



August 8, 2025

Federal Aviation Administration
Attn: Jesse Carriger, Director (acting)
Office of Airports Planning and Programming (APP)
800 Independence Avenue SW
Washington, DC 20591

Re: Dallas Love Field Airport Competition Plan Update

Dear Mr. Carriger,

This letter is being sent to satisfy the requirement of the Wendall H. Ford Aviation Investment and Reform Act for the 21st Century ("AIR-21"), codified at 49 USC § 47106(f), that the City of Dallas ("City") update its Competition Plan for Dallas Love Field ("Love Field" or the "Airport"). This update is required because the City has executed a new form of master airline use and lease agreement for Love Field ("New AULA").

The City has submitted an initial Competition Plan and the two required updates to the Federal Aviation Administration ("FAA"). An additional update to the Competition Plan was submitted to the FAA on June 3, 2009 ("2009 Update"), because the City had negotiated Amended and Restated Terminal Lease Agreements ("Restated Agreements") with airlines operating at Love Field in connection with the Five Party Agreement (discussed below). The FAA approved the 2009 Update in a letter dated October 15, 2009, in which the FAA noted various competitive policies and practices that the City had implemented through the Restated Agreements.

In connection with the negotiation of the New AULA, the City consulted extensively with the Department of Transportation ("DOT") regarding the unique constraints at Love Field and potential new lease provisions that would enhance competition. The New AULA and this letter reflect those consultations. This letter summarizes key provisions of the New AULA and provides information about other changes in the competitive environment at Love Field since the 2009 Update.



Changes from Last FAA Approval

The Wright Amendment Reform Act of 2006

As discussed at length in the 2009 Update, Love Field is uniquely constrained by federal law. The Wright Agreement Reform Act of 2006, Pub. L. 109-352 (“WARA”), was enacted in connection with an agreement (“Five Party Agreement”) entered on July 11, 2006,

among the City, the City of Fort Worth, the Dallas Fort Worth International Airport Board (“DFW”), American Airlines (“American”), and Southwest Airlines (“Southwest”).

A predecessor statute to WARA, the Wright Amendment, Pub. L. 96-192, § 29, was enacted in the early days of development of DFW and was designed to ensure that Love Field would not impose a market impediment to the success of the new airport. Since the development of a second major airport in the same region is such a rare occurrence in the United States (the only other recent development at the time was the opening of Washington-Dulles), City leadership and the Congressional delegation believed that restrictions on commercial airline service at Love Field would be essential to the success of DFW. By 2006, the success of DFW was no longer in doubt; both WARA and the Five Party Agreement were intended at that time to liberalize air service and eliminate flight restrictions at the Airport, as discussed in more detail in the 2009 Update. A key competitive provision of WARA and the Five Party Agreement has been eliminated since the 2009 Update: WARA originally continued to limit nonstop domestic flights at the Airport to service between certain states. That provision was repealed effective eight years after the enactment of WARA, in 2014, and nonstop air service immediately increased.

WARA limits Love Field to a total of 20 gates and prohibits nonstop international commercial passenger service. The City was required to reduce the number of total gates at Love Field from 32 at the time of the Five Party Agreement and WARA to today’s 20 gates. To implement this mandate, the City acquired and demolished a six-gate facility at the Airport known as the “Lemmon Avenue Facility” and agreed to a significant capital program called the “Love Field Modernization Program” (“LFMP”) that would redevelop portions of the Airport and the main terminal in accordance with the City’s master plan. Today, the Lemmon Avenue Facility is gone, LFMP is complete, and the main terminal at the Airport has 20 gates. The LFMP and the 20-gate terminal were designed for an ultimate capacity of eight million annual enplanements (“MAP”).



In connection with WARA and the Five Party Agreement, the City and the airlines negotiated limited modifications to the then-existing airline use and lease agreements and entered into the Restated Agreements. Effective October 1, 2010, Southwest was allocated 16 gates on a preferential use basis, American was allocated two gates on a preferential use basis, and Continental Express (“Continental”) was allocated the remaining two gates on a preferential use basis.

