [ ] No

If you checked "No" to question (1) or (2) above, please provide an explanation:

_____

_____

SECTION VII -- FURTHER ACKNOWLEDGMENTS AND CERTIFICATION

The Disclosing Party understands and agrees that:

A. The certifications, disclosures, and acknowledgments contained in this EDS will become part of any contract or other agreement between the Applicant and the City in connection with the Matter, whether procurement, City assistance, or other City action, and are material inducements to the City's execution of any contract or taking other action with respect to the Matter. The Disclosing Party understands that it must comply with all statutes, ordinances, and regulations on which this EDS is based.

B. The City's Governmental Ethics Ordinance, MCC Chapter 2-156, imposes certain duties and obligations on persons or entities seeking City contracts, work, business, or transactions. The full text of this ordinance and a training program is available on line at www.cityofchicago.org/Ethics, and may also be obtained from the City's Board of Ethics, 740 N. Sedgwick St., Suite 500, Chicago, IL 60610, (312) 744-9660. The Disclosing Party must comply fully with this ordinance.

C. If the City determines that any information provided in this EDS is false, incomplete or inaccurate, any contract or other agreement in connection with which it is submitted may be rescinded or be void or voidable, and the City may pursue any remedies under the contract or agreement (if not rescinded or void), at law, or in equity, including terminating the Disclosing Party's participation in the Matter and/or declining to allow the Disclosing Party to participate in other City transactions. Remedies at law for a false statement of material fact may include incarceration and an award to the City of treble damages.

D. It is the City's policy to make this document available to the public on its Internet site and/or upon request. Some or all of the information provided in, and appended to, this EDS may be made publicly available on the Internet, in response to a Freedom of Information Act request, or otherwise. By completing and signing this EDS, the Disclosing Party waives and releases any possible rights or claims which it may have against the City in connection with the public release of information contained in this EDS and also authorizes the City to verify the accuracy of any information submitted in this EDS.

E. The information provided in this EDS must be kept current. In the event of changes, the Disclosing Party must supplement this EDS up to the time the City takes action on the Matter. If the Matter is a contract being handled by the City's Department of Procurement Services, the Disclosing Party must update this EDS as the contract requires. **NOTE:** With respect to Matters subject to MCC Chapter 1-23, Article I (imposing **PERMANENT INELIGIBILITY** for certain specified offenses), the information provided herein regarding eligibility must be kept current for a longer period, as required by MCC Chapter 1-23 and Section 2-154-020.

CERTIFICATION

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute this EDS, and Appendices A and B (if applicable), on behalf of the Disclosing Party, and (2) warrants that all certifications and statements contained in this EDS, and Appendices A and B (if applicable), are true, accurate and complete as of the date furnished to the City.

American Airlines Group Inc.
(Print or type exact legal name of Disclosing Party)

By: _____
(Sign here)

Kenneth W. Wimberly, Jr.
(Print or type name of person signing)
Vice President, Deputy General Counsel
and Assistant Corporate Secretary
(Print or type title of person signing)

Signed and sworn to before me on (date) Dec. 20, 2017,

at Tarrant County, Texas (state).

_____
Notary Public

KEVIN A. PATTERSON
Notary Public, State of Texas
Comm. Expires 02-24-2020
Notary ID 6621631

Commission expires: 2-24-2020

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5%. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under MCC Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B.1.a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5% ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

[ ] Yes [x] No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

_____

_____

_____

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX B

BUILDING CODE SCOFFLAW/PROBLEM LANDLORD CERTIFICATION

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5% (an "Owner"). It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

1. Pursuant to MCC Section 2-154-010, is the Applicant or any Owner identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

[ ] Yes [x] No

2. If the Applicant is a legal entity publicly traded on any exchange, is any officer or director of the Applicant identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

[ ] Yes [x] No [ ] The Applicant is not publicly traded on any exchange.

3. If yes to (1) or (2) above, please identify below the name of each person or legal entity identified as a building code scofflaw or problem landlord and the address of each building or buildings to which the pertinent code violations apply.

_____

_____

_____

AMERICAN AIRLINES GROUP INC.
4333 Amon Carter Blvd.
Fort Worth, TX 76155
(Delaware Corporation)

OFFICERS

Chief Executive Officer	W. Douglas Parker*
President	Robert D. Isom, Jr.*
Executive Vice President—People and Communications	Elise R. Eberwein*
Executive Vice President—Corporate Affairs and Assistant Secretary	Stephen L. Johnson*
Executive Vice President and Chief Financial Officer	Derek J. Kerr*
Executive Vice President and Chief Information Officer	Maya Leibman*
Senior Vice President, General Counsel and Chief Ethics and Compliance Officer	Paul D. Jones
Vice President and Corporate Controller	Michael R. Carreon
Vice President, Deputy General Counsel and Assistant Corporate Secretary	Kenneth W. Wimberly, Jr.
Vice President and Treasurer	Thomas T. Weir
Corporate Secretary	Caroline B. Ray

DIRECTORS

W. Douglas Parker - Chairman of the Board
James F. Albaugh
Jeffrey D. Benjamin
John T. Cahill
Michael J. Embler
Matthew J. Hart
Alberto Ibargüen
Richard C. Kraemer
Susan D. Kronick
Martin H. Nesbitt
Denise M. O'Leary
W. Douglas Parker
Ray M. Robinson
Richard P. Schifter

*Section 16 Officer

JetBlue Airways Corporation

Economic Disclosure Statement

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT
AND AFFIDAVIT

SECTION I – GENERAL INFORMATION

A. Legal name of the Disclosing Party submitting this EDS. Include d/b/a/ if applicable:

JetBlue Airways Corporation

Check ONE of the following three boxes:

Indicate whether the Disclosing Party submitting this EDS is:

1. [x] the Applicant

OR

2. [ ] a legal entity currently holding, or anticipated to hold within six months after City action on the contract, transaction or other undertaking to which this EDS pertains (referred to below as the "Matter"), a direct or indirect interest in excess of 7.5% in the Applicant. State the Applicant's legal name: _____

OR

3. [ ] a legal entity with a direct or indirect right of control of the Applicant (see Section II(B)(1)) State the legal name of the entity in which the Disclosing Party holds a right of control:

_____

B. Business address of the Disclosing Party: 27-01 Queens Plaza North, Long Island City, NY 11101

C. Telephone: 718-709-3349 Fax: 718-425-9482 Email: kevin.costello@jetblue.com

D. Name of contact person: Kevin Costello

E. Federal Employer Identification No. (if you have one): _____

F. Brief description of the Matter to which this EDS pertains. (Include project number and location of property, if applicable):

"(1) O'Hare Use and Lease Agreement; (2) O'Hare Operating Agreement; (3) O'Hare Letter of Authorization; (4) O'Hare Rate Agreement.

G. Which City agency or department is requesting this EDS? Department of Aviation

If the Matter is a contract being handled by the City's Department of Procurement Services, please complete the following:

Specification # _____ and Contract # _____

SECTION II -- DISCLOSURE OF OWNERSHIP INTERESTS

A. NATURE OF THE DISCLOSING PARTY

1. Indicate the nature of the Disclosing Party:

[ ] Person
[x] Publicly registered business corporation
[ ] Privately held business corporation
[ ] Sole proprietorship
[ ] General partnership
[ ] Limited partnership
[ ] Trust
[ ] Limited liability company
[ ] Limited liability partnership
[ ] Joint venture
[ ] Not-for-profit corporation
(Is the not-for-profit corporation also a 501(c)(3))?
[ ] Yes [ ] No
[ ] Other (please specify)

2. For legal entities, the state (or foreign country) of incorporation or organization, if applicable:

Delaware

3. For legal entities not organized in the State of Illinois: Has the organization registered to do business in the State of Illinois as a foreign entity?

[x] Yes [ ] No [ ] Organized in Illinois

B. IF THE DISCLOSING PARTY IS A LEGAL ENTITY:

1. List below the full names and titles, if applicable, of: (i) all executive officers and all directors of the entity; (ii) **for not-for-profit corporations**, all members, if any, which are legal entities (if there are no such members, write "no members which are legal entities"); (iii) **for trusts, estates or other similar entities**, the trustee, executor, administrator, or similarly situated party; (iv) **for general or limited partnerships, limited liability companies, limited liability partnerships or joint ventures**, each general partner, managing member, manager or any other person or legal entity that directly or indirectly controls the day-to-day management of the Applicant.

NOTE: Each legal entity listed below must submit an EDS on its own behalf.

Name	Title
Please refer to SEC filings Page 81 and 84	

2. Please provide the following information concerning each person or legal entity having a direct or indirect, current or prospective (i.e. within 6 months after City action) beneficial interest (including ownership) in excess of 7.5% of the Applicant. Examples of such an interest include shares in a corporation, partnership interest in a partnership or joint venture, interest of a member or manager in a

limited liability company, or interest of a beneficiary of a trust, estate or other similar entity. If none, state "None."

NOTE: Each legal entity listed below may be required to submit an EDS on its own behalf.

Name	Business Address	Percentage Interest in the Applicant
None		

SECTION III -- INCOME OR COMPENSATION TO, OR OWNERSHIP BY, CITY ELECTED OFFICIALS

Has the Disclosing Party provided any income or compensation to any City elected official during the 12-month period preceding the date of this EDS? [ ] Yes [x] No

Does the Disclosing Party reasonably expect to provide any income or compensation to any City elected official during the 12-month period following the date of this EDS? [ ] Yes [x] No

If "yes" to either of the above, please identify below the name(s) of such City elected official(s) and describe such income or compensation:

Does any City elected official or, to the best of the Disclosing Party's knowledge after reasonable inquiry, any City elected official's spouse or domestic partner, have a financial interest (as defined in Chapter 2-156 of the Municipal Code of Chicago ("MCC")) in the Disclosing Party?
[ ] Yes [X] No

If "yes," please identify below the name(s) of such City elected official(s) and/or spouse(s)/domestic partner(s) and describe the financial interest(s).

SECTION IV -- DISCLOSURE OF SUBCONTRACTORS AND OTHER RETAINED PARTIES

The Disclosing Party must disclose the name and business address of each subcontractor, attorney, lobbyist (as defined in MCC Chapter 2-156), accountant, consultant and any other person or entity whom the Disclosing Party has retained or expects to retain in connection with the Matter, as well as the nature of the relationship, and the total amount of the fees paid or estimated to be paid. The Disclosing Party is not required to disclose employees who are paid solely through the Disclosing Party's regular payroll. If the Disclosing Party is uncertain whether a disclosure is required under this Section, the Disclosing Party must either ask the City whether disclosure is required or make the disclosure.

Name (indicate whether retained or anticipated to be retained)	Business Address	Relationship to Disclosing Party (subcontractor, attorney, lobbyist, etc.)	Fees (indicate whether paid or estimated.) **NOTE:** "hourly rate" or "t.b.d." is not an acceptable response.
None			

(Add sheets if necessary)

[x] Check here if the Disclosing Party has not retained, nor expects to retain, any such persons or entities.

SECTION V -- CERTIFICATIONS

A. COURT-ORDERED CHILD SUPPORT COMPLIANCE

Under MCC Section 2-92-415, substantial owners of business entities that contract with the City must remain in compliance with their child support obligations throughout the contract's term.

Has any person who directly or indirectly owns 10% or more of the Disclosing Party been declared in arrearage on any child support obligations by any Illinois court of competent jurisdiction?

[ ] Yes [x] No [ ] No person directly or indirectly owns 10% or more of the Disclosing Party.

If "Yes," has the person entered into a court-approved agreement for payment of all support owed and is the person in compliance with that agreement?

[ ] Yes [ ] No

B. FURTHER CERTIFICATIONS

1. [This paragraph 1 applies only if the Matter is a contract being handled by the City's Department of Procurement Services.] In the 5-year period preceding the date of this EDS, neither the Disclosing Party nor any Affiliated Entity [see definition in (5) below] has engaged, in connection with the performance of any public contract, the services of an integrity monitor, independent private sector inspector general, or integrity compliance consultant (i.e., an individual or entity with legal, auditing, investigative, or other similar skills, designated by a public agency to help the agency monitor the activity of specified agency vendors as well as help the vendors reform their business practices so they can be considered for agency contracts in the future, or continue with a contract in progress).

2. The Disclosing Party and its Affiliated Entities are not delinquent in the payment of any fine, fee, tax or other source of indebtedness owed to the City of Chicago, including, but not limited to, water and sewer charges, license fees, parking tickets, property taxes and sales taxes, nor is the Disclosing Party delinquent in the payment of any tax administered by the Illinois Department of Revenue.

3. The Disclosing Party and, if the Disclosing Party is a legal entity, all of those persons or entities identified in Section II(B)(1) of this EDS:

a. are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from any transactions by any federal, state or local unit of government;

b. have not, during the 5 years before the date of this EDS, been convicted of a criminal offense, adjudged guilty, or had a civil judgment rendered against them in connection with: obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; a violation of federal or state antitrust statutes; fraud; embezzlement; theft; forgery; bribery; falsification or destruction of records; making false statements; or receiving stolen property;

c. are not presently indicted for, or criminally or civilly charged by, a governmental entity (federal, state or local) with committing any of the offenses set forth in subparagraph (b) above;

d. have not, during the 5 years before the date of this EDS, had one or more public transactions (federal, state or local) terminated for cause or default; and

e. have not, during the 5 years before the date of this EDS, been convicted, adjudged guilty, or found liable in a civil proceeding, or in any criminal or civil action, including actions concerning environmental violations, instituted by the City or by the federal government, any state, or any other unit of local government.

4. The Disclosing Party understands and shall comply with the applicable requirements of MCC Chapters 2-56 (Inspector General) and 2-156 (Governmental Ethics).

5. Certifications (5), (6) and (7) concern:
   - the Disclosing Party;
   - any "Contractor" (meaning any contractor or subcontractor used by the Disclosing Party in connection with the Matter, including but not limited to all persons or legal entities disclosed under Section IV, "Disclosure of Subcontractors and Other Retained Parties");
   - any "Affiliated Entity" (meaning a person or entity that, directly or indirectly: controls the Disclosing Party, is controlled by the Disclosing Party, or is, with the Disclosing Party, under common control of another person or entity). Indicia of control include, without limitation: interlocking management or ownership; identity of interests among family members, shared facilities and equipment; common use of employees; or organization of a business entity following the ineligibility of a business entity to do business with federal or state or local government, including the City, using substantially the same management, ownership, or principals as the ineligible entity. With respect to Contractors, the term Affiliated Entity means a person or entity that directly or indirectly controls the Contractor, is controlled by it, or, with the Contractor, is under common control of another person or entity;
   - any responsible official of the Disclosing Party, any Contractor or any Affiliated Entity or any other official, agent or employee of the Disclosing Party, any Contractor or any Affiliated Entity, acting pursuant to the direction or authorization of a responsible official of the Disclosing Party, any Contractor or any Affiliated Entity (collectively "Agents").

Neither the Disclosing Party, nor any Contractor, nor any Affiliated Entity of either the Disclosing Party or any Contractor, nor any Agents have, during the 5 years before the date of this EDS, or, with respect to a Contractor, an Affiliated Entity, or an Affiliated Entity of a Contractor during the 5 years before the date of such Contractor's or Affiliated Entity's contract or engagement in connection with the Matter:

a. bribed or attempted to bribe, or been convicted or adjudged guilty of bribery or attempting to bribe, a public officer or employee of the City, the State of Illinois, or any agency of the federal government or of any state or local government in the United States of America, in that officer's or employee's official capacity;

b. agreed or colluded with other bidders or prospective bidders, or been a party to any such agreement, or been convicted or adjudged guilty of agreement or collusion among bidders or prospective bidders, in restraint of freedom of competition by agreement to bid a fixed price or otherwise; or

c. made an admission of such conduct described in subparagraph (a) or (b) above that is a matter of record, but have not been prosecuted for such conduct; or

d. violated the provisions referenced in MCC Subsection 2-92-320(a)(4)(Contracts Requiring a Base Wage); (a)(5)(Debarment Regulations); or (a)(6)(Minimum Wage Ordinance).

6. Neither the Disclosing Party, nor any Affiliated Entity or Contractor, or any of their employees, officials, agents or partners, is barred from contracting with any unit of state or local government as a result of engaging in or being convicted of (1) bid-rigging in violation of 720 ILCS 5/33E-3; (2) bid-rotating in violation of 720 ILCS 5/33E-4; or (3) any similar offense of any state or of the United States of America that contains the same elements as the offense of bid-rigging or bid-rotating.

7. Neither the Disclosing Party nor any Affiliated Entity is listed on a Sanctions List maintained by the United States Department of Commerce, State, or Treasury, or any successor federal agency.

8. [FOR APPLICANT ONLY] (i) Neither the Applicant nor any "controlling person" [see MCC Chapter 1-23, Article I for applicability and defined terms] of the Applicant is currently indicted or charged with, or has admitted guilt of, or has ever been convicted of, or placed under supervision for, any criminal offense involving actual, attempted, or conspiracy to commit bribery, theft, fraud, forgery, perjury, dishonesty or deceit against an officer or employee of the City or any "sister agency"; and (ii) the Applicant understands and acknowledges that compliance with Article I is a continuing requirement for doing business with the City. NOTE: If MCC Chapter 1-23, Article I applies to the Applicant, that Article's permanent compliance timeframe supersedes 5-year compliance timeframes in this Section V.

9. [FOR APPLICANT ONLY] The Applicant and its Affiliated Entities will not use, nor permit their subcontractors to use, any facility listed as having an active exclusion by the U.S. EPA on the federal System for Award Management ("SAM").

10. [FOR APPLICANT ONLY] The Applicant will obtain from any contractors/subcontractors hired or to be hired in connection with the Matter certifications equal in form and substance to those in Certifications (2) and (9) above and will not, without the prior written consent of the City, use any such

contractor/subcontractor that does not provide such certifications or that the Applicant has reason to believe has not provided or cannot provide truthful certifications.

11. If the Disclosing Party is unable to certify to any of the above statements in this Part B (Further Certifications), the Disclosing Party must explain below:

_____

_____

_____

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

12. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all current employees of the Disclosing Party who were, at any time during the 12-month period preceding the date of this EDS, an employee, or elected or appointed official, of the City of Chicago (if none, indicate with "N/A" or "none").

N/A

13. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all gifts that the Disclosing Party has given or caused to be given, at any time during the 12-month period preceding the execution date of this EDS, to an employee, or elected or appointed official, of the City of Chicago. For purposes of this statement, a "gift" does not include: (i) anything made generally available to City employees or to the general public, or (ii) food or drink provided in the course of official City business and having a retail value of less than $25 per recipient, or (iii) a political contribution otherwise duly reported as required by law (if none, indicate with "N/A" or "none"). As to any gift listed below, please also list the name of the City recipient.

N/A

C. CERTIFICATION OF STATUS AS FINANCIAL INSTITUTION

1. The Disclosing Party certifies that the Disclosing Party (check one)
   [ ] is [x] is not

   a "financial institution" as defined in MCC Section 2-32-455(b).

2. If the Disclosing Party IS a financial institution, then the Disclosing Party pledges:

"We are not and will not become a predatory lender as defined in MCC Chapter 2-32. We further pledge that none of our affiliates is, and none of them will become, a predatory lender as defined in MCC Chapter 2-32. We understand that becoming a predatory lender or becoming an affiliate of a predatory lender may result in the loss of the privilege of doing business with the City."

If the Disclosing Party is unable to make this pledge because it or any of its affiliates (as defined in MCC Section 2-32-455(b)) is a predatory lender within the meaning of MCC Chapter 2-32, explain here (attach additional pages if necessary):

_____

_____

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

D. CERTIFICATION REGARDING FINANCIAL INTEREST IN CITY BUSINESS

Any words or terms defined in MCC Chapter 2-156 have the same meanings if used in this Part D.

1. In accordance with MCC Section 2-156-110: To the best of the Disclosing Party's knowledge after reasonable inquiry, does any official or employee of the City have a financial interest in his or her own name or in the name of any other person or entity in the Matter?

[ ] Yes [x] No

NOTE: If you checked "Yes" to Item D(1), proceed to Items D(2) and D(3). If you checked "No" to Item D(1), skip Items D(2) and D(3) and proceed to Part E.

2. Unless sold pursuant to a process of competitive bidding, or otherwise permitted, no City elected official or employee shall have a financial interest in his or her own name or in the name of any other person or entity in the purchase of any property that (i) belongs to the City, or (ii) is sold for taxes or assessments, or (iii) is sold by virtue of legal process at the suit of the City (collectively, "City Property Sale"). Compensation for property taken pursuant to the City's eminent domain power does not constitute a financial interest within the meaning of this Part D.

Does the Matter involve a City Property Sale?

[ ] Yes [ ] No

3. If you checked "Yes" to Item D(1), provide the names and business addresses of the City officials or employees having such financial interest and identify the nature of the financial interest:

Name	Business Address	Nature of Financial Interest

4. The Disclosing Party further certifies that no prohibited financial interest in the Matter will be acquired by any City official or employee.

E. CERTIFICATION REGARDING SLAVERY ERA BUSINESS

Please check either (1) or (2) below. If the Disclosing Party checks (2), the Disclosing Party must disclose below or in an attachment to this EDS all information required by (2). Failure to comply with these disclosure requirements may make any contract entered into with the City in connection with the Matter voidable by the City.

_x_ 1. The Disclosing Party verifies that the Disclosing Party has searched any and all records of the Disclosing Party and any and all predecessor entities regarding records of investments or profits from slavery or slaveholder insurance policies during the slavery era (including insurance policies issued to slaveholders that provided coverage for damage to or injury or death of their slaves), and the Disclosing Party has found no such records.

____ 2. The Disclosing Party verifies that, as a result of conducting the search in step (1) above, the Disclosing Party has found records of investments or profits from slavery or slaveholder insurance policies. The Disclosing Party verifies that the following constitutes full disclosure of all such records, including the names of any and all slaves or slaveholders described in those records:

_____

_____

_____

SECTION VI -- CERTIFICATIONS FOR FEDERALLY FUNDED MATTERS

NOTE: **If the Matter is federally funded**, complete this Section VI. **If the Matter is not federally funded**, proceed to Section VII. For purposes of this Section VI, tax credits allocated by the City and proceeds of debt obligations of the City are not federal funding.

A. CERTIFICATION REGARDING LOBBYING

1. List below the names of all persons or entities registered under the federal Lobbying Disclosure Act of 1995, as amended, who have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter: (Add sheets if necessary):

_____

_____

_____

(If no explanation appears or begins on the lines above, or if the letters "NA" or if the word "None" appear, it will be conclusively presumed that the Disclosing Party means that NO persons or entities registered under the Lobbying Disclosure Act of 1995, as amended, have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter.)

2. The Disclosing Party has not spent and will not expend any federally appropriated funds to pay any person or entity listed in paragraph A(1) above for his or her lobbying activities or to pay any person or entity to influence or attempt to influence an officer or employee of any agency, as defined by applicable federal law, a member of Congress, an officer or employee of Congress, or an employee

of a member of Congress, in connection with the award of any federally funded contract, making any federally funded grant or loan, entering into any cooperative agreement, or to extend, continue, renew, amend, or modify any federally funded contract, grant, loan, or cooperative agreement.

3. The Disclosing Party will submit an updated certification at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the statements and information set forth in paragraphs A(1) and A(2) above.

4. The Disclosing Party certifies that either: (i) it is not an organization described in section 501(c)(4) of the Internal Revenue Code of 1986; or (ii) it is an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 but has not engaged and will not engage in "Lobbying Activities," as that term is defined in the Lobbying Disclosure Act of 1995, as amended.

5. If the Disclosing Party is the Applicant, the Disclosing Party must obtain certifications equal in form and substance to paragraphs A(1) through A(4) above from all subcontractors before it awards any subcontract and the Disclosing Party must maintain all such subcontractors' certifications for the duration of the Matter and must make such certifications promptly available to the City upon request.

B. CERTIFICATION REGARDING EQUAL EMPLOYMENT OPPORTUNITY

If the Matter is federally funded, federal regulations require the Applicant and all proposed subcontractors to submit the following information with their bids or in writing at the outset of negotiations.

Is the Disclosing Party the Applicant?
[ ] Yes [ ] No

If "Yes," answer the three questions below:

1. Have you developed and do you have on file affirmative action programs pursuant to applicable federal regulations? (See 41 CFR Part 60-2.)
[ ] Yes [ ] No

2. Have you filed with the Joint Reporting Committee, the Director of the Office of Federal Contract Compliance Programs, or the Equal Employment Opportunity Commission all reports due under the applicable filing requirements?
[ ] Yes [ ] No [ ] Reports not required

3. Have you participated in any previous contracts or subcontracts subject to the equal opportunity clause?
[ ] Yes [ ] No

If you checked "No" to question (1) or (2) above, please provide an explanation:

_____

_____

SECTION VII -- FURTHER ACKNOWLEDGMENTS AND CERTIFICATION

The Disclosing Party understands and agrees that:

A. The certifications, disclosures, and acknowledgments contained in this EDS will become part of any contract or other agreement between the Applicant and the City in connection with the Matter, whether procurement, City assistance, or other City action, and are material inducements to the City's execution of any contract or taking other action with respect to the Matter. The Disclosing Party understands that it must comply with all statutes, ordinances, and regulations on which this EDS is based.

B. The City's Governmental Ethics Ordinance, MCC Chapter 2-156, imposes certain duties and obligations on persons or entities seeking City contracts, work, business, or transactions. The full text of this ordinance and a training program is available on line at www.cityofchicago.org/Ethics, and may also be obtained from the City's Board of Ethics, 740 N. Sedgwick St., Suite 500, Chicago, IL 60610, (312) 744-9660. The Disclosing Party must comply fully with this ordinance.

C. If the City determines that any information provided in this EDS is false, incomplete or inaccurate, any contract or other agreement in connection with which it is submitted may be rescinded or be void or voidable, and the City may pursue any remedies under the contract or agreement (if not rescinded or void), at law, or in equity, including terminating the Disclosing Party's participation in the Matter and/or declining to allow the Disclosing Party to participate in other City transactions. Remedies at law for a false statement of material fact may include incarceration and an award to the City of treble damages.

D. It is the City's policy to make this document available to the public on its Internet site and/or upon request. Some or all of the information provided in, and appended to, this EDS may be made publicly available on the Internet, in response to a Freedom of Information Act request, or otherwise. By completing and signing this EDS, the Disclosing Party waives and releases any possible rights or claims which it may have against the City in connection with the public release of information contained in this EDS and also authorizes the City to verify the accuracy of any information submitted in this EDS.

E. The information provided in this EDS must be kept current. In the event of changes, the Disclosing Party must supplement this EDS up to the time the City takes action on the Matter. If the Matter is a contract being handled by the City's Department of Procurement Services, the Disclosing Party must update this EDS as the contract requires. **NOTE:** With respect to Matters subject to MCC Chapter 1-23, Article I (imposing **PERMANENT INELIGIBILITY** for certain specified offenses), the information provided herein regarding eligibility must be kept current for a longer period, as required by MCC Chapter 1-23 and Section 2-154-020.

CERTIFICATION

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute this EDS, and Appendices A and B (if applicable), on behalf of the Disclosing Party, and (2) warrants that all certifications and statements contained in this EDS, and Appendices A and B (if applicable), are true, accurate and complete as of the date furnished to the City.

JetBlue Airways Corporation
(Print or type exact legal name of Disclosing Party)

By: Lisa Reifer
(Sign here)

Lisa Reifer
(Print or type name of person signing)

VP Infrastructure, Properties and Development
(Print or type title of person signing)

Signed and sworn to before me on (date) February 26, 2018

at Queens County, New York (state).

Gioia Gentile
Notary Public

Commission expires: March 23, 2021

GIOIA GENTILE
NOTARY PUBLIC-STATE OF NEW YORK
No. 01GE6202837
Qualified in New York County
My Commission Expires 03-23-2021

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5%. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under MCC Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B.1.a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5% ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

[ ] Yes [x] No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

_____

_____

_____

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX B

BUILDING CODE SCOFFLAW/PROBLEM LANDLORD CERTIFICATION

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5% (an "Owner"). It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

1. Pursuant to MCC Section 2-154-010, is the Applicant or any Owner identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

[ ] Yes [x] No

2. If the Applicant is a legal entity publicly traded on any exchange, is any officer or director of the Applicant identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

[ ] Yes [x] No [ ] The Applicant is not publicly traded on any exchange.

3. If yes to (1) or (2) above, please identify below the name of each person or legal entity identified as a building code scofflaw or problem landlord and the address of each building or buildings to which the pertinent code violations apply.

_____

_____

_____

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2017

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to
Commission file number 000-49728

jetBlue

JETBLUE AIRWAYS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**87-0617894**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No)

27-01 Queens Plaza North, Long Island City, New York 11101
(Address, including zip code, of registrant's principal executive offices)

(718) 286-7900

Registrant's telephone number, including area code:

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value	The NASDAQ Global Select Market

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days Yes ☒ No ☐

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232 405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229 405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act

Large accelerated filer ☑	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	
Smaller reporting company ☐	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes ☐ No ☒

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of June 30, 2017 was approximately $7 5 billion (based on the last reported sale price on the NASDAQ Global Select Market on that date) The number of shares outstanding of the registrant's common stock as of January 31, 2018 was 321,859,269 shares

DOCUMENTS INCORPORATED BY REFERENCE

Designated portions of the Registrant's Proxy Statement for its 2018 Annual Meeting of Stockholders, which is to be filed subsequent to the date hereof, are incorporated by reference into Part III of this Annual Report on Form 10-K, or the Report, to the extent described therein

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FORWARD-LOOKING INFORMATION

Statements in this Report (or otherwise made by JetBlue or on JetBlue's behalf) contain various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which represent our management's beliefs and assumptions concerning future events. When used in this document and in documents incorporated herein by reference, the words "expects," "plans," "anticipates," "indicates," "believes," "forecast," "guidance," "outlook," "may," "will," "should," "seeks," "targets" and similar expressions are intended to identify forward-looking statements Forward-looking statements involve risks, uncertainties and assumptions, and are based on information currently available to us. Actual results may differ materially from those expressed in the forward-looking statements due to many factors, including, without limitation, our extremely competitive industry; volatility in financial and credit markets which could affect our ability to obtain debt and/or lease financing or to raise funds through debt or equity issuances; our significant fixed obligations and substantial indebtedness, volatility in fuel prices, maintenance costs and interest rates, our reliance on high daily aircraft utilization; our ability to implement our growth strategy; our ability to attract and retain qualified personnel and maintain our culture as we grow; our reliance on a limited number of suppliers; our dependence on the New York and Boston metropolitan markets and the effect of increased congestion in these markets; our reliance on automated systems and technology; our being subject to potential unionization, work stoppages, slowdowns or increased labor costs; our presence in some international emerging markets that may experience political or economic instability or may subject us to legal risk; reputational and business risk from information security breaches or cyber-attacks; changes in or additional domestic or foreign government regulation; changes in our industry due to other airlines' financial condition; acts of war or terrorism; global economic conditions or an economic downturn leading to a continuing or accelerated decrease in demand for air travel; the spread of infectious diseases; adverse weather conditions or natural disasters; and external geopolitical events and conditions. It is routine for our internal projections and expectations to change as the year or each quarter in the year progresses, and therefore it should be clearly understood that the internal projections, beliefs and assumptions upon which we base our expectations may change prior to the end of each quarter or year

Given the risks and uncertainties surrounding forward-looking statements, you should not place undue reliance on these statements. You should understand that many important factors, in addition to those discussed or incorporated by reference in this Report, could cause our results to differ materially from those expressed in the forward-looking statements. Potential factors that could affect our results include, in addition to others not described in this Report, those described in Item 1A of this Report under "Risks Related to JetBlue" and "Risks Associated with the Airline Industry " In light of these risks and uncertainties, the forward-looking events discussed in this Report might not occur Our forward-looking statements speak only as of the date of this Report. Other than as required by law, we undertake no obligation to update or revise forward-looking statements, whether as a result of new information, future events, or otherwise

PART I

ITEM 1. BUSINESS

OVERVIEW

General

JetBlue Airways Corporation, or JetBlue, is New York's Hometown Airline™. In 2017, JetBlue carried over 40 million Customers with an average of 1,000 daily flights and served 101 destinations in the United States, the Caribbean and Latin America.

JetBlue was incorporated in Delaware in August 1998 and commenced service on February 11, 2000 As of the end of 2017, we were the sixth largest passenger carrier in the U.S. based on available seat miles, or ASMs. We believe our differentiated product and culture combined with our competitive cost structure enables us to compete effectively in the high-value geographies we serve. Looking to the future, we plan to continue to grow in our high-value geographies, invest in industry leading products and provide award winning service by our more than 21,000 dedicated employees, whom we refer to as Crewmembers. Going forward we believe we will continue to differentiate ourselves from other airlines enabling us to continue to attract a greater mix of Customers and to drive further profitable growth. We are focused on delivering solid results for our Shareholders, our Customers and our Crewmembers.

As used in this Report, the terms "JetBlue," the "Company," "we," "us," "our" and similar terms refer to JetBlue Airways Corporation and its subsidiaries, unless the context indicates otherwise. Our principal executive offices are located at 27-01 Queens Plaza North, Long Island City, New York 11101 and our telephone number is (718) 286-7900.

Our Industry and Competition

The U S. airline industry is extremely competitive, challenging and results are often volatile. It is uniquely susceptible to external factors such as fuel costs, downturns in domestic and international economic conditions, weather-related disruptions, the spread of infectious diseases, the impact of airline restructurings or consolidations, military actions or acts of terrorism. We operate in a capital and energy intensive industry that has high fixed costs as well as heavy taxation and fees Airline returns are sensitive to slight changes in fuel prices, average fare levels and passenger demand. The industry's principal competitive factors include fares, brand and customer service, route networks, flight schedules, aircraft types, safety records, code-sharing and interline relationships, in-flight entertainment and connectivity systems and frequent flyer programs.

Price competition is intense in our industry. Our ability to operate successfully and grow in this environment depends on, among other things, our ability to operate at costs equal to or lower than our competitors.

Since 2001, the majority of traditional network airlines have undergone significant financial restructuring including bankruptcies, mergers and consolidations These types of restructurings typically result in a lower cost structure through a reduction of labor costs, restructuring of commitments including debt terms, leases and fleet, modification or termination of pension plans, increased workforce flexibility, and innovative offerings. These actions also have provided the restructured airline significant opportunities for realignment of route networks, alliances and frequent flyer programs. Each factor has had a significant influence on the industry's improved profitability.

2017 OPERATIONAL HIGHLIGHTS

We believe our differentiated product and culture, competitive costs and high-value geography relative to other airlines contributed to our continued success in 2017. Our 2017 operational highlights include:

- ***Product enhancements*** - Throughout 2017 we continued to invest in industry-leading products which we believe will continue to differentiate our offerings from the other airlines.
    - During 2017, we continued to expand Mint ™ service, our premium product which includes 16 fully lie-flat seats, four of which are in suites with a privacy door, a first in the U S domestic market, by adding flights from John F Kennedy International Airport, or JFK, to Las Vegas and San Diego, along with Boston to San Diego. We continually enhance our onboard Mint ™ experience through new offerings to our Mint ™ Customers such as new products like locally curated artisanal ice creams based in some of our Mint ™ BlueCities and a new exclusive chocolate bar from Raaka During 2018, we expect to further expand our Mint ™ service with flights from JFK and Boston to Seattle

- During 2017 , we enhanced our free Fly-Fi™ in-flight internet service, available on our entire fleet, to set our experience apart from other airlines by becoming the first in the U S. to offer gate-to-gate internet connectivity on every aircraft. Gate-to-gate Fly-Fi™ eliminates the need to wait until reaching cruising altitude to get connected Instead, Customers can email, surf, stream, tweet and shop from the moment they board until they reach the arrival gate.

- ***Fleet*** - In conjunction with our intention to expand our Mint™ experience, we amended our purchase agreement with Airbus in April 2017 which changed the timing of certain of our Airbus A321ceo and Airbus A321neo deliveries. Specifically, we deferred eight A321neo deliveries from 2019 to 2023 and five from 2020 to 2024. We also moved up the delivery of three A321ceo Aircraft from 2019 to 2018, while deferring three A321neo deliveries to 2019. We retain flexibility to make further changes in our order book. We have the option to take certain A321neo deliveries with the long range configuration, the A321-LR.

During 2017 , we took delivery of 16 Airbus A321 aircraft, 15 of which were equipped with our Mint™ cabin layout.

During the second half of 2016, we introduced Airbus' new innovative galley and lavatory module on our single cabin layout Airbus A321 with 200 seats. We believe our cabin restyling program across our Airbus fleet will improve Customer experience while freeing up valuable onboard space As part of our cabin restyling program we expect to increase the seat density on our Airbus A320 fleet. Our reconfigured Airbus A320 aircraft will have new seats, larger TV screens with up to 100 channels of free DIRECTV ®, and free gate-to-gate Fly-Fi ™. Our reconfiguring of our Airbus A320 aircraft will result in 162 seats. The industry has experienced design failures with the space efficient lavatory module that we have installed on certain of our A321 aircraft and were planning to install on A320 aircraft. During the fourth quarter of 2017, we made significant progress in addressing certain quality issues with our business partners. As a result, our first Airbus A320 entered modifications for prototyping during the first quarter of 2018, coinciding with a scheduled heavy maintenance check for operational efficiency. We believe this multi-year restyling program will allow us to increase capacity in a capital-efficient and customer-focused way.

We are continuing to evaluate our E190 fleet as part of our fleet-wide review, and are making progress exploring our future fleet options with aircraft and engine manufacturers Our options range from maintaining our current fleet of E190s to replacing it with alternative aircraft types The commercial aircraft landscape has recently changed, requiring us to spend more time assessing our options. We examine all fleet and capital decisions through the lens of aiming to achieve superior margins and drive Shareholder value.

- ***Network*** - We continued to expand and grow in our high-value geography. In 2017, we expanded our network with one new BlueCity, bringing our total as of the end of December 2017 to 101 BlueCities, and added several connect-the-dot routes.

We began service in March from Boston to Atlanta, our 101 st BlueCity. Atlanta became the 63 rd nonstop destination from Boston. The addition of nonstop Atlanta service, which was the most requested destination by our Boston Customers, is part of our plan to reach 200 daily flights in the coming years Customers in both cities benefit from convenient, five times daily service between Boston and Atlanta. In December 2017, we moved our LaGuardia operation from the airport's Central Terminal B to our new home at the historic Marine Air Terminal. We're New York's Hometown Airline™ and we believe moving into the Marine Air Terminal further exemplifies JetBlue's leadership in our largest focus city The move to the Marine Air Terminal will also enhance the Customer experience at LaGuardia by allowing Customers to avoid the congestion and traffic associated with the Central Terminal – a particularly significant benefit for Customers traveling on our popular LaGuardia-Boston route.

In May 2018, we plan to begin three daily roundtrip services from Boston to Minneapolis, making Minneapolis our 102 nd BlueCity, and the 65 th nonstop destination from Boston

- ***Customer Service*** - JetBlue and our Crewmembers were recognized in 2017 for industry leading customer service.

JetBlue received the top score on the American Customer Satisfaction Index (ACSI) among airlines Our score of 82 was the highest for any domestic airline. Additionally, Airline Ratings awarded us 7 out of 7 stars for safety, and 5 out of 5 stars for our product offerings

- ***Our Crewmembers*** - During 2017 , our Crewmembers recognized JetBlue as one of America's "Best Employers" by Forbes. JetBlue ranked #12 through a survey that asked individuals how likely they would be to recommend their employer to someone else. We are proud that for a sixth year we have achieved a top score of 100 on the Corporate Equality Index, which rates major U.S. companies and their policies and practices related to the LGBT community, earning us the designation of one of the "Best Places to Work for LGBT Equality."

Effective January 1, 2017, profit sharing eligible Crewmembers received an 8% raise and a modified profit sharing plan We believe this recognition and change to our compensation structure reflects industry trends and ensures that our

Crewmember compensation and rewards are fair and competitive. Under the modified profit sharing plan, non-management Crewmembers are eligible to receive profit sharing, calculated as 10% of adjusted pre-tax income before profit sharing and special items, up to a pre-tax margin of 18% with the result reduced by Retirement Plus contributions. If JetBlue's resulting pre-tax margin exceeds 18%, non-management Crewmembers will receive 20% profit sharing on amounts above an 18% pre-tax margin.

We believe the recent U S. tax reform changes will be positive for our company, and provide JetBlue with the opportunity to pass on the benefit to our Crewmembers, Customers and Shareholders. With tax reform in mind, we announced a $1,000 bonus for every Crewmember employed as of December 31, 2017.

JETBLUE EXPERIENCE

We offer our Customers a distinctive flying experience which we refer to as the "JetBlue Experience." We believe we deliver award winning service that focuses on the entire Customer experience, from booking an itinerary to arrival at the final destination. Typically, our Customers are neither high-traffic business travelers nor ultra-price sensitive travelers. Rather, we believe we are the carrier of choice for the majority of travelers who have been underserved by other airlines as we offer a differentiated product and award winning customer service

Differentiated Product and Culture

Delivering the JetBlue Experience to our Customers through our differentiated product and culture is core to our mission to inspire humanity. We look to attract new Customers to our brand and provide current Customers with a reason to come back by continuing to innovate and evolve the JetBlue Experience. We believe we can adapt to the changing needs of our Customers and a key element of our success is the belief that competitive fares and quality air travel need not be mutually exclusive

Our award winning service begins from the moment our Customers purchase a ticket through one of our distribution channels such as *www.jetblue.com* , our mobile applications or our reservations centers. Customers can purchase tickets under our Fare Options pricing model, at one of three branded fares· Blue, Blue Plus, and Blue Flex. Each fare includes different offerings such as free checked bags, reduced change fees, and additional TrueBlue ® points, with all fares including our core offering of free in-flight entertainment, free brand name snacks and free non-alcoholic beverages. Customers can choose to "buy up" to an option with additional offerings. These different fares allow Customers to select the products or services they need or value when they travel, without having to pay for the things they do not need or value.

Upon arrival at the airport, our Customers are welcomed by our dedicated Crewmembers and can choose to purchase one or more of our ancillary options such as Even More ™ Speed, allowing them to enjoy an expedited security experience in most domestic JetBlue locations. Customers who select our Blue Flex option or purchase a Mint ™ seat receive Even More ™ Speed as part of their fare. We additionally have mobile applications for both Apple and Android devices which have robust features including real-time flight information updates and mobile check-in for certain routes. Our applications are designed to enhance our Customers' travel experience and are in keeping with the JetBlue Experience.

Our self-service initiative in select BlueCities redesigned the physical layout of the airport lobby and the way our Customers travel through it. Our new user-friendly kiosks are the first point of contact for each Customer traveling through the airport lobby. While all Customers are encouraged to use the kiosks, our new lobby layout allows them to choose the check-in experience they prefer Customers who choose to use our kiosk receive a virtually queue-less experience. For Customers who prefer a more traditional experience, our Help Desk offers full-service check-in. The self-service model allows Crewmembers to get out from behind the ticket counter and move through the lobby to guide our Customers through the check-in process. The self-service lobby opens up the opportunity for our Crewmembers to make personal connections with our Customers, to assist with bag tagging, to answer Customer questions and direct them to their next step in the travel ribbon

Once onboard our aircraft, Customers enjoy seats in a comfortable layout with the most legroom in the main cabin of all U.S. airlines, based on average fleet-wide seat pitch Our Even More ™ Space seats are available for purchase across our fleet, giving Customers the opportunity to enjoy additional legroom. Customers on certain transcontinental or Caribbean flights have the option to purchase our premium service, Mint ™, which has 16 fully lie-flat seats, including four suites with privacy doors

Our in-flight entertainment system onboard our Airbus A320 and Embraer E190 aircraft includes 36 channels of free DIRECTV ®, 100 channels of free SiriusXM ® satellite radio and premium movie channel offerings from JetBlue Features ® Customers on our Airbus A321 aircraft have access to 100 channels of DIRECTV ®, 100+ channels of SiriusXM ® radio and premium movie channel offerings from JetBlue Features ®. Our Mint ™ Customers enjoy 15-inch flat screen televisions to experience our in-flight entertainment offerings. Our entire fleet is equipped with Fly-Fi ™, a broadband product, with connectivity that we believe is significantly faster than airlines featuring K u -band satellites and older ground to air technology. Customers also have access to the Fly-Fi ™ Hub, a content portal where Customers can access a wide range of movies, television shows and additional content from their own personal devices. In 2017, we became the first in the U S. to offer gate-to-gate internet connectivity on every aircraft. Gate-to-gate Fly-Fi ™ eliminates the need to wait until reaching cruising altitude to get connected. Instead, Customers can email, surf, stream, tweet and shop from the moment they board until they reach the arrival gate.

All Customers may enjoy an assortment of free and unlimited brand name snacks and non-alcoholic beverages and have the option to purchase additional products such as blankets, pillows, headphones, premium beverages and premium food selections. Our Mint ™ Customers have access to an assortment of complimentary food, beverages and products including a small-plates menu, artisanal snacks, alcoholic beverages, a blanket, pillows and headphones.

Our Airbus A321 aircraft in a single cabin layout have 200 seats and those with our Mint ™ offering have 159 seats. Our Airbus A320 aircraft have 150 seats while our Embraer E190 aircraft have 100 seats. As part of our cabin restyling program we expect to increase the seat density on our Airbus A320 fleet. Our reconfiguring of our Airbus A320 aircraft will result in 162 seats. Regarding our cabin restyling program, the industry has experienced design failures with the space efficient lavatories that we have installed on certain of our A321s, and are planning to install on the A320s. During the fourth quarter of 2017, we made significant progress in addressing certain quality issues with our business partners. As a result, our first Airbus A320 entered modifications for prototyping during the first quarter of 2018, coinciding with a scheduled heavy maintenance check for operational efficiency We believe this multi-year restyling program will allow us to increase capacity in a capital-efficient and customer-focused way

Because of our network strength in leisure destinations, we also sell vacation packages through JetBlue ® Vacations, a one-stop, value-priced vacation service for self-directed packaged travel planning. These packages offer competitive fares for air travel on JetBlue along with a selection of JetBlue-recommended hotels and resorts, car rentals and local attractions In 2018, we created a standalone wholly-owned subsidiary, JetBlue Travel Products, LLC that will absorb the JetBlue ® Vacations business.

We work to provide a superior air travel experience, including communicating openly and honestly with Customers about delays and service disruptions. We are the only major U.S. airline to have a Customer Bill of Rights. This program was introduced in 2007 to provide compensation to Customers who experience inconveniences This Customer Bill of Rights commits us to high service standards and holds us accountable if we fall short.

In 2017 , we completed 97.3% of our scheduled flights Unlike most other airlines, we have a policy of not overbooking flights.

Our Customers have repeatedly indicated the distinctive JetBlue Experience is an important reason why they select us over other carriers. We measure and monitor customer feedback regularly which helps us to continuously improve customer satisfaction. One way we do so is by measuring our net promoter score, or NPS This metric is used by companies in a broad range of industries to measure and monitor the customer experience. Many of the leading consumer brands that are recognized for great customer service receive high NPS scores We believe a higher NPS score has positive effects on customer loyalty and ultimately leads to increased revenue.

Network/ High-Value Geography

We are a predominately point-to-point system carrier, with the majority of our routes touching at least one of our six Focus Cities New York, Boston, Fort Lauderdale-Hollywood, Orlando, Long Beach and San Juan, Puerto Rico. During 2017 , over 92% of our Customers flew on nonstop itineraries.

Leisure traveler focused airlines are often faced with high seasonality. As a result, we continually work to manage our mix of Customers to include both business travelers and travelers visiting friends and relatives, or VFR. VFR travelers tend to be slightly less seasonal and less susceptible to economic downturns than traditional leisure destination travelers. Understanding the purpose of our Customers' travel helps us optimize destinations, strengthen our network and increase unit revenues. All six of our Focus Cities are in regions with a diverse mix of traffic and were profitable in 2017

As of December 31, 2017 , our network served 101 BlueCities in 30 states, the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, and 21 countries in the Caribbean and Latin America.

We also made changes across our network by announcing new routes between existing BlueCities. We group our capacity distribution based upon geographical regions rather than on a mileage or a length-of-haul basis The historic distribution of ASMs, or capacity, by region for the years ending December 31 was

Capacity Distribution	2017	2016	2015
Florida	30.1%	29.1%	29.2%
Transcontinental	28.6	28.8	28.5
Caribbean & Latin America [1]	28 3	30.1	30.2
East	6.4	5.4	5.7
Central	3 8	4.1	3.8
West	2.8	2.5	2.6
Total	**100.0%**	**100.0%**	**100.0%**

(1) Domestic operations as defined by the U.S. Department of Transport, or DOT, include Puerto Rico and the U.S. Virgin Islands, but for the purposes of the capacity distribution table above we have included these locations in the Caribbean and Latin America region

During the past decade we invested in our network, which had been dominated by the New York metropolitan area with over half of our ASMs. Our network growth over the past few years has been focused on the business traveler in Boston as well as travelers to the Caribbean and Latin America region We expect to focus on increasing our presence in Fort Lauderdale-Hollywood where we believe there is an opportunity to increase our operations to destinations throughout the Caribbean and Latin America. Our plan is supported by significant investment from the Broward County Aviation Department in the airport and surrounding facilities. We believe our increased focus on Boston and Fort Lauderdale-Hollywood makes our ASMs more balanced and the overall network is stronger.

In 2018, we anticipate further expanding our network and have previously announced service to the following new destination:

Destination	Service Scheduled to Commence
Minneapolis, MN	May 3, 2018

Airline Commercial Partnerships

Airlines frequently participate in commercial partnerships with other carriers in order to increase Customer convenience by providing interline-connectivity, code-sharing, coordinated flight schedules, frequent flyer program reciprocity and other joint marketing activities As of December 31, 2017 , we had 48 airline commercial partnerships. Our commercial partnerships typically begin as an interline agreement allowing a Customer to book one itinerary with tickets on multiple airlines During 2017 , we entered into one new code-sharing agreement. Code-sharing is a practice by which one airline places its name and flight number on flights operated by another airline. In 2018, we expect to continue to seek additional strategic opportunities through new commercial partners as well as assess ways to deepen existing airline partnerships We plan to do this by expanding code-share relationships and other areas of cooperation such as frequent flyer programs We believe these commercial partnerships allow us to better leverage our strong network and drive incremental traffic and revenue while improving off-peak travel.

Marketing

JetBlue is a widely recognized and respected global brand. JetBlue created a new category in air travel and our brand stands for high service quality at a reasonable cost. We believe this brand has evolved into an important and valuable asset which identifies us as a safe, reliable, high value airline. Similarly, we believe customer awareness of our brand has contributed to the success of our marketing efforts It enables us to promote ourselves as a preferred marketing partner with companies across many different industries.

We market our services through advertising and promotions in various media forms including popular social media outlets. We engage in large multi-market programs, local events and sponsorships across our route network as well as mobile marketing programs. Our targeted public and community relations efforts reflect our commitment to the communities we serve, as well as promoting brand awareness and complementing our strong reputation

Distribution

Our primary and preferred distribution channel to Customers is through our website, *www jetblue com* , our lowest cost channel. Our website allows us to more closely control and deliver the JetBlue Experience while also offering the full suite of

JetBlue Fare Options, EvenMore™ Space and Speed, and other ancillary services In the first half of 2015, we introduced a new merchandising platform for *www.jetblue.com* with our business partner Datalex, in addition to merchandising capabilities on our kiosks and in our self-service channels with our business partner IBM.

Our participation in global distribution systems, or GDS, supports our profitable growth, particularly in the business market. We find business Customers are more likely to book through a travel agency or a booking product which relies on a GDS platform. Although the cost of sales through this channel is higher than through our website, the average fare purchased through GDS is generally higher and often covers the increased distribution costs. We currently participate in several major GDS and online travel agents, or OTA. Due to the majority of our Customers booking travel on our website, we maintain relatively low distribution costs despite our increased participation in GDS and OTA in recent years

Customer Loyalty Program

TrueBlue ® is our customer loyalty program designed to reward and recognize loyal Customers. Members earn points based upon the amount paid for JetBlue flights and services from certain commercial partners. Our points do not expire, the program has no black-out dates or seat restrictions, and any JetBlue destination can be booked if the TrueBlue ® member has enough points to exchange for the value of an open seat. Mosaic ® is an additional level for our most loyal Customers who either (1) fly a minimum of 30 times with JetBlue and acquire at least 12,000 base flight points within a calendar year or (2) accumulate 15,000 base flight points within a calendar year Over 2 million TrueBlue ® one-way redemption awards were flown during 2017 , representing approximately 5% of our total revenue passenger miles.

We currently have co-branded loyalty credit cards available to eligible U.S. residents, as well as co-brand agreements in Puerto Rico and the Dominican Republic to allow cardholders to earn TrueBlue ® points. Our current co-branded credit card partnership with Barclaycard ® on the MasterCard ® network exceeded expectations for conversion rates and has exceeded our expectations for new member enrollments. We also have co-branded loyalty credit cards issued by Banco Santander Puerto Rico and MasterCard ® in Puerto Rico as well as Banco Popular Dominicano and MasterCard ® in the Dominican Republic. These credit cards allow Customers in Puerto Rico and the Dominican Republic to take full advantage of our TrueBlue ® loyalty program.

We have a separate agreement with American Express ® that allows any American Express ® cardholder to convert Membership Rewards ® points into TrueBlue ® points In 2016, we added a partnership agreement with Citibank ® to convert Citi ThankYou® Rewards points into TrueBlue ® points We have various agreements with other loyalty partners, including hotels and car rental companies, that allow their Customers to earn TrueBlue ® points through participation in our partners' programs Customers can link their TrueBlue account with Lyft, to take advantage of unique discounts, travel perks, and earn TrueBlue loyalty points on any Lyft ride to and from any airport nationwide We intend to continue to develop the footprint of our co-branded credit cards and pursue other loyalty partnerships in the future.

OPERATIONS AND COST STRUCTURE

Historically, our cost structure has allowed us to price fares lower than many of our competitors and is a principal reason for our profitable growth. Our current cost advantage relative to some of our competitors is due to, among other factors, high aircraft utilization, new and efficient aircraft, relatively low distribution costs, and a productive workforce. Because our network initiatives and growth plans require a low cost platform, we strive to stay focused on our competitive costs, operational excellence, efficiency improvements and enhancing critical elements of the JetBlue Experience.

During 2016 we introduced an initiative to reduce our structural cost with the goal of saving $250 to $300 million by 2020. The program aims to cover all cost categories including our technical operations, corporate services, airports and our distribution network Through a combination of strategic sourcing, planning, automation and a review of our distribution channel strategy we anticipate delivering structural cost savings which will continue to allow us to deliver the JetBlue Experience to our Customers while maintaining a competitive cost structure. In 2017, we made significant progress in the initial stages of achieving this target and have already secured approximately $90 million of the goal. In order to minimize distribution costs, we have been proactively reducing the number of online travel agencies that sell our tickets This is the first phase of a broader strategy to drive our most price-sensitive Customers towards direct distribution, our lowest cost and best merchandise channel

Route Structure

Our point-to-point system is the foundation of our operational structure, with the majority of our routes touching at least one of our six focus cities This structure allows us to optimize costs as well as accommodate Customers' preference for nonstop itineraries A vast majority of our operations are centered in and around the heavily populated northeast corridor of the U.S , which includes the New York and Boston metropolitan areas This airspace is some of the world's most congested and drives certain operational constraints

Our peak levels of traffic over the course of the year vary by route; the East Coast to Florida/Caribbean routes peak from October through April and the West Coast routes peak in the summer months Many of our areas of operations in the Northeast experience poor winter weather conditions, resulting in increased costs associated with de-icing aircraft, canceled flights and accommodating displaced Customers. Many of our Florida and Caribbean routes experience bad weather conditions in the summer and fall due to thunderstorms and hurricanes. As we enter new markets we could be subject to additional seasonal variations along with competitive responses by other airlines.

- ***New York metropolitan area*** - We are New York's Hometown Airline ™. The majority of our flights originate in the New York metropolitan area, the nation's largest travel market. JFK is New York's largest airport, and we are the second largest airline at JFK as measured by domestic seats. Our 2017 operations accounted for more than 37% of seats offered on domestic routes from JFK. As JFK is a slot controlled airport we have been able to continue to grow our operations by adding more seats per departure with the delivery of the Airbus A321 aircraft, as well as continuing to optimize routes based upon load factor and costs. We operate from Terminal 5, or T5, which includes an international arrivals facility within our current T5 footprint. We believe T5 enables us to increase operational efficiencies, provide savings, streamline our operations and improve the overall travel experience for our Customers arriving from international destinations. We also serve New Jersey's Newark Liberty International Airport, or Newark, New York City's LaGuardia Airport, or LaGuardia, Newburgh, New York's Stewart International Airport and White Plains, New York's Westchester County Airport. We are the leading carrier in the average number of flights flown per day between the New York metropolitan area and Florida. In December, we moved our operation at LaGuardia from the Central Terminal to the historic Marine Air Terminal, also known as Terminal A bringing our Customers greater convenience and an improved ground experience while the Central Terminal undergoes reconstruction. We also added year-round Mint™ service from New York to Las Vegas and San Diego this year.

- ***Boston*** - We are the largest carrier in terms of flights and capacity at Boston's Logan International Airport. By the end of 2017 we flew to 63 nonstop destinations from Boston and our operations accounted for more than 27% of all seats offered in Boston. We continue to capitalize on opportunities in the changing competitive landscape by adding routes, frequencies and increasing our relevance to local travelers. Our plan is to grow Boston with a general target of 200 flights per day In August 2017, we announced nonstop service will be offered to Syracuse, NY, in January 2018 In October 2017, we announced nonstop service to be offered to Minneapolis in the second quarter of 2018

With the success of our existing Mint™ routes, we announced additional Boston Mint™ service to San Francisco, which began in the third quarter of 2017, to San Diego, which began in the fourth quarter of 2017, and seasonal Mint™ service to St. Maarten, which began in the fourth quarter of 2017.

In November 2015, we unveiled Phase I of our $50 million Logan Terminal C upgrade which included new kiosks and ticket counters Twenty-five kiosks and thirty check-in counters are in use in the North Pod of the terminal. Phase II of the upgrade, funded by the Massachusetts Port Authority, or Massport, was completed on the South Pod in 2016 which mirrors the check-in experience of the North Pod. Updated digital flight information displays and a connector between Terminal C and international flights at Terminal E were also completed during 2016. We lease 23 gates, and completed installation of self-service kiosks in Boston in early 2017

- ***Caribbean and Latin America*** - At the end of 2017 we had 38 BlueCities in the Caribbean and Latin America and we expect our presence to continue to grow San Juan, Puerto Rico is our only focus city outside of the Continental U.S. We are the largest airline in Puerto Rico serving more nonstop destinations than any other carrier We are also the largest airline in the Dominican Republic, serving five airports. While the Caribbean and Latin American region is a growing part of our network, operating in this region can present challenges, including working with less developed airport infrastructure, political instability and vulnerability to corruption. The second half of 2017 brought extraordinary weather conditions due to several strong hurricanes. We believe full recovery in Puerto Rico in the wake of Hurricane Maria will take many months. As the largest airline in the Commonwealth, we are working closely with the authorities and the community to support short-term needs and help in the long-term recovery. In September 2017, we launched a companywide initiative, 100x35JetBlue, including daily relief flights, transportation of essential items and fund raising initiatives. We plan to continue our efforts and commitment to providing support during 2018.

- ***Fort Lauderdale-Hollywood*** - We are the largest carrier at Fort Lauderdale-Hollywood International Airport, or Fort Lauderdale-Hollywood, with approximately 25% of all seats offered in 2017 . We expect Fort Lauderdale-Hollywood to continue to be our fastest growing focus city. Flying out of Fort Lauderdale-Hollywood instead of nearby Miami International Airport helps preserve our competitive cost advantage through lower enplanement costs In 2012, Broward County authorities commenced a multi-year, $2.3 billion refurbishment effort at the airport and surrounding facilities including the construction of a new south runway. We operate primarily out of Terminal 3 which is scheduled to be refurbished and connected to the upgraded and expanded international terminal by 2018. We will have additional facilities in the new international terminal to support our international arrivals Terminal 3 allows for easy access to the expanded and enhanced airfield. We expect the connection of these terminals to streamline operations for both Crewmembers and Customers. Due to these factors, we believe Fort Lauderdale-Hollywood an ideal location between the U.S. and Latin America as well as South Florida's high-value geography. We intend to focus on Fort Lauderdale-Hollywood growth going forward. During 2017, we launched our Mint ™ service from Fort Lauderdale to Los Angeles and San Francisco, and we launched nonstop service to Salt Lake City. The new route continues to grow our presence in Fort Lauderdale where we're the largest airline. Salt Lake City will become the 56 th nonstop destination from Fort Lauderdale We expect to add new service to Atlanta in March of 2018

- ***Orlando*** - We are the third largest carrier in terms of capacity at Orlando International Airport, or Orlando, with 13% of all seats offered in 2017 . Orlando is JetBlue's fourth largest focus city with 30 nonstop destinations and a growing mix of traffic including leisure, VFR and business travelers Our centralized training center, known as JetBlue University, is based in Orlando. In 2015, we opened the Lodge at OSC which is adjacent to our training center and is used for lodging our Crewmembers when they attend training.

- ***Los Angeles area*** - We are the sixth largest carrier in the Los Angeles area measured by seats, operating from Long Beach Airport, or Long Beach, Los Angeles International Airport, or LAX, and Burbank's Bob Hope Airport. We are the largest carrier in Long Beach, with almost 80% of all seats offered in 2017 operated by JetBlue. We worked with the city of Long Beach and the community to request the U.S. Customs and Border Protection to add a Federal Inspection Site, or FIS, at the airport, which would have enabled us to serve international destinations from Long Beach. However, in January 2017, the Long Beach City Council voted against moving forward with the plans for the FIS facility. Long Beach remains an important BlueCity for JetBlue and is part of our broader strategy.

In June 2014, we started operating our premium service, Mint™, from LAX, which continued to grow during 2017. We currently offer up to eleven daily round trips between JFK and LAX and up to four daily round trips between Boston and LAX. While international service is not possible at Long Beach due to Federal regulations, we remain committed to Long Beach and to growing across California. We are now operating more flights than we ever have in our 15-year history at Long Beach and we continue to grow our LAX operation with the expansion of Mint™ Elsewhere in the region, we serve Burbank and are now on the waiting list for slots at John Wayne Airport in Orange County.

Fleet Structure

We currently operate Airbus A321, Airbus A320 and Embraer E190 aircraft types. In 2017 , our fleet had an average age of 9 2 years and operated an average of 11 7 hours per day By scheduling and operating our aircraft more efficiently we are able to spread related fixed costs over a greater number of ASMs.

The reliability of our fleet is essential to ensuring our operations run efficiently and we are continually working with our aircraft and engine manufacturers to enhance our performance

Our comprehensive fleet review continues as we explore all options Regarding our cabin restyling program, the industry experienced design failures with the space efficient lavatories that we have installed on our A321s, and are planning to install on the A320s. During the fourth quarter of 2017, we made significant progress in addressing certain quality issues with our business partners. As a result, our first Airbus A320 entered modifications for prototyping during the first quarter of 2018, coinciding with a scheduled heavy maintenance check for operational efficiency. We believe this multi-year restyling program will allow us to increase capacity in a capital-efficient and customer-focused way

We are working with the Federal Aviation Administration, or FAA, in efforts towards implementing the Next Generation Air Transportation System, or NextGen, by 2020. NextGen technology is expected to improve operational efficiency in the congested airspaces in which we operate In 2012, we equipped 35 of our Airbus A320 aircraft to test ADS-B Out, a satellite based technology aimed to facilitate the communication between pilots and air traffic controllers. Even though it is still in the testing phase we have already seen benefits from the ADS-B Out equipment including being able to reroute flights over the Gulf of Mexico to avoid bad weather, an area where the current FAA radar coverage is not complete. In 2012, we also became the first FAA certified Airbus A320 carrier in the U S. to use satellite-based Special Required Navigation Performance Authorization Required, or RNP AR, approaches at two of JFK's prime and most used runways, 13L and 13R. As part of NextGen, our aircraft will also be outfitted with the following:

- ***Satellite-based Communications***. We are putting satellite-based voice and data communications (SATCOM) on our Airbus fleet. Every aircraft will be assigned a unique phone number, similar to a cell network. This will give us positive contact with aircraft anywhere in the world.
- ***Data Comm***. Data Comm makes departures more efficient by dramatically speeding up the process of aircraft pilots obtaining clearance from air traffic controllers With Data Comm, controllers can simply push clearance details to the aircraft and dispatcher, which the pilot can confirm and automatically input into the flight computer with the push of a button. We recently received approval to equip our entire Airbus fleet with Data Comm. Data Comm is currently installed on 35 of our Airbus A321 aircraft and will be equipped on all future deliveries.

In addition, we also plan to upgrade our entire fleet to the latest version of the Traffic Collision & Avoidance System (TCAS), a critical safety system that reduces the chance of a mid-air collision.

Fleet Maintenance

Consistent with our core value of safety, our FAA-approved maintenance programs are administered by our technical operations department. We use qualified maintenance personnel and ensure they have comprehensive training. We maintain our aircraft and associated maintenance records in accordance with, if not exceeding, FAA regulations. Fleet maintenance work is divided into three categories: line maintenance, heavy maintenance and component maintenance

The bulk of our line maintenance is handled by JetBlue technicians and inspectors. It consists of daily checks, overnight and weekly checks, or "A" checks, diagnostics and routine repairs

Heavy maintenance checks, or "C" checks, consist of a series of more complex tasks taking from one to four weeks to complete and are typically performed once every 15 months. All of our aircraft heavy maintenance work is performed by third party FAA-approved facilities such as Embraer, Haeco, Aeromantenimiento S.A. and Lufthansa Technik AG, and are subject to direct oversight by JetBlue personnel. We outsource heavy maintenance as the costs are lower than if we performed the tasks internally.

Component maintenance on equipment such as engines, auxiliary power units, landing gears, pumps and avionic computers are all performed by a number of different FAA-approved third party repair stations We have an agreement with Lufthansa Technik AG for the repair, overhaul, modification and logistics of our Airbus aircraft engines and certain Airbus components We also have a maintenance agreement with GE Engine Services, LLC for our Embraer E190 aircraft engines Many of our maintenance service agreements are based on a fixed cost per flight hour These fixed costs vary based upon the age of the aircraft and other operating factors impacting the related component. Required maintenance not otherwise covered by these agreements is performed on a time and materials basis. All other maintenance activities are sub-contracted to qualified maintenance, repair and overhaul facilities.

Aircraft Fuel

Aircraft fuel continues to be one of our largest expenses. Its price and availability has been extremely volatile due to global economic and geopolitical factors which we can neither control nor accurately predict We use a third party to assist with fuel management service and to procure most of our fuel. Our historical fuel consumption and costs for the years ended December 31 were:

	2017	2016	2015
Gallons consumed (millions)	792	760	700
Total cost (millions) [1]	$ 1,363	$ 1,074	$ 1,348
Average price per gallon [1]	$ 1.72	$ 1.41	$ 1.93
Percent of operating expenses	22.7%	20.2%	25.9%

(1) Total cost and average price per gallon each include related fuel taxes as well as effective fuel hedging gains and losses.

We attempt to protect ourselves against the volatility of fuel prices by entering into a variety of derivative instruments These include swaps, caps, collars, and basis swaps with underlyings of jet fuel, crude and heating oil

Financial Health

We strive to maintain financial strength and a cost structure that enables us to grow profitably and sustainably. In the first years of our history, we relied on financing activities to fund much of our growth. Starting in 2007, our growth has largely been funded through internally generated cash from operations. Since 2014, while we have invested approximately $4 1 billion in capital assets, we have also generated approximately $5.6 billion in cash from operations, resulting in approximately $1.5 billion in free cash flow. Our improved financial results have resulted in better credit ratings, which in turn allows for more attractive financing terms. Since 2014, we have also reduced our total debt balance by nearly $1 billion.

JetBlue Technology Ventures

JetBlue has a new wholly-owned subsidiary, JetBlue Technology Ventures, L.L.C., or JTV, that incubates, invests in and partners with early stage startups at the intersection of technology, travel and hospitality.

JetBlue Travel Products

In 2018, we launched JBTP, LLC, or JetBlue Travel Products, which includes our JetBlue ® Vacations brand and we plan to introduce a new booking flow on our website to better merchandise our existing travel products.

TWA Flight Center Hotel Development

In 2015, the Board of Commissioners of the Port Authority of New York & New Jersey, or the PANYNJ approved a construction plan to redevelop the TWA Flight Center at JFK on its nearly six-acre site into a hotel with over 500 rooms, meeting spaces, restaurants, a spa and an observation deck The complex is planned to feature two six-story hotel towers As part of the plan, a 75-year lease agreement involves Flight Center Hotel LLC, a partnership of MCR Development, LLC and JetBlue. We estimate our ultimate ownership in the hotel to be approximately 5% to 10% of the final total investment. During December 2016, the TWA Flight Center Hotel officially broke ground. The hotel is scheduled to open in early 2019. It will be the first hotel on airport property at JFK since 2009. The only other hotels near the airport are budget accommodations a short drive away by shuttle bus or taxi.

CULTURE

Our People

Our success depends on our Crewmembers delivering a terrific Customer experience in the sky and on the ground. One of our competitive strengths is a service orientated culture grounded in our five key values: safety, caring, integrity, passion and fun. We believe a highly productive and engaged workforce enhances customer loyalty. Our goal is to hire, train and retain a diverse workforce of caring, passionate, fun and friendly people who share our mission to inspire humanity

Our culture is first introduced to new Crewmembers during the screening process and then at an extensive new hire orientation program at JetBlue University, our training center in Orlando Orientation focuses on the JetBlue strategy and emphasizes the importance of customer service, productivity and cost control. We provide continuous training for our Crewmembers including technical training, a specialized captain leadership training program unique in the industry, a leadership program for current company managers, an emerging managers program, regular training focused on the safety value and front line training for our customer service teams.

Our growth plans necessitate and facilitate opportunities for talent development In 2008, we launched the University Gateway Program, one of our many pilot recruitment initiatives, which made us the first airline to provide a training program for undergraduate students interested in becoming JetBlue First Officers In 2016, we launched Gateway Select, a program for prospective pilots to join us for a rigorous, approximately four-year training program that incorporates classroom learning, extensive real-world flying experience and instruction in full flight simulators.

We believe a direct relationship between Crewmembers and our leadership is in the best interests of our Crewmembers, our Customers and our Shareholders. Except for our pilots, our Crewmembers do not have third-party representation In April 2014, JetBlue pilots elected to be solely represented by the Air Line Pilots Association, or ALPA The National Mediation Board, or NMB, certified ALPA as the representative body for JetBlue pilots and we are working with ALPA to reach our first collective bargaining agreement We have individual employment agreements with each of our non-unionized FAA licensed Crewmembers which consist of dispatchers, technicians, inspectors and air traffic controllers. Each employment agreement is for a term of five years and renews for an additional five-year term, unless the Crewmember is terminated for cause or the Crewmember elects not to renew. Pursuant to these employment agreements, Crewmembers can only be terminated for cause. In the event of a downturn in our business, resulting in a reduction of flying and related work hours, we are obligated to pay these Crewmembers a guaranteed level of income and to continue their benefits. We believe that through these agreements we provide what we believe to be industry-leading job protection. We believe these agreements provide JetBlue and Crewmembers flexibility and allow us to react to Crewmember needs more efficiently than collective bargaining agreements.

In December 2017, The Transport Workers Union of America (TWU) filed for an election, the next step in its long-running effort to unionize our Inflight Crewmembers. We continue to monitor this process as it affects our Crewmembers. Our Inflight Crewmembers have an important choice to make and our focus remains on keeping our culture and values intact.

A key feature of the direct relationship with our Crewmembers is our Values Committees which are made up of peer-elected frontline Crewmembers from each of our major work groups, other than pilots. They represent the interests of our workgroups and help us run our business in a productive and efficient manner. We believe this direct relationship with Crewmembers drives higher levels of engagement and alignment with JetBlue's strategy, culture and overall goals.

We believe the efficiency and engagement of our Crewmembers is a result of our flexible and productive work rules. We are cognizant of the competition for productive labor in key industry positions and new government rules requiring higher qualifications as well as more restricted hours that may result in potential labor shortages in the upcoming years.

Our leadership team communicates on a regular basis with all Crewmembers in order to maintain a direct relationship and to keep them informed about news, strategy updates and challenges affecting the airline and the industry. Effective and frequent communication throughout the organization is fostered through various means including email messages from our CEO and other senior leaders at least weekly, weekday news updates to all Crewmembers, employee engagement surveys, a quarterly Crewmember magazine and active leadership participation in new hire orientations Leadership is also heavily involved in periodic open forum meetings across our network, called "pocket sessions" which are often videotaped and posted on our intranet. By soliciting feedback for ways to improve our service, teamwork and work environment, our leadership team works to keep Crewmembers engaged and makes our business decisions transparent. Additionally, we believe cost and revenue improvements are best recognized by Crewmembers on the job.

Our average number of full-time equivalent Crewmembers for the year ended December 31, 2017 consisted of 3,211 pilots, 4,251 inflight (whom other airlines may refer to as flight attendants), 4,512 airport operations personnel, 585 technicians (whom other airlines may refer to as mechanics), 1,430 reservation agents, and 3,129 management and other personnel. For the year ended December 31, 2017 , we employed an average of 14,870 full-time and 5,108 part-time Crewmembers

Crewmember Programs

We are committed to supporting our Crewmembers through a number of programs including:

- ***Crewmember Resource Groups (CRGs)*** - These are groups formed by and consisting of Crewmembers to act as a resource for both the group members as well as JetBlue The groups serve as an avenue to embrace and encourage different perspectives, thoughts and ideas At the end of 2017 , we had four CRGs in place JetPride, Women in Flight, Vets in Blue, and BlueConexion In 2018, we welcome the JetBlue African Diaspora Experience (JADE), our fifth CRG

- ***JetBlue Crewmember Crisis Fund (JCCF)*** - This organization, originally formed in 2002, is a non-profit corporation independent from JetBlue and recognized by the IRS as of that date as a tax-exempt entity. JCCF was created to assist JetBlue Crewmembers and their immediate family members (IRS Dependents) in times of crisis Funds for JCCF grants come directly from Crewmember donations via a tax-deductible payroll deduction. During 2017 we witnessed several unprecedented weather challenges including various hurricanes JCCF helped provide over $2 million in relief to Crewmembers impacted by Hurricanes Harvey, Irma and Maria The assistance process is confidential with only the fund administrator and coordinator knowing the identity of the Crewmembers in need

- ***JetBlue Scholars*** - Developed in 2015, this program offers a new and innovative model to our Crewmembers wishing to further their education. Crewmembers enrolled in the program can earn a bachelor's degree through self-directed online college courses facilitated by JetBlue In November 2017 we celebrated the graduation of 60 of our Crewmembers who took the initiative and successfully completed their undergraduate college degrees This reemphasizes our continuous effort to help provide assistance to our most valued asset, our people

- ***Lift Recognition Program*** - Formed in 2012, this Crewmember recognition program encourages Crewmembers to celebrate their peers for living JetBlue's values by sending e-thanks through an on-line platform. Our senior leadership team periodically hosts an event for the Crewmembers who receive the highest number of Lift award recognitions in each quarter of the year. In 2017 , we saw more than 100,000 Lift awards.

Community Programs

JetBlue is strongly committed to supporting the communities and BlueCities we serve through a variety of community programs including:

- ***100x35JetBlue*** - As the airline with more service than any other carrier in Puerto Rico and nearly 500 local Crewmembers, we take our commitment to the community very seriously. 100x35JetBlue, an initiative JetBlue launched following Hurricane Maria making landfall in the Caribbean, we supported our Crewmembers, Customers, and communities to meet urgent needs and ongoing rebuilding efforts after the devastating impact of Hurricane Maria. JetBlue's support included helping replenish vegetation and the ecosystem, hosting free meal events, donating school supplies, partnering with community leaders and influencers to raise awareness and funds, and offering advertising space to promote Puerto Rican tourism.

- ***Corporate Social Responsibility (CSR)*** - The CSR team supports not-for-profit organizations focusing on youth and education, environment, and community in the BlueCities we serve. The team organizes and supports community service projects, charitable giving and non-profit partnerships such as KaBOOM!, which builds, opens and improves playgrounds to benefit millions of young children, and Soar with Reading, which works to get books into the hands of children who need them most including free book vending machines.

- ***JetBlue Foundation*** - Organized in 2013 as a non-profit corporation, this foundation is a JetBlue-sponsored organization to advance aviation-related education and to continue our efforts to promote aviation as a career choice for students. The foundation intends to do this by igniting interest in science, technology, engineering and mathematics. The foundation is legally independent from JetBlue and has a Board of Directors as well as an Advisory Committee, both of which are made up of Crewmembers. The foundation is recognized by the IRS as a tax-exempt entity.

- ***USO Center T5/JFK*** - Continuing our tradition of proudly supporting the men, women and families of the U.S. military, in September 2014 we opened a USO Center in T5 at JFK The USO Center is open seven days a week, 365 days per year for military members and their families traveling on any airline at JFK, not just JetBlue This USO Center is fully stocked with computers, televisions, gaming devices/stations, furniture, iPads, food, beverages and much more. In conjunction with leading airport design firm Gensler, Turner Construction Company, the PANYNJ and more than 28 contractors and individual donors, 100% of the space, services, labor and materials were donated to ensure the USO Center would be free of any financial burden. Crewmembers donate time to help run the USO Center.

- ***T5 Farm*** - Creating a healthier airport environment is a core pillar of JetBlue's sustainability philosophy. Through a partnership with TERRA brand and support from GrowNYC and the PANYNJ, we created the T5 Farm, a blue potato farm and produce garden on the roof of T5 The T5 Farm aims to serve as an agricultural and educational resource for the community, as well as a mechanism to absorb rainwater and runoff, reducing the possibility of flooding in the adjacent areas Produce from the T5 Farm is donated to local food pantries

REGULATION

Airlines are heavily regulated, with rules and regulations set by various federal, state and local agencies We also operate under specific regulations due to our operations within the high density airspace of the northeast U S Most of our airline operations are regulated by U.S. governmental agencies including:

DOT - The DOT primarily regulates economic issues affecting air service including, but not limited to, certification and fitness, insurance, consumer protection and competitive practices They set the requirement that carriers cannot permit domestic flights to remain on the tarmac for more than three hours. The DOT also requires that the advertised price for an airfare or a tour package including airfare (such as a hotel/air vacation package) has to be the total price to be paid by the Customer, including all government taxes and fees It has the authority to investigate and institute proceedings to enforce its economic regulations and may assess civil penalties, revoke operating authority and seek criminal sanctions.

FAA - The FAA primarily regulates flight operations, in particular, matters affecting air safety This includes but is not limited to airworthiness requirements for aircraft, the licensing of pilots, mechanics and dispatchers, and the certification of flight attendants. It requires each airline to obtain an operating certificate authorizing the airline to operate at specific airports using specified equipment. Like all U.S. certified carriers, JetBlue cannot fly to new destinations without the prior authorization of the FAA. After providing notice and a hearing, it has the authority to modify, suspend temporarily or revoke permanently our authority to provide air transportation or that of our licensed personnel for failure to comply with FAA regulations. It can additionally assess civil penalties for such failures as well as institute proceedings for the imposition and collection of monetary fines for the violation of certain FAA regulations. When significant safety issues are involved, it can revoke a U.S. carrier's authority to provide air transportation on an emergency basis, without providing notice and a hearing It monitors our compliance with maintenance as well as flight operations and safety regulations. It maintains on-site representatives and performs frequent spot inspections of our aircraft, Crewmembers and records. It also has the authority to issue airworthiness directives and other mandatory orders. This includes the inspection of aircraft and engines, fire retardant and smoke detection devices, collision and windshear avoidance systems, noise abatement and the mandatory removal and replacement of aircraft parts that have failed or may fail in the future. We have and maintain FAA certificates of airworthiness for all of our aircraft and have the necessary FAA authority to fly to all of the destinations we currently serve.

TSA and U.S. Customs and Border Protection - The TSA and the U.S. Customs and Boarder Protection, or CBP, operate under the Department of Homeland Security and are responsible for all civil aviation security This includes passenger and baggage screening; cargo security measures; airport security; assessment and distribution of intelligence; security research and development; international passenger screening, customs, and agriculture It also has law enforcement powers and the authority to issue regulations, including in cases of national emergency, without a notice or comment period. It can also assess civil penalties for such failures as well as institute proceedings for the imposition and collection of monetary fines for the violation of certain regulations.

Taxes & Fees - The airline industry is one of the most heavily taxed in the U.S., with taxes and fees accounting for approximately 17% of the total fare charged to a Customer. Airlines are obligated to fund all of these taxes and fees regardless of their ability to pass these charges on to the Customer. The September 11 Security Fee which is set by the TSA and is passed through to the Customer, is currently $5 60 per enplanement, regardless of the number of connecting flights and a round trip fee is limited to a maximum of $11 20. Effective December 28, 2015, the Animal and Plant Health Inspection Service Aircraft Inspection fee increased from $70 75 to $225 per international aircraft arriving in the U.S.

State and Local - We are subject to state and local laws and regulations in a number of states in which we operate and the regulations of various local authorities operating the airports we serve

Airport Access - JFK, LaGuardia, and Ronald Reagan Washington National Airport, or Reagan National, are slot-controlled airports subject to the "High Density Rule" and successor rules issued by the FAA, or Slots. These rules were implemented due to the high volume of traffic at these popular airports located in the northeast corridor airspace The rules limit the air traffic in and out of these airports during specific times; however, even with the rules in place, delays remain among the highest in the nation due to continuing airspace congestion. We additionally have Slots at other Slot-controlled airports governed by unique local ordinances not subject to the High Density Rule, including Westchester County Airport in White Plains, NY and Long Beach (California) Municipal Airport. We started flying to Atlanta in the first half of 2017 and were not granted the agreed upon number of gates as originally promised, another common issue at certain airports.

Airport Infrastructure - The northeast corridor of the U.S. contains some of the most congested airspaces in the world. The airports in this region are some of the busiest in the country, the majority of which are more than 60 years old Due to high usage and aging infrastructure, issues arise at these airports that are not necessarily seen in other parts of the country. At JFK, the completion of high-speed taxiways, in addition to the runway renovations finished in 2015, enables landing aircraft the ability to exit the runway faster. We renovated our lobby layout as part of our self-service initiative with our new user friendly kiosks At LaGuardia, in late 2017 we moved from Central Terminal B to the historic Marine Air Terminal A. The Marine Air Terminal has a beautiful historic design which we plan to honor while adding our own modern touches to create an airport experience in line with the award-winning service our Customers receive onboard. We expect out makeover of the Terminal to continue into 2018 and to include updated and additional concessions post-security, more seating, and technology upgrades The Terminal is scheduled to feature an expanded check-in area with self-bag-tagging kiosks and a dedicated TSA Pre-Check lane with JetBlue as the main tenant, occupying four gates.

Foreign Operations - International air transportation is subject to extensive government regulation. The availability of international routes to U.S. airlines is regulated by treaties and related agreements between the U.S. and foreign governments. We currently operate international service to Antigua and Barbuda, Aruba, the Bahamas, Barbados, Bermuda, the Cayman Islands, Colombia, Costa Rica, Cuba, Curaçao, the Dominican Republic, Ecuador, Grenada, Haiti, Jamaica, Mexico, Peru, Saint Lucia, St. Maarten, Trinidad and Tobago and the Turks and Caicos Islands. To the extent we seek to provide air transportation to additional international markets in the future, we would be required to obtain necessary authority from the DOT and the applicable foreign government.

We believe we are operating in material compliance with DOT, FAA, TSA, CBP and applicable international regulations as well as hold all necessary operating and airworthiness authorizations and certificates Should any of these authorizations or certificates be modified, suspended or revoked, our business could be materially adversely affected

Other

Environmental - We are subject to various federal, state and local laws relating to the protection of the environment. This includes the discharge or disposal of materials and chemicals as well as the regulation of aircraft noise administered by numerous state and federal agencies.

The Airport Noise and Capacity Act of 1990 recognizes the right of airport operators with special noise problems to implement local noise abatement procedures as long as those procedures do not interfere unreasonably with the interstate and foreign commerce of the national air transportation system. Certain airports, including San Diego and Long Beach airports in California, have established restrictions to limit noise which can include limits on the number of hourly or daily operations and the time of such operations. These limitations are intended to protect the local noise-sensitive communities surrounding the airport. Our scheduled flights at Long Beach and San Diego are in compliance with the noise curfew limits, but on occasion when we experience irregular operations, we may violate these curfews In 2017, we entered into an agreement with the Long Beach City Prosecutor which requires us to pay a $6,000 fine per violation. The payments resulting from curfew violations go to support the Long Beach Public Library Foundation This local ordinance has not had, and we believe it will not have, a negative effect on our operations.

We report annually on environmental, social, governance (ESG) issues and our response to them uses the Sustainable Accounting Standards Board (SASB) framework. The report can be found on our Investor Relations website at http://blueir.investproductions.com

In 2017, JetBlue focused our sustainability efforts on three areas: Climate Leadership, Sustainable Operations, and Sustainable Tourism. Climate Leadership encompasses climate change related risk and greenhouse gases associated with the burning of jet fuel, our biggest environmental impact and regulatory exposure. Sustainable Operations encompasses implementation of operational change and new technologies to reduce our cost of natural resources associated with the operations. Sustainable Tourism encompasses commercial and environmental research to forecast future demand for tourism. more can be found on *www.jetblue.com/green/*

During 2016, we entered into a partnership to buy renewable jet fuel produced from plant derived oils. This marked the largest, long-term, commitment globally by any airline for a jet fuel based on fatty acids. Early engagement with a renewable jet fuel supply positions JetBlue to reduce costs associated with CO_2 emissions

Concern over climate change, including the impact of global warming, has led to significant U.S. and international legislative and regulatory efforts to limit GHG emissions, including our aircraft and diesel engine emissions. In October 2016, the International Civil Aviation Organization ("ICAO") passed a resolution adopting the Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA"), which is a global, market-based emissions offset program to encourage carbon-neutral growth beyond 2020. CORSIA is scheduled to take effect by 2021. ICAO continues to develop details regarding implementation, but we believe compliance with CORSIA will increase our operating costs

Foreign Ownership - Under federal law and DOT regulations, we must be controlled by U.S. citizens. In this regard, our president and at least two-thirds of our board of directors must be U.S. citizens Further, no more than 24 99% of our outstanding common stock may be voted by non-U.S. citizens We believe we are currently in compliance with these ownership provisions

Other Regulations - All airlines are subject to certain provisions of the Communications Act of 1934 due to their extensive use of radio and other communication facilities. They are also required to obtain an aeronautical radio license from the FCC. To the extent we are subject to FCC requirements, we take all necessary steps to comply with those requirements

Our labor relations are covered under Title II of the Railway Labor Act of 1926 and are subject to the jurisdiction of the NMB. In addition, during periods of fuel scarcity, access to aircraft fuel may be subject to federal allocation regulations.

Civil Reserve Air Fleet - We are a participant in the Civil Reserve Air Fleet Program, which permits the U.S. Department of Defense to utilize our aircraft during national emergencies when the need for military airlift exceeds the capability of military aircraft By participating in this program, we are eligible to bid on and be awarded peacetime airlift contracts with the U S. military.

Insurance

We carry insurance of types customary in the airline industry and at amounts deemed adequate to protect us and our property as well as comply with both federal regulations and certain credit and lease agreements As a result of the terrorist attacks of September 11, 2001, aviation insurers significantly reduced the amount of insurance coverage available to commercial airlines for liability to persons other than Crewmembers or passengers for claims resulting from acts of terrorism, war or similar events This is known as war risk coverage. At the same time, these insurers significantly increased the premiums for aviation insurance in general. The U.S. government agreed to provide commercial war-risk insurance for U.S. based airlines, covering losses to Crewmembers, passengers, third parties and aircraft. Prior to the end of U.S. government war-risk insurance coverage, JetBlue obtained comparable coverage in the commercial market starting in 2014 as part of our overall hull and liability insurance coverage.

WHERE YOU CAN FIND OTHER INFORMATION

Our website is *www.jetblue.com* . Information contained on our website is not part of this Report. Information we furnish or file with the SEC, including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to or exhibits included in these reports are available for download, free of charge, on our website soon after such reports are filed with or furnished to the SEC Our SEC filings, including exhibits filed therewith, are also available at the SEC's website at *www.sec.gov* . You may obtain and copy any document we furnish or file with the SEC at the SEC's public reference room at 100 F Street, NE, Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the SEC's public reference facilities by calling the SEC at 1-800-SEC-0330 You may request copies of these documents, upon payment of a duplicating fee, by writing to the SEC at its principal office at 100 F Street, NE, Room 1580, Washington, D.C. 20549.

ITEM 1A. RISK FACTORS

Risks Related to JetBlue

We operate in an extremely competitive industry.

The domestic airline industry is characterized by low profit margins, high fixed costs and significant price competition in an increasingly concentrated competitive field. We currently compete with other airlines on all of our routes. Most of our competitors are larger and have greater financial resources and name recognition than we do Following our entry into new markets or expansion of existing markets, some of our competitors have chosen to add service or engage in extensive price competition. Unanticipated shortfalls in expected revenues as a result of price competition or in the number of passengers carried would negatively impact our financial results and harm our business. The extremely competitive nature of the airline industry could prevent us from attaining the level of passenger traffic or maintaining the level of fares required to maintain profitable operations in new and existing markets and could impede our profitable growth strategy, which would harm our business

Furthermore, there have been numerous mergers and acquisitions within the airline industry in recent years. The industry may continue to change Any business combination could significantly alter industry conditions and competition within the airline industry and could cause fares of our competitors to be reduced. Additionally, if a traditional network airline were to fully develop a low cost structure, or if we were to experience increased competition from low cost carriers, our business could be materially adversely affected.

Our business is highly dependent on the availability of fuel and fuel is subject to price volatility.

Our results of operations are heavily impacted by the price and availability of fuel. Fuel costs comprise a substantial portion of our total operating expenses. Historically, fuel costs have been subject to wide price fluctuations based on geopolitical factors as well as supply and demand. The availability of fuel is not only dependent on crude oil but also on refining capacity. When even a small amount of the domestic or global oil refining capacity becomes unavailable, supply shortages can result for extended periods of time The availability of fuel is also affected by demand for home heating oil, gasoline and other petroleum products, as well as crude oil reserves, dependence on foreign imports of crude oil and potential hostilities in oil producing areas of the world. Because of the effects of these factors on the price and availability of fuel, the cost and future availability of fuel cannot be predicted with any degree of certainty

Our aircraft fuel purchase agreements do not protect us against price increases or guarantee the availability of fuel. Additionally, some of our competitors may have more leverage than we do in obtaining fuel. We have and may continue to enter into a variety of option contracts and swap agreements for crude oil, heating oil, and jet fuel to partially protect against significant increases in fuel prices However, such contracts and agreements do not completely protect us against price volatility, are limited in volume and duration in the respective contract, and can be less effective during volatile market conditions and may carry counterparty risk. Under the fuel hedge contracts we may enter from time to time, counterparties to those contracts may require us to fund the margin associated with any loss position on the contracts if the price of crude oil falls below specified benchmarks. Meeting our obligations to fund these margin calls could adversely affect our liquidity.

Due to the competitive nature of the domestic airline industry, at times we have not been able to adequately increase our fares to offset the increases in fuel prices nor may we be able to do so in the future. Future fuel price increases, continued high fuel price volatility or fuel supply shortages may result in a curtailment of scheduled services and could have a material adverse effect on our financial condition and results of operations.

We have a significant amount of fixed obligations and we will incur significantly more fixed obligations which could harm our ability to service our current obligations or satisfy future fixed obligations.

As of December 31, 2017 , our debt of $1.2 billion accounted for 21% of our total capitalization. In addition to long-term debt, we have a significant amount of other fixed obligations under operating leases related to our aircraft, airport terminal space, airport hangers, other facilities and office space. As of December 31, 2017 , future minimum payments under noncancelable leases and other financing obligations were approximately $3.3 billion for 2018 through 2022 and an aggregate of $1.6 billion for the years thereafter. T5 at JFK is under a lease with the PANYNJ that ends on the 28th anniversary of the date of beneficial occupancy of T5i. The minimum payments under this lease are being accounted for as a financing obligation and have been included in the future minimum payment totals above.

As of December 31, 2017 , we had commitments of approximately $7.3 billion to purchase 119 additional aircraft, ten spare engines and various aircraft modifications through 2024 , including estimated amounts for contractual price escalations We may incur additional debt and other fixed obligations as we take delivery of new aircraft or finance unencumbered aircraft in our fleet and other equipment and continue to expand into new or existing markets In an effort to limit the incurrence of significant additional debt, we may seek to defer some of our scheduled deliveries, sell or lease aircraft to others, or pay cash for new aircraft, to the extent necessary or possible. The amount of our existing debt, and other fixed obligations, and potential increases in the amount of our debt and other fixed obligations could have important consequences to investors and could require a substantial portion of cash flows from operations for debt service payments, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes

Our level of debt and other fixed obligations could.

- impact our ability to obtain additional financing to support capital expansion plans and for working capital and other purposes on acceptable terms or at all,
- divert substantial cash flow from our operations, execution of our commercial initiatives and expansion plans in order to service our fixed obligations,
- require us to incur significantly more interest expense than we currently do if rates were to increase, since approximately 15% of our debt has floating interest rates; and
- place us at a possible competitive disadvantage compared to less leveraged competitors and competitors with better access to capital resources or more favorable financing terms

Our ability to make scheduled payments on our debt and other fixed obligations will depend on our future operating performance and cash flows, which in turn will depend on prevailing economic and political conditions and financial, competitive, regulatory, business and other factors, many of which are beyond our control We are principally dependent upon our operating cash flows and access to the capital markets to fund our operations and to make scheduled payments on debt and other fixed obligations We cannot assure you we will be able to generate sufficient cash flows from our operations or from capital market activities to pay our debt and other fixed obligations as they become due. If we fail to do so our business could be harmed. If we are unable to make payments on our debt and other fixed obligations, we could be forced to renegotiate those obligations or seek to obtain additional equity or other forms of additional financing.

Our level of indebtedness may limit our ability to incur additional debt to obtain future financing needs.

We typically finance our aircraft through either secured debt, lease financing or through cash from operations The impact on financial institutions from global economic conditions may adversely affect the availability and cost of credit to JetBlue as well as to prospective purchasers of our aircraft should we undertake to sell in the future, including financing commitments we have already obtained for purchases of new aircraft or financing or refinancing of existing aircraft. To the extent we finance our activities with additional debt, we may become subject to financial and other covenants that may restrict our ability to pursue our strategy or otherwise constrain our operations.

Our maintenance costs will increase as our fleet ages.

Our maintenance costs will increase as our fleet ages. In the past, we have incurred lower maintenance expenses because most of the parts on our aircraft were under multi-year warranties, but many of these warranties have expired If any maintenance provider with whom we have a flight hour agreement fails to perform or honor such agreements, we could incur higher interim maintenance costs until we negotiate new agreements.

Furthermore we expect to implement various fleet modifications over the next several years to ensure our aircraft's continued efficiency, modernization, brand consistency and safety. Our plans to restyle our Airbus aircraft with new cabins, for example, may require significant modification time. These fleet modifications may require significant investment over several years, including taking aircraft out of service for several weeks at a time.

Our salaries, wages and benefits costs will increase as our workforce ages.

As our Crewmembers' tenure with JetBlue matures, our salaries, wages and benefits costs increase. As our overall workforce ages, we expect our medical and related benefits to increase as well, despite an increased corporate focus on Crewmember wellness.

We may be subject to unionization, work stoppages, slowdowns or increased labor costs and the unionization of the Company's pilots could result in increased labor costs.

Our business is labor intensive and the unionization of any of our Crewmembers could result in demands that may increase our operating expenses and adversely affect our financial condition and results of operations. Any of the different crafts or classes of our Crewmembers could unionize at any time, which would require us to negotiate in good faith with the Crewmember group's certified representative concerning a collective bargaining agreement In addition, we may be subject to disruptions by unions protesting the non-union status of our other Crewmembers. Any of these events would be disruptive to our operations and could harm our business

In general, unionization has increased costs in the airline industry On April 22, 2014, approximately 74% of our pilots voted to be represented by the Airlines Pilot Association, or ALPA. During 2015, we began negotiations with the union regarding a collective bargaining agreement which remain ongoing. If we are unable to reach agreement on the terms of a collective bargaining agreement, or we experience wide-spread Crewmember dissatisfaction, we could be subject to adverse actions In December 2017, the Transport Workers Union of America (TWU) filed for an election, the next step in its long-running effort to unionize our Inflight workgroup Any of these events could result in increased labor costs or reduced efficiency, which could have a material adverse effect on the Company's business, financial condition and results of operations.

There are risks associated with our presence in some of our international emerging markets, including political or economic instability and failure to adequately comply with existing legal and regulatory requirements.

Expansion into new international emerging markets may have risks due to factors specific to those markets. Emerging markets are countries which have less developed economies and may be vulnerable to economic and political instability, such as significant fluctuations in gross domestic product, interest and currency exchange rates, civil disturbances, government instability, nationalization and expropriation of private assets, trafficking and the imposition of taxes or other charges by governments. The occurrence of any of these events in markets served by us and the resulting instability may adversely affect our business

We have expanded and expect to continue to expand our service to countries in the Caribbean and Latin America, some of which have less developed legal systems, financial markets, and business and political environments than the United States, and therefore present greater political, legal, regulatory, economic and operational risks. We emphasize legal compliance and have implemented and continue to implement and refresh policies, procedures and certain ongoing training of Crewmembers with regard to business ethics and compliance, anti-corruption policies and many key legal requirements; however, there can be no assurance our Crewmembers or third party service providers in such locations will adhere to our code of business conduct, anti-corruption policies, other Company policies, or other legal requirements If we fail to enforce our policies and procedures properly or maintain adequate record-keeping and internal accounting practices to accurately record our transactions, we may be subject to sanctions In the event we believe or have reason to believe our Crewmembers have or may have violated applicable laws or regulations, we may be subject to investigation costs, potential penalties and other related costs which in turn could negatively affect our reputation, and our results of operations and cash flow.

In addition, to the extent we continue to grow our business both domestically and internationally, opening new markets requires us to commit a substantial amount of resources even before the new services commence. Expansion is also dependent upon our ability to maintain a safe and secure operation and requires additional personnel, equipment and facilities

Our high aircraft utilization rate helps us keep our costs low, but also makes us vulnerable to delays and cancellations; such delays and cancellations could reduce our profitability.

We maintain a high daily aircraft utilization rate which is the amount of time our aircraft spend in the air carrying passengers. High daily aircraft utilization is achieved in part by reducing turnaround times at airports so we can fly more hours on average in a day. Aircraft utilization is reduced by delays and cancellations from various factors, many of which are beyond our control, including adverse weather conditions, security requirements, air traffic congestion and unscheduled maintenance events. The majority of our operations are concentrated in the Northeast and Florida, which are particularly vulnerable to weather and congestion delays Reduced aircraft utilization may limit our ability to achieve and maintain profitability as well as lead to Customer dissatisfaction.

Our business is highly dependent on the New York metropolitan market and increases in competition or congestion or a reduction in demand for air travel in this market, or governmental reduction of our operating capacity at JFK, would harm our business.

We are highly dependent on the New York metropolitan market where we maintain a large presence with approximately one-half of our daily flights having JFK, LaGuardia, Newark, Westchester County Airport or Newburgh's Stewart International Airport as either their origin or destination We have experienced an increase in flight delays and cancellations at these airports due to airport congestion which has adversely affected our operating performance and results of operations. Our business could be further harmed by an increase in the amount of direct competition we face in the New York metropolitan market or by continued or increased congestion, delays or cancellations Our business would also be harmed by any circumstances causing a reduction in demand for air transportation in the New York metropolitan area, such as adverse changes in local economic conditions, health concerns, negative public perception of New York City, acts of terrorism or significant price or tax increases linked to increases in airport access costs and fees imposed on passengers

Extended interruptions or disruptions in service at one or more of our focus cities could have a material adverse impact on our operations.

Our business is heavily dependent on our operations in the New York Metropolitan area, particularly at JFK, and at our other focus cities in Boston, Orlando, Fort Lauderdale, the Los Angeles basin and San Juan, Puerto Rico Each of these operations includes flights that gather and distribute traffic to other major cities. A significant interruption or disruption in service at one or more of our focus cities could have a serious impact on our business, financial condition and results of operations.

The second half of 2017 had unprecedented weather events, particularly in Florida and the Caribbean. Hurricanes Irma and Maria resulted in over 2,500 canceled flights or 3% of departures Following large weather events, it is common to see lingering demand impact similar to what we experienced in New York, following superstorm Sandy in 2012 In the Caribbean, we believe the full recovery in Puerto Rico, in the wake of Hurricane Maria, will take several more months

We rely heavily on automated systems to operate our business; any failure of these systems could harm our business.

We are dependent on automated systems and technology to operate our business, enhance the JetBlue Experience and achieve low operating costs. The performance and reliability of our automated systems and data centers is critical to our ability to operate our business and compete effectively. These systems include our computerized airline reservation system, flight operations system, telecommunications systems, website, maintenance systems, check-in kiosks, and our primary and redundant data centers Our website and reservation system must be able to securely accommodate a high volume of traffic and deliver important flight information. These systems require upgrades or replacement periodically, which involve implementation and other operational risks. Our business may be harmed if we fail to operate, replace or upgrade our systems or data center infrastructure successfully.

We rely on third party providers of our current automated systems and data center infrastructure for technical support. If our current providers were to fail to adequately provide technical support for any one of our key existing systems or if new or updated components were not integrated smoothly, we could experience service disruptions, which could result in the loss of important data, increase our expenses, decrease our revenues and generally harm our business, reputation and brand. Furthermore, our automated systems cannot be completely protected against events beyond our control, including natural disasters, computer viruses, cyber-attacks, other security breaches, or telecommunications failures Substantial or sustained system failures could impact customer service and result in our Customers purchasing tickets from other airlines. We have implemented security measures and change control procedures and have disaster recovery plans. We also require our third party providers to have disaster recovery plans; however, we cannot assure you these measures are adequate to prevent disruptions, which, if they were to occur, could result in the loss of important data, increase our expenses, decrease our revenues and generally harm our business, reputation and brand.

We may be impacted by increases in airport expenses relating to infrastructure and facilities.

In order to operate within our current markets as well as continue to grow in new markets, we must be able to obtain adequate infrastructure and facilities within the airports we serve. This includes gates, check-in facilities, operations facilities and landing slots, where applicable The costs associated with these airports are often negotiated on a short-term basis with the airport authority and we could be subject to increases in costs on a regular basis with or without our approval.

In addition, our operations concentrated in older airports may be harmed if the infrastructure at those older airports fails to operate as expected due to age, overuse or significant unexpected weather events

Our reputation and business may be harmed and we may be subject to legal claims if there is loss, unlawful disclosure or misappropriation of, or unsanctioned access to, our Customers', Crewmembers', business partners' or our own information or other breaches of our information security.

In the current environment, there are numerous and evolving risks to cybersecurity and privacy, including criminal hackers, hactivists, state-sponsored intrusions, industrial espionage, employee malfeasance and human or technological error High-profile security breaches at other companies and in government agencies have increased in recent years, and security industry experts and government officials have warned about the risks of hackers and cyberattacks targeting businesses such as ours. Computer hackers and others routinely attempt to breach the security of technology products, services and systems, and to fraudulently induce employees, customers, or others to disclosure information or unwittingly provide access to systems or data. We make extensive use of online services and centralized data processing, including through third party service providers or business providers. The secure maintenance and transmission of Customer and Crewmember information is a critical element of our operations Our information technology and other systems and those of service providers or business partners, that maintain and transmit customer information, may be compromised by a malicious third party penetration of our network security, or of a business partner, or impacted by deliberate or inadvertent actions or inactions by our Crewmembers, or those of a business partner. The risk of cyberattacks to our Company also includes attempted breaches of contractors, business partners, vendors and other third parties As a result, personal information may be lost, disclosed, accessed or taken without consent.

We transmit confidential credit card information by way of secure private retail networks and rely on encryption and authentication technology licensed from third parties to provide the security and authentication necessary to effect secure transmission and storage of confidential information The Company has made significant efforts to secure its computer network. If any compromise of our security or computer network were to occur, it could have a material adverse effect on the reputation, business, operating results and financial condition of the Company, and could result in a loss of Customers. Additionally, any material failure by the Company to achieve or maintain compliance with the Payment Card Industry, or PCI, security requirements or rectify a security issue may result in fines and the imposition of restrictions on the Company's ability to accept credit cards as a form of payment.

Any such loss, disclosure or misappropriation of, or access to, Customers', Crewmembers' or business partners' information or other breach of our information security can result in legal claims or legal proceedings, including regulatory investigations and actions, may have a negative impact on our reputation, may lead to regulatory enforcement actions against us, and may materially adversely affect our business, operating results and financial condition. Furthermore, the loss, disclosure or misappropriation of our business information may materially adversely affect our business, operating results and financial condition. The regulations in this area continue to develop and evolve. International regulation adds complexity as we expand our service and include more passengers from other countries.

Data security compliance requirements could increase our costs, and any significant data breach could disrupt our operations and harm our reputation, business, results of operations and financial condition.

The Company is subject to increasing legislative, regulator and customer focus on privacy issues and data security. Our business requires the appropriate and secure utilization of Customer, Crewmember, business partner and other sensitive information. We cannot be certain that advances in criminal capabilities (including cyber-attacks or cyber intrusions over the Internet, malware, computer viruses and the like), discovery of new vulnerabilities or attempts to exploit existing vulnerabilities in our systems, other data thefts, physical system or network break-ins or inappropriate access, or other developments will not compromise or breach the technology protecting the networks that access and store sensitive information. The risk of a security breach or disruption, particularly through cyber-attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased.

Furthermore, there has been heightened legislative and regulatory focus on data security in the U.S. and abroad, including requirements for varying levels of customer notification in the event of a data breach.Many of our commercial partners, including credit card companies, have imposed data security standards that we must meet. In particular, we are required by the Payment Card Industry Security Standards Council, founded by the credit card companies, to comply with their highest level of data security standards The Company will continue its efforts to meet its privacy and data security obligations; however, it is possible that certain new obligations may be difficult to meet and could increase the Company's costs.

A significant data security breach or our failure to comply with applicable U.S. or foreign data security regulations or other data security standards may expose us to litigation, claims for contract breach, fines, sanctions or other penalties, which could disrupt our operations, harm our reputation and materially and adversely affect our business, results of operations and financial condition Failure to address these issues appropriately could also give rise to additional legal risks, which, in turn, could increase the size and number of litigation claims and damages asserted or subject us to enforcement actions, fines and penalties and cause us to incur further related costs and expenses

Our liquidity could be adversely impacted in the event one or more of our credit card processors were to impose material reserve requirements for payments due to us from credit card transactions.

We currently have agreements with organizations that process credit card transactions arising from purchases of air travel tickets by our Customers Credit card processors have financial risk associated with tickets purchased for travel which can occur several weeks after the purchase. Our credit card processing agreements provide for reserves to be deposited with the processor in certain circumstances. We do not currently have reserves posted for our credit card processors. If circumstances were to occur requiring us to deposit reserves, the negative impact on our liquidity could be significant which could materially adversely affect our business

If we are unable to attract and retain qualified personnel or fail to maintain our company culture, our business could be harmed.

We compete against other major U.S. airlines for pilots, mechanics and other skilled labor; some of them offer wage and benefit packages exceeding ours As more pilots in the industry approach mandatory retirement age, the U S airline industry may be affected by a pilot shortage We may be required to increase wages and/or benefits in order to attract and retain qualified personnel or risk considerable Crewmember turnover If we are unable to hire, train and retain qualified Crewmembers, our business could be harmed and we may be unable to implement our growth plans.

In addition, as we hire more people and grow, we believe it may be increasingly challenging to continue to hire people who will maintain our company culture. We believe one of our competitive strengths is our service-oriented company culture which emphasizes friendly, helpful, team-oriented and customer-focused Crewmembers Our company culture is important to providing high quality customer service and having a productive workforce in order to help keep our costs low As we continue to grow, we may be unable to identify, hire or retain enough people who meet the above criteria, including those in management or other key positions. Our company culture could otherwise be adversely affected by our growing operations and broader geographic diversity If we fail to maintain the strength of our company culture, our competitive ability and our business may be harmed.

Our results of operations fluctuate due to seasonality, weather and other factors.

We expect our quarterly operating results to fluctuate due to seasonality including high vacation and leisure demand occurring on our Florida routes between October and April and on our western routes during the summer. Actions of our competitors may also contribute to fluctuations in our results. We are more susceptible to adverse weather conditions, including snow storms and hurricanes, as a result of our operations being concentrated on the East Coast, than some of our competitors. Our Florida and Caribbean operations are subject to hurricanes As we enter new markets we could be subject to additional seasonal variations along with any competitive responses to our entry by other airlines. Price changes in aircraft fuel as well as the timing and amount of maintenance and advertising expenditures also impact our operations As a result of these factors, quarter-to-quarter comparisons of our operating results may not be a good indicator of our future performance. In addition, it is possible in any future period our operating results could be below the expectations of investors and any published reports or analysis regarding JetBlue. In such an event, the price of our common stock could decline, perhaps substantially.

We are subject to the risks of having a limited number of suppliers for our aircraft, engines and our Fly-Fi ™ product.

Our current dependence on three types of aircraft and engines for all of our flights makes us vulnerable to significant problems associated with the International Aero Engines, or IAE V2533-A5 engine on our Airbus A321 fleet, the International Aero Engines, or IAE V2527-A5 engine on our Airbus A320 fleet and the General Electric Engines CF34-10 engine on our Embraer E190 fleet. This could include design defects, mechanical problems, contractual performance by the manufacturers, or adverse perception by the public which would result in Customer avoidance or in actions by the FAA resulting in an inability to operate our aircraft. Carriers operating a more diversified fleet are better positioned than we are to manage such events.

Our Fly-Fi ™ service uses technology and satellite access through our agreement with LiveTV. An integral component of the Fly-Fi ™ system is the antenna, which is supplied to us by LiveTV. If LiveTV were to stop supplying us with its antennas for any reason, we would have to incur significant costs to procure an alternate supplier. Additionally, if the satellites Fly-Fi ™ uses were to become inoperable for any reason, we would have to incur significant costs to replace the service.

Our reputation and financial results could be harmed in the event of an accident or incident involving our aircraft.

An accident or incident involving one of our aircraft could involve significant potential claims of injured passengers or others in addition to repair or replacement of a damaged aircraft and its consequential temporary or permanent loss from service. We are required by the DOT to carry liability insurance Although we believe we currently maintain liability insurance in amounts and of the type generally consistent with industry practice, the amount of such coverage may not be adequate and we may be forced to bear substantial losses from an accident or incident. Substantial claims resulting from an accident or incident in excess of our related insurance coverage would harm our business and financial results. Moreover, any aircraft accident or incident, even if fully insured, could cause a public perception we are less safe or reliable than other airlines which would harm our business.

Our business depends on our strong reputation and the value of the JetBlue brand.

The JetBlue brand name symbolizes high-quality friendly customer service, innovation, fun, and a pleasant travel experience JetBlue is a widely recognized and respected global brand; the JetBlue brand is one of our most important and valuable assets. The JetBlue brand name and our corporate reputation are powerful sales and marketing tools and we devote significant resources to promoting and protecting them. Adverse publicity, whether or not justified, relating to activities by our Crewmembers, contractors or agents could tarnish our reputation and reduce the value of our brand. Damage to our reputation and loss of brand equity could reduce demand for our services and thus have an adverse effect on our financial condition, liquidity and results of operations, as well as require additional resources to rebuild our reputation and restore the value of our brand.

We may be subject to competitive risks due to the long term nature of our fleet order book.

At present, we have existing aircraft commitments through 2024 . As technological evolution occurs in our industry, through the use of composites and other innovations, we may be competitively disadvantaged because we have existing extensive fleet commitments that would prohibit us from adopting new technologies on an expedited basis.

Risks Associated with the Airline Industry

The airline industry is particularly sensitive to changes in economic condition.

Fundamental and permanent changes in the domestic airline industry have been ongoing over the past several years as a result of several years of repeated losses, among other reasons These losses resulted in airlines renegotiating or attempting to renegotiate labor contracts, reconfiguring flight schedules, furloughing or terminating Crewmembers, as well as considering other efficiency and cost-cutting measures. Despite these actions, several airlines have reorganized under Chapter 11 of the U.S. Bankruptcy Code to permit them to reduce labor rates, restructure debt, terminate pension plans and generally reduce their cost structure. Since 2005, the U.S. airline industry has experienced significant consolidation and liquidations. A global economic recession and related unfavorable general economic conditions, such as higher unemployment rates, a constrained credit market, housing-related pressures, and increased business operating costs can reduce spending for both leisure and business travel. Unfavorable economic conditions could also impact an airline's ability to raise fares to counteract increased fuel, labor, and other costs. It is possible that further airline reorganizations, consolidation, bankruptcies or liquidations may occur in the current global economic environment, the effects of which we are unable to predict. We cannot assure you the occurrence of these events, or potential changes resulting from these events, will not harm our business or the industry.

A future act of terrorism, the threat of such acts or escalation of U.S. military involvement overseas could adversely affect our industry.

Acts of terrorism, the threat of such acts or escalation of U.S. military involvement overseas could have an adverse effect on the airline industry. In the event of an act of terrorism, whether or not successful, the airline industry would likely experience increased security requirements and significantly reduced demand. We cannot assure you these actions, or consequences resulting from these actions, will not harm our business or the industry.

Changes in government regulations imposing additional requirements and restrictions on our operations could increase our operating costs and result in service delays and disruptions.

Airlines are subject to extensive regulatory and legal requirements, both domestically and internationally, involving significant compliance costs In the last several years, Congress has passed laws, and the agencies of the federal government, including, but not limited to, the DOT, FAA, CBP and the TSA have issued regulations relating to the operation of airlines that have required significant expenditures. We expect to continue to incur expenses in connection with complying with government regulations. Additional laws including executive orders, regulations, taxes and airport rates and charges have been proposed from time to time that could significantly increase the cost of airline operations or reduce the demand for air travel. If adopted or materially amended, these measures could have the effect of raising ticket prices affecting the perception of the airline industry, reducing air travel demand and/or revenue and increasing costs We cannot assure you these and other laws including executive orders, regulations or taxes enacted in the future will not harm our business.

In addition, the U.S. Environmental Protection Agency, or EPA, has proposed changes to underground storage tank regulations that could affect certain airport fuel hydrant systems In addition to the proposed EPA and state regulations, several U.S. airport authorities are actively engaged in efforts to limit discharges of de-icing fluid to local groundwater, often by requiring airlines to participate in the building or reconfiguring of airport de-icing facilities.

Federal budget constraints or federally imposed furloughs due to budget negotiation deadlocks may adversely affect our industry, business, results of operations and financial position.

Many of our airline operations are regulated by governmental agencies, including the FAA, the DOT, the CBP, the TSA and others If the federal government were to experience issues in reaching budgetary consensus in the future resulting in mandatory furloughs and/or other budget constraints, our operations and results of operations could be materially negatively impacted. The travel behaviors of the flying public could also be affected, which may materially adversely impact our industry and our business

Compliance with future environmental regulations may harm our business.

Many aspects of airlines' operations are subject to increasingly stringent environmental regulations, and growing concerns about climate change may result in the imposition of additional regulation. Since the domestic airline industry is increasingly price sensitive, we may not be able to recover the cost of compliance with new or more stringent environmental laws and regulations from our Customers, which could adversely affect our business. Although it is not expected the costs of complying with current environmental regulations will have a material adverse effect on our financial position, results of operations or cash flows, no assurance can be made the costs of complying with environmental regulations in the future will not have such an effect.

We may be affected by global climate change or by legal, regulatory or market responses to such change.

Concern over climate change, including the impact of global warming, has led to significant U S. and international legislative and regulatory efforts to limit greenhouse gas ("GHG") emissions, including our aircraft emissions. In October 2016, the ICOA passed a resolution adopting the Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA"), which is a global, market-based emissions offset program to encourage carbon-neutral grown beyond 2020. CORISA is scheduled to take effect by 2021 ICAO continues to develop details regarding implementation, but we believe compliance with CORSIA will increase our operating costs.

We could be adversely affected by an outbreak of a disease or an environmental disaster that significantly affects travel behavior.

Any outbreak of a disease affecting travel behavior could have a material adverse impact on airlines. In addition, outbreaks of disease could result in quarantines of our personnel or an inability to access facilities or our aircraft, which could adversely affect our operations. Similarly, if an environmental disaster were to occur and adversely impact any of our destination cities, travel behavior could be affected and in turn, could materially adversely impact our business.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Aircraft

As of December 31, 2017 , we operated a fleet consisting of 53 Airbus A321 aircraft, 130 Airbus A320 aircraft and 60 Embraer E190 aircraft as summarized below:

Aircraft	Seating Capacity	Owned	Capital Leased	Operating Leased	Total	Average Age in Years
Airbus A320	150 (1)	114	4	12	130	12.3
Airbus A321	200 / 159 (2)	49	2	2	53	1.9
Embraer E190	100	30	—	30	60	9.2
		193	6	44	243	9 2

(1) During 2017 , we completed the buyout of three of our aircraft leases.

(2) Our Airbus A321 with a single cabin layout has a seating capacity of 200 seats. Our Airbus A321 with our Mint ™ premium service has a seating capacity of 159 seats

As of December 31, 2017 , our aircraft leases had an average remaining term of approximately 6 years , with expiration dates between 2018 and 2028 . We have the option to extend most of these leases for additional periods or to purchase the aircraft at the end of the related lease term. We have 74 owned aircraft subject to secured debt financing; 119 of our owned aircraft and 37 owned spare engines are unencumbered.

In July 2016, we amended our purchase agreement with Airbus by adding 30 incremental Airbus A321 aircraft deliveries between 2017 and 2023, 15 of these aircraft are scheduled to be A321ceo to be delivered between 2017 and 2019 and the remaining 15 are scheduled to be A321neos to be delivered between 2020 and 2023

We amended our purchase agreement with Airbus in April 2017. The amendment changed the timing of several of our Airbus A321ceo and Airbus A321neo deliveries. We deferred eight A321neo deliveries from 2019 to 2023 and five from 2020 to 2024 We also moved up the delivery of three A321ceo aircraft from 2019 to 2018, while deferring three A321neo deliveries to 2019 We retain flexibility to make further changes in our order book We have the option to take certain A321neo deliveries with the long range configuration, the A321-LR.

As of December 31, 2017 , we had 119 aircraft on order scheduled for delivery through 2024 . Our future aircraft delivery schedule is as follows:

Year	Airbus A320neo	Airbus A321ceo	Airbus A321neo	Embraer 190	Total
2018	—	10	—	—	10
2019	—	—	13	—	13
2020	6	—	7	10	23
2021	16	—	4	7	27
2022	3	—	17	7	27
2023	—	—	14	—	14
2024	—	—	5	—	5
Total	**25**	**10**	**60**	**24**	**119**

Ground Facilities

Airports

All of our facilities at the airports we serve are under leases or other occupancy agreements. This space is leased directly or indirectly from the local airport authority on varying terms dependent on prevailing practices at each airport. Our passenger terminal service facilities consisting of ticket counters, gate space, operations support area and baggage service offices generally have agreement terms ranging from less than one year to five years. They can contain provisions for periodic adjustments of rental rates, landing fees and other charges applicable under the type of lease. Under some of these agreements we are responsible for the maintenance, insurance, utilities and certain other facility-related expenses and services.

A summary of our most significant lease agreements are:

- ***JFK*** - We have a lease agreement with the PANYNJ for T5 and T5i We have the option to terminate the agreement in 2033, five years prior to the end of the original scheduled lease term of October 2038 In December 2010, we executed a supplement to this lease agreement for the T6 property, our original base of operations at JFK, for a term of five years, which afforded us the exclusive right to develop on the T6 property T5i, our expansion of T5 that we use as an international arrivals facility opened to Customers in November 2014. Another supplement of the original T5 lease was executed in 2013. The lease, as amended, now incorporates a total of approximately 19 acres of space for our T5 facilities.

- ***Boston*** - We had an initial five year lease agreement with Massport for five gates in Terminal C that started on May 1, 2005 and allowed JetBlue to grow to 11 gates by 2008. We negotiated an extension as of May 1, 2010 whereby the lease had 20 successive one-year automatic renewals, each from May 1 through to April 30. With the continued growth of our operations in Boston, we increased the number of leased gates from Massport to 16 and signed an amendment in May 2014 to lease an additional eight gates and related support spaces in Terminal C that were previously occupied by United Airlines We further amended our lease in December 2017, which allows us to gradually lease up to six additional gates. and related support spaces As of December 31, 2017, we leased 25 gates in Boston

We have entered into use arrangements at each of the airports we serve providing for the non-exclusive use of runways, taxiways and other airport facilities Landing fees under these agreements are typically based on the number of aircraft landings and the weight of the aircraft.

Other

We lease the following hangars and airport support facilities at our focus cities:

- ***New York*** - At JFK we have a ground lease agreement which expires in 2030 for an aircraft maintenance hangar, an adjacent office and warehouse facility, including a storage facility for aircraft parts. These facilities accommodate our technical support operations We also lease a building from the PANYNJ which is mainly used for ground equipment maintenance work.

- ***Boston*** - We have a ground lease agreement which expires in 2022 for a building which includes an aircraft maintenance hangar and support space. We also have a lease for a facility to accommodate our ground support equipment maintenance.

- ***Orlando*** - We have a ground lease agreement for a hanger which expires in 2035. We also occupy a training center, JetBlue University, with a lease agreement expiring in 2035 which we use for the initial and recurrent training of our pilots and in-flight Crewmembers, as well as support training for our technical operations and airport Crewmembers. This facility is equipped with seven full flight simulators, ten cabin trainers, a training pool, classrooms and support areas In 2015, we opened the Lodge at OSC which is adjacent to JetBlue University and is used for lodging our Crewmembers when they attend training

Our primary corporate offices are located in Long Island City, New York with our lease expiring in 2023. Our offices in Salt Lake City, Utah contain a core team of Crewmembers who are responsible for group sales, customer service, at-home reservation agent supervision, disbursements and certain other finance functions The lease for our Salt Lake City facility expires in 2022 We also maintain other facilities that are necessary to support our operations in the cities we serve.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of our business, we are party to various legal proceedings and claims which we believe are incidental to the operation of our business. Other than as described under Note 11 to our consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K, we believe the ultimate outcome of these proceedings to which we are currently a party will not have a material adverse effect on our business, financial position, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY; RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information and Stockholder Matters

Our common stock is traded on the NASDAQ Global Select Market under the symbol JBLU. The table below shows the high and low closing prices for our common stock.

	High	Low
2017 Quarter Ended		
March 31	$ 22.78	$ 18.86
June 30	23.36	20.51
September 30	23 75	18.25
December 31	22.58	18.51
2016 Quarter Ended		
March 31	$ 23.37	$ 19.34
June 30	21.33	15.15
September 30	18.71	15.76
December 31	22 79	16.93

As of January 31, 2018, there were approximately 433 holders of record of our common stock.

We have not paid cash dividends on our common stock and have no current intention to do so. Any future determination to pay cash dividends would be at the discretion of our Board of Directors, subject to applicable limitations under Delaware law. This decision would be dependent upon our results of operations, financial condition and other factors deemed relevant by our Board of Directors

Purchases of Equity Securities by the Issuer and Affiliated Purchases

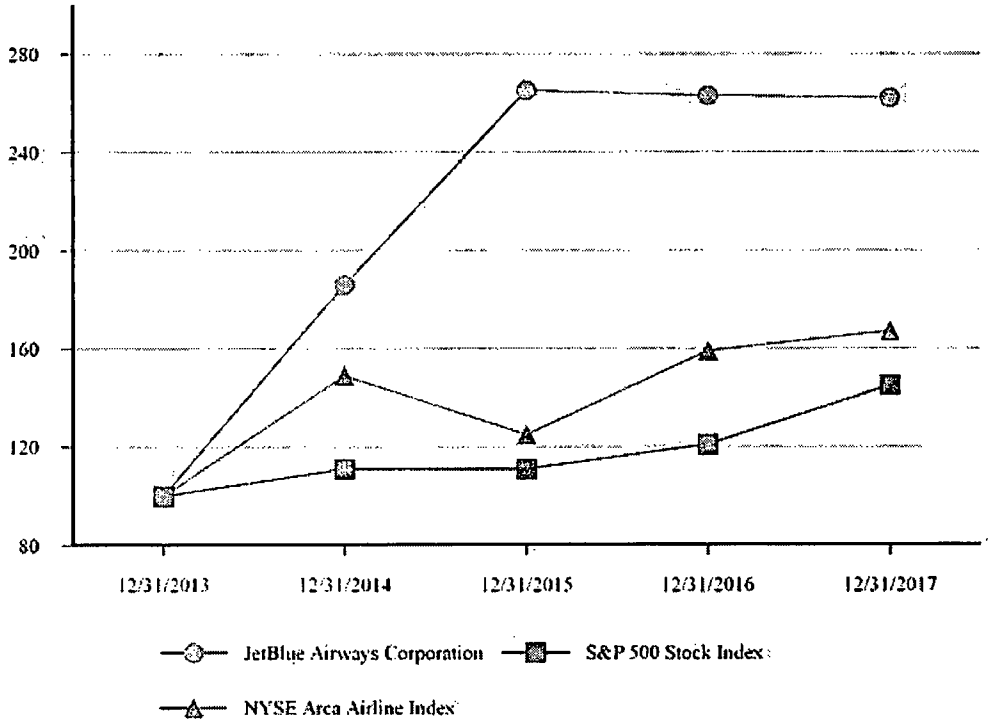
In September 2015, the Board of Directors authorized a three year share repurchase program starting in 2016, of up to $250 million worth of JetBlue common stock. This authorization replaced our prior 2012 authorization On December 7, 2016 , the Board approved changes to our share repurchase program to increase the aggregate authorization to $500 million worth of JetBlue common stock, and extended the term of the program through December 31, 2019 The 2015 authorization was completed during the three months ended September 30, 2017 and no shares were repurchased during the three months ended December 2017.

On December 8, 2017 , the Board of Directors approved a two year share repurchase authorization starting on January 1, 2018 , of up to $750 million worth of JetBlue common stock. The authorization can be executed through repurchases in open market transactions pursuant to Rules 10b-18 and/or 10b5-1 of the Securities and Exchange Act of 1934, as amended, and/or one or more privately-negotiated accelerated stock repurchase transactions. We may adjust or change our share repurchase practices based on market conditions and other alternatives.

Stock Performance Graph

This performance graph shall not be deemed "filed" with the SEC or subject to Section 18 of the Exchange Act, nor shall it be deemed incorporated by reference in any of our filings under the Securities Act of 1933, as amended.

The following line graph compares the cumulative total stockholder return on our common stock with the cumulative total return of the Standard & Poor's 500 Stock Index and the NYSE Arca Airline Index from December 31, 2013 to December 31, 2017. The comparison assumes the investment of $100 in our common stock and in each of the foregoing indices and reinvestment of all dividends. The stock performance shown represents historical performance and is not representative of future stock performance.



	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017
JetBlue Airways Corporation	$ 100	$ 186	$ 265	$ 263	$ 262
S&P 500 Stock Index	100	111	111	121	145
NYSE Arca Airline Index	100	149	125	159	167

ITEM 6. SELECTED FINANCIAL DATA

The following financial information for each of the prior five years ending on December 31 has been derived from our consolidated financial statements. This information should be read in conjunction with the consolidated financial statements and related notes thereto included elsewhere in this Report.

(in millions except per share data)	2017	2016	2015	2014	2013
Statements of Operations Data					
Operating revenues	$ 7,015	$ 6,632	$ 6,416	$ 5,817	$ 5,441
Operating expenses:					
Aircraft fuel and related taxes	1,363	1,074	1,348	1,912	1,899
Salaries, wages and benefits	1,887	1,698	1,540	1,294	1,135
Landing fees and other rents	397	357	342	321	305
Depreciation and amortization	446	393	345	320	290
Aircraft rent	100	110	122	124	128
Sales and marketing	267	259	264	231	223
Maintenance, materials and repairs	622	563	490	418	432
Other operating expenses	933	866	749	682	601
Total operating expenses	6,015	5,320	5,200	5,302	5,013
Operating income	1,000	1,312	1,216	515	428
Other income (expense) [1]	(79)	(96)	(119)	108	(149)
Income before income taxes	921	1,216	1,097	623	279
Income tax expense (benefit) [2]	(226)	457	420	222	111
Net income	**$ 1,147**	**$ 759**	**$ 677**	**$ 401**	**$ 168**
Earnings per common share:					
Basic	$ 3.49	$ 2.32	$ 2.15	$ 1.36	$ 0.59
Diluted [2]	$ 3.47	$ 2.22	$ 1.98	$ 1.19	$ 0.52
Other Financial Data:					
Operating margin	14.3%	19.8%	19.0%	8.9%	7.9%
Pre-tax margin [1]	13.1%	18.3%	17.1%	10.7%	5.1%
Ratio of earnings to fixed charges	6.23x	7.03x	5.71x	3.59x	2.05x
Net cash provided by operating activities	$ 1,398	$ 1,632	$ 1,598	$ 912	$ 758
Net cash used in investing activities	(975)	(1,045)	(1,134)	(379)	(476)
Net cash used in financing activities	(553)	(472)	(487)	(417)	(239)

(1) In 2014, we had a gain of $241 million from the sale of LiveTV. Pre-tax margin excluding the gain on the sale of LiveTV is 6.6%.

(2) Our 2017 results include a $570 million tax benefit, or $1.72 of diluted earnings per share, from the remeasurement of our deferred taxes to reflect the impact of the enactment of the Tax Cuts and Jobs Act of 2017.

(in millions)	2017	2016	2015	2014	2013
Balance Sheet Data:					
Cash and cash equivalents	$ 303	$ 433	$ 318	$ 341	$ 225
Investment securities	392	628	607	427	516
Total assets [1]	9,781	9,323	8,499	7,643	7,203
Total long-term debt and capital leases	1,199	1,384	1,827	2,211	2,558
Common stockholders' equity	4,834	4,013	3,210	2,529	2,134

	2017	2016	2015	2014	2013
Operating Statistics:					
Revenue passengers (thousands)	40,038	38,263	35,101	32,078	30,463
Revenue passenger miles (millions)	47,240	45,619	41,711	37,813	35,836
Available seat miles (ASMs) (millions)	56,007	53,620	49,258	44,994	42,824
Load factor	84 3%	85.1%	84.7%	84.0%	83.7%
Aircraft utilization (hours per day)	11.7	12.0	11.9	11.8	11.9
Average fare	$ 157 07	$ 157.14	$ 167.89	$ 166 57	$ 163 19
Yield per passenger mile (cents)	13.31	13.18	14.13	14.13	13.87
Passenger revenue per ASM (cents)	11 23	11 21	11 96	11 88	11 61
Operating revenue per ASM (cents)	12 53	12.37	13.03	12.93	12.71
Operating expense per ASM (cents)	10 74	9.92	10.56	11.78	11.71
Operating expense per ASM, excluding fuel [2]	8.30	7.92	7.82	7.53	7.28
Departures	353,681	337,302	316,505	294,800	282,133
Average stage length (miles)	1,072	1,093	1,092	1,088	1,090
Average number of operating aircraft during period	233 5	218 9	207.9	196.2	185.2
Average fuel cost per gallon, including fuel taxes	$ 1.72	$ 1.41	$ 1.93	$ 2.99	$ 3.14
Fuel gallons consumed (millions)	792	760	700	639	604
Average number of full-time equivalent Crewmembers [3]	17,118	15,696	14,537	13,280	12,447

(1) Retrospective application to all prior periods as required under ASU 2015-17 *Income Taxes, Balance Sheet Classification of Deferred Taxes.* See Note 1 to the Consolidated Financial Statements for additional information

(2) Refer to our "Regulation G Reconciliation" section for more information on this non-GAAP measure.

(3) Excludes results of operations and employees of LiveTV, LLC, which were unrelated to our airline operations and are immaterial to our consolidated operating results. As of June 10, 2014, employees of LiveTV, LLC were no longer part of JetBlue.

Glossary of Airline terminology

Airline terminology used in this section and elsewhere in this Report

- ***Aircraft utilization*** - The average number of block hours operated per day per aircraft for the total fleet of aircraft
- ***Available seat miles*** - The number of seats available for passengers multiplied by the number of miles the seats are flown.
- ***Average fare*** - The average one-way fare paid per flight segment by a revenue passenger
- ***Average fuel cost per gallon*** - Total aircraft fuel costs, including fuel taxes and effective portion of fuel hedging, divided by the total number of fuel gallons consumed.
- ***Average stage length*** - The average number of miles flown per flight.
- ***Load factor*** - The percentage of aircraft seating capacity actually utilized, calculated by dividing revenue passenger miles by available seat miles.
- ***Operating expense per available seat mile*** - Operating expenses divided by available seat miles.
- ***Operating expense per available seat mile, excluding fuel*** - Operating expenses, less aircraft fuel and other non-airline expenses, divided by available seat miles
- ***Operating revenue per available seat mile*** - Operating revenues divided by available seat miles.
- ***Passenger revenue per available seat mile*** - Passenger revenue divided by available seat miles
- ***Revenue passengers*** - The total number of paying passengers flown on all flight segments.
- ***Revenue passenger miles*** - The number of miles flown by revenue passengers
- ***Yield per passenger mile*** - The average amount one passenger pays to fly one mile.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

In 2017 , we experienced the persistent competitiveness of the airline industry. Even with these external factors, 2017 was one of the most profitable years in our history We generated operating revenue growth of almost 5.8% year-over-year We remain committed to striving to deliver a safe and reliable JetBlue Experience for our Customers and increasing returns for our Shareholders We believe our continued focus on cost discipline, product innovation and network enhancements, combined with our commitment to service excellence, will drive our future success.

2017 Highlights

- We generated over $7.0 billion in operating revenue, an increase of $383 million compared to 2016 due primarily to a 4.6% increase in revenue passengers.
- Our earnings per diluted share were $3.47 , including a benefit from tax reform of $570 million or $1.72.
- We generated $1 4 billion in cash from operations The significant amount of cash we generated provided the opportunity to pay cash for all 2017 aircraft deliveries, buy out three aircraft leases, reduce existing debt balances and execute share repurchases.
- Operating expenses per available seat mile increase d 8 2% to 10.74 cents, primarily driven by an increase in aircraft fuel expenses. Excluding fuel and related taxes, as well as operating expenses related to our non-airline operations, our cost per available seat mile increase d 4.8% in 2017 . Effective January 1, 2017, non-management profit sharing eligible Crewmembers received an 8% raise and a modified profit sharing plan. We believe this recognition and change to our compensation structure reflects industry trends and ensures that our Crewmember compensation and rewards are fair and competitive

Company Initiatives

Balance Sheet

We ended the year with unrestricted cash, cash equivalents and short-term investments of $693 million and undrawn lines of credit of approximately $625 million. In June 2017, Moody's Investor Service upgraded our debt rating to Ba1 from Ba3 with a stable outlook reflecting the strength of our financial position. In November 2017, Standard & Poor's Rating Services upgraded our debt rating to BB from BB- with a stable outlook At December 31, 2017 , unrestricted cash, cash equivalents and short-term investments was approximately 10% of trailing twelve months revenue. We reduced our overall debt and capital lease obligations by $185 million . As a result, three aircraft became unencumbered We increased the number of unencumbered aircraft in 2017 bringing total unencumbered aircraft to 119 and spare engines to 37 as of December 31, 2017 . During 2017 , we acquired approximately 18.7 million shares of our common stock for approximately $380 million under our share repurchase program.

Aircraft and Airport Infrastructure Investments

During 2017, we took delivery of 16 Airbus A321 aircraft, all of which were purchased with cash.

In November 2015, we unveiled Phase I of our $50 million Terminal C upgrade at Boston Logan International Airport. This upgrade included new kiosks and ticket counters At December 31, 2017 twenty-five kiosks and thirty check-in counters were in use in the North Pod of the terminal. Phase II of the upgrade, funded by the Massachusetts Port Authority, or Massport, was completed on the South Pod in 2016, mirroring the check-in experience of the North Pod. Updated digital flight information displays and a connector between Terminal C and international flights at Terminal E were also completed during 2016.

We introduced self-tagging kiosks to nine BlueCities in 2017· Boston, Newark, Atlanta, Long Beach, Los Angeles, Buffalo, Jacksonville, Orlando and La Guardia. These kiosks helped streamline the airport experience for our Customers and we plan to continue the improvements to other BlueCities in 2018.

Network

As part of our ongoing network initiatives and route optimization efforts, we continued to make schedule and frequency adjustments throughout 2017 . During 2017, we added Atlanta to our growing network Due to the unprecedented weather in Puerto Rico and throughout the Caribbean, we temporarily redeployed inbound leisure flying to other destinations We expect to return to a full operation by the end of 2018. We will also continue to watch booking trends closely and expect to adjust our plans as needed. We also added new routes between existing BlueCities.

Outlook for 2018

We believe we will improve our long term return for Shareholders as we implement our structural cost initiatives. We plan to add new destinations and route pairings based upon market demand. We are continuously looking to expand our other ancillary revenue opportunities, improve our TrueBlue ® loyalty program and deepen our portfolio of commercial partnerships. As in the past, we intend to invest in infrastructure and product enhancements, which we believe will enable us to reap future benefits We also plan to continue to strengthening the balance sheet.

We will adopt the requirements of ASU 2014-09, *Revenue from Contracts with Customers* topic of the Codification, as of January 1, 2018 utilizing the full retrospective method of transition. Please see Note 1 on the specific changes related to revenue recognition.

The Tax Cuts and Jobs Act of 2017, or The Act, was enacted on December 22, 2017. The Act made significant changes to the Federal tax code, including a reduction in the Federal corporate statutory rate from 35% to 21% The Act also made changes to the Federal taxation of foreign earnings, to the timing of recognition of certain revenue and expenses, and the deductibility of certain business expenses. During 2018, the Company will continue to gain a more thorough understanding of The Act and additional regulatory guidance that may be issued. As a result of The Act, we expect the reduction in the corporate tax rate will result in an effective annual tax rate for JetBlue between 24% to 26% However, the actual tax rate could differ due to a number of factors.

For the full year 2018 , we estimate our operating capacity will increase by approximately 6.5% to 8.5% over 2017 with the addition of 10 Airbus A321 aircraft to our operating fleet. We are expecting our cost per available seat mile, excluding fuel and related taxes, and operating expenses related to other non-airline expenses, for 2018 to increase by between approximately (1.0)% to 1.0% over the level in 2017 .

RESULTS OF OPERATIONS

Year 2017 compared to Year 2016

Overview

We reported net income of $1 1 billion , operating income of $1 0 billion and operating margin of 14.3% for the year ended December 31, 2017 . This compares to net income of $759 million , operating income of $1,312 million and operating margin of 19 8% for the year ended December 31, 2016 . Diluted earnings per share were $3.47 for 2017 compared to $2.22 for the same period in 2016 . This included a benefit from tax reform of $570 million or $1.72 per share.

Approximately 75% of our operations are centered in and around the heavily populated northeast corridor of the U.S., which includes the New York and Boston metropolitan areas. During the third quarter of 2017, we saw unprecedented weather challenges for JetBlue and the entire airline industry, with two large hurricanes impacting our network We estimate that, due to the severe hurricane season, revenue was negatively impacted by approximately $110 million for the full year 2017. Revenue per available seat mile (RASM) was negatively impacted by approximately 0.3 points for the full year by the hurricanes. Operating income was negatively impacted by approximately $82 million.

Operating Revenues

			Year-over-Year Change	
(revenues in millions; percent changes based on unrounded numbers)	2017	2016	$	%
Passenger revenue	$ 6,288	$ 6,013	275	4.6
Other revenue	727	619	108	17.3
Operating revenues	**7,015**	**6,632**	**383**	**5.8**
Average fare	$ 157.07	$ 157.14	(0.08)	—
Yield per passenger mile (cents)	13.31	13.18	0.13	1 0
Passenger revenue per ASM (cents)	11.23	11.21	0.02	0.1
Operating revenue per ASM (cents)	12.53	12.37	0.16	1.3
Average stage length (miles)	1,072	1,093	(21)	(1.9)
Revenue passengers (thousands)	40,038	38,263	1,775	4.6
Revenue passenger miles (millions)	47,240	45,619	1,621	3.6
Available seat miles (ASMs) (millions)	56,007	53,620	2,387	4 5
Load factor	84.3%	85.1%		(0.8) pts

Passenger revenue accounted for 89 6% of our total operating revenue for the year ended December 31, 2017 . In addition to seat revenue, passenger revenue includes revenue from our ancillary product offerings such as EvenMore ™ Space. Revenue generated from international routes, including Puerto Rico, accounted for 28.7% of our passenger revenues in 2017 Revenue is recognized either when transportation is provided or after the ticket or customer credit expires. We measure capacity in terms of available seat miles, which represents the number of seats available for passengers multiplied by the number of miles the seats are flown. Yield, or the average amount one passenger pays to fly one mile, is calculated by dividing Passenger revenue by Revenue passenger miles We attempt to increase Passenger revenue primarily by increasing our yield per flight which produces higher revenue per available seat mile. Our objective is to optimize our fare mix to increase our overall average fare while continuing to provide our Customers with competitive fares.

In 2017 , the increase in Passenger revenue was mainly attributable to a 4.6% increase in revenue passengers. Our largest ancillary product remains the EvenMore ™ Space seats, generating approximately $246 million in revenue, an increase of over 3% compared to 2016 .

The primary component of Other revenue is fees from reservation changes and excess baggage charged to Customers in accordance with our published policies We also include the marketing component of TrueBlue ® point sales, onboard product sales, ground handling fees of other airlines and rental income

Operating Expenses

(in millions; per ASM data in cents; percentages based on unrounded numbers)	2017	2016	Year-over-Year Change $	Year-over-Year Change %	per ASM 2017	per ASM 2016	per ASM % Change
Aircraft fuel and related taxes	$ 1,363	$ 1,074	$ 289	26.9	2.43	2.00	21.5
Salaries, wages and benefits	1,887	1,698	189	11.1	3.37	3.17	6.4
Landing fees and other rents	397	357	40	11.1	0.71	0.67	6.3
Depreciation and amortization	446	393	53	13.7	0 80	0.73	8.9
Aircraft rent	100	110	(10)	(9.0)	0.18	0.21	(12.9)
Sales and marketing	267	259	8	2.9	0.48	0.48	(1.5)
Maintenance, materials and repairs	622	563	59	10.5	1.11	1.04	5.8
Other operating expenses	933	866	67	7.6	1.66	1.62	3.0
Total operating expenses	**$ 6,015**	**$ 5,320**	**$ 695**	**13.1**	**10.74**	**9.92**	**8.2**

Aircraft Fuel and Related Taxes

Aircraft fuel and related taxes represented 23% of our total operating expenses in 2017 compared to 20% in 2016 . The average fuel price increase d 21.8% in 2017 to $1.72 per gallon. This was coupled with an increase in our fuel consumption of approximately 32 million gallons. Additional fuel consumption was mainly due to our increase in capacity Based on our expected fuel volume for 2018 , a 10% per gallon increase in the cost of aircraft fuel would increase our annual fuel expense by approximately $170 million .

In 2017 , we recorded fuel hedge gains of $15 million compared to $9 million in fuel hedge gains in 2016 which were recorded in Aircraft fuel and related taxes. We did not have any fuel hedging contracts outstanding as of December 31, 2017.

Salaries, Wages and Benefits

Salaries, wages and benefits represent approximately 31% of our total operating expenses in 2017 compared to 32% in 2016 . The increase in salaries, wages and benefits was primarily driven by an increase in our Crewmember headcount and an 8% raise for profit sharing eligible Crewmembers effective January 1, 2017 and a modified profit sharing plan.

Our profit sharing is calculated as 10% of adjusted pre-tax income, reduced by *Retirement Plus* contributions and special items Profit sharing decrease d by $133 million in 2017 compared to 2016 , primarily driven by our change in policy During 2017 , the average number of full-time equivalent Crewmembers increased by 9% and the average tenure of our Crewmembers was 6 6 years

Retirement Plus contributions, which equate to 5% of all of our eligible Crewmembers wages, increase d by $13 million and our 3% retirement contribution for a certain portion of our FAA-licensed Crewmembers, which we refer to as *Retirement Advantage,* increase d by approximately $3 million . The increasing tenure of our Crewmembers, rising healthcare costs and efforts to maintain competitiveness in our overall compensation packages will continue to pressure our costs in 2018 .

Landing Fees and Other Rents

Landing fees and other rents include landing fees, which are at a premium in the heavily trafficked northeast corridor of the U.S. where approximately 75% of our operations center Other rents primarily consist of rent for airports in our 101 BlueCities Landing fees and other rents increase d $40 million , or 11 1% , in 2017 primarily due to our increased departures

Depreciation and Amortization

Depreciation and amortization primarily include depreciation for our owned and capital leased aircraft, engines, and in-flight entertainment systems. Depreciation and amortization increase d $53 million , or 13 7% , primarily driven by a 6.7% increase in the average number of aircraft operating in 2017 compared to the same period in 2016.

Maintenance, Materials and Repairs

Maintenance, materials and repairs are generally expensed when incurred unless covered by a long-term flight hour services contract. The average age of our aircraft in 2017 was 9.2 years which is relatively young compared to our competitors However, as our fleet ages our maintenance costs will increase significantly, both on an absolute basis and as a percentage of our unit costs, as older aircraft require additional, more expensive repairs over time. We had an average of 14 6 additional total operating aircraft in 2017 compared to 2016

In 2017 , Maintenance, materials and repairs increase d by $59 million , or 10 5% compared to 2016 , primarily driven by increased flight hours on our engine flight-hour based maintenance repair agreements and by the number of airframe heavy maintenance repairs.

Other Operating Expenses

Other operating expenses consist of the following categories: outside services (including expenses related to fueling, ground handling, skycap, security and janitorial services), insurance, personnel expenses, professional fees, onboard supplies, shop and office supplies, bad debts, communication costs and taxes other than payroll and fuel taxes.

In 2017 , Other operating expenses increase d by $67 million , or 7.6% , compared to 2016 , primarily due to an increase in airport services and passenger onboard supplies resulting from an increased number of passengers flown.

Income Taxes

Our effective tax rate was a benefit of 24.5% in 2017 , compared to our effective tax rate of 37 6% in 2016 . Our effective tax rate decreased primarily due to a one-time benefit of $570 million from the remeasurement of our deferred taxes to reflect the enactment of the Tax Cuts and Jobs Act of 2017.

Year 2016 compared to Year 2015

Overview

We reported net income of $759 million , operating income of $1,312 million and operating margin of 19.8% for the year ended December 31, 2016 . This compares to net income of $677 million , operating income of $1,216 million and operating margin of 19.0% for the year ended December 31, 2015 . Diluted earnings per share were $2 22 for 2016 compared to $1 98 for the same period in 2015 .

Approximately 77% of our operations are centered in and around the heavily populated northeast corridor of the U.S., which includes the New York and Boston metropolitan areas. During the first quarter of 2015, a series of winter storms impacted the New York and Boston metropolitan areas, with Boston's Logan Airport experiencing record breaking snowfall totals. Despite the adverse weather conditions, our operational performance improved over prior years with fewer flight cancellations We estimate that winter storms reduced our operating income by approximately $10 million in the first quarter of 2015.

Operating Revenues

			Year-over-Year Change	
(revenues in millions; percent changes based on unrounded numbers)	2016	2015	$	%
Passenger revenue	$ 6,013	$ 5,893	$ 120	2.0
Other revenue	619	523	96	18.5
Operating revenues	**6,632**	**6,416**	**216**	**3.4**
Average fare	$ 157.14	$ 167.89	$ (10.75)	(6.4)
Yield per passenger mile (cents)	13 18	14.13	(0 95)	(6 7)
Passenger revenue per ASM (cents)	11.21	11.96	(0.75)	(6.3)
Operating revenue per ASM (cents)	12 37	13.03	(0 66)	(5 0)
Average stage length (miles)	1,093	1,092	1	0.1
Revenue passengers (thousands)	38,263	35,101	3,162	9.0
Revenue passenger miles (millions)	45,619	41,711	3,908	9.4
Available seat miles (ASMs) (millions)	53,620	49,258	4,362	8 9
Load factor	85 1%	84.7%		0.4 pts

Passenger revenue accounted for over 90.7% of our total operating revenues for the year ended December 31, 2016 . In addition to seat revenue, passenger revenue includes revenue from our ancillary product offerings such as EvenMore ™ Space. Revenue generated from international routes, including Puerto Rico, accounted for 28.4% of our passenger revenues in 2016 . Revenue is recognized either when transportation is provided or after the ticket or passenger credit expires. We measure capacity in terms of available seat miles, which represents the number of seats available for passengers multiplied by the number of miles the seats are flown. Yield, or the average amount one passenger pays to fly one mile, is calculated by dividing Passenger revenue by Revenue passenger miles. We attempt to increase Passenger revenue primarily by increasing our yield per flight which produces higher Revenue per available seat mile. Our objective is to optimize our fare mix to increase our overall average fare while continuing to provide our Customers with competitive fares.

In 2016 , the increase in Passenger revenue was mainly attributable to a 9 0% increase in revenue passengers and a 6.4% decrease in average fare. Our largest ancillary product was EvenMore ™ Space, generating approximately $238 million in revenue, an increase of over 4% compared to 2015 .

The primary component of Other revenue is the fees from reservation changes and excess baggage charged to Customers in accordance with our published policies We also include the marketing component of TrueBlue® point sales, onboard product sales, charters, ground handling fees of other airlines and rental income

In 2016 , Other revenue increase d by $96 million compared to 2015 The increase in Other revenue was primarily due to an increase in bag fees partly attributable to a full year of our Fare Options pricing structure compared to half a year during 2015

Operating Expenses

(in millions; per ASM data in cents; percentages based on unrounded numbers)	2016	2015	Year-over-Year Change $	Year-over-Year Change %	per ASM 2016	per ASM 2015	per ASM % Change
Aircraft fuel and related taxes	$ 1,074	$ 1,348	(274)	(20.3)	2.00	2.74	(26.8)
Salaries, wages and benefits	1,698	1,540	158	10.2	3.17	3.13	1.2
Landing fees and other rents	357	342	15	4.3	0.67	0.70	(4.2)
Depreciation and amortization	393	345	48	13.9	0.73	0.70	4.7
Aircraft rent	110	122	(12)	(9.6)	0.21	0.25	(17.0)
Sales and marketing	259	264	(5)	(1.7)	0.48	0.54	(9.7)
Maintenance, materials and repairs	563	490	73	14.9	1.04	0.99	5.6
Other operating expenses	866	749	117	15.7	1.62	1.51	6.3
Total operating expenses	**$ 5,320**	**$ 5,200**	**$ 120**	**2.3**	**9.92**	**10.56**	**(6.0)**

Aircraft Fuel and Related Taxes

Aircraft fuel and related taxes represented 20% of our total operating expenses in 2016 compared to 26% in 2015. The average fuel price decreased 26.9% in 2016 to $1.41 per gallon. This was partially offset by an increase in our fuel consumption of approximately 60 million gallons. Additional fuel consumption was mainly due to our increase in capacity.

In 2016, we recorded fuel hedge gains of $9 million compared to $126 million in fuel hedge losses in 2015 which was recorded in Aircraft fuel and related taxes. We are unable to predict what the amount of ineffectiveness will be related to these instruments, or the potential loss of hedge accounting which is determined on a derivative-by-derivative basis, due to the volatility in the forward markets for these commodities.

Salaries, Wages and Benefits

Salaries, wages and benefits represented approximately 32% of our total operating expenses in 2016 compared to 30% in 2015. The increase in salaries, wages and benefits was primarily driven by profit sharing and an increase in our Crewmember headcount.

Our profit sharing was calculated as 15% of adjusted pre-tax income, reduced by *Retirement Plus* contributions and special items. Profit sharing increased by $25 million in 2016 compared to 2015, primarily driven by lower aircraft fuel and related taxes and increased revenues. During 2016, the average number of full-time equivalent Crewmembers increased by 8% and the average tenure of our Crewmembers was 6.3 years.

Retirement Plus contributions, which equate to 5% of all of our eligible Crewmembers wages, increased by $4 million and our 3% retirement contribution for a certain portion of our FAA-licensed Crewmembers, which we refer to as *Retirement Advantage*, increased by approximately $1 million.

Landing Fees and Other Rents

Landing fees and other rents include landing fees, which are at a premium in the heavily trafficked northeast corridor of the U.S. where approximately 77% of our operations centered in 2016. Other rents primarily consisted of rent for airports in our 100 BlueCities. Landing fees and other rents increased $15 million, or 4.3%, in 2016 primarily due to increased departures.

Depreciation and Amortization

Depreciation and amortization primarily include depreciation for our owned and capital leased aircraft, engines, and in-flight entertainment systems. Depreciation and amortization increased $48 million, or 13.9%, primarily due to our ten owned A321 deliveries during 2016 resulting in an average of 160 owned and capital leased aircraft in 2016 compared to 149 in 2015.

Maintenance, Materials and Repairs

Maintenance, materials and repairs are generally expensed when incurred unless covered by a long-term flight hour services contract. The average age of our aircraft in 2016 was 8.9 years which was relatively young compared to our competitors. We had an average of 11 additional total operating aircraft in 2016 compared to 2015. In 2016, Maintenance, materials and repairs increased by $73 million, or 14.9% compared to 2015, primarily driven by increased flight hours on our engine flight-hour based maintenance repair agreements and by the number of airframe heavy maintenance repairs.

Other Operating Expenses

Other operating expenses consist of the following categories· outside services (including expenses related to fueling, ground handling, skycap, security and janitorial services), insurance, personnel expenses, professional fees, onboard supplies, shop and office supplies, bad debts, communication costs and taxes other than payroll and fuel taxes.

In 2016 , Other operating expenses increase d by $117 million , or 15.7% , compared to 2015 , primarily due to an increase in airport services and the non-recurrence of the $9 million gain in 2015 related to an insurance recovery for a damaged engine, a $6 million legal settlement and a $6 million gain on sale of an engine.

Income Taxes

Our effective tax rate was 37.6% in 2016 and 38 3% in 2015 Our effective tax rate decreased primarily due to the adoption of Accounting Standards Update, or ASU, 2016-09, Improvements to Employee Share-Based Payment Accounting

LIQUIDITY AND CAPITAL RESOURCES

The airline business is capital intensive. Our ability to successfully execute our profitable growth plans is largely dependent on the continued availability of capital on attractive terms. In addition, our ability to successfully operate our business depends on maintaining sufficient liquidity. We believe we have adequate resources from a combination of cash and cash equivalents, investment securities on-hand and two available lines of credit. Additionally, as of December 31, 2017 , we had 119 unencumbered aircraft and 37 unencumbered spare engines which we believe could be an additional source of liquidity, if necessary.

We believe a healthy liquidity position is a crucial element of our ability to weather any part of the economic cycle while continuing to execute on our plans for profitable growth and increased returns. Our goal is to continue to be diligent with our liquidity, maintaining financial flexibility and allowing for prudent capital spending

As of December 31, 2017 , we had unrestricted cash and cash equivalents of $303 million and short-term investments of $390 million . We believe our current level of unrestricted cash, cash equivalents and short-term investments of approximately 10% of trailing twelve months revenue, combined with our approximately $625 million in available lines of credit and portfolio of unencumbered assets, provides a strong liquidity position and the potential for higher returns on cash deployment. We believe we have taken several important steps during 2017 in solidifying our strong balance sheet and overall liquidity position.

Our highlights for 2017 included:

- Increased the number of unencumbered aircraft from 97 as of December 31, 2016 , to 119 as of December 31, 2017 This was principally accomplished by paying cash for the purchase of 16 Airbus A321 aircraft, buying out the leases on three of our aircraft Three of our Airbus A320 aircraft became unencumbered in 2017 as a result of regularly scheduled debt payments
- Our adjusted debt to capitalization ratio improved from 35% in 2016 to 28% in 2017

Analysis of Cash Flows

We had cash and cash equivalents of $303 million as of December 31, 2017. This compares to $433 million and $318 million as of December 31, 2016 and 2015, respectively. We held both short and long term investments in 2017, 2016 and 2015 Our short-term investments totaled $390 million as of December 31, 2017 compared to $538 million and $558 million as of December 31, 2016 and 2015, respectively. Our long-term investments totaled $2 million as of December 31, 2017 compared to $90 million and $49 million as of December 31, 2016 and 2015, respectively

Operating Activities

Cash flows provided by operating activities totaled approximately $1.4 billion in 2017 and $1.6 billion in each of 2016 and 2015. There was a $234 million decrease in cash flows from operating activities in 2017 compared to 2016 which was primarily driven by a 21.8% increase in the price of fuel, partially offset by a 4.5% increase in capacity during 2017 The $34 million increase in cash flows from operations in 2016 compared to 2015 was primarily a result of a 8.9% increase in capacity and a decrease of 26.9% in the price of fuel which both helped to improve operating cash flows. As of December 31, 2017, our unrestricted cash, cash equivalents and short-term investments as a percentage of trailing twelve months revenue was approximately 10% . We rely primarily on cash flows from operations to provide working capital for current and future operations.

Investing Activities

During 2017, capital expenditures related to our purchase of flight equipment included $128 million for flight equipment deposits, $759 million for the purchase of 16 new Airbus A321 aircraft and the buyout of three aircraft leases, $61 million for spare part purchases, and $156 million for flight equipment work-in-progress. Other property and equipment capital expenditures also included ground equipment purchases and facilities improvements for $98 million. Investing activities also included the net purchase of $236 million in investment securities

During 2016, capital expenditures related to our purchase of flight equipment included $161 million for flight equipment deposits, $588 million for the purchase of 10 new Airbus A321 aircraft and the buyout of nine aircraft leases, $18 million for spare part purchases, and $96 million for flight equipment work-in-progress Other property and equipment capital expenditures also included ground equipment purchases and facilities improvements for $148 million. Investing activities also included the net purchase of $23 million in investment securities

During 2015, capital expenditures related to our purchase of flight equipment included $104 million for flight equipment deposits, $450 million for the purchase of 12 new Airbus A321 aircraft, $110 for the buyout of six aircraft leases, $120 million for spare part purchases, and $29 million for flight equipment work-in-progress. Other property and equipment capital expenditures also included ground equipment purchases and facilities improvements for $128 million. Investing activities also included the net purchase of $187 million in investment securities.

We currently anticipate 2018 capital expenditures to be between $900 million and $1.1 billion, including approximately $750 million and $900 million for aircraft and predelivery deposits. The remaining capital expenditures of approximately $150 million to $200 million relate to non-aircraft projects such as our initiative to reduce our structural cost with the goal of saving $250 to $300 million by 2020.

Financing Activities

Financing activities during 2017 consisted of the scheduled repayment of $194 million relating to debt and capital lease obligations, as a result, three aircraft became unencumbered. In addition, we acquired $390 million in treasury shares of which $380 million related to our accelerated share repurchases during 2017 During this period, we realized $47 million in proceeds from the issuance of stock related to employee share-based compensation.

Financing activities during 2016 consisted of the scheduled repayment of $368 million relating to debt and capital lease obligations, as a result, 17 aircraft became unencumbered. In addition, we acquired $134 million in treasury shares of which $120 million related to our accelerated share repurchase in the fourth quarter of 2016. During this period, we realized $45 million in proceeds from the issuance of stock related to employee share-based compensation. During 2016, $86 million of Series B 6 75% convertible debentures were converted by holders, as a result, we issued approximately 17.6 million shares of our common stock.

Financing activities during 2015 consisted of the scheduled repayment of $196 million relating to debt and capital lease obligations. We prepaid $100 million of outstanding principal relating to 10 Airbus A320 aircraft. As a result, four aircraft became unencumbered and six have lower principal balances. We also prepaid the outstanding balance of $32 million on a special facility revenue bond for JFK that was issued by the New York City Industrial Development Agency in December 2006. In addition, we acquired $241 million in treasury shares of which $150 million related to our accelerated share repurchase in June 2015 During this period, we realized $84 million in proceeds from the issuance of stock related to employee share-based compensation. During 2015, $68 million of our Series B 5 5% convertible debentures were converted by holders, as a result, we issued approximately 15 million shares of our common stock.

In November 2015, we filed an automatic shelf registration statement with the SEC. Under this shelf registration statement, we, or one or more selling security holders, have the capacity to offer and sell from time to time common stock, preferred stock, debt securities, depositary shares, warrants, stock purchase contracts, stock purchase units, subscription rights, and pass-through certificates. The net proceeds of any securities we sell under this registration statement may be used for general corporate purposes, including among other possible uses, the acquisition of aircraft and construction of facilities on or near airports, the repayment or repurchase of short-term or long-term debt or lease obligations and other capital expenditures We may also use the proceeds for temporary investments until we need them for general corporate purposes. We will not receive any of the proceeds from the sale of securities by any selling security holders who may be named in a prospectus supplement. Through to December 31, 2017, we had not issued any securities under this registration statement. We may utilize this universal shelf registration statement, or a replacement filed with the SEC, in the future to raise capital to fund the continued development of our products and services, the commercialization of our products and services or for other general corporate purposes

None of our lenders or lessors are affiliated with us.

Capital Resources

We have been able to generate sufficient funds from operations to meet our working capital requirements and we have historically paid cash or financed our aircraft through either secured debt or lease financing. As of December 31, 2017, we operated a fleet of 243 aircraft which included 43 Airbus A321 aircraft and 76 Airbus A320 aircraft that were unencumbered. Of our remaining aircraft, 44 were under operating leases, six were financed under capital leases and 80 were financed by private and public secured debt. Additionally we have 37 unencumbered spare engines Approximately 29% of our property and equipment is pledged as security under various loan arrangements.

Dependent on market conditions, we anticipate using a mix of cash and debt financing for the 10 Airbus A321 aircraft scheduled for delivery in 2018. To the extent we cannot secure financing on terms we deem attractive, we may be required to pay in cash, further modify our aircraft acquisition plans or incur higher than anticipated financing costs. Although we believe debt and/or lease financing should be available to us if needed, we cannot give assurance we will be able to secure financing on terms attractive to us, if at all.

Working Capital

We had a working capital deficit of $1 2 billion as of December 31, 2017 compared to a deficit of $656 million as of December 31, 2016 and a deficit of $902 million as of December 31, 2015 . Working capital deficits can be customary in the airline industry since air traffic liability is classified as a current liability. Our working capital deficit increased $379 million in 2017 primarily due to using cash and short-term investments on hand to cover the difference of our cash from operations and our capital expenditures and share repurchases.

In 2012, we entered into a revolving line of credit with Morgan Stanley for up to $100 million which was subsequently increased to $200 million in December 2012. This line of credit is secured by a portion of our investment securities held by Morgan Stanley and the borrowing amount may vary accordingly. This line of credit bears interest at a floating rate based upon the London Interbank Offered Rate, or LIBOR, plus a margin. We did not borrow on this facility in 2017 or 2016 and the line was undrawn as of December 31, 2017

In April 2017, we increased our Credit and Guaranty Agreement with Citibank, N A. as the administrative agent to $425 million The term of the Amended and Restated Facility runs through April 6, 2021. Borrowing under the Amended and Restated Facility bears interest at a variable rate equal to LIBOR, plus a margin. The Amended and Restated Facility is secured by Slots at JFK, LaGuardia, Reagan National and certain other assets. The Amended and Restated Facility includes covenants that require us to maintain certain minimum balances in unrestricted cash, cash equivalents, and unused commitments available under all revolving credit facilities. In addition, the covenants restrict our ability to incur additional indebtedness, issue preferred stock or pay dividends. During 2017 and 2016, we did not borrow on this facility and the line was undrawn as of December 31, 2017.

We expect to meet our obligations as they become due through available cash, investment securities and internally generated funds, supplemented as necessary by financing activities, as they may be available to us. We expect to generate positive working capital through our operations. However, we cannot predict what the effect on our business might be from the extremely competitive environment we are operating in or from events beyond our control, such as volatile fuel prices, economic conditions, weather-related disruptions, the spread of infectious diseases, the impact of airline bankruptcies, restructurings or consolidations, U.S. military actions or acts of terrorism We believe there is sufficient liquidity available to us to meet our cash requirements for at least the next 12 months

Debt and Capital Leases

As part of our efforts to effectively manage our balance sheet and improve ROIC, we expect to continue to actively manage our debt balances Our approach to debt management includes managing the mix of fixed vs. floating rate debt, annual maturities of debt and the weighted average cost of debt. We intend to continue to opportunistically pre-purchase outstanding debt when market conditions and terms are favorable as well as when excess liquidity is available Additionally, our unencumbered assets, including 119 aircraft and 37 engines, allow some flexibility in managing our cost of debt and capital requirements.

CONTRACTUAL OBLIGATIONS

Our noncancelable contractual obligations at December 31, 2017 include.

	Payments due in						
(in billions)	Total	2018	2019	2020	2021	2022	Thereafter
Long-term debt and capital lease obligations [1]	$ 1.4	$ 0.2	$ 0.3	$ 0.2	$ 0.2	$ 0.2	$ 0.3
Lease commitments	1.2	0.2	0.2	0.1	0.1	0.1	0.5
Flight equipment obligations	7.3	0.8	1.0	1.4	1.5	1.5	1.1
Other obligations [2]	2.3	0.5	0.3	0.3	0.2	0.2	0.8
Total	**$ 12.2**	**$ 1.7**	**$ 1.8**	**$ 2.0**	**$ 2.0**	**$ 2.0**	**$ 2.7**

(1) Includes actual interest and estimated interest for floating-rate debt based on December 31, 2017 rates.

(2) Amounts include noncancelable commitments for the purchase of goods and services.

The interest rates are fixed for $1.1 billion of our debt and capital lease obligations, with the remaining $0.2 billion having floating interest rates. The floating interest rates adjust either quarterly or semi-annually based on LIBOR. The weighted average maturity of all of our debt was six years as of December 31, 2017 .

As of December 31, 2017 , we were in compliance with all of our covenants in relation to our debt and lease agreements and 29% of our owned property and equipment were pledged as security under various loan agreements.

As of December 31, 2017 , we had operating lease obligations for 44 aircraft with lease terms that expire between 2018 and 2028 . None of these leases have a variable-rate rent payments which adjust semi-annually based on LIBOR Our aircraft lease agreements contain termination provisions which include standard maintenance and return conditions. Our policy is to record these lease return conditions when they are probable and the costs can be estimated. We also lease airport terminal space and other airport facilities in each of our markets, as well as office space and other equipment. We have approximately $30 million of restricted assets pledged under standby letters of credit related to certain of our leases which will expire at the end of the related leases. As of December 31, 2017 , the average age of our operating fleet was 9.2 years.

Our firm aircraft order as of December 31, 2017 is as follows

Year	Airbus A320neo	Airbus A321ceo	Airbus A321neo	Embraer 190	Total
2018	—	10	—	—	10
2019	—	—	13	—	13
2020	6	—	7	10	23
2021	16	—	4	7	27
2022	3	—	17	7	27
2023	—	—	14	—	14
2024	—	—	5	—	5
Total	**25**	**10**	**60**	**24**	**119**

Committed expenditures for our firm aircraft and spare engines include estimated amounts for contractual price escalations and predelivery deposits We expect to meet our predelivery deposit requirements for our aircraft by paying cash or by using short-term borrowing facilities for deposits generally required six to 24 months prior to delivery. Any predelivery deposits paid by the issuance of notes are fully repaid at the time of delivery of the related aircraft.

Our Terminal at JFK, T5, is governed by a lease agreement we entered into with the PANYNJ in 2005. We are responsible for making various payments under the lease This includes ground rents for the terminal site which began at the time of the lease execution in 2005 and facility rents commenced in October 2008 upon our occupancy of T5. The facility rents are based on the number of passengers enplaned out of the terminal, subject to annual minimums. The PANYNJ reimbursed us for construction costs of this project in accordance with the terms of the lease, except for approximately $76 million in leasehold improvements provided by us. In 2013, we amended this lease to include additional ground space for our international arrivals facility, T5i, which we opened in November 2014. For financial reporting purposes, the T5 project is being accounted for as a financing obligation, with the constructed asset and related liability being reflected on our consolidated balance sheets. The T5i project was accounted for at cost. Minimum ground and facility rents at JFK totaling $299 million are included in the commitments table above as lease commitments and financing obligations.

We enter into individual employment agreements with each of our non-unionized FAA-licensed Crewmembers, inspectors and air traffic controllers. Each employment agreement is for a term of five years and automatically renews for an additional five-year term unless the Crewmember is terminated for cause or the Crewmember elects not to renew it. Pursuant to these agreements, these Crewmembers can only be terminated for cause. In the event of a downturn in our business requiring a reduction in flying and related work hours, we are obligated to pay these Crewmembers a guaranteed level of income and to continue their benefits. As we are not currently obligated to pay this guaranteed income and benefits, no amounts related to these guarantees are included in the contractual obligations table above. Our pilots voted to be represented by ALPA during 2014.

OFF-BALANCE SHEET ARRANGEMENTS

None of our operating lease obligations are reflected on our consolidated balance sheets. Although some of our aircraft lease arrangements are with variable interest entities, as defined by the *Consolidations* topic of the Codification, none of them require consolidation in our financial statements. The decision to finance these aircraft through operating leases rather than through debt was based on an analysis of the cash flows and tax consequences of each financing alternative and a consideration of liquidity implications. We are responsible for all maintenance, insurance and other costs associated with operating these aircraft. However, we are not obligated to provide any residual value or other guarantees to our lessors.

We have determined that we hold a variable interest in, but are not the primary beneficiary of, certain pass-through trusts The beneficiaries of these pass-through trusts are the purchasers of equipment notes issued by us to finance the acquisition of aircraft Each trust maintains a liquidity facility whereby a third party agrees to make payments sufficient to pay up to 18 months of interest on the applicable certificates if a payment default occurs.

We have also made certain guarantees and indemnities to other unrelated parties that are not reflected on our consolidated balance sheets, which we believe will not have a significant impact on our results of operations, financial condition or cash flows. We have no other off-balance sheet arrangements See Notes 2, 3 and 11 to our consolidated financial statements for a more detailed discussion of our variable interests and other contingencies, including guarantees and indemnities.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our consolidated financial statements in conformity with U S GAAP requires management to adopt accounting policies as well as make estimates and judgments to develop amounts reported in our financial statements and accompanying notes We maintain a thorough process to review the application of our accounting policies and to evaluate the appropriateness of the estimates that are required to prepare our financial statements. We believe our estimates and judgments are reasonable; however, actual results and the timing of recognition of such amounts could differ from those estimates. In addition, estimates routinely require adjustment based on changing circumstances and the receipt of new or better information.

Critical accounting policies and estimates are defined as those that are reflective of significant judgments and uncertainties that could potentially result in materially different results under different assumptions and conditions The policies and estimates discussed below have been reviewed with our independent registered public accounting firm and with the Audit Committee of our Board of Directors For a discussion of these and other significant accounting policies, see Note 1 to our consolidated financial statements.

Passenger revenue

Passenger ticket sales are initially deferred in air traffic liability. Revenue is recognized when transportation is provided or when a ticket or customer credit expires. Air traffic liability also includes customer credits issued and unused tickets whose travel date has passed. Credit for unused tickets and customer credits can each be applied towards another ticket within 12 months of the original scheduled service or 12 months from the issuance of the customer credit We also defer in the air traffic liability account an estimate for customer credits issued in conjunction with the JetBlue Airways Customer Bill of Rights that we expect to be ultimately redeemed. These estimates are based on historical experience and are periodically evaluated, and adjusted if necessary, based on actual credit usage.

Frequent flyer accounting

We utilize a number of estimates in accounting for our TrueBlue ® customer loyalty program, or TrueBlue ®. We record a liability for the estimated incremental cost of outstanding points earned from JetBlue purchases that we expect to be redeemed. This liability was $37 million and $30 million as of December 31, 2017 and 2016, respectively. The estimated cost includes incremental fuel, insurance, passenger food and supplies, in-flight entertainment and reservation costs. We adjust this liability, which is included in air traffic liability, based on points earned and redeemed, points that will ultimately go unused, or breakage, changes in the estimated incremental costs associated with providing travel and changes in the TrueBlue ® program. Customers earn points based on the value paid for a trip rather than the length of the trip and never expire. In addition, there is no longer an automatic generation of a travel award once minimum award levels are reached, but instead the points are maintained in the account until used by the member. Customers can pool points between small groups of people, branded as Family Pooling ™. Periodically we evaluate our assumptions for appropriateness, including comparison of the cost estimates to actual costs incurred as well as the expiration and redemption assumptions to actual experience. Changes in the minimum award levels or in the lives of the awards would also require us to reevaluate the liability, potentially resulting in a significant impact in the year of change as well as in future years.

TrueBlue ® points can also be sold to participating companies, including credit card and car rental companies. These sales are accounted for as multiple-element arrangements.

Upon the re-launch of the TrueBlue ® program in November 2009, we extended our co-branded credit card and membership rewards participation agreements with American Express ® Under this arrangement, which ended in 2015, we identified two elements, with one element representing the fair value of the travel that will ultimately be provided when the points are redeemed and the other consisting of marketing related activities we conduct with the participating company. The fair value of the transportation portion of these point sales is deferred and recognized as passenger revenue when transportation is provided. The marketing portion, which is the excess of the total sales proceeds over the estimated fair value of the transportation to be provided, is recognized in other revenue when the points are sold.

In 2015, we announced a co-branded credit card partnership with Barclaycard®, which commenced in March 2016. The agreement is a multiple-element arrangement subject to ASU, 2009-13, Multiple Deliverable *Revenue Arrangements.* ASU 2009-13 requires the allocation of the overall consideration received to each deliverable using the estimated selling price. We identified the following deliverables air transportation, use of the JetBlue brand name and access to our frequent flyer customer lists; advertising; and other airline benefits In determining the estimated selling price, JetBlue considered multiple inputs, methods and assumptions, including discounted cash flows; estimated equivalent ticket value, net of fulfillment discount, points expected to be awarded and redeemed; estimated annual spending by cardholder, estimated annual royalty for use of JetBlue's frequent flyer customer lists; and estimated utilization of other airline benefits. The overall consideration received is allocated to each deliverable based on their relative selling prices The air transportation element will be deferred and recognized as passenger revenue when the points are utilized The other elements will generally be recognized as other revenue when earned.

TrueBlue ® points sold to participating companies which are not redeemed are recognized as revenue when management determines the probability of redemption is remote Deferred revenue was $263 million and $211 million at December 31, 2016 and 2015, respectively.

Accounting for long-lived assets

In accounting for long-lived assets we make estimates about the expected useful lives, projected residual values and the potential for impairment. In estimating useful lives and residual values of our aircraft, we have relied upon actual industry experience with the same or similar aircraft types and our anticipated utilization of the aircraft. Changing market prices of new and used aircraft, government regulations and changes in our maintenance program or operations could result in changes to these estimates.

Our long-lived assets are evaluated for impairment when events and circumstances indicate the assets may be impaired. Indicators include operating or cash flow losses, significant decreases in market value or changes in technology. As our assets are all relatively new and we continue to have positive operating cash flows, we have not identified any significant impairment related to our long-lived assets at this time.

Intangible assets

Our intangible assets consist of acquired take-off and landing Slots at certain domestic airports. Slots are rights to take-off or land at a specific airport during a specific time period during the day and are a means by which airport capacity and congestion can be managed. The Federal government controls Slots at three domestic airports under the High Density rule, including Reagan National Airport in Washington D C. and LaGuardia and JFK Airports in New York City. In accounting for our Slot-related intangible assets we make estimates about their expected useful lives. Slots at High Density Airports are indefinite lived intangible assets. Slots at other airports will continue to be amortized on a straight-line basis over their expected useful lives of up to 15 years. Changes in our operations, government regulations or demand for air travel at these airports could result in changes to these estimates.

We evaluate our intangible assets for impairment at least annually or when events and circumstances indicate they may be impaired Indicators include operating or cash flow losses as well as significant decreases in market value.

Lease accounting

We operate airport facilities, office buildings and aircraft under operating leases with minimum lease payments. We recognize the costs associated with these agreements as rent expense on a straight-line basis over the expected lease term. Within the provisions of certain leases there are minimum escalations in payments over the base lease term. There are also periodic adjustments of lease rates, landing fees, and other charges applicable under such agreements, as well as renewal periods. The effects of the escalations and other adjustments have been reflected in rent expense on a straight-line basis over the lease term. This includes renewal periods when it is deemed to be reasonably assured at the inception of the lease that we would incur an economic penalty for not renewing. The amortization period for leasehold improvements is the term used in calculating straight-line rent expense or their estimated economic life, whichever is shorter.

Derivative instruments used for aircraft fuel

We utilize financial derivative instruments to manage the risk of changing aircraft fuel prices We do not purchase or hold any derivative instrument for trading purposes Fair values are determined using commodity prices provided to us by independent third parties. When possible, we designate these instruments as cash flow hedges for accounting purposes, as defined by the *Derivatives and Hedging* topic of the Codification which permits the deferral of the effective portions of gains or losses until contract settlement

The *Derivatives and Hedging* topic is a complex accounting standard It requires us to develop and maintain a significant amount of documentation related to.

(1) our fuel hedging program and fuel management approach,

(2) statistical analysis supporting a highly correlated relationship between the underlying commodity in the derivative financial instrument and the risk being hedged, i e. aircraft fuel, on both a historical and prospective basis, and

(3) cash flow designation for each hedging transaction executed, to be developed concurrently with the hedging transaction.

This documentation requires us to estimate forward aircraft fuel prices since there is no reliable forward market for aircraft fuel. These prices are developed through the observation of similar commodity futures prices, such as crude oil and/or heating oil, and adjusted based on variations to those like commodities. Historically, our hedges have settled within 24 months, therefore, the deferred gains and losses have been recognized into earnings over a relatively short period of time

REGULATION G RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES

We sometimes use non-GAAP measures that are derived from the consolidated financial statements, but that are not presented in accordance with generally accepted accounting principles in the U.S., or U.S. GAAP. We believe these non-GAAP measures provide a meaningful comparison of our results to others in the airline industry and our prior year results. Investors should consider these non-GAAP financial measures in addition to, and not as a substitute for, our financial performance measures prepared in accordance with U S GAAP. Further, our non-GAAP information may be different from the non-GAAP information provided by other companies.

Operating Expenses per Available Seat Mile, excluding fuel

Operating expenses per available seat mile, or CASM, is a common metric used in the airline industry. Our CASM for 2017 through 2013 are summarized in the table below We exclude aircraft fuel and related taxes, and operating expenses related to other non-airline expenses, such as JetBlue Technology Ventures, from operating expenses to determine CASM ex-fuel We believe that CASM ex-fuel provides investors with the ability to measure financial performance excluding items beyond our control, such as fuel costs which are subject to many economic and political factors beyond our control, or not related to the generation of an available seat mile, such as operating expense related to other non-airline expenses. We believe this non-GAAP measure is more indicative of our ability to manage airline costs and is more comparable to measures reported by other major airlines

Reconciliation of Operating expense per ASM, excluding fuel

	2017		2016		2015		2014		2013	
(in millions, per ASM data in cents)	$	per ASM	$	per ASM	$	per ASM	$	per ASM	$	per ASM
Total operating expenses	$ 6,015	10.74	$ 5,320	9.92	$ 5,200	10.56	$ 5,302	11.78	$ 5,013	11.71
Less:										
Aircraft fuel and related taxes	1,363	2.43	1,074	2.00	1,348	2.74	1,912	4.25	1,899	4.43
Other non-airline expenses	4	0.01	1	—	—	—	—	—	—	—
Operating expenses, excluding fuel	**$ 4,648**	**8.30**	**$ 4,245**	**7.92**	**$ 3,852**	**7.82**	**$ 3,390**	**7.53**	**$ 3,114**	**7.28**

Return on Invested Capital

Return on invested capital, or ROIC, is an important financial metric which we believe provides meaningful information as to how well we generate returns relative to the capital invested in our business During 2017 , our ROIC was 10 3% from 14 3% in 2016, primarily due to fuel prices. We are committed to taking appropriate actions which will allow us to produce returns greater than our cost of capital while adding capacity and continuing to grow

We believe this non-GAAP measure provides a meaningful comparison of our results to the airline industry and our prior year results. Investors should consider this non-GAAP financial measure in addition to, and not as a substitute for, our financial performance measures prepared in accordance with GAAP.

Reconciliation of Return on Invested Capital (Non-GAAP)

(in millions, except as otherwise noted)	Twelve Months Ended December 31,	
	2017	**2016**
Numerator		
Operating Income	$ 1,000	$ 1,312
Add: Interest income (expense) and other	6	7
Add: Interest component of capitalized aircraft rent [1]	53	58
Subtotal	1,059	1,377
Less: Income tax expense impact	395	520
Operating Income After Tax, Adjusted	**$ 664**	**$ 857**
Denominator		
Average Stockholders' equity	$ 4,424	$ 3,611
Average total debt	1,291	1,606
Capitalized aircraft rent [1]	702	771
Invested Capital	**$ 6,417**	**$ 5,988**
Return on Invested Capital	**10.3%**	**14.3%**
(1) Capitalized Aircraft Rent		
Aircraft rent, as reported	$ 100	$ 110
Capitalized aircraft rent (7 * aircraft rent) [2]	702	771
Interest component of capitalized aircraft rent (Imputed interest at 7.5%)	53	58

(2) In determining the Invested Capital component of ROIC we include a non-GAAP adjustment for aircraft operating leases, as operating lease obligations are not reflected on our balance sheets but do represent a significant financing obligation In making the adjustment we used a multiple of seven times our aircraft rent as this is the multiple which is routinely used within the airline community to represent the financing component of aircraft operating lease obligations.

Free Cash Flow (Non-GAAP)

The table below reconciles cash provided by operations determined in accordance with U S GAAP to Free Cash Flow, a non-GAAP measure. Management believes that Free Cash Flow is a relevant metric in measuring our financial strength and is useful in assessing our ability to fund future capital commitments and other obligations. Investors should consider this non-GAAP financial measure in addition to, and not as a substitute for, our financial measures prepared in accordance with U S GAAP

Reconciliation of Free Cash Flow (Non-GAAP)

(in millions)	Year Ended December 31,				
	2017	**2016**	**2015**	**2014**	**2013**
Net cash provided by operating activities	$ 1,398	$ 1,632	$ 1,598	$ 912	$ 758
Less: Capital expenditures [1]	(1,074)	(850)	(837)	(806)	(615)
Less: Predelivery deposits for flight equipment	(128)	(161)	(104)	(127)	(22)
Free Cash Flow	**$ 196**	**$ 621**	**$ 657**	**$ (21)**	**$ 121**

(1) The capital expenditures in 2014 included two capital leases for approximately $76 million which were classified as a non-cash financing activity in the consolidated statements of cash flows.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The risk inherent in our market risk sensitive instruments and positions is the potential loss arising from adverse changes to the price of fuel and interest rates as discussed below. The sensitivity analyses presented do not consider the effects such adverse changes may have on the overall economic activity, nor do they consider additional actions we may take to mitigate our exposure to such changes. Variable-rate leases are not considered market sensitive financial instruments and, therefore, are not included in the interest rate sensitivity analysis below. Actual results may differ See Notes 1, 2 and 13 to our consolidated financial statements for accounting policies and additional information.

Aircraft fuel

Our results of operations are affected by changes in the price and availability of aircraft fuel Market risk is estimated as a hypothetical 10% increase in the December 31, 2017 cost per gallon of fuel. Based on projected 2018 fuel consumption, such an increase would result in an increase to aircraft fuel expense of approximately $170 million in 2018. This is compared to an estimated $133 million for 2017 measured as of December 31, 2016 We did not have any hedge contracts outstanding as of December 31, 2017

The financial derivative instrument agreements we have with our counterparties may require us to fund all, or a portion of, outstanding loss positions related to these contracts prior to their scheduled maturities. The amount of collateral posted, if any, is periodically adjusted based on the fair value of the hedge contracts.

Interest

Our earnings are affected by changes in interest rates due to the impact those changes have on interest expense from variable-rate debt instruments and on interest income generated from our cash and investment balances The interest rate is fixed for $1 1 billion of our debt and capital lease obligations, with the remaining $153 million having floating interest rates. If interest rates were on average 100 basis points higher in 2018 than they were during 2017 , our interest expense would increase by approximately $2 million This is determined by considering the impact of the hypothetical change in interest rates on our variable rate debt.

If interest rates were an average 10% lower in 2018 than they were during 2017 , our interest income from cash and investment balances would decrease by approximately $1 million . These amounts are determined by considering the impact of the hypothetical interest rates on our cash and cash equivalents and short term investment securities balances as of December 31, 2017 and 2016 .

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of JetBlue Airways Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of JetBlue Airways Corporation (the Company) as of December 31, 2017 and 2016 , and the related consolidated statements of operations, comprehensive income, cash flows and stockholders' equity for each of the three years in the period ended December 31, 2017 , and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2017 and 2016 , and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2017 , in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017 , based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 16, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U S federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB

We conducted our audits in accordance with the standards of the PCAOB Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to fraud or error Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2001.
New York, New York
February 16, 2018

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of JetBlue Airways Corporation

Opinion on Internal Control over Financial Reporting

We have audited JetBlue Airways Corporation's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, JetBlue Airways Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2017 consolidated financial statements of the Company and our report dated February 16, 2018 expressed an unqualified opinion thereon

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate

/s/ Ernst & Young LLP

New York, New York
February 16, 2018

JETBLUE AIRWAYS CORPORATION
CONSOLIDATED BALANCE SHEETS
(in millions, except per share data)

	December 31,	
	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 303	$ 433
Investment securities	390	538
Receivables, less allowance (2017-$1; 2016-$5)	245	172
Inventories, less allowance (2017-$14; 2016-$12)	55	47
Prepaid expenses and other	213	213
Total current assets	1,206	1,403
PROPERTY AND EQUIPMENT		
Flight equipment	8,980	7,868
Predelivery deposits for flight equipment	204	223
Total flight equipment and predelivery deposits, gross	9,184	8,091
Less accumulated depreciation	2,125	1,823
Total flight equipment and predelivery deposits, net	7,059	6,268
Other property and equipment	1,041	972
Less accumulated depreciation	405	345
Total other property and equipment, net	636	627
Assets constructed for others	561	561
Less accumulated depreciation	207	185
Total assets constructed for others, net	354	376
Total property and equipment, net	8,049	7,271
OTHER ASSETS		
Investment securities	2	90
Restricted cash	56	62
Other	468	497
Total other assets	526	649
TOTAL ASSETS	$ 9,781	$ 9,323

See accompanying notes to consolidated financial statements

JETBLUE AIRWAYS CORPORATION
CONSOLIDATED BALANCE SHEETS
(in millions, except per share data)

	December 31,	
	2017	2016
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 378	$ 242
Air traffic liability	1,215	1,120
Accrued salaries, wages and benefits	313	342
Other accrued liabilities	293	321
Current maturities of long-term debt and capital leases	196	189
Total current liabilities	2,395	2,214
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	1,003	1,195
CONSTRUCTION OBLIGATION	441	457
DEFERRED TAXES AND OTHER LIABILITIES		
Deferred income taxes	1,033	1,354
Other	75	90
Total deferred taxes and other liabilities	1,108	1,444
COMMITMENTS AND CONTINGENCIES (Notes 10 & 11)		
STOCKHOLDERS' EQUITY		
Preferred stock, $0.01 par value; 25 shares authorized, none issued	—	—
Common stock, $0.01 par value; 900 shares authorized, 418 and 414 shares issued and 321 and 337 shares outstanding at 2017 and 2016, respectively	4	4
Treasury stock, at cost; 97 and 77 shares at 2017 and 2016, respectively	(890)	(500)
Additional paid-in capital	2,127	2,050
Retained earnings	3,593	2,446
Accumulated other comprehensive income	—	13
Total stockholders' equity	4,834	4,013
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 9,781**	**$ 9,323**

See accompanying notes to consolidated financial statements.

JETBLUE AIRWAYS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share amounts)

	Years Ended December 31,		
	2017	2016	2015
OPERATING REVENUES			
Passenger	$ 6,288	$ 6,013	$ 5,893
Other	727	619	523
Total operating revenues	7,015	6,632	6,416
OPERATING EXPENSES			
Aircraft fuel and related taxes	1,363	1,074	1,348
Salaries, wages and benefits	1,887	1,698	1,540
Landing fees and other rents	397	357	342
Depreciation and amortization	446	393	345
Aircraft rent	100	110	122
Sales and marketing	267	259	264
Maintenance, materials and repairs	622	563	490
Other operating expenses	933	866	749
Total operating expenses	6,015	5,320	5,200
OPERATING INCOME	1,000	1,312	1,216
OTHER INCOME (EXPENSE)			
Interest expense	(95)	(111)	(128)
Capitalized interest	10	8	8
Interest income and other	6	7	1
Total other income (expense)	(79)	(96)	(119)
INCOME BEFORE INCOME TAXES	921	1,216	1,097
Income tax expense (benefit)	(226)	457	420
NET INCOME	$ 1,147	$ 759	$ 677
EARNINGS PER COMMON SHARE			
Basic	$ 3.49	$ 2.32	$ 2.15
Diluted	$ 3.47	$ 2.22	$ 1.98

See accompanying notes to consolidated financial statements.

JETBLUE AIRWAYS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

	Years Ended December 31,		
	2017	2016	2015
NET INCOME	$ 1,147	$ 759	$ 677
Changes in fair value of derivative instruments, net of reclassifications into earnings (net of $(8), $8, and $38 of taxes in 2017, 2016 and 2015, respectively)	(13)	16	60
Total other comprehensive income (loss)	(13)	16	60
COMPREHENSIVE INCOME	**$ 1,134**	**$ 775**	**$ 737**

See accompanying notes to consolidated financial statements

JETBLUE AIRWAYS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Years Ended December 31,		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 1,147	$ 759	$ 677
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred income taxes	(313)	270	377
Depreciation	383	337	288
Amortization	63	56	57
Stock-based compensation	29	23	20
Collateral returned for derivative instruments	—	—	52
Changes in certain operating assets and liabilities			
(Increase) decrease in receivables	(50)	(21)	11
Decrease (increase) in inventories, prepaid and other	15	1	(5)
Increase in air traffic liability	95	67	80
Increase in accounts payable and other accrued liabilities	53	157	64
Other, net	(24)	(17)	(23)
Net cash provided by operating activities	1,398	1,632	1,598
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(1,074)	(850)	(837)
Predelivery deposits for flight equipment	(128)	(161)	(104)
Purchase of held-to-maturity investments	(207)	(276)	(370)
Proceeds from the maturities of held-to-maturity investments	244	333	313
Purchase of available-for-sale securities	(245)	(597)	(372)
Proceeds from the sale of available-for-sale securities	444	517	242
Other, net	(9)	(11)	(6)
Net cash used in investing activities	(975)	(1,045)	(1,134)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from			
Issuance of common stock	47	45	84
Repayment of			
Long-term debt and capital lease obligations	(194)	(368)	(328)
Acquisition of treasury stock	(390)	(134)	(241)
Other, net	(16)	(15)	(2)
Net cash used in financing activities	(553)	(472)	(487)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(130)	115	(23)
Cash and cash equivalents at beginning of period	433	318	341
Cash and cash equivalents at end of period	$ 303	$ 433	$ 318

See accompanying notes to consolidated financial statements

JETBLUE AIRWAYS CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in millions)

	Common Shares	Common Stock	Treasury Shares	Treasury Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2014	369	$ 4	59	$ (125)	$ 1,711	$ 1,002	$ (63)	$ 2,529
Net income	—	—	—	—	—	677	—	677
Other comprehensive income	—	—	—	—	—	—	60	60
Vesting of restricted stock units	2	—	1	(14)	—	—	—	(14)
Exercise of stock options	5	—	—	—	59	—	—	59
Stock compensation expense	—	—	—	—	20	—	—	20
Stock issued under Crewmember stock purchase plan	1	—	—	—	25	—	—	25
Shares repurchased under 2012 share repurchase plan	—	—	10	(227)	—	—	—	(227)
Convertible debt redemption	15	—	—	—	67	—	—	67
Other	—	—	—	—	14	—	—	14
Balance at December 31, 2015	392	$ 4	70	$ (366)	$ 1,896	$ 1,679	$ (3)	$ 3,210
Cumulative Effect for the adoption of ASU 2016-09	—	—	—	—	—	8	—	8
Net income	—	—	—	—	—	759	—	759
Other comprehensive income	—	—	—	—	—	—	16	16
Vesting of restricted stock units	1	—	1	(14)	—	—	—	(14)
Exercise of stock options	1	—	—	—	10	—	—	10
Stock compensation expense	—	—	—	—	23	—	—	23
Stock issued under Crewmember stock purchase plan	2	—	—	—	35	—	—	35
Shares repurchased under 2016 share repurchase plan	—	—	6	(120)	—	—	—	(120)
Convertible debt redemption	18	—	—	—	86	—	—	86
Balance at December 31, 2016	414	$ 4	77	$ (500)	$ 2,050	$ 2,446	$ 13	$ 4,013
Net income	—	—	—	—	—	1,147	—	1,147
Other comprehensive loss	—	—	—	—	—	—	(13)	(13)
Vesting of restricted stock units	1	—	1	(10)	—	—	—	(10)
Exercise of stock options	—	—	—	—	4	—	—	4
Stock compensation expense	—	—	—	—	29	—	—	29
Stock issued under Crewmember stock purchase plan	3	—	—	—	44	—	—	44
Shares repurchased under 2016 share repurchase plan	—	—	19	(380)	—	—	—	(380)
Balance at December 31, 2017	**418**	**$ 4**	**97**	**$ (890)**	**$ 2,127**	**$ 3,593**	**$ —**	**$ 4,834**

See accompanying notes to consolidated financial statements

JETBLUE AIRWAYS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JetBlue Airways Corporation, or JetBlue, is New York's Hometown Airline ™. We believe our differentiated product and service offerings combined with our competitive cost advantage enables us to effectively compete in the high-value geography we serve As of December 31, 2017, we served 101 destinations in 30 states, the District of Columbia, the Commonwealth of Puerto Rico, the U S Virgin Islands, and 21 countries in the Caribbean and Latin America. In December 2015, JetBlue created a new wholly-owned subsidiary, JetBlue Technology Ventures, LLC, or JTV. JTV will invest in or partner with emerging companies in the development of innovative products and services within the travel, hospitality and lifestyle industries

Note 1—Summary of Significant Accounting Policies

Basis of Presentation

JetBlue provides air transportation services across the United States, the Caribbean and Latin America. Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U S , or U.S. GAAP, and include the accounts of JetBlue and our subsidiaries. All majority-owned subsidiaries are consolidated with all intercompany transactions and balances being eliminated.

Use of Estimates

The preparation of our consolidated financial statements and accompanying notes in conformity with U.S GAAP require us to make certain estimates and assumptions. Actual results could differ from those estimates.

Fair Value

The *Fair Value Measurements and Disclosures* topic of the Financial Accounting Standards Board's, or FASB, Accounting Standards Codification ™, or Codification, establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. This topic clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants The topic also requires disclosure about how fair value is determined for assets and liabilities and establishes a hierarchy for which these assets and liabilities must be grouped, based on significant levels of inputs. Refer to Note 13 for more information.

Cash and Cash Equivalents

Our cash and cash equivalents include short-term, highly liquid investments which are readily convertible into cash These investments include money market securities and commercial papers with maturities of three months or less when purchased.

Restricted Cash

Restricted cash primarily consists of security deposits, funds held in escrow for estimated workers' compensation obligations and performance bonds for aircraft and facility leases.

Accounts and Other Receivables

Accounts and other receivables are carried at cost. They primarily consist of amounts due from credit card companies associated with sales of tickets for future travel. We estimate an allowance for doubtful accounts based on known troubled accounts, if any, and historical experience of losses incurred.

Investment Securities

Investment securities consist of available-for-sale investment securities and held-to-maturity investment securities When sold, we use a specific identification method to determine the cost of the securities

Available-for-sale investment securities

Our available-for-sale investment securities include highly liquid investments such as certificates of deposits with maturities between three and twelve months which are stated at fair value

Held-to-maturity investment securities

Our held-to-maturity investments consist of investment-grade interest bearing instruments, primarily treasury notes and bills, which are stated at amortized cost. We do not intend to sell these investment securities and the contractual maturities are not greater than 24 months. Those with maturities less than twelve months are included in short-term investments on our consolidated balance sheets. Those with remaining maturities in excess of twelve months are included in long-term investments on our consolidated balance sheets. We did not record any material gains or losses on these securities during the years ended December 31, 2017 , 2016 or 2015 . The estimated fair value of these investments approximated their carrying value as of December 31, 2017 and 2016 .

The carrying values of investment securities consisted of the following at December 31, 2017 and 2016 (in millions):

	2017	2016
Available-for-sale securities		
Time deposits	$ 130	$ 160
Debt Securities	6	—
Treasury bills	—	115
Commercial paper	—	60
Total available-for-sale securities	136	335
Held-to-maturity securities		
Treasury notes	220	283
Corporate bonds	36	10
Total held-to-maturity securities	256	293
TOTAL INVESTMENT SECURITIES	**$ 392**	**$ 628**

Derivative Instruments

Derivative instruments, including fuel hedge contracts, fuel basis swap agreements and interest rate swap agreements are stated at fair value, net of any collateral postings Derivative instruments are included in other current assets and other current liabilities in our consolidated balance sheets. Refer to Note 12 for more information

Inventories

Inventories consist of expendable aircraft spare parts and supplies that are stated at average cost as well as aircraft fuel that is accounted for on a first-in, first-out basis. These items are expensed when used or consumed. An allowance for obsolescence on aircraft spare parts is provided over the remaining useful life of the related aircraft fleet

Property and Equipment

We record our property and equipment at cost and depreciate these assets on a straight-line basis over their estimated useful lives to their estimated residual values We capitalize additions, modifications enhancing the operating performance of our assets and the interest related to predelivery deposits used to acquire new aircraft and the construction of our facilities.

Estimated useful lives and residual values for our property and equipment are as follows:

Property and Equipment Type	Estimated Useful Life	Residual Value
Aircraft	25 years	20%
In-flight entertainment systems	5-10 years	0%
Aircraft parts	Fleet life	10%
Flight equipment leasehold improvements	Lower of lease term or economic life	0%
Ground property and equipment	2-10 years	0%
Leasehold improvements—other	Lower of lease term or economic life	0%
Buildings on leased land	Lease term	0%

Property under capital leases is initially recorded at an amount equal to the present value of future minimum lease payments which is computed on the basis of our incremental borrowing rate or, when known, the interest rate implicit in the lease Amortization of property under capital leases is on a straight-line basis over the expected useful life and is included in depreciation and amortization expense

We record impairment losses on long-lived assets used in operations when events and circumstances indicate the assets may be impaired and the undiscounted future cash flows estimated to be generated by the assets are less than the assets' net book value. If impairment occurs, the loss is measured by comparing the fair value of the asset to its carrying amount. Impairment losses are recorded in depreciation and amortization expense.

Software

We capitalize certain costs related to the acquisition and development of computer software We amortize these costs using the straight-line method over the estimated useful life of the software, which is generally between five and ten years. The net book value of computer software, which is included in other assets on our consolidated balance sheets, was $92 million and $97 million as of December 31, 2017 and 2016 , respectively. Amortization expense related to computer software was $41 million , $32 million and $34 million for the years ended December 31, 2017 , 2016 and 2015 , respectively As of December 31, 2017 , amortization expense related to computer software is expected to be approximately $37 million in 2018 , $28 million in 2019 , $11 million in 2020 , $7 million in 2021 , and $4 million in 2022 .

Intangible Assets

Our intangible assets consist primarily of acquired take-off and landing slots, or Slots, at certain domestic airports. Slots are the rights to take-off or land at a specific airport during a specific time period of the day and are a means by which airport capacity and congestion can be managed We account for Slots at High Density Airports, including Reagan National Airport in Washington, D.C., LaGuardia Airport, and JFK Airport, both in New York City as indefinite life intangible assets which results in no amortization expense Slots at other airports are amortized on a straight-line basis over their expected useful lives of up to 15 years We evaluate our intangible assets for impairment at least annually or when events and circumstances indicate they may be impaired Indicators include operating or cash flow losses as well as significant decreases in market value. As of December 31, 2017 and 2016 , our intangible assets for Slots at High Density Airports with indefinite lives was $139 million .

Passenger Revenue

Passenger revenue is recognized when the transportation is provided or after the ticket or passenger credit issued upon payment of a change fee expires It is recognized net of the taxes that we are required to collect from our Customers, including federal transportation taxes, security taxes and airport facility charges. Tickets sold but not yet recognized as revenue and unexpired credits are included in air traffic liability on the consolidated balance sheets

Loyalty Program

We account for our customer loyalty program, TrueBlue ®, by recording a liability for the estimated incremental cost of outstanding points earned from JetBlue purchases that we expect to be redeemed. The estimated cost includes incremental fuel, insurance, passenger food and supplies, in-flight entertainment and reservation costs We adjust this liability, which is included in air traffic liability, based on points earned and redeemed, points that will ultimately go unused, or breakage, changes in the estimated incremental costs associated with providing travel and changes in the TrueBlue ® program. This liability was $37 million and $30 million as of December 31, 2017 and 2016, respectively. We estimate breakage based on historical point redemptions. In June 2013, we amended the program so points earned by members never expire Customers earn points based on the value paid for a trip rather than the length of the trip, and Customers can pool points between small groups of people, branded as Family Pooling ™. We believe Family Pooling ™ has not had a material impact on the breakage calculation.

TrueBlue ® points can also be sold to participating companies, including credit card and car rental companies These sales are accounted for as multiple-element arrangements.

Upon the re-launch of the TrueBlue ® program in November 2009, we extended our co-branded credit card and membership rewards participation agreements with American Express ®. Under this agreement, which ended in 2015, we identified two elements, with one element representing the fair value of the travel that will ultimately be provided when the points are redeemed and the other consisting of marketing related activities that we conduct with the participating company The fair value of the transportation portion of these point sales is deferred and recognized as passenger revenue when transportation is provided The marketing portion, which is the excess of the total sales proceeds over the estimated fair value of the transportation to be provided, is recognized in other revenue when the points are sold.

In 2015, we announced a co-branded credit card partnership with Barclaycard ®, which commenced in March 2016. The agreement is a multiple-element arrangement subject to Accounting Standards Update, or ASU, 2009-13, *Multiple Deliverable Revenue Arrangements.* ASU 2009-13 requires the allocation of the overall consideration received to each deliverable using the estimated selling price. We identified the following deliverables: air transportation, use of the JetBlue brand name and access to our frequent flyer customer lists; advertising; and other airline benefits. In determining the estimated selling price, JetBlue considered multiple inputs, methods and assumptions, including: discounted cash flows; estimated equivalent ticket value, net of fulfillment discount; points expected to be awarded and redeemed, estimated annual spending by cardholder, estimated annual royalty for use of JetBlue's frequent flyer customer lists; and estimated utilization of other airline benefits. The overall consideration received is allocated to each deliverable based on their relative selling prices. The air transportation element is deferred and recognized as passenger revenue when the points are utilized. The other elements are recognized as other revenue when earned.

TrueBlue ® points sold to participating companies which are not redeemed are recognized as revenue when management determines the probability of redemption is remote. Deferred revenue was $263 million and $211 million at December 31, 2017 and 2016, respectively.

Airframe and Engine Maintenance and Repair

Regular airframe maintenance for owned and leased flight equipment is charged to expense as incurred unless covered by a third-party long-term flight hour service agreement. We have separate service agreements in place covering scheduled and unscheduled repairs of certain airframe line replacement unit components as well as the engines in our fleet. These agreements, whose original terms generally range from 10 to 15 years, require monthly payments at rates based either on the number of cycles each aircraft was operated during each month or the number of flight hours each engine was operated during each month, subject to annual escalations. These power by the hour agreements transfer certain risks, including cost risks, to the third-party service providers They generally fix the amount we pay per flight hour or number of cycles in exchange for maintenance and repairs under a predefined maintenance program, which are representative of the time and materials that would be consumed These costs are expensed as the related flight hours or cycles are incurred

Advertising Costs

Advertising costs, which are included in sales and marketing, are expensed as incurred Advertising expense was $66 million in 2017 , $65 million in 2016 and $69 million in 2015 .

Share-Based Compensation

We record compensation expense for share-based awards based on the grant date fair value of those awards Share-based compensation expense includes an estimate for pre-vesting forfeitures and is recognized over the requisite service periods of the awards on a straight-line basis

Income Taxes

We account for income taxes utilizing the liability method. Deferred income taxes are recognized for the tax consequences of temporary differences between the tax and financial statement reporting bases of assets and liabilities. A valuation allowance for deferred tax assets is provided unless realizability is judged by us to be more likely than not. Our policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense.

New Accounting Standards

New accounting rules and disclosure requirements can impact our financial results and the comparability of our financial statements The authoritative literature which has recently been issued and that we believe will impact our consolidated financial statements is described below There are also several new proposals under development. If and when enacted, these proposals may have a significant impact on our financial statements

During the first quarter of 2017, we adopted Accounting Standards Update, or ASU, 2015-17, *Income Taxes, Balance Sheet Classification of Deferred Taxes* topic of the FASB Codification, or Codification This standard requires all deferred tax assets and liabilities to be classified as non-current on the balance sheet instead of separating deferred taxes into current and non-current amounts. In addition, valuation allowance allocations between current and non-current deferred tax assets are no longer required because those allowances also will be classified as non-current. Our condensed consolidated balance sheet as of December 31, 2016 reflects retrospective application As a result of the adoption, $9 million of deferred tax liabilities previously included within other accrued liabilities and $164 million of deferred tax assets previously included within current assets have been moved to long-term liabilities on our December 31, 2016 balance sheet

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* . Under ASU 2016-02, a lessee will recognize liabilities for lease payments and right-of-use assets representing its right to use the underlying asset for the lease term. While we are still evaluating the full impact of adopting the amendments on our consolidated financial statements and disclosures, we have determined that the most significant impact will be our accounting for leased aircraft and other leasing agreements, requiring the presentation of those leases with durations of greater than twelve months on the balance sheet See Note 3 with respect to our operating leases not currently presented on the balance sheet. The amendments are effective for fiscal years beginning after December 15, 2018 and includes interim periods within those fiscal years. Early adoption is permitted, and companies are required to use a modified retrospective approach at the earliest period presented.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash.* The amendments clarified how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. ASU 2016-18 requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. The amendments are effective for fiscal years beginning after December 15, 2017 and includes interim periods within those years.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* , which supersedes existing revenue recognition guidance. Under the new standard, a company will recognize revenue when it transfers goods or services to Customers in an amount that reflects the consideration to which the company expects to be entitled to in exchange for those goods or services. The standard allows for either full retrospective or modified retrospective adoption. In July 2015, the FASB voted to defer the effective date of ASU 2014-09 by one year to interim and annual reporting periods beginning after December 15, 2017 and permitted early adoption of the standard, but not prior to December 15, 2016.

We have closely assessed the new standard and monitored FASB activity, including the interpretations by the FASB Transition Resource Group for Revenue Recognition throughout 2017. In the fourth quarter of 2017, we substantially completed our assessment of the new standard, and we expect to adopt the requirements of ASU 2014-09 as of January 1, 2018 utilizing the full retrospective method of transition We will record a cumulative adjustment to retained earnings as of January 1, 2016 for the impacts of the new accounting standard

For JetBlue, we believe the most significant impact of the new standard relates to the accounting for our TrueBlue® Loyalty Program. The standard eliminates the incremental cost method for loyalty program accounting which we previously used. We will be required to re-value the liability for points earned on qualifying JetBlue purchases using a relative fair value approach. The application of a relative fair value approach is expected to increase our air traffic liability by approximately $270 million to $300 million , net of breakage, as of the beginning of the retrospective reporting period

In addition, we currently have a liability for outstanding points that were earned in conjunction with our previous co-branded credit card agreement had been recorded using the residual method. The new standard does not permit the usage of the residual method for this contract and instead, the transaction price will be allocated to the performance obligations on a relative selling price basis This change is expected to decrease the relative value allocated to the transportation performance obligation and will result in a decrease of approximately $160 million to $170 million , net of breakage, to the liability as of the beginning of the retrospective reporting period.

Under the new standard, passenger revenue from unused tickets and passenger credits will be recognized in proportion to flown revenue based on estimates of expected expiration or when the likelihood of the Customer exercising their remaining rights becomes remote. Currently, recognition of passenger revenue was at expiration. This change will increase passenger revenue by approximately $20 million to $25 million .

We also expect this standard to result in a change in the timing and classification of our revenue recognition for certain ancillary fees directly related to passenger tickets As a result, we expect that these revenues, which were approximately $470 million and $425 million , in 2017 and 2016, respectively, will be reclassified from other revenue under the current presentation to passenger revenue after adoption

The estimated impact of this ASU is expected to be less than one percent reduction to Operating revenues for both full year 2017 and 2016, and do not expect it to impact any of the Company's existing debt covenants.

JETBLUE AIRWAYS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2—Long-term Debt, Short-term Borrowings and Capital Lease Obligations

Long-term debt and capital lease obligations and the related weighted average interest rate at December 31, 2017 and 2016 consisted of the following (in millions):

	2017		2016	
Secured Debt				
Floating rate equipment notes, due through 2025 (1)	$ 153	4.7%	$ 173	4 2%
Fixed rate enhanced equipment notes, due through 2023 (2)	171	4.5%	189	4.5%
Fixed rate equipment notes, due through 2026	716	5 4%	850	5 5%
Fixed rate specialty bonds, due through 2036 (3)	43	4.9%	43	4.9%
Capital Leases (4)	124	4.5%	140	4.3%
Total debt and capital lease obligations	**1,207**		**1,395**	
Less: Current maturities	(196)		(189)	
Less: Debt acquisition cost	(8)		(11)	
Long-term debt and capital lease obligations	**$ 1,003**		**$ 1,195**	

(1) Interest rates adjust quarterly or semi-annually based on LIBOR, plus a margin .

(2) In March 2014, we completed a private placement of $226 million in pass-through certificates, Series 2013-1 The certificates were issued by a pass-through trust and are not obligations of JetBlue. The proceeds from the issuance of the pass-through certificates were used to purchase equipment notes issued by JetBlue and secured by 14 of our previously unencumbered aircraft. Principal and interest are payable semi-annually , starting in September 2014.

(3) In November 2005, the Greater Orlando Aviation Authority, or GOAA, issued special purpose airport facilities revenue bonds to JetBlue as reimbursement for certain airport facility construction and other costs. In April 2013, GOAA issued $42 million in special purpose airport facility revenue bonds to refund the bonds issued in 2005. The proceeds from the refunded bonds were loaned to us and we recorded the issuance of $43 million , net of $1 million premium, as long term debt on our consolidated balance sheets In December 2006, the New York City Industrial Development Agency issued special facility revenue bonds for JFK to us as reimbursement to us for certain airport facility construction and other costs We recorded the principal amount of the bond, net of discounts, as long-term debt on our consolidated balance sheets because we have issued a guarantee of the debt payments on the bond. This fixed rate debt is secured by leasehold mortgages of our airport facilities. During June 2015, we prepaid the full $32 million principal outstanding on the JFK special facility revenue bonds

(4) As of December 31, 2017 and 2016 , four capital leased Airbus A320 aircraft and two capital leased Airbus A321 aircraft were included in property and equipment at a cost of $253 million with accumulated amortization of $64 million and $56 million , respectively. The future minimum lease payments under these non-cancelable leases are $23 million in 2018 , $23 million in 2019 , $35 million in 2020 , $39 million in 2021 , $9 million in 2022 and $14 million in the years thereafter. Included in the future minimum lease payments is $20 million representing interest, resulting in a present value of capital leases of $124 million with a current portion of $17 million and a long-term portion of $107 million .

As of December 31, 2017 , we were in compliance with all of our covenants in relation to our debt and lease agreements

Maturities of long-term debt and capital leases for the next five years are as follows (in millions):

Year	Maturities
2018	$ 194
2019	215
2020	179
2021	164
2022	142
Thereafter	305

Aircraft, engines, and other equipment and facilities having a net book value of $2.3 billion at December 31, 2017 were pledged as security under various financing arrangements. Cash payments for interest related to debt and capital lease obligations, net of capitalized interest, aggregated $60 million , $78 million and $93 million in 2017 , 2016 and 2015 , respectively.

The carrying amounts and estimated fair values of our long-term debt at December 31, 2017 and 2016 were as follows (in millions):

	December 31, 2017		December 31, 2016	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Public Debt				
Fixed rate special facility bonds, due through 2036	42	46	42	45
Non-Public Debt				
Fixed rate enhanced equipment notes, due through 2023	169	178	188	197
Floating rate equipment notes, due through 2025	152	159	171	179
Fixed rate equipment notes, due through 2026	712	771	843	915
Total (1)	$ 1,075	$ 1,154	$ 1,244	$ 1,336

(1) Total excludes capital lease obligations of $124 million and $140 million for December 31, 2017 and 2016 , respectively.

The estimated fair values of our publicly held long-term debt are classified as Level 2 in the fair value hierarchy The fair values of our EETC transactions and our special facility bonds were based on quoted market prices in markets with low trading volumes. The fair value of our non-public debt was estimated using a discounted cash flow analysis based on our borrowing rates for instruments with similar terms and therefore classified as Level 3 in the fair value hierarchy. The fair values of our other financial instruments approximate their carrying values. Refer to Note 13 for additional information on fair value.

We have financed certain aircraft with EETCs as one of the benefits is being able to finance several aircraft at one time, rather than individually. The structure of EETC financing is that we create pass-through trusts in order to issue pass-through certificates The proceeds from the issuance of these certificates are then used to purchase equipment notes which are issued by us and are secured by our aircraft. These trusts meet the definition of a variable interest entity, or VIE, as defined in the *Consolidations* topic of the Codification, and must be considered for consolidation in our consolidated financial statements. Our assessment of the EETCs considers both quantitative and qualitative factors including the purpose for which these trusts were established and the nature of the risks in each. The main purpose of the trust structure is to enhance the credit worthiness of our debt obligation through certain bankruptcy protection provisions, liquidity facilities and lower our total borrowing cost. We concluded that we are not the primary beneficiary in these trusts due to our involvement in them being limited to principal and interest payments on the related notes, the trusts were not set up to pass along variability created by credit risk to us and the likelihood of our defaulting on the notes. Therefore, we have not consolidated these trusts in our consolidated financial statements

Short-term Borrowings

We have several lines of credit which bear interest at a floating rate based upon LIBOR plus a margin range of between 1.0% and 2.0%

Citibank Line of Credit

We have a revolving Credit and Guaranty Agreement with Citibank, N.A. as the administrative agent for up to approximately $425 million . The term of the facility runs through April 2021. Borrowings under the Credit and Guaranty Agreement bear interest at a variable rate equal to LIBOR, plus a margin The Credit and Guaranty Agreement is secured by Slots at John F. Kennedy International Airport, LaGuardia Airport and Reagan National Airport as well as certain other assets. Slots are rights to take-off or land at a specific airport during a specific time period during the day and a means by which airport capacity and congestion can be managed The Credit and Guaranty Agreement includes covenants that require us to maintain certain minimum balances in unrestricted cash, cash equivalents, and unused commitments available under all revolving credit facilities. In addition, the covenants restrict our ability to, among other things, dispose of certain collateral, or merge, consolidate, or sell assets. As of and for the years ended December 31, 2017 and 2016, we did not have a balance outstanding or borrowings under this line of credit.

Morgan Stanley Line of Credit

We have a revolving line of credit with Morgan Stanley for up to approximately $200 million . This line of credit is secured by a portion of our investment securities held by Morgan Stanley and the amount available to us under this line of credit may vary accordingly. This line of credit bears interest at a floating rate based upon LIBOR, plus a margin As of and for the years ended December 31, 2017 and 2016, we did not have a balance outstanding or borrowings under this line of credit.

Note 3—Operating Leases

We lease aircraft, all of our facilities at the airports we serve, office space and other equipment. These leases have varying terms and conditions, with some having early termination clauses which we determine to be the lease expiration date The length of the lease depends upon the type of asset being leased, with the latest lease expiring in 2035 . Total rental expense for all of our operating leases was $315 million in 2017 , $294 million in 2016 and $298 million in 2015 . As of December 31, 2017 , we have approximately $30 million in assets that serve as collateral for letters of credit These letters of credit relate to a certain number of our leases and are included in restricted cash.

As of December 31, 2017 , 44 of the 243 aircraft in our fleet were leased under operating leases, with lease expiration dates ranging from 2018 to 2028 . None of the 44 aircraft operating leases have variable rate rent payments based on LIBOR . Leases for 40 of our aircraft can generally be renewed at rates based on fair market value at the end of the lease term for one or two years. We have purchase options for 42 of our aircraft leases at the end of their lease term These purchase options are at fair market value and have a one-time option during the term at fixed amounts that were expected to approximate the fair market value at lease inception.

We bought out the operating leases on three Airbus A320 aircraft for approximately $51 million , nine Airbus A320 aircraft for approximately $164 million , and six Airbus 320 aircraft for approximately $110 million , during 2017, 2016, and 2015 respectively

Future minimum lease payments under noncancelable operating leases, including those described above, with initial or remaining terms in excess of one year at December 31, 2017 , are as follows (in millions):

	Aircraft	Other	Total
2018	$ 71	$ 99	$ 170
2019	59	91	150
2020	57	74	131
2021	51	66	117
2022	45	62	107
Thereafter	139	378	517
Total minimum operating lease payments	**$ 422**	**$ 770**	**$ 1,192**

In the past we have entered into sale-leaseback arrangements with a third party lender for 40 of our operating aircraft. The sale-leasebacks occurred simultaneously with the delivery of the related aircraft to us from their manufacturers. Each sale-leaseback transaction was structured with a separate trust set up by the third party lender, the assets of which consist of the one aircraft initially transferred to it following the sale by us and the subsequent lease arrangement with us. Because of their limited capitalization and the potential need for additional financial support, these trusts are VIEs as defined in the *Consolidations* topic of the Codification and must be considered for consolidation in our financial statements Our assessment of each trust considers both quantitative and qualitative factors, including whether we have the power to direct the activities and to what extent we participate in the sharing of benefits and losses of the trusts. JetBlue does not retain any equity interests in any of these trusts and our obligations to them are limited to the fixed rental payments we are required to make to them These were approximately $316 million as of December 31, 2017 and are reflected in the future minimum lease payments in the table above. Our only interest in these entities is the purchase options to acquire the aircraft as specified above. Since there are no other arrangements, either implicit or explicit, between us and the individual trusts that would result in our absorbing additional variability from the trusts, we concluded we are not the primary beneficiary of these trusts. We account for these leases as operating leases, following the appropriate lease guidance as required by the *Leases* topic in the Codification.

Note 4—JFK Terminal 5

We operate out of T5 at JFK and our occupancy is governed by various lease agreements with the PANYNJ. Under the terms of the facility lease agreement we were responsible for the construction of the 635,000 square foot 26 -gate terminal, a parking garage, roadways and an AirTrain Connector, all of which are owned by the PANYNJ and collectively referred to as the T5 Project In 2014, we completed construction of our an international arrivals facility and additional gates, T5i. T5i includes six international arrival gates comprised of three new gates and three converted gates from T5, as well as an international arrivals hall with full U.S. Customs and Border Protection services.

We executed an extension to the original T5 lease in 2013. The lease, as amended, now incorporates a total of approximately 19 acres of space for our T5 facilities and ends on the 28th anniversary of the date of beneficial occupancy of T5i. We have the option to terminate the agreement in 2033 , five years prior to the end of the original scheduled lease term of October 2038. We are responsible for various payments under the leases, including ground rents which are reflected in the future minimum lease payments table in Note 3, and facility rents which are included below. The facility rents are based upon the number of passengers enplaned out of the terminal, subject to annual minimums.

We were considered the owner of the T5 Project for financial reporting purposes only and have been required to reflect an asset and liability for the T5 Project on our consolidated balance sheets since construction commenced in 2005 The cost of the T5 Project and the related liability are being accounted for as a financing obligation Our construction of T5i is accounted for at cost with no financing obligation.

Total costs incurred for the elements of the T5 Project were $637 million , of which $561 million is classified as Assets Constructed for Others and the remaining $76 million is classified as leasehold improvements in our consolidated balance sheets. Assets Constructed for Others are being amortized over the shorter of the 25 year non-cancelable lease term or their economic life. We recorded amortization expense of $22 million , $23 million , and $23 million during in 2017 , 2016 and 2015 , respectively Our total expenditures relating to T5i were approximately $207 million , all of which were incurred prior to 2016 and are classified as leasehold improvements in our consolidated balance sheets

The PANYNJ has reimbursed us for the amounts currently included in Assets Constructed for Others These reimbursements and related interest are reflected as Construction Obligation in our consolidated balance sheets. When the facility rents are paid they are treated as a debt service on the Construction Obligation, with the portion not relating to interest reducing the principal balance. Minimum estimated facility payments including escalations associated with the facility lease are estimated to be $40 million per year in 2018 through 2022 and $456 million thereafter. The portion of these scheduled payments serving to reduce the principal balance of the Construction Obligation is $17 million in 2018 , $18 million in 2019 , $19 million in 2020 , $20 million in 2021 and $21 million in 2022 . Payments could exceed these amounts depending on future enplanement levels at JFK Scheduled facility payments representative of interest totaled $24 million in 2017 , $25 million in 2016 and $25 million in 2015 .

Note 5—Stockholders' Equity

In September 2012, our Board of Directors authorized a share repurchase program for up to 25 million shares of common stock over a 5 year period.

On June 16, 2015, we entered into an accelerated share repurchase agreement, or ASR, with Goldman, Sachs & Co., or Goldman Sachs, paying $150 million for an initial delivery of approximately 6.1 million shares The terms of the ASR concluded on September 15, 2015 with Goldman Sachs delivering approximately 0.7 million additional shares to JetBlue. A total of approximately 6 8 million shares was repurchased under this ASR, with an average price paid per share of $22.06

In September 2015, JetBlue entered into an agreement for the repurchase of up to 778,460 shares per day, structured pursuant to Rule 10b5-1 and 10b-18 under the Securities Exchange Act of 1934 as amended, with a maximum of 3 million shares to be repurchased. The repurchases commenced on October 30, 2015 and terminated on November 18, 2015 with 3 million shares repurchased for approximately $77 million

On September 10, 2015, our Board of Directors authorized a share repurchase program for up to $250 million worth of shares of common stock over a three year period beginning on January 1, 2016 On December 7, 2016, the Board approved certain changes to our share repurchase program, or the 2016 Repurchase Authorization, to increase the aggregate authorization in the value of the program, to up to $500 million worth of shares, and extended the term of the program through December 31, 2019 . The program includes authorization for repurchases in open market transactions pursuant to Rules 10b-18 and/or 10b5-1 of the Securities and Exchange Act of 1934, as amended and/or one or more accelerated stock repurchase programs through privately-negotiated accelerated stock repurchase transactions.

On November 7, 2016, we entered into an ASR agreement with Goldman Sachs paying $60 million for an initial delivery of approximately 2.7 million shares. The terms of the ASR concluded on December 29, 2016 with Goldman Sachs delivering approximately 0 2 million additional shares to JetBlue. A total of approximately 2.9 million shares was repurchased under this ASR, with an average price paid per share of $20.74 .

Also on November 7, 2016, we entered into a separate ASR agreement with Morgan Stanley & Co. LLC, or Morgan Stanley, paying $60 million for an initial delivery of approximately 2.7 million shares. The terms of the ASR concluded on December 30, 2016 with Morgan Stanley delivering approximately 0.2 million additional shares to JetBlue. A total of approximately 2.9 million shares was repurchased under this ASR, with an average price paid per share of $20.93 .

On March 6, 2017, JetBlue entered into an ASR agreement with Barclays Bank PLC, or Barclays, paying $100 million for an initial delivery of approximately 4.1 million shares The terms of the ASR concluded on April 24, 2017 with Barclays delivering approximately 0.8 million additional shares to JetBlue. A total of 4.9 million shares, at an average price of $20 23 per share, were repurchased under the agreement.

On April 27, 2017, JetBlue entered into an ASR agreement with Goldman Sachs, paying $150 million for an initial delivery of approximately 5.4 million shares. The terms of the ASR concluded on July 24, 2017 with Goldman Sachs delivering approximately 1.4 million additional shares to JetBlue. A total of 6.8 million shares, at an average price of $21.99 per share, were repurchased under the agreement.

On September 11, 2017, JetBlue entered into an ASR agreement with Morgan Stanley, paying $130 million for an initial delivery of approximately 5.4 million shares. The terms of the ASR concluded on September 26, 2017 with Morgan Stanley delivering approximately 1.5 million additional shares to JetBlue. A total of 6.9 million shares, at an average price of $18.86 per share, were repurchased under the agreement. The Morgan Stanley ASR completed our 2016 Repurchase Authorization.

The total shares purchased by JetBlue under each of the ASRs in 2017, 2016 and 2015 were based on the volume weighted average prices of JetBlue's common stock during the terms of the respective agreements.

On December 8, 2017 , the Board of Directors approved a two year share repurchase authorization starting on January 1, 2018 , of up to $750 million worth of shares. The authorization can be executed through repurchases in open market transactions pursuant to Rules 10b-18 and/or 10b5-1 of the Securities and Exchange Act of 1934, as amended, and/or one or more privately-negotiated accelerated stock repurchase transactions.

As of December 31, 2017 , we had a total of 26.6 million shares of our common stock reserved for issuance These shares are primarily related to our equity incentive plans. Refer to Note 7 for further details on our share-based compensation.

As of December 31, 2017 , we had a total of 96.6 million shares of treasury stock, the majority of which relate to shares repurchased under our share repurchase program and the return of borrowed shares under our share lending agreement with Morgan Stanley which was terminated in January 2016

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Note 6—Earnings Per Share

The following table shows how we computed basic and diluted earnings per common share for the years ended December 31 (dollars and share data in millions):

	2017	2016	2015
Numerator:			
Net income	$ 1,147	$ 759	$ 677
Effect of dilutive securities:			
Interest on convertible debt, net of income taxes and profit sharing	—	2	4
Net income applicable to common stockholders after assumed conversions for diluted earnings per share	$ 1,147	$ 761	$ 681
Denominator:			
Weighted average shares outstanding for basic earnings per share	328.7	326.5	315.1
Effect of dilutive securities:			
Employee stock options and restricted stock units	1.7	2.1	2.8
Convertible debt	—	13.6	26.9
Adjusted weighted average shares outstanding and assumed conversions for diluted earnings per share	330.4	342.2	344.8

As of December 31, 2015 , a total of approximately 1.4 million shares of our common stock, which were lent to Morgan Stanley, our share borrower pursuant to the terms of our share lending agreement were issued and outstanding for corporate law purposes, but were returned during January 2016 Holders of the borrowed shares had all the rights of a holder of our common stock. However, because the share borrower had to return all borrowed shares to us, or identical shares or, in certain circumstances of default by the counterparty, the cash value thereof, the borrowed shares were not considered outstanding for the purpose of computing and reporting basic or diluted earnings per share.

During 2016 holders voluntarily converted approximately $86 million in principal amount of the 6.75% Series B convertible debentures As a result, we issued 17 6 million shares of our common stock. During 2015 holders voluntarily converted approximately $68 million in principal amount of the 5.5% Series B convertible debentures As a result, we issued 15.2 million shares of our common stock.

As discussed in Note 5, JetBlue entered into ASRs in 2017, 2016 and 2015 and purchased approximately 18 7 million , 5 8 million , and 6 8 million shares, respectively, for $380 million , $120 million and $150 million , respectively The number of shares repurchased are based on the volume weighted average prices of JetBlue's common stock during the term of the ASR agreements. JetBlue also repurchased 3 million shares pursuant to Rule 10b5-1 and 10b-18 under the Securities Exchange Act of 1934 as amended, during the fourth quarter of 2015

Note 7—Share-Based Compensation

We have various equity incentive plans under which we have granted stock awards to our eligible Crewmembers and members of our Board of Directors. These include the JetBlue Airways Corporation Restated and Amended 2002 Stock Incentive Plan, or 2002 Plan, which was replaced by the JetBlue Airways Corporation 2011 Incentive Compensation Plan, or 2011 Plan We additionally have a Crewmember Stock Purchase Plan, or CSPP, that is available to all eligible Crewmembers. Both the 2011 Plan and CSPP were amended in 2015 by Shareholders at our annual meeting.

Unrecognized stock-based compensation expense, which was approximately $21.6 million as of December 31, 2017 , related to a total of 2 1 million unvested restricted stock units, or RSUs, performance stock units, or PSUs, and deferred stock units, or DSUs, under our 2011 Plan. We expect to recognize this stock-based compensation expense over a weighted average period of approximately one year

The total stock-based compensation expense for the years ended December 31, 2017 , 2016 and 2015 was $29 million , $23 million , and $20 million , respectively.

2011 Incentive Compensation Plan

At our Annual Shareholders Meeting held on May 26, 2011, our Shareholders approved the JetBlue Airways Corporation 2011 Incentive Compensation Plan. This replaced the Restated and Amended 2002 Stock Incentive Plan, or 2002 Plan, which was set to expire at the end of 2011 Upon inception, the 2011 Plan had 15 0 million shares of our common stock reserved for issuance. The 2011 Plan, by its terms, will terminate no later than May 2021 RSUs vest in annual installments over three years which can be accelerated upon the occurrence of a change in control Under this plan, we grant RSUs to certain Crewmembers and members of our Board of Directors Our policy is to grant RSUs based on the market price of the underlying common stock on the date of grant Under this plan we grant DSUs to members of our Board of Directors and PSUs to certain members of our executive leadership team.

The 2011 Plan was amended and restated effective January 1, 2014, to include the definition of retirement eligibility. Once a Crewmember meets the definition they will continue to vest their shares as if they remained employed by JetBlue, regardless of their actual employment status with the Company. In accordance with the *Compensation-Stock Compensation* topic of the Codification, the grant's explicit service condition is non-substantive and the grant has effectively vested at the time retirement eligibility is met.

At our Annual Shareholders Meeting held on May 21, 2015, our Shareholders approved amendments to the 2011 Plan increasing the number of shares of Company common stock that remain available for issuance under the plan by 7.5 million .

Restricted Stock Units

The following is a summary of RSU activity under the 2011 Plan for the year ended December 31, 2017 (in millions except per share data)

	Shares	Weighted Average Grant Date Fair Value
Nonvested at beginning of year	1.8	$16.77
Granted	0.9	19.76
Vested	(1.0)	14.04
Forfeited	(0 1)	19 69
Nonvested at end of year	**1.6**	**$20.14**

The total intrinsic value, determined as of the date of vesting, for all RSUs that vested and converted to shares of common stock during the year ended December 31, 2017 , 2016 and 2015 was $20 million , $30 million and $33 million , respectively. The weighted average grant-date fair value of share awards during the years ended December 31, 2017 , 2016 and 2015 was $19.76 , $22 95 , and $17.09 , respectively.

The vesting period for DSUs under the 2011 Plan is either one or three years of service Once vested, shares are issued six months and one day following a Director's departure from our Board of Directors. During the years ended December 31, 2017 , 2016 and 2015 , we granted a nominal amount of DSUs, almost all of which remain outstanding at December 31, 2017 In 2017 , 2016 and 2015 , we granted a nominal amount of PSUs to members of our executive leadership team which are based upon certain performance criteria.

Amended and Restated 2002 Stock Incentive Plan

The 2002 Plan included stock options issued during 1999 through 2001 under a previous plan as well as all options issued from 2002 through adoption of the 2011 Plan. It provided for incentive and non-qualified stock options and RSUs to be granted to certain Crewmembers and members of our Board of Directors. Additionally, it provided for DSUs to be granted to members of our Board of Directors. The 2002 Plan became effective following our initial public offering in April 2002. We began issuing RSUs in 2007 and DSUs in 2008. Prior to 2011, the DSUs vested immediately upon being granted. The RSUs vested in annual installments over three years which could be accelerated upon the occurrence of a change in control as defined in the 2002 Plan. Our policy to grant RSUs was based on the market price of the underlying common stock on the date of grant. No additional grants were made from this plan after the adoption of the 2011 Plan. Since December 31, 2014, there were no RSUs outstanding under the 2002 Plan.

Stock Options

All options issued under the 2002 Plan expire ten years from the date of grant, with the last options vesting in 2012. Our policy is to grant options with an exercise price equal to the market price of the underlying common stock on the date of grant.

The following is a summary of stock option activity for the year ended December 31, 2017 (in millions except per share data):

	Shares	Weighted Average Grant Date Fair Value
Outstanding at beginning of year	0.4	$10.90
Exercised	(0.4)	10.90
Outstanding at end of year	—	—
Vested at end of year	—	—

The total intrinsic value, determined as of the date of exercise, of options exercised during the years ended December 31, 2017, 2016 and 2015 was $4 million, $6 million and $34 million, respectively. Total cash received from option exercises during the years ended December 31, 2017, 2016 and 2015 was $4 million, $10 million and $59 million, respectively. We have not granted any stock options since 2008 and those previously granted became fully expensed in 2012. Following Shareholder approval of the 2011 Plan, we stopped granting new equity awards under the 2002 Plan.

Crewmember Stock Purchase Plan

In May 2011, our Shareholders approved the 2011 Crewmember Stock Purchase Plan, or the CSPP. At inception, the CSPP had 8.0 million shares of our common stock reserved for issuance. The CSPP, by its terms, will terminate no later than the last business day of April 2021.

At our Annual Shareholders Meeting held on May 21, 2015, our Shareholders approved amendments to the CSPP increasing the number of shares of Company common stock that remain available for issuance under the plan by 15 million.

The CSPP has a series of six month offering periods, with a new offering period beginning on the first business day of May and November each year. Crewmembers can only join an offering period on the start date. Crewmembers may contribute up to 10% of their pay towards the purchase of common stock via payroll deductions. Purchase dates occur on the last business day of April and October each year. The purchase price is the stock price on the purchase date, less a 15% discount. The compensation cost relating to the discount is recognized over the offering period. The total expense recognized relating to the CSPP for the years ended December 31, 2017, 2016 and 2015 was approximately $8 million, $6 million and $5 million, respectively. Under this plan, Crewmembers purchased 2.5 million, 2.2 million, and 1.3 million new shares for the years ended December 31, 2017, 2016 and 2015, respectively, at weighted average prices of $17.46, $15.88, and $19.25 per share, respectively.

Under the CSPP, should we be acquired by merger or sale of substantially all of our assets or sale of more than 50% of our outstanding voting securities, all outstanding purchase rights will automatically be exercised immediately prior to the effective date of the acquisition at a price equal to 85% of the fair market value per share immediately prior to the acquisition.

Taxation

The *Compensation-Stock Compensation* topic of the FASB Codification requires deferred taxes be recognized on temporary differences that arise with respect to stock-based compensation attributable to nonqualified stock options and awards. However, no tax benefit is recognized for stock-based compensation attributable to incentive stock options, or ISO, or CSPP shares until there is a disqualifying disposition, if any, for income tax purposes. A portion of our historical stock-based compensation was attributable to ISO and CSPP shares; therefore, our effective tax rate was subject to fluctuation.

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Note 8—Income Taxes

Our income tax (benefit) expense consisted of the following for the years ended December 31 (in millions):

	2017	2016	2015
Deferred:			
Federal	$ (361)	$ 245	$ 351
State	25	25	26
Foreign	23	—	—
Deferred income tax (benefit) expense	(313)	270	377
Current:			
Federal	94	129	20
State	18	26	16
Foreign	(25)	32	7
Current income tax expense	87	187	43
Total income tax (benefit) expense	**$ (226)**	**$ 457**	**$ 420**

The Tax Cuts and Jobs Act, or The Act, was enacted on December 22, 2017 The Act made significant changes to the Federal tax code, including a reduction in the Federal corporate statutory tax rate from 35% to 21% . At December 31, 2017, the Company was able to make a reasonable estimate of the tax effects of enactment of The Act as written, on the existing deferred tax balances. As a result of these estimates, the Company recognized a provisional benefit in the amount of $570 million . During 2018, the Company will continue to refine the calculations as we gain a more thorough understanding of the Act, including those related to the deductibility of purchased assets, state tax treatment, amounts related to Crewmember compensation as well as changes in interpretations of The Act and additional regulatory guidance that may be issued.

The effective tax rate on income before income taxes differed from the federal income tax statutory rate for the years ended December 31 for the following reasons (in millions)

	2017	2016	2015
Income tax expense at statutory rate	$ 322	$ 425	$ 384
State income tax, net of federal benefit	28	34	28
Adjustment of net deferred tax liability from enacted tax rate change	(570)	—	—
Other, net	(6)	(2)	8
Total income tax (benefit) expense	**$ (226)**	**$ 457**	**$ 420**

Cash payments for income taxes were $139 million in 2017 , $173 million in 2016 and $42 million in 2015 .

The components of our deferred tax assets and liabilities as of December 31 are as follows (in millions):

	2017	2016
Deferred tax assets:		
Deferred revenue/gains	95	121
Terminal 5 lease	45	38
Employee benefits	32	41
Foreign tax credit	23	—
Rent expense	22	34
Other	6	8
Deferred tax assets, net	223	242
Deferred tax liabilities:		
Accelerated depreciation	(1,256)	(1,596)
Deferred tax liabilities	(1,256)	(1,596)
Net deferred tax liability	**$ (1,033)**	**$ (1,354)**

In evaluating the realizability of the deferred tax assets, we assess whether it is more likely than not that some portion, or all, of the deferred tax assets, will be realized We consider, among other things, the generation of future taxable income (including reversals of deferred tax liabilities) during the periods in which the related temporary differences will become deductible

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follow (in millions):

	2017	2016	2015
Unrecognized tax benefits at January 1,	**$ 26**	**$ 21**	**$ 16**
Increases for tax positions taken during a prior period	2	10	—
Increases for tax positions taken during the period	6	5	6
Decreases for tax positions taken during a prior period	(3)	(4)	(1)
Decreases for settlement with tax authorities during the period	—	(6)	—
Unrecognized tax benefits December 31,	**$ 31**	**$ 26**	**$ 21**

Interest and penalties accrued on unrecognized tax benefits were not significant. If recognized, $15 million of the unrecognized tax benefits as of December 31, 2017 would impact our effective tax rate We do not expect any significant change in the amount of the unrecognized tax benefits within the next twelve months. As a result of net operating losses and statute of limitations in our major tax jurisdictions, years 2004 through 2016 remain subject to examination by the relevant tax authorities.

Note 9—Employee Retirement Plan

We sponsor a retirement savings 401(k) defined contribution plan, or the Plan, covering all of our Crewmembers where we match 100% of our Crewmember contributions up to 5% of their eligible wages The contributions vest over five years and are measured from a Crewmember's hire date. Crewmembers are immediately vested in their voluntary contributions

Another component of the Plan is a Company discretionary contribution of 5% of eligible non-management Crewmember compensation, which we refer to as *Retirement Plus* *Retirement Plus* contributions vest over three years and are measured from a Crewmember's hire date.

For years of service prior to 2017, our non-management Crewmembers were also eligible to receive profit sharing, calculated as 15% of adjusted pre-tax income before profit sharing and special items with the result reduced by *Retirement Plus* contributions. Beginning with 2017, non-management Crewmembers are eligible to receive profit sharing, calculated as 10% of adjusted pre-tax income before profit sharing and special items up to a pre-tax margin of 18% If JetBlue's resulting pre-tax margin exceeds 18% , non-management Crewmembers will receive 20% profit sharing on amounts above an 18% pre-tax margin The result is reduced by *Retirement Plus* contributions and Crewmembers may elect to have their profit sharing contributed directly to the Plan.

Certain Federal Aviation Administration, or FAA-licensed Crewmembers, receive an additional contribution of 3% of eligible compensation, which we refer to as *Retirement Advantage*. Total 401(k) company match, *Retirement Plus,* profit sharing and *Retirement Advantage* expensed in for the years ended December 31, 2017 , 2016 and 2015 were $182 million , $290 million and $256 million , respectively.

Note 10—Commitments

Flight Equipment Commitments

As of December 31, 2017 , our firm aircraft orders consisted of 10 Airbus A321 current engine option (ceo) aircraft, 25 Airbus A320 new engine option (neo) aircraft, 60 Airbus A321neo aircraft, 24 Embraer E190 aircraft and 10 spare engines scheduled for delivery through 2024 . Committed expenditures for these aircraft and related flight equipment, including estimated amounts for contractual price escalations and predelivery deposits, will be approximately $0.8 billion in 2018 , $1 0 billion in 2019 , $1.4 billion in 2020 , $1.5 billion in 2021 , $1.5 billion in 2022 and $1.1 billion thereafter. We are scheduled to receive 10 new Airbus A321ceo aircraft in 2018 , and depending on market conditions, we anticipate paying cash for some portion of our 2018 deliveries

We amended our purchase agreement with Airbus in April 2017 which changed the timing of certain of our Airbus A321ceo and Airbus A321neo deliveries.

In conjunction with our intention to expand our Mint™ experience, we amended our purchase agreement with Airbus during July 2016 to add 30 incremental Airbus A321 aircraft with scheduled deliveries between 2017 and 2023 We expect 15 of the incremental 30 Airbus A321 aircraft to be delivered with the current engine option. Our amendment includes flexibility to take deliveries in our Mint™ or all-core configuration. We anticipate the remaining 15 aircraft to be Airbus A321neo, scheduled to be delivered beginning in 2020. We have the option to take certain A321neo deliveries with the Long Range configuration, the A321-LR

Other Commitments

We utilize several credit card processors to process our ticket sales Our agreements with these processors do not contain covenants, but do generally allow the processor to withhold cash reserves to protect the processor from potential liability for tickets purchased, but not yet used for travel. While we currently do not have any collateral requirements related to our credit card processors, we may be required to issue collateral to our credit card processors, or other key business partners, in the future.

As of December 31, 2017 , we had approximately $24 million pledged related to our workers compensation insurance policies and other business partner agreements, which will expire according to the terms of the related policies or agreements

Except for our pilots, our Crewmembers do not have third-party representation. In April 2014, JetBlue pilots elected to be solely represented by ALPA. The NMB certified ALPA as the representative body for JetBlue pilots and we are working with ALPA to reach our first collective bargaining agreement We enter into individual employment agreements with each of our non-unionized FAA-licensed Crewmembers which include dispatchers, technicians and inspectors as well as air traffic controllers. Each employment agreement is for a term of five years and automatically renews for an additional five years unless either the Crewmember or we elect not to renew it by giving at least 90 days ' notice before the end of the relevant term. Pursuant to these agreements, these Crewmembers can only be terminated for cause. In the event of a downturn in our business that would require a reduction in work hours, we are obligated to pay these Crewmembers a guaranteed level of income and to continue their benefits if they do not obtain other aviation employment.

Note 11—Contingencies

We self-insure a portion of our losses from claims related to workers' compensation, environmental issues, property damage, medical insurance for Crewmembers and general liability. Losses are accrued based on an estimate of the ultimate aggregate liability for claims incurred, using standard industry practices and our actual experience

We are a party to many routine contracts under which we indemnify third parties for various risks. These indemnities consist of the following·

All of our bank loans, including our aircraft and engine mortgages obligate us to reimburse the bank for any increased costs arising from regulatory changes, including changes in reserve requirements and bank capital requirements; these obligations are standard terms present in loans of this type. These indemnities would increase the interest rate on our debt if they were to be triggered. In all cases, we have the option to repay the loan and avoid the increased costs. These terms match the length of the related loan up to 15 years .

Under both aircraft leases with foreign lessors and aircraft and engine mortgages with foreign lenders, we have agreed to customary indemnities concerning withholding tax law changes. Under these contracts we are responsible, should withholding taxes be imposed, for paying such amount of additional rent or interest as is necessary to ensure that the lessor or lender still receives, after taxes, the rent stipulated in the lease or the interest stipulated under the loan The term of these indemnities matches the length of the related lease up to 20 years .

We have various leases with respect to real property as well as various agreements among airlines relating to fuel consortia or fuel farms at airports Under these contracts we have agreed to standard language indemnifying the lessor against environmental liabilities associated with the real property or operations described under the agreement, even if we are not the party responsible for the initial event that caused the environmental damage In the case of fuel consortia at airports, these indemnities are generally joint and several among the participating airlines We have purchased a standalone environmental liability insurance policy to help mitigate this exposure. Our existing aviation hull and liability policy includes some limited environmental coverage when a cleanup is part of an associated single identifiable covered loss.

Under certain contracts, we indemnify specified parties against legal liability arising out of actions by other parties. The terms of these contracts range up to 25 years Generally, we have liability insurance protecting ourselves for the obligations we have undertaken relative to these indemnities

Under a certain number of our operating lease agreements we are required to restore certain property or equipment to its original form upon expiration of the related agreement. We have recorded the estimated fair value of these retirement obligations of approximately $4 million as of December 31, 2017 . This liability may increase over time.

We are unable to estimate the potential amount of future payments under the foregoing indemnities and agreements.

Legal Matters

Occasionally we are involved in various claims, lawsuits, regulatory examinations, investigations and other legal matters arising, for the most part, in the ordinary course of business. The outcome of litigation and other legal matters is always uncertain. The Company believes it has valid defenses to the legal matters currently pending against it, is defending itself vigorously and has recorded accruals determined in accordance with U.S. GAAP, where appropriate. In making a determination regarding accruals, using available information, we evaluate the likelihood of an unfavorable outcome in legal or regulatory proceedings to which we are a party to and record a loss contingency when it is probable a liability has been incurred and the amount of the loss can be reasonably estimated. These subjective determinations are based on the status of such legal or regulatory proceedings, the merits of our defenses and consultation with legal counsel Actual outcomes of these legal and regulatory proceedings may materially differ from our current estimates. It is possible that resolution of one or more of the legal matters currently pending or threatened could result in losses material to our consolidated results of operations, liquidity or financial condition

To date, none of these types of litigation matters has had a material impact on our operations or financial condition We have insured and continue to insure against most of these types of claims A judgment on any claim not covered by, or in excess of, our insurance coverage could materially adversely affect our financial condition or results of operations.

Note 12—Financial Derivative Instruments and Risk Management

As part of our risk management techniques, we periodically purchase over the counter energy derivative instruments and enter into fixed forward price agreements, or FFPs, to manage our exposure to the effect of changes in the price of aircraft fuel. Prices for the underlying commodities have historically been highly correlated to aircraft fuel, making derivatives of them effective at providing short-term protection against volatility in average fuel prices. We also periodically enter into jet fuel basis swaps for the differential between heating oil and jet fuel to further limit the variability in fuel prices at various locations.

To manage the variability of the cash flows associated with our variable rate debt, we have also entered into interest rate swaps. We do not hold or issue any derivative financial instruments for trading purposes.

