

In the opinion of Kutak Rock LLP, Bond Counsel to the Authority, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2014A Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the Series 2014B Bonds is included in gross income for federal income tax purposes. Bond Counsel is further of the opinion that interest on the Series 2014 Bonds is exempt from State of California personal income taxes. See "TAX MATTERS" herein.



\$305,285,000
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
Senior Special Facilities Revenue Bonds
(Consolidated Rental Car Facility Project)

\$29,390,000
Series 2014A
(Tax-Exempt - Non-AMT)

\$275,895,000
Series 2014B
(Federally Taxable)

Dated: Date of Delivery

Due: July 1 as shown on the inside cover

The San Diego County Regional Airport Authority (the "Authority") is issuing its Senior Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project) Series 2014A (the "Series 2014A Bonds"), and Senior Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project) Series 2014B (the "Series 2014B Bonds," and together with the Series 2014A Bonds, the "Series 2014 Bonds"), to (a) finance a portion of the costs of the development and construction of a consolidated rental car facility and related improvements at San Diego International Airport (the "Airport"), (b) fund a portion of the interest accruing on the Series 2014 Bonds through January 1, 2016, (c) fund deposits to the Senior Reserve Fund and the Rolling Coverage Fund, and (d) pay the costs of issuance of the Series 2014 Bonds. See "PLAN OF FINANCE AND APPLICATION OF THE SERIES 2014 BOND PROCEEDS" herein.

The Series 2014 Bonds are special limited obligations of the Authority, payable solely from and secured by a pledge of the Trust Estate, which includes, among other things, Customer Facility Charges collected by the rental car companies operating at the Airport and remitted to the Trustee, as assignee of the Authority, and, under certain circumstances, Bond Funding Supplemental Consideration payable by the rental car companies operating at the Airport to the Trustee, as assignee to the Authority, and certain funds and accounts held by the Trustee under the Indenture and certain additional funds and accounts held by the Authority. *No revenues of the Authority, other than the Customer Facility Charges and the Bond Funding Supplemental Consideration, are pledged to the payment of the Series 2014 Bonds.* **NEITHER THE PROJECT NOR ANY OTHER PROPERTIES OF THE AIRPORT SYSTEM ARE SUBJECT TO ANY MORTGAGE OR OTHER LIEN FOR THE BENEFIT OF THE OWNERS OF THE SERIES 2014 BONDS, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, THE CITY OF SAN DIEGO, THE COUNTY OF SAN DIEGO, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE OF CALIFORNIA IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2014 BONDS. SEE "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS."**

The Series 2014 Bonds will be issued as fully registered bonds in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Individual purchases and sales of the Series 2014 Bonds may be made in book-entry-form only in denominations of \$5,000 and integral multiples thereof. Interest on the Series 2014 Bonds will be payable on January 1 and July 1, commencing on July 1, 2014. So long as the Series 2014 Bonds are held by DTC, the principal and redemption price of and interest on the Series 2014 Bonds will be payable by wire transfer to DTC, which in turn will be required to remit such principal, redemption price and interest to the DTC participants for subsequent disbursement to the beneficial owners of the Series 2014 Bonds, as more fully described herein. See "APPENDIX G—BOOK-ENTRY-ONLY SYSTEM."

Maturity Schedule on Inside Front Cover

The Series 2014 Bonds are subject to optional, mandatory sinking fund and extraordinary mandatory redemption prior to maturity, as more fully described herein. See "DESCRIPTION OF THE SERIES 2014 BONDS—Redemption Provisions."

The purchase and ownership of Series 2014 Bonds involve investment risk and may not be suitable for all investors. This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of the Series 2014 Bonds. Investors are advised to read the entire Official Statement, including any portion hereof included by reference, to obtain information essential to the making of an informed decision, giving particular attention to the matters discussed under "CERTAIN INVESTMENT CONSIDERATIONS." Capitalized terms used on this cover page and not otherwise defined have the meanings set forth herein.

The Series 2014 Bonds are offered when, as and if issued by the Authority, subject to the approval of validity by Kutak Rock LLP, Bond Counsel to the Authority, and to certain other conditions. Certain matters will be passed upon for the Authority by its General Counsel and by Kutak Rock LLP, Disclosure Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by their co-counsel, O'Melveny & Myers LLP and Curlls Bartling P.C. Frasca & Associates, L.L.C. has served as Financial Advisor to the Authority. It is expected that the delivery of the Series 2014 Bonds will be made through the facilities of DTC on or about February 19, 2014.

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

J.P. Morgan

Cabrera Capital Markets, LLC

Citigroup

Jefferies

Loop Capital Markets

MATURITY SCHEDULE

\$29,390,000
San Diego County Regional Airport Authority
Senior Special Facilities Revenue Bonds
(Consolidated Rental Car Facility Project)
Series 2014A
(Tax-Exempt - Non-AMT)

\$29,390,000 5.000% Term Bonds due July 1, 2044, Yield:4.750%^C; CUSIP No.¹: 79742GAA9

\$275,895,000
San Diego County Regional Airport Authority
Senior Special Facilities Revenue Bonds
(Consolidated Rental Car Facility Project)
Series 2014B
(Federally Taxable)

Maturity Date (July 1)	Principal Amount	Interest Rate	Price	CUSIP No.¹
2018	\$5,580,000	2.537%	100%	79742GAB7
2019	5,720,000	2.987	100	79742GAC5
2020	5,890,000	3.410	100	79742GAD3
2021	6,090,000	3.730	100	79742GAE1

\$252,615,000 5.594% Term Bonds due July 1, 2043, Price: 100%; CUSIP No.¹: 79742GAF8

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^C Priced to the par call date of July 1, 2024.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY BOARD

Robert H. Gleason (Chair)^{*,1}
Paul Robinson (Vice Chair)^{*}
Tom Smisek^{*}
David Alvarez
Bruce R. Boland
Greg Cox
Jim Desmond
Lloyd B. Hubbs
Mary Sessom
Laurie Berman, *Ex-Officio* Member
Colonel Farnam, *Ex-Officio* Member
Eraina Ortega, *Ex-Officio* Member

^{*}Member of the Executive Committee.

¹ Mr. Gleason's term expired on January 1, 2014. Mr. Gleason will continue to serve on the Board until a replacement is appointed or he is re-appointed.

SAN DIEGO INTERNATIONAL AIRPORT MANAGEMENT

Thella F. Bowens, President and CEO/Executive Director
Vernon D. Evans, Vice President, Finance/CFO and Treasurer
Angela Shafer-Payne, Vice President, Operations
Jeffrey Woodson, Vice President, Development
Mark Burchyett, Chief Auditor
Breton K. Lobner, General Counsel

TRUSTEE

U.S. Bank National Association

BOND COUNSEL AND DISCLOSURE COUNSEL

Kutak Rock LLP

FINANCIAL ADVISOR

Frasca & Associates, L.L.C.

FEASIBILITY CONSULTANT

Unison Consulting, Inc.

No dealer, broker, salesperson or other person has been authorized by the Authority to give any information or to make any representations other than as set forth herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority. 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 2014 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 2014 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 representations of facts. See “INTRODUCTION—Forward-Looking Statements” herein.

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 respective 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 and expressions of opinion 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 implication that there has been no change in the affairs of the Authority since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2014 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THE SERIES 2014 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN, AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN. THE SERIES 2014 BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY COMMISSION. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2014 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2014 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER OR YIELDS HIGHER THAN THE PUBLIC OFFERING PRICES AND YIELDS STATED ON THE INSIDE COVER PAGE OF THIS OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES AND YIELDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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OFFICIAL STATEMENT

\$305,285,000

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
Senior Special Facilities Revenue Bonds
(Consolidated Rental Car Facility Project)**

**\$29,390,000
Series 2014A
(Tax-Exempt - Non-AMT)**

**\$275,895,000
Series 2014B
(Federally Taxable)**

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page, inside cover pages, table of contents and appendices, is to provide certain information concerning the sale and delivery by the San Diego County Regional Airport Authority (the “Authority”) of its \$29,390,000 San Diego County Regional Airport Authority Senior Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project) Series 2014A (Tax-Exempt – Non-AMT) (the “Series 2014A Bonds”), and \$275,895,000 San Diego County Regional Airport Authority Senior Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project) Series 2014B (Federally Taxable) (the “Series 2014B Bonds,” and together with the Series 2014A Bonds, the “Series 2014 Bonds”). Capitalized terms used but not defined herein have the meanings ascribed to them in “APPENDIX B—CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE—CERTAIN DEFINITIONS.”

Plan of Finance

Proceeds of the Series 2014 Bonds, along with certain other available moneys, will be used to (a) finance the costs of the development and construction of the Project (as defined herein), (b) fund a portion of the interest accruing on the Series 2014 Bonds through January 1, 2016, (c) fund deposits to the Senior Reserve Fund (as defined herein) and the Rolling Coverage Fund (as defined herein), and (d) pay the costs of issuance of the Series 2014 Bonds.

The Project will generally consist of (i) a consolidated rental car facility (the “Rental Car Center” or the “RCC”) to be located at San Diego International Airport (the “Airport” or “SAN”), which will include a customer service building, ready/return, “quick turnaround” and staging/storage areas, and fueling, car wash and light maintenance facilities, (ii) roadway improvements, (iii) utility infrastructure improvements that will serve the Rental Car Center, (iv) the purchase of shuttle buses to be used to transport rental car customers between the passenger terminals at the Airport and the Rental Car Center, and (v) bus staging/storage facilities. See “PLAN OF FINANCE AND APPLICATION OF SERIES 2014 BOND PROCEEDS” and “THE PROJECT.”

The Authority

The Authority is a local government entity of regional government, with jurisdiction extending throughout the County of San Diego (the “County”). The Authority was organized and exists pursuant to the provisions of the Constitution of the State of California and Section 170000 et seq. of the California Public Utilities Code (the “Act”). The Authority was formed for the purposes of: (a) operating the Airport System (as defined herein) (the main asset of which is the Airport); (b) planning and operating

any future airport that could be developed as a supplement or replacement to the Airport; (c) developing a comprehensive land use plan as it may relate to the Airport System for the entire County; and (d) serving as the region's airport land use commission.

San Diego International Airport and Airport System

The Airport was owned and operated by the San Diego Unified Port District (the "Port District") until January 2003 at which time the Airport was transferred by long-term lease to the Authority (the "Transfer"). The Transfer included all obligations associated with the Airport, including bonds and commercial paper notes issued for the improvement of the Airport. The Airport is the busiest single-runway commercial airport in the United States and is classified as a large air traffic hub by the Federal Aviation Administration (the "FAA"). According to Airports Council International ("ACI") statistics, for the calendar year ended December 31, 2012 (the latest available information from ACI), the Airport was ranked as the 28th busiest airport in the country as measured by total number of enplaned and deplaned passengers. For the fiscal year ended June 30, 2013 ("Fiscal Year 2013"), the Airport (a) enplaned approximately 8.74 million passengers, which represented an approximately 1.9% increase in enplaned passengers from the fiscal year ended June 30, 2012, and (b) deplaned approximately 8.70 million passengers, which represented an approximately 1.6% increase in deplaned passengers from the fiscal year ended June 30, 2012. For the calendar year ended December 31, 2012 (the most recent period for which information is available), approximately 94% of the passengers using the Airport were origination and destination ("O&D") passengers (passengers beginning or ending their trips at the Airport, as opposed to passengers connecting through the Airport to other cities). Additionally, for Fiscal Year 2013, vehicles were rented at the Airport for approximately 5.4 million transaction days (each 24-hour period during which a car is rented), which represented an approximately 0.6% increase in rental car transaction days from the fiscal year ended June 30, 2012. As described herein, the Series 2014 Bonds will be secured by, among other things, Customer Facility Charges (as defined herein) collected from customers renting cars from the rental car companies operating from the Rental Car Center. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS," "THE PROJECT," "THE AUTHORITY" and "SAN DIEGO INTERNATIONAL AIRPORT" herein.

In addition to operating the Airport, the Authority is responsible for operating the entire "Airport System," which includes all airports, airport sites, and all equipment, accommodations and facilities for aerial navigation, flight, instruction and commerce under the jurisdiction and control of the Authority, including the Airport, and any successor entities thereto, including all facilities and property related thereto, real or personal, under the jurisdiction or control of the Authority or in which the Authority has other rights or from which the Authority derives revenues at such location; and including or excluding, as the case may be, such property as the Authority may either acquire or which shall be placed under its control, or divest or have removed from its control. Currently, the Airport is the only airport in the Airport System.

Series 2014 Bonds and Pledge of Trust Estate

The Series 2014 Bonds are being issued pursuant to the Trust Indenture, to be dated as of February 1, 2014 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), the Act, and certain other provisions of California law (including Section 53580 *et seq.* of the California Government Code). The board of directors of the Authority (the "Board") authorized the issuance of the Series 2014 Bonds pursuant to a resolution adopted by the Board on December 12, 2013 (the "Resolution"). See "DESCRIPTION OF THE SERIES 2014 BONDS."

The Series 2014 Bonds are special limited obligations of the Authority, payable solely from and secured by a pledge of the Trust Estate (as defined herein), which includes, among other things,

(a) Customer Facility Charges collected by the Rental Car Companies (as defined herein) and remitted to the Trustee, as assignee of the Authority, and, under certain circumstances, Bond Funding Supplemental Consideration (as defined herein) payable by the Rental Car Companies to the Trustee, as assignee of the Authority, and (b) certain funds and accounts held by the Trustee under the Indenture and certain additional funds and accounts held by the Authority. No revenues of the Authority, other than the Customer Facility Charges and the Bond Funding Supplemental Consideration, are pledged to the payment of the Series 2014 Bonds. Neither the Project nor any other properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Series 2014 Bonds, and neither the full faith and credit nor the taxing power of the Authority, the City of San Diego (the “City”), the County, the State of California (the “State”) or any political subdivision or agency of the State is pledged to the payment of the principal of or interest on the Series 2014 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS.”

Rental Car Lease Agreements; Rental Car License Agreements

As of January 1, 2014, the Authority and 10 rental car companies (representing 16 brands, including, among others, Hertz, Thrifty, Dollar, National, Alamo, Enterprise, Avis, Budget, Fox and Advantage) (collectively, with any additional rental car companies that may enter into a Rental Car Lease Agreement, the “Rental Car Companies” or the “RCC Lessees”) have entered into Rental Car Center Lease Agreements (the “Rental Car Lease Agreements”) in connection with the construction of, leasing of space in and operating the Rental Car Center. Pursuant to the Rental Car Lease Agreements, the Authority has agreed to construct the Project and the Rental Car Companies have agreed to collect Customer Facility Charges (also referred to herein as “CFCs”) and to remit the CFCs to the Trustee, as assignee of the Authority. The Rental Car Companies also have agreed to pay Bond Funding Supplemental Consideration to the Trustee, as assignee of the Authority, in the event CFCs collected by the Rental Car Companies and remitted to the Trustee, as assignee of the Authority, are not sufficient to pay debt service on the Series 2014 Bonds and make certain other deposits under the Indenture. See “THE PROJECT—Rental Car Lease Agreements” and “APPENDIX C—SUMMARY OF THE RENTAL CAR LEASE AGREEMENTS.”

Prior to the opening of the Rental Car Center, the rental car companies operating at the Airport will continue to operate at the Airport pursuant to a Nonexclusive-Airport Car Rental License Agreement (the “Rental Car License Agreements”) that expire on December 31, 2015. Pursuant to the Rental Car License Agreements, the rental car companies are required to collect CFCs and to remit the CFCs to the Authority (after the issuance of the Series 2014 Bonds, the Authority will direct the Rental Car Companies to remit CFCs to the Trustee, as assignee of the Authority), however, the rental car companies are not required to pay Bond Funding Supplemental Consideration under the Rental Car License Agreements. Upon the opening of the Rental Car Center, the Rental Car Companies will be subject to the terms of the Rental Car Lease Agreements and the Rental Car Concession Agreements (as defined herein) and the Rental Car License Agreements will terminate.

Financial Feasibility Report

Included as Appendix A to this Official Statement is a Financial Feasibility Report dated January 23, 2014 (the “Financial Feasibility Report”), prepared by Unison Consulting, Inc. (the “Feasibility Consultant”), in conjunction with the issuance of the Series 2014 Bonds. The Financial Feasibility Report includes, among other things: a description of the Project; a description of the underlying economic base of the Airport’s air service area; a description of historical air traffic activity at the Airport; the Feasibility Consultant’s projections for air traffic activity at the Airport through Fiscal Year 2023 and a description of the assumptions on which such projections were based; a description of

car rental activity at the Airport; the Feasibility Consultant's projections for car rental activity at the Airport through Fiscal Year 2023 and a description of the assumptions on which such projections were based; and the Feasibility Consultant's projections of debt service coverage through Fiscal Year 2023 and a description of the assumptions upon which such projections were based. Inevitably, some assumptions used to develop the projections in the Financial Feasibility Report will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecast and actual results, and those differences may be material. The projections contained in the Financial Feasibility Report are not necessarily indicative of future performance, and neither the Feasibility Consultant nor the Authority assume any responsibility for the failure to meet such projections. The Financial Feasibility Report is an integral part of this Official Statement and should be read in its entirety. The Financial Feasibility Report has not been revised subsequent to its date of publication (January 23, 2014) to reflect the final terms of the Series 2014 Bonds. See "—Forward-Looking Statements," "FINANCIAL FEASIBILITY REPORT" "CERTAIN INVESTMENT CONSIDERATIONS—Financial Feasibility Report" and "APPENDIX A—FINANCIAL FEASIBILITY REPORT."

Continuing Disclosure

The Authority will covenant for the benefit of the owners and beneficial owners of the Series 2014 Bonds to annually provide, or cause to be provided, certain financial information and operating data concerning the Authority, the Airport System, including rental car activity at the Airport, and to provide, or cause to be provided, notices of certain enumerated events to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access System (the "EMMA System") or any successor method designated by the MSRB, pursuant to the requirements of Rule 15c2-12 of the Securities Exchange Commission. See "CONTINUING DISCLOSURE" and "APPENDIX E—FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Investment Considerations

The purchase and ownership of the Series 2014 Bonds involve investment risks. Prospective purchasers of the Series 2014 Bonds should read this Official Statement in its entirety. For a discussion of certain risks relating to the Series 2014 Bonds, see "CERTAIN INVESTMENT CONSIDERATIONS."

Forward-Looking Statements

The statements contained in this Official Statement that are not purely historical, are forward-looking statements, including statements regarding the Authority's expectations, hopes, intentions or strategies regarding the future. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "project," "forecast," "will likely result," "are expected to," "will continue," "is anticipated," "intend" or other similar words. Prospective investors should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Authority on the date hereof, and the Authority assumes no obligation to update any such forward-looking statements. It is important to note that the Authority's actual financial and operating results likely will differ, and could differ materially, from those in such forward-looking statements.

The forward-looking statements herein are based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including rental car companies, airlines, customers,

suppliers and competitors, among others, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Authority. Any such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Additional Information

Brief descriptions of the Series 2014 Bonds, the Indenture, the Rental Car Lease Agreements, the Rental Car Concession Agreements and certain other documents are included in this Official Statement and the appendices hereto. Such descriptions do not purport to be comprehensive or definitive. All references herein to such documents and any other documents, statutes, laws, reports or other instruments described herein are qualified in their entirety by reference to each such document, statute, law, report or other instrument. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority since the date hereof. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the Series 2014 Bonds. The Authority maintains a website, the information on which is not part of this Official Statement, has not and is not incorporated by reference herein, and should not be relied upon in deciding whether to invest in the Series 2014 Bonds.

PLAN OF FINANCE AND APPLICATION OF SERIES 2014 BOND PROCEEDS

Plan of Finance

Currently, none of the rental car companies operating at the Airport have customer or operating facilities on Authority property. While some of the rental car companies lease a small area of on-Airport property from the Authority for overflow vehicle storage, the rental car companies operating at the Airport maintain their customer service facilities, operating and maintenance facilities and other overflow vehicle storage areas at locations off-Airport, which they either own or lease from third parties. In order to consolidate the operations of the rental car companies into one location and to alleviate traffic congestion on the streets surrounding the Airport, among other reasons, the Authority will develop and construct a consolidated rental car facility (the "Rental Car Center"). The Rental Car Center will consist of a customer service building, ready/return, "quick turnaround" and staging/storage areas with up to 5,347 parking spaces, and fueling, car wash and light maintenance facilities, to be located on approximately 24.8 acres on the north-side of the Airport. In addition to the Rental Car Center, the plan of finance includes construction of certain roadway improvements (including, among others, a road between the passenger terminals at the Airport and the Rental Car Center that will be used by a common-use shuttle bus system to transport rental car customers between the passenger terminals at the Airport and the Rental Car Center), utility infrastructure improvements that will serve the Rental Car Center, and bus staging/storage facilities, and the purchase of the shuttle buses that will be used to transport rental car customers between the passenger terminals at the Airport and the Rental Car Center, (collectively, the "Other Projects"). For additional information on the development, construction, equipping and improvement of the Rental Car Center and the Other Projects (collectively, the "Project") see "THE PROJECT."

The Authority estimates that the development, construction, equipping and improvement of the Project will cost approximately \$407 million (approximately \$316 million for the Rental Car Center and approximately \$91 million for the Other Projects), and will be financed with the following sources:

Project Funding Sources*

	Rental Car Center	Other Projects	Total
Proceeds of Series 2014 Bonds	\$219,719,000	\$24,859,000	\$244,578,000
Previously Collected CFCs and CFC's to be Collected during Construction Period ¹	96,405,000	13,800,000	110,205,000
Federal Grants ²	—	7,826,000	7,826,000
Proceeds of Previously Issued Bonds ³	—	33,411,000	33,411,000
Authority Funds	—	11,160,000	11,160,000
Total	<u>\$316,124,000</u>	<u>\$91,056,000</u>	<u>\$407,180,000</u>

* Estimated.

¹ At the time of issuance of the Series 2014 Bonds, the Authority will deposit approximately \$41,681,000 of previously collected CFCs with the Trustee.

² The Authority expects to use approximately \$7,826,000 of an Airport Improvement Program grant to be received from the FAA to finance certain storm drain improvements to be located near the Rental Car Center.

³ The Authority will use approximately \$33,411,000 of proceeds of its Senior Airport Revenue Bonds Series 2013A (Non-AMT) (the "Series 2013A Bonds") to finance a portion of the costs of the Other Projects. The Series 2013A Bonds are not secured by the Trust Estate.

Application of Series 2014 Bond Proceeds

The proceeds of the Series 2014 Bonds will be used to (a) finance a portion of the costs of the Project, (b) fund a portion of the interest accruing on the Series 2014 Bonds through January 1, 2016, (c) fund deposits to the Senior Reserve Fund and the Rolling Coverage Fund and (d) pay the costs of issuance of the Series 2014 Bonds. The following table sets forth the estimated application of the proceeds of the Series 2014 Bonds:

	Series 2014A Bonds	Series 2014B Bonds	Total
Sources			
Principal Amount	\$29,390,000	\$275,895,000	\$305,285,000
Original Issue Premium	<u>594,266</u>	<u>—</u>	<u>594,266</u>
Total Sources	<u>\$29,984,266</u>	<u>\$275,895,000</u>	<u>\$305,879,266</u>
Uses			
Deposit to Series 2014 Construction Accounts	\$24,858,325	\$219,719,432	\$244,577,757
Deposit to Series 2014 Debt Service Accounts ¹	2,743,067	27,760,525	30,503,592
Deposit to Senior Reserve Fund	2,148,927	19,772,975	21,921,902
Deposit to Rolling Coverage Fund	—	6,576,571	6,576,571
Costs of Issuance ²	<u>233,947</u>	<u>2,065,497</u>	<u>2,299,444</u>
Total Uses	<u>\$29,984,266</u>	<u>\$275,895,000</u>	<u>\$305,879,266</u>

¹ Represents a portion of the interest accruing on the Series 2014 Bonds.

² Includes Underwriters' discount, legal and other costs of issuance.

DESCRIPTION OF THE SERIES 2014 BONDS

General

The Series 2014 Bonds will bear interest at the rates and mature on the dates set forth on the inside cover page of this Official Statement. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Series 2014 Bonds will be dated their date of delivery, and will bear interest from that date, payable semi-annually on January 1 and July 1 of each year (each an “Interest Payment Date”), commencing on July 1, 2014. Interest due and payable on the Series 2014 Bonds on any Interest Payment Date will be paid to the registered owner as of the Record Date (Cede & Co., so long as the book-entry system with The Depository Trust Company (“DTC”) is in effect). Each Series 2014 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless such date of authentication is an Interest Payment Date, in which event such Series 2014 Bond will bear interest from such date of authentication, or unless such date of authentication is after a Record Date and before the next succeeding Interest Payment Date, in which event such Series 2014 Bond will bear interest from such succeeding Interest Payment Date, or unless such date of authentication is on or before June 15, 2014, in which event such Series 2014 Bond will bear interest from its date of delivery. If interest on the Series 2014 Bonds is in default, Series 2014 Bonds issued in exchange for Series 2014 Bonds surrendered for transfer or exchange will bear interest from the Interest Payment Date to which interest has been paid in full on the Series 2014 Bonds surrendered.

The Series 2014 Bonds will be issued in denominations of \$5,000 or integral multiples thereof. The Series 2014 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 DTC. DTC will act as securities depository for the Series 2014 Bonds. Individual purchases may be made in book-entry-form only. Purchasers will not receive certificates representing their interest in the Series 2014 Bonds purchased. So long as Cede & Co., as a nominee of DTC, is the registered owner of the Series 2014 Bonds, references herein to the Holders or registered owners means Cede & Co., and does not mean the Beneficial Owners of the Series 2014 Bonds.

So long as Cede & Co. is the registered owner of the Series 2014 Bonds, principal and redemption price of and interest on the Series 2014 Bonds 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 G—BOOK-ENTRY-ONLY SYSTEM.”

Redemption Provisions

Optional Redemption.

Series 2014A Bonds. The Series 2014A Bonds are subject to redemption prior to maturity, at the option of the Authority, from any moneys that may be provided for such purpose, in whole or in part, on any date on or after July 1, 2024 at a redemption price equal to 100% of the principal amount of the Series 2014A Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

Series 2014B Bonds.

Make-Whole Redemption Prior to July 1, 2024. Prior to July 1, 2024, the Series 2014B Bonds are redeemable at the option of the Authority, in whole or in part at any time, from any moneys that may be provided for such purpose, at a redemption price equal to the greater of: (i) 100% of the principal

amount of the Series 2014B Bonds to be redeemed; and (ii) an amount calculated by a Designated Banking Institution equal to the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2014B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2014B Bonds are to be redeemed, discounted to the redemption date on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 25 basis points; plus, in each case, accrued and unpaid interest on the Series 2014B Bonds to be redeemed to the date fixed for redemption.

“*Designated Banking Institution*” means an investment banking institution of national standing which is a primary United States government securities dealer in the City of New York designated by the Authority (which may be one of the underwriters of the Series 2014B Bonds).

“*Treasury Rate*” means, as of any redemption date of the Series 2014B Bonds, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available seven Business Days prior to the date fixed for redemption (excluding inflation-indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data as selected by a Designated Banking Institution) most nearly equal to the period from the redemption date to the maturity date of the Series 2014B Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Redemption at Par After July 1, 2024. The Series 2014B Bonds maturing on July 1, 2043 are subject to redemption prior to maturity, at the option of the Authority, from any moneys that may be provided for such purpose, in whole or in part, on any date on or after July 1, 2024 at a redemption price equal to 100% of the principal amount of the Series 2014B Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption.

Series 2014A Bonds. The Series 2014A Bonds are subject to mandatory sinking fund redemption prior to maturity in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 of the following years and in the following principal amounts:

Redemption Date (July 1)	Principal Amount
2043	\$ 8,515,000
2044*	20,875,000

* Final Maturity.

Offset to Mandatory Sinking Fund Redemption. In lieu of paying the principal amount of the Series 2014A Bonds on the mandatory sinking fund redemption dates described in the schedule set forth above, the Authority has the option, to be exercised by delivery of a written certificate to the Trustee on or before the 60th day next preceding any mandatory sinking fund redemption date for the Series 2014A Bonds, to (a) deliver to the Trustee for cancellation Series 2014A Bonds or portions thereof (in Authorized Denominations) purchased in the open market or otherwise acquired by the Authority or (b)

specify a principal amount of the Series 2014A Bonds or portions thereof (in Authorized Denominations) which prior to said date have been optionally redeemed and previously cancelled by the Trustee at the request of the Authority and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. Each Series 2014A Bond or portion thereof so purchased or otherwise acquired or redeemed and delivered to the Trustee for cancellation will be credited by the Trustee at 100% of the principal amount thereof against the obligation of the Authority to pay the principal of the Series 2014A Bonds on such mandatory sinking fund redemption date.

See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS—Flow of Funds” for a description of the deposits that are made to the Series 2014A Debt Service Account to pay the principal of the Series 2014A Bonds on the applicable mandatory sinking fund redemption dates.

Series 2014B Term Bonds. The Series 2014B Bonds maturing on July 1, 2043 (the “Series 2014B Term Bonds”) are subject to mandatory sinking fund redemption prior to maturity in part (on a basis as described below under “Selection of Series 2014B Bonds for Redemption; Series 2014B Bonds Redeemed in Part”), at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 of the following years and in the following principal amounts:

Redemption Date (July 1)	Principal Amount	Redemption Date (July 1)	Principal Amount
2022	\$ 6,320,000	2033	\$11,500,000
2023	6,670,000	2034	12,140,000
2024	7,045,000	2035	12,820,000
2025	7,440,000	2036	13,540,000
2026	7,855,000	2037	14,295,000
2027	8,295,000	2038	15,095,000
2028	8,760,000	2039	15,940,000
2029	9,250,000	2040	16,830,000
2030	9,765,000	2041	17,775,000
2031	10,315,000	2042	18,770,000
2032	10,890,000	2043*	11,305,000

* Final Maturity.

In the event that a portion, but not all, of the Series 2014B Term Bonds are redeemed pursuant to optional redemption (as described above under “Optional Redemption—Series 2014B Bonds”), then the principal amount of any remaining mandatory sinking fund redemptions applicable to the Series 2014B Term Bonds will be proportionally reduced (subject to the Trustee making such adjustments as it deems necessary to be able to affect future redemptions of the Series 2014B Term Bonds in Authorized Denominations).

Offset to Mandatory Sinking Fund Redemption. In lieu of paying the principal amount of the Series 2014B Term Bonds on the mandatory sinking fund redemption dates described in the schedule set forth above, the Authority has the option, to be exercised by delivery of a written certificate to the Trustee on or before the 60th day next preceding any mandatory sinking fund redemption date for the Series 2014B Term Bonds, to (a) deliver to the Trustee for cancellation Series 2014B Term Bonds or portions thereof (in Authorized Denominations) purchased in the open market or otherwise acquired by the Authority or (b) specify a principal amount of such Series 2014B Term Bonds or portions thereof (in

Authorized Denominations) which prior to said date have been optionally redeemed and previously cancelled by the Trustee at the request of the Authority and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. Each such Series 2014B Term Bond or portion thereof so purchased or otherwise acquired or redeemed and delivered to the Trustee for cancellation will be credited by the Trustee at 100% of the principal amount thereof against the obligation of the Authority to pay the principal of such Series 2014B Term Bond on such mandatory sinking fund redemption date.

See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS—Flow of Funds” for a description of the deposits that are made to the Series 2014B Debt Service Account to pay the principal of the Series 2014B Term Bonds on the applicable mandatory sinking fund redemption dates.

Extraordinary Mandatory Redemption of the Series 2014 Bonds. The Series 2014 Bonds are subject to extraordinary mandatory redemption at the direction of the Authority, in whole or in part on the earliest date following the date for which notice of redemption can be given as provided in the Indenture, at a price equal to the principal amount of Series 2014 Bonds to be redeemed plus interest accrued thereon to the date fixed for redemption, without premium, from Available Amounts and such other amounts permitted or required to be applied to such redemption under the Indenture. See “APPENDIX B—CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE—THE INDENTURE—Casualty and Condemnation.”

Notices of Redemption to Holders; Conditional Notice of Optional Redemption. The Trustee will give notice of redemption, in the name of the Authority, to Holders affected by redemption (or DTC, so long as the book-entry system with DTC is in effect) at least 30 days but not more than 60 days before each redemption date and send such notice of redemption by first class mail (or with respect to Series 2014 Bonds held by DTC by an express delivery service for delivery on the next following Business Day) to each owner of a Series 2014 Bond to be redeemed; each such notice will be sent to the owner’s registered address.

Each notice of redemption will specify the Series, issue date, maturity date, interest rate and CUSIP number of each Series 2014 Bond to be redeemed (if less than all Series 2014 Bonds of a Series, maturity date and interest rate are called for redemption the numbers assigned to the Series 2014 Bonds to be redeemed), the principal amount to be redeemed, the date fixed for redemption, the redemption price (or the formula that will be used to calculate the redemption price on the redemption date), the place or places of payment, the Trustee’s name, that payment will be made upon presentation and surrender of the Series 2014 Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption and not paid will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue.

Failure to give any required notice of redemption as to any particular Series 2014 Bond will not affect the validity of the call for redemption of any Series 2014 Bond in respect of which no failure occurs. Any notice sent as provided in the Indenture will be conclusively presumed to have been given whether or not actually received by the addressee. When notice of redemption is given, Series 2014 Bonds called for redemption become due and payable on the date fixed for redemption at the applicable redemption price. In the event that funds are deposited with the Trustee sufficient for redemption, interest on the Series 2014 Bonds to be redeemed will cease to accrue on and after the date fixed for redemption.

Upon surrender of a Series 2014 Bond to be redeemed, in part only, the Trustee will authenticate for the holder a new Series 2014 Bond or Series 2014 Bonds of the same Series, maturity date and interest rate equal in principal amount to the unredeemed portion of the Series 2014 Bond surrendered.

The Authority may provide that if at the time of mailing of notice of an optional redemption there has not been deposited with the Trustee moneys sufficient to redeem all the Series 2014 Bonds called for redemption, such notice may state that it is conditional and subject to the deposit of the redemption moneys with the Trustee not later than the opening of business one Business Day prior to the scheduled redemption date, and such notice will be of no effect unless such moneys are so deposited. In the event sufficient moneys are not on deposit on the required date, then the redemption will be cancelled and on such cancellation date notice of such cancellation will be mailed to the holders of such Series 2014 Bonds.