Current Air Service and Leasing Arrangements at the Airport

At the time of the 2009 Update, Southwest, American, and Continental operated air service at the Airport, but American had announced it would soon suspend service at Love Field. Delta had also recently announced that it would begin flying between Love Field and its Memphis hub. There have been significant changes to the leasing arrangements and air service at Love Field since the 2009 Update; however, Southwest remains the dominant airline, operating the vast majority of flights at Love Field.

American ceased service at Love Field in 2009 and Delta began operating in July 2009 from American’s leased gates. When American’s merger with US Airways was approved by Department of Justice (“DOJ”) in 2013, American was required to divest its gates at Love Field to Virgin American Inc. (“Virgin”). Notably, American’s merger was further conditioned on a prohibition of American flying from Love Field for 10 years. Virgin began service at Love Field in 2014. When Virgin was acquired by Alaska Airlines (“Alaska”) in 2016, control over the two gates subleased by Virgin from American was transferred to Alaska.

When Delta was notified that its agreement with American to use American’s gates would be terminated, Delta began seeking accommodation from another airline. Around this same time, in 2014, United Airlines (“United”) (which acquired the two gates leased to Continental in their merger) ceased flying at Love Field. United’s two gates were then subleased to Southwest in 2015 (which, at that time, was expanding as restrictions loosened in 2014 as a result of WARA’s provisions).

As a result of these assignments, subleases, and other agreements (and airline mergers), beginning in 2015, three were operating at Love Field. Southwest, demonstrating an interest in increasing service from Love Field, was operating from 18 of the 20 gates.

WARA itself, in addition to limiting gates, reiterates that the City has an affirmative obligation to accommodate new entrants. The Restated Agreements contain a forced accommodation clause even though overtaxed gates and the 20-gate cap make accommodation impractical in most instances. The impracticality of gate accommodation was highlighted in litigation over gate accommodation from 2014-2022 involving not just



the City and the Love Field airlines but also the DOJ and Department of Transportation (“DOT”).

The City, Delta, Southwest, Alaska, American, and United managed to reach a settlement of that litigation in 2022 that required various gate-sharing arrangements. That compromise was memorialized in a written agreement (“Settlement Agreement”) in which the parties ratified numerous sublease, sub-sublease, and license arrangements between the airlines and the City that govern the use of the 20 gates and related support space at Love Field. DOJ did not object to the implementation of the provisions of the court-approved Settlement Agreement at the time.

Since 2022, the City has been operating the 20 gates at Love Field in accordance with the Settlement Agreement, WARA, the Five Party Agreement, and the Restated Agreements. The Restated Agreements remain in effect through September 30, 2028, and the various subleasing and licensing arrangements ratified in the Settlement Agreement are coterminous with those underlying leases.

Today, only Southwest and Delta have scheduled commercial service operations at Love Field. Alaska recently ceased flying in May 2025, and Southwest has begun operating from the former Alaska-occupied gate pursuant to a reciprocal licensing arrangement between those airlines.

Southwest operates 209 peak daily departures serving 72 nonstop markets. Delta operates six peak daily departures serving one nonstop market, Atlanta. Southwest has preferential use of 19 gates, and Delta has preferential use of one gate.

There is currently no other scheduled commercial passenger service at Love Field. Love Field does have a robust general aviation, corporate, and charter market. Among the charter operators is Delux Public Charter, LLC d/b/a JSX Air, which, like other charter operators, uses a private hangar separate from the main terminal.

Enplanements at Love Field have risen steadily since the 2009 Update, with a significant increase once the eight-year period after WARA's passage ended and restrictions on service were lifted further at Love Field. While passenger traffic dropped significantly in 2020 because of the COVID-19 pandemic, Love Field had surpassed pre-pandemic enplanement levels by Fiscal Year 2023. Love Field has consistently outpaced passenger forecasts and is expected to see growing demand over the next two decades.



The Love Field terminal facilities were built for six MAP (with the ability to accommodate up to eight MAP but with dropping customer service levels). Today, the terminal serves 8.9 MAP.

