

Appendix C

The Five Party Agreement and the LFMP Term Sheet



181354



CONTRACT

**AMONG THE CITY OF DALLAS, THE CITY OF FORT WORTH, SOUTHWEST AIRLINES CO.,
AMERICAN AIRLINES, INC., AND
DFW INTERNATIONAL AIRPORT BOARD INCORPORATING THE SUBSTANCE OF THE
TERMS OF THE JUNE 15, 2006 JOINT STATEMENT BETWEEN THE PARTIES TO RESOLVE
THE "WRIGHT AMENDMENT" ISSUES**

WHEREAS, certain Members of the United States Congress have introduced legislation to either repeal or further modify the restrictions of the Wright Amendment, as amended by the 1997 Shelby Amendment and the 2005 Amendment (herein referred to as the "Wright Amendment"), or prohibit commercial air passenger service at Dallas Love Field Airport ("Love Field"); and

WHEREAS, certain Congressional leaders informed the Cities of Dallas and Fort Worth (collectively, the "Cities") that it would be preferable for the Cities to present a local solution for addressing airport issues in the North Central Texas region and particularly, in the Dallas/ Fort Worth metropolitan area, prior to any further action being taken by Congress that would directly impact aviation services in the region; and

WHEREAS, in response to various pending and proposed Congressional actions that would further affect, modify, or repeal the Wright Amendment, the City Councils of Dallas and Fort Worth, on March 8, 2006 and March 7, 2006, respectively, passed a Concurrent Resolution (identified as Dallas Resolution No. 06-0870 and Fort Worth Resolution No. 3319-03-2006), requesting members of the United States Congress to refrain from taking any action regarding, or making any further amendments to, the Wright Amendment in order to allow the Cities an opportunity to work towards a local solution for addressing airport issues in the North Central Texas region, and to present a mutually agreed upon plan to the Congress for its consideration; and

WHEREAS, the City of Dallas, pursuant to Resolution No. 06-0997, adopted April 6, 2006, commissioned an Impact Analysis/Master Plan Update for Love Field by DMJM Aviation, Inc. to provide updated information and analysis as to aircraft noise, air quality, traffic impact, and economic impact at Love Field if the Wright Amendment were repealed or substantially modified; and

WHEREAS, the Love Field Impact Analysis Update prepared by DMJM Aviation, Inc. and GRA, Inc. found that, in the absence of the Wright Amendment, the overall impacts of operating 20 gates at Love Field under a "No Wright Amendment scenario" are the most comparable to the environmental thresholds agreed to and established in the 2001 Master Plan/Impact Analysis 32 gate scenario with the Wright Amendment in place; and

WHEREAS, earlier this year, the Honorable Laura Miller, Mayor of Dallas, and the Honorable Mike Moncrief, Mayor of Fort Worth, held a series of meetings with interested parties in an effort to reach a local agreement regarding Love Field that would end the prolonged and divisive controversies between the two Cities and that would serve and protect the interests of all citizens of the Dallas-Fort Worth area, including

residents living in the vicinity of Love Field, as well as business, consumer, and other constituencies affected by the Love Field controversies; and

WHEREAS, after investigation and analysis of the available facts and giving due consideration to the economic, environmental, and personal welfare and interests of their respective residents, the general public, and the holders of DFW Airport Joint Revenue Bonds, the Cities of Dallas and Fort Worth conferred, deliberated, and agreed to a local solution regarding the Wright Amendment and related matters that best serves such interests given the likelihood that Congress could take action to repeal or substantially modify the Wright Amendment; and

WHEREAS, the Mayors, in consultation with other leaders in the two cities, first were able to reach a basic agreement between themselves and with representatives of the Dallas/Fort Worth International Airport Board ("DFW Board"); and

WHEREAS, the Mayors, representatives of the DFW Board, and other governmental officials then met separately with Southwest Airlines and American Airlines to advise those airlines that the local governments would announce a local solution and recommend it to Congress and that they wanted the airlines to consent to, and endorse, the local solution; and

WHEREAS, the Mayors and representatives of the DFW Board thereafter conducted certain limited negotiations separately with Southwest Airlines and American Airlines; and

WHEREAS, Southwest Airlines and American Airlines concluded, separately, that the local solution reached among, and urged upon them by, the local governments would be favorably received by the Congress, and that under the circumstances presented, the airlines should support the effort of the Cities and the DFW Board and acquiesce in, and agree to support, the local solution; and

WHEREAS, the City Councils of Dallas and Fort Worth, on June 28, 2006 and July 11, 2006, respectively, passed a Concurrent Resolution (identified as Dallas Resolution No. 06-1838 and Fort Worth Resolution No. 3386-07-2006) and the DFW Board on June 29, 2006 passed Resolution No. 2006-06-210, approving the Joint Statement signed by the City of Dallas, City of Fort Worth, Southwest Airlines, American Airlines, and the DFW Board on June 15, 2006, authorizing the execution of this Contract between the Parties incorporating the substance of the Joint Statement, and requesting the United States Congress to enact legislation consistent therewith;

Therefore, the Parties agree as follows:

ARTICLE I.

1. The City of Dallas, the City of Fort Worth, Southwest Airlines, American Airlines, and DFW Board, (herein, the "Parties.") agree to seek the enactment of legislation to allow for the full implementation of this Contract including, but not limited to, amending section 29 of the International Air Transportation Competition Act of 1979, more commonly known as the "Wright Amendment" and ultimately effect its repeal as follows:
 - a. To immediately allow airlines serving Love Field to offer through ticketing between Love Field and any destinations (including international destinations) through any point in Texas, New Mexico, Oklahoma, Kansas, Arkansas, Louisiana, Mississippi, Missouri, and Alabama, and to market such services;

- b. Except as provided herein, to eliminate all the remaining restrictions on air service from Love Field after eight years from the enactment of legislation; and
 - c. To limit charter flights as set forth in Article II, Section 16 of this Contract.
2. The Parties agree that non-stop international commercial passenger service to and from the Dallas-Fort Worth area shall be limited exclusively to DFW International Airport ("DFW Airport"). The Cities shall work jointly to encourage all such flights into DFW Airport.
 3. The Parties agree that consistent with a revised Love Field Master Plan, based upon the 2006 Love Field Impact Analysis Update prepared by DMJM Aviation, Inc., the number of gates available for passenger air service at Love Field will be, as soon as practicable, reduced from the 32 gates envisioned in the 2001 Love Field Master Plan to 20 gates and that Love Field will thereafter be limited permanently to a maximum of 20 gates.

a. Airlines may not subdivide a "gate." A gate shall consist of one passenger hold room and one passenger loading jet bridge supporting one aircraft parking space, and no hardstand operations, except as allowed herein, shall be permitted. Nothing shall preclude any airline from utilizing hardstands for RON parking, maintenance, training, or for irregular operations (i.e. flights that were scheduled originally for one of the twenty available gates and cannot be accommodated thereon due to weather, maintenance or unforeseen emergencies), or other uses that do not involve passenger air service.

b. American Airlines and Southwest Airlines agree to voluntarily surrender gate rights under existing leases in order to reduce the number of gates as necessary to implement this agreement. During the four year period from the date the legislation as provided herein is signed into law: Southwest Airlines shall have the preferential use of 15 gates under its existing lease to be used for passenger operations; American Airlines shall have the preferential use of 3 gates under its existing lease to be used for passenger operations; and ExpressJet Airlines, Inc., shall have the preferential use of 2 gates under its existing lease to be used for passenger operations. Thereafter, Southwest Airlines shall have the preferential use of 16 gates under its existing lease to be used for passenger operations; American Airlines shall have the preferential use of 2 gates under its existing lease to be used for passenger operations; and ExpressJet Airlines, Inc., shall have the preferential use of 2 gates under its existing lease to be used for passenger operations. In consideration of Southwest Airlines' substantial divestment of gates at Love Field and the need to renovate or reconstruct significant portions of the concourses, Southwest Airlines shall have the sole discretion (after consultation with the City) to determine which of its gates it uses within its existing leasehold at Love Field during all phases of reconstruction. Upon the earlier of (i) the completion of the concourse renovation, or (ii) 4 years from the date the legislation as provided herein is signed into law, all Parties agree that facilities will be modified as necessary, up to and including demolition, to ensure that Love Field can accommodate only 20 gates for passenger service. To the extent a new entrant carrier seeks to enter Love Field, the City of Dallas will seek voluntary accommodation from its existing carriers to accommodate the new entrant service. If the existing carriers are not able or are not willing to accommodate the new entrant service, then the City of Dallas agrees to require the sharing of preferential lease gates, pursuant to Dallas' existing lease agreements. To the extent that any existing airline gates leased at Love Field revert to the City of Dallas, these gates shall be converted to common use during the existing term of the lease.