Aircraft fuel derivatives

We attempt to obtain cash flow hedge accounting treatment for each aircraft fuel derivative that we enter into. This treatment is provided for under the *Derivatives and Hedging* topic of the Codification. It allows for gains and losses on the effective portion of qualifying hedges to be deferred until the underlying planned jet fuel consumption occurs, rather than recognizing the gains and losses on these instruments into earnings during each period they are outstanding The effective portion of realized aircraft fuel hedging derivative gains and losses is recognized in aircraft fuel expense in the period the underlying fuel is consumed

Ineffectiveness can occur in certain circumstances, when the change in the total fair value of the derivative instrument differs from the change in the value of our expected future cash outlays for the purchase of aircraft fuel and is recognized immediately in interest income and other. Likewise, if a hedge does not qualify for hedge accounting, the periodic changes in its fair value are recognized in the period of the change in interest income and other. When aircraft fuel is consumed and the related derivative contract settles, any gain or loss previously recorded in other comprehensive income is recognized in aircraft fuel expense All cash flows related to our fuel hedging derivatives are classified as operating cash flows.

Our current approach to fuel hedging is to enter into hedges on a discretionary basis without a specific target of hedge percentage needs We view our hedge portfolio as a form of insurance to help mitigate the impact of price volatility and protect us against severe spikes in oil prices, when possible.

We did not have any fuel hedging contracts outstanding as of December 31, 2017 .

Interest rate swaps

The final interest payment relating to our interest rate swaps took place in August 2016. As such, as of December 31, 2017 , we did not have any notional debt outstanding related to these swaps. These interest rate hedges effectively swapped floating rate debt for fixed rate debt. They took advantage of lower borrowing rates in existence at the time of the hedge transaction as compared to the date our original debt instruments were executed. The notional amount decreased over time to match scheduled repayments of the related debt.

All of our interest rate swap contracts qualified as cash flow hedges in accordance with the *Derivatives and Hedging* topic of the Codification Since all of the critical terms of our swap agreements matched the debt to which they pertain, there was no ineffectiveness relating to these interest rate swaps for the years ended December 31, 2016 or 2015 , and all related unrealized losses were deferred in accumulated other comprehensive income We recognized approximately a $1 million gain in interest expense for the year ended December 31, 2016 and we recognized approximately $1 million in additional interest expense as the related interest payments were made during the year ended December 31, 2015

JETBLUE AIRWAYS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The table below reflects quantitative information related to our derivative instruments and where these amounts are recorded in our financial statements (dollar amounts in millions).

	As of December 31,	
	2017	2016
Fuel derivatives		
Asset fair value recorded in prepaid expense and other [1]	$ —	$ 22
Longest remaining term (months)	—	12
Hedged volume (barrels, in thousands)	—	1,920
Estimated amount of existing (gains) expected to be reclassified into earnings in the next 12 months	—	(22)

	2017	2016	2015
Fuel derivatives			
Hedge effectiveness (gains) losses recognized in aircraft fuel expense	$ (15)	$ (9)	$ 126
(Gains) losses on derivatives not qualifying for hedge accounting recognized in other expense	—	—	1
Hedge (gains) losses on derivatives recognized in comprehensive income	6	(34)	29
Percentage of actual consumption economically hedged	10%	12%	17%

(1) Gross asset of each contract prior to consideration of offsetting positions with each counterparty and prior to impact of collateral paid

Any outstanding derivative instrument exposes us to credit loss in connection with our fuel contracts in the event of nonperformance by the counterparties to the agreements, but we do not expect any of our counterparties will fail to meet their obligations. The amount of such credit exposure is generally the fair value of our outstanding contracts for which we are in a liability position To manage credit risks we select counterparties based on credit assessments, limit our overall exposure to any single counterparty and monitor the market position with each counterparty. Some of our agreements require cash deposits from either counterparty if market risk exposure exceeds a specified threshold amount

We have master netting arrangements with our counterparties allowing us the right of offset to mitigate credit risk in derivative transactions. The financial derivative instrument agreements we have with our counterparties may require us to fund all, or a portion of, outstanding loss positions related to these contracts prior to their scheduled maturities. The amount of collateral posted, if any, is periodically adjusted based on the fair value of the hedge contracts. Our policy is to offset the liabilities represented by these contracts with any cash collateral paid to the counterparties

The impact of offsetting derivative instruments is depicted below (in millions)·

	Gross Amount of Recognized		Gross Amount of Cash Collateral	Net Amount Presented on Balance Sheet	
	Assets	Liabilities	Offset	Assets	Liabilities
Fuel derivatives					
As of December 31, 2017	$ —	$ —	$ —	$ —	$ —
As of December 31, 2016	$ 22	$ —	$ —	$ 22	$ —

Note 13—Fair Value

Under the *Fair Value Measurements and Disclosures* topic of the Codification, disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows.

Level 1 quoted prices in active markets for identical assets or liabilities;

Level 2 quoted prices in active markets for similar assets and liabilities and inputs that are observable for the asset or liability; or

Level 3 unobservable inputs for the asset or liability, such as discounted cash flow models or valuations.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following is a listing of our assets and liabilities required to be measured at fair value on a recurring basis and where they are classified within the fair value hierarchy (in millions):

	As of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 173	$ —	$ —	$ 173
Available-for-sale investment securities	—	136	—	136

	As of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 313	$ —	$ —	$ 313
Available-for-sale investment securities	115	220	—	335
Aircraft fuel derivatives	—	22	—	22

The carrying values of all other financial instruments approximated their fair values at December 31, 2017 and 2016 Refer to Note 2 for fair value information related to our outstanding debt obligations as of December 31, 2017 and 2016 .

Cash equivalents

Our cash equivalents include money market securities and commercial paper which are readily convertible into cash, have maturities of 90 days or less when purchased and are considered to be highly liquid and easily tradable. These securities are valued using inputs observable in active markets for identical securities and are therefore classified as Level 1 within our fair value hierarchy

Available-for-sale investment securities

Included in our available-for-sale investment securities are U.S. treasury bills, time deposits, commercial paper and debt securities. The fair values of these instruments are based on observable inputs in non-active markets, which are therefore classified as Level 2 in the hierarchy. We did not record any material gains or losses on these securities during the year ended December 31, 2017 or 2016 .

Aircraft fuel derivatives

Our aircraft fuel derivatives include swaps, caps, collars, and basis swaps which are not traded on public exchanges. Their fair values are determined using a market approach based on inputs that are readily available from public markets for commodities and energy trading activities; therefore, they are classified as Level 2 inputs. The data inputs are combined into quantitative models and processes to generate forward curves and volatilities related to the specific terms of the underlying hedge contracts There were no aircraft fuel derivatives outstanding as of December 31, 2017

Note 14—Accumulated Other Comprehensive Income (Loss)

Comprehensive income (loss) includes changes in fair value of our aircraft fuel derivatives and interest rate swap agreements, which qualify for hedge accounting. A rollforward of the amounts included in accumulated other comprehensive income (loss), net of taxes for the years ended December 31, 2017 , 2016 and 2015 is as follows (in millions):

	Aircraft Fuel Derivatives (1)	Interest Rate Swaps (2)	Total
Balance of accumulated (losses), at December 31, 2014	(63)	—	(63)
Reclassifications into earnings (net of $49 of taxes)	77	1	78
Change in fair value (net of $(11) of taxes)	(18)	—	(18)
Balance of accumulated income (losses), at December 31, 2015	(4)	1	(3)
Reclassifications into earnings (net of $(4) of taxes)	(5)	(1)	(6)
Change in fair value (net of $12 of taxes)	22	—	22
Balance of accumulated income, at December 31, 2016	$ 13	$ —	$ 13
Reclassifications into earnings (net of $(6) of taxes)	(9)	—	(9)
Change in fair value (net of $(2) of taxes)	(4)	—	(4)
Balance of accumulated income, at December 31, 2017	—	—	—

(1) Reclassified to aircraft fuel expense

(2) Reclassified to interest expense

Note 15—Geographic Information

Under the *Segment Reporting* topic of the Codification, disclosures are required for operating segments that are regularly reviewed by chief operating decision makers. Air transportation services accounted for substantially all the Company's operations in 2017 , 2016 and 2015 .

Operating revenues are allocated to geographic regions, as defined by the Department of Transportation, or DOT, based upon the origination and destination of each flight segment. We currently serve 33 locations in the Caribbean and Latin American region, or Latin America as defined by the DOT. However, our management includes our three destinations in Puerto Rico and two destinations in the U.S. Virgin Islands in our Caribbean and Latin America allocation of revenues. Therefore, we have reflected these locations within the Caribbean and Latin America region in the table below. Operating revenues by geographic regions for the years ended December 31 are summarized below (in millions):

	2017	2016	2015
Domestic	$ 5,001	$ 4,751	$ 4,521
Caribbean & Latin America	2,014	1,881	1,895
Total	**$ 7,015**	**$ 6,632**	**$ 6,416**

Our tangible assets primarily consist of our fleet of aircraft, which is deployed system wide, with no individual aircraft dedicated to any specific route or region; therefore our assets do not require any allocation to a geographic area.

JETBLUE AIRWAYS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16—Quarterly Financial Data (Unaudited)

Quarterly results of operations for the years ended December 31, 2017 and 2016 are summarized below (in millions, except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2017				
Operating revenues	$ 1,604	$ 1,842	$ 1,813	$ 1,756
Operating income	147	354	310	189
Net income [1]	85	211	179	672
Basic earnings per share	$ 0.25	$ 0.64	$ 0.55	$ 2.09
Diluted earnings per share [1]	$ 0.25	$ 0.64	$ 0.55	$ 2.08
2016				
Operating revenues	$ 1,616	$ 1,643	$ 1,732	$ 1,641
Operating income	349	313	354	296
Net income	207	181	199	172
Basic earnings per share	$ 0.64	$ 0.56	$ 0.61	$ 0.51
Diluted earnings per share	$ 0.61	$ 0.53	$ 0.58	$ 0.50

(1) During the fourth quarter of 2017, we recorded a one-time tax benefit of $570 million or $1.76 per diluted share related to the enactment of The Tax Cuts and Jobs Act.

The sum of the quarterly earnings per share amounts does not equal the annual amount reported since per share amounts are computed independently for each quarter and for the full year based on respective weighted-average common shares outstanding and other dilutive potential common shares.

ITEM 9. CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed by us in reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer, or CEO, and our Chief Financial Officer, or CFO, to allow timely decisions regarding required disclosure Management, with the participation of our CEO and CFO, performed an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2017 . Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of December 31, 2017 .

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) or Rule 15d-15(f) under the Exchange Act). Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2017 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external reporting purposes in accordance with U.S. GAAP

Ernst & Young LLP, the independent registered public accounting firm that audited our Consolidated Financial Statements included in this Annual Report on Form 10-K, audited the effectiveness of our internal control over financial reporting as of December 31, 2017 . Ernst & Young LLP has issued their report which is included elsewhere herein

Changes in Internal Control Over Financial Reporting

During the quarter ended December 31, 2017 , there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act) identified in connection with the evaluation of our controls performed during the quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Code of Ethics

We adopted a Code of Ethics within the meaning of Item 406(b) of SEC Regulation S-K This Code of Ethics applies to our principal executive officer, principal financial officer and principal accounting officer. This Code of Ethics is publicly available on our website at *http://investor.jetblue.com* If we make substantive amendments to this Code of Ethics or grant any waiver, including any implicit waiver, we will disclose the nature of such amendment or waiver on our website or in a report on Form 8-K within four days of such amendment or waiver.

Executive Officers of the Registrant

Certain information concerning JetBlue's executive officers as of the date of this Report follows There are no family relationships between any of our executive officers.

Robin Hayes, age 51, is our Chief Executive Officer and President. He was promoted to President on January 1, 2014 and Chief Executive Officer on February 16, 2015 He joined JetBlue, as its Chief Commercial Officer in 2008, after nineteen years at British Airways. In his last role at British Airways, Mr Hayes served as Executive Vice President for The Americas and before that he served in a number of operational and commercial positions in the UK and Germany.

Steve Priest, age 47, is our Chief Financial Officer, a position he has held since February 2017. Mr. Priest joined JetBlue in August 2015 as our Vice President Structural Programs Prior to JetBlue, he worked at British Airways from 1996 to 2015 where he served as Senior Vice President of the carrier's North Atlantic joint business with American Airlines, Iberia, and Finnair, as well as several other leadership roles.

James Hnat, age 47, is our Executive Vice President Corporate Affairs, General Counsel and Secretary and has served in this capacity since April 2007 Previously, he served as our Senior Vice President, General Counsel and Assistant Secretary from March 2006, as General Counsel and Assistant Secretary from February 2003 to March 2006 and as Associate General Counsel from June 2001 to January 2003 Prior to joining JetBlue, Mr Hnat worked as an attorney at Milbank, Tweed, Hadley & McCloy LLP, where he specialized in aircraft finance transactions and at Condon & Forsyth LLP where he specialized in airline defense litigation. Mr. Hnat is a member of the bar of New York and Massachusetts

Marty St. George, age 54, is our Executive Vice President Commercial and Planning, a position he has held since February 2015 and is responsible for airline and network planning, marketing, sales and revenue. Prior to this appointment, Mr. St. George served as our Senior Vice President - Commercial Mr. St. George joined JetBlue in July 2006 and has held several roles including Senior Vice President - Marketing and Commercial Strategy and Vice President - Planning. Prior to JetBlue, Mr. St. George held marketing and network planning roles at United Airlines and US Airways.

Alexander Chatkewitz, age 53, is our Vice President and Chief Accounting Officer, a position he has held since December 2014 Prior to joining JetBlue, Mr. Chatkewitz worked at Philip Morris International, where he served as Vice President & Controller - Financial Reporting & Accounting Research since 2008 Prior to Phillip Morris, he served for a decade as Altria Group's Vice President Assistant Controller - Financial Reporting & Consolidations Mr Chatkewitz also held positions at Marsh & McLennan Companies as well as the audit practice of Deloitte & Touche.

The other information required by this Item will be included in and is incorporated herein by reference from our definitive proxy statement for our 2018 Annual Meeting of Stockholders to be filed with the SEC pursuant to Regulation 14A within 120 days after the end of our 2017 fiscal year, or our 2018 Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item will be included in and is incorporated herein by reference from our 2018 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The table below provides information relating to our equity compensation plans, including individual compensation arrangements, under which our common stock is authorized for issuance as of December 31, 2017, as adjusted for stock splits:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column)
Equity compensation plans approved by security holders	2,450,000	$ 18.23	24,105,221
Equity compensation plans not approved by security holders	—	—	—
Total	**2,450,000**	**$ 18.23**	**24,105,221**

Refer to Note 7 to our consolidated financial statements for further information regarding the material features of the above plans.

Other information required by this Item will be included in and is incorporated herein by reference from our Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item will be included in and is incorporated herein by reference from our 2018 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item will be included in and is incorporated herein by reference from our 2018 Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

1.	Financial statements:	
	Reports of Independent Registered Public Accounting Firm	
	Consolidated Balance Sheets — December 31, 2017 and December 31, 2016	
	Consolidated Statements of Operations — For the years ended December 31, 2017, 2016 and 2015	
	Consolidated Statements of Comprehensive Income — For the years ended December 31, 2017, 2016 and 2015	
	Consolidated Statements of Cash Flows — For the years ended December 31, 2017, 2016 and 2015	
	Consolidated Statements of Stockholders' Equity — For the years ended December 31, 2017, 2016 and 2015	
	Notes to Consolidated Financial Statements	
2.	Financial Statement Schedules:	
	Report of Independent Registered Public Accounting Firm on Financial Statement Schedule	S-1
	Schedule II — Valuation of Qualifying Accounts and Reserves	S-2
	Quarterly Financial Data	S-3
	All other schedules have been omitted because they are inapplicable, not required, or the information is included elsewhere in the consolidated financial statements or notes thereto	
3.	Exhibits See accompanying Exhibit Index included after the signature page of this Report for a list of the exhibits filed or furnished with or incorporated by reference in this Report	

ITEM 16. FORM 10-K SUMMARY

Omitted

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

JETBLUE AIRWAYS CORPORATION
(Registrant)

Date: February 16, 2018

By: /s/ Alexander Chatkewitz
Vice President, Controller, and Chief Accounting Officer (Principal Accounting Officer)

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints James G Hnat his or her attorney-in-fact with power of substitution for him or her in any and all capacities, to sign any amendments, supplements or other documents relating to this Annual Report on Form 10-K which he or she deems necessary or appropriate, and to file the same, with exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that such attorney-in-fact or their substitute may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated (and, as indicated with an asterisk, representing at least a majority of the members of the Board of Directors).

Signature	Capacity	Date
/S/ ROBIN HAYES Robin Hayes	Chief Executive Officer and Director (Principal Executive Officer)	February 16, 2018
/S/ STEVE PRIEST Steve Priest	Chief Financial Officer (Principal Financial Officer)	February 16, 2018
/S/ ALEXANDER CHATKEWITZ Alexander Chatkewitz	Vice President, Controller, and Chief Accounting Officer (Principal Accounting Officer)	February 16, 2018
/S/ PETER BONEPARTH Peter Boneparth *	Director	February 16, 2018
/S/ DAVID CHECKETTS David Checketts *	Director	February 16, 2018
/S/ VIRGINIA GAMBALE Virginia Gambale *	Director	February 16, 2018
/S/ STEPHAN GEMKOW Stephan Gemkow *	Director	February 16, 2018
/S/ STANLEY MCCHRYSTAL Stanley McChrystal *	Director	February 16, 2018
/S/ JOEL PETERSON Joel Peterson *	Director	February 16, 2018
/S/ FRANK SICA Frank Sica *	Director	February 16, 2018
/S/ THOMAS WINKELMANN Thomas Winkelmann *	Director	February 16, 2018

Exhibit Index

2.1	Membership Interest Purchase Agreement among Harris Corporation and Thales Avionics In-Flight Systems, LLC and In-Flight Liquidating, LLC and Glenn S. Latta and Jeffrey A. Frisco and Andreas de Greef and JetBlue Airways Corporation, dated as of September 9, 2002 relating to the interests in LiveTV, LLC—incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K dated September 27, 2002 (File No. 000-49728).
2.1(a)	Purchase agreement between JetBlue Airways Corporation and Thales Avionics, Inc., dated as of March 13, 2014—incorporated by reference to Exhibit 2.1 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2014
2.1(b)	Amended and Restated Purchase Agreement between JetBlue Airways Corporation and Thales Holding Corporation, dated June 10, 2014—incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.
3.1	Amended and Restated Certificate of Incorporation of JetBlue Airways Corporation—incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K dated May 20, 2016 (File No. 000-49728).
3.2	Amended and Restated Bylaws of JetBlue Airways Corporation—incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K dated January 8, 2018
3.3	Certificate of Designation of Series A Participating Preferred Stock dated April 1, 2002—incorporated by reference to Exhibit 3.2 to our Current Report on Form 8-K dated July 10, 2003 (File No. 000-49728).
4.1	Specimen Stock Certificate—incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-1, as amended (File No. 333-82576).
4.2	Amended and Restated Registration Rights Agreement, dated as of August 10, 2000, by and among JetBlue Airways Corporation and the Stockholders named therein—incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-1, as amended (File No. 333-82576).
4.2(a)	Amendment No. 1, dated as of June 30, 2003, to Amended and Restated Registration Rights Agreement, dated as of August 10, 2000, by and among JetBlue Airways Corporation and the Stockholders named therein—incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-3, filed on July 3, 2003, as amended on July 10, 2003 (File No. 333-106781).
4.2(b)	Amendment No. 2, dated as of October 6, 2003, to Amended and Restated Registration Rights Agreement, dated as of August 10, 2000, by and among JetBlue Airways Corporation and the Stockholders named therein—incorporated by reference to Exhibit 4.9 to the Registration Statement on Form S-3, filed on October 7, 2003 (File No. 333-109546).
4.2(c)	Amendment No. 3, dated as of October 4, 2004, to Amended and Restated Registration Rights Agreement, dated as of August 10, 2000, by and among JetBlue Airways Corporation and the Stockholders named therein—incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K/A dated October 4, 2004 (File No. 000-49728).
4.2(d)	Amendment No. 4, dated as of June 22, 2006, to Amended and Restated Registration Rights Agreement, dated as of August 10, 2000, by and among JetBlue Airways Corporation and the Stockholders named therein—incorporated by reference to Exhibit 4.19 to our Registration Statement on Form S-3 ASR, filed on June 30, 2006 (File No. 333-135545).
4.4	Summary of Rights to Purchase Series A Participating Preferred Stock—incorporated by reference to Exhibit 4.4 to the Registration Statement on Form S-1, as amended (File No. 333-82576)

4.5	Stockholder Rights Agreement—incorporated by reference to Exhibit 4 3 to our Annual Report on Form 10-K for the year ended December 31, 2002 (File No 000-49728)
4.5(a)	Amendment to the Stockholder Rights Agreement, dated as of January 17, 2008, by and between JetBlue Airways Corporation and Computershare Trust Company, N A —incorporated by reference to Exhibit 4.5(a) to our Current Report on Form 8-K dated January 23, 2008 (File No 000-49728)
4.9	Indenture, dated as of March 16, 2005, between JetBlue Airways Corporation and Wilmington Trust Company, as Trustee, relating to the Company's debt securities—incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K dated March 10, 2005 (File No 000-49728).
4.9(f)	Fourth Supplemental Indenture dated as of June 9, 2009 between JetBlue Airways Corporation and Wilmington Trust Company, as Trustee-incorporated by reference to Exhibit 4.1 to Current Report on Form 8-K filed on June 9, 2009 (File No. 000-49728)
4.9(g)	Fifth Supplemental Indenture dated as of June 9, 2009 between JetBlue Airways Corporation and Wilmington Trust Company, as Trustee-incorporated by reference to Exhibit 4 2 to Current Report on Form 8-K filed on June 9, 2009 (File No 000-49728)
4 9(h)	Form of Global Debenture-6 75% Convertible Debenture due 2039 (Series A)-incorporated by reference to Exhibit 4 3 to Current Report on Form 8-K filed on June 9, 2009 (File No 000-49728).
4.9(i)	Form of Global Debenture-6 75% Convertible Debenture due 2039 (Series B)-incorporated by reference to Exhibit 4 4 to Current Report on Form 8-K filed on June 9, 2009 (File No 000-49728)
4.10	Stock Purchase Agreement, dated as of December 13, 2007, between JetBlue Airways Corporation and Deutsche Lufthansa AG—incorporated by reference to Exhibit 4.11 to our Current Report on Form 8-K dated December 13, 2007 (File No. 000-49728)
4.10(a)	Amendment No 1, dated as of January 22, 2008, to the Stock Purchase Agreement, dated as of December 13, 2007, between JetBlue Airways Corporation and Deutsche Lufthansa AG—incorporated by reference to Exhibit 4.11(a) to our Current Report on Form 8-K dated January 23, 2008 (File No 000-49728)
4.11	Registration Rights Agreement, dated as of January 22, 2008, by and between JetBlue Airways Corporation and Deutsche Lufthansa AG—incorporated by reference to Exhibit 4 12 to our Current Report on Form 8-K dated January 23, 2008 (File No 000-49728).
4.12	Supplement Agreement, dated as of May 27, 2008, between JetBlue Airways Corporation and Deutsche Lufthansa AG—incorporated by reference to Exhibit 4 12 to our Current Report on Form 8-K dated May 28, 2008 (File No 000-49728)
4.13	Registration Rights Agreement, dated as of April 5, 2012, among JetBlue Airways Corporation, Deutsche Lufthansa AG and Lufthansa Malta Blues LP—incorporated by reference to Exhibit 4.22 to our Current Report on Form 8-K filed on April 5, 2012 (File No. 000-49728)
10 3**	V2500 General Terms of Sale between IAE International Aero Engines AG and NewAir Corporation, including Side Letters No. 1 through No 3 and No 5 through No. 9—incorporated by reference to Exhibit 10 2 to the Registration Statement on Form S-1, as amended (File No 333-82576)
10 3(a)**	Side Letter No 10 to V2500 General Terms of Sale between IAE International Aero Engines AG and NewAir Corporation, dated April 25, 2002—incorporated by reference to Exhibit 10 2 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No 000-49728).
10.3(b)**	Side Letter No 11 to V2500 General Terms of Sale between IAE International Aero Engines AG and NewAir Corporation, dated February 10, 2003—incorporated by reference to Exhibit 10 8 to our Annual Report on Form 10-K for the year ended December 31, 2002 (File No 000-49728)

10.3(c)**	Side Letter No. 12 to V2500 General Terms of Sale between IAE International Aero Engines AG and NewAir Corporation, dated March 24, 2003—incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 000-49728)
10.3(d)**	Side Letter No. 13 to V2500 General Terms of Sale between IAE International Aero Engines AG and NewAir Corporation, dated April 23, 2003—incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K dated June 30, 2003 (File No. 000-49728)
10.3(e)**	Side Letter No. 14 to V2500 General Terms of Sale between IAE International Aero Engines AG and NewAir Corporation, dated October 3, 2003—incorporated by reference to Exhibit 10.15 to our Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 000-49728)
10.3(f)**	Side Letter No. 15 to V2500 General Terms of Sale between IAE International Aero Engines AG and NewAir Corporation, dated November 10, 2003—incorporated by reference to Exhibit 10.16 to our Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 000-49728).
10.3(g)**	Side Letter No. 16 to V2500 General Terms of Sale between IAE International Aero Engines AG and NewAir Corporation, dated February 20, 2004—incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2004 (File No. 000-49728)
10.3(h)**	Side Letter No. 17 to V2500 General Terms of Sale between IAE International Aero Engines AG and NewAir Corporation, dated June 11, 2004—incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2004 (File No. 000-49728)
10.3(i)**	Side Letter No. 18 to V2500 General Terms of Sale between IAE International Aero Engines AG and NewAir Corporation, dated November 19, 2004—incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on January 18, 2005 (File No. 000-49728).
10.3(j)**	Side Letter No. 19 to V2500 General Terms of Sale between IAE International Aero Engines AG and New Air Corporation, dated July 21, 2005—incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 (File No. 000-49728)
10.3(k)**	Side Letter No. 20 to V2500 General Terms of Sale between IAE International Aero Engines AG and New Air Corporation, dated July 6, 2006—incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 (File No. 000-49728)
10.3(l)**	Side Letter No. 21 to V2500 General Terms of Sale between IAE International Aero Engines AG and New Air Corporation, dated January 30, 2007—incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 (File No. 000-49728)
10.3(m)**	Side Letter No. 22 to V2500 General Terms of Sale between IAE International Aero Engines AG and New Air Corporation, dated March 27, 2007—incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 (File No. 000-49728)
10.3(n)**	Side Letter No. 23 to V2500 General Terms of Sale between IAE International Aero Engines AG and New Air Corporation, dated December 18, 2007—incorporated by reference to Exhibit 10.3(n) to our Annual Report on Form 10-K, as amended, for the year ended December 31, 2007 (File No. 000-49728)
10.3(o)**	Side Letter No. 24 to V2500 General Terms of Sale between IAE International Aero Engines and New Air Corporation, dated April 2, 2008—incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 (File No. 000-49728)
10.3(p)**	Side Letter No. 25 to V2500 General Terms of Sale between IAE International Aero Engines and New Air Corporation, dated May 27, 2008—incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 (File No. 000-49728)

10.3(q)**	Side Letter No. 26 to V2500 General Terms of Sale between IAE International Aero Engines and New Air Corporation, dated January 27, 2009—incorporated by reference to Exhibit 10.3(q) to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 (File No 000-49728).
10.3(r)**	Side Letter No. 27 to V2500 General Terms of Sale between IAE International Aero Engines and New Air Corporation, dated June 5, 2009—incorporated by reference to Exhibit 10.3(r) to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 (File No. 000-49728).
10.3(s)**	Side letter No. 28 to V2500 General Terms of Sale between IAE International Aero Engines and New Air Corporation, dated August 31, 2010—incorporated by reference to Exhibit 10.3(s) to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 (File No 000-49728).
10.3(t)**	Side letter No 29 to V2500 General Terms of Sale between IAE International Aero Engines and New Air Corporation, dated March 14, 2011—incorporated by reference to Exhibit 10.3(t) to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 (File No. 000-49728).
10.3(u)**	Side letter No. 30 to V2500 General Terms of Sale between IAE International Aero Engines and New Air Corporation, dated August 17, 2011—incorporated by reference to Exhibit 10.3(u) to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2011(File No 000-49728).
10.3(v)**	Side letter No 31 to V2500 General Terms of Sale between IAE International Aero Engines and New Air Corporation, dated September 27, 2011—incorporated by reference to Exhibit 10.3(v) to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 (File No 000-49728).
10.3(w)**	Side letter No 32 to V2500 General Terms of Sale between IAE International Aero Engines and New Air Corporation, dated November 8, 2011—incorporated by reference to Exhibit 10.3(w) to our Annual Report on Form 10-K for the year ended December 31, 2011 (File No 000-49728).
10.3(x)**	Side letter No 33 to V2500 General Terms of Sale between IAE International Aero Engines and New Air Corporation, dated December 1, 2011—incorporated by reference to Exhibit 10.3(x) to our Annual Report on Form 10-K for the year ended December 31, 2011 (File No 000-49728).
10.3(y)**	Side letter No 34 to V2500 General Terms of Sale between IAE International Aero Engines and New Air Corporation, dated February 21, 2012—incorporated by reference to Exhibit 10.3(y) to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 (File No 000-49728).
10.3(z)**	Side letter No 35 to V2500 General Terms of Sale between IAE International Aero Engines and New Air Corporation, dated March 15, 2012—incorporated by reference to Exhibit 10.3(z) to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 (File No. 000-49728).
10.3(aa)**	Side letter No 36 to V2500 General Terms of Sale between IAE International Aero Engines and New Air Corporation, dated May 1, 2012—incorporated by reference to Exhibit 10.3(aa) to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 (File No 000-49728).
10.3(ab)**	Side letter No 37 to V2500 General Terms of Sale between IAE International Aero Engines and New Air Corporation, dated November 9, 2012—incorporated by reference to Exhibit 10.3(ab) to our Annual Report on Form 10-K for the year ended December 31, 2012 (File No 000-49728)
10.3(ac)**	Side letter No 38 to V2500 General Terms of Sale between IAE International Aero Engines and New Air Corporation, dated October 2, 2013—incorporated by reference to Exhibit 10.3(ac) to our Annual Report on Form 10-K for the year ended December 31, 2014
10.3(ad)**	Amendment No 1 to the V2500 General Terms of Sale between IAE International Aero Engines and New Air Corporation, dated December 15, 2014—incorporated by reference to Exhibit 10.3(ad) to our Annual Report on Form 10-K for the year ended December 31, 2014

10.3(ae)**	Amendment No. 2 to the V2500 General Terms of Sale between IAE International Aero Engines and New Air Corporation, dated December 4, 2015—incorporated by reference to Exhibit 10.3(ae) to our Annual Report on Form 10-K for the year ended December 31, 2015
10.3(af)**	Amendment No. 3 to the V2500 General Terms of Sale between IAE International Aero Engines and New Air Corporation, dated August 15, 2017—incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2017
10.4**	Amendment and Restated Agreement between JetBlue Airways Corporation and LiveTV, LLC, dated as of December 17, 2001, including Amendments No. 1, No. 2 and 3—incorporated by reference to Exhibit 10.4 to the Registration Statement on Form S-1, as amended (File No. 333-82576).
10.5**	GDL Patent License Agreement between Harris Corporation and LiveTV, LLC, dated as of September 2, 2002—incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for quarter ended September 30, 2002 (File No. 000-49728).
10.15	Form of Director/Officer Indemnification Agreement—incorporated by reference to Exhibit 10.20 to the Registration Statement on Form S-1, as amended (File No. 333-82576) and referenced as Exhibit 10.19 in our Current Report on Form 8-K dated February 12, 2008 (File No. 000-49728).
10.17**	Embraer-190 Purchase Agreement DCT-025/2003, dated June 9, 2003, between Embraer-Empresa Brasileira de Aeronautica S.A. and JetBlue Airways Corporation—incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K dated June 30, 2003 (File No. 000-49728).
10.17(a)**	Amendment No. 1 to Purchase Agreement DCT-025/2003, dated as of July 8, 2005, between Embraer-Empresa Brasileria de Aeronautica S.A. and JetBlue Airways Corporation—incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 (File No. 000-49728)
10.17(b)**	Amendment No. 2 to Purchase Agreement DCT-025/2003, dated as of January 5, 2006, between Embraer-Empresa Brasileria de Aeronautica S.A. and JetBlue Airways Corporation—incorporated by reference to Exhibit 10.22(b) to our Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 000-49728)
10.17(c)**	Amendment No. 3 to Purchase Agreement DCT-025/2003, dated as of December 4, 2006, between Embraer-Empresa Brasileria de Aeronautica S.A. and JetBlue Airways Corporation—incorporated by reference to Exhibit 10.21(c) to our Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 000-49728)
10.17(d)**	Amendment No. 4 to Purchase Agreement DCT-025/2003, dated as of October 17, 2007, between Embraer-Empresa Brasileria de Aeronautica S.A. and JetBlue Airways Corporation—incorporated by reference to Exhibit 10.17(d) to our Annual Report on Form 10-K for the year ended December 31, 2007 (File No. 000-49728)
10.17(e)**	Amendment No. 5 to Purchase Agreement DCT-025/2003, dated as of July 18, 2008, between Embraer-Empresa Brasileira de Aeronautica S.A. and JetBlue Airways Corporation—incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2008 (File No. 000-49728)
10.17(f)**	Amendment No. 6 to Purchase Agreement DCT-025/2003, dated as of February 17, 2009, between Embraer-Empresa Brasileira de Aeronautica S.A. and JetBlue Airways Corporation—incorporated by reference to Exhibit 10.17(f) to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 (File No. 000-49728)
10.17(g)**	Amendment No. 7 to Purchase Agreement DCT-025/2003, dated as of December 14, 2009, between Embraer-Empresa Brasileira de Aeronautica S.A. and JetBlue Airways Corporation—incorporated by reference to Exhibit 10.17(g) to our Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 000-49728)

10.17(h)** Amendment No. 8 to Purchase Agreement DCT-025/2003, dated as of March 11, 2010, between Embraer-Empresa Brasileira de Aeronautica S.A. and JetBlue Airways Corporation—incorporated by reference to Exhibit 10.17(h) to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 (File No. 000-49728).

10.17(i)** Amendment No. 9 to Purchase Agreement DCT-025/2003, dated as of May 24, 2010, between Embraer-Empresa Brasileira de Aeronautica S.A. and JetBlue Airways Corporation—incorporated by reference to Exhibit 10.17(i) to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 (File No. 000-49728).

10.17(j)** Amendment No. 10 to Purchase Agreement DCT-025/2003, dated as of September 10, 2010, between Embraer-Empresa Brasileira de Aeronautica S.A. and JetBlue Airways Corporation—incorporated by reference to Exhibit 10.17(j) to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 (File No. 000-49728)

10.17(k)** Amendment No. 11 to Purchase Agreement DCT-025/2003, dated as of October 20, 2011, between Embraer-Empresa Brasileira de Aeronautica S.A. and JetBlue Airways Corporation—incorporated by reference to Exhibit 10.17(k) to our Annual Report on Form 10-K for the year ended December 31, 2011 (File No. 000-49728)

10.17(l)** Amendment No. 12 to Purchase Agreement DCT-025/2003, dated as of October 25, 2011, between Embraer-Empresa Brasileira de Aeronautica S.A. and JetBlue Airways Corporation—incorporated by reference to Exhibit 10.17(l) to our Annual Report on Form 10-K for the year ended December 31, 2011 (File No. 000-49728).

10.17(m)** Amendment No. 13 to Purchase Agreement DCT-025/2003, dated as of July 20, 2012, between Embraer-Empresa Brasileira de Aeronautica S.A. and JetBlue Airways Corporation—incorporated by reference to Exhibit 10.17(m) to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 (File No. 000-49728).

10.17(n)** Amendment No. 14 to Purchase Agreement DCT-025/2003, dated as of December 3, 2012, between Embraer-Empresa Brasileira de Aeronautica S.A. and JetBlue Airways Corporation—incorporated by reference to Exhibit 10.17(n) to our Annual Report on Form 10-K for the year ended December 31, 2012 (File No. 000-49728).

10.17(o)** Amendment No. 15 to Purchase Agreement DCT-025/2003, dated as of December 19, 2012, between Embraer-Empresa Brasileira de Aeronautica S.A. and JetBlue Airways Corporation—incorporated by reference to Exhibit 10.17(o) to our Annual Report on Form 10-K for the year ended December 31, 2012 (File No. 000-49728).

10.17(p)** Amendment No. 16 to Purchase Agreement DCT-025/2003, dated as of January 31, 2013 between Embraer S.A. (formerly known as Embraer - Empresa Brasileira de Aeronáutica S.A.) and JetBlue Airways Corporation—incorporated by reference to Exhibit 10.17(p) to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2013

10.17(q)** Amendment 17 to Purchase Agreement DCT-025/2003, dated as of May 14, 2013 between Embraer S.A. (formerly known as Embraer—Empresa Brasileira de Aeronáutica S.A.) and JetBlue Airways Corporation—incorporated by reference to Exhibit 10.17(q) to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2013

10.17(r)** Amendment 18 to Purchase Agreement DCT-025/2003, dated as of June 25, 2013 between Embraer S.A. (formerly known as Embraer—Empresa Brasileira de Aeronáutica S.A.) and JetBlue Airways Corporation—incorporated by reference to Exhibit 10.17(r) to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2013

10 17(s)**	Amendment No. 19 to Purchase Agreement DCT-025/2003, dated as of October 1, 2013 between Embraer S A (formerly known as Embraer —Empresa Brasileira de Aeronautica S A) and JetBlue Airways Corporation—incorporated by reference to Exhibit 10.17(s) to our Annual Report on Form 10-K for the year ended December 31, 2013.
10.17(t)**	Amendment No 20 to Purchase Agreement DCT-025/2003, dated as of October 24, 2013 between Embraer S.A (formerly known as Embraer - Empresa Brasileira de Aeronáutica S.A) and JetBlue Airways Corporation—incorporated by reference to Exhibit 10 17(t) to our Annual Report on Form 10-K for the year ended December 31, 2013.
10.18**	Letter Agreement DCT-026/2003, dated June 9, 2003, between Embraer-Empresa Brasileira de Aeronautica S.A and JetBlue Airways Corporation—incorporated by reference to Exhibit 10 5 to our Current Report on Form 8-K dated June 30, 2003 (File No. 000-49728)
10.18(a)**	Amendment No 1, dated as of July 8, 2005, to Letter Agreement DCT-026/2003, between Embraer-Empresa Brasileira de Aeronautica S.A. and JetBlue Airways Corporation—incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 (File No. 000-49728).
10.18(b)**	Amendment No 2, dated as of January 5, 2006, to Letter Agreement DCT-026/2003, between Embraer-Empresa Brasileira de Aeronautica S A and JetBlue Airways Corporation—incorporated by reference to Exhibit 10.22(b) to our Annual Report on Form 10-K for the year ended December 31, 2006 (File No 000-49728)
10.18(c)**	Amendment No 3, dated as of December 4, 2006, to Letter Agreement DCT-026/2003, between Embraer-Empresa Brasileira de Aeronautica S A. and JetBlue Airways Corporation—incorporated by reference to Exhibit 10.22(c) to our Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 000-49728).
10 18(d)**	Amendment No. 4, dated as of October 17, 2007, to Letter Agreement DCT-026/2003, between Embraer-Empresa Brasileria de Aeronautica S A and JetBlue Airways Corporation—incorporated by reference to Exhibit 10 18(d) to our Annual Report on Form 10-K for the year ended December 31, 2007 (File No. 000-49728)
10 18(e)**	Amendment No 5 to Letter Agreement DCT-026/2003, dated as of March 6, 2008, between Embraer-Empresa Brasileira de Aeronautica S.A and JetBlue Airways Corporation—incorporated by reference to Exhibit 10 2 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2008 (File No. 000-49728)
10.18(f)**	Amendment No. 6 to Letter Agreement DCT-026/2003, dated as of July 18, 2008, between Embraer-Empresa Brasileira de Aeronautica S A and JetBlue Airways Corporation—incorporated by reference to Exhibit 10 3 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2008 (File No 000-49728)
10.18(g)**	Amendment No 7 to Letter Agreement DCT-026/2003, dated as of February 17, 2009, between Embraer-Empresa Brasileira de Aeronautica S.A. and JetBlue Airways Corporation—incorporated by reference to Exhibit 10.18(g) to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 (File No 000-49728)
10.18(h)**	Amendment No 8 to Letter Agreement DCT-026/2003, dated as of December 14, 2009, between Embraer-Empresa Brasileira de Aeronautica S A. and JetBlue Airways Corporation—incorporated by reference to Exhibit 10 18(h) to the Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 000-49728).
10.18(i)**	Amendment No 9 to Letter Agreement DCT-026/2003, dated as of March 11, 2010, between Embraer-Empresa Brasileira de Aeronautica S.A and JetBlue Airways Corporation—incorporated by reference to Exhibit 10 18(i) to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 (File No 000-49728).

10.18(j)**	Amendment No. 10 to Letter Agreement DCT - 026/2003, dated as of November 18, 2010, between Embraer-Empresa Brasileira de Aeronautica S.A. and JetBlue Airways Corporation—incorporated by reference to Exhibit 10.18(j) to our Annual Report on Form 10-K for the year ended December 31, 2013.
10.18(k)**	Amendment No. 11 to Letter Agreement DCT-026/2003, dated as of October 24, 2013 between Embraer - Empresa Brasileira de Aeronáutica S.A. and JetBlue Airways Corporation—incorporated by reference to Exhibit 10.18(k) to our Annual Report on Form 10-K for the year ended December 31, 2013.
10.20	Agreement of Lease (Port Authority Lease No. AYD-350), dated November 22, 2005, between The Port Authority of New York and New Jersey and JetBlue Airways Corporation—incorporated by reference to Exhibit 10.30 to our Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 000-49728).
10.20(a)	Supplement No. 3 to Agreement of Lease, dated July 1, 2012 between The Port Authority of New York and New Jersey and JetBlue Airways Corporation—incorporated by reference to Exhibit 10.20(a) to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013.
10.21*	Amended and Restated 2002 Stock Incentive Plan, dated November 7, 2007, and form of award agreement—incorporated by reference to Exhibit 10.21 to the Annual Report for Form 10-K for the year ended December 31, 2008 (File No. 000-49728).
10.22*	JetBlue Airways Corporation Executive Change in Control Severance Plan, dated as of June 28, 2007—incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, dated June 28, 2007 (File No. 000-49728).
10.22(a)*	JetBlue Airways Corporation Severance Plan, dated May 22, 2014—incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated May 22, 2014.
10.30**	Sublease by and between JetBlue Airways Corporation and Metropolitan Life Insurance Company—incorporated by reference to Exhibit 10.30 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 (File No. 000-49728).
10.31*	JetBlue Airways Corporation 2011 Incentive Compensation Plan—incorporated by reference to Exhibit 10.31(a) to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2011.
10.31(a)*	Amended and Restated JetBlue Airways Corporation 2011 Incentive Compensation Plan—incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2015.
10.31(b)*	JetBlue Airways Corporation 2011 Incentive Compensation Plan forms of award agreement—incorporated by reference to Exhibit 10.31(b) to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2011.
10.31(c)*	JetBlue Airways Corporation 2011 Incentive Compensation Plan form of Performance Share Unit Award Agreement—incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on April 12, 2013.
10.31(d)*	JetBlue Airways Corporation 2011 Incentive Compensation Plan forms of amended award agreement—incorporated by reference to Exhibit 10.31(d) to our Annual Report on Form 10-K for the year ended December 31, 2013.
10.31(e)*	Form of Performance Share Unit Award Agreement as amended—incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2014.
10.31(f)*	Amended and Restated JetBlue Airways Corporation 2011 Incentive Compensation Plan form of Restricted Stock Unit Award Agreement—incorporated by reference to Exhibit 10.2(a) to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2015.

10.31(g)*	Amended and Restated JetBlue Airways Corporation 2011 Incentive Compensation Plan form of Deferred Stock Unit Award Agreement—incorporated by reference to Exhibit 10.2(b) to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2015.
10.31(h)*	Amended and Restated JetBlue Airways Corporation 2011 Incentive Compensation Plan form of Performance Share Unit Agreement (2015)—incorporated by reference to Exhibit 10.2(c) to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2015.
10.31(i)*	JetBlue Airways Corporation 2011 Amendment and Restatement form of Performance Share Unit Award Agreement—incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on April 12, 2013.
10.31(j)*	Form of Performance Share Unit Award Agreement as amended—incorporated by reference to Exhibit 10.1(a) to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2017.
10.33**	Airbus A320 Family Purchase Agreement, dated October 19, 2011, between Airbus S.A.S. and JetBlue Airways Corporation, including Letter Agreements 1-8, each dated as of same date—incorporated by reference to Exhibit 10.33 to our Annual Report on Form 10-K for the year ended December 31, 2011.
10.33(a)**	Letter Agreement 9 to Airbus A320 Family Purchase Agreement, dated December 19, 2012, between Airbus S.A.S. and JetBlue Airways Corporation—incorporated by reference to Exhibit 10.33(a) to our Annual Report on Form 10-K for the year ended December 31, 2012.
10.33(b)**	Amendment No. 1 to Airbus A320 Family Purchase Agreement, dated as of October 25, 2013, between Airbus S.A.S. and JetBlue Airways Corporation, including Amended and Restated Letter Agreements 1, 2, 3 and 6, each dated as of the same date—incorporated by reference to Exhibit 10.33(b) to our Annual Report on Form 10-K for the year ended December 31, 2013.
10.33(c)**	Amendment No. 2 to Airbus A320 Family Purchase Agreement, dated as of November 19, 2014, between Airbus S.A.S. and JetBlue Airways Corporation, including Amended and Restated Letter Agreements 1 and 3, each dated as of the same date—incorporated by reference to Exhibit 10.33(c) to our Annual Report on Form 10-K for the year ended December 31, 2014.
10.33(d)**	Amendment No. 3 to Airbus A320 Family Purchase Agreement, dated as of July 26, 2016, between Airbus S.A.S. and JetBlue Airways Corporation-incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2016.
10.33(e)**	Amendment No. 4 to Airbus A320 Family Purchase Agreement, dated as of July 26, 2016, between Airbus S.A.S. and JetBlue Airways Corporation, including Amended and Restated Letter Agreements 1, 2, 3 and 6 and Letter Agreement 9, each dated as of the same date-incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2016.
10.33(f)**	Amendment No. 5 to Airbus A320 Family Purchase Agreement, dated as of August 9, 2016, between Airbus S.A.S. and JetBlue Airways Corporation-incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2016.
10.33(g)**	Amendment No. 6 to Airbus A320 Family Purchase Agreement, dated as of April 11, 2017, between Airbus S.A.S. and JetBlue Airways Corporation-incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017.
10.33(h)**	Amendment No. 7 to Airbus A320 Family Purchase Agreement, dated as of April 25, 2017, between Airbus S.A.S. and JetBlue Airways Corporation-incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017.
10.33(i)***	Amendment No. 8 to Airbus A320 Family Purchase Agreement, dated as of December 19, 2017, between Airbus S.A.S. and JetBlue Airways Corporation.

10 34**	Letter Agreement dated as of July 23, 2015 between Airbus S.A.S. and JetBlue Airways Corporation—incorporated by reference to Exhibit 10 1 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2015.
10.34(a)**	Letter Agreement dated as of April 11, 2016 between Airbus S A.S and JetBlue Airways Corporation-incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2016.
10.35*	Amended and Restated JetBlue Airways Corporation 2011 Crewmember Stock Purchase Plan—incorporated by reference to Exhibit 10 1 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2015.
10.36	Amended and Restated Credit and Guaranty Agreement, dated as of April 6, 2017 among JetBlue Airways Corporation, as Borrower, the Subsidiaries of JetBlue party thereto from time to time, as guarantors, the Lenders party thereto from time to time, and Citibank, N A., as Administrative Agent—incorporated by reference to Exhibit 10 1 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017
10 37	Slot and Gate Security Agreement dated as of April 23, 2013 between JetBlue Airways Corporation, as Grantor, and Citibank, N A , as Administrative Agent—incorporated by reference to Exhibit 10 2 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2013
10.37(a)	Security Agreement Ratification, dated as of April 6, 2017 between JetBlue Airways Corporation, as Borrower, and Citibank, N A., as Administrative Agent—incorporated by reference to Exhibit 10 2 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017.
10.38**	Engine Services Agreement between JetBlue Airways Corporation and GE Engine Services, LLC, dated as of May 1, 2013—incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2013
10.38(a)**	Amendment No 1 to Engine Services Agreement between JetBlue Airways Corporation and GE Engine Services, LLC, dated as of December 23, 2014—incorporated by reference to Exhibit 10.38(a) to our Annual Report on Form 10-K for the year ended December 31, 2014.
10.39*	JetBlue Airways Corporation Retirement Plan, amended and restated effective as of January 1, 2013—incorporated by reference to Exhibit 10 39 to our Annual Report on Form 10-K for the year ended December 31, 2013.
10.41*	Employment Agreement, dated February 12, 2015, between JetBlue Airways Corporation and Robin Hayes—incorporated by reference to Exhibit 10.41 to our Annual Report on Form 10-K for the year ended December 31, 2014
10.41(a)*	Amendment No 1 to the Employment Agreement, dated February 16, 2017, between JetBlue Airways Corporation and Robin Hayes—incorporated by reference to Exhibit 10 41(a) to our current report on Form 8-K filed on February 22, 2017
10 42*	Senior Advisor Agreement, dated September 13, 2016, between JetBlue Airways Corporation and Mark D Powers—incorporated by reference into Exhibit 10.4 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2016
10 43	Agreement and General Release, dated as of February 23, 2017, between JetBlue Airways Corporation and James F. Leddy—incorporated by reference to Exhibit 10 2 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2017
12.1	Computation of Ratio of Earnings to Fixed Charges
21.1	List of Subsidiaries

23	Consent of Ernst & Young LLP.
31 1	Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer.
32	Section 1350 Certifications, furnished herewith
99 2	Letter of Approval from the City of Long Beach Department of Public Works, dated May 22, 2001, approving City Council Resolution C-27843 regarding Flight Slot Allocation at Long Beach Municipal Airport—incorporated by reference to Exhibit 99.2 to the Registration Statement on Form S-1, as amended (File No. 333-82576).
101.INS	XBRL Instance Document
101 SCH	XBRL Taxonomy Extension Schema Document
101 DEF	XBRL Taxonomy Extension Definition Linkbase Document
101 CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101 LAB	XBRL Taxonomy Extension Labels Linkbase Document
101 PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Compensatory plans in which the directors and executive officers of JetBlue participate.

** Pursuant to a Confidential Treatment Request under Rule 24b-2 filed with and approved by the SEC, portions of this exhibit have been omitted.

*** Pursuant to 17 CFR 240.24b-2, confidential information has been omitted and has been provided separately to the Securities and Exchange Commission pursuant to a Confidential Treatment Request filed with the Commission.

(1) Documents substantially identical in all material respects to the document filed as Exhibit 4.4 to our Current Report on Form 8-K dated March 24, 2004 (which exhibit relates to formation of JetBlue Airways Pass Through Trust, Series 2004-1G-1-O and the issuance of Three-Month LIBOR plus 0 375% JetBlue Airways Pass Through Trust, Series 2004-1G-1-O, Pass Through Certificates) have been entered into with respect to formation of each of JetBlue Airways Pass Through Trusts, Series 2004-1G-2-O and Series 2004-1C-O and the issuance of each of Three-Month LIBOR plus 0 420% JetBlue Airways Pass Through Trust, Series 2004-1G-2-O and Three-Month LIBOR plus 4.250% JetBlue Airways Pass Through Trust, Series 2004-1C-O. Pursuant to Instruction 2 of Item 601 of Regulation S-K, Exhibit 99 1, incorporated by reference to our Current Report on Form 8-K dated March 24, 2004 (File No. 000-49728), sets forth the terms by which such substantially identical documents differ from Exhibit 4 7(c)

(2) Documents substantially identical in all material respects to the document filed as Exhibit 4 14 our Current Report on Form 8-K dated March 24, 2004 (which exhibit relates to an above-cap liquidity facility provided on behalf of the JetBlue Airways Corporation Pass Through Trust 2004-1G-1-O) have been entered into with respect to the above-cap liquidity facilities provided on behalf of the JetBlue Airways Corporation Pass Through Trust 2004-1G-2-O and the JetBlue Airways Corporation Pass Through Trust 2004-1C-O. Pursuant to Instruction 2 of Item 601 of Regulation S-K, Exhibit 99.2, incorporated by reference to our Current Report on Form 8-K dated March 24, 2004 (File No. 000-49728), sets forth the terms by which such substantially identical documents differ from Exhibit 4.7(m).

(3) Documents substantially identical in all material respects to the document filed as Exhibit 4.4 to our Current Report on Form 8-K dated November 9, 2004 (which exhibit relates to formation of JetBlue Airways Pass Through Trust, Series 2004-2G-1-O and the issuance of Three-Month LIBOR plus 0.375% JetBlue Airways Pass Through Trust, Series

2004-2G-1-O, Pass Through Certificates) have been entered into with respect to formation of each of the JetBlue Airways Pass Through Trusts, Series 2004-2G-2-O and Series 2004-2C-O and the issuance of each of Three-Month LIBOR plus 0.450% JetBlue Airways Pass Through Trust, Series 2004-2G-2-O and Three-Month LIBOR plus 3.100% JetBlue Airways Pass Through Trust, Series 2004-2C-O. Pursuant to Instruction 2 of Item 601 of Regulation S-K, Exhibit 99 1, incorporated by reference to our Current Report on Form 8-K dated November 9, 2004 (File No. 000-49728), sets forth the terms by which such substantially identical documents differ from Exhibit 4 8(c)

(4) Documents substantially identical in all material respects to the document filed as Exhibit 4.14 to our Current Report on Form 8-K dated November 9, 2004 (which exhibit relates to an above-cap liquidity facility provided on behalf of the JetBlue Airways Corporation Pass Through Trust 2004-2G-1-O) have been entered into with respect to the above-cap liquidity facilities provided on behalf of the JetBlue Airways Corporation Pass Through Trust 2004-2G-2-O and the JetBlue Airways Corporation Pass Through Trust 2004-2C-O. Pursuant to Instruction 2 of Item 601 of Regulation S-K, Exhibit 99.2, incorporated by reference to our Current Report on Form 8-K dated November 9, 2004 (File No. 000-49728), sets forth the terms by which such substantially identical documents differ from Exhibit 4.8(m)

Financial Statement Schedule

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of JetBlue Airways Corporation

Opinion on the Financial Statement Schedules

We have audited the consolidated financial statements of JetBlue Airways Corporation (the Company) as of December 31, 2017 and 2016 , and for each of the three years in the period ended December 31, 2017 , and have issued our report thereon dated February 16, 2018 (included elsewhere in this Annual Report on Form 10-K). Our audits also included the financial statement schedule listed in Item 15(2) of this Annual Report on Form 10-K. In our opinion, the financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects the information set forth therein.

Basis for Opinion

This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's schedule based on our audits We believe that our audits provide a reasonable basis for our opinion

/s/ Ernst & Young LLP

New York, New York
February 16, 2018

JETBLUE AIRWAYS CORPORATION
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
(in millions)

	Balance at beginning of period	Additions Charged to Costs and Expenses	Deductions	Balance at end of period
Year Ended December 31, 2017				
Allowance for doubtful accounts	$ 5	$ —	$ 4 (1)	$ 1
Allowance for obsolete inventory parts	12	2	— (2)	14
Total	17	2	4	15
Year Ended December 31, 2016				
Allowance for doubtful accounts	$ 6	$ —	$ 1 (1)	$ 5
Allowance for obsolete inventory parts	10	2	— (2)	12
Total	16	2	1	17
Year Ended December 31, 2015				
Allowance for doubtful accounts	$ 6	$ 4	$ 4 (1)	$ 6
Allowance for obsolete inventory parts	8	2	— (2)	10
Total	14	6	4	16

(1) Uncollectible accounts written off, net of recoveries
(2) Inventory scrapped.

EXHIBIT 10.33(i)

AMENDMENT NO. 8

to the A320 Family Aircraft Purchase Agreement

Dated as of October 19, 2011

Between

AIRBUS S.A.S.

And

JETBLUE AIRWAYS CORPORATION

This Amendment No. 8 (hereinafter referred to as the " **Amendment** ") is entered into as of December 19, 2017 between Airbus S.A.S. a *société par actions simplifiée* , created and existing under French law, having its registered office at 2 Rond-Point Emile Dewoitine, 31700 Blagnac, France and registered with Toulouse Registre du Commerce under number RCS Toulouse 383 474 814 (the " **Seller** ") and JetBlue Airways Corporation, a corporation organized under the laws of Delaware having its principal corporate offices at 27-01 Queens Plaza North, Long Island City, New York 11101 (formerly 118-29 Queens Boulevard, Forest Hills, New York 11375), United States of America (the " **Buyer** ").

WHEREAS, the Buyer and the Seller entered into an A320 Family Purchase Agreement dated as of October 19, 2011, relating to the sale by the Seller and the purchase by the Buyer of certain firmly ordered Airbus A320 family aircraft, which together with all amendments, exhibits, appendices, and letter agreements attached thereto is hereinafter called the " **Agreement** ".

WHEREAS, the Buyer and the Seller wish to amend the Agreement to reflect, among other things, the rescheduling of certain aircraft.

NOW THEREFORE, SUBJECT TO THE TERMS AND CONDITIONS SET FORTH HEREIN, IT IS AGREED AS FOLLOWS:

Capitalized terms used herein and not otherwise defined in this Amendment will have the meanings assigned to them in the Agreement. Except as used within quoted text, the terms "herein", "hereof", and "hereunder" and words of similar import refer to this Amendment.

1 DELIVERY

1.1 The Scheduled Delivery Period for the Incremental A321 NEO Aircraft bearing CACiD number 10002780 is hereby amended from [***] 2019 to [***] 2019 . Notwithstanding Clause 9.1 of the Agreement, the Seller shall notify the Scheduled Delivery Month of such Aircraft no later than [***] , subject to [***] in accordance with Clause 8.6 of Amendment No. 4 to the Agreement, as amended by Clause 2.2 below.

1.2 Schedule 1 to the Agreement is deleted in its entirety and replaced by the Amended and Restated Schedule 1 (the " **Amended and Restated Schedule 1** ") attached hereto as Appendix 1.

1.3 It shall be the Buyer's sole responsibility to ensure, without any intervention necessary from the Seller, that all of the BFE Suppliers are notified of and accept the rescheduling set forth in Clauses 1.1 to 1.2 above without the Seller incurring any costs, losses, expenses, additional obligations, penalties, damages or liabilities of any kind by reason of such rescheduling, and the Buyer will indemnify and hold the Seller harmless against any and all of such costs, losses, expenses, additional obligations, penalties, damages or liabilities so incurred by the Seller unless such costs, losses, expenses, additional obligations, penalties, damages or liabilities are a result of the Seller's gross negligence or willful misconduct.

1.4 The Buyer shall cause that any agreement between the Buyer and the relevant Propulsion System manufacturer will reflect the rescheduling set out in Clauses 1.1 to 1.2 above and the Buyer will indemnify and hold the Seller harmless against any and all costs, losses, expenses, obligations, penalties, damages or liabilities incurred by the Seller in the event that the Buyer fails to perform its obligations as set out under this Clause 1.4 unless such costs, losses, expenses, additional obligations, penalties, damages or liabilities are a result of the Seller's gross negligence or willful misconduct.

2 OTHER COMMERCIAL TERMS

2.1 Any and all Predelivery Payments [***] described in Clauses 1.1 to 1.2 herein [***] .

[***] Represents material which has been redacted and filed separately with the Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended

2.2 Clauses 8.6 and 8.7 of Amendment No. 4 to the Agreement are deleted in their entirety and replaced with the following quoted text:

QUOTE

8.6 [***]

8.7 [***]

UNQUOTE

3 EFFECT OF THE AMENDMENT

The Agreement will be deemed amended to the extent herein provided, and, except as specifically amended hereby, will continue in full force and effect in accordance with its original terms. This Amendment contains the entire agreement between the Buyer and the Seller with respect to the subject matter hereof and supersedes any previous understandings, commitments, or representations whatsoever, whether oral or written, related to the subject matter of this Amendment.

Both parties agree that this Amendment will constitute an integral, nonseverable part of the Agreement and be governed by its provisions, except that if the Agreement and this Amendment have specific provisions that are inconsistent, the specific provisions contained in this Amendment will govern.

This Amendment will become effective upon its execution.

4 CONFIDENTIALITY

This Amendment is subject to the confidentiality provisions set forth in Clause 22.10 of the Agreement.

5 ASSIGNMENT

Notwithstanding any other provision of this Amendment or of the Agreement, this Amendment will not be assigned or transferred in any manner without the prior written consent of the other party, and

[***] Represents material which has been redacted and filed separately with the Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended

any attempted assignment or transfer in contravention of the provisions of this Clause 5 will be void and of no force or effect.

6 COUNTERPART

This Amendment may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

7 INTERPRETATION AND LAW

This Amendment is subject to the Interpretation and Law provisions set forth in Clause 22.6 of the Agreement.

[***] Represents material which has been redacted and filed separately with the Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended

IN WITNESS WHEREOF, the parties hereto have entered into this Amendment by their respective officers or agents as of the date first above written.

JETBLUE AIRWAYS CORPORATION	AIRBUS S.A.S.
By: /s/ Steve Priest	By: /s/ Christophe Mourey
Its: Chief Financial Officer	Its: Senior Vice President Contracts

AMENDED AND RESTATED SCHEDULE 1

Appendix 1
to
Amendment No. 8

AMENDED AND RESTATED SCHEDULE 1

Amended and Restated
Schedule 1

[***] Represents material which has been redacted and filed separately with the Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

AMENDED AND RESTATED SCHEDULE 1

	CACiD No.	Aircraft Rank No.	Type	Scheduled Delivery Month/Quarter	Scheduled Delivery Year
1	159 908	122	Group 1 A320 Aircraft	[***]	2011
2	159 942	123	Group 1 A320 Aircraft	[***]	2012
3	159 943	124	Group 1 A320 Aircraft	[***]	2012
4	159 950	125	Group 1 A320 Aircraft	[***]	2012
5	159 951	126	Group 1 A320 Aircraft	[***]	2012
6	159 923	127	Group 1 A320 Aircraft	[***]	2012
7	159 924	128	Group 1 A320 Aircraft	[***]	2012
8	159 925	129	Group 1 A320 Aircraft	[***]	2012
9	159 939	130	A320 Backlog Aircraft	[***]	2013
10	159 960	131	A320 Backlog Aircraft	[***]	2013
11	159 961	132	A320 Backlog Aircraft	[***]	2013
12	159 962	133	A321 Backlog Aircraft	[***]	2013
13	159 963	134	A321 Backlog Aircraft	[***]	2013
14	159 964	135	A321 Backlog Aircraft	[***]	2013
15	159 965	136	A321 Backlog Aircraft	[***]	2013
16	159 916	137	A321 Backlog Aircraft	[***]	2014
17	159 940	138	A321 Backlog Aircraft	[***]	2014
18	159 941	139	A321 Backlog Aircraft	[***]	2014
19	159 944	140	A321 Backlog Aircraft	[***]	2014
20	159 945	141	A321 Backlog Aircraft	[***]	2014
21	159 946	142	A321 Backlog Aircraft	[***]	2014
22	159 947	143	A321 Backlog Aircraft	[***]	2014
23	159 948	144	A321 Backlog Aircraft	[***]	2014
24	159 949	145	A321 Backlog Aircraft	[***]	2014
25	159 956	146	A321 Backlog Aircraft	[***]	2015
26	159 957	147	A321 Backlog Aircraft	[***]	2015
27	159 958	148	A321 Backlog Aircraft	[***]	2015
28	159 959	149	A321 Backlog Aircraft	[***]	2015
29	159 929	150	A321 Backlog Aircraft	[***]	2015
30	159 930	151	A321 Backlog Aircraft	[***]	2015

[***] Represents material which has been redacted and filed separately with the Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended

AMENDED AND RESTATED SCHEDULE 1

	CACiD No.	Aircraft Rank No.	Type	Scheduled Delivery Month/Quarter	Scheduled Delivery Year
31	159 931	152	A321 Backlog Aircraft	[***]	2015
32	159 932	153	A321 Backlog Aircraft	[***]	2015
33	159 933	154	A321 Backlog Aircraft	[***]	2015
34	10002716	155	Incremental A321 Aircraft	[***]	2015
35	159 920	156	A321 Backlog Aircraft	[***]	2015
36	10002752	157	Incremental A321 Aircraft	[***]	2015
37	159 911	158	A321 Backlog Aircraft	[***]	2016
38	159 912	159	A321 Backlog Aircraft	[***]	2016
39	159 917	160	A321 Backlog Aircraft	[***]	2016
40	159 918	161	A321 Backlog Aircraft	[***]	2016
41	159 926	162	A321 Backlog Aircraft	[***]	2016
42	159 927	163	A321 Backlog Aircraft	[***]	2016
43	159 928	164	A321 Backlog Aircraft	[***]	2016
44	159 952	165	A321 Backlog Aircraft	[***]	2016
45	159 953	166	A321 Backlog Aircraft	[***]	2016
46	159 934	167	A321 Backlog Aircraft	[***]	2016
47	159 922	168	Converted A321 Backlog Aircraft	[***]	2017
48	159 954	169	Converted A321 Backlog Aircraft	[***]	2017
49	159 955	170	Converted A321 Backlog Aircraft	[***]	2017
50	159 921	171	Converted A321 Backlog Aircraft	[***]	2017
51	104 440	172	Converted A321 Backlog Aircraft	[***]	2017
52	104 442	173	Converted A321 Backlog Aircraft	[***]	2017
53	10054088	249	Additional A321 Aircraft	[***]	2017
54	159 909	174	Converted A321 Backlog Aircraft	[***]	2017
55	10054089	250	Additional A321 Aircraft	[***]	2017
56	10002770	175	Incremental A321 Aircraft	[***]	2017
57	10054090	251	Additional A321 Aircraft	[***]	2017
58	10002771	176	Incremental A321 Aircraft	[***]	2017
59	10054091	252	Additional A321 Aircraft	[***]	2017
60	10002772	177	Incremental A321 Aircraft	[***]	2017
61	10054092	253	Additional A321 Aircraft	[***]	2017
62	159 910	178	Converted A321 Backlog Aircraft	[***]	2018
63	10054093	254	Additional A321 Aircraft	[***]	2018

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AMENDED AND RESTATED SCHEDULE 1

	CACiD No.	Aircraft Rank No.	Type	Scheduled Delivery Month/Quarter	Scheduled Delivery Year
64	10054100	261	Additional A321 Aircraft	[***]	2018
65	10054101	262	Additional A321 Aircraft	[***]	2018
66	10054102	263	Additional A321 Aircraft	[***]	2018
67	10054097	258	Additional A321 Aircraft	[***]	2018
68	10054098	259	Additional A321 Aircraft	[***]	2018
69	10054094	255	Additional A321 Aircraft	[***]	2018
70	10054099	260	Additional A321 Aircraft	[***]	2018
71	10054095	256	Additional A321 Aircraft	[***]	2018
72	10054096	257	Additional A321 Aircraft	[***]	2018
73	402 137	185	Converted A321 NEO Aircraft	[***]	2019
74	402 135	182	Converted A321 NEO Aircraft	[***]	2019
75	402 136	183	Converted A321 NEO Aircraft	[***]	2019
76	402 134	181	Converted A321 NEO Aircraft	[***]	2019
77	402 141	189	Converted A321 NEO Aircraft	[***]	2019
78	10002782	193	Incremental A321 NEO Aircraft	[***]	2019
79	10002783	194	Incremental A321 NEO Aircraft	[***]	2019
80	10002784	195	Incremental A321 NEO Aircraft	[***]	2019
81	10002786	197	Incremental A321 NEO Aircraft	[***]	2019
82	10002787	198	Incremental A321 NEO Aircraft	[***]	2019
83	10002781	192	Incremental A321 NEO Aircraft	[***]	2019
84	10002788	199	Incremental A321 NEO Aircraft	[***]	2019
85	10002780	191	Incremental A321 NEO Aircraft	[***]	**2019**
86	10002756	200	A321 NEO Aircraft	[***]	2020
87	10002760	201	A321 NEO Aircraft	[***]	2020
88	10002764	202	A321 NEO Aircraft	[***]	2020
89	10002792	206	Incremental A321 NEO Aircraft	[***]	2020
90	10054124	264	Additional A321 NEO Aircraft	[***]	2020
91	402 142	209	A320 NEO Aircraft	[***]	2020
92	402 143	210	A320 NEO Aircraft	[***]	2020
93	10054125	265	Additional A321 NEO Aircraft	[***]	2020
94	402 144	211	A320 NEO Aircraft	[***]	2020
95	402 145	212	A320 NEO Aircraft	[***]	2020
96	402 146	213	A320 NEO Aircraft	[***]	2020

[***] Represents material which has been redacted and filed separately with the Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended

AMENDED AND RESTATED SCHEDULE 1

	CACiD No.	Aircraft Rank No.	Type	Scheduled Delivery Month/Quarter	Scheduled Delivery Year
97	402 147	214	A320 NEO Aircraft	[***]	2020
98	10054126	266	Additional A321 NEO Aircraft	[***]	2020
99	402 151	215	A320 NEO Aircraft	[***]	2021
100	402 152	216	A320 NEO Aircraft	[***]	2021
101	402 153	217	A320 NEO Aircraft	[***]	2021
102	402 154	218	A320 NEO Aircraft	[***]	2021
103	10054127	267	Additional A321 NEO Aircraft	[***]	2021
104	402 155	219	A320 NEO Aircraft	[***]	2021
105	402 156	220	A320 NEO Aircraft	[***]	2021
106	402 157	221	A320 NEO Aircraft	[***]	2021
107	402 158	222	A320 NEO Aircraft	[***]	2021
108	10054128	268	Additional A321 NEO Aircraft	[***]	2021
109	402 159	223	A320 NEO Aircraft	[***]	2021
110	402 160	224	A320 NEO Aircraft	[***]	2021
111	402 161	225	A320 NEO Aircraft	[***]	2021
112	402 162	226	A320 NEO Aircraft	[***]	2021
113	10054129	269	Additional A321 NEO Aircraft	[***]	2021
114	402 163	227	A320 NEO Aircraft	[***]	2021
115	402 164	228	A320 NEO Aircraft	[***]	2021
116	402 165	229	A320 NEO Aircraft	[***]	2021
117	402 166	230	A320 NEO Aircraft	[***]	2021
118	10054130	270	Additional A321 NEO Aircraft	[***]	2021
119	402 148	231	A320 NEO Aircraft	[***]	2022
120	402 149	232	A320 NEO Aircraft	[***]	2022
121	402 150	233	A320 NEO Aircraft	[***]	2022
122	10002765	234	A321 NEO Aircraft	[***]	2022
123	10054131	271	Additional A321 NEO Aircraft	[***]	2022
124	10002766	235	A321 NEO Aircraft	[***]	2022
125	10002767	236	A321 NEO Aircraft	[***]	2022
126	10002768	237	A321 NEO Aircraft	[***]	2022
127	10002769	238	A321 NEO Aircraft	[***]	2022
128	10054132	272	Additional A321 NEO Aircraft	[***]	2022
129	10002773	239	A321 NEO Aircraft	[***]	2022

[***] Represents material which has been redacted and filed separately with the Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended

AMENDED AND RESTATED SCHEDULE 1

	CACiD No.	Aircraft Rank No.	Type	Scheduled Delivery Month/Quarter	Scheduled Delivery Year
130	10002774	240	A321 NEO Aircraft	[***]	2022
131	402 127	241	A321 NEO Aircraft	[***]	2022
132	402 128	242	A321 NEO Aircraft	[***]	2022
133	10054133	273	Additional A321 NEO Aircraft	[***]	2022
134	402 129	243	A321 NEO Aircraft	[***]	2022
135	402 130	244	A321 NEO Aircraft	[***]	2022
136	402 131	245	A321 NEO Aircraft	[***]	2022
137	10002775	246	Incremental A321 NEO Aircraft	[***]	2022
138	10054134	274	Additional A321 NEO Aircraft	[***]	2022
139	10002776	247	Incremental A321 NEO Aircraft	[***]	2023
140	10054135	275	Additional A321 NEO Aircraft	[***]	2023
141	402 138	186	Converted A321 NEO Aircraft	[***]	2023
142	10002778	184	Incremental A321 NEO Aircraft	[***]	2023
143	402 132	179	Converted A321 NEO Aircraft	[***]	2023
144	10054136	276	Additional A321 NEO Aircraft	[***]	2023
145	402 133	180	Converted A321 NEO Aircraft	[***]	2023
146	10002777	248	Incremental A321 NEO Aircraft	[***]	2023
147	10054137	277	Additional A321 NEO Aircraft	[***]	2023
148	10002779	190	Incremental A321 NEO Aircraft	[***]	2023
149	402 140	188	Converted A321 NEO Aircraft	[***]	2023
150	10002785	196	Incremental A321 NEO Aircraft	[***]	2023
151	10054138	278	Additional A321 NEO Aircraft	[***]	2023
152	402 139	187	Converted A321 NEO Aircraft	[***]	2023
153	10002789	203	Incremental A321 NEO Aircraft	[***]	2024
154	10002790	204	Incremental A321 NEO Aircraft	[***]	2024
155	10002791	205	Incremental A321 NEO Aircraft	[***]	2024
156	10002793	207	Incremental A321 NEO Aircraft	[***]	2024
157	10002794	208	Incremental A321 NEO Aircraft	[***]	2024

[***] Represents material which has been redacted and filed separately with the Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended

Exhibit 12.1

JETBLUE AIRWAYS CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(in millions, except ratios)

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Earnings:					
Income before income taxes (a)	$ 921	$ 1,216	$ 1,097	$ 623	$ 279
Less: Capitalized interest	(10)	(8)	(8)	(14)	(13)
Add:					
Fixed charges	175	201	232	237	255
Amortization of capitalized interest	5	4	4	4	3
Adjusted earnings	$ 1,091	$ 1,413	$ 1,325	$ 850	$ 524
Fixed charges:					
Interest expense	$ 90	$ 107	$ 123	$ 142	$ 154
Amortization of debt costs	4	4	5	6	8
Rent expense representative of interest	81	90	104	89	93
Total fixed charges	$ 175	$ 201	$ 232	$ 237	$ 255
Ratio of earnings to fixed charges (a)	6.23	7.03	5.71	3.59	2.05

(a) Excluding the $241 million gain on the sale of LiveTV in 2014 would result in a ratio of earnings to fixed charges of 2.57.

Exhibit 21.1

JETBLUE AIRWAYS CORPORATION
LIST OF SUBSIDIARIES
As of December 31, 2017

BlueBermuda Insurance, LTD (Bermuda corporation)

JetBlue Technology Ventures, L.L.C. (Delaware corporation)

JBTP, LLC (Delaware corporation)

Exhibit 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No 333-86444) pertaining to the JetBlue Airways Corporation 2002 Stock Incentive Plan and the JetBlue Airways Corporation Crewmember Stock Purchase Plan,

(2) Registration Statement (Form S-8 No. 333-129238) pertaining to the JetBlue Airways Corporation 2002 Stock Incentive Plan and the JetBlue Airways Corporation Crewmember Stock Purchase Plan,

(3) Registration Statement (Form S-8 No. 333-161565) pertaining to the JetBlue Airways Corporation 2002 Stock Incentive Plan and the JetBlue Airways Corporation Crewmember Stock Purchase Plan,

(4) Registration Statement (Form S-8 No 333-174947) pertaining to the JetBlue Airways Corporation 2011 Incentive Compensation Plan and the JetBlue Airways Corporation 2011 Crewmember Stock Purchase Plan,

(5) Registration Statement (Form S-3 ASR No. 333-207768) of JetBlue Airways Corporation,

(6) Registration Statement (Form S-3 ASR No. 333-202143) of JetBlue Airways Corporation; and

(7) Registration Statement (Form S-8 No. 333-207242) pertaining to the JetBlue Airways Corporation 2011 Incentive Compensation Plan and the JetBlue Airways Corporation 2011 Crewmember Stock Purchase Plan

of our reports dated February 16, 2018 , with respect to the consolidated financial statements of JetBlue Airways Corporation, the effectiveness of internal control over financial reporting of JetBlue Airways Corporation and the financial statement schedule of JetBlue Airways Corporation listed in Item 15(2) included in this Annual Report (Form 10-K) of JetBlue Airways Corporation for the year ended December 31, 2017.

/s/ Ernst & Young LLP

New York, New York
February 16, 2018

Exhibit 31.1

Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer

I, Robin Hayes, certify that:

1 I have reviewed this Annual Report on Form 10-K of JetBlue Airways Corporation,

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report,

4 The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have.

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and

5 The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information, and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting

Date: February 16, 2018

By /s/ ROBIN HAYES

Chief Executive Officer

Exhibit 31.2

Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer

I, Steve Priest, certify that:

1 I have reviewed this Annual Report on Form 10-K of JetBlue Airways Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5 The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date February 16, 2018

By: /s/ STEVE PRIEST

Chief Financial Officer

Exhibit 32

JetBlue Airways Corporation

SECTION 1350 CERTIFICATIONS

In connection with the Annual Report of JetBlue Airways Corporation on Form 10-K for the year ended December 31, 2017 , as filed with the Securities and Exchange Commission on February 16, 2018 (the "Report"), the undersigned, in the capacities and on the dates indicated below, each hereby certify pursuant to 18 U S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of JetBlue Airways Corporation.

Date February 16, 2018

By: /s/ ROBIN HAYES

Chief Executive Officer

Date: February 16, 2018

By: /s/ STEVE PRIEST

Chief Financial Officer

ANA Holdings Inc.

Economic Disclosure Statement

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT
AND AFFIDAVIT

SECTION I – GENERAL INFORMATION

A. Legal name of the Disclosing Party submitting this EDS. Include d/b/a/ if applicable:

ANA HOLDINGS INC.

Check ONE of the following three boxes:

Indicate whether the Disclosing Party submitting this EDS is:

1. [ ] the Applicant

OR

2. [X] a legal entity currently holding, or anticipated to hold within six months after City action on the contract, transaction or other undertaking to which this EDS pertains (referred to below as the "Matter"), a direct or indirect interest in excess of 7.5% in the Applicant. State the Applicant's legal name: ALL NIPPON AIRWAYS CO., LTD.

OR

3. [ ] a legal entity with a direct or indirect right of control of the Applicant (see Section II(B)(1)) State the legal name of the entity in which the Disclosing Party holds a right of control:

B. Business address of the Disclosing Party: SHIODOME CITY CENTER
1-5-2 HIGASHI-SHINBASHI, MINATO-KU
TOKYO, JAPAN 105-7140

C. Telephone: 310 782 3000 Fax: 310 782 3163 Email: t.ina@fly-ana.com

D. Name of contact person: C/O TAKAKO INA (ALL NIPPON AIRWAYS)

E. Federal Employer Identification No. (if you have one):

F. Brief description of the Matter to which this EDS pertains. (Include project number and location of property, if applicable):

(1) O'HARE USE & LEASE AGREEMENT ; (2) O'HARE OPERATING AGREEMENT ; (3) O'HARE LETTER OF AUTHORIZATION ; (4) O'HARE RATE AGREEMENT
CHICAGO

G. Which City agency or department is requesting this EDS? DEPARTMENT OF AVIATION

If the Matter is a contract being handled by the City's Department of Procurement Services, please complete the following:

Specification # _____ and Contract # _____

SECTION II -- DISCLOSURE OF OWNERSHIP INTERESTS

A. NATURE OF THE DISCLOSING PARTY

1. Indicate the nature of the Disclosing Party:

[ ] Person
[X] Publicly registered business corporation
[ ] Privately held business corporation
[ ] Sole proprietorship
[ ] General partnership
[ ] Limited partnership
[ ] Trust
[ ] Limited liability company
[ ] Limited liability partnership
[ ] Joint venture
[ ] Not-for-profit corporation
(Is the not-for-profit corporation also a 501(c)(3))?
[ ] Yes [ ] No
[ ] Other (please specify)

2. For legal entities, the state (or foreign country) of incorporation or organization, if applicable:

JAPAN

3. For legal entities not organized in the State of Illinois: Has the organization registered to do business in the State of Illinois as a foreign entity?

[X] Yes [ ] No [ ] Organized in Illinois

B. IF THE DISCLOSING PARTY IS A LEGAL ENTITY:

1. List below the full names and titles, if applicable, of: (i) all executive officers and all directors of the entity; (ii) **for not-for-profit corporations**, all members, if any, which are legal entities (if there are no such members, write "no members which are legal entities"); (iii) **for trusts, estates or other similar entities**, the trustee, executor, administrator, or similarly situated party; (iv) **for general or limited partnerships, limited liability companies, limited liability partnerships or joint ventures**, each general partner, managing member, manager or any other person or legal entity that directly or indirectly controls the day-to-day management of the Applicant.

NOTE: Each legal entity listed below must submit an EDS on its own behalf.

Name	Title
www.ana.co.jp/group/en/about-us/officer	
PLEASE SEE THE ATTACHMENT	

2. Please provide the following information concerning each person or legal entity having a direct or indirect, current or prospective (i.e. within 6 months after City action) beneficial interest (including ownership) in excess of 7.5% of the Applicant. Examples of such an interest include shares in a corporation, partnership interest in a partnership or joint venture, interest of a member or manager in a

limited liability company, or interest of a beneficiary of a trust, estate or other similar entity. If none, state "None."

NOTE: Each legal entity listed below may be required to submit an EDS on its own behalf.

Name	Business Address	Percentage Interest in the Applicant
NONE		

SECTION III -- INCOME OR COMPENSATION TO, OR OWNERSHIP BY, CITY ELECTED OFFICIALS

Has the Disclosing Party provided any income or compensation to any City elected official during the 12-month period preceding the date of this EDS? [ ] Yes [X] No

Does the Disclosing Party reasonably expect to provide any income or compensation to any City elected official during the 12-month period following the date of this EDS? [ ] Yes [X] No

If "yes" to either of the above, please identify below the name(s) of such City elected official(s) and describe such income or compensation:

Does any City elected official or, to the best of the Disclosing Party's knowledge after reasonable inquiry, any City elected official's spouse or domestic partner, have a financial interest (as defined in Chapter 2-156 of the Municipal Code of Chicago ("MCC")) in the Disclosing Party?
[ ] Yes [X] No

If "yes," please identify below the name(s) of such City elected official(s) and/or spouse(s)/domestic partner(s) and describe the financial interest(s).

SECTION IV -- DISCLOSURE OF SUBCONTRACTORS AND OTHER RETAINED PARTIES

The Disclosing Party must disclose the name and business address of each subcontractor, attorney, lobbyist (as defined in MCC Chapter 2-156), accountant, consultant and any other person or entity whom the Disclosing Party has retained or expects to retain in connection with the Matter, as well as the nature of the relationship, and the total amount of the fees paid or estimated to be paid. The Disclosing Party is not required to disclose employees who are paid solely through the Disclosing Party's regular payroll. If the Disclosing Party is uncertain whether a disclosure is required under this Section, the Disclosing Party must either ask the City whether disclosure is required or make the disclosure.

Name (indicate whether retained or anticipated to be retained)	Business Address	Relationship to Disclosing Party (subcontractor, attorney, lobbyist, etc.)	Fees (indicate whether paid or estimated.) **NOTE:** "hourly rate" or "t.b.d." is not an acceptable response.

(Add sheets if necessary)

[ ] Check here if the Disclosing Party has not retained, nor expects to retain, any such persons or entities.

SECTION V -- CERTIFICATIONS

A. COURT-ORDERED CHILD SUPPORT COMPLIANCE

Under MCC Section 2-92-415, substantial owners of business entities that contract with the City must remain in compliance with their child support obligations throughout the contract's term.

Has any person who directly or indirectly owns 10% or more of the Disclosing Party been declared in arrearage on any child support obligations by any Illinois court of competent jurisdiction?

[ ] Yes [ ] No [X] No person directly or indirectly owns 10% or more of the Disclosing Party.

If "Yes," has the person entered into a court-approved agreement for payment of all support owed and is the person in compliance with that agreement?

[ ] Yes [ ] No

B. FURTHER CERTIFICATIONS

1. [This paragraph 1 applies only if the Matter is a contract being handled by the City's Department of Procurement Services.] In the 5-year period preceding the date of this EDS, neither the Disclosing Party nor any Affiliated Entity [see definition in (5) below] has engaged, in connection with the performance of any public contract, the services of an integrity monitor, independent private sector inspector general, or integrity compliance consultant (i.e., an individual or entity with legal, auditing, investigative, or other similar skills, designated by a public agency to help the agency monitor the activity of specified agency vendors as well as help the vendors reform their business practices so they can be considered for agency contracts in the future, or continue with a contract in progress).

2. The Disclosing Party and its Affiliated Entities are not delinquent in the payment of any fine, fee, tax or other source of indebtedness owed to the City of Chicago, including, but not limited to, water and sewer charges, license fees, parking tickets, property taxes and sales taxes, nor is the Disclosing Party delinquent in the payment of any tax administered by the Illinois Department of Revenue.

3. The Disclosing Party and, if the Disclosing Party is a legal entity, all of those persons or entities identified in Section II(B)(1) of this EDS:

a. are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from any transactions by any federal, state or local unit of government;

b. have not, during the 5 years before the date of this EDS, been convicted of a criminal offense, adjudged guilty, or had a civil judgment rendered against them in connection with: obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; a violation of federal or state antitrust statutes; fraud; embezzlement; theft; forgery; bribery; falsification or destruction of records; making false statements; or receiving stolen property;

c. are not presently indicted for, or criminally or civilly charged by, a governmental entity (federal, state or local) with committing any of the offenses set forth in subparagraph (b) above;

d. have not, during the 5 years before the date of this EDS, had one or more public transactions (federal, state or local) terminated for cause or default; and

e. have not, during the 5 years before the date of this EDS, been convicted, adjudged guilty, or found liable in a civil proceeding, or in any criminal or civil action, including actions concerning environmental violations, instituted by the City or by the federal government, any state, or any other unit of local government.

4. The Disclosing Party understands and shall comply with the applicable requirements of MCC Chapters 2-56 (Inspector General) and 2-156 (Governmental Ethics).

5. Certifications (5), (6) and (7) concern:
   - the Disclosing Party;
   - any "Contractor" (meaning any contractor or subcontractor used by the Disclosing Party in connection with the Matter, including but not limited to all persons or legal entities disclosed under Section IV, "Disclosure of Subcontractors and Other Retained Parties");
   - any "Affiliated Entity" (meaning a person or entity that, directly or indirectly: controls the Disclosing Party, is controlled by the Disclosing Party, or is, with the Disclosing Party, under common control of another person or entity). Indicia of control include, without limitation: interlocking management or ownership; identity of interests among family members, shared facilities and equipment; common use of employees; or organization of a business entity following the ineligibility of a business entity to do business with federal or state or local government, including the City, using substantially the same management, ownership, or principals as the ineligible entity. With respect to Contractors, the term Affiliated Entity means a person or entity that directly or indirectly controls the Contractor, is controlled by it, or, with the Contractor, is under common control of another person or entity;
   - any responsible official of the Disclosing Party, any Contractor or any Affiliated Entity or any other official, agent or employee of the Disclosing Party, any Contractor or any Affiliated Entity, acting pursuant to the direction or authorization of a responsible official of the Disclosing Party, any Contractor or any Affiliated Entity (collectively "Agents").

Neither the Disclosing Party, nor any Contractor, nor any Affiliated Entity of either the Disclosing Party or any Contractor, nor any Agents have, during the 5 years before the date of this EDS, or, with respect to a Contractor, an Affiliated Entity, or an Affiliated Entity of a Contractor during the 5 years before the date of such Contractor's or Affiliated Entity's contract or engagement in connection with the Matter:

a. bribed or attempted to bribe, or been convicted or adjudged guilty of bribery or attempting to bribe, a public officer or employee of the City, the State of Illinois, or any agency of the federal government or of any state or local government in the United States of America, in that officer's or employee's official capacity;

b. agreed or colluded with other bidders or prospective bidders, or been a party to any such agreement, or been convicted or adjudged guilty of agreement or collusion among bidders or prospective bidders, in restraint of freedom of competition by agreement to bid a fixed price or otherwise; or

c. made an admission of such conduct described in subparagraph (a) or (b) above that is a matter of record, but have not been prosecuted for such conduct; or

d. violated the provisions referenced in MCC Subsection 2-92-320(a)(4)(Contracts Requiring a Base Wage); (a)(5)(Debarment Regulations); or (a)(6)(Minimum Wage Ordinance).

6. Neither the Disclosing Party, nor any Affiliated Entity or Contractor, or any of their employees, officials, agents or partners, is barred from contracting with any unit of state or local government as a result of engaging in or being convicted of (1) bid-rigging in violation of 720 ILCS 5/33E-3; (2) bid-rotating in violation of 720 ILCS 5/33E-4; or (3) any similar offense of any state or of the United States of America that contains the same elements as the offense of bid-rigging or bid-rotating.

7. Neither the Disclosing Party nor any Affiliated Entity is listed on a Sanctions List maintained by the United States Department of Commerce, State, or Treasury, or any successor federal agency.

8. [FOR APPLICANT ONLY] (i) Neither the Applicant nor any "controlling person" [see MCC Chapter 1-23, Article I for applicability and defined terms] of the Applicant is currently indicted or charged with, or has admitted guilt of, or has ever been convicted of, or placed under supervision for, any criminal offense involving actual, attempted, or conspiracy to commit bribery, theft, fraud, forgery, perjury, dishonesty or deceit against an officer or employee of the City or any "sister agency"; and (ii) the Applicant understands and acknowledges that compliance with Article I is a continuing requirement for doing business with the City. NOTE: If MCC Chapter 1-23, Article I applies to the Applicant, that Article's permanent compliance timeframe supersedes 5-year compliance timeframes in this Section V.

9. [FOR APPLICANT ONLY] The Applicant and its Affiliated Entities will not use, nor permit their subcontractors to use, any facility listed as having an active exclusion by the U.S. EPA on the federal System for Award Management ("SAM").

10. [FOR APPLICANT ONLY] The Applicant will obtain from any contractors/subcontractors hired or to be hired in connection with the Matter certifications equal in form and substance to those in Certifications (2) and (9) above and will not, without the prior written consent of the City, use any such

contractor/subcontractor that does not provide such certifications or that the Applicant has reason to believe has not provided or cannot provide truthful certifications.

11. If the Disclosing Party is unable to certify to any of the above statements in this Part B (Further Certifications), the Disclosing Party must explain below:

NA

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

12. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all current employees of the Disclosing Party who were, at any time during the 12-month period preceding the date of this EDS, an employee, or elected or appointed official, of the City of Chicago (if none, indicate with "N/A" or "none").

NA

13. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all gifts that the Disclosing Party has given or caused to be given, at any time during the 12-month period preceding the execution date of this EDS, to an employee, or elected or appointed official, of the City of Chicago. For purposes of this statement, a "gift" does not include: (i) anything made generally available to City employees or to the general public, or (ii) food or drink provided in the course of official City business and having a retail value of less than $25 per recipient, or (iii) a political contribution otherwise duly reported as required by law (if none, indicate with "N/A" or "none"). As to any gift listed below, please also list the name of the City recipient.

NA

C. CERTIFICATION OF STATUS AS FINANCIAL INSTITUTION

1. The Disclosing Party certifies that the Disclosing Party (check one)
   [ ] is [X] is not

   a "financial institution" as defined in MCC Section 2-32-455(b).

2. If the Disclosing Party IS a financial institution, then the Disclosing Party pledges:

"We are not and will not become a predatory lender as defined in MCC Chapter 2-32. We further pledge that none of our affiliates is, and none of them will become, a predatory lender as defined in MCC Chapter 2-32. We understand that becoming a predatory lender or becoming an affiliate of a predatory lender may result in the loss of the privilege of doing business with the City."

If the Disclosing Party is unable to make this pledge because it or any of its affiliates (as defined in MCC Section 2-32-455(b)) is a predatory lender within the meaning of MCC Chapter 2-32, explain here (attach additional pages if necessary):

NA

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

D. CERTIFICATION REGARDING FINANCIAL INTEREST IN CITY BUSINESS

Any words or terms defined in MCC Chapter 2-156 have the same meanings if used in this Part D.

1. In accordance with MCC Section 2-156-110: To the best of the Disclosing Party's knowledge after reasonable inquiry, does any official or employee of the City have a financial interest in his or her own name or in the name of any other person or entity in the Matter?

[ ] Yes [x] No

NOTE: If you checked "Yes" to Item D(1), proceed to Items D(2) and D(3). If you checked "No" to Item D(1), skip Items D(2) and D(3) and proceed to Part E.

2. Unless sold pursuant to a process of competitive bidding, or otherwise permitted, no City elected official or employee shall have a financial interest in his or her own name or in the name of any other person or entity in the purchase of any property that (i) belongs to the City, or (ii) is sold for taxes or assessments, or (iii) is sold by virtue of legal process at the suit of the City (collectively, "City Property Sale"). Compensation for property taken pursuant to the City's eminent domain power does not constitute a financial interest within the meaning of this Part D.

Does the Matter involve a City Property Sale?

[ ] Yes [ ] No

3. If you checked "Yes" to Item D(1), provide the names and business addresses of the City officials or employees having such financial interest and identify the nature of the financial interest:

Name	Business Address	Nature of Financial Interest

4. The Disclosing Party further certifies that no prohibited financial interest in the Matter will be acquired by any City official or employee.

E. CERTIFICATION REGARDING SLAVERY ERA BUSINESS

Please check either (1) or (2) below. If the Disclosing Party checks (2), the Disclosing Party must disclose below or in an attachment to this EDS all information required by (2). Failure to comply with these disclosure requirements may make any contract entered into with the City in connection with the Matter voidable by the City.

_X_ 1. The Disclosing Party verifies that the Disclosing Party has searched any and all records of the Disclosing Party and any and all predecessor entities regarding records of investments or profits from slavery or slaveholder insurance policies during the slavery era (including insurance policies issued to slaveholders that provided coverage for damage to or injury or death of their slaves), and the Disclosing Party has found no such records.

____2. The Disclosing Party verifies that, as a result of conducting the search in step (1) above, the Disclosing Party has found records of investments or profits from slavery or slaveholder insurance policies. The Disclosing Party verifies that the following constitutes full disclosure of all such records, including the names of any and all slaves or slaveholders described in those records:

_____

_____

_____

SECTION VI -- CERTIFICATIONS FOR FEDERALLY FUNDED MATTERS

NOTE: If the Matter is federally funded, complete this Section VI. **If the Matter is not federally funded,** proceed to Section VII. For purposes of this Section VI, tax credits allocated by the City and proceeds of debt obligations of the City are not federal funding.

A. CERTIFICATION REGARDING LOBBYING

1. List below the names of all persons or entities registered under the federal Lobbying Disclosure Act of 1995, as amended, who have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter: (Add sheets if necessary):

_____

_____

_____

(If no explanation appears or begins on the lines above, or if the letters "NA" or if the word "None" appear, it will be conclusively presumed that the Disclosing Party means that NO persons or entities registered under the Lobbying Disclosure Act of 1995, as amended, have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter.)

2. The Disclosing Party has not spent and will not expend any federally appropriated funds to pay any person or entity listed in paragraph A(1) above for his or her lobbying activities or to pay any person or entity to influence or attempt to influence an officer or employee of any agency, as defined by applicable federal law, a member of Congress, an officer or employee of Congress, or an employee

of a member of Congress, in connection with the award of any federally funded contract, making any federally funded grant or loan, entering into any cooperative agreement, or to extend, continue, renew, amend, or modify any federally funded contract, grant, loan, or cooperative agreement.

3. The Disclosing Party will submit an updated certification at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the statements and information set forth in paragraphs A(1) and A(2) above.

4. The Disclosing Party certifies that either: (i) it is not an organization described in section 501(c)(4) of the Internal Revenue Code of 1986; or (ii) it is an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 but has not engaged and will not engage in "Lobbying Activities," as that term is defined in the Lobbying Disclosure Act of 1995, as amended.

5. If the Disclosing Party is the Applicant, the Disclosing Party must obtain certifications equal in form and substance to paragraphs A(1) through A(4) above from all subcontractors before it awards any subcontract and the Disclosing Party must maintain all such subcontractors' certifications for the duration of the Matter and must make such certifications promptly available to the City upon request.

B. CERTIFICATION REGARDING EQUAL EMPLOYMENT OPPORTUNITY

If the Matter is federally funded, federal regulations require the Applicant and all proposed subcontractors to submit the following information with their bids or in writing at the outset of negotiations.

Is the Disclosing Party the Applicant?

[ ] Yes [ ] No

If "Yes," answer the three questions below:

1. Have you developed and do you have on file affirmative action programs pursuant to applicable federal regulations? (See 41 CFR Part 60-2.)

[ ] Yes [ ] No

2. Have you filed with the Joint Reporting Committee, the Director of the Office of Federal Contract Compliance Programs, or the Equal Employment Opportunity Commission all reports due under the applicable filing requirements?

[ ] Yes [ ] No [ ] Reports not required

3. Have you participated in any previous contracts or subcontracts subject to the equal opportunity clause?

[ ] Yes [ ] No

If you checked "No" to question (1) or (2) above, please provide an explanation:

_____

_____

SECTION VII -- FURTHER ACKNOWLEDGMENTS AND CERTIFICATION

The Disclosing Party understands and agrees that:

A. The certifications, disclosures, and acknowledgments contained in this EDS will become part of any contract or other agreement between the Applicant and the City in connection with the Matter, whether procurement, City assistance, or other City action, and are material inducements to the City's execution of any contract or taking other action with respect to the Matter. The Disclosing Party understands that it must comply with all statutes, ordinances, and regulations on which this EDS is based.

B. The City's Governmental Ethics Ordinance, MCC Chapter 2-156, imposes certain duties and obligations on persons or entities seeking City contracts, work, business, or transactions. The full text of this ordinance and a training program is available on line at www.cityofchicago.org/Ethics, and may also be obtained from the City's Board of Ethics, 740 N. Sedgwick St., Suite 500, Chicago, IL 60610, (312) 744-9660. The Disclosing Party must comply fully with this ordinance.

C. If the City determines that any information provided in this EDS is false, incomplete or inaccurate, any contract or other agreement in connection with which it is submitted may be rescinded or be void or voidable, and the City may pursue any remedies under the contract or agreement (if not rescinded or void), at law, or in equity, including terminating the Disclosing Party's participation in the Matter and/or declining to allow the Disclosing Party to participate in other City transactions. Remedies at law for a false statement of material fact may include incarceration and an award to the City of treble damages.

D. It is the City's policy to make this document available to the public on its Internet site and/or upon request. Some or all of the information provided in, and appended to, this EDS may be made publicly available on the Internet, in response to a Freedom of Information Act request, or otherwise. By completing and signing this EDS, the Disclosing Party waives and releases any possible rights or claims which it may have against the City in connection with the public release of information contained in this EDS and also authorizes the City to verify the accuracy of any information submitted in this EDS.

E. The information provided in this EDS must be kept current. In the event of changes, the Disclosing Party must supplement this EDS up to the time the City takes action on the Matter. If the Matter is a contract being handled by the City's Department of Procurement Services, the Disclosing Party must update this EDS as the contract requires. **NOTE:** With respect to Matters subject to MCC Chapter 1-23, Article I (imposing **PERMANENT INELIGIBILITY** for certain specified offenses), the information provided herein regarding eligibility must be kept current for a longer period, as required by MCC Chapter 1-23 and Section 2-154-020.

CERTIFICATION

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute this EDS, and Appendices A and B (if applicable), on behalf of the Disclosing Party, and (2) warrants that all certifications and statements contained in this EDS, and Appendices A and B (if applicable), are true, accurate and complete as of the date furnished to the City.

ALL NIPPON AIRWAYS CO., LTD.
(Print or type exact legal name of Disclosing Party)

By: _____
(Sign here)

ICHIRO HIDAKA
(Print or type name of person signing)

VICE PRESIDENT, THE AMARICAS
(Print or type title of person signing)

Signed and sworn to before me on (date) 02-08-2019,

at Los Angeles County, CALIFORNIA (state).

_____
Notary Public

WASIM MUNSHI
Notary Public - California
Los Angeles County
Commission # 2197435
My Comm. Expires May 15, 2021

Commission expires: 05-15-2021

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5%. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under MCC Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B.1.a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5% ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

[ ] Yes [x] No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

_____

_____

_____

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX B

BUILDING CODE SCOFFLAW/PROBLEM LANDLORD CERTIFICATION

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5% (an "Owner"). It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

1. Pursuant to MCC Section 2-154-010, is the Applicant or any Owner identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

[ ] Yes [X] No

2. If the Applicant is a legal entity publicly traded on any exchange, is any officer or director of the Applicant identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

[ ] Yes [ ] No [X] The Applicant is not publicly traded on any exchange.

3. If yes to (1) or (2) above, please identify below the name of each person or legal entity identified as a building code scofflaw or problem landlord and the address of each building or buildings to which the pertinent code violations apply.

Board of Directors Management Members

as of June 23, 2017

Directors

Chairman of the Board

Shinichiro Ito

April 1974	Joined the Company
April 2001	Director of Personnel, the Company
April 2003	Corporate Executive Officer, the Company
June 2003	Member of the Board of Directors; Corporate Executive Officer, the Company
April 2004	Executive Vice President (jomu torishimariyaku); Corporate Executive Officer, the Company
April 2006	Executive Vice President (senmu torishimariyaku); Corporate Executive Officer, the Company
April 2007	Senior Executive Vice President; Representative Director; Corporate Executive Officer, the Company
April 2009	President & Chief Executive Officer; Representative Director, the Company
April 2015	Chairman of the Board of Directors, Representative Director, the Company
April 2017	Chairman of the Board, Chairman of the Board of Directors, the Company to present

<Material concurrent positions at other corporations, etc.>:
Outside Director, Member of Audit Committee, etc. of Mitsubishi Heavy Industries, Ltd.

Member of the Board, Vice Chairman

Osamu Shinobe

April 1976	Joined the Company
April 2003	Director of Technology, Engineering & Maintenance, the Company
April 2004	Corporate Executive Officer, the Company
April 2007	Corporate Executive Officer (joseki shikkoyakuin), the Company
June 2007	Member of the Board of Directors; Corporate Executive Officer, the Company
April 2009	Executive Vice President (jomu torishimariyaku); Corporate Executive Officer, the Company

April 2017	Member of the Board of Directors, Vice Chairman, the Company to present

President and CEO

Shinya Katanozaka

April 1979	Joined the Company
April 2004	Director of Personnel, the Company
April 2007	Corporate Executive Officer, the Company
April 2009	Corporate Executive Officer (joseki shikkoyakuin), the Company
June 2009	Member of the Board of Directors; Corporate Executive Officer, the Company
June 2011	Executive Vice President (jomu torishimariyaku); Corporate Executive Officer, the Company
April 2012	Executive Vice President (senmu torishimariyaku); Corporate Executive Officer, the Company
April 2013	Senior Executive Vice President; Representative Director; Corporate Executive Officer, the Company
April 2015	President & Chief Executive Office; Representative Director, Chairman of the ANA Group Management Committee, Head of CSR Promotion Committee; In charge of Internal Audit, the Company to present

<Material concurrent positions at other corporations, etc.>:
Chairman of ALL NIPPON AIRWAYS CO., LTD.

Member of the Board of Directors, Senior Executive Vice President

Toyoyuki Nagamine

April 1980	Joined the Company
April 2007	Director of Labor, the Company
April 2009	Corporate Executive Officer, the Company
June 2011	Corporate Executive Officer (joseki shikkoyakuin), the Company
April 2013	Member of the Board of Directors; Corporate Executive Officer, ALL NIPPON AIRWAYS CO., LTD.
April 2014	Corporate Executive Officer (joseki shikkoyakuin), the Company
June 2015	Corporate Executive Officer, Director, the Company
April 2016	Executive Vice President(torishimariyaku jomu), Corporate Executive Officer, the Company
April 2017	Member of the Board of Directors, Senior Executive Vice President, Representative Director, Corporate Executive Officer; Human Resources Strategy, Digital Design Lab; Corporate Strategy, Finance, Accounting, Investor Relations & Business Management, Okinawa Region, the Company to present

Member of the Board of Directors

Yuji Hirako

April 1981	Joined the Company
April 2010	Planing Director of Corporate Planning, the Company
June 2011	Corporate Executive Officer, the Company
April 2013	Corporate Executive Officer (joseki shikkoyakuin), ALL NIPPON AIRWAYS CO., LTD.
April 2015	Corporate Executive Officer (joseki shikkoyakuin), the Company
June 2015	Director; Corporate Executive Officer, the Company
April 2017	Director of the Company to present

Member of the Board, Exeutive Vice President

Naoto Ishizaka

April 1980	Joined the Company

June 2011	Direcor of Govermant & Industrial Affairs, the Company
April 2013	Corporate Executive Officer, the Company
April 2015	Corporate Executive Officer (joseki shikkoyakuin), the Company
June 2017	Executive Vice President, Member of the Board, In charge of Government & Industrial Affairs, Facilities Planning, the Company
	to present

Naoto Takada

April 1981	Joined the Company
June 2011	Direcor of Public Relations Office, the Company
April 2013	Corporate Executive Officer, ALL NIPPON AIRWAYS CO., LTD.
April 2015	Corporate Executive Officer (joseki shikkoyakuin), ALL NIPPON AIRWAYS CO., LTD.
April 2016	Corporate Executive Officer (joseki shikkoyakuin), the Company
June 2017	Executive Vice President, Member of the Board; Chairman of CSR Promotion Committee; In charge of Executive Secretariat, Legal & Insurance, Director of Corporate Communications, the Company
	to present

Shosuke Mori

June 1999	Managing Director, The Kansai Electric Power Co., Inc.
June 2001	Executive Vice President; Representative Director, The Kansai Electric Power Co., Inc.
June 2005	President; Representative Director, The Kansai Electric Power Co., Inc.
June 2006	Member of the Board of Directors, the Company
	to present
June 2010	Chairman; Representative Director, The Kansai Electric Power Co., Inc.
June 2016	Senior advisor, The Kansai Electric Power Co., Inc.
	to present

<Material concurrent positions at other corporations, etc.>:
Director (Outside Director), Hankyu Hanshin Holdings, Inc.
Director (Outside Director), The Royal Hotel, Ltd.

Ado Yamamoto

June 2004	Managing Director, Nagoya Railroad Co., Ltd.
June 2006	Senior Managing Director, Nagoya Railroad Co., Ltd.
June 2008	Vice President and Representative Director, Nagoya Railroad Co., Ltd.
June 2009	President and Representative Director, Nagoya Railroad Co., Ltd.
June 2013	Member of the Board of Directors, the Company
June 2015	Chairman and Representative Director, Nagoya Railroad Co., Ltd.
	to present

<Material concurrent positions at other corporations, etc.>:
Outside Director, Yahagi Construction Co., Ltd.
Chairman of Nagoya Chamber of Commerce & Industry

Izumi Kobayashi

Dec 2001	President and Representative Director, Merrill Lynch Japan Securities

Corporate Data Board of Director Management Members History

to present

<Material concurrent positions at other corporations, etc.>:
Director (Outside Director) of Mitsui & Co., Ltd.
Governor of Japan Broadcasting Corporation

Auditor

Audit & Supervisory Board Member

Sumihito Okawa
(External Corporate Auditor)

Kiyoshi Tonomoto

Akihiko Hasegawa

Auditor

Shingo Matsuo
(External Corporate Auditor)
Adviser of Kyushu Electric Power Co., Inc.

Eiji Ogawa
(External Corporate Auditor)
Professor, Graduate School of Commerce and Management, Hitotsubashi University

Senior Vice President

Senior Vice President, Director

Koji Shibata
Director of Corporate Planning, Director of Global Business Development

Takayoshi Sugawara
Director of Group Legal & Insurance

Senior Vice President

Ichiro Fukuzawa
Director of Finance, Accounting, Investor Relations & Business Management

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All Nippon Airways Co., Ltd.

Economic Disclosure Statement

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT
AND AFFIDAVIT

SECTION I -- GENERAL INFORMATION

A. Legal name of the Disclosing Party submitting this EDS. Include d/b/a/ if applicable:

ALL NIPPON AIRWAYS CO., LTD.

Check ONE of the following three boxes:

Indicate whether the Disclosing Party submitting this EDS is:

1. [x] the Applicant

OR

2. [ ] a legal entity currently holding, or anticipated to hold within six months after City action on the contract, transaction or other undertaking to which this EDS pertains (referred to below as the "Matter"), a direct or indirect interest in excess of 7.5% in the Applicant. State the Applicant's legal name: _____

OR

3. [ ] a legal entity with a direct or indirect right of control of the Applicant (see Section II(B)(1)) State the legal name of the entity in which the Disclosing Party holds a right of control:

_____

B. Business address of the Disclosing Party: 21250 HAWTHORNE BLVD. SUITE 200
TORRANCE CA 90503

C. Telephone: 310 782 3000 Fax: 310 782 3163 Email: t.ina@fly-ana.com

D. Name of contact person: TAKAKO INA

E. Federal Employer Identification No. (if you have one):

F. Brief description of the Matter to which this EDS pertains. (Include project number and location of property, if applicable):
(1) O'HARE USE AND LEASE AGREEMENT ; (2) O'HARE OPERATING AGREEMENT ;
(3) O'HARE LETTER OF AUTHORIZATION ; (4) O'HARE RATE AGREEMENT

G. Which City agency or department is requesting this EDS? CHICAGO DEPARTMENT OF AVIATION

If the Matter is a contract being handled by the City's Department of Procurement Services, please complete the following:

Specification # _____ and Contract # _____

SECTION II -- DISCLOSURE OF OWNERSHIP INTERESTS

A. NATURE OF THE DISCLOSING PARTY

1. Indicate the nature of the Disclosing Party:

[ ] Person
[ ] Publicly registered business corporation
[X] Privately held business corporation
[ ] Sole proprietorship
[ ] General partnership
[ ] Limited partnership
[ ] Trust
[ ] Limited liability company
[ ] Limited liability partnership
[ ] Joint venture
[ ] Not-for-profit corporation
(Is the not-for-profit corporation also a 501(c)(3))?
[ ] Yes [ ] No
[ ] Other (please specify)

2. For legal entities, the state (or foreign country) of incorporation or organization, if applicable:

JAPAN

3. For legal entities not organized in the State of Illinois: Has the organization registered to do business in the State of Illinois as a foreign entity?

[X] Yes [ ] No [ ] Organized in Illinois

B. IF THE DISCLOSING PARTY IS A LEGAL ENTITY:

1. List below the full names and titles, if applicable, of: (i) all executive officers and all directors of the entity; (ii) **for not-for-profit corporations**, all members, if any, which are legal entities (if there are no such members, write "no members which are legal entities"); (iii) **for trusts, estates or other similar entities**, the trustee, executor, administrator, or similarly situated party; (iv) **for general or limited partnerships, limited liability companies, limited liability partnerships or joint ventures**, each general partner, managing member, manager or any other person or legal entity that directly or indirectly controls the day-to-day management of the Applicant.

NOTE: Each legal entity listed below must submit an EDS on its own behalf.

Name Title

www.ana.co.jp/group/en/company/ana/officer

PLEASE SEE THE ATTACHMENT

2. Please provide the following information concerning each person or legal entity having a direct or indirect, current or prospective (i.e. within 6 months after City action) beneficial interest (including ownership) in excess of 7.5% of the Applicant. Examples of such an interest include shares in a corporation, partnership interest in a partnership or joint venture, interest of a member or manager in a

limited liability company, or interest of a beneficiary of a trust, estate or other similar entity. If none, state "None."

NOTE: Each legal entity listed below may be required to submit an EDS on its own behalf.

Name	Business Address	Percentage Interest in the Applicant
	SHIODOME CITY CENTER	
ANA HOLDINGS INC.	1-5-2 HIGASHI-SHINBASHI, MINATOKU	100%
	TOKYO, JAPAN 105-7140	

SECTION III -- INCOME OR COMPENSATION TO, OR OWNERSHIP BY, CITY ELECTED OFFICIALS

Has the Disclosing Party provided any income or compensation to any City elected official during the 12-month period preceding the date of this EDS? [ ] Yes [x] No

Does the Disclosing Party reasonably expect to provide any income or compensation to any City elected official during the 12-month period following the date of this EDS? [ ] Yes [x] No

If "yes" to either of the above, please identify below the name(s) of such City elected official(s) and describe such income or compensation:

Does any City elected official or, to the best of the Disclosing Party's knowledge after reasonable inquiry, any City elected official's spouse or domestic partner, have a financial interest (as defined in Chapter 2-156 of the Municipal Code of Chicago ("MCC")) in the Disclosing Party?

[ ] Yes [x] No

If "yes," please identify below the name(s) of such City elected official(s) and/or spouse(s)/domestic partner(s) and describe the financial interest(s).

SECTION IV -- DISCLOSURE OF SUBCONTRACTORS AND OTHER RETAINED PARTIES

The Disclosing Party must disclose the name and business address of each subcontractor, attorney, lobbyist (as defined in MCC Chapter 2-156), accountant, consultant and any other person or entity whom the Disclosing Party has retained or expects to retain in connection with the Matter, as well as the nature of the relationship, and the total amount of the fees paid or estimated to be paid. The Disclosing Party is not required to disclose employees who are paid solely through the Disclosing Party's regular payroll. If the Disclosing Party is uncertain whether a disclosure is required under this Section, the Disclosing Party must either ask the City whether disclosure is required or make the disclosure.

Name (indicate whether retained or anticipated to be retained)	Business Address	Relationship to Disclosing Party (subcontractor, attorney, lobbyist, etc.)	Fees (indicate whether paid or estimated.) **NOTE:** "hourly rate" or "t.b.d." is not an acceptable response.

(Add sheets if necessary)

[X] Check here if the Disclosing Party has not retained, nor expects to retain, any such persons or entities.

SECTION V -- CERTIFICATIONS

A. COURT-ORDERED CHILD SUPPORT COMPLIANCE

Under MCC Section 2-92-415, substantial owners of business entities that contract with the City must remain in compliance with their child support obligations throughout the contract's term.

Has any person who directly or indirectly owns 10% or more of the Disclosing Party been declared in arrearage on any child support obligations by any Illinois court of competent jurisdiction?

[ ] Yes [ ] No [X] No person directly or indirectly owns 10% or more of the Disclosing Party.

If "Yes," has the person entered into a court-approved agreement for payment of all support owed and is the person in compliance with that agreement?

[ ] Yes [ ] No

B. FURTHER CERTIFICATIONS

1. [This paragraph 1 applies only if the Matter is a contract being handled by the City's Department of Procurement Services.] In the 5-year period preceding the date of this EDS, neither the Disclosing Party nor any Affiliated Entity [see definition in (5) below] has engaged, in connection with the performance of any public contract, the services of an integrity monitor, independent private sector inspector general, or integrity compliance consultant (i.e., an individual or entity with legal, auditing, investigative, or other similar skills, designated by a public agency to help the agency monitor the activity of specified agency vendors as well as help the vendors reform their business practices so they can be considered for agency contracts in the future, or continue with a contract in progress).

2. The Disclosing Party and its Affiliated Entities are not delinquent in the payment of any fine, fee, tax or other source of indebtedness owed to the City of Chicago, including, but not limited to, water and sewer charges, license fees, parking tickets, property taxes and sales taxes, nor is the Disclosing Party delinquent in the payment of any tax administered by the Illinois Department of Revenue.

3. The Disclosing Party and, if the Disclosing Party is a legal entity, all of those persons or entities identified in Section II(B)(1) of this EDS:

a. are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from any transactions by any federal, state or local unit of government;

b. have not, during the 5 years before the date of this EDS, been convicted of a criminal offense, adjudged guilty, or had a civil judgment rendered against them in connection with: obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; a violation of federal or state antitrust statutes; fraud; embezzlement; theft; forgery; bribery; falsification or destruction of records; making false statements; or receiving stolen property;

c. are not presently indicted for, or criminally or civilly charged by, a governmental entity (federal, state or local) with committing any of the offenses set forth in subparagraph (b) above;

d. have not, during the 5 years before the date of this EDS, had one or more public transactions (federal, state or local) terminated for cause or default; and

e. have not, during the 5 years before the date of this EDS, been convicted, adjudged guilty, or found liable in a civil proceeding, or in any criminal or civil action, including actions concerning environmental violations, instituted by the City or by the federal government, any state, or any other unit of local government.

4. The Disclosing Party understands and shall comply with the applicable requirements of MCC Chapters 2-56 (Inspector General) and 2-156 (Governmental Ethics).

5. Certifications (5), (6) and (7) concern:
   - the Disclosing Party;
   - any "Contractor" (meaning any contractor or subcontractor used by the Disclosing Party in connection with the Matter, including but not limited to all persons or legal entities disclosed under Section IV, "Disclosure of Subcontractors and Other Retained Parties");
   - any "Affiliated Entity" (meaning a person or entity that, directly or indirectly: controls the Disclosing Party, is controlled by the Disclosing Party, or is, with the Disclosing Party, under common control of another person or entity). Indicia of control include, without limitation: interlocking management or ownership; identity of interests among family members, shared facilities and equipment; common use of employees; or organization of a business entity following the ineligibility of a business entity to do business with federal or state or local government, including the City, using substantially the same management, ownership, or principals as the ineligible entity. With respect to Contractors, the term Affiliated Entity means a person or entity that directly or indirectly controls the Contractor, is controlled by it, or, with the Contractor, is under common control of another person or entity;
   - any responsible official of the Disclosing Party, any Contractor or any Affiliated Entity or any other official, agent or employee of the Disclosing Party, any Contractor or any Affiliated Entity, acting pursuant to the direction or authorization of a responsible official of the Disclosing Party, any Contractor or any Affiliated Entity (collectively "Agents").

Neither the Disclosing Party, nor any Contractor, nor any Affiliated Entity of either the Disclosing Party or any Contractor, nor any Agents have, during the 5 years before the date of this EDS, or, with respect to a Contractor, an Affiliated Entity, or an Affiliated Entity of a Contractor during the 5 years before the date of such Contractor's or Affiliated Entity's contract or engagement in connection with the Matter:

a. bribed or attempted to bribe, or been convicted or adjudged guilty of bribery or attempting to bribe, a public officer or employee of the City, the State of Illinois, or any agency of the federal government or of any state or local government in the United States of America, in that officer's or employee's official capacity;

b. agreed or colluded with other bidders or prospective bidders, or been a party to any such agreement, or been convicted or adjudged guilty of agreement or collusion among bidders or prospective bidders, in restraint of freedom of competition by agreement to bid a fixed price or otherwise; or

c. made an admission of such conduct described in subparagraph (a) or (b) above that is a matter of record, but have not been prosecuted for such conduct; or

d. violated the provisions referenced in MCC Subsection 2-92-320(a)(4)(Contracts Requiring a Base Wage); (a)(5)(Debarment Regulations); or (a)(6)(Minimum Wage Ordinance).

6. Neither the Disclosing Party, nor any Affiliated Entity or Contractor, or any of their employees, officials, agents or partners, is barred from contracting with any unit of state or local government as a result of engaging in or being convicted of (1) bid-rigging in violation of 720 ILCS 5/33E-3; (2) bid-rotating in violation of 720 ILCS 5/33E-4; or (3) any similar offense of any state or of the United States of America that contains the same elements as the offense of bid-rigging or bid-rotating.

7. Neither the Disclosing Party nor any Affiliated Entity is listed on a Sanctions List maintained by the United States Department of Commerce, State, or Treasury, or any successor federal agency.

8. [FOR APPLICANT ONLY] (i) Neither the Applicant nor any "controlling person" [see MCC Chapter 1-23, Article I for applicability and defined terms] of the Applicant is currently indicted or charged with, or has admitted guilt of, or has ever been convicted of, or placed under supervision for, any criminal offense involving actual, attempted, or conspiracy to commit bribery, theft, fraud, forgery, perjury, dishonesty or deceit against an officer or employee of the City or any "sister agency"; and (ii) the Applicant understands and acknowledges that compliance with Article I is a continuing requirement for doing business with the City. NOTE: If MCC Chapter 1-23, Article I applies to the Applicant, that Article's permanent compliance timeframe supersedes 5-year compliance timeframes in this Section V.

9. [FOR APPLICANT ONLY] The Applicant and its Affiliated Entities will not use, nor permit their subcontractors to use, any facility listed as having an active exclusion by the U.S. EPA on the federal System for Award Management ("SAM").

10. [FOR APPLICANT ONLY] The Applicant will obtain from any contractors/subcontractors hired or to be hired in connection with the Matter certifications equal in form and substance to those in Certifications (2) and (9) above and will not, without the prior written consent of the City, use any such

contractor/subcontractor that does not provide such certifications or that the Applicant has reason to believe has not provided or cannot provide truthful certifications.

11. If the Disclosing Party is unable to certify to any of the above statements in this Part B (Further Certifications), the Disclosing Party must explain below:

NA

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

12. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all current employees of the Disclosing Party who were, at any time during the 12-month period preceding the date of this EDS, an employee, or elected or appointed official, of the City of Chicago (if none, indicate with "N/A" or "none").

NA

13. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all gifts that the Disclosing Party has given or caused to be given, at any time during the 12-month period preceding the execution date of this EDS, to an employee, or elected or appointed official, of the City of Chicago. For purposes of this statement, a "gift" does not include: (i) anything made generally available to City employees or to the general public, or (ii) food or drink provided in the course of official City business and having a retail value of less than $25 per recipient, or (iii) a political contribution otherwise duly reported as required by law (if none, indicate with "N/A" or "none"). As to any gift listed below, please also list the name of the City recipient.

NA

C. CERTIFICATION OF STATUS AS FINANCIAL INSTITUTION

1. The Disclosing Party certifies that the Disclosing Party (check one)
   [ ] is [x] is not

   a "financial institution" as defined in MCC Section 2-32-455(b).

2. If the Disclosing Party IS a financial institution, then the Disclosing Party pledges:

"We are not and will not become a predatory lender as defined in MCC Chapter 2-32. We further pledge that none of our affiliates is, and none of them will become, a predatory lender as defined in MCC Chapter 2-32. We understand that becoming a predatory lender or becoming an affiliate of a predatory lender may result in the loss of the privilege of doing business with the City."

If the Disclosing Party is unable to make this pledge because it or any of its affiliates (as defined in MCC Section 2-32-455(b)) is a predatory lender within the meaning of MCC Chapter 2-32, explain here (attach additional pages if necessary):

NA

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

D. CERTIFICATION REGARDING FINANCIAL INTEREST IN CITY BUSINESS

Any words or terms defined in MCC Chapter 2-156 have the same meanings if used in this Part D.

1. In accordance with MCC Section 2-156-110: To the best of the Disclosing Party's knowledge after reasonable inquiry, does any official or employee of the City have a financial interest in his or her own name or in the name of any other person or entity in the Matter?

[ ] Yes [x] No

NOTE: If you checked "Yes" to Item D(1), proceed to Items D(2) and D(3). If you checked "No" to Item D(1), skip Items D(2) and D(3) and proceed to Part E.

2. Unless sold pursuant to a process of competitive bidding, or otherwise permitted, no City elected official or employee shall have a financial interest in his or her own name or in the name of any other person or entity in the purchase of any property that (i) belongs to the City, or (ii) is sold for taxes or assessments, or (iii) is sold by virtue of legal process at the suit of the City (collectively, "City Property Sale"). Compensation for property taken pursuant to the City's eminent domain power does not constitute a financial interest within the meaning of this Part D.

Does the Matter involve a City Property Sale?

[ ] Yes [ ] No

3. If you checked "Yes" to Item D(1), provide the names and business addresses of the City officials or employees having such financial interest and identify the nature of the financial interest:

Name	Business Address	Nature of Financial Interest

4. The Disclosing Party further certifies that no prohibited financial interest in the Matter will be acquired by any City official or employee.

E. CERTIFICATION REGARDING SLAVERY ERA BUSINESS

Please check either (1) or (2) below. If the Disclosing Party checks (2), the Disclosing Party must disclose below or in an attachment to this EDS all information required by (2). Failure to comply with these disclosure requirements may make any contract entered into with the City in connection with the Matter voidable by the City.

_x_ 1. The Disclosing Party verifies that the Disclosing Party has searched any and all records of the Disclosing Party and any and all predecessor entities regarding records of investments or profits from slavery or slaveholder insurance policies during the slavery era (including insurance policies issued to slaveholders that provided coverage for damage to or injury or death of their slaves), and the Disclosing Party has found no such records.

____2. The Disclosing Party verifies that, as a result of conducting the search in step (1) above, the Disclosing Party has found records of investments or profits from slavery or slaveholder insurance policies. The Disclosing Party verifies that the following constitutes full disclosure of all such records, including the names of any and all slaves or slaveholders described in those records:

_____

_____

_____

SECTION VI -- CERTIFICATIONS FOR FEDERALLY FUNDED MATTERS

NOTE: If the Matter is federally funded, complete this Section VI. **If the Matter is not federally funded**, proceed to Section VII. For purposes of this Section VI, tax credits allocated by the City and proceeds of debt obligations of the City are not federal funding.

A. CERTIFICATION REGARDING LOBBYING

1. List below the names of all persons or entities registered under the federal Lobbying Disclosure Act of 1995, as amended, who have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter: (Add sheets if necessary):

_____

_____

_____

(If no explanation appears or begins on the lines above, or if the letters "NA" or if the word "None" appear, it will be conclusively presumed that the Disclosing Party means that NO persons or entities registered under the Lobbying Disclosure Act of 1995, as amended, have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter.)

2. The Disclosing Party has not spent and will not expend any federally appropriated funds to pay any person or entity listed in paragraph A(1) above for his or her lobbying activities or to pay any person or entity to influence or attempt to influence an officer or employee of any agency, as defined by applicable federal law, a member of Congress, an officer or employee of Congress, or an employee

of a member of Congress, in connection with the award of any federally funded contract, making any federally funded grant or loan, entering into any cooperative agreement, or to extend, continue, renew, amend, or modify any federally funded contract, grant, loan, or cooperative agreement.

3. The Disclosing Party will submit an updated certification at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the statements and information set forth in paragraphs A(1) and A(2) above.

4. The Disclosing Party certifies that either: (i) it is not an organization described in section 501(c)(4) of the Internal Revenue Code of 1986; or (ii) it is an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 but has not engaged and will not engage in "Lobbying Activities," as that term is defined in the Lobbying Disclosure Act of 1995, as amended.

5. If the Disclosing Party is the Applicant, the Disclosing Party must obtain certifications equal in form and substance to paragraphs A(1) through A(4) above from all subcontractors before it awards any subcontract and the Disclosing Party must maintain all such subcontractors' certifications for the duration of the Matter and must make such certifications promptly available to the City upon request.

B. CERTIFICATION REGARDING EQUAL EMPLOYMENT OPPORTUNITY

If the Matter is federally funded, federal regulations require the Applicant and all proposed subcontractors to submit the following information with their bids or in writing at the outset of negotiations.

Is the Disclosing Party the Applicant?
[ ] Yes [ ] No

If "Yes," answer the three questions below:

1. Have you developed and do you have on file affirmative action programs pursuant to applicable federal regulations? (See 41 CFR Part 60-2.)
[ ] Yes [ ] No

2. Have you filed with the Joint Reporting Committee, the Director of the Office of Federal Contract Compliance Programs, or the Equal Employment Opportunity Commission all reports due under the applicable filing requirements?
[ ] Yes [ ] No [ ] Reports not required

3. Have you participated in any previous contracts or subcontracts subject to the equal opportunity clause?
[ ] Yes [ ] No

If you checked "No" to question (1) or (2) above, please provide an explanation:

_____

_____

SECTION VII -- FURTHER ACKNOWLEDGMENTS AND CERTIFICATION

The Disclosing Party understands and agrees that:

A. The certifications, disclosures, and acknowledgments contained in this EDS will become part of any contract or other agreement between the Applicant and the City in connection with the Matter, whether procurement, City assistance, or other City action, and are material inducements to the City's execution of any contract or taking other action with respect to the Matter. The Disclosing Party understands that it must comply with all statutes, ordinances, and regulations on which this EDS is based.

B. The City's Governmental Ethics Ordinance, MCC Chapter 2-156, imposes certain duties and obligations on persons or entities seeking City contracts, work, business, or transactions. The full text of this ordinance and a training program is available on line at www.cityofchicago.org/Ethics, and may also be obtained from the City's Board of Ethics, 740 N. Sedgwick St., Suite 500, Chicago, IL 60610, (312) 744-9660. The Disclosing Party must comply fully with this ordinance.

C. If the City determines that any information provided in this EDS is false, incomplete or inaccurate, any contract or other agreement in connection with which it is submitted may be rescinded or be void or voidable, and the City may pursue any remedies under the contract or agreement (if not rescinded or void), at law, or in equity, including terminating the Disclosing Party's participation in the Matter and/or declining to allow the Disclosing Party to participate in other City transactions. Remedies at law for a false statement of material fact may include incarceration and an award to the City of treble damages.

D. It is the City's policy to make this document available to the public on its Internet site and/or upon request. Some or all of the information provided in, and appended to, this EDS may be made publicly available on the Internet, in response to a Freedom of Information Act request, or otherwise. By completing and signing this EDS, the Disclosing Party waives and releases any possible rights or claims which it may have against the City in connection with the public release of information contained in this EDS and also authorizes the City to verify the accuracy of any information submitted in this EDS.

E. The information provided in this EDS must be kept current. In the event of changes, the Disclosing Party must supplement this EDS up to the time the City takes action on the Matter. If the Matter is a contract being handled by the City's Department of Procurement Services, the Disclosing Party must update this EDS as the contract requires. **NOTE:** With respect to Matters subject to MCC Chapter 1-23, Article I (imposing **PERMANENT INELIGIBILITY** for certain specified offenses), the information provided herein regarding eligibility must be kept current for a longer period, as required by MCC Chapter 1-23 and Section 2-154-020.

CERTIFICATION

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute this EDS, and Appendices A and B (if applicable), on behalf of the Disclosing Party, and (2) warrants that all certifications and statements contained in this EDS, and Appendices A and B (if applicable), are true, accurate and complete as of the date furnished to the City.

ALL NIPPON AIRWAYS CO., LTD.
(Print or type exact legal name of Disclosing Party)

By: _____
(Sign here)

ICHIRO HIDAKA
(Print or type name of person signing)

VICE PRESIDENT, THE AMERICAS
(Print or type title of person signing)

Signed and sworn to before me on (date) 02-08-2018,

at LOS ANGELES County, CALIFORNIA (state).

_____
Notary Public

WASIM MUNSHI
Notary Public - California
Los Angeles County
Commission # 2197435
My Comm. Expires May 15, 2021

Commission expires: 05-15-2021

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5%. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under MCC Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B.1.a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5% ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

[ ] Yes [x] No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

_____

_____

_____

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX B

BUILDING CODE SCOFFLAW/PROBLEM LANDLORD CERTIFICATION

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5% (an "Owner"). It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

1. Pursuant to MCC Section 2-154-010, is the Applicant or any Owner identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

[ ] Yes [x] No

2. If the Applicant is a legal entity publicly traded on any exchange, is any officer or director of the Applicant identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

[ ] Yes [ ] No [X] The Applicant is not publicly traded on any exchange.

3. If yes to (1) or (2) above, please identify below the name of each person or legal entity identified as a building code scofflaw or problem landlord and the address of each building or buildings to which the pertinent code violations apply.

_____

_____

_____

Board of Directors

Board of Directors and Corporate Executive Officers

as of June 23, 2017

Directors

Shinya Katanozaka	(President and CEO of ANA HOLDINGS INC.)
Yuji Hirako	Chairman of the Board of Directors, Corporate Planning Committee, Safety Promotion Committee, Corporate Planning, Accounting & Business Management
Hideki Imokawa	Chairman of Safety Promotion Committee, Corporate Safety and Audit, Corporate Safety & Quality Audit, Director for Corporate Safety
Takashi Shiki	Chairman of Brand Strategy Committee, Sales & Marketing, Sales Regions, Chief Promotion Officer for for the Tokyo Olympic and Paralympic Games Chairman of ANA SALES CO., LTD.
Shuichi Fujimura	Alliances & International Affairs, Purchasing
Shinzo Shimizu	Operations Committee, Operations Report Committee & Review, Operation Division, Operations Management Center, Airport Center, New Government Aircraft Project, Operations Support Center, Promotion Officer for the Tokyo Olympic and Paralympic Games
Tatsuhiko Mitsukura	Operation Division, Engineering & Maintenance Center
Yutaka Ito	CS & Products Services, Cargo Marketing & Services, Chairman of ANA Cargo Inc.
Hiroyuki Kunibu	Director for Promotion of ANA Group Diversity & Inclusion, Business Support, Human Resources Strategy, ANA JINZAI University
Kenya Inada	Facilities, Marketing
Naoto Takada	Public Relations, General Administration, Legal & Insurance

Corporate Profile Board of Directors Business Statistics ANA's History ANA's History (Fleet History)

Michiaki Oi	Operation Division, Flight Operations Center
Kimio Uemura	Innovation & IT Strategy
Ryuhei Maeda	International Relations

(Senior Advisor, ANA HOLDINGS INC.)

Auditors

Sumihito Okawa

Kiyoshi Tonomoto

Akihiko Hasegawa

Senior Vice Presidents

Hiroki Izumi	President of ANA WINGS CO., LTD.
Yuko Arai	General Manager, Kansai Sales Headquarter, Senior Executive Vice President of ANA SALES CO., LTD.
Akira Nakamura	General Manager, London
Shinichi Abe	General Manager, China, General Manager, Beijing・Tianjin
Katsumi Shimizu	Kansai Area Airports Management Division、General Manager, Osaka Airport, President of ANA OSAKA AIRPORT CO., LTD.
Tomoko Sugaya	Sales Regions, General Manager, Tokyo Sales Headquarter, Director, Senior Executive Vice President of ANA SALES CO., LTD.
Akihiko Miura	Purchasing
Kazuyuki Imanishi	General Manager, Sales Regions, President of ANA Sales Co., LTD.
Akira Asai	General Manager, Tokyo Airport, President of ANA AIRPORT SERVICES CO., LTD.
Takao Nannichi	General Manager, Narita Airport, President of ANA NARITA AIRPORT SERVICES CO., LTD.
Hideki Kunugi	General Manager, New York
Takayoshi Sugawara	Director of Legal & Insurance
Tsunakuni Ohitogata	Corporate Planning, Deputy Director of the Tokyo Olympic and Paralympic Promotion Division
Hideo Miyake	General Manager, Hokkaido Sales Headquarter
Toshiaki Toyama	Cargo Marketing & Services, President of ANA Cargo Inc.
Yasuo Tanji	General Manager, Chubu Sales Headquarter
Junichiro Miyagawa	General Manager, Kyushu Sales Headquarter

Hideaki Kuroki	General Manager, Corporate Safety, Safety Promotion Center
Takashi Yonekura	Senior Vice President, General Manager, Aircraft Operations, E & M
Ichiro Fukuzawa	Accounting & Business Management
Emiko Kajita	President of ANA TELEMART CO., LTD.

Norihiko Matsuda	Operations Management Center, Vice President of Operations Management

Alaska Airlines, Inc.,

[Wholly owned Subsidiary of Alaska Air Group, Inc.]

Economic Disclosure Statement

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT
AND AFFIDAVIT

SECTION I – GENERAL INFORMATION

A. Legal name of the Disclosing Party submitting this EDS. Include d/b/a/ if applicable:

Alaska Airlines, Inc.

Check ONE of the following three boxes:

Indicate whether the Disclosing Party submitting this EDS is:

1. [x] the Applicant

OR

2. [ ] a legal entity currently holding, or anticipated to hold within six months after City action on the contract, transaction or other undertaking to which this EDS pertains (referred to below as the "Matter"), a direct or indirect interest in excess of 7.5% in the Applicant. State the Applicant's legal name: _____

OR

3. [ ] a legal entity with a direct or indirect right of control of the Applicant (see Section II(B)(1)) State the legal name of the entity in which the Disclosing Party holds a right of control:

_____

B. Business address of the Disclosing Party: 19300 International Blvd, Seattle WA 98188

C. Telephone: 206.392.5201 Fax: 206.392.5031 Email: mark.berg@alaskaair.com

D. Name of contact person: Mark Berg

E. Federal Employer Identification No. (if you have one): [redacted]

F. Brief description of the Matter to which this EDS pertains. (Include project number and location of property, if applicable):

(1) O'Hare Use and Lease Agreement, (2) O'Hare Operating Agreement, (3) O'Hare Letter of Authorization, (4) O'Hare Rate Agreement

G. Which City agency or department is requesting this EDS? Chicago Department of Aviation

If the Matter is a contract being handled by the City's Department of Procurement Services, please complete the following:

Specification # _____ and Contract # _____

SECTION II -- DISCLOSURE OF OWNERSHIP INTERESTS

A. NATURE OF THE DISCLOSING PARTY

Alaska Airlines, Inc. is wholly owned by the publicly registered corpoartion, Alaska Air Group, Inc.

1. Indicate the nature of the Disclosing Party:

[ ] Person
[ ] Publicly registered business corporation
[x] Privately held business corporation
[ ] Sole proprietorship
[ ] General partnership
[ ] Limited partnership
[ ] Trust

[ ] Limited liability company
[ ] Limited liability partnership
[ ] Joint venture
[ ] Not-for-profit corporation
(Is the not-for-profit corporation also a 501(c)(3))?
[ ] Yes [ ] No
[ ] Other (please specify)

2. For legal entities, the state (or foreign country) of incorporation or organization, if applicable:

State of Alaska

3. For legal entities not organized in the State of Illinois: Has the organization registered to do business in the State of Illinois as a foreign entity?

[x] Yes [ ] No [ ] Organized in Illinois

B. IF THE DISCLOSING PARTY IS A LEGAL ENTITY:

1. List below the full names and titles, if applicable, of: (i) all executive officers and all directors of the entity; (ii) **for not-for-profit corporations**, all members, if any, which are legal entities (if there are no such members, write "no members which are legal entities"); (iii) **for trusts, estates or other similar entities**, the trustee, executor, administrator, or similarly situated party; (iv) **for general or limited partnerships, limited liability companies, limited liability partnerships or joint ventures**, each general partner, managing member, manager or any other person or legal entity that directly or indirectly controls the day-to-day management of the Applicant.

NOTE: Each legal entity listed below must submit an EDS on its own behalf.

Name	Title
See attached for list of officers and directors	

2. Please provide the following information concerning each person or legal entity having a direct or indirect, current or prospective (i.e. within 6 months after City action) beneficial interest (including ownership) in excess of 7.5% of the Applicant. Examples of such an interest include shares in a corporation, partnership interest in a partnership or joint venture, interest of a member or manager in a

limited liability company, or interest of a beneficiary of a trust, estate or other similar entity. If none, state "None."

NOTE: Each legal entity listed below may be required to submit an EDS on its own behalf.

Name	Business Address	Percentage Interest in the Applicant
Alaska Air Group, Inc.	Same as Disclosing Party	100%

SECTION III -- INCOME OR COMPENSATION TO, OR OWNERSHIP BY, CITY ELECTED OFFICIALS

Has the Disclosing Party provided any income or compensation to any City elected official during the 12-month period preceding the date of this EDS? [ ] Yes [x] No

Does the Disclosing Party reasonably expect to provide any income or compensation to any City elected official during the 12-month period following the date of this EDS? [ ] Yes [x] No

If "yes" to either of the above, please identify below the name(s) of such City elected official(s) and describe such income or compensation:

Does any City elected official or, to the best of the Disclosing Party's knowledge after reasonable inquiry, any City elected official's spouse or domestic partner, have a financial interest (as defined in Chapter 2-156 of the Municipal Code of Chicago ("MCC")) in the Disclosing Party?
[ ] Yes [x] No

If "yes," please identify below the name(s) of such City elected official(s) and/or spouse(s)/domestic partner(s) and describe the financial interest(s).

SECTION IV -- DISCLOSURE OF SUBCONTRACTORS AND OTHER RETAINED PARTIES

The Disclosing Party must disclose the name and business address of each subcontractor, attorney, lobbyist (as defined in MCC Chapter 2-156), accountant, consultant and any other person or entity whom the Disclosing Party has retained or expects to retain in connection with the Matter, as well as the nature of the relationship, and the total amount of the fees paid or estimated to be paid. The Disclosing Party is not required to disclose employees who are paid solely through the Disclosing Party's regular payroll. If the Disclosing Party is uncertain whether a disclosure is required under this Section, the Disclosing Party must either ask the City whether disclosure is required or make the disclosure.

Name (indicate whether retained or anticipated to be retained)	Business Address	Relationship to Disclosing Party (subcontractor, attorney, lobbyist, etc.)	Fees (indicate whether paid or estimated.) **NOTE:** "hourly rate" or "t.b.d." is not an acceptable response.

(Add sheets if necessary)

[x] Check here if the Disclosing Party has not retained, nor expects to retain, any such persons or entities.

SECTION V -- CERTIFICATIONS

A. COURT-ORDERED CHILD SUPPORT COMPLIANCE

Under MCC Section 2-92-415, substantial owners of business entities that contract with the City must remain in compliance with their child support obligations throughout the contract's term.

Has any person who directly or indirectly owns 10% or more of the Disclosing Party been declared in arrearage on any child support obligations by any Illinois court of competent jurisdiction?

[ ] Yes [x] No [ ] No person directly or indirectly owns 10% or more of the Disclosing Party.

If "Yes," has the person entered into a court-approved agreement for payment of all support owed and is the person in compliance with that agreement?

[ ] Yes [x] No

B. FURTHER CERTIFICATIONS

1. [This paragraph 1 applies only if the Matter is a contract being handled by the City's Department of Procurement Services.] In the 5-year period preceding the date of this EDS, neither the Disclosing Party nor any Affiliated Entity [see definition in (5) below] has engaged, in connection with the performance of any public contract, the services of an integrity monitor, independent private sector inspector general, or integrity compliance consultant (i.e., an individual or entity with legal, auditing, investigative, or other similar skills, designated by a public agency to help the agency monitor the activity of specified agency vendors as well as help the vendors reform their business practices so they can be considered for agency contracts in the future, or continue with a contract in progress).

2. The Disclosing Party and its Affiliated Entities are not delinquent in the payment of any fine, fee, tax or other source of indebtedness owed to the City of Chicago, including, but not limited to, water and sewer charges, license fees, parking tickets, property taxes and sales taxes, nor is the Disclosing Party delinquent in the payment of any tax administered by the Illinois Department of Revenue.

3. The Disclosing Party and, if the Disclosing Party is a legal entity, all of those persons or entities identified in Section II(B)(1) of this EDS:

a. are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from any transactions by any federal, state or local unit of government;

b. have not, during the 5 years before the date of this EDS, been convicted of a criminal offense, adjudged guilty, or had a civil judgment rendered against them in connection with: obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; a violation of federal or state antitrust statutes; fraud; embezzlement; theft; forgery; bribery; falsification or destruction of records; making false statements; or receiving stolen property;

c. are not presently indicted for, or criminally or civilly charged by, a governmental entity (federal, state or local) with committing any of the offenses set forth in subparagraph (b) above;

d. have not, during the 5 years before the date of this EDS, had one or more public transactions (federal, state or local) terminated for cause or default; and

e. have not, during the 5 years before the date of this EDS, been convicted, adjudged guilty, or found liable in a civil proceeding, or in any criminal or civil action, including actions concerning environmental violations, instituted by the City or by the federal government, any state, or any other unit of local government.

4. The Disclosing Party understands and shall comply with the applicable requirements of MCC Chapters 2-56 (Inspector General) and 2-156 (Governmental Ethics).

5. Certifications (5), (6) and (7) concern:
   - the Disclosing Party;
   - any "Contractor" (meaning any contractor or subcontractor used by the Disclosing Party in connection with the Matter, including but not limited to all persons or legal entities disclosed under Section IV, "Disclosure of Subcontractors and Other Retained Parties");
   - any "Affiliated Entity" (meaning a person or entity that, directly or indirectly: controls the Disclosing Party, is controlled by the Disclosing Party, or is, with the Disclosing Party, under common control of another person or entity). Indicia of control include, without limitation: interlocking management or ownership; identity of interests among family members, shared facilities and equipment; common use of employees; or organization of a business entity following the ineligibility of a business entity to do business with federal or state or local government, including the City, using substantially the same management, ownership, or principals as the ineligible entity. With respect to Contractors, the term Affiliated Entity means a person or entity that directly or indirectly controls the Contractor, is controlled by it, or, with the Contractor, is under common control of another person or entity;
   - any responsible official of the Disclosing Party, any Contractor or any Affiliated Entity or any other official, agent or employee of the Disclosing Party, any Contractor or any Affiliated Entity, acting pursuant to the direction or authorization of a responsible official of the Disclosing Party, any Contractor or any Affiliated Entity (collectively "Agents").

Neither the Disclosing Party, nor any Contractor, nor any Affiliated Entity of either the Disclosing Party or any Contractor, nor any Agents have, during the 5 years before the date of this EDS, or, with respect to a Contractor, an Affiliated Entity, or an Affiliated Entity of a Contractor during the 5 years before the date of such Contractor's or Affiliated Entity's contract or engagement in connection with the Matter:

a. bribed or attempted to bribe, or been convicted or adjudged guilty of bribery or attempting to bribe, a public officer or employee of the City, the State of Illinois, or any agency of the federal government or of any state or local government in the United States of America, in that officer's or employee's official capacity;

b. agreed or colluded with other bidders or prospective bidders, or been a party to any such agreement, or been convicted or adjudged guilty of agreement or collusion among bidders or prospective bidders, in restraint of freedom of competition by agreement to bid a fixed price or otherwise; or

c. made an admission of such conduct described in subparagraph (a) or (b) above that is a matter of record, but have not been prosecuted for such conduct; or

d. violated the provisions referenced in MCC Subsection 2-92-320(a)(4)(Contracts Requiring a Base Wage); (a)(5)(Debarment Regulations); or (a)(6)(Minimum Wage Ordinance).

6. Neither the Disclosing Party, nor any Affiliated Entity or Contractor, or any of their employees, officials, agents or partners, is barred from contracting with any unit of state or local government as a result of engaging in or being convicted of (1) bid-rigging in violation of 720 ILCS 5/33E-3; (2) bid-rotating in violation of 720 ILCS 5/33E-4; or (3) any similar offense of any state or of the United States of America that contains the same elements as the offense of bid-rigging or bid-rotating.

7. Neither the Disclosing Party nor any Affiliated Entity is listed on a Sanctions List maintained by the United States Department of Commerce, State, or Treasury, or any successor federal agency.

8. [FOR APPLICANT ONLY] (i) Neither the Applicant nor any "controlling person" [see MCC Chapter 1-23, Article I for applicability and defined terms] of the Applicant is currently indicted or charged with, or has admitted guilt of, or has ever been convicted of, or placed under supervision for, any criminal offense involving actual, attempted, or conspiracy to commit bribery, theft, fraud, forgery, perjury, dishonesty or deceit against an officer or employee of the City or any "sister agency"; and (ii) the Applicant understands and acknowledges that compliance with Article I is a continuing requirement for doing business with the City. NOTE: If MCC Chapter 1-23, Article I applies to the Applicant, that Article's permanent compliance timeframe supersedes 5-year compliance timeframes in this Section V.

9. [FOR APPLICANT ONLY] The Applicant and its Affiliated Entities will not use, nor permit their subcontractors to use, any facility listed as having an active exclusion by the U.S. EPA on the federal System for Award Management ("SAM").

10. [FOR APPLICANT ONLY] The Applicant will obtain from any contractors/subcontractors hired or to be hired in connection with the Matter certifications equal in form and substance to those in Certifications (2) and (9) above and will not, without the prior written consent of the City, use any such

contractor/subcontractor that does not provide such certifications or that the Applicant has reason to believe has not provided or cannot provide truthful certifications.

11. If the Disclosing Party is unable to certify to any of the above statements in this Part B (Further Certifications), the Disclosing Party must explain below:

NA

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

12. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all current employees of the Disclosing Party who were, at any time during the 12-month period preceding the date of this EDS, an employee, or elected or appointed official, of the City of Chicago (if none, indicate with "N/A" or "none").

NA

13. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all gifts that the Disclosing Party has given or caused to be given, at any time during the 12-month period preceding the execution date of this EDS, to an employee, or elected or appointed official, of the City of Chicago. For purposes of this statement, a "gift" does not include: (i) anything made generally available to City employees or to the general public, or (ii) food or drink provided in the course of official City business and having a retail value of less than $25 per recipient, or (iii) a political contribution otherwise duly reported as required by law (if none, indicate with "N/A" or "none"). As to any gift listed below, please also list the name of the City recipient.

NA

C. CERTIFICATION OF STATUS AS FINANCIAL INSTITUTION

1. The Disclosing Party certifies that the Disclosing Party (check one)
   [ ] is [x] is not

   a "financial institution" as defined in MCC Section 2-32-455(b).

2. If the Disclosing Party IS a financial institution, then the Disclosing Party pledges:

"We are not and will not become a predatory lender as defined in MCC Chapter 2-32. We further pledge that none of our affiliates is, and none of them will become, a predatory lender as defined in MCC Chapter 2-32. We understand that becoming a predatory lender or becoming an affiliate of a predatory lender may result in the loss of the privilege of doing business with the City."

If the Disclosing Party is unable to make this pledge because it or any of its affiliates (as defined in MCC Section 2-32-455(b)) is a predatory lender within the meaning of MCC Chapter 2-32, explain here (attach additional pages if necessary):

NA

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

D. CERTIFICATION REGARDING FINANCIAL INTEREST IN CITY BUSINESS

Any words or terms defined in MCC Chapter 2-156 have the same meanings if used in this Part D.

1. In accordance with MCC Section 2-156-110: To the best of the Disclosing Party's knowledge after reasonable inquiry, does any official or employee of the City have a financial interest in his or her own name or in the name of any other person or entity in the Matter?

[ ] Yes [x] No

NOTE: If you checked "Yes" to Item D(1), proceed to Items D(2) and D(3). If you checked "No" to Item D(1), skip Items D(2) and D(3) and proceed to Part E.

2. Unless sold pursuant to a process of competitive bidding, or otherwise permitted, no City elected official or employee shall have a financial interest in his or her own name or in the name of any other person or entity in the purchase of any property that (i) belongs to the City, or (ii) is sold for taxes or assessments, or (iii) is sold by virtue of legal process at the suit of the City (collectively, "City Property Sale"). Compensation for property taken pursuant to the City's eminent domain power does not constitute a financial interest within the meaning of this Part D.

Does the Matter involve a City Property Sale?

[ ] Yes [x] No

3. If you checked "Yes" to Item D(1), provide the names and business addresses of the City officials or employees having such financial interest and identify the nature of the financial interest:

Name	Business Address	Nature of Financial Interest

4. The Disclosing Party further certifies that no prohibited financial interest in the Matter will be acquired by any City official or employee.

E. CERTIFICATION REGARDING SLAVERY ERA BUSINESS

Please check either (1) or (2) below. If the Disclosing Party checks (2), the Disclosing Party must disclose below or in an attachment to this EDS all information required by (2). Failure to comply with these disclosure requirements may make any contract entered into with the City in connection with the Matter voidable by the City.

_x_1. The Disclosing Party verifies that the Disclosing Party has searched any and all records of the Disclosing Party and any and all predecessor entities regarding records of investments or profits from slavery or slaveholder insurance policies during the slavery era (including insurance policies issued to slaveholders that provided coverage for damage to or injury or death of their slaves), and the Disclosing Party has found no such records.

____2. The Disclosing Party verifies that, as a result of conducting the search in step (1) above, the Disclosing Party has found records of investments or profits from slavery or slaveholder insurance policies. The Disclosing Party verifies that the following constitutes full disclosure of all such records, including the names of any and all slaves or slaveholders described in those records:

_____

_____

_____

SECTION VI -- CERTIFICATIONS FOR FEDERALLY FUNDED MATTERS

NOTE: If the Matter is federally funded, complete this Section VI. **If the Matter is not federally funded,** proceed to Section VII. For purposes of this Section VI, tax credits allocated by the City and proceeds of debt obligations of the City are not federal funding.

A. CERTIFICATION REGARDING LOBBYING

1. List below the names of all persons or entities registered under the federal Lobbying Disclosure Act of 1995, as amended, who have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter: (Add sheets if necessary):

_____

_____

_____

(If no explanation appears or begins on the lines above, or if the letters "NA" or if the word "None" appear, it will be conclusively presumed that the Disclosing Party means that NO persons or entities registered under the Lobbying Disclosure Act of 1995, as amended, have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter.)

2. The Disclosing Party has not spent and will not expend any federally appropriated funds to pay any person or entity listed in paragraph A(1) above for his or her lobbying activities or to pay any person or entity to influence or attempt to influence an officer or employee of any agency, as defined by applicable federal law, a member of Congress, an officer or employee of Congress, or an employee

of a member of Congress, in connection with the award of any federally funded contract, making any federally funded grant or loan, entering into any cooperative agreement, or to extend, continue, renew, amend, or modify any federally funded contract, grant, loan, or cooperative agreement.

3. The Disclosing Party will submit an updated certification at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the statements and information set forth in paragraphs A(1) and A(2) above.

4. The Disclosing Party certifies that either: (i) it is not an organization described in section 501(c)(4) of the Internal Revenue Code of 1986; or (ii) it is an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 but has not engaged and will not engage in "Lobbying Activities," as that term is defined in the Lobbying Disclosure Act of 1995, as amended.

5. If the Disclosing Party is the Applicant, the Disclosing Party must obtain certifications equal in form and substance to paragraphs A(1) through A(4) above from all subcontractors before it awards any subcontract and the Disclosing Party must maintain all such subcontractors' certifications for the duration of the Matter and must make such certifications promptly available to the City upon request.

B. CERTIFICATION REGARDING EQUAL EMPLOYMENT OPPORTUNITY

If the Matter is federally funded, federal regulations require the Applicant and all proposed subcontractors to submit the following information with their bids or in writing at the outset of negotiations.

Is the Disclosing Party the Applicant?
[ ] Yes [ ] No

If "Yes," answer the three questions below:

1. Have you developed and do you have on file affirmative action programs pursuant to applicable federal regulations? (See 41 CFR Part 60-2.)
[ ] Yes [ ] No

2. Have you filed with the Joint Reporting Committee, the Director of the Office of Federal Contract Compliance Programs, or the Equal Employment Opportunity Commission all reports due under the applicable filing requirements?
[ ] Yes [ ] No [ ] Reports not required

3. Have you participated in any previous contracts or subcontracts subject to the equal opportunity clause?
[ ] Yes [ ] No

If you checked "No" to question (1) or (2) above, please provide an explanation:

_____

_____

SECTION VII -- FURTHER ACKNOWLEDGMENTS AND CERTIFICATION

The Disclosing Party understands and agrees that:

A. The certifications, disclosures, and acknowledgments contained in this EDS will become part of any contract or other agreement between the Applicant and the City in connection with the Matter, whether procurement, City assistance, or other City action, and are material inducements to the City's execution of any contract or taking other action with respect to the Matter. The Disclosing Party understands that it must comply with all statutes, ordinances, and regulations on which this EDS is based.

B. The City's Governmental Ethics Ordinance, MCC Chapter 2-156, imposes certain duties and obligations on persons or entities seeking City contracts, work, business, or transactions. The full text of this ordinance and a training program is available on line at www.cityofchicago.org/Ethics, and may also be obtained from the City's Board of Ethics, 740 N. Sedgwick St., Suite 500, Chicago, IL 60610, (312) 744-9660. The Disclosing Party must comply fully with this ordinance.

C. If the City determines that any information provided in this EDS is false, incomplete or inaccurate, any contract or other agreement in connection with which it is submitted may be rescinded or be void or voidable, and the City may pursue any remedies under the contract or agreement (if not rescinded or void), at law, or in equity, including terminating the Disclosing Party's participation in the Matter and/or declining to allow the Disclosing Party to participate in other City transactions. Remedies at law for a false statement of material fact may include incarceration and an award to the City of treble damages.

D. It is the City's policy to make this document available to the public on its Internet site and/or upon request. Some or all of the information provided in, and appended to, this EDS may be made publicly available on the Internet, in response to a Freedom of Information Act request, or otherwise. By completing and signing this EDS, the Disclosing Party waives and releases any possible rights or claims which it may have against the City in connection with the public release of information contained in this EDS and also authorizes the City to verify the accuracy of any information submitted in this EDS.

E. The information provided in this EDS must be kept current. In the event of changes, the Disclosing Party must supplement this EDS up to the time the City takes action on the Matter. If the Matter is a contract being handled by the City's Department of Procurement Services, the Disclosing Party must update this EDS as the contract requires. **NOTE:** With respect to Matters subject to MCC Chapter 1-23, Article I (imposing **PERMANENT INELIGIBILITY** for certain specified offenses), the information provided herein regarding eligibility must be kept current for a longer period, as required by MCC Chapter 1-23 and Section 2-154-020.

CERTIFICATION

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute this EDS, and Appendices A and B (if applicable), on behalf of the Disclosing Party, and (2) warrants that all certifications and statements contained in this EDS, and Appendices A and B (if applicable), are true, accurate and complete as of the date furnished to the City.

Alaska Airlines, Inc.
(Print or type exact legal name of Disclosing Party)

By: _____
(Sign here)

Matthew Shelby
(Print or type name of person signing)

Managing Director, Airport Affairs and development
(Print or type title of person signing)

Signed and sworn to before me on (date) 2/2/18,

at King County, WA (state).

_____
Notary Public

Commission expires: 4/19/20

JEANNE E. GAMMON
COMMISSION EXPIRES
NOTARY
PUBLIC
4-19-20
STATE OF WASHINGTON

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5%. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under MCC Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B.1.a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5% ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

[ ] Yes [x] No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

_____

_____

_____

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX B

BUILDING CODE SCOFFLAW/PROBLEM LANDLORD CERTIFICATION

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5% (an "Owner"). It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

1. Pursuant to MCC Section 2-154-010, is the Applicant or any Owner identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

[ ] Yes [x] No

2. If the Applicant is a legal entity publicly traded on any exchange, is any officer or director of the Applicant identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

[ ] Yes [x] No [ ] The Applicant is not publicly traded on any exchange.

3. If yes to (1) or (2) above, please identify below the name of each person or legal entity identified as a building code scofflaw or problem landlord and the address of each building or buildings to which the pertinent code violations apply.

_____

_____

_____

Exhibit A

ALASKA AIR GROUP, INC.

BOARD OF DIRECTORS

BRADLEY D. TILDEN
Chairman, President and CEO
Alaska Air Group, Inc
PO Box 68947
Seattle, WA 98168

PHYLLIS J. CAMPBELL
Chairman, Pacific Northwest
JP Morgan Chase
1301 Second Avenue, Floor 31
Seattle, WA 98101

HELVI K. SANDVIK
Former President
NANA Development Corporation
PO Box 190348
Anchorage, AK 99519

PATRICIA M. BEDIENT

RAYMOND L. CONNER

J. KENNETH THOMPSON
President and CEO
Pacific Star Energy LLC
12031 Lilac Drive
Anchorage, AK 99516

JAMES A. BEER
Executive Vice President and CFO
McKesson Corp
1 Post Street
San Francisco, CA 94104

DHIREN R. FONSECA
Partner
Certares LP
1207 McGilvra Blvd.
Seattle, WA 98112

ERIC K. YEAMAN
President and COO
First Hawaiian Bank
999 Bishop Street, 29th Floor
Honolulu, HI 96813

MARION C. BLAKEY
President and CEO
Rolls-Royce North America, Inc.
1875 Explorer St., Suite 200
Reston, VA 20190-6022

DENNIS F. MADSEN
Consultant

ELECTED OFFICERS

BRADLEY D. TILDEN
Chairman, President and CEO

CHRISTOPHER M. BERRY
Vice President Finance and Controller

KYLE B. LEVINE
Vice President Legal, General Counsel and Corporate Secretary

BRANDON S. PEDERSEN
Executive Vice President Finance and CFO

MARK G. ELIASEN
Vice President Finance and Treasurer

THOMAS W. NUNN
Vice President, Safety

APPOINTED OFFICERS

KYLE B. LEVINE
Chief Risk Compliance and Ethics Officer

IRVING S. BERTRAM
Associate General Counsel and Assistant Secretary

JENNIFER C. THOMPSON
Assistant Corporate Secretary

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2016

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 1-8957

ALASKA AIR GROUP, INC.

Delaware	**91-1292054**
(State of Incorporation)	(I.R.S. Employer Identification No.)

19300 International Boulevard, Seattle, Washington 98188
Telephone: (206) 392-5040

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $0.01 Par Value	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:
Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.): Yes ☐ No ☒

As of February 22, 2017, shares of common stock outstanding totaled 123,468,367. The aggregate market value of the shares of common stock of Alaska Air Group, Inc held by nonaffiliates on June 30, 2016, was approximately $7.1 billion (based on the closing price of $58.29 per share on the New York Stock Exchange on that date).

DOCUMENTS INCORPORATED BY REFERENCE
Portions of Definitive Proxy Statement relating to 2017 Annual Meeting of Shareholders are incorporated by reference in Part III.

ALASKA AIR GROUP, INC.

ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2016

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As used in this Form 10-K, the terms "Air Group," the "Company," "our," "we" and "us," refer to Alaska Air Group, Inc. and its subsidiaries, unless the context indicates otherwise. Alaska Airlines, Inc., Virgin America Inc. and Horizon Air Industries, Inc. are referred to as "Alaska," "Virgin America" and "Horizon," respectively, and together as our "airlines."

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

In addition to historical information, this Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Forward-looking statements are those that predict or describe future events or trends and that do not relate solely to historical matters. You can generally identify forward-looking statements as statements containing the words "believe," "expect," "will," "anticipate," "intend," "estimate," "project," "assume" or other similar expressions, although not all forward-looking statements contain these identifying words. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from historical experience or the Company's present expectations.

You should not place undue reliance on our forward-looking statements because the matters they describe are subject to known and unknown risks, uncertainties and other unpredictable factors, many of which are beyond our control.

Our forward-looking statements are based on the information currently available to us and speak only as of the date on which this report was filed with the SEC. We expressly disclaim any obligation to issue any updates or revisions to our forward-looking statements, even if subsequent events cause our expectations to change regarding the matters discussed in those statements. Over time, our actual results, performance or achievements will likely differ from the anticipated results, performance or achievements that are expressed or implied by our forward-looking statements, and such differences might be significant and materially adverse to our shareholders. For a discussion of these and other risk factors in this Form 10-K, see "Item 1A: Risk Factors." Please consider our forward-looking statements in light of those risks as you read this report.

PART I

ITEM 1. OUR BUSINESS

Air Group operates Alaska, Virgin America and Horizon Air. We completed the acquisition of Virgin America on December 14, 2016, at which time Virgin America became our wholly-owned subsidiary. Together with our regional partner airlines, we fly to 118 destinations with nearly 1,200 daily departures through our expansive network across the United States, Mexico, Canada, Costa Rica and Cuba. With our global airline partners, we can provide our guests with a virtual network of more than 900 destinations worldwide. During 2016, we carried an all-time high 34 million guests and earned adjusted net income of $911 million, which includes operating and financial results for Virgin America for the period December 14, 2016 through December 31, 2016, and excludes pretax special items and merger-related costs of $117 million.

Our acquisition of Virgin America positions us as the fifth largest airline in the U.S., with an unparalleled ability to serve West Coast travelers. Virgin America provides a platform for growth of our low-fare, premium product providing a powerful West Coast network for our guests as well as enhanced international partnerships. Additionally, Virgin America provides an opportunity to grow and improve our loyalty program while gaining access to constrained gates, particularly on the East Coast. The combined company now provides more seats from the West Coast than any other carrier, allowing us to serve our guests better.

Our mission is "creating an airline people love." The "ing" is to recognize we are never done—we are continually working to get better. We believe our success depends on our ability to provide safe air transportation, develop relationships with guests by providing exceptional customer service and low fares, and maintain a low cost structure to compete effectively. It is important to us that we achieve our objective as a socially responsible company that values not just our performance, but also our people, our community and our environment.

While aircraft and technology enable us to provide air transportation, we recognize this is fundamentally a people business. Our employees maintain and strengthen our relationships with guests, and our success depends on our employees working together to successfully execute our strategy. In 2016, Alaska was once again named one of America's Best Employers by Forbes Magazine. We know that engaged employees provide excellent service. In that vein, in 2016, Alaska ranked highest in customer satisfaction among traditional network carriers by J.D. Power and Associates for the ninth year in a row and Virgin America was recognized for excellent service by Conde Nast Traveler and Travel + Leisure magazine also for the ninth year in a row. Customer service matters, and we believe the combination of our airlines will only enhance the experience for our guests.

Operationally, Alaska has held the No. 1 spot in the Wall Street Journal's "Middle Seat" scorecard for U.S. airlines for four consecutive years. We have been the leader in the industry for on-time performance among major airlines for the past seven years. For achieving safety, customer service, operational and financial goals, we rewarded our employees with a record $127 million in incentive pay during 2016. Including incentives earned during the year prior to the acquisition by Virgin America employees, the total is $159 million.

In support of the communities that we serve, we strive to be an industry leader in environmental and community stewardship. In 2016, we improved fuel efficiency by 1.4% from the prior year, as measured by available seat miles flown per gallon. We also flew the first two commercial flights using sustainable alcohol-to-jet biofuel made from U.S. grown corn and alternative jet fuel made from forest residuals, highlighting our commitment to environmental stewardship. Our combined fleet is one of the youngest, most fuel-efficient fleets in North America and we look forward to further enhancements in this area. Air Group donated $13 million to over 1,300 charitable organizations and our employees volunteered more than 27,000 hours of community service. Virgin America has also been active in community service and charitable giving. Our efforts focus on youth and education, medical research and transportation and community outreach. One of our leadership principals is to "give back" and we are proud of the efforts and volunteerism of our employees across the system.

We earned record financial results in 2016, marking our 13th consecutive annual profit on an adjusted basis. We achieved an after-tax return on invested capital of 21.3%, well above our weighted average cost of capital. Although we incurred a significant amount of new debt in 2016 to fund the Virgin America acquisition, our liquidity and capital position still remain strong and are among those of high-quality industrial companies. Due to our strong financial health and outlook, we are one of only three U.S. airlines with investment grade credit ratings. With the cash generated by the continued success we have had in the past decade, we have been able to invest in our business to achieve profitable growth and to enhance the customer experience. Most recently, we launched our Premium Class service on our Boeing 737 aircraft, which includes more legroom, early boarding, free cocktails and premium snacks.

As we look to the future, we will build on our success by executing our strategic plan in the following areas:

Be Safe and On time

We have an unwavering commitment to run a safe and compliant operation, and we will not compromise this commitment in the pursuit of other initiatives. Alaska and Horizon were the first U.S. major airlines to receive Federal Aviation Administration ("FAA") validation and acceptance of our Safety Management System ("SMS") in the third quarter of 2016. SMS helps identify and manage risk and builds a sustainable culture of safety for Air Group employees. We have an initiative to add Virgin America to the SMS program in 2017. Once again, for 2016, 100% of our Alaska and Horizon aircraft technicians completed the requirements for the FAA's "Diamond Certificate of Excellence" award. This is the 15th consecutive year Alaska Airlines has received the award and the 15th time in the last 17 years for Horizon. We also believe that maintaining safe and compliant operations, through adherence to well defined processes and ensuring every Air Group employee is aware of their individual contribution to our operation, is critical to ensuring on-time performance. The rigor we apply to running a safe and compliant operation has resulted in Alaska being named the No. 1 on-time carrier in North America for the seventh year in a row by FlightStats.

Focus on People

Our success depends on our people. Higher employee engagement drives higher productivity, superior execution and better customer service, which is why we listen to our employees for feedback in shaping our strategy. Employee engagement scores from our annual employee survey are at historical highs. We have designed customer-service workshops and leadership training that cover virtually all employees and do these on an ongoing basis. As we integrate Alaska and Virgin America, in January 2017 we rolled out "Momentum" training for all Virgin America employees to help bridge the two airlines and blend our cultures. For our Horizon employees, we are conducting "QX Factor," a program with the goal of improving culture, engagement and communication.

We understand that aligning our employees' goals with Air Group's goals is important in achieving success. The majority of Air Group employees, including Virgin America employees starting in 2017, participate in our Performance-Based Pay ("PBP") and Operational Performance Rewards ("OPR") programs, which encourage employees to work together to achieve metrics related to safety, profitability, on-time performance, low costs and customer loyalty and satisfaction. Over the last five years, our incentive programs have paid out on average, over 8.7% of annual pay, or more than one month's pay, for most employees.

Build a deep emotional connection for our brand

We want to be recognized as the preferred airline to fly for people living on the West Coast. In January 2016, we introduced a bold new brand expression, including an updated identity, livery, and look and feel for our digital and physical experiences. In January 2017, subsequent to year end, we were the first airline to launch Free Chat—a feature that allows our guests to text for free in-flight. We believe there is an opportunity to deepen the emotional connection with our guests as we continue to expand and grow. Our updated brand expression draws upon our rich heritage while infusing it with additional warmth and energy to better reflect how guests feel about our brand and the great service that we pride ourselves in delivering.

We continue to invest in a better customer experience. Onboard, guests will continue to enjoy more of what they love with free and premium entertainment direct to their devices, Pacific Northwest-inspired food and beverages, custom leather seats with power outlets at every seat and larger overhead bins for carry-on bags. As mentioned previously, we have also recently launched our new Premium Class section in the main cabin with increased legroom and other amenities and improved our First Class with five additional inches of leg room.

Defend and grow our customer base

The merger with Virgin America provides an amazing opportunity for our new Alaska Air Group. We have a network that provides unparalleled utility and options for our guests living on the West Coast. Competition in our markets is fierce and we know we must defend our customer base as we use our combined network as an opportunity to grow that base. We will be introducing new guests to our award-winning service, Mileage Plan™ program, and affinity credit card as we grow our network. Guests from our airlines already benefit from codeshare and reciprocal frequent flyer benefits, including earning and redeeming rewards on both carriers. Elite members of the Virgin America Elevate® program and Alaska's Mileage Plan™ also receive priority boarding on both carriers. We work hard to ensure our guests have a great experience on our airlines and are provided an exceptional product at a low fare.

Win with low costs and low fares

We believe that our low-fare model gives us a competitive advantage by providing value to and building trust with our guests. We also know that, in order to provide low fares in our growing network, while returning value to our shareholders, it is imperative for us to maintain a competitive cost structure. In 2016, we lowered our unit costs, excluding fuel, by 0.8% on a consolidated basis, representing the seventh consecutive year of annual reduction. We achieved this through a continued focus on productivity, cost management, and by leveraging capacity growth. We increased employee productivity in 2016 and will continue to focus on that metric as we grow. We also manage fuel costs by flying larger, more fuel-efficient aircraft, which have increased our fuel efficiency as measured by available seat miles flown per gallon by 7.0% over the last five years. As we integrate Virgin America into our operations, we are committed to achieving our stated cost and revenue synergy goals. It is critical that we achieve these goals in order to continue our cost reduction efforts.

During fiscal 2016, we added 17 new markets to the combined network. For 2017, we plan to grow our system-wide capacity approximately 8.5% as compared to the full year 2016 combined capacity of Air Group and Virgin America.

AIR GROUP

Alaska Air Group is a Delaware corporation incorporated in 1985 and the holding company of Alaska, Virgin America, Horizon and other business units. Although Alaska, Virgin America and Horizon operate as airlines, the business plans, competition and economic risks differ substantially for Horizon in comparison to Alaska and Virgin America. Alaska Airlines is an Alaska corporation that was organized in 1932 and incorporated in 1937. Virgin America is a California corporation that was incorporated in 2004 and acquired by Air Group on December 14, 2016. Horizon is a Washington corporation that began service and was incorporated in 1981. It was acquired by Air Group in 1986. Alaska and Virgin America operate fleets of narrowbody passenger jets. Together, the operations of Alaska and Virgin America are referred to as "mainline" operations. Alaska also contracts with Horizon, SkyWest Airlines, Inc. ("SkyWest") and Peninsula Airways, Inc. ("PenAir") for regional capacity such that Alaska receives all passenger revenue from those flights. Horizon currently operates a fleet of turboprop aircraft and sells all of its capacity to Alaska pursuant to a capacity purchase agreement ("CPA"). In 2017, Horizon will begin operating E175 regional jets. The majority of our revenues are generated by transporting passengers. The percentage of revenues by category is as follows:

	2016[a]	2015	2014	2013	2012
Mainline passenger revenue	69%	70%	70%	70%	71%
Regional passenger revenue	15%	15%	15%	16%	16%
Other revenue	14%	13%	13%	12%	11%
Freight and Mail revenue	2%	2%	2%	2%	2%
Total	100%	100%	100%	100%	100%

(a) Includes information for Virgin America for the period December 14, 2016 through December 31, 2016.

We attempt to deploy aircraft into the network in ways that best optimize our revenues and profitability and reduce our seasonality.

The percentage of our capacity by region is as follows:

	2016[a]	2015	2014	2013	2012
West Coast	34%	36%	36%	34%	35%
Transcon/midcon	29%	24%	22%	22%	19%
Hawaii and Costa Rica	17%	18%	18%	19%	20%
Alaska	14%	15%	15%	16%	17%
Mexico	5%	6%	6%	7%	7%
Canada	1%	1%	3%	2%	2%
Total	100%	100%	100%	100%	100%

(a) Includes information for Virgin America for the period December 14, 2016 through December 31, 2016.

MAINLINE

The mainline operations include Boeing 737 ("B737") and Airbus family ("A319" and "A320") jet service offered by Alaska and Virgin America. We offer extensive passenger service from the western U.S. throughout the contiguous United States, Alaska, Hawaii, Canada, Mexico, Costa Rica and Cuba. Our largest concentration of departures is in Seattle. We also offer cargo service throughout our network and have dedicated cargo aircraft that operate primarily to and within the state of Alaska.

In 2016, we carried 25 million revenue passengers in our mainline operations. At December 31, 2016, our mainline operating fleet consisted of 155 B737 jet aircraft and 63 Airbus A320 family jet aircraft compared to 147 B737 aircraft as of December 31, 2015.

The percentage of mainline passenger capacity by region and average stage length is presented below:

	2016 [a]	2015	2014	2013	2012
West Coast	30%	31%	31%	28%	29%
Transcon/midcon	30%	27%	25%	25%	22%
Hawaii	19%	20%	20%	21%	22%
Alaska	15%	16%	16%	18%	18%
Mexico	6%	6%	7%	7%	8%
Canada	—%	—%	1%	1%	1%
Total	100%	100%	100%	100%	100%
Average Stage Length	1,225	1,195	1,182	1,177	1,161

(a) Includes information for Virgin America for the period December 14, 2016 through December 31, 2016.

REGIONAL

Our regional operations consist of flights operated by Horizon, SkyWest and PenAir. In 2016, our regional operations carried approximately 9 million revenue passengers, primarily in the states of Washington, Oregon, Idaho and California. Horizon is the largest regional airline in the Pacific Northwest and carries about 83% of Air Group's regional revenue passengers.

Based on 2016 passenger enplanements on regional aircraft, our leading airports are Seattle and Portland. At December 31, 2016, Horizon's operating fleet consisted of 52 Bombardier Q400 turboprop aircraft. The regional fleet operated by SkyWest consisted of 15 E175 aircraft.

The percentage of regional passenger capacity by region and average stage length is presented below:

	2016	2015	2014	2013	2012
West Coast	60%	62%	66%	66%	68%
Pacific Northwest	16%	19%	19%	21%	20%
Canada	5%	7%	8%	9%	9%
Alaska	4%	5%	4%	2%	2%
Midcon	15%	6%	2%	1%	—%
Mexico	—%	1%	1%	1%	1%
Total	100%	100%	100%	100%	100%
Average Stage Length	381	348	339	329	332

FREQUENT FLYER PROGRAMS

We currently maintain two frequent flyer plans: the Alaska Airlines Mileage Plan™ and the Virgin America Elevate®.

Mileage Plan™ provides a comprehensive suite of frequent flyer benefits. Miles can be earned by flying on Alaska or on one of our 24 airline partners, by using the Alaska Airlines credit card, or through other non-airline partners. Our extensive list of airline partners includes carriers associated with each of the three major global alliances, making it easier for our members to earn miles and reach elite status in our frequent flyer programs and have access to a large network of over 900 worldwide travel

destinations. Further, members can receive 30,000 bonus miles upon signing up for the Alaska Airlines Visa Signature card and earn triple miles on purchases made on Alaska flights or on alaskaair.com. Alaska Airlines Visa Signature cardholders also receive an annual companion ticket that allows members to purchase an additional ticket for $99 plus taxes, with no restrictions or black-out dates, and a free first checked bag for up to seven people traveling in the same itinerary. Earned miles can be redeemed for flights on our airlines or on any of our partner airlines, or for upgrades to First Class and Premium Class on Alaska Airlines. All of these benefits give our Mileage Plan™ members more value for their travel on Alaska, leading us to receive the highest ranking in customer satisfaction amongst traditional carriers in North America from J.D. Power and Associates for the last nine consecutive years.

Mileage Plan™ revenues represented approximately 12% of Air Group's total revenues in 2016. Mileage Plan™ helps drive revenue growth by attracting new customers and building customer loyalty through the benefits that we provide.

The Elevate® program allows guests to earn points for purchasing travel that are redeemable for travel awards throughout our network and the networks of Virgin America's airline partners. Elevate® members have been introduced to the Mileage Plan™ program and, over time, the two programs will become one. Currently, our guests from both airlines enjoy codeshare and reciprocal frequent flyer benefits, including earning and redeeming rewards on both carriers. Elite members of each frequent flyer program receive priority boarding on both carriers.

AGREEMENTS WITH OTHER AIRLINES

Our agreements fall into three different categories: Frequent Flyer, Codeshare and Interline agreements. Frequent Flyer agreements offer mileage credits and redemptions for our Mileage Plan™ and Elevate® members. Alaska offers one of the most comprehensive frequent flyer programs for our Mileage Plan™ members through our frequent flyer partnerships with 24 domestic and international carriers.

Codeshare agreements allow one or more marketing carriers to sell seats on a single operating carrier that services passengers under multiple flight numbers. The sale of codeshare seats can vary depending on the sale arrangement. For example, in a free-sale arrangement, the marketing carrier sells the operating carrier's inventory without any restriction; whereas in a block space arrangement, a fixed amount of seats is sold to the marketing carrier by the operating carrier. The interchangeability of the flight code between carriers provides a greater selection of flights for customers, along with increased flexibility for mileage accrual and redemption.

Interline agreements allow airlines to jointly offer a competitive, single-fare itinerary to customers traveling via multiple carriers to a final destination. An interline itinerary offered by one airline may not necessarily be offered by the other, and the fares collected from passengers are prorated and distributed to interline partners according to preexisting agreements between the carriers. Frequent flyer, codeshare and interline agreements help increase our traffic and revenue by providing more route choices to our guests.

We have marketing alliances with a number of airlines that provide frequent flyer and codesharing opportunities. Alliances are an important part of our strategy and enhance our revenues by:

- offering our guests more travel destinations and better mileage credit/redemption opportunities, including elite qualifying miles on all of our major U.S. and international airline partners;
- giving our frequent flyer program a competitive advantage because of our partnership with carriers from all three of the major global alliances;
- giving us access to more connecting traffic from other airlines; and
- providing members of our alliance partners' frequent flyer programs an opportunity to travel on Alaska, Virgin America and our regional affiliates while earning mileage credit in our partners' programs.

Most of our codeshare relationships are free-sale codeshares, where the marketing carrier sells seats on the operating carrier's flights from the operating carrier's inventory, but takes no inventory risk. Our marketing agreements have various termination dates, and one or more may be in the process of renegotiation at any time.

On December 19, 2016 we announced the termination of our codeshare agreement with Delta Air Lines ("Delta"), effective April 30, 2017. Our interline agreement with Delta will continue. We expect the impact to our guests in 2017 to be minimal due to growth in Alaska's own network, in large part from our acquisition of Virgin America, and our ability to codeshare with other

partners. We also believe the financial exposure from the termination of our codeshare agreement with Delta will be immaterial to our financial results in 2017.

The comprehensive summary of Alaska, Horizon and SkyWest alliances with other airlines is as follows:

	Frequent Flyer Agreement	Codeshare	
		Alaska Flight # on Flights Operated by Other Airline	Other Airline Flight # on Flights Operated by Alaska / Horizon / SkyWest
Major U.S. or International Airlines			
Aeromexico	Yes	No	Yes
American Airlines	Yes	Yes	Yes
Air France	Yes	No	Yes
British Airways	Yes	No	Yes
Cathay Pacific Airways	Yes	No	Yes
Delta Air Lines[(b)]	Yes[(b)]	Yes[(b)]	Yes[(b)]
Emirates	Yes	No	Yes
Icelandair	Yes	No	Yes
Hainan Airlines	Yes	No	No
KLM	Yes	No	Yes
Korean Air	Yes	No	Yes
LAN S.A.	Yes	No	Yes
Fiji Airways[(a)]	Yes	No	Yes
Qantas	Yes	No	Yes
Regional Airlines			
Rav'n Alaska	Yes	Yes	No
PenAir[(a)]	Yes	Yes	No

(a) These airlines do not have their own frequent flyer program. However, Alaska's Mileage Plan™ members can earn and redeem miles on these airlines' route systems.

(b) Codeshare and frequent flyer agreements with Delta terminate on April 30, 2017.

The comprehensive summary of Virgin America alliances with other airlines is as follows:

	Frequent Flyer Agreement	Codeshare	
		Virgin America Flight # on Flights Operated by Other Airline	Other Airline Flight # on Flights Operated by Virgin America
Major U.S. or International Airlines			
China Airlines	No	No	Yes
China Eastern	No	No	Yes
China Southern	No	No	Yes
Emirates	Yes	No	No
Hawaiian Airlines	Yes[(a)]	No	Yes
Singapore Airlines	Yes	No	Yes
Virgin Australia	Yes	No	Yes

(a) Ability to redeem award flights only (no mileage accrual on Hawaiian Airlines flight segments).

The following is the financial impact of our marketing alliances:

	2016[a]	2015	2014	2013	2012
Air Group Marketed Revenues	92%	90%	91%	90%	90%
Codeshare Agreements:					
American Airlines	3%	4%	3%	2%	3%
Delta Air Lines	1%	2%	2%	4%	3%
Others	1%	1%	1%	1%	1%
Interline Agreements:					
Domestic Interline	2%	2%	2%	2%	2%
International Interline	1%	1%	1%	1%	1%
Total Operating Revenue	100%	100%	100%	100%	100%

(a) Includes information for Virgin America for the period December 14, 2016 through December 31, 2016.

OTHER REVENUE

Other revenue consists of freight and mail, certain frequent flyer and ancillary revenue. While some of our product features are included in our base pricing, we have unbundled certain ancillary features that our guests separately value. Major ancillary revenue products include checked bag fees, change fees and lounge memberships. We also promote and sell products in-flight to enhance the guest experience, including our Tom Douglas signature meals, snacks, alcoholic beverages, in-flight entertainment and Wi-Fi. Total other revenue, excluding frequent flyer program revenue, represents about 7% of our total revenues.

GENERAL

The airline industry is highly competitive and subject to various uncertainties, including economic conditions, volatile fuel prices, industry instability, new competition, a largely unionized work force, the need to finance large capital expenditures and the related availability of capital, government regulation—including taxes and fees and potential aircraft incidents. Airlines have high fixed costs, primarily for wages, aircraft fuel, aircraft ownership and facilities rents. Because expenses of a flight do not vary significantly based on the number of passengers carried, a relatively small change in the number of passengers or in pricing has a disproportionate effect on an airline's operating and financial results. In other words, a minor shortfall in expected revenue levels could cause a disproportionately negative impact on our operating and financial results. Passenger demand and ticket prices are, to a large measure, influenced by the general state of the economy, current global economic and political events, and total available airline seat capacity.

In 2016, the airline industry reported historically high revenues and profits, as the global economy continued to recover and oil prices remained low. As the industry strengthens, airlines are now making significant investments in airports, in new planes and in new services to differentiate their customer service offering. Thus, the level of competition is expected to increase.

FUEL

Our business and financial results are highly affected by the price and the availability of aircraft fuel. The cost of aircraft fuel is volatile and outside of our control, and it can have a significant and immediate impact on our operating results. Over the past five years, aircraft fuel expense ranged from 18% to 35% of operating expenses. Fuel prices are impacted by changes in both the price of crude oil and refining margins and can vary by region in the U.S.

The prices we have paid for crude oil on an average annual basis for the past five years have ranged from a low of $43 per barrel in 2016 to a high of $98 in 2013. For us, a $1 per barrel change in the price of oil equates to approximately $18 million of fuel cost annually. Said another way, a one-cent change in our fuel price per gallon will impact our expected annual fuel cost by approximately $7 million per year.

Refining margins, which represent the price of refining crude oil into aircraft fuel, are a smaller portion of the overall price of jet fuel but also contributed to the price volatility in recent years. Average annual refining margin prices have fluctuated between $13 per barrel and $36 per barrel in the last five years, and averaged $13 in 2016.

Generally, West Coast jet fuel prices are somewhat higher and more volatile than prices in the Gulf Coast or on the East Coast. Our average raw fuel cost per gallon decreased 19% in 2016, 39% in 2015 and 6% in 2014.

The percentages of our aircraft fuel expense by crude oil and refining margins, as well as the percentage of our aircraft fuel expense of operating expenses are as follows:

	2016[a]	2015	2014	2013	2012
Crude oil	69%	62%	72%	71%	65%
Refining margins	20%	26%	18%	19%	25%
Other[b]	11%	12%	10%	10%	10%
Total	100%	100%	100%	100%	100%
Aircraft fuel expense	18%	22%	32%	34%	35%

(a) Includes information for Virgin America for the period December 14, 2016 through December 31, 2016.
(b) Other includes gains and losses on settled fuel hedges, unrealized mark-to-market fuel hedge gains or losses, taxes and other into-plane costs.

We use crude oil call options as hedges to decrease our exposure to the volatility of jet fuel prices. Historically, we have had jet fuel refining margin swap contracts, but we discontinued the use of the refining margin swaps in 2014. Call options effectively cap our pricing for crude oil, limiting our exposure to increasing fuel prices for about half of our planned fuel consumption. With call options, we are hedged against spikes in crude oil prices, and during a period of decline in crude oil prices, we only forfeit cash previously paid for hedge premiums. We begin hedging approximately 18 months in advance of crude oil consumption.

We believe that operating fuel-efficient aircraft is the best hedge against high fuel prices. Alaska operates an all-Boeing 737 fleet, Virgin America operates an all-Airbus A320 family fleet, and Horizon currently operates an all-Bombardier Q400 turboprop fleet. Air Group's fuel-efficiency rate expressed in available seat miles flown per gallon ("ASMs/g") improved from 74.5 ASMs/g in 2012 to 79.7 ASMs/g in 2016. These improvements have not only reduced our fuel consumption rate, but also the amount of greenhouse gases and other pollutants that our aircraft emit.

COMPETITION

Competition in the airline industry is intense and unpredictable. Our competitors consist primarily of other airlines and, to a lesser extent, other forms of transportation. Competition can be direct, in the form of another carrier flying the exact non-stop route, or indirect, where a carrier serves the same two cities non-stop from an alternative airport in that city or via an itinerary requiring a connection at another airport. We compete with other domestic airlines and a limited number of international airlines on nearly all of our scheduled routes. Our largest competitor is Delta, who has significantly increased their capacity in Seattle over the past few years. Approximately 61% of our capacity to and from Seattle competes with Delta. Based on schedules filed with the U.S. Department of Transportation, we expect the amount of competitive capacity overlap with all carriers to increase by more than 5% in the first half of 2017, weighted based on our network.

We believe that the following principal competitive factors are important to our guests:

- Safety record

- Customer service and reputation

  We compete with other airlines in areas of customer service such as on-time performance, guest amenities—including first class and other premium seating, quality of on-board products, aircraft type and comfort. In 2016, Alaska Airlines ranked highest in customer satisfaction among traditional network carriers by J.D. Power and Associates for the ninth year in a row. In 2016 we began installing Boeing Space Bins on our Boeing 737-900ER fleet, providing additional overhead bin space for our guests. In 2017, we are launching a Premium Class of service on our B737 aircraft that will provide extra legroom, early boarding, premium snacks and a complimentary alcoholic beverage. Additionally, in 2017 we are increasing the distance between seats in our first class cabins on the Alaska B737-900 and B737-900ER fleet, providing significantly more space for guests flying in the first class cabin. We expect to fully complete the first class cabin upgrades on the B737-900 and B737-900ER fleet in early 2018.

Cabins of our Virgin America Airbus A320 family fleet have a distinctive appearance through innovative design and use of technology. Every cabin features special mood lighting, designed to create a calming, low-stress environment for our guests; custom leather seats, tailored to provide comfort, especially on our long-haul flights; inflight wireless internet access; and electrical power outlets adjacent to every seat. All of our guests flying on Virgin America aircraft have access to the Red® inflight entertainment system that allows each guest to customize his or her inflight experience through a host of entertainment options, on-demand food and beverage ordering system and a seat-to-seat chat function.

Our employees are a key element of our product. We have a highly engaged workforce that strives to provide a high degree of service and hospitality to our guests both at the airport and in flight. We heavily emphasize our service standards with our employees through training and education programs and monetary incentives related to operational performance and guest surveys.

- Fares and ancillary services

  The pricing of fares is a significant competitive factor in the airline industry, and the increased availability of fare information on the Internet allows travelers to easily compare fares and identify competitor promotions and discounts. Pricing is driven by a variety of factors including, but not limited to, market-specific capacity, market share per route/ geographic area, cost structure, fare vs. ancillary revenue strategies, and demand.

  For example, airlines often discount fares to drive traffic in new markets or to stimulate traffic when necessary to improve load factors. In addition, traditional network carriers have been able to reduce their operating costs through bankruptcies and mergers, while low-cost carriers have continued to grow their fleets and expand their networks, potentially enabling them to better control costs per available seat mile (the average cost to fly an aircraft seat one mile), which in turn may enable them to lower their fares. These factors can reduce our pricing power and that of the airline industry as a whole.

  Domestic airline capacity is dominated by four large carriers, representing approximately 82% of total seats. Accordingly, if these carriers discount their fares or enter into our core markets, we must match those fares in order to maintain our load factors, often resulting in year-over-year decreases in our yields. We will defend our core markets vigorously and, if necessary, redeploy capacity to better match supply with demand. We believe the restructuring we've completed over the past decade has decreased our costs, enabling us to offer competitive fares while still earning appropriate returns for our shareholders.

- Routes served, flight schedules, codesharing and interline relationships, and frequent flyer programs

  We also compete with other airlines based on markets served, the frequency of service to those markets and frequent flyer opportunities. Some airlines have more extensive route structures than we do, and they offer significantly more international routes. In order to expand opportunities for our guests, we enter into codesharing and interline relationships with other airlines that provide reciprocal frequent flyer mileage credit and redemption privileges. These relationships allow us to offer our guests access to more destinations than we can on our own, gain exposure in markets we don't serve and allow our guests more opportunities to earn and redeem frequent flyer miles. Our frequent flyer programs offer some of the most comprehensive benefits to our members with the ability to earn and redeem miles on 24 of our partner carriers.

In addition to domestic or foreign airlines that we compete with on most of our routes, we compete with ground transportation in our short-haul markets. Our airlines, to some extent, also compete with technology such as video conferencing and internet-based meeting tools that have changed the need for, or frequency, of face-to-face business meetings.

TICKET DISTRIBUTION

Our tickets are distributed through three primary channels:

- *Direct to customer:* It is less expensive for us to sell through our direct channels at alaskaair.com and virginamerica.com. As a result, we continue to take steps to drive more business to our websites. In addition, we believe this channel is preferable from a branding and customer-relationship standpoint in that we can establish ongoing communication with the customer and tailor offers accordingly.

- *Traditional and online travel agencies:* Both traditional and online travel agencies typically use Global Distribution Systems (GDS) to obtain their fare and inventory data from airlines. Bookings made through these agencies result in a fee that is charged to the airline. Many of our large corporate customers require us to use these agencies. Some of our competitors do not use this distribution channel and, as a result, have lower ticket distribution costs.

- *Reservation call centers:* The Alaska call centers are located in Phoenix, AZ, Kent, WA, and Boise, ID. Virgin America uses an outsourced call center. We generally charge a $15 fee for booking reservations through the Alaska call centers and $20 for booking reservations through the Virgin America call centers. We plan on combining the reservations call centers over the next several months as part of our integration efforts.

Our sales by channel are as follows:

	2016 [a]	2015	2014	2013	2012
Direct to customer	61%	60%	57%	55%	54%
Traditional agencies	23%	23%	25%	27%	27%
Online travel agencies	11%	11%	12%	13%	13%
Reservation call centers	5%	6%	6%	5%	6%
Total	100%	100%	100%	100%	100%

(a) Includes results for Virgin America for the period December 14, 2016 through December 31, 2016.

SEASONALITY AND OTHER FACTORS

Our results of operations for any interim period are not necessarily indicative of those for the entire year because our business is subject to seasonal fluctuations. Our profitability is generally lowest during the first and fourth quarters due principally to fewer departures and passengers. Profitability typically increases in the second quarter and then reaches its highest level during the third quarter as a result of vacation travel, including increased activity in the state of Alaska. However, we have significantly improved the seasonality of our operations by our continued growth from the West Coast to leisure destinations, like Hawaii and Costa Rica, and expanding to leisure and business destinations in the mid-continental and eastern U.S.

In addition to passenger loads, factors that could cause our quarterly operating results to vary include:

- general economic conditions and resulting changes in passenger demand,
- changes in fuel costs,
- pricing initiatives by us or our competitors,
- increases in competition at our primary airports, and
- increases or decreases in passenger and volume-driven variable costs.

Many of the markets we serve experience inclement weather conditions in the winter, causing increased costs associated with deicing aircraft, canceling flights and accommodating displaced passengers. Due to our geographic area of operations, we can be more susceptible to adverse weather conditions, particularly in the state of Alaska and the Pacific Northwest, than some of our competitors, who may be better able to spread weather-related risks over larger route systems. We also are more susceptible to ground delays due to our heavy concentration of departures from San Francisco International Airport.

No material part of our business or that of our subsidiaries is dependent upon a single customer, or upon a few high-volume customers.

EMPLOYEES

Our business is labor intensive. As of December 31, 2016, we employed 19,112 (12,224 at Alaska, 3,252 at Virgin America and 3,636 at Horizon) active full-time and part-time employees. Wages and benefits, including variable incentive pay, represented approximately 40% of our total non-fuel operating expenses in both 2016 and 2015.

Most major airlines, including Alaska and Horizon, have employee groups that are covered by collective bargaining agreements. Airlines with unionized work forces generally have higher labor costs than carriers without unionized work forces, and they may not have the ability to adjust labor costs downward quickly enough to respond to new competition or slowing demand. At December 31, 2016, labor unions represented 84% of Alaska's and 43% of Horizon's employees. Inflight teammates, our term for flight attendants at Virgin America, and pilots at Virgin America voted to be represented by unions on

August 13, 2014 and June 4, 2015, respectively. However, as of December 31, 2016 neither Virgin America work group had completed collective bargaining agreement negotiations.

Our relations with U.S. labor organizations are governed by the Railway Labor Act ("RLA"). Under this act, collective bargaining agreements do not expire but instead become amendable as of a stated date. If either party wishes to modify the terms of any such agreement, it must notify the other party in the manner prescribed by the RLA and/or described in the agreement. After receipt of such notice, the parties must meet for direct negotiations, and if no agreement is reached, either party may request the National Mediation Board ("NMB") to initiate a process including mediation, arbitration, and a potential "cooling off" period that must be followed before either party may engage in self-help.

Alaska's union contracts at December 31, 2016 were as follows:

Union	Employee Group	Number of Employees	Contract Status
Air Line Pilots Association International (ALPA)	Pilots	1,834	Amendable 03/31/2018
Association of Flight Attendants (AFA)	Flight attendants	3,921	Amendable 12/17/2019
International Association of Machinists and Aerospace Workers (IAM)	Ramp service and stock clerks	634	Amendable 7/19/2018
IAM	Clerical, office and passenger service	3,032	Amendable 1/1/2019
Aircraft Mechanics Fraternal Association (AMFA) [(a)]	Mechanics, inspectors and cleaners	684	Amendable 10/17/2016
Mexico Workers Association of Air Transport	Mexico airport personnel	86	Amendable 9/29/2016
Transport Workers Union of America (TWU)	Dispatchers	49	Amendable 3/24/2019

[(a)] On December 12, 2016, Alaska reached a tentative agreement with AMFA on a proposed five-year contract If ratified the new contract would become amendable in October 2021

Horizon's union contracts at December 31, 2016 were as follows:

Union	Employee Group	Number of Employees	Contract Status
International Brotherhood of Teamsters (IBT)	Pilots	618	Amendable 12/14/2024
AFA	Flight attendants	623	Amendable 07/18/2019
IBT	Mechanics and related classifications	271	Amendable 12/16/2020
National Automobile, Aerospace, Transportation and General Workers	Station personnel in Vancouver and Victoria, BC, Canada	38	Amendable 2/14/2019
TWU	Dispatchers	18	Amendable 8/26/2018

Virgin America's union contracts at December 31, 2016 were as follows:

Union	Employee Group	Number of Employees	Contract Status
ALPA	Pilots	714	Not completed
TWU	Inflight teammates	1,068	Not completed

EXECUTIVE OFFICERS

The executive officers of Air Group. and executive officers of Alaska, Virgin America and Horizon who have significant decision-making responsibilities, their positions and their respective ages are as follows:

Name	Position	Age	Air Group or Subsidiary Officer Since
Bradley D. Tilden	Chairman and Chief Executive Officer of Alaska Air Group, Inc., Chairman of Alaska Airlines, Inc., Horizon Air Industries, Inc. and Virgin America Inc.	56	1994
Benito Minicucci	President and Chief Operating Officer of Alaska Airlines, Inc. and Chief Executive Officer of Virgin America Inc.	50	2004
Brandon S. Pedersen	Executive Vice President/Finance and Chief Financial Officer of Alaska Air Group, Inc. and Alaska Airlines, Inc., and Chief Financial Officer of Virgin America Inc.	50	2003
Andrew R. Harrison	Executive Vice President and Chief Commercial Officer of Alaska Airlines, Inc.	46	2008
David L. Campbell	President and Chief Executive Officer of Horizon Air Industries, Inc.	55	2014
Kyle B. Levine	Vice President Legal and General Counsel of Alaska Air Group, Inc. and Alaska Airlines, Inc. and Chief Ethics and Compliance Officer of Alaska Air Group, Inc.	45	2016

Mr. Tilden joined Alaska Airlines in 1991, became Controller of Alaska Air Group and Alaska Airlines in 1994 and was named Vice President/Finance at Alaska Airlines in January 1999 and at Alaska Air Group in February 2000. He was elected Alaska Airlines Chief Financial Officer in February 2000, Executive Vice President/Finance and Chief Financial Officer of both companies in January 2002 and Executive Vice President/Finance and Planning of Alaska Airlines in April 2007. Mr. Tilden was named, President of Alaska Airlines in December 2008, and in May 2012, he was elected President and CEO of Alaska Air Group and Alaska Airlines and CEO of Horizon Air. He leads Air Group's Management Executive Committee and was elected to the Air Group Board in 2010 and became Chairman of the Board in January 2014.

Mr. Minicucci joined Alaska Airlines in 2004 as Staff Vice President of Maintenance and Engineering and was promoted to Vice President of Seattle Operations in June 2008. He was elected Executive Vice President/Operations and Chief Operating Officer of Alaska Airlines in December 2008. In May 2016, he was named President of Alaska Airlines and, in December 2016, Chief Executive Officer of Virgin America. He is a member of Air Group's Management Executive Committee.

Mr. Pedersen joined Alaska Airlines in 2003 as Staff Vice President/Finance and Controller of Alaska Air Group and Alaska Airlines and was elected Vice President/Finance and Controller for both entities in 2006. He was elected Chief Financial Officer of Alaska Air Group and Alaska Airlines in June 2010 and Executive Vice President/Finance and Chief Financial Officer of both entities in 2014. In December 2016, he was named Chief Financial Officer of Virgin America Inc. He is a member of Air Group's Management Executive Committee.

Mr. Harrison joined Alaska Airlines in 2003 as the Managing Director of Internal Audit and was elected Vice President of Planning and Revenue Management in 2008. He was elected Senior Vice President of Planning and Revenue Management in 2014. He was elected Executive Vice President and Chief Revenue Officer in February 2015 and named Executive Vice President and Chief Commercial Officer in August 2015. He is a member of Air Group's Management Executive Committee.

Mr. Campbell joined Horizon Air in 2014 as President and Chief Operating Officer and was named President and Chief Executive Officer in May 2016. Prior to joining Horizon Air, Mr. Campbell served more than 25 years in maintenance and flight operations. Most recently, he served as the Vice President of Maintenance and Engineering at JetBlue Airways from January 2014 to August 2014, and, prior to that, he served as Vice President of Safety and Operational Performance at

American Airlines. He joined American in 1988 after serving for four years in the U.S. Air Force and has overseen maintenance, quality, technical operations and safety. He is a member of Air Group's Management Executive Committee.

Mr. Levine was elected Vice President Legal and General Counsel of Alaska Air Group and Alaska Airlines in January 2016 and is a member of Air Group's Management Executive Committee. He joined Alaska Airlines in February 2006 as a Senior Attorney. He also served as Associate General Counsel and Managing Director Commercial Law and General Litigation from July 2009 to February 2011 and, subsequently, as Deputy General Counsel and Managing Director of Legal at Alaska Airlines from February 2011 to January 2016. He was appointed Assistant Corporate Secretary of Air Group and Alaska Airlines in February 2014.

REGULATION

GENERAL

The airline industry is highly regulated, most notably by the federal government. The Department of Transportation (DOT), the Federal Aviation Administration (FAA) and the Transportation Security Administration (TSA) exercise significant regulatory authority over air carriers.

- *DOT:* In order to provide passenger and cargo air transportation in the U.S., a domestic airline is required to hold a certificate of public convenience and necessity issued by the DOT. Subject to certain individual airport capacity, noise and other restrictions, this certificate permits an air carrier to operate between any two points in the U.S. Certificates do not expire, but may be revoked for failure to comply with federal aviation statutes, regulations, orders or the terms of the certificates. While airlines are permitted to establish their own fares without government regulation, the DOT has jurisdiction over the approval of international codeshare agreements, marketing alliance agreements between major domestic carriers, international and some domestic route authorities, Essential Air Service market subsidies, carrier liability for personal or property damage, and certain airport rates and charges disputes. International treaties may also contain restrictions or requirements for flying outside of the U.S. and impose different carrier liability limits than those applicable to domestic flights. The DOT has been active in implementing a variety of "consumer protection" regulations, covering subjects such as advertising, passenger communications, denied boarding compensation and tarmac delay response. Airlines are subject to enforcement actions that are brought by the DOT from time to time for alleged violations of consumer protection and other economic regulations. We are not aware of any enforcement proceedings that could either materially affect our financial position or impact our authority to operate.

- *FAA:* The FAA, through Federal Aviation Regulations (FARs), generally regulates all aspects of airline operations, including establishing personnel, maintenance and flight operation standards. Domestic airlines are required to hold a valid air carrier operating certificate issued by the FAA. Pursuant to these regulations, we have established, and the FAA has approved, our operations specifications and a maintenance program for each type of aircraft we operate. Each maintenance program provides for the ongoing maintenance of the relevant aircraft type, ranging from frequent routine inspections to major overhauls. From time to time the FAA issues airworthiness directives (ADs) that must be incorporated into our aircraft maintenance program and operations. All airlines are subject to enforcement actions that are brought by the FAA from time to time for alleged violations of FARs or ADs. At this time, we are not aware of any enforcement proceedings that could either materially affect our financial position or impact our authority to operate.

- *TSA:* Airlines serving the U.S. must operate a TSA-approved Aircraft Operator Standard Security Program (AOSSP), and comply with TSA Security Directives (SDs) and regulations. Under TSA authority, we are required to collect a September 11 Security Fee of $5.60 per one-way trip from passengers and remit that sum to the government to fund aviation security measures. Airlines are subject to enforcement actions that are brought by the TSA from time to time for alleged violations of the AOSSP, SDs or security regulations. We are not aware of any enforcement proceedings that could either materially affect our financial position or impact our authority to operate.

The Department of Justice and DOT have jurisdiction over airline antitrust matters. The U.S. Postal Service has jurisdiction over certain aspects of the transportation of mail and related services. Labor relations in the air transportation industry are regulated under the Railway Labor Act. To the extent we continue to fly to foreign countries and pursue alliances with international carriers, we may be subject to certain regulations of foreign agencies and international treaties.

ENVIRONMENTAL AND OCCUPATIONAL SAFETY MATTERS

We are subject to various laws and government regulations concerning environmental matters and employee safety and health in the U.S. and other countries. U.S. federal laws that have a particular effect on us include the Airport Noise and Capacity Act of 1990, the Clean Air Act, the Resource Conservation and Recovery Act, the Clean Water Act, the Safe Drinking Water Act, and the Comprehensive Environmental Response, Compensation and Liability Act, Superfund Amendments and Reauthorization Act, and the Oil Pollution Control Act. We are also subject to the oversight of the Occupational Safety and Health Administration (OSHA) concerning employee safety and health matters. The U.S. Environmental Protection Agency, OSHA, and other federal agencies have been authorized to create and enforce regulations that have an impact on our operations. In addition to these federal activities, various states have been delegated certain authorities under these federal statutes. Many state and local governments have adopted environmental and employee safety and health laws and regulations. We maintain our safety, health and environmental programs in order to meet or exceed these requirements.

We believe there may be local or federal legislation in the future to reduce carbon and other greenhouse gas emissions. Over the course of several years, we have transitioned to more fuel-efficient aircraft fleets and reduced our emissions with the goal of continuing that trend.

The Airport Noise and Capacity Act recognizes the rights of airport operators with noise problems to implement local noise abatement programs so long as they do not interfere unreasonably with interstate or foreign commerce or the national air transportation system. Authorities in several cities have established aircraft noise reduction programs, including the imposition of nighttime curfews. We believe we have sufficient scheduling flexibility to accommodate local noise restrictions.

Although we do not currently anticipate that these regulatory matters, individually or collectively, will have a material effect on our financial condition, results of operations or cash flows, new regulations or compliance issues that we do not currently anticipate could have the potential to harm our financial condition, results of operations or cash flows in future periods.

INSURANCE

We carry insurance of types customary in the airline industry and in amounts deemed adequate to protect our interests and property and to comply both with federal regulations and certain credit and lease agreements. The insurance policies principally provide coverage for Airline Hull, Spares and Comprehensive Legal Liability Insurance, War and Allied Perils, and Workers' Compensation. In addition, we currently carry a Cyber Liability policy in the event of security breaches from malicious parties.

We believe that our emphasis on safety and our state-of-the-art flight deck safety technology help to control the cost of our insurance.

WHERE YOU CAN FIND MORE INFORMATION

Our filings with the Securities and Exchange Commission, including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are available on our website at *www.alaskaair.com,* free of charge, as soon as reasonably practicable after the electronic filing of these reports with the Securities and Exchange Commission. The information contained on our website is not a part of this annual report on Form 10-K.

GLOSSARY OF TERMS

Aircraft Utilization - block hours per day; this represents the average number of hours per day our aircraft are in transit

Aircraft Stage Length - represents the average miles flown per aircraft departure

ASMs - available seat miles, or "capacity"; represents total seats available across the fleet multiplied by the number of miles flown

CASM - operating costs per ASM, or "unit cost"; represents all operating expenses including fuel and special items

CASMex - operating costs excluding fuel and special items per ASM; this metric is used to help track progress toward reduction of non-fuel operating costs since fuel is largely out of our control

Debt-to-capitalization ratio - represents adjusted debt (long-term debt plus the present value of future operating lease payments) divided by total equity plus adjusted debt

Diluted Earnings per Share - represents earnings per share ("EPS") using fully diluted shares outstanding

Diluted Shares - represents the total number of shares that would be outstanding if all possible sources of conversion, such as stock options, were exercised

Economic Fuel - best estimate of the cash cost of fuel, net of the impact of our fuel-hedging program

Free Cash Flow - total operating cash flow generated less cash paid for capital expenditures

Load Factor - RPMs as a percentage of ASMs; represents the number of available seats that were filled with paying passengers

Mainline - represents flying Boeing 737 and Airbus 320 family jets and all associated revenues and costs

PRASM - passenger revenue per ASM; commonly called "passenger unit revenue"

Productivity - number of revenue passengers per full-time equivalent employee

RASM - operating revenue per ASMs, or "unit revenue"; operating revenue includes all passenger revenue, freight & mail, Mileage Plan and other ancillary revenue; represents the average total revenue for flying one seat one mile

Regional - represents capacity purchased by Alaska from Horizon, SkyWest and PenAir. In this segment, Regional records actual on-board passenger revenue, less costs such as fuel, distribution costs, and payments made to Horizon, SkyWest and PenAir under the respective capacity purchased arrangement (CPAs). Additionally, Regional includes an allocation of corporate overhead such as IT, finance, other administrative costs incurred by Alaska and on behalf of Horizon.

RPMs - revenue passenger miles, or "traffic"; represents the number of seats that were filled with paying passengers; one passenger traveling one mile is one RPM

Yield - passenger revenue per RPM; represents the average revenue for flying one passenger one mile

ITEM 1A. RISK FACTORS

If any of the following occurs, our business, financial condition and results of operations could suffer. In such case, the trading price of our common stock could also decline. We operate in a continually changing business environment. In this environment, new risks may emerge, and already identified risks may vary significantly in terms of impact and likelihood of occurrence. Management cannot predict such developments, nor can it assess the impact, if any, on our business of such new risk factors or of events described in any forward-looking statements.

We have adopted an enterprise wide Risk Analysis and Oversight Program designed to identify the various risks faced by the organization, assign responsibility for managing those risks to individual executives as well as align these risks with Board oversight. These enterprise-level risks have been aligned to the risk factors discussed below.

SAFETY, COMPLIANCE AND OPERATIONAL EXCELLENCE

Our reputation and financial results could be harmed in the event of an airline accident or incident.

An accident or incident involving one of our aircraft or an aircraft operated by one of our codeshare partners or CPA carriers could involve a significant loss of life and result in a loss of confidence in our airlines by the flying public and/or aviation authorities. We could experience significant claims from injured passengers, bystanders and surviving relatives as well as costs for the repair or replacement of a damaged aircraft and its consequential temporary or permanent loss from service. We maintain liability insurance in amounts and of the type generally consistent with industry practice, as do our codeshare partners and CPA carriers. However, the amount of such coverage may not be adequate to fully cover all claims, and we may be forced to bear substantial economic losses from such event. Substantial claims resulting from an accident in excess of our related insurance coverage would harm our business and financial results. Moreover, any aircraft accident or incident, even if it is fully insured and does not involve one of our aircraft, could cause a public perception that our airlines or the aircraft we or our partners fly are less safe or reliable than other transportation alternatives. This would harm our business.

Our operations are often affected by factors beyond our control, including delays, cancellations and other conditions, which could harm our business, financial condition and results of operations.

As is the case for all airlines, our operations often are affected by delays, cancellations and other conditions caused by factors largely beyond our control.

Factors that might impact our operations include:

- congestion and/or space constraints at airports or air traffic control problems;
- lack of operational approval (e.g. new routes, aircraft deliveries, etc.);
- adverse weather conditions;
- increased security measures or breaches in security;
- contagious illness and fear of contagion;
- changes in international treaties concerning air rights;
- international or domestic conflicts or terrorist activity; and
- other changes in business conditions.

Due to our concentration of flights in the Pacific Northwest and Alaska, we believe a large portion of our operation is more susceptible to adverse weather conditions. A general reduction in airline passenger traffic as a result of any of the above-mentioned factors could harm our business, financial condition and results of operations.

Changes in government regulation imposing additional requirements and restrictions on our operations could increase our operating costs and result in service delays and disruptions.

Airlines are subject to extensive regulatory and legal requirements, both domestically and internationally, that involve significant compliance costs. In the last several years, Congress has passed laws, and the U.S. DOT, the TSA and the FAA have issued regulations that have required significant expenditures relating to maintenance of aircraft, operation of airlines and establishment of consumer protection.

Similarly, there are a number of legislative and regulatory initiatives and reforms at the federal, state and local levels. These initiatives include increasingly stringent laws to protect the environment, minimum wage requirements and health care mandates. They could affect our relationship with our workforce and the vendors that serve our airlines and cause our expenses to increase without an ability to pass through these costs.

Almost all commercial service airports are owned and/or operated by units of local or state governments. Airlines are largely dependent on these governmental entities to provide adequate airport facilities and capacity at an affordable cost. Many airports have increased their rates and charges to air carriers to reflect higher costs of security, updates to infrastructures and other. Additional laws, regulations, taxes, airport rates and airport charges may be occasionally proposed that could significantly increase the cost of airline operations or reduce the demand for air travel. Although lawmakers may impose these additional fees and view them as "pass-through" costs, we believe that a higher total ticket price will influence consumer purchase and travel decisions and may result in an overall decline in passenger traffic, which would harm our business.

The airline industry continues to face potential security concerns and related costs.

Terrorist attacks, the fear of such attacks or other hostilities involving the U.S. could have a significant negative effect on the airline industry, including us, and could:

- significantly reduce passenger traffic and yields as a result of a potentially dramatic drop in demand for air travel;
- significantly increase security and insurance costs;

- make war risk or other insurance unavailable or extremely expensive;
- increase fuel costs and the volatility of fuel prices;
- increase costs from airport shutdowns, flight cancellations and delays resulting from security breaches and perceived safety threats; and
- result in a grounding of commercial air traffic by the FAA.

The occurrence of any of these events would harm our business, financial condition and results of operations.

We rely on third-party vendors for certain critical activities.

We rely on outside vendors for a variety of services and functions critical to our business, including airframe and engine maintenance, ground handling, fueling, computer reservation system hosting, telecommunication systems and information technology infrastructure and services.

Even though we strive to formalize agreements with these vendors that define expected service levels, our use of outside vendors increases our exposure to several risks. In the event that one or more vendors go into bankruptcy, ceases operation or fails to perform as promised, replacement services may not be readily available at competitive rates, or at all. If one of our vendors fails to perform adequately, we may experience increased costs, delays, maintenance issues, safety issues or negative public perception of our airline. Vendor bankruptcies, unionization, regulatory compliance issues or significant changes in the competitive marketplace among suppliers could adversely affect vendor services or force us to renegotiate existing agreements on less favorable terms. These events could result in disruptions in our operations or increases in our cost structure.

STRATEGY

The airline industry is highly competitive and susceptible to price discounting and changes in capacity, which could have a material adverse effect on our business. If we cannot successfully compete in the marketplace, our business, financial condition and operating results will be materially adversely affected.

The U.S. airline industry is characterized by substantial price competition. In recent years, the market share held by low-cost carriers and ultra low-cost carriers has increased significantly and is expected to continue to increase. Airlines also compete for market share by increasing or decreasing their capacity, route systems and the number of markets served. Several of our competitors have increased their capacity in markets we serve, particularly on the West Coast and in our Seattle hub, resulting in increased competition for those destinations. Increased competition in both domestic and international markets may have a material adverse effect on our results of operations, financial condition or liquidity.

We continue to strive toward aggressive cost-reduction goals that are an important part of our business strategy of offering the best value to our guests through competitive fares while achieving acceptable profit margins and return on capital. If we are unable to reduce our costs over the long-term and achieve sustained targeted returns on invested capital, we will likely not be able to grow our business in the future or weather industry downturns. Therefore, our financial results may suffer.

The airline industry may undergo further restructuring, consolidation, or the creation or modification of alliances or joint ventures, any of which could have a material adverse effect on our business, financial condition and results of operations.

We continue to face strong competition from other carriers due to restructuring, consolidation, and the creation and modification of alliances and joint ventures. Since deregulation, both the U.S. and international airline industries have experienced consolidation through a number of mergers and acquisitions. Carriers may also improve their competitive positions through airline alliances, slot swaps/acquisitions and/or joint ventures. Certain airline joint ventures further competition by allowing airlines to coordinate routes, pool revenues and costs, and enjoy other mutual benefits, achieving many of the benefits of consolidation.

We depend on a few key markets to be successful.

Our strategy includes being the premier carrier for people living on the West Coast. This results in a high concentration of our business in key West Coast markets. A significant portion of our flights occur to and from our Seattle hub. In 2016, passengers to and from Seattle accounted for 61% of our total guests. We expect this to become more diversified in the future as a result of the recent acquisition of Virgin America, whose primary hubs are San Francisco and Los Angeles.

We believe that concentrating our service offerings in this way allows us to maximize our investment in personnel, aircraft and ground facilities, as well as to gain greater advantage from sales and marketing efforts in those regions. As a result, we remain highly dependent on our key markets. Our business could be harmed by any circumstances causing a reduction in demand for air transportation in our key markets. An increase in competition in our key markets could also cause us to reduce fares or take other competitive measures that, if sustained, could harm our business, financial condition and results of operations.

Economic uncertainty or another recession would likely impact demand for our product and could harm our financial condition and results of operations.

The airline industry, which is subject to relatively high fixed costs and highly variable and unpredictable demand, is particularly sensitive to changes in economic conditions. We are also highly dependent on U.S. consumer confidence and the health of the U.S. economy. Unfavorable U.S. economic conditions have historically driven changes in travel patterns and have resulted in reduced spending for both leisure and business travel. For some consumers, leisure travel is a discretionary expense, and shorter distance travelers, in particular, have the option to replace air travel with surface travel. Businesses are able to forgo air travel by using communication alternatives such as videoconferencing or may be more likely to purchase less expensive tickets to reduce costs, which can result in a decrease in average revenue per seat. Unfavorable economic conditions also hamper the ability of airlines to raise fares to counteract increased fuel, labor and other costs. Unfavorable or even uncertain economic conditions could negatively affect our financial condition and results of operations.

We are dependent on a limited number of suppliers for aircraft and parts.

Alaska is dependent on Boeing as its sole supplier for aircraft and many aircraft parts. Virgin America is similarly dependent on Airbus, and Horizon is dependent on Bombardier and soon Embraer. Additionally, each carrier is dependent on sole suppliers for aircraft engines for each aircraft type. As a result, we are more vulnerable to issues associated with the supply of those aircraft and parts, including design defects, mechanical problems, contractual performance by the manufacturers or adverse perception by the public that would result in customer avoidance or in actions by the FAA resulting in an inability to operate our aircraft or instability in the foreign countries, in which the aircraft and its parts are manufactured.

We rely on partner airlines for codeshare and frequent flyer marketing arrangements.

Our airlines are parties to marketing agreements with a number of domestic and international air carriers, or "partners." These agreements provide that certain flight segments operated by us are held out as partner "codeshare" flights and that certain partner flights are held out for sale as Alaska or Virgin America codeshare flights. In addition, the agreements generally provide that members of Alaska's Mileage Plan™ program, or Virgin America's Elevate® program, can earn credit on or redeem credit for partner flights and vice versa. We receive revenue from flights sold under codeshare and from interline arrangements. In addition, we believe that the frequent flyer arrangements are an important part of our frequent flyer programs. The loss of a significant partner through bankruptcy, consolidation, or otherwise, could have a negative effect on our revenues or the attractiveness of our Mileage Plan™ and Elevate® programs, which we believe is a source of competitive advantage.

We routinely engage in analysis and discussions regarding our own strategic position, including alliances, codeshare arrangements, interline arrangements and frequent flyer program enhancements, and may have future discussions with other airlines regarding similar activities. If other airlines participate in consolidation or reorganization, those airlines may significantly improve their cost structures or revenue generation capabilities, thereby potentially making them stronger competitors of ours and potentially impairing our ability to realize expected benefits from our own strategic relationships.

INFORMATION TECHNOLOGY

We rely heavily on automated systems to operate our business, and a failure to invest in new technology or a disruption of our current systems or their operators could harm our business.

We depend on automated systems to operate our business, including our airline reservation system, our telecommunication systems, our website, our maintenance systems, our check-in kiosks, mobile devices and other systems. Substantially all of our tickets are issued to our guests as electronic tickets, and the majority of our customers check in using our website, airport kiosks, or our mobile application. We depend on our reservation system to be able to issue, track and accept these electronic tickets. In order for our operations to work efficiently, we must continue to invest in new technology to ensure that our website, reservation system and check-in systems are able to accommodate a high volume of traffic, maintain information security and deliver important flight information. Substantial or repeated website, reservations system or telecommunication systems failures or service disruptions could reduce the attractiveness of our services and cause our guests to do business with another airline. In addition, we rely on other automated systems for crew scheduling, flight dispatch and other operational needs. In 2017, subsequent to year end, we migrated to a new crew management system. We also plan to move our primary data center location. Disruptions, failed migration, untimely recovery, or a breach of these systems or the data center could result in the loss of important data, an increase of our expenses, an impact on our operational performance or a possible temporary cessation of our operations.

If we do not maintain the privacy and security of our information, we could damage our reputation and incur substantial legal and regulatory costs.

We accept, store and transmit information about our guests, our employees, our business partners and our business. In addition, we frequently rely on third-party hosting sites and data processors, including cloud providers. Our sensitive information relies on secure transmission over public and private networks. A compromise of our systems, the security of our infrastructure or those of other business partners that result in our information being accessed or stolen by unauthorized persons could adversely affect our operations and our reputation.

FINANCIAL CONDITION AND FINANCIAL MARKETS

Our business, financial condition and results of operations are substantially exposed to the volatility of jet fuel prices. Significant increases in jet fuel costs would harm our business.

Fuel costs constitute a significant portion of our total operating expenses. Future increases in the price of jet fuel may harm our business, financial condition and results of operations unless we are able to increase fares and fees or add additional ancillary services to attempt to recover increasing fuel costs.

Our indebtedness and other fixed obligations could increase the volatility of earnings and otherwise restrict our activities and potentially lead to liquidity constraints.

We incurred a significant amount of new debt to finance our acquisition of Virgin America. We now have and will continue to have for the foreseeable future a substantial amount of debt. Due to our high fixed costs, including aircraft lease commitments and debt service, a decrease in revenues would result in a disproportionately greater decrease in earnings.

Our outstanding long-term debt and other fixed obligations could have important consequences. For example, they could limit our ability to obtain additional financing to fund our future capital expenditures, acquisitions, working capital or other purposes; require us to dedicate a material portion of our operating cash flow to fund lease payments and interest payments on indebtedness, thereby reducing funds available for other purposes; or limit our ability to withstand competitive pressures and reduce our flexibility in responding to changing business and economic conditions.

Although we have historically been able to generate sufficient cash flow from our operations to pay our debt and other fixed obligations when they become due, we cannot ensure we will be able to do so in the future. If we fail to do so, our business could be harmed.

See "Liquidity and Capital Resources" within Item 7 of this filing for more detailed information about our obligations and commitments.

Certain of our financing agreements have covenants that impose operating and financial restrictions on us.

Certain of our credit facilities and indentures governing our secured borrowings impose certain operating and financial covenants on us. Such covenants require us to maintain, depending on the particular agreement, minimum liquidity and/or minimum collateral coverage ratios and other negative covenants customary for such financings. A decline in the value of collateral could result in a situation where we may not be able to maintain the required collateral coverage ratio.

Our ability to comply with these covenants may be affected by events beyond our control, including the overall industry revenue environment and the level of fuel costs, and we may be required to seek waivers or amendments of covenants, repay all or a portion of the debt or find alternative sources of financing.

Our maintenance costs will increase as our fleet ages, and we will periodically incur substantial maintenance costs due to the maintenance schedules of our aircraft fleet.

As of December 31, 2016, the average age of our NextGen aircraft (B737-800, -900, -900ERs) was approximately 7.3 years, the average age of our Q400 aircraft was approximately 10 years, and the average age of our A319 and A320 aircraft was approximately 6.8 years. Our relatively new aircraft currently require less maintenance than they will in the future. Any significant increase in maintenance expenses could have a material adverse effect on our results of operations.

BRAND AND REPUTATION

As we evolve our brand to appeal to a changing demographic and grow into new markets, we will engage in strategic initiatives that may not be favorably received by all our guests.

We continue to focus on strategic initiatives designed to increase our brand appeal to a diverse and evolving demographic of airline travelers. These efforts could include significant enhancements to our in-airport and on-board environments, increasing our direct customer relationships through improvements to our purchasing portals (digital and mobile) and optimization of our customer loyalty programs.

In pursuit of these efforts we may negatively affect our reputation with some of our existing customer base.

LABOR RELATIONS AND LABOR STRATEGY

A significant increase in labor costs, unsuccessful attempts to strengthen our relationships with union employees or loss of key personnel could adversely affect our business and results of operations.

Labor costs are a significant component of our total expenses. Each of Alaska and Horizon's represented employee groups has a separate collective bargaining agreement. Through negotiations or transition agreements in the Virgin America integration, each group could make demands that would increase our operating expenses and adversely affect our financial performance if we agree to them. The same result could apply if we experience a significant increase in vendor labor costs, including wage rate increases, which could ultimately flow through to us under the applicable services agreement.

As of December 31, 2016, labor unions represented approximately 84% of Alaska's and 43% of Horizon's employees. Although Virgin America employees are not currently covered under collective bargaining agreements, pilots and inflight teammates have elected to be represented and will, through negotiations, ultimately enter into joint collective bargaining agreements with Alaska's represented workforce. Although we have been successful in fostering communications, negotiating approaches and developing other strategies to enhance workforce engagement in our long-term vision, future uncertainty around open contracts—including the joint collective bargaining negotiations for the integration of Alaska's and Virgin America's represented work groups—could be a distraction, affecting employee focus on our business and diverting management's attention from other projects and issues.

We compete against the major U.S. airlines and other businesses for labor in many highly skilled positions. If we are unable to hire, train and retain qualified employees at a reasonable cost, sustain employee engagement in our strategic vision, or if we are unsuccessful at implementing succession plans for our key staff, we may be unable to grow or sustain our business. In recent years, there have been pilot shortages in hiring in the regional market, and there is an anticipated pilot shortage in hiring in the mainline markets in the next two to three years. Attrition beyond normal levels could negatively impact our operating results, and our business prospects could be harmed.

Employees could also engage in job actions such as slow-downs, work-to-rule campaigns, sick-outs or other actions designed to disrupt our normal operations in an attempt to pressure us to acquiesce to wage or other demands during Section 6 negotiations or transition agreement discussions. Although the Railway Labor Act makes such "self-help" unlawful until the National Mediation Board releases the parties following lengthy mediation attempts, and we could seek injunctive relief or other remedies against premature self-help, such actions could cause significant harm even if we were ultimately to be successful.

ACQUISITION AND INTEGRATION OF VIRGIN AMERICA

We may be unable to effectively integrate Virgin America's business and realize the anticipated benefits of the acquisition. In addition, delays in integration could cause anticipated synergies to take longer to realize than currently anticipated.

We must devote significant management attention and resources to integrating the business practices and operations of Virgin America. Potential difficulties we may encounter as part of the integration process include the following:

- the inability to successfully combine the Virgin America business with that of Alaska's in a manner that permits us to achieve anticipated net synergies and other anticipated benefits of the acquisition;
- the inability to successfully attract and retain Virgin America guests upon integration with Alaska;
- the challenges associated with operating aircraft types new to our operations, specifically the Airbus A319 and A320;
- the challenges associated with an expanded or new presence in more congested airports and markets;
- the challenges associated with integrating complex systems, technology, aircraft fleets, networks, facilities and other assets in a seamless manner that minimizes any adverse impact on guests, suppliers, employees and other constituents;
- the challenges associated with integrating Virgin America employees into Alaska's workforce while maintaining our focus on providing consistent, high quality customer service, including seniority list integration, negotiation of transition process agreements and, in the case of the pilot workgroups, negotiation of a joint collective bargaining agreement; and
- potential unknown liabilities, liabilities that are significantly larger than we currently anticipate, and unforeseen increased expenses or delays, including costs to integrate Virgin America's business that may exceed our current estimates.

Any of the foregoing factors could adversely affect our ability to maintain relationships with guests, suppliers, employees and other constituencies or our ability to achieve the anticipated benefits of the acquisition on a timely basis, or at all. These factors could also reduce our earnings or otherwise adversely affect our business and financial results. In addition, integration requirements have caused, and may continue to cause, a delay of other strategic initiatives.

The Virgin brand is not under our control, and negative publicity related to the Virgin brand name could materially adversely affect our business.

Virgin America licenses rights to the Virgin brand from certain entities affiliated with the Virgin Group on a non-exclusive basis. The Virgin brand is also licensed to and used by a number of other companies, including two airlines, Virgin Atlantic Airways and Virgin Australia Airlines, operating in other geographies. We rely on the general goodwill of consumers and our employees towards the Virgin brand. Consequently, any adverse publicity in relation to the Virgin brand name, its principals, particularly Sir Richard Branson who is closely associated with the brand, or another Virgin-branded company over which we have no control or influence could have a material adverse effect on our business.

We obtain our rights to use the Virgin brand under agreements with certain entities affiliated with the Virgin Group, and we would lose those rights if these agreements are terminated or not renewed.

Virgin America is a party to license agreements with certain entities affiliated with the Virgin Group pursuant to which we obtain rights to use the Virgin brand. The licensor may terminate the agreements upon the occurrence of a number of specified events including if Virgin America commits a material breach of our obligations under the agreements that is uncured for more than 10 business days or if we materially damage the Virgin brand. If we lose our rights to use the Virgin brand, we would lose the goodwill associated with the brand name, which would likely require substantial expenditures, and our business and financial condition would likely be materially adversely affected.

The need to integrate Virgin America's workforce into joint collective bargaining agreements with Alaska's workforce presents the potential for delay in achieving expected synergies and other benefits or labor disputes that could adversely affect our operations and costs.

The successful integration of Virgin America and achievement of the anticipated benefits of the acquisition depend significantly on integrating Virgin America's employees into Alaska and on maintaining productive employee relations. Failure to do so presents the potential for delays in achieving expected synergies and other benefits of integration or labor disputes that could adversely affect our operations and costs. The process for integrating labor groups in an airline merger is governed by a combination of the Railway Labor Act, the McCaskill-Bond Act, and where applicable, the existing provisions of our collective bargaining agreements ("CBAs") and internal union policies.

Under the Railway Labor Act, the National Mediation Board has exclusive authority to resolve representation disputes arising out of airline mergers. The disputes that the National Mediation Board has authority to resolve include (i) whether the carriers, through the merger, have integrated operations to the point of creating a "single transportation system" for representation purposes; (ii) determination of the appropriate "craft or class" for representational purposes, including a determination of which positions are to be included within a particular craft or class; and (iii) certification of the system-wide representative organization, if any, for each of our craft or class following the merger. Failure to resolve these disputes could result in delays in achieving expected synergies and other benefits of integration as well as adversely impact our operations and costs.

Pending operational integration of Virgin America with Alaska, it will be necessary to maintain a "fence" between Alaska and Virgin America employee groups that are represented by unions. During this time, we will keep the employee groups separate, each applying the terms of its own existing employment agreements unless other terms have been negotiated. Achievement of expected synergies and other benefits will be delayed until the time that operational integration is obtained.

We are expected to incur substantial expenses related to the acquisition and the integration of Virgin America's business.

We are expected to incur substantial integration and transition expenses in connection with the acquisition of Virgin America, including the necessary costs associated with integrating the operations of Alaska and Virgin America. There are a large number of processes, policies, procedures, operations, technologies and systems that must be integrated, including reservations, frequent flyer, ticketing/distribution, maintenance and flight operations. While we have assumed that a certain level of expenses will be incurred, there are many factors beyond our control that could affect the total amount or the timing of the integration expenses. Moreover, many of the expenses that will be incurred are, by their nature, difficult to estimate accurately. These expenses could, particularly in the near term, exceed the financial benefits we expect to achieve from the acquisition, including the elimination of duplicative expenses and the realization of economies of scale and cost savings. These integration expenses likely will continue to result in us taking significant charges against earnings in future periods, and the amount and timing of such charges are uncertain at present.

We acquired Virgin America's indebtedness upon closing of the acquisition, which additional indebtedness may limit our financial and operating flexibility.

Upon closing of the acquisition, we acquired Virgin America's outstanding indebtedness and became subject to the operating restrictions under the debt instruments governing such indebtedness. Virgin America has significant debt and lease obligations related to existing purchased and leased aircraft. Our increased indebtedness following the acquisition may:

- require a substantial portion of cash flows from operations for debt service payments and operating lease payments, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes; and

- limit our flexibility in planning for, or reacting to, changes in its business and the airline industry and, consequently, negatively affect our competitive position.

We will need to launch certain branding or rebranding initiatives in connection with the acquisition that may take a significant amount of time and involve substantial costs and that may not be favorably received by our guests.

We may incur substantial costs if we decide to rebrand any of Virgin America's products and services and may not be able to achieve or maintain brand name recognition or status that is comparable to the recognition and status previously enjoyed by Virgin America in any of Virgin America's markets. The failure of any such rebranding initiatives could adversely affect our ability to attract and retain guests, which could cause us not to realize some or all of the anticipated benefits contemplated to result from the acquisition.

Our ability to use Virgin America's net operating loss carryforwards to offset future taxable income for U.S. federal and state income tax purposes may be limited as a result of the previous ownership changes, this acquisition or taxable income if it does not reach sufficient levels.

As of the acquisition closing date, Virgin America had federal net operating loss carryforwards ("NOLs") of approximately $773 million available to offset future taxable income, expiring between 2028 and 2036, and state NOLs of approximately $344 million that expire beginning in 2027 and continuing through 2035.

Virgin America has experienced multiple "ownership changes" as defined in Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), the most recent being its acquisition by us. Section 382 of the Code imposes an annual limitation on the amount of pre-ownership change NOLs of the corporation that experiences ownership change. The limitation imposed by Section 382 of the Code for any post-ownership change year generally would be determined by multiplying the value of such corporation's stock immediately before the ownership change by the applicable long-term tax-exempt rate. Any unused annual limitation may, subject to certain limits, be carried over to later years, and the limitation may, under certain circumstances, be increased by built-in gains or reduced by built-in losses in the assets held by such corporation at the time of the ownership change. Our use of NOLs generated after the date of an ownership change would not be limited unless we were to experience a subsequent ownership change.

Our ability to use the NOLs will also depend on the amount of taxable income generated in future periods. The NOLs may expire before we can generate sufficient taxable income to utilize the NOLs.

The application of the acquisition method of accounting resulted in us recording a significant amount of goodwill, which could result in significant future impairment charges and negatively affect our financial results.

In accordance with applicable acquisition accounting rules, we recorded goodwill on our consolidated balance sheet to the extent the Virgin America acquisition purchase price exceeded the net fair value of Virgin America's tangible and identifiable intangible assets and liabilities as of the acquisition date. Goodwill is not amortized, but is tested for impairment at least annually. We could record impairment charges in our results of operations as a result of, among other items, extreme fuel price volatility, a significant decline in the fair value of certain tangible or intangible assets, unfavorable trends in forecasted results of operations and cash flows, uncertain economic environment and other uncertainties. We can provide no assurance that a significant impairment charge will not occur in one or more future periods. Any such charges may materially negatively affect our financial results.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

AIRCRAFT

The following table describes the aircraft we operate and their average age at December 31, 2016:

Aircraft Type	Seats	Owned	Leased	Total	Average Age in Years
B737 Freighter & Combis	0/72	6	—	6	23.2
B737-400	144	3	7	10	20.9
B737 NextGen	124-181	129	10	139	7.3
A319	119	—	10	10	9.2
A320	146-149	10	43	53	6.3
Total Mainline Fleet		148	70	218	8.2
Q400	76	37	15	52	10.0
E175	76	—	15	15	0.8
Total Regional Fleet		37	30	67	7.9
Total		185	100	285	8.2

"Management's Discussion and Analysis of Financial Condition and Results of Operations" discusses future orders and options for additional aircraft. "Liquidity and Capital Resources" provides more information about aircraft that are used to secure long-term debt arrangements or collateralize credit facilities.

Alaska's leased B737 aircraft have lease expiration dates between 2017 and 2023. Virgin America's leased A319 and A320 aircraft have expiration dates between 2019 and 2025. Horizon's leased Q400 aircraft have expiration dates in 2018. The leased E175 aircraft are through our capacity purchase agreement with SkyWest. Alaska, Virgin America and Horizon have the option to extend some of the leases for additional periods, or the right to purchase the aircraft at the end of the lease term, usually at the then-fair-market value of the aircraft. Air Group also owns two non-operating CRJ-700 aircraft classified as held-for-sale as of December 31, 2016.

GROUND FACILITIES AND SERVICES

We own terminal buildings in various cities in the state of Alaska and several buildings located at or near Seattle-Tacoma International Airport (Sea-Tac) near Seattle, WA. These include a multi-bay hangar and shops complex (used primarily for line maintenance), a flight operations and training center, an air cargo facility, an information technology office and data center, and various other commercial office buildings.

We lease ticket counters, gates, cargo and baggage space, ground equipment, office space and other support areas at the majority of the airports we serve. Airport leases contain provisions for periodic adjustments of lease rates. We are typically responsible for maintenance, insurance and other facility-related expenses and services under these agreements. We also lease operations, training, data center, and administrative facilities in Burlingame, CA; Portland, OR; Quincy, WA; and Spokane, WA as well as line maintenance stations in Boise, ID; Bellingham, WA; Eugene, OR; San Jose, CA; Medford, OR; Redmond, OR; Seattle, WA; and Spokane, WA. Further, we lease call center facilities in Phoenix, AZ, and Boise, ID.

ITEM 3. LEGAL PROCEEDINGS

We are a party to routine litigation matters incidental to our business. Management believes the ultimate disposition of these matters is not likely to materially affect our financial position or results of operations. This forward-looking statement is based on management's current understanding of the relevant law and facts, and it is subject to various contingencies, including the potential costs and risks associated with litigation and the actions of judges and juries.

In 2015, three flight attendants filed a class action lawsuit seeking to represent all Virgin America flight attendants for damages based on alleged violations of California and City of San Francisco wage and hour laws. Plaintiffs received class certification in November 2016. Virgin America filed a motion for summary judgment seeking to dismiss all claims on various federal preemption grounds. In January 2017, the Court denied in part and granted in part Virgin America's motion. Virgin America believes the claims in this case are without factual and legal merit and intends to defend this lawsuit through, among other

strategies, filing a motion for reconsideration of the Court's certification decision and denial of summary judgment and, if necessary, a motion for certification of interlocutory appeal to the U.S. Court of Appeals for the Ninth Circuit.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

As of December 31, 2016, there were 129,189,634 shares of common stock of Alaska Air Group, Inc. issued and 123,328,051 shares outstanding and 2,277 shareholders of record. In 2016, we paid quarterly dividends of $0.275 per share in March, June, September and December. Our common stock is listed on the New York Stock Exchange (symbol: ALK). The following table shows the trading range of Alaska Air Group, Inc. common stock on the New York Stock Exchange:

	2016		2015	
	High	Low	High	Low
First Quarter	$ 83.05	$ 61.58	$ 70.83	$ 57.73
Second Quarter	83.09	54.53	68.68	58.15
Third Quarter	71.57	56.47	82.75	62.59
Fourth Quarter	91.88	65.60	87.16	73.00

SALES OF NON-REGISTERED SECURITIES

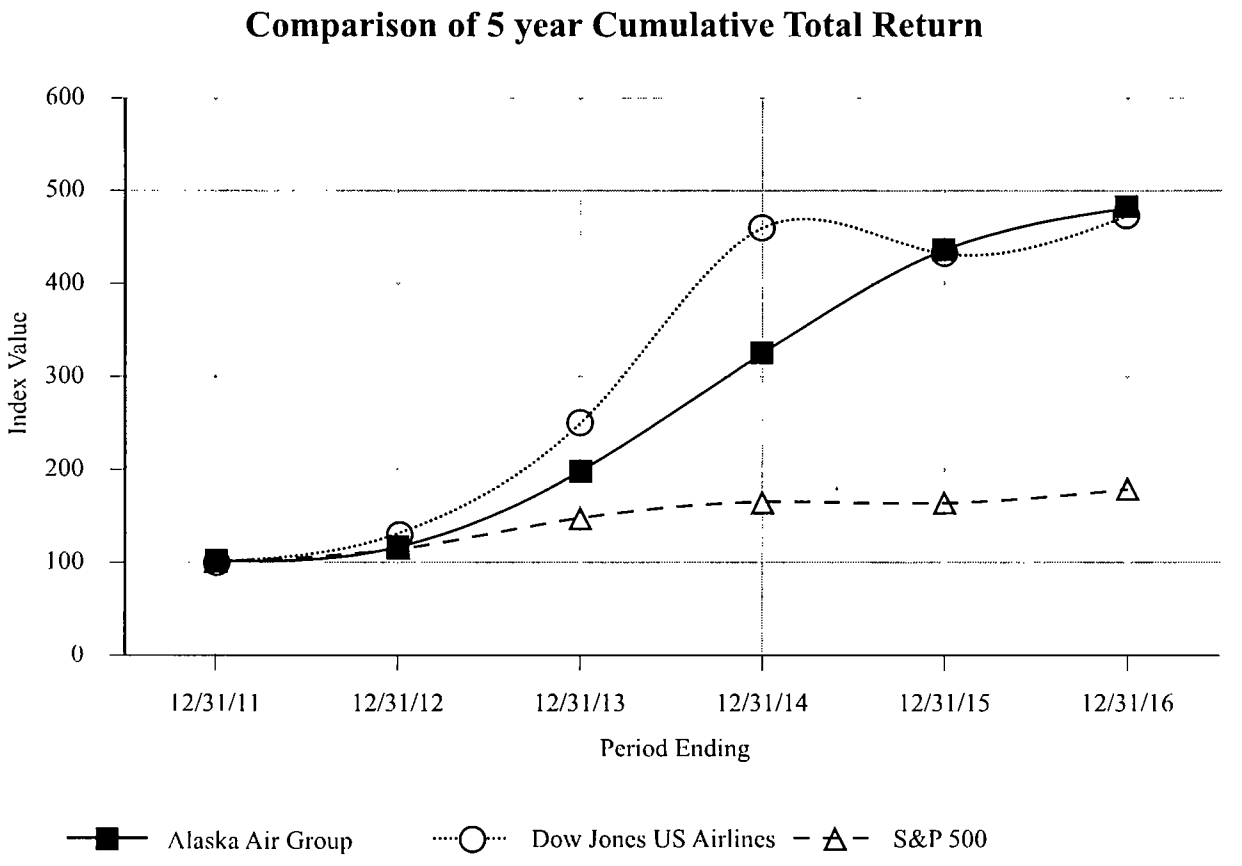
None.

PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None during the quarter ended December 31, 2016.

PERFORMANCE GRAPH

The following graph compares our cumulative total stockholder return since December 31, 2011 with the S&P 500 Index and the Dow Jones U.S. Airlines Index. The graph assumes that the value of the investment in our common stock and each index (including reinvestment of dividends) was $100 on December 31, 2011.



ITEM 6. SELECTED FINANCIAL AND OPERATING DATA

Virgin America became a wholly-owned subsidiary of Air Group on December 14, 2016. Operating results, financial position and operating statistics presented below include Virgin America data for the period December 14, 2016 through December 31, 2016, and the impact of purchase accounting as of December 14, 2016 in the "consolidated" and "mainline" results. Refer to "Critical Accounting Estimates" section of Item 7 for further information regarding purchase accounting.

Year Ended December 31 (in millions, except per-share amounts):	2016	2015	2014	2013	2012
CONSOLIDATED OPERATING RESULTS *(audited)*					
Operating Revenues	**$ 5,931**	$ 5,598	$ 5,368	$ 5,156	$ 4,657
Operating Expenses	**4,582**	4,300	4,406	4,318	4,125
Operating Income	**1,349**	1,298	962	838	532
Nonoperating income (expense), net of interest capitalized[a]	**(4)**	14	13	(22)	(18)
Income before income tax	**1,345**	1,312	975	816	514
Net Income	**$ 814**	$ 848	$ 605	$ 508	$ 316
Average basic shares outstanding	**123.557**	128.373	135.445	139.910	141.416
Average diluted shares outstanding	**124.389**	129.372	136.801	141.878	143.568
Basic earnings per share	**$ 6.59**	$ 6.61	$ 4.47	$ 3.63	$ 2.23
Diluted earnings per share	**$ 6.54**	$ 6.56	$ 4.42	$ 3.58	$ 2.20
Cash dividends declared per share	**$ 1.10**	$ 0.80	$ 0.50	$ 0.20	—
CONSOLIDATED FINANCIAL POSITION *(audited)*					
At End of Period (in millions):					
Total assets[b]	**$ 9,962**	$ 6,530	$ 6,059	$ 5,719	$ 5,350
Long-term debt, including current portion[b]	**$ 2,964**	$ 683	$ 798	$ 865	$ 1,025
Shareholders' equity	**$ 2,931**	$ 2,411	$ 2,127	$ 2,029	$ 1,421
OPERATING STATISTICS *(unaudited)*[c]					
Consolidated:[c]					
Revenue passengers (000)	**34,289**	31,883	29,278	27,414	25,896
RPMs (000,000) "traffic"	**37,209**	33,578	30,718	28,833	27,007
ASMs (000,000) "capacity"	**44,135**	39,914	36,078	33,672	31,428
Load factor	**84.3%**	84.1%	85.1%	85.6%	85.9%
Yield	**13.45¢**	14.27¢	14.91¢	14.80¢	14.92¢
PRASM	**11.34¢**	12.01¢	12.69¢	12.67¢	12.82¢
RASM	**13.44¢**	14.03¢	14.88¢	14.74¢	14.82¢
CASMex[d]	**8.23¢**	8.30¢	8.36¢	8.47¢	8.48¢
Mainline:					
Revenue passengers (000)	**24,838**	22,869	20,972	19,737	18,526
RPMs (000,000) "traffic"	**33,489**	30,340	27,778	26,172	24,417
ASMs (000,000) "capacity"	**39,473**	35,912	32,430	30,411	28,180
Load factor	**84.8%**	84.5%	85.7%	86.1%	86.6%
Yield	**12.24¢**	12.98¢	13.58¢	13.33¢	13.45¢
PRASM	**10.38¢**	10.97¢	11.64¢	11.48¢	11.65¢
CASMex[d]	**7.30¢**	7.39¢	7.45¢	7.54¢	7.56¢
Regional [c]**:**					
Revenue passengers (000)	**9,452**	9,015	8,306	7,677	7,371
RPMs (000,000) "traffic"	**3,720**	3,238	2,940	2,661	2,590
ASMs (000,000) "capacity"	**4,662**	4,002	3,648	3,261	3,247
Load factor	**79.8%**	80.9%	80.6%	81.6%	79.8%
Yield	**24.42¢**	26.37¢	27.40¢	29.20¢	28.81¢
PRASM	**19.49¢**	21.34¢	22.08¢	23.83¢	22.98¢

(a) Capitalized interest was $25 million, $34 million, $20 million, $21 million and $18 million for 2016, 2015, 2014, 2013 and 2012

(b) In the first quarter of 2016, we retrospectively adopted Accounting Standards Update 2015-03 "Simplifying the Presentation of Debt Issuance Costs." Prior year amounts have been adjusted to reflect a reclassification of debt issuance costs.

