

\$70,965,000

Clark County, Nevada

Jet Aviation Fuel Tax Refunding Revenue Bonds

(Additionally Secured by Pledged Airport System Revenues)

Series 2013A (AMT)



McCarran
INTERNATIONAL AIRPORT

Clark County Department of Aviation



Randall H. Walker, Director of Aviation
Rosemary A. Vassiliadis, Deputy Director of Aviation



The Clark County Board of Commissioners

Left to right:

Larry Brown (Vice Chair), Lawrence Weekly, Susan Brager,
Chris Giunchigliani, Mary Beth Scow,
Steve Sisolak (Chair), and Tom Collins

\$70,965,000
CLARK COUNTY, NEVADA
Jet Aviation Fuel Tax Refunding Revenue Bonds
(Additionally Secured by Pledged Airport System Revenues)
Series 2013A (AMT)

Dated: Date of Delivery**Due: July 1, as shown on inside front cover page**

The Series 2013A Bonds are being issued by Clark County, Nevada for the purposes of refunding the outstanding Clark County, Nevada Jet Aviation Fuel Tax Revenue Bonds (Additionally Secured by Pledged Airport System Revenues), Series 2003C (AMT), and paying certain costs of issuance.

The Series 2013A Bonds are payable from, and secured by a pledge of and lien upon, proceeds of a three cent per gallon tax on jet aviation fuel sold, distributed or used in Clark County, Nevada.

The Series 2013A Bonds are additionally secured by and are payable from Net Revenues of the Airport System: (a) subordinate and junior to: (i) Senior Bonds currently outstanding in the aggregate principal amount of approximately \$984,190,000; and (ii) Second Lien Subordinate Securities currently outstanding in the aggregate principal amount of approximately \$2,984,005,000; and (b) on a parity with Third Lien Subordinate Securities currently outstanding in the aggregate principal amount of approximately \$300,000,000.

The Series 2013A Bonds will be issued in book-entry form, without coupons, initially registered in the name Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers of the Series 2013A Bonds will not receive physical certificates representing their interests in the Series 2013A Bonds purchased. DTC will act as securities depository for the Series 2013A Bonds. The principal of and interest on the Series 2013A Bonds, which interest is payable on July 1, 2013 and each January 1 and July 1 thereafter, are payable directly to DTC by The Bank of New York Mellon Trust Company, N.A., as trustee. Upon receipt of payments of such principal and interest, DTC will remit such principal and interest to DTC Participants for subsequent disbursement to Beneficial Owners of the Series 2013A Bonds. Individual purchases will be made in principal amounts of \$5,000 and integral multiples thereof.

The Series 2013A Bonds are subject to optional redemption prior to maturity as more fully described herein.

The Series 2013A Bonds do not constitute a debt of the County within the meaning of any constitutional or statutory provision or limitation, and neither the full faith and credit nor the taxing power of the County is pledged to the payment thereof.

In the opinion of Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants described herein, interest on the Series 2013A Bonds (other than interest on any Series 2013A Bond for any period during which it is held by a "substantial user" of the facilities refinanced with the Series 2013A Bonds or a "related person" as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended to the date of delivery of the Series 2013A Bonds (the "Tax Code")) is excluded from gross income pursuant to Section 103 of the Tax Code; however, interest on the Series 2013A Bonds is an item of tax preference for purposes of calculating alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code. Also, in the opinion of Bond Counsel, under present laws of the State of Nevada, the Series 2013A Bonds, their transfer, and the income thereon are free and exempt from taxation by the State of Nevada or any subdivision thereof except the tax on estates imposed pursuant to Chapter 375A of Nevada Revised Statutes ("NRS") and the tax on generation skipping transfers imposed pursuant to Chapter 375B of NRS. See the caption "TAX MATTERS."

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY. IT IS NOT INTENDED TO BE A SUMMARY OF THE TERMS OF OR SECURITY FOR THE SERIES 2013A BONDS. INVESTORS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Series 2013A Bonds are offered when, as and if issued, and subject to the approval of validity and enforceability by Sherman & Howard L.L.C., Las Vegas and Reno, Nevada, Bond Counsel. Certain legal matters will be passed upon for the County by the County District Attorney, Las Vegas, Nevada, and for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Sacramento, California. It is expected that the Series 2013A Bonds in book-entry form will be available for delivery through the facilities of The Depository Trust Company on or about April 2, 2013.

Citigroup
(Senior Manager)

BofA Merrill Lynch

RBC Capital Markets
(Co-Managers)

Siebert Brandford Shank & Co., L.L.C.

\$70,965,000
CLARK COUNTY, NEVADA
Jet Aviation Fuel Tax Refunding Revenue Bonds
(Additionally Secured by Pledged Airport System Revenues)
Series 2013A (AMT)

<i>Due (July 1)</i>	<i>Amount</i>	<i>Interest Rate</i>	<i>Yield</i>
2019	\$5,020,000	5.00%	2.15%
2020	5,270,000	5.00	2.43
2021	5,535,000	5.00	2.72
2022	5,810,000	5.00	2.93
2023	6,100,000	5.00	3.16*
2024	6,405,000	5.00	3.27*
2025	6,730,000	5.00	3.40*
2026	7,065,000	5.00	3.52*
2027	7,415,000	5.00	3.62*
2028	7,790,000	5.00	3.71*
2029	7,825,000	5.00	3.77*

** Yield to optional redemption date of January 1, 2023 at par.*

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations by the County or the Underwriters, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the County or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2013A Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2013A Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The Underwriters have provided the following sentence for inclusion in this Official Statement:

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information set forth herein has been furnished by the County and includes information which has been obtained from other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters. The information and expression of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implications that there has been no change in the affairs of the County since the date hereof.

IN CONNECTION WITH THIS OFFERING OF THE SERIES 2013A BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2013A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2013A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE SERIES 2013A BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption "SECURITY FOR THE SERIES 2013A BONDS—Pledged Jet Fuel Tax Revenues," "FINANCIAL FACTORS" and "THE AIRPORT SYSTEM."

The County maintains a website. However, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2013A Bonds.

CLARK COUNTY, NEVADA
500 South Grand Central Parkway
Las Vegas, Nevada 89106

BOARD OF COUNTY COMMISSIONERS

Steve Sisolak, Chair
Larry Brown, Vice Chair
Susan Brager
Tom Collins
Chris Giunchigliani
Mary Beth Scow
Lawrence Weekly

COUNTY OFFICIALS

Donald G. Burnette, County Manager
Laura B. Fitzpatrick, Treasurer
George W. Stevens, Chief Financial Officer
Jessica Colvin, Comptroller
Diana Alba, Clerk
Steven B. Wolfson, District Attorney

OFFICIALS OF McCARRAN INTERNATIONAL AIRPORT

Randall H. Walker, Director of Aviation⁽¹⁾
Rosemary A. Vassiliadis, Deputy Director of Aviation

FINANCIAL ADVISORS

Hobbs, Ong & Associates, Inc.
Las Vegas, Nevada

Public Financial Management, Inc.
San Francisco, California

BOND COUNSEL

Sherman & Howard L.L.C.
Las Vegas and Reno, Nevada

TRUSTEE

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

VERIFICATION AGENT

Causey, Demgen & Moore Inc.
Denver, Colorado

⁽¹⁾ Mr. Walker has announced his retirement effective June 3, 2013. On March 5, 2013, the Board of County Commissioners appointed Ms. Vassiliadis as Mr. Walker's successor.

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^{**} To be updated annually pursuant to County's Continuing Disclosure Certificate.

^{*} Historical information only in these tables is to be updated pursuant to County's Continuing Disclosure Certificate.

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\$70,965,000
Clark County, Nevada
Jet Aviation Fuel Tax Refunding Revenue Bonds
(Additionally Secured by Pledged Airport System Revenues)
Series 2013A (AMT)

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and appendices, is to furnish information concerning Clark County (the “County”), Nevada (the “State”), the County’s McCarran International Airport (the “Airport”), as well as four smaller airfields owned and operated by the County used primarily for private aircraft known as North Las Vegas Air Terminal, Henderson Executive Airport, Overton Airport and Jean Airport (collectively with the Airport, the “Airport System,” as more fully described herein), and certain other information in connection with the sale of \$70,965,000 aggregate principal amount of Clark County, Nevada, Jet Aviation Fuel Tax Refunding Revenue Bonds (Additionally Secured by Pledged Airport System Revenues) Series 2013A (AMT) (the “Series 2013A Bonds”).

Issuance of the Series 2013A Bonds is authorized pursuant to the Nevada Municipal Airports Act (Nevada Revised Statutes § 496.010 *et seq.*) (the “Project Act”), the Nevada Local Government Securities Law (Nevada Revised Statutes § 350.500 *et seq.*) (the “Bond Act”) and the Nevada Registration of Public Securities Law (Nevada Revised Statutes § 348.010 *et seq.*) (the “Supplemental Bond Act”). The Series 2013A Bonds are to be issued and secured pursuant to the Master Indenture of Trust dated as of May 1, 2003 (as amended, the “Master Indenture”), by and between the County and The Bank of New York Mellon Trust Company, N.A. (the “Trustee”), and the 2013 Series A Indenture, dated as of April 1, 2013 (the “Series Indenture”), by and between the County and the Trustee.

The Series 2013A Bonds are payable from, and secured by a pledge of and lien upon, the proceeds of a three cent per gallon tax on jet aviation fuel sold, distributed or used in the County (the “Pledged Jet Fuel Tax Revenues”), which is levied by the County, collected by the State and returned by the State to the County.

The Series 2013A Bonds are additionally secured by and are payable from Net Revenues of the Airport System: (a) subordinate and junior to: (i) certain obligations (the “Senior Bonds”) currently outstanding in the aggregate principal amount of approximately \$984,190,000; and (ii) certain obligations (the “Second Lien Subordinate Securities”) currently outstanding in the aggregate principal amount of approximately \$2,984,005,000 and certain amounts which are payable by the County with respect to interest rate swap agreements described under the caption “FINANCIAL FACTORS—Interest Rate Swap Agreements;” and (b) on a parity with certain obligations (the “Third Lien Subordinate Securities”) currently outstanding in the aggregate principal amount of approximately \$300,000,000.

The Series 2013A Bonds are being issued by the County for the purposes of refunding the outstanding Clark County, Nevada Jet Aviation Fuel Tax Revenue Bonds (Additionally Secured by Pledged Airport System Revenues), Series 2003C (AMT) (the “Series 2003C Bonds”), which are currently outstanding in the aggregate principal amount of \$85,000,000, and paying certain costs of issuance. See the caption “THE REFUNDING PLAN.”

The Series 2013A Bonds are special obligations of the County payable solely from the Pledged Jet Fuel Tax Revenues and the Net Revenues of the Airport System as described herein. The Series 2013A Bonds do not constitute an indebtedness or a debt of the County within the meaning of any constitutional or statutory provision or limitation and the Series 2013A Bonds are not considered or held to be general obligations of the County but constitute the County’s special obligations. Neither the full faith and credit nor the taxing power of the County is pledged to the payment thereof.

The County currently anticipates refunding the \$37,000,000 outstanding aggregate principal amount of Clark County, Nevada General Obligation (Limited Tax) (Additionally Secured by Pledged Airport System Revenues) Airport Bonds, Series 2003B (the “Series 2003B Bonds”) on or about the date of issuance of the Series 2013A Bonds from proceeds of Clark County, Nevada, General Obligation (Limited Tax) (Additionally Secured by Pledged Airport System Revenues) Refunding Airport Bonds, Series 2013B (Non-AMT) (the “Series 2013B Bonds”). The County has authorized the issuance of the Series 2013B Bonds. If issued, the Series 2013B Bonds will be payable from Net Revenues of the Airport System on a subordinate basis to the Series 2013A Bonds. There can be no assurance that the County will issue the Series 2013B Bonds. See the caption “FINANCIAL FACTORS—Outstanding Airport Indebtedness.”

Brief descriptions of the Series 2013A Bonds, the security for the Series 2013A Bonds, the County and the Airport, among other topics, are included in this Official Statement, together with summaries of certain provisions of the Series 2013A Bonds and certain other documents. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Master Indenture, the Series Indenture, the Series 2013A Bonds and other documents and instruments are qualified in their entirety by reference to such documents or instruments or the forms thereof, copies of which are available for inspection at the office of the Assistant Director of Aviation/Finance, Las Vegas-McCarran International Airport, telephone (702) 261-6029. Certain capitalized terms used herein and not defined have the meaning given such terms in Appendix C.

Changes have been made to this Official Statement since the Preliminary Official Statement dated March 8, 2013 under the caption “INTRODUCTION” to reflect the currently outstanding amount of the Series 2003C Bonds.

DESCRIPTION OF THE SERIES 2013A BONDS

General

The Series 2013A Bonds will be dated the date of initial delivery thereof, and will bear interest at the rates and in the amounts set forth on the inside front cover page of this Official Statement. Interest on the Series 2013A Bonds will be payable on July 1, 2013 and each January 1 and July 1 thereafter.

The principal of any Series 2013A Bonds will be payable to the registered owner thereof as shown on the registration records kept by the Registrar, upon maturity thereof and upon presentation and surrender at the designated office of the Paying Agent. If any Series 2013A Bond is not paid upon presentation and surrender at or after maturity, it will continue to draw interest at the interest rate borne by the Series 2013A Bonds until the principal thereof is paid in full. Except as described in Appendix D, payment of interest on any Series 2013A Bonds will be made to the registered owner thereof by check or draft mailed by the Paying Agent, by first-class mail on or before each interest payment date (or, if such interest payment date is not a Business Day, on or before the next succeeding Business Day), to the registered owner thereof at his or her address as shown on the registration records kept by the Registrar at the close of business on the fifteenth day of the calendar month next preceding such interest payment date, whether or not a Business Day (the “Record Date”); provided, however, that payment of principal of and interest on the Series 2013A Bonds may, at the option of any registered owner of Series 2013A Bonds in an aggregate principal amount of at least \$1,000,000, be transmitted by wire transfer within the continental United States to such owner to the bank account number on file with the Trustee acting as the registrar as of the Record Date upon prior payment of the Trustee’s applicable wire transfer fees. Interest on the Series 2013A Bonds will accrue on the basis of a 360-day year comprised of twelve 30-day months.

Redemption of the Series 2013A Bonds

The Series 2013A Bonds maturing on or before July 1, 2022 are not subject to redemption prior to maturity. Series 2013A Bonds, or portions thereof, maturing on or after July 1, 2023 are subject to redemption prior to their respective maturities, at the option of the County, on and after January 1, 2023, in whole at any

time or in part at any time, from such maturities as are selected by the County, and if less than all of the Series 2013A Bonds of a maturity are to be redeemed, the Series 2013A Bonds of such maturity to be redeemed will be selected by lot within a maturity (giving proportionate weight to Series 2013A Bonds in denominations larger than \$5,000), in such manner as the Paying Agent may determine, at par without premium.

Book-Entry Only System

The Series 2013A Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series 2013A Bonds. The information in this caption concerning DTC and DTC’s book-entry system has been obtained from DTC, and the County and the Trustee take no responsibility for the accuracy thereof. Capitalized terms used under this caption and not otherwise defined have the respective meanings given to such terms in Appendix D. A fully-registered Series 2013A Bond certificate will be issued in a denomination equal to the aggregate principal amount of each maturity of the Series 2013A Bonds and will be deposited with DTC. Individual purchases may be made in book-entry only form. Purchasers will not receive certificates representing their interest in the Series 2013A Bonds purchased. So long as Cede & Co. is the registered owner of the Series 2013A Bonds, as nominee of DTC, references herein to the owners of the Series 2013A Bonds or Series 2013A Bondholders mean Cede & Co. and not the actual purchasers of the Series 2013A Bonds (the “Beneficial Owners”). The principal of and interest on each Series 2013A Bond will be payable by wire transfer by the Trustee to Cede & Co., as nominee for DTC, which is required, in turn, to remit such amounts to the DTC Participants for subsequent disbursement to the Beneficial Owners. See Appendix D for a further description of DTC and its book-entry system.

The book-entry system may be discontinued by the Trustee and the County, at the direction and expense of the County, and the County and the Trustee will cause the delivery of Series 2013A Bond certificates to such Beneficial Owners of the Series 2013A Bonds and registered in the names of such Beneficial Owners as will be specified to the Trustee by the Securities Depository in writing, under the following circumstances:

A. The Securities Depository determines to discontinue providing its service with respect to the Series 2013A Bonds and no successor Securities Depository is appointed as described in Appendix D. Such a determination may be made at any time by giving 30 days’ notice to the County and the Trustee and discharging its responsibilities with respect thereto under applicable law; or

B. The County determines not to continue the book-entry system through a Securities Depository, upon not less than 45 days’ prior written notice to the Trustee.

THE REFUNDING PLAN

General

Concurrently with the delivery of the Series 2013A Bonds, a portion of the proceeds thereof will be transferred to The Bank of New York Mellon Trust Company, N.A., as trustee for the Series 2003C Bonds (the “Series 2003C Trustee”) pursuant to the 2003 Series C Indenture, dated as of May 1, 2003 (the “2003 Series C Indenture”), between the County and the Series 2003C Trustee, and the Clark County, Nevada, Jet Aviation Fuel Tax Refunding Revenue Bonds, Series 2013A Refunding Deposit Agreement, dated as of April 1, 2013 (the “Escrow Agreement”), by and between the County and the Series 2003C Trustee, as escrow agent (the “Escrow Agent”).

The Escrow Agent will invest a portion of the moneys deposited in the Escrow Fund established under the Escrow Agreement (the “Escrow Fund”) in federal securities as set forth in the Escrow Agreement. From the maturing principal of the federal securities and related investment income and other moneys on deposit in

the Escrow Fund, the Escrow Agent will pay on July 1, 2013 the principal of the Series 2003C Bonds maturing on and after July 1, 2013, plus interest accrued to such date, without premium.

Sufficiency of the moneys deposited in the Escrow Fund for those purposes will be verified by Causey, Demgen & Moore Inc., Denver, Colorado (the "Verification Agent"). Assuming the accuracy of such computations, as a result of the deposit and application of funds as provided above, the Series 2003C Bonds will be defeased pursuant to the provisions of the Master Indenture and the 2003 Series C Indenture under which the Series 2003C Bonds were issued, as of the date of issuance of the Series 2013A Bonds.

Verification

Upon issuance of the Series 2013A Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to it by the Underwriters relating to: (a) the adequacy of the maturing principal of and interest on the federal securities and the other moneys deposited in the Escrow Fund to pay on July 1, 2013 the principal of the Series 2003C Bonds maturing on and after July 1, 2013, plus interest accrued to such date; and (b) the computations of yield of the Series 2013A Bonds and the federal securities which support Bond Counsel's opinion that the interest on the Series 2013A Bonds is excluded from gross income for federal income tax purposes.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds from proceeds of the Series 2013A Bonds.

Sources⁽¹⁾

Par Amount	\$ 70,965,000
Plus Original Issue Premium	9,644,206
Airport Contribution ⁽²⁾	<u>7,334,887</u>
Total Sources	<u>\$ 87,944,093</u>

Uses⁽¹⁾

Transfer to Escrow Agent	\$ 87,264,209
Underwriters' Discount	407,101
Costs of Issuance ⁽³⁾	<u>272,783</u>
Total Uses	<u>\$ 87,944,093</u>

⁽¹⁾ Amounts rounded to nearest dollar.

⁽²⁾ Includes amounts deposited by the County in the Escrow Fund to pay principal of and interest on the July 1, 2013 maturity of the Series 2003C Bonds and amounts transferred from funds created with respect to the Series 2003C Bonds.

⁽³⁾ Includes fees of Financial Advisors, Trustee, Bond Counsel, rating agencies, Verification Agent and other miscellaneous fees and expenses.

SECURITY FOR THE SERIES 2013A BONDS

Pledged Jet Fuel Tax Revenues

The Series 2013A Bonds are secured by, and represent a lien on all of the proceeds of a three cent per gallon tax levied by the County on jet aviation fuel sold, distributed or used in the County. The Pledged Jet Fuel Tax Revenues are collected by the State and are due (postmarked) on the 25th day of each month by wholesalers who distribute jet aviation fuel throughout the State. The State then returns the Pledged Jet Fuel Tax Revenues to the Airport through the County. The County generally receives proceeds of the Pledged Jet Fuel Tax Revenues from the State of Nevada Department of Taxation within 30 days of each monthly due date.

Additional bonds with a first lien on the Pledged Jet Fuel Tax Revenues can be issued in the future upon meeting the conditions specified in the Series Indenture. See the caption “—Additional Parity Jet Fuel Tax Revenue Bonds.” The Series 2013A Bonds and any future bonds issued with a first lien on the Pledged Jet Fuel Tax Revenues are collectively referred to in this Official Statement as “Parity Jet Fuel Tax Bonds.”

The following table summarizes the Pledged Jet Fuel Tax Revenues received by the Airport for the last ten fiscal years of the County ended June 30 (each, a “Fiscal Year”), as well as projected Pledged Jet Fuel Tax Revenues for Fiscal Years 2013 and 2014. Projected Pledged Jet Fuel Tax Revenues reflect the implementation of a \$0.01 per gallon increase in the tax for jet or turbine-powered aircraft effective July 1, 2012. On March 5, 2013, the Board of County Commissioners elected to include the additional \$0.01 per gallon increase in the tax in Pledged Jet Fuel Tax Revenues, thereby pledging the revenues from such tax to the payment of the Series 2013A Bonds.

PLEDGED JET FUEL TAX REVENUES
Clark County, Nevada

<i>Fiscal Year</i>	<i>Total</i>	<i>Percent Change</i>
2003	\$11,765,254	1.45%
2004	9,529,552 ⁽¹⁾	19.00
2005	9,361,931	(1.76)
2006	9,271,157	(0.98)
2007	9,310,000	0.42
2008	9,498,354	2.02
2009	8,387,958	(11.69)
2010	7,798,884	(7.02)
2011	7,317,856	(6.17)
2012	7,425,240	1.47
 <i>Estimated</i>		
2013	11,405,000 ⁽²⁾	53.60
2014	11,462,000	0.50

⁽¹⁾ Decrease in Fiscal Year 2004 reflects decrease in the jet aviation fuel tax from three cents to two cents in that year.

⁽²⁾ Increase in Fiscal Year 2013 reflects one cent increase in the jet aviation fuel tax effective July 1, 2012. The increased amounts were available to pay the Series 2003C Jet A Bonds effective July 1, 2012 and were pledged to pay the Series 2013A Bonds effective March 5, 2013.

Source: Clark County Department of Aviation.

The decline in Pledged Jet Fuel Tax collections in Fiscal Years 2009 to 2011 was due to a decrease in demand for fuel as airlines attempted to reduce costs by eliminating flights. The increase in Pledged Jet Fuel Tax collections in Fiscal Year 2012 reflects increased demand for fuel as aircraft operations improved in Fiscal Years 2011 and 2012 by approximately 1.5%. Pledged Jet Fuel Tax collections are influenced by total airline fuel flow at the Airport, which in turn is influenced by individual airline policies.

In the event that annual debt service on the Series 2013A Bonds in any Fiscal Year exceeds Pledged Jet Fuel Tax Revenues collected in such corresponding Fiscal Year, the Series 2013A Bonds are, in any event and from the date of issuance, additionally secured by and payable from Net Revenues of the Airport System. See the caption “—Third Lien Pledge of Airport Revenues.”

There can be no assurance that the Pledged Jet Fuel Tax Revenues distributed to the County will generate the projected amounts. The County can increase the tax on jet aviation fuel sold, distributed or used in the County up to an additional cent (for a total tax on jet aviation fuel sold, distributed or used in the County of four cents) and may upon election of the Board of County Commissioners elect to include such additional

one cent tax on jet aviation fuel sold, distributed or used in the County in Pledged Jet Fuel Tax Revenues; however, the County is not required to increase the tax on jet aviation fuel sold, distributed or used in the County even if Pledged Jet Fuel Tax Revenues are insufficient to pay debt service on Parity Jet Fuel Tax Bonds. In the event that Pledged Jet Fuel Tax Revenues proceeds are insufficient to pay debt service on the Series 2013A Bonds, the Net Revenues of the Airport System are pledged to the payment thereof.

Additional Parity Jet Fuel Tax Bonds

Nothing in the Series Indenture, subject to the limitations stated therein, prevents the issuance by the County of additional bonds or other additional securities payable from Pledged Jet Fuel Tax Revenues and constituting a lien thereon on a parity with, but not prior nor superior to, the lien thereon of the Series 2013A Bonds, nor prevents the issuance of bonds or other securities refunding all or a part of the Series 2013A Bonds (or funding or refunding any other then Outstanding securities payable from Pledged Jet Fuel Tax Revenues), except as provided in the Series Indenture, but before any such additional Parity Jet Fuel Tax Bonds are authorized or actually issued (excluding any parity refunding securities other than any securities refunding subordinate bonds or other subordinate securities, as permitted in the Series Indenture), the County will file the following with the Trustee:

A. Absence of Default. A certification of the Director or Assistant Director that at the date of issuance of the additional securities: (i) the County will not be in default in making any payments required by the Series Indenture with respect to the Series 2013A Bonds or any Parity Jet Fuel Tax Bonds; and (ii) if the Debt Service Requirements of such additional securities are secured by a subordinate pledge of the Net Revenues of the Airport System, the County is in compliance with the rate maintenance covenant in the Master Indenture; and

B. Earnings Test.

(1) A certification of the Director or Assistant Director setting forth: (a) the Net Revenues of the Airport System and any Other Available Funds for; and (b) the Pledged Jet Fuel Tax Revenues received in: (i) the most recent Fiscal Year preceding the date of the issuance of such additional Parity Jet Fuel Tax Bonds for which audited financial statements are available; or (ii) any period of 12 consecutive calendar months out of the 18 calendar months next preceding the date of the issuance of such proposed Parity Jet Fuel Tax Bonds and demonstrating that the sum of such Net Revenues and Other Available Funds plus such Pledged Jet Fuel Tax Revenues at least equals 110% of the maximum amount of Debt Service Requirements payable in any Bond Year (calculated for the period beginning on the date of issuance of the proposed Parity Jet Fuel Tax Bonds and ending on the final maturity date of the then Outstanding Series 2013A Bonds, any other Outstanding Parity Jet Fuel Tax Bonds and the proposed Parity Jet Fuel Tax Bonds) of the then outstanding Parity Securities, the then outstanding Subordinate Securities payable from Net Revenues, the Outstanding Series 2013A Bonds, any other Outstanding Parity Jet Fuel Tax Bonds and any additional Parity Jet Fuel Tax Bonds to be issued (provided, that in the calculation of such Debt Service Requirements there will not be taken into account: (I) Swap Termination Payments; (II) the Debt Service Requirements of any Outstanding Subordinate Securities secured by PFC Revenues to the extent that PFC Revenues were used in the most recent Fiscal Year to pay the Debt Service Requirements of such Outstanding Subordinate Securities; (III) the Debt Service Requirements of any Outstanding Subordinate Securities that have a lien on Net Revenues that is subordinate to the lien thereon of the Series 2013A Bonds; or (IV) the Debt Service Requirements on any bonds, notes or other contingent obligations to a bank or other provider of credit enhancement for all or a portion of Outstanding Parity Securities or Subordinate Securities (the “Credit Enhanced Bonds”) if the Debt Service Requirements of the Credit Enhanced Bonds are taken into account); or

(2) A certification of the Director or Assistant Director setting forth: (a) the Net Revenues of the Airport System and any Other Available Funds for, and the Pledged Jet Fuel Tax Revenues received in: (i) the most recent Fiscal Year preceding the date of the issuance of such additional Parity Jet Fuel Tax Bonds for which audited financial statements are available; or (ii) any period of 12 consecutive calendar

months out of the 18 calendar months next preceding the date of the issuance of such proposed Parity Jet Fuel Tax Bonds; and (b) for each of the five Fiscal Years following the date of issuance of the additional Securities (or, if interest is capitalized on such Securities, following the last Fiscal Year for which any of such interest is capitalized), estimates of the Net Revenues, Other Available Funds and Pledged Jet Fuel Tax Revenues, and concluding that for each such Fiscal Year, the estimated Net Revenues, Other Available Funds and Pledged Jet Fuel Tax Revenues for that Fiscal Year at least equal 110% of the Debt Service Requirements to be accumulated in the Fiscal Year and expended in the Comparable Bond Year for the then outstanding Parity Securities, the then outstanding Subordinate Securities payable from Net Revenues, the Outstanding Series 2013A Bonds, any other Outstanding Parity Jet Fuel Tax Bonds and any additional Parity Jet Fuel Tax Bonds to be issued (provided, that in the calculation of such Debt Service Requirements there will not be taken into account: (I) Swap Termination Payments; (II) the Debt Service Requirements of any Outstanding Subordinate Securities secured by PFC Revenues to the extent that PFC Revenues were used in the most recent Fiscal Year to pay the Debt Service Requirements of such Outstanding Subordinate Securities; (III) the Debt Service Requirements of any Outstanding Subordinate Securities that have a lien on Net Revenues that is subordinate to the lien thereon of the Series 2013A Bonds; or (IV) the Debt Service Requirements on any Credit Enhanced Bonds if the Debt Service Requirements of the Credit Enhanced Bonds are taken into account).

Refunding Jet Fuel Tax Bonds

At any time after the Series 2013A Bonds, or any part thereof, are issued and remain Outstanding, if the County finds it desirable to refund any Outstanding Series 2013A Bonds or other Outstanding securities payable from and constituting a lien upon any Pledged Jet Fuel Tax Revenues, such Series 2013A Bonds or other securities, or any part thereof, may be refunded only if the Series 2013A Bonds or other securities at the time or times of their required surrender for payment will then mature or be then callable for prior redemption for the purpose of refunding them at the County's option upon proper call, unless the owner or owners of all such Outstanding Series 2013A Bonds or other securities consent to such surrender and payment, regardless of whether the priority of the lien for the payment of the refunding securities on Pledged Jet Fuel Tax Revenues is changed (except as provided in the Series Indenture).

Third Lien Pledge of Airport Revenues

In addition to the Pledged Jet Fuel Tax Revenues, the Series 2013A Bonds are additionally secured by and payable from the Net Revenues of the Airport System: (a) subordinate and junior to: (i) Senior Bonds currently outstanding in the aggregate principal amount of approximately \$984,190,000; (ii) Second Lien Subordinate Securities currently outstanding in the aggregate principal amount of approximately \$2,984,005,000 and certain amounts which are payable by the County with respect to interest rate swap agreements described under the caption "FINANCIAL FACTORS—Outstanding Airport Indebtedness;" and (b) on a parity with other Third Lien Subordinate Securities currently outstanding in the aggregate principal amount of approximately \$300,000,000.

The Master Indenture defines the following terms:

"Net Revenues" means the Gross Revenues remaining after the deduction of the Operation and Maintenance Expenses of the Airport System.

"Gross Revenues" means all income and revenues derived directly or indirectly by the County from the operation and use of and otherwise pertaining to the Airport System, or any part thereof, whether resulting from extensions, enlargements, repairs, betterments, or other improvements to the Airport System, or otherwise, and includes all revenues received by the County from the Airport System, including, without limitation, all rentals, rates, fees, and other charges for the use of the Airport System, or for any service rendered by the County in the operation thereof, revenues from any gaming at the Airport System, interest and other realized gain from any investment of moneys accounted for in various accounts of the Airport System Fund, and to the extent provided in the Master Indenture, the Debt Service Reserve Fund, or other account into

which revenues are transferred from the Revenue Fund, but excluding: (i) any Senior Bond proceeds and any other money credited to the Construction Fund or any like account for financing the acquisition of capital improvements and pertaining to any Additional Project, other than any surplus Senior Bond proceeds or other unrestricted surplus moneys in the Construction Fund or other such account remaining after the completion of and payment for the project pertaining thereto; (ii) any moneys received as grants, appropriations, or gifts, the use of which is limited by the grantor or donor to the construction of capital improvements for the Airport Facilities, except to the extent that any such moneys are received as payments for the use of the Airport Facilities; (iii) any revenues derived from any Special Facilities other than ground lease rentals pertaining to such Special Facilities and any moneys paid to the County in lieu of such rentals; (iv) insurance proceeds other than loss of use or business interruption insurance proceeds; (v) interest and other gain from any investment of moneys in the Debt Service Reserve Fund so long as the amount of such Fund is less than the Maximum Aggregate Debt Service Requirements for the Senior Bonds and all Parity Securities (as such term is defined in the Master Indenture); (vi) the proceeds of any passenger head tax or other per-passenger charge fixed and collected by the County in accordance with law; and (vii) any amounts paid to the County pursuant to a Qualified Swap.

Specifically excluded from Gross Revenues are passenger facility charges collected by the County. The County may, in its absolute discretion, use any “PFC Revenues” (as defined in Appendix C) that are legally available for the purpose, if such use would be in conformity with federal law, to pay the principal of, premium, if any, and interest on Senior Securities and Subordinate Securities other than PFC Bonds (as such term is defined under the caption “—Second Lien Subordinate Securities”); provided, however, that such PFC Revenues are not pledged for such purpose, and neither the owners of the Series 2013A Bonds nor the Trustee on their behalf have any lien on any such PFC Revenues, which are pledged solely for payment of the PFC Bonds and other projects which are authorized to be funded with PFC Revenues.

“Operation and Maintenance Expenses” means all reasonable and necessary current expenses of the County, paid or accrued, of operating, maintaining, and repairing the Airport System, including, without limitation, overhead expenses relating to the administration, operation, and maintenance of the Airport System; insurance and fidelity bond premiums; payments to pension and other funds and to any self-insurance fund not in excess of premiums which would otherwise be required for such insurance; any general and excise taxes or other governmental charges; the reasonable charges of paying agents and depository banks; costs of contractual and professional services, labor, materials, and supplies for current operations; cost of issuance of securities relating to the Airport System (except to the extent paid from securities proceeds); fiduciary costs; cost of collecting and refunding Gross Revenues; utility costs; cost of reimbursing the provider of a surety bond providing for the payment of fees of a liquidity facility provider in connection with variable rate bonds, for payments made under such surety bond; any lawful refunds of any Gross Revenues; and all other administrative, general, and commercial expenses (which includes amounts required to be rebated to the Federal Government pursuant to Section 148 of the Internal Revenue Code of 1986, as amended), but excluding: (a) any allowance for depreciation; (b) costs of improvements; (c) reserves for major capital replacements, Airport System operations, maintenance or repair; (d) any allowance for redemption of, or payment of interest or premium on securities; (e) any liabilities incurred in acquiring or improving properties of the Airport System; (f) expenses of lessees or licensees under Net Rent Leases; (g) operation and maintenance expenses pertaining to Special Facilities; and (h) liabilities based upon the County’s negligence or other ground not based on contract.

“Airport Facilities” or “Airport System” means all of the County’s airport facilities including, without limitation: (a) the presently existing airport system consisting of the McCarran International Airport, North Las Vegas Air Terminal, Overton Airport, Jean Airport and Henderson Executive Airport; (b) all land, buildings, structures, and other facilities of such airports or related thereto of whatsoever character and wherever situated, within the County, and all future enlargements thereof and other improvements thereto, however financed and wherever located, or any substitute facilities; and (c) all properties, real, personal, mixed, or otherwise, now owned or later acquired by the County, through purchase, construction, or otherwise, and used in connection with the Airport Facilities and in any way pertaining thereto; but excluding: (i) Special Facilities until the end

of the respective terms of the Net Rent Leases pertaining to such Special Facilities; and (ii) any additional airfields or other independent airport facilities (other than the Airport System or any part thereof) which are excluded from the Airport Facilities at the option and by order of the Governing Body pursuant to the Master Indenture.

Senior Bonds

Pursuant to the Series Indenture, the Series 2013A Bonds are payable from the Net Revenues of the Airport System subordinate and junior to the Senior Bonds and the Second Lien Subordinate Securities and on a parity with the other Third Lien Subordinate Securities. The facilities comprising the Airport System, however, have not been pledged. The Senior Bonds are also secured by a pledge of all funds and accounts held under the Master Indenture, subject to the provisions of the Master Indenture permitting disbursements of such amounts at the times and in the manner described therein.

Set forth below are the outstanding principal amounts of Senior Bonds and the final maturity of each series of Senior Bonds.

CLARK COUNTY, NEVADA, DEPARTMENT OF AVIATION Senior Bonds

<i>Name of Bonds</i>	<i>Principal Amount Outstanding⁽¹⁾</i>	<i>Final Maturity (July 1)</i>
2005A Bonds	\$ 69,590,000	2040
2008E Bonds	27,835,000	2017
2009B Bonds	300,000,000	2042
2010C Bonds	454,280,000	2045
2010D Bonds	132,485,000	2024

⁽¹⁾ As of March 1, 2013.

Source: Clark County Department of Aviation.

The Master Indenture creates a special fund designated the Revenue Fund, to which the County is required to set aside and credit all Gross Revenues of the Airport System upon receipt thereof by the County. The Master Indenture requires that moneys or deposits in the Revenue Fund will be applied solely in accordance with the order of priorities established by the Master Indenture. The first such priority and charge against the Revenue Fund is the payment of Operation and Maintenance Expenses budgeted and approved pursuant to the Master Indenture.

The Master Indenture and the series indentures pursuant to which the Senior Bonds were issued permit the issuance of additional Senior Bonds payable from Net Revenues on a superior basis to the Series 2013A Bonds. See the caption “—Issuance of Additional Senior Bonds and Second Lien Subordinate Securities—Additional Senior Bonds.” Neither the Master Indenture nor the Series Indenture impose any additional limitations on the issuance of any additional Senior Bonds for the benefit of the owners of the Series 2013A Bonds.

Second Lien Subordinate Securities

Pursuant to the Series Indenture, the Series 2013A Bonds are payable from Net Revenues of the Airport System subordinate and junior to the Second Lien Subordinate Securities. For a discussion of certain interest rate swap agreements of the County, the payments under which are secured by an equal lien to the Second Lien Subordinate Securities, see the caption “FINANCIAL FACTORS—Interest Rate Swap Agreements.”

Set forth below are the current outstanding principal amounts of Second Lien Subordinate Securities and the final maturity of each series of Second Lien Subordinate Securities.

CLARK COUNTY, NEVADA, DEPARTMENT OF AVIATION
Second Lien Subordinate Securities

<i>Name of Bonds</i>	<i>Principal Amount Outstanding⁽¹⁾</i>	<i>Final Maturity (July 1)</i>
2004A Bonds	\$ 295,480,000 ⁽²⁾	2036
2006A Bonds	32,185,000	2040
2007A Bonds	190,545,000	2040
2008A-2 Bonds	50,000,000	2022
2008B-2 Bonds	50,000,000	2022
2008C Bonds	265,800,000	2040
2008D Bonds	381,390,000	2040
2009C Bonds	168,495,000	2026
2010B Bonds	350,000,000	2042
2011B Bonds	<u>200,000,000</u>	2022
Subtotal	\$1,983,895,000	
2002A PFC Bonds ⁽³⁾	880,000	2013
2007A PFC Bonds ⁽³⁾	216,455,000	2027
2008A PFC Bonds ⁽³⁾	92,300,000	2018
2010A PFC Bonds ⁽³⁾	450,000,000	2042
2010F PFC Bonds ⁽³⁾	176,115,000	2022
2012B PFC Bonds ⁽³⁾	<u>64,360,000</u>	2033
Subtotal	\$1,000,110,000	
Total	<u><u>\$2,984,005,000</u></u>	

⁽¹⁾ As of March 1, 2013.

⁽²⁾ Excludes principal on certain 2004A Bonds which is projected to be paid from moneys which have been set aside by the Airport in a revocable escrow fund.

⁽³⁾ The noted obligations collectively comprise the “PFC Bonds.”

Source: Clark County Department of Aviation.

The Master Indenture and the series indentures pursuant to which the Second Lien Subordinate Securities were issued permit the issuance of additional Second Lien Subordinate Securities payable from Net Revenues on a superior basis to the Series 2013A Bonds. See the caption “—Issuance of Additional Senior Bonds and Second Lien Subordinate Securities—Additional Second Lien Subordinate Securities.” Neither the Master Indenture nor the Series Indenture impose any additional limitations on the issuance of any additional Second Lien Subordinate Securities for the benefit of the owners of the Series 2013A Bonds.

Third Lien Subordinate Securities – Including the Series 2013A Bonds

Upon refunding and payment of the Series 2003C Bonds as described under the caption “THE REFUNDING PLAN,” the Series 2013A Bonds, the \$180,000,000 principal amount of Clark County, Nevada, Airport System Junior Subordinate Lien Revenue Notes, Series 2012A-1 (AMT) (the “Series 2012A-1 Notes”) and the \$120,000,000 principal amount of Clark County, Nevada, Airport System Junior Subordinate Lien Revenue Notes, Series 2012A-2 (Non-AMT) (the “Series 2012A-2 Notes,” and together with the Series 2012A-1 Notes, the “Series 2012A Notes”) will be the only Third Lien Subordinate Securities outstanding.

The third lien on Net Revenues of the Series 2013A Bonds will be on parity with the Series 2012A Notes and certain obligations under certain bank credit and liquidity agreements, and will be on a parity with other Third Lien Subordinate Securities that may be issued in the future. The Series Indenture does not limit the issuance of additional Third Lien Subordinate Securities payable from Net Revenues on a parity with the third lien pledge of Net Revenues in favor of the Series 2013A Bonds. See the caption “—Issuance of Special Facilities Bonds and Other Third Lien Subordinate Securities.”

The Series 2012A Notes mature on July 1, 2013. The County currently anticipates issuing the Clark County, Nevada Airport System Junior Subordinate Lien Revenue Notes, Series 2013C-1 (AMT) (the “Series 2013C-1 Notes”) and the Clark County, Nevada Airport System Junior Subordinate Lien Revenue Notes, Series 2013C-2 (Non-AMT) (the “Series 2013C-2 Notes,” and together with the Series 2013C-1 Notes, the “Series 2013C Notes”) on or about July 1, 2013 to provide funds to pay all amounts due with respect to the Series 2012A Notes on July 1, 2013. The County has authorized the issuance of the Series 2013C-1 Notes and the Series 2013C-2 Notes. If issued, the Series 2013C Notes will be payable from Net Revenues of the Airport System on a parity with the Series 2013A Bonds. There can be no assurance that the County will issue the Series 2013C Notes.

Budgetary Procedures

The Master Indenture requires that an annual Airport System budget, including estimates of expenditure requirements and revenues of the Airport System for the next ensuing Fiscal Year (July 1 to June 30) be prepared by the Airport Director and submitted to the Governing Body. The estimates of Gross Revenues and expenditures in such budget are required to be classified in a manner consistent with the definitional and accounting requirements established under the Master Indenture. In addition, the Net Revenues, as shown by such estimates, are to be at least adequate to satisfy the requirements of the rate maintenance covenants described below under the caption “—Rate Maintenance Covenants.” Copies of the proposed budget are to be furnished to the Airport Management Consultant and the Trustee. After adoption of the annual Airport System budget by the Governing Body, the total expenditures for operating and maintaining the Airport System in any Fiscal Year (other than expenses for the purchase of commodities for resale) are not to exceed the total expenditures as set forth in such budget except upon the approving vote of a majority of the Governing Body.

Rate Maintenance Covenants

Master Indenture. Pursuant to the Master Indenture, the County has covenanted to fix, charge and collect rentals, rates, fees and other charges for the use of the Airport System, and that, from time to time and so often as it appears necessary, it will revise such as may be necessary or appropriate, in order that in each Fiscal Year the Gross Revenues, together with any Other Available Funds, will at all times be at least sufficient: (A) to provide for the payment of Operation and Maintenance Expenses for such Fiscal Year; and (B) to provide for the larger of either: (1) the amounts needed for making the required cash deposits in the Fiscal Year to the credit of the several subaccounts in the Bond Fund, the Debt Service Reserve Fund, the Subordinate Securities Fund (including amounts necessary to pay debt service on the Series 2013A Bonds and other Third Lien Subordinate Securities), the Working Capital and Contingency Reserve Fund and the Capital Fund; or (2) an amount not less than 125% of the Aggregate Debt Service Requirements for the Senior Bonds and all other Senior Securities then outstanding for the Comparable Bond Year.

Certain adjustments are permitted under the Master Indenture in order to satisfy the rate maintenance covenant in the Master Indenture, and Senior Securities owners have certain rights to enforce the rate maintenance covenant contained in the Master Indenture, all as described in Appendix C.

Series Indentures. Pursuant to the series indentures for each series of Second Lien Subordinate Securities, the County has covenanted to fix, charge and collect rentals, rates, fees and other charges for the use of the Airport System, and that, from time to time and as often as it appears necessary, it will revise such

as may be necessary or appropriate, in order that in each Fiscal Year the Gross Revenues, together with any Other Available Funds, will at all times be at least equal to the greater of the amount required by the Master Indenture (as described above under the caption “—Master Indenture”) or an amount sufficient to provide for: (A) the payment of Operation and Maintenance Expenses for the Fiscal Year; and (B) an amount equal to 110% of the Aggregate Debt Service Requirements to be accumulated in the Fiscal Year and expended in the Comparable Bond Year for any Senior Bonds and any other Subordinate Securities with a lien on the Net Revenues (other than Third Lien Subordinate Securities such as the Series 2013A Bonds) on a parity with the lien thereon of the Second Lien Subordinate Securities which are not secured by and expected to be paid from PFC Revenues.

Certain adjustments are permitted under the series indentures for the Second Lien Subordinate Securities in order to satisfy the rate maintenance covenant therein, all as described in Appendix C.

Application of Revenues

Pursuant to the Master Indenture, the County is required to set aside and credit all Gross Revenues upon receipt in the Revenue Fund. In addition to the Revenue Fund and the Operation and Maintenance Fund (including the Rebate Account of the Operation and Maintenance Fund), which is held by the County, the Master Indenture or the Series Indentures create the following additional funds and accounts held by the County or the Trustee, as the case may be:

<i>Fund or Account</i>	<i>Held By</i>
Bond Fund	Trustee
Interest Account	
Principal Account	
Sinking Fund Account	
Redemption Account	
Debt Service Reserve Fund	Trustee
Subordinate Securities Fund	County
Working Capital and Contingency Reserve Fund	County
Capital Fund	County
Acquisition Fund	County

After making the payments each month required to be credited to the Operation and Maintenance Fund, moneys in the Revenue Fund are required to be transferred and credited to the following funds and accounts at the following times and in the following order of priority:

(i) Monthly, to the Interest Account of the Bond Fund, an amount, together with other moneys available therefor from whatever source, including moneys in the Capitalized Interest Account set aside for such payment, equal to 1/6 of the next maturing interest installments on the Senior Securities then outstanding;

(ii) Monthly, to the Principal Account of the Bond Fund, an amount equal to 1/12 of the next maturing principal on the Serial Senior Securities then outstanding;

(iii) Monthly, to the Sinking Fund Account of the Bond Fund, an amount equal to 1/12 of the next Sinking Fund Requirement for the Comparable Bond Year for the Term Senior Securities then outstanding;

(iv) Monthly, to the Debt Service Reserve Fund, an amount which, if made as one of 60 equal monthly installments, is sufficient to make the sum of the amount on deposit in the Debt Service Reserve Fund plus the amount of any Qualified Surety Bonds on deposit therein equal the Maximum Aggregate Debt Service Requirements for the then outstanding Senior Securities; provided that if any moneys are withdrawn from the Debt Service Reserve Fund (other than any amounts the withdrawal of which does not reduce the reserve to an amount less than the Maximum Aggregate Debt Service Requirements) or if payment is made under any

Qualified Surety Bond in the Debt Service Reserve Fund to pay the Securities Requirements of any Parity Securities, the amount so withdrawn, except to the extent that any such Qualified Surety Bond is reinstated as may be provided therein or in connection therewith, will be restored therein from Net Revenues available therefor over a 60 month period;

Pursuant to the Second Supplement to Master Indenture, dated as of September 24, 2009 (the "Second Supplement"), the Maximum Aggregate Debt Service Requirement for any Senior Securities subsequently issued will be established in the applicable series indenture. The County may elect to secure any Senior Securities subsequently issued with the Debt Service Reserve Fund, so long as the Maximum Aggregate Debt Service Requirement for such bonds is equal to the maximum aggregate debt service;

(v) Monthly, to the Subordinate Securities Fund, which includes an amount which is required to provide for the payment of the principal of and interest due on Subordinate Securities (including the Series 2013A Bonds) as the same become due, including any reasonable reserves for such securities;

(vi) Monthly, to the Working Capital and Contingency Reserve Fund, an amount equal to 1/12 of 8.333 percent of the amount designated in the annual Airport System budget then in effect as the annual Operation and Maintenance Expenses for the current Fiscal Year (the "Minimum Working Capital Reserve") less any money available in such Fund. If the Governing Body, after consultation with the Airport Management Consultant, determines at any time that the aforesaid percentage provides insufficient or excessive revenues for the purpose for which the Working Capital and Contingency Reserve Fund is established, the Assistant Director of the Airport (as defined in the Master Indenture) will adjust the percentage referred to above as directed by the Governing Body but in no event will such percentage be reduced below 8.333 percent. No payment need be made into the Working Capital and Contingency Reserve Fund so long as the moneys therein then equal not less than the Minimum Working Capital Reserve. The moneys in the Working Capital and Contingency Reserve Fund will be accumulated or reaccumulated and maintained as a continuing reserve to be used only to prevent deficiencies in the payment of the Operation and Maintenance Expenses resulting from the failure to deposit into the Operation and Maintenance Fund sufficient funds to pay such expenses as the same accrue and become due. If at any time the moneys credited to the Operation and Maintenance Fund are insufficient to pay Operation and Maintenance Expenses, the County acting by and through the Assistant Director may withdraw such moneys from the Working Capital and Contingency Reserve Fund and transfer them to the credit of the Operation and Maintenance Fund. Any moneys in the Working Capital and Contingency Reserve Fund exceeding the Minimum Working Capital Reserve will be transferred to the Revenue Fund; and

(vii) To the Capital Fund, from any remaining moneys in the Revenue Fund: (a) equal monthly installments or such greater amounts as required to provide for the payment of the principal of, premium, if any, and interest on any General Obligation Securities, except to the extent that the County appropriates other funds therefor, during such Fiscal Year or Comparable Bond Year (the "General Obligation Requirements"); and (b) not less infrequently than annually by the end of each Fiscal Year an amount, but in any event not more than \$100,000, necessary to accumulate or to reaccumulate in the Capital Fund a reserve in an amount of not less than \$1,000,000 (the "Minimum Capital Reserve"). No payment need be made into the Capital Fund during any Fiscal Year so long as the moneys therein equal not less than the sum of the Minimum Capital Reserve plus the General Obligation Requirements for such Fiscal Year.

Moneys in the Capital Fund may be withdrawn in any priority for any one, all, or any combination of the following purposes, as the Governing Body may from time to time determine:

A. *Payment of General Obligation Securities.* To pay the Securities Requirements of any General Obligation Securities (as such term is defined in Appendix C);

B. *Capital Costs.* To pay the costs of constructing or otherwise acquiring any betterments of, enlargements of, extensions of or any other improvements at the Airport System, or any part thereof, authorized by law;

C. *Maintenance Costs.* To pay costs of extraordinary and major repairs, renewals, replacements, or maintenance items pertaining to any properties of the Airport System of a type not recurring annually or at shorter intervals and not defrayed as Operation and Maintenance Expenses; and

D. *Securities Requirements.* To pay any securities payable from the Net Revenues, if such payment is necessary to prevent any default in the payment of such securities, or otherwise.

If any monthly payment required to be made into any fund or account set forth above is deficient, the County is required to include the amount of such deficiency in the next monthly deposit into such fund or account.

At the end of any Fiscal Year or whenever in any Fiscal Year there has been credited to the above funds and accounts all amounts required to be deposited in those funds or accounts for all of that Fiscal Year and in satisfaction of any deficiencies in any prior Fiscal Year, any remaining Net Revenues in the Revenue Fund may be used for any lawful purposes pertaining to the Airport System, as the Governing Body may from time to time determine.

In accordance with the Series Indentures, there will be transferred into the Rebate Fund from the Airport Fund such amounts as are required to be deposited therein to meet the County's obligations under its covenants in the Series Indentures to comply with Section 148(f) of the Tax Code.

Issuance of Additional Senior Bonds and Second Lien Subordinate Securities

Additional Senior Bonds. The Master Indenture permits, and in instances where the County has covenanted to complete a project requires, the County to issue additional Senior Bonds payable from the Net Revenues of the Airport System on a parity with the Senior Bonds (the "Parity Securities," defined by the Master Indenture include "Senior Completion Bonds," "Senior Additional Bonds" and "Senior Refunding Bonds," all as described below) and senior to the Second Lien Subordinate Securities and the Third Lien Subordinate Securities for the following purposes:

(1) paying the Cost of completing the Project or any Additional Project (hereinafter defined) for which any Series of Parity Senior Securities has been issued (see the caption "—Senior Completion Bonds" below);

(2) paying the Cost of any additions, betterments, extensions, other improvements or equipment of or related to the Airport System (an "Additional Project") (see the caption "—Senior Additional Bonds" below); and

(3) refunding all outstanding Senior Bonds or Parity Senior Securities of one or more Series, or one or more outstanding Senior Bonds or Parity Senior Securities of one or more Series, or one or more maturities within a Series, or refunding any Subordinate Securities (see the caption "—Senior Refunding Bonds" below).

In connection with the issuance of additional Series of Parity Senior Securities, the "Cost" of any Project or Additional Project includes, among other items, the costs of surveys or other plans or specifications, builder's insurance, consultant's fees, construction contingencies, property acquisition costs, the costs of issuance of such Series of Parity Senior Securities, capitalized interest to a date not exceeding one year following the estimated completion date of the Project and the funding of reserves for the payment of the Series of Parity Securities.

Senior Completion Bonds. The County may issue one or more Series of Parity Senior Bonds or other Parity Senior Securities (“Senior Completion Bonds”) to pay the cost of completing the Project or any Additional Project.

Prior to the issuance of any Series of Completion Bonds the County is required to have delivered to the Trustee, among other documents:

A. A certificate of the Consulting Engineer approved by the Director stating that the Project or Additional Project (as the case may be) has not materially changed (except as permitted in the Master Indenture) from the description of the Project in the Report of the Consulting Engineer or from the description of the Additional Project as described in any Series Indenture relating to the Series of Additional Parity Senior Securities issued to finance the Additional Project, and setting forth the aggregate Cost of the Project which, in the opinion of the signer, has been or will be incurred and cannot be paid from the moneys available at the date of the certificate in the account within the Construction Fund applicable to the Project; and stating that, in the opinion of the signer, issuance of the Senior Completion Bonds is necessary to provide funds for completion of the Project; and

B. A certificate of the Director stating that the previous Series of Parity Senior Securities issued in connection with the Project for which the Senior Completion Bonds are being issued were issued to pay all or the balance of the Costs of such Project.

Senior Additional Bonds. The County may issue one or more series of Parity Senior Bonds or other Parity Senior Securities (“Senior Additional Bonds”) for the purpose of paying the Cost of any Additional Project if, among other conditions, the County has delivered to the Trustee, among other documents:

A. A certificate of the Director or Assistant Director stating that the Net Revenues, together with Other Available Funds received: (i) in the last audited Fiscal Year preceding the delivery of the Series of Senior Additional Bonds; or (ii) for any period of 12 consecutive calendar months out of the 18 calendar months next preceding the delivery of the Series of Senior Additional Bonds, were at least sufficient to pay an amount equal to the larger of either: (a) the amounts needed for making the required cash deposits in such period to the credit of the several accounts in the Bond Fund and to the credit of the Debt Service Reserve Fund, the Subordinate Securities Fund, the Working Capital and Contingency Reserve Fund and the Capital Fund (such required deposits to the Bond Fund and Subordinate Securities Fund to be adjusted for Parity and Subordinate Guaranteed Obligations, respectively, in the manner described under the caption “—Rate Maintenance Covenants”); or (b) 125% of the Aggregate Debt Service Requirements as computed for the Bond Year in which such sum is the largest (calculated for the period beginning on the date of issuance of the proposed Senior Additional Bonds and ending on the final maturity date of the then Outstanding Senior Bonds and the proposed Senior Additional Bonds) of the Outstanding Senior Bonds and the Senior Additional Bonds; or

B. A certificate of the Airport Management Consultant setting forth, for each of the Fiscal Years following the earlier of: (i) the Fiscal Year in which the Consulting Engineer estimates that such Additional Project will be completed; or (ii) the last Fiscal Year in which there are no Debt Service Requirements for such Senior Additional Bonds, through the Fiscal Year which is five years after the Fiscal Year in which the Consulting Engineer estimates such Additional Project will be completed, estimates of (a) the Gross Revenues; and (b) the Operation and Maintenance Expenses and other amounts required to be deposited in each of the accounts and subaccounts established under the Master Indenture and each Series Indenture supplemental thereto, and demonstrating that the Net Revenues in each such Fiscal Year will at least equal the larger of either: (1) the amounts needed for making the required deposits to the credit of the several subaccounts (other than the Redemption Account) in the Bond Fund, the Debt Service Reserve Fund, the Subordinate Securities Fund, the Working Capital and Contingency Reserve Fund and the Capital Fund (such required deposits to the Bond Fund and Subordinate Securities Fund to be adjusted for any Parity Guaranteed

Obligations and Subordinate Guaranteed Obligations, respectively, in the manner described under the caption “—Rate Maintenance Covenants”); or (2) an amount not less than 125% of the Aggregate Debt Service Requirements for the Senior Bonds and Parity Securities of each Series then outstanding for the Comparable Bond Year for each such Fiscal Year, in each case after giving effect to, among other factors, the completion of all or a completed portion of the Additional Project, the increase in rates, fees, rentals or other charges (or any combination thereof) under the rate maintenance covenants as a result of the completion of such Additional Project or such portion thereof, and the Debt Service Requirements on the Series of Senior Additional Bonds then to be issued and the Debt Service Requirements, as estimated by the Financial Consultant, with respect to future Series of Senior Additional Bonds which the Director and the Assistant Director estimate (based on the estimate of the Consulting Engineer of the Cost of such Additional Project) will be required to complete payment of the Cost of such Additional Project; and

C. If the test described in paragraph (B) is used in connection with the issuance of Senior Additional Bonds, a certificate of the Consulting Engineer setting forth: (i) the estimated date of completion of the Additional Project for which such Series of Senior Additional Bonds is being issued and for any other uncompleted Project for which the Senior Additional Bonds are not being issued; and (ii) an estimate of the Cost of such Additional Project and of any other uncompleted Project; and

D. A certificate of the Director and Assistant Director that at the time of the execution and delivery of the supplemental instrument authorizing the Senior Additional Bonds as provided in the Master Indenture, the Issuer is not in default in making any payments required by the Master Indenture.

Senior Refunding Bonds. Prior to the issuance of any Series of Parity Senior Securities (“Senior Refunding Bonds”) to refund one or more Series of Senior Bonds or Parity Senior Securities or one or more Senior Bonds or Parity Senior Securities within a Series, or one or more maturities of a Series of Senior Bonds or any Series of Parity Senior Securities, other than for redeeming at their maturity the Term Bonds or Term Securities of a Series which mature within one year of such refunding, the County will deliver to the Trustee, among other documents, either of the following: (i) a certificate of the Treasurer setting forth: (1) the Aggregate Debt Service Requirements for the then current and each future Bond Year to and including the Bond Year ending on the date of the latest maturity of any Series of Senior Bonds or Parity Senior Securities of any Series then outstanding; (a) with respect to the Series of Senior Bonds and Parity Senior Securities of all Series outstanding immediately prior to the date of delivery of such Senior Refunding Bonds; and (b) with respect to the Series of Senior Bonds and Parity Senior Securities to be outstanding immediately thereafter; and (2) that the Aggregate Debt Service Requirements set forth for each Bond Year pursuant to (b) above is no greater than that set forth for such Bond Year pursuant to clause (a) above; or (ii) the certificates required by clauses A through D under the caption “—Senior Additional Bonds” above evidencing that such Series of Senior Refunding Bonds meets the tests provided for all purposes of such certificate and tests applied as if such series of Senior Refunding Bonds was a Series of Senior Additional Bonds. Senior Refunding Bonds of each series issued to refund Subordinate Securities may be delivered in a principal amount sufficient, together with other moneys available therefor (including investment income thereon), to accomplish such refunding provided that the County delivers, among other documents, the certificates required by clauses A through D under the caption “—Senior Additional Bonds” above if the Subordinate Securities were originally issued to fund an Additional Project or the certificates required by clauses A and B under the caption “—Senior Completion Bonds” above if such Subordinate Securities were originally issued to fund completion of a Project, such certificates to be prepared as if such Series of Senior Refunding Bonds was a Series of Senior Additional Bonds or Senior Completion Bonds, as the case may be.

Additional Second Lien Subordinate Securities. The supplemental bond ordinances or series indentures authorizing the issuance of Second Lien Subordinate Securities permit the County to issue additional Second Lien Subordinate Securities upon delivery of certificates described below.

While PFC Bonds are Outstanding: Tests Contained in PFC Instruments. While any PFC Bonds remain outstanding under the ordinances and series indentures authorizing the issuance of the

County's various series of PFC Bonds (the "PFC Instruments"), the County may issue Second Lien Subordinate Securities secured by a pledge of the Net Revenues of the Airport System only to the extent that the County is in compliance with the certain additional debt tests included in the PFC Instruments and described below (provided that the requirements of the PFC Instruments to be met through the final maturity of the outstanding PFC Bonds are to be required to be met through the final maturity of any outstanding PFC Bonds):

Absence of Default. A certification of the Director or Assistant Director that at the date of the issuance of the additional bonds: (i) the County is not in default in making any payments required by the PFC Instruments with respect to the PFC Bonds; and (ii) the County is in compliance with the rate maintenance covenant in the Master Indenture; and

Earnings Test. (1) A certification of the Director or Assistant Director that: (a) the PFC Revenues (adjusted as described below) received: (i) in the most recent Fiscal Year preceding the date of the issuance of the additional Parity PFC Bonds for which audited financial statements are available; or (ii) for any period of 12 consecutive calendar months out of the 18 calendar months next preceding the date of issuance of the additional Parity PFC Bonds, were at least sufficient to pay an amount equal to 135% of the average annual principal and interest requirements (calculated for the period beginning on the date of issuance of the proposed Parity PFC Bonds and ending on the final maturity date of the Outstanding Parity PFC Bonds and the proposed Parity PFC Bonds), of the Outstanding Parity PFC Bonds and the Parity PFC Bonds proposed to be issued (excluding the reserves therefor); and (b) the aggregate approved PFC Revenues to be received after the issuance of the additional Parity PFC Bonds plus the amount of PFC Revenues then held in the Bond Fund (and any similar fund for Outstanding Parity PFC Bonds) and the unencumbered balance in the Capital Fund exceeds the aggregate unpaid Bond Requirements of the Outstanding Parity PFC Bonds and the Parity PFC Bonds proposed to be issued, accrued and unaccrued to maturity, but less any such Bond Requirements which were capitalized from the proceeds of any Parity PFC Bonds; or

(2) A certification of the Director or Assistant Director setting forth: (a) the Net Revenues and any Other Available Funds for; and (b) the PFC Revenues (adjusted as provided below) received in: (i) the most recent Fiscal Year preceding the date of the issuance of such additional bonds for which audited financial statements are available; or (ii) any period of 12 consecutive calendar months out of the 18 calendar months next preceding the date of the issuance of such additional bonds and demonstrating:

(x) that such Net Revenues and Other Available Funds at least equal 110% of the maximum amount of Bond Requirements payable in any Bond Year (occurring from the date of calculation through the final maturity of outstanding PFC Bonds) of the then outstanding Senior Securities, the Outstanding PFC Bonds, any additional Second Lien Subordinate Securities to be issued having a lien on the Net Revenues on a parity with the lien thereon of the PFC Bonds which are not secured by and expected to be paid from PFC Revenues, and any other Outstanding Second Lien Subordinate Securities having a lien on the Net Revenues on a parity with the lien thereon of the PFC Bonds (provided that the Bond Requirements of the Outstanding PFC Bonds or other Outstanding Second Lien Subordinate Securities need not be taken into account in the foregoing calculation to the extent that Net Revenues and any Other Available Funds were not used in the most recent Fiscal Year to pay the Bond Requirements of the Outstanding PFC Bonds or other Outstanding Second Lien Subordinate Securities); and

(y) that the sum of such Net Revenues and Other Available Funds plus such PFC Revenues equals at least 135% of the maximum amount of Bond Requirements payable in any Bond Year (occurring from the date of calculation through the final maturity of the Outstanding PFC Bonds) of the then outstanding Senior Securities, any Outstanding PFC Bonds which are Second Lien Subordinate Securities and any additional PFC Bonds to be issued which are Second Lien Subordinate Securities; or

(3) A certification of the Airport Management Consultant setting forth: (a) the PFC Revenues (adjusted as provided below) received: (i) in the most recent Fiscal Year preceding the date of

issuance of such additional bonds for which audited financial statements are available; or (ii) for any 12 consecutive calendar months out of the 18 calendar months next preceding the date of issuance of the additional bonds; and (b) for each of the five Fiscal Years following the date of issuance of the additional bonds (or, if interest is capitalized on such bonds, following the last Fiscal Year for which any of such interest is capitalized), estimates of the Net Revenues and Other Available Funds, and concluding that for each such Fiscal Year:

(x) the estimated Net Revenues and Other Available Funds for that Fiscal Year equal at least 110% of the Aggregate Debt Service Requirements or the Bond Requirements, as the case may be, to be accumulated in the Fiscal Year and expended in the Comparable Bond Year for the then outstanding Senior Securities, the Outstanding PFC Bonds, any additional Second Lien Subordinate Securities to be issued having a lien on the Net Revenues on a parity with the lien thereon of the PFC Bonds which are not secured by and expected to be paid from PFC Revenues, and any other Outstanding Second Lien Subordinate Securities having a lien on the Net Revenues on a parity with the lien thereon of the PFC Bonds (provided that the Bond Requirements of the Outstanding PFC Bonds or other Outstanding Second Lien Subordinate Securities need not be taken into account in the foregoing calculation to the extent that Net Revenues and any Other Available Funds were not used in the most recent Fiscal Year to pay the Bond Requirements of the Outstanding PFC Bonds or other Outstanding Second Lien Subordinate Securities), after giving effect, among other factors, to the increase in rates, fees, rentals or other charges (or any combination thereof) under the rate maintenance covenant in the Master Indenture; and

(y) the sum of such PFC Revenues plus the estimated Net Revenues and Other Available Funds for that Fiscal Year at least equal 135% of the Aggregate Debt Service Requirements or the Bond Requirements, as the case may be, to be accumulated in the Fiscal Year and expended in the Comparable Bond Year for the then outstanding Senior Securities, the Outstanding PFC Bonds which are Second Lien Subordinate Securities and any additional PFC Bonds to be issued which are Second Lien Subordinate Securities, after giving effect, among other factors, to the increase in rates, fees, rentals or other charges (or any combination thereof) under the rate maintenance covenant in the Master Indenture.

Paragraphs (2) or (3) of the above earnings test may be used only if the additional Parity PFC Bonds to be issued are additionally secured by a subordinate pledge of the Net Revenues of the Airport System. In the computation of any earnings test under paragraph (1), (2) or (3) above as to whether or not additional Parity PFC Bonds may be issued, the amount of the PFC Revenues for the computation period will be decreased and may be increased by the amount of any loss or gain conservatively estimated by the Director or Assistant Director, which loss or gain results from any change in the rate of the levy of passenger facility charges constituting a part of the PFC Revenues which change took effect during the computation period or thereafter prior to the issuance of such Parity PFC Bonds, as if such modified rate has been in effect during the entire computation period.

In the computation of either earnings test above as to whether or not additional bonds may be issued, the amount of the PFC Revenues for the computation period will be decreased and may be increased by the amount of any loss or gain conservatively estimated by the Director or Assistant Director, which loss or gain results from any change in the rate of the levy of passenger facility charges constituting a part of the PFC Revenues which change took effect during the computation period or thereafter prior to the issuance of such PFC Bonds, as if such modified rate has been in effect during the entire computation period.

When No PFC Bonds Are Outstanding: Tests Contained in Second Lien Subordinate Securities Series Indentures. The supplemental bond ordinances or series indentures for the Second Lien Subordinate Securities (the “Second Lien Subordinate Series Indentures”) provide that, on and after the date on which no PFC Bonds remain outstanding under the PFC Instruments, the County may issue Second Lien Subordinate Securities with a lien on Net Revenues of the Airport System so long as the County files with the Trustee:

Absence of Default. A certification of the Director or Assistant Director that at the date of issuance of the additional Second Lien Subordinate Securities: (i) the County is not in default in making any payments required by the Second Lien Subordinate Series Indentures; and (ii) the County is in compliance with the rate maintenance covenants in the Master Indenture and the Second Lien Subordinate Series Indentures; and

Earnings Test. (1) A certification of the Director or Assistant Director setting forth the Net Revenues of the Airport System and any Other Available Funds for: (i) the most recent Fiscal Year preceding the date of the issuance of such additional Second Lien Subordinate Securities for which audited financial statements are available; or (ii) any period of 12 consecutive calendar months out of the 18 calendar months next preceding the date of the issuance of such additional Second Lien Subordinate Securities, and demonstrating that such Net Revenues and Other Available Funds equal at least 110% of the maximum amount of Debt Service Requirements payable in any Bond Year (occurring from the date of the calculation through the final maturity of the Outstanding Bonds) of the then Outstanding Senior Securities and the then Outstanding Second Lien Subordinate Securities with a lien on the Net Revenues on a parity with the lien thereon of the Second Lien Subordinate Securities which are not secured by and expected to be paid from PFC Revenues; provided that the Debt Service Requirements of any Outstanding Subordinate Securities need not be taken into account in the foregoing calculation to the extent that Net Revenues and any Other Available Funds were not used in the most recent Fiscal Year to pay the Debt Service Requirements of such Outstanding Second Lien Subordinate Securities; or

(2) A certification of the Airport Management Consultant setting forth: (i) the Net Revenues received: (a) in the most recent Fiscal Year preceding date of issuance of the additional Second Lien Subordinate Securities for which audited financial statements are available; or (b) for any 12 consecutive calendar months out of the 18 calendar months next preceding the date of issuance of the additional Second Lien Subordinate Securities; and (ii) for each of the five Fiscal Years following the date of issuance of the additional Subordinate Securities (or, if interest is capitalized on such Second Lien Subordinate Securities, following the last Fiscal Year for which any of such interest is capitalized), estimates of the Net Revenues and Other Available Funds and concluding that for each such Fiscal Year, the estimated Net Revenues and other Available Funds for that Fiscal Year equal at least 125% of the Aggregate Debt Service Requirements to be accumulated in the Fiscal Year and expended in the Comparable Bond Year for the then outstanding Senior Securities, and the then Outstanding Second Lien Subordinate Securities with a lien on the Net Revenues on a parity with the lien thereon of the Second Lien Subordinate Securities which are not secured by and expected to be paid from PFC Revenues, after giving effect, among other factors, to the increase in rates, fees, rentals or other charges (or any combination thereof) under the rate maintenance covenant in the Master Indenture; provided, that the Debt Service Requirements of any Outstanding Second Lien Subordinate Securities need not be taken into account in the foregoing calculation to the extent that Net Revenues and any Other Available Funds were not used in the most recent Fiscal Year to pay the Debt Service Requirements of such Outstanding Second Lien Subordinate Securities.

Notwithstanding the above paragraph, on and after the date on which no PFC Bonds remain Outstanding under the PFC Instruments, the County may issue Second Lien Subordinate Securities which constitute Refunding Bonds having a lien on the Net Revenues on a parity thereon of the Second Lien Subordinate Securities (including Second Lien Subordinate Securities which are issued to refund other Second Lien Subordinate Securities, but not including any Subordinate Securities with a lien on Net Revenues which is junior to the lien thereon), upon the filing by the County with the Trustee of a certificate of the Treasurer setting forth: (i) the Debt Service Requirements of the Refunding Bonds proposed to be issued for each Bond Year while such Bonds are Outstanding; and (ii) the Debt Service Requirements of the Securities refunded by the proposed Refunding Bonds for each of those Bond Years, and showing that for each of those Bond Years the Debt Service Requirements described in clause (i) are not greater than the Debt Service Requirements described in clause (ii).

Issuance of Other Third Lien Subordinate Securities

The Series Indenture permits the issuance of additional bonds or additional securities payable from Pledged Jet Fuel Tax Revenues on a parity with, but not prior nor superior to, the lien thereon of the Series 2013A Bonds upon meeting certain requirements. See the caption “—Additional Parity Jet Fuel Tax Bonds.”

The Series Indenture does not limit the issuance of additional Third Lien Subordinate Securities payable from Net Revenues on a parity with the third lien pledge of Net Revenues in favor of the Series 2013A Bonds. For information regarding obligations payable on a parity with the Series 2013A Bonds, see the caption “FINANCIAL FACTORS—Outstanding Airport Indebtedness.”

In addition, the Series Indenture provides that the County may issue securities payable subordinate to the Third Lien Subordinate Securities without limitation.

Issuance of Special Facilities Bonds

The Master Indenture includes provisions under which the County may issue Special Facilities Bonds for the purpose of constructing Special Facilities at the Airport for lease on a net rent basis. Any such Special Facilities Bonds will be payable solely from rentals payable to the County pursuant to such net rent leases, and will not be a charge or claim against the Revenue Fund or any other account designated in the Master Indenture.

Limited Liability

THE OBLIGATION OF THE COUNTY TO PAY DEBT SERVICE ON THE SERIES 2013A BONDS DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE SERIES 2013A BONDS DO NOT CONSTITUTE A DEBT OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION, OR A PLEDGE OF THE FULL FAITH, CREDIT AND TAXING POWER OF THE COUNTY.

The Series 2013A Bonds are special obligations of the County payable solely from Pledged Jet Fuel Tax Revenues and Net Revenues of the Airport System as described herein. The Series 2013A Bonds do not constitute an indebtedness or a debt of the County within the meaning of any constitutional or statutory provision or limitation and the Series 2013A Bonds are not considered or held to be general obligations of the County but constitute the County's special obligations. Neither the full faith and credit nor the taxing power of the County is pledged to the payment thereof.