4. The City of Dallas agrees that it will negotiate a voluntary noise curfew at Love Field precluding scheduling passenger airline flights between 11 p.m. and 6 a.m. Southwest Airlines and American Airlines shall enter into agreements with respect thereto with the City of Dallas.
5. The City of Dallas agrees that it will significantly redevelop portions of Love Field, including the modernization of the main terminal, consistent with a revised Love Field Master Plan based upon the Love Field Impact Analysis Update prepared by DMJM Aviation, Inc. (the "Love Field Modernization Program" or "LFMP"). In addition, the City agrees that it will acquire all or a portion of the lease on the Lemmon Avenue facility, up to and including condemnation, necessary to fulfill its obligations under this Contract. The City of Dallas further agrees to the demolition of the gates at the Lemmon Avenue facility immediately upon acquisition of the current lease to ensure that that facility can never again be used for passenger service.

The Parties agree that a minimum investment of \$150 million and up to a maximum of \$200 million in 2006 dollars (the "Spending Cap"), as adjusted for inflation, will be made by the City of Dallas for the LFMP, and that the capital and operating costs for the LFMP may be recovered through increased landing fees, space rental charges, or Passenger Facility Charges ("PFCs"). The Parties contemplate that financing the LFMP will include both the retirement of existing debt and the issuance of new debt for the LFMP.

The Spending Cap shall be exclusive of the costs connected with the acquisition and demolition of the Lemmon Avenue gates and of the capital costs associated with the development and construction of a "people mover" connector to the DART mass transit system ("the Connector"). The costs for the acquisition and demolition of the Lemmon Avenue gates will be recovered from airport users, but the capital costs for the Connector may not be included in airline terminal rents or landing fees, except as expressly provided for herein below. The City of Dallas may seek approval to use PFC revenues for the Connector, and Southwest Airlines agrees to support such application. The City of Dallas shall, in addition, seek state, federal, DART, and any other available public funds to supplement such PFC funds; provided, however, that nothing herein shall obligate the City of Dallas to undertake the Connector project. Notwithstanding the preceding, in the event PFC funds are not approved for the Connector, the City of Dallas may use airport funds for the Connector; provided, however, if airport funds are used for the Connector, the City of Dallas shall be obligated to apply for, and use, PFCs to pay for PFC eligible portions of the LFMP. In any event, the combined total spending for both the LFMP and the Connector, exclusive of PFCs, shall not exceed the Spending Cap, except as provided immediately below.

In the event that PFCs are not approved for either the Connector or the LFMP, as provided herein, terminal rents and landing fees may be used for such improvements, thus exceeding the Spending Cap; provided, however, that the City shall use its best efforts to seek and use PFCs, state, federal, DART, and any other available public funds (other than City of Dallas general funds) as the only sources of funding for the Connector and to avoid impacting terminal rents and landing fees.

Except as otherwise provided herein, capital costs in excess of the aforementioned Spending Cap that impact terminal rents and landing fees shall be subject to agreement between Southwest Airlines and the City of Dallas, except that, following consultation with Southwest Airlines, the City of Dallas may proceed with necessary projects required for reasons of safety, security, normal maintenance and repair, or federal mandate, and such costs may be included in terminal rents and

landing fees. The operating reserve of Love Field shall never exceed one year's operating costs (operating and maintenance plus debt service) during the term of Southwest Airlines' lease.

To recover the costs of the LFMP, the City of Dallas shall negotiate amendments of the Leases of Terminal Building Premises previously entered into with Southwest Airlines, American Airlines, and ExpressJet Airlines, Inc., and will also adopt City ordinances modifying the terminal rents and landing fees to be paid by airline users of Love Field.

Southwest Airlines and the City of Dallas shall agree on a phase-in of the LFMP and will decide which party will fund and manage the construction of the LFMP. Southwest Airlines' expenditures for its share of the LFMP's capital costs shall be credited toward the minimum and maximum requirements. To the extent possible, the LFMP shall be completed by the expiration of the 8-year period.

6. The Cities agree that they will both oppose efforts to initiate commercial passenger air service at any area airport other than DFW Airport (and Love Field, subject to the provisions contained herein) during the eight-year period. "Commercial passenger air service" does not include a spaceport or air taxi service as defined by Part 135 of the Federal Aviation Regulations. The Cities agree to jointly oppose any attempts to repeal or further modify the Wright Amendment earlier than the eight-year period. To the extent any other airport within an eighty-mile radius of Love Field seeks to initiate scheduled commercial passenger service within this eight-year period, both the Cities agree to work diligently to bring that service to DFW Airport, or if that effort fails, then to airports owned by the Cities of Dallas and/or Fort Worth.
7. The continuation of this Contract beyond December 31, 2006, is conditioned on Congress having enacted legislation prior thereto, allowing the Parties to implement the terms and spirit of this Contract. It is the position of the Parties that Congress should not exempt additional states from the Wright Amendment during the eight-year period before it is eliminated.
8. This Contract shall not be modified except upon mutual agreement of all of the Parties.
9. The Cities acknowledge their outstanding DFW Airport bond covenants, to the extent such covenants are legally enforceable, and nothing in this Contract is intended to nor shall contravene such covenants. By the execution of this Contract, Southwest Airlines does not surrender any of its rights to operate at Love Field except as explicitly outlined in this Contract.
10. If Southwest Airlines or its affiliate or code share partner (except for published/scheduled code share service from DFW Airport to Midway Airport as of June 14, 2006) chooses to operate passenger service from another airport within an 80-mile radius of Love Field in addition to its operations at Love Field, then for every such gate which Southwest Airlines, its affiliate or code share partner, operates or uses at another airport within this radius, Southwest Airlines will voluntarily relinquish control of an equivalent number of gates at Love Field, up to 8 gates and such gates shall be made available to other carriers. If other carriers are not interested in these gates, then they can be made available to Southwest Airlines for its use on a common use basis. This requirement to relinquish gates shall expire in 2025. This provision shall not apply to a code share partner not operating under Southwest Airlines' or its affiliates' code at an airport within this 80-mile radius.

11. If American Airlines or its affiliate or code share partner chooses to operate passenger service from another airport within an 80-mile radius of Love Field in addition to its operations at DFW Airport and Love Field, then for every such gate which American Airlines, its affiliate or code share partner, operates or uses at another airport within this radius except for DFW Airport and Love Field, American Airlines will voluntarily relinquish control of an equivalent number of gates at Love Field, up to one and one-half gates and such gates shall be made available to other carriers. If other carriers are not interested in these gates, then they can be made available to American Airlines for its use on a common use basis. This requirement to relinquish gates shall expire in 2025. This provision shall not apply to a code share partner not operating under American Airlines' or its affiliates' code at an airport within this 80-mile radius.
12. Each carrier shall enter into separate agreements and take such actions, as necessary or appropriate, to implement its obligations under this Contract. Similarly, the Cities shall enter into such agreements and take such actions, as necessary or appropriate, to implement the Contract. All such agreements and actions are subject to the requirements of law. Such agreements shall include amendments to: (i) American Airlines' Love Field terminal lease; and (ii) Southwest Airlines' Love Field terminal lease. The City of Dallas shall develop a revised Love Field Master Plan consistent with this Contract.
13. In the event that Congress at any time, enacts legislation that repeals the Wright Amendment sooner than the eight years identified in paragraph 1.b. of Article I. herein, or authorizes service (except for through ticketing service as contemplated by paragraph 1.a. of Article I. herein) between Love Field and one or more domestic or international destinations other than those currently allowed under the Wright Amendment during the eight year period, and if Southwest Airlines or its affiliate or code share partner commences non-stop service to or from Love Field to a destination not currently allowed under the Wright Amendment, then Southwest Airlines will voluntarily relinquish control of 8 gates and such gates will be made available to other carriers. If other carriers are not interested in these gates, then they can be made available to Southwest Airlines for their use on a common use basis. This provision shall not apply to a code share partner not operating under Southwest Airlines' or its affiliates' code. Likewise, in the event that Congress, at any time, enacts legislation that repeals the Wright Amendment sooner than the eight years identified in paragraph 1.b. of Article I. herein, or authorizes service (except for through ticketing service as contemplated by paragraph 1.a. of Article I. herein) between Love Field and one or more domestic or international destinations other than those currently allowed under the Wright Amendment during the eight year period, and if American Airlines or its affiliate or code share partner commences non-stop service to or from Love Field to a destination not currently allowed under the Wright Amendment, then American Airlines will voluntarily relinquish control of half of its gates and such gates will be made available to other carriers. If other carriers are not interested in these gates, then they can be made available to American Airlines for its use on a common use basis. This provision shall not apply to a code share partner not operating under American Airlines' or its affiliates' code.
14. The Parties hereby represent to the Congress of the United States, and to the Citizens of the Dallas-Fort Worth area that they approve of and support the local solution as set forth in this Contract. The Parties each separately covenant that they will support, encourage and seek the passage of legislation necessary and appropriate to implement the terms and spirit of this Contract. The Parties each separately covenant that they will oppose any legislative effort that is inconsistent with the terms of this Contract.

