HARRY REID
INTERNATIONAL
LAS VEGAS

Airline Lease Agreements & Operating Permits

Contractual Options Comparison at LAS

Harry Reid International Airport

Business & Commercial Development | Aviation Affairs

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Contractual Options at LAS

Harry Reid International Airport (LAS) offers several types of contractual options for airlines, including lease agreements for terminal space, gate usage, and other essential facilities. Airlines can select the option that best aligns with their operational requirements and business model. It is recommended that carriers consult with the Airport's Business Office and legal teams to fully understand the terms and conditions of each contract type.

Airlines starting service at LAS have three contractual pathways:

1. **Signatory Agreement**
2. **Non-Signatory Operating Permit**
3. **Operation under the Clark County Code of Ordinances (Title 20: Airports)**

To qualify for **Signatory Status**, airlines must meet minimum requirements set by the airport, which include a specific seat threshold for flights into Las Vegas and the financial capability to meet the terms of the Signatory Agreement.

If your airline does not meet the criteria for Signatory Status, you may opt for either a **Non-Signatory Operating Permit** or operate under the **Clark County Code of Ordinances (Title 20: Airports)**.

For airlines choosing to operate under the **Clark County Code of Ordinances (Title 20: Airports)**, which is often the simplest and most straightforward option, it is required that they contract with one of the Airport's approved international ground handlers. The ground handler will be responsible for remitting all fees owed to the Airport on behalf of the airlines they represent, regardless of whether those fees have been collected. **It should also be noted that the international ground handlers pay at the Signatory rates, so their airline customers receive the benefits of paying Signatory rates under this option.**

The tables and information contained in this report, outline the key differences between Signatory and Non-Signatory agreements, and operating under Clark County Ordinance.

Contractual Options at LAS Side-By-Side Comparison

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OPTION 1	OPTION 2	OPTION 3
SIGNATORY	PERMITTED	ORDINANCE
• Term: 2026 (+4-Years) • Signatory Rates • Invoiced Directly • Lease space directly • LOC (3-months, excludes PFCs); reduced amount after 12-months • Min. Terminal Complex Rental Guarantee if service discontinued • Rate Stabilization Account / True-Up	• Term: 3-Years • Non-Signatory Rates (125%) • Invoiced Directly • Lease space directly at Non-Signatory Rates • LOC (3-months, includes PFCs) • May terminate at any time with 30-days notice	• Term: N/A • Benefit of Signatory Rates, paid thru international ground handler • Ground handler Invoiced • Ground handler leased space at Signatory Rates • No LOC requirement

SIGNATORY AIRLINE STATUS

PROVISION	PROS	CONS	COMMENTS
Term	Commitment to June 30, 2020 3rd Amendment (Dated 7/21/20) – Extended Term. Included option to extend 5 years (2026) and an additional 4 years (2030).	Airline may terminate Agreement only if 1) Aviation is in default, or 2) Any act occurs that deprives Airline permanently of the rights, power, and privileges necessary for its operation	
Use	Same (Signatory vs Non-Signatory)		
Premises		Airline is required to pay for the Premises in effect at the time, without deduction or set-off, during the Term of the Agreement	**OPTION 3:** Airline cannot lease space directly; must be thru handler, but receives benefit of Signatory Rates
Rentals, Fees, & Charges	Eligible Signatory Airlines pay at the Signatory rates	If Airline discontinues or reduces its service below the eligible requirements during the Term, Airline will be required to pay **Min. Terminal Complex Rental Guarantee** on a monthly basis for remaining Term.	All other air carriers are required to pay the Non-Signatory rate, which is equal to 125% of the Signatory rate, unless operating under **OPTION 3**, which receives benefit of Signatory Rates thru the international ground handler
Letter of Credit	Initial LOC will require 3 months estimated Rentals, Fees, & Charges excluding PFCs. May be reduced after 12 months, if eligible		Aviation may reduce the LOC requirement by 50%, if after 12 months Airline qualifies by having no bankruptcy, excellent payment history, timely reporting, and maintain average seats.
Submission of Schedules	Airline required to submit its proposed flight schedule every 30 days for the next 90-day period.		
Insurance Requirements	Same (Signatory vs Non-Signatory)		
Rate Changes for Rentals, Fees, & Charges	Rate Stabilization Account established to be used for year-end true-up shortage; any amounts due that result from an airline bankruptcy or discontinuation of service to LAS; to pay down debt; or similar uses under the Agreement.	Amortization due from Signatory Airlines account. Account established to collect the remaining 50% amortization not included in the rate base and describes the flow of these funds in the event additional monies are either due from the Airline or due to the Airline.	Once Amortization Due Account reaches zero balance, if additional credits are due, each Signatory's pro rata share shall be paid by Aviation. In order to receive pro rata share of the excess, Airline must be in full compliance with all requirements of the Agreement.

OPTION 1:
Signatory Airline Criteria

Signatory Airline Criteria (Dated 7/23/10 and Revised 11/22/11) – The Airport established a minimum criteria to determine eligibility to become a Signatory Airline under the Agreement, which included seats into the Las Vegas market and financial ability to meet the financial terms of the Agreement.