(c) Includes flights under Capacity Purchase Agreements operated by SkyWest and PenAir.

(d) See reconciliation to the most directly related Generally Accepted Accounting Principles ("GAAP") measure in the "Results of Operations" section.

(e) See "Glossary of Terms" for definitions of the abbreviated terms.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand our company, our operations and our present business environment. MD&A is provided as a supplement to – and should be read in conjunction with – our consolidated financial statements and the accompanying notes. All statements in the following discussion that are not statements of historical information or descriptions of current accounting policy are forward-looking statements. Please consider our forward-looking statements in light of the risks referred to in this report's introductory cautionary note and the risks mentioned in Part I, "Item 1A. Risk Factors." This overview summarizes the MD&A, which includes the following sections:

- *Year in Review*—highlights from 2016 outlining some of the major events that happened during the year and how they affected our financial performance.

- *Results of Operations*—an in-depth analysis of our revenues by segment and our expenses from a consolidated perspective for the three years presented in our consolidated financial statements. To the extent material to the understanding of segment profitability, we more fully describe the segment expenses per financial statement line item. Financial and statistical data is also included here. This section includes forward-looking statements regarding our view of 2017. When providing forward-looking statements on future expectations, we will provide the impact of Virgin America as a separate component of expected changes from 2016. Virgin America was acquired on December 14, 2016 and plays a significant role in the year-over-year change. Further information about the acquisition of Virgin America can be found in Note 2 to the consolidated financial statements.

- *Liquidity and Capital Resources*—an overview of our financial position, analysis of cash flows, sources and uses of cash, contractual obligations and commitments and off-balance sheet arrangements.

- *Critical Accounting Estimates*—a discussion of our accounting estimates that involve significant judgment and uncertainties.

YEAR IN REVIEW

On December 14, 2016 we completed our acquisition of Virgin America, becoming the fifth largest U.S. airline. The combined company now offers nearly 1,200 daily flights to 118 destinations across the United States, Mexico, Canada, Costa Rica and Cuba, with more nonstop destinations from the West Coast than any other airline. By combining loyalty programs and networks, along with our award-winning customer service and the expansion of our international partner portfolio, we believe we will provide greater benefits for our guests and become known as the premier airline for people on the West Coast.

In 2016, we posted our thirteenth consecutive annual profit on an adjusted basis, which is a testament to the hard work of our people and the successful execution of our strategic initiatives. Our 2016 pretax income as reported was $1.3 billion, an increase of 3% over 2015. Our 2016 pretax income on an adjusted basis (a non-GAAP financial measure) was $1.4 billion, an increase of 8% over 2015. The adjusted pretax income reflects the exclusion of $117 million of merger-related costs associated with our acquisition of Virgin America and $13 million of mark-to-market fuel hedge adjustments.

The improvement in adjusted pretax income was driven by an increase of $333 million in revenues and a decrease of $123 million in fuel costs. These benefits were partially offset by an increase in operating expenses, excluding fuel and special items, of $320 million, or 10%, to support the increased capacity of 11%. This increase reflects the addition of Virgin America capacity from the acquisition date through December 31, 2016.

The growth in revenues of $333 million was driven by the growth in our business and the inclusion of Virgin America in our results for the period from December 14, 2016 through December 31, 2016. On a combined basis, we launched 17 new markets in 2016 and, in January 2017, we launched historic flights to Havana, Cuba from Los Angeles. On the regional side of our business, we anticipate the delivery of Horizon's Embraer E175 regional jet this spring—the first of an order of 33 placed in early 2016. Our network is rapidly expanding with these regional aircraft and the recent acquisition of Virgin America. We believe we have a strong future ahead of us and look forward to the many new opportunities our combined networks will bring our company.

See "Results of Operations" below for further discussion of changes in revenues and operating expenses and our reconciliation of Non-GAAP measures to the most directly comparable GAAP measure.

Accomplishments and Highlights

Acquisition of Virgin America Inc.

- Air Group completed its acquisition of Virgin America Inc. ("Virgin America") on December 14, 2016.
- Results for 2016 include the results of operations and cash flows for Virgin America from December 14, 2016 through December 31, 2016, including the impact of purchase accounting. Periods presented prior to the acquisition date do not include Virgin America's results.

Dividend Increase

- Announced a 9% increase in the quarterly dividend, from $0.275 per share to $0.30 per share in February 2017. This is the fourth time we have raised the dividend since initiating the quarterly dividend in July 2013, with a cumulative increase of 200% since that time.

Financial Highlights

- Reported full-year net income under Generally Accepted Accounting Principles ("GAAP") of $814 million, or $6.54 per diluted share. These results compared to full year 2015 net income of $848 million, or $6.56 per diluted share.
- Reported full-year 2016 net income, excluding special items, of $911 million, an 8% increase from 2015, and adjusted diluted earnings per share of $7.32, a 12% increase from 2015.
- Paid $0.275 per-share quarterly cash dividend in the fourth quarter, bringing total dividend payments in 2016 to $136 million.
- Generated approximately $1.4 billion of operating cash flow and $708 million of free cash flow in 2016.
- Grew passenger revenues by 4% compared to full-year 2015.
- Generated full-year adjusted pretax margin of 24% in 2016, in line with 2015.
- Lowered consolidated unit costs, excluding fuel and special items, for the seventh consecutive year, to the lowest level ever. Mainline unit costs excluding fuel and special items have declined 14 of the last 15 years.
- Held $1.6 billion in unrestricted cash and marketable securities as of December 31, 2016.

Recognition and Awards—Alaska

- Became the first major U.S. airline to receive approval from the Federal Aviation Administration for its Safety Management System.
- Ranked best airline in the U.S. by the Wall Street Journal's "2016 Airline Scorecard" for the fourth year in a row.
- Ranked highest in customer satisfaction among traditional carriers in North America in 2016 by J.D. Power and Associates for the ninth year in a row.
- Ranked highest in customer satisfaction with airline loyalty rewards programs in 2016 by J.D. Power and Associates for the third consecutive year.
- Ranked first in the U.S. News & World Report's list of Best Airline Rewards Programs for the second consecutive year.
- Ranked among Forbes' 2016 "America's Best Employers."
- Named No. 1 on-time carrier in North America for the seventh year in a row by FlightStats in January 2017.
- Received the Department of Defense 2016 Freedom Award, the highest recognition given to employers by the U.S. government for their support of National Guard and Reserve members.
- Received 15th Diamond Award of Excellence from the Federal Aviation Administration, recognizing both Alaska and Horizon's aircraft technicians for their commitment to training.
- Ranked first in the commercial aviation division and first place overall at the 2016 Annual International Aerospace Maintenance Competition, surpassing over 50 teams from around the world.
- Named the No. 1 cargo carrier by Logistics Management magazine as part of its annual Quest for Quality awards.
- Joined Standard and Poor's 500 Index. Companies included in the S&P 500 are chosen by the S&P Index Committee based on their size, earnings history and liquidity, among other factors.
- Ranked among the Fortune 500 for the third year in a row.
- Ranked among the top "green companies" in the United States by Newsweek.
- Ranked among the top 100 socially just companies in the United States by Forbes.
- Received the Seattle-Tacoma International Airport Green Gateway Environmental Excellence Award for the second year in a row, as a result of efforts in reducing emissions, recycling and waste reduction and lowered energy consumption.

Recognition and Awards—Virgin America

- Rated Best U.S. Airline by Conde Nast Traveler in their "Annual Readers' Choice Awards" for nine years in a row.
- Ranked Best Domestic Airline in Travel + Leisure "World's Best Awards" for nine years in a row.
- Rated the number one carrier in the 2016 Airline Quality Report for the fourth consecutive year, an annual analysis of airline performance metrics conducted by Wichita State University and Embry-Riddle Aeronautical University.
- Rated "Best Airline in North America" for the second year in a row and "Best Low-Cost Airline in the U.S." for the seventh year in a row by Skytrax World Airline Awards.

Our People

- Awarded a record $159 million in incentive pay to employees for 2016, including $32 million earned by Virgin America employees in 2016 prior to the acquisition.
- Reached a tentative agreement with Alaska's aircraft technicians on a new collective bargaining agreement.
- Alaska received a perfect score of 100% for workplace equality on the 2017 Corporate Equality Index ("CEI"). Virgin America received a score of 95%.

Our Guests and Product

- Announced enhanced benefits to the Alaska Airlines Visa Signature credit card and the Alaska Airlines Visa Business credit card including the elimination of foreign transaction fees and increased bonus miles.
- Announced a new codeshare agreement and frequent flyer partnership with Japan Airlines, providing Alaska guests seamless travel and mileage earning opportunities.
- Launched premium class service on Alaska, including more legroom, complimentary alcoholic beverages and premium snacks.
- Flew the first three commercial flights using sustainable alcohol-to-jet biofuel made from U.S. grown corn and alternative jet fuel made from forest residuals, continuing Alaska's commitment to reduce its carbon emissions.
- Placed order for 33 firm Embraer 175 ("E175") regional jets and 30 options, to be flown by subsidiary Horizon Air, with first delivery scheduled in 2017.
- Added 19 Boeing 737-900ERs aircraft to the operating fleet in 2016, bringing the total fleet to 155 Boeing aircraft.
- Added 5 Airbus A320 aircraft to Virgin America's fleet in 2016, bringing the total fleet to 63 Airbus aircraft.
- Added 17 new markets in 2016 across the Alaska Air Group and Virgin America networks.
- Increased fuel efficiency (as measured by seat-miles per gallon) by 1.4% over 2015.

Our Communities

- Donated nearly $13 million to support nonprofits in our local communities, focusing on youth & education, medical (research/transportation) and community outreach.

Shareholder Return

In 2016, we paid cash dividends of $136 million and repurchased approximately 3 million shares of our common stock for $193 million under the $1 billion share repurchase program authorized by our Board of Directors. In the second quarter of 2016, we paused our share repurchases in advance of the acquisition of Virgin America. Since 2007, we have repurchased 59 million shares of common stock for $1.5 billion for an average price of approximately $25.90 per share. In 2016, we increased our quarterly dividend 38% from $0.20 per share to $0.275 per share, and, subsequent to December 31, 2016, we announced a 9% increase to $0.30 per share. Overall, we returned $329 million to shareholders during 2016. We expect to continue to return capital to shareholders in 2017, primarily in the form of dividends.

Outlook

We completed the acquisition of Virgin America on December 14, 2016, positioning us as the fifth largest airline in the U.S., with an unparalleled ability to serve West Coast travelers. The acquisition of Virgin America provides a platform for growth of our low-fare, premium product, a powerful West Coast network for our guests and enhanced international partnerships. Additionally, Virgin America provides access to constrained gates, particularly on the East Coast, creating increased utility for our guests.

In 2017 and beyond, we are focused on the successful integration of Virgin America with Alaska Air Group, while continuing to work towards obtaining a Single Operating Certificate ("SOC"). We currently expect to receive an SOC in early 2018. Our priority throughout the integration process is to run two great airlines and maintain a safe and compliant operation, while providing a great experience for our guests. Additionally, we are particularly focused on merging the cultures and brands that have made Alaska and Virgin America respected and trusted over the years by our guests. We intend to minimize any disruption to our guests during our integration efforts by being transparent about the progress we are making and how the changes may affect them. Employee engagement throughout the integration will remain a top priority as well, ensuring that employees remain engaged, informed and excited about the new Alaska Air Group. We plan to bring our teams together through workshops and trainings delivered throughout 2017. Additionally, we will remain focused on capturing the value and synergies created by combining these two great companies.

In addition to our integration with Virgin America, one of our biggest initiatives is the launch of our new "Premium Class" service on our B737 aircraft, which provides greater leg room, priority boarding and complimentary cocktails, among other benefits. Premium Class was rolled out in early January 2017 and, so far, the results are exceeding our expectations in both guest response and revenue generation.

Currently, we expect to grow our combined network capacity in 2017 by approximately 8.5%. The growth rate compares 2017 system-wide capacity with historical Air Group and Virgin America combined capacity in 2016. This compares to a 10.2% combined growth in 2016 on the same basis. Current schedules indicate competitive capacity will be 5 points higher in the first quarter of 2017. We believe that our product, our operation, our engaged employees, our award-winning service, and our competitive Mileage Plan™ and Elevate® programs, combined with our strong balance sheet, give us the ability to compete vigorously in our markets.

RESULTS OF OPERATIONS

ADJUSTED (NON-GAAP) RESULTS AND PER-SHARE AMOUNTS

We believe disclosure of earnings excluding the impact of merger-related costs, mark-to-market gains or losses or other individual special revenues or expenses is useful information to investors because:

- By eliminating fuel expense and certain special items (including merger-related costs) from our unit metrics, we believe that we have better visibility into the results of operations and our non-fuel cost-reduction initiatives. Our industry is highly competitive and is characterized by high fixed costs, so even a small reduction in non-fuel operating costs can lead to a significant improvement in operating results. In addition, we believe that all domestic carriers are similarly impacted by changes in jet fuel costs over the long run, so it is important for management (and thus investors) to understand the impact of (and trends in) company-specific cost drivers, such as labor rates and productivity, airport costs, maintenance costs, etc., which are more controllable by management.

- Cost per ASM ("CASM") excluding fuel and certain special items, such as merger-related costs, is one of the most important measures used by management and by the Air Group Board of Directors in assessing quarterly and annual cost performance.

- Adjusted income before income tax and CASM excluding fuel (and other items as specified in our plan documents) are important metrics for the employee incentive plan, which covers the majority of Air Group employees.

- CASM excluding fuel and certain special items is a measure commonly used by industry analysts and we believe it is the basis by which they compare our airlines to others in the industry. The measure is also the subject of frequent questions from investors.

- Disclosure of the individual impact of certain noted items provides investors the ability to measure and monitor performance both with and without these special items. We believe that disclosing the impact of certain items, such as merger-related costs and mark-to-market hedging adjustments, is important because it provides information on significant items that are not necessarily indicative of future performance. Industry analysts and investors consistently measure our performance without these items for better comparability between periods and among other airlines.

- Although we disclose our passenger unit revenues, we do not (nor are we able to) evaluate unit revenues excluding the impact that changes in fuel costs have had on ticket prices. Fuel expense represents a large percentage of our total operating expenses. Fluctuations in fuel prices often drive changes in unit revenues in the mid-to-long term. Although we believe it is useful to evaluate non-fuel unit costs for the reasons noted above, we would caution readers of these financial statements not to place undue reliance on unit costs excluding fuel as a measure or predictor of future profitability because of the significant impact of fuel costs on our business.

Although we are presenting these non-GAAP amounts for the reasons above, investors and other readers should not necessarily conclude that these amounts are non-recurring, infrequent, or unusual in nature.

2016 COMPARED WITH 2015

Our consolidated net income for 2016 was $814 million, or $6.54 per diluted share, compared to net income of $848 million, or $6.56 per diluted share, in 2015. Our financial results include results of Virgin America for the period from December 14, 2016 through December 31, 2016 and the impact of purchase accounting as of December 14, 2016. Refer to the "Critical Accounting Estimates" section for further information regarding purchase accounting.

Excluding the impact of merger-related costs, mark-to-market fuel hedge adjustments and other special items, our adjusted consolidated net income for 2016 was $911 million, or $7.32 per diluted share, compared to an adjusted consolidated net income of $842 million, or $6.51 per share, in 2015. The following tables reconcile our adjusted net income and earnings per diluted share ("EPS") during the full year 2016 and 2015 to amounts as reported in accordance with GAAP.

(in millions, except per-share amounts)	Twelve Months Ended December 31, 2016 Dollars	2016 Diluted EPS	2015 Dollars	2015 Diluted EPS
Reported GAAP net income and diluted EPS	**$ 814**	**$ 6.54**	$ 848	$ 6.56
Mark-to-market fuel hedge adjustments	**(13)**	**(0.11)**	—	—
Special items—merger-related costs and other[a]	**117**	**0.94**	32	0.25
Income tax effect on special items[b]	**(24)**	**(0.19)**	(12)	(0.10)
Special tax (benefit)/expense[c]	**17**	**0.14**	(26)	(0.20)
Non-GAAP adjusted net income and diluted EPS	**$ 911**	**$ 7.32**	$ 842	$ 6.51

(a) Refer to Note 11 to the consolidated financial statement for the description of special items
(b) Certain merger-related costs are non-deductible for tax purposes, resulting in a smaller income tax effect for current year adjusting items
(c) Special tax (benefit)/expense represents the discrete impacts of adjustments to our position on income sourcing in various states

CASM is summarized below:

	Twelve Months Ended December 31, 2016	2015	% Change
Consolidated:			
Total CASM	**10.38¢**	10.77¢	(3.6)
Less the following components:			
Aircraft fuel, including hedging gains and losses	**1.88**	2.39	(21.3)
Special items—merger-related costs and other[a]	**0.27**	0.08	237.5
CASM, excluding fuel and special items	**8.23¢**	8.30¢	(0.8)
Mainline:			
Total CASM	**9.39¢**	9.77¢	(3.9)
Less the following components:			
Aircraft fuel, including hedging gains and losses	**1.79**	2.29	(21.8)
Special items—merger-related costs and other[a]	**0.30**	0.09	233.3
CASM, excluding fuel and special items	**7.30¢**	7.39¢	(1.2)

(a) Refer to Note 11 to the consolidated financial statement for the description of special items

OPERATING STATISTICS SUMMARY (unaudited)
Alaska Air Group, Inc.

Below are operating statistics we use to measure performance. Consolidated and Mainline amounts presented below include Virgin America data for the period December 14, 2016 through December 31, 2016. We often refer to unit revenues and adjusted unit costs, which is a non-GAAP measure.

	Twelve Months Ended December 31,				
	2016	2015	Change	2014	Change
Consolidated Operating Statistics:[a]					
Revenue passengers (000)	**34,289**	31,883	7.5%	29,278	8.9%
RPMs (000,000) "traffic"	**37,209**	33,578	10.8%	30,718	9.3%
ASMs (000,000) "capacity"	**44,135**	39,914	10.6%	36,078	10.6%
Load factor	**84.3%**	84.1%	0.2 pts	85.1%	(1.0) pts
Yield	**13.45¢**	14.27¢	(5.7)%	14.91¢	(4.3)%
PRASM	**11.34¢**	12.01¢	(5.6)%	12.69¢	(5.4)%
RASM	**13.44¢**	14.03¢	(4.2)%	14.88¢	(5.7)%
CASM excluding fuel and special items[b]	**8.23¢**	8.30¢	(0.8)%	8.36¢	(0.7)%
Economic fuel cost per gallon[b]	**$1.52**	$1.88	(19.1)%	$3.08	(39.0)%
Fuel gallons (000,000)	**554**	508	9.1%	469	8.3%
ASM's per gallon	**79.7**	78.6	1.4%	76.9	2.2%
Average number of full-time equivalent employees (FTEs)	**14,760**	13,858	6.5%	12,739	8.8%
Mainline Operating Statistics:					
Revenue passengers (000)	**24,838**	22,869	8.6%	20,972	9.0%
RPMs (000,000) "traffic"	**33,489**	30,340	10.4%	27,778	9.2%
ASMs (000,000) "capacity"	**39,473**	35,912	9.9%	32,430	10.7%
Load factor	**84.8%**	84.5%	0.3 pts	85.7%	(1.2) pts
Yield	**12.24¢**	12.98¢	(5.7)%	13.58¢	(4.4)%
PRASM	**10.38¢**	10.97¢	(5.4)%	11.64¢	(5.8)%
CASM excluding fuel and special items[b]	**7.30¢**	7.39¢	(1.2)%	7.45¢	(0.8)%
Economic fuel cost per gallon[b]	**$1.52**	$1.87	(18.7)%	$3.07	(39.1)%
Fuel gallons (000,000)	**474**	439	8.0%	407	7.9%
ASM's per gallon	**83.3**	81.8	1.8%	79.7	2.6%
Average number of FTEs	**11,447**	10,750	6.5%	9,910	8.5%
Aircraft utilization	**10.5**	10.8	(2.8)%	10.5	2.9%
Average aircraft stage length	**1,225**	1,195	2.5%	1,182	1.1%
Mainline operating fleet at period-end	**218 a/c**	147 a/c	71 a/c	137 a/c	10 a/c
Regional Operating Statistics:[c]					
Revenue passengers (000)	**9,452**	9,015	4.8%	8,306	8.5%
RPMs (000,000) "traffic"	**3,720**	3,238	14.9%	2,940	10.1%
ASMs (000,000) "capacity"	**4,662**	4,002	16.5%	3,648	9.7%
Load factor	**79.8%**	80.9%	(1.1) pts	80.6%	0.3 pts
Yield	**24.42¢**	26.37¢	(7.4)%	27.40¢	(3.8)%
PRASM	**19.49¢**	21.34¢	(8.7)%	22.08¢	(3.4)%

(a) Except for FTEs, data includes information related to regional CPA flying with Horizon, SkyWest and PenAir.
(b) See reconciliation of this measure to the most directly related GAAP measure in the "Results of Operations" section.
(c) Data presented includes information related to regional CPAs.

OPERATING REVENUES

Total operating revenues increased $333 million, or 6%, during 2016 compared to the same period in 2015. The changes are summarized in the following table:

	Twelve Months Ended December 31,		
(in millions)	2016	2015	% Change
Passenger			
Mainline	$ 4,098	$ 3,939	4
Regional	908	854	6
Total passenger revenue	$ 5,006	$ 4,793	4
Freight and mail	108	108	—
Other—net	817	697	17
Total operating revenues	$ 5,931	$ 5,598	6

Passenger Revenue Mainline

Mainline passenger revenue for 2016 increased by 4% due to a 9.9% increase in capacity, partially offset by a 5.4% decrease in PRASM compared to 2015. The increase in capacity was driven by new routes and growth in our operating fleet. Virgin America capacity from the acquisition date through December 31, 2016 represented approximately 2 points of capacity increase from 2015. The decrease in PRASM was driven by a decrease of 5.7% in ticket yield due to competitive pressures and our own growth, offset by a slight increase in load factor. Furthermore, the decline in fuel prices over the last year has contributed to lower ticket prices.

We expect competitive pressures on unit revenues to continue into 2017. However, given our projected capacity growth, we expect total passenger revenue will increase from 2016 on a combined comparative basis that includes full 2016 capacity of Virgin America.

Passenger Revenue Regional

Regional passenger revenue increased by $54 million, or 6%, compared to 2015 due to a 16.5% increase in capacity, partially offset by an 8.7% decrease in PRASM compared to 2015. The increase in capacity is due to an increase in departures from new E175 deliveries, an increase in average aircraft stage length and the annualization of new routes introduced over the past twelve months. The decrease in PRASM was due to a 7.4% decrease in ticket yield, as well as a decrease in load factor of 1.1 points. The decrease in yield was due to an increase in competitive capacity in our regional markets and our own growth as we strengthen our network utility in the Pacific Northwest, as well as an increase in the average trip length of our regional flights.

We expect Regional passenger revenue to increase in 2017, primarily due to the delivery and placement into service of 18 E175s and the annualization of new routes introduced in 2016.

Other Net

Other—net revenue increased $120 million, or 17%, from 2015, primarily due to increases in Mileage Plan™ revenue. Mileage Plan™ revenue increased $100 million or 30%, due to increased miles sold and improved compensation terms with our Mileage Plan™ affinity credit card partner as a result of a contract extension which became effective January 1, 2016. Additionally, Mileage Plan™ revenue earned from our partner airlines increased as compared to the prior year.

We expect our Other—net revenue to experience an increase, on a year over year basis, at a pace higher than the expected increase in passengers in 2017, due to growth in the Mileage Plan™ program as we introduce Virgin America Elevate® members to the program, as well as continued organic growth amongst new and existing customers.

OPERATING EXPENSES

Total operating expenses increased $282 million, or 7%, compared to 2015, primarily as a result of higher wages and benefits and $117 million of merger-related costs, partially offset by lower fuel costs. We believe it is useful to summarize operating expenses as follows, which is consistent with the way expenses are reported internally and evaluated by management:

	Twelve Months Ended December 31,		
(in millions)	2016	2015	% Change
Fuel expense	$ 831	$ 954	(13)
Non-fuel expenses	3,634	3,314	10
Special items—merger-related costs and other	117	32	266
Total Operating Expenses	$ 4,582	$ 4,300	7

Significant operating expense variances from 2015 are more fully described below.

Wages and Benefits

Wages and benefits increased during 2016 by $128 million, or 10%, compared to 2015. The primary components of wages and benefits are shown in the following table:

	Twelve Months Ended December 31,		
(in millions)	2016	2015	% Change
Wages	$ 1,022	$ 945	8
Medical and other benefits	192	153	25
Defined contribution plans	67	60	12
Pension—Defined benefit plans	25	28	(11)
Payroll taxes	76	68	12
Total wages and benefits	$ 1,382	$ 1,254	10

Wages increased 8% on a 6.5% increase in FTEs. The increase in wages was primarily attributable to FTE growth to support expansion of our business and an increase in the average wages per employee.

Medical and other benefits increased 25% compared to the prior year. The increase is primarily due to an increase in the number of employees and high-cost medical claims.

Defined contribution plans increased 12% due to FTE growth and increased participation throughout all labor groups.

Pension expense decreased 11%, compared to the same period in the prior year. The decrease is due to a change in several assumptions used at December 31, 2015, including a higher discount rate, updated retirement age assumptions, future salary increase assumptions and others that resulted in lower expense recognition in 2016.

We expect wages and benefits to be 30% to 35% higher in 2017 compared to 2016. The impact of Virgin America is approximately three quarters of the increase. The remainder is the expected growth in FTEs to support our capacity growth, along with higher wages, pension costs and medical costs.

Variable Incentive Pay

Variable incentive pay expense increased to $127 million in 2016 from $120 million in 2015. The increase is due to a higher wage base.

Aircraft Fuel

Aircraft fuel expense includes both *raw fuel expense* (as defined below) and the effect of mark-to-market adjustments to our fuel hedge portfolio included in our consolidated statement of operations as the value of that portfolio increases and decreases. Aircraft fuel expense can be volatile, even between quarters, because it includes these gains or losses in the value of the underlying instrument as crude oil prices and refining margins increase or decrease. *Raw fuel expense* is defined as the price that we generally pay at the airport, or the "into-plane" price, including taxes and fees. Raw fuel prices are impacted by world oil prices and refining costs, which can vary by region in the U.S. *Raw fuel expense* approximates cash paid to suppliers and does not reflect the effect of our fuel hedges.

Aircraft fuel expense decreased $123 million, or 13% compared to 2015. The elements of the change are illustrated in the following table:

	Twelve Months Ended December 31,			
	2016		2015	
(in millions, except for per gallon amounts)	Dollars	Cost/Gal	Dollars	Cost/Gal
Raw or "into-plane" fuel cost	$ 828	$ 1.49	$ 935	$ 1.84
Losses on settled hedges	16	0.03	19	0.04
Consolidated economic fuel expense	$ 844	$ 1.52	$ 954	$ 1.88
Mark-to-market fuel hedge adjustments	(13)	(0.02)	—	—
GAAP fuel expense	$ 831	$ 1.50	$ 954	$ 1.88
Fuel gallons	554		508	

Fuel gallons consumed increased 9.1% on our consolidated 10.6% increase in capacity, partially offset by a 1.4% improvement in fuel efficiency as measured by consolidated ASMs per gallon.

The raw fuel price per gallon decreased 19% as a result of lower West Coast jet fuel prices. West Coast jet fuel prices are impacted by the price of crude oil and the refining margins associated with the conversion of crude oil to jet fuel. The decrease in raw fuel price per gallon during 2016 was due to a decline in crude oil prices of 11% and a decrease in refining margins of 36%, when compared to the prior year.

We also evaluate economic fuel expense, which we define as raw fuel expense adjusted for the cash we receive from, or pay to, hedge counterparties for hedges that settle during the period, and for the premium expense that we paid for those contracts. A key difference between aircraft fuel expense and economic fuel expense is the timing of gain or loss recognition on our hedge portfolio. When we refer to economic fuel expense, we include gains and losses only when they are realized for those contracts that were settled during the period based on their original contract terms. We believe this is the best measure of the effect that fuel prices are currently having on our business because it most closely approximates the net cash outflow associated with purchasing fuel for our operations. Accordingly, many industry analysts evaluate our results using this measure, and it is the basis for most internal management reporting and incentive pay plans.

Losses recognized for hedges that settled during the year were $16 million in 2016, compared to losses of $19 million in 2015. These amounts represent cash paid for premium expense, offset by any cash received from those hedges at settlement.

As of the date of this filing we expect our economic fuel price per gallon to increase approximately 39% in the first quarter of 2017 as compared to the first quarter of 2016 of Air Group as reported due to higher crude oil prices and refining margins. As both oil prices and refining margins are volatile, we are unable to forecast the full-year cost with any certainty.

Aircraft Maintenance

Aircraft maintenance costs increased by $17 million, or 7%, compared to the prior year. Maintenance costs increased primarily due to more engine and airframe events than in 2016. Additionally, in the prior year we received vendor credits, which offset expense, for engine maintenance that had been previously completed on the B737 fleet.

We expect aircraft maintenance to be approximately 50% to 55% higher in 2017 compared to 2016. The impact of Virgin America represents approximately three quarters of the increase. For Alaska, we expect an increase in engine maintenance costs primarily for our 737-800 aircraft, as we anticipate entering into a power-by-the-hour maintenance arrangement.

Aircraft Rent

Aircraft rent expense increased by $9 million, or 9%, compared to the prior year, primarily due the addition of the rent expense on the 53 Airbus aircraft leased by Virgin America for the period from December 14, 2016 to December 31, 2016.

We expect aircraft rent to be approximately 140% to 145% higher in 2017 compared to 2016 due to the full-year impact of the 53 leased Airbus aircraft, partially offset by a reduction in the number of leased B737-400 aircraft.

Landing Fees and Other Rentals

Landing fees and other rental expenses increased $24 million, or 8%, primarily due to increased flying in 2016, as we increased capacity and entered new markets.

We expect landing fees and other rental expenses to increase approximately 50% to 55% in 2017 with Virgin America representing about three quarters of the increase. The remainder of the increase relates to our expected capacity growth and rate increases at airports across our network.

Contracted Services

Contracted services increased $33 million, or 15%, when compared to 2015. The increase is primarily due to increased flying at stations where we use vendors to assist us. Additionally, wage rates for our vendor employees have increased due in part to higher minimum wage laws in many locations we serve. We also had several information technology and facilities projects that required contracted support.

We expect contracted services to be 50% to 55% higher in 2017 compared to 2016, primarily due to the addition of Virgin America, as well as the additional contracted services to be incurred as the companies are integrated.

Selling Expenses

Selling expenses increased by $14 million, or 7%, compared to 2015, mostly due to increased promotional and advertising activities, as well as new sponsorships which became effective in the current year.

We expect selling expense to increase approximately 65% to 70% in 2017 compared to 2016 primarily due to the addition of Virgin America.

Depreciation and Amortization

Depreciation and amortization expenses increased by $43 million, or 13%, compared to 2015. The increase is primarily due to the addition of 19 900ERs to our fleet since December 31, 2015, partially offset by a change in the estimated useful lives of certain B737 operating aircraft and related parts from 20 years to 25 years, which was effective October 1, 2016.

We expect depreciation and amortization expense to remain relatively flat in 2017 compared to 2016. The impact of Virgin America and newly delivered aircraft in 2017 is expected to be offset by a full year impact of the change in accounting estimate for useful lives mentioned previously.

Food and Beverage Service

Food and beverage service expenses increased by $13 million, or 12%, due to the increased number of passengers and upgrades to our onboard menu, offering higher quality food and beverage products.

We expect food and beverage expenses to increase 40% to 45% in 2017, primarily due to the acquisition of Virgin America.

Third-party regional carrier expense

Third-party regional carrier expense, which represents payments made to SkyWest and PenAir under our CPA agreements, increased $23 million, or 32%, in 2016 compared to 2015. The increase is primarily due to the significant increase in regional capacity in 2016 through the introduction of E175 flying.

We expect third-party regional carrier expense to increase in 2017 as we continue to expand our regional network.

Other Operating Expenses

Other operating expenses increased $9 million, or 3%, compared to 2015. The increase is primarily due to increases in property and other taxes, personnel costs for our flight crews and an increase in fines and penalties.

We expect other operating expenses to increase approximately 50% to 55% in 2017 compared to 2016. The impact of Virgin America represents approximately half of the increase, while the other half is driven by IT and facilities-related projects.

Special Items—Merger-Related Costs and Other

We recorded special items of $117 million for merger-related costs associated with our acquisition of Virgin America. These costs consisted primarily of legal expenses, investment banking fees and severance costs. We expect to continue to incur merger-related costs in 2017. Our 2015 special items of $32 million consisted of a non-cash pension settlement expense and costs related to ongoing litigation.

Consolidated Nonoperating Income (Expense)

During 2016 we recorded nonoperating expense of $4 million, compared to nonoperating income of $14 million in 2015. In the current year, we incurred more interest expense associated with the financing obtained to fund the acquisition of Virgin America. This expense was partially offset by additional interest income earned during the period we held those funds in advance of the acquisition close date.

Additional Segment Information

Refer to Note 13 of the consolidated financial statements for a detailed description of each segment. Below is a summary of each segment's profitability.

Mainline

Pretax profit for Mainline was $1.3 billion in 2016 compared to $1.2 billion in 2015. This segment includes financial results of Virgin America from the date of acquisition through December 31, 2016. The $135 million increase is due to an increase in operating revenues of $277 million, offset by an increase in operating expenses of $126 million. Revenue growth was primarily driven by the $159 million increase in passenger revenues and the $100 million increase in Mileage Plan™ revenue, both described previously. Growth in operating expenses was due to higher wages to support our network growth, higher ramp and passenger handling due to increased flying and higher wage rates at stations where we use vendors to assist us, higher depreciation related to our fleet growth, and higher selling expenses related to increased advertising. Economic fuel cost, as defined above, decreased due to lower raw fuel costs and increased fuel efficiency, slightly offset by an 8% increase in consumption.

Regional

Pretax profit for Regional was $93 million in 2016 compared to $105 million in 2015. The $12 million decrease in pretax profit was driven by a $74 million increase in non-fuel operating expenses in the current year to support additional departures, partially offset by a $56 million increase in revenue and an $6 million decrease in fuel expense when compared to the prior year period.

Horizon

Pretax profit for Horizon was $14 million in 2016 compared to $28 million in 2015. CPA Revenues (100% of which are from Alaska and are eliminated in consolidation) increased due to additional capacity added in the last 12 months. The $32 million increase in Horizon's non-fuel operating expenses was largely driven by higher medical costs due to an increased number of large medical claims, increased volume of engine overhaul and heavy airframe work, employee signing bonuses and overhead restructuring costs.

2015 COMPARED WITH 2014

Our consolidated net income for 2015 was $848 million, or $6.56 per diluted share, compared to net income of $605 million, or $4.42 per diluted share, in 2014.

Excluding the impact of mark-to-market fuel hedge adjustments and special items, our adjusted consolidated net income for 2015 was $842 million, or $6.51 per diluted share, compared to an adjusted consolidated net income of $571 million, or $4.18 per share, in 2014.

	Twelve Months Ended December 31,			
	2015		2014	
(in millions, except per-share amounts)	Dollars	Diluted EPS	Dollars	Diluted EPS
Reported GAAP net income and diluted EPS	$ 848	$ 6.56	$ 605	$ 4.42
Mark-to-market fuel hedge adjustments	—	—	(23)	(0.16)
Special items	32	0.25	$ (30)	$ (0.22)
Income tax effect of special items	(12)	(0.10)	19	0.14
Special income tax benefit[a]	(26)	(0.20)	—	—
Non-GAAP adjusted net income and diluted EPS	$ 842	$ 6.51	$ 571	$ 4.18

(a) Special tax benefit represents the discrete impacts of adjustments to our position on income sourcing in various states.

Our operating costs per ASM are summarized below:

	Twelve Months Ended December 31,		
	2015	2014	% Change
Consolidated:			
Total operating expenses per ASM (CASM)	10.77¢	12.21¢	(11.8)
Less the following components:			
Aircraft fuel, including hedging gains and losses	2.39	3.93	(39.2)
Special items	0.08	(0.08)	NM
CASM, excluding fuel and special items	8.30¢	8.36¢	(0.7)
Mainline:			
Total operating expenses per ASM (CASM)	9.77¢	11.15¢	(12.4)
Less the following components:			
Aircraft fuel, including hedging gains and losses	2.29	3.79	(39.6)
Special items	0.09	(0.09)	NM
CASM, excluding fuel and special items	7.39¢	7.45¢	(0.8)

NM—Not meaningful

OPERATING REVENUES

Total operating revenues increased $230 million, or 4%, during 2015 compared to the same period in 2014. The changes are summarized in the following table:

	Twelve Months Ended December 31,		
(in millions)	2015	2014	% Change
Passenger			
Mainline	$ 3,939	$ 3,774	4
Regional	854	805	6
Total passenger revenue	$ 4,793	$ 4,579	5
Freight and mail	108	114	(5)
Other—net	697	675	3
Total operating revenues	$ 5,598	$ 5,368	4

Passenger Revenue—Mainline

Mainline passenger revenue for 2015 increased by 4% on a 10.7% increase in capacity, partially offset by a 5.8% decrease in PRASM compared to 2014. The increase in capacity was driven by new routes, larger aircraft added to our fleet and increased utilization of our aircraft. The decrease in PRASM was driven by a 4.4% decrease in ticket yield, combined with a 1.2-point decrease in load factor compared to the prior year. The decline in ticket yield was primarily due to increased competitive capacity in the markets we serve and our own growth. Yield was further impacted by a significant decline in fuel prices, which has a direct impact on ticket pricing. The decline in load factor was also a result of increased capacity.

Passenger Revenue—Regional

Regional passenger revenue increased by $49 million, or 6%, compared to 2014 due to a 9.7% increase in capacity, partially offset by a 3.4% decrease in PRASM compared to 2014. The increase in capacity was due to an increase in departures and average aircraft stage length. The decrease in PRASM was due to a 3.8% decrease in ticket yield, partially offset by an increase in load factor of 0.3 points. The decline in yield was due to an increase in competitive capacity in our regional markets and our own growth as we strengthen our network utility in the Pacific Northwest.

Other—Net

Other—net revenue increased $22 million, or 3%, from 2014, due to increases in Mileage Plan™ revenue and food and beverage sales, partially offset by lower bag fee revenues. Mileage Plan™ revenue increased $34 million or 12%, due to increased miles sold. Food and beverage sales were higher due to the 8.9% increase in passengers and selling more premium offerings, such as Tom Douglas signature meals. Bag fee revenue was lower due to promotions launched in 2015 to offer a free first checked bag to our Alaska Airlines Signature Visa credit card holders. This decline was partially offset by incremental revenue from our affinity card bank partner.

OPERATING EXPENSES

Total operating expenses decreased $106 million, or 2%, compared to 2014, primarily as a result of lower fuel costs.

	Twelve Months Ended December 31,		
(in millions)	2015	2014	% Change
Fuel expense	$ 954	$ 1,418	(33)
Non-fuel expenses	3,314	3,018	10
Special items	32	(30)	NM
Total Operating Expenses	$ 4,300	$ 4,406	(2)

Significant operating expense variances from 2014 are more fully described below.

Wages and Benefits

Wages and benefits increased during 2015 by $118 million, or 10%, compared to 2014. The primary components of wages and benefits are shown in the following table:

(in millions)	Twelve Months Ended December 31, 2015	2014	% Change
Wages	$ 945	$ 862	10
Medical and other benefits	153	150	2
Defined contribution plans	60	53	13
Pension—defined benefit plans	28	9	211
Payroll taxes	68	62	10
Total wages and benefits	$ 1,254	$ 1,136	10

Wages increased 10%, primarily due to an 8.8% increase in FTEs and the annualization of new labor contracts that included higher rates. The increase in FTEs was to support the growth in our business.

Defined contribution plan expense increased 13% due to increased contributions throughout all labor groups and an increased matched percentage as a part of recent labor contracts.

Pension expense increased $19 million, compared to the same period in the prior year. The increase is due to higher amortization of actuarial losses from previous years due primarily to a lower discount rate used to value the pension obligation at December 31, 2014.

Variable Incentive Pay

Variable incentive pay expense increased to $120 million in 2015 from $116 million in 2014. The increase is due to actual results exceeding our targets for financial performance more so than in the prior year, coupled with a higher wage base.

Aircraft Fuel

Aircraft fuel expense decreased $464 million, or 33% compared to 2014. The elements of the change are summarized in the following table:

(in millions, except for per gallon amounts)	Twelve Months Ended December 31, 2015 Dollars	2015 Cost/Gal	2014 Dollars	2014 Cost/Gal
Raw or "into-plane" fuel cost	$ 935	$ 1.84	$ 1,400	$ 2.99
Losses on settled hedges	19	0.04	41	0.09
Consolidated economic fuel expense	$ 954	$ 1.88	$ 1,441	$ 3.08
Mark-to-mark fuel hedge adjustments	—	—	(23)	(0.05)
GAAP fuel expense	$ 954	$ 1.88	$ 1,418	$ 3.03
Fuel gallons	508		469	

Fuel gallons consumed increased 8.3% in line with the 10.6% increase capacity, partially offset by a 2.2% improvement in fuel efficiency as measured by ASMs per gallon.

The raw fuel price per gallon decreased 38.5% as a result of lower West Coast jet fuel prices. West Coast jet fuel prices are impacted by both the price of crude oil, as well as refining margins associated with the conversion of crude oil to jet fuel. The decrease in raw fuel price per gallon during 2015 was due to a decline in crude oil prices of 48% and a decrease in refining margins of 11%, when compared to the prior year.

Losses recognized for hedges that settled during the year were $19 million in 2015, compared to losses of $41 million in 2014. These amounts represent cash paid for premium expense, offset by any cash received from those hedges at settlement. The

decrease in losses on settled hedges was primarily due to our increased use of "out of the money" call options as well as purchasing shorter-dated options, both of which reduce the premium cost we pay.

Aircraft Maintenance

Aircraft maintenance increased by $24 million, or 10%, compared to the prior year. Maintenance costs increased due to more scheduled engine maintenance events that were more expensive due to replacing life-limited parts and heavier airframe checks.

Landing Fees and Other Rentals

Landing fees and other rentals increased $17 million, or 6%, primarily due to increased flying in 2015 as we increased capacity and entered into new markets.

Selling Expenses

Selling expenses increased by $12 million, or 6%, compared to 2014, mostly due to increased promotional and advertising activities in Seattle and increased credit card commissions from higher revenue.

Contracted Services

Contracted services increased $18 million, or 9%, when compared to 2014. The increase is primarily due to increased flying at stations where we use vendors to assist us with passenger and ramp handling.

Depreciation and Amortization

Depreciation and amortization expenses increased by $26 million, or 9%, due to the increased number of aircraft in our fleet and cabin upgrades throughout 2014 and 2015.

Food and Beverage Service

Food and beverage service expenses increased by $20 million, or 22%, due to the increased number of passengers and upgrades to our onboard menu, offering higher quality food and beverage products.

Third-party regional carrier expense

Third-party regional carrier expense, which represents payments made to SkyWest and PenAir under our CPAs, increased $14 million, or 24%, in 2015 compared to 2014. The increase is primarily due to the five E175 aircraft operated by SkyWest added to our regional operation in 2015.

Other Operating Expenses

Other operating expenses increased $48 million, or 16%, compared to 2014. The increase is primarily due to professional services with regard to our brand refresh and network strategy, personnel costs for our flight crews and IT-related costs.

Special Items

During 2015 we recorded special items of $32 million. This is due to a $14 million non-cash pension settlement expense recorded as a result of lump-sum payments made to terminated, vested participants which removed them from participation in the pension plan therefore reducing our outstanding liability, and an $18 million expense related to ongoing litigation.

Consolidated Nonoperating Income (Expense)

During 2015, we recorded nonoperating income of $14 million, compared to an expense of $13 million in 2014. In 2015, we capitalized more of our interest expense on an increasing balance of prepaid aircraft deposits.

Additional Segment Information

Refer to Note 13 of the consolidated financial statements for a detailed description of each segment. Below is a summary of each segments' profitability.

Mainline

Pretax profit for Alaska Mainline was $1.2 billion in 2015 compared to $834 million in 2014. The $372 million increase is due to increased revenues of $188 million and decreased operating expenses of $192 million, slightly offset by a decrease in non-operating income of $8 million. Revenue growth was largely driven by the $165 million increase in Mainline passenger revenue described previously. Growth in operating expenses was due to higher wages to support our growth, higher ramp and passenger handling associated with increased flying, higher depreciation related to our fleet growth, and increased food and beverage costs. Economic fuel cost, as defined above, decreased due to lower raw fuel costs and increased fuel efficiency, slightly offset by an increase in consumption.

Regional

Pretax profit for Alaska Regional was $105 million in 2015 compared to $74 million in 2014. The $31 million increase is due to increased revenues of $43 million, offset by increased operating expense of $13 million. Revenue growth was driven by increased passenger revenue. Operating expenses were higher in 2015 to support additional departures.

Horizon

Pretax profit for Horizon was $28 million in 2015 compared to $17 million in 2014. The $11 million increase is due to increased CPA Revenues (100% of which are from Alaska and eliminated in consolidation) of $36 million, offset by increased non-fuel operating expenses of $26 million. The increase in Horizon's non-fuel operating expenses was largely driven by increased engine maintenance and other expenses to support the increase in capacity.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are:

- Our existing cash and marketable securities balance of $1.6 billion and our expected cash from operations;
- Our 52 unencumbered aircraft in the operating fleet as of December 31, 2016, that could be financed, if necessary; and
- Our combined $200 million bank line-of-credit facilities, with none currently outstanding.

On December 14, 2016 we completed the acquisition of Virgin America, paying $2.6 billion to stockholders and other equity holders of Virgin America. We funded the acquisition with cash on hand and approximately $2.0 billion of secured debt financing provided by multiple lenders. Approximately $1.6 billion of the loans obtained to fund the acquisition are secured by a total of 56 of Air Group's aircraft, including 37 B737-900ER aircraft and 19 B737-800 aircraft. The remainder is secured by Air Group's interest in certain aircraft purchase agreements. As a result, we have fewer unencumbered aircraft in our operating fleet than in prior periods, which could affect our ability to obtain future financing.

In 2016, we took delivery of 19 B737-900ER aircraft and made debt payments totaling $249 million. We also continued to return capital to our shareholders by paying dividends totaling $136 million and repurchasing $193 million of our common stock. Because of our strong balance sheet and financial performance, we are one of only three airlines in the U.S. with investment grade credit ratings.

We believe that our current cash and marketable securities balance combined with future cash flows from operations and other sources of liquidity will be sufficient to fund our operations and meet our debt payment obligations for the foreseeable future.

In our cash and marketable securities portfolio, we invest only in securities that meet our primary investment strategy of maintaining and securing investment principal. The portfolio is managed by reputable firms that adhere to our investment policy that sets forth investment objectives, approved and prohibited investments, and duration and credit quality guidelines. Our policy and the portfolio managers are continually reviewed to ensure that the investments are aligned with our strategy.

The table below presents the major indicators of financial condition and liquidity:

(in millions, except per share and debt-to-capital amounts)	December 31, 2016	December 31, 2015	Change
Cash and marketable securities	**$1,580**	$1,328	$252
Cash, marketable securities and unused lines of credit as a percentage of trailing twelve months revenue	**31%**	28%	3 pts
Long-term debt, net of current portion	**2,645**	569	2,076
Shareholders' equity	**2,931**	2,411	520
Long-term debt-to-capital ratio[a]	**59%**	27%	32 pts

(a) Calculated using the present value of remaining aircraft lease payments for aircraft that are in our operating fleet as of the balance sheet date.

The following discussion summarizes the primary drivers of the increase in our cash and marketable securities balance and our expectation of future cash requirements.

ANALYSIS OF OUR CASH FLOWS

Cash Provided by Operating Activities

Net cash provided by operating activities was $1.4 billion in 2016 compared to $1.6 billion in 2015. The decrease of $198 million is due to a decline in operating results primarily driven by an increase in non-fuel operating expenses—including $117 million in merger-related costs associated with the acquisition of Virgin America—partially offset by higher revenues and lower fuel costs.

In 2015, we generated $1.6 billion in operating cash flows compared to $1.0 billion in 2014. The increase of $554 million was primarily attributable to improved operating results, driven largely by lower jet fuel costs.

We typically generate positive cash flows from operations, and expect to use that cash flow to buy aircraft and capital equipment, to make debt payments, and to return capital to shareholders. During 2016, we paused our share repurchase program as we prepared for the acquisition of Virgin America.

Cash Used in Investing Activities

Cash used in investing activities was $2.6 billion during 2016, compared to $930 million in 2015. We used $2.0 billion to acquire Virgin America, representing $2.6 billion consideration paid, offset by $645 million of cash acquired. Our capital expenditures were $678 million, or $153 million lower than in 2015 as a result of fewer aircraft purchase deposits made during 2016 as compared to 2015. During 2016 we took delivery of 19 B737-900ERs, and made advance purchase deposits on B737 and E175 aircraft that will be delivered over the next 24 months. This compares to the delivery of 11 B737-900ERs and one Q400 in the prior year.

As of December 31, 2016, we had firm commitments for 54 B737 aircraft through 2023 with options to acquire up to 41 additional B737 NextGen aircraft and MAX aircraft in 2019 through 2024. We have lease commitments for 10 A321neo aircraft with deliveries in 2017 through 2018 and an order for 30 A320neos with deliveries starting in 2020 through 2022. This order is cancelable with the forfeiture of $15 million of predelivery payments. We have firm commitments to purchase or lease 38 E175 aircraft with deliveries from 2017 through 2019 and options to acquire 30 E175 aircraft with deliveries from 2019 to 2021 and lease an additional 8 with deliveries in 2019. The options for all fleet types give us the flexibility, but not the obligation, to grow the fleet assuming profitability and return on invested capital targets can be met.

The table below reflects total expected capital expenditures and the additional expenditures if options were exercised as of February 28, 2017. Additional options will be exercised only if we believe return on invested capital targets can be met:

(in millions)	2016 Actuals	2017	2018	2019	2020
Aircraft and aircraft purchase deposits - firm[a]	$ 528	$ 805	$ 685	$ 595	$ 290
Other flight equipment	53	145	135	95	55
Other property and equipment	97	215	205	90	75
Total property and equipment additions	$ 678	$ 1,165	$ 1,025	$ 780	$ 420
Option aircraft and aircraft deposits, if exercised	$ —	$ 60	$ 235	$ 705	$ 1,415

(a) Excludes orders with cancellation options.

Cash used in investing activities was $930 million during 2015, compared to $541 million in 2014. Our capital expenditures were $831 million in 2015, $137 million higher than in 2014.

Cash Provided by Financing Activities

Cash provided by financing activities was $1.5 billion during 2016, compared to cash used of $688 million in 2015. During the year, we secured debt proceeds of $2 billion for the acquisition of Virgin America, made debt payments of $249 million, repurchased $193 million of our common stock and paid cash dividends of $136 million. In 2015, we made debt payments of $116 million, stock repurchases of $505 million and cash dividend payments of $102 million. In 2014, we made debt payments of $119 million and stock repurchases of $348 million, partially offset by proceeds from debt of $51 million

We plan to meet our future capital and operating commitments through our cash and investments on hand, internally generated cash from operations, along with additional debt financing if necessary.

Bank Lines of Credit

We have two $100 million credit facilities and a $52 million credit facility. We have secured letters of credit against the $52 million facility but have no plans to borrow using either of two remaining facilities. Information about these facilities can be found in Note 6 to consolidated financial statements.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Aircraft Purchase Commitments

As of December 31, 2016, we had firm orders to purchase or lease 102 aircraft. We also have an order for 30 Airbus A320neo with deliveries from 2020 through 2022 with an option to cancel up to three years in advance of delivery in groups of five aircraft. We could incur a loss of pre-delivery payments and credits as a cancellation fee. We also have options to acquire 41 B737 aircraft with deliveries from 2019 through 2024 and 30 E175 aircraft with deliveries from 2019 through 2021. In addition to the 15 E175 aircraft currently operated by SkyWest in our regional fleet, we have options in future periods to add regional capacity by having SkyWest operate up to 8 more E175 aircraft.

The following table summarizes our projected fleet count by year, as of February 28, 2017:

	Actual Fleet Count		Expected Fleet Activity[a]			
Aircraft	Dec 31, 2015	Dec 31, 2016	2017 Changes	Dec 31, 2017	2018 - 2019 Changes	Dec 31, 2019
B737 Freighters & Combis[b]	6	6	(3)	3	—	3
B737 Passenger Aircraft[b]	141	149	2	151	15	166
Airbus Passenger Aircraft	—	63	5	68	4	72
Total Mainline Fleet	147	218	4	222	19	241
Q400[c]	52	52	—	52	(15)	37
E175[c]	5	15	18	33	20	53
CRJ700[c]	8	—	—	—	—	—
Total Regional Fleet	65	67	18	85	5	90
Total	212	285	22	307	24	331

(a) The expected fleet counts at December 31, 2017, 2018 and 2019 are subject to change.

(b) 2017 changes in passenger aircraft reflect delivery of 14 Boeing 737-900ER aircraft, retirement of 10 B737-400 aircraft and the conversion of two B737-700 aircraft into freighters. The freighter and combi changes reflect retirement of five combis and one freighter and the reintroduction of three B737-700 aircraft as freighters.

(c) Aircraft are either owned or leased by Horizon or operated under capacity purchase agreement with a third party.

For future firm orders and option exercises, we may finance the aircraft through internally generated cash, long-term debt, or lease arrangements.

Future Fuel Hedge Positions

All of our future oil positions are call options, which are designed to effectively cap the cost of the crude oil component of our jet fuel purchases. With call options, we are hedged against volatile crude oil price increases; and, during a period of decline in crude oil prices, we only forfeit cash previously paid for hedge premiums. Our crude oil positions are as follows:

	Approximate % of Expected Fuel Requirements	Weighted-Average Crude Oil Price per Barrel	Average Premium Cost per Barrel
First Quarter 2017	50%	$60	$2
Second Quarter 2017	50%	$62	$2
Third Quarter 2017	40%	$63	$2
Fourth Quarter 2017	30%	$65	$3
Full Year 2017	**42%**	**$62**	**$2**
First Quarter 2018	20%	$65	$3
Second Quarter 2018	10%	$67	$2
Full Year 2018	**7%**	**$65**	**$2**

Contractual Obligations

The following table provides a summary of our principal payments under current and long-term debt obligations, operating lease commitments, aircraft purchase commitments and other obligations as of December 31, 2016.

(in millions)	2017	2018	2019	2020	2021	Beyond 2021	Total
Current and long-term debt obligations	$ 321	$ 351	$ 424	$ 451	$ 424	$ 1,007	$ 2,978
Operating lease commitments[a]	425	389	368	336	292	1,124	2,934
Aircraft maintenance deposits[b]	59	61	65	68	63	90	406
Aircraft purchase commitments [c]	926	848	694	354	277	361	3,460
Interest obligations[d]	90	78	66	54	40	96	424
Aircraft maintenance and parts management [e]	30	32	35	37	40	—	174
Other obligations[f]	80	84	89	94	98	692	1,137
Total	$ 1,931	$ 1,843	$ 1,741	$ 1,394	$ 1,234	$ 3,370	$11,513

(a) Operating lease commitments generally include aircraft operating leases, airport property and hangar leases, office space, and other equipment leases. Included here are Airbus aircraft operated by Virgin America and E175 aircraft that are operated by SkyWest under a capacity purchase agreement.

(b) Aircraft maintenance deposits relate to leased Airbus aircraft.

(c) Represents non-cancelable contractual payment commitments for aircraft and engines.

(d) For variable-rate debt, future obligations are shown above using interest rates forecast as of December 31, 2016.

(e) Includes minimum obligations under a parts management and maintenance agreement with a third-party vendor.

(f) Includes minimum obligations associated with the SkyWest third-party CPA. Refer to Note 9 in the consolidated financial statements for further information.

Defined Benefit Pensions

The table above excludes contributions to our various pension plans, for which there are no minimum required contributions given the funded status of the plans. The unfunded liability for our qualified defined-benefit pension plans was $197 million at December 31, 2016, compared to a $161 million unfunded position at December 31, 2015. This results in a 90% funded status on a projected benefit obligation basis compared to 92% funded as of December 31, 2015.

Credit Card Agreements

We have agreements with a number of credit card companies to process the sale of tickets and other services. Under these agreements, there are material adverse change clauses that, if triggered, could result in the credit card companies holding back a reserve from our credit card receivables. Under one such agreement, we could be required to maintain a reserve if our credit rating is downgraded to or below a rating specified by the agreement or our cash and marketable securities balance fell below $500 million. Under another such agreement, we could be required to maintain a reserve if our cash and marketable securities balance fell below $500 million. We are not currently required to maintain any reserve under these agreements.

Deferred Income Taxes

For federal income tax purposes, the majority of our assets, as measured by value, are fully depreciated over a seven-year life using an accelerated depreciation method or bonus depreciation if available. For financial reporting purposes, the majority of our assets are depreciated over 15 to 25 years to an estimated salvage value using the straight-line basis. This difference has created a significant deferred tax liability. At some point in the future the depreciation basis will reverse, potentially resulting in an increase in income taxes paid.

While it is possible that we could have material cash obligations for this deferred liability at some point in the future, we cannot estimate the timing of long-term cash flows with reasonable accuracy. Taxable income and cash taxes payable in the short term are impacted by many items, including the amount of book income generated, which can be volatile depending on revenue and fuel prices, usage of net operating losses, whether "bonus depreciation" provisions are available, as well as other legislative changes that are beyond our control.

In 2016, we made tax payments, net of refunds, totaling $459 million, and had an effective tax rate of 39.5%. We expect our effective tax rate to be in the range of 37% to 38% for 2017 and the effective rate of cash paid for income taxes to be in the range of 20% to 25% of book income, although these estimates are subject to change. We believe that we will have the liquidity available to make our future tax payments.

CRITICAL ACCOUNTING ESTIMATES

The discussion and analysis of our financial position and results of operations in this MD&A are based upon our consolidated financial statements. The preparation of these financial statements requires us to make estimates and judgments that affect our financial position and results of operations. See Note 1 to the consolidated financial statements for a description of our significant accounting policies.

Critical accounting estimates are defined as those that reflect significant management judgment and uncertainties and that potentially may lead to materially different results under varying assumptions and conditions. Management has identified the following critical accounting estimates and has discussed the development, selection and disclosure of these policies with our audit committee.

FREQUENT FLYER PROGRAMS

Alaska's Mileage Plan™ loyalty program awards miles to members who fly on our airlines and our airline partners. We also sell services, including miles for transportation, to non-airline partners, such as hotels, car rental agencies and a major bank that offers Alaska affinity credit cards. In either case, the outstanding miles may be redeemed for travel on our airlines or any of our airline partners. As long as the Mileage Plan™ is in existence, we have an obligation to provide this future travel.

Virgin America's Elevate® program allows guests to earn points for purchasing travel that are redeemable for travel awards throughout our network and the networks of Virgin America's airline partners. A liability for all points outstanding as of December 14, 2016 was recorded at the estimated fair value as part of our acquisition of Virgin America. The fair value was estimated using the estimated ticket value of points expected to be redeemed as of the date of the acquisition. See "Business Combination Accounting, Goodwill and Intangibles" discussion below for estimates used for purchase accounting.

For miles earned by guests who fly on us or our airline partners, we recognize a liability and a corresponding selling expense representing the incremental cost associated with the obligation to provide travel in the future. For services sold through one of our non-airline partners, the sales proceeds that represent award transportation and certificates for discounted companion travel are deferred and recognized when the transportation is delivered, and the remaining components are recorded as commission in other—net revenue in the period the services are performed. Commission revenue recognized for the years ended December 31,

2016, 2015 and 2014 was $329 million, $280 million and $261 million, respectively. The deferred revenue is recognized as passenger revenue when the award travel occurs, or the miles expire, and as other—net revenue for awards issued and flown on partner airlines.

At December 31, 2016, we had approximately 186.5 billion miles and points outstanding, resulting in an aggregate liability and deferred revenue balance of $1.1 billion. Both the liability and the deferred revenue are determined based on several assumptions that require significant management judgment to estimate and formulate. There are uncertainties inherent in these estimates. Therefore, different assumptions could affect the amount and/or timing of revenue recognition or expenses. The most significant assumptions in accounting for the Mileage Plan™ are described below.

1. The rate at which we defer sales proceeds related to services sold through non-airline partners:

We use the relative selling price method for the deferral of sales proceeds. For contracts that were modified after the effective date of Accounting Standards Update 2009-13, "Multiple-Deliverable Revenue Arrangements—a consensus of the FASB Emerging Issues Task Force" ("ASU 2009-13"), we determined our best estimate of selling price by considering multiple inputs and methods including, but not limited to, the estimated selling price of comparable travel, discounted cash flows, brand value, published selling prices, number of miles awarded and the number of miles redeemed. We estimated the selling prices and volumes over the terms of the agreements in order to determine the allocation of proceeds to each of the multiple deliverables. This relative allocation is evaluated annually and updated according to changes in the assumptions of the volume of related deliverables. A 1% shift between the allocation of cash proceeds to travel deliverables from marketing deliverables would defer the timing of revenue recognition by approximately $8 million.

2. The number of miles that will not be redeemed for travel (breakage):

The liability for outstanding Mileage Plan™ mileage credits includes all mileage credits that are expected to be redeemed, including mileage credits earned by members whose mileage account balances have not yet reached the minimum mileage credit level to redeem an award. Our estimate of the number of miles that will not be redeemed (breakage) considers historical activity in our members' accounts and other factors. Based on statistical analysis of historical data, our current breakage rate is 17.4%. A hypothetical 1% change in our estimate of breakage has approximately an $8 million effect on the liability.

3. The number of miles used per award:

We estimate how many miles will be used per award. For example, our members may redeem credit for award travel to various locations or choose between a highly restricted award and an unrestricted award. Our estimates are based on the current requirements in our Mileage Plan™ program and historical award redemption patterns.

4. The number of awards redeemed for travel on our airlines versus other airlines:

The cost for us to carry an award passenger is typically lower than the cost we will pay to our travel partners. We estimate the number of awards that will be redeemed on our airlines versus on our travel partners and accrue the estimated costs based on historical redemption patterns. If the number of awards redeemed on our travel partner is higher or lower than estimated, we may need to adjust our liability and corresponding expense.

5. *The costs that will be incurred to provide award travel for miles earned by guests who fly on us or our airline partners:*

When a frequent flyer travels on his or her award ticket on one of our airlines, incremental costs such as food, fuel and insurance are incurred to carry that passenger. We estimate what these costs will be (excluding any contribution to overhead and profit) and accrue a liability. If the guest travels on another airline on an award ticket, we often must pay the other airline for carrying the guest. The other airline costs are based on negotiated agreements and are often substantially higher than the costs we would incur to carry that guest. We estimate how much we will pay to other airlines for future travel awards based on historical redemptions and settlements with other carriers and accrue a liability accordingly. The costs actually incurred by us or paid to other airlines may be higher or lower than the costs that were estimated and accrued, and therefore we may need to adjust our liability and recognize a corresponding expense.

We regularly review significant Mileage Plan™ assumptions and change our assumptions if facts and circumstances indicate that a change is necessary. Any such change in assumptions could have a significant effect on our financial position and results of operations.

PENSION PLANS

Our actuarial estimates of pension liability, the related expense and the associated significant assumptions are discussed in Note 8 to the consolidated financial statements.

The calculation of pension expense and the corresponding liability requires the use of a number of key assumptions, including the expected long-term rate of return on plan assets and the assumed discount rates to be used in the calculation of the projected benefit obligation and the interest and service cost. Changes in these assumptions can result in different expense and liability amounts, and future actual experience can differ from these assumptions.

Pension liability and future pension expense decrease as the discount rate used for the obligation increases. We discounted future pension obligations using rates between 4.29% and 4.50% at December 31, 2016 and between 4.55% and 4.69% at December 31, 2015. The discount rates were determined using current rates earned on high-quality, long-term bonds with maturities that correspond with the estimated cash distributions from each of the four defined-benefit pension plans. The discount rates we use are based on a yield curve that uses a pool of higher-yielding bonds estimated to be more in line with settlement rates, as we have taken steps to ultimately terminate or settle plans that are frozen and move toward freezing benefits in active plans in the future. If the discount rate decreased by 0.5%, our projected benefit obligation at December 31, 2016 would increase by approximately $132 million and our estimated 2017 pension expense would increase by approximately $8 million.

Pension liability and future pension expense can increase or decrease as assumptions in the actuarial data changes. For example, in 2015 we engaged our third-party actuary to update demographic assumptions used in the valuation of the defined-benefit pension liabilities. These assumptions included updates such as estimated salary increases, employee turnover and retirement rates, among other items. The changes in these assumptions decreased our projected benefit obligation by approximately $50 million at December 31, 2015. The primary cause of the decline was the change in expected participant retirement rates. The study found that eligible employees are retiring later than they had in our previous assumption update, resulting in lower expected cash flows post retirement.

Pension expense normally increases as the expected rate of return on pension plan assets decreases. As of December 31, 2016, we estimate that the pension plan assets will generate long-term rates of return between 5.50% and 6.00%, which compares to 6.0% and 6.50% at December 31, 2015. We regularly review the actual asset allocation and periodically rebalance investments as appropriate. This expected long-term rate of return on plan assets at December 31, 2016 is based on an allocation of U.S. and non-U.S. equities, U.S. fixed-income securities, and real estate. A decrease in the expected long-term rate of return of 0.5% would increase our estimated 2017 pension expense by approximately $9 million.

All of our defined-benefit pension plans are now closed to new entrants. Additionally, benefits in our non-union defined-benefit plans were frozen January 1, 2014.

Future changes in plan asset returns, assumed discount rates and various other factors related to the participants in our pension plans will impact our future pension expense and liabilities. We cannot predict what these factors will be in the future.

LONG-LIVED ASSETS

As of December 31, 2016, we had approximately $5.7 billion of property and equipment and related assets, net of accumulated depreciation. In accounting for these long-lived assets, we make estimates about the expected useful lives of the assets, changes in fleet plans, the expected residual values of the assets and the potential for impairment based on the fair value of the assets and the cash flows they generate. Effective October 1, 2016, we changed our estimate of useful lives for certain B737 aircraft from 20 years to 25 years to better align with their operational performance, maintenance experience and industry practice. Factors indicating potential impairment include, but are not limited to, significant decreases in the market value of the long-lived assets, management decisions regarding the future use of the assets, a significant change in the long-lived assets condition, and operating cash flow losses associated with the use of the long-lived asset.

There is inherent risk in estimating the fair value of our aircraft and related parts and their salvage values at the time of impairment. Actual proceeds upon disposition of the aircraft or related parts could be materially less than expected, resulting in additional loss. Our estimate of salvage value at the time of disposal could also change, requiring us to increase the depreciation expense on the affected aircraft.

BUSINESS COMBINATION ACCOUNTING, GOODWILL AND INTANGIBLES

To record the value of assets acquired and liabilities assumed as a result of our acquisition of Virgin America on December 14, 2016, we have performed a purchase price allocation utilizing the best information available to management. The purchase price allocation is provisional and is subject to further adjustments as additional information becomes available concerning the fair value of the assets acquired and liabilities assumed with any adjustments to the purchase price allocation to be made as soon as practicable but no later than December 14, 2017. The fair values of the assets acquired and liabilities assumed were determined using market, income or cost methods. Our consolidated balance sheet reflects goodwill in the amount of $1.9 billion at December 31, 2016, representing the excess of the purchase price over the fair value of Virgin America's tangible and identifiable intangible assets and liabilities. Identifiable intangible assets recorded totaled approximately $143 million at December 31, 2016 and consisted of customer relationships, airport slots and gates. With the exception of airport slots, all of the identified intangible assets are finite-lived and are being amortized over their estimated economic useful lives. Goodwill and indefinite-lived intangible assets are not amortized, but will be tested for impairment at least annually (in the fourth quarter), or more frequently if events or circumstances indicate that an impairment may exist.

Our impairment analysis may include a qualitative assessment to determine whether it is more likely than not that a reporting unit or intangible asset group is impaired. If we do not perform a qualitative assessment, or if we determine it is more likely than not that the fair value of the reporting unit or intangible asset group exceeds its carrying amount, we will calculate the estimated fair value of the reporting unit or intangible asset group and an impairment charge would be recorded to reduce the carrying value to the estimated fair value.

Qualitative factors that might indicate a need to perform an impairment analysis outside of the regular annual assessment could include, but are not limited to: 1) reduced passenger demand as a result of domestic or global economic conditions; 2) significantly ongoing higher prices for jet fuel; 3) significant ongoing lower fares or passenger yields as a result of increased competition or lower demand; 4) a significant increase in future capital expenditure commitments; and 5) significant disruptions to our operations as a result of both internal and external events such as terrorist activities, actual or threatened war, labor actions by employees, or further industry regulation.

Our business combination accounting, as well as future impairment analyses, require management to make assumptions and apply judgment. Key assumptions include, but are not limited to, estimating future cash flows, selecting discount rates and selecting valuation methodologies. These estimates and assumptions are highly subjective and our ability to realize the future cash flows used in our fair value calculations may be affected by changes in economic condition, our economic performance or business strategies.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We have interest-rate risk on our variable-rate debt obligations and our available-for-sale marketable investment portfolio, and commodity-price risk in jet fuel required to operate our aircraft fleet. We purchase the majority of our jet fuel at prevailing market prices and seek to manage market risk through execution of our hedging strategy and other means. We have market-sensitive instruments in the form of fixed-rate debt instruments and financial derivative instruments used to hedge our exposure to jet-fuel price increases and interest-rate increases. We do not purchase or hold any derivative financial instruments for trading purposes.

Aircraft Fuel

Currently, our fuel-hedging portfolio consists of crude oil call options. Call options effectively cap our pricing for the crude oil, limiting our exposure to increasing fuel prices for about half of our planned fuel consumption. With call options, we are hedged against volatile crude oil price increases, and, during a period of decline in crude oil prices, we only forfeit cash previously paid for hedge premiums. We believe there is risk in not hedging against the possibility of fuel price increases. We estimate that a 10% change in the forward curve for crude oil prices as of December 31, 2016 would increase or decrease the fair value of our crude oil hedge portfolio to approximately $45 million or $7 million, respectively.

Our portfolio value of fuel hedge contracts was $20 million at December 31, 2016 compared to a portfolio value of $4 million at December 31, 2015. We do not have any collateral held by counterparties to these agreements as of December 31, 2016.

We continue to believe that our fuel hedge program is an important part of our strategy to reduce our exposure to volatile fuel prices. We expect to continue to enter into these types of contracts prospectively, although significant changes in market conditions could affect our decisions. For more discussion, see Note 4 to our consolidated financial statements.

Interest Rates

We have exposure to market risk associated with changes in interest rates related primarily to our debt obligations and short-term investment portfolio. Our debt obligations include variable-rate instruments, which have exposure to changes in interest rates. In order to mitigate the risk of interest rate fluctuations, we have a number of interest rate swaps that fix the interest rates on certain existing variable-rate debt agreements. Our exposure to interest rate variability is further mitigated through our variable-rate investment portfolio. A hypothetical 10% change in the average interest rates incurred on average variable-rate debt held during 2016 would have correspondingly changed our net earnings and cash flows associated with these items by less than $2 million. Our variable-rate debt is approximately 61% and 24% of our total long-term debt as of December 31, 2016 and December 31, 2015, respectively.

We also have investments in marketable securities, which are exposed to market risk associated with changes in interest rates. If short-term interest rates were to average 1% more than they did in 2016, interest income would increase by approximately $15 million.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

SELECTED QUARTERLY CONSOLIDATED FINANCIAL INFORMATION (unaudited)

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
(in millions, except per share)	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Operating revenues	**$ 1,347**	$ 1,269	**$ 1,494**	$ 1,437	**$ 1,566**	$ 1,515	**$ 1,524**	$ 1,377
Operating income	**290**	238	**418**	372	**400**	433	**241**	255
Net income	**184**	149	**260**	234	**256**	274	**114**	191
Basic earnings per share[a]	**1.47**	1.13	**2.11**	1.80	**2.08**	2.15	**0.92**	1.52
Diluted earnings per share[a]	**1.46**	1.12	**2.10**	1.79	**2.07**	2.14	**0.92**	1.51

[a] For earnings per share, the sum of the quarters may not equal the total for the full year due to rounding.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

Alaska Air Group, Inc.:

We have audited the accompanying consolidated balance sheets of Alaska Air Group, Inc. and subsidiaries (the Company) as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive operations, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alaska Air Group, Inc. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Alaska Air Group, Inc.'s internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2017 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

Seattle, Washington
February 28, 2017

CONSOLIDATED BALANCE SHEETS

As of December 31 *(in millions)*	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 328	$ 73
Marketable securities	1,252	1,255
Total cash and marketable securities	1,580	1,328
Receivables—less allowance for doubtful accounts of $1 and $1	302	212
Inventories and supplies—net	47	51
Prepaid expenses and other current assets	121	72
Total Current Assets	2,050	1,663
Property and Equipment		
Aircraft and other flight equipment	6,947	5,690
Other property and equipment	1,103	955
Deposits for future flight equipment	545	771
	8,595	7,416
Less accumulated depreciation and amortization	2,929	2,614
Total Property and Equipment—Net	5,666	4,802
Other Assets		
Goodwill	1,934	—
Intangible assets	143	—
Other noncurrent assets	169	65
Total Other Assets	2,246	65
Total Assets	$ 9,962	$ 6,530

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS *(continued)*

As of December 31 *(in millions except share amounts)*	2016	2015
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 92	$ 63
Accrued wages, vacation and payroll taxes	397	298
Air traffic liability	849	669
Other accrued liabilities	878	661
Current portion of long-term debt	319	114
Total Current Liabilities	2,535	1,805
Long-Term Debt, Net of Current Portion	2,645	569
Other Liabilities and Credits		
Deferred income taxes	463	682
Deferred revenue	640	431
Obligation for pension and postretirement medical benefits	331	270
Other liabilities	417	362
Total Other Liabilities and Credits	1,851	1,745
Commitments and Contingencies (Note 9)		
Shareholders' Equity		
Preferred stock, $0.01 par value, Authorized: 5,000,000 shares, none issued or outstanding	—	—
Common stock, $0.01 par value, Authorized: 200,000,000 shares, Issued: 2016 - 129,189,634 shares; 2015 - 128,442,099 shares, Outstanding: 2016 - 123,328,051 shares; 2015 - 125,175,325 shares	1	1
Capital in excess of par value	110	73
Treasury stock (common), at cost: 2016 - 5,861,583 shares; 2015 - 3,266,774 shares	(443)	(250)
Accumulated other comprehensive loss	(305)	(303)
Retained earnings	3,568	2,890
	2,931	2,411
Total Liabilities and Shareholders' Equity	$ 9,962	$ 6,530

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Year Ended December 31 *(in millions, except per-share amounts)*	2016	2015	2014
Operating Revenues			
Passenger			
Mainline	$ 4,098	$ 3,939	$ 3,774
Regional	908	854	805
Total passenger revenue	5,006	4,793	4,579
Freight and mail	108	108	114
Other—net	817	697	675
Total Operating Revenues	5,931	5,598	5,368
Operating Expenses			
Wages and benefits	1,382	1,254	1,136
Variable incentive pay	127	120	116
Aircraft fuel, including hedging gains and losses	831	954	1,418
Aircraft maintenance	270	253	229
Aircraft rent	114	105	110
Landing fees and other rentals	320	296	279
Contracted services	247	214	196
Selling expenses	225	211	199
Depreciation and amortization	363	320	294
Food and beverage service	126	113	93
Third-party regional carrier expense	95	72	58
Other	365	356	308
Special items—merger-related costs and other	117	32	(30)
Total Operating Expenses	4,582	4,300	4,406
Operating Income	1,349	1,298	962
Nonoperating Income (Expense)			
Interest income	27	21	21
Interest expense	(55)	(42)	(48)
Interest capitalized	25	34	20
Other—net	(1)	1	20
	(4)	14	13
Income before income tax	1,345	1,312	975
Income tax expense	531	464	370
Net Income	$ 814	$ 848	$ 605
Basic Earnings Per Share	$ 6.59	$ 6.61	$ 4.47
Diluted Earnings Per Share	$ 6.54	$ 6.56	$ 4.42
Shares used for computation:			
Basic	123.557	128.373	135.445
Diluted	124.389	129.372	136.801
Cash dividend declared per share	$ 1.10	$ 0.80	$ 0.50

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE OPERATIONS

Year Ended December 31 *(in millions)*	2016	2015	2014
Net Income	**$ 814**	$ 848	$ 605
Other Comprehensive Income (Loss):			
Related to marketable securities:			
Unrealized holding gains (losses) arising during the period	**1**	(6)	2
Reclassification of (gains) losses into Other-net nonoperating income (expense)	**(1)**	1	(2)
Income tax benefit (expense)	**—**	2	—
Total	**—**	(3)	—
Related to employee benefit plans:			
Actuarial gains (losses) related to pension and other postretirement benefit plans	**(43)**	10	(210)
Reclassification of net pension expense into Wages and benefits	**20**	14	9
Income tax benefit (expense)	**12**	(14)	76
Total	**(11)**	10	(125)
Related to interest rate derivative instruments:			
Unrealized holding gains (losses) arising during the period	**8**	(5)	(8)
Reclassification of losses into Aircraft rent	**6**	6	6
Income tax benefit (expense)	**(5)**	(1)	—
Total	**9**	—	(2)
Other Comprehensive Income (Loss)	**(2)**	7	(127)
Comprehensive Income	**$ 812**	$ 855	$ 478

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in millions)	*Common Stock Outstanding*	Common Stock	Capital in Excess of Par Value	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balances at December 31, 2013	*137.492*	$ 1	$ 606	$ (2)	$ (183)	$ 1,607	$ 2,029
2014 net income	—	—	—	—	—	605	605
Other comprehensive income/(loss)	—	—	—	—	(127)	—	(127)
Common stock repurchase	*(7.317)*	—	(346)	(2)	—	—	(348)
Stock-based compensation	—	—	16	—	—	—	16
Cash dividend declared	—	—	—	—	—	(68)	(68)
Stock issued for employee stock purchase plan	*0.299*	—	9	—	—	—	9
Stock issued under stock plans	*1.007*	—	11	—	—	—	11
Balances at December 31, 2014	*131.481*	1	296	(4)	(310)	2,144	2,127
2015 net income	—	—	—	—	—	848	848
Other comprehensive income/(loss)	—	—	—	—	7	—	7
Common stock repurchase	*(7.208)*	—	(259)	(246)	—	—	(505)
Stock-based compensation	—	—	17	—	—	—	17
Cash dividend declared	—	—	—	—	—	(102)	(102)
Stock issued for employee stock purchase plan	*0.281*	—	13	—	—	—	13
Stock issued under stock plans	*0.621*	—	6	—	—	—	6
Balances at December 31, 2015	*125.175*	1	73	(250)	(303)	2,890	2,411
2016 net income	—	—	—	—	—	814	814
Other comprehensive income/(loss)	—	—	—	—	(2)	—	(2)
Common stock repurchase	*(2.595)*	—	—	(193)	—	—	(193)
Stock-based compensation	—	—	19	—	—	—	19
Cash dividend declared	—	—	—	—	—	(136)	(136)
Stock issued for employee stock purchase plan	*0.309*	—	17	—	—	—	17
Stock issued under stock plans	*0.439*	—	1	—	—	—	1
Balances at December 31, 2016	*123.328*	$ 1	$ 110	$ (443)	$ (305)	$ 3,568	$ 2,931

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31 *(in millions)*	2016	2015	2014
Cash flows from operating activities:			
Net income	$ 814	$ 848	$ 605
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	363	320	294
Stock-based compensation and other	26	25	6
Changes in certain assets and liabilities:			
Changes in deferred tax provision	94	56	114
(Increase) decrease in accounts receivable	(46)	47	(110)
Increase (decrease) in air traffic liability	9	38	67
Increase (decrease) in deferred revenue	83	57	40
Changes in pension and other postretirement benefits	23	36	(18)
Other—net	20	157	32
Net cash provided by operating activities	1,386	1,584	1,030
Cash flows from investing activities:			
Property and equipment additions:			
Aircraft and aircraft purchase deposits	(528)	(681)	(498)
Other flight equipment	(53)	(79)	(131)
Other property and equipment	(97)	(71)	(65)
Total property and equipment additions	(678)	(831)	(694)
Acquisition of Virgin America, net of cash acquired	(1,951)	—	—
Purchases of marketable securities	(960)	(1,327)	(949)
Sales and maturities of marketable securities	962	1,175	1,092
Proceeds from disposition of assets and changes in restricted deposits	5	53	10
Net cash used in investing activities	(2,622)	(930)	(541)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt, net of issuance costs	2,044	—	51
Long-term debt payments	(249)	(116)	(119)
Common stock repurchases	(193)	(505)	(348)
Cash dividend paid	(136)	(102)	(68)
Other financing activities	25	35	22
Net cash provided by (used in) financing activities	1,491	(688)	(462)
Net increase (decrease) in cash and cash equivalents	255	(34)	27
Cash and cash equivalents at beginning of year	73	107	80
Cash and cash equivalents at end of year	$ 328	$ 73	$ 107
Supplemental disclosure:			
Cash paid during the year for:			
Interest, net of amount capitalized	$ 24	$ 8	$ 28
Income taxes, net of refunds received	459	349	326

See accompanying notes to consolidated financial statements.

NOTE 1. GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

The consolidated financial statements include the accounts of Air Group, or the Company, and its primary subsidiaries, Alaska, Horizon and, starting December 14, 2016, Virgin America. The Company conducts substantially all of its operations through these subsidiaries. All significant intercompany balances and transactions have been eliminated. These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and their preparation requires the use of management's estimates. Actual results may differ from these estimates.

Certain reclassifications have been made to prior year financial statements to conform to classifications used in the current year.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less, such as money market funds, commercial paper and certificates of deposit. They are carried at cost, which approximates market value. The Company reduces cash balances when funds are disbursed. Due to the time delay in funds clearing the banks, the Company normally maintains a negative balance in its cash disbursement accounts, which is reported as a current liability. The amount of the negative cash balance was $15 million and $12 million at December 31, 2016 and 2015 and is included in accounts payable, with the change in the balance during the year included in other financing activities in the consolidated statements of cash flows.

The Company's restricted cash balances are primarily used to guarantee various letters of credit, self-insurance programs or other contractual rights. Restricted cash consists of highly liquid securities with original maturities of three months or less. They are carried at cost, which approximates fair value.

Marketable Securities

Investments with original maturities of greater than three months and remaining maturities of less than one year are classified as short-term investments. Investments with maturities beyond one year may be classified as short-term based on their highly liquid nature and because such marketable securities represent the investment of cash that is available for current operations. All cash equivalents and short-term investments are classified as available-for-sale and realized gains and losses are recorded using the specific identification method. Changes in market value, excluding other-than-temporary impairments, are reflected in accumulated other comprehensive loss ("AOCL").

Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. The Company uses a systematic methodology that considers available quantitative and qualitative evidence in evaluating potential impairment. If the cost of an investment exceeds its fair value, management evaluates, among other factors, general market conditions, credit quality of debt instrument issuers, the duration and extent to which the fair value is less than cost, the Company's intent and ability to hold, or plans to sell, the investment. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded to Other—net in the consolidated statements of operations and a new cost basis in the investment is established.

Receivables

Receivables are due on demand and consist primarily of airline traffic (including credit card) receivables, Mileage Plan™ partner receivables, amounts due from other airlines related to interline agreements, government tax authorities and other miscellaneous amounts due to the Company, and are net of an allowance for doubtful accounts. Management determines the allowance for doubtful accounts based on known troubled accounts and historical experience applied to an aging of accounts.

Inventories and Supplies—net

Expendable aircraft parts, materials and supplies are stated at average cost and are included in inventories and supplies—net. An obsolescence allowance for expendable parts is accrued based on estimated lives of the corresponding fleet type and salvage values. The allowance for expendable inventories was $36 million and $37 million at December 31, 2016 and 2015, respectively. Inventory and supplies—net also includes fuel inventory of $16 million and $14 million at December 31, 2016 and 2015, respectively. Repairable and rotable aircraft parts inventories are included in flight equipment.

Property, Equipment and Depreciation

Property and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives less an estimated salvage value, which are as follows:

Aircraft and related flight equipment:	
Boeing 737 and Airbus 319/320 aircraft	20-25 years
Bombardier Q400 aircraft	15 years
Buildings	25 - 30 years
Minor building and land improvements	10 years
Capitalized leases and leasehold improvements	Generally shorter of lease term or estimated useful life
Computer hardware and software	3-10 years
Other furniture and equipment	5-10 years

Salvage values used for aircraft are 10% of the fair value, but as aircraft near the end of their useful lives, management updates the salvage value estimates based on current market conditions and expected use of the aircraft. "Related flight equipment" includes rotable and repairable spare inventories, which are depreciated over the associated fleet life unless otherwise noted.

Beginning October 1, 2016, the Company changed its accounting estimate for the expected useful life of the B737 NextGen aircraft, which includes the B737-700, -800, -900, -900ER aircraft and the related parts, from 20 years to 25 years. The change in estimate was precipitated by management's annual accounting policy review, which considered market studies, asset performance and intended use, as well as industry benchmarking. The change in estimate was applied prospectively effective October 1, 2016. The impact of this change in estimate in 2016 is a $17 million decrease to depreciation and amortization expense.

Capitalized interest, based on the Company's weighted-average borrowing rate, is added to the cost of the related asset, and is depreciated over the estimated useful life of the asset.

Maintenance and repairs are expensed when incurred. Major modifications that extend the life or improve the usefulness of aircraft are capitalized and depreciated over their estimated period of use.

The Company evaluates long-lived assets to be held and used for impairment whenever events or changes in circumstances indicate that the total carrying amount of an asset or asset group may not be recoverable. The Company groups assets for purposes of such reviews at the lowest level, at which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. An impairment loss is considered when estimated future undiscounted cash flows expected to result from the use of the asset or asset group and its eventual disposition are less than its carrying amount. If the asset or asset group is not considered recoverable, a write-down equal to the excess of the carrying amount over the fair value will be recorded.

Goodwill

Goodwill represents the excess of purchase price over the fair value of the related net assets acquired in the Company's acquisition of Virgin America and is not amortized. As of December 31, 2016 the goodwill balance, based on a provisional purchase price allocation, was $1.9 billion. No goodwill impairment test occurred in 2016, as the acquisition was completed late in the fourth quarter. In future periods, the Company will review goodwill for impairment at least annually, or more frequently if events or circumstances indicate than an impairment may exist. The Company will perform this impairment at the reporting unit level. If fair value of the reporting unit exceeds the carrying amount, an impairment charge may be recorded.

Intangible Assets

Intangible assets as of December 31, 2016 were recorded as a result of the acquisition of Virgin America, and consist primarily of indefinite-lived airport slots, finite-lived airport gates and finite-lived customer relationships. Finite-lived intangibles are amortized over their estimated useful lives. Indefinite-lived intangibles are not amortized but are tested at least annually for impairment using a similar methodology to property, equipment and goodwill as described above.

Internally Used Software Costs

The Company capitalizes costs to develop internal-use software that are incurred in the application development stage. Amortization commences when the software is ready for its intended use and the amortization period is the estimated useful life of the software, generally three to five years. Capitalized costs primarily include contract labor and payroll costs of the individuals dedicated to the development of internal-use software.

Deferred Revenue

Deferred revenue results primarily from the sale of Mileage Plan™ miles and Elevate® points to third-parties. It also includes the liability for Elevate® flown points outstanding at the acquisition date that was recorded at its estimated fair value as part of purchase price accounting. The related revenue is recognized when award transportation is provided or over the term of the applicable agreement.

Operating Leases

The Company leases aircraft, airport and terminal facilities, office space and other equipment under operating leases. Some of these lease agreements contain rent escalation clauses or rent holidays. For scheduled rent escalation clauses during the lease terms or for rental payments commencing at a date other than the date of initial occupancy, the Company records minimum rental expenses on a straight-line basis over the terms of the leases in the consolidated statements of operations.

Leased Aircraft Return Costs

Cash payments associated with returning leased aircraft are accrued when it is probable that a cash payment will be made and that amount is reasonably estimable, usually no sooner than after the last scheduled maintenance event prior to lease return. Any accrual is based on the time remaining on the lease, planned aircraft usage and the provisions included in the lease agreement, although the actual amount due to any lessor upon return may not be known with certainty until lease termination.

As leased aircraft are returned, any payments are charged against the established accrual. The accrual is part of other current and long-term liabilities and was not material as of December 31, 2016 and December 31, 2015. The expense is included in Aircraft maintenance in the consolidated statements of operations.

Revenue Recognition

Passenger revenue is recognized when the passenger travels. Tickets sold but not yet used are reported as air traffic liability until travel or date of expiration. Air traffic liability includes approximately $62 million and $42 million related to credits for future travel, as of December 31, 2016 and December 31, 2015, respectively. These credits are recognized into revenue either when the passenger travels or at the date of expiration, which is twelve months from issuance. Commissions to travel agents and related fees are expensed when the related revenue is recognized. Passenger traffic commissions and related fees not yet recognized are recorded as a prepaid expense. Taxes collected from passengers, including transportation excise taxes, airport and security fees and other fees, are recorded on a net basis within passenger revenue in the consolidated statements of operations. Due to complex pricing structures, refund and exchange policies, and interline agreements with other airlines, certain amounts are recognized as revenue using estimates regarding both the timing of the revenue recognition and the amount of revenue to be recognized. These estimates are based on the Company's historical data.

Freight and mail revenues are recognized when the related services are provided.

Other—net revenues are primarily related to the Mileage Plan™ and Elevate® programs. They are recognized as described in the "Frequent Flyer Programs" paragraph below. Other—net also includes certain ancillary or non-ticket revenues, such as checked-bag fees, reservations fees, ticket change fees, on-board food and beverage sales, and, to a much lesser extent, commissions from car and hotel vendors and sales of travel insurance. These items are recognized as revenue when the related services are provided. Airport lounge memberships are recognized as revenue over the membership period.

Frequent Flyer Programs

Alaska operates the Mileage Plan™ frequent flyer program, and Virgin America operates the Elevate® frequent flyer program. Both programs provide travel awards to members based on accumulated mileage or points. For miles or points earned by flying on the Company's airlines and through airline partners, the estimated cost of providing award travel is recognized as a selling expense and accrued as a liability, as miles are earned and accumulated.

Alaska and Virgin America also sell services, including miles or points for transportation, to non-airline partners, such as hotels, car rental agencies and major banks that offer Alaska's and Virgin America's affinity credit cards. The Company defers revenue related to air transportation and certificates for discounted companion travel until the transportation is delivered. The deferred proceeds are recognized as passenger revenue for awards redeemed and flown on the Company's airlines and as Other—net revenue for awards redeemed and flown on other airlines (less the cost paid to the other airlines based on contractual agreements). The elements that represent use of the Alaska and Virgin America brands and access to frequent flyer member lists and advertising are recognized as commission income in the period that those elements are sold and included in Other—net revenue in the consolidated statements of operations.

Frequent flyer program deferred revenue and liabilities included in the consolidated balance sheets (in millions):

	2016	2015
Current Liabilities:		
Other accrued liabilities	$ 484	$ 368
Other Liabilities and Credits:		
Deferred revenue	638	427
Other liabilities	21	19
Total	$ 1,143	$ 814

The amounts recorded in other accrued liabilities relate primarily to deferred revenue expected to be realized within one year, which includes Mileage Plan™ awards that have been issued but not yet flown for $43 million and $37 million at December 31, 2016 and 2015.

Frequent flyer program revenue included in the consolidated statements of operations (in millions):

	2016	2015	2014
Passenger revenues	$ 293	$ 267	$ 246
Other—net revenues	429	329	295
Total frequent flyer program revenues	$ 722	$ 596	$ 541

Other—net revenue includes commission revenues of $329 million, $280 million, and $261 million in 2016, 2015, and 2014.

Selling Expenses

Selling expenses include credit card fees, global distribution systems charges, the estimated cost of frequent flyer travel awards earned through air travel, advertising, promotional costs, commissions and incentives. Advertising production costs are expensed as incurred. Advertising expense was $61 million, $55 million, and $49 million during the years ended December 31, 2016, 2015, and 2014.

Derivative Financial Instruments

The Company's operations are significantly impacted by changes in aircraft fuel prices and interest rates. In an effort to manage exposure to these risks, the Company periodically enters into fuel and interest rate derivative instruments. These derivative instruments are recognized at fair value on the balance sheet and changes in the fair value are recognized in AOCL or in the consolidated statements of operations, depending on the nature of the instrument.

The Company does not hold or issue derivative fuel hedge contracts for trading purposes and does not apply hedge accounting. For cash flow hedges related to interest rate swaps, the effective portion of the derivative represents the change in fair value of the hedge that offsets the change in fair value of the hedged item. To the extent the change in the fair value of the hedge does

not perfectly offset the change in the fair value of the hedged item, the ineffective portion of the hedge is immediately recognized in interest expense.

Fair Value Measurements

Accounting standards define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standards also establish a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company has elected not to use the fair value option provided in the accounting standards for non-financial instruments. Accordingly, those assets and liabilities are carried at amortized cost. For financial instruments, the assets and liabilities are carried at fair value, which is determined based on the market approach or income approach, depending upon the level of inputs used.

Assets and liabilities recognized or disclosed at fair value on a nonrecurring basis include items such as property, plant and equipment, goodwill, intangible assets and certain other assets and liabilities. The Company determines the fair value of these items using Level 3 inputs, as described in Note 2 and Note 5.

Income Taxes

The Company uses the asset and liability approach for accounting for and reporting income taxes. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. A valuation allowance would be established, if necessary, for the amount of any tax benefits that, based on available evidence, are not expected to be realized. As of December 31, 2016, there is a partial valuation allowance against net deferred tax assets. The Company accounts for unrecognized tax benefits in accordance with the applicable accounting standards.

Virgin America has substantial federal and state net operating losses ("NOLs") for income tax purposes. The Company's ability to utilize Virgin America's NOLs could be limited if Virgin America had an "ownership change," as defined in Section 382 of the Internal Revenue Code and similar state provisions. In general terms, an ownership change can occur whenever there is a collective shift in the ownership of a company by more than 50% by one or more "5% stockholders" within a three-year period. The occurrence of such a change generally limits the amount of NOL carryforwards a company could utilize in a given year to the aggregate fair market value of the company's common stock immediately prior to the ownership change, multiplied by the long-term tax-exempt interest rate in effect for the month of the ownership change. The acquisition constituted an ownership change and the potential for further limitations following the acquisition. See Note 7 to the consolidated financial statements for more discussion of the calculation.

Stock-Based Compensation

Accounting standards require companies to recognize as expense the fair value of stock options and other equity-based compensation issued to employees as of the grant date. These standards apply to all stock awards that the Company grants to employees as well as the Company's Employee Stock Purchase Plan ("ESPP"), which features a look-back provision and allows employees to purchase stock at a 15% discount. All stock-based compensation expense is recorded in wages and benefits in the consolidated statements of operations.

Earnings Per Share (EPS)

Diluted EPS is calculated by dividing net income by the average common shares outstanding plus additional common shares that would have been outstanding assuming the exercise of in-the-money stock options and restricted stock units, using the treasury-stock method. In 2016, 2015, and 2014, antidilutive stock options excluded from the calculation of EPS were not material.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers"(Topic 606), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This comprehensive new standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In March 2016, the FASB issued ASU 2016-08, "Revenue from Contracts with Customers (Topic 606), Principal versus Agent Considerations" to clarify the guidance on determining whether the Company is considered the principal or the agent in a revenue transaction where a third party is providing goods or services to a customer. Entities are permitted to use either a full retrospective or cumulative effect transition method, and are required to adopt all parts of the new revenue standard using the same transition method. The new standard is effective for the Company on January 1, 2018. At this time, the Company believes the most significant impact to the financial statements will be to Mileage Plan™ revenues and liabilities. The Company currently uses the incremental cost approach for miles earned through travel. As this approach will be eliminated with the standard, the Company will be required to significantly increase its liability for earned miles through a relative selling price model. The Company continues to evaluate and model the full impact of the standard and currently plans to apply the full retrospective transition method.

In April 2015, the FASB issued ASU 2015-03, "Interest—Imputation of Interest" (Subtopic 835-30), which requires debt issuance costs related to a debt liability be presented as a direct deduction from the carrying value of the debt liability. The amendment was adopted as of January 1, 2016. Prior period debt balances have been adjusted to reflect the adoption of the ASU. The adoption of the ASU had no impact on the statements of operations or retained earnings.

In February 2016, the FASB issued ASU 2016-02, "Leases" (Topic 842), which requires lessees to recognize assets and liabilities for leases currently classified as operating leases. Under the new standard a lessee will recognize a liability on the balance sheet representing the lease payments owed, and a right-of-use-asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and lease liabilities. The new standard is effective for the Company on January 1, 2019. Early adoption of the standard is permitted. At this time, the Company believes the most significant impact to the financial statements will relate to the recording of a right of use asset associated with leased aircraft. Other leases, including airports and real estate, equipment, software and other miscellaneous leases continue to be assessed for impact as it relates to ASU 2016-02. The Company has not yet determined whether it will early adopt the standard.

In March 2016, the FASB issued ASU 2016-09, "Compensation—Stock Compensation" (Topic 718), which simplifies several aspects of accounting for employee share-based payment awards, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. The ASU is effective for the Company beginning January 1, 2017. The adoption of the standard will not have a material impact on the Company's statements of operations or financial position.

In January 2017, the FASB issued ASU 2017-04, "Intangibles—Goodwill and Other" (Topic 350), which eliminates step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. The ASU is effective for the Company beginning January 1, 2019. Early adoption of the standard is permitted. Beginning in fiscal 2017 the Company will be required to perform an impairment test for goodwill arising from its acquisition of Virgin America and plans to adopt the standard in 2017.

NOTE 2. ACQUISITION OF VIRGIN AMERICA INC.

Virgin America

On December 14, 2016, the Company acquired 100% of the outstanding common shares and voting interest of Virgin America. Virgin America offers scheduled air transport throughout the United States and Mexico primarily from its focus cities of Los Angeles, San Francisco and, to a lesser extent, Dallas Love Field, to other major business and leisure destinations in North America. The Company believes the acquisition of Virgin America will provide broader national reach and position the Company to better serve people living on the West Coast. The combined airline will provide 1,200 daily departures to its guests, leveraging Alaska's strength in the Pacific Northwest with Virgin America's strength in California. The Company believes that combining loyalty programs and networks will provide greater benefits for its guests and expand its international partner portfolio, giving guests an even more expansive global reach.

The results of Virgin America have been included in the consolidated financial statements since the acquisition date. For the year ended December 31, 2016, revenue and net income from Virgin America recognized in the Company's consolidated results of operations were $99 million and $15 million.

Fair value of consideration transferred

The fair value of consideration transferred on the closing date includes the value of the cash consideration and accelerated and vested equity awards attributable to pre-acquisition service. The purchase price is as follows (in millions, except per-share stock price):

		December 14, 2016
Number of shares of Virgin America common stock issued and outstanding		44.645
Multiplied by cash consideration for each share of common stock per the merger agreement	$	57.00
Cash consideration paid for common stock issued and outstanding		2,545
Accelerated and vested equity awards attributable to pre-acquisition service		51
Total Purchase Price	**$**	**2,596**

Fair values of the assets acquired and the liabilities assumed

The transaction has been accounted for as a business combination using the acquisition method of accounting, which requires, among other things, that assets acquired and liabilities assumed be recognized on the balance sheet at their fair values as of the acquisition date. The fair values of the assets acquired and liabilities assumed were determined using the market, income and cost approaches. The purchase price allocation was prepared on a preliminary basis and is subject to further adjustments as additional information becomes available concerning the fair value of the assets acquired and liabilities assumed. The Company expects to continue obtaining information to assist it with determining the fair values of the net assets acquired during the measurement period. Any adjustments to the purchase price allocation will be made as soon as practicable but no later than one year from the acquisition date.

Provisional fair value of the assets acquired and the liabilities assumed as of the acquisition date, December 14, 2016, (in millions) are as follows:

	December 14, 2016
Cash and cash equivalents	$ 645
Receivables	44
Prepaid expenses and other current assets	16
Property and equipment	560
Intangible assets	143
Goodwill	1,934
Other assets	84
Total assets	3,426
Accounts payable	22
Accrued wages, vacation and payroll taxes	51
Air traffic liabilities	172
Other accrued liabilities	196
Current portion of long-term debt	125
Long-term debt, net of current portion	360
Deferred income taxes	(304)
Deferred revenue	126
Other liabilities	82
Total liabilities	830
Total purchase price	$ 2,596

Intangible Assets

Of the $143 million of acquired intangible assets, $89 million was provisionally assigned to airport slots. Airport slots are rights to take-off or land at a slot-controlled airport during a specific time period and are a means by which the FAA manages airspace/ airport congestion. The Company acquired slots at three such airports—John F. Kennedy International, LaGuardia and Ronald Reagan Washington National. These slots either have no expiration dates or are expected to be renewed indefinitely in line with the FAA's past practice. They require no maintenance and do not have an established residual value. As the demands for air travel at these airports have remained very strong, the Company expects to use these slots in perpetuity and has determined these airport slots to be indefinite-lived intangible assets. They will not be amortized but rather tested for impairment annually, or more frequently when events and circumstances indicate that impairment may exist.

Of the remaining $54 million, $40 million was provisionally assigned to customer relationships to be amortized on a straight-line basis over the estimated economic life of eight years and $14 million to airport gates to be amortized on straight-line basis over the remaining lease term of twelve years. As noted above, the fair value of the acquired identifiable intangible assets is provisional pending results of their final valuation.

The Company considered examples of intangible assets that the FASB believes meet the criteria for recognition apart from goodwill, as well as any other intangible assets common to the airline industry, and did not identify any other such intangible assets acquired in the transaction.

Goodwill

Goodwill of $1.9 billion represents the excess of the purchase price over the fair value of the underlying net assets acquired and largely results from expected future synergies from combining operations as well as an assembled workforce, which does not qualify for separate recognition. Goodwill is not amortized to earnings, but instead is reviewed for impairment at least annually, absent any indicators of impairment.

Repayment of related-party debt and merger-related costs

Soon after the acquisition, the Company repaid $55 million of related-party debt held by Virgin America as of December 14, 2016 to comply with the change-of-control provision triggered by the transaction.

As of December 31, 2016, the Company has incurred pretax merger-related costs of $117 million. Costs classified as merger-related are directly attributable to merger activities. These costs are classified as "Special items—merger-related costs and other" within the Statement of Operations. Refer to Note 11 for further information on special items. The Company expects to continue to incur merger-related costs in the future as the integration continues.

Pro forma impact of the acquisition

The unaudited pro forma financial information presented below represents a summary of the consolidated results of operations for the Company and Virgin America as if the acquisition of Virgin America had been consummated as of January 1, 2015. The pro forma results do not include any anticipated synergies, or other expected benefits of the acquisition. Accordingly, the unaudited pro forma financial information below is not necessarily indicative of either future results of operations or results that might have been achieved had the acquisition been consummated as of January 1, 2015.

(in millions, except per share amounts)	Years Ended December 31,	
	2016	2015
Revenue	$ 7,511	$ 7,111
Net Income	1,008	914

NOTE 3. CASH, CASH EQUIVALENTS AND MARKETABLE SECURITIES

Components for cash, cash equivalents and marketable securities (in millions):

December 31, 2016	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
Cash	$ 283	$ —	$ —	$ 283
Cash equivalents	45	—	—	45
Cash and cash equivalents	328	—	—	328
U.S. government and agency securities	290	—	(3)	287
Foreign government bonds	36	—	—	36
Asset-backed securities	138	—	—	138
Mortgage-backed securities	89	—	—	89
Corporate notes and bonds	693	2	(4)	691
Municipal securities	11	—	—	11
Marketable securities	1,257	2	(7)	1,252
Total	$ 1,585	$ 2	$ (7)	$ 1,580

December 31, 2015	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
Cash	$ 4	$ —	$ —	$ 4
Cash equivalents	69	—	—	69
Cash and cash equivalents	73	—	—	73
U.S. government and agency securities	254	—	(1)	253
Foreign government bonds	31	—	—	31
Asset-backed securities	130	—	—	130
Mortgage-backed securities	117	—	(1)	116
Corporate notes and bonds	711	1	(4)	708
Municipal securities	17	—	—	17
Marketable securities	1,260	1	(6)	1,255
Total	$ 1,333	$ 1	$ (6)	$ 1,328

Unrealized losses from marketable securities are primarily attributable to changes in interest rates. Management does not believe any remaining unrealized losses represent other-than-temporary impairments based on the Company's evaluation of available evidence as of December 31, 2016.

Activity for marketable securities (in millions):

	2016	2015	2014
Proceeds from sales and maturities	$ 962	$ 1,175	$ 1,092
Gross realized gains	3	2	4
Gross realized losses	(1)	(3)	(2)

Maturities for marketable securities (in millions):

December 31, 2016	Cost Basis	Fair Value
Due in one year or less	$ 182	$ 182
Due after one year through five years	1,070	1,065
Due after five years through 10 years	5	5
Due after 10 years	—	—
Total	$ 1,257	$ 1,252

NOTE 4. DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT

Fuel Hedge Contracts

The Company's operations are inherently dependent upon the price and availability of aircraft fuel. To manage economic risks associated with fluctuations in aircraft fuel prices, the Company periodically enters into call options for crude oil.

As of December 31, 2016, the Company had fuel hedge contracts outstanding covering 394 million gallons of crude oil that will be settled from January 2017 to June 2018.

Interest Rate Swap Agreements

The Company is exposed to market risk from adverse changes in variable interest rates on long term debt and certain aircraft lease agreements. To manage this risk, the Company periodically enters into interest rate swap agreements. As of December 31, 2016, the Company has outstanding interest rate swap agreements with a third party designed to hedge the volatility of the underlying variable interest rates on lease agreements for six B737-800 aircraft, as well as two interest rate swap agreements with third parties designed to hedge the volatility of the underlying variable interest rates on $295 million of the debt obtained in 2016. All of the interest rate swap agreements stipulate that the Company pay a fixed interest rate and receive a floating interest rate over the term of the underlying contracts. The interest rate swap agreements expire from February 2020 through March 2021 to coincide with the lease termination dates and October 2022 through September 2026 to coincide with the debt maturity dates. All significant terms of the swap agreements match the terms of the underlying hedged items, and have been designated as qualifying hedging instruments, which are accounted for as cash flow hedges.

As qualifying cash flow hedges, the interest rate swaps are recognized at fair value on the balance sheet, and changes in the fair value are recognized in accumulated other comprehensive income (loss). The effective portion of the derivative represents the change in fair value of the hedge that offsets the change in fair value of the hedged item. To the extent the change in fair value of the hedge does not perfectly offset the change in the fair value of the hedged item, the ineffective portion of the hedge is recognized in interest expense, if material.

Fair Values of Derivative Instruments

Fair values of derivative instruments on the consolidated balance sheet (in millions):

	2016	2015
Derivative Instruments Not Designated as Hedges		
Fuel hedge contracts		
Prepaid expenses and other current assets	$ 17	$ 2
Other assets	3	2
Derivative Instruments Designated as Hedges		
Interest rate swaps		
Other accrued liabilities	(5)	(5)
Other liabilities	—	(13)
Losses in accumulated other comprehensive loss (AOCL)	(5)	(18)

The net cash paid for new fuel hedge positions and settlements was $19 million, $17 million and $9 million during 2016, 2015, and 2014.

Pretax effect of derivative instruments on earnings and AOCL (in millions):

	2016	2015	2014
Derivative Instruments Not Designated as Hedges			
Fuel hedge contracts			
Gains (losses) recognized in Aircraft fuel	$ (3)	$ (19)	$ (18)
Derivative Instruments Designated as Hedges			
Interest rate swaps			
Gains (losses) recognized in Aircraft rent	(6)	(6)	(6)
Gains (losses) recognized in other comprehensive income (OCI)	8	(5)	(8)

The amounts shown as recognized in aircraft rent for cash flow hedges (interest rate swaps) represent the realized losses transferred out of AOCL to aircraft rent. No gains or losses related to interest rate swaps on variable rate debt have been recognized in interest expense during 2016. The amounts shown as recognized in OCI are prior to the losses recognized in aircraft rent during the period. The Company expects $4 million to be reclassified from OCI to aircraft rent and $1 million to interest expense within the next twelve months.

Credit Risk and Collateral

The Company is exposed to credit losses in the event of non-performance by counterparties to these derivative instruments. To mitigate exposure, the Company periodically reviews the risk of counterparty nonperformance by monitoring the absolute exposure levels and credit ratings. The Company maintains security agreements with a number of its counterparties which may require the Company to post collateral if the fair value of the selected derivative instruments fall below specified thresholds. The posted collateral does not offset the fair value of the derivative instruments and is included in "Prepaid expenses and other current assets" on the consolidated balance sheet.

The amount posted as collateral for these contracts is not material to the consolidated balance sheets as of December 31, 2016 and 2015.

NOTE 5. FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments on a Recurring Basis

Fair values of financial instruments on the consolidated balance sheet (in millions):

December 31, 2016	Level 1	Level 2	Total
Assets			
Marketable securities			
U.S. government and agency securities	$ 287	$ —	$ 287
Foreign government bonds	—	36	36
Asset-backed securities	—	138	138
Mortgage-backed securities	—	89	89
Corporate notes and bonds	—	691	691
Municipal securities	—	11	11
Derivative instruments			
Fuel hedge contracts—call options	—	20	20
Liabilities			
Derivative instruments			
Interest rate swap agreements	—	(5)	(5)

December 31, 2015	Level 1	Level 2	Total
Assets			
Marketable securities			
U.S. government and agency securities	$ 253	$ —	$ 253
Foreign government bonds	—	31	31
Asset-backed securities	—	130	130
Mortgage-backed securities	—	116	116
Corporate notes and bonds	—	708	708
Municipal securities	—	17	17
Derivative instruments			
Fuel hedge contracts—call options	—	4	4
Liabilities			
Derivative instruments			
Interest rate swap agreements	—	(18)	(18)

The Company uses the market and income approach to determine the fair value of marketable securities. U.S. government securities are Level 1 as the fair value is based on quoted prices in active markets. Foreign government bonds, asset-backed securities, mortgage-backed securities, corporate notes and bonds, and municipal securities are Level 2 as the fair value is based on standard valuation models that are calculated based on observable inputs such as quoted interest rates, yield curves, credit ratings of the security and other observable market information.

The Company uses the market approach and the income approach to determine the fair value of derivative instruments. Fuel hedge contracts that are not traded on a public exchange are Level 2 as the fair value is primarily based on inputs which are readily available in active markets or can be derived from information available in active markets. The fair value for call options is determined utilizing an option pricing model based on inputs that are readily available in active markets, or can be derived from information available in active markets. In addition, the fair value considers the exposure to credit losses in the event of non-performance by counterparties. Interest rate swap agreements are Level 2 as the fair value of these contracts is determined based on the difference between the fixed interest rate in the agreements and the observable LIBOR-based interest forward rates at period end, multiplied by the total notional value.

The Company has no other financial assets that are measured at fair value on a nonrecurring basis at December 31, 2016.

Fair Value of Other Financial Instruments

The Company used the following methods and assumptions to determine the fair value of financial instruments that are not recognized at fair value as described below.

Cash and Cash Equivalents: Carried at amortized costs which approximate fair value.

Debt: The carrying amounts of the Company's variable-rate debt approximate fair values. For fixed-rate debt, the Company uses the income approach to determine the estimated fair value, by discounting cash flows using borrowing rates for comparable debt over the weighted life of the outstanding debt. The estimated fair value of the fixed-rate debt is Level 3 as certain inputs used are unobservable.

Fixed-rate debt that is not carried at fair value on the consolidated balance sheet and the estimated fair value of long-term fixed-rate debt (in millions):

	2016	2015
Carrying amount	$ 1,179	$ 520
Fair value	1,199	557

NOTE 6. LONG-TERM DEBT

Long-term debt obligations (in millions):

	2016	2015
Fixed-rate notes payable due through 2028	$ 1,179	$ 520
Variable-rate notes payable due through 2028	1,803	166
Less debt issuance costs	(18)	(3)
Long-term debt	2,964	683
Less current portion	319	114
	$ 2,645	$ 569
Weighted-average fixed-interest rate	4.4%	5.7%
Weighted-average variable-interest rate	2.4%	1.8%

During 2016, the Company's total debt increased $2.3 billion, primarily due to the addition of $2.0 billion of secured debt financing from multiple lenders to fund the acquisition of Virgin America. Approximately $1.6 billion of the loans are secured by a total of 56 aircraft, including 37 B737-900ER aircraft and 19 B737-800 aircraft. An additional $400 million is secured by Air Group's interest in certain aircraft purchase agreements. The remainder is due to assumed debt from Virgin America. During 2016, the Company made debt payments of $249 million, including $95 million of debt extinguishment that arose from the Virgin America acquisition, and $12 million related to prepayments of existing loans. The Company's variable-rate notes payable bear interest at a floating rate per annum equal to a margin plus the three or six-month LIBOR in effect at the commencement of each semi-annual or three-month period, as applicable. As of December 31, 2016, none of the Company's borrowings were restricted by financial covenants.

Long-term debt principal payments for the next five years and thereafter (in millions):

	Total
2017	$ 321
2018	351
2019	424
2020	451
2021	424
Thereafter	1,007
Total principal payments	$ 2,978

Bank Line of Credit

The Company has two $100 million credit facilities and one $52 million credit facility. All three facilities have variable interest rates based on LIBOR plus a specified margin. One of the $100 million facilities, which expires in September 2017, is secured by aircraft. The other $100 million facility, which expires in March 2017, is secured by certain accounts receivable, spare engines, spare parts and ground service equipment. The $52 million facility expires in October 2017 with a mechanism for annual renewal and is secured by two aircraft. The Company has secured letters of credit against the $52 million facility, but has no plans to borrow using either of the two remaining facilities. All three credit facilities have a requirement to maintain a minimum unrestricted cash and marketable securities balance of $500 million. The Company was in compliance with this covenant at December 31, 2016.

NOTE 7. INCOME TAXES

Deferred Income Taxes

Deferred income taxes reflect the impact of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and such amounts for tax purposes. Primarily due to differences in depreciation rates for federal income tax purposes and for financial reporting purposes, the Company has generated a net deferred tax liability.

Deferred tax (assets) and liabilities comprise the following (in millions):

	2016	2015
Excess of tax over book depreciation	$ 1,282	$ 1,110
Intangibles	39	—
Other—net	26	23
Gross deferred tax liabilities	1,347	1,133
Mileage Plan™	(310)	(208)
Inventory obsolescence	(23)	(22)
Deferred gains	(8)	(8)
Employee benefits	(196)	(167)
Fuel hedge contracts	—	(5)
Acquired net operating losses	(289)	—
Other—net	(62)	(41)
Gross deferred tax assets	(888)	(451)
Valuation allowance	4	—
Net deferred tax (assets) liabilities	$ 463	$ 682

Changes in net deferred tax liabilities resulted from 2016 activity and the acquisition of Virgin America.

At December 31, 2016, as a result of the acquisition of Virgin America, discussed in Note 2, Virgin America had federal NOLs of approximately $773 million that expire beginning in 2028 and continuing through 2036, and state NOLs of approximately $344 million that expire beginning in 2027 and continuing through 2035.

Virgin America has experienced multiple "ownership changes" as defined in Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), the most recent being its acquisition by the Company. Section 382 of the Code imposes an annual limitation on the amount of pre-ownership change NOLs of the corporation that experiences an ownership change. The limitation imposed by Section 382 of the Code for any post-ownership change year generally would be determined by multiplying the value of such corporation's stock immediately before the ownership change by the applicable long-term tax-exempt rate. Any unused annual limitation may, subject to certain limits, be carried over to later years, and the limitation may, under certain circumstances, be increased by built-in gains or reduced by built-in losses in the assets held by such corporation at the time of the ownership change. The combined company's use of NOLs generated after the date of an ownership change would not be limited unless the combined company were to experience a subsequent ownership change.

The combined company's ability to use the NOLs will also depend on the amount of taxable income generated in future periods. The NOLs may expire before the combined company can generate sufficient taxable income to utilize the NOLs.

Valuation allowances are provided to reduce the related deferred income tax assets to an amount which will, more likely than not, be realized. The Company has determined it is more likely than not that a portion of the state NOL carryforward will not be realized and, therefore, has provided a valuation allowance of $4 million for that portion. The Company has likewise concluded that it is more likely than not that all of its federal and the remaining state deferred income tax assets will be realized and thus no additional valuation allowance has been recorded. The Company reassesses the need for a valuation allowance each reporting period.

Components of Income Tax Expense

The components of income tax expense were as follows (in millions):

	2016	2015	2014
Current income tax expense:			
Federal	$ 392	$ 397	$ 229
State	48	30	27
Total current income tax expense	440	427	256
Deferred income tax expense:			
Federal	77	60	103
State	14	(23)	11
Total deferred income tax expense	91	37	114
Income tax expense	$ 531	$ 464	$ 370

Income Tax Rate Reconciliation

Income tax expense reconciles to the amount computed by applying the U.S. federal rate of 35% to income before income tax and accounting changes as follows (in millions):

	2016	2015	2014
Income before income tax	$ 1,345	$ 1,312	$ 975
Expected tax expense	471	459	341
Nondeductible expenses	20	4	4
State income taxes	28	19	25
State income sourcing	13	(15)	—
Other—net	(1)	(3)	—
Actual tax expense	$ 531	$ 464	$ 370
Effective tax rate	39.5%	35.4%	37.9%

In 2016, the Company incurred $39 million of acquisition-related costs that are not deductible under U.S. federal tax law. These expenses are included in Special items—merger-related costs and other on the Company's consolidated statement of operations

for the year ended December 31, 2016 and are reflected as a permanent unfavorable adjustment for the year ended December 31, 2016, in the table above.

In the fourth quarter of 2015, the Company filed amended state tax returns for the years 2010 through 2013 to change the Company's position on income sourcing in various states. These positions were also taken on 2014 and future filings, unless guidance or rules changed. In 2016, adjustments were made to the Company's position on income sourcing in various states due to updated guidance from state taxing authorities. The impact of this guidance is reflected as an unfavorable adjustment of approximately $17 million for the year ended December 31, 2016.

Uncertain Tax Positions

The Company has identified its federal tax return and its state tax returns in Alaska, Oregon and California as "major" tax jurisdictions. A summary of the Company's jurisdictions and the periods that are subject to examination are as follows:

Jurisdiction	Period
Federal	2006 to 2015 [a][b]
Alaska	2012 to 2015
California	2006 to 2015 [a]
Oregon	2003 to 2015 [a]

(a) The 2003, 2004, 2008-2010 and 2011 Oregon tax returns are subject to examination only to the extent of net operating loss carryforwards from those years that were utilized in 2010 and later years. The 2006-2012 Federal and California Virgin America tax returns are subject to examination only to the extent of net operating loss carryforwards from those years that were utilized in 2012 and later years.

(b) Income tax years 2012 and 2013 are currently under exam by the Internal Revenue Service

Changes in the liability for unrecognized tax benefits during 2016, 2015 and 2014 are as follows (in millions):

	2016	2015	2014
Balance at January 1,	$ 22	$ 3	$ 2
Additions based on tax positions and settlements related to the current year	3	19	1
Additions from acquisitions	8	—	—
Balance at December 31,	$ 33	$ 22	$ 3

At December 31, 2016, the total amount of unrecognized tax benefits is recorded as a liability and some have reduced the NOL carryover from the Virgin America acquisition. The Company added $3 million of reserves for uncertain tax positions in 2016, primarily due to changes in income sourcing for state income taxes and added $8 million related to the acquisition of Virgin America. These uncertain tax positions could change as a result of the Company's ongoing audits, settlement of issues, new audits and status of other taxpayer court cases. The Company cannot predict the timing of these actions. Due to the positions being taken in various jurisdictions, the amounts currently accrued are the Company's best estimate as of December 31, 2016.

NOTE 8. EMPLOYEE BENEFIT PLANS

Four defined-benefit and five defined-contribution retirement plans cover various employee groups of Alaska and Horizon. Following the acquisition of Virgin America on December 14, 2016, there is a sixth defined contribution plan which covers the Virgin America employee groups. The defined-benefit plans provide benefits based on an employee's term of service and average compensation for a specified period of time before retirement. The qualified defined-benefit pension plans are closed to new entrants.

Accounting standards require recognition of the overfunded or underfunded status of an entity's defined-benefit pension and other postretirement plan as an asset or liability in the consolidated financial statements and requires recognition of the funded status in AOCL.

Qualified Defined-Benefit Pension Plans

The Company's pension plans are funded as required by the Employee Retirement Income Security Act of 1974. The defined-benefit plan assets consist primarily of marketable equity and fixed-income securities. The Company uses a December 31 measurement date for these plans.

Weighted average assumptions used to determine benefit obligations:

	2016	2015
Discount rates[a]	**4.29% to 4.50%**	4.55% to 4.69%
Rate of compensation increases[a]	**2.12% to 2.59%**	2.06% to 2.65%

[a] Varies by plan and related work group.

Weighted average assumptions used to determine net periodic benefit cost:

	2016	2015	2014
Discount rates[a]	**4.55% to 4.69%**	4.20%	4.85%
Expected return on plan assets[a]	**6.00% to 6.50%**	6.50%	6.75%
Rate of compensation increases[a]	**2.06% to 2.65%**	2.85% to 3.91%	2.90% to 3.93%

[a] Varies by plan and related work group.

The discount rates are determined using current rates earned on high-quality, long-term bonds with maturities that correspond with the estimated cash distributions from the pension plans. At December 31, 2016, the Company selected discount rates for each of the plans using a pool of higher-yielding bonds estimated to be more reflective of settlement rates, as management has taken steps to ultimately terminate or settle plans that are frozen and move toward freezing benefits in active plans in the future. In determining the expected return on plan assets, the Company assesses the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class is then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

Plan assets are invested in common commingled trust funds invested in equity and fixed income securities and in certain real estate assets. The target and actual asset allocation of the funds in the qualified defined-benefit plans, by asset category, are as follows:

	Target	2016	2015
Asset category:			
Domestic equity securities	**22% - 33%**	**30%**	28%
Non-U.S. equity securities	**9% - 16%**	**12%**	12%
Fixed income securities	**48% - 67%**	**53%**	55%
Real estate	**0% - 8%**	**5%**	5%
Plan assets		**100%**	100%

The Company's investment policy focuses on achieving maximum returns at a reasonable risk for pension assets over a full market cycle. In 2015, the Company separated the management of plan assets for the defined-benefit plan that covers the Company's non-union, management participants. This plan has been closed to new participants since 2003 and benefits were frozen effective January 1, 2014. These assets have a higher allocation to fixed income securities than the other plans. The Company uses a fund manager and invests in various asset classes to diversify risk.

The Company determines the strategic allocation between equities, fixed income and real estate based on current funded status and other characteristics of the plans. As the funded status improves, the Company increases the fixed income allocation of the portfolio and decreases the equity allocation. Actual asset allocations are reviewed regularly and periodically rebalanced as appropriate.

As of December 31, 2016, all assets other than real estate were invested in common commingled trust funds. The Company uses the net asset values of these funds to determine fair value as allowed using the practical expediency method outlined in the accounting standards. Fair value estimates for real estate are calculated using the present value of expected future cash flows based on independent appraisals, local market conditions and current and projected operating performance.

Certain investments were previously misclassified in the fair value hierarchy disclosure in 2015 based on the Company's interpretation of relevant guidance. Upon further evaluation, investments in common commingled trusts were determined to

have a readily determinable fair value and are now disclosed within the fair value hierarchy. Additionally, investments in the real estate limited partnership are measured at net asset value per share as a practical expedient and excluded from the fair value hierarchy. These changes in disclosure do not have a material impact on the financial statements and are consistent with presentation of amounts as of December 31, 2016 as shown below.

Plan asset by fund category (in millions):

	2016	2015	Fair Value Hierarchy
Fund type:			
U.S. equity market fund	$ 545	$ 491	1
Non-U.S. equity fund	218	208	1
Credit bond index fund	992	953	1
Plan assets in common commingled trusts	$ 1,755	$ 1,652	
Real estate	91	85	(a)
Total plan assets	$ 1,846	$ 1,737	

(a) In accordance with Subtopic 820-10, certain investments that are measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy.

The following table sets forth the status of the qualified defined-benefit pension plans (in millions):

	2016	2015
Projected benefit obligation ("PBO")		
Beginning of year	$ 1,898	$ 2,050
Service cost	37	41
Interest cost	73	84
Plan settlement	—	(62)
Actuarial (gain) loss	104	(140)
Benefits paid	(69)	(75)
End of year	$ 2,043	$ 1,898
Plan assets at fair value		
Beginning of year	$ 1,737	$ 1,917
Actual return on plan assets	178	(43)
Employer contributions	—	—
Plan settlement	—	(62)
Benefits paid	(69)	(75)
End of year	$ 1,846	$ 1,737
Funded status (unfunded)	$ (197)	$ (161)
Percent funded	90%	92%

The accumulated benefit obligation for the combined qualified defined-benefit pension was $1.9 billion and $1.8 billion at December 31, 2016 and 2015.

The amounts recognized in the consolidated balance sheets (in millions):

	2016	2015
Accrued benefit liability-long term	$ 225	$ 173
Plan assets-long term (within Other noncurrent assets)	(28)	(12)
Total liability recognized	$ 197	$ 161

The amounts not yet reflected in net periodic benefit cost and included in AOCL (in millions):

	2016	2015
Prior service credit	$ (10)	$ (11)
Net loss	509	499
Amount recognized in AOCL (pretax)	$ 499	$ 488

The expected amortization of prior service credit and net loss from AOCL in 2017 is $1 million and $26 million, respectively, for the qualified defined-benefit pension plans.

Net pension expense for the qualified defined-benefit plans included the following components (in millions):

	2016	2015	2014
Service cost	$ 37	$ 41	$ 33
Interest cost	73	84	81
Expected return on assets	(108)	(122)	(117)
Amortization of prior service credit	(1)	(1)	(1)
Recognized actuarial loss	25	26	13
Settlement expense *(special item)*	—	14	—
Net pension expense	$ 26	$ 42	$ 9

In 2015, the Company recognized a settlement charge of $14 million related to lump sum settlements offered to terminated, vested plan participants. The result was a reduction in the projected benefit obligation of $62 million. The settlement charge reflects the remaining unamortized actuarial loss in AOCL associated with the settled obligation.

There are no current statutory funding requirements for the Company's plans in 2017, nor does the Company expect to contribute to the qualified defined-benefit pension plans during 2017.

Future benefits expected to be paid over the next ten years under the qualified defined-benefit pension plans from the assets of those plans (in millions):

	Total
2017	$ 85
2018	93
2019	96
2020	109
2021	109
2022– 2026	652

Nonqualified Defined-Benefit Pension Plan

Alaska also maintains an unfunded, noncontributory defined-benefit plan for certain elected officers. This plan uses a December 31 measurement date. The assumptions used to determine benefit obligations and the net period benefit cost for the nonqualified defined-benefit pension plan are similar to those used to calculate the qualified defined-benefit pension plan. The plan's unfunded status, PBO and accumulated benefit obligation are immaterial. The net pension expense in prior year and expected future expense is also immaterial.

Postretirement Medical Benefits

The Company allows certain retirees to continue their medical, dental and vision benefits by paying all or a portion of the active employee plan premium until eligible for Medicare, currently age 65. This results in a subsidy to retirees, because the premiums received by the Company are less than the actual cost of the retirees' claims. The accumulated postretirement benefit obligation for this subsidy is unfunded. The accumulated postretirement benefit obligation was $76 million and $64 million at December 31, 2016 and 2015 respectively. The net periodic benefit cost was not material in 2016 or 2015.

During 2014, the Company made changes to the postretirement medical benefits for non-union personnel and certain labor groups to sunset the postretirement medical benefits effective in 2015. As a result of these changes, the Company recognized a partial curtailment gain of $25 million in 2014. The curtailment gain included $5 million associated with an embedded sick leave subsidy. This subsidy was used to establish a new compensated absence liability. The net impact of the curtailment gain of $20 million is included in special items in the income statement.

Defined-Contribution Plans

The defined-contribution plans are deferred compensation plans under section 401(k) of the Internal Revenue Code. All of these plans require Company contributions. Total expense for the defined-contribution plans was $67 million, $60 million and $54 million in 2016, 2015, and 2014.

The Company also has a noncontributory, unfunded defined-contribution plan for certain elected officers of the Company who are ineligible for the nonqualified defined-benefit pension plan. Amounts recorded as liabilities under the plan are not material to the consolidated balance sheets at December 31, 2016 and 2015.

Pilot Long-term Disability Benefits

Alaska maintains a long-term disability plan for its pilots. The long-term disability plan does not have a service requirement. Therefore, the liability is calculated based on estimated future benefit payments associated with pilots that were assumed to be disabled on a long-term basis as of December 31, 2016 and does not include any assumptions for future disability. The liability includes the discounted expected future benefit payments and medical costs. The total liability was $25 million and $19 million, which was recorded net of a prefunded trust account of $3 million and $2 million, and included in long-term other liabilities on the consolidated balance sheets as of December 31, 2016 and December 31, 2015, respectively.

Employee Incentive-Pay Plans

The Company has employee incentive plans that pay employees based on certain financial and operational metrics. These metrics are set and approved annually by the Compensation Committee of the Board of Directors. The aggregate expense under these plans in 2016, 2015 and 2014 was $127 million, $120 million and $116 million. The Air Group plans are summarized below.

- *Performance-Based Pay* ("PBP") is a program that rewards the majority of Air Group employees. The program is based on four separate metrics related to Air Group profitability, safety, achievement of unit-cost goals and employee engagement as measured by customer satisfaction.

- The *Operational Performance Rewards Program* entitles the majority of Air Group employees to quarterly payouts of up to $300 per person if certain operational and customer service objectives are met.

Virgin America operated three similar plans, including a traditional profit sharing plan, through 2016. The impact of these plans was immaterial for the period from the date of acquisition through December 31, 2016. Starting January 1, 2017 all employees will participate in the Air Group plans described above.

NOTE 9. COMMITMENTS AND CONTINGENCIES

Future minimum payments for commitments as of December 31, 2016 (in millions):

	Aircraft Leases	Facility Leases	Aircraft Purchase Commitments	Capacity Purchase Agreements	Aircraft Maintenance Deposits	Aircraft Maintenance and Parts Management
2017	$ 302	$ 123	$ 926	$ 76	$ 59	$ 30
2018	316	73	848	80	61	32
2019	305	63	694	85	65	35
2020	279	57	354	90	68	37
2021	242	50	277	94	63	40
Thereafter	953	171	361	676	90	—
Total	$ 2,397	$ 537	$ 3,460	$ 1,101	$ 406	$ 174

Lease Commitments

Aircraft lease commitments include future obligations for all of the Company's operating airlines—Alaska, Virgin America and Horizon, as well as aircraft leases operated by third-parties. At December 31, 2016, the Company had lease contracts for 17 B737 aircraft, 15 Q400 aircraft and 53 Airbus aircraft. Additionally, as of December 31, 2016 the Company has 15 leased E175s with SkyWest. The Company has 10 scheduled lease deliveries of A321neo aircraft from 2017 through 2018 and five scheduled lease deliveries of E175s in 2017 to be operated by SkyWest. All lease contracts have remaining noncancelable lease terms ranging from 2017 to 2030. The Company has the option to increase capacity flown by SkyWest with eight additional E175 aircraft with deliveries in 2019. Options to lease are not reflected in the commitments table above.

Facility lease commitments primarily include airport and terminal facilities and building leases. Total rent expense for aircraft and facility leases was $315 million, $295 million and $288 million, in 2016, 2015 and 2014.

Aircraft Purchase Commitments

Aircraft purchase commitments include non-cancelable contractual commitments for aircrafts and engines. As of December 31, 2016, the Company is committed to purchasing 54 B737 aircraft (22 B737 NextGen aircraft and 32 B737 MAX aircraft, with deliveries in 2017 through 2023) and 33 E175 aircraft with deliveries in 2017 through 2019. In addition, the Company has options to purchase 41 B737 aircraft, 30 A320neo aircraft and 30 E175 aircraft. Option payments are not reflected in the table above.

Capacity Purchase Agreements ("CPAs")

At December 31, 2016, Alaska had CPAs with three carriers, including the Company's wholly-owned subsidiary, Horizon. Horizon sells 100% of its capacity under a CPA with Alaska. In addition, Alaska has CPAs with SkyWest Airlines, Inc ("SkyWest") to fly certain routes in the Lower 48 and Canada and with Peninsula Airways, Inc ("PenAir") to fly certain routes in the state of Alaska. Under these agreements, Alaska pays the carriers an amount which is based on a determination of their cost of operating those flights and other factors intended to approximate market rates for those services. Future payments (excluding Horizon) are based on minimum levels of flying by the third-party carriers, which could differ materially due to variable payments based on actual levels of flying and certain costs associated with operating flights such as fuel.

Aircraft Maintenance Deposits

The Company is contractually required to make maintenance deposit payments to aircraft lessors, which represent maintenance reserves made solely to collateralize the lessor for future maintenance events should the Company not perform required maintenance. Under most leases, the lease agreements provide that maintenance reserves are reimbursable upon completion of the major maintenance event in an amount equal to the lesser of (i) the amount qualified for reimbursement from maintenance reserves held by the lessor associated with the specific major maintenance event or (ii) the qualifying costs related to the specific major maintenance event.

Aircraft Maintenance and Parts Management

The Company has a separate maintenance-cost-per-hour contract for management and repair of certain rotable parts to support airframe and engine maintenance and repair. This agreement requires monthly payments based upon utilization, such as flight hours, cycles and age of the aircraft, and, in turn, the agreement transfers certain risks to the third-party service provider. There

are minimum payments under this agreement, which are reflected in the table above. Accordingly, payments could differ materially based on actual aircraft utilization.

Contingencies

The Company is a party to routine litigation matters incidental to its business and with respect to which no material liability is expected. Liabilities for litigation related contingencies are recorded when a loss is determined to be probable and estimable.

In 2015, three flight attendants filed a class action lawsuit seeking to represent all Virgin America flight attendants for damages based on alleged violations of California and City of San Francisco wage and hour laws. Plaintiffs received class certification in November 2016. Virgin America filed a motion for summary judgment seeking to dismiss all claims on various federal preemption grounds. In January 2017, the Court denied in part and granted in part Virgin America's motion. Virgin America believes the claims in this case are without factual and legal merit and intends to defend this lawsuit through, among other strategies, filing a motion for reconsideration of the Court's certification decision and denial of summary judgment and, if necessary, a motion for certification of interlocutory appeal to the U.S. Court of Appeals for the Ninth Circuit.

Management believes the ultimate disposition of these matters is not likely to materially affect the Company's financial position or results of operations. This forward-looking statement is based on management's current understanding of the relevant law and facts, and it is subject to various contingencies, including the potential costs and risks associated with litigation and the actions of arbitrators, judges and juries.

NOTE 10. SHAREHOLDERS' EQUITY

Common Stock Changes

During the second quarter of 2014, shareholders voted to increase the number of authorized shares from 100 million to 200 million shares and reduce the par value of common stock from $1 per share to $0.01 per share, and the Board of Directors declared a two-for-one stock split by means of a stock distribution. The additional shares were distributed on July 9, 2014, to the shareholders of record on June 23, 2014.

Dividends

During 2016, the Board of Directors declared dividends of $1.10 per share. The Company paid dividends of $136 million, $102 million and $68 million to shareholders of record during 2016, 2015 and 2014.

Subsequent to year-end, the Board of Directors declared a quarterly cash dividend of $0.30 per share to be paid in March 2017 to shareholders of record as of February 21, 2017. This is a 9% increase from the most recent quarterly dividends of $0.275 per share.

Common Stock Repurchase

In May 2014, the Board of Directors authorized a $650 million share repurchase program, which was completed in October 2015. In August 2015, the Board of Directors authorized a $1.0 billion share repurchase program, which was paused in the second quarter of 2016 in anticipation of the acquisition of Virgin America. At December 31, 2016, the Company held 5,861,583 shares in treasury. Management does not anticipate retiring common shares held in treasury for the foreseeable future.

Share repurchase activity (in millions, except shares):

	2016		2015		2014	
	Shares	Amount	Shares	Amount	Shares	Amount
2015 $1 billion Repurchase Program	**2,594,809**	**$ 193**	1,517,277	$ 120	—	$ —
2014 $650 million Repurchase Program	—	—	5,691,051	385	5,497,427	265
2012 $250 million Repurchase Program	—	—	—	—	1,819,304	83
Total	**2,594,809**	**$ 193**	7,208,328	$ 505	7,316,731	$ 348

Accumulated Other Comprehensive Loss (AOCL)

AOCL consisted of the following (in millions, net of tax):

	2016	2015
Related to marketable securities	$ (3)	$ (3)
Related to employee benefit plans	(299)	(288)
Related to interest rate derivatives	(3)	(12)
	$ (305)	$ (303)

NOTE 11. SPECIAL ITEMS

In 2016, the Company recognized special items of $117 million for merger-related costs associated with its acquisition of Virgin America. Costs classified as merger-related are directly attributable to merger activities. $39 million of these costs were not deductible under U.S. federal tax law, as discussed in Note 7. The Company also recognized a special tax expense of $17 million representing the impact of adjustments to the Company's position on income sourcing in various states.

In 2015, the Company recognized special items of $32 million in aggregate. The special items comprise an expense of $14 million for a lump sum settlements offered to terminated and vested participants in the qualified defined benefit pension plans and a litigation-related matter. See Note 8 for more information regarding the pension settlement charge. The Company also recognized a special tax benefit of $26 million representing the discrete impacts of adjustments to the Company's position on income sourcing in various states.

In 2014, the Company recognized special items of $30 million. As discussed in Note 8, a $20 million benefit was recognized related to the curtailment of certain postretirement benefit plans. Furthermore, in 2014 the Company recorded a one-time gain of $10 million associated with the settlement of a legal matter.

NOTE 12. STOCK-BASED COMPENSATION PLANS

The table below summarizes the components of total stock-based compensation (in millions):

	2016	2015	2014
Stock options	$ 2	$ 2	$ 3
Stock awards	11	11	10
Deferred stock awards	1	1	1
Employee stock purchase plan	5	3	2
Stock-based compensation	$ 19	$ 17	$ 16
Tax benefit related to stock-based compensation	$ 7	$ 7	$ 6

Unrecognized stock-based compensation for non-vested options and awards and the weighted-average period the expense will be recognized (in millions).

	Amount	Weighted-Average Period
Stock options	$ 2	1.1
Stock awards	21	0.9
Unrecognized stock-based compensation	$ 23	0.9

The Company has various equity incentive plans under which it may grant stock awards to directors, officers and employees. The Company also has an employee stock purchase plan.

The Company is authorized to issue 17 million shares of common stock under these plans, of which 11,847,713 shares remain available for future grants of either options or stock awards as of December 31, 2016.

Stock Options

Stock options to purchase common stock are granted at the fair market value of the stock on the date of grant. The stock options granted have terms of up to ten years.

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants:

	2016	2015	2014
Expected volatility	**51%**	53%	65%
Expected term	**6 years**	6 years	6 years
Risk-free interest rate	**1.23%**	1.67%	1.87%
Expected dividend yield	**1.50%**	1.25%	1.25%
Weighted-average grant date fair value per share	**$ 27.14**	$ 28.71	$ 21.70
Estimated fair value of options granted (millions)	**$ 2**	$ 3	$ 3

The expected market price volatility is based on the historical volatility. The expected term is based on the estimated period of time until exercise based on historical experience. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of the grant. The expected dividend yield is based on the estimated weighted average dividend yield over the expected term. The expected forfeiture rates are based on historical experience.

The tables below summarize stock option activity for the year ended December 31, 2016:

	Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Contractual Life (Years)	Aggregate Intrinsic Value (in millions)
Outstanding, December 31, 2015	540,345	$ 31.58	6.3	$ 26
Granted	79,340	65.63		
Exercised	(158,758)	23.62		
Canceled	—	—		
Forfeited or expired	(7,253)	49.66		
Outstanding, December 31, 2016	453,674	$ 40.02	6.2	$ 22
Exercisable, December 31, 2016	**199,676**	**$ 25.35**	**5.1**	**$ 13**
Vested or expected to vest, December 31, 2016	**453,435**	**$ 40.03**	**6.2**	**$ 22**

(in millions)	2016	2015	2014
Intrinsic value of option exercises	**$ 9**	$ 14	$ 20
Cash received from stock option exercises	**3**	4	6
Tax benefit related to stock option exercises	**3**	5	7
Fair value of options vested	**3**	3	2

Stock Awards

Restricted Stock Units ("RSUs") are awarded to eligible employees and entitle the grantee to receive shares of common stock at the end of the vest period. The fair value of the RSUs is based on the stock price on the date of grant. The RSUs "cliff vest" after three years, or the period from the date of grant to the employee's retirement eligibility, and expense is recognized accordingly. Performance Share Units (PSUs) are awarded to certain executives to receive shares of common stock if specific performance goals and market conditions are achieved. There are several tranches of PSUs which vest when performance goals and market conditions are met.

The following table summarizes information about outstanding stock awards:

	Number of Units	Weighted-Average Grant Date Fair Value	Weighted-Average Contractual Life (Years)	Aggregate Intrinsic Value (in millions)
Non-vested, December 31, 2015	470,715	$ 38.09	0.8	$ 38
Granted	374,863	63.53		
Vested	(366,319)	32.87		
Forfeited	(39,166)	40.35		
Non-vested, December 31, 2016	440,093	$ 63.86	1.4	$ 39

Deferred Stock Awards

Deferred Stock Units ("DSUs") are awarded to members of its Board of Directors as part of their retainers. The underlying common shares are issued upon retirement from the Board, but require no future service period. As a result, the entire intrinsic value of the awards is expensed on the date of grant.

Employee Stock Purchase Plan

The ESPP allows employees to purchase common stock at 85% of the stock price on the first day of the offering period or the specified purchase date, whichever is lower. Employees may contribute up to 10% of their base earnings during the offering period to purchase stock. Employees purchased 308,920, 281,058 and 298,283 shares in 2016, 2015 and 2014 under the ESPP.

NOTE 13. OPERATING SEGMENT INFORMATION

Alaska Air Group has three operating airlines—Alaska, Virgin America and Horizon. Each is a regulated airline by the U.S. Department of Transportation's Federal Aviation Administration. Alaska has CPAs for regional capacity with Horizon, as well as with third-party carriers SkyWest and PenAir, under which Alaska receives all passenger revenues.

Under U.S. General Accepted Accounting Principles, operating segments are defined as components of a business for which there is discrete financial information that is regularly assessed by the Chief Operating Decision Maker ("CODM") in making resource allocation decisions. Financial performance for the operating airlines and CPAs is managed and reviewed by the Company's CODM as part of three reportable operating segments:

- **Mainline** - includes Alaska's and Virgin America's scheduled air transportation for passengers and cargo throughout the U.S., and in parts of Canada, Mexico, Costa Rica and Cuba.
- **Regional** - includes Horizon's and other third-party carriers' scheduled air transportation for passengers across a shorter distance network within the U.S. under CPAs. This segment includes the actual revenues and expenses associated with regional flying, as well as an allocation of corporate overhead incurred by Air Group on behalf of the regional operations.
- **Horizon** - includes the capacity sold to Alaska under CPA. Expenses include those typically borne by regional airlines such as crew costs, ownership costs and maintenance costs.

The CODM makes resource allocation decisions for these reporting segments based on flight profitability data, aircraft type, route economics and other financial information.

The "Consolidating and Other" column reflects parent company activity, consolidating entries and other immaterial business units of the company. The "Air Group Adjusted" column represents a non-GAAP measure that is used by the Company CODM to evaluate performance and allocate resources. Adjustments are further explained below in reconciling to consolidated GAAP results.

The operating segment information that follows (in millions) includes financial results for Virgin America for the period from December 14, 2016 to December 31, 2016 and the impact of purchase accounting as of December 14, 2016.

Year Ended December 31, 2016	Mainline[a]	Regional	Horizon	Consolidating & Other[b]	Air Group Adjusted[c]	Special Items[d]	Consolidated
Operating revenues							
Passenger							
Mainline	$ 4,098	$ —	$ —	$ —	$ 4,098	$ —	$ 4,098
Regional	—	908	—	—	908	—	908
Total passenger revenues	4,098	908	—	—	5,006	—	5,006
CPA revenues	—	—	424	(424)	—	—	—
Freight and mail	104	5	—	(1)	108	—	108
Other-net	738	74	4	1	817	—	817
Total operating revenues	4,940	987	428	(424)	5,931	—	5,931
Operating expenses							
Operating expenses, excluding fuel	2,883	769	407	(425)	3,634	117	3,751
Fuel expense	719	125	—	—	844	(13)	831
Total operating expenses	3,602	894	407	(425)	4,478	104	4,582
Nonoperating income (expense)							
Interest income	26	—	1	—	27	—	27
Interest expense	(42)	—	(9)	(4)	(55)	—	(55)
Other	19	—	1	4	24	—	24
	3	—	(7)	—	(4)	—	(4)
Income (loss) before income tax	$ 1,341	$ 93	$ 14	$ 1	$ 1,449	$ (104)	$ 1,345

Year Ended December 31, 2015	Mainline	Regional	Horizon	Consolidating & Other[b]	Air Group Adjusted[c]	Special Items[d]	Consolidated
Operating revenues							
Passenger							
Mainline	$ 3,939	$ —	$ —	$ —	$ 3,939	$ —	$ 3,939
Regional	—	854	—	—	854	—	854
Total passenger revenues	3,939	854	—	—	4,793	—	4,793
CPA revenues	—	—	408	(408)	—	—	—
Freight and mail	103	5	—	—	108	—	108
Other-net	621	72	4	—	697	—	697
Total operating revenues	4,663	931	412	(408)	5,598	—	5,598
Operating expenses							
Operating expenses, excluding fuel	2,653	695	375	(409)	3,314	32	3,346
Fuel expense	823	131	—	—	954	—	954
Total operating expenses	3,476	826	375	(409)	4,268	32	4,300
Nonoperating income (expense)							
Interest income	19	—	—	2	21	—	21
Interest expense	(28)	—	(10)	(4)	(42)	—	(42)
Other	28	—	1	6	35	—	35
	19	—	(9)	4	14	—	14
Income (loss) before income tax	$ 1,206	$ 105	$ 28	$ 5	$ 1,344	$ (32)	$ 1,312

Year Ended December 31, 2014	Mainline	Regional	Horizon	Consolidating & Other[b]	Air Group Adjusted[c]	Special Items[d]	Consolidated
Operating revenues							
Passenger							
Mainline	$ 3,774	$ —	$ —	$ —	$ 3,774	$ —	$ 3,774
Regional	—	805	—	—	805	—	805
Total passenger revenues	3,774	805	—	—	4,579	—	4,579
CPA revenues	—	—	371	(371)	—	—	—
Freight and mail	109	5	—	—	114	—	114
Other-net	592	78	5	—	675	—	675
Total operating revenues	4,475	888	376	(371)	5,368	—	5,368
Operating expenses							
Operating expenses, excluding fuel	2,417	623	349	(371)	3,018	(30)	2,988
Fuel expense	1,251	190	—	—	1,441	(23)	1,418
Total operating expenses	3,668	813	349	(371)	4,459	(53)	4,406
Nonoperating income (expense)							
Interest income	20	—	—	1	21	—	21
Interest expense	(32)	—	(12)	(4)	(48)	—	(48)
Other	39	(1)	2	—	40	—	40
	27	(1)	(10)	(3)	13	—	13
Income (loss) before income tax	$ 834	$ 74	$ 17	$ (3)	$ 922	$ 53	$ 975

(a) Includes Alaska activity for the full period and Virgin America financial results for the period December 14, 2016 through December 31, 2016, and the impacts associated with purchase accounting as of December 14, 2016.

(b) Includes consolidating entries, Parent Company and other immaterial business units.

(c) The adjusted column excludes certain charges described in (d) and represents the financial information that is reviewed by management to assess performance of operations and determine capital allocations.

(d) Includes accounting adjustments related to mark-to-market fuel hedge accounting charges (all years), merger-related costs (2016), pension settlement charge (2015), litigation-related matter (2015), non-cash curtailment gain (2014) and a gain related to a legal matter (2014).

	2016	2015	2014
Depreciation and amortization:			
Mainline	$ 296	$ 268	$ 243
Horizon	67	52	51
Consolidated	$ 363	$ 320	$ 294
Capital expenditures:			
Mainline	$ 608	$ 821	$ 659
Horizon	70	10	35
Consolidated	$ 678	$ 831	$ 694
Total assets at end of period:			
Mainline	$ 15,260	$ 8,127	
Horizon	690	717	
Consolidating & Other	(5,988)	(2,314)	
Consolidated	$ 9,962	$ 6,530	

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, with the participation of the Principal Executive Officer and Principal Financial Officer, conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this report. Based on that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Except as noted below, there have been no changes in the Company's internal controls over financial reporting during the fourth quarter of 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting except as noted below.

In the fourth quarter of 2016, the Company acquired Virgin America (see Note 2). As permitted by Securities and Exchange Commission Staff interpretive guidance for newly acquired businesses, management excluded Virgin America from its annual evaluation of internal control over financial reporting as of December 31, 2016. We have begun the process of assessing Virgin America's internal controls over financial reporting and plan to incorporate Virgin America in our evaluation of internal controls over financial reporting in 2017. As of December 31, 2016, Virgin America's total assets represented approximately 33% of the Company's consolidated assets, and revenue represented approximately 2% of the Company's consolidated operating revenues as of and for the year ended December 31, 2016.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the 2013 framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO Framework). Management's assessment of internal control over financial reporting as of December 31, 2016 excluded internal control over financial reporting related to Virgin America, acquired December 14, 2016, which represented approximately 33% of consolidated total assets and 2% of consolidated operating revenues as of and for the year ended December 31, 2016. Based on our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2016.

We intend to review and evaluate the design and effectiveness of our disclosure controls and procedures and internal control over financial reporting on an ongoing basis and to improve these controls and procedures over time and to correct any deficiencies that we may discover in the future. While we believe the present design of our disclosure controls and procedures and internal control over financial reporting are effective, future events affecting our business may cause us to modify our controls and procedures.

The Company's independent registered public accounting firm has issued an attestation report regarding its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2016.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

Alaska Air Group, Inc.:

We have audited Alaska Air Group, Inc.'s (the Company) internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Alaska Air Group, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting (included in Item 9A). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Alaska Air Group, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Alaska Air Group, Inc. acquired Virgin America Inc. (Virgin America) during 2016, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2016, Virgin America's internal control over financial reporting associated with total assets that represented approximately 33% of the Company's consolidated assets, and revenue that represented approximately 2% of the Company's consolidated operating revenues included in the consolidated financial statements of the Company and subsidiaries as of and for the year ended December 31, 2016. Our audit of internal control over financial reporting of Alaska Air Group, Inc. also excluded an evaluation of the internal control over financial reporting of Virgin America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Alaska Air Group, Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive operations, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2016, and our report dated February 28, 2017 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Seattle, Washington
February 28, 2017

ITEM 9B. OTHER INFORMATION

On February 23, 2017, Kathy J. Savitt informed the Company's board of directors of her intention not to stand for re-election to the boards of the Company and its subsidiaries Alaska Airlines, Inc., Virgin America Inc. and Horizon Air Industries, Inc., at the conclusion of her current term on May 4, 2017. Ms. Savitt intends to devote significantly more time to Perch Partners, the strategic advisory firm and accelerator she founded in 2016 as well as to social justice causes. At the same time, Ms. Savitt will relinquish her seat on the Compensation & Leadership Development Committee of the Company's board of directors. In connection with Ms. Savitt's announcement, the boards of directors of the Company and its subsidiaries have reduced the number of seats on their respective boards of directors from 11 to 10, effective May 4, 2017.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

See "Executive Officers" under Item 1, "Our Business," in Part I of this Form 10-K for information on the executive officers of Air Group and its subsidiaries. Except as provided herein, the remainder of the information required by this item is incorporated herein by reference from the definitive Proxy Statement for Air Group's 2017 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year ended December 31, 2016 (hereinafter referred to as our "2017 Proxy Statement").

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated herein by reference from our 2017 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT, AND RELATED STOCKHOLDER MATTERS

Securities Authorized for Issuance Under Equity Compensation Plans

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,228,448[1]	$40.02[2]	11,847,713
Equity compensation plans not approved by security holders	—	Not applicable	—
Total	1,228,448	$40.02	11,847,713

(1) Of these shares, 453,674 were subject to options then outstanding under the 2008 Plan, 645,862 were subject to outstanding restricted, performance and deferred stock unit awards granted under the 2008 Plan and 128,912 were subject to outstanding restricted stock unit awards granted under the 2016 Plan. No options were outstanding under the 2016 plan. Outstanding performance awards are reflected in the table assuming that the target level of performance will be achieved.

(2) This number does not reflect the 774,474 shares that were subject to outstanding stock unit awards granted under the 2008 and 2016 Plans.

(3) Of the aggregate number of shares that remained available for future issuance, no shares were available under the 2008 Plan, 5,642,418 shares were available under the 2016 Plan and 6,205,295 shares were available under the ESPP. Subject to certain express limits of the 2016 Plan, shares available for award purposes under the 2016 Plan generally may be used for any type of award authorized under that plan including options, stock appreciation rights, and other forms of awards granted or denominated in shares of our common stock including, without limitation, stock bonuses, restricted stock, restricted stock units and performance shares. Full-value shares issued under the 2016 Plan are counted against the share limit as 1.7 shares for every one share issued. This table does not give effect to that rule.

Other information required by this item is set forth under the heading "Beneficial Ownership of Securities" in our 2017 Proxy Statement and is incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated herein by reference from our 2017 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated herein by reference from our 2017 Proxy Statement.

PART IV

ITEM 15. EXHIBITS

The following documents are filed as part of this report:

1. *Exhibits:* See Exhibit Index.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ALASKA AIR GROUP, INC.

By: /s/ BRADLEY D. TILDEN Date: February 28, 2017

Bradley D. Tilden
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on February 28, 2017 on behalf of the registrant and in the capacities indicated.

/s/ BRADLEY D. TILDEN **Bradley D. Tilden**	Chairman and Chief Executive Officer (Principal Executive Officer)
/s/ BRANDON S. PEDERSEN **Brandon S. Pedersen**	Executive Vice President/Finance and Chief Financial Officer (Principal Financial Officer)
/s/ CHRISTOPHER M. BERRY **Christopher M. Berry**	Vice President Finance and Controller (Principal Accounting Officer)
/s/ PATRICIA M. BEDIENT **Patricia M. Bedient**	Director
/s/ MARION C. BLAKEY **Marion C. Blakey**	Director
/s/ PHYLLIS J. CAMPBELL **Phyllis J. Campbell**	Director
/s/ DHIREN R. FONSECA **Dhiren R. Fonseca**	Director
/s/ JESSIE J. KNIGHT, JR. **Jessie J. Knight, Jr.**	Director
/s/ DENNIS F. MADSEN **Dennis F. Madsen**	Director
/s/ HELVI K. SANDVIK **Helvi K. Sandvik**	Director
/s/ KATHERINE J. SAVITT **Katherine J. Savitt**	Director
/s/ J. KENNETH THOMPSON **J. Kenneth Thompson**	Director
/s/ ERIC K. YEAMAN **Eric K. Yeaman**	Director

EXHIBIT INDEX

Certain of the following exhibits have been filed with the Securities and Exchange Commission and are incorporated by reference from the documents below. Certain others are filed with this Form 10-K. The exhibits are numbered in accordance with Item 601 of Regulation S-K.

Exhibit Number	Exhibit Description	Form	Date of First Filing	Exhibit Number	File Number
3.1	Amended and Restated Certificate of Incorporation of Registrant	10-Q	August 6, 2014	3.1	
3.2	Bylaws of Registrant, as amended December 9, 2015	8-K	December 15, 2015	3.2	
10.1#	Aircraft General Terms Agreement, dated June 15, 2005, between the Boeing Company and Alaska Airlines, Inc.	10-Q	August 5, 2005	10.1	
10.2#	Purchase Agreement No. 2497, dated June 15, 2005, between the Boeing Company and Alaska Airlines, Inc.	10-Q	August 5, 2005	10.2	
10.3#	Supplemental Agreement No. 23 to Purchase Agreement No. 2497 between The Boeing Company and Alaska Airlines, Inc.	10-Q/A	August 2, 2011	10.1	
10.4#	Supplemental Agreement No. 29 to Purchase Agreement No. 2497 between The Boeing Company and Alaska Airlines, Inc.	10-K	February 14, 2013	10.1	
10.5#	Purchase Agreement No. 3866 between The Boeing Company and Alaska Airlines, Inc.	10-K	February 14, 2013	10.2	
10.6#	Supplemental Agreement No. 39 to Purchase Agreement No. 2497 between The Boeing Company and Alaska Airlines, Inc.	10-Q	May 7, 2015	10.1	
10.7#	Purchase Agreement, dated April 11, 2016, between Embraer S.A. and Horizon Air Industries, Inc.	10-Q	May 9, 2016	10.1	
10.8^	A320 Aircraft Purchase Agreement, dated as of December 29, 2010, between Airbus S.A.S. and Virgin America Inc.	S-1/A^	October 7, 2014	10.15	
10.9*	Alaska Air Group, Inc. 2008 Performance Incentive Plan, Form of Nonqualified Stock Option Agreement	10-Q	August 4, 2011	10.3	
10.10*	Alaska Air Group, Inc. 2008 Performance Incentive Plan, Form of Performance Stock Unit Award Agreement	10-Q	August 4, 2011	10.4	
10.11*	Alaska Air Group, Inc. 2008 Performance Incentive Plan, Form of Stock Unit Award Agreement	10-Q	August 4, 2011	10.5	
10.12*	Alaska Air Group, Inc. 2008 Performance Incentive Plan, Amended for Stock-Split	10-K	February 11, 2016	10.10	
10.13*	Alaska Air Group, Inc. 2016 Performance Incentive Plan	8-K	May 18, 2016	10.1	
10.14*	Alaska Air Group, Inc. 2016 Performance Incentive Plan, Form of Nonqualified Stock Option Agreement	10-Q	August 2, 2016	10.1	
10.15*	Alaska Air Group, Inc. 2016 Performance Incentive Plan, Form of Incentive Stock Option Agreement	10-Q	August 2, 2016	10.2	
10.16*	Alaska Air Group, Inc. 2016 Performance Incentive Plan, Form of Performance Stock Unit Award Agreement	10-Q	August 2, 2016	10.3	
10.17*	Alaska Air Group, Inc. 2016 Performance Incentive Plan, Form of Stock Unit Award Agreement	10-Q	August 2, 2016	10.4	
10.18*†	Alaska Air Group, Inc. 2010 Employee Stock Purchase Plan, as Amended for the Offering Period Commencing March 1, 2017	10-K	February 28, 2017		
10.19*	Alaska Air Group, Inc. Stock Deferral Plan for Non-Employee Directors	10-K	February 11, 2016	10.12	
10.20*	Alaska Air Group, Inc. Nonqualified Deferred Compensation Plan, as amended	10-Q	August 4, 2011	10.1	
10.21*	1995 Elected Officers Supplementary Retirement Plan, as amended	10-Q	August 4, 2011	10.2	
10.22*	Form of Alaska Air Group, Inc. Change of Control Agreement for named executive officers, as amended and restated October 16, 2014	10-K	February 11, 2016	10.15	
10.23*†	Alaska Air Group Performance Based Pay Plan, as amended and restated June 19, 2015	10-K	February 28, 2017		
21†	Subsidiaries of Registrant				
23.1†	Consent of Independent Registered Public Accounting Firm (KPMG LLP)				
31.1†	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.2†	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32.1†	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				

32.2†	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS†	XBRL Instance Document
101.SCH†	XBRL Taxonomy Extension Schema Document
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF†	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB†	XBRL Taxonomy Extension Label Linkbase Document
101.PRE†	XBRL Taxonomy Extension Presentation Linkbase Document

†	Filed herewith
*	Indicates management contract or compensatory plan or arrangement.
#	Pursuant to 17 CFR 240.24b-2, confidential information has been omitted and filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Application filed with the Commission.
^	Filed by Virgin America Inc., File Number 333-197660

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CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5%. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under MCC Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B. 1 .a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5%ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

[ ]Yes [X] No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

_____

_____

_____

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX B

BUILDING CODE SCOFFLAW/PROBLEM LANDLORD CERTIFICATION

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5% (an "Owner"). It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

1. Pursuant to MCC Section 2-154-010, is the Applicant or any Owner identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

   [ ]Yes [X] No

2. If the Applicant is a legal entity publicly traded on any exchange, is any officer or director of the Applicant identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

   [ ] Yes [X] No [ ] The Applicant is not publicly traded on any exchange.

3. If yes to (1) or (2) above, please identify below the name of each person or legal entity identified as a building code scofflaw or problem landlord and the address of each building or buildings to which the pertinent code violations apply.

_____

_____

_____

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute Appendices A and B **on behalf of the Disclosing Party**, and (2) warrants that all certifications and statements contained in Appendices A and B are true, accurate and complete as of the date furnished to the City.

Alaska Air Group

Print or type the name of the Applicant

Alaska Air Group (Alaska Airlines, Inc as EDS 'Disclosing Party')

Print or type exact legal name of Disclosing Party

20 Feb 2018

Date

By: Mark Eliasen (*Sign here*) Title Mark Eliasen of

Check One: ___ Applicant or _____ Disclosing Party

Vice President, Finance
Treasurer

Print or type name of person signing Mark Eliasen

Signed and sworn to before me on (date) 20th February 2018

at King **County,** Washington **State**

Notary Public Dina M. Jongekryg

Commission expires 12/27/2021

DINA M. JONGEKRYG NOTARY PUBLIC 12-27-21 STATE OF WASHINGTON

Nippon Cargo Airlines Co., Ltd.

Economic Disclosure Statement

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT
AND AFFIDAVIT

SECTION I -- GENERAL INFORMATION

A. Legal name of the Disclosing Party submitting this EDS. Include d/b/a/ if applicable:

Nippon Cargo Airlines Co., Ltd.

Check ONE of the following three boxes:

Indicate whether the Disclosing Party submitting this EDS is:

1. [X] the Applicant

OR

2. [ ] a legal entity currently holding, or anticipated to hold within six months after City action on the contract, transaction or other undertaking to which this EDS pertains (referred to below as the "Matter"), a direct or indirect interest in excess of 7.5% in the Applicant. State the Applicant's legal name: _____

OR

3. [ ] a legal entity with a direct or indirect right of control of the Applicant (see Section II(B)(1)) State the legal name of the entity in which the Disclosing Party holds a right of control:

_____

B. Business address of the Disclosing Party: 663 North Access Rd.
Chicago, IL 60666

C. Telephone: 773-894-8201 Fax: _____ Email: shawn.mcwhorter@nca.aero

D. Name of contact person: Shawn McWhorter

E. Federal Employer Identification No. (if you have one): _____

F. Brief description of the Matter to which this EDS pertains. (Include project number and location of property, if applicable): ① O'Hare Lease + Use Agreement ③ O'Hare Letter of Authorization ② O'Hare Operating Agreement ④ O'Hare Rate Agreement

⑤ Ground and building lease for cargo facility at ORD - 663 North Access Road Chicago IL 60666

G. Which City agency or department is requesting this EDS? Dept. of Aviation

If the Matter is a contract being handled by the City's Department of Procurement Services, please complete the following:

Specification # _____ and Contract # _____

SECTION II -- DISCLOSURE OF OWNERSHIP INTERESTS

A. NATURE OF THE DISCLOSING PARTY

1. Indicate the nature of the Disclosing Party:

[ ] Person
[ ] Publicly registered business corporation
[X] Privately held business corporation
[ ] Sole proprietorship
[ ] General partnership
[ ] Limited partnership
[ ] Trust
[ ] Limited liability company
[ ] Limited liability partnership
[ ] Joint venture
[ ] Not-for-profit corporation
(Is the not-for-profit corporation also a 501(c)(3))?
[ ] Yes [ ] No
[ ] Other (please specify)

2. For legal entities, the state (or foreign country) of incorporation or organization, if applicable:

Japan

3. For legal entities not organized in the State of Illinois: Has the organization registered to do business in the State of Illinois as a foreign entity?

[X] Yes [ ] No [ ] Organized in Illinois

B. IF THE DISCLOSING PARTY IS A LEGAL ENTITY:

1. List below the full names and titles, if applicable, of: (i) all executive officers and all directors of the entity; (ii) **for not-for-profit corporations**, all members, if any, which are legal entities (if there are no such members, write "no members which are legal entities"); (iii) **for trusts, estates or other similar entities**, the trustee, executor, administrator, or similarly situated party; (iv) **for general or limited partnerships, limited liability companies, limited liability partnerships or joint ventures**, each general partner, managing member, manager or any other person or legal entity that directly or indirectly controls the day-to-day management of the Applicant.

NOTE: Each legal entity listed below must submit an EDS on its own behalf.

Name	Title
See attached	

2. Please provide the following information concerning each person or legal entity having a direct or indirect, current or prospective (i.e. within 6 months after City action) beneficial interest (including ownership) in excess of 7.5% of the Applicant. Examples of such an interest include shares in a corporation, partnership interest in a partnership or joint venture, interest of a member or manager in a

limited liability company, or interest of a beneficiary of a trust, estate or other similar entity. If none, state "None."

NOTE: Each legal entity listed below may be required to submit an EDS on its own behalf.

Name	Business Address	Percentage Interest in the Applicant
Nippon Yusen Kabushiki Kaisha	3-2, Marunouchi 2 Chrome, Chiyoda-Ku, Tokyo 100-0005 Japan	100%

SECTION III -- INCOME OR COMPENSATION TO, OR OWNERSHIP BY, CITY ELECTED OFFICIALS

Has the Disclosing Party provided any income or compensation to any City elected official during the 12-month period preceding the date of this EDS? [ ] Yes [X] No

Does the Disclosing Party reasonably expect to provide any income or compensation to any City elected official during the 12-month period following the date of this EDS? [ ] Yes [X] No

If "yes" to either of the above, please identify below the name(s) of such City elected official(s) and describe such income or compensation:

Does any City elected official or, to the best of the Disclosing Party's knowledge after reasonable inquiry, any City elected official's spouse or domestic partner, have a financial interest (as defined in Chapter 2-156 of the Municipal Code of Chicago ("MCC")) in the Disclosing Party?
[ ] Yes [X] No

If "yes," please identify below the name(s) of such City elected official(s) and/or spouse(s)/domestic partner(s) and describe the financial interest(s).

SECTION IV -- DISCLOSURE OF SUBCONTRACTORS AND OTHER RETAINED PARTIES

The Disclosing Party must disclose the name and business address of each subcontractor, attorney, lobbyist (as defined in MCC Chapter 2-156), accountant, consultant and any other person or entity whom the Disclosing Party has retained or expects to retain in connection with the Matter, as well as the nature of the relationship, and the total amount of the fees paid or estimated to be paid. The Disclosing Party is not required to disclose employees who are paid solely through the Disclosing Party's regular payroll. If the Disclosing Party is uncertain whether a disclosure is required under this Section, the Disclosing Party must either ask the City whether disclosure is required or make the disclosure.

Name (indicate whether retained or anticipated to be retained)	Business Address	Relationship to Disclosing Party (subcontractor, attorney, lobbyist, etc.)	Fees (indicate whether paid or estimated.) NOTE: "hourly rate" or "t.b.d." is not an acceptable response.
Masuda, Funai, Eifert & Mitchell, LTD.	203 N. LaSalle Street Suite 2500 Chicago, IL 60601-1262	Attorney	$5,000

(Add sheets if necessary)

[ ] Check here if the Disclosing Party has not retained, nor expects to retain, any such persons or entities.

SECTION V -- CERTIFICATIONS

A. COURT-ORDERED CHILD SUPPORT COMPLIANCE

Under MCC Section 2-92-415, substantial owners of business entities that contract with the City must remain in compliance with their child support obligations throughout the contract's term.

Has any person who directly or indirectly owns 10% or more of the Disclosing Party been declared in arrearage on any child support obligations by any Illinois court of competent jurisdiction?

[ ] Yes [ ] No [X] No person directly or indirectly owns 10% or more of the Disclosing Party.

If "Yes," has the person entered into a court-approved agreement for payment of all support owed and is the person in compliance with that agreement?

[ ] Yes [ ] No

B. FURTHER CERTIFICATIONS

1. [This paragraph 1 applies only if the Matter is a contract being handled by the City's Department of Procurement Services.] In the 5-year period preceding the date of this EDS, neither the Disclosing Party nor any Affiliated Entity [see definition in (5) below] has engaged, in connection with the performance of any public contract, the services of an integrity monitor, independent private sector inspector general, or integrity compliance consultant (i.e., an individual or entity with legal, auditing, investigative, or other similar skills, designated by a public agency to help the agency monitor the activity of specified agency vendors as well as help the vendors reform their business practices so they can be considered for agency contracts in the future, or continue with a contract in progress).

2. The Disclosing Party and its Affiliated Entities are not delinquent in the payment of any fine, fee, tax or other source of indebtedness owed to the City of Chicago, including, but not limited to, water and sewer charges, license fees, parking tickets, property taxes and sales taxes, nor is the Disclosing Party delinquent in the payment of any tax administered by the Illinois Department of Revenue.

3. The Disclosing Party and, if the Disclosing Party is a legal entity, all of those persons or entities identified in Section II(B)(1) of this EDS:

a. are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from any transactions by any federal, state or local unit of government;

b. have not, during the 5 years before the date of this EDS, been convicted of a criminal offense, adjudged guilty, or had a civil judgment rendered against them in connection with: obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; a violation of federal or state antitrust statutes; fraud; embezzlement; theft; forgery; bribery; falsification or destruction of records; making false statements; or receiving stolen property;

c. are not presently indicted for, or criminally or civilly charged by, a governmental entity (federal, state or local) with committing any of the offenses set forth in subparagraph (b) above;

d. have not, during the 5 years before the date of this EDS, had one or more public transactions (federal, state or local) terminated for cause or default; and

e. have not, during the 5 years before the date of this EDS, been convicted, adjudged guilty, or found liable in a civil proceeding, or in any criminal or civil action, including actions concerning environmental violations, instituted by the City or by the federal government, any state, or any other unit of local government.

4. The Disclosing Party understands and shall comply with the applicable requirements of MCC Chapters 2-56 (Inspector General) and 2-156 (Governmental Ethics).

5. Certifications (5), (6) and (7) concern:
   - the Disclosing Party;
   - any "Contractor" (meaning any contractor or subcontractor used by the Disclosing Party in connection with the Matter, including but not limited to all persons or legal entities disclosed under Section IV, "Disclosure of Subcontractors and Other Retained Parties");
   - any "Affiliated Entity" (meaning a person or entity that, directly or indirectly: controls the Disclosing Party, is controlled by the Disclosing Party, or is, with the Disclosing Party, under common control of another person or entity). Indicia of control include, without limitation: interlocking management or ownership; identity of interests among family members, shared facilities and equipment; common use of employees; or organization of a business entity following the ineligibility of a business entity to do business with federal or state or local government, including the City, using substantially the same management, ownership, or principals as the ineligible entity. With respect to Contractors, the term Affiliated Entity means a person or entity that directly or indirectly controls the Contractor, is controlled by it, or, with the Contractor, is under common control of another person or entity;
   - any responsible official of the Disclosing Party, any Contractor or any Affiliated Entity or any other official, agent or employee of the Disclosing Party, any Contractor or any Affiliated Entity, acting pursuant to the direction or authorization of a responsible official of the Disclosing Party, any Contractor or any Affiliated Entity (collectively "Agents").

Neither the Disclosing Party, nor any Contractor, nor any Affiliated Entity of either the Disclosing Party or any Contractor, nor any Agents have, during the 5 years before the date of this EDS, or, with respect to a Contractor, an Affiliated Entity, or an Affiliated Entity of a Contractor during the 5 years before the date of such Contractor's or Affiliated Entity's contract or engagement in connection with the Matter:

a. bribed or attempted to bribe, or been convicted or adjudged guilty of bribery or attempting to bribe, a public officer or employee of the City, the State of Illinois, or any agency of the federal government or of any state or local government in the United States of America, in that officer's or employee's official capacity;

b. agreed or colluded with other bidders or prospective bidders, or been a party to any such agreement, or been convicted or adjudged guilty of agreement or collusion among bidders or prospective bidders, in restraint of freedom of competition by agreement to bid a fixed price or otherwise; or

c. made an admission of such conduct described in subparagraph (a) or (b) above that is a matter of record, but have not been prosecuted for such conduct; or

d. violated the provisions referenced in MCC Subsection 2-92-320(a)(4)(Contracts Requiring a Base Wage); (a)(5)(Debarment Regulations); or (a)(6)(Minimum Wage Ordinance).

6. Neither the Disclosing Party, nor any Affiliated Entity or Contractor, or any of their employees, officials, agents or partners, is barred from contracting with any unit of state or local government as a result of engaging in or being convicted of (1) bid-rigging in violation of 720 ILCS 5/33E-3; (2) bid-rotating in violation of 720 ILCS 5/33E-4; or (3) any similar offense of any state or of the United States of America that contains the same elements as the offense of bid-rigging or bid-rotating.

7. Neither the Disclosing Party nor any Affiliated Entity is listed on a Sanctions List maintained by the United States Department of Commerce, State, or Treasury, or any successor federal agency.

8. [FOR APPLICANT ONLY] (i) Neither the Applicant nor any "controlling person" [see MCC Chapter 1-23, Article I for applicability and defined terms] of the Applicant is currently indicted or charged with, or has admitted guilt of, or has ever been convicted of, or placed under supervision for, any criminal offense involving actual, attempted, or conspiracy to commit bribery, theft, fraud, forgery, perjury, dishonesty or deceit against an officer or employee of the City or any "sister agency"; and (ii) the Applicant understands and acknowledges that compliance with Article I is a continuing requirement for doing business with the City. NOTE: If MCC Chapter 1-23, Article I applies to the Applicant, that Article's permanent compliance timeframe supersedes 5-year compliance timeframes in this Section V.

9. [FOR APPLICANT ONLY] The Applicant and its Affiliated Entities will not use, nor permit their subcontractors to use, any facility listed as having an active exclusion by the U.S. EPA on the federal System for Award Management ("SAM").

10. [FOR APPLICANT ONLY] The Applicant will obtain from any contractors/subcontractors hired or to be hired in connection with the Matter certifications equal in form and substance to those in Certifications (2) and (9) above and will not, without the prior written consent of the City, use any such

contractor/subcontractor that does not provide such certifications or that the Applicant has reason to believe has not provided or cannot provide truthful certifications.

11. If the Disclosing Party is unable to certify to any of the above statements in this Part B (Further Certifications), the Disclosing Party must explain below:

N/A

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

12. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all current employees of the Disclosing Party who were, at any time during the 12-month period preceding the date of this EDS, an employee, or elected or appointed official, of the City of Chicago (if none, indicate with "N/A" or "none").

N/A

13. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all gifts that the Disclosing Party has given or caused to be given, at any time during the 12-month period preceding the execution date of this EDS, to an employee, or elected or appointed official, of the City of Chicago. For purposes of this statement, a "gift" does not include: (i) anything made generally available to City employees or to the general public, or (ii) food or drink provided in the course of official City business and having a retail value of less than $25 per recipient, or (iii) a political contribution otherwise duly reported as required by law (if none, indicate with "N/A" or "none"). As to any gift listed below, please also list the name of the City recipient.

N/A

C. CERTIFICATION OF STATUS AS FINANCIAL INSTITUTION

1. The Disclosing Party certifies that the Disclosing Party (check one)
   [ ] is [X] is not

   a "financial institution" as defined in MCC Section 2-32-455(b).

2. If the Disclosing Party IS a financial institution, then the Disclosing Party pledges:

"We are not and will not become a predatory lender as defined in MCC Chapter 2-32. We further pledge that none of our affiliates is, and none of them will become, a predatory lender as defined in MCC Chapter 2-32. We understand that becoming a predatory lender or becoming an affiliate of a predatory lender may result in the loss of the privilege of doing business with the City."

If the Disclosing Party is unable to make this pledge because it or any of its affiliates (as defined in MCC Section 2-32-455(b)) is a predatory lender within the meaning of MCC Chapter 2-32, explain here (attach additional pages if necessary):

_____

_____

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

D. CERTIFICATION REGARDING FINANCIAL INTEREST IN CITY BUSINESS

Any words or terms defined in MCC Chapter 2-156 have the same meanings if used in this Part D.

1. In accordance with MCC Section 2-156-110: To the best of the Disclosing Party's knowledge after reasonable inquiry, does any official or employee of the City have a financial interest in his or her own name or in the name of any other person or entity in the Matter?

[ ] Yes [X] No

NOTE: If you checked "Yes" to Item D(1), proceed to Items D(2) and D(3). If you checked "No" to Item D(1), skip Items D(2) and D(3) and proceed to Part E.

2. Unless sold pursuant to a process of competitive bidding, or otherwise permitted, no City elected official or employee shall have a financial interest in his or her own name or in the name of any other person or entity in the purchase of any property that (i) belongs to the City, or (ii) is sold for taxes or assessments, or (iii) is sold by virtue of legal process at the suit of the City (collectively, "City Property Sale"). Compensation for property taken pursuant to the City's eminent domain power does not constitute a financial interest within the meaning of this Part D.

Does the Matter involve a City Property Sale?

[ ] Yes [ ] No

3. If you checked "Yes" to Item D(1), provide the names and business addresses of the City officials or employees having such financial interest and identify the nature of the financial interest:

Name	Business Address	Nature of Financial Interest

4. The Disclosing Party further certifies that no prohibited financial interest in the Matter will be acquired by any City official or employee.

E. CERTIFICATION REGARDING SLAVERY ERA BUSINESS

Please check either (1) or (2) below. If the Disclosing Party checks (2), the Disclosing Party must disclose below or in an attachment to this EDS all information required by (2). Failure to comply with these disclosure requirements may make any contract entered into with the City in connection with the Matter voidable by the City.

X 1. The Disclosing Party verifies that the Disclosing Party has searched any and all records of the Disclosing Party and any and all predecessor entities regarding records of investments or profits from slavery or slaveholder insurance policies during the slavery era (including insurance policies issued to slaveholders that provided coverage for damage to or injury or death of their slaves), and the Disclosing Party has found no such records.

____2. The Disclosing Party verifies that, as a result of conducting the search in step (1) above, the Disclosing Party has found records of investments or profits from slavery or slaveholder insurance policies. The Disclosing Party verifies that the following constitutes full disclosure of all such records, including the names of any and all slaves or slaveholders described in those records:

_____

_____

_____

SECTION VI -- CERTIFICATIONS FOR FEDERALLY FUNDED MATTERS

NOTE: If the Matter is federally funded, complete this Section VI. **If the Matter is not federally funded,** proceed to Section VII. For purposes of this Section VI, tax credits allocated by the City and proceeds of debt obligations of the City are not federal funding.

A. CERTIFICATION REGARDING LOBBYING

1. List below the names of all persons or entities registered under the federal Lobbying Disclosure Act of 1995, as amended, who have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter: (Add sheets if necessary):

_____

_____

_____

(If no explanation appears or begins on the lines above, or if the letters "NA" or if the word "None" appear, it will be conclusively presumed that the Disclosing Party means that NO persons or entities registered under the Lobbying Disclosure Act of 1995, as amended, have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter.)

2. The Disclosing Party has not spent and will not expend any federally appropriated funds to pay any person or entity listed in paragraph A(1) above for his or her lobbying activities or to pay any person or entity to influence or attempt to influence an officer or employee of any agency, as defined by applicable federal law, a member of Congress, an officer or employee of Congress, or an employee

of a member of Congress, in connection with the award of any federally funded contract, making any federally funded grant or loan, entering into any cooperative agreement, or to extend, continue, renew, amend, or modify any federally funded contract, grant, loan, or cooperative agreement.

3. The Disclosing Party will submit an updated certification at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the statements and information set forth in paragraphs A(1) and A(2) above.

4. The Disclosing Party certifies that either: (i) it is not an organization described in section 501(c)(4) of the Internal Revenue Code of 1986; or (ii) it is an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 but has not engaged and will not engage in "Lobbying Activities," as that term is defined in the Lobbying Disclosure Act of 1995, as amended.

5. If the Disclosing Party is the Applicant, the Disclosing Party must obtain certifications equal in form and substance to paragraphs A(1) through A(4) above from all subcontractors before it awards any subcontract and the Disclosing Party must maintain all such subcontractors' certifications for the duration of the Matter and must make such certifications promptly available to the City upon request.

B. CERTIFICATION REGARDING EQUAL EMPLOYMENT OPPORTUNITY

If the Matter is federally funded, federal regulations require the Applicant and all proposed subcontractors to submit the following information with their bids or in writing at the outset of negotiations.

Is the Disclosing Party the Applicant?
[ ] Yes [ ] No

If "Yes," answer the three questions below:

1. Have you developed and do you have on file affirmative action programs pursuant to applicable federal regulations? (See 41 CFR Part 60-2.)
[ ] Yes [ ] No

2. Have you filed with the Joint Reporting Committee, the Director of the Office of Federal Contract Compliance Programs, or the Equal Employment Opportunity Commission all reports due under the applicable filing requirements?
[ ] Yes [ ] No [ ] Reports not required

3. Have you participated in any previous contracts or subcontracts subject to the equal opportunity clause?
[ ] Yes [ ] No

If you checked "No" to question (1) or (2) above, please provide an explanation:

_____

_____

SECTION VII -- FURTHER ACKNOWLEDGMENTS AND CERTIFICATION

The Disclosing Party understands and agrees that:

A. The certifications, disclosures, and acknowledgments contained in this EDS will become part of any contract or other agreement between the Applicant and the City in connection with the Matter, whether procurement, City assistance, or other City action, and are material inducements to the City's execution of any contract or taking other action with respect to the Matter. The Disclosing Party understands that it must comply with all statutes, ordinances, and regulations on which this EDS is based.

B. The City's Governmental Ethics Ordinance, MCC Chapter 2-156, imposes certain duties and obligations on persons or entities seeking City contracts, work, business, or transactions. The full text of this ordinance and a training program is available on line at www.cityofchicago.org/Ethics, and may also be obtained from the City's Board of Ethics, 740 N. Sedgwick St., Suite 500, Chicago, IL 60610, (312) 744-9660. The Disclosing Party must comply fully with this ordinance.

C. If the City determines that any information provided in this EDS is false, incomplete or inaccurate, any contract or other agreement in connection with which it is submitted may be rescinded or be void or voidable, and the City may pursue any remedies under the contract or agreement (if not rescinded or void), at law, or in equity, including terminating the Disclosing Party's participation in the Matter and/or declining to allow the Disclosing Party to participate in other City transactions. Remedies at law for a false statement of material fact may include incarceration and an award to the City of treble damages.

D. It is the City's policy to make this document available to the public on its Internet site and/or upon request. Some or all of the information provided in, and appended to, this EDS may be made publicly available on the Internet, in response to a Freedom of Information Act request, or otherwise. By completing and signing this EDS, the Disclosing Party waives and releases any possible rights or claims which it may have against the City in connection with the public release of information contained in this EDS and also authorizes the City to verify the accuracy of any information submitted in this EDS.

E. The information provided in this EDS must be kept current. In the event of changes, the Disclosing Party must supplement this EDS up to the time the City takes action on the Matter. If the Matter is a contract being handled by the City's Department of Procurement Services, the Disclosing Party must update this EDS as the contract requires. **NOTE:** With respect to Matters subject to MCC Chapter 1-23, Article I (imposing **PERMANENT INELIGIBILITY** for certain specified offenses), the information provided herein regarding eligibility must be kept current for a longer period, as required by MCC Chapter 1-23 and Section 2-154-020.

CERTIFICATION

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute this EDS, and Appendices A and B (if applicable), on behalf of the Disclosing Party, and (2) warrants that all certifications and statements contained in this EDS, and Appendices A and B (if applicable), are true, accurate and complete as of the date furnished to the City.

Nippon Cargo Airlines Co., Ltd.
(Print or type exact legal name of Disclosing Party)

By: _____
(Sign here)

Fukashi Sakamoto
(Print or type name of person signing)

President & Chief Executive Officer
(Print or type title of person signing)

Signed and sworn to before me on (date) _____,

at _____ County, _____ (state).

_____
Notary Public

Commission expires: _____

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5%. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under MCC Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B.1.a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5% ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

[ ] Yes [X] No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

_____

_____

_____

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX B

BUILDING CODE SCOFFLAW/PROBLEM LANDLORD CERTIFICATION

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5% (an "Owner"). It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

1. Pursuant to MCC Section 2-154-010, is the Applicant or any Owner identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

[ ] Yes [X] No

2. If the Applicant is a legal entity publicly traded on any exchange, is any officer or director of the Applicant identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

[ ] Yes [ ] No [X] The Applicant is not publicly traded on any exchange.

3. If yes to (1) or (2) above, please identify below the name of each person or legal entity identified as a building code scofflaw or problem landlord and the address of each building or buildings to which the pertinent code violations apply.

_____

_____

_____

Corporate Profile

—As of April 1st 2017—

Nippon Cargo Airlines Co.,Ltd.

1. Corporate Data

- Name: Nippon Cargo Airlines Co.,Ltd. (NCA / KZ)

- President & Chief Executive Officer
  Fukashi Sakamoto

- Headquarters
  (Narita office) NCA Line Maintenance Hangar Narita International Airport Narita-shi, Chiba 282-0021, Japan
  (Tokyo office) Onarimon Yusen Bldg. 9F 3-23-5 Nishi-Shimbashi Minato-ku, Tokyo 105-0003, Japan

- Office: Total Number of Worldwide Branches : 18
  Japan: Tokyo, Narita , Kansai
  North America: Chicago, San Francisco, Los Angeles, New York, Dallas/Fort Worth, Atlanta, Anchorage
  Europe: Amsterdam, Milan, Frankfurt
  Asia: Hong Kong, Singapore, Bangkok, Shanghai, Taipei

- Established: September 27, 1978 (Inaugural Flight : May 08,1985)

- Capital: 10 billion yen

- Shareholders

Total Number of Shares Outstanding	119,0973,000	(Percentage of shares owned)	
○Common share	790,973,000	NIPPON YUSEN KABUSHIKI KAISHA	100.00%
○Preferred stock of the second kind	400,000,000	NIPPON YUSEN KABUSHIKI KAISHA	100.00%

- Employees: 759

- Fleet: Total 12 Boeing747-400F x 4
  Boeing747-8F x 8

2. Board of Directors and Auditors

Chairman of the Board	Yasumi Kudo*	
President & Chief Executive Officer	Fukashi Sakamoto	Emergency Response Planning Committee, Safety Promotion Committee Compliance Committee, Internal Audit, Airport branch offices inside Japan, Branch offices outside Japan
Senior Executive Managing Director	Takashi Saito	Chief Safety Officer, Chief Operations Officer, Flight Operations, Flight Crew Check Pilot
Senior Managing Director	Hitoshi Oshika	Cargo Business
Director	Tatsuya Iida	Chief Compliance Officer, Legal Affairs, Internal Audit, General Affairs Personnel, IT Strategy
Senior Vice President	Hiroyuki Homma	Business Planning & Strategy, Marketing, NCA Americas Headquarters Europe Region
Senior Vice President	Hiroshi Oka	Cargo & Ground Operations, President & Chief Executive Officer, NCA Japan Co., Ltd.
Senior Vice President	Kiyoji Matsuda	Engineering & Maintenance
Senior Vice President	Shinji Soeda	Corporate Planning, Finance & Accounting
Senior Vice President	Masaya Suzuki	Japan Sales
Senior Vice President	Keita Sataka	Safety Promotion, Safety Internal Audit, System Operations Control
Corporate Auditor	Tai Kato	
Corporate Auditor	Takashi Domyo *	

* External Officers

平成３０年登簿第　　7 号

認　　証

嘱託人　日本貨物航空株式会社　代表取締役　坂本　深　の代理人　倉澤大輔　は、本公証人に対し、坂本　深　が添付書面の署名につき、自らしたものであることを承認している旨陳述した。

よって，これを認証する。

平成30年 1 月 16 日，本公証役場において

千葉県船橋市湊町２丁目５番１号

千葉地方法務局所属

公　証　人　小口哲男

Notary

TETSUO OGUCHI

総公証　NO. H30 － 219 号

証　　明

この認証の付与は，在職中の公証人がその権限に基づいてしたものであり，かつ，その押印は，真実のものであることを証明する。

平成30年 1 月 16 日

千葉地方法務局長　　持　田　弘　二

CERTIFICATE

This is to certify that the annexed Notarial Certificate has been executed by Notary, duly authorized and practising in Chiba, Japan, and that the Official Seal appearing on the same is genuine.

Date 16. JAN. 2018

Koji Mochida

Director of the Chiba District Legal Affairs Bureau

Registered No、7

NOTARIAL CERTIFICATE

This is to certify that DAISUKE KURASAWA, an agent of FUKASHI SAKAMOTO, President & Chief Executive Officer of Nippon Cargo Airlines CO., Ltd, has stated in my presence on this 16th day of JAN, 2018, that said FUKASHI SAKAMOTO has acknowledged to have signed the attached document.

TETSUO OGUCHI

CHIBA DISTRICT LEGAL AFFAIRS BUREAU
NOTARY
NO5-1 2-CHOME MINATOCHO
FUNABASHI CITY CHIBA JAPAN

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5%. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under MCC Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B. 1 .a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5%ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

[ ]Yes [X] No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

_____

_____

_____

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX B

BUILDING CODE SCOFFLAW/PROBLEM LANDLORD CERTIFICATION

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5% (an "Owner"). It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

1. Pursuant to MCC Section 2-154-010, is the Applicant or any Owner identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

   [ ]Yes [X] No

2. If the Applicant is a legal entity publicly traded on any exchange, is any officer or director of the Applicant identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

   [ ] Yes [ ] No [X] The Applicant is not publicly traded on any exchange.

3. If yes to (1) or (2) above, please identify below the name of each person or legal entity identified as a building code scofflaw or problem landlord and the address of each building or buildings to which the pertinent code violations apply.

_____

_____

_____

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute Appendices A and B **on behalf of the Disclosing Party**, and (2) warrants that all certifications and statements contained in Appendices A and B are true, accurate and complete as of the date furnished to the City.

Nippon Cargo Airlines
Print or type the name of the Applicant

Nippon Yusen Kabushiki Kaisha — 1st, February 2018
Print or type exact legal name of Disclosing Party — Date

By: _____ (*Sign here*) Title President, Representative Director of
Check One: ___ Applicant **or** _X_ Disclosing Party

Print or type name of person signing Tadaaki Naito

Signed and sworn to before me on (date)_____

at _____ **County,** _____ **(state).**

Notary Public _____

Commission expires _____

NOTARIAL CERTIFICATE

This is to certify that Kiho Takano an agent of Tadaaki Naito, President, Representative Director of Nippon Yusen Kabushiki Kaisha, has stated in my presence that said Tadaaki Naito has acknowledged to have signed the attached document.

Dated this 2nd day of February, 2018.

N. Watanabe

Noriaki Watanabe
NOTARY
3-1, Marunouchi 3-chome,
Chiyoda-ku, Tokyo
Tokyo Legal Affairs Bureau

CHIYODA-KU, TOKYO, JAPAN · 3-1, MARUNOUCHI, 3-CHOME, ATTACHED TO TOKYO LEGAL AFFAIRS BUREAU · NOTARY

平成３０年登簿第　0194号

添付書面における作成名義人日本郵船株式会社代表取締役内藤忠顕の代理人高野貴帆は、当職の面前で、本人が作成名義人の署名を自認していると陳述した。

よって、これを認証する。

平成３０年２月２日、本職役場において

東京都千代田区丸の内三丁目３番１号

東京法務局所属

公証人　渡邊徳昭

Spirit Airlines, Inc.

Economic Disclosure Statement

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT
AND AFFIDAVIT

SECTION I -- GENERAL INFORMATION

A. Legal name of the Disclosing Party submitting this EDS. Include d/b/a/ if applicable:

Spirit Airlines, Inc.

Check ONE of the following three boxes:

Indicate whether the Disclosing Party submitting this EDS is:

1. [X] the Applicant

OR

2. [ ] a legal entity currently holding, or anticipated to hold within six months after City action on the contract, transaction or other undertaking to which this EDS pertains (referred to below as the "Matter"), a direct or indirect interest in excess of 7.5% in the Applicant. State the Applicant's legal name: _____

OR

3. [ ] a legal entity with a direct or indirect right of control of the Applicant (see Section II(B)(1)) State the legal name of the entity in which the Disclosing Party holds a right of control:

_____

B. Business address of the Disclosing Party: 2800 Executive Way
Miramar, FL 33015

C. Telephone: 954/447-7920 Fax:_____ Email: Thomas.Canfield@spirit.com

D. Name of contact person: Thomas Canfield, General Counsel

E. Federal Employer Identification No. (if you have one): 38-1747023

F. Brief description of the Matter to which this EDS pertains. (Include project number and location of property, if applicable):

(1) O'Hare Use and Lease Agreement; (2) O'Hare Operating Agreement; (3) O'Hare Letter of Authorization; (4) O'Hare Rate Agreement

G. Which City agency or department is requesting this EDS? Chicago Department of Aviation

If the Matter is a contract being handled by the City's Department of Procurement Services, please complete the following:

Specification #_____ and Contract # _____

SECTION II -- DISCLOSURE OF OWNERSHIP INTERESTS

A. NATURE OF THE DISCLOSING PARTY

1. Indicate the nature of the Disclosing Party:

[ ] Person
[X] Publicly registered business corporation
[ ] Privately held business corporation
[ ] Sole proprietorship
[ ] General partnership
[ ] Limited partnership
[ ] Trust
[ ] Limited liability company
[ ] Limited liability partnership
[ ] Joint venture
[ ] Not-for-profit corporation
(Is the not-for-profit corporation also a 501(c)(3))?
[ ] Yes [ ] No
[ ] Other (please specify)

_____

2. For legal entities, the state (or foreign country) of incorporation or organization, if applicable:

Delaware

3. For legal entities not organized in the State of Illinois: Has the organization registered to do business in the State of Illinois as a foreign entity?

[X] Yes [ ] No [ ] Organized in Illinois

B. IF THE DISCLOSING PARTY IS A LEGAL ENTITY:

1. List below the full names and titles, if applicable, of: (i) all executive officers and all directors of the entity; (ii) **for not-for-profit corporations**, all members, if any, which are legal entities (if there are no such members, write "no members which are legal entities"); (iii) **for trusts, estates or other similar entities**, the trustee, executor, administrator, or similarly situated party; (iv) **for general or limited partnerships, limited liability companies, limited liability partnerships or joint ventures**, each general partner, managing member, manager or any other person or legal entity that directly or indirectly controls the day-to-day management of the Applicant.

NOTE: Each legal entity listed below must submit an EDS on its own behalf.

Name	Title

2. Please provide the following information concerning each person or legal entity having a direct or indirect, current or prospective (i.e. within 6 months after City action) beneficial interest (including ownership) in excess of 7.5% of the Applicant. Examples of such an interest include shares in a corporation, partnership interest in a partnership or joint venture, interest of a member or manager in a

limited liability company, or interest of a beneficiary of a trust, estate or other similar entity. If none, state "None."

NOTE: Each legal entity listed below may be required to submit an EDS on its own behalf.

Name	Business Address	Percentage Interest in the Applicant
NONE		

SECTION III -- INCOME OR COMPENSATION TO, OR OWNERSHIP BY, CITY ELECTED OFFICIALS

Has the Disclosing Party provided any income or compensation to any City elected official during the 12-month period preceding the date of this EDS? [ ] Yes [X] No

Does the Disclosing Party reasonably expect to provide any income or compensation to any City elected official during the 12-month period following the date of this EDS? [ ] Yes [X]No

If "yes" to either of the above, please identify below the name(s) of such City elected official(s) and describe such income or compensation:

_____

_____

Does any City elected official or, to the best of the Disclosing Party's knowledge after reasonable inquiry, any City elected official's spouse or domestic partner, have a financial interest (as defined in Chapter 2-156 of the Municipal Code of Chicago ("MCC")) in the Disclosing Party?
[ ] Yes [X] No

If "yes," please identify below the name(s) of such City elected official(s) and/or spouse(s)/domestic partner(s) and describe the financial interest(s).

_____

_____

SECTION IV -- DISCLOSURE OF SUBCONTRACTORS AND OTHER RETAINED PARTIES

The Disclosing Party must disclose the name and business address of each subcontractor, attorney, lobbyist (as defined in MCC Chapter 2-156), accountant, consultant and any other person or entity whom the Disclosing Party has retained or expects to retain in connection with the Matter, as well as the nature of the relationship, and the total amount of the fees paid or estimated to be paid. The Disclosing Party is not required to disclose employees who are paid solely through the Disclosing Party's regular payroll. If the Disclosing Party is uncertain whether a disclosure is required under this Section, the Disclosing Party must either ask the City whether disclosure is required or make the disclosure.

limited liability company, or interest of a beneficiary of a trust, estate or other similar entity. If none, state "None."

NOTE: Each legal entity listed below may be required to submit an EDS on its own behalf.

Name	Business Address	Percentage Interest in the Applicant
The Vanguard Group	100 Vanguard Boulevard V26 Malvern, PA 19355 USA	7.84%

SECTION III -- INCOME OR COMPENSATION TO, OR OWNERSHIP BY, CITY ELECTED OFFICIALS

Has the Disclosing Party provided any income or compensation to any City elected official during the 12-month period preceding the date of this EDS? [ ] Yes [X] No

Does the Disclosing Party reasonably expect to provide any income or compensation to any City elected official during the 12-month period following the date of this EDS? [ ] Yes [X]No

If "yes" to either of the above, please identify below the name(s) of such City elected official(s) and describe such income or compensation:

Does any City elected official or, to the best of the Disclosing Party's knowledge after reasonable inquiry, any City elected official's spouse or domestic partner, have a financial interest (as defined in Chapter 2-156 of the Municipal Code of Chicago ("MCC")) in the Disclosing Party?
[ ] Yes [X] No

If "yes," please identify below the name(s) of such City elected official(s) and/or spouse(s)/domestic partner(s) and describe the financial interest(s).

SECTION IV -- DISCLOSURE OF SUBCONTRACTORS AND OTHER RETAINED PARTIES

The Disclosing Party must disclose the name and business address of each subcontractor, attorney, lobbyist (as defined in MCC Chapter 2-156), accountant, consultant and any other person or entity whom the Disclosing Party has retained or expects to retain in connection with the Matter, as well as the nature of the relationship, and the total amount of the fees paid or estimated to be paid. The Disclosing Party is not required to disclose employees who are paid solely through the Disclosing Party's regular payroll. If the Disclosing Party is uncertain whether a disclosure is required under this Section, the Disclosing Party must either ask the City whether disclosure is required or make the disclosure.

Name (indicate whether retained or anticipated to be retained)	Business Address	Relationship to Disclosing Party (subcontractor, attorney, lobbyist, etc.)	Fees (indicate whether paid or estimated.) **NOTE:** Ahourly rate@ or At.b.d.@ is not an acceptable response.
Chico & Nunes, P.C. (retained)/ 333 West Wacker Drive, Chicago, IL 60606/ Lobbyist/ $120K per annum			

(Add sheets if necessary)

[ ] Check here if the Disclosing Party has not retained, nor expects to retain, any such persons or entities.

SECTION V -- CERTIFICATIONS

A. COURT-ORDERED CHILD SUPPORT COMPLIANCE

Under MCC Section 2-92-415, substantial owners of business entities that contract with the City must remain in compliance with their child support obligations throughout the contract=s term.

Has any person who directly or indirectly owns 10% or more of the Disclosing Party been declared in arrearage on any child support obligations by any Illinois court of competent jurisdiction?

[ ] Yes [ ] No [X] No person directly or indirectly owns 10% or more of the Disclosing Party.

If "Yes" has the person entered into a court-approved agreement for payment of all support owed and is the person in compliance with that agreement?

[ ] Yes [ ] No

B. FURTHER CERTIFICATIONS

1. [This paragraph 1 applies only if the Matter is a contract being handled by the City=s Department of Procurement Services.] In the 5-year period preceding the date of this EDS, neither the Disclosing Party nor any Affiliated Entity [see definition in (5) below] has engaged, in connection with the performance of any public contract, the services of an integrity monitor, independent private sector inspector general, or integrity compliance consultant (i.e., an individual or entity with legal, auditing, investigative, or other similar skills, designated by a public agency to help the agency monitor the activity of specified agency vendors as well as help the vendors reform their business practices so they can be considered for agency contracts in the future, or continue with a contract in progress).

2. The Disclosing Party and its Affiliated Entities are not delinquent in the payment of any fine, fee, tax or other source of indebtedness owed to the City of Chicago, including, but not limited to, water and sewer charges, license fees, parking tickets, property taxes and sales taxes, nor is the Disclosing Party delinquent in the payment of any tax administered by the Illinois Department of Revenue.

3. The Disclosing Party and, if the Disclosing Party is a legal entity, all of those persons or entities identified in Section II(B)(1) of this EDS:

a. are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from any transactions by any federal, state or local unit of government;

b. have not, during the 5 years before the date of this EDS, been convicted of a criminal offense, adjudged guilty, or had a civil judgment rendered against them in connection with: obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; a violation of federal or state antitrust statutes; fraud; embezzlement; theft; forgery; bribery; falsification or destruction of records; making false statements; or receiving stolen property;

c. are not presently indicted for, or criminally or civilly charged by, a governmental entity (federal, state or local) with committing any of the offenses set forth in subparagraph (b) above;

d. have not, during the 5 years before the date of this EDS, had one or more public transactions (federal, state or local) terminated for cause or default; and

e. have not, during the 5 years before the date of this EDS, been convicted, adjudged guilty, or found liable in a civil proceeding, or in any criminal or civil action, including actions concerning environmental violations, instituted by the City or by the federal government, any state, or any other unit of local government.

4. The Disclosing Party understands and shall comply with the applicable requirements of MCC Chapters 2-56 (Inspector General) and 2-156 (Governmental Ethics).

5. Certifications (5), (6) and (7) concern:
- the Disclosing Party;
- any AContractor@ (meaning any contractor or subcontractor used by the Disclosing Party in connection with the Matter, including but not limited to all persons or legal entities disclosed under Section IV, ADisclosure of Subcontractors and Other Retained Parties@);
- any "Affiliated Entity" (meaning a person or entity that, directly or indirectly: controls the Disclosing Party, is controlled by the Disclosing Party, or is, with the Disclosing Party, under common control of another person or entity). Indicia of control include, without limitation: interlocking management or ownership; identity of interests among family members, shared facilities and equipment; common use of employees; or organization of a business entity following the ineligibility of a business entity to do business with federal or state or local government, including the City, using substantially the same management, ownership, or principals as the ineligible entity. With respect to Contractors, the term Affiliated Entity means a person or entity that directly or indirectly controls the Contractor, is controlled by it, or, with the Contractor, is under common control of another person or entity;
- any responsible official of the Disclosing Party, any Contractor or any Affiliated Entity or any other official, agent or employee of the Disclosing Party, any Contractor or any Affiliated Entity, acting pursuant to the direction or authorization of a responsible official of the Disclosing Party, any Contractor or any Affiliated Entity (collectively "Agents").

Neither the Disclosing Party, nor any Contractor, nor any Affiliated Entity of either the Disclosing Party or any Contractor, nor any Agents have, during the 5 years before the date of this EDS, or, with respect to a Contractor, an Affiliated Entity, or an Affiliated Entity of a Contractor during the 5 years before the date of such Contractor's or Affiliated Entity's contract or engagement in connection with the Matter:

a. bribed or attempted to bribe, or been convicted or adjudged guilty of bribery or attempting to bribe, a public officer or employee of the City, the State of Illinois, or any agency of the federal government or of any state or local government in the United States of America, in that officer's or employee's official capacity;

b. agreed or colluded with other bidders or prospective bidders, or been a party to any such agreement, or been convicted or adjudged guilty of agreement or collusion among bidders or prospective bidders, in restraint of freedom of competition by agreement to bid a fixed price or otherwise; or

c. made an admission of such conduct described in subparagraph (a) or (b) above that is a matter of record, but have not been prosecuted for such conduct; or

d. violated the provisions referenced in MCC Subsection 2-92-320(a)(4)(Contracts Requiring a Base Wage); (a)(5)(Debarment Regulations); or (a)(6)(Minimum Wage Ordinance).

6. Neither the Disclosing Party, nor any Affiliated Entity or Contractor, or any of their employees, officials, agents or partners, is barred from contracting with any unit of state or local government as a result of engaging in or being convicted of (1) bid-rigging in violation of 720 ILCS 5/33E-3; (2) bid-rotating in violation of 720 ILCS 5/33E-4; or (3) any similar offense of any state or of the United States of America that contains the same elements as the offense of bid-rigging or bid-rotating.

7. Neither the Disclosing Party nor any Affiliated Entity is listed on a Sanctions List maintained by the United States Department of Commerce, State, or Treasury, or any successor federal agency.

8. [FOR APPLICANT ONLY] (i) Neither the Applicant nor any Acontrolling person@ [see MCC Chapter 1-23, Article I for applicability and defined terms] of the Applicant is currently indicted or charged with, or has admitted guilt of, or has ever been convicted of, or placed under supervision for, any criminal offense involving actual, attempted, or conspiracy to commit bribery, theft, fraud, forgery, perjury, dishonesty or deceit against an officer or employee of the City or any Asister agency@; and (ii) the Applicant understands and acknowledges that compliance with Article I is a continuing requirement for doing business with the City. NOTE: If MCC Chapter 1-23, Article I applies to the Applicant, that Article=s permanent compliance timeframe supersedes 5-year compliance timeframes in this Section V.

9. [FOR APPLICANT ONLY] The Applicant and its Affiliated Entities will not use, nor permit their subcontractors to use, any facility listed as having an active exclusion by the U.S. EPA on the federal System for Award Management (ASAM@).

10. [FOR APPLICANT ONLY] The Applicant will obtain from any contractors/subcontractors hired or to be hired in connection with the Matter certifications equal in form and substance to those in Certifications (2) and (9) above and will not, without the prior written consent of the City, use any such

contractor/subcontractor that does not provide such certifications or that the Applicant has reason to believe has not provided or cannot provide truthful certifications.

11. If the Disclosing Party is unable to certify to any of the above statements in this Part B (Further Certifications), the Disclosing Party must explain below:

_____

_____

_____

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

12. To the best of the Disclosing Party=s knowledge after reasonable inquiry, the following is a complete list of all current employees of the Disclosing Party who were, at any time during the 12-month period preceding the date of this EDS, an employee, or elected or appointed official, of the City of Chicago (if none, indicate with "N/A" or "none").

_____

N/A

_____

13. To the best of the Disclosing Party=s knowledge after reasonable inquiry, the following is a complete list of all gifts that the Disclosing Party has given or caused to be given, at any time during the 12-month period preceding the execution date of this EDS, to an employee, or elected or appointed official, of the City of Chicago. For purposes of this statement, a "gift" does not include: (i) anything made generally available to City employees or to the general public, or (ii) food or drink provided in the course of official City business and having a retail value of less than $25 per recipient, or (iii) a political contribution otherwise duly reported as required by law (if none, indicate with "N/A" or "none"). As to any gift listed below, please also list the name of the City recipient.

_____

N/A

_____

C. CERTIFICATION OF STATUS AS FINANCIAL INSTITUTION

1. The Disclosing Party certifies that the Disclosing Party (check one)
   [ ] is [X] is not

   a "financial institution" as defined in MCC Section 2-32-455(b).

2. If the Disclosing Party IS a financial institution, then the Disclosing Party pledges:

"We are not and will not become a predatory lender as defined in MCC Chapter 2-32. We further pledge that none of our affiliates is, and none of them will become, a predatory lender as defined in MCC Chapter 2-32. We understand that becoming a predatory lender or becoming an affiliate of a predatory lender may result in the loss of the privilege of doing business with the City."

If the Disclosing Party is unable to make this pledge because it or any of its affiliates (as defined in MCC Section 2-32-455(b)) is a predatory lender within the meaning of MCC Chapter 2-32, explain here (attach additional pages if necessary):

_____

_____

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

D. CERTIFICATION REGARDING FINANCIAL INTEREST IN CITY BUSINESS

Any words or terms defined in MCC Chapter 2-156 have the same meanings if used in this Part D.

1. In accordance with MCC Section 2-156-110: To the best of the Disclosing Party=s knowledge after reasonable inquiry, does any official or employee of the City have a financial interest in his or her own name or in the name of any other person or entity in the Matter?

[ ] Yes [X] No

NOTE: If you checked "Yes" to Item D(1), proceed to Items D(2) and D(3). If you checked "No" to Item D(1), skip Items D(2) and D(3) and proceed to Part E.

2. Unless sold pursuant to a process of competitive bidding, or otherwise permitted, no City elected official or employee shall have a financial interest in his or her own name or in the name of any other person or entity in the purchase of any property that (i) belongs to the City, or (ii) is sold for taxes or assessments, or (iii) is sold by virtue of legal process at the suit of the City (collectively, "City Property Sale"). Compensation for property taken pursuant to the City's eminent domain power does not constitute a financial interest within the meaning of this Part D.

Does the Matter involve a City Property Sale?

[ ] Yes [X] No

3. If you checked "Yes" to Item D(1), provide the names and business addresses of the City officials or employees having such financial interest and identify the nature of the financial interest:

Name	Business Address	Nature of Financial Interest

4. The Disclosing Party further certifies that no prohibited financial interest in the Matter will be acquired by any City official or employee.

E. CERTIFICATION REGARDING SLAVERY ERA BUSINESS

Please check either (1) or (2) below. If the Disclosing Party checks (2), the Disclosing Party must disclose below or in an attachment to this EDS all information required by (2). Failure to comply with these disclosure requirements may make any contract entered into with the City in connection with the Matter voidable by the City.

X 1. The Disclosing Party verifies that the Disclosing Party has searched any and all records of the Disclosing Party and any and all predecessor entities regarding records of investments or profits from slavery or slaveholder insurance policies during the slavery era (including insurance policies issued to slaveholders that provided coverage for damage to or injury or death of their slaves), and the Disclosing Party has found no such records.

____2. The Disclosing Party verifies that, as a result of conducting the search in step (1) above, the Disclosing Party has found records of investments or profits from slavery or slaveholder insurance policies. The Disclosing Party verifies that the following constitutes full disclosure of all such records, including the names of any and all slaves or slaveholders described in those records:

_____

_____

_____

SECTION VI -- CERTIFICATIONS FOR FEDERALLY FUNDED MATTERS

NOTE: If the Matter is federally funded, complete this Section VI. **If the Matter is not federally funded**, proceed to Section VII. For purposes of this Section VI, tax credits allocated by the City and proceeds of debt obligations of the City are not federal funding.

A. CERTIFICATION REGARDING LOBBYING

1. List below the names of all persons or entities registered under the federal Lobbying Disclosure Act of 1995, as amended, who have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter: (Add sheets if necessary):

_____

_____

_____

(If no explanation appears or begins on the lines above, or if the letters "NA" or if the word "None" appear, it will be conclusively presumed that the Disclosing Party means that NO persons or entities registered under the Lobbying Disclosure Act of 1995, as amended, have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter.)

2. The Disclosing Party has not spent and will not expend any federally appropriated funds to pay any person or entity listed in paragraph A(1) above for his or her lobbying activities or to pay any person or entity to influence or attempt to influence an officer or employee of any agency, as defined by applicable federal law, a member of Congress, an officer or employee of Congress, or an employee

of a member of Congress, in connection with the award of any federally funded contract, making any federally funded grant or loan, entering into any cooperative agreement, or to extend, continue, renew, amend, or modify any federally funded contract, grant, loan, or cooperative agreement.

3. The Disclosing Party will submit an updated certification at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the statements and information set forth in paragraphs A(1) and A(2) above.

4. The Disclosing Party certifies that either: (i) it is not an organization described in section 501(c)(4) of the Internal Revenue Code of 1986; or (ii) it is an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 but has not engaged and will not engage in "Lobbying Activities," as that term is defined in the Lobbying Disclosure Act of 1995, as amended.

5. If the Disclosing Party is the Applicant, the Disclosing Party must obtain certifications equal in form and substance to paragraphs A(1) through A(4) above from all subcontractors before it awards any subcontract and the Disclosing Party must maintain all such subcontractors' certifications for the duration of the Matter and must make such certifications promptly available to the City upon request.

B. CERTIFICATION REGARDING EQUAL EMPLOYMENT OPPORTUNITY

If the Matter is federally funded, federal regulations require the Applicant and all proposed subcontractors to submit the following information with their bids or in writing at the outset of negotiations.

Is the Disclosing Party the Applicant?
[ ] Yes [ ] No

If AYes,@ answer the three questions below:

1. Have you developed and do you have on file affirmative action programs pursuant to applicable federal regulations? (See 41 CFR Part 60-2.)
[ ] Yes [ ] No

2. Have you filed with the Joint Reporting Committee, the Director of the Office of Federal Contract Compliance Programs, or the Equal Employment Opportunity Commission all reports due under the applicable filing requirements?
[ ] Yes [ ] No [ ] Reports not required

3. Have you participated in any previous contracts or subcontracts subject to the equal opportunity clause?
[ ] Yes [ ] No

If you checked ANo@ to question (1) or (2) above, please provide an explanation:

_____

_____

SECTION VII -- FURTHER ACKNOWLEDGMENTS AND CERTIFICATION

The Disclosing Party understands and agrees that:

A. The certifications, disclosures, and acknowledgments contained in this EDS will become part of any contract or other agreement between the Applicant and the City in connection with the Matter, whether procurement, City assistance, or other City action, and are material inducements to the City's execution of any contract or taking other action with respect to the Matter. The Disclosing Party understands that it must comply with all statutes, ordinances, and regulations on which this EDS is based.

B. The City's Governmental Ethics Ordinance, MCC Chapter 2-156, imposes certain duties and obligations on persons or entities seeking City contracts, work, business, or transactions. The full text of this ordinance and a training program is available on line at www.cityofchicago.org/Ethics, and may also be obtained from the City's Board of Ethics, 740 N. Sedgwick St., Suite 500, Chicago, IL 60610, (312) 744-9660. The Disclosing Party must comply fully with this ordinance.

C. If the City determines that any information provided in this EDS is false, incomplete or inaccurate, any contract or other agreement in connection with which it is submitted may be rescinded or be void or voidable, and the City may pursue any remedies under the contract or agreement (if not rescinded or void), at law, or in equity, including terminating the Disclosing Party's participation in the Matter and/or declining to allow the Disclosing Party to participate in other City transactions. Remedies at law for a false statement of material fact may include incarceration and an award to the City of treble damages.

D. It is the City's policy to make this document available to the public on its Internet site and/or upon request. Some or all of the information provided in, and appended to, this EDS may be made publicly available on the Internet, in response to a Freedom of Information Act request, or otherwise. By completing and signing this EDS, the Disclosing Party waives and releases any possible rights or claims which it may have against the City in connection with the public release of information contained in this EDS and also authorizes the City to verify the accuracy of any information submitted in this EDS.

E. The information provided in this EDS must be kept current. In the event of changes, the Disclosing Party must supplement this EDS up to the time the City takes action on the Matter. If the Matter is a contract being handled by the City's Department of Procurement Services, the Disclosing Party must update this EDS as the contract requires. **NOTE:** With respect to Matters subject to MCC Chapter 1-23, Article I (imposing **PERMANENT INELIGIBILITY** for certain specified offenses), the information provided herein regarding eligibility must be kept current for a longer period, as required by MCC Chapter 1-23 and Section 2-154-020.

CERTIFICATION

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute this EDS, and Appendices A and B (if applicable), on behalf of the Disclosing Party, and (2) warrants that all certifications and statements contained in this EDS, and Appendices A and B (if applicable), are true, accurate and complete as of the date furnished to the City.

Spirit Airlines, Inc

(Print or type exact legal name of Disclosing Party)

By: _____
(Sign here)

Thomas Canfield
(Print or type name of person signing)

General Counsel
(Print or type title of person signing)

Signed and sworn to before me on (date) 12/22/~~2016~~ 2017 R7

at Broward County, Florida (state).

_____
Notary Public

Notary Public State of Florida
Remo R Fisher
My Commission FF 126023
Expires 06/17/2018

Commission expires: 6/17/2018

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5%. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under MCC Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B.1.a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5% ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a 'familial relationship" with an elected city official or department head?

[ ] Yes [X] No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

_____

_____

_____

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX B

BUILDING CODE SCOFFLAW/PROBLEM LANDLORD CERTIFICATION

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5% (an "Owner"). It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

1. Pursuant to MCC Section 2-154-010, is the Applicant or any Owner identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

[ ] Yes [X] No

2. If the Applicant is a legal entity publicly traded on any exchange, is any officer or director of the Applicant identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

[ ] Yes [X] No [ ] The Applicant is not publicly traded on any exchange.

3. If yes to (1) or (2) above, please identify below the name of each person or legal entity identified as a building code scofflaw or problem landlord and the address of each building or buildings to which the pertinent code violations apply.

_____

_____

_____

Board of Directors

Carlton D. Donoway	
David G. Elkins	
Robert L. Fornaro	President & Chief Executive Officer
H. McIntyre Gardner	
Robert D. Johnson	
Barclays G. Jones III	
Myrna M. Soto	
Dawn M. Zier	

Senior Leadership

Robert L. Fornaro	President & Chief Executive Officer
Edward M. Christie	Executive VP & Chief Financial Officer
John Bendoraitis	Senior VP & Chief Operating Officer
Rocky Wiggins	Senior VP & Chief Information Officer
Matt Klein	Senior VP & Chief Commercial Officer
Laurie Villa	Vice President & Chief Human Resource Officer

Deutsche Lufthansa AG

Economic Disclosure Statement

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT
AND AFFIDAVIT

SECTION I -- GENERAL INFORMATION

A. Legal name of the Disclosing Party submitting this EDS. Include d/b/a/ if applicable:

Deutsche Lufthansa AG

Check ONE of the following three boxes:

Indicate whether the Disclosing Party submitting this EDS is:

1. [X] the Applicant

OR

2. [ ] a legal entity currently holding, or anticipated to hold within six months after City action on the contract, transaction or other undertaking to which this EDS pertains (referred to below as the "Matter"), a direct or indirect interest in excess of 7.5% in the Applicant. State the Applicant's legal name: _____

OR

3. [ ] a legal entity with a direct or indirect right of control of the Applicant (see Section II(B)(1)) State the legal name of the entity in which the Disclosing Party holds a right of control:

_____

B. Business address of the Disclosing Party: O'Hare Airport, Terminal 5, PO Box 66143
Chicago, IL 60666

C. Telephone: 773 686 7689 Fax: 773 686 6196 Email: Isabelle.Hermann@dlh.de

D. Name of contact person: Isabelle.Hermann

E. Federal Employer Identification No. (if you have one): _____

F. Brief description of the Matter to which this EDS pertains. (Include project number and location of property, if applicable):

(1) O'Hare Use and Lease Agreement; (2) O'Hare Operating Agreement; (3) O'Hare Letter of Authorization; (4) O'Hare Rate Agreement; (5) Cargo Ground and Building Lease at O'Hare

G. Which City agency or department is requesting this EDS? Department of Aviation

If the Matter is a contract being handled by the City's Department of Procurement Services, please complete the following:

Specification # _____ and Contract # _____

SECTION II – DISCLOSURE OF OWNERSHIP INTERESTS

A. NATURE OF THE DISCLOSING PARTY

1. Indicate the nature of the Disclosing Party:

[ ] Person
[X] Publicly registered business corporation
[ ] Privately held business corporation
[ ] Sole proprietorship
[ ] General partnership
[ ] Limited partnership
[ ] Trust
[ ] Limited liability company
[ ] Limited liability partnership
[ ] Joint venture
[ ] Not-for-profit corporation
(Is the not-for-profit corporation also a 501(c)(3))?
[ ] Yes [ ] No
[ ] Other (please specify)

2. For legal entities, the state (or foreign country) of incorporation or organization, if applicable:

Federal Republic of Germany

3. For legal entities not organized in the State of Illinois: Has the organization registered to do business in the State of Illinois as a foreign entity?

[ ] Yes [X] No [ ] Organized in Illinois

B. IF THE DISCLOSING PARTY IS A LEGAL ENTITY:

1. List below the full names and titles, if applicable, of: (i) all executive officers and all directors of the entity; (ii) **for not-for-profit corporations**, all members, if any, which are legal entities (if there are no such members, write "no members which are legal entities"); (iii) **for trusts, estates or other similar entities**, the trustee, executor, administrator, or similarly situated party; (iv) **for general or limited partnerships, limited liability companies, limited liability partnerships or joint ventures**, each general partner, managing member, manager or any other person or legal entity that directly or indirectly controls the day-to-day management of the Applicant.

NOTE: Each legal entity listed below must submit an EDS on its own behalf.

Name	Title
Carsten Spohr / CEO	Harry Hohmeister / Chief Officer Hub Management
Ulrik Svensson / CFO	Thorsten Dirks / Chief Officer Eurowings and Aviation Services
Dr. Bettina Volkens / Chief Officer Corporate Human Resources and Legal Affairs	
Tamur Goudarzi Pour / Vice President- The Americas	

2. Please provide the following information concerning each person or legal entity having a direct or indirect, current or prospective (i.e. within 6 months after City action) beneficial interest (including ownership) in excess of 7.5% of the Applicant. Examples of such an interest include shares in a corporation, partnership interest in a partnership or joint venture, interest of a member or manager in a

limited liability company, or interest of a beneficiary of a trust, estate or other similar entity. If none, state "None."

NOTE: Each legal entity listed below may be required to submit an EDS on its own behalf.

Name	Business Address	Percentage Interest in the Applicant
Deutsch Lufthansa AG*	1640 Hemptstead Tpke, East Meadow NY 11554	100%

(*Lufthansa is a publicly traded corporation, traded only in Germany)

Financial report attached

SECTION III -- INCOME OR COMPENSATION TO, OR OWNERSHIP BY, CITY ELECTED OFFICIALS

Has the Disclosing Party provided any income or compensation to any City elected official during the 12-month period preceding the date of this EDS? [ ] Yes [X] No

Does the Disclosing Party reasonably expect to provide any income or compensation to any City elected official during the 12-month period following the date of this EDS? [ ] Yes [X] No

If "yes" to either of the above, please identify below the name(s) of such City elected official(s) and describe such income or compensation:

Does any City elected official or, to the best of the Disclosing Party's knowledge after reasonable inquiry, any City elected official's spouse or domestic partner, have a financial interest (as defined in Chapter 2-156 of the Municipal Code of Chicago ("MCC")) in the Disclosing Party?
[ ] Yes [X] No

If "yes," please identify below the name(s) of such City elected official(s) and/or spouse(s)/domestic partner(s) and describe the financial interest(s).

SECTION IV -- DISCLOSURE OF SUBCONTRACTORS AND OTHER RETAINED PARTIES

The Disclosing Party must disclose the name and business address of each subcontractor, attorney, lobbyist (as defined in MCC Chapter 2-156), accountant, consultant and any other person or entity whom the Disclosing Party has retained or expects to retain in connection with the Matter, as well as the nature of the relationship, and the total amount of the fees paid or estimated to be paid. The Disclosing Party is not required to disclose employees who are paid solely through the Disclosing Party's regular payroll. If the Disclosing Party is uncertain whether a disclosure is required under this Section, the Disclosing Party must either ask the City whether disclosure is required or make the disclosure.

Name (indicate whether retained or anticipated to be retained)	Business Address	Relationship to Disclosing Party (subcontractor, attorney, lobbyist, etc.)	Fees (indicate whether paid or estimated.) **NOTE:** "hourly rate" or "t.b.d." is not an acceptable response.

(Add sheets if necessary)

[X] Check here if the Disclosing Party has not retained, nor expects to retain, any such persons or entities.

SECTION V -- CERTIFICATIONS

A. COURT-ORDERED CHILD SUPPORT COMPLIANCE

Under MCC Section 2-92-415, substantial owners of business entities that contract with the City must remain in compliance with their child support obligations throughout the contract's term.

Has any person who directly or indirectly owns 10% or more of the Disclosing Party been declared in arrearage on any child support obligations by any Illinois court of competent jurisdiction?

[ ] Yes [ ] No [X] No person directly or indirectly owns 10% or more of the Disclosing Party.

If "Yes," has the person entered into a court-approved agreement for payment of all support owed and is the person in compliance with that agreement?

[ ] Yes [ ] No

B. FURTHER CERTIFICATIONS

1. [This paragraph 1 applies only if the Matter is a contract being handled by the City's Department of Procurement Services.] In the 5-year period preceding the date of this EDS, neither the Disclosing Party nor any Affiliated Entity [see definition in (5) below] has engaged, in connection with the performance of any public contract, the services of an integrity monitor, independent private sector inspector general, or integrity compliance consultant (i.e., an individual or entity with legal, auditing, investigative, or other similar skills, designated by a public agency to help the agency monitor the activity of specified agency vendors as well as help the vendors reform their business practices so they can be considered for agency contracts in the future, or continue with a contract in progress).

2. The Disclosing Party and its Affiliated Entities are not delinquent in the payment of any fine, fee, tax or other source of indebtedness owed to the City of Chicago, including, but not limited to, water and sewer charges, license fees, parking tickets, property taxes and sales taxes, nor is the Disclosing Party delinquent in the payment of any tax administered by the Illinois Department of Revenue.

3. The Disclosing Party and, if the Disclosing Party is a legal entity, all of those persons or entities identified in Section II(B)(1) of this EDS:

a. are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from any transactions by any federal, state or local unit of government;

b. have not, during the 5 years before the date of this EDS, been convicted of a criminal offense, adjudged guilty, or had a civil judgment rendered against them in connection with: obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; a violation of federal or state antitrust statutes; fraud; embezzlement; theft; forgery; bribery; falsification or destruction of records; making false statements; or receiving stolen property;

c. are not presently indicted for, or criminally or civilly charged by, a governmental entity (federal, state or local) with committing any of the offenses set forth in subparagraph (b) above;

d. have not, during the 5 years before the date of this EDS, had one or more public transactions (federal, state or local) terminated for cause or default; and

e. have not, during the 5 years before the date of this EDS, been convicted, adjudged guilty, or found liable in a civil proceeding, or in any criminal or civil action, including actions concerning environmental violations, instituted by the City or by the federal government, any state, or any other unit of local government.

4. The Disclosing Party understands and shall comply with the applicable requirements of MCC Chapters 2-56 (Inspector General) and 2-156 (Governmental Ethics).

5. Certifications (5), (6) and (7) concern:
   - the Disclosing Party;
   - any "Contractor" (meaning any contractor or subcontractor used by the Disclosing Party in connection with the Matter, including but not limited to all persons or legal entities disclosed under Section IV, "Disclosure of Subcontractors and Other Retained Parties");
   - any "Affiliated Entity" (meaning a person or entity that, directly or indirectly: controls the Disclosing Party, is controlled by the Disclosing Party, or is, with the Disclosing Party, under common control of another person or entity). Indicia of control include, without limitation: interlocking management or ownership; identity of interests among family members, shared facilities and equipment; common use of employees; or organization of a business entity following the ineligibility of a business entity to do business with federal or state or local government, including the City, using substantially the same management, ownership, or principals as the ineligible entity. With respect to Contractors, the term Affiliated Entity means a person or entity that directly or indirectly controls the Contractor, is controlled by it, or, with the Contractor, is under common control of another person or entity;
   - any responsible official of the Disclosing Party, any Contractor or any Affiliated Entity or any other official, agent or employee of the Disclosing Party, any Contractor or any Affiliated Entity, acting pursuant to the direction or authorization of a responsible official of the Disclosing Party, any Contractor or any Affiliated Entity (collectively "Agents").

Neither the Disclosing Party, nor any Contractor, nor any Affiliated Entity of either the Disclosing Party or any Contractor, nor any Agents have, during the 5 years before the date of this EDS, or, with respect to a Contractor, an Affiliated Entity, or an Affiliated Entity of a Contractor during the 5 years before the date of such Contractor's or Affiliated Entity's contract or engagement in connection with the Matter:

a. bribed or attempted to bribe, or been convicted or adjudged guilty of bribery or attempting to bribe, a public officer or employee of the City, the State of Illinois, or any agency of the federal government or of any state or local government in the United States of America, in that officer's or employee's official capacity;

b. agreed or colluded with other bidders or prospective bidders, or been a party to any such agreement, or been convicted or adjudged guilty of agreement or collusion among bidders or prospective bidders, in restraint of freedom of competition by agreement to bid a fixed price or otherwise; or

c. made an admission of such conduct described in subparagraph (a) or (b) above that is a matter of record, but have not been prosecuted for such conduct; or

d. violated the provisions referenced in MCC Subsection 2-92-320(a)(4)(Contracts Requiring a Base Wage); (a)(5)(Debarment Regulations); or (a)(6)(Minimum Wage Ordinance).

6. Neither the Disclosing Party, nor any Affiliated Entity or Contractor, or any of their employees, officials, agents or partners, is barred from contracting with any unit of state or local government as a result of engaging in or being convicted of (1) bid-rigging in violation of 720 ILCS 5/33E-3; (2) bid-rotating in violation of 720 ILCS 5/33E-4; or (3) any similar offense of any state or of the United States of America that contains the same elements as the offense of bid-rigging or bid-rotating.

7. Neither the Disclosing Party nor any Affiliated Entity is listed on a Sanctions List maintained by the United States Department of Commerce, State, or Treasury, or any successor federal agency.

8. [FOR APPLICANT ONLY] (i) Neither the Applicant nor any "controlling person" [see MCC Chapter 1-23, Article I for applicability and defined terms] of the Applicant is currently indicted or charged with, or has admitted guilt of, or has ever been convicted of, or placed under supervision for, any criminal offense involving actual, attempted, or conspiracy to commit bribery, theft, fraud, forgery, perjury, dishonesty or deceit against an officer or employee of the City or any "sister agency"; and (ii) the Applicant understands and acknowledges that compliance with Article I is a continuing requirement for doing business with the City. NOTE: If MCC Chapter 1-23, Article I applies to the Applicant, that Article's permanent compliance timeframe supersedes 5-year compliance timeframes in this Section V.

9. [FOR APPLICANT ONLY] The Applicant and its Affiliated Entities will not use, nor permit their subcontractors to use, any facility listed as having an active exclusion by the U.S. EPA on the federal System for Award Management ("SAM").

10. [FOR APPLICANT ONLY] The Applicant will obtain from any contractors/subcontractors hired or to be hired in connection with the Matter certifications equal in form and substance to those in Certifications (2) and (9) above and will not, without the prior written consent of the City, use any such

contractor/subcontractor that does not provide such certifications or that the Applicant has reason to believe has not provided or cannot provide truthful certifications.

11. If the Disclosing Party is unable to certify to any of the above statements in this Part B (Further Certifications), the Disclosing Party must explain below:

_____

_____

_____

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

12. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all current employees of the Disclosing Party who were, at any time during the 12-month period preceding the date of this EDS, an employee, or elected or appointed official, of the City of Chicago (if none, indicate with "N/A" or "none").

None

13. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all gifts that the Disclosing Party has given or caused to be given, at any time during the 12-month period preceding the execution date of this EDS, to an employee, or elected or appointed official, of the City of Chicago. For purposes of this statement, a "gift" does not include: (i) anything made generally available to City employees or to the general public, or (ii) food or drink provided in the course of official City business and having a retail value of less than $25 per recipient, or (iii) a political contribution otherwise duly reported as required by law (if none, indicate with "N/A" or "none"). As to any gift listed below, please also list the name of the City recipient.

None

C. CERTIFICATION OF STATUS AS FINANCIAL INSTITUTION

1. The Disclosing Party certifies that the Disclosing Party (check one)

   [ ] is [X] is not

   a "financial institution" as defined in MCC Section 2-32-455(b).

2. If the Disclosing Party IS a financial institution, then the Disclosing Party pledges:

"We are not and will not become a predatory lender as defined in MCC Chapter 2-32. We further pledge that none of our affiliates is, and none of them will become, a predatory lender as defined in MCC Chapter 2-32. We understand that becoming a predatory lender or becoming an affiliate of a predatory lender may result in the loss of the privilege of doing business with the City."

If the Disclosing Party is unable to make this pledge because it or any of its affiliates (as defined in MCC Section 2-32-455(b)) is a predatory lender within the meaning of MCC Chapter 2-32, explain here (attach additional pages if necessary):

_____

_____

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

D. CERTIFICATION REGARDING FINANCIAL INTEREST IN CITY BUSINESS

Any words or terms defined in MCC Chapter 2-156 have the same meanings if used in this Part D.

1. In accordance with MCC Section 2-156-110: To the best of the Disclosing Party's knowledge after reasonable inquiry, does any official or employee of the City have a financial interest in his or her own name or in the name of any other person or entity in the Matter?

[ ] Yes [X] No

NOTE: If you checked "Yes" to Item D(1), proceed to Items D(2) and D(3). If you checked "No" to Item D(1), skip Items D(2) and D(3) and proceed to Part E.

2. Unless sold pursuant to a process of competitive bidding, or otherwise permitted, no City elected official or employee shall have a financial interest in his or her own name or in the name of any other person or entity in the purchase of any property that (i) belongs to the City, or (ii) is sold for taxes or assessments, or (iii) is sold by virtue of legal process at the suit of the City (collectively, "City Property Sale"). Compensation for property taken pursuant to the City's eminent domain power does not constitute a financial interest within the meaning of this Part D.

Does the Matter involve a City Property Sale?

[ ] Yes [X] No

3. If you checked "Yes" to Item D(1), provide the names and business addresses of the City officials or employees having such financial interest and identify the nature of the financial interest:

Name	Business Address	Nature of Financial Interest

4. The Disclosing Party further certifies that no prohibited financial interest in the Matter will be acquired by any City official or employee.

E. CERTIFICATION REGARDING SLAVERY ERA BUSINESS

Please check either (1) or (2) below. If the Disclosing Party checks (2), the Disclosing Party must disclose below or in an attachment to this EDS all information required by (2). Failure to comply with these disclosure requirements may make any contract entered into with the City in connection with the Matter voidable by the City.

_X_ 1. The Disclosing Party verifies that the Disclosing Party has searched any and all records of the Disclosing Party and any and all predecessor entities regarding records of investments or profits from slavery or slaveholder insurance policies during the slavery era (including insurance policies issued to slaveholders that provided coverage for damage to or injury or death of their slaves), and the Disclosing Party has found no such records.

____ 2. The Disclosing Party verifies that, as a result of conducting the search in step (1) above, the Disclosing Party has found records of investments or profits from slavery or slaveholder insurance policies. The Disclosing Party verifies that the following constitutes full disclosure of all such records, including the names of any and all slaves or slaveholders described in those records:

_____

_____

_____

SECTION VI -- CERTIFICATIONS FOR FEDERALLY FUNDED MATTERS

NOTE: If the Matter is federally funded, complete this Section VI. **If the Matter is not federally funded**, proceed to Section VII. For purposes of this Section VI, tax credits allocated by the City and proceeds of debt obligations of the City are not federal funding.

A. CERTIFICATION REGARDING LOBBYING

1. List below the names of all persons or entities registered under the federal Lobbying Disclosure Act of 1995, as amended, who have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter: (Add sheets if necessary):

_____

_____

_____

(If no explanation appears or begins on the lines above, or if the letters "NA" or if the word "None" appear, it will be conclusively presumed that the Disclosing Party means that NO persons or entities registered under the Lobbying Disclosure Act of 1995, as amended, have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter.)

2. The Disclosing Party has not spent and will not expend any federally appropriated funds to pay any person or entity listed in paragraph A(1) above for his or her lobbying activities or to pay any person or entity to influence or attempt to influence an officer or employee of any agency, as defined by applicable federal law, a member of Congress, an officer or employee of Congress, or an employee

of a member of Congress, in connection with the award of any federally funded contract, making any federally funded grant or loan, entering into any cooperative agreement, or to extend, continue, renew, amend, or modify any federally funded contract, grant, loan, or cooperative agreement.

3. The Disclosing Party will submit an updated certification at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the statements and information set forth in paragraphs A(1) and A(2) above.

4. The Disclosing Party certifies that either: (i) it is not an organization described in section 501(c)(4) of the Internal Revenue Code of 1986; or (ii) it is an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 but has not engaged and will not engage in "Lobbying Activities," as that term is defined in the Lobbying Disclosure Act of 1995, as amended.

5. If the Disclosing Party is the Applicant, the Disclosing Party must obtain certifications equal in form and substance to paragraphs A(1) through A(4) above from all subcontractors before it awards any subcontract and the Disclosing Party must maintain all such subcontractors' certifications for the duration of the Matter and must make such certifications promptly available to the City upon request.

B. CERTIFICATION REGARDING EQUAL EMPLOYMENT OPPORTUNITY

If the Matter is federally funded, federal regulations require the Applicant and all proposed subcontractors to submit the following information with their bids or in writing at the outset of negotiations.

Is the Disclosing Party the Applicant?
[X] Yes [ ] No

If "Yes," answer the three questions below:

1. Have you developed and do you have on file affirmative action programs pursuant to applicable federal regulations? (See 41 CFR Part 60-2.)
[X] Yes [ ] No

2. Have you filed with the Joint Reporting Committee, the Director of the Office of Federal Contract Compliance Programs, or the Equal Employment Opportunity Commission all reports due under the applicable filing requirements?
[X] Yes [ ] No [ ] Reports not required

3. Have you participated in any previous contracts or subcontracts subject to the equal opportunity clause?
[X] Yes [ ] No

If you checked "No" to question (1) or (2) above, please provide an explanation:

_____

_____

SECTION VII -- FURTHER ACKNOWLEDGMENTS AND CERTIFICATION

The Disclosing Party understands and agrees that:

A. The certifications, disclosures, and acknowledgments contained in this EDS will become part of any contract or other agreement between the Applicant and the City in connection with the Matter, whether procurement, City assistance, or other City action, and are material inducements to the City's execution of any contract or taking other action with respect to the Matter. The Disclosing Party understands that it must comply with all statutes, ordinances, and regulations on which this EDS is based.

B. The City's Governmental Ethics Ordinance, MCC Chapter 2-156, imposes certain duties and obligations on persons or entities seeking City contracts, work, business, or transactions. The full text of this ordinance and a training program is available on line at www.cityofchicago.org/Ethics, and may also be obtained from the City's Board of Ethics, 740 N. Sedgwick St., Suite 500, Chicago, IL 60610, (312) 744-9660. The Disclosing Party must comply fully with this ordinance.

C. If the City determines that any information provided in this EDS is false, incomplete or inaccurate, any contract or other agreement in connection with which it is submitted may be rescinded or be void or voidable, and the City may pursue any remedies under the contract or agreement (if not rescinded or void), at law, or in equity, including terminating the Disclosing Party's participation in the Matter and/or declining to allow the Disclosing Party to participate in other City transactions. Remedies at law for a false statement of material fact may include incarceration and an award to the City of treble damages.

D. It is the City's policy to make this document available to the public on its Internet site and/or upon request. Some or all of the information provided in, and appended to, this EDS may be made publicly available on the Internet, in response to a Freedom of Information Act request, or otherwise. By completing and signing this EDS, the Disclosing Party waives and releases any possible rights or claims which it may have against the City in connection with the public release of information contained in this EDS and also authorizes the City to verify the accuracy of any information submitted in this EDS.

E. The information provided in this EDS must be kept current. In the event of changes, the Disclosing Party must supplement this EDS up to the time the City takes action on the Matter. If the Matter is a contract being handled by the City's Department of Procurement Services, the Disclosing Party must update this EDS as the contract requires. **NOTE:** With respect to Matters subject to MCC Chapter 1-23, Article I (imposing **PERMANENT INELIGIBILITY** for certain specified offenses), the information provided herein regarding eligibility must be kept current for a longer period, as required by MCC Chapter 1-23 and Section 2-154-020.

CERTIFICATION

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute this EDS, and Appendices A and B (if applicable), on behalf of the Disclosing Party, and (2) warrants that all certifications and statements contained in this EDS, and Appendices A and B (if applicable), are true, accurate and complete as of the date furnished to the City.

Deutsche Lufthansa AG
(Print or type exact legal name of Disclosing Party)

By: _____
(Sign here)

Inge Zegwaard
(Print or type name of person signing)

Director Finance, Business Services and HR
(Print or type title of person signing)

Signed and sworn to before me on (date) February 2, 2018,

at Nassau County, New York (state).

_____
Notary Public

Commission expires: LAWRENCE MULLINS
Notary Public-State of New York
No. 01MU5084107
Qualified in Nassau County
Commission Expires October 24, 2021

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5%. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under MCC Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B.1.a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5% ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

[ ] Yes [X] No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

_____

_____

_____

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX B

BUILDING CODE SCOFFLAW/PROBLEM LANDLORD CERTIFICATION

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5% (an "Owner"). It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

1. Pursuant to MCC Section 2-154-010, is the Applicant or any Owner identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

[ ] Yes [X] No

2. If the Applicant is a legal entity publicly traded on any exchange, is any officer or director of the Applicant identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

[ ] Yes [X] No [ ] The Applicant is not publicly traded on any exchange.

3. If yes to (1) or (2) above, please identify below the name of each person or legal entity identified as a building code scofflaw or problem landlord and the address of each building or buildings to which the pertinent code violations apply.

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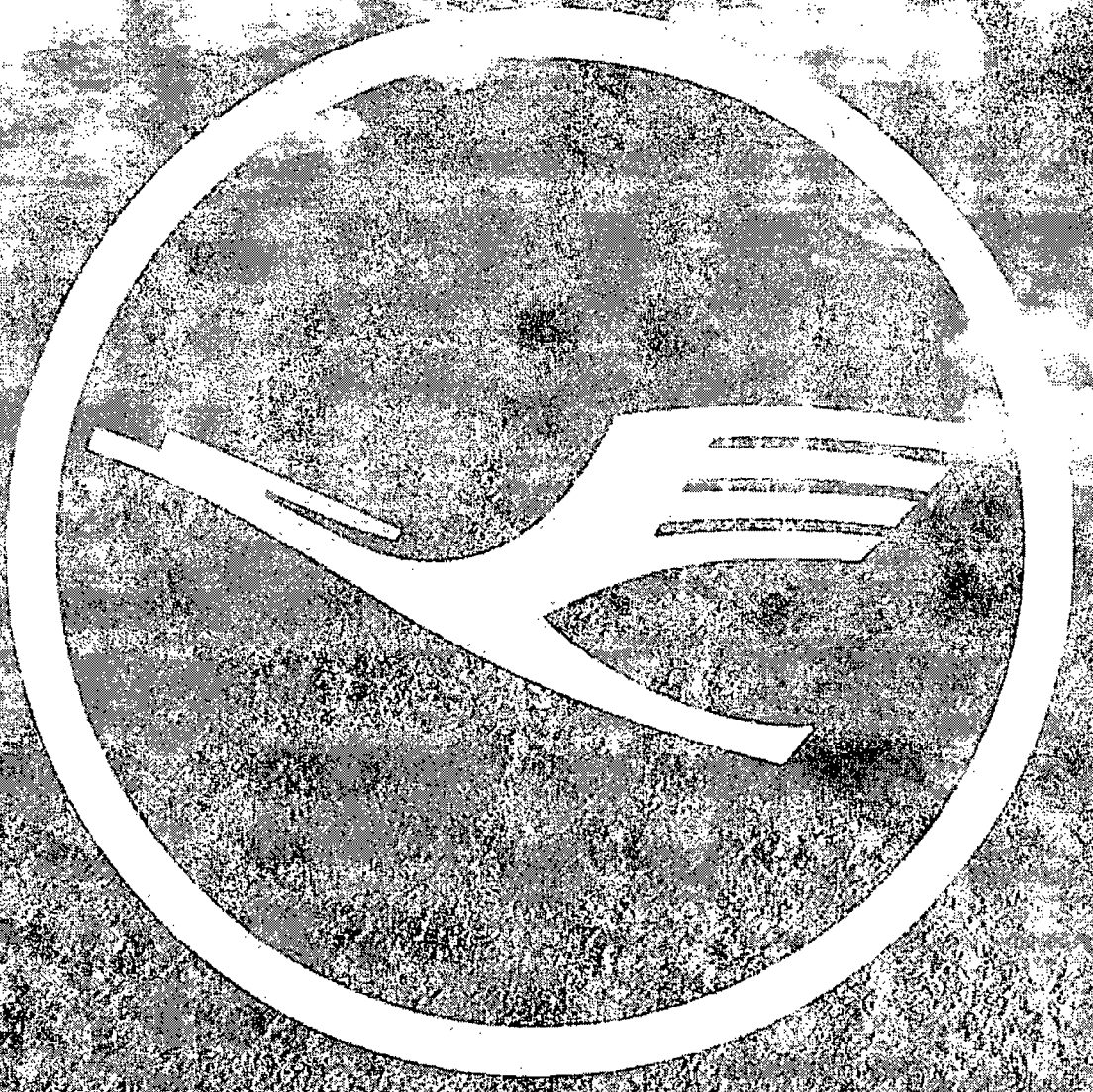
Lufthansa Group



Financial Statements 2016

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The management report for Deutsche Lufthansa AG and the Group management report have been combined and published in the Lufthansa Annual Report 2016. The financial statements and the combined management report and Group management report of Deutsche Lufthansa AG for the financial year 2016 are published in the German Federal Gazette and are also accessible from the internet site of the company registry

2016 financial statements for Deutsche Lufthansa AG

Deutsche Lufthansa AG
Balance sheet as of 31 December 2016

Assets			
in €m	Notes	31.12.2016	31.12.2015
Intangible assets		339	352
Aircraft		4,933	5,032
Property, plant and other equipment		103	106
Financial investments	4)	14,702	12,911
Non-current assets	3)	**20,077**	**18,401**
Inventories	5)	77	88
Trade receivables	6)	448	426
Other receivables and other assets	6)	1,384	1,450
Securities	7)	805	250
Cash and cash equivalents	7)	641	402
Current assets		**3,355**	**2,616**
Prepaid expenses	8)	**61**	**45**
Deferred tax assets	9)	**1,077**	**1,139**
Excess of plan assets over provisions for pensions	10)	**489**	**48**
Total assets		**25,049**	**22,249**

Shareholders' equity and liabilities			
in €m	Notes	31.12.2016	31.12.2015
Issued capital	11)	1,200	1,169
Capital reserve	12)	223	187
Retained earnings	12)	3,865	2,931
Distributable earnings	30)	234	232
Shareholders' equity		**5,522**	**4,539**
Provisions for pensions and similar obligations		2,652	2,460
Tax provisions		275	63
Other provisions		4,416	4,338
Provisions	13)	**7,343**	**6,861**
Bonds		1,000	1,750
Liabilities to banks		1,673	954
Payables to affiliated companies		5,447	4,371
Other liabilities		4,059	3,770
Liabilities	14)	**12,179**	**10,845**
Deferred income		**5**	**4**
Total shareholders' equity and liabilities		**25,049**	**22,249**

Deutsche Lufthansa AG
Income statement for the financial year 2016

The new regulations of the German Accounting Directive Implementation Act (BilRUG) on structuring the income statement do not longer provide the former statutory result from ordinary activities. However, to provide a better overview and for greater transparency, this earnings indicator will still be shown as the sum of the result from operating activities and the financial result.

in €m	Notes	2016	2015
Traffic revenue	18)	14,063	15,314
Other revenue	19)	1,146	355
Total revenue		**15,209**	**15,669**
Other operating income	20)	1,649	2,582
Cost of materials and services	21)	– 9,780	– 10,393
Staff costs	22)	– 2,855	– 2,827
Depreciation, amortisation and impairment	23)	– 428	– 458
Other operating expenses	24)	– 2,946	– 3,959
Result from operating activities		**849**	**614**
Result from equity investments	25)	598	728
Net interest	26)	94	– 1,237
Impairment on investments and current securities	27)	– 26	131
Financial result		**666**	**– 640**
Result from ordinary activities		**1,515**	**– 26**
Current income taxes	28)	– 233	– 34
Deferred income taxes	28)	– 62	1,139
Profit after income taxes		**1,220**	**1,079**
Other taxes	28)	– 51	– 45
Net profit for the year		**1,169**	**1,034**
Transfers to retained earnings	12)	– 935	– 802
Distributable earnings	30)	**234**	**232**

Deutsche Lufthansa AG

Statement of changes in non-current assets for 2016

Amounts in €m	as of 1.1.2016	Additions	Disposals	Reclassifications	as of 31.12.2016	Accumulated depreciation and amortisation: as of 1.1.2016	Depreciation of fiscal year 2016	Disposals	Write-ups	as of 31.12.2016	Carrying amounts: as of 31.12.2016	as of 31.12.2015
I. Intangible assets												
1 Purchased concessions, intellectual property and similar rights and assets and licences in such rights and assets	552	6	1	3	560	205	35	0	-	240	320	347
2 Advance payments	20	17	0	-3	34	15	-	-	-	15	19	5
	572	23	1	-	594	220	35	0	-	255	339	352
II. Aircraft												
1 Aircraft and equipment	6,993	437	685	61	6,802	2,860	370	535	-	2,695	4,107	4,133
2 Advance payments and plant under construction	899	122	134	-61	826	-	-	-	-	-	826	899
	7,892	559	823	-	7,628	2,860	370	535	-	2,695	4,933	5,032
III. Property, plant and equipment												
1. Land, leasehold rights and buildings including buildings on third-party land	168	5	2	11	182	111	11	1	-	121	61	57
2 Other equipment, operating and office equipment	145	15	5	1	156	115	12	5	-	122	34	30
3 Advance payments and plant under construction	19	2	1	-12	8	-	-	-	-	-	8	19
	332	22	8	-	346	226	23	6	-	243	103	106
IV Investments												
1 Shares in affiliated companies	10,304	1,345	189	-	11,460	1,150	12	-	35	1,127	10,333	9,154
2 Loans to affiliated companies	3,506	2,334	1,740	-	4,100	74	14	31	7	50	4,050	3,432
3 Equity investments	229	-	-	-	229	13	-	-	-	13	216	216
4 Loans to companies held as other equity investments	45	-	-	-	45	4	-	-	1	3	42	41
5 Non-current securities	8	-	0	-	8	-	-	-	-	-	8	8
6 Other loans	79	1	33	-	47	26	-	26	-	-	47	53
7 Prefinancing of leasehold	7	-	1	-	6	-	-	-	-	-	6	7
	14,178	3,680	1,963	-	15,895	1,267	26	57	43	1,193	14,702	12,911
Total non-current assets	22,974	4,284	2,795	-	24,463	4,573	454	598	43	4,386	20,077	18,401

Notes to the financial statements of Deutsche Lufthansa AG for 2016

1) Application of the German Commercial Code (HGB)

The financial statements of Deutsche Lufthansa AG, Cologne, registered at Cologne District Court under the number HRB 2168, have been prepared in accordance with the German Commercial Code (HGB) and the regulations of the German Accounting Directive Implementation Act (BilRUG) that are applicable for the first time, as well as the supplementary regulations of the German Stock Corporation Act (AktG) and the Articles of Association, and have been audited by PricewaterhouseCoopers GmbH Wirtschafts-prüfungsgesellschaft, Dusseldorf. In accordance with Section 315a Paragraph 1 HGB, Deutsche Lufthansa AG, the parent of the Deutsche Lufthansa AG Group, prepares consolidated financial statements on the basis of the International Financial Reporting Standards (IFRS) Consolidated financial statements are therefore not drawn up on the basis of the German Commercial Code. The financial year is the calendar year.