Forecast unconstrained passenger growth at Love Field cannot reasonably be accommodated at the 20-gate terminal. As the *constrained* forecast above shows, the WARA limit on gates has already, and will continue to, prevent Love Field from meeting forecast demand.

New Airline Use and Lease Agreement to Commence in 2028

To address these facility constraints, the City is currently embarking on an extensive capital program, the Love Field Expansion Airport Program (“LEAP”), that will expand the main terminal facilities and redevelop landside portions of Love Field. A large portion of the costs of LEAP will be paid through airline rates and charges. Importantly, the New AULA secures the airlines’ pre-approval of the inclusion of more than \$800 million in airline rates and charges to pay for LEAP. The term of the New AULA will be from October 1, 2028 to September 30, 2040, allowing the City and the incumbent airlines long-term certainty throughout the time LEAP is constructed and financed.

Because the Restated Agreements and ancillary leasing arrangements extend through 2028, the provisions of the New AULA discussed below generally cannot be effectuated until 2028. However, as part of the negotiations for the New AULA, the City obtained majority-in-interest (“MII”) approval pursuant to the provisions of the Restated Agreements so it could proceed now with LEAP, prior to the expiration of those agreements and the commencement of the New AULA in 2028.

The complexity of the current contractual arrangements governing space at Love Field and WARA’s restrictions limit the City’s ability to solve terminal capacity issues. Nonetheless, the New AULA significantly modifies the existing terms of the Restated Agreements and will enable the City to implement various competitive practices and policies, some now, some in 2028, and others in the event that WARA were repealed. Changes from the 2009 Update are discussed below in more detail.

Gate Use and Assignment in the New AULA

Availability of airport gates and related facilities.

WARA restricts Love Field to 20 gates and, as required by that law and as anticipated in the 2009 Update, the City reduced the number of gates from 32 to 20. As discussed above in Section II.B, as of today, Southwest operates from 19 of Love Field’s 20 gates, while



Delta operates from 1 gate. Under the New AULA, beginning October 1, 2028, Southwest will have the preferential use of 18 gates. Delta has been offered the preferential use of their current gate, and the City anticipates the final unleased gate will be a common use gate or available for preferential assignment to an airline other than Southwest.

A key provision in the New AULA ensures that the City will be able to meaningfully increase opportunities for competition at Love Field in the event that WARA were to be repealed. Pursuant to Section 4.12 of the New AULA, airlines must agree that they will not oppose any effort by the City to modify or repeal WARA during the term and eliminate the 20-gate cap. If eliminated, airlines will not have the right to an MII vote over the construction of new gates if the City uses non-airline funds.

The language of Section 4.12 of the New AULA, as set forth in the New AULA between Southwest and the City, is attached as **Exhibit 1**. As stated in Section 4.12(c)-(d) in **Exhibit 1**, Southwest has also pre-approved the inclusion of up to \$50,000,000 per gate in the airline rate base for newly constructed gates. In exchange for this advance approval, the City has agreed to offer Southwest, its largest incumbent airline, the preferential assignment of a defined number of newly constructed gates. However, the City will also reserve a specified number of any new gates as common use or to make available to airlines other than Southwest for preferential use. The allocation in Section 4.12 is based upon the number constructed: If four new gates are constructed, then Southwest will be offered three (for a total of 21 of 24); if eight are constructed, Southwest will be offered five (for a total of 23 of 28); if the City builds 12 new gates, Southwest will be offered eight (for a total of 26 of 32 gates). These pre-approved allocation of new gates ensures that the City will be able to enhance competition in the event that it secures the authority to build more gates.

In its initial conceptual planning and design for LEAP, the City intends to ensure that the plans preserve the space to construct new gates in the future at Love Field without the need to redesign LEAP elements.

Accommodation of new entrants or expanded service.