Effect of Redemption. On the date so designated for redemption, notice having been given in the manner and under the conditions provided in the Indenture and as described above and sufficient moneys for payment of the redemption price being held in trust to pay the redemption price, interest on such Series 2014 Bonds will cease to accrue from and after such redemption date, such Series 2014 Bonds will cease to be entitled to any lien, benefit or security under the Indenture and the owners of such Series 2014 Bonds will have no rights in respect thereof except to receive payment of the redemption price. Series 2014 Bonds which have been duly called for redemption and for the payment of the redemption price of which moneys will be held in trust for the holders of the respective Series 2014 Bonds to be redeemed, all as provided in the Indenture will not be deemed to be Outstanding under the provisions of the Indenture.

Selection of Series 2014A Bonds for Redemption; Series 2014A Bonds Redeemed in Part. Redemption of the Series 2014A Bonds will only be in Authorized Denominations. The Series 2014A Bonds are subject to redemption in such order of maturity and interest rate (except with respect to mandatory sinking fund payments on the Series 2014A Bonds) as the Authority may direct and by lot within such maturity and interest rate selected in such manner as the Trustee (or DTC, as long as DTC is the securities depository for the Series 2014A Bonds), deems appropriate.

Except as otherwise provided under the procedures of DTC, on or before the 45th day prior to any mandatory sinking fund redemption date for the Series 2014A Bonds, the Trustee will proceed to select for redemption (by lot in such manner as the Trustee may determine) an aggregate principal amount of the Series 2014A Bonds equal to the amount of such mandatory sinking fund redemption payment for such year as set forth in the table under “Mandatory Sinking Fund Redemption—Series 2014A Bonds” above and will call such Series 2014A Bonds (in Authorized Denominations) for redemption and give notice of such call.

Selection of Series 2014B Bonds for Redemption; Series 2014B Bonds Redeemed in Part. Redemption of the Series 2014B Bonds will only be in Authorized Denominations. If less than all of the Series 2014B Bonds are called for prior redemption, the particular Series 2014B Bonds or portions thereof to be redeemed will be selected by the Trustee on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the Series 2014B Bonds are held in book-entry form, the selection for redemption of such Series 2014B Bonds will be made in accordance with the operational arrangements of DTC then in effect. Neither the Authority nor the Underwriters can provide any assurance that DTC, DTC’s direct and indirect participants or any other intermediary will allocate the redemption of Series 2014B Bonds on such basis. If the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the Series 2014B Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

If the book-entry system through DTC for determining beneficial interests of the Direct Participants of the Series 2014B Bonds is discontinued and less than all of the Series 2014B Bonds of a maturity and interest rate are to be redeemed, the Series 2014B Bonds to be redeemed will be selected by the Trustee on a pro rata pass-through distribution of principal basis among all of the Holders of the Series 2014B Bonds based on the principal amount of Series 2014B Bonds owned by such Holders.

DEBT SERVICE REQUIREMENTS OF SERIES 2014 BONDS

The following table sets forth the debt service funding requirements for the Series 2014A Bonds and the Series 2014B Bonds.

TABLE 1
San Diego County Regional Airport Authority
Debt Service Funding Requirements
Series 2014A Bonds and Series 2014B Bonds^{1,2}

Fiscal Year Ended June 30	Series 2014A Bonds ³			Series 2014B Bonds ³			Total Debt Service on Series 2014 Bonds
	Principal Requirements	Interest Requirements ³	Total	Principal Requirements	Interest Requirements ³	Total	
2014	—	\$ 538,817	\$ 538,817	—	\$ 5,452,960	\$ 5,452,960	\$ 5,991,777
2015	—	1,469,500	1,469,500	—	14,871,710	14,871,710	16,341,210
2016	—	1,469,500	1,469,500	—	14,871,710	14,871,710	16,341,210
2017	—	1,469,500	1,469,500	—	14,871,710	14,871,710	16,341,210
2018	—	1,469,500	1,469,500	\$ 5,580,000	14,871,710	20,451,710	21,921,210
2019	—	1,469,500	1,469,500	5,720,000	14,730,146	20,450,146	21,919,646
2020	—	1,469,500	1,469,500	5,890,000	14,559,289	20,449,289	21,918,789
2021	—	1,469,500	1,469,500	6,090,000	14,358,440	20,448,440	21,917,940
2022	—	1,469,500	1,469,500	6,320,000	14,131,283	20,451,283	21,920,783
2023	—	1,469,500	1,469,500	6,670,000	13,777,742	20,447,742	21,917,242
2024	—	1,469,500	1,469,500	7,045,000	13,404,623	20,449,623	21,919,123
2025	—	1,469,500	1,469,500	7,440,000	13,010,525	20,450,525	21,920,025
2026	—	1,469,500	1,469,500	7,855,000	12,594,332	20,449,332	21,918,832
2027	—	1,469,500	1,469,500	8,295,000	12,154,923	20,449,923	21,919,423
2028	—	1,469,500	1,469,500	8,760,000	11,690,901	20,450,901	21,920,401
2029	—	1,469,500	1,469,500	9,250,000	11,200,866	20,450,866	21,920,366
2030	—	1,469,500	1,469,500	9,765,000	10,683,421	20,448,421	21,917,921
2031	—	1,469,500	1,469,500	10,315,000	10,137,167	20,452,167	21,921,667
2032	—	1,469,500	1,469,500	10,890,000	9,560,146	20,450,146	21,919,646
2033	—	1,469,500	1,469,500	11,500,000	8,950,959	20,450,959	21,920,459
2034	—	1,469,500	1,469,500	12,140,000	8,307,649	20,447,649	21,917,149
2035	—	1,469,500	1,469,500	12,820,000	7,628,538	20,448,538	21,918,038
2036	—	1,469,500	1,469,500	13,540,000	6,911,387	20,451,387	21,920,887
2037	—	1,469,500	1,469,500	14,295,000	6,153,959	20,448,959	21,918,459
2038	—	1,469,500	1,469,500	15,095,000	5,354,297	20,449,297	21,918,797
2039	—	1,469,500	1,469,500	15,940,000	4,509,883	20,449,883	21,919,383
2040	—	1,469,500	1,469,500	16,830,000	3,618,199	20,448,199	21,917,699
2041	—	1,469,500	1,469,500	17,775,000	2,676,729	20,451,729	21,921,229
2042	—	1,469,500	1,469,500	18,770,000	1,682,396	20,452,396	21,921,896
2043	\$ 8,515,000	1,469,500	9,984,500	11,305,000	632,402	11,937,402	21,921,902
2044	<u>20,875,000</u>	<u>1,043,750</u>	<u>21,918,750</u>	—	—	—	<u>21,918,750</u>
Total	<u>\$29,390,000</u>	<u>\$44,198,067</u>	<u>\$73,588,067</u>	<u>\$275,895,000</u>	<u>\$297,360,002</u>	<u>\$573,255,002</u>	<u>\$646,843,069</u>

¹ Numbers may not total due to rounding to nearest dollar.

² Represents the Authority's debt service funding requirements for each Fiscal Year.

³ Includes interest on the Series 2014 Bonds through January 1, 2016, to be paid from a portion of the proceeds of the Series 2014 Bonds.

Source: San Diego County Regional Airport Authority and Siebert Brandford Shank & Co., L.L.C.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS

General

The Series 2014 Bonds will be issued under the Indenture. Under the Indenture the Authority may issue additional bonds on a parity with the Series 2014 Bonds ("Additional Senior Bonds") upon the

satisfaction of certain conditions. See “—Additional Senior Bonds” below. The Series 2014 Bonds and any Additional Senior Bonds (collectively, the “Senior Bonds”) will be equally and ratably secured by a first lien on and pledge of the Trust Estate. See “—Pledge of Trust Estate” below. The Indenture also permits the issuance of Subordinate Bonds; none of which have been issued. Subordinate Bonds, if issued, will have a subordinate lien on and pledge of the Trust Estate, subject to the prior lien and pledge of the Senior Bonds. Subject to the provisions of the Indenture, neither the Act nor the Indenture limits the total amount of Senior Bonds or Subordinate Bonds that may be issued and Outstanding at any one time.

The summary of the security and sources of payment for the Series 2014 Bonds set forth herein is qualified in its entirety by and reference is hereby made to Appendix B hereto and the Indenture, which set forth in further detail provisions relating to the security for the Series 2014 Bonds.

Special Limited Obligations

The Series 2014 Bonds are special limited obligations of the Authority, payable solely from and secured by a pledge of the Trust Estate, which includes, among other things, (a) Customer Facility Charges collected by the Rental Car Companies and remitted to the Trustee, as assignee of the Authority, and, under certain circumstances, Bond Funding Supplemental Consideration payable by the Rental Car Companies to the Trustee, as assignee of the Authority, and (b) certain funds and accounts held by the Trustee under the Indenture and certain additional funds and accounts held by the Authority.

No revenues of the Authority, other than the Customer Facility Charges and the Bond Funding Supplemental Consideration, are pledged to the payment of the Series 2014 Bonds. Neither the Project nor any other properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Series 2014 Bonds, and neither the full faith and credit nor the taxing power of the Authority, the City, the County, the State or any political subdivision or agency of the State is pledged to the payment of the principal of or interest on the Series 2014 Bonds.

Pledge of Trust Estate

Pursuant to the Indenture, the principal of and interest on the Series 2014 Bonds will be secured by a pledge of, and first lien on all rights, title and interest of the Authority in the Trust Estate. “Trust Estate” is defined under the Indenture as (a) all Customer Facility Charges (also referred to herein as “CFCs”) received or receivable by the Authority or the Trustee, as assignee of the Authority, (b) all Bond Funding Supplemental Consideration payable by the Rental Car Companies to the Trustee, as assignee of the Authority, (c) all casualty insurance proceeds and condemnation awards required to be applied pursuant to the provisions of the Indenture, (d) with respect to the Senior Bonds, all moneys, investments and proceeds of Senior Bonds on deposit in the Construction Fund (subject to any restrictions set forth in the Series 2014 Tax Certificate or any other tax compliance certificate entered into by the Authority in connection with the issuance of Senior Bonds as Tax-Exempt Bonds), the CFC Revenue Fund, the Senior Debt Service Fund, the Senior Reserve Fund, the Rolling Coverage Fund, the Subordinate Debt Service Fund (except for any proceeds of Subordinate Bonds or earnings on such proceeds that are on deposit in the Subordinate Debt Service Fund and subject to any restrictions set forth in a tax compliance certificate entered into by the Authority in connection with the issuance of Subordinate Bonds as Tax-Exempt Bonds), any Subordinate Reserve Fund (except for any proceeds of Subordinate Bonds or earnings on such proceeds that are on deposit in any Subordinate Reserve Fund and subject to any restrictions set forth in a tax compliance certificate entered into by the Authority in connection with the issuance of Subordinate Bonds as Tax-Exempt Bonds), the Renewal and Replacement Reserve Fund, and the CFC Surplus Fund and interest and investment earnings thereon, subject to the provisions of the Indenture

regarding moneys that may have been set aside for the benefit of the holders of a particular Series of Senior Bonds (see “APPENDIX B—CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE—THE INDENTURE—Moneys Held in Trust for Matured Bonds; Unclaimed Moneys”), (e) with respect to the Subordinate Bonds, subject to the prior lien granted to the Owners of the Senior Bonds, all moneys, investments and proceeds of Subordinate Bonds on deposit in the Construction Fund (subject to any restrictions set forth in a tax compliance certificate entered into by the Authority in connection with the issuance of Subordinate Bonds as Tax-Exempt Bonds), the CFC Revenue Fund, the Subordinate Debt Service Fund, any Subordinate Reserve Fund, the Renewal and Replacement Reserve Fund and the CFC Surplus Fund and interest and investment earnings thereon, subject to the provisions of the Indenture regarding moneys that have been set aside for the benefit of the holders of a particular Series of Subordinate Bonds (see “APPENDIX B—CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE—THE INDENTURE—Moneys Held in Trust for Matured Bonds; Unclaimed Moneys”) and (f) all other rights granted, pledged or assigned by the Authority to the Trustee under the Indenture and the Rental Car Lease Agreements, including, but not limited to, the collection and remittance of the CFCs and Bond Funding Supplemental Consideration to the Trustee, as assignee of the Authority. The Trust Estate will not include moneys, investments and proceeds in the Rebate Fund and will not include the Unassigned Rights.

“Customer Facility Charges” and “CFCs” is defined in the Indenture to mean the customer facility charge or charges authorized by the CFC Law, imposed by the Authority pursuant to the CFC Resolution (as defined below under “—Customer Facility Charges—CFCs Imposed by the Authority”) on rental car transactions occurring on or about the Airport and required to be collected by the Rental Car Companies and remitted to the Trustee, as assignee of the Authority, as further described and provided in the Rental Car Lease Agreements.

“Bond Funding Supplemental Consideration” is defined in the Indenture to mean the additional payment obligations required to be made by the Rental Car Companies to fund any of the required deposits as described in the FIRST through SEVENTH clauses under “—Flow of Funds” below, in the event CFCs and amounts available in the CFC Surplus Fund (including the CFC Stabilization Account) are not sufficient to make such deposits. See “—Flow of Funds” below. See also “APPENDIX C—SUMMARY OF THE RENTAL CAR LEASE AGREEMENTS—ARTICLE 3: PAYMENT FOR COST OF FACILITY.”

Customer Facility Charges

California Statutory Authority. Section 1936 et seq. of the California Civil Code, as amended (the “CFC Law”) authorizes the Authority and other California airports operated by a city, a county, a city and county, a joint powers authority or a special district to require rental car companies operating at the applicable airport to collect a customer facility charge from customers renting cars from such rental car companies. The customer facility charges collected from rental car customers cannot exceed the reasonable costs of financing, designing and constructing a consolidated rental car facility located at the airport and financing, designing, constructing and operating a common-use transportation system or acquiring vehicles for use in the common-use transportation system. Customer facility charges used to finance, design and construct a consolidated rental car facility can only be collected from customers of on-airport rental car companies. Customer facility charges used to finance, design, construct and operate a common-use transportation system at an airport can be collected from customers of on-airport rental car companies and customers of off-airport rental car companies that use the common-use transportation system to transport their customers. Under the CFC Law, “on-airport rental car companies” are those rental car companies that operate under an airport property lease or an airport concession or license agreement whose customers use or will use the consolidated rental car facility. See “CERTAIN INVESTMENT CONSIDERATIONS—Restrictions Imposed on Authority to Collect CFCs.”

CFCs Imposed by the Authority. Pursuant to the CFC Law and resolutions adopted by the Board in March 2009 and May 2010, the Board initially authorized the collection of a \$10.00 per transaction CFC on rental cars rented from rental car companies operating at the Airport. Subsequently, pursuant to the CFC Law and Resolution No. 2012-0111 adopted by the Board on October 4, 2012 (the “CFC Resolution”), the Board adopted an alternative CFC collection rate equal to \$6.00 per transaction day, effective November 1, 2012; \$7.50 per transaction day, effective January 1, 2014; and \$9.00 per transaction day, effective January 1, 2017 (each such rate limited to 5 transaction days per transaction). The CFC is collected by the rental car companies from their customers and subsequently transferred to the Authority (or to the Trustee, as assignee of the Authority, as directed by the Authority). Prior to increasing the CFC to \$7.50 per transaction day on January 1, 2014 and \$9.00 per transaction day on January 1, 2017, the Authority was and will be required to provide an attestation report of an independent auditor to the Assembly and Senate Committees on Judiciary, the Assembly Committee on Transportation and the Senate Committee on Transportation and Housing. The Authority provided the attestation report for the increase to \$7.50 on December 19, 2013 and the Authority began imposing a CFC of \$7.50 per transaction day on January 1, 2014. The Authority will not be required to receive any other approvals prior to imposing the \$9.00 CFC on January 1, 2017. Additionally, pursuant to the CFC Law, the Authority is required to report on an annual basis to the Judiciary Committees in the California Senate and the California Assembly information with respect to the amount of CFCs collected, how the CFCs were used, alternatives available to collecting the CFC and certain other information.

The Authority and each of The Hertz Corporation (who operates the brands Hertz, Dollar, Thrifty and Firefly), Enterprise Rent-A-Car Company of Los Angeles, LLC (who operates the brands Enterprise, National and Alamo), Avis Budget Car Rental LLC (who operates the brands Avis and Zipcar), Fox Rent A Car, Inc. (who operates the Fox brand), BW Budget-SDA, LLC (who operates the Budget brand (even though Budget is owned by Avis Budget Car Rental, Budget is operated as a franchise at the Airport)), Simply Wheelz, Inc. (who operates the Advantage brand), Nevada Lease and Rentals, Inc. (who operates the Payless brand (even though Payless is owned by Avis Budget Car Rental, Payless is operated as a franchise at the Airport)), EZ Rent A Car, Inc. (who operates the EZ brand), Midway Car Rental, Inc. (who operates the Midway brand) and Sixt Rent A Car, LLC (who operates the Sixt brand), have entered into a Rental Car Lease Agreements. Pursuant to the Rental Car Lease Agreements, each of the Rental Car Companies has agreed to (a) collect a daily CFC on all vehicle rental transactions with Airport Customers (as defined in “APPENDIX C—SUMMARY OF THE RENTAL CAR LEASE AGREEMENTS—Article 1: Definitions”), (b) collect the CFC at the time the first payment is made by the Airport Customer for a qualifying vehicle rental transaction, and (c) remit the full amount of the CFC to the Trustee, as assignee of the Authority, regardless of whether or not the full amount of such CFC is actually collected by the Rental Car Companies from the person who rented the vehicle.

Pursuant to the Rental Car Lease Agreements, each Rental Car Company has agreed that the CFCs are not income, revenue or any other asset of the Rental Car Company; that the Rental Car Company has no ownership or property interest in the CFCs; and that the Rental Car Company has waived any claim to an equitable or ownership interest in the CFCs. The Rental Car Companies have agreed that they hold the CFCs in trust for the benefit of the Authority, and that the Authority (or the Trustee, as assignee of the Authority) has complete possessory and ownership rights to the CFCs. Additionally, pursuant to the Rental Car Lease Agreements, the Rental Car Companies have agreed to remit the CFC proceeds to the Trustee, as assignee of the Authority, on a monthly basis on or before the 20th day of each month following the month in which the CFCs were collected; provided, however, in the event that it is determined that the Rental Car Companies must, as a matter of law, remit the CFCs more frequently, the Rental Car Companies have agreed to remit such CFCs with such frequency as required by law.

Prior to the opening of the Rental Car Center, the rental car companies operating at the Airport will continue to operate at the Airport pursuant to their respective Rental Car License Agreements. As of January 1, 2014, thirteen rental car companies (representing 20 brands) provided rental car service at the Airport and had entered into a Rental Car License Agreement. The Rental Car License Agreements have a stated expiration date of December 31, 2015. Pursuant to the Rental Car License Agreements, the rental car companies are required to collect CFCs and to remit the CFCs to the Authority (after the issuance of the Series 2014 Bonds, the Authority will direct the Rental Car Companies to remit CFCs to the Trustee, as assignee of the Authority); however, the rental car companies are not required to pay Bond Funding Supplemental Consideration under the Rental Car License Agreements. Upon the opening of the Rental Car Center, the Rental Car Companies will be subject to the terms of the Rental Car Lease Agreements and the Rental Car Concession Agreements, and the Rental Car License Agreements will terminate.

The Series 2014 Bonds are not an indebtedness or other liability of the Rental Car Companies and the Rental Car Companies are not liable for any payments relating to the Series 2014 Bonds, other than the timely remittance of the CFC proceeds collected by the Rental Car Companies from their respective Airport Customers to the Trustee for the benefit of the Authority and, under certain circumstances, the payment of Bond Funding Supplemental Consideration.

Bond Funding Supplemental Consideration

In the event CFC revenues received during a Fiscal Year and available amounts on deposit in the CFC Surplus Fund are insufficient to fully fund any of the required deposits as described in the FIRST through SEVENTH clauses under “—Flow of Funds” below, pursuant to the Rental Car Lease Agreements, each of the Rental Car Companies has agreed to pay to the Trustee, as assignee of the Authority, its prorated share of Bond Funding Supplemental Consideration. Pursuant to the Rental Car Lease Agreements, the Authority has agreed to, as soon as reasonably possible after each anniversary date of the Opening Date of the Rental Car Center, provide the Rental Car Companies with a statement of the estimated monthly installments of Bond Funding Supplemental Consideration, if any, that will be due and payable by the Rental Car Companies by the 20th day of each month during such Agreement Year. If during an Agreement Year the Authority determines that the level of Bond Funding Supplemental Consideration to be paid by the Rental Car Companies during such Agreement Year will not be sufficient to fully fund all of the required deposits as described in the FIRST through SEVENTH clauses under “—Flow of Funds” below, after taking into account the CFCs projected to be remitted to the Trustee, as assignee of the Authority, during such Agreement Year and the amounts projected to be available in the CFC Surplus Fund during such Agreement Year to fund any deficiencies in the required deposits as described in the FIRST through SEVENTH clauses under “—Flow of Funds” below, the Authority will provide the Rental Car Companies a revised schedule of the amount of Bond Funding Supplemental Consideration that the Rental Car Companies will be required to pay to the Trustee, as assignee of the Authority.

To the extent Bond Funding Supplemental Consideration is required to fully fund any of the required deposits described in the FIRST through SEVENTH clauses under “—Flow of Funds” below, a Rental Car Company’s prorated share of Bond Funding Supplemental Consideration shall be based on its proportionate share of exclusive-use space occupied within the Rental Car Center. Any and all Bond Funding Supplemental Consideration shall be paid by Rental Car Companies when due and in all events without set-off, deduction, credit or discount.

Pursuant to the Rental Car Lease Agreements, in addition to paying Bond Funding Supplemental Consideration, the Rental Car Companies are required to pay to the Authority Common-Use Transportation Cost Supplemental Consideration in the event CFCs in excess of the Minimum Target CFC Stabilization Account Balance (\$25,000,000) on deposit in the CFC Surplus Fund are not sufficient

to fully pay the Common-Use Transportation Costs. Any Common-Use Transportation Cost Supplemental Consideration paid by the Rental Car Companies to the Authority will only be used to pay Common-Use Transportation Costs and is not part of the Trust Estate and therefore is not pledged to the holders of the Senior Bonds (including the Series 2014 Bonds). See “—CFC Surplus Fund” below for a description of the use of amounts on deposit in the CFC Surplus Fund.

Flow of Funds

The application of CFCs is governed by the Indenture, the Rental Car Lease Agreements and the CFC Law and the application of the Bond Funding Supplemental Consideration is governed by the Indenture and the Rental Car Lease Agreements. Pursuant to the Indenture and the Rental Car Lease Agreements, all CFCs and Bond Funding Supplemental Consideration (collectively, the “Project Revenues”) will be payable by the Rental Car Companies to the Trustee, as assignee of the Authority. Upon receipt of the CFCs and any Bond Funding Supplemental Consideration, the Trustee will deposit such amounts in the CFC Revenue Fund. On or before the 25th day of each month (the “Draw Down Date”), the Trustee will transfer moneys then on deposit in the CFC Revenue Fund to the following Funds and Accounts in the following order of priority:

FIRST, (i) the Trustee will transfer, on a pro-rata basis, to the Series 2014A Debt Service Account, the Series 2014B Debt Service Account and any other Account established for a Series of Senior Bonds in the Senior Debt Service Fund pursuant to a Supplemental Indenture amounts sufficient to pay one-sixth of the interest due on the Senior Bonds of such Series on the next succeeding Interest Payment Date if such Series bears interest at a Fixed Rate, or an amount specified in the applicable Supplemental Indenture if such Series bears interest at a Variable Rate, as applicable, net of (A) any proceeds of such Series of Senior Bonds that are on deposit in such Account and represent Capitalized Interest and that are to be used to pay interest on the next succeeding Interest Payment Date, (B) interest earnings on deposit in such Account, and (C) any other amounts on deposit in such Account that are to be used to pay interest on such Series of Senior Bonds on the next succeeding Interest Payment Date; provided that transfers to the applicable Accounts in the Senior Debt Service Fund prior to the first Interest Payment Date after the issuance of a Series of Senior Bonds will be adjusted to the extent necessary so that the total amount of interest due on such Senior Bonds on such first Interest Payment Date will have been paid into the applicable Account in the Senior Debt Service Fund in equal installments prior to such first Interest Payment Date; and (ii) only after all required deposits are made pursuant to (i), the Trustee will transfer, on a pro-rata basis, to the Series 2014A Debt Service Account, the Series 2014B Debt Service Account and any other Account established for a Series of Senior Bonds in the Senior Debt Service Fund pursuant to a Supplemental Indenture amounts sufficient to pay one-twelfth of the principal amount of the Senior Bonds of such Series coming due on the next succeeding Principal Payment Date (including mandatory sinking fund installments), net of interest earnings on deposit in such Account, provided that transfers to the applicable Accounts in the Senior Debt Service Fund prior to the first Principal Payment Date after the issuance of a Series of Senior Bonds will be adjusted to the extent necessary so that the total amount of principal due on such Senior Bonds on such first Principal Payment Date will have been paid into the applicable Account in the Senior Debt Service Fund in equal installments prior to such first Principal Payment Date;

SECOND, the Trustee will transfer in substantially equal monthly installments over a period of up to twelve months to the Senior Reserve Fund amounts necessary to cause the amount on deposit therein to equal the Senior Reserve Fund Requirement or to cause the repayment of draws on any Reserve Fund Surety Policy deposited to the Senior Reserve Fund, if any

(repayments owed to the provider of a Reserve Fund Surety Policy will be paid prior to funding the unfunded cash portion of the Senior Reserve Fund Requirement);

THIRD, the Trustee will transfer in substantially equal monthly installments over a period of up to twelve months to the Rolling Coverage Fund amounts necessary to cause the amount on deposit therein to equal the Rolling Coverage Fund Requirement;

FOURTH, if any Subordinate Bonds are Outstanding (i) the Trustee will transfer, on a pro-rata basis, to any Account established for a Series of Subordinate Bonds in the Subordinate Debt Service Fund pursuant to a Supplemental Indenture amounts sufficient to pay one-sixth of the interest due on the Subordinate Bonds of such Series on the next succeeding Interest Payment Date if such Series bears interest at a Fixed Rate, or an amount specified in the applicable Supplemental Indenture if such Series bears interest at a Variable Rate, as applicable, net of (A) any proceeds of Subordinate Bonds on deposit in such Account that represent Capitalized Interest and that are to be used to pay interest on the next succeeding Interest Payment Date, (B) interest earnings on deposit in such Account, and (C) any other amounts on deposit in such Account that are to be used to pay interest on such Series of Subordinate Bonds on the next succeeding Interest Payment Date; provided that transfers to the applicable Accounts in the Subordinate Debt Service Fund prior to the first Interest Payment Date after the issuance of a Series of Subordinate Bonds will be adjusted to the extent necessary so that the total amount of interest due on such Subordinate Bonds on such first Interest Payment Date will have been paid into the applicable Account in the Subordinate Debt Service Fund in equal installments prior to such first Interest Payment Date; and (ii) only after all required deposits are made pursuant to (i), the Trustee will transfer, on a pro-rata basis, to any Accounts established for a Series of Subordinate Bonds in the Subordinate Debt Service Fund pursuant to a Supplemental Indenture amounts sufficient to pay one-twelfth of the principal amount of the Subordinate Bonds of such Series coming due on the next succeeding Principal Payment Date (including mandatory sinking fund installments), net of interest earnings on deposit in such Account, provided that transfers to the applicable Accounts in the Subordinate Debt Service Fund prior to the first Principal Payment Date after the issuance of a Series of Subordinate Bonds will be adjusted to the extent necessary so that the total amount of principal due on such Subordinate Bonds on such first Principal Payment Date will have been paid into the applicable Account in the Subordinate Debt Service Fund in equal installments prior to such first Principal Payment Date;

FIFTH, if and to the extent required by a Supplemental Indenture providing for the issuance of one or more Series of Subordinate Bonds, the Trustee will transfer in substantially equal monthly installments over a period of up to twelve months to the applicable Accounts within the Subordinate Reserve Fund, if any, amounts necessary to cause the amount on deposit therein to equal the required amount or amounts set forth in the applicable provisions of the Supplemental Indenture that provided for the issuance of such Subordinate Bonds or to cause the repayment of draws on any Reserve Fund Surety Policy deposited to the Subordinate Reserve Fund, if any;

SIXTH, on a pro-rata basis (i) with respect to the Series 2014A Bonds and any other Series of Tax-Exempt Bonds, the Trustee will transfer (at the direction of the Authority) to the Series 2014A Rebate Fund and any other Rebate Fund established pursuant to a Supplemental Indenture with respect to a Series of Tax-Exempt Bonds the amounts calculated to be due to the United States Treasury as arbitrage rebate for the Series 2014A Bonds and any other Series of Tax-Exempt Bonds, as applicable, in accordance with the Code, the Series 2014A Tax Certificate and any tax compliance certificate entered into with respect to any other Series of Tax-Exempt Bonds, as applicable, to the extent that funds are not already on deposit therein, and (ii) the

Trustee will transfer to the Authority, such amounts, if any, representing Costs of CFC Administration as set forth in a written requisition executed by an Authorized Authority Representative and provided to the Trustee on or prior to the applicable Draw Down Date;

SEVENTH, the Trustee will transfer in substantially equal monthly installments over a period of up to twelve months to the Renewal and Replacement Reserve Fund (i) the Renewal and Replacement Reserve Fund Required Deposit for the then current Fiscal Year and (ii) the Additional Renewal and Replacement Reserve Fund Required Deposit for the then current Fiscal Year, if any; and cause the repayment of any draws on the account; and

EIGHTH, the Trustee will transfer all remaining CFCs (and any earnings on such CFCs) to the Authority for deposit to the CFC Surplus Fund.

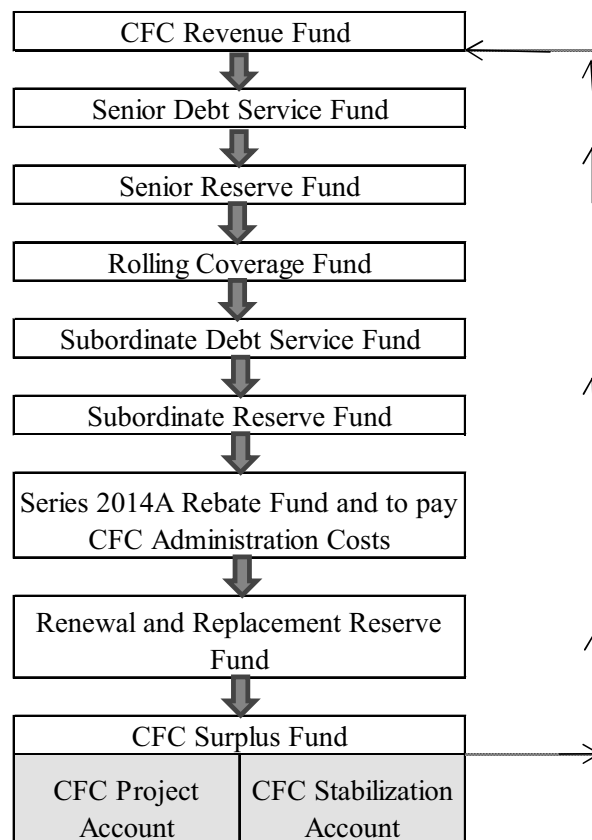
The Authority will deposit any CFCs received from the Trustee as described in the EIGHTH clause above to the CFC Surplus Fund and will apply such CFCs in the CFC Surplus Fund as follows:

(a) prior to the Opening Date, the Authority will transfer all CFCs to the CFC Project Account; and

(b) on and after the Opening Date, the Authority will transfer all CFCs to the CFC Stabilization Account.

Following is a graphic description of the flow of funds described above:

Flow of Funds



Application of Senior Debt Service Fund; Additional Deposits to Senior Debt Service Fund

Application of Senior Debt Service Fund. On each Payment Date, funds on deposit in the Senior Debt Service Fund will be applied by the Trustee to pay *first*, the interest on the Senior Bonds (including the Series 2014 Bonds) then due, and *second*, the principal of the Senior Bonds (including the Series 2014 Bonds) then due, if any.

Notwithstanding any provision of the Indenture to the contrary, on the date that the funds on deposit in the Senior Reserve Fund, the Rolling Coverage Fund and the CFC Stabilization Account, plus the amounts if any, on deposit in the Senior Debt Service Fund, are sufficient to pay the remaining principal of, premium, if any, and interest on the Senior Bonds (including the Series 2014 Bonds) as and when due, the Authority may direct the Trustee to transfer the funds on deposit in the Senior Reserve Fund, the Rolling Coverage Fund and the CFC Stabilization Account to the Senior Debt Service Fund and apply the same to the payment of the final maturities of principal of such Senior Bonds, premium, if any, and interest thereon as and when due on the remaining Payment Dates.

Additional Deposits to Senior Debt Service Fund. In addition to the deposits to the Senior Debt Service Fund described in the FIRST clause under “—Flow of Funds” above, if, on any Draw Down Date, the Project Revenues in the CFC Revenue Fund are insufficient to make the required deposit to any Account within the Senior Debt Service Fund, the Trustee will provide notice to the Authority of such shortfall and the Authority will transfer to the Trustee, for deposit in the applicable Account or Accounts within the Senior Debt Service Fund, from any and all moneys in the CFC Surplus Fund up to the amount of such shortfall, including from any and all amounts in the CFC Stabilization Account, notwithstanding the Minimum Targeted CFC Stabilization Account Balance, and any and all amounts in the CFC Project Account.