The Series 2013A Bonds are not secured by, and the Series 2013A Bondholders have no security interest in or mortgage on, the Airport System or any other real property of the County. Default by the County will not result in loss of the Airport System.

FINANCIAL FACTORS

Financial Statements

A copy of the most recent audited financial statements of the Clark County, Nevada, Department of Aviation (the “Department”) audited by Kafoury, Armstrong & Co., Las Vegas, Nevada (the “Auditor”) is included as Appendix B to this Official Statement (the “Financial Statements”). The Auditor’s letter concludes that the Financial Statements present fairly, in all material respects, the financial position of the Department as of June 30, 2012 and 2011, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The summary operating results for Fiscal Years 2012 and 2011 contained under the caption “— Historical Operating Results and Projected Future Operating Results” are derived from the Financial Statements (excluding certain non-cash items and after certain other adjustments) and are qualified in their entirety by reference to such Financial Statements, including the notes thereto.

Historical Operating Results and Projected Operating Results

Set forth below is a statement of historical revenues and expenses for the Department as well as debt service coverage as calculated in accordance with the provisions of the Master Indenture for Fiscal Year 2012 compared to Fiscal Year 2011. Fiscal Year 2012 and 2011 information presented below has been excerpted from the Financial Statements. In each case certain non-cash items have been excluded and certain other adjustments have been made. Also set forth below are estimates of projected future operating results for the Fiscal Years ending June 30, 2013, 2014 and 2015, in each case prepared by Airport management. Estimates for Fiscal Year 2013 reflect costs related to the first full year of operation of Terminal 3, which opened in June 2012.

The estimates for Fiscal Years 2013 through 2015 are subject to uncertainties, including but not limited to changes in Airport operations resulting from the first full year of operation of Terminal 3, and, inevitably, some assumptions used to develop the estimates will not be realized and unanticipated events and circumstances will occur. Therefore, the actual results achieved during the estimate period will vary, and the variations may be material. The table set forth below has not been audited by the Auditor.

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CLARK COUNTY, NEVADA, DEPARTMENT OF AVIATION
Statement of Historical and Projected Revenues and Expenses⁽¹⁾
(Dollars in Thousands)

	<i>Projected Results</i> <i>Fiscal Years Ending June 30,</i>			<i>Historical Results</i> <i>Fiscal Years Ended June 30,</i>	
	<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2012⁽²⁾</i>	<i>2011⁽²⁾</i>
	\$	\$	\$	\$	\$
Operating Revenues:					
Landing fees	59,923	59,727	54,384 ⁽¹³⁾	38,460 ⁽¹⁴⁾	57,655
Other aircraft fees	5,773	5,762	5,708	6,452	5,725
Building rentals	192,313	183,000	186,010 ⁽¹³⁾	76,413 ⁽¹⁴⁾	100,740
Gate use fees	24,804	24,332	23,979	19,142	22,170
Land rentals	16,386	16,336	16,138	16,537	16,361
Ground transportation fees	14,829	14,755	14,438	13,524	13,340
Rental car fees	30,038	29,889	29,606	29,782	27,206
Rental car facility rents	34,898	34,744	34,469	33,888	32,207
Gaming	25,201	25,076	24,326	25,719	25,908
Terminal concession fees	60,547	60,274	58,440	56,526	52,984
Parking fees	30,922	30,858	30,511	28,749	28,298
Net revenue from reliever airports	8,447	8,413	8,280	7,261	7,374
Miscellaneous	<u>2,145</u>	<u>2,141</u>	<u>2,121</u>	<u>2,958</u>	<u>2,586</u>
Total Operating Revenues:	<u>\$ 506,226</u>	<u>\$ 495,307</u>	<u>\$ 488,410</u>	<u>\$ 355,411</u>	<u>\$ 392,554</u>
Operating Expenses:					
Salaries, wages and benefits	120,606	119,865	119,611	111,195	111,186
Repairs and maintenance	23,383	23,239	22,010	21,424	22,118
Professional services	53,308	52,981	54,353	51,130	49,203
Utilities and communications	26,082	25,922	23,807	20,970	20,199
Miscellaneous	<u>18,220</u>	<u>18,108</u>	<u>18,494</u>	<u>17,617</u>	<u>14,647</u>
Total Operating Expenses:	<u>\$ 241,599</u>	<u>\$ 240,115</u>	<u>\$ 238,275</u>	<u>\$ 222,336</u>	<u>\$ 217,353</u>
Net Operating Revenues	<u>\$ 264,627</u>	<u>\$ 255,192</u>	<u>\$ 250,135</u>	<u>\$ 133,075</u>	<u>\$ 175,201</u>
Interest Subsidy Received on Build America Bonds ⁽³⁾					
Interest Subsidy Received on Build America Bonds ⁽³⁾	18,068	18,068	17,147	-	-
Allowable interest income	<u>3,216</u>	<u>3,200</u>	<u>3,167</u>	<u>5,622</u>	<u>5,410</u>
Net Revenues	<u>\$ 285,913</u>	<u>\$ 276,459</u>	<u>\$ 270,448</u>	<u>\$ 138,697</u>	<u>\$ 180,611</u>
Other Available Funds for purposes of Senior Securities debt service ⁽⁴⁾	19,756	17,640	17,776	7,918	15,799
Other Available Funds for purposes of Second Lien Subordinate Securities debt service ⁽⁵⁾	33,564	32,226	32,591	12,123	21,539
Total debt service for Senior Securities outstanding ⁽⁶⁾	<u>\$ 79,025</u>	<u>\$ 70,558</u>	<u>\$ 71,102</u>	<u>\$ 31,670</u>	<u>\$ 63,194</u>
Coverage Ratio for Senior Securities Based on Net Revenues ⁽⁷⁾	3.62	3.92	3.80	4.38	2.86
Coverage Ratio for Senior Securities Based on Total Funds Available pursuant to the Rate Maintenance Covenant Under the Master Indenture (Required covenant is 1.25)	3.87	4.17	4.05	4.63	3.11
Debt Service on Second Lien Subordinate Securities ⁽⁸⁾⁽⁹⁾	<u>\$ 138,076</u>	<u>\$ 145,680</u>	<u>\$ 148,154</u>	<u>\$ 42,053</u>	<u>\$ 57,407</u>
Coverage Ratio for Second Lien Subordinate Securities Based on Total Funds Available After Payment of Senior Securities ⁽⁷⁾⁽⁸⁾⁽⁹⁾	1.74	1.63	1.57	2.83	2.42
Coverage Ratio for Senior and Second Lien Subordinate Securities Based on Total Funds Available (Required covenant is 1.10)	<u>1.47</u>	<u>1.43</u>	<u>1.38</u>	<u>2.05</u>	<u>1.68</u>
PFC Revenues ⁽¹⁰⁾	<u>\$ 80,534</u>	<u>\$ 80,063</u>	<u>\$ 79,470</u>	<u>\$ 79,648</u>	<u>\$ 77,949</u>
PFC Related Interest Income	<u>1,007</u>	<u>1,001</u>	<u>760</u>	<u>1,040</u>	<u>1,048</u>
Total PFC Revenues Available for Debt Service	<u>\$ 81,541</u>	<u>\$ 81,064</u>	<u>\$ 80,230</u>	<u>\$ 80,688</u>	<u>\$ 78,997</u>
Debt Service on PFC Pledged Bonds ⁽¹¹⁾	<u>\$ 76,836</u>	<u>\$ 76,850</u>	<u>\$ 76,419</u>	<u>\$ 76,586</u>	<u>\$ 82,187</u>
Debt Service on Second Lien Subordinate Securities Paid from PFC Revenues	<u>4,705</u>	<u>4,214</u>	<u>3,811</u>	<u>4,102</u>	<u>(3,190)⁽¹⁵⁾</u>
Total Debt Service Paid from PFC Revenues	<u>\$ 81,541</u>	<u>\$ 81,064</u>	<u>\$ 80,230</u>	<u>\$ 80,688</u>	<u>\$ 78,997</u>
Coverage Ratio for PFC Pledged Bonds Based Solely on PFC Revenues ⁽⁷⁾⁽¹⁰⁾	1.06	1.05	1.05	1.05	0.96
Debt Service on Third Lien Subordinate Securities ⁽¹²⁾	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,722</u>	<u>\$ 1,432</u>

⁽¹⁾ Totals may not add due to independent rounding.

- (2) From the Department's audited financial statements for Fiscal Years 2012 and 2011.
- (3) The County expects to receive Build America Bond ("BAB") interest subsidy payments ("BAB Credits") in an amount equal to 35% of the interest due on the 2009B Bonds and the 2010C Bonds, which are BABs. However, there is no assurance that the BAB Credits will be received in the future and debt service projections herein do not reflect receipt of BAB Credits. See the caption "—Management Discussion of Operating Results and Projections—Effect of Federal Sequester" for a discussion of announced reductions in BAB Credit payments. Fiscal Year 2013 projections reflect such announced reductions in BAB Credits.
- (4) Under the Master Indenture, "Other Available Funds" is defined to mean, for any Fiscal Year, the smallest amount of unencumbered funds at any time in the Fiscal Year on deposit in the Capital Fund in excess of the Minimum Capital Reserve; but in no event will such amount exceed 25% of the Aggregate Debt Service Requirements for the Senior Securities then Outstanding for the Comparable Bond Year.
- (5) Under the bond ordinances authorizing the Second Lien Subordinate Securities, "Other Available Funds" is defined to mean, for any Fiscal Year, the smallest amount of unencumbered funds at any time in the Fiscal Year on deposit in the Capital Fund in excess of the Minimum Capital Reserve; but in no event will such amount exceed the sum of: (i) 25% of the Aggregate Debt Service Requirements for the Parity Bonds then Outstanding for the Comparable Bond Year; and (ii) 10% of the Aggregate Debt Service Requirements of the Second Lien Subordinate Securities then Outstanding for the Comparable Bond Year.
- (6) See the caption "—Outstanding Airport Indebtedness" for debt service on Senior Securities. Interest on the 2009B Bonds, 2010C Bonds and 2010D Bonds capitalized through Fiscal Year 2012. Fiscal Year 2013 excludes final debt service payment on the Clark County, Nevada, Airport System Refunding Revenue Bonds, Series 1993A (the "1993A Bonds"), which were paid off in full on July 1, 2012 from moneys held in a reserve fund maintained in connection with the 1993A Bonds.
- (7) For illustrative purposes only; not required under financing documents.
- (8) Excludes Debt Service on certain 2004A-1 Bonds which is projected to be paid from moneys which have been set aside by the Airport in a revocable escrow fund. Excludes Debt Service on certain 2004A-1 Bonds, 2004A-2 Bonds and 2008C Bonds, which were paid from PFC Revenues in Fiscal Year 2010. Also excludes Debt Service on a portion of certain 2004A-1 Bonds which was paid in Fiscal Year 2012 and which is expected to be paid from PFC Revenues in Fiscal Years 2013 and 2014.
- (9) Debt service on the 2004A-1 Bonds and 2004A-2 Bonds is net of capitalized interest. For the synthetically fixed bonds, interest is calculated based on the respective swap agreements. Interest on \$34,400,000 of principal amount of Second Lien Subordinate Securities is calculated at 6.69% per the 1993 Swap Agreement, interest on \$59,873,321 of principal amount of Second Lien Subordinate Securities is calculated at -1.47% per the 2005A Swap Agreement, interest on \$50,850,000 of principal amount of Second Lien Subordinate Securities is calculated at -0.60% per the 2005B Swap Agreement, interest on \$215,150,000 of principal amount of Second Lien Subordinate Securities is calculated at 4.0% until July 2015 and 3.0% thereafter per the 2005C Swap Agreements, interest on \$58,920,000 of principal amount of Second Lien Subordinate Securities is calculated at 5.0% until July 2015 and 1.21% thereafter per the 2005E Swap Agreements, interest on \$139,735,000 of principal amount of Second Lien Subordinate Securities is calculated at 0.87% until July 2015 and -0.86% thereafter per the 2005D Swap Agreements, interest on \$59,870,000 of principal amount of Second Lien Subordinate Securities is calculated at 4.00% until July 2015 and 2.27% thereafter per the 2005D Swap Agreements, interest on \$300,000,000 of principal amount of Second Lien Subordinate Securities is calculated at 4.31% until July 2017 and 0.25% thereafter per the 2008 Swap Agreements, interest on \$200,000,000 of principal amount of Second Lien Subordinate Securities is calculated at 5.63% until July 2017 and 0.25% thereafter per the 2009 Swap Agreements and interest on \$350,000,000 of principal amount of Second Lien Subordinate Securities is calculated at 6.0% until July 2017 and 1.46% thereafter per the 2009 Swap Agreements. Swap agreements listed above do not necessarily correspond to the named series of bonds. Excludes net payments in connection with the termination of the variable to fixed swaps related to the 2005B Swap Agreement and the 2005C Swap Agreements. See the caption "—Interest Rate Swap Agreements." Debt Service on 2008A Bonds and 2008B Bonds net of capitalized interest. Interest on the 2009C Bonds, 2010B Bonds, 2010C Bonds and 2010D Bonds was capitalized through Fiscal Year 2012.
- (10) Revenue derived from \$4.50-per-qualifying-enplaned-passenger passenger facility charge is pledged to the payment on the PFC Bonds.
- (11) Debt Service on PFC Bonds paid from PFC Revenues (funds other than Net Revenues); net of capitalized interest; includes interest income. Interest rate on the 2005 PFC Bonds is 4.47% based on the fixed rate under the 2005A Swap Agreement (as such term is defined under the caption "—Interest Rate Swap Agreements"). The associated variable to fixed swap of the 2005A Swap Agreement was terminated on April 6, 2010. Excludes net payments in connection with the termination of the variable to fixed swaps related to the 2005A Swap Agreement. Assumes that certain 2004A-1 Bonds are paid from moneys which have been set aside by the Airport in a revocable escrow fund rather than from Net Revenues of the Airport System. Assumes that portions of the 2004A-1 Bonds and 2004A-2 Bonds will be paid from PFC Revenues rather than from Net Revenues of the Airport System, as described in Footnote 6 above. Interest on the 2010F-2 PFC Bonds calculated at 1.14%.
- (12) Reflects debt service on 2003C Jet A Bonds net of Jet A Fuel Tax revenues. An increase in the Jet A Fuel Tax by \$0.01 per gallon was approved beginning in Fiscal Year 2013. The revenues from such increase are available to pay, and have been projected to be used to pay, debt service on the 2003C Jet A Bonds. See the caption "SECURITY FOR THE SERIES 2013A BONDS—Pledged Jet Fuel Tax Revenues."
- (13) Landing fees and building rentals are projected to increase as a result of the opening of Terminal 3, which has more square footage and newer facilities and amenities than Terminal 2. See the caption "THE AIRPORT SYSTEM—Description of Existing Airport Facilities and Current Construction."
- (14) Reduction from Fiscal Year 2011 amount reflects the nature of the Airport's Airline Agreements, under which landing fees and building rentals change as expenses increase or decrease annually. In accordance with the Airline Agreements, landing fees and building rental proceeds had been applied to pay debt service on the 1993A Bonds, the final maturity of which was July 1, 2012. The Airport reduced landing fees and building rentals in Fiscal Year 2012, reflecting the payment of debt service on the 1993A Bonds from a reserve fund established in connection with the 1993A Bonds. See the caption "THE AIRPORT SYSTEM—Airline Agreements; Rates and Charges."
- (15) Excludes prepayment of approximately \$6,260,000 of debt service on 2010F-2 PFC Bonds from Airport reserves and certain other moneys.

Source: Clark County Department of Aviation.

Management Discussion of Operating Results and Projections

General. Landing fee rates, terminal building rental rates, and airport gate use fees are established each Fiscal Year based on the approved Airport System operating budget in accordance with the Airline Agreements. See the caption “THE AIRPORT SYSTEM—Airline Agreements; Rates and Charges.” These rates are reviewed and adjusted, if necessary, throughout each Fiscal Year to ensure that the rate covenants are being met. At the end of each Fiscal Year, as part of the residual cost recovery nature of the airline cost center rate making methodology, the Airport recalculates the rates based on actual audited expenses and revenues and, if additional rents or credits are due, the airlines receive or pay additional amounts due within 30 days.

The airline rates and charges for Fiscal Year 2012 were calculated as follows: the landing fee rate is \$2.53 per thousand pounds of aircraft landed weight, the terminal building rental rate is \$123.29 per square foot, and the gate use fee is \$245,784 per leased gate per year. The budgeted airlines rates and charges for Fiscal Year 2013 are estimated as follows: the landing fee rate is \$2.32 per thousand pounds of aircraft landed weight, the terminal building rental rate is \$168.08 per square foot, and the gate use fee is \$238,097 per leased gate per year. The proceeds of the significant increase in the terminal building rental rate in Fiscal Year 2013 will be applied to cover increases in the Airport’s operating and debt service costs associated with the opening of Terminal 3. See the caption “THE AIRPORT SYSTEM—Description of Existing Airport Facilities and Current Construction—Terminal 3 at McCarran International Airport.”

Airline cost per enplaned passenger was \$8.50 for Fiscal Year 2011 and \$8.51 for Fiscal Year 2012. The Airport estimates that the cost per enplaned passenger for Fiscal Years 2013, 2014, 2015, 2016 and 2017 will be \$12.06, \$12.30, \$12.63, \$12.39 and \$12.58, respectively. See the caption “THE AIRPORT—Airline Agreements; Rates and Charges.” The substantial increase in cost per enplaned passenger in Fiscal Year 2013 reflects the first full year of operation of Terminal 3. The Airport’s calculation of airline cost per enplaned passenger includes substantially all costs of facilities utilized by airlines at the Airport. As a result, comparisons of the Airport’s cost per enplaned passenger with those of other airports in which such airports pay only a portion of such costs may not be comparable.

Effect of Federal Sequester. On March 1, 2013, the federal government announced the implementation of certain automatic budget cuts known as the sequester, including reductions in BAB Credits. As set forth under the caption “—Historical Operating Results and Projected Future Operating Results,” the Airport’s 2009B Bonds and 2010C Bonds are BABs and the Fiscal Year 2013 projected operating results shown therein reflect the announced reduction in BAB Credits. The Department does not expect the sequester to have a material adverse effect on its ability to make payments of interest on such outstanding BABs. To date, the Department has not observed an effect on Airport operations as a result of the sequester. While the Department continues to monitor the effects of the sequester on Airport operations, the Department does not currently expect the sequester to have a material adverse effect on the ability of the County to make payments of principal of and interest on the Series 2013A Bonds from Net Revenues of the Airport System in the event that Pledged Jet Fuel Tax Revenues are insufficient to make such payments.

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Historical PFC Revenues

Set forth below is a summary of historical passenger facility charge collections by the County since Fiscal Year 2008. The information set forth below has been excerpted from the Financial Statements. The table below has not been audited by the Auditor.

CLARK COUNTY, NEVADA, DEPARTMENT OF AVIATION **Historical Passenger Facility Charge Collections**

<i>Fiscal Year Ended June 30</i>	<i>Passenger Facility Charge Collections⁽¹⁾</i>
2008	\$ 79,475,144
2009 ⁽²⁾	75,335,495
2010	77,309,045
2011	77,948,536
2012	79,647,998
 <i>Estimated</i>	
2013	\$ 79,470,000
2014	80,063,000

⁽¹⁾ Excludes interest earnings.

⁽²⁾ As of September 1, 2008, the passenger facility charge increased from \$4.00 to \$4.50 per qualifying enplaned passenger.

Source: Clark County Department of Aviation.

Passenger traffic for Fiscal Year 2009 was down by 11.8% over Fiscal Year 2008 levels. This decrease in passenger traffic was partially offset by an increase in the collection amount from \$4.00 to \$4.50 on September 1, 2008, resulting in a decrease in passenger facility charge collections by only 5.2% from Fiscal Year 2008 levels. While passenger traffic in Fiscal Year 2010 declined by 3.8%, passenger facility charge collections increased because enplanements on which passenger facility charges are collected increased. In Fiscal Years 2011 and 2012, passenger facility charge collections increased by 0.8% and 2.2%, respectively, reflecting the increased number of enplaned passengers. See the caption "THE AIRPORT SYSTEM—Airport Operations—Historical Passenger Traffic and Airport Operations." The Airport currently projects that passenger traffic will decrease by less than 1.0% in Fiscal Year 2013 compared to Fiscal Year 2012 and increase by approximately 0.6% in Fiscal Year 2014 compared to Fiscal Year 2013. The Airport expects passenger facility charge revenues to decrease slightly during Fiscal Year 2013 and to increase by approximately 0.7% in Fiscal Year 2014 as a result of such projected passenger traffic.

Outstanding Airport Indebtedness

Set forth below is a discussion of outstanding Airport indebtedness, including Senior Lien Bonds, Second Lien Subordinate Securities, Third Lien Obligations, PFC Bonds and general obligation bonds relating to the Airport.

Senior Lien Bonds. As of March 1, 2013, the County has outstanding approximately \$984,190,000 principal amount of 2005A Bonds, 2008E Bonds, 2009B Bonds, 2010C Bonds and 2010D Bonds, which are the only Senior Lien Obligations currently outstanding.

Second Lien Subordinate Securities. As of March 1, 2013, the County had outstanding approximately \$1,983,895,000 principal amount of Second Lien Subordinate Securities, excluding the PFC Bonds, which together with certain amounts payable by the County pursuant to certain bank credit and liquidity agreements as well as certain interest rate swap agreements described below, are the only Second Lien Subordinate Securities currently outstanding.

PFC Bonds. As of March 1, 2013, the County had outstanding approximately \$1,000,110,000 principal amount of PFC Bonds, debt service on which is payable from the Airport's PFC revenues, and which are also secured by a lien on Net Revenues of the Airport System on parity with the Second Lien Subordinate Securities.

Third Lien Subordinate Securities. As of March 1, 2013, the County had outstanding approximately \$385,000,000 aggregate principal amount of 2003C Jet A Bonds and Series 2012A Notes, which along with certain obligations under certain bank credit and liquidity agreements, were the only Third Lien Subordinate Securities outstanding. As described under the caption "THE REFUNDING PLAN" the County plans to apply a portion of the proceeds of the Series 2013A Bonds to refund the 2003C Jet A Bonds. Upon the refunding of the Series 2003C Jet A Bonds from the proceeds of the Series 2013A Bonds, the Series 2013A Bonds will be payable from Net Revenues on a parity with the Series 2012A Notes and Third Lien Subordinate Securities issued in the future, including the Series 2013A Notes, if issued as described under the caption "SECURITY FOR THE SERIES 2013A BONDS—Third Lien Subordinate Securities."

General Obligation Bonds. As of March 1, 2013, the County had outstanding approximately \$37,000,000 aggregate principal amount of Series 2003B Bonds and \$43,105,000 aggregate principal amount of Clark County, Nevada General Obligation (Limited Tax) (Additionally Secured by Pledged Airport System Revenues) Airport Bonds, Series 2008A (the "2008A GO Bonds"), which are payable from Net Revenues subordinate to the payment of the Third Lien Subordinate Securities. See the caption "INTRODUCTION" for a description of the expected refunding of the Series 2003B Bonds on or about the date of issuance of the Series 2013A Bonds from proceeds of the Series 2013B Bonds.

Credit or Liquidity Facilities

General. In connection with the issuance of certain Second Lien Subordinate Securities, the County has arranged for standby bond purchase facilities or irrevocable direct-pay letters of credit (the "Credit or Liquidity Facilities") to be entered into or issued, as applicable.

If a Credit or Liquidity Facility expires and the County is unable to secure replacement credit or liquidity facilities, the related Second Lien Subordinate Securities will be subject to mandatory tender for purchase by the holders thereof upon such expiration. In addition, the related Credit or Liquidity Facility will be drawn upon to pay the purchase price of such tendered Second Lien Subordinate Securities. See the caption "—Renewal of Credit or Liquidity Facilities" below.

In connection with such Credit or Liquidity Facilities, the County has entered into certain agreements with the banks providing such Credit or Liquidity Facilities. Under such agreements, the County is generally required to reimburse the related bank for any amounts paid by such bank under the related Credit or Liquidity Facility on the same day such amount is paid. Amounts owed to each bank bear interest at a specified rate. The County is also required to pay certain fees to the banks, including establishment, facility, drawing and transfer fees, in addition to the banks' costs, expenses and certain taxes.

In the event that there is a drawing on any Credit or Liquidity Facility to purchase any related Second Lien Subordinate Securities which are tendered for purchase by the holders thereof, the agreements generally provide that the related bank become the holder of such obligations ("Bank Bonds"). In addition, the County is required to repay such Bank Bonds over a period that is less than the remaining term to maturity of the related Second Lien Subordinate Securities (generally five years or less, and in some circumstances immediately upon the purchase of such obligations by the related bank), at an increased interest rate.

The agreements contain a number of covenants and agreements on the part of the County, and specify events of default (which may include failure of the County to maintain credit ratings at specified levels), and remedies. Remedies of the banks generally include the right to cause a mandatory tender of the related Second

Lien Subordinate Securities. The obligations of the County pursuant to the agreements are typically payable subordinate to Second Lien Subordinate Securities of the County.

Renewal of Credit or Liquidity Facilities. As described above, in connection with certain variable rate obligations, the County has obtained Credit or Liquidity Facilities which expire prior to the maturity dates of the obligations to which they relate. If the Credit or Liquidity Facilities expire and the County is unable to secure replacement credit or liquidity facilities, the related Second Lien Subordinate Securities will be subject to mandatory tender for purchase by the holders thereof upon such expiration and the related Credit or Liquidity Facilities drawn upon to pay the purchase price of such tendered obligations. In such circumstances, the County is required to repay such tendered obligations over a period that is less than the remaining term to maturity of the related obligations (generally five years or less and in some circumstances immediately upon the purchase of such obligations by the related bank), at an increased interest rate.

Ratings of Issuers of Credit or Liquidity Facilities. From time-to-time rating agencies change the ratings of banks that have issued Credit or Liquidity Facilities. In the event that the rating of a bank that has executed or issued a Credit or Liquidity Facility is reduced, such reduction may result in the related Second Lien Subordinate Securities bearing interest at a higher than projected interest rate or result in the downgrade of the rating of such Second Lien Subordinate Securities, or both.

Both Moody's and Standard & Poor's have recently downgraded banks which have executed and issued Credit or Liquidity Facilities securing certain Second Lien Subordinate Securities. Other banks that have issued Credit or Liquidity Facilities securing Second Lien Subordinate Securities are currently undergoing credit reviews by Moody's and Standard & Poor's. To date, no downgrade of a bank that executed or issued a Credit or Liquidity Facility has caused a material increase in interest payments on the related Second Lien Subordinate Securities. There can be no assurance that rating reductions or other factors perceived to have an effect on, or to reflect, the credit quality of the banks that have issued Credit or Liquidity Facilities which have occurred or which occur in the future will not result in a material increase in interest payments on the Second Lien Subordinate Securities.

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Interest Rate Swap Agreements

Outstanding Interest Rate Swap Agreements. The Airport has been an active participant in the interest rate swap market. A brief description of the Airport swap agreements currently outstanding is provided below:

CLARK COUNTY, NEVADA, DEPARTMENT OF AVIATION Interest Rate Swap Agreements as of October 1, 2012⁽¹⁾

Name of Swap	Counterparty	Outstanding Notional Amount	Nature of Swap
2001 Basis Swap Agreement	Citigroup Financial Products Inc.	\$ 80,542,098	Variable to variable
2003 Fixed Spread Basis Swap Agreement	Citigroup Financial Products Inc.	128,025,202	Variable to variable
2004 Fixed Spread Basis Swap Agreement	Citigroup Financial Products Inc.	300,000,000	Variable to variable
2005A Swap Agreement ⁽²⁾	Citigroup Financial Products Inc.	55,260,774	Fixed to fixed
2005B Swap Agreement ⁽³⁾	Citigroup Financial Products Inc.	50,650,000	Fixed to fixed
2005C Swap Agreements	Citigroup Financial Products Inc., JPMorgan Chase Bank, N.A., UBS AG	215,150,000	Variable to fixed
2005D Swap Agreements ⁽⁴⁾	Citigroup Financial Products Inc., JPMorgan Chase Bank, N.A., UBS AG	199,605,000	Fixed to fixed and variable to fixed
2005E Swap Agreements	Citigroup Financial Products Inc., JPMorgan Chase Bank, N.A., UBS AG	58,920,000	Variable to fixed
2008 Swap Agreements	JPMorgan Chase Bank, N.A., UBS AG	300,000,000	Variable to fixed
2009 Swap Agreements	Citigroup Financial Products Inc.	550,000,000	Variable to fixed
2010 Swap Agreement ⁽⁵⁾	Citigroup Financial Products Inc.	150,000,000	Fixed to fixed
2011 Swap Agreement	Citibank, N.A., UBS AG	275,000,000	Variable to fixed

⁽¹⁾ See Note 9 of the Department's Financial Statements in Appendix B—"REPORT OF KAFOURY, ARMSTRONG & CO. AND FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012" for more information with respect to the Airport swap agreements.

⁽²⁾ The Airport receives 1.47% on the notional amount. Reflects the termination of the associated variable to fixed swap on April 6, 2010.

⁽³⁾ The Airport receives 0.60% on the notional amount. Reflects the termination of the associated variable to fixed swap on April 6, 2010.

⁽⁴⁾ The Airport pays 0.873% on the full notional amount until July 1, 2015 and receives 0.86% on the full notional amount thereafter. On April 6, 2010, the Airport terminated \$139,735,000 of the \$199,605,000 variable to fixed swap with Citigroup Financial Products Inc. and continues to pay variable to fixed on \$59,870,000.

⁽⁵⁾ The Airport pays 2.493% on the notional amount until July 1, 2017 and receives 1.594% on the notional amount thereafter.

Source: Clark County Department of Aviation.

Future Interest Rate Swap Agreements. The Airport may, from time to time, enter into additional interest rate swap agreements (or amend, modify, novate or take certain other actions with respect to existing interest rate swap agreements) with security and payment provisions as permitted under the Master Indenture, the Series Indentures and other applicable agreements. The Airport terminated certain interest rate swaps in 2010 as discussed under the caption—"Outstanding Interest Rate Swap Agreements." The Airport is considering the modification or termination of additional interest rate swap agreements previously entered into and described above.

Debt Service Requirements

The following table sets forth the annual debt service requirements for the outstanding Senior Securities, the various issues of Subordinate Securities (other than PFC Bonds) and the various issues of PFC Bonds. The debt service requirements for the Series 2013A Bonds are not included in the table below, as the principal of and interest on the Series 2013A Bonds is expected to be paid from Pledged Jet Fuel Tax Revenues. The debt service requirements do not reflect payments with respect to interest rate swaps not associated with specific bonds included in the following table.

CLARK COUNTY, NEVADA, DEPARTMENT OF AVIATION
Debt Service Requirements for Outstanding Senior Securities, Subordinate Securities and PFC Bonds

<i>Period Ending</i> <i>July 1⁽¹⁾</i>	<i>Requirements on</i> <i>Outstanding</i> <i>Senior Securities⁽²⁾</i>	<i>Total Requirements on</i> <i>Subordinate</i> <i>Securities⁽³⁾⁽⁴⁾</i>	<i>Requirements on</i> <i>PFC Bonds⁽⁵⁾</i>	<i>Total</i>
2013 ⁽⁶⁾	\$ 53,034,000	\$ 148,154,000	\$ 76,419,000	\$ 277,607,000
2014	52,489,822	148,929,456	78,299,738	279,719,016
2015	60,957,072	140,659,062	78,284,038	279,900,172
2016	57,685,572	144,149,559	78,292,288	280,127,419
2017	54,453,072	150,390,855	78,284,538	283,128,465
2018	54,230,072	150,285,574	78,286,350	282,801,996
2019	52,906,572	140,974,094	64,331,688	258,212,353
2020	52,872,972	140,095,507	64,338,450	257,306,930
2021	53,007,382	139,062,954	64,319,325	256,389,662
2022	55,625,632	137,368,831	64,321,325	257,315,789
2023	55,671,982	137,065,549	82,602,100	275,339,631
2024	55,615,732	151,951,652	56,782,600	264,349,984
2025	36,906,032	152,736,668	65,766,350	255,409,051
2026	36,906,032	153,896,129	83,961,850	274,764,011
2027	36,906,032	130,634,709	83,968,100	251,508,842
2028	36,906,032	123,358,129	50,774,850	211,039,012
2029	36,906,032	111,576,924	50,775,350	199,258,306
2030	59,911,032	86,263,633	50,780,850	196,955,515
2031	41,407,099	107,236,278	50,777,850	199,421,227
2032	42,969,762	105,767,427	50,784,106	199,521,295
2033	44,246,469	104,127,544	50,781,856	199,155,869
2034	45,996,391	101,856,625	43,032,531	190,885,547
2035	47,540,150	100,872,125	43,029,300	191,441,576
2036	74,297,668	99,626,088	43,029,113	216,952,868
2037	99,333,599	74,214,876	43,030,175	216,578,650
2038	88,906,529	84,871,908	43,028,288	216,806,724
2039	89,366,925	84,924,307	43,034,250	217,325,482
2040	90,015,641	84,746,102	43,028,075	217,789,818
2041	94,322,548	80,836,975	43,030,563	218,190,086
2042	94,316,202	80,840,588	43,026,200	218,182,989
2043	111,197,861	-	-	111,197,861
2044	111,199,924	-	-	111,199,924
2045	111,195,037	-	-	111,195,037
TOTAL	<u>\$ 2,089,302,885</u>	<u>\$ 3,597,474,129</u>	<u>\$ 1,790,201,094</u>	<u>\$ 7,476,978,107</u>

⁽¹⁾ Totals may not add due to independent rounding. Amount shown is for the Fiscal Year ending on the prior June 30 in which principal and interest accrues.

⁽²⁾ Debt service on the 2009B Bonds and the 2010C Bonds are included as net of subsidy payments made by the United States Treasury pursuant to the American Recovery and Reinvestment Act of 2009. See the caption “—Management Discussion of Operating Results and Projections—Effect of Federal Sequester” for a discussion of announced reductions in such interest subsidy payments.

⁽³⁾ Exclusive of PFC Bonds, General Obligation Bonds, 2003C Jet A Bonds, Series 2013A Bonds and certain 2004A-1 Bonds which are projected to be paid from moneys which have been set aside by the Airport in a revocable escrow fund.

⁽⁴⁾ Interest rate on certain variable Subordinate Securities computed at the prevailing curve for the Securities Industry and Financial Markets Association index plus: (i) 100 basis points (for obligations not subject to the Alternative Minimum Tax); or (ii) 110 basis points (for obligations subject to the Alternative Minimum Tax).

⁽⁵⁾ Secured by and payable from a portion of certain passenger facilities charges, and in the event that the portion of such passenger facilities charges is insufficient to pay the debt service requirements of the PFC Bonds, then from a second lien on the Net Revenues. See footnote 10 to the chart entitled “Statement of Historical and Projected Future Operating Results” under the caption “—Historical Operating Results and Projected Future Operating Results.”

⁽⁶⁾ Reflects actual debt service from July 1, 2012 to December 1, 2012 and projected debt service from December 2, 2012 through June 30, 2013. See the chart entitled “Statement of Historical and Projected Future Operating Results” under the caption “—Historical Operating Results and Projected Future Operating Results.”

Source: Clark County Department of Aviation.

Future Developments

Financing for the Terminal 3 project described in more detail under the caption “THE AIRPORT SYSTEM—Description of Existing Airport Facilities and Current Construction—Terminal 3 at McCarran International Airport” and other elements of the Airport System’s five-year capital improvement plan are substantially complete. Currently, the Airport does not have any major bond funded capital improvements planned beyond such five-year plan. Any such improvements are projected by the Airport to be funded from the Airport’s Capital Fund, which is funded primarily from discretionary cash.

County Investment Policy

Nevada Revised Statutes § 355.170 sets forth investments in which the County Treasurer may invest taxes and other County monies, which currently include United States Treasury notes, bonds and bills, certain federal agency securities, bankers acceptances, commercial paper, money market mutual funds, certificates of deposit of local banks, corporate securities, collateralized mortgage obligations, and repurchase agreements (“Authorized Investments for Counties”). Under the current investment policy approved by the Board of County Commissioners (the “Investment Policy”), the County Treasurer is required to invest all County monies in accordance with the Investment Policy. Under the Investment Policy, the County Treasurer may invest such moneys in investments described therein, which include certain State Authorized Investments (the “County Authorized Investments”). Certain other restrictions are contained in the Investment Policy, including limitations on maturities of certain County Authorized Investments and ratings qualifications on certain categories of investments.

A large portion of the money held by the County Treasurer for investment is invested through the Treasurer’s general pooled investment fund (the “County Pool”). Unexpected withdrawals could force the sale of some investments prior to maturity and lead to realization of losses. Such unexpected withdrawals are considered highly unlikely by the County Treasurer. The current Investment Policy allocates gains on securities in the County Pool on a pro rata basis and the County Treasurer reports that any losses would be allocated on the same basis.

Factors Affecting Airport Operations and Revenues

Future traffic at the Airport is sensitive to a variety of factors including: (1) the growth in the population and economy in the Airport service area; (2) national and international economic conditions; (3) airline economics and air fares; (4) the availability and price of aviation fuel; (5) airline service and route networks; (6) the capacity of the air traffic control system; (7) the capacity of the Airport/Airways system; (8) accessibility of and traffic to the Airport; and (9) the development of new or expansion of existing airports. Slow or negative traffic growth in many areas, increased competition among air carriers, consolidation and mergers among airlines, increased fuel, labor, equipment and other costs, and increases in the requirements for and the cost of debt capital have combined from time to time to reduce profits materially or to cause losses for the airlines, sometimes leading to bankruptcy or reorganization. For a discussion of the merger between Continental Airlines and United Airlines and the merger between Southwest Airlines and Air Tran Airways, see the caption “THE AIRPORT SYSTEM—Airport Operations—Airlines Serving the Airport.” A recurrence of these factors could lead to further bankruptcy filings, liquidations or major restructuring by other airlines as well. Under such circumstances, an airline, or a trustee in bankruptcy, would have the right to reject any airline agreements which are in place.

Most of the major airlines carriers (or their respective parent corporations) are subject to the informational requirements of the Securities and Exchange Act of 1934 and in accordance therewith file reports and other information with the Securities and Exchange Commission (the “SEC”). Certain information, including financial information, as of particular dates concerning several of the airlines carriers (or their respective parent corporations), is disclosed in certain reports and statements filed with the SEC. Such reports and statements can be inspected at the Public Reference Room of the SEC at 450 Fifth Street

N.W., Washington, D.C. 20549, and copies of such reports and statements can be obtained from the SEC at prescribed rates. In addition, each scheduled airline is required to file periodic reports containing certain financial and operating statistics with the Department of Transportation. Such reports can be inspected at the following location: Office of Aviation Information Management, Data Requirements and Public Reports Division, Research and Special Programs Administration, Department of Transportation, 400 7th Street S.W., Washington, D.C. 20590, and copies of such reports can be obtained from the Department of Transportation at prescribed rates.

THE AIRPORT SYSTEM

Description of Existing Airport Facilities and Current Construction

The County owns and operates an Airport System that includes McCarran International Airport as well as four general aviation airports, North Las Vegas Air Terminal, Henderson Executive Airport, Jean Airport and Overton Airport.

McCarran International Airport. The Airport, which occupies approximately 2,800 acres of land, serves Las Vegas and the surrounding communities of southern Nevada, as well as segments of California, Utah, and Arizona. It is located six miles south of downtown Las Vegas and one mile from the Las Vegas "Strip," the center of the Las Vegas gambling and entertainment industry.

In 1979, the County adopted a Master Plan for ongoing Airport expansion and development (the "Master Plan"). The County continually reviews and updates the Master Plan. The County has made significant improvements to the Airport pursuant to the Master Plan. A major expansion of the terminal structure, an automated transit system, a satellite terminal building, remodeling of the existing terminal structure, a crash/fire/rescue building, and a major expansion of the roadway system and supporting facilities were completed by 1987. Construction of a new parallel east-west runway and associated air field improvements, land acquisition for future expansion and noise compatibility, and various other terminal and property improvement projects at the Airport, as well as improvements to the North Las Vegas Air Terminal, were completed by 1992. Construction of roadway improvements and certain projects for which the Federal Aviation Administration has granted the County approval to impose and use a passenger facility charge were completed by 1994. Construction of an approximately 6,000-space parking garage adjacent to the previously existing Airport parking garage, roadway modifications, Concourse D, an automated transit system connecting Concourse D to the main terminal, runway improvements, improvements to the international terminal and the west rotunda of the Airport, expansion of baggage handling facilities, and land acquisition were completed by 1998. On April 15, 2005, the County completed the construction of the third wing of the Concourse D, which resulted in a net increase of ten gates. In April 2007, the consolidated rental car facility was opened to the public. Installation of an in-line baggage screening facility to meet new security requirements was completed in Fiscal Year 2007. During Fiscal Year 2009, a number of major capital improvements were completed, including the construction of the fourth and final wing of Concourse D, which added 8 gates, the repaving of Runway 7R/25L and Taxiway A, a new security checkpoint to Concourse C, a new pedestrian walkway from Concourse C to Concourses A and B and a complete remodel of the baggage claim areas.

Main Terminal Building at McCarran International Airport. The terminal building contains approximately 2,951,000 square feet of space, consisting of a seven-story structure, including ticketing and baggage claim lobbies, a bridge and rotunda, central concession area (e.g., restaurants, shops, restrooms, and other passenger amenities), two pier concourses (Concourses A and B), two satellite concourses (Concourses C and D) served by an automated transit system and public and employee parking.

The ground level of the central terminal includes an inbound baggage handling system, selected building service functions and a special entrance facility for tour group buses. The ground level of the concourses provides space for airline operations and ramp equipment storage.

The esplanade level of the terminal provides space for concession areas and other public facilities. The four building levels above the esplanade level provide covered employee parking spaces for approximately 1,550 automobiles, accessible from an elevated roadway and two helical ramps, as well as office space occupied by the Department of Aviation.

Concourses A and B extend outward from the rotunda to provide aircraft parking positions and accompanying passenger boarding areas. Each concourse branches to provide access to two cluster buildings, which are used for aircraft parking and boarding. There are a total of 33 aircraft gates in Concourses A and B.

Concourse C consists of approximately 265,530 square feet of concession area, holdrooms, and public circulation facilities and provides 18 aircraft gates and related support space.

Concourse D currently consists of approximately 880,062 square feet of concession area, holdrooms and public circulation facilities and provides 45 aircraft gates and related support space.

Terminal 2 at McCarran International Airport. Terminal 2, which was an eight-gate, two-level charter/international facility of approximately 200,000 square feet, opened in December 1991. All operations at Terminal 2 were transferred to Terminal 3 upon the opening of Terminal 3 and the Airport permanently decommissioned Terminal 2 in July 2012. The Airport is currently preparing a plan to tear down the terminal building. Plans for the future of the space have not been determined.

Terminal 3 at McCarran International Airport. The new \$2.4 billion Terminal 3 project added additional ticketing, baggage claim and international facilities to the Airport System. Terminal 3 was completed on schedule and within budget. The terminal includes 14 aircraft gates and related support space. The opening of the gates, ticketing, and baggage claim facilities occurred in two phases. The first phase, consisting of seven international gates, opened in late June 2012. The second phase, consisting of the remaining seven domestic gates, opened in late July 2012.

The terminal building contains approximately 2,000,000 square feet of space, consisting of a two-story structure, including ticketing and baggage claim lobbies, a bridge and rotunda, a central concession area (e.g., restaurants, shops, restrooms, and other passenger amenities) served by an automated transit system connecting with the Concourse D gates, and public and employee parking.

The ground level terminal includes an inbound baggage handling system and selected building service functions. The ground level also provides space for airline operations and ramp equipment storage and services for U.S. Customs and Border Protection for all international inbound passengers. Employee parking will be accessible at this level along with 600 economy parking spaces.

The first level terminal provides covered parking spaces for approximately 6,000 automobiles, accessible from an elevated roadway and one helical ramp. The parking structure includes approximately 2,000,000 square feet, consists of eight levels and is connected to the terminal building through three pedestrian bridges.

The second level terminal provides space for concession areas, passenger drop-off, ticketing, gate access and other public facilities.

Other Facilities at McCarran International Airport. Other landside facilities at the Airport include an air cargo facility, general aviation and small aircraft sightseeing operations, the Airport traffic control tower and flight standards district office, an aircraft rescue and firefighting station, a central heating and cooling plant, Airport maintenance and engineering buildings and a fuel storage tank area. Ground vehicular areas consist of Airport drives and roadways, public parking lots, a taxi staging area, a charter bus plaza and a rental car service and storage area. Ground vehicular areas consist of Airport drives and roadways, public parking lots, taxi staging area and a charter bus plaza.

Runways. There are four runways at the Airport: (1) Runway 7L/25R is 14,505 feet long and 150 feet wide and is the primary air carrier aircraft departure runway; (2) Runway 7R/25L is 10,525 feet long and 150 feet wide and is used primarily for air carrier aircraft arrivals; (3) Runway 1R/19L is 9,770 feet long and 150 feet wide and is used primarily for air carrier arrivals and departures; and (4) Runway 1L/19R is 9,770 feet long and 150 feet wide and is used primarily for air carrier arrivals and departures. Other airside facilities consist of related taxiways and apron parking areas. The four air carrier runways are capable of accommodating the largest widebody aircraft currently in service.

North Las Vegas Air Airport. In October 1987, the County acquired the North Las Vegas Airport. The North Las Vegas Airport is within the corporate limits of the City of North Las Vegas on a 930-acre site about 5 miles northwest of downtown Las Vegas. The airfield has three active runways. An approximately 25,500 square-foot terminal and administration building was dedicated in March 1992. In Fiscal Year 2012, approximately 562 aircraft were based at the North Las Vegas Air Terminal, and 147,481 aircraft operations were performed.

Henderson Executive Airport. In March 1996, the County acquired Henderson Executive Airport. Henderson Executive Airport is within the corporate limits of the City of Henderson on an approximately 570-acre site near the edge of the Henderson city limits. The airfield has two active runways, the longest of which is 6,500 feet and capable of accommodating most corporate aircraft. In Fiscal Year 2012, approximately 310 aircraft were based at the Henderson Executive Airport, and 92,877 aircraft operations were performed. In June 2006, the Airport opened a new 24,000 square foot terminal complex at Henderson, a new stand-alone air traffic control tower and 95 new private hangars. In addition, a privately-funded office/hangar complex was completed in 2011 and additional third-party projects are currently under construction.

Jean Airport. Jean Airport is a general aviation airport in Jean, Nevada, approximately 30 miles south of Las Vegas between Las Vegas and the California/Nevada state line. Jean Airport serves gliders and single-engine aircraft, with glider operations predominant. The airport occupies approximately 280 acres and consists of two parallel paved runways, 2L/20R and 2R/20L. 2L/20R is 4,600 feet long and 75 feet wide and is used primarily for training and powered aircraft operations. Runway 2R/20L is 3,700 feet long and 60 feet wide and is mainly used for gliders and ultralights. Paved aircraft parking facilities for approximately 40 aircrafts are located on the west side of the airport in front of the 6,000 square foot terminal building. There is also a self-service fueling facility providing both Jet A and 100LL fuel on the south side of the parking apron.

Overton Airport. Overton Airport is a general aviation airport in Overton, Nevada, approximately 70 miles northeast of Las Vegas at the northern end of Lake Mead. The airport serves primarily single-engine general aviation aircraft for personal, recreational, and business uses. The approximately 275-acre airport has one active asphalt surface runway, which is 4,800 feet long by 75 feet wide, tiedown spaces and 15 hangers that can accommodate approximately 50 aircrafts, two shade hangars accommodating one aircraft each, a general services building providing public restrooms, telephone and radio transmission equipment and fueling facilities.

Service Area

The Airport serves Las Vegas and the surrounding communities of southern Nevada, as well as portions of California, Utah and Arizona. Between Fiscal Years 1980 and 2007, the annual number of airline passengers enplaned at the Airport increased from 5,406,216 to 23,628,484. Enplanements fell in Fiscal Years 2008 through 2010 to a low of 19,952,800 in Fiscal Year 2010, a decrease of 15.6% from Fiscal Year 2007 enplanements. Enplanements rose to 20,266,091 in Fiscal Year 2011, an increase of 1.6% over Fiscal Year 2010, and rose to 20,962,087 in Fiscal Year 2012, an increase of 3.4% over Fiscal Year 2011. See the chart entitled “Historical Airline Traffic” under the caption “—Airline Operations—Historical Passenger Traffic and Airport Operations” below. According to Airports Council International, for calendar year 2011, the latest year for which numbers are available, the Airport was the ninth busiest airport in the nation in terms of

passenger volume in the United States. Department of Transportation statistics show the Airport as the second largest origin and destination airport market after Los Angeles International.

Airport Management

The Airport is operated as an enterprise fund of the County and is managed by the Department of Aviation of the County under the supervision of the Board of County Commissioners of the County and the County Manager.

Board of County Commissioners

The Board of County Commissioners is the governing body of the County. The seven members are elected from County commission election districts for four-year staggered terms. The Board members also serve as the directors of the Las Vegas Valley Water District, as trustees of the University Medical Center of Southern Nevada, the Clark County Water Reclamation District, the Big Bend Water District, the Kyle Canyon Water District and the Coyote Springs Water Resources General Improvement District, and as members of the Clark County Redevelopment Agency, the Clark County Liquor and Gaming Licensing Board and the Mount Charleston Fire Protection District.

The Board is also represented on the Regional Transportation Commission of Southern Nevada, Clark County Regional Flood Control District, Debt Management Commission, Las Vegas Metropolitan Police Committee on Fiscal Affairs, Nevada Development Authority, Family and Juvenile Justice Services Policy and Fiscal Affairs Board, Nevada Association of Counties Executive Committee, National Association of Counties Board of Directors, Southern Nevada District Board of Health, Criminal Justice Advisory Commission (formerly known as the Regional Jail Commission), Southern Nevada Regional Planning Coalition (formerly known as the Government Efficiency Committee), Las Vegas Convention and Visitors Authority, Clark County School District Oversight Panel, Southern Nevada Workforce Investment Board, Southern Nevada Water Authority, Airport Hazard Areas Board of Adjustments, Air Pollution Control Hearing Board, Boulder City Library District Board of Trustees, Clark County Advisory Board to Manage Wildlife, Clark County Animal Advisory Committee, Clark County Board of Equalization, Clark County Boat Facilities and Safety Committee, Clark County Business Development Advisory Council, Southern Nevada Regional Planning Commission A-95 Clearinghouse Subcommittee (formerly known as the Clark County Clearinghouse Council), Clark County Parks and Recreation Advisory Council, Clark County Planning Commission, Clark County Senior Advisory Council, Clark County Shooting Park, Combined Board of Building Appeals, Community Development Advisory Committee, Family Services Citizens Advisory Committee, Clean Water Coalition, Henderson Library District Board of Trustees, Jaycee Mobile Home Park Committee, Juvenile Justice/Family Services Citizens Advisory Committee, Las Vegas/Clark County Library District Board of Trustees, Local Emergency Planning Committee, Local law Enforcement Advisory Board (Justice Assistance Grant), Moapa Valley TV Maintenance District, Nuclear Waste (Yucca Mountain) Advisory Committee, Southern Nevada Enterprise Committee, Southern Nevada Area Communications Council, Ryan White Title I Planning Council, Nevada Test Site Development Corporation, Economic Opportunity Board and Nevada Business Service.

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The current members of the Commission and their terms of office are as follows:

<i>Commission Members</i>	<i>Expiration of Term</i>
Steve Sisolak, Chair	2014
Larry Brown, Vice Chair	2017
Susan Brager	2017
Tom Collins	2017
Chris Giunchigiani	2014
Mary Beth Scow	2014
Lawrence Weekly	2017

Administration

The County Manager is the County's chief executive officer and serves at the pleasure of the Board:

Donald B. Burnette, County Manager. Appointed as County Manager for the County on January 3, 2011, Mr. Burnette previously served as the Chief Administrative Officer for the County since July 1, 2002. Prior to becoming Chief Administrative Officer, Mr. Burnette served as Director of the Administrative Services Department from 1999 to 2002, and previously served as Assistant Director of Administrative Services from 1995 to 1999. Mr. Burnette began his employment with Clark County in 1990.

Mr. Burnette has a Bachelor's of Science in Public Administration from Northern Arizona University and a Master's of Public Administration from New Mexico State University.

Department of Aviation

Randall H. Walker, Director of Aviation. Mr. Walker, a native of Henderson, Nevada, was appointed Director of Aviation in May 1997. Prior to his appointment, Mr. Walker served in various governmental positions, including Assistant County Manager for Clark County, Director of the Clark County Department of Finance, Deputy Director of the Clark County Department of Aviation and the Deputy City Manager for Administrative Services with the City of Las Vegas. Mr. Walker started his local government career as a budget analyst with Clark County in 1979 and served as Business Manager for the Las Vegas Metropolitan Police Department prior to working for the City of Las Vegas. Upon graduation from Brigham Young University, Mr. Walker was employed by Exxon, USA in Houston, Texas. Mr. Walker graduated *magna cum laude* from Brigham Young University in 1977 with a Bachelors degree in accounting.

Mr. Walker has announced his retirement effective June 3, 2013. On March 5, 2013, the Board of County Commissioners appointed Ms. Vassiliadis as Mr. Walker's successor.

Rosemary A. Vassiliadis, Deputy Director of Aviation. Ms. Vassiliadis joined the Clark County Department of Aviation as Deputy Director in December 1997. Previously she worked for Clark County as the Director of the Department of Finance and for the City of Las Vegas as the Manager of Finance and Budget. Prior to her government service, Ms. Vassiliadis worked for Zenith International Corporation in the Corporate Accounting Department. Ms. Vassiliadis graduated from DePaul University in Chicago with a Bachelor of Science Degree in Accountancy.

Joseph Piurkowski, Assistant Director of Aviation/Finance. Mr. Piurkowski joined the Clark County Department of Aviation in October 2007 as Audit Supervisor and was promoted to Manager of Fiscal Services and Budget in December 2009. He is currently serving as Assistant Director of Aviation/Finance. Prior to working at the Department, Mr. Piurkowski spent a total of seven years in the public accounting industry, performing a variety of accounting and auditing related services for clientele ranging from locally owned businesses to large publicly traded corporations. He began his professional career as a staff accountant with a small public accounting firm where he earned his Certified Public Accountant designation in September

2002, and was promoted to manager of the firm's accounting and auditing practice. Mr. Piurkowski was most recently employed by the international accounting firm of PricewaterhouseCoopers, LLP where he spent two years in the firm's assurance practice performing, supervising, and reviewing both internal and external audits. Mr. Piurkowski graduated from the University of Nevada, Las Vegas with a bachelor's degree in business administration majoring in accounting.

Employees and Pension Matters

As of September 30, 2012, the Department had approximately 1,330 full time employees and 10 part time employees. Substantially all of the public employees in Nevada, including those of the Department, are covered under the State's Public Employees Retirement System ("PERS"). The County and other participating public employees are not liable for any unfunded liability or other obligations of PERS. The Department's contributions to PERS for the years ended June 30, 2012, 2011 and 2010 were approximately \$17,100,000, \$16,000,000 and \$16,000,000, respectively. See Note 5(a) to the Financial Statements attached hereto as Appendix B for further information with respect to the PERS plan.

Other Post-Employment Benefits

General. The County also makes available certain post-retirement health insurance and life insurance benefits ("OPEB") to employees, including Airport employees, who retire under PERS and elect to receive and pay for these benefits. The OPEB are only available to retirees who are then receiving a pension from PERS ("Retirees"). The current OPEB program covers County employees and Retirees and the employees and Retirees of five other local governments in Southern Nevada: the Las Vegas Convention and Visitors Authority, University Medical Center of Southern Nevada, Regional Transportation Commission of Southern Nevada, Clark County Regional Flood Control District and Clark County Water Reclamation District (collectively, the "Other Agencies"). Legislation enacted during 2007 changed County employee eligibility to join the State-administered Public Employees' Benefit Program ("PEBP"), described below. Employees who retired on September 1, 2008 and before were eligible to join the PEBP. All other employees who retire after that date will be able to join the County health maintenance organization ("HMO") or preferred provider organization ("PPO") programs. The discussion below is applicable to the County alone (and not to the Other Agencies).

Health Insurance. Retirees can elect to continue to participate in the health insurance benefits provided to employees. For each Retiree, the premium for this insurance benefit is based on the number of persons covered (i.e., the premium is greater for a Retiree who elects to also have dependents covered). The County offers two types of health insurance, a self-funded PPO plan and an HMO plan. Retirees can elect to continue coverage under either of these plans on payment of the required premium for themselves and their dependents. The premium payable by the Retiree for the self-funded plan is based on the number of years of service with any of the public entities within the benefit plan, and whether the Retiree (or dependent) receives Medicare insurance benefits. Premiums for the HMO are not dependent on the years of County employment, but vary based upon whether or not the employee receives Medicare insurance benefits.

In lieu of participating in one of the County health insurance plans, Retirees can elect to obtain health care coverage for themselves and their dependents under the PEBP. If a Retiree elects this option, the County is required by Nevada Revised Statutes § 287.023 to pay a statutorily-defined portion of the Retiree's premium for coverage under PEBP; the balance of the premium must be paid by the Retiree. The County's portion of the premium is based on the number of years the Retiree was employed by the County; for employment of 20 years or more, the County is required to pay 100% of the premium subsidy. In the 2007 Nevada Legislative Session, Senate Bill 544 ("SB 544") was adopted, which eliminated the ability of a retiree to receive coverage for health insurance under the PEBP unless the retiree's last employer was actively participating in the plan. Since the County does not utilize the plan for active employees, the practical effect of SB 544 is that after November 30, 2008, retired County personnel will no longer be eligible to receive health insurance coverage

through PEBP. Any members already enrolled in the plan at that date will be grandfathered in and will not be subject to any benefit terminations.

Life Insurance. The life insurance benefit offered to Retirees currently provides a \$20,000 death benefit if the Retiree dies before age 70 and a \$1,000 death benefit if the Retiree dies after that age; Retirees who elect to obtain this benefit must pay a subsidized premium of \$45.60 per year if they are under 70 and a premium of \$2 per year if they are over 70. Spouses of Retirees can also be covered at additional cost to the Retiree; the death benefit paid on the death of the spouse is \$5,000 if the Retiree is under 70 and \$1,000 if the Retiree is 70 or older.

Valuation of the OPEB Program and County Share. The County historically has funded its OPEB on a pay-as-you-go basis, but beginning in Fiscal Year 2008, Governmental Accounting Standards Board Statement No. 45 required that the County begin recording a liability for its share of the OPEB Program unless it sets aside into an irrevocable trust sufficient monies to fund its “ARC” (as defined below) in each year. The County has discussed the OPEB Program with consulting actuaries who have performed a study to determine the actuarial value of the obligations under the OPEB Program. Results of this study indicated that as of June 30, 2012, the total unfunded actuarial accrued liability (“UAAL”) for the County’s share of the OPEB Program was approximately \$1,420,332,636 and the annual amount required to be paid to amortize this liability over 30 years and to accumulate an appropriate amount for current employees so that the UAAL does not increase (the “Annual Required Contribution” or ARC) is approximately \$159,765,618. These valuations are based on several assumptions, including future Retiree contribution rates, a 4% per annum discount rate and a 4% per annum investment rate.

Funding of UAAL. The County uses the Other Postemployment Benefits Reserve internal service fund to allocate OPEB costs to each fund, based on employee count. Each fund incurs a charge for service from the Other Postemployment Benefit Reserve fund for their portion of the annual OPEB cost. As of June 30, 2012, the Other Postemployment Benefits Reserve Fund has \$191,712,173 in cash and investments, and \$118,430,116 is due from other funds that the County intends to use for future OPEB obligations of the County, PEBP, and Fire plans. The total net OPEB obligation of the County, PEBP and Fire Plans is \$309,508,598 as of June 30, 2012. These assets cannot be included in the plan assets considered in OPEB funding schedule because they are not held in trust. The Department is responsible for approximately 7.6% of the County’s UAAL and ARC described above. For Fiscal Years 2011 and 2012, the Airport recorded an expense of \$10,176,851 and \$10,131,646, respectively, representing its share of the ARC. See Note 5(b) of the Financial Statements in Appendix B—“REPORT OF KAFOURY, ARMSTRONG & CO. AND FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012” for a further description of the Department’s OPEB liabilities and the funding policy.

Budget Process

The Department’s budget is prepared on the basis of full accrual accounting. As a component unit of the County, the Department budget is prepared by the Director of Aviation and Department staff and then submitted to the County and incorporated in its budget as one of the County’s enterprise funds. Accordingly, the Department budget is subject to the budgeting requirements of the State of Nevada and the related budget hearings and open public meeting requirements of the County’s budget process. The budget is ultimately approved by the Board of County Commissioners. The Board approved the Department’s operating budget for Fiscal Year 2013 on May 21, 2012.

Department Insurance

The Department maintains comprehensive general liability insurance through a policy purchased from ACE USA with per occurrence limits of \$100,000,000 for airport operations, and casualty insurance through policies purchased from Lexington with a total limit of \$1,000,000,000. In addition, the Department maintains construction liability and builder’s risk insurance for certain capital projects.

Airport Operations

Historical Passenger Traffic and Airport Operations. Set forth below is a table showing certain airline enplaned passenger and aircraft departure information since 1975. For Fiscal Year 2012, scheduled airlines accounted for 95.4% of total enplanements and charter airlines accounted for approximately 2.5%. The remainder was general aviation.

HISTORICAL AIRLINE TRAFFIC McCarran International Airport

<i>Fiscal Year</i>	<i>Enplaned Passengers⁽¹⁾</i>	<i>Average Annual Percent</i>		<i>Airline Aircraft Departures⁽²⁾</i>	<i>Average Annual Percent Increase (Decrease)</i>
		<i>Increase (Decrease)</i>	<i>Percent</i>		
1975	3,028,785	--%		52,890	--%
1980	5,406,216	12.3		86,576	10.4
1985	5,291,761	(0.4)		73,250	(3.3)
1990	8,942,787	11.1		114,485	9.3
1995	13,875,096	9.2		168,291	8.0
2000	17,720,384	5.0		187,531	2.2
2005	21,439,652	4.1		213,035	2.3
2006	22,546,814	5.2		227,445	6.3
2007	23,628,484	4.8		257,743	13.3
2008	23,525,862	(0.4)		260,343	1.0
2009	20,739,408	(11.8)		230,925	(11.3)
2010	19,952,800	(3.8)		218,706	(5.3)
2011	20,266,091	1.6		224,386	2.6
2012	20,962,087	3.4		227,206	1.3
July 1, 2011 – December 31, 2011	10,564,673	--%		116,298	--%
July 1, 2012 – December 31, 2012	10,469,367	(0.9)		112,708	(3.1)

⁽¹⁾ Includes all enplaned passengers on scheduled, charter, and commuter and other airlines.

⁽²⁾ Includes passenger airline and cargo airline aircraft departures.

Source: Clark County Department of Aviation.

For Fiscal Year 2012, on a year over year basis, passenger traffic was up approximately 3.4% and aircraft departures were up approximately 1.3%. For the first six months of Fiscal Year 2013, passenger traffic was down approximately 0.9% from the corresponding period in Fiscal Year 2012, reflecting continued efforts by domestic carriers to cut capacity nationwide in order to maintain airfare prices and offset higher airline fuel prices. For the first six months of Fiscal Year 2013, aircraft departures were down approximately 3.1% from the corresponding period in Fiscal Year 2012, reflecting the addition of seats to existing aircraft and the use of larger aircraft with more seats by airlines. See the caption “—Airlines Serving the Airport” below.

Set forth below is a table showing origination and destination passenger traffic and connecting passenger traffic since 1990.

**ORIGINATION AND DESTINATION AND CONNECTING PASSENGERS AIRLINE TRAFFIC
McCarran International Airport**

<i>Fiscal Year</i>	<i>Total Passengers</i>	<i>Average Annual Percent Increase (Decrease)</i>	<i>Connecting Passengers</i>	<i>Average Annual Percent Increase (Decrease)</i>	<i>Origination and Destination Passengers</i>	<i>Average Annual Percent Increase (Decrease)</i>
1990	17,763,320	--%	1,484,432	--%	16,278,888	--%
1995	27,703,803	9.3	2,143,968	7.6	25,559,835	9.4
2000	37,314,455	6.1	2,524,860	3.3	34,789,595	6.4
2005	42,859,885	2.8	5,301,722	16.0	37,558,163	1.5
2006	44,988,031	5.0	5,801,923	9.4	39,186,108	4.3
2007	47,375,064	5.3	6,603,046	13.8	40,772,018	4.0
2008	46,983,189	(0.8)	7,154,949	8.4	39,828,240	(2.3)
2009	41,359,585	(12.0)	6,059,511	(15.3)	35,301,490	(11.4)
2010	39,858,750	(3.6)	5,270,464	(13.0)	34,588,286	(2.0)
2011	40,495,125	1.6	4,137,209	(21.5)	36,357,916	5.1
2012	41,874,993	3.4	3,853,153	(6.9)	38,021,840	4.6
July 1, 2011 – December 31, 2011	21,129,610 ⁽¹⁾	--%	2,054,058	--%	19,075,552	--%
July 1, 2012 – December 31, 2012	20,922,213 ⁽¹⁾	(1.0)	2,287,597	11.4	18,634,615	(2.3)

⁽¹⁾ Differs from total set forth in the table entitled “Airline Market Shares McCarran International Airport First Six Months of Fiscal Year 2013 and First Six Months of Fiscal Year 2012” under the caption “—Airlines Serving the Airport” because the above numbers reflect Airport enplanements and deplanements.

Source: Clark County Department of Aviation.

In Fiscal Year 2012, approximately 90.8% of enplanements at the Airport represented originating passengers, with the remaining 9.2% representing connecting passengers changing planes at the Airport. The origination and destination passenger activity increased by 4.6% in Fiscal Year 2012 as compared to Fiscal Year 2011. Comparing connecting passenger activity from Fiscal Year 2011 to Fiscal Year 2012, connecting passengers declined from 10.2% to 9.2% of total passengers, respectively. For the first six months of Fiscal Year 2013, connecting passengers have increased by approximately 11.4% over the corresponding period in Fiscal Year 2012, while origin and destination passengers have decreased by approximately 2.3% over the corresponding period in Fiscal Year 2012.

Annual decreases in connecting passengers between Fiscal Years 2009 and 2012 were primarily a result of a decrease in enplanements by US Airways, which had formerly used the Airport as a regional hub. See the caption “—Airlines Serving the Airport.”

Although international passenger traffic increased by approximately 8.5% in the first six months of Fiscal Year 2013 over the corresponding period in Fiscal Year 2012, overall origin and destination passengers, reflecting both international and domestic traffic, decreased by approximately 2.3% in such period. Such decrease reflects continued efforts by domestic carriers to cut capacity nationwide in order to maintain airfare prices and offset higher airline fuel prices.

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Historical Seat Capacity and Average Load Factor. Set forth below is a summary of Historical Seat Capacity and Average Load Factor since Fiscal Year 2003.

HISTORICAL SEAT CAPACITY AND AVERAGE LOAD FACTOR
McCarran International Airport

<i>Fiscal Year</i>	<i>Total 1 Way Seats</i>	<i>Average Annual Percent Increase (Decrease)</i>	<i>Average Annual Load Factor</i>	<i>Average Annual Percent Increase (Decrease)</i>
2003	21,629,390	(1.49)%	79.16%	4.04%
2004	24,051,961	11.05	79.20	0.04
2005	26,504,607	10.20	80.91	2.17
2006	27,820,141	4.96	82.75	2.27
2007	28,449,259	2.26	82.60	(0.18)
2008	28,740,645	1.02	83.23	0.76
2009	25,888,472	(9.92)	83.09	(0.16)
2010	24,186,076	(6.58)	85.20	2.50
2011	23,983,332	(0.84)	86.20	1.17
2012	24,673,462	2.88	86.30	0.12
July 1, 2011 – December 31, 2011	12,500,001	--%	87.6%	--%
July 1, 2012 – December 31, 2012	12,327,354	(1.38)	N/A ⁽¹⁾	

⁽¹⁾ This information is not yet available.

Source: Clark County Department of Aviation.

While seat capacity grew in Fiscal Years 2004 through 2008, load factor rates remained high. While seat capacity declined in Fiscal Years 2009 through 2011, the airlines managed available seats to keep load factors at or above recent levels. Seat capacity increased by approximately 2.88% in Fiscal Year 2012. Seat capacity decreased slightly in the first six months of Fiscal Year 2013, reflecting efforts by domestic carriers to cut capacity nationwide in order to maintain airfare prices and offset higher airline fuel prices.

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Historical Airline Landed Weight. Set forth below is a summary of Historical Airline Landed Weight since Fiscal Year 2003.

HISTORICAL AIRLINE LANDED WEIGHT
McCarran International Airport

Fiscal Year	Landed Weight⁽¹⁾	Average Annual Percent Increase (Decrease)
2003	23,074,743	(2.2)%
2004	24,878,724	7.8
2005	27,066,272	8.8
2006	27,526,493	1.7
2007	28,835,044	4.8
2008	28,841,564	0.0
2009	25,973,079	(9.9)
2010	24,306,053	(6.4)
2011	24,288,033	(0.1)
2012	24,855,800	2.3
July 1, 2011 – December 31, 2011	12,590,589	--%
July 1, 2012 – December 31, 2012	12,270,401	(2.5)

⁽¹⁾ Pounds per 000.

Source: Clark County Department of Aviation.

Airline landed weight during the first six months of Fiscal Year 2013 decreased by approximately 2.5% from the corresponding period in Fiscal Year 2012. Such decrease reflects continued efforts by domestic carriers to cut capacity nationwide in order to maintain airfare prices and offset higher airline fuel prices.

Airlines Serving the Airport. As of July 1, 2012, the Airport was served by 32 scheduled airlines, of which 16 are international carriers. In addition, the Airport is served by 1 charter passenger airline that operates at the Airport on a regular basis and several other charter airlines that provide service to the Airport on an occasional basis. The scheduled airlines serving the Airport (excluding charters and air taxis) are currently averaging 447 scheduled departures per day to 134 nonstop markets.

The following tables present the market shares of enplaned passengers for the scheduled airlines serving the Airport for Fiscal Years 2012, 2011 and 2000 and for the first six months of Fiscal Year 2013 compared to the same period in Fiscal Year 2012. Southwest Airlines and Delta accounted for just over 48% of total enplaned passengers at the Airport in Fiscal Year 2012.

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AIRLINE MARKET SHARES
McCarran International Airport
Fiscal Years 2012, 2011 and 2000

	Fiscal Year 2012		Fiscal Year 2011		Fiscal Year 2000	
	Passengers	Percent	Passengers	Percent	Passengers	Percent
Scheduled Airlines:						
Southwest ⁽¹⁾	8,039,571	38.4%	7,981,142	39.4%	4,934,299	27.9%
Delta ⁽²⁾	2,177,895	10.4	2,258,869	11.1	1,409,339	8.0
US Airways ⁽³⁾	1,154,665	5.5	1,385,557	6.8	203,107	1.2
American ⁽⁴⁾	1,216,828	5.8	1,196,867	5.9	1,106,256	6.2
Allegiant	1,124,930	5.4	985,576	4.9	35,880	0.2
United ⁽⁵⁾	1,122,248	5.4	1,311,957	6.5	1,722,119	9.7
Continental ⁽⁶⁾	1,038,138	5.0	995,281	4.9	767,278	4.3
International Carriers	870,674	4.2	710,217	3.5	509,293	2.9
Spirit Airlines	811,124	3.9	243,690	1.2	--	--
Alaska	643,730	3.1	606,341	3.0	430,549	2.4
Jet Blue	538,629	2.6	421,676	2.1	--	--
Westjet	490,986	2.3	421,073	2.1	--	--
Frontier ⁽⁷⁾	329,260	1.6	335,801	1.7	100,223	0.6
Virgin America	298,007	1.4	273,878	1.4	--	--
Hawaiian	265,989	1.3	256,849	1.3	--	--
Air Tran ⁽⁸⁾	252,658	1.2	282,116	1.4	--	0.0
Sun Country	70,243	0.3	66,337	0.3	--	--
Northwest ⁽⁹⁾	--	0.0	--	0.0	681,776	3.2
ATA ⁽¹⁰⁾	--	0.0	--	0.0	572,485	3.2
Champion ⁽¹¹⁾	--	0.0	--	0.0	229,506	1.3
America West ⁽¹²⁾	--	0.0	--	0.0	2,646,809	14.9
National ⁽¹³⁾	--	0.0	--	0.0	666,807	3.8
TWA	--	0.0	--	0.0	298,175	1.7
Reno Air ⁽¹⁴⁾	--	0.0	--	0.0	124,292	0.7
Subtotal	20,445,575	97.5%	19,733,227	97.4%	16,438,193	92.8%
Charter Airlines	64,878	0.3	75,480	0.4	961,989	5.4
General Aviation and Other	451,634	2.2	457,384	2.2	321,381	1.8
Total⁽¹⁵⁾	20,962,087	100.0%	20,266,091	100.0%	17,721,563	100.0%

(1) Merged with Air Tran in Fiscal Year 2012.

(2) Filed for Chapter 11 bankruptcy in September 2005; emerged from Chapter 11 bankruptcy in April 2007. Merged with Northwest in February 2010.

(3) Filed for Chapter 11 bankruptcy in August 2002; refiled for Chapter 11 bankruptcy in September 2004; emerged from Chapter 11 bankruptcy in September 2005, and merged with America West in September 2005. Announced plan to merge with American Airlines on February 14, 2013, subject to Bankruptcy Court and United States Department of Justice approval. The Airport does not currently expect such merger, if realized, to have a material adverse effect on Airport operations.

(4) Filed for Chapter 11 bankruptcy in November 2011. Announced plan to merge with US Airways on February 14, 2013, subject to Bankruptcy Court and United States Department of Justice approval. The Airport does not currently expect such merger, if realized, to have a material adverse effect on Airport operations.

