

New Air Service Partnership Program

Adopted by the Board on February 21, 2024

Effective April 1, 2024



Metropolitan Knoxville Airport Authority

Version 1.0

McGhee Tyson Airport (TYS)
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Metropolitan Knoxville Airport Authority

New Air Service Partnership Program Description & Goals

The Metropolitan Knoxville Airport Authority (“MCAA”), a body politic and corporate created under Title 42, Chapter 4 of the Tennessee Code Annotated, as amended, and owner and operator of McGhee Tyson Airport (“TYS”), offers this New Air Service Partnership Program (this “Program”) adopted by MCAA’s Board of Commissioners on February 21, 2024, and effective April 1, 2024, to stimulate new passenger air service at TYS. This Program is offered to both new entrant airlines and incumbent airlines, and provides financial assistance that will help offset costs associated with marketing new airline service, as well as mitigating some of the cost of operating the new service.

SECTION I: GENERAL

A. Program Goals

The goals of this Program are:

- To increase airline and passenger activity at TYS for the benefit of the public
- To grow nonstop airline markets available from TYS
- To attract new airlines to TYS
- To increase airline competition at TYS
- To increase non-airline generated revenues at TYS

B. Funding

All funds used in this Program shall be derived solely from non-airline revenues (i.e. parking and terminal concession income). Incentive benefits derived through this Program shall not have the effect of increasing the rentals, fees, or charges imposed on other aeronautical users of TYS, including other airlines. This Program shall be funded each year with an amount approved in MCAA’s annual budget by MCAA’s Board of Commissioners, including any subsequent budget amendments. Financial benefits conferred through the Program shall not exceed the budgeted amount in any Fiscal Year. In the event financial benefits conferred through this program do not equal or exceed the budgeted amount, the budgeted amount that is not so expended shall not be carried over to future Fiscal Years without the approval of MCAA’s Board of Commissioners. MCAA will not enter into an incentive agreement that would cause MCAA to exceed the amount budgeted in any Fiscal Year for incentive benefits, unless otherwise approved by MCAA’s Board of Commissioners.

C. Existing Service

This Program does not apply to increases in frequency of existing airline service to a destination or upgauging of existing airline service to a destination. Incentive benefits under this Program shall not be available in such cases.

D. Term

This Program shall become effective on April 1, 2024, and shall remain in effect until December 31, 2029, or until such time as it is modified, suspended, or terminated by MKAA's Board of Commissioners.

E. Compliance With Federal and State Regulations

This Program and any Incentive Agreement executed pursuant hereto are subordinate to the provisions of any and all existing and future agreements between MKAA and the United States of America or the State of Tennessee relative to the operation, maintenance, or development of TYS, the execution of which may be required as a condition precedent to the expenditure of funds for the development of TYS, or any part thereof. This Program is offered in accordance with air carrier incentive program (ACIP) policy issued by the Federal Aviation Administration on December 7, 2023. This Program shall be available to the public for review on MKAA's website at www.FlyKnoxville.com, and MKAA will make periodic reports of the ongoing Incentive Agreements entered into pursuant to this Program.

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SECTION II: DEFINITIONS

Airport Facility Cost Incentive Waiver means a per-flight waiver for some or all airport-imposed facility costs (including terminal space rental charges, landing fees, passenger loading bridge fees, terminal apron charges, overnight parking fees, and airport-provided telecommunications and data charges) directly related to Qualified Air Service. This incentive will generally equal the sum of the current Gate Area Fee and Ticketing Area Fee, with the specific terms of such incentive to be provided in the Incentive Agreement.

Airport Lease and Use Agreement means that Airport Lease and Use Agreement entered into between MKAA and an Eligible Airline.

Daily Service means at least one scheduled roundtrip flight operated at least six days per week between TYS and a destination airport.

Eligible Airline means an air carrier (including both New Entrant Airlines and Incumbent Airlines) providing Qualified Air Service.

Fiscal Year means the 12-month period starting on July 1 and ending on July 30.