The financial statements are published in the electronic Federal Gazette They are permanently available online at https://investor-relations.lufthansagroup.com/en/finanzberichte.html

The income statement has been prepared using the total cost method.

To make the presentation clearer, certain items of the balance sheet and the income statement have been grouped together and are shown and explained separately in the notes. Over and above the statutory classification, the balance sheet item "Aircraft" is listed separately in order to improve the clarity of the financial statement as well as the commonly used result from ordinary activities.

The first-time application of BilRUG in 2016 means that the financial statements are not directly comparable with those for the previous year 2015. Disclosures on items materially affected by these changes are provided in the Notes to the financial statements under the corresponding subsection

2) Accounting policies

Currency translation In-house conversion rates for foreign currencies are set monthly in advance according to the exchange rates on international markets. These serve as the basis for converting foreign currency items into euros in the month in which entries are made

Receivables/ liabilities in foreign currencies, cash and provisions are translated at the mean spot rate on the reporting date in accordance with Section 256a HGB. For other non-current receivables/ liabilities in foreign currency, the lower-/ higher-of-cost-or-market principle is observed by comparing the purchase cost with the value on the balance sheet date

The cost of capital goods purchased in foreign currencies – mainly aircraft invoiced in US dollars – is determined by translation at the exchange rates in effect at the time of payment. Assets for which payments are hedged against exchange rate fluctuations are recognised within the framework of separate valuation units.

Fair value and cash flow hedges of interest rate, exchange rate and fuel price risks are described in Note 17.

Intangible assets Intangible assets are measured at cost and generally amortised over five years or their contractual useful lives, whichever is longer. Internally developed intangible assets are not capitalised. Purchased take-off and landing rights are not amortised.

Property, plant and equipment Scheduled depreciation of property, plant and equipment is based on the purchase and manufacturing costs as well as the asset's useful life. Borrowing costs in close connection with the financing of the purchase or production are not recognised as part of the purchase or manufacturing costs

Movable assets with a finite useful life and acquisition costs of up to EUR 150 are written-down in full in the year of purchase. Minor assets costing between EUR 151 and EUR 1,000 are pooled in an annual account and depreciated over 5 years

Aircraft Since 1 January 2013, new commercial aircraft have been depreciated over a period of 20 years to a residual value of five per cent

Aircraft purchased in used condition are depreciated individually depending on their age at the time of acquisition. Aircraft less than 16 years old at the time of acquisition are depreciated up to an age of 20 years to a residual carrying amount of five per cent Aircraft more than 16 years old at the time of acquisition are depreciated in full over four years without any residual value

Other property, plant and equipment Buildings are assigned a useful life of between 20 and 50 years. Buildings and installations on land belonging to third parties are written-down according to the term of the lease or are assigned a shorter useful life. Operating and office equipment is depreciated over three to fourteen years in normal circumstances of usage.

Financial investments Financial investments are shown at cost, adjusted by any necessary impairment charges or write-ups.

Current assets Raw materials, consumables and supplies are valued at cost, with stock risks being accounted for by appropriate mark-downs

Securities are shown at their purchase price less any necessary impairment charges Emissions certificates issued free of charge are held at a residual amount; those purchased are held at acquisition costs.

In addition to individual write-downs necessary for known risks applying to other current assets, adequate provision is made for general credit risk by a write-down of each item by a standard amount.

Netting of plan assets and provisions for pensions To meet obligations towards staff resulting from retirement benefits as well as partial retirement agreements, appropriate funds have been invested in insolvency-proof funds and insurance policies, which are not accessible to the Company's other creditors.

Pension assets are measured at fair value using external price information and netted out with the underlying obligations If there is an excess of obligations over assets, it is recognised in provisions. If the fair value of the pension assets exceeds that of the corresponding obligations, the difference is shown separately as "excess of plan assets over provisions for pensions" If the fair value of the pension assets is higher than their historic acquisition costs, the resulting income may not be distributed as a dividend (Section 268 Paragraph 8 Sentence 3 HGB).

Provisions Pension obligations are calculated using actuarial principles based on the projected unit credit method using the "Actuarial Tables 2005 G" compiled by Prof. Dr Klaus Heubeck. As well as appropriate projected rates of fluctuation and career progress, a salary trend of 2.5 per cent and an unchanged pension trend of between 1 per cent and 2.5 per cent are used, as in the previous year. A different annual pension increase of 1.0 per cent is used for the Company retirement benefits for ground staff and cabin crew based on the agreement reached in 2016, which guarantees this rate to the respective employees.

Discounting took place for the first time at the average market interest rate for the past ten years with an assumed term to maturity of 15 years as published by the German Bundesbank. For measurement as of 31 December 2016, the corresponding interest rate is forecast as of 31 December 2016 on the basis of interest rate information published as of 30 November 2016. The rate is 4 01 per cent (previous year: 3.89 per cent, seven-year average rate). The effect of this interest rate change is recognised in interest expense. The difference between the amount of provisions calculated using the ten-year and the seven-year average interest rate as of 31 December 2016 may not be distributed as a dividend. As of 31 December 2016, the seven-year average interest rate used to calculate this difference was 3.24 per cent

Benefit obligations from retirement benefit commitments that are funded by reinsurance or capital market investments are recognised at the fair value of the underlying securities, insofar as this amount exceeds the minimum commitment.

The provision for partial retirement agreements is recognised at the amount needed to settle the obligation. This amount is composed of the salary outstanding as of 31 December 2016, which is paid during the early retirement phase, as well as additional employer contributions to statutory pension insurance and superannuation premiums. The provision is calculated making reasonable use of biometric probabilities and a salary trend of 2.5 per cent, as before. It is discounted on the basis of average terms to maturity at a seven-year average interest rate forecast as of 31 December 2016. The rate is 1.81 per cent (previous year: 2.34 per cent).

The other provisions are made for the amount considered necessary to settle the obligations using sound commercial judgement. Provisions with a term to maturity of more than one year are discounted at the average market interest rate for the past seven years corresponding to their remaining term.

Liabilities Liabilities are shown at the amount needed to settle them.

Deferred taxes Deferred taxes are recognised for temporary differences between the carrying amounts of assets, liabilities and deferred expenses in the financial statements for commercial law and tax purposes. Deutsche Lufthansa AG not only recognises differences on items in its own balance sheet, but also for companies in the same income tax group.

Valuation options To improve the presentation of the net assets, financial and earnings position, the option offered by Section 274 Paragraph 1 Sentence 2 HGB of capitalising the net asset of EUR 1.1bn resulting from offsetting deferred tax assets and liabilities has been used since 2015.

To improve the presentation of the earnings position, instruments to hedge the price of future fuel requirements are combined with the hedged items within valuation units in accordance with Section 254 HGB. Possible onerous contracts in the form of a valuation unit are calculated in line with sales markets, so that, according to the principal of loss-fee valuation, no impending losses are recognised, insofar as no loss is incurred from future sales business.

Notes to balance sheet assets

3) Non-current assets

Changes in individual non-current asset items during the financial year 2016 are shown in a separate table.

In addition to the Company's own aircraft listed in the statement of changes in non-current assets and in the balance sheet, further aircraft were chartered, in some cases complete with crews Deutsche Lufthansa AG has also leased the following aircraft:

Number of leased aircraft		
Aircraft type	31.12.2016	31.12.2015
A319-100	25	30
A320-200	25	43
A321-100	20	20
A321-200	24	24
A330-200	6	2
A330-300	14	8
A340-300	18	18
A340-600	19	19
A380 800	3	3
B737-300	1	8
B737-500	0	6
B747-400	11	9
B747-8	17	17
EMB 190	9	9
EMB 195	14	23
	206	239

In the reporting year, the number of aircraft sold from the various leasing entities was higher than the number of aircraft contributed into these entities.

4) Financial investments

The main indirect and direct equity investments of Deutsche Lufthansa AG can be found in the annexe to the notes, 'List of shareholdings'.

5) Inventories

Inventories		
in €m	31.12.2016	31.12.2015
Raw materials, consumables and supplies	24	23
Emissions certificates	39	51
Finished goods and merchandise	14	14
	77	88

6) Receivables and other assets

Receivables and other assets			
in €m	31.12.2016	of which due after more than one year	31.12.2015
Trade receivables	448	0	426
Receivables from affiliated companies	693	0	820
Receivables from companies held as other investments	5	0	7
Other assets	686	291	623
	1,832	291	1,876

7) Securities and cash items

The balance sheet item "Securities" consists solely of money market funds amounting to EUR 805m. Cash and cash equivalents consist almost entirely of deposits held with banks.

Pledged deposits amounting to EUR 22m and bank balances held in foreign currency of EUR 15m, which are not likely to be transferred in the near future and therefore discounted appropriately, are reported as other assets.

8) Prepaid expenses

This item is composed of prepaid insurance premiums for subsequent years of EUR 18m and a disagio of EUR 7m (previous year. EUR 9m).

9) Deferred tax assets

This item consists of the net asset balance of EUR 1,077m remaining after deferred tax assets and liabilities on temporary differences between carrying amounts for commercial law and tax purposes have been offset They are made up as follows:

in €m	31.12.2016
Non-current assets	38
Inventories, receivables and other assets	65
Provisions	1,026
Liabilities	24
	1,077

Deferred tax assets result primarily from different valuation of pension provisions and similar obligations, of provisions for onerous contracts and of other provisions Deferred tax liabilities stem particularly from different carrying amounts for aircraft and miscellaneous items of property, plant and equipment.

Deferred taxes are calculated using the combined income tax rate for Deutsche Lufthansa AG's tax group, which is currently 25 per cent. The combined income tax rate comprises corporation tax, trade tax and solidarity surcharge For temporary differences from limited partnership assets, a different tax rate of 15.825 per cent was used

10) Excess of plan assets over provisions for pensions

This item consists of the net surplus of EUR 489m from offsetting fund assets against pension obligations.

Notes to balance sheet liabilities and shareholders' equity

11) Issued capital

Issued capital Deutsche Lufthansa AG's issued capital totals EUR 1,200 2m. Issued capital is divided into 468,818,054 registered shares, with each share representing EUR 2.56 of issued capital.

Authorised capital A resolution passed at the Annual General Meeting held on 29 April 2015 authorised the Executive Board until 28 April 2020, subject to approval by the Supervisory Board, to increase the Company's issued capital on one or several occasions by up to EUR 561,160,092 by issuing new registered shares against a contribution in cash or in kind (Authorised Capital A). In certain cases, the shareholders' subscription rights can be excluded with the approval of the Supervisory Board. In order to issue new shares to settle dividend entitlements, the Executive Board of Deutsche Lufthansa AG decided, with the approval of the Supervisory Board, to make use of the authorisation voted at the Annual General Meeting held on 29 April 2015 (Authorised Capital A) and increase the Company's issued capital by EUR 4,120,811.52 by issuing 1,609,692 new registered shares with transfer restrictions and profit entitlement from 1 January 2016. The capital increase was entered in the Commercial Register of Cologne District Court (HRB 2168) on 25 May 2016. As of 31 December2016, Authorised Capital A amounted to EUR 557,039,280.48.

A resolution passed at the Annual General Meeting held on 29 April 2014 authorised the Executive Board until 28 April 2019, subject to approval by the Supervisory Board, to increase the issued capital by up to EUR 29m, by issuing new registered shares to employees (Authorised Capital B) against a contribution in cash. Existing shareholders' subscription rights are excluded. In order to issue new shares to employees of Deutsche Lufthansa AG and its affiliated companies, the Executive Board of Deutsche Lufthansa AG decided, with the approval of the Supervisory Board, to make use of the authorisation voted at the Annual General Meeting held on 29 April 2014 (Authorised Capital B) and increase the Company's issued capital by EUR 6,834,206.72 excluding shareholders' subscription rights, by issuing 2,669,612 new registered shares with transfer restrictions and profit entitlement from 1 January 2016 against a contribution in cash. The capital increase was entered in the Commercial Register of Cologne District Court (HRB 2168) on 25 October 2016. As of 31 December 2016, Authorised Capital B amounted to EUR 13,298,593.28.

Contingent capital A resolution passed at the Annual General Meeting held on 28 April 2016 authorised the Executive Board until 27 April 2021, subject to approval by the Supervisory Board, to issue bearer or registered convertible bonds, bond/ warrant packages, profit sharing rights or participating bonds (or combinations of these instruments), on one or several occasions, for a total nominal value of up to EUR 1.5bn, with or without restrictions on maturity To do so, contingent capital (Contingent Capital II) was created for a contingent capital increase of up to EUR 237,843,840 by issuing up to 92,907,750 new registered shares. The contingent capital increase will only take place insofar as the holders of convertible bonds or warrants from bond/ warrant packages decide to exercise their conversion and/or option rights

Authorisation to buy back shares A resolution passed at the Annual General Meeting held on 29 April 2015 authorised the Executive Board pursuant to Section 71 Paragraph 1 No. 8 Stock Corporation Act (AktG) to purchase treasury shares until 28 April 2020. The authorisation is limited to 10 per cent of current issued capital, which can be purchased on the stock exchange or by a public purchase offer to all shareholders. The authorisation states that the Executive Board can use the shares, in particular, for the purposes defined in the resolution passed at the Annual General Meeting. According to the resolution of the Annual General Meeting held on 28 April 2016, the Executive Board is also authorised to purchase treasury shares by means of derivatives and to conclude corresponding derivative transactions

In 2016, Deutsche Lufthansa AG bought back 101,499 of its own shares at an average price of EUR 12 10 This is equivalent to 0.02 per cent of issued capital.

The shares purchased or created by means of capital increase were used as follows:

- 1,806,974 shares were transferred to the staff of Deutsche Lufthansa AG and 40 other affiliated companies as well as equity investments as part of the

profit-sharing scheme for 2015, at a share price of EUR 10.05.

- 941,136 shares were transferred as part of performance-related variable remuneration in 2016 to managers and non-pay-scale employees of Deutsche Lufthansa AG and to 46 further affiliated companies and equity investments at a share price of EUR 11.87.
- 20,218 shares were transferred to Executive Board members at a share price of EUR 11.87 as part of the share programme for 2016.
- 615 shares were transferred for previous years' programmes (performance-related variable remuneration for 2015 to managers, non-pay-scale employees as well as other staff of Deutsche Lufthansa AG and to further affiliated companies and equity investments from profit-sharing for 2014) at a share price of EUR 12.85.
- 1,609,692 shares were transferred to shareholders to settle dividend entitlements for 2015.

2,168 shares were resold at a share price of EUR 12.83.

On the balance sheet date, treasury shares were no longer held

Shareholder structure

Notifications received in accordance with Section 21 Paragraph 1 Securities Trading Act (WpHG) on changes in voting rights in the share capital held by third parties are disclosed in abbreviated form below. If a notifying party reaches, exceeds or falls below the thresholds defined in Section 21 Paragraph 1 WpHG more than once, only the last notification that the threshold has been reached or exceeded or is no longer reached is disclosed below

- On 22 August 2014, Templeton Growth Fund, Inc., Maryland, USA, notified us that its voting rights in Deutsche Lufthansa AG exceeded the threshold of 3 per cent on 21 August 2014 and came to 3.12 per cent on this date (14,402,091 voting shares)

- On 14 January 2015, Templeton Investment Counsel, LLC, Wilmington, Delaware, USA, notified us that its voting rights in Deutsche Lufthansa AG exceeded the threshold of 3 per cent on 13 January 2015 and came to 3.02 per cent on this date (13,996,622 voting shares). 3.02 per cent (13,996,622 voting shares) were attributable to Templeton Investment Counsel, LLC in accordance with Section 22 WpHG

- On 29 June 2016, Templeton Global Advisors Limited, Nassau, Bahamas, notified us that its voting rights in Deutsche Lufthansa AG exceeded the threshold of 10 per cent on 23 June 2016 and came to 10.08 per cent on this date (46,982,911 voting shares). 10.08 per cent (46,982,911 voting shares) were attributable to Templeton Global Advisors Limited in accordance with Section 22 WpHG

- On 1 November 2016, Templeton Global Advisors Limited, Nassau, Bahamas, notified us that its voting rights in Deutsche Lufthansa AG fell below the threshold of 10 per cent on 25 October 2016 and came to 9.95 per cent on this date (46,669,813 voting shares). 9.95 per cent (46,669,813 voting shares) were attributable to Templeton Global Advisors Limited in accordance with Section 22 WpHG.

- On 30 May 2016, Deutsche Asset & Wealth Management Investment GmbH, Frankfurt, Germany, notified us that its voting rights in Deutsche Lufthansa AG fell below the threshold of 3 per cent on 19 May 2016 and came to 2.9 per cent on this date (13,471,331 voting shares). 2.9 per cent (13,471,331 voting shares) were attributable to Deutsche Asset & Wealth Management Investment GmbH in accordance with Section 22 WpHG

- On 10 May 2016, BlackRock, Inc., Wilmington, Delaware, USA, notified us that its voting rights in Deutsche Lufthansa AG exceeded the threshold of 3 per cent on 29 April 2016 and came to 3.17 per cent on this date (14,710,696 voting shares). 3.17 per cent (14,710,696 voting shares) are attributable to BlackRock, Inc. in accordance with Section 22 WpHG.

- On 12 May 2016, BlackRock, Inc., Wilmington, Delaware, USA, notified us that its voting rights in Deutsche Lufthansa AG fell below the threshold of 3 per cent on 5 May 2016 and on this date came to 2.72 per cent (12,635,038 voting shares). 2.72 per cent (12,635,038 voting shares) are attributable to BlackRock, Inc. in accordance with Section 22 WpHG

- On 29 June 2016, Franklin Templeton Investment Funds, Luxembourg, notified us that its voting rights in Deutsche Lufthansa AG exceeded the threshold of 3 per cent on 23 June 2016 and came to 3.03 per cent on this date (14,114,701 voting shares) 3.03 per cent (14,114,701 voting shares) are attributable to Franklin Templeton Investment Funds directly in accordance with Section 21 WpHG.

- On 14 November 2016, Franklin Templeton Investment Funds, Luxembourg, notified us that its voting rights in Deutsche Lufthansa AG fell below the threshold of 3 per cent on 8 November 2016 and came to 2.96 per cent on this date (13,861,910 voting shares). 2.96 per cent (13,861,910 voting shares) are attributable to Franklin Templeton Investment Funds directly in accordance with Section 21 WpHG.

- On 29 June 2016, Franklin Templeton International Services S.à.r.l., Luxembourg, notified us that its voting rights in Deutsche Lufthansa AG exceeded the threshold of 3 per cent on 23 June 2016 and came to 3.03 per cent on this date (14,114,701 voting shares) 3.03 per cent (14,114,701 voting shares) are attributable to Franklin

Templeton International Services S.à.r.l in accordance with Section 22 WpHG

- On 14 November 2016, Franklin Templeton International Services S.à.r.l., Luxembourg, notified us that its voting rights in Deutsche Lufthansa AG fell below the threshold of 3 per cent on 8 November 2016 and came to 2.96 per cent on this date (13,861,910 voting shares). 2.96 per cent (13,861,910 voting shares) are attributable to Franklin Templeton International Services S.à.r.l. in accordance with Section 22 WpHG.

12) Reserves

The capital reserve contains the premiums resulting from capital increases and the proceeds from the issue of debt securities for conversion options to acquire Company shares. In 2016, share premiums of EUR 20.0m from a capital increase for employee shares and of EUR 15.1m from a capital increase in kind for the pro rata dividend claim were added.

The statutory reserve contained in retained earnings is unchanged at EUR 26m, other reserves consist of other retained earnings solely. An amount of EUR 3.6bn may not be distributed as dividends This is made up of EUR 1.5bn from the fair value measurement of assets (amount exceeding the initial purchase price), EUR 1.1bn from the recognition of deferred tax assets for temporary differences between the carrying amounts for commercial law and tax purposes as well as the difference of EUR 1bn between the application of ten- and seven-year average interest rates to discount the pension obligations. There are sufficient free retained earnings to cover the amount which may not be distributed EUR 935m have been transferred to retained earnings

13) Provisions

Provisions		
in €m	31.12.2016	31.12.2015
Provisions for pensions and similar obligations	2,652	2,460
Tax provisions	275	63
Obligations in respect of unused flight documents	1,787	1,708
Other provisions	2,629	2,630
	7,343	6,861

A Company pension scheme exists for staff working in Germany and staff seconded abroad Benefit obligations are mainly funded by means of contributions to an external trust fund to which access is restricted.

There are also obligations from the conversion of salary components which are funded by assets held in insurance policies

The actuarial obligations are netted with the corresponding assets measured at fair value as of 31 December 2016 to obtain the carrying amount for the balance sheet. The acquisition costs of the fund assets were EUR 5,2bn as of 31 December 2016. Their fair value as of the same date was EUR 6,7bn.

The actuarial amount required to settle the obligation is recognised at EUR 8,9bn as of 31 December 2016.

On 2 August 2016, the new Company retirement benefit plan for ground staff employed in Germany – the core elements of which had already been agreed in 2015 – in the form of a defined-contribution benefit commitment was established For employees recruited before 1 January 2016, the entitlements acquired until 31 December 2015 are maintained. For service periods starting from 1 January 2016, employees can reach the same level of benefits by making contributions from their own pocket. For staff recruited from 1 January 2016, the contributions to the new model will be invested on the capital market. When the employee reaches retirement age, the entire account balance is converted into an annuity on the basis of the applicable BilMoG interest rate, while maintaining the contributions that were originally made. All current annuities are increased by 1.0 per cent per annum.

In summer 2016, an agreement was reached with the flight attendants' union UFO on the core elements of future Company retirement and transitional benefits for cabin crew staff. Allocations were adjusted following the switch to a defined-contribution system, which increased the amount of the obligation This was offset by a reduction in the pension trend from 1.5 to 1.0 per cent for this group of employees. In addition, the previous entitlements to transitional benefits were replaced by an initial contribution into the new capital-market-based benefits system. Altogether, the rearrangement of pension benefits for cabin crew employees and the related offsetting effects led to a minor relief of the net income in 2016.

Accrued interest expenses on provisions of EUR 335m were offset by income of EUR 146m from revaluing the obligation with a higher discount rate than in the previous year The resulting interest expense of EUR 189m from the measurement of pension obligations was offset against income of EUR 335m from the market valuation of pension fund assets The change from a seven-year average interest rate to a ten-year average for calculating the settlement amounts resulted in a difference of EUR 1bn as of 31 December 2016, which is not available for distribution

Obligations regarding partial retirement agreements are recognised in other provisions. Obligations of EUR 88m are netted with assets with a fair value of EUR 50m. The acquisition costs of the fund assets are EUR 39m Net income of EUR 1.5m from fund assets was offset against expenses of EUR 1.2m in accrued interest on the provision.

Other provisions mainly include amounts accrued for purchased services, for onerous contracts, for maintenance, for restructuring, for profit-sharing and for commissions

14) Liabilities

Liabilities in €m	Due within one year	Due within more than one year	Due in more than five years	Total 31.12.2016	Total 31.12.2015
Bonds	-	1,000	-	1,000	1,750
Liabilities to banks	340	1,137	196	1,673	954
Advance payments for orders	0	-	-	0	0
Trade payables	428	-	-	428	362
Payables to affiliated companies	5,443	4	-	5,447	4,371
Payables to companies held as other equity investments	6	-	-	6	13
Other liabilities	473	1,515	1,637	3,625	3,395
of which for taxes	(57)	-	-	(57)	(50)
of which relating to social security obligations	(5)	-	-	(5)	(5)
	6,690	**3,656**	**1,833**	**12,179**	**10,845**

EUR 102m of the liabilities to banks are secured by aircraft. Of the other liabilities, obligations arising from finance leases totalling EUR 3.0bn are secured by the aircraft concerned.

15) Contingent liabilities

Contingent liabilities		
in €m	31.12.2016	31.12.2015
Relating to guarantees, bills of exchange and cheque guarantees	1,066	1,012
- of which from affiliated companies	(161)	(174)
Relating to warranties	702	586
- of which from affiliated companies	(114)	(113)
- of which from associated companies	(1)	-
Relating to the provision of collateral for third-party liabilities	25	25

The amounts reported as contingent liabilities relating to guarantees include EUR 904m in co-debtors' guarantees given in favour of North American fuelling and handling companies. There was no requirement to recognise these guarantee obligations as a liability, because the fuelling and handling companies are expected to be able to meet the underlying liabilities and a claim is therefore unlikely. Furthermore, this amount is matched by compensatory claims against the other co-debtors amounting to EUR 879m. These amounts are in some cases preliminary as current financial statements from some counterparties are not available yet

EUR 415m of the contingent liabilities relating to warranties refer to co-debtors' guarantees in favour of the Terminal One Group Association, L.P. joint venture at New York's JFK Airport No provision was recognised, as a claim is not considered likely. It can be assumed that the company will be able to meet its obligations itself. The obligations relating to warranties are matched by compensatory claims against the other co-debtors amounting to EUR 311m

16) Other financial obligations

Order commitments for capital expenditure Order commitments for capital expenditure on tangible assets came to EUR 13.5bn as of 31 December 2016. The resulting payment obligations will fall due as follows: EUR 7.7bn in the years 2017 to 2021, and EUR 5 8bn in the years 2022 to 2025.

Obligations to acquire company shares and to contribute capital to investee companies totalling EUR 235k existed as of the balance sheet date. There are also loan commitments of EUR 1,169m, of which EUR 1,114m are to affiliated companies and EUR 55m to associated companies.

Obligations under rental agreements The Company administrates its business almost exclusively in rented premises Rental agreements generally run for up to ten years Facilities at Frankfurt and Munich airports are rented for longer periods, in some cases for up to 30 years, and are partly prefinanced by Lufthansa. Annual rental payments amount to around EUR 171m

Costs under long-term operating leases with terms up to 2022 came to EUR 833m in the financial year 2016. Expenses for operating leases were mainly payable to affiliated companies; only EUR 13.0m related to an external lessor (previous year: EUR 1.1m).

Obligations under long-term maintenance contracts Long-term maintenance contracts signed as of the reporting date with durations up to 2030 gave rise to expenses of EUR 164m in the financial year. Of the corresponding payment obligations, EUR 827m falls due in the years 2017 to 2021, and EUR 1.4bn in the years 2022 to 2030.

17) Hedging policy and financial derivatives

As an international airline, Deutsche Lufthansa AG is exposed to the risk of changes in exchange rates, interest rates and fuel priced in US dollars

Exchange rate hedges As of 31 December 2016, the following exposures existed from transactions to hedge exchange rate movements:

Currencies				
Volume (in m)		Type of derivative	Average exchange rate in €	Maturities up to
AED	10	Forward sale	0 2592	2017
AUD	206	Forward sale	0 6550	2018
CAD	295	Forward sale	0 6750	2018
CHF	1,279	Forward sale	1.0671	2022
CNY	4,013	Forward sale	0.1302	2018
CZK	1,951	Forward sale	0 0371	2018
DKK	18	Forward sale	0 1345	2017
GBP	290	Forward sale	1 2433	2018
HKD	1 412	Forward sale	0 1144	2018
HUF	18,726	Forward sale	0.0032	2018
INR	12,063	Forward sale	0 0130	2017
JPY	43,491	Forward sale	0 0081	2018
KRW	111,181	Forward sale	0 0008	2017
MXN	54	Forward sale	0 0463	2017
NOK	1,114	Forward sale	0 1070	2018
NZD	90	Forward sale	0 6017	2018
PHP	1,112	Forward purchase	0 0186	2017
PLN	691	Forward sale	0.2259	2018
SEK	2,687	Forward sale	0.1060	2018
SGD	121	Forward sale	0 6372	2018
THB	799	Forward sale	0 0255	2017
USD	10,213	Forward purchase	0 7733	2025
ZAR	1,252	Forward sale	0 0581	2018

In addition the following exchange rate hedges have been concluded with Group companies:

Currencies				
Volume (in m)		Type of derivative	Average exchange rate in €	Maturities up to
AED	10	Forward purchase	0.2592	2017
AUD	103	Forward purchase	0.6535	2018
CAD	91	Forward purchase	0.6780	2018
CHF	680	Forward purchase	0.9386	2022
CNY	1,492	Forward purchase	0.1294	2018
CZK	1,030	Forward purchase	0.0371	2018
DKK	143	Forward purchase	0.1335	2018
GBP	86	Forward purchase	1 2378	2018
HKD	895	Forward purchase	0.1137	2018
HUF	2,813	Forward purchase	0.0032	2018
INR	5,158	Forward purchase	0.0129	2017
JPY	14,670	Forward purchase	0.0080	2018
KRW	19,375	Forward purchase	0.0008	2017
MXN	54	Forward purchase	0.0463	2017
NOK	270	Forward purchase	0.1069	2018
NZD	22	Forward purchase	0.6076	2018
PHP	1,112	Forward sale	0.0184	2017
PLN	3	Forward purchase	0.2495	2018
SEK	810	Forward purchase	0 1054	2018
SGD	51	Forward purchase	0.6353	2018
THB	768	Forward purchase	0.0254	2017
USD	2,411	Forward sale	0.8604	2022
ZAR	661	Forward purchase	0 0579	2018

The hedging policy to limit exchange rate risks is implemented within the framework of the Lufthansa Group's systematic financial management There is no autonomous hedging policy at the level of the legal entity Deutsche Lufthansa AG Valuation units within the meaning of Section 254 HGB are therefore only formed to the extent that exchange rate hedges are matched by opposing derivatives transactions in the same currency and with the same maturity. As of 31 December 2016, provisions for onerous contracts of EUR 32m have been recognised for impending losses under further exchange rate hedges. As of the reporting date, the forward transactions have a market value of EUR 1,058m

Forward currency transactions and swaps are valued individually at their respective forward curve and discounted to the reporting date based on the corresponding interest rate curve. The market prices of currency options are calculated using recognised option pricing models

Exchange rate hedges				
			Volume in m	
Currency	Type of derivative	Year of maturity	Pending transactions	Hedged risk
AED	Forward sale	2017	10	10
AUD	Forward sale	2017 2018	74 29	74 29
CAD	Forward sale	2017 2018	114 24	114 24
CHF	Forward sale	2017 2018	755 162	755 162
CNY	Forward sale	2017 2018	1,170 346	1,170 346
CZK	Forward sale	2017 2018	810 308	810 308
DKK	Forward purchase	2017	20	20
GBP	Forward sale	2017 2018	113 23	113 23
HKD	Forward sale	2017 2018	718 256	718 256
HUF	Forward sale	2017 2018	10,157 3,320	10,157 3,320
INR	Forward sale	2017	5,254	5,254
JPY	Forward sale	2017 2018	12,617 3,609	12,617 3,609
KRW	Forward sale	2017	19,375	19,375
MXN	Forward sale	2017	54	54
NOK	Forward sale	2017 2018	237 78	237 78
NZD	Forward sale	2017 2018	18 6	18 6
PHP	Forward sale	2017	1,112	1,112
PLN	Forward sale	2017 2018	132 44	132 44
SEK	Forward sale	2017 2018	664 280	664 280
SGD	Forward sale	2017 2018	38 14	38 14
THB	Forward sale	2017	778	778
USD	Forward purchase	2017 2018 2019	1,653 355 0	1,653 355 0
ZAR	Forward sale	2017 2018	464 197	464 197

Hedged capital expenditure Exchange rate hedges are combined with expected aircraft deliveries to form valuation units for the purpose of hedging the risk of price increases due to exchange rate movements. Aircraft purchases are now only hedged by means of forward transactions Based on currently available information, the exposure for capital expenditure at year-end 2016, the relevant hedging volume and the effects of the hedges on the acquisition costs of the hedged investments are as follows

Hedged capital expenditure				
Financial year in m	Exposure in USD	Hedging volume in USD	Market values in €	Hedge ratio
2017	78	48	7	62%
2018	896	686	81	77%
2019	1,241	589	99	47%
2020	1,593	1,000	156	63%
2021	1,703	977	143	57%
2022	1,751	1 530	216	87%
2023	1,588	1,386	181	87%
2024	1,317	996	121	76%
2025	578	354	39	61%
Total	10,745	7,566	1,043	70%

Interest rate hedges Suitable interest rate swaps and combined interest rate/ currency swaps are arranged with external counterparties to hedge interest rate risks on balance sheet bonds, loans and leasing liabilities. These are summarised within valuation units. Hedged items and hedges have identical maturities, up to 2027 at the latest. As the reciprocal cash flows balance each other out, the interest rate swaps are not presented in the balance sheet. As of 31 December 2016, provisions for onerous contracts of EUR 5m are recognised for impending losses regarding interest rate hedges with no hedged items.

Furthermore, Deutsche Lufthansa AG and its subsidiaries have arranged combined interest rate/ currency swaps that are matched by interest rate/ currency swaps of the same type, volume and maturity with external third parties. These are summarised within valuation units, too. Hedged items and hedges have identical maturities, up to 2028 at the latest. The hedged cash flows balance each other fully, so that the valuation units are fully effective As of 31 December 2016, provisions for onerous contracts of EUR 5m are recognised for impending losses regarding other internal interest rate hedges which were concluded additionally.

Interest rate hedges				
31.12 2016 in €m	Volume of hedged item	Market value	Maturities up to	Carrying amounts of other provisions
External hedges with hedged item	3,184	305	2027	–
External hedges without hedged item	354	0	2020	5
External hedges for subsidiaries	543	1	2028	–
Internal hedges with subsidiaries	336	5	2031	5

The fair values of interest rate derivatives correspond to their respective market values, which are measured using appropriate mathematical methods, such as discounting future cash flows Discounting takes market standard interest rates and the residual term of the respective instruments into account.

Fuel hedging As of 31 December 2016, exposure to fuel prices was as follows:

Fuel price exposure			
		2017	2018
Fuel requirement	in thousand t	5,594	5,598
Hedging instruments	in thousand t	4,501	1,740
Hedge ratio	in %	80%	31%

For the financial year 2016, there are no hedges for the price difference between gas oil and crude oil and between kerosene and crude oil as of the balance sheet date.

Suitable forward transactions, spread options as well as combinations of hedging instruments are arranged with external counterparties to hedge price risks from future fuel requirements. They have been combined with the hedged items within valuation units to improve presentation of the earnings position.

Fuel price hedges				
31.12.2016 in €m	Volume of hedged items in thousand t	Market value	Maturities up to	Carrying amounts of other assets
Spread options for fuel hedging	2,486	75	2018	35
Commodities swaps	208	13	2018	–
Hedging combinations for fuel hedging	3,547	99	2018	50

The market prices of options used to hedge fuel prices are determined using acknowledged option pricing models The market values correspond to the price at which an independent third party would assume the rights and/ or obligations from the financial instrument.

Financial instruments held as financial investments The fair values of financial instruments held as financial investments were above the carrying amounts as of 31 December 2016.

Balance sheet items		
in €m	Market values 31 12.2016	Carrying amounts 31 12 2016
Shares in affiliated companies	1,784	1,784
Loans to affiliated companies	222	205
Other loans	47	47

Shares in affiliated companies relate to an equity investment of 100 per cent in the Lufthansa SICAV-FIS fund, Belgium. This is an equity investment in a foreign investment vehicle within the meaning of Section 1 Paragraphs 1 & 2 of the German Investment Code

(KAGB). The dividend distribution in the financial year came to EUR 26m. It can be returned on a daily basis without any restriction. The investment serves to hold a strategic minimum liquidity.

Notes to the income statement

18) Traffic revenue

Traffic revenue by traffic region		
in €m	2016	2015
Europe	5,428	5,685
North America	3,883	4,119
Asia/ Pacific	2,678	3,059
South America	1,037	1,246
Africa	496	583
Middle East	541	621
	14,063	15,314

Traffic revenue by sector		
in €m	2016	2015
Scheduled	13,576	14,764
Charter	487	550
	14,063	15,314

Revenue can only be compared with the previous year to a limited extent due to the changes required by BilRUG. If the new regulations had been applied to the previous year's figures, traffic revenue for 2015 would have been EUR 15,080m.

19) Other revenue

Other revenue by sector		
in €m	2016	2015
Rent for land/ buildings	49	
Aircraft on operating leases	155	
Services rendered	144	
Staff secondment	64	
Travel services (commissions/ fees)	513	183
Ground services/ in-flight sales	182	160
Other	59	12
	1,146	355

87 per cent of other revenue was generated in Europe (previous year: 71 per cent)

A number of items reported as other operating income until 2015 have now been allocated to other revenue following the switch to the new definition of revenue in BilRUG. If the new BilRUG regulations had been applied to the previous year's figures, other revenue for 2015 would have been EUR 823m

20) Other operating income

Other operating income		
in €m	2016	2015
Proceeds on the disposal of non-current assets	11	12
Exchange rate gains from foreign currency translation	1,095	1,675
Write-backs of provisions	269	146
Services rendered for Group companies		140
Income from staff secondment		61
Compensation received for damages	15	8
Rental income		46
Income from aircraft on operating leases		165
Earnings from write-backs on assets	54	6
Other operating income	205	323
	1,649	2,582

The write-backs of provisions include write-backs of pension provisions of EUR 101m in connection with the switch to the new retirement benefits model for cabin crew employees.

A number of items reported as other operating income until 2015 have now been allocated to other revenue following the switch to the new definition of revenue in BilRUG. A comparison with total other operating income for the previous year is therefore only possible to a limited extent.

21) Cost of materials and services

Cost of materials and services		
in €m	2016	2015
Aircraft fuel and lubricants	2,847	3,176
Other costs of raw materials, consumables and supplies and goods purchased	72	63
Cost of services purchased	6,861	7,154
	9,780	10,393

22) Staff costs

Staff costs		
in €m	2016	2015
Wages and salaries	2,272	2,280
Social security, retirement pensions and benefit contributions	583	547
- of which for retirement pensions	(287)	(250)
	2,855	2,827

Average number of employees		
	2016	2015
Flight staff	23,341	22,562
Ground staff	12,299	12,873
Trainees	63	82
	35,703	35,517

23) Depreciation, amortisation and impairment

Depreciation, amortisation and impairment of intangible assets, aircraft as well as property, plant and equipment are detailed in the statement of changes in non-current assets. Extraordinary depreciations of EUR 396k were recognised in the financial year. Total depreciation and amortisation in 2016 shown in the statement of changes in non-current assets includes amortisation of financial investments.

24) Other operating expenses

Other operating expenses		
in €m	2016	2015
Sales commission paid to agencies	222	243
Rental and maintenance expenses*	181	235
Expenses for computerised distribution systems	263	251
Impairment charges/ depreciation and amortisation of current assets	17	17
Courses/ training for flight staff	87	84
Advertising and sales promotions	203	196
Exchange rate losses from foreign currency translation	839	1,792
Payment system expenses (especially credit card commission payments)	155	172
Insurance for flight operations	23	21
Travel expenses	236	248
Auditing, consulting and legal expenses	108	84
Other operating expenses	612	616
	2,946	3,959

* Comparison with the previous year is only possible to a limited extent due to the first-time application of BilRUG.

25) Result from equity investments

Result from equity investments		
in €m	2016	2015
Income from profit transfer agreements	374	217
Expenses from loss transfer agreements	267	297
Income from equity investments	491	808
- of which from affiliated companies	(488)	(803)
	598	728

Income/ expenses from profit and loss transfer agreements are shown including tax contributions. Income from equity investments consists primarily of the dividends from AirTrust AG, the Lufthansa SICAV-FIS fund and the accrued dividends from the Austrian leasing entities for the financial year 2016 due to aligning the timing of profit recognition.

26) Net interest

Net interest				
in €m	2016	of which affiliated companies	2015	of which affiliated companies
Income from other securities and non-current financial loans	61	57	67	60
Other interest and similar income	78	10	112	10
Interest and similar expenses	– 45	– 9	– 1,416	– 14
- of which accrued interest	(– 207)	–	(– 1,229)	–
- of which from market valuation of pension fund assets	(336)	–	(19)	–
	94	58	– 1,237	57

The significant decline in accrued interest expenses results from the change from a seven-year to a ten-year average interest rate used for discounting pension provisions. The positive change in the market valuation of pension fund assets also improves the net interest result

27) Impairment on investments and current securities

Impairment losses of EUR 26m were recognised on investments. This related to impairment losses on the carrying amount for Lufthansa CityLine GmbH (EUR 12m) and a write-down on the loan to Lufthansa Super Star gGmbH (EUR 14m).

28) Taxes

Taxes		
in €m	2016	2015
Income taxes	295	– 1,105
- of which deferred income taxes	(62)	(– 1,139)
Other taxes	51	45
	326	– 1,060

Income taxes and other taxes also include net items from previous years of EUR 79m.

Following the application of BilRUG, the balance of income and expenses for the air traffic tax is reported as other taxes for the first time. This does not materially affect the comparison with the "Other taxes" item in the previous year, however.

29) Supervisory Board and Executive Board

The members of the Supervisory Board and the Executive Board are listed on p. 21.

The principles of the remuneration system and the amount of remuneration paid to the individual Executive Board and Supervisory Board members are shown and explained in detail in the remuneration report. The remuneration report forms part of the combined management report.

Executive Board Remuneration for the Executive Board members active in the reporting year is as follows

Total remuneration of Executive Board members		
in € thousands	2016	2015
Basic salary	4,544	4,228
Other	500	422
One-year variable remuneration	2,747	2,261
Long-term variable remuneration	545	400
Share programme[1]	2,053	2,294
Total remuneration	**10,389**	**9,605**
Staff costs of pension commitments	2,253	1,985

1 Fair value at the time the options are granted

The Executive Board's remuneration consists of the following components:

- **Fixed annual salary** Basic remuneration, paid monthly as a salary
- **Variable annual remuneration** The variable remuneration is based on the EBIT margin for the Lufthansa Group. 75 per cent of this bonus is multiplied by an individual performance factor and paid the following year and therefore on an annual basis The remaining 25 per cent is carried forward for another two years At the end of the assessment period, which runs for three years in total, the amount carried forward is multiplied by a factor of between 0 and 2 (bonus/ malus factor) 70 per cent of this factor depends on the EACC achieved over the three-year period and 30 per cent depends on sustainability parameters such as environmental protection, customer satisfaction and staff commitment.
- **Share-based remuneration** Executive Board members are also required to participate in the share programmes for managers (with their own parameters which are structured differently from those of the general managers' programme). The programmes are scheduled to run for four years. These arrangements ensure that the variable remuneration components are essentially based on performance over several years
- **Bonus** In years with poor results due to extraordinary exogenous factors, the Supervisory Board may award Executive Board members an appropriate additional bonus.
- **Other benefits** Other benefits include, in particular, the non-cash benefit of using company cars, the discount granted in connection with share programmes, benefits from concessionary travel in accordance with the relevant IATA regulations as well as attendance fees and daily allowances for work on the supervisory boards of affiliated companies

In addition to the provision for the one-year variable remuneration of EUR 2,747k (previous year: EUR 2,261k), provisions totalling EUR 1,419k (previous year: EUR 1,274k) were recognised for the future payment of long-term variable remuneration for the Executive Board members active as of 31 December 2016.

Executive Board members hold the following shares in the current share programmes.

	2016	2015	2014	2013
Carsten Spohr	15,120	13,365	15,255	8,370
Karl-Ulrich Garnadt	10,080	8,910	10,170	-
Harry Hohmeister	10,080	8,910	10,170	8,370
Simone Menne	-	-	-	-
Dr Bettina Volkens	10,080	8,910	10,170	8,370

Expenses of EUR 615k for share-based remuneration were recognised for current share programmes. This represents the fair value of the options granted during the year and changes in the value of options granted in prior years.

Current payments to former members of the Executive Board and their surviving dependants came to EUR 5.7m (previous year EUR 5.9m). This includes payments by subsidiaries as well as benefits in kind and concessionary travel.

Pension obligations toward former Executive Board members and their surviving dependants amount to EUR 63.7m (previous year: EUR 63.4m).

Supervisory Board Fixed remuneration for the Supervisory Board came to EUR 2,170k for the financial year 2016 (previous year. EUR 2,152k) Other remuneration, mainly attendance fees, amounted to EUR 111k (previous year. EUR 110k).

Moreover, the Deutsche Lufthansa AG Supervisory Board members were paid EUR 17k (previous year: EUR 59k) for work on supervisory boards of Group companies. In addition to their Supervisory Board remuneration, employee representatives on the Supervisory Board received compensation for their work in the form of wages and salaries including pension entitlements amounting to EUR 0.9m in total (previous year EUR 1.3m).

In the reporting year, as in the previous year, no loans or advance payments were made to members of the Executive Board or Supervisory Board.

30) Proposal on the appropriation of the distributable profit

It is proposed to use the distributable profit for the year of EUR 234m to pay a dividend of EUR 0 50 per share.

31) Events after the balance sheet date

With effect from 9 January 2017 Deutsche Lufthansa AG acquired the remaining 55 per cent of the shares in SN Airholding SA/N.V., and is therefore the sole shareholder of the Brussels Airlines Group. The acquisition is based on the purchase and option agreement dating from 2008. The option was exercised on the basis of a new agreement between the previous shareholders and Lufthansa, dated 15 December 2016, which set the strike price for the remaining shares at EUR 2 6m. Brussels Airlines will be fully consolidated in the new Point-to-Point segment.

On 30 January 2017, the German Federal Cartel Office unconditionally approved the wet lease of 38 aircraft agreed between the Lufthansa Group and Air Berlin. In the course of the transaction, the Lufthansa Group will acquire or lease up to 25 A320s from Air Berlin's lessors and will, in turn, itself lease them to Air Berlin for operation at market prices. This is intended to achieve sustainable cost reductions as part of the agreement.

On 15 February 2017, the Lufthansa Group and the pilots' union Vereinigung Cockpit accepted the arbitration proposal concerning the wage agreement This includes a pay increase of around 8 7 per cent for the 5,400 pilots in the Group wage agreement as well as a one-off payment totalling some EUR 30m The wage agreements shall run from May 2012 until the end of 2019 The outcome of the arbitration means an increase in remuneration costs for cockpit staff of around EUR 85m per year Talks with the pilots' union are to be continued in order to make alternative cost reductions as part of an overall solution. Should a solution not be reached, 40 new aircraft will be staffed by crew not covered by the Group wage agreement – contrary to current fleet planning – in order to compensate for the additional costs.

Up until the end of February 2017, further details on the new system of benefits were set out in the course of concluding collective bargaining for the Lufthansa Passenger Airlines cabin crew and in subsequent talks It is thereby still assumed that the finalisation of the new regulations will be completed by the end of the first quarter of 2017

32) Declaration of compliance in accordance with Section 161 German Stock Corporation Act (AktG)

The declaration of compliance with the German Corporate Governance Code required by Section 161 of the German Stock Corporation Act (AktG) was issued by the Executive Board and Supervisory Board, and made public permanently as part of the declaration on corporate governance in line with Section 289a HGB on the Company's website at https://investor-relations.lufthansagroup.com/en/corporate-governance/corporate-governance-declaration-section-289a-hgb/declaration-of-compliance-section-161-aktg.html

33) Auditors' fees

Auditors' fees recognised in the financial year 2016 in accordance with Section 319 Paragraph 1 HGB are made up as follows:

Auditors' fees	
in €m	2016
Audit services	3.0
Other certification services	0.3
Tax advisory services	1.3
Other services	0.1
	4.7

Declaration by the legal representatives

We declare that, to the best of our knowledge and according to the applicable accounting standards, the financial statements give a true and fair view of the net assets, the financial and earnings positions of the Company, and that the management report, which has been combined with the Group management report, includes a fair view of the course of business, including the business result, and the situation of the Company, and suitably presents the principal opportunities and risks to its future development.

Cologne, 6 March 2017
Deutsche Lufthansa Aktiengesellschaft

Executive Board

Auditors' report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report, which is combined with the Group management report, of the Deutsche Lufthansa AG, Cologne, for the business year from 1 January to 31 December 2016. The maintenance of the books and records and the preparation of the annual financial statements and combined management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the combined management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § (Article) 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the annual financial statements and combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The combined management report is consistent with the annual financial statements, complies with legal requirements, as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Düsseldorf, 6 March 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprufungsgesellschaft

Petra Justenhoven
Wirtschaftspruferin (German Public Auditor)

Dr. Bernd Roese
Wirtschaftsprüfer (German Public Auditor)

Supervisory Board and Executive Board

Supervisory Board

Dr Wolfgang Röller
Former Chairman of the
Supervisory Board
Deutsche Lufthansa AG
Honorary Chairman

Dipl.-Ing. Dr-Ing. E.h.
Jürgen Weber
Former Chairman of the
Supervisory Board
Deutsche Lufthansa AG
Honorary Chairman

Voting members

Wolfgang Mayrhuber
Former Chairman of the
Executive Board
Deutsche Lufthansa AG
Chairman

Christine Behle
Member of the National
Executive Board of ver di
Employee representative
Deputy Chairwoman

Nicoley Baublies
Purser and Member of the Executive
Board of the trade union UFO e.V.
Employee representative

Dr Werner Brandt
Former member of the
Executive Board
SAP SE

Jörg Cebulla
Flight captain
Employee representative

Herbert Hainer
Former Chairman of the
Executive Board
adidas AG

Dr h.c. Robert Kimmitt
Senior International Counsel
Wilmer Cutler Pickering Hale
and Dorr LLP, USA

Dr Karl-Ludwig Kley
Chairman of the Supervisory Board
E ON SE

Martin Koehler
Independent management consultant
and former head of the Aviation
Competence Centre at the
Boston Consulting Group

Doris Krüger
Senior Director Future Innovation
Strategy, Lufthansa Group
Employee representative

Dr Nicola Leibinger-Kammüller
Managing partner and
Chair of Management Board,
TRUMPF GmbH + Co. KG
(until 28 April 2016)

Eckhard Lieb
Training coordinator
Employee representative

Jan-Willem Marquardt
Flight captain and member of the
Vereinigung Cockpit pilots' union
Employee representative

Martina Merz
Former CEO Chassis Brakes
International, Netherlands
(since 28 April 2016)

Ralf Müller
State certified technician
Employee representative

Monika Ribar
President of Board of Directors (VRP),
Schweizerische Bundesbahnen
SBB AG, Switzerland

Andreas Strache
Flight manager
Employee representative

Stephan Sturm
Chairman of the Executive Board
Fresenius Management SE

Christina Weber
Administrative staff member
Employee representative

Birgit Weinreich
Flight attendant
Employee representative

Matthias Wissmann
President of the
German Automotive Industry
Federation (VDA)

Executive Board

Carsten Spohr
Chairman of the Executive Board and
CEO

Karl Ulrich Garnadt
Member of the Executive Board
Eurowings and Aviation Services

Harry Hohmeister
Member of the Executive Board
Hub Management

Simone Menne
Member of the Executive Board
Finances
(until 31 August 2016)

Ulrik Svensson
Member of the Executive Board
Finances
(since 1 January 2017)

Dr Bettina Volkens
Member of the Executive Board
Corporate Human Resources and
Legal Affairs

Other mandates of the Supervisory Board members of Deutsche Lufthansa AG

As of 31 December 2016. For members who left the Supervisory Board in the course of the financial year, the information applies as of the date of their departure.

Wolfgang Mayrhuber
a) Infineon Technologies AG (Chairman)
Münchener Rückversicherungs-Gesellschaft AG (until 31 December 2016)
b) HEICO Corporation, USA

Christine Behle
a) Bochum-Gelsenkirchener Straßenbahnen AG
BREMER LAGERHAUS-GESELLSCHAFT -Aktiengesellschaft von 1877- (Deputy Chairwoman)
Hapag-Lloyd AG (Deputy Chairwoman)

Dr Werner Brandt
a) innogy SE (Chairman)
OSRAM Licht AG
ProSiebenSat.1 Media SE (Chairman)
RWE AG (Chairman)

Herbert Hainer
a) Allianz Deutschland AG
FC Bayern München AG (Deputy Chairman)
b) Accenture plc, Ireland

Dr Karl-Ludwig Kley
a) BMW AG (Deputy Chairman)
E ON SE (Chairman)
b) Verizon Communications Inc., USA

Martin Koehler
a) Delton AG
b) American Funds Investment-Fonds, Managed by the Capital Group, USA
Enfold Inc., USA
FlixMobility GmbH

Dr Nicola Leibinger-Kammüller
(as of date of departure from Supervisory Board on 28 April 2016)
a) Axel Springer SE
Siemens AG
Voith GmbH

Eckhard Lieb
b) Albatros Versicherungsdienste GmbH

Martina Merz (since 28 April 2016)
b) AB Volvo, Sweden (Board of Directors)
NV Bekaert SA, Belgium (Board of Directors)
SAF-HOLLAND S.A., Luxembourg (Board of Directors, Deputy Chairwoman)

Ralf Müller
a) Lufthansa Cargo AG

Monika Ribar
b) Chain IQ Group AG, Switzerland
Schweizerische Bundesbahnen SBB AG, Switzerland (President of the Board of Directors, VRP)
Sika AG, Switzerland

Stephan Sturm
a) Fresenius Kabi AG (Chairman)
Fresenius Medical Care Management AG (Chairman)
b) VAMED AG, Austria (Deputy Chairman)

Christina Weber
b) LSG Lufthansa Service Holding AG

a) *Membership of supervisory boards required by law*
b) Membership of comparable supervisory bodies at companies in Germany and abroad

Mandates of the Executive Board members of Deutsche Lufthansa AG

As of 31 December 2016 For members who left the Executive Board in the course of the financial year, the information applies as of the date of their departure.

Carsten Spohr

a) Lufthansa Technik AG* (Chairman)
ThyssenKrupp AG

b) Dr August Oetker KG

Karl Ulrich Garnadt

a) Eurowings GmbH* (Chairman)
Germanwings GmbH* (Chairman)
LSG Lufthansa Service Holding AG*
Lufthansa CityLine GmbH* (Chairman)
Lufthansa Flight Training GmbH* (Chairman)

b) Air Dolomiti S.p.A. Linee Aeree Regionali Europee, Italy (Board of Directors)
Aircraft Maintenance and Engineering Corp., (AMECO), China
Austrian Airlines AG, Austria (Deputy Chairman)
Edelweiss Air AG, Switzerland (Chairman)
Günes Ekspres Havacilik A S. (SunExpress), Turkey (Deputy Chairman)
Miles & More GmbH
ÖLH Österreichische Luftverkehrs-Holding GmbH, Austria (Deputy Chairman)
SN Airholding SA/N.V., Belgium

Harry Hohmeister

a) Lufthansa Cargo AG* (Chairman)

b) Austrian Airlines AG, Austria (Chairman)
Günes Ekspres Havacilik A S (SunExpress), Turkey
SN Airholding SA/N.V., Belgium
Swiss International Air Lines AG, Switzerland

Simone Menne (as of date of departure from Executive Board on 31 August 2016)

a) BMW AG
Delvag Luftfahrtversicherungs-AG* (Chairwoman)
Deutsche Post AG
LSG Lufthansa Service Holding AG* (Chairwoman)
Lufthansa Cargo AG*
Lufthansa Technik AG*

b) FWB Frankfurter Wertpapierbörse (Börsenrat)
Miles & More GmbH (Chairwoman of the Advisory Board)

Ulrik Svensson (as of date of appointment in Executive Board on 1 January 2017)

a) LSG Lufthansa Service Holding AG*
Lufthansa Cargo AG*
Lufthansa Technik AG*

Dr Bettina Volkens

a) LSG Lufthansa Service Holding AG*

a) Membership of supervisory boards required by law

b) Membership of comparable supervisory bodies at companies in Germany and abroad

* Group mandate in accordance with Section 100 Paragraph 2 Sentence 2 AktG

Annexe to the notes
List of shareholdings

Significant equity investments	Stake in %	Result after taxes in €m*	Shareholders' equity in €m*
Aerococina S A de C V , Mexico City, Mexico	52	2	11
Aerologic GmbH, Leipzig	50	6	33
Air Dolomiti S p A Linee Aeree Regionali Europee, Dossobuono di Villafranca (Verona), Italy	100	3	20
Aircraft Maintenance and Engineering Corp , Beijing, China	25	1 [2]	242 [2]
AIRO Catering Services – Ukraine, Boryspil, Ukraine	100	-- [2 3]	-- [3]
AIRO Catering Services Eesti OÜ, Tallinn, Estonia	100	-- [3]	1
Airo Catering Services Latvija SIA, Marupe, Latvia	100	-- [3]	– 1
AIRO Catering Services Sweden AB, Stockholm-Arlanda, Sweden	100	-- [3]	11
AirPlus Air Travel Card Vertriebsgesellschaft mbH, Vienna, Austria	100	2	15
AirPlus Holding GmbH, Vienna, Austria	100	2	6
AirPlus International AG, Kloten, Switzerland	100	3	26
AirPlus International Limited, London, United Kingdom	100	4	20
AirPlus International S r l , Bologna, Italy	100	4	19
AirPlus International Inc , Springfield, USA	100	1	16
AirPlus Payment Management Co Ltd., Shanghai, China	100	2	34
AirTrust AG, Zug, Switzerland	100	113	98
Alpha LSG Limited, Manchester, United Kingdom	50	– 7 [2]	14 [2]
Arlington Services Mexico S A. de C V , Mexico City, Mexico	100	-- [3]	14
Arlington Services Panama S A , Panama City, Panama	100	-- [3]	10
Arlington Services Inc Wilmington, USA	100	1	105
AUA Beteiligungen Gesellschaft m b H , Vienna Airport Austria	100	1	11
Austrian Airlines AG, Vienna Airport, Austria	100	88	229
Austrian Airlines Lease and Finance Company Ltd , Guernsey, United Kingdom	100	28	81
AVIAPIT-SOCHI OOO, Sochi, Russia	100	-- [3]	6
Bahia Catering Ltda., São Cristóvão (Salvador), Brazil	100	-- [3]	3
Belém Serviços de Bordo Ltda. Belém, Brazil	70	-- [3]	-- [3]
BizJet International Sales & Support Inc , Tulsa, USA	100	– 13	– 3
Capital Gain International (1986) Ltd , Hong Kong, China	100	-- [3]	3
Cater Suprimento de Refeicoes Ltda , Rio de Janeiro, Brazil	100	2	– 6
Caterair Servicos de Bordo e Hotelaria Ltda , Rio de Janeiro, Brazil	100	-- [3]	6
CateringPor – Catering de Portugal S A Lisbon, Portugal	49	1 [2]	7 [2]

Significant equity investments (cont'd)	Stake in %	Result after taxes in €m*	Shareholders' equity in €m*
LHAMIP LIMITED, Dublin, Ireland	100	28	912
LHAMIS LIMITED, Dublin, Ireland	100	-- [1]	-- [1]
LHAMIW LIMITED, Dublin, Ireland	100	4	484
LHBD Holding Limited, London, United Kingdom	100	-- [3]	-- [3]
LSG Asia GmbH, Neu-Isenburg	100	26	-- [3]
LSG Catering (Thailand) Ltd., Bangkok, Thailand	100	2	2
LSG Catering China Ltd., Hong Kong, China	100	– 1	– 4
LSG Catering Guam Inc., Guam, USA	100	-- [3]	– 1
LSG Catering Hong Kong Ltd., Hong Kong, China	100	8	100
LSG Catering Saipan Inc., Saipan, Micronesia	100	-- [1]	-- [3]
LSG France SAS, Paris, France	100	-- [3]	2
LSG Holding Asia Ltd., Hong Kong, China	87	4	18
LSG Linearis SAS, Paris, France	100	-- [3]	1
LSG Lufthansa Service - Sky Chefs do Brasil Catering Refeições Ltda., São Paulo, Brazil	100	8	– 23
LSG Lufthansa Service Asia Ltd., Hong Kong, China	100	5	34
LSG Lufthansa Service Cape Town (Pty) Ltd., Cape Town, South Africa	100	-- [1]	-- [3]
LSG Lufthansa Service Catering- und Dienstleistungsgesellschaft mbH, Neu-Isenburg	100	1	1
LSG Lufthansa Service Enterprises Ltd., Hong Kong, China	100	-- [3]	2
LSG Lufthansa Service Europa/Afrika GmbH, Neu-Isenburg	100	– 21	150
LSG Lufthansa Service Guam Inc., Guam, USA	100	2	13
LSG Lufthansa Service Holding AG, Neu-Isenburg	100	– 75	684
LSG Lufthansa Service Hong Kong Ltd., Hong Kong, China	48	11	25
LSG Lufthansa Service Saipan Inc., Saipan, Micronesia	100	1	14
LSG Sky Chefs - First Catering Schweiz AG, Bassersdorf, Switzerland	60	-- [3]	– 1
LSG Sky Chefs (India) Private Ltd., Mumbai, India	100	-- [3]	6
LSG Sky Chefs (Qingdao) Co. Ltd., Laixi City, China	100	-- [3]	-- [3]
LSG Sky Chefs (Thailand) Ltd., Bangkok, Thailand	100	3	12
LSG Sky Chefs Argentina S.A., Buenos Aires, Argentina	100	4	8
LSG Sky Chefs Belgium N.V., Zaventem, Belgium	100	– 14	8
LSG Sky Chefs Berlin GmbH, Neu-Isenburg	100	-- [3]	1
LSG Sky Chefs Bremen GmbH, Neu-Isenburg	100	– 1	– 2
LSG Sky Chefs Brussels International BVBA, Zaventem, Belgium	100	-- [3]	– 4
LSG Sky Chefs Czechia spol. s r.o., Bor, Czech Republic	100	-- [1]	-- [3]
LSG Sky Chefs Danmark A/S, Dragør, Denmark	100	5	1
LSG Sky Chefs de Venezuela C.A., Caracas, Venezuela	100	-- [3]	-- [3]
LSG Sky Chefs Düsseldorf GmbH, Neu-Isenburg	100	– 1	– 3
LSG Sky Chefs Europe GmbH, Neu-Isenburg	100	-- [3]	-- [3]
LSG Sky Chefs Finland Oy, Vantaa, Finland	0 [5]	1	5
LSG Sky Chefs Frankfurt International GmbH, Neu-Isenburg	100	– 30	– 13
LSG Sky Chefs Frankfurt ZD GmbH, Neu-Isenburg	100	– 7	– 17
LSG Sky Chefs Hamburg GmbH, Neu-Isenburg	100	– 4	– 15
LSG Sky Chefs Havacilik Hizmetleri A.S., Sefaköy-Istanbul, Turkey	100	– 10	– 3
LSG Sky Chefs Heathrow Limited I.L., Sidcup, United Kingdom	100	-- [2,3]	-- [3]

Significant equity investments (cont'd)	Stake in %	Result after taxes in €m*	Shareholders' equity in €m*
LSG Sky Chefs Istanbul Catering Hizmetleri A.S., Istanbul, Turkey	100 [6]	-- [3]	10
LSG Sky Chefs Kenya Limited, Nairobi, Kenya	50	-- [3]	3
LSG Sky Chefs Köln GmbH, Neu-Isenburg	100	-- [3]	4
LSG Sky Chefs Korea Co Ltd., Incheon, South Korea	80	29	115
LSG Sky Chefs Leipzig GmbH, Neu-Isenburg	100	-- [3]	1
LSG Sky Chefs Lounge GmbH, Neu-Isenburg	100	-- [3]	-- [3]
LSG Sky Chefs Malmö AB, Stockholm, Sweden	100	-5	-3
LSG Sky Chefs München GmbH, Neu-Isenburg	100	-- [3]	-12
LSG Sky Chefs New Zealand Limited, Auckland, New Zealand	100	2	28
LSG Sky Chefs Norge AS, Gardermoen, Norway	100	-3	-1
LSG Sky Chefs North America Solutions Inc., Wilmington, USA	100	-5	-2
LSG Sky Chefs Objekt- und Verwaltungsgesellschaft mbH, Neu-Isenburg	100	4	110
LSG Sky Chefs Retail GmbH, Neu-Isenburg	100	2	4
LSG Sky Chefs Rus, Moscow, Russia	100	1	-- [3]
LSG Sky Chefs S.p.A., Fiumicino (Rome), Italy	100	6	32
LSG Sky Chefs Schweiz AG, Bassersdorf, Switzerland	100	-- [3]	4
LSG Sky Chefs Solutions Asia Limited, Hong Kong, China	100	-- [3]	2
LSG Sky Chefs South Africa (Proprietary) Ltd., Johannesburg, South Africa	100	-1	2
LSG Sky Chefs Spain S.A., Madrid, Spain	100	2	-- [3]
LSG Sky Chefs Stuttgart GmbH, Neu-Isenburg	100	-1	-3
LSG Sky Chefs Supply Chain Solutions Inc., Wilmington, USA	100	-2	-11
LSG Sky Chefs Sverige AB, Stockholm, Sweden	100	-4	-- [3]
LSG Sky Chefs TAAG Angola S.A., Luanda, Angola	40	-- [3]	6
LSG Sky Chefs UK Limited, West Drayton, United Kingdom	100	-- [3]	2
LSG Sky Chefs USA Inc., Wilmington, USA	100	-- [3]	471
LSG Sky Chefs Verwaltungsgesellschaft mbH, Neu-Isenburg	100	-6	79
LSG South America GmbH, Neu-Isenburg	100	6	3
LSG/Sky Chefs Europe Holdings Ltd., West Drayton, United Kingdom	100	-5	34
LSG-Food & Nonfood Handel GmbH, Neu-Isenburg	100	-- [3]	-- [3]
LSG-Sky Food GmbH, Alzey	100	4	-- [3]
LSY GmbH, Norderstedt	100	-1	518
Lufthansa AirPlus Servicekarten GmbH, Neu-Isenburg	100	49	68
Lufthansa Asset Management GmbH, Frankfurt / Main	100	5	4,007
Lufthansa Asset Management Leasing GmbH, Frankfurt / Main	100	-- [3]	-- [3]
Lufthansa Aviation Training GmbH, Hallbergmoos	100	-- [1]	-- [1]
Lufthansa Bombardier Aviation Services GmbH, Schönefeld	51	3 [2]	6 [2]
Lufthansa Cargo AG, Frankfurt / Main	100	-71	217
Lufthansa CityLine GmbH, Munich Airport	100	-34	-2
Lufthansa Commercial Holding GmbH, Cologne	100	71	5,343
Lufthansa Flight Training Berlin GmbH, Berlin	100	2	8
Lufthansa Flight Training GmbH, Frankfurt / Main	100	27	17
Lufthansa Global Business Services GmbH, Frankfurt / Main	100	3	-12
Lufthansa Industry Solutions AS GmbH, Norderstedt	100	7	11

Significant equity investments (cont'd)	Stake in %	Result after taxes in €m*	Shareholders' equity in €m*
Lufthansa Industry Solutions BS GmbH, Raunheim	100	5	– 1
Lufthansa Industry Solutions GmbH & Co. KG., Norderstedt	100	2	28
Lufthansa Leasing Austria 1. Beteiligungs GmbH, Salzburg, Austria	100	4	4
Lufthansa Leasing Austria GmbH & Co. OG Nr 4, Salzburg, Austria	100	20	22
Lufthansa Leasing Austria GmbH & Co. OG Nr. 6, Salzburg, Austria	100	3	0
Lufthansa Leasing Austria GmbH & Co OG Nr. 10, Salzburg, Austria	100	37	46
Lufthansa Leasing Austria GmbH & Co. OG Nr 12, Salzburg, Austria	100	26	33
Lufthansa Leasing Austria GmbH & Co OG Nr. 14, Salzburg, Austria	100	42	57
Lufthansa Leasing Austria GmbH & Co OG Nr 15, Salzburg, Austria	100	16	27
Lufthansa Leasing Austria GmbH & Co. OG Nr. 16, Salzburg, Austria	100	10	30
Lufthansa Leasing Austria GmbH & Co OG Nr. 17, Salzburg, Austria	100	11	14
Lufthansa Leasing Austria GmbH & Co. OG Nr. 18, Salzburg, Austria	100	7	14
Lufthansa Leasing Austria GmbH & Co. OG Nr 19, Salzburg, Austria	100	5	8
Lufthansa Leasing Austria GmbH & Co. OG Nr. 20, Salzburg, Austria	100	11	15
Lufthansa Leasing Austria GmbH & Co OG Nr. 21, Salzburg, Austria	100	16	34
Lufthansa Leasing Austria GmbH & Co OG Nr 22, Salzburg, Austria	100	34	175
Lufthansa Leasing Austria GmbH & Co OG Nr 23, Salzburg, Austria	100	48	255
Lufthansa Leasing Austria GmbH & Co OG Nr. 24, Salzburg, Austria	100	3	90
Lufthansa Leasing Austria GmbH & Co OG Nr 25, Salzburg, Austria	100	22	152
Lufthansa Leasing Austria GmbH & Co. OG Nr 26, Salzburg, Austria	100	5	266
Lufthansa Leasing Austria GmbH & Co. OG Nr 27, Salzburg, Austria	100	5	43
Lufthansa Leasing Austria GmbH & Co. OG Nr 28, Salzburg, Austria	100	18	298
Lufthansa Leasing Austria GmbH & Co. OG Nr 29, Salzburg, Austria	100	– 11	81
Lufthansa Leasing Austria GmbH & Co. OG Nr 30, Salzburg, Austria	100	– 9	31
Lufthansa Leasing Austria GmbH & Co OG Nr. 31, Salzburg, Austria	100	1	28
Lufthansa Leasing Austria GmbH & Co OG Nr 32, Salzburg, Austria	100	-- [3]	-- [3]
Lufthansa Leasing Austria GmbH & Co OG Nr 33, Salzburg, Austria	100	-- [3]	-- [3]
Lufthansa Leasing Austria GmbH & Co. OG Nr 50, Salzburg, Austria	100	– 4	67
Lufthansa Malta Aircraft Leasing Ltd , St Julian's, Malta	100	139	3,206
Lufthansa Malta Blues LP, St Julian's, Malta	100	-- [3]	62
Lufthansa Malta Corporate Finance Ltd , St. Julian's, Malta	100	3	618
Lufthansa Malta Finance Holding Ltd , St. Julian's, Malta	100	5	623
Lufthansa Malta Finance Ltd , St Julian's Malta	100	37	141
Lufthansa Malta Holding Ltd , St Julian's, Malta	100	– 81	1,894
Lufthansa Malta Working Capital Solutions Limited, St Julian's, Malta	100	-- [3]	-- [3]
Lufthansa Process Management GmbH, Neu-Isenburg	100	1	– 1
Lufthansa Seeheim GmbH, Seeheim-Jugenheim	100	-- [3]	3
Lufthansa SICAV-FIS-Fonds, Saint-Josse-ten-Noode, Belgium	100	-- [1]	-- [1]
Lufthansa Systems Americas Inc , Irving, USA	100	1	3
Lufthansa Systems GmbH & Co KG, Raunheim	100	8	– 26
Lufthansa Technik AERO Alzey GmbH, Alzey	100	28	21
Lufthansa Technik AG, Hamburg	100	195	372
Lufthansa Technik Airmotive Ireland Holdings Ltd. Co., Dublin, Ireland	100	-- [3]	174

Significant equity investments (cont'd)	Stake in %	Result after taxes in €m*	Shareholders' equity in €m*
Lufthansa Technik Airmotive Ireland Leasing Ltd Co., Dublin, Ireland	100	36	154
Lufthansa Technik Airmotive Ireland Ltd. Co., Dublin, Ireland	100	-- [3]	– 6
Lufthansa Technik Budapest Repülogép Nagyjavító Kft., Budapest, Hungary	100	1	9
Lufthansa Technik Component Services LLC, Tulsa, USA	100	2	8
Lufthansa Technik Immobilien- und Verwaltungsgesellschaft mbH, Hamburg	100	– 1	35
Lufthansa Technik Landing Gear Services UK Ltd., Kestrel Way, Hayes, United Kingdom	100	– 1	3
Lufthansa Technik Logistik GmbH, Hamburg	100	3	– 7
Lufthansa Technik Logistik Services GmbH, Hamburg	100	5	-- [3]
Lufthansa Technik Maintenance International GmbH, Frankfurt / Main	100	– 7	– 19
Lufthansa Technik Malta Limited, Luqa, Malta	92	2	-- [3]
Lufthansa Technik North America Holding Corp., Tulsa, USA	100	4	221
Lufthansa Technik Objekt- und Verwaltungsgesellschaft mbH, Hamburg	100	7	127
Lufthansa Technik Philippines Inc., Manila, Philippines	51	19	59
Lufthansa Technik Puerto Rico LLC, San Juan, Puerto Rico	100	1	8
Lufthansa Technik Shannon Limited Co., Claire, Ireland	100	1	32
Lufthansa Technik Sofia OOD, Sofia, Bulgaria	75	2	14
MARDU Grundstücks-Verwaltungsgesellschaft mbH & Co. oHG, Grunwald	100	12	171
Miles & More GmbH, Neu-Isenburg	100	56	21
MIM IFE Limited, Dublin, Ireland	100	– 1	2
MUSA Grundstücks-Verwaltungsgesellschaft mbH & Co oHG, Grunwald	100	4	39
Myanmar LSG Lufthansa Service Ltd., Yangon, Myanmar	100	2	6
N3 Engine Overhaul Services GmbH & Co KG, Arnstadt	50	10 [2]	60 [2]
Nanjing Lukou International Airport LSG Catering Co Ltd., Nanjing China	40	1 [2]	10 [2]
Natal Catering Ltda., Natal, Brazil	70	-- [3]	-- [3]
Oakfield Farms Solutions Europe Ltd., West Drayton, United Kingdom	51	1	2
Oakfield Farms Solutions L.L.C., Wilmington, Delaware, USA	100	5	13
ÖLB Österreichische Luftverkehrs-Beteiligungs GmbH, Vienna Airport, Austria	100	-- [3]	– 3
ÖLH Österreichische Luftverkehrs-Holding GmbH, Vienna Airport, Austria	100 [7]	14	176
ÖLP Österreichische Luftverkehrs-Privatstiftung, Vienna Airport, Austria	0 [8]	-- [3]	-- [3]
Quinto Grundstucksgesellschaft mbH & Co. oHG, Grünwald	100	3	83
Retail in Motion (International) Limited, Dublin, Ireland	100	-- [3]	-- [3]
Retail in Motion Limited, Dublin, Ireland	100	1	43
SC International Services Inc., Wilmington, USA	100	9	453
SCIS Air Security Corporation, Wilmington, USA	100	10	5
ServCater Internacional Ltda., Guarulhos, Brazil	90	2	– 18
Shanghai Pudong International Airport Cargo Terminal Co Ltd., Shanghai, China	29	62 [2]	168 [2]
Siam Flight Services Ltd., Bangkok, Thailand	49	2	4
Silver Wings Bulgaria OOD, Sofia, Bulgaria	29 [4]	1	6
Sky Chefs Argentine Inc., Wilmington, USA	100	-- [3]	-- [3]
Sky Chefs Chile SpA, Santiago de Chile, Chile	100	– 2	19
Sky Chefs De Mexico S.A. de C.V., Mexico City, Mexico	51	2	9
Sky Chefs de Panama S.A., Panama City, Panama	100	6	28
Sky Chefs Things Remembered Services Limited, Lagos, Nigeria	51	– 2	-- [3]

Significant equity investments (cont'd)	Stake in %	Result after taxes in €m*	Shareholders' equity in €m*
Sky Chefs Inc., Wilmington, USA	100	4	– 308
SkylogistiX GmbH, Neu-Isenburg	51	1	1
SN Airholding SA/N V., Brussels, Belgium	45	7	– 22
Spairliners GmbH, Hamburg	50	4 [2]	62 [2]
Spiriant Asia Pacific Limited, Hong Kong, China	100	-- [3]	1
Spiriant Bahrain Limited W.L.L., Manama Bahrain	60	-- [3]	-- [3]
Spiriant GmbH, Neu-Isenburg	100	8	5
Starfood Antalya Gida Sanayi ve Ticaret A.S., Istanbul, Turkey	49	-- [2,3]	-- [2,3]
Starfood Finland Oy, Vantaa, Finland	100	-- [3]	1
Starfood S.r.l., Fiumicino, Italy	100	-- [3]	3
Supply Chain S.à.r.l., Senningerberg, Luxembourg	100	4	6
Swiss Aviation Software AG, Basel, Switzerland	100	7	14
Swiss Aviation Training AG, Kloten, Switzerland	100	7	43
Swiss Global Air Lines AG, Basel, Switzerland	100	0	-- [3]
Swiss International Air Lines AG, Basel, Switzerland	100	246	1,470
Terminal 2 Gesellschaft mbH & Co. oHG, Freising	40	32	29
TGV DLH, Düsseldorf	100	15	1,780
time:matters GmbH, Neu-Isenburg	100	3	1
time:matters Holding GmbH, Neu-Isenburg	100	3	72
time:matters Spare Parts Logistics GmbH, Neu-Isenburg	100	-- [3]	-- [3]
Tolmachevo Catering OOO, Novosibirsk, Russia	26	-- [2,3]	1 [2]
Tyrolean Airways Luftfahrzeuge Technik GmbH, Innsbruck, Austria	100	-- [3]	5
Wenzhou Longwan International Airport LSG Sky Chefs Co Ltd., Wenzhou City, China	40	-- [1]	-- [1]
Western Aire Chef Inc., Wilmington, USA	100	2	21
XEOS Sp z o.o., Warsaw, Poland	51	-- [1]	-- [1]
Xian Eastern Air Catering Co. Ltd., Xian, China	30	2 [2]	7 [2]
Yunnan Eastern Air Catering Co. Ltd., Kunming, China	25	1 [2]	10 [2]
ZAO Aeromar, Moscow region, Russia	49	12 [2]	44 [2]
ZAO AeroMEAL, Yemelyanovo, Russia	100	-- [3]	1

* IFRS disclosures

[1] No figures available

[2] Local GAAP 2015

[3] < EUR 500k

[4] A further 28.75 per cent of the equity stake and voting rights are attributed via a call option.

[5] 100 per cent of the equity stake and voting rights are attributed via a call option.

[6] 33.34 per cent of the equity stake and 50.01 per cent of voting rights are attributed via a call option

[7] 50.20 per cent of equity and voting rights come from ÖLP

[8] Control of ÖLP comes from the majority of voting rights on the board of directors

[9] German local GAAP (HGB)

Legal information

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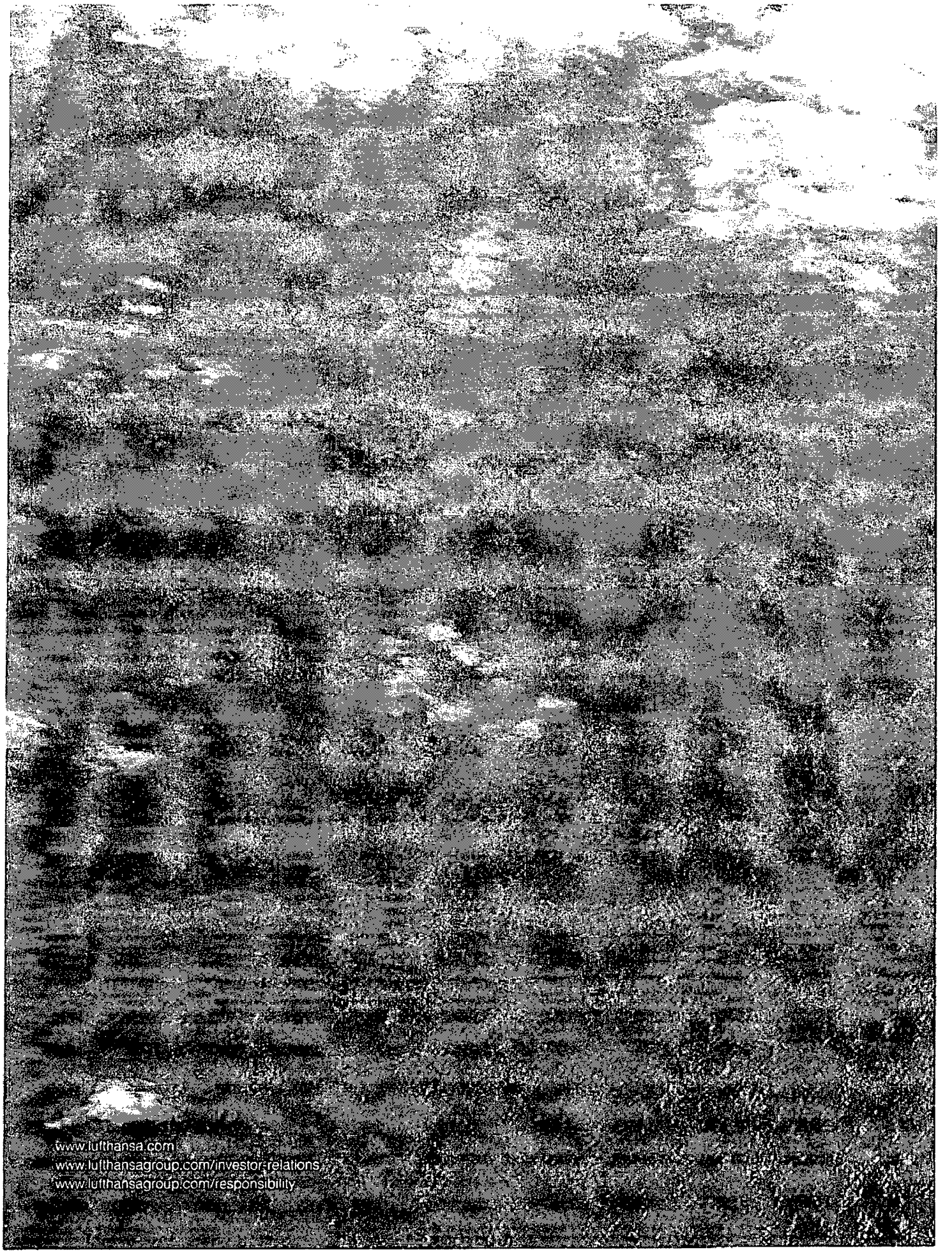
– https://investor-relations.lufthansagroup.com/en.html – or from the address given above

Comprehensive information on Lufthansa's performance, including the Group annual report and interim reports, is available online at:
https://investor-relations.lufthansagroup.com/en.html



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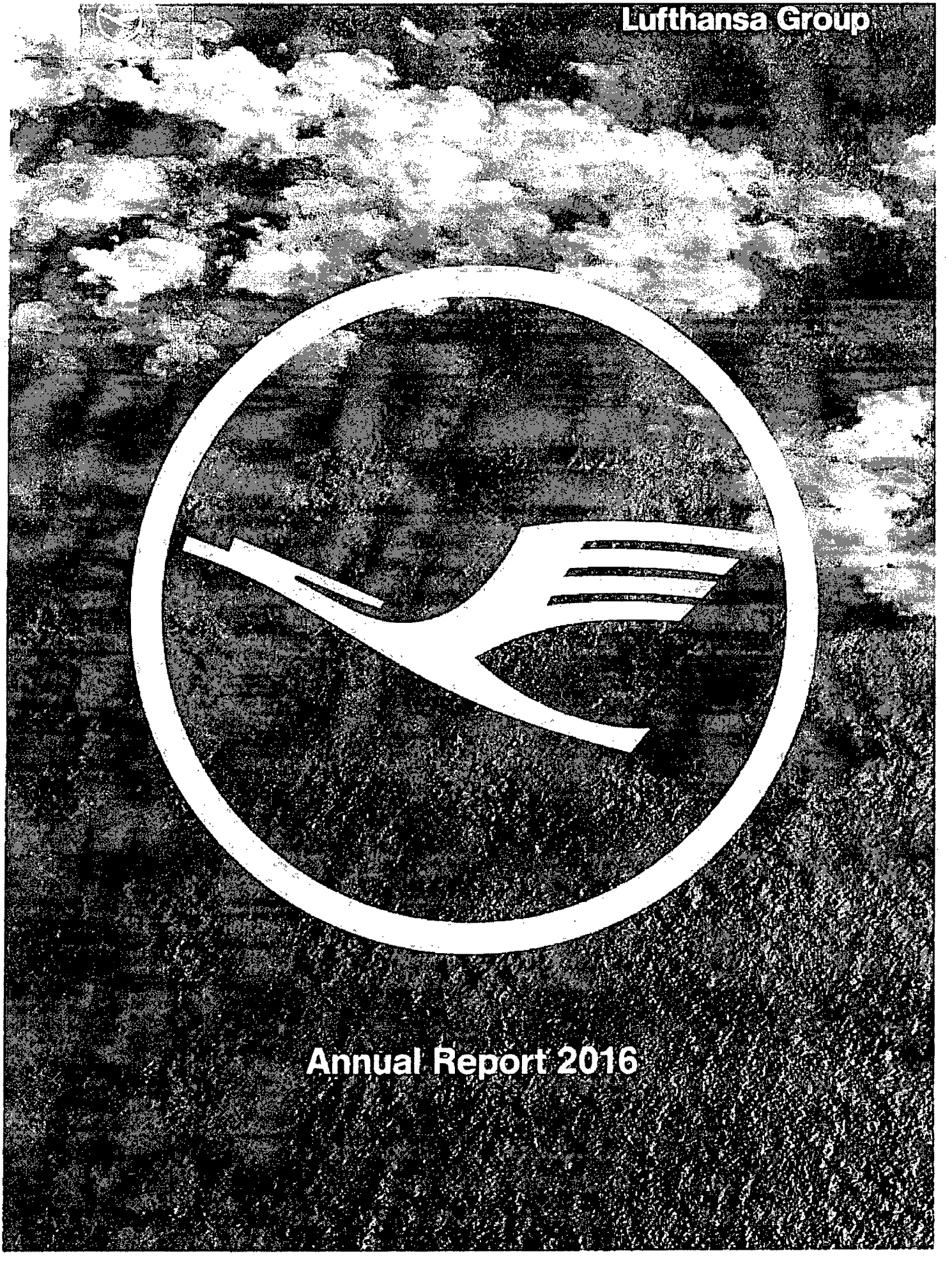


Annual Report 2016

The Lufthansa Group is the world's leading aviation group. Its portfolio of companies consists of network airlines, point-to-point airlines and aviation service companies. Its combination of business segments makes the Lufthansa Group a globally unique aviation group.

Key figures Lufthansa Group		2016	2015	Change in %
Revenue and result				
Total revenue	€m	31,660	32,056	−1.2
of which traffic revenue[1]	€m	24,061	25,506	−3.3
EBIT	€m	2,275	1,676	35.7
Adjusted EBIT	€m	1,752	1,817	3.6
EBITDA	€m	4,065	3,395	19.7
Net profit/loss	€m	1,776	1,698	4.6
Key balance sheet and cash flow statement figures				
Total assets	€m	34,697	32,462	6.9
Equity ratio	%	20.6	18.0	2.6 pts
Net indebtedness	€m	2,701	3,347	−19.3
Cash flow from operating activities	€m	3,246	3,393	−4.3
Capital expenditure (gross)	€m	2,236	2,569	−13.0
Key profitability and value creation figures				
EBIT margin	%	7.2	5.2	2.0 pts
Adjusted EBIT margin	%	5.5	5.7	−0.2 pts
EBITDA margin	%	12.8	10.6	2.2 pts
EACC	€m	617	323	152.9
ROCE	%	9.0	7.7	1.3 pts
Lufthansa share				
Share price at year end	€	12.27	14.57	−15.8
Earnings per share	€	1.81	3.67	3.8
Proposed dividend per share	€	0.50	0.50	0.0
Traffic figures[2]				
Passengers	thousands	109,570	107,679	1.8
Available seat-kilometres	millions	285,565	270,975	5.4
Revenue seat-kilometres	millions	226,030	220,330	2.6
Passenger load factor	%	79.1	80.4	−1.4 pts
Available cargo tonne-kilometres	millions	15,112	14,973	1.0
Revenue cargo tonne-kilometres	millions	10,071	9,930	1.4
Cargo load factor	%	66.6	66.3	0.3 pts
Total available tonne-kilometres	millions	43,607	40,421	7.9
Total revenue tonne-kilometres	millions	32,300	29,928	7.9
Overall load factor	%	74.1	74.0	0.1 pts
Flights	number	1,021,919	1,003,660	1.8
Employees				
Average number of employees	number	123,287	119,559	3.1
Employees as of 31.12	number	124,306	120,652	3.0

[1] Previous year's figures have been adjusted due to the new reporting method.
[2] Previous year's figures have been adjusted.

Date of publication: 16 March 2017

Business segments

2016 figures

Passenger Airline Group

Passenger transport is the largest business segment in the Lufthansa Group. The Passenger Airline Group includes the airlines Lufthansa Passenger Airlines, SWISS, Austrian Airlines and Eurowings. Equity interests in Brussels Airlines and SunExpress are strategic additions to the portfolio. Brussels Airlines was fully acquired at the beginning of the 2017 financial year.

Passager Airline Group		2016	Change in %
Revenue	€m	29,001	2.5
of which traffic revenue	€m	22,256	-2.4
EBIT	€m	3,005	43.0
Adjusted EBIT	€m	1,577	1.5
EBITDA*	€m	3,016	30.7
Adjusted EBIT margin	%	5.4	0.3 pts
EACC	€m	1,004	142.5
ROCE	%	13.3	3.8 pts
Segment capital expenditure	€m	1,456	-15.2
Employees as of 31.12	number	54,000	-1.7

Logistics

Lufthansa Cargo is the logistics specialist within the Lufthansa Group and Europe's leading cargo airline. As well as marketing the freight capacities of Lufthansa Passenger Airlines', Eurowings' and Austrian Airlines' passenger aircraft, the company operates its fleet of cargo aircraft, comprising 14 Boeing MD11Fs and five B777Fs.

Logistics		2016	Change in %
Revenue	€m	5,004	-11.5
of which traffic revenue	€m	1,085	-12.7
EBIT	€m	-94	
Adjusted EBIT	€m	-50	
EBITDA*	€m	443	71.6
Adjusted EBIT margin	%	-2.4	-5.5 pts
EACC	€m	-105	-45.8
ROCE	%	-4.3	-4.5 pts
Segment capital expenditure	€m	29	-75.0
Employees as of 31.12.	number	4,568	-0.8

MRO

Lufthansa Technik is the world's leading independent provider of maintenance, repair and overhaul services (MRO) for civilian commercial aircraft. The portfolio consists of a variety of different products and product combinations, from the repair of individual components to consultancy services and the fully integrated supply of entire fleets.

MRO		2016	Change in %
Revenue	€m	5,144	0.9
of which external revenue	€m	3,517	9.0
EBIT	€m	410	-8.5
Adjusted EBIT	€m	411	-9.5
EBITDA*	€m	517	-6.2
Adjusted EBIT margin	%	8.0	-0.9 pts
EACC	€m	142	-10.1
ROCE	%	6.5	-2.1 pts
Segment capital expenditure	€m	216	40.3
Employees as of 31.12.	number	24,639	0.9

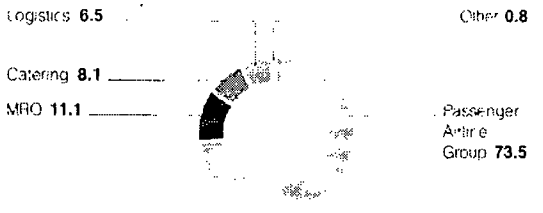
Catering

The LSG group is the world's leading provider of integrated products and services related to in-flight service. These include catering, in-flight sales and entertainment, in-flight service equipment and the associated logistics as well as consultancy services and the operation of lounges. In addition, the company has managed to enter adjacent markets, such as services for rail operators and supplying the retail sector.

Catering		2016	Change in %
Revenue	€m	3,194	5.7
of which external revenue	€m	2,550	6.9
EBIT	€m	60	-29.4
Adjusted EBIT	€m	104	5.1
EBITDA*	€m	166	0.0
Adjusted EBIT margin	%	3.3	0.0 pts
EACC	€m	-15	87.5
ROCE	%	3.5	-1.5 pts
Segment capital expenditure	€m	73	-50.7
Employees as of 31.12	number	35,530	3.6

* Without Group-internal profit and loss transfer / investment income

Business segments' share of Group revenue in %



31.7
Revenue in EUR bn

Adjusted EBIT in EUR m

3,216
Operating cash flow in EUR m

2,236
Capital expenditure in EUR m

817
EACC in EUR m

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Ladies and gentlemen,

Despite numerous challenges, the Lufthansa Group achieved a good result in 2016. In an environment marked by great uncertainty, we met our financial targets and made great progress in implementing our strategic agenda.

Our company is in a better position at the close of the financial year than it was at the beginning: our equity ratio increased by 2.6 percentage points, we improved free cash flow by 36.5 per cent and reduced the Lufthansa Group's total costs excluding fuel costs by 3.2 per cent; in the course of our fleet renewal, our flight operations successfully integrated a new, state-of-the-art aircraft into the Group fleet almost every week and we have stabilised the yield development by means of targeted capacity and steering measures. We have continued to improve the travel experience for our customers by enhancing and increasingly personalising the products and services. And not least, the wet-lease agreement with Air Berlin and the complete takeover of Brussels Airlines have contributed significantly to consolidating Eurowings' market position as the biggest point-to-point airline in our home markets. With the successful signing of the commercial joint venture agreements with Air China and Singapore Airlines, we are also sustainably strengthening our market position on routes between Europe and Asia. Around 70 per cent of our long-haul revenues is now secured for the long term through leading commercial partnerships.

The Lufthansa Group's service companies showed a stable development in 2016. They also operate in a market environment that is characterised by change and consolidation. All of the operating segments are implementing targeted efficiency programmes and profitable growth initiatives. Lufthansa Technik agreed on competitive conditions with the ver.di trade union, which has made it possible to safeguard jobs in engine overhaul at the Hamburg site. The LSG group is redesigning its business model, changing its portfolio and transforming its European business comprehensively. Lufthansa Cargo is addressing the massive over-capacities in the market by restructuring the company.

At the passenger airlines, Lufthansa Passenger Airlines performed particularly well – both in terms of earnings and by signing a long-term collective agreement with the UFO flight attendants' union, which also comprises the transition to a modernised pension system for its cabin crew. SWISS successfully overcame the particular challenges of the Swiss market and began to renew its fleet and cabin layouts. Austrian Airlines also continued the modernisation of its fleet and improved its competitiveness. Eurowings achieved rapid growth and successfully started its long-haul operations. Through the transactions aforementioned, Eurowings will actively contribute to the consolidation in the market and to the reduction of capacities as a key player in the European airline industry.

We are pleased that the Lufthansa Group was able to generate an overall stable Adjusted EBIT margin in the reporting year. With Adjusted EBIT of EUR 1.8bn, we were the only major European airline group to meet our original targets for the year, and thereby again added value for our shareholders. In view of this, the Supervisory Board and Executive Board of the Lufthansa Group propose the distribution of a dividend of EUR 0.50 per share for the financial year 2016, in line with the current dividend policy. With a distribution of 4.1 per cent based on the closing share price for the year, the Lufthansa Group is again one of the companies with the most attractive dividend yields in the DAX.

Two experienced external managers will join the Executive Board of the Lufthansa Group in 2017. Ulrik Svensson started work as Chief Financial Officer on 1 January. Thorsten Dirks will assume responsibility for Eurowings and Aviation Services as of 1 May. In this new formation, we continue to pursue the unchanged goal of being the first choice for our customers, employees and shareholders.

A challenge in the year ahead remains to convince all those employees of the Lufthansa Group who have not yet made an active contribution to the required evolution that change is required. This is because after the safety of our passengers, securing our future viability is our most important task.

Given the significant increase in fuel costs, we currently do not expect that we will be able to maintain the earnings level of the past two years in 2017. However, our successful cost-cutting measures will at least help to offset some of the ongoing decline in unit revenues at the airlines and rising fuel costs.

Thank you for your continued trust and your support!

Frankfurt, March 2017

Carsten Spohr
Chairman of the Executive Board and CEO of Deutsche Lufthansa AG

Harry Hohmeister
Member of the Executive Board Hub Management

Born in 1964, diploma in commercial air transport. Executive Board member since 2013, with the Lufthansa Group since 1985

Dr Bettina Volkens
Member of the Executive Board Corporate Human Resources and Legal Affairs

Born in 1963, lawyer. Executive Board member since 2013, with the Lufthansa Group since 2012

Carsten Spohr
Chairman of the Executive Board and CEO

Born in 1966, industrial engineer. Chairman of the Executive Board and CEO since 1 May 2014, Executive Board member since 2011, with the Lufthansa Group since 1994

Ulrik Svensson
Member of the Executive Board and Chief Financial Officer

Born in 1961, B.Sc. in Economics, Executive Board member since 2017, with the Lufthansa Group since 2017

Karl Ulrich Garnadt
Member of the Executive Board Eurowings and Aviation Services

Born in 1957, diploma in commercial air transport. Executive Board member since 2014, with the Lufthansa Group since 1979

To our shareholders
Report of the Supervisory Board

Wolfgang Mayrhuber,
Chairman of the Supervisory Board

Ladies and gentlemen,

In the financial year 2016, the Supervisory Board again carried out the duties conferred on it by statute, the Company's Articles of Association and its internal regulations: to appoint the members of the Executive Board, to supervise their work and to advise them. The Executive Board's reporting obligations and the requirement to draw up a list of transactions requiring authorisation are defined by law and have been codified in internal regulations.

The Executive Board provided us with full, timely information on the competitive environment, planned Company policy as well as all significant strategic and operating decisions. Larger items of projected capital expenditure and equity investments as well as planned Group financing activities were coordinated with us. As Chairman of the Supervisory Board, I read the minutes of the Executive Board meetings and discussed the current course of business with the Chief Executive Officer on an ongoing basis.

In 2016, the Supervisory Board held a total of six meetings, on 16 March, 27 April, 9 June, 1 July, 28 September and 7 December. In December, we carried out the regular review of the efficiency of our working practices and together with the Executive Board issued an updated declaration of compliance with the German Corporate Governance Code, which can be found on the Lufthansa Group website at ↓ www.lufthansa-group.com/declaration-of-compliance

Our meetings focused on the economic development of Deutsche Lufthansa AG and its associated companies and on the strategy of the Lufthansa Group. Particular attention was paid to the burden put on the business by repeated pilot strikes at Lufthansa Passenger Airlines, the status of the "7to1 – Our Way Forward" strategic programme, as well as capacity increases and the various possibilities for exploiting growth options at Eurowings

We approved the acquisition and lease of one Boeing 777 aircraft each for Swiss International Air Lines and Austrian Airlines respectively and the procurement by Lufthansa Technik of up to eleven PW1100G reserve engines. Approval was also given to exercise the call option for the purchase of the remaining 55 per cent of shares in SN Airholding SA/NV, to wet-lease agreements for a total of 38 aircraft with Air Berlin PLC & Co. KG and to a joint venture between Lufthansa Technik AG and MTU Aero Engines AG.

For formal reasons, Ms Christine Behle notified us of a conflict of interest in connection with the strike by public sector workers organised by the ver.di trade union in April 2016 and the associated disruptions to the Lufthansa Group's flight operations at various German airports. The conflict of interest was not permanent, however, and had no further consequences. No other potential conflicts of interest were disclosed in 2016.

No member of the Supervisory Board was present at only half or fewer of the meetings of the Supervisory Board or the Supervisory Board committees. The attendance of members at the meetings of the Supervisory Board and its committees was 99 per cent overall.

The Executive Board informed us regularly of changes in the shareholder structure, the performance of the Lufthansa share, transactions with derivative financial instruments, and allocations to and returns from the Lufthansa pension fund. The disclosures required by takeover law made in the combined management report by the Executive Board in accordance with Sections 289 Paragraph 4 and 315 Paragraph 4 of the German Commercial Code require no further comment.

In an extraordinary meeting held on 1 July 2016, the Supervisory Board adopted the corresponding proposal from the Steering Committee and appointed Mr Ulrik Svensson as a member of the Executive Board and CFO with effect from 1 January 2017. Mr Svensson succeeds Ms Simone Menne, who left the Company at the end of August 2016 at her own request. At the recommendation of the Steering Committee, the Supervisory Board agreed to this request in an extraordinary meeting on 9 June 2016. In her four years at the Company, Ms Menne secured the financial backing for the Lufthansa Group's growth with great commitment and expertise, thereby making a crucial contribution to the development of our Company.

Also at the recommendation of the Steering Committee, at its meeting on 7 December 2016, the Supervisory Board appointed Mr Thorsten Dirks as a member of the Executive Board with responsibility for Eurowings and Aviation Services with effect from 1 May 2017. Mr Dirks succeeds Mr Karl Ulrich Garnadt, who will no longer be available to extend his contract, which ends on 30 April 2017, for reasons of age. Mr Garnadt looks back on a successful and varied career at Lufthansa of a total of 38 years. In his three years as a member of the Executive Board of Deutsche Lufthana AG, he was primarily responsible for pushing forward the development of Eurowings and its integration into the Lufthansa Group, thereby making a crucial contribution to the development of our Company.

Last year, the Supervisory Board established a target quota for female members of the Executive Board of 30 per cent, and set a first deadline for achieving this target of 31 December 2016. Due to the vacant CFO position, the quota of women on the Executive Board came to 25 per cent as of 31 December 2016; when Mr Svensson joined on 1 January 2017, it came to 20 per cent. As of the reporting date, it was therefore no longer possible to meet the target quota, which, at 40 per cent, had been achieved until Ms Menne left. In the search for successors to Ms Menne and Mr Garnadt, particular attention was paid to female candidates, and indeed a woman was on the shortlist of the four most suitable candidates for each post. However, considering the requirements of each position and the personalities, professional experience, successes and skills of the candidates, Mr Svensson and Mr Dirks proved to be the best choice for the Company.

For the period from 1 January 2017, the Supervisory Board has confirmed the basic target of 30 per cent for the proportion of women on the Executive Board and has set 31 December 2021 as a deadline for meeting this target.

The Arbitration Committee did not have to be convened in the reporting period. The Steering Committee met seven times in 2016 and the Nomination Committee once.

The Audit Committee met seven times in 2016, with four of the meetings in the presence of the auditors. The Audit Committee discussed the interim reports with the CFO before their publication. The committee also dealt with the supervision of accounting processes and the effectiveness of the internal control system, risk management and internal auditing systems. The members received regular reports on risk management, compliance and the work of the Group's audit department. Also discussed in detail were the difficult economic situation in the Logistics segment, the effects of the low discount rate on the balance sheet structure and the investment grade rating, the Group operational planning for 2017 to 2019, the financial consequences of exercising the call option for the remaining 55 per cent of the shares in SN Airholding SA/NV, the opportunities and risks of signing wet-lease agreements for a total of 38 aircraft with Air Berlin PLC & Co. KG and the issue of "cybersecurity".

Information on the committees' work was provided at the beginning of the following Supervisory Board meeting.

Dr Nicola Leibinger-Kammüller resigned her seat on the Supervisory Board at the close of the Annual General Meeting on 28 April 2016. She was a member of the Supervisory Board for eight years and, as the managing partner of a leading global family company in the prestigious German mechanical engineering industry, she brought much of her personal experience to her contributions to discussions in the Supervisory Board, always representing the interests of the Company, the shareholders and the employees. The Supervisory Board thanks her for her advice and her loyal support. Martina Merz was elected to succeed her on the Supervisory Board.

We appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Dusseldorf, who were elected as auditors for the parent company and the Group at the Annual General Meeting 2016, to audit the financial statements and the consolidated financial statements, the combined management report and the system for the early identification of risks. The Audit Committee acknowledged the declaration of independence provided by PricewaterhouseCoopers and discussed the main topics of the audit. No potential grounds for disqualifying the auditors or doubting their impartiality came to light during the course of the audit.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), taking account of interpretations by the IFRS Interpretations Committee as applicable in the European Union (EU). The auditors audited the annual financial statements and consolidated financial statements of Deutsche Lufthansa AG and the combined management report as of 31 December 2016 in accordance with the legal requirements, and had no reservations to make. They further confirmed that the system for the early identification of risks established by the Executive Board is suitable for the early identification of developments that could endanger the Company's continued existence. During their audit the auditors did not come across any facts in contradiction with the declaration of compliance.

In early March 2017, the Audit Committee discussed the audit reports in detail with the CFO in the presence of the two auditors who had signed the auditors' report. At the Supervisory Board accounts meeting the auditors reported on their audit findings and answered questions. We examined in detail the financial statements and the consolidated financial statements of Deutsche Lufthansa AG as well as the combined management report and had no objections to make. The financial statements and the consolidated financial statements were approved. The 2016 annual financial statements of Deutsche Lufthansa AG as prepared by the Executive Board have thereby been adopted. We agree with the Executive Board's proposal for profit distribution.

Despite the difficult environment, the Group was able to close the financial year 2016 with a good result from a long-term perspective. The Supervisory Board thanks the Executive Board and all of the employees of the Lufthansa Group for their work and their great personal commitment.

Frankfurt, 15 March 2017

For the Supervisory Board
Wolfgang Mayrhuber, Chairman

Lufthansa share

✈ Lufthansa share performs better than most competitors, but underperforms against the DAX. / Total shareholder return of –12.3 per cent. / Dividend may again be paid out as scrip dividend. / Transparent communication and intensive dialogue with the capital markets is continued.

Share recovers in the fourth quarter after a difficult year for stock markets

The performance of the Lufthansa share was largely influenced by geopolitical developments in 2016. These included political events such as Brexit as well as several terrorist attacks in various European cities. In the second and third quarters especially, these resulted in weak demand from leisure travellers, particularly on long-haul connections from Asia and America to Europe. At the end of the first half of 2016, the Lufthansa share was down 27.7 per cent on year-end 2015. The DAX index fell by 9.9 per cent over the same period.

On 20 July 2016, the difficult environment prompted a reduction in the earnings forecast, although the results for the first half-year were up on the previous year. This again weighed heavily on the share price in the third quarter (–5.9 per cent). However, the steering and capacity measures taken in the meantime were able to improve business performance by more than had initially been expected. Accordingly, on 19 October 2016 the forecast was raised again. The share price then recovered in the fourth quarter (+23.9 per cent).

The Lufthansa share reached its peak for the year on 16 March 2016 at EUR 15.29. The low for the year was EUR 9.30 on 7 October 2016. As of year-end, the Lufthansa share traded at EUR 12.27. Hence it fell by a total of 15.8 per cent in 2016. The total shareholder return, which includes the dividend distribution, was –12.3 per cent. Although the performance of the Lufthansa share was weaker than that of the DAX index (+6.9 per cent), it still significantly outperformed its main European competitors.

Executive Board and Supervisory Board propose dividend of EUR 0.50 per share

At the Annual General Meeting for 2016, the Executive Board and Supervisory Board of Deutsche Lufthansa AG will propose the distribution of a dividend of EUR 0.50 per share, in line with the current dividend policy. This represents a dividend yield of 4.1 per cent based on the Lufthansa share's closing price for the year, making the Lufthansa Group one of the companies with the highest dividend yield in the DAX.

The dividend ratio is 10.3 per cent of EBIT and 13.4 per cent of Adjusted EBIT. The proposed dividend is therefore on a par with last year, given that the operating result, without adjustment for non-recurring and, in particular, non-cash effects, is also at a similar level.

As was the case last year, shareholders will have the option of receiving this dividend in the form of shares as a scrip dividend.

The Lufthansa share: key figures

		2016	2015	2014	2013	2012
Year-end share price	€	12.27	14.57	13.83	15.42	14.24
Highest share price	€	15.29	15.35	20.26	17.10	14.47
Lowest share price	€	9.30	10.48	10.88	12.93	8.02
Number of shares	millions	468.8	464.5	462.8	461.1	459.9
Market capitalisation (at year-end)	€bn	5.8	6.7	6.4	7.1	6.5
Earnings per share	€	4.46	3.67	0.12	0.68	2.68
Cash flow from operating activities per share	€	6.92	7.30	4.27	7.15	6.20
Dividend per share	€	0.50	0.50	–	0.45	–
Dividend yield (gross)	%	4.1	3.4	–	2.9	–
Dividend	€m	234.4	232.3	–	207.5	–
Total shareholder return	%	–12.3	5.3	–7.4	8.3	57.7

Majority of analysts see Lufthansa share as a sell
At year-end, three analysts recommended buying the Lufthansa share and eight to hold it. Sixteen out of 27 analysts advised selling the share. The average target price was EUR 10.50.

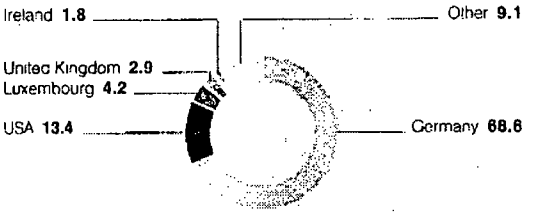
Analysts' recommendations* as of 31.12.2016

* Average target price. EUR 10.50, average of 24 analysts. Range. EUR 8.10 up to EUR 15.00

Foreign share ownership and structure of major shareholders remain stable
In order to protect international air traffic rights and its operating licence, the German Aviation Compliance Documentation Act (LuftNaSiG) requires Lufthansa to provide evidence that a majority of its shares are held by German shareholders. For this reason, all Lufthansa shares are registered shares with transfer restrictions.

At the end of 2016, the shareholders' register showed that German investors held 68.6 per cent of the shares (previous year: 74.9 per cent). The second largest group, with 13.4 per cent, were shareholders from the USA. Investors from Luxembourg accounted for 4.2 per cent, followed by the United Kingdom and Ireland, with 2.9 per cent and 1.8 per cent respectively. This ensures continued compliance with the provisions of the German Aviation Compliance Documentation Act (LuftNaSiG).

Shareholder structure by nationality as of 31.12.2016 in %



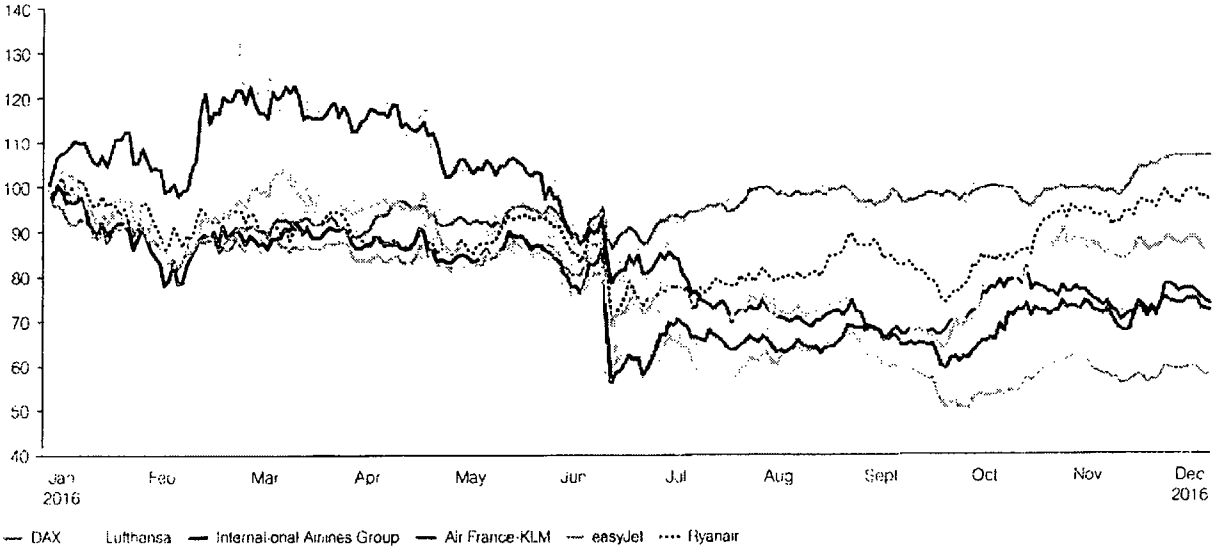
Free float: 100%

The free float for Lufthansa shares is 100 per cent, as per the definition of Deutsche Börse. As of the reporting date, 54.5 per cent (previous year: 53.9 per cent) of the shares were held by institutional investors and 45.5 per cent (previous year: 46.1 per cent) by private individuals.

Templeton Global Advisors remained unchanged the largest shareholder in the Lufthansa Group at year-end 2016, with its holding at 9.95 per cent (year-end 2015: 5.00 per cent).

All the transactions requiring disclosure and published during the financial year 2016, as well as the quarterly updates on the shareholder structure, can be viewed on our website at www.lufthansagroup.com/investor-relations.

Performance of the Lufthansa share, indexed as of 31.12.2015, compared with the DAX and competitors, in %



The Lufthansa share: data

ISIN International Security Identification Number	DE0008232125
Security identification number	823212
German stock exchange code	LHA
Stock exchanges	Frankfurt, Hanover, Dusseldorf, Hamburg, Xetra
Prime sector	Transport & Logistics
Industry	Airlines
Indices (Selection)	DAX, DivDAX Price Index, EURO STOXX, Nasdaq Europe, STOXX Global, FTSE4Good, MSCI Global Sustainability Index

Lufthansa share is included in the DAX and other important indices

As a member of the DAX, the Lufthansa Group is one of the 30 largest publicly listed companies in Germany. At year-end, the share had an index weighting of 0.61 per cent. With a market capitalisation of EUR 5.8bn at year-end, the Lufthansa Group came in at number 37 (previous year: 34) in the ranking of DAX companies by market capitalisation. In terms of stock market turnover, the Lufthansa share remained at number 20. The transaction volume came to EUR 15.8bn (previous year: EUR 20.9bn).

The Lufthansa share is listed internationally in many stock market indices as well as in the MSCI Global Sustainability, FTSE4Good and ECPI sustainability indices.

In addition to its stock market listings in Germany, investors can also gain exposure to the Lufthansa Group via the Sponsored American Depository Receipt Program (ADR). Since late 2011, the Lufthansa ADRs have been registered on the standardised trading and information platform OTCQX.

Lufthansa Group pursues intensive dialogue with investors

As in prior years, the Lufthansa Group again provided its investors with comprehensive information about the main elements of the Company's performance in 2016. In the reporting year and in addition to the quarterly meetings, the Executive Board and Investor Relations team presented institutional investors with information about current developments at the Group at 38 roadshows, 21 investor conferences and one "Expert Session" about Eurowings. This involved more than 350 one-on-one and group meetings. Our investor relations representatives were regularly available to answer questions at four forums organised especially for retail investors. The service for private shareholders also includes the shareholder information letter, which was again published twice in 2016 and can be retrieved on the Investor Relations website. The site also contains the financial calendar and the dates of all the conferences and shareholder events that the Lufthansa Group will be attending.

In addition to the annual and interim reports, the capital markets are provided with monthly information on the traffic figures for the Lufthansa Group's airlines. All the publications, financial reports, presentations, background information, speeches and the latest news can also be found at **www.lufthansagroup.com/investor-relations**.

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To the extent that the combined management report refers to sources other than the combined management report or the consolidated financial statements (e.g. internet sites), the contents of these sources are not part of the combined management report and are solely for informational purposes.

Principles of the Group

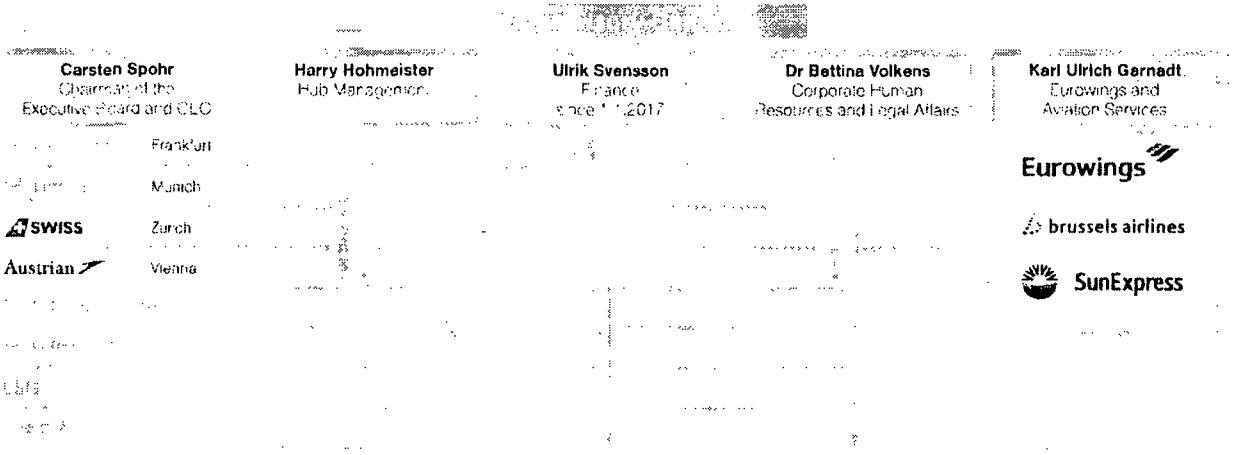
Business activities and Group structure

✈ The Lufthansa Group is one of the world's leading aviation companies. Business segments hold leading market positions in their sectors. Vacancies on the Executive Board have been filled.

Lufthansa Group is a leading aviation group
The Lufthansa Group is a global aviation group with a total of more than 550 subsidiaries and equity investments. In the financial year 2016, they were structured into the Passenger Airline Group, Logistics, MRO, Catering and Other segments. All segments occupy a leading position in their respective markets. In 2016, the Lufthansa Group generated revenue of EUR 31.7bn and employed an average of 123,287 employees.

Division of responsibilities in the Executive Board remains unchanged
The division of responsibilities in the Executive Board remains largely unchanged. Carsten Spohr chairs the Executive Board. Harry Hohmeister is responsible for the commercial management of the network airlines Lufthansa Passenger Airlines, SWISS and Austrian Airlines. The Finance function was headed by Simone Menne until 31 August 2016. She was succeeded by Ulrik Svensson on 1 January 2017. Responsibility for the Corporate Human Resources and Legal Affairs function remains with Dr Bettina Volkens. In the Eurowings and Aviation Services function, Karl Ulrich Garnadt's responsibilities include point-to-point traffic in the Eurowings group as well as Brussels Airlines and SunExpress. Once his appointment comes to an end on 30 April 2017, Karl Ulrich Garnadt will step down from the Executive Board. He will be succeeded in the same role by Thorsten Dirks, as of 1 May 2017.

Lufthansa Group structure



Legal and regulatory factors

Lufthansa Group subject to a variety of influencing factors
The Lufthansa Group and its business segments are subject to numerous, complex legal and regulatory standards. The formal demands made of the Company are constantly increasing all the time. This applies to legislation from various areas, such as that relating to financial law, consumer protection and corporate governance, as well as to general requirements for avoiding liability risks. Of particular relevance for the Lufthansa Group in this matter are the night flight ban at Frankfurt Airport, consumer protection regulations, EU emissions trading, national air traffic taxes, embargo conditions, the implementation of the Single European Sky as well as a lack of competition rules at international level, as laid down by the World Trade Organisation in other industries

Goals and strategies

Corporate strategy is based on three synergetic pillars: network airlines, point-to-point airlines and aviation services. Focus on expanding premium positioning and increasing profitability. Innovation and digitalisation along the value chain are important drivers. "7to1 – Our Way Forward" strategic programme contributes to profitable growth. Financial stability ensures independence and room to manoeuvre.

Group strategy

Extending position as a leading aviation group
The goal of the Lufthansa Group is to be the first choice in aviation for customers, employees, shareholders and partners. Going forward, the Lufthansa Group therefore intends to continue playing a significant role in shaping the global aviation market. In this context, the strategy aims to systematically develop the Group based on the three pillars of network airlines, point-to-point airlines and aviation services.

The three pillars benefit from mutual synergies and economies of scale across business segments. Lufthansa Cargo, for example, transports a large proportion of its freight in the belly capacities of the Lufthansa Group's passenger aircraft. Lufthansa Technik, in turn, has access to maintenance licences for modern aircraft, which are negotiated with the OEMs when the Group airlines order new aircraft.

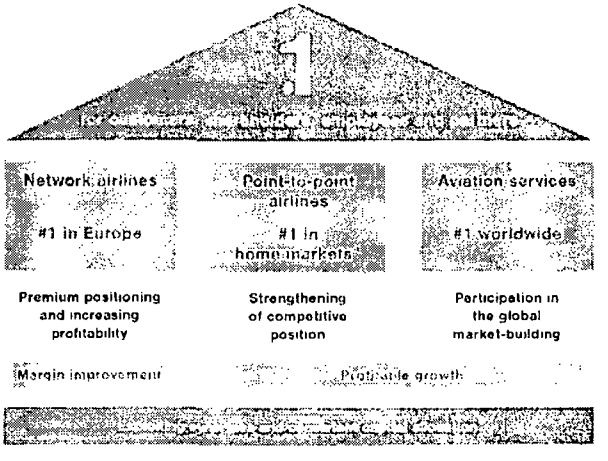
The development of new products and business models in line with the increasing digitalisation of the entire aviation value chain forms a key aspect of Group strategy and is being driven forward across all business segments.

On this basis, the aim is to safeguard the Lufthansa Group's position as a leading aviation company in a dynamic market environment and to ensure its profitable growth.

To reach this target, the successful "7to1 – Our Way Forward" strategic programme is being continued. It addresses both external trends – such as changing value chains, increasing digitalisation and differentiated customer expectations – as well as internal challenges. The programme's seven action areas are being implemented both within the individual segments and across them. At the same time, some of the operating segments have set up individual programmes to increase efficiency and cut costs.

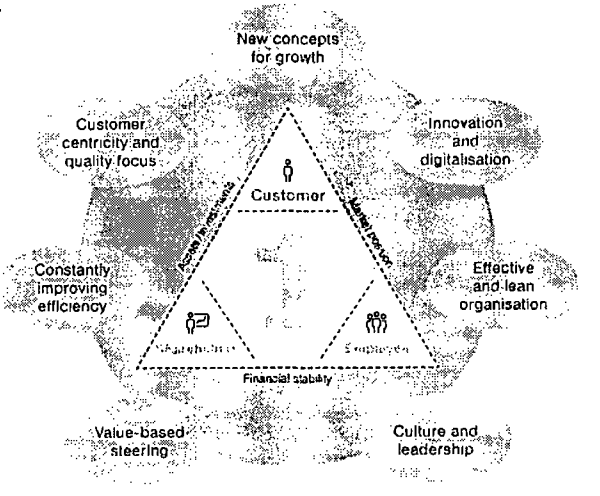
Adapting their products and services in line with ever changing customer needs is a core task for all the companies in the Lufthansa Group. In doing so, it is vitally important to maintain their premium positioning. Certain local cost disadvantages compared with competitors from other markets are therefore to be offset by a strategy that aims for the highest quality.

The setup of the Lufthansa Group: three strong pillars



* Germany, Austria, Switzerland and Belgium.

"7to1 – Our Way Forward"



Network airlines expand their premium positioning and optimise costs
The quality strategy is especially relevant for the positioning of the network airlines and addresses the needs of high-quality potential customers in their home markets. The focus is therefore on further improving the travel experience, optimising the route network and fleet and reducing costs.

The travel experience for the customer will be improved, especially through greater personalisation of the products and services along the entire travel chain. This also enables the Lufthansa Group to open up new revenue potential for the airlines. In addition, the service at all points of customer contact will be enhanced and continuously improved. In order to keep offering leading product quality, the Lufthansa Group will continue to invest in its fleet. The network airlines are growing largely by replacing older aircraft with more recent models with higher seating capacities and greater fuel efficiency, without significantly increasing the total number of aircraft. That also reduces unit costs. Strategic cooperations and partnerships are intended to supplement the flight plans, which delivers a greater added value for customers. Today, the network airlines in the Lufthansa Group already have commercial joint ventures with the most attractive partners for them in the five largest long-haul markets.

Comprehensive cost-cutting is continuing, especially in areas that have no effect on customers' perceptions of quality. They include pooling the organisational structures of the network airlines and systematically harmonising their commercial management and system landscape, cutting supplier costs and those for infrastructure providers as well as restructuring wage agreements.

Eurowings plans profitable growth in point-to-point traffic
With Eurowings, the Lufthansa Group has an innovative and competitive offering in point-to-point traffic, which addresses both price-sensitive and service oriented customers with low-cost basic fares and additional service options that can be booked flexibly. In addition to its greater efficiency and competitive costs, the Eurowings concept is based on a scalable company structure that enables the flexible integration of new partners with a variety of cooperation models. To do so, the Eurowings group uses different production platforms. More platforms will be added in 2017, with additional capacities on the wet lease from Air Berlin and with the complete takeover of Brussels Airlines. Significant cost savings are to be achieved in the years ahead, especially by consolidating the different platforms. Further key drivers of cost reductions include standardising and streamlining processes. This ensures the company's sustained and successful development, especially in a market dominated by intense cost competition.

The aim is to grow profitably, through organic growth and via partnerships and acquisitions, and to become the third largest provider of direct flights in Europe and the leader in this market segment in the Lufthansa Group's home markets. Eurowings deliberately occupies markets in which it already has a particularly strong competitive position, in order to offer local customers the broadest network as possible, with high-frequency connections to primary destinations.

Eurowings is an integral part of the Lufthansa Group and is managed largely separately from the Group's network airlines, in order not to dilute the structural cost advantages of the point-to-point model. At the same time, it benefits from belonging to the world's largest aviation group, with its wide range of aviation services. Eurowings can therefore establish a successful position in its highly competitive market environment.

Leading position in aviation services to be secured and profitable growth generated
With the aviation services companies, the Lufthansa Group has several global leaders in their respective markets. These companies can exploit further growth opportunities – organic, via partnerships or through acquisitions – in a targeted way in order to secure the Lufthansa Group's leading position in their respective markets. The diversification of its portfolio of airlines and aviation services constitutes a key strength of the Lufthansa Group. It enables synergies within the Group to be exploited and provides a buffer to offset the cyclical airline business.

Customer focus and quality are also the watchwords in aviation services. Customers of Lufthansa Cargo, for example, benefit from innovative logistics services in an expanded route network. Lufthansa Technik is extending its range by refining its products and services and further expanding its global presence. In the highly competitive airline business, the customers of the LSG group benefit from flexible and individual catering offers that provide effective support for their own services and brands.

To continue delivering profitable growth, the aviation services in the Lufthansa Group continually adapt their business models to changes in value chains and competitive conditions. Extensive individual efficiency programmes secure commercial success at the same time.

Synergies between the three pillars of the Lufthansa Group are exploited systematically. This enables the Lufthansa Group to move faster, more efficiently and more profitably and to further sharpen its focus on customers.

Financial strategy

Financial strength creates sustainable competitive advantages and trust
The core of the financial strategy is to safeguard the Lufthansa Group's strong financial profile, credit rating and thereby its financial stability. The financial strategy aims to support and promote the strategic and operating performance of the Company and to ensure access to capital and to favourable financing conditions at all times.

To achieve this, the Group systematically pursues the following strategic targets:

- **Maintain a good credit rating:** The aim is to maintain the existing investment grade rating, by aiming for a debt repayment ratio of between 35 per cent and 45 per cent, as a rule. The debt repayment ratio is derived from the requirements of the rating agencies for an investment grade rating and is a measure of the Group's ability to service its debt. The debt repayment ratio also considers the Group's pension provisions, among other things. Because of the way that the pension obligations are measured as of the reporting date in accordance with IFRS, the debt repayment ratio is also dependent on external factors (interest rate), which may cause this figure to fluctuate heavily.

- **Ensure adequate liquidity:** The aim is to have liquidity of at least EUR 2.3bn at all times. This enables liquidity and refinancing risks to be reduced in volatile customer and financial markets. All of the Group companies' cash flows are collected, centrally managed and optimised via an integrated financial management function.

- **Maintain a stable capital structure:** The aim is to achieve an equity ratio of 25 per cent in the medium term. The intention is to achieve this target by retaining appropriate profits and continuing the successive funding of pension obligations. Measuring pension obligations as of the reporting date and measuring hedging transactions also affects the equity ratio, which is therefore likewise subject to great volatility.

- **Maintain a largely unencumbered fleet:** The aim is to ensure a high degree of financial and operating flexibility for the Lufthansa Group. The vast majority of the aircraft fleet should remain unencumbered and wholly owned by the Lufthansa Group.

- **Hedge against external financial risks:** The aim is to minimise the Lufthansa Group's financial risks by means of integrated risk management procedures based, in particular, on hedging fuel, foreign exchange rate and interest rate risks. Rule-based procedures enable price fluctuations to be smoothed.

- **Shareholders participate in the Company's success:** The dividend policy aims to maintain a regular dividend payout ratio of 10 to 25 per cent of consolidated EBIT. One condition is that a distribution of this amount is covered by the net profit for the year as shown in the individual financial statements of Deutsche Lufthansa AG as drawn up under German commercial law and that there are no other reasons not to pay a dividend. In addition to the regular dividend payment, the dividend policy also allows for shareholders to participate in a particularly positive performance by the Company by means of a special dividend or share buy-back.

- **Secure favourable conditions by means of diversified funding sources:** By optimising the financing mix, the aim is to reduce the cost of funding and to maintain a balanced term structure and a diversified portfolio of investors and lenders. Key financing instruments include aircraft financing vehicles and unsecured funding, such as borrower's note loans and traded bonds. Furthermore, the Lufthansa Group has credit lines with a large number of banks, which serve as an additional liquidity reserve.

Fleet and route network

Fleet can be adapted flexibly to fluctuations in demand. / Aircraft orders for delivery by 2025 optimise the fleet structure. / Extensive route network optimised continuously.

Fleet structure is optimised continuously

At year-end 2016, the Lufthansa Group fleet consisted of 617 aircraft with an average age of 11.3 years. This is 17 aircraft more than the previous year, following a decline of 15 aircraft in 2015. Aircraft from Airbus and Boeing make up the majority of the fleet. Aircraft from Bombardier, Embraer, Fokker and BAE Systems are also deployed on short and medium-haul routes. In recent years, the number of aircraft types in operation has been continuously reduced through a corresponding fleet strategy and will continue to go down further in the years ahead.

Fleet orders Lufthansa Group

		Deliveries
Long-haul fleet		
34	Boeing 777X	2020 to 2025
4	Boeing 777-300ER	2017 to 2018
24	Airbus A350	2017 to 2023
Short-haul fleet		
7	Airbus A320 family	2017
11*	Airbus A320neo family	2017 to 2025
25	Bombardier C Series	2017 to 2018

A total of 47 new aircraft, including eight long-haul aircraft, were delivered to the Lufthansa Group in 2016. One Airbus A350-900 went to Lufthansa Passenger Airlines, while six Boeing 777-300ERs and one A330-300 went to SWISS. Deutsche Lufthansa AG also took out operating leases on four A330 aircraft currently flying for Eurowings. Five Bombardier CS100s and 34 aircraft from the A320 family, including five A320neo, were delivered to the airlines in the Lufthansa Group for the short and medium-haul fleets.

At year-end 2016, the Lufthansa Group's order list contains 205 aircraft for delivery by 2025. In 2017, the Lufthansa Group is expecting to take delivery of up to 38 aircraft. Eurowings will also deploy 33 aircraft in 2017, and Austrian Airlines five aircraft on wet leases from Air Berlin. The complete takeover of Brussels Airlines added another 47 aircraft to the Lufthansa Group fleet at the beginning of 2017.

The majority of the fleet is owned by the Lufthansa Group, and is supplemented by a small proportion of leased aircraft. The vast majority of the fleet is unencumbered. New as well as used aircraft are considered for future purchases. This enables the Company to respond flexibly to fluctuations in demand and to increase or reduce its capacity at short notice.

Route network

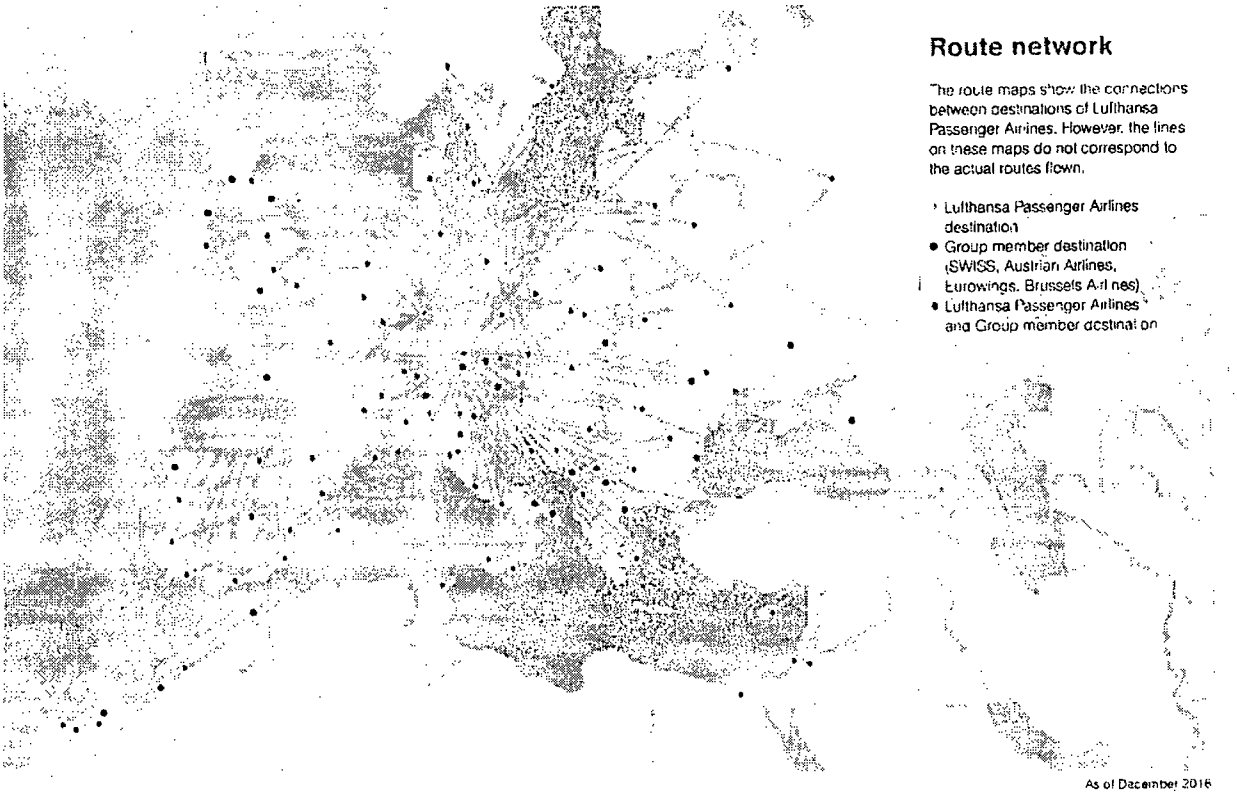
Lufthansa Group offers extensive route network

As part of the multi-hub strategy, the network airlines Lufthansa Passenger Airlines, SWISS and Austrian Airlines offer a broad range of flights from their hubs in Frankfurt, Munich, Zurich and Vienna. It is complemented by the networks of the alliance and joint venture partners, which offer extensive transfer connections. Eurowings provides a comprehensive range of point-to-point connections, particularly from German-speaking countries. In the 2016 summer flight timetable, the Lufthansa Group airlines operated a route network comprising 301 destinations in 100 countries overall.

Group fleet – Number of commercial aircraft and fleet orders
Lufthansa Passenger Airlines inclusive regional airlines (LH), SWISS inclusive Edelweiss (LX), Austrian Airlines (OS), Eurowings (EW) inklusive Germanwings and Lufthansa Cargo (LCAG) as of 31.12.2016

Manufacturer/type	LH	LX	OS	EW	LCAG	**Group fleet**	of which finance lease	of which operating lease	Change compared with 31.12.2015	Additions 2017 to 2025	Additional options
Airbus A319	30	5	7	43		85	12	4			
Airbus A320	78*	28	18	35		154	17	3	33	73	50
Airbus A321	64	9	6			79	2		1	45	
Airbus A330	25*	17				42	1	6	5		
Airbus A340	42	11				53	1	1	-4		
Airbus A350	1					1			1	24	30
Airbus A380	14					14					
Boeing 737	*					1			13		
Boeing 747	32					32					
Boeing 767			6			6	2				
Boeing 777		6	5		5	16	1		6	35	20
Boeing MD-11F					14	14					
Bombardier CRJ	35*					35					
Bombardier C Series		5				5			5	25	30
Bombardier Q Series			18			18					
Avro RJ		8				8		3	-8		
Embraer	33		10			43					
Fokker F70			3			3*			-3		
Fokker F100			8			8			6		
Total aircraft	**350**	**89**	**81**	**78**	**19**	**617**	**36**	**17**	**17**	**205**	**130**

* Partly leased to Eurowings (EW)



Route network

The route maps show the connections between destinations of Lufthansa Passenger Airlines. However, the lines on these maps do not correspond to the actual routes flown.

- Lufthansa Passenger Airlines destination
- Group member destination (SWISS, Austrian Airlines, Eurowings, Brussels Airlines)
- Lufthansa Passenger Airlines and Group member destination

As of December 2016

Group fleet

Lufthansa and regional partners

Airbus A380-800	LH: 14 aircraft 509 seats 12,400 km range
Boeing 747-8	LH: 19 aircraft 364 seats 13,000 km range
Boeing 747-400	LH: 13 aircraft 371 seats 11,850 km range
Airbus A350-900	LH: 1 aircraft 293 seats 12,650 km range
Airbus A340-600	LH: 24 aircraft 297 seats 12,900 km range
	LH: 12 aircraft 293 seats 11,800 km range
Airbus A340-300	CL: 6 aircraft 300 seats 11,500 km range
Airbus A330-300	LH: 19 aircraft 236 seats 9,850 km range
Airbus A321-100/200	LH: 64 aircraft 200 seats 4,150 km range
Airbus A320-200	LH: 62 aircraft 168 seats 3,200 km range
Airbus A320neo	LH: 5 aircraft 180 seats 3,000 km range

Lufthansa and regional partners

Airbus A319-100	LH: 30 aircraft 138 seats 3,350 km range
Boeing 737-300	LH: 1 aircraft 140 seats 2,000 km range
	CL: 14 aircraft 120 seats 2,300 km range
Embraer 195	EN: 10 aircraft 120 seats 2,300 km range
Embraer 190	CL: 9 aircraft 100 seats 3,500 km range
Bombardier CRJ900	CL: 29 aircraft 90 seats 2,100 km range

Eurowings and Germanwings

Airbus A330-200	EW: 6 aircraft 310 seats 10,100 km range
Airbus A320-200	EW/4U: 41 aircraft 180 seats 4,000 km range
Airbus A319-100	EW/4U: 43 aircraft 150 seats 2,900 km range
Bombardier CRJ900	EW: 6 aircraft 90 seats 2,100 km range

Lufthansa Cargo

Boeing MD-11F	LH: 14 aircraft 579 m³/89.4 t 6,700 km range
Boeing 777F	LH: 5 aircraft 657 m³/103 t 8,900 km range

As of December 2016

SWISS and Edelweiss Air

Boeing 777-300ER	LX: 6 aircraft 340 seats 13,650 km range
Airbus A340-300	LX: 10 aircraft 219 seats 13,000 km range
Airbus A330-300	LX: 14 aircraft 236 seats 9,650 km range
Airbus A321-100/200	LX: 9 aircraft 219 seats 2,100 km range
Airbus A320-200	LX: 22 aircraft 180 seats 2,700 km range
Airbus A319-100	LX: 5 aircraft 138 seats 3,350 km range
Bombardier C Series	LX: 5 aircraft 125 seats 2,750 km range
Avro RJ100	LX: 8 aircraft 97 seats 2,150 km range
Airbus A340-300	WK: 1 aircraft 314 seats 11,850 km range
Airbus A330-300	WK: 2 aircraft 315 seats 10,000 km range
Airbus A330-200	WK: 1 aircraft 275 seats 10,800 km range
Airbus A320-200	WK: 6 aircraft 174 seats 4,050 km range

Austrian Airlines

Boeing 777-200ER	OS: 5 aircraft 308 seats 12,100 km range
Boeing 767-300ER	OS: 6 aircraft 214 seats 10,250 km range
Airbus A321-100/200	OS: 6 aircraft 200 seats 4,100 km range
Airbus A320-200	OS: 18 aircraft 168 seats 4,100 km range
Airbus A319-100	OS: 7 aircraft 138 seats 3,350 km range
Embraer 195	OS: 10 aircraft 120 seats 2,300 km range
Fokker 100	OS: 8 aircraft 100 seats 2,100 km range
Fokker 70	OS: 3 aircraft 80 seats 2,250 km range
Bombardier Q Series	OS: 19 aircraft 76 seats 1,350 km range

Range indicated in general with maximum number of passengers or payload, respectively. In part, different versions are in operation.

Legend

4U = Germanwings
CL = Lufthansa CityLine
EN = Air Dolomiti
EW = Eurowings
LH = Lufthansa Passenger Airlines, Lufthansa Cargo
LX = SWISS
OS = Austrian Airlines
WK = Edelweiss Air

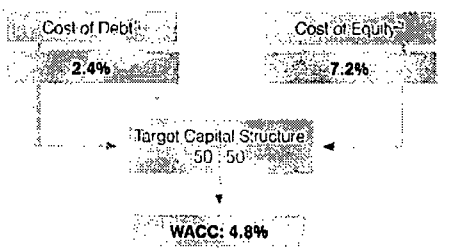
Management system and supervision

The Lufthansa Group's ultimate objective is the sustainable increase in company value. Value-based management is firmly established within the Company. The Lufthansa Group achieves earnings after cost of capital of EUR 817m in 2016.

Sustainable increase in company value remains ultimate objective

The management of the Lufthansa Group has followed a value-based approach since 1999. Company value is to be increased continuously across business cycles. Value-based management is an integral part of all planning, management and controlling processes. The performance-related pay for managers is also directly linked to the Company's economic performance.

Weighted Average Cost of Capital 2016



[1] Consideration of tax shield
[2] Cost of Equity = Risk-free market interest rate of 1.7% + (Market risk premium of 5.0% x Beta factor of 1.1)

The value creation of the Lufthansa Group and the individual companies is measured using earnings after cost of capital (EACC). The basis for calculating EACC is EBIT (earnings before interest and taxes). EBIT has to be sufficient to cover the taxes due on earnings and the return expected by investors and lenders.

Value creation (EACC) of the Lufthansa Group and the business segments

in €m	2016	2015	2014	2013	2012
Group	817	323	-223	-338	63
Passenger Airline Group	1,004	414	-94	153	-293
Logistics	-105	-72	20	5	53
MRO	142	158	168	204	128
Catering	-15	-8	-14	10	25

In addition to the absolute contributory value EACC, the return on capital employed (ROCE) is also calculated as a percentage. If ROCE exceeds the weighted average cost of capital (WACC) the Company creates value.

Cost of capital (WACC) for the Group and the business segments

in %	2016	2015	2014	2013	2012
Group	4.8	5.9	5.9	6.2	7.0
Passenger Airline Group	4.8	5.9	5.9	6.2	7.0
Logistics	5.1	6.2	6.2	6.5	7.2
MRO	4.6	5.6	5.6	6.0	6.7
Catering	4.63	5.6	5.9	6.2	7.0

Lufthansa Group creates value

The Lufthansa Group closed the financial year 2016 with a positive EACC of EUR 817m, thereby creating significant value. In a long-term comparison, this represents a positive performance.

Calculation of EACC, ROCE and cost of capital

in €m	2016	2015	Change in %
Revenue	31,660	32,056	-1.2
Other operating income	2,279	3,035	-24.9
Operating income	**33,939**	**35,091**	**-3.3**
Operating expenses	31,749	33,536	-5.3
Result from equity investments	85	121	-29.8
EBIT	**2,275**	**1,676**	**35.7**
Adjusted EBIT	1,752	1,817	-3.6
Interest on liquidity	64	186	-65.6
Taxes (assumption 25% of EBIT + Interest on liquidity)	-585	-466	25.7
Cost of capital [1]	937	1,073	-12.7
EACC	**817**	**323**	**152.9**
ROCE [2] in %	**9.0**	**7.7**	**1.3 pts**
Balance sheet total	**34,697**	**32,462**	**6.9**
Non-interest bearing liabilities			
of which liabilities from unused flight documents	3,040	2,901	4.8
of which trade payables, other financial liabilities, other provisions	5,464	5,605	-2.5
of which advance payments, deferred income, other non-financial liabilities	2,121	2,141	-0.9
of which others	3,811	3,010	26.6
Capital employed	**20,261**	**18,805**	**7.7**
Average capital employed	**19,533**	**18,195**	**7.4**
WACC in %	**4.8**	**5.9**	**-1.1 pts**
Cost of capital [1]	**937**	**1,073**	**-12.7**

[1] WACC x Average capital employed
[2] (EBIT + Interest on liquidity - 25% taxes) / Average capital employed

Employees

With more than 124,000 employees around the world, the Lufthansa Group is one of the largest German employers. Promotion of diversity strengthens competitiveness. Hierarchies within the Lufthansa Group are being reduced. Development of corporate and leadership culture are key issues. Modernisation of wage agreements remains paramount.

More employees in the Lufthansa Group
At year-end 2016, the Lufthansa Group had a total of 124,306 employees worldwide (previous year: 120,652), of which 68,181 were employed in Germany (previous year: 66,920). This means that the Lufthansa Group is still one of the biggest employers in Germany. At the same time, it is a global company, with 56,125 employees in 85 countries outside Germany (previous year: 53,732).

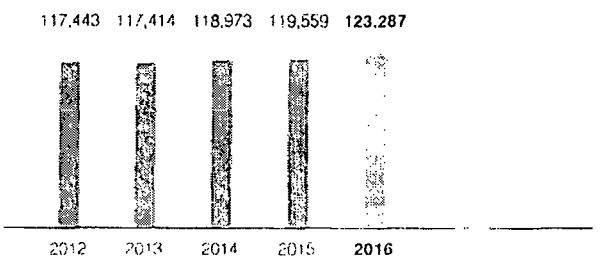
Employees as of 31.12.2016

		2016	2015	Change in %
Group employees	number	124,306	120,652	3.0
of which Passenger Airline Group	number	54,308	55,255	-1.7
of which Logistics	number	4,568	4,607	-0.8
of which MRO	number	20,839	20,661	0.9
of which Catering	number	35,530	34,310	3.6
of which Other	number	9,061	5,819	55.7
Revenue per employee [1]	€ thousands	255	266	-4.1
Revenue per full-time equivalence	€ thousands	297	309	-4.0

[1] Previous year's figures have been adjusted

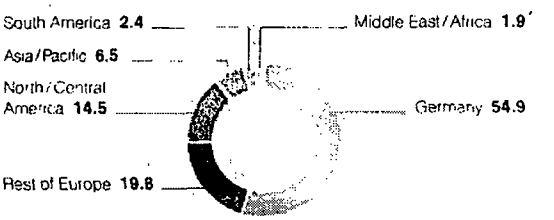
As of the reporting date, the average age of the workforce was 42.2 years (previous year: 42.3) and average seniority was 14.7 years (previous year: 14.9). 27.4 per cent of staff worked part-time in 2016. Personnel turnover climbed by 1.1 percentage points to 13.7 per cent.

Employees average number



In the reporting year, the Lufthansa Group offered more than 45 different recruitment channels around the world for school and university students. As of year-end, 1,178 apprentices were employed in the Lufthansa Group's 27 occupations.

Employees by region in %



Promotion of diversity continues
The Lufthansa Group takes a comprehensive approach to diversity and believes that diversity of gender, demography and nationality contribute to broadening perspectives and to making the Company more competitive.

In accordance with the law on the equal involvement of women and men in management positions in the private and public sectors, the Lufthansa Group defined target quotas in 2015. As of year-end 2016, the proportion of women on the Group's first management level came to 9.7 per cent (target: 10.5 per cent), and on the second management level to 17.3 per cent (target: 17.9 per cent).

As of 31 December 2016, women made up 10.1 per cent of the first management level (target: 11.4 per cent) and 25.5 per cent of the second management level (target: 23.7 per cent) of Deutsche Lufthansa AG. Wide-ranging reorganisational measures throughout the entire Lufthansa Group have led to a shift of management positions between the two management levels. At the same time, a large proportion of management positions have been newly filled, during the process of which women were specifically addressed and considered for selection. Although the targets set for the first management level have not been achieved at present, the commitment to increase the proportion of women at all management levels remains in focus.

Due to the vacant CFO position, the quota of women on the Executive Board of Deutsche Lufthansa AG came to 25 per cent as of 31 December 2016 (target: 30 per cent); when Ulrik Svensson joined on 1 January 2017, it came to 20 per cent. Report of the Supervisory Board, p. 4ff.

Deutsche Lufthansa AG meets the criteria for the composition of the Supervisory Board, which provide for a respective proportion of women and men of at least 30 per cent

Targets for the proportion of women have again been adopted for Deutsche Lufthansa AG for a time limit of five years until 31 December 2021. The target of 30 per cent has been set for the Executive Board, and for management levels 1 and 2 below the Executive Board, targets of 20 and 30 per cent respectively have been set.

Culture and leadership remain core elements, also in the scope of reorganisation

Since 2012, the Lufthansa Group has launched targeted initiatives to change the corporate and leadership culture throughout the Group. In the reporting year, for example, the performance-related variable remuneration was separated from the individual assessment process. Instead, the economic performance of the Group and of the respective business segment has been defined as the sole relevant performance indicator, in order to put greater emphasis on the value of teamwork.

New opportunities for individual further training were created at the Lufthansa Group Campus in the reporting year, specifically for developing managers. A system is in place to accompany managers when they take on their new roles and they are supported by means of specific team development activities.

The Lufthansa Group is being reorganised along process lines, with responsibilities being pooled and hierarchies reduced. Three Leadership Circles have been introduced successively since 1 January 2016 to replace the four management levels beneath the Executive Board. In the reporting year, the number of management positions across the Group was reduced.

Development of collective bargaining structures pushed forward

The Lufthansa Group aims to conclude long-term, economically viable agreements with its collective bargaining partners. These enable sustainable success, as well as predictability and security for both the Company and its employees.

In July 2016, a long-term agreement with terms until the end of 2023, among others, was signed with the German flight attendants' union UFO. It includes an agreement on a new system of retirement and transitional benefits, an employment guarantee for cabin crew and innovative cost monitoring for sustainable reductions in unit costs. A new pay structure dependent on qualifications was also drawn up for cabin crew. The finalisation of individual elements of the agreements is to be concluded in 2017. Lufthansa Passenger Airlines, p. 43f.

Negotiations continued in the reporting period on new terms for the outstanding collective agreements on pay and benefits for the about 5,400 cockpit staff at Lufthansa Passenger Airlines, Lufthansa Cargo and Germanwings. In particular, the Lufthansa Group wants to modernise the system of benefits for cockpit staff together with the trade union and to reach an agreement on this basis in 2017. On 15 February 2017, the Lufthansa Group and the Vereinigung Cockpit pilots' union (VC) initially accepted the arbitration proposal concerning the wage agreement. Lufthansa Passenger Airlines, p. 43f.

The Lufthansa Group's operating margin, which still formed the basis for paying cockpit staff's variable remuneration in the 2016 financial year, was 4.5 per cent in 2016, as in the previous year.

Corporate responsibility

Practising corporate responsibility is a key concern for the Lufthansa Group. Comprehensive sustainability agenda sets priorities for action. Sustainable business is an integral part of Group management. Lufthansa Group is committed to the principles of the UN Global Compact. Focus on improving the environmental impact.

Sustainable business forms the basis for commercial success
The Lufthansa Group aims to act sustainably and responsibly in all areas of its business. To achieve this, it has drawn up a comprehensive sustainability agenda comprising the following topics:

Corporate responsibility at the Lufthansa Group

The principles of sustainable business form an integral part of Group management
The Lufthansa Group applies a value-based management system to lead and manage the Company. This approach is an integral part of all planning, management and controlling processes. The demands made of the Company by shareholders in terms of an appropriate return on capital and sustainable capital appreciation are firmly embedded in the system of corporate management. The objective is to create sustainable value across economic cycles. Management system and supervision, p. 18. To safeguard its economic success, the Lufthansa Group also identifies and manages the main opportunities and risks for the Company as part of a structured opportunity and risk management system. Opportunities and risk report, p. 57ff

Corporate governance and compliance programmes established for sound company management
The Lufthansa Group is committed to the principles of the UN Global Compact, the world's largest initiative for responsible company management, as well as to the recommendations of the German Corporate Governance Code. Aspects of corporate responsibility, among other things, are integrated into the Group's purchasing policy. When selecting its suppliers, the Lufthansa Group pays attention to sustainability and calls on suppliers to comply with the ten principles of the UN Global Compact, for example, and to acknowledge the Lufthansa Group's environmental guidelines. The Lufthansa Group's corporate social responsibility is also reflected in its corporate compliance policy. Corporate Governance, p. 75ff.

Target of improving the environmental impact
The Lufthansa Group pursues a strategic environmental programme. Its main fields of action are the improvement of fuel efficiency, the reduction of emissions, active noise abatement, energy and resource management and investment in research. Figures for noise emissions as well as the consumption of energy and kerosene are systematically gathered and regularly analysed in order to devise and implement concrete measures for further improvement.

The Lufthansa Group's commitment to active noise abatement is based on five main points:

- investment in modern and therefore quieter aircraft,
- retrofitting the existing fleet to reduce noise,
- noise research generally,
- developing take-off and approach procedures to reduce noise together with system partners and
- dialogue with residents near airports and other interest groups.

Fuel economy in flight operations is a key success factor for the Lufthansa Group, both from an economic and an ecological perspective, and it is an area that is being continuously invested in. Also relevant is support for research into alternative fuels, as well as their testing and use.

For more than twenty years, the Lufthansa Group has been involved in climate research and has supported research projects to observe the earth's atmosphere. The projects provide more precise information on changes in the composition of the atmosphere and so enable more accurate weather and climate forecasts. The Lufthansa Group currently has three aircraft that collect global data on atmospheric trace elements and cloud particles at cruising altitude.

Social responsibility is practised comprehensively
Committed and qualified staff are indispensable in the service industry. So for the Lufthansa Group, it is vital to reinforce the commitment of its employees, to have a modern human resources strategy, to offer tailor-made training courses and to take steps to make it even more attractive as an employer. Among other things, the Lufthansa Group has continued to make it easier to strike a balance between work and family life by creating individual part-time working models. When steps to adjust staff capacities become necessary, the Lufthansa Group ensures that its actions are socially responsible.

Lufthansa Group assumes complete responsibility for product portfolio
For the commercial success of the Lufthansa Group, it is of fundamental importance to offer a premium product. To achieve this, it is vital to keep increasing customer satisfaction and, above all, to implement measures that provide for the comfort and safety of passengers, crew and staff. This includes the protection of personal data. Concrete customer satisfaction targets are incorporated into managers' remuneration via a system of key performance indicators.

Lufthansa Group is committed to social issues
The Lufthansa Group stands for responsible mobility, networking and global connections. Many activities in the field of social responsibility aim to help less privileged people and to have a direct impact on society. In 2016, the Lufthansa Group took a long, hard look at how to keep developing its social commitment. A prerequisite for this was the transformation of the Help Alliance e.V. employee initiative into a non-profit GmbH (limited liability company) at the beginning of 2017.

In situations of acute crisis, the Lufthansa Group helps by providing emergency relief that corresponds to real needs. The Group continued its work to support refugees in various projects and initiated aid projects abroad in addition to its long-term integration projects in Germany. Via the partnerships with the "Aktion Deutschland Hilft" emergency aid alliance and the German Red Cross, Lufthansa Cargo is also a partner to renowned aid organisations, who can deploy Lufthansa Cargo's logistics expertise directly when providing emergency aid. Cargo Human Care is a humanitarian and medical aid project in Kenya operated by the staff of Lufthansa Cargo in cooperation with doctors.

Cultural sponsorship at the Lufthansa Group involves support for selected orchestras and concerts. In terms of sports sponsorship, the focus is on the partnership with the Deutsche Sporthilfe foundation, the German Olympic Sports Confederation and the National Paralympic Committee Germany. In the environmental area, the Lufthansa Group supports the protection of cranes, and has been a partner of Crane Conservation Germany for 25 years. Further information on the topic corporate responsibility can be found on our website www.lufthansagroup.com/responsibility and in our "Balance" sustainability report.

Research and development

The Lufthansa Group and its companies work continuously – both individually and across business segments – on innovative products and research and development projects. In some cases these activities are coordinated centrally. However, most are run separately in the individual segments, as they focus on different areas

The activities to develop new services and products are described in the chapter → Corporate responsibility, p. 21f., and in the chapters on the individual → Business segments, p. 40ff.

Economic report

Macroeconomic situation

- Global economic growth weaker than in the previous year, at 2.5 per cent.
- German economy expands by 1.8 per cent, in line with Europe as a whole.
- No clear trend in the euro's performance against other relevant currencies.
- Interest rates remain at a low level. Oil prices increase again at the end of 2016.

Global economic growth slower than the previous year
Global economic growth in 2016 fell year on year from 2.8 to 2.5 per cent, due to numerous political conflicts and crises. The only region to break this trend, with virtually unchanged growth, was Asia/Pacific. It grew by 4.7 per cent in 2016 (previous year: 4.8 per cent), despite the fact that, at 6.7 per cent, economic growth in China was down on the previous year's 6.9 per cent. In Europe, the economy expanded by 1.8 per cent (previous year: 2.3 per cent). With growth of 1.8 per cent (previous year: 1.5 per cent), the economic performance in Germany was on a par with the growth rate for Europe as a whole. Economic growth in North America fell to 1.6 per cent (previous year: 2.5 per cent). In South America, the economy shrank by 1.1 per cent (previous year: −0.2 per cent).

GDP development

in %	2016*	2015	2014	2013	2012
World	2.5	2.8	2.6	2.6	2.6
Europe	1.8	2.3	1.8	0.7	−0.1
Germany	1.8	1.5	1.6	0.6	0.7
North America	1.6	2.5	2.4	1.8	2.2
South America	−1.1	−0.2	1.0	2.9	2.7
Asia/Pacific	4.7	4.8	4.7	5.1	4.8
China	6.7	6.9	7.3	7.8	7.3
Middle East	2.5	2.3	2.5	2.4	[illegible]
Africa	3.8	3.2	2.6	1.9	5.4

Source: Global Insight World Overview as of 15.1.2017
* Forecast

No clear trend in exchange rate developments
Compared with the average rates in the previous year, the performance of the euro against various other currencies was mixed in 2016. The average exchange rate against the US dollar was 0.3 per cent down on the previous year. Following the UK's referendum on leaving the EU, the euro appreciated by an average of 12.5 per cent against the British pound in the second half of the year. The euro likewise gained in value against the Chinese renminbi and the Swiss franc, by 5.4 and 2.1 per cent respectively. Against the Japanese yen, the euro fell by 10.6 per cent.

Currency development EUR 1 in foreign currency

	2016	2015	2014	2013	2012
USD	1.1063	1.1093	1.3263	1.3279	1.2851
JPY	120.05	134.25	140.33	129.41	102.49
CHF	1.0899	1.0675	1.2145	1.2306	1.2052
CNY	7.3491	6.9697	8.1742	8.1632	8.1111
GBP	0.8168	0.7259	0.8059	0.8489	0.8109

Source: Bloomberg, annual average daily price

Short and long-term interest rates continue to fall
Short-term interest rates in the euro area fell even further in 2016 compared with the previous year. The average 6-month Euribor was −0.17 per cent (previous year: 0.05 per cent). For long-term funding, the average 10-year euro swap fell year on year from an average of 0.88 per cent to 0.53 per cent. The discount rate, which is particularly important for measuring pension obligations and which is derived from the average return on a basket of investment-grade rated corporate bonds, fell from 2.8 to 2.[illegible] per cent in the financial year 2016.

Interest rate development in %

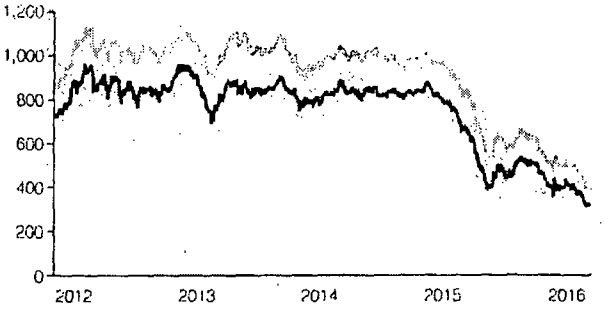
Instrument	2016	2015	2014	2013	2012
6-month Euribor	−0.17	0.05	0.34	0.34	0.63
6-month Euribor Year-end level	−0.22	−0.04	0.17	0.59	0.32
10-year euro swap	0.53	0.88	1.46	1.91	1.96
10-year euro swap Year-end level	0.06	1.00	0.61	2.16	1.57

Source: Bloomberg

Oil prices increased again at the end of 2016
In the first half of 2016, the average price for a barrel of Brent Crude was USD 41.20, which represents a drop of 30.5 per cent on the price for the same period in 2015. The price then climbed in the second half of the year, when a barrel of Brent Crude cost an average of USD 49.04. The average price over 2016 as a whole was USD 45.15/barrel, or around 15.9 per cent less than in the previous year. On 31 December 2016, a barrel of Brent Crude cost USD 56.82 (year-end 2015: USD 37.28).

The jet fuel crack, the price difference between crude oil and kerosene, moved between USD 5.18/barrel and USD 12.12/barrel in 2016. On average over the year, it traded at USD 8.46/barrel and thus 32.8 per cent lower than in the previous year. The price at year-end was USD 10.06/barrel (year-end 2015: USD 6.47/barrel).

Price development of crude oil and kerosene in USD/t



Source: Lufthansa, based on market data

Sector developments

Air transport remains a growth industry. Revenue passenger-kilometres up worldwide by 6.3 per cent. Modest increase in profitability of global airline industry. Airfreight performs less well than passenger traffic. The demand for services in the aviation industry increases.

The development of the airline industry affects the performance of all the segments in the Lufthansa Group: directly, in the case of the airlines in the Passenger Airline Group and indirectly, via the impact on demand from key customer groups for the service companies.

Global airline industry anticipates slight increase in earnings
The International Air Transport Association (IATA) recently reduced its forecast for 2016 and now expects a net profit for the global airline industry of USD 35.6bn (previous year: USD 35.3bn). European airlines are forecast to generate a net profit on par with last year of USD 7.5bn. The highest net profit of all regions is again expected for North American carriers, with a total of USD 20.3bn (previous year: USD 21.5bn).

Continued growth in passenger traffic
Ongoing global economic growth had a positive impact on worldwide demand for air travel. According to figures from the IATA, revenue passenger-kilometres went up year on year by 6.3 per cent in 2016. Air transport remains a growth industry, with an average growth rate in revenue passenger-kilometres of around 6.0 per cent between 2012 and 2016.

Regional differences persisted last year. Airlines from the Middle East continued to record the fastest growth in revenue passenger-kilometres, at 11.2 per cent, followed by carriers from Asia/Pacific, with 9.2 per cent, and Africa, with 6.5 per cent. European airlines sold 4.6 per cent more passenger-kilometres. This slower growth is largely due to lower demand from private travellers from Asia and North America on routes to Europe, as well as to the political situation, which is generally perceived to be uncertain. Latin American airlines reported sales growth of 3.6 per cent. Airlines from North America expanded by 3.2 per cent. According to the Federal Association of the German Aviation Industry (BDL), sales for airlines in Germany rose overall by 1.4 per cent.

Decline in yields
Global yields in passenger traffic continue to decline. IATA estimates put the drop at 8.0 per cent for 2016, partly because airlines passed on their much lower fuel costs to their customers.

Sales performance in the airline industry 2016

in % compared with previous year	Revenue passenger-kilometres	Cargo tonne-kilometres
Europe	4.6	7.6
North America	3.2	2.0
Central and South America	3.6	4.2
Asia/Pacific	9.2	2.1
Middle East	11.2	6.9
Africa	6.5	3.1
Industry	**6.3**	**3.8**

Source: IATA Air Passenger/Air Freight Market Analysis 12/2016.

Global markets vary
The European market for air travel remains highly fragmented. The five biggest airline groups – Lufthansa Group, Air France-KLM, International Airlines Group (IAG), Ryanair and easyJet – have a cumulative market share of 46 per cent.

Low-cost airlines are still pushing into the higher-value business travel segment, both by offering flights to primary and secondary airports and by adapting their products and distribution channels to specific target groups. Ryanair recently announced that it would start flying to Lufthansa Passenger Airlines' home airport in Frankfurt. The growth of the low-cost carriers and competition in this segment is increasingly to the detriment of transfer traffic at the hubs. This puts severe structural pressure on the airlines in the Passenger Airline Group, which have a relatively high proportion of transfer passengers for the industry.

In North America, the market consolidation and the capacity discipline of the remaining players continues to pay off. On long-haul routes between Europe and North America, the three large, commercial joint ventures, including the leading A++ commercial joint venture of which the Passenger Airline Group is a member, have a market share of around 81 per cent. New competitors are expected to grow particularly strongly in future.

Long-haul connections between Europe and Asia are still highly competitive. This traffic region is characterised by overcapacities, caused partly by the unremitting growth of the state-owned carriers from the Gulf region. Most recently, these carriers announced plans to reduce their capacity growth. Furthermore, there is an increasing number of commercial joint ventures between leading European and Asian airlines, which have a controlling effect on capacity development in line with experience. From this perspective, an improvement in the competitive situation certainly feels possible. These developments will not be enough in the short term, however, to considerably reduce the existing overcapacities. This puts a burden on yields for the Passenger Airline Group and limits growth opportunities, especially in south-east Asia.

Airfreight performs less well than passenger traffic
Global cargo tonnage rose by 3.8 per cent in 2016. This meant that growth in the global freight business lagged behind that of the passenger business. Regional developments varied. Cargo airlines from Europe reported the fastest growth, at 7.6 per cent, followed by providers from the Middle East, at 6.9 per cent. Cargo airlines from Africa grew by 3.1 per cent, airlines from Asia/Pacific by 2.1 per cent and North American airlines by 2.0 per cent. Providers from Latin America saw business decline by 4.2 per cent. Yields continued to decline in global airfreight traffic as a result of structural overcapacities and the below-average development of global trade – IATA puts the decline at 12.5 per cent in 2016.

Competition in the global airfreight market remains intense. Lufthansa Cargo's competitors are other airlines with significant freight capacities in their long-haul passenger fleets, as well as airlines with a mix of cargo and passenger aircraft and pure freighter operators. Carriers from the Middle East and the Gulf region, in particular, increased their freight capacities significantly in connection with the growth of their passenger fleets.

MRO industry benefits from growth in air traffic
Growth in global air traffic also increases demand for other aviation services. The aircraft maintenance, repair and overhaul (MRO) business performed well in 2016. The market is expected to grow by 4 per cent a year until 2026 to reach a total volume of USD 99bn. In terms of MRO demand, the Asia/Pacific region is forecast to grow the fastest. Despite this, North America will remain the largest single market. Continued low oil prices could also have a positive effect on demand for MRO services, because airlines may increase the size of their fleets or use less fuel-efficient aircraft for longer than planned. Increasing MRO capacities, the tense financial situation of many airlines and the rising number of low-cost providers mean that pricing pressure in the MRO business remains high, however.

Lufthansa Technik's main competitors are aircraft, engine and component manufacturers, original equipment manufacturers (OEMs), the MRO operations of other airlines as well as independent providers. The OEMs in particular want to expand their share in the maintenance business due to the higher development costs and lower share of profit from aircraft sales. They try to make it difficult for independent MRO providers to gain access to intellectual property and pursue highly restrictive licensing policies.

Growth in airline catering market weaker than in passenger traffic
LSG group's market and competitive environment is still defined by consolidation among customers and competitors as well as by the rapid growth of airlines from Asia and the Middle East. Increases in passenger numbers are only partly reflected in higher demand for in-flight service concepts. This is largely due to the particularly strong growth of low-cost airlines and to the increasing trend among network airlines to switch their service concepts to in-flight sales programmes.

Furthermore, the airlines are increasingly outsourcing individual service packages – such as production, packaging and delivery – to different suppliers. This significantly reduces the barriers to entry for those providers, especially food producers and logistics companies, and puts the LSG group under high competitive pressure. Severe pricing pressure results from these overcapacities, primarily in the mature European catering markets, and from competition between airlines.

Course of business

✈ Lufthansa Group achieves a good result. / Successful capacity and management measures as well as falling costs secure the result in a difficult environment. / Strategic agenda is successfully implemented through commercial joint venture agreements and the exploitation of external growth opportunities, among others. / The Company is in a better position than a year ago. / All operating segments are profitable, with the exception of Logistics.

Overview of the course of business

Lufthansa Group again achieves a good result in a very demanding environment

The Lufthansa Group's earnings performance in 2016 was satisfactory. At the end of the year, the Company was in a better economic position than twelve months before, which is reflected in particular in a stronger balance sheet and lower costs, forward-looking commercial joint venture agreements and the exploitation of external growth opportunities by means of wet leases from Air Berlin and the acquisition of Brussels Airlines.

Lower fuel costs and continuing cost reductions at the airlines have all helped to offset the poor performance of unit revenues in this segment. The environment was dominated by great geopolitical uncertainty, caused by the Brexit vote in June 2016, for example, as well as several terrorist attacks in Europe over the course of the year.

Under these circumstances, the Lufthansa Group once again proved that it has a very robust business model thanks to its broad positioning and its ability to manage traffic flows flexibly across the airlines' global network. The margin was therefore maintained at roughly the previous year's record level, despite the adverse effects on demand. However, the ongoing and significant decline in currency-adjusted unit revenues at the airlines shows that to stabilise this level of earnings requires continual action, also at a structural level if necessary.

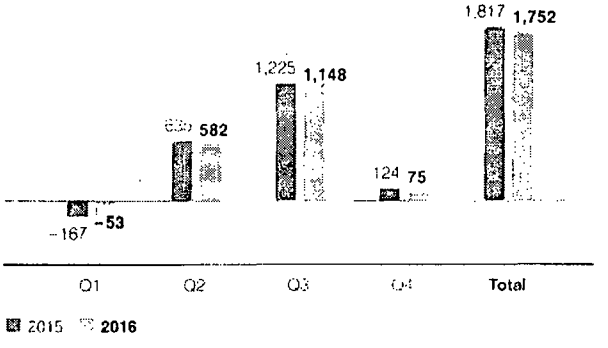
Seasonal business varies significantly

In the first quarter of the 2016 financial year, all of the segments performed robustly and in line with forecasts, apart from the Logistics segment. The earnings increase at the Passenger Airline Group was largely influenced by lower fuel costs and the absence of non-recurring expenses from the previous year. Unit costs fell significantly. Lufthansa Passenger Airlines, Austrian Airlines and the Other segment reported a positive earnings development. Free cash flow and Adjusted EBIT were both up on the previous year. The equity ratio declined due to a lower discount rate, which increased pension liabilities.

Lufthansa Passenger Airlines and the Other segment increased their earnings again in the second quarter. Earnings at the other companies and operating segments were down. Repeated terrorist attacks in Europe and the Brexit vote caused uncertainty at the passenger airlines and led to a significant fall in tourist demand on long-haul connections from Asia and North America to Europe. In view of this, the Lufthansa Group reduced its forecast for the year when it published its quarterly figures. Free cash flow was again up on the year in the second quarter. The equity ratio declined again due to a lower discount rate.

In the third quarter, the Logistics, MRO and Other segments reported a positive earnings performance. Among the passenger airlines, SWISS and Austrian Airlines were able to increase their earnings. Lufthansa Passenger Airlines was unable to match its record result in the same quarter of the previous year. Nonetheless, business performed much better than had previously been expected. The management and capacity measures taken before the summer had an effect. Unit costs were also successfully reduced once more, and it was possible to raise the earnings forecast again. Free cash flow was still up on the previous year. Although the discount rate fell slightly, the equity ratio improved thanks to the successful agreement on principle with the flight attendants at Lufthansa Passenger Airlines.

Adjusted EBIT development by quarter in €m



In the fourth quarter, the operating segments did not materially improve their results. Among the passenger airlines, Lufthansa Passenger Airlines and SWISS increased their earnings. After adjusting for exchange rates and fuel prices, unit costs fell at all of the airlines. This effect was particularly strong at Lufthansa Passenger Airlines, which benefited from lower MRO expenses and staff costs, and at Eurowings, which recorded strong capacity growth. Despite the decline, Lufthansa Cargo was again able to record a positive result, which was partly due to greater demand. Lufthansa Technik reported a fall in earnings. Lower income from business with Group companies could not be made up for by higher revenue with external companies. The result was also adversely affected by restructuring costs in the fourth quarter. The LSG group improved its earnings, despite expenses for severance payments that were recognised in the fourth quarter. Free cash flow improved The equity ratio climbed significantly, largely due to the higher discount rate.

"7to1 – Our Way Forward" – two successful years
The "7to1 – Our Way Forward" strategic programme initiated in 2014 covers seven action areas aimed at making "Lufthansa – First choice for customers, employees, shareholders and partners". Two years after the programme was launched, a large number of measures have already been put into practice in the individual areas of action and key targets have been reached.

Wet lease signed between Eurowings, Austrian Airlines and Air Berlin
On 16 December 2016, the Lufthansa Group and Air Berlin PLC signed an agreement for the use by the Group companies Eurowings and Austrian Airlines of 38 aircraft managed by the Air Berlin group on a wet-lease basis. In connection with this, a code-share agreement was also signed with the Etihad Aviation group. → Business segment Passenger Airline Group, p. 40ff.

Lufthansa Group acquires entirety of Brussels Airlines
Deutsche Lufthansa AG exercised its call option to acquire the remaining 55 per cent of the shares in SN Airholding, the parent company of Brussels Airlines, in December 2016. The transaction was completed in early January 2017. The acquisition of Brussels Airlines and the wet-lease agreement with Air Berlin significantly strengthen Eurowings' position as a leading point-to-point airline in its home markets and make it the number three in European point-to-point traffic. → Business segment Passenger Airline Group, p. 40ff.

Commercial joint venture agreed with Air China
The Lufthansa Group and Air China signed a wide-ranging partnership agreement on 20 September 2016. It forms the basis for the two airline groups to offer connections between Europe and China as part of a commercial joint venture → Business segment Passenger Airline Group, p. 40ff

Lufthansa Group receives new aircraft
The airlines in the Passenger Airline Group integrated new aircraft into their fleets last year. Lufthansa Passenger Airlines became the first airline in the world to put an Airbus A320neo into service At the end of the year, Lufthansa Passenger Airlines took delivery of its first A350. Deliveries of the Bombardier C Series and the replacement of the A340 by the Boeing 777 began at SWISS. As in 2015, Austrian Airlines continued to integrate the new Embraer jets into its fleet. → Business segment Passenger Airline Group, p. 40ff

Successful arbitration with the flight attendants' union
Lufthansa Passenger Airlines and the UFO flight attendants' union settled their collective bargaining dispute in early July 2016. This made it possible to move cabin crew at Lufthansa Passenger Airlines from a defined-benefit to a defined-contribution pension system and to establish a long-term collective agreement. → Lufthansa Passenger Airlines, p. 43f.

Arbitration with Vereinigung Cockpit pilots' union reaches agreement on pay
On 15 February 2017, the Lufthansa Group and the Vereinigung Cockpit pilots' union (VC) accepted the arbitration proposal concerning the wage agreement. Last year, strikes in the course of collective bargaining caused 4,581 flight cancellations, affecting some 389,000 passengers. Overall, strike action cut earnings for the Passenger Airline Group by around EUR 100m in 2016.
→ Lufthansa Passenger Airlines p. 43f

Aviation services companies expand their portfolios and implement efficiency measures
Lufthansa Technik and the LSG group built on their market positions in the reporting year. Lufthansa Technik acquired the English company FlyDocs and signed an agreement with GE Aviation to establish a cutting-edge overhaul facility for the new GEnx-2B and GE9X engine models. The joint venture is due to start operations in 2018. → Business segment MRO, p. 51ff. The LSG group completed the full acquisition of the companies Retail inMotion and Media inMotion, which specialise in in-flight sales and entertainment programmes, as of 1 February 2016. The LSG group had held stakes in the two companies since 2013. → Business segment Catering, p 54f.

At the same time, the aviation services companies are implementing individual efficiency measures. In view of the persistently difficult market environment, Lufthansa Cargo intends to cut its annual staff costs by at least EUR 80m by 2018 as part of a strategic cost-cutting programme. Lufthansa Technik will discontinue the overhaul of commercial aircraft at the plant in Hamburg in the course of 2017 and move the work abroad. The LSG group will adjust its network of plants in Europe due to changing demand.

New Executive Board members appointed
As of 1 January 2017, Ulrik Svensson, former CEO of Swedish company Melker Schorling AB and former CFO of SWISS International Airlines, was appointed to the Executive Board as Chief Financial Officer until 31 December 2019. He succeeds Simone Menne, who left the Company at her own request as of 31 August 2016.

As of 1 May 2017, Thorsten Dirks, former CEO of Telefónica Deutschland AG, was appointed to the Executive Board of Deutsche Lufthansa AG for three years, with responsibility for Eurowings and Aviation Services. He succeeds Karl Ulrich Garnadt, who will step down from the Executive Board when he reaches retirement age and once his appointment comes to an end on 30 April 2017.

Events after the balance sheet date

Deutsche Lufthansa AG becomes sole shareholder of the Brussels Airlines group
Deutsche Lufthansa AG acquired the remaining 55 per cent of the shares in SN Airholding SA/NV with effect from 9 January 2017, and is therefore the sole shareholder of the Brussels Airlines group. The acquisition is based on the purchase and option agreement dating from 2008. The option was exercised on the basis of a new agreement between the previous shareholders and Lufthansa, dated 15 December 2016, which set the strike price for the remaining shares at EUR 2.6m. Brussels Airlines will be fully consolidated in the new Point-to-Point segment. Notes to the consolidated financial statements, Note 45; p 162ff

Wet-lease agreement with Air Berlin approved
On 30 January 2017, the German Federal Cartel Office unconditionally approved the wet lease of 38 aircraft agreed between the Lufthansa Group and Air Berlin. In the course of the transaction, the Lufthansa Group will acquire or lease up to 25 A320s from Air Berlin's lessors and will, in turn, itself lease them to Air Berlin for operation at market prices. This is intended to achieve sustainable cost reductions as part of the agreement.

Lufthansa Group and Vereinigung Cockpit pilots' union reach agreement in arbitration
On 15 February 2017, the Lufthansa Group and Vereinigung Cockpit accepted the arbitration proposal concerning the wage agreement. This includes a pay increase of around 8.7 per cent for the 5,400 pilots in the Group wage agreement as well as a one-off payment totalling some EUR 30m. The wage agreements shall run from May 2012 until the end of 2019. The outcome of the arbitration means an increase in remuneration costs for cockpit crew of around EUR 85m per year. Talks with the trade union are to be continued in order to make alternative cost reductions as part of an overall solution. Should a solution not be reached, 40 new aircraft will be staffed by crew not included in the Group wage agreement – contrary to current fleet planning – in order to compensate for the additional costs.

Lufthansa Group and UFO make further progress on benefits system
Up until the end of February 2017, further details on the new system of benefits were set out in the course of concluding collective bargaining for the Lufthansa Passenger Airlines cabin crew and in subsequent talks. It is thereby still assumed that the finalisation of the new regulations will be completed by the end of the first quarter of 2017.

Earnings, assets and financial position

✈ Revenue falls to EUR 31.7bn. / Adjusted EBIT on a par with the previous year at EUR 1.8bn. / Net profit for the period rises to EUR 1.8bn due to non-recurring effects. / Lufthansa Group invests EUR 2.2bn. / Free cash flow climbs to EUR 1.1bn. / Equity ratio improves to 20.6 per cent.

Earnings position

Revenue and income

Table: Revenue and income

	2016 in €m	2015 in €m	Change in %
Traffic revenue*	24,661	25,506	–3.3
Other revenue*	6,999	6,550	6.9
Total revenue	**31,660**	**32,056**	**–1.2**
Changes in inventories and work performed by the entity and capitalised	95	203	–53.2
Other operating income	2,184	2,832	–22.9
Total operating income	**33,939**	**35,091**	**–3.3**

* The figures for the previous year have been adjusted due to the new reporting method.

Operating income in the financial year 2016 came to EUR 33.9bn, a year-on-year decline of 3.3 per cent. Revenue fell by 1.2 per cent to EUR 31.7bn.

Traffic revenue down by 3.3 per cent
Traffic revenue fell by 3.3 per cent overall to EUR 24.7bn. The decline stemmed from lower prices (–5.1 per cent) and negative exchange rate effects (–0.9 per cent), offset by higher sales (2.7 per cent). The Passenger Airline Group segment accounted for the bulk of traffic revenue, contributing 90.2 per cent. Revenue here was 2.4 per cent down on the previous year, at EUR 22.3bn. Revenue increases from higher sales volumes (+2.8 per cent) were more than offset by lower prices (–4.3 per cent) and negative exchange rate effects (–0.9 per cent). The number of passengers climbed by 1.8 per cent to 110 million, while capacity grew by 4.6 per cent. Traffic revenue in the Logistics segment was down

significantly, by 12.7 per cent year on year to EUR 2.0bn. This decline resulted from a steep fall in prices (–11.6 per cent) and negative exchange rate effects (–1.4 per cent), although slightly higher volumes (+0.3 per cent) increased income. Further information on regional distribution of traffic revenue for the Passenger Airline Group and Logistics segments can be found in the chapters Business segments, p. 40ff. and p. 48ff.

Other revenue up by 6.9 per cent
Other revenue went up by 6.9 per cent in total to EUR 7.0bn. Of this, the MRO segment generated EUR 3.5bn (+8.0 per cent), Catering EUR 2.6bn (+6.9 per cent) and Other EUR 271m (+3.4 per cent). The airborne companies in the Passenger Airline Group and Logistics segments contributed a total of EUR 661m (2.3 per cent) to other revenue.

Revenue down by 1.2 per cent
Revenue declined by 1.2 per cent to EUR 31.7bn. The Passenger Airline Group segment's share of total revenue fell to 73.5 per cent (previous year: 74.3 per cent). The Logistics segment contributed 6.5 per cent of total revenue (previous year: 7.3 per cent), the MRO segment 11.1 per cent (previous year: 10.2 per cent), the Catering segment 8.1 per cent (previous year: 7.4 per cent) and Other 0.8 per cent (previous year: 0.8 per cent). Further information on regional distribution of revenue can be found in the Segment reporting, p. 143ff.

Other operating income down by 22.9 per cent
Other operating income fell by EUR 648m to EUR 2.2bn. This stems mainly from lower exchange rate gains (EUR –636m), offset by correspondingly lower exchange rate losses in other operating expenses. Also notable were lower commission income (EUR –35m) and higher income from compensation for damages (EUR +20m). The other individual items did not vary significantly compared with the previous year. Notes to the consolidated financial statements, Note 6, p. 110

Expenses

Operating expenses declined year on year by 5.3 per cent to EUR 31.7bn.

Cost of materials and services down by 3.0 per cent
The cost of materials and services fell by 3.0 per cent to EUR 17.1bn. Within the cost of materials and services, fuel costs declined by 15.5 per cent to EUR 4.9bn. The average price for kerosene, including fuel hedging, was USD 578.41/tonne in 2016. Fuel prices declined by 18.2 per cent (after hedging), but this was partly offset by the rise in the US dollar (+0.6 per cent) and higher volumes (+2.1 per cent). Fuel costs included a negative result of price hedging of EUR 905m (previous year: EUR 988m). Expenses for other raw materials, consumables and supplies were up by 3.8 per cent at EUR 3.3bn.

Fees and charges went up by 1.5 per cent overall to EUR 5.7bn. Specifically, handling charges rose by 3.4 per cent, security fees by 10.6 per cent and passenger fees by 1.9 per cent. Air traffic control charges, which depend on the number of flights, as well as take-off and landing fees fell by 2.7 and 0.7 per cent respectively, however. Expenses for the air traffic tax rose by 3.6 per cent to EUR 379m. Other purchased services were up by 5.4 per cent overall at EUR 3.1bn, in particular due to higher charter expenses (+46.0 per cent).

Staff costs down by 8.9 per cent
Staff costs fell by 8.9 per cent to EUR 7.4bn. While the average number of employees increased by 3.1 per cent (mainly in the Catering segment) to 123,287, the decline is mainly due to a reduction of EUR 652m in past service costs as a result of the adjustments made to the retirement and transitional benefits for cabin crew at Lufthansa Passenger Airlines. Expenses were also reduced by positive exchange rate effects and lower additions to pension provisions as a result of the increase in the discount rate to 2.8 per cent, from 2.6 per cent at the beginning of the year.

Expenses

	2016 in €m	2015 in €m	Change in %	Share of operating expenses in %
Cost of materials and services	17,109	17,640	–3.0	53.9
of which fuel	4,885	5,784	–15.5	15.4
of which fees and charges	5,736	5,651	1.5	18.1
of which operating lease	58	50	16.0	0.2
Staff costs	7,354	8,075	–8.9	23.2
Depreciation	1,769	1,715	3.1	5.6
Other operating expenses	5,517	6,106	–9.6	17.3
of which sales commissions paid to agencies	316	332	–4.8	1.0
of which indirect staff costs and external staff	1,078	1,041	3.6	3.4
of which rental and maintenance expenses	888	878	1.1	2.8
Total operating expenses	**31,749**	**33,536**	**–5.3**	**100.0**

Depreciation and amortisation up by 3.1 per cent
Depreciation and amortisation climbed by 3.1 per cent to EUR 1.8bn. Depreciation of aircraft increased by 1.4 per cent to EUR 1.3bn. Impairment losses of EUR 183m in total were also recognised as of 31 December 2016 (previous year: EUR 159m).

Impairment losses on aircraft of EUR 127m related to seven Airbus A340-600s, seven Boeing 737-300s, two CRJ 900s and three Boeing MD-11Fs held for sale. Impairment losses of EUR 37m in total were also recognised on other items of property, plant and equipment due to weaker performance at some business units in the Catering segment (especially catering plants at Frankfurt Airport and in Turkey). A loan to Lufthansa Super Star GmbH was also written down by EUR 14m.

Other operating expenses included a further EUR 21m in impairment losses on assets held for sale. These related to four of the seven A340-600s and the seven B737-300s mentioned above.

Other operating expenses down by 9.6 per cent
Other operating expenses fell by 9.6 per cent to EUR 5.5bn. The main reason for the decline was much lower exchange rate losses (EUR −696m), offset by lower exchange rate gains in other operating income. Including exchange rate effects in the primary items of income and expense, exchange rate movements had a negative impact on EBIT of EUR 103m overall. Also notable were higher costs for computerised distribution systems (EUR +38m), higher indirect staff costs (EUR +37m) and higher expenses for advertising and sales promotion (EUR +29m). The individual other items did not vary significantly compared with last year.

Earnings development

EBIT up to EUR 2.3bn
The result from operating activities improved year on year by EUR 635m to EUR 2.2bn. Including the result from equity investments of EUR 85m, EBIT came to EUR 2.3bn.

Reconciliation of results

in €m	2016 Income statement	2016 Reconciliation with Adjusted EBIT	2015 Income statement	2015 Reconciliation with Adjusted EBIT
Total revenue	**31,660**	–	**32,056**	–
Changes in inventories	95	–	203	–
Other operating income	2,184	–	2,832	–
of which book gains et al	–	−64	–	−53
of which write-ups on capital assets	–	−10	–	8
of which badwill	–	7	–	–
Total operating income	**33,939**	**−76**	**35,091**	**−61**
Cost of materials and services	−17,109	–	−17,640	–
Staff costs	−7,354	–	−8,075	–
of which past service costs/settlements	–	−678	–	25
Depreciation	−1,760	–	−1,715	–
of which impairment losses	−2	183	–	159
Other operating expenses	−5,517	–	−6,106	–
of which impairment losses on assets held for sale	–	22	–	4
of which expenses incurred from book losses	–	20	–	14
Total operating expenses	**−31,749**	**−447**	**−33,536**	**202**
Profit/loss from operating activities	**2,190**	–	**1,555**	–
Result from equity investments	85	–	121	–
EBIT	**2,275**	–	**1,676**	–
Total from reconciliation with Adjusted EBIT	–	−523	–	141
Adjusted EBIT	–	**1,752**	–	**1,817**
Write-downs (included in profit from operating activities)	1,769	–	1,715	–
Write-downs on financial investments (including at equity)	21	–	4	–
EBITDA	**4,065**	–	**3,395**	–

Adjusted EBIT roughly on a par with the previous year at EUR 1.8bn

To calculate Adjusted EBIT, EBIT was adjusted for book gains and losses from the disposal of non-current assets, impairment losses and write-ups, as well as the measurement of pension obligations totalling EUR –523m (previous year: EUR 141m). This produced an Adjusted EBIT of EUR 1,752m (previous year: EUR 1,817m). The Adjusted EBIT margin was 5.5 per cent (previous year: 5.7 per cent). Reconciliation of results.

The Passenger Airline Group increased its Adjusted EBIT by EUR 22m, or 1.5 per cent, to EUR 1.5bn. Adjusted EBIT for the Logistics segment fell by EUR 124m to EUR –50m. The MRO segment reported a fall in earnings of EUR 43m to EUR 411m. The Catering segment generated Adjusted EBIT of EUR 104m, an increase of EUR 5m. The other Group companies, which under IFRS 8 do not require separate reporting, and the Group functions reduced the Group's operating Adjusted EBIT by a total of EUR 236m (previous year: EUR –370m).

Earnings varied significantly over the year in line with the seasonality of the business. The results of the individual business segments in the Group also have their own variations and ranges of fluctuation. The service companies again generated a stable, positive earnings contribution. As in the previous year, the much more volatile earnings of the airlines in a long-term comparison were largely responsible for the good earnings level.

Financial result down to EUR 58m

The financial result fell by EUR 413m to EUR 58m. In addition to a decline of EUR 36m in the result from equity investments to EUR 85m, net interest also fell by EUR 48m to EUR –218m. However, the main driver of the significantly lower financial result overall was the fall in earnings from other financial items (EUR –330m). EUR 503m from the sale of JetBlue shares was recognised here in the previous year. Changes in the market value of financial instruments, considered as trading transactions under IAS 39, resulted in income of EUR 251m in the reporting year (previous year: EUR 161m), offset by expenses of EUR 60m from the measurement of financial liabilities in foreign currencies (previous year: EUR 144m).

Net profit for the period up to EUR 1.8bn

Adding depreciation and amortisation to EBIT of EUR 2.3bn produced EBITDA of EUR 4.1bn (previous year: EUR 3.4bn). The profit from operating activities and the financial result added up to a profit before income taxes of EUR 2.2bn, compared with EUR 2.0bn in the previous year. Deducting income taxes of EUR 445m (previous year: EUR 304m) and earnings attributable to minority interests of EUR 27m (previous year: EUR 24m), the net profit for the period attributable to the shareholders of Deutsche Lufthansa AG was EUR 1.8bn (previous year: EUR 1.7bn).

Earnings per share amount to EUR 3.81 (previous year: EUR 3.67).
Notes to the consolidated financial statements, Note 15, p. 113.

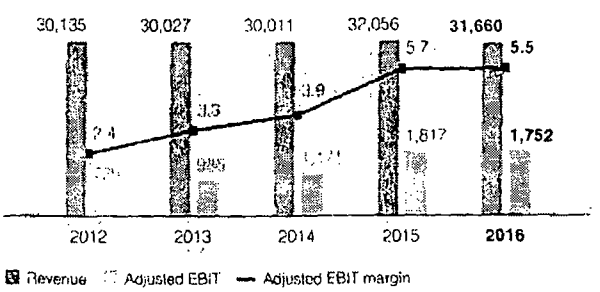
Profit breakdown of the Lufthansa Group

	2016 in €m	2015 in €m	Change in %
Operating income	33,939	35,091	–3.3
Operating expenses	–31,749	33,536	–5.3
Profit from operating activities	**2,190**	**1,555**	**40.8**
Financial result	58	471	–87.7
Profit / loss before income taxes	**2,248**	**2,026**	**11.0**
Income taxes	–445	–304	–46.4
Profit / loss from continuing operations	**1,803**	**1,722**	**4.7**
Profit / loss attributable to minority interests	–27	–24	–12.5
Net profit / loss attributable to shareholders of Deutsche Lufthansa AG	**1,776**	**1,698**	**4.6**

Long-term overview of earnings is volatile

The Lufthansa Group and its business segments operate in a volatile environment, which is severely exposed to economic cycles and other external factors. Despite this, the Company is confident of its ability to generate stable income, even during times of crisis, and to benefit disproportionately from economic upswings. Even in the particularly weak economic phase of 2012, it was able to generate a positive operating result in spite of the difficulties. Earnings for 2013 and 2014 were deflated by many non-recurring factors, which in some cases were necessary to improve productivity for more demanding economic times. In 2015, the Lufthansa Group benefited from much lower fuel costs, among other factors. In 2016, the greater profitability was maintained at the previous year's good level, even in a very demanding environment. This shows the significant progress made by the Company in successfully implementing its strategic agenda in recent years, and above all the successful cost reductions throughout the Group.

Development of revenue, Adjusted EBIT in €m and of the Adjusted EBIT margin in %



Dividend

Executive Board and Supervisory Board propose dividend of EUR 0.50 per share

The Lufthansa Group's dividend policy provides for a dividend ratio of between 10 and 25 per cent of EBIT, as long as a dividend payment is covered by the net profit for the year as shown in the individual financial statements for Deutsche Lufthansa AG drawn up according to the commercial law provisions. They present a net profit for the financial year 2016 of EUR 1.2bn. Following the transfer of EUR 935m to retained earnings, distributable profit comes to EUR 234m. → Financial strategy, p. 13f.

In line with this dividend policy, the Executive Board and Supervisory Board will therefore table a proposal at the Annual General Meeting on 5 May 2017 to distribute this profit to shareholders by paying a dividend of EUR 0.50 per share.

Development of earnings and dividends

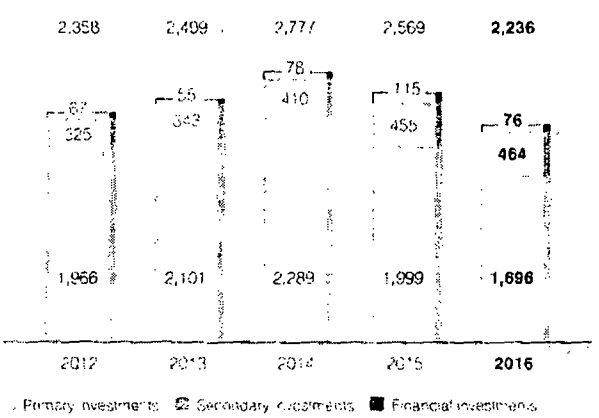
		2016	2015	2014	2013	2012
EBIT	€m	2,275	1,676	1,000	936	1,645
Net profit/loss (Group)	€m	1,776	1,698	55	313	1,228
Net profit/loss (HGB)	€m	1,169	1,034	-732	407	592
Dividend per share	€	0.50	0.50	-	0.45	-
Dividend ratio (based on EBIT)	%	10.3	3.9		22.1	-

Financial position

Capital expenditure

Capital expenditure in 2016 was 13.0 per cent lower than the previous year at EUR 2.2bn.

Primary, secondary and financial investments in €m *



* Excluding acquired net assets from changes in group of consolidated companies

Investment volume

Primary investment in down payments and final payments for aircraft, aircraft overhauls and equipment fell by 15.2 per cent to EUR 1.7bn. Capital expenditure for other items of property, plant and equipment and for intangible assets, known collectively as secondary investment, rose by 2.0 per cent to EUR 464m. Property, plant and equipment, such as technical equipment and machinery, or operating and office equipment, accounted for EUR 345m of the total (previous year: EUR 344m). EUR 119m (previous year: EUR 111m) was invested in intangible assets such as licences and IT software. Financial investments of EUR 76m (previous year: EUR 115m) related mainly to share purchases, loans and investments in fixed-term deposits.

The Passenger Airline Group accounted for the bulk of capital expenditure at EUR 1.9bn (previous year: EUR 2.2bn). Expenses were primarily on new aircraft and down payments for aircraft. → Fleet, p. 14f. This capital expenditure also includes aircraft overhauls and down payments.

Capital expenditure of EUR 29m (previous year: EUR 116m) in the Logistics segment related partly to intangible assets and other items of property, plant and equipment. Capital expenditure of EUR 216m (previous year: EUR 154m) in the MRO segment was partly for the purchase of reserve engines, operating and office equipment, and shares, as well as for the granting of loans. Capital expenditure of EUR 73m (previous year: EUR 148m) in the Catering segment consisted of maintaining existing production facilities and purchasing shares in companies.

Cash flow

Cash flow from operating activities shrank by 4.3 per cent to EUR 3.2bn. Free cash flow increased to EUR 1.1bn due to lower capital expenditure (previous year: EUR 834m).

Cash flow from operating activities down to EUR 3.2bn

The Group's cash flow from operating activities came to EUR 3.2bn, which is EUR 147m, or 4.3 per cent, lower than the previous year's figure. An improvement of EUR 222m was seen initially in the profit before income taxes. This includes positive, non-cash earnings effects of around EUR 1.0bn (previous year: EUR 691m), which led to a year-on-year decline in the result recognised in the cash flow statement of EUR 346m. This primarily related to savings from the restructuring of retirement and transitional benefits for the cabin crew at Lufthansa Passenger Airlines (EUR −652m), lower expenses from the measurement of financial liabilities as of the reporting date (EUR −95m), offset by lower income from the measurement of financial derivatives (EUR +414m). A further reduction in the cash flow from operating activities totalling EUR 295m was the result of changes in trade working capital and in other assets/liabilities. Settling hedging transactions accounted for EUR 150m, and as yet uncleared sales tax assets for EUR 90m. By contrast, cash outflows from income tax payments fell, which benefited the cash flow from operating activities

to the amount of EUR 143m. This was the result of back payments for previous years made in 2015. Negative earnings effects of EUR 129m in total were attributable to investing or financing activities.

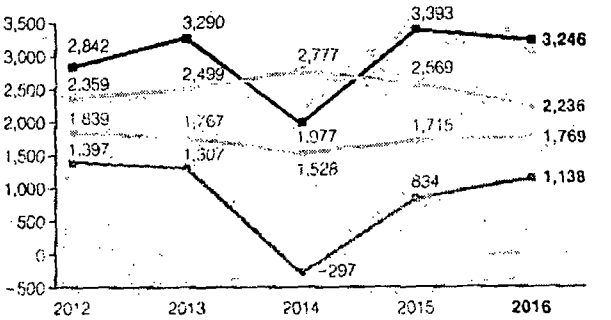
Free cash flow up to EUR 1.1bn

Gross capital expenditure for the Lufthansa Group came to EUR 2.5bn. This included the primary, secondary and financial investment described beforehand as well as repairable spare parts for aircraft. Asset disposals gave rise to income of EUR 94m (previous year: EUR 138m).

Aircraft disposals accounted for EUR 35m, and repayments received for loans for EUR 37m. Interest and dividend income went down by 16.8 per cent to EUR 272m. This brought total net cash used for investing activities to EUR 2.1bn (previous year: EUR 2.6bn).

After deducting this net cash used for investing activities, free cash flow for the financial year 2016 was positive at EUR 1.1bn (previous year: EUR 834m). The internal financing ratio, that is the proportion of capital expenditure financed from cash flow, came to 145.2 per cent (previous year: 132.1 per cent).

Capital expenditure, cash flow from operating activities, depreciation and amortisation and free cash flow in €m



— Capital expenditure (gross)* — Cash flow from operating activities
— Depreciation and amortisation — Free cash flow

* Capital expenditure shown without pro rata profit/loss from the equity valuation.

Abbreviated cash flow statement of the Lufthansa Group

	2016 in €m	2015* in €m	Change in %
Profit/loss before income taxes	2,248	2,026	11.0
Depreciation and amortisation/reversals	1,820	1,790	1.7
Net proceeds on disposal of non-current assets	38	-53	-26.3
Net interest/result from equity investments	133	49	171.4
Income tax payments	-54	-197	-72.6
Significant non-cash expenses/income	-1,037	-691	50.1
Change in trade working capital	-140	251	-44.2
Change in other assets and liabilities	314	720	-56.4
Cash flow from operating activities	**3,246**	**3,393**	**-4.3**
Investments in/additions to repairable spare parts	-2,500	-2,936	-14.9
Purchase/disposal of other non-current assets	120	50	140.0
Dividends and interest received	272	327	-16.8
Net cash from/used in investing activities	**-2,108**	**-2,559**	**-17.6**
Free cash flow	**1,138**	**834**	**36.5**
Purchase/disposal of securities/fund investments	**-721**	**-714**	**1.0**
Capital increase	-	-	
Transactions with minority interests	1	2	-50.0
Non current borrowing and repayment of non-current borrowing	202	304	-33.6
Dividends paid	-233	-14	1,564.3
Interest paid	-242	-266	-9.0
Net cash from/used in financing activities	**-272**	**26**	
Changes due to currency translation differences	-3	22	
Cash and cash equivalents 1.1.	**996**	**828**	**20.3**
Cash and cash equivalents 31.12.	**1,138**	**996**	**14.3**

* Previous year's figures have been restated.

Financing activities result in net cash outflow
The purchase of securities for EUR 1.3bn and the sale of securities for EUR 581m resulted in a net cash outflow of EUR 721m (previous year: EUR 714m).

The balance of financing activities was a net cash outflow of EUR 272m (previous year: inflow of EUR 26m). New borrowing of EUR 1.7bn, partly from two borrower's note loan issues (EUR 1.2bn in total) and several aircraft financing transactions, was offset by cash outflows of EUR 1.5bn in total for scheduled capital repayments and the redemption of a Eurobond (EUR 750m in total). Other cash outflows were for interest payments (EUR 242m) and dividend distributions to the shareholders of Deutsche Lufthansa AG and minority shareholders (EUR 233m).

Liquidity up to EUR 3.8bn
Cash and cash equivalents increased by EUR 142m in the reporting period to EUR 1.1bn at year-end. This includes a decrease of EUR 3m in cash and cash equivalents due to exchange rate movements. In total, cash and cash equivalents plus current securities came to EUR 3.8bn (previous year: EUR 3.0bn). The increase at year-end was in part due to the addition of EUR 1.6bn to the defined-contribution pension system for flight attendants at Lufthansa Passenger Airlines, which was scheduled to take place at the beginning of 2017.

Financing

Several aircraft financing deals and borrower's note loans concluded
In 2016, a total of 13 Japanese operating lease (JOL) transactions were concluded for ten Airbus A320s, two A321s and one A380. This enabled funds totalling EUR 625m to be raised on favourable terms. These JOL deals are repaid continuously over the approximately eleven-year term of the respective contracts.

In 2016, Deutsche Lufthansa AG issued borrower's note loans for a total of EUR 1.7bn, of which EUR 0.5bn was issued in April 2016 and EUR 1.2bn in December 2016. EUR 541m from the second issue of EUR 1.2bn was received in December 2016. The remainder of EUR 659m was remitted to Deutsche Lufthansa AG in January 2017. The borrower's note loans have different maturities, as well as fixed and floating-rate tranches.

In September 2016, the Lufthansa Group relaunched its Euro Medium Term Note (EMTN) programme, a form of debt issuance programme. The programme enables the Group to issue bonds on the capital market at very short notice. It is listed on the Luxembourg stock exchange.

An unsecured loan with a volume of EUR 79m and a maturity of seven years was arranged with a Japanese lender on attractive terms.

There was no significant off-balance-sheet financing in the reporting year. However, various Lufthansa Group companies did enter into rental and/or operating lease contracts. These mainly relate to leases for aircraft and property. → **Notes to the consolidated financial statements, Note 20, p. 121f.**

Ongoing funding of pension obligations continues
Contributions, including employee contributions, of EUR 39m were made in Germany in 2016. The contribution of EUR 600m that was made annually in the past to fund German pension liabilities was suspended in 2016 and is to be used to implement new wage agreements in 2017. Altogether, contributions to the German defined-contribution programme of EUR 1.9bn are planned for 2017. This will cover all of the liabilities resulting from this programme.

Ratings confirmed
The two rating agencies Standard & Poor's and Moody's confirmed their ratings for the Lufthansa Group. Lufthansa has an investment grade rating of BBB– from Standard & Poor's and a non-investment-grade rating of Ba1 from Moody's. The current ratings primarily reflect the sound financial profile from the perspective of the rating agencies and the diversification across a broad route network and various business segments. As a result of adjusting the Lufthansa Group's EBIT forecast for the full year 2016 on 20 July 2016, Standard & Poor's nonetheless reduced its outlook from "stable" to "negative" on 15 September 2016, with Moody's following on 8 November 2016 with a shift from "positive" to "stable". Since 4 November 2016, Lufthansa has had an initial investment grade rating of BBB– with a stable outlook from the Scope Ratings agency.

Development of ratings

Rating/outlook	2016	2015	2014	2013	2012
Standard & Poor's	BBB–/ negative	BBB–/ stable	BBB–/ stable	BBB–/ stable	BBB–/ stable
Moody's	Ba1/ stable	Ba1/ positive	Ba1/ positive	Ba1/ stable	Ba1/ stable
Scope Ratings	BBB–/ stable				

Lufthansa's credit ratings

Standard & Poor's (September 2016)*	Moody's Investors Service (November 2016)*	Scope Ratings (November 2016)*
Long-term: BBB- Short-term: A-3 Outlook: Negative	Long-term: Ba1 Short-term: Not Prime Outlook: Stable	Long-term: BBB- Short-term: S-2 Outlook: Stable
Strengths	**Strengths**	**Strengths**
One of the leading global network carriers with an excellent competitive position and one of the largest route network world-wide; strong market position at hubs in Frankfurt, Munich, Zurich and Vienna	One of the largest airlines in the world and a leading position in the European airline sector with a strong diversified route network; Eurowings strategy of point-to-point traffic addresses cost competiveness	Global network coverage, diversified route network, member of the global airline alliance Star Alliance and a high share of business travellers with a strong market position at hubs in Frankfurt, Munich, Zurich and Vienna
Balanced exposure to high-yielding, premium long-haul traffic across its route portfolio; leading domestic market position in Germany; regional brands are well established	Robust business profile with diversified business segments reduces its exposure to volatility in passenger and cargo business	Balanced exposure to high-yielding, premium long-haul traffic across its route portfolio; leading domestic market position in Germany
Well diversified business profile with leading market positions in maintenance, repair and overhaul (MRO) services as well as airline catering adds stability to Lufthansa Group's earnings	Diversity of business segments: maintenance, repair and overhaul (MRO) and airline catering business segments deliver stable profit contribution	Diversified operations (maintenance, repair and overhaul (MRO) and airline catering) with strong market positions mitigating cyclicality risks in passenger and cargo traffic
Strong liquidity position	Solid liquidity position	Solid liquidity position
Weaknesses	**Weaknesses**	**Weaknesses**
Cost position as a competitive disadvantage; difficulties in reducing staff costs	Profitability of the Passenger Airline Group depends on external factors including uncertain fuel prices and economic development in Europe	Cyclicality of the airline industry; Lufthansa Group's profitability below its peers'
Significant and volatile pension obligations due to a fluctuating discount rate	Market position is challenged by Middle-Eastern airlines in the long-haul segment and low-cost carriers in the short haul segment	Cost advantages could erode by competitive pressure

* Latest report.

Assets

The Group's total assets rose by EUR 2.2bn to EUR 34.7bn as of 31 December 2016. Non-current assets were up by EUR 1.0bn, while current assets increased by EUR 1.3bn. Shareholders' equity climbed by EUR 1.3bn to EUR 7.1bn.

Assets

Non-current assets up by EUR 1.0bn

Within non-current assets, the item aircraft and reserve engines rose by EUR 207m to EUR 14.8bn. Repairable spare parts for aircraft increased by EUR 216m to EUR 1.6bn. The increase of EUR 240m in derivative financial instruments relates mostly to exchange rate and fuel price hedges. Claims related to deferred tax assets grew by EUR 213m, primarily due to a rise in pension provisions, which in turn was mainly the result of a decrease in the discount rate from 2.8 per cent to 2.1 per cent.

Current assets up by EUR 1.3bn

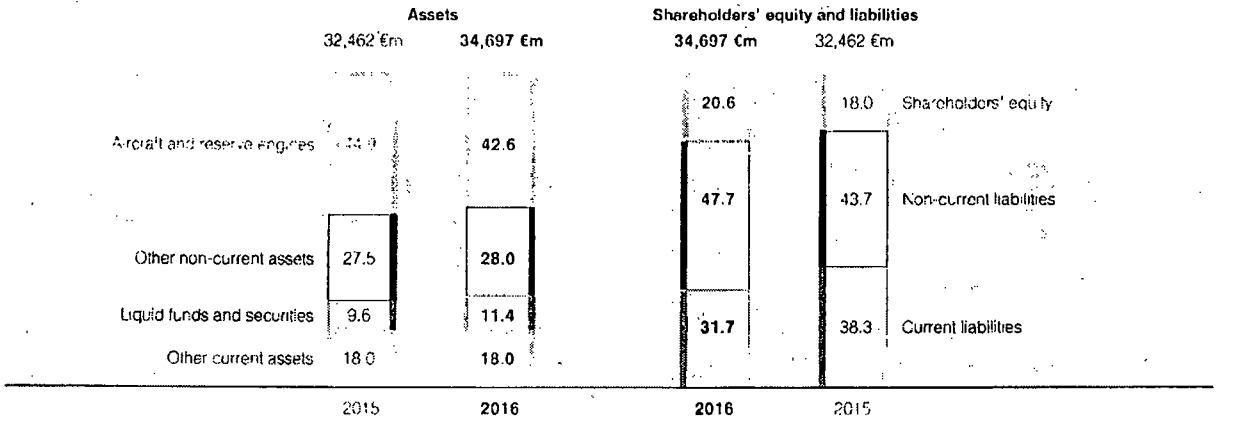
Within current assets, receivables rose by EUR 181m to EUR 4.6bn. The increase of EUR 94m in derivative financial instruments to EUR 534m related mainly to higher market values of fuel hedges, which were offset by lower market values of exchange rate hedges. Cash and cash equivalents, consisting of current securities, bank balances and cash-in-hand, went up by EUR 844m to EUR 3.9bn. Assets held for sale as of 31 December 2016 included seven Airbus A340-600s, two CRJ 9000s, seven Boeing 737-300s and three Boeing MD-11Fs.

Shareholders' equity and liabilities

Shareholders' equity increases by EUR 1.3bn

Equity (including minority interests) went up year on year by EUR 1.3bn, or 22.3 per cent, to EUR 7.1bn. Starting from a positive after-tax result of EUR 1.8bn, dividend payments of EUR 0.2bn as well as the increase in provisions for pensions recognised directly in equity (EUR 1.5bn) caused shareholders' equity to go down by EUR 1.7bn in total. However, a significant increase of EUR 1.2bn in total was reported in the market value reserve for financial instruments – due, in particular, to the higher market values of fuel hedges.

Balance sheet structure in %



Non-current liabilities and provisions up by EUR 2.4bn
While current liabilities fell by EUR 1.4bn to EUR 11.0bn, non-current liabilities and provisions rose by EUR 2.4bn to EUR 16.6bn. Within non-current liabilities, the pension obligations went up by EUR 1.7bn to EUR 8.4bn, largely due to the fall in the discount rate from 2.8 per cent to 2.1 per cent. Financial liabilities increased by EUR 780m in total to EUR 5.8bn. The issue of two borrower's note loans with a total volume of EUR 1.2bn was offset mainly by reclassifications to current financial liabilities due to maturities. The reduction in derivative financial instruments (EUR −253m) was due almost entirely to lower negative market values for fuel hedges.

Current liabilities and provisions down by EUR 1.4bn
Within current liabilities and provisions, financial liabilities fell by EUR 575m to EUR 764m, partly due to the redemption of a euro bond (for a nominal value of EUR 750m). Trade payables and other financial liabilities went down overall by EUR 158m to EUR 4.7bn. Liabilities from unused flight documents went up by EUR 139m to EUR 3.0bn. Fuel hedges accounted for EUR 895m of the significant reduction of EUR 1.0bn in the negative market value of derivative financial instruments.

Capital structure

Development of earnings, equity and equity ratio

		2016	2015	2014	2013	2012
Result*	€m	1,903	1,722	75	326	1,241
Equity*	€m	7,149	5,845	4,031	6,108	4,839
Equity ratio*	%	20.6	18.0	13.2	21.0	16.9
Equity rendite	%	29.2	29.5	1.9	5.3	26.6

* Including minority interests

Equity ratio up to 20.6 per cent
With a year-on-year increase of 6.9 per cent in total assets, the equity ratio went up from 18.0 per cent at year-end 2015 to 20.6 per cent.

Net indebtedness down to EUR 2.7bn
Non-current funding accounted for 68.3 per cent of the balance sheet total (previous year: 61.7 per cent). Non-current financing now covers 96.7 per cent of non-current assets (previous year: 85.1 per cent).

Net indebtedness fell by 19.3 per cent to EUR 2.7bn (previous year: EUR 3.3bn). This is the balance of gross financial debt and available financial assets.

Calculation of net indebtedness

	2016 in €m	2015 in €m	Change in %
Liabilities to banks	1,775	1,079	64.5
Bonds	1,009	1,749	-42.3
Other non current borrowing	3,791	3,542	7.0
	6,575	**6,370**	**3.2**
Other bank borrowing	63	70	-10.0
Group indebtedness	**6,638**	**6,440**	**3.1**
Cash and cash equivalents	1,256	1,099	14.3
Securities	2,681	1,994	34.5
Net indebtedness	**2,701**	**3,347**	**-19.3**
Pension provisions	8,364	6,626	26.2
Net indebtedness and pensions	**11,065**	**9,973**	**10.9**

Debt repayment ratio down to 28.7 per cent

The debt repayment ratio fell by 2.0 percentage points to 28.7 per cent.

Debt repayment ratio

in €m	2016	2015
Cash flow from operating activities	3,246	3,393
Change in trade working capital/ other assets and liabilities	-174	-469
Interest income	192	271
Interest paid[1]	-236	-266
Dividends received	60	56
Adjusted cash flow from operating activities	**3,108**	**2,985**
Net indebtedness and pensions[2]	**10,818**	**9,726**
Debt repayment ratio in %	**28.7**	**30.7**

[1] For the calculation of the debt repayment ratio 50 per cent of the interest payments of the hybrid bond issued in 2015 (2016: EUR 6m) have been deducted from the net indebtedness.

[2] For the calculation of the debt repayment ratio 50 per cent of the hybrid bond issued in 2015 (EUR 247m) have been deducted from the net indebtedness.

Target achievement and overall statement by the Executive Board on the economic position

Lufthansa Group achieves earnings and financial targets.

Target achievement

Lufthansa Group achieves overall forecast

In July 2016, the Lufthansa Group revised its full-year forecast for Adjusted EBIT from "slightly above previous year" to "below previous year", due, in particular, to repeated terrorist attacks in Europe, greater political and economic uncertainty and the resulting decline in advance bookings, especially on long-haul connections to Europe. The revenue forecast was revised from "slightly above previous year" to "below previous year".

Compared with the revised forecast, hard-to-predict short-term bookings made by business travellers then performed better than expected in September 2016. The capacity and management measures taken in response to the shortfall in long-term bookings were successful. Political and economic uncertainty nonetheless continued to place a significant burden on long-term bookings, especially for long-haul connections to Europe. On the basis of its experience in this environment to date, the Lufthansa Group raised its Adjusted EBIT forecast for the full year from "below previous year" to "approximately on previous year's level".

This forecast was achieved, with Adjusted EBIT 3.6 per cent lower, at EUR 1,752m, and revenue 1.2 per cent lower, at EUR 31.7bn. After adjusting for the strike costs of around EUR 100m, which were explicitly excluded from the original forecast for the year, the original earnings forecast was therefore met.

The Lufthansa Group expected a year-on-year decline in net profit, but it came to EUR 1,776m, which was 4.6 per cent up on the previous year. The main reason for the better-than-expected performance were positive one-off effects from the agreement with the flight attendants at Lufthansa Passenger Airlines.

For 2016, the Lufthansa Group expected EACC to be higher than the previous year. At EUR 817m, it was 152.9 per cent above the previous year. The main reasons for this were lower costs of capital and, above all, the significant year-on-year increase in EBIT.

Target achievement revenue and result

	Revenue			Adjusted EBIT		
	Revenue 2015 in €m	Forecast for 2016*	Revenue 2016 in €m	Adjusted EBIT 2015 in €m	Forecast for 2016*	Adjusted EBIT 2016 in €m
Lufthansa Passenger Airlines	16,060		15,409	881	slightly above previous year	1,135
SWISS	4,542		4,471	429	slightly below previous year	414
Austrian Airlines	2,102		2,153	52	significantly above previous year	58
Eurowings	1,909		2,060	36	slightly negative result	−91
Reconciliation	−120		−202	105		11
Passenger Airline Group	24,499	slightly above previous year	23,891	1,505	slightly above previous year	1,527
Logistics	2,355	slightly below previous year	2,084	74	slightly above previous year	−50
MRO	5,099	slightly above previous year	5,144	454	significantly below previous year	418
Catering	3,022	slightly above previous year	3,194	99	slightly below previous year	104
Other	484		437	−370	significantly above previous year	−236
Internal revenue/Reconciliation	−3,403		−3,090	55		−4
Lufthansa Group reported	**32,056**	**slightly above previous year**	**31,660**	**1,817**	**slightly above previous year**	**1,752**

* As stated in the Annual Report 2015

Segment targets and balance sheet targets achieved with few exceptions

The majority of the operating segments achieved their revenue and earnings targets.

Revenue fell in both the Passenger Airline Group and the Lufthansa Group, contrary to expectations of a figure slightly higher than that of the previous year. The main reason was that demand was weaker than originally predicted, planned capacity growth was reduced as a result and unit revenues were lower.

The Logistics segment did not achieve its target of Adjusted EBIT slightly above the previous year. This was because demand was weaker than expected and the market suffered from significant overcapacities as a result, thereby severely eroding yields.

The Catering segment reported better Adjusted EBIT than expected. Lower restructuring expenses than originally planned were the main reason for this.

The operating indicators for the Passenger Airline Group largely performed as expected. Only capacity growth and load factors were lower than anticipated due to geopolitical developments.

Target achievement financial profile

	Result 2015	Forecast for 2016	Result 2016
Equity ratio	18.0%	increase	20.6%
Debt repayment ratio	30.7%	stable	28.7%
Liquidity	€ 3.1bn	stable	€ 3.9bn

Target achievement traffic figures Passenger Airline Group

		Result 2015	Forecast for 2016[1]	Result 2016
Flights	number	994,243	+2.3%	+1.9%
Capacity (ASK)	millions	273,975	+6.6%	+4.6%
Sales (RPK)	millions	220,395	in line with capacity	+2.8%
Passenger load factor (SLF)	%	80.4	stable	−1.4 pts
Pricing (Average yields)	€ cent	10.3	significantly negative[2]	−9.8%
Unit revenue (RASK)	€ cent	8.3	significantly negative[2]	−7.6%
Unit costs (CASK excluding fuel)	€ cent	8.9	negative[2]	8.0%

[1] As stated in the Annual Report 2015
[2] At constant currency

Overall statement by the Executive Board on the economic position

In the opinion of the Executive Board, the Lufthansa Group performed well in 2016. In a particularly difficult market, achieving a margin at roughly the same, record level as in the previous year is not a matter of course. The Lufthansa Group has therefore shown that its business model is balanced and robust. Even in a challenging market situation, important entrepreneurial decisions continued to be taken to improve the Company's current and future performance.

The Lufthansa Group's profitability and balance sheet were affected by many volatile external factors over the course of the year. They included, in particular, the oil price, the exchange rate between the euro and the US dollar, and widely fluctuating interest rates. Ultimately, the significantly lower fuel expenses in the industry led to a particularly steep fall in yields. However, they also helped to make up for at least part of the revenue lost as a result of the fall in demand relating to geopolitical developments. Of particular significance is the fact that we were able to sustainably reduce unit costs at the passenger airlines.

Great progress was made overall with the implementation of the "7to1 – Our Way Forward" strategic programme. This included the successful joint venture agreements with Air China and Singapore Airlines. Some 70 per cent of all of the network airlines' revenue is now generated in leading joint ventures.

Initial success was also achieved in implementing the distribution strategy. The proportion of direct bookings continues to go up steadily. The appeal of increasingly individualised products and the trial application of a new revenue management system show great revenue potential.

Over the course of the year, many aircraft were replaced by more modern models, with some 20 per cent greater fuel efficiency on average. Particularly important was the introduction of the Airbus A320neo at Lufthansa Passenger Airlines and the Bombardier C Series at SWISS. The Lufthansa Group was the global launch customer for both aircraft types. New additions to the fleet also included the Boeing 777 at SWISS and the Embraer 190 at Austrian Airlines.

Commercial functions at the network airlines were increasingly merged as part of the ongoing reorganisation. Over the course of the year, all processes were revised and leadership structures adapted. For the administrative processes in financial and human resources functions, the conditions were also created for cutting a significant number of management positions in the new financial year.

A comprehensive modernisation of retirement and transitional benefits and a long-term settlement were agreed with the flight attendants at Lufthansa Passenger Airlines. This will deliver sustainable cost reductions, a stronger balance sheet and long-term planning security. Arbitration on pay was agreed in talks with the pilots at Lufthansa Passenger Airlines.

Individual growth programmes and comprehensive efficiency initiatives were launched at all of the service companies.

As profitability is currently relatively high by long-term standards, a decision was taken for all of the operating segments to accept short-term earnings impairments, due to strikes or restructuring, for example, where this will strengthen the future performance of the Lufthansa Group. The Lufthansa Group again achieved one of the best results in its history. The cost of capital was covered and additional value was created for shareholders. A proposal will be made to distribute a dividend in line with the dividend policy.

An extensive wet-lease agreement with Air Berlin and the complete takeover of Brussels Airlines will particularly benefit Eurowings in 2017. Both transactions result in a direct reduction in unit costs. Furthermore, they strengthen Eurowings' market position in its home markets and actively advance the consolidation that is important for the airline industry. By wet-leasing aircraft from Air Berlin, Eurowings will reduce joint capacity in Europe by more than 30 per cent, thereby reducing pressure on yields.

In the new financial year, the integration of this new capacity will play a vital role. Another priority will be to finalise the wage agreements with the pilots at Lufthansa Passenger Airlines, Germanwings and Lufthansa Cargo. Various digitalisation initiatives will be pursued alongside continuous cost reductions, in order to put the Lufthansa Group in an even stronger position for the future.

Business segments

Business segment Passenger Airline Group

Passenger Airline Group is at the heart of the Lufthansa Group's value creation. Network airlines expand route networks and premium positioning. Eurowings successfully develops point-to-point traffic. Earnings increase despite lower revenue. Passenger numbers set new record.

23.9
€bn Revenue

1,527
€m Adjusted EBIT

Key figures Passenger Airline Group

		2016	2015	Change
Revenue	€m	23,891	24,499	-2.5
of which with companies of the Lufthansa Group	€m	628	678	-7.4
EBIT	€m	2,095	1,465	43.0
Adjusted EBIT	€m	1,527	1,505	1.5
EBITDA	€m	3,616	2,767	30.7
Adjusted EBIT margin	%	6.4	6.1	0.3 pts
EACC	€m	1,004	414	142.5
ROCE	%	13.3	9.5	3.8 pts
Segment capital expenditure	€m	1,866	2,201	-15.2
Employees as of 31.12	number	54,308	55,255	-1.7
Average number of employees	number	55,201	55,169	0.1
Passengers	thousands	109,670	109,079	0.5
Flights	number	810,714	794,243	1.9
Available seat-kilometres	millions	286,555	273,973	4.6
Revenue seat-kilometres	millions	226,633	220,385	2.8
Passenger load factor	%	79.1	80.4	-1.4 pts
Average yields	¢ cent	9.8	10.3	-5.0
Unit revenue (RASK)	¢ cent	7.5	8.3	-6.0
Unit cost (CASK)	¢ cent	8.0	8.9	-10.0

Before profit/loss transfer from other companies
Previous year's figures have been adjusted.

Business activities

Passenger Airline Group is at the heart of value creation
Passenger transportation is the Lufthansa Group's largest business segment. The airlines Lufthansa Passenger Airlines, SWISS, Austrian Airlines and Eurowings make up the Passenger Airline Group. The portfolio is supplemented by further strategic equity investments in SunExpress and Brussels Airlines, which was acquired in full by the Lufthansa Group at the start of 2017. Eurowings has reported separately as an independent business entity within the Passenger Airline Group since 2016. The figures for the previous year have been adjusted accordingly.

Intensive coordination among the airlines creates significant synergies for the airline group. All of the airlines share the common objective of meeting customers' demands in terms of safety, quality, punctuality, reliability and professional service. With its multi-hub strategy, the Passenger Airline Group can offer its passengers a comprehensive route network combined with the highest level of travel flexibility. In the 2016 summer flight timetable, the route network comprised 301 destinations in 100 countries, served via the international hubs in Frankfurt, Munich, Zurich, Vienna and Brussels.

Network airlines focus on strengthening market position and on customers' requirements
The Lufthansa Group's network airlines concentrate on securing their leading competitive positions at the major hubs, and on profitably expanding the corresponding European and long-haul route networks and developing their premium positioning by continually improving their products and services for customers. The route network is also increasingly being expanded to include short and long-haul tourist destinations.

Commercial joint ventures to support unit revenues cover the most important long-haul markets and thereby around 70 per cent of the network airlines' long-haul revenue. They also provide additional destinations and connections for the network airlines. Important partnerships exist with United Airlines and Air Canada on routes between Europe and North America, and with All Nippon Airways (ANA) and Singapore Airlines on routes between Europe and Japan and Singapore respectively.

In September 2016, a wide-ranging partnership agreement was also signed between the Lufthansa Group and Air China, on the basis of which the two airline groups will jointly offer all connections between Europe and China as part of a commercial joint venture. The joint venture aims to significantly expand their mutual code-sharing connections and enhance their commercial partnership.

Eurowings grows in point-to-point traffic
With the Eurowings brand, the Lufthansa Group intends to step into additional markets in point-to-point traffic and safeguard its profitable leading position, especially in its home markets of Germany, Austria, Switzerland and Belgium. Here, Eurowings is playing an active role in consolidation in Europe. In addition, the focus will be on further expanding Eurowings' long-haul connections to tourist destinations.

Course of business and operating performance

Wet lease signed between Eurowings, Austrian Airlines and Air Berlin
The Lufthansa Group and Air Berlin PLC have signed an agreement for the use by the Group companies Eurowings and Austrian Airlines of a total of 38 aircraft managed by the Air Berlin group on a wet-lease basis. The agreement is to run for six years and will begin when the first aircraft is delivered at the start of February 2017. Under the agreement, Air Berlin will lease 33 aircraft to Eurowings, which are to fly in the Eurowings livery in future. Another five aircraft will be leased by Austrian Airlines. The leases have been agreed at competitive rates. Eurowings and Austrian Airlines will not only lease the aircraft from Air Berlin, but also all flight operations for these aircraft, i.e. including cockpit and cabin crew, and maintenance.

The aircraft are to have their home base at seven German airports as well as in Vienna and Palma de Mallorca. The competition authorities responsible have approved the agreement. In addition, the Lufthansa Group has signed a code-share agreement with Etihad Aviation Group for a total of four routes.

Lufthansa Group acquires entirety of Brussels Airlines
The Lufthansa Group has exercised its call option to acquire the remaining 55 per cent of the shares in SN Airholding, the parent of Brussels Airlines. The transaction was completed in early January 2017. The purchase price for the remaining shares was roughly EUR 2.6m. Brussels Airlines is to be fully integrated into the Lufthansa Group from 2018 and will fly under the umbrella of the Eurowings group. Synergies from the full integration are expected to add up to a mid double-digit million euro amount per year. The integration costs may adversely affect earnings in the short term, however. The acquisition of Brussels Airlines and the wet-lease agreement with Air Berlin will make Eurowings the number three in European point-to-point traffic.

Passenger Airline Group cuts costs
Efforts to cut costs at the Passenger Airline Group are paying off. Unit costs were down year on year in all relevant areas. Viewed in absolute terms, total costs are down by more than fuel costs. This is a vital success compared with cost developments in previous years. The efforts to reduce costs are to be continued in order to reinforce the Lufthansa Group's future viability.

Progress made in implementing the distribution strategy
The new sales strategy defined in 2015 is starting to pay off. The Distribution Cost Charge (DCC) levied on bookings made via a global reservation system has become established in the market. At the same time, the share of direct bookings at the network airlines, particularly in their home markets, has continually increased. Negotiations on direct bookings with customers, tour operators, travel agencies and technology providers are delivering a steady stream of successes. Demand has also increased for complementary services such as upgrades, baggage services, hotels, rental cars and insurance.

The new distribution strategy makes it possible to provide attractive and varied offers that meet the ever more individual and dynamic requirements of sales partners and corporate customers, while also enabling improved yield management.

Trends in traffic regions
Passenger Airline Group

	Net traffic revenue in €m external revenue		Number of passengers in thousands		Available seat-kilometres in millions		Revenue seat-kilometres in millions		Passenger load factor in %	
	2016	Change in %	**2016**	Change in %	**2016**	Change in %	**2016**	Change in %	**2016**	Change in pts
Europe	10,247	−0.2	87,522	1.7	94,939	3.2	71,353	1.4	75.2	−1.3
America	6,720	−2.3	11,184	6.6	103,384	10.0	84,585	7.2	81.8	−2.1
Asia/Pacific	3,770	−5.9	6,546	−0.9	65,100	1.5	52,926	−0.1	81.3	−1.3
Middle East/Africa	1,519	−7.7	4,418	2.4	23,132	−3.3	17,769	−2.3	76.8	0.8
Total	**22,256**	**−2.4**	**109,670**	**1.8**	**286,555**	**4.6**	**226,633**	**2.8**	**79.1**	**−1.4**

Passenger numbers at record level
The Passenger Airline Group carried a total of 109.7 million passengers in 2016. This represents a year-on-year increase of 1.8 per cent and sets a new record for passenger numbers. The number of flights went up by 1.9 per cent. Capacity increased by 4.6 per cent, mainly by deploying larger aircraft. Sales rose by 2.8 per cent. The passenger load factor fell by 1.4 percentage points to 79.1 per cent. Yields contracted by 5.0 per cent, and traffic revenue was down by 2.4 per cent.

Capacity growth was particularly strong in the Americas traffic region. The Middle East/Africa traffic region shrank, however. In Europe and Asia, capacity growth was in line with the average. The load factor declined in all regions aside from the Middle East/Africa. Yields developed differently in the individual traffic regions, falling only slightly in Europe. The region was least affected by uncertainties caused by geopolitical events. Strong positioning in the home markets continued to support growth. Yields declined most strongly in America, due in particular to the challenging economic and political development of countries in South America. Yields also fell significantly in the Asia and Middle East/Africa regions. Similar to the situation in America, demand in Asia for travel to Europe during the summer months was weak. Overcapacities in the market and the passing on of lower fuel costs to customers put pressure on the price development in most traffic regions.

Revenue and earnings development

Revenue down by 2.5 per cent
Despite an increase in traffic, traffic revenue for the segment was down by 2.4 per cent overall to EUR 22.3bn. While sales volumes were up by 2.8 per cent, lower prices (–4.3 per cent) and negative exchange rate effects (–0.9 per cent) resulted in lost revenue.

Revenue declined by 2.5 per cent to EUR 23.9bn. Other operating income was also down, by 21.1 per cent to EUR 1.1bn. The decline stemmed mainly from lower exchange rate gains (EUR –383m) and lower income from the write-back of provisions (EUR –11m). As a result, total operating income fell by 3.5 per cent to EUR 25.0bn. The fall in traffic revenue, primarily due to pricing, was the main reason why the forecast of slightly higher revenue, made the year before, did not materialise in the past financial year.

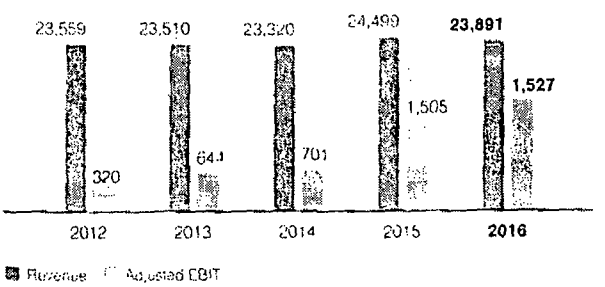
Expenses Passenger Airline Group

	2016 in €m	2015 in €m	Change in %
Cost of materials and services	14,361	15,146	–5.2
of which fuel	4,625	5,464	–15.4
of which fees	5,469	5,375	1.7
of which operating lease	36	28	28.6
of which MRO services	1,929	2,098	–8.1
Staff costs	3,828	4,675	–18.1
Depreciation and amortisation	1,401	1,301	7.7
Other operating expenses	3,314	3,386	–2.1
of which agency commissions	302	317	–4.7
of which external staff	630	612	2.9
Total operating expenses	**22,904**	**24,508**	**–6.5**

Expenses down by 6.5 per cent
Operating expenses fell by 6.5 per cent to EUR 22.9bn. The cost of materials and services was 5.2 per cent down on last year at EUR 14.4bn in total. Lower fuel costs (–15.4 per cent to EUR 4.6bn) reduced expenses significantly. Fuel prices declined by 18.3 per cent (after hedging), but this was partly offset by higher volumes (+2.3 per cent) and the change in the US dollar (+0.6 per cent). Fees and charges went up by a total of 1.7 per cent to EUR 5.5bn. Other purchased services were down by 1.3 per cent overall to EUR 4.0bn, in particular due to lower MRO services (–8.1 per cent) and purchased IT services (–11.9 per cent), offset by higher charter expenses (+68.2 per cent).

With virtually no change in the average number of employees, at 55,201 (+0.1 per cent), staff costs were down significantly by 18.1 per cent to EUR 3.8bn. The main reason for this decline was the past service expense of EUR 652m, saved as a result of the restructuring of retirement and transitional benefits for the cabin crew at Lufthansa Passenger Airlines. Expenses were also reduced by positive exchange rate effects and lower additions to pension provisions as a result of the increase in the discount rate to 2.8 per cent, from 2.6 per cent at the beginning of the year.

Revenue and Adjusted EBIT Passenger Airline Group in €m



Depreciation of aircraft increased by 1.4 per cent to EUR 1.2bn. Other operating expenses fell by 2.1 per cent to EUR 3.3bn. The main reason for this was lower exchange rate losses (EUR −362m), offset by higher expenses for advertising and sales promotion (EUR +45m) as well as higher costs for computerised distribution systems (EUR +37m). In the new Group structure, key processes for the network airlines Lufthansa Passenger Airlines, SWISS and Austrian Airlines have been pooled in the Group functions and charged to the airlines. This internal billing resulted in expenses of EUR 95m for the Passenger Airline Group segment in the reporting period.

EBIT up to EUR 2.1bn, Adjusted EBIT up 1.5 per cent on the year at EUR 1.5bn

Including the approximate results from equity investments of EUR −2m (previous year: EUR 47m), EBIT came to EUR 2.1bn (+43.0 per cent). Adjusted EBIT for the Passenger Airline Group rose year on year by 1.5 per cent to EUR 1.5bn. This represents an Adjusted EBIT margin of 6.4 per cent (previous year: 6.1 per cent). Strikes and their effects reduced earnings by around EUR 100m. Comments on the earnings of the individual airlines can be found in the following sections.

Net income of EUR 568m overall was eliminated in the reconciliation from EBIT to Adjusted EBIT. It includes savings from the valuation of pension provisions (EUR 670m), which relate almost entirely to the restructuring of retirement and transitional benefits for the cabin crew at Lufthansa Passenger Airlines, as mentioned above. In addition, impairment losses of EUR 120m on seven Airbus A340-600s in particular, seven Boeing 737-300s and two Bombardier CRJ 900s held for sale, as well as positive net income from book gains and losses on the disposal of assets (EUR 18m), were eliminated in the reconciliation to Adjusted EBIT.

Segment capital expenditure down to EUR 1.9bn

Segment capital expenditure declined by 15.2 per cent to EUR 1.9bn. It comprised the purchase of 47 aircraft, the renewal of three aircraft finance leases as well as aircraft overhauls and advance payments. Financial position, p. 32ff

Lufthansa Passenger Airlines

Lufthansa Passenger Airlines[1]

		2016	2015	Change in %
Revenue[2]	€m	15,409	16,066	−4.1
EBIT[2]	€m	1,723	813	111.9
Adjusted EBIT[2]	€m	1,135	881	28.8
EBITDA[2][3]	€m	2,700	1,707	58.2
Employees as of 31.12.[2]	number	34,654	37,076	−6.5
Average number of employees[2]	number	36,049	37,176	−3.0
Passengers[2]	thousands	62,418	62,372	0.1
Flights[2]	number	544,422	535,554	1.7
Available seat-kilometres[2]	millions	184,428	182,337	1.1
Revenue seat-kilometres[2]	millions	145,878	146,297	−0.3
Passenger load factor	%	79.1	80.2	−1.1 pts

[1] Including regional partners
Previous year's figures have been adjusted.
[3] Without Group-internal profit and loss transfer/investment income

Lufthansa Passenger Airlines is the largest airline in Germany. It has hubs at the two biggest German airports in Frankfurt and Munich. The Lufthansa CityLine and Air Dolomiti regional airlines are also part of Lufthansa Passenger Airlines. Overall, the Lufthansa Passenger Airlines carriers operate a fleet of 350 aircraft and serve a route network comprising 203 destinations in 74 countries.

Premium positioning strengthened by fleet renewal and customer focus

Lufthansa Passenger Airlines strives for quality leadership in its markets. To achieve this, it continually identifies and implements measures to refine customer services along the entire travel chain. The introduction of the high-quality Signature Service in Business Class on the entire Lufthansa Passenger Airlines long-haul fleet was completed in spring 2016.

Lufthansa Passenger Airlines continued its fleet renewal programme in 2016. The fundamental modernisation of the fleet enables more efficient and quieter flights as well as further cuts to be made to unit costs. On average, the new generation of aircraft is 15 to 25 per cent more fuel-efficient than the models it replaces.

Lufthansa Passenger Airlines was the first customer in the world to take delivery of the Airbus A320neo. A total of five A320neos were delivered in 2016 and are stationed in Frankfurt. Compared with its predecessor, the A320neo uses much less fuel and has reduced noise emissions. In late 2016, the first A350-900 aircraft was stationed in Munich. Lufthansa Passenger Airlines has ordered 25 aircraft of this type in total, of which one had already been received by the end of the financial year. The A350-900 is the most efficient aircraft in its class and has a 30-per-cent reduction in noise emissions.

in the short and medium-haul fleet, the first A320 aircraft were fitted with broadband internet. By mid 2018, the entire A320 fleet is to be equipped with the innovative technology. For a fee, passengers can then access the internet with their own mobile devices using on-board Wi-Fi. All long-haul aircraft at Lufthansa Passenger Airlines already have internet on board

Long-term collective agreement reached with UFO
In early July 2016, Lufthansa Passenger Airlines and the UFO flight attendants' union agreed on the principles for a long-term wage settlement. The settlement runs until 30 June 2019. Also agreed were the key points of a new defined-contribution pension scheme to replace the defined-benefit commitments for retirement and transitional benefits. The wording of the new regulations is to be finalised in the first quarter of 2017. In addition, the collective bargaining partners have agreed to apply by a number of conflict resolution mechanisms until 2023 in the event of any future disputes. This means that if an all-out strike is announced, for example, the company can call an arbitrator and divert potential industrial action into a mandatory arbitration procedure. Other elements of the arbitration agreement relate to moderate pay increases, the switch to a new pay structure dependent on qualifications, increased long-term competitiveness by means of cost monitoring as well as an employment guarantee for all cabin crew at Lufthansa Passenger Airlines until 2021. Individual elements of the agreement will be finalised in 2017.

Arbitration with Vereinigung Cockpit pilots' union reaches agreement on pay
On 15 February 2017, the Lufthansa Group and the Vereinigung Cockpit pilots' union (VC) accepted the arbitration proposal concerning the wage agreement. This includes a pay increase of around 8.7 per cent for the roughly 5,400 pilots in the Group wage agreement as well as a one-off payment totalling some EUR 30m. The wage agreements shall run until the end of 2019. The outcome of the arbitration means an increase in remuneration costs for cockpit crew of around EUR 85m per year. Talks with the trade union are to be continued in order to make alternative cost reductions as part of an overall solution. Should a solution not be reached, 40 new aircraft will be staffed by crew not included in the Group wage agreement – contrary to current fleet planning – in order to compensate for the additional costs. Last year, strikes in the course of collective bargaining caused 4,581 flight cancellations, affecting some 389,000 passengers. The threat of strikes has a negative impact on passenger bookings and thereby adversely affects revenue above and beyond the direct costs of the strike

Employees, p 19f

Ongoing activities to increase efficiency
Steps are constantly developed and implemented to bring about continual improvements and increases in efficiency. In particular, the ongoing fleet renewal, the introduction of Premium Economy Class in 2015 and the generation of additional revenue by means of greater customer focus and personalised offers are having a positive impact on earnings. Furthermore, Lufthansa Passenger Airlines, in particular, is also benefiting from lower fees for German air traffic control. Considerable savings were made in 2016 and further significant savings are expected for the year 2017.

Yields contract despite stable passenger numbers
Lufthansa Passenger Airlines carried some 62.4 million passengers in 2016, an increase of 0.1 per cent on the previous year. The number of flights rose by 1.7 per cent, and available seat-kilometres by 1.1 per cent. Revenue seat-kilometres were down year on year by 0.3 per cent. The passenger load factor was down 1.1 percentage points at 79.1 per cent. In conjunction with 3.7 per cent lower yields, traffic revenue fell by 4.0 per cent.

Earnings improvement due to lower operating expenses and one-off effect
Lufthansa Passenger Airlines generated revenue of EUR 15.4bn in 2016. This represents a fall of 4.1 per cent compared with the previous year. Adjusted EBIT rose by EUR 28.8 per cent to EUR 1.1bn. This represents an Adjusted EBIT margin of 7.4 per cent (previous year: 5.5 per cent). EBIT was up by EUR 111.9 per cent at EUR 1.7bn. Operating expenses were 11.3 per cent down on the year at EUR 14.5bn. Staff costs, in particular, fell year on year by 28.4 per cent to EUR 2.3bn, mainly driven by the one-off impact of EUR 661m from the restructuring of retirement and transitional benefits in the new wage agreement with the UFO flight attendants' union. Other key drivers were a decline in fuel costs, largely due to pricing, and much lower MRO expenses as a result of the cabin work successfully completed in the previous year. Depreciation and amortisation was higher, however.

SWISS

SWISS[1]

		2016	2015	Change in %
Revenue	€m	4,471	4,542	-1.6
EBIT	€m	412	462	-10.8
Adjusted EBIT	€m	414	429	-3.5
EBITDA[2]	€m	681	715	-4.8
Employees as of 31.12	number	9,711	9,009	7.8
Average number of employees	number	9,453	8,819	7.2
Passengers	thousands	17,972	17,536	2.5
Flights	number	169,016	166,038	1.8
Available seat-kilometres	millions	52,731	48,345	9.1
Revenue seat-kilometres	millions	42,290	40,038	5.6
Passenger load factor	%	80.2	82.8	-2.6 pts

[1] Including Edelweiss Air
Further information on SWISS can be found at www.swiss.com.
[2] Without Group-internal profit and loss transfers / investment income.