(5) Filed for Chapter 11 bankruptcy in December 2002; emerged from Chapter 11 bankruptcy in February 2006. Merged with Continental on October 1, 2010.

(6) Merged with United on October 1, 2010.

(7) Filed for Chapter 11 bankruptcy in April 2008; emerged from Chapter 11 bankruptcy in October 2009. Merged with Midwest in Fiscal Year 2010.

(8) Merged with Southwest Airlines in Fiscal Year 2012.

(9) Filed for Chapter 11 bankruptcy in September 2005; emerged from Chapter 11 bankruptcy in May 2007. Merged with Delta in February 2010.

(10) Filed for Chapter 11 bankruptcy and ceased operations in April 2008.

(11) Ceased operations May 2008.

(12) Merged with US Airways in September 2005.

(13) Filed for Chapter 11 bankruptcy in December 2000. National Airlines began servicing the Airport in Fiscal Year 2000 and in November 2002, National Airlines ceased operations.

(14) Reno Air was purchased by American Airlines in 1998 and is no longer operated as a separate entity.

(15) May not add due to rounding.

Source: Clark County Department of Aviation.

AIRLINE MARKET SHARES
McCarran International Airport
First Six Months of Fiscal Year 2013 and First Six Months of Fiscal Year 2012

Airline	July 2012 - December 2012			July 2011 - December 2011	
	Passengers	Percent	Increase/ (Decrease)	Passengers	Percent
Southwest	4,161,144	39.7%	2.8%	4,047,270	38.3%
Delta	1,014,162	9.7	(8.1)	1,104,001	10.4
United Continental	1,011,042	9.7	(7.4)	1,091,747	10.3
5.8American	626,291	6.0	1.4	617,795	5.8
Allegiant	555,320	5.3	2.8	540,099	5.1
US Airways	483,580	4.6	(24.1)	637,372	6.0
Spirit	481,570	4.6	30.4	369,347	3.5
Alaska	303,491	2.9	(7.6)	328,462	3.1
JetBlue	266,338	2.5	(2.5)	273,302	2.6
Westjet	228,392	2.2	(2.4)	234,084	2.2
Virgin America	160,147	1.5	20.7	132,662	1.3
Frontier	159,028	1.5	(7.9)	172,660	1.6
Hawaiian Air	137,755	1.3	4.5	131,793	1.2
Air Canada	117,805	1.1	4.9	112,334	1.1
AirTran	90,798	0.9	(37.1)	144,459	1.4
Virgin Atlantic	83,079	0.8	(5.9)	88,250	0.8
Volaris	65,531	0.6	51.0	43,401	0.4
British Airways	58,022	0.6	2.5	56,610	0.5
AeroMexico	49,722	0.5	(16.7)	59,667	0.6
Sun Country	33,451	0.3	11.0	30,132	0.3
Condor	20,011	0.2	24.7	16,048	0.2
Copa Airlines	18,291	0.2	100.0	-	-
Sunwing	17,650	0.2	45.1	12,165	0.1
Korean	15,902	0.2	31.2	12,123	0.1
Philippines	15,234	0.1	(10.4)	16,998	0.2
Vivaerobus	11,412	0.1	7.7	10,594	0.1
Air Berlin	7,684	0.1	100.0	-	-
Magnicharters	7,284	0.1	100.0	-	-
Thomas Cook	6,957	0.1	15.6	6,020	0.1
Arkefly	6,323	0.1	100.0	-	-
XL Airways	3,125	0.0	(53.8)	6,761	0.1
Interjet	1,239	0.0	100.0	-	-
Vision	-	0.0	(100.0)	4,162	-
Charter Airlines	26,303	0.3	(11.1)	29,585	0.3
General Aviation & Other	225,284	2.2	(4.0)	234,770	2.2
Total Enplanements ⁽¹⁾⁽²⁾	<u>10,469,367</u>	<u>100.0%</u>	<u>(0.9)%</u>	<u>10,564,673⁽¹⁾</u>	<u>100.0%</u>

⁽¹⁾ Differs from total set forth in the table entitled "Origination and Destination and Connecting Passengers Airline Traffic" under the caption "—Historical Passenger Traffic and Airport Operations" because the above numbers reflect Airport enplanements only.

⁽²⁾ May not add due to rounding.

Source: Clark County Department of Aviation.

In October 2010, United Airlines ("United") and Continental Airlines ("Continental") merged to form a new entity, United Continental Holdings Inc. Because of the relatively small airline market shares of United and Continental at the Airport, as well as limited overlapping United and Continental flights to Las Vegas, the merger between United and Continental has not had a material adverse effect on the operations of the Airport.

In March 2012, Southwest Airlines acquired Air Tran Airways ("Air Tran") in a merger between the two companies. The Airport does not currently expect the effects of the planned merger between Southwest Airlines and Air Tran to have a material adverse effect on the operations of the Airport.

Southwest Airlines, Delta and United Continental accounted for approximately 59.1% of total enplaned passengers at the Airport in the first six months of Fiscal Year 2013.

Airline Agreements; Rates and Charges

On August 17, 2010, the Board of County Commissioners approved and authorized the Director of Aviation to execute the new Airline-Airport Use and Lease Agreement (“Airline Agreement”) with those airlines serving Las Vegas that meet the minimum qualifications to become signatories thereof. As of October 1, 2012, the following airlines have executed the new Airline Agreement: Alaska Airlines, American Airlines, Delta Air Lines, United Airlines, Southwest Airlines, Air Canada, Air Tran Airways, Allegiant Air, Spirit, British Airways, Frontier Airlines, Hawaiian Airlines, JetBlue Airways, Korean Air Lines, Philippine Airlines, Virgin America, Inc., Virgin Atlantic Airways, WestJet Airlines and US Airways. All other airlines are classified as non-signatories and are subject to non-signatory rates and charges.

The key provisions of the Airline Agreement include the following: (i) a term of five years with two one-year options with the effective date being retroactive to July 1, 2010; (ii) the rate making methodology is a full residual agreement with each direct cost center, airfield, terminal and apron areas standing on its own; (iii) the Department retains the gaming and net revenues from the consolidated rental car facility as its discretionary cash which is deposited into the Capital Fund; (iv) the Department’s five-year capital plan is pre-approved as an exhibit to the Airline Agreement; and (v) the Airline Agreement establishes a Rate Stabilization Fund that will be funded each year with 50% of the amortization charged to the airlines and this fund can be used for keeping rates at competitive levels. Rentals and fees are established each Fiscal Year based on the approved Airport System operating budget. The rates are reviewed and adjusted, if necessary, throughout each Fiscal Year to ensure that the rate covenants described under the caption “SECURITY FOR THE SERIES 2013A BONDS—Rate Maintenance Covenants” were being met. At the end of each Fiscal Year, the Airport recalculates the rates based on actual expenses and revenues and if additional rents or credits are due, the airlines receive these credits or are paid additional amounts due within 30 days from notification. The County reserves the right to make certain extraordinary adjustments to rentals and fees to assure that costs and expenses of the Airport will be paid.

The Airline Agreement provides that all rights of the airlines thereunder (the “Signatory Airlines”) are expressly subordinated to the provisions of any pledge made by the County pursuant to the terms of the Master Indenture.

Rates and charges for those airlines at the Airport which are not subject to the Airline Agreement are 125% of the signatory rates.

Airport Concessions

The principal concessions at the Airport are gaming, rental car, automobile parking, advertising, news and gift, and food and beverage. The County also derives revenues from specialty shops, telephones, limousines, ground transportation services, building and land rentals, and other concessions. Concessions in general operate under concession agreements providing for payment to the County of a percentage of gross revenue. In Fiscal Year 2012, concession revenues included gaming revenues of approximately \$25.7 million, \$56.5 million in advertising and food/beverage revenues, news/gift and other terminal concession revenues, \$43.4 million in rental car and other transportation (including limousine, taxi and bus) revenues and parking revenues of approximately \$28.8 million.

A discussion of the major concession arrangements follows:

Gaming. The gaming concession at the Airport operates under an agreement providing for payment to the County of 86.5% of net revenues (gross revenues less payment of payroll and tax expenses), which results in the County receiving approximately 60% of gross gaming revenues, subject to guaranteed minimum payments. The current gaming concession agreement extends to February 28, 2017. For Fiscal Year 2012, gaming revenues were approximately \$25.7 million, a decrease of 0.7% as compared to Fiscal Year 2011. This decrease can be attributed to temporary closures for renovation of certain areas of the Airport with

gaming facilities. For the first six months of Fiscal Year 2013, gaming revenue is down 13.6% over the first six months of Fiscal Year 2012 as a result of such temporary closures as well as increased labor costs in the newly-opened gaming areas in Terminal 3. The Department is currently working closely with the gaming concessionaire to test new state-of-the-art gaming devices at the Airport to help generate more sales. The temporarily closed areas that were undergoing renovation reopened to the public in November 2012.

Rental Cars. Eleven rental car companies (Alamo, Avis, Budget, Dollar, Enterprise, Hertz, National, Las Rentals, Thrifty, EZ Rent a Car and Simply Wheelz) are operating at the Airport under concession agreements that became effective in 2004. Such agreements expire in 2016, with the exception of the agreements with Alamo, Avis and National, which expire in 2017. The County has the option, in its sole discretion, to extend such concession agreements for one 5-year period. The concession agreement requires for the payment of 10% of gross revenues, subject to minimum annual guarantees. The rental car companies are also required to collect from their customers and remit to the Airport a customer facility charge (“CFC”) of \$3.75 per contract day. The CFC commenced in May 2004 at \$3.00 per contract day and was increased to \$3.25 per day in January 2009 and to \$3.75 on August 1, 2010. The CFC is currently being used by the Airport to pay for certain expenses relating to the consolidated rental car facility. The concession revenues generated by the rental car companies totaled \$29.8 million in Fiscal Year 2012, up approximately 9.4% over Fiscal Year 2011. For the first six months of Fiscal Year 2013, rental car concession fees increased by approximately 1.6% in comparison to the first six months of Fiscal Year 2012.

Automobile Parking. Parking facilities at the Airport are operated by the County and include three parking garages (including a newly opened garage serving Terminal 3) containing approximately 10,275 covered parking spaces and three other lots. There are no significant off-airport parking facilities in operation. During Fiscal Year 2009, the Department increased all of the parking rates at the Airport. Parking revenues increased by approximately 1.7%, from \$28.3 million in Fiscal Year 2011 to \$28.8 million in Fiscal Year 2012. For the first six months of Fiscal Year 2013, parking revenues at the Airport are up 7.1% compared to the first six months of Fiscal Year 2012 as a result of the opening of the new Terminal 3 parking garage, with patrons choosing to use the more expensive covered parking in such garage rather than discounted surface lots.

Advertising. The advertising arrangements in the Main Terminal, Charter/International Terminal, and other areas provide for the payment of advertising commissions to the County of up to 85% of gross revenues, with a total minimum annual guarantee of \$5,400,000. Agreements for outdoor billboard advertising locations on Airport property provide for the payment of advertising commissions to the County ranging from 25% to 85% of gross revenues, with a total minimum annual guarantee of \$3,600,000. Terminal advertising revenues for Fiscal Year 2012 totaled \$13.6 million, up 5.7% from Fiscal Year 2011. For the first six months of Fiscal Year 2013, terminal advertising fees are down 8.7% compared to the same period in Fiscal Year 2012, reflecting the shifting of Airport traffic to Terminal 3 and accompanying adjustments in advertising locations to match passenger flows. Billboard revenues from roadway advertising totaled \$6.1 million in Fiscal Year 2012, down 1.4% from Fiscal Year 2011. For the first six months of Fiscal Year 2013, billboard revenues are down 10.4% compared to first six months of Fiscal Year 2012, reflecting the withdrawal from the market of one of the largest casino advertisers on the Airport’s billboards. The Airport is currently working with its billboard concessionaire to relocate existing billboards to more prominent locations as part of the roadway realignments associated with the opening of Terminal 3.

News and Gifts. The Hudson Group operates all of the news and general merchandise (gifts) concessions at the Airport under an agreement that extends through July 31, 2020. As of April 1, 2008, the County receives 17.5% of gross revenues on reading materials, 20% of gross revenues on the sale of cigarettes, candies, drugs, sundries and snack foods and 22% of gross revenues on all other items. The Hudson Group has renovated all of the news and gift stores within the Airport. News and gift revenues at the Airport increased from \$10.5 million in Fiscal Year 2011 to \$11.1 million in Fiscal Year 2012, an increase of 5.7%. This increase is attributable to increased purchases of drinks, snacks and reading materials as airlines have discontinued the provision of such items on flights. For the first six months of Fiscal Year 2013, news and gift

concession fees are up 1.1% compared to the same period in Fiscal Year 2012. This increase is attributable to new concessions opportunities at Terminal 3 and better passenger exposure to concession locations.

Nuance Global Traders, USA Inc. (“Nuance”) operates the news and general merchandise and duty free concession at Terminal 3 under an agreement that extends through June 27, 2027. According to the terms of the agreement for the duty free concession, the County receives 22% of gross revenues on fashion apparel and accessories, 5% of gross revenues on electronics hardware, 20% of gross revenue on electronics accessories, 12% on purchases for which duty is paid, 28% of gross revenues up to \$10 million on all other duty free items, 32% of gross revenues between \$10 million and \$20 million on all other duty free items and 35% of gross revenues in excess of \$20 million on all other duty free items. In Fiscal Year 2012, Nuance generated \$5.3 million, compared to \$4.7 million in Fiscal Year 2011. For the first six months of Fiscal Year 2013, duty free revenues are up 72.3% compared to the same period in Fiscal Year 2012. This increase can be attributed to the increase in international passengers and Nuance’s opening of a new 10,699 square foot duty free shop in Terminal 3.

Food and Beverage. HMS Host Services Corporation (“HMS Host”) has the exclusive concession privilege to operate food and beverage services in the Main Terminal Building and Terminal 3, including terminal restaurants, cafeterias, snack bars, and cocktail bars. Under an agreement that extends to November 30, 2018, HMS Host pays the County 11.0% of gross revenues on food and non-alcoholic beverages and 18.0% of gross revenues on liquor sales. HMS Host is currently in the process of re-branding several of the food locations throughout the Airport. In Fiscal Year 2012, food, beverage and bar sales at the Airport were \$17.5 million, an increase of 4.9% over Fiscal Year 2011. For the first six months of Fiscal Year 2013, food and beverage revenues have increased by 7.4% over the first six months of Fiscal Year 2012. This increase can be attributed to new concessions opportunities at Terminal 3 and better passenger exposure to concession locations.

Other Terminal Building Concessions. The County also derives revenues from specialty shops and other concessions and services within the Terminal Building according to the terms of various agreements. Specialty retail at the airport generated \$6.5 million in Fiscal Year 2012, an increase of 3.6% over Fiscal Year 2011. For the first six months of Fiscal Year 2013, specialty retail concession fees have increased 10.5% over the first six months of Fiscal Year 2012.

Future Airport Improvements

The Department continuously updates its long-range plan for development of the passenger terminal facilities and airfield areas to meet anticipated growth in airline passengers and aircraft operations. The Department’s current five year capital plan for Fiscal Years 2013 through 2017 projects capital expenditures of approximately \$464.3 million, consisting of approximately \$249.4 million in airfield and apron improvements, \$6.6 million in software upgrades, \$71.3 million in terminal facilities enhancements, \$113.9 million in infrastructure and support facilities improvements, and \$23.0 million in reliever airport improvements. Such costs will be financed through a combination of federal grants, Jet A fuel tax revenue and internally generated cash. The Department does not currently anticipate issuing additional general airport revenue bonds to fund the current five year capital plan.

The Airport previously acquired 6,500 acres of land in Ivanpah, Nevada for the construction of a supplemental airport facility once capacity is reached at the current facility. Such facility would be in addition to the current Airport and would provide facilities to accommodate approximately 30 million enplanements at ultimate build out. During Fiscal Year 2010, the Board of County Commissioners decided to permanently defer the Ivanpah project due to the decline in passenger enplanements at the Airport. The Airport does not expect to resume any further environmental or project-related studies in the foreseeable future. Costs incurred on the Ivanpah project through June 30, 2010, estimated to be around \$12 million, were partially written off in Fiscal Year 2010.

LITIGATION AND OTHER LEGAL MATTERS AFFECTING THE AIRPORT

General Litigation

There is no controversy of any nature now pending against the County or, to the knowledge of its respective officers, threatened, seeking to restrain or enjoin the offering of the Series 2013A Bonds or in any way contesting or affecting the validity of the Series 2013A Bonds or any proceedings of the County taken with respect to the issuance of, sale thereof, or the pledge or application of any monies or security provided for the payment of the Series 2013A Bonds or the use of the Series 2013A Bond proceeds.

Inverse Condemnation Litigation

The County is a party to actions concerning Airport System operations in which inverse condemnation damages and other damages are being sought against the County. Although the facts and circumstances of each case differ, the County believes that the ultimate outcomes of the cases summarized below will be affected by the 2006 Nevada Supreme Court case, *Steve Sisolak v. McCarran International Airport and Clark County* (“Sisolak”).

In Sisolak, the district court found for the plaintiff’s inverse condemnation claim, holding that a “per se taking” had occurred as a result of the County’s enactment of airport height zoning ordinances. On appeal, the Nevada Supreme Court on July 13, 2006 affirmed the district court’s ruling that a “per se taking” had occurred as a result of the County’s airport height zoning ordinance. The County petitioned the U.S. Supreme Court for a writ of certiorari based on federal law, but such petition was denied in February 2007. Sisolak is currently the controlling law in Nevada.

The County also believes that the ultimate outcomes of all cases summarized below will be affected by the Nevada Supreme Court’s 2010 rulings on the statute of limitations in *David Johnson, Trustee of the Joseph W. Huntsman 1983 Trust v. McCarran International Airport* (“Johnson”) and *Clark County and 70 Limited Partnership, Tertia Dvorchak as special administratrix of the estate of Thomas T. Beam, Deceased v. McCarran International Airport and Clark County* (“Dvorchak”), discussed below.

In Johnson and Dvorchak, both plaintiffs filed cases alleging that the imposition of zoning height restrictions of the plaintiffs’ properties constituted a “per se taking.” The County successfully filed motions to dismiss each case based upon the statute of limitations. The Nevada Supreme Court upheld both lower court decisions that per se regulatory takings claims filed more than fifteen years after the adoption of airport-related zoning regulations were time-barred. In both Dvorchak and Johnson, all seven Supreme Court Justices unanimously decided in favor of affirmance. In particular, the Nevada Supreme Court found that its decision in *White Pine Lumber v. City of Reno*, 106 Nev. 778, 801 P.2d 1370 (1990), which recognized a fifteen-year limitations period in inverse condemnation cases, was applicable and that the per se regulatory takings claims accrued upon the adoption of airport-related zoning regulations.

Because these decisions were decided unanimously by all seven Supreme Court Justices, there is a strong likelihood that the Nevada Supreme Court would continue to uphold dismissals of other inverse condemnation airspace takings cases that were filed more than fifteen years after the adoption of Clark County Ordinance 1221 (adopted August 1, 1990), Clark County Ordinance 1599 (adopted July 6, 1994), or any other airport-related zoning regulation. Nonetheless, because the orders of affirmance in Johnson and Dvorchak were not selected for publication, it must be noted that the orders may not be cited as precedent or legal authority under Nevada Supreme Court Rule 123 and this results in it being impossible to predict the legal effect of these orders of affirmance.

70 Limited Partnership, Tertia Dvorchak as special administratrix of the estate of Thomas T. Beam, Deceased v. McCarran International Airport and Clark County, Case No. A572739. Outside counsel is handling this litigation on behalf of the County. This case was filed on October 1, 2008 alleging that the

imposition of zoning height restrictions over the plaintiffs' property constitutes a "per se taking." Two ordinances were involved in this case, Ordinance 1221 and Ordinance 1599. The County succeeded in having claims under Ordinance 1221 dismissed based upon the fifteen-year statute of limitations applicable to inverse condemnation taking claims. Following the decision on the motion to dismiss in the County's favor, the only ordinance that remained as the subject of litigation at the district court level was Ordinance 1599 (a claim which belonged to plaintiff 70 Limited Partnership). At the district court level, experts were retained and the County contended that there was no damage in this case. Once discovery commenced, the plaintiffs located an expert to enhance their damages claims under Ordinance 1599. Utilizing that expert, the plaintiffs then claimed damages in excess of \$2,700,000,000 by Ordinance 1599 alone. Near the close of discovery, the County moved for summary judgment on all claims. The court granted this motion at the March 30, 2010, hearing on dispositive motions. Plaintiff 70 Limited Partnership appealed this action to the Nevada Supreme Court on July 16, 2010. On January 25, 2013, the Nevada Supreme Court filed an unpublished Order of Reversal and Remand which reversed the Summary Judgment in favor of the County and instructed the trial court to enter partial summary judgment on the issue of liability in favor of the plaintiff. The case was remanded for trial on damages and the district court has set a trial date of June 24, 2013. It is impossible to predict the amount of damages that might be awarded in this case at this juncture given the current state of the present litigation. The County continues to believe that it has a strong case based upon the facts concerning damages, and will vigorously defend the case at trial.

North American Properties v. McCarran International Airport and Clark County, Case No. A-09-594649. This case was filed July 6, 2009. The plaintiff alleges that the County used airport expansion and imposition of height restrictions to lower the value of, or take part of property the plaintiff owns. The County filed a motion to dismiss the plaintiff's amended complaint on January 14, 2011. On February 24, 2011, the district court dismissed the plaintiff's Ordinance 1221 airspace takings claims on the basis that the plaintiff was barred by the fifteen-year limitations period applicable to inverse condemnation takings claims. The plaintiff and the County continued to litigate the plaintiff's Ordinance 1599 airspace takings claims, which were not barred by the fifteen-year statute of limitations. The County filed numerous pre-trial motions, including, but not limited to, motions for summary judgment regarding the plaintiff's lack of standing to maintain the inverse condemnation claim and a motion to preclude the plaintiff's proposed expert from opining on a "profit entitlement theory." On September 21, 2012, the district court granted summary judgment in the County's favor, finding, among other things, that the plaintiff lacked standing to maintain the action against the County. On October 24, 2012, the plaintiff appealed this action to the Nevada Supreme Court. As is standard, the Nevada Supreme Court assigned the appeal to the settlement conference program. A settlement judge has been assigned and a settlement conference has been scheduled for April 23, 2013. The County believes that it has strong legal and factual arguments on appeal, but cannot predict the outcome of the appeal.

Other Possible Inverse Condemnation/Taking Litigation. It is possible that other litigation will be filed by landowners who are affected by the County's airport height zoning ordinance. It is impossible to predict at this time whether any such litigation will be filed or its ultimate outcome.

Other Litigation and Claims

The County is a party to numerous other actions and claims in connection with the ownership and operation of the Airport System, including personal injury claims, employment related claims and construction claims, but in the opinion of the District Attorney, the actions and claims described in this subcaption are not expected, in the aggregate, to have a material adverse effect on the financial condition of the Airport System. Three particular cases of note are:

Williams Brother, Inc. v. Clark County, Case No. A-10-630397-B. Outside counsel is handling this litigation on behalf of the County. The plaintiff filed a complaint against the County on December 2, 2010 alleging that the County's wrongful conduct caused the plaintiff delays and monetary damages in its efforts to complete the Contract 2367-Reconstruction of Taxiway G project at the Airport. The plaintiff also alleges that the County did not pay the retention amounts as required by Nevada's Prompt Payment law, but for over 18

months, it failed and refused to produce a claim or identify the amount of damages it was claiming. The County obtained an order from the court compelling the plaintiff to produce requested discovery. In July 2012, the plaintiff submitted a 157 page “claim” for \$9,217,810.13 (on a \$12,000,000.00 contract), but the purported backup does not sufficiently support either the merit or the amount of damages in the claim. The plaintiff filed bankruptcy and the plaintiff’s surety, Travelers Casualty and Surety Company of America (“Travelers”), filed a motion to substitute into the case as the real party in interest. On October 5, 2012, the court entered an order granting Travelers’ motion and setting a new case conference under Rule 16.1 of the Nevada Rules of Civil Procedure for October 29, 2012, which conference was rescheduled to November 2012. Discovery is expected to commence in an orderly manner. The County believes that it has strong legal and factual defenses and intends to vigorously defend this case. It is impossible to predict the outcome of this case at this juncture given the current stage of the present litigation. Trial has been scheduled for August 12, 2014.

National Federation of the Blind, et al. vs. Clark County, Nevada, et al. (U.S. District Court Case No. 2:11-cv-0474). Outside counsel is handling this litigation on behalf of the County. The plaintiffs filed suit claiming the County has violated federal law by owning and operating common use ticketing kiosks at the Airport which do not provide for access by visually impaired persons. The matter is before the court on a pending motion to dismiss. By court order, the motion to dismiss has recently been amended due to the fact that an amended complaint had been filed. The County has taken the position that this matter will be resolved by regulation through the federal Department of Transportation. In the event that there is ultimately an adverse ruling, the County, through the Department, would be compelled to convert the ticket kiosks at the Airport to be accessible to the blind. Potential costs could be in the range of millions of dollars in retrofitting costs, if the technology available to make access to the various participating airlines works on the County’s kiosks. The County’s other alternative in the event of an adverse ruling would be to remove the kiosks in their entirety so that no one would have access. The County believes that it has strong legal and factual defenses and intends to vigorously defend this case. It is too early to determine the range of liability with respect thereto, if any.

Bombardier Transportation (Holdings) USA, Inc. v. Clark County, Nevada. On or about June 1, 2008, Bombardier Transportation (Holdings) USA, Inc. (“Bombardier”) and the County entered into a “Contract for Maintenance of Automated Transit System Equipment CBE-552” (the “Contract”), whereby Bombardier agreed to provide maintenance services for the Automated Transit System (“ATS”) equipment at the Airport. In early 2010, the Department conducted an analysis to determine whether the County would save money by performing in-house maintenance services on the ATS equipment. The Department’s analysis demonstrated that the County could save hundreds of thousands of dollars each year. As a result, on June 1, 2010, the County’s Board of Commissioners voted to exercise the termination for convenience right granted to the County by the Contract. While the County and Bombardier were transitioning the work in-house, Bombardier submitted a termination claim to the County, asserting that Bombardier was entitled to termination costs in the amount of \$1,047,222.48, including \$746,758.00 in alleged lost profits. Subsequently, Bombardier sent a revised termination claim to the County that totaled \$5,479,834.64, including \$1,612,081.60 in alleged lost profits. The County acknowledged its responsibility to reimburse Bombardier for legitimate and documented costs which resulted from the termination, but declined to pay to Bombardier any additional costs, including any alleged lost profits. Unable to resolve their differences, the parties agreed to mediate Bombardier’s claims. A mediation was held on December 5, 2012. At the mediation, the parties reached a tentative agreement which had to be approved or rejected by the County’s Board of Commissioners and by Bombardier on or before January 25, 2013. Pursuant to the tentative agreement, the parties agreed that, among other things, the County would reimburse Bombardier for certain substantiated expenses and the parties would submit the sole issue of the lost profits that Bombardier would have received had the contract continued in effect through the contract’s termination date of June 2013 to a binding arbitration conducted by a former judge. Both parties have now approved the tentative agreement and the arbitration is in the process of being established.

RATINGS

The County expects that Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, and Moody's Investors Service, Inc. will assign the Series 2013A Bonds the ratings of "A" and "A2", respectively. No application has been made to any other rating agency for the purpose of obtaining any additional rating on the Series 2013A Bonds. Any desired explanation of such ratings should be obtained from the rating agency furnishing the same. Generally, rating agencies base their ratings on information and materials furnished to them and on investigations, studies and assumptions by the rating agencies. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such change in or withdrawal of such ratings may have an adverse effect on the market price of the Series 2013A Bonds.

UNDERWRITING

The Series 2013A Bonds are being purchased pursuant to a Purchase Contract (the "Purchase Contract"), dated the date hereof, by and between the County and Citigroup Global Markets Inc., as representative of itself, Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBC Capital Markets, LLC and Siebert Brandford Shank & Co., L.L.C. (collectively, the "Underwriters"), at a purchase price of \$80,202,104.83 (being the par amount of the Series 2013A Bonds, plus \$9,644,205.95 of original issue premium and less \$407,101.12 of Underwriters' discount). The Purchase Contract provides that the Underwriters will purchase all of the Series 2013A Bonds if any are purchased.

The Underwriters may offer and sell the Series 2013A Bonds to certain dealers (including dealers depositing the Series 2013A Bonds into investment trusts) and others at prices lower than the public offering prices stated on the inside front cover page of this Official Statement. The initial public offering prices may be changed from time to time by the Underwriters.

Citigroup Inc., parent company of Citigroup Global Markets Inc., an Underwriter of the Series 2013A Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Citigroup Global Markets Inc. may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2013A Bonds.

Citigroup Global Markets Inc. has also entered into a master distribution agreement (the "Master Distribution Agreement") with TheMuniCenter L.L.C. ("TMC"), for the distribution to retail investors of certain municipal securities offerings at their original issue prices. TMC has established an electronic primary offering application platform through which certain TMC approved users that are also broker-dealers or municipal securities dealers can submit orders for and receive allocations of new issue municipal securities at the original issue price for their retail customers. Pursuant to the Master Distribution Agreement (if applicable for this transaction), Citigroup Global Markets Inc. may share with TMC a portion of its underwriting compensation with respect to any Series 2013A Bonds that are allocated to a TMC user. The TMC users permitted to participate in the remarketing of the Series 2013A Bonds may also share a portion of the compensation received by Citigroup Global Markets Inc. with respect to any Series 2013A Bonds allocated to such TMC user pursuant to the terms of a Member Addendum to the TMC user's Trading Authorization User Agreement with TMC. Citigroup Financial Products Inc., an affiliate of Citigroup Global Markets Inc., owns a 31.35% equity interest in TheDebtCenter L.L.C., the parent company of TMC.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future

perform, various investment banking services for the County for which they received or will receive customary fees and expenses. In addition, affiliates of some of the Underwriters are lenders, and in some cases agents or managers for the lenders, under credit and liquidity facilities.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the County.

RELATED PARTIES

Each of: (a) Citigroup Global Markets Inc., one of the Underwriters of the Series 2013A Bonds; (b) Citibank, N.A., a credit facility provider with respect to certain outstanding obligations of the Airport and a counterparty with respect to certain interest rate swap agreements of the Airport; and (c) Citigroup Financial Products Inc., a counterparty with respect to certain interest rate swap agreements of the Airport, are indirect wholly owned subsidiaries of Citigroup Inc., a Delaware holding company. Citigroup Financial Products Inc. is also the direct 100% parent corporation of Citigroup Global Markets Inc. See the captions “FINANCIAL FACTORS—Credit or Liquidity Facilities” and “FINANCIAL FACTORS—Interest Rate Swap Agreements” for further information relating to the Airport’s credit facilities and interest rate swap agreements, respectively.

TAX MATTERS

In the opinion of Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants described below, interest on the Series 2013A Bonds (other than interest on any Series 2013A Bond for any period during which it is held by a “substantial user” of the facilities refinanced with the Series 2013A Bonds or a “related person” as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended to the date of delivery of the Series 2013A Bonds (the “Tax Code”)) is excluded from gross income pursuant to Section 103 of the Tax Code; however, interest on the Series 2013A Bonds is an item of tax preference for purposes of calculating alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code.

The Tax Code imposes several requirements which must be met with respect to the Series 2013A Bonds in order for the interest thereon to be excluded from gross income to the extent described above. Certain of these requirements must be met on a continuous basis throughout the term of the Series 2013A Bonds. These requirements include: (a) limitations as to the use of proceeds of the Series 2013A Bonds and as to the use of the facilities financed thereby; (b) limitations on the extent to which proceeds of the Series 2013A Bonds may be invested in higher yielding investments; and (c) a provision, subject to certain limited exceptions, that requires all investment earnings on the proceeds of the Series 2013A Bonds above the yield on the Series 2013A Bonds to be paid to the United States Treasury. The County will covenant and represent in the Series Indenture that it will take all steps to comply with the requirements of the Tax Code to the extent necessary to maintain the exclusion of interest on the Series 2013A Bonds from gross income. Bond Counsel’s opinion as to the exclusion of interest on the Series 2013A Bonds from gross income is rendered in reliance on these covenants, and assumes continuous compliance therewith. The failure or inability of the County to comply with these requirements could cause the interest on the Series 2013A Bonds to be included in gross income from the date of issuance. Bond Counsel’s opinion also is rendered in reliance upon certifications of the County and other certifications furnished to Bond Counsel. Bond Counsel has not undertaken to verify such certifications by independent investigation.

Under Section 56 of the Tax Code, certain tax preference items are required to be included for purposes of the alternative minimum tax applicable to both individuals and corporations. For purposes of

computing the amount of alternative minimum taxable income for any year to which this tax is applied, the interest on the Series 2013A Bonds is included as a tax preference item.

The Tax Code contains numerous provisions which may affect an investor's decision to purchase the Series 2013A Bonds. Owners of the Series 2013A Bonds should be aware that the ownership of tax-exempt obligations by particular persons and entities, including, without limitation, financial institutions, insurance companies, recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, foreign corporations doing business in the United States and certain "subchapter S" corporations may result in adverse federal tax consequences. Under Section 3406 of the Tax Code, backup withholding may be imposed on payments on the Series 2013A Bonds made to any owner who fails to provide certain required information, including an accurate taxpayer identification number, to certain persons required to collect such information pursuant to the Tax Code. Backup withholding may also be applied if the owner underreports "reportable payments" (including interest and dividends) as defined in Section 3406, or fails to provide a certificate that the owner is not subject to backup withholding in circumstances where such a certificate is required by the Tax Code. Bond Counsel's opinion relates only to the exclusion of interest on the Series 2013A Bonds from gross income, as described above, and will state that no opinion is expressed regarding other federal tax consequences arising from the receipt or accrual of interest on or ownership of the Series 2013A Bonds. Owners of the Series 2013A Bonds should consult their own tax advisors as to the applicability of these consequences.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the Series 2013A Bonds. If an audit is commenced, the market value of the Series 2013A Bonds may be adversely affected. Under current procedures the Service will treat the County as the taxpayer and the Series 2013A Bondowners may have no right to participate in such procedure. The County has covenanted in the Series Indenture not to take any action that would cause the interest on the Series 2013A Bonds to lose its exclusion from gross income for federal income tax purposes. None of the County, the Underwriters nor Bond Counsel is responsible for paying or reimbursing any Series 2013A Bondowner with respect to any audit or litigation costs relating to the Series 2013A Bonds.

Also, in the opinion of Bond Counsel, under present laws of the State of Nevada, the Series 2013A Bonds, their transfer, and the income thereon are free and exempt from taxation by the State of Nevada or any subdivision thereof except the tax on estates imposed pursuant to Chapter 375A of NRS and the tax on generation skipping transfers imposed pursuant to Chapter 375B of NRS.

The opinions expressed by Bond Counsel are based on existing law as of the delivery date of the Series 2013A Bonds. No opinion is expressed as of any subsequent date nor is any opinion expressed with respect to pending or proposed legislation. Amendments to federal or state tax laws may be pending now or could be proposed in the future that, if enacted into law, could adversely affect the value of the Series 2013A Bonds, the exclusion of interest on the Series 2013A Bonds from gross income from the date of issuance of the Series 2013A Bonds or any other date, the tax value of that exclusion for different classes of taxpayers from time to time, or that could result in other adverse federal tax consequences. In addition, future court actions or regulatory decisions could affect the market value of the Series 2013A Bonds. Owners of the Series 2013A Bonds are advised to consult with their own tax advisors with respect to such matters.

CONTINUING DISCLOSURE

Annual audited financial statements of the Department will be available upon request from the Clark County Department of Aviation.

The County has covenanted for the benefit of the holders and Beneficial Owners of the Series 2013A Bonds to provide certain financial information and operating data (the “County Annual Report”) by nine months following the end of the County’s Fiscal Year ending June 30, commencing March 31, 2014 for the County Annual Report for Fiscal Year 2013, and to provide notices of the occurrence of certain enumerated events. A form of document specifying the nature of the information to be contained in the County Annual Report or the notices of enumerated events is set forth in Appendix F. These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the “Rule”). In the last five years, the County has not failed to comply in any material respect with any undertakings previously entered into pursuant to the Rule.

FINANCIAL ADVISORS

Hobbs, Ong & Associates, Inc., Las Vegas, Nevada, and Public Financial Management, Inc., San Francisco, California, have served as financial advisors (the “Financial Advisors”) to the County in connection with various matters relating to the planning, structuring and execution and delivery of the Series 2013A Bonds. The Financial Advisors have not audited, authenticated or otherwise verified the information set forth in this Official Statement, or any other related information available to the County and the Board of County Commissioners, with respect to the accuracy and completeness of disclosure of such information. No guaranty, warranty or other representation is made by the Financial Advisors relating to the accuracy or completeness of this Official Statement or any other matter related to this Official Statement. The fees being paid to the Financial Advisors are contingent upon the execution and delivery of the Series 2013A Bonds.

LEGAL MATTERS

Certain legal matters incident to the validity and enforceability of the Series 2013A Bonds are subject to the final approving opinion of Sherman & Howard L.L.C., Las Vegas and Reno, Nevada, Bond Counsel, in the form attached hereto as Appendix E. Certain legal matters will be passed upon for the County by the County District Attorney, Las Vegas, Nevada, and for the Underwriters by Stradling Yocca Carlson & Rauth, a Professional Corporation, Sacramento, California. The fees of Bond Counsel and Underwriters’ Counsel are contingent upon the issuance of the Series 2013A Bonds.

TRUSTEE

The Bank of New York Mellon Trust Company, N.A., by acceptance of its duties as Trustee under the Series Indenture, has not reviewed this Official Statement and has made no representations as to the information contained herein, including but not limited to, any representations as to the financial feasibility of the Series 2013A Bonds or related activities.

MISCELLANEOUS

Insofar as any statements made in this Official Statement involve matters of opinion, forecast or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the purchasers of any of the Series 2013A Bonds and the Airport or the County.

This Official Statement contains forward-looking statements, including: (a) statements containing projections of Airport System Revenues, jet aviation fuel tax collections, Passenger Facility Charge collections, expenditures and other financial items; (b) statements of the plans and objectives of the County for future operations of the Airport System; (c) statements of future economic performance of the Airport System; and (d) statements of the assumptions underlying or relating to statements described in (a), (b) and (c) above (collectively, “Forward-Looking Statements”). All statements other than statements of historical facts included in this Official Statement, including without limitation under the captions “SECURITY FOR THE SERIES 2013A BONDS—Pledged Jet Fuel Tax Revenues,” “FINANCIAL FACTORS” and “THE AIRPORT

SYSTEM" regarding the County's and the Airport System's financial position, business strategy, capital resources and plans and objectives of the County for future operations of the Airport System, are Forward-Looking Statements. Although the expectations reflected in such Forward-Looking Statements are reasonable, there can be no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from expectations of the County (collectively, the "Cautionary Statements") are disclosed in this Official Statement. All subsequent written and oral Forward-Looking Statements attributable to the County or persons acting on behalf of the County are expressly qualified in their entirety by the Cautionary Statements.

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There are appended to this Official Statement appendices entitled “CERTAIN INFORMATION RELATING TO THE COUNTY,” “REPORT OF KAFOURY, ARMSTRONG & CO. AND FINANCIAL STATEMENTS OF THE DEPARTMENT FOR THE FISCAL YEAR ENDED JUNE 30, 2012,” “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE SERIES INDENTURE,” “DTC AND BOOK-ENTRY ONLY SYSTEM,” “FORM OF OPINION OF BOND COUNSEL” and “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” The appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

COUNTY OF CLARK, NEVADA

By: _____ /s/Steve Sisolak
Chair

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APPENDIX A
CERTAIN INFORMATION RELATING TO THE COUNTY

This portion of the Official Statement contains general information concerning the economic and demographic conditions in the County. This information is intended only to provide prospective investors with general information regarding the community. No moneys of the County, other than Pledged Jet Fuel Tax Revenues and Net Revenues of the Airport System, have been pledged to the payment of the Series 2013A Bonds. The information is historic in nature; it is not possible to predict whether the trends shown will continue in the future. The information presented was obtained from the sources indicated, and the County makes no representation as to the accuracy or completeness of the data obtained from parties other than the County.

Population and Age Distribution

The table below shows the population growth of the County and the State since 1970. Between 2000 and 2010 the County's population increased a total of 41.8%, while the State had a population increase of 35.1% over the same time period.

POPULATION⁽¹⁾				
Year	State of Nevada	Percent Change	Clark County	Percent Change
1970	488,738	--	273,288	--
1980	800,493	63.8%	463,087	69.6%
1990	1,201,833	50.1	741,459	60.1
2000	1,998,257	66.3	1,375,765	85.5
2005	2,518,869	26.1	1,796,380	30.6
2006	2,623,050	4.1	1,874,837	4.4
2007	2,718,337	3.6	1,954,319	4.2
2008	2,738,733	0.8	1,967,716	0.7
2009	2,711,206	(1.0)	1,952,040	(0.8)
2010	2,700,551	(0.4)	1,951,269	0.0
2011	2,721,794	0.8	1,967,722	0.8
2012	2,750,285	1.0	1,988,492	1.1

⁽¹⁾ United States Department of Commerce, Bureau of the Census figures for 1970, 1980, 1990 and 2010 as of April 1 of each such year. Nevada State Demographer figures for 2005, 2006, 2007, 2008, 2009 and 2011 as of July 1 of each such year. 2012 figure is a projection as of October 1, 2012.

Source: U.S. Bureau of the Census; State Demographer.

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The following table sets forth a projected comparative age distribution profile for the County, the State and the United States, as of January 1, 2013.

AGE DISTRIBUTION

<i>Age</i>	<i>Percent of Population</i>		
	<i>Clark County</i>	<i>State of Nevada</i>	<i>United States</i>
0-17	24.9%	24.4%	23.7%
18-24	9.1	9.1	10.0
25-34	14.3	13.8	13.1
35-44	14.6	13.9	12.9
45-54	13.6	13.8	14.0
55-64	11.2	11.9	12.4
65-74	7.6	8.1	7.8
75 and Older	4.7	5.0	6.1

Source: © 2013 The Nielsen Company, *Site Reports*.

Income

The following table sets forth annual per capita personal income levels for the residents of the County, the State and the United States.

PER CAPITA PERSONAL INCOME⁽¹⁾

<i>Year</i>	<i>Clark County</i>	<i>Percent Change</i>	<i>State of Nevada</i>	<i>Percent Change</i>	<i>United States</i>	<i>Percent Change</i>
2006	\$38,183	--%	\$38,786	--%	\$37,725	--%
2007	39,105	2.4	39,872	2.8	39,506	4.7
2008	38,842	(0.7)	39,879	(0.0)	40,947	3.6
2009	34,950	(10.0)	35,919	(9.9)	38,637	(5.6)
2010	34,668	(0.8)	35,777	(0.4)	39,791	3.0
2011	35,680	2.9	36,964	3.3	41,560	4.4

⁽¹⁾ All figures were revised in September 2012 and are subject to periodic revisions. Clark County figures reflect data for Las Vegas-Paradise Metropolitan Statistical Area, which encompasses Clark County alone.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Gaming

General. The economy of the County (and the State) is substantially dependent upon the tourist industry, which is based on legalized casino gambling and related forms of entertainment. Gaming has been legal in the State since 1931 and is controlled and regulated by the State. Control is vested in a five-member Gaming Commission and a three-member Gaming Control Board. All Gaming Commission and Gaming Control Board members are appointed by the Governor. These bodies investigate and approve all licenses, establish operating rules and collect gaming taxes due to the State. The following table shows a history of the gross taxable gaming revenue and total gaming taxes collected in the County and the State.

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GROSS TAXABLE GAMING REVENUE AND TOTAL GAMING TAXES⁽¹⁾

<i>Fiscal Year Ended June 30</i>	<i>Gross Taxable Gaming Revenue⁽²⁾</i>		<i>% Change Clark County</i>	<i>State Gaming Collection⁽³⁾</i>		<i>% Change Clark County</i>
	<i>State Total</i>	<i>Clark County</i>		<i>State Total</i>	<i>Clark County</i>	
2008	\$11,925,228,867	\$10,022,638,463	(2.07)%	\$980,052,427	\$814,832,420	(5.66)%
2009	10,244,532,620	8,571,867,921	(14.47)	858,008,122	716,687,055	(12.04)
2010	9,667,833,487	8,152,976,909	(4.89)	829,289,514	697,972,165	(2.61)
2011	9,836,451,902	8,366,841,567	2.62	853,455,347	725,936,954	4.01
2012	9,764,446,034	8,304,664,470	(0.74)	864,621,417	738,591,872	1.74
July 2011 – December 2011	4,637,145,826	3,888,543,848	N/A	398,606,727	338,356,383	N/A
July 2012 – December 2012	4,891,817,643	4,153,934,029	6.82	400,102,661	340,057,712	0.50

⁽¹⁾ The figures shown are subject to adjustments due to amended tax filings, fines and penalties.

⁽²⁾ The total of all sums received as winnings less only the total of all sums paid out as losses (before operating expenses).

⁽³⁾ Cash receipts of the State from all sources relating to gaming (General Fund and other revenues) including percentage license fees, quarterly flat license fees, annual license fees, casino entertainment taxes, annual slot machine taxes, penalties, advance fees, and miscellaneous collections. A portion of collections is deposited to the State funds other than the State's General Fund.

Source: State of Nevada Gaming Control Board.

Gaming Competition. Different forms of legalized gaming have been authorized by many states, as well as the tribal casinos, across the United States. Other states may authorize gaming in the future in one form or another. The different forms of gaming range from casino gaming to riverboat gambling to lotteries and internet gaming. Some forms of gaming offered elsewhere compete with the gaming products offered in the County and will continue to do so in the future.

No gaming revenues are pledged to pay debt service on the Series 2012A Notes.

Tourism

Tourism is an important industry in the County. The Las Vegas Strip, Hoover Dam, Lake Mead, Mt. Charleston and other tourist attractions are in Clark County. Attractions such as the Great Basin, Grand Canyon, Yosemite, Bryce Canyon, Zion and Death Valley National Parks are each within a short flight or day's drive of Southern Nevada.

One reflection of the growth of tourism in Southern Nevada is the increase in the number of hotel and motel rooms available for occupancy as shown in the following table. The area's hotels and motels have historically experienced higher occupancy rates than those on a national level.

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Set forth in the table below is the Las Vegas Convention and Visitors Authority Marketing Department's estimate of the number of visitors to the Las Vegas Metropolitan Area since 2007. Las Vegas, as did most of the tourism industry, saw declines in tourism indicators starting in 2008 as the combined economic factors of the housing crisis, frozen credit markets, volatile gas prices and increased unemployment translated to reduced consumer confidence and travel spending in much of the country.

VISITOR VOLUME AND ROOM OCCUPANCY RATE
Las Vegas Metropolitan Area, Nevada

<i>Calendar Year</i>	<i>Total Visitor Volume</i>	<i>Number of Hotel/Motel Rooms Available⁽¹⁾</i>	<i>Hotel/Motel Occupancy Rate⁽²⁾</i>	<i>National Occupancy Rate⁽³⁾</i>
2007	39,196,761	132,947	90.4%	63.2%
2008	37,481,552	140,529	86.0	60.4
2009	36,351,469	148,941	81.5	55.1
2010	37,335,436	148,935	80.4	57.6
2011	38,928,708	150,161	83.8	60.1
2012	39,727,022	150,481	84.4	N/A

⁽¹⁾ Reflects number of rooms available as of the last day of each period only.

⁽²⁾ The sample size for this survey represents approximately 75% of the total hotel/motel rooms available. Reflects average for entire period.

⁽³⁾ Source: Smith Travel Research, Lodging Outlook.

Source: Las Vegas Convention and Visitors Authority.

APPENDIX B

**REPORT OF KAFOURY, ARMSTRONG & CO. AND FINANCIAL STATEMENTS OF THE
DEPARTMENT FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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Comprehensive Annual Financial Report

FOR THE YEAR ENDED JUNE 30, 2012



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Comprehensive Annual Financial Report

Clark County Department of Aviation

An Enterprise Fund of Clark County, Nevada

For the Fiscal Years Ended June 30, 2012 and 2011



Prepared by the Department of Aviation

McCarran International Airport

Las Vegas, Nevada

CLARK COUNTY DEPARTMENT OF AVIATION
Clark County, Nevada

Board of County Commissioners

Susan Brager, Chair
Steve Sisolak, Vice-Chair
Larry Brown
Tom Collins
Chris Giunchigiani
Mary Beth Scow
Lawrence Weekly

County Manager's Office

Donald G. Burnette, County Manager
Jeffrey M. Wells, Assistant County Manager
Randall J. Tarr, Assistant County Manager
Ed Finger, Assistant County Manager

Department of Aviation

Randall H. Walker, Director
Rosemary A. Vassiliadis, Deputy Director
Joseph M. Piurkowski, Assistant Director, Finance

CLARK COUNTY DEPARTMENT OF AVIATION
 CLARK COUNTY, NEVADA
 FINANCIAL STATEMENTS
 FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

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Introductory Section





Department of Aviation

RANDALL H. WALKER
DIRECTOR

ROSEMARY A. VASSILADIS
DEPUTY DIRECTOR

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LAS VEGAS, NEVADA 89111-1005
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November 6, 2012

To the Board of County Commissioners
And County Manager
Clark County, Nevada

The Comprehensive Annual Financial Report ("CAFR") of the Clark County Department of Aviation ("Department") for the fiscal year ("FY") ended June 30, 2012, is submitted herewith. The Finance Division of the Department prepared this report. The financial statements were audited, as required by Nevada Revised Statutes NRS §354.624, by Kafoury, Armstrong & Co., independent certified public accountants, whose unqualified audit report is contained herein.

The Department comprises a single enterprise fund of Clark County, Nevada ("County"), and operates as a separate, self-sufficient enterprise fund of the County. The seven-member Board of County Commissioners ("Board") is responsible for governing the affairs of the Department. The Director of Aviation is appointed by the Board and reports directly to the County Manager.

The County owns and the Department operates and maintains McCarran International Airport ("Airport"), the ninth largest airport in the United States in terms of passenger volume, and four general aviation airports. The Airport occupies approximately 2,800 acres and is located six miles from downtown Las Vegas and one mile from the Las Vegas "Strip," the center of the Las Vegas gaming and entertainment industry. The Airport is primarily an origination and destination ("O&D") airport and is the second largest O&D airport in the United States, behind only Los Angeles in calendar year ("CY") 2011. In addition to the Airport, the Department operates North Las Vegas Airport, which caters to general aviation activity and is the second busiest airport in the State of Nevada in terms of aircraft operations, and Henderson Executive Airport, a premier corporate aviation facility that features a state-of-the-art terminal, private hangar facilities, and a Federal Aviation Administration control tower designed to meet the needs of the business aviation community. In addition, the Department operates Jean Sports Aviation Center and Overton-Perkins Field, which are primarily used for recreational purposes. All the airports operated and maintained by the Department are collectively referred to as the Airport System.

The Airport System is an enterprise fund of the County. Users of the Airport System's facilities provide all the revenues necessary to operate, maintain, and acquire the necessary services and facilities. The Airport System is not subsidized by any tax revenues of the County. The Airport System has been a self-sustaining entity since 1966.

The economic recession that caused the metropolitan area of Las Vegas to experience significant declines in several key economic areas has shown signs of recovery which started in 2011 and have continued into 2012. For the first seven months of 2012, the visitor volume to Las Vegas has increased by 1.9 percent over the same period one year ago. Through July of 2012, 23.4 million visitors made their way to Las Vegas, as compared to 22.9 million for the first seven months of 2011. In CY 2011, the Las Vegas metropolitan area's population increased by 1.0 percent and totals over 2 million residents, according to the U.S. Census Bureau. Convention attendance for the first seven months of 2012 is up 0.5 percent over the same period in 2011 to over 3.0 million delegates. The number of conventions in the first seven months of 2012 increased 16.2 percent over the previous year. Clark County gaming revenues for the first seven months of 2012 are up by 3.1 percent over the same period a year ago. Through July of 2012, gaming revenues in Clark County totaled \$5.6 billion. Hotel/motel occupancy rates were up from 80.4 percent in CY 2010 to 83.8 percent for CY 2011. For the first seven months of CY 2012, the hotel/motel occupancy rate increased to 85.2 percent.



Clark County Board of Commissioners
Susan Brager, Chair • Steve Sisolak, Vice Chair
Larry Brown • Tom Collins • Chris Giunchigliani • Mary Beth Scow • Lawrence Woods

The Airport System, which brought nearly 44% of the visitors to the area in CY 2011, experienced its second consecutive fiscal year of passenger increases since FY 2007. Enplanements for FY 2012 were up 3.4 percent over FY 2011 enplanements. The Airport had experienced several years of decreases since its peak in FY 2007, which were due directly to the economic downturn in addition to US Airways discontinuing its hubbing operations at the Airport. For the first eight months of CY 2012, total passenger enplanements increased 1.4 percent over the same period one year ago.

Airline-generated revenues for FY 2012 decreased from FY 2011 by 26.0 percent. Non-aeronautical revenues for FY 2012 were up 3.4 percent over FY 2011 levels. Total operating revenues at the Airport decreased from \$392.6 million in FY 2011 to \$355.4 million in FY 2012. Operating expenses increased 2.3 percent over FY 2011 levels from \$217.4 million in FY 2011 to \$222.3 million in FY 2012, an increase of \$4.9 million. The decrease in operating revenues can primarily be attributed to a decrease in debt service included in the airline rate base for FY 2012 of approximately \$44.7 million. The Department utilized the decrease in debt service as an opportunity to maintain consistent airline rates and charges and used the excess cash flows generated to collect the outstanding balance due from airlines in prior years of \$50.7 million. The increase in operating expenses was mainly attributable to pre-opening costs necessary to prepare for the successful grand opening of the Airport's new Terminal 3 on June 27, 2012.

Airport System management is responsible for the accuracy of the data presented in the financial statements along with the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge, and as indicated in the opinion of our independent auditors, this report fairly presents and fully discloses, in all material respects, the Airport System's financial position, results of operations, and cash flows in accordance with generally accepted accounting principles ("GAAP") in the United States of America.

In developing and evaluating the Airport System's accounting system, consideration is given to the adequacy of internal controls. The objective of internal controls is to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are properly recorded to permit the preparation of financial statements in accordance with GAAP. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived and 2) the evaluation of costs and benefits requires estimates and judgments by management. Airport System management believes that the Department's internal control processes adequately safeguard assets and provide reasonable assurance that financial transactions are properly recorded.

This letter of transmittal should be read in conjunction with the management's discussion and analysis contained in the Financial Section.

The extraordinary success of the Clark County Department of Aviation is a direct result of the leadership and support of the Clark County Board of Commissioners and the County Manager. Also recognized for making a tremendous effort in promoting the success of the Airport System are the employees of the Department and the airlines as well as the tenants of the Airport System.

We thank the Clark County Board of Commissioners for its continuing support of the Department of Aviation, for its efforts to conduct its financial operations in a responsible and progressive manner, and for its commitment to making the Department a global leader in its industry.

The preparation of this report is the product of the dedicated service and professionalism of the Department's Finance Staff. We also thank all members of the Department's staff who contributed to the preparation of this CAFR.

Sincerely submitted,



Randall H. Walker
Director of Aviation



Joseph M. Piurkowski
Assistant Director – Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to
Clark County
Department of Aviation
Nevada

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Morrell

President

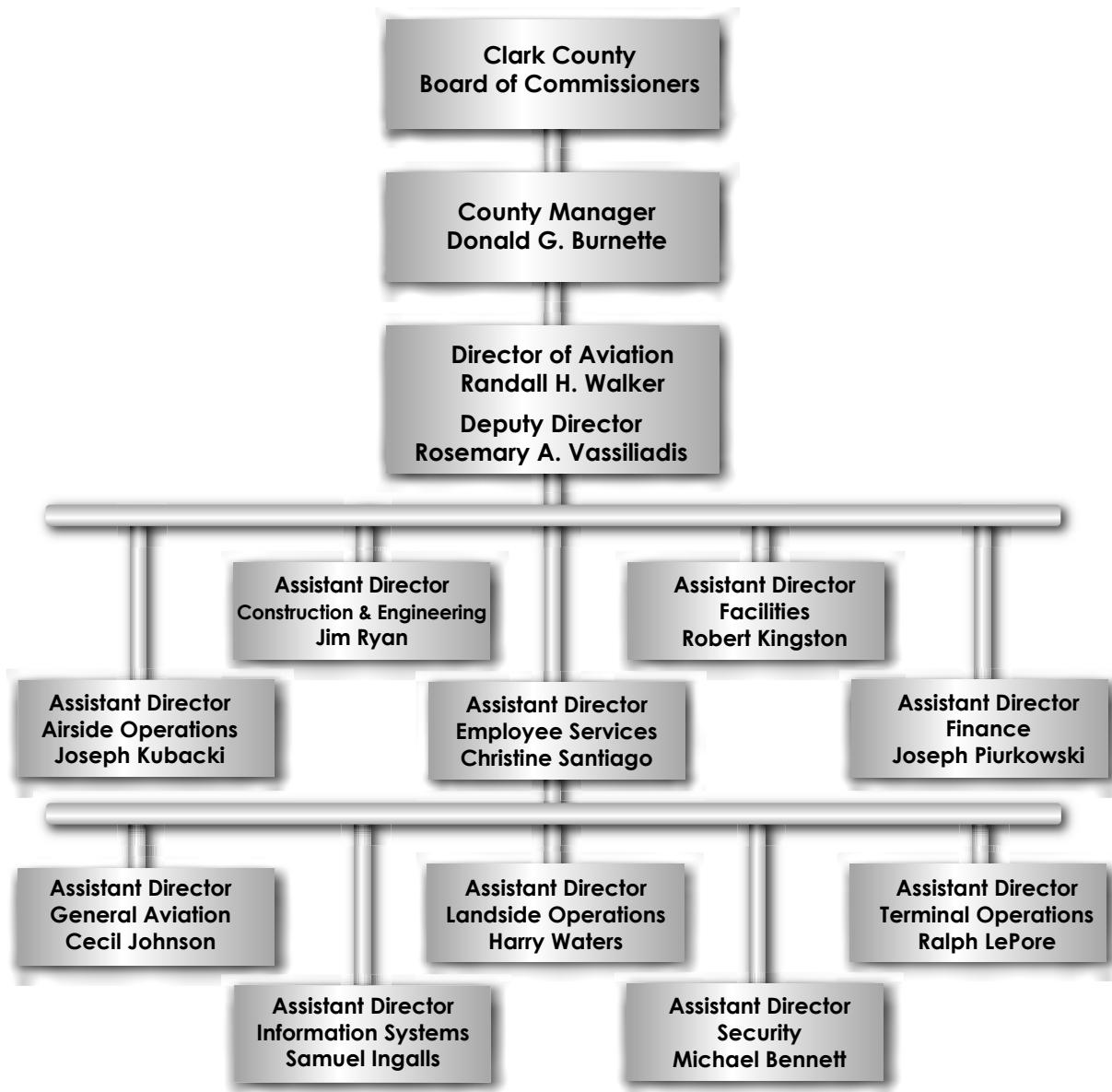
Jeffrey R. Emen

Executive Director

**CLARK COUNTY DEPARTMENT OF AVIATION
CLARK COUNTY, NEVADA**

ORGANIZATION CHART

As of June 30, 2012



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Financial Section





KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS
INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of County Commissioners
Clark County Department of Aviation
Clark County, Nevada

We have audited the accompanying financial statements of Clark County Department of Aviation, Clark County, Nevada (the "Department"), as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Department and do not purport to, and do not, present fairly the financial position of Clark County, Nevada as of June 30, 2012 and 2011, and the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department as of June 30, 2012 and 2011, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2012, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress information on pages 8 through 31 and page 99, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the MD&A and schedule of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the Department's financial statements as a whole. The introductory section, supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Kafoury, Armstrong & Co.

Las Vegas, Nevada
November 6, 2012

Management's Discussion and Analysis

The following is management's discussion and analysis ("MD&A") of the financial performance and activity of the Clark County Department of Aviation ("Department"), an enterprise fund of Clark County, Nevada ("County"), which is responsible for the operation of the following County-owned aviation facilities: McCarran International Airport ("Airport"), North Las Vegas Airport, Henderson Executive Airport, Jean Sports Aviation Center, and Overton-Perkins Field (collectively referred to as the "Airport System"). The MD&A provides an introduction to and understanding of the financial statements of the Department for the fiscal years ended June 30, 2012 and 2011, with selected comparisons to prior fiscal periods. The information presented should be read in conjunction with the financial statements and accompanying notes in this report.

Activity Highlights

Introduction

For the fiscal year ("FY") ended June 30, 2012, passenger enplanements totaled 20,962,087 compared to 20,266,091 in FY 2011 and 19,952,800 in FY 2010. The FY 2012 enplanements represent an increase of 3.4 percent from FY 2011. By comparison, according to Bureau of Transportation Statistics, domestic and international U.S. airline passenger traffic for the same twelve-month period ended June 30, 2012, increased 1.7 percent over the prior twelve-month period.

Aircraft landed weights in FY 2012 totaled 24,855,800 thousand pounds compared to 24,288,033 thousand pounds in FY 2011 and 24,306,053 thousand pounds in FY 2010. The FY 2012 landed weights represent a 2.3 percent increase over FY 2011. The number of departures for domestic and international flights increased 1.3 percent over the prior fiscal year from 224,386 operations in FY 2011 to 227,206 in FY 2012.

The following table presents the Airport activities for FY 2012 and the previous nine fiscal periods.

Passenger and Operating Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Aircraft Operations Departures	Percentage of Increase/Decrease	Landed Weight (Pounds per 000)	Percentage of Increase/Decrease	Total Enplaned Passengers	Percentage of Increase/Decrease	Cargo Tons	Percentage of Increase/Decrease
2003	179,223	-0.2%	23,074,743	-2.2%	17,641,500	4.1%	89,498	1.4%
2004	193,860	8.2%	24,878,724	7.8%	19,449,065	10.2%	92,857	3.8%
2005	213,035	9.9%	27,066,272	8.8%	21,439,652	10.2%	107,252	15.5%
2006	227,445	6.8%	27,526,493	1.7%	22,546,814	5.2%	112,352	4.8%
2007	257,743	13.3%	28,831,044	4.7%	23,628,484	4.8%	104,761	-6.8%
2008	260,343	1.0%	28,941,564	0.4%	23,525,862	-0.4%	100,929	-3.7%
2009	230,925	-11.3%	25,973,079	-10.3%	20,739,408	-11.8%	90,746	-10.1%
2010	218,706	-5.3%	24,306,053	-6.4%	19,952,800	-3.8%	90,248	-0.5%
2011	224,386	2.6%	24,288,033	-0.1%	20,266,091	1.6%	95,555	5.9%
2012	227,206	1.3%	24,855,800	2.3%	20,962,087	3.4%	96,173	0.6%
Average Annual Increase		2.7%		0.8%		1.9%		0.8%

Airline Rates and Charges

Effective July 1, 2010, the Department entered into a new Airline-Airport Use and Lease Agreement ("Agreement") with signatory airlines serving the Las Vegas market. The Agreement has a term of five years and incorporates the lease and use of the terminal complex, apron areas, and airfield at the Airport. The Agreement establishes a residual rate-making methodology for the Airport System through both direct and indirect cost centers. The net revenues or net expenses of each indirect cost center are reallocated, as specified in the Agreement, to direct cost centers to establish a residual rate-making approach for calculating landing fees, terminal building rental rates, and gate use fees. The net cash flows from the Airport's gaming fees and the consolidated rental car facility are set aside in a capital improvement account, the balance of which may be used to pay the costs of future capital projects or pay down outstanding Airport System debt. Capital projects funded from the capital improvement account are amortized back to the associated cost center on a straight-line basis over the assets' useful life and are included in the residual rental rate at 50 percent of the amortized amount. The Agreement provides for non-signatory carriers to pay a premium rate of 25 percent on all terminal rentals and gate use fees. As of June 30, 2012, nineteen carriers serving the Airport have executed the Agreement.

Rates and charges are calculated annually at the beginning of each fiscal year pursuant to budgeted revenues, expenses, and debt service requirements. The established rates and charges are reviewed and adjusted, if necessary, throughout each fiscal year to ensure that sufficient Airport System revenues are generated to satisfy all the requirements of the Master Indenture of Trust dated May 1, 2003, as amended. At the end of each fiscal year, the Department tallies the revenues collected through the established rates and charges and compares them to the residual rent requirement for each direct cost center. If the revenue collected from the signatory airlines exceeds the residual rental requirement, excess amounts are maintained in a rate stabilization account (up to a maximum of 18.5 percent of the current FY operating budget). The balance in the rate stabilization account may be used for the purpose of funding any residual rental shortfalls in future fiscal years, recovering any uncollected amounts related to an airline bankruptcy or discontinued service, or paying down outstanding Airport System debt.

At the close of each fiscal year, audited financial data in conjunction with the balance in the rate stabilization account will be used to determine if any additional amount is due to or due from the signatory airlines in accordance with the Agreement. In the event of an overpayment, the Department will refund such overpayment to the signatory airlines, or, in the event of an underpayment, the Department will invoice the signatory airlines the underpayment within thirty days of such determination. For the fiscal year ended June 30, 2012, there was no additional amount due to or from the signatory airlines.

The table below summarizes passenger airline landing fees, terminal building rentals, gate use fees, and the cost per enplaned passenger for FY 2012 and FY 2011. Cost per enplaned passenger is a standard industry metric, and the goal of the Department is to maintain a competitive cost per enplanement at the Airport System. The actual cost per enplanement for FY 2012 was \$8.51, in line with the budget estimate of \$8.51. Included in actual and budgeted rates and charges for FY 2012 is the repayment of the due from airlines balance of \$50.7 million carried over from prior fiscal years. Refer to Note 1, "Summary of Significant Accounting and Reporting Policies," for further details on the airline receivable.

The Department is committed to managing airline rates and charges in an attempt to keep the cost per enplanement at levels comparable to other major U.S. airports to attract and retain air service in the Las Vegas market. The Department continuously looks for ways to maximize non-airline revenues and minimize operating expenses and debt service costs.

Passenger Airline Costs

For the Fiscal Years Ended June 30, 2012 and 2011

Airline Cost Category	FY 2012 Actuals (000)	FY 2012 Budget (000)	FY 2011 Actuals (000)	FY 2012 Budget vs. Actuals (000)	FY 2012 vs. FY 2011 Actuals (000)
Landing fees	\$ 58,063	\$ 61,033	\$ 57,655	\$ (2,970)	\$ 408
Terminal building rentals	85,927	83,287	79,966	2,640	5,961
Gate use fees	21,051	17,236	22,169	3,815	(1,118)
Passenger fee - Ticketing & CIT	13,245	13,548	12,487	(303)	758
Total airline rents and fees collected	178,286	175,104	172,277	3,182	6,009
Change in airline receivable increase (decreas	(50,736)	(50,736)	-	-	(50,736)
Total airline rental and fee revenue	<u>\$ 127,550</u>	<u>\$ 124,368</u>	<u>\$ 172,277</u>	<u>\$ 3,182</u>	<u>\$ (44,727)</u>
Enplaned passengers	<u>20,962</u>	<u>20,568</u>	<u>20,266</u>	<u>394</u>	<u>696</u>
Cost per enplaned passenger*	<u>\$ 8.51</u>	<u>\$ 8.51</u>	<u>\$ 8.50</u>	<u>\$ -</u>	<u>\$ (0.01)</u>

* Computed using Total Airline Rents and Fees Collected against Enplaned Passengers.

Overview of Financial Statements

The Airport System's financial statements are prepared using the accrual basis of accounting. Therefore, revenues are recognized when earned, and expenses are recognized when incurred. Capital assets are capitalized when substantially complete and depreciated over their estimated useful lives. Refer to Note 1, "Summary of Significant Accounting and Reporting Policies," for a summary of the Department's significant accounting policies. Following this MD&A are the financial statements, notes to the financial statements, required supplementary information ("RSI"), and supplementary schedules of the Airport System. These statements, notes, RSI, and schedules, along with the MD&A, are designed to provide readers with an understanding of the Airport System's financial position.

The Statements of Net Assets presents information on all the Airport System's assets and liabilities as of June 30, 2012 and 2011. The Statements of Revenues, Expenses, and Changes in Net Assets presents financial information showing how the Airport System's net assets changed during the fiscal years ended June 30, 2012 and 2011. The Statements of Cash Flows relates the inflows and outflows of cash and cash equivalents as a result of the financial transactions that occurred during the two fiscal years and also includes a reconciliation of operating income to net cash provided by operating activities.

Financial Highlights

Net Asset Summary

Net assets serve as an indicator of the Airport System's financial position. As of June 30, 2012, the Airport System's assets and deferred outflows exceed liabilities and deferred inflows by \$1,412 million, approximately \$132.9 million less than in FY 2011. As of FY 2011, assets and deferred outflows exceeded liabilities and deferred inflows by \$1,545 million, for an increase of \$30.3 million over FY 2010.

A summary of the Airport System's net assets for fiscal years 2012, 2011, and 2010 is shown below.

Statements of Net Assets

June 30, 2012, 2011, and 2010

	FY 2012 (000)	FY 2011 (000)	FY 2010 (000)	Change 2012 to 2011	Change 2011 to 2010
Assets and deferred outflows:					
Current assets	\$ 986,740	\$ 1,364,078	\$ 1,881,312	\$ (377,338)	\$ (517,234)
Capital assets, net	5,146,985	5,007,016	4,540,216	139,969	466,800
Other noncurrent assets	250,079	247,401	235,644	2,678	11,757
Total assets	6,383,804	6,618,495	6,657,172	(234,691)	(38,677)
Deferred outflows	173,106	93,685	147,534	79,421	(53,849)
Total assets and deferred outflows	\$ 6,556,910	\$ 6,712,180	\$ 6,804,706	\$ (155,270)	\$ (92,526)
Liabilities, deferred inflows, and net assets:					
Current liabilities	\$ 427,078	\$ 522,344	\$ 387,858	\$ (95,266)	\$ 134,486
Noncurrent liabilities	4,718,134	4,644,790	4,902,542	73,344	(257,752)
Total liabilities	5,145,212	5,167,134	5,290,400	(21,922)	(123,266)
Deferred inflows	-	478	-	(478)	478
Net assets:					
Invested in capital assets, net of related debt	954,546	1,021,835	1,060,641	(67,289)	(38,806)
Restricted	271,020	252,985	273,363	18,035	(20,378)
Unrestricted	186,132	269,748	180,302	(83,616)	89,446
Total net assets	1,411,698	1,544,568	1,514,306	(132,870)	30,262
Total liabilities, deferred inflows, and net asset	\$ 6,556,910	\$ 6,712,180	\$ 6,804,706	\$ (155,270)	\$ (92,526)
Changes to net assets:					
Operating revenues	\$ 355,411	\$ 392,554	\$ 362,451	\$ (37,143)	\$ 30,103
Operating expenses	(222,336)	(217,353)	(227,694)	(4,983)	10,341
Depreciation and amortization	(137,052)	(136,104)	(134,369)	(948)	(1,735)
Net non-operating revenue (expense)	(165,645)	(25,596)	(40,236)	(140,049)	14,640
Capital contributions	36,752	16,761	22,914	19,991	(6,153)
Total net change in net assets	\$ (132,870)	\$ 30,262	\$ (16,934)	\$ (163,132)	\$ 47,196

Current and Restricted Assets

The Airport System's unrestricted current assets for FY 2012 increased by \$52.9 million from FY 2011, primarily due to an increase of \$50.7 million in unrestricted cash and cash equivalents as of June 30, 2012. Unrestricted cash and cash equivalents increased during FY 2012 by \$50.7 million as additional cash was provided by operating activities from the repayment of the due from airline balance. Also contributing to the increase in unrestricted cash was an increase in the capital improvement account as deposits exceeded expenditures by \$25.0 million. Unrestricted accounts receivable decreased by \$5.2 million due mainly from decreases in outstanding airline receivables.

The Airport System's unrestricted current assets for FY 2011 increased by \$57.5 million from FY 2010, primarily due to an increase of \$45.3 million in unrestricted cash and cash equivalents as of June 30, 2011. Also contributing to the increase in unrestricted cash was an increase in the capital improvement account as deposits exceeded expenditures by \$19.4 million. In addition, unrestricted accounts receivable increased by \$8.7 million.

Restricted assets decreased in FY 2012 by \$389.8 million over FY 2011. Restricted cash, cash equivalents, and investments decreased \$424.2 million in FY 2012 due primarily to the acquisition and construction of capital assets associated with the Terminal 3 construction project. The change can also be attributed to an increase in securities lending assets of \$24.4 million. Also, the Department received from the United States Department of the Interior Bureau of Land Management a grant of land situated at the Henderson Executive Airport and valued at \$9.3 million.

Restricted assets decreased in FY 2011 by \$589.1 million over FY 2010. Restricted cash, cash equivalents, and investments decreased \$645.9 million in FY 2011 due primarily to the acquisition and construction of capital assets associated with the Terminal 3 construction project. The change can also be attributed to an increase in securities lending assets of \$59.0 million.

Capital Assets

For FY 2012, capital assets, net of depreciation, increased by \$140 million, or 2.8 percent, over FY 2011. This increase was due, in part, to the completion of approximately \$64 million in certain improvements, including the rehabilitation of Taxiways C & D; the C-Gates modernization project; roof replacement projects in the Central Terminal, A & B Concourses, and ARFF Station; and various equipment purchases. Another reason for the increase was the completion of construction of Terminal 3 ("T3"). Through June 30, 2012, the Airport has spent \$2.4 billion on this project. The T3 project was completed and welcomed its inaugural flight on June 27, 2012. Refer to Note 6, Changes in Capital Assets, for more detail relating to the Airport System's capital assets.

For FY 2011, capital assets, net of depreciation, increased by \$466.8 million, or 10.3 percent, over FY 2010. This increase was due, in part, to the completion of approximately \$106.2 million in certain improvements, including the rehabilitation of taxiway G, the Phase I rehabilitation of the C-Gate apron, T3 apron expansion, baggage handling node expansion; baggage handling carousels in Terminals 1 and 2, the purchase of automated parking revenue equipment, and various other equipment purchases. Another reason for the increase was the continuation of construction of T3. Through June 30, 2011, the Airport spent \$2.1 billion on this project. Refer to Note 6, "Changes in Capital Assets," for more detail relating to the Airport System's capital assets.