- **Scheduled Domestic Service**
  - 900 arriving seats per day, based on 7 day average; or
  - 750 arriving seats per day plus 5 arriving flights per day, based on 7 day average; or
  - Transoceanic service (requiring ETOPS certification) with 600 arriving seats per day, based on 7 day average, using a Group 4 aircraft or larger
- **Scheduled International Service**
  - Transoceanic service of 250 arriving seats per day or 1 flight per day, based on a 7 day average; or
  - Intercontinental service of 400 arriving seats per day or 3 arriving flights per day using a Group 4 aircraft or larger, based on 7 day average; or
  - 3 weekly arriving flights of 250 arriving seats or more and using a Group 5 aircraft

OPTION 1:
Additional Signatory Criteria…

- No notice of default within previous 12 months
- Current Letter of Credit on file and in good standing
- Not currently in bankruptcy
- Current Certificate of Insurance
- Current FAA or equivalent air carrier operating certificate on file
- Latest audited financial statements
- Current 90 day published flight schedule
- Current Clark County Business License on file
- CBP Letter of Authorization for Las Vegas

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NON-SIGNATORY AIRLINE STATUS

PROVISION	PROS	CONS	COMMENTS
Term	Shorter financial term commitment than Signatory Agreement.	3-year Term under a new Operating Permit, which may be terminated by either party at any time upon 30-days advance notice.	
Use	Same (Signatory vs Non-Signatory)		
Premises	Airline may lease space directly from the Airport and invoiced directly		**OPTION 3:** Airline cannot lease space directly; must be thru handler, but receives benefit of Signatory Rates
Rentals, Fees, & Charges	If Airline discontinues or reduces its service during the Term, Airline is not required to pay any **Minimum Terminal Complex Rental Guarantee** on a monthly basis for the remaining Term.	Non-Signatory carriers are required to pay the Non-Signatory Rate, which is equal to 125% of the Signatory rates, unless operating under **OPTION 3**, which receives benefit of Signatory Rates thru the ground handler	**OPTION 3:** International ground handlers that have Signatory Airlines within their portfolio, pay Signatory Rates for leased space. As a result, all airlines they handle receive the benefit of Signatory Rates
Letter of Credit		Initial LOC will require 3 months estimated Rentals, Fees, and Charges, **including PFCs**. Airline may not reduce its LOC requirement by 50% if it meets same Signatory qualification requirements after 12 months.	**Operating under Clark County Code** – No LOC requirement; potential cost savings with bank
Submission of Schedules	Airline required to submit its proposed flight schedule every 30 days for the next 90 day period.		
Insurance Requirements	Same (Signatory vs Non-Signatory)		
Rate Changes for Rentals, Fees, & Charges		Non-Signatory air carriers are not eligible for the benefits of the Rate Stabilization Account and the pro rata share payments from the True Up calculations.	Once Amortization Due Account reaches zero balance, if additional credits are due, each Signatory's pro rata share shall be paid by Aviation. In order to receive pro rata share of the excess, Airline must be in full compliance with all requirements of the Agreement.

Operating Permit vs Clark County Code of Ordinances (Title 20 Airports)

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If not eligible for Signatory status, all air carriers at LAS have two choices: to operate with or without an operating permit. Below is a summary comparison of the two choices:

A. Operating <u>with</u> an Operating Permit: OPTION 2 Key Requirements

- **Non-Signatory Airline Space Use and Operating Permit:** Airlines must approve and execute this agreement.
- **Term:** The permit has a three-year term, but either party may terminate it with 30 days' advance notice.
- **Rates:** Non-Signatory airlines pay 125% of the Signatory rates, unless operating under **OPTION 3**, which receives benefit of Signatory Rates thru the international ground handler.
- **Letter of Credit:** Airlines must provide a Letter of Credit equal to three months of estimated rentals, fees, charges, and including Passenger Facility Charges (PFCs).
- **Ground Handling:** Airlines must contract with one of the three approved international ground handlers (Swissport USA, UNIFI, or Worldwide Flight Services). Airlines may choose separate companies for above and below wing services, as long as they are among the approved providers.
- **Invoicing:** The Department of Aviation will invoice airlines directly.
- **Badging:** Airline employees will be badged under the airline, which will be responsible for managing those badges.
- **Leasing Space:** Airlines may lease space directly from the Airport at Non-Signatory rate.

Operating Permit vs Clark County Code of Ordinances (Title 20 Airports)

HARRY REID INTERNATIONAL LAS VEGAS

If not eligible for Signatory status, all air carriers at LAS have two choices: to operate with or without an operating permit. Below is a summary comparison of the two choices:

B. Operating <u>without</u> an Operating Permit: OPTION 3 Key Requirements

- **Clark County Code (Title 20 - Airports):** Airlines must operate under this code.
- **Rates:** Non-Signatory airlines receive benefit of Signatory Rates, paid thru international ground handler
- **Ground Handling:** Airlines must contract with one of the three approved international ground handlers (Swissport USA, UNIFI, or WFS).
- **Letter of Credit:** Not required, as the contracted ground handling company will be responsible for the airline and act as its representative at LAS.
    - <u>Note:</u> This option can be a cost savings, as the cost of carrying a Letter of Credit (LOC) with a bank can vary, typically ranging **between 0.5% and 1.5% of the transaction value**. This percentage depends on several factors. Banks may also apply additional fees, such as application, issuance, and advising fees, depending on the services rendered.
- **Invoicing:** The Department of Aviation will invoice the ground handling company instead of the airline.
- **Badging:** Airline employees will be badged under the ground handling company, which will be responsible for managing the badges.
- **Leasing Space:** Airlines cannot lease space directly from the Airport and must do so through their ground handling company. International Ground handlers that service Signatory Airlines, pay Signatory rates for leased space.