SWISS is the biggest airline in Switzerland. Together with its sister company Edelweiss Air and from airports in Zurich and Geneva, it serves a global route network of 136 destinations in 53 countries with a fleet of 89 aircraft. The separately managed Swiss WorldCargo division uses the belly capacities of SWISS aircraft to offer a comprehensive range of airport-to-airport services for high-value goods and sensitive freight to 130 destinations in more than 80 countries.

Further progress with fleet renewal
SWISS has systematically put its planned fleet modernisation into practice. Altogether, it replaced six Airbus A340-300 long-haul aircraft with Boeing 777-300 ER models in 2016. One A340-300 aircraft was transferred to Edelweiss Air in a roll-over for an A330-300 and has been in service there since December 2016. By the end of 2018, another four B777-300ER aircraft are to be integrated into the SWISS fleet. With the B777-300ER, SWISS can offer its passengers in-flight telephony and internet for the first time.

SWISS will also fit the remaining five A340-300s in the fleet with a completely new cabin, a new in-flight entertainment system and internet access. By the end of 2018, the entire SWISS long-haul fleet will thereby have an up-to-date product in all three travel classes as well as wireless internet for greater customer comfort.

Five Bombardier CS100s were also put into service in 2016. SWISS is the launch customer and first operator of this short and medium-haul aircraft, which has been redeveloped from the ground up and sets new standards with regard to cost-effectiveness, environmental impact and comfort. SWISS will also deploy the new aircraft from Geneva as of April 2017. Thirty Bombardier C Series are to be added to the fleet by the end of 2018. They will mostly replace the Avro RJ-100 aircraft.

New services for passengers
SWISS has also extended its range of services. À-la-carte menus have been introduced in Economy Class on long-haul flights from Switzerland. In addition to the range of food currently available on board, passengers now also have the choice of various exclusive menus that can be ordered in advance for a fee.

The new SWISS Holidays travel portal was also launched. It allows SWISS customers to book individual holiday packages including flights and hotel. The portal offers numerous holidays at very attractive prices in interesting tourist destinations around the world.

With the opening of the new First Class, Business Class and Senator Lounges at Zurich Airport, passengers also benefit from new offers on the ground to make their travel experience even more comfortable. For its Economy Class passengers, SWISS has also introduced the option of purchasing access to the SWISS Business Lounges before they travel.

SWISS has new brand image
In order to bring its distinctive customer focus even more to the fore, SWISS has created a new brand identity with the slogan "Made of Switzerland" and the creative concept entitled "The little big differences". The new slogan comprises the main characteristics that define SWISS as a brand: "Swissness", emotionality and a strong customer focus.

Steps to increase efficiency have been implemented
SWISS has worked consistently to improve its efficiency. In addition to ongoing efforts to make fuel management more efficient, they focused primarily on integrating the new aircraft into the fleet and on the reduced fees and charges agreed with Zurich Airport.

SWISS sets new passenger record
SWISS set another new record for passenger numbers in 2016, carrying a total of 18.0 million passengers. This represents an increase of 2.5 per cent compared with the previous year. Capacity increased by 9.1 per cent, while sales grew by 5.6 per cent. The passenger load factor fell by 2.6 percentage points to 80.2 per cent. Yields declined by 7.1 per cent, while traffic revenue fell by 1.9 per cent.

Revenue and earnings down
Both revenue and earnings at SWISS declined in 2016. Revenue fell by 1.6 per cent to EUR 4.5bn, burdened by the steep fall in yields. Adjusted EBIT was 3.5 per cent down on the previous year at EUR 414m. This represents an Adjusted EBIT margin of 9.3 per cent (previous year: 9.5 per cent). Reasons for this included lower revenue in both the passenger and freight business, higher staff costs due to greater capacity, higher depreciation and amortisation and the absence of the previous year's positive one-off factors, among other due to exchange rates. EBIT was down by EUR 10.8 per cent at EUR 412m.

Austrian Airlines[1]

		2016	2015	Change in %
Revenue	€m	2,153	2,102	2.4
EBIT	€m	64	54	18.5
Adjusted EBIT	€m	58	52	11.5
EBITDA[2]	€m	177	162	9.3
Employees as of 31.12.	number	6,450	5,984	7.8
Average number of employees	number	6,289	5,986	5.1
Passengers	thousands	11,385	10,838	5.1
Flights	number	136,112	126,827	7.3
Available seat kilometres	millions	24,451	23,316	4.9
Revenue seat-kilometres[3]	millions	18,609	18,185	2.3
Passenger load factor	%	76.1	78.0	– 1.9 pts

[1] Further information on Austrian Airlines can be found at www.austrian.com.
[2] Without Group-internal profit and loss transfer/investment income
[3] Previous year's figures have been adjusted

Austrian Airlines is Austria's largest airline, operating a global route network to 115 destinations in 46 countries with its own fleet of 81 aircraft.

Innovation and service are key factors in a difficult environment

Austrian Airlines remains subject to increasing competitive pressure. The crises in Ukraine, Russia and the Middle East also continue to represent a challenge for its current business. Capacity to several destinations has therefore had to be reduced and some routes have been suspended. Austrian Airlines is addressing the persistently tense competitive situation at the hub in Vienna with cost-cutting initiatives, continuous capacity management and steps to increase revenue quality, such as further service and product improvements.

Austrian Airlines introduces Premium Economy Class

Premium Economy Class is to be introduced on all long-haul routes from late 2017. It will give passengers seats with a greater reclining angle, a bigger seat pitch, a broader seat area and a larger screen for on-demand entertainment, as well as providing higher-quality catering than in Economy Class. The move is based on the successful introduction of the Premium Economy Class at Lufthansa Passenger Airlines.

Airbus fleet to be fitted with on-board Wi-Fi

The first two A320 aircraft were equipped with in-flight connectivity in late 2016. Wi-Fi will be installed in the remainder of the Airbus fleet in 2017. "myAustrian Flynet" enables passengers to go online on board with their own mobile devices using Wi-Fi. The next step will be to extend this service to wireless in-flight entertainment, with which films, documentaries and TV series, among others, can be streamed to passengers' own mobile devices. The launch is scheduled for mid-2017.

Fleet modernisation continues

The replacement of Fokker aircraft by Embraer short-haul jets that began in 2015 was continued in the past financial year. By the end of 2016, ten Embraer jets had already been integrated into the fleet. Another seven aircraft are expected to follow by the end of 2017. Fluctuations arising as a result of the switch were levelled out by leasing external capacities.

The Supervisory Board of Deutsche Lufthansa AG approved the lease of three aircraft for Austrian Airlines in September 2016. Two Airbus A320s had already been integrated into the fleet by the end of 2016. Another B777 is due to go into service with the 2018 summer flight timetable. And from mid 2017, a further five A320s on wet lease from Air Berlin are planned to operate from the hub in Vienna.

Focus remains on expanding tourist destinations

Austrian Airlines continues to develop its network. In 2016, it added destinations including Havana, Hong Kong, Bari, Jerez, Shanghai and Isfahan. Flights to Los Angeles are set to start from spring 2017, and to the Seychelles from autumn 2017.

Passenger numbers up

With 11.4 million passengers, Austrian Airlines transported 5.1 per cent more customers than in 2015. Capacity was increased by 4.9 per cent and sales were up by 2.3 per cent. The load factor was 1.9 percentage points down year on year, at 76.1 per cent. Yields declined by 2.9 per cent, while traffic revenue fell by 0.7 per cent.

Positive revenue and earnings performance

At EUR 2.2bn, Austrian Airlines' revenue in 2016 was up by 2.4 per cent on the previous year. Adjusted EBIT rose by 11.5 per cent to EUR 58m. This represents an Adjusted EBIT margin of 2.7 per cent (previous year: 2.5 per cent). Lower fuel costs, the systematic implementation of restructuring measures and a significant positive one-off effect from signing a long-term rental agreement with Vienna Airport all contributed to the result. At EUR 64m, EBIT also improved significantly year on year (+18.5 per cent).

Eurowings[1]

		2016	2015	Change in %
Revenue	€m	2,060	1,909	7.9
EBIT	€m	-90	39	
Adjusted EBIT	€m	-91	38	
EBITDA[2]	€m	177	162	9.3
Employees as of 31.12.	number	3,493	3,186	9.6
Average number of employees	number	3,410	3,188	7.0
Passengers	thousands	18,430	16,933	8.8
Flights	number	170,732	165,850	2.9
Available seat-kilometres	millions	25,264	19,976	26.5
Revenue seat-kilometres	millions	20,107	15,876	26.7
Passenger load factor	%	79.6	79.5	0.1 pts

[1] Further information on Eurowings can be found at www.eurowings.com.
[2] Without Group-internal profit and loss transfer/investment income.

With Eurowings, the Lufthansa Group provides an innovative and competitive offering for price-sensitive and service-oriented customers in the growing point-to-point traffic segment. Eurowings is to be developed into a leading European player in point-to-point traffic in the years ahead. It will thereby also secure the Lufthansa Group's leading position in European traffic, particularly in its home markets of Germany, Austria, Switzerland and Belgium. Eurowings continues to systematically develop its point-to-point connections in Europe outside of the hubs under its own brand.

Vienna Airport successfully introduced as an additional station

As of year-end 2016, the Eurowings group has a short and medium-haul fleet of 78 aircraft in total, of which 59 are at Germanwings and 19 at Eurowings. Another twelve leased aircraft are also in service for the company. In addition to Germanwings and Eurowings Germany, Eurowings Europe was established in August 2015 at Vienna Airport and serves as an additional low-cost platform for further growth in the future. The company successfully commenced flight operations in June 2016 and offers direct flights in Europe from Vienna Airport, initially with three Airbus A320 aircraft.

Altogether, Eurowings' flight operations in short and medium-haul traffic serve a pan-European network of more than 123 destinations in 36 countries.

In the 2017 financial year, the Eurowings fleet will grow to more than 150 aircraft thanks to the wet lease from Air Berlin and the consolidation of Brussels Airlines.

Joint venture secures long-haul routes

Eurowings uses the German-Turkish airline SunExpress Deutschland to serve long-haul connections. SunExpress Deutschland is a commercial subsidiary of SunExpress, a joint venture between the Lufthansa Group and Turkish Airlines. The company operates the long-haul aircraft for Eurowings with its own cockpit and cabin crew on competitive terms.

After a demanding operational start at year-end 2015 with only two aircraft, long-haul flight operations have quickly stabilised. Six A330s now fly for Eurowings from Cologne/Bonn Airport. The fleet is to be increased to seven long-haul aircraft in 2017. Initial experiences in this segment have been positive. The new offering has been well received by customers and is set to make a positive earnings contribution to the Eurowings group.

Eurowings carries more than 18 million passengers

Eurowings carried 18.4 million passengers in 2016. This is an increase of 8.8 per cent over last year. Capacity grew particularly strongly by 26.5 per cent due to the expansion of the long-haul network and thereby significantly longer routes. Sales went up by 26.7 per cent. The load factor improved year on year by 0.1 percentage points to 79.6 per cent. Yields fell by 14.9 per cent as a result of the significant growth and intense competition in European traffic. Traffic revenue rose by 7.8 per cent, primarily as a result of greater volumes.

Earnings adversely affected by project costs

Eurowings' revenue came to EUR 2.1bn, which was 7.9 per cent up on the previous year. Adjusted EBIT fell by EUR 129m to EUR −91m. This represents an Adjusted EBIT margin of −4.4 per cent (previous year: 2.0 per cent). EBIT was down by EUR 129m to EUR −90m. Alongside the intense competition in European traffic, this was due, in particular, to project costs for developing the new Eurowings, higher costs for flight irregularities and expenses from exchange rate movements.

Business segment Logistics

✈ Lufthansa Cargo is Europe's leading freight airline. Leading position to be extended through quality improvements and global partnerships. Increasing simplification and automation of airfreight processes. Strategic cost-cutting programme underway since autumn 2016. Revenue and earnings down significantly due to lower load factor and steep fall in yields.

2.1
€bn Revenue

–50
€m Adjusted EBIT

Key figures Logistics

		2016	2015	Change in %
Revenue	€m	2,084	2,355	–11.5
of which with companies of the Lufthansa Group	€m	25	24	4.2
EBIT	€m	–64	3	
Adjusted EBIT	€m	–50	74	
EBITDA[1]	€m	44	155	–71.6
Adjusted EBIT margin	%	–2.4	3.1	–5.5 pts
EACC	€m	–105	–72	–45.8
ROCE	%	–4.3	0.2	–4.5 pts
Segment capital expenditure	€m	29	116	–75.0
Employees as of 31.12.	number	4,568	4,607	–0.8
Average number of employees	number	4,559	4,643	–1.8
Available cargo tonne-kilometres	millions	12,549	12,606	–0.5
Revenue cargo tonne-kilometres	millions	8,385	8,364	0.3
Cargo load factor	%	66.8	66.3	0.5 pts

[1] Before profit/loss transfer from other companies.

Business activities

Lufthansa Cargo is Europe's leading freight airline
Lufthansa Cargo is the logistics specialist within the Lufthansa Group. As of the end of the financial year, the company's own fleet consisted of five Boeing 777F and 14 Boeing MD-11F cargo aircraft, of which two have been temporarily put out of service.

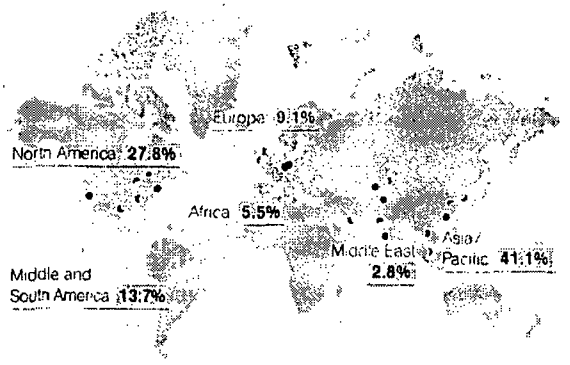
In addition to Lufthansa Cargo AG, the Logistics segment includes the airfreight container management specialist Jettainer Group, the time:matters subsidiary, which specialises in particularly urgent consignments, and the equity investment in the cargo airline AeroLogic GmbH. AeroLogic is based in Leipzig and operates its eight B777 freighters to 20 destinations around the world on behalf of its two shareholders, Lufthansa Cargo and DHL Express. Lufthansa Cargo also has equity investments in various handling companies. The repurchase of 51 per cent of the shares in time:matters Holding GmbH strengthens Lufthansa Cargo's profitable express products business.

Lufthansa Cargo markets capacities on its own freighters and chartered cargo aircraft, along with belly capacities on passenger aircraft operated by Lufthansa Passenger Airlines, Austrian Airlines and on Eurowings long-haul flights. Freighters and passenger aircraft each carried about half of the total cargo. Altogether, Lufthansa Cargo offers connections to more than 300 destinations in around 100 countries.

The focus of Lufthansa Cargo's operations lies in the airport-to-airport airfreight business. Its product portfolio encompasses standard and express freight as well as highly specialised products. These include the transport of live animals, valuable cargo, mail and dangerous goods, as well as the growing sector of temperature-sensitive goods. The company has specialised infrastructure at Frankfurt Airport to handle these sensitive goods, such as the Frankfurt Animal Lounge or the Lufthansa Cargo Cool Centre.

Leading position to be further extended
Lufthansa Cargo aims to further simplify and automate airfreight processes and to sustainably reduce unit costs. This requires a modern aircraft fleet, an efficient ground infrastructure and process digitalisation. Similarly, further quality enhancements and global partnerships should help the company to build on its leading position in the airfreight industry.

Destinations Lufthansa Cargo Freighters fleet



Destinations Lufthansa Cargo • Destinations AeroLogic

Share of traffic revenue by region

International partnerships to continue
The new partnership with All Nippon Airways (ANA) from Japan, which has been in place since December 2014, continues to operate successfully. In May 2016, a joint business agreement was also signed with Cathay Pacific Cargo, based in Hong Kong. Freight handling for imports and exports to and from Hong Kong were transferred to the Cathay Pacific Cargo Terminal in October 2016. From January 2017 on freight handling is proceeded from Lufthansa Cargo Centre in Frankfurt. The first joint consignments have been shipped in February 2017. Lufthansa Cargo also intends to cooperate with the US airline United Cargo in future. Customers should benefit here from a larger network and standardised processes.

Course of business and operating performance

Lufthansa Cargo responds to difficult market conditions with efficiency measures
Structural overcapacities in the market are eroding yields for airfreight. This adversely affects earnings at Lufthansa Cargo, particularly outside the high season, and will probably continue to do so in future. Under these circumstances, Lufthansa Cargo intends to cut its annual staff costs and staff-related expenses by at least EUR 80m by 2018. A strategic cost-cutting programme was drawn up and has been underway since autumn 2016. It will have the effect of streamlining sales and other areas as of the beginning of 2017. In late 2016, an agreement was reached with the works council to shed around 800 jobs, for which restructuring provisions of EUR 32m were made in the reporting year.

Renewal of fleet, IT and ground infrastructure continues
Lufthansa Cargo has successfully completed the integration of five B777Fs. The aircraft stand out for their lower fuel consumption, great range and outstanding reliability. The size of the MD-11F fleet was reduced by two, to twelve active aircraft, in view of market developments. Further capacity adjustments are planned for 2017.

The freight centre in Frankfurt is being continually modernised. This involves expanding capacities and further improving the entire infrastructure of the cool centre. A concept is also being developed for a modular renewal of the logistics centre.

In the years ahead, the company intends to digitalise its relationships with all the players in the transport chain, from bookings to deliveries. In the long run, customers will benefit from greater transparency, higher speeds, better quality and more flexibility as well as greater efficiency.

Product range is continually expanded
Lufthansa Cargo introduced two new products in 2016 that can only be booked online. Since August 2016, Lufthansa Cargo has offered the "myAirCargo" product, which gives private customers a simple way to send bulky goods internationally by air. The company organises the complete, door-to-door transport, and together with its partners also takes care of customs formalities, for example. Since September 2016, the "td.Basic" airfreight rate has provided Lufthansa Cargo's high quality at a particularly attractive price. This is made possible by simpler background processes, which require all bookings to be made via the cargo airline's online channels, and by extending the total transport time slightly. The new basic product is therefore suitable for all consignments that can take an average of three days longer than with the usual "td.Pro" standard product, which remains on offer.

Trends in traffic regions
Lufthansa Cargo

	Net traffic revenue in €m external revenue		Freight/mail in millions		Revenue cargo tonne-kilometres in millions		Cargo load factor in %	
	2016	Change in %	2016	Change in %	2016	Change in %	2016	Change in pts
Europe	178	-10.1	713	3.7	341	3.8	47.8	0.0
America	524	-14.0	5,300	0.6	3,615	1.7	62.3	1.5
Asia/Pacific	820	10.8	4,897	-2.0	3,861	3.3	78.8	4.0
Middle East/Africa	164	-18.0	1,138	1.6	569	-7.9	50.0	-3.4
Total	**1,986**	**-12.7**	**12,548**	**-0.5**	**8,385**	**0.3**	**66.8**	**0.5**

Lufthansa Cargo receives CEIV certification
Lufthansa Cargo was awarded CEIV validation from the IATA airline association in 2016. In a comprehensive procedure, independent experts audited the airline's processes for pharmaceutical shipments and confirmed its utmost reliability and expertise. This makes Lufthansa Cargo one of just seven airlines in the world to have received this certification for the processes in its global route network.

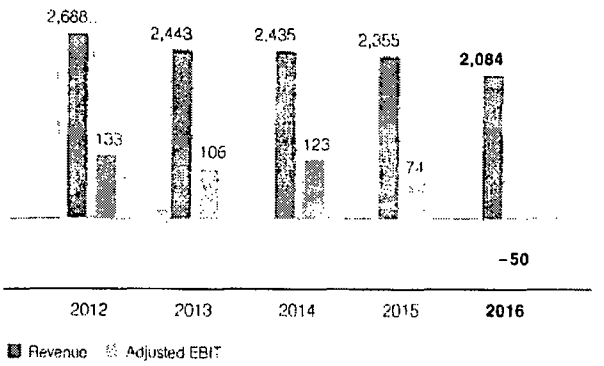
Slight decline in freight volumes
Sales at Lufthansa Cargo rose by 0.3 per cent. The cargo load factor increased by 0.5 percentage points to 66.8 per cent. Freighter capacity fell by 1.9 per cent, while in contrast, sales volumes increased by 2.1 per cent. Compared with the previous year, the cargo load factor improved by 2.8 percentage points to 72.9 per cent. Available belly capacity was expanded by 0.9 per cent. Sales fell by 1.4 per cent. The cargo load factor on belly services fell year on year by 1.5 percentage points to 61.6 per cent. Yields contracted by 12.9 per cent, and traffic revenue by 12.7 per cent.

Changes in capacities and load factors across the various traffic regions evened each other out overall. The same applies to changes in traffic revenue and yields.

Revenue and earnings development

Revenue and Adjusted EBIT down
Lufthansa Cargo generated revenue of EUR 2.1bn in 2016 (–11.5 per cent). Other revenue climbed to EUR 84m (+29.2 per cent) following the consolidation of time:matters in the Logistics sub-group in August 2016. At EUR 65m, other operating income was up by 12.1 per cent compared with the previous year. Total operating income dropped to EUR 2.1bn in total (–10.9 per cent).

Revenue and Adjusted EBIT Logistics in €m



Operating expenses declined year on year by 8.1 per cent to EUR 2.2bn. The cost of materials and services fell by 8.4 per cent to EUR 1.4bn. Within this item, the cost of fuel decreased to EUR 259m (–18.8 per cent), primarily as a result of lower prices Charter expenses fell by 8.6 per cent to EUR 618m.

Staff costs rose year on year by 3.4 per cent to EUR 428m. This increase was mainly due to provisions for restructuring. The companies in the Logistics segment had an average of 4,559 employees in the reporting period (previous year: 4,643).

Depreciation and amortisation was down by 28.9 per cent to EUR 108m. Impairment losses were recognised in the previous year on project costs in connection with the postponement of the planned construction of the new freight terminal in Frankfurt (LCCneo) and on planning costs for the construction of an administrative building

Other operating expenses fell to EUR 257m (–12.0 per cent), largely due to lower exchange rate losses. The result from equity investments dropped by 4.0 per cent to EUR 24m.

Operating expenses Logistics

	2016 in €m	2015 in €m	Change in %
Cost of materials and services	1,444	1,577	–8.4
of which fuel	259	319	–18.8
of which fees	295	303	–2.6
of which charter expenses	618	676	–8.6
of which MRO services	135	126	7.1
Staff costs	428	414	3.4
Depreciation and amortisation	108	152	–28.9
Other operating expenses	257	292	–12.0
Total operating expenses	**2,237**	**2,435**	**–8.1**

The Logistics segment generated Adjusted EBIT of EUR –50m in 2016 (previous year: EUR +74m). This represents an Adjusted EBIT margin of –2.4 per cent (previous year: 3.1 per cent). Key earnings drivers were the significant decline in yields and non-recurring effects. EBIT, which was also burdened by impairment losses on aircraft held for sale, came to EUR –64m (previous year: EUR +3m). In a long-term comparison, this represents a very weak result for the Logistics segment.

Segment capital expenditure fell by 75.0 per cent to EUR 29m in the reporting period, primarily due to the absence of the previous year's final payments in connection with the purchase of B777F aircraft.

Business segment MRO

Lufthansa Technik is a leading global provider of maintenance, repair and overhaul services for civil, commercial aircraft. Focus on innovations and strategic partnerships. Good orders with external customers lead to higher revenue. Earnings down on the previous year.

5.1
€bn Revenue

411
€m Adjusted EBIT

Key figures MRO

		2016[1]	2015	Change in %
Revenue	€m	5,144	5,099	0.9
of which with companies of the Lufthansa Group	€m	1,627	1,843	−11.7
EBIT	€m	410	448	−8.5
Adjusted EBIT[2]	€m	411	454	−9.5
EBITDA[2]	€m	517	551	−6.2
Adjusted EBIT margin	%	8.0	8.9	−0.9 pts
EACC	€m	142	158	−10.1
ROCE	%	8.5	10.6	−2.1 pts
Segment capital expenditure[a]	€m	216	154	40.3
Employees as of 31.12.	number	20,839	20,661	0.9
Average number of employees	number	20,708	20,289	2.1
Fully consolidated companies	number	23	23	0.0

[1] Before profits/losses transfer from other companies
[2] Previous year's figures have been adjusted

Business activities

Lufthansa Technik is world's leading MRO provider
Lufthansa Technik is the world's leading independent provider of maintenance, repair and overhaul services (MRO) for civilian commercial aircraft. The Lufthansa Technik group consists of 31 technical maintenance operations around the world. The company also holds direct and indirect stakes in 57 companies. Lufthansa Technik takes care of some 800 customers around the world, mostly airlines and aircraft leasing companies, but also operators of VIP jets and public-sector clients.

Lufthansa Technik's range of services is provided by seven divisions: maintenance, aircraft overhaul, engines, components, aircraft systems, development and manufacture of cabin products, completion and servicing of VIP aircraft. The portfolio covers a variety of different product structures and combinations, from the repair of individual components to consultancy services and the fully integrated supply of entire fleets. In addition to developing new products and services, one of the benefits that Lufthansa Technik offers is to enable airlines to put new aircraft types into scheduled operations safely and to use fuel efficiently.

Innovations still vital for Lufthansa Technik
Since October 2016, Lufthansa Technik has been documenting in electronic form how complaints at all German sites about Lufthansa Passenger Airlines and Lufthansa Cargo aircraft are resolved. Lufthansa Technik wants to advance the digitalisation of the MRO industry and play an active role in shaping it. Alongside the development of its own capacities, this also includes the acquisition of the majority of shares in British software provider FLYdocs, a specialist in the management of aviation-specific data. The partnership began in summer 2016 and has developed very positively since then. This is intended to further advance the digitalisation of paper-based processes. FLYdocs and Lufthansa Technik are planning the joint development of new digital services that will be of great value to the operators and lessors of aircraft worldwide. From next year, Lufthansa Technik will also be offering its customers "Condition Analytics", a solution that combines condition monitoring and forward-looking maintenance on a single platform. In terms of digitalisation, this makes Lufthansa Technik one of the leading companies in the MRO industry.

Lufthansa Technik also addresses the challenging competitive situation with product and technology innovations as well as by developing partnerships. In 2016, for example, a lightweight, space-saving VIP aircraft seat that can be configured in various ways and is known as "chair" was brought to market and an initial customer found.

Lufthansa Technik put into operation a completely new design of production facility for printing aircraft interior panelling and cabin elements in 2016. Thanks to a development by Lufthansa Technik, it remains possible to install the latest broadband communications in short and medium-haul aircraft in just a few days for each aircraft, even for large fleets.

Lufthansa Technik signs major cooperation agreements
In 2016, Lufthansa Technik and GE Aviation announced the construction of a state-of-the-art engine maintenance centre by their Polish joint venture XEOS. Support for the modern GEnx-2B and GE9X engine models is planned in the company, which should go into operation in mid-2018.

As part of a strategic agreement signed in 2016, Lufthansa Technik will become a key member of the maintenance network for the geared turbofan (GTF) from engine manufacturer Pratt & Whitney. Lufthansa Technik and MTU Aero Engines have also agreed to establish a joint company for the maintenance of geared turbofan engines in the PW1000G series. A corresponding agreement was signed on 20 February 2017. Subject to the approval of the competition authorities, both companies expect to be able to launch the joint venture at a globally competitive location in the second half of 2017.

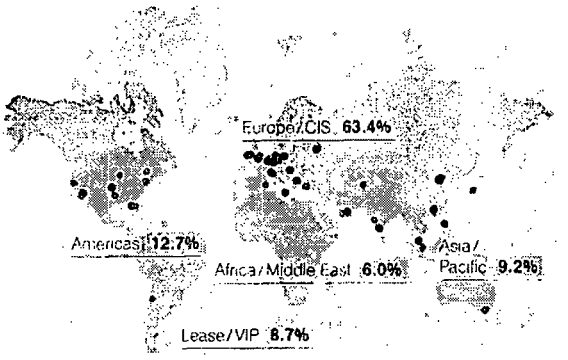
Scope of business and operating performance

Important contracts renewed and signed
The number of aircraft serviced under exclusive contracts went up by 12.3 per cent to 4,132 in the reporting period. This means that one in seven commercially operated aircraft worldwide is serviced by Lufthansa Technik. In the financial year 2016, the company won 42 new customers and signed 456 contracts with a volume of EUR 5.7bn for 2016 and the following years.

Global capacities to be expanded in line with demand
Capacities are to be continuously expanded to meet increasing demand, particularly in Asia and America. In 2016, for example, Lufthansa Technik opened another overhaul line in Puerto Rico. By 2017, the plant is to be expanded to five lines in total. New component warehouses were opened in Hong Kong and at London Heathrow Airport. This local presence makes the Lufthansa Technik network even more closely meshed and significantly shortens support times for customers.

By extending its warehouse for component support in Munich, Lufthansa Technik Logistik Services (LTLS) has reached a key milestone for supporting the new Airbus A350 in future.

Locations Lufthansa Technik



Largest maintenance stations • Sales offices • Largest equity investments

Share of revenue by region

Lufthansa Technik put the first Cyclean® engine wash service station into operation in Melbourne, Australia, in 2016. It now offers its Cyclean® engine wash globally, from North and South America via Europe and the Middle East to Asia, and now in Australia, too.

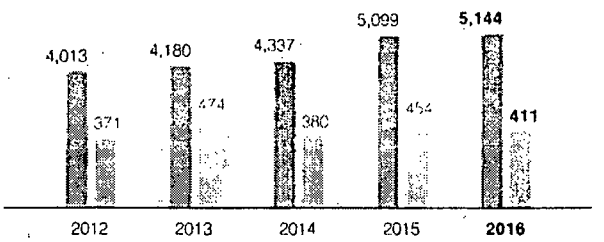
Cost-efficient engine overhauls in Hamburg
The management board of Lufthansa Technik, the ver.di trade union and the works council have found a solution for bringing the new LEAP engine model from General Electric to Hamburg. This will secure 1,300 jobs in engine overhaul for the long term, of which 1,100 are in Hamburg. It was not possible, however, to find a joint solution that would have enabled cost-effective maintenance in Hamburg of the geared turbofan engine model from Pratt & Whitney. Lufthansa Technik and MTU have decided to establish a joint company at another location in order to keep this engine model in the alliance.

Aircraft overhaul to close in Hamburg
Lufthansa Technik will cease to overhaul commercial aircraft in Hamburg in the course of 2017. Despite intensive negotiations, the collective bargaining partners could not find a solution that would have enabled cost-effective aircraft overhaul to continue in Hamburg

Europe is most important sales market
The company's most important sales market is still the European region, including the former CIS states. This region accounted for 63.4 per cent of revenue in 2016, slightly less than a year ago (–2.6 percentage points). The share of the important Asia/Pacific growth market increased to 9.2 per cent (+2.1 percentage points). The Middle East and Africa region accounted for 6.0 per cent (–0.7 percentage points). The revenue share of the Americas region went up again to 12.7 per cent (+1.6 percentage points). Total revenue with leasing companies and operators of VIP jets was stable at 8.7 per cent (–0.4 percentage points).

Good orders lead to further revenue growth with external customers
Lufthansa Technik increased its revenue by 0.9 per cent to EUR 5.1bn in 2016. Revenue with Group companies declined year on year by 11.7 per cent to EUR 1.6bn, mainly because a large programme of modifications was completed at Lufthansa Passenger Airlines in the previous year. External revenue rose by 8.0 per cent to EUR 3.5bn. Lufthansa Technik AG, whose successful growth strategy more than made up for the fall in prices due to competition, accounted for 86.3 per cent of total revenue. At EUR 222m, other operating income was down by 30.0 per cent compared with the previous year. The MRO segment generated total operating income of EUR 5.4bn (–0.9 per cent).

Revenue and Adjusted EBIT MRO in €m



Total operating expenses were 0.2 per cent higher at EUR 5.0bn. The cost of materials and services increased by 2.3 per cent to EUR 2.7bn due to higher costs and to more services overall in components and engines.

Staff costs came to EUR 1.3bn, or 3.4 per cent less than the previous year. Depreciation and amortisation rose by 3.9 per cent to EUR 107m. Other operating expenses fell by 1.0 per cent to EUR 886m.

Operating expenses MRO

	2016 in €m	2015 in €m	Change in %
Cost of materials and services	2,718	2,656	2.3
of which raw materials consumables and supplies	1,760	1,668	5.5
of which external services	762	755	0.9
Staff costs	1,272	1,317	–3.4
Depreciation and amortisation	107	103	3.9
Other operating expenses	886	895	–1.0
Total operating expenses	**4,983**	**4,971**	**0.2**

Segment result again reaches good level
Lufthansa Technik achieved an Adjusted EBIT of EUR 411m in 2016. This was down by 9.5 per cent due to positive non-recurring effects in the previous year. The Adjusted EBIT margin amounted to 8.0 per cent (previous year: 8.9 per cent). EBIT sank by 8.5 per cent to EUR 410m. In a long-term comparison, this nonetheless represents another very good result for Lufthansa Technik.

Segment capital expenditure rose by 40.3 per cent to EUR 216m. Key investments related to projects in the context of digitalisation, the construction of a cutting-edge wheel and brake workshop, the extension of a Lufthansa Technik Logistik Services warehouse as well as the purchase of reserve engines by Lufthansa Technik Airmotive Ireland Leasing, largely due to the expansion of the Group fleets.

Business segment Catering

✈ The LSG group is a leading global provider of airline catering. / Transformation of the company and increasing focus on adjacent markets continue. / Revenue and earnings up despite negative exchange rate effects and high transformation costs.

3.2
€bn Revenue

104
€m Adjusted EBIT

Key figures Catering

		2016	2015	Change in %
Revenue	€m	3,194	3,022	5.7
of which with companies of the Lufthansa Group	€m	644	636	1.3
EBIT	€m	60	85	-29.4
Adjusted EBIT	€m	104	99	5.1
EBITDA[1]	€m	166	166	0.0
Adjusted EBIT margin	%	3.3	3.3	0.0 pts
EACC	€m	-15	-8	-87.5
ROCE	%	3.5	5.0	-1.5 pts
Segment capital expenditure[1]	€m	73	148	-50.7
Employees as of 31.12	number	35,530	34,316	3.6
Average number of employees	number	35,571	33,543	6.0
Fully consolidated companies	number	121	120	0.8

[1] Before profit/loss transfer from other companies
[2] Previous year's figures have been adjusted

LSG group offers unique service portfolio
The LSG group is the leading provider of a complete portfolio of in-flight products and services and has a worldwide network of 201 catering facilities in 50 countries. It also offers its services at other airports via global partnerships. These activities are managed under the established LSG Sky Chefs brand. In addition, the company offers its airline customers a complete portfolio of in-flight service components. This comprises the development and implementation of in-flight sales programmes via its Retail inMotion subsidiary, the procurement and design of in-flight service equipment via the SPIRIANT brand, the optimisation of transport logistics through its SkylogistiX subsidiary as well as lounge catering, also under the LSG Sky Chefs brand.

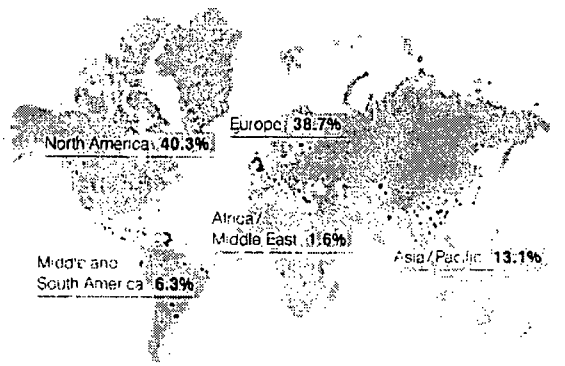
As a result of the expertise that the company has successfully built up in services for rail operators in Europe and in supplies to retailers in recent years, these segments also form part of the LSG group's core business. In the USA, the LSG group also provides security concepts for airlines via SCIS Air Security. In Germany, it operates retail markets at airports under the Ringeltaube brand.

As of year-end 2016, the group comprised 156 companies. The parent company for the group, LSG Lufthansa Service Holding AG, is based in Neu-Isenburg.

Expertise continues to be expanded
In line with the multifaceted changes in customer requirements, the LSG group is continually expanding its expertise. To meet increasing demand for in-flight sales programmes, Retail inMotion offers an industry-leading IT solution that provides end-to-end support for the entire in-flight sales process, as well as extensive knowledge about the most suitable products and services from a consumer perspective. These range from food and drinks to boutique articles, entertainment programmes and virtual offers. Furthermore, the company has continued to enhance its culinary expertise in order to meet increasing customer demands for differentiated and brand-enhancing service concepts in the premium classes.

Partnerships create expertise
Working from its early involvement in many partnerships and management contracts in Asia, Latin America, Eastern Europe and Africa, the LSG group has developed a leading position with regard to authenticity and expertise in key ethnic cuisines, which goes beyond its geographical presence. This also benefits the retail segment, where the company works closely with its key accounts on product development and opens up new markets. Selected cooperation agreements, such as in equipment logistics, for example, and standardised products defined by the customers also add to the LSG group's market knowledge.

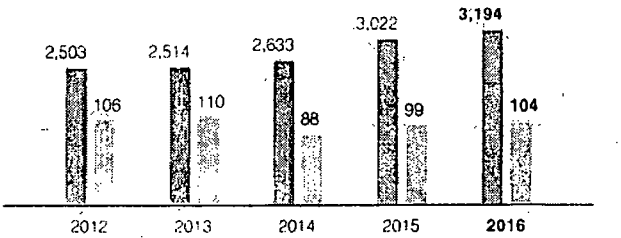
Locations LSG group



LSG Sky Chefs • Joint ventures • Strategic partnerships

Share of revenue by region

Revenue and Adjusted EBIT Catering in €m



Revenue Adjusted EBIT

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Business model is continually developed
The market for in-flight service concepts is changing significantly, especially in Europe, but in the medium term in other regions, too. The 2016 financial year was therefore dedicated to the transformation of the company's business model. Existing uncompetitive structures are to be changed and wound up, while expertise and capacities that are vital for the future will be established and strengthened.

Portfolio expanded and customer contracts renewed
With the complete takeover of Retail inMotion in February 2016, the LSG group laid an important foundation for this development. It is now in a position to serve additional customers who are looking to switch their in-flight service from classic catering to in-flight sales or hybrid models. In addition, the company has initiated adjustments to its network of sites in Europe, including taking steps such as outsourcing and the closure of individual plants, as well as the pooling of production.

Important contracts with American Airlines, Eurowings, LATAM, Air China and 7-Eleven were signed or renewed. A new production facility for airline and retail customers commenced operation in Santiago de Chile.

At an administrative and operational level, ongoing programmes to further improve earnings by means of process optimisation and standardisation were successfully continued.

[illegible]

Revenue and earnings up
Revenue in the Catering segment increased by 5.7 per cent to EUR 3.2bn in 2016, largely due to higher volumes and despite negative exchange rate effects. Changes in the group of consolidated companies contributed EUR 42m to the revenue growth.

External revenue improved by 6.9 per cent to EUR 2.6bn, and internal revenue climbed 1.3 per cent to EUR 644m. Other income was down by 8.2 per cent to EUR 67m. Total income went up altogether by 5.4 per cent to EUR 3.3bn.

Total operating expenses were 6.3 per cent up on the year at EUR 3.2bn. The cost of materials and services rose by 6.5 per cent to EUR 1.4bn, primarily due to higher volumes and to changes in the group of consolidated companies. Staff costs increased by 6.4 per cent to EUR 1.2bn. In addition to an increase in the workforce to cover new orders, higher staff costs were also due to pay rises in North America and to restructuring expenses in Europe. Depreciation and amortisation of EUR 106m was 32.5 per cent above last year's figure, mainly due to impairment losses on property, plant and equipment in Europe. Other operating expenses climbed by 1.9 per cent to EUR 550m, largely due to volumes.

At EUR 22m, the result from equity investments was on a par with last year. The Catering segment increased its Adjusted EBIT by 5.1 per cent to EUR 104m in 2016, despite significantly higher transformation expenses. At 3.3 per cent, the Adjusted EBIT margin was unchanged from last year's level. EBIT was also hit by significant impairment losses and fell by 29.4 per cent to EUR 60m.

Without adjustment for the transformation expenses and impairment losses mentioned above, the LSG group reported a good result by long-term standards. Segment capital expenditure was down by 50.7 per cent at EUR 73m.

Operating expenses Catering

	2016 in €m	2015 in €m	Change in %
Cost of materials and services	1,383	1,299	6.5
Staff costs	1,184	1,113	6.4
Depreciation and amortisation	106	80	32.5
Other operating expenses	550	540	1.9
Total operating expenses	**3,223**	**3,032**	**6.3**

Other

✈ AirPlus again increases revenue and result. / IT service companies expand their business. / Adjusted EBIT for the segment improves significantly.

Other

		2016	2015	Change in %
Total operating income	€m	2,090	2,515	−16.9
EBIT	€m	−221	−383	42.3
Adjusted EBIT	€m	−236	−370	36.2
EBITDA[1]	€m	−155	−302	55.3
Segment capital expenditure[2]	€m	27	23	17.4
Employees as of 31.12	number	9,021	5,819	55.7
Average number of employees	number	7,245	5,915	22.5

[1] Before profit/loss transfer from other companies.
[2] Previous year's figures have been adjusted

The Other segment comprises the service and financial companies as well as the Group functions of the Lufthansa Group. Following the dissolution of the IT Services segment, the remaining successor companies and subsidiaries are also included in this segment.

AirPlus expands range of products
AirPlus is one of the leading worldwide providers of solutions for paying for and analysing business travel. Under the AirPlus International brand, the company supplies tailored products and integrated solutions with which companies can make their travel management simpler and more cost-effective. AirPlus enables its customers to achieve company-wide transparency concerning all business travel expenses, and thereby to meet all of the conditions to effectively account for travel expenses. AirPlus provides market-specific solutions in more than 60 countries around the world. The company served almost 49,000 corporate customers in total in the reporting year.

A new regulation to reduce the credit card fee, known as the "interchange fee", has been in effect in the European Union since December 2015. To make up for the reduction in income that this has caused, AirPlus added the transaction-fee-based AirPlus Travel Expense Card to its card portfolio in March 2016.

AirPlus announced in January 2017 that it had signed an agreement to acquire BCC Corporate (BCCC), a Belgium-based issuer of Visa and MasterCard company cards. The acquisition is set to go ahead in the second quarter of 2017 and will enable AirPlus to increase the credit card billing volume to EUR 3.5bn by 2020.

For AirPlus, the 2016 financial year was characterised by moderate growth in international business travel. Companies around the world booked five per cent more business flights. Currency-adjusted spending on this remained stable, however, which suggests a fall in ticket prices. The company's EBIT increased by 46.2 per cent to EUR 76m. The main reason for this was one-off income from the disposal of non-current financial assets. Adjusted EBIT fell by 21.9 per cent to EUR 40m, due to negative effects from the interchange fee regulation and to positive one-off effects in the previous year.

IT service successor companies develop their business further
The successor companies of what was the IT Services business segment now operate within various different segments. Lufthansa Systems GmbH & Co. KG was able to further increase its share of the airline IT market. In the business with both Lido/Navigation and Lido/Flight, it has a market share of 45 per cent in Europe. A total of more than 300 airlines around the world use solutions from Lufthansa Systems. Lufthansa Industry Solutions continued its course of growth, focusing on the issues of big data, Industry 4.0 and mobile solutions. The IT partner for the digital transformation was able to further expand its business overall and increase its customer base to more than 200 companies from different industries. Including all of their equity investments, the successor companies to Lufthansa Systems AG generated Adjusted EBIT of EUR 31m in the reporting period (previous year: EUR 28m). EBIT came to EUR 24m and was therefore EUR 35m down on the previous year. The change is largely attributable to the recognition of the disposal gain from the sale of the Infrastructure segment of the former Lufthansa Systems AG to the IBM group in 2014, as well as to a purchase price adjustment from the same transaction in 2015.

Group functions report higher result
The results for the Other segment are largely determined by the Group functions, whose earnings reflect the currency hedging and financing activities carried out by Deutsche Lufthansa AG on behalf of the companies in the Group. The segment result is therefore heavily exposed to exchange rate movements. Total operating income for the Group functions fell by 27.3 per cent to EUR 973m. Operating expenses declined by 27.7 per cent to EUR 1.3bn. Adjusted EBIT improved by EUR 115m to EUR −345m, and EBIT rose by EUR 145m to EUR −359m. The higher earnings stem mainly from lower exchange rate losses compared with last year as well as lower costs arising from strategic Group projects.

Result for Other segment improves
Total operating income for the Other segment fell by 16.9 per cent to EUR 2.1bn. Operating expenses declined by 19.9 per cent to EUR 2.3bn. This decline is largely due to exchange rate losses, which were lower. Adjusted EBIT improved by 36.2 per cent to EUR −236m. EBIT went up by 42.3 per cent to EUR −221m.

Opportunities and risk report

✈ The management of opportunities and risks is integrated into all business processes. Opportunities and risks are identified early and are managed and monitored proactively. The Lufthansa Group exploits specific opportunities. The continued existence of the Lufthansa Group is not in danger.

As an international aviation company, the Lufthansa Group is exposed to macroeconomic, sector-specific, financial and company-specific opportunities and risks. Opportunities and risks are ever present elements of doing business. The companies in the Lufthansa Group manage them deliberately and proactively. To underline the close connection between opportunities and risks, the Lufthansa Group defines them as the possible positive or negative deviation from a forecast figure or a defined objective for possible future developments or events. The operational management of opportunities and risks is integrated into the business processes.

Opportunity and risk management

Opportunity management process
Opportunities are defined as possible future developments or events which may lead to a positive deviation from plans, forecasts or targets, and which therefore represent an effective earnings improvement or which generate potential competitive advantages. For the highly dynamic global airline industry, such opportunities can arise both externally – from new customer wishes, market structures or the regulatory environment, for instance – and internally – from new products, innovations, quality improvements and competitive differentiation.

For the purpose of identifying and managing opportunities in a more structured way, particularly in connection with changes in the industry and digitalisation trends, the "Innovation Hub" was set up as a Group-wide unit in 2014. Its aim is to keep developing the Lufthansa Group's highly innovative culture and capacity for innovation, and to make targeted use of opportunities.

The identification of opportunities by staff and management in the Lufthansa Group takes place as part of everyday processes and market observations. It is supported by a regular strategy and planning process, which is managed by the strategy and controlling departments. Scenario analyses and accurate return calculations are used to precisely examine opportunities and the associated risks. Opportunities that, in an overall assessment, are considered advantageous for the development of the Lufthansa Group, and so for the interests of shareholders, are pursued and implemented by means of defined steps. They are managed by the established planning and forecasting processes as well as by projects.

Objectives and strategy of the risk management system
Risk management in the Lufthansa Group always takes place as a logical system of rules that cover all relevant Company activities. Risk management aims to ensure that commercial opportunities are realised throughout the Group and that all relevant, regulatory requirements for risk management systems are met in full.

The Lufthansa Group's risk strategy is manifested in the principles of risk management. They are intended to ensure that risks are fully identified, presented transparently to enable comparison, and measured. They oblige the risk managers to proactively manage and monitor risks, as well as defining how risk-relevant information is to be incorporated into planning, management and control processes. The principles of risk management are governed by the risk management guidelines adopted by the Executive Board, which also provide a binding definition of all methodological and organisational standards for dealing with risks.

Structure of the risk management system
The scope of consideration covered by the Lufthansa Group's risk management system comprises the airlines in the Passenger Airline Group, the MRO, Logistics and Catering segments, as well as Lufthansa Flight Training GmbH, Lufthansa AirPlus Servicekarten GmbH, Miles & More GmbH, Delvag Luftfahrtversicherungs-AG, Lufthansa Global Business Services GmbH and the remaining companies from the former IT Services segment.

The chart Risk management in the Lufthansa Group, p. 58, shows the different functions involved. Their responsibilities and expertise within the Lufthansa Group's risk management system are explained below.

The Supervisory Board's Audit Committee monitors the existence and the effectiveness of the Lufthansa Group's risk management.

The Risk Management Committee is to ensure, on behalf of the Executive Board, that business risks are always identified at an early stage, evaluated and managed across all functions and processes. It is also responsible for ensuring that the risk management system is always up to date and for making improvements to its effectiveness and efficiency. The committee is made up of the directors of Risk Management, Corporate Controlling, Legal Affairs, Corporate Finance, Corporate Accounting, Corporate IT, Controlling Lufthansa Passenger Airlines as well as the management of the Delvag Group and the Group safety pilot. The director of Corporate Audit is a permanent member without voting rights.

The "Risk Management, Internal Control System and Data Protection" staff unit has functional responsibility for ensuring that the risk management system is standardised across the Group. It reports directly to the Chief Financial Officer and is responsible for implementing Group-wide standards for the coordination and ongoing development of the risk management process.

The managing directors or management boards of all the companies covered by the risk management system also appoint risk managers. They are responsible for implementing the Group guidelines within their own companies and are in close, regular contact with the Lufthansa Group's risk management function. In addition, they ensure that risk-relevant information is agreed with the planning and forecasting processes in their company (risk controlling).

As risk owners, managers with budget and/or disciplinary responsibility are responsible for implementing risk management at a segment level. The identification, evaluation, management and monitoring of risks are therefore fundamental aspects of every management role.

The Internal Audit department carries out internal, independent system audits focusing on the effectiveness, appropriateness and cost-effectiveness of the risk management system practised in the Lufthansa Group.

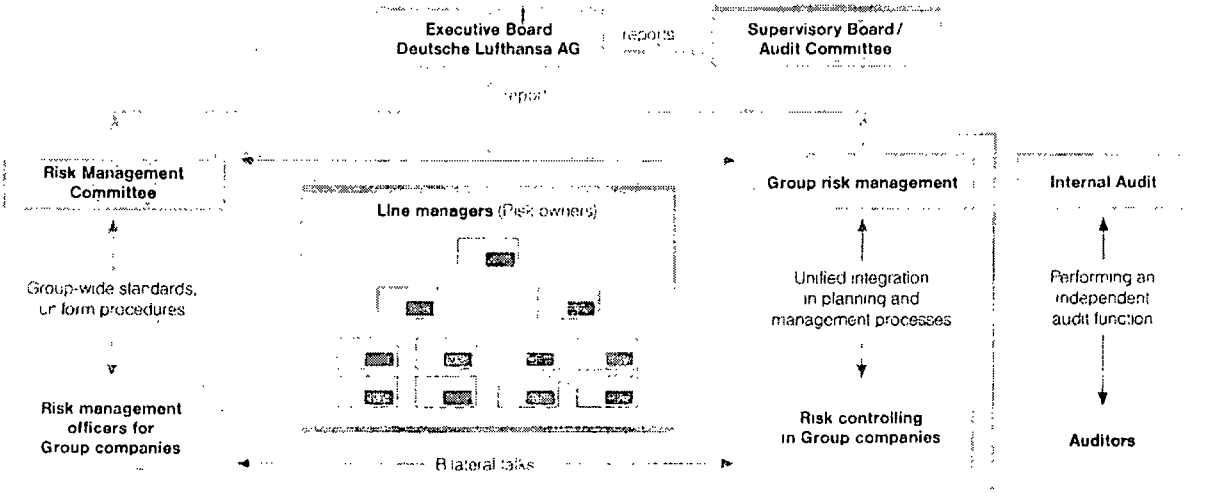
During its annual audit of the financial statements, the auditor examines the system for the early identification of risks in place at Deutsche Lufthansa AG with regard to statutory requirements. The audit concluded that in 2016, it again satisfied all the statutory requirements made of such a system without restriction.

Stages of the risk management process

The risk management process begins with the identification of risks, i.e. the compilation of current and future, existing and potential risks from all material internal and external areas. The risks identified are checked for plausibility by the companies' risk coordinators and gathered together in the Group's risk portfolio. The risk portfolio documents the systematic entirety of all individual risks and constitutes the quality-assured result of the identification phase. As the risk landscape is dynamic and subject to change, the identification of risks is a continuous task for the risk owners. The period covered is three years, the same as for the Group operational planning.

Risk identification is followed by risk evaluation, which is understood as a targeted qualitative and/or quantitative evaluation of all the individual risks identified after risk limitation activities have been carried out (net basis). The defined evaluation principles, as explained in more detail in the following section, are applied uniformly throughout the Lufthansa Group. Wherever possible, objective criteria or figures derived from past experience are used for the evaluation. Risk evaluation forms the basis for risk consolidation, in which individual risks of the same type are combined to form one aggregated risk, which is then evaluated as a whole.

Risk management in the Lufthansa Group



Suitable instruments for dealing with the identified risks are defined in the course of risk management. The aim of risk management is to limit risk positions proactively. Continuous risk monitoring within the process identifies changes in individual risks and any required adjustments to risk management at an early stage. Steps necessary to manage and monitor risks are initiated as required. Steps, in this sense, mean clearly defined activities with a fixed duration, responsibility and time frame, which serve to develop control instruments. The progress made is also monitored continuously

Risk owners are obliged at least once a quarter to verify that the risks identified by them are complete and that the evaluation is up to date. On the basis of this, the Executive Board is informed about the current risk situation of the Lufthansa Group and of the operating segments every quarter. The operating segments also evaluate the extent to which circumstances involving risk have already been included in the forecast results and to what extent there are additional opportunities or risks of achieving a better or worse result than the one forecast. The Executive Board reports annually to the Audit Committee on the performance of the risk management system, the current risk situation of the Lufthansa Group and on significant individual risks and their management. In the event of significant changes to previously or recently identified top risks, mandatory ad hoc reporting processes have been defined in addition to these standard reports.

Evaluation methodology in the risk management process
The methodological evaluation of risks at the Lufthansa Group distinguishes between qualitative and quantitative risks. Risks are evaluated on a net basis, i.e. taking implemented and effective management and monitoring instruments into account.

Qualitative risks are long-term developments and challenges with potentially adverse consequences for the Lufthansa Group and its Group companies. As concrete information is often not available, these risks cannot be quantified precisely or indeed at all. In the context of qualitative risks, risk management amounts to a strategic approach to uncertainty. Qualitative risks are often identified in the form of "weak signals".

In order to evaluate such risks as systematically as possible in spite of this, estimates are made about their significance and their magnitude. Significance describes the potential impact of the individual risk or development on the reputation, the business model or the earnings. The estimate of magnitude has to assess how pronounced or intense the (weak) signals are that indicate a potential risk to the Lufthansa Group and/or to the specific company in the Lufthansa Group. The chart **Lufthansa risk evaluation for qualitative and quantitative risks** shows the different categories used.

Quantitative risks are those whose potential effect on earnings can be estimated. To evaluate quantitative risks, a distinction is made based on the probability of their occurrence, divided into various classes.

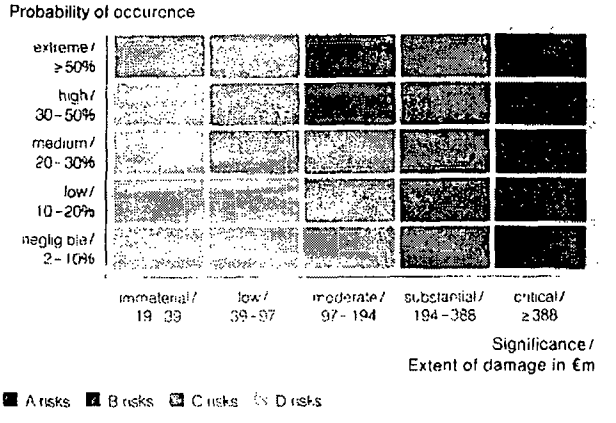
The extent of loss is given as the potential monetary impact on the planned EBIT. Depending on the type of risk being evaluated, this may relate either to relatively infrequent event risks, such as an airspace closure, or to risks from deviations from planned business developments, such as fuel price volatility. Quantitative risks therefore form the basis for the overarching verification of potential deviations from plans and forecasts. The thresholds for classifying the monetary EBIT effect are defined centrally for the Lufthansa Group and the Group companies according to standardised criteria.

The individual qualitative and quantitative risks are divided into classes A, B, C and D to assess their materiality. In accordance with DRS 20, material risks for the Lufthansa Group are all quantitative A and B risks as well as all qualitative A and B risks that are at least of a "substantial" significance and a "high" magnitude.

Lufthansa risk evaluation for qualitative and quantitative risks.

The qualitative and quantitative risks for the Lufthansa Group that meet this materiality criterion are presented in a table in the order of their significance for the Lufthansa Group in the section **Opportunities and risks at an individual level, p. 60ff.**, and are described in detail below. In some cases, equivalent risks are shown here in a more aggregated form than that used for internal management purposes. Unless stated otherwise, all the operating segments in the Lufthansa Group are exposed to a greater or lesser degree to the risks described.

Lufthansa risk evaluation for qualitative and quantitative risks



Internal Control System for monitoring the risk management process

The risk management process in the Lufthansa Group is monitored by an Internal Control System (ICS) and is subject to an independent appraisal by the Internal Audit department.

The effectiveness of the management and monitoring instruments used for selected material risks is reviewed systematically as part of the Lufthansa Group's ICS. The relevant risks are selected annually.

Centralised target requirements (management controls) are formulated for the ICS for these risks. The existing management and monitoring instruments to cover the target requirements are then documented and updated annually. The structure, functionality and thereby the effectiveness of the instruments are generally also assessed annually, either in a self-assessment by the risk owner responsible or on a revolving basis by the Internal Audit department.

Reporting on the effectiveness of the management and monitoring instruments forms part of the report to the supervisory boards of the individual companies on the effectiveness of the ICS, and to the Audit Committee of the Deutsche Lufthansa AG Supervisory Board on an overall basis.

Opportunities and risks at an individual level

The table, below, shows the top risks for the Lufthansa Group. They comprise all quantitative A and B risks, as well as those qualitative risks with a rating of at least "substantial and high" in the order of their significance. More detailed explanations can be found in the following sections.

Macroeconomic opportunities and risks

Uncertain economic environment

The Lufthansa Group's forecast for 2017 is based on the expectation that future macroeconomic conditions and sector developments will correspond to the description given in the Forecast, p. 70ff. If the global economy performs better than forecast, this is expected to have a positive effect on the Lufthansa Group's business. Future revenue and earnings for the Lufthansa Group may, in this case, exceed the current forecast. As a global company, the Lufthansa Group can also benefit from positive developments outside its own core market.

Risks with potential effects on global economic growth, and thereby for the Lufthansa Group's sales, primarily arise from increasing uncertainty about political developments. A possible move towards a protectionist economic policy in the USA, surprising election results in France and Germany and unexpected turns in Brexit negotiations could also have an adverse effect on the economic development that is currently expected. At the same time, there remains the risk of a further economic slowdown in China, particularly if the property bubble that is emerging again bursts.

Crises, wars, political unrest or natural disasters

The current deterioration in the security situation, particularly in the Middle East and North Africa, but also in Europe and Germany, as well as the latent risk of terrorist attacks on air traffic and aviation infrastructure could have concrete effects on business operations and on the safety of the Lufthansa Group's flight operations, customers and employees. Potential losses could result from primary effects, such as not being able to fly to some destinations, but also from significant secondary effects, including a fall in passenger numbers, higher insurance premiums or higher fuel costs due to airspace closures, as well as from more stringent statutory security requirements.

Top risks

	Magnitude	Significance	Trend	Description
Quantitative risks				
Fuel price movements	critical	extreme	→	p. 63f.
Exchange rate movements	substantial	extreme	→	p. 64
Earnings risks	substantial	extreme	→	p. 62
Loss of the investment grade rating	critical	extreme	↑	p. 64f.
Breaches of compliance requirements	critical	medium	→	p. 67f.
Exchange rate losses on pension fund investments	critical	negligible	→	p. 65
Credit risks	substantial	low	→	p. 65
Qualitative risks				
Cyber risks	critical	extreme	↑	p. 67
Pandemic diseases	critical	high	→	p. 61
Flight operations risks	critical	negligible	→	p. 66
Human resources	substantial	high	→	p. 65f.
Crises, wars, political unrest or natural disasters	substantial	high	↑	p. 60f.
Increased noise legislation	substantial	high	↑	p. 63
Market entry Original Equipment Manufacturer*	critical	high	→	p. 62
Contaminated foods*	critical	low	→	p. 66

* Risk evaluation on segment level

The recent attacks and security incidents in the EU and Turkey, the alleged attack on a Russian charter flight over the northern Sinai in late 2015 and the attacks on airports in Brussels and Istanbul are clear evidence that civilian targets remain a focus of terrorist activities. Because of its strong symbolic effect, civil aviation in particular is still a potential target of terrorist attacks, which have to be evaluated in the context of the wider regional environment. The shooting down of a civilian aircraft over eastern Ukraine on 17 July 2014, threats to civil aviation from complex anti-aircraft systems, especially in the hands of non-state forces, and greater challenges in the use and coordination of airspace as a result of increasing military activity still require comprehensive measures to assess and manage the risks to flights over areas of conflict. Overall, the demands made of the security functions of international companies have risen significantly in view of the political environment and new technical developments. Increasing security regulations due to the greater threat potential, as well as a tightening of entry requirements for air passengers around the world, could lead to further restrictions in international air traffic and thereby to adverse effects for the air transport industry.

In order to analyse, track and manage these risks, the Lufthansa Group carries out comprehensive monitoring of the global security situation and current events that may affect the Lufthansa Group. This relates both to immediate action and to the anticipation of possible dangers and the implementation of effective protective measures in advance. The Lufthansa Group prepares comprehensive security analyses on an ongoing basis in order to assess developments in advance and so to draw up preventive scenarios in the event of any disruptions. The necessary security measures depend on the probability and consequences of the event.

In preparing its analyses for the Company, including all flight operations and partners in the airline group, the Lufthansa Group can draw on a wide-ranging network of national and international security services and consultancies specialised in security. To evaluate security-relevant events in the context of the regional environment, the Lufthansa Group uses a comprehensive quality management system, which helps with the continuous evaluation of local security procedures, both in existing operations and with new destinations. In order to ensure compliance with national, European and international aviation security legislation and the Lufthansa Group's own security standards, these sites are inspected regularly in the course of risk audits for aviation security and country risks. If necessary, deficits are compensated for by additional measures that may affect all relevant functional areas. In addition, perceptions of Germany in certain regions of the world and the profile of the Lufthansa Group compared with other, particularly exposed Western airlines are taken into account when choosing infrastructure and processes abroad.

Pandemic diseases

Potential risks exist around the world from the transmission of pathogens, both from animals to humans, humans to humans and by other means. Epidemics, pandemics or bioterrorism could cause high rates of disease in various countries, regions or continents, which, in the short, medium or long term, could lead to drastic falls in passenger numbers due to a fear of contagion. Furthermore, it is possible that staff are not willing to fly to the countries concerned for fear of infection and that local employees want to leave these countries. A high prevalence of sickness among staff may endanger operations.

Even though the Ebola risk has fallen significantly since 2014, new threats have arisen in 2016, such as the increase in Zika infections. Rates of infection with dengue fever have been rising globally for a number of years, and the annual influenza epidemic varies widely in intensity and is virtually impossible to forecast.

Intensive monitoring of information from the World Health Organisation (WHO), the Robert Koch Institute in Germany and other institutions maximises the chances that epidemic or pandemic threats will be detected at an early stage. Staff receive detailed information, risk groups are given personal protective equipment and preventive vaccination campaigns against influenza are offered throughout the Lufthansa Group every year.

Sector-specific opportunities and risks

Market growth and competition

The airline industry remains on a long-term course of growth, which is primarily driven by low-cost carriers and regions with above-average growth rates, such as south-east Asia. Strong capacity growth at the Gulf airlines, low-cost carriers and competitors on North Atlantic routes is increasingly affecting demand and price trends in Europe, often to the detriment of the airlines in the Passenger Airline Group.

The Lufthansa Group is broadly positioned, which enables it to benefit from global growth across all of its business segments. The products and services offered by the Lufthansa Group are continually reviewed and new expansion options examined for their potential to generate additional sustainable growth. At the same time, the ongoing consolidation of the industry, in particular, plays an important role. The Lufthansa Group can strengthen its competitive position in a fragmented market environment and seize growth opportunities by means of strategic acquisitions and partnerships. The current fleet orders and delivery slots for aircraft with new technology allow the Passenger Airline Group to play an active part in global growth and to respond flexibly to changes in the market and competition by making capacity adjustments, even though there are currently repeated delays in the delivery of new aviation technologies.

Converging business models and new customer requirements
In the European market, the business models of low-cost and full-service airlines are increasingly converging. This is resulting in increasing cost pressure in the full-service airline segment, which is being addressed by the use of new technologies and efficient resources. In a price-sensitive, growth-oriented market, the Lufthansa Group is also concentrating on discerning customers in its strong home markets as well as on expanding Eurowings.

Customers are increasingly seeking a personalised travel experience. Here, the Lufthansa Group invests continuously in staff and systems in order to offer every customer the right product at the right time. The Company's clear aim remains fulfilling its premium product promise.

Service companies
With its service companies in the Logistics, MRO and Catering segments, the Lufthansa Group has a broad base from which to participate in the global growth of the airline industry. Lufthansa Technik is concentrating on extending its service and customer portfolio, seizing development opportunities in the growth markets of Asia and America and on expanding partnerships with OEMs. Lufthansa Cargo is pursuing growth opportunities with innovative products, digitalisation and further airfreight joint ventures. The catering specialist, LSG group, is developing new business models in established and new markets. As the earnings profiles of the service companies differ somewhat from the airline business, they can at least partially offset cyclical fluctuations at the Passenger Airline Group.

Earnings risks
Changes in available capacity have a decisive influence on the risk-return profile of the airline industry. Given the many orders for new aircraft within the industry and the forecast growth, the risk of sustained overcapacities has also increased. Pressure on yields therefore remains high and offsets the generally positive developments in demand and load factors. Complex forecasting methods to estimate unpredictable changes in demand, sales management techniques and active capacity management are used to counter this. In view of structural shifts in demand, there is the possibility in the short and medium term of responding by deploying aircraft with different configurations of travel class and flexible compartment sizes in Business and Economy Class.

Price erosion, overcapacities, cyclical fluctuations, current developments in the markets and competition, geopolitical changes and unpredictable events with a global impact all create earnings risks for the entire Lufthansa Group. These risks increased at the service companies over the course of last year and continue to exist. Earnings performance is monitored continuously. Sales, product, capacity and cost-cutting measures are taken as needed. Unit costs and efficiency are systematically and sustainably improved as part of the "7to1 – Our Way Forward" strategic programme, in particular through the "Constantly improving efficiency" action area and as a result of segment-specific restructuring projects.

Market developments and competition in the supply market
Aircraft manufacturers now only want to work with a limited number of systems integrators (known as "risk-sharing partners") on their new aircraft models, which has led to a significant concentration on the supply market. Well-known suppliers have been bought by global companies like Honeywell or UTC. Original equipment manufacturers (OEMs) have always been both suppliers and competitors at the same time, but for a growing number of systems, and especially for new aircraft models, this concentration is also creating monopoly situations and new dependencies for Lufthansa Technik. This leads to corresponding effects in terms of materials supply and access to information.

There is a persistent trend towards an ever smaller number of manufacturers for each aircraft and engine type. This stronger market position for OEMs results in barriers to entry for independent providers of aircraft-related maintenance, repair and overhaul (MRO) services, especially for new aircraft models, and makes it more difficult to gain access to licences and intellectual property. Maintaining their market position in this environment is a key challenge for MRO providers.

Lufthansa Technik works continuously on individual approaches to each OEM and product segment. In the area of engines, in particular, it was able to establish a strategically vital partnership with Pratt & Whitney for the next-generation geared turbofan (GTF), which will play a key role in the engine market going forward.

Opportunities and risks from the regulatory environment
Political decisions at national and European level continue to have a strong influence on the international airline industry. This is particularly the case when countries or supranational organisations unilaterally intervene in the competition within a submarket, for example by way of regional or national taxes, emissions trading, fees and charges, restrictions or subsidies. The Lufthansa Group campaigns actively to influence these developments in the appropriate boards and forums and in cooperation with other companies and industry associations.

Increased noise legislation
Stricter noise regulations can affect airlines and airports, leading to greater direct costs for the retrofitting of aircraft or to bans on certain types, for example, as well as to indirect costs in the form of higher fees and charges or to greater expenses for monitoring measures. Of particular note here is the still outstanding revision of the directive on environmental noise at European level. In the short term, legislation is not expected to be tightened at the federal level in Germany. However, the state government of Hesse is considering introducing a cap on noise levels. The Lufthansa Group is interested in a voluntary agreement, but is against any interference with operating licences, however. The European Commission is currently preparing a revision and has asked for initial opinions by way of public consultations.

The limits set in the Aircraft Noise Abatement Act will be reviewed as scheduled in 2017. Although the latest results of noise research do not show any significant change in the health risks, there has been an abrupt shift in the reaction of those concerned to the nuisance. Politicians take this as a call for action, although the (mostly stable) noise situation at airports is increasingly being decoupled from the reaction to the nuisance. Legislative proposals are possibly expected in the next parliament from 2018.

The potential introduction of a cap on noise levels at Frankfurt Airport, which may be well below the levels forecast in the planning approval document, could have an influence on other sites in Germany. To start with, the procedure calls the original planning process into question; it also creates legal uncertainty and further reduces the scope for entrepreneurial decisions.

The Lufthansa Group develops coordinated strategies by means of targeted communications in collaboration with trade associations and other industry stakeholders. In the course of research projects, the Lufthansa Group is involved in active noise abatement measures and closely monitors research into the effects of noise.

Financial opportunities and risks
System of financial risk management for fuel prices, exchange rates and interest rates
The principally conservative approach towards financial and commodity risks is reflected in systematic financial management. Derivative financial instruments are used exclusively for hedging underlying transactions. The main aim of fuel price and currency hedging is to reduce earnings volatility. This is achieved by forming averaging prices by means of layered hedging. Interest rate hedging aims to reduce interest expenses. As a rule, 85 per cent of financial liabilities are either at floating rates from the outset or are swapped into floating rates using derivatives. This enables the Lufthansa Group to minimise average long-term interest expense. Foreign currency risks from financing are always hedged to 100 per cent.

Here, the Lufthansa Group works with partners that have at least an investment grade rating equal to Standard & Poor's "BBB" rating or a similar long-term rating. All hedged items and hedging transactions are tracked in treasury systems so that they can be valued at any time.

Appropriate management and control systems are used to manage financial and commodity risks, which measure, manage and monitor risks. They cannot be eliminated altogether, however. The functions of trading, settlement and controlling of financial risk are strictly separated at an organisational level, which the Lufthansa Group achieves through the use of internal guidelines that are continuously developed. The Group Financial Risk Controlling and Corporate Audit departments ensure compliance with these guidelines. Furthermore, the current hedging policies are also discussed regularly in management board meetings across the business areas. The Supervisory Board is regularly informed of the amounts of risk. → Note 41, p. 149ff.

Fuel price movements
In the reporting year, the Lufthansa Group consumed around 9.3 million tonnes of kerosene. At around EUR 4.9bn, fuel expenses constituted a major item of expense for the Lufthansa Group in 2016. Severe fluctuations in fuel prices can therefore have a significant effect on the operating result. A change in the fuel price of + 10 per cent (– 10 per cent) at year-end 2017 would increase (reduce) fuel costs for the Lufthansa Group by EUR 259m (EUR – 266m) after hedging. The Lufthansa Group therefore hedges fuel prices with a time horizon of up to 24 months. This is aimed at reducing fluctuations in fuel prices. Limited protection against higher prices is accepted in exchange for maximising the benefits derived from any fall in prices.

The hedging level and hedging horizon depend on the risk profile, which is derived from the business model of the Group company concerned. The hedging policy and structure shown in the chart , p. 64, are applied to the airlines of Lufthansa Passenger Airlines, SWISS and the scheduled operations of Austrian Airlines. Transactions for some other Group companies are hedged to a lesser extent, and are therefore more exposed to the risk of a price increase. Conversely, they also profit more if prices go down. Charter business is hedged in full using forward transactions as soon as the contract has been signed. This largely eliminates the risk of fuel price increases. On the other hand, this also eliminates the chance of benefiting from a fall in prices.

The Lufthansa Group uses standard market instruments in the form of option combinations for its fuel hedging. Hedges are mainly in crude oil for reasons of market liquidity. The hedging transactions are based on fixed rules and map the average of crude oil prices over time. Depending on the company in the Group, the amounts hedged each month result in a hedging level of up to 85 per cent. For Lufthansa Passenger Airlines, for instance, the six months following a given date are hedged to 85 per cent.

At the beginning of February 2017, there were crude oil and kerosene hedges for around 75 per cent of the forecast fuel requirement for 2017, in the form of futures and options. For 2018, around 29 per cent of the forecast fuel requirement was hedged at that time.

As fuel is priced in US dollars, fluctuations in the euro/US dollar exchange rate can have a positive or a negative effect on reported fuel prices. US dollar exposure from planned fuel requirements is included in currency hedging.

In the context of fuel supplies, there are opportunities in the development of new production techniques, both for crude oil and for other energy sources. This could have a direct or indirect effect on the Lufthansa Group's kerosene expenses, by reducing both prices and volatility.

Oil prices were unusually low overall in 2016 compared with recent years, however they have been rising again since December 2016. There has been no material, year-on-year change in the risk of price fluctuations.

Exchange rate movements

International ticket sales and the purchase of fuel, aircraft and spare parts give rise to foreign currency risks for the Lufthansa Group. All subsidiaries report their planned currency exposure in around 66 foreign currencies to the central financial planning department over a time frame of at least 24 months. At Group level, a net position is aggregated for each currency in order that "natural hedging" can be taken advantage of. Twentythree of the currencies are hedged because their exposure is particularly relevant to the Lufthansa Group: Note 41, p.149ff.

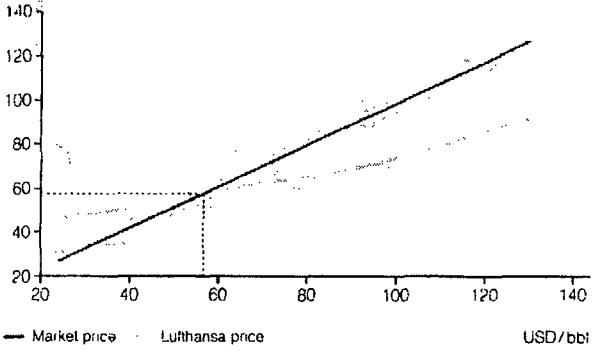
These financial developments also represent opportunities for the Lufthansa Group. Volatility in fuel prices, exchange rates and interest rates can result in lower costs and/or higher income if the direction taken is better than the assumptions used for planning and forecasting. There were no significant changes to this estimate compared with the previous year.

Loss of the investment grade rating

The credit ratings given to the Lufthansa Group by the rating agencies are particularly important. An investment grade rating enables access to new financing and hedging instruments. The Lufthansa Group is rated by the Standard & Poor's and Scope Ratings agencies as investment grade and by the Moody's agency as non-investment grade. If, in future, a rating agency were to downgrade the credit rating to non-investment grade (e.g. due to the negative outlook from Standard & Poor's since 15 September 2016), this could lead to a distinct deterioration in funding terms and financial risk management and restrict access to new funding and hedging instruments.

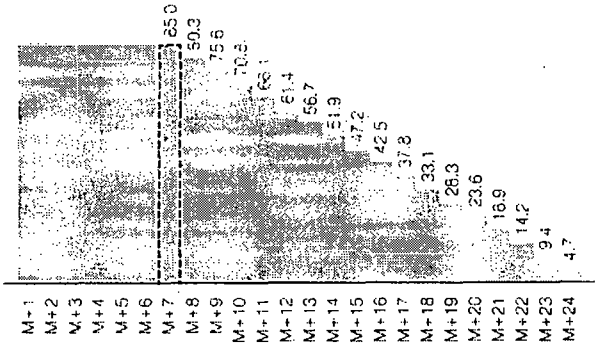
Oil price scenario for the Lufthansa Group 2017*

USD/bbl



* As of 28.2.2017

Lufthansa's hedging policy Medium-term crude oil hedging in %



The Lufthansa Group's investment grade rating is still under significant threat due to the high provisions for pensions, which have been caused by a very low discount rate by long-term standards. It is currently not clear how the rating agencies will deal with increasingly volatile interest rates in future and what consequences this will have for the Lufthansa Group's rating. Over and above this, the erosion of profits or the failure of cash flows to materialise also carries a risk that the rating will be downgraded. The measures included in the planning are all aimed at strengthening the financial profile by means of investment discipline and earnings improvement, and provide the opportunity to reduce the Group's debt. The Lufthansa Group is in constant contact with all three rating agencies to discuss with them wherever possible activities that could stabilise or improve the rating. Further information on opportunities from switching retirement benefits → Human resources, p. 65f.

Capital investments and liquidity risks

Capital investments at the Lufthansa Group are managed from the point of view of operating and strategic liquidity. Investments are also made by the Lufthansa Pension Trust and other pension funds in the Lufthansa Group. The risks mainly consist of potential price changes for shares, fixed-income securities and interest rates, as well as credit risks.

Capital investments to ensure the Lufthansa Group's operating liquidity are generally made in accordance with the Group's financial guidelines. The investment period is limited to a maximum of 24 months, whereby at least EUR 300m should be in investments that can be liquidated on a daily basis. For its operating liquidity, the Lufthansa Group mainly uses money market funds which can be liquidated daily, overnight deposits, fixed-term deposits and short-term securities, especially commercial papers, from creditworthy issuers.

The investment structure of the strategic minimum liquidity for the Lufthansa Group has been determined using a stochastic allocation study. It was based on the Lufthansa Group's liquidity requirements and conservative investment principles. The majority of these investments are in products related to the money market. The strategic minimum liquidity is divided into various components with different investment horizons. They are managed by several external asset managers with separate mandates. One of the requirements is that the investments must be able to be liquidated within a maximum of four weeks.

Exchange rate losses on pension fund investments

Pension fund investments are subject to price fluctuations on international capital markets. However, the broad diversification across many asset classes (including global equities and fixed-income securities) does reduce the overall investment risk. An investment manager also monitors and manages risk using a stop-loss system. As the correlation between asset classes is declining; share prices are high and interest rates particularly low, market risk and market fluctuations are generally higher than last year. → Financing, p. 34f. Further information on opportunities from switching retirement benefits → Human resources, p. 65f.

Credit risks

The transactions completed in the course of financial management give rise to default risks. The counterparty default risk is continuously assessed using a system of counterparty limits.

In times of broad economic swings, the default risk for trade receivables also increases. Here, too, their performance is tracked constantly at the level of the Group and the individual business segments. Preventive measures are also taken. → Note 36, p. 140ff.

Company-specific opportunities and risks

New process organisation reinforces continuous improvement

Opportunities to increase efficiency in the course of continuous improvements are being seized as a strategic action area in all of the Lufthansa Group's operating segments. They are reflected in the planning as a counterweight to ongoing cost inflation. This is also the aim of the process-oriented matrix organisation that was introduced at the network airlines, and which is also to be implemented in the administrative areas and other business segments from 2017. Potential opportunities and risks to forecast economic developments, in the form of unforeseen internal and external factors, both positive and negative, must be identified and managed during the course of the year.

Human resources

Evolution of company retirement benefits

As the system of retirement benefits for the employees of the Lufthansa Group in Germany is increasingly moved from a defined-benefit to a defined-contribution system, the Lufthansa Group is reducing its pension provisions. Further wage settlements that have yet to be agreed offer additional opportunities.

Internal and external labour disputes

Given the large number of outstanding wage agreements, there is still a risk of labour disputes involving cockpit staff at Lufthansa Passenger Airlines, Lufthansa Cargo and Germanwings. Industrial action instigated by the UFO flight attendants' union constitutes a risk at Eurowings and Germanwings. Through talks, collective bargaining and arbitration, the Lufthansa Group attempts to achieve its policy objectives through agreements with the trade unions and to ensure a working relationship in the spirit of trust.

External strikes are also a risk, since the Lufthansa Group depends on a large number of companies and public-sector entities (such as the security staff at airports), which all negotiate with their own collective bargaining partners. In the past, the Lufthansa Group has often been affected by third-party strikes in these areas, without any possibility of influencing the situation directly. Here, the Lufthansa Group is working to ensure that its voice is heard in the legislative process.

Reduced employee commitment
Should employees' commitment and their loyalty to the Lufthansa Group waver, it will become harder to implement required structural changes. By developing the pay structure, fringe benefits and non-monetary components, including concessionary flights, in different ways for each group of employees, the Lufthansa Group still endeavours to offer attractive conditions of employment. Change management initiatives are increasingly being implemented and communications activities initiated to increase employees' commitment.

Staff structure
Differences between strategic human resources requirements and existing staff, which are accompanied by a lack of transparency across the Group concerning existing skills, represent a structural human resources risk. The Lufthansa Group addresses this risk by means of strategic human resources planning, drawing up a skills model and offering training courses for all the employees in the Group.

New labour legislation
Depending on the way it is drafted and structured, new labour legislation, such as a new law on agency workers, may affect operating workflows and entrepreneurial freedom of action. Here, too, the Lufthansa Group works to ensure that its interests are taken into account by policymakers.

Overall, human resources risks are largely unchanged compared with last year.

Flight operations risks
The airlines in the Lufthansa Group are exposed to potential flight and technical operating risks. One of these is the risk of not being able to carry out regular flight operations for technical or external reasons. If flights do not take off or land on time, due to weather conditions for instance, this may have a negative effect on customer satisfaction and future purchase decisions. Airlines' liability for delays has also been broadened significantly

Another flight and technical risk is the risk of an accident, with the possibility of damage to people and property. Threats affecting the risk of accidents are divided into four groups: environmental factors (for example weather or bird strike), technical factors (for example engine failure), organisational factors (such as contradictory instructions), and the human factor.

The Lufthansa Group airlines and Lufthansa Technik search for these dangers systematically and in a forward-looking way in order to manage the resulting risk by means of suitable countermeasures and to increase the level of flight safety further.

This takes place in the course of safety management focused on proactively addressing any threats to the organisation, identifying risks, defining mitigation measures and thus minimising risks. For example, every single flight made by an airline in the Passenger Airline Group is routinely analysed using the parameters recorded in the flight recorder (black box) in order to identify any peculiarities at an early stage and to act on them, such as in the context of training courses, for example. Other sources of information, e.g. accidents and hazardous situations around the world which come to light are also analysed and the results integrated into prevention measures, such as training courses, if relevant. The safety management systems are continuously improved and refined.

Clear responsibilities have been defined as part of the reorganisation of the Lufthansa Group, such as creating positions with overarching, Group-wide functions. One example of this is the "Safety Processes Group Airlines" function, which aims to coordinate the Lufthansa Group's safety management systems as well as possible, to consolidate findings and, on this basis, to define and continuously improve uniform flight safety standards within the Lufthansa Group.

Networking and the ongoing exchange of information between the different airlines in the Lufthansa Group offer the opportunity of consolidating the experience gained in each operating environment and pursuing a Group-wide, evidence-based approach to optimising the existing safety management systems. The aim is an overarching analysis based on a standardised set of data and uniform evaluation criteria.

One project to improve the Lufthansa Group's operational and safety standards was developed further and others were completed. This advances the harmonisation of relevant core processes within the Lufthansa Group. It covers the sub-projects dealing with the recruitment and selection of pilots, flight medicine, training standards for flight crews and the continued development of crisis and irregularity management processes.

Other operating risks
In the Catering segment, it is vital that food is produced to the highest quality and in accordance with all hygiene and food safety standards. Certified quality management systems are used to identify potential quality defects at an early stage. Furthermore, the LSG group invests continuously in its production facilities and equipment as well as in modern technology. The modernisation process is supported by intensive training courses as well as learning and problem-solving workshops in the individual companies.

Cyber and IT risks

The business processes in the Lufthansa Group are supported by IT components in virtually all areas. The use of IT inevitably entails risks for the stability of business processes and for the availability, confidentiality and integrity of information and data, and such risks ultimately cannot be fully eliminated. Cyber-risks are all risks to which computer and information networks, ground and flight infrastructure as well as all IT-enabled commercial and production processes are exposed from sabotage, espionage or other criminal acts. If established security measures fail, the Lufthansa Group may suffer reputational damage and be obliged to make payment on the basis of contractual and statutory claims by customers, contract partners and public authorities. A loss of income is also conceivable if operating systems should fail.

The dimension of cyber-attacks is increasing drastically worldwide in terms of their quantity and professionalism. This is borne out by the Group's own experience of security incidents and by information from other companies and public agencies. At the same time, the digitalisation of business processes in the Lufthansa Group is increasing, meaning that the potential effects of cyber-attacks may continue to escalate. It is therefore foreseeable that cyber-risks will become an ever greater potential risk for the Lufthansa Group.

To adequately counter the growing threat to the Lufthansa Group's IT, the Executive Board adopted an extensive programme in 2016 to durably strengthen its cyber-resilience. It comprises investments in technology for the prevention and early identification of cyber-attacks, adapting processes to evolving threats and raising the awareness of employees. In this context, particular attention is also paid to the next generation of avionic IT in aircraft, which is connected to the Internet and so requires a cyber-risk assessment as well as offering the potential for optimisation. Group Security and Information Management have also systematically analysed an initial set of cyber-risks in the Lufthansa Group in the form of a project. This methodology will be devolved to line management from 2017.

IT risk and IT security processes are organised across operating segments. The status of IT risks and IT security is compiled annually, consolidated at Group level and discussed by the Risk Management Committee for the Lufthansa Group. The risk and security management systems and selected other measures are also reviewed regularly by the Internal Audit department.

The Lufthansa Group sources most of its IT infrastructure from external service providers. The operational and commercial risks that by nature accompany this kind of outsourcing are assessed and managed on a continuous basis. The transition to the new provider is taking place within an independent, wide-ranging programme.

Breaches of compliance requirements

Compliance refers to the observance of legally binding requirements, and is intended to ensure that the Company, its executive bodies and its employees act in accordance with the law. The effectiveness of its compliance programme is therefore of vital importance to the Lufthansa Group. → Corporate Governance, p. 75ff.

The Lufthansa Group is active in many countries and is therefore subject to various legal norms and jurisdictions with different, and sometimes hard to interpret, legal frameworks, including for criminal law on corruption. In addition, all activities not only have to be judged against local criminal law, the laws applicable in the sales area and the local cultural customs and social conventions, but also need to take extraterritorial regulations like the US Foreign Corrupt Practices Act (FCPA) or the UK Bribery Act into consideration. Any infringements are investigated rigorously; they may result in criminal prosecution for the individuals involved and could expose the Company to hefty fines. There would also be reputational damage that is difficult to measure and the Company would be put at a distinct disadvantage when competing for public tenders. The Lufthansa Group has put processes in place that are intended to identify specific compliance risks and, in particular, to prevent corruption.

The Lufthansa Group is also exposed to risks arising from competition and antitrust law. They stem, in particular, from the fact that the Lufthansa Group operates in highly oligopolistic markets, cooperates with competitors in alliances, may have to deal with changes in the legal parameters for certain flight routes and that in some of its segments, suppliers, competitors and clients are the same legal person. The Competition Compliance function addresses the risks of collusive behaviour and provides staff with extensive training.

Furthermore, the Lufthansa Group is exposed to risks in terms of capital market compliance. Since July 2016, the EU Market Abuse Regulation (MAR) has codified bans on insider trading and market manipulation, the obligation to make ad hoc announcements as well as other obligations relating to capital markets. MAR and many other regulations are directly applicable in Germany. At times, it can be difficult to predict how these new European regulations will be interpreted and administered by the public authorities. The Lufthansa Group has taken many organisational steps to implement the MAR, including adjusting its technical systems, revising its compliance guidelines and training the employees concerned. Despite all these organisational measures, action by national and, in particular, European supervisory authorities against the Lufthansa Group for any future breaches of MAR obligations cannot be ruled out. Possible sanctions range from significant fines to a public "naming and shaming".

Individual infringements, particularly of integrity, competition and capital markets compliance, cannot be ruled out completely, despite the control mechanisms in place and the steps taken to mitigate risks.

Heavy penalties are also possible if emissions reporting is even slightly inaccurate or not submitted on time. Under some circumstances, the airlines in the Lufthansa Group may not be able to rule out these risks altogether, even when the reporting is compiled with the utmost care.

Litigation, administrative proceedings and arbitration
The Lufthansa Group is exposed to risks from legal, administrative and arbitration proceedings in which it is currently involved or which may take place in future. It cannot be ruled out that the outcome of these proceedings may cause significant damage to the business of the Lufthansa Group or to its net assets, financial and earnings position. Appropriate provisions have been made for any financial losses that may be incurred as a result of legal disputes. More information on provisions for litigation risks and contingent liabilities can be found in the → **Notes to the consolidated financial statements, Note 33, p 136ff., and Note 40, p 148.**

Furthermore, the Lufthansa Group has taken out liability insurance for an amount that the management considers appropriate and reasonable for the industry in order to defend itself against unjustified private third-party claims and to settle such claims it considers justified. Even in such cases, however, this insurance cover does not protect the Lufthansa Group against possible damage to its reputation. Such legal disputes and proceedings may also give rise to expenses in excess of the insured amount, expenses not covered by the insurance, or those which exceed any provisions previously recognised. Finally – and depending on the type and extent of future losses – it cannot be guaranteed that the Lufthansa Group will continue to obtain adequate insurance cover on commercially acceptable terms in future.

There are insurance contracts in place for Germanwings and Deutsche Lufthansa AG as well as for other Lufthansa Group companies, covering various liability claims in connection with the Germanwings accident on 24 March 2015. This also applies to the lawsuits filed by dependants of two American victims against Germanwings, Eurowings, Lufthansa and United Airlines in Virginia, USA, as well as to the two lawsuits filed against Airline Training Center Arizona, Inc. (ATCA) in Arizona, USA. Claims are being made in all three cases for material and general damages. In the lawsuit against ATCA, the claimants are arguing, among other things, that ATCA doubted the co-pilot's mental stability but still trained him nonetheless. Altogether, the US lawsuits are estimated as having little chance of success. Companies in the Lufthansa Group may still be faced with costs, however, since in France at least, public prosecution and judicial investigations into the case are still underway → **Earnings, assets and financial position, p 28ff.**

Expenses for legal defence cannot be ruled out. Costs for investigations and voluntary payments to the victims' families have already been incurred and there is a risk that there are more to come.

The Lufthansa Group is subject to tax legislation in many countries. Changes in tax laws and case law, as well as different interpretations as part of tax audits, can result in risks and opportunities affecting tax expenses, income, claims and liabilities. The Corporate Taxation department identifies, evaluates and monitors tax risks and opportunities systematically and at the earliest possible stage and initiates steps to mitigate the risks as necessary.

Overall statement on opportunities and risks

In a volatile environment, the Lufthansa Group relies on its ability to adjust its capacities and resources flexibly to changing market conditions. To compete successfully over the long term, the Lufthansa Group focuses on promising product strategies, a solid financial position and a competitive cost structure.

The SCORE programme that ended in 2015 was moved into line management in the form of continuous improvements to efficiency, in order to establish these gains as a permanent task within the Company. In order to seize opportunities for making lasting, structural improvements to efficiency, productivity and competitiveness, a process-oriented matrix organisation has been implemented for the network airlines. It is also to be introduced in the administrative areas and other business segments from 2017, where it is expected to deliver corresponding efficiency gains. Work is also continuing in other key areas of the "7to1 – Our Way Forward" strategic programme to safeguard the Company's future viability by means of profitable growth, innovation and digitalisation, as well as by focusing on quality and customer orientation.

The implementation risks for projects aimed at increasing efficiency and factors countervailing this, among them rising costs for fuel or fees and charges and declining yields at the airlines, are mitigated by means of systematic risk management in the individual projects.

Although individual risks have been assessed differently in some cases in 2016, there has been no material change to the internal risk landscape for the Lufthansa Group compared with the previous year

The Executive Board of the Lufthansa Group does not currently consider that the continued existence of the Company is at risk. It assumes that the Company will still be able to exploit opportunities as they arise in future without having to incur unreasonably high risks. The Executive Board of the Lufthansa Group aims to achieve a balance between opportunities and risks, and is convinced that the opportunities and risk management system is effective.

[illegible] accounting-related Internal Control System and risk management system in accordance with Section 289 Paragraph 5 and Section 315 Paragraph 2 No. 5 HGB

The Lufthansa Group's Internal Control System (ICS) covers all the principles, procedures and steps intended to ensure effective, economical and accurate accounting and compliance with the relevant legal regulations. It is based on the COSO framework (Committee of the Sponsoring Organizations of the Treadway Commission).

Overall responsibility for the Internal Control System required to manage risk lies with the Executive Board of Deutsche Lufthansa AG, which defines the scope and the format of the systems in place based on the specific requirements of the Lufthansa Group.

The Corporate Audit department of Deutsche Lufthansa AG as well as the decentralised internal audit departments at Group companies are embedded in the internal monitoring system for the Lufthansa Group and act independently of business processes. In addition, the effectiveness of those areas of the Internal Control System relevant to financial reporting are reviewed by the auditors as part of a risk-oriented approach to their audit.

The Audit Committee of the Deutsche Lufthansa AG Supervisory Board monitors the effectiveness of the Internal Control System and risk management system on the basis of Section 107 Paragraph 3 German Stock Corporation Act (AktG)

The objective of the Internal Control System for accounting processes is, by making checks, to provide a reasonable degree of certainty that the financial statements and the consolidated financial statements of Deutsche Lufthansa AG conform to regulations, despite the risks identified.

The following preventive and investigative checks are embedded in the accounting process:

- IT-supported and manual cross-checks,
- Functional separation,
- Dual signatures and
- Monitoring checks.

Operational accounting processes are carried out locally at the Group companies and increasingly also using the Group's own and external Shared Service centres. Expert opinions for determining the amount of pension provisions are prepared by external consultants.

Corporate Accounting is functionally responsible for preparing the consolidated financial statements and draws up binding regulations for the Group companies that pertain to form, content and deadlines. The Lufthansa Group's accounting guidelines are updated regularly and define uniform accounting standards for the domestic and foreign companies included in the Lufthansa consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). For Deutsche Lufthansa AG and other German companies in the Group, a guideline defines rules for drawing up individual financial statements in line with the German Commercial Code (HGB). This ensures that standardised Group accounting practices are applied to the recognition, measurement and presentation of balance sheet items, with as little room for discretion as possible. The formal requirements relate to the mandatory use of a standardised and complete set of reporting forms and a uniform account framework for the Group. Individual financial statements that contain errors are selected and restated as necessary at company or Group level on the basis of control mechanisms already defined in the SAP SEM-BCS consolidation software and/or by systematic plausibility checks. The consolidation system dictates the different deadlines for various elements of the reporting packages and verifies centrally that they are adhered to during the preparation process.

The IT systems used for accounting are protected against unauthorised access by special security precautions.

By means of the organisational, control and monitoring structures defined for the Lufthansa Group, the Internal Control System and risk management system as it relates to accounting ensures that all matters affecting the Company are captured, processed and evaluated, and are presented adequately in the Group's financial reporting. In particular, the use of individual discretion, faulty checks, criminal acts by those involved and other circumstances may compromise the effectiveness and reliability of the Internal Control System and risk management system in place. This means that even the Group-wide application of these systems cannot guarantee with complete certainty that facts are presented correctly, fully and promptly in the consolidated financial statements. These statements only relate to Deutsche Lufthansa AG and the major subsidiaries included in the consolidated financial statements of Deutsche Lufthansa AG.

Forecast

Continued moderate global economic growth expected for 2017. / IATA projects growth of 5.1 per cent in global revenue passenger-kilometres. / Regional developments still differ. / Lufthansa Group forecasts Adjusted EBIT slightly lower than last year.

Macroeconomic outlook

GDP development
Forecast 2016 to 2020 compared with previous year

in %	2016*	2017*	2018*	2019*	2020*
World	2.5	2.8	3.1	3.1	3.1
Europe	1.8	1.6	1.7	1.7	1.6
Germany	1.2	1.9	1.9	1.6	1.4
North America	1.6	2.2	2.6	2.3	2.2
South America	–1.1	1.3	2.2	2.9	3.2
Asia/Pacific	4.7	4.7	4.7	4.7	4.7
China	6.7	6.5	6.2	6.1	6.1
Middle East	2.5	2.5	3.6	3.8	4.2
Africa	1.8	2.8	3.4	3.8	4.2

Source: Global Insight World Overview as of 15.1.2017.
* Forecast

Moderate economic growth expected globally
The global economic growth rate of between 2.4 and 3.1 per cent per year that has prevailed since 2011 is expected to continue in 2017. The current forecast for global growth in 2017 is 2.8 per cent. Risks for this expected growth include the dangers of increasing protectionism worldwide, uncertainty concerning the form that Brexit will take and possible changes in US economic policy. At the beginning of 2017, the oil price was low by historical standards, despite the increase in 2016. This alters global capital flows, investment and demand, meaning that oil-importing countries should continue to anticipate negative consequences, too.

Economic growth is expected to be strongest in the Asia/Pacific region, at 4.7 per cent (previous year: 4.7 per cent) in 2017. China remains one of the fastest growing countries in the world, although the pace of its expansion has slowed in recent years. The North America region is expected to expand by 2.2 per cent (previous year: 1.6 per cent). In the USA, the business climate and consumer confidence currently reflect the expectation that tax cuts and a reversal of recent regulations will stimulate economic growth in 2017. However, the anticipated measures may only take effect much later and have less of an impact than is currently expected. There is also the risk that the US economy suffers from rising interest rates and the current strength of the US dollar.

Growth for Europe in 2017 is forecast to be 1.6 per cent (previous year: 1.8 per cent). A weaker euro, waning sovereign debt crisis, further stabilisation in labour markets and supportive monetary policy should help to sustain this growth track in 2017. Alongside uncertainty about the impending Brexit, however, forthcoming elections in the Netherlands, France and Germany also add to worries about further European growth. Germany's economy is expected to expand by 1.9 per cent in 2017 (previous year: 1.8 per cent).

Interest and exchange rates remain subject to uncertainty
The political events of 2016 will continue to cause significant volatility on the markets in 2017. Further negotiations on Britain's exit from the EU and any additional interest rate increases by the Federal Reserve could weaken the euro. Following the change of political leadership in the USA and the uncertainty it has caused, it is also likely that other currency pairs will be highly volatile.

It seems that the European Central Bank initially intends to pursue its expansionary monetary policy as before. Current interest rates, with negative interest on short-term maturities, should therefore be expected to persist.

Oil prices to remain stable initially
Market players expect oil prices to remain stable on the back of economic forecasts. With prices just below USD 57/barrel as of 2 January 2017, futures contracts for delivery in December 2017 were trading at USD 58.61/barrel, and for December 2018 at USD 57.94/barrel.

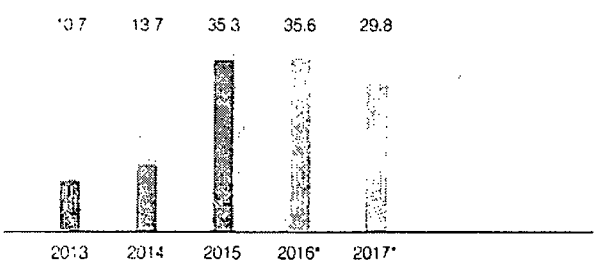
Sector outlook reveals regional disparities
The International Air Transport Association (IATA) forecasts global growth in revenue passenger-kilometres of 5.1 per cent for 2017 (previous year. 5.9 per cent). Growth is expected to vary between the regions. The strongest growth is still expected in the Middle East, at 9.0 per cent, followed by Asia/Pacific at 7.0 per cent and Africa with 4.5 per cent. Growth of 4.0 per cent is projected for both Europe and Latin America. International passenger traffic in North America is forecast to grow more slowly, at 2.5 per cent.

Stable growth rates predicted for airfreight
For global airfreight traffic, the IATA forecasts 3.5 per cent growth in revenue cargo tonne-kilometres in 2017, broadly in line with the previous year's level.

Growth and consolidation also expected in the service companies' markets
The MRO market is expected to grow by an average of 4 per cent per year to a total volume of around USD 99bn by 2026. The Asia/Pacific region will see the biggest increase in MRO demand. The North American market will, however, remain the largest single market. Additionally, low oil prices could have a positive effect on demand for MRO services, as airlines may increase the size of their fleets or use less fuel-efficient aircraft for longer than planned.

Demand in the airline catering market is expected to continue to grow in 2017, but increasingly in the area of in-flight sales programmes. Ongoing consolidation has further intensified the competitive situation.

Development of sector net result in USD billion



Source: IATA Airline Industry Economic Performance (12/2016).
* Forecast

Earnings for the airline industry expected to fall
The global airline industry is expected to report profits of USD 35.6bn in 2016, which the IATA forecasts to fall to USD 29.8bn in 2017. Lower earnings are projected for all regions, albeit to varying degrees. Airlines from North America are again expected to take the largest share of the profits, with forecast earnings of USD 18.1bn. Profits of USD 6.3bn are forecast for airlines in the Asia/Pacific region, and of USD 5.6bn for airlines from Europe. The IATA is projecting earnings of USD 0.3bn and USD 0.2bn respectively for carriers from the Middle East and Latin America. A loss of EUR 0.8bn is expected for airlines from Africa.

Changes in business and organisation

The Lufthansa Group regularly reviews its organisational structure and adapts it to changes in the business environment.

Opportunities to increase efficiency in the course of continuous improvements are being seized as a strategic action area in all of the Lufthansa Group's operating segments. They are reflected in the planning to offset ongoing cost inflation. This is also the aim of the process-oriented matrix organisation that was introduced at the network airlines, and which is also to be implemented in the administrative areas and other business segments from 2017. Potential opportunities and risks to forecast economic developments, in the form of unforeseen internal and external factors, both positive and negative, are identified and managed during the course of the year.

In parallel to introducing the process-oriented matrix organisation, the Lufthansa Group is reworking the structure of its business segments. In accordance with the three strategic pillars, they are to be divided into Network Airlines, Point-to-Point and the separate divisions within Aviation Services: Logistics, MRO, Catering and the Additional Businesses and Group Functions.

In this context, the groups of consolidated companies for the individual segments will be adapted in line with the changes in the internal organisational structure from the financial year 2017. In particular, Eurowings, Brussels Airlines and the equity investment in SunExpress will be removed from the Passenger Airline Group segment and integrated into the independent Point-to-Point segment. Lufthansa Passenger Airlines will be renamed Lufthansa German Airlines. There will be no changes to the segments in Aviation Services. However, Lufthansa Aviation Training, which is currently consolidated in the Passenger Airline Group segment, will be allocated to the Additional Businesses and Group Functions. The figures for the previous year will be adjusted accordingly.

Outlook for the Lufthansa Group

In view of the increasing volatility of the global economy in general and of the airline industry in particular, the Lufthansa Group expects that the course of its business will also be subject to significant fluctuations in 2017. The strong volatility of key variables will require assumptions to be reviewed continuously over the course of the year, in order to be able to respond appropriately and promptly to changes with suitable management measures.

Lufthansa Group expects Adjusted EBIT in 2017 slightly below previous year

Based on the market price for crude oil and the US dollar exchange rate as of 28 February 2017, and without adjustment for the fuel costs of Brussels Airlines, which is being consolidated for the first time, the Lufthansa Group anticipates a year-on-year increase in fuel costs of around EUR 350m.

At the same time, the Lufthansa Group expects currency-adjusted unit revenues in the Network Airlines and Point-to-Point segments to fall again, but not overall as significantly as in 2016. Viewed in isolation, a change in cumulative unit revenues of 1 per cent in these two segments has an earnings impact of more than EUR 200m. However, cumulatively lower unit costs, adjusted for exchange rates and fuel, will help to offset at least part of the increase in fuel costs and lower unit revenues. The other business segments together are not expecting any major changes in earnings. Based on these assumptions and from a current perspective, the Lufthansa Group expects revenue to be significantly higher and Adjusted EBIT to be slightly lower than last year in 2017.

The main influences on earnings remain the oil price, the euro exchange rate, especially against the US dollar and the Swiss franc, unit revenues at the Network Airlines and Point-to-Point segments and the course of collective bargaining for cockpit staff at Lufthansa German Airlines. Overall risks from underlying macroeconomic and from geopolitical developments in particular have increased in recent months and represent a key uncertainty for the development of revenue and earnings, especially for the Network Airlines.

As in the previous year, restructuring activities are likely to adversely affect the earnings of individual segments and the entire Lufthansa Group. At the time of this forecast, costs across all segments are expected to be at a similar high level to the previous year. If progress with the restructuring efforts differs from what was planned at the beginning of the year, this figure may further increase or decrease, improving or reducing earnings accordingly. This earnings forecast does not include negative impacts from possible strikes.

Network Airlines expect slight reduction in earnings

The Network Airlines Lufthansa German Airlines, SWISS and Austrian Airlines will continue to adapt their respective processes in order to optimise the competitiveness of the entire segment in the financial year. Changes will be made to organisational structures and workflows. Varying – possibly also negative – developments in unit revenues and costs are possible at the individual airlines in order to generate overall synergies for the entire Network Airlines segment.

The market environment will remain very challenging as a result of volatile fuel prices, exchange rate fluctuations and increasing competition. Under these circumstances, all of the network airlines assume that pricing pressure will increase in 2017. Key drivers of this trend are high capacities in the market as well as foreseeable price cuts by competitors, who will continue to benefit from lower fuel costs, since they have different hedging profiles.

Lufthansa German Airlines expects Adjusted EBIT for 2017 to be slightly lower than the previous year. The focus will remain on continuous unit cost reductions, which are to be achieved by a broad set of activities. As intense collective bargaining for cockpit crew is still ongoing, the strike risk will persist in the new financial year. The forecast does not, therefore, include any negative effect on earnings from possible strikes at Lufthansa German Airlines.

SWISS expects Adjusted EBIT to be slightly lower than the previous year. Increased capacities from introducing the new and more efficient B777 and Bombardier C Series aircraft and the associated fall in unit costs will be offset by the effects of persistently tough competition and pressure from the strong Swiss franc.

Austrian Airlines expects Adjusted EBIT for 2017 to be slightly lower than the previous year. Ongoing income and cost initiatives as well as strict management of capacities and marketing activities will remain a focus in the new year.

Airlines in Point-to-Point segment expect earnings improvement

The airlines consolidated in the Point-to-Point segment, Eurowings and Brussels Airlines, expect earnings to improve on a cumulative basis. The wet lease of 33 aircraft from Air Berlin will not make a positive earnings contribution in the first year due to one-off integration costs – partly because residual costs from replacing existing capacities will adversely affect earnings at first. After adjustment for integration costs, Eurowings expects to break even in 2017. Brussels Airlines, consolidated in the Point-to-Point segment for the first time from 2017, is expected to deliver a small positive earnings contribution in its first year as a full member of the Group.

Lower currency-adjusted unit revenues are forecast for the Network Airlines and Point-to-Point segments together, but the decline is expected to be less than in the previous year. The fall in unit revenues will be fostered by the fact that the Point-to-Point segment, with its systematically lower revenues, is growing disproportionately strongly. The same applies to the forecast decline in currency and fuel adjusted unit costs.

Forecast traffic figures Passenger Airline Group

	Values 2016	Forecast for 2017[1]
Number of flights	+1.9%	+2% at Network Airlines 0% at Point-to-Point
Capacity (ASK)	+4.6%	+3% at Network Airlines +19% at Point-to-Point plus 95 pts due to wet lease with Air Berlin and first-time consolidation of Brussels Airlines
Unit revenues (RASK)[2]	5.8%	less negative than in 2016
Unit costs (CASK excluding fuel and non-recurring effects from collective agreement with UFO)[2]	−2.5%	negative, in line with previous year

[1] Excluding wet lease with Air Berlin and integration of Brussels Airlines
[2] At constant currency

Other business segments to make stable earnings contributions overall

The Logistics segment is expecting moderately higher revenue for 2017 in a more stable market. Capacity will remain virtually unchanged. In some cases, steps taken in 2016 to improve earnings will only start to have an effect in 2017. Nevertheless, Lufthansa Cargo is expecting a slightly smaller loss in 2017 than in 2016.

The MRO segment expects revenue in 2017 to be significantly higher and Adjusted EBIT to be slightly lower than in the previous year. The main reasons for this are non-recurring positive earnings effects in the reporting year, ongoing pricing pressure in the MRO business, which is accompanied by lower margins, costs for growth projects, in particular innovation and technology projects, as well as restructuring costs.

The Catering segment is expecting revenue to be slightly above, and Adjusted EBIT to be significantly below last year in 2017. The forecast decline in earnings is mainly due to the costs of transforming the business model, particularly in Europe. The ongoing programmes to increase efficiency as well as the expansion of activities in adjacent markets will continue to be driven forward.

Forecast revenue and result*

	Revenue		Adjusted EBIT	
	Revenue 2016 in €m	Forecast for 2017	Adjusted EBIT 2016 in €m	Forecast for 2017
Lufthansa German Airlines	15,412	[illegible]	1,090	slightly below previous year
SWISS	4,471	[illegible]	405	slightly below previous year
Austrian Airlines	2,153	[illegible]	58	slightly below previous year
Network Airlines	21,864	slightly above previous year	1,555	slightly below previous year
Point-to-Point	2,060	significantly above previous year	−104	significantly above previous year
Logistics	2,084	slightly above previous year	−50	slightly above previous year
MRO	5,144	significantly above previous year	41	slightly below previous year
Catering	3,194	slightly above previous year	104	significantly below previous year
Other	437	[illegible]	−182	slightly above previous year
Internal revenue/Reconciliation	−3,123	[illegible]	18	[illegible]
Lufthansa Group	**31,660**	**significantly above previous year**	**1,752**	**slightly below previous year**

* Figures have been adjusted and reflect the realignment of the business segments from 2017

Other financial indicators are expected to improve
The Lufthansa Group is planning gross capital expenditure of EUR 2.7bn in 2017. An average of EUR 2.2bn per year in gross capital expenditure is projected for the following years. Positive free cash flow is again expected for 2017. Minimum liquidity of EUR 2.3bn is to be maintained unchanged.

Net profit is expected to be significantly lower than in the previous year. Reasons for this include the forecast of a slightly lower Adjusted EBIT and, above all, the absence of the one-off effect of EUR 652m from the restructuring of retirement and transitional benefits in the new wage agreement with the UFO flight attendants' union. EACC will therefore also be lower than in the previous year.

At stable interest rates, the equity ratio should move closer to the medium-term target of 25 per cent. The debt repayment ratio should remain stable over the course of year.

A dividend payment also for the 2017 financial year can be assumed, as long as the conditions defined in the dividend policy are met.

Forecast financial profile

	Actual 2016	Target	Forecast for 2017
Equity ratio	20.6%	25% medium term	increase
Debt repayment ratio	28.7%	45% (minimum 35%)	stable
Liquidity	€ 3.9bn	minimum liquidity € 2.3bn	lower than previous year

Overall statement by the Executive Board on the expected development of the Lufthansa Group

In spite of the challenging market and the highly volatile operating environment, the Executive Board of Deutsche Lufthansa AG remains optimistic regarding the development of the Lufthansa Group and its companies.

The Executive Board believes that the broad diversification of the Lufthansa Group puts it in a good position to meet the present and future demands of the market. Diversification of the Network Airlines, Point-to-Point Airlines and service companies is just as important in this context as the solid financial profile of the Lufthansa Group. These features enable the airlines and the service companies to initiate, finance and implement the ongoing processes of structural change from a position of strength.

Stabilising the result over the cycle and at least at the good level of the previous two years is vitally important. This is the fundamental condition for the Lufthansa Group's sustainable development, not least due to persistent cost pressure and shifting competitive structures.

The Executive Board assumes that further progress can be made in the new financial year towards achieving this goal. An intensive phase of far-reaching changes still lies ahead of the Company, a phase in which the new organisational structure will be put into practice and the corporate structure and culture will be developed further. The Executive Board is confident that staff and managers together will take and implement the right decisions to add value in equal measure for customers, employees and shareholders.

Corporate Governance

Executive Board and Supervisory Board work together closely to sustainably increase Company value. Compliance with the recommendations of the German Corporate Governance Code with one exception. Comprehensive compliance programme established.

Supervisory Board and Executive Board

Supervisory Board

Dr Wolfgang Röller
Former Chairman of the Supervisory Board
Deutsche Lufthansa AG
Honorary Chairman

Dipl.-Ing. Dr-Ing. E.h. Jürgen Weber
Former Chairman of the Supervisory Board
Deutsche Lufthansa AG
Honorary Chairman

Voting members

Wolfgang Mayrhuber
Former Chairman of the Executive Board
Deutsche Lufthansa AG
Chairman

Christine Behle
Member of the National
Executive Board of ver.di
Employee representative
Deputy Chairwoman

Nicoley Baublies
Purser and Member
of the Executive Board
of the trade union UFO e.V.
Employee representative

Dr Werner Brandt
Former Member of the
Executive Board SAP SE

Jörg Cebulla
Flight captain
Employee representative

Herbert Hainer
Former Chairman of the Executive Board
adidas AG

Dr h.c. Robert Kimmitt
Senior International Counsel
Wilmer Cutler Pickering Hale
and Dorr LLP, USA

Dr Karl-Ludwig Kley
Chairman of the Supervisory Board
E.ON SE

Martin Koehler
Independent management consultant and
former head of the Aviation Competence
Center at The Boston Consulting Group

Doris Krüger
Senior Director Future Innovation
Strategy, Lufthansa Group
Employee representative

Dr Nicola Leibinger-Kammüller
Managing partner and
Chair of Management Board
TRUMPF GmbH + Co. KG
(until 28 April 2016)

Eckhard Lieb
Training Coordinator
Employee representative

Jan-Willem Marquardt
Flight captain and member
of the Cockpit pilots' union
Employee representative

Martina Merz
Former CEO Chassis Brakes
International, Netherlands
(since 28 April 2016)

Ralf Müller
State certified technician
Employee representative

Monika Ribar
President of Board of Directors (VRP)
Schweizerische Bundesbahnen SBB AG,
Switzerland

Andreas Strache
Flight manager
Employee representative

Stephan Sturm
Chairman of the Executive Board
Fresenius Management SE

Christina Weber
Administrative staff member
Employee representative

Birgit Weinreich
Flight attendant
Employee representative

Matthias Wissmann
President of the German Automotive
Industry Federation (VDA)

Executive Board

Carsten Spohr
Chairman of the Executive Board and CEO

Karl Ulrich Garnadt
Member of the Executive Board
Eurowings and Aviation Services

Harry Hohmeister
Member of the Executive Board
Hub Management

Simone Menne
Member of the Executive Board
Finances
(until 31 August 2016)

Ulrik Svensson
Member of the Executive Board
Finances
(since 1 January 2017)

Dr Bettina Volkens
Member of the Executive Board
Corporate Human Resources
and Legal Affairs

Other mandates of the Supervisory Board members of Deutsche Lufthansa AG
(As of 31 December 2016)

Wolfgang Mayrhuber
a) Infineon Technologies AG (Chairman)
Münchener Rückversicherungs-Gesellschaft AG
(until 31 December 2016)
b) HEICO Corporation, USA

Christine Behle
a) Bochum-Gelsenkirchener Straßenbahnen AG
BREMER LAGERHAUS-GESELLSCHAFT – Aktiengesellschaft von 1877 –
(Deputy Chairwoman)
Hapag Lloyd AG (Deputy Chairwoman)

Dr Werner Brandt
a) innogy SE (Chairman)
OSRAM Licht AG
ProSiebenSat.1 Media SE (Chairman)
RWE AG (Chairman)

Herbert Hainer
a) Allianz Deutschland AG
FC Bayern München AG
(Deputy Chairman)
b) Accenture plc., Ireland

Dr Karl-Ludwig Kley
a) BMW AG (Deputy Chairman)
E.ON SE (Chairman)
b) Verizon Communications Inc., USA

Martin Koehler
a) Delton AG
b) American Funds Investment-Fonds, managed by the Capital Group, USA
Enfold Inc., USA
HixMobility GmbH

Dr Nicola Leibinger-Kammüller
(As of date of departure from Supervisory Board on 28 April 2016)
a) Axel Springer SE
Siemens AG
Voith GmbH

Eckhard Lieb
b) Albatros Versicherungsdienste GmbH

Martina Merz
(since 28 April 2016)
b) AB Volvo, Sweden (Board of Directors)
NV Bekaert SA, Belgium
(Board of Directors)
SAF-HOLLAND S.A., Luxembourg
(Board of Directors, Deputy Chairwoman)

Ralf Müller
a) Lufthansa Cargo AG

Monika Ribar
b) Chain IQ Group AG, Switzerland
Schweizerische Bundesbahnen SBB AG, Switzerland (President of the Board of Directors, VRP)
Sika AG, Switzerland

Stephan Sturm
a) Fresenius Kabi AG (Chairman)
Fresenius Medical Care Management AG (Chairman)
b) VAMED AG, Austria
(Deputy Chairman)

Christina Weber
a) LSG Lufthansa Service Holding AG

Mandates of the Executive Board members of Deutsche Lufthansa AG
(As of 31 December 2016)

Carsten Spohr
a) Lufthansa Technik AG* (Chairman)
ThyssenKrupp AG
b) Dr. August Oetker KG

Karl Ulrich Garnadt
a) Eurowings GmbH* (Chairman)
Germanwings GmbH* (Chairman)
LSG Lufthansa Service Holding AG*
Lufthansa CityLine GmbH* (Chairman)
Lufthansa Flight Training GmbH* (Chairman)
b) Aircraft Maintenance and Engineering Corp., China
Air Dolomiti S.p.A. Linee Aeree Regionali Europee, Italy (Board of Directors)
Austrian Airlines AG, Austria (Deputy Chairman)
Edelweiss Air AG, Switzerland (Chairman)
Gunes Ekspres Havacilik A.S. (SunExpress), Turkey (Deputy Chairman)
Miles & More GmbH*
ÖLH Österreichische Luftverkehrs-Holding GmbH, Österreich (Deputy Chairman)
SN Airholding SA/NV, Belgium

Harry Hohmeister
a) Lufthansa Cargo AG* (Chairman)
b) Austrian Airlines AG, Austria (Chairman)
Gunes Ekspres Havacilik A.S. (SunExpress), Turkey
SN Airholding SA/NV, Belgium
Swiss International Air Lines AG, Switzerland

Simone Menne
(As of date of departure from Executive Board on 31 August 2016)
a) BMW AG
Delvag Luftfahrtversicherungs-AG* (Chairwoman)
Deutsche Post AG
LSG Lufthansa Service Holding AG* (Chairwoman)
Lufthansa Cargo AG*
Lufthansa Technik AG*
b) FWB Frankfurter Wertpapierbörse (Börsenrat)
Miles & More GmbH (Chairwoman of the Advisory Board)

Ulrik Svensson
(As of date of appointment in Executive Board on 1 January 2017)
a) LSG Lufthansa Service Holding AG*
Lufthansa Cargo AG*
Lufthansa Technik AG*

Dr Bettina Volkens
a) LSG Lufthansa Service Holding AG*

a) Membership in supervisory boards required by law
b) Membership in comparable supervisory bodies of companies in Germany and abroad
* Group mandate in accordance with Section 100 Paragraph 2 Sentence 2 AktG

The Executive Board and Supervisory Board have a close and trusting working relationship

The common aim of the Executive Board and the Supervisory Board is to achieve lasting increases in the value of the Company. To this end, they cultivate a close and trusting working relationship in the interests of the Company.

The Supervisory Board has adopted internal regulations governing the work of the Executive Board and the Supervisory Board as well as the cooperation between them. The five members of the Executive Board are jointly responsible for the management of the entire Company and inform each other of all significant activities and transactions. The Executive Board reports regularly to the Supervisory Board, which is made up of equal numbers of shareholder and employee representatives. At the Supervisory Board meetings, the Executive Board informs the Supervisory Board at least four times a year on business developments at the Group and its affiliated companies, as well as once a year on operational planning and financial planning for the Group. The Executive Board presents the Company's quarterly reports to the Supervisory Board. Furthermore, the Chairman of the Executive Board informs the Chairman of the Supervisory Board and the Supervisory Board of important matters.

The Executive Board takes decisions by simple majority of votes cast. There are a number of transactions for which the Executive Board requires the approval of the Supervisory Board. These include, for example, borrowing, capital expenditure, especially for aircraft and other non-current assets above a certain value threshold, long-term leasing of aircraft, establishing companies, acquisitions or disposals of shares, entering new businesses or discontinuing any existing businesses within the scope of the Articles of Association, as well as signing control agreements and signing or suspending strategically important cooperation agreements.

The Supervisory Board has formed a Steering Committee from among its members made up of equal numbers of shareholder and employee representatives, consisting of the Chairman of the Supervisory Board and his deputy, each exercising their equivalent function, as well as two other Supervisory Board members to be elected by the Supervisory Board. The Steering Committee makes recommendations to the Supervisory Board on appointing Executive Board members, nominating the Chairman of the Executive Board, setting total remuneration for individual Executive Board members, including salary and all other benefits, on any capital reductions in accordance with Section 87 Paragraph 1 and Paragraph 2 Sentence 1 and 2 of the German Stock Corporat on Act (AktG) and on determining targets and deadlines for the ratio of female Executive Board members (Section 111 Paragraph 5 AktG). The Steering Committee is responsible for all other human resources matters involving Executive Board members and authorised Company representatives not reserved for the full Supervisory Board in accordance with Section 107 Paragraph 3 Sentence 3 AktG (e.g. lending in accordance with Section 89 AktG). The Steering Committee represents the Company in dealings with the members of the Executive Board (Section 112 AktG). It is also responsible for contracts with members of the Supervisory Board (Section 114 AktG) and for lending to members of the Supervisory Board (Section 115 AktG). The Committee also rules on other human resources matters which have to be submitted to the Supervisory Board for approval in accordance with the internal regulations for the Executive Board. In the event of equal voting, the Chairman of the Supervisory Board has the casting vote.

The Supervisory Board has elected an Audit Committee from among its members made up of equal numbers of shareholder and employee representatives, which has six members. The Supervisory Board elects the Committee Chair, who nominates a deputy to represent them in case of absence. The members of the Audit Committee should have specialist knowledge in the area of accounting, management and financial management. The task of the Audit Committee is to discuss accounting, risk management matters, the Internal Control System and compliance, the necessary independence of the external auditors, the appointment of external auditors, the focus of audits and the remuneration agreement, to ensure the quality of the audit and to make recommendations to the Supervisory Board, particularly on the auditors to put forward for election at the Annual General Meeting and on approval of the individual and consolidated financial statements. The Audit Committee also discusses the quarterly interim reports with the Executive Board before they are published. The Audit Committee is authorised to lay down the internal organisation of its work in its own internal regulations, which it submits to the Supervisory Board for its information.

Supervisory Board Committees

Steering Committee	Audit Committee	Nomination Committee	Mediation Committee in accordance with Section 27(3) Sentence 3 Co-determination Act (MitbestG)
Wolfgang Mayrhuber (Chairman)	**Dr Werner Brandt** (Chairman)	**Dr Werner Brandt**	**Wolfgang Mayrhuber** (Chairman)
Christine Behle (Deputy Chairwoman)	**Martin Koehler**	**Dr Karl-Ludwig Kley**	**Christine Behle** (Deputy Chairwoman)
Dr Karl-Ludwig Kley	**Doris Krüger**	**Wolfgang Mayrhuber**	**Dr Karl-Ludwig Kley**
Birgit Weinreich	**Eckhard Lieb**		**Birgit Weinreich** (since 16 March 2016)
	Jan-Willem Marquardt		
	Monika Ribar		
Seven meetings in 2016	Seven meetings in 2016	One meeting in 2016	No meetings in 2016

The Supervisory Board has elected a Nomination Committee from among its shareholder representatives, consisting of three equal members. The Committee's task is to propose to the Supervisory Board suitable candidates to recommend for election to the Supervisory Board at the Annual General Meeting. The Supervisory Board should be composed in such a way that, in aggregate, its members have the necessary knowledge, skills and professional experience required for the proper performance of their duties. At least five shareholder representatives should be independent members of the Supervisory Board. In principle, no one older than the age of 70 should be put forward for election to the Supervisory Board (Section 8 Paragraph 2 of the Articles of Association). As a rule, individual members of the Supervisory Board should not stand for more than three periods of office. Taking the preceding conditions into account, the Supervisory Board should have a reasonably international make-up, for example by including members with several years of professional experience gained outside Germany. The Committee should ascertain that the nominated candidates are able to fulfil the necessary time commitment.

The Arbitration Committee required under Section 27 Paragraph 3 of the Co-determination Act and formed in line with Section 9 Paragraph 2 of the Company's Articles of Association is only convened when the necessary two thirds majority for appointing or revoking the appointment of a member of the Executive Board has not been reached. In accordance with Section 31 Paragraph 3 Sentence 1 of the Co-determination Act, the Committee then has one month to make a corresponding proposal to the Supervisory Board.

The Supervisory Board member Dr Robert Kimmitt is Senior International Counsel at the law firm Wilmer Cutler Pickering Hale and Dorr LLP. The Supervisory Board member Matthias Wissmann is a partner at the law firm Wilmer Cutler Pickering Hale and Dorr LLP. In the past, the Lufthansa Group has had advisory contracts with Wilmer Cutler Pickering Hale and Dorr LLP and will probably continue to do so in the future. Neither Dr Robert Kimmitt nor Matthias Wissmann advise the Lufthansa Group as part of these contracts. Furthermore, Wilmer Cutler Pickering Hale and Dorr LLP has confirmed in writing that it has taken organisational steps to ensure that fees from advisory work for the Lufthansa Group are not taken into account either directly or indirectly in determining the remuneration that the aforementioned gentlemen receive from the law firm. The aforementioned Supervisory Board members therefore have no potential conflict of interests and there is no question of their independence, and the Supervisory Board's approval of these advisory contracts is not required.

Members of the Executive Board and Supervisory Board are personally liable to the Company for damages resulting from a culpable breach of their fiduciary responsibilities. Lufthansa has taken out a D&O (directors' and officers' liability insurance) policy for both Boards, with an excess in line with the requirements of the Stock Corporation Act and the German Corporate Governance Code.

Executive Board and Supervisory Board members and their responsibilities, as well as members and duties of committees set up by the Supervisory Board → p 75ff

Compliance with the German Corporate Governance Code with one exception

At their meeting on 7 December 2016, the Executive Board and Supervisory Board issued the following declaration of compliance with the German Corporate Governance Code:

"In accordance with Section 161 AktG, the Executive Board and Supervisory Board of Deutsche Lufthansa AG declare that since the last declaration of compliance, the recommendations of the German Corporate Governance Code as amended have, with the following exception, been complied with and with the following exception will continue to be complied with in future:

In accordance with Clause 4.2.3 Paragraph 2 of the Code, the total remuneration of the Executive Board members and the variable bonus components are to be capped. The service contracts with Board members cap all the main elements of remuneration, including the fixed salary, the variable bonus and the retirement benefit commitment. Ancillary benefits at Deutsche Lufthansa AG are not subject to an overall cap, however. In particular, private flights in line with IATA regulations and with restricted booking status due to full-paying passengers should not be capped for members of the Executive Board of Deutsche Lufthansa AG. Since the booking status is restricted, the related ancillary benefit is small. The members of the Executive Board should be able to use the Company's main product and the opportunity to meet employees and passengers on board as widely as possible in line with international practice, including for private travel."

Shareholders and Annual General Meeting have wide-ranging rights

Lufthansa shares are registered shares with transfer restrictions. Every share has identical voting rights. Registration in the shareholders' register takes place by means of shareholder data provided electronically via banks and the clearing system. A peculiarity at Deutsche Lufthansa AG is that in addition to the German Stock Corporation Act, the registration requirements of the German Aviation Compliance Documentation Act (LuftNaSiG) must also be met. This relates in particular to the disclosure of nationality for people and of domicile for companies and for entities with disclosure obligations under the German Securities Trading Act (WpHG) of any majority stake or controlling interest held by a non-German owner.

All shareholders listed in the shareholders' register can exercise their voting rights at the Annual General Meeting. The electronic service for the registration process required under stock corporation law includes the option of appointing proxies, banks and shareholder associations to exercise these voting rights via Internet and by postal vote. Shareholders can also follow the speeches made at the Annual General Meeting by the Chairmen of the Supervisory and Executive Boards online.

Transparent accounting and financial communications conform to international standards
The Lufthansa Group prepares its consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), taking account of interpretations by the IFRS Interpretations Committee as applicable in the European Union (EU).

The individual financial statements for Deutsche Lufthansa AG, which are required by law and are relevant for the dividend payment, are prepared according to the German Commercial Code (HGB). PricewaterhouseCoopers GmbH Wirtschaftsprufungsgesellschaft in Dusseldorf has been appointed to audit the financial statements for 2016. The auditors' fees for the 2016 financial year are summarised in the Notes to the consolidated financial statements.
→ Note 44, p. 161.

Trading in Lufthansa shares or in financial instruments based on them, in particular options or derivatives, by members of the Executive Board or Supervisory Board – known as directors' dealings – are announced immediately as soon as a threshold of EUR 5,000 is exceeded in the calendar year. This also applies to people and companies closely related to the group mentioned above. As of 31 December 2016, the value of all shares, options or derivatives held by members of the Executive and Supervisory Boards did not exceed that of 1 per cent of all shares issued by the Company.

The Lufthansa Group informs shareholders, analysts and the general public in a timely and equitable manner. More information on these activities can be found in the chapter → Lufthansa share, p. 7ff., and on the website www.lufthansa.com/investor-relations.

Comprehensive programme helps to ensure compliance
Compliance describes all measures taken to ensure the correct conduct of companies, their management and staff with respect to statutory and the Company's own obligations and prohibitions. The Lufthansa Group Compliance Programme is intended to prevent staff and the Company from coming into conflict with the law and at the same time to help them to apply statutory regulations correctly. The Lufthansa Compliance Programme is made up of the following elements: Competition, Capital Markets, Integrity, Embargo and Corporate Compliance. An ombudsman system gives staff the opportunity to report any suspicion of criminal activity or breaches of the compliance regulations. The central Compliance Office, which reports to the Board member responsible for Human Resources and Legal, the various central and local compliance committees in the Lufthansa Group and the Compliance Officers in Group companies, among others, are to ensure that the Lufthansa Compliance Programme is enforced throughout all companies in the Lufthansa Group by means of regular online training courses and information published on the Intranet. The Audit Committee of the Supervisory Board is notified semi-annually of incidents and progress concerning compliance in a Compliance Report.
http://investor-relations.lufthansagroup.com/de/corporate-governance.html

Remuneration report

The complexity of the presentation in this remuneration report of the principles of the remuneration system for the Executive Board and Supervisory Board of Deutsche Lufthansa AG, as well as the structure and amount of benefits, is required to comply with all statutory requirements and the recommendations of the German Corporate Governance Code, with the exception presented in the declaration of compliance. The remuneration report forms part of the combined management report.

Structure of Executive Board remuneration
On the recommendation of the Steering Committee, the Supervisory Board adopted an amendment to the remuneration structure for the Executive Board in December 2015, which applies to all five Executive Board members from the financial year 2016. The change was made because, in line with the new concept of value-based management in the Lufthansa Group, which is also used to calculate the variable remuneration for the Executive Board members, the operating margin and Cash Value Added (CVA) performance indicators have been replaced by EBIT margin and Earnings After Cost of Capital (EACC). In order to use these new performance indicators to determine the variable remuneration for the Executive Board members in future, the corresponding clauses in their service contracts were also amended to replace the previously used performance indicators from the financial year 2016.

Altogether, the new performance indicators are expected to result in an increase of around 10 per cent in the variable remuneration compared with the previous remuneration structure. Given that the variable remuneration at Deutsche Lufthansa AG is way below the benchmark set by other DAX companies, the Supervisory Board sees this increase as a contribution to the adjustment of Executive Board remuneration which has been discussed and repeatedly postponed for years.

Another result of this benchmarking against the DAX was the finding that the difference in total remuneration between the Chairman of the Executive Board and ordinary Executive Board members is very low at Deutsche Lufthansa AG, with a factor of just 1.44, compared with an average of 1.88 for the DAX. In light of this, the Supervisory Board has decided to increase the basic remuneration of the Chairman of the Executive Board by some 14 per cent to a factor of 1.6, and the variable remuneration by some 5 per cent to a factor of 1.5 times the equivalent amount for an ordinary Executive Board member. Overall, this increases the difference in total remuneration from the previous factor of 1.44 to 1.55.

The new remuneration structure was approved at the Annual General Meeting on 28 April 2016 by 89.95 per cent of votes cast.

Executive Board remuneration consists of a basic salary, variable remuneration components, other benefits and a retirement pension. There is a roughly equal balance between the two components "fixed annual salary" and "variable annual bonus and remuneration with a long-term incentive effect and risk characteristics". Defining a significant minimum performance or outperformance of the Lufthansa share price as a condition ensures that the majority of variable remuneration components are based on performance over several years. These components are described in detail below.

The Executive Board's remuneration consists of the following components:

- **Fixed annual salary.** Basic remuneration, paid monthly as a salary.

- **Variable annual remuneration.** The variable remuneration is based on the EBIT margin for the Lufthansa Group. 75 per cent of the remuneration is multiplied by an individual performance factor, which varies from 0.8 to 1.2. It is paid the following year and so on an annual basis. The remaining 25 per cent is carried forward for another two years. At the end of the assessment period, which runs for three years in total, the amount carried forward is to be multiplied by a factor of between 0 and 2 (bonus/malus factor). How high the factor is depends to 70 per cent on the EACC achieved over the three-year period and to 30 per cent on sustainability parameters such as environmental protection, customer satisfaction and staff commitment. The total amount of variable annual remuneration that can be paid is capped at 150 per cent of fixed annual salary. In determining the EBIT margin for 2016, all of the members of the Executive Board have asked for the positive earnings effect of EUR 652m from the restructuring of retirement and transitional benefits for the cabin crew at Lufthansa Passenger Airlines not to be taken into account. Had they not done so, the total Executive Board remuneration presented below would have been EUR 1,750,000 higher.

- **Share-based remuneration.** Executive Board members are also required to participate in the share programmes for managers (with their own parameters which are structured differently from those of the general managers' programme). → Note 36, p. 140ff. The Act on Appropriate Executive Board Remuneration (VorstAG) defines a vesting period of at least four years for stock option programmes, this period is also given as a general orientation and recommendation for long-term incentive models. The duration of the LH-Performance programme is therefore set at four years, even though it is not a stock option programme within the meaning of the Act.

- **Bonus.** In years with poor results due to extraordinary exogenous factors, the Supervisory Board may award Executive Board members an appropriate individual bonus.

- **Other benefits.** Other benefits include, in particular, the non-cash benefit of using company cars, the discount granted in connection with share programme issues (→ Note 36, p. 140ff.), benefits from concessionary travel in accordance with the relevant IATA regulations and attendance fees and daily allowances for work on the supervisory boards of subsidiaries.

End-of-service benefits.

- **Retirement benefits.** Since 2006, each Executive Board member has had a personal pension account into which for the duration of their employment Deutsche Lufthansa AG pays contributions amounting to 25 per cent of the annual salary and the bonus. The investment guidelines for the pension account are based on the investment concept for the Lufthansa Pension Trust, which also applies to staff members of Deutsche Lufthansa AG.

  If employment ends before an Executive Board member reaches retirement age, he or she retains the pension entitlement from the pension account, which is continued without further contributions. On reaching retirement age (65 or early retirement between 60 and 65 or in the event of disability) the account holder will acquire a pension credit equivalent to the balance of the pension account at that time. Deutsche Lufthansa AG guarantees the amounts paid in retirement benefits.

  A supplementary risk capital sum will be added to the pension credit in the event of a claim for a disability pension or a pension for surviving dependants. This sum will consist of the average contributions paid into the pension account over the past three years multiplied by the number of full years by which the claimant is short of the age of 60 from the time a disability pension entitlement arises.

  The pension credit is paid out in ten instalments. On application by the Executive Board member or his/her surviving dependants, a payment as a lump sum or in fewer than ten instalments or as annuity may also be made, subject to approval by the Company

  The dependant's pension is 60 per cent of the deceased's pension entitlement. If the Board member dies while in the Company's employment, his/her surviving dependants will be paid his/her full salary until the end of the financial year for a period of at least six months.

  Under his contract as a pilot, which is currently not active, Carsten Spohr is entitled to a transitional pension in accordance with the wage agreement "Transitional pensions for cockpit staff". If Carsten Spohr leaves the Executive Board before he becomes 60 and resumes his employment as a pilot, he is entitled to draw a "Transitional pension for cockpit staff at Lufthansa" once he

becomes 60 or on request once he becomes 55, in accordance with the provisions of the wage agreement. This additional benefit is paid if certain conditions of eligibility are met and provides for a monthly pension of up to 60 per cent of the last modified salary until the beneficiary reaches the age of 63.

- **Cap on severance pay.** If a contract is terminated early for reasons other than good cause or a change of control, the Company will not remunerate more than the value of outstanding entitlements for the remainder of the contract, as recommended by the German Corporate Governance Code, whereby these payments including ancillary benefits may not exceed annual remuneration for two years (maximum compensation). Maximum compensation is calculated by reference to total remuneration for the last full financial year before departure from the Executive Board, as shown in the remuneration report, and including expected total remuneration for the current financial year

- **Change of control.** If the contract between an Executive Board member and Deutsche Lufthansa AG is terminated in connection with a change of control at the Company, the Executive Board member is entitled to compensation for remuneration outstanding for the remainder of the contract. In accordance with the relevant recommendation of the German Corporate Governance Code, compensation may not exceed 150 per cent of the maximum compensation agreed in the contract and described above.

Amount of Executive Board remuneration

Executive Board remuneration in the financial year. Total remuneration paid to the active members of the Executive Board for their work in 2016 came to EUR 10,389,000 (previous year: EUR 9,605,000). EUR 5,044,000 (previous year: EUR 4,650,000) of the total was paid as fixed salary and EUR 5,345,000 (previous year: EUR 4,955,000) as performance-related remuneration. The current service costs for pension commitments came to EUR 2,253,000 (previous year: EUR 1.985,000).

The following remuneration was paid to the individual active members of the Executive Board in 2016:

Total remuneration of the Executive Board (HGB) in 2016

in € thousands	Basic remuneration	Other[1]	One-year variable remuneration	Long-term variable remuneration	Option programme[2]	Total remuneration
Carsten Spohr	1,380	117	797	141	685	3,120
Karl Ulrich Garnadt	863	86	532	74	456	2,011
Harry Hohmeister	863	143	532	110	456	2,104
Simone Menne[3]	575	16	354	110	-	1,055
Dr Bettina Volkens	863	138	532	110	456	2,099
Total (HGB)	**4,544**	**500**	**2,747**	**545**	**2,053**	**10,389**

[1] Other remuneration includes in particular the non-cash benefit of using company cars, the discount granted in connection with option programme issues (see **Notes to the consolidated financial statements, Note 36, p. 140ff.**), benefits from concessionary travel in accordance with the relevant IATA regulations, and attendance fees and daily allowances for work on the supervisory boards of subsidiaries

[2] Fair value of the option programme 2016 at the time the options are granted

[3] Prorata temporis until 31.8.2016

The following remuneration was paid to the individual active members of the Executive Board in 2015:

Total remuneration of the Executive Board (HGB) in 2015

in € thousands	Basic remuneration	Other[1]	One-year variable remuneration	Long-term variable remuneration	Option programme	Total remuneration
Carsten Spohr	1,207	115	593	133	626	2,674
Karl Ulrich Garnadt	863	86	417	–	417	1,783
Harry Hohmeister[3]	432	63	417	67	417	1,396
Simone Menne	863	80	417	133	417	1,910
Dr Bettina Volkens	863	78	417	67	417	1,842
Total (HGB)	**4,228**	**422**	**2,261**	**400**	**2,294**	**9,605**

[1] Other remuneration includes in particular the non-cash benefit of using company cars, the discount granted in connection with option programme issues (see **Notes to the consolidated financial statements, Note 36, p. 140ff.**), benefits from concessionary travel in accordance with the relevant IATA regulations, and attendance fees and daily allowances for work on the supervisory boards of subsidiaries

[2] Fair value of the option programme 2015 at the time the options are granted.

[3] For his work as Chairman of the Executive Board and CEO of Swiss International Air Lines AG, Harry Hohmeister also received a basic salary paid in CHF equal to EUR 431,000, which was paid directly by Swiss International Air Lines AG.

As of 31 December 2016 (2015), the members of the Executive Board held the following shares and option packages from current share programmes:

Share programmes

	2013 programme		2014 programme		2015 programme		**2016 programme**	
Number of shares	Number of shares purchased from own funds	Number of option packages	Number of shares purchased from own funds	Number of option packages	Number of shares purchased from own funds	Number of option packages	**Number of shares purchased from own funds**	**Number of option packages**
Karl Ulrich Garnadt (Executive Board member since 1.5.2014)	–	–	10,170	30	8,910	30	10,080	30
	(–)	(–)	(10,170)	(30)	(8,910)	(30)	(–)	(–)
Harry Hohmeister	8,370	30	10,170	30	8,910	30	10,080	30
	(8,370)	(30)	(10,170)	(30)	(8,910)	(30)	(–)	(–)
Simone Menne	–	–	–	–	–	–	–	
	(8,370)	(30)	(10,170)	(30)	(8,910)	(30)	(–)	(–)
Carsten Spohr	8,370	30	15,255	45	13,365	45	15,120	45
	(8,370)	(30)	(15,255)	(45)	(13,365)	(45)	(–)	(–)
Dr Bettina Volkens (Executive Board member since 1.7.2013)	8,370	30	10,170	30	8,910	30	10,080	30
	(8,370)	(30)	(10,170)	(30)	(8,910)	(30)	(–)	(–)

In accordance with the terms of the share programmes, payments are only made under the options if the respective Executive Board member is still an active member of the Executive Board of Deutsche Lufthansa AG at the end of the programme. Simone Menne's claims under the current share programmes expired when she stepped down from the Executive Board on 31 August 2016.

The current share programmes performed as follows in the financial year:

Performance share programmes

	Financial year 2016			Financial year 2015		
in €	Payments from maturing share programmes	Change in fair value of ongoing share programmes	**Total**	Payments from maturing share programmes	Change in fair value of ongoing share programmes	**Total**
Carsten Spohr	–	211,982	211,982	–	–73,668	–73,668
Karl Ulrich Garnadt	–	244,361	244,361	–	83,943	83,943
Harry Hohmeister	–	251,848	251,848	–	92,988	92,988
Simone Menne (Executive Board member until 31.8.2016)	–	–345,358	–345,358	–	113,074	113,074
Dr Bettina Volkens	–	251,848	251,848	–	92,988	92,988
	–	**614,681**	**614,681**	**–**	**309,325**	**309,325**

More information on payment caps can be found in the Notes to the consolidated financial statements. **Note 36, p. 140ff.**

The total amount of pension entitlements earned by Executive Board members in 2016 was EUR 2.3m (previous year: EUR 2.0m) according to HGB and EUR 2.4m (previous year: EUR 2.1m) according to IFRS and was recognised in staff costs (current service cost). The individual current service cost and present values of pension entitlements are as follows.

Pension entitlements according to HGB and IFRS

	HGB		HGB		IFRS		IFRS	
	Current service costs		Settlement amount of pension obligations		Current service costs		[illegible]	
in € thousands	**2016**	2015	**31.12.2016**	31.12.2015	**2016**	2015	**31.12.2016**	31.12.2015
Carsten Spohr	702	521	3,951	3,112	710	543	3,668	2,660
Karl-Ulrich Garnadt	424	355	1,004	567	448	385	1,035	554
Harry Hohmeister	434	380	1,365	921	463	391	1,261	797
Simone Menne	263	356	2,326	1,977	302	335	2,328	1,915
Dr Detlef Kirchner	430	371	1,336	878	457	386	1,261	797
	2,253	**1,985**	**10,002**	**7,455**	**2,380**	**2,090**	**9,523**	**6,923**

Other agreements

Simone Menne was appointed as a member of the Executive Board until 30 June 2020. In spring 2016, Simone Menne indicated that she wished to leave the Company. The Supervisory Board agreed to this request in an extraordinary meeting on 9 June 2016 and revoked Simone Menne's appointment to the Executive Board with effect from 31 August 2016. Simone Menne receives her variable remuneration for the financial year 2016 pro rata temporis for the period from 1 January 2016 to 31 August 2016. If members of the Executive Board receive a discretionary bonus for the financial year 2016, Ms Menne will be paid hers pro rata temporis for the period from 1 January 2016 to 31 August 2016. The agreement also provides for the expiry of all claims to outperformance payments from LH-Performance programmes on Simone Menne's departure from the Company.

Benefits paid to former Executive Board members

Current payments and other benefits for former members of the Executive Board and their surviving dependants came to EUR 5.7m (EUR 5.9m). This includes payments by subsidiaries as well as benefits in kind and concessionary travel. Pension obligations toward former Executive Board members and their surviving dependants amount to EUR 70.4m (previous year: EUR 67.4m).

Recommendations of the German Corporate Governance Code

The following tables show the individual payments, allocations and retirement benefit commitments granted to each individual member of the Executive Board in line with the recommendations of 4.2.5 Paragraph 3 of the German Corporate Governance Code.

The figures for benefits granted and allocated are divided into fixed and variable components and supplemented by the figures for retirement benefit commitments. This corresponds to the current service cost as defined in IAS 19 for pensions and other retirement benefit commitments. The fixed remuneration components include the fixed salary and ancillary benefits that are not performance-related. The variable remuneration components are divided into the one-year variable remuneration and the two long-term components, variable remuneration and option programmes.

The figure shown for "Benefits granted" is the value of the variable remuneration at the time it was granted (for a performance against targets of 100 per cent). For share-based remuneration, the figure shown is the value of the shares when they are granted. Individual caps and floors for these remuneration elements are also shown.

The figure shown for "Allocations" in the reporting year comprises the fixed remuneration components actually paid in the reporting year, plus the amounts of the one-year and long-term variable remuneration that have been determined at the time the remuneration report is prepared and which are to be paid out in the following year. The figures for the option programmes relate to programmes ending in the reporting period; these correspond to the amount paid. Total remuneration also includes the annual current service cost of pension commitments, although it is not strictly speaking an allocation.

In 2016, the members of the Executive Board received no benefits or promises of benefits from third parties relating to their work on the Executive Board.

Benefits granted

in € thousands [1]	Carsten Spohr, Chairman of the Executive Board Chairman since 1.5.2014, Member of the Executive Board since 1.1.2011				Karl Ulrich Garnadt Member of the Executive Board since 1.5.2014			
	2016	2015	**2016 (min)**	**2016 (max)**	**2016**	2015	**2016 (min)**	**2016 (max)**
Fixed salary	1,380	1,207	1,380	1,380	863	863	863	863
Ancillary benefits	117	115	117	117	86	86	86	86
Total	**1,497**	**1,322**	**1,497**	**1,497**	**949**	**949**	**949**	**949**
One-year variable remuneration	639	579	0	1,553	424	373	0	970
Long-term variable remuneration								
Three-year variable remuneration	212	177	0	517	141	124	0	323
Option programme (4 years)	685	626	0	1,800	456	417	0	1,200
Total	**1,533**	**1,332**	**0**	**3,870**	**1,021**	**914**	**0**	**2,493**
Service cost	710	543	710	710	448	385	448	448
Total remuneration	**3,740**	**3,197**	**2,207**	**6,077**	**2,418**	**2,248**	**1,397**	**3,890**

in € thousands	Harry Hohmeister Member of the Executive Board since 1.7.2013				Simone Menne Member of the Executive Board until 31.8.2016			
	2016	2015*	**2016 (min)**	**2016 (max)**	**2016**	2015	**2016 (min)**	**2016 (max)**
Fixed salary	863	432	863	863	575	863	575	575
Ancillary benefits	143	63	143	143	16	80	16	16
Total	**1,006**	**495**	**1,006**	**1,006**	**591**	**943**	**591**	**591**
One-year variable remuneration	424	373	0	970	283	373	0	646
Long-term variable remuneration								
Three-year variable remuneration	141	124	0	323	94	124	0	216
Option programme (4 years)	456	417	0	1,200	–	417	–	–
Total	**1,021**	**914**	**0**	**2,493**	**377**	**914**	**0**	**862**
Service cost	463	391	463	463	302	385	302	302
Total remuneration	**2,490**	**1,800**	**1,469**	**3,962**	**1,270**	**2,242**	**893**	**1,755**

* For his work as Chairman of the Executive Board and CEO of Swiss International Air Lines AG, Harry Hohmeister also received a basic salary paid in CHF equal to EUR 431,000, which was paid directly by Swiss International Air Lines AG

in € thousands	Dr Bettina Volkens Member of the Executive Board since 1.7.2013			
	2016	2015	**2016 (min)**	**2016 (max)**
Fixed salary	863	863	863	863
Ancillary benefits	138	78	138	138
Total	**1,001**	**941**	**1,001**	**1,001**
One-year variable remuneration	424	373	0	970
Long-term variable remuneration				
Three-year variable remuneration	141	124	0	323
Option programme (4 years)	456	417	0	1,200
Total	**1,021**	**914**	**0**	**2,493**
Service cost	457	386	457	457
Total remuneration	**2,479**	**2,241**	**1,458**	**3,951**

Allocations

in € thousands	Carsten Spohr, Chairman of the Executive Board Chairman since 1.5.2014, Member of the Executive Board since 1.1.2011		Karl Ulrich Garnadt Member of the Executive Board since 1.5.2014		Harry Hohmeister Member of the Executive Board since 1.7.2013	
	2016	2015	**2016**	2015	**2016**	2015*
Fixed salary	1,380	1,207	863	863	863	432
Ancillary benefits	117	115	86	86	143	63
Total	**1,497**	**1,322**	**949**	**949**	**1,006**	**495**
One-year variable remuneration	797	593	532	417	532	417
Long-term variable remuneration						
Three-year variable remuneration	141	133	74	-	110	67
Option programme (4 years)	-	-	-	-	-	-
Total	**938**	**726**	**606**	**417**	**642**	**484**
Service cost	710	543	448	385	463	391
Total remuneration	**3,145**	**2,591**	**2,003**	**1,751**	**2,111**	**1,370**

* For his work as Chairman of the Executive Board and CEO of Swiss International Air Lines AG, Harry Hohmeister also received a basic salary in CHF equal to EUR 45,000, which was paid directly by Swiss International Air Lines AG.

in € thousands	Simone Menne Member of the Executive Board until 31.8.2016		Dr Bettina Volkens Member of the Executive Board since 1.7.2013	
	2016	2015	**2016**	2015
Fixed salary	575	863	863	863
Ancillary benefits	16	80	138	78
Total	**591**	**943**	**1,001**	**941**
One-year variable remuneration	354	417	532	417
Long-term variable remuneration				
Three-year variable remuneration	110	133	110	67
Option programme (4 years)	-	-	-	-
Total	**464**	**550**	**642**	**484**
Service cost	302	385	457	386
Total remuneration	**1,357**	**1,878**	**2,100**	**1,811**

Structure of Supervisory Board remuneration
In accordance with the resolution taken at the Annual General Meeting on 8 May 2012, the members of the Supervisory Board have received only fixed remuneration since the financial year 2013.

Ordinary Supervisory Board members receive remuneration of EUR 80,000 for each financial year in accordance with Section 13 Paragraph 1 of the Articles of Association. The Chairman receives EUR 240,000 and the Deputy Chairman EUR 120,000. The Chairman of the Audit Committee receives an additional EUR 60,000; other members of the Audit Committee receive an additional EUR 30,000. Chairs of other committees receive an additional EUR 40,000 and other members of other committees receive an additional EUR 20,000. Remuneration for committee work is subject to the proviso that the committee must have met at least once in the financial year.

If Supervisory Board members leave the Supervisory Board or a post in one of its committees for which additional remuneration is paid during the course of a financial year, they receive their remuneration pro rata temporis. Pro rata temporis remuneration for committee work is subject to the proviso that the committee must have met at least once before their departure.

Amount of Supervisory Board remuneration
Expenses for fixed remuneration and remuneration for committee work for the Supervisory Board amounted to EUR 2,170,000 in 2016 (previous year: EUR 2,152,000).

The figures for the individual Supervisory Board members are shown in the following table.

Remuneration Supervisory Board

	2016			2015		
in € thousands	Fixed remuneration	Remuneration for committee work	Total Supervisory Board remuneration	Fixed remuneration	Remuneration for committee work	Total Supervisory Board remuneration
Wolfgang Mayrhuber	240	60	300	240	60	300
Christine Bortenlänger	120	20	140	120	20	140
Jacques Aigrain (until 29.4.2015)	–	–	–	26	–	26
Nicolas Bauduin (since 1.6.2015)	80	–	80	54	–	54
Dr Werner Brandt	80	80	160	80	80	160
Jörg Cebulla (since 8.11.2015)	80	–	80	12	–	12
Herbert Hainer	80	–	80	80	–	80
Uwe Hien (until 30.4.2015)	–	–	–	26	10	36
Dr h.c. Robert Kimmitt	80	–	80	80		80
Dr Karl Ludwig Kley	80	40	120	80	40	120
Martin Koppe	80	30	110	80	30	110
Jens Krüger	80	30	110	80	9	89
Dr Nicola Leibinger-Kammüller (until 28.4.2016)	26	–	26	80	–	80
Eckhard Lieb	80	30	110	80	30	110
Jan-Willem Marquard	80	30	110	80	24	104
Martina Merz (since 28.4.2016)	54	–	54	–	–	–
Ralf Müller	80	–	80	80	–	80
Monika Ribar	80	30	110	80	30	110
Andreas Strache	80	–	80	80	–	80
Stephan Sturm (since 29.4.2015)	80	–	80	54		54
Christina Weber	80	–	80	80		80
Birgit Weinreich	80	20	100	80	2	82
Matthias Wissmann	80	–	80	80	–	80
Stefan Ziegler (until 7.11.2015)	–	–	–	68	7	85
Total	**1,800**	**370**	**2,170**	**1,800**	**352**	**2,152**

Other remuneration, mainly attendance fees, amounted to EUR 111,000 (previous year: EUR 110,000). The Deutsche Lufthansa AG Supervisory Board members were also paid EUR 17,000 (previous year: EUR 59,000) for work on supervisory boards of Group companies.

Disclosures in accordance with Section 289 Paragraph 4 and Section 315 Paragraph 4 HGB

Composition of issued capital, types of shares, rights and duties
Deutsche Lufthansa AG's issued capital amounts to EUR 1,200,174,218.24 and is divided into 468,818,054 registered shares. Each share corresponds to EUR 2.56 of the issued capital. The transfer of shares requires the Company's authorisation (restriction of transferability). The Company may only withhold authorisation if registering the new shareholder in the share register could jeopardise the maintenance of air traffic rights. Each registered share is entitled to one vote. Shareholders exercise their rights and cast their votes at the Annual General Meeting in accordance with statutory regulations and the Company's Articles of Association.

Voting and share transfer restrictions
For the Company to retain its aviation licence under European law and the air traffic rights required to fly to various international destinations, the proportion of non-European or foreign shareholders may not exceed 50 per cent of the Company's issued capital. If the proportion of foreign shareholders reaches 40 per cent, Deutsche Lufthansa AG is empowered under Section 4 Paragraph 1 German Aviation Compliance Documentation Act (LuftNaSiG) together with Section 71 Paragraph 1 No. 1 German Stock Corporation Act (AktG), to buy back its own shares to prevent imminent excessive foreign control. If the proportion of foreign shareholders in the share register reaches 45 per cent, the Company is authorised, subject to Supervisory Board approval, to increase issued capital by up to 10 per cent by issuing new shares for payment in cash without subscription rights for existing shareholders (Section 4 Paragraph 2 and 3 LuftNaSiG together with Section 4 Paragraph 8 of the Articles of Association). If the proportion of foreign shareholders approaches the 50 per cent threshold, the Company is entitled to withhold authorisation to register new foreign shareholders in the share register (Section 5 Paragraph 1 of the Articles of Association). Should the proportion of foreign investors exceed 50 per cent despite these precautions, Deutsche Lufthansa AG is authorised, subject to the approval of the Supervisory Board, to require the most recently registered shareholders to sell their shares. From the fourth day after this requirement has been published, the shareholders concerned can no longer exercise the rights conferred by the shares concerned. If they do not comply with the requirement within four weeks, the Company is entitled after a further notice period of three weeks to declare the shares to be forfeited and to compensate the shareholders accordingly (Section 5 LuftNaSiG).

On 31 December 2016, foreign shareholders held 31.4 per cent of the shares in the shareholders' register of Deutsche Lufthansa AG. Detailed information on the German Aviation Compliance Documentation Act (LuftNaSiG) and the quarterly update on our shareholder structure can be found on our website | www.lufthansagroup.com/investor-relations

Employee programmes contain time-based restrictions on trading in shares, in particular lock-up periods of up to four years.

Direct or indirect shareholdings with more than 10 per cent of voting rights
As of 31 December 2016, Deutsche Lufthansa AG had received no notification of direct or indirect shareholdings with more than 10 per cent of voting rights.

Holders of shares with special controlling rights
Deutsche Lufthansa AG has no shares that confer special controlling rights.

Control of voting rights for employee shares when control rights are exercised indirectly
Where Deutsche Lufthansa AG issues shares to its staff as part of its employee programmes, these shares are transferred to the employees directly. The staff beneficiaries can exercise the controlling rights accruing to them from the employee shares directly in the same way as other shareholders, in accordance with statutory regulations and the provisions of the Articles of Association.

Statutory regulations and provisions of the Company's Articles of Association on the appointment and dismissal of members of the Executive Board and amendments to the Company's Articles of Association
The Supervisory Board appoints the members of the Executive Board and decides how many board members there should be. The Supervisory Board can revoke appointments for board membership and to the position of Chairman of the Executive Board for good reason. All amendments to the Articles of Association must be approved by resolution of an Annual General Meeting, with a majority of at least three quarters of the issued capital present. The Supervisory Board is authorised to adopt changes to the Articles of Association that only relate to wording (Section 11 Paragraph 5 of the Articles of Association). Furthermore, the Supervisory Board is entitled to amend the Articles of Association in accordance with Section 4 of the Articles of Association if authorised capital is exercised or expires.

Rights of the Executive Board to issue or repurchase shares
As of 31 December 2016, Deutsche Lufthansa AG has authorised capital totalling EUR 570,337,873.76:

A resolution passed at the Annual General Meeting on 29 April 2015 authorised the Executive Board until 28 April 2020, subject to approval by the Supervisory Board, to increase the Company's issued capital on one or more occasions by up to EUR 561,160,092 by issuing new registered shares on one or more occasions for payment in cash or in kind (Authorised Capital A). Existing shareholders are to be granted subscription rights. To date, EUR 4,120,811.52 of this authorisation has been used to issue 1,609,602 new shares as part of the first-time issue of a share dividend. Authorised Capital A still available under the authorisation therefore now amounts to EUR 557,039,280.48

A resolution passed by the Annual General Meeting on 29 April 2014 authorised the Executive Board until 28 April 2019, subject to approval by the Supervisory Board, to increase the Company's issued capital on one or more occasions by up to EUR 29,000,000 by issuing new registered shares to employees (Authorised Capital B) for payment in cash. Existing shareholders' subscription rights are excluded. Up until 31 December 2016, the Company had made the following use of this authorisation: EUR 4,345,000.96 in 2014 to issue 1,697,266 new shares to employees; EUR 4,522,199.04 in 2015 to issue 1,766,484 new shares to employees; EUR 6,834,206.72 in 2016 to issue 2,669,612 new shares to employees. Authorised Capital B still available under the authorisation therefore now amounts to EUR 13,298,593.28.

A resolution passed at the Annual General Meeting on 28 April 2016 authorised the Executive Board until 27 April 2021, subject to approval by the Supervisory Board, to issue bearer or registered convertible bonds, bond/warrant packages, profit sharing rights or participating bonds (or combinations of these instruments) for a total nominal value of up to EUR 1,500,000,000. To grant shares to the holders or creditors of the bonds mentioned above, the Company's contingent capital was increased by up to EUR 237,843,840 by issuing up to 92,907,750 new registered shares. The contingent capital increase will only be carried out to the extent that the holders or creditors of conversion and/or option rights from convertible bonds, bond/warrant packages, profit-sharing rights or participating bonds (or any combination of these instruments) issued by the Company or its Group companies for cash pursuant to the authorisation given at the Annual General Meeting for the period 28 April 2016 to 27 April 2021 exercise their conversion or option rights or that the holders or creditors of convertible bonds issued by the Company or its Group companies pursuant to the authorisation given at the Annual General Meeting for the period 28 April 2016 to 27 April 2021 (or of profit-sharing rights or other forms of mezzanine capital with obligatory conversion) meet their conversion obligations or shares are delivered and to the extent that the debt is not settled using treasury shares or other rights. The Executive Board is authorised to determine the further details of the way in which the contingent capital increase is to be carried out.

Deutsche Lufthansa AG is entitled to repurchase shares and to sell repurchased shares in those cases defined in Section 71 AktG. In addition, the Company is authorised by resolutions of the Annual General Meeting on 29 April 2015 to buy back its own shares until 28 April 2020. The resolutions can be used to expand the financing alternatives in the event that another company or an equity stake in a company is acquired. The proportion of shares acquired on the basis of this authorisation, along with any other Lufthansa shares that the Company has already acquired and still holds, must at no time amount to more than 10 per cent of issued capital.

Further information on authorised capital, contingent capital and share buy-backs → Note 30, p. 127f.

Important Company agreements subject to a change-of-control clause in the event of a takeover offer

The EMTN programme operated by Deutsche Lufthansa AG to issue bonds includes a change-of-control clause. It provides for holders of bonds issued under the EMTN programme to demand redemption of the bond in the event of a change of control. The change of control is tied to the concepts of control, which is defined in detail in the EMTN programme, and of a rating downgrade resulting from the change of control within a change-of-control period. A bond for EUR 500m maturing on 12 September 2019 is currently outstanding under this programme.

In August 2015, Deutsche Lufthansa AG issued a hybrid bond for EUR 500m, due on 12 August 2075, which also includes the change-of-control clause described above. In addition, Deutsche Lufthansa AG issued borrower's note loans for EUR 475m and EUR 1.2bn, with terms of three, five, seven and ten years, in April and December 2016 respectively, which also include a similar change-of-control clause.

Compensation agreements with Executive Board members or employees in the event of a takeover offer

In the event of a change of control at Deutsche Lufthansa AG defined more precisely in the employment contract, the Executive Board members and the Company are entitled to terminate the contract within twelve months of this change of control.

If the contract ends because the special termination right is exercised or the contract is revoked amicably within twelve months of and in connection with the change of control, the Executive Board member is entitled to compensation for remuneration outstanding for the remainder of the contract.

In accordance with the relevant recommendation of the German Corporate Governance Code, compensation may not exceed 150 per cent of the maximum compensation of two annual salaries agreed in the contract. → Remuneration report, p. 79ff.

Notes to the individual financial statements of Deutsche Lufthansa AG (HGB)

✈ Revenue of Deutsche Lufthansa AG falls to EUR 15.2bn. Net profit for the year rises to EUR 1.2bn. Total assets climb to EUR 25.0bn.

The financial statements of Deutsche Lufthansa AG have been prepared in accordance with the German Commercial Code (HGB) and the provisions of the German Accounting Directive Implementation Act (BilRUG) that are applicable for the first time, as well as the supplementary provisions of the German Stock Corporation Act (AktG) and the Articles of Association, and have been audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf. They are published in the electronic Federal Gazette. The financial statements are permanently available online.
http://investor-relations.lufthansagroup.com/en/finanzberichte.html.

In this annual report, the management report for Deutsche Lufthansa AG has been combined with the Group management report for the Lufthansa Group. Deutsche Lufthansa AG and its results also include the Group headquarters with the central functions for Corporate Development, Finance and Controlling, Communications, Public Affairs, Human Resources, Legal and Compliance, as well as Data Security, Safety and Procurement. The economic environment for Deutsche Lufthansa AG is essentially the same as for the Group. Macroeconomic situation, p. 23f.; Sector developments, p. 24f.; Course of business, p. 26ff

[illegible]

Deutsche Lufthansa AG increased its net profit for the year to EUR 1.2bn, which represents a good performance for the financial year 2016. The considerable decline in fuel costs (–10.3 per cent), still primarily due to lower prices, as well as the improved exchange rate result compared to the previous financial year (EUR 373m) more than compensated the significant decline in traffic revenue (–8.2 per cent). Moreover, the adjustment of the statutory discount interest rates regarding the provisions for pensions had a further significant impact on the net earnings (EUR 1.0bn).

Revenue and income

62 million passengers transported
In 2016, the number of passengers was roughly the same as in the previous year at 62 million (+0.2 per cent). Capacity increased by 1.2 per cent, while sales fell by 0.3 per cent. The load factor dropped by 1.1 percentage points to 79.2 per cent. Yields were 7.9 per cent down on the previous year.

Revenue down by 2.9 per cent
Traffic revenue fell year-on-year by 8.2 per cent to EUR 14.1bn. Other revenue rose to EUR 1.1bn (previous year: EUR 355m), while other operating income fell by 36.1 per cent to EUR 1.6bn. This effect is largely due to the new definition of revenue in the German Act Implementing Accounting Standards (BilRUG), which is applicable for the first time. In total, revenue dropped by 2.9 per cent to EUR 15.2bn.

Expenses

Expenses down by 9.2 per cent
Operating expenses amounted to EUR 16.0bn, EUR 1.6bn lower than in the previous year.

Trends in traffic regions of Deutsche Lufthansa AG

	Traffic revenue in EUR m		Number of passengers in thousands		Available seat-kilometres in millions		Revenue seat kilometres in millions		Passenger load factor in %	
	2016	Change in %	2016	Change in %	2016	Change in %	2016	Change in %	2016	Change in pts
Europe	5,428	-4.8	46,019	0.4	47,071	0.9	35,166	0.1	74.7	-0.7
America	4,920	8.3	8,133	3.0	75,701	6.1	61,990	3.6	81.9	2.0
Asia/Pacific	2,678	12.5	6,629	-4.2	45,665	-3.2	36,837	-4.6	80.7	1.2
Middle East/Africa	1,037	-13.8	2,856	-3.2	15,380	-6.8	11,528	5.8	75.0	0.8
Total	14,063	-8.2	61,637	0.2	183,817	1.2	145,521	-0.3	79.2	-1.1

Income statement for Deutsche Lufthansa AG in accordance with HGB

in €m	2016	2015
Traffic revenue	14,603	15,314
Other revenue	606	355
Total revenue	**15,209**	**15,669**
Other operating income	1,649	2,582
Cost of materials and services	-9,780	-10,393
Staff costs	-2,355	-2,327
Depreciation, amortisation and impairment	-428	-458
Other operating expenses	-2,946	-3,959
Result from operating activities	**849**	**614**
Result from other equity investments	598	728
Net interest	94	-237
Impairment on investments and current securities	-26	-131
Financial result	**666**	**-640**
Result from ordinary activities	**1,515**	**-26**
Current income taxes	-233	-34
Deferred income taxes	-62	1,139
Other taxes	-51	-45
Net profit/loss for the year	**1,169**	**1,034**
Transfers to retained earnings	-935	-802
Distributable earnings	**234**	**232**

The cost of materials and services fell by 5.9 per cent to EUR 9.8bn. The decline stems mainly from the change in fuel expenses and in the costs of purchased services. Fuel expenses dropped by 10.3 per cent to EUR 2.8bn. After adjustment for income from the utilisation of the provision for impending losses and the amortisation of surcharges, which totalled EUR 176m, fuel expenses would have gone down even more significantly (17.3 per cent). The adjusted decline is almost exclusively due to lower prices, whereas marginally lower volumes (0.3 per cent) and the opposing effect of the US dollar exchange rate performance over the course of the year (+0.5 per cent) only played an immaterial role. Fuel expenses would have been significantly lower again without the realised loss of EUR 619m from fuel hedging (without provisions for impending losses and amortisation of surcharges).

The costs of purchased services fell by 4.1 per cent to EUR 6.9bn. Fees and charges, at EUR 2.8bn, still constitute the largest expense item under purchased services. Overall, they were 9.1 per cent down on the year, due to volumes, prices and exchange rates.

Air traffic control charges fell by 5.2 per cent, landing fees by 8.1 per cent, handling charges by 0.4 per cent and passenger fees by 18.4 per cent. In line with the new regulations of BilRUG, the expenses from the air traffic tax are not longer reported as passenger fees, but as other taxes. The costs of external MRO services fell by 8.8 per cent on the year to EUR 1.5bn. This decline stems mainly from the fact, that in the financial year 2016 expenses from previous year's cabin refits did not occur. Charter expenses, which still mostly consist of charter rates payable to the regional partners as part of the Lufthansa Regional concept, went up year-on-year by 13.1 per cent to EUR 547m. The increase is due mainly to the purchase of additional seating capacities from Austrian Airlines on several routes between Germany and Austria. Expenses for operating leases went up by 7.2 per cent to EUR 833m. This increase stems from further contributions of aircraft into the Austrian leasing entities as well as additional aircraft leases on behalf of Eurowings to cover its long-haul flights.

Staff costs increased by 1.0 per cent to EUR 2.9bn. Although the average number of employees rose by 0.5 per cent on the previous year, expenses for wages and salaries fell by 0.4 per cent. Social security contributions dropped by 0.4 per cent accordingly. Expenses for retirement benefits went up by 14.8 per cent to EUR 287m. This increase is primarily due to one-off effects from the restructuring of the Company's transitional pension benefits plan for cabin crew employees.

Depreciation and amortisation fell year on year by 6.6 per cent to EUR 428m. The decline was largely due to the contributions of aircraft into the Austrian leasing entities.

Other operating expenses fell by 25.6 per cent to EUR 2.9bn. This stems mainly from the considerable decline of foreign exchange losses, both realised and unrealised due to valuation at the balance sheet date. Other savings concerned rental expenses, sales commissions for travel agents, payment transactions and travel expenses. In accordance with the new regulations of BilRUG, all rental expenses for properties suplet to Group companies are now to be reported as cost of materials and services (EUR 49m)

Earnings performance

Result from operating activities improves by EUR 235m

The result from operating activities rose by 38.3 per cent to EUR 849m in the financial year 2016. The fall of 7.6 per cent in operating income to EUR 16.9bn due to lower revenue and other income was more than made up for by a significant reduction in operating expenses. Adjusted EBIT, calculated as for the Group, came to EUR 1.4bn in the financial year

Financial result up by EUR 1.3bn
The financial result increased by EUR 1.3bn to EUR 666m. It was made up of the result from equity investments of EUR 598m (previous year: EUR 728m), net interest of EUR 94m (previous year: EUR – 1.2bn) and other financial items of EUR – 26m (previous year: EUR – 131m).

The result from equity investments includes profit and loss transfers of EUR 107m (previous year: EUR –80m) and other income from investments of EUR 491m (previous year: EUR 808m). The year-on-year decline is attributable to aligning the timing of profit recognition from the Austrian leasing entities in the previous financial year, which meant that in 2015 the result from equity investments included both the dividends paid in 2015 for 2014 and the dividends accrued for 2015. The results from companies with profit and loss transfer agreements improved year-on-year, with the exception of Eurowings GmbH (EUR –33m) and Delvag GmbH (EUR – 1m). The biggest positive year-on-year change related to the profit transfer from Lufthansa Technik AG (EUR 85m).

Net interest came to EUR 94m in the financial year (previous year: EUR – 1.2bn). The positive net interest was mainly the lower valuation of pension provisions due to the adjustment of the statutory discount interest rate from a 7-year average to a 10-year average. The interest rate used to discount the payment obligations was 4.01 per cent (previous year: 3.89 per cent), which resulted in interest expense of EUR 189m in the reporting period (previous year: EUR 1.2bn). It was offset by the significantly higher year-on-year market valuation of EUR 335m regarding the pension assets used to fund retirement benefit obligations (previous year: EUR 20m).

Impairment losses on investments and current securities came to EUR 26m, EUR 105m lower than in the previous year. The carrying amount of EUR 12m for Lufthansa CityLine GmbH was written down as well as the loan of EUR 14m to Lufthansa Super Star gGmbH.

Net profit up by EUR 135m
Operating result and financial result add up to EUR 1.5bn (previous year: EUR –26m). Income tax expenses in the financial year (including deferred taxes) came to EUR 295m and other tax expenses to EUR 51m. Altogether, net profit of EUR 1.2bn was recognised for the financial year 2016 (previous year: EUR 1.0bn).

Cash flow from operating activities

Cash flow from operating activities up to EUR 1.3bn
Cash flow from operating activities rose by EUR 1.1bn to EUR 1.3bn. In the reporting year 2016, Deutsche Lufthansa AG invested EUR 559m (previous year: EUR 1.2bn) in aircraft and advance payments for aircraft. Of the total, EUR 122m was for advance payments (previous year: EUR 323m). To finance future payment obligations arising from staff pension entitlements, Deutsche Lufthansa AG transferred in 2016 a total of EUR 14m (previous year: EUR 382m) to the Lufthansa Pension Trust on a long-term basis for investment in various fixed income and share funds. There was an overall cash outflow of EUR 1.8bn from investing activities into fixed and financial assets. Cash flow for financing activities came to EUR 509m in the financial year.

Assets

Total assets rose by 12.6 per cent, or EUR 2.8bn, to EUR 25.0bn. Non-current assets account for 80.2 per cent of total assets (previous year: 82.7 per cent).

Assets

Non-current assets up by EUR 1.7bn
Non-current assets rose by EUR 1.7bn to EUR 20.1bn. The increase is largely due to higher financial assets, up by almost EUR 1.8bn, which is in turn primarily the result of several capital increases at Lufthansa Commercial Holding GmbH (EUR 1.0bn in total). In addition, aircraft were again contributed into the Austrian leasing entities which led to an increase of their carrying amounts (EUR 180m) that were on the other hand offset by capital repayments of EUR 189m from these entities. The balance of additional and new loans to affiliated companies (EUR 2.3bn) and repayments from these companies (EUR 1.7bn) also increased non-current financial assets. Write-ups on the carrying amounts for Air Dolomiti S.p.A. (EUR 26m) and the SICAV-FIS fund (EUR 9m) also increased non-current financial assets, but were offset by write-downs on the carrying amount for Lufthansa CityLine GmbH (EUR 12m) and on the loan to Lufthansa Super Star gGmbH (EUR 14m).

Balance sheet for Deutsche Lufthansa AG in accordance with HGB

in €m	31.12.2016	31.12.2015
Assets		
Intangible assets	339	352
Aircraft	4,933	5,032
Property, plant and other equipment	103	106
Financial investments	14,702	[illegible]
Non-current assets	**20,077**	**18,401**
Inventories	77	88
Trade receivables	448	426
Other receivables	1,384	1,450
Securities	805	250
Cash and cash equivalents	641	402
Current assets	**3,355**	**2,616**
Prepaid expenses	**51**	**45**
Deferred tax assets	**1,077**	**1,139**
Excess of plan assets over provisions for pensions	**489**	**48**
Total assets	**25,049**	**22,249**
Shareholders' equity and liabilities		
Issued capital	1,200	1,189
Capital reserve	223	187
Retained earnings	3,865	2,931
Distributable earnings	234	232
Shareholders' equity	**5,522**	**4,539**
Provisions	**7,343**	**6,861**
Bonds	1,000	1,750
Liabilities to banks	1,673	954
Payables to affiliated companies	5,447	4,3[illegible]
Other liabilities	4,059	3,770
Liabilities	**12,179**	**10,845**
Deferred income	**5**	**4**
Total shareholders' equity and liabilities	**25,049**	**22,249**

Current assets up by EUR 739m
Current assets rose by EUR 739m to EUR 3.4bn. The increase is almost entirely the result of cash and securities, which went up year on year by EUR 794m to EUR 1.4bn. Securities valued at EUR 805m were held at the end of the financial year. Cash balances amounted to EUR 641m (previous year: EUR 402m).

Shareholders' equity and liabilities

Equity up by EUR 983m
Shareholders' equity rose by EUR 983m, primarily as a result of net profit for the year 2016, and totalled EUR 5.5bn as of the reporting date. As a result, the equity ratio, as a proportion of higher total assets, rose to 22.0 per cent (previous year: 20.4 per cent).

Non-current liabilities up by EUR 1.0bn
Non-current liabilities went up by EUR 1.0bn to EUR 8.1bn in the 2016 reporting year, in particular due to higher provisions for pensions and the emission of two borrower's note loans.

As a result of changes in equity and non-current liabilities, long-term funding increased to make up 54.5 per cent of total equity and liabilities (previous year: 52.4 per cent). Long-term funds consequently cover 68.1 per cent (previous year: 63.4 per cent) of non-current assets.

Net debt down by EUR 469m
Net debt was reduced year on year by EUR 469m to EUR 2.7bn, despite new long-term borrowing.

Declaration on corporate governance in accordance with Section 289a Paragraph 2 HGB and Section 315 Paragraph 5 HGB

The declaration on corporate governance required under Section 289a HGB has been issued and made publicly available on the Company's website at http://investor-relations.lufthansagroup.com/en/corporate-governance/erklaerung-zur-unternehmensfuehrung-289a-hgb.html

Risk report

Business at Deutsche Lufthansa AG is subject to essentially the same risks and opportunities as business at the Passenger Airline Group segment as presented in the consolidated financial statements. Deutsche Lufthansa AG is exposed to the risks of its equity investments and subsidiaries in proportion to its respective equity stakes. Business segment Passenger Airline Group, p. 40ff.

Supplementary report

The main events taking place after the reporting date are those described in the consolidated financial statements pertaining to the Passenger Airline Group segment.

Forecast

Future business performance at Deutsche Lufthansa AG is subject to essentially the same factors as the Passenger Airline Group segment as presented in the consolidated financial statements.

Further information on anticipated macroeconomic developments and the performance of the business segments, as well as the assumptions on which the Group forecast is based, can be found in the Forecast, p. 70ff.

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financial statements

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Consolidated income statement
for the financial year 2016

Consolidated income statement

in €m	Notes	2016	2015
Traffic revenue		24,661	25,506
Other revenue[1]		6,999	6,550
Total revenue		**31,660**	**32,056**
Changes in inventories and work performed by entity and capitalised		95	203
Other operating income		2,184	2,832
Cost of materials and services		-17,109	-17,640
Staff costs		-7,354	-8,075
Depreciation, amortisation and impairment		-1,769	-1,715
Other operating expenses		-5,517	-6,106
Profit / loss from operating activities		**2,190**	**1,555**
Result of equity investments accounted for using the equity method		58	111
Result of other equity investments		27	10
Interest income		64	186
Interest expenses		-282	-356
Other financial items		191	520
Financial result		**58**	**471**
Profit / loss before income taxes		**2,248**	**2,026**
Income taxes		-445	-304
Profit / loss after income taxes		**1,803**	**1,722**
Profit / loss attributable to minority interests		-27	-24
Net profit / loss attributable to shareholders of Deutsche Lufthansa AG		**1,776**	**1,698**
Basic / diluted earnings per share in €		**3.81**	**3.67**

[1] Previous year's figures have been adjusted due to the new reporting method

Statement of comprehensive income

for the financial year 2016

Statement of comprehensive income

€ m	2016	2015
Profit / loss after income taxes	**1,803**	**1,722**
Other comprehensive income		
Other comprehensive income with subsequent reclassification to the income statement		
Differences from currency translation	66	240
Subsequent measurement of available-for-sale financial assets	-3	-533
Subsequent measurement of cash flow hedges	1,497	77
Other comprehensive income from investments accounted for using the equity method	3	4
Other expenses and income recognised directly in equity	9	3
Income taxes on items in other comprehensive income	-337	-27
Other comprehensive income without subsequent reclassification to the income statement		
Revaluation of defined-benefit pension plans	-2,066	511
Revaluation of defined benefit pension plans within groups of disposal	0	-19
Other comprehensive income from investments accounted for using the equity method	17	0
Income taxes on items in other comprehensive income	554	-172
Other comprehensive income after income taxes	**-294**	**84**
Total comprehensive income	**1,509**	**1,806**
Comprehensive income attributable to minority interests	-33	-29
Comprehensive income attributable to shareholders of Deutsche Lufthansa AG	**1,476**	**1,777**

Consolidated balance sheet
as of 31 December 2016

Consolidated balance sheet – Assets

in €m	Notes	31.12.2016	31.12.2015
Intangible assets with an indefinite useful life *	[illegible]	1,265	1,235
Other intangible assets	[illegible]	472	422
Aircraft and reserve engines	[illegible]	14,798	14,591
Repairable spare parts for aircraft		1,604	1,388
Property, plant and other equipment	[illegible]	2,199	2,173
Investments accounted for using the equity method	[illegible]	516	520
Other equity investments	[illegible]	212	201
Non-current securities	[illegible]	23	15
Loans and receivables	[illegible]	513	516
Derivative financial instruments	[illegible]	1,474	1,234
Deferred charges and prepaid expenses	[illegible]	1	[illegible]
Effective income tax receivables		4	19
Deferred tax assets	[illegible]	1,413	1,200
Non-current assets		**24,504**	**23,526**
Inventories	[illegible]	816	761
Trade receivables and other receivables	[illegible]	4,570	4,389
Derivative financial instruments	[illegible]	534	440
Deferred charges and prepaid expenses	[illegible]	167	158
Effective income tax receivables		37	85
Securities	[illegible]	2,681	1,994
Cash and cash equivalents	[illegible]	1,256	1,099
Assets held for sale	[illegible]	132	10
Current assets		**10,193**	**8,936**
Total assets		**34,697**	**32,462**

* Including Goodwill

Consolidated balance sheet – Shareholders' equity and liabilities

in €m	Notes	31.12.2016	31.12.2015
Issued capital	[illegible]	1,200	1,189
Capital reserve	[illegible]	222	187
Retained earnings	[illegible]	1,649	1,612
Other neutral reserves	[illegible]	2,313	1,082
Net profit/loss		1,776	1,698
Equity attributable to shareholders of Deutsche Lufthansa AG		**7,060**	**5,768**
Minority interests		89	77
Shareholders' equity		**7,149**	**5,845**
Pension provisions	[illegible]	8,364	6,626
Other provisions	[illegible]	503	526
Borrowings	[illegible]	5,811	5,031
Other financial liabilities	[illegible]	124	121
Advance payments received, deferred income and other non-financial liabilities	[illegible]	1,246	1,223
Derivative financial instruments	[illegible]	54	307
Deferred tax liabilities	[illegible]	437	346
Non-current provisions and liabilities		**16,539**	**14,180**
Other provisions	[illegible]	1,066	1,075
Borrowings	[illegible]	764	1,339
Trade payables and other financial liabilities	[illegible]	4,689	4,847
Liabilities from unused flight documents	[illegible]	3,040	2,901
Advance payments received, deferred income and other non-financial liabilities	[illegible]	875	918
Derivative financial instruments	[illegible]	185	1,221
Effective income tax obligations	[illegible]	390	136
Liabilities related to assets held for sale	[illegible]	-	-
Current provisions and liabilities		**11,009**	**12,437**
Total shareholders' equity and liabilities		**34,697**	**32,462**

Consolidated statement of changes in shareholders' equity
as of 31 December 2016

Consolidated statement of changes in shareholders' equity

in € m	Issued capital	Capital reserve	Fair value measurement of financial instruments	Currency differences	Revaluation reserve (due to business combinations)	Other neutral reserves	Total other neutral reserves	Retained earnings	Net profit/loss	Equity attributable to shareholders of Deutsche Lufthansa AG	Minority interests	Total shareholders' equity
As of 31.12.2014	**1,185**	**170**	**407**	**364**	**236**	**314**	**1,321**	**1,237**	**55**	**3,968**	**63**	**4,031**
Capital increases/reductions	4	17	–	–	–	–	–			21	2	23
Reclassifications	–	–	–	–	–	–	–	55	55	–	–	–
Dividends to Lufthansa shareholders/minority interests	–	–	–	–	–				–		14	14
Transactions with minority interests	–	–		–	–	–		–	–		–	–
Consolidated net profit/loss attributable to Lufthansa shareholders/minority interests	–	–	–	–		–		–	1,696	1,698	24	1,722
Other expenses and income recognised directly in equity	–	–	–483	240		4	–239	320	–	81	3	84
As of 31.12.2015	**1,189**	**187**	**–76**	**604**	**236**	**318**	**1,082**	**1,612**	**1,698**	**5,768**	**77**	**5,845**
Capital increases/reductions	11	35	–	–	–	–			–	46	1	47
Reclassifications	–	–	–	–	–	2	2	1,696	–1,698	2	–2	–
Dividends to Lufthansa shareholders/minority interests	–	–	–	–		–	–	–	–252	–252	20	–232
Transactions with minority interests	–		–	–	–	–	–	–	–	–	–	–
Consolidated net profit/loss attributable to Lufthansa shareholders/minority interests	–	–	–	–			–		1,776	1,776	27	1,803
Other expenses and income recognised directly in equity	–	–	1,157	66		6	229	1,529	–	–300	6	–294
As of 31.12.2016	**1,200**	**222**	**1,081**	**670**	**236**	**326**	**2,313**	**1,549**	**1,776**	**7,060**	**89**	**7,149**

Consolidated cash flow statement

for the financial year 2016

Consolidated cash flow statement

in €m	Notes	2016	2015[1]
Cash and cash equivalents 1.1.		**996**	**828**
Net profit/loss before income taxes		2,248	2,026
Depreciation, amortisation and impairment losses on non-current assets (net of reversals)		1,765	1,708
Depreciation, amortisation and impairment losses on current assets (net of reversals)		55	82
Net proceeds on disposal of non-current assets		38	-53
Result of equity investments		-85	-121
Net interest		218	170
Income tax payments/reimbursements		-54	-197
Significant non-cash relevant expenses/income		-1,037	-691
Change in trade working capital		-140	251
Change in other assets/shareholders' equity and liabilities		314	720
Cash flow from operating activities		**3,246**	**3,393**
Capital expenditure for property, plant and equipment and intangible assets		-2,160	-2,454
Capital expenditure for financial investments		-34	-91
Additions/less to repairable spare parts for aircraft		-264	-367
Proceeds from disposal of non-consolidated equity investments		26	34
Proceeds from disposal of consolidated equity investments		0*	-122
Cash outflows for acquisitions of non-consolidated equity investments		-36	-23
Cash outflows for acquisitions of consolidated equity investments		-6	-1
Proceeds from disposal of intangible assets, property, plant and equipment and other financial investments		94	138
Interest income		192	271
Dividends received		80	56
Net cash from/used in investing activities		**-2,108**	**-2,559**
Purchase of securities/fund investments		-1,302	-1,845
Disposal of securities/fund investments		581	1,131
Net cash from/used in investing and cash management activities		**-2,829**	**-3,273**
Capital increase		-	-
Transactions on minority interests		14	2
Non-current borrowing		1,685	986
Repayment of non-current borrowing		-1,483	-682
Dividends paid		-233	-14
Interest paid		-242	-266
Net cash from/used in financing activities		**-272**	**26**
Net increase/decrease in cash and cash equivalents		**145**	**146**
Changes due to currency translation differences		-3	22
Cash and cash equivalents 31.12.[2]		**1,138**	**996**
Securities		2,681	1,994
Liquidity		**3,819**	**2,990**
Net increase/decrease in liquidity		829	377

* Rounded below EUR 1m.

[1] Previous year's figures have been adjusted.

[2] Excluding fixed-term deposit with terms of three to twelve months (2016: EUR 118m, 2015: EUR 103m).

Further details can be found in the section: Notes to the consolidated cash flow statement, p. 148

Notes to the consolidated financial statements
of Deutsche Lufthansa AG for 2016

General remarks

Company information

The Lufthansa Group is a global aviation group whose subsidiaries and equity investments were organised into four operating segments in the financial year 2016: Passenger Airline Group, Logistics, MRO and Catering.

Deutsche Lufthansa AG has its headquarters in Cologne, Germany, and is filed in the Commercial Register of Cologne District Court under HRB 2168.

The declaration on the German Corporate Governance Code required by Section 161 of the German Stock Corporation Act (AktG) was issued and made available to shareholders on the internet at www.lufthansagroup.com/entsprechenserklaerung

The consolidated financial statements of Deutsche Lufthansa AG, Cologne, and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), taking account of interpretations by the IFRS Interpretations Committee as applicable in the European Union (EU).

The commercial law provisions of Section 315a Paragraph 1 of the German Commercial Code (HGB) have also been applied. All IFRSs issued by the IASB and in effect at the time that these financial statements were prepared and applied by Deutsche Lufthansa AG have been adopted by the European Commission for application in the EU. The consolidated financial statements of Deutsche Lufthansa AG, denominated in EUR millions, therefore comply with the IFRSs as applicable in the EU and with the further commercial law provisions of Section 315a Paragraph 1 HGB. Its financial year is the calendar year

With the exception of the changes required by new or amended standards, the accounting policies applied in the previous year have been retained.

The consolidated financial statements for 2016 were examined and approved for publication by the Supervisory Board of Deutsche Lufthansa AG in its meeting on 15 March 2017.

New international accounting standards in accordance with IFRS and interpretations and summary of the significant accounting policies and valuation methods

International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) to be applied for the first time in the financial year and amendments to standards and interpretations
The first-time application of the following amended accounting standards had no or no material effect on the presentation of the net assets, financial and earnings position or on earnings per share.

IFRS-pronouncement (applicable from financial year 2016)

Amendments to IAS 1, Presentation of Financial Statements
Amendments to IFRS 11, Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41, Agriculture: Bearer Plants
Amendments to IAS 19, Defined Benefit Plans: Employee Contributions
Amendments to IAS 27, Equity Method in Separate Financial Statements
Annual Improvements to IFRS, 2010 – 2012 Cycle
Annual Improvements to IFRS, 2012 – 2014 Cycle
Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities – Applying the Consolidation Exception

Published International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) not yet applied / applicable and amendments to standards and interpretations
The following standards and amendments have already been adopted by the European Union but are only mandatory for financial statements after 31 December 2016:

IFRS-pronouncement (adopted by the EU)	Mandatory application for financial years beginning on or after
IFRS 9, Financial Instruments	1.1.2018
IFRS 15, Revenue from Contracts with Customers	1.1.2018

IFRS 9, Financial Instruments, includes guidelines for recognition and measurement, derecognition and hedge accounting. The International Accounting Standards Board published the final version of IFRS 9, Financial Instruments, in July 2014. All accounting for financial instruments can now take place in accordance with IFRS 9, which replaces IAS 39, Financial Instruments: Recognition and Measurement. The published version of IFRS 9 supersedes all previous versions. IFRS 9 is applicable for the first time for reporting periods beginning on or after 1 January 2018, whereby early application is allowed. The Group will apply IFRS 9 for the first time as of 1 January 2018.

The Company is currently reviewing the effects of applying IFRS 9 to its consolidated financial statements in a Group-wide project. The recognition in other comprehensive income (OCI) of changes in the time value of options over the term of the hedging relationship in accordance with IFRS 9, rather than in the income statement in accordance with IAS 39, is expected to have a particular effect. New rules on impairment will mean that in some cases, expected losses are recognised earlier in profit or loss. No decisions have yet been taken on the specific models and the underlying data sets to be used. Many new disclosures will also be required in the Notes, particularly on the accounting of hedging transactions, on credit risk and on expected defaults. It is not yet possible to quantify the effects thereof.

The IASB published the standard **IFRS 15, Revenue from Contracts with Customers,** on 28 May 2014. The core principle of IFRS 15 for the recognition of revenue consists of recognising the delivery of goods and services to customers at an amount that corresponds to the consideration the company can expect to receive in exchange for these goods or services. Revenue is recognised when the goods or services have been transferred to the customer. IFRS 15 also includes guidance on the presentation of contract balances, that is, assets and liabilities arising from contract with customers, depending on the relationship between the entity's performance and the customer's payment. Furthermore, the new standard requires a set of quantitative and qualitative disclosures to enable users of the company's consolidated financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 replaces IAS 11, Construction Contracts, and IAS 18, Revenue, including their respective interpretations. In addition, the Group is following the clarifications published by the IASB in April 2016 and will monitor the further developments in the interpretation of IFRS 15.

The Group completed a preliminary study on the possible effects of applying IFRS 15 to the consolidated financial statements in a Group-wide project over the course of the year. Detailed analyses will be carried out in the months ahead to quantify the need for any adjustments. Working groups were formed for each of the Lufthansa Group's operating segments to carry out corresponding contract analyses and to review them using the five-step model defined in IFRS 15.

The Lufthansa Group is also working with other international airlines in the Industry Accounting Working Group (IAWG) of the IATA (International Air Transport Association) to reach a common understanding for the interpretation of the new standards, especially IFRS 15 and IFRS 16. In connection with this, dialogue was held with the Airlines Revenue Recognition Task Force of the AICPA (American Institute of Certified Public Accountants), which is dealing with specific questions about implementing the largely identical US standard on revenue recognition for American airlines.

For certain types of passenger and transport contracts, the expectation is that there will be changes to the timing of revenue. In particular, certain fees and charges may be recognised later.

A review is also being carried out to determine whether the Group renders certain services as a principal or brokers them as an agent, and whether this may result in changes to the recognition of gross or net revenue. Finally, revenue recognition on unused flight documents is also subject to review.

Differences may also arise in the course of allocating the estimated transaction price to the identified performance obligations in connection with customer loyalty programmes.

More detailed analyses were also carried out for the MRO segment, which provides maintenance, repair and overhaul services. Accounting to date has largely been based on the percentage-of-completion method as defined in IAS 11, which is to be replaced by the recognition of revenue over time. Here, too, changes in the timing of recognition are possible. The new disclosures require additional quantitative and qualitative information in the Notes, such as the opening and closing balances of net contractual assets and liabilities and the cumulative amount of unsatisfied performance obligations from all relevant customer contracts as of the balance sheet date.

The standard is applicable for the first time for financial years beginning on or after 1 January 2018, with early application allowed. The Group will not apply the standard ahead of time.

On the basis of the analyses carried out to date, the application of IFRS 15 is not expected to have any significant effect on the presentation of the Group's net assets, financial and earnings position.

The IASB and the IFRS Interpretations Committee have adopted other standards and interpretations whose application is not mandatory for the financial year 2016:

IFRS pronouncement (not yet endorsed by the EU)	Mandatory application for financial years beginning on or after
IFRS 16, Leases	1.1.2019
Amendments to IAS 12, Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses	1.1.2017
Amendments to IAS 7, Statement of Cash Flows – Disclosure Initiative	1.1.2017
Annual Improvements to IFRS, 2014–2016 Cycle	1.1.2017/ 1.1.2018
Amendments to IFRS 2, Share-based Payment	1.1.2018
Clarification of IFRS 15, Revenue from Contracts with Customers	1.1.2018
Amendments to IFRS 4, Insurance Contracts	1.1.2018
Amendments to IAS 40, Investment Property	1.1.2018
IFRIC 22, Foreign Currency Transactions and Advance Consideration	1.1.2018
Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	deferred indefinitely

On 13 January 2016, the IASB published the new standard **IFRS 16, Leases.** IFRS 16 replaces IAS 17, Leases, and the respective interpretations. The standard is mandatory from 1 January 2019. Early application is permitted, but only if IFRS 15, Revenue from Contracts with Customers, is also applied at the same time. The Group will not apply the standard ahead of time. IFRS 16 introduces a standard lease accounting model for lessees, under which a right-of-use asset and a lease liability at the present value of the contractually agreed lease payments are recognised in the lessee's balance sheet for leases with a term of more than twelve months. Recognition exemptions exist for short-term leases and leases for low-value assets. There are no changes to the rules for lessors.

Here, too, the Lufthansa Group has set up a Group-wide project to implement the new standard. The most important change identified to date is that the Group will recognise new assets and liabilities for its operating leases. As leased aircraft only make up a small proportion of the total fleet, the right-of-use assets will mainly relate to properties and other operating and office equipment. Furthermore, the type of expenses connected with these leases will change, since IFRS 16 replaces linear expenses for operating leases with depreciation and amortisation for right-of-use assets and interest expenses for lease liabilities. This will have corresponding effects on the presentation of results in the income statement, on total assets, debt and the equity ratio. It is still too early to quantify the concrete impact this will have on the consolidated financial statements.

At the present time, the other new or amended IFRS pronouncements listed in the table are not considered to have a material effect on the presentation of the net assets, financial and earnings position.

The Group has not voluntarily applied any of the new or amended regulations mentioned above before their binding date of application. If the effective dates of the standards and interpretations mentioned above fall within the year, they are applied as of 1 January of the following financial year. This is subject to the endorsement of the standards by the EU.

Summary of significant accounting policies and valuation methods

The application of the accounting policies prescribed by IFRS and IFRIC requires making a large number of estimates and assumptions with regard to the future that may, naturally, not coincide with actual future conditions. All these estimates and assumptions are, however, reviewed continuously and are based either on past experience and/or expectations of future events that seem reasonable in the circumstances on the basis of sound business judgement.

Estimates and assumptions that are of material importance in determining the carrying amounts for assets and liabilities are explained in the following description of the accounting policies applied to material balance sheet items.

The fundamental valuation method applied in the consolidated financial statements is historical cost. Where IFRSs stipulate that other methods of measurement be applied, these are used instead, and are referred to specifically in the following comments on measuring assets and liabilities.

Amendments to accounting policies as a result of revised and new standards are applied retrospectively unless provided otherwise for a specific standard. The income statement for the previous year and the opening balance sheet for the comparable period are adjusted as if the new accounting policies had always been applied.

Recognition of income and expenses

Revenue and other operating income is recognised when the service has been provided or when the risk has passed to the customer. Traffic revenue from the Passenger Airline Group and Logistics segments is recognised once a passenger coupon or airfreight document has been used. The amount recognised is calculated as a percentage of the total amount received for the flight document. Revenue for customer-oriented, longer-term production in the MRO and Other segments with the remaining IT functions of the former IT Services segment is recognised using the percentage of completion method. This involves estimating the proportion of the total contract already completed and the profit on the whole contract.

Operating expenses are recognised when the product or service is used or the expense arises. Provisions for guarantees are made when the corresponding revenue is recognised. Interest income and expenses are accrued in the appropriate period. Dividends from shareholdings not accounted for using the equity method are recognised when a legal claim to them arises.

Initial consolidation and goodwill

The initial consolidation of Group companies takes place using the purchase method. This involves measuring the fair value of the assets, liabilities and contingent liabilities, identified in accordance with the provisions of IFRS 3, of the company acquired at the acquisition date, and allocating the acquisition costs to them. The proportion of fair value of assets and liabilities not acquired is shown under minority interests. The ancillary acquisition costs are recognised as expenses in the periods in which they occur.

Any excess of cost over the value of equity acquired is capitalised as goodwill.

If the value of the acquirer's interest in the shareholders' equity exceeds the purchase price paid by the acquiring company, the difference is recognised immediately in profit or loss.

Differences from minority interests acquired after control has been gained are set off directly against equity.

Goodwill is not amortised, but is tested annually for impairment. The impairment tests applied to goodwill are carried out using recognised discounted cash flow methods. This is done on the basis of expected future cash flows from the latest management planning, which are extrapolated on the basis of long-term revenue growth rates and are assumptions with regard to margin development, and discounted for the capital costs of the business unit. Tests are performed at the cash generating unit (CGU) level. For the individual premises on which impairment tests were based in the financial year 2016 > Note 16, p. 114ff.

Additional impairment tests are also applied during the course of the year if events give reason to believe that goodwill could be permanently impaired.

Once an impairment loss has been recognised on goodwill, it is not reversed in subsequent periods.

Currency translation and consolidation methods

The annual financial statements of foreign Group companies are translated into euros in accordance with the functional currency concept. The functional currency is mainly the currency of the country in which the company concerned is located. Occasionally, the functional currency differs from the national currency. Assets and liabilities are translated at the middle rates on the balance sheet date. Income statements are translated at the average exchange rates for the year. These translation differences are recognised directly in shareholders' equity without effect on profit or loss. Goodwill from capital consolidation of foreign subsidiaries prior to 2005 is carried at historical cost net of amortisation accumulated by the end of 2004.

Goodwill acquired after 2005 is held in the functional currency of the purchased entity and translated at the middle rates on the reporting date.

Transaction differences, however, are recognised in profit or loss. These differences arise in the financial statements of consolidated companies from assets and liabilities based on currency other than the company's functional currency. Any resulting exchange rate differences are included in other operating income as foreign currency transaction gains, or in other operating expenses as foreign exchange losses.

Translation differences for non-monetary items for which changes in fair value are recognised in equity (e.g. available-for-sale equity instruments) are not reflected in profit or loss.

The most important exchange rates used in the consolidated financial statements have developed in relation to the euro as follows:

Exchange rates

	2016		2015	
	Balance sheet exchange rate	Income statement average rate	Balance sheet exchange rate	Income statement average rate
USD	0.94814	0.90466	0.91655	0.90391
JPY	0.00813	0.00834	0.00760	0.00748
GBP	1.17030	1.22157	1.35892	1.38466
CAD	0.70498	0.68244	0.65992	0.70860
HKD	0.12229	0.11656	0.11825	0.11661
THB	0.02648	0.02566	0.02543	0.02645
SEK	0.10435	0.10581	0.10880	0.10671
NOK	0.10997	0.10764	0.10400	0.11211
DKK	0.13450	0.13429	0.13402	0.13406
CHF	0.93203	0.91566	0.9260	0.94188
KRW	0.00079	0.00078	0.00078	0.00080

The effects of intra-Group transactions are completely eliminated in the course of consolidation. Receivables and liabilities between consolidated companies are netted and intra-Group profits and losses in non-current assets and inventories are eliminated. Intra-Group income is set off against the corresponding expenses. Tax accruals and deferrals are made as required by IAS 12 for temporary differences arising from consolidation.

Other intangible assets (except goodwill)

Acquired intangible assets are shown at cost, while internally generated intangible assets from which the Group expects to derive future benefit and which can be measured reliably are capitalised at cost of production and amortised regularly using the straight-line method over an estimated useful life. The cost of production includes all costs directly attributable to the production process, including borrowing costs as required under IAS 23, as well as appropriate portions of production-related overhead.

Intangible assets with an indefinite useful life are not amortised but, like goodwill, are subjected to a regular annual impairment test.

Property, plant and equipment

Tangible assets used in business operations for longer than one year are valued at cost less regular straight-line depreciation. The cost of production includes all costs directly attributable to the manufacturing process as well as appropriate portions of the indirect costs relating to this process. Borrowing costs in close connection with the financing of the purchase or production of a qualifying asset are also capitalised. The financing rate used was 2.4 per cent (previous year: 3.4 per cent).

The Lufthansa Group uses currency futures and currency options to hedge exchange rate expense. This involves the use of spread options that combine the purchase and simultaneous sale of currency options in the same currency. Spread options are concluded as zero-cost options, i.e. the option premium to be paid is equal to the premium resulting from the sale of the option.

Fuel price hedging takes the form of spread options and other hedging combinations, primarily for crude oil. To a limited extent, hedging is also undertaken for other products, such as gas oil.

Hedging transactions are used to secure either fair values (fair value hedge) or future cash flows (cash flow hedge).

To the extent that the financial instruments used qualify as effective cash flow hedging instruments within the scope of a hedging relationship, in accordance with the provisions of IAS 39, the fluctuations in market value will not affect the result for the period during the term of the derivative. They are recognised without effect on profit or loss in the corresponding reserve. According to IAS 39, Financial Instruments: Recognition and Measurement, it is not possible to recognise the change in total market value of an option used as a hedge (full fair value method) in equity as part of hedge accounting, but only the change in the "intrinsic value" of the option. The change in the time value of the option is recognised in the financial result.

If the hedged cash flow is an investment, the result of the hedging transaction which has previously been recognised in equity is set off against the cost of the investment at the time the underlying transaction matures.

In all other cases, the cumulative gain or loss previously stated in equity is included in net profit or loss for the period on maturity of the hedged cash flow.

In the case of effective hedging of fair values, the changes in the market value of the hedged asset, or the hedged debt and those of the financial instrument, will balance out in the income statement.

Derivatives which do not or no longer meet the documentation or effectiveness requirements for hedge accounting or for which the hedged item no longer exists are shown in the category "at fair value through profit or loss". Changes in fair value are then recognised directly in profit or loss.

Embedded derivatives – to the extent that they should, but cannot, be separated from the financial host contract – are also considered with these as trading transactions for measurement purposes. Changes in market value are also recognised directly as profit or loss in the income statement. Both types must be classified as financial assets stated at fair value through profit or loss.

The Group's hedging policy is to use only effective derivatives for the purpose of hedging interest rate, exchange rate and fuel price risks. → Note 41, p. 149ff.

Hedging transactions with non-consolidated Group companies and interest/currency swaps generally do not satisfy the strict criteria for effectiveness as defined in IAS 39, however. Changes in the fair value of these transactions are therefore recognised directly in profit or loss.

Financial guarantees given to third parties are recognised for the first time at fair value. If a claim becomes likely, subsequent measurement is made at the higher of initial measurement and best estimate of the expenditure required to settle the obligation on the balance sheet date.

Emissions certificates

CO_2 emissions certificates are recognised as intangible assets and presented under other receivables. Rights, both those purchased and allocated free of charge, are measured at cost and not amortised.

Inventories

This item includes non-repairable spare parts, raw materials, consumables and supplies, and purchased merchandise. They are measured at cost, determined on the basis of average prices, or at production costs. The cost of production includes all costs directly attributable to the production process, including borrowing costs as required under IAS 23, as well as appropriate portions of production-related overheads. Average capacity utilisation of 98 per cent is assumed in determining the costs of production. Measurement on the balance sheet date is at the lower of cost and net realisable value. Net realisable value is defined as the estimated selling price less the estimated cost of completion and the estimated costs necessary to make the sale.

Assets held for sale

Individual, formerly non-current assets or groups of assets which are expected to be sold within the next twelve months are measured at the lower of their carrying amount at the time they are reclassified and fair value less costs to sell. Fair value less costs to sell is derived from recent market transactions, if available. These assets are no longer depreciated.

Cash and cash equivalents

Cash and cash equivalents comprise cash-in-hand, cheques received and credit balances at banks and other companies. Cash equivalents are financial investments that can be liquidated at short notice. At the time of purchase or investment, they have a maturity of three months or less.

Pension provisions

Pension provisions relate to defined-benefit and defined-contribution plans. The pension provisions for defined-benefit plans correspond to the present value of the defined-benefit obligation (DBO) on the reporting date less the fair value of plan assets, if necessary taking the rules on the maximum surplus of plan assets over the obligation (asset ceiling) into account.

The DBO is calculated annually by independent actuaries using the projected unit credit method prescribed in IAS 19 for defined-benefit pension plans. The measurement of pension provisions within the balance sheet is based on a number of actuarial assumptions.

Capital account plans are measured using the assets of the capital accounts as of the reporting date. The present value of the minimum benefit payable when the beneficiary becomes entitled to the benefit must be compared with the amount of contributions already paid in (measured using the assumptions for the benefit plans). Additional risk premiums that the employer contributes to insure against early entitlements are included in current service expense.

They include, in particular, assumptions about long-term salary and pension trends and average life expectancy. The assumptions about salary and pension trends are based on developments observed in the past and take into account national interest and inflation rates and labour market trends. Estimates of average life expectancy are based on recognised biometric calculation formulas.

The interest rate used to discount the individual future payment obligations is based on the return from investment grade corporate bonds in the same currency and with a similar term to maturity. The discount rate is determined by reference to high-quality corporate bonds with an issue volume of at least EUR 100m and an AA rating from at least one of the rating agencies Moody's Investor Service, Fitch Ratings or Standard & Poor's Rating Services.

Actuarial gains and losses arising from the regular adjustment of actuarial assumptions are recognised directly in equity in the period in which they arise, taking deferred taxes into account. Also presented without effect on profit or loss are differences between the interest income at the beginning of the period calculated on plan assets based on the interest rate used to discount the pension obligations and the earnings from plan assets actually recorded at the end of the period. The actuarial gains and losses and any difference between the forecast result and the actual result from plan assets form part of the remeasurement.

Past service costs are recognised immediately in profit or loss.

Defined-contribution retirement benefit schemes also exist within the Group, funded entirely by contributions paid to an external pension provider. Lufthansa runs no financial or actuarial risks from these obligations. Contributions are recognised in staff costs as they fall due.

Other provisions and provisions for taxes

Other provisions are recognised for present legal and constructive obligations arising from past events that will probably give rise to a future outflow of resources, provide that a reliable estimate can be made of the amount of the obligations.

The amount of the provision is determined by the best estimate of the amount required to settle the present obligation. Past experience, current cost and price information and estimates from internal and external experts are used to determine the amount of provisions.

The management regularly analyses the current information on legal risks and makes provisions for probable obligations. These provisions cover estimated payments to the claimant, the costs of the court and proceedings, the costs of lawyers and of any out-of-court settlement. Internal and external lawyers assist with the estimate. When deciding on the necessity of a provision for litigation, the management takes the probability of an unfavourable outcome and the chance of making a sufficiently accurate estimate of the amount of the obligation into account. The commencement of legal proceedings or the formal assertion of a claim against the Group or the disclosure of certain litigation in the notes does not automatically mean that a provision was made for the risk concerned. A ruling in court proceedings, a decision by a public authority or an out-of-court settlement may cause the Group to incur expenses for which no provision was made because the amount could not be reliably determined or for which the provision made and the insurance coverage is not sufficient.

Provisions for obligations that are not expected to lead to an outflow of resources in the following year are recognised to the amount of the present value of the expected outflow taking foreseeable price rises into account.

The assigned value of provisions is reviewed on each balance sheet date. Provisions in foreign currencies are translated at reporting date rates.

If no provision could be recognised because one of the stated criteria was not fulfilled, the corresponding obligations are shown as contingent liabilities and discussed in the relevant section.

Obligations towards tax authorities which are uncertain with a view to occurence, probability and amount are recorded as **tax provisions** on the basis of reasonable estimates. Existing contingent liabilities in connection with this are addressed separately.

Liabilities

Liabilities arising from finance leases are recognised at the present value of the lease payments at inception of the lease term. Other financial liabilities are recognised at fair value. Liabilities for which interest is not payable at a market rate are recognised at present values.

Measurement in subsequent periods is at amortised cost using the effective interest rate method.

Liabilities in foreign currencies are measured at the spot rate on the balance sheet date.

Obligations from share programmes were measured at fair value in accordance with IFRS 2, Cash-settled Share-based Payment Transactions. Fair value was measured using a Monte Carlo simulation.

The liability is recognised on the basis of the resulting fair value, taking the term of the programme into account. Changes are recognised as staff costs in profit or loss.

Details of the assumptions used for the model and the structure of the share programmes can be found in Note 36, p. 140ff.

Liabilities from unused flight documents

Until they are used, sold flight documents are recognised as an obligation from unused flight documents. Once a passenger coupon or an airfreight document has been used, the amount carried as a liability is recognised as traffic revenue in the income statement. Coupons that are unlikely to be used anymore are also recognised as traffic revenue in the income statement at their estimated value at the end of the year. The estimate is based on historical statistical data.

Obligations under bonus mile programmes

The calculation of the obligations arising from bonus miles programmes is based on several estimates and assumptions.

In accordance with IFRIC 13, Customer Loyalty Programmes, accumulated but unused bonus miles are deferred using the deferred revenue method to the extent that they are likely to be used on flights by airlines in the Lufthansa Group. Bonus entitlements are measured at fair value. The fair value of the air miles is determined as the value for which the miles could be sold separately, i.e. the average revenue, taking booking class and traffic region into account.

Miles that are likely to be used on flights with partner airlines are valued at the price per mile to be paid to the partners in question.

No provisions are recognised for miles that are expected to lapse. The quota of miles that have lapsed in the past is used to estimate the number of miles that will probably lapse subject to current expiry rules.

The fair value of miles accumulated on the Group's own flights is recognised under deferred revenue and the points collected from third parties are shown under other non-financial liabilities.

Deferred tax items

In accordance with IAS 12, deferred taxes are recognised for all temporary differences between the balance sheets for tax purposes of individual companies and the consolidated financial statements. Tax loss carry-forwards are recognised to the extent that the deferred tax assets are likely to be used in the future. Company earnings forecasts and specific, realisable tax strategies are used to determine whether deferred tax assets from tax losses carried forward are usable or not, i.e. whether they have a value that can be realised. The planning period used to assess this probability is determined by the individual Group company according to the specific circumstances and lies generally between three and five years.

Deferred foreign tax rates in the 2016 financial year ranged from 3.5 to 41.5 per cent (previous year: 5 to 40 per cent). For measuring deferred taxes, the relevant taxation rules in force or adopted at the balance sheet date are used.

Deferred tax assets and liabilities are netted out if a legal claim exists to do so, and if the deferred tax assets and liabilities relate to the same tax authority.

Effective income taxes

The Lufthansa Group is liable for income taxes in various countries. Material assumptions are necessary to calculate the income tax liabilities. For certain transactions and calculations, the final taxation cannot be assessed definitively in the course of normal business. The amount of the liability for future tax inspections is based on estimates of whether additional income taxes will be owed, and if so, at which amount. Estimates will be corrected as necessary in the period in which taxation is definitively assessed.

Notes to the consolidated income statement

In the course of revising the definition of other revenue in flight operations, certain other revenue that is closely related to flight services has been reclassified within revenue from other revenue to traffic revenue as of 1 January 2016. The previous year's figures, including the information on yields, have been adjusted accordingly; traffic revenue as of 31 December 2015 was shown EUR 184m higher and other revenue as EUR 184m lower.

Traffic revenue

Traffic revenue by sector

in €m	2016*	2015*
Passenger	22,256	22,795
Freight and mail	2,405	2,711
	24,661	**25,506**

* Previous year's figures have been adjusted due to the new reporting method.

EUR 1,986m of freight and mail revenue (previous year: EUR 2,274m) was generated in the Logistics segment. Other freight and mail revenue of EUR 419m (previous year: EUR 437m) stems mainly from marketing belly capacities on SWISS passenger flights and is included under other revenue in the segment reporting for the Passenger Airline Group.

Other revenue

Revenue by sector

in €m	2016*	2015*
MRO services	3,184	3,025
Catering services	2,240	2,128
Travel services (commissions)	60	74
IT services	297	287
Ground services	121	123
Other services	1,097	913
	6,999	**6,550**

* Previous year's figures have been adjusted due to the new reporting method.

MRO services make up the majority of external revenue in the MRO segment. Other revenue in the MRO segment from the sale of material and hiring out material and engines, as well as logistics services, are classified as other services.

The revenue listed under catering services originates exclusively in the Catering segment. Spirant GmbH and LSG Sky Chefs Lounge GmbH in particular also earn revenue in the Catering segment, which does not relate to catering services and is shown under other services.

Other revenue includes revenue of EUR 317m (previous year: EUR 286m) from work in progress in connection with long-term production and service contracts. This revenue has been recognised in accordance with the percentage of completion method. If earnings from the whole contract could not be estimated reliably, the costs incurred for the contract were recognised. If the realisable revenue in these cases was below the costs incurred for the contract, write-downs were made accordingly. The percentage of completion was calculated on the basis of the ratio of contract costs incurred by the balance sheet date to the estimated total costs for the contract.

Accumulated costs for unfinished contracts, i.e. including amounts recognised in previous years, amounted to EUR 341m (previous year: EUR 303m). Profits of EUR 27m were set off against them (previous year: EUR 14m). Advance payments by customers amounted to EUR 191m (previous year: EUR 166m). Unfinished contracts with a net credit balance – less any write-downs – are disclosed in trade receivables. → Note 25, p. 126 Unfinished contracts for which advance payments by customers exceed the costs plus any offset pro rata profit are recognised as advance payments → Note 38, p. 142. No monies were withheld by customers.

Changes in inventories and work performed by entity and capitalised

Changes in inventories and work performed by entity and capitalised

in €m	2016	2015
Increase/decrease in finished goods and work in progress	-3	22
Other internally produced and capitalised assets	98	181
	95	**203**

Other operating income

Other operating income

in €m	2016	2015
Foreign exchange gains	886	1,522
Income from the reversal of provisions and accruals	255	245
Commission income	250	285
Income from the disposal of non-current available-for-sale financial assets	51	53
Compensation received for damages	45	25
Rental income	31	33
Income from staff secondment	28	33
Reversal of write-downs on receivables	27	32
Income from the disposal of non-current assets	13	14
Income from the reversal of impairment losses on fixed assets	10	8
Income from sub-leasing aircraft	3	6
Miscellaneous other operating income	585	576
	2,184	**2,832**

Foreign exchange gains (excluding financial liabilities) mainly include gains from differences between the exchange rate on the transaction date (average rate for the month) and at the time of payment (spot exchange rate) along with foreign exchange gains from measurement at the closing date rate. Foreign exchange losses from these transactions are reported under other operating expenses. → Note 10, p. 111 Effects of exchange rates on borrowings are recognised in other financial items.

Income from the release of provisions relate to a number of provisions recognised in previous years which have not been fully used. In contrast, expenses from insufficient provisions recognised in previous years are recognised together with the primary expense item to which they relate.

Income from the disposal of non-current available-for-sale financial assets includes profits of EUR 36m in connection with the exchange of shares held in Visa Europe Limited for shares in Visa International, which is recognised in profit or loss.

Miscellaneous other operating income includes items not attributable to any of the aforementioned categories, such as income from training and other services provided by the Group.

In the previous year, income from the disposal of non-current available-for-sale financial assets included income of EUR 34m from purchase price adjustments in connection with the contract signed in 2014 for the sale of the former Lufthansa Systems AG's IT infrastructure unit.

Cost of materials and services

Cost of materials and services

in €m	2016	2015
Aircraft fuel and lubricants	4,885	5,784
Other raw materials, consumables and supplies	2,896	2,670
Purchased goods	444	549
Total cost of raw materials, consumables and supplies and of purchased goods	**8,225**	**9,003**
Fees and charges	5,736	5,651
Charter expenses	343	235
External MRO services	1,335	1,331
In-flight services	343	347
Operating lease payments	58	50
External IT services	281	285
Other services	788	728
Total cost of purchased services	**8,884**	**8,637**
	17,109	**17,640**

Staff costs

Staff costs

in €m	2016	2015
Wages and salaries	6,478	6,353
Social security contributions	846	854
Expenses for pensions, benefits and other employee benefits	27	868
	7,354	**8,075**

The main reason for the significant decline in expenses for retirement and other benefits was the past service expense of EUR 652m, saved as a result of the restructuring of retirement and transitional benefits for the cabin crew at Lufthansa Passenger Airlines.

Expenses for retirement benefits principally consist of additions to the pension provisions. → Note 32, p. 129ff.

Employees

	Average for the year 2016	Average for the year 2015	As of 31.12.2016	As of 31.12.2015
Ground staff	84,735	82,781	84,694	83,415
Flight staff	37,494	35,720	38,434	36,083
Trainees	1,058	1,058	1,178	1,154
	123,287	**119,559**	**124,306**	**120,652**

The annual average is calculated pro rata temporis from the time companies are consolidated or deconsolidated.

Depreciation, amortisation and impairment

The notes to the individual items show the breakdown of depreciation, amortisation and impairment charges between intangible assets, aircraft and property, plant and other equipment. Total depreciation, amortisation and impairment came to EUR 1,769m (previous year: EUR 1,715m).

Impairment losses of EUR 183m were recognised in the financial year 2016. EUR 127m of the total was recognised on seven Airbus A340-600s, two CRJ 900s, three Boeing MD-11Fs and seven B737-300s held for sale, of which six B737-300s had already been sold as of 31 December 2016. Impairment losses of EUR 38m in total were also recognised on other items of property, plant and equipment due to weaker performance at some business units in the Catering segment (especially catering plants at Frankfurt Airport and in Scandinavia and Turkey). Impairments of EUR 5m were recognised for the business entity in Scandinavia, and further unrecognised impairments of EUR 12m were identified. The recoverable amounts were calculated on the basis of fair values less costs to sell, which are derived from valuation models based on cash flow forecasts. The valuation of the Scandinavian business entities was based on discount rates of between 4.8 per cent and 5.5 per cent. The companies concerned will be closed in the next financial year.

A loan to Lufthansa Super Star gGmbH was also written down by EUR 14m.

Result of the impairment test following an indication of impairment in the Logistics segment

The current negative performance of the Logistics segment constitutes an indication of impairment and an impairment test was carried out accordingly. Cash flow forecasts are based on detailed plans adopted by management for a planning period of three years. The long-term growth rate was assumed to be 1 per cent, based on long-term growth in the relevant industry. The pre-tax discount rate was 7.2 per cent. On the basis of these assumptions, it was determined that the recoverable amount for the Logistics segment exceeded its carrying amount and that there was no need to recognise an impairment for the Logistics segment in financial year 2016.

Other operating expenses included a further EUR 21m in impairment losses on assets held for sale.

Impairment losses of EUR 159m in total had been recognised in the previous 2015 financial year. EUR 62m of the total was recognised on existing investments in connection with the project costs for a possible new freight centre at Frankfurt Airport. Other impairment losses in the previous year were mainly incurred on non-performing loans (EUR 59m), the write-downs of LSG Belgium NV and ZAO AeroMEAL (EUR 17m), as well as on two Boeing 747-400s and eleven B737s held for sale (EUR 12m). Capitalised planning costs for an abandoned construction project were also impaired and written down (EUR 7m).

Other operating expenses in the previous year included a further EUR 4m in impairment losses on assets held for sale.

Other operating expenses

Other operating expenses

in €m	2016	2015
Staff-related expenses	1,078	1,041
Foreign exchange losses	910	1,606
Rental and maintenance expenses	888	878
Expenses for computerised distribution systems	449	411
Advertising and sales promotions	387	358
Sales commission paid to agencies	316	332
Auditing, consulting and legal expenses	227	207
Other services	135	140
Other taxes	90	83
Write-downs on receivables	88	90
Communications costs	70	59
Insurance premiums for flight operations	51	47
Losses on disposal of non current assets	26	14
Consultancy fees in connection with financial transactions	2	4
Miscellaneous other operating expenses	800	836
	5,517	**6,106**

Foreign exchange losses (excluding financial liabilities) mainly consist of losses from differences between the exchange rate on the transaction date (monthly average rate), and the rate at the time of payment (spot rate) as well as translation losses from measurement at the exchange rate on the balance sheet date. → Note 6, p. 110. Effects of exchange rates on borrowings are recognised in other financial items.

Staff-related expenses also include travel and training costs for Group employees and the costs of outside staff.

Result from equity investments

Result from equity investments

in €m	2016	2015
Result of joint ventures accounted for using the equity method	26	70
Result of associated companies accounted for using the equity method	32	41
Result of equity investments accounted for using the equity method	**58**	**111**
Dividends from other joint ventures	6	10
Dividends from other associated companies	6	5
Income from profit transfer agreements	22	22
Expenses from loss transfer agreements	-19	-37
Dividends from other equity investments	12	10
Result of other equity investments	**27**	**10**
	85	**121**

Income and expenses from profit and loss transfer agreements are shown including tax contributions

Net interest

Net interest

in €m	2016	2015
Income from other securities and non current financial loans	6	9
Other interest and similar income	58	177
Interest income	**64**	**186**
Interest expenses on pensions obligations	-151	-182
Interest expenses on other provisions	-1	-10
Interest and other similar expenses	-130	-164
Interest expenses	**-282**	**-356**
	-218	**-170**

Net interest comprises interest income and expenses – calculated using the effective interest method in accordance with IAS 39 – from financial assets and liabilities not classified as at fair value through profit or loss.

Other financial items

Other financial items

in €m	2016	2015
Gains/losses on fair value changes of hedged items	1	7
Gains/losses on fair value changes of derivatives used as fair value hedges	-1	-7
Gains from the disposal of JetBlue shares	–	670
Result of derivatives held for trading classified as at fair value through profit or loss	84	-17
Ineffective portion of derivatives used as cash flow hedges	167	8
Exchange rates effects from financial liabilities	-60	-144
	191	**520**

Income taxes

Income taxes

in €m	2016	2015
Current income taxes	368	144
Deferred income taxes	77	160
	445	**304**

Current income taxes for 2016 include corporation tax, solidarity surcharge, trade tax and other income taxes paid outside Germany totalling EUR 323m (previous year: EUR 148m). Tax expenses of EUR 45m (previous year: tax income of EUR 4m) was reported for prior years.

The following table reconciles expected and effective tax expenses Expected tax expense is calculated by multiplying pre-tax profit by a tax rate of 25 per cent for the parent company (previous year: 25 per cent). This is made up of 15 per cent for corporation tax (previous year: 15 per cent) and 10 per cent for trade tax and solidarity surcharge in sum (previous year: 10 per cent).

Tax reconciliation

in €m	2016 Basis of assessment	2016 Tax expenses	2015 Basis of assessment	2015 Tax expenses
Expected income tax expenses/refund	2,246	562	2,026	506
Tax-free income, other allowances and non-tax-deductible differences	–	–69	–	–189
Non-taxable income from equity investments	–	–40	–	–22
Difference between local taxes and the deferred tax rates of the parent company*	–	–	–	–3
Unrecognised tax loss carry-forwards and deferred tax assets on losses	–	–37	–	12
Other	–	–	–	1
Recognised income tax expenses	–	**445**	–	**304**

* Including taxes from other periods recognised in effective tax expenses.

Deferred tax liabilities of EUR 6m (previous year: EUR 9m) were not recognised on temporary differences in connection with shares in subsidiaries, as the temporary differences are not expected to reverse in the foreseeable future.

Deferred tax assets and liabilities in 2016 and 2015 were allocable to the following items in the statement of financial positions:

Deferred tax assets and liabilities

in €m	31.12.2016 Assets	31.12.2016 Liabilities	31.12.2015 Assets	31.12.2015 Liabilities
Tax loss carry-forwards and tax credits	269	–	106	–
Pension provisions	2,150	–	1,767	–
Finance leases aircraft	–	25	1	–
Intangible assets, property, plant and equipment	–	1,059	–	971
Non-current financial assets	–	34	–	16
Fair value measurement of financial instruments	–	427	–	10
Provisions for contingent losses	36	–	23	–
Price risks from raw material purchases	22	–	–	–
Other	45	–	6	–
Offset amounts	–1,108	–1,108	–906	–906
	1,413	**437**	**1,200**	**346**

The deferred tax assets and liabilities in the category receivables/liabilities/other provisions are expected to reverse within twelve months of the reporting date.

A deferred tax receivable of EUR 267m (previous year: EUR 290m) was recognised for companies incurring a net loss in the reporting year or in the previous year, because tax and earnings planning indicated that there is a high probability that the tax receivable will be realised.

In addition to recognised deferred tax assets from tax loss carry-forwards, non-deductible interest carry-forwards and tax credits, further tax loss carry-forwards and temporary differences totaling EUR 2,792m (previous year: EUR 2,782m) exist for which no deferred tax assets could be recognised. The total amount of deferred tax assets from tax loss carry-forwards that could not be capitalised as of 31 December 2016 was EUR 657m (previous year: EUR 595m).

Of the unrecognised tax loss carry-forwards, EUR 1m can only be used until 2020, EUR 6m until 2021, EUR 23m until 2022, EUR 23m until 2023, EUR 21m until 2024, EUR 7m until 2025 and EUR 2,450m can also be used after 2025.

Earnings per share

Basic/diluted earnings per share are calculated by dividing consolidated net profit by the weighted average number of shares in circulation during the financial year. To calculate the average number of shares, the shares bought back and reissued for the employee share programmes are included pro rata temporis.

Earnings per share

		2016	2015
Basic/diluted earnings per share	€	**3.81**	**3.67**
Basic/diluted profit/loss	€m	1,776	1,699
Weighted average number of shares		465,930,921	463,013,913

As the parent company of the Group, Deutsche Lufthansa AG reported a distributable profit according to HGB of EUR 234m for the 2016 financial year. The Executive Board and Supervisory Board will table a proposal at the Annual General Meeting to be held on 5 May 2017 to pay a dividend of EUR 0.50 per share from this distributable profit.

In 2016, EUR 0.50 per share was distributed as a dividend to shareholders from the net profit for 2015.

Notes to the consolidated balance sheet

Assets

1.8 Goodwill and intangible assets with an indefinite useful life

Goodwill and intangible assets with indefinite useful life

in €m	Goodwill from consolidation	Intangible assets with an indefinite useful life	Total
Cost as of 1.1.2015	922	584	1,506
Accumulated impairment losses	-307	-2	-309
Carrying amount 1.1.2015	**615**	**582**	**1,197**
Currency translation differences	4	41	45
Additions due to changes in consolidation	0*	-	0*
Additions	0*	0*	0*
Reclassifications	0*	0*	0*
Disposals due to changes in consolidation	-	-	-
Disposals	-	-	-
Reclassifications to assets held for sale	-	-	-
Impairment losses	-7	-	-7
Reversal of impairment losses	-	-	-
Carrying amount 31.12.2015	**612**	**623**	**1,235**
Cost as of 1.1.2016	924	625	1,549
Accumulated impairment losses	-312	-2	-314
Carrying amount 1.1.2016	**612**	**623**	**1,235**
Currency translation differences	2	3	5
Additions due to changes in consolidation	23	2	25
Additions	0*	-	0*
Reclassifications	-1	1	-
Disposals due to changes in consolidation	-	-	-
Disposals	-	0*	0*
Reclassifications to assets held for sale	-	-	-
Impairment losses	-	0*	0*
Reversal of impairment losses	-	-	-
Carrying amount 31.12.2016	**636**	**629**	**1,265**
Cost as of 31.12.2016	949	631	1,580
Accumulated impairment losses	-313	-2	-315

* Rounded below EUR 1m

All goodwill and intangible assets with an indefinite useful life were subjected to a regular impairment test in 2016 as required by IAS 36. Furthermore, there remains an obligation to perform an impairment test if there is an indication of impairment. For impairment testing following an indication of impairment → Note 9, p. 111

Acquired brands and slots have an indefinite useful life due to their lasting legal and economic significance. The tests were performed at the level of the smallest cash generating unit (CGU) on the basis of fair value less costs to sell or value in use. Goodwill originating from the acquisition of Air Dolomiti S.p.A. and the Eurowings group (in full up to and including 2015) was tested at the level of Deutsche Lufthansa AG and its regional partners as the smallest independent cash generating unit. As part of the strategic reorganisation of the Group, Eurowings will report separately as an independent business entity within the Passenger Airline Group as of the financial year 2016. The share of goodwill of EUR 11m attributable to this separate business entity from the past acquisition of the Eurowings Group was divided in proportion to the fair values of the companies and, from 2016 onwards, it is accounted for separately and tested for impairment.

The following table provides an overview of the goodwill tested and the assumptions made in the respective impairment tests regarding the smallest possible cash generating unit (CGU) in each case.

Impairment tests of goodwill 2016

Name of the CGU	Deutsche Lufthansa AG and regional partners	SWISS Aviation Training Ltd	Eurowings Group	LSG Sky Chefs USA Group	LSG Sky Chefs Korea	Retail inMotion	Constance Food Group	LSG Starfood Finland Oy	Various LSG companies[1]
Segment	Passenger Airline Group	Passenger Airline Group	Passenger Airline Group	Catering	Catering	Catering	Catering	Catering	Catering
Carrying amount of goodwill	€ 238m	€ 3m	€ 11m	€ 277m	€ 61m	€ 23m	€ 11m	€ 3m	€ 9m
Impairment losses	–	–	–	–	–	–	–	–	–
Revenue growth p.a. over planning period	0.4% to 0.9%	−3.6% to 4.1%	5.5% to 14.2%	−0.9% to 3.3%	−51.2% to −5.1%	10.0% to 12.1%	1.9% to 3.0%	0.0% to 0.4%	−0.6% to 6.7%
Adjusted EBITDA margin over planning period	10.3% to 11.1%	15.6% to 20.2%	3.6% to 4.1%	5.8% to 6.5%	13.2% to 24.4%	10.7% to 11.6%	6.9% to 7.0%	2.4%	10.2% to 22.9%
Investment ratio over planning period	7.4% to 8.5%	13.1% to 19.8%	0.5% to 5.0%	3.3% to 6.0%	1.6% to 5.0%	0.3% to 0.4%	0.7%	1.4%	0.9% to 5.2%
Duration of planning period	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Revenue growth p.a. after end of planning period	2.2%	[illegible]	2.2%	2.0%	3.0%	2.0%	3.0%	2.0%	2.0% to 4.0%
Adjusted EBITDA margin after end of planning period	11.1%	20.2%	4.0%	6.5%	13.2%	11.6%	6.9%	2.4%	10.0% to 22.7%
Investment ratio after end of planning period	6.5%	13.1%	3.4%	1.9%	5.9%	3.9%	1.5%	1.4%	1.7% to 6.0%
Discount rate	4.0%[2]	4.0%[2]	4.0%[2]	6.0%[3]	6.1%[3]	7.2%[3]	5.7%[3]	6.2%[3]	5.5% to 10.9%[3]

[1] Goodwill of less than EUR 5m in any individual instance
[2] Pre-tax rate
[3] After-tax rate

The assumptions on revenue growth used for the impairment tests are based on approved internal budgets and external sources for the planning period. In some cases reductions were made for risk to allow for special regional features and market share trends specific to the respective companies. Assuming sustained revenue growth of 2.2 per cent at the end of the planning period by Deutsche Lufthansa AG and its regional partners as described in the table, the recoverable amount would exceed the carrying amount by a significant figure. Even if the assumptions for revenue growth and/or the discount rate and the Adjusted EBITDA margin were to be reduced significantly, the recoverable amount would still exceed the carrying amount.

Assuming sustained revenue growth of 2.0 per cent at the end of the planning period by the LSG Sky Chefs USA group as described in the table, the recoverable amount would exceed the carrying amount by a significant sum. Even if the assumptions for sustained revenue growth, the discount rate, revenue growth in the detailed planning period and the Adjusted EBITDA margin were to be reduced significantly, which is not likely, the recoverable amount would still exceed the carrying amount.

The Adjusted EBITDA margins used are based on past experience or were developed on the basis of cost-cutting measures initiated. The investment rates are based on past experience and take account of the replacement of any means of production envisaged during the planning period. The sensitivity analysis examines changes in one assumption at a time, whereby the other assumptions remain unchanged from the original calculation.

Allocation of the costs of Central Group Functions according to a fixed formula gave no indication of impairment.

The following table shows the assumptions used for the previous year's impairment tests.

Impairment tests of goodwill 2015

Name of the CGU	Deutsche Lufthansa AG and regional partners	SWISS Aviation Training Ltd.	LSG Sky Chefs USA Group	LSG Sky Chefs Korea	LSG Starfood Finland Oy	ZAO AeroMEAL	Constance Food Group	Various LSG companies[1]
Segment	Passenger Airline Group	Passenger Airline Group	Catering	Catering	Catering	Catering	Catering	Catering
Carrying amount of goodwill	€ 249m	€ 3m	€ 277m	€ 60m	€ 3m	€ 0m	€ 11m	€ 8m
Impairment losses	–	–	–	–	–	€ 4m	–	€ 3m
Revenue growth p.a. over planning period	0.4% to 1.7%	6.8% to 8.2%	1.9% to 4.5%	-0.2% to 2.3%	-0.4% to 3.0%	1.3% to 11.1%	1.0% to 3.0%	-11.3% to 7.4%
Adjusted EBITDA margin over planning period	[illegible]	[illegible]	[illegible]	25.0% to 26.7%	2.7% to 3.6%	6.9% to 8.0%	7.3% to 7.9%	9.6% to 25.2%
Investment ratio over planning period	6.2% to 6.6%	5.0% to 38.2%	1.5% to 4.4%	2.4%	1.3% to 1.6%	4.2% to 4.3%	0.3% to 1.7%	0.0% to 8.0%
Duration of planning period	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Revenue growth p.a. after end of planning period	2.2%	1.0%	2.0%	3.0%	2.0%	2.0%	3.0%	2.0% to 4.0%
Adjusted EBITDA margin after end of planning period	9.0%	18.8%	7.0%	26.7%	3.6%	7.9%	7.3%	9.6% to 25.2%
Investment ratio after end of planning period	5.7%	12.7%	2.5%	1.7%	1.6%	4.2%	1.7%	1.6% to 8.0%
Discount rate	4.9%[2]	4.9%[2]	5.8%[3]	7.0%[2]	5.8%[3]	11.7%[3]	5.5%[3]	5.0% to 9.0%

[1] Goodwill of less than EUR 5m in any individual instance.
[2] Pre-tax rate.
[3] After-tax rate.

The intangible assets with indefinite useful lives consist of slots purchased as part of company acquisitions and brand names acquired.

The following table shows the assumptions made for regular impairment testing of the smallest cash-generating unit (CGU) in each case.

Impairment tests of slots 2016

Name of the CGU	SWISS	Austrian Airlines
Segment	Passenger Airline Group	Passenger Airline Group
Carrying amount for slots	€ 137m	€ 20m
Impairment losses	–	–
Revenue growth p.a. in planning period	0.6% to 1.9%	2.7% to 5.0%
Adjusted EBITDA margin over planning period	13.2% to 13.8%	7.3% to 7.6%
Investment ratio over planning period	5.2% to 10.6%	0.9% to 8.5%
Duration of planning period	3 years	3 years
Revenue growth p.a. after end of planning period	2.2%	2.2%
Adjusted EBITDA margin after end of planning period	13.7%	7.5%
Investment ratio after end of planning period	9.2%	4.6%
Discount rate	4.3%[1]	[illegible]

[1] After-tax rate.

The slots purchased by Deutsche Lufthansa AG with a carrying amount of EUR 112m as of 31 December 2016 were subjected to an impairment test on the same assumptions as those used for impairment testing the goodwill of the CGU Deutsche Lufthansa AG and its regional partners.

Assuming sustained revenue growth by SWISS of 2.2 per cent at the end of the planning period as described in the table, the recoverable amount would be well in excess of the carrying amount. Even if the assumptions for sustained revenue growth, the discount rate, revenue growth in the detailed planning period and the Adjusted EBITDA margin were to be reduced significantly, which is not likely, the recoverable amount would still exceed the carrying amount.

Assuming sustained revenue growth by Austrian Airlines of 2.2 per cent at the end of the planning period as described in the table, the recoverable amount would exceed the carrying amount by a significant sum. Even if the assumptions for sustained revenue growth, the discount rate, revenue growth in the detailed planning period and the Adjusted EBITDA margin were to be reduced significantly, which is not likely, the recoverable amount would still exceed the carrying amount.

The sensitivity analysis takes into account changes in one assumption at a time, whereby the other assumptions remain unchanged from the original calculation.

The following table shows the assumptions used for the previous year's impairment tests

Impairment tests of slots 2015

Name of the CGU	SWISS	Austrian Airlines
Segment	Passenger Airline Group	Passenger Airline Group
Carrying amount for slots	€ 130m	€ 23m
Impairment losses		
Revenue growth p.a. in planning period	-1.0% to 1.5%	-0.7% to 4.3%
Adjusted EBITDA margin over planning period	12.3% to 12.7%	8.6% to 9.2%
Investment ratio over planning period	7.5% to 14.5%	1.2% to 9.6%
Duration of planning period	3 years	3 years
Revenue growth p.a. after end of planning period	1.7%	1.3%
Adjusted EBITDA margin after end of planning period	12.7%	9.0%
Investment ratio after end of planning period	8.7%	5.7%
Discount rate	4.9%*	4.9%*

* After-tax rate

The regular impairment test for the brands acquired was carried out on the basis of the revenue generated from each brand

The following assumptions were used in the impairment test for the acquired brands:

Impairment tests of brands 2016

Group company	SWISS	Austrian Airlines	Edelweiss
Carrying amount for brand	€ 241m	€ 107m	€ 4m
Impairment losses	0*	–	–
Revenue growth for brand p.a. in planning period	0.8% to 4.6%	2.7% to 5.1%	12.7% to 24.0%
Duration of planning period	3 years	3 years	3 years
Revenue growth p.a. after end of planning period	2.2%	2.2%	2.2%
Savings in hypothetical leasing payments before taxes (royalty rate)	0.63%	0.35%	0.20%
Discount rate	4.3%*	4.3%*	4.3%*

* After-tax rate

Assuming sustained revenue growth associated with the brand after the end of the planning period of 2.2 per cent, the recoverable amount for the SWISS brand significantly exceeds the carrying amount. Even if the assumptions for sustained brand-related revenue growth were to be reduced significantly, which is not likely, the recoverable amount would exceed the carrying amount.

Assuming sustained revenue growth associated with the brand after the end of the planning period of 2.2 per cent, the recoverable amount for the Austrian Airlines brands significantly exceeds the carrying amount.

The acquisition of Retail inMotion included brand rights with a fair value at the acquisition date of EUR 2m. Having carried out an impairment test using sustainable, brand-related revenue growth after the end of the planning period of 2.0 per cent, the recoverable amount significantly exceeded the carrying amount. Even if the assumptions for sustained brand-related revenue growth were to be reduced significantly, which is not likely, the recoverable amount would exceed the carrying amount.

The sensitivity analysis examines changes in one assumption at a time, whereby the other assumptions remain unchanged from the original calculation.

The following table shows the assumptions used for the previous year's impairment tests.

Impairment tests of brands 2015

Group company	SWISS	Austrian Airlines	Edelweiss
Carrying amount for brand	€ 240m	€ 107m	€ 4m
Impairment losses			
Revenue growth for brand p.a. in planning period	1.3% to 2.4%	-0.7% to 3.5%	14.6% to 22.8%
Duration of planning period	3 years	3 years	3 years
Revenue growth p.a. after end of planning period	1.7%	1.3%	1.7%
Savings in hypothetical leasing payments before taxes (royalty rate)	0.63%	0.35%	0.20%
Discount rate	4.9%*	4.9%*	4.9%*

* After-tax rate

Other intangible assets

Other intangible assets

in €m	Concessions, industrial property rights and similar rights and licences to such rights and assets	Internally developed software	Advance payments	Total
Cost as of 1.1.2015	939	113	130	1,182
Accumulated amortisation	−673	−104	−15	−792
Carrying amount 1.1.2015	**266**	**9**	**115**	**390**
Currency translation differences	14	–	2	16
Additions due to changes in consolidation	–	–	–	0*
Additions	60	3*	51	113
Reclassifications	68	2*	−75	0*
Disposals due to changes in consolidation	–	–	–	–
Disposals	0*	−5	−1	−6
Reclassifications to assets held for sale	–	–	0*	0*
Amortisation	−83	−3	3	−83
Reversal of impairment losses	–	–	–	–
Carrying amount 31.12.2015	**345**	**1**	**76**	**422**
Cost as of 1.1.2016	1,091	102	93	1,286
Accumulated amortisation	−746	−101	−17	−864
Carrying amount 1.1.2016	**345**	**1**	**76**	**422**
Currency translation differences	1	1	1	3
Additions due to changes in consolidation	9	14	0*	23
Additions	40	0*	79	119
Reclassifications	18	8	−21	5
Disposals due to changes in consolidation	–	–	–	–
Disposals	3	–	−3	−6
Reclassifications to assets held for sale	–	–	–	–
Amortisation	−91	−3	–	−94
Reversal of impairment losses	–	–	–	–
Carrying amount 31.12.2016	**319**	**21**	**132**	**472**
Cost as of 31.12.2016	1,135	124	147	1,406
Accumulated amortisation	−816	−103	−15	−934

* Rounded below EUR 1m

Non-capitalised research and development expenses for intangible assets of EUR 24m (previous year: EUR 15m) were incurred in the period. Fixed orders have been placed for intangible assets worth EUR 17m (previous year: EUR 12m), but they are not yet at the Group's economic disposal.

Aircraft and reserve engines

Aircraft and reserve engines

in EUR m	Aircraft and reserve engines	Advance payments for aircraft and reserve engines	Total
Cost as of 1.1.2015	24,881	1,483	26,364
Accumulated amortisation	−12,792	–	−12,792
Carrying amount 1.1.2015	**12,089**	**1,483**	**13,572**
Currency translation differences	267	37	304
Additions due to changes in consolidation			–
Additions	1,029	970	1,999
Reclassifications	473	−473	0*
Disposals due to changes in consolidation			–
Disposals	−12	0*	−12
Reclassifications to assets held for sale	−12	–	−12
Depreciation	−1,260	–	−1,260
Reversal of impairment losses			–
Carrying amount 31.12.2015	**12,574**	**2,017**	**14,591**
Cost as of 1.1.2016	26,036	2,017	28,023
Accumulated amortisation	−13,432	–	−13,432
Carrying amount 1.1.2016	**12,574**	**2,017**	**14,591**
Currency translation differences	70	−4	66
Additions due to changes in consolidation	–	–	–
Additions	1,419	267	1,686
Reclassifications	1,053	−1,053	–
Disposals due to changes in consolidation	–	–	–
Disposals	−14	−3	−17
Reclassifications to assets held for sale	−146		−146
Depreciation	−1,392	–	−1,392
Reversal of impairment losses	–	–	–
Carrying amount 31.12.2016	**13,504**	**1,294**	**14,798**
Cost as of 31.12.2016	26,806	1,294	28,130
Accumulated amortisation	−13,302	–	−13,302

* Rounded below EUR 1m.

The item "Aircraft" includes three aircraft (one Boeing MD-11F and two B747-400s) at a carrying amount of EUR 23m (previous year: EUR 70m) which are subject of transactions aimed at realising present value benefits from cross-border leasing constructions. These transactions generally involve entering into a 40 to 50-year head lease agreement with a lessee in the Bermudas. The lease payments paid by the lessee are transferred to the lessor in a single amount. At the same time, the lessor concludes a sub-lease agreement with a shorter duration (15 to 17 years) with the lessee and pays the leasing obligations on this agreement in a single amount to a bank for the benefit of the lessee. Following the transaction, the risks and rewards associated with the aircraft and legal ownership of it remain with the Lufthansa Group, so under SIC-27 the aircraft are treated not as leased assets within the meaning of IAS 17, but in the same way as they would be without the transaction. The transaction does entail some operating constraints, as the aircraft may not be primarily operated in American airspace.

The present value benefit derived from the transaction was recognised through profit or loss pro rata temporis over the duration of the sub-lease agreement up to and including 2015. In the previous year, EUR 3m was recognised in other operating income.

The item also includes 79 aircraft carried at EUR 2,568m (previous year: 79 aircraft carried at EUR 2,489m), which have been sold and leased back to Japanese, French and Irish leasing companies, to leasing companies in the Bermudas and the Cayman Islands, with the aim of obtaining favourable financing terms. The leasing companies were fully consolidated as structured entities. The Group is entitled to buy the aircraft back at a fixed price at a given point in time. In the reporting year, debt capital costs of EUR 32m (previous year: EUR 47m) were capitalised.

Order commitments for aircraft and reserve engines amount to EUR 15.5bn (previous year: EUR 16.4bn).

Aircraft worth EUR 2,740m (previous year: EUR 2,676m) serve as collateral for current financing arrangements and aircraft worth EUR 289m (previous year: EUR 317m) were also acquired under finance leases. Note 20, p. 121f.