15. The Parties agree that the final documentation to implement this local solution shall be consistent with all federal rules, regulations and laws. The Parties agree that for this Contract to be binding, it must be executed by all parties no later than July 15th, 2006.
16. If the U.S. Congress does not enact legislation by December 31, 2006, that would allow the Parties to implement the terms and spirit of this Contract, including, but not limited to, the 20 gate restriction at Love Field, then this Contract is null and void unless all parties agree to extend this Contract.
17. As part of this Contract, the City of Dallas agrees to grant American Airlines and Southwest Airlines options to extend their existing terminal leases until 2028.

ARTICLE II. ADDITIONAL PROVISIONS

1. SUBJECT TO FEDERAL GRANT ASSURANCES, ETC. Nothing in this Contract shall require the City of Dallas, the City of Fort Worth or the DFW Airport Board to take any action that would result in (i) the loss of eligibility for future Federal airport grants for either city or the DFW Airport Board or (ii) FAA disapproval of any Passenger Facility Charge (PFC) application for either city or the DFW Airport Board, or (iii) either city or the DFW Airport Board being found to be in non-compliance with its existing obligations under Federal aviation law.
2. FUNDING. Any capital spending obligations of the City of Dallas under this Contract for airport projects that require the expenditure of public funds or the creation of any monetary obligation shall be limited obligations, payable solely from airport revenues or the proceeds of airport revenue bonds issued by or on behalf of the City of Dallas, such revenue bonds being payable and secured by the revenues derived from the ownership and operation of Love Field. In order to satisfy its obligations hereunder, the City of Dallas agrees to use best efforts to issue and sell revenue bonds in such amounts and on terms that are commercially reasonable in the credit markets. Southwest Airlines and American Airlines hereby each agree to enter into such additional agreements that are necessary to facilitate the issuance of such revenue bonds, provided, however, nothing herein shall obligate either airline to be an obligor or guarantor of such bonds. Neither the obligations under this Contract nor the obligations with respect to such revenue bonds shall constitute a debt of the City of Dallas payable from, or require the payment or expenditure of funds of the City of Dallas from, ad valorem or other taxes imposed by the City of Dallas.
3. VENUE. The Parties agree that in the event of any litigation in connection with this Contract, or should any legal action be necessary to enforce the terms of this Contract, exclusive venue shall lie in either Dallas County, Texas or Tarrant County, Texas.
4. NON-LIABILITY FOR OTHER PARTIES' OBLIGATIONS, COSTS, AND ATTORNEYS FEES. Each Party hereunder shall only be responsible and liable for its own obligations, costs, and attorneys fees in connection with the performance of this Contract, or any dispute or litigation that may arise in connection with this Contract.
5. APPLICABLE LAWS AND REPRESENTATIONS. This Contract is made subject to the provisions of the Charter and ordinances of the cities of Dallas and Fort Worth, in existence as of the date hereof, and all applicable State and federal laws. Each City, as to itself only, represents and warrants that its existing Charter and ordinances do not preclude such City from executing this

Contract or performing its obligations under this Contract in accordance with its terms. American Airlines, Southwest Airlines and the DFW Board, each as to itself only, represent and warrant that it has the full power and authority to enter into this Contract and perform its obligations under this Contract in accordance with its terms.

6. EFFECTIVE DATE. Notwithstanding anything to the contrary herein, the Parties agree that (i) Sections 1, 7, 8, 9, 14, 15, and 16 of Article I. and all Sections of Article II. shall take effect as of the last date of execution of this Contract by any of the Parties and (ii) the remaining Sections of Article I. shall take effect on the date that legislation that would allow the Parties to implement the terms and spirit of this Contract is signed into law.

7. NON-SEVERABILITY.

(a) The terms of this Contract are not severable. Therefore, in the event any one or more of the provisions contained in this Contract shall for any reason be held to be invalid, illegal, or unenforceable in any respect, then this Contract shall be considered null and void and unenforceable, except as otherwise may be agreed to by all Parties.

(b) Notwithstanding paragraph (a) hereof, each Party shall use its best efforts to restore or replace the affected provisions so as to effectuate the original intent of the Parties.

8. COUNTERPARTS. This Contract may be executed in any number of counterparts, each of which shall be deemed an original and constitute one and the same instrument.

9. CAPTIONS. The captions to the various clauses of this Contract are for informational purposes only and shall not alter the substance of the terms and conditions of this Contract.

10. SUCCESSORS AND ASSIGNS; SUBLESSEES. This Contract shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and assigns. Further, the Parties agree that any sublessee or other entity who subleases or uses either American Airlines' or Southwest Airlines' gates at Love Field is subject to and bound by the terms of this Contract, including, but not limited to, paragraph 13 of Article I.

11. NO THIRD PARTY BENEFICIARIES. The provisions of this Contract are solely for the benefit of the Parties hereto; and nothing in this Contract, express or implied, shall create or grant any benefit, or any legal or equitable right, remedy, or claim hereunder, contractual or otherwise, to any other person or entity.

12. NOTICES. All notices required or permitted under this Contract shall be personally delivered or mailed to the respective Parties by depositing same in the United States mail, postage prepaid, at the addresses shown below, unless and until the Parties are otherwise notified in writing of a new address by any Party. Mailed notices shall be deemed communicated as of five days after mailing.

If intended for the City of Dallas:

With a copy to:

City Manager, City of Dallas
City Hall, Room 4EN
1500 Marilla Street
Dallas, Texas 75201

City Attorney, City of Dallas
Dallas City Hall, Rm. 7CN
1500 Marilla Street
Dallas, Texas 75201

If intended for the City of Fort Worth:

With a copy to:

City Manager, City of Fort Worth
1000 Throckmorton
Fort Worth, Texas 76102

City Attorney, City of Fort Worth
1000 Throckmorton
Fort Worth, Texas 76102

If intended for the DFW International
Airport Board:

With copy to:

Chief Executive Officer
DFW International Airport Board
P.O. Drawer 619428
3200 E. Airfield Drive
DFW Airport, TX 75261-9428

Legal Counsel
DFW International Airport Board
P.O. Drawer 619428
3200 E. Airfield Drive
DFW Airport, TX 75261-9428

If intended for American Airlines, Inc.:

With copy to:

Chief Executive Officer
American Airlines, Inc.
4333 Amon Carter Blvd., MD 5621
Fort Worth, Texas 76155

General Counsel
American Airlines, Inc.
4333 Amon Carter Blvd., MD 5618
Fort Worth, Texas 76155

If intended for Southwest Airlines Co.:

With copy to:

Chief Executive Officer
Southwest Airlines Co.
2702 Love Field Drive
Dallas, Texas 75235

General Counsel
Southwest Airlines Co.
2702 Love Field Drive
Dallas, Texas 75235

13. PARTIAL WAIVER OF GOVERNMENTAL IMMUNITY. The Cities and the DFW Board, by signing this Contract and to the extent permitted by law, waive their respective immunity from suit by the Parties, but only with respect to a suit to enforce this Contract by a Party seeking a restraining order, preliminary or permanent injunctive relief, specific performance, mandamus, or declaratory relief. The Cities and the DFW Board do not waive any other defense or bar against suit available to the Cities or the DFW Board.

14. NO INDIVIDUAL LIABILITY. To the extent allowed by law, no officer, agent, employee, or representative of any of the Parties shall be liable in his or her individual capacity, nor shall such person be subject to personal liability arising under this Contract.