If, two Business Days before any Payment Date, the amounts on deposit in any Account within the Senior Debt Service Fund are insufficient to pay the principal or redemption price or interest payable on the Senior Bonds of such Series as the same becomes due, moneys held in the following Funds and Accounts will be transferred to or by the Trustee from said Funds or Accounts in the following order to each such Account in the Senior Debt Service Fund in order to satisfy said deficiency therein:

FIRST, the Trustee will provide notice to the Authority of such shortfall and the Authority will transfer to the Trustee for deposit in the applicable Accounts within the Senior Debt Service Fund any and all moneys in the CFC Surplus Fund up to the amount of such shortfall, including any and all amounts in the CFC Stabilization Account, notwithstanding the Minimum Targeted CFC Stabilization Account Balance, and any and all amounts in the CFC Project Account;

SECOND, if moneys in the CFC Surplus Fund are insufficient to satisfy the deficiency, the Trustee will transfer to the applicable Accounts within the Senior Debt Service Fund any and all moneys in the Renewal and Replacement Reserve Fund, up to the amount of such shortfall;

THIRD, if moneys in the CFC Surplus Fund and the Renewal and Replacement Reserve Fund are insufficient to satisfy the deficiency, the Trustee will transfer to the applicable Accounts within the Senior Debt Service Fund any and all moneys in any Subordinate Reserve Fund, provided that such moneys are not proceeds of Subordinate Bonds or any earnings on such proceeds, up to the amount of such shortfall;

FOURTH, if moneys in the CFC Surplus Fund, the Renewal and Replacement Reserve Fund and any Subordinate Reserve Fund are insufficient to satisfy the deficiency, the Trustee will

transfer to the applicable Accounts within the Senior Debt Service Fund any and all moneys in the Subordinate Debt Service Fund, provided that such moneys are not proceeds of Subordinate Bonds or any earnings on such proceeds, up to the amount of such shortfall;

FIFTH, if moneys in the CFC Surplus Fund, the Renewal and Replacement Reserve Fund, any Subordinate Reserve Fund and the Subordinate Debt Service Fund are insufficient to satisfy the deficiency, the Trustee will transfer to the applicable Accounts within the Senior Debt Service Fund any and all moneys in the Rolling Coverage Fund, up to the amount of such shortfall; and

SIXTH, if moneys in the CFC Surplus Fund, the Renewal and Replacement Reserve Fund, any Subordinate Reserve Fund, the Subordinate Debt Service Fund and the Rolling Coverage Fund are insufficient to satisfy the deficiency, the Trustee will transfer to the applicable Accounts within the Senior Debt Service Fund any and all moneys in the Senior Reserve Fund (including any moneys received from the provider of any Reserve Fund Surety Policy on deposit in the Senior Reserve Fund), up to the amount of such shortfall.

If moneys are withdrawn and transferred from the CFC Surplus Fund, the Renewal and Replacement Reserve Fund, any Subordinate Reserve Fund, the Subordinate Debt Service Fund, the Rolling Coverage Fund and/or the Senior Reserve Fund to pay principal or redemption price of or interest on the Senior Bonds as described above, the Trustee will promptly notify the Authority in writing of the amount of such withdrawals and transfers.

Senior Reserve Fund

Pursuant to the Indenture, the Trustee will establish the Senior Reserve Fund to secure the Series 2014 Bonds and any Additional Senior Bonds issued by the Authority. The Senior Reserve Fund is required to be funded at all times in an amount equal to the Senior Reserve Fund Requirement. The Senior Reserve Fund Requirement is equal to Maximum Aggregate Annual Debt Service for all Outstanding Senior Bonds. At the time of issuance of the Series 2014 Bonds, the Senior Reserve Fund Requirement will be met by depositing a portion of the proceeds of the Series 2014 Bonds into the Senior Reserve Fund. At the time of issuance of the Series 2014 Bonds, the Senior Reserve Fund Requirement will be equal to \$21,921,901.70.

Funds on deposit in the Senior Reserve Fund and any amounts received pursuant to a draw on any Reserve Fund Surety Policy on deposit in the Senior Reserve Fund will be applied by the Trustee to pay the principal of and interest on the Senior Bonds (including the Series 2014 Bonds) in the event that the amount on deposit in the Senior Debt Service Fund and available amounts from the CFC Surplus Fund, the Renewal and Replacement Reserve Fund, any Subordinate Reserve Fund, any Subordinate Debt Service Fund and the Rolling Coverage Fund on any Payment Date are insufficient to pay the principal of or interest then due on the Senior Bonds.

Upon the issuance of any Series of Additional Senior Bonds, additional amounts will be deposited to the Senior Reserve Fund so that the amount on deposit therein is equal to the Senior Reserve Fund Requirement following the issuance of such Senior Bonds.

A Reserve Fund Surety Policy will be acceptable in lieu of an initial deposit of cash or securities or in substitution of cash or securities on deposit in the Senior Reserve Fund only if at the time of such deposit (i) such Reserve Fund Surety Policy extends to the final maturity of the Series of Senior Bonds for which such Reserve Fund Surety Policy was issued or (ii) the Authority has agreed, by Supplemental

Indenture, that the Authority will replace such Reserve Fund Surety Policy prior to its expiration with another Reserve Fund Surety Policy or with cash.

Provided the Senior Reserve Fund has been satisfied by both cash or securities and a Reserve Fund Surety Policy, any payment of principal of or interest on the Senior Bonds from the Senior Reserve Fund will first be made from any cash or securities then deposited in the Senior Reserve Fund and only in the event no cash or securities remain in the Senior Reserve Fund will the Trustee be allowed to make a draw under the Reserve Fund Surety Policy. Additionally, in the event that two or more Reserve Fund Surety Policies have been deposited to the Senior Reserve Fund, any payment of interest or principal to be made pursuant to any of the Reserve Fund Surety Policies will be made on a pro rata basis.

On each Principal Payment Date, following payment of principal of and interest on the Senior Bonds due on such Payment Date, if the amount on deposit in the Senior Reserve Fund is in excess of the Senior Reserve Fund Requirement as calculated on such Payment Date, the difference between the amount on deposit in the Senior Reserve Fund and the Senior Reserve Fund Requirement will be withdrawn from the Senior Reserve Fund and deposited, on a pro-rata basis, to the Accounts in the Senior Debt Service Fund.

For purposes of determining the amount on deposit in the Senior Reserve Fund, any Reserve Fund Surety Policy held by, or the benefit of which is available to, the Trustee as security for the Senior Bonds will be deemed to be a deposit in the face amount of the policy or the stated amount of the credit facility provided, except that, if the amount available under a Reserve Fund Surety Policy has been reduced as a result of a payment having been made thereunder or as a result of the termination, cancellation or failure of such Reserve Fund Surety Policy and not reinstated or another Reserve Fund Surety Policy provided, then, in valuing the Senior Reserve Fund, the value of such Reserve Fund Surety Policy will be reduced accordingly.

Rolling Coverage Fund

Pursuant to the Indenture, the Trustee will establish the Rolling Coverage Fund to secure the Series 2014 Bonds and any Additional Senior Bonds issued by the Authority. The Rolling Coverage Fund is required to be funded at all times in an amount equal to the Rolling Coverage Fund Requirement. The Rolling Coverage Fund Requirement is equal to 30% of the Maximum Aggregate Annual Debt Service for all Outstanding Senior Bonds. At the time of issuance of the Series 2014 Bonds, the Rolling Coverage Fund Requirement will be met by depositing a portion of the proceeds of the Series 2014B Bonds into the Rolling Coverage Fund. At the time of issuance of the Series 2014 Bonds, the Rolling Coverage Fund Requirement will be equal to \$6,576,570.51.

Funds on deposit in the Rolling Coverage Fund will be applied by the Trustee to pay the principal of and interest on the Senior Bonds (including the Series 2014 Bonds) in the event that the amount on deposit in the Senior Debt Service Fund and available amounts from the CFC Surplus Fund, the Renewal and Replacement Reserve Fund, any Subordinate Reserve Fund and any Subordinate Debt Service Fund on any Payment Date are insufficient to pay the principal of or interest then due on any Senior Bonds (including the Series 2014 Bonds).

Upon the issuance of any Series of Additional Senior Bonds, additional amounts will be deposited to the Rolling Coverage Fund so that the amount on deposit therein is equal to the Rolling Coverage Fund Requirement following the issuance of such Senior Bonds.

On each Principal Payment Date, following the payment of the principal of and interest on the Senior Bonds due on such Payment Date, if the amount on deposit in the Rolling Coverage Fund is in

excess of the Rolling Coverage Fund Requirement as calculated on such Payment Date, the difference between the amount on deposit in the Rolling Coverage Fund and the Rolling Coverage Fund Requirement will be withdrawn from the Rolling Coverage Fund and deposited, on a pro-rata basis, to the Accounts in the Senior Debt Service Fund.

Renewal and Replacement Reserve Fund

Pursuant to the Indenture, the Trustee will establish the Renewal and Replacement Reserve Fund and the funds on deposit in the Renewal and Replacement Reserve Fund will be used by the Authority, in its discretion, to pay the costs (eligible to be paid with CFCs in accordance with the CFC Law) of the maintenance, repair, expansion or replacement of, as the case may be, the Project and any Additional Special Facilities. Additionally, funds on deposit in the Renewal and Replacement Reserve Fund will be applied by the Trustee to pay the principal of and interest on the Senior Bonds (including the Series 2014 Bonds) in the event that the amount on deposit in the Senior Debt Service Fund and available amounts from the CFC Surplus Fund on any Payment Date are insufficient to pay the principal of or interest then due on any Series of Senior Bonds.

Funds on deposit in the Renewal and Replacement Reserve Fund also will be applied by the Trustee to pay the principal of and interest on Subordinate Bonds, if any, in the event that the amount on deposit in the Subordinate Debt Service Fund and available amounts from the CFC Surplus Fund on any Payment Date are insufficient to pay the principal of or interest then due on any Series of Senior Bonds. However, the Trustee will not transfer any moneys from the Renewal and Replacement Reserve Fund to the Subordinate Debt Service Fund to pay the principal of and interest on the Subordinate Bonds, unless (i) the amounts on deposit in the Account or Accounts of the Senior Debt Service Fund are sufficient to pay the principal or redemption price of and interest on the Senior Bonds on the immediately succeeding Payment Date, (ii) the amount on deposit in the Senior Reserve Fund is equal to the Senior Reserve Fund Requirement, and (iii) the amount on deposit in the Rolling Coverage Fund is equal to the Rolling Coverage Fund Requirement. At the time of issuance of the Series 2014 Bonds, no Subordinate Bonds will be Outstanding and the Authority does not have any current plans to issue any Subordinate Bonds.

At the time of issuance of the Series 2014 Bonds, no amounts will be required to be deposited to the Renewal and Replacement Reserve Fund. Beginning during the first July to occur after the Opening Date of the Rental Car Center, the Trustee will be required to deposit a portion of the Project Revenues to the Renewal and Replacement Reserve Fund in the amount of the Renewal and Replacement Reserve Fund Required Deposit and the Additional Renewal and Replacement Reserve Fund Required Deposit, if any. The Renewal and Replacement Reserve Fund is required to be funded in an amount equal to the Renewal and Replacement Reserve Fund Requirement. See “APPENDIX B—CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE—EXHIBIT 1 TO APPENDIX B” and “—EXHIBIT 2 TO APPENDIX B” for a description as to how the Renewal and Replacement Reserve Fund Requirement and the Renewal and Replacement Reserve Fund Required Deposit are calculated.

On each Principal Payment Date, following payment of principal of and interest on the Senior Bonds due on such Payment Date, if the amount on deposit in the Renewal and Replacement Reserve Fund is in excess of the Renewal and Replacement Reserve Fund Requirement as calculated on such Payment Date, the difference between the amount on deposit in the Renewal and Replacement Reserve Fund and the Renewal and Replacement Reserve Fund Requirement will be withdrawn from the Renewal and Replacement Reserve Fund and deposited, on a pro-rata basis, to the Accounts in the Senior Debt Service Fund.

CFC Surplus Fund

On the date of issuance of the Series 2014 Bonds, the Authority will transfer approximately \$41,681,000 to the CFC Project Account of the CFC Surplus Fund representing unspent CFCs previously remitted by the Rental Car Companies to the Authority. As described in “PLAN OF FINANCE AND APPLICATION OF SERIES 2014 BOND PROCEEDS—Plan of Finance” the Authority expects to use these CFCs to pay a portion of the costs of the Project. In addition to paying a portion of the costs of the Project, amounts on deposit in the CFC Surplus Fund (including the CFC Project Account and the CFC Stabilization Account) will be used for the following purposes:

(a) Upon receipt of notice from the Trustee (if any) that moneys are required to be transferred to the Trustee from the CFC Surplus Fund (including the CFC Project Account and the CFC Stabilization Account (notwithstanding the Minimum Targeted CFC Stabilization Account Balance)), on each Draw Down Date (or such other date as requested by the Trustee), the Authority will transfer available moneys then on deposit in the CFC Surplus Fund (including the CFC Project Account and the CFC Stabilization Account) to the Trustee, who will deposit such moneys to the following Funds and Accounts in the following order of priority, as needed:

FIRST, on a pro-rata basis, to the Series 2014A Debt Service Account, the Series 2014B Debt Service Account and any other Account established for a Series of Senior Bonds in the Senior Debt Service Fund pursuant to a Supplemental Indenture, any amounts necessary to comply with the funding requirements described in the FIRST clause under “—Flow of Funds” above;

SECOND, to the Senior Reserve Fund, any amounts necessary to comply with the funding requirements described in the SECOND clause under “—Flow of Funds” above;

THIRD, to the Rolling Coverage Fund, any amounts necessary to comply with the funding requirements described in the THIRD clause under “—Flow of Funds” above;

FOURTH, on a pro-rata basis, to any Account established for a Series of Subordinate Bonds in the Subordinate Debt Service Fund pursuant to a Supplemental Indenture, any amounts necessary to comply with the funding requirements described in the FOURTH clause under “—Flow of Funds” above;

FIFTH, on a pro-rata basis, to any Subordinate Reserve Fund established for one or more Series of Subordinate Bonds pursuant to a Supplemental Indenture, any amounts necessary to comply with the funding requirements described in the FIFTH clause under “—Flow of Funds” above;

SIXTH, on a pro-rata basis, to the Series 2014A Rebate Fund or any other Rebate Fund established pursuant to a Supplemental Indenture and to the Authority to pay Costs of CFC Administration, any amounts necessary to comply with the funding requirements described in the SIXTH clause under “—Flow of Funds” above; and

SEVENTH, to the Renewal and Replacement Reserve Fund, any amounts necessary to comply with the funding requirements described in the SEVENTH clause under “—Flow of Funds” above.

(b) If, two Business Days before any Payment Date, (i) the amounts on deposit in any Account within the Senior Debt Service Fund are insufficient to pay the principal or redemption price or

interest payable on the Senior Bonds of such Series as the same become due, and/or (ii) the amounts on deposit in any Account within the Subordinate Debt Service Fund are insufficient to pay the principal or redemption price or interest payable on the Subordinate Bonds of such Series as the same become due, the Trustee will provide notice to the Authority that moneys are required to be transferred to the Trustee from the CFC Surplus Fund (including the CFC Project Account and the CFC Stabilization Account (notwithstanding the Minimum Targeted CFC Stabilization Account Balance)), and the Authority will transfer available moneys then on deposit in the CFC Surplus Fund (including the CFC Project Account and the CFC Stabilization Account) to the Trustee, who will deposit such moneys to the following Funds and Accounts in the following order of priority, as needed:

FIRST, on a pro-rata basis, to the Series 2014A Debt Service Account, the Series 2014B Debt Service Account and any other Account established for a Series of Senior Bonds in the Senior Debt Service Fund pursuant to a Supplemental Indenture, any amounts necessary to comply with the funding requirements described in the FIRST clause under “—Flow of Funds” above; and

SECOND, on a pro-rata basis, to any Account established for a Series of Subordinate Bonds in the Subordinate Debt Service Fund pursuant to a Supplemental Indenture, any amounts necessary to comply with the funding requirements described in the FOURTH clause under “—Flow of Funds” above.

In addition to the uses described in paragraphs (a) and (b) above, amounts on deposit in the CFC Surplus Fund will be applied as follows:

(i) At the discretion of the Authority for any CFC-eligible purposes, including financing eligible Rental Car Center projects, Rental Car Center Site improvements and Off-Roadway Improvements.

(ii) Amounts on deposit in the CFC Stabilization Account in excess of the Minimum Targeted CFC Stabilization Account Balance may be used by the Authority to *first*, pay Common-Use Transportation Costs, *second*, if the Authority has made the Authority Loan(s), pay, at the times set forth in the Rental Car Lease Agreements, the interest accrued on and currently due on the Authority Loan(s), *third*, if the Authority has made the Authority Loan(s), pay, at the times set forth in the Rental Car Lease Agreements, the principal of the Authority Loan(s), and *fourth*, subject to the limitations set forth in the following paragraph, reimburse the Rental Car Companies for Supplemental Consideration.

(iii) In the event a Rental Car Company has paid Supplemental Consideration during the term of its respective Rental Car Lease Agreement, such amount is eligible for reimbursement from CFCs on deposit in the CFC Surplus Fund, provided all the following conditions are met: (1) such reimbursement is allowed by the then current CFC Law; (2) such Rental Car Company is currently operating at the Rental Car Center and is not in default under its respective Rental Car Lease Agreement or Rental Car Concession Agreement; (3) all funding requirements described in the FIRST through SEVENTH clauses under “—Flow of Funds” above have been met; (4) the Senior Reserve Fund Requirement, the Rolling Coverage Fund Requirement, the Renewal and Replacement Reserve Fund Requirement and any Subordinate Reserve Fund requirement set forth in a Supplemental Indenture are fully funded; (5) all Common-Use Transportation Costs are funded; and (6) no Authority Loan balance exists. Such reimbursement will be proportionally given to all Rental Car Companies operating from the Rental Car Center who contributed Supplemental Consideration based on each individual Rental Car Company’s proportion of the total Supplemental Consideration contributed by all Rental Car Companies. Such reimbursement

will occur until each Rental Car Company is reimbursed the amount of its entire Supplemental Consideration contributed with no interest. If a Rental Car Company's respective Rental Car Lease Agreement expires or otherwise terminates whereby such Rental Car Company no longer conducts business within the Rental Car Center, such Rental Car Company forfeits its eligibility for reimbursement of its Supplemental Consideration contributed.

Rate Covenant (Minimum Annual Requirement and Senior Bonds Coverage Requirement)

Minimum Annual Requirement. Under the Indenture, the Authority has covenanted that as long as any of the Bonds (including the Series 2014 Bonds) remain Outstanding, each Fiscal Year the sum of (a) CFCs remitted by the Rental Car Companies to the Trustee, as assignee of the Authority, during such Fiscal Year, (b) amounts transferred from the CFC Surplus Fund (including the CFC Project Account and the CFC Stabilization Account) to meet the funding requirements described in the FIRST through SEVENTH clauses under “—Flow of Funds” above during such Fiscal Year, (c) earnings received by the Trustee from investments held in the Senior Debt Service Fund, the Senior Reserve Fund, the Rolling Coverage Fund, the Subordinate Debt Service Fund, if any, and the Subordinate Reserve Fund, if any, during such Fiscal Year, and (d) the amount of Bond Funding Supplemental Consideration remitted by the Rental Car Companies to the Trustee, as assignee of the Authority, during such Fiscal Year, if any, will not be less than: (i) the aggregate amount required to be on deposit in the Senior Debt Service Fund during the current Fiscal Year to satisfy the funding requirements for the payment of the principal and interest becoming due and payable on the Senior Bonds (including the Series 2014 Bonds) during such Fiscal Year or in a future Fiscal Year; (ii) the deposits, if any, required to be made to the Senior Reserve Fund as described in the SECOND clause under “—Flow of Funds” above; (iii) the deposits, if any, required to be made to the Rolling Coverage Fund as described in the THIRD clause under “—Flow of Funds” above; (iv) the aggregate amount required to be on deposit in the Subordinate Debt Service Fund during the current Fiscal Year, if any, to satisfy the funding requirements for the payment of the principal and interest becoming due and payable on the Subordinate Bonds during such Fiscal Year or in a future Fiscal Year; (v) the deposits, if any, required to be made to the Subordinate Reserve Fund as described in the FIFTH clause under “—Flow of Funds” above; (vi) the deposits, if any, required to be made to the Rebate Funds as described in the SIXTH clause under “—Flow of Funds” above; (vii) the Costs of CFC Administration to be incurred during such Fiscal Year as described in the SIXTH clause under “—Flow of Funds” above; and (viii) the deposits, if any, required to be made to the Renewal and Replacement Reserve Fund as described in the SEVENTH clause under “—Flow of Funds” above (collectively, the sum of the amounts required by clauses (i) through (viii) above, are defined herein as the “Minimum Annual Requirement”).

Senior Bonds Coverage Requirement. Under the Indenture, the Authority has covenanted that as long as any of the Senior Bonds (including the Series 2014 Bonds) remain Outstanding, each Fiscal Year the sum of (a) CFCs remitted by the Rental Car Companies to the Trustee, as assignee of the Authority, during such Fiscal Year, (b) amounts transferred from the CFC Surplus Fund (including the CFC Project Account and the CFC Stabilization Account) to meet the funding requirements as described in the FIRST clause under “—Flow of Funds” above during such Fiscal Year, (c) earnings received by the Trustee from investments held in the Senior Debt Service Fund, the Senior Reserve Fund and the Rolling Coverage Fund during such Fiscal Year, (d) earnings received by the Authority from investments held in the CFC Surplus Fund (except for earnings otherwise transferred from the CFC Surplus Fund to the Trustee for deposit in the Senior Debt Service Fund as provided in clause (b) above) during such Fiscal Year, (e) the amount of Bond Funding Supplemental Consideration remitted by the Rental Car Companies to the Trustee, as assignee of the Authority, during such Fiscal Year, if any, and (f) the amount on deposit in the Rolling Coverage Fund at the beginning of such Fiscal Year (up to an amount not to exceed 30% of the Aggregate Annual Debt Service on the Senior Bonds for such Fiscal Year) will be no less than 1.30 times

the Aggregate Annual Debt Service on the Senior Bonds (including the Series 2014 Bonds) for such Fiscal Year (the “Senior Bonds Coverage Requirement”).

Funds Not Sufficient to Meet Minimum Annual Requirement or Senior Bonds Coverage Requirement. In the event that either the Minimum Annual Requirement or the Senior Bonds Coverage Requirement is not met in a Fiscal Year, such violation will not be a default under the Indenture and will not give rise to a declaration of an Event of Default (unless the principal of, premium, if any, on, interest on or purchase price of the Bonds (including the Series 2014 Bonds) is not paid in such Fiscal Year) if, the Authority takes appropriate corrective actions (including increasing the Bond Funding Supplemental Consideration for the next succeeding Fiscal Year) so that the Minimum Annual Requirement and the Senior Bond Coverage Requirement will be met in the next succeeding Fiscal Year; provided, however, that if the Minimum Annual Requirement or the Senior Bond Coverage Requirement is not met in the next succeeding Fiscal Year, an Event of Default may be declared under the Indenture. “APPENDIX B—CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE—THE INDENTURE—Events of Default and Remedies.”

Additional Senior Bonds

Purposes for Additional Senior Bonds. Pursuant to the provisions of the Indenture, Additional Senior Bonds may be issued for the following purposes:

- (a) to finance the permitting, financing, design, development, construction, equipping, furnishing and acquisition of any improvement or expansion of the Project (or any other facility related to the Project approved by the Authority, including any Additional Special Facilities), provided that the costs of such purposes are eligible to be paid with CFCs in accordance with the provisions of the CFC Law;
- (b) to finance repairs, including without limitation repairs due to casualty or condemnation to the extent insurance proceeds or condemnation awards are insufficient to effect such repairs, or extraordinary maintenance with respect to the Project or any Additional Special Facilities, provided that the costs of such purposes are eligible to be paid with CFCs in accordance with the provisions of the CFC Law;
- (c) such Additional Senior Bonds are being issued as Refunding Senior Bonds;
- (d) such Additional Senior Bonds are being issued as Completion Senior Bonds;
- (e) to refund Subordinate Bonds; and
- (f) in each case, to pay Capitalized Interest and costs of issuance of such Additional Senior Bonds and to provide for any contribution to the Senior Reserve Fund, the Rolling Coverage Fund or the Renewal and Replacement Reserve Fund, required with respect thereto.

Requirements for Issuing Additional Senior Bonds. Additional Senior Bonds may be issued under the Indenture on a parity with the Series 2014 Bonds, provided, among other things, that there is delivered to the Trustee, unless such Additional Senior Bonds are Completion Senior Bonds or Refunding Senior Bonds, either (A) a report of a Consultant to the effect that for the period from and including the first full Fiscal Year following the issuance of such proposed Series of Additional Senior Bonds during which no amount of interest on such Series of Additional Senior Bonds required to be on deposit in the Senior Debt Service Fund is expected to be funded from the proceeds thereof, through and including the later of: (1) the fifth full Fiscal Year following the issuance of such Series of Additional Senior Bonds, or

(2) the third full Fiscal Year during which no amount of interest on such Series of Additional Senior Bonds required to be on deposit in the Senior Debt Service Fund is expected to be funded from the proceeds thereof, the projected CFCs to be remitted to the Trustee (together with amounts projected to be on deposit in the Rolling Coverage Fund, if any, at the beginning of each applicable Fiscal Year up to an amount not to exceed 30% of the Maximum Aggregate Annual Debt Service on the Senior Bonds in each applicable Fiscal Year) for each such Fiscal Year, will be, as of the end of each such Fiscal Year, at least equal to 1.55 times the Maximum Aggregate Annual Debt Service on all Senior Bonds Outstanding (including such Additional Senior Bonds) during such Fiscal Year, and also will be sufficient, in each such Fiscal Year, after the funding of Aggregate Annual Debt Service on all Senior Bonds Outstanding, to fund Aggregate Annual Debt Service on any Subordinate Bonds Outstanding and any other amounts required to be deposited from CFCs to the Senior Reserve Fund, the Rolling Coverage Fund, any Subordinate Reserve Fund and the Renewal and Replacement Reserve Fund as described in the SECOND, THIRD, FIFTH and SEVENTH clauses under “—Flow of Funds” above; or (B) a certificate of the Authority to the effect that the CFCs remitted to the Trustee for any consecutive 12 months out of the immediately preceding 18 months prior to the date of issuance of such Additional Senior Bonds (together with amounts on deposit in the Rolling Coverage Fund, if any, at the beginning of the last full Fiscal Year occurring during such 12-month period up to an amount not to exceed 30% of the Aggregate Annual Debt Service on the Senior Bonds in such 12 month period) were at least equal to 1.55 times the Maximum Aggregate Annual Debt Service due on all Senior Bonds Outstanding (including such Additional Senior Bonds), and were also sufficient, after the funding of such Aggregate Annual Debt Service on all Senior Bonds Outstanding, to fund Aggregate Annual Debt Service on any Subordinate Bonds Outstanding for such 12-month period and any other amounts required to be deposited from CFCs during such 12-month period to the Senior Reserve Fund, the Rolling Coverage Fund, any Subordinate Reserve Fund and the Renewal and Replacement Reserve Fund as described in the SECOND, THIRD, FIFTH and SEVENTH clauses under “—Flow of Funds” above.

Neither the report of a Consultant nor the certificate of the Authority described in the previous paragraph will be required to be delivered at the time of the issuance of Additional Senior Bonds if:

(a) such Additional Senior Bonds are being issued as Refunding Senior Bonds and the Authority delivers to the Trustee a certificate substantially to the effect that either (i) after the issuance of the proposed Refunding Senior Bonds, the Aggregate Annual Debt Service on all Outstanding Senior Bonds (including the proposed Refunding Senior Bonds) will be less than or equal to that for each Fiscal Year within which any of the refunded Senior Bonds would have been Outstanding but for their having been refunded; or (ii) that the refunding will reduce or not increase the total debt service payments on the refunded Senior Bonds on a net present value basis; or

(b) such Additional Senior Bonds are being issued as Completion Senior Bonds (Additional Senior Bonds issued by the Authority in an aggregate principal amount not to exceed 10% of the original principal amount of the Series 2014 Bonds or Additional Senior Bonds for the purposes of completing the acquisition, construction, equipping and furnishing of the Project or Additional Special Facilities, as applicable).

Permitted Investments

Moneys and funds held by the Authority in the CFC Surplus Fund (including the CFC Project Account and the CFC Stabilization Account) will be invested by the Authority in Permitted Investments, subject to any restrictions set forth in the Indenture and subject to restrictions imposed upon the Authority. Moneys and funds held by the Trustee under the Indenture, including moneys in the CFC Revenue Fund, the Senior Debt Service Fund, the Senior Reserve Fund, the Rolling Coverage Fund, any

Subordinate Debt Service Fund, any Subordinate Reserve Fund and the Renewal and Replacement Fund may be invested as directed by the Authority in Permitted Investments, subject to the restrictions set forth in the Indenture, and subject to restrictions imposed upon the Authority. See “SAN DIEGO INTERNATIONAL AIRPORT—Summary of Financial Operations—Investment Practices.”

Events of Default and Remedies

Events of Default under the Indenture and related remedies are described in “APPENDIX B—CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE—THE INDENTURE—Events of Default and Remedies.” The Trustee is authorized to take certain actions upon the occurrence of an Event of Default under the Indenture, including proceedings to enforce the obligations of the Authority under the Indenture. See “CERTAIN INVESTMENT CONSIDERATIONS—Enforceability of Remedies” and “—Limitation on Amounts Available Upon the Occurrence of an Event of Default.”

THE PROJECT

Existing Rental Car Facilities

Currently, none of the rental car companies operating at the Airport have customer or operating facilities on Authority property. While some of the rental car companies lease a small area of on-Airport property from the Authority for overflow vehicle storage, the rental car companies operating at the Airport maintain their customer service facilities, operating and maintenance facilities and other overflow vehicle storage areas at locations off of the Airport, which they either own or lease from third parties. Rental car customers are required to be transported by individual rental car company courtesy shuttle buses to each of their respective facilities located outside of the Airport. All rental car courtesy shuttle vehicles are required by the Authority to pick up and drop off their customers at designated areas on the commercial curb at each of the terminals at the Airport.

The Project

The main component of the Project is the Rental Car Center. The Rental Car Center will be located on a 24.8 acre parcel of land on the north side of the Airport (the “Rental Car Center Site”). The Rental Car Center will consist of (i) a four-level parking garage containing 2,795 rental car ready/return spaces, (ii) a Quick Turn-Around vehicle service area adjoining the garage with 444 parking spaces, 36 fueling stations, 18 car wash bays and 15 light maintenance bays, (iii) a vehicle staging and storage area on the top level of the parking garage containing 2,108 parking spaces, (iv) a Customer Service Building, encompassing 33,729 square feet, with rental car counters and office space, and (v) a fuel distribution and storage system with 75,000 gallons of storage capacity. The Rental Car Center is being designed to meet the demand of the Rental Car Companies for the next 20 to 25 years. As of the date of this Official Statement, the Authority expects that at the time of opening of the Rental Car Center 10 rental car companies (representing 16 brands) will operate from the Rental Car Center and that approximately 96% of the Rental Car Center will be leased by these Rental Car Companies.

In addition to the Rental Car Center, the Project will consist of the Other Projects that will include (i) construction of a two-way perimeter road that will connect the Rental Car Center with the passenger terminals at the Airport and will be used by the common-use rental car customer shuttle buses to transport rental car customers between the Airport passenger terminals and the Rental Car Center, (ii) the purchase of shuttle buses to be used to transport rental car customers between the passenger terminals at the Airport and the Rental Car Center, (iii) construction of a staging/storage facility for the common-use rental car customer shuttle buses, (iv) construction of utility infrastructure improvements necessary for the construction and operation of the Rental Car Center, including: roadway surface improvements and

fixtures; the widening of Sassafras Street; and other utility infrastructure, including sewer, storm drain, fire water main, electrical and natural gas service, and other infrastructure, (v) construction of electrical distribution systems to provide power to the Rental Car Center and other improvements on the north side of the Airport, and (vi) construction of landscaping, sidewalk, and other improvements along Pacific Coast Highway. See “APPENDIX A—FINANCIAL FEASIBILITY REPORT” for additional information on the Project. In addition to the Rental Car Center and the Other Projects, the Authority is currently in the process of designing a restaurant that would be located at the Rental Car Center. The Authority currently estimates that the restaurant would cost approximately \$5 million to design and construct. The restaurant, if constructed, would be financed with available moneys of the Authority and would not be financed with CFCs or proceeds of the Series 2014 Bonds or Additional Bonds.

Pursuant to the provisions of the Rental Car Lease Agreements, each of the Rental Car Companies will be responsible for designing and constructing all improvements to their exclusive use space within the Rental Car Center that they deem necessary or desirable in connection with their rental car operations at the Rental Car Center.

Pursuant to the Rental Car Lease Agreements, the day-to-day operations and maintenance of the Rental Car Center and the Rental Car Center Site (except for certain areas reserved for Authority operations) will be the responsibility of the Rental Car Companies. However, certain costs and obligations associated with the operation and maintenance of the Rental Car Center and the Rental Car Center Site will be undertaken by the Authority, including, among other costs and obligations, (i) major maintenance of the Rental Car Center and the Rental Car Center Site to be funded with CFCs, and (ii) the operation, maintenance and repair of those areas of the Rental Car Center and the Rental Car Center Site used by the Authority. Any costs of the operation and maintenance of the Rental Car Center and the Rental Car Center Site, not otherwise paid with available CFCs (see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS—Flow of Funds”) will be reimbursed to the Authority by the Rental Car Companies. See “APPENDIX C—SUMMARY OF THE RENTAL CAR LEASE AGREEMENTS” for additional information on the operation and maintenance of the Rental Car Center and the Rental Car Center Site.

Pursuant to the terms of the Rental Car Lease Agreements, the Rental Car Companies are required to contract with a financially responsible, experienced manager (the “Facility Manager”) for the operation, maintenance and repair of the common-use areas, small operator shared area and certain other areas of the Rental Car Center. As of the date of this Official Statement, the Rental Car Companies had not selected a Facility Manager. Additionally, pursuant to the provisions of the Rental Car Lease Agreements, the Rental Car Companies are required to enter into a maintenance, operating and management agreement with an operator (the “Fuel Facility Manager”) for the storage tanks and appurtenant portions of the fueling system at the Rental Car Center. As of the date of this Official Statement, the Rental Car Companies had not selected a Fuel Facility Manager. See “APPENDIX C—SUMMARY OF THE RENTAL CAR LEASE AGREEMENTS.”

As part of the Rental Car Center, the Authority or a third party to be selected by the Authority will operate a common-use transportation system that will consist of using shuttle buses to transport rental car customers between the Airport passenger terminals and the Rental Car Center. The shuttle buses will use the two-way perimeter road that is being constructed as part of the Project to transport rental car customers between the Airport passenger terminals and the Rental Car Center. The costs of the common-use transportation system will be payable from CFCs on deposit in the CFC Stabilization Fund that are in excess of the Minimum Target CFC Stabilization Account Balance. In the event sufficient CFCs are not available to pay the costs of the common-use transportation system, pursuant to the Rental Car Lease Agreements, (i) the Authority may make the Authority Loans (up to \$5,000,000) to make-up any shortfalls occurring within the first five years of operation of the Rental Car Center, and (ii) the Rental

Car Companies have agreed to pay Common-Use Transportation Cost Supplemental Consideration to the Authority to make-up any shortfalls.