The City will continue to accommodate new entrants or expanded service in accordance with the gate sharing provisions of the Restated Agreements until 2028. There are no unused gates at Love Field, so the City would likely have to seek accommodation of any new entrants on a gate currently occupied by Southwest or Delta. There have been no access complaints by a new entrant or an airline seeking to expand service in the last 12 months, nor have any new entrants formally sought accommodation in the last 12 months.



In March of this year, Alaska announced it would be discontinuing service from Love Field. Pursuant to a reciprocal licensing arrangement between Southwest and Alaska authorized in the Settlement Agreement, Southwest was already operating several flights on Alaska's gate; Alaska granted its consent for Southwest's additional accommodated service on its gate through January 2026. The City expects that Southwest will continue to operate this additional service from Gate 13 after January 2026 under the existing contractual arrangements, which means Southwest will operate from 19 of the 20 gates.

The New AULA, beginning in 2028, will establish additional processes through which the City will handle accommodation requests. In light of the disputes which led to litigation over allocation under the Restated Agreements, the City ensured that the New AULA

increases City control over the use of gates and other space by airlines with preferential use gates and airlines without preferential use gates. As set forth in Section II.D.1, the City expects to lease 19 of the 20 gates available at Love Field on a preferential use basis and one gate on a common use basis (unless there are significant changes in circumstance at Love Field between now and the New AULA's commencement in 2028).

Airlines with preferential use gates will receive scheduling priority during "Periods of Use." subject to compliance by those airlines with the City's schedule filing requirements. Outside of approved Periods of Use, the City may schedule new entrants or other airlines seeking to expand service that cannot be accommodated on a common use gate on another airline's preferential use gate. Airlines seeking accommodation will only be required to seek voluntary accommodation from another airline for a short period of time before the City can require forced accommodation. Forced accommodation will not be required, however, on a preferential use gate if such gate is already being used for 10 or more turns per day on average, calculated on a rolling, six-month basis, which will ensure safe and efficient operations in peak operating scenarios.

Unlike under the Restated Agreements, airlines who are accommodated on another airline's preferential use gate will pay a newly established per-turn fees to the City for the use of that gate, and cannot be required to pay the accommodating airline additional amounts for the rights to use the gate and related support space.

In addition, airlines with a less than 1% market share at Love Field will be exempt from the requirement to pay a fixed component of joint use fees, potentially facilitating the accommodation of new entrants.



Gate utilization requirements and recapture policies.

Under the New AULA, the City will have the right to recapture preferential use gates and convert them to common use gates if an airline does not maintain an average daily utilization at a preferential use gate of seven turns per day (because Southwest today has a gate utilization rate of almost 11 turns per day, the City does not anticipate recapturing gates in the near term).

The gate utilization threshold is only applicable to the City's recapture rights and is not required to "earn" a preferential use gate under the New AULA. There is no explicit requirement to lease a minimum number of gates or amount of space in order to become a signatory airline under the New AULA.

Assignment of RON positions.

Today, as described in the 2009 Update, RON positions are made available to airlines on a preferential use basis in proportion to the allocation of gates, with two RON positions retained by the City for accommodation of charters and non-signatory airlines. However, as a practical matter, Delta (and Alaska when operating) is able to park overnight at its own gate and does not regularly use RON positions. Starting in 2028, existing RON positions will be controlled by the City and assigned on a common use basis. This will allow the City to better accommodate irregular operations more efficiently and facilitate shared use of limited RON parking at Love Field. WARA does allow the City to use RON positions for irregular operations, a situation which may become necessary as passenger traffic increases and gate utilization increases.

Leasing and subleasing arrangements.

Current leasing arrangements and those anticipated beginning in 2028 are described above in II.B. There have been no disputes over subleasing arrangements in the last 12 months. However, subleasing arrangements, as is clear from the above discussion, have become extremely complicated under the Restated Agreements and the Settlement Agreement.

The New AULA will eliminate subleasing arrangements at Love Field because airlines will not be permitted to assign or sublease any rights to preferentially assigned gates or other space without the prior written approval of the City. The City does not anticipate consenting to any subleasing of preferentially assigned space, especially while only 20 gates are in operation at Love Field. As noted above in Section II.D.2, the City will not



allow airlines to “sell” or make a profit from their gate rights in any manner under the New AULA and per-turn operations on preferential use gates by accommodated airlines will pay per-turn fees to the City.

