



ERIC GARCETTI  
MAYOR

July 30, 2015

City of Ontario  
City Hall  
303 East "B" Street  
Ontario, California 91764

Re: Settlement Agreement Letter of Intent

Pursuant to our recent discussions in the context of ongoing court-sponsored settlement conferences related to the lawsuit entitled City of Ontario v. City of Los Angeles, et al., bearing Riverside Superior Court case number RIC 1306498, this letter and attached Term Sheet serves to express our mutual intent to establish a process to revert ownership of Ontario International Airport ("ONT") and transfer ownership of adjacent lands owned by the City of Los Angeles ("Los Angeles") to the City of Ontario ("Ontario"), thereby allow ONT to be operated by the Ontario International Airport Authority ("OIAA").

Since becoming Mayor of Los Angeles, I have consistently indicated my willingness to work with you and other stakeholders of the Inland Empire to facilitate transfer of ONT to Ontario or OIAA, but have required that such transfer reasonably compensate Los Angeles for investments in ONT, including, but not limited to, the completion of two new passenger terminals in 1998 and subsequent property acquisitions intended to facilitate future development of ONT. I have also required that we have a responsible framework for protecting Los Angeles World Airports ("LAWA") employees serving at ONT throughout transition.

Further, throughout this process I have agreed with you and others in the Inland Empire that the terms of any transaction should facilitate vibrant, successful operation of ONT in the future, without undue financial burden, as all airports in Southern California, including Los Angeles International Airport, must function successfully and collectively to meet future transportation demand, develop responsibly to serve the public, and contribute to economic development throughout the region.

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We both agree that the attached settlement terms will be included within a more formal settlement document and of course will be subject to the approval of the Board of Airport Commissioners, our respective city councils and the OIAA.

CITY OF LOS ANGELES



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Mayor Eric Garcetti

Agreed: CITY OF ONTARIO

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Mayor pro Tem Alan D. Wapner

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## SETTLEMENT TERM SHEET

Subject to the approval of their respective city councils, boards and the Ontario International Airport Authority (“OIAA”), the City of Los Angeles (“Los Angeles”), including its Board of Airport Commissioners (“BOAC”) and Los Angeles World Airports (“LAWA”), and the City of Ontario (“Ontario”) (collectively, “the Parties”) agree to settle their dispute concerning the Ontario International Airport (“ONT”), including all claims asserted in the lawsuit entitled City of Ontario v. City of Los Angeles, et al., bearing Riverside Superior Court case number RIC 1306498 (“the Lawsuit”) on the following terms:

1. The Parties agree to cooperate fully to effectuate the transfer of ONT to Ontario or the OIAA as designated by Ontario (“Ontario/OIAA”), including the taking of all necessary steps to obtain approval of the transfer from the Federal Aviation Administration (“FAA”).
2. Los Angeles shall, upon FAA approval, transfer ONT to Ontario/OIAA, as well as title to all ONT land transferred to Los Angeles by Ontario, all land within or adjacent to ONT acquired by Los Angeles while LAWA has operated ONT, and the facilities thereon in “as is” condition.
3. The Parties will prepare and execute a long form settlement agreement consistent with this settlement term sheet within 60 days (“Settlement Agreement”). The Settlement Agreement will include mutual releases of claims arising out of the operation of ONT, which releases will be effective upon the transfer of ONT to Ontario/OIAA. The parties intend the Settlement Agreement to be an enforceable settlement under the provisions of California Code of Civil Procedure Sections 664.6 and 664.7.
4. Within 30 days of the execution of the Settlement Agreement, Ontario shall deposit \$15 million into an escrow account for the benefit of LAWA.
5. No less than 30 days before the scheduled transfer of ONT and adjacent land to Ontario/OIAA, Ontario shall deposit an additional \$15 million into the escrow account for the benefit of LAWA.
6. At the time title to ONT and the adjacent lands is transferred to Ontario/OIAA, the \$30 million held in escrow shall be paid to Los Angeles for the benefit of LAWA.
7. No less than 30 days before the scheduled transfer of ONT and adjacent land to Ontario/OIAA, LAWA shall transfer \$40 million from the unrestricted cash accounts of ONT to other LAWA non-ONT accounts. All remaining cash accounts of ONT shall be transferred to Ontario/OIAA.
8. Ontario shall, no later than five years after the date of transfer of ONT to Ontario/OIAA, pay Los Angeles for the benefit of LAWA an additional sum of \$50 million, which shall be subject to a schedule of ONT performance-based interim annual payments commencing at the close of the first year after transfer. Commercially reasonable assurance for payment of these amounts will be negotiated in good faith by the parties and included in the final Settlement Agreement.

9. Ontario shall, no later than ten years after the date of transfer of ONT to Ontario/OIAA, pay to Los Angeles for the benefit of LAWA an additional sum of \$70 million, which shall be subject to a schedule of ONT performance-based interim annual payments commencing at the close of the third year after transfer. Commercially reasonable assurance for payment of these amounts will be negotiated in good faith by the parties and included in the final Settlement Agreement.
10. Ontario/OIAA shall assume responsibility for all payments of principal and interest due on bonds and other indebtedness of ONT at the time of transfer.
11. Upon transfer, Ontario/OIAA shall assume responsibility for all accounts payable and shall receive all accounts receivable at ONT, subject to pro-ration of any long-term accounts.
12. Ontario and the OIAA will agree prior to the date of transfer of ONT concerning the continued employment of all existing staff at ONT. Employee protection and transition terms to be negotiated separately in collaboration with LA city labor groups, with the assurance that Ontario/OIAA shall reimburse no more than six month's salary for any reductions in staffing at ONT that require the employee(s) to be redeployed for employment with Los Angeles or LAWA.
13. The Parties promptly shall seek a stay of the Lawsuit pending transfer of ONT to Ontario/OIAA.
14. Upon execution of the Settlement Agreement, Ontario shall irrevocably waive all claims for damages of any kind arising from Los Angeles' past ownership or operation of ONT. Upon the effective date of the transfer of ONT to Ontario/OIAA, Ontario shall dismiss the Lawsuit with prejudice. The Parties shall work together and take all steps necessary to effectuate the transfer of ONT to Ontario/OIAA and shall take no action to impede, delay or otherwise interfere with the earliest possible transfer of ONT to Ontario/OIAA.
15. Upon execution of the Settlement Agreement, Ontario and the County of San Bernardino (a party to the OIAA JPA) shall dismiss their Complaint(s) against Los Angeles in the SPAS litigation (Los Angeles Superior Court Case No. BS143328 and County of Ventura Superior Court Case Number: 56-2014-00451038-CU-WM-OXN) with prejudice.
16. Upon the effective date of the transfer of ONT to Ontario/OIAA the JPA and all related agreements shall be terminated and rescinded.
17. Each party shall bear their own attorney's fees and costs.
18. The Settlement Agreement is subject to the approval of BOAC, the Los Angeles City Council, the Ontario City Council and the OIAA.