As of January 1, 2014, the Rental Car Center design was approximately 90% complete and the Other Projects design was approximately 80% complete. All environmental approvals required for construction of the Rental Car Center and the Other Projects have been received. Preliminary construction of the Rental Car Center began in September 2013, with completion and opening of the Rental Car Center anticipated by January 20, 2016. Construction of the Other Projects began in October, 2013, with completion expected to be on or before the opening of the Rental Car Center. As of the date of this Official Statement, the Authority had received all permits required for the preliminary construction of the Rental Car Center and the Other Projects that began in 2013. The Authority also expects to receive all additional permits that will be required to construct, occupy and operate the Rental Car Center and the Other Projects.

During the Rental Car Center site investigation, the Authority discovered an active earthquake fault crossing beneath the footprint of the Rental Car Center. The Rental Car Center is subject to the California Building Code, which prohibits occupied buildings from being constructed within 25 feet of such faults. As a result, the Rental Car Center design team redesigned the project by: (a) reconfiguring the footprint of the Rental Car Center, (b) relocating the orientation of the Rental Car Center, and (c) incorporating structural enhancements into the Rental Car Center that comply with the requirements of the California Building Code. Additionally, in connection with its issuance of a Certificate of Occupancy at the time of completion of construction of the Rental Car Center the City has indicated that it may require the Authority to execute a “Notice of Geologic and Geotechnical Conditions” (the “Geologic Notice”). The Geologic Notice could require the Authority to both indemnify the City and assume all risk and costs for all liabilities and damages resulting from injury, death, or damage sustained as a result of the failure of the Rental Car Center structure due to the presence of faulting on the property. At this time, the Authority cannot predict if the City will require the Authority to sign a Geologic Notice in connection with the issuance of the Certificate of Occupancy or what provisions may be included in such Geologic Notice. See “SAN DIEGO INTERNATIONAL AIRPORT—Risk Management and Insurance” for a discussion regarding the Authority’s inability to procure earthquake insurance at a reasonable cost or in significant amounts. See also “CERTAIN INVESTMENT CONSIDERATIONS—Construction and Operation of the Project.”

See also “SAN DIEGO INTERNATIONAL AIRPORT—Airport Environmental Matters—Master Plan Environmental Impact Report and Environmental Assessment.”

Project Budget

The Authority’s cost estimate for the Project is \$407 million, which the Authority believes is reasonably achievable. The Authority has engaged the services of U.S. Cost, an independent nationally recognized professional cost estimating company, to verify the estimated construction costs of the Project. Accordingly, the Authority has developed a plan of finance, including funding sources for the Project, totaling \$407 million. The Authority has entered into a Construction Management at Risk Services Agreement, as amended (including an amendment that provides for a guaranteed maximum construction price) (collectively, the “Rental Car Center Construction Contract”) with Austin-Sundt Joint Venture (the “Construction Contractor”) for the construction of the Rental Car Center and certain of the Other Projects, as described below. Pursuant to the Rental Car Center Construction Contract, the Authority and the Contractor have agreed to a guaranteed maximum construction price on the Rental Car Center of \$225,583,000. In addition to the Construction Contractor, the Authority has entered into contracts with West Coast General Corporation/PK Mechanical Systems, Inc., a joint venture, for construction of certain utility infrastructure improvements necessary for the construction and operation of the Rental Car Center,

including: roadway surface improvements and fixtures; the widening of Sassafras Street; and other utility infrastructure, including sewer, storm drain, fire water main, electrical and natural gas service.

The following table sets forth the costs of the major components of the Project. See “PLAN OF FINANCE AND APPLICATION OF SERIES 2014 BOND PROCEEDS—Plan of Finance” for a description of the sources of funding for the Project. See also “APPENDIX A—FINANCIAL FEASIBILITY REPORT—Section 1” for additional information on the Project and the funding sources for the Project.

Estimated Costs of the Project¹

Project Component	Cost
<i>Rental Car Center</i>	
Design	\$ 22,000,000
Construction	
Customer Service Building	34,762,000
Quick Turn Around Area	57,214,000
Ready/Return Area	79,113,000
Rental Car Storage Area	36,752,000
Site Work	<u>17,742,000</u>
Total Construction	\$225,583,000
Program and Construction Management	37,008,000
Insurance, Remediation, Permits & Art	16,173,000
Program Reserves and Contingencies	<u>15,360,000</u>
<i>Total Rental Car Center</i>	\$316,124,000
<i>Other Projects</i>	
Shuttle Bus Acquisition and Bus Storage and Staging Area	\$13,800,000
Northside Utility Infrastructure	17,815,000
Storm Drain Trunk Line	15,015,000
Terminal Link Road	16,269,000
Airport Electrical Distribution System	25,657,000
Northside Landscaping	<u>2,500,000</u>
Total Other Projects	\$ 91,056,000
Total Project	<u>\$407,180,000</u>

¹ Rounded to the nearest \$1,000.

Source: San Diego County Regional Airport Authority

Construction Contractor

Austin-Sundt Joint Venture, the Construction Contractor, is a joint venture between Austin Commercial, LP (“Austin”) and Sundt Construction, Inc. (“Sundt”). According to information provided by the Construction Contractor to the Authority, Austin and Sundt have been working together on

projects for 30 years as a joint venture, including experience constructing rental car facilities at Phoenix Sky Harbor International Airport, Atlanta Hartsfield-Jackson International Airport, Nashville International Airport and Austin-Bergstrom International Airport.

Rental Car Center Construction Contract

Under the Rental Car Center Construction Contract, the Authority and the Construction Contractor have agreed to a guaranteed maximum construction price on the Rental Car Center of \$225,583,000, which amount includes the cost of the work on the Rental Car Center (i.e. the administrative, supply, installation, construction, supervision, management, testing, verification, documentation and other duties required of the Construction Contractor under the Rental Car Center Construction Contract), the fees, taxes, insurances and performance/payment surety bonds required to be paid by the Construction Contractor, and design and construction contingencies. The Rental Car Center Construction Contract requires the Construction Contractor to provide performance and payment bonds, in the amount of the total price of the contract, payable to the Authority in the event the Construction Contractor does not faithfully perform all obligations and covenants set forth in the Rental Car Center Construction Contract. Additionally, pursuant to the Rental Car Center Construction Contract, the Construction Contractor will be required to pay the Authority liquidated damages in the event the Construction Contractor does not complete the different phases of the Rental Car Center by the specific deadlines set forth in the Rental Car Center Construction Contract.

Rental Car Lease Agreements

General. As of January 1, 2014, the Authority and 10 rental car companies (representing 16 brands, including, Hertz, Dollar, Thrifty, Firefly, Enterprise, National, Alamo, Avis, Zipcar, Fox, Budget, Advantage, Payless, EZ, Midway and Sixt) have entered into Rental Car Center Lease Agreements. The Rental Car Lease Agreements set forth provisions in connection with the construction of, leasing of space in and operating the Rental Car Center. Pursuant to the Rental Car Lease Agreements, the Authority has agreed to construct the Project and the Rental Car Companies have agreed to collect CFCs and remit the CFCs to the Trustee, as assignee of the Authority. The Rental Car Companies also have agreed to pay Bond Funding Supplemental Consideration to the Trustee, as assignee of the Authority, in the event CFCs collected by the Rental Car Companies and remitted to the Trustee, as assignee of the Authority, are not sufficient to pay debt service on the Series 2014 Bonds and to make certain other deposits under the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS—Customer Facility Charges,” “—Bond Funding Supplemental Consideration” and “—Flow of Funds.”

Each of the Rental Car Lease Agreements will have a term commencing on the earliest Commencement Date and extending until June 30, 2046 (the “Lease Term”); provided, however, in the event any Bonds have a maturity date in excess of the Lease Term and one or more provisions of the Indenture or a Supplemental Indenture require a longer term, the Lease Term will extend until the earlier of: (i) the date such Bonds are repaid, or (ii) the date any provision in the Indenture or a Supplemental Indenture that requires a longer term is either satisfied or waived. However, see “Termination of Rental Car Lease Agreements” below for a description of certain circumstances where the Rental Car Lease Agreements may be terminated by either the Authority or the Rental Car Companies prior to the end of the Lease Term.

“Commencement Date” is generally defined in the Rental Car Lease Agreement to mean June 1, 2015, and refers to the date on which the Authority turns over to the Rental Car Company the exclusive use premises (except for the vehicle storage area) for commencement of the Rental Car Company’s improvements to the exclusive use space. The vehicle storage area will be turned over by January 20, 2016.

See “APPENDIX C—SUMMARY OF THE RENTAL CAR LEASE AGREEMENTS.”

Termination of Rental Car Lease Agreements. The Rental Car Lease Agreements may be terminated by the Authority or a Rental Car Company prior to the end of the Lease Term if any of the following events occur:

Termination by the Authority. The Authority may terminate a Rental Car Lease Agreement if:

Default. Subject to any right to cure set forth in a Rental Car Lease Agreements, in the event a Rental Car Company defaults under its Rental Car Lease Agreement (see “Default by a Rental Car Company and Remedies of the Authority—Default by Rental Car Company” below).

Major Capital Improvement. In the event the Authority, in its sole discretion, requires the Rental Car Center or the Rental Car Center Site for a major capital improvement of the Airport, or for safety and security reasons, the Authority may terminate the Rental Car Lease Agreement by delivering to the Rental Car Company notice of termination not less than one year before the termination date specified in the termination notice.

Taking. In the event that any federal, state or local government or agency or instrumentality thereof (including the Authority), by condemnation or otherwise, takes title, possession or the right to possession of the Rental Car Center or the Rental Car Center Site or any part thereof, the Authority may, at its option, terminate a Rental Car Lease Agreement as of the date of such taking, and if the Rental Car Company is not in default under any of the provisions of the Rental Car Lease Agreement on said date, any rent or concession fees prepaid by the Rental Car Company will, to the extent allocable to any period subsequent to the effective date of the termination, be promptly refunded to the Rental Car Company. See “DESCRIPTION OF THE SERIES 2014 BONDS—Redemption Provisions—Extraordinary Mandatory Redemption of the Series 2014 Bonds.”

Court Decree. In the event that any court having jurisdiction in the matter renders a decision which has become final and which will prevent the performance by the Authority of any of its material obligations under the Rental Car Lease Agreement, then either the Authority or the Rental Car Company may terminate the Rental Car Lease Agreement by written notice, and all rights and obligations thereunder (with the exception of any undischarged rights and obligations that accrued prior to the effective date of termination) will thereupon terminate. If the Rental Car Company is not in default under any of the provisions of the Rental Car Lease Agreement on the effective date of such termination, any rent or concession fees prepaid by the Rental Car Company will, to the extent allocable to any period subsequent to the effective date of the termination, be promptly refunded to the Rental Car Company.

Termination by a Rental Car Company. A Rental Car Company, at its option, may declare the Rental Car Lease Agreement terminated in its entirety, with no penalty to or further liability of the Rental Car Company, upon the happening of any one or more of the following events:

(a) A court of competent jurisdiction issues an injunction or restraining order against the Authority preventing or restraining, in its entirety or substantial entirety, the use of the Airport for Airport purposes.

(b) The Authority abandons the Airport for a period of at least 30 consecutive days and fails to operate and maintain the Airport in such manner as to permit landings and takeoffs of airplanes by scheduled air carriers.

(c) The Airport or a material portion of the Airport or Airport facilities is destroyed, resulting in material interference with the Rental Car Company's normal business operations or substantial diminution of the Rental Car Company's gross revenues at the Airport for a period in excess of 60 consecutive days. See "DESCRIPTION OF THE SERIES 2014 BONDS—Redemption Provisions—Extraordinary Mandatory Redemption of the Series 2014 Bonds."

(d) An agency or instrumentality of the United States government or any state or local government occupies the Airport or a substantial part thereof for any reason, resulting in material interference with the Rental Car Company's normal business operations or substantial diminution of the Rental Car Company's gross revenues at the Airport for a period in excess of 60 consecutive days.

(e) The Rental Car Company submits, in consideration of the Rental Car Company's then-existing financial circumstances, a good faith bid for a Rental Car Concession Agreement to operate a rental car concession at the Airport for the initial and each subsequent concession term but any such bid is not accepted by the Authority and the Rental Car Company is not granted or loses its right to operate a rental car concession at the Airport.

Default by a Rental Car Company and Remedies of the Authority.

Default by Rental Car Company. The occurrence of any of the following events will constitute an "Event of Default" under a Rental Car Lease Agreement on the part of a Rental Car Company with or without notice from the Authority:

(a) The vacating or abandonment of the Rental Car Center and the Rental Car Center Site by the Rental Car Company.

(b) The failure by the Rental Car Company to collect and remit the CFCs as required by the Rental Car Lease Agreement when due.

(c) The failure by the Rental Car Company to make any payment of rent, fees or any other payment required by the Rental Car Lease Agreement or the Rental Car Concession Agreement, when due.

(d) The failure by the Rental Car Company to make any payment to the Facility Manager or Fuel Facility Manager required by the Rental Car Lease Agreement or the agreement between the Rental Car Companies and the Facility Manager or the Fuel Facility Manager (as the case may be) when due.

(e) The failure by the Rental Car Company to observe or perform any covenant, condition, or agreement to be observed or performed by the Rental Car Company under the Rental Car Lease Agreement or the Rental Car Concession Agreement.

(f) The failure by the Rental Car Company to observe or perform any covenant, condition, or agreement to be observed or performed by the Rental Car Company in the agreement between the Rental Car Companies and the Facility Manager or Fuel Facility Manager (as the case may be).

(g) The discovery by the Authority that any financial or background statement provided to the Authority by the Rental Car Company, any successor, grantee, or assignee was materially false.

(h) The filing by the Rental Car Company of a petition in bankruptcy, the Rental Car Company being adjudged bankrupt or insolvent by any court, a receiver of the property of the Rental Car Company being appointed in any proceeding brought by or against the Rental Car Company, the Rental

Car Company making an assignment for the benefit of creditors, or any proceeding being commenced to foreclose any mortgage or other lien on the Rental Car Company's interest in the Rental Car Center or the Rental Car Center Site or on any personal property kept or maintained in the Rental Car Center or the Rental Car Center Site by the Rental Car Company.

Remedies of the Authority. In addition to, and not in lieu of or to the exclusion of, any other remedies provided in the Rental Car Lease Agreement or to any other remedies available to the Authority at law or in equity, and subject to the Authority's obligation to mitigate as described in paragraph (iii) below:

(i) Whenever any default (other than a default under clause (h) above under "Default by Rental Car Company," upon which termination of the Rental Car Lease Agreement will, at the Authority's option, be effective immediately without further notice) continues unremedied in whole or in part for 30 days after a notice of default is provided by the Authority to the Rental Car Company (or for 15 days after a notice of default in the case of default for failure to pay any rent, fees or other required payment under clauses (c) and (d) above under "Default by Rental Car Company" when due), the Rental Car Lease Agreement and all of the Rental Car Company's rights under it will automatically terminate if the notice of default so provides. Upon termination, the Authority may reenter the portions of the Rental Car Center and the Rental Car Center Site leased by the defaulting Rental Car Company using such force as may be necessary and remove all persons and property from the portions of the Rental Car Center and the Rental Car Center Site leased by the Rental Car Company. The Authority will be entitled to recover from the Rental Car Company all unpaid Land Rent and any Facility Rent, unremitted CFCs, unpaid Reimbursable O&M Costs and any other sum or charge otherwise payable by the Rental Car Company (including, but not limited to, Bond Funding Supplemental Consideration), or any other payments and damages incurred because of the Rental Car Company's default including, but not limited to, the reasonable and necessary costs of re-letting, including any tenant improvements reasonably required, renovations or repairs reasonably required, any advertising reasonably required, any leasing commissions reasonably required, and attorney's fees and costs reasonably required ("Termination Damages"), together with interest on all Termination Damages at the default rate set forth in the Rental Car Lease Agreement, from the date such Termination Damages are incurred by the Authority until paid.

(ii) In addition to Termination Damages, and notwithstanding termination and reentry, the Rental Car Company's liability for all Space Rent, Concession Fees, other sums or charges otherwise payable by the Rental Car Company (including, but not limited to, Bond Funding Supplemental Consideration), or other charges which, but for termination of the Rental Car Lease Agreement, would have become due over the remainder of the Lease Term ("Future Charges") will not be extinguished and the Rental Car Company agrees that the Authority will be entitled, upon termination for default, to collect as additional damages, a Rental Deficiency.

"Rental Deficiency" means, at the Authority's election, either:

(A) An amount equal to Future Charges, less the amount of actual rent and fees, if any, which the Authority receives during the remainder of the Lease Term from others to whom the portions of the Rental Car Center and the Rental Car Center Site leased by the Rental Car Company may be rented, in which case such Rental Deficiency will be computed and payable at the Authority's option either:

(1) In an accelerated lump-sum payment discounted to present worth, or

(2) In monthly installments, in advance, on the first day of each calendar month following termination of the Rental Car Lease Agreement and continuing until the

date on which the Lease Term would have expired but for such termination, and any suit or action brought to collect any portion of Rental Deficiency attributable to any particular month or months, will not in any manner prejudice the Authority's right to collect any portion of Rental Deficiency by a similar proceeding; or

(B) An amount equal to Future Charges less the aggregate fair rental value of the portions of the Rental Car Center and the Rental Car Center Site leased by the Rental Car Company over the remaining Lease Term, reduced to present worth. In this case, the Rental Deficiency must be paid to the Authority in one lump sum, on demand, and will bear interest at the default rate set forth in the Rental Car Lease Agreement until paid. For purposes of this subsection, "present worth" is computed by applying a discount rate equal to one percentage point above the discount rate then in effect at the Federal Reserve Bank in, or closest to, San Diego, California.

(iii) If the Rental Car Lease Agreement is terminated for default as provided in the Rental Car Lease Agreement, the Authority will use reasonable efforts to re-let the portions of the Rental Car Center and the Rental Car Center Site leased by the defaulting Rental Car Company in whole or in part, alone or together with other premises, for such term or terms (which may be greater or less than the period which otherwise would have constituted the balance of the Lease Term), for such use or uses and, otherwise on such terms and conditions as the Authority, subject to the terms of the Rental Car Lease Agreement but otherwise in its sole discretion, may determine, but the Authority will not be liable for, nor will the Rental Car Company's obligations under the Rental Car Lease Agreement be diminished by reason for any failure by the Authority to re-let the portions of the Rental Car Center and the Rental Car Center Site leased by the defaulting Rental Car Company or any failures by the Authority to collect any rent due upon such re-letting. Notwithstanding the foregoing, the Authority and each of the Rental Car Companies have agreed that in the event that a Rental Car Lease Agreement is terminated for default, the Authority must – prior to leasing the portions of the Rental Car Center and the Rental Car Center Site leased by the defaulting Rental Car Company to anyone other than a rental car company – first make reasonable efforts to relet the premises to one or more rental car companies. In the event that the Authority is unable to relet the portions of the Rental Car Center and the Rental Car Center Site leased by the defaulting Rental Car Company to one or more rental car companies, the Authority may then lease the portions of the Rental Car Center and the Rental Car Center Site leased by the defaulting Rental Car Company to any other person or entity; provided, however, the portions of the Rental Car Center and the Rental Car Center Site leased by the defaulting Rental Car Company may not be used for purposes of providing shuttle, limousine or other ground transportation service in competition with the rental car industry.

Rental Car Concession Agreement

General Provisions. In addition to the Rental Car Lease Agreements, the Authority and each of the Rental Car Companies have entered into a Non-Exclusive On-Airport Rental Car Concession Agreement (each a "Rental Car Concession Agreement"), pursuant to which the Authority has granted to each of the Rental Car Companies the right to operate a rental car concession at the Airport from the Rental Car Center on a nonexclusive basis for the purpose of arranging rental car services for the benefit of Airport customers where such rental car service is furnished by or on behalf of the Rental Car Company. Only Rental Car Companies that have entered into a Rental Car Concession Agreement are allowed to enter into a Rental Car Lease Agreement. Pursuant to the Rental Car Concession Agreements, each of the Rental Car Companies will pay the Authority a monthly concession fee equal to the greater of (a) a minimum monthly guarantee set forth in the Rental Car Concession Agreements or (b) 10% of the monthly gross revenues of such Rental Car Company. The concession fees collected under the Rental Car Concession Agreements are not pledged to the payment of the Series 2014 Bonds and will not be used or made available by the Authority to make any debt service payments on the Series 2014 Bonds.

Each of the Rental Car Concession Agreements has a term commencing on the Opening Date of the Rental Car Center and, unless earlier terminated pursuant to any provision set forth in the Rental Car Concession Agreement, will extend for a period expiring June 30, 2026. The Rental Car Companies have agreed that the Authority will have, at the Authority's sole discretion, the option to extend the Rental Car Concession Agreements for four separate 5-year periods. Each additional 5-year term for which this option is exercised will commence at the expiration of the immediately preceding term. The Authority will give written notice of an extension for any such term to the Rental Car Company no later than April 1st prior to the expiration of the immediately preceding term.

Termination of Rental Car Concession Agreements. A Rental Car Concession Agreement may be terminated in advance of its scheduled expiration date as a result of the following events:

Default. Pursuant to the Rental Car Concession Agreements, the occurrence of any of the following events will constitute an event of default under the Rental Car Concession Agreements: (a) the Rental Car Company vacates or abandons the Rental Car Center and the Rental Car Center Site; (b) the Rental Car Company fails to collect and remit CFCs to the Authority as required by the Rental Car Lease Agreement; (c) the Rental Car Company fails to make any payment of rent, fees or any other payments required by the Rental Car Lease Agreement or the Rental Car Concession Agreement; (d) the Rental Car Company fails to observe or perform any covenant, condition or agreement to be observed or performed by the Rental Car Company in the Rental Car Lease Agreement or the Rental Car Concession Agreement; (e) the discovery by the Authority that any financial or background statement provided by the Rental Car Company was materially false; or (f) the Rental Car Company files a petition in bankruptcy, the Rental Car Company is adjudged bankrupt or insolvent by any court, a receiver of the property of the Rental Car Company is appointed in any proceeding brought by or against the Rental Car Company, the Rental Car Company makes an assignment for the benefit of creditors, or any proceeding being commenced to foreclose any mortgage or other lien on the Rental Car Company's interest in the Rental Car Center or the Rental Car Center Site or on any personal property kept or maintained in the Rental Car Center or the Rental Car Center Site by the Rental Car Company.

Termination of Rental Car Lease Agreement. The Rental Car Lease Agreement is terminated for any of the reasons described above under “—Rental Car Lease Agreements—Termination of Rental Car Lease Agreements.”

Court Decree. Any court having jurisdiction in the matter renders a decision which has become final and which will prevent the performance by the Authority of any of its material obligations under the Rental Car Concession Agreement, then either the Authority or the Rental Car Company may terminate the Rental Car Concession Agreement by written notice, and all rights and obligations thereunder (with the exception of any undischarged rights and obligations that accrued prior to the effective date of termination) will thereupon terminate. If the Rental Car Company is not in default under any of the provisions of the Rental Car Concession Agreement on the effective date of such termination, any rent or concession fees prepaid by the Rental Car Company will, to the extent allocable to any period subsequent to the effective date of the termination, be promptly refunded to the Rental Car Company.

CUSTOMER FACILITY CHARGES AND RENTAL CAR OPERATIONS

Rental Car Operations at the Airport

As of January 1, 2014, the following 20 rental car brands provided rental car services at the Airport: A1, Ace, Advantage (Advantage is currently reorganizing under a Chapter 11 bankruptcy proceeding, but will continue to operate at the Airport while it reorganizes), Alamo, Avis, Budget, Dollar, Enterprise, E-Z, Fox, Firefly, Go-Rentals, Hertz, Midway, National, Pacific, Payless, Thrifty, Travcar and

Zipcar. In Fiscal Year 2013, approximately 91.7% of the rental car market at the Airport was controlled by three rental car companies and their eleven brands: Hertz (which includes the Hertz, Dollar, Thrifty and Firefly brands), Enterprise (which includes the Enterprise, National and Alamo brands) and Avis Budget (which includes the Avis, Budget (even though Budget is owned by Avis Budget, Budget is operated as a franchise at the Airport), Payless (even though Payless is owned by Avis Budget, Payless is operated as a franchise at the Airport) and Zipcar brands). Currently, none of the rental car companies operating at the Airport have customer or operating facilities on Authority property. While some of the rental car companies lease a small area of on-Airport property from the Authority for overflow vehicle storage, the rental car companies operating at the Airport maintain their customer service facilities, operating and maintenance facilities and other overflow vehicle storage areas at locations off-Airport, which they either own or lease from third parties.

Prior to the opening of the Rental Car Center, the rental car companies operating at the Airport will continue to operate at the Airport pursuant to their respective Rental Car License Agreements. The Rental Car License Agreements have a stated expiration date of December 31, 2015. Pursuant to the Rental Car License Agreements, the rental car companies are required to collect CFCs and to remit the CFCs to the Authority (after the issuance of the Series 2014 Bonds, the Authority will direct the Rental Car Companies to remit CFCs to the Trustee, as assignee of the Authority); however, the rental car companies are not required to pay Bond Funding Supplemental Consideration under the Rental Car License Agreements. Upon the opening of the Rental Car Center, the Rental Car Companies will be subject to the terms of the Rental Car Lease Agreements and the Rental Car Concession Agreements and the Rental Car License Agreements will terminate.

The following table sets forth the market share of the rental car companies for Fiscal Year 2013. All of the rental car companies operating at the Airport on January 1, 2014, have executed the Rental Car Lease Agreement and will operate from the Rental Car Center, except Gitbin & Associates, Inc. (who operates the Go-Rentals brand), RLZ, Inc. (who operates the Pacific brand), South CA A1 Car Rental, Inc. (who operates the A1 brand) and Pneuma Enterprises, Inc. (who operates the Ace and Travcar brands).

TABLE 2
San Diego International Airport
Market Share of Rental Car Brands
Fiscal Year 2013

Corporate Entity	Rental Car Brands	Fiscal Year 2013 Share by Gross Revenues
Hertz Global Holdings, Inc.	Hertz, Dollar, Thrifty and Firefly	35.7%
Enterprise Holdings, Inc.	Enterprise, Alamo and National	28.6
Avis Budget Group, Inc.	Avis, Budget ¹ , Payless ¹ and Zipcar	27.4
Others	A1, Ace, Advantage, E-Z, Fox, Go-Rentals, Midway, Pacific and Travcar	8.3

¹ Operated as a franchise at the Airport.

Source: San Diego County Regional Airport Authority

For a further description of current rental car operations at the airport, as well as a discussion of the rental car industry and market, both nationally and at the Airport, see “APPENDIX A—FINANCIAL FEASIBILITY REPORT.”

Historical Rental Car Demand and CFC Collections at the Airport

The following table sets forth the number of visiting O&D deplaned passengers, the total rental car transaction days, the total rental car transaction days subject to the CFC and the total amount of CFCs received by the Authority for Fiscal Years 2009 through 2013.

TABLE 3
San Diego International Airport
Historical Rental Car Demand and CFC Collections
Fiscal Years 2009-13

Fiscal Year	Visiting O&D Deplaned Passengers¹	Total Transactions¹	Total Rental Car Transaction Days²	Percentage of Transaction Days Subject to the CFC^{3,4}	Total CFCs Received by the Authority^{1,4}
2009	5,075,000	1,119,606	5,107,975	74%	\$ 1,695,270
2010	5,064,000	1,105,705	4,999,867	74	10,782,512
2011	5,066,000	1,126,029	5,007,790	75	10,986,467
2012	5,156,000	1,182,575	5,407,664	74	11,486,962
2013	5,217,000	1,191,549	5,441,010	73	19,117,217

¹ Source: San Diego County Regional Airport Authority

² Source: San Diego County Regional Airport Authority and rental car company records

³ Estimated by the Feasibility Consultant, based on sample data provided by rental car companies for four brands that accounted for 37% of gross revenues at the Airport in Fiscal Year 2013.

⁴ The Authority began collecting CFCs at the Airport in May 2009. From May 2009 until November 1, 2012, the Authority collected a CFC of \$10.00 per transaction. Beginning on November 1, 2012, the Authority began collecting a CFC at a rate equal to \$6.00 per rental car transaction day (limited to 5 transaction days per transaction).

THE AUTHORITY

General

The Port District operated the Airport from 1963 until December 31, 2002. Pursuant to the Act, the California Legislature created the Authority and transferred, by long-term lease, the operations of the Airport to the Authority effective January 1, 2003.

The Authority is vested with four principal responsibilities: (a) operating the Airport System (the main asset of which is the Airport); (b) planning and operating any future airport that could be developed as a supplement or replacement to the Airport; (c) developing a comprehensive land use compatibility plan as it may relate to the Airport System for the entire County; and (d) serving as the region’s airport land use commission.

Board of Directors

The Authority is governed by a nine-member board of directors (the “Board”), with two or more additional members serving as non-voting, *ex-officio* board members. Board members serve three-year

terms. Three members of the Board serve as the Executive Committee. Pursuant to the Act, the members of the Board are appointed as follows: the Mayor of the City appoints three members (two of which are subject to confirmation by the City Council); the Chair of the Board of Supervisors of the County appoints two members (subject to confirmation by the Board of Supervisors of the County); the mayors of the east county cities (El Cajon, La Mesa, Lemon Grove and Santee) appoint one member; the mayors of the north county coastal cities (Carlsbad, Del Mar, Encinitas, Oceanside and Solana Beach) appoint one member; the mayors of the north county inland cities (Escondido, Poway, San Marcos and Vista) appoint one member; and the mayors of the south county cities (Chula Vista, Coronado, Imperial Beach and National City) appoint one member. The Board also consists of three non-voting, *ex-officio* members. Two of the non-voting, *ex-officio* members serve as the District Director of the State Department of Transportation for the San Diego region and the Department of Finance representative for the State Lands Commission and are subject to appointment by the Governor of the State. The third non-voting, *ex-officio* members is a representative of the United States Navy and the United States Marine Corps.

The current members of the Board are set forth below.

	<u>Occupation</u>	<u>Appointing Authority</u>	<u>Current Term Expires</u>
<u>Executive Committee</u>			
Robert H. Gleason (Chair)	Chief Financial Officer and General Counsel, Evans Hotels	Mayor, City of San Diego	January 31, 2014 ¹
Paul Robinson (Vice Chair)	Partner, Hecht Solberg Robinson Goldberg and Bagley LLP	Chair, San Diego County Board of Supervisors	January 31, 2017
Tom Smisek	Retired; Captain, Delta Air Lines	Mayors, South County Cities	January 31, 2015
<u>General Members</u>			
David Alvarez	Councilman, City of San Diego	Mayor, City of San Diego	January 31, 2016
Bruce R. Boland	Retired Rear Admiral, U.S. Navy	Mayor, City of San Diego	January 31, 2015
Greg Cox	San Diego County Supervisor	Chair, San Diego County Board of Supervisors	January 31, 2016
Jim Desmond	Mayor, City of San Marcos; Captain, Delta Air Lines	Mayors, North County Inland Cities	January 31, 2015
Lloyd B. Hubbs	Retired Public Works Director for the City of Carlsbad	Mayors, North County Coastal Cities	January 31, 2017
Mary Sessom	Mayor, City of Lemon Grove	Mayors, East County Cities	January 31, 2016
<u>Ex-Officio Members</u>			
Laurie Berman	District Director for the California Department of Transportation, San Diego Region	Governor, State of California	N/A
Colonel John Farnam	Commander, Marine Corps Air Station Miramar	United States Navy/United States Marine Corps	N/A
Eraina Ortega	Chief Deputy Director, Policy, Department of Finance, State of California	Governor, State of California	N/A

¹ Mr. Gleason's term expired on January 1, 2014. Mr. Gleason will continue to serve on the Board until a replacement is appointed or he is re-appointed by the Mayor of the City of San Diego.

The fundamental powers and functions of the Authority are established by the Act. The Act empowers the Board to adopt more specific rules to guide the conduct of the Board, officers and employees of the Authority, and those persons and entities that interact with the Authority or utilize the

premises and property of the Authority. The Board has exercised that power by adopting codes that govern and regulate the conduct of persons, organizations and other third parties that use the facilities under the Authority's jurisdiction; and policies that address the Authority's internal operations and governance.

Pursuant to its policies, the Board has established the Audit Committee, the Executive Committee, the Executive Personnel and Compensation Committee, the Finance Committee and the Capital Improvement Program Oversight Committee. Each committee is required to include one Executive Committee member. All committee appointments are for a one-year term. The Board may establish or maintain additional Board committees from time to time as necessary or appropriate in accordance with the Authority's policies.

Executive Management

Thella F. Bowens, President and CEO/Executive Director. In March 2003, Thella F. Bowens was appointed President/CEO of the Authority. As President/CEO, Ms. Bowens is responsible for management oversight of the Authority, the Authority's \$213 million annual operating budget, the Authority's approximately \$1.6 billion five-year capital program, and 366 employees. Prior to 2003, when the Port District operated the Airport, she was the Port District's Senior Director of Aviation for seven years. From September 2001 through December 2002, Ms. Bowens served simultaneously as Interim Executive Director/President of the Authority as required by the enabling legislation. In her role as Interim Executive Director, she led the planning and implementation of the transfer of the Airport from the Port District. Prior to coming to San Diego, she served as the Deputy Executive Director of Kansas City's Aviation Department, which included Kansas City International Airport and the city's two general aviation airports. Ms. Bowens previously served as Budget Administrator of the Dallas/Fort Worth International Airport ("DFW"). She has more than 30 years of experience in public administration, with the last 24 years in the aviation industry. Ms. Bowens holds a Bachelor of Arts from Barnard College of Columbia University and has done graduate work at the University of North Texas and University of Missouri-Kansas City. She is also a graduate of the Executive Leadership Institute sponsored by the National Forum for Black Public Administrators. In addition to her professional associations, Ms. Bowens is a past chair of the Board of Airports Council International – North America and a member of the World Governing Board of ACI. She also is a member of the American Association of Airport Executives Policy Review Committee, the San Diego World Trade Center, the San Diego Regional Economic Development Corporation, and the San Diego Regional Chamber of Commerce. In June 2010, Ms. Bowens was appointed by the Secretary of the Department of Transportation, Ray LaHood, as one of three airport representatives to the Future of Aviation Advisory Committee. Previously, she was a member of the board of the San Diego United Way, the San Diego Symphony, and the National Conflict Resolution Center.