If the City approves the sublease of exclusively leased space (e.g., offices or operations space), the subleasing airline may not charge more than 110 percent of the terminal rentals it pays the City for such space and must provide the City with copies of the proposed sublease in advance with pertinent information.

Additional gate-related provisions related to competition.

The New AULA contemplates that the City will promulgate rules and regulations that further govern the use of common use and preferential use gates by all airlines at Love Field. These rules and regulations – referred to in the New AULA as the “Gate Use Protocols” – will be established in consultation with the signatory airlines, but airline consent will not be required for amendment or revision. The City anticipates promulgating these Gate Use Protocols closer to the 2028 commencement of the New AULA, taking into account industry best practices and operational considerations at such time.

The New AULA explicitly prioritizes the use of common use gates, or the use of another airline’s preferential use gate, first by airlines that do not have any own preferentially assigned gates, and then by airlines with one preferentially assigned gate, then by airlines with fewer than four preferentially assigned gates. This will ensure that airlines other than

Southwest, which will already enjoy the use of 18 gates on a preferential use basis, have priority for their operations, enhancing competitive access to Love Field. This approach will also prevent the situation that exists today in which Southwest has been able to obtain, through contractual arrangements with other carriers, access to additional gates without the need for a competitive process.

Existing service will also have priority over new service only if the airline operating that existing service is assigned four or fewer preferential use gates. At the same time, accommodation of service on a preferential use gate is guaranteed a minimum of three months from the start of service, even if a proposed schedule is filed that introduces a conflicting operation by an airline that has scheduling priority on a preferential use gate. In the event of further conflicts, the Gate Use Protocols prescribed by the City will establish priorities of use while allowing the City appropriate discretion.



Financial Constraints

Modifications in the New AULA will eliminate or alleviate financial constraints on the City under the Restated Agreements, with respect to the City's control over capital expenditures and access to discretionary revenues.

Funding sources for terminal projects.

Financial and capital constraints on the City have been eased by the airlines' pre-approval of the City's planned LEAP terminal development under the Restated Agreements MII provisions covering the period from 2025 to 2028 and through the New AULA. The core components of the Love Field master plan will be implemented through LEAP. This expansive capital program will address constrained facilities and congestion at Love Field – in the terminal and for road traffic (e.g., parking and roadways). Airline-funded LEAP projects include a new terminal processor and an expanded concourse to relieve congestion and allow for growth even without adding gates. (There are other significant LEAP projects – landside improvements, parking garage expansion and a consolidated rental car facility – which are not included in the airline rate base so are not addressed in the AULA.) Unlike with terminal development under the LFMP, which was managed by Southwest, the City will control LEAP development, including planning, design, and construction.

The City anticipates the majority of Love Field's capital needs (other than additional gates) will be met through LEAP, which, as discussed in Section II.C, will be funded largely through airline rates and charges. In the New AULA, the airlines agree that \$800 million in LEAP costs may be included in airline rates and charges.

This \$800 million cap, based on preliminary agreed-upon estimates for the costs of airline-funded LEAP projects, will also automatically increase based on inflationary increases on an annual basis between now and completion of all airline-supported LEAP projects. In addition, the airlines agree that the City can make a one-time unilateral adjustment to this \$800 million cap to account for planning, design, and overall program management costs once cost estimates are refined, without further MII review and approval by the airlines. This flexibility will allow the City to proceed with much-needed investment in terminal facilities.

Though the City will establish a robust consultation process with the airlines regarding LEAP, the New AULA gives the City the ultimate right to make decisions related to scope, phasing, and timing of LEAP and other capital projects. Only certain material changes to the scope of airline-funded LEAP projects or cost overruns that would cause the \$800



million programmatic cap to be exceeded by more than 10 percent will be subject to additional airline approvals through MII.