Gate Area Fee means the “Gate Area Fee for Signatory Airlines” or “Gate Area Fee for Per-Turn Signatory Airlines” (whichever is applicable to the Participating Airline) set forth in Exhibit F of the Airport Lease and Use Agreement, as recalculated from time to time by MKAA, provided that if such fee is not specified in any future Airport Lease and Use Agreement, MKAA will calculate and provide to Participating Airlines a comparable fee amount.

Incentive Agreement means the Incentive Agreement executed by a Participating Airline and MKAA for Qualified Air Service, in a form similar to that of Section V herein.

Incentive Period means the time period that incentives are earned by a Participating Airline under an Incentive Agreement.

Incumbent Airline means any air carrier, or its regional affiliates operating with a similar name or livery, that is actively conducting scheduled commercial operations at TYS at the time an Incentive Agreement is executed.

Less-Than-Daily-Service means one to five weekly roundtrip flights between TYS and a destination airport.

Marketing Assistance Incentive means financial assistance provided by MKAA to support marketing and advertising programs directly associated with Qualified Air Service. The incentive is comprised of two parts:

Part A: MKAA will provide an initial commitment of marketing, advertising, and promotional funds to a Participating Airline for each Participating Airline. “Part A” funds are subject to Section III of this Program and must be used within the Incentive Period, but in any event not to exceed eighteen (18) months from the date of the Incentive Agreement. Any unused funds will be forfeited.

Part B: MKAA will provide additional marketing funds determined by the number of passengers generated by a Participating Airline during the Incentive Period. The incentive amount will be calculated by multiplying the total number of passengers using the Qualified Air Service by a defined dollar-based multiplier. It will be the Participating Airline’s responsibility to report its monthly passengers to MKAA using normal reporting methods. MKAA will verify this data using the United States Department of Transportation quarterly origin-and-destination data obtained from a qualified data provider. The Participating Airline shall use all funds generated through this “Part B” to promote the Qualified Air Service in accordance with this Program. “Part B” funds must be used within the applicable Incentive Period. Unused funds will be forfeited.

MKAA means the Metropolitan Knoxville Airport Authority.

New Entrant Airline means any air carrier, or its regional affiliates operating with a similar name or livery, that is not actively conducting scheduled commercial operations at TYS at the time an Incentive Agreement is executed, and has not provided scheduled commercial operations at TYS in the previous eighteen (18) months prior to announcing new flights. A New Entrant Airline will become an Incumbent Airline after the initial twelve (12) months of operations at TYS.

New Service means 1) any nonstop service by an Incumbent Airline to a destination airport not currently served with nonstop service from TYS, or 2) any service to TYS provided by a New Entrant Airline.

Participating Airline means any Eligible Airline that has accepted the terms and conditions of this Program and has executed an Incentive Agreement.

Priority I Airport means an airport serving any of the top fifty (50) domestic and international origin-and-destination markets from TYS for the most-recent 12-month period as reported by United States Department of Transportation data.

Priority II Airport means an airport that serves a destination with origin and destination passenger traffic ranked between numbers 51 and 100 from TYS for the most-recent 12-month period as reported by United States Department of Transportation data. An airport that qualifies as a Priority II Airport but serves a larger market area also served by a Priority I Airport will be upgraded to a Priority I Airport.

Priority III Airport means an airport that serves a destination that has passenger traffic outside the top 100 origin-and-destination markets from TYS for the most-recent 12-month period as

reported by United States Department of Transportation data. An airport that qualifies as a Priority III Airport but serves a larger market area also served by a Priority I Airport or Priority II Airport will be upgraded appropriately.

Program means this New Air Service Partnership Program.

Qualified Air Service means new airline service provided by an air carrier or one of its regional affiliates to an airport from TYS that is eligible for incentives under this Program. Flights that are transferred among an air carrier and any of its regional affiliates shall not be Qualified Air Service. Flights that are moved by an Incumbent Airline from one airport to another in destinations that are served by multiple airports will not be Qualified Air Service. Flights provided by a New Entrant Airline to any airport shall be considered Qualified Air Service.