Vernon D. Evans, Vice President, Finance/CFO and Treasurer. In March 2003, Vernon D. Evans joined the Authority as Vice President, Finance/CFO and Treasurer. He oversees the Accounting, Financial Planning and Budget, Aviation and Commercial Business, and the Small Business departments. Prior to joining the Authority, he worked for Dallas/Fort Worth International Airport ("DFW"). Mr. Evans began his airport career at DFW in March 1986, where he established financial controls and directed the airport's internal audit activities. He held other positions during his tenure with DFW, including Director of Audit Services, Deputy Executive Director – Administrative Services and Chief Financial Officer, and Executive Vice President of Finance and Chief Financial Officer. Before joining DFW, Mr. Evans was Chief Internal Auditor for the Fort Worth Independent School District ("FWISD"). In this capacity, he organized the accounting and finance departments to establish proper financial controls. Prior to being employed by FWISD, Mr. Evans was a manager with Ernst & Whinney Certified Public Accountants. In addition to being a certified public accountant (licensed in Texas and California),

he is a certified internal auditor, a certified management accountant, a certified fraud examiner, a certified government financial manager, a chartered global management accountant and a forensic certified public accountant. Mr. Evans has served on the Texas State Board of Public Accountancy, the Institute of Internal Auditors, the National Association of Black Accountants, the Fort Worth Chapter of the Texas Society of Certified Public Accountants and the Area Metropolitan Ambulance Authority Board of Fort Worth. He also has served on various accounting advisory boards, including the University of North Texas, Tarrant County College, Howard University and Texas Christian University. In 1989, Mr. Evans founded the Association of Airport Internal Auditors and served as its president for two years. The association has grown to include 64 airports. Most recently, he was inducted into the American Institute of CPA's Business and Industry Hall of Fame and was selected as the CFO of the Year by the San Diego Business Journal. He has received the Distinguished Budget Presentation award and the Certificate of Achievement for Excellence in Financial Reporting from the Government Financial Officers Association as well as the Certificate of Excellence Investment Policy from the Association of Public Treasurers of the United States and Canada on numerous occasions. Mr. Evans was the chairman of the Board of Directors of the Fort Worth Metropolitan YMCA in 1992 and 1993. He also served on the board of directors of the Fort Worth Metropolitan Black Chamber of Commerce, Day Care Association, the Fort Worth McDonald YMCA, and the San Diego Jackie Robinson YMCA. He currently serves as a member of the YMCA Corporate Board of San Diego, Treasurer of the Civic San Diego Redevelopment Agency and President of the Financial Executives International. Mr. Evans graduated from the University of North Texas (formerly North Texas State University) with both a Bachelor's and Master's Degree in Accounting.

Angela Shafer-Payne, Vice President, Operations. Angela Shafer-Payne is the Vice President, Operations for the Authority. Ms. Shafer-Payne is responsible for airside and landside operations, facility maintenance, emergency preparedness and public safety and security. She has worked at the Airport since 1995. In various capacities Ms. Shafer-Payne has been responsible for airport contracts, marketing, finance, operations and business planning for the Airport. She was the staff lead for the creation of an independent airport authority in 2002 until her appointment to Vice President in December 2002. Ms. Shafer-Payne led the legislatively-mandated ballot initiative that sought a replacement airport for the Airport. She was responsible for the State and federal environmental documents in connection with the Green Build capital improvement program at the Airport. Ms. Shafer-Payne also has overseen the development of over a dozen land use plans within the San Diego region, including two military installations. She currently sits on the Board of Junior Achievement and the Planning Committee of the Downtown Partnership. Ms. Shafer-Payne received a Bachelor of Business Administration with a major in Airport Administration from the University of North Dakota and she holds an Instrument Rated Pilot's License.

Jeffrey Woodson, Vice President, Development. Jeffrey A. Woodson is the Vice President, Development for the Authority. Mr. Woodson joined the Airport in 2002. In his capacity as Vice President, Development, he is responsible for the Facilities Development, Airport Design and Construction, Airport Planning and Environmental Affairs departments. Prior to his current position, Mr. Woodson was the Vice President, Administration. He also has managed other programs for the Authority, including, among others, the establishment of initial financial and administrative policies for the Authority, and the successful negotiations between both the California Teamsters Union, Local 911 and the San Diego City Employees' Retirement System. Mr. Woodson also participated on the Authority's negotiating team that successfully negotiated a \$125 million separation agreement with the Port District. Prior to joining the Airport, he served as the Director of Management & Budget for the City of Dayton, Ohio and the City of Richmond, Virginia. Mr. Woodson also served as Assistant City Manager in Portsmouth, Virginia. He has over 30 years of experience working for government entities, including the Commonwealth of Virginia. In Richmond, Mr. Woodson was responsible for operating appropriations totaling \$750 million and in Dayton, he was responsible for operating appropriations

totaling \$600 million. As the Director of Management & Budget in both Dayton and Richmond, he achieved the Distinguished Budget Presentation Award from the Government Finance Officers Association nine times. During his service for the City of Richmond, he received two Virginia Municipal League Awards, one for Effective Government in 1997 and the other for Excellence in Government in 1984. Mr. Woodson holds a Master of Public Administration degree from Virginia Commonwealth University and a Bachelor of Arts degree from Virginia State University. He also is a graduate of the Management Excellence Program sponsored by the Cooper Center for Public Service at the University of Virginia and the Executive Leadership Institute program sponsored by the National Forum for Black Public Administrators. Mr. Woodson is a member of the Government Finance Officers Association, the National Forum for Black Public Administrators and the American Association of Airport Executives. He also serves on the Board of Directors for the San Diego Workforce Partnership and is currently president of the San Diego chapter of the Tuskegee Airmen International. He previously served on the Board of Directors for the San Diego Council on Literacy.

Mark Burchyett, Chief Auditor. Mark Burchyett is the Chief Auditor of the Authority. Mr. Burchyett joined the Authority in 2005. Prior to joining the Authority, he served as the Director of Internal Audit for St. Louis County, reporting to the St. Louis County Council. Mr. Burchyett's three years with St. Louis County were preceded by serving as the Director of Internal Audit for the St. Charles County Government. He worked as the Enterprise Risk Services Manager for Deloitte & Touche, LLP, prior to his government service. Mr. Burchyett has served as a Senior Financial/Operational Auditor, Regulatory Auditor, and an Accounting Instructor with Eastern Illinois University. Mr. Burchyett is currently a part-time Accounting Instructor at Palomar College in San Marcos. He holds a Bachelors degree and a Masters in Business Administration from Eastern Illinois University. Mr. Burchyett is a certified public accountant, a certified internal auditor, a certified fraud examiner, and a certified information systems auditor. He also has accreditation in internal quality assessment/validation for internal audit departments.

Breton K. Lobner, General Counsel. Breton K. Lobner serves as General Counsel for the Authority. Prior to his current position, Mr. Lobner served as Sr. Assistant City Attorney and General Counsel for Los Angeles World Airports, operator of Los Angeles International, LA/Ontario International, Van Nuys and Palmdale Regional Airports. For the past 37 years, his practice has specialized in airport matters dealing with aircraft noise, rates and charges, transportation, the environment, eminent domain, contracts and concessions, revenue diversion and real property. He drafted and successfully defended in federal court one of only two new airport noise laws in the U.S. adopted following passage of the Airport Noise and Capacity Act of 1990. He graduated from the University of California (Davis) and received his Juris Doctor from the University of Pacific, McGeorge School of Law, where he was a member of Law Review and the Honor Society. He is admitted to practice law in the State of California and before the United States Supreme Court.

Employees and Labor Relations

The Authority employs approximately 366 full-time employees. Approximately 101 of these employees (primarily maintenance workers, airport traffic officers and certain supervisors) are members of the Teamsters Local 911 labor union. Labor relations with respect to those 101 employees are governed by a labor agreement between the Authority and Teamsters Local 911, which will expire on September 30, 2017.

Approximately 40 of the Authority's employees are members of a classified service group. Labor relations with respect to these employees is governed by state law applicable to classified service employees. The remaining employees of the Authority are employees-at-will and are not subject to any

collective bargaining agreement. The Authority has never experienced any disruption in its operations due to labor related matters.

SAN DIEGO INTERNATIONAL AIRPORT

Introduction

The Airport is located approximately three miles northwest of downtown San Diego on approximately 661 acres of land. The Airport is bounded by San Diego Bay, military facilities and residential areas. Dedicated on August 16, 1928, the Airport was originally named “San Diego Municipal Airport—Lindbergh Field.” The Airport gained international airport status in 1934 when it became the first federally certified airfield to serve all aircraft types, including seaplanes. World War II brought significant change to the airfield when the U.S. Army Air Corps took it over in 1942 to support the war effort. The infrastructure of the Airport was improved to handle the heavy bombers being manufactured in the region during the war. This transformation, including an 8,750-foot runway (now 9,401 feet), made the Airport jet-ready long before jet passenger planes came into widespread service.

The Airport is located on land leased from the Port District. The leases for most of the land leased from the Port District expire in 2068. The land upon which the Airport is located is held in trust by the Port District pursuant to certain tideland land grants from the State to the Port District. Under current law, in the event the Airport is relocated and the current location is no longer used by the Authority for airport purposes, all of the Authority’s leases with the Port District would terminate and the right to use the property subject to those leases would revert to the Port District.

According to ACI statistics, the Airport is the busiest single-runway commercial airport in the United States. The Airport is classified by the FAA as a “large air traffic hub” (an airport that enplanes over 1.0% of the total domestic passengers in the United States). As of January 1, 2014, the Airport handled air transportation for 23 major and commuter passenger airlines. In Fiscal Year 2013, the Airport (a) enplaned approximately 8.74 million passengers (which represented an approximately 1.9% increase in enplaned passengers from the fiscal year ended June 30, 2012), and (b) deplaned approximately 8.70 million passengers (which represented an approximately 1.6% increase in deplaned passengers from the fiscal year ended June 30, 2012). For the calendar year ended December 31, 2012 (the most recent period for which O&D information is available), approximately 94% of the passengers using the Airport were O&D passengers. According to ACI statistics, for the calendar year ended December 31, 2012 (the latest available information from ACI), the Airport was ranked as the 28th busiest airport in the country as measured by total number of enplaned and deplaned passengers.

Pursuant to the Act, the Authority was required to study alternative sites for relocating the Airport and proposing a county-wide ballot measure regarding the relocation of the Airport. After a thorough study, the Authority concluded that the best alternative for relocating the Airport was to obtain approximately 3,000 acres at Marine Corps Air Station-Miramar and to construct a new airport on this site. In November 2006, the voters of the County voted against the Authority’s proposal to move the Airport to Marine Corps Air Station-Miramar. At this time, the Board does not plan to pursue relocation of the Airport from its current location.

Existing Facilities

The existing airfield consists of one east-west runway (Runway 9/27), which is 9,401 feet long and 200 feet wide. Runway 9/27 has sufficient capacity and is of sufficient strength to permit the operation of most existing commercial aircraft, including most large widebody aircraft. However, natural and man-made obstructions, including rising terrain, trees and buildings to the west and east of the

Airport limit the effective length of the runway for certain aircraft. This limitation reduces range and/or payload capability depending on the aircraft type and the operating rules of a given carrier. Each aircraft is different with respect to, among other things, its empty weight, engine type, thrust variant, desired payload capability, and desired range. The Authority expects future generations of aircraft, such as the 787, to be less affected by these runway limitations due to improved airfield performance capabilities. Runway 9/27 is equipped with high-intensity runway lighting and supports both precision and non-precision approaches. The Airport has a system of taxiways leading to and from the terminal area on the south side of the Airport, and to and from the north side of the Airport which is used by cargo and general aviation aircraft. See “CERTAIN INVESTMENT CONSIDERATIONS—Regulations and Restrictions on Airport Facilities and Operations.”

Passenger services at the Airport are located in three terminals, Terminal 1, Terminal 2 (consisting of Terminal 2 East and Terminal 2 West) and the Commuter Terminal. The primary terminals are Terminals 1 and 2, providing a total of 51 aircraft gates. Terminal 1, the oldest terminal at the Airport, was opened in 1967 and renovated in 1994 and 1997. Terminal 1 is approximately 257,500 square-feet, with 19 aircraft gates. Terminal 2 East was opened in 1979 and is a two-story, approximately 225,700 square-foot facility with 13 aircraft gates. Terminal 2 West was opened in 1998 and expanded in 2013 and is a two-story, approximately 786,600 square-foot facility with 19 aircraft gates. The Commuter Terminal was opened in 1996. The Commuter Terminal is a three-story, approximately 133,000 square-foot facility, including 40,850 square-feet of terminal space, that contains the offices of the Authority and serves smaller aircraft with ten regional aircraft parking positions.

Approximately 6,588 public parking spaces, operated by the Authority, are available at the Airport, including approximately 3,807 short-term parking spaces located directly in front of Terminal 1, Terminal 2 and the Commuter Terminal and approximately 2,781 long-term parking spaces located in two remote lots.

Air cargo facilities at the Airport provide approximately 69,000 square feet of building space in three buildings on approximately 291,596 square-feet of land. A control tower, central utilities plant and fuel facilities are located at the Airport or on land located near the Airport.

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Air Carriers Serving the Airport

As of January 1, 2014, 23 passenger airlines provided daily service from the Airport to a total of 46 U.S. cities and 8 foreign cities, and 5 air carriers provided scheduled all-cargo service at the Airport. The following table sets forth the air carriers serving the Airport as of January 1, 2014.

TABLE 4
San Diego International Airport
Air Carriers Serving San Diego International Airport
(As of January 1, 2014)

Scheduled U.S. Carriers	Foreign Flag Carriers	All-Cargo Carriers
Alaska Airlines	Air Canada	ABX Air, Inc.
Allegiant	British Airways	Ameriflight
American Airlines ¹	Japan Airlines	Federal Express
American Eagle Airlines ^{1,2}	Volaris	United Parcel Service
Delta Air Lines	Westjet	West Air, Inc.
Frontier Airlines		
Hawaiian Airlines		
Horizon Air ³		
JetBlue Airways		
Republic Airlines ⁴		
Seaport		
SkyWest Airlines ⁵		
Southwest Airlines		
Spirit		
Sun Country Airlines		
United Airlines		
US Airways ¹		
Virgin America		

¹ Effective December 9, 2013, AMR Corporation, along with its subsidiaries American Airlines and American Eagle, merged with US Airways Group, Inc. American Airlines and US Airways will continue to operate as separate airlines until their operations have been fully integrated, which is expected to take 18 to 24 months.

² An affiliate of and doing business as American Airlines.

³ An affiliate of and doing business as Alaska Airlines.

⁴ An affiliate of and doing business as Frontier Airlines.

⁵ An affiliate of and doing business as United Express, Delta Connection, US Airways Express, Alaska and American Eagle.

Source: San Diego County Regional Airport Authority

Aviation Activity

In Fiscal Year 2013, the Airport (a) enplaned approximately 8.74 million passengers (which represented an approximately 1.9% increase in enplaned passengers from the fiscal year ended June 30, 2012), and (b) deplaned approximately 8.70 million passengers (which represented an approximately 1.6% increase in deplaned passengers from the fiscal year ended June 30, 2012). For the calendar year ended December 31, 2012 (the most recent period for which information is available), approximately 94% of the passengers using the Airport were O&D passengers. According to ACI statistics, for the calendar year ended December 31, 2012 (the most recent period for which information is available), the Airport was ranked as the 28th busiest airport in the country as measured by total number of enplaned and deplaned passengers. As of July 1, 2013, passenger airlines and cargo carriers were operating approximately 221 departures daily at the Airport.

The following table sets forth the total enplanements and deplanements at the Airport for the last five Fiscal Years. As described in more detail in the Financial Feasibility Report, the number of O&D passengers deplaning at the Airport has a direct effect on the number of rental cars rented at the Airport. See “APPENDIX A—FINANCIAL FEASIBILITY REPORT.

TABLE 5
San Diego International Airport
Total Enplanements and Deplanements

Fiscal Year	Enplanements¹	Percent Change	Deplanements^{2,3}	Percent Change	Total Enplanements and Deplanements	Percent Change
2009	8,535,774	(9.1)%	8,538,044	(9.9)%	17,073,818	(9.0)%
2010	8,453,886	(1.0)	8,463,709	(0.9)	16,917,595	(0.9)
2011	8,441,120	(0.2)	8,427,612	(0.4)	16,868,732	(0.3)
2012	8,575,475	1.6	8,562,938	1.6	17,138,413	1.6
2013	8,737,617	1.9	8,703,351	1.6	17,440,968	1.7

¹ On average, over the last five Fiscal Years approximately 98.0% of the enplaned passengers at the Airport represented domestic enplanements and 2.0% represented international enplanements.

² On average, over the last five Fiscal Years approximately 97.9% of the deplaned passengers at the Airport represented domestic deplanements and 2.1% represented international deplanements.

³ The Authority estimates that in each of the Fiscal Years indicated that the following amount of O&D deplaned passengers were visitors to San Diego: Fiscal Year 2009 – 5,075,000; Fiscal Year 2010 – 5,064,000; Fiscal Year 2011 – 5,066,000; Fiscal Year 2012 – 5,156,000; and Fiscal Year 2013 – 5,217,000. See “APPENDIX A—FINANCIAL FEASIBILITY REPORT.”

Sources: San Diego County Regional Airport Authority

Airline Lease Agreements

The Authority has entered into separate, but substantially similar, Airline Operating and Lease Agreements (the “Airline Lease Agreements”) with 18 passenger airlines operating at the Airport (the “Signatory Passenger Airlines”) and 5 all-cargo carriers (the “Signatory Cargo Carriers,” and together with the Signatory Passenger Airlines, the “Signatory Airlines”). The Airline Lease Agreements cover the use of and rate-setting mechanisms for the airfield and terminal facilities at the Airport. The Airline Lease Agreements have a term commencing on July 1, 2013 and terminating on June 30, 2018, unless terminated earlier pursuant to their terms. The Airline Lease Agreements may be terminated by the Authority or by the Signatory Airlines with or without cause or default upon the giving of no less than ninety days’ notice in writing to the other party of the intention to so terminate.

The Airline Lease Agreements do not require the Authority to receive the approval of the Signatory Airlines for the construction of the Project or any other capital improvements at the Airport.

Summary of Financial Operations

Budgeting Process. The Authority operates as an enterprise fund and prepares its budget on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Authority has one fund and is a separate, independent and local government entity operating on a July 1 through a June 30 Fiscal Year.

The budget process begins in January, with staff reviewing the first six months of the then-current Fiscal Year. Each division—Executive, Operations, Finance, Development and Administration—then develops its own operating budget for the upcoming Fiscal Year, including its needs for additional

personnel, fixed assets and capital. Staff from the Financial Planning and Budget, Human Resources, Purchasing, and Engineering departments analyze these proposed budget requests and determine cost impacts, where appropriate. Meetings are held with each division to review its operating budget and requests for personnel, fixed assets and capital projects. The Financial Planning and Budget Department then incorporates the budget requests into the rate setting formula to determine projected rates, fees and charges. A revenue budget also is prepared after consultation with the Aviation and Commercial Business, Ground Transportation and Route Service Development departments. Budget workshops are held with the Board to review the budget and receive further input and direction.

Internal Controls. The Authority's Vice President, Finance/CFO and Treasurer establishes a system of internal controls that provides reasonable assurance regarding the achievement of objectives in the following categories: safeguarding assets; ensuring validity of financial records and reports; promoting adherence to policies, procedures, regulations and laws; and promoting effectiveness and efficiency of operations. A Chief Auditor heads the internal audit department that conducts financial reviews and audits on a periodic basis, and reports directly to the Board. In addition, the Authority has external auditors who review the annual financial statements of the Authority and express an opinion that the contents present fairly, in all material respects, the financial condition of the Authority.

Investment Practices. It is the policy of the Authority to invest public funds in a manner that will provide the highest security of the funds under management while meeting the daily cash flow demands of the Authority. The investment policies and practices of the Authority are based upon prudent money management and conform to all state and local statutes governing the investment of public funds. The Authority is authorized by California Government Code Section 53600 *et seq.* and Section 53630 *et seq.* to invest in investments listed therein. Prohibited investments include but are not limited to, inverse floating rate notes, range notes, interest-only strips that are derived from a pool of mortgages and common stock. The Authority may not invest any funds in any security that could result in zero interest accrual and zero discount accretion if held to maturity. Investments that exceed five years to maturity require authorization by the Board no less than three months prior to purchase.

Derivatives Policy. In September 2007, the Board adopted a derivatives policy which provides guidelines to be used by the Authority when entering into derivative financial products, including, but not limited to, interest rate swaps, interest rate caps and rate locks. As of the date of this Official Statement, the Authority has not entered into any contracts for derivative financial products.

Risk Management and Insurance

Pursuant to the Indenture, the Authority is required to procure and maintain or cause to be procured and maintained commercial insurance on a replacement cost basis (without deduction for depreciation) (including Qualified Self Insurance, if applicable) with respect to the facilities constituting the Project and public liability insurance in the form of commercial insurance or Qualified Self Insurance and, in each case, in such amounts and against such risks as are, in the judgment of the Authority, prudent and reasonable taking into account, but not being controlled by, the amounts and types of insurance or self-insured programs provided with respect to similar consolidated rental car facilities.

In addition to the insurance required under the Indenture with respect to the facilities constituting the Project, pursuant to the Senior Indenture, the Authority is required to procure and maintain commercial insurance with respect to the facilities constituting the Airport System (including the Airport) and public liability insurance in the form of commercial insurance if such insurance is obtainable at reasonable rates and upon reasonable terms and conditions. The amounts and risks required to be insured under the Senior Indenture are subject to the Authority's prudent judgment taking into account, but not being controlled by, the amounts and types of insurance or self-insured programs provided by similar

airports. The Authority may satisfy some of these insurance requirements through qualified self-insurance or self-insured retentions.

The Authority has a comprehensive Risk Management Program comprised of commercial insurance, self-insurance, loss prevention, loss control and claims administration. The Authority's coverages includes a variety of retentions or deductibles.

The Authority maintains airport owners and operators primary general liability insurance with coverage of \$500 million for losses arising out of liability for airport operations. The Authority has also purchased a "War, Hijacking and Other Perils Endorsement" with coverage of up to \$150 million. Coverage under this endorsement may be terminated at any time by the underwriters thereof and terminates automatically upon the outbreak of war (whether there has been a declaration of war or not) between any two or more of the following: France, the People's Republic of China, the Russian Federation, the United Kingdom or the United States, and certain provisions of the endorsement are terminated upon the hostile detonation of any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter.

The Authority maintains a property insurance policy with limits of \$500 million providing all risk and flood coverage on physical assets. The cost of earthquake coverage remains cost prohibitive and is not available in significant amounts. The Federal Emergency Management Agency ("FEMA") and the California Disaster Assistance Act ("CDDA") are designed to assist public entities such as the Authority in the event of a catastrophe. FEMA will pay up to 75% of a loss and CDDA will pay at a minimum 25% of the balance for nationally declared disasters. In addition, the State legislature has paid any remaining loss costs for all declared disasters since 1989. In the past the Authority relied on these laws to pay loss costs beneath the attachment point for insurance coverage and above the coverage limit purchased. Effective July 1, 2007, based on the status of these laws and the condition of the insurance marketplace, the Authority removed the purchase of commercial earthquake insurance from the Risk Management program and increased reliance on the laws designed to assist public entities. As of June 30, 2013, the Authority had \$6,659,982 for earthquake contingency reserve. In the future, the Authority could decide to increase or decrease the amount of this reserve. See "THE PROJECT—The Project" with respect to the existence of an earthquake fault located beneath the Rental Car Center. See also "CERTAIN INVESTMENT CONSIDERATIONS—Construction and Operation of the Project."

The Authority also maintains insurance policies for worker's compensation, commercial auto, fiduciary liability and public official liability.

Additionally, a \$2 million contingency reserve has been established, within unrestricted net assets, by the Authority's management to respond to uninsured and underinsured catastrophic losses. This fund is maintained pursuant to Board action only; there is no other requirement that it be maintained. Management considers this contingency reserve to be designated to cover the cost of future retentions, deductibles and uninsured claims.

During Fiscal Year 2013, there were no significant reductions in insurance coverage from the prior year. For each of the past three Fiscal Years, settlements have not exceeded insurance coverage.

The Authority has an active loss prevention program, with an organizational structure that includes a Senior Manager of Risk Management, two risk analysts, a safety manager and a safety analyst. In addition, insurer property and casualty loss control engineers conduct safety surveys on a periodic basis. Employees receive regular safety training and claims are monitored using a web-based claims information system. See "CERTAIN INVESTMENT CONSIDERATIONS."

Emergency Preparedness

The Authority has an approved Airport Emergency Plan (“AEP”) as required under FAA regulations. The AEP addresses essential emergency-related and deliberate actions planned to ensure the safety of and emergency services of the populace of the Airport and the surrounding communities.

The Authority also has prepared a Business Continuity Plan (“BCP”) to assist the organization in managing (a) minor events - business disruptions impacting a single Authority function/department, (b) moderate events – business disruptions impacting multiple Authority functions/department, and (c) major events – business disruptions impacting the entire Authority/the Airport. The plan contains information on emergency contact details, strategies to mitigate impact, procedures to be implemented and communication processes to be followed in response to business disruptions. The BCP is to be initiated at the outset of a disruptive event and includes operating the Airport during the emergency situation and business recovery steps to return the operation back over to regular management after the BCP leader deems the recovery to be complete.

The BCP, and all its components, are reviewed annually and a tabletop exercise conducted to test the readiness of the plan. Every two to three years, the BCP is subject to a full test during the execution of the testing of the AEP.

All employees of the Authority are responsible for maintaining the continuous operation of the organization in the event of a disaster. The BCP includes a recommended schedule to ensure that all employees undergo on-going training. While the BCP does not include recovery activities that are part of the AEP, it is the intent of management that both plans work in tandem with each other during an emergency incident. The Authority’s internal Audit department periodically reviews the BCP and provides comments and suggestions for its improvement.

The Authority has developed, tested and evaluated a comprehensive set of emergency procedures for a probable disruptive event. These procedures and precautions seek to minimize the operational and financial impact on the Airport and the Authority. However, the Authority cannot predict whether the Airport would need to cease operations in the event of an emergency or what types of emergencies would cause the Airport to cease operating. The Authority is not able to predict for how long the Airport would be closed and whether the Authority’s reserves would be adequate to return the Airport to full operation in the event of a cessation of operations due to an emergency. See “CERTAIN INVESTMENT CONSIDERATIONS—Construction and Operation of the Project—Damage and Destruction; Insufficient Moneys to Redeem All Series 2014 Bonds.”

Airport Environmental Matters

There are several significant environmental matters which have direct and indirect impacts on the Authority and the Airport, some of which are described below. These include aircraft noise reduction, clean air requirements and hazardous substance cleanup. The Airport is heavily regulated, in part due to its proximity to San Diego Bay. The Authority holds numerous regulatory permits.

Master Plan Environmental Impact Report and Environmental Assessment. All development at the Airport is subject to the requirements for environmental studies and appropriate clearances under the California Environmental Quality Act (“CEQA”) and, where federal funding or other federal actions are involved, to the requirements of the National Environmental Protection Act (“NEPA”).

An Environmental Impact Report under CEQA was prepared for the Authority’s Master Plan (the “Master Plan EIR”). The Master Plan EIR was certified as complete by the Authority in May 2008. As

required by statute, the Master Plan EIR was made available for public review prior to the adoption of the Master Plan. No legal challenge to the Master Plan EIR was filed, and the statutory time for making such a challenge has elapsed.

In 2010, the Authority prepared a Supplemental Environmental Impact Report under CEQA for the Master Plan with respect to the improvements to be made to the northside of the Airport (the “Northside SEIR”), including the Rental Car Center, a fixed base operator facility and new air cargo facilities and the utilities infrastructure to support these projects and certain other projects. The Northside SEIR was certified by the Board on September 1, 2011. No legal challenge to the Northside SEIR was filed, and the statutory time for making such a challenge has elapsed.

On July 30, 2013, the Authority submitted a draft Environmental Assessment (the “EA”) with the FAA for the San Diego International Airport Master Plan Northside Development Project, which includes the Rental Car Center (the “Northside Project”), in accordance with the provisions of NEPA. On September 5, 2013, the FAA issued a Finding of No Significant Impact (the “FONSI”) and a Record of Decision (“ROD”) approving the EA. On September 26, 2013, the Laborers’ International Union of North America Local Union No. 89 together with some of its members (the “Union”) filed an Application to Stay Implementation of the FONSI/ROD (the “Application”) with the FAA. The Union alleged that the EA failed to adequately disclose, analyze and mitigate certain impacts of the Northside Project on the health and safety of its members from exposure to alleged hazardous chemicals and substances located on the Northside Project site. The Application requested a stay until a formal Environmental Impact Statement (“EIS”) was prepared. On November 4, 2013, the FAA concluded that the Union’s request to stay implementation of the FONSI/ROD was denied, that there was no basis to conclude that the Union would prevail on the merits, that no irreparable injury or harm was alleged by the Union, and that the public and the FAA would suffer substantial harm if a stay were to be granted. As of the date of this Official Statement, the Union had not filed an appeal to the FAA’s ruling and the Authority cannot predict if the Union will file an appeal or if their appeal would be successful.

Airport Noise

Airport Noise and Capacity Act of 1990. In 1990, Congress adopted the Airport Noise and Capacity Act of 1990 (the “ANCA”), which provided, among other things, for a phase-out of Stage 2 aircraft by December 31, 1999, and which also limited the scope of an airport operator’s regulatory discretion for adopting new aircraft operational restrictions for noise purposes. The FAA subsequently adopted regulations implementing ANCA under Part 161 of the Federal Aviation Regulations (“Part 161”). From 1990 forward, airport proprietors considering the adoption of restrictions or prohibitions on the operation of Stage 2 and Stage 3 aircraft are required to conduct studies which detail the economic costs and benefits of proposed restrictions, as well as publish proposed restrictions and provide notice to potentially affected airlines and conduct any necessary environmental analysis, prior to enacting restrictions on the operation of Stage 2 or Stage 3 aircraft. Proposed restrictions on the operation of Stage 3 aircraft adopted after 1990 also require affirmative approval of the FAA under defined statutory criteria before they may legally be implemented. ANCA and Part 161 make the adoption of many traditional aircraft operating restrictions by local airport proprietors on the operation of Stage 3 aircraft infeasible without the concurrence of the FAA, the air carriers or other operators affected by the restrictions. Pursuant to Authority regulations, the Authority is required to prohibit the operation at the Airport of any air carrier commercial aircraft not complying with Stage 3 noise levels. Aircraft noise reduction is a significant federal and local issue which may require substantial capital investments by the airline industry from time to time to meet applicable standards.

California Noise Standards. the Airport operates under a variance pursuant to the California Noise Standards (CCR Title 21, Division 2.5, Subchapter 6). The California Noise Standards identify an

exterior 65 decibel (“dB”) Community Noise Equivalent Level (“CNEL”) contour at an airport as the “Noise Impact Area.” Within the Noise Impact Area, the airport proprietor is required to ensure that all land uses are compatible with the California Noise Standards, or the airport proprietor must secure variances from the California Department of Transportation, Division of Aeronautics, under the California Noise Standards until full compatibility is accomplished. Under California Noise Standards, residential land uses may be deemed compatible through land acquisition, sound insulation sufficient to achieve an interior noise level of 45 dB CNEL, or by obtaining an avigation easement for the incompatible land use. To obtain a variance, an airport must demonstrate to the State of California that it is making good faith efforts to achieve compliance with the state noise standards.

The Authority’s current variance was effective May 5, 2012, and expires on May 4, 2015. The granting of a variance requires the Authority to continue implementation of its residential sound attenuation program during the term of the variance, among other requirements.

Fuel Storage Tanks. As part of the Rental Car Center, a fueling facility will be constructed on the Rental Car Center Site and will be used by the Rental Car Companies to fuel the cars that they rent to their customers. As currently designed, the fueling facility will include three underground storage tanks. Pursuant to the Rental Car Lease Agreements, the Rental Car Companies have agreed to comply with certain applicable federal and State regulations with respect to the fueling facilities and to maintain certain levels of insurance with respect to the fueling facilities. See “APPENDIX C—SUMMARY OF THE RENTAL CAR LEASE AGREEMENTS—Indemnity and Insurance.”

The Authority owns the above-ground tanks that store airline fuel, which is transported to the airfield via underground fuel lines. The fuel lines that supply fuel to the storage tanks are owned by a third party. Airlines operating at the Airport that use these storage tanks and the fuel lines to the airfield have entered into a lease agreement pursuant to which they are required to indemnify the Authority against any liability associated therewith.

Air Quality Management Plan. In May 2008, the Authority entered into a Memorandum of Understanding (the “MOU”) with the Attorney General of the State regarding the Master Plan. Pursuant to the MOU, the Authority agreed to certain specific measures to reduce the amount of greenhouse gas emissions from aviation and other operations conducted at the Airport. Some of the specific measures the Authority agreed to take in the MOU include, among others, providing landside power and preconditioned air to the gates at the terminals and in the cargo facilities, replacing vehicles operating at the Airport with electric or alternative fuel vehicles, and using “green” materials for the construction of the projects including in the Master Plan. In December 2009, the Board approved the San Diego County Regional Airport Authority Air Quality Management Plan (the “Air Quality Management Plan”), which sets forth the Authority’s specific plan for implementing the provisions of the MOU. Many of the elements of the Air Quality Management Plan are incorporated into the Authority’s capital improvement program

See “CERTAIN INVESTMENT CONSIDERATIONS—Climate Change Issues.”

Clean Water Act. Under the Federal Clean Water Act and Environmental Protection Agency regulations, the Authority is required to obtain certain storm water runoff discharge permits. The Authority has received permits from the San Diego Regional Water Quality Control Board and the State Water Resources Control Board. The Authority is currently in compliance with all of its storm water runoff discharge permits.