MII review by signatory airlines will continue to be limited, as in the Restated Agreements, to capital expenditures with net costs impacting the airlines – i.e., excluding costs paid by grants, PFCs, or City non-airline funds. Any capital project with net costs less than \$1 million may be included directly the terminal or airfield cost centers without MII review.

Disapproval by an MII will only defer the City's ability to proceed with capital projects with net costs of less than \$5 million for one year or, for capital projects between \$5 million and \$10 million, two years. Projects exempt from MII altogether include facilities paid for by a single user; land acquisition; and projects needed for public health, safety, access, or security. Projects previously approved by an MII will not require additional MII review unless their costs increase by more than 10 percent.

Rates and charges methodology and availability of discretionary income.

The existing rates and charges methodology in the Restated Agreements caps the amount of discretionary revenue that the City may accumulate to \$30 million; any excess net revenues must be used to reduce airline rates and charges. The New AULA's methodology removes this cap and ensures the City can maintain reasonable reserves for discretionary projects (no less than the equivalent of 365 days of annual O&M expenses and debt service), prior to sharing non-airline revenues (e.g., from parking and concessions) with the airlines.

Airlines will otherwise pay terminal rentals, common use charges, landing fees, and apron fees calculated similarly to the Restated Agreements. Exclusive and preferential use space will be charged on a square footage basis, while costs of shared facilities and space are allocated between users on a fixed and per enplanement basis. As discussed above in Section II.D.2, new per-turn fees will also be established under the New AULA.

Use of Passenger Facility Charges.

Since the 2009 Update, the City has applied approximately \$316 million in PFCs to terminal and apron related projects, as approved under Application 10-03-C-04-DAL.



Airport controls over capacity.

The City cannot construct new gates to add capacity without a change in federal law. However, as discussed in Section II.D.1, the City has ensured that under the New AULA the signatory airlines will not be able to prevent the City from constructing new gates if the law were to change during the term.

MII clauses covering landside or airside capital projects.

The New AULA balances the need for the City to control the future of its Airport with consideration for airline involvement in decisions about capital expenditures impacting their rates and charges and facilities.

As discussed in Section II.E.1, like the Restated Agreements, the New AULA provides for MII review and approval over capital projects only if, and to the extent that, those projects have costs directly included in the airline-supported terminal and airfield cost centers. This means the City will have flexibility and discretion to proceed with non-airline-funded capital projects without seeking airline approval or to fund capital projects in airline cost centers through non-airline sources.

Under the New AULA, capital expenditures proposed by the City and subject to MII review by signatory airlines may be deferred by a negative vote by an MII. An MII must include (1) more than 50 percent of the number of signatory airlines operating at Love Field which (2) together account for more than 50 percent of airline rates and charges during the preceding fiscal year.

Future construction of common use gates.

WARA's 20-gate cap prevents the City from taking immediate action to construct or acquire additional common use gates. However, as discussed in Section II.D.1, the New AULA specifically preserves the City's ability to pursue changes in federal law to address capacity constraints and authorizes the City to proceed with the construction and funding of new gates without seeking additional airline approvals. In the event of a change in federal law, the New AULA pre-approves capital expenditures of \$50 million for each such new gate, in addition to any non-airline revenue that the City may have at its disposal.



Previous FAA Approvals

The FAA approved the 2009 Update without condition, noting at the time that the 2009 Update was in accordance with the Five Party Agreement which would “result in the [further] liberalization or elimination of flight restrictions at [Love Field]” despite the requirement that the City reduce the number of gates at Love Field from 32 to 20.

In its approval, the FAA did suggest that the City implement the Restated Agreements’ forced accommodation provisions in a manner that gave “due regard to circumstances that may impede a Requesting Airline from carrying out the required showing that it has ‘exhausted all reasonable efforts to secure accommodation.’” Taking lessons from the litigation in intervening years that demonstrated the limitations faced by the City in this regard, the New AULA specifically allows a Requesting Airline to ask the City to seek forced accommodation on a preferential use gate if it has not reached agreement with another airline within 10 days for voluntary accommodation.