Seasonal Service means scheduled roundtrip airline flights from TYS that, from the inception of such flights, are announced to be operated for less than seven (7) months of a calendar year.

Ticketing Area Fee means the “Ticketing Area Fee for Signatory Airlines” or “Ticketing Area Fee for Per-Turn Signatory Airlines” (whichever is applicable to the Participating Airline) set forth in Exhibit F of the Airport Lease and Use Agreement, as recalculated from time to time by MKAA, provided that if such fee is not specified in any future Airport Lease and Use Agreement, MKAA will calculate and provide to Participating Airlines a comparable fee amount.

TYS means MKAA’s McGhee Tyson Airport.

Unserviced Airport means a destination airport for which no nonstop scheduled service has existed from TYS for at least 12 months prior to the commencement of the new airline service.

Year-Round Service means Qualified Air Service that is expected to operate for twelve (12) consecutive months or more from TYS

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SECTION III: PROGRAM TERMS AND CONDITIONS

1. Each Participating Airline shall prepare a written Advertising and Marketing Plan for the Qualified Air Service and shall submit this plan to MKAA for review and approval prior to utilizing any incentives. For purposes of this Program, MKAA reserves the right to disapprove any plan deemed to be excessive or inappropriate. The McGhee Tyson Airport name and logo must be prominently featured in all marketing programs. Once the Participating Airline's Advertising and Marketing Plan is approved by MKAA and to receive the Marketing Assistance Incentives under the Program, the Participating Airline shall direct that all associated advertising and marketing-related invoices be sent directly to MKAA for processing and payment. As an alternative, the Participating Airline may pay all advertising and marketing costs, and then submit a reimbursement invoice to MKAA that must contain copies of paid invoices for all claimed expenses, along with documentation that the claimed expenses were actually paid. All correspondence and documents should be sent to:

Metropolitan Knoxville Airport Authority
Attn: Marketing Department
PO Box 15600
Knoxville, TN 37901-5600

2. MKAA reserves the right to audit any and all data reported by the Participating Airline at any reasonable time with reasonable notice by MKAA's agent. Should the audit indicate over-reporting of passengers, flight arrivals, or landing weights resulting in an incentive overpayment of 5% or more, then the Participating Airline shall be responsible for the cost of the audit and will pay MKAA the amount of the overpayment within 15 days of receipt of the auditor's report.
3. All incentives provided through this Program are subject to the approval of MKAA's Board of Commissioners. Incentives provided under this Program are only valid for Qualified Air Service implemented on or after April 1, 2024. Incentives are subject to annual budgetary constraints. This Program may be modified, amended, or terminated at any time without notice by MKAA.
4. To participate in the Program, each Eligible Airline must have on file with MKAA its fully executed Airport Lease and Use Agreement before any proposed incentives are submitted to MKAA's Board of Commissioners for approval.
5. Any Incumbent Airline otherwise eligible to participate in the Program must be current and in good standing on all MKAA invoiced charges and fees before any incentives or fee waivers are authorized.

6. Any Eligible Airline seeking incentives under this Program shall provide a written request detailing any proposed new or expanded airline service at least 60 days prior to the planned commencement of said service or such lesser period as is approved by MKAA. The written request should be addressed to Metropolitan Knoxville Airport Authority, Attn: Vice President Marketing & Air Service Development, P.O. Box 15600, Knoxville, TN 37901. Failure to provide the written notification may disqualify the airline from receiving any incentives.

7. It is the responsibility of the Participating Airline to provide all data requested by MKAA to determine compliance with the Program, including but not limited to dates of new airline service, flown passenger counts, calculation of fees, etc.