15. LIMITATION OF REMEDIES. UNDER NO CIRCUMSTANCES SHALL ANY PARTY BE LIABLE TO ANY OTHER PARTY HEREUNDER, IN CONTRACT OR IN TORT, FOR MONETARY DAMAGES RESULTING IN WHOLE OR IN PART FOR ANY BREACH BY SUCH PARTY, WHETHER NEGLIGENT OR WITH OR WITHOUT FAULT ON ITS PART, OF ANY


PROVISION OF THIS CONTRACT. PROVIDED, HOWEVER, (AND IN EXCHANGE FOR THE FOREGOING SENTENCE), IN THE EVENT OF ANY SUCH BREACH OR THREATENED BREACH BY ANY PARTY, ALL PARTIES AGREE THAT EACH NON-BREACHING PARTY WILL BE ENTITLED TO SEEK ALL EQUITABLE REMEDIES INCLUDING, WITHOUT LIMITATION, DECREES OF SPECIFIC PERFORMANCE, RESTRAINING ORDERS, WRITS OF PRELIMINARY AND PERMANENT INJUNCTION AND MANDAMUS, AS WELL AS DECLARATORY RELIEF, TO ENFORCE THIS CONTRACT. PROVIDED, FURTHER, AS A PREREQUISITE TO THE FILING OF ANY LAWSUIT BY ANY PARTY, ALL PARTIES SHALL IN GOOD FAITH SUBMIT ANY DISPUTE TO NON-BINDING MEDIATION, WHICH MUST BE COMPLETED WITHIN 60 DAYS FROM THE DATE NOTICE REQUESTING MEDIATION IS COMMUNICATED PURSUANT TO SECTION 12. OF ARTICLE II. OF THIS CONTRACT.

16. LOVE FIELD GENERAL AVIATION, U.S. GOVERNMENT FLIGHTS AND CHARTER FLIGHTS. Nothing in this Contract is intended to affect general aviation service at Love Field, including, but not limited to, flights to or from Love Field by general aviation aircraft for air taxi service, private or sport flying, aerial photography, crop dusting, business flying, medical evacuation, flight training, police or fire fighting, and similar general aviation purposes, or by aircraft operated by any agency of the U.S. Government or by any airline under contract to any agency of the U.S. Government. Charter flights at Love Field shall be limited to destinations within the 50 United States and the District of Columbia and shall be limited to no more than ten per month per air carrier except as otherwise permitted by Section 29(c) of the Wright Amendment. All flights operated by air carriers that lease terminal gate space shall depart from and arrive at one of those leased gates. Charter flights operated by air carriers that do not lease terminal space may operate from non-terminal facilities or one of the 20 terminal gates. For the purposes of this Contract, "charter flight" shall have the meaning currently given in 14 C.F.R. 212.2 (2006). This limitation shall remain in effect permanently.


17. ENTIRE AGREEMENT. This Contract embodies the complete agreement of the Parties hereto relating to the matters in this Contract; and except as otherwise provided herein, cannot be modified without written agreement of all the Parties, to be attached to and made a part of this Contract.

EXECUTED as of this the 11th day of July, 2006.

CITY OF DALLAS, TEXAS



Mary K. Sullivan, City Manager

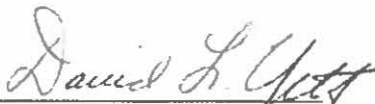
APPROVED AS TO FORM:


Thomas P. Perkins, Jr., City Attorney

CITY OF FORT WORTH, TEXAS

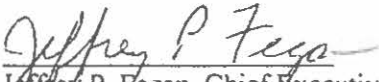
APPROVED AS TO FORM AND LEGALITY:



Charles R. Boswell, City Manager


David L. Yett, City Attorney

DALLAS/FORT WORTH INTERNATIONAL AIRPORT BOARD

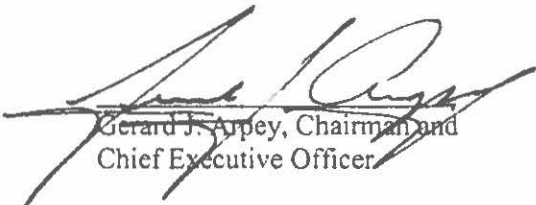
APPROVED AS TO FORM:


Jeffrey P. Fegan, Chief Executive Officer


Gary Keane, D/FW Legal Counsel

AMERICAN AIRLINES, INC.

SOUTHWEST AIRLINES CO.


Gerard J. Arpey, Chairman and Chief Executive Officer


Herbert D. Kelleher, Executive Chairman

TERM SHEET BETWEEN THE CITY OF DALLAS AND SOUTHWEST AIRLINES CO.
REGARDING THE LOVE FIELD MODERNIZATION PROGRAM

This term sheet ("Term Sheet") is entered into on this, the 25th day of June, 2008 ("Effective Date") by the City of Dallas, a Texas home rule municipal corporation, including its assigns (the "City") and Southwest Airlines Co., a Texas corporation, including its successors or assigns (in accordance with Section 12 of this Term Sheet) ("Southwest")(the City and Southwest are collectively referred to as the "Parties").

Recitals:

WHEREAS, this Term Sheet reflects the intent of the Parties to implement certain herein-described provisions of the Contract Among The City of Dallas, The City of Fort Worth, Southwest Airlines Co., American Airlines, Inc., and DFW International Airport Board Incorporating the Substance of the Terms of the June 15, 2006 Joint Statement Between the Parties to Resolve the "Wright Amendment" Issues (the "Contract"), to which the Parties are signatory, affecting Dallas Love Field (the "Airport"); and

WHEREAS, the Contract contemplates the City's implementation of the Love Field Modernization Program (the "LFMP"); and

WHEREAS, through the collaboration of Southwest's consultant, Corgan Associates, Inc. ("Corgan") and the City's consultant, Gresham Smith and Partners ("GS&P"), the Parties have developed several LFMP redevelopment options; and

WHEREAS, the Parties acknowledge and agree that, of the redevelopment options considered, Option C (herein so called), as proposed by Corgan and modified with the collaboration of GS&P, is the option that the Parties believe is best suited for the implementation of the LFMP; and

WHEREAS, Option C exceeds the Spending Cap (as defined in Section 6.c. of this Term Sheet); and

WHEREAS, this Term Sheet confirms the basis upon which the Parties shall continue to negotiate the implementation of portions of the Contract, including, but not limited to, certain conditions by which the Parties agree to exceed the Spending Cap in the manner provided for in the Contract, in order for the Parties to implement the LFMP utilizing Option C.

NOW, THEREFORE, the Parties to this Term Sheet, in consideration of the mutual covenants of the Parties hereto, hereby agree (in accordance with the provisions of Section 13 of this Term Sheet) as follows:

1. ***Scope of the LFMP.***

- a. **The LFMP Elements.** The LFMP includes the construction of all of the facilities, infrastructure systems and equipment for the operation of the future terminal complex at the Airport, including, but not limited to, the terminal building, aircraft parking apron, fueling system, roadways and terminal curbside, and other

supporting infrastructure as shown in Exhibit A attached to this Term Sheet. The Parties further agree that the LFMP consists of four elements, the "Southwest Projects", the "City Projects", the "Apron and Fuel System Projects," and the "Other Projects."

b. **The Southwest Projects.** The Southwest Projects consist of the following portions of the LFMP pertaining to the construction of the new terminal concourse and other Airport facilities, including, but not limited to:

- i. Relocations. The relocation of airlines, City departments (Department of Public Safety) and other tenants as required during the course of the Southwest Projects.
- ii. Terminal Building. The phased development of new and renovated terminal facilities including, but not limited to, a new ticketing wing, renovation of the existing main lobby, expansion and renovation of the existing baggage claim wing, the phased construction of a new concourse with 20 gates, and associated demolition of existing facilities and gates.
- iii. Airline Equipment and Finishes. Procurement and installation of baggage systems; jet bridges; and airline furniture, fixtures and equipment for the expanded terminal complex.
- iv. Early Construction and Relocation. Construction and relocation projects to be undertaken by Southwest early in the project schedule in conjunction with the LFMP, including those matters set forth on Exhibit A attached to this Term Sheet.

c. **Apron and Fuel System Projects.** Subject to the consent of the Federal Aviation Administration ("FAA"), all contracts relating to reconstruction and replacement of the existing aircraft apron at the Airport, including, but not limited to, those related to drainage and utilities, installation of a new hydrant fueling system (including, but not limited to, fuel lines, pits and valves), and the related relocation of all existing City water mains, will be entered into and managed by Southwest; provided, however, that the City shall have approval over selection of professional services related to design, construction bid process, and other services and contracts in order to ensure that all procurement procedures and design and construction contract specifications conform to the FAA's Airport Improvement Program grant requirements.

d. **The City Projects.** The City Projects include the remaining elements of the LFMP pertaining to the supporting infrastructure for the expanded terminal, including, but not limited to:

- i. Central Utility Plant Upgrades. Upgrade of the existing central utility plant to provide enhanced capacity and efficiency in delivering heating and air conditioning to the terminal complex.