Noncurrent Assets

The Airport System's noncurrent assets consist of deferred charges associated with various bond issuances, the amortization of the Consolidated Rental Car Facility lease costs, restricted investments with a maturity greater than one year, deferred loss on imputed debt, amounts due from the signatory airlines, and the fair value of the Airport System's interest rate swaps.

Deferred charges consist of bond issuance costs for each issuance of bonds, amortization of the Consolidated Rental Car Facility lease cost, and deferred loss on imputed debt. The bond issuance costs are being amortized over the bond maturity period. The Consolidated Rental Car Facility lease cost is amortized over the lease agreement period. The deferred loss on imputed debt is amortized over the swap agreement period. The balance of deferred charges for FY 2012 increased \$10.7 million over FY 2011 from \$73.0 million to \$83.7 million.

With regard to the amounts due from the signatory airlines at the end of FY 2012, the Department recorded receivables of \$15.0 million, \$31.5 million, and \$4.2 million for the fiscal years ended June 30, 2008, 2009, and 2010, respectively, under the former airline agreement. Due to the continuing financial hardships the airline industry experienced with the decline in passenger traffic, the Department and the airlines agreed to defer collection on these receivables until FY 2012. The repayment of the prior years' receivables was included in the FY 2012 airline rates and charges, resulting in the entire amount being collected in FY 2012.

Restricted investments represent investments held for capital improvements, debt service, and debt service reserves with Bank of New York Mellon ("Trustee"). Total non-current restricted investments increased from \$74.8 million in FY 2011 to \$105.9 million in FY 2012, an increase of \$31.1 million. Refer to Note 2, "Cash and Investments," for more detail relating to the Airport System's restricted investments.

Under the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the Department is required to record the changes in the fair value of the investment derivatives (interest rate swaps instruments) at each fiscal year-end. During FY 2012, the fair value of the Department's interest rate swap assets increased from \$48.9 million at the end of FY 2011 to \$60.5 million in FY 2012, an increase of \$11.6 million. Refer to Note 9, "Derivative Instruments – Interest Rate Swaps," for more detail relating to the Airport System's interest rate swaps.

Deferred Outflows

Under the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the Department is required to record the changes in the fair value of the hedging derivatives (interest rate swap instruments) at each fiscal year-end. During FY 2012, the fair value of the Department's interest rate swap liabilities classified as hedging derivatives and the associated deferred outflows increased from \$93.7 million at the end of FY 2011 to \$173.1 million in FY 2012, an increase of \$79.4 million. Refer to Note 9, "Derivative Instruments – Interest Rate Swaps," for more detail relating to the Airport System's interest rate swaps.

Current and Noncurrent Liabilities

At June 30, 2012, current liabilities payable from unrestricted assets increased \$3.5 million from FY 2011. This increase is attributable to increases in accounts payable of \$5.7 million offset by slight decreases in accrued expenses and deferred income totaling \$2.2 million. Current liabilities payable from restricted assets decreased by \$98.8 million from FY 2011; this was largely as a result of the decrease in the current principal portion due on long-term debt of \$85.7 million and the decrease in accounts payable of \$41.4 million due to fewer outstanding payables related to the completion of construction on the T3 project and the associated winding down of the Airport's capital program, which required the release of significant retention balances owed to contractors. Decreases in current liabilities payable from restricted assets were offset by an increase in accrued interest of \$4.5 million related to the commencement of the swaps associated with the 2011A bonds in FY 2012 and an increase in securities lending liabilities of \$23.9 million.

Noncurrent liabilities for FY 2012 increased by \$73.3 million over FY 2011, due largely to the increase in the fair value of the interest rate swap liabilities at June 30, 2012, which increased from \$97.6 million at the end of FY 2011 to \$258.1 million at the end of FY 2012 – an increase of \$160.5 million from FY 2011. Refer to Note 9, "Derivative Instruments – Interest Rate Swaps," for more detail relating to the Airport System's interest rate swaps. Other postemployment benefits increased by \$10.2 million from \$26.4 million in FY 2011 to \$36.6 million in FY 2012. Refer to Note 5, "Retirement Plan," for more detail related to other postemployment benefit costs. Long-term debt decreased by \$97.6 million from FY 2011 to FY 2012. Refer to Note 8, "Long-Term Debt," for more detail related to bond maturities and principal payments.

Highlights of Changes in Net Assets

The following is a condensed summary of net assets for FY 2012, 2011, and 2010:

Net Assets

As of June 30, 2012, 2011, and 2010

	FY 2012 (000)	FY 2011 (000)	FY 2010 (000)
Net assets			
Invested in capital assets, net of related debt	\$ 954,546	\$ 1,021,835	\$ 1,060,641
Restricted net assets:			
Capital Projects	29,105	25,881	32,509
Debt Service	191,675	197,681	220,753
Other	50,240	29,423	20,101
Total restricted	271,020	252,985	273,363
Unrestricted net assets	186,132	269,748	180,302
Total net assets	<u><u>\$ 1,411,698</u></u>	<u><u>\$ 1,544,568</u></u>	<u><u>\$ 1,514,306</u></u>

Discussion of FY 2012 Operating Revenues

The following table is a summary of the Operating Revenues at the Airport for the fiscal years ending June 30, 2012, 2011, and 2010. Significant variances are explained below.

Operating Revenue
Fiscal Years 2012, 2011, and 2010

Operating Revenue Category	FY 2012 (000)	FY 2011 (000)	FY 2010 (000)	Percentage Change 2012 - 2011	Percentage Change 2011 - 2010
Terminal building and use fees	\$ 75,937	\$ 100,015	\$ 88,969	-24.1%	12.4%
Landing fees and other aircraft fees	44,919	63,275	56,943	-29.0%	11.1%
Terminal concession fees	56,550	53,023	51,925	6.7%	2.1%
Rental car facility fees	33,888	32,206	30,825	5.2%	4.5%
Public and employee parking fees	28,778	28,326	26,618	1.6%	6.4%
Gaming fees	25,719	25,908	25,659	-0.7%	1.0%
Rental car concession fees	29,848	27,274	25,160	9.4%	8.4%
Ground rents and use fees	18,817	18,578	18,828	1.3%	-1.3%
Gate use fees	20,254	23,606	18,468	-14.2%	27.8%
Ground transportation fees	13,524	13,340	12,699	1.4%	5.0%
General aviation fuel sales (net of cost)	3,890	4,158	4,259	-6.4%	-2.4%
Other operating income	3,287	2,845	2,098	15.5%	35.6%
	\$ 355,411	\$ 392,554	\$ 362,451	-9.5%	8.3%

The new Agreement with the signatory airlines establishes a "residual" rate-making methodology for the Airport System through various cost centers to establish a residual rental requirement in calculating a rate for landing fees, terminal building rental rates, and gate use fees. The residual rental requirement is determined by the allocation of operating expenses and debt service of the Airport System to various cost centers, and those costs which are not recovered from revenues generated by non-airline and non-signatory airline sources are to be recovered through signatory airline landing fees, terminal building rental rates, and gate use fees.

For FY 2012, airline revenues accounted for 35.9 percent of all operating revenues. Airline revenues totaled \$127.5 million of total operating revenues, and non-airline revenues totaled \$227.9 million. For FY 2012, the airline landing fee revenues were \$38.5 million as compared to \$57.7 million in FY 2011, a decrease of \$19.2 million, or 33.3 percent. This decrease in landing fee revenues can be attributed to a reduction in FY 2012 debt service cost and corresponding decrease in the residual rental revenue requirement for FY 2012. However the actual landing fee rate increased slightly from \$2.45 per 1,000 lbs. in FY 2011 to \$2.53 per 1,000 lbs. in FY 2012, and included in the FY 2012 rate was the residual rental revenue and an additional \$19.6 million used to repay a portion of the outstanding balance due from airlines.

Terminal building and use fees consist of signatory and non-signatory ticketing area fees, baggage system fees, baggage claim fees, gate use fees, common use fees, and fees from hold rooms along with certain operation and storage areas. The new Agreement requires that the terminal building rentals be set each fiscal year based on a residual rate-making approach of leased space for FY 2012. Terminal and building use fees were down from \$100.0 million in FY 2011 to \$76.0 million in FY 2012, a 24.1 percent decrease. This decrease in terminal building rental revenue can also be attributed to a reduction in FY 2012 debt service cost and corresponding decrease in the residual rental revenue requirement for FY 2012. The terminal rental rate increased from \$116.67 per square foot in

FY 2011 to \$123.29 per square foot in FY 2012, and included in the FY 2012 rate was the residual rental revenue and an additional \$29.2 million used to repay a portion of the outstanding balance due from airlines.

Gate use fees were down from \$23.6 million in FY 2011 to \$20.3 million in FY 2012, a decrease of 14.2 percent. The decrease in gate use fee revenue is also due to a reduction in FY 2012 debt service cost and a corresponding decrease in the residual rental revenue for FY 2012. The gate use rate for both leased and common use gates decreased slightly in FY 2012 and included the residual rental revenue and an additional \$1.9 million used to repay a portion of the outstanding balance due from airlines.

The total amortization amount collected during FY 2012 totaled \$14.8 million of which \$10.3 million was deposited to the rate stabilization account (50 percent included in the residual rental rates) while \$4.5 million was re-deposited into the capital improvement account, as provided by in the new Agreement.

Non-airline revenues, consisting primarily of concession related fees, increased from \$220.3 million in FY 2011 to \$227.9 million in FY 2012, an increase of 3.4 percent. The largest source of non-airline revenues are terminal concession fees, which are generated from an agreed-upon percentage of gross sales from various concessionaires, including food and beverage, news and gift, specialty retail, advertising, and passenger services. Percentage rents paid to the Airport from terminal concessionaires in FY 2012 increased from \$53.0 million in FY 2011 to \$56.6 in FY 2012, an increase of 6.7 percent. Revenues from terminal food and beverage sales increased 5.7 percent, from \$14.7 million in FY 2011 to \$15.5 million in FY 2012, due mainly to the increase in passenger traffic and investment in new and improved concepts which were made by the Airport's food and beverage concessionaires. Revenues from news and gift and specialty retail sales also increased from \$20.8 million in FY 2011 to \$22.2 million in FY 2012, due to a combination of increased percentage rental rates being assessed the news and gift concessionaires and the continued introduction of nationally branded specialty retail stores. In-terminal advertising during FY 2012 was up by 5.7 percent for a total of \$13.6 million, as increased demand and new advertising space was developed in FY 2012. Passenger services in the terminal increased 16.0 percent from \$2.5 million in FY 2011 to \$2.9 million in FY 2012, mainly due to the increase in passenger traffic and increases related to international passenger lounge fee revenues for FY 2012.

Building rentals associated with the Consolidated Rental Car Facility increased during FY 2012 from \$32.2 million to \$33.9 million, an increase of 5.2 percent. The annual rental requirement increased 5.2 percent in FY 2012 as an annual increase to the facility reserves was made to fund future major repairs and replacements of \$0.8 million and as operating and maintenance costs increased \$1.2 million. Building rents are paid from the car rental companies that occupy the facility together with the proceeds of a \$3.75 Customer Facility Charge ("CFC"), which is collected by the car rental companies from car rental customers for each day they rent a car. For FY 2012, the car rental companies paid \$6.7 million in space rental payments, and CFC revenue for FY 2012 totaled \$27.2 million. The increase in CFC revenue was due to an increase in the number of transaction days from the prior year.

Total parking revenues at the Airport during FY 2012 increased by 1.6 percent over FY 2011. Public parking products at the Airport include short-term, long-term, and valet parking in a 5,155-space parking structure as well as economy parking at a remote surface parking lot. On June 27, 2012, the number of parking spaces increased with the grand opening of Terminal 3 and the addition of a new 5,119-space, eight-level parking structure. Public

parking revenue from short-term, long-term, and economy parking increased by 3.0 percent due an increase in passenger traffic. Parking revenues for FY 2012 from these sources totaled \$23.3 million versus \$22.6 million in FY 2011. Valet parking revenue for FY 2012 decreased by 10.9 percent, from \$2.9 million to \$2.6 million, and employee parking for FY 2012 increased slightly from \$2.6 million to \$2.7 million, an increase of 4.9 percent. These increases can be attributed to the slight increase in passenger traffic. Valet parking is down due to the new provider's contract being based completely on contingent rents, as the previous provider's contract entailed fixed rents plus a contingent factor.

Gaming revenue at the Airport during FY 2012 decreased slightly by 0.7 percent over FY 2011 from \$25.9 million to \$25.7 million. Gaming revenue is derived from approximately 1,330 slot machines placed throughout the terminals. The number of slot machines also increased with the grand opening of Terminal 3 on June 27, 2012. Gaming revenues remained flat due to remodeling work at C Gates during the year, which limited the number of slot machines available to passengers throughout the fiscal year. The Airport is continually working with the slot concessionaire to implement several initiatives to improve slot revenue, including installing more state-of-the-art machines and relocating machines to higher traffic areas.

Percentage rents paid to the Airport from the rental car companies increased from \$27.3 million in FY 2011 to \$29.8 million in FY 2012, an increase of 9.4 percent. This increase is attributed to increase in number of contracts and transaction days in FY 2012 over FY 2011.

Ground rentals paid to the Airport from private hangar tenants, FBO operators, and concessionaires increased to \$18.8 million in FY 2012 from \$18.6 million in FY 2011, an increase of 1.3 percent. This increase can be attributed to increases in the land rental revenue concessions leases with private developers located on Airport System property during FY 2012.

Ground transportation fees paid to the Airport increased slightly by 1.4 percent from \$13.3 million in FY 2011 to \$13.5 million in FY 2012. Ground transportation fees consist of percentage fees or trip charges paid to the Airport by limousine operators, courtesy van operators, bus operators, and taxicabs. Taxicab trip fee revenues increased from \$5.8 million to \$6.1 million, an increase of 6.0 percent. This increase can be attributed to an increase in the number of trips. Limousine percentage fees decreased by 3.1 percent during FY 2012 to \$6.4 million.

Discussion of FY 2011 Operating Revenues

For FY 2011, airline revenues accounted for 43.9 percent of all operating revenues. Airline revenues totaled \$172.3 million of the total operating revenues, and non-airline revenues totaled \$220.3 million. For FY 2011, the airline landing fees were \$57.7 million as compared to \$51.7 million in FY 2010, an increase of \$5.9 million, or 11.5 percent. This increase can be attributed to an increase in the landing fee due to the change in the rate-making methodology under the new Agreement.

Terminal building and use fees consist of signatory and non-signatory ticketing area fees, baggage system fees, baggage claim fees, gate use fees, common use fees, and hold room fees along with fees from certain operation and storage areas. The new Agreement requires that the terminal building rentals be set each fiscal year based on

a residual rate-making approach of leased space for FY 2011. The terminal and building use fees were up from \$89.0 million in FY 2010 to \$100.0 million in FY 2011, a 12.4 percent increase. The terminal rental rate went from \$79.33 per square foot in FY 2010 to \$116.67 per square foot in FY 2011, which mainly contributed to the \$11.0 million increase. The increase in the rental rate was attributed to the change from a compensatory rate-making model to a residual rate-making model for the terminal complex, as well as an overall decrease in the amount of leased space. Gate use fees were up from \$18.5 million in FY 2010 to \$23.6 million in FY 2011, an increase of 27.8 percent. The increased rental rate was attributed to the change from a compensatory rate-making model to a residual rate-making model for the apron areas. Increases in the FY 2011 airline landing fee rate, terminal building rentals, and gate use fees can also be attributed to the inclusion of 50 percent amortization on assets acquired with the capital improvement account in the residual rental rate. The total amortization amount collected during FY 2011 totaled \$15.7 million, of which \$9.4 million was deposited to the rate stabilization account (50 percent included in the residual rental rates), with the remaining \$6.3 million re-deposited into the capital improvement account as provided by in the new Agreement.

Non-airline revenues, consisting primarily of concession-related fees, increased from \$212.0 million in FY 2010 to \$220.3 million in FY 2011, an increase of 3.9 percent. The largest source of non-airline revenues are terminal concession fees, which are generated from an agreed-upon percentage of gross sales from various concessionaires, including food and beverage, news and gift, specialty retail, advertising, and passenger services. Percentage rents paid to the Airport from terminal concessionaires in FY 2011 increased from \$51.9 million in FY 2010 to \$53.0 in FY 2011, an increase of 2.1 percent. Revenues from terminal food and beverage sales increased 0.3 percent over FY 2010 from \$14.6 million to \$14.7 million, due mainly to the slight increase in passenger traffic. Revenues from news and gift and specialty retail sales also increased from \$19.8 million in FY 2010 to \$20.8 million in FY 2011, due to a combination of increased percentage rental rates being assessed the news and gift concessionaires and due to the continued introduction of nationally branded specialty retail stores. In-terminal advertising during FY 2011 was down by 0.5 percent for a total of \$12.9 million. This decrease is a direct result of the economic downturn whereby many advertising budgets were significantly cut back in FY 2010; however, advertising has shown positive signs of recovery in the latter half of the FY 2011. Passenger services in the terminal increased 4.5 percent from \$2.4 million in FY 2010 to \$2.5 million in FY 2011, mainly due to the slight increase in passenger traffic.

Building rentals associated with the Consolidated Rental Car Facility increased during FY 2011 from \$30.8 million to \$32.2 million, an increase of 4.5 percent. Operating and maintenance costs for this facility were approximately the same as the prior fiscal year; however, the annual rental requirement increased 3.9 percent in FY 2011 as an annual increase to the facility reserves was made to fund future major repairs and replacements. Building rents are paid from the car rental companies that occupy the facility together with the proceeds of a \$3.75 Customer Facility Charge ("CFC") which is collected by the car rental companies from car rental customers for each day they rent a car. For FY 2011, the car rental companies paid \$7.2 million in space rental payments, and CFC revenue for FY 2011 totaled \$25.0 million. The increase in CFC revenue was due to an increase from \$3.25 to \$3.75 in the daily CFC rental rate; in addition, the number of rental transaction days increased 2.0 percent from the prior year.

Total parking revenues at the Airport during FY 2011 increased by 6.4 percent over FY 2010. Public parking products at the Airport include short-term, long-term, and valet parking in a 5,155-space parking structure as well as

economy parking at a remote surface parking lot. Public parking revenue from short-term, long-term, and economy parking increased by 7.3 percent due to a parking rate increase that occurred in the first quarter of FY 2010 and due to a change in the short-term parking system as coin operated meters were removed and incorporated into the ticketing system associated with the Airport's new automated parking revenue control system. Parking revenues for FY 2011 from these sources totaled \$22.6 million versus \$21.1 million in FY 2010. Valet parking revenue for FY 2011 increased by 5.4 percent from \$2.8 million to \$2.9 million, and employee parking for FY 2011 increased slightly from \$2.4 million to \$2.5 million, an increase of 5.8 percent. These increases can be attributed to the slight increase in passenger traffic and to the rate increases.

Gaming revenue at the Airport during FY 2011 increased by 1.0 percent over FY 2010 from \$25.7 million to \$25.9 million. Gaming revenue is derived from approximately 1,200 slot machines placed throughout the terminals. The increase in gaming revenue can be attributed to the slight increase in passenger traffic. The Airport is continually working with the slot concessionaire to implement several initiatives to improve slot revenue, including installing more state-of-the-art machines and relocating machines to higher traffic areas.

Percentage rents paid to the Airport from the rental car companies during FY 2011 increased from \$25.2 million in FY 2010 to \$27.3 million in FY 2011, an increase of 8.4 percent. Approximately \$1.9 million of this increase can be attributed to adjustments to minimum annual rent guarantees included in the rental car company agreements and to the fact that rents collected during FY 2010 decreased based on activity attributable to FY 2009. Actual increases in sales during FY 2011 totaled approximately 0.9 percent, which is more in line with the slight increase in passenger traffic during FY 2011.

Ground rentals paid to the Airport from private hangar tenants, Fixed Base Operators, and concessionaires decreased in FY 2011 from \$18.8 million in FY 2010 to \$18.6 million in FY 2011, a decline of 1.3 percent. This decrease can be attributed to decreases in the land rental revenue concessions leases with private developers and billboards located on Airport System property during FY 2011.

Ground transportation fees paid to the Airport during FY 2011 increased by 5.0 percent from \$12.7 million in FY 2010 to \$13.3 million in FY 2011. Ground transportation fees consist of percentage fees or trip charges paid to the Airport by limousine operators, courtesy van operators, bus operators, and taxicabs. Taxicab trip fee revenues increased from \$5.3 million to \$5.8 million, an increase of 8.9 percent. This increase can be attributed to the increase in the number of trips, including the addition of a per-trip charge at the Consolidated Rental Car Facility. Limousine percentage fees increased by 0.9 percent during FY 2011 to \$6.6 million, which is more in line with the slight increase in passenger traffic during FY 2011.

Discussion of FY 2012 Operating Expenses

Operating Expenses

Fiscal Years 2012, 2011 and 2010

Operating Expense Category	FY 2012 (000)	FY 2011 (000)	FY 2010 (000)	Percentage Change 2012 - 2011	Percentage Change 2011 - 2010
Salaries and benefits	\$ 111,195	\$ 111,186	\$ 109,214	0.0%	1.8%
Professional services	51,130	49,203	56,464	3.9%	-12.9%
Repairs and maintenance	21,424	22,118	22,789	-3.1%	-2.9%
Utilities and communications	20,970	20,199	21,072	3.8%	-4.1%
Materials and supplies	12,806	9,010	12,905	42.1%	-30.2%
Administrative	2,528	3,323	2,812	-23.9%	18.2%
Insurance	2,283	2,314	2,438	-1.3%	-5.1%
	\$ 222,336	\$ 217,353	\$ 227,694	2.3%	-4.5%

For FY 2012, total operating expenses at the Airport increased by \$5.0 million, or 2.3 percent, from FY 2011. Most major operating expense categories experienced increases, such as professional services (up \$1.9 million), utilities and communications (up \$0.7 million), and materials and supplies (up \$3.7 million). The increases were offset by decreases in the major operating expense categories of repairs and maintenance (down \$0.7 million) and administrative costs (down \$0.7 million). Explanations for the changes to the major categories of expenses follow.

Salaries and benefits are the single largest operating expense of the Department. Salaries and benefits made up over 50 percent of the overall Airport System's operating expenses in FY 2012. At June 30, 2012, the Department had 1,469 full-time employees and 11 part-time employees. At June 30, 2011, the Department had 1,321 full-time employees and 45 part-time employees. For FY 2012, total salaries and benefits remained flat. However salaries and wages, excluding benefits, decreased by \$1.3 million, or 1.8 percent, as the Department continued to maintain its position vacancy freezes. Although full-time equivalents rose significantly from FY 2011, this increase occurred in the latter part of the fourth quarter of FY 2012. The increase in the number of full-time equivalents was necessary to train personnel in preparation for the opening of Terminal 3 and to prepare and maintain Terminal 3 prior to opening. At the end of FY 2012, the Airport had 164 vacancies (a 10 percent vacancy factor) as compared to 211 at June 30, 2011 (a 13.7 percent vacancy factor). Management staff received no pay increases during FY 2012 or FY 2011.

There was no cost of living increase for FY 2012. Benefit costs for FY 2012 were up \$1.3 million, or 3.6 percent, over FY 2011, mainly due to increases in Public Employees' Retirement System (PERS) costs of \$1.1 million, which resulted from a 2.25 percent rate increase in FY 2012. Other major benefit categories such as employer-paid group insurance costs and other post employment retirement benefits were relatively unchanged. Refer to Note 5, "Retirement Plan," for more detail related to other employee benefit programs and their associated costs.

Professional services costs during FY 2012 increased by 3.9 percent, or \$1.9 million, over FY 2011, with the majority of costs incurred from security. In particular, the majority of this increase was related both to the Las Vegas Metropolitan Police Department and to an outside service provider costing \$3.0 million, or 16.9 percent, over FY 2011. Cost incurred with other County departments and agencies decreased by \$0.7 million, or 9.0 percent, from FY 2011. The Department saw a decrease in systems and software support of \$0.6 million.

Repairs and maintenance expenses for FY 2012 decreased 3.1 percent, or \$0.7 million, over FY 2011. The majority of the decrease was related to a \$0.8 million reduction in ground rents paid to the United States Department of the Interior, Bureau of Land Management ("BLM"). In FY 2012, land connected to the Henderson Executive Airport was

acquired through a donation from BLM. Previously, this land was leased at a cost of \$0.7 million in FY 2011. No lease cost related to the land was incurred in FY 2012.

Utility and communication expenses for FY 2012 increased over FY 2011 by \$0.8 million, or 3.8 percent. The majority of the increase related to electrical costs, which were up \$1.2 million, or 8.7 percent, over FY 2011. Water and sewage expenses remained consistent with the prior year. Natural gas decreased from \$1.1 million in FY 2011 to \$1.0 million in FY 2012, a decrease of 11.7 percent. Communication expense decreased by \$0.3 million, or 15.1 percent, from FY 2011 to FY 2012. Trash removal decreased by \$0.1 million, or 12.2 percent, from FY 2011 to FY 2012.

Materials and supplies expense for FY 2012 was up \$3.8 million, or 42.1 percent, over FY 2011. Terminal 3 became an operating terminal in FY 2012. In preparation of its opening, the Department incurred about \$0.6 million of cost to acquire necessary minor equipment, computer equipment, tools, and supplies. These individual costs were below the Department's capitalization policy threshold. Diesel and unleaded fuel costs were up \$0.5 million, or 26.1 percent, over FY 2011, which is attributed to an increase in prices and usage. Signage expense was up \$0.3 million, or 188.6 percent, with the purchase of new Consolidated Car Rental Facility bus signs. In FY 2011, the cost of supplying baggage tags was down \$2.3 million, or 80.5 percent, as the Department purchased and issued an initial supply to the airlines when they converted to the next generation of RFID tags. In FY 2012, this cost rebounded back to FY 2010 levels.

Administrative expenses decreased from \$3.3 million in FY 2011 to \$2.5 in FY 2012. The majority of this decrease can be attributed to a non-recurring cost of \$0.4 million to relocate, in FY 2011, some airline tenant operations in the D-gate concourse for the benefit of achieving more efficient operation of the overall Airport facility.

Insurance expenses decreased in FY 2012 by 1.3 percent due to successful negotiations with insurance brokers to keep rates at previous year levels in a very competitive insurance market. The cost of insurance remained the same at \$2.3 million from FY 2011 to FY 2012.

Discussion of FY 2011 Operating Expenses

For FY 2011, total operating expenses at the Airport decreased by \$10.3 million, or 4.5 percent, from FY 2010. Most major operating expense categories experienced decreases, such as professional services (down \$7.3 million), repairs and maintenance (down \$0.7 million), utilities and communications (down \$0.9 million), materials and supplies (down \$3.9 million), and insurance (down \$0.1 million). The decreases were offset by increases in the major operating expense categories of salaries and benefits (up \$2.0 million) and administrative costs (up \$0.5 million). Explanations for the changes to the major categories of expenses follow.

Salaries and benefits are the single largest operating expense at the Department. Salaries and benefits made up over 51.2 percent of the overall Airport System's operating expenses in FY 2011. At June 30, 2011, the Department had 1,321 full-time employees and 45 part-time employees. At June 30, 2010, the Department had 1,360 full-time employees and 30 part-time employees. For FY 2011, total salaries and benefits increased by 1.8 percent. However salaries and wages, excluding benefits, decreased by \$1.6 million, or 2.2 percent, due to a decrease in full-time equivalents as the Department continued to maintain its position vacancy freezes. At the end of FY 2011, the

Airport had 211 vacancies (a 13.7 percent vacancy factor) as compared to 178 at the end of FY 2010 (an 11.6 percent vacancy factor). Management staff received no pay increases during FY 2011 or FY 2010. Employees covered by the union contract were eligible to receive up to a 4.0 percent merit increase during FY 2011. There was no cost of living increase for FY 2011. In April of 2011, both management staff and employees covered by the union contract agreed to a decrease in pay of 2.0 percent. Benefit costs for FY 2011 were up \$3.6 million, or 10.6 percent, over FY 2010, mainly due to increases in other post employment retirement benefit costs of \$3.9 million. Other major benefit categories such as employer paid defined benefit plan contributions and group insurance costs were relatively unchanged. Refer to Note 5, "Retirement Plan," for more detail related to other employee benefit programs and their associated costs.

Professional services during FY 2011 decreased by 12.9 percent, or \$7.3 million, over FY 2010. As part of the cost containment initiatives implemented in FY 2009, the Department discontinued or reduced outsourcing of services related to various planning studies, security-related professional services, cleaning services, and program management services, saving close to \$4.4 million in charges. The Department has worked closely with the Las Vegas Metropolitan Police Department to reduce the cost of police enforcement by \$1.2 million, and the Department has worked closely with other County departments and agencies to reduce costs an additional \$0.3 million in FY 2011. During FY 2010, the majority of the height restriction lawsuits had been settled, and legal fees decreased by an additional \$1.8 million in FY 2011. The Department saw a slight increase in expenses for systems and software support of \$0.3 million.

Repairs and maintenance expenses for FY 2011 decreased 2.9 percent, or \$0.7 million, over FY 2010. The majority of the decrease was related to a \$1.5 million expenditure to repair and replace a large portion of the carpeting in Terminal 1 in FY 2010. In an effort to reduce costs and allocate resources elsewhere, the Department elected not to perform a similar major repair and replacement of carpeting in FY 2011. This decrease in cost for FY 2011 was offset by increases in repair and maintenance services costs on various Airport equipment such as the added service cost for the new parking revenue control system.

Utility expenses for FY 2011 decreased over FY 2010 by \$0.9 million, or 4.1 percent. By carefully monitoring usage, the Department was able to realize decreases in most of the major utility categories. Electrical costs were down \$0.6 million, or 4.2 percent, over FY 2010. Natural gas expenses for FY 2011 were down 18.3 percent, from \$1.4 million in FY 2010 to \$1.1 million in FY 2011. Water and sewage costs were down 4.0 percent, from \$2.2 million in FY 2010 to \$2.1 million in FY 2011. Trash removal for FY 2011 was down 2.1 percent over FY 2010. Telephone and communication expenses for FY 2011 were up 4.0 percent over FY 2010 levels.

Materials and supplies expense for FY 2011 was down \$3.9 million, or 30.2 percent, over FY 2010. The majority of this decrease can be attributed to continued cost containment initiatives that were implemented during FY 2009 together with improved warehouse management. Computer software and supplies were down \$1.5 million, or 49.4 percent, as the Department continued to extend software life cycles and postpone replacement into future periods. Cleaning supplies were down \$0.1 million, or 7.5 percent, and general operating supplies were down \$0.3 million, or 10.0 percent. The cost of supplying bag tags was down \$2.3 million, or 80.5 percent, as the Department purchased and issued an initial supply to the airlines upon conversion to the next generation of RFID tags.

Administrative expenses increased from \$2.8 million in FY 2010 to \$3.3 in FY 2011. The majority of this increase can be attributed to a non-recurring cost of \$0.4 million to relocate some airline tenant operations in the D-gate concourse for the benefit of achieving more efficient operation of the overall Airport facility.

Insurance expenses decreased in FY 2011 by 5.1 percent due to successful negotiations with insurance brokers to keep rates at previous-year levels in a very competitive insurance market. The cost of insurance declined from \$2.4 million in FY 2010 to \$2.3 million in FY 2011.

Discussion of FY 2012 Non-operating Revenues and Expenses

Non-Operating Revenues and Expenses
Fiscal Years 2012, 2011, and 2010

Revenue/Expenses Category	FY 2012 (000)	FY 2011 (000)	FY 2010 (000)	Percentage Change 2012 - 2011	Percentage Change 2011 - 2010
Passenger facility charges	\$ 79,648	\$ 77,949	\$ 77,309	2.2%	0.8%
Jet A Fuel Tax revenue	7,425	7,318	7,799	1.5%	-6.2%
Interest and Investment Income					
Unrestricted interest income	2,455	5,410	6,223	-54.6%	-13.1%
Restricted interest income	6,221	5,161	12,527	20.5%	-58.8%
PFC interest income	1,040	1,048	4,496	-0.8%	-76.7%
Unrealized gain (loss) on investment - derivative instruments	(68,988)	39,715	22,532	-273.7%	76.3%
Interest expense	(160,446)	(162,162)	(164,499)	-1.1%	-1.4%
Net loss from disposition of capital assets	(33,000)	(35)	(6,622)	94185.7%	-99.5%
	\$ (165,645)	\$ (25,596)	\$ (40,235)	547.2%	-36.4%

Interest income decreased during FY 2012 by 16.4 percent, from \$11.6 million in FY 2011 to \$9.7 million in FY 2012. This decrease can be attributed to the continued drop in investment rates together with the Department's capital spending associated with Terminal 3. For FY 2012, the average investment rate for the Airport's pooled cash was 1.74 percent as compared to 1.94 percent for FY 2011. The average investment rate for the Department's fiscal agent cash and cash investments was 0.71 percent in FY 2012 as compared to 0.56 percent in FY 2011.

Interest expense on the Airport System's outstanding bonds totaled \$160.4 million in FY 2012 compared to \$162.2 million in FY 2011, a decrease of \$1.8 million. The Department made all its scheduled debt service payments in FY 2012, which included a scheduled repayment of \$91.3 million in outstanding principal plus a repayment of \$100 million on Bond Anticipated Notes. For FY 2012, there were no increases in outstanding principal since all the financing for the Terminal 3 project is in place. The Department continues to closely monitor and evaluate its debt portfolio. Bond Anticipated Notes were issued after June 30, 2012, to replace the outstanding notes. Refer to Note 15, "Subsequent Events."

Passenger Facility Charge ("PFC") revenues for FY 2012 increased by \$1.7 million, or 2.2 percent. The increase for FY 2012 can be attributed to the slight increase in passenger traffic as there were no changes in the effective rate.

Effective July 1, 1991, the County enacted an ordinance imposing a two-cent-per-gallon tax on jet aviation ("Jet A") fuel to be allocated to the Airport to help facilitate the expansion of air transportation facilities in the region. This tax has been an important source of funding to address capacity, security, safety, and noise matters at the Airport. During FY 2012, the Airport System was allocated \$7.4 million of Jet A fuel tax revenues, approximately 1.5 percent more than FY 2011. This increase can be attributed to more aviation fuel sales. The Jet A Fuel Tax revenues are currently used to pay the principal and interest on the 2003C Jet Aviation Fuel Tax Revenue Bonds. Any revenues in

excess of the requirement of the 2003C bonds are currently used to pay the principal and interest on the 2003B General Obligation (Limited Tax) Airport Bonds. Principal and interest payments on the 2003C Jet Aviation Fuel Tax Revenue Bonds totaled \$9.2 million in FY 2012. The unfunded portion of this debt service (\$1.8 million) was paid from operating revenues. On May 1, 2012, the Clark County Board of Commissioners unanimously approved an increase in the Jet Aviation Fuel Tax from \$0.02 to \$0.03 per gallon. This increase is scheduled to be effective July 1, 2012, the beginning of the next fiscal year.

The unrealized gain or loss on investments in derivative instruments is the result of the Department's implementation of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued in June 2008 and effective for FY 2010. The Department is required to recognize, measure, and disclose the changes in the fair value of its interest rate swaps. Refer to Note 9, "Derivative Instruments – Interest Rate Swaps," for additional details.

In FY 2012, the Department recognized \$33.0 million in net losses from the disposition of fixed assets. The Department made great strides in its future operations at the Airport with the grand opening of its new, state-of-the-art Terminal 3 facility and the remodeling and modernization of the C gates during FY 2012. The new Terminal 3 facility adds fourteen new gates, ticketing points, and customs and border inspection points for all international flights at the Airport and provides domestic flights with access to seven new gates as well as a gateway to the D gates. Previously, Terminal 2 handled all international flights at the Airport. With the grand opening of Terminal 3, Terminal 2 ceased operations, with no future plans to use the terminal. The Department recognized a loss of \$25.9 million attributed to the unamortized book value of Terminal 2 at the time it discontinued operations. Also in FY 2012, the Department completed several phases for modernizing the C gates, which provides for more efficient processes for tenants. Previous remodeling costs which were associated with the C gates and which had not been fully depreciated were disposed of in FY 2012 in connection with the nearly completed modernization of the C gates at a loss on disposition of \$6.6 million.

Discussion of FY 2011 Non-operating Revenues and Expenses

Interest income decreased during FY 2011 by 50.0 percent, from \$23.2 million in FY 2010 to \$11.6 million, in FY 2011. This significant decrease can be attributed to the continued drop in investment rates, together with the Department's capital spending associated with Terminal 3. For FY 2011, the average investment rate for the Airport's pooled cash was 1.94 percent, as compared to 2.11 percent for FY 2010. The average investment rate for the Department's fiscal agent cash and cash investments was 0.56 percent in FY 2011, as compared to 0.67 percent in FY 2010.

Interest expense on the Airport System's outstanding bonds totaled \$162.2 million in FY 2011 compared to \$164.5 million in FY 2010, a decrease of \$2.3 million. The Department made all its scheduled debt service payments in FY 2011, which included a repayment of \$86.2 million in outstanding principal. For FY 2011, there were no increases in outstanding principal as all the financing for the Terminal 3 project is in place. The Department continues to closely monitor and evaluate its debt portfolio.

Passenger Facility Charge ("PFC") revenues for FY 2011 increased by \$0.6 million, or 0.8 percent. The increase for FY 2011 can be attributed to the slight increase in passenger traffic as there were no changes in the effective rate.

Effective July 1, 1991, the County enacted an ordinance imposing a two-cent-per-gallon tax on jet aviation ("Jet A") fuel to be allocated to the Airport to help facilitate the expansion of air transportation facilities in the region. This

tax has been an important source of funding to address capacity, security, safety, and noise matters at the Airport. During FY 2011, the Airport System was allocated \$7.3 million, approximately 6.2 percent less than FY 2010. This decrease can be attributed to less revenue from aviation fuel sales. The Jet A Fuel Tax revenues are currently used to pay the principal and interest on the 2003C Jet Aviation Fuel Tax Revenue Bonds. Any revenues in excess of the requirement of the 2003C bonds are currently used to pay the principal and interest on the 2003B General Obligation (Limited Tax) Airport Bonds. Principal and interest payments on the 2003C Jet Aviation Fuel Tax Revenue Bonds totaled \$8.7 million in FY 2011. The unfunded portion of this debt service, \$1.4 million, was paid from operating revenues.

The unrealized gain or loss on investments in derivative instruments is the result of the Department's implementation of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued in June 2008 and effective for FY 2010. The Department is required to recognize, measure, and disclose the changes in the fair value of its interest rate swaps. Refer to Note 9, "Derivative Instruments – Interest Rate Swaps," for additional details.

In FY 2011 the Department recognized \$35 thousand in net losses from the disposition of fixed assets, a decrease of 99.5 percent over FY 2010. The loss was related to the disposal of some minor equipment that was obsolete. There were no major disposals for FY 2011 as compared to the previous years.

Income before Capital Contributions

Fiscal Years 2012, 2011, and 2010

	FY 2012 (000)	FY 2011 (000)	FY 2010 (000)	Change 2012 to 2011	Change 2011 to 2010
Operating Revenue	\$ 355,411	\$ 392,554	\$ 362,451	\$ (37,143)	\$ 30,103
Operating Expenses	222,336	217,353	227,694	4,983	(10,341)
Income before Depreciation	133,075	175,201	134,757	(42,126)	40,444
Depreciation and amortization	137,052	136,104	134,369	948	1,735
Income (loss) from Operations	(3,977)	39,097	388	(43,074)	38,709
Net non-operating revenue (expense)	(165,645)	(25,596)	(40,236)	(140,049)	14,640
Income (loss) before Capital Contribution	(169,622)	13,501	(39,848)	(183,123)	53,349
Capital Contributions	36,752	16,761	22,914	19,991	(6,153)
Increase (decrease) in Net Assets	(132,870)	30,262	(16,934)	(163,132)	47,196
Net assets beginning of year	1,544,568	1,514,306	1,531,240	30,262	(16,934)
Net assets end of year	\$ 1,411,698	\$ 1,544,568	\$ 1,514,306	\$ (132,870)	\$ 30,262

For FY 2012, loss before capital contributions from the federal government totaled \$169.6 million, a \$183.1 million decrease over FY 2011 operating income of \$13.5 million. Operating income before depreciation in FY 2012 was \$133.1 million, a decrease of \$42.1 million, which was a result of the \$37.1 million decrease in operating revenues and a \$5 million increase in operating expenses, as previously discussed. Depreciation expense increased slightly by \$0.9 million due to continued capital improvements at the Airport. Net non-operating expense increased by \$140.1 million due to an increase in the unrealized loss on derivative instruments of \$108.7 million, a loss on disposal of fixed assets of \$33 million, and a decrease in interest income of \$1.9 million, which was offset by a decrease in interest expense of \$1.7 million. The remainder of the change in net non-operating expense related to an increase in PFC revenue of \$1.7 million.

For FY 2011, operating income before capital contributions from the federal government totaled \$13.5 million, a \$53.4 million increase over FY 2010 operating loss of \$39.8 million. Operating income before depreciation in FY 2011 was \$175.2 million, an increase of \$40.4 million, which was a result of the \$30.1 million increase in operating revenues and the \$10.3 million decrease in operating expenses, as previously discussed. Depreciation expense increased slightly by \$1.7 million due to continued capital improvements at the Airport. Net non-operating expense decreased by \$14.6 million due to an increase in the unrealized gain on derivative instruments of \$17.2 million, which was offset by a decrease in interest income of \$11.6 million for a net increase in interest and investment income of \$5.6 million. The remainder of the change in net non-operating expense related to the net loss on disposal of capital assets decreasing by \$6.6 million.

Capital Contributions

During FY 2012, the Airport System received \$27.5 million in grants from the Federal Aviation Administration ("FAA") for approved capital projects within the Airport System. These FAA grants represent the Airport's portion of entitlement funds allocated to airports in the United States based on an enplanement formula plus any discretionary grants obtained by the Department. The \$10.7 million increase in FAA grant funding for FY 2012 can be attributed to an increase in expenditures for grant-eligible projects including reconstruction of major taxiways and land acquisitions for noise compatibility and development. In FY 2012, the Department received donated land from the BLM valued at \$9.3 million connected to the Henderson Executive Airport. Previously, this land was leased by the Department.

During FY 2011, the Airport System received \$16.8 million in grants from the FAA for approved capital projects within the Airport System. The \$6.1 million decrease in FAA grant funding for FY 2011 can be attributed to a decrease in expenditures for grant eligible projects, as many of the significant grant-funded projects from previous fiscal years were at or near completion in FY 2011.

Capital Improvement Program

Each fiscal year, the Department updates its five-year capital plan. For FY 2013, the Airport System's comprehensive five-year capital improvement plan totals \$411.8 million. The following is a summary of the five-year capital plan along with proposed federal grants.

Five-Year Capital Plan

	Total Budget (000)	Federal Grants (000)	Capital Improvement Account (000)
Airfield Improvements	\$ 70,180	\$ 4,348	\$ 65,832
Terminal Improvement Projects	82,292	-	\$ 82,292
Reliever Airport Projects	23,193	21,570	\$ 1,623
McCarran Support Facilities	236,140	50,000	\$ 186,140
Total	<u>\$ 411,805</u>	<u>\$ 75,918</u>	<u>\$ 335,887</u>
	<u>100.0%</u>	<u>18.4%</u>	<u>81.6%</u>

The signatory airlines serving the Airport System have approved all projects listed above. All PFC projects have been approved or are in the process of being presented to the FAA for approval. Federal grants include the Department's entitlements. The capital improvement account monies consist of the Airport System's gaming

revenue, the net cash flow from the Consolidated Rental Car Facility, and funding from the airlines through the Agreement. Based on current five-year projections, it is anticipated that future gaming revenues and future cash flow projections from the rental car facility will adequately fund the capital improvement account requirements. For the periods FY 2013 through FY 2017, it is projected that revenues from gaming, deposits from the Co-operative Management Area program, and net rents from the Consolidated Rental Car Facility will generate \$216.1 million. These sources of revenue plus grant contributions will be utilized to fund the Airport's five-year capital improvement plan.

The construction of Terminal 3, the largest single project the Department has ever undertaken and the largest public works project in the State of Nevada, was completed at a cost of \$2.4 billion, and Terminal 3 opened on June 27, 2012.

Debt Management

For FY 2012, the Department partially refunded \$200 million of Series 2008 AMT Subordinate Lien Revenue Bonds with Series 2011B AMT Subordinate Lien Revenue Bonds in August of 2011 at corresponding maturities. The purpose of this refunding was to attain a lower rate in basis points being paid on the credit facilities. No additional funding was needed for FY 2012 as all the remaining financing necessary to complete the Terminal 3 project was issued in FY 2010. The Department continues to closely monitor and evaluate its debt portfolio and looks for opportunities to reduce interest costs and pay down outstanding debt.

At June 30, 2012, the Airport System had \$4.5 billion in outstanding debt. This amount is made up of \$1.0 billion in senior lien debt, \$2.1 billion in subordinate lien debt, \$1.0 billion in PFC-pledged debt, \$169.5 million in third lien debt, and \$200.0 million in bond anticipation notes. All the current outstanding debt is naturally or synthetically fixed interest rate debt, with an average interest rate of approximately 3.5 percent in FY 2012. Refer to Note 8, "Long-term Debt," for more detail relating to the Airport System's outstanding long-term debt.

For FY 2011, the Department refunded \$218.8 million in principal of its Series 2005A PFC bonds for a net present value savings of \$2.4 million. In March 2011, the Department successfully replaced \$504.3 million of expiring credit facilities. In May 2011, the Department refunded \$100 million in principal of its 2010 E-1 notes at an interest rate of 0.60 percent.

At June 30, 2011, the Airport System had \$4.7 billion in outstanding debt. This amount is made up of \$1.1 billion in senior lien debt, \$2.1 billion in subordinate lien debt, \$1.1 billion in PFC-pledged debt, \$173.3 million in third lien and general obligation debt, and the \$300.0 million in bond anticipation notes. Refer to Note 8, "Long-term Debt," for more detail relating to the Airport System's outstanding long-term debt.

In July 2012 (FY 2013), the Department refunded \$200 million of series 2010 E-2 Bond Anticipation Notes by issuing Series 2012 A-1 Subordinate Lien Revenue Notes for \$180 million with additional contributions by the Department of \$23 million and \$120 million in construction proceeds obtained from the Series 2012 A-2 Subordinate Lien Revenue Notes. Also, on that day, the Department refunded the Series 1998A PFC Revenue Bonds by issuing \$64.3 million of Series 2012B PFC Refunding Revenue Bonds. Refer to Note 15, "Subsequent Events," for more detail.

The Department continually reviews strategies to minimize debt service and keep airline costs as reasonable as possible. The ability to adapt to rapidly changing market demands, as has been seen the last three years, will be a critical element to achieving reasonable borrowing costs and maintaining the Airport's healthy credit rating. The Department has taken full advantage of the provisions under the American Recovery and Reinvestment Act of 2009 ("Recovery Act"), and the Department was the first airport to issue Build America Bonds in the United States in September 2009.

On May 23, 2012, Moody's Investors Service ("Moody's") downgraded from Aa3 to A1 the rating for \$3.05 billion in subordinate lien and Passenger Facility Charge debt. Moody's also downgraded from A1 to A2 the rating for \$89.4 million in third lien bonds, including the jet aviation fuel tax bonds. Moody's affirmed the Aa2 rating on the \$1.03 billion in outstanding senior lien bonds and revised to stable the rating outlook for all bonds. On May 23, 2012, Standard and Poor's ("S&P") also affirmed its ratings.

The Airport System's bonds are rated by these two major rating agencies. The most current ratings are as follows:

	<u>S&P</u>	<u>Moody's</u>
General Airport Revenue Bonds – Senior Lien	AA-	Aa2
General Airport Revenue Bonds – Subordinate Lien	A+	A1
General Airport Revenue Bonds – Third Lien	A	A2
PFC Revenue Bonds	A+	A1

The Master Indenture of Trust, dated May 1, 2003, which governs the issuance of senior lien debt, requires the Department to have net revenues available for bond debt service coverage equal to 1.25 times the amount of senior lien debt service and 1.10 times the amount of debt service on any subordinate lien bonds. PFC bonds have no debt service coverage requirement due to the fact that any debt service not payable from PFC proceeds is payable as a subordinate lien to the senior bonds. As of June 30, 2012, the actual coverage on the senior lien bonds was 4.76, and the coverage of the subordinate lien debt service was 2.05.

The Department continues to meet the challenge of providing users of the Airport System with quality facilities that meet the demands of growth, safety, and security, while conscientiously and creatively managing the Airport System's bonding capacity and keeping airline costs as low as possible.

Future Outlook

In FY 2012, passenger enplanements increased by 3.4 percent. This was the second fiscal year of increasing passenger traffic since the Airport's enplanements peaked in FY 2007. The Airport saw increases in passenger growth for each month of FY 2012, but that growth has stabilized into FY 2013 through August 2012. The Department will continue with its System-wide cost containment measures, explore ways to increase non-aeronautical revenues, manage its outstanding debt, and defer any capital spending not already committed in an effort to keep the cost for users of the Airport System as low as possible.

Additional Information

Further information on the results of the Airport System's financial position is provided in the accompanying audited financial statements and notes for the fiscal years ended June 30, 2012 and 2011. This financial report provides the Airport System's customers, investors, and creditors with a general overview of the Airport System's financial condition. The report also presents information about funds it receives and monies it spends for the fiscal periods reported. For questions about this report or additional financial information, please contact the Finance Division, Clark County Department of Aviation, at P.O. Box 11005, Las Vegas, NV 89111-1005. You may also find financial and statistical information for the Airport System at www.mccarran.com.

Clark County Department of Aviation
Clark County, Nevada

Statements of Net Assets
As of June 30, 2012 and 2011

Assets and Deferred Outflows	2012 (000)	2011 (000)
Assets		
Current assets:		
Cash and cash equivalents	\$ 230,968	\$ 180,275
Cash and cash equivalents, restricted	498,722	517,132
Investments, restricted	114,158	551,095
Securities lending, restricted	87,070	62,631
Accounts receivable, net of allowance for doubtful accounts of \$420 and \$582	36,421	41,140
Interest receivable	4,664	5,131
Grants receivable, restricted	6,233	850
Other receivables	2,589	1,219
Inventories	5,173	4,048
Prepaid expenses	742	557
Total current assets	<u>986,740</u>	<u>1,364,078</u>
Non-current assets:		
Capital assets:		
Property and equipment:		
Land	595,138	584,845
Land improvements	1,593,072	1,305,501
Perpetual aviation easement	294,284	294,284
Buildings	3,501,197	1,752,707
Furniture and fixtures	48,093	17,347
Machinery and equipment	455,637	294,532
Construction in progress	42,155	2,060,656
Accumulated depreciation	<u>6,529,576</u>	<u>6,309,872</u>
Capital assets, net	<u>(1,382,591)</u>	<u>(1,302,856)</u>
Total other non-current assets	<u>5,146,985</u>	<u>5,007,016</u>
Other non-current assets:		
Investments, restricted	105,876	74,772
Derivative instruments - interest rate swaps	60,473	48,929
Due from airlines	-	50,736
Deferred charges, net	83,730	72,964
Total other non-current assets	<u>250,079</u>	<u>247,401</u>
Total assets	<u>6,383,804</u>	<u>6,618,495</u>
Deferred outflows:		
Hedging derivative instruments	173,106	93,685
Total deferred outflows	<u>173,106</u>	<u>93,685</u>
Total assets and deferred outflows	<u>\$ 6,556,910</u>	<u>\$ 6,712,180</u>

Clark County Department of Aviation
Clark County, Nevada

Statements of Net Assets
As of June 30, 2012 and 2011

Liabilities, Deferred Inflows, and Net Assets	2012 (000)	2011 (000)
Liabilities:		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable and other current liabilities	\$ 17,533	\$ 11,824
Other accrued expenses	14,946	17,079
Deferred income	4,763	4,849
Total payable from unrestricted assets	<u>37,242</u>	<u>33,752</u>
Payable from restricted assets:		
Accounts payable and other current liabilities	66,441	107,814
Accrued interest	128,582	124,112
Securities lending collateral	89,278	65,401
Current portion of long-term debt	105,535	191,265
Total payable from restricted assets	<u>389,836</u>	<u>488,592</u>
Total current liabilities	<u>427,078</u>	<u>522,344</u>
Non-current liabilities:		
Payable from unrestricted assets:		
Other postemployment benefit liabilities	36,613	26,436
Derivative instruments - interest rate swaps	258,051	97,620
Deposits	820	522
Total payable from unrestricted assets	<u>295,484</u>	<u>124,578</u>
Payable from restricted assets:		
Long-term debt, net of current portion	4,422,650	4,520,212
Total payable from restricted assets	<u>4,422,650</u>	<u>4,520,212</u>
Total non-current liabilities	<u>4,718,134</u>	<u>4,644,790</u>
Total liabilities	<u>5,145,212</u>	<u>5,167,134</u>
Deferred inflows:		
Hedging derivative instruments	-	478
Total deferred inflows	<u>-</u>	<u>478</u>
Net assets:		
Invested in capital assets, net of related debt	<u>954,546</u>	<u>1,021,835</u>
Restricted for:		
Capital projects	29,105	25,881
Debt service	191,675	197,681
Other	50,240	29,423
Total restricted	<u>271,020</u>	<u>252,985</u>
Unrestricted	186,132	269,748
Total net assets	1,411,698	1,544,568
Total liabilities, deferred inflows, and net assets	\$ 6,556,910	\$ 6,712,180

See accompanying notes to financial statements

Statements of Revenue, Expenses and Changes in Net Assets
For the Fiscal Years Ended June 30, 2012 and 2011

	2012 (000)	2011 (000)
Operating revenues:		
Terminal building and use fees	\$ 75,937	\$ 100,015
Landing fees and other aircraft fees	44,919	63,275
Terminal concession fees	56,550	53,023
Rental car facility fees	33,888	32,206
Public and employee parking fees	28,778	28,326
Gaming fees	25,719	25,908
Rental car concession fees	29,848	27,274
Ground rents and use fees	18,817	18,578
Gate use fees	20,254	23,606
Ground transportation fees	13,524	13,340
General aviation fuel sales (net of cost)	3,890	4,158
Other	3,287	2,845
Total operating revenues	355,411	392,554
Operating expenses:		
Salaries and benefits	111,195	111,186
Professional services	51,130	49,203
Repairs and maintenance	21,424	22,118
Utilities and communication	20,970	20,199
Materials and supplies	12,806	9,010
Administrative	2,528	3,323
Insurance	2,283	2,314
Total operating expenses	222,336	217,353
Operating income before depreciation	133,075	175,201
Depreciation and amortization	137,052	136,104
Operating income (loss)	(3,977)	39,097
Non-operating revenues (expenses):		
Passenger facility charges	79,648	77,949
Jet A fuel taxes	7,425	7,318
Interest and investment income (loss)	(59,272)	51,334
Interest expense	(160,446)	(162,162)
Net loss from disposition of capital assets	(33,000)	(35)
Total non-operating revenue (expense)	(165,645)	(25,596)
Income (loss) before capital contributions	(169,622)	13,501
Capital contributions	36,752	16,761
Change in net assets	(132,870)	30,262
Net assets, beginning of year	1,544,568	1,514,306
Net assets, end of year	\$ 1,411,698	\$ 1,544,568

See accompanying notes to financial statements

Clark County Department of Aviation
 Clark County, Nevada

Statements of Cash Flows
 For the Fiscal Years Ended June 30, 2012 and 2011

	2012 (000)	2011 (000)
Cash flows from operating activities:		
Cash received from operations	\$ 411,491	\$ 381,688
Cash paid to employees	(103,152)	(100,803)
Cash paid to outside vendors	(107,989)	(111,992)
Net cash provided by operating activities	<u>200,350</u>	<u>168,893</u>
Cash flows from capital and related financing activities:		
Passenger facility charges received	79,125	76,869
Jet A fuel taxes received	7,376	7,312
Acquisition and construction of capital assets	(337,279)	(641,484)
Federal Aviation Administration grants received	21,536	19,612
Bond proceeds	200,000	315,438
Deposit to refunding escrow	(200,000)	(318,800)
Bond issuance costs	(859)	(2,215)
Debt service payments:		
Principal	(191,265)	(86,150)
Interest (net of capitalized costs)	(160,544)	(150,749)
Net cash used in capital and related financing activities	<u>(581,910)</u>	<u>(780,167)</u>
Cash flows from investing activities:		
Interest and investment income received	8,011	10,622
Proceeds from maturities of investments	900,086	1,409,716
Purchase of investments	(494,254)	(1,200,066)
Net cash provided by investing activities	<u>413,843</u>	<u>220,272</u>
Increase (decrease) in cash and cash equivalents	32,283	(391,002)
Cash and cash equivalents, beginning of year	697,407	1,088,409
Cash and cash equivalents, end of year	<u>\$ 729,690</u>	<u>\$ 697,407</u>
Cash and cash equivalent balances:		
Unrestricted cash and cash equivalents	\$ 230,968	\$ 180,275
Restricted cash and cash equivalents	498,722	517,132
Cash and cash equivalents, end of year	<u>\$ 729,690</u>	<u>\$ 697,407</u>

Clark County Department of Aviation
 Clark County, Nevada

Statements of Cash Flows
 For the Fiscal Years Ended June 30, 2012 and 2011

	2012 (000)	2011 (000)
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (3,977)	\$ 39,097
Depreciation and amortization	137,052	136,104
(Increase) decrease in accounts receivable-operations	5,242	(8,736)
(Increase) decrease in other receivables-operations	(1,320)	(246)
(Increase) decrease in airline receivable	50,736	-
(Increase) decrease in inventories	(1,125)	(2,263)
(Increase) decrease in prepaid expenses	(185)	5
Increase (decrease) in accounts payable-operations	6,603	(3,591)
Increase (decrease) in accrued payroll and benefits	8,045	10,383
Increase (decrease) in deferred income	(1,018)	(1,853)
Increase (decrease) in deposits	297	(7)
Net cash provided by operating activities	<u>\$ 200,350</u>	<u>\$ 168,893</u>
Non-cash capital and related financing activities		
Contribution of land for Henderson Executive Airport	<u>\$ 9,300</u>	<u>\$ -</u>

See accompanying notes to financial statements

CLARK COUNTY DEPARTMENT OF AVIATION
CLARK COUNTY, NEVADA
Notes to Financial Statements

For the Fiscal Years Ended June 30, 2012 and 2011

1.) SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

(a) Reporting Entity

The Clark County Department of Aviation ("Department") is a department of Clark County ("County"), a political subdivision of the State of Nevada ("State"). The Department's purpose, under the supervision of the Board of County Commissioners ("Board") and the County Manager, is to operate McCarran International Airport ("Airport") and the four other general aviation facilities owned by the County: North Las Vegas Airport, Henderson Executive Airport, Jean Sports Aviation Center, and Overton-Perkins Field (collectively referred to as the "Airport System"). The Board is the governing body of the County. The seven members are elected from County commission election districts to four-year staggered terms. The Board appoints the Director of Aviation, who is charged with the day-to-day operation of the Department.

Only the accounts of the Department are included in the reporting entity. The Airport System is owned and operated as an enterprise fund of the County and is included as part of the County's government-wide financial statements and Comprehensive Annual Financial Report ("CAFR").

(b) Basis of Accounting

The accounting principles used are similar to those applicable to a private business enterprise where the costs of providing services to the public are recovered through user fees. The Department is not subsidized by any tax revenues of the County. Pursuant to the Governmental Accounting Standards Board ("GASB") Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Department elected not to be bound by pronouncements of the Financial Accounting Standards Board ("FASB") issued after November 30, 1989. Accordingly, it selects accounting methods among available alternatives when not otherwise bound by GASB or earlier applicable FASB standards. All tabular dollar amounts are presented in thousands.

The financial statements of the Department, an enterprise fund, are presented applying the accrual basis of accounting. Revenues are recorded when earned. The Department's operating revenues are derived from fees paid by airlines, concessionaires, tenants, and others. The fees are based on usage fees established by the Department and approved by the Board or in accordance with the Airline-Airport Use and Lease Agreement ("Lease") dated July 1, 2010. The initial term of the Lease is five years with an option to extend for an additional two years upon mutual agreement between the parties. Expenses are recognized when incurred. Non-operating expenses are primarily debt service payments on outstanding Airport System debt, and non-operating income consists of interest income, gains and

CLARK COUNTY DEPARTMENT OF AVIATION
CLARK COUNTY, NEVADA
Notes to Financial Statements

For the Fiscal Years Ended June 30, 2012 and 2011

losses on derivative instruments, Passenger Facility Charge ("PFC") proceeds and Jet A fuel tax revenues.

(c) Cash and Cash Equivalents, Investments

(1) Cash and cash equivalents

The Department's pooled funds and short-term investments, with original maturities of three months or less from the date of acquisition, are considered to be cash equivalents. Refer to Note 2, "Cash and Investments," for further details.

(2) Investments

Investments, consisting of federal government obligations and repurchase agreements, guaranteed investment certificates, collateralized investment agreements, and money market funds, are stated at fair value. Investments in the County's pooled Treasurer's cash account are adjusted to market. Refer to Note 2, "Cash and Investments," for further details.

(d) Accounts Receivable

Accounts receivable are reported at their gross value when earned. The Department's collection terms are generally 20 days. The allowance for uncollectible accounts is based on a percentage of open aged receivables at June 30 of each fiscal year. As a customer's balance is deemed uncollectible, the receivable is cleared, and the amount is written off. If the balance is subsequently collected, payments are applied to the allowance account. Accounts receivable are shown net of the allowance for doubtful accounts in the amount of \$0.4 million for FY 2012 and \$0.6 million for FY 2011.

(e) Inventories

Inventories held for resale are valued at the lower of cost or market and consist primarily of jet fuel to be consumed by customers at the general aviation facilities as well as airline baggage tags and maintenance supplies at the Airport System. Expendable parts and supplies held for consumption over the course of the next fiscal year are valued at cost.

CLARK COUNTY DEPARTMENT OF AVIATION
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For the Fiscal Years Ended June 30, 2012 and 2011

(f) Capital Assets

Capital assets with a useful life of more than one year are capitalized and are stated at historical cost. The capitalization threshold is \$5,000. Costs related to the alteration or demolition of existing facilities during major expansion programs are capitalized as additional costs of the program. Depreciation is computed using the straight-line method based on useful lives currently estimated as follows:

Land Improvements	20-50 years
Buildings	20-50 years
Furniture and Fixtures	15 years
Machinery and Equipment	3-20 years

Repairs and maintenance are charged to operations as incurred unless they have the effect of improving or extending the life of an asset, in which case they are capitalized as part of the cost of the asset. Refer to Note 6, "Changes in Capital Assets," for further details.

(g) Capitalized Interest

For FY 2012, the Department used FASB Statement No. 34, *Capitalization of Interest Costs*, as amended, to compute annual capitalized interest expenses at the Airport System. The computed capitalized interest for FY 2012 was \$81.9 million and for FY 2011 was \$69.3 million.

(h) Due from Airlines

The Department deferred the airline additional amounts due from the rates and charges computation for the fiscal years ended June 30, 2008, 2009, and 2010 of \$15.0 million, \$31.5 million, and \$4.2 million respectively. For FY 2012 and FY 2011, there were no additional amounts due to or from the airlines under the terms of the new lease Agreement. The additional amounts were due as a result of residual rental rates and charges being calculated at year-end using actual, audited revenues and expenses versus budgeted revenues and expenses. These additional amounts due, which total \$50.7 million, have been included in the airline rates base for FY 2012, with the result being that the entire amount has been recovered by the Department in FY 2012.

CLARK COUNTY DEPARTMENT OF AVIATION
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Notes to Financial Statements

For the Fiscal Years Ended June 30, 2012 and 2011

(i) Deferred Charges

Deferred charges, which consist primarily of underwriter fees and other costs incurred during the issuance of general airport revenue bonds, are amortized over the lives of the related bonds using the interest method. Refer to Note 7, "Deferred Charges," for further details. Deferred charges include amounts that were due from the signatory airlines on June 30, 2007, and that were forgiven in FY 2008 in exchange for the net revenues (excluding land rent) from the Consolidated Rental Car Facility during its 10-year lease term. Deferred charges also include deferred losses which were incurred on the re-association and revaluation of interest rate swaps paired to certain bonds that were refunded and which are amortized on a straight-line basis against corresponding imputed debt over the life of the swap. Refer to Note 9, "Derivative Instruments – Interest Rate Swaps," for further details.

(j) Federal Grants

Federal Aviation Administration ("FAA") grants and Transportation Safety Administration grants are restricted for certain capital improvements and are reported as capital contributions in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, as amended by GASB Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*.

(k) Passenger Facility Charges ("PFC")

The FAA authorized the County to impose a PFC of \$3.00 per qualifying enplaned passenger commencing June 1, 1992. The PFC continued to be \$3.00 until November 1, 2004, when the FAA authorized the County to increase the PFC to \$4.50. Effective September 1, 2006, the PFC rate decreased from \$4.50 per qualifying enplaned passenger to \$3.00 pursuant to authorization from the FAA. Effective January 1, 2007, the PFC rate increased from \$3.00 per qualifying enplaned passenger to \$4.00 through the fiscal year ended June 30, 2008. Effective October 1, 2008, the PFC rate increased to \$4.50 per qualifying enplaned passenger.

Net PFC receipts are restricted and can be used only for those capital projects, including debt service, that have been authorized by the FAA. The County has been authorized to collect PFCs in an aggregate amount of \$4.6 billion. Collections during the year ended June 30, 2012, are \$79.6 million, and aggregate collections including interest from inception through June 30, 2012, are \$1,138.6 million. All the PFC collections are used to pay debt service on PFC-pledged bonds or subordinate lien bonds issued to fund FAA-approved projects.

CLARK COUNTY DEPARTMENT OF AVIATION
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Notes to Financial Statements

For the Fiscal Years Ended June 30, 2012 and 2011

(l) Restricted Assets and Liabilities

Restricted assets consist of cash, investments, and other resources that are legally restricted to certain uses pursuant to the Master Indenture of Trust dated May 1, 2003. Capital program funds are restricted to pay the cost of certain capital projects as defined in various bond ordinances. PFC program funds are restricted to pay the cost of FAA-approved capital projects and any debt service incurred to finance these projects. Debt service funds are restricted to sourcing payments for principal, interest, sinking funds, and coverage as required by specific bond covenants.

(m) Budgetary Control

As an enterprise fund of the County, the Department is subject to the budgetary requirements of the State of Nevada ("State"), including budgetary hearings and public meetings as required by the County's overall budget process. Accordingly, the Board approves the Department's annual budget and any subsequent changes thereto. The Department's budget is prepared using the accrual basis of accounting, and actual expenses cannot exceed total budgeted operating expenses without action pursuant to the State's budgetary requirements. Appropriations for operating expenses lapse at the end of each fiscal year.

(n) Legal Defense Costs

The Department does not accrue for estimated future legal costs and related defense costs, if any, to be incurred in connection with outstanding or threatened litigation and other disputed matters; instead, it records these costs as period costs when the related services are rendered.

(o) Use of Estimates

The preparation of financial statements in accordance with U.S. Generally Accepted Accounting Principles requires the Department to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates and assumptions.

(p) Reclassifications

Certain FY 2011 amounts have been reclassified to conform to the FY 2012 presentation. Net Assets Invested in Capital Assets, net of Related Debt and Restricted for Debt Service, were disassociated from unrelated debt which was applied against Restricted for Capital Projects.

CLARK COUNTY DEPARTMENT OF AVIATION
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For the Fiscal Years Ended June 30, 2012 and 2011

2.) CASH AND INVESTMENTS

According to State statutes, County monies must be deposited with federally insured banks, credit unions, or savings and loan associations within the County. The County is authorized to use demand accounts, time accounts, and certificates of deposit. State statutes do not specifically require collateral for demand deposits, but do specify that collateral for time deposits may be of the same type as those described for permissible investments. Permissible investments are similar to the allowable County investments described below, except that the statutes permit a longer term and include securities issued by municipalities within Nevada. The County's deposits are fully covered by federal depository insurance or collateral held by the County's agent in the County's name. The County has written custodial agreements in force with the various financial institutions' trust banks for demand deposits and certificates of deposits. These custodial agreements pledge securities totaling 102 percent of the deposits with each financial institution. The County has a written agreement with the State Treasurer for monitoring the collateral maintained by the County's depository institutions.

The majority of all cash and investments of the Airport System are included in the investment pool of the Clark County Treasurer ("Treasurer") and the Department's Trustee, the Bank of New York Mellon. As of June 30, these amounts are distributed as follows:

Clark County Investment Pool:

	FY 2012 (000)	2011 (000)
Clark County Investment Pool	\$ 434,903	\$ 488,196
Cash and Investments with Trustee	510,459	832,045
Cash on Hand or In Transit	4,363	3,033
Total	\$ 949,725	\$ 1,323,274

The Treasurer invests monies held by both individual funds and through a pooling of monies. The pooled monies, referred to as the Clark County Investment Pool, are invested as a whole and not as a combination of monies from each fund belonging to the pool. In this manner, the Treasurer is able to invest the monies at a higher interest rate for a longer period of time. Interest is apportioned to each participating department or agency on a monthly basis and is based on the average daily cash balance of the fund for the month in which the investments mature.

Nevada Revised Statutes do not specifically require collateral for demand and time deposits, but do specify that collateral for time deposits may be of the same type as those described for permissible State investments. Permissible State investments are similar to allowable County investments described below except that some State investments are longer term and include securities issued by municipalities outside the State of Nevada.

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Due to the nature of the investment pool, it is not possible to separately identify any specific investment as being that of the Department. Instead, the Department owns a proportionate share of each investment, based on the Department's participation percentage in the investment pool. As of June 30, 2012, the \$434.9 million of the Department's investments held in the investment pool are categorized as follows:

Investment Type	Fair Value	Investment Maturities (in years)				
		Less than 1	1 to 3	3 to 5	5 to 10	Over 10
Debt Securities:						
U.S. Treasury Obligations	11.6%	22.7%	77.3%	0.0%	0.0%	0.0%
U.S. Agency Obligations	59.3%	19.0%	59.9%	17.4%	3.7%	0.0%
Corporate Obligations	7.8%	52.9%	38.3%	8.8%	0.0%	0.0%
Money Market Funds	0.1%	100.0%	0.0%	0.0%	0.0%	0.0%
Local Government Investment Pool	0.2%	100.0%	0.0%	0.0%	0.0%	0.0%
Commercial Paper	3.5%	100.0%	0.0%	0.0%	0.0%	0.0%
Certificate of Deposit	4.2%	100.0%	0.0%	0.0%	0.0%	0.0%
Repurchase Agreements	10.8%	100.0%	0.0%	0.0%	0.0%	0.0%
Collateralized Mortgage Obligations	0.9%	0.0%	2.1%	15.4%	76.2%	6.3%
Asset Backed Securities	1.6%	0.0%	67.9%	24.0%	8.1%	0.0%
	100.0%	25.5%	57.0%	13.8%	3.6%	0.1%

As of June 30, 2011, the \$488.2 million of the Department's investments held in the investment pool were categorized as follows:

Investment Type	Fair Value	Investment Maturities (in years)				
		Less than 1	1 to 3	3 to 5	5 to 10	Over 10
Debt Securities:						
U.S. Treasury Obligations	21.9%	26.2%	73.8%	0.0%	0.0%	0.0%
U.S. Agency Obligations	62.6%	20.3%	63.2%	16.5%	0.0%	0.0%
Corporate Obligations	4.8%	21.4%	58.9%	19.7%	0.0%	0.0%
Money Market Funds	0.2%	100.0%	0.0%	0.0%	0.0%	0.0%
Local Government Investment Pool	1.6%	100.0%	0.0%	0.0%	0.0%	0.0%
Commercial Paper	6.0%	100.0%	0.0%	0.0%	0.0%	0.0%
Collateralized Mortgage Obligations	1.1%	2.0%	12.7%	6.0%	70.4%	8.9%
Asset Backed Securities	1.8%	0.0%	36.6%	53.0%	10.4%	0.0%
	100.0%	27.3%	59.3%	12.3%	1.0%	0.1%

(a) Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. Through its investment policy, the County manages its exposure to fair value losses arising from increasing interest rates by limiting the average weighted duration of its investment pool to

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fewer than 2.5 years. Duration is a measure of the present value of a fixed income security's cash flows and is used to estimate the sensitivity of a security's price to interest rate changes.

(b) Interest Rate Sensitivity

At June 30, 2012, the County invested in the following types of securities that have a higher sensitivity to interest rates:

Callable securities are directly affected by the movement of interest rates. Callable securities allow the issuer to redeem or call a security before maturity, either one time or, generally, on coupon dates.

Asset Backed Securities are financial securities backed by a loan, lease, or receivable against assets other than real estate and mortgage backed securities. These securities are subject to interest rate risk in that the value of the assets fluctuates inversely with changes in the general levels of interest rates.

A *Corporate Note Floater* is a note with a variable interest rate that is usually, but not always, tied to an index.

Step up or step down securities have fixed rate coupons for a specific time interval that will step-up or step-down a predetermined number of basis points at scheduled coupon dates or other reset dates. These securities are callable either one time or on their coupon dates.

(c) Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's investment policy applies the prudent-person rule: "In investing the County's monies, there shall be exercised the judgment and care under the circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." The County's investments were rated by Standard & Poor's ("S&P") and Moody's Investors Service ("Moody's"), respectively, as follows:

	<u>S&P</u>	<u>Moody's</u>
U.S. Treasury bills	AA+	Aaa
U.S. Treasury Securities	AA+	Aaa
U.S. Federal Agency Bonds	AA+	Aaa
Discount Notes of U.S. Federal agencies	A-1	P-1
Corporate Obligation/Notes	A	A2
Money Market Funds	AAA	Aaa

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Negotiable Certificates of Deposit	A-1	P-1
Commercial Paper [Discounts]	A-1	P-1
Collateralized Mortgage Obligations	AA+	Aaa
Asset-Backed Securities	AAA	Aaa

(d) Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County's investment policy limits the amount that may be invested in obligations of any one issuer, except direct obligations of the U.S. government or federal agencies, to no more than five percent of the County Investment Pool.