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SECTION IV: NEW AIRLINE SERVICE INCENTIVES

Qualified Air Service shall fall into one of following three categories, with the corresponding incentive benefits:

Category I: New Entrant Airline Nonstop Daily Service

A New Entrant Airline that adds nonstop Daily Service to a Priority I, Priority II, or Priority III Airport from TYS will be eligible for incentives. The Incentive Period for service to an Unserved Airport from TYS may be offered up to twenty-four (24) months, while the Incentive Period for service to an airport that is currently served by an Incumbent Airline will be limited to twelve (12) months. Additional flight frequencies added by a New Entrant airline during the first twelve (12) months of service shall qualify for Category I Incentives for the remainder of the original Incentive Period.

Should a New Entrant Airline add additional service to other Unserved Airports during the first twelve (12) months of operations at TYS, then these new routes will be eligible for Category I incentives. The maximum Incentive Period for these expanded flights to additional airports shall not exceed the New Entrant Airline's initial Incentive Period.

Category I Incentives are composed of a Marketing Assistance Incentive and an Airport Facility Cost Incentive Waiver. The monetary limit of each incentive is set forth below:

I. Marketing Assistance Incentive

Part A:

Priority I Airport	Up to \$100,000
Priority II Airport	Up to \$75,000
Priority III Airport	Up to \$50,000

Part B:

\$1.00 per flown passenger

II. Airport Facility Cost Incentive Waiver

The Airport Facility Cost Incentive Waiver is limited to the duration of the Incentive Period.

Should a Participating Airline elect to reduce frequency to Less-Than-Daily Service or Seasonal Service during the Incentive Period, then the Category I Incentive shall be terminated, and the airline service shall become subject to the provisions of the Category III Incentive.

Category II: Incumbent Airline New Daily Nonstop Service

An Incumbent Airline that adds new nonstop Daily Service to a Priority I, Priority II, or Priority III Airport from TYS will be eligible for incentives. The Incentive Period for service to an Unserved Airport from TYS may be offered up to twenty-four (24) months, while the Incentive Period for service to an airport that is currently served or scheduled by an Incumbent Airline or a New Entrant Airline will be limited to twelve (12) months. Additional flight frequencies added by an Incumbent Airline during the first twelve (12) months of service to an Unserved Airport shall qualify for Category II Incentives for the remainder of the original Incentive Period.

Category II Incentives are composed of a Marketing Assistance Incentive and an Airport Facility Cost Incentive Waiver. The monetary limit of each incentive is set forth below:

I. Marketing Assistance Incentive

Part A:

Priority I Airport	Up to \$75,000
Priority II Airport	Up to \$60,000
Priority III Airport	Up to \$40,000

Part B:

\$1.00 per flown passenger

II. Airport Facility Cost Incentive Waiver

The Airport Facility Cost Incentive Waiver is limited to the duration of the Incentive Period.

Should a Participating Airline elect to reduce frequency to Less-Than-Daily Service or Seasonal Service during the Incentive Period, then the Category II Incentive shall be terminated, and the airline service shall become subject to the provisions of the Category III Incentive.

Category III: Nonstop Less-Than-Daily Service and/or Seasonal Service

A New Entrant or Incumbent Airline that adds new nonstop service with a Less-Than-Daily Service and/or Seasonal Service between TYS and a Priority I, Priority II, or Priority III Airport will be eligible for incentives. *Incentives will be offered at proportionally reduced levels when compared to those offered for Daily Service or Year-Round Service.*

Category III Incentives are composed of a Marketing Assistance Incentive and an Airport Facility Cost Incentive Waiver. Monetary limits of each incentive will be negotiated based on the specific details of the new airline service based upon the level of the service.

Less-Than-Daily and/or Seasonal Service that converts to Daily and/or Year Round service will not be eligible for additional Marketing Assistance Incentives Part A, but if the conversion occurs during the first twelve (12) months of the Incentive Period, all passengers flown will be counted in the Marketing Assistance Incentive Part B, and the increased flights may be credited under the Airport Facility Cost Incentive Waiver.