- ii. Airfield Lighting Vault Relocations. Relocation of two existing airfield electrical vaults to accommodate terminal expansion.
- iii. Roadways. Expansion of the terminal area roadways, lower-level departure roadway, and upper-level arrivals roadway.
- iv. Central Receiving Facility. Construction of a new remote central receiving facility.
- e. Other Projects. The construction of any other necessary facility or improvement of the LFMP not addressed in b. and c. and d. of this Section shall be assigned by mutual agreement between the Parties.
- f. Exceptions. The Parties acknowledge and agree that the acquisition/demolition of the Lemmon Avenue terminal facility gates, the DART Connector as identified in the Contract, projects included in the City's Department of Aviation's rolling five-year capital improvement program and any necessary projects required for reasons of safety, security, normal maintenance and repair, or federal mandate are not part of the LFMP.

2. ***Creation of a Local Government Corporation ("LGC") Under Subchapter D, Ch. 431 of Texas Transportation Code.*** The City will create and may use an LGC, on behalf of the City, for the purpose of issuing bonds to finance the LFMP. The Parties have developed a proposed financing structure involving the use of the LGC to partially fund the LFMP. The narrative of the proposed financing structure is attached as Exhibit B to this Term Sheet and a flow chart showing the flow of project funds using the LGC is attached as Exhibit C to this Term Sheet. Once created and its use affirmatively determined by the City in furtherance of implementing the LFMP, the City and Southwest agree to negotiate and enter into necessary and appropriate contracts with the LGC that, among other things, allow and enable the LGC to:

- a. finance a portion of the LFMP by means of the issuance of bonds or other bond financing instruments acceptable to the Parties (the "LFMP Bond Financing");
- b. finance a portion of the LFMP from monies transferred from certain Airport revenues and other monies identified by the Parties (the "LFMP Other Financing");
- c. enter into one or more agreements with the City and Southwest or its assignee, as necessary, to: (i) make the proceeds of the LFMP Bond Financing and LFMP Other Financing available to Southwest for the purpose of design and construction of the Southwest Projects (pursuant to a special facilities lease or other agreement, as appropriate), and to the City for the purpose of the design and construction of the City Projects identified or to be identified in Section 1 above; (ii) reimburse Southwest for the Southwest LFMP Reimbursable Costs (identified in Section 3 of this Term Sheet) from the proceeds of a LFMP Bond Financing; and (iii) acknowledge and agree as to Southwest's responsibility and the City's responsibility for various major elements of the design and construction of the LFMP; and

- d. perform such other necessary functions in furtherance of the LFMP and capital development supporting the Airport generally.

3. **Reimbursement to Southwest for LFMP-Related Funds.** The Parties acknowledge and agree that Southwest will advance monies to fund certain design, program management, relocation, demolition and other costs as set forth on Exhibit A attached to this Term Sheet (the "Southwest LFMP Reimbursable Costs") prior to the issuance of the LFMP Bond Financing. The Parties agree that the Southwest LFMP Reimbursable Costs will be reimbursed from the proceeds of the initial series of bonds sold pursuant to the LFMP Bond Financing, consistent with the terms of an inducement resolution to be adopted by the City or the LGC, as further provided in Section 8 of this Term Sheet. In the event that the eligible Southwest LFMP Reimbursable Costs exceed the \$75 million cap established for such costs, the Parties will develop a procedure for reimbursing Southwest for such excess costs.

4. **Amended and Restated Lease of Terminal Building Premises.** Consistent with the Contract, the Parties will enter into an amendment and restatement of Southwest's existing "Lease of Terminal Building Premises" (the "Use and Lease Agreement") that will, among other things:

- a. express the intent of the Contract pertaining to the ongoing airline operations and use of the Airport both during and after the implementation of the LFMP;
- b. define and allocate the Airport's gates;
- c. incorporate a new rates and charges methodology set forth in Exhibit D attached to this Term Sheet;
- d. develop terms for the use of the Airport, including, but not limited to, the airfield and the terminal area aircraft parking area by Southwest consistent with the terms negotiated with other airlines using the Airport;
- e. develop guidelines for future capital improvements at the Airport; and
- f. provide such other provisions that are consistent with accomplishing the terms of the Contract.

5. **Project Development Agreement ("PDA").** Consistent with the Contract, the Parties will enter into a PDA that will, among other things:

- a. appropriately assign design, development and construction management responsibilities among the Parties;
- b. provide for the preparation of a Project Definition Manual (herein so called), a comprehensive manual developed by the Parties, which will, among other things: (i) provide for the Final Program Budget and the Final Program Schedule (both as defined in Section 6.b. of this Term Sheet); (ii) be developed with reference to the Terminal Area Redevelopment Program Study ("TARPS") but not otherwise be inconsistent with Exhibit A attached to this Term Sheet; (iii) detail the scope, the schematic layout, phasing, and general specifications of

- the LFMP; and (iv) establish the interrelationships of each of the elements of the LFMP;
- c. implement the LFMP, including, but not limited to, detailed project descriptions, construction phasing, temporary relocations and gate allocation during the LFMP's construction;
 - d. contain a process to accomplish LEED silver certification for the terminal;
 - e. provide for the implementation and coordination of the LFMP Bond Financing and the LFMP Other Financing, including, but not limited to identifying and agreeing to sources of funds, funding schedules and financing obligations, as well as procedures for the deposit of funds, release of funds, periodic project status reporting, project auditing, and change-order review and approvals;
 - f. establish a program management team consisting of representatives of the Parties and assigning roles and responsibilities to perform various LFMP tasks consistent with all agreements contemplated herein;
 - g. provide for goals and establish procedures for identifying disadvantaged business enterprise participation and compliance with the City's Minority and Women's Business Enterprise program in the design and construction of the LFMP;
 - h. conform to all applicable regulatory requirements and programs, including but not limited to FAA, Transportation Security Administration, and the Department of Transportation regulations;
 - i. provide for a process to exceed the Spending Cap in accordance with the terms of the Contract;
 - j. if bond financing is used to fund a portion of the LFMP, provide such other provisions that shall be necessary in order to accomplish such bond financing; and
 - k. contain such other provisions that are consistent with accomplishing the implementation of the LFMP, including, but not limited to, consultation with other Airport tenants.

6. *The LFMP Budget/Schedule/Spending Cap*

- a. The LFMP Preliminary Budget and the Preliminary Program Schedule. The preliminary budget and schedule for the design and construction of the LFMP are attached hereto respectively as **Exhibit A** attached to this Term Sheet (the "LFMP Preliminary Budget") and **Exhibit E** attached to this Term Sheet (the "Preliminary Program Schedule"). The LFMP Preliminary Budget reflects a composite of independent cost estimates for the LFMP provided by planning consultants retained by both Southwest and the City.
- b. The Final Budget and the Final Program Schedule. The Final Program Budget and the Final Program Schedule will be established in the Project Definition Manual,

and, when complete, shall supersede Exhibit A and Exhibit E attached to this Term Sheet (the "Final Program Budget" and the "Final Program Schedule"). The Final Program Budget and Final Program Schedule will be prepared based upon building elevations, aircraft parking configurations, geometric layout to accommodate airfield drainage requirements and other design elements set forth in the Project Definition Manual.

c. The Spending Cap. The Parties acknowledge that the Contract references a minimum investment of \$150 million and a maximum of \$200 million ("the Spending Cap") for the LFMP, both expressed in 2006 dollars and to be adjusted for inflation, and, that the LFMP Preliminary Budget for the LFMP now substantially exceeds the Spending Cap. The Parties further acknowledge and agree that the Option C concept and the LFMP Preliminary Budget for the LFMP are mutually desired and that an agreement to exceed the Spending Cap will be established in the PDA in the dollar amount of the Final Program Budget.

7. ***Ground Lease for Cargo Facilities.*** The Parties will negotiate and prepare a ground lease for the cargo/provisioning/ground service equipment building ("Ground Lease") on terms and conditions mutually acceptable to the Parties on or before July 31, 2008 and executed on or before August 31, 2008. If the Parties have not executed the Ground Lease on or before August 31, 2008 the City Manager of the City and an authorized signatory of Southwest may extend the execution date of the Ground Lease for up to three consecutive periods of thirty days.

8. ***Official Intent.*** The City will take steps as soon as possible to constitute "official intent" by the City for the purposes of Section 1.103-8 (a) and Section 1.150-2 of the Federal Income Tax Regulations in order to qualify expenditures made by Southwest and the City on the Southwest Projects and the City Projects, respectively, for the tax-exempt obligations as provided herein. The proposed form of the inducement resolution, to evidence such official intent, is set forth in Exhibit F attached to this Term Sheet.

9. ***Date of Completion of Documentation.*** Except for the Ground Lease, the Parties will negotiate and prepare the PDA and Use and Lease Agreement described in this Term Sheet on or before October 1, 2008 and approve and execute these documents on or before October 31, 2008. If the Parties have not executed the PDA and Use and Lease Agreement on or before October 31, 2008, the City Manager of the City and an authorized signatory of Southwest may extend the execution date of the PDA and Use and Lease Agreement for up to three consecutive periods of thirty days each.