At June 30, 2012, the following investments exceeded five percent of the total cash, investments, and loaned securities invested for all entities combined:

Federal Farm Credit Banks (FFCB)	12.44%
Federal Home Loan Banks (FHLB)	10.48%
Federal Home Loan Mortgage Corporation	26.13%
Federal National Mortgage Association	20.42%
Money Market Fund	5.98%

As of June 30, 2011, the following investments exceeded five percent of the total cash, investments, and loaned securities invested for all entities combined:

Federal Farm Credit Banks (FFCB)	9.22%
Federal Home Loan Banks (FHLB)	17.31%
Federal Home Loan Mortgage Corporation	18.23%
Federal National Mortgage Association	18.78%

(e) Securities Lending

Nevada Revised Statute (NRS) §355.178 authorizes the County to participate in securities lending transactions, where the County's securities are loaned to brokers, dealers, and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The County's securities lending agent administers the securities lending program and receives cash or other securities equal to at least 102 percent of the fair value of the loaned securities plus accrued interest as collateral for securities of the type on loan at year end. The collateral for the loans is maintained at 102 percent, and the value of the securities borrowed is determined on a daily basis.

At June 30, 2012, the County had no credit exposure to borrowers because the amount the County held as collateral exceeded the amounts the borrowers owed to the County. The contract with the

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securities lending agent requires it to indemnify the County for all losses relating to securities lending transactions.

The County does not have the ability to pledge or sell collateral securities without a borrower default. There were no borrower defaults during the fiscal reporting period, nor were there any prior period losses to recover.

State statutes place no restrictions on the amount of securities that can be loaned. Either the County or the borrower can terminate all open securities loans on demand. Cash collateral is invested in accordance with the investment guidelines stated in NRS §355.170. The County investment policy requires that the aggregate reinvestment of the cash collateral may not be mismatched to the aggregate securities loaned by more than three business days. In making this determination, the final maturity or interest rate reset date is utilized. Such amounts are included in loaned securities in investments and liabilities.

The fair value of the securities on loan allocated to the Department in FY 2012 and FY 2011 was \$87.1 million and \$62.6 million, respectively. The Department was allocated cash collateral with a value of \$89.3 million in FY 2012 and \$65.4 million in FY 2011.

The County adjusts the investments in the Treasurer Investment Pool to market and allocates the adjustment to the various participants. For FY 2012 and FY 2011, the Department's allocated portion of the market adjustment was \$2.1 million and \$4.0 million, respectively.

(f) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the County's securities lending policy, \$749.2 million was held by the counterparty that was acting as the County's agent in securities lending transactions, and this amount consisted of U.S. corporate obligations, U.S. government and agencies, certificates of deposit, commercial paper, and repurchase agreements.

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(g) Trustee Cash

In accordance with the Master Indenture of Trust dated May 3, 2003, as amended, between the County and the Bank of New York Mellon ("Trustee"), the Department uses the Trustee to retain all debt service reserve funds and to make all annual debt service payments to bondholders. As of June 30, 2012, the Trustee held \$510.5 million of the Department's cash and investments restricted for debt service reserves and annual debt service payments. As of June 30, 2011, the Trustee held \$832.0 million in the Department's cash and investments.

As of June 30, 2012, of the \$510.5 million held by the Trustee, \$253.5 million in cash and cash equivalents was invested in United States Government Money Market Funds, \$36.9 million was invested in Federal Agency Discounts with a maturity of less than three months from the date of acquisition, and \$220.0 million was invested in short- and long-term investments with the following entities:

Investment Type	Fair Value FY 2012 (000)	Investment Maturities (in Years)				
		Less Than 1	1 to 3	3 to 5	5 to 10	Over 10
Federal Home LN MTG CORP DISC NTS	\$ 81,872	\$ 81,872	\$ -	\$ -	\$ -	\$ -
Federal Home LN MTG CORP DEB	63,391	31,714	31,677	-	-	-
US Treasury Notes	59,903	572	59,331	-	-	-
FSA Collateralized Investment Agreement*	14,868	-	-	-	-	14,868
	<u>\$ 220,034</u>	<u>\$ 114,158</u>	<u>\$ 91,009</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,868</u>

* Series 2007A Debt Service Reserve Fund invested through the life of the bond issue, July 1, 2040.

Investment Ratings	Standard & Poor's	Moody's
Federal Home LN MTG CORP DISC NTS	A-1	P-1
Federal Home LN MTG CORP DEB	AA+	Aaa
US Treasury Notes	AA+	Aaa
FSA Collateralized Investment Agreement*	AA	Aa

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As of June 30, 2011, of the \$832.0 million held by the Trustee, \$206.1 million in cash and cash equivalents was invested in Federated Government Funds money market funds, and \$625.9 million was invested in short- and long-term investments with the following entities:

Investment Type	Fair Value FY 2011 (000)	Investment Maturities (in Years)				
		Less Than 1	1 to 3	3 to 5	5 to 10	Over 10
FSA Collateralized Investment Agreement *	\$ 14,868	\$ -	\$ -	\$ -	\$ -	\$ 14,868
Morgan Stanley Collateralized Investment Agreeeme	2,593	2,593	-	-	-	-
U.S. Treasury Notes	60,454	274	1,446	58,734	-	-
Federal Home LN MTG CORP DISC NTS	460,005	460,005	-	-	-	-
Federal National Mortgage Association Discount NT	87,950	87,950	-	-	-	-
	<u>\$ 625,870</u>	<u>\$ 550,822</u>	<u>\$ 1,446</u>	<u>\$ 58,734</u>	<u>\$ -</u>	<u>\$ 14,868</u>

* Series 2007A Debt Service Reserve Fund invested through the life of the bond issue, July 1, 2040.

Investment Ratings	Standard & Poor's	Moody's
FSA Collateralized Investment Agreement	AA	Aa
Morgan Stanley Collateralized Investment Agreeeme	A	A
U.S. Treasury Notes	AAA	Aaa
Federal Home LN MTG CORP DISC NTS	A-1	P-1
Federal National Mortgage Association Discount NT	A-1	P-1

3.) GRANTS RECEIVABLE

Grants receivable include FAA grants in the amount of \$6.2 million at June 30, 2012. Grants receivable at June 30, 2011, include FAA grants in the amount of \$0.9 million.

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4.) RESTRICTED ASSETS

The Master Indenture of Trust requires segregation of certain assets into restricted accounts. The Department has also included Passenger Facility Charges and Jet A fuel tax revenue-related assets as restricted assets because these assets have been pledged for capital projects and debt service.

Restricted assets reported in the financial statements consist of the following:

	June 30,	
	2012 (000)	2011 (000)
Restricted for capital projects:		
Cash and investments - PFC and other bond proceeds	\$ 166,102	\$ 566,564
Cash and investments - Passenger facility charges	15,542	12,943
Accounts receivable - Passenger facility charges	12,262	11,739
Grant reimbursements receivable	1,049	541
Interest receivable	252	659
	<u>195,207</u>	<u>592,446</u>
Restricted for debt service:		
Bond fund:		
Cash and investments - PFC bonds	53,466	53,516
Cash and investments - Other bonds	240,402	243,710
	<u>293,868</u>	<u>297,226</u>
Debt service reserves:		
Cash and investments - PFC bonds	89,182	88,867
Cash and investments - Other bonds	90,540	125,121
	<u>179,722</u>	<u>213,988</u>
Subordinate and other debt coverage reserves:		
Cash and investments	24,094	23,804
Interest receivable	5	3
Other receivable - Jet A fuel taxes	1,338	1,289
	<u>25,437</u>	<u>25,096</u>
	<u>499,027</u>	<u>536,310</u>
Other restricted assets:		
Cash and investments - Working capital and contingencies	18,664	18,113
Cash and investments - Capital fund	20,765	10,362
Securities lending collateral	87,070	62,631
Land - Heliport facility	3,718	3,718
Land - Henderson Runway BLM	9,300	-
	<u>139,517</u>	<u>94,824</u>
	<u>\$ 833,751</u>	<u>\$ 1,223,580</u>
Restricted assets by class:		
Total current assets	\$ 714,857	\$ 1,145,090
Total capital assets	13,018	3,718
Total non-current assets	105,876	74,772
	<u>\$ 833,751</u>	<u>\$ 1,223,580</u>

Restricted assets for FY 2012 decreased \$398.8 million over FY 2011 due to the expenditure of cash restricted for capital projects, which was used to finance ongoing capital projects.

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5.) RETIREMENT PLAN

(a) Pension Plan

The Department contributes to the Public Employees' Retirement System ("PERS"), a cost-sharing, multiple-employer defined benefit pension plan administered by the Nevada Public Employees' Retirement System. PERS provides retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS was established by legislation in 1947 and is governed by a board that is responsible for the administration and management of the fund. The autonomous, seven-member board is appointed by the Governor. PERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. The report can be obtained by writing to Public Employees' Retirement System of Nevada, 693 W. Nye Lane, Carson City, NV 89703-1599 or by calling (775) 687-4200.

Contribution rates are established by NRS §286.410. The statute provides for increases in odd-numbered years to an actuarially determined rate sufficient to amortize the unfunded liability of PERS to zero over a 30-year amortization period. The Department is obligated to contribute all amounts due under PERS. The PERS contribution rate in effect for the fiscal years ended June 30, 2012, 2011, and 2010 was 23.75 percent, 21.50 percent, and 21.50 percent of annual covered payroll, respectively. The Department's contribution to PERS, which was equal to the required contribution, for the years ended June 30, 2012, 2011, and 2010 was \$17.1 million, \$16.0 million, and \$16.0 million, respectively.

(b) Other Postemployment Benefits

Plan Information

Retirees of the Department may continue insurance coverage through the Clark County Retiree Health Program ("County Plan"), an agent multiple-employer defined benefit plan, if enrolled as an active employee at the time of retirement. Within the County Plan, retirees may choose between the Clark County Self-Funded Group Medical and Dental Benefits Plan ("Self-Funded Plan") and Health Plan of Nevada ("HPN"), a fully insured health maintenance organization plan.

Some retired employees are also enrolled in the State program of insurance. This program, the Public Employees' Benefits Program ("PEBP"), is an agent multiple-employer, defined benefit plan.

Each plan provides medical, dental, prescription, and vision benefits to eligible active and retired employees and beneficiaries. Except for the PEBP, benefit provisions are established and amended

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through negotiations between the County and the employee union. PEBP benefit provisions are established by the Nevada State Legislature.

The Self-Funded Plan is not administered as a qualifying trust or equivalent arrangement. The Self-Funded Plan is included in the Clark County Comprehensive Annual Financial Report as an internal service fund, the Self-Funded Group Insurance fund, as required by NRS.

The PEBP issues a publicly available financial report that includes financial statements and required supplementary information. The Self-Funded and PEBP reports may be obtained by writing or calling the plans at the following addresses or phone number:

Clark County, Nevada
PO Box 551210
500 S. Grand Central Parkway
Las Vegas, NV 89155-1210

Public Employee Benefit Plan
901 South Stewart Street, Suite 1001
Carson City, Nevada 89701
(800) 326-5496

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Funding Policy and Annual Other Postemployment Benefit (OPEB) Cost

For the Self Funded Plan and HPN, contribution requirements of plan members and the employer are established and may be amended through negotiations between the various unions and the governing bodies of the employers.

The Department pays approximately 90 percent of premiums for active employee coverage, an average of \$7,780 per active employee for the year ended June 30, 2012. Retirees pay the entire cost of their premium. Active and retiree loss experience is combined to create a single, blended premium for each level of coverage (member only, member plus spouse, member plus children, or family), as required by State law. This combining of loss experience creates an implicit subsidy to the retirees who would otherwise pay higher premiums if their loss experience were rated separately.

The Department is required to pay the PEBP an explicit subsidy, based on years of service, for retirees who enrolled in this plan. In 2012, retirees were eligible for a \$105 per month subsidy after five years of service and up to \$575 per month after 20 years of service with a Nevada state or local government entity. The subsidy is set by the State Legislature.

The annual OPEB cost for each program is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Department's annual OPEB cost for the current year and the related information for each plan are as follows:

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Contribution rates	Self-Funded/Health Plan of Nevada (HPN) Actuarially determined, premium sharing determined by union contracts.	PEBP Set by State Legislature.		
Department	Implicit subsidy through blending of active and retiree loss experience.	\$105 per month after 5 years of service up to \$575 per month after 20 years.		
Plan Members	From \$159 per month for individual coverage to \$1,427 per month for family coverage, depending on plan.	From \$495 to \$1,716, depending on level of coverage and subsidy earned.		
	FY 2012	FY 2011	FY 2012	FY 2011
Annual Required Contribution (ARC)	\$ 11,180,671	\$ 11,113,276	\$ 1,009,303	\$ 1,003,219
Interest on Net OPEB obligation	989,279	614,821	94,990	59,035
Adjustment to ARC	<u>(1,498,440)</u>	<u>(857,204)</u>	<u>(79,359)</u>	<u>(82,308)</u>
Annual OPEB Cost	10,671,510	10,870,893	1,024,934	979,946
Contributions made	<u>(1,276,192)</u>	<u>(1,441,472)</u>	<u>(243,401)</u>	<u>(277,721)</u>
Increase (decrease) in net OPEB obligation	9,395,318	9,429,421	781,533	702,225
Net OPEB obligation, beginning of FY	<u>24,949,295</u>	<u>15,519,874</u>	<u>1,486,778</u>	<u>784,553</u>
Net OPEB obligation, end of FY	<u><u>\$ 34,344,613</u></u>	<u><u>\$ 24,949,295</u></u>	<u><u>\$ 2,268,311</u></u>	<u><u>\$ 1,486,778</u></u>

The Department's net OPEB obligation is included on the Statements of Net Assets under other non-current liabilities. The Department's annual OPEB cost, the percentage of annual cost contributed to the plan, and the net OPEB obligations for 2012, 2011, and 2010 were as follows:

	Year-ended	Annual OPEB cost	% of OPEB cost contribution	Net OPEB obligation
Self-funded/HPN	June 30, 2010	\$ 6,790,801	13.2%	\$ 15,519,874
Self-funded/HPN	June 30, 2011	\$ 10,870,893	13.3%	\$ 24,949,295
Self-funded/HPN	June 30, 2012	\$ 10,671,510	12.0%	\$ 34,344,613
PEBP plan	June 30, 2010	\$ 967,687	68.2%	\$ 784,553
PEBP plan	June 30, 2011	\$ 979,946	28.3%	\$ 1,486,778
PEBP plan	June 30, 2012	\$ 1,024,934	23.7%	\$ 2,268,311

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Funded status and funding progress

The funded status of the plans as of the most recent actuarial date, July 1, 2010, was as follows:

	Self funded/ HPN		PEBP
Actuarial accrued liability (a)	\$ 95,469,098		\$ 17,417,513
Funded ratio		0.0%	0.0%
Covered payroll (c)	\$ 76,755,580	\$	-
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll [(a) / (c)]		124.4%	N/A*

*PEBP no longer has active employees effective 9/1/08.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions of the employer are subject to continual revision, as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows, in future years, whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial methods and assumptions

Projections of benefits are based on the substantive plans (the plans as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Department and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions are as follows:

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	Self-funded	
	HPN	PEBP
Actuarial valuation date	7/1/2010	7/1/2010
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar	Level dollar
Remaining amortization period	30 years, open	30 years, open
Asset valuation method	No assets in trust	No assets in trust
Actuarial assumptions:		
Investment rate of return	4.00%	4.00%
Projected salary increase	N/A	N/A
Healthcare inflation rate	10% initial 5% ultimate	8% initial 5% ultimate

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For the Fiscal Years Ended June 30, 2012 and 2011

6.) CHANGES IN CAPITAL ASSETS

The following schedule details the additions, retirements, and transfers of capital assets during FY 2012. The schedule also details the changes in accumulated depreciation for FY 2012.

	Balance Jun. 30, 2011 (000)	Additions and Reclasses (000)	Deletions and Reclasses (000)	Balance June 30, 2012 (000)
Capital Assets, not being depreciated:				
Land	\$ 584,845	\$ 10,293	\$ -	\$ 595,138
Avigation easement	294,284	-	-	294,284
Construction in progress	2,060,656	293,510	(2,312,011)	42,155
Total capital assets, not being depreciated:	2,939,785	303,803	(2,312,011)	931,577
Capital assets, being depreciated:				
Land Improvements	1,305,501	294,320	(6,749)	1,593,072
Buildings and improvements	1,752,707	1,820,129	(71,639)	3,501,197
Machinery and equipment	294,532	170,161	(9,056)	455,637
Furniture and fixtures	17,347	30,798	(52)	48,093
Total capital assets being depreciated:	3,370,087	2,315,408	(87,496)	5,597,999
Less accumulated depreciation:				
Land improvements	(558,605)	(56,761)	6,913	(608,453)
Buildings and improvements	(558,914)	(56,049)	41,053	(573,910)
Machinery and equipment	(171,146)	(22,297)	8,372	(185,071)
Furniture and fixtures	(14,191)	(1,007)	41	(15,157)
Total accumulated depreciation	(1,302,856)	(136,114)	56,379	(1,382,591)
Total capital assets being depreciated, net	2,067,231	2,179,294	(31,117)	4,215,408
Governmental activities capital assets, net	\$ 5,007,016	\$ 2,483,097	\$ (2,343,128)	\$ 5,146,985

	Balance Jun. 30, 2010 (000)	Additions and Reclasses (000)	Deletions and Reclasses (000)	Balance June 30, 2011 (000)
Capital Assets, not being depreciated:				
Land	\$ 579,586	\$ 5,259	\$ -	\$ 584,845
Avigation easement	294,284	-	-	294,284
Construction in progress	1,561,160	605,698	(106,202)	2,060,656
Total capital assets, not being depreciated:	2,435,030	610,957	(106,202)	2,939,785
Capital assets, being depreciated:				
Land Improvements	1,233,898	71,603	-	1,305,501
Buildings and improvements	1,744,165	21,773	(13,231)	1,752,707
Machinery and equipment	281,138	14,031	(637)	294,532
Furniture and fixtures	17,253	135	(41)	17,347
Total capital assets being depreciated:	3,276,454	107,542	(13,909)	3,370,087
Less accumulated depreciation:				
Land improvements	(503,302)	(55,303)	-	(558,605)
Buildings and improvements	(505,940)	(54,028)	1,054	(558,914)
Machinery and equipment	(148,988)	(22,759)	601	(171,146)
Furniture and fixtures	(13,038)	(1,194)	41	(14,191)
Total accumulated depreciation	(1,171,268)	(133,284)	1,696	(1,302,856)
Total capital assets being depreciated, net	2,105,186	(25,742)	(12,213)	2,067,231
Governmental activities capital assets, net	\$ 4,540,216	\$ 585,215	\$ (118,415)	\$ 5,007,016

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7.) DEFERRED CHARGES

Deferred charges for fiscal years 2012 and 2011 are as follows:

	June 30, 2012 (000)	June 30, 2011 (000)
Bond Issue or Swap Issuance Expenses		
1993 Series A	\$ -	\$ 98
1998 PFC	530	592
2002 PFC	4	35
2003 Series B General Obligation	343	374
2003 Series C Jet A Fuel Tax	1,541	1,803
2004 Series A-1	1,098	1,264
2004 Series A-2	3,124	3,289
2005 Series A Senior	834	866
2006 Series A	415	446
2007 Series A-1 PFC	976	1,064
2007 Series A-2 PFC	854	912
2007 Series A-1	1,274	1,426
2007 Series A-2	685	713
2008 Series A General Obligation	227	242
2008 Series A PFC	410	530
2008 Series A-2	399	1,433
2008 Series B-2	399	1,433
2008 Series C	981	1,043
2008 Series D-1	200	225
2008 Series D-2	799	845
2008 Series D-3	438	458
2008 Series E	105	176
2009 Series A and 2009 Swaps	4,445	4,667
2009 Series B Build America Bonds	3,046	3,163
2009 Series C	1,057	1,144
2010 Interest Swap Contract Cost	1,365	1,414
2010 Series A PFC	4,392	4,576
2010 Series B	2,251	2,338
2010 Series C Build America Bonds	3,931	4,060
2010 Series D	695	781
2010 Series E Junior Lien Notes	-	812
2010 Series F-1 PFC	420	570
2010 Series F-2 PFC	401	451
2011 Interest Swap Contract Cost	1,748	1,824
2011 Series B-1	339	-
2011 Series B-2	285	-
2012 Series A-1	23	-
2012 Series A-2	16	-
2012 Series B PFC	50	-
Total Bond Issue or Swap Issuance Expenses	40,100	45,067
Unamortized Consolidated Rental Car Lease Cos	13,396	16,216
Deferred Loss on Imputed Debt (see Note 9)	30,234	11,681
	\$ 83,730	\$ 72,964

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For the Fiscal Years Ended June 30, 2012 and 2011

8.) LONG-TERM DEBT

(a) Summary of Long-Term Debt Transactions for the Fiscal Years Ended June 30, 2012 and 2011

Long-term Debt as of June 30, 2012

	Balance June 30, 2011 (000)	Additions (000)	Refunding (000)	Pay downs (000)	Balance June 30, 2012 (000)	
SENIOR LIEN BONDS:						
1993 Series A	\$ 66,600	\$ -	\$ -	\$ 32,200	\$ 34,400	1
2005 Series A	69,590	-	-	-	69,590	2
2008 Series E	51,970	-	-	9,220	42,750	2
2009 Series B Build America Bonds	300,000	-	-	-	300,000	2
2010 Series C Build America Bonds	454,280	-	-	-	454,280	2
2010 Series D	132,485	-	-	-	132,485	2
Sub-Total Senior Lien Bonds	<u>1,074,925</u>	<u>-</u>	<u>-</u>	<u>41,420</u>	<u>1,033,505</u>	
SUBORDINATE LIEN BONDS:						
2004 Series A-1	128,430	-	-	-	128,430	2
2004 Series A-2	232,725	-	-	-	232,725	2
2006 Series A	50,940	-	-	18,355	32,585	2
2007 Series A-1	150,400	-	-	-	150,400	2
2007 Series A-2	56,225	-	-	-	56,225	2
2008 Series A	150,000	-	100,000	-	50,000	1
2008 Series B	150,000	-	100,000	-	50,000	1
2008 Series C	266,000	-	-	100	265,900	1
2008 Series D-1	58,920	-	-	-	58,920	1
2008 Series D-2	199,605	-	-	-	199,605	1
2008 Series D-3	122,865	-	-	-	122,865	1
2009 Series C	168,495	-	-	-	168,495	2
2010 Series B	350,000	-	-	-	350,000	2
2011 Series B-1	-	100,000	-	-	100,000	1
2011 Series B-2	-	100,000	-	-	100,000	1
Sub-Total Subordinate Lien Bonds	<u>2,084,605</u>	<u>200,000</u>	<u>200,000</u>	<u>18,455</u>	<u>2,066,150</u>	
PFC BONDS:						
1998 PFC	81,690	-	-	-	81,690	2
2002 PFC	8,605	-	-	2,960	5,645	2
2007 Series A-1	113,510	-	-	1,305	112,205	2
2007 Series A-2	105,475	-	-	-	105,475	2
2008 Series A	109,585	-	-	9,240	100,345	2
2010 Series A	450,000	-	-	-	450,000	2
2010 Series F-1	104,160	-	-	14,095	90,065	2
2010 Series F-2	100,000	-	-	-	100,000	1
Sub-Total PFC Bonds	<u>1,073,025</u>	<u>-</u>	<u>-</u>	<u>27,600</u>	<u>1,045,425</u>	
THIRD LIEN BONDS:						
2003 General Obligation Series B	37,000	-	-	-	37,000	2
2003 Jet A Fuel Tax Series C	93,195	-	-	3,790	89,405	2
2008 General Obligation Series A	43,105	-	-	-	43,105	1
Sub-Total Third Lien Bonds	<u>173,300</u>	<u>-</u>	<u>-</u>	<u>3,790</u>	<u>169,510</u>	
BOND ANTICIPATION NOTES:						
2010 Series E	200,000	-	-	-	200,000	3
2011 Series A	100,000	-	-	100,000	-	3
Sub-Total Bond Anticipation Notes	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>200,000</u>	
Total principal outstanding	<u>4,705,855</u>	<u>200,000</u>	<u>200,000</u>	<u>191,265</u>	<u>4,514,590</u>	
Less:						
Current portion	191,265				105,535	
Unamortized premiums	(68,614)				(53,082)	
Unamortized deferred amount on refundings	42,487				39,395	
Unamortized discount	32,186				30,326	
Imputed borrowing from termination of hedging	(11,681)				(30,234)	
Total long-term debt outstanding	<u>\$ 4,520,212</u>				<u>\$ 4,422,650</u>	

1 Variable Rate Debt Obligations

2 Fixed Rate Bonds

3 Bond Anticipation Notes

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Long-term Debt as of June 30, 2011

	Balance June 30, 2010 (000)	Additions (000)	Refunding (000)	Pay downs (000)	Balance June 30, 2011 (000)	
SENIOR LIEN BONDS:						
1993 Series A	\$ 96,700	\$ -	\$ -	\$ 30,100	\$ 66,600	1
2005 Series A	69,590	-	-	-	69,590	2
2008 Series E	61,165	-	-	9,195	51,970	2
2009 Series B Build America Bonds	300,000	-	-	-	300,000	2
2010 Series C Build America Bonds	454,280	-	-	-	454,280	2
2010 Series D	132,485	-	-	-	132,485	2
Sub-Total Senior Lien Bonds	<u>1,114,220</u>	<u>-</u>	<u>-</u>	<u>39,295</u>	<u>1,074,925</u>	
SUBORDINATE LIEN BONDS:						
1998 Series A	8,470	-	-	8,470	-	2
2004 Series A-1	128,430	-	-	-	128,430	2
2004 Series A-2	232,725	-	-	-	232,725	2
2006 Series A	63,405	-	-	12,465	50,940	2
2007 Series A-1	150,400	-	-	-	150,400	2
2007 Series A-2	56,225	-	-	-	56,225	2
2008 Series A	150,000	-	-	-	150,000	1
2008 Series B	150,000	-	-	-	150,000	1
2008 Series C	266,000	-	-	-	266,000	1
2008 Series D-1	58,920	-	-	-	58,920	1
2008 Series D-2	199,605	-	-	-	199,605	1
2008 Series D-3	122,865	-	-	-	122,865	1
2009 Series C	168,495	-	-	-	168,495	2
2010 Series B	350,000	-	-	-	350,000	2
Sub-Total Subordinate Lien Bonds	<u>2,105,540</u>	<u>-</u>	<u>-</u>	<u>20,935</u>	<u>2,084,605</u>	
PFC BONDS:						
1998 PFC	81,690	-	-	-	81,690	2
2002 PFC	13,940	-	-	5,335	8,605	2
2005 Series A-1	115,000	-	109,500	5,500	-	1
2005 Series A-2	114,900	-	109,300	5,600	-	1
2007 Series A-1	113,510	-	-	-	113,510	2
2007 Series A-2	105,475	-	-	-	105,475	2
2008 Series A	115,845	-	-	6,260	109,585	2
2010 Series A	450,000	-	-	-	450,000	2
2010 Series F-1	-	104,160	-	-	104,160	2
2010 Series F-2	-	100,000	-	-	100,000	1
Sub-Total PFC Bonds	<u>1,110,360</u>	<u>204,160</u>	<u>218,800</u>	<u>22,695</u>	<u>1,073,025</u>	
THIRD LIEN BONDS:						
2003 General Obligation Series B	37,000	-	-	-	37,000	2
2003 Jet A Fuel Tax Series C	96,420	-	-	3,225	93,195	2
2008 General Obligation Series A	43,105	-	-	-	43,105	1
Sub-Total Third Lien Bonds	<u>176,525</u>	<u>-</u>	<u>-</u>	<u>3,225</u>	<u>173,300</u>	
BOND ANTICIPATION NOTES:						
2010 Series E	300,000	-	100,000	-	200,000	3
2011 Series A	-	100,000	-	-	100,000	3
Sub-Total Bond Anticipation Notes	<u>300,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>300,000</u>	
Total principal outstanding	<u>4,806,645</u>	<u>304,160</u>	<u>318,800</u>	<u>86,150</u>	<u>4,705,855</u>	
Less:						
Current portion	86,150				191,265	
Unamortized premiums	(73,414)				(68,614)	
Unamortized deferred amount on refundings	45,326				42,487	
Unamortized discount	34,046				32,186	
Imputed borrowing from termination of hedging	-				(11,681)	
Total long-term debt outstanding	<u>\$ 4,714,537</u>				<u>\$ 4,520,212</u>	

1 Variable Rate Debt Obligations

2 Fixed Rate Bonds

3 Bond Anticipation Notes

CLARK COUNTY DEPARTMENT OF AVIATION
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(b) Senior Lien Bonds

The issuance of senior lien bonds is authorized pursuant to the Nevada Municipal Airports Act (NRS §§496.010 *et seq.*), the Nevada Local Government Securities Law (NRS §§350.500 *et seq.*), and the Nevada Registration of Public Securities Law (NRS §§348.010 *et seq.*). All senior lien bonds are issued in accordance with the Master Indenture of Trust ("Indenture") dated May 1, 2003, between Clark County and The Bank of New York Mellon Trust Company, N.A.

Senior lien bonds are secured by and are payable from net revenues of the Airport System after the payment of all Airport System operating and maintenance expenses. Pursuant to the Indenture, the Department has covenanted to fix, charge, and collect rentals, fees, and charges for the use of the Airport System such that, in any fiscal year, the gross revenues, together with any other available funds, will at all times be at least sufficient (1) to provide for the payment of all Airport System operation and maintenance expenses in the fiscal year and (2) to provide an amount not less than 125 percent of the aggregate debt service requirement ("Coverage") for all the senior lien bonds then outstanding for the fiscal year. The actual senior lien coverage ratios (the ratio of total revenue less operating expenses to debt service) for FY 2012 and FY 2011 were 4.76 and 3.19, respectively. In FY 2012 and FY 2011, the County did not issue any new senior lien bonds. As of June 30, 2012, the Airport System has \$1.0 billion in outstanding senior lien bonds.

(c) Subordinate Lien Bonds

The issuance of subordinate lien bonds is authorized pursuant to the Nevada Municipal Airports Act (NRS §§496.010 *et seq.*), the Nevada Local Government Securities Law (NRS §§350.500 *et seq.*), and the Nevada Registration of Public Securities Law (NRS §§348.010 *et seq.*). All subordinate lien bonds are issued in accordance with the Master Indenture of Trust ("Indenture") dated May 1, 2003, between Clark County and The Bank of New York Mellon Trust Company, N.A.

Subordinate lien bonds are secured by and are payable from net revenues of the Airport System after the payment of all Airport System operating and maintenance expenses and after the payment of all senior lien debt service. Pursuant to the Indenture, the Department has covenanted to fix, charge, and collect rentals, fees, and charges for the use of the Airport System such that, in any fiscal year, the gross revenues, together with any other available funds, will at all times be at least sufficient (1) to provide for the payment of all Airport System operation and maintenance expenses in such fiscal year and (2) to provide an amount not less than 110 percent of the aggregate debt service requirement ("Coverage") for all the senior lien and subordinate lien bonds then outstanding for the fiscal year. The actual subordinate lien coverage ratios for FY 2012 and 2011 were 2.05 and 1.70, respectively. In August, 2011, the Department issued \$100 million of Series 2011 B-1 AMT and \$100 million of Series 2011 B-2 AMT Airport

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System Subordinate Lien Revenue Bonds to refund \$100 million of Series 2008 A-1 AMT and \$100 million of 2008 B-1 AMT Subordinate Lien Revenue Bonds, respectively. As of June 30, 2012, the Department has \$2.1 billion in outstanding subordinate lien bonds.

(d) PFC Bonds

The issuance of PFC bonds is authorized pursuant to the Nevada Municipal Airports Act (NRS §§496.010 et seq.), the Nevada Local Government Securities Law (NRS §§350.500 et seq.), and the Nevada Registration of Public Securities Law (NRS §§348.010 et seq.). All PFC bonds are issued in accordance with the Master Indenture of Trust ("Indenture") dated May 1, 2003, between Clark County and The Bank of New York Mellon Trust Company, N.A.

PFC bonds are secured by a pledge of and lien upon pledged PFC revenues derived from a \$4.50 PFC which has been imposed by the County under authorization of the Federal Aviation Act. In addition, the PFC Bonds are secured by and are payable from a claim on net revenues of the Airport System subordinate and junior to the claim on net revenues by outstanding senior lien bonds. PFC bonds are secured by and are payable from a claim on net revenues of the Airport System on a parity with the claim on net revenues by outstanding subordinate lien bonds. For FY 2008, the Department collected a PFC of \$4.00 per qualifying enplaned passenger. Effective October 1, 2008, the PFC rate increased to \$4.50 per qualifying enplaned passenger. In Fiscal Year 2012, the Department collected \$79.7 million in PFC proceeds and received \$1.0 million in interest earnings. The Department also pledged \$76.6 million toward debt service payments associated with outstanding PFC bonds and pledged \$4.1 million toward debt service payments on certain subordinate lien bonds that were used to fund projects approved by the FAA. No coverage is required for the PFC Bonds. In Fiscal Year 2011, the Department collected \$77.9 million in PFC proceeds, received \$1.0 million in interest earnings, and pledged \$78.9 million toward debt service payments associated with outstanding PFC bonds. During FY 2011, the Department issued \$204.2 million of Series 2010 F-1 and F-2 Non-AMT Private Activity PFC-backed subordinate lien bonds. In doing so, the Department refunded \$219 million of previously issued Series 2005 A-1 and A-2 PFC Bonds. As of June 30, 2012, the Department has \$1.0 billion in outstanding PFC pledged bonds. On July 1, 2012, the Department issued \$64.3 million of Series 2012B Non-AMT PFC Refunding Revenue Bonds for the purpose of refunding the outstanding series 1998A PFC Refunding Revenue Bonds. Refer to Note 15, "Subsequent Events."

(e) Third Lien Bonds

The issuance of third lien bonds is authorized pursuant to the Nevada Municipal Airports Act (NRS §§496.010 et seq.), the Nevada Local Government Securities Law (NRS §§350.500 et seq.), and the Nevada Registration of Public Securities Law (NRS §§348.010 et seq.). All third lien bonds are issued in

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accordance with the Master Indenture of Trust ("Indenture") dated May 1, 2003, between Clark County and The Bank of New York Mellon Trust Company, N.A.

The third lien bonds constitute direct and general obligations of the County. The full faith and credit of the County is pledged for the payment of principal and interest subject to Nevada constitutional and statutory limitations on the aggregate amount of ad valorem taxes and certain other limitations on the amount of ad valorem taxes the County may levy. The third lien bonds are also secured by and are payable from a claim on net revenues of the Airport System subordinate and junior to the claim on net revenues by the senior lien bonds, the subordinate lien bonds, and the PFC bonds. Pursuant to the Indenture, the Department has covenanted to fix, charge, and collect rentals, fees, and charges for the use of the Airport System sufficient to pay debt service on the senior lien bonds, the subordinate lien bonds, the general obligation (limited tax) Airport bonds, and the PFC bonds. During FY 2012 and FY 2011, no additional third lien bonds were issued by the Department.

In May of 2003, the County issued two series of Clark County, Nevada, General Obligation (Limited Tax) Airport Bonds in the amount of \$79.6 million for the purpose of refunding certain 1993 General Obligation Airport Bonds. Also in May 2003, the County issued \$105.4 million of Jet Aviation Fuel Tax Revenue Bonds ("Jet A Bonds") to finance certain improvements to the Airport System. The Jet A Bonds are payable from and secured by a pledge of and lien upon the proceeds of a two-cent-per-gallon tax collected by the County on jet aviation fuel sold, distributed, or used in the County. These bonds are also secured by and are payable from a claim on the net revenues of the Airport System subordinate and junior to the claim on the net revenues by the senior lien bonds, the subordinate lien bonds, and the PFC bonds, making them on a parity with the outstanding third lien bonds in terms of being secured by and are payable from a claim on the net revenues of the Airport System. The Jet A Bonds do not constitute a debt of Clark County within the meaning of any constitutional or statutory provision or limitations, and neither the full faith and credit nor the taxing power of the County is pledged to the payment of these Jet A Bonds. The jet aviation fuel tax collected during FY 2012 and 2011 totaled \$7.4 million and \$7.3 million, respectively. For FY 2012 and 2011, the debt service on the Jet A Bonds totaled \$9.2 million and \$8.8 million, respectively. Shortages in debt service from fuel tax collections are funded with Airport System revenues. On May 1, 2012, the Board unanimously approved an increase in the jet aviation fuel tax from \$.02 to \$.03 per gallon. This increase becomes effective on July 1, 2012, and it is expected to cover the amount of debt service on the Jet A Bonds. No additional Jet A Bonds were issued during FY 2012 or 2011.

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(f) Bond Anticipation Notes

At the beginning of FY 2011, the Department had outstanding, for the purpose of funding the Terminal 3 project, a one-year Series 2010 E-1 Junior Subordinate Lien Note, with an effective interest rate of 0.63 percent, and a \$200 million, two-year Series 2010 E-2 Junior Subordinate Lien Note, with an effective interest rate of 1.78 percent. Both these notes are secured by a subordinate lien on the net revenues of the Airport System. On May 15, 2011, the Department issued a \$100 million, one-year Series 2011A Junior Subordinate Lien Revenue Note to refund the Series 2010 E-1 Junior Lien Revenue Note and to pay certain issuance costs. On June 19, 2012, the Department paid down the Series 2011A Note. On July 1, 2012, the Department refunded the \$200 million Series 2010 E-2 Notes by issuing the Series 2012 A-1 Subordinate Lien Revenue Notes for \$180 million, along with a contribution by the Department of \$23 million, and obtained \$120 million in new proceeds with the issuance of the Series 2010 A-2 Subordinate Lien Revenue Notes. Refer to Note 15, "Subsequent Events."

(g) Arbitrage Rebate Requirement

Tax-exempt bond arbitrage involves the investment of governmental bond proceeds which are derived from the sale of tax exempt obligations in higher yielding taxable securities that generate a profit. The Tax Reform Act of 1986 imposes arbitrage restrictions on bonds issued by the County. Under this Act, an amount may be required to be rebated to the United States Treasury so that all interest on the bonds qualifies for exclusion from gross income for federal income tax purposes.

During FY 2012, the Department paid \$1.7 million in arbitrage payments for the Series 2007A Subordinate Lien Revenue Bonds. The Department is current on all required arbitrage payments. As of June 30, 2012, the Department has estimated its potential arbitrage rebate liability and has accrued \$15.4 thousand to cover such estimated liability. In FY 2011, the Department did not make any arbitrage payments and accrued \$1.6 million to cover estimated arbitrage liabilities.

(h) Description of Bond Series Issued

Senior Lien Bonds

Series 1993A

In September 1991, the County entered into a swap financing agreement. Under the terms of the swap agreement, in May 1993 the County issued \$339 million of Non-AMT variable rate twenty-year Airport Revenue Bonds, Series 1993A. Upon issuance of the 1993A bonds, \$318 million of the 1983 Airport Revenue Bonds were refunded. Furthermore, the County swapped with a counterparty its variable rate debt for a fixed rate debt service payment based on a fixed rate of 6.69 percent. Interest is due January 1 and July 1, and principal is due annually on July 1. Annual debt service payments ranged

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from \$25.5 million to \$37.2 million through July 1, 2012. At the time of the refunding of the 1983 bonds, future cash flow savings amounted to \$110 million and had a discounted present value of over \$65 million. The previously applicable accounting principles required the recognition of an extraordinary loss of \$24.7 million on the refunding. The stand-by bond purchase agreement ("SBPA") for the 1993A bonds is with the Dexia Group and has a term through 2012. The annual fee for the SBPA is 25 basis points. The bonds are insured by Municipal Bond Investors Assurance Corp. ("MBIA"). On July 1, 2012, the outstanding balance, both principal and interest, was paid in full with debt service reserves.

Series 2005A:

In September 2005, the County issued \$69.6 million in Non-AMT fixed rate Airport System Senior Lien Revenue Bonds. \$25.9 million of the term bonds mature in 2037 and provide for an interest rate of 4.5 to 5.0 percent. The yield interest rate is 4.42 to 4.62 percent. The balance of the term bonds matures in 2040. The 2005A bonds were issued to finance the cost of certain capital improvements to the Airport System, to purchase a reserve fund insurance policy, and to pay certain costs of issuance. The bonds are insured by Ambac Assurance Corp ("Ambac").

Series 2008E:

On May 15, 2008, the County issued \$61.4 million in Non-AMT fixed rate Airport System Senior Lien Revenue Bonds. The bonds mature in 2017 and provide for an interest rate of 4.0 to 5.0 percent. The yield interest rate is 2.33 to 4.01 percent. The 2008E bonds were issued for the purpose of refunding a portion of the outstanding Clark County, Nevada Airport System Subordinate Lien Revenue Bonds, Series 1998A, to fund a deposit to the reserve fund for the Series 2008E bonds and to pay certain costs of issuance. The bonds are uninsured.

Series 2009B:

On September 16, 2009, the County was the first airport to issue fixed rate Taxable Direct Payment Build America Bonds under the provisions of the American Recovery and Reinvestment Act of 2009 ("ARRA"). The interest on the \$300 million in Build America Bonds that were issued is not excluded from gross income for purposes of federal income taxation. Pursuant to ARRA, the Department expects to receive a cash subsidy payment from the United States Treasury equal to 35 percent of the interest payable on the Series 2009B Bonds on or about the date of each interest payment. The Series 2009B Bonds have an interest rate of 6.88 percent; however when the 35 percent rebate is factored in, the effective interest rate is 4.47 percent. The bonds mature in 2042 and were issued to fund height restriction settlements and the construction of Terminal 3. No debt service reserve fund was required, and the bonds were not insured.

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Series 2010C:

On February 9, 2010, the County issued \$454.3 million of fixed rate Taxable Direct Payment Build America Bonds under the provisions of the American Recovery and Reinvestment Act of 2009 ("ARRA"). The interest on these bonds is not excluded from gross income for purposes of federal income taxation. Pursuant to ARRA, the Department expects to receive a cash subsidy payment from the United States Treasury equal to 35 percent of the interest payable on the Series 2010C Bonds on or about the date of each interest payment. The Series 2010C Bonds have an interest rate of 6.82 percent; however when the 35 percent rebate is factored in, the effective interest rate is 4.43 percent. The bonds mature in 2045 and were issued to fund the construction of Terminal 3. No debt service reserve fund was required, and the bonds were not insured.

Series 2010D:

On February 9, 2010, the County issued \$132.5 million of fixed rate Senior Lien Non-AMT Private Activity Airport System Revenue Bonds to finance a portion of the Terminal 3 project. The bonds mature in 2024 and provide for an interest rate of between 3 percent and 5 percent. The yield ranges from 2.5 percent and 4.37 percent. The bonds were uninsured, and no debt service reserve fund is required.

Subordinate Lien Bonds

Series 1998A:

In April 1998, the County issued \$121 million of Non-AMT fixed rate Airport System Subordinate Lien Revenue Bonds, Series 1998A, with a premium of \$4 million and an interest rate ranging from 3.75 percent to 6 percent. The yield varies from 4.3 to 5.23 percent. Interest is due January 1 and July 1, and principal is due annually on July 1. The original bond proceeds were used to substantially retire portions of the 1988 bonds.

In May 2008, the County refunded \$59.5 million of the Series 1998A bonds, leaving an outstanding balance of \$24.1 million at June 30, 2008. There was no outstanding balance on the 1998A bonds as of June 30, 2011. The 1998A bonds are insured by MBIA.

Series 2004A:

In July 2004, the County issued \$361.2 million of fixed rate Airport System Subordinate Lien Revenue Bonds, Series 2004A. Under this issuance, \$128.4 million (2004 A-1) was AMT and \$232.7 million (2004 A-2) was Non-AMT. Interest rates for Series 2004 A-1 range from 5 percent to 5.25 percent through maturity at 2024. The yield varies from 4.18 to 5.13 percent. The Series 2004 A-2 has a fixed interest rate of 5.125 percent through 2027 and 5.00 percent to maturity at 2036. The yield ranges from 4.93 to 5.22 percent.

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Interest is due January 1 and July 1, and principal is due annually on July 1 commencing on July 1, 2012, for the 2004 A-1 series and commencing on July 1, 2024 for the 2004 A-2 series. The Series 2004 bonds were issued to finance the cost of certain capital improvements, to refund the \$38.8 million in outstanding Series 1999 B-2 bonds, to fund capitalized interest, and to pay certain issuance costs. The bonds are insured by Financial Guarantee Insurance Company ("FGIC").

Series 2006A:

In August 2006, the County issued \$100 million in fixed rate Non-AMT Airport System Subordinate Lien Revenue Bonds. The 2006A bonds mature on July 1, 2040, and have fixed interest rates ranging from 4 percent to 5 percent. The yield varies from 3.58 to 4.7 percent. Interest is payable on January 1 and July 1 of each year, and principal payments are due on July 1. The 2006A bond proceeds were used to finance certain runway and apron improvements at the Airport. The Bonds are insured through Ambac.

Series 2007 A-1 and A-2:

In May 2007, the County issued \$206.7 million in fixed rate Airport System Subordinate Lien Revenue Bonds, \$150.4 million as 2007 A-1 AMT and \$56.3 million as 2007 A-2 Non-AMT. The 2007 A-1 Bond matures on July 1, 2027, and the 2007 A-2 Bond matures on July 1, 2040. Both have a fixed interest rate of 5 percent. The yield ranges from 3.96 to 4.43 percent. Interest is payable on January 1 and July 1 of each year, and principal payments are due on July 1. The 2007A Bond proceeds are being used to finance the early civil package associated with the Terminal 3 project. The Bonds are insured by Ambac.

Series 2008 A-2 and B-2:

In June 2008, the County issued \$300 million in AMT weekly variable rate debt obligations. In particular, the Series 2008 bonds were issued to refund the outstanding Clark County, Nevada, Airport System Junior Subordinate Lien Revenue Notes Series 2006 B-1 and to pay certain costs of issuance. The 2008A and B Series consisted of the Series 2008 A-1 bonds (\$100 million), the Series 2008 A-2 bonds (\$50 million), the Series 2008 B-1 bonds (\$100 million), and the Series 2008 B-2 bonds (\$50 million). In August 2011, the Series 2008 A-1 bonds were refunded by Series 2011 B-1 bonds, and the Series 2008 B-1 bonds were refunded by the Series 2011 B-2 bonds. The Stand-by Bond Purchase Agreement ("SBPA") for the Series 2008 A-2 and B-2 bonds has a term through 2013. The annual commitment fee payable to Banco Bilbao Vizcaya Argentaria ("BBVA") is 30 basis points. The bonds are insured by Financial Security Assurance, Inc. ("FSA"). The Series 2008 A-2 and B-2 bonds mature on July 1, 2022.

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Series 2008 C, 2008 D-1, and 2008 D-2:

In March 2008, the County issued \$524.5 million in weekly variable rate debt obligations, comprising \$266.0 million in AMT debt and \$258.5 in Non-AMT debt. The Series 2008C, 2008 D-1, and 2008 D-2 bonds were issued for the purpose of refunding the outstanding Clark County, Nevada Adjustable Rate Airport System Subordinate Lien Revenue Bonds, Series 2005B; the outstanding Clark County, Nevada Airport System Subordinate Lien Revenue Bonds, Series 2005 C-1A Series 2005 C-1B, Series 2005 C-2, Series 2005 C-3; the outstanding Clark County, Nevada Airport System Subordinate Lien Revenue Bonds, Series 2005 D-1, Series 2005 D-2, Series 2005 D-3; the outstanding Clark County, Nevada Airport System Subordinate Lien Revenue Bonds, Series 2005 E-1, Series 2005 E-2, Series 2005 E-3; and to pay the cost of issuance. Final maturity for the 2008 C-1 bond issue is July 1, 2040; final maturities for the the 2008 C-2 and C-3 bonds are July 1, 2029; final maturity for the 2008 D-1 bond is July 1, 2036; and final maturity for the for the 2008 D-2 bond is July 1, 2040.

On March 18, 2011, a re-offering occurred on the series 2008 C-1, 2008 D-1, and 2008 D-2 bonds. Concurrent with this re-offering, the letters of credit for the 2008 C-1, 2008 D-1, and 2008 D-2 bonds were replaced. The new letters of credit expire on March 17, 2014, while the existing letters of credit for the 2008 C-2 and 2008 C-3 bonds remain in effect and expire on March 17, 2015. Also, as a result of the re-offering, the 2008 D-2 bond was split into the 2008 D-2A and 2008 D-2B bonds with \$100 and \$99.6 million principal value, respectively. The remarketing agreements pertaining to these bonds were also replaced. The commitment fees associated with obtaining the replacement letters of credit were \$136 thousand for the 2008 C-1 bond, \$60 thousand for the 2008 D-1 bond, and \$181 thousand for the 2008 D-2 bond. The annual liquidity fee to JP Morgan for the 2008 C-1 bond is 105 basis points. The annual liquidity fee to Citibank, N.A. for the series 2008 D-1 is 85 basis points. The annual liquidity fee to Citibank, N.A. for the series 2008 D-2A is 85 basis points. The annual liquidity fee to RBC for the series 2008 D-2B is 85 basis points. The remarketing agreements for said series are all through Citibank Global Markets Inc. except for the 2008 D-2B, which is through RBC Capital Markets, LLC. The annual liquidity fees on the 2008 C-2 & 2008 C-3 are 34 basis points from Landesbank Baden-Wurttemberg ("LBBW"). The remarketing agent for the 2008 C-2 is JP Morgan. The remarketing agent for the 2008 C-3 is Citigroup Global Markets Inc. The bonds are not insured.

Series 2008 D-3:

In March, 2008, the County issued \$122.9 million in Non-AMT weekly variable rate debt obligations. The Series 2008 D-3 bonds were issued for the purpose of refunding the outstanding Clark County, Nevada, 2001C bonds. The bonds mature on July 1, 2029. On March 18, 2011, a re-offering occurred on the series 2008 D-3 bonds. Concurrent with this re-offering, the letter of credit for the 2008 D-3 was

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replaced. The new letter of credit associated with the 2008 D-3 bonds bears a term through 2015. The commitment fee associated with the replacement letter of credit on the 2008 D-3 bonds was \$127 thousand. The annual fee to Bank of America for the series 2008 D-3 bonds is 105 basis points. The remarketing agent for the 2008 D-3 is Citigroup Global Markets, Inc. The bonds are not insured.

Series 2009C:

On September 16, 2009, the County issued \$168.5 million of fixed rate Non-AMT, Private Activity Airport System Subordinate Lien Revenue Bonds. The bonds were issued to pay for the construction costs of a portion of the Terminal 3 project, to fund a capitalized interest account, and to purchase a reserve fund surety policy. The bonds mature on July 1, 2026, and are insured by Financial Security Assurance Inc. The bonds have an interest rate of 5 percent. The yield varies from 4.12 to 4.45 percent.

Series 2010B:

On January 22, 2010, the County issued \$350 million of fixed rate Non-AMT Private Activity Airport System Subordinate Lien Revenue Bonds. The bonds were issued to pay for a portion of the Terminal 3 project, to fund capitalized interest during construction, and to make a cash deposit in the debt service reserve fund. The bonds mature in 2042 and bear interest rates from 5 percent to 5.75 percent. The yield varies from 5.125 to 5.35 percent. The bonds were not insured.

Series 2011B

In August 2011, the County issued \$200 million in AMT weekly variable rate debt obligations. The Series 2011 B-1 bonds, for \$100 million in principal, and 2011 B-2 bonds, also for \$100 million in principal, mature on July 1, 2022. The Series 2011B bonds were issued to refund the outstanding Clark County, Nevada, Airport System Junior Subordinate Lien Revenue Notes, Series 2008 A-1 bonds and 2008 B-1 bonds, each with \$100 million in principal. The irrevocable, transferable letter of credit for the 2011 B-1 bonds carries a term through 2014. The annual commitment fee to Citibank, N.A. is 85 basis points. The direct pay letter of credit for the 2011 B-2 bonds has a term through 2014. The annual commitment fee to Royal Bank of Canada is 85 basis points.

Passenger Facility Charge Revenue Bonds

Series 1998:

In April 1998, the County issued \$214.3 million of Non-AMT Airport Passenger Facility Charge Refunding Revenue Bonds, Series 1998, at a discount of \$5.4 million. Interest rates on the bonds range from 4.1 percent to 5.5 percent. Interest is due January 1 and July 1, and principal payments are due annually on July 1. Annual debt service payments range from \$10.8 million to \$22.9 million through 2022. These

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1998 bonds refunded \$202.5 million of the 1992 PFC bonds. The refunding resulted in a loss of \$17.2 million, which represents the difference between the refunded bonds adjusted for both amortized costs and accrued interest and the face value of the new bonds. This refunding provided a future cash flow savings of \$11.6 million, with a present value savings of \$10.6 million. The Department has pledged all its PFC proceeds to pay the debt service on all Airport System PFC Revenue Bonds. The bonds are insured by Municipal Bond Investors Assurance Corp. ("MBIA").

In June 2008, the County refunded \$119.2 million of the 1998 PFC bonds with the 2008 Series A bonds to realize interest rate savings. The outstanding balance of the Series 1998 bonds at June 30, 2012 and 2011, were \$81.7 and \$81.7 million, respectively.

On July 1, 2012 the County refunded the Series 1998 Passenger Facility Charge Refunding Revenue Bonds by issuing the Series 2012B Passenger Facility Charge Refunding Revenue Bonds. Refer to Note 15, "Subsequent Events."

Series 2002A:

In November 2002, the County issued \$34.5 million of AMT Airport Passenger Facility Charge Refunding Revenue Bonds, Series 2002A, at a premium of \$1.6 million. Interest on the bonds ranges from 2.32 percent to 5.25 percent. Interest is due January 1 and July 1, and principal is due annually on July 1. Annual debt service payments range from \$0.9 million to \$7 million through 2013. The bonds refunded \$33.7 million of 1992 PFC bonds. The refunding resulted in a loss of \$2 million, which represents the difference between the refunded bonds adjusted for both amortized costs and accrued interest and the face value of the new bonds. This refunding provided a future cash flow savings of \$2.7 million, with a present value savings of \$2.1 million. The Department has pledged all of its PFC proceeds to pay the debt service on all Airport System PFC Revenue Bonds. The bonds are insured by Municipal Bond Investors Assurance Corp. ("MBIA").

Series 2005A:

In March 2005, the County issued \$260 million of AMT Airport Passenger Facility Charge Refunding Revenue Bonds, Series 2005A. The bonds refunded the outstanding 1995A PFC bonds. The refunding resulted in a loss of \$18.8 million, which represents the difference between both the refunded bonds adjusted for amortized costs and accrued interest and the face value of the new bonds. This refunding provided a future cash flow savings of \$23.5 million, with a present value savings of \$15.7 million. The letter of credit associated with the 2005A bonds had a term through 2011, and the annual liquidity fee was 14 basis points. The commitment fee to obtain the letter of credit totaled \$5,500. The bonds were insured by Municipal Bond Investors Assurance Corp. ("MBIA"). That insurance policy was cancelled on September 16, 2008, and the Department executed a full letter of credit with Bayerische Landesbank ("BLB"). The 2005A PFC Bonds were fully refunded on November 4, 2010, by the Series 2010F PFC Refunding Revenue Bonds.

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Series 2007A:

In April 2007, the County issued \$219 million of fixed rate Airport Passenger Facility Charge Revenue Bonds, Series A-1 AMT and A-2 Non-AMT in the amounts of \$113.5 million and \$105.5 million, respectively. The bond proceeds are being used to reimburse the Airport System for certain capital improvements at the Airport. The bonds have an interest rate in the range of 4 to 5 percent with maturities at July 1, 2026, for the 2007 A-1 bonds and July 1, 2027, for the 2007 A-2 bonds. The yield varies from 4.02 to 4.52 percent. Interest payments are due on January 1 and July 1 of each year, and principal payments are due every July 1. The bonds are insured by Ambac.

Series 2008A:

In June 2008, the County issued \$115.9 million of fixed rate Non-AMT Airport Passenger Facility Charge Revenue Bonds, Series A. The bonds were issued for the purpose of refunding a portion of the Non-AMT Airport Passenger Facility Charge Revenue Bonds Series 1998A and to pay for certain costs of issuance. The bonds have an interest rate of 5 to 5.25 percent and a yield ranging from 3.06 to 4.52 percent. Interest payments are due on January 1 and July 1 of each year. The bonds mature on July 1, 2018. The bonds are not insured.

Series 2010A:

On January 22, 2010, the County issued \$450 million of fixed rate Non-AMT Private Activity Passenger Facility Charge Revenue Bonds Series 2010A. The bonds were issued for the purpose of financing the costs of the Terminal 3 project and to make a deposit in the debt service reserve fund. The bonds mature in 2042 and have an interest rates that range between 3 percent and 4.625 percent. The yield varies from 2.02 to 5.42 percent. Interest payments are due on January 1 and July 1 of each year. A portion of the Series 2010A bonds in the amount of \$158.7 million is insured by Assured Guaranty Municipal Corp.

Series 2010F:

On November 4, 2010, the County issued \$204.2 million of Non-AMT Private Activity Passenger Facility Charge Refunding Revenue Bonds, comprising the 2010 F-1 bonds with a principal of \$104.2 million at a fixed rate that ranges between 2 and 5 percent and the 2010 F-2 bonds with a principal of \$100 million at a weekly variable rate. Interest payments are due on January 1 and July 1 of each year. The yield varies from 0.54 to 2.63 percent. The bonds were issued for the purpose of refunding the 2005A PFC bonds and to pay certain costs of their issuance. The bonds were issued at a premium of \$9.8 million and resulted in a loss on refunding of \$10.8 million. This refunding resulted in a net present value savings of \$2.4 million. The F-1 series matures in 2017, and the F-2 series matures in 2022. The remarketing agent

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on the series F-2 bonds is Citigroup Global Markets, Inc., and the letter of credit provider is Union Bank, N.A.

General Obligation Airport Bonds

Series 2003B General Obligation Airport Bonds:

In May 2003, the County issued \$37 million in Series 2003B Non-AMT General Obligation (Limited Tax) Airport Bonds at a premium of \$933 thousand. The 2003B bonds have a fixed interest rate ranging from 4.75 percent to 5 percent. Interest is payable on January 1 and July 1 of each year, and principal payments are due annually beginning on July 1, 2022. The proceeds of the 2003B bonds were used to refund the 1993 General Obligation (limited tax) Airport Bonds. This transaction resulted in a loss of \$2.9 million, which represents the total funds required for the retirement of the 1993 bonds less the face value of the retired bonds adjusted for unamortized costs of issuance and related accrued interest.

Series 2003C Jet A Bonds:

In May 2003, the County issued \$105.4 million of the Series 2003C fixed rate AMT Jet Aviation Fuel Tax Revenue Bonds at a premium of \$8 million. Interest on the bonds ranges from 5 percent to 5.375 percent. The yield varies from 1.87 to 3.93 percent. Interest is due on January 1 and July 1, and principal payments are due annually on July 1. Annual debt service payments range from \$7.2 million to \$13.8 million, and the bonds mature on July 1, 2022. Proceeds from the bond issue were used to design and construct the in-line baggage system at the Airport. Proceeds from the Jet A Fuel Tax are projected to be sufficient to pay all debt service payments relating to the 2003C bonds with the new Jet A Fuel tax rate. The bonds are insured by Ambac.

Series 2008A General Obligation Bonds:

In February 2008, the County issued \$43.1 million in Series 2008A AMT variable rate General Obligation (Limited Tax) bonds. The bonds were issued as weekly variable rate debt obligations with interest payable on January 1 and July 1 of each year. The bonds mature on July 1, 2027. The bonds were issued to refund the outstanding principal amount of General Obligation (Limited Tax) Airport Bonds, Series 2003A, and to pay certain costs of issuance. The letter of credit associated with the 2008A bonds has a term through 2015. The commitment fee for the letter of credit totaled \$5,500. The annual liquidity fee to Landesbank Baden-Wurttemberg ("LBBW") to maintain the letter of credit is 14 basis points. The bonds are not insured.

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(i) The approximate maturities and interest of the long-term debt follow.

Maturities of Long-Term Debt

Due for the Fiscal Year Ended June 30,	Total		Senior		Subordinate		PFC		Third lien	
	Principal (000)	Interest (000)	Principal (000)	Interest * (000)	Principal (000)	Interest (000)	Principal (000)	Interest (000)	Principal (000)	Interest (000)
2013	105,535	165,153	49,315	45,122	23,830	61,166	27,985	47,110	4,405	11,755
2014	267,970	156,884	8,285	44,542	25,030	59,935	29,595	45,888	205,060	6,519
2015	66,900	153,571	8,155	44,131	22,060	58,746	30,915	44,457	5,770	6,237
2016	71,295	150,152	17,030	43,501	15,270	57,867	32,440	42,878	6,555	5,906
2017	84,235	146,602	14,610	42,737	28,160	57,113	34,065	41,221	7,400	5,531
2018-2022	683,230	680,361	61,220	204,776	373,055	269,535	196,855	185,802	52,100	20,248
2023-2027	753,320	562,969	51,020	188,433	460,055	217,330	197,130	152,259	45,115	4,947
2028-2032	551,280	442,887	28,535	182,863	336,165	152,984	143,475	107,041	43,105	-
2033-2037	582,830	353,929	80,995	172,247	365,540	106,348	136,295	75,333	-	-
2038-2042	847,305	214,824	330,975	123,472	340,540	56,606	175,790	34,747	-	-
2043-2047	500,690	39,307	383,365	36,036	76,445	2,198	40,880	1,073	-	-
Total	\$ 4,514,590	\$ 3,066,639	\$ 1,033,505	\$ 1,127,860	\$ 2,066,150	\$ 1,099,828	\$ 1,045,425	\$ 777,809	\$ 369,510	\$ 61,143

*Interest payments on the 2009B and 2010C Build America Bonds are presented net of the 35.0 percent rebate payments from the U.S. Treasury.

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9.) DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS

(a) Interest Rate Swaps

The intention of the Department's implementation of a swap portfolio was to convert variable interest rate bonds to synthetically fixed interest rate bonds. As a means to lower its borrowing costs when compared against fixed-rate bonds at the time of issuance, the Department executed several floating-to-fixed swaps in connection with its issuance of variable rate bonds. The Department also executed forward starting swaps to lock in attractive synthetically fixed rates for future variable rate bonds. Some of the Department's swaps are structured with step-down coupons to reduce the cash outflows of the fixed leg of those swaps in the later years of the swap.

As summarized in the table below, the Department has 22 outstanding swap transactions as of June 30, 2012, with initial notional amounts totaling \$3.1 billion. The outstanding notional total as of June 30, 2012, was \$2,410.7 million, comprising \$1,493.3 million in floating-to-fixed swaps, \$400.4 million in fixed-to-fixed swaps, and \$517.0 million in basis swaps. The current mark-to-market value, or fair value, of each derivative instrument is detailed below, with the total valuation of all outstanding swap agreements as of June 30, 2012, being \$(197.6) million.

The mark-to-market value, or fair value, for each swap is estimated using the zero-coupon method. Under this method, future cash payments are calculated either based on using the contractually-specified fixed rate or based on using the contractually-specified variable forward rates as implied by the SIFMA (Securities Industry and Financial Markets Association) Municipal Swap Index yield curve (formerly known as the Bond Market Association Municipal Swap Index yield curve, or BMA Municipal Swap Index yield curve), as applicable. Each future cash payment is adjusted by a factor called the swap rate, which is a rate that is set, at the inception of the swap and at the occurrence of certain events, such as a refunding, to such a value as to make the mark-to-market value of the swap equal to zero. (For this reason, the swap rate is sometimes referred to as the "at-the-market" rate of the swap.) Future cash receipts are calculated either based on using the contractually-specified fixed rate or based on using the contractually-specified variable forward rates as implied by the LIBOR (London Interbank Offered Rate) yield curve or the CMS (Constant Maturity Swap rate) yield curve, as applicable. The future cash payment, as modified by the swap rate factor, and the future cash receipt due on the date of each and every future net settlement on the swap is netted, and each netting is then discounted using the discount factor implied by the LIBOR yield curve for a hypothetical zero-coupon rate bond due on the date of the future net settlement. These discounted nettings are then summed to arrive at the mark-to-market value, or fair value, of the swap.

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All the swaps entered into by the Department comply with the County's swap policy. Each swap is written pursuant to guidelines and documentation promulgated by the International Swaps and Derivatives Association ("ISDA"), which include standard provisions for termination events such as failure to pay or bankruptcy. The Department retains the right to terminate any swap agreement at market value prior to maturity. The Department has termination risk under the contract, particularly if an additional termination event ("ATE") were to occur. An ATE occurs either if the credit rating of the bonds associated with a particular swap agreement and the rating of the swap insurer fall below a pre-defined credit rating threshold or if the credit rating of the swap counterparty falls below a threshold as defined in the swap agreement.

With regard to credit risk, the potential exposure is mitigated through the use of an ISDA credit support annex ("CSA"). Under the terms of master agreements between the Department and the counterparties, each swap counterparty is required to post collateral to a third party when the counterparty's credit rating falls below the trigger level defined in each master agreement. This protects the Department from credit risks inherent in the swap agreements. As long as the Department retains insurance, the Department is not required to post any collateral; only the counterparties are required to post collateral. However, as of June 30, 2012, none of the counterparties are required to post collateral.

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Interest Rate Swap Analysis and Market Values
as of June 30, 2012 and 2011

Swap #	Interest Rate Swap Description	Associated Variable Rate Bonds	County Pays	County Receives	Effective Date	Maturity Date	Initial Notional Amount (000)	Counterparty	Counterparty Ratings			Outstanding Notional	
									Moody's	S&P	Fitch	Jun. 30, 2012 (000)	Jun. 30, 2011 (000)
01	Floating-to-Fixed	1993A Non-AMT	6.6900%	Bond Rate	6/1/1993	7/1/2012	\$ 259,700	ALG Financial Products Corp.	Baa1	A-	N/A	\$ 34,400	\$ 66,600
02	Basis Swap	2004B AMT	SIFMA Swap Index - 0.41%	72.5% of USD LIBOR - 0.410%	8/23/2001	7/1/2036	185,855	Citigroup Financial Products In	Baa2	A-	A	81,318	82,057
03 *	Floating-to-Fixed	2005 A-1, 2005 A-2 AMT	5.4900% to 7/2010; 3.0000% to maturity	69.0% of USD LIBOR + 0.350%	4/4/2005	7/1/2022	259,900	Citigroup Financial Products In	Baa2	A-	A	-	-
04	Basis Swap	2001B / 1998A / 2003B Non-AMT	SIFMA Swap Index	68.0% of USD LIBOR + 0.435%	7/1/2003	7/1/2025	200,000	Citigroup Financial Products In	Baa2	A-	A	135,663	142,920
05 *	Floating-to-Fixed	2008C AMT	4.9700% to 7/2010; 3.0000% to maturity	62.6% of USD LIBOR + 0.330%	3/19/2008	7/1/2025	60,175	Citigroup Financial Products In	Baa2	A-	A	-	-
06	Basis Swap	2004 A-1 AMT, 2004 A-2 Non-AMT	SIFMA Swap Index	62.2% of USD LIBOR + 0.300% to 7/2010; 62.2% of USD LIBOR + 0.052% to maturity	9/1/2004	7/1/2025	300,000	Citigroup Financial Products In	Baa2	A-	A	300,000	300,000
07A †	Floating-to-Fixed	2008 A-2 AMT / 2011 B-2 AMT	4.3057% to 7/2017; 0.2500% to maturity	64.7% of USD LIBOR + 0.280%	7/1/2008	7/1/2022	150,000	JPMorgan Chase Bank, N.A.	Aa3	A+	A+	150,000	150,000
07B †	Floating-to-Fixed	2008 B-2 AMT / 2011 B-1 AMT	4.3057% to 7/2017; 0.2500% to maturity	64.7% of USD LIBOR + 0.280%	7/1/2008	7/1/2022	150,000	UBS AG	A2	A	A	150,000	150,000
08A	Floating-to-Fixed	2008C AMT	4.0000% to 7/2015; 3.0000% to maturity	82.0% of USD LIBOR - 0.460% to 7/2009; 82.0% of 10 year CMS - 0.936% to maturity	3/19/2008	7/1/2040	151,200	Citigroup Financial Products In	Baa2	A-	A	151,200	151,200
08B	Floating-to-Fixed	2008C AMT	4.0000% to 7/2015; 3.0000% to maturity	82.0% of USD LIBOR - 0.460% to 7/2009; 82.0% of 10 year CMS - 0.936% to maturity	3/19/2008	7/1/2040	31,975	JPMorgan Chase Bank, N.A.	Aa3	A+	A+	31,975	31,975
08C	Floating-to-Fixed	2008C AMT	4.0000% to 7/2015; 3.0000% to maturity	82.0% of USD LIBOR - 0.460% to 7/2009; 82.0% of 10 year CMS - 0.936% to maturity	3/19/2008	7/1/2040	31,975	UBS AG	A2	A	A	31,975	31,975
09A	Floating-to-Fixed	2008 D-1 AMT	5.0000% to 7/2015; 1.2100% to maturity	82.0% of USD LIBOR - 0.560% to 7/2009; 82.0% of 10 year CMS - 1.031% to maturity	3/19/2008	7/1/2036	41,330	Citigroup Financial Products In	Baa2	A-	A	41,330	41,330
09B	Floating-to-Fixed	2008 D-1 AMT	5.0000% to 7/2015; 1.2100% to maturity	82.0% of USD LIBOR - 0.560% to 7/2009; 82.0% of 10 year CMS - 1.031% to maturity	3/19/2008	7/1/2036	8,795	JPMorgan Chase Bank, N.A.	Aa3	A+	A+	8,795	8,795
09C	Floating-to-Fixed	2008 D-1 AMT	5.0000% to 7/2015; 1.2100% to maturity	82.0% of USD LIBOR - 0.560% to 7/2009; 82.0% of 10 year CMS - 1.031% to maturity	3/19/2008	7/1/2036	8,795	UBS AG	A2	A	A	8,795	8,795
10A *	Floating-to-Fixed	2008 D-2 AMT	4.0030% to 7/2015; 2.2700% to maturity	62.0% of USD LIBOR + 0.280%	3/19/2008	7/1/2040	139,735	Citigroup Financial Products In	Baa2	A-	A	-	-
10B	Floating-to-Fixed	2008 D-2 AMT	4.0030% to 7/2015; 2.2700% to maturity	62.0% of USD LIBOR + 0.280%	3/19/2008	7/1/2040	29,935	JPMorgan Chase Bank, N.A.	Aa3	A+	A+	29,935	29,935
10C	Floating-to-Fixed	2008 D-2 AMT	4.0030% to 7/2015; 2.2700% to maturity	62.0% of USD LIBOR + 0.280%	3/19/2008	7/1/2040	29,935	UBS AG	A2	A	A	29,935	29,935
11 *	Floating-to-Fixed	2008 D-3 Non-AMT	4.7420% to 7/2010; 1.2120% to maturity	62.0% of USD LIBOR + 0.280%	4/4/2008	7/1/2029	122,865	Citigroup Financial Products In	Baa2	A-	A	-	-
12A	Floating-to-Fixed	2008 D-2A, 2008 D-2B AMT / 2008 D-3 AMT	5.6260% to 7/2017; 0.2500% to maturity	64.7% of USD LIBOR + 0.280%	7/1/2009	7/1/2026	200,000	Citigroup Financial Products In	Baa2	A-	A	200,000	200,000
12B †	Floating-to-Fixed	2008C / 2008 D-2 / 2010 F-2 / 2010 E-2 / 2011A	6.0000% to 7/2017; 1.4550% to maturity	64.7% of USD LIBOR + 0.280%	7/1/2009	7/1/2038	350,000	Citigroup Financial Products In	Baa2	A-	A	350,000	350,000
13 *	Floating-to-Fixed	2010A AMT	6.0000% to 7/2017; 1.9130% to maturity	61.9% of USD LIBOR + 0.270%	7/1/2010	7/1/2040	150,000	Citigroup Financial Products In	Baa2	A-	A	-	-
14A **	Floating-to-Fixed	2008A	3.8860%	64.4% of USD LIBOR + 0.280%	7/1/2011	7/1/2030	73,025	UBS AG	A2	A	A	73,025	73,025
14B **	Floating-to-Fixed	2008A / 2010 E-2 / 2011A	3.8810%	64.4% of USD LIBOR + 0.280%	7/1/2011	7/1/2037	201,975	Citigroup Financial Products In	Baa2	A-	A	201,975	201,975
<u>Remaining portions of swaps after April 6, 2010 terminations</u>													
15	Fixed-to-Fixed	swap #03 (amended and restated)	1.0200% until 7/1/2010	1.4700% starting at 7/1/2010	4/6/2010	7/1/2022	-	Citigroup Financial Products In	Baa2	A-	A	59,879	64,351
16	Fixed-to-Fixed	swap #05 (amended and restated)	1.3700% until 7/1/2010	0.6000% starting at 7/1/2010	4/6/2010	7/1/2025	-	Citigroup Financial Products In	Baa2	A-	A	50,750	50,850
17	Fixed-to-Fixed	swap #10A (amended and restated)	0.8730% until 7/1/2015	0.8600% starting at 7/1/2015	4/6/2010	7/1/2040	-	Citigroup Financial Products In	Baa2	A-	A	139,735	139,735
18	Fixed-to-Fixed	swap #13 (amended and restated)	2.4930% until 7/1/2017	1.5940% starting at 7/1/2017	4/6/2010	7/1/2040	\$ 3,137,170	Citigroup Financial Products In	Baa2	A-	A	150,000	150,000
												\$ 2,410,685	\$ 2,455,453

Source: The PFM Group

* On April 6, 2010, the Department terminated the "on market" (at-market coupon) portion of its floating-to-fixed swaps #03, #05, #10A, #11, and #13. To fund the terminations, the Department fully terminated the "off-market" (step-coupon) portion of swap #11 and partially terminated \$162.2M of \$229.9M notional of the "off-market" portion of swap #03. The agreements related to swaps #03, #05, #10A, and #13 were amended and restated, and the new terms of the swap agreements are presented in the table above as swaps #15, #16, #17, and #18, respectively.