Property, plant and other equipment

Property, plant and other equipment

in €m	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments and plant under construction	Total
Cost as of 1.1.2015	2,497	1,123	1,227	126	4,973
Accumulated depreciation	−1,177	−819	−868		−2,864
Carrying amount 1.1.2015	**1,320**	**304**	**359**	**126**	**2,109**
Currency translation differences	12	6	2	3	23
Additions due to changes in consolidation	0*	0*	–	–	0*
Additions	22	33	107	182	344
Reclassifications	21	26	16	−63	–
Disposals due to changes in consolidation	–		–	–	–
Disposals	0*	−1	−2	−3	−6
Reclassifications to assets held for sale	0*	0*	−2	0*	−2
Depreciation	97	−49	−91	−62	299
Reversal of impairment losses	2	2	0*	–	4
Carrying amount 31.12.2015	**1,280**	**321**	**389**	**183**	**2,173**
Cost as of 1.1.2016	2,557	1,195	1,288	183	5,223
Accumulated depreciation	−1,277	−874	−899	0*	−3,050
Carrying amount 1.1.2016	**1,280**	**321**	**389**	**183**	**2,173**
Currency translation differences	7	2	3	1	13
Additions due to changes in consolidation	–		0*	0*	0*
Additions	23	32	100	93	345
Reclassifications	72	47	24	−152	9
Disposals due to changes in consolidation	–		–		–
Disposals	−48	−2	−3	−5	−58
Reclassifications to assets held for sale	–		–	–	–
Depreciation	−117	−54	−94	–	−265
Reversal of impairment losses			–		
Carrying amount 31.12.2016	**1,314**	**346**	**419**	**120**	**2,199**
Cost as of 31.12.2016	2,660	1,263	1,384	120	5,447
Accumulated depreciation	−1,366	−917	−965	0*	−3,248

* Rounded below EUR 1m

As in the previous year, charges of EUR 4m exist over land and property. Pre-emption rights are registered for land held at EUR 214m (previous year: EUR 223m). Other property, plant and equipment carried at EUR 18m (previous year: EUR 23m) serves as collateral for existing financing arrangements. Other equipment carried at EUR 152m (previous year: EUR 130m) was acquired by means of finance leases. Note 20, p. 121f.

The following items of property, plant and equipment have been ordered, but are not yet at the Group's economic disposal.

Orders of property, plant and equipment as of the reporting date

in €m	31.12.2016	31.12.2015
Land and buildings	9	19
Technical equipment and vehicles	32	34
Operating and office equipment	59	41
	100	**94**

Assets for which the Group is lessor or lessee

Property, plant and equipment also includes leased assets which are deemed to be the property of the Group as the underlying contracts are structured as finance leases. The following table shows leased assets for which the Group is either lessor or lessee:

Assets for which the Group is lessor or lessee

in €m	Lessee of aircraft and reserve engines	Lessee of buildings	Lessee of intangible assets and technical equipment	Lessee of other equipment, operating and office equipment
Cost as of 1.1.2015	726	263	1	3
Accumulated depreciation	-366	-127	-1	-2
Carrying amount 1.1.2015	**360**	**136**	**0***	**1**
Currency translation differences	16	5	0*	-
Additions due to changes in consolidation	-	-	0*	-
Additions	27	0*	-	0*
Reclassifications	1	0*	-	0*
Disposals due to changes in consolidation	-	-	-	-
Disposals	-	-	-	0*
Reclassifications to assets held for sale	-	-	-	-
Depreciation	3*	-12	0*	0*
Reversal of impairment losses	-	-	-	-
Carrying amount 31.12.2015	**317**	**129**	**-**	**1**
Cost as of 1.1.2016	805	271	1	3
Accumulated depreciation	-488	-142	-1	-2
Carrying amount 1.1.2016	**317**	**129**	**-**	**1**
Currency translation differences	1	0*	-	-
Additions due to changes in consolidation	-	-	-	-
Additions	41	89	-	-
Reclassifications	2	9	-	-
Disposals due to changes in consolidation	-	-	-	-
Disposals	-	-43	-	-
Reclassifications to assets held for sale	-	-	-	-
Depreciation	2	-33	-	-
Reversal of impairment losses	-	-	-	-
Carrying amount 31.12.2016	**289**	**151**	**-**	**1**
Cost as of 31.12.2016	895	299	1	3
Accumulated depreciation	406	-148	-1	-2

* Rounded below EUR 1m.

Finance leases

The carrying amount of leased assets attributed to the Group's economic ownership under IAS 17 is EUR 441m (previous year: EUR 447m) of which EUR 289m (previous year: EUR 317m) relates to aircrafts (one Airbus A340, one A330, two A321s, 17 A320s twelve A319s, one Boeing 777 and two B767s).

As a rule, aircraft finance lease agreements cannot be terminated during a fixed basic lease term of at least four years and they run for a maximum of 20 years.

Once the lease term has expired the lessee is usually entitled to acquire the asset at its residual value. If the lessee does not exercise this option, the lessor will sell the aircraft at the best possible market price. If the sales price is lower than the residual value, the difference has to be paid by the lessee. Some lease agreements provide for variable lease payments to the extent that the interest portion is linked to market interest rates, normally the Euribor or Libor rate.

In addition, the Group has a variety of finance leases for buildings, fixtures and for operating and office equipment. For buildings and fixtures the leases run for 15 to 30 years. The lease agreements have lease payments based partly on variable and partly on fixed interest rates, and some have purchase options at the end of the lease term. The agreements cannot be terminated. Options for extending the contracts generally rest with the lessee, if at all.

The following lease payments are due for finance leases, whereby the variable lease payments have been extrapolated on the basis of the most recent interest rate:

Lease payments due under finance leases, as of 2016

in €m	2017	2018–2021	from 2022
Lease payments	89	241	98
Discounted amounts	4	28	23
Present values	85	213	75

In the previous year, the following figures were given for finance leases:

Lease payments due under finance leases, as of 2015

in €m	2016	2017–2020	from 2021
Lease payments	102	301	131
Discounted amounts	6	48	44
Present values	96	253	67

Operating leases

In addition to the finance leases, a large number of leases have been signed which, on the basis of their economic parameters, are qualified as operating leases, i.e. the leased asset is deemed to belong to the lessor. As well as 25 aircraft on operating leases, these are tenancy agreements for buildings.

The operating leases for aircraft have a term of between six and eleven years. These agreements generally end automatically after the term has expired, but there is sometimes an option for extending the agreement.

The leases for buildings generally run for up to 25 years. The fixtures at the airports in Frankfurt and Munich are largely leased for periods of up to 30 years.

The following payments are due in the years ahead:

Lease payments due under operating leases, as of 2016

in €m	2017	2018–2021	from 2022
Aircraft	60	158	25 p.a.
Various buildings	286	968	214 p.a.
Other leases	112	390	88 p.a.
	458	**1,516**	**327 p.a.**
Payments from subleasing (Sublease)	28	111	27 p.a.

In the previous year the following figures were given for operating leases:

Lease payments due under operating leases, as of 2015

in €m	2016	2017–2020	from 2021
Aircraft	56	187	26 p.a.
Various buildings	306	1,089	254 p.a.
Other leases	106	485	148 p.a.
	468	**1,761**	**428 p.a.**
Payments from subleasing (Sublease)	3	99	28 p.a.

There are non-terminable operating leases to third parties for seven aircraft and reserve engines, legally and economically the property of the Group at the end of 2016. These leases, which have remaining terms of up to six years, result in the following forecast payments.

Forecast payments from operating leases, as of 2016

in €m	2017	2018–2021	from 2022
Payments received from operating leases	6	15	–

Reserve engines and other non-current assets, legally and economically the property of the Group at the end of 2015, have been leased to third parties under non-terminable operating leases. These leases resulted in the following forecast payments:

Forecast payments from operating leases, as of 2015

in €m	[illegible]	[illegible]	[illegible]
Payments received from operating leases	[illegible]	5	[illegible]

Investments accounted for using the equity method

Equity investments accounted for using the equity method

in €m	Investments in joint ventures	Investments in associated companies	Total
Cost as of 1.1.2015	291	159	450
Accumulated impairment losses	–	–5	–5
Carrying amount 1.1.2015	**291**	**154**	**445**
Currency translation differences	9	15	24
Additions due to changes in consolidation	–	–	–
Additions	–	0*	0*
Changes with and without an effect on profit and loss	73	26	98
Reclassifications	59	62	–
Disposals due to changes in consolidation	–	–	–
Disposals	–	–	–
Dividends paid	–37	–9	–46
Reclassifications to assets held for sale	–	–	–
Impairment losses	–	–1	–1
Reversal of impairment losses	–	–	–
Carrying amount 31.12.2015	**269**	**251**	**520**
Cost as of 31.12.2016	269	256	525
Accumulated impairment losses	–	–5	–5
Carrying amount 1.1.2016	**269**	**251**	**520**
Currency translation differences	–	8	8
Additions due to changes in consolidation	–	–	–
Additions	21	2	23
Changes with and without an effect on profit and loss	20	17	37
Reclassifications	0*	0*	0*
Disposals due to changes in consolidation	–	–	–
Disposals	–	–19	–19
Dividends paid	36	17	–53
Reclassifications to assets held for sale	–	–	–
Impairment losses	–	–	–
Reversal of impairment losses	–	–	–
Carrying amount 31.12.2016	**274**	**242**	**516**
Cost as of 31.12.2016	274	247	521
Accumulated impairment losses	–	–5	–5

* Rounded below EUR 1m.

Individual interests in companies accounted for using the equity method

The following tables contain summarised data from the income statements and balance sheet data for the individual material joint ventures accounted for using the equity method.

Balance sheet data Günes Ekspres Havacilik Anonim Sirketi (SunExpress), Antalya, Turkey

	31.12.2016	31.12.2015*
Current assets	270	199
Non-current assets	719	562
Cash and cash equivalents	86	74
Current liabilities	305	267
Non-current liabilities	530	312
Current financial liabilities (except trade and other payables and provisions)	63	32
Non-current financial liabilities (except trade and other payables and provisions)	376	225
Shareholders' equity	**154**	**182**
Share of equity	77	91
Other	21	28
Carrying amount	**98**	**119**

* Previous year's figures have been adjusted.

Income statement data Günes Ekspres Havacilik Anonim Sirketi (SunExpress), Antalya, Turkey

in €m	2016	2015*
Revenue	991	1,106
Depreciation and amortisation	35	14
Interest income	4	2
Interest expenses	10	3
Income tax expense or income	7	7
Profit or loss from continuing operations	**–31**	**63**
Profit or loss after tax from discontinued operations	–	–
Other comprehensive income	3	5
Total comprehensive income	**–28**	**68**
Share of profit or loss from continuing operations	–16	32
Share of comprehensive income	–14	34

* Previous year's figures have been adjusted.

Balance sheet data Terminal 2 Gesellschaft mbH & Co. oHG, Munich Airport, Germany

in €m	31.12.2016	31.12.2015
Current assets	60	95
Non-current assets	1,558	1,449
Cash and cash equivalents	–	–
Current liabilities	221	152
Non-current liabilities	1,348	1,410
Current financial liabilities (except trade and other payables and provisions)	84	55
Non-current financial liabilities (except trade and other payables and provisions)	1,311	1,375
Shareholders' equity	**29**	**–18**
Share of equity	12	7
Other	–	4
Carrying amount	**12**	–

Income statement data Terminal 2 Gesellschaft mbH & Co. oHG, Munich Airport, Germany

in €m	2016	2015
Revenue	285	287
Depreciation and amortisation	74	95
Interest income	–	–
Interest expenses	40	35
Income tax expense or income	5	8
Profit or loss from continuing operations	**32**	**54**
Profit or loss after tax from discontinued operations	–	–
Other comprehensive income	3	8
Total comprehensive income	**35**	**62**
Share of profit or loss from continuing operations	0	22
Share of comprehensive income	7	25
Dividends received	42	53

The following tables contain summarised data from the income statements and balance sheet data for the individual material associated companies accounted for using the equity method.

Balance sheet data SN Airholding SA / NV, Brussels, Belgium

in €m	31.12.2016	31.12.2015*
Current assets	403	429
Non-current assets	109	107
Cash and cash equivalents	211	202
Current liabilities	347	381
Non-current liabilities	187	184
Current financial liabilities (except trade and other payables and provisions)	–	–
Non-current financial liabilities (except trade and other payables and provisions)	95	95
Shareholders' equity	**–22**	**–29**
Share of equity	–10	13
Other	10	3
Carrying amount	–	–

* Previous year's figures have been adjusted.

Income statement data SN Airholding SA / NV, Brussels, Belgium

in €m	2016	2015*
Revenue	1,271	1,281
Depreciation and amortisation	6	14
Interest income	–	2
Interest expenses	2	4
Income tax expense or income	–	–
Profit or loss from continuing operations	**7**	**34**
Profit or loss after tax from discontinued operations	–	–
Other comprehensive income	–	–
Total comprehensive income	**7**	**34**
Share of profit or loss from continuing operations	3	15
Share of comprehensive income	3	15

* Previous year's figures have been adjusted.

The item "Other" in the reconciliation with the carrying amount for SunExpress includes the difference from the first time consolidation of the company. For SN Airholding, the difference is shown between the negative pro rata equity and the carrying amount, which has not been reduced below zero. At SN Airholding, the negative earnings in previous years were offset against non-current loans to the company, reducing the carrying amount. At Terminal 2 Gesellschaft, the dividend payment in 2015 was higher than the carrying amount, so the excess could no longer be offset against the carrying amount, but rather was recognised in profit or loss. In 2016, the negative difference was offset against the earnings of Terminal 2 Gesellschaft.

The call option to acquire the remaining shares in SN Airholding SA/NV was exercised on 15 December 2016 with effect from 9 January 2017 at a price of EUR 2.6m.

The following table contains summarised aggregated data from the income statements and carrying amounts for the individual immaterial joint ventures accounted for using the equity method.

Income statements data and carrying amounts of joint ventures accounted for using the equity method

in €m	2016	2015
Profit or loss from continuing operations	34	25
Profit or loss after tax from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income	**34**	**25**
Carrying amount	**163**	**149**

The following table contains summarised aggregated data from the income statements and carrying amounts for the individual immaterial associated companies accounted for using the equity method.

Income statements data and carrying amounts of associated companies accounted for using the equity method

in €m	2016	2015
Profit or loss from continuing operations	27	25
Profit or loss after tax from discontinued operations	-	-
Other comprehensive income	-	3
Total comprehensive income	**27**	**28**
Carrying amount	**242**	**251**

Other equity investments and non-current securities

Other equity investments and non-current securities

in €m	31.12.2016	31.12.2015
Investments in affiliated companies	191	158
Investments	21	43
Other investments	212	[illegible]
Non-current securities	23	15

Shares in related parties are held at amortised cost

Equity investments and securities are recognised at fair value if there is an active market for them with publicly available prices. For equity investments carried at EUR 21m (previous year: EUR 18m) and non-current securities carried at EUR 5m (previous year: 7m) there is no active market with publicly available prices. In the reporting year, non-current securities held at EUR 2m (previous year: other equity investments held at EUR 9m) were sold, which had previously not been held at fair value as there was no active market for them. This resulted in a gain of EUR 1m (previous year: EUR 10m). In the previous year, non-current securities not held at fair value were sold for their carrying amount of EUR 10m.

Non-current loans and receivables

Non-current loans and receivables

in €m	31.12.2016	31.12.2015
Loans to and receivables from affiliated companies	117	116
Loans to and receivables from other equity investments	0*	3*
Other loans and receivables	369	359
Pre-financed rental property	-	-
Emissions certificates	27	41
	513	**516**

* Rounded below EUR 1m.

The carrying amount of non-current loans and receivables corresponds to their fair value, as they earn floating rate or market standard interest.

For the impairment test for emissions certificates, we refer to the disclosures on the cash-generating units (CGU) Deutsche Lufthansa AG (including regional partners), SWISS and Austrian Airlines in Note 16, p. 114ff

As in the previous year, other receivables include forecast reimbursements of EUR 4m for obligations for which provisions have been made (previous year: EUR 3m). Non-current receivables of EUR 22m (previous year: EUR 30m) serve as collateral for liabilities

Inventories

Inventories

in €m	31.12.2016	31.12.2015
[illegible]	645	[illegible]
[illegible]	63	[illegible]
Advance payments	10	[illegible]
	816	761

Inventories valued at EUR 1m (previous year: EUR 1m) have been pledged as collateral for loans.

The gross value of written-down inventories as of 31 December 2016 was EUR 734m (previous year: EUR 709m). Inventories valued at EUR 518m (previous year: EUR 493m) are held at their net realisable value. Impairments of EUR 201m (previous year EUR 193m) had been made to net realisable value at the beginning of the financial year. In the reporting period, new impairments were made for EUR 32m (previous year: EUR 30m). Impairments of EUR 17m (previous year: EUR 6m) made the previous year were reversed

Trade receivables and other receivables

Trade receivables and other receivables

in €m	31.12.2016	31.12.2015
Trade receivables		
Trade receivables from affiliated companies	118	63
Trade receivables from other equity investments	3	2
Trade receivables from third parties	3,191	3,140
	3,312	3,205
of which: from unfinished orders less advance payments received	(188)	(18[illegible])
Other receivables		
Receivables from affiliated companies	66	39
Receivables from other equity investments	0	0*
Other receivables	1,164	1,116
Emissions certificates	28	29
	1,258	1,184
Total	4,570	4,389

* Rounded below EUR 1m.

The carrying amount of these receivables corresponds to their fair value.

For the impairment test for emissions certificates, we refer to the disclosures on the cash-generating units (CGU) Deutsche Lufthansa AG (including regional partners), SWISS and Austrian Airlines in Note 16, p. 114ff.

Collateral received for trade receivables has a fair value of EUR 2m (previous year: EUR 2m).

Other receivables include expected reimbursements for obligations for which provisions have been made amounting to EUR 1m (previous year: EUR 1m). Other receivables include claims of EUR 200m against insurers in connection with the accident involving the Germanwings aircraft on 24 March 2015. As of the reporting date, these receivables are offset by provisions of EUR 176m for outstanding obligations relating to this accident.

Deferred charges and prepaid expenses

Deferred charges and prepaid expenses consist mainly of rents and insurance premiums paid in advance for subsequent periods.

Current securities

Current securities are almost exclusively fixed income securities, participation certificates and investments in money market funds.

Cash and cash equivalents

The bank balances denominated in euros with various banks mostly earned interest at a rate of 1.0 per cent (previous year: 0.04 to 0.12 per cent). US dollar balances were invested at an average interest rate of 1.42 per cent (previous year: 1.18 per cent) and balances in Swiss francs at an average rate of 0.59 per cent (previous year: 0.25 per cent). This item includes EUR 118m (previous year: EUR 103m) in fixed-term deposits with terms of three to twelve months.

Bank balances in foreign currencies are translated at the exchange rate on the balance sheet date.

Assets held for sale

At year-end 2016, the Group intended to sell aircraft, in particular from the Passenger Airline Group segment. These are principally seven Airbus A340-600s, two CRJ 900s and one Boeing 737-300 with a carrying amount of EUR 124m; from the Logistics segment there are three Boeing MD-11Fs with a carrying amount of EUR 3m, as well as a building held at EUR 2m from the Passenger Airline Group segment. Impairment losses of EUR 183m were recognised on these assets, as well as on other aircraft and other assets (→ Note 9, p. 111). Write-downs of EUR 21m were also recognised in other operating expenses (→ Note 9, p. 111).

In the previous year, this item included, in particular, six B737-500s, seven Fokker F100s and three Fokker F70s with a total carrying amount of EUR 5m as well as a building with a carrying amount of EUR 2m from the Passenger Airline Group segment. Impairment losses of EUR 159m in total were recognised on these assets. Write-downs of EUR 4m were also recognised in other operating expenses.

Shareholders' equity and liabilities

Issued capital

Issued capital

Deutsche Lufthansa AG's issued capital totals EUR 1,200.2m. Issued capital is divided into 468,818,054 registered shares, with each share representing EUR 2.56 of issued capital.

Authorised capital

A resolution passed at the Annual General Meeting on 29 April 2015 authorised the Executive Board until 28 April 2020, subject to approval by the Supervisory Board, to increase the Company's issued capital on one or more occasions by up to EUR 561,160,092 by issuing new registered shares on one or more occasions for payment in cash or in kind (Authorised Capital A). In certain cases, the shareholders' subscription rights can be excluded with the approval of the Supervisory Board. In order to issue new shares to settle dividend entitlements, the Executive Board of Deutsche Lufthansa AG decided, with the approval of the Supervisory Board, to make use of the authorisation voted at the Annual General Meeting on 29 April 2015 (Authorised Capital A) and increase the Company's issued capital by EUR 4,120,811.52 by issuing 1,609,692 new registered shares with transfer restrictions and profit entitlement from 1 January 2016. The capital increase was entered in the Commercial Register of Cologne District Court (HRB 2168) on 25 May 2016. As of 31 December 2016, Authorised Capital A amounted to EUR 557,039,280.48.

A resolution passed at the Annual General Meeting on 29 April 2014 authorised the Executive Board until 28 April 2019, subject to approval by the Supervisory Board, to increase the issued capital up to EUR 29m, by issuing new registered shares to employees (Authorised Capital B) for payment in cash. Existing shareholders' subscription rights are excluded. In order to issue new shares to employees of Deutsche Lufthansa AG and its affiliated companies, the Executive Board of Deutsche Lufthansa AG decided, with the approval of the Supervisory Board, to make use of the authorisation voted at the Annual General Meeting on 29 April 2014 (Authorised Capital B) and increase the Company's issued capital by EUR 6,834,206.72 excluding shareholders' subscription rights, by issuing 2,669,612 new registered shares with transfer restrictions and profit entitlement from 1 January 2016 for payment in cash. The capital increase was entered in the Commercial Register of Cologne District Court (HRB 2168) on 25 October 2016. As of 31 December 2016, Authorised Capital B amounted to EUR 13,298,593.28.

Contingent capital

A resolution passed at the Annual General Meeting on 28 April 2016 authorised the Executive Board until 27 April 2021, subject to approval by the Supervisory Board, to issue bearer or registered convertible bonds, bond/warrant packages, profit sharing rights or participating bonds (or combinations of these instruments), on one or more occasions, for a total nominal value of up to EUR 1.5bn, with or without restrictions on maturity. To do so, contingent capital (Contingent Capital II) was created for a contingent capital increase of up to EUR 237,843,840 by issuing up to 92,907,750 new registered shares. The contingent capital increase will only take place insofar as the holders of convertible bonds or warrants from bond/warrant packages decide to exercise their conversion and or option rights.

Authorisation to purchase treasury shares

A resolution passed at the Annual General Meeting held on 29 April 2015 authorised the Executive Board pursuant to Section 71 Paragraph 1 No. 8 Stock Corporation Act (AktG) to purchase treasury shares until 28 April 2020. The authorisation is limited to 10 per cent of current issued capital, which can be purchased on the stock exchange or by a public purchase offer to all shareholders. The authorisation states that the Executive Board can use the shares, in particular, for the purposes defined in the resolution passed at the Annual General Meeting. According to the resolution of the Annual General Meeting held on 28 April 2016, the Executive Board is also authorised to purchase treasury shares by means of derivatives and to conclude corresponding derivative transactions.

In 2016, Deutsche Lufthansa AG bought back 101,499 of its own shares at an average price of EUR 12.10. This is equivalent to 0.02 per cent of issued capital.

The shares purchased or created by means of the capital increase were used as follows:

- 1,806,974 shares were transferred to the staff of Deutsche Lufthansa AG and 40 other affiliated companies and equity investments as part of the profit-sharing scheme for 2015, at a share price of EUR 10.05.
- 941,136 shares were transferred as part of performance-related variable remuneration in 2016 to managers and non-payscale staff of Deutsche Lufthansa AG and to 46 further affiliated companies and equity investments at a price of EUR 11.87.
- 20,218 shares were transferred to Executive Board members at a price of EUR 11.87 as part of the share programme for 2016
- 615 shares were transferred for previous years' programmes (performance-related variable remuneration for 2015 to managers, non-payscale staff and other staff of Deutsche Lufthansa AG and to further affiliated companies and equity investments from profit-sharing for 2014) at a price of EUR 12.85.
- 1,609,692 shares were transferred to shareholders to settle dividend entitlements for 2015.

2,168 shares were resold at a price of EUR 12.83

On the balance sheet date, treasury shares were no longer held

Capital management

The Lufthansa Group continues to aim for a sustainable equity ratio of 25 per cent, in order to ensure long-term financial flexibility and stability as a basis for its growth targets. As of 31 December 2016 and 2015, equity and total assets were as follows:

Equity and liabilities

in €m	31.12.2016	31.12.2015
Shareholders' equity	7,149	5,845
in % of total assets	20.6	18.0
Liabilities	27,548	26,617
in % of total assets	79.4	82.0
Total capital	**34,697**	**32,462**

In the financial year 2016, the equity ratio improved year on year by 2.6 percentage points to 20.6 per cent. Starting from a positive after-tax result of EUR 1.8bn, the increase resulting from the change in discount rate in provisions for pensions recognised directly in equity caused shareholders' equity to go down by EUR 1.5bn. However, a significant increase of EUR 1.2bn in total was reported in the market value reserve for financial instruments – due, in particular, to the higher market values of fuel hedges.

Lufthansa's Articles of Association do not stipulate any capital requirements

91 Reserves

Capital reserves only include the share premium paid on capital increases and a convertible bond that was redeemed in full the previous year. The legal reserve contained in retained earnings is unchanged at EUR 26m; other reserves consist of other retained earnings.

The following table shows changes in other neutral reserves in 2016:

Notes on other comprehensive income

in €m	2016	2015
Other comprehensive income after income taxes		
Currency translation differences		
Profit/loss for the period	66	240
Reclassification adjustments recognised in profit or loss	–	–
Subsequent measurement of available-for-sale financial assets		
Profit/loss for the period	26	196
Reclassification adjustments recognised in profit or loss	–29	731
Subsequent measurement of cash flow hedges		
Profit/loss for the period	849	–498
Reclassification adjustments recognised in profit or loss	682	569
Transfer to cost of hedged items	–34	94
Other comprehensive income from investments accounted for using the equity method		
Profit/loss for the period – reclassifiable	3	4
Profit/loss for the period – non-reclassifiable	–17	–
Transfer to cost of hedged items	–	–
Revaluation of defined-benefit pension plans	–2,066	511
Revaluation of defined-benefit pension plans within disposal groups		
Other expenses and income recognised directly in equity	9	3
Income taxes on items in other comprehensive income	217	199
Other comprehensive income after income taxes	**–294**	**84**

[115] Note on income taxes recognised for other comprehensive income

in €m	2016			2015		
	Amount before income taxes	Tax expenses/income	Amount after income taxes	Amount before income taxes	Tax expenses/income	Amount after income taxes
Currency translation differences	66		66	240	–	240
Subsequent measurement of available-for-sale financial assets	–3		–3	–533	6	–527
Subsequent measurement of cash flow hedges	1,497	–337	1,160	77	–33	44
Other comprehensive income from investments accounted for using the equity method – reclassifiable	3		3	4	–	4
Other comprehensive income from investments accounted for using the equity method – non reclassifiable	17		17	–	–	–
Revaluation of defined-benefit pension plans	–2,066	554	–1,512	511	–177	334
Revaluation of defined-benefit pension plans within disposal groups	–		–	–19	5	–14
Other expenses and income recognised directly in equity	9		9	3	–	3
Other comprehensive income	**–511**	**217**	**–294**	**283**	**–199**	**84**

The overall change in equity is shown in the consolidated statement of changes in → Lufthansa shareholders' equity, p 98

[22] Pension provisions

The Group's pension obligations comprise both defined-benefit and defined-contribution plans and include both obligations to make current payments and entitlements to future pension payments.

Obligations under defined-benefit pension plans for Group employees related mostly to pension obligations in Germany, Switzerland, Austria and the USA. Various commitments have been made to different groups of employees.

For most of the employees in Germany and for staff posted abroad by German companies who joined the Group before 1995, the supplementary pension scheme for state employees (VBL) was initially retained as the Company's pension scheme. As part of the wage agreements signed in 2003 and 2004 to replace the VBL scheme and harmonise retirement benefits, the pension scheme for ground, cockpit and flight staff was converted to an average salary plan. Since then, the Company retirement benefit commitment has been equal to that for staff recruited after 1994. One pension component is earned every year based on an employee's pay and age; retirement benefit is defined as the sum of accumulated pension components. The same applies accordingly to commitments for company invalidity and dependant persons' pensions. Under IAS 19, these pension obligations are regarded as defined-benefit commitments and are therefore taken into account for the amount of obligations and as expenses.

Flight staff are additionally entitled to a transitional pension arrangement covering the period from the end of their active in-flight service until the beginning of their statutory/Company pension plans. Benefits depend on the number of years of service and the final salary before retirement (final salary plans). Pension entitlements continue to accrue while transitional benefits are being received.

The relevant pension agreements were terminated by the Group companies as of 31 December 2013 in order to reach a new agreement on Company retirement and transitional benefits with the trade unions.

The Lufthansa collective agreement on benefits for ground staff, dated 2 August 2016, established a new company retirement benefit plan in the form of a defined contribution benefit commitment for the approximately 30,000 ground staff in Germany, in particular those at Deutsche Lufthansa AG, Lufthansa Cargo AG, the Lufthansa Technik group and the LSG group. The Lufthansa company pension agreement for ground staff dating from 1 July 2003 was terminated as of 31 December 2013, but remains in force until 31 December 2015 (also for new members of staff up to this date) and is replaced as of 1 January 2016. For employees recruited

before 1 January 2016 the entitlements vested up until 31 December 2015 are maintained. For service periods starting from 1 January 2016, employees can reach the same level of benefits by making contributions from their own pocket. Employees recruited after 1 January 2016 receive employer contributions of 5.2 per cent (including a risk contribution) of the qualifying salary, paid into a "DC account". All employees make their own contributions of 1.0 per cent of the qualifying salary, paid into a "Supplementary account".

The funds in the Supplementary account and DC account are invested on capital markets with a capital guarantee for the contributions. When the employee reaches retirement age, the entire account balance is converted into an annuity on the basis of the applicable BilMoG interest rate and, where necessary, is paid in addition to any benefits vested as of 31 December 2015. All current benefits are increased by 1.0 per cent per annum.

With effect from 5 July 2016, an agreement has been reached with the UFO flight attendants' union on core elements of future company retirement and transitional benefits for cabin crew at Deutsche Lufthansa AG (DLH). The wage agreements terminated as of 31 December 2013 remain in force until 5 July 2016 (also for new members of staff recruited up until this date) and will be replaced with effect from 6 July 2016.

For employees recruited before 6 July 2016, the pension entitlements vested up until 5 July 2016 are maintained. For service periods starting from 6 July 2016, they will receive employer contributions of 5.2 per cent (including a risk contribution) of the qualifying gross salary for company retirement benefits. Pension entitlements that accrue while transitional benefits are being received are no longer granted. An initial contribution to the transitional benefit scheme will be calculated for the staff concerned as of the changeover date on the basis of parameters and valuation methods defined by the collective bargaining partners. This initial transitional benefit contribution will replace all existing claims by the staff concerned under the collective agreement on transitional benefits and will be switched to a contribution commitment with a minimum guaranteed payment. For service periods starting from 6 July 2016, they will receive employer contributions of 16.3 per cent (including a risk contribution) of the qualifying gross salary for company transitional benefits. All employees have the option of making voluntary contributions from their own pocket, plus an additional employer contribution amounting to the social security contributions saved by employee's contributions. The funds are invested on capital markets with a capital guarantee for the contributions. When the employee reaches retirement age, the balance of the accounts is converted into an annuity on the basis of the applicable BilMoG interest rate and, where necessary, is paid in addition to any company retirement benefits vested as of 5 July 2016. In future, the rules on vesting periods defined in the German Company Pensions Act (BetrAVG) will apply to transitional benefit contributions – as they have in the past to retirement benefit contributions. Here, too, all current benefits are increased by 1.0 per cent per annum.

In the new company retirement and transitional benefit scheme, the obligations from the capital market components are recognised at the time value of the corresponding plan assets and are offset against these, insofar as they exceed the minimum guaranteed amount. The employer contributions constitute service expense.

As collective bargaining is still taking place with the Vereinigung Cockpit pilots' union, no reliable information is currently available on whether and to what extent the existing rules on Company retirement and transitional benefits will be altered by a negotiated agreement with this union.

Defined-benefit company pension schemes and transitional pension arrangements for Germany are funded by plan assets and the additional amounts by pension provisions.

There are no minimum funding requirements in Germany.

In the course of acquiring Swiss International Air Lines AG, pension obligations, mainly statutory obligations, were taken on in Switzerland. The retirement benefits are funded via pension funds known as collective foundations. In addition to retirement benefits, the plans cover invalidity and dependant persons' benefits. Beneficiaries can choose between an annuity and a lump-sum payment. The retirement age for the plans lies between 58 and 63 years. Contributions to the pension funds are made by employers and employees, whereby the Company contributions must be at least equal to the employee contributions defined in the terms of the plan. Contributions are deducted from the qualifying salary according to a sliding scale. If there is a deficit of plan assets, employer and employee contributions can be increased, a lower return can be determined or other steps permissible by law can be taken. The decision is taken by the trustees of the pension fund concerned. The trustees' strategies for making good a deficit are based on the report by a pension fund expert and must be presented to the regulatory authority. The approval of the authority is not required, however.

The pension obligations for employees of Austrian Airlines AG are mostly on a defined-contribution basis and have been outsourced to a pension fund. They consist of retirement, invalidity and dependant persons' benefits.

Obligations under defined-benefit plans at Austrian Airlines AG relate to former directors and Executive Board members and others already drawing their pensions. Their contribution-free entitlements are determined by converting plan assets into an annuity. Defined-contribution pension obligations only exist for active pilots, flight attendants and members of the top management level.

The defined-benefit pension plans at LSG Sky Chefs in the USA are largely closed to new entrants and no further benefits are being granted to beneficiaries still in service. Benefit payments are based on average salary and the years of service acquired before the plan was closed or frozen. The retirement age is 65. Pension payments are funded externally. Retirement benefits have been switched to defined-contribution plans.

Other staff abroad are also entitled to minor retirement benefits and in some cases to medical care based mainly on length of service and salary earned. As a rule, benefits are financed by means of external funds.

Contributions for defined-contribution retirement benefit commitments came to EUR 396m in 2016 (previous year: EUR 405m).

In the 2004 financial year, work began on building up plan assets to fund and safeguard future pension payments. The aim was to fund the pension obligations under existing plans in Germany in full. Contractual trust arrangements (CTAs) in the form of a mutual two-stage trusteeship were set up for this purpose.

The main trustee is Lufthansa Pension Trust e.V., a separate legal entity subject to German regulations. Deutsche Lufthansa AG and the other partners agree on contributions, and if such a contribution is determined, make a payment to Lufthansa Pension Trust e.V. Deutsche Lufthansa AG and its Lufthansa Technik AG and Lufthansa Cargo AG subsidiaries are parties to the contractual trust arrangement. The trust assets have largely been held by a Maltese corporate vehicle since 2007. The Investment Board of Lufthansa Malta Pension Holding decides on the fund's asset allocation. The asset management itself is delegated to fund management companies who invest the assets in accordance with the general investment principles defined by the Investment Board. In view of an extraordinary contribution to transitional benefits for cabin crew planned for 2017, contributions to the Lufthansa Pension Trust have been suspended until further notice. EUR 595m was contributed for employees in Germany in the reporting year.

The assets to fund pension obligations in the new Lufthansa Pension Ground capital-market-based benefits system in place since 2016 were transferred to an external trustee, Deutsche Treuinvest Stiftung, as part of a contractual trust arrangement.

Capital is invested in what are known as age group funds, whose investment strategy is based on a life cycle model. As employees get older, less and less is invested in asset classes with a higher risk-return profile and a greater percentage in more conservative assets classes. The Company has set up an Investment Committee that is responsible for defining and monitoring the investment strategy, e.g. how the age group funds are composed and how the asset allocation changes over time. EUR 33m was contributed to the new pension system in the reporting year.

Assets to fund pension obligations for other German subsidiaries have also been invested with Deutsche Treuinvest Stiftung.

Amounts shown in the balance sheet for defined-benefit commitments are made up as follows:

Defined-benefit retirement benefit commitments

	31.12.2016				31.12.2015			
in €m	Defined-benefit obligations (DBO)	Fair value of plan assets	Effect of asset ceiling	Net carrying amount for defined-benefit obligations	Defined benefit obligations (DBO)	Fair value of plan assets	Effect of asset ceiling	Net carrying amount for defined-benefit obligations
Retirement benefits Germany	13,401	−9,111	–	4,290	11,497	−8,611	–	2,886
Transitional benefits Germany	3,343	−388	–	2,955	3,175	−364	–	2,811
Switzerland	3,600	−2,825	–	775	3,193	2,603	–	590
Austria	409	−197	–	212	399	−212	–	187
USA	391	−305	–	86	424	−318	–	106
Other countries	296	−266	–	32	289	−258	–	31
Carrying amounts	**21,442**	**−13,092**	–	**8,350**	**18,979**	**−12,366**	–	**6,613**
of which pension provisions				8,364		–	–	6,626
of which other assets				14		–	–	13

Reconciliation between the funding status and the amounts shown in the consolidated balance sheet is as follows:

Reconciliation funding status

in €m	2016	2015
Present value of funded pension obligations	20,920	18,508
Plan assets	-13,092	-12,366
Funding status (net)	**7,828**	**6,142**
Present value of unfunded pension obligations	**522**	**471**
Adjustment for asset ceiling	[illegible]	[illegible]
Carrying amounts	**8,350**	**6,613**
of which pension provisions	5,364	6,626
of which other assets	14	13

During the reporting period, the present value of defined-benefit pension obligations changed as follows:

Change in present value of pension obligations

in €m	2016	2015
Balance on 1.1.	18,979	18,711
Current service costs	626	750
Interest expenses	452	453
Past service cost/effects of curtailments	-670	25
Effects of settlements	-8	[illegible]
Revaluations		
Actuarial gains/losses from changes in demographic assumptions	119	97
Actuarial gains/losses from changes in financial assumptions	2,093	594
Experience adjustments	235	115
Currency translation differences	9	368
Changes in the group of consolidated companies	3	[illegible]
Plan contributions – employees	42	35
Pension payments	-432	564
Settlement payments	-32	
Other*	26	7
As of 31.12.	**21,442**	**18,979**

* The amounts are partly for benefit obligations which were measured in accordance with IAS 19 for the first time.

Actuarial gains/losses from changes in financial assumptions include losses due to the reduction in the discount rate compared with the previous year. In mid 2016, an agreement was reached with UFO on the core elements of future company retirement and transitional benefits for cabin crew. Allocations were adjusted following the switch to a defined-contribution system, which led to actuarial losses of EUR 2m, thereby increasing the amount of the obligation. This was offset by a reduction in the pension trend from 1.5 per cent to 1.0 per cent for this group of employees, which reduced the amount of provisions by an actuarial gain of EUR 158m.

The following table provides a detailed reconciliation of changes in the fair value of plan assets:

Change in fair value of plan assets

in €m	2016	2015
Balance on 1.1.	12,366	11,484
Interest income	301	271
Revaluations		
Income from plan assets without amounts included in interest	384	-296
Currency translation differences	-2	314
Changes in the group of consolidated companies	[illegible]	–
Plan contributions – employer	53	722
Plan contributions – employees	42	35
Pension payments	-335	-165
Settlement payments	-32	[illegible]
Administrative costs related to obligations	-3	-3
Other*	16	4
As of 31.12.	**13,092**	**12,366**

* The amounts are partly for benefit obligations which were measured in accordance with IAS 19 for the first time.

In the financial years 2016 and 2015, pension provisions developed as follows:

Pension provisions

in €m	2016	2015
Balance on 1.1.	6,626	7,231
Currency translation differences [illegible]	11	54
Changes in the group of consolidated companies	3	
Pensions payments	-297	-399
Current service costs	626	750
Interest expenses	152	453
Interest income	-301	-271
Effects of amendments incl. curtailments, settlements and administrative costs	670	28
Revaluations		
Actuarial gains/losses and experience adjustments	2,447	[illegible]
Income from plan assets, without amounts included in interest	-334	[illegible]
Net effect of adjustments for asset ceiling		-1
Plan contributions/staff changes	-144	-709
As of 31.12.	**8,364**	**6,626**

Expenses and income for defined-benefit plans are made up as follows:

Expenses and income for defined-benefit pension plans

in €m	2016	2015
Current service costs	626	750
Past service costs and effects of curtailments	670	35
Income from settlements	-67	[illegible]
Accrued interest on pension obligations	152	[illegible]
Interest income on plan assets	-301	-271
Administrative costs related to obligations	3	1
Balance of expenses and income recognised in the income statement	**1,102**	**960**
Income from plan assets, without amounts included in interest	334	296
Actuarial gains and losses	2,447	-806
Net effect of adjustment for asset ceiling	[illegible]	-1
Other comprehensive income	**2,063**	**-511**
	3,165	**449**

Interest expenses on pension provisions and interest income on plan assets are shown in the financial result. Current service expense and past service expense are recognised in staff costs.

Income of EUR 685m was generated from plan assets in the financial year 2016. This amount is made up of the interest income recognised in the income statement and the revaluation component for plan assets. Total expenses of EUR 25m were incurred in the previous year.

There were no significant effects from the asset ceiling defined in IAS 19.64

Past service expense incurred in the reporting year results mainly from the agreement on core elements of future retirement and transitional benefits for the cabin crew of Deutsche Lufthansa AG.

The main actuarial assumptions used to calculate pension obligations and the corresponding plan assets are shown below:

Main actuarial assumptions for German companies

	31.12.2016	[illegible]
Interest rate		
Retirement benefits	2.1	2.8
Transitional benefits	2.1	2.8
Salary increase		
Retirement benefits	2.5	2.5
Transitional benefits	2.5	2.5
Pension increase		
Retirement benefits	1.0	1.5
Transitional benefits	1.0	2.5

A different annual pension increase of 1.5 per cent for company retirement benefits and of 2.5 per cent for transitional benefits is used for retirement benefit commitments for cockpit staff.

As in the previous year, the "Actuarial Tables 2005 G" compiled by Prof. Dr Klaus Heubeck were used in the biometric calculations for the German companies in the Group.

Main actuarial assumptions for foreign companies

in %	31.12.2016	31.12.2015
Interest rates		
Austria	2.1	[illegible]
Switzerland	0.6	[illegible]
USA	4.2	[illegible]
Salary increase		
Austria	1.9	1.9
Switzerland	1.5	1.5
USA		
Pension increase		
Austria	1.7	1.8
Switzerland	0.25	0.25
USA		

The BVG 2015 mortality tables are used for the biometric calculations for Switzerland. Country-specific mortality tables are used in the other countries.

The following table shows how the present value of defined-benefit obligations would have been affected by changes in the relevant actuarial assumptions for the main pension plans described above.

Change in actuarial assumptions, as of 2016

	Effect on the defined-benefit contribution as of 31.12.2016 in €m	Change in %
Present value of the obligation*	21,442	
Interest rate		
Increase by 0.5 percentage points	19,590	−8.6
Decrease by 0.5 percentage points	23,605	+10.1
Salary trend		
Increase by 0.5 percentage points	21,662	+1.0
Decrease by 0.5 percentage points	21,235	−1.0
Pension trend		
Increase by 0.5 percentage points	22,132	+3.2
Decrease by 0.5 percentage points	20,817	−2.9

* Present value of the obligation using the assumptions shown in the "Actuarial assumptions" tables

Change in actuarial assumptions, as of 2015

	Effect on the defined-benefit contribution as of 31.12.2015 in €m	Change in %
Present value of the obligation*	18,979	
Interest rate		
Increase by 0.5 percentage points	17,345	−8.6
Decrease by 0.5 percentage points	20,970	+10.0
Salary trend		
Increase by 0.5 percentage points	19,302	+1.7
Decrease by 0.5 percentage points	18,677	−1.6
Pension trend		
Increase by 0.5 percentage points	19,633	+3.4
Decrease by 0.5 percentage points	18,421	−2.9

* Present value of the obligation using the assumptions shown in the "Actuarial assumptions" tables

A reduction of 10 per cent in the mortality rates used to calculate the pension obligations increases the life expectancy of the beneficiaries by a different amount depending on their individual ages. It roughly corresponds to an increase of one year in the life expectancy of a male employee who is 55 years old today. A 10 per cent reduction in the mortality rate would therefore increase the present value of the main benefit obligations in Germany and Switzerland by EUR 372m as of 31 December 2016 (previous year: EUR 325m).

The sensitivity analysis examines changes in one assumption and leaves the other assumptions unchanged compared with the original calculation. The effects of any correlation between the individual assumptions are therefore not taken into account.

Plan assets for funded defined-benefit pension obligations consist mainly of fixed-income securities, equities and cash and cash equivalents. They do not include financial instruments issued by companies in the Group or properties used by Group companies.

Plan assets serve solely to meet the defined-benefit obligations. Funding these benefit obligations with assets provides security for future payments. In some countries, this takes place on the basis of statutory regulations, in others (Germany, for example) it takes place on a voluntary basis.

Lufthansa aims to completely cover its German pension obligations by means of capital contributions and positive capital market returns in the medium term. Regular annual contributions to the Lufthansa Pension Trust have been made for this purpose to date. Investment performance plays a crucial role in meeting this target.

In view of an extraordinary contribution to transitional benefits for cabin crew planned for 2017, contributions to the Lufthansa Pension Trust have been suspended until further notice.

Lufthansa manages and monitors the financial risks that arise from outsourcing the defined-benefit pension obligations. There was no change in the risk management and monitoring processes compared with the previous year. Derivative financial instruments are used, especially to manage foreign exchange risks.

The allocation of the funds to asset classes (e.g. equities) for the defined-benefit plans is carried out on the basis of asset-liability matching studies performed by Lufthansa. The Asset-Liability Matching (ALM) study is conducted every three years with an external adviser in order to review the funding strategy on a regular basis and to make adjustments as necessary. The next study will be carried out as of 31 December 2017. The results of the study should indicate what combination of investments (annuities, equities, etc.) can be used to cover the long-term pension obligations. Step one of this process is for the actuary to draft a long-term forecast charting how the pension obligations will develop.

In addition to this, target figures are needed for the relative return and relative risk as regards coverage of the obligations. Last but not least, a risk budget must also be defined.

A simulation is used to test all permissible investment allocations for their future compliance with these objectives. Those which do not fulfil the criteria are eliminated. Preference is given to allocations which are return-oriented yet conservative and which have a high probability of achieving the investment target.

The results of the ALM study show whether there will be strategic shifts in the existing allocation. Alternative investments (e.g. commodities, private equity) are currently being further developed, for example.

The investment strategy for the capital-market-based pension plans is initially defined by the Company and then regularly (at least every three years) reviewed in the course of an allocation study and, where necessary, adjusted by the Investment Committee to change capital market requirements. This may result in changes to the investment strategy for amounts that have already been invested.

Plan assets are made up as follows:

Composition of plan assets

	31.12.2016				31.12.2015			
	Listed price in an active market in €m	No listed price in an active market in €m	Total in €m	in %	Listed price in an active market in €m	No listed price in an active market in €m	Total in €m	in %
Equities			3,839	29.3			3,312	26.8
Europe	2,551				2,671			
Other	1,288				641			
Fixed-income securities			5,507	42.1			4,682	37.9
Government bonds	2,982				1,841			
Corporate bonds	2,525				2,841			
Share funds	274		274	2.1	187		187	1.5
Fixed-income funds	453		453	3.5	472		472	3.8
Mixed funds	136		136	1.0	158		158	1.3
Money market investments	799		799	6.1	1,539		1,539	12.4
Property			723	5.5			619	5.0
Direct investments		8			2	13		
Indirect investments	649	66			565	39		
Insurance contracts		52	52	0.4		45	45	0.4
Bank balances	240	2	242	1.8	249		249	2.0
Other investments[2]	162	905	1,067	8.2	126	977	1,103	8.9
Total	**12,059**	**1,033**	**13,092**	**100.0**	**11,292**	**1,074**	**12,366**	**100.0**

[1] Includes equities and interest-bearing securities
[2] Other investments include, in particular, alternative investments such as hedge funds, commodities and private equity funds

In addition to various actuarial risks such as interest rate risk, life-expectancy risk and the risk of salary increases, the pension plans expose the Group primarily to financial risks in connection with plan assets.

The return on plan assets is assumed at the beginning of the period to be the discount rate, which is determined on the basis of investment grade corporate bonds. For the old pension plans, if the actual return on plan assets is less than the discount rates applied, the net obligation from the pension plan goes up. With the new capital-market-based pension plans, a gross obligation is recognised for the time value of the corresponding plan assets, taking the minimum guaranteed amount into account.

The share price risk that arises from the proportion of plan assets invested in equities is considered to be reasonable. The risk of default by bond issuers is limited, because investments are only made in investment grade bonds.

The amount of the net obligation under the old pension plans depends to a large extent on the rates of interest, whereby the current low-interest environment results in a relatively high net obligation. If yields on corporate bonds continue to decline, this would lead to a further increase in defined-benefit obligations which could probably only be partly offset by positive developments in the market value of the corporate bonds held in plan assets.

Based on current knowledge, an estimated EUR 2.4bn is expected to be transferred to pension plans in 2017 (previous year: EUR 1.0bn). The transfers are made up of planned allocations and benefit payments which are not covered by equivalent reimbursements from plan assets.

The weighted duration of pension obligations was 19 years as of 31 December 2016 (previous year: 20 years).

Over the next ten years, the following pension payments are forecast for the defined-benefit commitments in existence as of the reporting date:

Forecast maturities of undiscounted pension payments, as of 2016

in €m	Forecast pension payments 31.12.2016
2017	462
2018	469
2019	477
2020	497
2021	519
2022–2026	2,698

Forecast maturities of undiscounted pension payments, as of 2015

in €m	Forecast pension payments 31.12.2015
2016	470
2017	477
2018	498
2019	532
2020	534
2021–2025	3,211

Other provisions

Other provisions disclosed in the balance sheet as non-current and current provisions are made up as follows:

Non-current and current other provisions

	31.12.2016			31.12.2015		
in €m	Total	Non-current	Current	Total	Non-current	Current
Obligations under partial retirement contracts	21	14	7	23	14	9
Other staff costs	167	125	42	164	120	44
Obligation to return emissions certificates	28	–	28	28	–	28
Onerous contracts	115	56	59	91	47	44
Environmental restoration	28	25	3	29	26	3
Legal proceedings	104	20	84	119	23	96
Restructuring, severance payments	219	82	137	218	113	105
Participation in customer and supplier contracts	167	5	162	129	3	126
Maintenance of operating lease vehicles	291	124	167	327	142	185
Warranties	50	–	50	44	–	44
Other provisions	379	52	327	429	38	391
Total	1,569	503	1,066	1,601	526	1,075

Provisions for staff costs mainly relate to staff anniversary bonuses, variable payment portions and other current obligations. Provisions for restructuring and severance pay include expenses from various Group restructuring measures.

A provision for the obligation to submit CO_2 emissions certificates to the relevant authorities is recognised for an amount equivalent to the carrying amount of the capitalised CO_2 certificates. If the obligation is not fully covered by available certificates, the outstanding amount of the provision is measured using the market price of the emissions certificates as of the reporting date.

Expected losses from onerous contracts result from ongoing obligations or other contractual relationships in which performance and consideration are out of balance.

Provisions for environmental restoration are based on surveyors' findings and the assumption that all contamination is removed within ten years without any further legal requirements.

Provision for legal proceedings is based on an assessment of the likely outcome of the proceedings.

The provision for the overhaul of aircraft on operating leases mainly relates to obligations for the maintenance, overhaul and repair of aircraft.

Other provisions of EUR 176m (previous year: EUR 232m) relate to outstanding obligations in connection with the accident involving the Germanwings aircraft on 24 March 2015.

Changes in groups of individual provisions in 2016 were as follows:

Changes in other provisions 2016

in €m	Obligations under partial retirement contracts	Other staff costs	Obligation to return emissions certificates	Onerous contracts	Environmental restoration	Legal proceedings
As of 1.1.2016	23	164	28	91	29	119
Changes in the group of consolidated companies	–	0*	–	–	–	–
Currency translation differences	–	–3	0*	0*	–	1
Utilisation	–48	–30	–27	–16	–2	–37
Increase/addition	45	33	27	69	1	34
Interest and similar items	1	3	–	0*	0*	0*
Reversal	3	2	0*	29	0*	13
Transfers	3	1	–	–	–	0*
As of 31.12.2016	**21**	**167**	**28**	**115**	**28**	**104**

* Rounded below EUR 1m

Changes in other provisions 2016 (continued)

in €m	Restructuring/ severance payments	Fixed price customer maintenance contracts	Maintenance of operating lease aircraft	Warranties	Other provisions	**Total**
As of 1.1.2016	216	129	327	44	429	**1,601**
Changes in the group of consolidated companies	0*	–	–	–	2	**2**
Currency translation differences	0*	0*	3	0*	–1	**0***
Utilisation	74	70	180	–12	135	**–640**
Increase/addition	79	114	169	26	97	**694**
Interest and similar items	1	1	0*	–	–	**1**
Reversal	6	1	–28	–8	–15	**–108**
Transfers	–	–	0*	0*	9	**19**
As of 31.12.2016	**219**	**167**	**291**	**50**	**379**	**1,569**

* Rounded below EUR 1m.

Changes in groups of individual provisions in the previous year were as follows:

Changes in groups of individual provisions 2015

in €m	Obligations under partial retirement contracts	Other staff costs	Obligation to return emissions certificates	Onerous contracts	Environmental restoration	Legal proceedings
As of 31.12.2015	14	163	59	264	28	119
Changes in the group of consolidated companies		0*				
Currency translation differences		2	0*	0*	–	0*
Utilisation	-47	-29	-58	99	-1	-15
Increase/addition	64	30	28	23	2	39
Interest added back	2	2		1	0*	0*
Reversal	1	-3	-1	43		-24
Transfers	-9	-1		-55		0*
As of 31.12.2015	**23**	**164**	**28**	**91**	**29**	**119**

* Rounded below EUR 1m

Changes in groups of individual provisions in 2015 (continued)

in €m	Restructuring/ severance payments	Fixed-price customer maintenance contracts	Maintenance of operating lease aircraft	Warranties	Other provisions	**Total**
[illegible]	[illegible]	[illegible]	[illegible]	25	224	**1,554**
[illegible]	[illegible]	[illegible]			1	**-1**
Currency translation differences	1	0*	24	0*	-5	**32**
Utilisation	-86	-89	-140	-10	-80	**-654**
Increase/addition	68	97	162	30	318	**861**
Interest added back	2	1	2	–		**10**
Reversal	-10	0*	-15	0*	-36	**-133**
Transfers	1	-2	0*	-1	-1	**-68**
As of 31.12.2015	**218**	**129**	**327**	**44**	**429**	**1,601**

* Rounded below EUR 1m

The funding status for provisions for obligations to staff under partial retirement agreements is as follows:

Funding status

in €m	2016	2015
Present value of funded obligations under partial retirement agreements	[illegible]	173
External plan assets	[illegible]	-156
	3	17
of which pension provisions	[illegible]	23
of which other assets	[illegible]	[illegible]

Since 2005, a total of EUR 137m has been transferred to an external trust fund as insolvency insurance for employer's performance arrears as part of phased retirement agreements under which the employee at first works full-time for less pay and then retires early on the same reduced pay. These assets, which fulfil the requirements for plan assets and therefore reduce the gross amount of obligations accordingly, are measured at market value on the balance sheet date.

Obligations under partial retirement agreements were calculated on the basis of the following interest rate assumptions:

Interest rate for partial retirement agreements

	2016	2015	2014	2013	2012
Interest rate	0.15	0.46	0.46	1.46	1.26

The following cash outflows are estimated for the non-current portion of the other groups of provisions:

Cash outflows for non-current provisions, as of 2016

in €m	2018	2019	2020	2021 and thereafter
Onerous contracts	31	15	2	[illegible]
Environmental restoration	3	3	3	17
Restructuring/severance payments	46	5	3	27
Fixed-price customer maintenance contracts	5	–		–
Maintenance of aircraft on operating leases	34	38	40	14
Other provisions	20	22	8	31

At the end of 2015, the corresponding cash outflows were estimated as follows:

Cash outflows for non-current provisions, as of 2015

in €m	2017	2018	2019	2020 and thereafter
Onerous contracts	18	15	8	8
Environmental restoration	3	3	3	18
Restructuring/severance payments	46	40	1	26
Fixed-price customer maintenance contracts	1	2	–	–
Maintenance of aircraft on operating leases	64	16	32	44
Other provisions	23	8	8	35

Borrowings

Borrowings consist of a non-current portion with a residual term of more than one year and a current portion of less than one year which is shown under current liabilities. The following table shows the total amount of borrowings:

Borrowings 31.12.2016

in €m	Total	Non-current	Current
Bonds	1,009	1,009	–
Liabilities to banks	1,775	1,416	359
Leasing liabilities and other loans	3,791	3,386	405
	6,575	5,811	764

Borrowings 31.12.2015

in €m	Total	Non-current	Current
Bonds	1,749	998	751
Liabilities to banks	1,079	949	130
Leasing liabilities and other loans	3,542	3,084	458
	6,370	5,031	1,339

Collateral was provided for EUR 145m of the liabilities to banks (previous year: EUR 179m).

There were no delays or defaults on payment obligations under these loan agreements in either 2016 or 2015

Leasing liabilities and other loans relate almost exclusively to finance leases described in → Note 20, p. 121f., and to aircraft financing arrangements described in → Note 18, p. 119

Other non-current financial liabilities

Other non-current financial liabilities

in €m	31.12.2016	31.12.2015
[illegible]	0	1
[illegible]		
Other financial liabilities	124	120
	124	121

The carrying amount for financial liabilities is equivalent to their fair value, as they pay interest at a floating or market standard rate.

Non-current advance payments received, deferred income and other non-financial liabilities

Non-current advance payments received, deferred income and other non-financial liabilities

in €m	31.12.2016	31.12.2015
Advance payments received	4	4
Deferred income	755	734
Other non-financial liabilities	487	485
	1,246	1,223

A total of 212 billion miles from bonus miles programmes (previous year: 211 billion miles) were to be measured as of 31 December 2016. Non-current deferred income includes EUR 743m (previous year: EUR 722m) of deferred income relating to obligations under bonus miles programmes. Other non-current, non-financial liabilities include EUR 473m (previous year: EUR 477m) in obligations under bonus mile programmes.

In addition, deferred income includes EUR 8m (previous year: EUR 8m) for grants and subsidies received for capital expenditure, which are realised over the useful life of the assets.

As in the previous year, other non-financial liabilities include obligations to return material valued at EUR 1m.

The non-current portion of obligations recognised at fair value under share-based remuneration agreements that form part of the variable remuneration of Executive Board members, managers and non-payscale staff was EUR 12m (previous year: EUR 6m). A further EUR 3m (previous year: EUR 5m) is included in current other non-financial liabilities.

As part of the share-based remuneration agreements, Lufthansa and other participating Group companies offer a 50 per cent discount on staff investment in Lufthansa shares to Executive Board members, managers and non-payscale staff. The option packages granted in 2013, 2014, 2015 and 2016 consist of an outperformance option and a performance option. At the end of the programme, the participants receive a cash payment if the conditions are met.

The outperformance option is linked to the performance of the Lufthansa share compared with a fictitious index composed of European competitors' shares, whereas the performance option is linked to the absolute performance of the Lufthansa share. With the outperformance option the holder receives a cash payment for each percentage point of outperformance on exercising the option. The cash payment is capped at an outperformance of 20 per cent.

The performance options for 2013 and 2014 result in a cash payment if the share price goes up by more than 33 per cent. This is capped at a share price increase of more than 50 per cent. The performance option for 2015 results in a cash payment if the share price goes up by more than 29 per cent. This is capped at a share price increase of more than 44 per cent. The performance option for 2016 results in a cash payment if the share price goes up by more than 27 per cent. This is capped at a share price increase of more than 41 per cent.

2013, 2014, 2015 and 2016 programmes outperformance option

	€ per percentage point from 1%	Maximum per tranche in €
Board member	1,000	20,000
Managers	400	8,000
Non payscale staff (per 5 pts)	200	1,000

2013 and 2014 programmes performance option

	€ per performance unit from 33% performance	Maximum per tranche in €
Board member	10,000 + 1,000 per performance unit	20,000
Managers	4,000 + 500 per performance unit	8,000
Non-payscale staff	500 + 100 per performance unit	1,000

2015 programme performance option

	€ per performance unit from 29% performance	Maximum per tranche in €
Board member	10,000 + 1,000 per performance unit	20,000
Managers	4,000 + 500 per performance unit	8,000
Non-payscale staff	500 + 100 per performance unit	1,000

2016 programme performance option

	€ per performance unit from 27% performance	Maximum per tranche in €
Board member	10,000 + 1,000 per performance unit	20,000
Managers	4,000 + 500 per performance unit	8,000
Non-payscale staff	500 + 100 per performance unit	1,000

The programmes are scheduled to run for four years.

All options can be exercised at a fixed time in the final year. The performance and outperformance in all programmes are calculated on the principle of total shareholder return. The shares invested in personally may not be sold until the option is exercised.

No payments were made to Executive Board members, managers and non-payscale staff under the outperformance option for 2012. The same applied to the performance option for 2012, since the hurdle rate of 35 per cent was not achieved.

In the previous year, no payments were made to Executive Board members, managers and non-payscale staff under the outperformance option and the performance option for 2011.

Results of LH-Performance as of 31.12.2016

in %	End of programme	Outperformance as of 31.12.2016	Performance as of 31.12.2016
LH-Performance 2016	2020	13	17
LH-Performance 2015	2019	36	4
LH-Performance 2014	2018	4	2
LH-Performance 2013	2017	−12	7

Results of LH-Performance as of 31.12.2015

in %	End of programme	Outperformance as of 31.12.2015	Performance as of 31.12.2015
LH-Performance 2015	2019	9	11
LH-Performance 2014	2018	10	9
LH-Performance 2013	[illegible]	−[illegible]	[illegible]
LH-Performance 2012	[illegible]	−15	33

Over the financial years 2016 and 2015, the number of options changed as follows.

Change in number of options

	2016		2015	
	Number of options/ option packages	Cash settlement in € thousands	Number of options/ option packages	Cash settlement in € thousands
Outstanding options on 1.1.	17,146	[illegible]	16,914	[illegible]
Options issued	5,125	[illegible]	[illegible]	
Expired options	156	[illegible]	[illegible]	
Options exercised	3,838	[illegible]	4,150	
Outstanding options on 31.12.	18,277	[illegible]	17,146	–

On 1 January 2016, members of the Executive Board, managers and non-payscale staff held 3,944,026 shares under the various programmes, and on 31 December 2016 they held 4,236,239 shares.

The fair values of the twelve share programmes still running were calculated using Monte Carlo simulations. This involves simulating the future returns of the shares in the comparative index and of Deutsche Lufthansa AG and calculating the value of the option rights as the forecast amount of a dividend.

The following fair values were measured in total:

T141 Fair value of share programmes

in € per option	Own investment	Fair value as of 31.12.2016	Fair value as of 31.12.2015
Board member			
Options 2012	2,000	[illegible]	6,823
Options 2013	2,000	3,856	5,175
Options 2014	2,000	10,973	9,353
Options 2015	2,000	16,714	13,903
Options 2016	2,000	15,216	–
Managers			
Options 2012	2,000	[illegible]	2,816
Options 2013	2,000	1,540	2,067
Options 2014	2,000	4,386	3,738
Options 2015	2,000	6,683	5,558
Options 2016	2,000	6,084	–
Non-payscale staff			
Options 2012	1,000	[illegible]	325
Options 2013	1,000	200	260
Options 2014	1,000	554	470
Options 2015	1,000	830	698
Options 2016	1,000	764	–

The weighted average share prices at the calculation date were used in the Monte Carlo simulation. As stated in the terms of the programme, these are 50-day averages for the shares of Deutsche Lufthansa AG and the competitors included in the comparative index. The volatilities and correlations used are forecasts for a specific date and maturity on the basis of current market estimates.

Swap rates for the remaining term of the outperformance option were used as interest rates in each case. The maximum term of the programmes was used for measurement purposes.

The parameters used by the external service provider are shown in the following table:

Reference price

		Options 2013	Options 2014	Options 2015	Options 2016
Lufthansa	EUR	14.09	12.50	12.34	10.55
Air France-KLM	EUR	7.00	7.45	6.32	5.00
IAG	GBP	329.78	363.46	574.73	400.94
Ryanair	EUR	6.32	7.25	13.05	12.40
easyJet	GBP	1,200.46	1,376.98	1,735.22	1,019.24
Air Berlin	EUR	1.79	1.31	1.30	0.65

Projected volatilities

in % for:	Options 2013 as of 31.12.2016	Options 2013 as of 31.12.2015	Options 2014 as of 31.12.2016	Options 2014 as of 31.12.2015
Lufthansa	39.46	31.66	33.07	[illegible]
Air France-KLM	36.65	[illegible]	[illegible]	[illegible]
IAG	40.58	[illegible]	[illegible]	[illegible]
Ryanair	36.60	30.03	33.64	30.96
easyJet	43.07	30.86	37.19	31.33
Air Berlin	46.31	43.43	40.97	45.62
Risk-free interest rate	–0.80 respectively –0.64% for euro zone; 0.04 respectively 0.11% for UK (previous year: –0.41 respectively –0.42% for euro zone; 0.42 respectively 0.57% for UK)			
Fluctuation	5.1% (previous year: 4.7%)			

Projected volatilities (continued)

in % for:	Options 2015 as of 31.12.2016	Options 2015 as of 31.12.2015	Options 2016 as of 31.12.2016	Options 2016 as of 31.12.2015
Lufthansa	[illegible]	[illegible]	[illegible]	–
Air France-KLM	37.78	44.35	37.51	–
IAG	37.01	32.44	36.03	–
Ryanair	32.39	29.06	32.19	–
easyJet	35.44	30.03	34.70	–
Air Berlin	44.39	43.07	45.78	–
Risk-free interest rate	–0.71 respectively –0.59% for euro zone; 0.27 respectively 0.46% for UK (previous year: –0.35 respectively 0.30% for euro zone; 0.51 respectively 1.33% for UK)			
Fluctuation	5.1% (previous year: 4.7%)			

Staff costs include total expenses of EUR 12m for share programmes (previous year: EUR 5m).

Trade payables and other current financial liabilities

Trade payables and other current financial liabilities

in €m	31.12.2016	31.12.2015
Trade payables		
Trade payables to affiliated companies	46	[illegible]
Trade payables to other equity investments	0*	[illegible]
Trade payables to third parties	3,021	2,910
	3,067	**2,948**
Other liabilities		
Liabilities to banks	63	70
Other liabilities to affiliated companies	228	247
Other liabilities to equity investments	–	–
Other financial liabilities	1,331	1,582
	1,622	**1,899**
Total	**4,689**	**4,847**

* Rounded below EUR 1m

The carrying amount of these liabilities corresponds to their fair value.

Current advance payments received, deferred income and other non-financial liabilities

Current advance payments received, deferred income and other non-financial liabilities

in €m	31.12.2016	31.12.2015
Advance payments received	39	62
Net debit balance of advance payments received and receivables from unfinished contracts	18	50
Deferred income	325	333
Other non-financial liabilities	493	473
	875	**918**

Obligations of EUR 284m (previous year: EUR 295m) under bonus miles programmes (⇒ Note 36, p. 140ff.) are recognised in current deferred income, and obligations of EUR 234m (previous year: EUR 227m) in other current non-financial liabilities.

Other liabilities include deferrals of EUR 249m (previous year: EUR 235m) for outstanding holiday allowance and overtime, and EUR 3m (previous year: EUR 5m) for the current portion of fair value obligations under share-based remuneration agreements (⇒ Note 36, p. 140ff.).

Notes to the segment reporting

Notes to the reportable segments and segment data

Notes to the reportable segments
As of 31 December 2016, the Lufthansa Group operates in four reporting segments, which make up its Group activities. The segments are defined in line with the internal reporting and management structure, and are unchanged compared with the previous year.

The Passenger Airline Group segment comprises the Group's core business segment, passenger transport, and consists of the airlines Lufthansa Passengers Airlines, SWISS, Austrian Airlines and Eurowings. These activities have been combined in one reporting segment, as the economic characteristics of the individual airlines, such as sales structures, customers and services, are similar. Further information about the individual airlines can be found in the Group management report → starting on p. 43.

The Logistics segment comprises the scheduled airfreight activities of the Lufthansa Cargo group. Lufthansa Cargo is Europe's leading cargo airline.

The MRO segment is a leading global provider of maintenance, repair and overhaul services for civil and commercial aircraft, represented by the Lufthansa Technik group.

The Catering segment, represented by LSG Lufthansa Service / Sky Chefs group, is the global market leader in airline catering.

Business activities not allocated to a reportable segment are presented in the "Other" column of the segment reporting along with the income and expenses of central Group functions. They include income and expenses of Lufthansa Commercial Holding GmbH, Lufthansa AirPlus Servicekarten GmbH, Lufthansa Systems group and other Group companies

Notes to segment data and internal management
The accounting policies for the reportable segments correspond to those described in → Note 2, p. 100ff.

The Group measures the performance of its segments using two segment earnings indicators: EBIT and Adjusted EBIT. EBIT corresponds to the operating result as defined by IFRS, plus the result from equity investments. Adjusted EBIT is then obtained by correcting EBIT for gains and losses on the disposal of assets, impairment losses and earnings attributable to other periods in connection with pension obligations (plan adjustments and plan settlements).

Sales and revenue between reportable segments are based on arm's length prices. Administrative services are charged as cost a locations.

For information on external traffic revenue → Note 3, p. 109.

Capital employed largely comprises segment assets, adjusted for derivative financial instruments and deferred tax items, less non-interest-bearing debt.

Segment capital expenditure includes additions to property, plant and equipment and intangible assets, as well as capital expenditure on investments accounted for using the equity method.

The result of the equity valuation for the segment s equity investments is part of its segment result, however from a Group perspective it is not attributed to the operating result, but rather to the financial result.

Segment information by reportable operating segment 2016

in €m	Passenger Airline Group	Logistics	MRO	Catering	Total reportable operating segments	Other	Reconciliation: Not allocated	Reconciliation: Consolidation	Group
External revenue[1]	23,263	2,059	3,517	2,550	31,389	271	–	–	31,660
Inter-segment revenue	22,266	1,086	–	–	24,212	–	413	–	24,661
Inter segment revenue	628	25	1,627	644	2,924	166	–	3,090	
Total revenue	**23,891**	**2,084**	**5,144**	**3,194**	**34,313**	**437**	**–**	**–3,090**	**31,660**
Other operating income	1,110	65	222	67	1,464	1,653		–838	2,279
Total operating income	**25,001**	**2,149**	**5,366**	**3,261**	**35,777**	**2,090**	**–**	**–3,928**	**33,939**
Operating expenses	**22,904**	**2,237**	**4,983**	**3,223**	**33,347**	**2,325**	**–**	**–3,923**	**31,749**
of which cost of materials and services	14,361	1,444	2,718	1,383	19,906	141	–	–2,938	17,109
of which staff costs	3,828	428	1,272	1,184	6,712	649	–	–7	7,354
of which depreciation and amortisation	1,401	108	107	106	1,722	48	–	–1	1,769
of which other operating expenses	3,314	257	886	550	5,007	1,487	–	977	5,517
Results of equity investments	**–2**	**24**	**27**	**22**	**71**	**14**	**–**	**–**	**85**
of which result of investments accounted for using the equity method	–7	22	24	17	56	1		1	58
EBIT	**2,095**	**–64**	**410**	**60**	**2,501**	**–221**	**–**	**–5**	**2,275**
of which reconciliation items									
Impairment losses/gains	–120	–18	–	–40	–178	15	–	–	–193
Effects from pension provisions	670	–	–	8	678	–1	–	1	678
Results of disposal of assets	18	4	–1	12	9	31	–	–2	38
Adjusted EBIT[1]	**1,527**	**–50**	**411**	**104**	**1,992**	**–236**	**–**	**–4**	**1,752**
Total adjustments									523
Other financial result	–	–	–	–				–	–27
Profit/loss before income taxes	–	–	–	–	–	–	–	–	2,248
Capital employed[2]	11,851	1,084	3,826	1,317	18,078	2,272	–	122	20,228
of which from investments accounted for using the equity method	110	51	216	132	509	6	–		516
Segment capital expenditure[3]	1,866	29	216	73	2,184	27	63	–38	2,236
of which from investments accounted for using the equity method	–			2	2				2
Number of employees at end of period	54,308	4,568	20,839	35,530	115,245	9,061	–	–	124,306
Average number of employees	55,201	4,559	20,708	35,371	116,039	7,248		–	123,287

[1] For reconciliation from Adjusted EBIT to EBIT [illegible] p 30 in the Group management report
[2] The capital employed results from total assets adjusted for non operating items (deferred taxes, positive market values, derivatives) less non-interest bearing liabilities (including trade payables and liabilities from unused flight documents)
[3] Capital expenditure for intangible assets, property, plant and equipment, and investments accounted for using the equity method
Under the heading "Group" all investments (excluding interest from liabilities which has been capitalised) are shown

Segment information by reportable operating segment 2015

in €m	Passenger Airline Group	Logistics	Maintenance	Airport services	Total reportable operating segments	Other	Reconciliation: Not allocated	Reconciliation: Consolidation	Group
External revenue	23,821	2,331	3,256	2,386	31,794	262		–	32,056
of which traffic revenue[1]	22,794	2,275	–	–	25,069		437	–	25,506
Inter-segment revenue	678	24	1,843	636	3,181	222	–	–3,403	
Total revenue	**24,499**	**2,355**	**5,099**	**3,022**	**34,975**	**484**	**–**	**–3,403**	**32,056**
Other operating income	1,406	58	317	73	1,854	2,031	–	–850	3,035
Total operating income	**25,905**	**2,413**	**5,416**	**3,095**	**36,829**	**2,515**		**–4,253**	**35,091**
Operating expenses	**24,508**	**2,435**	**4,971**	**3,032**	**34,946**	**2,901**	–	**–4,311**	**33,536**
of which cost of materials and services	15,146	1,[illegible]	2,854	1,969	20,675	193	–	–3,231	17,640
of which staff costs	4,675	414	1,817	1,113	7,519	563	–	–7	8,075
of which depreciation and amortisation	[illegible]	52	103	67	1,630	79	–	–	1,715
of which other operating expenses	3,386	292	693	540	5,113	2,066	–	1,073	6,106
Results of equity investments	**68**	**25**	**3**	**22**	**118**	**3**	–	–	**121**
of which result of investments accounted for using the equity method	68	21	15	15	109	2		–	111
EBIT	**1,465**	**3**	**448**	**85**	**2,001**	**–383**	**–**	**58**	**1,676**
of which reconciliation items									
Impairment losses/gains	[illegible]		–	[illegible]	[illegible]	[illegible]			[illegible]
Effects from pension provisions	–13	–3	–6	–4	–34	1			–25
Results of disposal of assets	1	3	1	–	3	33	–	3	39
Adjusted EBIT[1)]	**1,505**	**74**	**454**	**99**	**2,132**	**–370**	–	**55**	**1,817**
Total adjustments									–141
Other financial result	–	–	–	–		–	–	–	350
Profit/loss before income taxes	–	–	–	–		–	–	–	2,026
Capital employed[2]	11,769	1,169	3,377	1,290	17,615	1,308	–	–118	18,805
of which from investments accounted for using the equity method	119	57	207	132	515	5	–	–	520
Segment capital expenditure[3]	2,201	116	154	148	2,619	23	65	–138	2,569
of which from investments accounted for using the equity method		–	–	–		–		–	–
Number of employees at end of year	55,253	[illegible]	[illegible]	34,310	114,533	5,319	–	–	120,652
Average number of employees	53,109	[illegible]	[illegible]	33,647	113,244	5,315	–		119,559

[1] For reconciliation from Adjusted EBIT to EBIT see page 30 of the Group management report.
[2] The capital employed results from total assets adjusted for non operating items (deferred taxes, positive market values derivatives) less non-interest bearing liabilities (including trade payables and liabilities from unused flight documents).
[3] Capital expenditure for intangible assets, property, plant and equipment, and investments accounted for using the equity method. Under the heading "Group" all investments (excluding interest from liabilities which has been capitalised) are shown.
[4] Previous year's figures have been adjusted due to the new reporting method.

The reconciliation column includes both the effects of consolidation activities and the amounts resulting from different definitions of segment item contents compared with the corresponding Group items.

Eliminated segment revenue generated with other consolidated segments is shown in the reconciliation column for revenue.

The amounts in the reconciliation column for EBIT include the effects of consolidation procedures on profit or loss in which income and expense do not figure for two companies at the same amount, or in the same period.

Notes on geographical regions in 2016

The allocation of traffic revenue to geographic regions is based on the original location of sale. Non-current assets are allocated according to the location of the relevant asset. The allocation of other revenue to the individual regions is based on the geographical location of the customer.

The regions are defined on a geographical basis. As an exception to this rule, traffic revenue generated in Turkey is attributed to Europe.

Lufthansa controls its air traffic operations on the basis of network results and not on the basis of regional earnings contributions. The same applies to the Catering segment. Consequently, the presentation of regional segment results is of no informational value for the Lufthansa Group.

A presentation of traffic revenue generated in the Passenger Airline Group and Logistics segments by traffic region, rather than by original location of sale, is included in the information on the respective segments in the Group management report.

External revenue, non-current assets and capital expenditure are as follows:

[illegible] External revenue and non-current assets by region for 2016

in €m	Europe	North America	Central and South America	Asia/ Pacific	Middle East	Africa	Group
Traffic revenue	16,234	3,948	609	2,902	650	318	**24,661**
Other revenue	[illegible]	[illegible]	310	[illegible]	[illegible]	[illegible]	**6,999**
Non-current assets	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	**18,733**
Capital expenditure on non-current assets	[illegible]	[illegible]	4	[illegible]		[illegible]	**2,193**

The figures for the main countries are as follows:

External revenue and non-current assets by countries for 2016

in €m	Germany	USA
Traffic revenue	[illegible]	3,565
Other revenue	950	1,715
Non-current assets	13,241	254
Capital expenditure on non-current assets	1,191	25

Traffic revenue is allocated according to the original location of sale.
Non-current assets include property, plant and equipment and intangible assets with the exception of repairable spare parts for aircraft.
Aircraft are allocated according to the location of registration.

Notes on geographical regions in 2015
External revenue, non-current assets and capital expenditure are as follows.

External revenue and non-current assets by region for 2015

in €m	Europe	North America	Central and South America	Asia/Pacific	Middle East	Africa	**Group**
Traffic revenue[1]	16,162	4,248	789	3,184	741	382	**25,506**
Other revenue[2]	2,397	1,785	329	1,159	602	278	**6,550**
Non-current assets[3,4]	17,867	265	42	217	112	18	**18,421**
Capital expenditure on non-current assets[3]	2,417	55	10	15	2	4	**2,503**

The figures for the main countries are as follows:

External revenue and non-current assets by countries for 2015

in €m	Germany	USA
Traffic revenue[1]	7,449	3,819
Other revenue[2]	855	1,431
Non-current assets[3]	13,631	219
Capital expenditure on non-current assets	1,929	51

[1] Traffic revenue is allocated according to the original location of sale
[2] Previous year's figures have been adjusted due to the new reporting method.
[3] Non-current assets include property, plant and equipment and intangible assets with the exception of repairable spare parts for aircraft.
[4] Aircraft are allocated according to their location of registration.

Revenues from transactions with a single customer in no case exceeded 10 per cent of Lufthansa Group sales in 2016.

Segment reporting from 2017
In the course of restructuring the Lufthansa Group, an organisational realignment was decided with the creation of a new segment for point-to-point traffic as of 1 January 2017. It comprises the airlines Eurowings, Germanwings and Brussels Airlines. The former Passenger Airline Group subgroup will be known as Network Airlines in future and consists of the airlines Lufthansa German Airlines, SWISS and Austrian Airlines. In addition, the training activities that previously formed part of the Passenger Airline Group (largely Lufthansa Flight Training and Swiss Aviation Training) will be merged in the Lufthansa Aviation Training group from 2017 and reported in the "Other" segment.

There have been no changes to any of the other segments.

Notes to the consolidated cash flow statement

Notes to cash flow from operating, investing and financing activities

The cash flow statement shows how cash and cash equivalents have changed over the reporting period at the Lufthansa Group. In accordance with IAS 7, cash flows are divided into cash flows from operating activities, from investing activities and from financing activities. The cash and cash equivalents shown in the cash flow statement comprise the balance sheet items bank balances and cash-in-hand, without fixed-term deposits with terms of three to twelve months, amounting to EUR 118m (previous year: EUR 103m). The amount of liquidity in the broader sense is reached by adding short-term securities.

Additional information on the cash flow statement

Cash flow from operating activities

Cash flow from operating activities is derived from profit/loss before income taxes using the indirect method. It is adjusted for non-cash income and expenses as well as changes in trade working capital and in other assets/liabilities that are not attributable to investing or financing activities.

In the current financial year, the Group primarily recognised the following non-cash income and expenses:

Significant non-cash income and expenses

in €m	2016	2015
Measurement of financial derivates	250	-664
Measurement of financial debts	59	160
Write-downs on receivables	88	90
Reversal of write-downs on receivables	-27	[illegible]
Income from the reversal of provisions and accruals	-205	245
Restructuring or retirement and transitional benefits for cabin crew	-652	–
Total	**-1,037**	**-691**

Trade working capital consists of changes in the carrying amounts of inventories, trade receivables and payables; half-finished goods and down payments, other current assets and other current liabilities, current deferrals and prepaid expenses and obligations from unused flight documents.

Other assets/liabilities mainly include corrections between pension expenses and payments, changes in other provisions and corrections for non-cash effects from currency translation.

Cash flow from investing (and cash management) activities

Cash flows from investing and financing activities are calculated on the basis of payments.

Cash flow from investing activities is resulted mainly from investments and disinvestments in non-current assets.

Assets capitalised by the Lufthansa Group that meet the criteria for finance leases are categorised as cash flow from investing activities. In the reporting year, they amounted to EUR 130m (previous year: EUR 19m).

The Group contributed EUR 153m to pension assets in 2016 (previous year: EUR 722m). These payments were categorised as cash flow from investing and cash management activities. Pensions paid from fund assets represent cash inflows from investments, which correspond to cash outflows from operating activities.

Cash flow from financing activities

Cash flow from financing activities includes outflows for the repayment of finance lease liabilities. Inflows of EUR 46m from new borrowing (previous year: EUR 19m) are shown corresponding to cash outflows from investing activities for new finance lease transactions. An advance payment of EUR 80m was made for the renewal of the Austrian Airlines financial lease at Vienna Airport. This amount is therefore not shown in cash flow from financing activities, but as a cash inflow for new finance lease transactions from borrowing.

Additional disclosures on financial instruments

Financial assets by measurement category

The financial assets can be divided into measurement categories with the following carrying amounts:

Financial assets in the balance sheet as of 31.12.2016

in €m	Loans and receivables	At fair value through profit or loss	Available for sale	Derivative financial instruments which are an effective part of a hedging relationship
Other equity investments	-	-	212	-
Non-current securities	-	-	23	-
Loans	189	-	-	-
Non-current receivables	297	-	-	-
Non-current derivative financial instruments	-	252	-	1,222
Trade receivables and other current receivables	4,542	-	-	-
Current derivative financial instruments	-	89	-	445
Current securities	-	-	2,681	-
Cash and cash equivalents	-	-	1,256	-
Total	**5,028**	**341**	**4,172**	**1,667**

Financial assets in the balance sheet as of 31.12.2015

in €m	Loans and receivables	At fair value through profit or loss	Available for sale	Derivative financial instruments which are an effective part of a hedging relationship
Other equity investments	-	-	201	-
Non-current securities	-	-	15	-
Loans	182	-	-	-
Non-current receivables	293	-	-	-
Non-current derivative financial instruments	-	201	-	1,033
Trade receivables and other current receivables	4,360	-	-	-
Current derivative financial instruments	-	58	-	382
Current securities	-	-	1,994	-
Cash and cash equivalents	-	-	1,090	-
Total	**4,835**	**259**	**3,309**	**1,415**

The financial assets in the category "at fair value through profit or loss" include assets held for trading and time values of options used for hedging of EUR 87m (previous year: EUR 1m) which are to be recognised in the financial result. Otherwise, no financial assets have been classified as "at fair value through profit or loss".

The net result of the different categories of financial assets is made up as follows:

Net result 2016

in €m	Other operating income	Depreciation	Other operating expenses	Other financial items	Net result
Loans and receivables	30	-17	-88		-75
Derivatives held for trading classified as "at fair value through profit or loss"	-	-		84	84
Ineffective portion of derivatives used as cash flow hedges	-	-	-	167	167
Available-for-sale financial assets	43		-	-	43

Net result 2015

in €m	Other operating income	Depreciation	Other operating expenses	Other financial terms	Net result
Loans and receivables	35	–59	90		**–114**
Derivatives held for trading classified as "at fair value through profit or loss"	–	–	–	17	**–17**
Ineffective portion of derivatives used as cash flow hedges	–	–	–	6	**8**
Available-for-sale financial assets	[illegible]			673	**726**

Financial liabilities by measurement category

The financial liabilities can be divided into measurement categories with the following carrying amounts:

Financial liabilities in the balance sheet as of 31.12.2016

in €m	Liabilities at fair value through profit or loss	Derivative financial instruments which are an effective part of a hedging relationship	Other financial liabilities at cost
Financial liabilities	–	–	6,575
Derivative financial instruments	54	185	–
Trade payables		–	3,067
Other financial liabilities		–	1,746
Total	**54**	**185**	**11,388**

Financial liabilities in the balance sheet as of 31.12.2015

in €m	Liabilities at fair value through profit or loss	Derivative financial instruments which are an effective part of a hedging relationship	Other financial liabilities at cost
Financial liabilities	–	–	6,370
Derivative financial instruments	85	1,443	–
Trade payables	–	–	2,948
Other financial liabilities			2,020
Total	**85**	**1,443**	**11,338**

The measurement of derivative financial instruments held at fair value was made on the basis of observable market data.

The following table shows the carrying amounts and market values for individual classes of financial liabilities. The market values given for the bonds are their quoted prices. The market values for other types of financial liability have been calculated using the applicable interest rates for the remaining term to maturity and repayment structures at the balance sheet date based on available market information (Reuters).

Financial liabilities

	31.12.2016		31.12.2015	
in €m	Carrying amount	Market value	Carrying amount	Market value
Bonds	1,009	1,037	1,749	1,789
Liabilities to banks	1,775	1,775	1,079	1,095
Leasing liabilities and other loans	3,791	3,820	3,542	3,663
Total	**6,575**	**6,632**	**6,370**	**6,547**

Financial assets held at fair value by level of fair value hierarchy

The following table shows financial assets and liabilities held at fair value by level of fair value hierarchy. The levels are defined as follows:

- Level 1: Financial instruments traded on active markets, the quoted prices for which are taken for measurement unchanged.
- Level 2: Measurement is made by means of valuation methods with parameters derived directly or indirectly from observable market data.
- Level 3: Measurement is made by means of valuation methods with parameters not based exclusively on observable market data.

Assets 31.12.2016

in €m	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
Financial derivatives classified as held for trading	–	341	–	341
Current securities	–	–	–	–
Total financial assets through profit and loss	**–**	**341**	**–**	**341**
Derivative financial instruments which are an effective part of a hedging relationship	–	**1,667**	–	**1,667**
Available-for-sale financial assets				
Equity instruments	576	10	–	586
Debt instruments	–	2,113	–	2,113
	576	**2,123**	**0**	**2,699**
Total assets	**576**	**4,131**	**0**	**4,707**

Liabilities 31.12.2016

in €m	Level 1	Level 2	Level 3	Total
Derivative financial instruments at fair value through profit or loss	–	54		54
Derivative financial instruments which are an effective part of a hedging relationship		185	–	185
Total liabilities	–	**239**	–	**239**

In the financial year 2015, the fair value hierarchy for assets held at fair value was as follows:

Assets 31.12.2015

in €m	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
Financial derivatives classified as held for trading	–	259	–	259
Current securities	–	–	–	–
Total financial assets through profit and loss	**–**	**259**	**–**	**259**
Derivative financial instruments which are an effective part of a hedging relationship	**–**	**1,415**	**–**	**1,415**
Available-for-sale financial assets				
Equity instruments	238	51	24	313
Debt instruments	–	1,714	–	1,714
	238	**1,765**	**24**	**2,027**
Total assets	**238**	**3,439**	**24**	**3,701**

Liabilities 31.12.2015

in €m	Level 1	Level 2	Level 3	Total
Derivative financial instruments at fair value through profit or loss	–	85	–	85
Derivative financial instruments which are an effective part of a hedging relationship	–	1,443	–	1,443
Total liabilities	**–**	**1,528**	**–**	**1,528**

Additional disclosures on financial assets in Level 3

in €m	1.1.2016	Recognised in result for the period	Change in market value recognised in equity	Additions / disposals	31.12.2016
Available-for-sale financial assets	24	–	–	–24	0
Total	**24**	**–**	**–**	**–24**	**0**

Additional disclosures on financial assets in Level 3

in €m	1.1.2015	Recognised in result for the period	Change in market value recognised in equity	Additions / disposals	31.12.2015
Available-for-sale financial assets	–	–	24	–	24
Total	**–**	**–**	**24**	**–**	**24**

Netting of financial assets and liabilities

The following financial assets and liabilities are subject to global netting agreements and other agreements.

Assets 31.12.2016

in €m	Gross amount	Netted amounts	Reported net amount	Amounts not netted	Net amount
Trade receivables and other current receivables	4,439	–103	4,542	–	4,542
Derivative financial instruments – assets	2,008	–	2,008	–52	1,956
Cash and cash equivalents	1,228	28	1,256	–	1,256
Total assets	**7,675**	**–131**	**7,806**	**–52**	**7,754**

Liabilities 31.12.2016

in €m	Gross amount	Netted amounts	Reported net amount	Amounts not netted	Net amount
Trade payables and other financial liabilities	4,837	–131	4,968	–52	4,916
Derivative financial instruments – liabilities	239	–	239	–	239
Total liabilities	**5,076**	**–131**	**5,207**	**–52**	**5,155**

In the previous year, the net balances were as follows:

Assets 31.12.2015

in €m	Gross amount	Netted amounts	Reported net amount	Amounts not netted	Net amount
Trade receivables and other current receivables	4,481	121	4,360	–	4,360
Derivative financial instruments – assets	1,674	–	1,674	–848	826
Cash and cash equivalents	1,132	–33	1,099	–	1,099
Total assets	**7,287**	**–154**	**7,133**	**–848**	**6,285**

Liabilities 31.12.2015

in €m	Gross amount	Netted amounts	Reported net amount	Amounts not netted	Net amount
Trade payables and other financial liabilities	5,122	–154	4,968	–35	4,933
Derivative financial instruments – liabilities	1,528	–	1,528	–813	715
Total liabilities	**6,650**	**–154**	**6,496**	**–848**	**5,648**

Principles of hedging policy

As an aviation group with worldwide operations, the Lufthansa Group is exposed to exchange rate, interest rate and fuel price movement risks, as well as to credit and liquidity risks. It is Company policy to limit these risks by systematic financial management.

Market risk

The major market and price risks to which the Lufthansa Group is exposed are exchange rate fluctuations between the euro and other currencies, interest rate fluctuations in international money and capital markets, and price fluctuations in the crude oil and oil products markets. Hedging policy for limiting these risks is laid down by the Executive Board and documented by internal Group guidelines. It also provides for the use of financial derivatives. The corresponding financial transactions are concluded only with first-rate counterparties.

Foreign exchange risk

For US dollars, Lufthansa is mainly in a net payer position as regards currency risks from its operating business, as fuel payments are dollar denominated. For other currencies there is always a net surplus. The main risks in this respect stem from the Chinese renminbi, the Swiss franc, the pound sterling, the Japanese yen, and the Indian rupee. Depending on market liquidity, currency risks from projected operational exposure are hedged gradually over a period of 24 months by means of futures contracts. The target hedging level is defined in the Group's internal guidelines

At the end of 2016, exposure from operations for the next 24 months was as follows.

Currency exposure, as of 2016

in millions	USD	CNY	JPY	GBP	INR
Exposure (currency)	–3,527	9,999	104,277	702	55,006
Exposure (EUR at spot rate)	–3,346	1,366	845	820	768
Hedges (currency)	1,151	–4,013	43,491	–290	–12,063
Hedging level	33%	40%	42%	41%	22%

50 per cent of the currency risks from capital expenditure are hedged when the contract is signed. The hedging level is reviewed and increased, where necessary, if, over the lifetime of the contract, the exchange rate goes significantly above or below that used to calculate the investment. In the last 24 months before payment, the hedging level is increased in semi-annual steps of 10 per cent, to reach 90 per cent at the end. Spread options and futures may be used as hedging instruments.

From the position at year-end 2016, exposure for capital expenditure was as follows:

[116] Investment exposure, as of 2016

in millions	2017	2018	2019	2020	2021	2022	2023	2024	2025
Exposure from net capital expenditure (USD)	−883	−1,256	−1,396	−1,816	−1,898	−1,858	−1,588	−1,317	−578
Exposure from net capital expenditure (EUR at spot rate)	837	−1,191	−1,324	−1,721	−1,799	−1,761	−1,505	−1,249	−548
Hedges (USD)	780	988	669	1,111	1,074	1,583	1,386	996	354
Hedging level	88%	79%	48%	61%	57%	85%	87%	76%	61%

The following sensitivity analysis required by IFRS 7 shows how net profit and equity would change if the currencies identified as price risk variables had been different from those at the balance sheet date.

[114] Sensitivity analysis by currency

[illegible]	Effects on earnings after taxes[1]	Effects on equity
Currency – USD		
+10%	65	724
−10%	64	−592
Currency – JPY		
+10%	0*	−29
−10%	0*	24
Currency – CHF		
+10%	5	−99
−10%	2	81
Currency – GBP		
+10%	5	−28
−10%	−4	23
Currency – CNY		
+10%	2	−43
−10%	−2	35
Currency – INR		
+10%	2	−14
−10%	−2	11

* Rounded below EUR 1m.
[1] All amounts after deferred tax effects; +/− signs relate to net profit and/or equity

Interest rate risk

Lufthansa aims to finance 85 per cent of its financial liabilities at floating rates of interest. This proportion recognises the need to both minimise long-term interest expense and reduce earnings volatility.

At the end of 2016, the ratio of floating to fixed interest rates for long-term borrowing was as follows.

[115] Interest rate exposure

in EUR	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Fix	1,270	1,226	1,190	1,065	929	510	542	357	228	134	87
Variabel	4,863	4,786	4,293	3,337	2,841	1,179	974	569	454	361	196
Float/Fix Ratio	79%	80%	78%	75%	75%	70%	63%	62%	67%	73%	69%

In contrast, foreign currency risks from financial liabilities are always hedged to 100 per cent by means of interest rate/currency swaps. These hedging transactions are treated as trading in accordance with IAS 39.

The following sensitivity analysis required by IFRS 7 shows how net profit and equity would change if the interest rate identified as a price risk variable had been different from the perspective of the balance sheet date. In view of the current, low interest rates, a reduction of more than 50 basis points is not considered likely, which is why the analysis was limited to this figure.

Sensitivity analysis by interest rate

in €m	Effects on earnings after taxes[1]	Effects on equity[1]
Interest		
+100 basis points	−18	−37
−50 basis points	12	20

[1] All amounts after deferred tax effects. +/− signs relate to net profit and/or equity.

Fuel price risk

In 2016, fuel costs accounted for 15.4 per cent of the Lufthansa Group's operating expenses (previous year: 17.2 per cent). Significant changes in fuel prices can therefore have a considerable effect on the Group's result.

Fuel price risk is generally limited by the use of crude oil hedges. The hedging level and the time horizon depend on the risk profile, which is derived from the business model of a Group company. As a rule, up to 5 per cent of exposure is hedged monthly for up to 24 months by spread options and other combinations of hedges.

Executive Board approval may be obtained to extend the hedging period and to increase the monthly hedging volume in order to exploit market opportunities. The target hedging level is up to 85 per cent.

Deviations from the rule-based hedging policy described above are permitted within the scope of a pre-defined system of limits.

From a year-end perspective, fuel exposure was as follows:

Fuel exposure

		2017	2018
Fuel requirement	in 1,000 tonnes	9,394	9,615
Hedges	in 1,000 tonnes	6,926	2,536
Hedging level	in %	74	26

The following sensitivity analysis required by IFRS 7 shows how net profit and equity would change if the fuel price identified as a risk variable had been different from the perspective of the balance sheet date.

Sensitivity analysis by fuel price

in €m	Effects on earnings after taxes[1]	Effects on equity[1]
Fuel price		
−10%	−20	245
+10%	17	−211

[1] All amounts after deferred tax effects. +/− signs relate to net profit and/or equity.

Market values of the derivative financial instruments used for hedging

At the balance sheet date, exchange rate, interest and fuel price risks are hedged by means of the following hedging transactions.

Derivative financial instruments used for hedging

	31.12.2016		31.12.2015	
in €m	Positive market value	Negative market value	Positive market value	Negative market value
Fair value hedge				
Interest rate swaps	58	0[1]	84	−1
Cash flow hedge				
Spread options for fuel hedging	50	[illegible]	0[1]	−169
Swaps for fuel hedging	20	[illegible]	–	−14
Hedging combinations for fuel hedging	190	−50	[illegible]	−963
Futures contracts for currency hedging	1,297	−148	1,331	−296
Total	**1,667**	**−185**	**1,415**	**−1,443**
of which current	445	−146	382	−1,180

[1] Rounded below EUR 1m

The market values stated for financial derivatives correspond to the price at which an independent third party would assume the rights and/or obligations from the financial instrument.

The fair values of interest rate derivatives correspond to their respective market values, which are measured using appropriate mathematical methods, such as discounting expected future cash flows. Discounting takes market standard interest rates and the residual term of the respective instruments into account.

Currency futures and swaps are individually discounted to the balance sheet date based on their respective futures rates and the appropriate interest rate curve. The market prices of currency options and the options used to hedge fuel prices are determined using acknowledged option pricing models.

From a current perspective, the fuel price and currency cash flow hedges will have the following effects on the result for the period and/or on the acquisition costs of hedged capital expenditure:

Effects of hedging transactions on earnings and acquisition costs

Financial year	Result for the period in €m	First-time measurement of acquisition costs in €m	Total in €m
2017	224	68	292
2018	61	99	160
2019	0*	104	104
2020	–	161	161
2021	–	145	145
2022	–	209	209
2023	–	169	169
2024	–	109	109
2025	–	34	34
2026	–	0*	0*
Gesamt	**285**	**1,098**	**1,383**

* Rounded below EUR 1m.
** Positive signs mean reduced acquisition costs.

In the 2016 financial year, EUR 760m was transferred for maturing interest rate swaps from equity to fuel expenses, increasing these expenses. For currency hedges, EUR 372m was transferred from equity to other operating income and EUR 293m to other operating expenses. A further EUR 34m was recognised by reducing acquisition costs for aircraft.

Derivative financial instruments measured at fair value through profit or loss are shown in the following table:

Derivative financial instruments trading

in €m	31.12.2016	31.12.2015
Positive market value – non-current	252	201
Positive market value – current	89	58
Negative market value – non-current	15	–44
Negative market value – current	–39	–41
	287	**174**

The positive and negative market values shown are from derivatives that do not qualify under IAS 39 as effective hedging instruments within a hedging relationship as well as the time values of options used for hedging. Derivatives that do not qualify as effective hedging instruments within a hedging relationship include cross currency swaps. These instruments are used explicitly for hedging existing hedged items, in particular fixed-interest financial liabilities in foreign currencies. Solely on the basis of the criteria defined in IAS 39, however, these cross currency swaps cannot be presented as effective hedging instruments.

Fair values are all calculated on the basis of recognised financial and mathematical methods, using publicly available market information.

Changes in the market values of derivatives which do not qualify as effective hedging transactions under IAS 39 can be seen in the → Income statement, p 94, and in → Note 13, p 112

Liquidity risk

Complex financial planning systems enable Lufthansa to identify its future liquidity position at an early stage. Based on the results of the Group strategy and planning processes, a monthly rolling liquidity plan is drawn up with a planning horizon of 24 months. This planning method offers an up-to-date picture of anticipated liquidity developments within the company and corresponding currency effects.

In principle, Lufthansa holds a liquidity reserve of at least EUR 2.3bn that is available at short notice. In addition, the Lufthansa Group held confirmed unused lines of credit as of 31 December 2016 totalling EUR 0.9bn (previous year: EUR 0.8bn).

A maturity analysis for the financial liabilities and the derivative financial instruments based on undiscounted gross cash flows including the relevant interest payments shows the following projected cash inflows and outflows from the perspective of the balance sheet date 31 December 2016. As a result of the hedges used, there are generally direct connections between the cash inflows and outflows for the derivative financial instruments shown.

Maturity analysis for derivative financial instruments

in €m	Inflows	Outflows	Net
1st quarter	2,325	−2,246	82
Up to 1 year*	4,607	4,321	−286
1 – 5 years	6,099	−4,985	1,114
Later	5,165	−3,829	1,336

* Without payments in 1st quarter.

Maturity analysis for non-derivative financial instruments

in €m	Outflows*
1st quarter	−5,793
Up to 1 year*	−17,201
1 – 5 years	−24,401
Later	−18,952

* Without payments in 1st quarter.

Credit risk

The sale of passenger travel and freight documents mostly takes place via agencies. These agencies are mostly connected to national clearing systems for billing passenger and freight sales. The creditworthiness of the agents is reviewed by the clearing system responsible. Due to the broad diversification, credit risk for the agencies is relatively low worldwide. Nonetheless, credit terms for agents in some markets were tightened significantly in cooperation with the International Air Transport Association (IATA) in order to reduce credit risks even further.

Receivables and liabilities between airlines are offset through bilateral arrangements or via an IATA clearing house, insofar as the contracts underlying services do not explicitly specify otherwise. Systematic settlement of weekly receivables and liability balances significantly reduces the default risk. Fidelity guarantee insurance also covers partial risks within a certain range. Service contracts occasionally require collateral for miscellaneous transactions.

All other contractual relationships are subject to credit rules, which, depending on the type and volume of the contract involved, require collateral, credit ratings/references or historical data from prior dealings, particularly payment history, in order to avoid defaults.

Counterparty risks in connection with credit card companies are monitored closely and incoming payments reviewed daily. To reduce risks even further, a permanent analysis process examines whether to tighten credit terms for some settlement partners.

In addition to the monitoring of receivables at company or segment level there is also counterparty monitoring at Group level, with individually assigned limits, in order to identify the accumulation of portfolio risks across the entire Group and take appropriate action if necessary.

If risks are identified, receivables are impaired accordingly.

As of 31 December 2016, the maximum credit risk from the potential insolvency of debtors for loans and receivables was EUR 5,028m, made up as follows:

Maximum credit risk

in €m	31.12.2016	31.12.2015
Loans	185	182
Non-current receivables	237	293
Trade receivables and other current receivables	4,542	4,360
	5,028	4,835

Impairments on loans and receivables developed as follows:

Impairment on loans and receivables

in €m	1.1.2016	31.12.2016
Gross amount	260	218
Impairment charges	−219	−179
Carrying amount	**41**	**39**

A further EUR 174m (previous year: EUR 173m) were overdue but not impaired.

The term structure of overdue receivables is as follows:

Overdue receivables

in €m	
Up to 90 days	116
Between 90 and 180 days	19
Over 180 days	39

There is a credit risk on available-for-sale financial assets in the amount of the securities which do not represent equity instruments.

Securities classified as non-current and current are made up as follows:

Classification of securities

in €m	31.12.2016
Debt instruments	2,113
Equity instruments	591
Total securities	**2,704**

Securities representing debt are rated as follows (Standard & Poor's):

Securities ratings – debt

in €m	
AAA	186
AA+	24
AA	124
AA-	92
A+	109
A	329
A-	155
BBB+	106
BBB	67
Below BBB or unrated	831
Total	**2,113**

The "Below BBB or unrated" category includes EUR 805m in money market funds for which there is no rating.

The credit risk from derivative financial instruments is that of a counterparty's insolvency. The maximum credit risk is the sum of transactions with the business partners in question for which the market values are on balance positive.

As of 31 December 2016 the credit risk from derivative financial instruments, which are an effective part of a hedging relationship, was EUR 1,667m (as of 31 December 2015: EUR 1,415m). The counterparty default risk for financial market transactions is limited by defining a maximum risk, taking the credit score given by recognised rating agencies into account.

Positive market values on the balance sheet date exist for transactions with business partners rated as follows (Standard & Poor's):

Contractual partner ratings – credit risk from hedging relationships

in €m	
AA-	264
A+	221
A	443
A-	358
BBB+	256
BBB	105
Below BBB or unrated	20
Total	**1,667**

The credit risk arising from financial derivatives shown at fair value through profit or loss amounted to EUR 341m as of 31 December 2016, and consisted of the total amount of business with contractual partners that on balance showed a positive market value. The contractual partners have the following ratings (Standard & Poor's):

Contractual partner ratings – credit risk recognised in the income statement

in €m	
AA-	45
A+	43
A	48
A-	103
BBB+	82
BBB	15
Below BBB or unrated	5
Total	**341**

12 Contingencies and events after the balance sheet date

Contingent liabilities

in €m	31.12.2016	31.12.2015
From guarantees, bills of exchange and cheque guarantees	909	843
From warranty contracts	733	872
From providing collateral for third-party liabilities	35	47
	1,677	**1,762**

Warranty agreements included EUR 420m (previous year: EUR 373m) in contingent liabilities towards creditors of joint ventures. Liabilities under collateral agreements included contingent liabilities of EUR 4m (previous year: EUR 13m) towards creditors of joint ventures. A total of EUR 1,319m (previous year: EUR 1,199m) relates to joint and several guarantees and warranties. These are matched by compensatory claims against the other co-debtors amounting to EUR 1,190m (previous year: EUR 1,085m). Insofar as annual financial statements have yet to be published, these figures are preliminary.

Otherwise, several provisions for other risks could not be made because an outflow of resources was not sufficiently probable. The potential financial effect of these provisions on the result would have been EUR 103m (previous year: EUR 51m).

Signed contracts for the sale of aircraft are expected to yield profits of EUR 7m and cash receipts of EUR 9m in the coming financial year.

Legal risks

The Group is exposed to a number of legal risks in the course of its normal business. Based on current knowledge, the assumption is that these will not have any major, lasting effects on the net assets, financial and earnings position, beyond those for which provisions for litigation risks have been made (→ Note 33, p. 136ff.)

Legal disputes and other claims made against the Group are always subject to uncertainty, however. Management estimates of these risks may also change over time. The actual outcome of these legal disputes may differ from earlier management estimates, which could have significant effects on the net assets, financial and earnings position and the reputation of our Company.

Due to the existing uncertainties and to those described below, we cannot make an assessment of the amount of the respective contingent liabilities or of the group of contingent liabilities. The legal disputes that these statements refer to include, among other things:

Risk of successful claims for damages in ongoing anti-trust proceedings

Various cargo airlines, including Lufthansa Cargo AG and Swiss International Air Lines AG, were involved in a cargo cartel in the period between December 1999 and February 2006. Deutsche Lufthansa AG, Lufthansa Cargo AG and Swiss International Air Lines AG are at risk of civil claims for damages in Germany, the United Kingdom, Norway, Israel, Korea and the Netherlands. The lawsuits have been brought by both direct and indirect customers and are addressed to the airlines as co-debtors.

In Germany, a lawsuit against Lufthansa Cargo AG and others for information and damages was filed with Cologne regional court by a subsidiary of Deutsche Bahn AG. Litigation proceedings were started in late 2013 and expanded in late 2014. The lawsuit is addressed to a total of eleven cargo airlines and claims for purported damages of around EUR 3bn in total. The respondents filed extensive separate replies to the extended suit on 30 November 2016.

At present, it is not possible to give a concrete assessment of the outcome of the lawsuits already pending and of the number and amount of any other claims. When evaluating the risk, it should nonetheless be borne in mind that the European Commission's decision on the cargo cartel, which the plaintiffs in the civil lawsuits refer to, among others, is still not definitive. Following the nullification of this 2010 decision by the European Court of Justice (ECJ) in December 2015, the European Commission announced that it would issue a new decision in the course of 2017.

Moreover, an expert economic opinion commissioned by Lufthansa Cargo AG and Swiss International Air Lines AG has come to the conclusion that the cartel did not inflict any actual damage on customers. Even if there were damages (i.e. allegedly higher cartel prices), the court will have to examine whether the plaintiffs did not pass them on to their own customers (in the case of the freight forwarders) or whether they were indeed passed on to them (in the case of the final customers). Based on current assessments, there is nonetheless a slight probability of losing some of these lawsuits, which could have not insignificant effects on the Group's net assets, financial and earnings position.

Price fixing in passenger transport

In a lawsuit filed with a court in Ontario, Canada, Deutsche Lufthansa AG and six other airlines are accused of colluding to fix prices and surcharges for passenger transport on transatlantic routes to and from Canada since 2000. As far as the Company is aware, there are currently no indications whatsoever of such illegal price fixing.

Introduction of the Distribution Cost Charge (DCC) as part of the Content 2.0 project

The DCC of EUR 16.00, which was introduced in the course of the Content 2.0 project for all bookings made via computerised reservation systems (CRS), is subject to judicial or regulatory review in various jurisdictions.

Four complaints from travel agents' associations or online agents have been filed with the European Commission (DG Mobility and Transport). By introducing the DCC for CRS bookings, Deutsche Lufthansa AG (LH) is accused of breaching EU Regulation 80/2009, because the DCC is not levied on its own LHGroup-agent.com distribution channel. It is currently unclear whether the Commission will open formal proceedings against Deutsche Lufthansa AG by sending a list of the complaints.

In Austria, the Association for the Promotion and Protection of Fair Competition (VFSW) has applied to Korneuburg regional court for an injunction to prevent Austrian Airlines AG (OS) from levying the DCC and withholding "full content". The plaintiff is invoking Section 1f. UWG and claims that by withholding "full content", Austrian Airlines is discriminating against agents and deceiving consumers by not showing prices correctly. At the request of Austrian Airlines, the proceedings were referred to the relevant commercial court in Vienna. An application for a preliminary injunction against Austrian Airlines was rejected. In the interim, the plaintiff's legal counsel has resigned from the case. It remains to be seen how this will affect the duration and the outcome of the proceedings

Following the negative ruling by the Austrian Federal Competition Authority (BWB), the travel agents' trade association in the Austrian Federal Economic Chamber has filed a private claim with the competition court against Deutsche Lufthansa AG applying for removal of abuse of significant market power. The substance of the application is largely the same as in the unsuccessful appeal to the BWB; the applicants are claiming that the DCC constitutes obstructive and discriminatory market abuse, as well as "margin squeezing". It is not currently possible to say what the chances of success or the duration of proceedings may be.

In this context, the Lufthansa Group (LHG) airlines intend to provide their customers with various other technical and commercial sales channels in future in addition to sales via the classic GDS (global distribution system), including direct connections to the Lufthansa Group systems. There was an out-of-court dispute between the Sabre GDS and the Lufthansa Group over the question of whether this expanded offering from the Lufthansa Group corresponds to the function of a GDS as defined in the contract. The Lufthansa Group has filed an application for a declaratory judgement on the matter with the District Court of Tarrant County, Texas. By making the application, the Lufthansa Group is seeking a judicial ruling on the different interpretations of this contractual clause.

Lawsuit against the reduction in transitional benefits by the amount of a state disability pension and the company retirement pension and against the deduction of health insurance contributions

Several flight attendants are suing Deutsche Lufthansa AG (LH) before the labour court in Frankfurt for offsetting the state pension for reduced earnings capacity and the company retirement pension against benefit entitlements under the collective agreement on transitional benefits (TV ÜV), which they receive because of their prolonged incapacity for flight service. Some of the plaintiffs are also objecting to the deduction of health insurance contributions when these transitional benefits are paid. In their reasoning, they claim that this constitutes discrimination because of their disability and is therefore a breach of Directive 2000/78/EC, and also that the transitional benefits are bridging payments for which no health insurance contributions are payable. In its defence, Deutsche Lufthansa AG claims that the offsetting is provided for in the TV ÜV, that this provision is valid and that it does not contravene higher ranking law. Furthermore, in the opinion of Deutsche Lufthansa AG, the benefits are invalidity benefits, because they are paid due to incapacity for flight service and are therefore subject to health insurance contributions. The first hearings will take place in March 2017 at the labour court in Frankfurt. A definitive ruling is not expected before 2018. The flight attendants have already asked for the matter to be referred to the ECJ.

Lawsuits for termination of a transport contract (Section 649 German Civil Code [BGB])

Deutsche Lufthansa AG is suing numerous customers in Germany before district courts and regional courts for termination of transport contracts. These proceedings are about whether the customer can cancel free of charge at any time and still have the price refunded, despite choosing a non-refundable fare. Under certain circumstances, Section 649 BGB gives customers of a work contract such a right. In this case, the work contractor must refund the expenses it no longer incurs because of the customer's early termination, whereby the law includes the (refutable) presumption that the contractor is generally only left with expenses totalling 5 per cent of the agreed payment for the work, which it may therefore keep.

Case law generally applies the law of work contracts to transport contracts. Deutsche Lufthansa AG is referring in these proceedings – mostly with success – to the fact that the terms and conditions of the fare effectively rule out the application of Section 649 in the disputed cases. Customers also have a choice between various fares. Non-refundable tickets are offered at a particularly attractive price, for which the customer makes a concious choice. Customers are explicitly advised of the restrictions associated with the fare before they make the booking. If it is important to the customer to have the option of cancelling or rebooking a ticket, there are other products on offer at any time which enable just that. So far, it does not look as if any of these lawsuits will proceed to the German Federal Court of Justice (BGH). A defeat in the final instance (BGH) would have structural consequences. If customers could cancel any ticket free of charge and have the price refunded even for non-refundable fares (apart from the 5 per cent mentioned above), Deutsche Lufthansa AG would be forced to restructure a key element of its fare pricing mechanism. Cancellation (at will or with restrictions) would then no longer be available as a pricing criterion.

Investigations in connection with work and service contracts

The German customs office is currently investigating possible breaches of the German Law on Labour Leasing (AÜG) concerning the procurement of services by the Lufthansa Group. There are also administrative proceedings with the German Statutory Pension Insurance Scheme concerning the classification of two service providers who are allegedly falsely claiming independent contractor status. The circumstances of the matter as well as any possible parallel structures are currently the subject of an in-depth investigation by an external law firm. An assessment of possible risk is therefore not possible, either in relation to the existence of possible breaches or as regards the consequences of said breaches.

Tax risks

Tax risks exist largely because of differences in legal opinions between the German tax authorities and the Company. In tax audits for the financial years 2001 to 2012, the tax authorities came to a number of different conclusions to those on which the Company had based its tax returns, relating, in particular, to partial write-downs on shareholder loans, the treatment of various lease structures, the acquisition of a foreign subsidiary and the recognition and measurement of certain provisions and assets. The Lufthansa Group has appealed against the resulting tax assessments. Based on current information, the Lufthansa Group assumes that there is a very strong likelihood of winning in all the matters at dispute. As of the reporting date, no provision had therefore been made. There is, however, the risk of a possible subsequent payment totalling some EUR 600m for the circumstances mentioned. The assessment of the amount is subject to uncertainty. Should Lufthansa's legal position be upheld, there is no risk. Risks for financial years, for which the audit has not yet begun, cannot be estimated with the required degree of reliability at present.

Events after the balance sheet date

Deutsche Lufthansa AG becomes sole shareholder of the Brussels Airlines group

Deutsche Lufthansa AG acquired the remaining 55 per cent of the shares in SN Airholding SA/NV with effect from 9 January 2017, and is therefore the sole shareholder of the Brussels Airlines group. The acquisition is based on the purchase and option agreement dating from 2008. The option was exercised on the basis of a new agreement between the previous shareholders and Lufthansa, dated 15 December 2016, which set the strike price for the remaining shares at EUR 2.6m. Brussels Airlines will be fully consolidated in the new Point-to-Point segment. → Note 45, p. 162ff.

Wet-lease agreement with Air Berlin approved

On 30 January 2017, the German Federal Cartel Office unconditionally approved the wet lease of 38 aircraft agreed between the Lufthansa Group and Air Berlin. In the course of the transaction, the Lufthansa Group will acquire or lease up to 25 A320s from Air Berlin's lessors and will, in turn, itself lease them to Air Berlin for operation at market prices. This is intended to achieve sustainable cost reductions as part of the agreement.

Lufthansa Group and Vereinigung Cockpit pilots' union reach agreement in arbitration

On 15 February 2017, the Lufthansa Group and Vereinigung Cockpit accepted the arbitration proposal concerning the wage agreement. This includes a pay increase of around 8.7 per cent for the 5,400 pilots in the Group wage agreement as well as a one-off payment totalling some EUR 30m. The wage agreements shall run from May 2012 until the end of 2019. The outcome of the arbitration means an increase in remuneration costs for cockpit crew of around EUR 85m per year. Talks with the trade union are to be continued in order to make alternative cost reductions as part of an overall solution. Should a solution not be reached, 40 new aircraft will be staffed by crew not included in the Group wage agreement – contrary to current fleet planning – in order to compensate for the additional costs.

Lufthansa Group and UFO make further progress on benefits system

Up until the end of February 2017, further details on the new system of benefits were set out in the course of concluding collective bargaining for the Lufthansa Passenger Airlines cabin crew and in subsequent talks. It is thereby still assumed that the finalisation of the new regulations will be completed by the end of the first quarter of 2017.

Other financial obligations

As of 31 December 2016, there were purchase commitments for EUR 15.6bn (previous year: EUR 16.5bn) for capital expenditure on property, plant and equipment and for intangible assets. There were also capital and shareholder loan commitments of EUR 93m towards equity investments (previous year: EUR 89m).

Auditors' fees

The fees paid to the auditors in the financial year and charged to expenses in accordance with Section 314 Paragraph 1 No. 9 HGB are made up as follows:

Auditors' fees

in €m	2016	2015
Annual audit	3.6	2.9
Other assurance services	0.4	0.8
Tax advisory services	1.2	0.5
Other services	1.4	2.0
Total	**6.6**	**6.2**

The following fees paid to the global PricewaterhouseCoopers network, especially abroad, were additionally recognised as expenses.

Additional auditors' fees

in €m	2016	2015
Annual audit	3.2	3.6
Other assurance services	0.2	0.2
Tax advisory services	0.8	0.7
Other services	0.4	0.3
Total	**4.6**	**4.8**

Dr Bernd Roese is the German Public Auditor responsible for Lufthansa at PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft. Dr Bernd Roese has fulfilled this role in six audits so far

Group of consolidated companies

The consolidated financial statements of Deutsche Lufthansa AG include all major subsidiaries, joint ventures and associated companies.

Subsidiaries are entities over which Deutsche Lufthansa AG has rights that give it the ability to control the entity's relevant activities. Relevant activities are those activities that have a significant influence on the return from the entity. Deutsche Lufthansa AG therefore only has control over a company when it is exposed to variable returns from the company and its power over the company's relevant activities enables it to influence these returns. This definition of control also applies to structured entities which are identified as such in the list of significant Group companies. In general, the ability to control subsidiaries arises when Deutsche Lufthansa AG holds a direct or indirect majority of voting shares. In structured entities, the ability to control does not come from holding the majority of voting shares, but rather from contractual agreements. Entities are consolidated from the time that the ability to control begins. They cease to be consolidated when the ability to control ends.

Joint arrangements are classified either as joint ventures or as joint operations. A joint arrangement exists when the Lufthansa Group has joint control over the joint arrangement on the basis of a contractual agreement with a third party. Joint management or control only exists when decisions on activities that have a significant effect on the returns from an agreement require the unanimous approval of the parties sharing control.

Significant interests in companies that are managed jointly with one or more partners (joint ventures) are accounted for using the equity method. Joint operations are defined by the fact that the parties exercising joint control over the arrangement have rights to the assets attributed to the arrangement and are liable for its debts. Assets and liabilities, revenue and expenses from the significant joint operations are recognised in the consolidated financial statements of the Lufthansa Group in proportion to these rights and obligations.

Associated companies are companies in which Deutsche Lufthansa AG has the power to exercise major influence over financial and operating policy based on an interest of between 20 per cent and 50 per cent. Significant associated companies are accounted for in the consolidated financial statements using the equity method.

A list of major subsidiaries, joint arrangements and associated companies can be found in on p. 176 – 183 and the list of shareholdings in on p. 184 – 187.

In addition to Deutsche Lufthansa AG as the parent company, the group of consolidated companies includes 71 domestic and 262 foreign companies, including structured entities (previous year: 66 domestic and 249 foreign companies).

One material joint operation was also included in the consolidated financial statements on a pro rata basis in accordance with IFRS 11. It consists of a German cargo airline operated jointly by Deutsche Post AG and Deutsche Lufthansa AG, which each hold 50 per cent of the share capital and voting rights. The two shareholders are also customers of the company and use the capacities of its cargo aircraft. In contrast to its capital and voting rights, the company's assets and liabilities, as well as its income and expense, are allocated based on the user relationship.

Changes in the group of consolidated companies during the 2016 financial year are shown in the following table:

Changes in the group of consolidated companies

Name, registered office	Additions	Disposals	Reasons
Passenger Airline Group segment			
LHAMIW LIMITED, Dublin, Ireland	1.2.2016		Consolidated for the first time
LHAMIS LIMITED, Dublin, Ireland	8.2.2016		Established
Lufthansa Asset Management Leasing GmbH, Frankfurt/Main	10.3.2016		Established
Lufthansa Leasing Austria GmbH & Co. OG Nr. 31, Salzburg, Austria	4.4.2016		Established
Sylvanor Leasing Co. Ltd., Tokyo, Japan	20.4.2016		Established
SMFL Y Lease Nin-i-Kumiai Two, Tokyo, Japan	20.4.2016		Established
Yamosa Aircraft LH 13 Kumiai, Okayama, Japan	26.4.2016		Established
Dunkel Leasing Co., Ltd., Tokyo, Japan	27.7.2016		Established
Heiles Leasing Co., Ltd., Tokyo, Japan	27.7.2016		Established
Lufthansa Leasing Austria GmbH & Co. OG Nr. 33, Salzburg, Austria	20.9.2016		Established
Lufthansa Leasing Austria GmbH & Co. OG Nr. 32, Salzburg, Austria	20.9.2016		Established
TLDC Leasing Co., Ltd., Tokyo, Japan	20.10.2016		Established
TLDD Leasing Co., Ltd., Tokyo, Japan	20.10.2016		Established
Lufthansa Aviation Training GmbH, Hallbergmoos	27.10.2016		Established
Auslese Leasing Co., Ltd., Tokyo, Japan	9.12.2016		Established
Eifel Leasing Co., Ltd., Tokyo, Japan	9.12.2016		Established
Schloss Leasing Co., Ltd., Tokyo, Japan	9.12.2016		Established
NBB Hard Lease Co., Ltd., Tokyo, Japan	15.12.2016		Established
NBB Saxon Lease Co., Ltd., Tokyo, Japan	15.12.2016		Established
Evans Leasing Co., Ltd., Tokyo, Japan	20.12.2016		Established
Mitsui & Co. Ltd. Tokyo (Dreamcatcher), Tokyo, Japan		17.3.2016	Liquidation
Mitsui & Co. Ltd. Tokyo (Flying Carp), Tokyo, Japan		17.3.2016	Liquidation
Mitsui & Co. Ltd. Tokyo (Wishbone), Tokyo, Japan		17.3.2016	Liquidation
Lufthansa Leasing Austria GmbH & Co. OG Nr. 5, Salzburg, Austria		13.6.2016	Merger
A319 LDA LDB-LDC Ltd., Grand Cayman, Cayman Islands		30.6.2016	Liquidation
Lufthansa Leasing Austria GmbH & Co. OG Nr. 7, Salzburg, Austria		18.7.2016	Merger
SBI Beta Co. Ltd., Tokyo, Japan		29.11.2016	Liquidation
SBI Gamma Co. Ltd., Tokyo, Japan		29.11.2016	Liquidation
Crossbow Finance Limited, Grand Cayman, Cayman Islands		7.12.2016	Liquidation
Logistics segment			
timetmatters Holding GmbH, Neu-Isenburg	8.8.2016		Increase in shareholdings
timetmatters GmbH, Neu-Isenburg	8.8.2016		Increase in shareholdings
timetmatters Spare Parts Logistics GmbH, Neu-Isenburg	8.8.2016		Increase in shareholdings
Catering segment			
Relatlin Motion Limited, Dublin, Ireland	5.2.2016		Increase in shareholdings
MIM IFF Limited, Dublin, Ireland	5.2.2016		Acquisition
LSC Sky Chefs Czechia spol. s.r.o., Bor, Czechia	10.11.2016		Established
41/42 Bartlett (Pty) Ltd., Johannesburg, South Africa		26.8.2016	Liquidation
Caterair Taiwan In-Flight Services, Inc., Taipeh, Taiwan		30.9.2016	Liquidation
Other			
Lufthansa Malta Finance Holding Limited, St. Julians, Malta	14.4.2016		Established
Lufthansa Malta Corporate Finance Limited, St. Julians, Malta	14.4.2016		Established
Lufthansa Malta Working Capital Solutions Limited, St. Julians, Malta	14.4.2016		Established

Acquisition of subsidiaries

By contract dated 10 June 2016, Lufthansa Cargo AG acquired 51 per cent of the shares in time:matters Holding GmbH with effect from 8 August 2016. This increased the Group's stake in the company from 49 to 100 per cent, and the Group gained control over time:matters Holding GmbH. A purchase price of EUR 12m was agreed. Calculating the fair value of the company's assets and liabilities on the acquisition date resulted in badwill of EUR 2m.

Since the date of consolidation, the company contributed EUR 29m to Group revenue and EUR 1m to Group EBIT in 2016. If the company had already been acquired by 1 January 2016, it would have contributed an additional EUR 31m to Group revenue and a further EUR 2m to Group EBIT.

The following table provides a summary of the company's main assets and liabilities immediately before and after the acquisition date.

Assets and liabilities time:matters Holding GmbH

in €m	before acquisition	after acquisition
Non-current assets	2	44
Current assets	23	22
of which liquid assets	3	3
of which other current assets	20	19
Total assets	**25**	**66**
Shareholders' equity	–14	24
Badwill	–	2
Non-current liabilities	13	13
Current liabilities	26	27
Total liabilities	**25**	**66**

By contract dated 25 November 2015, approved by the relevant competition authorities on 25 January 2016, between LSG Sky Chefs Europe Holding Ltd. and Cowcub Ltd.; No. 2, The Forum, the existing stake of 40 per cent in Retail in Motion Limited was increased to 100 per cent with effect from 5 February 2016. The price for the acquisition of the 60 per cent stake was EUR 33.9m. Calculating the fair value of the company's assets and liabilities on the acquisition date resulted in goodwill of EUR 22.4m. In the course of this acquisition, 100 per cent of the shares in MIM IFE Limited were acquired by contract for a price of EUR 0.4m, subsequently approved by the relevant competition authority.

Since the date of consolidation, the companies contributed EUR 41m to Group revenue and EUR 2m to Group EBIT in 2016.

The following table provides a summary of the two companies' main assets and liabilities immediately before and after the acquisition date:

Assets and liabilities Retail in Motion Limited and MIM IFE Limited

in €m	before acquisition	after acquisition
Non-current assets	25	42
Current assets	17	16
of which liquid assets	3	3
of which other current assets	14	13
Total assets	**42**	**58**
Shareholders' equity	26	40
Non-current liabilities	–	6
Current liabilities	16	12
Total liabilities	**42**	**58**

Acquisition of subsidiaries after the balance sheet date

Deutsche Lufthansa AG acquired the remaining 55 per cent of the shares in SN Airholding SA/NV with effect from 9 January 2017, and is therefore the sole shareholder of the Brussels Airlines group. From this point onwards, the company will be fully consolidated in the Lufthansa Group. The acquisition is based on the purchase and option agreement dating from 2008. The option was exercised on the basis of a new agreement between the previous shareholders and Lufthansa, dated 15 December 2016, which set the strike price for the remaining shares at EUR 2.6m. The acquisition of SN Brussels will strengthen the new Point-to-Point operating segment from 2017, as SN Brussels will form part of this new segment. The valuation of the previous 45-per-cent stake using the equity method arrived at negative equity of EUR –23m with earnings of EUR 6m for the financial year 2016. The carrying amount of the shares is zero (→ Note 21, p. 123ff). The company generated revenue of EUR 1.2bn in 2016. The effects of consolidating the company on the Group's net assets, financial and earnings position depend, in particular, on the purchase price allocation and the associated market valuation of the company's assets and liabilities. The purchase price allocation has not yet been completed, as the underlying financial information is still being collected and reviewed. We expect the first-time consolidation of SN Brussels to increase net indebtedness by around EUR 100m. This depends to a large extent on the recognition of liabilities from aircraft leases resulting from the reclassification of operating to finance leases.

Use of exemption provisions
The following fully consolidated German Group companies made use of the exemption provisions in Section 264 Paragraph 3 and Section 264b HGB in 2016.

Use of exemption provisions

Company name	Registered office
Eurowings Aviation GmbH	Cologne
Eurowings GmbH	Dusseldorf
Germanwings GmbH	Cologne
Hamburger Gesellschaft für Flughafenanlagen mbH	Hamburg
Jeltener GmbH	Raunheim
LSG Asia GmbH	Neu-Isenburg
LSG Food & Montfort Global GmbH	Neu-Isenburg
LSG Lufthansa Service Catering [illegible]	
[illegible]	Neu-Isenburg
LSG Lufthansa Service Europe Africa Group	Neu-Isenburg
LSG Lufthansa Service Holding AG	Neu-Isenburg
LSG Sky Chefs Dusseldorf GmbH	Neu-Isenburg
LSG Sky Chefs Europe GmbH	Neu-Isenburg
LSG Sky Chefs Frankfurt International GmbH	Neu-Isenburg
LSG Sky Chefs Frankfurt ZD GmbH	Neu-Isenburg
LSG Sky Chefs Lounge GmbH	Neu-Isenburg
LSG Sky Chefs München GmbH	Neu-Isenburg
LSG Sky Chefs Objekt- und Verwaltungsgesellschaft mbH	Neu-Isenburg
LSG Sky Chefs Verwaltungsgesellschaft mbH	Neu-Isenburg
LSG-Sky Food GmbH	Alzey
LSG South America GmbH	Neu-Isenburg
LSY GmbH	Norderstedt
Lufthansa Asset Management GmbH	Frankfurt/Main
Lufthansa Asset Management Leasing GmbH	Frankfurt/Main
Lufthansa Aviation Training GmbH	Walldorf/Mörfelden
Lufthansa [illegible] AG	Frankfurt/Main
Lufthansa Cityline GmbH	Munich
Lufthansa Commercial Holding GmbH	Cologne
Lufthansa Flight Training Berlin GmbH[1]	Berlin
Lufthansa Flight Training GmbH[2]	Frankfurt/Main
Lufthansa Global Business Services GmbH	Frankfurt/Main
Lufthansa Industry Solutions AS GmbH	Norderstedt
Lufthansa Industry Solutions BS GmbH	Raunheim
Lufthansa Industry Solutions GmbH & Co. KG	Norderstedt
Lufthansa Process Management GmbH	Neu-Isenburg
Lufthansa Systems [illegible]	Seehenkoppel
Lufthansa Systems GmbH & Co. KG	Raunheim
Lufthansa Technik AERO Alzey GmbH	Alzey
Lufthansa Technik AG	Hamburg
Lufthansa Technik Immobilien- und Verwaltungsgesellschaft mbH	Hamburg
Lufthansa Technik Logistik GmbH	Hamburg
Lufthansa Technik Logistik Services GmbH	Hamburg
Lufthansa Technik Maintenance International GmbH	Frankfurt/Main
Lufthansa Technik Objekt- und Verwaltungsgesellschaft mbH	Hamburg
Miami & Wine GmbH	Neu-Isenburg
Spunout GmbH	Neu-Isenburg
Internations GmbH	Neu-Isenburg
Internations Holding GmbH	Neu-Isenburg
Internations Spare Parts Logistics GmbH	Neu-Isenburg

[1] Since [illegible] 2017 the company has been known as Lufthansa Aviation Training Berlin GmbH.
[2] Since [illegible] 2017 the company has been known as Lufthansa Aviation Training GmbH.

The companies are affiliated with Deutsche Lufthansa AG by means of direct or indirect profit and loss transfer agreements respectively.

Furthermore, LHBD Holding Limited, London, UK, registration number 06939137, is exempt from the obligation to have its individual financial statements audited pursuant to Section 479A of the UK Companies Act 2006.

The consolidated financial statements include investments in 35 joint ventures and 37 associated companies (previous year: 37 joint ventures and 40 associated companies), of which nine joint ventures (previous year: eight) and 17 associated companies (previous year: 19) were accounted for using the equity method. The other joint ventures and associated companies were valued at amortised cost due to their minor overall significance.

Related party disclosures

Balances and transactions between the Company and its fully consolidated subsidiaries, which constitute related parties, have been eliminated in the course of consolidation and are not commented on in this Note. Details of transactions between the Group and other related parties are disclosed below.

The Lufthansa Group business segments render numerous services to related parties within the scope of their ordinary business activities. Conversely, the companies in question provide services to the Lufthansa Group as part of their normal business. These extensive supply and service relationships take place on the basis of market prices.

In addition, the Group and certain non-consolidated subsidiaries have concluded numerous billing agreements, partly governing the joint use of services. In these cases the administrative services provided are charged as cost allocations.

The Group's cash management is centralised and, in this respect, the Lufthansa Group also performs a "banking function" vis-à-vis the non-consolidated companies of the Group. Non-consolidated Group companies included in the Group's cash management invest their available cash with the Group or borrow funds from the Group and carry out their derivative hedging transactions with the Group. All transactions take place at market conditions.

Due to geographical proximity in many cases, a large number of subletting contracts exists between the Lufthansa Group and related parties. In these cases the Group usually charges the rental costs and incidental expenses incurred to the companies in question on a pro rata basis.

The following table shows the volume of significant services provided to or by related parties:

Volume of significant services provided to or by related parties

in €m	Volume of services rendered 2016	Volume of services rendered 2015	Volume of services received 2016	Volume of services received 2015
Non-consolidated subsidiaries				
Albatros Versicherungsdienste GmbH, Germany	1	2	55	50
Delvag Versicherungs-AG, Germany	6	6	4	5
DLH Fuel Company mbH, Germany	0*	0*	423	573
Global Load Control (PTY) LTD, South Africa	1	–	7	–
Global Tele Sales (PTY) Ltd., South Africa	1	1	0*	7
Global Telesales of Canada, Inc., Canada	1	1	3	6
handling counts GmbH, Germany	0*	1	3	15
LGSP Lufthansa Ground Service Portugal, Unipessoal Lda., Portugal	0*		8	3
Lufthansa Aviation Training USA Inc., USA	0*	0*	10	14
Lufthansa Consulting GmbH, Germany	[illegible]	1	6	8
Lufthansa Engineering and Operational Services GmbH, Germany	5	5	25	29
Lufthansa Flight Training – CST GmbH, Germany	4	4	12	10
Lufthansa Global Business Services Hamburg GmbH, Germany	7	15	26	31
Lufthansa Global Business Services S.A. de C.V., Mexico	1	0*	5	5
Lufthansa Global Business Services Sp. z o.o., Poland	3	1	23	23
Lufthansa Global Tele Sales GmbH, Germany	4	4	59	57
Lufthansa Industry Solutions GmbH, Germany	0*	0*	6	6
Lufthansa Super Star gemeinnützige Gesellschaft mit beschränkter Haftung, Germany	14	26	14	18
Lufthansa Systems FlightNav AG, Switzerland	0*	1	23	24
Lufthansa Systems Hungaria Kft., Hungary	0*	1	15	13
Lufthansa Systems Poland Sp. z o.o., Poland	1	–	19	17
Lufthansa Technical Training GmbH, Germany	6	4	18	26
Lufthansa Technik Logistik of America LLC, USA	6	6	28	[illegible]
Lufthansa Technik Shenzhen Co., Ltd., China	26	14	20	15
Lufthansa Technik Turbine Shannon Limited, Ireland	5	2	17	15
LZ Catering GmbH, Germany	6	9	14	16
Joint ventures				
Airfoil Services Sdn. Bhd., Malaysia	0*	1	8	7
EFM – Gesellschaft für Enteisen und Flugzeugschleppen am Flughafen München mbH, Germany	0*	0*	2	6
FreCareServices GmbH, Germany	6	9	1	2
Idair GmbH, Germany	4	5	2	6
Lufthansa Bombardier Aviation Services GmbH, Germany	[illegible]	5	6	4
N3 Engine Overhaul Services GmbH & Co. KG, Germany	5	7	[illegible]	2
Shanghai Pudong International Airport Cargo Terminal Co. Ltd., China	0	1	13	11
Spairmers GmbH, Germany	56	42	47	40
Terminal 2 Gesellschaft mbH & Co. oHG, Germany	0*	2	12	9
Terminal One Group Association L.P., USA	6	4	5	5
Associated companies				
Aircraft Maintenance and Engineering Corp., China	108	[illegible]	2	16
Airmail Center Frankfurt GmbH, Germany	0*	0*	8	[illegible]
AviationPower GmbH, Germany	0*	0*	37	36
HEICO Aerospace Holdings Corp., USA	6	[illegible]	[illegible]	[illegible]
Other affiliated companies				
Brussels Airlines NV/SA, Belgium	[illegible]	82	37	33
Shanghai Pudong International Airport Public Cargo Terminal Co. Ltd. (West), China	[illegible]	0*	47	78
SunExpress Deutschland GmbH, Germany	24	10	20	0*

* Rounded below EUR 1m
Since 2 January 2016, the company has been known as Lufthansa Aviation Training Operations Germany GmbH

The following tables show receivables owed by and liabilities to related parties:

Receivables from affiliated companies

in €m	2016	2015
Trade receivables from non-consolidated subsidiaries	40	23
Trade receivables from joint ventures	19	24
Trade receivables from associated companies	6	5
Trade receivables from other affiliated companies	53	11
Total trade receivables	**118**	**63**
Other receivables from non-consolidated subsidiaries	41	11
Other receivables from joint ventures	20	22
Other receivables from associated companies	5	6
Total other receivables	**66**	**39**
Loans to non-consolidated subsidiaries	53	51
Loans to joint ventures	35	39
Loans to associated companies	29	26
Loans to other affiliated companies	-	-
Total non-current receivables	**117**	**116**

Liabilities to affiliated companies

in €m	2016	2015
Trade payables to non-consolidated subsidiaries	30	12
Trade payables to joint ventures	8	14
Trade payables to associated companies	6	9
Trade payables to other affiliated companies	2	2
Total trade payables	**46**	**37**
Other liabilities to non-consolidated subsidiaries	228	247
Other liabilities to joint ventures	0*	0*
Total other liabilities	**228**	**247**

* Rounded below EUR 1m.

No individual shareholders of Deutsche Lufthansa AG exercise significant influence over the Group. For related party transactions with members of the Executive Board and the Supervisory Board Note 47, p. 167f

Supervisory Board and Executive Board

The disclosure of remuneration for key managers required by IAS 24 includes the remuneration of the active members of the Executive Board and Supervisory Board.

The members of the Executive Board and the Supervisory Board as well as the other offices that they hold are named in the combined management report in the section Corporate Governance, p. 75ff.

The principles of the remuneration system and the amount of remuneration paid to Executive Board and Supervisory Board members are shown and explained in detail in the remuneration report. The remuneration report forms part of the combined management report, p. 79–86.

Total Executive Board remuneration under IFRS was EUR 12.2m (previous year: EUR 10.6m), including current service costs for pensions of EUR 2.4m (previous year: EUR 2.1m).

The active members of the Executive Board in past reporting years were remunerated as follows:

Executive Board remuneration (IFRS)

in € thousands	2016	2015
Basic salary	4,544	4,228
Other	500	422
One-year variable remuneration	2,747	2,261
Total short-term remuneration	**7,791**	**6,911**
Long-term variable remuneration*	1,419	1,274
Share-based remuneration	615	309
Current service cost for retirement benefits	2,380	2,090
Total long-term remuneration	**4,414**	**3,673**
Severance payments		
Total	**12,205**	**10,584**

* Expenses recognised in the reporting year for long-term variable remuneration for the financial years 2014 to 2016

Pension provisions for Executive Board members active in the 2016 financial year came to EUR 9.5m (previous year: EUR 6.9m).

In addition to the provision for the one-year variable remuneration of EUR 2,747,000 (previous year: EUR 2,261,000), provisions totalling EUR 1,419,000 (previous year: EUR 1,274,000) were recognised for the future payment of long-term variable remuneration for the Executive Board members active as of 31 December 2016. In addition, provisions of EUR 1,821,000 in total (previous year: EUR 1,206,000) were recognised for the future payment of long-term, share-based remuneration for the Executive Board members active as of 31 December 2016.

Total remuneration (HGB) paid to the Executive Board of Deutsche Lufthansa AG in the financial year 2016 came to EUR 10,389,000 (previous year: EUR 9,605,000). This includes EUR 2,054,000 for the new share programme, in which the Executive Board acquired a total of 45,360 shares.

Current payments and other benefits for former members of the Executive Board and their surviving dependants came to EUR 5.7m (EUR 5.9m). This includes payments by subsidiaries as well as benefits in kind and concessionary travel.

Pension obligations toward former Executive Board members and their surviving dependants amount to EUR 70.4m (previous year: EUR 67.4m). These amounts are included in pension provisions.
Note 32, p. 129ff

Expenses for the fixed remuneration of Supervisory Board members came to EUR 2,170,000 in 2016 (previous year: EUR 2,152,000). Other remuneration, mainly attendance fees, amounted to EUR 111,000 (previous year: EUR 110,000). The Deutsche Lufthansa AG Supervisory Board members were also paid EUR 17,000 (previous year: EUR 59,000) for work on supervisory boards of Group companies.

In the reporting year, as in the previous year, no loans or advance payments were made to members of the Executive Board and Supervisory Board

In addition to their Supervisory Board remuneration, employee representatives on the Supervisory Board received compensation for their work in the form of wages and salaries including pension entitlements amounting to EUR 0.9m in total for 2016 (previous year: EUR 1.3m).

Declaration by the legal representatives

We declare that, to the best of our knowledge and according to the applicable accounting standards, the consolidated financial statements give a true and fair view of the net assets, the financial and earnings positions of the Group, and that the Group management report, which has been combined with the management report for Deutsche Lufthansa AG, includes a fair view of the course of business, including the business result, and the situation of the Group, and suitably presents the principal opportunities and risks to its future development

Frankfurt, 6 March 2017
Executive Board

Carsten Spohr
Chairman of the
Executive Board and CEO

Karl Ulrich Garnadt
Member of the Executive Board
Eurowings and Aviation Services

Harry Hohmeister
Member of the Executive Board
Hub Management

Ulrik Svensson
Member of the Executive Board
Finances

Dr Bettina Volkens
Member of the Executive Board
Corporate Human Resources
and Legal Affairs

Independent Auditor's Report

To Deutsche Lufthansa Aktiengesellschaft, Cologne

Report on the audit of the consolidated financial statements

Audit Opinion on the Consolidated Financial Statements

We have audited the consolidated financial statements of Deutsche Lufthansa Aktiengesellschaft, Cologne, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1, to December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

According to § (Article) 322 Abs. (paragraph) 3 Satz (sentence) 1 zweiter Halbsatz (second half sentence) HGB ("Handelsgesetzbuch": German Commercial Code), we state that, in our opinion, based on the findings of our audit, the accompanying consolidated financial statements comply, in all material respects, with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as at December 31, 2016, as well as the results of operations for the financial year from January 1, to December 31, 2016, in accordance with these requirements.

According to § 322 Abs. 3 Satz 1 erster Halbsatz HGB, we state that our audit has not led to any reservations with respect to the propriety of the consolidated financial statements.

Basis for Audit Opinion on the Consolidated Financial Statements

We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW), and additionally considered the International Standards on Auditing (ISA). Our responsibilities under those provisions and standards, as well as supplementary standards, are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group entities in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other German ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1, to December 31, 2016.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate audit opinion on these matters.

In our view, the key audit matters were as follows:

1. Recognition of traffic revenue, including liabilities in respect of unused flight documents and bonus miles programs
2. Provisions for pensions
3. Recoverability of long-term assets, particularly goodwill and intangible assets with indefinite useful lives
4. Accounting for hedging transactions

Our presentation of these key audit matters has been structured as follows:

a. Matter and issue
b. Audit approach and findings
c. Reference to further information

1. Recognition of traffic revenue, including liabilities in respect of unused flight documents and bonus miles programs

a. Until they are used, sold flight documents are recognized as a liability from unused flight documents within the consolidated financial statements. Once a passenger coupon or an airfreight document has been used, the corresponding traffic revenue is recognized as revenue in the consolidated income statement. In addition, based on historical data, the amount of sold flight documents which are expected to not be used is estimated and this is also recognized as traffic revenue. In the financial year 2016, the Lufthansa Group realized EUR 24.7 billion in traffic revenue, of which EUR 22.3 billion was attributable to passenger airlines. As at December 31, 2016, EUR 3.0 billion are recognized in the consolidated statement of financial position as liabilities from unused flight documents.

In accordance with IFRIC Interpretation 13, until they are used bonus miles awarded to participants of the Miles&More program are deferred and measured at the fair value of the miles. Where bonus miles are acquired from external cooperation partners and awarded to program participants, these are deferred until used and measured at the respective proceeds from the bonus miles. Deferrals for issued bonus miles, which have been awarded but are no longer expected to be used, are transferred to profit or loss. The liabilities form mile bonus programs amounted to EUR 1.7 billion in total as of the balance sheet date.

From our point of view, these matters were of particular importance, as recognition and measurement of these items, which are specific to the business model and material in amount, are highly dependent on the estimates and assumptions made by management, for which measurement procedures, which are partly complex, are consistently applied.

b. We also included our specialists of Risk Assurance Services (RAS) to audit traffic revenue. With their assistance, we evaluated, among other things, the appropriateness and effectiveness of the established internal control system used to settle and realize traffic revenue, including the IT systems used. If we were not able to conduct our own evaluation of the internal control system of IT systems outsourced to third parties, we obtained an assurance report attesting to the appropriateness and effectiveness of the internal control system established by the service provider (ISAE 3402 Type II or SSAE 16), which our specialists assessed. In our audit of the obligations from unused flight documents, we reconstructed among other things the individual steps used in the calculations. Specifically, we examined the open passenger coupons and their measurement by year of sale and validity. Furthermore, we considered the consistency and continuity of the methods used to determine the flight prices, fees, taxes and other levies attributable to the flight documents no longer expected to be used. In order to assess the appropriateness of the liability from miles bonus programs accounted for as of the balance sheet date, we verified among other things the fair value measurement for each category of use and the underlying assumptions and parameters derived therefrom. Furthermore, we assessed the consistency of the measurement method used and the mathematical accuracy of the calculation of the liability from miles bonus programs. We were able to satisfy ourselves that the estimates and assumptions made by management were consistently derived and sufficiently documented.

c. The disclosures on traffic revenue and liabilities from unused flight documents and from miles bonus programs are contained in sections 2 and 3 of the notes to the consolidated financial statements.

2. Provisions for pensions

a. Within the consolidated financial statements pension provisions amounting to EUR 8.4 billion are reported, comprising the net amount of the obligations under various pension plans, amounting to EUR 21.5 billion, and the fair value of the plan assets, amounting to EUR 13.1 billion. The majority of these provisions relates to old-age and transitional pension commitments in Germany and Switzerland. Obligations from defined-benefit pension plans are measured using the projected unit credit method in accordance with IAS 19. This requires in particular that assumptions be made as to the long-term salary and pension trend and average life expectancy. Furthermore, the discount rate as of the balance sheet date is derived on the basis of the market yields on high-quality corporate bonds issued in currencies and having maturities that match those of the underlying obligations. Changes to these measurement assumptions are recognized in equity as remeasurements.

In addition, it must be taken into consideration that the retirement and transitional pension arrangement commitments to Deutsche Lufthansa AG's cabin personnel were renegotiated between the collective bargaining partners during the reporting period. Under the paid-in contribution guarantee, any new claims arising under the renegotiated commitments correspond to the credits to the corresponding plan assets from mandatory employer and employee contributions and returns on plan assets. In addition to changing individual measurement assumptions, it was agreed that the existing claims of the cabin personnel to a transitional pension arrangement would be transferred to the new pension scheme by way of an initial component. The remeasurement of the pension obligations including the initial component resulted in a reduction in pension obligations by EUR 808 million as of the transfer date. Of that amount, EUR 156 million related to the change in measurement assumptions which were recognized directly in equity, and EUR 652 million related to the change in the pension plans, which were recognized through profit or loss.

From our point of view, these matters were of particular importance, as the agreed changes to the pension and transitional pension arrangements significantly impact the Lufthansa Group's financial position, cash flows and financial performance. In addition, the recognition and measurement of these items, which are material in amount overall, are to a large extent based on management's estimates and assumptions. Furthermore, the balance sheet line item "pension provisions" is factored into the "dynamic redemption ratio", an indicator which is relevant to the Group's rating, as a portion of the Group's indebtedness, so the measurement of pension obligations materially affects compliance with the requirements set by the rating agencies.

b. As part of our audit, we evaluated the actuarial reports obtained by the respective Group entities. Given the specific peculiarities of the actuarial valuations, we received assistance from pension specialists from our Capital Markets & Accounting Advisory Services (CMAAS). We assessed the use of the actuarial reports during our audit based on the professional qualification of the external appraisers and the measurement methods and assumptions used. On the basis of this, we then verified the deviation of the balance sheet, the recognition of the pension provisions and the disclosures in the notes to the consolidated financial statements based on the actuarial reports. We have assessed in detail the principles used by the appraiser to value the framework agreement for the cabin personnel. We have examined the correct application in the actuarial report by carrying out plausibility tests and tests of detail on an appropriate sample basis. Our evaluation of the fair values of plan assets was based on respective bank confirmations. On the basis of

our audit procedures, we verified that these items, which are significant in amount, were recognized and measured appropriately and that the disclosures in the notes to the consolidated financial statements in accordance with IAS 19 were complete.

c. The disclosures about pension provisions are contained in Section 32 of the notes to the consolidated financial statements.

3. Recoverability of long-term assets, particularly goodwill and intangible assets with indefinite useful lives

a. In the consolidated financial statements, a total amount of EUR 1.3 billion is reported under the line item "Goodwill and intangible assets with indefinite useful lives" of the consolidated statement of financial position. Goodwill and intangible assets with indefinite useful lives are regularly tested for impairment ("impairment test") once per financial year or if there are indications of an impairment. In addition, items of property, plant and equipment are tested for impairment if there are respective indications of impairment. These measurements are generally based on the present value of future cash flows of the cash generating unit to which the respective asset is to be allocated. The present value is determined using the discounted cash flow method. The measurements are based on projections that were also used to prepare the three-year budget for the Lufthansa Group prepared by management and noticed by the supervisory board. The discount rate used is the weighted average cost of capital for the relevant cash-generating unit.

Impairment tests conducted on non current assets excluding goodwill due to indications of impairment were carried out in particular for the Logistics segment due to large deviations of actual figures from projected figures both as at June 30, 2016, and as at December 31, 2016. In light of the cost-reduction measures initiated and the low interest rate level, no impairments were recognized in respect of property, plant and equipment. Impairment tests were also carried out for the Catering segment due to indications of impairment. A total of EUR 38 million in impairments was recognized in relation to goodwill and property, plant and equipment.

The result of these measurements depends to a high degree on management's assumptions of future cash inflows and the discount rate used. The measurements are therefore subject to considerable uncertainties and were of particular importance for our audit.

b. We convinced ourselves that the future cash inflows underlying the measurements, in connection with the weighted cost of capital used, on the whole provide appropriate estimates for the impairment tests of the individual cash-generating units. As part of our assessment, we relied, among other things, on the management's detailed explanations regarding key assumptions used in the three-year plan and a comparison with general and sector-specific market expectations. We also convinced ourselves that the costs of corporate functions had properly been taken into account.

With the knowledge that even relatively small changes in the discount rate applied can have material effects on the value of goodwill calculated in this way, we also focused our testing on the parameters used to determine the discount rate applied, and evaluated the measurement model. Furthermore, we carried out additional own sensitivity analyses for the cash-generating units with a low coverage (net book value compared to present value ratio) and found that the respective goodwill was sufficiently covered by the discounted future cash flows. We consider the measurement inputs and assumptions used by management to be in line with our expectations.

c. The disclosures pertaining to impairment tests are contained in section 2, 12 and 16 of the notes to the consolidated financial statements.

4. Accounting for hedging transactions

a. The entities of Lufthansa Group use a number of different derivative financial instruments to hedge against currency, fuel price and interest rate risks associated with ordinary business activities. Management's hedging policy is documented in corresponding internal guidelines and serves as the basis for these transactions. Currency risks arise primarily from revenue, costs of materials (in particular fuel), investments (in particular aircraft purchases) and financing denominated in foreign currencies. The risk of changes in the price of fuel relates to the consumption of fuel by airlines in the Lufthansa Group. The risk of changes in interest rates results from floating and fixed-rate financing.

Derivative financial instruments are recognized at fair value as of the balance sheet date. The positive fair value of the derivative financial instruments used as hedges amounts to EUR 2.0 billion as of the balance sheet date and the negative

fair value amounts to EUR 0.2 billion. If the financial instruments used by Lufthansa Group are effective hedges of future cash flows in the context of hedging relationships in accordance with the requirements of IAS 39, the respective changes in fair value are recognized over the duration of the hedging relationships directly in equity. As of the balance sheet date, a cumulative EUR 1.4 billion were recognized outside profit or loss as expenses and income before taxes on income. From our point of view, these matters were of particular importance for our audit due to the high complexity and number of hedging transactions as well as the high accounting and reporting requirements under IAS 39.

b. We involved our specialists from Corporate Treasury Solutions (CTS) to assist in the audit of the accounting including the effects of the hedges on equity and profit or loss. Together with these specialists, we assessed among other things the internal control system related to derivative financial instruments, including the internal activities to monitor compliance with the hedging policy. In our evaluation of the fair values, we also examined the measurement methods based on market data and the underlying data used. With respect to the hedging of expected future cash flows, we essentially retrospectively assessed past hedge effectiveness and the expected future hedge effectiveness as well as the corresponding effectiveness tests.

   We obtained bank confirmations in order to assess the completeness of and to examine the fair values of the recorded transactions. We verified that hedges were appropriately accounted for and measured in accordance with the provisions of IAS 39.

c. The disclosures about hedging transactions are contained in section 41 of the notes to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises

- the Corporate Governance Report according to section 3.10 of the German Corporate Governance Code
- the Corporate Governance Statement pursuant to § 289a HGB and § 315 Abs. 5 HGB, as well as
- other parts of the annual report of Deutsche Lufthansa Aktiengesellschaft, Cologne, for the financial year ended on December 31, 2016, which were not subject of our audit.

Our audit opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements, which comply with IFRS, as adopted by the EU, and the additional German legal requirements applicable under § 315a Abs. 1 HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our audit opinion on the consolidated financial statements. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW), under additional consideration of the ISA, will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW), under additional consideration of the ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or the group management report or, if such disclosures are inadequate, to modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets and financial position as well as the results of operations of the Group in accordance with IFRS, as adopted by the EU, and the additional German legal requirements applicable under § 315a Abs. 1 HGB.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an audit opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report on the audit of the consolidated financial statements unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the Audit of the Group Management Report

Audit Opinion on the Group Management Report

We have audited the group management report of Deutsche Lufthansa Aktiengesellschaft, Cologne, which is combined with the Company's management report, for the financial year from January 1, to December 31, 2016.

In our opinion, based on the findings of our audit, the accompanying group management report as a whole provides a suitable view of the Group's position. In all material respects, the group management report is consistent with the consolidated financial statements, complies with legal requirements and suitably presents the opportunities and risks of future development.

Our audit has not led to any reservations with respect to the propriety of the group management report.

Basis for Audit Opinion on the Group Management Report
We conducted our audit of the group management report in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of management reports promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance for the Group Management Report
Management is responsible for the preparation of the group management report, which as a whole provides a suitable view of the Group's position, is consistent with the consolidated financial statements, complies with legal requirements, and suitably presents the opportunities and risks of future development. Furthermore, management is responsible for such policies and procedures (systems) as management determines are necessary to enable the preparation of a group management report in accordance with the German legal requirements applicable under § 315a Abs. 1 HGB and to provide sufficient and appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the group management report.

Auditor's Responsibilities for the Audit of the Group Management Report
Our objective is to obtain reasonable assurance about whether the group management report as a whole provides a suitable view of the Group's position as well as, in all material respects, is consistent with the consolidated financial statements as well as the findings of our audit, complies with legal requirements, and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the group management report.

As part of an audit, we examine the group management report in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of management reports promulgated by the IDW. In this connection, we draw attention to the following:

- The audit of the group management report is integrated into the audit of the consolidated financial statements.
- We obtain an understanding of the policies and procedures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these policies and procedures (systems).
- We perform audit procedures on the prospective information presented by management in the group management report. Based on appropriate and sufficient audit evidence, we hereby, in particular, evaluate the material assumptions used by management as a basis for the prospective information and assess the reasonableness of these assumptions as well as the appropriate derivation of the prospective information from these assumptions. We are not issuing a separate audit opinion on the prospective information or the underlying assumptions. There is a significant, unavoidable risk that future events will deviate significantly from the prospective information.
- We are also not issuing a separate audit opinion on individual disclosures in the group management report; our audit opinion covers the group management report as a whole.

Responsible auditor

The auditor responsible for the audit is Dr. Bernd Roese.

Dusseldorf, March 6, 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprufungsgesellschaft

Petra Justenhoven	Dr. Bernd Roese
Wirtschaftsprüferin	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Major subsidiaries

Major subsidiaries as of 31.12.2016

Name, registered office	Equity stake in %	Voting share in %	Different reporting period
Business segment Passenger Airline Group			
A319 LDDE-DE-LDE Ltd., George Town, Grand Cayman, Cayman Islands	0.00	0.00	
Air Dolomiti S.p.A. Linee Aeree Regionali Europee, Dossobuono di Villafranca (Verona), Italy	100.00	100.00	
AirNavigator Ltd., Tokyo, Japan	0.00	0.00	
Air Syrph Ltd., Tokyo, Japan	0.00	0.00	
AirTrust AG, Zug, Switzerland	100.00	100.00	[illegible]
AirUtopia Ltd., Japan, Tokyo, Japan	0.00	0.00	
ALIP No. 4 Co. Ltd., Tokyo, Japan	0.00	0.00	
ALIP No. 5 Co. Ltd., Tokyo, Japan	0.00	0.00	
ALIP No. 6 Co. Ltd., Tokyo, Japan	0.00	0.00	
ALIP No. 7 Co., Ltd., Tokyo, Japan	0.00	0.00	
All Nippon Airways Trading Sky Leasing Ltd., Tokyo, Japan	0.00	0.00	
AUA Beteiligungen Gesellschaft m.b.H., Vienna Airport, Austria	100.00	100.00	
AUA [illegible] Ltd., George Town, Grand Cayman, Cayman Islands	0.00	0.00	
Aura Leasing Co. Ltd., Tokyo, Japan	0.00	0.00	
Auslese Leasing Co., Ltd., Tokyo, Japan	0.00	0.00	
Austrian Airlines AG, Vienna Airport, Austria	100.00	100.00	
Austrian Airlines Lease and Finance Company Ltd., Guernsey, UK	100.00	100.00	
Benjamin Ho Kumia, Japan, Okayama, Japan	0.00	0.00	
Canary Ltd., Tokyo, Japan	0.00	0.00	
CASTOR Ltd., Tokyo, Japan	0.00	0.00	
Common Ground BER GmbH, Frankfurt/Main	100.00	100.00	
Common Ground BRE GmbH, Frankfurt/Main	100.00	100.00	
Common Ground CGN GmbH, Frankfurt/Main	100.00	100.00	
Common Ground DUS GmbH, Frankfurt/Main	100.00	100.00	
Common Ground HAJ GmbH, Frankfurt/Main	100.00	100.00	
Common Ground HAM GmbH, Frankfurt/Main	100.00	100.00	
Common Ground NUE GmbH, Frankfurt/Main	100.00	100.00	
Common Ground STR GmbH, Frankfurt/Main	100.00	100.00	
Dia Himmel Ltd., Tokyo, Japan	0.00	0.00	
Dia Kramer Ltd., Tokyo, Japan	0.00	0.00	
Dia Vogel Ltd., Tokyo, Japan	0.00	0.00	
Dunkel Leasing Co., Ltd., Tokyo, Japan	0.00	0.00	
Edelweiss Air AG, Kloten, Switzerland	100.00	100.00	
Eifel Leasing Co., Ltd., Tokyo, Japan	0.00	0.00	
Ellen Finance 2010 S.N.C., Paris, France	0.00	0.00	
Empyrée S.A.S., Paris, France	0.00	0.00	
Eurowings Aviation GmbH, Cologne	100.00	100.00	
Eurowings Finance GmbH, Vienna Airport, Austria	100.00	100.00	
Eurowings GmbH, Düsseldorf	100.00	100.00	
Evans Leasing Co., Ltd., Tokyo, Japan	0.00	0.00	
FG Honest Leasing Co., Ltd., Tokyo, Japan	0.00	0.00	
FG Unity Leasing Co., Ltd., Tokyo, Japan	0.00	0.00	
FG Vision Leasing Co., Ltd., Tokyo, Japan	0.00	0.00	
FL Beach Leasing Ltd., Tokyo, Japan	0.00	0.00	
[illegible] Kumia, Tokyo, Japan	0.00	0.00	
[illegible] Leasing Co., Ltd., Tokyo, Japan	0.00	[illegible]	
FL Falcon Leasing Co., Ltd., Tokyo, Japan	0.00	0.00	
FL Uranus Leasing Co., Ltd., Tokyo, Japan	0.00	0.00	

Major subsidiaries as of 31.12.2016 (continued)

Name, registered office	Equity stake in %	Voting share in %	Different reporting period
Gabriela Finance 2012 Limited, Dublin, Ireland	0.00	0.00	
[illegible]	100.00	100.00	
[illegible]	0.00	0.00	
Global Brand Management AG, Basel, Switzerland	100.00	100.00	
Heiko LHB Kumai Ltd., Okayama, Japan	0.00	0.00	
Helles Leasing Co., Ltd., Tokyo, Japan	0.00	0.00	
Hummels Leasing Co., Ltd., Tokyo, Japan	0.00	0.00	
Ingrid Finance 2010 S.N.C., Paris, France	0.00	0.00	
Jour Leasing Co., Ltd., Tokyo, Japan	0.00	0.00	
Lohm Leasing Co., Ltd., Tokyo, Japan	0.00	0.00	
Lark Ltd., Tokyo, Japan	0.00	0.00	
LeaseAir GmbH & Co. Vermietungsgesellschaft KG, Dortmund	100.00	100.00	
LHAMP LIMITED, Dublin, Ireland	100.00	100.00	
LHAMIS LIMITED, Dublin, Ireland	100.00	100.00	
LHAMIW LIMITED, Dublin, Ireland	100.00	100.00	
LHBD Holding Limited, London, UK	100.00	100.00	
Lily Port Leasing Co. Ltd., Tokyo, Japan	0.00	0.00	
Lufthansa Aviation Management [illegible], Munich	100.00	100.00	
Lufthansa [illegible]	100.00	100.00	
Lufthansa [illegible], Munich Airport	100.00	100.00	
Lufthansa Flight Training Berlin GmbH, Berlin	100.00	100.00	
Lufthansa Flight Training GmbH, Frankfurt/Main	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 4, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 10, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 12, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 14, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 15, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 16, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 17, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 18, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 19, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 20, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 21, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 22, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 23, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 24, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 25, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 26, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 27, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 28, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 29, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 30, Salzburg, Austria	100.00	100.00	
Lufthansa [illegible] GmbH & Co. OG Nr. 31, Salzburg, Austria	100.00	100.00	
Lufthansa [illegible]	100.00	100.00	
Lufthansa [illegible]	100.00	100.00	
Lufthansa [illegible], Malta	100.00	100.00	
Lufthansa Malta [illegible], Malta	100.00	100.00	
Lufthansa Business Management GmbH, Neu Isenburg	100.00	100.00	
Matterhorn Leasing Co. Ltd., Tokyo, Japan	0.00	0.00	

Major subsidiaries as of 31.12.2016 (continued)

Name, registered office	Equity stake in %	Voting share in %	Different reporting period
Miles & More GmbH, Neu-Isenburg	100.00	100.00	
Muller Leasing Co., Ltd., Tokyo, Japan	0.00	0.00 [1]	
NBB Cologne Lease Co., Ltd., Tokyo, Japan	0.00	0.00 [1]	
NBB Harz Lease Co., Ltd., Tokyo, Japan	0.00	0.00 [1]	
NBB Koblenz Lease Co., Ltd., Tokyo, Japan	0.00	0.00 [1]	
NBB Rhine Valley Lease LLC, Tokyo, Japan	0.00	0.00 [1]	
NBB Saxon Lease Co., Ltd., Tokyo, Japan	0.00	0.00	
Nicolai LH7 Kumiai, Japan, Okayama, Japan	0.00	0.00	
OLB Osterreichische Luftverkehrs-Beteiligungs-GmbH, Vienna Airport, Austria	100.00	100.00	
OLH Osterreichische Luftverkehrs-Holding GmbH, Vienna Airport, Austria	100.00	100.00 [1]	
OLP Osterreichische Luftverkehrs Privatstiftung, Vienna Airport, Austria	0.00	0.00 [1]	
ORIX Himalia Corporation Ltd., Tokyo, Japan	0.00	0.00 [1]	
ORIX Miranda Corporation Ltd., Tokyo, Japan	0.00	0.00 [1]	
Schloss Leasing Co., Ltd., Tokyo, Japan	0.00	0.00 [1]	
Second Valley Highway Kumiai, Tokyo, Japan	0.00	0.00 [1]	
Su Frankfurt Co., Ltd., Tokyo, Japan	0.00	0.00 [1]	
Su Aurora Ltd., Tokyo, Japan	0.00	0.00 [1]	
Su Grace Ltd., Tokyo, Japan	0.00	0.00	
Su Opal Ltd., Tokyo, Japan	0.00	0.00	
Su Prairie Ltd., Tokyo, Japan	0.00	0.00 [1]	
SL Victoria Ltd., Tokyo, Japan	0.00	0.00 [1]	
SMFL Alphard Co., Ltd., Tokyo, Japan	0.00	0.00 [1]	
SMFL Y Lease, Tokyo, Japan	0.00	0.00 [1]	
SMFL Y Lease Nico-Kumiai Two, Tokyo, Japan	0.00	0.00 [1]	
SMLC Antila Co., Ltd., Tokyo, Japan	0.00	0.00 [1]	
SMLC Circinus Co., Ltd., Tokyo, Japan	0.00	0.00 [1]	
SMLC Crater Co., Ltd., Tokyo, Japan	0.00	0.00 [1]	
Soir Leasing Co., Ltd., Tokyo, Japan	0.00	0.00 [1]	
Stork Ltd., Tokyo, Japan	0.00	0.00 [1]	
Swiss Aviation Software AG, Basel, Switzerland	100.00	100.00	
Swiss Aviation Training AG, Kloten, Switzerland	100.00	100.00	
Swiss Global Airlines AG, Basel, Switzerland	100.00	100.00	
[illegible]	100.00	100.00	
[illegible]	0.00	0.00	
Third Valley Highway Kumiai, Tokyo, Japan	0.00	0.00	
TI DC Leasing Co., Ltd., Tokyo, Japan	0.00	0.00	
TI DD Leasing Co., Ltd., Tokyo, Japan	0.00	0.00	
TimBenNico Finance 2011 S.N.C., Paris, France	0.00	0.00 [1]	
Tim L-5 Kumiai, Japan, Okayama, Japan	0.00	0.00 [1]	
TLC Amaryllis Ltd., Tokyo, Japan	0.00	0.00 [1]	
TLC Fulmina Ltd., Tokyo, Japan	0.00	0.00 [1]	
TLC Saffron Ltd., Tokyo, Japan	0.00	0.00 [1]	
TLC Salvia Ltd., Tokyo, Japan	0.00	0.00	
[illegible] Technologie Technik GmbH, [illegible], Austria	100.00	100.00	
Warbler Leasing Ltd., Tokyo, Japan	0.00	0.00	
Yamasa Aircraft LH1 Kumiai (AIKO), Okayama, Japan	0.00	0.00	
Yamasa Aircraft LH2 Kumiai (AIKO), Okayama, Japan	0.00	0.00 [1]	
Yamasa Aircraft LH3 Kumiai (AIKO), Okayama, Japan	0.00	0.00	
Yamasa Aircraft LH4 Kumiai (AIKO), Okayama, Japan	0.00	0.00	

Major subsidiaries as of 31.12.2016 (continued)

Name, registered office	Equity stake in %	Voting share in %	Different reporting period
Yamasa Aircraft LH9 Kumiai Ltd., Okayama, Japan	0.00	0.00 [1]	
Yamasa Aircraft LH10 Kumiai Ltd., Okayama, Japan	0.00	0.00 [1]	
Yamasa Aircraft LH11 Kumiai Ltd., Okayama, Japan	0.00	0.00 [1]	
Yamasa Aircraft LH12 Kumiai Ltd., Okayama, Japan	0.00	0.00 [1]	
Yamasa Aircraft LH13 Kumiai Ltd., Okayama, Japan	0.00	0.00 [1]	
Business segment Logistics			
Jettainer Americas, Inc., Wilmington, USA	100.00	100.00	
Jettainer GmbH, Raunheim	100.00	100.00	
LHAMIC LIMITED, Dublin, Ireland	100.00	100.00	
Lufthansa Cargo AG, Frankfurt/Main	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 50, Salzburg, Austria	100.00	100.00	
Ilmetmatters GmbH, Neu-Isenburg	100.00	100.00	
Ilmetmatters Holding GmbH, Neu-Isenburg	100.00	100.00	
Ilmetmatters Spare Parts Logistics GmbH, Neu-Isenburg	100.00	100.00	
Business segment MRO			
Bizjet International Sales & Support, Inc., Tulsa, USA	100.00	100.00	
Hamburger Gesellschaft für Flugnafenanlagen mbH, Hamburg	100.00	100.00	
Hawker Pacific Aerospace, Sun Valley, USA	100.00	100.00	
JASEN Grundstücksgesellschaft mbH & Co. oHG, Grunwald	100.00	50.00 [1]	
Lufthansa Technik AERO Alzey GmbH, Alzey	100.00	100.00	
Lufthansa Technik AG, Hamburg	100.00	100.00	
Lufthansa Technik Airmotive Ireland Holdings Ltd., Dublin, Ireland	100.00	100.00	
Lufthansa Technik Airmotive Ireland Leasing Ltd., Dublin, Ireland	100.00	100.00	
Lufthansa Technik Airmotive Ireland Ltd., Dublin, Ireland	100.00	100.00	
Lufthansa Technik Budapest Repülőgép Nagyjavító Kft., Budapest, Hungary	100.00	100.00	
Lufthansa Technik Component Services LLC, Tulsa, USA	100.00	100.00	
Lufthansa Technik Immobilien- und Verwaltungsgesellschaft mbH, Hamburg	100.00	100.00	
Lufthansa Technik Landing Gear Services UK Ltd., Kestrel Way, Hayes, UK	100.00	100.00	
Lufthansa Technik Logistik GmbH, Hamburg	100.00	100.00	
Lufthansa Technik Logistik Services GmbH, Hamburg	100.00	100.00	
Lufthansa Technik Maintenance International GmbH, Frankfurt/Main	100.00	100.00	
Lufthansa Technik Malta Limited, Luqa, Malta	92.00	92.00	
Lufthansa Technik North America Holding Corp., Tulsa, USA	100.00	100.00	
Lufthansa Technik Objekt- und Verwaltungsgesellschaft mbH, Hamburg	100.00	100.00	
Lufthansa Technik Philippines, Inc., Manila, Philippines	51.00	51.00	
Lufthansa Technik Puerto Rico LLC, San Juan, Puerto Rico	100.00	100.00	
Lufthansa Technik Shannon Limited, Co. Clare, Ireland	100.00	100.00	
Lufthansa Technik Sofia OOD, Sofia, Bulgaria	75.10	75.10	
Business segment Catering			
Aerococina S.A. de C.V., Mexico City, Mexico	100.00	100.00	
AIRO Catering Services Eesti OU, Tallinn, Estonia	100.00	100.00	
Airo Catering Services Latvija SIA, Marupe, Latvia	100.00	100.00	
AIRO Catering Services Sweden AB, Stockholm Arlanda, Sweden	100.00	100.00	
AIRO Catering Services - Ukraine, Boryspil, Ukraine	100.00	100.00	
Arlington Services, Inc., Wilmington, USA	100.00	100.00	
Arlington Services Mexico S.A. de C.V., Mexico City, Mexico	100.00	100.00	
Arlington Services Panama S.A., Panama City, Panama	100.00	100.00	
AVIAPIT-SOCH OOO, Sotschi, Russia	100.00	100.00	

Major subsidiaries as of 31.12.2016 (continued)

Name, registered office	Equity stake in %	Voting share in %	Different reporting period
Bahia Catering Ltda., Sao Cristovao (Salvador), Brazil	100.00	100.00	
Belém Serviços de Bordo Ltda., Belém, Brazil	70.00	70.00	
Capital Gain International (1981) Ltd., Hong Kong, China	100.00	100.00	
Catera Serviços de Bordo e Hotelaria Ltda., Rio de Janeiro, Brazil	100.00	100.00	
Cater Suprimento de Refeições, Ltda., Rio de Janeiro, Brazil	100.00	100.00	
Charm Food Service Co. Ltd., Incheon, South Korea	80.00	100.00	
CLS Catering Services Ltd., Vancouver, British Columbia, Canada	70.00	70.00	
[illegible]	100.00	100.00	
Comisariatos de Baja California, S.A. de C.V., [illegible], Mexico	51.00	51.00	
Comisariatos Gobra, S.A. de C.V., Torreon, Mexico	51.00	51.00	
Constance Food Group, Inc., New York, USA	100.00	100.00	
Fortaleza Serviços de Bordo Ltda., Fortaleza, Brazil	70.00	70.00	
Inflight Catering (Pty) Ltd., Johannesburg, South Africa	100.00	100.00	
Inflight Catering Services Limited, Dar es Salaam, Tanzania	61.99	61.99	
International Food Services Ltd., Hong Kong, China	100.00	100.00	
Inversiones Turísticas Aeropuerto Panama, S.A., Panama City, Panama	100.00	100.00	
LSG Asia GmbH, Neu-Isenburg	100.00	100.00	
LSG Catering China Ltd., Hong Kong, China	100.00	100.00	
LSG Catering Guam, Inc., Guam, USA	100.00	100.00	
LSG Catering Hong Kong Ltd., Hong Kong, China	100.00	100.00	
LSG Catering Saipan, Inc., Saipan, Micronesia	100.00	100.00	
LSG Catering (Thailand) Ltd., Bangkok, Thailand	100.00	100.00	
LSG-Food & Nonfood Handel GmbH, Neu-Isenburg	100.00	100.00	
LSG France SAS, Paris, France	100.00	100.00	
LSG [illegible] Asia Ltd., Hong Kong, China	86.88	80.00	
LSG [illegible] SAS, Paris, France	100.00	100.00	
LSG Lufthansa Service Asia Ltd., Hong Kong, China	100.00	100.00	
LSG Lufthansa Service Cape Town (Pty) Ltd., Capetown, South Africa	100.00	100.00	
LSG Lufthansa Service Catering- und Dienstleistungsgesellschaft mbH, Neu-Isenburg	100.00	100.00	
LSG Lufthansa Service Enterprises Ltd., Hong Kong, China	100.00	100.00	
LSG Lufthansa Service Europa/Afrika GmbH, Neu-Isenburg	100.00	100.00	
LSG Lufthansa Service Guam, Inc., Guam, USA	100.00	100.00	
LSG Lufthansa Service Holding AG, Neu-Isenburg	100.00	100.00	
LSG Lufthansa Service [illegible]	47.90	50.00	
LSG Lufthansa Service Saipan, Inc., Saipan, Micronesia	100.00	100.00	
LSG Lufthansa Service – Sky Chefs do Brasil Catering Refeições Ltda., Sao Paulo, Brazil	100.00	100.00	
LSG Sky Chefs Argentina S.A., Buenos Aires, Argentina	100.00	100.00	
LSG Sky Chefs Belgium N.V., Zaventem, Belgium	100.00	100.00	
LSG Sky Chefs Berlin GmbH, Neu-Isenburg	100.00	100.00	
LSG Sky Chefs Bremen GmbH, Neu-Isenburg	100.00	100.00	
LSG Sky Chefs Brussels International BVBA, Zaventem, Belgium	100.00	100.00	
LSG Sky Chefs Czechia spol. s r.o., Bor, Czechia	100.00	100.00	
LSG Sky Chefs Denmark A/S, Dragar, Denmark	100.00	100.00	
LSG Sky Chefs de Venezuela S.A., Caracas, Venezuela	99.99	99.93	
LSG Sky Chefs Dusseldorf GmbH, Neu-Isenburg	100.00	100.00	
LSG Sky Chefs Europe GmbH, Neu-Isenburg	100.00	100.00	
LSG/Sky Chefs Europe Holdings Ltd., West Drayton, UK	100.00	100.00	
LSG Sky Chefs Finland Oy, Vantaa, Finland	0.00	0.00	
LSG Sky Chefs – First Catering Schweiz AG, Basse sport, Switzerland	60.00	60.00	

Major subsidiaries as of 31.12.2016 (continued)

Name, registered office	Equity stake in %	Voting share in %	Different reporting period
LSG Sky Chefs Frankfurt International GmbH, Neu-Isenburg	100.00	100.00	
LSG Sky Chefs Frankfurt ZO GmbH, Neu-Isenburg	100.00	100.00	
LSG Sky Chefs Hamburg GmbH, Neu-Isenburg	100.00	100.00	
LSG Sky Chefs Havacılık Hizmetleri A.S., Sefakoy-Istanbul, Turkey	100.00	100.00	
LSG Sky Chefs Heathrow Limited, Sidcup, UK	100.00	100.00	
LSG Sky Chefs India Private Ltd., Mumbai, India	100.00	100.00	
LSG Sky Chefs Istanbul Catering Hizmetleri A.S., Istanbul, Turkey	100.00	100.00	
LSG Sky Chefs Kenya Limited, Nairobi, Kenya	50.20	50.20	
LSG Sky Chefs Köln GmbH, Neu-Isenburg	100.00	100.00	
LSG Sky Chefs Korea Co. Ltd., Incheon, South Korea	80.00	80.00	
LSG Sky Chefs Leipzig GmbH, Neu-Isenburg	100.00	100.00	
LSG Sky Chefs Lounge GmbH, Neu-Isenburg	100.00	100.00	
LSG Sky Chefs Marma AB, Stockholm, Sweden	100.00	100.00	
LSG Sky Chefs Munich GmbH, Neu-Isenburg	100.00	100.00	
LSG Sky Chefs New Zealand Limited, Auckland, New Zealand	100.00	100.00	March
LSG Sky Chefs Norge AS, Gardermoen, Norway	100.00	100.00	
LSG Sky Chefs North America Solutions, Inc., Wilmington, USA	100.00	100.00	
LSG Sky Chefs Objekt- und Verwaltungsgesellschaft mbH, Neu-Isenburg	100.00	100.00	
LSG Sky Chefs Qingdao Co., Ltd., Laixi City, China	100.00	100.00	
LSG Sky Chefs Retail GmbH, Neu-Isenburg	100.00	100.00	
LSG Sky Chefs Rus, Moscow, Russia	100.00	100.00	
LSG Sky Chefs Schweiz AG, Pfäffikon/SZ, Switzerland	100.00	100.00	
LSG Sky Chefs Solutions Asia Limited, Hong Kong, China	100.00	100.00	
LSG Sky Chefs South Africa (Proprietary) Ltd., Johannesburg, South Africa	100.00	100.00	
LSG Sky Chefs S.p.A., Fiumicino, Italy	100.00	100.00	
LSG Sky Chefs Spain, S.A., Madrid, Spain	100.00	100.00	
LSG Sky Chefs Stuttgart GmbH, Neu-Isenburg	100.00	100.00	
LSG Sky Chefs Supply Chain Solutions, Inc., Wilmington, USA	100.00	100.00	
LSG Sky Chefs Sverige AB, Stockholm, Sweden	100.00	100.00	
LSG Sky Chefs TAAG Angola S.A., Luanda, Angola	40.00	40.00	
LSG Sky Chefs Thailand, Ltd., Bangkok, Thailand	100.00	100.00	
LSG Sky Chefs UK Ltd., West Drayton, UK	100.00	100.00	
LSG Sky Chefs USA, Inc., Wilmington, USA	100.00	100.00	
LSG Sky Chefs Verwaltungsgesellschaft mbH, Neu-Isenburg	100.00	100.00	
LSG-Sky Food GmbH, Alzey	100.00	100.00	
LSG South America GmbH, Neu-Isenburg	100.00	100.00	
MIMOT Limited, Dublin, Ireland	100.00	100.00	
Myanmar LSG Lufthansa Service Ltd., Yangon, Myanmar	100.00	100.00	
[illegible]	70.00	70.00	
[illegible]	[illegible]	[illegible]	
Oakfield Farms Solutions, L.L.C., Wilmington, Delaware, USA	100.00	100.00	
Retail in Motion International Limited, Dublin, Ireland	100.00	100.00	
Retail in Motion Limited, Dublin, Ireland	100.00	100.00	
SC International Services, Inc., Wilmington, USA	100.00	100.00	
SCS Air Security Corporation, Wilmington, USA	100.00	100.00	
ServiceNet International Ltda., Guarulhos, Brazil	90.00	90.00	
Sunnight Services Ltd., Bangkok, Thailand	49.00	66.67	
Sky Wings Bulgaria EOOD, Sofia, Bulgaria	28.75	28.75	
Sky Chefs Argentina, Inc., Wilmington, USA	100.00	100.00	

Major subsidiaries as of 31.12.2016 (continued)

Name, registered office	Equity stake in %	Voting share in %	Different reporting period
Sky Chefs Chile SpA, Santiago de Chile, Chile	100.00	100.00	
Sky Chefs De Mexico, S.A. de C.V., Mexico City, Mexico	51.00	51.00	
Sky Chefs de Panama, S.A., Panama City, Panama	100.00	100.00	
Sky Chefs, Inc., Wilmington, USA	100.00	100.00	
Sky Chefs Things Remembered Services Limited, Lagos, Nigeria	51.00	51.00	
SkylogistiX GmbH, Neu-Isenburg	51.00	51.00	
Spirant Asia Pacific Limited, Hong Kong, China	100.00	100.00	
Spirant Bahrain Limited W.L.L., Manama, Bahrain	60.00	60.00	
Spirant GmbH, Neu-Isenburg	100.00	100.00	
Starfood Finland Oy, Vantaa, Finland	100.00	100.00	
Starfood [illegible]	100.00	100.00	
[illegible]	100.00	100.00	
Western Aire Chef, Inc., Wilmington, USA	100.00	100.00	
ZAO AeroMEAL, Yemelyanovo, Russia	100.00	100.00	
Other			
AirPlus Air Travel Card Vertriebsgesellschaft mbH, Vienna, Austria	100.00	100.00	
AirPlus Holding GmbH, Vienna, Austria	100.00	100.00	
AirPlus International AG, Kloten, Switzerland	100.00	100.00	
AirPlus International, Inc., Springfield, USA	100.00	100.00	
AirPlus International Limited, London, UK	100.00	100.00	
AirPlus International S.r.l., Bologna, Italy	100.00	100.00	
AirPlus Payment Management Co., Ltd., Shanghai, China	100.00	100.00	
LHAMIH LIMITED, Dublin, Ireland	100.00	100.00	
LSY GmbH, Norderstedt	100.00	100.00	
Lufthansa AirPlus Servicekarten GmbH, Neu-Isenburg	100.00	100.00	
Lufthansa Asset Management GmbH, Frankfurt/Main	100.00	100.00	
Lufthansa Commercial Holding GmbH, Cologne	100.00	100.00	
Lufthansa Global Business Services GmbH, Frankfurt/Main	100.00	100.00	
Lufthansa Industry Solutions AS GmbH, Norderstedt	100.00	100.00	
Lufthansa Industry Solutions BS GmbH, Bauhaus	100.00	100.00	
Lufthansa Industry Solutions GmbH & Co. KG, Norderstedt	100.00	100.00	
Lufthansa Leasing Austria 1. Beteiligungs GmbH, Salzburg, Austria	100.00	100.00	
Lufthansa Malta Blues LP, St. Julians, Malta	99.99	99.99	
Lufthansa Malta Corporate Finance Limited, St. Julians, Malta	100.00	100.00	
Lufthansa Malta Finance Holding Limited, St. Julians, Malta	100.00	100.00	
Lufthansa Malta Finance Ltd., St. Julians, Malta	100.00	100.00	
Lufthansa Malta Working Capital Solutions Limited, St. Julians, Malta	100.00	100.00	
Lufthansa Seeheim GmbH, Seeheim-Jugenheim	100.00	100.00	
Lufthansa SICAV-FIS-Fonds, Saint-Josse-ten-Noode, Belgium	100.00	100.00	
Lufthansa Systems Americas, Inc., Irving, USA	100.00	100.00	
Lufthansa Systems GmbH & Co. KG, Raunheim	100.00	100.00	
MARDU Grundstücks-Verwaltungsgesellschaft mbH & Co. oHG, Grunwald	100.00	50.00 [5]	
MUSA Grundstücks-Verwaltungsgesellschaft mbH & Co. oHG, Grunwald	100.00	50.00 [5]	
Quinto Grundstücksgesellschaft mbH & Co. oHG, Grunwald	100.00	49.75 [5]	
TGV DLH, Düsseldorf	100.00	100.00	

Fully consolidated structured entity in accordance with IFRS 10.
The Companies House registration number is 06939157.
Since 2 January 2017, the company has been known as Lufthansa Aviation Training Berlin GmbH.
Since 2 January 2017, the company has been known as Lufthansa Aviation Training Germany GmbH.

[5] 50.20 per cent of the equity stakes and voting rights are attributed via OLP.
[6] Management responsibility for the company lies with the Group.
[7] 100 per cent of the equity shares and voting rights are attributed via a call option.
[8] 33.34 per cent of the equity stakes and 50.01 per cent of the voting rights are attributed via a call option.
[9] 28.75 per cent of the equity stakes and voting rights are attributed via a call option.

Major joint ventures as of 31.12.2016[1]

	Equity stake	Voting share	Different reporting period
[illegible]	in %	in %	
Business segment Passenger Airline Group			
Gunes Ekspres Havacilik Anonim Sirketi (SunExpress), [illegible]	50.00	50.00	
Terminal 2 Gesellschaft mbH & Co. oHG, Munich Airport	40.00	40.00	
Business segment Logistics			
Shanghai Pudong International Airport Cargo Terminal Co. Ltd., Shanghai, China	29.00	22.22	
Business segment MRO			
Lufthansa Bombardier Aviation Services GmbH, Schonefeld	51.00	51.00	
N3 Engine Overhaul Services GmbH & Co. KG, Arnstadt	50.00	50.00	
Spairliners GmbH, Hamburg	50.00	50.00	
XEOS Sp. z o.o., Warsaw, Poland	51.00	51.00	
Business segment Catering			
Alpha LSG Limited, Manchester, UK	50.00	50.00	
Other			
Diners Club Spain S.A., [illegible]	25.00	25.00	

Joint operations as of 31.12.2016[2]

Aerologic GmbH, Leipzig	50.00	50.00	

Major associated companies as of 31.12.2016[1]

Business segment Passenger Airline Group			
SN Airholding SA/NV, Brussels, Belgium	45.00	45.00	
Business segment MRO			
Aircraft Maintenance and Engineering Corp., Beijing, China	25.00	28.57	
HEICO Aerospace Holdings Corp., Florida, USA	20.00	20.00	
Business segment Catering			
CateringPor – Catering de Portugal, S.A., Lissabon, Portugal	49.00	49.00	
Cosmo Enterprise Co., Ltd., Nanto City, Japan	20.00	20.00	March
Gansu HNA LSG Sky Chefs Co., Ltd., Lanzhou, China	49.00	40.00	
Hongkong Beijing Air Catering Ltd., Hong Kong, China	45.00	40.00	
Hongkong Shanghai Air Catering Ltd., Hong Kong, China	45.00	40.00	
Inflite Holdings (Cayman) Ltd., Grand Cayman, Cayman Islands	49.00	49.00	September
Inflite Holdings (St. Lucia) Ltd., Castries, St. Lucia	49.00	49.00	September
Nanjing Lukou International Airport LSG Catering Co., Ltd., Nanjing, China	40.00	40.00	
[illegible]	49.00	49.00	
[illegible]	26.00	26.00	
[illegible]	40.00	40.00	
Xian Eastern Air Catering Co., Ltd., Xian, China	30.00	28.57	
Yunnan Eastern Air Catering Co., Ltd., Kunming, China	24.90	28.57	
ZAO Aeromar, Moscow region, Russia	45.00	49.00	

[1] Accounted for using the equity method.
[2] Included on a pro rata basis in accordance with IFRS 11.

Miscellaneous equity investments

Miscellaneous equity investments as of 31.12.2016

Name, registered office	Equity stake in %	Voting share in %
Subsidiaries, not consolidated		
ACS Aircontainer Services Gesellschaft m.b.H., [illegible], Austria	76.00	76.00
Air Dolomit Deutschland GmbH, Munich	100.00	100.00
Allure Marketing Services India Private Limited, Mumbai, India	100.00	100.00
Airport Service Gesellschaft GmbH, Dresden	100.00	100.00
Airport Service [illegible] GmbH, [illegible]	[illegible]	[illegible]
Airport Service [illegible] GmbH, [illegible]	[illegible]	[illegible]
Albatros Service Center GmbH, Cologne	100.00	100.00
Albatros Versicherungsdienste GmbH, Cologne	100.00	100.00
ATC – Austrian Technik Consulting, s.r.o., in liquidation, Trnava, Slovakia	100.00	100.00
Austrian Airlines Technik Bratislava, s.r.o., Bratislava, Slovakia	100.00	100.00
Austrian Airlines Tele Sales & Service GmbH, [illegible], Austria	100.00	100.00
Aviation Quality Services GmbH, Frankfurt/Main	100.00	100.00
Avionik Design GmbH, Hamburg	100.00	49.00
AVS Privatkundenverwaltungsgesellschaft [illegible]	100.00	100.00
Cargo Future Communications [illegible]	65.00	65.00
Catalyst Portugal – Agência de [illegible]	100.00	100.00
CrewAgents [illegible], Frankfurt/Main	100.00	100.00
Crossair AG, Basel, Switzerland	100.00	100.00
Delvag Versicherungs-AG, Cologne	100.00	100.00
Deutsche Lufthansa Unterstützungswerk GmbH, Cologne	100.00	100.00
DLH Fuel Consulting GmbH, Hamburg	100.00	100.00
DLH Malta Properties, St. Julians, Malta	100.00	100.00
DLH Malta [illegible] Limited, St. Julians, Malta	100.00	100.00
EW Beteiligungs- und Verwaltungsgesellschaft mbH, Dortmund	100.00	100.00
Flydocs Systems (TOPCO) Limited, Stansted, UK	85.00	50.00
GERMANOS Grundstücksgesellschaft mbH & Co. IMMOBILIEN KG, Cologne	85.00	100.00
German Airport A[illegible] Foundation, Washington, USA	100.00	100.00
Global Load Control [illegible], Johannesburg, South Africa	100.00	100.00
Global [illegible] Ltd., [illegible], South Africa	100.00	100.00
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
Global Line Sales Pty Limited, Melbourne, Australia	[illegible]	[illegible]
Global Telecom of Canada, Inc., Peterborough, Canada	100.00	100.00
Handling [illegible] GmbH, Frankfurt/Main	100.00	100.00
Heimatbarcelona GmbH, Frankfurt/Main	100.00	100.00
Hindja Lufthansa Cargo Holding B.V., Amsterdam, Netherlands	100.00	100.00
IBYKUS KG Th. [illegible] Grundstücksgesellschaft mbH & Co., Cologne	85.00	88.14
IND Beteiligungs GmbH, Bielefeld	100.00	100.00
In Flight Management Services [illegible] S.A. de C.V., Mexico City, Mexico	100.00	100.00
[illegible] Malta [illegible], St. Julians, Malta	100.00	100.00
[illegible] Malta [illegible] Limited, St. Julians, Malta	100.00	100.00
[illegible], Cologne	100.00	100.00
[illegible]	100.00	100.00
[illegible] Cargo Holding Gmbh, Frankfurt/Main	100.00	100.00
[illegible] Malta Properties Ltd., St. Julians, Malta	100.00	100.00
LSG Malta Properties Ltd., St. Julians, Malta	100.00	100.00
[illegible]	[illegible]	[illegible]
LS Malta [illegible], St. Julians, Malta	100.00	100.00
[illegible]	[illegible]	[illegible]

Miscellaneous equity investments as of 31.12.2016 (continued)

Name, registered office	Equity stake in %	Voting share in %
Lufthansa Aviation Training USA Inc., [illegible]	[illegible]	100.00
Lufthansa Blues Beteiligungs GmbH, Frankfurt/Main	[illegible]	[illegible]
Lufthansa Cargo Merkezi ve Musteri Hizmetleri A.S., Istanbul, Turkey	100.00	100.00
Lufthansa Cargo India (Pty) Ltd., New Delhi, India	100.00	100.00
Lufthansa Cargo Servicios Logisticos de Mexico, S.A. de C.V., Mexico City, Mexico	100.00	100.00
Lufthansa City Center International GmbH, Frankfurt/Main	50.00	50.00
Lufthansa Consulting Brasil Ltda., Rio de Janeiro, Brazil	92.78	99.90
Lufthansa Consulting GmbH, Frankfurt/Main	92.87	100.00
Lufthansa Consulting Management Beteiligungs GmbH & Co. KG, Cologne	64.35	64.35
Lufthansa Engineering and Operational Services GmbH, Frankfurt/Main	[illegible]	[illegible]
Lufthansa Flight Training – CST GmbH, Berlin	100.00	100.00
Lufthansa Global Business Services Hamburg GmbH, Hamburg	100.00	100.00
Lufthansa Global Business Services Ltd., Bangkok, Thailand	100.00	100.00
Lufthansa Global Business Services S.A. de C.V., Mexico City, Mexico	100.00	100.00
Lufthansa Global Business Services Sp. z o.o., Krakow, Poland	100.00	100.00
Lufthansa Global Tele Sales GmbH, Berlin	100.00	100.00
Lufthansa Industry Solutions TS GmbH, Oldenburg	100.00	100.00
[illegible]	100.00	100.00
[illegible]	100.00	100.00
Lufthansa Job Services Norderstedt GmbH, Norderstedt	100.00	100.00
Lufthansa Malta Blues General Partner GmbH & Co. KG, Frankfurt/Main	100.00	100.00
Lufthansa Malta Pension Holding Ltd., St. Julians, Malta	100.00	100.00
Lufthansa Pension Beteiligungs GmbH, Frankfurt/Main	100.00	100.00
Lufthansa Pension GmbH & Co. KG, Frankfurt/Main	100.00	100.00
Lufthansa Services Philippines, Inc., Manila, Philippines	100.00	100.00
Lufthansa Services (Thailand) Ltd., Bangkok, Thailand	98.32	98.32
Lufthansa Super Star gemeinnützige Gesellschaft [illegible]	100.00	[illegible]
Lufthansa Systems 25 GmbH, Raunheim	100.00	100.00
Lufthansa Systems Asia Pacific Pte. Ltd., Singapore, Singapore	100.00	100.00
Lufthansa Systems FlightNav AG, Opfikon, Switzerland	100.00	100.00
Lufthansa Systems Hungaria Kft., Budapest, Hungary	100.00	100.00
Lufthansa Systems Poland sp. z o.o., Gdansk, Poland	100.00	100.00
Lufthansa Systems Verwaltungs GmbH, Raunheim	100.00	100.00
Lufthansa Technical Training GmbH, Hamburg	100.00	100.00
Lufthansa Technik Brussels N.V., Steenokkerzeel-Melsbroek, Belgium	100.00	100.00
Lufthansa Technik Components Services Asia Pacific Limited, Hong Kong, China	100.00	100.00
Lufthansa Technik Interpolat GmbH, Kaltenkirchen	[illegible]	[illegible]
Lufthansa Technik Logistik of America LLC, New York, USA	100.00	100.00
Lufthansa Technik Middle East FZE, Dubai, United Arab Emirates	100.00	100.00
Lufthansa Technik Milan s.r.l., Somma Lombardo (VA), Italy	100.00	100.00
Lufthansa Technik Services India Private Limited, New Delhi, India	100.00	100.00
Lufthansa Technik Shenzhen Co., Ltd., Shenzhen, China	80.00	80.00
Lufthansa Technik Turbine Shannon Limited, Shannon, Ireland	100.00	100.00
Lufthansa [illegible]	100.00	100.00
Lufthansa UK Pension Trustee Limited, West Drayton, Middlesex, UK	100.00	100.00
LZ-Catering GmbH, Hamburg	100.00	100.00
Malta Pension Investments, St. Julians, Malta	0.00	100.00
Maptext Inc., Monmouth Junction, USA	100.00	100.00
Marriott Export Services, C.A., Caracas, Venezuela	99.99	100.00
Marriott International Trade Services, C.A., Caracas, Venezuela	99.99	100.00

Miscellaneous equity investments as of 31.12.2016 (continued)

Name, registered office	Equity stake in %	Voting share in %
Pilot Training Network GmbH, Frankfurt/Main	100.00	100.00
Quinto Grundstücks-Verwaltungsgesellschaft mbH, Grünwald	94.80	94.80
Reservation Data Maintenance India Private Ltd., New Delhi, India	51.00	51.00
Retail in Motion Latin America SpA, Santiago de Chile, Chile	100.00	100.00
Servicios Complementarios de Cabina, S.A. de C.V., Mexico City, Mexico	51.88	99.80
[illegible]	100.00	100.00
[illegible]	[illegible]	[illegible]
Sky Chefs [illegible]	[illegible]	[illegible]
Star Risk Services Inc., Southlake, USA	100.00	100.00
Swiss European Airlines AG, Kloten, Switzerland	100.00	100.00
Swiss WorldCargo (India) Private Limited, Mumbai, India	100.00	100.00
TATS – Travel Agency Technologies & Services GmbH, Frankfurt/Main	100.00	100.00
THG Grundbuchrechenhandgesellschaft mbH, Cologne	85.00	85.00
time matters GmbH, Zurich, Switzerland	100.00	100.00
time matters Asia Pacific Pte. Ltd., Singapore, Singapore	100.00	100.00
timematters Austria GmbH, Vienna Airport, Austria	100.00	100.00
time matters Belgium BVBA, Mechelen, Belgium	100.00	100.00
time matters Netherlands B.V., Luchthaven Schiphol, Netherlands	100.00	100.00
VHF Malta Finance Ltd., St. Julians, Malta	100.00	100.00
ZeroG GmbH, Raunheim	100.00	100.00
Other equity investments		
[illegible], Washington, USA	9.46	9.46
[illegible]	50.00	50.00
[illegible]	50.00	50.00
Airmar Center Frankfurt GmbH, [illegible]	40.00	40.00
ATLECON Tue LLC, Atlanta, USA	11.11	11.11
AviationPower GmbH, Hamburg	49.00	49.00
Beijing Lufthansa Center Co. Ltd., Beijing, China	11.23	12.50
Cheyabinsk Catering Service OOO, Cheyabinsk, Russia	26.00	26.00
CommuniGate Kommunikationsservice GmbH, Passau	50.00	50.00
EVM – Gesellschaft für Entsorgung und Flugzeugreinigung am Flughafen München mbH, Freising	51.00	51.00
[illegible]	5.83	5.83
[illegible]	33.33	33.33
Fiumicino Service S.r.l., Turin, Italy	36.00	36.00
Flight Training Alliance GmbH, Frankfurt/Main	50.00	50.00
Flughafen Düsseldorf Tankanlagen GmbH, Düsseldorf	20.00	20.00
Flughafen München Betriebsgesellschaft mbH, Munich Airport	40.00	40.00
FMO Passenger Services GmbH, Creven	33.33	33.33
FluCareServices GmbH, Frankfurt/Main	49.00	49.00
FSH Flughafen Schwechat-Hydranten-Gesellschaft GmbH & Co. OG, Vienna Airport, Austria	14.29	14.29
GCA, German Operating Aircraft Leasing GmbH & Co. KG, Grünwald	40.00	40.00
GOAL German Operating Aircraft Leasing GmbH, Munich	40.00	40.00
Guangzhou Baiyun International Airport LSG Sky Chefs Co. Ltd., Guangzhou, China	30.00	28.57
Gulf International Caterers, W.L.L., Bahrain, Bahrain	49.00	49.00
Hangzhou Xiaoshan Airport LSG Air Catering Co. Ltd., Hangzhou, China	25.00	28.57
Hydranten Betriebs OHG, Frankfurt/Main	48.00	16.67
[illegible] GmbH, Hamburg	50.00	50.00
[illegible]	50.00	50.00
[illegible]	25.00	28.57
[illegible]	[illegible]	[illegible]

Miscellaneous equity investments as of 31.12.2016 (continued)

Name, registered office	Equity stake in %	Voting share in %
LSG Sky Chefs Catering Egypt S.A.E., Cairo, Egypt	15.00	15.00
Luftfahrzeugverwaltungsgesellschaft GOAL mbH, Grünwald	40.00	40.00
Lufthansa HNA Technical Training Co., Ltd., Meilan Airport, China	50.00	1.00
Lufthansa Leasing GmbH, Grünwald	49.00	49.00
Lumics GmbH & Co. KG, Hamburg	50.00	50.00
Lumics Verwaltungs GmbH, Hamburg	50.00	0.00
N3 Engine Overhaul Services Verwaltungsgesellschaft mbH, Hamburg	50.00	50.00
Nigerian Aviation Handling Company PLC, Lagos, Nigeria	6.00	6.00
SAEMS Special Airport Equipment and Maintenance Services GmbH & Co. KG, Hamburg	40.00	40.00
S.A.E.M.S. Verwaltungs-GmbH, Hamburg	40.00	40.00
Sanya LSG Air Catering Co. Ltd., Sanya, China	45.00	40.00
SCA Schanzenquartier Achte GmbH & Co. Vierte Agentur KG	25.00	25.00
Shenzhen Airport International Cargo Terminal [illegible]	[illegible]	[illegible]
Sichuan Airlines LSG Air Catering Co. Ltd., Chengdu, China	49.00	49.00
Sky Chefs for Airlines Catering Company, Tripoli, Libya	44.50	44.50
STARS Special Transport and Ramp Services GmbH & Co. KG, Hamburg	49.00	49.00
S.T.A.R.S. Verwaltungs GmbH, Hamburg	49.00	49.00
Terminal One Group Association, L.P., New York, USA	24.75	0.00
Terminal One Management Inc., New York, USA	25.00	25.00
THBG EBI GmbH, Schönefeld	30.00	30.00
Turbo Fuel Services Sachsen (TFSS) GbR, Hamburg	20.00	20.00
VBAG Luftfahrtversicherungsagentur Flughafen Zürich AG, Kloten, Switzerland	12.00	12.00
Universal Air Travel Plan, Inc., Washington, USA	5.26	5.26
Vayant Travel Technologies, Inc., City of Lakes, USA	20.53	21.14
Xinjiang HNA LSG Sky Chefs Co. Ltd., Urumqi, China	49.00	40.00
Zentrum für Angewandte Luftfahrtforschung GmbH, Hamburg	20.00	20.00

[1] Since 2 January 2017, the company has been known as Lufthansa Aviation Training Crew Academy GmbH.
[2] Since 1 January 2017, the company has been known as Lufthansa Aviation Training Operations Germany GmbH.
[3] Since 3 January 2017, the company has been known as Lufthansa Aviation Training Pilot Academy GmbH.

Ten-year overview

Ten-year overview

		2016	2015	2014[1]
Income statement Lufthansa Group				
Revenue	€m	31,600	[illegible]	[illegible]
Result				
Adjusted EBIT	€m	1,752	1,817	[illegible]
Adjusted EBIT margin	%	5.5	5.7	3.9
Operating result	€m	[illegible]	[illegible]	[illegible]
Operating margin	%	[illegible]	[illegible]	[illegible]
Profit/loss from operating activities	€m	2,190	1,565	879
[illegible]	[illegible]	2,248	2,095	180
[illegible]	€m	-445	-334	-105
[illegible]	€m	1,776	1,638	55
Main cost items				
Staff costs	€m	7,354	8,075	7,335
Fees and charges	€m	5,736	5,651	5,265
Fuel for aircraft	€m	4,885	5,784	6,751
Depreciation, amortisation and impairment	€m	1,769	1,715	1,528
Net interest	€m	-210	-170	-256
Balance sheet Lufthansa Group				
Asset structure				
Non-current assets	€m	24,504	23,526	22,227
Current assets	€m	10,193	8,936	8,247
of which liquid assets	€m	3,937	3,093	2,738
Capital structure				
Shareholders' equity	€m	7,149	5,846	4,031
of which issued capital	€m	1,200	1,149	1,185
of which reserves	€m	4,084	2,581	[illegible]
Liabilities	€m	27,548	[illegible]	[illegible]
of which pension provisions	€m	8,364	6,626	7,231
of which borrowing	€m	6,575	6,370	5,958
Total assets	€m	34,697	32,462	30,474
Other financial data Lufthansa Group				
Capital expenditure	€m	2,231	2,563	2,773
of which [illegible] intangible and tangible assets	€m	2,160	2,454	2,699
of which financial investments	€m	71	114	74
Cash flow from operating activities	€m	3,246	3,393	1,977
Free cash flow	€m	1,138	834	-297
Liquidity reserve				
gross	€m	6,638	5,440	6,156
net	€m	2,701	3,347	3,418
Deutsche Lufthansa AG				
Net [illegible]	€m	1,169	[illegible]	[illegible]
Transfer to/from reserves	€m	-935	-[illegible]	732
Dividends proposed/paid	€m	234	232	–
Dividend per share proposed/paid	€	0.50	0.50	–

2013*	2012*	2011	2010*	2009	2008	2007
30,027	30,135	28,734	26,459	22,283	24,842	22,420
986	725	972	1,297			
3.3	2.4	3.4	4.9			
				130	1,260	1,378
				0.6	5.2	6.1
651	1,622	[illegible]	1,386	271	1,309	1,588
546	1,296	446	1,134	−134	730	2,125
220	−91	−157	−161	−112	178	365
313	1,228	−13	1,131	−34	542	1,655
7,356	6,741	6,678	6,401	5,996	5,692	5,498
5,167	5,167	5,000	4,318	3,762	3,499	3,174
7,115	7,392	6,276	4,964	3,645	5,377	3,860
1,767	1,839	1,722	1,654	1,475	1,289	1,204
−346	−372	−288	−346	−325	−172	−194
19,419	18,782	18,627	18,963	17,696	14,975	14,076
9,689	9,777	9,454	9,357	8,696	7,433	8,244
4,698	[illegible]	[illegible]	[illegible]	4,439	3,278	3,607
6,108	4,859	[illegible]	8,343	6,202	6,594	6,930
1,180	1,177	1,172	1,172	1,172	1,172	1,172
4,563	2,374	6,790	5,939	4,956	4,817	4,018
23,000	23,720	20,037	20,980	20,190	15,814	15,420
4,718	5,844	2,165	2,571	2,710	2,400	2,461
6,337	6,910	6,424	7,184	6,802	3,581	3,345
29,108	28,559	26,081	29,320	26,392	22,408	22,320
2,499	2,358	2,569	2,271	2,304	2,152	1,737
2,444	2,291	2,445	2,222	2,177	1,798	1,621
55	67	115	49	127	354	116
3,290	2,842	2,356	2,992	1,991	2,473	2,862
1,307	1,307	713	1,542	251	612	2,688
6,323	7,919	[illegible]	7,207	6,660	3,639	3,369
1,695	1,953	2,328	1,396	2,195	−125	768
407	592	−116	489	−148	276	1,123
200	592	230	−208	148	44	−551
207	–	114	275	–	320	572
0.45		0.25	0.60	–	0.70	1.25

Ten-year overview (continued)

		2016	2015	2014
Operational ratios Lufthansa Group				
Return on sales (Profit/loss before income taxes[1]/revenue)	%	7.1	6.3	0.6
Return on capital employed (Profit/loss before income taxes[2] plus interest on liabilities/total assets)	%	7.3	[illegible]	2.0
Return on equity (Profit/loss after income taxes/shareholders' equity)	%	25.2	[illegible]	[illegible]
Return on equity (Profit/loss before income taxes[1]/shareholders' equity)	%	31.4	[illegible]	[illegible]
Equity ratio (Shareholders' equity/total assets)	%	20.6	18.0	13.2
Gearing (Net indebtedness plus pension provisions/shareholders' equity)	%	154.8	170.6	364.2
Leverage (Net indebtedness/total assets)	%	7.8	10.3	11.2
Internal financing ratio (Cash flow/capital expenditure)	%	145.5	132.1	71.3
Debt repayment ratio (Net indebtedness/adjusted cash flow from operating activities)	%	28.7	30.7	20.8
Revenue efficiency (Cash flow/revenue)	%	10.3	10.6	6.6
Net working capital (Current assets less current liabilities)	€bn	−0.8	−3.5	−2.7
Non current asset ratio (Non current assets/total assets)	%	70.6	72.5	72.9
Depreciation ratio for aircraft/reserve engines (Accumulated depreciation/accumulated acquisition costs)	%	49.7	[illegible]	[illegible]
Staff ratios				
Average number of employees	number	123,287	119,559	118,375
Revenue/employee	€	256,799	268,119	252,251
Staff costs/revenue	%	23.2	25.2	24.4
Traffic figures Lufthansa Group[3]				
Passengers	million	109.7	107.7	106.0
Available seat kilometres	million	286,555	273,015	268,104
Revenue seat kilometres	million	226,603	[illegible]	214,643
Passenger load factor	%	79.1	80.4	80.1
Available cargo tonne kilometres	million	15,117	14,071	14,559
Revenue cargo tonne kilometres	million	10,071	9,930	10,249
Cargo load factor	%	66.6	66.3	69.9
Total available tonne kilometres	million	43,607	40,421	41,548
Total revenue tonne kilometres	million	32,300	29,928	31,308
Overall load factor	%	74.1	74.0	75.4
Number of flights	number	1,021,919	1,003,080	1,001,981
Aircraft in service	number	617	600	615

[1] Since 2015, Adjusted EBIT has replaced the operating result as the main earnings metric for the Company's forecasts. The Adjusted EBIT figures for the previous years are calculated up to and including 2010.

[2] As of 2008 including the discontinued business segment Leisure Travel.

[3] Lufthansa Passenger Airlines, SWISS, Austrian Airlines, Eurowings and Lufthansa Cargo.

[4] The income shown for the financial year 2010 has been adjusted in line with IFRS 5 Discontinued Operations because of the planned disposal of bmi. The figures for the financial year 2010 were adjusted retrospectively due to the application of the revised IAS 19.

[illegible]

2013[2]	2012[2]	2011	2010[1]	2009	2008	2007
[illegible]	[illegible]	[illegible]	4.3	-0.6	2.9	9.5
3.6	[illegible]	[illegible]	[illegible]	1.4	4.9	11.2
5.3	25.6	0.0	13.7	-0.4	8.4	25.5
8.9	26.8	5.5	13.6	2.2	11.1	30.8
21.0	16.9	28.6	26.4	23.5	29.4	30.9
105.0	[illegible]	55.9	[illegible]	79.1	34.5	24.5
5.8	6.8	8.3	5.4	8.3	-0.6	3.4
131.7	120.5	92.0	131.7	86.4	114.9	164.8
37.0	34.4	49.7	59.7	38.1	97.0	154.7
[illegible]	9.7	8.8	11.9	8.9	10.0	12.8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.6	0.0
[illegible]	[illegible]	66.3	64.7	67.1	66.8	63.1
52.6	54.2	54.4	53.9	54.2	58.9	58.0
117,414	116,308	119,084	117,085	112,320	108,123	100,779
255,738	254,587	241,292	226,018	196,384	229,757	222,467
24.5	22.4	[illegible]	24.5	26.9	22.0	24.5
104.6	103.6	100.6	92.7	77.3	70.5	62.9
262,852	260,160	258,263	234,377	208,226	195,431	169,108
209,640	205,015	200,376	66,452	162,286	154,156	135,011
79.8	78.9	77.6	79.6	77.9	78.9	79.8
14,893	14,749	16,260	15,238	14,372	15,141	13,416
10,285	10,240	10,381	10,429	8,706	9,510	9,043
[illegible]	69.4	68.8	[illegible]	60.6	62.8	[illegible]
41,215	40,9[illegible]	[illegible]	[illegible]	35,469	34,9[illegible]	[illegible]
30,879	30,405	29,808	28,374	24,943	24,972	22,6[illegible]
74.9	74.3	73.3	[illegible]	70.3	71.4	74.5
1,058,260	1,067,362	1,050,728	1,005,088	899,928	830,832	749,431
621	627	606	710	722	524	513

Glossary

Aviation terminology

Hub In air traffic a hub refers to an airline's transfer airport, a central connecting point for different routes. Passengers and goods are transported from the original starting point to the airport's hub. From there they are carried to their destination by a second flight alongside passengers and goods from other departure points.

IATA International Air Transport Association – the international trade association for the airline industry.

Low-cost carrier Low-cost carrier are airlines which offer largely low ticket prices but with reduced service levels and sometimes additional charges on board and on the ground. Flights are mostly from secondary airports outside the major cities (e. g. Hahn in the Hunsruck area outside Frankfurt).

MRO Short for maintenance, repair and overhaul of aircraft.

Network airlines In contrast to low-cost carriers these airlines offer a wide-ranging, normally global route network via one or more hubs, with synchronised connecting flights.

Passenger-kilometre / tonne-kilometre Standard output units for air transport. An available seat-kilometre (ASK) denotes one seat offered flown for one kilometre; a revenue passenger-kilometre (RPK) denotes one paying passenger transported for one kilometre. An offered tonne-kilometre (TKO) denotes the offered capacity equivalent of one tonne of load (passengers and / or cargo) for one kilometre; a revenue tonne-kilometre (RTK) denotes one tonne of load (passengers and / or cargo) transported one kilometre.

Passenger load factor / cargo load factor Measure of capacity utilisation in per cent. The cargo load factor expresses the ratio of capacity sold to available capacity. The passenger load factor refers to passenger transportation and the cargo load factor to freight transport or total traffic.

Unit costs / unit revenues Key performance indicator for air transport. Unit costs (CASK) denote the operating expenses divided by offered seat kilometres. Unit revenue (RASK) denotes the traffic revenue divided by offered seat kilometres.

Yields Average revenue earned per unit of output, normally based on total passenger-kilometres or tonne-kilometres sold, but they can also be calculated per unit of traffic volume, e. g. per passenger carried or per kilometre flown.

Financial terminology

Adjusted EBIT Main earnings metric for the Company's forecast. This relates to EBIT adjusted for asset valuations and disposals and for the measurement of pension provisions. p. 301.

Call option The right to purchase a specific underlying security within a specified period of time at an agreed price.

Cash flow Measure of a company's financial and earnings potential. It is calculated as the difference between the inflow and outflow of cash and cash equivalents generated from ongoing business activities during the financial year. → 1087 Consolidated cash flow statement, p. 99.

Compliance Institutionalised arrangements for ensuring that a company's management and staff duly comply with all statutory provisions and prohibitions.

Debt repayment ratio A financial indicator. It represents the ratio of adjusted cash flow from operating activities to net indebtedness and pensions. → p. 37. The rating agencies' comparable criteria for an investment grade rating are met if a target of at least 60 per cent is achieved sustainably.

Deferred taxes A balance sheet item used to show taxable and deductible temporary differences. Deferred taxes reflect the temporary differences between assets and liabilities recognised for financial reporting purposes and such amounts recognised for income tax purposes.

Directors' dealings Transactions by members of a company's supervisory, executive or divisional boards, or their family members, involving shares in "their" company. Under German law, any such dealings must be disclosed if they exceed EUR 5,000 within a calendar year.

Dividend yield Indicator for assessing the profitability of an investment in shares. It is determined by dividing the dividend by the share price at the close of the reporting year and then multiplying it by 100.

Earnings After Cost of Capital – EACC Main indicator of value creation. This is calculated from EBIT plus interest income on liquidity less taxes of 25 per cent and costs of capital. A positive EACC means that the Company has created value in a given financial year. → Management system and supervision, p. 18.

EBIT Financial indicator denoting earnings before interest and taxes. From financial year 2015 main earnings indicator. This is calculated from total operating income less operating expenses plus the result from equity investments.

www.lufthansa.com
www.lufthansagroup.com/investor-relations
www.lufthansagroup.com/responsibility

Federal Express Corporation

[100% Owned by FedEx Corporation]

Economic Disclosure Statement

FedEx #90-1462

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT
AND AFFIDAVIT

SECTION I -- GENERAL INFORMATION

A. Legal name of the Disclosing Party submitting this EDS. Include d/b/a/ if applicable:

Federal Express Corporation

Check ONE of the following three boxes:

Indicate whether the Disclosing Party submitting this EDS is:

1. [X] the Applicant

OR

2. [ ] a legal entity currently holding, or anticipated to hold within six months after City action on the contract, transaction or other undertaking to which this EDS pertains (referred to below as the "Matter"), a direct or indirect interest in excess of 7.5% in the Applicant. State the Applicant's legal name: _____

OR

3. [ ] a legal entity with a direct or indirect right of control of the Applicant (see Section II(B)(1)) State the legal name of the entity in which the Disclosing Party holds a right of control:

_____

B. Business address of the Disclosing Party: 3680 Hacks Cross Road, Bldg H
Memphis, TN 38125

C. Telephone: 901-434-9302 Fax: _____ Email: _____

D. Name of contact person: Wiley Johnson, Jr.

E. Federal Employer Identification No. (if you have one): _____

F. Brief description of the Matter to which this EDS pertains. (Include project number and location of property, if applicable): (1) O'Hare Use and Lease Agreement, (2) O'Hare Operating Agreement, (3) O'Hare Letter of Authorization (4) O'Hare Rate Agreement and (5) Ground and Building Lease between City of Chicago and Federal Express Corporation at Chicago O'Hare International Airport

G. Which City agency or department is requesting this EDS? Chicago Department of Aviation

If the Matter is a contract being handled by the City's Department of Procurement Services, please complete the following:

Specification # _____ and Contract # _____

SECTION II -- DISCLOSURE OF OWNERSHIP INTERESTS

A. NATURE OF THE DISCLOSING PARTY

1. Indicate the nature of the Disclosing Party:

[ ] Person
[X] Publicly registered business corporation
[ ] Privately held business corporation
[ ] Sole proprietorship
[ ] General partnership
[ ] Limited partnership
[ ] Trust
[ ] Limited liability company
[ ] Limited liability partnership
[ ] Joint venture
[ ] Not-for-profit corporation
(Is the not-for-profit corporation also a 501(c)(3))?
[ ] Yes [ ] No
[ ] Other (please specify)

2. For legal entities, the state (or foreign country) of incorporation or organization, if applicable:

Delaware

3. For legal entities not organized in the State of Illinois: Has the organization registered to do business in the State of Illinois as a foreign entity?

[X] Yes [ ] No [ ] Organized in Illinois

B. IF THE DISCLOSING PARTY IS A LEGAL ENTITY:

1. List below the full names and titles, if applicable, of: (i) all executive officers and all directors of the entity; (ii) **for not-for-profit corporations**, all members, if any, which are legal entities (if there are no such members, write "no members which are legal entities"); (iii) **for trusts, estates or other similar entities**, the trustee, executor, administrator, or similarly situated party; (iv) **for general or limited partnerships, limited liability companies, limited liability partnerships or joint ventures**, each general partner, managing member, manager or any other person or legal entity that directly or indirectly controls the day-to-day management of the Applicant.

NOTE: Each legal entity listed below must submit an EDS on its own behalf.

Name	Title
See attached list	

2. Please provide the following information concerning each person or legal entity having a direct or indirect, current or prospective (i.e. within 6 months after City action) beneficial interest (including ownership) in excess of 7.5% of the Applicant. Examples of such an interest include shares in a corporation, partnership interest in a partnership or joint venture, interest of a member or manager in a

limited liability company, or interest of a beneficiary of a trust, estate or other similar entity. If none, state "None."

NOTE: Each legal entity listed below may be required to submit an EDS on its own behalf.

Name	Business Address	Percentage Interest in the Applicant
FedEx Corporation	942 S. Shady Grove Rd. Memphis, TN 38120	100%

SECTION III -- INCOME OR COMPENSATION TO, OR OWNERSHIP BY, CITY ELECTED OFFICIALS

Has the Disclosing Party provided any income or compensation to any City elected official during the 12-month period preceding the date of this EDS? [ ] Yes [X] No

Does the Disclosing Party reasonably expect to provide any income or compensation to any City elected official during the 12-month period following the date of this EDS? [ ] Yes [X] No

If "yes" to either of the above, please identify below the name(s) of such City elected official(s) and describe such income or compensation:

Does any City elected official or, to the best of the Disclosing Party's knowledge after reasonable inquiry, any City elected official's spouse or domestic partner, have a financial interest (as defined in Chapter 2-156 of the Municipal Code of Chicago ("MCC")) in the Disclosing Party?

[ ] Yes [X] No

If "yes," please identify below the name(s) of such City elected official(s) and/or spouse(s)/domestic partner(s) and describe the financial interest(s).

SECTION IV -- DISCLOSURE OF SUBCONTRACTORS AND OTHER RETAINED PARTIES

The Disclosing Party must disclose the name and business address of each subcontractor, attorney, lobbyist (as defined in MCC Chapter 2-156), accountant, consultant and any other person or entity whom the Disclosing Party has retained or expects to retain in connection with the Matter, as well as the nature of the relationship, and the total amount of the fees paid or estimated to be paid. The Disclosing Party is not required to disclose employees who are paid solely through the Disclosing Party's regular payroll. If the Disclosing Party is uncertain whether a disclosure is required under this Section, the Disclosing Party must either ask the City whether disclosure is required or make the disclosure.

Name (indicate whether retained or anticipated to be retained)	Business Address	Relationship to Disclosing Party (subcontractor, attorney, lobbyist, etc.)	Fees (indicate whether paid or estimated.) **NOTE:** "hourly rate" or "t.b.d." is not an acceptable response.

(Add sheets if necessary)

[X] Check here if the Disclosing Party has not retained, nor expects to retain, any such persons or entities.

SECTION V -- CERTIFICATIONS

A. COURT-ORDERED CHILD SUPPORT COMPLIANCE

Under MCC Section 2-92-415, substantial owners of business entities that contract with the City must remain in compliance with their child support obligations throughout the contract's term.

Has any person who directly or indirectly owns 10% or more of the Disclosing Party been declared in arrearage on any child support obligations by any Illinois court of competent jurisdiction?

[ ] Yes [ ] No [X] No person directly or indirectly owns 10% or more of the Disclosing Party.

If "Yes," has the person entered into a court-approved agreement for payment of all support owed and is the person in compliance with that agreement?

[ ] Yes [ ] No

B. FURTHER CERTIFICATIONS

1. [This paragraph 1 applies only if the Matter is a contract being handled by the City's Department of Procurement Services.] In the 5-year period preceding the date of this EDS, neither the Disclosing Party nor any Affiliated Entity [see definition in (5) below] has engaged, in connection with the performance of any public contract, the services of an integrity monitor, independent private sector inspector general, or integrity compliance consultant (i.e., an individual or entity with legal, auditing, investigative, or other similar skills, designated by a public agency to help the agency monitor the activity of specified agency vendors as well as help the vendors reform their business practices so they can be considered for agency contracts in the future, or continue with a contract in progress).

2. The Disclosing Party and its Affiliated Entities are not delinquent in the payment of any fine, fee, tax or other source of indebtedness owed to the City of Chicago, including, but not limited to, water and sewer charges, license fees, parking tickets, property taxes and sales taxes, nor is the Disclosing Party delinquent in the payment of any tax administered by the Illinois Department of Revenue.

3. The Disclosing Party and, if the Disclosing Party is a legal entity, all of those persons or entities identified in Section II(B)(1) of this EDS:

a. are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from any transactions by any federal, state or local unit of government;

b. have not, during the 5 years before the date of this EDS, been convicted of a criminal offense, adjudged guilty, or had a civil judgment rendered against them in connection with: obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; a violation of federal or state antitrust statutes; fraud; embezzlement; theft; forgery; bribery; falsification or destruction of records; making false statements; or receiving stolen property;

c. are not presently indicted for, or criminally or civilly charged by, a governmental entity (federal, state or local) with committing any of the offenses set forth in subparagraph (b) above;

d. have not, during the 5 years before the date of this EDS, had one or more public transactions (federal, state or local) terminated for cause or default; and

e. have not, during the 5 years before the date of this EDS, been convicted, adjudged guilty, or found liable in a civil proceeding, or in any criminal or civil action, including actions concerning environmental violations, instituted by the City or by the federal government, any state, or any other unit of local government.

4. The Disclosing Party understands and shall comply with the applicable requirements of MCC Chapters 2-56 (Inspector General) and 2-156 (Governmental Ethics).

5. Certifications (5), (6) and (7) concern:
   - the Disclosing Party;
   - any "Contractor" (meaning any contractor or subcontractor used by the Disclosing Party in connection with the Matter, including but not limited to all persons or legal entities disclosed under Section IV, "Disclosure of Subcontractors and Other Retained Parties");
   - any "Affiliated Entity" (meaning a person or entity that, directly or indirectly: controls the Disclosing Party, is controlled by the Disclosing Party, or is, with the Disclosing Party, under common control of another person or entity). Indicia of control include, without limitation: interlocking management or ownership; identity of interests among family members, shared facilities and equipment; common use of employees; or organization of a business entity following the ineligibility of a business entity to do business with federal or state or local government, including the City, using substantially the same management, ownership, or principals as the ineligible entity. With respect to Contractors, the term Affiliated Entity means a person or entity that directly or indirectly controls the Contractor, is controlled by it, or, with the Contractor, is under common control of another person or entity;
   - any responsible official of the Disclosing Party, any Contractor or any Affiliated Entity or any other official, agent or employee of the Disclosing Party, any Contractor or any Affiliated Entity, acting pursuant to the direction or authorization of a responsible official of the Disclosing Party, any Contractor or any Affiliated Entity (collectively "Agents").

Neither the Disclosing Party, nor any Contractor, nor any Affiliated Entity of either the Disclosing Party or any Contractor, nor any Agents have, during the 5 years before the date of this EDS, or, with respect to a Contractor, an Affiliated Entity, or an Affiliated Entity of a Contractor during the 5 years before the date of such Contractor's or Affiliated Entity's contract or engagement in connection with the Matter:

a. bribed or attempted to bribe, or been convicted or adjudged guilty of bribery or attempting to bribe, a public officer or employee of the City, the State of Illinois, or any agency of the federal government or of any state or local government in the United States of America, in that officer's or employee's official capacity;

b. agreed or colluded with other bidders or prospective bidders, or been a party to any such agreement, or been convicted or adjudged guilty of agreement or collusion among bidders or prospective bidders, in restraint of freedom of competition by agreement to bid a fixed price or otherwise; or

c. made an admission of such conduct described in subparagraph (a) or (b) above that is a matter of record, but have not been prosecuted for such conduct; or

d. violated the provisions referenced in MCC Subsection 2-92-320(a)(4)(Contracts Requiring a Base Wage); (a)(5)(Debarment Regulations); or (a)(6)(Minimum Wage Ordinance).

6. Neither the Disclosing Party, nor any Affiliated Entity or Contractor, or any of their employees, officials, agents or partners, is barred from contracting with any unit of state or local government as a result of engaging in or being convicted of (1) bid-rigging in violation of 720 ILCS 5/33E-3; (2) bid-rotating in violation of 720 ILCS 5/33E-4; or (3) any similar offense of any state or of the United States of America that contains the same elements as the offense of bid-rigging or bid-rotating.

7. Neither the Disclosing Party nor any Affiliated Entity is listed on a Sanctions List maintained by the United States Department of Commerce, State, or Treasury, or any successor federal agency.

8. [FOR APPLICANT ONLY] (i) Neither the Applicant nor any "controlling person" [see MCC Chapter 1-23, Article I for applicability and defined terms] of the Applicant is currently indicted or charged with, or has admitted guilt of, or has ever been convicted of, or placed under supervision for, any criminal offense involving actual, attempted, or conspiracy to commit bribery, theft, fraud, forgery, perjury, dishonesty or deceit against an officer or employee of the City or any "sister agency"; and (ii) the Applicant understands and acknowledges that compliance with Article I is a continuing requirement for doing business with the City. NOTE: If MCC Chapter 1-23, Article I applies to the Applicant, that Article's permanent compliance timeframe supersedes 5-year compliance timeframes in this Section V.

9. [FOR APPLICANT ONLY] The Applicant and its Affiliated Entities will not use, nor permit their subcontractors to use, any facility listed as having an active exclusion by the U.S. EPA on the federal System for Award Management ("SAM").

10. [FOR APPLICANT ONLY] The Applicant will obtain from any contractors/subcontractors hired or to be hired in connection with the Matter certifications equal in form and substance to those in Certifications (2) and (9) above and will not, without the prior written consent of the City, use any such

contractor/subcontractor that does not provide such certifications or that the Applicant has reason to believe has not provided or cannot provide truthful certifications.

11. If the Disclosing Party is unable to certify to any of the above statements in this Part B (Further Certifications), the Disclosing Party must explain below:

None

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

12. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all current employees of the Disclosing Party who were, at any time during the 12-month period preceding the date of this EDS, an employee, or elected or appointed official, of the City of Chicago (if none, indicate with "N/A" or "none").

None

13. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all gifts that the Disclosing Party has given or caused to be given, at any time during the 12-month period preceding the execution date of this EDS, to an employee, or elected or appointed official, of the City of Chicago. For purposes of this statement, a "gift" does not include: (i) anything made generally available to City employees or to the general public, or (ii) food or drink provided in the course of official City business and having a retail value of less than $25 per recipient, or (iii) a political contribution otherwise duly reported as required by law (if none, indicate with "N/A" or "none"). As to any gift listed below, please also list the name of the City recipient.

None

C. CERTIFICATION OF STATUS AS FINANCIAL INSTITUTION

1. The Disclosing Party certifies that the Disclosing Party (check one)

[ ] is [X] is not

a "financial institution" as defined in MCC Section 2-32-455(b).

2. If the Disclosing Party IS a financial institution, then the Disclosing Party pledges:

"We are not and will not become a predatory lender as defined in MCC Chapter 2-32. We further pledge that none of our affiliates is, and none of them will become, a predatory lender as defined in MCC Chapter 2-32. We understand that becoming a predatory lender or becoming an affiliate of a predatory lender may result in the loss of the privilege of doing business with the City."

If the Disclosing Party is unable to make this pledge because it or any of its affiliates (as defined in MCC Section 2-32-455(b)) is a predatory lender within the meaning of MCC Chapter 2-32, explain here (attach additional pages if necessary):

None

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

D. CERTIFICATION REGARDING FINANCIAL INTEREST IN CITY BUSINESS

Any words or terms defined in MCC Chapter 2-156 have the same meanings if used in this Part D.

1. In accordance with MCC Section 2-156-110: To the best of the Disclosing Party's knowledge after reasonable inquiry, does any official or employee of the City have a financial interest in his or her own name or in the name of any other person or entity in the Matter?

[ ] Yes [X] No

NOTE: If you checked "Yes" to Item D(1), proceed to Items D(2) and D(3). If you checked "No" to Item D(1), skip Items D(2) and D(3) and proceed to Part E.

2. Unless sold pursuant to a process of competitive bidding, or otherwise permitted, no City elected official or employee shall have a financial interest in his or her own name or in the name of any other person or entity in the purchase of any property that (i) belongs to the City, or (ii) is sold for taxes or assessments, or (iii) is sold by virtue of legal process at the suit of the City (collectively, "City Property Sale"). Compensation for property taken pursuant to the City's eminent domain power does not constitute a financial interest within the meaning of this Part D.

Does the Matter involve a City Property Sale?

[ ] Yes [ ] No

3. If you checked "Yes" to Item D(1), provide the names and business addresses of the City officials or employees having such financial interest and identify the nature of the financial interest:

Name	Business Address	Nature of Financial Interest

4. The Disclosing Party further certifies that no prohibited financial interest in the Matter will be acquired by any City official or employee.

E. CERTIFICATION REGARDING SLAVERY ERA BUSINESS

Please check either (1) or (2) below. If the Disclosing Party checks (2), the Disclosing Party must disclose below or in an attachment to this EDS all information required by (2). Failure to comply with these disclosure requirements may make any contract entered into with the City in connection with the Matter voidable by the City.

_X_1. The Disclosing Party verifies that the Disclosing Party has searched any and all records of the Disclosing Party and any and all predecessor entities regarding records of investments or profits from slavery or slaveholder insurance policies during the slavery era (including insurance policies issued to slaveholders that provided coverage for damage to or injury or death of their slaves), and the Disclosing Party has found no such records.

____2. The Disclosing Party verifies that, as a result of conducting the search in step (1) above, the Disclosing Party has found records of investments or profits from slavery or slaveholder insurance policies. The Disclosing Party verifies that the following constitutes full disclosure of all such records, including the names of any and all slaves or slaveholders described in those records:

_____

_____

_____

SECTION VI -- CERTIFICATIONS FOR FEDERALLY FUNDED MATTERS

NOTE: If the Matter is federally funded, complete this Section VI. **If the Matter is not federally funded,** proceed to Section VII. For purposes of this Section VI, tax credits allocated by the City and proceeds of debt obligations of the City are not federal funding.

A. CERTIFICATION REGARDING LOBBYING

1. List below the names of all persons or entities registered under the federal Lobbying Disclosure Act of 1995, as amended, who have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter: (Add sheets if necessary):

_____

_____

_____

(If no explanation appears or begins on the lines above, or if the letters "NA" or if the word "None" appear, it will be conclusively presumed that the Disclosing Party means that NO persons or entities registered under the Lobbying Disclosure Act of 1995, as amended, have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter.)

2. The Disclosing Party has not spent and will not expend any federally appropriated funds to pay any person or entity listed in paragraph A(1) above for his or her lobbying activities or to pay any person or entity to influence or attempt to influence an officer or employee of any agency, as defined by applicable federal law, a member of Congress, an officer or employee of Congress, or an employee

of a member of Congress, in connection with the award of any federally funded contract, making any federally funded grant or loan, entering into any cooperative agreement, or to extend, continue, renew, amend, or modify any federally funded contract, grant, loan, or cooperative agreement.

3. The Disclosing Party will submit an updated certification at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the statements and information set forth in paragraphs A(1) and A(2) above.

4. The Disclosing Party certifies that either: (i) it is not an organization described in section 501(c)(4) of the Internal Revenue Code of 1986; or (ii) it is an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 but has not engaged and will not engage in "Lobbying Activities," as that term is defined in the Lobbying Disclosure Act of 1995, as amended.

5. If the Disclosing Party is the Applicant, the Disclosing Party must obtain certifications equal in form and substance to paragraphs A(1) through A(4) above from all subcontractors before it awards any subcontract and the Disclosing Party must maintain all such subcontractors' certifications for the duration of the Matter and must make such certifications promptly available to the City upon request.

B. CERTIFICATION REGARDING EQUAL EMPLOYMENT OPPORTUNITY

If the Matter is federally funded, federal regulations require the Applicant and all proposed subcontractors to submit the following information with their bids or in writing at the outset of negotiations.

Is the Disclosing Party the Applicant?
[ ] Yes [ ] No

If "Yes," answer the three questions below:

1. Have you developed and do you have on file affirmative action programs pursuant to applicable federal regulations? (See 41 CFR Part 60-2.)
[ ] Yes [ ] No

2. Have you filed with the Joint Reporting Committee, the Director of the Office of Federal Contract Compliance Programs, or the Equal Employment Opportunity Commission all reports due under the applicable filing requirements?
[ ] Yes [ ] No [ ] Reports not required

3. Have you participated in any previous contracts or subcontracts subject to the equal opportunity clause?
[ ] Yes [ ] No

If you checked "No" to question (1) or (2) above, please provide an explanation:

_____

_____

SECTION VII -- FURTHER ACKNOWLEDGMENTS AND CERTIFICATION

The Disclosing Party understands and agrees that:

A. The certifications, disclosures, and acknowledgments contained in this EDS will become part of any contract or other agreement between the Applicant and the City in connection with the Matter, whether procurement, City assistance, or other City action, and are material inducements to the City's execution of any contract or taking other action with respect to the Matter. The Disclosing Party understands that it must comply with all statutes, ordinances, and regulations on which this EDS is based.

B. The City's Governmental Ethics Ordinance, MCC Chapter 2-156, imposes certain duties and obligations on persons or entities seeking City contracts, work, business, or transactions. The full text of this ordinance and a training program is available on line at www.cityofchicago.org/Ethics, and may also be obtained from the City's Board of Ethics, 740 N. Sedgwick St., Suite 500, Chicago, IL 60610, (312) 744-9660. The Disclosing Party must comply fully with this ordinance.

C. If the City determines that any information provided in this EDS is false, incomplete or inaccurate, any contract or other agreement in connection with which it is submitted may be rescinded or be void or voidable, and the City may pursue any remedies under the contract or agreement (if not rescinded or void), at law, or in equity, including terminating the Disclosing Party's participation in the Matter and/or declining to allow the Disclosing Party to participate in other City transactions. Remedies at law for a false statement of material fact may include incarceration and an award to the City of treble damages.

D. It is the City's policy to make this document available to the public on its Internet site and/or upon request. Some or all of the information provided in, and appended to, this EDS may be made publicly available on the Internet, in response to a Freedom of Information Act request, or otherwise. By completing and signing this EDS, the Disclosing Party waives and releases any possible rights or claims which it may have against the City in connection with the public release of information contained in this EDS and also authorizes the City to verify the accuracy of any information submitted in this EDS.

E. The information provided in this EDS must be kept current. In the event of changes, the Disclosing Party must supplement this EDS up to the time the City takes action on the Matter. If the Matter is a contract being handled by the City's Department of Procurement Services, the Disclosing Party must update this EDS as the contract requires. **NOTE:** With respect to Matters subject to MCC Chapter 1-23, Article I (imposing **PERMANENT INELIGIBILITY** for certain specified offenses), the information provided herein regarding eligibility must be kept current for a longer period, as required by MCC Chapter 1-23 and Section 2-154-020.

CERTIFICATION

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute this EDS, and Appendices A and B (if applicable), on behalf of the Disclosing Party, and (2) warrants that all certifications and statements contained in this EDS, and Appendices A and B (if applicable), are true, accurate and complete as of the date furnished to the City.

Federal Express Corporation
(Print or type exact legal name of Disclosing Party)

By: _____
(Sign here)

Donald C. Colvin
(Print or type name of person signing)

Vice President, Properties and Facilities
(Print or type title of person signing)

Approved
Legal Department
YMG 11/30/2017

Signed and sworn to before me on (date) December 11, 2017,

at Shelby County, Tennessee (state).

Alexander G. Bell
Notary Public

Commission expires: My Commission Expires September 04, 2019

ALEXANDER G. BELL
STATE OF TENNESSEE NOTARY PUBLIC
SHELBY COUNTY

Fedex #90-1462

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5%. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under MCC Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B.1.a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5% ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

[ ] Yes [X] No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

_____

_____

_____

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX B

BUILDING CODE SCOFFLAW/PROBLEM LANDLORD CERTIFICATION

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5% (an "Owner"). It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

1. Pursuant to MCC Section 2-154-010, is the Applicant or any Owner identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

[ ] Yes [X] No

2. If the Applicant is a legal entity publicly traded on any exchange, is any officer or director of the Applicant identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

[ ] Yes [ ] No [X] The Applicant is not publicly traded on any exchange.

3. If yes to (1) or (2) above, please identify below the name of each person or legal entity identified as a building code scofflaw or problem landlord and the address of each building or buildings to which the pertinent code violations apply.

_____

_____

_____

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5%. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under MCC Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B. 1 .a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5%ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

[ ]Yes [x] No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

_____

_____

_____

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX B

BUILDING CODE SCOFFLAW/PROBLEM LANDLORD CERTIFICATION

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5% (an "Owner"). It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

1. Pursuant to MCC Section 2-154-010, is the Applicant or any Owner identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

   [ ]Yes [x] No

2. If the Applicant is a legal entity publicly traded on any exchange, is any officer or director of the Applicant identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

   [ ] Yes [x] No [ ] The Applicant is not publicly traded on any exchange.

3. If yes to (1) or (2) above, please identify below the name of each person or legal entity identified as a building code scofflaw or problem landlord and the address of each building or buildings to which the pertinent code violations apply.

_____

_____

_____

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute Appendices A and B **on behalf of the Disclosing Party**, and (2) warrants that all certifications and statements contained in Appendices A and B are true, accurate and complete as of the date furnished to the City.