10. ***The Contract Controls.*** This Term Sheet is not intended to modify or supersede any provision of the Contract. In the event of any discrepancy between the provisions of this Term Sheet and the provisions of the Contract, the provisions of the Contract shall control.

11. ***Further Approvals.*** The Parties acknowledge and agree that the City's and Southwest's approval of further agreements described in this Term Sheet, as well as the issuance of bonds and the expenditure of funds herein is subject to applicable approval of the City Council of the City and all requisite corporate approvals of Southwest.

12. ***Assignment.*** The Parties acknowledge that Southwest may assign its obligations under this Term Sheet (including, but not limited to, assignment to a Southwest-formed special purpose entity) and that such assignee of Southwest could enter into some or all of the

agreements and documents related to the development, construction, and financing of the LFMP. Notwithstanding any assignment hereunder, Southwest shall continue to be directly responsible for the performance of its obligations hereunder, including but not limited to, its funding obligations to the City hereunder. Southwest acknowledges that the financial markets may require Southwest to directly guarantee payment of principal, premium, if any, and interest on bonds issued by an LGC to finance the LFMP, and in such event, Southwest will agree to execute a guarantee agreement acceptable to the LGC and any Trustee that serves in such capacity with respect to the issuance of the bonds. Southwest will promptly notify the City of any assignments contemplated under this section.

13. Enforceability. Sections 3, 4.c., 8, 10, 12, 13 and 14 of this Term Sheet have been fully negotiated by the Parties and are enforceable against the Parties from and after the Effective Date. The agreements, documents and provisions provided for in all other sections of this Term Sheet shall be negotiated in good faith by the Parties. The provisions of this Section 13 shall survive the termination of this Term Sheet.

14. Termination. In the event the agreements set forth in Sections 7 and 9 are not executed in full on the dates set forth in such Sections, either party to this Term Sheet may terminate all provisions hereof and upon termination neither of the Parties shall have any further obligations hereunder. In the event of termination of this Term Sheet, any monies expended by Southwest as of date of termination shall count as monies expended toward the Spending Cap as set forth in the Contract and the provisions of this sentence shall survive termination of this Term Sheet.

This Term Sheet is executed and effective as of the Effective Date, by the City, signing by and through its City Manager, duly authorized to execute same by Resolution No. ___ adopted by the City Council on June 25, 2008, and by Southwest, acting through its duly authorized officials.

CITY OF DALLAS, TEXAS

Mary K. Suhm, City Manager

APPROVED AS TO FORM:

Thomas P. Perkins, Jr., City Attorney

By Assistant City Manager

By Assistant City Attorney

181354

SOUTHWEST AIRLINES CO.

By: _____
Name: _____
Title: _____

Exhibit A - Scope of the LFMP and Potential Southwest Reimbursable Costs

S = Southwest Project element
 C = City Project element

Phase ID	Project Elements by Phase	LFMP Preliminary Budget	Potential Southwest LFMP Reimbursable Costs	
			Enabling & Relocation Projects	Design & Prog Mgmt - SWA Projects
	Program Conceptual Planning Services	S 265,000	265,000	
1.01	SWA Gate 1A Activation	S 700,260	700,260	
1.02	SWA North Concourse Relocations	S 4,000,000	4,000,000	
1.03	SWA New Cargo / Provo / CBS Building	S 11,560,000	11,560,000	
1.04	City Airport Operations Center / Relocations	S 6,470,000	6,470,000	
1.05	Relocate North Airfield Lighting Vault	C 1,564,961		
2.01	Demolish North Concourse	S 4,035,975	4,035,975	
2.02	Demolish Cargo / Provo/ CBS / GSE / Plant Mx	S 1,249,806	1,249,806	
2.03	Demolish Existing Cargo Building	S 771,452	771,452	
2.04	Demolish Existing Ticketing Wing & Connector Bridge	S 2,548,411	2,548,411	
2.05	Slurry Fill Existing Fuel Lines	S 2,117,440	2,117,440	
3.01	Build Initial Portion of New Concourse	S 148,736,427		13,280,038
3.02	Reconstruct Apron	S 33,718,573		3,010,587
3.03	Install First Phase of New Fuel System	S 16,476,534		1,471,119
3.04	Upgrade CUP (Cooling Tower / Boiler)	C 15,134,474		0
3.05	Build New Ticketing Wing	S 40,954,397		3,656,643
3.06	Renovate Portion of Main Terminal	S 11,928,935		1,085,084
3.07	Expand Upper Level Departures Roadway	C 2,624,591		0
3.08	Build Portion of new 36" Water Main	S 779,046		69,558
4.01	Relocate Airlines to New Ticketing Wing	S 38,646		3,451
4.02	Relocate WN (5) and CO (2) gates to New North Concourse	S 32,462		2,898
4.03	Deactivate AA (1) gate	S 50,205		4,483
4.04	Construct remainder of North Concourse	S 42,865,694		3,827,294
4.05	Reconstruct apron (2 areas)	S 13,845,822		1,236,234
4.06	Extend Hydrant Fuel System	S 7,061,805		630,518
4.07	Renovate Remaining Portion of Main Terminal	S 35,546,697		3,173,812
4.08	Reconstruct Lower Level Roadway	C 5,209,958		0
4.09	Demolish CO gate areas (Concourse Level)	S 330,472		29,508
4.10	Demolish Temporary Bag Make-up / T-point	S 227,851		20,344
4.11	Demolish West Garage Skybridge	S 592,235		52,878
4.12	Build Portion of New 36" Water Main	S 252,364		22,532
5.01	Relocate WN (8) gates to New North Concourse	S 28,655		2,559
5.02	Demolish West Concourse Extension	S 2,293,736		204,798
5.03	Reconstruct apron	S 22,592,605		2,017,197
5.04	Extend Hydrant Fuel System	S 7,692,645		686,843
5.05	Expand First Section of Bag Claim Hall	S 12,849,549		1,147,281
5.06	Reconstruct Arrivals Section of Upper Roadway	C 2,378,917		0
5.07	Relocate West Airfield Lighting Vault	C 1,435,632		0
5.08	Complete New 36" Water Main	S 976,548		87,192
5.09	Deactivate 1 AA Gate	S 53,896		4,812
6.01	Relocate WN (4) & AA (2) Gates to New North Concourse	S 30,524		2,726
6.02	Demolish remainder of West and East Concourse	S 5,224,017		466,430
6.03	Reconstruct apron (2 areas)	S 12,905,344		1,152,263
6.04	Demolish West Concourse Skybridge	S 502,398		44,857
6.05	Final Fuel System Expansion	S 9,199,061		821,345
6.06	Renovate Remaining Portion of Bag Claim Hall	S 14,696,000		1,312,143
7.01	Build Remote Central Receiving Facility	C 14,508,684		0
PROGRAM TOTAL		\$619,058,704	\$33,718,343	\$38,507,423
			Total:	\$73,226,767
			Use:	\$75,000,000