† On November 4, 2010, the Department refunded the outstanding principal of its Series 2005 A-1 and A-2 PFC bonds with the Series 2010 F-1 and F-2 PFC bonds. Upon refunding, swap #12B was re-associated with the cash flows of the \$100 million of outstanding principal of the Series 2010 F-2 PFC bonds and became an investment instrument. The remaining \$250 million was re-associated with the 2008 C and 2008 D-3 bonds along with the 2010 E-2 notes.

‡ On August 3, 2011, the Department refunded the outstanding principal of its Series 2008 A-1 and B-1 bonds with the Series 2011 B-1 and B-2 bonds, respectively. Upon refunding, swap #7B was re-associated with the cash flows of the \$100 million of outstanding principal of the Series 2011 B-1 bonds, and swap #7A was re-associated with the cash flows of the \$100 million of outstanding principal of the Series 2011 B-2 bonds.

** On July 1, 2011, forward swaps 14A and 14B, both with a trade date of April 17, 2007, became effective as scheduled. \$4.48 million of the entire notional amount of swap 14A, \$73,025 million, was associated with the 2008A general obligation bonds, with the excess notional balance classified as an investment derivative. The notional amount of swap 14B, \$201,975 million, was associated both with the principal of the 2008A general obligation bonds remaining after the association of swap 14A and with the 2010 E-2 notes and 2011A notes. Although the notes are deemed to mature in perpetuity, the 2008A general obligation bond matures on July 1, a date in advance of the maturities of swaps 14A and 14B, which occur on July 1, 2030 and July 1, 2037, respectively. Therefore, those portions of swaps 14A and 14B associated with these excess maturities were classified as investment derivatives.

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(b) Derivative Instruments

As indicated in the previous section, the Department entered into various interest rate swap agreements to hedge financial risks associated with the cost of borrowing and the cash flows associated with the Department's variable interest rate debt. In accordance with the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the Department is required to report the fair value of all derivative instruments on the Statements of Net Assets. In addition, GASB Statement No. 53 requires that all derivatives be classified into two basic types: (1) hedging derivatives and (2) investment derivatives. Hedging derivatives are derivative instruments that significantly reduce an identified financial risk by substantially offsetting changes in cash flows or fair values of an associated hedgeable item. Hedging derivatives are required to be tested for their effectiveness. The effectiveness is tested using either the consistent critical terms method or a quantitative method, typically regression analysis. The Department uses an external consulting firm to perform this evaluation. Investment derivatives either are derivative instruments entered into primarily for income or profit purposes or are derivative instruments that do not meet the criteria of an effective hedging derivative instrument. Changes in the fair value of hedging derivative instruments are presented as deferred inflows or deferred outflows on the Statements of Net Assets, and changes in the fair value of investment derivative instruments are recognized as gains or losses on the Statements of Revenues, Expenses, and Changes in Net Assets.

The tables below provide the fair values and the changes in fair value of the Department's interest rate swap agreements for the years ended June 30, 2012 and 2011.

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Interest Rate Swap Changes in Fair Values
 for the fiscal year ended June 30, 2012

Swap #	Description	Fair Value and Classifications as of Jun. 30, 2012			Changes in fair value for the twelve months ended Jun. 30, 2012		
		Outstanding Notional (000)	Derivative Instrument Classification	Amount (000)	Deferred Outflows (000)	Deferred Inflows (000)	Net Change (000)
Hedging derivative instruments							
01	Floating-to-Fixed Interest Rate Swap	\$ 34,400	Non-current liability	\$ (11)	\$ 2,199	\$ -	\$ (2,199)
03 *	Floating-to-Fixed Interest Rate Swap	-	-	-	-	-	-
05 *	Floating-to-Fixed Interest Rate Swap	-	-	-	-	-	-
07A ‡	Floating-to-Fixed Interest Rate Swap	150,000	Non-current liability	(11,285)	(332)	-	(332)
07B ‡	Floating-to-Fixed Interest Rate Swap	150,000	Non-current liability	(11,278)	(331)	-	(331)
10A *	Floating-to-Fixed Interest Rate Swap	-	-	-	-	-	-
10B	Floating-to-Fixed Interest Rate Swap	29,935	Non-current liability	(4,345)	4,345	(239)	4,584
10C	Floating-to-Fixed Interest Rate Swap	29,935	Non-current liability	(4,345)	4,345	(239)	4,584
11 *	Floating-to-Fixed Interest Rate Swap	-	-	-	-	-	-
12A	Floating-to-Fixed Interest Rate Swap	200,000	Non-current liability	(25,051)	13,666	-	13,666
12B †	Floating-to-Fixed Interest Rate Swap	250,000	Non-current liability	(56,286)	43,746	-	43,746
13 *	Forward Floating-to-Fixed Interest Rate Swap	-	-	-	-	-	-
14A **	Floating-to-Fixed Interest Rate Swap	4,480	Non-current liability	(1,074)	(10,092)	-	(10,092)
14B **	Floating-to-Fixed Interest Rate Swap	201,975	Non-current liability	(59,432)	26,274	-	26,274
Total hedging derivative activities		<u>1,050,725</u>		<u>(173,107)</u>	<u>83,820</u>	<u>(478)</u>	<u>79,900</u>
Investment derivative instruments							
02	Basis Rate Swap	81,318	Non-current liability	(4,167)	\$ (232)	\$ -	(232)
04	Basis Rate Swap	135,663	Non-current asset	989	918	-	918
06	Basis Rate Swap	300,000	Non-current asset	17,557	6,700	-	6,700
08A	Floating-to-Fixed Interest Rate Swap	151,200	Non-current liability	(29,613)	(33,315)	-	(33,315)
08B	Floating-to-Fixed Interest Rate Swap	31,975	Non-current liability	(6,262)	(7,046)	-	(7,046)
08C	Floating-to-Fixed Interest Rate Swap	31,975	Non-current liability	(6,262)	(7,046)	-	(7,046)
09A	Floating-to-Fixed Interest Rate Swap	41,330	Non-current liability	(2,011)	(6,552)	-	(6,552)
09B	Floating-to-Fixed Interest Rate Swap	8,795	Non-current liability	(428)	(1,394)	-	(1,394)
09C	Floating-to-Fixed Interest Rate Swap	8,795	Non-current liability	(428)	(1,394)	-	(1,394)
12B †	Floating-to-Fixed Interest Rate Swap	100,000	Non-current asset	543	(628)	-	(628)
14A **	Floating-to-Fixed Interest Rate Swap	68,545	Non-current liability	(21,779)	(21,779)	-	(21,779)
14B **	Floating-to-Fixed Interest Rate Swap	-	Non-current liability	(13,993)	(13,993)	-	(13,993)
Total investment derivative activities		<u>1,359,960</u>		<u>(24,471)</u>	<u>(68,988)</u>	<u>-</u>	<u>(68,988)</u>
Total		<u><u>\$ 2,410,685</u></u>		<u><u>\$ (197,578)</u></u>		<u><u>\$ 10,912</u></u>	

*Remaining portions of swaps after April 6, 2010 terminations

15	Fixed-to-Fixed Swap (formerly Swap #03)	59,879	Non-current asset	4,500	(589)	-	(589)
16	Fixed-to-Fixed Swap (formerly Swap #05)	50,750	Non-current asset	3,395	75	-	75
17	Fixed-to-Fixed Swap (formerly Swap #10A)	139,735	Non-current asset	15,054	5,150	-	5,150
18	Fixed-to-Fixed Swap (formerly Swap #13)	150,000	Non-current asset	18,434	12,137	-	12,137
Total		<u>1,359,960</u>		<u>(24,471)</u>	<u>(68,988)</u>	<u>-</u>	<u>(68,988)</u>
		<u><u>\$ 2,410,685</u></u>		<u><u>\$ (197,578)</u></u>		<u><u>\$ 10,912</u></u>	

On April 6, 2010, the Department terminated the "on market" (at-market coupon) portion of its floating-to-fixed swaps #03, #05, #10A, #11, and #13. To fund the terminations, the Department fully terminated the "off-market" (step-coupon) portion of swap #11 and partially terminated \$162.2M of \$229.9M notional of the "off-market" portion of swap #03. The agreements related to swaps #03, #05, #10A, and #13 were amended and restated, and the new terms of the swap agreements are presented in the table above as swaps #15, #16, #17, and #18, respectively.

† Hedging component or investment component, as applicable.

‡ On August 3, 2011, the Department refunded the outstanding principal of its Series 2008 A-1 and B-1 bonds with the Series 2011 B-1 and B-2 bonds, respectively. Upon refunding, swap #7B was re-associated with the cash flows of the \$100 million of outstanding principal of the Series 2011 B-1 bonds, and swap #7A was re-associated with the cash flows of the \$100 million of outstanding principal of the Series 2011 B-2 bonds.

** Hedging component or investment component, as applicable.

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for the fiscal year ended June 30, 2011

Swap#	Description	Outstanding Notional (000)	Fair Value and Classifications as of Jun. 30, 2011		Changes in fair value for the twelve months ended Jun. 30, 2011		
			Derivative Instrument Classification	Amount (000)	Deferred Outflows (000)	Deferred Inflows (000)	Net Change (000)
Hedging derivative instruments							
01	Floating-to-Fixed Interest Rate Swap	\$ 66,600	Non-current liability	\$ (2,211)	\$ 3,993	\$ -	\$ 3,993
03 *	Floating-to-Fixed Interest Rate Swap	-	-	-	-	-	-
05 *	Floating-to-Fixed Interest Rate Swap	-	-	-	-	-	-
07A	Floating-to-Fixed Interest Rate Swap	150,000	Non-current liability	(11,617)	3,438	-	3,438
07B	Floating-to-Fixed Interest Rate Swap	150,000	Non-current liability	(11,610)	3,439	-	3,439
10A *	Floating-to-Fixed Interest Rate Swap	-	-	-	-	-	-
10B	Floating-to-Fixed Interest Rate Swap	29,935	Non-current asset	239	1,188	239	1,427
10C	Floating-to-Fixed Interest Rate Swap	29,935	Non-current asset	239	1,188	239	1,427
11 *	Floating-to-Fixed Interest Rate Swap	-	-	-	-	-	-
12A	Floating-to-Fixed Interest Rate Swap	200,000	Non-current liability	(11,385)	9,087	-	9,087
12B †	Floating-to-Fixed Interest Rate Swap	350,000	Non-current liability	(12,538)	30,836	-	30,836
13 *	Forward Floating-to-Fixed Interest Rate Swap	-	-	-	-	-	-
14A	Forward Floating-to-Fixed Interest Rate Swap	73,025	Non-current liability	(11,165)	462	-	462
14B	Forward Floating-to-Fixed Interest Rate Swap	201,975	Non-current liability	(33,158)	2,559	-	2,559
Total hedging derivative activities		<u>1,251,470</u>		<u>(93,207)</u>	<u>56,191</u>	<u>478</u>	<u>56,669</u>
Investment derivative instruments							
02	Basis Rate Swap	82,057	Non-current liability	(3,935)	\$ 1,981	\$ -	1,981
04	Basis Rate Swap	142,920	Non-current asset	71	1,655	-	1,655
06	Basis Rate Swap	300,000	Non-current asset	10,857	4,885	-	4,885
08A	Floating-to-Fixed Interest Rate Swap	151,200	Non-current asset	3,702	15,044	-	15,044
08B	Floating-to-Fixed Interest Rate Swap	31,975	Non-current asset	783	3,182	-	3,182
08C	Floating-to-Fixed Interest Rate Swap	31,975	Non-current asset	783	3,182	-	3,182
09A	Floating-to-Fixed Interest Rate Swap	41,330	Non-current asset	4,541	4,111	-	4,111
09B	Floating-to-Fixed Interest Rate Swap	8,795	Non-current asset	966	875	-	875
09C	Floating-to-Fixed Interest Rate Swap	8,795	Non-current asset	966	875	-	875
12B †	Floating-to-Fixed Interest Rate Swap	-	Non-current asset	1,171	(12)	1,183	1,171
*Remaining portions of swaps after April 6, 2010 terminations							
15	Fixed-to-Fixed Swap (formerly Swap #03)	64,351	Non-current asset	5,090	(790)	-	(790)
16	Fixed-to-Fixed Swap (formerly Swap #05)	50,850	Non-current asset	3,320	(220)	-	(220)
17	Fixed-to-Fixed Swap (formerly Swap #10A)	139,735	Non-current asset	9,904	1,074	-	1,074
18	Fixed-to-Fixed Swap (formerly Swap #13)	150,000	Non-current asset	6,297	2,692	-	2,692
Total investment derivative activities		<u>1,203,982</u>		<u>44,516</u>	<u>38,532</u>	<u>1,183</u>	<u>39,715</u>
Total		<u><u>\$ 2,455,432</u></u>		<u><u>\$ (48,691)</u></u>			<u><u>\$ 96,384</u></u>

* On April 6, 2010, the Department terminated the "on market" (at-market coupon) portion of its floating-to-fixed swaps #03, #05, #10A, #11, and #13. To fund the terminations, the Department fully terminated the "off-market" (step-coupon) portion of swap #11 and partially terminated \$162.2M of \$229.9M notional of the "off-market" portion of swap #03. The agreements related to swaps #03, #05, #10A, and #13 were amended and restated, and the new terms of the swap agreements are presented in the table above as swaps #15, #16, #17, and #18, respectively.

† Hedging component or investment component, as applicable

On November 4, 2010, the Department refunded the outstanding principal of its Series 2005 A-1 and A-2 PFC bonds with the Series 2010 F-1 and F-2 PFC bonds. Prior to the refunding, swap #12B served as a hedge to the cash flows associated with \$100 million in principal of the Series 2005 A-1 PFC bonds. Upon execution of the refunding, swap #12B was re-associated with the cash flows of the \$100 million of outstanding principal of the Series 2010 F-2 PFC bonds, and the fair value of swap #12B was revalued using the forward rates in effect at the time of the refunding. This created an asset, a deferred loss on imputed debt, and an offsetting liability, imputed debt, in the amount of \$12.4 million, and this deferred loss on imputed debt and corresponding imputed debt are amortized against each other on a straight-line basis over the remaining life of the swap. In addition, the term life of the cash flows associated with \$100 million in outstanding notional for swap #12B exceeded the term life of the cash flows associated with the outstanding principal of the Series 2010 F-2 PFC bonds; therefore, the portion of the fair value of swap #12B whose term life matched that of the Series 2010 F-2 PFC bonds was classified as a hedging

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derivative, and the remaining portion of the fair value of swap #12B was classified as an investment derivative. Specifically, \$1.2 million of swap #12B was reclassified from being a hedging derivative to being an investment derivative.

On April 6, 2010, the Department terminated the "on-market" (at-market coupon) portion of its floating-to-fixed swaps #3, #5, #10A, #11, and #13, with notional amounts totaling \$693.4 million. To fund the terminations, the Department fully terminated \$122.9 million of the "off-market" (step-coupon) portion of swap #11 and partially terminated \$162.2 million of \$229.9 million of the "off-market" (step-coupon) portion of swap #5. The net termination payment was \$0. As a result of this transaction, the agreements relating to swaps #3, #5, #10A, and #13 were amended and restated, and the remaining "off-market" (step-coupon) portion, with notional totaling \$408.2 million, is presented in the tables above as swaps #15, #16, #17, and #18, respectively.

On July 1, 2011, forward floating-to-fixed swaps #14A and #14B, both with a trade date of April 17, 2007, became effective as scheduled. \$4.48 million of the entire notional amount of swap #14A, \$73.025 million, was associated with the 2008A general obligation bonds, with the excess notional balance of \$68.545 million classified as an investment derivative. The entire notional amount of swap #14B, \$201.975 million, was associated both with the principal of the 2008A general obligation bonds remaining after the association of swap #14A and with the 2010 E-2 notes and 2011A notes. Although these two notes are deemed to mature in perpetuity, the 2008A general obligation bond matures on July 1, 2027, a date in advance of the maturities of swaps #14A and #14B, which occur on July 1, 2030 and July 1, 2037, respectively. Therefore, those portions of swaps #14A and #14B associated with these excess maturities were classified as investment derivatives. On June 19, 2012, the Department paid down the Series 2011A Note.

On August 3, 2011, the Department refunded the Series 2008 B-1 bonds and the Series 2008 A-1 bonds with the Series 2011 B-2 bonds and the Series 2011 B-1 bonds, respectively. At the time of the refunding, swap #7A, with a notional amount of \$150 million, hedged both the 2008 A-2 bonds, with principal of \$50 million, and the 2008 B-1 bonds, with principal of \$100 million. Also at the time of the refunding, swap #7B, with a notional amount of \$150 million, hedged both the 2008 B-2 bonds, with principal of \$50 million, and the 2008 A-1 bonds, with principal of \$100 million. When the 2008 B-1 bonds and the 2008 A-1 bonds were refunded, the \$100 million notional components of both swap #7A and #7B, respectively, were also refunded. Upon refunding, the \$100 million notional component of swap #7A and the \$100 million notional component of swap #7B were re-associated with the 2011 B-2 bonds and the 2011 B-1 bonds, respectively. This re-association resulted in a revaluation of swaps #7A and #7B to adjust the overall swap rates of each swap to the market rate, which created an asset, a deferred loss on imputed debt, and an offsetting liability, imputed debt, in the amount of \$10.7 million for swap #7A and in the amount of \$10.7 million for swap #7B. This deferred loss on imputed debt and corresponding

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imputed debt are amortized against each other on a straight-line basis over the remaining lives of the swaps.

On July 1, 2012, the Department refunded the \$200 million Series 2010 E-2 Notes by issuing the Series 2012 A-1 Subordinate Lien Revenue Notes for \$180 million, along with a contribution by the Department of \$23 million, and obtained \$120 million in new proceeds with the issuance of the Series 2010 A-2 Subordinate Lien Revenue Notes. When this refunding occurred, the notional components of swap #14B that were associated with notes 2010 E-2 and 2011A were re-associated with notes 2012 A-1 and 2012 A-2.

(c) Hedging Derivative Instruments

On June 30, 2012, the Department had nine outstanding floating-to-fixed interest rate swap agreements considered to be hedging derivative instruments in accordance with the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

Objective

As a means of lowering its borrowing costs when compared against fixed-rate bonds at the time of issuance, the Department executed floating-to-fixed interest rate swaps in connection with its issuance of variable rate bonds. The intention of implementing these swaps was to convert the Department's variable interest rates on the bonds to synthetic fixed rates. As of June 30, 2012, the Department had six outstanding hedging swaps that had been structured with step-down coupons to reduce the cash outflows of the fixed leg of those swaps in the later years of the swap.

Forward Starting Swap Agreements

On January 3, 2006, the Department entered into five swap agreements (swaps #7A, #7B, #12A, #12B, and #13) to hedge future variable rate debt as a means to lower its borrowing costs and to provide favorable synthetically fixed rates for financing the construction of Terminal 3 and other related projects. Swap #7A, with a notional amount of \$150 million, hedged both the 2008 A-2 bonds, with principal of \$50 million, and the 2008 B-1 bonds, with principal of \$100 million, while swap #7B, with a notional amount of \$150 million, hedged both the 2008 B-2 bonds, with principal of \$50 million, and the 2008 A-1 bonds, with principal of \$100 million. Swaps #12A and #12B, with notional amounts totaling \$550 million, became effective July 1, 2009; and swap #13, with a notional amount totaling \$150 million, was scheduled to become effective July 1, 2010. Due to the attractive market rates for fixed rate bonds, together with the favorable provisions of the American Recovery and Reinvestment Act of 2009, the Department chose to refinance its outstanding bond anticipation notes and issue fixed rate bonds to complete financing for the construction of Terminal 3. As a result, the planned \$550 million of 2009

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Series A and B variable rate bonds was not issued on July 1, 2009. In addition, to better match its outstanding notional of floating-to-fixed interest rate swaps to the cash flows associated with its outstanding variable rate bonds, on April 6, 2010, the Department terminated \$543.3 million in notional amounts of its outstanding floating-to-fixed interest rate swaps (swaps #3, #5, #10A, and #11) and \$150 million in the notional amount of the July 1, 2010, forward starting swap #13. On April 17, 2007, the Department entered into two additional forward starting swaps, swaps #14A and #14B, with notional amounts totaling \$275 million, which became effective on July 1, 2011, as scheduled.

Terms, Notional Amounts, and Fair Values

The terms, notional amounts, and fair values of the Department's hedging derivatives at June 30, 2012, are included in the table below. The notional amounts of the swap agreements match the principal portions of the associated debt and contain reductions in the notional amounts that are expected to follow the reductions in principal of the associated debt, except as discussed in the section on rollover risk.

Swap#	Interest Rate Swap Description	Associated Variable Rate Bonds	Effective Date	Outstanding Notional Amount (000)	County Pays	County Receives	Fair Value (000)	Maturity Date
01	Floating-to-Fixed	1993A Non-AMT	6/1/1993	\$ 34,400	4.6900%			
07A	Floating-to-Fixed	2008 A-2 AMT / 2008 B-2 AMT	7/1/2008	150,000	4.3057% to 7/2017; 0.2500% to maturity	64.7% of USD LIBOR + 0.280%	(\$11,285)	7/1/2022
07B	Floating-to-Fixed	2008 B-2 AMT / 2011 B-1 AMT	7/1/2008	150,000	4.3057% to 7/2017; 0.2500% to maturity	64.7% of USD LIBOR + 0.280%	(\$11,278)	7/1/2022
10B	Floating-to-Fixed	2008 D-2 AMT	3/19/2008	29,935	4.0030% to 7/2015; 2.2700% to maturity	62.0% of USD LIBOR + 0.280%	(4,345)	7/1/2040
10C	Floating-to-Fixed	2008 D-2 AMT	3/19/2008	29,935	4.0030% to 7/2015; 2.2700% to maturity	62.0% of USD LIBOR + 0.280%	(4,345)	7/1/2040
12A	Floating-to-Fixed	2008 D-2A, 2008 D-2B AMT / 2008 D-3 AMT	7/1/2009	200,000	5.6260% to 7/2017; 0.2500% to maturity	64.7% of USD LIBOR + 0.280%	(25,051)	7/1/2026
12B †	Floating-to-Fixed	2008C / 2008 D-2 / 2010 F-2 / 2010 E-2 / 2011 G-1	7/1/2009	250,000	6.0000% to 7/2017; 1.4550% to maturity	64.7% of USD LIBOR + 0.280%	(56,286)	7/1/2038
14A **	Floating-to-Fixed	2008A	7/1/2011	4,480	3.8860%	64.4% of USD LIBOR + 0.280%	(1,074)	7/1/2030
14B **	Floating-to-Fixed	2008A / 2010 E-2 / 2011A	7/1/2011	201,975	3.8810%	64.4% of USD LIBOR + 0.280%	(59,432)	7/1/2037
				<u>\$ 1,050,725</u>			<u>(\$ 173,107)</u>	

† Hedging component only

** Hedging component only

Due to a decrease in variable rates during FY 2012, none of the Department's hedging derivatives had positive fair values as of June 30, 2012. The fair values are estimated using the methodology discussed above under subnote (a), "Interest Rate Swaps."

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Associated Debt Cash Flows

The net cash flows for the Department's hedging derivative instruments for the year ended June 30, 2012, are provided in the table below.

Swap #	Interest Rate Swap Description	Associated Variable Rate Bonds	Counterparty Swap Interest (000)			Interest to Bondholders (000)	Net Interest Payments (000)	
			(Pay)	Receive	Net		2012	2011
01	Floating-to-Fixed	1993A Non-AMT	\$ (2,301)	\$ 639	\$ (1,662)	\$ (954)	\$ (2,616)	\$ (4,456)
03 *	Floating-to-Fixed	2005 A-1, 2005 A-2 AMT	-	-	-	-	-	-
05 *	Floating-to-Fixed	2008C AMT	-	-	-	-	-	-
07A	Floating-to-Fixed	2008 A-2 AMT / 2008 B-2 AMT	(6,459)	652	(5,807)	(601)	(6,408)	(6,427)
07B	Floating-to-Fixed	2008 B-2 AMT / 2011 B-1 AMT	(6,459)	653	(5,806)	(656)	(6,462)	(6,467)
10A *	Floating-to-Fixed	2008 D-2 AMT	-	-	-	-	-	-
10B	Floating-to-Fixed	2008 D-2 AMT	(1,198)	129	(1,069)	(35)	(1,104)	(1,146)
10C	Floating-to-Fixed	2008 D-2 AMT	(1,198)	129	(1,069)	(35)	(1,104)	(1,146)
11 *	Floating-to-Fixed	2008 D-3 Non-AMT	-	-	-	-	-	-
12A	Floating-to-Fixed	2008 D-2A, 2008 D-2B AMT / 2008 D-3 AMT	(11,252)	871	(10,381)	(281)	(10,662)	(10,887)
12B †	Floating-to-Fixed	2008C / 2008 D-2 / 2010 F-2 / 2010 E-2 / 2011A	(15,000)	1,089	(13,911)	(10,442)	(24,353)	(32,543)
13 *	Floating-to-Fixed	2010A AMT	-	-	-	-	-	-
14A **	Floating-to-Fixed	2008A	(67)	7	(60)	(628)	(688)	-
14B **	Floating-to-Fixed	2008A / 2010 E-2 / 2011A	(3,172)	355	(2,817)	(628)	(3,445)	-
			<u>\$ (47,106)</u>	<u>\$ 4,524</u>	<u>\$ (42,582)</u>	<u>\$ (14,260)</u>	<u>\$ (56,842)</u>	<u>\$ (63,070)</u>

* Terminated on April 6, 2010

† Hedging component only, pro-rated over swap notional

** Hedging component only, pro-rated over swap notional

Credit Risk

The Department is exposed to credit risk in the amount of the hedging derivatives' positive fair values. Since none of the hedging derivatives had a positive fair value as of June 30, 2012, the Department was exposed to no credit risk for these derivatives. Nonetheless, as described earlier, a CSA is in place to provide collateral to protect the value of the swaps under specific circumstances. The counterparty credit ratings for the Department's hedging derivative instruments at June 30, 2012, are included in the table below.

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Swap #	Interest Rate Swap Description	Counterparty	Counterparty Ratings			Credit Risk Exposure (000)
			Moody's	S&P	Fitch	
01	Floating-to-Fixed	AIG Financial Products Corp.	Baa1	A-	N/A	\$ -
03 *	Floating-to-Fixed	Citigroup Financial Products Inc.	Baa2	A-	A	-
05 *	Floating-to-Fixed	Citigroup Financial Products Inc.	Baa2	A-	A	-
07A	Floating-to-Fixed	JPMorgan Chase Bank, N.A.	Aa3	A+	A+	-
07B	Floating-to-Fixed	UBS AG	A2	A	A	-
10A *	Floating-to-Fixed	Citigroup Financial Products Inc.	Baa2	A-	A	-
10B	Floating-to-Fixed	JPMorgan Chase Bank, N.A.	Aa3	A+	A+	-
10C	Floating-to-Fixed	UBS AG	A2	A	A	-
11 *	Floating-to-Fixed	Citigroup Financial Products Inc.	Baa2	A-	A	-
12A	Floating-to-Fixed	Citigroup Financial Products Inc.	Baa2	A-	A	-
12B †	Floating-to-Fixed	Citigroup Financial Products Inc.	Baa2	A-	A	-
13 *	Floating-to-Fixed	Citigroup Financial Products Inc.	Baa2	A-	A	-
14A **	Floating-to-Fixed	UBS AG	A2	A	A	-
14B **	Floating-to-Fixed	Citigroup Financial Products Inc.	Baa2	A-	A	-
						\$ -

* Terminated on April 6, 2010

** Hedging component only, pro-rated over swap notional

† Hedging component only

Basis and Interest Rate Risk

The floating-to-fixed swap #01 is not subject to basis risk or interest rate risk because the variable amount received from the swap counterparty matches the payment due to the bondholders on the 1993A Non-AMT bonds. All the remaining hedging derivative swaps are subject to basis risk and interest rate risk should the relationship between the LIBOR rate and the Department's bond rates converge. If a change occurs that results in the rates moving to convergence, the expected cost savings and expected cash flows of the swaps may not be realized.

Tax Policy Risk

The Department is exposed to tax risk if a permanent mismatch (shortfall) occurs between the floating rate received on the swap and the variable rate paid on the underlying variable rate bonds due to tax law changes such that the federal or state tax exemption of municipal debt is eliminated or its value is reduced.

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Termination Risk

The Department is exposed to termination risk if either the credit rating of the bonds associated with the swap or the credit rating of the swap counterparty falls below the threshold defined in the swap agreement, i.e. if an additional termination event ("ATE") occurs. If at the time of the ATE the swap has a negative fair value, the Department would be liable to the counterparty for a payment equal to the swap's fair value. For all swap agreements, except for swaps #06, #08A, and #09A, the Department is required to designate a day between five and 30 days to provide written notice following the ATE date. For the exceptions, the designated date is 30 days after the ATE days.

Rollover Risk and Other Risk

There exists the possibility that the Department may undertake additional refinancing with respect to its swaps to improve its debt structure or cash flow position and that such refinancing may result in hedging swap maturities that do not extend to the maturities of the associated debt, in hedging swaps becoming decoupled from associated debt, in the establishment of imputed debt, or in the creation of losses.

(d) Investment Derivative Instruments

As of June 30, 2012, the Department has 13 outstanding interest rate swaps considered to be investment derivative instruments in accordance with the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. In addition to these 13 swaps, components of swaps #12B, #14A, and #14B are designated as investment derivatives in accordance with the provisions of GASB Statement No. 53.

Terms, Notional Amounts, and Fair Values

The terms, notional amounts, and fair values of the Department's investment derivatives at June 30, 2012, are included in the table below.

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Swap #	Interest Rate Swap Description	Associated Variable Rate Bonds	Effective Date	Outstanding Notional (\$000)	County Pays	County Receives	Fair Value (\$000)	Maturity Date
02	Basis Swap	2004B AMT	8/23/2001	\$ 81,316	SIFMA Swap Index -0.41%	72.2% of USD LIBOR + 0.20%	\$ (4,167)	7/1/2036
04	Basis Swap	2001B / 1998A / 2003 Non-AMT	7/1/2003	135,663	SIFMA Swap Index	68.0% of USD LIBOR + 0.435%	989	7/1/2025
06	Basis Swap	2004 A-1 AMT, 2004 A-2 Non-AMT	9/1/2004	300,000	SIFMA Swap Index	62.2% of USD LIBOR + 0.300% to 7/2010; 42.2% of USD LIBOR + 1.052% to maturity	17,537	7/1/2025
08A	Floating-to-Fixed	2008C AMT	3/19/2008	151,200	4.0000% to 7/2015; 3.0000% to maturity	82.0% of USD LIBOR -0.460% to 7/2009; 82.0% of 10 year CMS -0.93% to maturity	(29,613)	7/1/2040
08B	Floating-to-Fixed	2008C AMT	3/19/2008	31,975	4.0000% to 7/2015; 3.0000% to maturity	82.0% of USD LIBOR -0.460% to 7/2009; 82.0% of 10 year CMS -0.93% to maturity	(6,262)	7/1/2040
08C	Floating-to-Fixed	2008C AMT	3/19/2008	31,975	4.0000% to 7/2015; 3.0000% to maturity	82.0% of USD LIBOR -0.460% to 7/2009; 82.0% of 10 year CMS -0.93% to maturity	(6,262)	7/1/2040
09A	Floating-to-Fixed	2008D-1 AMT	3/19/2008	41,330	5.0000% to 7/2015; 1.2100% to maturity	82.0% of USD LIBOR -0.560% to 7/2009; 82.0% of 10 year CMS -1.03% to maturity	(2,011)	7/1/2036
09B	Floating-to-Fixed	2008D-1 AMT	3/19/2008	8,795	5.0000% to 7/2015; 1.2100% to maturity	82.0% of USD LIBOR -0.560% to 7/2009; 82.0% of 10 year CMS -1.03% to maturity	(428)	7/1/2036
09C	Floating-to-Fixed	2008D-1 AMT	3/19/2008	8,795	5.0000% to 7/2015; 1.2100% to maturity	82.0% of USD LIBOR -0.560% to 7/2009; 82.0% of 10 year CMS -1.03% to maturity	(428)	7/1/2036
12B †	Floating-to-Fixed	2008C / 2008 D-2 / 2010 F-2 / 2010 E-2 / 2011A	7/1/2009	100,000	6.0000% to 7/2017; 1.4550% to maturity	64.7% of USD LIBOR + 0.280%	543	7/1/2038
14A **	Floating-to-Fixed	2008A	7/1/2011	68,545	3.8860%	64.4% of USD LIBOR + 0.280%	(21,779)	7/1/2030
14B **	Floating-to-Fixed	2008A / 2010 E-2 / 2011A	7/1/2011	-	3.8810%	64.4% of USD LIBOR + 0.280%	(13,993)	7/1/2037
<u>Remaining portions of swaps after April 6, 2010 terminations</u>								
15	Fixed Rate Basis Swap	swap #03 (amended and restated)	4/6/2010	59,879	1.0200% until 7/1/2010	1.4700% starting at 7/1/2010	4,500	7/1/2022
16	Fixed Rate Basis Swap	swap #05 (amended and restated)	4/6/2010	50,750	1.3700% until 7/1/2010	0.6000% starting at 7/1/2010	3,395	7/1/2025
17	Fixed Rate Basis Swap	swap #10A (amended and restated)	4/6/2010	139,735	0.8730% until 7/1/2015	0.8600% starting at 7/1/2015	15,054	7/1/2040
18	Fixed Rate Basis Swap	swap #13 (amended and restated)	4/6/2010	150,000	2.4930% until 7/1/2017	1.5940% starting at 7/1/2017	18,434	7/1/2040
				<u>\$ 1,359,960</u>			<u>\$ (24,471)</u>	

† Investment component only

** Investment component only

Credit Risk

The Department is exposed to credit risk on the seven interest rate swaps with positive fair values totaling \$60.5 million. The Department is not exposed to credit risk on the remaining interest rate swaps with negative fair values. Should forward interest rates change such that the fair values of the those swaps become positive, the Department would then be exposed to credit risk in the amount of those derivatives' fair values. As described earlier, a CSA is in place to provide collateral to protect the value of the swap under specific circumstances. The counterparty credit ratings for the Department's investment derivative swaps at June 30, 2012, are included in the table below.

Swap #	Interest Rate Swap Description	Counterparty	Counterparty Ratings Moody's S&P Fitch	Credit Risk Exposure (\$000)
02	Basis Swap	Citigroup Financial Products Inc.	Baa2 A- A	\$ -
04	Basis Swap	Citigroup Financial Products Inc.	Baa2 A- A	989
06	Basis Swap	Citigroup Financial Products Inc.	Baa2 A- A	17,557
08A	Floating-to-Fixed Interest Rate Swap	Citigroup Financial Products Inc.	Baa2 A- A	-
08B	Floating-to-Fixed Interest Rate Swap	JPMorgan Chase Bank, N.A.	Aa3 A+ A+	-
08C	Floating-to-Fixed Interest Rate Swap	UBS AG	A2 A A	-
09A	Floating-to-Fixed Interest Rate Swap	Citigroup Financial Products Inc.	Baa2 A- A	-
09B	Floating-to-Fixed Interest Rate Swap	JPMorgan Chase Bank, N.A.	Aa3 A+ A+	-
09C	Floating-to-Fixed Interest Rate Swap	UBS AG	A2 A A	-
12B †	Floating-to-Fixed Interest Rate Swap	Citigroup Financial Products Inc.	Baa2 A- A	543
14A **	Floating-to-Fixed Interest Rate Swap	UBS AG	A2 A A	-
14B **	Floating-to-Fixed Interest Rate Swap	Citigroup Financial Products Inc.	Baa2 A- A	-
<u>Remaining portions of swaps after April 6, 2010 terminations</u>				
15	Fixed-to-Fixed Swap	Citigroup Financial Products Inc.	Baa2 A- A	4,500
16	Fixed-to-Fixed Swap	Citigroup Financial Products Inc.	Baa2 A- A	3,395
17	Fixed-to-Fixed Swap	Citigroup Financial Products Inc.	Baa2 A- A	15,054
18	Fixed-to-Fixed Swap	Citigroup Financial Products Inc.	Baa2 A- A	18,434
			<u>\$ 60,472</u>	

† Investment component only

** Investment component only

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Interest Rate Risk

Swaps #02, #04, and #06 are subject to interest rate risk should the relationship between the LIBOR rate and the SIFMA rate converge. If a change occurs that results in the rates moving to convergence, the expected cost savings and expected cash flows of the swaps may not be realized.

Swaps #08A, #08B, and #08C and swaps #09A, #09B, and #09C are subject to interest rate risk should the relationship between the 10-year CMS rate (Constant Maturity Swap rate) and the LIBOR rate converge. If a change occurs that results in the rates moving to convergence, the expected cost savings and expected cash flows of the swaps may not be realized.

Swaps #12B, #14A, and #14B are subject to interest rate risk should the relationship between the LIBOR rate and the Department's bond rates converge. If a change occurs that results in the rates moving to convergence, the expected cost savings and expected cash flows of the swaps may not be realized.

The investment components of swaps #15 through #18 are not subject to interest rate risk.

Foreign Currency Risk

None of the Department's interest rate swaps are subject to foreign currency risk.

(e) Projected Maturities and Interest on Variable Rate Bonds, Bond Anticipation Notes, and Swap Payments

Using the rates effective on June 30, 2012, the approximate maturities and interest payments of the Department's variable rate debt and bond anticipation notes plus the net payment projections on the floating-to-fixed interest rate swaps are presented in the following table.

Due for the Fiscal Year Ended June 30,	Variable Rate Bonds		Bond Anticipation Notes		Net Swap Payments (000)	Total (000)
	Principal (000)	Interest (000)	Principal (000)	Interest (000)		
2013	\$ 34,500	\$ 4,024	\$ -	\$ 6,790	\$ 62,468	\$ 107,782
2014	100	4,023	200,000	1,800	62,488	268,411
2015	100	4,023	-	-	62,488	66,611
2016	3,865	4,005	-	-	59,713	67,583
2017	14,130	3,929	-	-	56,731	74,790
2018-2022	371,080	15,438	-	-	109,149	495,667
2023-2027	180,490	8,690	-	-	88,715	277,895
2028-2032	218,230	3,608	-	-	75,085	296,923
2033-2037	165,445	1,958	-	-	35,334	202,737
2038-2042	136,855	401	-	-	3,775	141,031
Total	<u>\$ 1,124,795</u>	<u>\$ 50,099</u>	<u>\$ 200,000</u>	<u>\$ 8,590</u>	<u>\$ 615,946</u>	<u>\$ 1,999,430</u>

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10.) PAYMENTS TO CLARK COUNTY

The Department reimburses the County for providing the Airport System with fire services, police services, legal services, administrative services, and certain maintenance services based on its actual cost. The total amounts billed for these services were \$29.2 million and \$29.1 million for the fiscal years ended June 30, 2012 and 2011, respectively.

11.) COMMITMENTS AND CONTINGENCIES

(a) Federal Grants

As of June 30, 2012, the County has remaining commitments from the FAA for grant awards of \$10.4 million for land acquisitions and certain other airport improvements. Such funds are generally available for reimbursement upon the acquisition of the specific asset and are generally accrued as receivables at the time the acquisition costs are incurred.

(b) Construction in Progress

As of June 30, 2012, the Department's management estimates that construction in progress will require an additional outlay of approximately \$509.1 million to bring related projects to completion.

(c) Litigation and Claims

General Litigation

There is no controversy of any nature now pending against the County or, to the knowledge of its respective officers, threatened, seeking to restrain or enjoin the ability to offer notes or bonds or in any way contesting or affecting the validity of existing notes or bonds, nor are there any proceedings against the County with respect to existing notes or bonds.

Resolved Inverse Condemnation Litigation

The County is a party to actions concerning Airport System operations in which inverse condemnation damages and other damages are being sought against the County. Although the facts and circumstances of each case differ, the County believes the ultimate outcomes of all cases summarized below will be affected by the decision

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rendered by the Nevada Supreme Court case *McCarran Int'l Airport v. Sisolak*, 122 Nev. 645, 137 P.3d 1110 (2006), affirming *Steve Sisolak v. McCarran Int'l Airport and Clark County*, Clark County Eighth Judicial District Case No. A434337.

In *Sisolak*, the District Court found for plaintiff's inverse condemnation claim, holding that a "per se taking" had occurred as a result of the County's enactment of airport height zoning ordinances. On appeal, the Nevada Supreme Court, on July 13, 2006, affirmed the District Court's ruling that a "per se taking" had occurred as a result of the County's airport height zoning ordinance. The County petitioned the U.S. Supreme Court for a writ of certiorari based on federal law, but the petition was denied. 459 U.S. 1206 (2007). *Sisolak* is currently the controlling law in Nevada.

The County also believes that the ultimate outcomes of all cases summarized below will be affected by the Nevada Supreme Court's 2010 rulings on the statute of limitations as applied to inverse condemnation claims in *David Johnson, Trustee of the Joseph W. Huntsman 1983 Trust v. McCarran Int'l Airport and Clark County* and *70 Limited Partnership, Tertia Dvorchak as Special Administratrix of the Estate of Thomas T. Beam, Deceased v. McCarran Int'l Airport and Clark County*.

In both *Johnson* and *Dvorchak*, plaintiffs filed complaints alleging that the imposition of zoning height restrictions over the plaintiffs' properties constituted a "per se taking." The County successfully filed motions to dismiss each case based upon the statute of limitations. The Nevada Supreme Court upheld both lower court decisions that per se regulatory takings claims filed more than 15 years after the adoption of airport-related zoning regulations were time-barred. In both *Johnson* and *Dvorchak*, all seven Supreme Court Justices unanimously decided in favor of affirmance. In particular, the Nevada Supreme Court found that its decision in *White Pine Lumber v. City of Reno*, 106 Nev. 778, 801 P.2d 1370 (1990), which recognized a fifteen-year limitations period in inverse condemnation cases, was applicable and that the per se regulatory takings claims accrued upon the adoption of airport-related zoning regulations.

Because these decisions were decided unanimously by all seven Supreme Court Justices, there is a strong likelihood that the Nevada Supreme Court would continue to uphold dismissals of other inverse condemnation airspace takings cases that were filed more than 15 years after the adoption of Clark County Ordinance 1221 (adopted August 1, 1990), Clark County Ordinance 1599 (adopted July 6, 1994), or any other airport-related zoning regulation. Nonetheless, because the orders of affirmance in *Johnson* and *Dvorchak* were not selected for publication, it must be noted that the orders may not be

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cited as precedent or legal authority under Nevada Supreme Court Rule 123, making it impossible to predict the legal effect of these orders of affirmance.

Pending Inverse Condemnation Litigation

70 Limited Partnership, Tertia Dvorchak as Special Administratrix of the Estate of Thomas T. Beam, Deceased v. McCarran Int'l Airport and Clark County, Case No. A572739. Outside counsel is handling this litigation on behalf of the County. This case was filed on October 1, 2008, alleging that the imposition of zoning height restrictions over the plaintiff's property constitutes a "per se taking." Two ordinances were involved in this case – Ordinance 1221 and Ordinance 1599. The County's success in dismissing claims under Ordinance 1221 based upon the statute of limitations is discussed above under the caption "Resolved Inverse Condemnation Litigation." Following the decision on the motion to dismiss in the County's favor, the only ordinance that remained as the subject of litigation at the district court level was Ordinance 1599 (a claim which belonged to plaintiff 70 Limited Partnership). At the district court level, experts were retained, and the County contended that there was no damage in this case. Once discovery commenced, the plaintiff located an expert to utilize the PISTOL ("People's Initiative to Stop the Taking of our Land") Amendment to the Nevada Constitution to enhance their damages under Ordinance 1599. Utilizing that expert, the Plaintiff then claimed it was damaged in excess of \$2.7 billion by Ordinance 1599. Near the close of discovery, the County moved for summary judgment on all claims. The Court granted this Motion at the March 30, 2010, hearing on dispositive motions. Plaintiff 70 Limited Partnership appealed this action to the Nevada Supreme Court on July 16, 2010. The Supreme Court heard oral arguments on July 9, 2012. The Court has not issued its opinion. The County believes it has a strong legal argument on appeal. It is, however, impossible to predict the outcome of this case at this juncture given the current stage of the present litigation and the possible effect of the Sisolak decision.

North American Properties, a Business Entity Formerly Known as Woodbridge Apartments v. McCarran Int'l Airport and Clark County, Case No. A-09-594649. Outside counsel is handling this litigation on behalf of the County. The case was filed July 6, 2009, and has been served on the County. The plaintiff alleges that the County used airport expansion and the imposition of height restrictions to lower the value of, or take part of, property the plaintiff owns. The County filed a motion to dismiss plaintiff's Amended Complaint on January 14, 2011. On February 24, 2011, the district court dismissed the plaintiff's Ordinance 1221 airspace takings claims on the basis that they were barred by the fifteen-year limitations period applicable to inverse condemnation takings claims. Plaintiff and the County will continue to litigate plaintiff's Ordinance 1599 airspace takings claims, which

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were not barred by the fifteen-year statute of limitations. Trial is set for October, 2012. The County has filed numerous pre-trial motions which may result in dismissal before trial. The plaintiff has delivered experts' opinions on damages, which vary widely from \$1.2 million plus interest back to 1994 and attorneys' fees to \$100.4 million under a novel "profit entitlement theory."

It is impossible to predict the outcome of this case at this juncture given the current stage of the present litigation and the possible effect of the *Sisolak* decision.

Other Possible Inverse Condemnation/Taking Litigation

As a result of the *Sisolak* decision, it is possible that other litigation will be filed based on a similar legal theory by landowners who are affected by the County's airport height zoning ordinance. It is impossible to predict at this time whether any such litigation will be filed or its ultimate outcome.

Other Litigation

The County is a party to numerous other actions and claims in connection with the ownership and operation of the Airport System, including personal injury claims, employment related claims, and construction claims, but, in the opinion of the District Attorney, the actions and claims described in this paragraph are not expected, in the aggregate, to have a material adverse effect on the financial condition of the Airport System. Particular cases of note follow.

Williams Brother, Inc. v. Clark County, Case No. A-10-630397-C. The plaintiff filed a complaint against the County on December 2, 2010, alleging that the County's wrongful conduct caused the plaintiff delays and monetary damages in its efforts to complete the project designated as Contract 2367 – Reconstruction of Taxiway G. The plaintiff also alleges the County did not pay the retention amounts as required by Nevada's Prompt Payment Law. The plaintiff claims \$9.2 million in damages. The case is set for trial on January 29, 2013. Discovery has just commenced. The County believes it has strong legal and factual defenses, and it intends to vigorously defend this case.

Heli USA Airways, Inc. et al v. County of Clark, et al., Case No. A-11-639810-C. Plaintiffs filed a complaint on April 21, 2011, alleging that the County had illegally collected approximately \$5.0 million in passenger facility charges ("PFCs") on certain helicopter sightseeing flights. On September 1, 2011, the County filed a Motion to Dismiss the

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complaint on the ground that state courts have no jurisdiction over PFC claims. On October 10, 2011, the district court heard the motion and granted the County's Motion to Dismiss. The plaintiffs appealed, but, subsequently, agreed to dismiss the case. While there is a chance plaintiffs may attempt to file a claim through the FAA's administrative process, the County believes it has strong defenses if that were to occur.

CLS Nevada, LLC v. County of Clark, et al., Case No. A-11-652736-W. Plaintiff filed a complaint on December 5, 2011, against Clark County alleging that it unfairly selected four other transportation companies over CLS under a Request for Proposals process for concessionaire agreements to provide limousine and minibus services to passengers at the Airport. The plaintiff seeks declaratory judgment that the selection process was improper and that the proposals must be reevaluated to rank plaintiff first; preliminary and permanent injunctive relief compelling award to plaintiff; a writ of certiorari, mandamus or prohibition; award of bid preparation costs; and award of attorney's fees and costs. Plaintiff also filed a Motion for Preliminary Permanent Injunction. The County and the four successful transportation companies vigorously opposed the motion, and the court dismissed the case. While plaintiff initially appealed the case, all parties entered into a Stipulation and Order for Dismissal with Prejudice, which the court signed and filed August 16, 2012.

There are a number of civil actions alleging personal injury and property damage pending against the Department. Pursuant to the Department's liability insurance coverage, the Department has retained counsel to defend these actions. Any monetary exposure above the deductible in those cases of which the Department is aware would be covered by insurance.

12.) RENTALS AND OPERATING LEASES

The Department derives a substantial portion of its revenue from fees and charges to air carriers and concessionaires. Charges to air carriers are generated from terminal building rentals, gate use fees, and landing fees in accordance with the Lease or with the provisions of the applicable County ordinance. The Department leases land, buildings, and terminal space to various tenants and concessionaires under operating agreements that expire at various times through 2048. Under the terms of these agreements, concession fees are based principally either on a percentage of the concessionaires' gross sales or a stated minimum annual guarantee, whichever is greater, or on other land and building rents that are based on square footage rental rates. The Department received \$105.8

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million and \$85.1 million in the years ended June 30, 2012, and 2011, respectively, for contingent rental payments in excess of the stated annual minimum guarantees.

The following is a schedule of minimum future rental income on non-cancelable operating leases as of June 30, 2012.

Fiscal Year	Minimum Future Rents (000)
2013	156,168
2014	146,936
2015	141,849
2016	80,529
2017	53,573
Thereafter	232,510

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For the Fiscal Years Ended June 30, 2012 and 2011

13.) RISK MANAGEMENT

The Department is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and customers; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and County self-insured programs for off-airport auto liability, employee medical benefits, and workers' compensation.

The United States is experiencing a widespread decline in residential real estate sales, mortgage lending, and related construction activity, accompanied by weakness in the commercial and investment banking systems, and it is engaged in a war, all of which are likely to have far-reaching effects on the economic activity in the country for an indeterminate period of time. The near- and long-term impact of these factors on the Nevada economy and the Department's operations cannot be predicted at this time but may be substantial.

From time-to-time, the Department carries cash and cash equivalents on deposit with financial institutions in excess of federally-insured limits, and the risk of losses related to such concentrations may be increasing as a result of the economic developments discussed in the foregoing paragraph. However, the extent of any future loss to be sustained as a result of uninsured deposits in the event of any failure of a financial institution, if any, is not subject to estimation at this time.

The County has established a fund for self-insurance related to medical benefits provided to employees and covered dependents. An independent claims administrator handles all claims procedures. The County also provides an option for employees to select an independent health maintenance organization for medical benefits.

The County has also established a fund for self-insurance related to workers' compensation claims. The County maintains reinsurance coverage obtained from private insurers for losses in excess of \$1,000,000 per claim.

The Department reimburses the County at a per capita rate for employee medical benefits and for a percentage of payrolls for workers' compensation coverage. Rates for this coverage are uniform for all County departments and are adjusted based on the overall performance of the self-insured medical benefits fund and the self-insured workers' compensation fund.

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As a participant in the County's self-insured programs, the Department is assessed annual fees based on the allocation of each respective fund. These assessments are charged to the Department's expense each year. There is no separate accounting for the Department's claims. Accordingly, information regarding claims liability and payments are not presented in this financial report.

Settled claims from these risks have not exceeded commercial insurance coverage during the past three years.

14.) AIRPORT LAND TRANSFERS

The Southern Nevada Public Land Management Act of 1998, Public Law 105-263, was enacted by Congress in October 1998. A provision of this law provides that the Bureau of Land Management ("BLM"), an agency of the United States Department of the Interior, will transfer approximately 5,000 acres of land to the Department, without consideration, subject to the following:

- 1) Valid existing rights;
- 2) The land must be managed in accordance with the law, with Section 47504 of Title 40 of the United States Code (relating to airport noise compatibility planning), and with regulations promulgated pursuant to that section;
- 3) If any land is sold, leased, or otherwise conveyed by the Department, such sale, lease, or other conveyance shall contain a limitation that requires uses be compatible with the law and with Airport Noise Compatibility Planning provisions; and
- 4) If any land is sold, leased, or otherwise conveyed by the Department, such sale, lease, or other conveyance shall be at fair market value. The Department contributes 85 percent of the gross proceeds from the sale, lease, or other conveyance of such land directly to the BLM for use in purchasing, improving, or developing other land for environmental purposes. The Department contributes 5 percent of the gross proceeds from the sale, lease, or other conveyance of such land directly to the State for use in its general education program. The remainder is available for use by the Department for the benefit of airport development and the Noise Compatibility Program.

Due to the uncertainty of any future benefit to the Department, a value has not been assigned to, nor was income reported relating to, land not yet sold or leased under the

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For the Fiscal Years Ended June 30, 2012 and 2011

Southern Nevada Public Land Management Act of 1998. Gross proceeds from the sale and lease of Co-operative Management Area ("CMA") land for the year ended June 30, 2012, were \$6 million, and from inception to that date are \$113.0 million. The Department's share of these proceeds is \$601 thousand for the year ended June 30, 2012, and from inception to that date are \$11.3 million. As of June 30, 2012 and 2011, the Department had paid the BLM and the State of Nevada all amounts due.

CLARK COUNTY DEPARTMENT OF AVIATION
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For the Fiscal Years Ended June 30, 2012 and 2011

15.) SUBSEQUENT EVENTS

Subsequent to June 30, 2012, the following significant events have occurred.

1. On July 1, 2012, the County refunded the Series 1998 PFC bonds, consisting of \$64.4 million of Non-AMT Fixed Rate Airport Passenger Facility Charge Revenue Bonds, with the 2012B bonds. The new bonds have a maturity that differs from that of the 1998 PFC bonds. The new bonds mature in 2033 with an interest rate of 5 percent per annum.
2. On July 1, 2012, the County issued Series 2012 A-1 and 2012 A-2 notes for \$180 million and \$120 million, respectively. The 2012 A-1 Note is an AMT Fixed Rate Airport System Junior Subordinate Lien Revenue Note, and the 2012A-2 Note is a Non-AMT Fixed Rate Airport System Junior Subordinate Lien Revenue Note. The 2012 A-1 Note proceeds, in conjunction with the Department's contribution of \$23 million, were used to satisfy the outstanding principal and interest balance of the 2010 E-2 Airport System Junior Lien Subordinate Lien Note. The 2012 A-2 Note provided the Department with \$120 million in new project proceeds to be used for future capital improvements to the Airport System. Both notes mature on July 1, 2013, and bear an annual interest rate of 2 percent.
3. The Department retained the services of Domingo Cambeiro Professional Corporation ("Cambeiro") for the design and preparation of construction drawings for the CB-1C Gate pedestrian bridge and for the C-1A boarding gate at the Airport. During the course of construction, the contractor requested additional compensation for revised work and delays caused by alleged design errors and omissions to the construction drawings, which resulted in the Department paying additional money to the contractor. On August 5, 2009, the Department, through the County, filed a lawsuit against Cambeiro asserting claims of damages for design-related errors and omissions. Case No. A09598875C. The parties agreed to mediate the dispute and, on August 13, 2012, reached an agreement subject to Board ratification. The agreement stipulated a settlement in the amount of \$600,000 due to the Department. On September 4, 2012, the Board ratified the agreement and released Cambeiro of its retention.
4. The Department retained the services of Lendall Mains Architect ("LMA") for the design and preparation of construction drawings for Bus Plaza Security Expansion at the Airport. During the course of construction, the contractor requested additional compensation for revised work and delays caused by alleged design errors and omissions to the construction drawings, which resulted in the Department paying

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additional money to the contractor. On July 2, 2009, the Department, through the County, filed a lawsuit against LMA asserting claims of damages for design-related errors and omissions. Case No. A09594554. The parties agreed to mediate the dispute and reached an agreement, subject to Board ratification. The agreement stipulated a settlement in the amount of \$1.2 million due to the Department. On September 18, 2012, the Board ratified the agreement.

5. Effective for FY 2013, the Governmental Accounting Standards Board ("GASB") issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* ("Statement"). The Statement requires all deferred assets and deferred liabilities to be re-evaluated for reporting presentation purposes as a possible deferred outflow of resources or deferred inflow of resources. Deferred outflows of resources and deferred inflows of resources are to be presented apart from total assets and total liabilities, respectively, on the Statements of Net Assets. The Statement also changes the term Net Assets to Net Position. For FY 2013, the Department will be evaluating the impact of this Statement on future financial statements.

Required Supplementary Information

Clark County Department of Aviation
Clark County, Nevada

Schedule of Other Postemployment Benefits Funding Progress

Actuarial Valuation Date	Actuarial Accrued				Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
	Actuarial Value of Assets (a)	Liability (AAL) Entry Age Normal (b)	Unfunded AAL (UAAL) (b-a)				
Self-funded/HPN							
6/30/2006	\$ -	\$ 54,444,642	\$ 54,444,642	\$ -	\$ 74,915,209		72.7%
7/1/2008	-	60,047,814	60,047,814	-	77,526,127		77.5%
7/1/2010	-	95,469,098	95,469,098	-	76,755,580		124.4%
PEBP plan							
6/30/2006	-	8,708,296	8,708,296	-	74,915,209		11.6%
7/1/2008	-	17,290,402	17,290,402	-	-		N/A*
7/1/2010	-	17,417,513	17,417,513	-	-		N/A*

*PEBP no longer has active employees effective 9/1/08.

Supplementary Information

Clark County Department of Aviation
 Clark County, Nevada

Schedule of Insurance Coverage

As of June 30, 2012

Amount of Coverage	Description	Limits (\$)	Insurer	Expiration
\$750M	Airport Liability	\$100M	Ace	10/01/2012
	Excess Airport Liability	\$650M		10/01/2012
\$100M	Third Party War Liability		Ace	10/01/2012
\$1.5B	Airport Property Liability 1	\$1.5B	Lexington	10/01/2012
\$250M	Terrorism	\$250M	Lexington	10/01/2012
\$300M	Construction Liability	\$300M	Lloyds of London	06/01/2012
\$98M	Builder's Risk	\$98M	Travelers	06/01/2012
\$40M	Pollution and Remediation	\$40M	Indian Harbor	03/27/2013
\$5M	EPLI	\$5M	Zurich	10/01/2012

1 In January, 2012, the property liability insurance was increased to \$1.5B for the addition of Terminal 3

Clark County Department of Aviation
Clark County, Nevada

Schedule of Airport Revenue Bond Debt Service Coverage
For the Fiscal Years Ended June 30, 2012 and 2011

	Reference	FY 2012 (000)	FY 2011 (000)
Operating revenue		\$ 355,411	\$ 392,554
Interest income		5,622	5,410
Total revenue	1	361,033	397,964
Other available funds:			
Senior lien coverage		7,918	15,799
Subordinate lien coverage		4,205	5,741
Total other available funds		12,123	21,539
Total revenue and other available funds		373,155	419,503
Operating expenses	2	(222,336)	(217,353)
Net revenues available for debt service	3	150,820	202,150
PFC revenue		79,648	77,949
PFC fund interest income		1,040	1,048
Total PFC revenue	4	80,688	78,997
Senior lien debt service	5	31,670	63,194
Subordinate lien debt service	6	46,155	54,217
Shortfall / (excess) pledged PFC revenue*		(4,102)	3,190
Total subordinate lien debt service		42,053	57,407
Senior and subordinate lien debt service	7	73,723	117,411
Subordinate PFC debt service	8	76,586	82,187
(Shortfall) / excess pledged PFC revenue*		4,102	(3,190)
Total subordinate PFC debt service		\$ 80,688	\$ 78,997
Coverage achieved:			
Net revenue (informational only)	(1-2)/5	4.38	2.86
Senior lien including other available funds (1.25 required)	3/5	4.76	3.20
Senior and subordinate lien including other available funds (1.10 required)	3/7	2.05	1.72
Subordinate lien after payment of senior lien	(3-5)/6	2.58	2.56
Subordinate PFC bonds (informational only)	4/8	1.05	0.96

* PFC pledged excess revenues are used for subordinate lien debt service on bonds whose proceeds were used for approved PFC projects.

Clark County Department of Aviation
Clark County, Nevada

Schedule of Cash Receipts and Disbursements - Restricted Accounts
As of June 30, 2012

	Construction (000)	Passenger Facility Charge (000)	Current Debt Service (000)	Debt Service Reserve (000)	Working Capital and Contingency Reserve (000)	Capital and Rate Stabilization Reserve (000)	Total (000)
Cash and investments, beginning of fiscal year	\$ 566,564	\$ 12,943	\$ 297,226	\$ 237,793	\$ 18,112	\$ 10,363	\$ 1,143,001
Cash Receipts:							
Passenger Facility Charges	-	79,125	-	-	-	-	79,125
Jet Aviation Fuel Tax	-	-	-	7,376	-	-	7,376
FAA Grants	8,037	-	-	-	-	-	8,037
Interest received	2,053	256	2,868	1,524	247	149	7,097
Transfers in	-	-	453,461	5,319	305	10,253	469,338
Total Receipts	10,090	79,381	456,329	14,219	552	10,402	570,973
Total cash and investments available	576,654	92,324	753,555	252,012	18,664	20,765	1,713,974
Cash disbursements:							
Bond issuance costs	-	-	859	-	-	-	859
Project costs	198,944	10	-	-	-	-	198,954
Principal payments	-	-	191,265	-	-	-	191,265
Interest payments	-	-	242,502	-	-	-	242,502
Transfers out	211,608	76,772	25,061	48,196	-	-	361,637
Total cash disbursements	410,552	76,782	459,687	48,196	-	-	995,217
Cash and investments, end of fiscal year	\$ 166,102	\$ 15,542	\$ 293,868	\$ 203,816	\$ 18,664	\$ 20,765	\$ 718,757

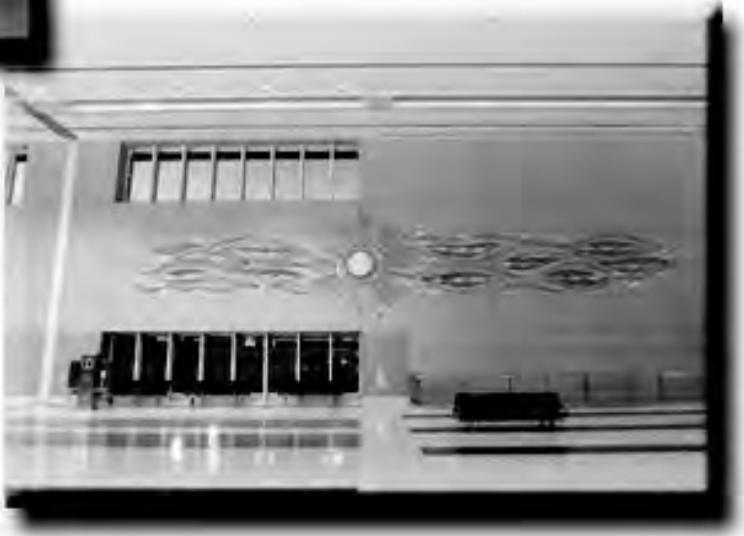
Clark County Department of Aviation
Clark County, Nevada

Schedule of Operating Revenues and Expenses by Cost Center
Actual and Budget for Fiscal Year Ended June 30, 2012
(With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	Terminal Building (000)	Airfield Area (000)	Apron Area (000)	Other Buildings and Areas (000)	Heliport (000)	Ivanpah Airport (000)	Terminal Area (000)	Reliever Airports (000)	Consolidated Car Rental Facility (000)	General and Administrative (000)	Year Ended June 30, 2012	Actual Budgeted	Year Ended June 30, 2011
											Actual Total (000)	Budgeted Total (000)	Actual Total (000)
Operating Revenues:													
Landing Fees	\$ -	\$ 38,460	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,460	\$ 60,831	\$ 57,656
Other aircraft fees	-	6,452	-	-	-	-	-	4,767	-	-	11,219	5,252	10,611
Building rentals	72,936	-	21,342	1,817	-	-	-	637	33,888	-	130,620	156,017	157,099
Land rentals	-	7,063	1,658	8,567	-	-	-	1,355	209	-	18,852	19,459	17,838
Ground transportation fees	-	-	-	-	-	-	14,675	67	28,630	-	43,372	43,974	40,614
Gaming revenue	25,487	-	-	-	-	-	-	-	232	-	25,719	27,145	25,908
Terminal concessions	54,394	116	1,825	-	-	-	-	109	189	-	56,633	52,822	53,094
Parking	-	-	-	-	-	-	28,674	29	75	-	28,778	30,834	28,325
Other	120	6	-	33	-	-	1	299	20	1,279	1,758	2,045	1,409
Total Operating Revenues	152,937	52,097	24,825	10,417	-	-	43,350	7,263	63,243	1,279	355,411	398,379	392,554
Operating Expenses:													
Salaries, wages and benefits	47,831	9,414	10,890	3,336	-	-	16,362	6,306	1,322	15,734	111,195	116,828	111,186
Professional Fees	19,783	5,890	1,341	4,479	-	-	5,544	146	8,001	5,946	51,130	53,490	49,203
Repairs and maintenance	14,359	516	30	778	-	-	1,146	641	2,092	1,862	21,424	25,986	20,199
Utilities & Communication	10,726	936	744	2,203	-	-	2,205	764	1,573	1,819	20,970	24,148	9,010
Materials and supplies	6,869	549	238	6	-	-	385	270	1,630	2,859	12,806	12,780	22,118
Administrative	527	-	54	89	-	-	557	585	6	710	2,528	2,509	3,323
Insurance	747	358	123	123	-	-	280	69	155	428	2,283	3,455	2,314
Total Operating Expenses	100,842	17,663	13,420	11,014	-	-	26,479	8,781	14,779	29,358	222,336	239,196	217,353
Allocation percentage of general and administrative costs	52.3%	9.2%	7.0%	5.7%	0.0%	0.0%	13.7%	4.6%	7.7%	-	100.0%	-	100%
Total Operating Expenses After Allocation	15,341	2,687	2,042	1,676	-	-	4,028	1,336	2,248	(29,358)	-	-	-
Loss or Gain from Operations	\$ 36,754	\$ 31,747	\$ 9,363	\$ (2,273)	\$ -	\$ -	\$ 12,843	\$ (2,854)	\$ 46,216	\$ 1,279	\$ 133,075	\$ 159,183	\$ 175,199

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Statistical Section



Overview of Information Provided in Statistical Section

The information contained herein has not been audited. It is intended to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess the Airport System's economic condition.

Financial trend data has been provided to assist users in understanding and assessing how the Airport System's financial position has changed over time. The financial trend data provided includes summary of trends in operating revenues, expenses and changes in net assets for the last ten years of the Department's operations. This section also includes detailed information on operating income before depreciation and non-operating income and expenses. Also included in this section is detail information on operating expenses by type such as wages, maintenance, professional services, security and fire, utilities, materials and supplies, insurance and other expenses.

Revenue capacity information has been provided to assist users in understanding and assessing the factors affecting the Airport System's ability to generate its own-source revenues. Revenue capacity information provided includes; revenues by type such as rentals, fees and airport concessions as well as summary information on restricted revenues for the same period.

Debt capacity information has been provided to assist users in understanding and assessing the Airport System's debt burden and its ability to service existing debt and issue additional debt. Schedules of bond debt service coverage are included to provide trends in coverage for senior lien, subordinate lien and passenger facility charge revenue bonds issued by the Department.

Demographic and economic information has been provided to assist users in understanding the socioeconomic environment within which the Airport System operates and to provide information that facilitates comparisons of financial statement information over time. Demographic and economic indicators provided include schedules of metropolitan service area (MSA) visitor volume, room occupancy rates, and convention attendance statistics as well as MSA population, labor source, and unemployment rates of the surrounding community.

Operating information has been provided to assist users with contextual information about the Airport System's operations and resources to assist the reader in using financial statement information to understand and assess the Airport System's economic condition. Included in this section is passenger enplanements statistics and cargo tonnage and aircraft landed weights for the last ten years of the Department's operations; airline market share information by airline for the last three years of airport operations; and an analysis of per passenger concession revenues, expenses, bond debt service coverage and airline costs for the last ten years of the Department's operations.

This section is intended to be viewed in conjunction with the financial statements as a whole and to enhance the usefulness of the financial information contained therein.

Clark County Department of Aviation
Clark County, Nevada

Summary of Changes in Net Assets
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Income				Net Non-Operating				Income				Change in Net Assets					
	Operating Revenue (000)	Percentage of Increase/ Decrease	Operating Expenses (000)	Percentage of Increase/ Decrease	Before (000)	Percentage of Increase/ Decrease	Operating Income (000)	Percentage of Increase/ Decrease	Operating Income (000)	Percentage of Increase/ (expense)	Non-Capital Income (000)	Percentage of Increase/ Decrease	Capital Contributions (000)	Percentage of Increase/ Decrease	Capital Contributions (000)	Percentage of Increase/ Decrease	Net Assets (000)	Percentage of Increase/ Decrease
2003	\$ 225,042	3.4%	\$ 124,666	12.1%	\$ 100,376	-5.7%	\$ 63,102	-1.1%	\$ 37,274	-12.5%	\$ 10,716	-25.2%	\$ 47,990	-15.7%	\$ 21,974	65.3%	\$ 69,964	-0.3%
2004	243,043	8.0%	122,947	-1.4%	120,096	19.6%	64,850	2.8%	55,246	48.2%	(18,099)	-268.9%	37,147	-22.6%	20,846	-5.1%	57,993	-17.1%
2005	261,566	7.6%	140,347	14.2%	121,219	0.9%	66,048	1.8%	55,171	-0.1%	2,200	-112.2%	57,371	54.4%	62,335	199.0%	119,706	106.4%
2006	290,979	11.2%	156,977	11.8%	134,002	10.5%	70,853	7.3%	63,149	14.5%	35,587	151.74%	98,736	72.1%	116,187	86.4%	214,923	79.5%
2007	323,418	11.1%	207,443	32.1%	115,975	-13.5%	85,821	21.1%	30,154	-52.2%	50,097	40.8%	80,251	-18.7%	25,057	-78.4%	105,308	-51.0%
2008	375,888	16.2%	247,726	19.4%	128,162	10.5%	81,014	-5.6%	47,148	56.4%	34,338	-31.5%	81,486	1.5%	22,316	-10.9%	103,802	-1.4%
2009	379,215	0.9%	244,396	-1.3%	134,819	5.2%	122,688	51.4%	12,131	74.3%	(40,369)	-217.6%	(28,238)	-134.7%	41,235	84.8%	12,997	87.5%
2010	362,451	-4.4%	227,694	-6.8%	134,757	0.0%	134,369	9.5%	388	-96.8%	(40,236)	-0.3%	(39,848)	41.1%	22,914	-44.4%	(16,934)	-230.3%
2011	392,554	8.3%	217,353	-4.5%	175,201	30.0%	136,104	1.3%	39,097	9976.5%	(25,597)	-36.4%	13,501	-133.9%	16,761	-26.9%	30,262	-278.7%
2012	355,411	-9.5%	222,336	2.3%	133,075	-24.0%	137,052	0.7%	(3,977)	-110.2%	(165,646)	547.1%	(169,622)	-1356.4%	36,755	119.3%	(132,870)	-539.1%
Average of Annual Increase (Decrease)	5.3%		7.8%		3.4%		8.9%		974.9%		141.4%		-151.3%		38.9%		-101.9%	

This summary includes information on operating revenues and expenses, operating income before depreciation, non-operating income and changes in net assets. It provides a summary of trends in operating revenues, expenses and changes in net assets for the last ten years of Airport operations.