Development of the Airport

Master Plan. In 2001, the Port District prepared the Airport's first comprehensive master plan, however, the plan was never adopted by the Port District. The Authority determined that the 2001 master plan needed to be updated as a result of the events of September 11, 2001, the transfer of the Airport to the Authority in 2003, a new aviation activity forecast of future aviation demand at the Airport completed in May 2004, and the outcome of the Airport Site Selection Program which culminated in a County-wide ballot measure in November 2006. In May 2008, the Board approved the Airport Master Plan for San Diego International Airport (the "Master Plan"), which was developed to address requirements for accommodating near term passenger growth at the Airport through 2015 and to consider conceptual improvements through 2030. The Master Plan's primary goals include, among others, the improvement of air service and customer service, the improvement of safety and security at the Airport, the efficient utilization of property and facilities, and the enhancement of the Airport access as part of the region's transportation system.

The Master Plan comprises four components: airfield, terminal, ground transportation and airport support. The airfield component includes aircraft movement areas such as runway, taxiways and aircraft parking apron. The terminal component includes passenger processing areas including ticket counters, security facilities, hold rooms and baggage claim. The ground transportation component includes the roadway/transit circulation system, parking areas and rental car facilities. The airport support component includes the Airport/airline maintenance, cargo and general aviation facilities.

The five primary steps of the Master Plan process are: (a) preparation of an aviation forecast; (b) development of facility requirements and draft preliminary concepts; (c) preparation of the preferred development concept (including development of an array of concepts for the Airport facilities, coordination of the Airport tenants and airlines, development of an off-airport transit plan); (d) preparation of a preliminary financial analysis, including development of a cost estimate on preliminary concepts and the financial feasibility of major project components; and (e) State/federal environmental analyses and State coastal permitting.

The Master Plan identified several near-term improvement needs for the Airport, including, among others, additional terminal space, south-side aircraft remain-over-night parking positions, roadway access improvements and ground transportation facilities improvements to meet the forecasted demand of increased passenger traffic at the Airport. In 2009, the Board authorized the design, construction and funding of certain of the projects identified in the Master Plan (the "Green Build Program," formerly known as the "Terminal Development Program"). Facility improvements under the Green Build Program included, among other improvements: (i) constructing 10 new gates on Terminal 2 West, (ii) constructing a new aircraft parking apron and aircraft taxi lane, (iii) expanding vehicle circulation serving Terminal 2 East and West by constructing a dual-level roadway featuring an arrivals curb on level one and a departures curb on level two, (iv) expanding concession areas in Terminal 2 West by providing more dining and shopping options, (v) constructing an improved/expanded security checkpoint in Terminal 2 West, and (vi) constructing new holding areas at the gates in Terminal 2 West. The Green Build Program was substantially completed in August 2013, at a cost of approximately \$820.0 million.

The Airport Development Plan. In early 2012, the Authority embarked on a four-year planning effort to prepare the plan for the next major construction program at the Airport, after the Green Build Program. The Airport Development Plan (the "ADP") will focus on replacement of Terminal 1, which is over 45 years old. It also will determine the highest and best uses for the remaining open parcels of property on the north side of the Airport and the TDY Property (an approximately 48 acre parcel of land located on North Harbor Drive that the Authority leases from the Port District). The ADP will include a new forecast of aviation activity and all required environmental analyses necessary to permit the resulting

projects. The Authority anticipates that the preferred concept for the ADP will be completed in spring 2014 and the final plan, including all environmental analyses, will be complete in spring 2016. At this time, the Authority is unable to predict when construction will begin on the projects included in the ADP, the cost of such projects or how such projects will be financed.

Capital Improvement Program. The Board has adopted a capital improvements program policy (the “CIP Policy”), which requires the Authority to establish a capital improvement program for the orderly maintenance and development of the Airport. Pursuant to the CIP Policy, each year the Authority’s Executive Director is required to submit to the Board a development program of desirable capital improvements that are within the Authority’s financial funding capability. The Authority’s current 5-year capital improvement program, the 2014-18 CIP, sets forth projects that are to be undertaken at the Airport between Fiscal Year 2014 and Fiscal Year 2018. The projects in the 2013-17 CIP include, among others, construction of the Project, expansion of Terminal 2 East, construction of the North Side Utility Infrastructure and interior road, construction of a dedicated access road from the new north side facilities to the south side terminals, relocation of Taxiway B, and construction of an electrical distribution system. The 2014-18 CIP has an estimated cost of approximately \$732 million (approximately \$155 million of such costs have already been incurred by the Authority as of December 31, 2013).

Future Projects. In addition to the 2014-18 CIP, the Authority is currently in the early planning stages of certain additional projects that are part of the Master Plan and that may be constructed at the Airport, including, among others, air cargo warehouse facilities and associated improvements.

Funding of Master Plan and Capital Improvement Program. Projects in the Master Plan and the 2014-18 CIP have and will be, as the case may be, funded with a combination of, among other sources, proceeds of the Series 2014 Bonds, CFCs, moneys received from federal grants (including grants received by the Authority under the Airport Improvement Program (“AIP”) and from the Transportation Security Administration), proceeds of general airport revenue bonds issued by the Authority pursuant to the Senior Indenture and/or the Subordinate Indenture, passenger facility charges collected from passengers flying to and from the Airport, internally generated cash of the Authority. See “CERTAIN INVESTMENT CONSIDERATIONS—Construction and Operation of the Project—Unavailability of, or Delay in, Anticipated Funding Sources for Construction of the Project.”

Airport Land Use Commission. State law requires counties in which there is a commercial and/or a general aviation airport to have an airport land use commission. Pursuant to the Act, the Authority is vested with responsibility, among other things, to serve as the region’s Airport Land Use Commission (“ALUC”). The purpose of the ALUC is to protect public health, safety and welfare by ensuring the orderly development of land in the vicinity of airports and the adoption of land use measures that minimize the public’s exposure to excessive noise and safety hazards within areas around public airports, to the extent that these areas are not already devoted to incompatible uses. The ALUC prepares and adopts Airport Land Use Compatibility Plans (“ALUCPs”) and reviews certain local agency land use actions and airport plans for consistency with the compatibility plans.

The ALUCP contains compatibility criteria and ALUC review procedures for identified Airport Influence Areas (“AIA”) and addresses land use compatibility around airports in terms of noise, overflight, safety and airspace protection for each public-use and military airport in the County. The ALUCP is not a plan for airport development and does not require any changes to existing land uses. State law requires future land use near airports to be consistent with compatibility criteria included in an ALUCP. Land use actions including adoption or amendment of general plans, specific plans, zoning ordinances and building regulations affecting land within an AIA must be referred to the ALUC for review. Referral and review by the ALUC of other local actions, primarily individual development projects, is required in some instances, but voluntary in others.

In recent years the Authority has adopted ALUCPs for two Marine Corps airports (Camp Pendleton and Miramar) and five urban general aviation airports (Brown Field, Gillespie Field, McClellan-Palomar Airport, Montgomery Field and Oceanside Municipal Airport). The ALUCP for Camp Pendleton was adopted in June 2008, the ALUCP for Miramar was adopted in October 2008, and the ALUCP for Brown Field, Gillespie Field, McClellan-Palomar Airport, Montgomery Field and Oceanside Municipal Airport were all adopted in early 2010. The ALUCP for the Airport is currently being developed and the Authority anticipates it will be adopted by the Board in 2014.

FINANCIAL FEASIBILITY REPORT

General

The Authority has retained Unison Consulting, Inc., which is recognized as an expert in its field, to prepare a report in connection with the issuance of the Series 2014 Bonds. The Financial Feasibility Report is included as Appendix A hereto, with the Feasibility Consultant's consent. The information regarding the analyses and conclusions contained in the Financial Feasibility Report is included in the Official Statement in reliance upon the expertise of the Feasibility Consultant. The Financial Feasibility Report has not been revised subsequent to its date of publication (January 23, 2014) to reflect the final terms of the Series 2014 Bonds.

The financial forecasts in the Financial Feasibility Report are based on certain information and assumptions that were provided by, or reviewed and agreed to by, the Authority's management. In the opinion of the Feasibility Consultant, these assumptions provide a reasonable basis for the forecasts.

The Financial Feasibility Report should be read in its entirety regarding all of the assumptions used to prepare the forecasts made therein. No assurances can be given that these or any of the other assumptions contained in the Financial Feasibility Report will occur. As noted in the Financial Feasibility Report, any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecast and actual results, and those differences may be material. See also "INTRODUCTION—Forward-Looking Statements," and "CERTAIN INVESTMENT CONSIDERATIONS—Financial Feasibility Report."

Projected CFC Collections and Debt Service Coverage

The following table sets forth the projected CFC rate, CFC collections, interest earnings on the Senior Reserve Fund, the Rolling Coverage Fund and the CFC Surplus Fund, balance in the Rolling Coverage Fund, debt service requirements for the Series 2014 Bonds and the debt service coverage of the Series 2014 Bonds, as forecast by the Feasibility Consultant, for the Fiscal Years 2014 through 2023.

The forecasted financial information in the following table was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to forecasted financial information, but, in the view of the Authority's management, was prepared on a reasonable basis, to reflect the best currently available estimates and judgments and present, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the rental car business at the Airport. However, this information is not fact and should not be relied upon as necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the forecasted financial information.

Neither the Authority's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the forecasted financial information

contained herein, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the forecasted financial information.

The assumptions and estimates underlying the forecasted financial information are inherently uncertain and, though considered reasonable by the management of the Authority as of the date of this Official Statement, are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the forecasted financial information, including, among others, the risks and uncertainties described under “CERTAIN INVESTMENT CONSIDERATIONS” below. Accordingly, there can be no assurance that the forecasted results are indicative of the future performance of the rental car business at the Airport or that actual results will not be materially higher or lower than those contained in the forecasted financial information. Inclusion of the forecasted financial information in this Official Statement should not be regarded as a representation by any person that the results contained in the forecasted financial information will be achieved.

TABLE 6
San Diego County Regional Airport Authority
Projected Debt Service Coverage on the Series 2014 Bonds

Fiscal Year	CFC Rate	CFCs Collected	Interest Earnings¹	Total CFCs Collected and Interest Earnings	Balance in Rolling Coverage Fund²	Series 2014 Debt Service Requirements³	Total Debt Service Coverage⁴
2014	\$7.50 ⁵	\$26,453,000	\$ 310,453	\$26,763,453	—	—	—
2015	7.50	29,805,000	546,936	30,351,936	—	—	—
2016	7.50	30,488,000	612,076	31,100,076	\$3,049,538	\$10,165,126	3.36x
2017	9.00 ⁶	33,974,000	566,308	34,540,308	6,099,076	20,330,252	2.00
2018	9.00	37,359,000	584,977	37,943,977	7,695,076	25,650,252	1.78
2019	9.00	37,674,000	908,774	38,582,774	7,694,844	25,649,480	1.80
2020	9.00	38,070,000	963,475	39,033,475	7,696,211	25,654,036	1.82
2021	9.00	38,493,000	1,019,067	39,512,067	7,696,237	25,654,124	1.84
2022	9.00	38,916,000	1,456,286	40,372,286	7,695,836	25,652,788	1.87
2023	9.00	39,330,000	1,580,549	40,910,549	7,694,970	25,649,900	1.89

¹ Includes earnings on investments in the Senior Reserve Fund, the Rolling Coverage Fund and the CFC Surplus Fund.

² Includes amount on deposit in the Rolling Coverage Fund at the beginning of each Fiscal Year, up to an amount not to exceed 30% of the Series 2014 Debt Service Requirements for such Fiscal Year.

³ Includes debt service on the Series 2014 Bonds. For purposes of the table only, (a) the Series 2014A Bonds were assumed to be issued in an aggregate principal amount of \$34,020,000, (b) the Series 2014B Bonds were assumed to be issued in an aggregate principal amount of \$288,835,000, and (c) the Series 2014A Bonds and the Series 2014B Bonds were assumed to bear interest at a combined rate of 6.608% per annum. The Series 2014 Debt Service Requirement numbers exclude the debt service on the Series 2014 Bonds which the Authority expects to pay with proceeds of the Series 2014 Bonds. The table has not been revised to reflect the final principal amounts and interest rates of the Series 2014 Bonds. See “TABLE 1 – San Diego County Regional Airport Authority, Debt Service Funding Requirements, Series 2014A Bonds and Series 2014B Bonds” above for information on the actual debt service requirements on the Series 2014 Bonds.

⁴ Calculated by dividing (a) the sum of Total CFCs Collected and Interest Earnings and Balance in Rolling Coverage Fund, by (b) Series 2014 Debt Service Requirements.

⁵ CFC rate was \$6.00 between July 1, 2013 and December 31, 2013. CFC rate increased to \$7.50 on January 1, 2014.

⁶ CFC rate will be \$7.50 between July 1, 2016 and December 31, 2016. CFC rate will increase to \$9.00 on January 1, 2017.

Source: Unison Consulting, Inc.

CERTAIN INVESTMENT CONSIDERATIONS

Prospective purchasers of the Series 2014 Bonds are urged to read this Official Statement, including all Appendices, in its entirety. The Authority's ability to derive Project Revenues from CFCs and Bond Funding Supplemental Consideration, sufficient to pay debt service on the Series 2014 Bonds, depends on various factors, most of which are not subject to the control of the Authority. The following information should be considered by prospective investors, in addition to the other matters set forth in this Official Statement in evaluating the Series 2014 Bonds. However, it does not purport to be a comprehensive or exhaustive discussion of risks or other considerations which may be relevant to an investment in the Series 2014 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such considerations. There can be no assurance that other risk factors not discussed herein will not become material in the future.

The Series 2014 Bonds may not be suitable investments for all persons, and prospective purchasers should evaluate the investment considerations and merits of an investment in the Series 2014 Bonds, and confer with their own legal and financial advisors before considering a purchase of the Series 2014 Bonds.

Series 2014 Bonds Are Special Limited Obligations

The Series 2014 Bonds are special limited obligations of the Authority, payable solely from and secured by a pledge of the Trust Estate, which includes, among other things (a) Customer Facility Charges collected by the Rental Car Companies and remitted to the Trustee, as assignee of the Authority, and, under certain circumstances, Bond Funding Supplemental Consideration payable by the Rental Car Companies to the Trustee, as assignee of the Authority, and (b) certain funds and accounts held by the Trustee under the Indenture and certain additional funds and accounts held by the Authority. ***No revenues of the Authority, other than the Customer Facility Charges and the Bond Funding Supplemental Consideration, are pledged to the payment of the Series 2014 Bonds.*** Neither the Project nor any other properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Series 2014 Bonds, and neither the full faith and credit nor the taxing power of the Authority, the City, the County, the State or any political subdivision or agency of the State is pledged to the payment of the principal of or interest on the Series 2014 Bonds.

Factors Affecting Collection of Project Revenues

The payment of the Series 2014 Bonds is dependent on the generation of sufficient Project Revenues (CFCs and Bond Funding Supplemental Consideration) in each Fiscal Year. Project Revenues are contingent upon, and the amount generated will be impacted by, a variety of factors, including: completion of the construction of and the opening of the Rental Car Center; aviation activity and the rental of motor vehicles at the Airport; the airlines' service and route networks; the financial health and viability of the airline and rental car industries; levels of disposable income; national and international economic and political conditions, including disruptions caused by airline incidents, acts of war and terrorism; the availability and price of aviation fuel and gasoline; levels of air fares and car rental rates at the Airport; the capacity of the national air traffic control system; the capacity at the Airport and the Rental Car Center; and with respect to the Bond Funding Supplemental Consideration the financial health and viability of the Rental Car Companies. See the discussion of factors affecting aviation demand at the Airport under "—Certain Airline Industry Investment Considerations" below.

Construction and Operation of the Project

Construction Risks. The Authority's ability to complete the construction of the Project within budget and on schedule may be adversely affected by various factors including: (a) estimating errors; (b) design and engineering errors; (c) material and/or labor shortages; (d) unforeseen site conditions; (e) adverse weather conditions and other force majeure events; (f) contractor defaults and litigation; (g) labor disputes; (h) environmental issues; and (i) unavailability of other funding sources. No assurance can be made that the Project will not cost more than the current budget. Any schedule delays or cost increases could result in the need to issue Additional Bonds. There can be no assurances that significant increases in costs over the amounts projected by the Authority will not materially adversely affect the amount of Project Revenues available to pay debt service on the Series 2014 Bonds.

The Authority has entered into the Rental Car Center Construction Contract with the Construction Contractor and contracts with West Coast General Corporation/PK Mechanical Systems, Inc. for the construction of the Project. See "THE PROJECT—Project Budget," "— Construction Contractor," and "—Construction Contract." Such contracts are subject to adjustment for a variety of circumstances, including higher than anticipated costs of labor and materials or subcontractor bids, changes in scope, unforeseen site conditions and force majeure.

Damage and Destruction; Insufficient Moneys to Redeem All Series 2014 Bonds. Pursuant to the Indenture, the Authority will covenant to procure and maintain commercial insurance on a replacement cost basis (without deduction for depreciation), or alternatively, Qualified Self-Insurance, if applicable, with respect to the Project (including the Rental Car Center). However, there can be no assurance that the Rental Car Center will not suffer extraordinary and unanticipated losses, for which insurance cannot be or has not been obtained, or that the amount of any such loss for the period during which the Rental Car Center is not available for use will not exceed the coverage of such insurance policies. The Indenture will not require the Authority to maintain earthquake insurance on the Project (including the Rental Car Center). If the Authority determines in its sole discretion that earthquake insurance is not commercially reasonable, the Authority need not maintain such earthquake coverage. As described under "APPENDIX B—CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE—THE INDENTURE—Casualty and Condemnation," if insurance proceeds are not sufficient to restore the Rental Car Center to its pre-existing condition, the Authority is required to issue Additional Bonds, use amounts on deposit in the Renewal and Replacement Reserve Fund and the CFC Surplus Fund, and continue to collect and use CFCs (collectively, together with any available insurance proceeds, "Available Amounts"), to restore the Rental Car Center to its pre-existing condition. If Available Amounts are not sufficient to restore the Rental Car Center to its pre-existing condition, the Authority will be required to redeem all or a portion of the Series 2014 Bonds as described under "DESCRIPTION OF THE SERIES 2014 BONDS—Redemption Provisions—Extraordinary Mandatory Redemption of the Series 2014 Bonds." In the event of an Extraordinary Mandatory Redemption, sufficient moneys may not be available to redeem all of the Outstanding Series 2014 Bonds. See "— Impact of Potential Earthquakes" below.

Additionally, as described under "THE PROJECT—Rental Car Lease Agreement—Termination of Rental Car Lease Agreements—Termination by a Rental Car Company," in the event the Airport or a material portion of the Airport or Airport facilities (including the Rental Car Center) is destroyed, resulting in material interference with a Rental Car Company's normal business operations or substantial diminution of such Rental Car Company's gross revenues at the Airport for a period in excess of 60 consecutive days the Rental Car Company may terminate their Rental Car Lease Agreement. If a Rental Car Company were to terminate their Rental Car Lease Agreement for the reason described above, it would no longer be required to pay Bond Funding Supplemental Consideration. Also see "—Effect of a Rental Car Company Termination of the Rental Car Lease Agreement" below.

Impact of Potential Earthquakes. Although the San Diego area has not experienced any significant damage from seismic activities, the geographical area in which the Airport and the Rental Car Center are located is subject to unpredictable seismic activity. Southern California is characterized by a number of geotechnical conditions which represent potential safety hazards, including expansive soils and areas of potential liquefaction. The San Andreas, Rose Canyon, Elsinore and San Jacinto fault zones are all capable of producing earthquakes in the San Diego area. The Airport has not experienced any significant losses of facilities or services as a result of earthquakes.

During the Rental Car Center site investigation, the Authority discovered an active earthquake fault crossing beneath the footprint of the Rental Car Center. The Rental Car Center is subject to the California Building Code, which prohibits occupied buildings from being constructed within 25 feet of such faults. As a result, the Rental Car Center design team redesigned the project by: (a) reconfiguring the footprint of the Rental Car Center, (b) relocating the orientation of the Rental Car Center, and (c) incorporating structural enhancements into the Rental Car Center that comply with the requirements of the California Building Code. See “THE PROJECT—The Project.” The main terminal buildings of the Airport were seismically upgraded in the mid-1990s and comply with applicable building codes. However, the Airport’s facilities and/or the Rental Car Center could sustain extensive damage in a major seismic event, ranging from total destruction of the Airport and/or the Rental Car Center, to destabilization or liquefaction of the soils, to little or no damage at all. There can be no assurances that damage resulting from an earthquake will not materially adversely affect the operations of the Airport and/or the operations of the Rental Car Center. The Authority does not currently maintain earthquake insurance covering the Airport facilities, but as of June 30, 2013, the Authority had \$6,659,982 for an earthquake contingency reserve available to repair or rebuild damaged Airport facilities other than the Rental Car Center. See “SAN DIEGO INTERNATIONAL AIRPORT—Risk Management and Insurance.”

The Authority is unable to predict when another earthquake may occur and what impact, if any, it may have on the Airport or the Rental Car Center or whether the Authority will have sufficient resources to rebuild or repair damaged facilities at the Airport or the Rental Car Center following a major earthquake.

Events of Force Majeure and Other Delays. Construction and operation of the Project are at risk from events of force majeure, such as earthquakes, tornados, hurricanes or other natural disasters, epidemics, blockades, rebellions, war, riots, acts of sabotage, terrorism or civil commotion, and spills of hazardous materials, among other events. Construction or operations may also be stopped or delayed from non-casualty events such as discovery of archaeological artifacts, changes in law, delays in obtaining or renewing required permits, revocation of such permits and approvals and litigation, among other things.

Unavailability of, or Delay in, Anticipated Funding Sources for Construction of the Project. As described herein, the Authority anticipates that funding for the Project will be provided by a portion of the proceeds of the Series 2014 Bonds, CFCs previously collected by the Rental Car Companies and remitted to the Authority and CFC’s to be collected by the Rental Car Companies during construction of the Project and remitted to the Trustee, as assignee of the Authority. See “PLAN OF FINANCE AND APPLICATION OF SERIES 2014 BOND PROCEEDS—Plan of Finance” and “APPENDIX A—FINANCIAL FEASIBILITY REPORT” for a description of the financing plan for the Project. In the event that CFCs projected to be collected during construction of the Project and used to pay costs of the Project are less than projected and the Authority is not able to issue or sell Additional Bonds, the completion of the Project could be substantially delayed and financing costs could be higher than projected. There can be no assurances that such circumstances will not materially adversely affect the amount of Project Revenues available to pay debt service on the Series 2014 Bonds.

Financial Feasibility Report

The Financial Feasibility Report included as Appendix A to this Official Statement contains certain assumptions and forecasts. The Financial Feasibility Report should be read in its entirety for a discussion of historical and forecasted results of air traffic activity at the Airport, car rental activity at the Airport and debt service coverage and the assumptions and rationale underlying the forecasts. As noted in the Financial Feasibility Report, any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecast and actual results, and those differences may be material. Additionally, the Financial Feasibility Report has not been revised subsequent to its date of publication (January 23, 2014) to reflect the final terms of the Series 2014 Bonds.

Accordingly, the projections contained in the Financial Feasibility Report or that may be contained in any future certificate of the Authority or a consultant are not necessarily indicative of future performance, and neither the Feasibility Consultant nor the Authority assumes any responsibility for the failure to meet such projections. In addition, certain assumptions with respect to future business and financing decisions of the Authority are subject to change. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the Series 2014 Bonds are cautioned not to place undue reliance upon the Financial Feasibility Report or upon any projections or requirements for projections. If actual results are less favorable than the results projected or if the assumptions used in preparing such projections prove to be incorrect, the amount of CFCs may be materially less than expected and consequently, the ability of the Authority to make timely payment of the principal of and interest on the Series 2014 Bonds may be materially adversely affected.

Neither the Authority's independent auditors, nor any other independent accountants have compiled, examined or performed any procedures with respect to the Project Revenues forecast, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the Project Revenues forecast, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the Project Revenues forecast.

Ability to Meet the Minimum Annual Requirement and the Senior Bonds Coverage Requirement

As described above under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS—Rate Covenant (Minimum Annual Requirement and Senior Bonds Coverage Requirement)" the Authority has covenanted under the Indenture to meet the Minimum Annual Requirement and the Senior Bonds Coverage Requirement each Fiscal Year. For the most part, the Authority has no ability to increase the CFC rate above the rates set forth in the CFC Law in order to meet the Minimum Annual Requirement and the Senior Bonds Coverage Requirement. The CFC rates are set pursuant to the CFC Law as described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS—Customer Facility Charges." If there is a shortfall of CFCs collected during a Fiscal Year to meet the Minimum Annual Requirement and the Senior Bonds Coverage Requirement during such Fiscal Year, pursuant to the Rental Car Lease Agreements, the Rental Car Companies are required to pay Bond Funding Supplemental Consideration to makeup such shortfall. However, in the event that conditions require the Rental Car Companies to pay Bond Funding Supplemental Consideration, there can be no assurance that such requirement to pay Bond Funding Supplemental Consideration will not affect the operations and business viability of one or more of the Rental Car Companies, which may affect car rentals, resulting in a reduction in revenues from the CFCs, and it is possible that all of such Bond Funding Supplemental Consideration will not be paid, due to bankruptcy or

insolvency of a Rental Car Company or otherwise. See “—Certain Rental Car Industry Investment Considerations—Effect of Rental Car Company Bankruptcy or Financial Difficulty” below.

Restrictions Imposed on Authority to Collect CFCs

No assurance can be given that the Authority’s ability to impose CFCs will not be affected by future legislation or by future legal challenges so as to reduce CFC revenues available to the Authority. To the extent that the Authority’s ability to impose CFCs were reduced or eliminated, or the Authority decided to decrease the amount of CFCs it collects from customers of the Rental Car Companies, the Bond Funding Supplemental Consideration that the Rental Car Companies are required to pay would increase pursuant to the terms of the Rental Car Lease Agreements. The Authority cannot predict what, if any, effect increasing the amount of Bond Funding Supplemental Consideration payments due from the Rental Car Companies would have on the Rental Car Companies. See “— Certain Rental Car Industry Investment Considerations” below.

Off-Airport Rental Car Companies Do Not Collect CFCs or Pay Bond Funding Supplemental Consideration

The CFC Law prohibits rental car companies that operate an off-Airport rental car business at the Airport (i.e. rental car companies that provide rental car service to passengers arriving at the Airport but do not operate from the Rental Car Center) from collecting CFCs from their customers. Additionally, off-Airport rental car companies are not required to pay Bond Funding Supplemental Consideration. If a significant number of rental car companies were to leave the Rental Car Center and begin operating off-Airport rental car businesses, the amount of CFCs and Bond Funding Supplemental Consideration available to pay debt service on the Series 2014 Bonds could decrease substantially and the ability of the Authority to make timely payment of the principal of and interest on the Series 2014 Bonds may be materially adversely affected. However, pursuant to the Indenture, the Authority will covenant (a) at all times, to use its best efforts to grant sufficient rental car concessions to rental car companies and to lease a sufficient amount of space in the Rental Car Center so that CFCs and Bond Funding Supplemental Consideration will be sufficient to meet the Minimum Annual Requirement and the Senior Bonds Coverage Requirement, (b) to not grant an off-Airport rental car concession to any Rental Car Company operating from the Rental Car Center with a 5% or greater share of the rental car market at the Airport that wishes to cease operating from the Rental Car Center and operate as an off-Airport rental car company, (c) to not grant an off-Airport rental car concession to any new-entry rental car company that wishes to begin providing rental car service from the Airport if there is sufficient space in the Rental Car Center for such rental car company to operate therefrom, unless such rental car company’s share of the rental car market at the Airport will be less than 5%, (d) that any off-Airport rental car concession agreement will be terminable by the Authority upon twelve (12) months or less notice, and (e) that as of the Opening Date, it will require any off-Airport rental car company with a 5% or greater share of the rental car market at the Airport to enter into a Rental Car Lease Agreement to operate from the Rental Car Center, provided there is sufficient space in the Rental Car Center.

Effect of a Rental Car Company Termination of the Rental Car Lease Agreement

As more fully described herein under the caption “THE PROJECT—Rental Car Lease Agreements—Termination of Rental Car Lease Agreements—Termination by a Rental Car Company,” the Rental Car Companies have the right to terminate their respective Rental Car Lease Agreements upon the occurrence of certain events, including damage to the Rental Car Center that would interfere with the Rental Car Company’s normal business operations or if the Authority does not renew its Rental Car Concession Agreement. In the event that one or more of such events were to occur, and a Rental Car Company or multiple Rental Car Companies were to terminate their Rental Car Lease Agreements, such

Rental Car Companies would be required to cease operations at the Airport and either become off-Airport rental car companies or cease serving the Airport. Off-airport rental car companies are not required to collect CFCs or pay Bond Funding Supplemental Consideration.

In the event one or more Rental Car Companies ceases to serve the Airport, while rental car demand may not be affected, CFC collections could be affected until the remaining Rental Car Companies are able to increase their capacity to accommodate additional customers. In addition, the Rental Car Lease Agreements provide that Rental Car Companies that remain at the Rental Car Center are liable for Bond Funding Supplemental Consideration. Therefore, the remaining Rental Car Companies would be liable for their proportionate share of Bond Funding Supplemental Consideration due from the Rental Car Companies terminating their Rental Car Lease Agreements and ceasing operations at the Airport.

Upon the occurrence of one or more of the events permitting Rental Car Companies to terminate their respective Rental Car Lease Agreements, it is possible that all Rental Car Companies could terminate their Rental Car Lease Agreements and cease serving the Airport. In such circumstances, the Authority would expect to re-negotiate a Rental Car Lease Agreement acceptable to one or more Rental Car Companies to serve the demand for rental cars at the Airport. In that event, while rental car demand may not be affected, CFC collections could be affected until one or more Rental Car Companies is in place with sufficient capacity to accommodate additional customers.

For the reasons described in the paragraphs above, the termination by one or more Rental Car Companies of their related Rental Car Lease Agreement upon the occurrence of one or more of the events permitting a Rental Car Lease Agreement termination could have an adverse effect on the level of collection of CFCs and Bond Funding Supplemental Consideration and thus the payment of debt service on the Series 2014 Bonds, and the marketability and value of the Series 2014 Bonds.

Term of Rental Car Lease Agreements Different Than Term of Rental Car Concession Agreements

The Rental Car Lease Agreements have a term that extends until approximately June 30, 2046, but the Rental Car Concession Agreements have a term beginning on the Opening Date of the Rental Car Center and, unless earlier terminated pursuant to any provision set forth in the Rental Car Concession Agreement, extending only to June 30, 2026. At the Authority's sole discretion, the Authority may extend the Rental Car Concession Agreements for four separate 5-year periods. A Rental Car Company can only operate from the Rental Car Center if it has entered into a Rental Car Concession Agreement with the Authority. If the Authority does not extend the term of Rental Car Company's Rental Car Concession Agreement, the Rental Car Company would be required to vacate the Rental Car Center. See "—Effect of a Rental Car Company Termination of the Rental Car Lease Agreement" above for a discussion of some of the effects of a Rental Car Company ceasing to operate from the Rental Car Center and the Airport.

Enforceability of Remedies

The rights of the owners of the Series 2014 Bonds and the enforceability of the Authority's obligation to make payments on the Series 2014 Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights under existing law or under laws enacted in the future and may also be subject to the exercise of judicial discretion under certain circumstances. The opinions of Bond Counsel and the Authority's General Counsel as to the enforceability of the Authority's obligations will be qualified as to bankruptcy and similar events and as to the application of equitable principles and the exercise of judicial discretion in appropriate cases and to common law and statutes affecting the enforceability of contractual obligations generally and to

principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the Authority. See “APPENDIX D—PROPOSED FORM OF BOND COUNSEL’S OPINION.”

Various state laws, constitutional provisions, and federal laws and regulations apply to the obligations created by the issuance of the Series 2014 Bonds. There can be no assurance that there will not be any change in, interpretation of or addition to the applicable laws, nor that provisions will not be changed, interpreted, or supplemented in a manner that would have a material adverse effect, directly or indirectly, on the affairs of the Authority or the Rental Car Companies.

Limitation on Amounts Available Upon the Occurrence of an Event of Default

Other than the pledge of the Trust Estate granted under the Indenture, no mortgage or security interest has been granted or lien created in the Rental Car Center or the other components of the Project or any properties of the Rental Car Companies or the Authority to secure the remittance of CFCs, Bond Funding Supplemental Consideration or payment of the Series 2014 Bonds. *No revenues of the Authority other than the Project Revenues are pledged to the payment of the Series 2014 Bonds.*

Upon the occurrence of an Event of Default, the Bondholders will have several remedies that they will be allowed to pursue, including declaring all of the principal of and interest on the Series 2014 Bonds to be due and payable immediately. See “APPENDIX B—CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE—THE INDENTURE—Events of Default and Remedies.” However, any remedies, including the acceleration of the payment of the principal of and interest on the Series 2014 Bonds, will be limited to any moneys held by the Trustee under the Indenture and any Bond Funding Supplemental Consideration required to be paid by the Rental Car Companies if moneys available under the Indenture are insufficient to pay all of the principal of and interest on the Series 2014 Bonds. There can be no assurance that some or all of such Bond Funding Supplemental Consideration will be paid by all of the Rental Car Companies, due to bankruptcy or insolvency of a Rental Car Company or other enforcement practicalities. See “—Certain Rental Car Industry Investment Considerations—Effect of Rental Car Company Bankruptcy or Financial Difficulty” below.

Regulations and Restrictions on Airport Facilities and Operations

The operations of the Airport are affected by a variety of contractual, statutory and regulatory restrictions and limitations including, without limitation, the provisions of the Airline Lease Agreements, the federal acts authorizing the imposition, and extensive federal legislation and regulations applicable to all airports in the United States. In the aftermath of the events of September 11, 2001, the Airport also has been required to implement enhanced security measures mandated by the FAA, the Department of Homeland Security and Airport management.

There are restrictions on the Authority’s ability to expand and develop facilities at the Airport. Current conditions at the Airport make the addition of a runway difficult. Obstacles to runway expansion include significant geographic obstructions, major land acquisition requirements, extensive infrastructure impacts, increased noise impacts and community resistance. Geographic obstructions include high terrain to the northeast and southwest of the Airport and manmade obstructions, such as office buildings, to the northeast, east and southeast of the Airport. See “SAN DIEGO INTERNATIONAL AIRPORT—Existing Facilities.”