Exhibit B - LGC Bond Financing Narrative

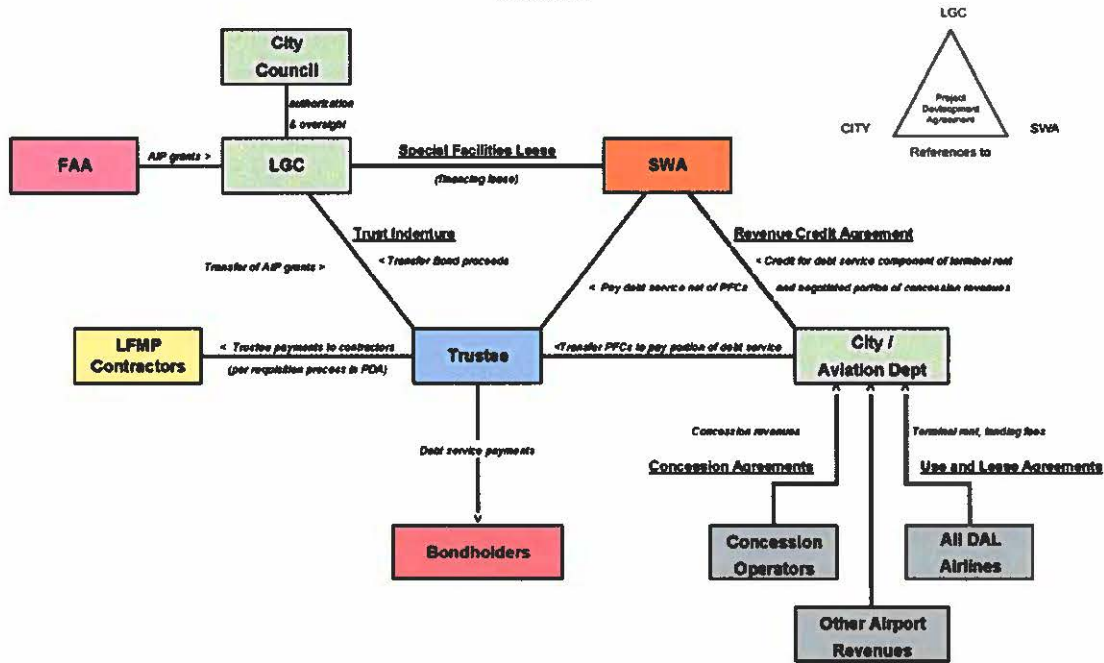
1. The Local Government Corporation ("LGC") at the request of Southwest Airlines Co. ("Southwest") issues bonds to finance the LFMP improvements, pursuant to an Indenture of Trust (the "Indenture") with a corporate trustee (the "Trustee").
2. LGC enters into Special Facilities Lease Agreement with Southwest or a special purpose entity created by Southwest (the "Facilities Agreement").
3. Under the terms of the Agreement, Southwest or a special purpose entity created by Southwest would pay all debt service on the bonds ("Facilities Payments"). If Southwest creates a special purpose entity, Southwest would enter into a guaranty agreement with the Trustee (the "Guaranty"), pursuant to which Southwest would guarantee the obligations of the special purpose entity created by Southwest under the Facilities Agreement, including specifically the obligation to pay the Facilities Payments.
4. Under the terms of the Facilities Agreement, LGC would agree to assign Southwest Facilities Payments to Trustee under the Indenture.
5. LGC will sell Bonds, and the proceeds of bonds sold by the LGC shall be deposited in a "Project Fund" held and administered by Trustee. Proceeds in Project Fund made available to Southwest or a special purpose entity created by Southwest to finance construction costs, etc., through a requisition process that will be set forth in the Facilities Agreement. Southwest or a special purpose entity created by Southwest submits requisitions to Trustee for disbursement.
6. The City would agree under the terms of a separate agreement (the "City Agreement") to transfer PFCs for eligible LFMP projects to Trustee.
7. Under terms of City Agreement, the City also would agree to transfer "City Revenues" to Southwest. City Revenues would include (a) lease rentals from Southwest gates attributable to debt service; (b) lease rentals from the other four gates attributable to debt service; and (c) other revenues, such as a portion of concession and parking revenues, SUBJECT to the refinancing or defeasance of the City's outstanding Airport System Revenue Bonds that have encumbered such revenues.

Exhibit C - LGC Structure Flowchart

OVERVIEW OF LGC STRUCTURE AND LFMP IMPLEMENTATION

Dallas Love Field Airport

June 18, 2008



PROPOSED CONCEPTUAL FRAMEWORK FOR NEW RATES AND CHARGES METHODOLOGY
Love Field Modernization Program
 Dallas Love Field Airport
 June 2008

Rates to be calculated based on "cost center residual" methodology

Exhibit D - Rates and Charges Methodology

Cost Centers:	Other Buildings and Areas	Airline Cost Centers			Parking and Ground Transportation
		Airfield	Aircraft Apron	Terminal	
	Revenues	Costs (1)	Costs (1)	Costs (1)	Revenues
	- Costs (1)	- Other revenues (2)	- Other revenues (3)	- Other revenues (4)	- Costs (1)
Net:	Net Revenues	Net requirement	Net requirement	Net requirement	Net Revenues
	credit 0%	less: revenue sharing	less: revenue sharing	less: revenue sharing	credit 75%
	retain 100%	= <i>landing fee requirement</i>	= <i>apron fee requirement</i>	= <i>terminal rental requirement</i>	retain 25%
Divisor:		<i>/ airline landed weight</i>	<i>/ number of gates</i>	<i>/ airline leased space</i>	
Rate:		Landing Fee Rate	Apron Fee rate	Terminal Rental Rate	
	transfer to: Aviation Capital Fund				transfer to Aviation Capital Fund
Airline MII Purview of Future CIP Projects:	No	Yes, subject to exclusions in 5-Party Contract (5)			No

- (1) Recoverable costs include allocable operation and maintenance expenses, debt service, any required replenishment of reserve funds, and amortization of the City's net cost of any new capital projects placed in service after September 30, 2008.
- (2) Other revenues to be credited toward airfield costs include fuel flowage and other landing fees from charters and other airfield users.
- (3) Other revenues to be credited toward apron costs include other apron charges from charter and nonsignatory airlines.
- (4) Other revenues to be credited toward terminal costs include nonairline building space rent, allocable interest income, and 75% of terminal concession revenues.
- (5) Projects required for reasons of safety, security, normal maintenance and repair, or federal mandate are excluded from MII purview.

Exhibit E - Preliminary Program Schedule

LOVE FIELD MODERNIZATION PROGRAM

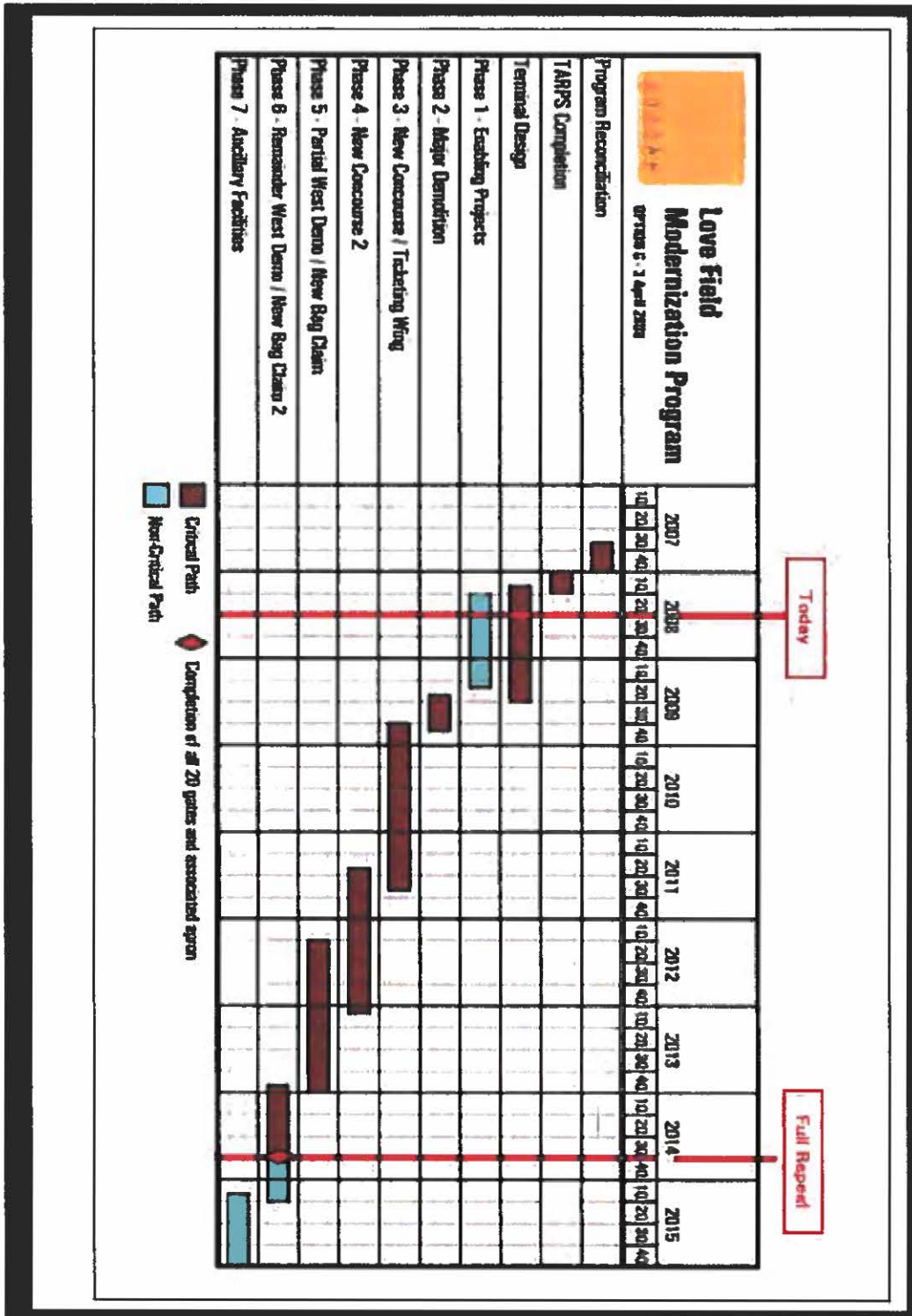


Exhibit F - Proposed Inducement Resolution**RESOLUTION EXPRESSING INTENT TO FINANCE EXPENDITURES
TO BE INCURRED FOR AIRPORT IMPROVEMENTS AT DALLAS LOVE FIELD**