Repeated periods of Seasonal Service may be eligible for incentives. For New Entrant Airlines, the maximum Incentive Period for Seasonal Service shall not exceed three (3) seasons lasting no more than seven (7) months each with a cumulative Incentive Period of no more than twenty-one (21) months in a thirty-six (36) month period. For Incumbent Airlines, the maximum Incentive Period for Seasonal Service shall not exceed three (3) seasons lasting no more than seven (7) months each with a cumulative Incentive Period of no more than twelve (12) months in a thirty-six (36) month period.

SECTION V: SAMPLE INCENTIVE AGREEMENT

Metropolitan Knoxville Airport Authority

Sample New Air Service Partnership Program Incentive Agreement

This Incentive Agreement is entered into as of the ____ day of _____, 20__ by and between the Metropolitan Knoxville Airport Authority, a body politic and corporate created under Title 42, Chapter 4 of the Tennessee Code Annotated, as amended, and owner and operator of McGhee Tyson Airport (“MCAA”) and _____ (the “Airline” and collectively with MCAA, the “Parties”) organized and existing under the laws of the state of _____, and is intended to memorialize the agreement between MCAA and the Airline under the terms of the New Air Service Partnership Program (the “Program”), adopted by MCAA’s Board of Commissioners on February 21, 2024 and effective on April 1, 2024, a copy of which is attached hereto and incorporated herein. Capitalized terms used herein and not otherwise defined shall have the meanings given to such terms in the Program.

MCAA and the Airline, by their signatures to this Incentive Agreement, acknowledge that this Incentive Agreement is to be governed by the Program. It is understood and agreed that the Airline and the new service that it is offering between McGhee Tyson Airport and _____ falls into Category _____ of the Program, with an initial Marketing Assistance Incentive Part A allowance of \$_____, and a Marketing Assistance Incentive Part B based upon flown passenger count of \$_____ per passenger for the period of _____, 20__ to _____, 20__ (the “Incentive Period”). It is further understood and agreed that MCAA will waive the airport facility costs detailed in Exhibit A attached hereto attributed to the new service during the Incentive Period. The term of this Incentive Agreement shall be from the date hereof through the last day of the Incentive Period and shall terminate automatically thereafter. Airline expects that the new service covered by this Agreement will be [Daily Service][Less-Than-Daily-Service] and will be [Year-Round Service][Seasonal Service] and understands that MCAA has granted the incentives provided for by this Agreement based upon such expectation.

In the event the Federal Aviation Administration or its successors request modifications or changes in the Program or this Incentive Agreement which may or may not be a condition precedent to obtaining funds for the improvement of the McGhee Tyson Airport, the Airline hereby consents to any and all such modifications and changes as may be requested, and the Airline agrees to immediately execute an amendment to this Incentive Agreement to reflect the requested modifications or changes.

If any clause or provision of this Incentive Agreement or the Program is found to be unlawful, invalid or unenforceable during the term of this Incentive Agreement, or is determined to be inconsistent with any of MCAA’s existing or future grant agreements with the United States of America or the State of Tennessee, it is the intention of the Parties that the remainder of this Agreement or the Program shall not be affected. It is also the intention of the Parties that each such clause or provision of this Incentive Agreement or the Program that is unlawful, invalid, unenforceable, or inconsistent with MCAA’s grant agreements, be stricken from this Incentive

Agreement or the Program, as applicable, and replaced with a clause or provision as similar in terms to such unlawful, invalid, unenforceable, or inconsistent clause or provision as may be possible and may be lawful, valid, enforceable, and consistent.

During the term of this Incentive Agreement, the Airline agrees to comply with civil rights provisions required by the Federal Aviation Administration and attached hereto as Attachment 1.

IN WITNESS WHEREOF, MKAA and the Airline have caused this Incentive Agreement to be executed by their duly authorized officers, as of the _____ day of _____, _____.

METROPOLITAN KNOXVILLE AIRPORT
AUTHORITY

By: _____
Name: _____
Title: _____

AIRLINE

By: _____
Name: _____
Title: _____

Exhibit A

Detail of Airport Facility Costs Waived

Attachment 1

Civil Rights Provisions

[Insert the current civil rights language mandated by the Federal Aviation Administration]

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