Clark County Department of Aviation
Clark County, Nevada

Schedule of Revenues, Expenses, and Changes in Net Assets
Budget vs. Actual for Fiscal Year Ended June 30, 2012
(with Comparative Totals for Fiscal Year Ended June 30, 2011)

	FY 2012		FY 2011	
	Budget (000)	Actual (000)	Variance- Positive (Negative) (000)	Actual (000)
Operating Revenues				
Landing Fees	\$ 53,392	\$ 38,460	\$ (14,932)	\$ 57,655
Other Aircraft Fees	6,109	6,459	350	5,619
Terminal concessions fees	52,823	56,550	3,727	53,023
Building Rental	155,028	130,078	(24,950)	155,828
Public and employee parking fees	30,834	28,778	(2,056)	28,326
Gaming fees	27,145	25,719	(1,426)	25,908
Rental car concession fees	29,722	29,848	126	27,274
Land Rental	19,459	18,817	(642)	18,578
Ground transportation fees	14,252	13,524	(728)	13,340
Other	8,575	7,179	(1,396)	7,003
Total Operating Revenue	397,339	355,411	(41,928)	392,554
Operating Expenses				
Salaries & Wages	86,294	72,296	13,998	73,629
Employee Benefits	36,983	38,899	(1,916)	37,557
Contracted & Professional Services	64,511	51,130	13,381	49,203
Repairs and Maintenance	28,213	21,424	6,789	22,118
Utilities & Communications	35,496	20,970	14,526	20,199
Materials & Supplies	35,579	12,806	22,773	9,010
Administrative Expenses	6,856	4,811	2,045	5,636
Total Operating Expenses	293,932	222,336	71,596	217,353
Operating income before depreciation	103,407	133,075	29,668	175,201
Depreciation/Amortization	129,281	137,052	(7,771)	136,104
Operating Income or (loss)	(25,874)	(3,977)	21,897	39,097
Non-operating Revenues (Expenses)				
Passenger Facility Charges	79,343	79,648	305	77,949
Jet A Fuel Taxes	6,539	7,425	886	7,318
Interest and investment income	40,000	(59,272)	(99,272)	51,334
Interest expense	(230,423)	(160,446)	69,977	(162,162)
Capital Contributions	22,150	36,752	14,602	16,761
Net loss from disposition of capital assets	(7,000)	(33,000)	(26,000)	(35)
Total non-operating revenues (expenses)	(89,391)	(128,893)	(39,502)	(8,835)
Change in net assets	(115,265)	(132,870)	(17,605)	30,262
Net Assets, beginning of year	1,544,568	1,544,568	-	1,514,306
Net Assets, end of year	\$ 1,429,303	\$ 1,411,698	\$ (17,605)	\$ 1,544,568

Clark County Department of Aviation
Clark County, Nevada

Summary of Non-operating Income and Expenses
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Passenger Facility		Customer Facility		Jet - A		Interest and Investment			Gain/(Loss) Disposition		Other Income		Total		
	Charges (000)	Percentage of Increase/ Decrease	Charges (000)	Percentage of Increase/ Decrease	Fuel Taxes (000)	Percentage of Increase/ Decrease	Income (000)	Percentage of Increase/ Decrease	Interest Expense (000)	Percentage of Increase/ Decrease	Assets (000)	Percentage of Increase/ Decrease	(Expense) (000)	Percentage of Increase/ Decrease	Inc. / (Exp.) (000)	Non-operating Percentage of Increase Decrease
2003	\$ 44,945	0.0%	\$ -	0.0%	\$ 11,765	1.4%	\$ 40,621	-10.7%	\$ 87,831	-1.6%	\$ -	0.0%	\$ 1,216	-20.2%	\$ 10,716	-25.2%
2004	50,758	12.9%	-	0.0%	9,530	-19.0%	14,694	-63.8%	89,720	2.2%	-	0.0%	(3,361)	-376.4%	(18,099)	-268.9%
2005	73,390	44.6%	-	0.0%	9,362	-1.8%	26,866	82.8%	105,806	17.9%	-	0.0%	(1,612)	-52.0%	2,200	-112.2%
2006	85,969	17.1%	11,413	0.0%	9,271	-1.0%	36,129	34.5%	113,460	7.2%	-	0.0%	6,265	-488.6%	35,587	1517.6%
2007	89,358	3.9%	10,470	100.0%	9,310	0.4%	54,323	50.4%	112,533	-0.8%	-	0.0%	(831)	-113.3%	50,097	40.8%
2008	79,475	-11.1%	50,844	385.6%	9,498	2.0%	60,636	11.6%	157,604	40.1%	(8,693)	100.0%	182	-121.9%	34,338	-31.5%
2009	75,335	-5.2%	-	-100.0%	8,388	-11.7%	22,405	-63.1%	137,254	-12.9%	(8,921)	2.6%	(322)	-276.9%	(40,369)	-217.6%
2010	77,309	2.6%	-	-	7,799	-7.0%	45,777	104.3%	164,499	19.9%	(6,622)	-25.8%	-	-100.0%	(40,236)	-0.3%
2011	77,949	0.8%	-	-	7,318	-6.2%	51,334	12.1%	162,162	-1.4%	(35)	-99.5%	-	0.0%	(25,597)	-36.4%
2012	79,648	2.2%	-	-	7,425	1.5%	(59,272)	-215.5%	160,446	-1.1%	(33,000)	94185.7%	-	0.0%	(165,646)	547.1%
Average of Annual Increase (Decrease)	6.8%		n/a		-4.1%		-5.7%		6.9%		n/a		n/a		n/a	

This summary includes information on non-operating income and expenses by source and/or activity.

Clark County Department of Aviation
Clark County, Nevada

Schedule of Airport Revenue Bond Debt Service Coverage
From Operating Revenues and Interest Income Available for Debt Service
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	(1) Total Revenue Available for Debt Service (000)	(2) Less: Operating and Maintenance Expenses (000)	(3) (1) minus (2) Net Revenue Available for Debt Service (000)	(4) Senior Lien Debt Service (000)	(5) (3)/(4) Senior Lien Coverage (1.25 Required*)	Subordinate Lien Debt Service (000)	(3)/(4+5) Senior and Subordinate Lien Coverage (1.10 Required*)
2003	\$ 251,508	\$ 124,666	\$ 126,842	\$ 36,274	3.50	\$ 20,987	2.22
2004	245,581	122,947	122,634	35,010	3.50	22,449	2.13
2005	280,155	140,347	139,808	34,958	4.00	32,930	2.06
2006	326,726	156,977	169,749	42,807	3.97	40,760	2.03
2007	363,336	207,443	155,893	40,371	3.86	47,505	1.77
2008	418,566	256,419	162,147	39,934	4.06	57,602	1.66
2009	413,052	244,396	168,656	43,066	3.92	47,919	1.85
2010	390,260	227,694	162,566	60,674	2.68	47,950	1.50
2011	419,503	217,353	202,150	63,194	3.16	57,407	1.70
2012	373,155	222,336	150,819	31,670	4.76	42,053	2.05
Average Annual Increase(Decrease)	4.5%	6.6%	1.9%	-1.5%	3.5%	8.0%	-0.9%

* Required by Master Indenture of Trust, dated May, 2003, as amended

Schedule of Passenger Facility Charge (PFC) Revenue Bond Debt Service Coverage
From PFC Revenues and PFC Interest Income Available for Debt Service
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	PFC Revenue (000)	PFC Debt Service (000)	PFC Coverage (none Required)
2003	50,185	50,674	0.99
2004	51,709	54,984	0.94
2005	73,390	43,756	1.68
2006	90,442	50,442	1.79
2007	93,756	79,970	1.17
2008	95,079	95,204	1.00
2009	81,271	89,456	0.91
2010	81,805	81,804	1.00
2011	78,997	82,187	0.96
2012	80,688	76,586	1.05
Average Annual Increase(Decrease)	5.4%	4.7%	1.14

This schedule provides trends in coverage requirements for senior lien and subordinate lien debt service as are defined in the Master Indenture of Trust, dated May, 2003. For illustration purposes, this analysis also provides calculated coverage for passenger facility charge revenue bonds issued by the Airport.

Clark County Department of Aviation
Clark County, Nevada

Summary of Operating Revenues
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Operating Revenue (\$000)				Percentage of Increase/Decrease				Landing Fees (\$000)				Other Aircraft Fees (\$000)				Building Rentals (\$000)				Land Rentals (\$000)				Percentage of Increase/Decrease				Concessions				
	Operating Revenue (\$000)	Percentage of Increase/Decrease	Landing Fees (\$000)	Percentage of Increase/Decrease	Other Aircraft Fees (\$000)	Percentage of Increase/Decrease	Building Rentals (\$000)	Percentage of Increase/Decrease	Land Rentals (\$000)	Percentage of Increase/Decrease	Transport (000)	Gaming (000)	Terminal (000)	Parking (\$000)	Misc (\$000)	Percentage of Increase/Decrease																	
2003	\$ 217,592	1.2%	\$ 28,348	-5.6%	\$ 4,010	9.4%	\$ 66,356	0.1%	\$ 10,054	21.4%	\$ 25,822	0.5%	\$ 32,148	11.4%	\$ 29,599	-3.4%	\$ 17,117	-0.9%	\$ 4,138	-4.0%	5,263	27.2%	6,156	17.0%	6,057	-1.5%	4,326	-28.6%	2,872	-33.6%	6,424	123.7%	
2004	225,042	3.4%	27,619	-2.6%	4,162	3.8%	66,683	0.5%	13,460	33.9%	26,809	3.8%	32,881	2.3%	30,696	3.7%	17,469	2.1%	5,263	27.2%													
2005	243,043	8.0%	29,878	8.2%	4,677	12.4%	68,356	2.5%	13,119	-2.5%	29,871	11.4%	37,560	14.2%	34,349	11.9%	19,077	9.2%	6,156	17.0%													
2006	261,566	7.6%	32,496	8.8%	4,617	-1.3%	70,466	3.1%	13,992	6.7%	34,883	16.8%	37,608	0.1%	39,132	13.9%	22,317	17.0%	6,057	-1.5%													
2007	290,977	11.2%	23,947	-26.3%	10,164	120.1%	88,037	24.9%	15,132	8.1%	38,375	10.0%	39,624	5.4%	45,111	15.3%	26,261	17.7%	4,326	-28.6%													
2008	375,888	29.2%	35,778	49.4%	28,681	182.2%	105,512	19.8%	15,753	4.1%	66,398	73.0%	38,470	-2.9%	54,490	20.8%	27,893	6.2%	2,872	-33.6%													
2009	379,215	0.9%	51,422	43.7%	29,087	1.4%	123,557	17.1%	16,870	7.1%	40,443	-39.1%	30,573	-20.5%	53,349	-2.1%	27,490	-1.4%	6,424	123.7%													
2010	362,451	-4.4%	51,722	0.6%	5,220	-82.1%	138,989	12.5%	17,985	6.6%	37,858	-6.4%	25,659	-16.1%	51,925	-2.7%	26,618	-3.2%	2,098	-67.3%													
2011	392,554	8.3%	57,655	11.5%	5,619	7.6%	150,799	8.5%	17,693	-1.6%	40,614	7.3%	25,908	1.0%	53,023	2.1%	28,326	6.4%	2,845	35.6%													
2012	355,411	-9.5%	38,460	-33.3%	6,459	14.9%	128,642	-14.7%	17,891	1.1%	43,371	6.8%	25,719	-0.7%	56,550	6.7%	28,778	1.6%	3,287	15.5%													
Average of Annual Increase (Decrease)		5.6%	5.4%	26.9%	7.4%	8.5%	8.4%	-0.6%	6.6%	5.5%	8.4%																		8.4%				

This trend analysis provides operating income by revenue type: rentals, fees and concessions for the last ten years of Airport operations.

Clark County Department of Aviation
 Clark County, Nevada

Summary of Restricted Revenues
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year	Jet Aviation		Jet A Fuel Tax			PFC			CFC	
	Fuel Tax (000)	Percentage of Increase/ Decrease	Per Enplaned Passenger (000)	Passenger Facility Charge (000)	Percentage of Increase/ Decrease	Per Enplaned Passenger (000)	Customer Facility Charge (000)	Percentage of Increase/ Decrease	Per Enplaned Passenger (000)	
2003	\$ 11,765	1.4%	\$ 0.68	\$ 44,945	0.0%	\$ 2.65	\$ -	-	\$ -	-
2004	9,530	-19.0%	0.67	50,758	12.9%	2.55	-	-	-	-
2005	9,362	-1.8%	0.49	73,390	44.6%	2.61	-	-	-	-
2006	9,271	-1.0%	0.44	85,969	17.1%	3.42	11,413	-	-	-
2007	9,310	0.4%	0.41	89,358	3.9%	3.96	10,470	-8.3%	0.46	
2008	9,499	2.0%	0.40	79,475	-11.1%	3.36	50,844	385.6%	2.15	
2009	8,388	-11.7%	0.36	75,335	-5.2%	3.78	-	-	-	-
2010	7,799	-7.0%	0.39	77,309	2.6%	3.87	-	-	-	-
2011	7,318	-6.2%	0.36	77,949	0.8%	3.85	-	-	-	-
2012	7,425	1.5%	0.36	79,648	2.2%	3.80	-	-	-	-
Average of Annual Increase (Decrease)		-4.1%			6.8%					

This schedule provides trends in restricted revenues for capital project funding collected from fuel taxes and passenger fees during the last ten years of Airport operations.

Clark County Department of Aviation

Clark County, Nevada

Ratios of Airport Revenue Bond Debt Service to Total Operating Revenues and Expenses

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Subordinate				Operating Revenues (000)	Ratio of Debt Service to Revenues	Operating Expenses (000)	Ratio of Debt Service to Expenses
	Senior Lien Debt Service (000)	Lien Debt Service (000)	Total Debt Service (000)	Operating Revenues (000)				
2003	\$ 36,274	\$ 20,987	\$ 57,261	\$ 225,042	3.93	\$ 124,666	2.18	
2004	35,010	22,911	57,921	243,043	4.20	122,947	2.12	
2005	34,958	32,930	67,888	261,566	3.85	140,347	2.07	
2006	42,807	40,760	83,567	290,977	3.48	156,977	1.88	
2007	40,371	47,505	87,876	323,418	3.68	207,443	2.36	
2008	39,934	57,602	97,536	375,888	3.85	247,726	2.54	
2009	43,066	47,919	90,985	379,215	4.17	244,396	2.69	
2010	60,674	47,950	108,624	362,451	3.34	227,694	2.10	
2011	63,194	57,407	120,601	392,554	3.25	217,353	1.80	
2012	31,670	42,053	73,723	355,411	4.82	222,336	3.02	
Average Annual Increase(Decrease)	-1.5%	8.0%	2.8%	5.2%	2.3%	6.6%	3.7%	

This schedule provides bond debt service ratio trends for operating revenue and operating expense for the last ten years of Airport operations.

Clark County Department of Aviation
Clark County, Nevada

Summary of Operating Expenses
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total (000)	Wages and Benefits (000)		Professional Services (000)		Utilities (000)	Supplies and Maintenance (000)		Insurance (000)	Repairs, Other (000)		
		Percentage of Increase/ Decrease	Percentage of Increase/ Decrease	Percentage of Increase/ Decrease	Percentage of Increase/ Decrease		Percentage of Increase/ Decrease	Percentage of Increase/ Decrease		Percentage of Increase/ Decrease	Percentage of Increase/ Decrease	
2003	\$ 124,666	12.1%	\$ 56,075	5.2%	\$ 24,707	2.9%	\$ 13,305	10.4%	\$ 17,219	14.3%	\$ 4,902	36.1%
2004	122,947	-1.4%	59,233	5.6%	25,314	2.5%	12,799	-3.8%	16,954	-1.5%	5,624	14.7%
2005	140,346	14.2%	63,329	6.9%	32,346	27.8%	16,166	26.3%	20,802	22.7%	5,249	-6.7%
2006	156,977	11.8%	67,128	6.0%	33,535	3.7%	17,732	9.7%	30,943	48.8%	5,879	12.0%
2007	207,443	32.1%	82,254	22.5%	49,786	48.5%	22,622	27.6%	43,909	41.9%	5,889	0.2%
2008	247,726	19.4%	98,753	20.1%	68,868	38.3%	22,526	-0.4%	47,004	7.0%	5,762	-2.2%
2009	244,396	-1.3%	112,281	13.7%	64,085	-6.9%	22,222	-1.3%	39,716	-15.5%	4,686	-18.7%
2010	227,694	-6.8%	109,214	-2.7%	56,464	-11.9%	21,072	-5.2%	35,694	-10.1%	2,812	-40.0%
2011	217,353	-4.5%	111,186	1.8%	49,203	-12.9%	20,199	-4.1%	31,128	-12.8%	2,314	-17.7%
2012	222,336	2.3%	111,195	0.0%	51,130	3.9%	20,970	3.8%	34,230	10.0%	2,283	-1.3%
Average Annual Increase (Decrease)		6.6%	7.9%	8.4%	5.2%		7.9%		-8.1%		-12.6%	

The summary provides trends in operating expenses by type for wages, maintenance, independent services, security and fire, utilities, repairs and maintenance, insurance and other expenses for the last ten years of Airport operations.

Clark County Department of Aviation
Clark County, Nevada

Passenger and Operating Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Aircraft Operations (Departures)	Percentage of Increase/Decrease	Landed Weight (Pounds per 000)	Percentage of Increase/Decrease	Total Enplaned Passengers	Percentage of Increase/Decrease	Cargo Tons	Percentage of Increase/Decrease
2003	179,223	-0.2%	23,074,743	-2.2%	17,641,500	4.1%	89,498	1.4%
2004	193,860	8.2%	24,878,724	7.8%	19,449,065	10.2%	92,857	3.8%
2005	213,035	9.9%	27,066,272	8.8%	21,439,652	10.2%	107,252	15.5%
2006	227,445	6.8%	27,526,493	1.7%	22,546,814	5.2%	112,352	4.8%
2007	257,743	13.3%	28,831,044	4.7%	23,628,484	4.8%	104,761	-6.8%
2008	260,343	1.0%	28,941,564	0.4%	23,525,862	-0.4%	100,929	-3.7%
2009	230,925	-11.3%	25,973,079	-10.3%	20,739,408	-11.8%	90,746	-10.1%
2010	218,706	-5.3%	24,306,053	-6.4%	19,952,800	-3.8%	90,248	-0.5%
2011	224,386	2.6%	24,288,033	-0.1%	20,266,091	1.6%	95,555	5.9%
2012	227,206	1.3%	24,855,800	2.3%	20,962,087	3.4%	96,173	0.6%
Average Annual Increase (Decrease)		2.7%		0.8%		1.9%		0.8%

Clark County Department of Aviation
 Clark County, Nevada

Visitor, Convention and Room Statistics
 Last Ten Calendar Years
 (Unaudited)

Calendar Year	Total Visitor Volume	Percentage of Increase/Decrease	Convention Attendance	Percentage of Increase/Decrease	Total Available Hotel-Motel Rooms	Percentage of Increase/Decrease	Occupancy Rates	Percentage of Increase/Decrease	Labor Force	Percentage of Increase/Decrease
2003	35,071,504	0.2%	5,105,450	26.1%	126,787	0.1%	84.0%	-0.8%	887,800	6.4%
2004	35,540,126	1.3%	5,657,796	10.8%	130,482	2.9%	85.0%	1.2%	846,100	-4.7%
2005	37,388,781	5.2%	5,724,864	1.2%	131,503	0.8%	88.6%	4.2%	885,500	4.7%
2006	38,566,717	3.2%	6,166,194	7.7%	133,186	1.3%	89.2%	0.7%	899,334	1.6%
2007	38,914,889	0.9%	6,307,961	2.3%	132,605	-0.4%	89.7%	0.6%	913,000	1.5%
2008	39,196,761	0.7%	6,209,253	-1.6%	132,947	0.3%	90.4%	0.8%	907,720	-0.6%
2009	37,481,552	-4.4%	5,899,725	-5.0%	140,529	5.7%	86.0%	-4.9%	922,878	1.7%
2010	36,351,469	-3.0%	4,492,275	-23.9%	148,941	6.0%	81.5%	-5.2%	986,400	6.9%
2011	37,335,436	2.7%	4,473,134	-0.4%	148,935	0.0%	80.4%	-1.3%	969,098	-1.8%
2012	38,928,708	4.3%	4,865,272	8.8%	150,161	0.8%	83.8%	4.2%	944,827	-2.5%
Average Annual Increase (Decrease)	1.2%		-0.5%		1.9%		0.0%		0.7%	

Source: Las Vegas Convention and Visitors Authority
 Clark County Department of Comprehensive Planning
 Nevada Employment Security Research Division

This analysis provides visitor, room and convention statistics for the Las Vegas metropolitan area for the last ten years of Airport operations. Approximately 50.0% of the visitors arriving in Las Vegas arrive through the Airport. In addition, prior to FY 2008 the Airport had seen a strong correlation between hotel room growth and the growth in total Airport passengers.

Clark County Department of Aviation
 Clark County, Nevada

Market Share of Air Carriers
 Last Three Fiscal Years
 (Unaudited)

Airline	FY 2012			FY 2011			FY 2010		
	Enplaned Passengers			Enplaned Passengers			Enplaned Passengers		
	Number	Percent of Total	Increase/Decrease	Number	Percent of Total	Increase/Decrease	Number	Percent of Total	Increase/Decrease
Southwest	8,039,571	38.4%	0.7%	7,981,142	39.4%	2.5%	7,782,729	39.0%	1.3%
US Airways	1,154,665	5.5%	-16.7%	1,385,557	6.8%	-25.8%	1,866,341	9.4%	-38.4%
United	1,122,248	5.4%	-14.5%	1,311,957	6.5%	-7.9%	1,424,172	7.1%	-4.2%
Delta	2,177,895	10.4%	-3.6%	2,258,869	11.1%	4.2%	2,166,961	10.9%	73.4%
American	1,216,828	5.8%	1.7%	1,196,867	5.9%	5.9%	1,130,026	5.7%	2.3%
Continental	1,038,138	5.0%	4.3%	995,281	4.9%	1.1%	984,523	4.9%	-0.7%
Allegiant	1,124,930	5.4%	14.1%	985,576	4.9%	5.8%	931,664	4.7%	1.9%
Alaska	643,730	3.1%	6.2%	606,341	3.0%	12.2%	540,501	2.7%	5.6%
JetBlue	538,629	2.6%	27.7%	421,676	2.1%	10.8%	380,496	1.9%	-9.1%
AirTran	252,658	1.2%	-10.4%	282,116	1.4%	5.2%	268,121	1.3%	-10.2%
Frontier	329,260	1.6%	-1.9%	335,801	1.7%	-1.7%	341,717	1.7%	37.9%
Spirit	811,124	3.9%	196.2%	273,878	1.4%	123.5%	122,532	0.6%	5.7%
Sun Country ¹	70,243	0.3%	5.9%	66,337	0.3%	0.0%	-	0.0%	0.0%
Great Lakes ²	8,702	0.0%	56.7%	5,552	0.0%	313.1%	1,344	0.0%	0.0%
Virgin America	298,007	1.4%	22.3%	243,690	1.2%	8.2%	225,314	1.1%	2.1%
Hawaiian Air	265,989	1.3%	3.6%	256,849	1.3%	14.6%	224,178	1.1%	11.8%
International Carriers	1,361,660	6.5%	20.4%	1,131,290	5.6%	4.6%	1,082,026	5.4%	9.7%
Charter Airlines	64,878	0.3%	-14.0%	75,480	0.4%	17.5%	64,263	0.3%	-36.8%
General Aviation & Other	442,932	2.1%	-2.0%	451,832	2.2%	8.6%	415,892	2.1%	1.2%
Total Enplanements	20,962,087	100.0%	3.4%	20,266,091	100.0%	1.6%	19,952,800	100.0%	-3.8%

¹ Independent from Delta beginning September 2010

² Commenced operations April, 2010

This analysis provides market share information by Air Carrier for the last three years of Airport operations.

Clark County Department of Aviation
 Clark County, Nevada

Per Passenger Calculations
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year	Concessions				Concession Revenue per Enplanement	Operating Expenses per Enplanement	Airport Revenue Bond Debt Service	Airline Cost per Enplanement
	Ground Trsp.	Gaming	Terminal	Parking				
2003	\$ 1.52	\$ 1.86	\$ 1.74	\$ 0.99	\$ 6.11	\$ 7.07	\$ 3.25	\$ 4.96
2004	1.54	1.93	1.77	0.98	6.22	6.32	2.98	4.76
2005	1.63	1.75	1.83	1.04	6.25	6.55	3.17	4.71
2006	1.70	1.76	2.00	1.16	6.62	6.96	3.71	4.62
2007	2.81	1.73	2.04	1.19	7.77	8.78	3.79	5.50
2008	3.08	1.64	2.32	1.19	8.23	10.90	4.46	6.22
2009	3.38	1.47	2.57	1.33	8.75	12.21	4.56	7.67
2010	3.26	1.29	2.60	1.33	8.48	11.41	5.44	7.54
2011	3.59	1.28	2.62	1.40	8.89	10.72	5.79	8.46
2012	3.69	1.23	2.70	1.37	8.99	10.61	3.52	8.29
Average	\$ 2.62	\$ 1.59	\$ 2.22	\$ 1.20	\$ 7.63	\$ 9.15	\$ 4.07	\$ 6.27

This is a trend analysis of per enplaned passenger concession revenues, expenses, bond debt service coverage and airline costs for the last ten years of Airport operations.

Clark County Department of Aviation
 Clark County, Nevada

Schedule of Net Assets
 Fiscal Years 2005 through 2012
 (Unaudited)

Fiscal Year	Invested in capital assets, net of related debt (000)	Restricted for capital projects (000)	Restricted for debt service (000)	Restricted for other (000)	Unrestricted net assets (000)	Total Net Assets (000)
2005	\$ 95,981	\$ 329,096	\$ 329,192	\$ -	\$ 304,817	\$ 1,059,086
2006	333,719	385,654	382,100	-	172,535	1,274,008
2007	(309,417)	1,101,867	426,797	-	160,068	1,379,315
2008	1,074,836	55,413	148,712	27,619	202,243	1,508,823
2009	1,096,995	39,432	163,390	34,570	214,584	1,548,971
2010	1,060,641	32,509	220,753	20,101	180,302	1,514,306
2011	1,021,835	25,881	197,681	29,423	269,748	1,544,568
2012	954,546	29,105	191,675	50,240	186,132	1,411,698
Average Annual Increase/(Decrease)	38.8%	-29.3%	-7.4%	16.1%	-6.8%	4.2%

This is a trended analysis of Airport net assets restricted for capital projects, debt service and unrestricted net assets since fiscal year ended June 30, 2005 as required by GASB 34.

Clark County Department of Aviation
Clark County, Nevada

Demographic and Economic Statistics
Last Ten Calendar Years
(Unaudited)

Calendar Year	Clark County Population (1)	Percentage of Increase/Decrease	Personal Income (2)	Percentage of Increase/Decrease	Per Capita Personal Income	Percentage of Increase/Decrease	School Enrollment (3)	Percentage of Increase/Decrease	Unemployment Rates (4)	Percentage of Increase, Decrease
2003	1,642,084		\$ 50,840,562,724		\$ 30,961		255,328		5.3%	
2004	1,747,025	6.4%	57,587,185,075	13.3%	32,963	6.5%	268,357	5.1%	4.8%	-9.6%
2005	1,815,730	3.9%	68,189,740,150	18.4%	37,555	13.9%	280,834	4.6%	4.0%	-16.7%
2006	1,912,654	5.3%	74,077,089,420	8.6%	38,730	3.1%	291,510	3.8%	3.9%	-2.5%
2007	1,963,687	2.7%	78,439,477,215	5.9%	39,945	3.1%	302,763	3.9%	4.3%	10.3%
2008	1,986,146	1.1%	79,286,948,320	1.1%	39,920	-0.1%	308,783	2.0%	5.5%	27.9%
2009	2,006,347	1.0%	69,854,528,000	-11.9%	36,711	-8.0%	311,240	0.8%	9.2%	66.9%
2010	2,023,102	0.8%	69,800,237,000	-0.1%	35,723	-2.7%	309,893	-0.4%	14.0%	52.5%
2011	1,966,630	-2.8%	not available		not available		308,377	-0.5%	12.2%	-12.9%
2012	not available		not available		not available		not available		not available	
Average Annual Increase (Decrease)										
to Latest Year of Availability		2.3%	5.4%			2.1%		2.4%		11.0%

Source: (1) Clark County Department of Comprehensive Planning
(2) University of Nevada, Las Vegas (data revisions per Bureau of Economic Analysis)
(3) Clark County School District
(4) Nevada Department of Employment Security

Clark County Department of Aviation
 Clark County, Nevada

Principal Employers - Clark County Nevada
 Current Year and Nine Years Ago
 (Unaudited)

Principal Employer	2012			2003		
	Employees	Rank	% of Total Employment	Employees	Rank	% of Total Employment
Clark County School District	35,000	1	4.07%	28,500	1	3.74%
Clark County, Nevada	7,750	2	0.90%	9,250	2	1.21%
Wynn Las Vegas, LLC	7,750	3	0.90%			
Bellagio, LLC	7,750	4	0.90%			
MGM Grand Hotel/Casino	7,750	5	0.90%			
Aria Resort and Casino, LLC	6,750	6	0.78%			
Mandalay Bay Resort and Casino	6,750	7	0.78%	6,250	3	0.82%
University of Nevada-Las Vegas	5,750	8	0.67%	5,250	5	0.69%
Las Vegas Metropolitan Police	5,250	9	0.61%	4,750	7	0.62%
Caesars Palace	5,250	10	0.61%	4,750	8	0.62%
The Mirage Casino Hotel				5,750	4	0.75%
Rio Suite Hotel				4,250	9	0.56%
State of Nevada				5,250	6	0.69%
Treasure Island				3,750	10	0.49%
Total principal employers	<u>95,750</u>		<u>11.12%</u>	<u>77,750</u>		<u>10.19%</u>
Total Employment	<u>861,000</u>			<u>762,800</u>		

Source: State of Nevada - Department of Employment, Training and Rehabilitation

Note: Number of employees estimated using midpoint range.

Clark County Department of Aviation
Clark County, Nevada

Full Time Equivalent Department of Aviation Employee
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total
2003	912
2004	962
2005	954
2006	1,143
2007	1,347
2008	1,363
2009	1,387
2010	1,365
2011	1,321
2012	1,469
Average Annual Increase (Decrease)	
	5.4%

Clark County Department of Aviation
Clark County, Nevada

Nature, Volume, and Usage of Capital Assets
For the Fiscal Years Ended June 30.
(Unaudited)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Indicators of the level of demand for services										
Airlines:	39	36	35	36	38	39	36	37	34	34
158 nonstop	150 nonstop	141 nonstop	146 nonstop	155 nonstop	147 nonstop	137 nonstop	121 nonstop	105 nonstop	94 nonstop	94 nonstop
Destinations served:	(including 26 international)	(including 21 international)	(including 20 international)	(including 22 international)	(including 21 international)	(including 19 international)	(including 18 international)	(including 17 international)	(including 15 international)	(including 13 international)
Daily flight operations:	1,465	1,423	1,383	1,453	1,485	1,667	1,688	1,658	1,429	1,367
Daily commercial operations:	959	942	943	1010	1117	1108	1098	1079	937	853
Annual passengers:	41,874,993	40,495,125	39,858,750	41,359,585	46,983,189	47,375,064	44,988,031	42,859,885	37,314,455	37,314,455
McCarran International Airport										
Site:	2,820 acres	2,820 acres								
Runways:	25R*/7L: 14,510' X 150' 25L*/7R: 10,526' X 150'	25R*/7L: 14,510' X 150'								
19R/1L*: 8,985' X 150' 19L/1R: 9,775' X 150'	19R/1L*: 8,985' X 150' 19L/1R: 9,775' X 150'	19R/1L*: 8,985' X 150' 19L/1R: 9,775' X 150'	19R/1L*: 8,985' X 150' 19L/1R: 9,775' X 150'	19R/1L*: 8,985' X 150' 19L/1R: 9,775' X 150'	19R/1L*: 8,985' X 150' 19L/1R: 9,775' X 150'	19R/1L*: 8,985' X 150' 19L/1R: 9,775' X 150'	19R/1L*: 8,985' X 150' 19L/1R: 9,775' X 150'	19R/1L*: 8,985' X 150' 19L/1R: 9,775' X 150'	19R/1L*: 8,985' X 150' 19L/1R: 9,775' X 150'	19R/1L*: 8,985' X 150' 19L/1R: 9,775' X 150'
* ILS equipped	* ILS equipped	* ILS equipped	* ILS equipped	* ILS equipped	* ILS equipped	* ILS equipped	* ILS equipped	* ILS equipped	* ILS equipped	* ILS equipped
Gates	110	104	104	104	94	94	94	94	83	83
Terminal buildings:										
Rentable Space	2,925,885	2,157,196	2,157,196	2,036,977	2,036,977	2,036,977	2,036,977	2,036,977	1,939,093	1,939,093
Public Space	1,855,488	1,349,622	1,349,622	1,314,569	1,314,569	1,314,569	1,314,569	1,314,569	1,271,585	1,271,585
Total Usable Space	4,781,373	3,506,818	3,506,818	3,351,546	3,351,546	3,351,546	3,351,546	3,351,546	3,210,678	3,210,678
Administration	432,786	419,509	419,509	402,970	402,970	402,970	402,970	402,970	377,353	377,353
Mechanical/Utilities	414,114	304,341	304,341	290,713	290,713	290,713	290,713	290,713	278,314	278,314
Total Space	5,628,273	4,230,668	4,230,668	4,045,229	4,045,229	4,045,229	4,045,229	4,045,229	3,866,345	3,866,345
Parking:										
Short-term	1,381	791	764	852	894	894	900	900	900	1,100
Valet	1,530	932	922	866	866	866	700	700	700	350
Long-Term	7,363	3,432	3,432	3,431	3,434	3,434	3,540	3,540	3,640	3,985
Surface Lots	624	N/A	N/A							
Terminal 2 Public	N/A	272	272	225	272	272	272	272	270	148
Economy	5,100	5,100	5,100	5,100	-	-	4,082	4,082	3,644	N/A
Remote	1,954	1,984	1,954	1,954	4,007	4,007	N/A	N/A	N/A	4,082
Total Public Parking Spaces	17,952	12,511	12,444	12,428	9,473	9,473	9,494	9,494	9,154	9,665
Consolidated Car Rental Facility:										
Customer Service Building (Sq. Ft.)	111,000	111,000	111,000	111,000	111,000	111,000	N/A	N/A	N/A	N/A
Garage (Sq. Ft.)	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	N/A	N/A	N/A	N/A
Vehicle Capacity	5,000+	5,000+	5,000+	5,000+	5,000+	5,000+	N/A	N/A	N/A	N/A
Shuttle Bus Fleet (units)	50	50	50	50	50	40	N/A	N/A	N/A	N/A

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KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Board of County Commissioners
Clark County Department of Aviation
Clark County, Nevada

We have audited the financial statements of Clark County Department of Aviation, Clark County, Nevada (the "Department"), as of and for the year ended June 30, 2012, and have issued our report thereon dated November 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Honorable Board of County Commissioners and others within the department, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Kafoury, Armstrong & Co.

Las Vegas, Nevada
November 6, 2012

CLARK COUNTY DEPT OF AVIATION
CLARK COUNTY, NEVADA
AUDITOR'S COMMENTS
JUNE 30, 2012

CURRENT YEAR STATUTE COMPLIANCE

The Clark County Department of Aviation conformed to all significant statutory constraints on its financial administration during the year.

PROGRESS ON PRIOR YEAR STATUTE COMPLIANCE

The Department of Aviation monitored all significant constraints during the year ended June 30, 2012.

PRIOR YEAR RECOMMENDATIONS

We did not note any financial weaknesses of a magnitude to justify inclusion within the prior year report.

CURRENT YEAR RECOMMENDATIONS

We did not note any financial weaknesses of a magnitude to justify inclusion within this report.

APPENDIX C

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE SERIES INDENTURE

MASTER INDENTURE

Following is a summary of certain provisions of the Master Indenture. This summary is not intended to be definitive and is qualified in its entirety by reference to the Master Indenture.

DEFINITIONS

The terms set forth below have the same meanings in the Master Indenture, this Official Statement and this Appendix except as otherwise noted. Unless the context otherwise requires, the terms defined under this caption will, for all purposes of this Official Statement, have the meanings herein specified. All defined terms used herein and not otherwise defined herein shall have the respective meanings given to such terms in the Master Indenture.

“Additional Project” means (a) any additions, betterments, extensions, other improvements, or equipment of or related to the Airport System, and (b) any airport or airport related facility hereafter constructed, or otherwise acquired, or operated and maintained by the County at any site or sites other than the site of the Airport and any additions, betterments, extensions, or other improvements of any such airport or airport facilities; but excluding any Special Facilities.

“Aggregate Debt Service Requirements” means, for any Bond Year, the sum of the Debt Service Requirements of any Senior Lien Revenue Securities payable from the Net Revenues, which payment is secured by a pledge of and lien on the Net Revenues of the Airport System.

“Airport Facilities” or **“Airport System”** means all of the County’s airport facilities, including, without limitation (a) the presently existing airport system consisting of the McCarran International Airport, Henderson Executive Airport, North Las Vegas Air Terminal, Overton Airfield, Jean Airfield and Searchlight Airfield; (b) all land, buildings, structures, and other facilities of such airports or related thereto of whatsoever character and wherever situated, within the County, and all future enlargements thereof and other improvements thereto, however financed and wherever located, or any substitute facilities; and (c) all properties, real, personal, mixed or otherwise, now owned or hereafter acquired by the County, through purchase, construction or otherwise, and used in connection with the Airport Facilities and in any way pertaining thereto; but excluding (a) Special Facilities until the end of the respective terms of the Net Rent Leases pertaining to such Special Facilities and (b) any additional airfields or other independent airport facilities (other than the Airport System or any part thereof) which are excluded from the Airport Facilities at the option and by order of the Board pursuant to the Master Indenture.

“Airport Management Consultant” means an independent airport management consultant or airport management consulting firm, as from time to time appointed and compensated by the Board on the behalf and in the name of the County, (a) who has a wide and favorable reputation for special skill and knowledge in methods of the development, operation and management of airports and airport facilities and (b) who is selected and retained by the Board, in the name of the County, and is compensated thereby, but who is not in the regular employ or control of the County.

“Assistant Director” means a de jure or de facto assistant director of the Airport System designated as such by the County, or a successor to an assistant director in functions, if any, and means the de jure or de facto chief assistant of an acting assistant director, if any, whenever an assistant director is unable to work in that capacity. If there is more than one Assistant Director, “Assistant Director” shall mean the Assistant Director designated for the purposes of the Master Indenture by the Director.

“Board” means the Board of County Commissioners of Clark County, in the State of Nevada, including any successor of the County.

“Bond Year” means the 12 months commencing on July 2 of any calendar year and ending on July 1 of the next succeeding calendar year.

“Book-Entry System” means the system maintained by the Revenue Securities Depository and described in Appendix D attached hereto.

“Chairman” means the de jure or de facto chairman of the Board, or his successor in functions, if any.

“Clerk” means the de jure or de facto county clerk of the County and designated as such by the County, or his successor in functions, if any.

“Commercial Bank” means a state or national bank or trust company which is a member of the Federal Deposit Insurance Corporation and of the Federal Reserve System, which has a capital and surplus of \$25,000,000 or more, and which is located within the United States; and such term includes, without limitation, any “Trust Bank.”

“Comparable Bond Year” means, in connection with any Fiscal Year, the Bond Year which commences in the Fiscal Year.

“Consulting Engineer” means any registered or licensed professional engineer, any firm of such engineers, any licensed professional architect, or any firm of such architects, as from time to time determined by the County, which Person or Persons (a) have a wide and favorable reputation for skill and experience in the field of designing, preparing plans and specifications for, and supervising construction of, airports and airport facilities, (b) are entitled to practice and are practicing as such under the laws of the State, and (c) are selected, retained and compensated by the Board, in the name and on behalf of the County, and who may be in the regular employ or control of the County.

“Debt Service Requirements” or “Securities Requirements”, means, for any Fiscal Year, as applied to any series of Senior Lien Revenue Securities, the sum of (a) the amount required to pay the interest on all Outstanding Senior Lien Revenue Securities of such series which is payable during the Comparable Bond Year, but if the Revenue Bonds or Revenue Securities of any series bear interest at a variable rate of interest, then except as provided in the Master Indenture with respect to Revenue Bonds subject to a Qualified Swap, the interest rate used will be the prevailing interest rate on such Revenue Bonds or Revenue Securities at the time of calculation, but neither greater than any maximum interest rate pertaining to such variable interest rate nor less than any minimum interest rate pertaining to such variable interest rate; (b) the amount required to pay the principal of all Outstanding Serial Senior Lien Revenue Securities and any prior redemption premiums due in connection therewith of such series which is payable in the Comparable Bond Year; (c) the Sinking Fund Requirements of the Outstanding Term Senior Lien Revenue Securities of such series for such Bond Year (other than Term Senior Lien Revenue Securities constituting Senior Guaranteed Obligations); and (d) the amount of any Senior Guaranteed Obligation Requirements for any Senior Guaranteed Obligations due in the Comparable Bond Year. Any computation of the Debt Service Requirements is made for the computation of the Senior Lien Revenue Securities as the Debt Service Requirements fall due (other than by a call of securities for prior redemption at the County’s option except as specifically provided in the Master Indenture) during any one succeeding Bond Year, but in any computation of the Debt Service Requirements preliminary to the issuance of an additional series of Senior Lien Revenue Securities, the computation may pertain to the 12-month period (as opposed to Fiscal Year) as provided under clause A under Additional Revenue Bonds. (See “Master Indenture -- Issuance of Additional Senior Lien Revenue Securities.”)

“Defeasance Securities” means (a) Federal Securities which are not callable for redemption prior to their maturity by any Person other than the owner thereof and (b) other Investment Securities permitted under the Master Indenture (i) which either are not callable for redemption prior to their maturities by any Person other than the owner thereof or for which an option to redeem prior to maturity has previously been irrevocably exercised (or an irrevocable covenant to exercise such option has previously been made by the Person entitled to exercise such option) and the redemption date of such securities has thereby been irrevocably fixed prior to the use of any such securities as Defeasance Securities, and (ii) which at the time of their initial use as Defeasance Securities are rated in the highest generic rating category by Standard & Poor’s or Moody’s.

“Director” means the de jure or de facto director of aviation of the County and designated as such by the County, and means the de jure or de facto chief assistant of that official or the acting director of aviation, if any, of the County whenever the director of aviation is unable to act in such capacity, or the successor of the director of aviation in functions, if any.

“Federal Securities” means bills, certificates of indebtedness, notes, bonds or similar securities which are direct obligations of, or the principal and interest of which are unconditionally guaranteed by, the United States.

“Fiscal Year” means the 12 months commencing on July 1 of any calendar year and ending on June 30 of the next succeeding calendar year; and if the Nevada legislature changes the statutory Fiscal Year relating to the County, the Fiscal Year will conform to such modified statutory Fiscal Year from the time of each such modification, if any.

“General Obligation Securities” means general obligation bonds, notes or other securities issued for purposes pertaining to the Airport System payable from general (ad valorem) taxes and for the payment of which the County pledges its full faith and credit, which payment may be additionally made from the Net Revenues deposited to the Capital Fund created by the Master Indenture; but if the payment of such General Obligation Securities is additionally secured by a pledge for and lien on the Net Revenues, such Revenue Securities are to be paid from the Subordinate Securities Fund.

“Governing Body” means the Board.

“Gross Revenues” means all income and revenues derived directly or indirectly by the County from the operation and use of and otherwise pertaining to the Airport System, or otherwise, and includes all revenues received by the County from the Airport System, including, without limitation, all rentals, rates, fees and other charges for the use of the Airport System, or for any service rendered by the County in the operation thereof, revenues from any gaming at the Airport System, interest and other realized gain from any investment of moneys accounted for in various accounts of the Airport System Fund, and to the extent provided in the Master Indenture, any account into which revenues are transferred from the Revenue Fund, but excluding (i) any Revenue Bond proceeds and any other money credited to the Construction Fund or any like account for financing the acquisition of capital improvements and pertaining to any Additional Project under the Master Indenture, other than any surplus Revenue Bond proceeds or other unrestricted surplus moneys in the Construction Fund or other such account remaining after the completion of and payment for the project pertaining thereto, (ii) any moneys received as grants, appropriations or gifts, the use of which is limited by the grantor or donor to the construction of capital improvements for the Airport Facilities, except to the extent any such moneys shall be received as payments for the use of the Airport Facilities, (iii) any revenues derived from any Special Facilities (other than ground lease rentals pertaining to such Special Facilities and any moneys paid to the County in lieu of such rentals), (iv) insurance proceeds other than loss of use or business interruption proceeds, (v) interest and other gain from any investment of moneys in the Debt Service Reserve Fund so long as the amount of such Fund is less than the Maximum Aggregate Debt Service Requirements for all Senior Lien Revenue Securities, (vi) the proceeds of any passenger head tax or other per-passenger charge fixed and collected by the County in accordance with law; and (viii) any amounts paid to the County pursuant to a Qualified Swap.

“Guaranteed Obligation Requirements” means, with respect to any Guaranteed Obligations pertaining to any series of Senior Lien Revenue Securities or Subordinate Revenue Securities, regardless of whether any calculation of the designated requirements for inclusion in any Debt Service Requirements for any Bond Year and pertaining to any reserve account, any earnings test for the issuance of additional securities, the rate maintenance covenant in the Master Indenture or any other rate maintenance covenant which in turn pertains to any Subordinate Revenue Securities, is made prior to, on or after the maturity date of such Guaranteed Obligations, the sum of the amounts to be accumulated in the Bond Fund or Subordinate Securities Fund, as the case may be, by the County in each Fiscal Year for payment by the County in the Comparable Bond Year to a Qualified Bank, as compensation for the payment from the proceeds of its Letter of Credit of at least wholly or in part the principal amount of the Guaranteed Obligations in accordance with the related Letter of Credit Agreement, but subject to the following provisions:

(a) In the case of any calculation made prior to the fixed maturity date of the Guaranteed Obligations for each Comparable Bond Year, (i) in the calculation for the period from the date of the calculation to and including the fixed maturity date of such obligations, (a) there shall be excluded from the calculation the principal amount of the Guaranteed Obligations, but (b) the interest thereon shall be included in the calculation as a part of the interest as the same becomes due on and before that fixed maturity date, and (ii) for the period after such maturity date there shall be included in the calculation for each Bond Year the maximum amount required to be paid by the County to the Qualified Bank (whether by reason of scheduled payments, payments required to be made at the option or demand of the Qualified Bank or otherwise) pursuant to the Letter of Credit Agreement as if the Letter of Credit had been drawn upon its full amount to pay the Guaranteed Obligations on the fixed maturity date thereof; and

(b) In the case of any calculation made on or after the fixed maturity date of the Guaranteed Obligations, there shall be included in the calculation for each Bond Year the amount required to be paid by the County to the Qualified Bank (whether by reason of scheduled payments, payments required to be made at the option or demand of the Qualified Bank or otherwise) as compensation in accordance with the terms of the Letter of Credit Agreement, if at the time of or prior to the calculation the Letter of Credit shall have been drawn upon wholly or in part to pay the principal of the Guaranteed Obligations, or both the principal thereof and the interest thereon, as the case may be.

“Guaranteed Obligations” means either Senior Guaranteed Obligations or Subordinate Guaranteed Obligations, or both of the foregoing, as the context requires.

“Investment Securities” means:

(a) Bills, certificates of indebtedness, notes, bonds, or similar securities which are direct obligations of, or the principal and interest of which securities are unconditionally guaranteed by, the United States;

(b) If the laws of the State permit any of the following investments to be made at the time the investment is made, any of the following investments:

(i) Interest bearing bank time deposits evidenced by certificates of deposit issued by banks incorporated under the laws of any State or the Federal Government, including the State of Nevada, or any national banking association that are members of the Federal Deposit Insurance Corporation, and interest bearing savings and loan association time deposits evidenced by certificates of deposit issued by savings and loan associations which are members of the Federal Deposit Insurance Corporation, if either (a) the capital and surplus of such bank or savings and loan association is at least equal to \$10,000,000 or (b) such time deposits in any bank or savings and loan association are secured by obligations described in subparagraphs (a) and (if then so permitted by law) (b) (ii) of this definition or by tax-exempt unlimited general obligation bonds of a state or municipal government rated “A” or better by one or more nationally recognized rating agencies, in the aggregate having at all times a market value (exclusive of accrued interest) at least equal to such time deposits so secured, including accrued interest (or by any combination of such securities);

(ii) Bonds, debentures, or notes, or other evidences of indebtedness issued or guaranteed by any of the following agencies; Federal Farm Credit Banks; the Export-Import Bank of the United States; Federal Land Banks; the Federal National Mortgage Association; the Tennessee Valley Authority; the Government National Mortgage Association; the Federal Financing Bank; the Farmers Home Administration; the Federal Home Loan Bank; or any agency or instrumentality of the Federal Government which shall be established for the purposes of acquiring the obligations of any of the foregoing or otherwise providing financing therefor;

(iii) Repurchase agreements or reverse repurchase agreements with banks described in subparagraph (b)(i) of this definition or Sections 603A and 608 hereof and government bond dealers reporting to and trading with the Federal Reserve Bank of New York, which such

agreements are secured by securities which are obligations described in subparagraph (a) of this definition;

(iv) Repurchase agreements or reverse repurchase agreements with banks described in subparagraph (b)(i) of this definition or Sections 603A and 608 hereof and government bond dealers reporting and trading with the Federal Reserve Bank of New York, which such agreements are secured (if then so permitted by law) by securities which are obligations described in subparagraph (b)(ii) of this definition;

(v) Banker's acceptances endorsed and guaranteed by banks described in subparagraph (b)(i) of this definition or Sections 603A and 608 hereof, subject to capital and surplus limitation in paragraph (22) of this Section 101A;

(vi) New housing authority bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an Annual Contributions Contract or Contracts with the Federal Government; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the Federal Government;

(vii) Any bond or other obligation the interest on which is excluded from gross income under Section 103 of the Tax Code which has a rating in one of the two highest generic rating categories from Moody's or Standard & Poor's;

(viii) Money market funds registered under the Federal Investment Company Act of 1940, as amended, whose shares are registered under the Federal Securities Act of 1933, as amended, and having a rating by Standard & Poor's of AAm-G, AAm, or AAm and if rated by Moody's, rated Aaa, Aa1 or Aa2; and

(ix) Any other security or account in which the Treasurer of, or any municipality corporation in, the State is from time to time authorized to invest public funds.

“Letter of Credit” means an irrevocable and unconditional letter of credit issued to the Trustee by a Qualified Bank which is issued to secure payment of Guaranteed Obligations on their maturity date or is used to fund all or a portion of the Debt Service Reserve Fund created by the Master Indenture.

“Letter of Credit Agreement” means the agreement between the County and the Qualified Bank pursuant to which the Qualified Bank agrees to issue a Letter of Credit and which sets forth the repayment obligation of the County to the Qualified Bank on account of any draw under the Letter of Credit, which agreement shall be authorized by the County in the Series Indenture which also authorizes the issuance of the Guaranteed Obligations or the funding of all or a part of the Debt Service Reserve Fund created by the Master Indenture with a Letter of Credit.

“Maximum Aggregate Debt Service Requirements” means, as of the date of calculation, the Aggregate Debt Service Requirements as computed for the Bond Year in which the sum is the largest.

“Moody’s” means Moody's Investors Service, Inc. or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency (other than Standard & Poor's) as may be designated in writing by the County and, with respect to any particular series of Revenue Bonds, approved in writing by any bond insurer insuring payment of principal of and interest on such Revenue Bonds.

“Net Rent Lease” means a lease of property or facilities pertaining to the Airport System or Special Facilities entered into by the County pursuant to which the lessee or licensee agrees to pay to the County rentals during the term thereof, and to pay in addition all operations and maintenance expenses pertaining to the leased

facilities, including, without limitation, maintenance costs, insurance and all property taxes and assessments now or hereafter lawfully levied, commonly known in the real estate business as a "100% net rental lease."

"Net Revenues" means the Gross Revenues remaining after the deduction of the Operation and Maintenance Expenses of the Airport System.

"NRS" means Nevada Revised Statutes.

"Operation and Maintenance Expenses" means all reasonable and necessary current expenses of the County, paid or accrued, of operating, maintaining and repairing the Airport System, including, without limitation, overhead expenses relating to the administration, operation and maintenance of the Airport System; insurance and fidelity bond premiums; payments to pension and certain other funds and to any self-insurance fund not in excess of premiums which would otherwise be required for such insurance; any general and excise taxes or other governmental charges; the reasonable charges of paying agents and depository banks; costs of contractual and professional services, labor, materials and supplies for current operations; cost of issuance of securities relating to the Airport System (except to the extent paid from securities proceeds); fiduciary costs; cost of collecting and refunding Gross Revenues; utility costs; any lawful refunds of any Gross Revenues; and all other administrative, general and commercial expenses, but excluding: (a) any allowance for depreciation; (b) costs of improvements; (c) reserves for major capital replacements, Airport System operations, maintenance or repair; (d) any allowance for redemption of or payment of interest or premium on securities; (e) any liabilities incurred in acquiring or improving properties of the Airport System; (f) expenses of lessees or licensees under Net Rent Leases; (g) Operation and Maintenance Expenses pertaining to Special Facilities; and (h) liabilities based upon the County's negligence or other ground not based on contract.

"Other Available Funds" means, with respect to the Master Indenture, for any Fiscal Year, the smallest amount of unencumbered funds at any time in the Fiscal Year on deposit in the Capital Fund in excess of the Minimum Capital Reserve; but in no event shall such amount exceed 25% of the Aggregate Debt Service Requirements for the Senior Lien Revenue Securities then Outstanding for the Comparable Bond Year.

"Outstanding" when used with reference to any Revenue Bonds or any other designated Revenue Securities and as of any particular date means all the Revenue Bonds or any such other Revenue Securities payable from Gross Revenues or otherwise pertaining to the Airport System, as the case may be, in any manner theretofore and thereupon being executed and delivered: except (a) any Revenue Bond or other Revenue Security canceled by the County, by the Paying Agent or otherwise on the County's behalf, at or before such date; (b) any Revenue Bond or other Revenue Security for the payment or the redemption of which moneys at least equal to its Bond Requirements to the date of its maturity or any Redemption Date, whichever date is earlier, if any, shall have theretofore been deposited with a Trust Bank in escrow or in trust for that purpose, as provided in the Master Indenture; and (c) any Revenue Bond or other Revenue Security in lieu of or in substitution for which another Revenue Bond or other Revenue Security shall have been executed and delivered pursuant to the Master Indenture.

"Paying Agent" means BNY Western Trust Company, or any successor Commercial Bank which may be appointed from time to time as paying agent for Revenue Securities.

"Person" means a corporation, firm, other body corporate (including, without limitation, the federal government, the State, or any other body corporate and politic other than the County) partnership, association or individual, and also includes an executor, administrator, trustee, receiver or other representative appointed according to laws.

"Project" means any Additional Project comprised of the enlargement, other improvement and equipment of the Airport System, including, without limitation, the acquisition of land therefor, or any combination thereof, as the Improvement Project or any other project may be modified pursuant to the Master Indenture, in the absence of the defined term expressly including both an Improvement Project and a Refunding Project as to any series of Revenue Bonds or other Revenue Securities as stated in the proceedings pertaining thereto.

Qualified Bank means a Commercial Bank organized and in good standing under the laws of the United States or any state thereof, and, insofar as the Letter of Credit of such bank secures the payment of Senior Guaranteed Obligations, whose most recent debt obligations are rated by Moody's or by Standard & Poor's at least one full rating category above the rating on any Senior Lien Revenue Bonds which are not Guaranteed Obligations and which are then Outstanding, but not less than "A" by either agency.

Qualified Surety Bond means any surety bond or other insurance policy, which has liquidity features equivalent to a Letter of Credit, or any Letter of Credit deposited in the Debt Service Reserve Fund in lieu of or in partial substitution for monies on deposit therein, the issuer of which is rated in the highest rating category by each Rating Agency.

Qualified Swap means (a) the Interest Rate Swap Agreement dated as of September 1, 1991 between the County and AIG Financial Products Corp., and (b) any other financial arrangement which, in connection with a particular series of Revenue Bonds, has been approved in writing by any bond insurer insuring payment of principal of and interest on such series of Revenue Bonds (i) that is entered into by the County with an entity that is a Qualified Swap Provider at the time the arrangement is entered into; (ii) which provides that the County shall pay to such entity an amount based on the interest accruing at a fixed rate on an amount equal to the designated principal amount of Revenue Bonds Outstanding as described therein, and that such entity shall pay to the County an amount based on the interest accruing on such principal amount at a variable rate of interest computed according to a formula set forth in such arrangement (which need not be the same as the actual rate of interest borne by such Revenue Bonds) or that one shall pay to the other any net amount due under such arrangement; and (iii) which has been designated in writing to the Trustee by the County as a Qualified Swap with respect to such Revenue Bonds.

Qualified Swap Provider means (a) with respect to the Qualified Swap referred to in clause (a) of the definition of Qualified Swap, AIG Financial Products Corp., and (b) with respect to a Qualified Swap referred to in clause (b) of such definition, a financial institution whose senior long term debt obligations, or whose obligations under a Qualified Swap are guaranteed by a financial institution whose senior long term debt obligations, are rated (at the time the subject Qualified Swap is entered into) at least A3, in the case of Moody's and A-, in the case of Standard & Poor's, or the equivalent thereto in the case of any successor thereto, and which is approved in writing by any bond insurer insuring payment of principal of and interest on the series of Revenue Bonds to which such Qualified Swap relates.

Registrar means BNY Western Trust Company, or any successor Commercial Bank which may be appointed from time to time as registrar.

Revenue Bonds (defined as "Bonds" in the Master Indenture) means any bond or bonds issued in accordance with the provisions of the Master Indenture which are payable from the Net Revenues of the Airport System and which payment is secured by a pledge of and lien on the Net Revenues. The term "Revenue Bonds" does not include any special obligation bonds or other special obligation securities designated as Special Facilities Bonds and pertaining to Special Facilities, and such term does not include any Subordinate Revenue Bonds unless the context of the provisions in which the term "Revenue Bonds" is used clearly indicates that term pertains to Subordinate Revenue Bonds. In connection with Revenue Bonds of a series with respect to which a Qualified Swap is in effect or proposed to be in effect, the term "Revenue Bonds" includes, collectively, both such Revenue Bonds and either such Qualified Swap or the obligations of the County under such Qualified Swap, as the context requires, but the Qualified Swap Provider shall not be considered to be an owner of Revenue Bonds for purposes of receiving notices, granting consents or approvals, or directing or controlling any actions, restrictions, rights, remedies or waivers under the Master Indenture, except as expressly provided in the Master Indenture.

Revenue Securities (defined as "Securities" in the Master Indenture) means any bond or bonds, note or notes, warrant or warrants, or other similar securities or any book entry obligations, or any certificates whether pertaining to such securities or not or to other securities, authorized by law to be issued by the County in relation to the Airport System and issued in accordance with the Master Indenture which securities are payable from the Net Revenues of the Airport System and which payment is secured by a pledge of and lien on the Net Revenues.

Senior Lien Revenue Bonds or **Senior Lien Revenue Securities** (defined as "Parity Bonds" and "Parity Securities" in the Master Indenture) refer to the Clark County, Nevada, Airport System Revenue Bonds, Senior

Series 2005A and any other securities or bonds pertaining to the Airport System and payable from Net Revenues on a parity with such Revenue Bonds, including the obligations payable to a Qualified Bank under a Letter of Credit Agreement and in connection with Revenue Bonds or other Revenue Securities with respect to which a Qualified Swap is in effect or proposed to be in effect, the terms “Senior Lien Revenue Bonds” and “Senior Lien Revenue Securities” includes, collectively, both such Revenue Bonds and either such Qualified Swap or the obligations of the County under such Qualified Swap, as the context requires, except as otherwise provided in the Master Indenture.

“Senior Guaranteed Obligations” means one or more Senior Term Securities of any series becoming due on one fixed maturity date, the payment of which Senior Lien Revenue Securities is additionally secured by a Letter of Credit issued by a Qualified Bank pursuant to a Letter of Credit Agreement.

“Serial Senior Lien Revenue Bonds” or “Serial Senior Lien Revenue Securities” means the Revenue Bonds or other Revenue Securities of any series which are stated to mature in consecutive annual installments.

“Series Indenture” means a supplemental instrument providing for the issuance of any particular Series of Bonds or other Securities.

“Sinking Fund Requirements” means, with respect to the Term Bonds or Term Securities for any series other than Guaranteed Obligations and for any Fiscal Year, the amount to be accumulated in the Fiscal Year in the Sinking Fund Account for the payment for the principal amount fixed or computed for the Comparable Bond Year for the retirement of such Term Bonds or Term Securities by purchase, either upon the open market or by calls for tenders for purchase by the County, or by both such types of purchase, or by prior redemption, or by both such purchase and such prior redemption, as follows. The Sinking Fund Requirements for the Term Bonds or Term Securities of each series for each Fiscal Year in which the Sinking Fund Requirements are accumulated in the Sinking Fund Account for payment of Term Bonds or Term Securities are initially the respective principal amounts of the Term Bonds or Term Securities to be redeemed on July 1 of the Comparable Bond Year as fixed in the Series Indenture for such series, or otherwise so retired by purchase not later than 45 days prior to that due date. The aggregate amount of the Sinking Fund Requirements payable for the Term Bonds or Term Securities of each series shall be equal to the aggregate principal amount of the Term Bonds or Term Securities of the series then Outstanding. The Sinking Fund Requirements for the Term Bonds or Term Securities of the same maturity of each series are accumulated by substantially equal monthly deposits in the Sinking Fund Account commencing on the first day of the Fiscal Year which pertains to the Comparable Bond Year on July 1 of which Term Bonds or Term Securities are paid by prior redemption or prior purchase, and ends with the Bond Year which ends one year next preceding the fixed maturity date of each series of such Term Bonds or Term Securities (such final installment being payable on the fixed maturity date). If at the close of any Bond Year the total principal amount of the Term Bonds or Term Securities of any series of the same maturity retired by purchase or prior redemption during the Bond Year shall be greater than the total amount of the Sinking Fund Requirements for such Term Bonds or Term Securities to and including the Bond Year, then the Sinking Fund Requirements for such Term Bonds or Term Securities for all subsequent Bond Years must be reduced by the amount of that excess as determined by the Board. The amount of the reduction in the Sinking Fund Requirements for each subsequent Bond Year shall be as determined by the Board. Once the Board has adjusted the Sinking Fund Requirements for the subsequent Bond Years to reflect the reduction resulting from the excess redemption or purchase in contradistinction to any like excess reduction resulting from an excess redemption or purchase in any of the subsequent Bond Years. If at the close of any Bond Year the total principal amount of the Term Bonds or Term Securities of any series of the same maturity retired by purchase or prior redemption during the Bond Year shall be less than the total amount of the Sinking Fund Requirements for those Term Bonds or Term Securities to and including the Bond Year, then the Sinking Fund Requirement for the Term Bonds or Term Securities expended in the next ensuing Bond Year must be increased by the amount of such deficiency and such event shall be an Event of Default under the Master Indenture. The Board shall, before the first day of each Fiscal Year, recompute, if necessary, the Sinking Fund Requirements for the Comparable Bond Year and all subsequent Bond Years for the Term Bonds or Term Securities of each series then Outstanding. The Sinking Fund Requirements for the Bond Year as recomputed shall continue to be applicable during the Bond Year and no adjustment need be made therein by reason of Term Bonds or Term Securities purchased or called for prior redemption during the Bond Year.

“Special Facilities” means structures, hangars, aircraft overhaul, maintenance or repair shops, heliports, hotels, storage facilities, garages, other facilities, and appurtenances, being a part of or related to the Airport System,

the cost of the construction or other acquisition of which Special Facilities is financed with the proceeds of Special Facilities Bonds.

“Standard & Poor’s” means Standard & Poor’s Corporation or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency (other than Moody’s) as may be designated in writing by the County and approved in writing by any bond insurer insuring payment of principal of and interest on such Revenue Bonds.

“Subordinate Revenue Bonds” or **“Subordinate Revenue Securities”** (defined as “Subordinate Bond” and “Subordinate Securities” in the Master Indenture) means bonds or other securities pertaining to the Airport System and payable from its Net Revenues subordinate and junior to the lien thereon of the Revenue Bonds and include Swap Termination Payments and any other amounts payable by the County under a Qualified Swap entered into in connection with the proposed issuance of a series of Revenue Bonds in the event that no Revenue Bonds of such series are issued by the date provided in such Qualified Swap.

“Subordinate Guaranteed Obligations” means one or more Subordinate Revenue Securities of any series becoming due on one fixed maturity date, the payment of which Subordinate Revenue Securities is additionally secured by a Letter of Credit issued by a Qualified Bank pursuant to a Letter of Credit Agreement.

“Swap Termination Payment” means an amount payable by the County or a Qualified Swap Provider, in accordance with a Qualified Swap, to compensate the other party to the Qualified Swap for any losses and costs that such other party may incur as a result of the early termination of the obligations, in whole or in part, of the parties under such Qualified Swap. Beginning on the date, if any, that a Swap Termination Payment by the County becomes due and payable, the amount of such Swap Termination Payment shall be taken into account in determining the Debt Service Requirements of the series of Revenue Bonds to which such Qualified Swap relates, except as otherwise specifically provided in the Master Indenture.

“Trustee” means BNY Western Trust Company, or any successor Commercial Bank which may be appointed from time to time as trustee for Revenue Securities.

“Tax Code” means the Internal Revenue Code of 1986, as amended.

“Term Bonds” or **“Term Securities”** means the Revenue Bonds or Revenue Securities of a series with a fixed maturity date or dates designated as Term Bonds or Term Securities (other than Guaranteed Obligations) in a Series Indenture, but which fixed maturity date or dates do not constitute consecutive annual installments.

“Treasurer” means the de jure or de facto county treasurer of the County, or his successor in functions, if any.

MASTER INDENTURE

Revenue Pledge

Pursuant to the Master Indenture, the County has irrevocably pledged the Net Revenues of the Airport System to the payment of the Senior Lien Revenue Bonds. The facilities comprising the Airport System, however have not been pledged to secure payment of the Senior Lien Revenue Bonds. The Senior Lien Revenue Bonds are also secured by a pledge of all funds and accounts held under the Master Indenture, subject to the provisions of the Master Indenture permitting disbursements of such amounts at the times and in the manner described therein.

The Senior Lien Revenue Bonds and other Revenue Securities are special obligations of the County payable solely from Net Revenues generated by the Airport System. The Senior Lien Revenue Bonds and other Revenue Securities do not constitute a debt of the County within the meaning of any Constitutional or statutory provision or limitation, or a pledge of the full faith, credit and taxing power of the County.

The Master Indenture creates a special fund designated the Revenue Fund, to which the County is required to set aside and credit all Gross Revenues of the Airport System upon receipt thereof by the County. The Master Indenture requires that moneys or deposits in the Revenue Fund be applied solely in accordance with the order of priorities established by the Master Indenture. The first such priority and charge against the Revenue Fund is the payment of Operation and Maintenance Expenses budgeted and approved pursuant to the Master Indenture, including transfers to the Rebate Accounts established with respect to any series of Revenue Bonds.

Rate Maintenance Covenant

Pursuant to the Master Indenture, the County must at all times fix, charge and collect rentals, rates, fees and other charges for the use of the Airport System, and must revise such as may be necessary or appropriate in order that in each Fiscal Year the Gross Revenues, together with any Other Available Funds, will at all times be at least sufficient:

A. To provide for the payment of Operation and Maintenance Expenses for such Fiscal Year, and

B. To provide for the larger of either:

(i) Subject to the qualification set forth in the next paragraph, the amounts needed for making the required cash deposits in such Fiscal Year to the credit of the Bond Fund, the Debt Service Reserve Fund, the Subordinate Securities Fund, the Working Capital and Contingency Reserve Fund and the Capital Fund, or

(ii) An amount not less than 125% of the Aggregate Debt Service Requirements for the Comparable Bond Year for the Senior Lien Revenue Bonds then Outstanding.

In calculating the amount required to be deposited in the Bond Fund and Subordinate Securities Fund in clause B(i) above, (a) in the case of any Senior Term Securities which constitute Senior Guaranteed Obligations, the amount required to be deposited in the Bond Fund in the Fiscal Year immediately preceding the maturity date of the Senior Guaranteed Obligations shall equal the Senior Guaranteed Obligation Requirements for such Senior Guaranteed Obligations for the Comparable Bond Year, and (b) in the case of any Subordinate Term Securities which constitute Subordinate Guaranteed Obligations, the amount required to be deposited in the Subordinate Securities Fund in the Fiscal Year immediately preceding the maturity date of the Subordinate Guaranteed Obligations shall equal the Guaranteed Obligation Requirements for such Subordinate Guaranteed Obligations for the Comparable Bond Year.

If Gross Revenues in any Fiscal Year, together with any Other Available Funds, are less than the amounts specified above, the County, upon receipt of the annual audit for such Fiscal Year, shall revise its rentals, rates, fees and other charges, its Operation and Maintenance Expenses or the method of operation of the Airport System in order to satisfy as quickly as practicable the foregoing requirements.

If the County complies in good faith with the requirement of the preceding paragraph, it will not constitute an Event of Default pertaining to the County's non-performance of its duties under the Master Indenture if the resulting Gross Revenues, together with any Other Available Funds, are not sufficient to satisfy the Rate Maintenance Covenant. If, however, the County shall fail to comply in good faith with such requirements, the Trustee may, and upon the request of the owners of not less than 10% in aggregate principal amount of the Senior Lien Revenue Bonds of any series then Outstanding and upon being indemnified to its satisfaction, is required to institute and prosecute in a court of competent jurisdiction an appropriate action to compel the County to satisfy such requirements. The County has covenanted that it will adopt and charge rentals, rates, fees and charges and revise its Operation and Maintenance Expenses or the method of operation of the Airport System in compliance with any final order, decree or judgment entered in any such proceeding or any modification thereof.

Debt Service Reserve Fund

The Debt Service Reserve Fund is required to be funded in an amount equal to the Maximum Annual Debt Service Requirements of the Senior Lien Revenue Bonds.

Application of Revenues

In addition to the Revenue Fund and the Operation and Maintenance Fund (including the Rebate Accounts of the Operation and Maintenance Fund), which will be held by the County, the Master Indenture creates the following additional funds and accounts held by the County or the Trustee, as the case may be:

<u>Fund or Account</u>	<u>Held By:</u>
Bond Fund	Trustee
Interest Account	
Principal Account	
Sinking Fund Account	
Redemption Account	
Debt Service Reserve Fund	Trustee
Subordinate Securities Fund	County
Working Capital and Contingency Reserve Fund	County
Capital Fund	County
Construction Fund	County
Capitalized Interest Account	Trustee

After making the payments each month required to be credited to the Operation and Maintenance Fund, moneys in the Revenue Fund are required to be transferred and credited to the following funds and accounts at the following times and in the following order of priority:

(i) Monthly, to the Interest Account of the Bond Fund, an amount, together with other moneys available therefor from whatever source, including moneys in the Capitalized Interest Account set aside for such payment, equal to 1/6 of the next maturing interest installments on the Senior Lien Revenue Bonds then Outstanding, including any amounts due and payable by the County to a Qualified Swap Provider under the related Qualified Swap at such times as are provided in the Qualified Swap;

(ii) Monthly, to the Principal Account of the Bond Fund, an amount equal to 1/12 of the next maturing principal on the Serial Senior Lien Revenue Bonds the Outstanding;

(iii) Monthly, to the Sinking Fund Account of the Bond Fund, an amount equal to 1/12 of the next Sinking Fund Requirement for the Comparable Bond Year for the Term Bonds then Outstanding;

(iv) Monthly, to the Debt Service Reserve Fund, an amount which, if made as one of 60 equal monthly installments, is sufficient to make the sum of the amount on deposit in the Debt Service Reserve Fund plus the available amount of any Qualified Surety Bonds on deposit therein equal to the Maximum Annual Aggregate Debt Service Requirements for the then Outstanding Senior Lien Revenue Bonds; provided that if any moneys are withdrawn from the Debt Service Reserve Fund (other than any amounts the withdrawal of which does not reduce the reserve to an amount less than the Maximum Annual Aggregate Debt Service Requirements) or if payment is made under any Qualified Surety Bond in the Debt Service Reserve Fund to pay the Securities Requirements of any Senior Lien Revenue Securities, the amount so withdrawn, except to the extent any such Qualified Surety Bond is reinstated as may be provided therein or in connection therewith, is to be restored therein from Net Revenues available therefor over a 60 month period;

(v) Monthly, to the Subordinate Securities Fund, an amount which is required to provide for the payment of the principal of and interest due on Subordinate Revenue Securities as the same become due, including any reasonable reserves for such securities;

(vi) Monthly, to the Working Capital and Contingency Reserve Fund, an amount equal to 1/12 of 8.333% of the amount designated in the annual Airport System budget then in effect as the annual Operation and Maintenance Expenses for the current Fiscal Year (the "Minimum Working Capital Reserve"), less any money available in such Fund. If the Board, after consultation with the Airport Management Consultant, determines at any time that the aforesaid percentage provides insufficient or excessive revenues for the purpose for which the Working Capital and Contingency Reserve Fund is established, the Assistant Director of the Airport is to adjust the percentage referred to above as directed by the Board but in no event is such percentage to be reduced below 8.333%. No payment need be made into the Working Capital and Contingency Reserve Fund so long as the moneys therein shall then equal not less than the Minimum Working Capital Reserve. The moneys in the Working Capital and Contingency Reserve Fund are to be accumulated or reaccumulated and maintained as a continuing reserve to be used only to prevent deficiencies in the payment of the Operation and Maintenance Expenses resulting from the failure to deposit into the Operation and Maintenance Fund sufficient funds to pay such expenses as the same accrue and become due. If at any time the moneys credited to the Operation and Maintenance Fund are insufficient to pay Operation and Maintenance Expenses, the County acting by and through the Assistance Director may withdraw such moneys from the Working Capital and Contingency Reserve Fund and transfer them to the credit of the Operation and Maintenance Fund. Any money in the Working Capital and Contingency Reserve Fund exceeding the Minimum Working Capital Reserve is to be transferred to the Revenue Fund. In November 1987, by resolution, the Board increased the Minimum Working Capital Reserve to 16.666% of annual Operation and Maintenance Expenses. The Board retains discretion to reduce the Minimum Working Capital Reserve to 8.333% at any time; and

(vii) To the Capital Fund, from any remaining moneys in the Revenue Fund, (i) equal monthly installments or such greater amounts as required to provide for the payment of the principal of, premium, if any, and interest on any General Obligation Securities, except to the extent the County appropriates other funds therefor, during such Fiscal Year or Comparable Bond Year (the "General Obligation Requirements") and (ii) not less infrequently than annually by the end of each Fiscal Year an amount, but in any event not more than \$100,000, necessary to accumulate or to reaccumulate in the Capital Fund a reserve in an amount of not less than \$1,000,000 (the "Minimum Capital Reserve"). No payment need be made into the Capital Fund during any Fiscal Year so long as the moneys therein shall equal not less than the sum of the Minimum Capital Reserve plus the General Obligation Requirements for such Fiscal Year. In November 1987, by resolution, the Board increased the Minimum Capital Reserve from \$1,000,000 to \$5,000,000 and made a one-time deposit into the Capital Fund in an amount equal, together with moneys on deposit therein, to \$5,000,000. The Board retains discretion to reduce the Minimum Capital Reserve to \$1,000,000 at any time.

Moneys in the Capital Fund may be withdrawn in any priority for any one, all, or any combination of the following purposes, as the Board may from time to time determine:

A. Payment of General Obligation Securities. To pay the Securities Requirements of any General Obligation Securities;

B. Capital Costs. To pay the costs of constructing or otherwise acquiring any betterments of, enlargements of, extensions of or any other improvements at the Airport System, or any part thereof, authorized by law;

C. Maintenance Costs. To pay costs of extraordinary and major repairs, renewals, replacements or maintenance items pertaining to any properties of the Airport System of a type not recurring annually or at shorter intervals and not defrayed as Operation and Maintenance Expenses; and

D. Securities Requirements. To pay any securities payable from the Net Revenues, if such payment is necessary to prevent any default in the payment of such Revenue Securities, or otherwise.

If any monthly payment required to be made into any fund or account set forth above is deficient, the County is required to include the amount of such deficiency in the next monthly deposit into such fund or account.