WHEREAS, the City Council of the City of Dallas, Texas hereby adopts this resolution (the "Resolution") in connection with matters pertaining to the ownership and operation of Dallas Love Field (the "Airport") which is owned and operated by the City of Dallas, Texas (the "City") pursuant to the provisions of Chapter 22, Texas Transportation Code (the "Act"); and

WHEREAS, Southwest Airlines Co. (the "Company") has requested and proposed that the City, or a nonprofit corporation organized by and acting on behalf of the City (the "Corporation"), finance and pay pursuant to the laws of the State of Texas including, without limitation, the Act, for the acquisition, construction, reconstruction or renovation of certain airport improvements to be located at the Airport as more fully described on Exhibit A attached hereto (the "Facilities"), and has requested and proposed that the City make a commitment to issue its revenue bonds (the "Bonds") to finance and pay for the acquisition and construction of the Facilities; and

WHEREAS, the Company has advised the City that a contributing factor which would induce the Company to cooperate with the City in providing for the acquisition and construction of the Facilities would be a commitment and agreement by the City to issue, or approve the issuance by the Corporation of, Bonds pursuant to the laws of the State of Texas to finance and pay for the acquisition and construction of the Facilities; and

WHEREAS, the Company has proposed to the City that the Company will be further induced to cooperate with the City in providing for the acquisition and construction of the Facilities if the City will make such commitment and agreement and adopt this Resolution and in furtherance thereof the Company will make, or has made not more than 60 days prior to the date hereof, payments with respect to Facilities; and

WHEREAS, the City Council finds, intends and declares that this Resolution shall, in accordance with its provisions, constitute the commitment and agreement of the City to issue, or approved the issuance by the Corporation of, the Bonds in such aggregate principal amount (in an amount not to exceed \$75,000,000) as is actually required to finance and pay for the acquisition and construction of the Facilities; and

WHEREAS, the City finds, considers and declares that the issuance of the Bonds in such amount and for such purpose will be appropriate and consistent with the objectives of the Act, and that the adoption of this Resolution is and constitutes, and is intended as (i) an inducement to the Company to cooperate with the City in providing for the acquisition and construction of the Facilities and (ii) the taking of affirmative official action by the City, acting by and through its City Council, towards the issuance of the Bonds, and that such action is, and is intended to be, similar to the adoption of a bond resolution, within the meaning of Sections 1.150-2 and 1.142-4 of the Income Tax Regulations or such other applicable provisions of Income Tax Regulations promulgated pursuant to section 142 of the Internal Revenue Code of 1986.

THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS THAT:

TERM SHEET BETWEEN THE CITY OF DALLAS AND SOUTHWEST AIRLINES CO. REGARDING THE LOVE FIELD MODERNIZATION PROGRAM

Section 1. The City is committed and agrees as follows:

(a) To adopt or approve proceedings prepared by the City's bond counsel, when requested by the City, authorizing the issuance of the Bonds pursuant to the laws of the State of Texas and to issue the Bonds, subject to the requirements of the laws of the State of Texas, the execution of the appropriate agreements or contracts described in (b), below, and the sale of the Bonds under terms and conditions satisfactory to the City and the Company, to finance and pay for the acquisition and construction of the Facilities, including amounts sufficient to pay the fees, expenses and costs in connection with such issuance, including an amount adequate to reimburse the City for its administrative and overhead expenses and costs with respect to the Bonds and the Facilities and to the extent permitted by this Resolution and section 1.150-2 of the Treasury Regulations to reimburse the Company for costs paid prior to the date of delivery of the Bonds.

(b) Prior to the issuance of the Bonds, and when requested by the Company, to enter into such appropriate contracts or agreements between or among the City, the Corporation and the Company as are mutually agreeable to the parties in all respects.

(c) To take, or cause to be taken, such other action, and to execute such additional contracts and agreements mutually agreeable to the parties in all respects, when requested by the Company, which are required in accordance with the laws of the State of Texas and this Resolution to cause the issuance of the Bonds.

Section 2. The adoption of this Resolution shall be deemed to constitute the acceptance of the proposal of the Company that it be further induced to cooperate with the City in providing for the acquisition and construction of the Facilities, and said proposal and acceptance shall constitute an agreement between the City and the Company in accordance with and subject to the provisions of this Resolution.

Section 3. Immediately after the adoption of this Resolution the acquisition and construction of the Facilities may commence and continue to completion in accordance with methods and procedures determined by the Company, or by the Company and the City, pursuant to this Resolution and the agreement it constitutes.

ADOPTED THIS 25th day of June, 2008, by the City of Dallas, Texas.

By: _____
City Secretary

**Attachment A (to the resolution)
Description of Property/Amount**

S = Southwest Project element
C = City Project element

Phase ID	Project Elements by Phase	Potential Southwest LFMP Reimbursable Costs		
		Enabling & Relocation Projects	Design & Prog Mgmt - SWA Projects	
	Program Conceptual Planning Services	S	265,000	
1.01	SWA Gate 1A Activation	S	700,260	
1.02	SWA North Concourse Relocations	S	4,000,000	
1.03	SWA New Cargo / Provo / CBS Building	S	11,560,000	
1.04	City Airport Operations Center / Relocations	S	6,470,000	
1.05	Relocate North Airfield Lighting Vault	C		
2.01	Demolish North Concourse	S	4,035,975	
2.02	Demolish Cargo / Provo/ CBS / GSE / Plant Mx	S	1,249,806	
2.03	Demolish Existing Cargo Building	S	771,452	
2.04	Demolish Existing Ticketing Wing & Connector Bridge	S	2,548,411	
2.05	Slurry Fill Existing Fuel Lines	S	2,117,440	
3.01	Buld Initial Portion of New Concourse	S		13,280,038
3.02	Reconstruct Apron	S		3,010,587
3.03	Install First Phase of New Fuel System	S		1,471,119
3.04	Upgrade CUP (Cooling Tower / Bolter)	C		0
3.05	Build New Ticketing Wing	S		3,856,843
3.06	Renovate Portion of Main Terminal	S		1,065,084
3.07	Expand Upper Level Departures Roadway	C		0
3.08	Build Portion of new 36" Water Main	S		69,558
4.01	Relocate Airlines to New Ticketing Wing	S		3,451
4.02	Relocate WN (5) and CO (2) gates to New North Concourse	S		2,898
4.03	Deactivate AA (1) gate	S		4,483
4.04	Construct remainder of North Concourse	S		3,827,294
4.05	Reconstruct apron (2 areas)	S		1,236,234
4.06	Extend Hydrant Fuel System	S		630,518
4.07	Renovate Remaining Portion of Main Terminal	S		3,173,812
4.08	Reconstruct Lower Level Roadway	C		0
4.09	Demolish CO gate areas (Concourse Level)	S		29,506
4.10	Demolish Temporary Bag Make-up / T-point	S		20,344
4.11	Demolish West Garage Skybridge	S		52,878
4.12	Build Portion of New 36" Water Main	S		22,532
5.01	Relocate WN (6) gates to New North Concourse	S		2,559
5.02	Demolish West Concourse Extension	S		204,798
5.03	Reconstruct apron	S		2,017,187
5.04	Extend Hydrant Fuel System	S		686,843
5.05	Expand First Section of Bag Claim Hall	S		1,147,281
5.06	Reconstruct Arrivals Section of Upper Roadway	C		0
5.07	Relocate West Airfield Lighting Vault	C		0
5.08	Complete New 36" Water Main	S		87,192
5.09	Deactivate 1 AA Gate	S		4,812
6.01	Relocate WN (4) & AA (2) Gates to New North Concourse	S		2,725
6.02	Demolish remainder of West and East Concourse	S		486,430
6.03	Reconstruct apron (2 areas)	S		1,152,263
6.04	Demolish West Concourse Skybridge	S		44,857
6.05	Final Fuel System Expansion	S		821,345
6.06	Renovate Remaining Portion of Bag Claim Hall	S		1,312,143
7.01	Build Remote Central Receiving Facility	C		0
PROGRAM TOTAL			\$33,718,343	\$39,507,423
		Total:	\$73,225,767	
		Use:	\$75,000,000	