Additionally there are direct restrictions on operations at the Airport, primarily relating to noise abatement. The Code of the Authority prohibits departures from the Airport between 11:30 p.m. and 6:30 a.m. (the “Curfew”). No airline may schedule or advertise for a departure between 11:15 p.m. and

6:15 a.m. These restrictions are subject only to limited exceptions including emergency and mercy flights. Landings at the Airport are not prohibited during the Curfew.

These restrictions on facilities and operations may limit the number of passengers and flights which the Airport can accommodate in the future which, in turn, may limit the number of transactions days and the amount of CFCs collected by the Rental Car Companies and remitted to the Trustee.

Certain Rental Car Industry Investment Considerations

Effect of Rental Car Company Bankruptcy or Financial Difficulty. In the event a bankruptcy case is filed with respect to a Rental Car Company, a bankruptcy trustee or the Rental Car Company as debtor-in-possession could reject its Rental Car Lease Agreement and/or Rental Car Concession Agreement, in which event such agreement(s) would be terminated and such Rental Car Company would be required to vacate the Rental Car Center. In such circumstances, while rental car demand would not be affected, CFC collections could be affected until other Rental Car Companies are able to increase their capacity to accommodate additional customers.

Additionally, in the event a bankruptcy case is filed with respect to a Rental Car Company, notwithstanding the fact that CFCs collected by a Rental Car Company are not income, revenue or any other asset of the Rental Car Company, but rather are subject at all times to a first lien for the repayment of the Series 2014 Bonds and are being held in trust by the Rental Car Companies for the benefit of the Authority, CFCs collected by a Rental Car Company, but not yet remitted to the Trustee prior to the filing of the bankruptcy petition, may be included in the bankruptcy estate, resulting in the Authority having a general creditor claim for payment of such amounts or otherwise render them uncollectible by the Authority. Regardless of any specific adverse determinations in a Rental Car Company bankruptcy proceeding, the fact of a Rental Car Company bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2014 Bonds.

The ability of the Authority to meet the Minimum Annual Requirement and the Senior Bonds Coverage Requirement each Fiscal Year is dependent upon CFCs collected by the Rental Car Companies and remitted to the Trustee, as assignee of the Authority, and the payment of Bond Funding Supplemental Consideration in the event CFCs are not sufficient to meet the Minimum Annual Requirement and the Senior Bonds Coverage Requirement. The ability of each Rental Car Company to pay Bond Funding Supplemental Consideration in the amounts and on schedule as provided in the respective Rental Car Lease Agreement is dependent on the financial health and viability of such Rental Car Company. Certain of the Rental Car Companies are limited liability companies or private corporations and information regarding the business operations, assets and financial strength of the Rental Car Companies is not readily available. The financial performance of the Rental Car Companies and their ability to pay Bond Funding Supplemental Consideration throughout the term of the Series 2014 Bonds is dependent on numerous factors which are not possible to assess or predict.

The Rental Car Lease Agreements contain obligations of the Rental Car Companies to pay a proportionate share of Bond Funding Supplemental Consideration of any defaulting Rental Car Company. However, the obligation of the Rental Car Companies to pay the cumulative Bond Funding Supplemental Consideration due by all Rental Car Companies is not joint and several. In the event a bankruptcy case is filed with respect to a Rental Car Company, a bankruptcy trustee or the Rental Car Company as debtor-in-possession could reject its Rental Car Lease Agreement and Rental Car Concession Agreement, in which event such agreement(s) would be terminated and the obligation of the Rental Car Company to pay a proportionate share of Bond Funding Supplemental Consideration of any defaulting Rental Car Companies would not be enforceable.

The enforceability of the Rental Car Lease Agreements and collection of Bond Funding Supplemental Consideration from each Rental Car Company may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights under existing law or under laws enacted in the future and may also be subject to the exercise of judicial discretion under certain circumstances. Such matters could make provisions of the Rental Car Lease Agreements and collection of Bond Funding Supplemental Consideration unenforceable.

Concentration of Rental Car Companies Operating at the Airport. Rental Car Lease Agreements are expected to be entered into with the Rental Car Companies representing sixteen rental car brands. Three of these Rental Car Companies represent eleven brands that generated approximately 91.7% of the gross revenue from rental car activities at the Airport in Fiscal Year 2013. The concentration of the actual and projected rental car activity at the Airport in a small number of corporate entities increases the risk of factors that may impact the operations and activities of the Rental Car Companies. The termination of a Rental Car Lease Agreement, bankruptcy or financial difficulty, or cessation of operations of a Rental Car Company could have an adverse impact on the amounts of CFCs and Bond Funding Supplemental Consideration available to pay the principal of and interest on the Series 2014 Bonds.

Factors Affecting Rental Car Activity.

Rental Car Activity. As described in the Financial Feasibility Report, rental car demand at the Airport, and therefore the number of rental car transaction days to which the CFC applies, is highly correlated to passenger demand. The Feasibility Consultant also concludes, based on historical rental car data and based on the assumptions set forth in the Financial Feasibility Report, that the number of rental car transaction days at the Airport is primarily a function of the number of visiting O&D deplaned passengers. Other factors found by the Feasibility Consultant to affect rental car demand at the Airport include: the price of renting a car, as measured by the average daily rental rate; market segmentation (business/leisure); rental car costs as a component of total travel costs; convenience; the availability of alternative forms of ground transportation; and certain extraordinary events, such as the terrorist attacks of September 11, 2001. For a full discussion of these and other factors affecting rental car activity, see “APPENDIX A—FINANCIAL FEASIBILITY REPORT.”

A significant component of renting a car at most major U.S. airports is the growing list of add-on fees and taxes, including CFCs, and unbundled rental car operating costs such as tire recycling fees and facility maintenance costs. To the extent add-on fees and taxes, including CFCs, increase, rental car demand could decrease as potential customers opt for alternative modes of transportation that they perceive to be more cost effective than renting a car, thus reducing the total amount of CFCs collected. The Authority is unable to predict what impact, if any, the imposition or increase of such add-on fees and taxes, including CFCs, could have on rental car demand at the Airport. See “APPENDIX A—FINANCIAL FEASIBILITY REPORT.”

Competition and Alternative Modes of Ground Transportation. There are alternative forms of ground transportation available at and near the Airport, which could reduce the demand for renting motor vehicles at the Rental Car Center. These alternate forms that compete with on-airport rental cars include taxis, buses, shuttle services, public transportation and limousines. Various forms of car-sharing and on-demand vehicle services are also becoming increasingly prevalent and popular with the public, and may offer competition that could reduce the demand for car rentals at the Airport. For a further description of these alternate modes of transportation and their impact on rental car demand, see of “APPENDIX A—FINANCIAL FEASIBILITY REPORT.”

The CFC is only collected by the Rental Car Companies leasing space at the Rental Car Center. It is not anticipated that any off-Airport service that may be provided will be significant. In the event that a rental car concessionaire locates any of its operations off-Airport, the Authority will require that such concessionaire pick up and drop off its customers at the Rental Car Center and pay a Transportation and Facility Charge in connection therewith.

Geopolitical Risks. The political turmoil in the Middle East and concern about potential disruption in oil shipments from the Persian Gulf, as well as the high demand for oil and other geopolitical factors, have caused oil prices to fluctuate unpredictably. These factors have had, and may continue to have, significant adverse effects on the cost of air travel, on airline industry profitability and service patterns, and on the cost of operating a rental car. The latter consideration may deter customers who choose instead to use shared or mass transit, or limit the duration of rental transactions. The full impact of these possibilities cannot be predicted.

Certain Airline Industry Investment Considerations

Factors Affecting the Airline Industry.

General. The Series 2014 Bonds will be payable solely from Project Revenues and certain funds and accounts held by the Trustee and the Authority under the Indenture. The ability to pay debt service on the Series 2014 Bonds will depend on the receipt of sufficient Project Revenues, including CFCs and Bond Funding Supplemental Consideration. The Authority's ability to generate Project Revenues depends upon many factors which may be affected by airline operations at the Airport, many of which are not subject to the control of the Authority. Key factors that affect airline traffic at the Airport and the financial condition of the airlines, and, therefore, the number of rental car transactions at the Airport, include: local, regional, national and international economic and political conditions; international hostilities; world health concerns; natural disasters; aviation security concerns; airline service and routes; airline airfares and competition; airline industry economics, including labor relations and costs; airline bankruptcies; availability and price of aviation fuel (including the ability of airlines to hedge fuel costs); regional, national and international environmental regulations; airline consolidation and mergers; capacity of the national air traffic control and airport systems; capacity of the Airport; and business travel substitutes, including teleconferencing, videoconferencing and web-casting. If aviation and enplaned passenger traffic at the Airport do not meet forecast levels, a corresponding reduction could occur in forecasted rental car transaction days and CFCs.

The airline industry is highly cyclical and is characterized by intense competition, high operating and capital costs and varying demand. Passenger and cargo volumes are highly sensitive to general and localized economic trends, and passenger traffic varies substantially with seasonal travel patterns. The profitability of the airline industry can fluctuate dramatically from quarter to quarter and from year to year, even in the absence of catastrophic events such as the terrorist attacks of September 11, 2001 and the economic recession that occurred between 2008 and 2009. Business decisions by airlines, such as the reduction, or elimination, of service to unprofitable markets, increasing the use of smaller, regional jets and changing hubbing strategies have also affected air traffic at the Airport and could have a more pronounced effect in the future.

Following are just a few of the factors affecting the airline industry including, regional and national economic conditions, costs of aviation fuel, international conflicts and threats of terrorism and structural changes in the travel market. See also "—Aviation Security Concerns" below for additional discussion on the costs of security.

Economic Conditions. Historically, the financial performance of the air transportation industry has correlated with the state of the national and global economies. During September 2008, significant and dramatic changes occurred in the U.S. and global financial markets. Between 2008 and 2009, the U.S. economy experienced a recession, which has been followed by weak economic growth. It is not known at this time whether the high national unemployment rate, or the slow rate of national and global economic growth will persist in 2014.

Cost of Aviation Fuel. Airline earnings are significantly affected by changes in the price of aviation fuel. According to Airlines for America (formerly known as the Air Transport Association of America), fuel, along with labor costs, is one of the largest cost components of airline operations, and continues to be an important and uncertain determinate of an air carrier's operating economics. There has been no shortage of aviation fuel since the "fuel crisis" of 1974, but any increase in fuel prices causes an increase in airline operating costs. Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world (particularly in the oil-producing nations in the Middle East and North Africa), Organization of Petroleum Exporting Countries policy, the rapid growth of economies such as China and India, the levels of inventory carried by industries, the amounts of reserves maintained by governments, disruptions to production and refining facilities and weather. According to Airlines for America, every one-cent increase in the price per gallon of jet fuel increases annual operating expenses by approximately \$190 million to \$200 million. The price of aviation fuel rose to an all-time high of almost \$4.00 per gallon in July 2008. According to Airlines for America, the price of aviation fuel averaged approximately \$2.89 per gallon for the first eleven months of 2013. Significant and prolonged increases in the cost of aviation fuel are likely to have an adverse impact on air transportation industry profitability and hamper the recovery plans and cost-cutting efforts of certain airlines.

International Conflict and the Threat of Terrorism. The increased threat of terrorism has had, and may continue to have, a negative impact on air travel. The Authority cannot predict the likelihood of future incidents similar to the terrorist attacks of September 11, 2001, the likelihood of future air transportation disruptions or the impact on the Authority or the airlines operating at the Airport from such incidents or disruptions.

Structural Changes in the Travel Market. Many factors have combined to alter consumer travel patterns. The threat of terrorism against the United States remains high. As a result, the federal government has mandated various security measures that have resulted in new security taxes and fees and longer passenger processing and wait times at airports. Both add to the costs of air travel and make air travel less attractive to consumers relative to ground transportation, especially to short-haul destinations. Additionally, consumers have become more price-sensitive. Efforts of airlines to stimulate traffic by heavily discounting fares have changed consumer expectations regarding airfares. Consumers have come to expect extraordinarily low fares. In addition, the availability of fully transparent price information on the Internet now allows quick and easy comparison shopping, which has changed consumer purchasing habits. Consumers have shifted from purchasing paper tickets from travel agencies or airline ticketing offices to purchasing electronic tickets over the Internet. This has made pricing and marketing even more competitive in the U.S. airline industry. Finally, smaller corporate travel budgets, combined with the higher time costs of travel, have made business customers more amenable to communications substitutes such as tele- and video-conferencing.

Financial Condition of Airlines Serving the Airport and Airline Bankruptcy. The financial strength and stability of the airlines serving the Airport are key determinants of future airline traffic, including visiting traffic resulting in rental car activity, and therefore of the ability of the Authority to generate CFCs and Bond Funding Supplemental Consideration from rental car operations at the Airport.

Many of the airlines serving the Airport have been impacted by the economic downturn of the last several years. Current and future financial and operational difficulties encountered by the airlines serving the Airport could have a material adverse effect on operations at, and the financial condition of, the Airport.

Additionally, over the last several years, several airlines that currently operate at the Airport, including, among others, American Airlines, US Airways, United Airlines, Delta Air Lines and Frontier Airlines, have filed for and reorganized under bankruptcy protection. Additional bankruptcy filings may occur in the future. The bankruptcy of an airline with significant operations at the Airport could have a material adverse effect on airline traffic at the Airport and a resulting adverse impact on rental car activity at the Airport and the collection of CFCs.

Southwest Airlines – the Airport’s Largest Carrier. In Fiscal Year 2013, Southwest Airlines accounted for approximately 37.2% of the total enplaned passengers at the Airport. Where an airport has a sizable market share accounted for by a single airline, there is risk associated with the potential for that airline to reduce or discontinue service. However, in the case of Southwest Airlines at the Airport, this risk is mitigated by the following factors: (a) Southwest Airlines is a consistently profitable airline; and (b) the development of service by Southwest Airlines at the Airport has demonstrated a large O&D passenger demand that could be served by other airlines at the Airport in the unlikely event Southwest Airlines were to reduce service at the Airport. Nevertheless, the Authority cannot predict what effect a reduction or discontinuation of service by Southwest would have on enplanements and deplanements at the Airport, or whether another airline would absorb the service provided by Southwest.

Airline Mergers and Acquisitions. In recent years airlines have experienced increased costs and industry competition, both domestically and internationally. As a result, airlines have merged and acquired competitors in an attempt to combine operations in order to increase cost synergies and become more competitive.

In 2009, Delta fully completed its merger with Northwest Airlines, which led a wave of airline mergers and acquisitions within the U.S. In October 2010, United Airlines and Continental Airlines merged, creating the world's largest airline in terms of operating revenue and revenue passenger miles. In December 2013, AMR Corporation, along with its subsidiaries American Airlines and American Eagle, merged with US Airways Group, Inc. American Airlines and US Airways will continue to operate as separate airlines until their operations have been fully integrated, which is expected to take 18 to 24 months.

Aviation Security Concerns. Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of international hostilities (such as those that have occurred and continue to occur in the Middle East), terrorist attacks and increased threat levels declared by the Department of Homeland Security may influence passenger travel behavior and air travel demand. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally and the switching from air to surface travel modes.

The Authority cannot predict whether the Airport will be a target of terrorists in the future. Additionally, the Authority cannot predict the effect of any future government-required security measures on passenger activity at the Airport.

Worldwide Health Concerns. In the fall of 2009, the World Health Organization and the U.S. Department of Health and Human Services (through the Secretary of the Department of Homeland Security), declared public health emergencies as the result of outbreaks of a serious strain of H1N1

influenza or flu. This strain was apparently the first to be communicable from human-to-human, and thus posed a potential risk of an international influenza pandemic. This flu strain caused deaths to many whom were healthy young adults. Travel restrictions, as well as other public health measures, were imposed to limit the spread of this flu. In spring 2003, there was a similar outbreak of a serious strain of bird flu in Asia and Canada called “Severe Acute Respiratory Syndrome” or “SARS”. The outbreaks of H1N1 and SARS did not result in any direct reduction in enplanements at the Airport. However, future pandemics may lead to a decrease in air traffic, at least for a temporary period, which in turn could cause a decrease in passenger activity at the Airport and a corresponding decline in rental car transactions at the Airport. The Authority is unable to predict how serious this situation may become, what effect it may have on air travel to and from the Airport, and whether any such effects will be material.

Competing Airports. As discussed in the Financial Feasibility Report, there are six other commercial service airports located in Southern California (John Wayne Airport, Long Beach Airport, LA/Ontario International Airport, Los Angeles International Airport, Bob Hope Airport and McClellan-Palomar Airport). Five of the six airports (John Wayne Airport, Long Beach Airport, LA/Ontario International Airport, Los Angeles International Airport and Bob Hope Airport) are located outside of the County, are less accessible to San Diego residents and do not pose a substantial competitive risk to the Airport. The sixth airport (McClellan-Palomar Airport) is a non-hub airport with 48,000 enplanements in 2012, located in Carlsbad, California (approximately 34 miles north of the Airport), with limited service consisting of a few United Express flights to Los Angeles. The Authority does not consider McClellan-Palomar Airport a competitor.

One additional airport located near the Airport is Tijuana General Abelardo L. Rodriguez International Airport (“Tijuana Airport”). Tijuana Airport is located approximately 24 miles south of the Airport in Tijuana, Mexico. Tijuana Airport primarily serves the Mexican domestic market. Historically, Tijuana Airport has posed minimal competition to the Airport due to inconvenient border crossings and service that is limited to primarily Mexican destinations. Recently, developers have begun developing a secure pedestrian bridge that would crossover the U.S./Mexican border and link Tijuana Airport to a parking facility that would be located in the United States, approximately 28 miles from downtown San Diego. If completed, the Authority cannot predict what effect, if any, the bridge would have on enplanements/deplanements at the Airport or on rental car demand at the Airport.

Climate Change Issues

Possible Increased Regulations. Climate change concerns are leading to new laws and regulations at the federal and state levels that could have a material adverse effect on airlines operating at the Airport and also could affect ground operations at airports.

The U.S. Environmental Protection Agency (“EPA”) has taken steps towards the regulation of greenhouse gas (“GHG”) emissions under existing federal law. Those steps may in turn lead to further regulation of aircraft GHG emissions. Regulation by the EPA can be initiated by private parties or by governmental entities other than EPA. In 2007, several states, including California, petitioned EPA to regulate GHGs from aircraft. On July 30, 2008, EPA issued an Advanced Notice of Proposed Rulemaking (“ANPR”) relating to GHG emissions and climate change. Part of the ANPR requested comments on whether and how to regulate GHG emissions from aircraft. The final rule, the Mandatory Reporting of Greenhouse Gases Rule (74 FR 56260), requires reporting of GHG data and other relevant information from large stationary sources and electricity and fuel suppliers, but not mobile aircraft. While the EPA has not yet taken any action to regulate GHG emissions from aircraft, regulation may still be forthcoming. On July 5, 2011, the U.S. District Court for the District of Columbia issued an order concluding that the EPA has a mandatory obligation under the Clean Air Act to consider whether the greenhouse gas and black carbon emissions of aircraft engines endanger public health and welfare. The

EPA is in the process of determining whether greenhouse gas and black carbon emissions of aircraft engines endanger public health and welfare. The Authority cannot predict what the EPA's findings will be or what effect they will have on the Authority or the air traffic or rental car operations at the Airport.

In addition to these regulatory actions, other laws and regulations limiting GHG emissions have been adopted by a number of states, including California, and have been proposed on the federal level. California passed Assembly Bill 32, the "California Global Warming Solutions Act of 2006," which requires the Statewide level of GHGs to be reduced to 1990 levels by 2020. On October 20, 2011, the California Air Resources Board ("CARB") made the final adjustments to its implementation of Assembly Bill 32: the "California-Cap-and-Trade Program" (the "Program") which was implemented in January 2012. The Program covers regulated entities emitting 25,000 MtCO₂e per year or more and entities in certain listed industries, including major industrial sources, electricity generating facilities, and fuel suppliers. No-covered entities are encouraged to opt-in and voluntarily participate in the Program. It is expected that the Program will result in rising electricity and fuel costs, which may adversely affect the airlines serving the Airport and air traffic and rental car operations at the Airport.

The Authority is unable to predict what federal and/or state laws and regulations with respect to GHG emissions will be adopted, or what effects such laws and regulations will have on airlines serving the Airport or air traffic and rental car operations at the Airport. The effects, however, could be material.

Possible Sea-Level Rise. The Airport is located approximately one-half mile from San Diego Bay, which is located approximately two miles from the Pacific Ocean. The San Diego area, including the Airport, may be exposed to rising sea levels as a result of global warming. In May 2009, the California Climate Change Center released a final paper entitled "The Impacts of Sea-Level Rise on the California Coast" that was funded by the California Energy Commission, the California Environmental Protection Agency, the Metropolitan Transportation Commission, the California Department of Transportation, and the California Ocean Protection Council. The paper posits that increases in sea level will be a significant impact of climate change over the next century. While noting that impacts are highly site-specific and somewhat speculative, the paper indicated that the San Diego area, including the Airport, were not vulnerable to flooding with a 1.4-meter sea level rise. However, the Authority is unable to predict whether sea-level rise or other impacts of climate change will occur while the Series 2014 Bonds are outstanding, and if any such events occur, whether there will be an adverse impact, material or otherwise, on the Airport and aviation activity at the Airport and the level of car rentals at the Airport.

State Tidelands Trusts

Nearly all of the land on which the Airport's facilities are located is held in trust by the Port District pursuant to tidelands grants from the State. Generally, the use of lands subject to the trust is limited under the terms of the grants to harbor and airport uses and other uses of statewide interest, such as fishing, public recreation and enjoyment of the waterfront. Pursuant to the Act, the Port District has leased the land on which the Airport is located to the Authority until 2069. There also are certain limitations on the use of funds generated from facilities located on this land. However, none of the various restrictions are expected to affect the operations of the Airport or the operations at the Rental Car Center. The grants may be subject to amendment or revocation by the State legislature, as grantor of the trust and as representative of the beneficiaries (the people of the State). Under the law, any such amendment or revocation could not impair the accomplishment of trust purposes, or abrogate the existing covenants and agreements between the Port District, as trustee, the Authority, as lessee, and the Authority's bondholders. The Authority does not anticipate that the State will revoke the tidelands grants.

Potential Limitation of Tax Exemption of Interest on Series 2014A Bonds

From time to time, the President of the United States, the United States Congress and/or state legislatures have proposed and could propose in the future, legislation that, if enacted, could cause interest on the Series 2014A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Clarifications of the Internal Revenue Code of 1986, as amended, or court decisions may also cause interest on the Series 2014A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation. The introduction or enactment of any such legislative proposals or any clarification of the Internal Revenue Code of 1986, as amended, or court decisions may also affect the market price for, or marketability of, the Series 2014A Bonds. Prospective purchasers of the Series 2014A Bonds should consult their own tax advisors regarding any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion. See “TAX MATTERS—Changes in Federal and State Tax Law.”

Income Taxation Risk Upon Defeasance of the Series 2014B Bonds

In the event the Authority were to defease all or a portion of the Series 2014B Bonds, for federal income tax purposes, the Series 2014B Bonds that are the subject of such a defeasance may be deemed to be retired and “reissued” as a result of the defeasance. In such an event, a Holder who owns such a Series 2014B Bond would recognize gain or loss on the Series 2014B Bond at the time of defeasance. Holders who own Series 2014B Bonds should consult their own tax advisors regarding the tax consequences of a defeasance of the Series 2014B Bonds. See “TAX MATTERS—Series 2014B Bonds (Federally Taxable)—Defeasance.”

Secondary Market

No assurance can be given concerning the existence of any secondary market in the Series 2014 Bonds or its creation or maintenance by the Underwriters. Thus, purchasers of Series 2014 Bonds should be prepared, if necessary, to hold their Series 2014 Bonds until their respective maturity dates.

Forward-Looking Statements

This Official Statement contains statements relating to future results that are “forward-looking statements”. When used in this Official Statement, the words “estimate,” “anticipate,” “forecast,” “project,” “intend,” “propose,” “plan,” “expect,” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. See “INTRODUCTION—Forward-Looking Statements.”

Any financial projections set forth in this Official Statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to the prospective financial information. The Authority’s independent auditors have not compiled, examined, or performed any procedures with respect to the prospective financial information contained in this Official Statement, nor have they expressed any opinion or any other form of assurance on such information or its achievability. The Authority’s independent auditors have not been consulted in connection with the preparation of any financial projections contained in this Official Statement and the Authority’s independent auditors assume no responsibility for its content.

RENTAL CAR COMPANY INFORMATION

Certain of the Rental Car Companies or their parent corporations are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and, as such are required to file periodic reports, including financial and operational data, with the Securities and Exchange Commission (the “SEC”). All such reports and statements can be inspected and copies obtained at prescribed rates in the Public Reference Room of the SEC at 100 F Street, NE, Room 1580, Washington, DC 20549. The SEC maintains a website at <http://www.sec.gov> containing reports, proxy and information statements and other information regarding registrants that file electronically with the SEC.

The Authority undertakes no responsibility for and makes no representations as to the accuracy or completeness of the content of information available from the SEC as discussed in the preceding paragraph, including, but not limited to, updates of such information on the SEC’s website or links to other Internet sites accessed through the SEC’s website.

See also “CERTAIN INVESTMENT CONSIDERATIONS” for discussions regarding the financial condition of the Rental Car Companies and the effects of bankruptcies of the Rental Car Companies on the ability of the Authority to pay principal of and interest on the Series 2014 Bonds.

LITIGATION

No Litigation Relating to Series 2014 Bonds

There is no litigation now pending or, to the best of the Authority’s knowledge, threatened which seeks to restrain or enjoin the sale, issuance or delivery of the Series 2014 Bonds or in any way contests the validity of the Series 2014 Bonds or any proceedings of the Board taken with respect to the authorization, sale or issuance of the Series 2014 Bonds, the pledge or application of any moneys provided for the payment of or security for the Series 2014 Bonds, or the use of the proceeds of the Series 2014 Bonds.

Litigation Relating to the Authority and the Airport

There are a number of litigation matters pending against the Authority for incidents at the Airport. These claims and suits are of a nature usually incident to the operation of the Airport and, in the aggregate, in the opinion of Authority management, based upon the advice of the General Counsel to the Authority, will not have a material adverse effect on Project Revenues. It should be noted that a portion of the claims relating to personal injuries and property damage are covered by a comprehensive insurance program maintained by the Authority for the Airport.

There are no material claims or litigation arising out of or challenging any federal fund or grants held by the Authority to date.

See also “APPENDIX F—AUDITED FINANCIAL STATEMENTS OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2013—Note 12. Commitments, Contingencies and Subsequent Event.”

TAX MATTERS

Series 2014A Bonds (Tax-Exempt – Non-AMT)

General. In the opinion of Kutak Rock LLP, Bond Counsel to the Authority, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2014A Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the Authority with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the “Code”) that must be met subsequent to the issuance of the Series 2014A Bonds. Failure to comply with such requirements could cause interest on the Series 2014A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2014A Bonds. The Authority has covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2014A Bonds.

Notwithstanding Bond Counsel’s opinion that interest on the Series 2014A Bonds is not a specific item of tax preference for purposes of the federal alternative minimum tax, such interest will be included in the adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of federal alternative minimum taxable income 75% of the excess of such corporations’ adjusted current earnings over their federal alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

Bond Counsel is further of the opinion that under existing laws, regulations, rulings and judicial decisions, interest on the Series 2014A Bonds is exempt from State of California personal income taxes.

Special Considerations With Respect to the Series 2014A Bonds. The accrual or receipt of interest on the Series 2014A Bonds may otherwise affect the federal income tax liability of the owners of the Series 2014A Bonds. The extent of these other tax consequences will depend upon such owner’s particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2014A Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2014A Bonds.

Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2014A Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2014A Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Tax Treatment of Original Issue Premium. The Series 2014A Bonds are being sold at a premium. An amount equal to the excess of the issue price of a Series 2014A Bond over its stated redemption price at maturity constitutes premium on such Series 2014A Bond. An initial purchaser of a

Series 2014A Bond must amortize any premium over such Series 2014A Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Series 2014A Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Series 2014A Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Series 2014A Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Series 2014A Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Series 2014A Bond.

Series 2014B Bonds (Federally Taxable)

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the Series 2014B Bonds under the Code and the Regulations, and the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. The summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws.

Potential purchasers of the Series 2014B Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 2014B Bonds.

General Matters. Interest on the Series 2014B Bonds is included in gross income for federal income tax purposes. Bond Counsel has expressed no opinion regarding any federal tax consequences arising with respect to the purchase, holding, accrual or receipt of interest on or disposition of the Series 2014B Bonds.

In general, interest paid on the Series 2014B Bonds, original issue discount, if any, and market discount, if any, will be treated as ordinary income to the owners of the Series 2014B Bonds, and principal payments (excluding the portion of such payments, if any, characterized as original issue discount or accrued market discount) will be treated as a return of capital.

Bond Premium. An investor that acquires a Series 2014B Bond for a cost greater than its remaining stated redemption price at maturity and holds such bond as a capital asset will be considered to have purchased such bond at a premium and, subject to prior election permitted by Section 171(c) of the Code, may generally amortize such premium under the constant yield method. Except as may be provided by regulation, amortized premium will be allocated among, and treated as an offset to, interest payments. The basis reduction requirements of Section 1016(a)(5) of the Code apply to amortizable bond premium that reduces interest payments under Section 171 of the Code. Bond premium is generally amortized over the bond's term using constant yield principles, based on the purchaser's yield to maturity. Investors of any Series 2014B Bond purchased with a bond premium should consult their own tax advisors as to the effect of such bond premium with respect to their own tax situation and as to the treatment of bond premium for state tax purposes.

Market Discount. An investor that acquires a Series 2014B Bond for a price less than the adjusted issue price of such bond (or an investor who purchases a Series 2014B Bond in the initial offering at a price less than the issue price) may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections and the principles applied by the Regulations, "market

discount” means (a) in the case of a Series 2014B Bond originally issued at a discount, the amount by which the issue price of such bond, increased by all accrued original issue discount (as if held since the issue date), exceeds the initial tax basis of the owner therein, less any prior payments that did not constitute payments of qualified stated interest, and (b) in the case of a Series 2014B Bond not originally issued at a discount, the amount by which the stated redemption price of such bond at maturity exceeds the initial tax basis of the owner therein. Under Section 1276 of the Code, the owner of such a Series 2014B Bond will generally be required (i) to allocate each principal payment to accrued market discount not previously included in income and, upon sale or other disposition of the bond, to recognize the gain on such sale or disposition as ordinary income to the extent of such cumulative amount of accrued market discount as of the date of sale or other disposition of such a bond or (ii) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest or, in the case of a Series 2014B Bond with original issue discount, in proportion to the accrual of original issue discount.

An owner of a Series 2014B Bond that acquired such bond at a market discount also may be required to defer, until the maturity date of such bond or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry such bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner’s gross income for the taxable year with respect to such bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Series 2014B Bond for the days during the taxable year on which the owner held such bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Series 2014B Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the owner elects to include such market discount in income currently as it accrues on all market discount obligations acquired by such owner in that taxable year or thereafter.

Attention is called to the fact that Treasury regulations implementing the market discount rules have not yet been issued. Therefore, investors should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto.

Sales or Other Dispositions. If an owner of a Series 2014B Bond sells the bond, such person will recognize gain or loss equal to the difference between the amount realized on such sale and such owner’s basis in such bond. Ordinarily, such gain or loss will be treated as a capital gain or loss.

If the terms of a Series 2014B Bond were materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications that may be treated as material are those that relate to redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Each potential owner of a Series 2014B Bond should consult its own tax advisor concerning the circumstances in which such bond would be deemed reissued and the likely effects, if any, of such reissuance.

Defeasance. The legal defeasance of the Series 2014B Bonds may result in a deemed sale or exchange of such bonds under certain circumstances. Owners of such Series 2014B Bonds should consult their tax advisors as to the federal income tax consequences of such a defeasance.

Unearned Income Medicare Contribution Tax. Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), or (ii) the excess of “modified adjusted gross income” of the individual over \$200,000 for unmarried individuals (\$250,000 for married couples filing a joint return and a surviving spouse). Holders of the Series 2014B Bonds should consult with their tax advisor concerning this additional tax as it may apply to interest earned on the Series 2014B Bonds as well as gain on the sale of a Series 2014B Bond.

Backup Withholding. An owner of a Series 2014B Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the Series 2014B Bonds, if such owner, upon issuance of the Series 2014B Bonds, fails to provide to any person required to collect such information pursuant to Section 6049 of the Code with such owner’s taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other “reportable payments” (as defined in the Code) properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

Foreign Investors. An owner of a Series 2014B Bond that is not a “United States person” (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Series 2014B Bond will generally not be subject to United States income or withholding tax in respect of a payment on a Series 2014B Bond, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this purpose the term “United States person” means a citizen or resident of the United States of America, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States of America is includable in gross income for United States of America income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a 30% United States withholding tax will apply to interest paid and original issue discount accruing on Series 2014B Bonds owned by foreign investors. In those instances in which payments of interest on the Series 2014B Bonds continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of Series 2014B Bonds having original issue discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Series 2014B Bond.

Tax-Exempt Investors. In general, an entity that is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. An unrelated trade or business is any trade or business that is not substantially related to the purpose that forms the basis for such entity’s exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation that gave rise to such interest is subject to acquisition indebtedness. Therefore, except to the extent any

owner of a Series 2014B Bond incurs acquisition indebtedness with respect to such bond, interest paid or accrued with respect to such owner may be excluded by such tax-exempt owner from the calculation of unrelated business taxable income. Each potential tax-exempt holder of a Series 2014B Bond is urged to consult its own tax advisor regarding the application of these provisions.

Exemption Under California State Law. Bond Counsel is of the opinion that under existing laws, regulations, rulings and judicial decisions, interest on the Series 2014B Bonds is exempt from State of California personal income taxes.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading “TAX MATTERS” or adversely affect the market value of the Series 2014 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2014 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2014 Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2014 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2014 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain requirements on “employee benefit plans” (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, “ERISA Plans”) and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan’s investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the Series 2014B Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan’s particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. However, such plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of the Series 2014B Bonds could be viewed as violating those prohibitions. In addition, Section 4975 of the Code prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Section 503 of the Code includes similar restrictions with respect to governmental and church plans. In this regard, the Authority or any dealer of the Series 2014B Bonds might be considered or might become a “party in interest” within

the meaning of ERISA or a “disqualified person” within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Sections 4975 or 503 of the Code. Prohibited transactions within the meaning of ERISA and the Code may arise if the Series 2014B Bonds are acquired by such plans or arrangements with respect to which the Authority or any dealer is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above sections of the Code, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Series 2014B Bonds. The sale of the Series 2014B Bonds to a plan is in no respect a representation by the Authority or the Underwriters that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. Any plan proposing to invest in the Series 2014B Bonds should consult with its counsel to confirm that such investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.