____Federal Express Corporation_____
Print or type the name of the Applicant

___FedEx Corporation_____ 5 Dec 2017
Print or type exact legal name of Disclosing Party Date

By: _____ (*Sign here*) Title Corporate VP & Asst. Secretary of
Check One: ___ Applicant **or** _X_ Disclosing Party

Print or type name of person signing Clement Edward Klank III

Signed and sworn to before me on (date) December 5, 2017

at SHELBY **County,** TENNESSEE **(state).**

Notary Public Joyce J. Lomax

Commission expires 09-26-2020

JOYCE J. LOMAX
STATE OF TENNESSEE NOTARY PUBLIC
SHELBY COUNTY
My Comm. Exp. 09-26-2020

FedEx #90-1462

Directors / Officers Report

As of 11/07/2017

Federal Express Corporation

Directors

Frederick W. Smith	Director (Chairman)
Mark R. Allen	Director
David J. Bronczek	Director (Vice-Chairman)
Robert B. Carter	Director
Donald F. Colleran	Director
David L. Cunningham, Jr.	Director
Alan B. Graf, Jr.	Director
Gregory F. Hall	Director
Elise L. Jordan	Director
Michael K. Pigors	Director
Rajesh Subramaniam	Director

Officers

Frederick W. Smith	Chairman of the Board
David J. Bronczek	Vice-Chairman of the Board
David L. Cunningham, Jr.	Chief Executive Officer
David L. Cunningham, Jr.	President
Gregory F. Hall	Executive Vice President - Air Operations
Elise L. Jordan	Executive Vice President
Elise L. Jordan	Chief Financial Officer
Michael K. Pigors	Regional President & Executive Vice President - U.S. Domestic and U.S. International
David Binks	Regional President - Europe and Chief Executive Officer - TNT Express
Juan N Cento	Regional President - Latin America & Caribbean
Michael John Holt	Regional Chief Operating Officer - Europe
James R Muhs, Sr	Regional President - MEISA
Karen M Reddington	Regional President - APAC
Carl W Asmus	Senior Vice President - e-commerce
Julio C Barrionuevo	Senior Vice President - Mexico/Central America/Caribbean Operations - LAC
Mark Bianchi	Senior Vice President - Technical Operations

Officers

James L. Bowman	Senior Vice President - Flight Operations
Jill C. Brannon	Senior Vice President - Sales - Europe and MEISA
Shannon A. Brown	Senior Vice President - Chief Human Resources Officer
Shannon A. Brown	Chief Diversity Officer
David J. Canavan	Senior Vice President - Operations Network & Hubs - Europe
Eddy Ka-Leung Chan	Senior Vice President - China
J. Ignacio Garat	Senior Vice President - Operations - France & Benelux
Chris Goossens	Senior Vice President - Customer Experience - Europe
L. Trevor Hoyle	Senior Vice President - Operations - Northern Europe
Markus Huber	Senior Vice President - Planning & Engineering - Europe
Eric L. Keane	Senior Vice President - International Information Technology
Frank J. LeRose	Senior Vice President - Global Trade and Specialty Services
Connie Lewis Lensing	Senior Vice President - Litigation and Employment
Lisa S. Lisson	Senior Vice President and President - FedEx Canada
Michelle N Miller	Senior Vice President - Finance
Francis M. Murkowski	Senior Vice President - South America Operations
Herbert C. Nappier IV	Senior Vice President - Finance - International
Kevin P. O'Hearn	Senior Vice President - Sales - Asia Pacific
M. Rush O'Keefe, Jr.	Senior Vice President
M Rush O'Keefe, Jr.	General Counsel
Kawal Preet	Senior Vice President - Operations - North & South Pacific
Nikhil Puri	Senior Vice President - Information Technology Operations - International
David J Ross	Senior Vice President - MEISA Operations Administration and Support
Andrew M Self	Senior Vice President - International Marketing

Officers

George C. Silverman	Senior Vice President - Strategic Projects Air Operations
Roel Staes	Senior Vice President - Legal & International General Counsel
Roel Staes	Assistant Secretary
Joseph S. Stephens	Senior Vice President - Global Planning, Engineering and Properties
Scot A Struminger	Senior Vice President - Business Operations & Express Technology
Matthew Thornton III	Senior Vice President - Domestic Ground Operations
Jerry Tims	Senior Vice President - Human Resources - International
Timothy G. Wertner	Senior Vice President - AGFS
Kim B. Alexander	Vice President - Human Resources
John W. Allison	Vice President - Human Resources - APAC & MEISA
Michel Alsemgeest	Vice President - Digital - International
Nathalie Amiel-Ferrault	Vice President - Marketing & Customer Experience Operations - MEISA
Tayssir H. Awada	Vice President - Planning & Engineering - MEISA
J Rick Bateman	Vice President - Finance - MEISA
Robert A. Beau, Jr	Vice President - U S. International, Freight and Specialty Services
Christine K. Belling	Vice President - Global Strategic and Financial Planning
Matthew J Berardi	Vice President - Ground Network Planning & Engineering - Europe
Ingmar Bergman	Vice President - Enterprise Regional & Field Sales - Central Europe
Marilyn F. Blanco Reyes	Vice President - Legal - Latin America and Caribbean
Marilyn F. Blanco Reyes	Assistant Secretary
Phillip C. Blum	Vice President - Aircraft Acquisitions and Supplemental Air Operations
Hassan Bouadar	Vice President - Legal & Regulatory Affairs - MEISA
Hassan Bouadar	Assistant Secretary
Jerome A Broadhurst II	Vice President - US Financial Planning

Officers

Justin M. Brownlee	Vice President - Base & Propulsion Maintenance
Michael D. Callender	Vice President - Organisation & Rewards International
Darren J. Cantrelle	Vice President - Finance - LAC
Joseph R. Carroll, Jr.	Vice President - Engineering
Elizabeth A. Casteel	Vice President - Human Resources
Alain Chaille	Vice President - Hub Operations - Southern Europe
James Patrick Charles, Jr	Vice President - Sales - MEISA
Jimmy Hsin-Hsiao Chen	Vice President - Ground Operations - China
Philip Ming-Kwang Cheng	Vice President - Ground Operations - India
Davide Chiotti	Vice President - Continuous Improvement & Service Tower - Europe
Kelvin Tuan-Hock Chun	Vice President - Customer Experience - APAC
Wilson Kwok-Yi Chung	Vice President - Hub & Gateway Operations - China
Grant Cochrane	Vice President - Special Services
Donald C. Colvin	Vice President - Properties and Facilities
Donna W. Cook	Vice President - Global Trade Services
Douglas A. Cook	Vice President - Global Planning and Engineering
Glen M. Corbin	Vice President - DGO - Western Region
Lee J. Cuthbert	Vice President - Business Sales - Europe & MEISA
G. Ross Dahlstrom	Vice President/General Manager - AGFS East
Matthew Daniels	Vice President - Sales - South Pacific
Dominic L. Daulton	Vice President - Information Technology Information Security - International
James A Davis	Vice President - Business Transactions
James A. Davis	Assistant Secretary
Donald R Dillman	Vice President - Flight Training
Patrick T Donlon	Vice President - Air Network Operations Planning & Engineering - Europe
Stefania Dorati	Vice President - Enterprise Regional & Field Sales - Southern Europe
Fabien Dubois	Vice President - Human Resources - Southern Europe, France & Benelux

Officers

John G. Dunavant	Vice President - Global Vehicles
Patrick W. Elam	Vice President - Memphis World Hub/Night
Fabiano Fracao	Vice President - Sales - South America
Denys Fredette	Vice President - Sales - Canada
Guilherme Gatti	Vice President - Customer Experience Operations - LAC
Steven D. Goddard	Vice President - Sales - Mexico, Central America & Caribbean
Mathilde Goffard	Vice President - Ground Operations - France
Andrew C. Gosheron	Vice President - Enterprise Regional & Field Sales - Northern Europe
Martin Gussinklo	Vice President - Field Planning & Engineering - France, Benelux & Southern Europe
Simon Harper	Vice President - Ground Operations - United Kingdom
Terrell L. Harris	Vice President - International Security
Michael J Higley	Vice President - Southern Africa Operations
Taarek K. Hinedi	Vice President - Ground Operations - Middle East & Africa
Ken Hisamoto	Vice President - Sales - NPAC
Daan Hoes	Vice President - Organisation & Rewards - International
D. Mark Hogan	Vice President - U.S. Security
Simon Hopkins	Vice President - Customer Experience Operations - Northern Europe, France and Benelux
Dean R. Jamieson	Vice President - Finance & Planning and Engineering - Canada
Helena Jansson	Vice President - Finance - Europe
Frank J. Jary	Vice President - Information Technology Business Continuity - International
Douglas E. Jones	Vice President - Global Network Planning & Business Analytics
Paul V. Jordan	Vice President - Solutions & Sales Integration - International
Taner Karacan	Vice President - Customer Experience Operations - Southern & Central Europe
Basil T. Khalil	Vice President - Planning & Engineering - LAC

Officers

Rudy Kwisthout	Vice President - Central Support & Operations Technology & Innovation - Europe
Larry W Labelle	Vice President - Sales
Predrag S. Lakic	Vice President - Ground Operations - Turkey & Southeast Europe
Peter Langley	Vice President - Operations - Australasia
Wai-Leung (Marco) Lee	Vice President - Sales - China
David F. Leech	Vice President/GM - AGFS West
Robert T. Leonard	Vice President - Flight Operations
Humberto Lira	Vice President - Operations - South America
Esther Liskamp	Vice President - Sourcing & Procurement - International
Jeana M. Littrell	Vice President - Employment Litigation
Xuan Liu	Vice President - IT International Application Development
Jan-Hein Louwman	Vice President - Accounting & Controls - International
Sean S. McNamee	Vice President - Legal, Regulatory Affairs and Human Resources - Canada
Brenda McWilliams-Piatek	Vice President - Marketing Operations - Europe
Michael D. Macyauski	Vice President - Operations Planning and Engineering
John D. Maxwell	Vice President - Labor Relations
Ute Messling	Vice President - Field Planning & Engineering - Northern & Central Europe
Robert Mianowski	Vice President - Ground Operations - Germany, Austria & Switzerland
Mariusz Mik	Vice President - Ground Operations - Eastern Europe
Donald J. Miller	Vice President - Marketing Operations - LAC
Jean Muls	Vice President - Hub Operations - Northern Europe
Glenn Mylle	Vice President - Customer Care - Europe
Samuel L. Nesbit	Vice President - Regional Operations
Carl J. Occhipinti	Vice President - Finance - APAC
Scott S Ogden	Vice President - Aircraft Maintenance

Officers

Jerome Ovion	Vice President - Hub Operations & Transport - France
Glenn L. Pearson	Vice President - Internal Audit - International
Americo Pereira	Vice President - Operations - Brazil
Robert J. Peto	Vice President - Hub Operations & Transport - United Kingdom
Stefania Pezzetti	Vice President - Ground Operations - Italy
Petra Rittersberger	Vice President - Strategic Planning & Product Development - International
Paul W. Rivera	Vice President - Application Development & Customer Integrations - International
Richard R. Roberts	Vice President - Litigation and Employment
Wouter Roels	Vice President - Pricing - International
Paloma Romero-Salazar	Vice President - Ground Operations - Spain & Portugal
Michael F. St Martin	Vice President - Regional Operations - Central
Harald Schoenfelder	Vice President - Customs Clearance Operations - Europe
Francis Schröder	Vice President - Performance & Development - International
Antje Schuett-Fahrenkrog	Vice President - Central/Eastern Europe Operations
Darryl O. Sherman	Vice President - Road Network Operations - Europe
Mark J. Shorney	Vice President - Operations - South Pacific
Yves Sinigallia	Vice President - Information Technology - APAC
Ernest L. Sowell III	Vice President - Memphis World Hub Days
Pina Starnino	Vice President - Customer Service
Karen A. Stendardi	Vice President - Information Technology - LAC
Ron D. Stevens	Vice President - Postal Transportation
Patrick Stienlet	Vice President - Ground Operations - Nordics and Ireland
Jonathan Stockton	Vice President - Storage, Fashion & Solutions
Malcolm T. Sullivan	Vice President - Digital International
Susan M. Sweat	Vice President - Regional Operations

Officers

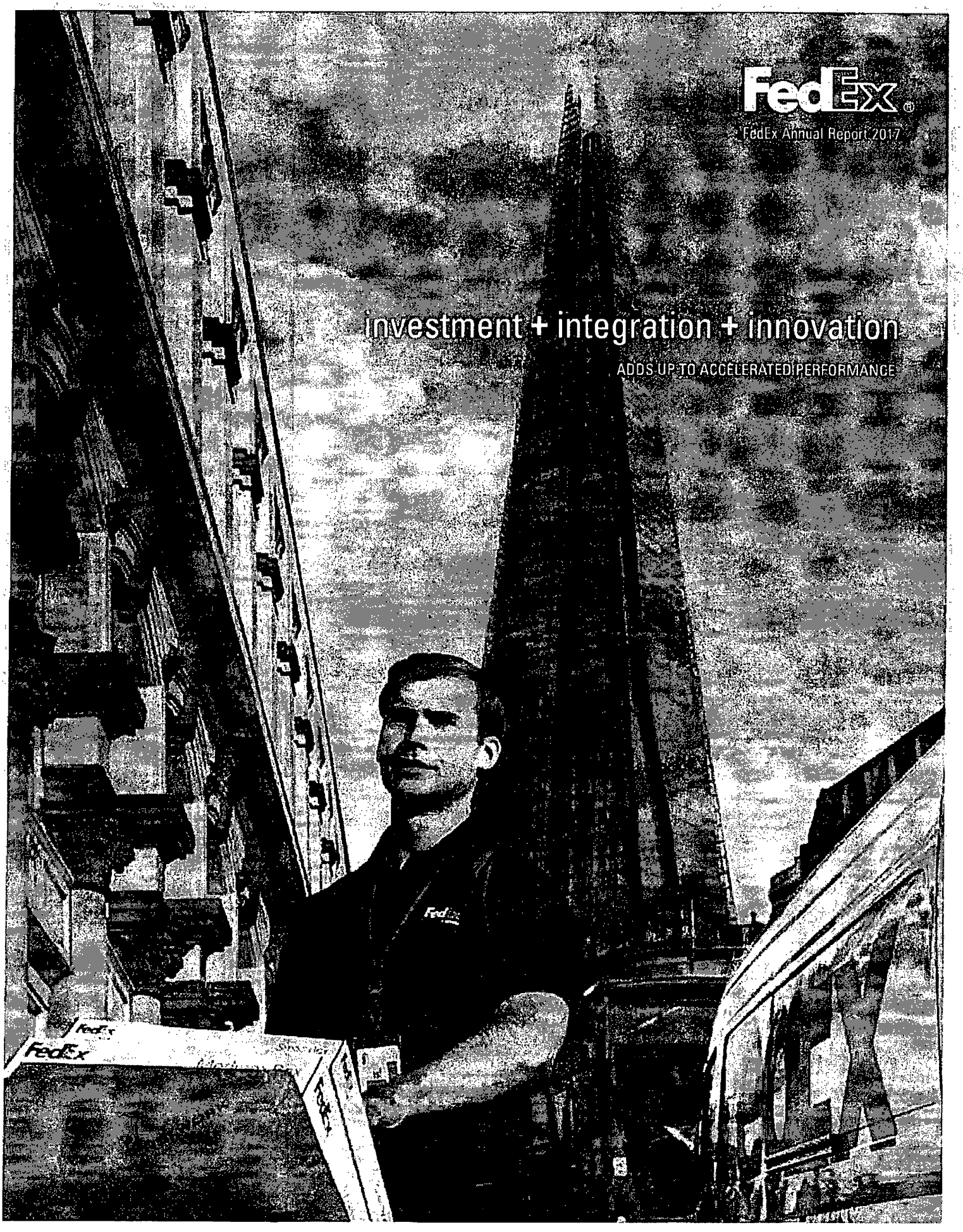
Shahram A. Eslami	Assistant Secretary
James H. Ferguson	Assistant Secretary
Robert D. Henning	Assistant Secretary
Andrew S. Lynn	Assistant Secretary
Robert T. Molinet	Assistant Secretary
Rebecca M. Orme	Assistant Secretary
Joseph L. Schiffhouer	Assistant Secretary
Adam C. Thackston	Assistant Secretary
Emily W. Turner	Assistant Secretary
Emma J. Wright	Assistant Secretary
Kimberly W. Barr	Assistant Treasurer
Robert L. Brown	Assistant Treasurer
René Bustamante	Assistant Treasurer
D. Mark Connell	Assistant Treasurer
Karen Y. Ellis	Assistant Treasurer
Rita Ewing	Assistant Treasurer
John D. Hartney	Assistant Treasurer
Linda K. Hill	Assistant Treasurer
Jennifer L. Johnson	Assistant Treasurer
Michael C. Lenz	Assistant Treasurer
Jeffrey T. Mize	Assistant Treasurer
Herbert C. Nappier IV	Assistant Treasurer
Jamie M. Pourciaux	Assistant Treasurer
Hugh A. Skinner	Assistant Treasurer
Sherry A. Stewart	Assistant Treasurer
Sherri R Swindle	Assistant Treasurer
Andrew W. Watkins	Assistant Treasurer
Timothy W. Wright	Assistant Treasurer
Kathryn R. Young	Assistant Treasurer

FedEx

FedEx Annual Report 2017

investment + integration + innovation

ADDS UP TO ACCELERATED PERFORMANCE



FY17 WAS A YEAR OF PLUSES

$60 billion
in revenue

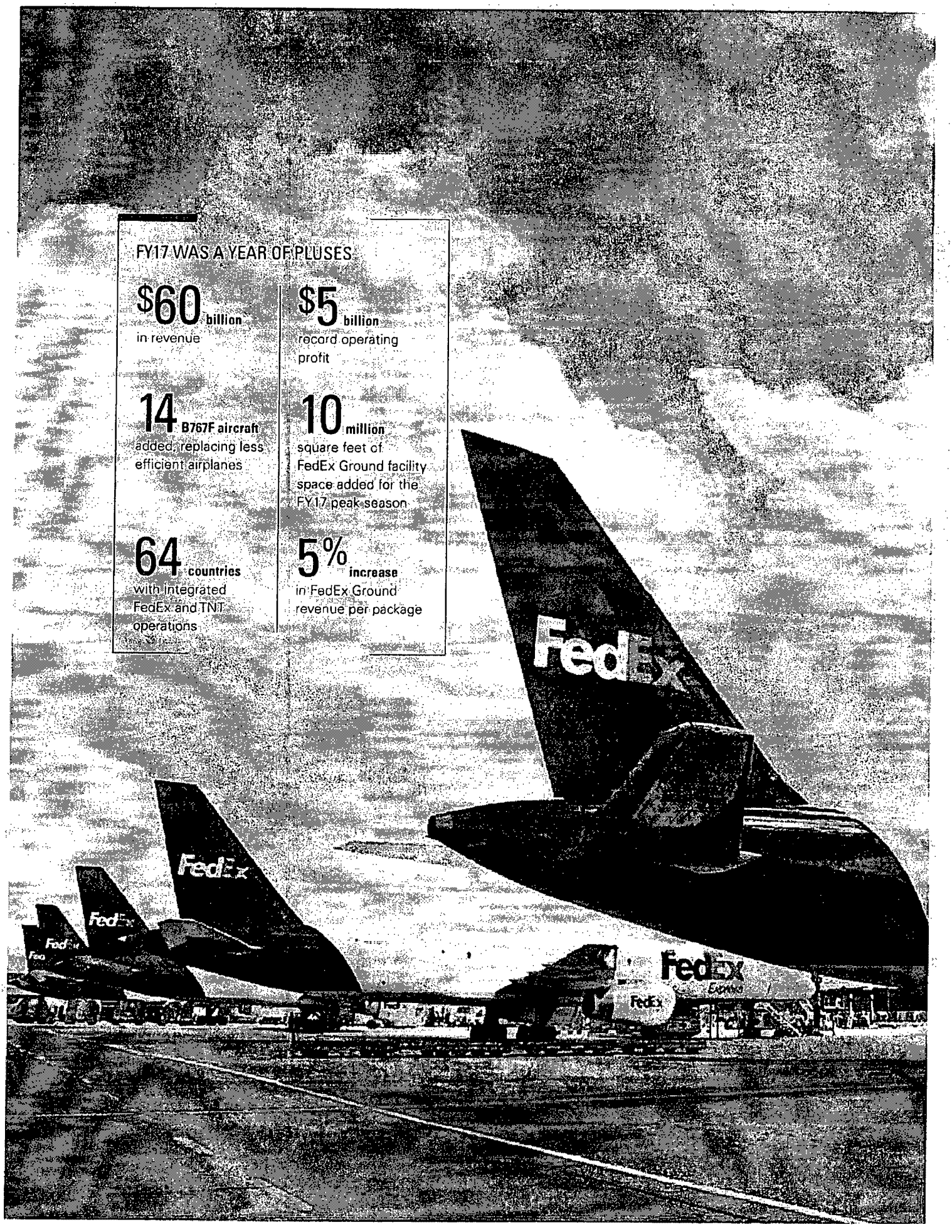
$5 billion
record operating profit

14 B767F aircraft
added, replacing less efficient airplanes

10 million
square feet of FedEx Ground facility space added for the FY17 peak season

64 countries
with integrated FedEx and TNT operations

5% increase
in FedEx Ground revenue per package



To our shareowners,

FedEx Corporation performed exceptionally well in fiscal 2017, and we are very optimistic about our future.

In FY17, we boosted long-term value for shareowners — delivered an outstanding peak season with highest ever volumes and service levels; invested heavily in several strategic areas; and managed yields and volumes extremely well.

Three areas of focus not only contributed to a very profitable year but also promise to accelerate performance that will improve margins, cash flows, returns, and earnings per share going forward. They are:

Investments. We continue to take advantage of market growth and meet customers' increasing demands for our services.

Integration. We're building on our record of success as we integrate acquisitions we've made in recent years.

Innovation. We're rapidly advancing information-technology solutions targeting efficiency and customer convenience.

Investments boost financial performance

Capacity and automation. Our strategic investments have one thing in common — expected high rates of long-term returns. To meet forecasts for strong e-commerce and commercial growth, FedEx Ground is expanding its network capacity and automation to make certain we have the capacity, efficiency, and flexibility customers demand.

In the year leading up to the FY17 peak season, FedEx Ground added 10 million square feet of operating space through 185 facility projects including four new major distribution hubs and 19 new fully automated stations. These state-of-the-art facilities are much more efficient to operate and allow us to quickly adjust to fluctuations in package volume and location.

Frederick W. Smith
Chairman and CEO

Reduced costs and emissions. FedEx Express continues to upgrade its aircraft fleet to improve margins and add flexibility to domestic and international operations. We invested $1.8 billion in aircraft and related equipment in FY17. The payback is impressive: the B767F carries almost as much payload as the MD10 it replaces and is about 30 percent more fuel-efficient resulting in lower emissions as well. Unit operating costs are about 20 percent lower overall including reduced maintenance costs and higher reliability that also improves service levels.

Systems and safety improvements. Focusing on efficiency at FedEx Freight should significantly improve margins by the end of FY20 and make FedEx the first choice for more customers in the less-than-truckload (LTL) market. Adding dimensioning technology will improve FedEx Freight yields and automating the customer experience will make LTL shipping simpler. Safety is a top priority. Today about 80 percent of our fleet is equipped with advanced safety technologies such as rollover stability control, lane-departure warning, and systems to help avoid collisions. Our goal is 100 percent deployment by the end of FY18. This adds to FedEx Freight's competitive advantage of the fastest published transit times in the LTL industry.

Integration unlocks new customer solutions

Implications of recent acquisitions — TNT Express, FedEx Supply Chain (formerly GENCO), and FedEx Cross Border — are profound. Together they fill strategic gaps in our global network and strengthen supply chain and e-commerce capabilities. Customers are delighted with the initial results which deliver significant opportunities for efficiencies and growth.

Amplifying our global scope. We are pleased with the progress of our multi-year TNT integration plan. Sixty-four countries were fully integrated in FY17, and we've begun integration activities across additional countries including many of the largest operations in TNT's global network. We're capitalizing on the immense talent and expertise of former TNT executives who now comprise about 40 percent of FedEx Express internationally based officers and managing directors.

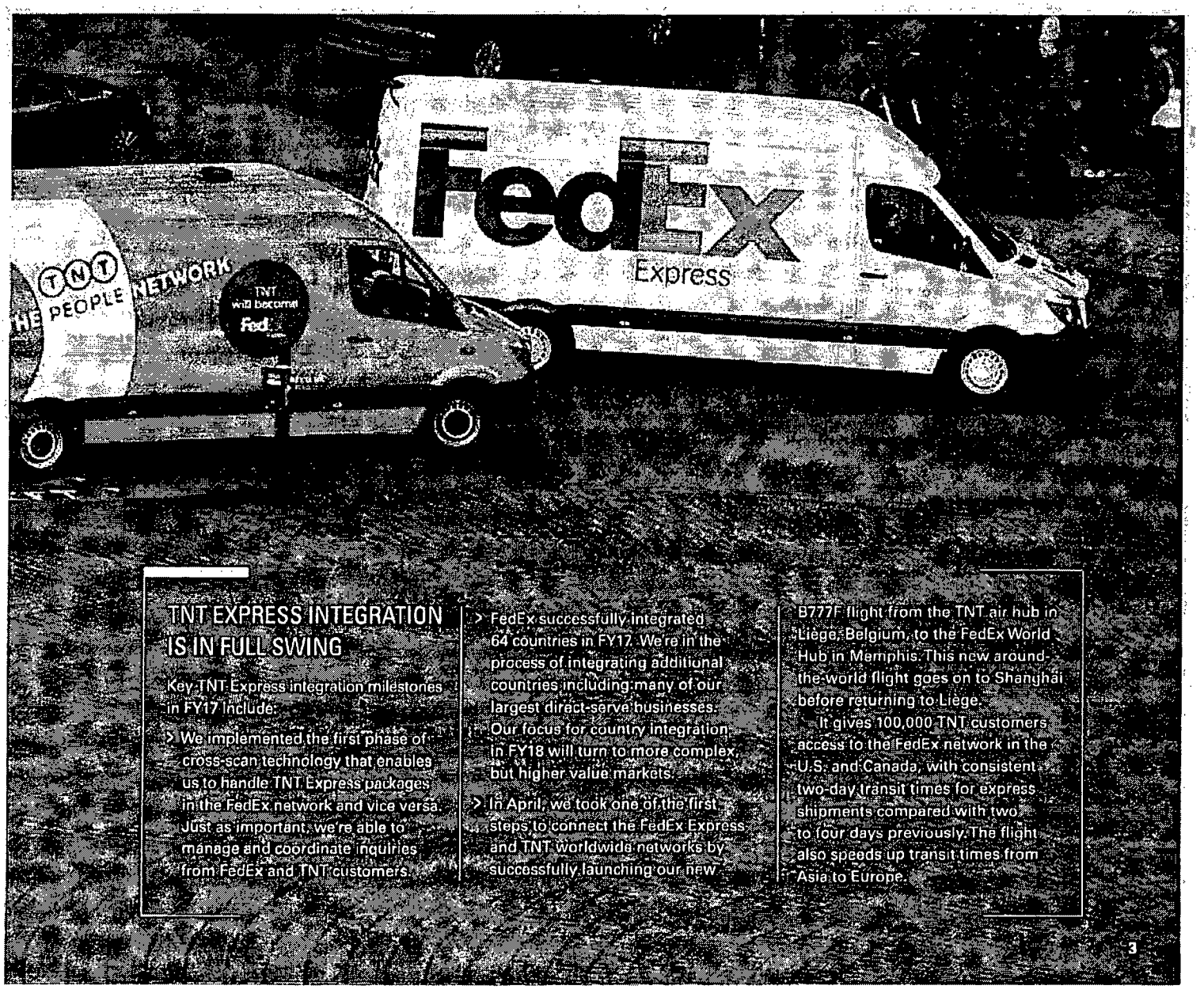
The results are proving to be transformative to customers and our financial outlook. In the latter regard, we're targeting an operating income improvement at the FedEx Express group of $1.2 billion to $1.5 billion in FY20 compared with FY17, assuming moderate economic growth and current accounting and tax rules.

Simplifying e-commerce for retailers. Integrating FedEx Supply Chain capabilities with the FedEx transportation networks has broadened our portfolio of solutions. FedEx® Fulfillment, created with extensive customer input, is a new way for us to support e-commerce companies of all sizes. The service provides retailers with warehousing, inventory management, fulfillment, packaging, and reverse logistics in one bundle powered by FedEx transportation networks.

Not only does the online platform make monitoring logistics activity as easy as using a smartphone, it also simplifies the returns process so retailers can better manage their products' entire life cycle.

FedEx Fulfillment also works closely with FedEx Cross Border to make it easier for small-to-medium e-tailers to serve international customers.

Reducing residential delivery costs. The integration of FedEx Ground and FedEx SmartPost® operations will enable us to use FedEx Ground contracted service providers to deliver a FedEx SmartPost package going to the same or nearby location on the same day which will reduce costs.



TNT EXPRESS INTEGRATION IS IN FULL SWING

Key TNT Express integration milestones in FY17 include:

> We implemented the first phase of cross-scan technology that enables us to handle TNT Express packages in the FedEx network and vice versa. Just as important, we're able to manage and coordinate inquiries from FedEx and TNT customers.

> FedEx successfully integrated 64 countries in FY17. We're in the process of integrating additional countries including many of our largest direct-serve businesses. Our focus for country integration in FY18 will turn to more complex, but higher value markets.

> In April, we took one of the first steps to connect the FedEx Express and TNT worldwide networks by successfully launching our new B777F flight from the TNT air hub in Liège, Belgium, to the FedEx World Hub in Memphis. This new around-the-world flight goes on to Shanghai before returning to Liège.

It gives 100,000 TNT customers access to the FedEx network in the U.S. and Canada, with consistent two-day transit times for express shipments compared with two to four days previously. The flight also speeds up transit times from Asia to Europe.

Up to 8,000 Walgreens locations will make it easier to drop off and pick up packages.

Innovation reduces costs, improves service

While our residential e-commerce revenues are much smaller than our business-to-business revenues, it's the fastest-growing market and requires constant innovation to make delivery to consumers more efficient.

That's one reason we are expanding our FedEx OnSite network of convenient pickup and drop-off locations. FedEx OnSite locations reduce costs because we can deliver multiple packages to one location for customer collection instead of delivering single packages to individual residences. A major new alliance with Walgreens will add nearly 8,000 locations to the FedEx OnSite network prior to the FY18 peak season.

Consumers can take advantage of these secure delivery locations by using FedEx Delivery Manager®. All it takes is a mobile phone or tablet to track, schedule delivery, reroute packages, sign for packages remotely, and receive delivery confirmations.

Deploying new technology is part of our ongoing strategy to reduce our carbon footprint. In FY17, FedEx Freight purchased more than 100 compressed natural gas (CNG) tractors and installed a CNG fueling station at our Oklahoma City Service Center.

FedEx Express is also introducing new vehicle technologies and making more efficient use of conventional vehicles. We met our target of increasing vehicle fuel efficiency by 30 percent from a 2005 baseline five years ahead of schedule. We've therefore now set a new goal: by 2025 we will increase FedEx Express vehicle fuel efficiency by 50 percent from the 2005 baseline.

SOLUTIONS MAKE E-COMMERCE EASIER, MORE PROFITABLE

E-commerce continues to reshape retail, with retailers moving rapidly to meet shifting consumer behavior and expectations. As the big picture evolves, our role is clear: facilitate profitable e-commerce growth.

Over time, economics will require more innovative ways to deliver goods ordered online, instead of only delivering individual items to residences, which is expensive.

To make that happen, FedEx must continue combining our physical assets and digital capabilities to create more effective, efficient, and secure delivery alternatives. We must also ensure we are properly compensated for the outstanding services we provide.

> Small and medium-sized online retailers are now fulfilling U.S. domestic and export orders through FedEx® Fulfillment — a new turnkey e-commerce solution that helps businesses fulfill orders from different sources, including e-commerce websites and online marketplaces.

> Cross-border shopping is growing and is expected to total 20 percent of e-commerce by 2022, with sales of $627 billion.* New FedEx Cross Border services provide both shoppers and merchants with a much faster, easier way to conduct international e-commerce.

> More than 6 million registered users — about 50 percent more than last year — are now taking advantage of FedEx Delivery Manager® to schedule package deliveries where and when it's convenient for them. We also expanded the service to 36 countries, with plans to add dozens more in FY18.

> Nearly 8,000 Walgreens locations will add punch to the FedEx OnSite network offering consumers more convenient and secure drop-off and pickup options.

*Practical Ecommerce, 2017. "The Explosive Growth of Cross-border Ecommerce."

Precise execution drives value

FedEx has never been better positioned for significant long-term growth that delivers increased value to shareowners and a more promising future for our team members. To those ends, we must continue to execute with precision. In addition, we must remain decisive and agile, especially when it comes to creating and delivering technology solutions that make us more productive and customers' lives easier.

Our team members' outstanding dedication and performance were once again recognized by *FORTUNE* magazine which named FedEx one of the world's most admired companies. No member of the FedEx team did more to make FedEx what we are today than Mike Glenn who retired during FY17 as Executive Vice President, Market Development and Corporate Communications, after more than 35 years of service. Mike leaves with our gratitude, affection, and best wishes.

To manage our growth and ensure a faster and more responsive FedEx, we promoted Dave Bronczek, formerly President and CEO of FedEx Express, to President and Chief Operating Officer. The CEOs of our core operating companies and our EVPs of Marketing and Sales now report to Dave. The new organization structure will facilitate future growth for our broad portfolio of customer solutions.

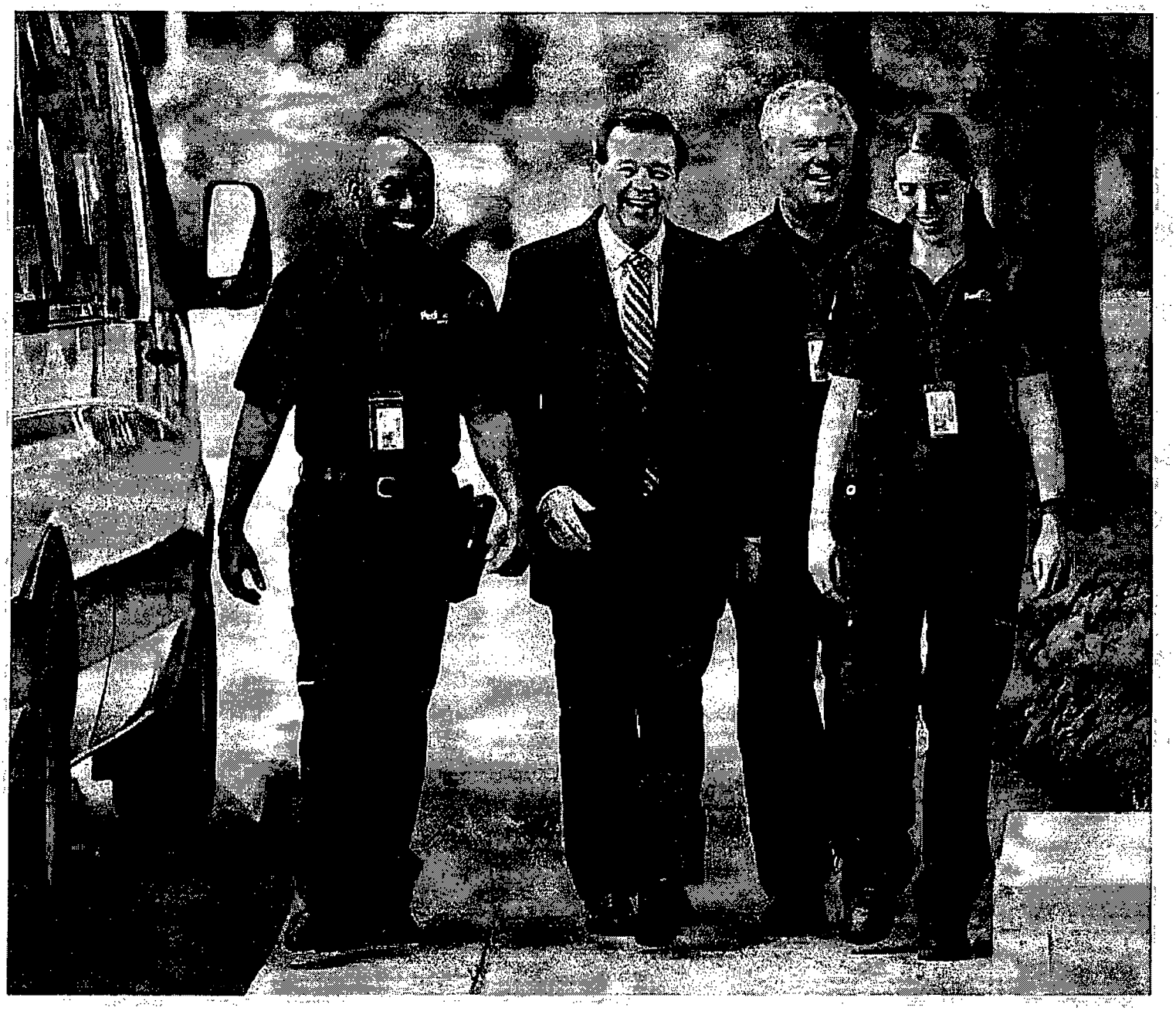
We will ensure FedEx remains indispensable to global commerce and a responsible corporate citizen. Integrity is key to our culture, our brand, and our reputation. In the public policy arena, we continue to vigorously support corporate tax reform and open trade. These policies are essential to sparking investment and innovation; boosting U.S. and global economies; and improving standards of living everywhere.

FedEx has never been stronger; our team has never been more committed; and our confidence has never been greater that we will deliver outstanding value and opportunities for shareowners, customers, and team members in coming years.

If you have a moment, go to **fedex.com/dream** and you'll see why we are so confident about our future prospects.

Frederick W. Smith
Chairman and CEO

"FedEx has never been stronger; our team has never been more committed; and our confidence has never been greater."



FROM PACKAGE HANDLER TO PRESIDENT AND COO

After graduating from Ohio's Kent State University in 1976, David J. Bronczek began his career as so many FedEx leaders have — on the frontline. Back then FedEx was a fledgling company that had been operating for three years with service to 75 U.S. cities and annual revenues of $96 million. Fast forward to FY17, the year Bronczek was named President and Chief Operating Officer of FedEx Corp. — a $60 billion global transportation powerhouse that is continuing to transform an industry, and is one of the most admired companies in the world.

What happened between then and now? "Like so many FedEx team members, I have lived the FedEx dream," Bronczek says. He served in many operational roles and as a sales representative before moving steadily through the ranks of FedEx management. In 1993 he was named Senior Vice President of the Europe, Middle East and Africa region. In 2000, at the age of 45, he became President and CEO of FedEx Express. There he oversaw the growth of our international business, the achievement of the $1.6 billion profit improvement plan, and the acquisition of TNT Express.

"The opportunities for team members are even better today than they were when I joined the company over 40 years ago," Bronczek says. "FedEx was founded on the People-Service-Profit operating philosophy that taking care of our team members results in outstanding service, allowing us to earn a fair profit that we then reinvest in our future and team members. This philosophy is more relevant than ever and has opened outstanding career opportunities for so many of our team members, including myself."

NEW AIRCRAFT IMPROVE FUEL EFFICIENCY AND CUSTOMER SERVICE

Investing in new aircraft not only reduces maintenance costs, it increases reliability, which translates into a better customer experience. Every flight can carry tens of thousands of important packages. The more our aircraft stay on schedule, the better FedEx Express is able to deliver shipments on time, backed by our money-back guarantee.

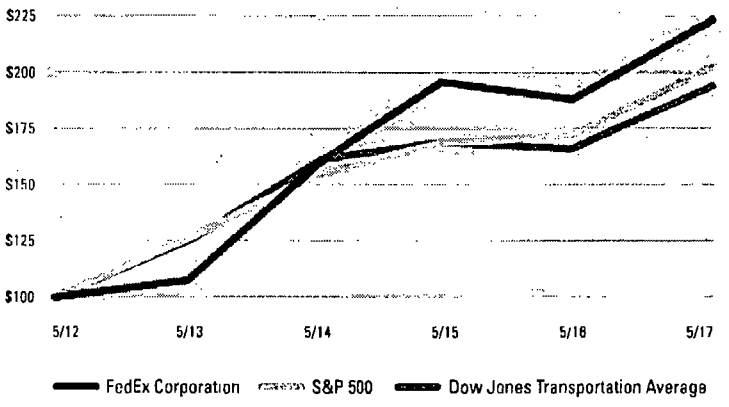
Reliability for the newer B777F and B767F aircraft is above 99 percent, meaning they depart as scheduled over 99 percent of the time. These aircraft also have a long maintenance honeymoon period, are more fuel-efficient — helping save money — and emit lower levels of carbon emissions.

In addition to modernizing the fleet, FedEx has improved reliability in all aircraft through strategic maintenance programs. Consistent progress over the past five years led overall fleet reliability to its highest level. The 0.7 percent improvement in reliability achieved over the last five years is equivalent to almost 1,300 additional on-time aircraft departures in FY17, affecting the delivery of millions of packages.

FINANCIAL HIGHLIGHTS

(in millions, except earnings per share)	2017[1][2]	2016[2][3]	Percent Change
Operating Results			
Revenues	$ 60,319	$ 50,365	20
Operating income	5,037	3,077	64
Operating margin	8.4%	6.1%	230bp
Net income	2,997	1,820	65
Diluted earnings per common share	11.07	6.51	70
Average common and common equivalent shares	270	279	(3)
Cash provided by operating activities	4,930	5,708	(14)
Capital expenditures	5,116	4,818	6
Financial Position			
Cash and cash equivalents	$ 3,969	$ 3,534	12
Total assets	48,552	45,959	6
Long-term debt, including current portion	14,931	13,762	8
Common stockholders' investment	16,073	13,784	17

Comparison of Five-Year Cumulative Total Return*



**$100 invested on 5/31/12 in stock or index, including reinvestment of dividends. Fiscal year ended May 31.*

(1) Results for 2017 include TNT Express integration expenses and restructuring charges of $327 million ($245 million, net of tax, or $0.91 per diluted share) and increased intangible asset amortization of $74 million ($57 million, net of tax, or $0.21 per diluted share) as a result of the TNT Express acquisition. Results for 2017 also include $39 million ($24 million, net of tax, or $0.09 per diluted share) of charges for legal reserves related to certain pending U.S. Customs and Border Protection matters involving FedEx Trade Networks and $22 million ($13 million, net of tax, or $0.05 per diluted share) of charges in connection with the settlement of and certain expected losses relating to independent contractor litigation matters at FedEx Ground.

(2) Results include a mark-to-market gain of $24 million ($6 million, net of tax, or $0.02 per diluted share) in 2017 and a loss of $1.5 billion ($946 million, net of tax, or $3.39 per diluted share) in 2016.

(3) Results for 2016 include provisions related to independent contractor litigation matters at FedEx Ground for $256 million, net of recognized immaterial insurance recovery ($158 million, net of tax, or $0.57 per diluted share), and expenses related to the settlement of a U.S. Customs and Border Protection notice of action in the amount of $69 million, net of recognized immaterial insurance recovery ($43 million, net of tax, or $0.15 per diluted share). Total transaction, financing and integration-planning expenses related to our TNT Express acquisition, as well as TNT Express's immaterial financial results from the time of acquisition, were $132 million ($125 million, net of tax, or $0.45 per diluted share) during 2016. In addition, 2016 results include a $76 million ($0.27 per diluted share) favorable tax impact from an internal corporate legal entity restructuring to facilitate the integration of FedEx Express and TNT Express.

OVERVIEW OF FINANCIAL SECTION

The financial section of the FedEx Corporation ("FedEx" or the "Company") Annual Report ("Annual Report") consists of the following: Management's Discussion and Analysis of Results of Operations and Financial Condition ("MD&A"), the Consolidated Financial Statements and the notes to the Consolidated Financial Statements, and Other Financial Information, all of which include information about our significant accounting policies and practices and the transactions that underlie our financial results. The following MD&A describes the principal factors affecting the results of operations, liquidity, capital resources, contractual cash obligations and critical accounting estimates of FedEx. The discussion in the financial section should be read in conjunction with the other sections of this Annual Report, particularly our detailed discussion of risk factors included in this MD&A.

The following MD&A was included in FedEx's fiscal 2017 Annual Report on Form 10-K that was filed with the Securities and Exchange Commision on July 17, 2017. For any material updates to the information included in this MD&A, please refer to the Company's press releases and filings with the Securities and Exchange Commission.

Organization of Information

Our MD&A is composed of three major sections: Results of Operations, Financial Condition and Critical Accounting Estimates. These sections include the following information:

- Results of operations includes an overview of our consolidated 2017 results compared to 2016 results, and 2016 results compared to 2015 results. This section also includes a discussion of key actions and events that impacted our results, as well as our outlook for 2018.
- The overview is followed by a financial summary and analysis (including a discussion of both historical operating results and our outlook for 2018) for each of our transportation segments.
- Our financial condition is reviewed through an analysis of key elements of our liquidity, capital resources and contractual cash obligations, including a discussion of our cash flows and our financial commitments.
- Critical accounting estimates discusses those financial statement elements that we believe are most important to understanding the material judgments and assumptions incorporated in our financial results.
- We conclude with a discussion of risks and uncertainties that may impact our financial condition and operating results.

Description of Business

We provide a broad portfolio of transportation, e-commerce and business services through companies competing collectively, operating independently and managed collaboratively, under the respected FedEx brand. Our primary operating companies are Federal Express Corporation ("FedEx Express"), the world's largest express transportation company, TNT Express B.V. ("TNT Express"), an international express, small-package ground delivery and freight transportation company; FedEx Ground Package System, Inc. ("FedEx Ground"), a leading North American provider of small-package ground delivery services; and FedEx Freight, Inc. ("FedEx Freight"), a leading U.S. provider of less-than-truckload ("LTL") freight services. These companies represent our major service lines and, along with FedEx Corporate Services, Inc. ("FedEx Services"), form the core of our reportable segments.

Our FedEx Services segment provides sales, marketing, information technology, communications, customer service, technical support, billing and collection services, and certain back-office functions that support our transportation segments. In addition, the FedEx Services segment provides customers with retail access to FedEx Express and FedEx Ground shipping services through FedEx Office and Print Services, Inc. ("FedEx Office"). See "Reportable Segments" for further discussion.

The key indicators necessary to understand our operating results include:

- the overall customer demand for our various services based on macroeconomic factors and the global economy;
- the volumes of transportation services provided through our networks, primarily measured by our average daily volume and shipment weight and size;
- the mix of services purchased by our customers;
- the prices we obtain for our services, primarily measured by yield (revenue per package or pound or revenue per shipment or hundredweight for LTL freight shipments);
- our ability to manage our cost structure (capital expenditures and operating expenses) to match shifting volume levels; and
- the timing and amount of fluctuations in fuel prices and our ability to recover incremental fuel costs through our fuel surcharges.

Many of our operating expenses are directly impacted by revenue and volume levels. Accordingly, we expect these operating expenses to fluctuate on a year-over-year basis consistent with changes in revenues and volumes. Therefore, the discussion of operating expense captions focuses on the key drivers and trends impacting expenses other than changes in revenues and volumes. The line item "Other operating expenses" predominantly includes costs associated with outside service contracts (such as security, facility services and cargo handling), insurance, professional fees and uniforms.

Except as otherwise specified, references to years indicate our fiscal year ended May 31, 2017 or ended May 31 of the year referenced and comparisons are to the prior year. References to our transportation segments include, collectively, our FedEx Express group, which includes the FedEx Express and TNT Express segments, the FedEx Ground segment and the FedEx Freight segment. In 2017, TNT Express's results are disclosed as a reportable segment and are also combined with the FedEx Express segment to reflect a management reporting structure referred to as the FedEx Express group. Because TNT Express was acquired near the end of 2016, its financial results were immaterial and were included in "Eliminations, corporate and other" in that period.

RESULTS OF OPERATIONS AND OUTLOOK

Consolidated Results

The following table compares summary operating results (dollars in millions, except per share amounts) for the years ended May 31.

	2017[1]	2016[2]	2015	Percent Change 2017/2016	Percent Change 2016/2015
Consolidated revenues	$ 60,319	$ 50,365	$ 47,453	20	6
Operating income:					
FedEx Express segment[3]	2,678	2,519	1,584	6	59
TNT Express segment	84	–	–	NM	NM
FedEx Ground segment	2,292	2,276	2,172	1	5
FedEx Freight segment	397	426	484	(7)	(12)
Eliminations, corporate and other[4][5]	(414)	(2,144)	(2,373)	81	10
Consolidated operating income[5]	5,037	3,077	1,867	64	65
Operating margin:					
FedEx Express segment[3]	9.8%	9.5%	5.8%	30 bp	370 bp
TNT Express segment	1.1%	–	–	NM	NM
FedEx Ground segment	12.7%	13.7%	16.7%	(100)bp	(300)bp
FedEx Freight segment	6.2%	6.9%	7.8%	(70)bp	(90)bp
Consolidated operating margin[4][5]	8.4%	6.1%	3.9%	230 bp	220 bp
Consolidated net income[5]	$ 2,997	$ 1,820	$ 1,050	65	73
Diluted earnings per share	$ 11.07	$ 6.51	$ 3.65	70	78

The following table shows changes in revenues and operating income by reportable segment for 2017 compared to 2016 and 2016 compared to 2015 (in millions).

	Year-over-Year Changes			
	Revenues		Operating Income	
	2017/2016	2016/2015	2017/2016[1][2]	2016/2015[2]
FedEx Express segment[3]	$ 907	$ (788)	$ 159	$ 935
TNT Express segment	7,401	–	84	–
FedEx Ground segment	1,501	3,590	16	104
FedEx Freight segment	243	9	(29)	(58)
FedEx Services segment	28	48	–	–
Eliminations, corporate and other[4][5]	(126)	53	1,730	229
	$ 9,954	$ 2,912	$ 1,960	$ 1,210

(1) Operating income in 2017 includes TNT Express integration expenses and restructuring charges of $327 million ($121 million in "Eliminations, corporate and other," $117 million at FedEx Express and $89 million at TNT Express) and increased intangible asset amortization of $74 million as a result of the TNT Express acquisition. Operating income for 2017 also includes $39 million of charges for legal reserves related to certain pending U.S. Customs and Border Protection matters involving FedEx Trade Networks and $72 million of charges in connection with the settlement of and certain expected losses relating to independent contractor litigation matters at FedEx Ground. See Note 18 of the accompanying consolidated financial statements for additional information.

(2) Includes transaction, financing and integration-planning expenses related to our TNT Express acquisition, as well as the immaterial financial results of TNT Express from the date of acquisition, aggregating $132 million during 2016. These expenses are predominantly included in "Eliminations, corporate and other."

(3) FedEx Express segment 2015 expenses include impairment and related charges of $276 million resulting from the decision to permanently retire and adjust the retirement schedule of certain aircraft and related engines.

(4) Operating income includes a gain of $24 million in 2017 and losses of $1.5 billion in 2016 and $2.2 billion in 2015 associated with our mark-to-market pension accounting further discussed in Note 13 of the accompanying consolidated financial statements.

(5) Operating income in 2016 includes provisions related to independent contractor litigation matters at FedEx Ground for $256 million and expenses related to the settlement of a U.S. Customs and Border Protection notice of action in the amount of $69 million, in each case net of recognized immaterial insurance recovery. Operating income for 2015 includes a $197 million charge in the fourth quarter to increase the legal reserve associated with the settlement of a legal matter at FedEx Ground to the amount of the settlement, which is further discussed in Note 18 of the accompanying consolidated financial statements.

Overview

Our segment results improved in 2017 as a result of yield and volume growth and continued cost management at our FedEx Express segment, as well as the inclusion of TNT Express. In addition, tax benefits from the implementation of new foreign currency tax regulations and the adoption of a new accounting standard for share-based payments, further discussed in the "Income Taxes" section below, benefited results. These factors were partially offset by TNT Express integration expenses, including restructuring charges (described below), network expansion costs at FedEx Ground, one fewer operating day at FedEx Express and FedEx Ground and higher operating expenses at FedEx Freight.

We incurred an aggregate of $327 million ($245 million, net of tax, or $0.91 per diluted share) in 2017 of TNT Express integration expenses, including restructuring charges. The integration expenses are predominantly incremental costs directly associated with the integration of TNT Express, including professional and legal fees, salaries and wages, advertising expenses and travel. Internal salaries and wages are included only to the extent the individuals are assigned full time to integration activities. These costs were incurred at FedEx Corporation, FedEx Express and TNT Express. The identification of these costs as integration-related expenditures is subject to our disclosure controls and procedures. In addition, we incurred $74 million ($57 million, net of tax, or $0.21 per diluted share) in 2017 of increased intangible asset amortization as a result of the TNT Express acquisition.

Operating income in 2017 includes a $24 million gain ($6 million, net of tax, or $0.02 per diluted share) associated with our fourth quarter mark-to-market ("MTM") retirement plans adjustment. Our 2017 results also include $39 million ($24 million, net of tax, or $0.09 per diluted share) of charges for legal reserves related to certain pending U.S. Customs and Border Protection ("CBP") matters involving FedEx Trade Networks and $22 million ($13 million, net of tax, or $0.05 per diluted share) of charges related to the settlement of and certain expected losses relating to independent contractor litigation matters involving FedEx Ground. These items are included in "Eliminations, corporate and other."

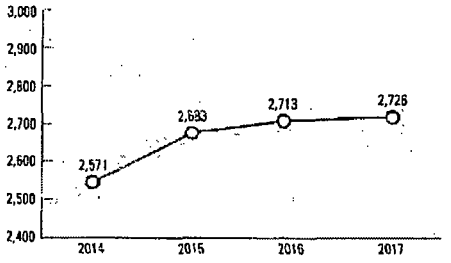
Our results for 2016 include a $1.5 billion loss ($946 million, net of tax, or $3.39 per diluted share) associated with our fourth quarter MTM retirement plans adjustment, provisions for the settlement of and expected losses related to independent contractor litigation matters involving FedEx Ground of $256 million ($158 million, net of tax, or $0.57 per diluted share), and expenses related to the settlement of a CBP notice of action in the amount of $69 million ($43 million, net of tax, or $0.15 per diluted share). These items are included in "Eliminations, corporate and other." Also during 2016, we incurred transaction, financing and integration-planning expenses related to our TNT Express acquisition of $132 million ($125 million, net of tax, or $0.45 per diluted share), which includes the impact of certain costs not deductible for tax purposes as a result of the acquisition. These expenses also include TNT Express's financial results from the time of acquisition, which are immaterial, and are predominantly included in "Eliminations, corporate and other." While these items had a significant impact to our consolidated results, our 2016 segment performance benefited from higher operating income at FedEx Express as our profit improvement program that commenced in 2013 continued to constrain expense growth while improving revenue quality, and the positive net impact of fuel. Two additional operating days also benefited all our transportation segments in 2016. These factors were partially offset by lower than anticipated revenue at FedEx Freight and network expansion costs, higher self-insurance expenses and increased purchased transportation rates at FedEx Ground. In addition, higher incentive compensation accruals, which were not impacted by the charges and credits described above, negatively impacted our overall results.

During 2016, a favorable tax impact from an internal corporate legal entity restructuring to facilitate the integration of FedEx Express and TNT Express was recorded in the amount of $76 million (or $0.27 per diluted share).

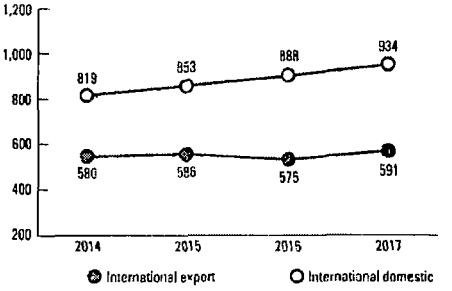
Our results for 2015 include a $2.2 billion loss ($1.4 billion, net of tax, or $4.81 per diluted share) associated with our MTM retirement plans adjustment.

The following graphs for FedEx Express, FedEx Ground and FedEx Freight show selected volume trends (in thousands) for the years ended May 31 (TNT Express volume trends are not presented, as it was acquired on May 25, 2016):

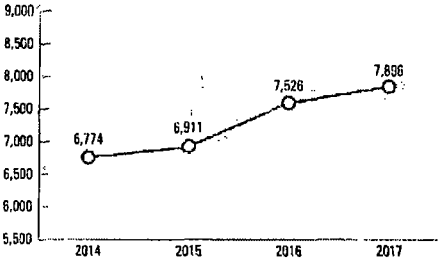
FedEx Express U.S. Domestic
Average Daily Package Volume



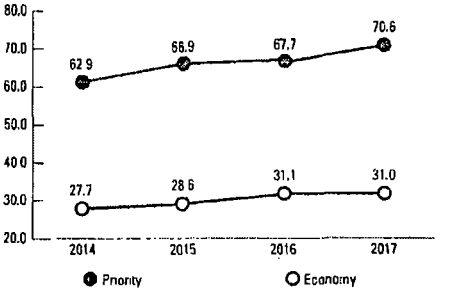
FedEx Express International[1]
Average Daily Package Volume



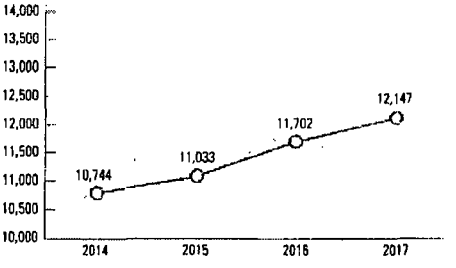
FedEx Ground
Average Daily Package Volume



FedEx Freight
Average Daily LTL Shipments

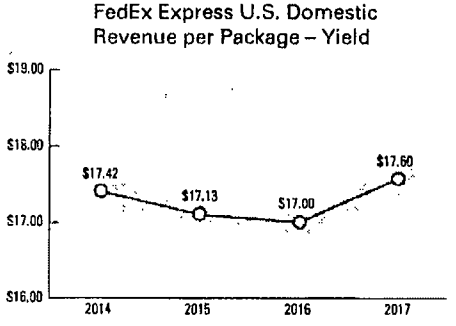


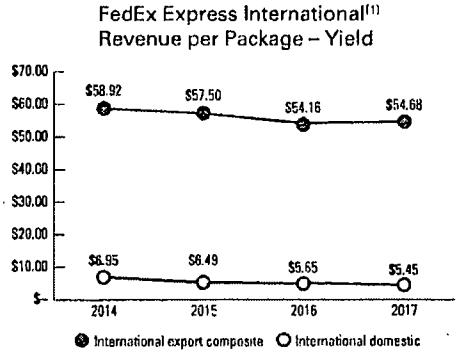
FedEx Express and FedEx Ground
Total Average Daily Package Volume

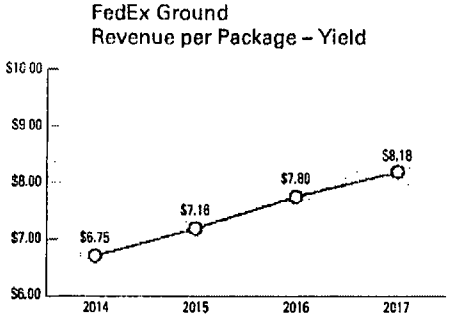


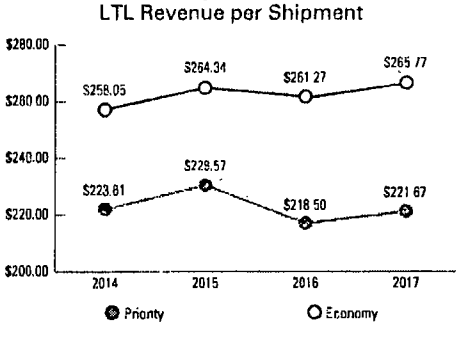
(1) International domestic average daily package volume represents our international intra-country operations

The following graphs for FedEx Express, FedEx Ground and FedEx Freight show selected yield trends for the years ended May 31 (TNT Express yield trends are not presented, as it was acquired on May 25, 2016):









(1) International domestic revenue per package represents our international intra-country operations.

Revenue

Revenues increased 20% in 2017 due to the inclusion of TNT Express and improvements at our other transportation segments. At FedEx Ground, revenues increased 9% in 2017 due to improved yield and volume growth. Revenues at FedEx Express increased 3% in 2017 due to yield and package volume growth partially offset by unfavorable exchange rates. Revenues in 2017 were negatively impacted by one fewer operating day at FedEx Express and FedEx Ground. FedEx Freight revenues increased 4% due to higher average daily LTL shipments and higher LTL revenue per shipment. Higher fuel surcharges benefited revenues at all our transportation segments in 2017, but had a minimal net impact on operating income.

Revenues increased 6% in 2016 driven by the FedEx Ground segment due to volume growth in our residential services coupled with rate increases, and the inclusion of FedEx Supply Chain Distribution System, Inc. ("FedEx Supply Chain") revenue for a full year. In addition, revenues increased approximately $1.2 billion in 2016 as a result of recording FedEx SmartPost service revenues on a gross basis, versus our previous net treatment due to operational changes that occurred in 2016, which resulted in us being the principal in all cases for the FedEx SmartPost service. Lower fuel surcharges had a significant negative impact on revenues at all of our transportation segments in 2016. Unfavorable exchange rates also negatively impacted revenues at FedEx Express in 2016. Two additional operating days benefited revenues at all our transportation segments in 2016.

Retirement Plans MTM Adjustments

We incurred a non-cash pre-tax MTM gain of $24 million in 2017 ($6 million, net of tax, or $0.02 per diluted share) and losses of $1.5 billion in 2016 ($946 million, net of tax, or $3.39 per diluted share) and $2.2 billion in 2015 ($1.4 billion, net of tax, or $4.81 per diluted share) from actuarial adjustments to pension and postretirement healthcare plans related to the measurement of plan assets and liabilities. The gain in 2017 reflects higher-than-expected pension asset returns, particularly in the equity markets. The losses in 2016 and 2015 are attributable to declining discount rates and demographic assumption experience changes. For more information, see the "Critical Accounting Estimates" section of this MD&A and Note 1 and Note 13 of the accompanying consolidated financial statements.

Operating Expenses

The following tables compare operating expenses expressed as dollar amounts (in millions) and as a percent of revenue for the years ended May 31:

	2017[1]	2016[2]	2015
Operating expenses:			
Salaries and employee benefits	$ 21,542	$ 18,581	$ 17,110
Purchased transportation	13,630	9,966	8,483
Rentals and landing fees	3,240	2,854	2,682
Depreciation and amortization	2,995	2,631	2,611
Fuel	2,773	2,399	3,720
Maintenance and repairs	2,374	2,108	2,099
Impairment and other charges[3]	–	–	276
Retirement plans mark-to-market adjustment	(24)	1,498	2,190
Other[4]	8,752	7,251	6,415
Total operating expenses	$ 55,282	$ 47,288	$ 45,586
Total operating income	$ 5,037	$ 3,077	$ 1,867

	Percent of Revenue		
	2017[1]	2016[2]	2015
Operating expenses:			
Salaries and employee benefits	35.7%	36.9%	36.1%
Purchased transportation	22.6	19.8	17.9
Rentals and landing fees	5.3	5.7	5.7
Depreciation and amortization	5.0	5.2	5.5
Fuel	4.6	4.7	7.8
Maintenance and repairs	3.9	4.2	4.4
Impairment and other charges[3]	–	–	0.6
Retirement plans mark-to-market adjustment	–	3.0	4.6
Other[4]	14.5	14.4	13.5
Total operating expenses	91.6	93.9	96.1
Operating margin	8.4%	6.1%	3.9%

(1) Includes TNT Express integration expenses and restructuring charges of $327 million and increased intangible asset amortization of $74 million as a result of the TNT Express acquisition

(2) Includes transaction and integration-planning expenses related to our TNT Express acquisition of $113 million.

(3) Includes charges resulting from the decision to permanently retire and adjust the retirement schedule of certain aircraft and related engines at FedEx Express

(4) Other expenses in 2017 include $39 million of charges for legal reserves related to certain pending CBP matters involving FedEx Trade Networks and $22 million of charges in connection with the settlement of and certain expected losses relating to independent contractor litigation matters at FedEx Ground. Included in 2016 are provisions for the settlement of and expected losses related to independent contractor litigation matters involving FedEx Ground for $256 million and $69 million in expenses related to the settlement of a CBP notice of action, in each case net of recognized immaterial insurance recovery. Included in 2015 is a $197 million charge in the fourth quarter to increase the legal reserve associated with the settlement of a legal matter at FedEx Ground to the amount of the settlement.

Our operating income and margin benefited from the slight positive impact of our MTM adjustment in 2017, compared to large MTM losses in the prior two years, the year-over-year decreases associated with the independent contractor litigation matters and CBP matters, and the continued growth and cost management initiatives at the FedEx Express segment. However, operating margin was negatively impacted in 2017 by the inclusion of TNT Express, TNT Express integration expenses and network expansion costs at FedEx Ground.

Our operating expenses include an increase in purchased transportation costs of 37% in 2017 due to the inclusion of TNT Express and higher volume and increased purchased transportation rates at FedEx Ground. Salaries and employee benefits expense increased 16% in 2017 due to the inclusion of TNT Express, volume growth and staffing to support network expansion at FedEx Ground, merit increases at FedEx Express, and higher staffing levels to support volume growth and merit increases at FedEx Freight. Other expenses increased 21% in 2017 primarily due to outside service contracts at TNT Express and the reserves for the legal matters involving FedEx Trade Networks and FedEx Ground, which were offset by the inclusion of independent contractor litigation expenses and the CBP matter in the prior year.

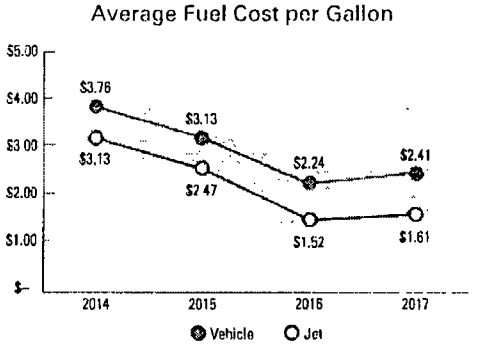
Our operating expenses for 2016 include a $1.5 billion loss ($946 million, net of tax, or $3.39 per diluted share) associated with our annual MTM retirement plans adjustment described above. In addition, we recorded corporate level provisions for the settlement of and expected losses related to independent contractor litigation matters involving FedEx Ground and the settlement of the CBP matter, and expenses related to our acquisition of TNT Express as described above. Operating expenses also increased due to higher salaries and employee benefits at FedEx Freight, and higher purchased transportation expenses due to the recording of FedEx SmartPost revenues on a gross basis, network expansion costs, higher self-insurance expenses and increased purchased transportation rates at FedEx Ground. In addition, higher incentive compensation accruals impacted our overall operating expenses.

Our 2016 operating margin benefited from the reduced year-over-year loss from our MTM retirement plans adjustment, the strong performance of our FedEx Express segment due to the continued execution of our profit improvement program and the positive net impact of fuel. However, operating margin was negatively impacted in 2016 by higher salaries and employee benefits at FedEx Freight, and network expansion costs, higher self-insurance expenses and the recording of FedEx SmartPost revenues on a gross basis at FedEx Ground, transaction and integration-planning expenses related to our TNT Express acquisition, and higher incentive compensation accruals.

Our operating expenses include an increase in purchased transportation costs of 17% in 2016 due to the recording of FedEx SmartPost service revenues on a gross basis (including postal fees in revenues and expenses) due to operational changes that occurred in 2016, which resulted in us being the principal in all cases for the FedEx SmartPost service and higher volumes and increased rates at FedEx Ground. Salaries and employee benefits expense increased 9% in 2016 due to the inclusion of FedEx Supply Chain results for a full year, pay initiatives coupled with increased staffing at FedEx Freight, higher healthcare costs and higher incentive compensation accruals. Other expenses were 13% higher in 2016 due to the inclusion of FedEx Supply Chain results for a full year, higher self-insurance costs at FedEx Ground and the CBP matter described above. Rentals and landing fees increased 6% in 2016 due to network expansion and the inclusion of FedEx Supply Chain results for a full year at FedEx Ground. Retirement plans MTM adjustment expenses decreased 32% in 2016, as favorable demographic assumption experience partially offset the actuarial loss on pension plan asset returns in 2016.

Fuel

The following graph for our transportation segments shows our average cost of jet and vehicle fuel per gallon for the years ended May 31:



Fuel expense increased 16% during 2017 due to the inclusion of TNT Express and higher fuel prices. However, fuel prices represent only one component of the two factors we consider meaningful in understanding the impact of fuel on our business. Consideration must also be given to the fuel surcharge revenue we collect. Accordingly, we believe discussion of the net impact of fuel on our results, which is a comparison of the year-over-year change in these two factors, is important to understand the impact of fuel on our business. In order to provide information about the impact of fuel surcharges on the trend in revenue and yield growth, we have included the comparative weighted-average fuel surcharge percentages in effect for 2017, 2016 and 2015 in the accompanying discussions of each of our transportation segments.

Effective February 6, 2017, FedEx Express and FedEx Ground fuel surcharges are adjusted on a weekly basis. The fuel surcharge is based on a weekly fuel price from two weeks prior to the week in which it is assessed. The index used to determine the fuel surcharge percentage for our FedEx Freight business continues to adjust weekly. TNT Express's fuel surcharges incorporate a timing lag of approximately six to eight weeks.

Prior to February 6, 2017, our fuel surcharges for the FedEx Express and FedEx Ground businesses incorporated a timing lag of approximately six to eight weeks before they were adjusted for changes in fuel prices. For example, the fuel surcharge index in effect at FedEx Express in January 2017 was set based on November 2016 fuel prices. In addition, on November 2, 2015 we updated the tables used to determine our fuel surcharges at FedEx Express and FedEx Ground.

Beyond these factors, the manner in which we purchase fuel also influences the net impact of fuel on our results. For example, our contracts for jet fuel purchases at FedEx Express are tied to various indices, including the U.S. Gulf Coast index. While many of these indices are aligned, each index may fluctuate at a different pace, driving variability in the prices paid for jet fuel. Furthermore, under these contractual arrangements, approximately 75% of our jet fuel is purchased based on the index price for the preceding week, with the remainder of our purchases tied to the index price for the preceding month, rather than based on daily spot rates. These contractual provisions mitigate the impact of rapidly changing daily spot rates on our jet fuel purchases.

Because of the factors described above, our operating results may be affected should the market price of fuel suddenly change by a significant amount or change by amounts that do not result in an adjustment in our fuel surcharges, which can significantly affect our earnings either positively or negatively in the short-term.

The net impact of fuel had minimal impact to operating income in 2017 as higher fuel surcharges were more than offset by increased fuel prices.

The net impact of fuel on our operating results does not consider the effects that fuel surcharge levels may have on our business, including changes in demand and shifts in the mix of services purchased by our customers. While fluctuations in fuel surcharge percentages can be significant from period to period, fuel surcharges represent one of the many individual components of our pricing structure that impact our overall revenue and yield. Additional components include the mix of services sold, the base price and extra service charges we obtain for these services and the level of pricing discounts offered.

Fuel expense decreased 36% during 2016 primarily due to lower aircraft fuel prices. The net impact of fuel had a modest benefit to operating income in 2016. This was driven by decreased fuel prices during 2016 versus the prior year, which was partially offset by the year-over-year decrease in fuel surcharge revenue during these periods.

Other Income and Expense

Interest expense increased $176 million in 2017 primarily due to our U.S. and Euro debt issuances in fiscal 2016, which was partially offset by a gain of $35 million from the sale of an investment during 2017 in other expense. The weighted average interest rate on our long-term debt was 3.6% in 2017, reflecting the favorable interest rates obtained in the recent debt offerings. Interest expense increased $101 million in 2016 primarily due to increased interest expense from our 2016 and 2015 debt offerings used to fund our share repurchase programs and business acquisitions.

Income Taxes

Our effective tax rate was 34.6% in 2017, 33.6% in 2016 and 35.5% in 2015. Due to its effect on income before income taxes, the adjustment for MTM pension accounting increased our 2017 effective tax rate by 20 basis points and reduced our 2016 and 2015 effective tax rates by 120 and 80 basis points, respectively.

Our 2017 tax rate was favorably impacted by $62 million as a result of the implementation of new U.S. foreign currency tax regulations and $55 million from the adoption of the Accounting Standards Update on share-based payments. Our 2016 tax rate was favorably impacted by $76 million from an internal corporate legal entity restructuring done in anticipation of the integration of the foreign operations of FedEx Express and TNT Express. A lower state tax rate primarily due to the resolution of a state tax matter also provided a benefit to our 2016 tax rate.

Cumulative permanently reinvested foreign earnings were $2.1 billion at the end of 2017 and $1.6 billion at the end of 2016.

Additional information on income taxes, including our effective tax rate reconciliation, liabilities for uncertain tax positions and our global tax profile can be found in Note 12 of the accompanying consolidated financial statements.

Business Acquisitions

On May 25, 2016, we acquired TNT Express for €4.4 billion (approximately $4.9 billion). Cash acquired in the acquisition was approximately €250 million ($280 million). All shares associated with the transaction were tendered or transferred as of the third quarter of 2017. We funded the acquisition with proceeds from an April 2016 debt issuance and existing cash balances. The financial results of this business for 2017 are included in the FedEx Express group and the TNT Express segment. Financial results for 2016 were immaterial from the time of acquisition and are included in "Eliminations, corporate and other."

TNT Express collects, transports and delivers documents, parcels and freight to over 200 countries. This strategic acquisition broadens our portfolio of international transportation solutions with the combined strength of TNT Express's strong European road platform and FedEx Express's strength in other regions globally.

For more information, see Note 3 of the accompanying consolidated financial statements.

During 2015, we acquired two businesses, expanding our portfolio in e-commerce and supply chain solutions. On January 30, 2015, we acquired GENCO Distribution System, Inc., now FedEx Supply Chain, a leading North American third-party logistics provider, for $1.4 billion, which was funded using a portion of the proceeds from our January 2015 debt issuance. The financial results of this business are included in the FedEx Ground segment from the date of acquisition.

In addition, on December 16, 2014, we acquired Bongo International, LLC, now FedEx Cross Border, a leader in cross-border enablement technologies and solutions, for $42 million in cash from operations. The financial results of this business are included in the FedEx Express segment from the date of acquisition.

TNT Express Cyber-Attack

On June 28, 2017, we announced that the worldwide operations of TNT Express were significantly affected by the cyber-attack known as Petya, which involved the spread of an information technology virus through a Ukrainian tax software product. The systems and data of all other FedEx companies are currently unaffected by the attack. TNT Express operates in Ukraine and uses the software that was compromised, which allowed the virus to infiltrate TNT Express systems and encrypt its data. While TNT Express operations and communications were significantly affected, no data breach or data loss to third parties is known to have occurred as of the date of this filing.

Immediately following the attack, contingency plans were implemented to recover TNT Express operations and communications systems. As of the date of this filing, all TNT Express depots, hubs and facilities are operational and most TNT services are available. Nevertheless, customers are still experiencing widespread service delays, including invoicing, and manual processes are being used to facilitate a significant portion of TNT Express operations and customer service functions. We cannot estimate when TNT Express services will be fully restored. Contingency plans that make use of both FedEx Express and TNT Express networks remain in place to minimize the impacts to customers, including transporting TNT Express packages within the FedEx Express network and offering the full range of FedEx Express services as alternatives to TNT Express customers.

Our information technology teams have been focused on the recovery of critical systems and continue to make progress in resuming full services and restoring critical systems. Currently, we are focused on restoring remaining operational systems as well as finance, back-office and secondary business systems. At this time, we cannot estimate how long it will take to restore the systems that were impacted and it is reasonably possible that TNT Express will be unable to fully restore all of the affected systems and recover all of the critical business data that was encrypted by the virus.

Given the recent timing and magnitude of the attack, in addition to our initial focus on restoring TNT Express operations and customer service functions, we are still evaluating the financial impact of the attack, but it is likely that it will be material. We do not have cyber or other insurance in place that covers this attack. Although we cannot currently quantify the amounts, we have experienced loss of revenue due to decreased volumes at TNT Express and incremental costs associated with the implementation of contingency plans and the remediation of affected systems. Additional consequences and risks associated with the cyber-attack that could negatively impact our results of operations and financial condition are described in the corresponding risk factor included in this MD&A. In addition to financial consequences, the cyber-attack may materially impact our disclosure controls and procedures and internal control over financial reporting in future periods.

Outlook

During 2018, we expect yield and volume growth at all our transportation segments to support revenue and earnings growth, prior to any MTM retirement plans adjustment. Our 2018 results will be negatively affected by our TNT Express integration and restructuring activities, as well as the impact of the TNT Express cyber-attack. Our expectations for earnings growth in 2018 are dependent on key external factors, including fuel prices and moderate economic growth. We expect segment level pension expense to decline by approximately $86 million in 2018 due to improved funded status in our tax-qualified U.S. domestic pension plans ("U.S. Pension Plans").

During 2018, we will continue to execute our TNT Express integration plans. The integration process is complex as it spans over 200 countries and involves combining our pickup and delivery operations at a local level, our global and regional air and ground networks, and our extensive operations, customs clearance, sales and customer-facing and back-office information technology systems. The integration is expected to be completed by the end of 2020. We expect the aggregate integration program expense, including restructuring charges at TNT Express, over the four years to be approximately $800 million and expect to incur approximately $275 million of these costs during 2018. We continue to refine our integration plans, however, particularly in light of the recent cyber-attack at TNT Express. As a result, the timing and amount of integration expenses and capital investments in any future period may change as we implement our plans.

The integration process has proceeded in a manner such that in the first quarter of 2018 we will report one combined FedEx Express segment (currently reported as the FedEx Express group). This one segment is the result of combining the financial information of the FedEx Express and TNT Express segments (see discussion in the Reportable Segments section below). We are targeting operating income improvement at the FedEx Express group of $1.2 billion to $1.5 billion in 2020 from 2017, assuming moderate economic growth and current accounting and tax rules.

Our capital expenditures for 2018 are expected to be approximately $5.9 billion, largely for our fleet modernization program at FedEx Express and investments in facilities and sort equipment to support volume growth at FedEx Ground, including certain projects deferred from 2017. In addition, our capital expenditure forecast includes $160 million for the TNT Express integration. These capital expenditure forecasts are subject to change as we refine and implement our TNT Express integration plans. We will continue to evaluate our investments in critical long-term strategic projects to ensure our capital expenditures generate high returns on investment and are balanced with our outlook for global economic conditions. For additional details on key 2018 capital projects, refer to the "Capital Resources" and "Liquidity Outlook" sections of this MD&A.

We expect our effective tax rate for 2018 to be between 32% and 35%. Our 2018 effective tax rate will likely be higher in the first quarter and vary from quarter to quarter as tax benefits and costs related to the TNT Express integration are recognized.

Substantial activities and legal entity restructuring are ongoing with respect to the integration of the foreign operations of FedEx Express and TNT Express. As we continue to integrate these businesses over the next few years, there could be material favorable and unfavorable impacts to our effective tax rate. However, once the businesses are integrated, the expected increase in international earnings should contribute to a reduction in our effective tax rate.

Our outlook is dependent upon a stable pricing environment for fuel, as volatility in fuel prices impacts our fuel surcharge levels, fuel expense and demand for our services. Due to the change in fuel surcharge methodology discussed above, the volatility in fuel costs will have less of an impact on earnings as the timing lag of adjustments to our fuel surcharges has been reduced by several weeks at FedEx Express and FedEx Ground.

Other Outlook Matters

We are involved in a number of lawsuits and other proceedings that challenge the status of FedEx Ground's owner-operators as independent contractors. For a description of these proceedings, see Note 18 of the accompanying consolidated financial statements for additional information.

FedEx Ground previously announced plans to implement the Independent Service Provider ("ISP") model throughout its entire U.S. pickup and delivery network, including the 29 states that had not yet begun transitioning to the ISP model. The transition to the ISP model in these 29 states is being accomplished on a district-by-district basis and is expected to be completed in the second half of calendar 2020. As of May 31, 2017, more than 45% of FedEx Ground volume was being delivered by small businesses operating under the ISP model. The costs associated with these transitions will be recognized in the periods incurred and are not expected to be material to any future quarter.

See "Risk Factors" and "Forward Looking Statements" for a discussion of these and other potential risks and uncertainties that could materially affect our future performance.

Seasonality of Business

Our businesses are cyclical in nature, as seasonal fluctuations affect volumes, revenues and earnings. Historically, the U.S. express package business experiences an increase in volumes in late November and December. International business, particularly in the Asia-to-U.S. market, peaks in October and November in advance of the U.S. holiday sales season. Our first and third fiscal quarters, because they are summer vacation and post winter-holiday seasons, have historically experienced lower volumes relative to other periods. Normally, the fall is the busiest shipping period for FedEx Ground, while late December, June and July are the slowest periods. For FedEx Freight, the spring and fall are the busiest periods and the latter part of December through February is the slowest period. Shipment levels, operating costs and earnings for each of our companies can also be adversely affected by inclement weather, particularly the impact of severe winter weather in our third fiscal quarter.

Recent Accounting Guidance

New accounting rules and disclosure requirements can significantly impact our reported results and the comparability of our financial statements. We believe the following new accounting guidance is relevant to the readers of our financial statements.

During the first quarter of 2017, we retrospectively adopted the authoritative guidance issued by the Financial Accounting Standards Board ("FASB") to simplify the presentation of debt issuance costs. This new guidance requires entities to present debt issuance costs related to a recognized debt liability as a direct deduction from the carrying amount of that debt liability, rather than as an asset. This new guidance had a minimal impact on our accounting and financial reporting.

During the second quarter of 2017, we adopted the Accounting Standards Update issued by the FASB in March 2016 to simplify the accounting for share-based payment transactions. The new guidance requires companies to recognize the income tax effects of awards that vest or are settled as income tax expense or benefit in the income statement as opposed to additional paid-in capital. The guidance also provides clarification of the presentation of certain components of share-based awards in the statement of cash flows. Additionally, the guidance allows companies to make a policy election to account for forfeitures either upon occurrence or by estimating forfeitures. We have elected to continue estimating forfeitures expected to occur in order to determine the amount of compensation cost to be recognized each period and to apply the cash flow classification guidance prospectively. Excess tax benefits are now classified as an operating activity rather than a financing activity. The adoption of the new standard resulted in a benefit to net income of $55 million ($0.17 per diluted share) for the year ended May 31, 2017. The first quarter of 2017 was not recast due to immateriality.

On May 28, 2014, the FASB and International Accounting Standards Board issued a new accounting standard that will supersede virtually all existing revenue recognition guidance under generally accepted accounting principles in the United States. This standard will be effective for us beginning in fiscal 2019. The fundamental principles of the new guidance are that companies should recognize revenue in a manner that reflects the timing of the transfer of services to customers and the amount of revenue recognized reflects the consideration that a company expects to receive for the goods and services provided. The new guidance establishes a five-step approach for the recognition of revenue. We are continuing to assess the impact of this new standard on our consolidated financial statements and related disclosures, including ongoing contract reviews. We do not anticipate that the new guidance will have a material impact on our revenue recognition policies, practices or systems.

On February 25, 2016, the FASB issued a new lease accounting standard which requires lessees to put most leases on their balance sheets but recognize the expenses on their income statements in a manner similar to current practice. The new standard states that a lessee will recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. Expenses related to leases determined to be operating leases will be recognized on a straight-line basis, while those determined to be financing leases will be recognized following a front-loaded expense profile in which interest and amortization are presented separately in the income statement. Based on our lease portfolio, we currently anticipate recognizing a lease liability and related right-of-use asset on the balance sheet in excess of $13 billion with an immaterial impact on our income statement compared to the current lease accounting model. However, the ultimate impact of the standard will depend on the company's lease portfolio as of the adoption date. We are currently in the process of evaluating our existing lease portfolios, including accumulating all of the necessary information required to properly account for the leases under the new standard. Additionally, we are implementing an enterprise-wide lease management system to assist in the accounting and are evaluating additional changes to our processes and internal controls to ensure we meet the standard's reporting and disclosure requirements. These changes will be effective for our fiscal year beginning June 1, 2019 (fiscal 2020), with a modified retrospective adoption method to the beginning of 2018.

In March 2017, the FASB issued an Accounting Standards Update that changes how employers that sponsor defined benefit pension or other postretirement benefit plans present the net periodic benefit cost in the income statement. This new guidance requires entities to report the service cost component in the same line item or items as other compensation costs. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component outside of income from operations. This standard will impact our operating income but will have no impact on our net income or earnings per share. For example, adoption of this guidance would have reduced 2017 operating income by $471 million but would not have impacted our net income. This new guidance will be effective for our fiscal year beginning June 1, 2018 (fiscal 2019) and will be applied retrospectively.

Reportable Segments

FedEx Express, TNT Express, FedEx Ground and FedEx Freight represent our major service lines and, along with FedEx Services, form the core of our reportable segments. Our reportable segments include the following businesses:

FedEx Express Group:	
FedEx Express Segment	> FedEx Express (express transportation) > FedEx Trade Networks (air and ocean freight forwarding, customs brokerage and cross-border enablement technology and solutions) > FedEx SupplyChain Systems (logistics services)
TNT Express Segment	> TNT Express (international express transportation, small-package ground delivery and freight transportation)
FedEx Ground Segment	> FedEx Ground (small-package ground delivery) > FedEx Supply Chain (third-party logistics) (formerly GENCO)
FedEx Freight Segment	> FedEx Freight (LTL freight transportation) > FedEx Custom Critical (time-critical transportation)
FedEx Services Segment	> FedEx Services (sales, marketing, information technology, communications, customer service, technical support, billing and collection services and back-office functions) > FedEx Office (document and business services and package acceptance)

During 2017, we announced that products and solutions offered by FedEx SupplyChain Systems would be combined with similar offerings within FedEx Custom Critical, FedEx Express and FedEx Supply Chain (formerly GENCO) effective June 1, 2017. In addition, during 2017, we rebranded GENCO to FedEx Supply Chain.

In 2017, TNT Express's results are disclosed as a reportable segment and are also combined with the FedEx Express reportable segment to reflect a management reporting structure referred to as the FedEx Express group. As integration began in 2017, these segments continued to have discrete financial information that was regularly reviewed when evaluating performance and making resource allocation decisions. However, they were combined into the FedEx Express group for financial reporting purposes into a collective business as a result of their management reporting structure.

In the first quarter of 2018, we will report one FedEx Express segment (currently reported as the FedEx Express group). This new segment is the result of combining the financial information of the FedEx Express and TNT Express segments as part of the operational integration of these two businesses. As integration activities have progressed, the FedEx Express and TNT Express businesses have begun to lose their historical discrete financial profiles, as some TNT Express businesses are merging into FedEx Express businesses, and some FedEx Express businesses are merging into TNT Express businesses. Therefore, discrete financial information for FedEx Express and TNT Express will no longer be used to evaluate performance and make resource allocation decisions. In addition, this new reporting structure aligns with our management reporting structure and our internal financial reporting and compensation plans for the new segment.

FedEx Services Segment

The operating expenses line item "Intercompany charges" on the accompanying consolidated financial statements of our transportation segments reflects the allocations from the FedEx Services segment to the respective transportation segments. The allocations of net operating costs are based on metrics such as relative revenues or estimated services provided.

The FedEx Services segment provides direct and indirect support to our transportation businesses, and we allocate all of the net operating costs of the FedEx Services segment (including the net operating results of FedEx Office) to reflect the full cost of operating our transportation businesses in the results of those segments. Within the FedEx Services segment allocation, the net operating results of FedEx Office, which are an immaterial component of our allocations, are allocated to FedEx Express and FedEx Ground. We review and evaluate the performance of our transportation segments based on operating income (inclusive of FedEx Services segment allocations). For the FedEx Services segment, performance is evaluated based on the impact of its total allocated net operating costs on our transportation segments. We believe these allocations approximate the net cost of providing these functions. Our allocation methodologies are refined periodically, as necessary, to reflect changes in our businesses.

Eliminations, Corporate and Other

Certain FedEx operating companies provide transportation and related services for other FedEx companies outside their reportable segment. Billings for such services are based on negotiated rates, which we believe approximate fair value, and are reflected as revenues of the billing segment. These rates are adjusted from time to time based on market conditions. Such intersegment revenues and expenses are eliminated in our consolidated results and are not separately identified in the following segment information, because the amounts are not material.

Corporate and other includes corporate headquarters costs for executive officers and certain legal and financial functions, as well as certain other costs and credits not attributed to our core business. These costs are not allocated to the business segments. In 2017, the year-over-year decrease in these costs was driven by the change in the MTM retirement plans adjustment and the year-over-year decrease in charges for legal reserves, which were partially offset by the TNT Express integration expenses discussed above. In 2016, the year-over-year decrease in these costs was driven by a lower MTM retirement plans adjustment.

FedEx Express Group

The FedEx Express group consists of the combined results of the FedEx Express and TNT Express segments. As discussed above, we have combined these segments for financial reporting discussion purposes into a collective business as a result of their management reporting structure. Furthermore, over time their operations will be integrated, therefore presenting a group view provides a basis for future year-over-year comparisons. We acquired TNT Express in the fourth quarter of 2016, which has impacted the year-over-year comparability of revenue and operating income. Because TNT Express was acquired near the end of 2016, its financial results were immaterial and were included in "Eliminations, corporate and other" in that period. The following table compares revenues, operating income (dollars in millions) and operating margin for the years ended May 31:

				Percent Change	
	2017	2016	2015	2017/ 2016	2016/ 2015
Revenues:					
FedEx Express segment	$27,358	$26,451	$27,239	3	(3)
TNT Express segment	7,401	—	–	NM	NM
FedEx Express group	34,759	26,451	27,239	31	(3)
Operating income:					
FedEx Express segment	2,678	2,519	1,584	6	59
TNT Express segment	84	–	–	NM	NM
FedEx Express group	$ 2,762	$ 2,519	$ 1,584	10	59
Operating margin:					
FedEx Express segment	9.8%	9.5%	5.8%	30bp	370bp
TNT Express segment	1.1%	–	–	NMbp	NMbp
FedEx Express group	7.9%	9.5%	5.8%	(160)bp	370bp

FedEx Express Group Results

FedEx Express group revenues increased 31% in 2017 due to the inclusion of the TNT Express segment, as well as improved base yield and package volume at our FedEx Express segment.

Operating income increased 10% in 2017 driven by our FedEx Express segment and the inclusion of the TNT Express segment. The TNT Express segment reported an operating profit in 2017, which was negatively impacted by integration and restructuring expenses and intangible asset amortization. Operating margin decreased in 2017 due to the inclusion of the TNT Express segment.

FedEx Express group results include $206 million of TNT Express integration expenses in 2017. In addition, 2017 expenses include increased TNT Express intangible asset amortization of $74 million as a result of the TNT Express acquisition

FedEx Express Group Outlook

The integration process is proceeding in a manner such that commencing in the first quarter of 2018 we will report one FedEx Express segment (currently reported as the FedEx Express group) when the financial information for the FedEx Express and TNT Express segments will begin to merge and only the results of the FedEx Express group will be regularly reviewed when evaluating performance and making resource allocation decisions.

Revenues and earnings are expected to increase at the FedEx Express group during 2018. We expect revenues to increase primarily due to higher international volumes and U.S. domestic yields, as we continue to focus on revenue quality while managing costs. These benefits will be partially offset in 2018 by TNT Express integration expenses and intangible asset amortization expense.

During 2018, we will continue to execute our TNT Express integration plans. The integration process is complex as it spans over 200 countries and involves our pickup and delivery operations at a local level, our global and regional air and ground networks, and our extensive operations, customs clearance, sales and back office information technology systems. The integration is expected to be completed by the end of 2020.

We are targeting operating income improvement at the FedEx Express group of $1 2 billion to $1.5 billion in 2020 from 2017, assuming moderate economic growth and current accounting and tax rules. This target includes expected synergies from the integration of TNT Express and base business and other operational improvements across the global FedEx Express network.

Capital expenditures at the FedEx Express group are expected to increase in 2018, driven by our aircraft fleet modernization programs, as we add new aircraft that are more reliable, fuel-efficient and technologically advanced and retire older, less-efficient aircraft. Capital expenditures for 2018 will also include integration-related investments. FedEx Express group capital expenditures for 2018 are subject to change as we refine and implement our TNT Express integration plans, particularly in light of the TNT Express cyber-attack.

FedEx Express Segment

FedEx Express offers a wide range of U.S. domestic and international shipping services for delivery of packages and freight including priority services, which provide time-definite delivery within one, two or three business days worldwide, and deferred or economy services, which provide time-definite delivery within five business days worldwide. The following tables compare revenues, operating expenses, operating expenses as a percent of revenue, operating income (dollars in millions) and operating margin for the years ended May 31:

	2017	2016	2015	Percent Change 2017/2016	Percent Change 2016/2015
Revenues:					
Package:					
U.S. overnight box	$ 6,958	$ 6,763	$ 6,704	3	1
U.S. overnight envelope	1,750	1,662	1,629	5	2
U.S. deferred	3,528	3,379	3,342	4	1
Total U.S. domestic package revenue	12,236	11,804	11,675	4	1
International priority	5,827	5,697	6,251	2	(9)
International economy	2,412	2,282	2,301	6	(1)
Total international export package revenue	8,239	7,979	8,552	3	(7)
International domestic[1]	1,299	1,285	1,406	1	(9)
Total package revenue	21,774	21,068	21,633	3	(3)
Freight:					
U.S.	2,528	2,481	2,300	2	8
International priority	1,502	1,384	1,588	9	(13)
International airfreight	118	126	180	(6)	(30)
Total freight revenue	4,148	3,991	4,068	4	(2)
Other[2]	1,436	1,392	1,538	3	(9)
Total revenues	27,358	26,451	27,239	3	(3)
Operating expenses					
Salaries and employee benefits	10,536	10,240	10,104	3	1
Purchased transportation	2,337	2,301	2,544	2	(10)
Rentals and landing fees	1,618	1,688	1,693	(4)	–
Depreciation and amortization	1,431	1,385	1,460	3	(5)
Fuel	2,153	2,023	3,199	6	(37)
Maintenance and repairs	1,414	1,294	1,357	9	(5)
Impairment and other charges[3]	–	–	276	NM	NM
Intercompany charges	1,881	1,846	1,842	2	–
Other	3,310	3,155	3,180	5	(1)
Total operating expenses	24,680	23,932	25,655	3	(7)
Operating income	$ 2,678	$ 2,519	$ 1,584	6	59
Operating margin	9.8%	9.5%	5.8%	30bp	370bp

	Percent of Revenue 2017	Percent of Revenue 2016	Percent of Revenue 2015
Operating expenses:			
Salaries and employee benefits	38.5%	38.7%	37.1%
Purchased transportation	8.5	8.7	9.3
Rentals and landing fees	5.9	6.4	6.2
Depreciation and amortization	5.2	5.2	5.4
Fuel	7.9	7.7	11.7
Maintenance and repairs	5.2	4.9	5.0
Impairment and other charges[3]	–	–	1.0
Intercompany charges	6.9	7.0	6.8
Other	12.1	11.9	11.7
Total operating expenses	90.2	90.5	94.2
Operating margin	9.8%	9.5%	5.8%

(1) International domestic revenues represent our international intra-country operations.

(2) Includes FedEx Trade Networks and FedEx SupplyChain Systems.

(3) 2015 includes $276 million of impairment and related charges resulting from the decision to permanently retire and adjust the retirement schedule of certain aircraft and related engines.

The following table compares selected statistics (in thousands, except yield amounts) for the years ended May 31:

	2017	2016	2015	Percent Change 2017/2016	Percent Change 2016/2015
Package Statistics[1]					
Average daily package volume (ADV):					
U.S. overnight box	1,265	1,271	1,240	–	3
U.S. overnight envelope	561	541	527	4	3
U.S. deferred	900	901	916	–	(2)
Total U.S. domestic ADV	2,726	2,713	2,683	–	1
International priority	405	394	410	3	(4)
International economy	186	181	176	3	3
Total international export ADV	591	575	586	3	(2)
International domestic[2]	934	888	853	5	4
Total ADV	4,251	4,176	4,122	2	1
Revenue per package (yield):					
U.S. overnight box	$ 21.57	$ 20.79	$ 21.29	4	(2)
U.S. overnight envelope	12.24	11.99	12.15	2	(1)
U.S. deferred	15.37	14.66	14.36	5	2
U.S. domestic composite	17.60	17.00	17.13	4	(1)
International priority	56.44	56.47	60.05	–	(6)
International economy	50.83	49.15	51.54	3	(5)
International export composite	54.68	54.16	57.50	1	(6)
International domestic[2]	5.45	5.65	6.49	(4)	(13)
Composite package yield	20.09	19.71	20.66	2	(5)
Freight Statistics[1]					
Average daily freight pounds:					
U.S.	8,190	8,178	7,833	–	4
International priority	2,670	2,510	2,887	6	(13)
International airfreight	641	623	684	3	(9)
Total average daily freight pounds	11,501	11,311	11,404	2	(1)
Revenue per pound (yield):					
U.S.	$ 1.21	$ 1.19	$ 1.16	2	3
International priority	2.21	2.15	2.17	3	(1)
International airfreight	0.72	0.79	1.04	(9)	(24)
Composite freight yield	1.41	1.38	1.40	2	(1)

(1) Package and freight statistics include only the operations of FedEx Express
(2) International domestic statistics represent our international intra-country operations

FedEx Express Segment Revenues

FedEx Express segment revenues increased 3% in 2017 primarily due to improved base yields and package volume growth and higher fuel surcharges, which were partially offset by unfavorable exchange rates and one fewer operating day.

U.S. domestic package yields increased 4% in 2017 due to higher rates, package weights and fuel surcharges. U.S. domestic average daily volume slightly increased in 2017 driven by our overnight envelope service offering. International export package yields increased 1% in 2017 due to favorable service mix and higher fuel surcharges, partially offset by unfavorable exchange rates. International export average daily volumes increased 3% in 2017 due to increased international priority box shipments and growth in international export from Asia and Europe. Freight yields increased 2% in 2017 primarily due to higher base rates. Freight average daily pounds increased 2% in 2017 primarily due to international priority freight volume.

FedEx Express segment revenues decreased 3% in 2016 primarily due to lower fuel surcharges and unfavorable exchange rates, which were partially offset by improved U.S. domestic and international export yield management and U.S. domestic volume and pounds growth. Two additional operating days also benefited revenues in 2016.

During 2016, lower fuel surcharges resulted in decreased package and freight yields. Unfavorable exchange rates also contributed to the decrease in international package and freight yields. Higher base rates partially offset the yield decrease for our U.S. domestic package, international export and freight services. U.S. domestic volumes increased 1% in 2016 driven by our overnight service offerings. International domestic revenues declined 9% in 2016 due to the negative impact of unfavorable exchange rates, which were partially offset by increased volumes.

Our U.S. domestic and outbound fuel surcharge and the international fuel surcharges ranged as follows for the years ended May 31:

	2017	2016	2015
U.S. Domestic and Outbound Fuel Surcharge:			
Low	1.00%	–%	1.50%
High	3.38	4.00	9.50
Weighted-average	2.51	1.84	6.34
International Fuel Surcharges:			
Low	1.00	–	0.50
High	10.50	12.00	18.00
Weighted-average	6.92	6.09	12.80

Effective February 6, 2017, FedEx Express fuel surcharges are adjusted on a weekly basis compared to the previous monthly adjustment. On January 2, 2017, FedEx Express implemented a 3.9% average list price increase for U.S. domestic, U.S. export and U.S. import services and a change to the U.S. domestic dimensional weight divisor. On January 4, 2016 and January 5, 2015, FedEx Express implemented a 4.9% average list price increase for FedEx Express U.S. domestic, U.S. export and U.S. import services. In addition, effective November 2, 2015 and February 2, 2015, FedEx Express updated certain tables used to determine fuel surcharges.

FedEx Express Segment Operating Income

FedEx Express continued to increase operating income and operating margin in 2017 due to yield and volume growth and the ongoing benefit of cost management initiatives, which were partially offset by one fewer operating day. Results in 2017 include $117 million of TNT Express integration expenses. FedEx Express continues to focus on managing network capacity to match customer demand, reducing structural costs, modernizing its fleet and driving productivity increases throughout its operations.

Salaries and employee benefits increased 3% in 2017 primarily due to merit increases. Other expenses increased 5% in 2017 primarily due to TNT Express integration expenses, self-insurance costs and outside service contracts. Maintenance and repairs increased 9% in 2017 primarily due to the timing of aircraft maintenance events. Rentals decreased 4% in 2017 due to a reduction in aircraft leases.

Fuel expense increased 6% in 2017 due to higher fuel prices. The net impact of fuel had a slightly positive impact on operating income in 2017. See the "Fuel" section of this MD&A for a description and additional discussion of the net impact of fuel on our operating results.

In 2016, FedEx Express operating income and operating margin increased despite lower revenues. This increase was primarily driven by profit improvement program initiatives, which continued to constrain expense growth while improving revenue quality, the positive net impact of fuel and lower international expenses due to currency exchange rates. Also, operating income benefited from two additional operating days in 2016. Results for 2015 were negatively impacted by $276 million ($175 million, net of tax) of impairment and related charges, of which $246 million was non-cash, resulting from the decision to permanently retire and adjust the retirement schedule of certain aircraft and related engines.

Salaries and employee benefits increased 1% in 2016 due to merit increases and higher incentive compensation accruals, which were partially offset by a favorable exchange rate impact. Purchased transportation decreased 10% in 2016 driven primarily by a favorable exchange rate impact. Accelerated aircraft retirements during 2015 caused depreciation and amortization expense to decrease 5% in 2016. Maintenance and repairs expense decreased 5% in 2016 primarily due to the timing of aircraft maintenance events.

Fuel expense decreased 37% in 2016 due to lower aircraft fuel prices. The net impact of fuel had a significant benefit to operating income in 2016. See the "Fuel" section of this MD&A for a description and additional discussion of the net impact of fuel on our operating results.

TNT Express Segment

TNT Express collects, transports and delivers documents, parcels and freight on a day-definite or time-definite basis. Services are primarily classified by the speed, distance, weight and size of shipments. While the majority of shipments are between businesses, TNT Express also offers business-to-consumer services to select key customers. Because TNT Express was acquired near the end of 2016, its financial results were immaterial and were included in "Eliminations, corporate and other" in that period. The following tables present revenues, operating expenses, operating expenses as a percent of revenue, operating income (dollars in millions), operating margin and selected package statistics (in thousands, except yield amounts) for the years ended May 31:

	2017	Percent of Revenue 2017
Revenues	$ 7,401	100.0%
Operating expenses:		
Salaries and employee benefits	2,077	28.1
Purchased transportation	3,049	41.2
Rentals	353	4.8
Depreciation and amortization	239	3.2
Fuel	225	3.1
Maintenance and repairs	143	1.9
Intercompany charges	17	0.2
Other	1,214	16.4
Total operating expenses	7,317	98.9%
Operating income	$ 84	
Operating margin	1.1%	
Package:		
Average daily packages	1,022	
Revenue per package (yield)	$ 24.77	
Freight:		
Average daily pounds	3,608	
Revenue per pound (yield)	$ 0.56	

TNT Express fuel surcharges are indexed to the spot price for jet fuel. Using this index, the international fuel surcharge percentages ranged as follows for the periods ended May 31:

	2017
International Fuel Surcharges:	
Low	5.25%
High	19.00
Weighted-average	12.85

TNT Express Segment Results

The TNT Express segment was formed in the fourth quarter of 2016, following the acquisition of TNT Express on May 25, 2016. Since the date of acquisition, TNT Express has focused on maintaining its customer base while executing integration activities with FedEx Express.

TNT Express results include revenues of $7.4 billion and operating income of $84 million in 2017. These results include integration costs of $89 million. Costs associated with the integration, including restructuring charges, are expected to continue through fiscal year 2020. In addition, operating expenses include intangible asset amortization of $74 million in 2017.

FedEx Ground Segment

FedEx Ground service offerings include day-certain delivery to businesses in the U.S. and Canada and to 100% of U.S. residences. The following tables compare revenues, operating expenses, operating expenses as a percent of revenue, operating income (dollars in millions) and operating margin and selected package statistics (in thousands, except yield amounts) for the years ended May 31:

	2017	2016	2015	Percent Change 2017/2016	Percent Change 2016/2015
Revenues:					
FedEx Ground	$16,497	$15,050	$12,568	10	20
FedEx Supply Chain	1,578	1,524	416	4	NM
Total revenues	18,075	16,574	12,984	9	28
Operating expenses:					
Salaries and employee benefits	3,228	2,834	2,146	14	32
Purchased transportation	7,406	6,817	5,021	9	36
Rentals	764	639	485	20	32
Depreciation and amortization	684	608	530	13	15
Fuel	10	10	12	–	(17)
Maintenance and repairs	322	288	244	12	18
Intercompany charges	1,317	1,230	1,123	7	10
Other	2,052	1,872	1,251	10	50
Total operating expenses	15,783	14,298	10,812	10	32
Operating income	$ 2,292	$ 2,276	$ 2,172	1	5
Operating margin	12.7%	13.7%	16.7%	(100)bp	(300)bp
Average daily package volume:					
FedEx Ground	7,896	7,526	6,911	5	9
Revenue per package (yield):					
FedEx Ground	$ 8.18	$ 7.80	$ 7.16	5	9

	Percent of Revenue 2017	2016	2015
Operating expenses:			
Salaries and employee benefits	17.8%	17.1%	16.5%
Purchased transportation	41.0	41.1	38.7
Rentals	4.2	3.9	3.7
Depreciation and amortization	3.8	3.7	4.1
Fuel	0.1	0.1	0.1
Maintenance and repairs	1.8	1.7	1.9
Intercompany charges	7.3	7.4	8.7
Other	11.3	11.3	9.6
Total operating expenses	87.3	86.3	83.3
Operating margin	12.7%	13.7%	16.7%

FedEx Ground Segment Revenues

FedEx Ground segment revenues increased 9% in 2017 due to yield and volume growth, partially offset by one fewer operating day. FedEx Ground yield increased 5% in 2017 due to higher base yields for our commercial business and residential services. Average daily volume at FedEx Ground increased 5% in 2017 primarily due to continued growth in our commercial business and residential services.

FedEx Ground segment revenues increased 28% in 2016 due to volume and yield growth at FedEx Ground and the inclusion of FedEx Supply Chain revenue for a full year, which were partially offset by lower fuel surcharges. Revenues increased approximately $1.2 billion in 2016 as a result of recording FedEx SmartPost revenues on a gross basis, versus our previous net treatment. In addition, revenues benefited from two additional operating days in 2016.

Average daily volume at FedEx Ground increased 9% in 2016 primarily due to continued growth in our residential services driven by e-commerce. FedEx Ground yield increased 9% in 2016 primarily due to the recording of FedEx SmartPost revenues on a gross basis, versus our previous net treatment, and increased base rates, which include additional dimensional weight charges. These factors were partially offset by lower fuel surcharges.

The FedEx Ground fuel surcharge is based on a rounded average of the national U.S. on-highway average price for a gallon of diesel fuel, as published by the Department of Energy. Our fuel surcharge ranged as follows for the years ended May 31:

	2017	2016	2015
Low	3.25%	2.75%	4.50%
High	4.50	4.50	7.00
Weighted-average	4.03	3.82	5.90

Effective February 6, 2017, FedEx Ground fuel surcharges are adjusted on a weekly basis compared to the previously monthly adjustment. On January 2, 2017, FedEx Ground implemented a 4.9% average list price increase and a change to the U.S. domestic dimensional weight divisor. On January 4, 2016 and January 5, 2015, FedEx Ground implemented a 4.9% increase in average list price. In addition, on November 2, 2015, FedEx Ground increased surcharges for shipments that exceed the published maximum weight or dimensional limits and updated certain tables used to determine fuel surcharges. On February 2, 2015, FedEx Ground updated the tables used to determine fuel surcharges. On January 5, 2015, FedEx Ground began applying dimensional weight pricing to all shipments.

FedEx Ground Segment Operating Income

FedEx Ground segment operating income increased 1% in 2017 due to yield and volume growth partially offset by network expansion and staffing costs. Operating margin declined in 2017 primarily due to network expansion. In addition, FedEx Supply Chain results continue to negatively impact segment margins.

Purchased transportation increased 9% due to higher volumes and increased service provider and U.S. Postal Service rates. Salaries and employee benefits expense increased 14% in 2017 primarily due to volume growth and additional staffing to support network expansion. Rent and depreciation and amortization expense increased in 2017 due to network expansion. Other expenses increased 10% in 2017 due to increased property taxes as a result of network expansion and higher self-insurance costs.

FedEx Ground segment operating income increased 5% in 2016 due to higher volumes and increased yield, as well as the benefit from two additional operating days. These factors were partially offset by network expansion costs, higher self-insurance expenses and increased purchased transportation rates.

Operating margin decreased in 2016 primarily due to the recording of FedEx SmartPost revenues on a gross basis (including postal fees in revenues and expenses), the inclusion of FedEx Supply Chain results for a full year, and higher self-insurance expenses. The change in FedEx SmartPost revenue recognition and the inclusion of FedEx Supply Chain collectively decreased operating margin by 190 basis points in 2016.

FedEx Ground Segment Outlook

We expect FedEx Ground segment revenues and operating income to increase in 2018, driven by continued yield and volume growth in our commercial business and residential services. We are focused on balancing capacity and volume growth with yield management. In addition, we anticipate results in 2018 will continue to be impacted by network expansion, as well as additional staffing costs. Beginning in 2018, FedEx Ground will include safety technology requirements in all linehaul contracts.

Capital expenditures at FedEx Ground are expected to increase in 2018 due to certain network expansion projects that were deferred from 2017 to 2018. We will continue to make investments to grow our highly profitable FedEx Ground network.

FedEx Freight Segment

FedEx Freight service offerings include priority LTL services when speed is critical and economy services when time can be traded for savings. The following table compares revenues, operating expenses, operating expenses as a percent of revenue, operating income (dollars in millions), operating margin and selected statistics for the years ended May 31:

	2017	2016	2015	Percent Change 2017/2016	Percent Change 2016/2015
Revenues	$ 6,443	$ 6,200	$ 6,191	4	–
Operating expenses:					
Salaries and employee benefits	3,058	2,925	2,698	5	8
Purchased transportation	988	962	1,045	3	(8)
Rentals	136	142	129	(4)	10
Depreciation and amortization	269	248	230	8	8
Fuel	384	363	508	6	(29)
Maintenance and repairs	215	206	201	4	2
Intercompany charges	497	456	444	9	3
Other	499	472	452	6	4
Total operating expenses	6,046	5,774	5,707	5	1
Operating income	$ 397	$ 426	$ 484	(7)	(12)
Operating margin	6.2%	6.9%	7.8%	(70)bp	(90)bp
Average daily LTL shipments (in thousands):					
Priority	70.6	67.7	66.9	4	1
Economy	31.0	31.1	28.6	–	9
Total average daily LTL shipments	101.6	98.8	95.5	3	3
Weight per LTL shipment.					
Priority	1,176	1,191	1,272	(1)	(6)
Economy	1,129	1,145	1,003	(1)	14
Composite weight per LTL shipment	1,161	1,177	1,191	(1)	(1)
LTL revenue per shipment.					
Priority	$ 221.67	$ 218.50	$ 229.57	1	(5)
Economy	265.77	261.27	264.34	2	(1)
Composite LTL revenue per shipment	$ 235.20	$ 232.11	$ 240.09	1	(3)
LTL revenue per hundredweight:					
Priority	$ 18.85	$ 18.35	$ 18.05	3	2
Economy	23.55	22.81	26.34	3	(13)
Composite LTL revenue per hundredweight	$ 20.25	$ 19.73	$ 20.15	3	(2)

	Percent of Revenue 2017	2016	2015
Operating expenses:			
Salaries and employee benefits	47.5%	47.2%	43.6%
Purchased transportation	15.3	15.5	16.9
Rentals	2.1	2.3	2.1
Depreciation and amortization	4.2	4.0	3.7
Fuel	6.0	5.8	8.2
Maintenance and repairs	3.3	3.3	3.2
Intercompany charges	7.7	7.4	7.2
Other	7.7	7.6	7.3
Total operating expenses	93.8	93.1	92.2
Operating margin	6.2%	6.9%	7.8%

FedEx Freight Segment Revenues

FedEx Freight segment revenues increased 4% in 2017 primarily due to higher average daily LTL shipments and higher LTL revenue per shipment. Average daily LTL shipments increased 3% in 2017 due to higher demand for our LTL service offerings. LTL revenue per shipment increased 1% due to higher base rates and fuel surcharges, partially offset by lower weight per shipment. Base rate increases were the result of our ongoing yield management initiatives.

FedEx Freight segment revenues were flat in 2016 as higher average daily shipments were offset by lower revenue per shipment. Average daily LTL shipments increased 3% in 2016 due to increased volume primarily related to small and mid-sized customers. LTL revenue per shipment decreased 3% in 2016 due to lower fuel surcharges and lower weight per shipment.

The weekly indexed LTL fuel surcharge is based on the average of the U.S. on-highway prices for a gallon of diesel fuel, as published by the Department of Energy. The indexed LTL fuel surcharge ranged as follows for the years ended May 31:

	2017	2016	2015
Low	20.20%	18.50%	20.90%
High	21.60	23.10	26.20
Weighted-average	21.00	20.60	24.30

On January 2, 2017, FedEx Freight implemented a 4.9% average increase in certain U.S. and other shipping rates. On January 4, 2016, FedEx Freight implemented zone-based pricing on U.S. and other LTL shipping rates. Also, on January 4, 2016 and January 5, 2015, FedEx Freight implemented a 4.9% average increase in certain U.S. and other shipping rates. On February 2, 2015, FedEx Freight updated the tables used to determine fuel surcharges.

FedEx Freight Segment Operating Income

FedEx Freight segment operating income and operating margin decreased in 2017 primarily due to higher operating expenses that more than offset base rate increases and volume growth. Within operating expenses, salaries and employee benefits increased 5% in 2017 due to higher staffing levels to support volume growth and merit increases. Intercompany charges increased 9% in 2017 due to higher allocated information technology costs. Other expenses increased 6% in 2017 due to higher self-insurance costs and increased real estate taxes. Purchased transportation increased 3% in 2017 due to higher volumes. Depreciation and amortization increased 8% in 2017 due to increased vehicle purchases. Rentals decreased 4% in 2017 primarily due to a charge related to a facility closure in the prior year and a credit related to the favorable sublease of the facility in the current year.

Fuel expense increased 6% in 2017 due to higher fuel prices and volume growth. See the "Fuel" section of this MD&A for a description and additional discussion of the net impact of fuel on our operating results.

FedEx Freight segment operating income and operating margin decreased in 2016 primarily due to salaries and employee benefits expense outpacing revenue growth, which was driven by weaker than anticipated industrial production. Within operating expenses, salaries and employee benefits increased 8% in 2016 due to pay initiatives and increased staffing levels for higher shipment volumes. Other expenses increased 4% in 2016 primarily due to higher insurance claims, a legal reserve, and higher operating supplies. Depreciation and amortization increased 8% in 2016 due to investments in transportation equipment. Rentals increased 10% in 2016 driven primarily by a charge related to a facility closure. Purchased transportation expense decreased 8% in 2016 due to lower rates and increased use of lower-cost rail transportation. Fuel expense decreased 29% in 2016 due to lower average price per gallon of diesel fuel. See the "Fuel" section of this MD&A for a description and additional discussion of the net impact of fuel on our operating results.

FedEx Freight Segment Outlook

During 2018 we expect revenue, operating income and operating margin improvement driven by effective yield management, as well as modest volume growth from small and mid-sized customers. FedEx Freight earnings are also expected to be positively impacted by improvement in productivity and the benefits of technology investments.

Capital expenditures at FedEx Freight are expected to increase in 2018 primarily due to investments in vehicles, facilities and technology. Our capital expenditures include investments in the latest safety technology such as collision mitigation, lane departure detection and rollover stability systems.

FINANCIAL CONDITION

Liquidity

Cash and cash equivalents totaled $4.0 billion at May 31, 2017, compared to $3.5 billion at May 31, 2016. The following table provides a summary of our cash flows for the years ended May 31 (in millions).

	2017	2016	2015
Operating activities:			
Net income	$ 2,997	$ 1,820	$ 1,050
Retirement plans mark-to-market adjustment	(24)	1,498	2,190
Gain from sale of investment	(35)	–	–
Impairment and other charges	–	–	246
Other noncash charges and credits	4,194	2,927	2,317
Changes in assets and liabilities	(2,202)	(537)	(437)
Cash provided by operating activities	4,930	5,708	5,366
Investing activities:			
Capital expenditures	(5,116)	(4,818)	(4,347)
Business acquisitions, net of cash acquired	–	(4,618)	(1,429)
Proceeds from asset dispositions and other	135	(10)	24
Cash used in investing activities	(4,981)	(9,446)	(5,752)
Financing activities:			
Purchase of treasury stock	(509)	(2,722)	(1,254)
Principal payments on debt	(82)	(41)	(5)
Proceeds from debt issuances	1,190	6,519	2,491
Dividends paid	(426)	(277)	(227)
Other	355	132	344
Cash provided by financing activities	528	3,611	1,349
Effect of exchange rate changes on cash	(42)	(102)	(108)
Net increase (decrease) in cash and cash equivalents	$ 435	$ (229)	$ 855
Cash and cash equivalents at end of period	$ 3,969	$ 3,534	$ 3,763

CASH PROVIDED BY OPERATING ACTIVITIES. Cash flows from operating activities decreased $778 million in 2017 primarily due to higher pension contributions partially offset by lower income tax payments.

Cash flows from operating activities increased $342 million in 2016 primarily due to higher segment operating income at FedEx Express and lower tax payments due to bonus depreciation on aircraft purchases and other qualifying assets. During the fourth quarter of 2016, we defeased the underlying debt of certain leveraged operating leases, which was accounted for as a prepayment of the lease obligations that reduced our operating cash flows by $501 million. We made contributions of $2.0 billion in 2017 and $660 million in 2016 and 2015 to our U.S. Pension Plans. Most of these contributions were voluntary. Some of the 2017 contributions were used by our U.S. Pension Plans to fund $1.3 billion of incremental benefit payments made during the fourth quarter of 2017 to former employees who elected to receive their benefit payments early in a lump sum under a voluntary program offered to qualifying participants.

CASH USED IN INVESTING ACTIVITIES. Capital expenditures were 6% higher in 2017 largely due to the inclusion of TNT Express and increased spending at FedEx Express for aircraft and related equipment as part of our fleet modernization program, and were 11% higher in 2016 than in 2015 due to increased spending for sort facility expansion at FedEx Ground. See "Capital Resources" for a more detailed discussion of capital expenditures during 2017 and 2016.

FINANCING ACTIVITIES. We had various senior unsecured debt issuances in 2017 and 2016. See Note 6 of the accompanying consolidated financial statements for more information on these issuances. Interest on our U.S. dollar fixed-rate notes is paid semi-annually. Interest on our Euro fixed-rate notes is paid annually. Our floating-rate Euro senior notes bear interest at three-month EURIBOR plus a spread of 55 basis points and resets quarterly. We utilized the net proceeds of our 2017 debt issuances for a voluntary incremental contribution in January 2017 to our U.S. Pension Plans and for working capital and general corporate purposes. We utilized the net proceeds of our 2016 debt issuances for working capital and general corporate purposes, our acquisition of TNT Express, share repurchases and the redemption and the prepayment and defeasance of the underlying debt of certain leveraged operating leases. See Note 3 of the accompanying consolidated financial statements for further discussion of business acquisitions.

The following table provides a summary of repurchases of our common stock for the periods ended May 31 (dollars in millions, except per share amounts):

	2017			2016		
	Total Number of Shares Purchased	Average Price Paid per Share	Total Purchase Price	Total Number of Shares Purchased	Average Price Paid per Share	Total Purchase Price
Common stock repurchases	2,955,000	$ 172.13	$ 509	18,225,000	$ 149.35	$ 2,722

On January 26, 2016, our Board of Directors approved a share repurchase program of up to 25 million shares. Shares under this repurchase program may be repurchased from time to time in the open market or in privately negotiated transactions. The timing and volume of repurchases are at the discretion of management, based on the capital needs of the business, the market price of FedEx common stock and general market conditions. No time limit was set for the completion of the program, and the program may be suspended or discontinued at any time. See additional information on the share repurchase program in Note 1 of the accompanying consolidated financial statements. As of May 31, 2017, 16 million shares remained under the current share repurchase authorization.

Capital Resources

Our operations are capital intensive, characterized by significant investments in aircraft, vehicles, technology, facilities, and package-handling and sort equipment. The amount and timing of capital additions depend on various factors, including pre-existing contractual commitments, anticipated volume growth, domestic and international economic conditions, new or enhanced services, geographical expansion of services, availability of satisfactory financing and actions of regulatory authorities.

The following table compares capital expenditures by asset category and reportable segment for the years ended May 31 (in millions):

				Percent Change	
	2017	2016	2015	2017/ 2016	2016/ 2015
Aircraft and related equipment	$ 1,808	$ 1,697	$ 1,866	7	(9)
Package handling and ground support equipment	1,093	1,196	752	(9)	59
Vehicles	895	723	604	24	20
Information technology	594	471	377	26	25
Facilities and other	726	731	748	(1)	(2)
Total capital expenditures	$ 5,116	$ 4,818	$ 4,347	6	11
FedEx Express segment	$ 2,525	$ 2,356	$ 2,380	7	(1)
TNT Express segment	205	–	–	NM	NM
FedEx Ground segment	1,539	1,597	1,248	(4)	28
FedEx Freight segment	431	433	337	–	28
FedEx Services segment	416	432	381	(4)	13
Other	–	–	1	NM	NM
Total capital expenditures	$ 5,116	$ 4,818	$ 4,347	6	11

Capital expenditures during 2017 were higher than the prior-year period primarily due to the inclusion of TNT Express and increased spending at FedEx Express for aircraft and related equipment, partially offset by the deferral of certain FedEx Ground network expansion projects to 2018. Aircraft and related equipment purchases at FedEx Express during 2017 included the delivery of 14 Boeing 767-300 Freighter ("B767F") aircraft, as well as increased spending on existing orders for Boeing 777 Freighter ("B777F") aircraft, offset by decreased spending related to the modification of certain aircraft before being placed into service. Capital expenditures during 2016 were higher than the prior-year period primarily due to increased spending for sort facility expansion at FedEx Ground. Aircraft and related equipment purchases at FedEx Express during 2016 included the delivery of 11 B767F aircraft and two B777F aircraft, as well as the modification of certain aircraft before being placed into service.

Liquidity Outlook

We believe that our cash and cash equivalents, which totaled $4.0 billion at May 31, 2017, cash flow from operations and available financing sources will be adequate to meet our liquidity needs, including working capital, capital expenditure requirements, debt payment obligations, pension contributions and TNT Express integration expenses. Our cash and cash equivalents balance at May 31, 2017 includes $1.2 billion of cash in offshore jurisdictions associated with our permanent reinvestment strategy. We do not believe that the indefinite reinvestment of these funds offshore impairs our ability to meet our U.S. domestic debt or working capital obligations.

Our capital expenditures are expected to be approximately $5.9 billion in 2018. We anticipate that our cash flow from operations will be sufficient to fund our increased capital expenditures in 2018, which will include spending for aircraft modernization at FedEx Express, spending on certain FedEx Ground network expansion projects that were deferred from 2017 to 2018 and spending for TNT Express integration-related investments. We expect approximately 40% of capital expenditures in 2018 to be designated for growth initiatives. Our expected capital expenditures for 2018 include $2.2 billion in investments for delivery of aircraft and progress payments toward future aircraft deliveries at FedEx Express. Our capital expenditure forecast for 2018, however, could change as we continue to evaluate the impact of the recent TNT Express cyber-attack described above.

We have several aircraft modernization programs underway that are supported by the purchase of B777F and B767F aircraft. These aircraft are significantly more fuel-efficient per unit than the aircraft types previously utilized, and these expenditures are necessary to achieve significant long-term operating savings and to replace older aircraft. Our ability to delay the timing of these aircraft-related expenditures is limited without incurring significant costs to modify existing purchase agreements.

In July 2015, FedEx Express entered into a supplemental agreement to purchase 50 additional B767F aircraft from Boeing. Four of the 50 additional B767F aircraft purchases are conditioned upon there being no event that causes FedEx Express or its employees not to be covered by the Railway Labor Act of 1926, as amended ("RLA"). The 50 additional B767F aircraft are expected to be delivered from fiscal 2018 through fiscal 2023 and will enable FedEx Express to continue to improve the efficiency and reliability of its aircraft fleet. In September 2014, FedEx Express entered into an agreement to purchase four additional B767F aircraft, the delivery of which began in 2017 and will continue through 2019.

During 2017, FedEx Express entered into agreements to accelerate the delivery of two B767F to 2017 from 2018 and two B777F aircraft to 2018 from 2023.

We have a shelf registration statement filed with the Securities and Exchange Commission ("SEC") that allows us to sell, in one or more future offerings, any combination of our unsecured debt securities and common stock.

We have a five-year $1.75 billion revolving credit facility that expires in November 2020. The facility, which includes a $500 million letter of credit sublimit, is available to finance our operations and other cash flow needs. The agreement contains a financial covenant, which requires us to maintain a ratio of debt to consolidated earnings (excluding non-cash pension MTM adjustments and non-cash asset impairment charges) before interest, taxes, depreciation and amortization ("adjusted EBITDA") of not more than 3.5 to 1.0, calculated as of the end of the applicable quarter on a rolling four-quarters basis. The ratio of our debt to adjusted EBITDA was 1.9 to 1.0 at May 31, 2017. We believe this covenant is the only significant restrictive covenant in our revolving credit agreement. Our revolving credit agreement contains other customary covenants that do not, individually or in the aggregate, materially restrict the conduct of our business. We are in compliance with the financial covenant and all other covenants of our revolving credit agreement and do not expect the covenants to affect our operations, including our liquidity or expected funding needs. If we failed to comply with the financial covenant or any other covenants of our revolving credit agreement, our access to financing could become limited. We do not expect to be at risk of noncompliance with the financial covenant or any other covenants of our revolving credit agreement. As of May 31, 2017, no commercial paper was outstanding. However, we had a total of $317 million in letters of credit outstanding at May 31, 2017, with $183 million of the letter of credit sublimit unused under our revolving credit facility.

For 2018, we anticipate making contributions totaling $1.0 billion (approximately $700 million of which are expected to be required) to our U.S. Pension Plans. As noted in our discussion of critical accounting estimates below, we have a credit balance related to our cumulative excess voluntary pension contributions over those required that exceeds $3 billion. The credit balance is subtracted from plan assets to determine the minimum funding requirements. Therefore, we could eliminate all required pension contributions to our principal U.S. Pension Plans for several years if we were to choose to waive part of that credit balance in any given year. Our U.S. Pension Plans have ample funds to meet expected benefit payments.

On June 12, 2017, our Board of Directors declared a quarterly dividend of $0.50 per share of common stock, an increase of $0.10 per common share from the prior quarter's dividend. The dividend was paid on July 6, 2017 to stockholders of record as of the close of business on June 22, 2017. Each quarterly dividend payment is subject to review and approval by our Board of Directors, and we evaluate our dividend payment amount on an annual basis at the end of each fiscal year.

Standard & Poor's has assigned us a senior unsecured debt credit rating of BBB, a commercial paper rating of A-2 and a ratings outlook of "stable." Moody's Investors Service has assigned us a senior unsecured debt credit rating of Baa2, a commercial paper rating of P-2 and a ratings outlook of "stable." If our credit ratings drop, our interest expense may increase. If our commercial paper ratings drop below current levels, we may have difficulty utilizing the commercial paper market. If our senior unsecured debt credit ratings drop below investment grade, our access to financing may become limited.

Contractual Cash Obligations and Off-Balance Sheet Arrangements

The following table sets forth a summary of our contractual cash obligations as of May 31, 2017. Certain of these contractual obligations are reflected in our balance sheet, while others are disclosed as future obligations under accounting principles generally accepted in the United States. Except for the current portion of interest on long-term debt, this table does not include amounts already recorded in our balance sheet as current liabilities at May 31, 2017. We have certain contingent liabilities that are not accrued in our balance sheet in accordance with accounting principles generally accepted in the United States. These contingent liabilities are not included in the table below. We have other long-term liabilities reflected in our balance sheet, including deferred income taxes, qualified and nonqualified pension and postretirement healthcare plan liabilities and other self-insurance accruals. Unless statutorily required, the payment obligations associated with these liabilities are not reflected in the table below due to the absence of scheduled maturities. Accordingly, this table is not meant to represent a forecast of our total cash expenditures for any of the periods presented.

	Payments Due by Fiscal Year (Undiscounted)						
(in millions)	2018	2019	2020	2021	2022	Thereafter	Total
Operating activities:							
Operating leases	$ 2,445	$ 2,230	$ 1,931	$ 1,709	$ 1,540	$ 8,019	$ 17,874
Non-capital purchase obligations and other	703	507	399	308	197	492	2,606
Interest on long-term debt	548	544	482	470	470	8,710	11,224
Contributions to our U.S. Pension Plans	700	–	–	–	–	–	700
Investing activities:							
Aircraft and aircraft-related capital commitments	1,777	1,729	1,933	1,341	1,276	2,895	10,951
Other capital purchase obligations	42	1	1	1	1	7	53
Financing activities:							
Debt	5	1,312	961	–	–	12,778	15,056
Total	$ 6,220	$ 6,323	$ 5,707	$ 3,829	$ 3,484	$ 32,901	$ 58,464

Open purchase orders that are cancelable are not considered unconditional purchase obligations for financial reporting purposes and are not included in the table above. Such purchase orders often represent authorizations to purchase rather than binding agreements. See Note 17 of the accompanying consolidated financial statements for more information on such purchase orders.

Operating Activities

In accordance with accounting principles generally accepted in the United States, future contractual payments under our operating leases (totaling $17.9 billion on an undiscounted basis) are not recorded in our balance sheet. Credit rating agencies routinely use information concerning minimum lease payments required for our operating leases to calculate our debt capacity. The amounts reflected in the table above for operating leases represent undiscounted future minimum lease payments under noncancelable operating leases (principally aircraft and facilities) with an initial or remaining term in excess of one year at May 31, 2017. Under the new lease accounting rules, the majority of these leases will be required to be recognized at the net present value on the balance sheet as a liability with an offsetting right-to-use asset.

The amounts reflected for purchase obligations represent noncancelable agreements to purchase goods or services that are not capital-related. Such contracts include those for printing and advertising and promotions contracts.

Included in the table above within the caption entitled "Non-capital purchase obligations and other" is our estimate of the current portion of the liability ($5 million) for uncertain tax positions. We cannot reasonably estimate the timing of the long-term payments or the amount by which the liability will increase or decrease over time; therefore, the long-term portion of the liability ($62 million) is excluded from the table. See Note 12 of the accompanying consolidated financial statements for further information.

We had $729 million in deposits and progress payments as of May 31, 2017 on aircraft purchases and other planned aircraft-related transactions.

Investing Activities

The amounts reflected in the table above for capital purchase obligations represent noncancelable agreements to purchase capital-related equipment. Such contracts include those for certain purchases of aircraft, aircraft modifications, vehicles, facilities, computers and other equipment.

On June 10, 2016, FedEx Express exercised options to acquire six additional B767F aircraft for delivery in 2019 and 2020.

Financing Activities

We have certain financial instruments representing potential commitments, not reflected in the table above, that were incurred in the normal course of business to support our operations, including standby letters of credit and surety bonds. These instruments are required under certain U.S. self-insurance programs and are also used in the normal course of international operations. The underlying liabilities insured by these instruments are reflected in our balance sheets, where applicable. Therefore, no additional liability is reflected for the letters of credit and surety bonds themselves.

The amounts reflected in the table above for long-term debt represent future scheduled payments on our long-term debt.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make significant judgments and estimates to develop amounts reflected and disclosed in the financial statements. In many cases, there are alternative policies or estimation techniques that could be used. We maintain a thorough process to review the application of our accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a complex, global corporation. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The estimates discussed below include the financial statement elements that are either the most judgmental or involve the selection or application of alternative accounting policies and are material to our financial statements. Management has discussed the development and selection of these critical accounting estimates with the Audit Committee of our Board of Directors and with our independent registered public accounting firm.

Retirement Plans

OVERVIEW. We sponsor programs that provide retirement benefits to most of our employees. These programs include defined benefit pension plans, defined contribution plans and postretirement healthcare plans and are described in Note 13 of the accompanying consolidated financial statements. The rules for pension accounting are complex and can produce tremendous volatility in our earnings, financial condition and liquidity.

We are required to record annual year-end adjustments to our financial statements for the net funded status of our pension and postretirement healthcare plans. The funded status of our plans also impacts our liquidity; however, the cash funding rules operate under a completely different set of assumptions and standards than those used for financial reporting purposes. As a result, our actual cash funding requirements can differ materially from our reported funded status.

The "Salaries and employee benefits" caption of our consolidated income statements includes expense associated with service, prior service and interest costs, the expected return on assets ("EROA") and settlements and curtailments. Our fourth quarter MTM adjustment is included in the "Retirement plans mark-to-market adjustment" caption in our consolidated income statements. A summary of our retirement plans costs over the past three years is as follows (in millions):

	2017	2016	2015
Defined benefit pension plans:			
Segment level	$ 229	$ 209	$ 222
Eliminations, corporate and other	5	5	(263)
Total defined benefit pension plans	$ 234	$ 214	$ (41)
Defined contribution plans	480	416	385
Postretirement healthcare plans	76	82	81
Retirement plans mark-to-market adjustment	(24)	1,498	2,190
	$ 766	$ 2,210	$ 2,615

The components of the pre-tax MTM adjustments are as follows (in millions):

	2017	2016	2015
Actual versus expected return on assets	$ (740)	$ 1,285	$ (35)
Discount rate changes	266	1,129	791
Demographic assumption experience	450	(916)	1,434
Total mark-to-market (gain) loss	$ (24)	$ 1,498	$ 2,190

2017

The actual rate of return on our U.S. Pension Plans assets of 9.6% was higher than our expected return of 6.50% primarily due to a rise in the value of global equity markets and favorable credit market conditions. The weighted average discount rate for all of our pension and postretirement healthcare plans decreased from 4.04% at May 31, 2016 to 3.98% at May 31, 2017. The demographic assumption experience in 2017 reflects an update in mortality tables for U.S. pension and other postemployment benefit plans.

2016

The actual rate of return on our U.S. Pension Plan assets of 1.2% was lower than our expected return of 6.50% primarily due to a challenging environment for global equities and other risk-seeking asset classes. The weighted average discount rate for all of our pension and postretirement healthcare plans declined from 4.38% at May 31, 2015 to 4.04% at May 31, 2016. The demographic assumption experience in 2016 reflects a change in disability rates and an increase in the average retirement age for U.S. pension and other postemployment benefit plans.

2015

The implementation of new U.S. mortality tables in 2015 resulted in an increased participant life expectancy assumption, which increased the overall projected benefit obligation by $1.2 billion. The weighted average discount rate for all of our pension and postretirement healthcare plans declined from 4.57% at May 31, 2014 to 4.38% at May 31, 2015.

DISCOUNT RATE. This is the interest rate used to discount the estimated future benefit payments that have been accrued to date (the projected benefit obligation or "PBO") to their net present value and to determine the succeeding year's ongoing pension expense (prior to any year-end MTM adjustment). The discount rate is determined each year at the plan measurement date. The discount rate for our U.S. Pension Plans at each measurement date was as follows:

Measurement Date	Discount Rate
5/31/2017	4.08%
5/31/2016	4.13
5/31/2015	4.42
5/31/2014	4.60

We determine the discount rate with the assistance of actuaries, who calculate the yield on a theoretical portfolio of high-grade corporate bonds (rated Aa or better). In developing this theoretical portfolio, we select bonds that match cash flows to benefit payments, limit our concentration by industry and issuer, and apply screening criteria to ensure bonds with a call feature have a low probability of being called. To the extent scheduled bond proceeds exceed the estimated benefit payments in a given period, the calculation assumes those excess proceeds are reinvested at one-year forward rates.

The measurement of our PBO and the related impact on our annual MTM adjustment is highly sensitive to the discount rate assumption. For our largest pension plan, a 50-basis-point increase in the discount rate would have decreased our 2017 PBO by approximately $1.7 billion and a 50-basis-point decrease in the discount rate would have increased our 2017 PBO by approximately $1.9 billion. However, our annual segment-level pension expense is less sensitive to changes in the discount rate. For example, a one-basis-point increase in the discount rate for our largest pension plan would have a $34 million effect on the fourth quarter MTM adjustment but only a net $200,000 impact on segment-level pension expense.

PLAN ASSETS. The expected average rate of return on plan assets is a long-term, forward-looking assumption that effects our segment level pension expense. It is required to be the expected future long-term rate of earnings on plan assets. Our pension plan assets are invested primarily in publicly tradable securities, and our pension plans hold only a minimal investment in FedEx common stock that is entirely at the discretion of third-party pension fund investment managers. As part of our strategy to manage pension costs and funded status volatility, we follow a liability-driven investment strategy to better align plan assets with liabilities.

Establishing the expected future rate of investment return on our pension assets is a judgmental matter, which we review on an annual basis and revise as appropriate. Management considers the following factors in determining this assumption:

- the duration of our pension plan liabilities, which drives the investment strategy we can employ with our pension plan assets;
- the types of investment classes in which we invest our pension plan assets and the expected compound geometric return we can reasonably expect those investment classes to earn over time; and
- the investment returns we can reasonably expect our investment management program to achieve in excess of the returns we could expect if investments were made strictly in indexed funds.

For consolidated pension expense, we assumed a 6.50% expected long-term rate of return on our U.S. Pension Plan assets in 2017 and 2016 and 7.75% in 2015. We lowered our EROA assumption in 2016 as we continued to implement our asset and liability management strategy. In lowering this assumption, we considered our historical returns, our current capital markets outlook and our investment strategy for our plan assets, including the impact of the duration of our liabilities. Our actual returns in 2017 and 2015 exceeded our long-term assumption. Our actual return in 2016, however, was less than the expected return.

At the segment level, we set our EROA at 6.50% for all periods presented when we adopted MTM accounting in 2015. We record service cost, interest cost and EROA at the segment level, but our annual MTM adjustment and any difference between our consolidated EROA and our segment EROA are reflected only at the corporate level. This allows our segment operating results to follow internal management reporting, which is used for making operating decisions and assessing segment performance.

For our U.S. Pension Plans, a one basis-point change in our EROA would impact our 2018 segment pension expense by $2.5 million. The actual historical annual return on our U.S. Pension Plan assets, calculated on a compound geometric basis, was 7.8%, net of investment manager fees, for the 15-year period ended May 31, 2017.

FUNDED STATUS. The following is information concerning the funded status of our pension plans as of May 31 (in millions):

	2017	2016
Funded Status of Plans:		
Projected benefit obligation (PBO)	$ 29,913	$ 29,602
Fair value of plan assets	26,312	24,271
Funded status of the plans	$ (3,601)	$ (5,331)
Cash Amounts:		
Cash contributions during the year	$ 2,115	$ 726
Benefit payments during the year	$ 2,310	$ 912

FUNDING. The funding requirements for our U.S. Pension Plans are governed by the Pension Protection Act of 2006, which has aggressive funding requirements in order to avoid benefit payment restrictions that become effective if the funded status determined under Internal Revenue Service rules falls below 80% at the beginning of a plan year. All of our U.S. Pension Plans have funded status levels in excess of 80% and our plans remain adequately funded to provide benefits to our employees as they come due. Benefit payments for our U.S. Pension Plans for 2017 were approximately $2.3 billion, or 9.0% of plan assets. Benefit payments were higher in 2017 because our U.S. Pension Plans were amended to permit former employees with a vested traditional pension benefit to make a one-time, irrevocable election to receive their benefits in a lump-sum distribution. Approximately 18,300 former employees elected to receive this lump-sum distribution, and a total of approximately $1.3 billion was paid in May 2017.

Over the past several years, we have made voluntary contributions to our U.S. Pension Plans in excess of the minimum required contributions. Amounts contributed in excess of the minimum required can result in a credit balance for funding purposes that can be used to reduce minimum contribution requirements in future years. Our credit balance exceeded $3.1 billion at May 31, 2017. For 2018, we anticipate making contributions to our U.S. Pension Plans totaling $1.0 billion (approximately $700 million of which are expected to be required). The funding rules used to establish minimum required pension contributions in the U.S. require any credit balance to be deducted from plan assets to calculate the funded status of the plan. Plan sponsors may irrevocably waive some or all of their credit balance to reduce the required funding. We have chosen to preserve our credit balance since the required level of contributions are within our planning parameters for contributions.

See Note 13 of the accompanying consolidated financial statements for further information about our retirement plans.

Self-Insurance Accruals

We are self-insured up to certain limits for costs associated with workers' compensation claims, vehicle accidents and general business liabilities, and benefits paid under employee healthcare and disability programs. Our reserves are established for estimates of loss on reported claims, including incurred-but-not-reported claims. Self-insurance accruals reflected in our balance sheet were $2.3 billion at May 31, 2017 and $2.2 billion at May 31, 2016. Approximately 41% of these accruals were classified as current liabilities.

Our self-insurance accruals are primarily based on the actuarially estimated cost of claims incurred as of the balance sheet date. These estimates include consideration of factors such as severity of claims, frequency and volume of claims, healthcare inflation, seasonality and plan designs. Cost trends on material accruals are updated each quarter. We self-insure up to certain limits that vary by type of risk. Periodically, we evaluate the level of insurance coverage and adjust insurance levels based on risk tolerance and premium expense. Where estimable, losses covered by insurance are recognized on a gross basis with a corresponding insurance receivable.

We believe the use of actuarial methods to account for these liabilities provides a consistent and effective way to measure these highly judgmental accruals. However, the use of any estimation technique in this area is inherently sensitive given the magnitude of claims involved and the length of time until the ultimate cost is known. We believe our recorded obligations for these expenses are consistently measured on a conservative basis. Nevertheless, changes in healthcare costs, accident frequency and severity, insurance retention levels and other factors can materially affect the estimates for these liabilities.

Long-Lived Assets

USEFUL LIVES AND SALVAGE VALUES. Our business is capital intensive, with approximately 54% of our total assets invested in our transportation and information systems infrastructures.

The depreciation or amortization of our capital assets over their estimated useful lives, and the determination of any salvage values, requires management to make judgments about future events. Because we utilize many of our capital assets over relatively long periods (the majority of aircraft costs are depreciated over 15 to 30 years), we periodically evaluate whether adjustments to our estimated service lives or salvage values are necessary to ensure these estimates properly match the economic use of the asset. This evaluation may result in changes in the estimated lives and residual values used to depreciate our aircraft and other equipment. For our aircraft, we typically assign no residual value due to the utilization of these assets in cargo configuration, which results in little to no value at the end of their useful life. These estimates affect the amount of depreciation expense recognized in a period and, ultimately, the gain or loss on the disposal of the asset. Changes in the estimated lives of assets will result in an increase or decrease in the amount of depreciation recognized in future periods and could have a material impact on our results of operations (as described below). Historically, gains and losses on disposals of operating equipment have not been material. However, such amounts may differ materially in the future due to changes in business levels, technological obsolescence, accident frequency, regulatory changes and other factors beyond our control.

IMPAIRMENT. As of May 31, 2017, the FedEx Express global air and ground network includes a fleet of 657 aircraft (including approximately 300 supplemental aircraft) that provide delivery of packages and freight to more than 220 countries and territories through a wide range of U.S. and international shipping services. While certain aircraft are utilized in primary geographic areas (U.S. versus international), we operate an integrated global network, and utilize our aircraft and other modes of transportation to achieve the lowest cost of delivery while maintaining our service commitments to our customers. Because of the integrated nature of our global network, our aircraft are interchangeable across routes and geographies, giving us flexibility with our fleet planning to meet changing global economic conditions and maintain and modify aircraft as needed.

Because of the lengthy lead times for aircraft manufacture and modifications, we must anticipate volume levels and plan our fleet requirements years in advance, and make commitments for aircraft based on those projections. Furthermore, the timing and availability of certain used aircraft types (particularly those with better fuel efficiency) may create limited opportunities to acquire these aircraft at favorable prices in advance of our capacity needs. These activities create risks that asset capacity may exceed demand. There were no aircraft purchases that have not been placed in service at May 31, 2017. All aircraft passenger-to-freighter modification programs are complete as of May 31, 2017.

The accounting test for whether an asset held for use is impaired involves first comparing the carrying value of the asset with its estimated future undiscounted cash flows. If the cash flows do not exceed the carrying value, the asset must be adjusted to its current fair value. We operate integrated transportation networks, and accordingly, cash flows for most of our operating assets are assessed at a network level, not at an individual asset level for our analysis of impairment. Further, decisions about capital investments are evaluated based on the impact to the overall network rather than the return on an individual asset. We make decisions to remove certain long-lived assets from service based on projections of reduced capacity needs or lower operating costs of newer aircraft types, and those decisions may result in an impairment charge. Assets held for disposal must be adjusted to their estimated fair values less costs to sell when the decision is made to dispose of the asset and certain other criteria are met. The fair value determinations for such aircraft may require management estimates, as there may not be active markets for some of these aircraft. Such estimates are subject to revision from period to period.

In the normal management of our aircraft fleet, we routinely idle aircraft and engines temporarily due to maintenance cycles and adjustments of our network capacity to match seasonality and overall customer demand levels. Temporarily idled assets are classified as available-for-use, and we continue to record depreciation expense associated with these assets. These temporarily idled assets are assessed for impairment on a quarterly basis. The criteria for determining whether an asset has been permanently removed from service (and, as a result, is potentially impaired) include, but are not limited to, our global economic outlook and the impact of our outlook on our current and projected volume levels, including capacity needs during our peak shipping seasons; the introduction of new fleet types or decisions to permanently retire an aircraft fleet from operations; and changes to planned service expansion activities. At May 31, 2017, we had seven aircraft temporarily idled. These aircraft have been idled for an average of 12 months and are expected to return to revenue service.

In the fourth quarter of 2015, we retired from service seven Boeing MD11 aircraft and 12 related engines, four Airbus A310-300 aircraft and three related engines, three Airbus A300-600 aircraft and three related engines and one Boeing MD10-10 aircraft and three related engines, and related parts. We also adjusted the retirement schedule of an additional 23 aircraft and 57 engines. As a consequence, impairment and related charges of $276 million ($175 million, net of tax, or $0.61 per diluted share), of which $246 million was non-cash, were recorded in the fourth quarter. The decision to permanently retire these aircraft and engines aligns with FedEx Express's plans to rationalize capacity and modernize its aircraft fleet to more effectively serve its customers.

LEASES. We utilize operating leases to finance certain of our aircraft, facilities and equipment. Such arrangements typically shift the risk of loss on the residual value of the assets at the end of the lease period to the lessor. As disclosed in "Contractual Cash Obligations and Off-Balance Sheet Arrangements" and Note 7 of the accompanying consolidated financial statements, at May 31, 2017 we had approximately $17.9 billion (on an undiscounted basis) of future commitments for payments under operating leases. The weighted-average remaining lease term of all operating leases outstanding at May 31, 2017 was approximately six years. The future commitments for operating leases are not yet reflected as a liability in our balance sheet until the new rules on lease accounting issued in 2016 become effective in our fiscal 2020 as described below.

The determination of whether a lease is accounted for as a capital lease or an operating lease requires management to make estimates primarily about the fair value of the asset and its estimated economic useful life. In addition, our evaluation includes ensuring we properly account for build-to-suit lease arrangements and making judgments about whether various forms of lessee involvement during the construction period make the lessee an agent for the owner-lessor or, in substance, the owner of the asset during the construction period. We believe we have well-defined and controlled processes for making these evaluations, including obtaining third-party appraisals for material transactions to assist us in making these evaluations.

On February 25, 2016, the FASB issued a new lease accounting standard which requires lessees to put most leases on their balance sheets but recognize the expenses on their income statements in a manner similar to current practice. The new standard states that a lessee will recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. Expenses related to leases determined to be operating leases will be recognized on a straight-line basis, while those determined to be financing leases will be recognized following a front-loaded expense profile in which interest and amortization are presented separately in the income statement. Based on our lease portfolio, we currently anticipate recognizing a lease liability and related right-of-use asset on the balance sheet in excess of $13 billion with an immaterial impact on our income statement compared to the current lease accounting model. However, the ultimate impact of the standard will depend on the company's lease portfolio as of the adoption date. We are currently in the process of evaluating our existing lease portfolios, including accumulating all of the necessary information required to properly account for the leases under the new standard. Additionally, we are implementing an enterprise-wide lease management system to assist in the accounting and are evaluating additional changes to our processes and internal controls to ensure we meet the standard's reporting and disclosure requirements. These changes will be effective for our fiscal year beginning June 1, 2019 (fiscal 2020), with a modified retrospective adoption method to the beginning of 2018.

GOODWILL. As of May 31, 2017, we had $7.2 billion of recorded goodwill from our business acquisitions, representing the excess of the purchase price over the fair value of the net assets we have acquired. During 2017, we recorded $407 million in additional goodwill associated with the completion of the purchase price allocation related to the TNT Express acquisition. During 2016, we recorded $3.0 billion in goodwill associated with our TNT Express acquisition. During 2015, we recorded $1.1 billion in goodwill associated with our FedEx Supply Chain and FedEx Cross Border acquisitions. Several factors give rise to goodwill in our acquisitions, such as the expected benefit from synergies of the combination and the existing workforce of the acquired business.

Goodwill is reviewed at least annually for impairment. In our evaluation of goodwill impairment, we perform a qualitative assessment that requires management judgment and the use of estimates to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the qualitative assessment is not conclusive, we proceed to a two-step process to test goodwill for impairment, including comparing the fair value of the reporting unit to its carrying value (including attributable goodwill). Fair value is estimated using standard valuation methodologies (principally the income or market approach) incorporating market participant considerations and management's assumptions on revenue growth rates, operating margins, discount rates and expected capital expenditures. Estimates used by management can significantly affect the outcome of the impairment test. Changes in forecasted operating results and other assumptions could materially affect these estimates. We perform our annual impairment tests in the fourth quarter unless circumstances indicate the need to accelerate the timing of the tests.

Our reporting units with significant recorded goodwill include FedEx Express, TNT Express, FedEx Ground, FedEx Freight, FedEx Office (reported in the FedEx Services segment) and FedEx Supply Chain (reported in the FedEx Ground segment). We evaluated these reporting units during the fourth quarters of 2017 and 2016. The estimated fair value of each of these reporting units exceeded their carrying values in 2017 and 2016; therefore, we do not believe that any of these reporting units were impaired as of the balance sheet dates. In our first quarter of 2018, we will have one FedEx Express reportable segment (currently reported as the FedEx Express group). As a result of this change, the goodwill attributable to the TNT Express segment will be included in the FedEx Express segment.

Contingencies

We are subject to various loss contingencies, including tax proceedings and litigation, in connection with our operations. Contingent liabilities are difficult to measure, as their measurement is subject to multiple factors that are not easily predicted or projected. Further, additional complexity in measuring these liabilities arises due to the various jurisdictions in which these matters occur, which makes our ability to predict their outcome highly uncertain. Moreover, different accounting rules must be employed to account for these items based on the nature of the contingency. Accordingly, significant management judgment is required to assess these matters and to make determinations about the measurement of a liability, if any. Our material pending loss contingencies are described in Note 18 of the accompanying consolidated financial statements. In the opinion of management, the aggregate liability, if any, of individual matters or groups of matters not specifically described in Note 18 is not expected to be material to our financial position, results of operations or cash flows. The following describes our methods and associated processes for evaluating these matters.

TAX CONTINGENCIES. We are subject to income and operating tax rules of the U.S., its states and municipalities, and of the foreign jurisdictions in which we operate. Significant judgment is required in determining income tax provisions, as well as deferred tax asset and liability balances and related deferred tax valuation allowances, if necessary, due to the complexity of these rules and their interaction with one another. Our provision for income taxes is based on domestic and international statutory income tax rates in the jurisdictions in which we operate, applied to taxable income, reduced by applicable tax credits.

Tax contingencies arise from uncertainty in the application of tax rules throughout the many jurisdictions in which we operate and are impacted by several factors, including tax audits, appeals, litigation, changes in tax laws and other rules and their interpretations, and changes in our business. We regularly assess the potential impact of these factors for the current and prior years to determine the adequacy of our tax provisions. We continually evaluate the likelihood and amount of potential adjustments and adjust our tax positions, including the current and deferred tax liabilities, in the period in which the facts that give rise to a revision become known. In addition, management considers the advice of third parties in making conclusions regarding tax consequences.

We recognize liabilities for uncertain income tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as we must determine the probability of various possible outcomes. We reevaluate these uncertain tax positions on a quarterly basis or when new information becomes available to management. These reevaluations are based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, successfully settled issues under audit and new audit activity. Such a change in recognition or measurement could result in the recognition of a tax benefit or an increase to the related provision.

We classify interest related to income tax liabilities as interest expense, and if applicable, penalties are recognized as a component of income tax expense. The income tax liabilities and accrued interest and penalties that are due within one year of the balance sheet date are presented as current liabilities. The remaining portion of our income tax liabilities and accrued interest and penalties are presented as noncurrent liabilities because payment of cash is not anticipated within one year of the balance sheet date. These noncurrent income tax liabilities are recorded in the caption "Other liabilities" in the accompanying consolidated balance sheets.

We account for operating taxes based on multi-state, local and foreign taxing jurisdiction rules in those areas in which we operate. Provisions for operating taxes are estimated based upon these rules, asset acquisitions and disposals, historical spend and other variables. These provisions are consistently evaluated for reasonableness against compliance and risk factors.

We measure and record operating tax contingency accruals in accordance with accounting guidance for contingencies. As discussed below, this guidance requires an accrual of estimated loss from a contingency, such as a tax or other legal proceeding or claim, when it is probable that a loss will be incurred and the amount of the loss can be reasonably estimated.

LEGAL AND OTHER CONTINGENCIES. Because of the complex environment in which we operate, we are subject to other legal proceedings and claims, including those relating to general commercial matters, governmental enforcement actions, employment-related claims and FedEx Ground's owner-operators. Accounting guidance for contingencies requires an accrual of estimated loss from a contingency, such as a tax or other legal proceeding or claim, when it is probable (i.e., the future event or events are likely to occur) that a loss has been incurred and the amount of the loss can be reasonably estimated. This guidance also requires disclosure of a loss contingency matter when, in management's judgment, a material loss is reasonably possible or probable.

During the preparation of our financial statements, we evaluate our contingencies to determine whether it is probable, reasonably possible or remote that a liability has been incurred. A loss is recognized for all contingencies deemed probable and estimable, regardless of amount. For unresolved contingencies with potentially material exposure that are deemed reasonably possible, we evaluate whether a potential loss or range of loss can be reasonably estimated.

Our evaluation of these matters is the result of a comprehensive process designed to ensure that accounting recognition of a loss or disclosure of these contingencies is made in a timely manner and involves our legal and accounting personnel, as well as external counsel where applicable. The process includes regular communications during each quarter and scheduled meetings shortly before the completion of our financial statements to evaluate any new legal proceedings and the status of existing matters.

In determining whether a loss should be accrued or a loss contingency disclosed, we evaluate, among other factors:

- the current status of each matter within the scope and context of the entire lawsuit or proceeding (e.g., the lengthy and complex nature of class-action matters);
- the procedural status of each matter;
- any opportunities to dispose of a lawsuit on its merits before trial (i.e., motion to dismiss or for summary judgment);
- the amount of time remaining before a trial date;
- the status of discovery;
- the status of settlement, arbitration or mediation proceedings; and
- our judgment regarding the likelihood of success prior to or at trial.

In reaching our conclusions with respect to accrual of a loss or loss contingency disclosure, we take a holistic view of each matter based on these factors and the information available prior to the issuance of our financial statements. Uncertainty with respect to an individual factor or combination of these factors may impact our decisions related to accrual or disclosure of a loss contingency, including a conclusion that we are unable to establish an estimate of possible loss or a meaningful range of possible loss. We update our disclosures to reflect our most current understanding of the contingencies at the time we issue our financial statements. However, events may arise that were not anticipated and the outcome of a contingency may result in a loss to us that differs materially from our previously estimated liability or range of possible loss.

Despite the inherent complexity in the accounting and disclosure of contingencies, we believe that our processes are robust and thorough and provide a consistent framework for management in evaluating the potential outcome of contingencies for proper accounting recognition and disclosure.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATES. While we currently have market risk sensitive instruments related to interest rates, we have no significant exposure to changing interest rates on our fixed-rate long-term debt or our floating-rate debt. As disclosed in Note 6 to the accompanying consolidated financial statements, we had outstanding fixed- and floating-rate long-term debt (exclusive of capital leases) with an

estimated fair value of $15.5 billion at May 31, 2017 and $14.3 billion at May 31, 2016. Market risk for fixed- and floating-rate long-term debt is estimated as the potential decrease in fair value resulting from a hypothetical 10% increase in interest rates and amounts to $370 million as of May 31, 2017 and $312 million as of May 31, 2016. The underlying fair values of our long-term debt were estimated based on quoted market prices or on the current rates offered for debt with similar terms and maturities.

We have interest rate risk with respect to our pension and postretirement benefit obligations. Changes in interest rates impact our liabilities associated with these retirement plans, as well as the amount of pension and postretirement benefit expense recognized. Declines in the value of plan assets could diminish the funded status of our pension plans and potentially increase our requirement to make contributions to the plans. Substantial investment losses on plan assets would also increase pension expense.

FOREIGN CURRENCY. While we are a global provider of transportation, e-commerce and business services, the majority of our transactions during the periods presented in this Annual Report are denominated in U.S. dollars. The principal foreign currency exchange rate risks to which we are exposed are in the euro, Chinese yuan, British pound, Canadian dollar, Brazilian real and Mexican peso. Historically, our exposure to foreign currency fluctuations is more significant with respect to our revenues than our expenses, as a significant portion of our expenses are denominated in U.S. dollars, such as aircraft and fuel expenses. Foreign currency fluctuations had a moderately negative impact on operating income in 2017 and moderately positive impact on operating income in 2016. However, favorable foreign currency fluctuations also may have had an offsetting impact on the price we obtained or the demand for our services, which is not quantifiable. At May 31, 2017, the result of a uniform 10% strengthening in the value of the dollar relative to the currencies in which our transactions are denominated would result in a decrease in operating income of $87 million for 2018. This theoretical calculation required under SEC guidelines assumes that each exchange rate would change in the same direction relative to the U.S. dollar, which is not consistent with our actual experience in foreign currency transactions. In addition to the direct effects of changes in exchange rates, fluctuations in exchange rates also affect the volume of sales or the foreign currency sales price as competitors' services become more or less attractive. The sensitivity analysis of the effects of changes in foreign currency exchange rates does not factor in a potential change in sales levels or local currency prices.

Our TNT Express segment impacts our exposure to foreign currency exchange risk. TNT Express maintains derivative financial instruments to manage foreign currency fluctuations related to probable future transactions and cash flows denominated in currencies other than the currency of the transacting entity. These derivatives are not designated as hedges and are accounted for at fair value with any profit or loss recorded in income during the period since acquisition, which was immaterial for 2017 and 2016.

COMMODITY. While we have market risk for changes in the price of jet and vehicle fuel, this risk is largely mitigated by our indexed fuel surcharges. For additional discussion of our indexed fuel surcharges, see the "Fuel" section of "Management's Discussion and Analysis of Results of Operations and Financial Condition."

RISK FACTORS

Our financial and operating results are subject to many risks and uncertainties, as described below.

We are directly affected by the state of the economy. While macroeconomic risks apply to most companies, we are particularly vulnerable. The transportation industry is highly cyclical and especially susceptible to trends in economic activity. Our primary business is to transport goods, so our business levels are directly tied to the purchase and production of goods — key macroeconomic measurements. When individuals and companies purchase and produce fewer goods, we transport fewer goods, and as companies expand the number of distribution centers and move manufacturing closer to consumer markets, we transport goods shorter distances. In addition, we have a relatively high fixed-cost structure, which is difficult to quickly adjust to match shifting volume levels. Moreover, as we continue to grow our international business, we are increasingly affected by the health of the global economy, the rate of growth of global trade and the typically more volatile economies of emerging markets. For instance, the United Kingdom's ("UK") vote to leave the European Union ("EU") and anti-trade and protectionist measures adopted by the U.S. or other countries in which we do business could result in economic uncertainty and instability, resulting in fewer goods being transported globally.

A significant data breach or other disruption to our technology infrastructure could disrupt our operations and result in the loss of critical confidential information, adversely impacting our reputation, business or results of operations. Our ability to attract and retain customers, to efficiently operate our businesses, and to compete effectively depends in part upon the sophistication and reliability of our technology network, including our ability to provide features of service that are important to our customers, to protect our confidential business information and the information provided by our customers, and to maintain customer confidence in our ability to protect our systems and to provide services consistent with their expectations. We are subject to risks imposed by data breaches and operational disruptions, particularly through cyber-attack or cyber-intrusion, including by computer hackers, foreign governments and cyber terrorists. Data breaches of companies and governments have increased in recent years as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. Additionally, risks such as code anomalies, "Acts of God," transitional challenges in migrating operating company functionality to our FedEx enterprise automation platform, data leakage and human error pose a direct threat to our products, services and data.

We also use technology and systems from third-party service providers, including cloud service providers, for a variety of reasons and such providers may have access to information we maintain about our company, customers, employees and vendors or operate systems that are critical to our business operations and services. Like us, our third-party service providers are subject to risks imposed by data breaches and cyber-attacks. We have security processes, protocols and standards in place, including contractual provisions requiring such security measures, that are applicable to our service providers and are designed to protect information that is held by them,

or to which they have access, as a result of their engagements with us. Nevertheless, a cyber-attack could defeat one or more of our third-party service providers' security measures, allowing an attacker to obtain information about our company, customers, employees and vendors or disrupt our operations.

Any disruption to our complex, global technology infrastructure, including those impacting our computer systems and websites, could result in the loss of confidential business or customer information, adversely impact our operations, customer service, volumes and revenues, or could lead to litigation or investigations, resulting in significant costs. These types of adverse impacts could also occur in the event the confidentiality, integrity or availability of company and customer information was compromised due to a data loss by FedEx or a trusted third party. Recently, there has also been heightened regulatory and enforcement focus on data protection in the U.S. and abroad, and failure to comply with applicable U.S. or foreign data protection regulations or other data protection standards may expose us to litigation, fines, sanctions or other penalties, which could harm our reputation and adversely impact our business, results of operations and financial condition.

We have invested and continue to invest in technology security initiatives, information technology risk management and disaster recovery plans. The development and maintenance of these measures is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become increasingly more sophisticated. Despite our efforts, we are not fully insulated from data breaches, technology disruptions or data loss, which could adversely impact our competitiveness and results of operations. For instance, in May 2017 FedEx was one of many companies attacked by the rapidly spreading ransomware described as WannaCry that exploited vulnerability in Microsoft Windows and infected computers using that program, encrypting files and holding them for ransom. The WannaCry attack did not cause a material disruption to our systems or result in any material costs to FedEx. In addition, in June 2017 TNT Express worldwide operations were significantly affected due to the infiltration of an information technology virus known as Petya, as further described in the following risk factor.

While we have significant security processes and initiatives in place, we may be unable to detect or prevent a material breach or disruption in the future.

TNT Express experienced a significant cyber-attack in the first quarter of fiscal 2018 and we are not yet able to determine the full extent of its impact, including the impact on our results of operations and financial condition, and it is likely that the financial impact will be material. On June 28, 2017, we announced that the worldwide operations of TNT Express were significantly affected by the cyber-attack known as Petya, which involved the spread of an information technology virus that infiltrated TNT Express systems and encrypted its data. While TNT Express operations have been restored and most TNT services are currently available, as of the date of this filing, we cannot estimate when TNT Express services will be fully restored. In addition, we cannot estimate how long it will take to restore the systems that were impacted and it is reasonably possible that TNT Express will be unable to fully restore all of the affected systems and recover all of the critical business data that was encrypted.

Given the recent timing and magnitude of the attack, in addition to our initial focus on restoring TNT Express operations and customer service functions, we are still evaluating the financial impact of the attack, but it is likely that it will be material. The following consequences or potential consequences of the cyber-attack could have a material adverse impact on our results of operations and financial condition:

- loss of revenue resulting from the operational disruption immediately following the cyber-attack;
- loss of revenue or increased bad debt expense due to the inability to invoice properly;
- loss of revenue due to permanent customer loss;
- remediation costs to restore systems;
- increased operational costs due to contingency plans that remain in place;
- investments in enhanced systems in order to prevent future attacks;
- cost of incentives offered to customers to restore confidence and maintain business relationships;
- reputational damage resulting in the failure to retain or attract customers;
- costs associated with potential litigation or governmental investigations;
- costs associated with any data breach or data loss to third parties that is discovered;
- costs associated with the potential loss of critical business data;
- longer and more costly integration (due to increased expenses and capital spending requirements) of TNT Express and FedEx Express; and
- other consequences of which we are not currently aware but will discover through the remediation process.

In addition to financial consequences, the cyber-attack may materially impact our disclosure controls and procedures and internal control over financial reporting in future periods.

The failure to integrate successfully the businesses and operations of FedEx Express and TNT Express in the expected time frame may adversely affect our future results. Prior to FedEx's acquisition of TNT Express in May 2016, FedEx Express and TNT Express operated as independent companies. There can be no assurances that these businesses can be integrated successfully. It is possible that the integration process could result in higher than expected integration costs, the loss of customers, the disruption of ongoing businesses, unexpected integration issues, or the loss of key historical FedEx Express or TNT Express employees. It is also possible that the overall integration process will take longer than currently anticipated.

Specifically, the following issues, among others, must be addressed as we begin to integrate the operations of FedEx Express and TNT Express in order to realize the anticipated benefits of the transaction:

- combining the companies' operations and corporate functions;
- combining the businesses of FedEx Express and TNT Express and meeting the capital requirements of the combination in a manner that permits us to achieve the operating and financial results we anticipated from the acquisition, the failure of which could result in the material anticipated benefits of the transaction not being realized in the time frame currently anticipated, or at all;
- integrating and restructuring the corporate entities and achieving desired tax benefits;
- integrating and consolidating the companies' administrative and information technology infrastructure and computer systems;
- integrating workforces while continuing to provide consistent, high-quality service to customers;
- integrating and unifying the offerings and services available to historical FedEx Express and TNT Express customers;
- harmonizing the companies' operating practices, employee development and compensation programs, integrity and compliance programs, internal controls and other policies, procedures and processes;
- integrating the companies' financial reporting and internal control systems;
- maintaining existing agreements with customers and service providers and avoiding delays in entering into new agreements with prospective customers and service providers;
- addressing possible differences in business backgrounds, corporate cultures and management philosophies;
- addressing employee social issues so as to maintain efficient and effective labor and employee relations,
- coordinating rebranding and marketing efforts;
- managing the movement of certain positions to different locations;
- managing potential unknown and unidentified liabilities, including liabilities that are significantly larger than currently anticipated, and unforeseen increased expenses or delays associated with the integration process; and
- managing the expanded operations of a significantly larger, more complex company.

All of these factors could dilute FedEx's earnings per share, decrease or delay the expected accretive effect of the acquisition and negatively impact the price of FedEx's common stock. In addition, at times the attention of certain members of our management may be focused on the integration of the businesses of FedEx Express and TNT Express and diverted from day-to-day business operations, which may disrupt our business.

Our businesses depend on our strong reputation and the value of the FedEx brand. The FedEx brand name symbolizes high-quality service, reliability and speed. FedEx is one of the most widely recognized, trusted and respected brands in the world, and the FedEx brand is one of our most important and valuable assets. In addition, we have a strong reputation among customers and the general public for high standards of social and environmental responsibility and corporate governance and ethics. The FedEx brand name and our corporate reputation are powerful sales and marketing tools, and we devote significant resources to promoting and protecting them. Adverse publicity (whether or not justified) relating to activities by our employees, contractors or agents, such as customer service mishaps or noncompliance with laws, could tarnish our reputation and reduce the value of our brand. With the increase in the use of social media outlets such as YouTube and Twitter, adverse publicity can be disseminated quickly and broadly, making it increasingly difficult for us to effectively respond. Damage to our reputation and loss of brand equity could reduce demand for our services and thus have an adverse effect on our financial condition, liquidity and results of operations, as well as require additional resources to rebuild our reputation and restore the value of our brand.

Our transportation businesses are impacted by the price and availability of fuel. We must purchase large quantities of fuel to operate our aircraft and vehicles, and the price and availability of fuel can be unpredictable and beyond our control. To date, we have been mostly successful in mitigating over time the expense impact of higher fuel costs through our indexed fuel surcharges, as the amount of the surcharges is closely linked to the market prices for fuel. If we are unable to maintain or increase our fuel surcharges because of competitive pricing pressures or some other reason, fuel costs could adversely impact our operating results. Even if we are able to offset the cost of fuel with our surcharges, high fuel surcharges could move our customers away from our higher-yielding express services to our lower-yielding deferred or ground services or even reduce customer

demand for our services altogether. In addition, disruptions in the supply of fuel could have a negative impact on our ability to operate our transportation networks.

Our businesses are capital intensive, and we must make capital decisions based upon projected volume levels. We make significant investments in aircraft, package handling facilities, vehicles, technology, sort equipment, copy equipment and other assets to support our transportation and business networks. We also make significant investments to rebrand, integrate and grow the companies that we acquire. The amount and timing of capital investments depend on various factors, including our anticipated volume growth. We must make commitments to purchase or modify aircraft years before the aircraft are actually needed. We must predict volume levels and fleet requirements and make commitments for aircraft based on those projections. Missing our projections could result in too much or too little capacity relative to our shipping volumes. Overcapacity could lead to asset dispositions or write-downs, as well as negatively impact operating margins, and undercapacity could negatively impact service levels.

We face intense competition. The transportation and business services markets are both highly competitive and sensitive to price and service, especially in periods of little or no macroeconomic growth. Some of our competitors have more financial resources than we do, or they are controlled or subsidized by foreign governments, which enables them to raise capital more easily. We also compete with regional transportation providers that operate smaller and less capital-intensive transportation networks and startups that combine technology with crowdsourcing to focus on local market needs. In addition, some high volume package shippers, such as Amazon.com, are developing in-house delivery capabilities, which could in turn reduce our revenues and market share. We believe we compete effectively with these companies — for example, by providing more reliable service at compensatory prices. However, an irrational pricing environment can limit our ability not only to maintain or increase our prices (including our fuel surcharges in response to rising fuel costs), but also to maintain or grow our market share. While we believe we compete effectively through our current and planned service offerings, if our current competitors or potential future competitors offer a broader range of services or more effectively bundle their services, it could impede our ability to maintain or grow our market share. Moreover, if our current customers, such as Amazon.com, become competitors and bundle transportation with other services, it will reduce our revenue and could negatively impact our financial condition and results of operations.

Government regulation is evolving and unfavorable changes could harm our business. We are subject to regulation under a wide variety of U.S. federal and state and non-U.S. regulations, laws, and policies. There can be no assurance that such regulations, laws and policies will not be changed in ways that will decrease the demand for our services, subject us to escalating costs or require us to modify our business models and objectives, harming our financial results. In particular, legislative, regulatory or other actions that U.S. and non-U.S. governments have undertaken or are considering in areas such as data privacy and sovereignty, foreign exchange intervention in response to currency volatility, currency controls that could restrict the movement of liquidity from particular jurisdictions, trade controls or tariffs on imports and exports in the U.S. or other countries, complex economic sanctions, additional security requirements, additional requirements on employees and benefits, and tax reform may have an effect on our operations, liquidity, capital requirements, effective tax rate and performance. For example, anti-trade or protectionist measures passed in the U.S. or other countries in which we do business could depress global trade, decrease the demand for our services and negatively impact our financial results.

If we do not successfully execute or effectively operate, integrate, leverage and grow acquired businesses, our financial results and reputation may suffer. Our strategy for long-term growth, productivity and profitability depends in part on our ability to make prudent strategic acquisitions and to realize the benefits we expect when we make those acquisitions. In furtherance of this strategy, in addition to TNT Express, we have acquired businesses in Europe, Latin America, Africa and the U.S. over the past several years. While we expect our past and future acquisitions to enhance our value proposition to customers and improve our long-term profitability, there can be no assurance that we will realize our expectations within the time frame we have established, if at all, or that we can continue to support the value we allocate to these acquired businesses, including their goodwill or other intangible assets.

We may not be able to achieve our profit improvement goal by the end of 2020. In March 2017, we announced that the FedEx Express group is targeting operating income improvement of $1.2 billion to $1.5 billion in 2020 from 2017. Our ability to achieve this objective is dependent on a number of factors, including the TNT integration progressing as planned, the health of the global economy and future customer demand. In light of these factors, we may not be able to achieve our goal.

Labor organizations attempt to organize groups of our employees from time to time, and potential changes in labor laws could make it easier for them to do so. If we are unable to continue to maintain good relationships with our employees and prevent labor organizations from organizing groups of our employees, our operating costs could significantly increase and our operational flexibility could be significantly reduced. Despite continual organizing attempts by labor unions, other than the pilots of FedEx Express and drivers at three FedEx Freight facilities, our U.S. employees have thus far chosen not to unionize (we acquired FedEx Supply Chain (formerly GENCO) in January 2015, which already had a small number of employees that are members of unions).

The U.S. Congress has, in the past, considered adopting changes in labor laws, however, that would make it easier for unions to organize units of our employees. For example, there is always a possibility that Congress could remove most FedEx Express employees from the purview of the RLA. Such legislation could expose our customers to the type of service disruptions that the RLA was designed to prevent — local work stoppages in key areas that interrupt the timely flow of shipments of time-sensitive, high-value goods throughout our global network. Such disruptions could threaten our ability to provide competitively priced shipping options and ready access to global markets.

There is also the possibility that Congress could pass other labor legislation that could adversely affect our companies, such as FedEx Ground and FedEx Freight, whose employees are governed by the National Labor Relations Act of 1935, as amended ("NLRA"). In addition, federal and state governmental agencies, such as the National Labor Relations Board, have and may continue to take actions that could make it easier for our employees to organize under the RLA or NLRA. Finally, changes to federal or state laws governing employee classification could impact the status of FedEx Ground's owner-operators as independent employers of drivers. If FedEx Ground is deemed to be a joint employer of independent contractors' employees, labor organizations could more easily organize these individuals, our operating costs could increase materially and we could incur significant capital outlays.

FedEx Ground relies on owner-operators to conduct its linehaul and pickup-and-delivery operations, and the status of these owner-operators as independent contractors and direct employers of drivers providing these services is being challenged. FedEx Ground's use of independent contractors is well suited to the needs of the ground delivery business and its customers, as evidenced by the strong growth of this business segment. We are involved in lawsuits and state tax and other administrative proceedings that claim the company's owner-operators under a contractor model no longer in use should have been treated as our employees rather than independent contractors, or that drivers employed by independent contractors should be treated as our employees. We incur certain costs, including legal fees, in defending the status of FedEx Ground's owner-operators as independent contractors.

We believe that FedEx Ground's owner-operators are properly classified as independent contractors and that FedEx Ground is not an employer or joint employer of the drivers of these independent contractors. However, adverse determinations in these matters could, among other things, entitle certain of our owner-operators and their drivers to the reimbursement of certain expenses and to the benefit of wage-and-hour laws and result in employment and withholding tax and benefit liability for FedEx Ground, and could result in changes to the independent contractor status of FedEx Ground's owner-operators. Changes to state laws governing the definition of independent contractors, or employees of independent contractors, could also impact the status of FedEx Ground's owner-operators.

The UK vote to leave the EU could adversely impact our business, results of operations and financial condition. There is substantial uncertainty surrounding the UK's June 2016 vote to leave the EU ("Brexit"). Any impact of the Brexit vote depends on the terms of the UK's withdrawal from the EU, which was formally initiated in March 2017 and could take several years to accomplish. The UK's withdrawal from the EU could result in a global economic downturn, which could depress the demand for our services. The UK also could lose access to the single EU market and to the global trade deals negotiated by the EU on behalf of its members, depressing trade between the UK and other countries, which would negatively impact our international operations. Additionally, we may face new regulations regarding trade, aviation, security and employees, among others, in the UK. Compliance with such regulations could be costly, negatively impacting our business, results of operations and financial condition.

Disruptions or modifications in service by the USPS or changes in its business or financial soundness could have an adverse effect on our operations and financial results. The USPS is a significant customer and vendor of FedEx. In particular, the USPS is the largest customer of FedEx Express, which provides domestic air transportation services for the USPS's First Class Mail, Priority Mail Express and Priority Mail and transportation and delivery for the USPS's international delivery service. Disruptions or modifications in service by the USPS as a result of financial difficulties or changes in its business, including any structural changes to its operations, network, service offerings or pricing, could adversely affect our operations, negatively impacting our revenue, results of operations and financial condition.

The transportation infrastructure continues to be a target of terrorist activities. Because transportation assets continue to be a target of terrorist activities, governments around the world are adopting or are considering adopting stricter security requirements that will increase operating costs and potentially slow service for businesses, including those in the transportation industry. For example, the U.S. Transportation Security Administration ("TSA") requires FedEx Express to comply with a Full All-Cargo Aircraft Operator Standard Security Plan, which contains evolving and strict security requirements. Additionally, the International Civil Aviation Organization ("ICAO") currently allows a member state to permit carriers and other entities to determine, without government oversight, which shippers and shipments are secure for purposes of putting those shipments on all-cargo aircraft. This allowance will

be removed by calendar year 2021 and may require us to undergo additional screening and oversight by the TSA and similar government agencies internationally. Security requirements such as these are not static, but change periodically as the result of regulatory and legislative requirements, imposing additional security costs and creating a level of uncertainty for our operations. Thus, it is reasonably possible that these rules or other future security requirements could impose material costs on us or slow our service to our customers. Moreover, a terrorist attack directed at FedEx or other aspects of the transportation infrastructure could disrupt our operations and adversely impact demand for our services.

The regulatory environment for global aviation or other transportation rights may impact our operations. Our extensive air network is critical to our success. Our right to serve foreign points is subject to the approval of the Department of Transportation and generally requires a bilateral agreement between the U.S. and foreign governments. In addition, we must obtain the permission of foreign governments to provide specific flights and services. Our operations outside of the U.S., such as FedEx Express's growing international domestic operations, are also subject to current and potential regulations, including certain postal regulations and licensing requirements, that restrict, make difficult and sometimes prohibit, the ability of foreign-owned companies such as FedEx Express to compete effectively in parts of the international domestic transportation and logistics market. Regulatory or executive actions affecting global aviation or transportation rights or a failure to obtain or maintain aviation or other transportation rights in important international markets could impair our ability to operate our networks.

We may be affected by global climate change or by legal, regulatory or market responses to such change. Concern over climate change, including the impact of global warming, has led to significant U.S. and international legislative and regulatory efforts to limit greenhouse gas ("GHG") emissions, including our aircraft and diesel engine emissions. Increasingly, state and local governments are also considering GHG regulatory requirements.

For example, in 2009, the European Commission approved the extension of the European Union Emissions Trading Scheme ("ETS") for GHG emissions to the airline industry. Under this decision, all FedEx Express flights that are wholly within the European Union are now covered by the ETS requirements, and each year we are required to submit emission allowances in an amount equal to the carbon dioxide emissions from such flights. Also, in October 2016, the ICAO passed a resolution adopting the Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA"), which is a global, market-based emissions offset program to encourage carbon-neutral growth beyond 2020. CORSIA is scheduled to take effect by 2021. ICAO continues to develop details regarding implementation, but compliance with CORSIA will increase FedEx operating costs.

Additionally, in July 2016, the U.S. Environmental Protection Agency ("EPA") issued a finding that aircraft engine GHG emissions cause or contribute to air pollution that may reasonably be anticipated to endanger public health or welfare. This finding is a regulatory prerequisite to the EPA's adoption of a new certification standard for aircraft emissions. In the past, the U.S. Congress has also considered bills that would regulate GHG emissions, and some form of federal climate change legislation is possible in the future. However, the U.S. recently withdrew from the Paris climate accord, an agreement among 196 countries to reduce GHG emissions, and that withdrawal's effect on future U.S. policy regarding GHG emissions, on CORSIA and on other GHG regulation is uncertain.

Increased regulation regarding GHG emissions, especially aircraft or diesel engine emissions, could impose substantial costs on us, especially at FedEx Express. These costs include an increase in the cost of the fuel and other energy we purchase and capital costs associated with updating or replacing our aircraft or vehicles prematurely. Until the timing, scope and extent of such possible regulation becomes known, we cannot predict its effect on our cost structure or our operating results. It is reasonably possible, however, that it could impose material costs on us, if instituted.

Moreover, even without such regulation, increased awareness and any adverse publicity in the global marketplace about the GHGs emitted by companies in the airline and transportation industries could harm our reputation and reduce customer demand for our services, especially our air express services. Finally, given the broad and global scope of our operations and our susceptibility to global macroeconomic trends, we are particularly vulnerable to the physical risks of climate change that could affect all of humankind, such as shifts in weather patterns and world ecosystems.

A localized disaster in a key geography could adversely impact our business. While we operate several integrated networks with assets distributed throughout the world, there are concentrations of key assets within our networks that are exposed to adverse weather conditions or localized risks from natural or manmade disasters such as tornados, floods, earthquakes, conflicts or unrest, or terrorist attacks. The loss of a key location such as our Memphis World Hub or one of our information technology centers could cause a significant disruption to our operations and cause us to incur significant costs to reestablish or relocate these functions. Moreover, resulting economic dislocations, including supply chain and fuel disruptions, could adversely impact demand for our services.

We are also subject to other risks and uncertainties that affect many other businesses, including:

- increasing costs, the volatility of costs and funding requirements and other legal mandates for employee benefits, especially pension and healthcare benefits;
- the increasing costs of compliance with federal, state and foreign governmental agency mandates (including the Foreign Corrupt Practices Act and the U.K. Bribery Act) and defending against inappropriate or unjustified enforcement or other actions by such agencies;
- the impact of any international conflicts on the U.S. and global economies in general, the transportation industry or us in particular, and what effects these events will have on our costs or the demand for our services;
- any impacts on our businesses resulting from new domestic or international government laws and regulation;
- changes in foreign currency exchange rates, especially in the euro, Chinese yuan, British pound, Canadian dollar, Brazilian real, and the Mexican peso, which can affect our sales levels and foreign currency sales prices;
- market acceptance of our new service and growth initiatives;
- any liability resulting from and the costs of defending against class-action litigation, such as wage-and-hour, joint employment, and discrimination and retaliation claims, and any other legal or governmental proceedings;
- the outcome of future negotiations to reach new collective bargaining agreements — including with the union that represents the pilots of FedEx Express (the current pilot agreement is scheduled to become amendable in November 2021) and with the union that was elected in 2015 to represent drivers at three FedEx Freight facilities;
- the impact of technology developments on our operations and on demand for our services, and our ability to continue to identify and eliminate unnecessary information technology redundancy and complexity throughout the organization;
- governmental underinvestment in transportation infrastructure, which could increase our costs and adversely impact our service levels due to traffic congestion or sub-optimal routing of our vehicles and aircraft;
- widespread outbreak of an illness or any other communicable disease, or any other public health crisis; and
- availability of financing on terms acceptable to us and our ability to maintain our current credit ratings, especially given the capital intensity of our operations.

FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report, including (but not limited to) those contained in the "Letter from the Chairman," "Income Taxes," "TNT Express Cyber-Attack," "Outlook" (including group and segment outlooks), "Recent Accounting Guidance," "TNT Express Segment Results," "Liquidity," "Capital Resources," "Liquidity Outlook," "Contractual Cash Obligations and Off-Balance Sheet Arrangements," "Critical Accounting Estimates" and "Risk Factors" and the "Recent Accounting Guidance," "Retirement Plans," "Business Segment Information" and "Contingencies" notes to the consolidated financial statements, are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to our financial condition, results of operations, cash flows, plans, objectives, future performance and business. Forward-looking statements include those preceded by, followed by or that include the words "may," "could," "would," "should," "will," "believes," "expects," "anticipates," "plans," "estimates," "targets," "projects," "intends" or similar expressions. These forward-looking statements involve risks and uncertainties. Actual results may differ materially from those contemplated (expressed or implied) by such forward-looking statements, because of, among other things, the risk factors identified above and the other risks and uncertainties you can find in our press releases and other SEC filings.

As a result of these and other factors, no assurance can be given as to our future results and achievements. Accordingly, a forward-looking statement is neither a prediction nor a guarantee of future events or circumstances and those future events or circumstances may not occur. You should not place undue reliance on the forward-looking statements, which speak only as of the date of this report. We are under no obligation, and we expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended). Our internal control over financial reporting includes, among other things, defined policies and procedures for conducting and governing our business, sophisticated information systems for processing transactions and a properly staffed, professional internal audit department. Mechanisms are in place to monitor the effectiveness of our internal control over financial reporting and actions are taken to correct all identified deficiencies. Our procedures for financial reporting include the active involvement of senior management, our Audit Committee and our staff of highly qualified financial and legal professionals.

Management, with the participation of our principal executive and financial officers, assessed our internal control over financial reporting as of May 31, 2017, the end of our fiscal year. Management based its assessment on criteria established in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria).

Based on this assessment, management has concluded that our internal control over financial reporting was effective as of May 31, 2017.

The effectiveness of our internal control over financial reporting as of May 31, 2017, has been audited by Ernst & Young LLP, the independent registered public accounting firm who also audited the Company's consolidated financial statements included in this Annual Report. Ernst & Young LLP's report on the Company's internal control over financial reporting is included in this Annual Report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
FedEx Corporation

We have audited FedEx Corporation's internal control over financial reporting as of May 31, 2017, based on criteria established in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). FedEx Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, FedEx Corporation maintained, in all material respects, effective internal control over financial reporting as of May 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of FedEx Corporation as of May 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, changes in stockholders' investment, and cash flows for each of the three years in the period ended May 31, 2017 of FedEx Corporation and our report dated July 17, 2017 expressed an unqualified opinion thereon.

Memphis, Tennessee
July 17, 2017

Ernst & Young LLP

CONSOLIDATED BALANCE SHEETS

(in millions, except share data)	May 31, 2017	May 31, 2016
Assets		
Current Assets		
Cash and cash equivalents	$ 3,969	$ 3,534
Receivables, less allowances of $252 and $178	7,599	7,252
Spare parts, supplies and fuel, less allowances of $237 and $218	514	496
Prepaid expenses and other	546	707
Total current assets	12,628	11,989
Property and Equipment, at Cost		
Aircraft and related equipment	18,833	17,499
Package handling and ground support equipment	8,989	7,961
Information technology	5,396	5,149
Vehicles	6,961	6,422
Facilities and other	10,447	9,987
	50,626	47,018
Less accumulated depreciation and amortization	24,645	22,734
Net property and equipment	25,981	24,284
Other Long-Term Assets		
Goodwill	7,154	6,747
Other assets	2,789	2,939
Total other long-term assets	9,943	9,686
	$ 48,552	$ 45,959
Liabilities and Stockholders' Investment		
Current Liabilities		
Current portion of long-term debt	$ 22	$ 29
Accrued salaries and employee benefits	1,914	1,972
Accounts payable	2,752	2,944
Accrued expenses	3,230	3,063
Total current liabilities	7,918	8,008
Long-Term Debt, Less Current Portion	14,909	13,733
Other Long-Term Liabilities		
Deferred income taxes	2,485	1,567
Pension, postretirement healthcare and other benefit obligations	4,487	6,227
Self-insurance accruals	1,494	1,314
Deferred lease obligations	531	400
Deferred gains, principally related to aircraft transactions	137	155
Other liabilities	518	771
Total other long-term liabilities	9,652	10,434
Commitments and Contingencies		
Common Stockholders' Investment		
Common stock, $0.10 par value; 800 million shares authorized; 318 million shares issued as of May 31, 2017 and 2016	32	32
Additional paid-in capital	3,005	2,892
Retained earnings	20,833	18,371
Accumulated other comprehensive loss	(415)	(169)
Treasury stock, at cost	(7,382)	(7,342)
Total common stockholders' investment	16,073	13,784
	$ 48,552	$ 45,959

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per share amounts)	Years ended May 31, 2017	2016	2015
Revenues	$ 60,319	$ 50,365	$ 47,453
Operating Expenses:			
Salaries and employee benefits	21,542	18,581	17,110
Purchased transportation	13,630	9,966	8,483
Rentals and landing fees	3,240	2,854	2,682
Depreciation and amortization	2,995	2,631	2,611
Fuel	2,773	2,399	3,720
Maintenance and repairs	2,374	2,108	2,099
Impairment and other charges	–	–	276
Retirement plans mark-to-market adjustment	(24)	1,498	2,190
Other	8,752	7,251	6,415
	55,282	47,288	45,586
Operating Income	5,037	3,077	1,867
Other Income (Expense):			
Interest expense	(512)	(336)	(235)
Interest income	33	21	14
Other, net	21	(22)	(19)
	(458)	(337)	(240)
Income Before Income Taxes	4,579	2,740	1,627
Provision For Income Taxes	1,582	920	577
Net Income	$ 2,997	$ 1,820	$ 1,050
Basic Earnings Per Common Share	$ 11.24	$ 6.59	$ 3.70
Diluted Earnings Per Common Share	$ 11.07	$ 6.51	$ 3.65

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions)	Years ended May 31, 2017	2016	2015
Net Income	$ 2,997	$ 1,820	$ 1,050
Other Comprehensive Loss:			
Foreign currency translation adjustments, net of tax expense of $52 in 2017, tax benefit of $22 in 2016 and tax benefit of $45 in 2015	(171)	(261)	(334)
Amortization of prior service credit and other, net of tax benefit of $43 in 2017, tax benefit of $45 in 2016 and tax expense of $1 in 2015	(75)	(80)	–
	(246)	(341)	(334)
Comprehensive Income	$ 2,751	$ 1,479	$ 716

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)	Years ended May 31, 2017	2016	2015
Operating Activities			
Net Income	$ 2,997	$ 1,820	$ 1,050
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	2,995	2,631	2,611
Provision for uncollectible accounts	136	121	145
Deferred income taxes and other noncash items	909	31	(572)
Stock-based compensation	154	144	133
Retirement plans mark-to-market adjustment	(24)	1,498	2,190
Gain from sale of investment	(35)	–	–
Impairment and other charges	–	–	246
Changes in assets and liabilities:			
Receivables	(556)	(199)	(392)
Other current assets	78	(234)	25
Pension and postretirement healthcare assets and liabilities, net	(1,688)	(346)	(692)
Accounts payable and other liabilities	103	467	659
Other, net	(139)	(225)	(37)
Cash provided by operating activities	4,930	5,708	5,366
Investing Activities			
Capital expenditures	(5,116)	(4,818)	(4,347)
Business acquisitions, net of cash acquired	–	(4,618)	(1,429)
Proceeds from asset dispositions and other	135	(10)	24
Cash used in investing activities	(4,981)	(9,446)	(5,752)
Financing Activities			
Principal payments on debt	(82)	(41)	(5)
Proceeds from debt issuances	1,190	6,519	2,491
Proceeds from stock issuances	337	183	320
Dividends paid	(426)	(277)	(227)
Purchase of treasury stock	(509)	(2,722)	(1,254)
Other, net	18	(51)	24
Cash provided by financing activities	528	3,611	1,349
Effect of exchange rate changes on cash	(42)	(102)	(108)
Net increase (decrease) in cash and cash equivalents	435	(229)	855
Cash and cash equivalents at beginning of period	3,534	3,763	2,908
Cash and cash equivalents at end of period	$ 3,969	$ 3,534	$ 3,763

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' INVESTMENT

(in millions, except share data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance at May 31, 2014	$ 32	$ 2,643	$ 16,229	$ 506	$ (4,133)	$ 15,277
Net income	–	–	1,050	–	–	1,050
Other comprehensive loss, net of tax of $44	–	–	–	(334)	–	(334)
Purchase of treasury stock (8.1 million shares)	–	–	–	–	(1,254)	(1,254)
Cash dividends declared ($0.80 per share)	–	–	(227)	–	–	(227)
Employee incentive plans and other (3.7 million shares issued)	–	143	(152)	–	490	481
Balance at May 31, 2015	32	2,786	16,900	172	(4,897)	14,993
Net income	–	–	1,820	–	–	1,820
Other comprehensive loss, net of tax of $67	–	–	–	(341)	–	(341)
Purchase of treasury stock (18.2 million shares)	–	–	–	–	(2,722)	(2,722)
Cash dividends declared ($1.00 per share)	–	–	(277)	–	–	(277)
Employee incentive plans and other (2.0 million shares issued)	–	106	(72)	–	277	311
Balance at May 31, 2016	32	2,892	18,371	(169)	(7,342)	13,784
Net income	–	–	2,997	–	–	2,997
Other comprehensive loss, net of tax of $9	–	–	–	(246)	–	(246)
Purchase of treasury stock (3.0 million shares)	–	–	–	–	(509)	(509)
Cash dividends declared ($1.60 per share)	–	–	(426)	–	–	(426)
Employee incentive plans and other (3.5 million shares issued)	–	113	(109)	–	469	473
Balance at May 31, 2017	$ 32	$ 3,005	$ 20,833	$ (415)	$ (7,382)	$ 16,073

The accompanying notes are an integral part of these consolidated financial statements

NOTE 1: DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS. FedEx Corporation ("FedEx") provides a broad portfolio of transportation, e-commerce and business services through companies competing collectively, operating independently and managed collaboratively, under the respected FedEx brand. Our primary operating companies are Federal Express Corporation ("FedEx Express"), the world's largest express transportation company; TNT Express B.V. ("TNT Express"), an international express, small-package ground delivery and freight transportation company; FedEx Ground Package System, Inc. ("FedEx Ground"), a leading North American provider of small-package ground delivery services; and FedEx Freight, Inc. ("FedEx Freight"), a leading U.S. provider of less-than-truckload ("LTL") freight services. These companies represent our major service lines and, along with FedEx Corporate Services, Inc. ("FedEx Services"), form the core of our reportable segments. Our FedEx Services segment provides sales, marketing, information technology, communications, customer service, technical support, billing and collection services, and certain back-office functions that support our transportation segments. In addition, the FedEx Services segment provides customers with retail access to FedEx Express and FedEx Ground shipping services through FedEx Office and Print Services, Inc. ("FedEx Office").

FISCAL YEARS. Except as otherwise specified, references to years indicate our fiscal year ended May 31, 2017 or ended May 31 of the year referenced.

RECLASSIFICATIONS. Reclassifications have been made to the May 31, 2016 consolidated balance sheet to conform to the current year's presentation of debt issuance costs. See Note 2 below for additional information regarding recent accounting guidance.

PRINCIPLES OF CONSOLIDATION. The consolidated financial statements include the accounts of FedEx and its subsidiaries, substantially all of which are wholly owned. All significant intercompany accounts and transactions have been eliminated in consolidation. We are not the primary beneficiary of, nor do we have a controlling financial interest in, any variable interest entity. Accordingly, we have not consolidated any variable interest entity.

REVENUE RECOGNITION. We recognize revenue upon delivery of shipments for our transportation businesses and upon completion of services for our business services, logistics and trade services businesses. Transportation services are provided with the use of employees and independent contractors. FedEx is the principal to the transaction for most of these services and revenue from these transactions is recognized on a gross basis. Costs associated with independent contractor settlements are recognized as incurred and included in the caption "Purchased transportation" in the accompanying consolidated statements of income. For shipments in transit, revenue is recorded based on the percentage of service completed at the balance sheet date. Estimates for future billing adjustments to revenue and accounts receivable are recognized at the time of shipment for money-back service guarantees and billing corrections. Delivery costs are accrued as incurred.

Our contract logistics, global trade services and certain transportation businesses engage in some transactions wherein they act as agents. Revenue from these transactions is recorded on a net basis. Net revenue includes billings to customers less third-party charges, including transportation or handling costs, fees, commissions and taxes and duties.

Certain of our revenue-producing transactions are subject to taxes, such as sales tax, assessed by governmental authorities. We present these revenues net of tax.

CREDIT RISK. We routinely grant credit to many of our customers for transportation and business services without collateral. The risk of credit loss in our trade receivables is substantially mitigated by our credit evaluation process, short collection terms and sales to a large number of customers, as well as the low revenue per transaction for most of our services. Allowances for potential credit losses are determined based on historical experience and the impact of current economic factors on the composition of accounts receivable. Historically, credit losses have been within management's expectations.

ADVERTISING. Advertising and promotion costs are expensed as incurred and are classified in other operating expenses. Advertising and promotion expenses were $458 million in 2017, $417 million in 2016 and $403 million in 2015.

CASH EQUIVALENTS. Cash in excess of current operating requirements is invested in short-term, interest-bearing instruments with maturities of three months or less at the date of purchase and is stated at cost, which approximates market value.

SPARE PARTS, SUPPLIES AND FUEL. Spare parts (principally aircraft-related) are reported at weighted-average cost. Allowances for obsolescence are provided for spare parts currently identified as excess or obsolete as well as expected to be on hand at the date the aircraft are retired from service. These allowances are provided over the estimated useful life of the related aircraft and engines. The majority of our supplies and fuel are reported at weighted-average cost.

PROPERTY AND EQUIPMENT. Expenditures for major additions, improvements and flight equipment modifications are capitalized when such costs are determined to extend the useful life of the asset or are part of the cost of acquiring the asset. Expenditures for equipment overhaul costs of engines or airframes prior to their operational use are capitalized as part of the cost of such assets as they are costs required to ready the asset for its intended use. Maintenance and repairs costs are charged to expense as incurred, except for certain aircraft engine maintenance costs incurred under third-party service agreements. These agreements result in costs being expensed based on cycles or hours flown and are subject to annual escalation. These service contracts transfer risk to third-party service providers and generally fix the amount we pay for maintenance to the service provider as a rate per cycle or flight hour, in exchange for maintenance and repairs under a predefined maintenance program. We capitalize certain direct internal and external costs associated with the development of internal-use software. Gains and losses on sales of property used in operations are classified within operating expenses and historically have been nominal.

For financial reporting purposes, we record depreciation and amortization of property and equipment on a straight-line basis over the asset's service life or related lease term, if shorter. For income tax purposes, depreciation is computed using accelerated methods when applicable.

The depreciable lives and net book value of our property and equipment are as follows (dollars in millions):

		Net Book Value at May 31,	
	Range	2017	2016
Wide-body aircraft and related equipment	15 to 30 years	$ 9,103	$ 8,356
Narrow-body and feeder aircraft and related equipment	5 to 18 years	3,099	3,180
Package handling and ground support equipment	3 to 30 years	3,862	3,249
Information technology	2 to 10 years	1,114	1,051
Vehicles	3 to 15 years	3,400	3,084
Facilities and other	2 to 40 years	5,403	5,364

Substantially all property and equipment have no material residual values. The majority of aircraft costs are depreciated on a straight-line basis over 15 to 30 years. We periodically evaluate the estimated service lives and residual values used to depreciate our property and equipment. In May 2015, we adjusted the depreciable lives of 23 aircraft and 57 engines.

Depreciation and amortization expense, excluding gains and losses on sales of property and equipment used in operations, was $2.9 billion in 2017 and $2.6 billion in 2016 and 2015. Depreciation and amortization expense includes amortization of assets under capital lease.

CAPITALIZED INTEREST. Interest on funds used to finance the acquisition and modification of aircraft, including purchase deposits, construction of certain facilities, and development of certain software up to the date the asset is ready for its intended use is capitalized and included in the cost of the asset if the asset is actively under construction. Capitalized interest was $41 million in 2017, $42 million in 2016 and $37 million in 2015.

IMPAIRMENT OF LONG-LIVED ASSETS. Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are to be held and used, an impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value.

We operate integrated transportation networks, and accordingly, cash flows for most of our operating assets to be held and used are assessed at a network level, not at an individual asset level, for our analysis of impairment.

In the normal management of our aircraft fleet, we routinely idle aircraft and engines temporarily due to maintenance cycles and adjustments of our network capacity to match seasonality and overall customer demand levels. Temporarily idled assets are classified as available-for-use, and we continue to record depreciation expense associated with these assets. These temporarily idled assets are assessed for impairment on a quarterly basis. The criteria for determining whether an asset has been permanently removed from service (and, as a result, is potentially impaired) include, but are not limited to, our global economic outlook and the impact of our outlook on our current and projected volume levels, including capacity needs during our peak shipping seasons; the introduction of new fleet types or decisions to permanently retire an aircraft fleet from operations; and changes to planned service expansion activities. At May 31, 2017, we had seven aircraft temporarily idled. These aircraft have been idled for an average of 12 months and are expected to return to revenue service.

In May 2015, we retired from service seven Boeing MD11 aircraft and 12 related engines, four Airbus A310-300 aircraft and three related engines, three Airbus A300-600 aircraft and three related engines and one Boeing MD10-10 aircraft and three related engines, and related parts. As a consequence, impairment and related charges of $276 million ($175 million, net of tax, or $0.61 per diluted share) were recorded in the fourth quarter of 2015. Of this amount, $246 million was non-cash. The decision to permanently retire these aircraft and engines aligns with FedEx Express's plans to rationalize capacity and modernize its aircraft fleet to more effectively serve its customers.

GOODWILL. Goodwill is recognized for the excess of the purchase price over the fair value of tangible and identifiable intangible net assets of businesses acquired. Several factors give rise to goodwill in our acquisitions, such as the expected benefit from synergies of the combination and the existing workforce of the acquired business. Goodwill is reviewed at least annually for impairment. In our evaluation of goodwill impairment, we perform a qualitative assessment to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the qualitative assessment is not conclusive, we proceed to a two-step process to test goodwill for impairment, including comparing the fair value of the reporting unit to its carrying value (including attributable goodwill). Fair value for our reporting units is determined using an income or market approach incorporating market participant considerations and management's assumptions on revenue growth rates, operating margins, discount rates and expected capital expenditures. Fair value determinations may include both internal and third-party valuations. Unless circumstances otherwise dictate, we perform our annual impairment testing in the fourth quarter.

INTANGIBLE ASSETS. Intangible assets primarily include customer relationships, technology assets and trademarks acquired in business combinations. Intangible assets are amortized over periods ranging from 3 to 15 years, either on a straight-line basis or on a basis consistent with the pattern in which the economic benefits are realized.

PENSION AND POSTRETIREMENT HEALTHCARE PLANS. Our defined benefit plans are measured using actuarial techniques that reflect management's assumptions for discount rate, investment returns on plan assets, salary increases, expected retirement, mortality, employee turnover and future increases in healthcare costs. We determine the discount rate (which is required to be the rate at which the projected benefit obligation could be effectively settled as of the measurement date) with the assistance of actuaries, who calculate the yield on a theoretical portfolio of high-grade corporate bonds (rated Aa or better) with cash flows that are designed to match our expected benefit payments in future years. We use the fair value of plan assets to calculate the expected return on plan assets ("EROA") for interim and segment reporting purposes. Our EROA is a judgmental matter which is reviewed on an annual basis and revised as appropriate.

The accounting guidance related to employers' accounting for defined benefit pension and other postretirement plans requires recognition in the balance sheet of the funded status of defined benefit pension and other postretirement benefit plans. We use "mark-to-market" or MTM accounting and immediately recognize changes in the fair value of plan assets and actuarial gains or losses in our operating results annually in the fourth quarter each year. The annual MTM adjustment is recognized at the corporate level and does not impact segment results. The remaining components of pension and postretirement healthcare expense, primarily service and interest costs and the EROA, are recorded on a quarterly basis.

INCOME TAXES. Deferred income taxes are provided for the tax effect of temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. The liability method is used to account for income taxes, which requires deferred taxes to be recorded at the statutory rate expected to be in effect when the taxes are paid.

We recognize liabilities for uncertain income tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as we must determine the probability of various possible outcomes. We reevaluate these uncertain tax positions on a quarterly basis or when new information becomes available to management. These reevaluations are based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, successfully settled issues under audit and new audit activity. Such a change in recognition or measurement could result in the recognition of a tax benefit or an increase to the related provision.

We classify interest related to income tax liabilities as interest expense, and if applicable, penalties are recognized as a component of income tax expense. The income tax liabilities and accrued interest and penalties that are due within one year of the balance sheet date are presented as current liabilities. The noncurrent portion of our income tax liabilities and accrued interest and penalties are recorded in the caption "Other liabilities" in the accompanying consolidated balance sheets.

SELF-INSURANCE ACCRUALS. We are self-insured for costs associated with workers' compensation claims, vehicle accidents and general business liabilities, and benefits paid under employee healthcare and disability programs. Accruals are primarily based on the actuarially estimated cost of claims, which includes incurred-but-not-reported claims. Current workers' compensation claims, vehicle and general liability, employee healthcare claims and long-term disability are included in accrued expenses. We self-insure up to certain limits that vary by operating company and type of risk. Periodically, we evaluate the level of insurance coverage and adjust insurance levels based on risk tolerance and premium expense.

LEASES. We lease certain aircraft, facilities, equipment and vehicles under capital and operating leases. The commencement date of all leases is the earlier of the date we become legally obligated to make rent payments or the date we may exercise control over the use of the property. In addition to minimum rental payments, certain leases provide for contingent rentals based on equipment usage, principally related to aircraft leases at FedEx Express and copier usage at FedEx Office. Rent expense associated with contingent rentals is recorded as incurred. Certain of our leases contain fluctuating or escalating payments and rent holiday periods. The related rent expense is recorded on a straight-line basis over the lease term. The cumulative excess of rent payments over rent expense is accounted for as a deferred lease asset and recorded in "Other assets" in the accompanying consolidated balance sheets. The cumulative excess of rent expense over rent payments is accounted for as a deferred lease obligation. Leasehold improvements associated with assets utilized under capital or operating leases are amortized over the shorter of the asset's useful life or the lease term.

DEFERRED GAINS. Gains on the sale and leaseback of aircraft and other property and equipment are deferred and amortized ratably over the life of the lease as a reduction of rent expense. Substantially all of these deferred gains are related to aircraft transactions.

DERIVATIVE FINANCIAL INSTRUMENTS. Our TNT Express segment maintains a risk management strategy that includes the use of derivative instruments to reduce the effects of volatility in foreign currency exchange exposure on operating results and cash flows. In accordance with our risk management policies, we do not hold or issue derivative instruments for trading or speculative purposes. We account for derivative instruments under the provisions of the accounting guidance related to derivatives and hedging, which requires all derivative instruments to be recognized in the financial statements and measured at fair value, regardless of the purpose or intent for holding them.

Derivatives are recognized in our consolidated balance sheets at their fair values. When we become a party to a derivative instrument and intend to apply hedge accounting, we formally document the hedge relationship and the risk management objective for undertaking the hedge, which includes designating the instrument for financial reporting purposes as a fair value hedge, a cash flow hedge, or a net investment hedge.

If a derivative is designated as a cash flow or net investment hedge, changes in its fair value are considered to be effective and are recorded in accumulated other comprehensive income until the hedged item is recorded in income. Any portion of a change in the fair value of a derivative that is considered to be ineffective, along with the change in fair value of any derivatives not designated in a hedging relationship, is immediately recorded in the income statement. We do not have derivatives designated as a cash flow or net investment hedge as of May 31, 2017 and 2016. Accordingly, additional disclosures have been excluded from this report.

For derivative instruments designated as hedges, we assess, both at hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. In addition, when we determine that a derivative is not highly effective as a hedge, hedge accounting is discontinued. When a hedging instrument expires or is sold, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gains or losses existing in equity at that time, remain in equity until the forecasted transaction is ultimately recognized in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gains or losses that were reported in equity are immediately transferred to the income statement. The financial statement impact of derivative transactions was immaterial for the years ended May 31, 2017 and 2016. Accordingly, additional disclosures have been excluded from this report.

FOREIGN CURRENCY TRANSLATION. Translation gains and losses of foreign operations that use local currencies as the functional currency are accumulated and reported, net of applicable deferred income taxes, as a component of accumulated other comprehensive income within common stockholders' investment. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the local currency are included in the caption "Other, net" in the accompanying consolidated statements of income and were immaterial for each period presented.

EMPLOYEES UNDER COLLECTIVE BARGAINING ARRANGEMENTS. The pilots of FedEx Express, who represent a small number of its total employees, are employed under a collective bargaining agreement that took effect on November 2, 2015. This collective bargaining agreement is scheduled to become amendable in November 2021 In addition to our pilots at FedEx Express, FedEx Supply Chain Distribution System, Inc. ("FedEx Supply Chain") has a small number of employees who are members of unions, and certain non-U.S. employees are unionized.

STOCK-BASED COMPENSATION. We recognize compensation expense for stock-based awards under the provisions of the accounting guidance related to share-based payments. This guidance requires recognition of compensation expense for stock-based awards using a fair value method. We issue new shares or treasury shares from stock repurchases to cover employee stock option exercises and restricted stock grants.

TREASURY SHARES. In January 2016, our Board of Directors authorized a share repurchase program of up to 25 million shares. During 2017, we repurchased 3.0 million shares of FedEx common stock at an average price of $172.13 per share for a total of $509 million. As of May 31, 2017, 16 million shares remained under the share repurchase authorization. Shares under the current repurchase program may be repurchased from time to time in the open market or in privately negotiated transactions. The timing and volume of repurchases are at the discretion of management, based on the capital needs of the business, the market price of FedEx common stock and general market conditions. No time limit was set for the completion of the program, and the program may be suspended or discontinued at any time.

In 2016, we repurchased 18.2 million shares of FedEx common stock at an average price of $149.35 per share for a total of $2.7 billion. In 2015, we repurchased 8.1 million shares of FedEx common stock at an average price of $154.03 per share for a total of $1.3 billion.

DIVIDENDS DECLARED PER COMMON SHARE. On June 12, 2017, our Board of Directors declared a quarterly dividend of $0.50 per share of common stock. The dividend was paid on July 6, 2017 to stockholders of record as of the close of business on June 22, 2017. Each quarterly dividend payment is subject to review and approval by our Board of Directors, and we evaluate our dividend payment amount on an annual basis at the end of each fiscal year.

USE OF ESTIMATES. The preparation of our consolidated financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses and the disclosure of contingent liabilities. Management makes its best estimate of the ultimate outcome for these items based on historical trends and other information available when the financial statements are prepared. Changes in estimates are recognized in accordance with the accounting rules for the estimate, which is typically in the period when new information becomes available to management. Areas where the nature of the estimate makes it reasonably possible that actual results could materially differ from amounts estimated include: self-insurance accruals; retirement plan obligations; long-term incentive accruals; tax liabilities; loss contingencies; litigation claims; impairment assessments on long-lived assets (including goodwill); and purchase price allocations.

NOTE 2: RECENT ACCOUNTING GUIDANCE

New accounting rules and disclosure requirements can significantly impact our reported results and the comparability of our financial statements. We believe the following new accounting guidance is relevant to the readers of our financial statements.

During the first quarter of 2017, we retrospectively adopted the authoritative guidance issued by the Financial Accounting Standards Board ("FASB") to simplify the presentation of debt issuance costs. This new guidance requires entities to present debt issuance costs related to a recognized debt liability as a direct deduction from the carrying amount of that debt liability, rather than as an asset. This new guidance had a minimal impact on our accounting and financial reporting.

During the second quarter of 2017, we adopted the Accounting Standards Update issued by the FASB in March 2016 to simplify the accounting for share-based payment transactions. The new guidance requires companies to recognize the income tax effects of awards that vest or are settled as income tax expense or benefit in the income statement as opposed to additional paid-in capital. The guidance also provides clarification of the presentation of certain components of share-based awards in the statement of cash flows. Additionally, the guidance allows companies to make a policy election to account for forfeitures either upon occurrence or by estimating forfeitures. We have elected to continue estimating forfeitures expected to occur in order to determine the amount of compensation cost to be recognized each period and to apply the cash flow classification guidance prospectively. Excess tax benefits are now classified as an operating activity rather than a financing activity. The adoption of the new standard resulted in a benefit to net income of $55 million ($0.17 per diluted share) for the year ended May 31, 2017. The first quarter of 2017 was not recast due to immateriality.

On May 28, 2014, the FASB and International Accounting Standards Board issued a new accounting standard that will supersede virtually all existing revenue recognition guidance under generally accepted accounting principles in the United States. This standard will be effective for us beginning in fiscal 2019. The fundamental principles of the new guidance are that companies should recognize revenue in a manner that reflects the timing of the transfer of services to customers and the amount of revenue recognized reflects the consideration that a company expects to receive for the goods and services provided. The new guidance establishes a five-step approach for the recognition of revenue. We are continuing to assess the impact of this new standard on our consolidated financial statements and related disclosures, including ongoing contract reviews. We do not anticipate that the new guidance will have a material impact on our revenue recognition policies, practices or systems.

On February 25, 2016, the FASB issued a new lease accounting standard which requires lessees to put most leases on their balance sheets but recognize the expenses on their income statements in a manner similar to current practice. The new standard states that a lessee will recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. Expenses related to leases determined to be operating leases will be recognized on a straight-line basis, while those determined to be financing leases will be recognized following a front-loaded expense profile in which interest and amortization are presented separately in the income statement. Based on our lease portfolio, we currently anticipate recognizing a lease liability and related right-of-use asset on the balance sheet in excess of $13 billion with an immaterial impact on our income statement compared to the current lease accounting model. However, the ultimate impact of the standard will depend on the company's lease portfolio as of the adoption date. We are currently in the process of evaluating our existing lease portfolios, including accumulating all of the necessary information required to properly account for the leases under the new standard. Additionally, we are implementing an enterprise-wide lease management system to assist in the accounting and are evaluating additional changes to our processes and internal controls to ensure we meet the standard's reporting and disclosure requirements. These changes will be effective for our fiscal year beginning June 1, 2019 (fiscal 2020), with a modified retrospective adoption method to the beginning of 2018.

In March 2017, the FASB issued an Accounting Standards Update that changes how employers that sponsor defined benefit pension or other postretirement benefit plans present the net periodic benefit cost in the income statement. This new guidance requires entities to report the service cost component in the same line item or items as other compensation costs. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component outside of income from operations. This standard will impact our operating income but will have no impact on our net income or earnings per share. For example, adoption of this guidance would have reduced 2017 operating income by $471 million but would not have impacted our net income. This new guidance will be effective for our fiscal year beginning June 1, 2018 (fiscal 2019) and will be applied retrospectively.

NOTE 3: BUSINESS COMBINATIONS

On May 25, 2016, we acquired TNT Express for €4.4 billion (approximately $4.9 billion). Cash acquired in the acquisition was approximately €250 million ($280 million). All shares associated with the transaction were tendered or transferred as of the third quarter of 2017. We funded the acquisition with proceeds from an April 2016 debt issuance and existing cash balances. The financial results of this business for 2017 are included in the FedEx Express group and the TNT Express segment. Financial results for 2016 were immaterial from the time of acquisition and are included in "Eliminations, corporate and other."

TNT Express collects, transports and delivers documents, parcels and freight to over 200 countries. This strategic acquisition broadens our portfolio of international transportation solutions with the combined strength of TNT Express's strong European road platform and FedEx Express's strength in other regions globally.

Our purchase price allocation for TNT Express was finalized in the fourth quarter of 2017. As a result of this acquisition, we recognized $3.5 billion of goodwill, which is primarily attributable to the expected benefits from synergies of the combination with existing businesses and growth opportunities and the TNT Express workforce. The majority of the purchase price allocated to goodwill is not deductible for income tax purposes. The following table summarizes the final amounts of the fair values recognized for the assets acquired and liabilities assumed for this acquisition, as well as adjustments made during the measurement period (in millions):

	Preliminary (May 31, 2016)	Measurement Period Adjustments	Final (May 31, 2017)
Current assets[1]	$ 1,905	$ (53)	$ 1,852
Property and equipment	1,104	(124)	980
Goodwill	2,964	488	3,452
Identifiable intangible assets	920	(390)	530
Other non-current assets	289	183	472
Current liabilities[2]	(1,644)	(44)	(1,688)
Long-term liabilities	(644)	(60)	(704)
Total purchase price	$ 4,894	$ –	$ 4,894

(1) Primarily accounts receivable and cash
(2) Primarily accounts payable and accrued expenses

Adjustments to the preliminary purchase price allocation as of May 31, 2016 resulted in a net increase to goodwill of $488 million. These updates were primarily recorded during the second quarter of 2017 and reflect the valuation work completed by third-party experts and the receipt of additional information during the measurement period about facts and circumstances that existed at the acquisition date.

The purchase price was allocated to the identifiable intangible assets acquired as follows (in millions):

Intangible assets with finite lives	
Customer relationships (12-year life)	$ 430
Technology (3-year life)	20
Trademarks (4-year life)	80
Total intangible assets	$ 530

See Note 4 for further discussion of our intangible assets.

The following unaudited pro forma consolidated financial information presents the combined operations of FedEx and TNT Express as if the acquisition had occurred at the beginning of 2015 (dollars in millions, except per share amounts):

	(Unaudited)	
	2016	2015
Consolidated revenues	$ 57,899	$ 55,862
Consolidated net income	1,600	638
Diluted earnings per share	$ 5.73	$ 2.22

The accounting literature establishes guidelines regarding the presentation of this unaudited pro forma information. Therefore, this unaudited pro forma information is not intended to represent, nor do we believe it is indicative of, the consolidated results of operations of FedEx that would have been reported had the acquisition been completed as of the beginning of 2015. Furthermore, this unaudited pro forma information does not give effect to the anticipated business and tax synergies of the acquisition and is not representative or indicative of the anticipated future consolidated results of operations of FedEx.

The unaudited pro forma consolidated financial information reflects our historical financial information and the historical results of TNT Express, after conversion of TNT Express's accounting methods from International Financial Reporting Standards to U.S. generally accepted accounting principles, adjusted to reflect the acquisition had it been completed as of the beginning of 2015. The most significant pro forma adjustments to the historical results of operations relate to the application of purchase accounting and the financing for the acquisition. The unaudited pro forma financial information includes various assumptions, including those related to the finalization of the purchase price allocation. The tax impact of these adjustments was calculated based on TNT Express's statutory rate.

Included in the unaudited pro forma net income (net of tax) are nonrecurring acquisition-related costs incurred by TNT Express associated with the sale of TNT Express's airline operations, a condition precedent to the acquisition, and transaction and integration-planning expenses of $115 million in 2016. In addition, the TNT Express results include expenses for restructuring, impairments, litigation matters and pension adjustments of approximately $40 million in 2016 and $320 million in 2015.

During 2015, we acquired two businesses that expanded our portfolio in e-commerce and supply chain solutions. On January 30, 2015, we acquired GENCO Distribution System, Inc., now FedEx Supply Chain, a leading North American third-party logistics provider, for $1.4 billion, which was funded using a portion of the proceeds from our January 2015 debt issuance. The financial results of this business are included in the FedEx Ground segment from the date of acquisition.

In addition, on December 16, 2014, we acquired Bongo International, LLC, now FedEx CrossBorder, LLC ("FedEx Cross Border"), a leader in cross-border enablement technologies and solutions, for $42 million in cash from operations. The financial results of this business are included in the FedEx Express segment from the date of acquisition.

The financial results of the FedEx Supply Chain and FedEx Cross Border businesses were not material, individually or in the aggregate, to our results of operations and therefore, pro forma financial information has not been presented.

NOTE 4: GOODWILL AND OTHER INTANGIBLE ASSETS

GOODWILL. The carrying amount of goodwill attributable to each reportable operating segment and changes therein are as follows (in millions):

	FedEx Express Segment	TNT Express Segment	FedEx Ground Segment	FedEx Freight Segment	FedEx Services Segment	Total
Goodwill at May 31, 2015	$ 1,677	$ –	$ 1,145	$ 773	$ 1,525	$ 5,120
Accumulated impairment charges	–	–	–	(133)	(1,177)	(1,310)
Balance as of May 31, 2015	1,677	–	1,145	640	348	3,810
Goodwill acquired[1]	–	2,964	–	–	–	2,964
Purchase adjustments and other[2]	(88)	–	66	(5)	–	(27)
Balance as of May 31, 2016	1,589	2,964	1,211	635	348	6,747
Purchase adjustments and other[2]	2,191	(1,784)	–	–	–	407
Balance as of May 31, 2017	$ 3,780	$ 1,180	$ 1,211	$ 635	$ 348	$ 7,154
Accumulated goodwill impairment charges as of May 31, 2017	$ –	$ –	$ –	$ (133)	$ (1,177)	$ (1,310)

(1) Goodwill acquired relates to the acquisition of TNT Express in 2016. See Note 3 for related disclosures.

(2) Primarily purchase-related adjustments, currency translation adjustments, and acquired goodwill related to immaterial acquisitions. FY17 includes goodwill attributed to FedEx Express as part of the acquisition of TNT Express.

Our reporting units with significant recorded goodwill include FedEx Express, TNT Express, FedEx Ground, FedEx Freight, FedEx Office (reported in the FedEx Services segment) and FedEx Supply Chain (reported in the FedEx Ground segment). We evaluated reporting units for impairment during the fourth quarter of 2017 and 2016. The estimated fair value of each of these reporting units exceeded their carrying values in 2017 and 2016, and we do not believe that any of these reporting units were impaired as of the balance sheet dates.

OTHER INTANGIBLE ASSETS. The summary of our intangible assets and related accumulated amortization at May 31, 2017 and 2016 is as follows (in millions):

	2017			2016		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Customer relationships	$ 656	$ (203)	$ 453	$ 912	$ (156)	$ 756
Technology	54	(26)	28	123	(16)	107
Trademarks and other	136	(88)	48	202	(57)	145
Total	$ 846	$ (317)	$ 529	$1,237	$ (229)	$ 1,008

Amortization expense for intangible assets was $91 million in 2017, $14 million in 2016 and $21 million in 2015.

Expected amortization expense for the next five years is as follows (in millions):

2018	$ 81
2019	71
2020	55
2021	44
2022	41

NOTE 5: SELECTED CURRENT LIABILITIES

The components of selected current liability captions at May 31 were as follows (in millions):

	2017	2016
Accrued Salaries and Employee Benefits		
Salaries	$ 431	$ 478
Employee benefits, including variable compensation	781	804
Compensated absences	702	690
	$ 1,914	$ 1,972
Accrued Expenses		
Self-insurance accruals	$ 976	$ 837
Taxes other than income taxes	283	311
Other	1,971	1,915
	$ 3,230	$ 3,063

NOTE 6: LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS

The components of long-term debt (net of discounts and debt issuance costs), along with maturity dates for the years subsequent to May 31, 2017, are as follows (in millions):

		May 31,	
		2017	2016
Senior unsecured debt:			
Interest Rate %	Maturity		
8.00	2019	$ 749	$ 748
2.30	2020	398	397
2.625-2.70	2023	745	745
4.00	2024	745	744
3.20	2025	695	694
3.25	2026	743	743
3.30	2027	445	–
4.90	2034	495	495
3.90	2035	493	493
3.875-4.10	2043	983	982
5.10	2044	742	741
4.10	2045	640	640
4.55-4.75	2046	2,458	2,458
4.40	2047	734	–
4.50	2065	246	245
7.60	2098	237	237
Euro senior unsecured debt:			
Interest Rate %	Maturity		
floating rate	2019	558	557
0.50	2020	557	556
1.00	2023	833	832
1.625	2027	1,382	1,380
Total senior unsecured debt		14,878	13,687
Other debt		9	12
Capital lease obligations		44	63
		14,931	13,762
Less current portion		22	29
		$ 14,909	$ 13,733

Interest on our U.S. dollar fixed-rate notes is paid semi-annually. Interest on our Euro fixed-rate notes is paid annually. Our floating-rate Euro senior notes bear interest at three-month EURIBOR plus a spread of 55 basis points and resets quarterly. The weighted average interest rate on long-term debt was 3.6% in 2017. Long-term debt, exclusive of capital leases, had estimated fair values of $15.5 billion at May 31, 2017 and $14.3 billion at May 31, 2016. The estimated fair values were determined based on quoted market prices and the current rates offered for debt with similar terms and maturities. The fair value of our long-term debt is classified as Level 2 within the fair value hierarchy. This classification is defined as a fair value determined using market-based inputs other than quoted prices that are observable for the liability, either directly or indirectly.

We have a shelf registration statement filed with the Securities and Exchange Commission ("SEC") that allows us to sell, in one or more future offerings, any combination of our unsecured debt securities and common stock.

On January 6, 2017, we issued $1.2 billion of senior unsecured debt under our current shelf registration statement, comprised of $450 million of 3.30% fixed-rate notes due in March 2027 and $750 million of 4.40% fixed-rate notes due in January 2047. Interest on these notes is paid semiannually. We used the net proceeds for a voluntary incremental contribution in January 2017 to our tax-qualified U.S. domestic pension plans ("U.S. Pension Plans") and for working capital and general corporate purposes.

We have a five-year $1.75 billion revolving credit facility that expires in November 2020. The facility, which includes a $500 million letter of credit sublimit, is available to finance our operations and other cash flow needs. The agreement contains a financial covenant, which requires us to maintain a ratio of debt to consolidated earnings (excluding non-cash pension mark-to-market adjustments and non-cash asset impairment charges) before interest, taxes, depreciation and amortization ("adjusted EBITDA") of not more than 3.5 to 1.0, calculated as of the end of the applicable quarter on a rolling four-quarters basis. The ratio of our debt to adjusted EBITDA was 1.9 to 1.0 at May 31, 2017. We believe this covenant is the only significant restrictive covenant in our revolving credit agreement. Our revolving credit agreement contains other customary covenants that do not, individually or in the aggregate, materially restrict the conduct of our business. We are in compliance with the financial covenant and all other covenants of our revolving credit agreement and do not expect the covenants to affect our operations, including our liquidity or expected funding needs. As of May 31, 2017, no commercial paper was outstanding. However, we had a total of $317 million in letters of credit outstanding at May 31, 2017, with $183 million of the letter of credit sublimit unused under our revolving credit facility.

NOTE 7: LEASES

We utilize certain aircraft, land, facilities, retail locations and equipment under capital and operating leases that expire at various dates through 2049. We leased 9% of our total aircraft fleet under operating leases as of May 31, 2017 and 10% as of May 31, 2016. A portion of our supplemental aircraft are leased by us under agreements that provide for cancellation upon 30 days' notice. Our leased facilities include national, regional and metropolitan sorting facilities, retail facilities and administrative buildings.

Rent expense under operating leases for the years ended May 31 was as follows (in millions):

	2017	2016	2015
Minimum rentals	$ 2,814	$ 2,394	$ 2,249
Contingent rentals[1]	178	214	194
	$ 2,992	$ 2,608	$ 2,443

(1) Contingent rentals are based on equipment usage

A summary of future minimum lease payments under noncancelable operating leases with an initial or remaining term in excess of one year at May 31, 2017 is as follows (in millions):

	Operating Leases		
	Aircraft and Related Equipment	Facilities and Other	Total Operating Leases
2018	$ 398	$ 2,047	$ 2,445
2019	343	1,887	2,230
2020	261	1,670	1,931
2021	203	1,506	1,709
2022	185	1,355	1,540
Thereafter	175	7,844	8,019
Total	$ 1,565	$ 16,309	$ 17,874

Property and equipment recorded under capital leases and future minimum lease payments under capital leases are immaterial. The weighted-average remaining lease term of all operating leases outstanding at May 31, 2017 was approximately six years. While certain of our lease agreements contain covenants governing the use of the leased assets or require us to maintain certain levels of insurance, none of our lease agreements include material financial covenants or limitations.

FedEx Express makes payments under certain leveraged operating leases that are sufficient to pay principal and interest on certain pass-through certificates. The pass-through certificates are not direct obligations of, or guaranteed by, FedEx or FedEx Express.

We are the lessee under certain operating leases covering a portion of our leased aircraft in which the lessors are trusts established specifically to purchase, finance and lease these aircraft to us. These leasing entities are variable interest entities. We are not the primary beneficiary of the leasing entities, as the lease terms are at market at the inception of the lease and do not include a residual value guarantee, fixed-price purchase option or similar feature that obligates us to absorb decreases in value or entitles us to participate in increases in the value of the aircraft. As such, we are not required to consolidate the entity as the primary beneficiary. Our maximum exposure under these leases is included in the summary of future minimum lease payments.

NOTE 8: PREFERRED STOCK

Our Certificate of Incorporation authorizes the Board of Directors, at its discretion, to issue up to 4,000,000 shares of preferred stock. The stock is issuable in series, which may vary as to certain rights and preferences, and has no par value. As of May 31, 2017, none of these shares had been issued.

NOTE 9: ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table provides changes in accumulated other comprehensive income (loss) ("AOCI"), net of tax, reported in the consolidated financial statements for the years ended May 31 (in millions; amounts in parentheses indicate debits to AOCI):

	2017	2016	2015
Foreign currency translation gain (loss):			
Balance at beginning of period	$ (514)	$ (253)	$ 81
Translation adjustments	(171)	(261)	(334)
Balance at end of period	(685)	(514)	(253)
Retirement plans adjustments:			
Balance at beginning of period	345	425	425
Prior service credit and other arising during period	1	(4)	72
Reclassifications from AOCI	(76)	(76)	(72)
Balance at end of period	270	345	425
Accumulated other comprehensive (loss) income at end of period	$ (415)	$ (169)	$ 172

The following table presents details of the reclassifications from AOCI for the years ended May 31 (in millions; amounts in parentheses indicate debits to earnings):

	Amount Reclassified from AOCI			Affected Line Item in the Income Statement
	2017	2016	2015	
Amortization of retirement plans prior service credits, before tax	$ 120	$ 121	$ 115	Salaries and employee benefits
Income tax benefit	(44)	(45)	(43)	Provision for income taxes
AOCI reclassifications, net of tax	$ 76	$ 76	$ 72	Net income

NOTE 10: STOCK-BASED COMPENSATION

Our total stock-based compensation expense for the years ended May 31 was as follows (in millions):

	2017	2016	2015
Stock-based compensation expense	$ 154	$ 144	$ 133

We have two types of equity-based compensation: stock options and restricted stock.

STOCK OPTIONS. Under the provisions of our incentive stock plans, key employees and non-employee directors may be granted options to purchase shares of our common stock at a price not less than its fair market value on the date of grant. Vesting requirements are determined at the discretion of the Compensation Committee of our Board of Directors. Option-vesting periods range from one to four years, with 82% of our options vesting ratably over four years. Compensation expense associated with these awards is recognized on a straight-line basis over the requisite service period of the award.

RESTRICTED STOCK. Under the terms of our incentive stock plans, restricted shares of our common stock are awarded to key employees. All restrictions on the shares expire ratably over a four-year period. Shares are valued at the market price on the date of award. The terms of our restricted stock provide for continued vesting subsequent to the employee's retirement. Compensation expense associated with these awards is recognized on a straight-line basis over the shorter of the remaining service or vesting period.

VALUATION AND ASSUMPTIONS. We use the Black-Scholes option pricing model to calculate the fair value of stock options. The value of restricted stock awards is based on the stock price of the award on the grant date. We record stock-based compensation expense in the "Salaries and employee benefits" caption in the accompanying consolidated statements of income.

The key assumptions for the Black-Scholes valuation method include the expected life of the option, stock price volatility, a risk-free interest rate and dividend yield. The following is a table of the weighted-average Black-Scholes value of our stock option grants, the intrinsic value of options exercised (in millions) and the key weighted-average assumptions used in the valuation calculations for options granted during the years ended May 31, and then a discussion of our methodology for developing each of the assumptions used in the valuation model:

	2017	2016	2015
Weighted-average Black-Scholes value	$ 43.99	$ 52.40	$ 53.33
Intrinsic value of options exercised	$ 274	$ 115	$ 253
Black-Scholes Assumptions:			
Expected lives	6.5 years	6.4 years	6.3 years
Expected volatility	25%	28%	34%
Risk-free interest rate	1.64%	1.94%	2.02%
Dividend yield	0.719%	0.519%	0.448%

The expected life represents an estimate of the period of time options are expected to remain outstanding, and we examine actual stock option exercises to determine the expected life of the options. Options granted have a maximum term of 10 years. Expected volatilities are based on the actual changes in the market value of our stock and are calculated using daily market value changes from the date of grant over a past period equal to the expected life of the options. The risk-free interest rate is the U.S. Treasury Strip rate posted at the date of grant having a term equal to the expected life of the option. The expected dividend yield is the annual rate of dividends per share over the exercise price of the option.

The following table summarizes information about stock option activity for the year ended May 31, 2017:

	Stock Options			
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in millions)[1]
Outstanding at June 1, 2016	14,441,431	$ 111.99		
Granted	2,783,968	169.73		
Exercised	(3,330,197)	100.65		
Forfeited	(296,503)	152.91		
Outstanding at May 31, 2017	13,598,699	$ 125.66	6.2 years	$ 928
Exercisable	7,820,992	$ 100.92	4.7 years	$ 727
Expected to vest	5,473,800	$ 159.15	8.2 years	$ 191
Available for future grants	8,304,621			

(1) Only presented for options with market value at May 31, 2017 in excess of the exercise price of the option.

The options granted during the year ended May 31, 2017 are primarily related to our principal annual stock option grant in June 2016.

The following table summarizes information about vested and unvested restricted stock for the year ended May 31, 2017:

	Restricted Stock	
	Shares	Weighted-Average Grant Date Fair Value
Unvested at June 1, 2016	389,152	$ 136.57
Granted	153,984	166.12
Vested	(177,877)	123.25
Forfeited	(2,955)	159.46
Unvested at May 31, 2017	362,304	$ 155.53

During the year ended May 31, 2016, there were 139,838 shares of restricted stock granted with a weighted-average fair value of $168.83 per share. During the year ended May 31, 2015, there were 154,115 shares of restricted stock granted with a weighted-average fair value of $148.89 per share.

The following table summarizes information about stock option vesting during the years ended May 31:

	Stock Options	
	Vested during the year	Fair value (in millions)
2017	2,427,837	$ 104
2016	2,572,129	98
2015	2,611,524	83

As of May 31, 2017, there was $187 million of total unrecognized compensation cost, net of estimated forfeitures, related to unvested share-based compensation arrangements. This compensation expense is expected to be recognized on a straight-line basis over the remaining weighted-average vesting period of approximately two years.

Total shares outstanding or available for grant related to equity compensation at May 31, 2017 represented 8% of the total outstanding common and equity compensation shares and equity compensation shares available for grant.

NOTE 11: COMPUTATION OF EARNINGS PER SHARE

The calculation of basic and diluted earnings per common share for the years ended May 31 was as follows (in millions, except per share amounts):

	2017	2016	2015
Basic earnings per common share:			
Net earnings allocable to common shares[1]	$ 2,993	$ 1,818	$ 1,048
Weighted-average common shares	266	276	283
Basic earnings per common share	$ 11.24	$ 6.59	$ 3.70
Diluted earnings per common share:			
Net earnings allocable to common shares[1]	$ 2,993	$ 1,818	$ 1,048
Weighted-average common shares	266	276	283
Dilutive effect of share-based awards	4	3	4
Weighted-average diluted shares	270	279	287
Diluted earnings per common share	$ 11.07	$ 6.51	$ 3.65
Anti-dilutive options excluded from diluted earnings per common share	4.5	3.9	2.1

(1) Net earnings available to participating securities were immaterial in all periods presented

NOTE 12: INCOME TAXES

The components of the provision for income taxes for the years ended May 31 were as follows (in millions):

	2017	2016	2015
Current provision			
Domestic:			
Federal	$ 269	$ 513	$ 795
State and local	88	72	102
Foreign	285	200	214
	642	785	1,111
Deferred provision (benefit)			
Domestic:			
Federal	989	155	(474)
State and local	59	(18)	(47)
Foreign	(108)	(2)	(13)
	940	135	(534)
	$ 1,582	$ 920	$ 577

Pre-tax earnings of foreign operations for 2017, 2016 and 2015 were $919 million, $905 million and $773 million, respectively. These amounts represent only a portion of total results associated with international shipments and do not represent our international results of operations.

A reconciliation of total income tax expense and the amount computed by applying the statutory federal income tax rate (35%) to income before taxes for the years ended May 31 is as follows (in millions):

	2017	2016	2015
Taxes computed at federal statutory rate	$ 1,603	$ 959	$ 569
Increases (decreases) in income tax from:			
State and local income taxes, net of federal benefit	99	33	36
Foreign operations	(87)	(50)	(43)
Legal entity restructuring	–	(76)	–
TNT Express integration/ acquisition costs	25	40	–
Other, net	(58)	14	15
	$ 1,582	$ 920	$ 577
Effective Tax Rate	34.6%	33.6%	35.5%

Our 2017 tax rate was favorably impacted by $62 million as a result of the implementation of new U.S. foreign currency tax regulations and by $55 million from the adoption of the Accounting Standards Update on share-based payments.

Our 2016 tax rate was favorably impacted by $76 million from an internal corporate legal entity restructuring done in anticipation of the integration of the foreign operations of FedEx Express and TNT Express. A lower state tax rate primarily due to the resolution of a state tax matter also provided a benefit to our 2016 tax rate.

The significant components of deferred tax assets and liabilities as of May 31 were as follows (in millions):

	2017		2016	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Property, equipment, leases and intangibles	$ 124	$ 4,993	$ 129	$ 4,767
Employee benefits	1,951	–	2,453	–
Self-insurance accruals	745	–	681	–
Other	692	660	528	343
Net operating loss/credit carryforwards	1,069	–	925	–
Valuation allowances	(738)	–	(738)	–
	$ 3,843	$ 5,653	$ 3,978	$ 5,110

The net deferred tax liabilities as of May 31 have been classified in the balance sheets as follows (in millions):

	2017	2016
Noncurrent deferred tax assets[1]	$ 675	$ 435
Noncurrent deferred tax liabilities	(2,485)	(1,567)
	$ (1,810)	$ (1,132)

(1) Noncurrent deferred tax assets are included in the line item "Other Assets" in our consolidated balance sheets

We have approximately $3.6 billion of net operating loss carryovers in various foreign jurisdictions and $663 million of state operating loss carryovers. The valuation allowances primarily represent amounts reserved for operating loss and tax credit carryforwards, which expire over varying periods starting in 2018. The ending valuation allowance balance includes a decrease for changes in forecasted earnings for the foreign branches of FedEx Express which did not impact current year tax expense because they were offset by related U.S. deferred income tax liabilities. This valuation allowance decrease was fully offset by purchase accounting adjustments related to the acquisition of TNT Express and current year activity. We believe that a substantial portion of these deferred tax assets may not be realized. Therefore, we establish valuation allowances if it is more likely than not that deferred income tax assets will not be realized. In making this determination, we consider all available positive and negative evidence and make certain assumptions. We consider, among other things, our future projections of sustained profitability, deferred income tax liabilities, the overall business environment, our historical financial results and potential current and future tax planning strategies. If we were to identify and implement tax planning strategies to recover these deferred tax assets or generate sufficient income of the appropriate character in these jurisdictions in the future, it could lead to the reversal of these valuation allowances and a reduction of income tax expense. We believe that we will generate sufficient future taxable income to realize the tax benefits related to the remaining net deferred tax assets in our consolidated balance sheet.

Permanently reinvested earnings of our foreign subsidiaries amounted to $2.1 billion at the end of 2017 and $1.6 billion at the end of 2016. We have not recognized deferred taxes for U.S. federal income tax purposes on those earnings. Were the earnings to be distributed, in the form of dividends or otherwise, these earnings could be subject to U.S. federal income tax and non-U.S. withholding taxes. Unrecognized foreign tax credits potentially could be available to reduce a portion of any U.S. tax liability. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable due to uncertainties related to the timing and source of any potential distribution of such funds, along with other important factors such as the amount of associated foreign tax credits. Cash in offshore jurisdictions associated with our permanent reinvestment strategy totaled $1.2 billion at the end of 2017 and $522 million at the end of 2016.

In 2017, approximately 90% of our total enterprise-wide income was earned in U.S. companies of FedEx that are taxable in the United States. As a U.S. airline, our FedEx Express unit is required by Federal Aviation Administration and other rules to conduct its air operations, domestic and international, through a U.S. company. However, we serve more than 220 countries and territories around the world, and are required to establish legal entities in many of them. Most of our entities in those countries are operating entities, engaged in picking up and delivering packages and performing other transportation services. We are continually expanding our global network to meet our customers' needs, which requires increasing investment outside the U.S. In 2017, we established a new legal entity structure for the integration and operation of FedEx Express and TNT Express.

We are subject to taxation in the U.S. and various U.S. state, local and foreign jurisdictions. The Internal Revenue Service is currently auditing our 2014 and 2015 tax returns. It is reasonably possible that certain income tax return proceedings will be completed during the next 12 months and could result in a change in our balance of unrecognized tax benefits. The expected impact of any changes would not be material to our consolidated financial statements.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in millions):

	2017	2016	2015
Balance at beginning of year	$ 49	$ 36	$ 38
Increases for tax positions taken in the current year	–	3	1
Increases for tax positions taken in prior years	8	3	6
Increase for business acquisition	17	25	–
Decreases for tax positions taken in prior years	(1)	(5)	(2)
Settlements	(4)	(4)	(2)
Decreases from lapse of statute of limitations	(2)	(7)	–
Changes due to currency translation	–	(2)	(5)
Balance at end of year	$ 67	$ 49	$ 36

Our liabilities recorded for uncertain tax positions include $63 million at May 31, 2017 and $45 million at May 31, 2016 associated with positions that, if favorably resolved, would provide a benefit to our effective tax rate. We classify interest related to income tax liabilities as interest expense and, if applicable, penalties are recognized as a component of income tax expense. The balance of accrued interest and penalties was $11 million on May 31, 2017 and May 31, 2016. Total interest and penalties included in our consolidated statements of income are immaterial.

It is difficult to predict the ultimate outcome or the timing of resolution for tax positions. Changes may result from the conclusion of ongoing audits, appeals or litigation in state, local, federal and foreign tax jurisdictions, or from the resolution of various proceedings between U.S. and foreign tax authorities. Our liability for uncertain tax positions includes no matters that are individually or collectively material to us. It is reasonably possible that the amount of the benefit with respect to certain of our unrecognized tax positions will increase or decrease within the next 12 months, but an estimate of the range of the reasonably possible changes cannot be made. However, we do not expect that the resolution of any of our uncertain tax positions will have a material effect on us.

NOTE 13: RETIREMENT PLANS

We sponsor programs that provide retirement benefits to most of our employees. These programs include defined benefit pension plans, defined contribution plans and postretirement healthcare plans.

The accounting guidance related to postretirement benefits requires recognition in the balance sheet of the funded status of defined benefit pension and other postretirement benefit plans, and the recognition in either expense or AOCI of unrecognized gains or losses and prior service costs or credits. We use mark-to-market accounting for the recognition of our actuarial gains and losses related to our defined benefit pension and postretirement healthcare plans as described in Note 1. The funded status is measured as the difference between the fair value of the plan's assets and the projected benefit obligation ("PBO") of the plan.

A summary of our retirement plans costs over the past three years is as follows (in millions):

	2017	2016	2015
Defined benefit pension plans	$ 234	$ 214	$ (41)
Defined contribution plans	480	416	385
Postretirement healthcare plans	76	82	81
Retirement plans mark-to-market adjustment	(24)	1,498	2,190
	$ 766	$ 2,210	$ 2,615

The components of the pre-tax mark-to-market adjustments are as follows (in millions):

	2017	2016	2015
Actual versus expected return on assets	$ (740)	$ 1,285	$ (35)
Discount rate changes	266	1,129	791
Demographic assumption experience	450	(916)	1,434
Total mark-to-market (gain) loss	$ (24)	$ 1,498	$ 2,190

2017

The actual rate of return on our U.S. Pension Plan assets of 9.6% was higher than our expected return of 6.50% primarily due to a rise in the value of global equity markets in addition to favorable credit market conditions. The weighted average discount rate for all of our pension and postretirement healthcare plans decreased from 4.04% at May 31, 2016 to 3.98% at May 31, 2017. The demographic assumption experience in 2017 reflects an update in mortality tables for U.S. pension and other postemployment benefit plans.

2016

The actual rate of return on our U.S. Pension Plan assets of 1.2% was lower than our expected return of 6.50% primarily due to a challenging environment for global equities and other risk-seeking asset classes. The weighted average discount rate for all of our pension and postretirement healthcare plans declined from 4.38% at May 31, 2015 to 4.04% at May 31, 2016. The demographic assumption experience in 2016 reflects a change in disability rates and an increase in the average retirement age for U.S. pension and other postemployment benefit plans.

2015

The implementation of new U.S. mortality tables in 2015 resulted in an increased participant life expectancy assumption, which increased the overall PBO by $1.2 billion. The weighted average discount rate for all of our pension and postretirement healthcare plans declined from 4.57% at May 31, 2014 to 4.38% at May 31, 2015.

PENSION PLANS. Our largest pension plan covers certain U.S. employees age 21 and over, with at least one year of service. Pension benefits for most employees are accrued under a cash balance formula we call the Portable Pension Account. Under the Portable Pension Account, the retirement benefit is expressed as a dollar amount in a notional account that grows with annual credits based on pay, age and years of credited service, and interest on the notional account balance. The Portable Pension Account benefit is payable as a lump sum or an annuity at retirement at the election of the employee. The plan interest credit rate varies from year to year based on a U.S. Treasury index. Prior to 2009, certain employees earned benefits using a traditional pension formula (based on average earnings and years of service). Benefits under this formula were capped on May 31, 2008 for most employees.

Our U.S. Pension Plans were amended to permit former employees with a vested traditional pension benefit to make a one-time, irrevocable election to receive their benefits in a lump-sum distribution. Approximately 18,300 former employees elected to receive this lump-sum distribution and a total of approximately $1.3 billion was paid by the plans in May 2017.

We also sponsor or participate in nonqualified benefit plans covering certain of our U.S. employee groups and other pension plans covering certain of our international employees. The international defined benefit pension plans provide benefits primarily based on earnings and years of service and are funded in compliance with local laws and practices. The majority of our international obligations are for defined benefit pension plans in the Netherlands and the United Kingdom.

POSTRETIREMENT HEALTHCARE PLANS. Certain of our subsidiaries offer medical, dental and vision coverage to eligible U.S. retirees and their eligible dependents and a small number of international employees. U.S. employees covered by the principal plan become eligible for these benefits at age 55 and older, if they have permanent, continuous service of at least 10 years after attainment of age 45 if hired prior to January 1, 1988, or at least 20 years after attainment of age 35 if hired on or after January 1, 1988. Postretirement healthcare benefits are capped at 150% of the 1993 per capita projected employer cost, which has been reached under most plans so these benefits are not subject to future inflation.

PENSION PLAN ASSUMPTIONS. The accounting for pension and postretirement healthcare plans includes numerous assumptions, such as: discount rates; expected long-term investment returns on plan assets; future salary increases; employee turnover; mortality; and retirement ages.

Weighted-average actuarial assumptions used to determine the benefit obligations and net periodic benefit cost of our plans are as follows:

	U.S. Pension Plans			International Pension Plans			Postretirement Healthcare Plans		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Discount rate used to determine benefit obligation	4.08%	4.13%	4.42%	2.43%	2.46%	2.95%	4.32%	4.43%	4.60%
Discount rate used to determine net periodic benefit cost	4.13	4.42	4.60	2.46	2.95	3.57	4.43	4.62	4.70
Rate of increase in future compensation levels used to determine benefit obligation	4.47	4.46	4.62	2.42	2.82	3.19	–	–	–
Rate of increase in future compensation levels used to determine net periodic benefit cost	4.46	4.62	4.56	2.82	3.19	3.31	–	–	–
Expected long-term rate of return on assets — Consolidated	6.50	6.50	7.75	–	–	–	–	–	–
Expected long-term rate of return on assets — Segment Reporting	6.50	6.50	6.50	3.18	3.68	5.13	–	–	–

Our U.S. Pension Plan assets are invested primarily in publicly tradable securities, and our pension plans hold only a minimal investment in FedEx common stock that is entirely at the discretion of third-party pension fund investment managers. As part of our strategy to manage pension costs and funded status volatility, we follow a liability-driven investment strategy to better align plan assets with liabilities.

Establishing the expected future rate of investment return on our pension assets is a judgmental matter, which we review on an annual basis and revise as appropriate. Management considers the following factors in determining this assumption:

- the duration of our pension plan liabilities, which drives the investment strategy we can employ with our pension plan assets;
- the types of investment classes in which we invest our pension plan assets and the expected compound geometric return we can reasonably expect those investment classes to earn over time; and
- the investment returns we can reasonably expect our investment management program to achieve in excess of the returns we could expect if investments were made strictly in indexed funds.

For consolidated pension expense, we assumed a 6.50% expected long-term rate of return on our U.S. Pension Plan assets in 2017 and 2016 and 7.75% in 2015. We lowered our EROA assumption in 2016 as we continued to implement our asset and liability management strategy. For the 15-year period ended May 31, 2017, our actual returns were 7.8%.

The investment strategy for our U.S. Pension Plan assets is to utilize a diversified mix of global public and private equity portfolios, together with fixed-income portfolios, to earn a long-term investment return that meets our pension plan obligations. Our largest asset classes are Corporate Fixed Income Securities and Government Fixed Income Securities (which are largely benchmarked against the Barclays Long Government, Barclays Long Corporate or the Citigroup 20+ STRIPS indices), and U.S. and International Large Cap Equities (which are mainly benchmarked to the S&P 500 Index and other global indices). Accordingly, we do not have any significant concentrations of risk. Active management strategies are utilized within the plan in an effort to realize investment returns in excess of market indices. Our investment strategy also includes the limited use of derivative financial instruments on a discretionary basis to improve investment returns and manage exposure to market risk. In all cases, our investment managers are prohibited from using derivatives for speculative purposes and are not permitted to use derivatives to leverage a portfolio.

The following is a description of the valuation methodologies used for investments measured at fair value:

- **Cash and cash equivalents.** These Level 1 investments include cash, cash equivalents and foreign currency valued using exchange rates. These Level 2 investments include short-term investment funds which are collective funds priced at a constant value by the administrator of the funds.
- **Domestic, international and global equities.** These Level 1 investments are valued at the closing price or last trade reported on the major market on which the individual securities are traded. These Level 2 investments include mutual funds.
- **Fixed income.** We determine the fair value of these Level 2 corporate bonds, U.S. and non-U.S. government securities and other fixed income securities by using bid evaluation pricing models or quoted prices of securities with similar characteristics.
- **Alternative Investments.** The valuation of these Level 3 investments requires significant judgment due to the absence of quoted market prices, the inherent lack of liquidity and the long-term nature of such assets. Investments in private equity, debt, real estate and other private investments are valued at estimated fair value based on quarterly financial information received from the investment advisor and/or general partner. These estimates incorporate factors such as contributions and distributions, market transactions, market comparables and performance multiples.

The fair values of investments by level and asset category and the weighted-average asset allocations for our U.S. Pension Plans and most significant international pension plans at the measurement date are presented in the following table (in millions):

	Plan Assets at Measurement Date					
	2017					
Asset Class (U.S. Plans)	Fair Value	Actual%	Target Range%[2]	Quoted Prices in Active Markets Level 1	Other Observable Inputs Level 2	Unobservable Inputs Level 3
Cash and cash equivalents	$ 1,076	4%	0-5%	$ 26	$ 1,050	
Equities			30-50			
U.S. large cap equity[1]	2,415	10		830		
International equities[1]	3,521	14		2,747	157	
Global equities[1]	3,276	13				
U.S. SMID cap equity	987	4		987		
Fixed income securities			50-70			
Corporate	8,163	33			8,163	
Government[1]	4,674	19			3,454	
Mortgage-backed and other[1]	603	2			129	
Alternative investments[1]	377	2	0-5			$ 129
Other	(159)	(1)		(161)	2	
Total U.S. plan assets	$ 24,933	100%		$ 4,429	$ 12,955	$ 129
Asset Class (International Plans)						
Cash and cash equivalents	$ 48	4%		$ 2	$ 46	
Equities						
International equities[1]	137	11			72	
Global equities[1]	202	17				
Fixed income securities						
Corporate[1]	270	22			49	
Government[1]	405	34		95	230	
Mortgage-backed and other[1]	145	12				
Alternative investments	17	1			17	
Other	(18)	(1)		(2)	(16)	
Total International plan assets	$ 1,206	100%		$ 95	$ 398	

(1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy but are included in the total.

(2) Target ranges have not been provided for international plan assets as they are managed at an individual country level.