Public Availability

This competition plan update and the form of New AULA will be made available to the public on the City’s website for Love Field at <https://www.dallas-lovefield.com>. Please also note that information about the Love Field master planning process is available to the public at <https://www.dallovewhatsnext.com/>.

The City remains committed to ensuring competitive access to Love Field to the maximum extent possible. If you have any further questions, please do not hesitate to contact Patrick Carreno at 214-670-5683.

Sincerely,

Patrick Carreno
Director of Aviation

CERTIFIED MAIL
Texas Airport District Office, ASW-650
Attn: Rodney Clark, Manager
10101 Hillwood PKWY
Ft. Worth, Tx 76177-1524



CITY OF DALLAS

Exhibit 1

Text of Section 4.12 of New Airline Use and Lease Agreement

Section 4.12 Gate Capacity

(a) The City will use good faith efforts to maintain the maximum number of available Gates and aircraft parking positions at the Terminal Building allowed by law, including to account for increased aircraft size. If any Apron Area, Terminal Building, or landside project adversely affects the number of Gates available at the Terminal Building at any time during the Term, the City may assign Gates or hardstand positions on a temporary basis at its reasonable discretion after consultation with the affected Air Carrier(s). If aircraft size at any Gate adversely affects the number of Gates available at the Terminal Building at any time during the Term, the City may assign Gates or hardstand positions on a temporary basis at its reasonable discretion after consultation with the affected Air Carrier(s).

(b) The Parties acknowledge that, as of the Effective Date, federal law limits the number of Gates at the Airport. In the event that the City determines, in its sole and absolute discretion to seek, support, or not oppose, a change to federal law eliminating such Gate limits, Airline agrees that it will not take any action to oppose or hinder (or support an opposition to) such change.

(c) If federal law changes in any manner that allows additional Gates at the Airport (a "**Gate Limit Change**"), the City shall be entitled to undertake Capital Improvements to expand Gate capacity without requiring MII review pursuant to ARTICLE 8, through the construction of either four (4), eight (8), or twelve (12) additional Gates ("**Additional Gates**") provided the Airline Rate-Based Project Costs for such Capital Improvements do not exceed Fifty Million Dollars (\$50,000,000) per Gate (which amount shall be adjusted on January 1st of each calendar year following the Effective Date based on the percentage increase, if any, in the Construction Cost Index since the previous January 1st). The City shall provide written notice to each of the Signatory Airlines of the amount of each such increase not later than March 30th of each year following the Effective Date. Any other Capital Improvements to expand Gate capacity shall be subject to MII review pursuant to ARTICLE 8, if and to the extent MII review is required for such Capital Improvements under ARTICLE 8.

(d) At any time after a Gate Limit Change becomes effective, the City may from time to time provide written notice to the Signatory Airlines of the total number of Additional Gates (i.e., four (4), eight (8), or twelve (12)) the City intends to construct during the Term. Within three hundred sixty-five (365) days of receipt of such notice, Airline shall provide written notice to the City of how many Additional Gates Airline shall accept from the allocation offered to Airline by the City in such written notice, which allocation shall be made as follows:

(i) The City shall offer Airline the option to expand its Preferential Use Premises during the remainder of the Term by the assignment of Additional Gates according to the following schedule: If the City constructs four (4) Additional Gates, the City shall offer Airline three (3) of those Additional Gates. If the City constructs eight (8) Additional Gates, the City



CITY OF DALLAS

shall offer Airline five (5) of those Additional Gates. If the City constructs twelve (12) Additional Gates, the City shall offer Airline eight (8) of those Additional Gates.

(ii) To the extent Airline accepts such allocation, Airline's right to use any such Additional Gates assigned to Airline as Preferential Use Gates shall be subject to the same terms, provisions, and conditions as are applicable to the other portions of Airline's Preferential Use Premises.

(e) If the City intends to construct Additional Gates capable of use by widebody aircraft, the City shall ensure such widebody-capable Additional Gates do not result in materially adverse impacts to the operations of narrowbody aircraft at the Airport.