At the end of any Fiscal Year or whenever in any Fiscal Year there shall have been credited to the above funds and accounts all amounts required to be deposited in those funds or accounts for all of that Fiscal Year and in

satisfaction of any deficiencies in any prior Fiscal Year, any remaining Net Revenues in the Revenue Fund may be used for any lawful purposes pertaining to the Airport System, as the Board may from time to time determine.

The Master Indenture requires all interest earned or profit or loss realized on investments or deposits of moneys held for all funds and accounts to be credited or charged to the Revenue Fund, except that such earnings, profits or losses derived from any account in the Construction Fund are to be credited or charged to such fund and any earnings or profits derived from the Debt Service Reserve Fund are to be credited thereto until the amount in such fund shall equal the Maximum Aggregate Debt Service Requirements for the Senior Lien Revenue Bonds the Outstanding.

Issuance of Additional Senior Lien Revenue Securities

The Master Indenture permits and, in instances where the County has covenanted to complete a Project, requires the County to issue Senior Lien Revenue Securities payable from the Net Revenues of the Airport System on a parity with the Senior Lien Revenue Bonds for the following purposes:

- (i) paying the cost of completing the Project or any Additional Project for which any series of Senior Lien Revenue Securities has been issued;
- (ii) paying the cost of any Additional Project; and
- (iii) refunding all Outstanding Senior Lien Revenue Bonds or Senior Lien Revenue Securities of one or more series, or one or more Outstanding Senior Lien Revenue Bonds or Senior Lien Revenue Securities of one or more series, or one or more maturities within a series, or refunding any Subordinate Revenue Securities.

In connection with the issuance of additional series of Senior Lien Revenue Securities, the "cost" of any Project or Additional Project includes, among other items, the costs of surveys or other plans or specifications, builder's insurance, consultant's fees, construction contingencies, property acquisition costs, the costs of issuance of such series of Senior Lien Revenue Securities, capitalized interest to a date not exceeding one year following the estimated completion date of the Project and the funding of reserves for the payment of the series of Senior Lien Revenue Securities.

Completion Bonds. The County may issue one or more series of Senior Lien Revenue Bonds or other Senior Lien Revenue Securities ("Completion Bonds") to pay the cost of completing the Project or any Additional Project.

Prior to the issuance of any series of Completion Bonds, the County is required to have delivered to the Trustee, among other documents:

A. A certificate of the Consulting Engineer approved by the Director stating that the Project or Additional Project (as the case may be) has not materially changed (except as permitted in the Master Indenture) from the description of the Project in the report of the Consulting Engineer or from the description of the Additional Project as described in any Series Indenture relating to the series of Additional Senior Lien Revenue Securities issued to finance the Additional Project, and setting forth the aggregate cost of the Project which, in the opinion of the signer, has been or will be incurred and cannot be paid from the moneys available at the date of the certificate in the account within the Construction Fund applicable to the Project; and stating that, in the opinion of the signer, issuance of the Completion Bonds is necessary to provide funds for completion of the Project; and

B. A certificate of the Director stating that the previous series of Senior Lien Revenue Securities issued in connection with the Project for which the Completion Bonds are being issued were issued to pay all or the balance of the costs of such Project.

Additional Bonds. The County may issue one or more series of Senior Lien Revenue Bonds or other Senior Lien Revenue Securities (“Additional Bonds”) for the purpose of paying the costs of any Additional Project if, among other conditions, the County shall have delivered to the Trustee, among other documents:

A. A certificate of an Independent Accountant, setting forth (i) for any period of 12 consecutive calendar months out of the 18 calendar months, or alternatively, for the last complete Fiscal Year next preceding the delivery of such series of Additional Bonds, the Net Revenues, together with any Other Available Funds, for such 12-month period or Fiscal Year, and (ii) the Aggregate Debt Service Requirements for the Senior Lien Revenue Bonds and Senior Lien Revenue Securities of each series then Outstanding for such 12- month period or for the Comparable Bond Year for such Fiscal Year, as the case may be, and demonstrating that such Net Revenues, together with any Other Available Funds, were at least equal to the greater of (a) the amounts needed to make the required cash deposits in such period to the credit of the Bond Fund, Debt Service Reserve Fund, Subordinate Securities Fund, Working Capital and Contingency Reserve Fund and Capital Fund (such required deposits to the Bond Fund and Subordinate Securities Fund to be adjusted for Senior and Subordinate Guaranteed Obligations, respectively, in the manner described under “Rate Maintenance Covenant”), or (b) 125% of the Aggregate Debt Service Requirements for the Senior Lien Revenue Bonds and Senior Lien Revenue Securities of each series then outstanding for such 12-month period or Comparable Bond Year, as the case may be;

B. A certificate of the Consulting Engineer setting forth (i) the estimated date of completion of the Additional Project for which such series of Additional Bonds is being issued and for any other uncompleted Project, and (ii) an estimate for the cost of such Additional Project for which such Additional Bonds are being issued and of any other uncompleted Project;

C. A certificate of the Airport Management Consultant setting forth, for each of the Fiscal Years following the earlier of: (1) the Fiscal Year in which the Consulting Engineer estimates such Additional Project will be completed, or (2) the last Fiscal Year in which there are not Debt Service Requirements for such Additional Bonds, through the Fiscal Year which is five years after the Fiscal Year in which the Consulting Engineer estimates such Additional Project will be completed, estimates of (i) the Gross Revenues and (ii) the Operation and Maintenance Expenses and other amounts required to be deposited in each of the funds and accounts established under the Master Indenture, and demonstrating that the Net Revenues in each such Fiscal Year shall at least equal the greater of (a) the amounts needed for making the required deposits to the credit of the Bond Fund, Debt Service Reserve Fund, Subordinate Securities Fund, Working Capital and Contingency Reserve Fund and Capital Fund (such required deposits to the Bond Fund and Subordinate Securities Fund to be adjusted for Senior and Subordinate Guaranteed Obligations, respectively, in the manner described under “Rate Maintenance Covenant”), or (b) an amount not less than 125% of the Aggregate Debt Service Requirements for the Senior Lien Revenue Bonds and Senior Lien Revenue Securities of each series then Outstanding for the Comparable Bond Year for each such Fiscal Year, in each case after giving effect to, among other factors, the completion of all or a completed portion of the Additional Project, the increase in rates, fees, rentals or charges under the Rate Maintenance Covenant as a result of the completion of such Additional Project or such portion thereof, and the Debt Service Requirements on the series of Additional Bonds then to be issued and the Debt Service Requirements, as estimated by the Financial Consultant, with respect to future series of Additional Bonds which the Director and the Assistant Director shall estimate (based on the estimate of the Consulting Engineer of the cost of such Additional Project) will be required to complete payment of the cost of such Additional Project; and

D. A certificate of the Director and Assistant Director to the effect that all payments required to be made into each of the funds and accounts established under the Master Indenture as of the date of such certificate have been made.

Refunding Bonds. Prior to the issuance of any series of Senior Lien Revenue Securities (“Refunding Bonds”) to refund one or more series of Senior Lien Revenue Bonds or Senior Lien Revenue Securities or one or more Senior Lien Revenue Bonds or Senior Lien Revenue Securities within a series, or one or more maturities of a series of Senior Lien Revenue Bonds or any series of Senior Lien Revenue Securities, other than for redeeming at their maturity the Term Bonds or Term Securities of a series which mature within one year of such refunding, the County shall have delivered to the Trustee, among other documents, either of the following: (i) a certificate of the Treasurer setting forth (1) the Aggregate Debt Service Requirements for the then current and each future Bond Year to and including the Bond Year ending on the date of the latest maturity of any series of Senior Lien Revenue Bonds

or Senior Lien Revenue Securities of any series then Outstanding (a) with respect to the series of Senior Lien Revenue Bonds and Senior Lien Revenue Securities of all series Outstanding immediately prior to the date of delivery of such Refunding Bonds and (b) with respect to the series of Senior Lien Revenue Bonds and Senior Lien Revenue Securities to be Outstanding immediately thereafter, and (2) that the Aggregate Debt Service Requirements set forth for each Bond Year pursuant to (b) above is no greater than that set forth for such Bond Year pursuant to (a) above; or (ii) the certificates required by clauses A through D under "Additional Bonds" above evidencing that such series of Refunding Bonds meets the tests provided for all purposes of such certificate and tests applied as if such series of Refunding Bonds was a series of Additional Bonds. Refunding Bonds of each series issued to refund Subordinate Revenue Securities may be delivered in a principal amount sufficient, together with other moneys available therefor (including investment income thereon), to accomplish such refunding, provided that the County delivers, among other documents, the certificates required by clauses A through D under "Additional Bonds" above if the Subordinate Revenue Securities were originally issued to fund an Additional Project or the certificates required by clauses A and B under "Completion Bonds" above if such Subordinate Revenue Securities were originally issued to fund completion of a Project, such certificates to be prepared as if such series of Refunding Bonds was a series of Additional Bonds or Completion Bonds, as the case may be.

Issuance of Subordinate Revenue Securities and Special Facilities Bonds

The Master Indenture provides that the County may issue junior lien (subordinate) securities. The Master Indenture also includes provisions under which the County may issue Special Facilities Bonds for the purpose of constructing Special Facilities at the Airport for lease on a net rent basis. Any such Special Facilities Bonds shall be payable solely from rentals payable to the County pursuant to such Net Rent Leases, and shall not be a charge or claim against the Revenue Fund or any other account designated in the Master Indenture.

Acquisition of Additional Facilities

The County is not to acquire additional airfields or other independent airport facilities unless, in the written opinion of the Airport Management Consultant, the acquisition, operation and maintenance of such facilities will not materially affect the County's ability to comply with the Rate Maintenance Covenant described above or unless such facilities are excluded from the Airport Facilities at the option of and by order of the Board.

Security for Deposits: Investments

Until such money is invested pursuant to the last paragraph of this section, all money (not including securities) held by the Trustee may be deposited by the Trustee in demand or time deposits in its banking department or with such other Commercial Banks having their principal offices in the State or the State of New York as may be designated by the County and approved by the Trustee. No such money is to be deposited with any Commercial Bank, other than the Trustee, in an amount exceeding 50% of the amount which an officer of such bank shall certify to the Trustee and to the County as the combined capital and surplus of such bank. No such money is to be deposited or remain on deposit with any Commercial Bank, including the Trustee, in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other Federal agency:

A. unless such bank shall have lodged with the trust department of the Trustee or, with the written approval of the Trustee and of the County, pledged to some other Commercial Bank for the benefit of the County and every owner of any Revenue Securities issued under the Master Indenture, as collateral security for the moneys deposited, Federal Securities or such securities as are provided by law for securing a deposit in a Commercial Bank in the State, having a market value (exclusive of accrued interest) at least equal to 110% of the amount of such moneys; or

B. unless, in lieu of such collateral security as to all or any part of such moneys, there shall have been lodged with the trust department of the Trustee for the benefit of the County and every owner of any Revenue Securities issued under the Master Indenture, and remain in full force and effect as security for such moneys or part thereof, the indemnifying bond or bonds of a surety company or companies qualified as surety for deposits of funds of the United States and qualified to transact business in the state in which such Commercial Bank is located in a sum at least equal to the amount of such moneys or part thereof.

Any money in any account or subaccount designated in the Master Indenture (other than any account for the refunding, payment and/or discharge of the Securities Requirements of any Outstanding Revenue Bonds or other Revenue Securities under the defeasance provisions of the Master Indenture, or otherwise), and not required for immediate disbursement and withdrawal is to be invested or reinvested by the Treasurer or the Trustee at the direction of the Director or Assistant Director by deposit in one or more Commercial Banks or in Investment Securities (and subject to an appropriate statutory amendment, other investment securities) which Investment Securities either shall be subject to redemption at any time at a fixed value by the holder thereof, at the option of the holder, or shall mature from the date of such investment or reinvestment neither later than such times as moneys are needed for payments from the respective accounts and subaccounts, nor (1) in the case of the Debt Service Reserve Fund, (i) later than 10 years from the date of investment (unless redeemable at the holder's option), or (ii) later than the last fixed maturity date of the Senior Lien Revenue Securities, nor (2) in the case of the Construction Fund later than the estimated completion date of the Project, nor (3) in the case of the Working Capital and Contingency Reserve Fund in securities with an average maturity exceeding 22 years. The Investment Securities so purchased as an investment or reinvestment of moneys in any such account or subaccount shall be deemed at all times to be a part of the account or subaccount held in trust therefor.

Defeasance: Modification of the Master Indenture

When all principal, interest and any prior redemption premiums due in connection with Revenue Securities of any series payable from Pledged Revenues have been duly paid, or provision made therefor in accordance with the Master Indenture, the pledge and lien and all obligations under the Master Indenture shall thereby be discharged and such Revenue Securities shall no longer be deemed to be Outstanding. The County may provide for such payment by placing in escrow or in trust with a Trust Bank an amount sufficient, together with the known minimum yield available therefor from any initial investment in Defeasance Securities, to meet all requirements of principal, interest and any prior redemption premiums due, as the same become due to the final maturity of the Revenue Securities or upon any prior redemption date as of which the County shall have exercised or shall have obligated itself to exercise its prior redemption option by the call of the Revenue Securities for payment.

The Master Indenture may be amended or supplemented by instruments executed and delivered by the Board in accordance with the laws of the State upon the written consent of the holders of 66% in principal amount of all Senior Lien Revenue Bonds then Outstanding (excluding any Senior Lien Revenue Bonds held by the County), but no instrument shall have the effect of permitting: (1) a change in the maturity or the terms of redemption of any installment of principal, or interest of any Outstanding Senior Lien Revenue Bond; (2) a reduction of the principal, interest rate or prior redemption premium of any Senior Lien Revenue Bond without the consent of the owner of such Senior Lien Revenue Bond; (3) the creation of a lien upon or a pledge of revenues ranking prior to the lien or to the pledge created by the Master Indenture; or (4) a reduction of the principal amount or percentages or otherwise affecting the description of Senior Lien Revenue Bonds or the consent of the owners of which is required for any such modification of or prejudicial effect upon the rights or privileges of the owners of less than all of the Senior Lien Revenue Bonds then Outstanding.

Remedies of Senior Lien Revenue Bondholders

The Master Indenture defines "events of default" as follows: (1) the failure to pay when due the principal of any Senior Lien Revenue Bond, or any prior redemption premium in connection therewith, or any failure to pay installment of interest within 30 days after it is due; (2) the County is rendered incapable of fulfilling its obligations under the Master Indenture; (3) the County fails to perform (or begin the performance of) all acts required of it under any contract relating to the Pledged Revenues, the Airport System or any Special Facilities, continuing 60 days after notice of such failure; (4) the County discontinues, delays or fails to carry out reconstruction or replacement of any part of the Airport System which is destroyed or damaged; (5) an order or decree is entered appointing a receiver for the Airport System or the Pledged Revenues derived therefrom, or if such decree was entered without the consent of the County, it is not vacated, discharged or stayed on appeal within 60 days after entry; (6) the County defaults in the due and punctual performance of any other of the covenants, agreements and provisions contained in any Revenue Securities or in the Master Indenture on its part to be performed, if such default continues for 60 days after written notice specifying such default and requiring the same to be remedied has been given to the County by the owners of 10% in principal amount of the Revenue Securities of any series then Outstanding or by the Trustee of the Revenue Securities; and (7) the County files a petition pertaining to its Airport

System and seeking a composition of indebtedness under the Federal Bankruptcy Code, or under any other applicable law or statute of the United States of America or the State. In the event of any default, the Trustee may proceed, and if the owners of not less than 10% in principal amount of any series of Senior Lien Revenue Securities then Outstanding so request, then the Trustee is to proceed, against the County to protect and enforce the rights of the owners of the Senior Lien Revenue Bonds under the Master Indenture by suit, action or special proceedings in equity or at law either for the appointment of a receiver or for the specific performance of any covenant or agreement contained in, or by an award of execution of any power granted in, the Master Indenture or for the enforcement of any proper legal or equitable remedy as such bondholders may deem most effectual to protect and enforce such rights.

Force Majeure

The Trustee shall not be considered in breach of or default in its obligations with respect to any obligations created under the Master Indenture or progress in respect thereto, in the event of enforced delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including but not limited to: acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other like occurrences beyond the control of the Trustee; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

SERIES INDENTURE

The following statements are summaries of certain provisions of the Series Indenture but are in addition and complementary to the summaries found under the caption "SECURITY FOR THE SERIES 2013A BONDS."

DEFINITIONS

Unless the context otherwise requires, the terms defined under this caption will, for all purposes of this Official Statement, have the meanings herein specified. All defined terms used herein and not otherwise defined herein shall have the respective meanings given to such terms in the Series Indenture.

“2003C Bonds” means the securities designated as the Clark County, Nevada, Jet Aviation Fuel Tax Revenue Bonds (Additionally Secured by Pledged Airport System Revenues), Series 2003C.

“2004A Bonds” means the securities designated as the Clark County, Nevada, Adjustable Rate Airport System Subordinate Lien Revenue Bonds, Series 2004A-1 and Series 2004A-2.

“Annual Principal and Interest Requirements” means the sum of the principal of and interest on the Outstanding Bonds and any other Outstanding Parity Jet Fuel Tax Bonds to be paid during any Bond Year, but excluding any reserve requirements to secure such payments unless otherwise expressly provided, but if any such other securities bear interest at a variable rate of interest, then except as may be provided in a supplemental instrument with respect to an interest rate swap agreement, the interest rate used in the foregoing determination shall be the Bond Buyer Revenue Bond Index. In calculating this amount, the principal amount of securities required to be redeemed prior to maturity pursuant to a mandatory redemption schedule contained in the instrument authorizing the issuance of such securities shall be treated as maturing in the Bond Year in which such securities are so required to be redeemed, rather than in the Bond Year in which the stated maturity of such securities occurs.

“Bond Act” means NRS 350.500 through 350.720, and all laws amendatory thereof, designated in Section 350.500 thereof as the Local Government Securities Law.

“Bond Buyer Revenue Bond Index” means the Bond Buyer Revenue Bond Index, published in the Bond Buyer within two weeks prior to the date of sale of variable interest rate securities if a calculation of the Bond Requirements or the Annual Principal and Interest Requirements is being made for purposes of that sale, or within two weeks prior to the date a calculation of the Bond Requirements or Annual Principal and Interest Requirements is made for any other purpose, but neither greater than any maximum interest rate pertaining to the variable interest

rate securities nor less than any minimum interest rate pertaining to such variable interest rate securities. If such Index is not published, the County shall endeavor to select a similar index of 30 year tax exempt revenue bonds or an index which the County determines is as similar thereto as is then available. The County's determination shall be conclusive.

Bond Requirements means the principal of, any prior redemption premiums due in connection with, and the interest on the Bonds and any additional bonds or other additional securities payable from Pledged Jet Fuel Tax Revenues and hereafter issued, or such part of such securities or such other securities relating to the Airport as may be designated, as such principal, premiums and interest become due at maturity or on a Redemption Date designated in a mandatory redemption schedule, in a notice of prior redemption, or otherwise, but if any such bonds or other securities bear or are to bear interest at a variable rate of interest, then except as may be provided with respect to an interest rate swap agreement, the interest rate used in the foregoing determination shall be the Bond Buyer Revenue Bond Index. In calculating the Bond Requirements, the principal amount of bonds or other securities (including the Bonds) required to be redeemed prior to maturity pursuant to a mandatory redemption schedule contained in the instrument authorizing the issuance of such bonds or other securities shall be treated as maturing in the Bond Year in which such securities are so required to be redeemed, rather than in the Bond Year in which the stated maturity of such bonds or other securities occurs.

Business Day means any day other than (i) a Saturday or Sunday, (ii) a day on which banks located in the city in which the principal office of the Trustee is located are authorized or required to remain closed or (iii) a day on which The New York Stock Exchange is closed.

Certificate of the County Chief Financial Officer means the certificate signed by the Chief Financial Officer of the County relating to the Bonds dated on or before the date of delivery of the Bonds.

Commercial Bank means a state or national bank or trust company which is a member of the Federal Deposit Insurance Corporation, which has a capital and surplus of \$25,000,000 or more and which is located within the United States; and such term includes, without limitation, any "Trust Bank."

Cost of the Refunding, or any phrase of similar import, means all or any part of the cost of the Refunding, which cost, at the option of the County (except as limited by law), may include all or any part of the incidental costs pertaining to the Refunding.

Escrow Agent means the Trust Bank known as The Bank of New York Mellon Trust Company, N.A., in Los Angeles, California.

Escrow Agreement means the contract designated as the Clark County, Nevada, Jet Aviation Fuel Tax Refunding Revenue Bonds, Series 2013A Refunding Deposit Agreement, between the County and the Escrow Agent.

Escrow Fund means the special and separate account designated as the Clark County, Nevada, Jet Aviation Fuel Tax Refunding Revenue Bonds, Series 2013A, Refunding Fund, created in the Series Indenture and required to be accumulated and maintained by the County with the Escrow Agent under the Escrow Agreement.

Interest Payment Date means each January 1 and July 1, provided, that if the date for making any payment as provided in this Series Indenture shall not be a Business Day, such payment may be made on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Series Indenture, and no interest shall accrue for the period after such nominal date.

owner or any similar term, when used in conjunction with any Bonds, or any other designated securities, means the registered owner of any Bonds or other security which is registrable for payment if it shall at the time be registered for payment otherwise than to bearer.

Parity Jet Fuel Tax Bonds means bonds or securities which have a lien on Pledged Jet Fuel Tax Revenues that is on a parity with the lien thereon of the Bonds.

PFC Revenues means all income and revenue received by or required to be remitted to the County from the passenger facility charge per qualifying enplaned passenger imposed by the County pursuant to the Aviation Safety and Capacity Expansion Act of 1990, Pub. L. 101-508, Title IX, Subtitle B, Sections 9110 and 9111, as amended from time to time, the regulations thereunder, County Ordinance No. 1382 adopted on May 5, 1992, Ordinance No. 3483 adopted on January 2, 2007 and Ordinance No. 3505 adopted on April 3, 2007.

Pledged Jet Fuel Tax Fund means the special account designated as the “Clark County, Nevada, Pledged Jet Fuel Tax Revenues Pledged Jet Fuel Tax Fund,” created by the Series Indenture.

Pledged Jet Fuel Tax Revenues means all income and revenue derived by the County from the three cents per gallon tax on fuel for jet or turbine powered aircraft imposed by the County pursuant to NRS Section 365.203, Ordinance No. 1266 adopted on April 16, 1991, and Ordinance No. 4020, adopted on May 1, 2012, all of which may be pledged to the Bonds pursuant to NRS Section 365.545. Pledged Jet Fuel Tax Revenues means all or a portion of the Pledged Jet Fuel Tax Revenues. The designated term indicates sources of revenues and does not necessarily indicate all or any portion or other part of such revenues in the absence of further qualification. “Pledged Jet Fuel Tax Revenues” include income derived from any additional tax on fuel for jet or turbine powered aircraft imposed by the County if the Board elects to include the additional tax in “Pledged Jet Fuel Tax Revenues.”

Project Act means, collectively, NRS Sections 365.170, NRS 365.203, NRS 365.545, County Ordinance No. 1266 adopted on April 16, 1991 and NRS 496.010 through 496.290, and all laws amendatory thereof.

Refunding means the undertaking to refund, pay and discharge the 2003C Bonds.

Regular Record Date means the 15th day of the calendar month, whether or not a Business Day, next preceding each Interest Payment Date.

Second Lien Subordinate Securities means the 2004A Bonds, all other Subordinate Securities having a lien on the Net Revenues of the Airport System on a parity with the lien thereon of the 2004A Bonds, the PFC Bonds, and any payments under any interest rate swap agreements executed by the County pursuant to authorization granted by ordinance which by the terms thereof are secured by Net Revenues of the Airport System on a parity with the 2004A Bonds and such other Subordinate Securities, and any other additional Subordinate Securities hereafter issued with a lien thereon on a parity with the lien thereon of the 2004A Bonds and such other Subordinate Securities.

Subordinate Jet Fuel Tax Bonds means bonds or securities which have a lien on Pledged Jet Fuel Tax Revenues that is subordinate and junior to the lien thereon of the Bonds.

Tax Code means the Internal Revenue Code of 1986, as amended to the date of issuance of the Bonds.

Trust Bank means a Commercial Bank authorized to exercise and is exercising trust powers, and also means any branch of the Federal Reserve Bank.

SERIES INDENTURE

Set forth below is a summary of certain provisions of the Series Indenture. All capitalized terms used under this caption and not otherwise defined herein have the respective meanings given to such terms in the Series Indenture.

Obligation of County

Pledge Securing Bonds. Pledged Jet Fuel Tax Revenues and all moneys and securities paid or to be paid to or held or to be held in any account under the Series Indenture are pledged to secure the payment of the Bond Requirements of the Bonds, subject only to the application of moneys for the purposes and on the terms and conditions of the Series Indenture. The lien of such pledge and the obligation to perform the contractual provisions

made by the Series Indenture shall have priority over any or all other obligations and liabilities of the County except for any Outstanding Parity Jet Fuel Tax Bonds.

Additional Security. The Bonds also constitute Subordinate Securities. As such, the Bond Requirements of the Bonds are additionally secured by and are payable from the Net Revenues of the Airport System subordinate and junior to the lien thereon of the Senior Lien Revenue Securities and the Second Lien Subordinate Securities now or hereafter Outstanding, and on a parity with the lien thereon of the "Third Lien Obligations" and "Junior Lien Obligations" as defined in the ordinances and Series Indentures authorizing the issuance of Second Lien Subordinate Securities. No Subordinate Securities with a lien on the Net Revenues superior to the lien thereon of the Bonds but junior to the lien thereon of the Second Lien Subordinate Securities may be issued.

Bonds Equally Secured. The covenants and agreements set forth in the Series Indenture to be performed on behalf of the County will be for the equal benefit, protection and security of the owners of any and all of the Outstanding Bonds, all of which, regardless of the time or times of their issue or maturity, will be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as otherwise expressly provided in or pursuant to the Series Indenture.

No Pledge of Property. The payment of the Bonds is not secured by an encumbrance, mortgage or other pledge of property of the County, except Pledged Jet Fuel Revenues, Net Revenues and any other moneys pledged for the payment of the Bonds. No property of the County, subject to such exceptions, shall be liable to be forfeited or taken in payment of the Bonds.

No Recourse Against Officers and Agents. No recourse shall be had for the payment of the Bond Requirements of the Bonds or for any claim based thereon or otherwise upon the Series Indenture authorizing their issuance or any other instrument relating thereto, against any individual member of the County or any officer or other agent of the County, past, present or future, either directly or indirectly through the County or otherwise, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any penalty or otherwise, all such liability, if any, being by the acceptance of the Bonds and as a part of the consideration of their issuance specially waived and released.

Registration, Transfer and Exchange of Bonds

Except as otherwise described in "APPENDIX D – DTC AND BOOK-ENTRY ONLY SYSTEM":

Registration and Transfer. Records for the registration and transfer of the Bonds will be kept by the Registrar. Upon the surrender for transfer of any Bond at the Registrar, duly endorsed for transfer or accompanied by an assignment in form satisfactory to the Registrar duly executed by the registered owner or his attorney duly authorized in writing, the Registrar will authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds of a like aggregate principal amount and of the same maturity bearing a number or numbers not previously assigned. Bonds may be exchanged at the Registrar for an equal aggregate principal amount of Bonds of the same maturity of other authorized denominations, as provided in the Series Indenture. The Registrar will authenticate and deliver a Bond or Bonds which the registered owner making the exchange is entitled to receive, bearing a number or numbers not previously assigned. For every exchange or transfer of Bonds requested by the owner thereof, the County or the Registrar may make a sufficient charge to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, and may charge a sum sufficient to pay the cost of preparing and authenticating each new Bond. No such charge will be levied in the case of an exchange resulting from an optional or mandatory prior redemption of a Bond.

Limitations upon Registration. The Registrar will not be required to transfer or exchange (i) any Bond subject to redemption during a period beginning at the opening of business 15 days before the day of the mailing by the Registrar of a notice of prior redemption of Bonds and ending at the close of business on the day of such mailing, (ii) any Bond after the mailing of notice calling such Bond or any portion thereof for redemption as provided in the Series Indenture, or (iii) any Bond during the period beginning 15 days prior to the maturity date of such Bond.

Effect of Registration. The Person in whose name any Bond will be registered in the registration records kept by the Registrar, will be deemed and regarded as the absolute owner thereof for the purpose of making payments thereof and for all other purposes; and payment of or on account of either principal or interest on any Bond will be made only to or upon the written order of the registered owner thereof or his legal representative, but such registration may be changed upon transfer of such Bond in the manner and subject to the conditions and limitations provided in the Series Indenture. All such payments will be valid and effectual to discharge the liability upon such Bond to the extent of the sum or sums so paid.

Purchasers Not Responsible. The validity of the Bonds will not be dependent on nor be affected by the validity or regularity of any proceedings relating to the Refunding. The original purchasers of the Bonds, any associate thereof, and any subsequent owner of any Bonds will in no manner be responsible for the application or disposal by the County or by any of its officers, agents and employees of the moneys derived from the sale of the Bonds or of any other moneys designated in the Series Indenture.

Lien on Bond Proceeds. Until proceeds of the Bonds are applied as provided in the Series Indenture, the Bond proceeds will be subject to a lien thereon and pledge thereof for the benefit of the owners of the Bonds from time to time as provided in the Series Indenture, but subject to the prior rights of the owners of the 2003C Bonds with respect to moneys in the Escrow Fund.

General Administration

Pledged Jet Fuel Tax Fund Deposits. So long as any of the Bonds shall be Outstanding, as to any Bond Requirements, the entire Pledged Jet Fuel Tax Revenues, upon their receipt from time to time by the County, shall continue to be set aside and credited immediately to the Pledged Jet Fuel Tax Fund. There shall also be credited to the Pledged Jet Fuel Tax Fund the interest or other gain resulting from the investment and reinvestment of amounts in any of the accounts designated in the Series Indenture to the extent provided in the Series Indenture. The Pledged Jet Fuel Tax Fund is and shall be maintained by the Treasurer separate and apart from all other County funds, and shall not be or deemed to be part of the Airport System Fund under the Master Indenture.

Places and Times of Deposits. Each of the special accounts designated in the Series Indenture will be maintained as a book account and kept separate from all other accounts as a trust account solely for the purposes designated therefor with the Treasurer with respect to the Pledged Jet Fuel Tax Fund and the Rebate Fund, and with the Trustee with respect to the Bond Fund. The moneys accounted for in such special book accounts will be deposited in one bank account or more in a Commercial Bank or Commercial Banks; but the moneys held by the Trustee will not be combined with any moneys held by the County Treasurer. Nothing in the Series Indenture prevents the commingling of moneys accounted for in any two or more book accounts in any bank account or any investment in Investment Securities under the Series Indenture, except the Escrow Fund shall at all times be held in a separate trust account maintained at the Escrow Agent. Each bank account will be continuously secured to the fullest extent required or permitted by the laws of the State for the securing of public funds and will be irrevocable and not withdrawable by anyone for any purpose other than the respective designated purposes. Each periodic payment will be credited to the proper book account not later than the date therefor designated in the Series Indenture, except that when any such date shall be a Saturday, a Sunday or a legal holiday, then the payment will be made on or before the next preceding secular day. Notwithstanding any other provision in the Series Indenture to the contrary, moneys sufficient to pay the Bond Requirements then coming due on the Outstanding Bonds will be deposited with the Paying Agent at least on the day of each Interest Payment Date designated in the Series Indenture and, in any event, in sufficient time to make timely payment of such Bond Requirements.

Investment of Moneys. Any moneys in any account designated in the Series Indenture (except moneys in the Escrow Fund, which shall be invested as provided in the Escrow Agreement), and not needed for immediate use may be invested or reinvested by the County Treasurer or the Trustee, as the case may be, in accordance with written instructions, of the Director or the Assistant Director, except as otherwise expressly stated in the Series Indenture:

Bank Deposits. By deposit in one or more Commercial Banks as described under “ – Places and Times of Deposits” above and “ – Character of Funds” below, and

Investment Securities. In Investment Securities which:

(1) Optional Redemption. Either shall be subject to redemption at any time at a fixed value by the holder thereof at the option of such holder, or

(2) Scheduled Maturities. Shall mature not later than on the date or respective dates on which the proceeds are to be expended as estimated by the Director or the Assistant Director upon each date of such investment or reinvestment, and, in the case of accounts under the control of the Trustee and the proposed investment or reinvestment of moneys accounted for therein, stated by the Director or Assistant Director in writing to the Trustee. Moneys held in the Bond Fund will be invested and reinvested to the fullest extent practicable in Investment Securities (to the extent permitted by law) which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made therefrom. Moneys in the Pledged Jet Fuel Tax Fund may be invested or reinvested in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed to provide payments from such account. For the purposes of any such investment or reinvestment, Investment Securities shall be deemed to mature at the earliest date on which the obligor is, on demand, obligated to pay a fixed sum in discharge of the whole of such obligations. In making each such investment or reinvestment, the Treasurer and the Trustee may rely upon such written instructions, and will be under no duty as to the propriety of the investment or reinvestment made in accordance with such instructions and in reliance upon estimates of officers of the County as to the times moneys accounted for in any account will be needed for the purpose or purposes thereof.

Required and Permissive Investments. The Director and the Assistant Director will have no obligation to cause the Treasurer or Trustee to make any investment or reinvestment under the Series Indenture, unless any moneys on hand and accounted for in any one account (except the Escrow Fund) exceeds \$5,000 and at least \$5,000 therein will not be needed for a period of not less than 60 days. In that event, the Director or Assistant Director will cause the Treasurer or Trustee, as the case may be, to invest or reinvest in Investment Securities to the extent practicable not less than substantially all the amount which will not be needed during such 60-day period, except for any moneys on deposit in an interest-bearing account in any Commercial Bank, regardless of whether such moneys are evidenced by a certificate of deposit or otherwise, pursuant to “ – Character of Funds” below. The Director or the Assistant Director may request the Treasurer or the Trustee to invest or reinvest any moneys on hand at any time as provided in the Series Indenture even though he is not obligated to do so. In the event the Director or the Assistant Director does not direct the Trustee to invest moneys on hand, the Trustee may invest such moneys in any money market fund, including a proprietary money market fund, which constitutes an Investment Security.

Accounting for Investments. The Investment Securities purchased as an investment or reinvestment of moneys in any such account will be deemed at all times to be a part of the account and held in trust therefor. Any interest or other gain and any loss in any account resulting from any such investments and reinvestments in Investment Securities and from any deposits of moneys in any Commercial Bank pursuant to the Series Indenture shall be credited or debited, as the case may be, to (i) the Pledged Jet Fuel Tax Fund or the Bond Fund, or any combination thereof, as the Director may determine (as shown in the budget or otherwise), to the extent such interest or other gain constitutes Pledged Jet Fuel Tax Revenues or such loss is realized on the investment or reinvestment of Pledged Jet Fuel Tax Revenues or (ii) the Revenue Fund to the extent such interest or other gain does not constitute Pledged Jet Fuel Tax Revenues or such loss is realized on the investment or reinvestment of moneys that do not constitute Pledged Jet Fuel Tax Revenues. In the absence of any such determination, any interest or other gain constituting Pledged Jet Fuel Tax Revenues described in the preceding sentence shall be credited to the Pledged Jet Fuel Tax Fund. No loss or profit in any account on any investments or reinvestments in Investment Securities will be deemed to take place as a result of fluctuations in the market quotations of the investments before the sale or maturity thereof. In the computation of the amount in any account for any purpose under the Series Indenture, except as otherwise expressly provided therein, Investment Securities purchased as an investment of moneys therein will be valued at the cost thereof (including any amount paid as accrued interest at the time of purchase of the obligation) or the principal amount thereof, whichever is lower, but otherwise exclusive of accrued interest; and bank deposits will be valued at the amounts deposited, exclusive of any accrued interest or any other gain to the County until such gain is realized by the receipt of an interest-earned notice, or otherwise. The valuation of Investment Securities and bank deposits accounted for in any account under the Series Indenture will be made by the County not less frequently than annually.

Redemption or Sale of Investment Securities. The Treasurer or the Trustee, with the approval of the Director or the Assistant Director, except as otherwise provided in the Series Indenture, will present for redemption at maturity or sale on the prevailing market at the best price obtainable any Investment Securities and certificates of deposit so purchased as an investment or reinvestment of moneys in any account whenever it shall be necessary to do so in order to provide moneys to meet any withdrawal, payment or transfer from such account. Neither the Treasurer, the Trustee nor any officer of the County will be liable or responsible for any loss resulting from any such investment or reinvestment made in accordance with the Series Indenture. The Treasurer or the Trustee will promptly notify each the Director and the Assistant Director of any gain or loss in any account held by the Treasurer or the Trustee, as the case may be. Such notification will be deemed to be performed by the Trustee upon delivery by a monthly accounting statement of such account.

Character of Funds. The moneys in any account authorized in the Series Indenture will consist either of lawful money of the United States or Investment Securities, or both. Moneys deposited in a demand or time deposit account in or evidenced by a certificate of deposit of any Commercial Bank pursuant to “ – Investment of Moneys” above, appropriately secured according to the laws of the State, will be deemed lawful money of the United States.

Accelerated Payments. Nothing contained in the Series Indenture prevents the accumulation in any account designated in the Series Indenture of any monetary requirements at a faster rate than the rate or minimum rate provided in the Series Indenture therefor, as the case may be; but no payment will be so accelerated if such acceleration will cause the County to default in the payment of any obligation of the County relating to Pledged Jet Fuel Tax Revenues. Nothing contained in the Series Indenture requires the accumulation in any account for the payment in any Bond Year of Bond Requirements due in connection with any series of bonds or other securities payable from Pledged Jet Fuel Tax Revenues and authorized in or after the Series Indenture, in excess of the Bond Requirements due thereon and of any reserves required to be accumulated and maintained therefor, and of any existing deficiencies, and payable from such account, as the case may be, except as may be otherwise provided in the Series Indenture.

Payment of Securities Requirements. The moneys credited to any account designated in the Series Indenture for the payment of the Bond Requirements due in connection with any series of bonds or other securities payable from Pledged Jet Fuel Tax Revenues and authorized in or after the Series Indenture will be used, without requisition, voucher, warrant or further order or authority (other than is contained in the Series Indenture), or any other preliminaries, to pay promptly the Bond Requirements payable from such account as such bonds or other securities become due, upon the respective Interest Payment Dates and Redemption Dates, if any, on which the County is obligated to pay the bonds or other securities, or upon the respective interest payment and maturity dates of such bonds or other securities, as provided therefor in the Series Indenture or otherwise, except to the extent any other moneys are available therefor, including, without limitation, moneys accounted for in the Bond Fund.

Payment of Redemption Premiums. Notwithstanding any other provision in the Series Indenture, the Series Indenture requires the accumulation in any account designated in the Series Indenture for the payment of any series of bonds or other securities payable from Pledged Jet Fuel Tax Revenues of amounts sufficient to pay not only the principal thereof and interest thereon payable from such account but also the prior redemption premiums due in connection therewith, if any, as the same become due, whenever the County shall have exercised or shall have obligated itself to exercise a prior redemption option relating thereto, except to the extent provision is otherwise made therefor, if any prior redemption premium is due in connection therewith. In that event moneys will be deposited into such account in due season for the payment of all such Bond Requirements without default as the same become due.

Termination of Deposits. No payment need be made into the Bond Fund, if the amounts in the Bond Fund and the bond funds and any debt service reserve funds for any other Outstanding Parity Jet Fuel Tax Bonds total a sum at least equal to the entire amount of the Outstanding Bonds and any other Outstanding Parity Jet Fuel Tax Bonds as to all Bond Requirements, to their respective maturities, and both accrued and not accrued, in which case moneys in such accounts in an amount at least equal to such Bond Requirements shall be used solely to pay such Bond Requirements as the same become due; and any moneys in excess thereof in such accounts and any other moneys derived from Pledged Jet Fuel Tax Revenues may be used in any lawful manner determined by the Board or the Director.

Securities Liens and Additional Securities

Equality of Bonds. The Bonds and any Parity Jet Fuel Tax Bonds hereafter authorized to be issued and from time to time Outstanding are equally and ratably secured by a lien on the Pledged Jet Fuel Tax Revenues and will not be entitled to any priority one over the other in the application of Pledged Jet Fuel Tax Revenues, regardless of the time or times of the issuance of the Bonds and any other Parity Jet Fuel Tax Bonds, it being the intention of the County that there shall be no priority among the Bonds and any other Parity Jet Fuel Tax Bonds, regardless of the fact that they may be actually issued and delivered at different times.

Additional Parity Jet Fuel Tax Bonds. The County has agreed not to issue additional Parity Jet Fuel Tax Bonds except as described under "SECURITY FOR THE SERIES 2013A BONDS - Additional Parity Jet Fuel Bonds."

Issuance of Refunding Securities. At any time after the Bonds are issued and remain Outstanding, if the County shall find it desirable to refund any Outstanding Bonds or other Outstanding securities payable from and constituting a lien upon any Pledged Jet Fuel Tax Revenues, such Bonds or other securities, or any part thereof, may be refunded only if the Bonds or other securities at the time or times of their required surrender for payment shall then mature or shall be then callable for prior redemption for the purpose of refunding them at the County's option upon proper call, unless the owner or owners of all such Outstanding Bonds or other securities consent to such surrender and payment, regardless of whether the priority of the lien for the payment of the refunding securities on Pledged Jet Fuel Tax Revenues is changed (except as otherwise provided in the Series Indenture).

Partial Refundings. The refunding bonds or other refunding securities so issued, unless issued as Subordinate Jet Fuel Tax Bonds, will enjoy complete equality of lien with the portion of any securities of the same issue which is not refunded, if there is any; and the owner or owners of the refunding securities will be subrogated to all of the rights and privileges enjoyed by the owner or owners of the unrefunded securities of the same issue partially refunded by the refunding securities.

Limitations Upon Refundings. Any refunding bonds or other refunding securities payable from any Pledged Jet Fuel Tax Revenues will be issued with such details as the County may by instrument provide, subject to the provisions of the Series Indenture, and subject to the inclusion of any such rights and privileges designated in the Series Indenture, but without any impairment of any contractual obligation imposed upon the County by any proceedings authorizing the issuance of any unrefunded portion of the Outstanding securities of any one or more issues (including, without limitation, the Bonds).

Payment Dates of Additional Securities. Any additional Parity Pledged Jet Fuel Tax Bonds or Subordinate Pledged Jet Fuel Tax Bonds (including, without limitation, any funding or refunding securities) issued in compliance with the terms of the Series Indenture will bear interest payable at the times and will mature on the dates designated by the County in the Series Indenture authorizing such securities as provided in the Series Indenture.

Series Indenture. Additional bonds or other additional securities payable from Pledged Jet Fuel Tax Revenues will be issued only after authorization thereof by a supplemental instrument of the County stating the purpose or purposes of the issuance of the additional bonds or other additional securities, directing the application of the proceeds thereof to such purpose or purposes, directing the execution thereof, and fixing and determining the date, principal amount, maturity or maturities, designation and numbers thereof, the maximum rate or rates of interest to be borne thereby, any prior redemption privileges of the County with respect thereto and other provisions thereof not in conflict with the Series Indenture. All such additional bonds or other additional securities will bear such date, will bear such numbers and series designation, letters or symbols prefixed to their numbers distinguishing them from each other security, will be payable at such place or places at such times, may be subject to redemption prior to maturity on such terms and conditions, and will bear interest at such rate or at such different and varying rates per annum, as may be fixed by instrument or other document of the County.

Miscellaneous Protective Covenants

Operation and Maintenance of Airports. The County will use its best efforts to continue to operate and maintain the Airport System properly and in a sound and economical manner until all the Bonds have been paid in full as to all Bond Requirements, or unless provision has been made therefor, or until the Bonds have otherwise been redeemed, including without limitation, the termination of the pledge as authorized in the Series Indenture.

Covenant to Perform. The County will observe and perform all of the terms and conditions contained in the Series Indenture, the Project Act, the Bond Act and all laws supplemental thereto and will comply with all valid acts, rules, regulations, orders and directives of any legislative, executive, administrative or judicial body applicable to the Airport System or to the County.

Protective Security. The County and the officers, agents and employees of the County will not take any action in such manner or to such extent as might prejudice the security for the payment of the Bond Requirements of the Bonds and any other securities payable from Pledged Jet Fuel Tax Revenues according to the terms thereof. No contract will be entered into nor any other action taken by which the rights of any owner of any Bond or other security payable from Pledged Jet Fuel Tax Revenues might be prejudicially and materially impaired or diminished.

Prompt Payment of Bonds. The County will promptly pay the Bond Requirements of every Bond issued under the Series Indenture and secured at the places, on the dates, and in the manner specified in the Series Indenture and in the Bonds according to the true intent and meaning of the Series Indenture.

Other Liens. Other than as provided in the Series Indenture, there are no liens or encumbrances of any nature whatsoever on or against Pledged Jet Fuel Tax Revenues derived or to be derived.

Corporate Existence. The County will maintain its corporate identity and existence so long as any of the Bonds remain Outstanding, unless another body corporate and politic by operation of law succeeds to the powers, privileges, rights, liabilities, disabilities, duties and immunities of the County and is obligated by law to fix and collect Pledged Jet Fuel Tax Revenues as provided in the Series Indenture without adversely affecting to any substantial degree at any time the privileges and rights of any owner of any Outstanding Bond.

Compliance with Master Indenture. The County will comply with all of its covenants and obligations under the Master Indenture and will observe and perform all of the terms and conditions contained therein, all of which have been incorporated into the Series Indenture. This covenant will survive the defeasance or payment in full of all Senior Lien Revenue Bonds issued under the Master Indenture and will remain in effect until the Bonds have been paid in full or defeased pursuant to the Series Indenture.

Collection of Jet Fuel Taxes. The Board, on behalf of the County, will cause the Pledged Jet Fuel Tax Revenues to be collected as soon as reasonable, will prescribe and enforce rules and regulations or impose contractual obligations for the payment thereof, including without limitation, the imposition of penalties for any defaults.

Tax Covenant. The County covenants for the benefit of the owners of the Bonds that it will not take any action or omit to take any action with respect to the Bonds, the proceeds thereof, any other funds of the County or any project refinanced with the proceeds of the Bonds if such action or omission would cause the interest on the Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Tax Code. The foregoing covenant will remain in full force and effect notwithstanding the payment in full or defeasance of the Bonds until the date on which all obligations of the County in fulfilling the above covenant under the Tax Code have been met.

Miscellaneous

Defeasance. When all Bond Requirements of the Bonds have been duly paid, the pledge and lien and all obligations under the Series Indenture will thereby be discharged and the Bonds will no longer be deemed to be Outstanding within the meaning of the Series Indenture. There will be deemed to be due payment of any

Outstanding Bonds or other securities when the County has placed in escrow or in trust with a Trust Bank located within or without the State, an amount sufficient (including the known minimum yield available for such purpose from Investment Securities in which such amount wholly or in part may be initially invested) to meet all Bond Requirements of the Bonds or other securities, as the same become due to the final maturities of the Bonds or other securities, or upon any Redemption Date as of which the County shall have exercised or shall have obligated itself to exercise its prior redemption option by a call of Bonds or other securities for payment then. The Investment Securities will become due on or before the respective times on which the proceeds thereof will be needed, in accordance with a schedule established and agreed upon between the County and such Trust Bank at the time of the creation of the escrow or trust, or the Investment Securities will be subject to redemption at the option of the holders thereof to assure availability as so needed to meet the schedule. For the purpose of this provision, "Investment Securities" will include only bills, certificates of indebtedness, notes, bonds, or similar securities which are direct obligations of, or the principal and interest of which securities are unconditionally guaranteed by, the United States, and which are not callable for redemption prior to its maturity except at the option of the holder thereof.

Statute of Limitations. No action or suit based upon the Bonds or other obligation of the County will be commenced after it is barred by any statute of limitations relating thereto. Any trust or fiduciary relationship between the County and the owner of any Bonds or other obligee regarding any such other obligation will be conclusively presumed to have been repudiated on the maturity date or other due date thereof unless the Bonds are presented for payment or demand for payment of any such other obligation is otherwise made before the expiration of the applicable limitation period. Any moneys from whatever source derived remaining in any account reserved, pledged or otherwise held for the payment of any such obligation, action or suit for the collection of which has been barred, will revert to the Pledged Jet Fuel Tax Fund, unless the County shall otherwise provide by instrument of the County. Nothing in the Series Indenture prevents the payment of any such obligation after any action or suit for its collection has been barred if the County deems it in the best interests of the public to do so and orders such payment to be made.

Police Power. Nothing in the Series Indenture prohibits or otherwise limits or inhibits the exercise by the Federal Government, the State, any agency thereof or any public body thereof, including, without limitation, the County, of the police power, i.e., essential governmental powers for the public welfare. The provisions of the Series Indenture are subject to any proper exercise after the Series Indenture of the police power thereby. The County cannot contract away the police power thereof nor limit or inhibit by contract the proper exercise of the police power thereby, and the Series Indenture does not purport to do so.

Privileges, Rights and Remedies

Bondowner's Remedies. Each owner of any Bond will be entitled to all of the privileges, rights and remedies provided or permitted in the Project Act and the Bond Act, and as otherwise provided or permitted by law or in equity or by other statutes, except as provided in the Series Indenture, but subject to the provisions in the Series Indenture concerning the pledge of and the covenants and the other contractual provisions concerning Pledged Jet Fuel Tax Revenues and the proceeds of the Bonds.

Right to Enforce Payment. Nothing in the Series Indenture affects or impairs the right of any owner of any Bond to enforce the payment of the Bond Requirements due in connection with his Bond or the obligation of the County to pay the Bond Requirements of each Bond to the owner thereof at the time and the place expressed in the Bond.

Events of Default. Each of the following events is declared an "Event of Default" by the Series Indenture:

Nonpayment of Principal and Premium. Payment of the principal of any of the Bonds, or any prior redemption premium due in connection therewith, or both, is not made when the same becomes due and payable, at maturity, on the mandatory redemption dates specified in the Series Indenture, or by proceedings for optional prior redemption, or otherwise;

Nonpayment of Interest. Payment of any installment of interest on the Bonds is not made when the same becomes due and payable;

Incable to Perform. The County for any reason is rendered incapable of fulfilling its obligations under the Series Indenture;

Nonperformance of Duties. The County fails to carry out and to perform (or in good faith to begin the performance of) all acts and things lawfully required to be carried out or to be performed by it under any contract relating to Pledged Jet Fuel Tax Revenues, or otherwise, including, without limitation, the Series Indenture, and such failure continues for 60 days after receipt of notice from either the Trustee or the owners of 10% in principal amount of the Bonds and any Parity Jet Fuel Tax Bonds then Outstanding;

Appointment of Receiver. An order or decree is entered by a court of competent jurisdiction with the consent or acquiescence of the County appointing a receiver or receivers for Pledged Jet Fuel Tax Revenues and any other moneys subject to the lien to secure the payment of the Bonds, or if an order or decree having been entered without the consent or acquiescence of the County is not vacated or discharged or stayed on appeal within 60 days after entry; and

Default of Any Provision. The County makes any default in the due and punctual performance of any other of the representations, covenants, conditions, agreements and other provisions contained in the Bonds or in the Series Indenture on its part to be performed, and if the default continues for 60 days after written notice specifying the default and requiring the same to be remedied is given to the County by the Trustee or by the owners of 10% in principal amount of the Bonds and any Parity Jet Fuel Tax Bonds then Outstanding.

Remedies for Default. Upon the happening and continuance of any of the events of default, as described above, then and in every case the Trustee may proceed, and if the owner or owners or not less than 10% in principal amount of the Bonds and any Parity Jet Fuel Tax Bonds then Outstanding so request, then the Trustee will proceed, against the County and its agents, officers and employees to protect and to enforce the rights of any owner of Bonds and any Parity Jet Fuel Tax Bonds under the Series Indenture by mandamus or by other suit, action or special proceedings in equity or at law, in any court of competent jurisdiction, either for the appointment of a receiver or for the specific performance of any covenant or agreement contained in the Series Indenture or in an award of execution of any power granted in the Series Indenture for the enforcement of any proper, legal or equitable remedy as the Trustee or the owner or owners may deem most effectual to protect and to enforce the rights aforesaid, or thereby to enjoin any act or thing which may be unlawful or in violation of any right of any owner of any Bond or any Parity Jet Fuel Tax Bonds, or to require the County to act as it if were the trustee of an express trust, or any combination of such remedies. All proceedings at law or in equity will be instituted, had and maintained for the equal benefit of all owners of the Bonds and any Parity Jet Fuel Tax Bonds then Outstanding.

Vesting in Trustee Powers of Statutory Trustee. The owners of the Bonds and any Parity Jet Fuel Tax Bonds will be entitled to the benefits and be subject to the provisions of Sections 350.660, 350.664 and 350.666, Bond Act (except as provided in the Series Indenture with respect to the method of the appointment of a trustee), and the trustee referred to therein (being the Trustee appointed and confirmed in the Series Indenture) will have the powers provided by such sections of the Bond Act; the provisions of such sections of the Bond Act (except as to such method of appointment) will be fully applicable to all Outstanding Bonds and any Parity Jet Fuel Tax Bonds; the right or privilege of such owners to appoint such trustee in the manner provided in such sections is abrogated; all of the rights, powers, and duties of such trustee will be and are vested in the Trustee without further act on the part of the owners of the Bonds or other Parity Jet Fuel Tax Bonds; and the County will not interpose, as a defense to any proceedings under such sections of the Bond Act, failure of the owners of the Bonds or any Parity Jet Fuel Tax Bonds to appoint a trustee in the manner provided in such sections of the Bond Act.

Receiver's Rights and Privileges. Any receiver appointed in any proceedings to protect the rights of owners under the Series Indenture, the consent to any such appointment being expressly granted by the County, may receive and apply all Pledged Jet Fuel Tax Revenues arising after the appointment of the receiver in the same manner as the County itself might do.

Rights and Privileges Cumulative. The failure of any owner of any Outstanding Bond or other security to proceed in any manner provided in the Series Indenture will not relieve the County or any officers, agents or employees thereof of any liability for failure to perform or carry out any duty, obligation or other commitment. Each right or privilege of any owner (or trustee thereof) is in addition and is cumulative to any other right or

privilege, and the exercise of any right or privilege by or on behalf of any owner will not be deemed a waiver of any other right or privilege thereof.

Duties upon Defaults. Upon the happening of any of the events of default as described above, the County, in addition, will do and perform all proper acts on behalf of and for the owners of the Bonds to protect and to preserve the security created for the payment of their Bonds and to insure the payment of the Bond Requirements promptly as the same become due. During any period of default, so long as any of the Bonds, as to any Bond Requirements, are Outstanding, except to the extent it may be unlawful to do so, all Pledged Jet Fuel Tax Revenues shall be paid into the Bond Fund or, in the event of additional Parity Jet Fuel Tax Bonds hereafter issued and Outstanding during that period of time, shall be paid into the bond funds for the Bonds and all Parity Jet Fuel Tax Bonds on an equitable and prorated basis, and used for the purposes therein provided. If the County fails or refuses to proceed as provided in the Series Indenture, the owner or owners of not less than 10% in principal amount of the Bonds and any Parity Jet Fuel Tax Bonds then Outstanding, after demand in writing, may proceed to protect and to enforce the rights of the owners of the Bonds and any Parity Jet Fuel Tax Bonds as provided above; and to that end any such owners of Outstanding Bonds and any Parity Jet Fuel Tax Bonds will be subrogated to all rights of the County under any agreement, lease or other contract entered into before the effective date of the Series Indenture or thereafter while any of the Bonds and any Parity Jet Fuel Tax Bonds are Outstanding.

Prejudicial Action Unnecessary. Nothing in the Series Indenture requires the County to proceed as provided therein if the Director or his delegate determines in good faith and without any gross abuse of his discretion that if the County so proceeds it is more likely than not to incur a net loss rather than a net gain, or the action is otherwise likely to affect materially and prejudicially the owners of the Outstanding Bonds and any Outstanding Parity Jet Fuel Tax Bonds.

Amendment of the Series Indenture

Privilege of Amendments. The Series Indenture may be amended or supplemented by instruments adopted by the County in accordance with the laws of the State, without receipt by the County of any additional consideration, but with the written consent of the owners of a majority in aggregate principal amount of the Bonds and Outstanding at the time of the adoption of the amendatory or supplemental instrument, excluding, pursuant to the Series Indenture, any Bonds which may then be held or owned for the account of the County.

Limitations upon Amendments. No such instrument shall permit without the written consent of all owners of the Bonds adversely and materially affected thereby:

Changing Payment. A change in the maturity or in the terms of redemption of the principal of any Outstanding Bond or any installment of interest thereon; or

Reducing Return. A reduction in the principal amount of any Bond, the rate of interest thereon, or any prior redemption premium payable in connection therewith, without the consent of the owner of the Bond; or

Prior Lien. The creation of a lien upon or a pledge of revenues ranking prior to the lien or to the pledge created by the Series Indenture; or

Modifying Any Bond. A reduction of the percentages or otherwise affecting the description of Bonds the consent of the owners of which is required for any modification or amendment; or

Priorities between Bonds. The establishment of priorities as between Bonds issued and Outstanding under the provisions of the Series Indenture, except as otherwise permitted thereby; or

Partial Modification. The modifications of or otherwise materially and prejudicially affecting the rights or privileges of the owners of less than all of the Bonds then Outstanding.

Notice of Amendment. Whenever the County proposes to amend or modify the Series Indenture under the provisions of the Series Indenture, it will cause notice of the proposed amendment to be given not later than 30 days

prior to the date of the proposed enactment of the amendment by mailing to the original purchasers of the Bonds, the Trustee, the Paying Agent, the Registrar and the owner of each of the Bonds Outstanding under the Series Indenture. The notice will briefly set forth the nature of the proposed amendment and will state that a copy of the proposed amendatory instrument is on file in the office of the Clerk for public inspection.

Time for Amendment. Whenever at any time within one year from the date of the mailing of such notice, there shall be filed in the office of the Clerk an instrument or instruments executed by the owners of at least a majority in aggregate principal amount of the Bonds then Outstanding under the Series Indenture, which instrument or instruments will refer to the proposed amendatory instrument described in the notice and will specifically consent to and approve the adoption of the instrument, thereupon, but not otherwise, the County may adopt the amendatory instrument and the instrument will become effective.

Unanimous Consent. Notwithstanding anything contained in the foregoing provisions of the Series Indenture, the terms and the provisions of the Series Indenture or of any instrument amendatory thereof or supplemental thereto and the rights and the obligations of the County and of the owners of the Bonds under the Series Indenture may be modified or amended in any respect upon the adoption by the County and upon the filing with the Clerk of an instrument to that effect and with the consent of the owners of all the then Outstanding Bonds, the consent to be given as provided in the Series Indenture; and no notice to owners of Bonds will be required as provided in the Series Indenture, nor will the time of consent be limited except as may be provided in the consent.

Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as in the Series Indenture provided may bear a notation by endorsement or otherwise in form approved by the County as to the action; and if any Bond so authenticated and delivered shall bear such notation, then upon demand of the owner of any Bond Outstanding at such effective date and upon presentation of his Bond for the purpose at the principal office of the Clerk, suitable notation will be made on the Bond by the Clerk as to any such action. If the County so determines, new Bonds so modified as in the opinion of the County to conform to such action will be prepared, authenticated and delivered; and upon demand of the owner of any Bond then Outstanding, will be exchanged without cost to the owner for Bonds then Outstanding upon surrender of the Bonds.

Amendments Not Requiring Bondholders' Consent. The County, acting by and through the Board, and the Trustee, notwithstanding certain other provisions of the Series Indenture, and without the consent of or notice to any owner of any Bond, will consent to any amendment, change or modification of the Series Indenture as may be required:

Series Indenture. By the provisions of the Series Indenture;

Curing Defects. For the purpose of curing any ambiguity or formal defect or omission in the Series Indenture;

Additional Securities. In connection with the issuance and delivery of additional or other securities payable from Pledged Jet Fuel Tax Revenues;

Compliance with Law. To modify or supplement the Series Indenture in such manner as may be necessary or appropriate to qualify the Series Indenture under the Trust Indenture Act of 1939 as then amended, or under any similar federal or state statute enacted after the date of the Series Indenture, including provisions whereby the Trustee accepts such powers, duties, conditions and restrictions under the Series Indenture and the County undertakes such covenants, conditions or restrictions additional to those contained in the Series Indenture as would be necessary or appropriate so to qualify the Series Indenture; and

Other Change. In connection with any other change in the Series Indenture which is not to the prejudice of the Trustee or the owners of the Bonds.

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APPENDIX D

DTC AND BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy or completeness thereof. The County cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners: (a) payments of interest, principal or premium, if any, with respect to the Series 2013A Bonds; (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2013A Bonds; or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2013A Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2013A Bonds. The Series 2013A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be issued for each annual maturity of the Series 2013A Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2013A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2013A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2013A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2013A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2013A Bonds, except in the event that use of the book-entry system for the Series 2013A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2013A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2013A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2013A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2013A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2013A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2013A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2013A Bond documents. For example, Beneficial Owners of Series 2013A Bonds may wish to ascertain that the nominee holding the Series 2013A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2013A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2013A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2013A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2013A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2013A Bonds purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Series 2013A Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2013A Bonds, on DTC's records, to the Paying Agent. The requirement for physical delivery of Series 2013A Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2013A Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2013A Bonds to the Paying Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2013A Bonds at any time by giving reasonable notice to the County or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Series 2013A Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2013A Bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE SERIES 2013A BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE SERIES 2013A BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

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APPENDIX E
FORM OF OPINION OF BOND COUNSEL

Upon issuance of the Series 2013A Bonds, Sherman & Howard L.L.C., Bond Counsel, proposes to render its final approving opinion in substantially the following form:

April 2, 2013

Clark County, Nevada
Clark County Government Center
500 South Grand Central Parkway
Las Vegas, Nevada

Clark County, Nevada
Jet Aviation Fuel Tax Refunding Revenue Bonds
(Additionally Secured by Pledged Airport System Revenues)
Series 2013A

Ladies and Gentlemen:

We have acted as bond counsel to Clark County, Nevada (the "County"), in connection with the issuance of its Jet Aviation Fuel Tax Refunding Revenue Bonds (Additionally Secured by Pledged Airport System Revenues), Series 2013A in the aggregate principal amount of \$70,965,000 (the "Bonds"). In such capacity, we have examined the County's certified proceedings and such other documents and such law of the State of Nevada (the "State") and of the United States of America as we have deemed necessary to render this opinion letter. The Bonds are authorized and issued pursuant to the Master Indenture of Trust dated as of May 1, 2003 (as amended, the "Master Indenture"), as supplemented by the 2013 Series A Indenture dated as of April 1, 2013 (the "2013 Series A Indenture" and, together with the Master Indenture, the "Indenture") between the County and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture.

Regarding questions of fact material to our opinions, we have relied upon the County's certified proceedings and other representations and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon such examination, it is our opinion as bond counsel that:

1. The Bonds constitute valid and binding special, limited obligations of the County, secured by an irrevocable pledge of revenues derived by the County from the three cent per gallon tax on fuel for jet or turbine powered aircraft imposed by the County as authorized by Nevada Revised Statutes ("NRS") Section 365.203 and levied by the County pursuant to Ordinance No. 1266 adopted on April 16, 1991 and Ordinance No. 4020 adopted on May 1, 2012, which revenues are pledged to the Bonds pursuant to NRS Section 365.545 (the "Pledged Jet Fuel Tax Revenues"). The Bonds are secured by a senior lien (but not an exclusively senior lien) on the Pledged Jet Fuel Tax Revenues.

2. The Bonds also constitute Subordinate Securities and are payable out of and are secured by a lien on the Net Revenues of the County's Airport System, *i.e.*, the Gross Revenues of the Airport System (which term excludes revenues pertaining to Special Facilities financed with Special Facilities Bonds and certain other revenues as expressly provided in the Indenture) after deduction of Operation and Maintenance

Expenses of the Airport System. The lien on the Net Revenues of the Airport System for the payment of the principal of and interest due on the Bonds is subordinate and junior to the lien thereon of the Parity Securities now or hereafter Outstanding and is also subordinate and junior to the lien thereon of the Second Lien Subordinate Securities now or hereafter Outstanding. The Indenture provides that no Subordinate Securities with a lien on the Net Revenues superior to the lien thereon of the Bonds but junior to the lien thereon of the Second Lien Subordinate Securities may be issued. Except as described in this paragraph, we express no opinion regarding the priority of the lien on the Net Revenues securing the Bonds created by the Indenture.

3. The Indenture has been duly authorized by the County, duly executed and delivered by authorized officials of the County and, assuming due authorization, execution and delivery by the Trustee, constitutes a valid and binding obligation of the County enforceable in accordance with its terms.

4. Interest on the Bonds, except for interest on any Bond for any period during which it is held by a "substantial user" of the facilities financed with the Bonds or a "related person" as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended to the date hereof (the "Tax Code"), is excluded from gross income under federal income tax laws pursuant to Section 103 of the Tax Code; however, interest on the Bonds is an item of tax preference for purposes of calculating alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code. The opinions expressed in this paragraph assume continuous compliance with the covenants and representations contained in the County's certified proceedings and in certain other documents and certain other certifications furnished to us.

5. Under laws of the State in effect as of the date hereof, the Bonds, their transfer, and the income therefrom are free and exempt from taxation by the State or any subdivision thereof, except for the tax on estates imposed pursuant to Chapter 375A of NRS and the tax on generation skipping transfers imposed pursuant to Chapter 375B of NRS.

The opinions expressed in this opinion letter above are subject to the following:

The obligations of the County pursuant to the Bonds and the Indenture are subject to the application of equitable principles, to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of America of the powers delegated to it by the Federal Constitution, including, without limitation, bankruptcy powers.

In expressing the opinions above, we are relying, in part, on a report of independent certified public accountants verifying the mathematical computations of the adequacy of the maturing principal amounts of and interest on the investments and moneys included in the Escrow Fund to pay when due, upon prior redemption, all principal of and interest on the Refunded Bonds.

In this opinion letter issued in our capacity as bond counsel, we are opining only upon those matters set forth herein, and we are not opining upon the accuracy, adequacy or completeness of the Official Statement or any other statements made in connection with any offer or sale of the Bonds or upon any federal or state tax consequences arising from the receipt or accrual of interest on or the ownership or disposition of the Bonds, except those specifically addressed herein.

This opinion letter is issued as of the date hereof and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX F
FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon issuance of the Series 2013A Bonds, the County proposes to enter into a Continuing Disclosure Certificate in substantially the following form:

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Clark County, Nevada (the "Issuer") in connection with the issuance of the Issuer's Clark County, Nevada Jet Aviation Fuel Tax Refunding Revenue Bonds (Additionally Secured by Pledged Airport System Revenues), Series 2013A (AMT), in the aggregate principal amount of \$ _____ (the "Bonds"). The Bonds are being issued pursuant to the Master Indenture of Trust, dated as of May 1, 2003 (as amended, the "Master Indenture"), by and between the Issuer and The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), and the 2013 Series A Indenture, dated as of April 1, 2013 (the "2013 Series A Indenture," and together with the Master Indenture, the "Indenture"), by and between the County and the Trustee. The Issuer covenants and agrees as follows:

SECTION 1. **Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) of the Securities Exchange Commission.

SECTION 2. **Definitions.** In addition to the definitions set forth in the Indenture or parenthetically defined herein, which apply to any capitalized terms used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

Annual Report. The term "Annual Report" means any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

Beneficial Owner. The term "Beneficial Owner" means any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

Dissemination Agent. The term "Dissemination Agent" means, initially, the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

EMMA. "EMMA" means the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system, which can be found on the Internet at <http://emma.msrb.org>.

Fiscal Year. The term "Fiscal Year" means the one-year period beginning on July 1 of each year and ending on the last day of June of the succeeding year, or such other fiscal year of the Issuer designated by the Issuer.

Holder. The term "Holder" means a registered owner of the Bonds.

Listed Events. The term "Listed Events" means any of the events listed in Sections 5(a) and 5(b) of this Disclosure Certificate.

Participating Underwriter. The term "Participating Underwriter" means any underwriter of the Bonds required to comply with the Rule in connection with an offering of the Bonds.

Rule. The term "Rule" means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than nine (9) months following the end of its Fiscal Year, commencing nine (9) months following the end of Fiscal Year 2012, provide to EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than five (5) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to EMMA an Annual Report by the date required in subsection (a), the Issuer shall or shall cause the Dissemination Agent to send a notice to EMMA in the manner prescribed by the Municipal Securities Rulemaking Board.

(c) If the Dissemination Agent is other than the Issuer, the Dissemination Agent shall file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate and stating the date it was provided to EMMA.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) A copy of its annual financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board and audited by a firm of certified public accountants. If audited annual financial statements are not available by the time specified in Section 3(a) above, unaudited financial statements will be provided as part of the Annual Report and audited financial statements will be provided when and if available.

(b) An update of the information of the type contained in the tables identified by a double asterisk (**) under the heading "TABLES" found on page (iii) of the Official Statement for the Bonds, as set forth on Exhibit A hereto.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from EMMA. The Issuer shall clearly identify each such document incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB);
6. tender offers;

7. defeasances;
8. ratings changes; and
9. bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;
2. modifications to the rights of Bond Holders;
3. optional, unscheduled or contingent Bond redemptions;
4. release, substitution or sale of property securing repayment of the Bonds;
5. non-payment related defaults;
6. the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
7. appointment of a successor or additional trustee or the change of the name of a trustee.

(c) If the Issuer determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the Issuer shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

SECTION 6. Customarily Prepared and Public Information. Upon request, the Issuer shall provide to any person financial information and operating data regarding the Issuer which is customarily prepared by the Issuer and is publicly available.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the earlier of: (i) the date of legal defeasance, prior redemption or payment in full of all of the Bonds; (ii) the date that the Issuer shall no longer constitute an "obligated person" within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this written undertaking are held to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist the Issuer in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, without the consent of the Holders of the Bonds, if such amendment or waiver does not, in and of itself, cause the undertakings herein to violate the Rule, but taking into account any subsequent change in or official interpretation of the Rule. The Issuer will provide notice of such amendment or waiver to EMMA.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

No Holder or Beneficial Owner of the Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the Issuer satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the Issuer shall have refused to comply therewith within a reasonable time.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter, the Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

DATE: April __, 2013

CLARK COUNTY, NEVADA

Director of Aviation

EXHIBIT A

TABLES

CLARK COUNTY, NEVADA, DEPARTMENT OF AVIATION
Statement of Historical and Projected Revenues and Expenses⁽¹⁾

CLARK COUNTY, NEVADA, DEPARTMENT OF AVIATION
Historical Passenger Facility Charge Collections⁽¹⁾

HISTORICAL AIRLINE TRAFFIC
McCarran International Airport

AIRLINE MARKET SHARES
McCarran International Airport Fiscal Years 2012, 2011 and 2000

⁽¹⁾ Only historical information in these tables will be updated pursuant to the County's Continuing Disclosure Certificate.

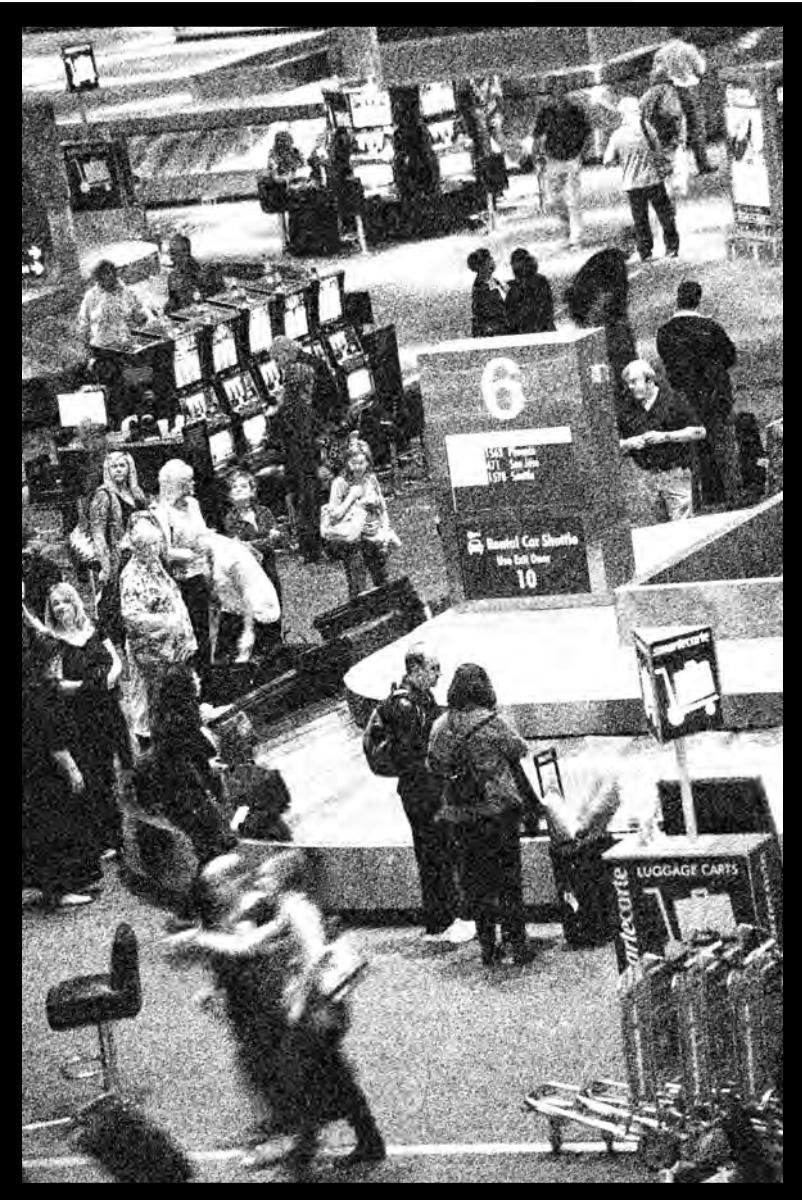
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McCarran INTERNATIONAL AIRPORT



Clark County Department of Aviation
P.O. Box 11005, Las Vegas, NV 89111-1005