	Plan Assets at Measurement Date					
	2016					
Asset Class (U.S. Plans)	Fair Value	Actual%	Target Range%[2]	Quoted Prices in Active Markets Level 1	Other Observable Inputs Level 2	Unobservable Inputs Level 3
Cash and cash equivalents	$ 568	2%	0-5%	$ 76	$ 492	
Equities			35-55			
U.S. large cap equity[1]	3,257	14		750		
International equities[1]	3,381	15		2,685	121	
Global equities[1]	2,794	12				
U.S. SMID cap equity	913	4		913		
Fixed income securities			45-65			
Corporate	6,608	29			6,608	
Government	5,148	22			5,148	
Mortgage-backed and other[1]	347	2			146	
Alternative investments[1]	322	1	0-5			$ 48
Other	(321)	(1)		(305)	(16)	
Total U.S. plan assets	$ 23,017	100%		$ 4,119	$ 12,499	$ 48
Asset Class (International Plans)						
Cash and cash equivalents	$ 211	19%		$ 157	$ 54	
Equities						
International equities[1]	124	11			63	
Global equities[1]	148	14				
Fixed income securities						
Corporate[1]	122	11			44	
Government[1]	324	30		60	213	
Mortgage-backed and other[1]	134	12				
Alternative investments[1]	39	4			18	
Other	(10)	(1)		(14)	4	
Total International plan assets	$ 1,092	100%		$ 203	$ 396	

(1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy but are included in the total.

(2) Target ranges have not been provided for international plan assets as they are managed at an individual country level

The change in fair value of Level 3 assets that use significant unobservable inputs is shown in the table below (in millions).

	U.S. Pension Plans	
	2017	2016
Balance at beginning of year	$ 48	$ –
Actual return on plan assets:		
Assets held during current year	5	2
Assets sold during the year	1	–
Purchases, sales and settlements	75	46
Balance at end of year	$ 129	$ 48

The following table provides a reconciliation of the changes in the pension and postretirement healthcare plans' benefit obligations and fair value of assets over the two-year period ended May 31, 2017 and a statement of the funded status as of May 31, 2017 and 2016 (in millions):

	U.S. Pension Plans		International Pension Plans		Postretirement Healthcare Plans	
	2017	2016	2017	2016	2017	2016
Accumulated Benefit Obligation ("ABO")	$ 27,244	$ 27,236	$ 1,842	$ 1,609		
Changes in Projected Benefit Obligation ("PBO") and Accumulated Postretirement Benefit Obligation ("APBO")						
PBO/APBO at the beginning of year	$ 27,804	$ 26,636	$ 1,798	$ 876	$ 905	$ 929
Service cost	638	622	83	40	36	40
Interest cost	1,128	1,155	43	25	39	42
Actuarial loss	571	284	161	(7)	(14)	(64)
Benefits paid	(2,271)	(893)	(38)	(19)	(72)	(78)
Business acquisition	–	–	–	907	–	–
Purchase accounting adjustment	–	–	26	–	–	–
Other	–	–	(30)	(24)	33	36
PBO/APBO at the end of year	$ 27,870	$ 27,804	$ 2,043	$ 1,798	$ 927	$ 905
Change in Plan Assets						
Fair value of plan assets at the beginning of year	$ 23,017	$ 23,006	$ 1,254	$ 499	$ –	$ –
Actual return on plan assets	2,167	211	112	12	–	–
Company contributions	2,020	693	95	33	36	42
Benefits paid	(2,271)	(893)	(38)	(19)	(72)	(78)
Business acquisition	–	–	–	761	–	–
Other	–	–	(44)	(32)	36	36
Fair value of plan assets at the end of year	$ 24,933	$ 23,017	$ 1,379	$ 1,254	$ –	$ –
Funded Status of the Plans	$ (2,937)	$ (4,787)	$ (664)	$ (544)	$ (927)	$ (905)
Amount Recognized in the Balance Sheet at May 31:						
Noncurrent asset	$ –	$ –	$ 40	$ 53	$ –	$ –
Current pension, postretirement healthcare and other benefit obligations	(33)	(19)	(17)	(12)	(39)	(40)
Noncurrent pension, postretirement healthcare and other benefit obligations	(2,904)	(4,768)	(687)	(585)	(888)	(865)
Net amount recognized	$ (2,937)	$ (4,787)	$ (664)	$ (544)	$ (927)	$ (905)
Amounts Recognized in AOCI and not yet reflected in Net Periodic Benefit Cost:						
Prior service credit and other	$ (410)	$ (528)	$ (13)	$ (18)	$ (4)	$ –
Amounts Recognized in AOCI and not yet reflected in Net Periodic Benefit Cost expected to be amortized in next year's Net Periodic Benefit Cost:						
Prior service credit and other	$ (118)	$ (118)	$ (2)	$ (3)	$ –	$ –

Our pension plans included the following components at May 31 (in millions):

	PBO	Fair Value of Plan Assets	Funded Status
2017			
Qualified	$ 27,600	$ 24,933	$ (2,667)
Nonqualified	270	–	(270)
International Plans	2,043	1,379	(664)
Total	$ 29,913	$ 26,312	$ (3,601)
2016			
Qualified	$ 27,543	$ 23,017	$ (4,526)
Nonqualified	261	–	(261)
International Plans	1,798	1,254	(544)
Total	$ 29,602	$ 24,271	$ (5,331)

The table above provides the PBO, fair value of plan assets and funded status of our pension plans on an aggregated basis. The following table presents our plans on a disaggregated basis to show those plans (as a group) whose assets did not exceed their liabilities. The fair value of plan assets for pension plans with a PBO or ABO in excess of plan assets at May 31 were as follows (in millions):

	PBO Exceeds the Fair Value of Plan Assets	
	2017	2016
U.S. Pension Benefits		
Fair value of plan assets	$ 24,933	$ 23,017
PBO	(27,870)	(27,804)
Net funded status	$ (2,937)	$ (4,787)
International Pension Benefits		
Fair value of plan assets	$ 952	$ 850
PBO	(1,656)	(1,447)
Net funded status	$ (704)	$ (597)

	ABO Exceeds the Fair Value of Plan Assets	
	2017	2016
U.S. Pension Benefits		
ABO[1]	$ (27,244)	$ (27,236)
Fair value of plan assets	24,933	23,017
PBO	(27,870)	(27,804)
Net funded status	$ (2,937)	$ (4,787)
International Pension Benefits		
ABO[1]	$ (1,433)	$ (1,257)
Fair value of plan assets	928	848
PBO	(1,626)	(1,445)
Net funded status	$ (698)	$ (597)

(1) ABO not used in determination of funded status.

Contributions to our U.S. Pension Plans for the years ended May 31 were as follows (in millions):

	2017	2016
Required	$ 459	$ 8
Voluntary	1,541	652
	$ 2,000	$ 660

For 2018, we anticipate making contributions to our U.S. Pension Plans totaling $1.0 billion (approximately $700 million of which are expected to be required).

Net periodic benefit cost for the three years ended May 31 were as follows (in millions):

	U.S. Pension Plans			International Pension Plans			Postretirement Healthcare Plans		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Service cost	$ 638	$ 622	$ 615	$ 83	$ 40	$ 38	$ 36	$ 40	$ 40
Interest cost	1,128	1,155	1,068	43	25	28	39	42	41
Expected return on plan assets	(1,501)	(1,490)	(1,655)	(38)	(18)	(23)	–	–	–
Amortization of prior service credit	(118)	(118)	(112)	(2)	(3)	(3)	–	–	–
Actuarial losses (gains) and other	(95)	1,563	2,154	87	(1)	36	(14)	(64)	6
Net periodic benefit cost	$ 52	$ 1,732	$ 2,070	$ 173	$ 43	$ 76	$ 61	$ 18	$ 87

Amounts recognized in other comprehensive income ("OCI") for all plans for the years ended May 31 were as follows (in millions):

	2017						2016					
	U.S. Pension Plans		International Pension Plans		Postretirement Healthcare Plans		U.S. Pension Plans		International Pension Plans		Postretirement Healthcare Plans	
	Gross Amount	Net of Tax Amount	Gross Amount	Net of Tax Amount	Gross Amount	Net of Tax Amount	Gross Amount	Net of Tax Amount	Gross Amount	Net of Tax Amount	Gross Amount	Net of Tax Amount
Prior service cost (credit) arising during period	$ –	$ –	$ 1	$ 1	$ (3)	$ (2)	$ –	$ –	$ –	$ –	$ –	$ –
Amortizations:												
Prior services credit	118	74	2	2	–	–	118	74	3	2	–	–
Total recognized in OCI	$ 118	$ 74	$ 3	$ 3	$ (3)	$ (2)	$ 118	$ 74	$ 3	$ 2	$ –	$ –

Benefit payments, which reflect expected future service, are expected to be paid as follows for the years ending May 31 (in millions):

	U.S. Pension Plans	International Pension Plans	Postretirement Healthcare Plans
2018	$ 1,013	$ 44	$ 39
2019	1,070	43	40
2020	1,169	48	42
2021	1,233	53	42
2022	1,345	59	43
2023–2027	8,565	789	246

These estimates are based on assumptions about future events. Actual benefit payments may vary significantly from these estimates.

Future medical benefit claims costs are estimated to increase at an annual rate of 7.8% during 2018, decreasing to an annual growth rate of 4.50% in 2037 and thereafter. A 1% change in these annual trend rates would not have a significant impact on the APBO at May 31, 2017 or 2017 benefit expense because the level of these benefits is capped.

NOTE 14: BUSINESS SEGMENT INFORMATION

FedEx Express, TNT Express, FedEx Ground and FedEx Freight represent our major service lines and, along with FedEx Services, form the core of our reportable segments. Our reportable segments include the following businesses:

FedEx Express Segment	> FedEx Express (express transportation) > FedEx Trade Networks (air and ocean freight forwarding, customs brokerage and cross-border enablement technology and solutions) > FedEx SupplyChain Systems (logistics services)
TNT Express Segment	> TNT Express (international express transportation, small-package ground delivery and freight transportation)
FedEx Ground Segment	> FedEx Ground (small-package ground delivery) > FedEx Supply Chain (third-party logistics) (formerly GENCO)
FedEx Freight Segment	> FedEx Freight (LTL freight transportation) > FedEx Custom Critical (time-critical transportation)
FedEx Services Segment	> FedEx Services (sales, marketing, information technology, communications, customer service, technical support, billing and collection services and back-office functions) > FedEx Office (document and business services and package acceptance)

During 2017, we announced that products and solutions offered by FedEx SupplyChain Systems would be combined with similar offerings within FedEx Custom Critical, FedEx Express and FedEx Supply Chain (formerly GENCO) effective June 1, 2017. In addition, during 2017, we rebranded GENCO to FedEx Supply Chain.

FedEx Services Segment

The FedEx Services segment operates combined sales, marketing, administrative and information technology functions in shared services operations that support our transportation businesses and allow us to obtain synergies from the combination of these functions. For the international regions of FedEx Express and TNT Express, some of these functions are performed on a regional basis and reported by each respective company in their natural expense line items. The FedEx Services segment includes: FedEx Services, which provides sales, marketing, information technology, communications, customer service, technical support, billing and collection services for U.S. customers of our major business units and certain back-office support to our other companies; and FedEx Office, which provides an array of document and business services and retail access to our customers for our package transportation businesses.

The FedEx Services segment provides direct and indirect support to our transportation businesses, and we allocate all of the net operating costs of the FedEx Services segment (including the net operating results of FedEx Office) to reflect the full cost of operating our transportation businesses in the results of those segments. Within the FedEx Services segment allocation, the net operating results of FedEx Office, which are an immaterial component of our allocations, are allocated to FedEx Express and FedEx Ground. We review and evaluate the performance of our transportation segments based on operating income (inclusive of FedEx Services segment allocations). For the FedEx Services segment, performance is evaluated based on the impact of its total allocated net operating costs on our transportation segments.

Operating expenses for each of our transportation segments include the allocations from the FedEx Services segment to the respective transportation segments. These allocations also include charges and credits for administrative services provided between operating companies. The allocations of net operating costs are based on metrics such as relative revenues or estimated services provided. We believe these allocations approximate the net cost of providing these functions. Our allocation methodologies are refined periodically, as necessary, to reflect changes in our businesses.

Other Intersegment Transactions

Certain FedEx operating companies provide transportation and related services for other FedEx companies outside their reportable segment. Billings for such services are based on negotiated rates, which we believe approximate fair value, and are reflected as revenues of the billing segment. These rates are adjusted from time to time based on market conditions. Such intersegment revenues and expenses are eliminated in our consolidated results and are not separately identified in the following segment information, because the amounts are not material.

Corporate and other includes corporate headquarters costs for executive officers and certain legal and financial functions, as well as certain other costs and credits not attributed to our core business. These costs are not allocated to the business segments. In 2017, the year-over-year decrease in these costs was driven by the change in the MTM retirement plans adjustment and the year-over-year decrease in charges for legal reserves, which were partially offset by higher TNT Express integration expenses incurred at the corporate level.

The following table provides a reconciliation of reportable segment revenues, depreciation and amortization, operating income and segment assets to consolidated financial statement totals (in millions) for the years ended or as of May 31:

	FedEx Express Segment	TNT Express Segment	FedEx Ground Segment	FedEx Freight Segment	FedEx Services Segment	Eliminations, corporate and other[5]	Consolidated Total
Revenues							
2017	$ 27,358	$ 7,401	$ 18,075	$ 6,443	$ 1,621	$ (579)	$ 60,319
2016	26,451	N/A	16,574	6,200	1,593	(453)	50,365
2015	27,239	N/A	12,984	6,191	1,545	(506)	47,453
Depreciation and amortization							
2017	$ 1,431	$ 239	$ 684	$ 269	$ 371	$ 1	$ 2,995
2016	1,385	N/A	608	248	384	6	2,631
2015	1,460	N/A	530	230	390	1	2,611
Operating income							
2017[1]	$ 2,678	$ 84	$ 2,292	$ 397	$ –	$ (414)	$ 5,037
2016[2]	2,519	N/A	2,276	426	–	(2,144)	3,077
2015[3]	1,584	N/A	2,172	484	–	(2,373)	1,867
Segment assets[4]							
2017	$ 24,882	$ 6,939	$ 14,628	$ 3,925	$ 5,682	$ (7,504)	$ 48,552
2016	21,205	N/A	13,098	3,749	5,390	2,517	45,959
2015	20,382	N/A	11,691	3,471	5,356	(4,431)	36,469

(1) Includes TNT Express integration expenses and restructuring charges of $327 million, increased intangible asset amortization of $74 million as a result of the TNT Express acquisition, and a gain of $24 million associated with our mark-to-market pension accounting. These expenses are included in "Eliminations, corporate and other," the FedEx Express segment and the TNT Express segment. Also includes $39 million of charges for legal reserves related to certain pending U.S. Customs and Border Protection ("CBP") matters involving FedEx Trade Networks and $22 million of charges in connection with the settlement of and certain expected losses relating to independent contractor litigation matters at FedEx Ground. See Note 18 below for additional information.

(2) Includes a $1.5 billion loss associated with our mark-to-market pension accounting. Also includes provisions for the settlement of and expected losses related to independent contractor litigation matters at FedEx Ground for $256 million and expenses related to the settlement of a CBP notice of action in the amount of $69 million, in each case net of recognized immaterial insurance recovery, and transaction and integration-planning expenses related to our TNT Express acquisition of $113 million.

(3) Includes a $2.2 billion loss associated with our mark-to-market pension accounting, $276 million of impairment and related charges resulting from the decision to permanently retire and adjust the retirement schedule of certain aircraft and related engines, and a $197 million charge to increase the legal reserve associated with the settlement of a legal matter at FedEx Ground to the amount of the settlement.

(4) Segment assets include intercompany receivables.

(5) Includes TNT Express's assets and immaterial financial results for 2016 from the time of acquisition (May 25, 2016).

The following table provides a reconciliation of reportable segment capital expenditures to consolidated totals for the years ended May 31 (in millions):

	FedEx Express Segment	TNT Express Segment	FedEx Ground Segment	FedEx Freight Segment	FedEx Services Segment	Other	Consolidated Total
2017	$ 2,525	$ 205	$ 1,539	$ 431	$ 416	$ –	$ 5,116
2016	2,356	N/A	1,597	433	432	–	4,818
2015	2,380	N/A	1,248	337	381	1	4,347

The following table presents revenue by service type and geographic information for the years ended or as of May 31 (in millions):

	2017	2016	2015
Revenue by Service Type			
FedEx Express segment:			
Package:			
U.S. overnight box	$ 6,958	$ 6,763	$ 6,704
U.S. overnight envelope	1,750	1,662	1,629
U.S. deferred	3,528	3,379	3,342
Total U.S. domestic package revenue	12,236	11,804	11,675
International priority	5,827	5,697	6,251
International economy	2,412	2,282	2,301
Total international export package revenue	8,239	7,979	8,552
International domestic[1]	1,299	1,285	1,406
Total package revenue	21,774	21,068	21,633
Freight:			
U.S.	2,528	2,481	2,300
International priority	1,502	1,384	1,588
International airfreight	118	126	180
Total freight revenue	4,148	3,991	4,068
Other[2]	1,436	1,392	1,538
Total FedEx Express segment	27,358	26,451	27,239
TNT Express segment	7,401	N/A	N/A
FedEx Ground segment:			
FedEx Ground	16,497	15,050	12,568
FedEx Supply Chain	1,578	1,524	416
Total FedEx Ground segment	18,075	16,574	12,984
FedEx Freight segment	6,443	6,200	6,191
FedEx Services segment	1,621	1,593	1,545
Other and eliminations[3]	(579)	(453)	(506)
	$ 60,319	$ 50,365	$ 47,453
Geographical Information[4]			
Revenues:			
U.S.	$ 40,269	$ 38,070	$ 34,216
International:			
FedEx Express segment	12,094	11,672	12,772
TNT Express segment	7,346	N/A	N/A
FedEx Ground segment	451	383	311
FedEx Freight segment	149	137	142
FedEx Services segment	10	10	12
Other[3]	–	93	–
Total international revenue	20,050	12,295	13,237
	$ 60,319	$ 50,365	$ 47,453
Noncurrent assets:			
U.S.	$ 28,141	$ 25,942	$ 23,520
International	7,783	8,028	2,614
	$ 35,924	$ 33,970	$ 26,134

(1) International domestic revenues represent our intra-country operations

(2) Includes FedEx Trade Networks and FedEx SupplyChain Systems

(3) Includes TNT Express's revenue for 2016 from the time of acquisition (May 25, 2016)

(4) International revenue includes shipments that either originate in or are destined to locations outside the United States, which could include U.S. payors. Noncurrent assets include property and equipment, goodwill and other long-term assets. Our flight equipment is registered in the U.S. and is included as U.S. assets, however, many of our aircraft operate internationally

NOTE 15: SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest expense and income taxes for the years ended May 31 was as follows (in millions):

	2017	2016	2015
Cash payments for:			
Interest (net of capitalized interest)	$ 484	$ 321	$ 201
Income taxes	$ 397	$ 996	$ 1,122
Income tax refunds received	(20)	(5)	(9)
Cash tax payments, net	$ 377	$ 991	$ 1,113

NOTE 16: GUARANTEES AND INDEMNIFICATIONS

In conjunction with certain transactions, primarily the lease, sale or purchase of operating assets or services in the ordinary course of business and in connection with business acquisitions, we may provide routine guarantees or indemnifications (e.g., environmental, fuel, tax and software infringement), the terms of which range in duration, and often they are not limited and have no specified maximum obligation. As a result of the TNT Express acquisition, we have assumed a guarantee related to the demerger of TNT Express and PostNL Holding B.V., which occurred in 2011 for pension benefits earned prior to the date of the demerger. The risk of making payments associated with this guarantee is remote. The overall maximum potential amount of the obligation under such guarantees and indemnifications cannot be reasonably estimated. Historically, we have not been required to make significant payments under our guarantee or indemnification obligations and no material amounts have been recognized in our financial statements for the underlying fair value of these obligations.

NOTE 17: COMMITMENTS

Annual purchase commitments under various contracts as of May 31, 2017 were as follows (in millions):

	Aircraft and Aircraft Related	Other[1]	Total
2018	$ 1,777	$ 1,440	$ 3,217
2019	1,729	508	2,237
2020	1,933	400	2,333
2021	1,341	309	1,650
2022	1,276	198	1,474
Thereafter	2,895	499	3,394
Total	$ 10,951	$ 3,354	$ 14,305

(1) Primarily equipment, advertising contracts and, in 2018, approximately $700 million of estimated required quarterly contributions to our U S Pension Plans.

The amounts reflected in the table above for purchase commitments represent noncancelable agreements to purchase goods or services. As of May 31, 2017, our obligation to purchase four Boeing 767-300 Freighter ("B767F") aircraft and six Boeing 777 Freighter ("B777F") aircraft is conditioned upon there being no event that causes FedEx Express or its employees not to be covered by the Railway Labor Act of 1926, as amended. Open purchase orders that are cancelable are not considered unconditional purchase obligations for financial reporting purposes and are not included in the table above.

We have several aircraft modernization programs underway that are supported by the purchase of B777F and B767F aircraft. These aircraft are significantly more fuel-efficient per unit than the aircraft types previously utilized, and these expenditures are necessary to achieve significant long-term operating savings and to replace older aircraft. Our ability to delay the timing of these aircraft-related expenditures is limited without incurring significant costs to modify existing purchase agreements.

In 2017, FedEx Express entered into agreements to accelerate the delivery of two B767F aircraft to 2017 from 2018 and two B777F aircraft to 2018 from 2023.

We had $729 million in deposits and progress payments as of May 31, 2017 on aircraft purchases and other planned aircraft-related transactions. These deposits are classified in the "Other assets" caption of our consolidated balance sheets. Aircraft and aircraft-related contracts are subject to price escalations. The following table is a summary of the key aircraft we are committed to purchase as of May 31, 2017, with the year of expected delivery:

	B767F	B777F	Total
2018	14	4	18
2019	15	2	17
2020	16	3	19
2021	10	3	13
2022	10	4	14
Thereafter	6	–	6
Total	71	16	87

NOTE 18: CONTINGENCIES

INDEPENDENT CONTRACTOR — LAWSUITS AND STATE ADMINISTRATIVE PROCEEDINGS. FedEx Ground is involved in class-action lawsuits, individual lawsuits and state tax and other administrative proceedings that claim that the company's owner-operators under a contractor model no longer in use should have been treated as employees, rather than independent contractors.

Most of the class-action lawsuits were consolidated for administration of the pre-trial proceedings by a single federal court, the U.S. District Court for the Northern District of Indiana. The multidistrict litigation court granted class certification in 28 cases and denied it in 14 cases. On December 13, 2010, the court entered an opinion and order addressing all outstanding motions for summary judgment on the status of the owner-operators (i.e., independent contractor vs. employee). In sum, the court ruled on our summary judgment motions and entered judgment in favor of FedEx Ground on all claims in 20 of the 28 multidistrict litigation cases that had been certified as class actions, finding that the owner-operators in those cases were contractors as a matter of the law of 20 states. The plaintiffs filed notices of appeal in all of these 20 cases. The Seventh Circuit heard the appeal in the Kansas case in January 2012 and, in July 2012, issued an opinion that did not make a determination with respect to the correctness of the district court's decision and, instead, certified two questions to the Kansas Supreme Court related to the classification of the plaintiffs as independent contractors under the Kansas Wage Payment Act. The other 19 cases that are before the Seventh Circuit were stayed.

On October 3, 2014, the Kansas Supreme Court determined that a 20 factor right to control test applies to claims under the Kansas Wage Payment Act and concluded that under that test, the class members were employees, not independent contractors. The case was subsequently transferred back to the Seventh Circuit, where both parties made filings requesting the action necessary to complete the resolution of the appeals. The parties also made recommendations to the court regarding next steps for the other 19 cases that are before the Seventh Circuit. FedEx Ground requested that each of those cases be separately briefed given the potential differences in the applicable state law from that in Kansas. On July 8, 2015, the Seventh Circuit issued an order and opinion confirming the decision of the Kansas Supreme Court, concluding that the class members were employees, not independent contractors. Additionally, the Seventh Circuit referred the other 19 cases to a representative of the court for purposes of setting a case management conference to address briefing and argument for those cases.

During the second quarter of 2015, we established an accrual for the estimated probable loss in the Kansas case. In the second quarter of 2016 the Kansas case settled, and we increased the accrual to the amount of the settlement.

During the third quarter of 2016, we reached agreements in principle to settle all of the 19 cases on appeal in the multidistrict independent contractor litigation. We recognized a liability for the expected loss (net of recognized insurance recovery) related to these cases and certain other pending independent-contractor-related proceedings of $204 million.

The Kansas case was remanded to the multidistrict litigation court, and the other 19 cases remained at the Seventh Circuit; however, approval proceedings were conducted primarily by the multidistrict litigation court. Plaintiffs filed motions for preliminary approval between June 15 and June 30, 2016, and on August 3 and 4, 2016, the multidistrict litigation court issued orders indicating that it would grant preliminary approval if the Seventh Circuit would remand the cases on appeal for the purpose of entering approval orders. Upon the parties' joint motion, the Seventh Circuit remanded the cases for this purpose on August 10, 2016, and the multidistrict litigation court entered orders preliminarily approving the settlements on August 17, 2016. Fairness hearings were originally scheduled for January 23 and 24, 2017, but were held on March 13 and 14, 2017. On March 15, 2017, the court issued orders indicating that it would grant final approval of each settlement if the Seventh Circuit remanded the cases on appeal for the purpose of considering and granting final approval. In a series of orders and judgments issued on April 29, May 1, and June 21, 2017, the court granted final approval of all 20 settlements.

The multidistrict litigation court remanded the other eight certified class actions back to the district courts where they were originally filed because its summary judgment ruling did not completely dispose of all of the claims in those lawsuits. Seven of these matters settled for immaterial amounts and have received court approval.

The case in California was appealed to the Ninth Circuit Court of Appeals, where the court reversed the district court decisions and held that the plaintiffs in California were employees as a matter of law and remanded the cases to the district court for further proceedings. In the first quarter of 2015, we recognized an accrual for the then-estimated probable loss in this case.

In June 2015, the parties in the California case reached an agreement to settle the matter for $228 million, and in the fourth quarter of 2015 we increased the accrual to that amount. The court entered final judgment on June 20, 2016, and two objectors to the settlement filed appeals with the Ninth Circuit. One objector has settled with plaintiffs' counsel, and the appeal by the second objector was briefed in the fourth quarter of 2017. The court has indicated that it will schedule argument on the objector's appeal for the second quarter of 2018. The settlement is not effective until all appeals have been resolved without affecting the court's approval of the settlement.

In addition, we are defending contractor-model cases that are not or are no longer part of the multidistrict litigation. These cases are in varying stages of litigation. We do not expect to incur a material loss in these matters; however, it is reasonably possible that potential loss in some of these lawsuits or changes to the independent contractor

status of FedEx Ground's owner-operators could be material. In these cases, we continue to evaluate what facts may arise in the course of discovery and what legal rulings the courts may render and how these facts and rulings might impact the loss. For a number of reasons, we are not currently able to estimate a range of reasonably possible loss in these cases. The number and identities of plaintiffs in these lawsuits are uncertain, as they are dependent on how the class of drivers is defined and how many individuals will qualify based on whatever criteria may be established. In addition, the parties have conducted only very limited discovery into damages in certain of these cases, which could vary considerably from plaintiff to plaintiff and be dependent on evidence pertaining to individual plaintiffs, which has yet to be produced in the cases. Further, the range of potential loss could be impacted substantially by future rulings by the court, including on the merits of the claims, on FedEx Ground's defenses, and on evidentiary issues. As a consequence of these factors, as well as others that are specific to these cases, we are not currently able to estimate a range of reasonably possible loss. We do not believe that a material loss is probable in these matters.

Adverse determinations in matters related to FedEx Ground's independent contractors could, among other things, entitle certain owner-operators and their drivers to the reimbursement of certain expenses and to the benefit of wage-and-hour laws and result in employment and withholding tax and benefit liability for FedEx Ground. We believe that FedEx Ground's owner-operators are properly classified as independent contractors and that FedEx Ground is not an employer of the drivers of the company's independent contractors.

CITY AND STATE OF NEW YORK CIGARETTE SUIT. The City of New York and the State of New York filed two related lawsuits against FedEx Ground in December 2013 and November 2014 arising from FedEx Ground's alleged shipments of cigarettes to New York residents in contravention of several statutes, including the Racketeer Influenced and Corrupt Organizations Act ("RICO") and New York's Public Health Law, as well as common law nuisance claims. In April 2016, the two lawsuits were consolidated and will now proceed as one lawsuit. The first-filed lawsuit alleges that FedEx Ground provided delivery services on behalf of four shippers, and the second-filed lawsuit alleges that FedEx Ground provided delivery services on behalf of six additional shippers; none of these shippers continue to ship in our network. Following motions to dismiss filed in both lawsuits, some of the claims were dismissed entirely or limited. In the first-filed lawsuit, the New York Public Health Law and common law nuisance claims were dismissed and the plaintiffs voluntarily dismissed another claim. In the second-filed lawsuit, the common law nuisance claim has been dismissed entirely and the New York Public Health Law claim has been limited to claims arising after September 27, 2013, when an amendment to that law provided enforcement authority to the City of New York and State of New York. Other claims, including the RICO claims, remain in both lawsuits. The likelihood of loss is reasonably possible, but the amount of loss cannot be estimated at this stage of the litigation and we expect the amount of any loss to be immaterial.

On July 10, 2017, the City of New York and the State of New York filed a third lawsuit against FedEx Ground and included FedEx Freight as a co-defendant. This new case identifies no shippers or shipments, but generally alleges violations of the same laws that are the subject of the other two lawsuits. The amount or reasonable range of loss, if any, cannot be estimated at this stage of the lawsuit.

ENVIRONMENTAL MATTERS. SEC regulations require disclosure of certain environmental matters when a governmental authority is a party to the proceedings and the proceedings involve potential monetary sanctions that management reasonably believes could exceed $100,000.

On September 9, 2016, FedEx Supply Chain received a written offer from several District Attorneys' Offices in California to settle a civil action that the District Attorneys intend to file against FedEx Supply Chain for alleged violations of the state's hazardous waste regulations. Specifically, the District Attorneys' Offices allege FedEx Supply Chain unlawfully disposed of hazardous waste at one of its California facilities and caused the illegal transportation and disposal of hazardous waste from the retail stores of a FedEx Supply Chain customer at this same facility. The District Attorneys allege these violations began in 2006 and continued until the facility closed in the spring of 2015. We believe an immaterial loss in this matter is probable. The District Attorneys are also investigating FedEx Supply Chain's hazardous waste activities at eight additional facilities within California. We will pursue all available remedies against the sellers of GENCO to recover any losses in these matters.

OTHER MATTERS. During the third quarter of 2017, FedEx Trade Networks informed U.S. Customs and Border Protection that in connection with certain customs entries it may have made improper claims for (i) reduced-duty treatment and (ii) duty-free treatment. Loss in these matters is probable, and in the fourth quarter of 2017 we established accruals totaling $39.3 million for the currently estimated probable loss for these matters. FedEx Trade Networks is continuing to review these matters, however, and a material loss is reasonably possible.

FedEx and its subsidiaries are subject to other legal proceedings that arise in the ordinary course of business, including certain lawsuits containing various class-action allegations of wage-and-hour violations in which plaintiffs claim, among other things, that they were forced to work "off the clock," were not paid overtime or were not provided work breaks or other benefits. In the opinion of management, the aggregate liability, if any, with respect to these other actions will not have a material adverse effect on our financial position, results of operations or cash flows.

NOTE 19: RELATED PARTY TRANSACTIONS

Our Chairman and Chief Executive Officer, Frederick W. Smith, currently holds an approximate 10% ownership interest in the National Football League Washington Redskins professional football team and is a member of its board of directors. FedEx has a multi-year naming rights agreement with Washington Football, Inc. granting us certain marketing rights, including the right to name the stadium where the team plays and other events are held "FedExField."

NOTE 20: SUMMARY OF QUARTERLY OPERATING RESULTS (UNAUDITED)

(in millions, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2017[1]				
Revenues	$ 14,663	$ 14,931	$ 14,997	$ 15,728
Operating income	1,264	1,167	1,025	1,581
Net income	715	700	562	1,020
Basic earnings per common share[2]	2.69	2.63	2.11	3.81
Diluted earnings per common share[2]	2.65	2.59	2.07	3.75
2016[3]				
Revenues	$ 12,279	$ 12,453	$ 12,654	$ 12,979
Operating income (loss)	1,144	1,137	864	(68)
Net income (loss)	692	691	507	(70)
Basic earnings (loss) per common share[2]	2.45	2.47	1.86	(0.26)
Diluted earnings (loss) per common share[2]	2.42	2.44	1.84	(0.26)

(1) The fourth quarter, third quarter, second quarter, and first quarter of 2017 include $124 million, $78 million, $58 million and $68 million, respectively, of TNT Express integration expenses and restructuring charges, and $20 million, $16 million, $10 million and $28 million, respectively, of increased intangible asset amortization as a result of the TNT Express acquisition. The fourth quarter of 2017 includes $39 million of charges for legal reserves related to certain pending CBP matters involving FedEx Trade Networks, $22 million of charges in connection with the settlement of and certain expected losses relating to independent contractor litigation matters at FedEx Ground and $24 million related to the retirement plans MTM gain.

(2) The sum of the quarterly earnings per share may not equal annual amounts due to differences in the weighted-average number of shares outstanding during the respective periods

(3) The fourth quarter of 2016 includes a $1.5 billion retirement plans MTM loss and TNT Express transaction, financing and integration-planning expenses and immaterial financial results from the time of acquisition totaling $79 million. In addition, the fourth quarter of 2016 includes a $76 million favorable tax impact from an internal corporate legal entity restructuring to facilitate the integration of FedEx Express and TNT Express and $11 million of expenses related to independent contractor litigation matters at FedEx Ground. The third quarter of 2016 includes provisions related to independent contractor litigation matters at FedEx Ground for $204 million and expenses related to the settlement of a CBP notice of action in the amount of $69 million (in each case, net of recognized immaterial insurance recovery), as well as TNT Express transaction, financing and integration-planning expenses of $25 million. The second quarter of 2016 includes provisions related to independent contractor litigation matters at FedEx Ground for $41 million and $19 million of TNT Express transaction, financing and integration-planning expenses.

NOTE 21: CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

We are required to present condensed consolidating financial information in order for the subsidiary guarantors of our public debt to continue to be exempt from reporting under the Securities Exchange Act of 1934, as amended.

The guarantor subsidiaries, which are 100% owned by FedEx, guarantee $14.8 billion of our public debt. The guarantees are full and unconditional and joint and several. Our guarantor subsidiaries were not determined using geographic, service line or other similar criteria, and as a result, the "Guarantor Subsidiaries" and "Non-guarantor Subsidiaries" columns each include portions of our domestic and international operations. Accordingly, this basis of presentation is not intended to present our financial condition, results of operations or cash flows for any purpose other than to comply with the specific requirements for subsidiary guarantor reporting.

Condensed consolidating financial statements for our guarantor subsidiaries and non-guarantor subsidiaries are presented in the following tables (in millions):

Condensed Consolidating Balance Sheets

	May 31, 2017				
	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current Assets					
Cash and cash equivalents	$ 1,884	$ 325	$ 1,807	$ (47)	$ 3,969
Receivables, less allowances	3	4,729	2,928	(61)	7,599
Spare parts, supplies, fuel, prepaid expenses and other, less allowances	25	787	248	–	1,060
Total current assets	1,912	5,841	4,983	(108)	12,628
Property and Equipment, at Cost	22	47,201	3,403	–	50,626
Less accumulated depreciation and amortization	18	23,211	1,416	–	24,645
Net property and equipment	4	23,990	1,987	–	25,981
Intercompany Receivable	1,521	2,607	–	(4,128)	–
Goodwill	–	1,571	5,583	–	7,154
Investment in Subsidiaries	27,712	2,636	–	(30,348)	–
Other Assets	3,494	1,271	1,249	(3,225)	2,789
	$ 34,643	$ 37,916	$ 13,802	$ (37,809)	$ 48,552
Liabilities and Stockholders' Investment					
Current Liabilities					
Current portion of long-term debt	$ –	$ 9	$ 13	$ –	$ 22
Accrued salaries and employee benefits	72	1,335	507	–	1,914
Accounts payable	10	1,411	1,439	(108)	2,752
Accrued expenses	991	1,522	717	–	3,230
Total current liabilities	1,073	4,277	2,676	(108)	7,918
Long-Term Debt, Less Current Portion	14,641	244	24	–	14,909
Intercompany Payable	–	–	4,128	(4,128)	–
Other Long-Term Liabilities					
Deferred income taxes	–	5,472	238	(3,225)	2,485
Other liabilities	2,856	3,448	863	–	7,167
Total other long-term liabilities	2,856	8,920	1,101	(3,225)	9,652
Stockholders' Investment	16,073	24,475	5,873	(30,348)	16,073
	$ 34,643	$ 37,916	$ 13,802	$ (37,809)	$ 48,552

Condensed Consolidating Balance Sheets

	May 31, 2016				
	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current Assets					
Cash and cash equivalents	$ 1,974	$ 326	$ 1,277	$ (43)	$ 3,534
Receivables, less allowances	1	4,461	2,831	(41)	7,252
Spare parts, supplies, fuel, prepaid expenses and other, less allowances	233	724	246	–	1,203
Total current assets	2,208	5,511	4,354	(84)	11,989
Property and Equipment, at Cost	22	43,760	3,236	–	47,018
Less accumulated depreciation and amortization	17	21,566	1,151	–	22,734
Net property and equipment	5	22,194	2,085	–	24,284
Intercompany Receivable	2,437	1,284	–	(3,721)	–
Goodwill	–	1,571	5,176	–	6,747
Investment in Subsidiaries	24,766	3,697	–	(28,463)	–
Other Assets	3,359	967	1,851	(3,238)	2,939
	$ 32,775	$ 35,224	$ 13,466	$ (35,506)	$ 45,959
Liabilities and Stockholders' Investment					
Current Liabilities					
Current portion of long-term debt	$ –	$ 13	$ 16	$ –	$ 29
Accrued salaries and employee benefits	54	1,377	541	–	1,972
Accounts payable	8	1,501	1,519	(84)	2,944
Accrued expenses	883	1,411	769	–	3,063
Total current liabilities	945	4,302	2,845	(84)	8,008
Long-Term Debt, Less Current Portion	13,451	245	37	–	13,733
Intercompany Payable	–	–	3,721	(3,721)	–
Other Long-Term Liabilities					
Deferred income taxes	–	4,436	369	(3,238)	1,567
Other liabilities	4,595	3,375	897	–	8,867
Total other long-term liabilities	4,595	7,811	1,266	(3,238)	10,434
Stockholders' Investment	13,784	22,866	5,597	(28,463)	13,784
	$ 32,775	$ 35,224	$ 13,466	$ (35,506)	$ 45,959

Condensed Consolidating Statements of Comprehensive Income

	Year Ended May 31, 2017				
	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ –	$ 44,823	$ 15,798	$ (302)	$ 60,319
Operating Expenses:					
Salaries and employee benefits	123	16,696	4,723	–	21,542
Purchased transportation	–	8,260	5,495	(125)	13,630
Rentals and landing fees	5	2,517	724	(6)	3,240
Depreciation and amortization	1	2,538	456	–	2,995
Fuel	–	2,476	297	–	2,773
Maintenance and repairs	1	2,086	287	–	2,374
Retirement plans mark-to-market adjustment	–	(75)	51	–	(24)
Intercompany charges, net	(434)	182	252	–	–
Other	304	5,734	2,885	(171)	8,752
	–	40,414	15,170	(302)	55,282
Operating Income	–	4,409	628	–	5,037
Other Income (Expense):					
Equity in earnings of subsidiaries	2,997	68	–	(3,065)	–
Interest, net	(507)	27	1	–	(479)
Intercompany charges, net	508	(296)	(212)	–	–
Other, net	(1)	(134)	156	–	21
Income Before Income Taxes	2,997	4,074	573	(3,065)	4,579
Provision for income taxes	–	1,439	143	–	1,582
Net Income	$ 2,997	$ 2,635	$ 430	$ (3,065)	$ 2,997
Comprehensive Income	$ 2,922	$ 2,580	$ 314	$ (3,065)	$ 2,751

Condensed Consolidating Statements of Comprehensive Income

	Year Ended May 31, 2016				
	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ –	$ 42,143	$ 8,547	$ (325)	$ 50,365
Operating Expenses:					
Salaries and employee benefits	119	15,880	2,582	–	18,581
Purchased transportation	–	7,380	2,720	(134)	9,966
Rentals and landing fees	5	2,484	371	(6)	2,854
Depreciation and amortization	1	2,399	231	–	2,631
Fuel	–	2,324	75	–	2,399
Maintenance and repairs	1	1,954	153	–	2,108
Retirement plans mark-to-market adjustment	–	1,414	84	–	1,498
Intercompany charges, net	(645)	425	220	–	–
Other	519	5,274	1,643	(185)	7,251
	–	39,534	8,079	(325)	47,288
Operating Income	–	2,609	468	–	3,077
Other Income (Expense):					
Equity in earnings of subsidiaries	1,820	279	–	(2,099)	–
Interest, net	(355)	27	13	–	(315)
Intercompany charges, net	369	(354)	(15)	–	–
Other, net	(14)	(14)	6	–	(22)
Income Before Income Taxes	1,820	2,547	472	(2,099)	2,740
Provision for income taxes	–	818	102	–	920
Net Income	$ 1,820	$ 1,729	$ 370	$ (2,099)	$ 1,820
Comprehensive Income	$ 1,746	$ 1,704	$ 128	$ (2,099)	$ 1,479

Condensed Consolidating Statements of Comprehensive Income

	Year Ended May 31, 2015				
	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ –	$ 39,420	$ 8,414	$ (381)	$ 47,453
Operating Expenses:					
Salaries and employee benefits	106	14,626	2,378	–	17,110
Purchased transportation	–	5,802	2,878	(197)	8,483
Rentals and landing fees	5	2,322	360	(5)	2,682
Depreciation and amortization	1	2,370	240	–	2,611
Fuel	–	3,632	88	–	3,720
Maintenance and repairs	1	1,949	149	–	2,099
Impairment and other charges	–	276	–	–	276
Retirement plans mark-to-market adjustment	–	2,075	115	–	2,190
Intercompany charges, net	(450)	117	333	–	–
Other	337	4,946	1,311	(179)	6,415
	–	38,115	7,852	(381)	45,586
Operating Income	–	1,305	562	–	1,867
Other Income (Expense):					
Equity in earnings of subsidiaries	1,050	337	–	(1,387)	–
Interest, net	(247)	23	3	–	(221)
Intercompany charges, net	253	(265)	12	–	–
Other, net	(6)	(32)	19	–	(19)
Income Before Income Taxes	1,050	1,368	596	(1,387)	1,627
Provision for income taxes	–	390	187	–	577
Net Income	$ 1,050	$ 978	$ 409	$ (1,387)	$ 1,050
Comprehensive Income	$ 1,053	$ 929	$ 121	$ (1,387)	$ 716

Condensed Consolidating Statements of Cash Flows

	Year Ended May 31, 2017				
	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Cash provided by (used in) operating activities	$ (1,155)	$ 5,254	$ 835	$ (4)	$ 4,930
Investing activities					
Capital expenditures	—	(4,694)	(422)	—	(5,116)
Proceeds from asset dispositions and other	34	25	76	—	135
Cash (used in) provided by investing activities	34	(4,669)	(346)	—	(4,981)
Financing activities					
Net transfers from (to) Parent	421	(518)	97	—	—
Payment on loan between subsidiaries	41	(15)	(26)	—	—
Intercompany dividends	—	1	(1)	—	—
Principal payments on debt	—	(55)	(27)	—	(82)
Proceeds from debt issuance	1,190	—	—	—	1,190
Proceeds from stock issuances	337	—	—	—	337
Dividends paid	(426)	—	—	—	(426)
Purchase of treasury stock	(509)	—	—	—	(509)
Other, net	(12)	(13)	43	—	18
Cash provided by (used in) financing activities	1,042	(600)	86	—	528
Effect of exchange rate changes on cash	(11)	14	(45)	—	(42)
Net increase (decrease) in cash and cash equivalents	(90)	(1)	530	(4)	435
Cash and cash equivalents at beginning of period	1,974	326	1,277	(43)	3,534
Cash and cash equivalents at end of period	$ 1,884	$ 325	$ 1,807	$ (47)	$ 3,969

Condensed Consolidating Statements of Cash Flows

	Year Ended May 31, 2016				
	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Cash provided by (used in) operating activities	$ (831)	$ 5,932	$ 572	$ 35	$ 5,708
Investing activities					
Capital expenditures	—	(4,617)	(201)	—	(4,818)
Business acquisitions, net of cash acquired	—	—	(4,618)	—	(4,618)
Proceeds from asset dispositions and other	(55)	33	12	—	(10)
Cash used in investing activities	(55)	(4,584)	(4,807)	—	(9,446)
Financing activities					
Net transfers from (to) Parent	1,629	(1,549)	(80)	—	—
Payment on loan between subsidiaries	(4,805)	109	4,696	—	—
Intercompany dividends	—	20	(20)	—	—
Principal payments on debt	—	(19)	(22)	—	(41)
Proceeds from debt issuance	6,519	—	—		6,519
Proceeds from stock issuances	183	—	—	—	183
Dividends paid	(277)	—	—	—	(277)
Purchase of treasury stock	(2,722)	—	—	—	(2,722)
Other, net	(51)	(48)	48	—	(51)
Cash provided by (used in) financing activities	476	(1,487)	4,622	—	3,611
Effect of exchange rate changes on cash	1	(22)	(81)	—	(102)
Net (decrease) increase in cash and cash equivalents	(409)	(161)	306	35	(229)
Cash and cash equivalents at beginning of period	2,383	487	971	(78)	3,763
Cash and cash equivalents at end of period	$ 1,974	$ 326	$ 1,277	$ (43)	$ 3,534

Condensed Consolidating Statements of Cash Flows

	Year Ended May 31, 2015				
	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Cash provided by (used in) operating activities	$ (727)	$ 5,446	$ 575	$ 72	$ 5,366
Investing activities					
Capital expenditures	(1)	(4,139)	(207)	–	(4,347)
Business acquisitions, net of cash acquired	(1,429)	–	–	–	(1,429)
Proceeds from asset dispositions and other	–	42	(18)	–	24
Cash used in investing activities	(1,430)	(4,097)	(225)	–	(5,752)
Financing activities					
Net transfers from (to) Parent	1,431	(1,502)	71	–	–
Payment on loan between subsidiaries	–	267	(267)	–	–
Intercompany dividends	–	68	(68)	–	–
Principal payments on debt	–	(1)	(4)	–	(5)
Proceeds from debt issuance	2,491	–	–	–	2,491
Proceeds from stock issuances	320	–	–	–	320
Dividends paid	(227)	–	–	–	(227)
Purchase of treasury stock	(1,254)	–	–	–	(1,254)
Other, net	24	(105)	105	–	24
Cash provided by (used in) financing activities	2,785	(1,273)	(163)	–	1,349
Effect of exchange rate changes on cash	(1)	(30)	(77)	–	(108)
Net increase in cash and cash equivalents	627	46	110	72	855
Cash and cash equivalents at beginning of period	1,756	441	861	(150)	2,908
Cash and cash equivalents at end of period	$ 2,383	$ 487	$ 971	$ (78)	$ 3,763

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
FedEx Corporation

We have audited the accompanying consolidated balance sheets of FedEx Corporation as of May 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, changes in stockholders' investment and cash flows for each of the three years in the period ended May 31, 2017. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of FedEx Corporation at May 31, 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended May 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), FedEx Corporation's internal control over financial reporting as of May 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated July 17, 2017 expressed an unqualified opinion thereon.

Memphis, Tennessee
July 17, 2017

Ernst + Young LLP

SELECTED FINANCIAL DATA

The following table sets forth (in millions, except per share amounts and other operating data) certain selected consolidated financial and operating data for FedEx as of and for the five years ended May 31, 2017. This information should be read in conjunction with the Consolidated Financial Statements, MD&A and other financial data appearing elsewhere in this Annual Report.

	2017[1][2][3]	2016[2][4]	2015[2][5]	2014[2]	2013[2][6]
Operating Results					
Revenues	$ 60,319	$ 50,365	$ 47,453	$ 45,567	$ 44,287
Operating income	5,037	3,077	1,867	3,815	4,434
Income before income taxes	4,579	2,740	1,627	3,658	4,338
Net income	2,997	1,820	1,050	2,324	2,716
Per Share Data					
Earnings per share:					
Basic	$ 11.24	$ 6.59	$ 3.70	$ 7.56	$ 8.61
Diluted	$ 11.07	$ 6.51	$ 3.65	$ 7.48	$ 8.55
Average shares of common stock outstanding	266	276	283	307	315
Average common and common equivalent shares outstanding	270	279	287	310	317
Cash dividends declared	$ 1.60	$ 1.00	$ 0.80	$ 0.60	$ 0.56
Financial Position					
Property and equipment, net	$ 25,981	$ 24,284	$ 20,875	$ 19,550	$ 18,484
Total assets[7]	48,552	45,959	36,469	33,032	33,545
Long-term debt, less current portion[7]	14,909	13,733	7,187	4,698	2,717
Common stockholders' investment	16,073	13,784	14,993	15,277	17,398
Other Operating Data					
FedEx Express aircraft fleet	657	643	647	650	647

(1) Results for 2017 include TNT Express integration expenses and restructuring charges of $327 million ($245 million, net of tax, or $0.91 per diluted share) and increased intangible asset amortization of $74 million ($57 million, net of tax, or $0.21 per diluted share) as a result of the TNT Express acquisition. These expenses are included in "Eliminations, corporate and other," the FedEx Express segment and the TNT Express segment.

(2) Results include mark-to-market gains of $24 million ($6 million, net of tax, or $0.02 per diluted share) in 2017 and $1.4 billion ($835 million, net of tax, or $2.63 per diluted share) in 2013 and losses of $1.5 billion ($946 million, net of tax, or $3.39 per diluted share) in 2016, $2.2 billion ($1.4 billion, net of tax, or $4.61 per diluted share) in 2015 and $15 million ($9 million, net of tax, or $0.03 per diluted share) in 2014. See Note 1 and Note 13 to the accompanying consolidated financial statements for additional information.

(3) Results for 2017 include charges for legal reserves related to certain pending CBP matters involving FedEx Trade Networks for $39 million ($24 million, net of tax, or $0.09 per diluted share) and the settlement of and certain expected losses relating to independent contractor litigation matters at FedEx Ground in the amount of $22 million ($13 million, net of tax, or $0.05 per diluted share). See Note 18 to the accompanying consolidated financial statements for additional information.

(4) Results for 2016 include provisions related to independent contractor litigation matters at FedEx Ground for $256 million, net of recognized immaterial insurance recovery ($158 million, net of tax, or $0.57 per diluted share), and expenses related to the settlement of a CBP notice of action in the amount of $69 million, net of recognized immaterial insurance recovery ($43 million, net of tax, or $0.15 per diluted share). Total transaction, financing and integration-planning expenses related to our TNT Express acquisition, as well as TNT Express's immaterial financial results from the time of acquisition, were $132 million ($125 million, net of tax, or $0.45 per diluted share) during 2016. In addition, 2016 results include a $76 million ($0.27 per diluted share) favorable tax impact from an internal corporate legal entity restructuring to facilitate the integration of FedEx Express and TNT Express.

(5) Results for 2015 include impairment and related charges of $276 million ($175 million, net of tax, or $0.61 per diluted share) resulting from the decision to permanently retire and adjust the retirement schedule of certain aircraft and related engines. See Note 1 to the accompanying consolidated financial statements. Additionally, results for 2015 include a charge of $197 million ($133 million, net of tax, or $0.46 per diluted share) in the fourth quarter to increase the legal reserve associated with the settlement of a legal matter at FedEx Ground to the amount of the settlement. See Note 18 to the accompanying consolidated financial statements for additional information.

(6) Results for 2013 include $560 million ($353 million, net of tax, or $1.11 per diluted share) of business realignment costs and a $100 million ($63 million, net of tax, or $0.20 per diluted share) impairment charge resulting from the decision to retire 10 aircraft and related engines at FedEx Express.

(7) Includes adjustments in 2013 through 2016 related to our adoption of an accounting standard that requires us to classify debt issuance costs related to a recognized debt liability as a direct deduction from the carrying amount of that debt liability, rather than as an asset.

BOARD OF DIRECTORS

James L. Barksdale[3*][4]
Chairman and President
Barksdale Management Corporation
Investment management company

John A. Edwardson[1*]
Former Chairman and Chief Executive Officer
CDW Corporation
Technology products and services company

Marvin R. Ellison[2][3][4]
Chairman and Chief Executive Officer
J. C. Penney Company, Inc.
Apparel and home furnishings retailer

John C. ("Chris") Inglis[2][3][4]
Professor
U.S. Naval Academy

Kimberly A. Jabal[1][3]
Chief Financial Officer
Weebly, Inc.
Small business software company

Shirley Ann Jackson[1][2][4]
President
Rensselaer Polytechnic Institute
Technological research university

R. Brad Martin[1][4]
Chairman
RBM Venture Company
Private investment company

Joshua Cooper Ramo[1][3]
Vice Chairman, Co-Chief Executive Officer
Kissinger Associates, Inc.
Strategic advisory firm

Susan C. Schwab[2][3]
Professor
University of Maryland
School of Public Policy

Frederick W. Smith
Chairman and Chief Executive Officer
FedEx Corporation

David P. Steiner[4*][5]
Former Chief Executive Officer
Waste Management, Inc.
Integrated waste management services company

Paul S. Walsh[2*]
Chairman
Compass Group PLC
Food service and support services company

(1) Audit Committee
(2) Compensation Committee
(3) Information Technology Oversight Committee
(4) Nominating & Governance Committee
(5) Lead Independent Director
** Committee Chair*

EXECUTIVE OFFICERS AND SENIOR MANAGEMENT

FedEx Corporation

Frederick W. Smith
Chairman and Chief Executive Officer

David J. Bronczek
President and Chief Operating Officer

Alan B. Graf, Jr.
Executive Vice President and Chief Financial Officer

Robert B. Carter
Executive Vice President,
FedEx Information Services and Chief Information Officer

Christine P. Richards
Executive Vice President, General Counsel and Secretary

Donald F. Colleran
Executive Vice President, Chief Sales Officer

Rajesh Subramaniam
Executive Vice President, Chief Marketing and Communications Officer

John L. Merino
Corporate Vice President and Principal Accounting Officer

FedEx Express Group

David L. Cunningham, Jr.
President and Chief Executive Officer
FedEx Express

Elise L. Jordan
Executive Vice President and Chief Financial Officer
FedEx Express

Gregory F. Hall
Executive Vice President, Air Operations
FedEx Express

Michael K. Pigors
Regional President and Executive Vice President,
U.S. Domestic and U.S. International
FedEx Express

David Binks
Regional President, Europe and
Chief Executive Officer, TNT Express
FedEx Express

Richard W. Smith
President and Chief Executive Officer
FedEx Trade Networks

FedEx Ground Segment

Henry J. Maier
President and Chief Executive Officer
FedEx Ground

Ward B. Strang
Executive Vice President and Chief Operating Officer
FedEx Ground

Arthur F. Smuck III
President and Chief Executive Officer
FedEx Supply Chain

FedEx Freight Segment

Michael L. Ducker
President and Chief Executive Officer
FedEx Freight

Virginia C. Addicott
President and Chief Executive Officer
FedEx Custom Critical

FedEx Services Segment

Brian D. Philips
President and Chief Executive Officer
FedEx Office

CORPORATE INFORMATION

FEDEX CORPORATION: 942 South Shady Grove Road, Memphis, Tennessee 38120, (901) 818-7500, fedex.com

ANNUAL MEETING OF SHAREOWNERS: Monday, September 25, 2017, 8:00 a.m. local time, FedEx Express World Headquarters, 3670 Hacks Cross Road, Building G, Memphis, Tennessee 38125.

STOCK LISTING: FedEx Corporation's common stock is listed on the New York Stock Exchange under the ticker symbol FDX.

SHAREOWNERS: As of July 13, 2017, there were 12,218 shareowners of record.

MARKET INFORMATION: Following are high and low sale prices and cash dividends paid, by quarter, for FedEx Corporation's common stock in 2017 and 2016:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
FY2017				
High	$ 169.57	$ 192.58	$ 201.57	$ 199.17
Low	145.00	158.20	183.87	182.89
Dividend	0.40	0.40	0.40	0.40
FY2016				
High	$ 185.19	$ 164.94	$ 160.67	$ 169.30
Low	130.01	140.01	119.71	137.30
Dividend	0.25	0.25	0.25	0.25

FINANCIAL INFORMATION: Copies of FedEx Corporation's Annual Report on Form 10-K, other documents filed with or furnished to the Securities and Exchange Commission (SEC) and other financial and statistical information are available through the Investor Relations page of our website at http://investors.fedex.com. The information we post on our Investor Relations website could be deemed to be material information. We encourage investors, the media and others interested in FedEx to visit this website from time to time, as information is updated and new information is posted. Company documents filed with or furnished to the SEC can also be found on the SEC's website at www.sec.gov. You will be mailed a copy of the Form 10-K upon request to: FedEx Corporation Investor Relations, 942 South Shady Grove Road, Memphis, Tennessee 38120, (901) 818-7200, e-mail. ir@fedex.com.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM: Ernst & Young LLP, Memphis, Tennessee

CUSTOMER SERVICE: Call 1-800-Go-FedEx or visit fedex.com.

MEDIA INQUIRIES: Jess Bunn, Manager, Investor Relations, FedEx Corporation, 942 South Shady Grove Road, Memphis, Tennessee 38120, (901) 818-7463, e-mail: mediarelations@fedex.com

SHAREOWNER ACCOUNT SERVICES: Computershare, PO BOX 505000, Louisville, Kentucky 40233-5000, (800) 446-2617, www.computershare.com

DIRECT STOCK PURCHASE AND DIVIDEND REINVESTMENT: For information on the direct stock purchase and dividend reinvestment plan for FedEx Corporation common stock, call Computershare at (800) 446-2617 or visit their direct stock purchase plan website at www.computershare.com. This plan provides an alternative to traditional retail brokerage methods of purchasing, holding and selling FedEx common stock. This plan also permits shareowners to automatically reinvest their dividends to purchase additional shares of FedEx common stock.

INVESTOR RELATIONS: Mickey Foster, Vice President, Investor Relations, FedEx Corporation, 942 South Shady Grove Road, Memphis, Tennessee 38120, (901) 818-7200, e-mail: ir@fedex.com

EQUAL EMPLOYMENT OPPORTUNITY: Our greatest asset is our people. We are committed to providing a workplace where our employees and contractors feel respected, satisfied and appreciated. Our policies are designed to promote fairness and respect for everyone. We hire, evaluate and promote employees, and engage contractors, based on their skills and performance. With this in mind, we will not tolerate certain behaviors. These include harassment, retaliation, violence, intimidation and discrimination of any kind involving race, color, religion, national origin, gender, sexual orientation, gender identity, gender expression, age, disability, veteran status or any other characteristic protected by federal, state or local law.

For more detail on the information in this report, visit http://investors.fedex.com.

Our latest Global Citizenship Report is available at http://csr.fedex.com.

MIX
Paper from responsible sources
FSC
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FSC® C018101

In line with FedEx's commitment to sustainability, our Annual Report was produced using environmentally and socially responsible procurement and manufacturing practices to ensure a minimized environmental impact. This report was printed at EarthColor on FSC® certified paper containing 10% recycled PCW fiber. Printing plant utilized 100% renewable wind power (RECs) and lean manufacturing principles, including green chemistry principles, the recycling of residual materials as well as the use of low VOC inks and coatings. In addition, carbon and VOC reduction strategies were employed to destroy residual VOCs via thermal oxidation. Carbon offsets were purchased where carbon could not be eliminated rendering this report carbon-balanced.

> 138 trees preserved for the future

> 62 million BTUs of energy conserved

> 5,994 kWh of electricity offset

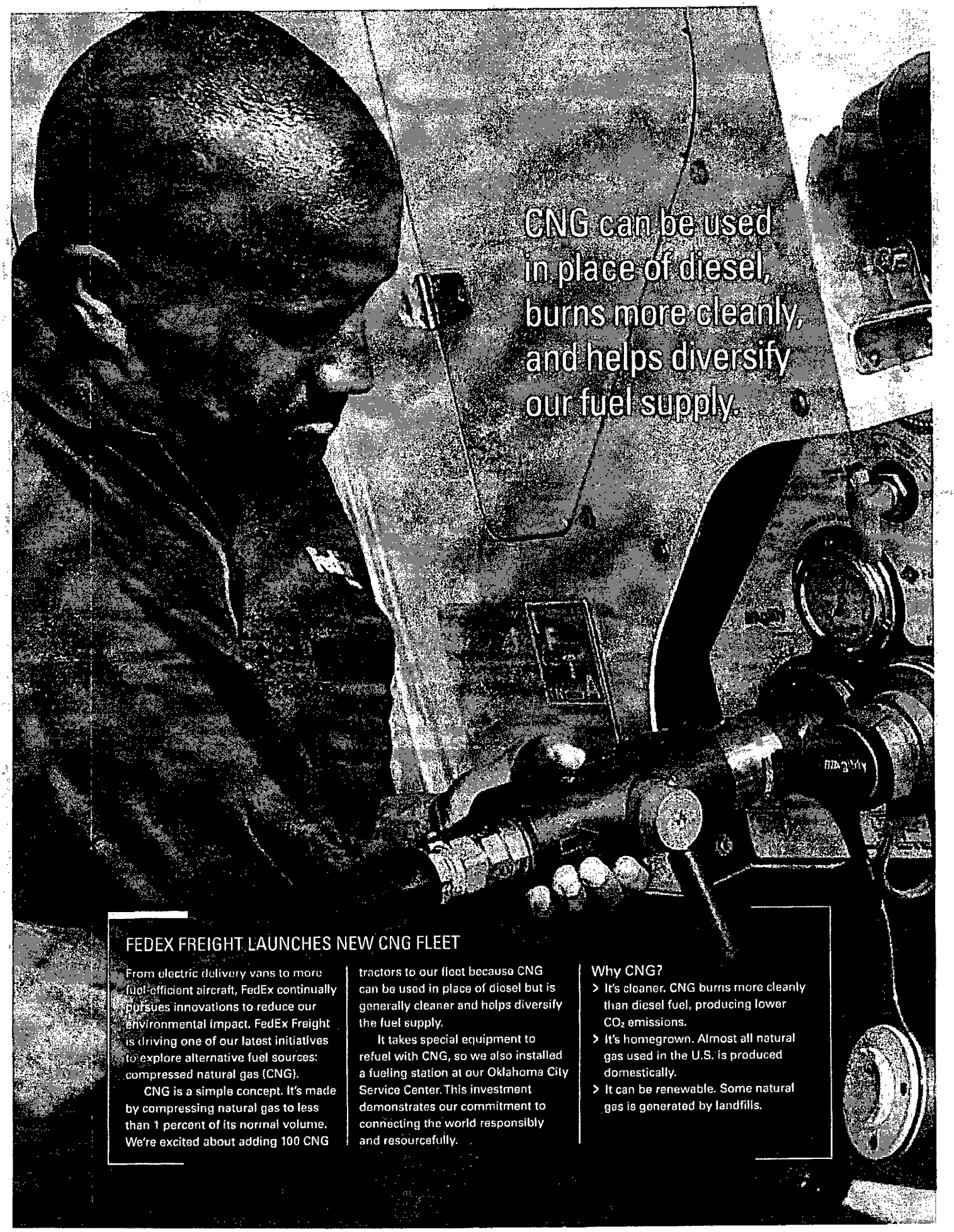
> 11,950 pounds of greenhouse gas reduced

> 64,810 gallons of water waste eliminated

> 4,339 pounds of solid waste eliminated

Sources: Environmental impact estimates were made using the Environmental Paper Network Paper Calculator and the U.S. EPA's power profiler.

Strategy, writing and design by Hanley Wood Marketing, Inc., Minneapolis, MN. Printing by EarthColor Inc.



FEDEX FREIGHT LAUNCHES NEW CNG FLEET

From electric delivery vans to more fuel-efficient aircraft, FedEx continually pursues innovations to reduce our environmental impact. FedEx Freight is driving one of our latest initiatives to explore alternative fuel sources: compressed natural gas (CNG).

CNG is a simple concept. It's made by compressing natural gas to less than 1 percent of its normal volume. We're excited about adding 100 CNG tractors to our fleet because CNG can be used in place of diesel but is generally cleaner and helps diversify the fuel supply.

It takes special equipment to refuel with CNG, so we also installed a fueling station at our Oklahoma City Service Center. This investment demonstrates our commitment to connecting the world responsibly and resourcefully.

Why CNG?

- It's cleaner. CNG burns more cleanly than diesel fuel, producing lower CO_2 emissions.
- It's homegrown. Almost all natural gas used in the U.S. is produced domestically.
- It can be renewable. Some natural gas is generated by landfills.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED August 31, 2017

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number: 1-15829

FEDEX CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

[redacted]
(I.R.S. Employer Identification No.)

942 South Shady Grove Road Memphis, Tennessee
(Address of principal executive offices)

[redacted]
(ZIP Code)

(901) 818-7500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock Common Stock, par value $0.10 per share	Outstanding Shares at September 18, 2017 268,147,000

FEDEX CORPORATION

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FEDEX CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN MILLIONS)

	August 31, 2017 (Unaudited)	May 31, 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,503	$ 3,969
Receivables, less allowances of $334 and $252	8,006	7,599
Spare parts, supplies and fuel, less allowances of $243 and $237	516	514
Prepaid expenses and other	697	546
Total current assets	12,722	12,628
PROPERTY AND EQUIPMENT, AT COST	51,540	50,626
Less accumulated depreciation and amortization	25,305	24,645
Net property and equipment	26,235	25,981
OTHER LONG-TERM ASSETS		
Goodwill	7,382	7,154
Other assets	3,011	2,789
Total other long-term assets	10,393	9,943
	$ 49,350	$ 48,552

The accompanying notes are an integral part of these condensed consolidated financial statements

FEDEX CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN MILLIONS, EXCEPT SHARE DATA)

	August 31, 2017 (Unaudited)	May 31, 2017
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
CURRENT LIABILITIES		
Current portion of long-term debt	$ 19	$ 22
Accrued salaries and employee benefits	1,656	1,914
Accounts payable	2,938	2,752
Accrued expenses	3,177	3,230
Total current liabilities	7,790	7,918
LONG-TERM DEBT, LESS CURRENT PORTION	15,137	14,909
OTHER LONG-TERM LIABILITIES		
Deferred income taxes	2,730	2,485
Pension, postretirement healthcare and other benefit obligations	4,313	4,487
Self-insurance accruals	1,603	1,494
Deferred lease obligations	575	531
Deferred gains, principally related to aircraft transactions	126	137
Other liabilities	458	518
Total other long-term liabilities	9,805	9,652
COMMITMENTS AND CONTINGENCIES		
COMMON STOCKHOLDERS' INVESTMENT		
Common stock, $0.10 par value, 800 million shares authorized; 318 million shares issued as of August 31, 2017 and May 31, 2017	32	32
Additional paid-in capital	3,030	3,005
Retained earnings	21,156	20,833
Accumulated other comprehensive loss	(325)	(415)
Treasury stock, at cost	(7,275)	(7,362)
Total common stockholders' investment	16,618	16,073
	$ 49,350	$ 48,552

The accompanying notes are an integral part of these condensed consolidated financial statements

FEDEX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	Three Months Ended August 31,	
	2017	2016
REVENUES	$ 15,207	$ 14,663
OPERATING EXPENSES		
Salaries and employee benefits	5,518	5,311
Purchased transportation	3,445	3,240
Rentals and landing fees	818	790
Depreciation and amortization	751	719
Fuel	703	650
Maintenance and repairs	675	598
Other	2,270	2,071
	14,180	13,399
OPERATING INCOME	1,117	1,264
OTHER INCOME (EXPENSE)		
Interest, net	(114)	(113)
Other, net	(21)	(9)
	(135)	(122)
INCOME BEFORE INCOME TAXES	982	1,142
PROVISION FOR INCOME TAXES	386	427
NET INCOME	$ 596	$ 715
EARNINGS PER COMMON SHARE		
Basic	$ 2.22	$ 2.69
Diluted	$ 2.19	$ 2.65
DIVIDENDS DECLARED PER COMMON SHARE	$ 1.00	$ 0.80

The accompanying notes are an integral part of these condensed consolidated financial statements

FEDEX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)
(IN MILLIONS)

	Three Months Ended August 31,	
	2017	2016
NET INCOME	$ 596	$ 715
OTHER COMPREHENSIVE INCOME (LOSS)		
Foreign currency translation adjustments, net of tax benefit of $25 in 2017 and tax expense of $4 in 2016	109	12
Amortization of prior service credit, net of tax benefit of $11 in 2017 and $11 in 2016	(19)	(19)
	90	(7)
COMPREHENSIVE INCOME	$ 686	$ 708

The accompanying notes are an integral part of these condensed consolidated financial statements.

FEDEX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN MILLIONS)

	Three Months Ended August 31,	
	2017	2016
Operating Activities		
Net income	$ 596	$ 715
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation and amortization	751	739
Provision for uncollectible accounts	60	39
Stock-based compensation	62	57
Deferred income taxes and other noncash items	97	175
Changes in assets and liabilities		
Receivables	(271)	20
Other assets	(142)	(4)
Accounts payable and other liabilities	(540)	(753)
Other, net	(23)	(15)
Cash provided by operating activities	590	971
Investing Activities		
Capital expenditures	(1,044)	(1,215)
Proceeds from asset dispositions and other	6	9
Cash used in investing activities	(1,038)	(1,206)
Financing Activities		
Principal payments on debt	(12)	(12)
Proceeds from stock issuances	150	80
Dividends paid	(134)	(106)
Purchase of treasury stock	(86)	(222)
Other, net	(6)	(13)
Cash used in financing activities	(88)	(313)
Effect of exchange rate changes on cash	70	(13)
Net decrease in cash and cash equivalents	(466)	(561)
Cash and cash equivalents at beginning of period	3,969	3,534
Cash and cash equivalents at end of period	$ 3,503	$ 2,980

The accompanying notes are an integral part of these condensed consolidated financial statements.

FEDEX CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(1) General

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES These interim financial statements of FedEx Corporation ("FedEx") have been prepared in accordance with accounting principles generally accepted in the United States and Securities and Exchange Commission ("SEC") instructions for interim financial information and should be read in conjunction with our Annual Report on Form 10-K for the year ended May 31, 2017 ("Annual Report"). Accordingly, significant accounting policies and other disclosures normally provided have been omitted since such items are disclosed in our Annual Report.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments (including normal recurring adjustments) necessary to present fairly our financial position as of August 31, 2017, the results of our operations and cash flows for the three-month periods ended August 31, 2017 and 2016. Operating results for the three-month period ended August 31, 2017 are not necessarily indicative of the results that may be expected for the year ending May 31, 2018.

Except as otherwise specified, references to years indicate our fiscal year ending May 31, 2018 or ended May 31 of the year referenced and comparisons are to the corresponding period of the prior year.

EMPLOYEES UNDER COLLECTIVE BARGAINING ARRANGEMENTS The pilots of Federal Express Corporation ("FedEx Express"), who represent a small number of its total employees, are employed under a collective bargaining agreement that took effect on November 2, 2015. This collective bargaining agreement is scheduled to become amendable in November 2021, after a six-year term. In addition to our pilots at FedEx Express, FedEx Supply Chain Distribution System, Inc. ("FedEx Supply Chain") has a small number of employees who are members of unions, and certain non-U.S. employees are unionized.

STOCK-BASED COMPENSATION We have two types of equity-based compensation: stock options and restricted stock. The key terms of the stock option and restricted stock awards granted under our incentive stock plans and all financial disclosures about these programs are set forth in our Annual Report.

Our stock-based compensation expense was $62 million for the three-month period ended August 31, 2017 and $57 million for the three-month period ended August 31, 2016. Due to its immateriality, additional disclosures related to stock-based compensation have been excluded from this quarterly report.

RECENT ACCOUNTING GUIDANCE New accounting rules and disclosure requirements can significantly impact our reported results and the comparability of our financial statements. We believe the following new accounting guidance is relevant to the readers of our financial statements.

During the first quarter of 2018, we early adopted the Accounting Standard Update issued by the Financial Accounting Standards Board ("FASB") related to Intra-Entity Transfers of Assets Other Than Inventory. This update requires companies to recognize the income tax consequences of intra-entity transfers of assets other than inventory when the transfer occurs, as opposed to when the assets are ultimately sold to an outside party. This new guidance had a minimal impact on our accounting and financial reporting for the first quarter of 2018.

On May 28, 2014, the FASB and International Accounting Standards Board issued a new accounting standard that will supersede virtually all existing revenue recognition guidance under generally accepted accounting principles in the United States. This standard will be effective for us beginning in fiscal 2019. The fundamental principles of the new guidance are that companies should recognize revenue in a manner that reflects the timing of the transfer of services to customers and the amount of revenue recognized reflects the consideration that a company expects to receive for the goods and services provided. The new guidance establishes a five-step approach for the recognition of revenue. We are continuing to assess the impact of this new standard on our consolidated financial statements and related disclosures, including ongoing contract reviews. We do not anticipate that the new guidance will have a material impact on our revenue recognition policies, practices or systems.

On February 25, 2016, the FASB issued a new lease accounting standard which requires lessees to put most leases on their balance sheets but recognize the expenses on their income statements in a manner similar to current practice. The new standard states that a lessee will recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. Expenses related to leases determined to be operating leases will be recognized on a straight-line basis, while those determined to be financing leases will be recognized following a front-loaded expense profile in which interest and amortization are presented separately in the income statement. Based on our lease portfolio, we currently anticipate recognizing a lease liability and related right-of-use asset on the balance sheet in excess of $13 billion with an immaterial impact on our income statement compared to the current lease accounting model. However, the ultimate impact of the standard will depend on the company's lease portfolio as of the adoption date. We are currently in the process of evaluating our existing lease portfolio, including accumulating all of the necessary information required to properly account for the leases under the new standard. Additionally, we are implementing an enterprise-wide lease management system to assist in the accounting and are evaluating additional changes to our processes and internal controls to ensure we meet the standard's reporting and disclosure requirements. These changes will be effective for our fiscal year beginning June 1, 2019 (fiscal 2020), with a modified retrospective adoption method to the beginning of 2015.

In March 2017, the FASB issued an Accounting Standards Update that changes how employers that sponsor defined benefit pension or other postretirement benefit plans present the net periodic benefit cost in the income statement. This new guidance requires entities to report the service cost component in the same line item or items as other compensation costs. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component outside of income from operations. This standard will impact our operating income but will have no impact on our net income or earnings per share. For example, adoption of this guidance would have reduced operating income in the first quarter of 2018 by $146 million and by $112 million in the first quarter of 2017, but would not have impacted our net income in either period. This new guidance will be effective for our fiscal year beginning June 1, 2018 (fiscal 2019) and will be applied retrospectively.

TREASURY SHARES. In January 2016, our Board of Directors authorized a share repurchase program of up to 25 million shares. Shares under the current repurchase program may be repurchased from time to time in the open market or in privately negotiated transactions. The timing and volume of repurchases are at the discretion of management, based on the capital needs of the business, the market price of FedEx common stock, and general market conditions. No time limit was set for the completion of the program, and the program may be suspended or discontinued at any time.

During the first quarter of 2018, we repurchased 0.4 million shares of FedEx common stock at an average price of $207.92 per share for a total of $86 million. As of August 31, 2017, 15.6 million shares remained under the share repurchase authorization.

DIVIDENDS DECLARED PER COMMON SHARE. On August 18, 2017, our Board of Directors declared a quarterly dividend of $0.50 per share of common stock. The dividend will be paid on October 2, 2017 to stockholders of record as of the close of business on September 11, 2017. Each quarterly dividend payment is subject to review and approval by our Board of Directors, and we evaluate our dividend payment amount on an annual basis at the end of each fiscal year.

(2) Accumulated Other Comprehensive Income (Loss)

The following table provides changes in accumulated other comprehensive income (loss) ("AOCI"), net of tax, reported in our unaudited condensed consolidated financial statements for the three-month periods ended August 31 (in millions; amounts in parentheses indicate debits to AOCI):

	2017	2016
Foreign currency translation loss		
Balance at beginning of period	$ (685)	$ (514)
Translation adjustments	109	12
Balance at end of period	(576)	(502)
Retirement plans adjustments:		
Balance at beginning of period	270	345
Reclassifications from AOCI	(19)	(19)
Balance at end of period	251	326
Accumulated other comprehensive (loss) at end of period	$ (325)	$ (176)

The following table presents details of the reclassifications from AOCI for the three-month periods ended August 31 (in millions; amounts in parentheses indicate debits to earnings)

	Amount Reclassified from AOCI		Affected Line Item in the Income Statement
	2017	2016	
Amortization of retirement plans			
prior service credits, before tax	$ 30	$ 30	Salaries and employee benefits
Income tax benefit	(11)	(11)	Provision for income taxes
AOCI reclassifications, net of tax	$ 19	$ 19	Net income

(3) Financing Arrangements

We have a shelf registration statement with the SEC that allows us to sell, in one or more future offerings, any combination of our unsecured debt securities and common stock

We have a five-year $1.75 billion revolving credit facility that expires in November 2020. The facility, which includes a $500 million letter of credit sublimit, is available to finance our operations and other cash flow needs. The agreement contains a financial covenant, which requires us to maintain a ratio of debt to consolidated earnings (excluding non-cash pension mark-to-market adjustments and non-cash asset impairment charges) before interest, taxes, depreciation and amortization ("adjusted EBITDA") of not more than 3.5 to 1.0, calculated as of the end of the applicable quarter on a rolling four-quarters basis. The ratio of our debt to adjusted EBITDA was 1.9 to 1.0 at August 31, 2017. We believe this covenant is the only significant restrictive covenant in our revolving credit agreement. Our revolving credit agreement contains other customary covenants that do not, individually or in the aggregate, materially restrict the conduct of our business. We are in compliance with the financial covenant and all other covenants of our revolving credit agreement and do not expect the covenants to affect our operations, including our liquidity or expected funding needs. As of August 31, 2017, no commercial paper was outstanding. However, we had a total of $317 million in letters of credit outstanding at August 31, 2017, with $183 million of the letter of credit sublimit unused under our revolving credit facility

Long-term debt, exclusive of capital leases, had carrying values of $15.1 billion at August 31, 2017 and $14.9 billion at May 31, 2017, compared with estimated fair values of $15.9 billion at August 31, 2017 and $15.5 billion at May 31, 2017. The annualized weighted average interest rate on long-term debt was 3.6% for the three-months ended August 31, 2017. The estimated fair values were determined based on quoted market prices and the current rates offered for debt with similar terms and maturities. The fair value of our long-term debt is classified as Level 2 within the fair value hierarchy. This classification is defined as a fair value determined using market-based inputs other than quoted prices that are observable for the liability, either directly or indirectly

(4) Computation of Earnings Per Share

The calculation of basic and diluted earnings per common share for the three-month periods ended August 31 was as follows (in millions, except per share amounts)

	2017	2016
Basic earnings per common share:		
Net earnings allocable to common shares (1)	$ 595	$ 714
Weighted-average common shares	269	265
Basic earnings per common share	$ 2.22	$ 2.69
Diluted earnings per common share:		
Net earnings allocable to common shares (1)	$ 595	$ 714
Weighted-average common shares	269	265
Dilutive effect of share-based awards	4	4
Weighted-average diluted shares	272	269
Diluted earnings per common share	$ 2.19	$ 2.65
Anti-dilutive options excluded from diluted earnings per common share	3.2	5.1

(1) Net earnings available to participating securities were immaterial in all periods presented

(5) Retirement Plans

We sponsor programs that provide retirement benefits to most of our employees. These programs include defined benefit pension plans, defined contribution plans and postretirement healthcare plans. Key terms of our retirement plans are provided in our Annual Report. Our retirement plan costs for the three-month periods ended August 31 were as follows (in millions):

	2017	2016
Defined benefit pension plans	$ 37	$ 58
Defined contribution plans	127	119
Postretirement healthcare plans	19	19
	$ 183	$ 196

Net periodic benefit cost of the pension and postretirement healthcare plans for the three-month periods ended August 31 included the following components (in millions):

	U.S. Pension Plans		International Pension Plans		Postretirement Healthcare Plans	
	2017	2016	2017	2016	2017	2016
Service cost	$ 170	$ 160	$ 23	$ 20	$ 9	$ 9
Interest cost	279	282	12	11	10	10
Expected return on plan assets	(406)	(375)	(11)	(11)	—	—
Amortization of prior service credit and other	(30)	(30)	—	1	—	—
	$ 13	$ 37	$ 24	$ 21	$ 19	$ 19

Contributions to our tax-qualified U.S. domestic pension plans ("U.S. Pension Plans") for the three-month periods ended August 31 were as follows (in millions):

	2017	2016
Required	$ —	$ —
Voluntary	250	250
	$ 250	$ 250

In September 2017, we made $250 million in required contributions to our U.S. Pension Plans.

(6) Business Segment Information

We provide a broad portfolio of transportation, e-commerce and business services through companies competing collectively, operating independently and managed collaboratively, under the respected FedEx brand. Our primary operating companies are FedEx Express, including TNT Express B.V. ("TNT Express"), the world's largest express transportation company; FedEx Ground Package System, Inc. ("FedEx Ground"), a leading North American provider of small-package ground delivery services; and FedEx Freight, Inc. ("FedEx Freight"), a leading U.S. provider of less-than-truckload ("LTL") freight services. These companies represent our major service lines and, along with FedEx Corporate Services, Inc. ("FedEx Services"), form the core of our reportable segments.

Our reportable segments include the following businesses:

FedEx Express Segment	FedEx Express (express transportation) TNT Express (international express transportation, small-package ground delivery and freight transportation) FedEx Trade Networks (air and ocean freight forwarding, customs brokerage and cross-border enablement technology and solutions)
FedEx Ground Segment	FedEx Ground (small-package ground delivery) FedEx Supply Chain (third-party logistics)
FedEx Freight Segment	FedEx Freight (U.S. freight transportation) FedEx Custom Critical (time-critical transportation)
FedEx Services Segment	FedEx Services (sales, marketing, information technology, communications, customer service, technical support, billing and collection services and back-office functions) FedEx Office (document and business services and package acceptance)

As discussed in our Annual Report, in the first quarter of 2018, we begin to report TNT Express as part of the FedEx Express segment. Prior year amounts have been revised to conform to the current year presentation.

FedEx Services Segment

The FedEx Services segment operates combined sales, marketing, administrative and information technology functions that support our transportation businesses and allow us to obtain synergies from the combination of these functions. For the international regions of FedEx Express, some of these functions are performed on a regional basis and reported in their natural expense line items. The FedEx Services segment includes: FedEx Services, which provides sales, marketing, information technology, communications, customer service, technical support, billing and collection services for U.S. customers of our major business units and certain back-office support to our other companies; and FedEx Office, which provides an array of document and business services and retail access to our customers for our package transportation businesses.

The FedEx Services segment provides direct and indirect support to our transportation businesses, and we allocate all of the net operating costs of the FedEx Services segment (including the net operating results of FedEx Office) to reflect the full cost of operating our transportation businesses in the results of those segments. Within the FedEx Services segment allocation, the net operating results of FedEx Office, which are an immaterial component of our allocations, are allocated to FedEx Express and FedEx Ground. We review and evaluate the performance of our transportation segments based on operating income (inclusive of FedEx Services segment allocations). For the FedEx Services segment, performance is evaluated based on the impact of its total allocated net operating costs on our transportation segments.

Operating expenses for each of our transportation segments include the allocations from the FedEx Services segment to the respective transportation segments. These allocations also include charges and credits for administrative services provided between operating companies. The allocations of net operating costs are based on metrics such as relative revenues or estimated services provided. We believe these allocations approximate the net cost of providing these functions. Our allocation methodologies are refined periodically, as necessary, to reflect changes in our businesses.

Eliminations, Corporate and Other

Certain FedEx operating companies provide transportation and related services for other FedEx companies outside their reportable segment. Billings for such services are based on negotiated rates, which we believe approximate fair value, and are reflected as revenues of the billing segment. These rates are adjusted from time to time based on market conditions. Such intersegment revenues and expenses are eliminated in our consolidated results and are not separately identified in the following segment information because the amounts are not material.

Corporate and other includes corporate headquarters costs for executive officers and certain legal and financial functions, as well as certain other costs and credits not attributed to our core business. These costs are not allocated to the business segments.

The following table provides a reconciliation of reportable segment revenues and operating income to our unaudited condensed consolidated financial statement totals for the three-month periods ended August 31 (in millions)

	2017	2016
Revenues		
FedEx Express segment	$ 8,652	$ 8,460
FedEx Ground segment	4,639	4,290
FedEx Freight segment	1,752	1,658
FedEx Services segment	400	395
Eliminations and other	(146)	(140)
	$ 15,297	$ 14,663
Operating Income		
FedEx Express segment	$ 433	$ 610
FedEx Ground segment	626	610
FedEx Freight segment	176	135
Eliminations, corporate and other	(118)	(91)
	$ 1,117	$ 1,264

(7) Commitments

As of August 31, 2017, our purchase commitments under various contracts for the remainder of 2018 and annually thereafter were as follows (in millions)

	Aircraft and Aircraft-Related	Other (1)	Total
2018 (remainder)	$ 1,398	$ 1,250	$ 2,648
2019	1,713	636	2,349
2020	1,927	490	2,417
2021	1,335	376	1,711
2022	1,273	206	1,479
Thereafter	2,884	499	3,383
Total	$ 10,530	$ 3,457	$ 13,987

(1) Primarily equipment and advertising contracts

The amounts reflected in the table above for purchase commitments represent noncancelable agreements to purchase goods or services. As of August 31, 2017, our obligation to purchase four Boeing 767-300 Freighter ("B767F") aircraft and six Boeing 777 Freighter ("B777F") aircraft is conditioned upon there being no event that causes FedEx Express or its employees not to be covered by the Railway Labor Act of 1926, as amended. Open purchase orders that are cancelable are not considered unconditional purchase obligations for financial reporting purposes and are not included in the table above.

We had $869 million in deposits and progress payments as of August 31, 2017 on aircraft purchases and other planned aircraft-related transactions. These deposits are classified in the "Other assets" caption of our consolidated balance sheets. Aircraft and aircraft-related contracts are subject to price escalations. The following table is a summary of the key aircraft we are committed to purchase as of August 31, 2017 with the year of expected delivery:

	B767F	B777F	Total
2018 (remainder)	11	4	15
2019	15	2	17
2020	16	3	19
2021	10	3	13
2022	10	4	14
Thereafter	6	-	6
Total	68	16	84

A summary of future minimum lease payments under noncancelable operating leases with an initial or remaining term in excess of one year at August 31, 2017 is as follows (in millions)

	Aircraft and Related Equipment	Facilities and Other	Total Operating Leases
2018 (remainder)	$ 362	$ 1,616	$ 1,978
2019	343	1,972	2,315
2020	261	1,755	2,016
2021	203	1,587	1,790
2022	185	1,431	1,616
Thereafter	175	8,651	8,826
Total	$ 1,529	$ 17,012	$ 18,541

Future minimum lease payments under capital leases were immaterial at August 31, 2017. While certain of our lease agreements contain covenants governing the use of the leased assets or require us to maintain certain levels of insurance, none of our lease agreements include material financial covenants or limitations.

(8) Contingencies

Independent Contractor — Lawsuits and Administrative Proceedings. FedEx Ground is involved in lawsuits and administrative proceedings claiming that owner-operators engaged under a contractor model no longer in use should have been treated as employees of FedEx Ground, rather than independent contractors.

Most of the independent contractor class-action lawsuits were consolidated for certain proceedings before a single federal court, the U.S. District Court for the Northern District of Indiana. This multidistrict litigation court granted class certification in 28 cases, and after granting summary judgment in FedEx Ground's favor on some (but not all) of the claims, remanded eight certified class actions back to the district courts where they were originally filed, leaving 20 cases to be administered by the multidistrict litigation court. Settlements in these 20 cases were reached during 2016 and 2017, and by the end of the first quarter of 2018, the multidistrict litigation court granted final approval of all 20 settlements.

Of the eight cases that were remanded to the district courts, seven of these matters settled for immaterial amounts and have received court approval. The remaining case that was remanded to California was appealed to the Ninth Circuit Court of Appeals, which granted summary judgment in favor of the plaintiffs. In June 2015, the parties in this case reached an agreement to settle the matter for $228 million. The court entered final judgment in June 2016, and two objectors to the settlement filed appeals with the Ninth Circuit. One objector has settled with plaintiffs' counsel, and the court has indicated that it will schedule argument on the second objector's appeal during the second quarter of 2018. The settlement is not effective until all appeals have been resolved without affecting the court's approval of the settlement.

In addition, we are defending contractor-model cases that were not part of the multidistrict litigation, and we are defending joint-employer cases where it is alleged that FedEx Ground should be treated as an employer of the drivers employed by owner-operators engaged by FedEx Ground. These cases are in varying stages of litigation, and we are not currently able to estimate an amount or range of potential loss in all of these matters. However, we do not expect to incur, individually or in the aggregate, a material loss in these matters. Nevertheless, adverse determinations in matters related to owner-operators engaged by FedEx Ground could, among other things, entitle certain owner-operators to the reimbursement of certain expenses, and their drivers to the benefit of wage-and-hour laws, and result in employment and withholding tax and benefit liability for FedEx Ground. We believe that owner-operators engaged by FedEx Ground are properly classified as independent contractors and that FedEx Ground is not an employer of the drivers employed by these owner-operators.

City and State of New York Cigarette Suit. The City of New York and the State of New York filed two related lawsuits against FedEx Ground in December 2013 and November 2014 arising from FedEx Ground's alleged shipments of cigarettes to New York residents in contravention of several statutes, including the Racketeer Influenced and Corrupt Organizations Act ("RICO") and New York's Public Health Law, as well as common law nuisance claims. In April 2016, the two lawsuits were consolidated and will now proceed as one lawsuit. The first-filed lawsuit alleges that FedEx Ground provided delivery services on behalf of four shippers, and the second-filed lawsuit alleges that FedEx Ground provided delivery services on behalf of six additional shippers, none of these shippers continue to ship in our network. Following motions to dismiss filed in both lawsuits, some of the claims were dismissed entirely or limited. In the first-filed lawsuit, the New York Public Health Law and common law nuisance claims were dismissed and the plaintiffs voluntarily dismissed another claim. In the second-filed lawsuit, the common law nuisance claim was dismissed entirely and the New

York Public Health Law claim has been limited to claims arising after September 27, 2013, when an amendment to that law provided enforcement authority to the City of New York and State of New York. Other claims, including the RICO claims, remain in both lawsuits. The likelihood of loss is reasonably possible but the amount or range of loss, if any, cannot be estimated at this stage of the litigation and we expect the amount of any loss to be immaterial.

On July 10, 2017, the City of New York and the State of New York filed a third lawsuit against FedEx Ground and included FedEx Freight as a co-defendant. This new case identifies no shippers or shipments, but generally alleges violations of the same laws that are the subject of the other two lawsuits. The amount or range of loss, if any, cannot be estimated at this stage of the lawsuit.

Environmental Matters. SEC regulations require disclosure of certain environmental matters when a governmental authority is a party to the proceedings and the proceedings involve potential monetary sanctions that management reasonably believes could exceed $100,000.

On September 9, 2016, FedEx Supply Chain received a written offer from several District Attorneys' Offices in California to settle a civil action that the District Attorneys intend to file against FedEx Supply Chain for alleged violations of the state's hazardous waste regulations. Specifically, the District Attorneys' Offices allege FedEx Supply Chain unlawfully disposed of hazardous waste at one of its California facilities and caused the illegal transportation and disposal of hazardous waste from the retail stores of a FedEx Supply Chain customer at this same facility. The District Attorneys allege these violations began in 2006 and continued until the facility closed in the spring of 2015. We believe an immaterial loss in this matter is probable, and we will pursue all available remedies against the sellers of GENCO to recover any losses in this matter.

Other Matters. During the third quarter of 2017, FedEx Trade Networks informed U.S. Customs and Border Protection ("CBP") that in connection with certain customs entries it may have made improper claims for (i) reduced-duty treatment and (ii) duty-free treatment. In the fourth quarter of 2017 we established accruals totaling $39.3 million for the then-current estimated probable loss for these matters. In the first quarter of 2018, FedEx Trade Networks tendered payments to CBP in these matters totaling $46.5 million, and an additional expense of $7.2 million was recognized. CBP acknowledged receipt of the amounts tendered in these matters, and we are awaiting a response indicating whether these matters are fully resolved.

FedEx and its subsidiaries are subject to other legal proceedings that arise in the ordinary course of business, including certain lawsuits containing various class-action allegations of wage-and-hour violations in which plaintiffs claim, among other things, that they were forced to work "off the clock," were not paid overtime or were not provided work breaks or other benefits. In the opinion of management, the aggregate liability, if any, with respect to these other actions will not have a material adverse effect on our financial position, results of operations or cash flows.

(9) Supplemental Cash Flow Information

Cash paid for interest expense and income taxes for the three-month periods ended August 31 was as follows (in millions):

	2017	2016
Cash payments for:		
Interest (net of capitalized interest)	$ 153	$ 143
Income taxes	$ 96	$ 80
Income tax refunds received	(10)	(8)
Cash tax payments, net	$ 86	$ 72

(10) Condensed Consolidating Financial Statements

We are required to present condensed consolidating financial information in order for the subsidiary guarantors of our public debt to continue to be exempt from reporting under the Securities Exchange Act of 1934, as amended.

The guarantor subsidiaries, which are 100% owned by FedEx, guarantee $15.0 billion of our debt. The guarantees are full and unconditional and joint and several. Our guarantor subsidiaries were not determined using geographic, service line or other similar criteria, and as a result, the "Guarantor Subsidiaries" and "Non-guarantor Subsidiaries" columns each include portions of our domestic and international operations. Accordingly, this basis of presentation is not intended to present our financial condition, results of operations or cash flows for any purpose other than to comply with the specific requirements for subsidiary guarantor reporting.

Condensed consolidating financial statements for our guarantor subsidiaries and non-guarantor subsidiaries are presented in the following tables (in millions)

CONDENSED CONSOLIDATING BALANCE SHEETS
(UNAUDITED)
August 31, 2017

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 1,681	$ 943	$ 1,519	$ (40)	$ 3,503
Receivables, less allowances	2	4,852	3,241	(89)	8,006
Spare parts, supplies, fuel, prepaid expenses and other, less allowances	41	931	241	—	1,213
Total current assets	1,724	6,126	5,001	(129)	12,722
PROPERTY AND EQUIPMENT, AT COST	22	47,939	3,579	—	51,540
Less accumulated depreciation and amortization	18	23,761	1,526	—	25,305
Net property and equipment	4	24,178	2,053	—	26,235
INTERCOMPANY RECEIVABLE	1,578	2,744	—	(4,322)	—
GOODWILL	—	1,570	5,812	—	7,382
INVESTMENT IN SUBSIDIARIES	28,431	2,672	—	(31,105)	—
OTHER ASSETS	3,492	1,403	3,308	(3,192)	3,011
	$ 35,231	$ 38,693	$ 14,174	$ (38,748)	$ 49,350
LIABILITIES AND STOCKHOLDERS' INVESTMENT					
CURRENT LIABILITIES					
Current portion of long-term debt	$ —	$ 6	$ 13	$ —	$ 19
Accrued salaries and employee benefits	50	1,116	490	—	1,656
Accounts payable	149	1,429	1,489	(129)	2,938
Accrued expenses	891	1,520	766	—	3,177
Total current liabilities	1,090	4,071	2,758	(129)	7,790
LONG-TERM DEBT, LESS CURRENT PORTION	14,872	244	21	—	15,137
INTERCOMPANY PAYABLE	—	—	4,322	(4,322)	—
OTHER LONG-TERM LIABILITIES					
Deferred income taxes	—	5,753	169	(3,192)	2,730
Other liabilities	2,651	3,526	898	—	7,075
Total other long-term liabilities	2,651	9,279	1,067	(3,192)	9,805
STOCKHOLDERS' INVESTMENT	16,618	25,099	6,006	(31,105)	16,618
	$ 35,231	$ 38,693	$ 14,174	$ (38,748)	$ 49,350

CONDENSED CONSOLIDATING BALANCE SHEETS
May 31, 2017

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 1,884	$ 725	$ 1,807	$ (47)	$ 3,969
Receivables, less allowances	3	4,729	2,928	(61)	7,599
Spare parts, supplies, fuel, prepaid expenses and other, less allowances	25	787	248	—	1,060
Total current assets	1,912	5,841	4,983	(108)	12,628
PROPERTY AND EQUIPMENT, AT COST	22	47,201	3,403	—	50,626
Less accumulated depreciation and amortization	18	23,211	1,416	—	24,645
Net property and equipment	4	23,990	1,987	—	25,981
INTERCOMPANY RECEIVABLE	1,521	2,607	—	(4,128)	—
GOODWILL	—	1,571	5,583	—	7,154
INVESTMENT IN SUBSIDIARIES	27,712	2,636	—	(30,348)	—
OTHER ASSETS	3,494	1,271	1,249	(3,225)	2,789
	$ 34,643	$ 37,916	$ 13,802	$ (37,809)	$ 48,552
LIABILITIES AND STOCKHOLDERS' INVESTMENT					
CURRENT LIABILITIES					
Current portion of long-term debt	$ —	$ 9	$ 13	$ —	$ 22
Accrued salaries and employee benefits	72	1,335	507	—	1,914
Accounts payable	10	1,411	1,439	(108)	2,752
Accrued expenses	991	1,522	717	—	3,230
Total current liabilities	1,073	4,277	2,676	(108)	7,918
LONG-TERM DEBT, LESS CURRENT PORTION	14,641	244	24	—	14,909
INTERCOMPANY PAYABLE	—	—	4,128	(4,128)	—
OTHER LONG-TERM LIABILITIES					
Deferred income taxes	—	5,472	238	(3,225)	2,485
Other liabilities	2,856	3,448	863	—	7,167
Total other long-term liabilities	2,856	8,920	1,101	(3,225)	9,652
STOCKHOLDERS' INVESTMENT	16,073	24,475	5,873	(30,348)	16,073
	$ 34,643	$ 37,916	$ 13,802	$ (37,809)	$ 48,552

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)
Three Months Ended August 31, 2017

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
REVENUES	$ —	$ 11,567	$ 3,854	$ (124)	$ 15,297
OPERATING EXPENSES					
Salaries and employee benefits	38	4,227	1,253	—	5,518
Purchased transportation	—	2,061	1,464	(82)	3,445
Rentals and landing fees	1	627	191	(1)	818
Depreciation and amortization	—	619	112	—	751
Fuel	—	637	66	—	703
Maintenance and repairs	—	602	73	—	675
Intercompany charges, net	(116)	113	3	—	—
Other	77	1,476	758	(41)	2,270
	—	10,384	3,920	(124)	14,180
OPERATING INCOME	—	1,183	(66)	—	1,117
OTHER INCOME (EXPENSE)					
Equity in earnings of subsidiaries	596	(1)	—	(593)	—
Interest, net	(129)	15	2	—	(114)
Intercompany charges, net	131	(71)	(60)	—	—
Other, net	(2)	(8)	(11)	—	(21)
INCOME BEFORE INCOME TAXES	596	1,114	(135)	(593)	982
Provision for income taxes	—	399	(13)	—	386
NET INCOME	$ 596	$ 715	$ (122)	$ (593)	$ 596
COMPREHENSIVE INCOME	$ 578	$ 719	$ (118)	$ (593)	$ 686

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)
Three Months Ended August 31, 2016

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
REVENUES	$ —	$ 10,903	$ 3,830	$ (70)	$ 14,663
OPERATING EXPENSES					
Salaries and employee benefits	36	4,106	1,169	—	5,311
Purchased transportation	—	1,917	1,351	(28)	3,240
Rentals and landing fees	11	620	170	(1)	790
Depreciation and amortization	—	611	128	—	739
Fuel	—	578	72	—	650
Maintenance and repairs	—	526	72	—	598
Intercompany charges, net	(90)	62	28	—	—
Other	53	1,371	686	(41)	2,071
	—	9,793	3,676	(70)	13,399
OPERATING INCOME	—	1,110	154	—	1,264
OTHER INCOME (EXPENSE)					
Equity in earnings of subsidiaries	715	56	—	(771)	—
Interest, net	(122)	9	—	—	(113)
Intercompany charges, net	122	(81)	(41)	—	—
Other, net	—	(5)	(4)	—	(9)
INCOME BEFORE INCOME TAXES	715	1,089	109	(771)	1,142
Provision for income taxes	—	380	47	—	427
NET INCOME	$ 715	$ 709	$ 62	$ (771)	$ 715
COMPREHENSIVE INCOME	$ 696	$ 702	$ 81	$ (771)	$ 708

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
(UNAUDITED)
Three Months Ended August 31, 2017

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (878)	$ 1,717	$ (256)	$ 7	$ 590
INVESTING ACTIVITIES					
Capital expenditures	—	(985)	(59)	—	(1,044)
Proceeds from asset dispositions and other	—	6	—	—	6
CASH USED IN INVESTING ACTIVITIES	—	(979)	(59)	—	(1,038)
FINANCING ACTIVITIES					
Net transfers from (to) Parent	744	(735)	(9)	—	—
Principal payments on debt	—	(8)	(4)	—	(12)
Proceeds from stock issuances	150	—	—	—	150
Dividends paid	(134)	—	—	—	(134)
Purchase of treasury stock	(86)	—	—	—	(86)
Other, net	1	—	(7)	—	(6)
CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	677	(743)	(22)	—	(88)
Effect of exchange rate changes on cash	(2)	23	49	—	70
Net (decrease) increase in cash and cash equivalents	(203)	18	(288)	7	(466)
Cash and cash equivalents at beginning of period	1,984	325	1,807	(47)	3,969
Cash and cash equivalents at end of period	$ 1,781	$ 343	$ 1,519	$ (40)	$ 3,503

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
(UNAUDITED)
Three Months Ended August 31, 2016

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (342)	$ 1,119	$ 188	$ 6	$ 971
INVESTING ACTIVITIES					
Capital expenditures	—	(1,111)	(104)	—	(1,215)
Proceeds from asset dispositions and other	—	9	—	—	9
CASH USED IN INVESTING ACTIVITIES	—	(1,102)	(104)	—	(1,206)
FINANCING ACTIVITIES					
Net transfers from (to) Parent	(35)	(21)	37	—	—
Payment on loan between subsidiaries	(2)	(14)	16	—	—
Principal payments on debt	—	(7)	(5)	—	(12)
Proceeds from stock issuances	40	—	—	—	40
Dividends paid	(106)	—	—	—	(106)
Purchase of treasury stock	(222)	—	—	—	(222)
Other, net	1	(1)	(13)	—	(13)
CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(324)	(24)	35	—	(313)
Effect of exchange rate changes on cash	—	8	(5)	—	3
Net (decrease) increase in cash and cash equivalents	(666)	1	114	6	(545)
Cash and cash equivalents at beginning of period	1,974	326	1,277	(43)	3,534
Cash and cash equivalents at end of period	$ 1,308	$ 327	$ 1,391	$ (37)	$ 2,989

REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
FedEx Corporation

We have reviewed the condensed consolidated balance sheet of FedEx Corporation as of August 31, 2017, and the related condensed consolidated statements of income, comprehensive income and cash flows for the three-month periods ended August 31, 2017 and August 31, 2016. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of FedEx Corporation as of May 31, 2017, and the related consolidated statements of income, comprehensive income, changes in stockholders' investment and cash flows for the year then ended (not presented herein) and we expressed an unqualified audit opinion on those consolidated financial statements in our report dated July 17, 2017. In our opinion, the accompanying condensed consolidated balance sheet of FedEx Corporation as of May 31, 2017, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Memphis, Tennessee
September 20, 2017

GENERAL

The following Management's Discussion and Analysis of Results of Operations and Financial Condition ("MD&A") describes the principal factors affecting the results of operations, liquidity, capital resources, contractual cash obligations and critical accounting estimates of FedEx Corporation ("FedEx"). This discussion should be read in conjunction with the accompanying quarterly unaudited condensed consolidated financial statements and our Annual Report on Form 10-K for the year ended May 31, 2017 ("Annual Report"). Our Annual Report includes additional information about our significant accounting policies, practices and the transactions that underlie our financial results, as well as a detailed discussion of the most significant risks and uncertainties associated with our financial condition and operating results.

We provide a broad portfolio of transportation, e-commerce and business services through companies competing collectively, operating independently and managed collaboratively, under the respected FedEx brand. Our primary operating companies are Federal Express Corporation ("FedEx Express") including TNT Express B.V. ("TNT Express"), the world's largest express transportation company; FedEx Ground Package System, Inc. ("FedEx Ground"), a leading North American provider of small-package ground delivery services, and FedEx Freight, Inc. ("FedEx Freight"), a leading U.S. provider of less-than-truckload ("LTL") freight services. These companies represent our major service lines and, along with FedEx Corporate Services, Inc. ("FedEx Services"), form the core of our reportable segments.

As noted in our Annual Report, beginning in the first quarter of 2018, we began to report TNT Express as part of the FedEx Express segment. Prior year amounts have been revised to conform to the current year presentation. See "Reportable Segments" and Note 6 of the accompanying unaudited condensed consolidated financial statements for further discussion.

Our FedEx Services segment provides sales, marketing, information technology, communications, customer service, technical support, billing and collection services and certain back-office support functions that support our transportation segments. In addition, the FedEx Services segment provides customers with retail access to FedEx Express and FedEx Ground shipping services through FedEx Office and Print Services, Inc. ("FedEx Office"). See "Reportable Segments" for further discussion. Additional information on our businesses can also be found in our Annual Report.

The key indicators necessary to understand our operating results include:

- the overall customer demand for our various services based on macro-economic factors and the global economy;
- the volumes of transportation services provided through our networks, primarily measured by our average daily volume and shipment weight and size;
- the mix of services purchased by our customers;
- the prices we obtain for our services, primarily measured by yield (revenue per package or pound or revenue per shipment or hundredweight for LTL freight shipments);
- our ability to manage our network capacity and cost structure (capital expenditures and operating expenses) to match shifting volume levels; and
- the timing and amount of fluctuations in fuel prices and our ability to recover incremental fuel costs through our fuel surcharges.

The majority of our operating expenses are directly impacted by revenue and volume levels. Accordingly, we expect these operating expenses to fluctuate on a year-over-year basis consistent with the change in revenues and volumes. Therefore, the discussion of operating expense captions focuses on the key drivers and trends impacting expenses other than changes in revenues and volume. The line item "Other operating expenses" predominantly includes costs associated with outside service contracts (such as security, facility services and cargo handling), insurance, professional fees, taxes and licenses and uniforms.

Except as otherwise specified, references to years indicate our fiscal year ending May 31, 2018 or ended May 31 of the year referenced and comparisons are to the corresponding period of the prior year. References to our transportation segments include, collectively, the FedEx Express segment, the FedEx Ground segment and the FedEx Freight segment.

RESULTS OF OPERATIONS

CONSOLIDATED RESULTS

The following tables compare summary operating results and changes in revenue and operating income (dollars in millions, except per share amounts) for the three-month periods ended August 31:

	2017	2016	Percent Change
Revenues	$ 15,297	$ 14,663	4
Operating income			
FedEx Express segment	433	610	(29)
FedEx Ground segment	625	610	3
FedEx Freight segment	176	135	30
Eliminations, corporate and other	(118)	(91)	(30)
Consolidated operating income	1,117	1,264	(12)
Operating margin			
FedEx Express segment	5.0%	7.2%	(220) bp
FedEx Ground segment	13.55%	14.2%	(70) bp
FedEx Freight segment	10.0%	8.1%	190 bp
Consolidated operating margin	7.3%	8.6%	(130) bp
Consolidated net income	$ 596	$ 715	(17)
Diluted earnings per share	$ 2.19	$ 2.65	(17)

	Year-over-Year Changes	
	Revenues	Operating Income
FedEx Express segment	$ 192	$ (177)
FedEx Ground segment	349	16
FedEx Freight segment	94	41
FedEx Services segment	5	—
Eliminations, corporate and other	(6)	(27)
	$ 634	$ (147)

Overview

On June 27, 2017, the worldwide operations of TNT Express were significantly affected by the cyberattack known as NotPetya, which involved the spread of an information systems virus through a Ukrainian tax software product. The systems and data of all other FedEx companies were unaffected by the attack. While TNT Express operations and communications were significantly affected, no data breach or data loss to third parties is known to have occurred.

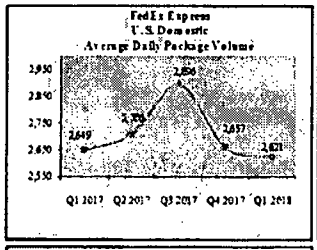
Immediately following the attack, contingency plans were implemented to recover TNT Express operations and communications systems, and substantially all TNT Express services were fully restored during the first quarter of 2018. As of the date of this filing, substantially all of TNT Express's critical operational systems have been fully restored, critical business data has been recovered and core shipping services are back in place. We are now focused on finalizing the restoration of key customer-specific specialized solutions and systems in time for the peak shipping season.

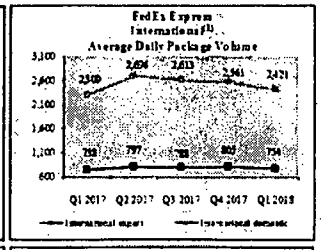
Our first quarter 2018 results were negatively impacted due to the cyberattack by an estimated $300 million or $0.79 per diluted share, primarily from loss of revenue due to decreased shipments in the TNT Express network, as well as incremental costs to restore systems. We do not have cyber or other insurance in place that covers this attack. For a description of the ongoing impact of the cyberattack, see the discussion under the heading "Outlook" below.

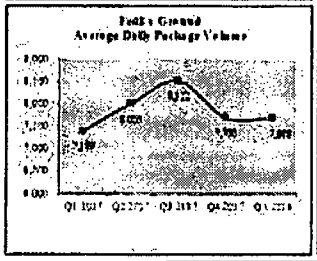
We also incurred an aggregate of $112 million ($82 million, net of tax, or $0.30 per diluted share) in the first quarter of 2018 of TNT Express integration expenses, a $44 million increase from the first quarter of 2017. The integration expenses are incremental costs directly associated with the integration of TNT Express, including professional and legal fees, salaries and wages, advertising expenses and travel. Internal salaries and wages are included only to the extent the individuals are assigned full time to integration activities. These costs were incurred at FedEx Express and FedEx Corporation. The identification of these costs as integration-related expenditures is subject to our disclosure controls and procedures.

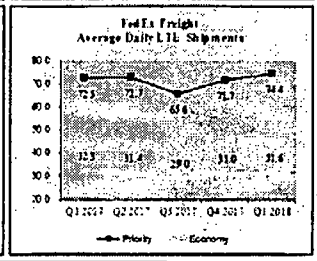
Improved yields at all of our transportation segments and lower incentive compensation accruals partially offset the negative impacts described above and higher costs at FedEx Ground during the first quarter of 2018

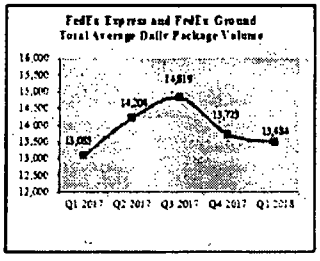
The following graphs for FedEx Express, FedEx Ground and FedEx Freight show selected volume trends (in thousands) over the five most recent quarters





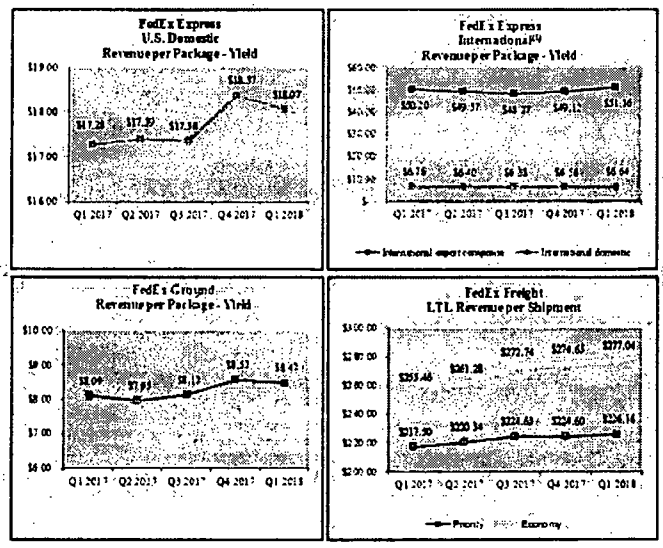






(1) International domestic average daily package volume represents our international intra-country operations

The following graphs for FedEx Express, FedEx Ground and FedEx Freight show selected yield trends over the five most recent quarters



(1) International domestic revenue per package represents our international intra-country operations

Revenue

Revenues increased 4% in the first quarter of 2018 due to improved performance at all of our transportation segments. At FedEx Ground, revenues increased 8% in the first quarter of 2018 due to volume growth and increased yields. Revenues at FedEx Express increased 2% in the first quarter of 2018 due to improved base yields, international package volume growth and higher fuel surcharges, partially offset by the loss of business from the NotPetya cyberattack. FedEx Freight revenues increased 6% in the first quarter of 2018 primarily due to higher LTL revenue per shipment.

Operating Expenses

The following tables compare operating expenses expressed as dollar amounts (in millions) and as a percent of revenue for the three-month periods ended August 31

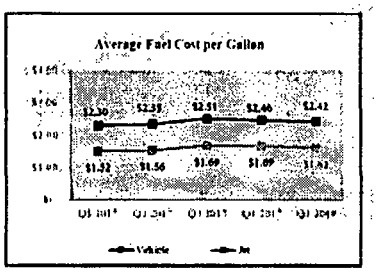
	2017	2016	Percent of Revenue 2017	Percent of Revenue 2016
Operating expenses				
Salaries and employee benefits	$ 5,518	$ 5,311	36.1 %	36.2 %
Purchased transportation	3,445	3,240	22.5	22
Rentals and landing fees	818	790	5.4	5.4
Depreciation and amortization	751	739	4.9	5.1
Fuel	703	650	4.6	4.4
Maintenance and repairs	675	598	4.4	4.1
Other	2,270	2,071	14.8	14.1
Total operating expenses	$ 14,180	$ 13,399	92.7	91.4
Operating income	$ 1,117	$ 1,264	7.3 %	8.6 %

Operating margin declined in the first quarter of 2018 primarily as a result of the NotPetya cyberattack at FedEx Express discussed above

Salaries and employee benefits expense increased 4% in the first quarter of 2018 primarily due to merit increases and volume growth at our transportation segments, partially offset by lower incentive compensation accruals. Purchased transportation costs increased 6% in the first quarter of 2018 primarily due to higher volumes and increased rates at FedEx Ground and higher volumes at FedEx Express. Other expenses increased 10% in the first quarter of 2018 primarily due to outside service costs, incremental costs to restore systems impacted by the NotPetya virus and TNT Express integration expenses at FedEx Express. Maintenance and repairs expense increased 13% in the first quarter of 2018 primarily due to the timing of aircraft maintenance events at FedEx Express

Fuel

The following graph for our transportation segments shows our average cost of jet and vehicle fuel per gallon for the five most recent quarters



Fuel expense increased 8% in the first quarter of 2018 primarily due to increased fuel prices. Fuel prices represent only one component of the two factors we consider meaningful in understanding the impact of fuel on our business. Consideration must also be given to the fuel surcharge revenue we collect. Accordingly, we believe discussion of the net impact of fuel on our results, which is a comparison of the year-over-year change in these two factors, is important to understand the impact of fuel on our business. In order to provide information about the impact of fuel surcharges on the trend in revenue and yield growth, we have included the comparative weighted-average fuel surcharge percentages in effect for the first quarter of 2018 and 2017 in the accompanying discussions of each of our transportation segments

Effective February 6, 2017, FedEx Express and FedEx Ground fuel surcharges are adjusted on a weekly basis. The fuel surcharge is based on a weekly fuel price from two weeks prior to the week in which it is assessed. The index used to determine the fuel surcharge percentage for our FedEx Freight business continues to adjust weekly. Some FedEx Express international fuel surcharges continue to incorporate a timing lag of approximately six to eight weeks.

Prior to February 6, 2017, our fuel surcharges for the FedEx Express and FedEx Ground businesses incorporated a timing lag of approximately six to eight weeks before they were adjusted for changes in fuel prices. For example, the fuel surcharge index in effect at FedEx Express in August 2017 was set based on June 2017 fuel prices.

Beyond these factors, the manner in which we purchase fuel also influences the net impact of fuel on our results. For example, our contracts for jet fuel purchases at FedEx Express are tied to various indices, including the U.S. Gulf Coast index. While many of these indices are aligned, each index may fluctuate at a different pace, driving variability in the prices paid for jet fuel. Furthermore, under these contractual arrangements, approximately 75% of our jet fuel is purchased based on the index price for the preceding week, with the remainder of our purchases tied to the index price for the preceding month, rather than based on daily spot rates. These contractual provisions mitigate the impact of rapidly changing daily spot rates on our jet fuel purchases.

Because of the factors described above, our operating results may be affected should the market price of fuel suddenly change by a significant amount or change by amounts that do not result in an adjustment in our fuel surcharges, which can significantly affect our earnings either positively or negatively in the short-term.

The net impact of fuel had a modest positive impact to operating income in the first quarter of 2018 as higher fuel surcharges more than offset increased fuel prices.

The net impact of fuel on our operating results does not consider the effects that fuel surcharge levels may have on our business, including changes in demand and shifts in the mix of services purchased by our customers. While fluctuations in fuel surcharge percentages can be significant from period to period, fuel surcharges represent one of the many individual components of our pricing structure that impact our overall revenue and yield. Additional components include the mix of services sold, the base price and extra service charges we obtain for these services and the level of pricing discounts offered.

Income Taxes

Our effective tax rate was 39.3% for the first quarter of 2018, compared with 37.4% in the first quarter of 2017. The 2018 tax rate was negatively impacted from costs incurred in connection with the integration of TNT Express and the effect of the cyberattack on lower taxed foreign earnings. These items were partially offset by the continuing benefit from the Accounting Standards Update for share-based payments. The 2017 tax rate benefitted from an increase in permanently reinvested international earnings.

We are subject to taxation in the United States and various U.S. state, local and foreign jurisdictions. We are currently under examination by the Internal Revenue Service for the 2014 and 2015 tax years. It is reasonably possible that certain income tax return proceedings will be completed during the next twelve months and could result in a change in our balance of unrecognized tax benefits. The expected impact of any changes would not be material to our consolidated financial statements. As of August 31, 2017, there were no material changes to our liabilities for unrecognized tax benefits from May 31, 2017.

Outlook

We expect yield and volume growth at all of our transportation segments to support revenue and earnings growth in 2018, prior to any mark-to-market benefit plan adjustment. In addition, we are currently executing plans to improve FedEx Ground operating results for the remainder of 2018. While significant progress has been made on the restoration of TNT Express operations and information technology systems, TNT Express revenues, volumes and profits remain below pre-attack levels. We expect ongoing, but diminishing, financial impacts from the cyberattack for the remainder of 2018 in the form of lower revenues and higher investments related to information technology. Consequences and risks associated with the ongoing impact of the cyberattack that could negatively impact results of operations and financial condition in the future, particularly if our continuing recovery efforts do not proceed as expected, are described in Part II, Item 1A Risk Factors of this Quarterly Report on Form 10-Q. In addition, our second quarter and full year 2018 results will be negatively affected by our TNT Express integration and restructuring activities. We also anticipate the effects of Hurricane Harvey and Hurricane Irma will negatively impact our second quarter 2018 results. However, we expect lower incentive compensation accruals in 2018 will partially offset these negative impacts.

Our expectations for earnings growth in 2018 are dependent on key external factors, including fuel prices and moderate economic growth.

During the remainder of 2018, we will continue to execute our TNT Express integration plans. The integration process is complex as it spans over 200 countries and involves combining our pickup and delivery operations at a local level, our global and regional air and ground networks, and our extensive operations, customs clearance, sales and back-office information technology systems. The integration is expected to be completed by the end of 2020. We expect the aggregate integration program expense, including restructuring charges at TNT Express, over the four years to be approximately $800 million and expect to incur approximately $350 million of these costs during 2018. Our expected 2018 integration expenses are approximately $75 million higher than our previous estimates, as we are accelerating portions of our TNT Express integration given the recent cyberattack. We continue to refine our integration plans, however, particularly in light of the recent cyberattack at TNT Express. The timing and amount of integration expenses and capital investments in any future period may change as we implement our plans.

We are targeting operating income improvement at the FedEx Express segment of $1.2 billion to $1.5 billion in 2020 from 2017 assuming moderate economic growth, current accounting and tax rules and continued recovery from the NotPetya cyberattack. This target includes TNT Express synergies as well as base business and other operational improvements across the global FedEx Express network.

Other Outlook Matters. For details on key 2018 capital projects, refer to the "Liquidity Outlook" section of this MD&A.

We are involved in a number of lawsuits and other proceedings that challenge the status of FedEx Ground's owner-operators as independent contractors. For a description of these proceedings, see Note 8 of the accompanying unaudited condensed consolidated financial statements and the "Independent Contractor Model" section of our FedEx Ground segment MD&A.

FedEx Ground previously announced plans to implement the Independent Service Provider ("ISP") model throughout its entire U.S. pickup and delivery network, including the 29 states that had not yet begun transitioning to the ISP model. The transition to the ISP model in these 29 states is being accomplished on a district-by-district basis and is expected to be completed in the second half of calendar 2020. As of August 31, 2017, 59% of FedEx Ground volume was being delivered by small businesses operating under the ISP model. The costs associated with these transitions will be recognized in the periods incurred and are not expected to be material to any future quarter.

See "Forward-Looking Statements" for a discussion of these and other potential risks and uncertainties that could materially affect our future performance.

RECENT ACCOUNTING GUIDANCE

New accounting rules and disclosure requirements can significantly impact our reported results and the comparability of our financial statements. We believe the following new accounting guidance is relevant to the readers of our financial statements.

During the first quarter of 2018, we early adopted the Accounting Standard Update issued by the Financial Accounting Standards Board ("FASB") related to Intra-Entity Transfers of Assets Other Than Inventory. This update requires companies to recognize the income tax consequences of intra-entity transfers of assets other than inventory when the transfer occurs, as opposed to when the assets are ultimately sold to an outside party. This new guidance had a minimal impact on our accounting and financial reporting for the first quarter of 2018.

On May 28, 2014, the FASB and International Accounting Standards Board issued a new accounting standard that will supersede virtually all existing revenue recognition guidance under generally accepted accounting principles in the United States. This standard will be effective for us beginning in fiscal 2019. The fundamental principles of the new guidance are that companies should recognize revenue in a manner that reflects the timing of the transfer of services to customers and the amount of revenue recognized reflects the consideration that a company expects to receive for the goods and services provided. The new guidance establishes a five-step approach for the recognition of revenue. We are continuing to assess the impact of this new standard on our consolidated financial statements and related disclosures, including ongoing contract reviews. We do not anticipate that the new guidance will have a material impact on our revenue recognition policies, practices or systems.

On February 25, 2016, the FASB issued a new lease accounting standard which requires lessees to put most leases on their balance sheets but recognize the expenses on their income statements in a manner similar to current practice. The new standard states that a lessee will recognize a lease liability, for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. Expenses related to leases determined to be operating leases will be recognized on a straight-line basis, while those determined to be financing leases will be recognized following a front-loaded expense profile in which interest and amortization are presented separately in the income statement. Based on our lease portfolio, we currently anticipate recognizing a lease liability and related right-of-use asset on the balance sheet in excess of $1.0 billion with an immaterial impact to our income statement compared to the current lease accounting model. However, the ultimate impact of the standard will depend on the company's lease portfolio as of the adoption date. We are currently in the process of evaluating our existing lease portfolios, including accumulating all of the necessary information required to properly account for the leases under the new standard. Additionally, we are implementing an enterprise-wide lease management system to assist in the accounting and are evaluating additional changes to our processes and internal controls to ensure we meet the standard's reporting and disclosure requirements. These changes will be effective for our fiscal year beginning June 1, 2019 (fiscal 2020), with a modified retrospective adoption method to the beginning of 2018.

In March 2017, the FASB issued an Accounting Standards Update that changes how employers that sponsor defined benefit pension or other postretirement benefit plans present the net periodic benefit cost in the income statement. This new guidance requires entities to report the service cost component in the same line item or items as other compensation costs. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component outside of income from operations. This standard will impact our operating income but will have no impact on our net income or earnings per share. For example, adoption of this guidance would have reduced operating income in the first quarter of 2018 by $146 million and by $112 million in the first quarter of 2017, but would not have impacted our net income in either period. This new guidance will be effective for our fiscal year beginning June 1, 2018 (fiscal 2019) and will be applied retrospectively.

REPORTABLE SEGMENTS

FedEx Express, FedEx Ground and FedEx Freight represent our major service lines and, along with FedEx Services, form the core of our reportable segments. Our reportable segments include the following businesses:

FedEx Express Segment	FedEx Express (express transportation and international small-package ground delivery and freight transportation) TNT Express (international express transportation, small-package ground delivery and freight transportation) FedEx Trade Networks (air and ocean freight forwarding, customs brokerage and cross-border enablement technology and solutions)
FedEx Ground Segment	FedEx Ground (small-package ground delivery) FedEx Supply Chain (third-party logistics)
FedEx Freight Segment	FedEx Freight (LTL freight transportation) FedEx Custom Critical (time-critical transportation)
FedEx Services Segment	FedEx Services (sales, marketing, information technology, communications, customer service, technical support, billing and collection services and back-office functions) FedEx Office (document and business services and package acceptance)

As discussed in our Annual Report, in the first quarter of 2018, we began to report TNT Express as part of the FedEx Express segment.

FEDEX SERVICES SEGMENT

The line item "Intercompany charges" on the accompanying unaudited condensed consolidated financial statements of our transportation segments reflects the allocations from the FedEx Services segment to the respective transportation segments. The allocations of net operating costs are based on metrics such as relative revenues or estimated services provided.

The FedEx Services segment provides direct and indirect support to our transportation businesses, and we allocate all of the net operating costs of the FedEx Services segment (including the net operating results of FedEx Office) to reflect the full cost of operating our transportation businesses in the results of those segments. Within the FedEx Services segment allocation, the net operating results of FedEx Office, which are an immaterial component of our allocations, are allocated to FedEx Express and FedEx Ground. We review and evaluate the performance of our transportation segments based on operating income (inclusive of FedEx Services segment allocations). For the FedEx Services segment, performance is evaluated based on the impact of its total allocated net operating costs on our transportation segments. We believe these allocations approximate the net cost of providing these functions. Our allocation methodologies are refined periodically, as necessary, to reflect changes in our businesses.

ELIMINATIONS, CORPORATE AND OTHER

Certain FedEx operating companies provide transportation and related services for other FedEx companies outside their reportable segment. Billings for such services are based on negotiated rates, which we believe approximate fair value, and are reflected as revenues of the billing segment. These rates are adjusted from time to time based on market conditions. Such intersegment revenues and expenses are eliminated in our consolidated results and are not separately identified in the following segment information, because the amounts are not material.

Corporate and other includes corporate headquarters costs for executive officers and certain legal and financial functions, as well as certain other costs and credits not attributed to our core business. These costs are not allocated to the business segments.

FEDEX EXPRESS SEGMENT

FedEx Express offers a wide range of U.S. domestic and international shipping services for delivery of packages and freight including priority, deferred or economy services, which provide delivery on a time-definite or day-definite basis. As discussed in our Annual Report, beginning in the first quarter of 2018, we are reporting TNT Express as part of the FedEx Express segment. Prior year amounts have been revised to conform to the current year presentation. The following tables compare revenues, operating expenses, operating expenses as a percent of revenue, operating income (dollars in millions) and operating margin for the three-month periods ended August 31:

	2017	2016	Percent Change
Revenues			
Package			
U.S. overnight box	$ 1,750	$ 1,722	2
U.S. overnight envelope	450	443	2
U.S. deferred	878	810	8
Total U.S. domestic package revenue	3,078	2,975	3
International priority	1,741	1,715	2
International economy	770	693	11
Total international export package revenue	2,511	2,408	4
International domestic (1)	1,044	1,015	3
Total package revenue	6,633	6,398	4
Freight			
U.S.	613	615	—
International priority	470	449	5
International economy	381	409	(7)
International air freight	83	93	(11)
Total freight revenue	1,547	1,567	(1)
Other (2)	472	495	(5)
Total revenues	8,652	8,460	2
Operating expenses			
Salaries and employee benefits	3,196	3,109	3
Purchased transportation	1,366	1,325	3
Rentals and landing fees	490	487	1
Depreciation and amortization	417	420	(1)
Fuel	603	555	9
Maintenance and repairs	460	393	17
Intercompany charges	488	462	6
Other	1,199	1,099	9
Total operating expenses	8,219	7,850	5
Operating income	$ 433	$ 610	(29)
Operating margin	5.0%	7.2%	(220) bp

	2017	2016
	Percent of Revenue	
Revenues	100.0 %	100.0 %
Operating expenses	95.0 %	92.8 %

(1) International domestic revenues represent our international intra-country operations.

(2) Includes FedEx Trade Networks.

The following table compares selected statistics (in thousands, except yield amounts) for the three-month periods ended August 31

	2017	2018	Percent Change
Package Statistics (1)			
Average daily package volume (ADV)			
U.S. overnight box	1,188	1,255	(5)
U.S. overnight envelope	557	570	(2)
U.S. deferred	876	824	6
Total U.S. domestic ADV	2,621	2,649	(1)
International priority	502	500	—
International economy	252	238	6
Total international export ADV	754	738	2
International domestic (2)	2,421	2,309	5
Total ADV	5,796	5,696	2
Revenue per package (yield)			
U.S. overnight box	$ 22.67	$ 21.11	7
U.S. overnight envelope	12.43	11.96	4
U.S. deferred	15.42	15.12	2
U.S. domestic composite	18.07	17.28	5
International priority	53.25	52.78	1
International economy	46.37	44.78	5
International export composite	51.16	50.20	2
International domestic (2)	6.64	6.76	(2)
Composite package yield	17.61	17.28	2
Freight Statistics (1)			
Average daily freight pounds			
U.S.	7,727	8,067	(4)
International priority	4,906	4,793	2
International economy	10,281	11,154	(8)
International airfreight	1,778	1,869	(5)
Total average daily freight pounds	24,692	25,883	(5)
Revenue per pound (yield)			
U.S.	$ 1.22	$ 1.18	3
International priority	1.48	1.44	3
International economy	0.57	0.57	—
International airfreight	0.72	0.76	(5)
Composite freight yield	0.96	0.93	3

(1) Package and freight statistics include only the operations of FedEx Express and TNT Express

(2) International domestic statistics represent our international intra-country operations

FedEx Express Segment Revenues

FedEx Express segment revenues increased 2% in the first quarter of 2018 primarily due to improved base yields, international package volume growth and higher fuel surcharges, which were partially offset by the NotPetya cyberattack discussed above

U.S. domestic package yields increased 5% in the first quarter of 2018 primarily due to higher base rates and fuel surcharges. U.S. domestic average daily volume decreased 1% in the first quarter of 2018 driven by our overnight service offerings. International export average daily volumes increased 2% in the first quarter of 2018 due to increased international economy shipments partially offset by the decrease in volume due to the NotPetya cyberattack. International export package yields increased 2% in the first quarter of 2018 due to higher fuel surcharges and favorable service mix, partially offset by lower base rates. Freight average daily pounds decreased 5% in the first quarter of 2018 primarily due to the NotPetya cyberattack. Freight yields increased 3% in the first quarter of 2018 primarily due to higher base yields and fuel surcharges

On U.S. domestic and outbound fuel surcharge and the international fuel surcharges ranged as follows for the three-month periods ended August 31:

	2017	2016
U.S. Domestic and Outbound Fuel Surcharge:		
Low	2.21%	0.01%
High	3.34	2.53
Weighted-average	2.71	1.83
International Fuel Surcharges:		
Low	3.38	1.16
High	13.73	9.45
Weighted-average	8.18	6.75

On September 18, 2017, FedEx Express announced a 4.9% average list price increase for U.S. domestic, U.S. export and U.S. import services effective January 1, 2018. Effective February 6, 2017, FedEx Express fuel surcharges are adjusted on a weekly basis compared to the previous monthly adjustment. On January 2, 2017, FedEx Express implemented a 3.9% average list price increase for U.S. domestic, U.S. export and U.S. import services and a change to the U.S. domestic dimensional weight divisor.

FedEx Express Segment Operating Income

FedEx Express operating income and margin decreased in the first quarter of 2018 due to the NotPetya cyberattack, which was partially offset by yield growth, lower incentive compensation accruals and the ongoing benefit of cost management initiatives. The NotPetya cyberattack negatively affected results by an estimated $300 million in the first quarter of 2018. Results also included $88 million of TNT Express integration expenses in the first quarter of 2018, a $46 million increase from the first quarter of 2017. Hurricane Harvey, which caused severe damage in Houston, TX and surrounding areas, had a minimal impact on FedEx Express's results during the first quarter of 2018.

Other expenses increased 9% in the first quarter of 2018 due to increased outside service contracts, operating expenses to recover from the NotPetya cyberattack and TNT integration expenses. Salaries and employee benefits increased 3% in the first quarter of 2018 primarily due to merit increases and increased volume, which were partially offset by lower incentive compensation accruals. Maintenance and repairs increased 17% in the first quarter of 2018 due primarily to the timing of aircraft maintenance events. Purchased transportation increased 3% in the first quarter of 2018 due to increased volume.

Fuel expense increased 9% in the first quarter of 2018 due to increased fuel prices. The net impact of fuel had a moderate benefit to operating income in the first quarter of 2018 as higher fuel surcharges more than offset increased fuel prices. See the "Fuel" section of this MD&A for a description and additional discussion of the net impact of fuel on our operating results.

FEDEX GROUND SEGMENT

FedEx Ground service offerings include day-certain delivery to businesses in the U.S. and Canada and to 100% of U.S. residences. The following tables compare revenues, operating expenses, operating expenses as a percent of revenue, operating income (dollars in millions), operating margin and selected package statistics (in thousands, except yield amounts) for the three-month periods ended August 31:

	2017	2016	Percent Change	Percent of Revenue 2017	Percent of Revenue 2016
Revenues:					
FedEx Ground	$ 4,241	$ 3,891	9		
FedEx Supply Chain	398	399	—		
Total revenues	4,639	4,290	8	100.0 %	100.0 %
Operating expenses:					
Salaries and employee benefits	836	766	9	18.0	17.9
Purchased transportation	1,859	1,692	10	40.1	39.4
Rentals	201	181	11	4.4	4.2
Depreciation and amortization	173	163	6	3.7	3.8
Fuel	2	2	—	—	—
Maintenance and repairs	82	76	8	1.8	1.8
Intercompany charges	354	325	9	7.6	7.6
Other	506	475	7	10.9	11.1
Total operating expenses	4,013	3,680	9	86.5 %	85.8 %
Operating income	$ 626	$ 610	3		
Operating margin	13.5%	14.2%	(70) bp		
Average daily package volume:					
FedEx Ground	7,688	7,389	4		
Revenue per package (yield):					
FedEx Ground	$ 8.47	$ 8.09	5		

FedEx Ground Segment Revenues

FedEx Ground segment revenues increased 8% in the first quarter of 2018 due to volume growth and increased yields. Average daily volume at FedEx Ground increased 4% in the first quarter of 2018 primarily due to continued growth in our commercial and residential services. FedEx Ground yield increased 5% during the first quarter of 2018 primarily driven by higher base yields, growth in our commercial services and higher fuel surcharges.

The FedEx Ground fuel surcharge is based on a rounded average of the national U.S. on-highway average price for a gallon of diesel fuel, as published by the Department of Energy. Our fuel surcharge ranged as follows for the three-month periods ended August 31:

	2017	2016
Low	4.60%	3.30%
High	4.90	4.10
Weighted-average	4.32	3.70

On September 18, 2017, FedEx Ground announced a 4.9% average list price increase effective January 1, 2018. In addition, as announced on September 18, 2017, dimensional weight pricing will apply to all FedEx SmartPost shipments effective January 22, 2018. Effective February 6, 2017, FedEx Ground fuel surcharges are adjusted on a weekly basis compared to the previous monthly adjustment. On January 2, 2017, FedEx Ground implemented a 4.9% average list price increase and a change to the U.S. domestic dimensional weight divisor. On January 4, 2016, FedEx Ground implemented a 4.9% increase in average list price.

FedEx Ground Segment Operating Income

FedEx Ground segment operating income increased 3% in the first quarter of 2018 due to volume growth, increased yields and lower incentive compensation accruals. Continued network expansion and staffing costs, coupled with higher purchased transportation and self-insurance expenses, drove the margin decline in the first quarter of 2018. Hurricane Harvey, which caused severe damage in Houston, TX and surrounding areas, had a minimal impact on FedEx Ground's results during the first quarter of 2018.

Purchased transportation expense increased 10% in the first quarter of 2018 primarily due to higher volumes and increased rates. Salaries and employee benefits expense increased 2% in the first quarter of 2018 primarily due to additional staffing to support volume growth and network expansion, which was partially offset by lower incentive compensation accruals. Other expense increased 7% in the first quarter of 2018 due to higher self-insurance reserves and network expansion. Intercompany charges increased 9% in the first quarter of 2018 due to higher allocated marketing and information technology costs. Rent and depreciation and amortization expense increased in the first quarter of 2018 due to network expansion.

Independent Contractor Model

FedEx Ground is involved in lawsuits and administrative proceedings where the classification of its independent contractors is at issue. The court has granted final approval of all 20 settlements of the cases in the multidistrict litigation. These cases involve a contractor model that FedEx Ground has not operated since 2011. In addition, we are defending contractor-model cases that were not part of the multidistrict litigation, and we are defending joint-employer cases where it is alleged that FedEx Ground should be treated as an employer of the drivers employed by owner-operators engaged by FedEx Ground. These cases are in varying stages of litigation. We will continue to vigorously defend ourselves in these proceedings and continue to believe that owner-operators engaged by FedEx Ground are properly classified as independent contractors and that FedEx Ground is not an employer of the drivers employed by these owner-operators. For a description of these proceedings, see Note 8 of the accompanying unaudited condensed consolidated financial statements.

For additional information on the FedEx Ground Independent Service Provider model, see Part I, Item 1 of our Annual Report under the caption "Independent Contractor Model" and "Other Outlook, Matters" under Consolidated Results of this MD&A.

FEDEX FREIGHT SEGMENT

FedEx Freight service offerings include priority services when speed is critical and economy services when time can be traded for savings. The following tables compare revenues, operating expenses, operating expenses as a percent of revenue, operating income (dollars in millions), operating margin and selected statistics for the three-month periods ended August 31:

	2017	2016	Percent Change	Percent of Revenue 2017	Percent of Revenue 2016
Revenues	$ 1,752	$ 1,658	6	100.0 %	100.0 %
Operating expenses					
Salaries and employee benefits	802	772	4	45.8	46.6
Purchased transportation	258	259	—	14.7	15.6
Rentals	36	30	20	2.1	1.8
Depreciation and amortization	69	64	8	3.9	3.9
Fuel	97	91	7	5.5	5.5
Maintenance and repairs	57	54	6	3.3	3.2
Intercompany charges	126	126	—	7.2	7.6
Other	131	127	3	7.5	7.7
Total operating expenses	1,576	1,523	3	90.0 %	91.9 %
Operating income	$ 176	$ 135	30		
Operating margin	10.0%	8.1%	190 bp		
Average daily LTL shipments (in thousands)					
Priority	74.4	72.5	3		
Economy	31.6	32.3	(2)		
Total average daily LTL shipments	106.0	104.8	1		
Weight per LTL shipment (lbs)					
Priority	1,189	1,176	1		
Economy	1,147	1,098	4		
Composite weight per LTL shipment	1,173	1,152	2		
LTL revenue per shipment					
Priority	$ 226.16	$ 217.50	4		
Economy	277.04	255.46	8		
Composite LTL revenue per shipment	$ 241.34	$ 229.20	5		
LTL yield (revenue per hundredweight)					
Priority	$ 19.11	$ 18.49	3		
Economy	24.15	23.26	4		
Composite LTL yield	$ 20.58	$ 19.89	3		

FedEx Freight Segment Revenues

FedEx Freight segment revenues increased 6% in the first quarter of 2018 primarily due to higher LTL revenue per shipment and weight per shipment. LTL revenue per shipment increased 5% in the first quarter of 2018 primarily due to higher base rates driven by our ongoing yield management initiatives and higher fuel surcharges.

The indexed LTL fuel surcharge is based on the average of the national U.S. on-highway average prices for a gallon of diesel fuel, as published by the Department of Energy. The indexed LTL fuel surcharge ranged as follows for the three-month periods ended August 31:

	2017	2016
Low	20.90%	20.20%
High	21.60	20.80
Weighted-average	21.26	20.50

On September 18, 2017, FedEx Freight announced a 4.9% average increase in certain U.S. and other shipping rates effective January 1, 2018. On January 2, 2017, FedEx Freight implemented a 4.9% average increase in certain U.S. and other shipping rates.

FedEx Freight Segment Operating Income

FedEx Freight segment operating income increased 30% in the first quarter of 2018 primarily driven by higher base rates. Salaries and employee benefits increased 4% in the first quarter of 2018 driven primarily by merit increases and higher volumes. Rentals increased 20% in the first quarter of 2018 due to a favorable adjustment related to a sublease of a closed facility in the prior year and network expansion. Purchased transportation slightly decreased in the first quarter of 2018 due to the movement of certain services within FedEx Custom Critical to the FedEx Ground segment.

Fuel expense increased 7% in the first quarter of 2018 due to higher fuel prices. The net impact of higher fuel prices had a slight benefit to operating income in the first quarter of 2018. This was driven by increased fuel surcharges that more than offset the higher fuel prices.

FINANCIAL CONDITION

LIQUIDITY

Cash and cash equivalents totaled $3.5 billion at August 31, 2017, compared to $4.0 billion at May 31, 2017. The following table provides a summary of our cash flows for the three-month periods ended August 31 (in millions):

	2017	2016
Operating activities		
Net income	$ 596	$ 715
Noncash charges and credits	970	1,008
Changes in assets and liabilities	(976)	(752)
Cash provided by operating activities	590	971
Investing activities		
Capital expenditures	(1,044)	(1,215)
Proceeds from asset dispositions and other	6	9
Cash used in investing activities	(1,038)	(1,206)
Financing activities		
Principal payments on debt	(12)	(12)
Proceeds from stock issuances	150	46
Dividends paid	(134)	(106)
Purchase of treasury stock	(86)	(222)
Other	(6)	(13)
Cash used in financing activities	(88)	(313)
Effect of exchange rate changes on cash	20	(3)
Net decrease in cash and cash equivalents	$ (466)	$ (545)
Cash and cash equivalents at the end of period	$ 3,503	$ 2,989

Cash flows from operating activities decreased $381 million in the first quarter of 2018 primarily due to the NotPetya cyberattack. Capital expenditures during the first three months of 2018 were lower primarily due to decreased spending at FedEx Express driven by aircraft and related equipment, partially offset by increased spending at FedEx Ground driven by sort facility expansion. See "Capital Resources" for a discussion of capital expenditures during 2018 and 2017.

On January 26, 2016, our Board of Directors approved a share repurchase program of up to 25 million shares. During the first quarter of 2018, we repurchased 0.4 million shares of FedEx common stock at an average price of $207.92 per share for a total of $86 million. As of August 31, 2017, 15.6 million shares remained under the share repurchase authorization. Shares under the current repurchase program may be repurchased from time to time in the open market or in privately negotiated transactions. The timing and volume of repurchases are at the discretion of management, based on the capital needs of the business, the market price of FedEx common stock and general market conditions. No time limit was set for the completion of the program, and the program may be suspended or discontinued at any time.

CAPITAL RESOURCES.

Our operations are capital intensive, characterized by significant investments in aircraft, vehicles, technology, facilities and package-handling and sort equipment. The amount and timing of capital additions depend on various factors, including pre-existing contractual commitments, anticipated volume growth, domestic and international economic conditions, new or enhanced services, geographical expansion of services, availability of satisfactory financing and actions of regulatory authorities.

The following table compares capital expenditures by asset category and reportable segment for the three-month periods ended August 31 (in millions)

	2017	2016	Percent Change
Aircraft and related equipment	$ 410	$ 592	(31)
Package handling and ground support equipment	197	197	—
Vehicles	122	149	(18)
Information technology	126	159	(21)
Facilities and other	180	118	0
Total capital expenditures	$ 1,014	$ 1,215	(14)
FedEx Express segment	$ 582	$ 831	(30)
FedEx Ground segment	127	237	38
FedEx Freight segment	58	145	(38)
FedEx Services segment	107	102	5
Total capital expenditures	$ 1,014	$ 1,215	(14)

Capital expenditures during the first quarter of 2018 were lower than the prior-year primarily due to decreased spending at FedEx Express driven by aircraft and related equipment, partially offset by increased spending at FedEx Ground driven by sort facility expansion. Aircraft and related equipment purchases at FedEx Express during the first quarter of 2018 included the delivery of three Boeing 767-300 Freighter aircraft, a reduction of three aircraft compared to the first quarter of 2017.

LIQUIDITY OUTLOOK

We believe that our cash and cash equivalents, cash flow from operations and available financing sources are adequate to meet our liquidity needs, including working capital, capital expenditure requirements and debt payment obligations. Our cash and cash equivalents balance at August 31, 2017 included $1.2 billion of cash in offshore jurisdictions associated with our permanent reinvestment strategy. We do not believe that the indefinite reinvestment of these funds will have impact on our ability to meet our domestic debt or working capital obligations. Although we expect higher capital expenditures in 2018, we anticipate that our cash flow from operations will be sufficient to fund these expenditures. Historically, we have been successful in obtaining unsecured financing, from both domestic and international sources, although the market place for such investment capital can become restricted depending on a variety of economic factors.

Our capital expenditures are expected to be approximately $5.9 billion in 2018 and include spending for aircraft and aircraft-related equipment at FedEx Express, sort facility expansion, primarily at FedEx Ground, and new and replacement vehicles at all our transportation segments. We invested $410 million in aircraft and aircraft-related equipment in the first quarter of 2018 and expect to invest an additional $1.8 billion for aircraft and aircraft-related equipment during the remainder of 2018.

We have a shelf registration statement filed with the Securities and Exchange Commission ("SEC") that allows us to sell, in one or more future offerings, any combination of our unsecured debt securities and common stock.

We have a five-year $1.75 billion revolving credit facility that expires in November 2020. See Note 3 of the accompanying unaudited condensed consolidated financial statements for a description of the term and significant covenants of our revolving credit facility.

During the first quarter of 2018, we made voluntary contributions totaling $250 million to our tax-qualified U.S. domestic pension plans ("U.S. Pension Plans"). We expect to make an additional $750 million contribution to our U.S. Pension Plans during 2018. Our U.S. Pension Plans have ample funds to meet expected benefit payments.

Standard & Poor's has assigned us a senior unsecured debt credit rating of BBB and commercial paper rating of A-2 and a ratings outlook of "stable." Moody's Investors Service has assigned our unsecured debt a credit rating of Baa2 and our commercial paper a rating of P-2 and a ratings outlook of "stable." If our credit ratings drop, our interest expense may increase. If our commercial paper ratings drop below current levels, we may have difficulty utilizing the commercial paper market. If our senior unsecured debt credit ratings drop below investment grade, our access to financing may become limited.

CONTRACTUAL CASH OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

The following table sets forth a summary of our contractual cash obligations as of August 31, 2017. Certain of these contractual obligations are reflected in our balance sheet, while others are disclosed as future obligations under accounting principles generally

accepted in the United States. Except for the current portion of interest on long-term debt, this table does not include amounts already recorded in our balance sheet as current liabilities at August 31, 2017. We have certain contingent liabilities that are not accrued in our balance sheet in accordance with accounting principles generally accepted in the United States. These contingent liabilities are not included in the table below. We have other long-term liabilities reflected in our balance sheet, including deferred income taxes, qualified and nonqualified pension and postretirement healthcare plan liabilities and other self-insurance accruals. The payment obligations associated with these liabilities are not reflected in the table below due to the absence of scheduled maturities. Accordingly, this table is not meant to represent a forecast of our total cash expenditures for any of the periods presented.

	Payments Due by Fiscal Year (Unaudited) (in millions)						
	2018 (1)	2019	2020	2021	2022	Thereafter	Total
Operating activities:							
Operating leases	$ 1,978	$ 2,315	$ 2,016	$ 1,790	$ 1,616	$ 8,826	$ 18,541
Non-capital purchase obligations and other	537	626	489	375	205	492	2,724
Interest on long-term debt	386	546	485	472	472	8,718	11,079
Quarterly contributions to our U.S. Pension Plans	700	—	—	—	—	—	700
Investing activities:							
Aircraft and aircraft-related capital commitments	1,398	1,719	1,927	1,335	1,273	2,884	10,536
Other capital purchase obligations	25	10	1	1	1	7	45
Financing activities:							
Debt	4	1,350	999	—	—	12,930	15,283
Total	$ 5,028	$ 6,566	$ 5,917	$ 3,973	$ 3,567	$ 33,857	$ 58,908

(1) Cash obligations for the remainder of 2018

Open purchase orders that are cancelable are not considered unconditional purchase obligations for financial reporting purposes and are not included in the table above. Such purchase orders often represent authorizations to purchase rather than binding agreements. See Note 7 of the accompanying unaudited condensed consolidated financial statements for more information.

Operating Activities

The amounts reflected in the table above for operating leases represent future minimum lease payments under noncancelable operating leases (principally aircraft and facilities) with an initial or remaining term in excess of one year at August 31, 2017.

Included in the table above within the caption entitled "Non-capital purchase obligations and other" is our estimate of the current portion of the liability ($12 million) for uncertain tax positions and amounts for purchase obligations that represent noncancelable agreements to purchase goods or services that are not capital related. Such contracts include those for printing and advertising and promotions contracts. We cannot reasonably estimate the timing of the long-term payments or the amount by which the liability for uncertain tax positions will increase or decrease over time; therefore, the long-term portion of the liability for uncertain tax positions ($52 million) is excluded from the table.

The amounts reflected in the table above for interest on long-term debt represent future interest payments due on our long-term debt.

We had $460 million in deposits and progress payments as of August 31, 2017 on aircraft purchases and other planned aircraft-related transactions.

Investing Activities

The amounts reflected in the table above for capital purchase obligations represent noncancelable agreements to purchase capital-related equipment. Such contracts include those for certain purchases of aircraft, aircraft modifications, vehicles, facilities, computers and other equipment.

Financing Activities

The amounts reflected in the table above for long-term debt represent future scheduled principal payments on our long-term debt.

Additional information on amounts included within the operating, investing and financing activities captions in the table also can be found in our Annual Report.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make significant judgments and estimates to develop amounts reflected and disclosed in the financial statements. In many cases, there are alternative policies or estimation techniques that could be used. We maintain a thorough process to review the application of our accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a complex, global corporation. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

GOODWILL. Goodwill is tested for impairment between annual tests whenever events or circumstances make it more likely than not that the fair value of a reporting unit has fallen below its carrying value. During the first quarter of 2018 we began to report TNT Express as part of the FedEx Express segment as discussed in this MD&A and Note 6 of the accompanying unaudited condensed consolidated financial statements. As a result of this triggering event, we performed an interim goodwill impairment test on the FedEx Express and TNT Express reporting units. The estimated fair value of each of these reporting units exceeded their carrying values as of the first quarter of 2018, therefore, we do not believe that either of these reporting units was impaired either before or after the triggering event.

In addition, we do not believe there has been any other change of events or circumstances that would indicate that a reevaluation of the goodwill of our remaining reporting units is required as of August 31, 2017, nor do we believe the goodwill of our remaining reporting units is at risk of failing impairment testing. For additional details on goodwill impairment testing, refer to Note 1 of our Annual Report.

Information regarding our critical accounting estimates can be found in our Annual Report, including Note 1 to the financial statements therein. Management has discussed the development and selection of these critical accounting estimates with the Audit Committee of our Board of Directors and with our independent registered public accounting firm.

FORWARD-LOOKING STATEMENTS

Certain statements in this report, including (but not limited to) those contained in "General," "Income Taxes," "Outlook," "Recent Accounting Guidance," "Liquidity," "Capital Resources," "Liquidity Outlook," "Contractual Cash Obligations and Off-Balance Sheet Arrangements," and "Critical Accounting Estimates," and the "General," "Financing Arrangements," "Retirement Plans," "Commitments" and "Contingencies" notes to the consolidated financial statements, are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to our financial condition, results of operations, cash flows, plans, objectives, future performance and business. Forward-looking statements include those preceded by, followed by or that include the words "may," "could," "would," "should," "will," "believes," "expects," "anticipates," "plans," "estimates," "targets," "projects," "intends" or similar expressions. These forward-looking statements involve risks and uncertainties. Actual results may differ materially from those contemplated (expressed or implied) by such forward-looking statements because of, among other things, potential risks and uncertainties, such as:

- economic conditions in the global markets in which we operate,
- significant changes in the volumes of shipments transported through our networks, customer demand for our various services or the prices we obtain for our services,
- a significant data breach or other disruption to our technology infrastructure, which can adversely affect our reputation, business or results of operations,
- the ongoing impact of the significant cyberattack that TNT Express experienced in the first quarter of fiscal 2018,
- our ability to successfully integrate the businesses and operations of FedEx Express and TNT Express in the expected time frame,
- damage to our reputation or loss of brand equity,
- the price and availability of jet and vehicle fuel,
- our ability to manage our network capacity and cost structure for capital expenditures and operating expenses, and match it to shifting and future customer volume levels,

- the impact of intense competition on our ability to maintain or increase our prices (including our fuel surcharges in response to fluctuating fuel prices) or to maintain or grow our market share
- our ability to effectively operate, integrate, leverage and grow acquired businesses, and to continue to support the value we allocate to these acquired businesses, including their goodwill,
- our ability to achieve the FedEx Express profit improvement goal,
- our ability to maintain good relationships with our employees and prevent attempts by labor organizations to organize groups of our employees, which could significantly increase our operating costs and reduce our operational flexibility
- the impact of costs related to (i) challenges to the status of owner-operators engaged by FedEx Ground as independent contractors and direct employees of drivers providing services on their behalf, and (ii) any related changes to our relationship with these owner-operators and their drivers
- the impact of the United Kingdom's vote to leave the European Union,
- any impact on our business from disruptions or modifications in service by, or changes in the business or financial soundness of, the U.S. Postal Service, which is a significant customer and vendor of FedEx,
- the impact of any international conflicts or terrorist activities on the United States and global economies in general, the transportation industry as a whole in particular, and what effects these events will have on our costs or the demand for our services
- any impacts on our businesses resulting from evolving or new domestic or international government laws and regulations, which could be unfavorable to our business, including regulatory actions affecting global aviation or other transportation rights, increased air cargo and other security or safety requirements, and tax, accounting, trade (such as protectionist measures or restrictions on free trade), labor (such as card-check legislation, joint employment standards or changes to the Railway Labor Act of 1926, as amended, affecting FedEx Express employees), environmental (such as global climate change legislation) or postal rules,
- adverse weather conditions or localized natural disasters in key geographic areas, such as earthquakes, volcanoes, and hurricanes, which can disrupt our electrical service, damage our property, disrupt our operations, increase our fuel costs and adversely affect our shipment levels,
- increasing costs, the volatility of costs and funding requirements and other legal mandates for employee benefits, especially pension and healthcare benefits,
- the increasing costs of compliance with federal, state and foreign governmental agency mandates (including the Foreign Corrupt Practices Act and the U.K. Bribery Act) and defending against inappropriate or uninformed enforcement or other actions by such agencies,
- changes in foreign currency exchange rates, especially in the euro, Chinese yuan, British pound, Brazilian real, Canadian dollar and Mexican peso, which can affect our sales levels and foreign currency sales prices
- market acceptance of our new service and growth initiatives
- any liability resulting from and the costs of defending against class-action litigation, such as wage-and-hour, joint employment and discrimination and retaliation claims, and any other legal or governmental proceedings,
- the outcome of future negotiations to reach new collective bargaining agreements — including with the union that represents the pilots of FedEx Express (the current pilot agreement is scheduled to become amendable in November 2021) and with the unions elected in 2015 to represent drivers at two FedEx Freight facilities,
- the impact of technology developments on our operations and on demand for our services, and our ability to continue to identify and eliminate unnecessary information technology redundancy and complexity throughout the organization,
- governmental underinvestment in transportation infrastructure, which could increase our costs and adversely impact our service levels due to traffic congestion or sub-optimal routing of our vehicles and aircraft
- widespread outbreak of an illness or any other communicable disease, or any other public health crisis,
- availability of financing on terms acceptable to us and our ability to maintain our current credit ratings, especially given the capital intensity of our operations, and
- other risks and uncertainties you can find in our press releases and SEC filings, including the risk factors identified under the heading "Risk Factors" in "Management's Discussion and Analysis of Results of Operations and Financial Condition" in our Annual Report, as updated by our quarterly reports on Form 10-Q

As a result of these and other factors, no assurance can be given as to our future results and achievements. Accordingly, a forward-looking statement is neither a prediction nor a guarantee of future events or circumstances and those future events or circumstances may not occur. You should not place undue reliance on the forward-looking statements, which speak only as of the date of this report. We are under no obligation, and we expressly disclaim any obligation, to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

As of August 31, 2017, there had been no material changes in our market risk sensitive instruments and positions since our disclosures in our Annual Report.

The principal foreign currency exchange rate risks to which we are exposed are the euro, Chinese yuan, British pound, Brazilian real, Canadian dollar and Mexican peso. Historically, our exposure to foreign currency fluctuations is more significant with respect to our revenues than our expenses, as a significant portion of our expenses are denominated in U.S. dollars, such as aircraft and fuel expenses. During the first three months of 2018, the U.S. dollar weakened relative to the currencies of the foreign countries in which we operate, as compared to May 31, 2017, and this weakening had a minimal impact on our results.

While we have market risk for changes in the price of jet and vehicle fuel, this risk is largely mitigated by our indexed fuel surcharges. For additional discussion of our indexed fuel surcharges, see the "Fuel" section of Management's Discussion and Analysis of Results of Operations and Financial Condition.

Item 4. Controls and Procedures

The management of FedEx, with the participation of our principal executive and financial officers, has evaluated the effectiveness of our disclosure controls and procedures in ensuring that the information required to be disclosed in our filings under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including ensuring that such information is accumulated and communicated to FedEx management as appropriate to allow timely decisions regarding required disclosure.

On June 27, 2017, the worldwide operations of TNT Express were significantly affected by the cyberattack known as NotPetya, which involved the spread of an information systems virus through a Ukrainian tax software product. The systems and data of all other FedEx companies were unaffected by the attack. While TNT Express operations and communications were significantly affected, no data breach or data loss to third parties is known to have occurred.

Immediately following the attack, contingency plans were implemented to recover TNT Express operations and communications systems, and substantially all TNT Express services were fully restored during the first quarter of 2018. As of the date of this filing, substantially all of TNT Express's critical operational systems have been fully restored and critical business data has been recovered.

As a result of the cyberattack, the TNT Express internal control environment changed during the first quarter of 2018, as controls and procedures were modified in order to be properly performed. However, by the end of the first quarter of 2018, TNT Express's internal control environment was functioning at pre-cyberattack levels.

In addition, other than the internal control environment changes described above, during our fiscal quarter ended August 31, 2017, no change occurred in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Therefore, based on management's evaluation, our principal executive and financial officers have concluded that such disclosure controls and procedures were effective as of August 31, 2017 (the end of the period covered by this Quarterly Report on Form 10-Q).

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For a description of all material pending legal proceedings, see Note 8 of the accompanying unaudited condensed consolidated financial statements.

Item 1A. Risk Factors

Other than the risk factor set forth below, there have been no material changes from the risk factors disclosed in our Annual Report under the heading "Risk Factors" in "Management's Discussion and Analysis of Results of Operations and Financial Condition" in response to Part I, Item 1A of Form 10-K.

TNT Express experienced a significant cyberattack in the first quarter of fiscal 2018 and the ongoing impact could negatively affect our results of operations and financial condition in the future, particularly if our continuing recovery efforts do not proceed as expected.

On June 28, 2017, we announced that the worldwide operations of TNT Express were significantly affected by the cyberattack known as NotPetya, which involved the spread of an information technology virus that infiltrated TNT Express systems and encrypted its data. While TNT Express core shipping services have been restored and significant progress has been made on the recovery of the TNT Express business and information technology systems, we are continuing to engage in recovery efforts. We are now focused on the restoration of certain key customer-specific specialized solutions and systems in time for the fiscal 2018 peak shipping season. Our results of operations and financial condition could be negatively impacted in the future if our recovery efforts do not proceed as expected, particularly if incremental costs or lost revenues associated with the cyberattack exceed our expectations. The following consequences or potential consequences of the cyberattack could have an adverse impact on our results of operations and financial condition in the future:

- loss of revenue or increased bad debt expense due to delayed invoicing;
- loss of revenue due to permanent customer loss;
- loss of revenue due to the inability to restore certain key customer-specific specialized solutions and systems in time for the fiscal 2018 peak shipping season;
- additional costs due to claims for service failures;
- higher effective tax rate due to reduced international earnings;
- remediation costs to restore systems;
- increased operational costs due to contingency plans that remain in place;
- investment or enhanced systems in order to prevent future attacks;
- cost of incentives offered to customers to restore confidence and maintain business relationships;
- reputational damage resulting in the failure to retain or attract customers;
- costs associated with potential litigation or governmental investigations;
- costs associated with any data breach or data loss to third parties that is discovered;
- costs associated with the potential loss of critical business data;
- longer and more costly integration (due to increased expenses and capital spending requirements) of TNT Express and FedEx Express; and
- other consequences of which we are not currently aware but will discover through the ongoing remediation process.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information on FedEx's repurchases of our common stock during the first quarter of 2018

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Number of Shares That May Yet Be Purchased Under the Program
June 1-30, 2017	120,000	$ 200.61	120,000	15,900,000
July 1-31, 2017	120,000	215.55	120,000	15,780,000
Aug. 1-31, 2017	172,500	207.70	172,500	15,607,500
Total	412,500	$ 207.92	412,500	

The repurchases were made under the stock repurchase program approved by our Board of Directors and announced on January 26, 2016 and through which we are authorized to purchase in the open market or in privately negotiated transactions, up to an aggregate of 25 million shares of our common stock. As of September 19, 2017, 15.5 million shares remained authorized for purchase under the January 2016 stock repurchase program, which is the only such program that currently exists. The program does not have an expiration date.

Item 6. Exhibits

Exhibit Number	Description of Exhibit
10.1	Amendment dated June 20, 2017 (but effective as of May 1, 2017) amending the Transportation Agreement dated April 23, 2013 between the United States Postal Service and Federal Express Corporation (the "USPS Transportation Agreement"). Confidential treatment has been requested for confidential commercial and financial information, pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended (the "Exchange Act").
10.2	Amendment dated June 20, 2017 (but effective as of June 5, 2017) amending the USPS Transportation Agreement. Confidential treatment has been requested for confidential commercial and financial information, pursuant to Rule 24b-2 under the Exchange Act.
10.3	Amendment dated August 25, 2017 (but effective as of July 3, 2017) amending the USPS Transportation Agreement. Confidential treatment has been requested for confidential commercial and financial information, pursuant to Rule 24b-2 under the Exchange Act.
10.4	Amendment dated August 25, 2017 (but effective as of February 27, 2017) amending the USPS Transportation Agreement. Confidential treatment has been requested for confidential commercial and financial information, pursuant to Rule 24b-2 under the Exchange Act.
10.5	Amendment dated August 17, 2017 (but effective as of July 31, 2017) amending the USPS Transportation Agreement. Confidential treatment has been requested for confidential commercial and financial information, pursuant to Rule 24b-2 under the Exchange Act.
10.6	Amendment dated August 25, 2017 (but effective as of April 3, 2017) amending the USPS Transportation Agreement. Confidential treatment has been requested for confidential commercial and financial information, pursuant to Rule 24b-2 under the Exchange Act.
10.7	Amendment dated August 25, 2017 (but effective as of November 27, 2017) amending the USPS Transportation Agreement.
10.8	Amendment dated August 28, 2017 (but effective as of November 27, 2017) amending the USPS Transportation Agreement. Confidential treatment has been requested for confidential commercial and financial information, pursuant to Rule 24b-2 under the Exchange Act.
10.9	Ninth Amendment dated August 14, 2017 (but effective as of September 1, 2017) to the Composite Lease Agreement dated May 21, 2007 (but effective as of January 1, 2007) between the Memphis-Shelby County Airport Authority and Federal Express Corporation.
10.10	Separation and Release Agreement, dated July 19, 2017, between FedEx Corporation and Christine P. Richards.
12.1	Computation of Ratio of Earnings to Fixed Charges.
15.1	Letter re. Unaudited Interim Financial Statements.
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.1	Interactive Data Files

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized

FEDEX CORPORATION

Date: September 29, 2017

/s/ JOHN L. MERINO
JOHN L. MERINO
CORPORATE VICE PRESIDENT AND
PRINCIPAL ACCOUNTING OFFICER

EXHIBIT INDEX

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101.1	Interactive Data Files

Exhibit 10.1

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT			1 CONTRACT ID CODE	PAGE 1 OF 2
2 AMENDMENT/MODIFICATION NO 002	3 EFFECTIVE DATE 05/01/2017	4 REQUISITION/PURCHASE REQ NO	5 PROJECT NO (If applicable)	
6 ISSUED BY CODE [illegible]	SACAAQ	7 ADMINISTERED BY (If other than Item 6) Cargo Air Acquisitions Air Transportation CMC United States Postal Service 475 L'Enfant Plaza SW, Room 11W50 Washington DC 20260-0650	CODE SACAAQ	

8 NAME AND ADDRESS OF CONTRACTOR (No., street, county, state and zip code)		9A AMENDMENT OF SOLICITATION NO
FEDERAL EXPRESS CORPORATION 3620 HACKS CROSS ROAD MEMPHIS TN 38125-8800	(x)	9B DATED (SEE ITEM 11)
	*	10A MODIFICATION OF CONTRACT/ORDER NO ACN-13-FX
SUPPLIER CODE 000329122 / FACILITY CODE		10B DATED (SEE ITEM 13) 04/20/2013

11 THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

☐ is extended, ☐ is not extended

Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods: (a) By completing items 8 and 15, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12 ACCOUNTING AND APPROPRIATION DATA (If required) Net Decrease [*]
See Schedule

13 THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS. IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14

(x)	A. THIS CHANGE BY CLAUSE IS ISSUED PURSUANT TO: (Specify clause) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO IN ITEM 10A Monthly Fuel Adjustment
☐	B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation data, etc.) SET FORTH IN ITEM 14
☐	C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO THE AUTHORITY OF: THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO IN ITEM 10A
☐	D. OTHER (Such as mutual cancellation, termination, etc.) (Specify type of modification and authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO IN ITEM 10A

E. IMPORTANT: Contractor ☐ is not ☒ is required to sign this document and return ___1___ copies to the issuing office.

14 DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)
[illegible]
Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A NAME AND TITLE OF SIGNER (Type or print)		16A NAME AND TITLE OF CONTRACTING OFFICER (Type or print)	
CARL ASMUS CARL ASMUS, SVP		Brian Mekam	
15B CONTRACTOR/OFFEROR (Signature of person authorized to sign)	15C DATE SIGNED 6-15-2017	16B CONTRACT AUTHORITY /s/BRIAN MEKAM (Signature of Contracting Officer)	16C DATE SIGNED 6-20-17

* Blank spaces indicate 'unidentical' information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

CONTINUATION SHEET			REQUISITION NO	PAGE 2 OF 2
CONTRACT ORDER NO ACN-13-PX-092	AWARD EFFECTIVE DATE 05/01/2017	MASTER AGENCY CONTRACT NO	SOLICITATION NO	SOLICITATION ISSUE DATE

ITEM NO	SCHEDULE OF SUPPLIES - SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
	TIERS 6 – 8 TIER 6 From [*] per cubic foot To [*] per cubic foot This is a decrease of [*] TIER 7 From [*] per cubic foot To [*] per cubic foot This is an increase of [*] TIER 8 From [*] per cubic foot To [*] per cubic foot This is a decrease of [*] [*] Sub Rept Req'd Y Carrier Code TX Route Terminal S Various Route Terminal End Various Payment Terms SEE CONTRACT Delivery 11/28/2016 Discount Terms See Schedule Accounting Info BFN 670167 FOB Destination Period of Performance 09/30/2013 to 09/29/2024 Change Item 1 as used as follows: Dry Network Account Number 53503 This is for estimation purposes only and is not a guarantee of contract value				
1					[*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended

Exhibit 10.2

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT			1 CONTRACT ID CODE	PAGE 1 OF 2
2 AMENDMENT/MODIFICATION NO 001	3 EFFECTIVE DATE 06/05/2017	4 REQUISITION/PURCHASE REQ NO	5 PROJECT NO (If applicable)	
6 ISSUED BY CODE SACAAO Cargo Air Acquisition Air Transportation CMC United States Postal Service 475 L'Enfant Plaza SW, Room 11510 Washington DC 20260-0530		7 ADMINISTERED BY (If other than Item 6) CODE SACAAO Cargo Air Acquisition Air Transportation CMC United States Postal Service 475 L'Enfant Plaza SW, Room 11510 Washington DC 20260-0530		

8 NAME AND ADDRESS OF CONTRACTOR (No., Street, County, State, and Zip Code)	(x)	9A AMENDMENT OF SOLICITATION NO
FEDERAL EXPRESS CORPORATION 3610 HACKS CROSS ROAD MEMPHIS TN 38125-8800		9B DATED (SEE ITEM 11)
	x	10A MODIFICATION OF CONTRACT/ORDER NO ACP14-EX
SUPPLIER CODE 0000P122 / FACILITY CODE		10B DATED (SEE ITEM 13) 04/23/2013

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

☐ is extended ☐ is not extended.

Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods: (a) By completing items 8 and 15, and returning ____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)
See Schedule

Net Increase: [*]

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS. IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

(X)	A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.
(X)	Monthly Fuel Adjustment
☐	B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as change in paying office, appropriation data, etc.) SET FORTH IN ITEM 14.
☐	C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO THE AUTHORITY OF: THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.
☐	D. OTHER (Such as no cost change/cancellation, termination, etc.) (Specify type of modification and authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.

E. IMPORTANT: Contractor ☐ is not ☒ is required to sign this document and return ___1___ copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)
Pursuant to above and contract clause "Fuel Adjustment" section, Ref. following [illegible] Fuel Price for the 2200 Rate [illegible] Attachment 1 is modified for part service during the period of June 5, 2017 to July 2, 2017 (Processing Period 4) as follows:

[illegible]

Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remain unchanged and in full force and effect.

15A NAME AND TITLE OF SIGNER (Type or print)		16A NAME AND TITLE OF CONTRACTING OFFICER (Type or print)	
CARL ASMUS, SVP		Brian McKain	
15B CONTRACTOR/OFFEROR s/ CARL ASMUS (Signature of person authorized to sign)	15C DATE SIGNED 6/15/2017	16B CONTRACT AUTHORITY /s/ BRIAN MCKAIN (Signature of Contracting Officer)	16C DATE SIGNED 6/20/17

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

CONTINUATION SHEET			REQUISITION NO	PAGE 2 OF 2
CONTRACT ORDER NO ACN-13-EX-094	AWARD EFFECTIVE DATE 06/05/2017	MASTER AGENCY CONTRACT NO	SOLICITATION NO	SOLICITATION ISSUE DATE

ITEM NO	SCHEDULE OF SUPPLIES / SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
	TIERS 6 – 8 TIER 6 From: [*] per cubic foot To [*] per cubic foot This is an increase of [*] TIER 7 From: [*] per cubic foot To [*] per cubic foot This is an increase of [*] TIER 8 From: [*] per cubic foot To [*] per cubic foot This is an increase of [*] [*] Sub Rept Req'd: Y Carrier Code: FX Route Terminal S. Various Route Terminal Link Various Payment Terms: SEE CONTRACT Delivery: 11/28/2016 Discount Terms See Schedule Accounting Info BFN: 670167 FOB: Destination Period of Performance: 09/30/2013 to 09/29/2024 Change Item 1 to read as follows Day Network Account Number: 51503 This is for evaluation purposes only and is not a guarantee of contract value				
1					[*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended

Exhibit 10.3

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT			1 CONTRACT ID CODE	PAGE 1 OF 2
2 AMENDMENT/MODIFICATION NO 065	3 EFFECTIVE DATE 07/01/2017	4 REQUISITION/PURCHASE REQ NO	5 PROJECT NO (If applicable)	
6 ISSUED BY CODE [illegible]	5ACAAQ	7 ADMINISTERED BY (If other than Item 6) Cargo Air Acquisition Air Transportation CMC United States Postal Service 475 L'Enfant Plaza SW Room 10590 Washington DC 20260-0650	CODE 5ACAAQ	

8 NAME AND ADDRESS OF CONTRACTOR (No., Street, County, State, and Zip Code)		9A AMENDMENT OF SOLICITATION NO
FEDERAL EXPRESS CORPORATION 3620 HACKS CROSS ROAD MEMPHIS TN 38125-8800	(x)	9B DATED (SEE ITEM 11)
		10A MODIFICATION OF CONTRACT/ORDER NO ACN-13-FX
SUPPLIER CODE 0000009122 / FACILITY CODE		10B DATED (SEE ITEM 11) 04/24/2013

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

☐ is extended ☐ is not extended

Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods: (a) By completing items 8 and 15, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGEMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12 ACCOUNTING AND APPROPRIATION DATA (If required) Net Decrease [*]
See Schedule

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS. IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

(x)	A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.
(x)	Monthly Fuel Adjustment
☐	B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation data, etc.) SET FORTH IN ITEM 14.
☐	C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO THE AUTHORITY OF: THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.
☐	D. OTHER (Such as mutual change, cancellation, termination, etc.) Specify type of modification and authority: THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.

E. IMPORTANT: Contractor ☐ is not, ☒ is required to sign this document and return 1 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)
In accordance with contract ACN-13-FX and the Fuel Adjustment as from the Official Jet Fuel Price Gulf Coast of Day Price of an set out in Attachment 10 is modified for performance during the period of July 1, 2017 to July 30, 2017 (Operating Period) as follows:

[illegible]

Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A NAME AND TITLE OF SIGNER (Type or print)		16A NAME AND TITLE OF CONTRACTING OFFICER (Type or print)	
Michael K. Pigors Reg. President & EVP US Dom & Int'l		Brian Mckain	
15B CONTRACTOR/OFFEROR /s/ MICHAEL K. PIGORS (Signature of person authorized to sign)	15C DATE SIGNED 8/25/17	16B CONTRACT AUTHORITY /s/ BRIAN MCKAIN (Signature of Contracting Officer)	16C DATE SIGNED 8/25/17

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

CONTINUATION SHEET			REQUISITION NO	PAGE 2 OF 2
CONTRACT ORDER NO ACN-13 FX 095	AWARD EFFECTIVE DATE 07 03 2017	MASTER AGENCY CONTRACT NO	SOLICITATION NO	SOLICITATION ISSUE DATE

ITEM NO	SCHEDULE OF SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
	TIERS 6 8 TIER 6 From [*] per cubic foot To [*] per cubic foot This is a decrease of [*] TIER 7 From [*] per cubic foot To [*] per cubic foot This is a decrease of [*] TIER 8 From [*] per cubic foot To [*] per cubic foot This is a decrease of [*] [*] -- Sub Rept Req'd Y Carrier Code FX Route Termini S Various Route Termini End Various Payment Terms SEE CONTRACT Delivery 11/28/2016 Discount Terms See Schedule Accounting Info BFN 679167 FOB Destination Period of Performance 09/03/2013 to 09/29/2024 Change Item 1 to read as follows Day Network Account Number 535 03 This is for estimation purposes only and is not a guarantee of contract value				[*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended

Exhibit 10-4

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT			2. CONTRACT ID CODE	PAGE 1 OF 2
2. AMENDMENT MODIFICATION NO. 006	3. EFFECTIVE DATE 02/27/2017	4. REQUISITION/PURCHASE REQ. NO.		5. PROJECT NO. (If applicable)
6. ISSUED BY CODE DALE D. PARSAN Cargo Air Acquisitions Air Transportation CMC United States Postal Service 475 L'Enfant Plaza SW, Room 11650 Washington DC 20260-0650 (202) 268-2221	5ACAAQ	7. ADMINISTERED BY (IF OTHER THAN ITEM 6) Cargo Air Acquisitions Air Transportation CMC United States Postal Service 475 L'Enfant Plaza SW, Room 11650 Washington DC 20260-0650		CODE 5ACAAQ

8. NAME AND ADDRESS OF CONTRACTOR (No., Street, County, State, and Zip Code)		(x)	9A. AMENDMENT OF SOLICITATION NO.
FEDERAL EXPRESS CORPORATION 3610 HACKS CROSS ROAD MEMPHIS TN 38125-8800			9B. DATED (SEE ITEM 11)
		*	10A. MODIFICATION OF CONTRACT/ORDER NO. ACN-13-FX
SUPPLIER CODE 00038-9122	FACILITY CODE		10B. DATED (SEE ITEM 13) 04/23/2013

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

☐ ☐ is extended ☐ is not extended.

Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods: (a) By completing items 8 and 15, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment number. FAILURE OF YOUR ACKNOWLEDGEMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required) Net Increase [*]
See Schedule

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACT/ORDERS. IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14

(x)	A. THIS CHANGE BY CLAUSE IS ISSUED PURSUANT TO: (Specify clause) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.
☐	
☐	B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14
☐	C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO THE AUTHORITY OF: THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A
☒	D. OTHER (such as mutual change cancellation, termination, etc.) (Specify type of modification and authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A Mutual Agreement of the Contracting Parties

E. IMPORTANT: Contractor ☐ is not ☒ is required to sign this document and return 1 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)
The purpose of this modification is to incorporate Operating Period 42 (March) Scheduled and Ad Hoc Charter into the ACN-13-FX contract, with the following conditions:

A) Once the Charters are scheduled they cannot be canceled.

B) All Service and Scan penalties (reductions in payment) related to the Day Network only, will be eliminated. This relief does not apply to the Night Network.

C) Volume will be induced into the network at the Memphis Hub and will incur appropriate tier pricing and will be processed normally.

Continued
Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print)		16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print)	
Michael K. Tigers (Reg. President & EVP US Dom & US Int'l)		Brian Mckain	
15B. CONTRACTOR/OFFEROR	15C. DATE SIGNED	16B. CONTRACT AUTHORITY	16C. DATE SIGNED
s/ MICHAEL K. PIGORS (Signature of person authorized to sign)	8/23/17	s/ BRIAN MCKAIN (Signature of Contracting Officer)	8/25/17

*. Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

CONTINUATION SHEET			REQUISITION NO	PAGE 2 OF 2
CONTRACT ORDER NO AC[illegible]-EX106	AWARD EFFECTIVE DATE 02-27-2017	MASTER AGENCY CONTRACT NO	SOLICITATION NO	SOLICITATION ISSUE DATE

ITEM NO	SCHEDULE OF SUPPLIES / SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
	Fedex will notify the Postal Service if the tender requirement is different than what is currently in the contract. Delivery does not change. Payments for said charters will be paid as part of the Operating Period reconciliation Sub Rep' Req'd Y Carrier Code EX Route Termini S Various Route Termini Fed Various Payment Terms SEE CONTRACT Delivery 08/29/2016 Discount Terms See Schedule Accounting Info BLN 670167 FOB Destination Period of Performance 09/30/2013 to 09/29/2021 Change Item 7 to read as follows				
7	Scheduled Charter Option Account Number 53703 This is for estimation purposes only Change Item 9 to read as follows				[*]
9	Ad Hoc Charter Option Account Number 53703 This is for estimation purposes only				[*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended

March 2017 Operating Period
Charter Request

Act 1

Origin	Operating Day	Total Fee Requested	Tue (03/07)	Wed (03/08)	Thu (03/09)	Fri (03/10)	Sat (03/11)	Sun (03/12)	Weekly Total	Aircraft Type Requested	Rate	Scheduled Charter	Other Charter	Total Charter
LAX	Tues, Sat	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	MD-10	[1]	[1]	[1]	[1]
IAD	Tues	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	757	[1]		[1]	[1]
PHL (Stage)	Tues	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	757	[1]		[1]	[1]
EWR	Tues	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	MD-10	[1]		[1]	[1]
MIA	Tues	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	A-300	[1]		[1]	[1]
OAK	Tues	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	A-300	[1]		[1]	[1]
LAX	Thur	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	A-300	[1]		[1]	[1]
OAK	Thur	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	757	[1]		[1]	[1]
MIA (Stage)	Sat	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	A-310	[1]		[1]	[1]
EWR	Sun	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	A-310	[1]		[1]	[1]
OAK	Thur	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	757	[1]		[1]	[1]
OAK	Sat	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	757	[1]		[1]	[1]
OAK	Sun	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	757	[1]		[1]	[1]
Week 1 Total		[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]			[1]	[1]	[1]

Week 2

Origin	Operating Day	Total Fee Requested	Tue (03/07)	Wed (03/08)	Thu (03/09)	Fri (03/10)	Sat (03/11)	Sun (03/12)	Weekly Total	Aircraft Type Requested	Rate	Scheduled Charter	Other Charter	Total Charter
LAX	Tues, Sat	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	MD-10	[1]	[1]	[1]	[1]
EWR	Tues	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	MD-10	[1]		[1]	[1]
MIA	Tues	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	A-300	[1]		[1]	[1]
IAD	Tues	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	757	[1]		[1]	[1]
PHL	Tues	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	757	[1]		[1]	[1]
LAX	Tues	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	MD-10	[1]		[1]	[1]
OAK	Tues, Fri	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	A-300	[1]		[1]	[1]
SLC (Stage)	Tues	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	757	[1]		[1]	[1]
LAX	Thur	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	A-300	[1]		[1]	[1]
LAX	Sat	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	A-300	[1]		[1]	[1]
MIA (Stage)	Sat	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	757	[1]		[1]	[1]
OAK	Sat	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]		[1]		[1]	[1]
EWR	Sat	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]		[1]		[1]	[1]
OAK	Sun	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]		[1]		[1]	[1]
EWR	Sun	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	A-300	[1]		[1]	[1]
Week 2 Total		[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]			[1]	[1]	[1]

[1]Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

Week 3

Name	Operating Day	Labor Hrs Reported	Tue (0/14)	Wed (0/15)	Thu (0/16)	Fri (0/17)	Sat (0/18)	Sun (0/19)	Weekly Total	AV Type Equipment	Rate	Scheduled Charges	Adjus. Charges	Total Charges
[illegible]	Type													
[illegible]	Type													
[illegible]	Type													
[illegible]	Type													
[illegible]	Type													
[illegible]	Type													
[illegible]	Type													
[illegible]	Type													
Week 3 Total														

Week 4

Name	Operating Day	Labor Hrs Reported	Tue (0/21)	Wed (0/22)	Thu (0/23)	Fri (0/24)	Sat (0/25)	Sun (0/26)	Weekly Total	AV Type Equipment	Rate	Scheduled Charges	Adjus. Charges	Total Charges
[illegible]	Type													
[illegible]	Type													
[illegible]	Type													
[illegible]	Type													
[illegible]	Type													
[illegible]	Type													
[illegible]	Type													
[illegible]	Type													
Week 4 Total														

Week 5

Name	Operating Day	Labor Hrs Reported	Tue (0/28)	Wed (0/29)	Thu (0/30)	Fri (0/31)	Sat (0/1)	Sun (0/2)	Weekly Total	AV Type Equipment	Rate	Scheduled Charges	Adjus. Charges	Total Charges
[illegible]	Type													
[illegible]	Type													
[illegible]	Type													
[illegible]	Type													
[illegible]	Type													
[illegible]	Type													
[illegible]	Type													
[illegible]	Type													
Week 5 Total														

Monthly Total														

*Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended

Exhibit 10.5

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT			1 CONTRACT ID CODE	PAGE 1 OF 3
2 AMENDMENT MODIFICATION NO 007	3 EFFECTIVE DATE 07/31/2017	4 REQUISITION/PURCHASE REQ NO		5 PROJECT NO (If applicable)
6 ISSUED BY CODE DALE D PARSAN Cargo Air Acquisitions Air Transportation CMC United States Postal Service 475 L Enfant Plaza SW Room 1P650 Washington DC 20260-0650 (202) 264-2223	5ACAAQ	7 ADMINISTERED BY (If OTHER THAN ITEM 6) Cargo Air Acquisitions Air Transportation CMC United States Postal Service 475 L Enfant Plaza SW Room 1P650 Washington DC 20260-0650		CODE 5ACAAQ

8 NAME AND ADDRESS OF CONTRACTOR (No. Street, County, State, and Zip Code)		(x)	9A AMENDMENT OF SOLICITATION NO
FEDERAL EXPRESS CORPORATION 3610 HACKS CROSS ROAD MEMPHIS TN 38125-8800			9B DATED (SEE ITEM 11)
		x	10A MODIFICATION OF CONTRACT ORDER NO ACN-13-FX
SUPPLIER CODE 006387122	FACILITY CODE		10B DATED (SEE ITEM 13) 04/23/2013

11 THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

☐ is extended, ☐ is not extended

Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods: (a) By completing items 8 and 15, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment number. FAILURE OF YOUR ACKNOWLEDGEMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12 ACCOUNTING AND APPROPRIATION DATA (If required) Net Decrease [*]
See Schedule

13 THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS. IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14

(x)	A THIS CHANGE BY CLAUSE IS ISSUED PURSUANT TO (Specify clause) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO IN ITEM 10A Monthly Fuel Adjustment
☐	B THE ABOVE NUMBERED CONTRACT ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14
☐	C THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO THE AUTHORITY OF THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO IN ITEM 10A
☐	D OTHER (such as no cost change cancellation, termination, etc.) (Specify type of modification and authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO IN ITEM 10A

E. IMPORTANT Contractor ☐ is not ☒ is required to sign this document and return 1 copies to the issuing office

14 DESCRIPTION OF AMENDMENT MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)
The purpose of this modification is to execute the following 2 (two) changes to the ACN-13-FX contract

1. In accordance with contract ACN-13-FX and the "Fuel Adjustment" section, the following Fuel Rate (fuel) for the Day Network as set out in Attachment 10 is modified for performance during the period of July 31, 2017 to August 27, 2017 (Operating Period 47) as follows:

TIERS Base – Tier 5
Loan
[*] per cubic foot

Continued
Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect

15A NAME AND TITLE OF SIGNER (Type or print)		16A NAME AND TITLE OF CONTRACTING OFFICER (Type or print)	
Michael Pigors, FVP US		Brian Mckain	
15B CONTRACTOR/OFFEROR /s/ MICHAEL PIGORS (Signature of person authorized to sign)	15C DATE SIGNED 8/10/17	16B CONTRACT AUTHORITY /s/ BRIAN MCKAIN (Signature of Contracting Officer)	16C DATE SIGNED 8/17/17

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934 as amended.

CONTINUATION SHEET			REQUISITION NO	PAGE OF 2 3
CONTRACT ORDER NO AQ-[illegible]	AWARD EFFECTIVE DATE 07-31-2017	MASTER AGREEMENT CONTRACT NO	SOLICITATION NO	SOLICITATION ISSUE DATE

ITEM NO	SCHEDULE OF SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
	To [*] per cubic foot This is a decrease of [*] TIERS 6 - 8 TIER 6 From [*] per cubic foot To [*] per cubic foot This is a decrease of [*] TIER 7 From [*] per cubic foot To [*] per cubic foot This is a decrease of [*] TIER 8 From [*] per cubic foot To [*] per cubic foot This is a decrease of [*] [*] 2. Attachment 4 is hereby omitted effective August 5th, 2017 to remove LFI as a Service Point for Vision Range Footprint and adjust the Tender time of Monday – Friday operations to [*] --- Sub Rept Req # Y Carrier Code FX Route Termin S Variable Route Termin Ind Variable Payment Terms SEE CONTRACT Delivery 11-28-2016 Discount Terms See Schedule Accounting Info BBN 676167 FOB Destination Period of Performance 09-30-2013 to 07-29-2024 Change Item 1 to read as follows Continued				

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended

CONTINUATION SHEET			REQUISITION NO	PAGE 3 OF 3
CONTRACT ORDER NO AEN-134 X 007	AWARD EFFECTIVE DATE 07/31/2017	MASTER AGENCY CONTRACT NO	SOLICITATION NO	SOLICITATION ISSUE DATE

ITEM NO	SCHEDULE OF SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
1.	Dir. Network Account Number 53403 This is for extraction purposes only and not a guarantee of contract value				[*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended

Exhibit 10.6

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT			1. CONTRACT ID CODE	PAGE 1	OF 2
2. AMENDMENT MODIFICATION NO. 008	3. EFFECTIVE DATE 1/10/2017	4. REQUISITION/PURCHASE REQ. NO.		5. PROJECT NO. (If applicable)	
6. ISSUED BY CODE DALE D. PARSAN Cargo Air Acquisitions Air Transportation CMC United States Postal Service 475 L Enfant Plaza SW Room 11650 Washington DC 20260-0650 (202) 268-2223	5ACAAQ	7. ADMINISTERED BY (IF OTHER THAN ITEM 6) Cargo Air Acquisitions Air Transportation CMC United States Postal Service 475 L Enfant Plaza SW Room 11650 Washington DC 20260-0650		CODE 5ACAAQ	

8. NAME AND ADDRESS OF CONTRACTOR (No., Street, County, State and Zip Code)			
FEDERAL EXPRESS CORPORATION 3610 HACKS CROSS ROAD MEMPHIS TN 38125-8800		(x)	9A. AMENDMENT OF SOLICITATION NO.
			9B. DATED (SEE ITEM 11)
		*	10A. MODIFICATION OF CONTRACT/ORDER NO. ACN-13-FX
SUPPLIER CODE 000389122	FACILITY CODE		10B. DATED (SEE ITEM 13) 04/23/2013

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

[ ] ☐ is extended ☐ is not extended

Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods: (a) By completing items 8 and 15, and returning ____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment number. FAILURE OF YOUR ACKNOWLEDGEMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required) Net Increase [*]
See Schedule

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

(x)	A. THIS CHANGE BY CLAUSE IS ISSUED PURSUANT TO: (Specify clause) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.
☐	
☐	B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14.
☐	C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO THE AUTHORITY OF: THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.
[x]	D. OTHER (such as no cost change, cancellation, termination, etc.) (Specify type of modification and authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A. Mutual Agreement of the Contracting Parties

E. IMPORTANT: Contractor ☐ is not ☒ is required to sign this document and return 1 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)
The purpose of this modification is to incorporate Operating Period 43 (April) Scheduled and Ad Hoc Charters into the ACN-13-FX contract, with the following conditions:

A) Once the Charters are scheduled they cannot be canceled.

B) All Service and Scan penalties (reductions in payment) related to the Dry Network only, will be eliminated. This relief does not apply to the Night Network.

C) Volume will be indicated into the network at the Memphis Hub and will incur appropriate net pricing and will be processed normally.

Continued
Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print)		16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print)	
Michael K. Pigors Reg. President & EVP US Dom & US Int'l		Brian Mckain	
15B. CONTRACTOR/OFFEROR s/ MICHAEL K. PIGORS (Signature of person authorized to sign)	15C. DATE SIGNED 8/23/17	16B. CONTRACT AUTHORITY s/ BRIAN MCKAIN (Signature of Contracting Officer)	16C. DATE SIGNED 8/25/17

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

CONTINUATION SHEET			REQUISITION NO	PAGE 2 OF 2
CONTRACT ORDER NO AGN-13-FX-008	AWARD EFFECTIVE DATE 04 03 2017	MASTER AGENCY CONTRACT NO	SOLICITATION NO	SOLICITATION ISSUE DATE

ITEM NO	SCHEDULE OF SUPPLIES / SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
	Fedex will notify the Postal Service if the tender requirement is different than what is currently in the contract. Delivery does not change. Payments for said charters will be paid as part of the Operating Period reconciliation ---- Sub Rept Req'd Y Corner Code 1 X Route Termini S Various Route Termini End Various Payment Terms SET CONTRACT Delivery 08 29 2016 Discount Terms See Schedule Accounting Info BFN 670167 FOB Destination Period of Performance 09/30/2013 to 09/29/2024 Change Item 7 to read as follows				
7	Scheduled Charter Option Account Number 53703 This is for estimation purposes only Change Item 9 to read as follows				[*]
9	Ad Hoc Charter Option Account Number 53703 This is for estimation purposes only				[*]

* Bank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended

APRIL 17 Operating Period
Charter Request and Accounting

Week 1

Origin	Operating Day	Cubic Feet Requested	Tue (04/04)	Wed (04/05)	Thu (04/06)	Fri (04/07)	Sat (04/08)	Sun (04/09)	Weekly Total	A/C Type Equivalent	Rate	Scheduled Charters	Adhoc Charters	Total Charters
PHL/Stage	TUE	*	*	*	*	*	*	*	*	757	*	*		*
EWR	TUE	*		*			*		*	MD-10	*	*		
LAX	TUE	*	*	*	*	*	*	*	*	757	*	*	*	*
SMF from OAK	THU, FRI, SAT	*		*			*		*	757		*		*
SMF	TUE	*	*	*	*	*	*	*	*	N/A	*	*		*
TPA	TUE	*	*	*	*	*	*	*	*	757	*	*		*
LAX	THU, SAT	*	*	*	*	*	*	*	*	757	*		*	*
OAK	THU, FRI, SAT	*	*	*	*	*	*	*	*	757			*	*
OAK	TUE	*	*	*	*	*	*	*	*	A-300	*		*	*
EWR	THU	*		*		*	*	*	*	A-300	*		*	*
PHL/Stage	THU	*	*	*	*	*	*	*	*	757	*		*	*
EWR	SAT	*		*		*	*	*	*	757	*		*	*
Total		*	*	*	*	*	*	*	*			*	*	*

Week 2

Origin	Operating Day	Cubic Feet Requested	Tue (04/11)	Wed (04/12)	Thu (04/13)	Good Friday (04/14)	Sat (04/15)	Easter Sun (04/16)	Weekly Total	A/C Type Equivalent	Rate	Scheduled Charters	Adhoc Charters	Total Charters
PHL/Stage	TUE	*	*	*	*	*	*	*	*	757	*	*		*
LAX	TUE	*	*		*		*	*	*	757	*	*		*
SMF	TUE	*	*	*	*	*	*	*	*	N/A	*			*
TPA	TUE	*	*	*	*	*	*	*	*	757	*	*		*
SLC	TUE	*	*	*	*	*	*	*	*	N/A				*
EWR	TUE	*	*	*	*	*	*	*	*	MD-10	*		*	*
OAK	TUE	*	*	*	*	*	*	*	*	N/A				*
SLC	TUE	*	*	*	*	*	*	*	*	757	*		*	*
EWR	WED	*	*	*	*	*	*	*	*	MD-10	*		*	*
PHL	WED	*		*		*	*	*	*	757	*		*	*
OAK	WED, THU	*	*	*	*	*	*	*	*	757	*		*	*
PHL	THU	*		*		*	*	*	*	757	*		*	*
OAK	FRI	*	*	*	*	*	*	*	*	757	*		*	*
LAX	SAT	*		*	*	*	*	*	*	A-300	*		*	*
OAK	SAT	*	*	*	*	*	*	*	*	757	*		*	*
Total		*	*	*	*	*	*	*	*			*	*	*

*Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

Week 3

Origin	Operating Day	Cubic Feet Requested	Tue (04/19)	Wed (04/20)	Thu (04/21)	Fri (04/22)	Sat (04/23)	Sun (04/24)	Weekly Total	A/C Type Equivalent	Rate	Scheduled Charters	Value Charters	Total Charters
[illegible]	TUE	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	337	[*]	[*]	[illegible]	[*]
[illegible]	TUE	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	337	[*]		[*]	[*]
[illegible]	TUE	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	337	[*]		[*]	[*]
[illegible]	TUE	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	337	[*]		[*]	[*]
[illegible]	TUE	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	MD-80	[*]		[*]	[*]
Total		[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]					[*]
			[*]	[*]	[*]	[*]	[*]	[*]	[*]			[*]	[*]	[*]

Week 4

Origin	Operating Day	Cubic Feet Requested	Tue (04/26)	Wed (04/27)	Thu (04/28)	Fri (04/29)	Sat (04/30)	Sun (04/31)	Weekly Total	A/C Type Equivalent	Rate	Scheduled Charters	Value Charters	Total Charters
[illegible]		[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	337	[*]	[*]	[illegible]	[*]
[illegible]		[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	337	[*]	[*]	[illegible]	[*]
[illegible]		[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]					[*]
[illegible]		[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[illegible]	[*]	[*]		[*]
Total		[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]			[*]	[*]	[*]
			[*]	[*]	[*]	[*]	[*]	[*]	[*]					

Monthly Total			[*]	[*]	[*]	[*]	[*]	[*]	[*]			[*]	[*]	[*]

*Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended

Exhibit 10.7

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT		1. CONTRACT ID CODE	PAGE 1 OF 2
2. AMENDMENT/MODIFICATION NO. 09	3. EFFECTIVE DATE 11-27-2017	4. REQUISITION/PURCHASE REQ. NO.	5. PROJECT NO. (If applicable)
6. ISSUED BY CODE: DALED PARSAN Cargo Air Acquisitions Air Transportation CMC United States Postal Service 475 L'Enfant Plaza SW, Room 1P650 Washington DC 20260-0650 (202) 268-2223	SACAAQ	7. ADMINISTERED BY (If other than Item 6) CODE SACAAQ Cargo Air Acquisitions Air Transportation CMC United States Postal Service 475 L'Enfant Plaza SW, Room 1P650 Washington DC 20260-0650	

8. NAME AND ADDRESS OF CONTRACTOR (No., Street, County, State, and Zip Code) FEDERAL EXPRESS CORPORATION 3610 HACKS CROSS ROAD MEMPHIS TN 38125-8800	(x)	9A. AMENDMENT OF SOLICITATION NO. 9B. DATED (SEE ITEM 11)
		10A. MODIFICATION OF CONTRACT/ORDER NO. ACR-13-F-X
SUPPLIER CODE 006059122 / FACILITY CODE		10B. DATED (SEE ITEM 13) 04/23/2013

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

☐ ☐ is extended, ☐ is not extended

Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods: (a) By completing items 8 and 15, and returning ____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment number. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required) $0.00
See Schedule

13. THIS ITEM ONLY APPLIES TO MODIFICATIONS OF CONTRACTS/ORDERS. IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

(x)	A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.
☐	B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation data, etc.) SET FORTH IN ITEM 14.
☐	C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO THE AUTHORITY OF: THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.
☒	D. OTHER (Specify type of modification and authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A. Mutual Agreement of the Contracting Parties

E. IMPORTANT: Contractor ☐ is not, ☒ is required to sign this document and return 1 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)
The purpose of this modification is to exercise Option Year 3 (FY 2018) of the Operating Period (OP) pursuant to requirements to renew, adjust, and transport mail and express on behalf of the Post Office during the 2017 Peak Operating Period.
Section B:
For purposes of determining the distribution of PS mail, Contractor for the 2017 Peak Operating Period, any capacity by day and week the section supplies in excess of the greater than the amount of capacity based on the 2016 Planned Capacity, subject to, and work with, section 6 of 2018 Peak Operating Plan of Planned Capacity obligations. For purposes of calculating the 2018 Peak Operating Actual Volume, and Actual Volume for the Operating Period Volume, one of the above suppliers will over-use its share or allocate
Contract
Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and is fully force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print) Michael K. Pagre, Reg. President & EVP US Dom & US Int'l		16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print) Brian McKain	
15B. CONTRACTOR/OFFEROR /s/ MICHAEL K. PAGRE (Signature of person authorized to sign)	15C. DATE SIGNED 8-23-17	16B. CONTRACT AUTHORITY /s/ BRIAN MCKAIN (Signature of Contracting Officer)	16C. DATE SIGNED 8-25-17

CONTINUATION SHEET			REQUISITION NO	PAGE 2 OF 2
CONTRACT ORDER NO ACN-13-FX-029	AWARD EFFECTIVE DATE 11/27/2017	MASTER AGENCY CONTRACT NO	SOLICITATION NO	SOLICITATION ISSUE DATE

ITEM NO	SCHEDULE OF SUPPLIES / SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
	for the Peak Operating Period volume greater than or equal to 120% of the average Planned Capacity of the eleven non-Peak Operating Periods prior to the applicable Peak Operating Period, as required by the „Ordering Process – Peak – Day Network„ Clause. Additionally, with the exception of the 2018 Peak Operating Period, the daily and weekly Peak capacity allocation percentages will continue to, at a minimum, align with the previous Peak Operating Period's Planned Capacity, as required by the „Ordering Process – Peak – Day Network„ Clause. All other contract terms remain in effect. Sub Rept Req'd: Y Carrier Code: FX Route Termini S: Various Route Termini End: Various Payment Terms: SEE CONTRACT Period of Performance: 09/30/2013 to 09/29/2024				

Exhibit 10.8

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT			1. CONTRACT ID CODE	PAGE 1 OF 2
2. AMENDMENT/MODIFICATION NO. 100	3. EFFECTIVE DATE 11-27-2017	4. REQUISITION/PURCHASE REQ. NO.		5. PROJECT NO. (If applicable)
6. ISSUED BY CODE DALE D. PARSAN Cargo Air Acquisitions Air Transportation CMC United States Postal Service 475 L'Enfant Plaza SW, Room 1P650 Washington DC 20260-0650 (202) 268-7221	3ACAAQ	7. ADMINISTERED BY (IF OTHER THAN ITEM 6) Cargo Air Acquisitions Air Transportation CMC United States Postal Service 475 L'Enfant Plaza SW, Room 1P650 Washington DC 20260-0650		CODE 3ACAAQ
8. NAME AND ADDRESS OF CONTRACTOR (No., Street, County, State and Zip Code) FEDERAL EXPRESS CORPORATION 3610 HACKS CROSS ROAD MEMPHIS TN 38125-8800		(x)	9A. AMENDMENT OF SOLICITATION NO.	
			9B. DATED (SEE ITEM 11)	
		x	10A. MODIFICATION OF CONTRACT/ORDER NO. ACN-13-EX	
SUPPLIER CODE 000089122	FACILITY CODE		10B. DATED (SEE ITEM 13) 04-23-2013	

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

☐ is extended, ☐ is not extended

Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods: (a) By completing items 8 and 15, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment number. FAILURE OF YOUR ACKNOWLEDGEMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required) 50.00
See Schedule

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS. IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

(X)	A. THIS CHANGE BY CLAUSE IS ISSUED PURSUANT TO: (Specify clause) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.
☐	
☐	B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14.
☐	C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO THE AUTHORITY OF: THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.
☒	D. OTHER (such as no cost change cancellation, acceptance, etc.) (Specify type of modification and authority). THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A. By Mutual Agreement of the Contracting Parties.

E. IMPORTANT: Contractor ☐ is not ☒ is required to sign this document and return 1 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)
This modification is applicable to Operating Period 51, FY18 (CY17).

1. FedEx will accept up to a total of [*] cubic feet per day in the form of Ad Hoc Trucks and/or charter flights in the Day Network at the Memphis Hub. FedEx read approve any additional truck, charters, or rerouting of a scheduled charter flight in advance. All Domestic Charter flights must arrive by 10:00 daily at the Memphis Hub with the exception of the SFO flight, all parties agree that the San Francisco CA (SFO) flight will depart at 04:30 and arrive in Memphis (MEM) at 10:43.

2. In return for taking ad hoc trucks and domestic charters the Postal Service will grant a waiver of any reductions in payment for delivery and scanning performance for the Operating Contracted.
Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remain unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print)		15A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print)	
Frank LeRose Vice President		Brian McKain	
15B. CONTRACTOR/OFFEROR	15C. DATE SIGNED	15B. CONTRACT AUTHORITY	16C. DATE SIGNED
/s/ FRANK LEROSE (Signature of person authorized to sign)	8-28-17	/s/ BRIAN MCKAIN (Signature of Contracting Officer)	8/28/17

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

CONTINUATION SHEET			REQUISITION NO	PAGE 2 OF 2
CONTRACT ORDER NO ACN-1[illegible]X100	AWARD EFFECTIVE DATE 11/27/2017	MASTER/AGENCY CONTRACT NO	SOLICITATION NO	SOLICITATION ISSUE DATE

ITEM NO	SCHEDULE OF SUPPLIES / SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
	Period 51 (December) This will include all five weeks for the Day Network and Night Network 3. For the period of November 26, 2017 through January 4, 2018, MEM will serve as co-terminus for all descending mail for (LAX, ONT), (SFO, OAK, SMF) and all offshore locations (ANC, HNL, SJU) 4. FedEx is to supply Unit Load Device (ULD) containers or pallets and nets for charter operations during the Peak Season 2017, per the attached, "Peak 2017 (FY18) Charter ULD Agreement." FedEx will have the ULD containers or pallets and nets in place for operations effective November 26, 2017, through January 4, 2018. Payment for the use of the FedEx ULD containers will be based on agreed upon terms outlined in the attached "Peak 2017 (FY18) Charter ULD Agreement." Payment will be made through the reconciliation process. 5. In order to balance the ULD's needed each day, and maximize the amount of volume accepted, FedEx has planned to fully utilize the inbound and outbound LAX and SFO charters. The charter flights will be loaded first and then the remaining Postal containers will be loaded on the scheduled FedEx flights. FedEx will provide the lift required under the contract for all offshore locations (ANC, HNL, SJU) and all overflow will be tendered at the Memphis Hub and move via the Postal charters. All other contract terms remain in effect Sub Rept Req'd Y Carrier Code: FX Route Terminal S Various Route Terminal End Various Payment Terms: SFF CONTRACT Period of Performance 09/30/2013 to 09/29/2024				

Peak 2017 (FY18) Charter ULD Agreement

	Nov Week 4 Nov 20 to 26			Dec Week 1 Nov 27 to Dec 3			Dec Week 2 Dec 4 to 10			Dec Week 3 Dec 11 to 17			Dec Week 4 Dec 18 to 24			Dec Week 5 Dec 25 to Dec 31			Jan Week 1 1 to 7	
Charters	AMJ	LD3	SAA	AMJ	LD3	SAA	AMJ	LD3	SAA	AMJ	LD3	SAA	AMJ	LD3	SAA	AMJ	LD3	SAA	AMJ	LD3
LAX	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]
SFO	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]
HNL	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]
SJU	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]
ANC	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]
Total ULDs by Week	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]

Total AMJs for the Period	[*]
Total LD3s for the Period	[*]
Total AADs for the Period	[*]
Total SAAs for the Period	[*]

ULD Charges for Period

ULD Type	AMJ	LD3	SAA	AAD	
Amount of containers	[*]	[*]	[*]	[*]	
Charge per ULD	[*]	[*]	[*]	[*]	
Total Charges Per ULD Type	[*]	[*]	[*]	[*]	
Total Charges					[*]

ULDs per Market by AC type

Market	AMJ	LD3	SAA
LAX	[*]	[*]	[*]
SFO	[*]	[*]	[*]
HNL	[*]	[*]	[*]
ANC	[*]	[*]	[*]
SJU	[*]	[*]	[*]

Assumptions

1. [*]
2. [*]
3. [*]
4. HNL operates from Nov. 26th through Dec. 24th, ANC operates from Dec. 3rd through Dec. 23rd, SJU operates from Nov. 26th to Dec. 28th, LAX operates from Nov. 26th through Jan. 4th, SFO operates from Nov. 26th to Jan. 4th.
5. ULDs are provided the day prior to the start of the fixed operation and are returned to FedEx the day after the last operation. The day prior and after operations are included in the rental agreement.
6. The total amount of ULDs charged is based on the 3 offshore locations, LAX, and SFO at 2 ULD sets per operational leg and length of operational periods as outlined above.
7. The amounts charged per container type are based on current IATA rates.
8. The LAX and SFO 747 charters in weeks 3 and 4 may have different combinations of ULDs based on availability at the time of operation. Uppers: AMJ, AAD, pallet, or a combination. Belles: LD3, pallet, or a combination. These ULD types will be provided per position for whatever combination of ULDs available for weeks 3 and 4.
9. No contingency dates were provided, but additional charges are due for dates prior to or after the schedule dates listed in item 4

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

Exhibit 10.9

NINTH AMENDMENT

to the

COMPOSITE LEASE AGREEMENT

By and Between

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

and

FEDERAL EXPRESS CORPORATION

Effective as of September 1, 2017

NINTH AMENDMENT
TO THE COMPOSITE LEASE AGREEMENT

This **NINTH** Amendment is made and entered into as of the 15th day of August 2017, by and between MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY (herein referred to as "Authority"), a body politic and corporate, organized and existing under the laws of the State of Tennessee and FEDERAL EXPRESS CORPORATION (herein referred to as "Tenant"), a corporation duly organized and existing under the laws of the State of Delaware

WITNESSETH:

WHEREAS Authority and Tenant executed an instrument entitled "Composite Lease Agreement" with an effective date of January 1, 2007 (that instrument, as previously amended by First Amendment to the Composite Lease Agreement intended to be effective as of September 1, 2008, by Second Amendment to the Composite Lease Agreement intended to be effective as of June 1, 2009, by Third Amendment to the Composite Lease Agreement intended to be effective as of July 1, 2009, by Fourth Amendment to the Composite Lease Agreement intended to be effective as of December 15, 2011, by Fifth Amendment to the Composite Lease Agreement intended to be effective as of January 1, 2013, by Sixth Amendment to the Composite Lease intended to be effective July 1, 2014, by Seventh Amendment to the Composite Lease intended to be effective April 1, 2016, by Eighth Amendment to the Composite lease intended to be effective April 1, 2017 (collectively referred to herein as the "Composite Lease Agreement"), and

WHEREAS Authority and Tenant intended the Composite Lease Agreement to represent each of 23 separate lease agreements between the parties (later increased to 31) and showed the differences among the 23 (later 31 leases) by attaching to the Composite Lease Agreement as EXHIBIT "A", a schedule that identified each parcel of real property Authority leased to Tenant, the portion of the Term (as defined in the Composite Lease Agreement) during which the lease of each parcel will be in effect, and the rent that Tenant pays to Authority for each parcel, and

WHEREAS the parties wish to amend the Composite Lease Agreement to add 72,172 square feet of unimproved ground (2860 Southwide Drive) as Parcel 32 to be used as GSE storage, effective September 1, 2017

NOW, THEREFORE, for and in consideration of the promises, covenants and agreements hereinafter contained to be kept and performed by the parties hereto and upon the provisions and conditions hereinafter set forth, Authority and Tenant do hereby covenant and agree as follows:

SECTION 1. **Definitions.** Except as otherwise provided herein, and unless the context shall clearly require otherwise, all words and terms used in this Ninth Amendment that are defined in the Composite Lease Agreement, the Special Facility Ground Lease Agreement and the Special Facility Lease Agreement shall have the respective meanings given to them in each agreement for all purposes of this Ninth Amendment.

SECTION 2. **Modification of Composite Lease and Applicable Rent.** The parties amend the Composite Lease Agreement to reflect the addition of Parcel 32 as described in the attached survey and legal description and shown on EXHIBIT "B". As of the Effective Date, the parties incorporate the attached survey and legal description of Parcel 32 to be part of EXHIBIT "B" to the Composite Lease Agreement and the parties substitute the table attached to this Amendment for the table included as part of EXHIBIT "A" to the Composite Lease Agreement. The substitution of that table will accomplish the following:

(a) Effective on the earlier of the Parcel 32 "Substantial Completion Date" (as defined in Section 4 below) or February 1, 2018, the annual rent will be increased by an amount equal to the product achieved by multiplying the area of Parcel 32 as follows:

Location	Sq. Ft.	Unimproved Ground Rate	Annual	Monthly
Airfield/NW of MSCAA Admin Bldg	72,171	$ 0.2077	$ 14,990.12	$ 1249.18

(b) The rent, as adjusted in accordance with the foregoing, will continue to be subject to adjustment in accordance with the terms of Section 2.03(a)(i) of the Composite Lease Agreement.

SECTION 3. **Improvements by Tenant.**

(a) Effective September 1, 2017, Authority hereby grants to Tenant for use by Tenant and its servants, agents, employees and independent contractors working on or in connection with Tenant's alterations of the improvements located on Parcel 32 making it suitable for ground service equipment use (Tenant's alteration work on Parcel 32 as outlined in Section 4(b) below are both referred to herein as

("Tenant's Work") all necessary or appropriate rights of reasonable access, ingress and egress to and from Parcel 32, and the right to do all such other things as may be incidental to Tenant's Work. Tenant shall obtain, at Tenant's sole expense, all certificates and approvals relating to Tenant's Work. As part of Tenant's Work on Parcel 32, Tenant shall make at least, all improvements to Parcel 32 as listed below and shown on "EXHIBIT C" at no cost to Authority.

i. Asphalt Paving

ii. Lighting

iii. Install Guard Shack with Electrical Power

(b) Effective September 1, 2017, Authority hereby grants to Tenant for use by Tenant and its servants, agents, employees and independent contractors working on or in connection with Tenant's Work all necessary or appropriate rights of reasonable access, ingress and egress to and from Parcel 32, and the right to do all such other things as may be incidental to Tenant's Work. Tenant shall obtain, at Tenant's sole expense, all certificates and approvals relating to Tenant's Work.

(c) The Substantial Completion Date shall be deemed as that date on which Tenant has commenced beneficial use of Parcel 32. Tenant's Work and related activity during the period before the Substantial Completion Date shall not be considered the commencement of beneficial use of the premises by Tenant. However, the terms and conditions of the Composite Lease, including, without limitation, the commercial liability insurance provisions shall apply to and be effective during such period of occupancy or access to the premises by Tenant, except for Tenant's obligation to pay rent as provided in Section 2.03. Authority shall provide for a policy of special form property insurance from April 1, 2017 until the Substantial Completion Date of improvements to Parcel 32 at no cost to Tenant. Tenant's obligation to provide for builder's risk coverage covering the premises and improvements on Parcel 32 shall commence on September 1, 2017 and will be required until the Substantial Completion Date of improvements to Parcel 32. All building materials used during renovations must be asbestos-free and Tenant shall provide a Contractor's Asbestos Free Affidavit within 30 days of the Substantial Completion Date of Parcel 32.

SECTION 5 **Improvements by Authority** Prior to September 1, 2017, Authority shall not make any improvements to Parcel 32 as shown on "EXHIBIT B". As part of its work under this Section, Lessee shall remain in compliance with all applicable Environmental Laws and [illegible] and take in compliance with the rules and regulations of any Governmental Authority having jurisdiction over the Parcel 32 all required cleanup activities with respect to environmental conditions caused by, arising out of or resulting from its use of Parcel 32

SECTION 6 **Remainder of Composite Lease in Effect**. All other terms, provisions, conditions, covenants and agreements of the Composite Lease shall continue in full force and effect

SECTION 7 **Effective Dates of this Ninth Amendment**. This Ninth Amendment shall become effective as of September 1, 2017

EXHIBIT "A", EXHIBIT "B" and EXHIBIT "C", attached hereto, shall be incorporated herein by reference

IN WITNESS WHEREOF, the parties have caused their duly authorized representatives to execute this Ninth Amendment to the Ground Lease Agreement

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

By /s/ Scott A. Brockman
Scott A. Brockman, A.A.E. President
and Chief Executive Officer

Approved as to Content:

By /s/ Forrest B. Artz
Forrest B. Artz
Vice President of Finance and Administration/CFO

Approved as to Form and Legality:

/s/ Christy L. Kinard
Christy L. Kinard
General Counsel

Reviewed and Approved:

/s/ Angela Washington
Director of Properties

FEDERAL EXPRESS CORPORATION

By /s/ Donald C. Colvin
Title Vice President Properties & Facilities
Date. 08/09/2017

APPROVED.

________MSCAA

________FEDEX

EXHIBIT A to the Composite Lease Agreement as amended by the Ninth Amendment effective September 1, 2017.

PARCEL NUMBER	FEDEX LEASE NUMBER	SUPPLEMENTAL	USE OR LOCATION	PARCEL ID	EFFECTIVE DATE	SQUARE FEET	EFFECTIVE DATE RATE	2012 EFFECTIVE SEPTEMBER 2012 RATES	MONTHLY	ANNUAL	ESCALATION (1)	2013 EFFECTIVE July 1, 2013 RATES	MONTHLY	ANNUAL	2014 EFFECTIVE July 1, 2014 RATES	MONTHLY	ANNUAL	2016-17 EFFECTIVE April 1, 2015 RATES	MONTHLY	ANNUAL	2018 EFFECTIVE September 1, 2018 RATES	MONTHLY	ANNUAL
[illegible]	[illegible]	N/A	TAXIWAY [illegible]	N/A	[illegible]	[illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	[illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ 0.21	$ [illegible]	$ [illegible]	$ 0.21	$ [illegible]	$ [illegible]
[illegible]	[illegible]	SUPPLEMENTAL 26	[illegible] PARCELS	A-G	[illegible]	[illegible]	Varies (1)	Varies (1)	$ [illegible]	$ [illegible]	[illegible]	Varies (1)	$ [illegible]	$ [illegible]	Varies (1)	$ [illegible]	$ [illegible]	Varies (1)	$ [illegible]	$ [illegible]	Varies (1)	$ [illegible]	$ [illegible]
		N/A [illegible] Amendment to Composite Lease	UNIMPROVED GROUND		[illegible]	[illegible]	$ 0.2077	N/A	N/A	N/A	[illegible]	[illegible]	N/A	N/A	$ 0.2077	$ [illegible]	$ [illegible]	$ 0.21	$ [illegible]	$ [illegible]	$ 0.21	$ [illegible]	$ [illegible]
[illegible]	[illegible]	SUPPLEMENTALS [illegible]	[illegible] UNIMPROVED GROUND	N/A	[illegible]	[illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	[illegible]	$ 0.2077	$ [illegible]	$ [illegible]	$ 0.2077	$ [illegible]	$ [illegible]	$ 0.21	$ [illegible]	$ [illegible]	$ 0.21	$ [illegible]	$ [illegible]
		[illegible]	UNIMPROVED GROUND	N/A	[illegible]	[illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	[illegible]	$ 0.2077	$ [illegible]	$ [illegible]	$ 0.2077	$ [illegible]	$ [illegible]	$ 0.21	$ [illegible]	$ [illegible]	$ 0.21	$ [illegible]	$ [illegible]
		N/A [illegible] Amendment to Composite Lease	UNIMPROVED GROUND		[illegible]	[illegible]	$ 0.2077	N/A	[illegible]	[illegible]	[illegible]	N/A	N/A	N/A	$ 0.2077	$ 47.49	$ [illegible]	$ [illegible]	$ 47.49	$ [illegible]	$ 0.21	$ 47.49	$ [illegible]
[illegible]	[illegible]	N/A	TAXIWAY C	N/A	[illegible]	[illegible]	$ 0.2400	$ [illegible]	$ [illegible]	$ [illegible]	[illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ 0.25	$ [illegible]	$ [illegible]
[illegible]	[illegible]	SUPPLEMENTAL [illegible]	[illegible] APRON, DRAINAGE AND RAMP	[illegible]	[illegible]	[illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	[illegible]	$ 0.2077	$ [illegible]	$ [illegible]	$ 0.2077	$ [illegible]	$ [illegible]	$ 0.21	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]
		SUPPLEMENTAL 17	UNIMPROVED APRON/EXTRA RAMP	[illegible]	[illegible]		$ [illegible]				[illegible]												
[illegible]	[illegible]	[illegible]	[illegible]	N/A	[illegible]	[illegible]	[illegible]	N/A [illegible]	$ [illegible]	$ [illegible]	[illegible]	N/A [illegible]	$ [illegible]	$ [illegible]	N/A [illegible]	$ [illegible]	$ [illegible]	N/A [illegible]	$ [illegible]	$ [illegible]	N/A [illegible]	$ [illegible]	$ [illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Exhibit A
April 1, 2017
Ninth Amendment to Composite Lease Agreement

EXHIBIT A to the Composite Lease Agreement as amended by the Ninth Amendment effective September 1, 2017.

PARCEL NUMBER	TENANT NUMBER	SUITE/PADS/NAME	LOCATION	PARCEL SIZE	EFFECTIVE DATE	SQUARE FEET	2013 DATE	2013 RATES	2013 MONTHLY	2013 ANNUAL	2013 EXPIRATION (A)	2013 RATES	2013 MONTHLY	2013 ANNUAL	2014 RATES	2014 MONTHLY	2014 ANNUAL	2015-17 RATES	2015-17 MONTHLY	2015-17 ANNUAL	2018 RATES	2018 MONTHLY	2018 ANNUAL
[illegible]		N/A	[illegible] PARKING		[illegible]	[illegible]	[illegible]	[illegible]	N/A	[illegible]	[illegible]	[illegible]	N/A	N/A	N/A			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		N/A	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]										[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
			[illegible]		[illegible]	[illegible]	[illegible]	[illegible]										[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
			[illegible]		[illegible]	[illegible]	[illegible]	[illegible]										[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		N/A	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]										[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
			[illegible]		[illegible]	[illegible]	[illegible]	[illegible]										[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		N/A	[illegible]		[illegible]	[illegible]																	
Total												Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Total	[illegible]	[illegible]	Total	[illegible]	[illegible]

Note 1

(a) Hogan's 2nd term ended on April 2nd, effective July 1, 2012 and a Parcel 2 has been [illegible] of the $1,322 per month $15,272 per year

(b) On October 14, 2010, the date of Tenant's exercise of its option of the Hogan's Option, as defined in the Third Amendment to the Composite Lease Agreement, the new rent will be [illegible] by [illegible] 17 months after the initial rate for the 10 USD square foot Depreciated Hogan will be $7.1976

1. After December 14, 2010, the date of Tenant's exercise of its option of the Hogan's Option, as defined in the Third Amendment to the Composite Lease Agreement, the new rent will be [illegible] by [illegible] 17 months after the initial rate for the 10 USD square foot Depreciated Hogan will be $7.1976

Note 2: In accordance with the Lease and Option to the Composite Lease Agreement, Parcel 10 will be part of the annual payments between May 1, 2015, and December 31, 2018, and revised rent will be payable with respect to that Parcel during that period

Note 3: Refer to Section 2(b)(iii) of the Composite Lease Agreement for a listing description of the rent abatement amounts and dates

Note 4: The Current Date is defined in the Lease and effected Section 1(d)(v) of the Composite Lease Agreement. Where the Effective Date occurs, the rent for Parcel 18A will be calculated based upon a rental rate of $1.25 per square foot of building improvements

Note 5: The Current Date is defined in the Lease and effected Section 1(d)(v) of the Composite Lease Agreement. Where the Effective Date occurs, the rent for Parcel 24 will be calculated based upon a rental rate of $1.25 per square foot of building improvements

Note 6: For Parcels 7, and 8, the monthly rent for each is as specified previously, plus figures by the Lessee, but not calculated, to any applicable payments

Note 7: Section 2(b) under the Composite Lease Agreement with respect to the rent for Parcel 8 begins on July 1, 2018

Note 8: In accordance with the terms of the 6th Amendment to the Composite Lease, rent for Parcel 25 begins on or after March 1, 2012 at the rate of $3.1005

Note 9: In accordance with the terms of the 6th Amendment to the Composite Lease, rent for the portion of the parcel that the 5th Amendment adds to Parcels 2 and 3 will begin on or after December 1, 2013 at the rate of $3.1005 per square foot

Note 10: Rent agreed upon by the parties and is deferred in lieu of the Amendment to the Composite Lease

Note 11: Parcel 19 subdivided and Parcel 19 Southwest Park sold effective April 1, 2013 as shown in the chart

Note 12: Parcel 19 subdivided, Hogan's building and [illegible] for sale as of 2/28/2013 [illegible] April 1, 2013. Rent will begin to accrue on the earlier of the Parcel 19 Subsequent Completion Date or April 1, 2014

Note 13: Parcel 24 subdivided effective July 1, 2013. Parcel 24 Southwest Road effective September 1, 2013. Rent will begin to accrue on the earlier of Parcel 24 Subsequent Completion Date or September 1, 2014

Note 14: Parcel 7 subdivided effective July 1, 2013. Rent will begin to accrue on the earlier of Parcel 7 Subsequent Completion Date or July 1, 2014

RATE & RATE EXPLANATION		CURRENT RATE	[illegible]	[illegible]																			
BEGINNING CHANGE		[illegible]	N/A	[illegible]																			
COMPOUNDED ANNUAL		[illegible]	[illegible]	[illegible]																			

Exhibit B

Legal Description

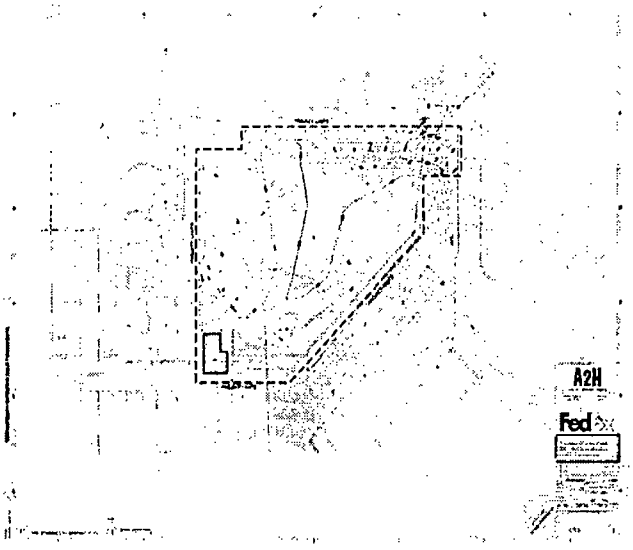


Exhibit B

Leased Premises/Unimproved Ground

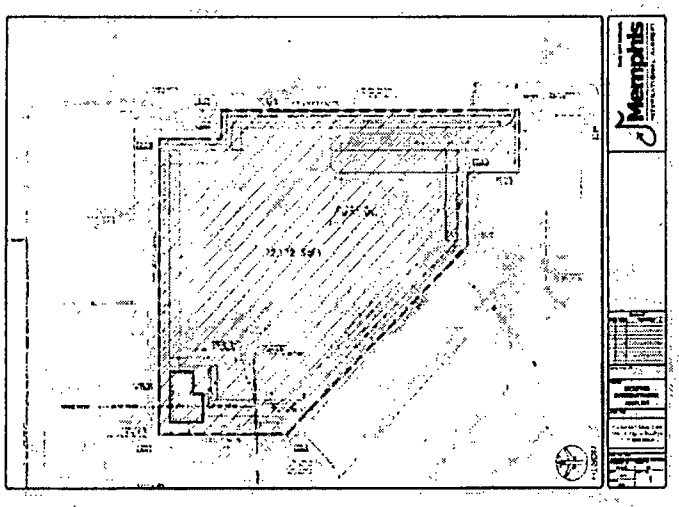
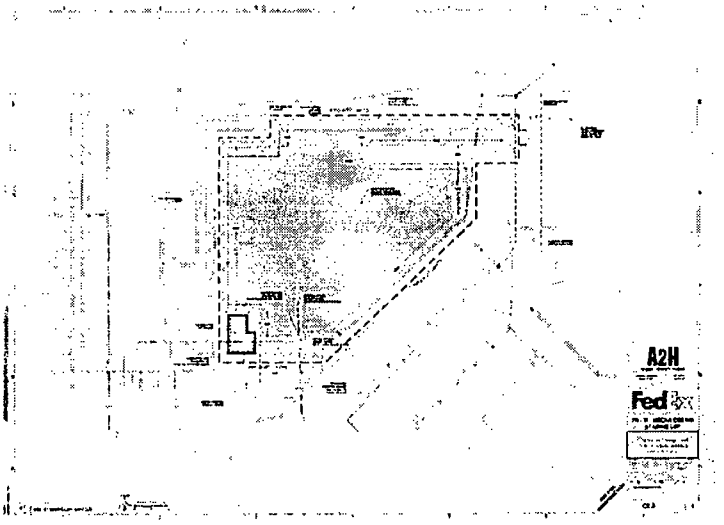


Exhibit C

Leasehold Improvements



Unimproved Land Improvements/Fedfex GSF, MXI

a Asphalt Paving

b Lighting

c Install Guard Shack with Electrical Power

SEPARATION AND RELEASE AGREEMENT

This Separation and Release Agreement (this "**Agreement**") by and between FedEx Corporation ("**Company**"), and Christine P. Richards ("**Employee**"), is being offered to Employee on July 19, 2017 (the "**Offer Date**") and may be accepted by Employee by signing the Agreement without change and returning it to the Company no later than July 20, 2017 (the "**Offer Expiration Date**"). The date on which Employee executes this Agreement shall be its "**Effective Date**".

RECITALS

WHEREAS, Employee is currently employed by the Company as the Executive Vice President, General Counsel and Secretary, and

WHEREAS, Employee has decided to retire from her position as employee of the Company at the end of the day on September 30, 2017 (the "**Separation Date**"), and

WHEREAS, this Agreement contains a general release of claims that Employee may have against the Company and its subsidiaries (collectively, the "**FedEx Group**") and their respective affiliates and related parties, and by delivery hereof, Employee is hereby notified and acknowledges her understanding that Employee's execution of this Agreement (including the Release Affirmation set forth as Exhibit A hereto) is required for Employee to receive any of the payments and benefits set forth herein, and

WHEREAS, the parties intend for this Agreement to supersede any and all prior agreements that Employee has with any member of the FedEx Group relating to the terms and conditions of her employment with the FedEx Group following the Effective Date

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are mutually acknowledged, Company and Employee hereby agree as follows:

Section 1. **Employment Status.**

(a) General. Employee hereby acknowledges and agrees that her retirement from service with the Company and from each other position she holds as an officer, director, committee member, or other service provider of any member of the FedEx Group will become effective as of the Separation Date. Except as otherwise expressly set forth herein, Employee shall not represent herself after the Separation Date as being an employee, officer, director, agent, or representative of the Company or any other member of the FedEx Group for any purpose, except as otherwise provided herein. The Separation Date shall be the termination date of Employee's employment for purposes of participation in and coverage under all benefit plans and programs sponsored by or through the FedEx Group, except as otherwise provided herein. The terms and conditions set forth herein shall exclusively govern Employee's continued employment with the Company from and after the Effective Date

(b) Duties. During the period commencing on the Offer Date and ending on the Separation Date (the "**Transition Period**"), Employee shall continue to perform such duties as assigned by the Company as consistent with her position as Executive Vice President, General Counsel and Secretary of the Company.

(c) Compensation and Benefits. During the Transition Period, Employee will continue to receive her current base salary, to participate in the health insurance and other benefit plans of the FedEx Group in which she currently participates, and to receive the perquisites and other personal benefits currently provided to her, subject in all cases to the discretion of the Company to amend or terminate any or all of such plans or arrangements at any time and from time to time in accordance with the terms thereof.

Section 2. Separation Payments and Benefits.

(a) Accrued Amounts. Following the Separation Date, Employee will be paid or provided all accrued but unpaid base salary and approved unreimbursed business expenses through the Separation Date, if any, regardless of whether this Agreement becomes effective. In addition, Employee shall be entitled to all benefits accrued up to the Separation Date, to the extent vested, under all employee benefit or bonus plans of the FedEx Group in which Employee participates (except for any plan that provides for severance pay or termination benefits) in accordance with the terms of such plans, and any other amounts required to be paid pursuant to applicable law. For the avoidance of doubt, following the date on which the Employee's coverage under the group health plan would otherwise terminate, Employee shall be entitled to enroll in COBRA continuation coverage under the Company's group health plan, as provided under the applicable law, at her expense or alternatively, the retiree medical health plan. Information about electing COBRA coverage will be provided to Employee in connection with her separation from service in accordance with the Company's customary practices.

(b) Severance Payment. In consideration for and subject to the terms contained herein, including Employee's timely execution and non-revocation of this Agreement and the release and waiver of claims set forth on Exhibit A hereto and made a part hereof (the "**Release Affirmation**") and continued service to the Company through the Separation Date, Employee will be entitled to (i) receive and retain a lump sum cash severance amount equal to Seven hundred fifty-three thousand and nine hundred dollars ($753,900.00) which will be paid to Employee through the Company's payroll on or before, October 31, 2017, and (ii) retain the mobile phone and mobile phone number provided by the Company for the Employee's use during the term of employment. In addition, the Company will provide monitoring of Employee's home security system through December 31, 2017.

(c) No Further Benefits. Except with respect to Unreleased Claims, Employee hereby acknowledges and agrees that the severance payment provided pursuant to this Section 2 is in full discharge of any and all liabilities and obligations of the FedEx Group to her, monetarily or with respect to employee benefits or otherwise, including but not limited to any and all obligations arising under any written or oral agreement, policy, plan, or procedure of the FedEx Group or any understanding or arrangement between Employee and the FedEx Group.

(d) Equity Plans. Employee shall retire at the end of the day on September 30, 2017. Accordingly, Employee may exercise any options granted under the Company's stock incentive plans which are vested and exercisable as of that date to the extent provided and in accordance with the provisions of such stock incentive plans. Employee will vest in any restricted stock she may have been granted in accordance with the terms of the equity incentive plans. Employee will not be eligible for additional grants of stock options or restricted stock following the Effective Date.

(e) Tax Return. In addition to the special severance payment described in paragraph 2(a), the Company will reimburse Employee for the actual cost of preparing and filing her 2017 income tax returns in accordance with the generally applicable policies for reimbursing officers of the Company, or such costs, provided that Employee submits such request for reimbursement in writing no later than May 31, 2018.

(f) Taxes. The payments referenced in Section 2 will be subject to reduction for tax and other withholding obligations.

Section 3. Release and Waiver of Claims.

(a) Definitions. As used in this Agreement, the term "claims" will include all claims, covenants, warranties, promises, undertakings, actions, suits, causes of action, obligations, debts, accounts, attorneys' fees, judgments, losses, and liabilities, of whatsoever kind or nature, in law, equity, or otherwise.

(b) Release. In consideration of the payments and benefits described in this Agreement, to which Employee agrees that Employee is not entitled unless she executes this Release and the Release Affirmation, and unless it becomes effective in accordance with the terms hereof, Employee, for and on behalf of herself and her heirs, successors and assigns (collectively, the "**Releasors**"), subject to the last sentence of this Section 3(b), hereby waives and releases all common law, statutory, and other complaints, claims, charges, and causes of action of any kind whatsoever, whether known or unknown, in law or in equity, that Employee ever had, now has, or may have against the Company and its shareholders, parents, subsidiaries, affiliates, predecessors, successors, assigns, directors, officers, partners, members, managers, employees, trustees (in their official capacities), employee benefit plans and their administrators and fiduciaries (in their official capacities), representatives, or agents, or any of their affiliates, successors, or assigns (collectively, the "**Releasees**"), by reason of facts or omissions that have occurred on or prior to the date that Employee signs this Agreement, including, without limitation, any complaint, charge or cause of action arising out of Employee's employment or termination of employment, or any term or condition of that employment, or arising under federal, state, local, or foreign laws pertaining to employment, the National Labor Relations Act, the Civil Rights Act of 1991, the Americans With Disabilities Act of 1990, Title VII of the Civil Rights Act of 1964, the Employee Retirement Income Security Act of 1974, the Family and Medical Leave Act, the Sarbanes-Oxley Act of 2002, all as amended, or any other federal, state, local, or foreign laws relating to discrimination on the basis of age, sex, or other protected class, all claims under federal, state, local, or foreign laws for express or implied breach of contract, wrongful discharge, defamation, or intentional infliction of emotional distress, and all related claims for attorneys' fees and costs. Except with respect to Unreleased Claims (as defined

her out. Employee agrees that the foregoing release may be pleaded as a full defense to any action, suit, arbitration, or other proceeding covered by the terms hereof that is or may be initiated, prosecuted, or maintained by the Releasors. Employee acknowledges that she intends to waive and release all rights, known or unknown, that she may have against the Releasees under these or any other laws, provided, that expressly excluded from this release are (i) any claim to enforce any rights Employee has under this Agreement, including the right to any severance payment under this Agreement, and (ii) rights that cannot be released as a matter of law (collectively, the "Unreleased Claims").

(c) No Claims. Employee acknowledges and agrees that as of the date she executes this Agreement, she has no knowledge of any facts or circumstances that give rise or could give rise to any claims under any of the laws waived in the preceding paragraph.

(d) Acknowledgment of Full and Final Release. Employee acknowledges and agrees that by virtue of the foregoing, she has waived any relief available to her (including without limitation, monetary damages, equitable relief, and reinstatement) under any of the claims or causes of action waived in this Section 3.

(e) Release Affirmation. Employee acknowledges and agrees that she must also execute and deliver to the Company the Release Affirmation set forth on Exhibit A hereto, which contains a bring-down of Employee's release of claims set forth in this Section 3 as it relates to claims arising through the date on which the Release Affirmation is executed, as well as a release of claims under the Age Discrimination in Employment Act, a law that prohibits discrimination on the basis of age.

(f) Company Release of Claims. The Company hereby releases Employee from any and all liabilities, claims and causes of action arising, or which may arise in the future, from or in connection with her employment with the Company. The Company agrees to indemnify and hold harmless Employee from and against any and all liabilities, claims, costs and expenses, including reasonable attorneys' fees, in any matter arising out of or in connection with her employment with the Company provided that Employee was acting within the scope and course of her employment with respect to such matter.

(g) Mutual Non-Disparagement. The Company and Employee agree that, at all times following the signing of this Agreement, the Company and Employee shall not engage in any vilification of the other and shall refrain from making any false, negative, critical or disparaging statements, implied or expressed, concerning the other including, but not limited to, management or communication style, methods of doing business, the quality of products and services, or role in the community. The Company and Employee further agree to do nothing that would damage the other's business reputation or goodwill or the reputation of Employee or the Company.

Section 4. Knowing and Voluntary Waiver.

Employee expressly acknowledges and agrees that she —

(a) is able to read the language and understand the meaning and effect of this Agreement;

(b) Has no physical or mental impairment of any kind that interferes with her ability to read and understand the meaning of this Agreement or its terms, and that she is not acting under the influence of any medication, drug, or chemical of any type in entering into this Agreement

(c) Is specifically agreeing to the terms of the release contained in this Agreement because the Company has agreed to provide her with the severance payments and benefits provided by this Agreement, which they have agreed to provide her because of her agreement to accept this full settlement of all possible claims that she is releasing hereunder,

(d) Acknowledges that, but for her timely execution and non-revocation of this Agreement and the Release Affirmation, she would not be entitled to the severance payment provided by this Agreement

(e) Had or could have had until the Offer Expiration Date in which to review and consider this Agreement, and that if she executes this Agreement prior to the Offer Expiration Date, she has voluntarily and knowingly waived the remainder of the review period

(f) Was advised to consult with her attorney regarding the terms and effect of this Agreement, and

(g) Has signed this Agreement knowingly and voluntarily

Section 5 No Suit.

Employee represents and warrants that she has not previously filed, and to the maximum extent permitted by law agrees that she will not file, a complaint, charge, or lawsuit against any of the Releasees regarding any of the claims released herein. If, notwithstanding this representation and warranty, Employee has filed or files such a complaint, charge, or lawsuit, Employee agrees that she shall cause such complaint, charge or lawsuit to be dismissed with prejudice and shall pay any and all costs required in obtaining dismissal of such complaint, charge, or lawsuit, including, without limitation, the attorneys' fees of any of the Releasees against whom Employee has filed such a complaint, charge, or lawsuit

Section 6 No Re-Employment and Non-Compete.

(a) No Re-Employment. Employee hereby agrees to waive any and all claims to re-employment with the FedEx Group. Employee affirmatively agrees not to seek further employment with the FedEx Group

(b) Restrictive Covenant. Employee covenants and agrees that she will not, for a period of one year following the Separation Date, engage as a principal, employee, agent, consultant, independent contractor or in any capacity whatsoever with a Competitor of the Company. The Company shall be entitled to enforcement of this covenant by court injunction. For this purpose, "Competitor" shall include UPS, DHL, USPS and Amazon.com, or any of their respective subsidiaries and affiliates

Section 7 Successors and Assigns.

The parties acknowledge and agree that this Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, legal representatives, successors, and permitted assigns

Section 8 Severability

If any provision of this Agreement shall be held by any court of competent jurisdiction to be illegal, void, or unenforceable such provision shall be of no force and effect The illegality or unenforceability of such provision, however, shall have no effect upon and shall not impair the enforceability of any other provision of this Agreement

Section 9 Confidentiality.

Employee acknowledges that during her period of employment with the Company, she was in possession of the Company's valuable, confidential and proprietary information Accordingly, Employee agrees that all such information shall remain the exclusive property of the Company and she agrees to hold all such information in the strictest confidence Employee shall not communicate any such information in any form to any third party without the Company's prior written consent

Employee understands that nothing contained in this Agreement or the Release Affirmation limits Employee's ability to file a charge or complaint with the Equal Employment Opportunity Commission the National Labor Relations Board, the Occupational Safety and Health Administration the Securities and Exchange Commission, or any other federal, state or local governmental agency or commission ("Government Agencies") Employee further understands that this Agreement does not limit Employee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information without notice to the Company This Agreement does not limit Employee's right to receive an award for information provided to any Government Agencies or to engage in any future activities protected under whistleblower statutes

Notwithstanding anything in this Agreement to the contrary, Employee may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (i) is made (a) in confidence to a Government Agency or official thereof, either directly or indirectly, or to any attorney, and (b) for the purpose of reporting or investigating a suspected violation of law, or (ii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding Furthermore Employee understands an individual who files a lawsuit alleging retaliation by the Company for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal and does not disclose the trade secret except pursuant to court order

Section 10 **Litigation Support.**

Upon the request of the Company's Executive Vice President and General Counsel, Employee shall make herself reasonably available to assist, give testimony, and review discovery requests in connection with litigation or other disputes involving Company. If such services are requested, Employee will be compensated five hundred dollars ($500.00) per day for such services as an independent contractor. In addition Company will reimburse Employee for any required travel expenses consistent with FedEx's expense reimbursement policies and procedures.

Section 11 **Non-Admission.**

Nothing contained in this Agreement will be deemed or construed as an admission of wrongdoing or liability on the part of Employee or the Company.

Section 12 **Entire Agreement.**

This Agreement constitutes the entire understanding and agreement between Employee and the Company regarding the termination of Employee's employment. This Agreement supersedes all prior negotiations, discussions, correspondence, communications, understandings, and agreements between Employee and any member of the FedEx Group and all benefit plans of the FedEx Group relating to the subject matter of this Agreement.

Section 13 **Modifications.**

This Agreement may not be modified or amended, nor may any rights under it be waived, except in a writing signed and agreed to by the parties hereto.

Section 14 **Governing Law; Jurisdiction.**

EXCEPT WHERE PREEMPTED BY FEDERAL LAW, THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TENNESSEE APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN THAT STATE, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

* * *

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth below.

FEDEX CORPORATION

/s/ Frederick W. Smith

Name	Frederick W. Smith
Title	Chairman of the Board and Chief Executive Officer

/s/ Christine P. Richards

Christine P. Richards
Dated: July 19, 2017

Signature page to Christine P. Richards Separation Agreement

RELEASE AFFIRMATION

Section 1 Opportunity for Review; Acceptance.

Employee shall have until the twenty-first (21st) day following the Separation Date (the "**Review Period**") to review and consider this Release Affirmation. To accept this Release Affirmation and the terms and conditions contained herein, Employee must execute and date this Release Affirmation where indicated below and return the executed copy of this Release Affirmation to the Company prior to the expiration of the Review Period, but no earlier than the Separation Date. Notwithstanding anything contained herein to the contrary, this Release Affirmation will not become effective or enforceable for a period of seven (7) calendar days following the date of its execution and delivery to the Company (the "**Revocation Period**"), during which time Employee may further review and consider the Release Affirmation and revoke her acceptance of this Release Affirmation by notifying the Company in writing. To be effective, such revocation must be received no later than the last day of the Revocation Period. Provided that the Release Affirmation is timely executed and Employee has not timely revoked it, the eighth (8th) day following the date on which the Release Affirmation is executed and delivered to the Company shall be its effective date. In the event of Employee's failure to timely execute and deliver this Release Affirmation or her subsequent revocation of this Release Affirmation during the Revocation Period, *this Release Affirmation will be null and void and of no effect and Employee shall not be entitled to any payments or benefits under the Agreement that are conditioned upon the execution of a release of claims* (which for purposes of clarification shall include any and all payments and benefits otherwise owing to Employee thereunder following the Separation Date).

Section 2 Affirmation of Release; ADEA Release.

(a) Affirmation of General Release. Employee hereby extends and affirms her release of claims against the Releasees as set forth in Sections 1-5 of the Agreement, as if made on the date on which she signs this Release Affirmation (the "**Affirmation Date**"), such that Employee hereby waives and releases all such claims arising through the Affirmation Date.

(b) ADEA Release. In addition to the general release of claims affirmed in Section 2(a) above, Employee hereby waives and releases all claims that Employee ever had, now has, or may have against the Releasees by reason of facts or omissions that have occurred on or prior to the Affirmation Date arising under the Age Discrimination in Employment Act of 1967 or the Older Workers Benefit Protection Act (collectively, "**ADEA**," a law that prohibits discrimination on the basis of age).

(c) EEOC Investigations. Notwithstanding the generality of the foregoing, nothing in the Agreement shall prevent the Employee from filing a charge or complaint against any Releasee with the Equal Employment Opportunity Commission to challenge the validity of the waiver of her claims under the ADEA contained in this Release Affirmation, or participating in any investigation or proceeding conducted by the Commission.

* * *

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5%. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under MCC Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B. 1 .a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5%ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

[ ]Yes [x] No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

_____

_____

_____

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX B

BUILDING CODE SCOFFLAW/PROBLEM LANDLORD CERTIFICATION

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5% (an "Owner"). It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

1. Pursuant to MCC Section 2-154-010, is the Applicant or any Owner identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

   [ ]Yes [x] No

2. If the Applicant is a legal entity publicly traded on any exchange, is any officer or director of the Applicant identified as a building code scofflaw or problem landlord pursuant to MCC Section 2-92-416?

   [ ] Yes [x] No [ ] The Applicant is not publicly traded on any exchange.

3. If yes to (1) or (2) above, please identify below the name of each person or legal entity identified as a building code scofflaw or problem landlord and the address of each building or buildings to which the pertinent code violations apply.

_____

_____

_____

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute Appendices A and B **on behalf of the Disclosing Party**, and (2) warrants that all certifications and statements contained in Appendices A and B are true, accurate and complete as of the date furnished to the City.

____Federal Express Corporation_____
Print or type the name of the Applicant

___FedEx Corporation_____ _____
Print or type exact legal name of Disclosing Party Date

By:_____ (*Sign here*) Title _____ of
Check One: ___ Applicant or _____Disclosing Party

Print or type name of person signing _____

Signed and sworn to before me on (date)_____

at _____ **County,** _____ **(state).**

Notary Public _____

Commission expires _____