RATINGS

Moody’s Investors Service, Inc., and Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, have assigned ratings of “A3” (stable outlook), and “A-” (stable outlook), respectively, to the Series 2014 Bonds. Such ratings reflect only the views of such organizations and any explanation of the meaning and significance of such ratings, including the methodology used and any outlook thereon, should be obtained from the rating agency furnishing the same, at the following addresses: Moody’s Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; and Standard & Poor’s Ratings Services, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The respective ratings are not a recommendation to buy, sell or hold the Series 2014 Bonds. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2014 Bonds.

LEGAL MATTERS

The validity of the Series 2014 Bonds and certain other legal matters are subject to the approving opinion of Kutak Rock LLP, Bond Counsel to the Authority. A complete copy of the proposed form of Bond Counsel’s opinion is contained in Appendix D hereto. As Bond Counsel, Kutak Rock LLP undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain matters will be passed upon for the Authority by the General Counsel to the Authority. Certain legal matters with respect to this Official Statement will be passed upon for the Authority by Kutak Rock LLP, Disclosure Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by their counsel O’Melveny & Myers LLP and Curls Bartling P.C., Co-Underwriters’ Counsel. All of the fees of Bond Counsel, Disclosure Counsel and Co-Underwriters’ Counsel with respect to the issuance of the Series 2014 Bonds are contingent upon the issuance and delivery of the Series 2014 Bonds.

UNDERWRITING

The Series 2014A Bonds will be purchased by Siebert Brandford Shank & Co., L.L.C., J.P. Morgan Securities LLC, Cabrera Capital Markets, LLC, Citigroup Global Markets Inc., Jefferies LLC, and Loop Capital Markets, LLC, and (collectively, the “Underwriters”), from the Authority at a price of \$29,828,442.62 (which is the par amount of the Series 2014A Bonds, plus an original issue premium of

\$594,265.80, less an underwriters' discount of \$155,823.18), subject to the terms of a purchase contract (the "Purchase Contract"), between Siebert Brandford Shank & Co., L.L.C., as representative of the Underwriters, and the Authority.

The Series 2014B Bonds will be purchased by the Underwriters from the Authority at a price of \$274,534,990.58 (which is the par amount of the Series 2014B Bonds less an underwriters' discount of \$1,360,009.42), subject to the terms of the Purchase Contract.

The Purchase Contract provides that the Underwriters will purchase all of the Series 2014 Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel, and certain other conditions. The initial public offering prices of the Series 2014 Bonds set forth on the inside of the front cover hereof may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Series 2014 Bonds into unit investment trusts or money market funds at prices lower than the public offering prices stated on the cover hereof.

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 Authority, for which they received or will receive customary fees and expenses.

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 Authority.

J.P. Morgan Securities LLC ("JPMS") provided the information contained in this paragraph for inclusion in this Official Statement and the Authority does not take any responsibility for or make any representation as to its accuracy or completeness. JPMS, one of the underwriters of the Series 2014 Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Series 2014 Bonds, at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS&Co. will purchase Series 2014 Bonds from JPMS at the original issue prices less a negotiated portion of the selling concession applicable to any Series 2014 Bonds that such firm sells.

Citigroup Global Markets Inc. ("Citigroup") provided the information contained in this paragraph for inclusion in this Official Statement and the Authority does not take any responsibility for or make any representation as to its accuracy or completeness. Citigroup, one of the underwriters of the Series 2014 Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Series 2014 Bonds.

Loop Capital Markets LLC (“LCM”) provided the information contained in this paragraph for inclusion in this Official Statement and the Authority does not take any responsibility for or make any representation as to its accuracy or completeness. LCM, one of the Underwriters of the Series 2014 Bonds, has entered into a distribution agreement (the “Distribution Agreement”) with Deutsche Bank Securities Inc. (“DBS”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Distribution Agreement (if applicable to this transaction), DBS will purchase Series 2014 Bonds from LCM at the original issue prices less a negotiated portion of the selling concession applicable to any Series 2014 Bonds that such firm sells.

FINANCIAL ADVISOR

The Authority has retained the services of Frasca & Associates, L.L.C., New York, New York, as Financial Advisor in connection with the issuance of the Series 2014 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

CONTINUING DISCLOSURE

At the time of issuance of the Series 2014 Bonds, the Authority will execute and deliver a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”) substantially in the form set forth in Appendix E of this Official Statement. Pursuant to the Continuing Disclosure Certificate, the Authority will covenant to provide, or cause to be provided, to the MSRB, through the EMMA System, in an electronic format as prescribed by the MSRB, for purposes of Rule 15c2-12 adopted by the SEC (“Rule 15c2-12”), certain annual financial information and operating data relating to the Authority and the Rental Car Center, in a timely manner, notice of certain enumerated events. See “APPENDIX E—FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

During the last five years, the Authority has never failed to comply in all material respects with any continuing disclosure undertakings with regard to Rule 15c2-12 to provide annual financial information and operating data relating to the Authority and the Airport System and, in a timely manner, notice of certain enumerated events. The Authority makes no representations as to whether any Nationally Recognized Municipal Securities Information depository (each a “NRMSIR”) or the EMMA System properly posted or maintained such information or whether any NRMSIR or the EMMA System associated such information with the correct CUSIP numbers with respect to any bonds or obligations of the Authority.

FINANCIAL STATEMENTS

The audited financial statements of the Authority for Fiscal Year 2013 are included as Appendix F attached hereto. The financial statements referred to in the preceding sentence have been audited by McGladrey LLP, the Authority’s independent auditor, as stated in its Independent Auditor’s Report, dated October 18, 2013, included in Appendix F. The Authority has not requested the consent of McGladrey LLP, nor has McGladrey LLP consented, to the inclusion of the financial statements of the Authority or the Independent Auditor’s Report in Appendix F. McGladrey LLP has not been engaged to perform, and has not performed, since the date of its Independent Auditor’s Report, any procedures on the financial statements addressed in that report. McGladrey LLP also has not performed any procedures relating to this Official Statement.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not expressly stated, are set forth as such and not representations of fact. No representation is made that any of such opinions or estimates will be realized.

All references to the Act, the Indenture, the Rental Car Lease Agreements, the Rental Car Concession Agreements and agreements with any other parties herein and in the Appendices hereto are made subject to the detailed provisions of such documents, and reference is made to such documents and agreements for full and complete statements of the contents thereof. Copies of such documents are available for review at the offices of the Authority which are located at Commuter Terminal, 3rd Floor, 3225 North Harbor Drive, San Diego, California 92101. This Official Statement is not to be construed as a contract or agreement between the Authority and the owners of any of the Series 2014 Bonds.

AUTHORIZATION

The Board has authorized the distribution of this Official Statement. This Official Statement has been duly executed and delivered by the President and CEO on behalf of the Authority.

SAN DIEGO COUNTY REGIONAL AIRPORT
AUTHORITY

By /s/ Thella F. Bowens
President/CEO

APPENDIX A

FINANCIAL FEASIBILITY REPORT

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January 23, 2014

Ms. Thella Bowens
President and CEO
San Diego County Regional Airport Authority
3225 North Harbor Drive
San Diego, CA 92101

**Subject: Financial Feasibility Report
San Diego County Regional Airport Authority Senior Special Facilities
Revenue Bonds (Consolidated Rental Car Facility Project), Series 2014A
and Series 2014B**

Dear Ms. Bowens:

Unison Consulting, Inc. (Unison) is pleased to submit the attached Financial Feasibility Report (Report) in support of the issuance of the *San Diego County Regional Airport Authority Senior Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project), Series 2014A and Series 2014B* (the Series 2014 Bonds) in the approximate amount of \$322.855 million. The Series 2014 Bonds are being issued to (i) fund a portion of the costs of a consolidated rental car center (RCC), a related common transportation system, and certain off-site roadway and utility improvements at the San Diego International Airport (SAN or the Airport); (ii) pay the costs of issuance of the Series 2014 Bonds; (iii) fund capitalized interest on the Series 2014 Bonds; (iv) fund a Rolling Coverage Fund for the Series 2014 Bonds; and (v) fund a Debt Service Reserve Fund for the Series 2014 Bonds.

The Report provides general descriptions of the San Diego County Regional Airport Authority (the Authority), the Airport, and the RCC; the economic base underlying air traffic and rental car demand at the Airport; an analysis and forecast of enplanements at the Airport; an analysis and forecast of rental car demand at the Airport; a description of the U.S. rental car industry; and an analysis of the financial aspects of the RCC, including projections of Customer Facility Charge (CFC) collections and certain financial requirements pursuant to the CFC Indenture. All capitalized terms in this letter have the meanings defined in the CFC Indenture and the Rental Car Center Lease Agreements (as described below).

The Rental Car Center

The RCC will replace the existing rental car facilities used by the rental car companies for their operations at the Airport. Currently, the Airport has no on-site locations for rental car companies, other than a parcel of land on the south side of the Airport that is currently used for overflow rental car parking. The rental car companies currently serving the Airport maintain various facilities surrounding the Airport. The RCC will be located on an approximately 25-acre parcel of land on the north side of the Airport. The RCC will consist of a multi-level parking garage containing rental car ready/return spaces, a Customer Service Building with rental car counters and office space, a multi-level Quick Turn-Around (QTA) vehicle service area, and a vehicle staging and storage area.

A single, common busing operation will transport rental car customers between the Airport passenger terminals and the RCC. It is anticipated that the RCC will result in reduced vehicle traffic, improved air quality, enhanced customer service, and more efficient rental car operations. The CFC-eligible capital costs of the RCC and ancillary projects are estimated to total approximately \$354.7 million.

The CFC

California Civil Code § 1936 allows a CFC to be imposed by an airport and collected by rental car companies from their customers, at a rate of \$10 per rental car transaction (rental contract). On March 5, 2009, the Board authorized a \$10 per-transaction CFC, effective May 1, 2009, for the purpose of designing, financing, and constructing a potential consolidated rental car facility and associated common use transportation system. California Civil Code § 1936 was amended in 2010 to allow airports, if certain conditions are met, to implement an "Alternative CFC" on a per-transaction day basis, limited to a maximum of five days per transaction, beginning at \$6.00 per day and increasing to \$9.00 per day.

The Authority commissioned a financial feasibility report and an independent review of projected CFCs and related costs, to satisfy the statutory requirements to collect an Alternative CFC. On October 4, 2012, the Board approved Resolution Number 2012-0111 (the CFC Resolution), which authorized the implementation of a per-transaction day CFC, limited to a maximum of five days per transaction, in the amount of \$6.00 per transaction day, effective November 1, 2012, to increase to \$7.50 per transaction day effective January 1, 2014, and to increase to \$9.00 per transaction day effective January 1, 2017.



Proposed Financing Structure

The Series 2014 Bonds are payable solely from and secured by a pledge of the Trust Estate, which will include, among other things, Project Revenues and certain funds and accounts held under or pursuant to the CFC Indenture. Project Revenues will consist primarily of CFCs collected by the rental car companies that will be operating from the RCC and remitted to the Trustee as assignee of the Authority and other amounts, known as Bond Funding Supplemental Consideration, that the rental car companies operating within the RCC are obligated to pay under certain circumstances, pursuant to the provisions of the Rental Car Center Lease Agreements.

In addition to the proceeds of the Series 2014 Bonds, the costs of the RCC will be funded with CFCs previously collected by the rental car companies that serve the Airport market and remitted to the Authority, and CFCs to be collected by the rental car companies that serve the Airport market and remitted to the Trustee, as assignee of the Authority, during the construction period of the RCC.

The rental car companies will be required to make additional payments known as “Bond Funding Supplemental Consideration” if CFCs and amounts on deposit in the CFC Surplus Fund (with certain restrictions) are insufficient in any Fiscal Year to make certain required payments pursuant to the flow of funds specified in the CFC Indenture.

It is anticipated that the Series 2014 Bonds will be issued in the approximate amount of \$322.855 million, with an average annual interest rate, assumed for the purposes of this Report, of 6.608%. The debt service will be amortized over 30 years. Interest payments will be due on January 1 and July 1 of each year, beginning on July 1, 2014, and principal payments will be due on July 1 of each year, beginning on July 1, 2018.

The CFC Indenture includes a “Minimum Annual Requirement” for the collection of CFCs. As long as any of the Bonds remain Outstanding, each Fiscal Year the aggregate amount of CFCs, Bond Funding Supplemental Consideration, if any, required to be remitted by the Rental Car Companies, and amounts transferred from the CFC Stabilization Account within the CFC Surplus Fund must be no less than the sum of the amounts required to be deposited into various funds and accounts established under the CFC Indenture, and any other required payments, in the order provided in the flow of funds in the CFC Indenture.

The CFC Indenture also contains a provision known as the “Senior Bonds Coverage Requirement.” As long as any of the Senior Bonds remain Outstanding, the aggregate amount of CFCs and Bond Funding Supplemental Consideration, if any, paid by the rental car companies in each Fiscal Year plus the amount on deposit in the Rolling Coverage Fund at the beginning of such Fiscal Year (up to an amount not to exceed



30% of the Aggregate Annual Debt Service on the Senior Bonds in such Fiscal Year) shall be no less than 1.30 times the Aggregate Annual Debt Service on the Senior Bonds coming due in such Fiscal Year.

Rental Car Center Lease Agreements

Ten rental car companies (the RCC Lessees) have executed RCC Lease Agreements, representing 16 rental car brands. The RCC Lease Agreements grant the RCC Lessees the right to operate their rental car concessions in the RCC. The term of each RCC Lease Agreement began when it was signed by both parties, and will extend until June 30, 2046.¹

The RCC Lessees have executed the Rental Car Concession Agreements (the Concession Agreements), through which the Authority grants to the RCC Lessees the right to operate a rental car concession at the Airport on a nonexclusive basis. Under the provisions of the Concession Agreements, the RCC Lessees agree to operate their rental car concessions in the premises granted to them under the provisions of the RCC Lease Agreements.

The RCC Lease Agreements require the RCC Lessees to pay the following financial obligations, which are described in detail in the attached Report: (1) CFC – the RCC Lessees must collect and remit to the Trustee the CFC as required by the CFC Resolution; (2) Supplemental Consideration – consisting of “Bond Funding Supplemental Consideration” and “Common-Use Transportation Cost Supplemental Consideration,” each of which will be assessed by the Authority under certain circumstances, under an annual budget process stipulated in the RCC Lease Agreements; (3) Land Rent – each RCC Lessee’s prorated share of the land used for the site of the RCC; and (4) Reimbursable O&M Costs – to reimburse the Authority for RCC O&M Costs incurred by the Authority. Of the four items listed above, only the CFCs and the amounts collected as Bond Funding Supplemental Consideration are pledged to the payment of the Series 2014 Bonds. Land Rent, Common-Use Transportation Cost Supplemental Consideration, and amounts paid as Reimbursable O&M Costs are not pledged to the payment of the Series 2014 Bonds.

Report Organization

Unison has prepared the attached Report to evaluate the ability of the Airport to meet the financial requirements established by the Trust Agreement. The following summary of the components of the Report provides an overview of the comprehensive analysis performed:

¹ However, the term may be extended under certain circumstances if there are any Bonds outstanding as of June 30, 2046.



- **Section I – Introduction:** An overview of the Airport and its governance; a description of the RCC and ancillary projects; and a summary of the estimated capital costs and proposed funding sources.
- **Section II – Economic and Demographic:** An assessment of the Airport's air service area and discusses the economic base supporting air traffic demand and rental car demand at the Airport.
- **Section III – Analysis and Forecast of Aviation Activity:** An analysis of the historical aviation activity at the Airport and forecasts of future aviation activity.
- **Section IV – The Rental Car Industry:** An overview of the U.S. rental car industry and the rental car companies operating at the Airport.
- **Section V – Rental Car Demand Analysis and Forecast:** An analysis of the recent trends in rental car activity at the Airport, a description of the rental car demand forecast model, and a presentation of the forecast of annual rental car demand (in terms of transaction days).
- **Section VI – Financial Analysis:** A description of the legal framework for the financing and operation of the RCC; a discussion of the funding plan; and projections of important financial indicators, including CFC collections and certain financial requirements pursuant to the CFC Indenture.

Assumptions

The analysis and forecasts of rental car demand at the Airport contained in the attached Report are based upon certain data, estimates, and assumptions that were provided by the Airport and the rental car companies, and certain data and projections from other independent sources. The attached Report should be read in its entirety for an understanding of the forecasts and the underlying assumptions. In our opinion, the data, estimates, and assumptions used in the report are reliable, and provide a reasonable basis for our forecast given the information available and circumstances as of the date of this report. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, the actual results achieved may vary from the forecasts, and the variations could be material.

The forecasts of passenger traffic (enplanement and deplanements) at the Airport presented in the Report were developed using a multivariate regression model that relates passenger traffic to (a) long-term demand drivers such as trends in the price of air travel and U.S. economic activity and (b) structural changes that have been taking



place in the industry since September 11, 2001. The forecasts of rental car demand presented in the Report were developed using a multivariate modeling approach that quantified the relationship of monthly transaction day levels to relevant explanatory variables. The models for passenger traffic and for rental car demand are consistent with sound economic theory, are well-supported by empirical trends, and past statistical evaluation.

The analysis contained in the Report assumes that the Authority will complete the RCC and ancillary projects within the budgeted costs and according to the estimated schedule. It is also assumed that the CFC will continue to be imposed as allowed by California Civil Code § 1936, as amended, and pursuant to the provisions of Authority Board Resolution Number 2012-0111, with the CFC rate increasing from the current rate of \$6.00 per transaction day (limited to a maximum of five days per transaction) to \$7.50 per transaction day effective January 1, 2014, and to \$9.00 per transaction day effective January 1, 2017.

Conclusion

The table below summarizes the results of the analysis contained in the Report, including the Base and Low rental car demand forecasts and the resulting financial projections. The Report also presents financial projections assuming a one-time drop in rental car demand in FY 2017, the first full fiscal year of operation of the RCC (the "Stress Test").

Summary of Rental Car Demand and Financial Projections

Fiscal Year	Base Forecast			Low Forecast			Stress Test		
	Transaction Days Subject to CFC	CFC Collections	Debt Service Coverage	Transaction Days Subject to CFC	CFC Collections	Debt Service Coverage	Transaction Days Subject to CFC	CFC Collections	Debt Service Coverage
2014	3,919,000	\$26,453,000	N/A	3,879,000	\$26,183,000	N/A	3,919,000	\$26,453,000	N/A
2015	3,974,000	29,805,000	N/A	3,892,000	29,190,000	N/A	3,974,000	29,805,000	N/A
2016	4,065,000	30,488,000	3.36	3,932,000	29,490,000	3.26	4,065,000	30,488,000	3.36
2017	4,118,000	33,974,000	2.00	3,944,000	32,538,000	1.93	3,658,500	30,183,000	1.81
2018	4,151,000	37,359,000	1.78	3,951,000	35,559,000	1.71	3,687,818	33,190,000	1.62
2019	4,186,000	37,674,000	1.80	3,964,000	35,676,000	1.72	3,718,912	33,470,000	1.64
2020	4,230,000	38,070,000	1.82	3,984,000	35,856,000	1.73	3,758,003	33,822,000	1.65
2021	4,277,000	38,493,000	1.84	4,001,000	36,009,000	1.74	3,799,758	34,198,000	1.67
2022	4,324,000	38,916,000	1.87	4,016,000	36,144,000	1.76	3,841,514	34,574,000	1.69
2023	4,370,000	39,330,000	1.89	4,030,000	36,270,000	1.76	3,882,381	34,941,000	1.71



Based on the forecast transactions days subject to the CFC, the Report concludes that projected CFC collections will be sufficient such that the Minimum Requirement and the Senior Bonds Coverage Requirement will be met in each Fiscal Year throughout the forecast period, without the need for Bond Funding Supplemental Consideration, under the Base forecast, the Low forecast, and the Stress Test.

Sincerely,

UNISON CONSULTING, INC.

Unison Consulting, Inc.



FINANCIAL FEASIBILITY REPORT

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Senior Special Facilities Revenue Bonds
(Consolidated Rental Car Facility Project),
Series 2014A and Series 2014B

Prepared by:



January 23, 2014

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
Financial Feasibility Report

January 23, 2014

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SECTION I INTRODUCTION

The San Diego County Regional Airport Authority (the Authority) plans to issue its *San Diego County Regional Airport Authority Senior Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project), Series 2014A and Series 2014B* (the Series 2014 Bonds) in the approximate amount of \$322.855 million to (i) fund a portion of the costs of a consolidated rental car center (RCC), related common transportation system, and certain off-site roadway and utility improvements at the San Diego International Airport (SAN or the Airport); (ii) pay the costs of issuance of the Series 2014 Bonds; (iii) fund capitalized interest on the Series 2014 Bonds; (iv) fund a Rolling Coverage Fund for the Series 2014 Bonds; and (v) fund a Debt Service Reserve Fund for the Series 2014 Bonds. In addition to the proceeds of the Series 2014 Bonds, the costs of the RCC will be funded with rental car Customer Facility Charges (CFCs) previously collected by the rental car companies that serve the Airport market and remitted to the Authority, and CFCs to be collected by the rental car companies that operate within the RCC and remitted to the Trustee, as assignee of the Authority, during the construction period of the RCC. The Series 2014 Bonds are payable solely from and secured by a pledge of the Trust Estate, which will include, among other things, Project Revenues and certain funds and accounts held under or pursuant to the CFC Indenture, as described in more detail in **Section VI**. Project Revenues will consist primarily of CFCs collected by the rental car companies that will be operating from the RCC and remitted to the Trustee as assignee of the Authority and other amounts, known as Bond Funding Supplemental Consideration, that the rental car companies operating within the RCC are obligated to pay under certain circumstances, pursuant to the provisions of the Rental Car Center Lease Agreements.

The RCC will replace the existing rental car facilities used by the rental car companies for their operations at the Airport. Currently, the Airport has no on-site locations for rental car companies, other than a parcel of land on the south side of the Airport that is used for overflow rental car parking¹. The rental car companies currently serving the Airport maintain various facilities surrounding the Airport. The RCC will be located on an approximately 25-acre parcel of land on the north side of the Airport. The RCC will consist of a multi-level parking garage containing rental car ready/return spaces, a Customer Service Building with rental car counters and office space, a multi-level Quick Turn-Around (QTA) vehicle service area, and a vehicle staging and storage area. A single, common busing operation will transport rental car customers between the Airport passenger terminals and the RCC. It is anticipated that the RCC will result in reduced vehicle traffic, improved air quality, enhanced customer service, and more efficient rental car operations. A more detailed description of the RCC is presented later in this section.

¹ Four rental car companies currently lease approximately five acres for overflow parking on the south side of the Airport, through use and lease occupancy agreements. It is anticipated that the use and occupancy agreements will terminate upon the opening of the RCC.

A. THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

The Authority is a local governmental entity of regional government, with jurisdiction extending throughout the County of San Diego (the County) and is responsible for the operation of the Airport. SAN operates as a commercial service airport and served approximately 17.44 million total passengers during the Authority's Fiscal Year (FY) ended June 30, 2013 (FY 2013).²

The San Diego County Regional Airport Authority Act, codified in California Public Utilities Code Section § 170000 *et seq.* (the Airport Authority Act), established the Authority. The Authority was created as an independent agency to manage the day-to-day operations of the Airport and to address the region's long-term air transportation needs. The Authority is a public entity created to: (1) operate the Airport; (2) plan and operate any future airport that could be developed as a supplement or replacement to the Airport; (3) develop a comprehensive land use plan related to the development of airports for the County; and (4) serve as the region's airport land use commission by promoting the orderly development of airports and the adoption of land use plans that minimize the public's exposure to excessive noise and safety hazards around airports.

The Authority is governed by a nine-member board of directors (the Board) representing all areas of the County, and three additional Board members serving as non-voting, ex-officio Board members. Board members serve three year terms and may be reappointed. The Act specifies the appointment of the members of the Board as follows: the Mayor of the City of San Diego appoints three members (two of which are subject to confirmation by the City Council); the Chair of the County of San Diego Board of Supervisors appoints two members (subject to confirmation by the Board of Supervisors); the mayors of the east county cities (El Cajon, Lemon Grove, La Mesa and Santee) appoint one member; the mayors of the north county coastal cities (Carlsbad, Del Mar, Encinitas, Oceanside, and Solana Beach) appoint one member; the mayors of the north county inland cities (Poway, Escondido, Vista and San Marcos) appoint one member; and the mayors of the south county cities (Coronado, Imperial Beach, Chula Vista and National City) appoint one member. Two ex-officio non-voting members serving as the District Director of the State Department of Transportation for the San Diego region and the Department of Finance representative for the State Lands Commission, are appointed by the Governor of the State of California. A representative of the United States Navy and the United States Marine Corps provides an additional non-voting ex-officio member.

The Authority holds public meetings of the full Board once a month and periodic meetings of several standing committees. The Executive Committee, comprised of three Board members, meets each month with management and sets the agenda for each Board meeting. Thella F. Bowens, Authority President and CEO/Executive

² The Authority's fiscal year begins on July 1st and ends on June 30th.

Director, has overall responsibility for the management, administration, and planning of the Authority, its annual budget and over 350 employees. Ms. Bowens has an experienced staff to aid her in carrying out the responsibilities of the position, including the vice presidents who head the various Authority divisions. The President/CEO, Chief Auditor, and General Counsel are appointed by the Board.

B. SAN DIEGO INTERNATIONAL AIRPORT

The Airport serves a region that includes San Diego County, portions of Orange, Riverside and San Bernardino Counties and the northern portion of Baja California, Mexico. The Airport is the main commercial service airport in the County and the San Diego metropolitan area³. During the Authority's FY 2013, the Airport accommodated approximately 8.7 million enplaned passengers (enplanements)⁴. The FAA classifies SAN as a large-hub airport, a category that includes airports enplaning 1.0 percent or more of annual domestic enplanements. Based on final calendar year 2012 data, the Airports Council International – North America (ACI-NA) ranked SAN 28th in the nation in terms of total passengers served, 42nd in the nation in terms of total aircraft movements, and 29th in terms of total cargo processed. Covering 661 acres, the Airport is located three miles northwest of downtown San Diego, adjacent to U.S. Interstate 5 and the San Diego Bay.

SAN is the busiest single-runway commercial airport in the nation, based on passenger levels. The airfield includes a 9,401-foot runway, one taxiway on the south side of the runway (Taxiway B) and one taxiway on the north side of the runway (Taxiway C). The airfield also includes ancillary taxiways that provide runway and terminal access, and aprons that provide aircraft parking.

The Airport has three passenger terminals (Terminal 1, Terminal 2 and the Commuter Terminal). Terminal 1, which contains 19 narrow body jet gates, opened on March 5, 1967. Terminal 2, which opened on July 11, 1979, was expanded in 1998 and again in 2013, and now contains 32 gates. The Commuter Terminal, which accommodates most of the turbo-prop and regional jet flights at the Airport, has ten aircraft parking positions.

The Airport's public parking capacity includes approximately 3,807 short-term parking spaces in lots adjacent to each of the three terminal buildings. Approximately 2,781 long term parking spaces are located in two remote lots which have free shuttle service to the terminals. Additionally, SAN has a free cell phone lot just east of the Commuter Terminal, and offers valet parking at the curb of Terminals

³ McClellan-Palomar Airport (CRQ) in Palomar is a small commuter service airport located 34 miles north of SAN in San Diego County. Currently, United Express, the only scheduled air carrier that operates at CRQ, operates flights to and from LAX. CRQ enplaned approximately 48,000 passengers in 2012.

⁴ The Airport recorded approximately 16.2 million Origination & Destination (O&D) passengers in calendar year 2012, the most recent 12-month period for which O&D data are available.

1 and 2. Roadway access to the Airport is via three independent entrance roadways for Terminal 1, Terminal 2, and the Commuter Terminal, all from North Harbor Drive, with a two-level roadway serving Terminal 2.

C. THE CUSTOMER FACILITY CHARGE AND THE SERIES 2014 BONDS

California Civil Code § 1936 allows a CFC to be imposed by an airport and collected by rental car companies from their customers, at a rate of \$10 per rental car transaction (rental contract). The CFC may be used to finance, design, and construct consolidated airport rental car facilities and related common-use transportation systems to move passengers between airport terminals and the consolidated rental car facilities, and to acquire vehicles for use in that system; and to finance, design, and construct terminal modifications solely to accommodate and provide customer access to common-use transportation systems. The aggregate amounts to be collected cannot exceed the reasonable costs to finance, design, and construct those facilities.

On March 5, 2009, the Board approved Resolution Number 2009-0025R, which authorized a \$10 per-transaction CFC, effective May 1, 2009, for the purpose of designing, financing, and constructing a potential consolidated rental car facility and associated common use transportation system.

California Civil Code § 1936 was amended in 2010 to allow airports to implement an “Alternative CFC” on a per-transaction day basis, limited to a maximum of five days per transaction, beginning at \$6.00 per day and increasing to \$9.00 per day, if the airport conducts a publicly noticed hearing to review the costs of financing the design and construction of a consolidated rental car facility (CONRAC) and the design, construction, and operation of any common-use transportation system, provided certain statutory requirements are met. On October 6, 2012, the Board approved Resolution Number 2012-0111 (the CFC Resolution), which authorized the implementation of a per-transaction day CFC, limited to a maximum of five days per transaction, in the amount of \$6.00 per transaction day, effective November 1, 2012, to increase to \$7.50 per transaction day effective January 1, 2014, and to increase to \$9.00 per transaction day effective January 1, 2017.

The financial analysis, including projections of CFCs, the debt service coverage calculations, and the flow of funds pursuant to the CFC Indenture, is presented in **Section VI**.

D. THE RENTAL CAR CENTER

The RCC is a consolidated rental car facility to be located on the north side of the Airport. A consolidated rental car facility is usually a facility located at an airport, that consolidates all rental car operations at an airport in one location. A consolidated rental car facility usually includes rental car customer service areas (counter spaces within a lobby area), rental car company administrative offices, ready/return vehicle

spaces, vehicle storage, and QTA facilities to accommodate all the rental car companies operating at an airport. Included in the QTA facilities are vehicle wash bays, fueling systems, vehicle vacuum equipment, and miscellaneous equipment used to prepare rental cars between rentals. A single, common busing operation will transport rental car customers between the Airport passenger terminals and the RCC. It is anticipated that the RCC will result in reduced vehicle traffic, improved air quality, enhanced customer service, and more efficient rental car operations.

1. Background

The Board adopted the Airport Master Plan on May 1, 2008. The Airport Master Plan established the goals for future development of SAN and identified the key overall objectives, including improved levels of service and safety for Airport customers, efficient use of the property and facilities, and enhanced Airport access. The Airport Master Plan environmental analyses reviewed the RCC at a general planning level.

The RCC was analyzed at a more detailed planning level in a 2011 supplement to the Airport Master Plan Environmental Impact Report, which was certified by the Board on September 1, 2011. In September 2012, the Board approved and authorized the President/CEO of the Authority to execute a Construction Management-at-Risk Agreement with a joint venture entity for the construction of the RCC. Design of the RCC began in November 2012. The California Coastal Commission issued a Coastal Development Permit for the RCC and other north side projects in August 2013, and the FAA issued a Finding of No Significant Impact (FONSI) to the Environmental Assessment for the north side projects, including the RCC, on September 5, 2013. Groundbreaking for the RCC occurred in October 2013. The Guaranteed Maximum Price (GMP) contract for the RCC was approved by the Board on December 12, 2013 in the amount of \$225.6 million. The Authority anticipates that construction of the RCC will be completed in the third quarter of 2015 and that the RCC will open in January 2016.

2. Purpose and Need for the RCC

The RCC is being developed to relocate and consolidate rental car operations to the Airport, and to provide expanded space for all rental car operations on Airport property. Currently, SAN does not have any on-Airport locations for the rental car companies, other than the areas leased by four rental car companies for overflow parking, on the south side of the Airport. Each of the rental car companies serving the SAN market operates their own shuttle bus system to transport their customers between the Airport passenger terminals and their respective off-Airport facilities.

The RCC will be located on a 24.8-acre parcel of land on the north side of the Airport. The RCC will consist of a multi-level parking garage containing rental car ready/return spaces, a Customer Service Building with rental car counters and office

space, a multi-level QTA vehicle service area, and a vehicle staging and storage area on the top level of the parking garage.

The RCC will include the following major components:

- Customer service building encompassing approximately 33,729 square feet;
- Four-level garage containing 2,795 ready/return parking spaces, 444 QTA parking spaces, and 2,108 staging/storage parking spaces (fourth level staging/storage);
- QTA vehicle service area adjoining the garage with 36 fueling stations, 18 car wash bays, and 15 light maintenance bays;
- Fuel distribution and storage system with 75,000 gallons of storage capacity; and
- Limited access roadway to and from the Airport passenger terminals for use by the common-use rental car customer shuttle buses.

E. OTHER PROJECTS

Certain other projects, including enabling projects and off-site roadway projects are planned concurrent with the development of the RCC. These other projects include the following capital improvements, which are necessary for the development and operation of the RCC on the north side of the Airport:

- Shuttle buses will be acquired, to be used to transport rental car customers between the Airport passenger terminals and the RCC. A shuttle bus staging/storage facility will also be developed.
- North Side Utility Infrastructure, including: roadway surface improvements and fixtures; the widening of Sassafra Street; and other utility infrastructure, including sewer, storm drain, fire water main, electrical and natural gas service, and other infrastructure.
- Terminal Link Road, a two-way perimeter road that will connect the Airport passenger terminals to the RCC, and will be utilized by the common-use shuttle buses.
- Airport Electrical Distribution System to provide power to the new facilities, including the RCC, on the north side of the Airport.
- Landscaping, sidewalk, and other improvements along Pacific Coast Highway.

The location of the RCC is depicted on **Figure I-1**, and architectural renderings of the RCC are presented on **Figure I-2** and **Figure I-3**, at the end of this section.

F. ESTIMATED CFC-ELIGIBLE CAPITAL COSTS

Table I-1 presents the estimated RCC and other CFC-eligible capital costs, which will be funded with CFC collections prior to the opening of the RCC and the proceeds of the Series 2014 Bonds. Certain non-CFC-eligible costs (the portions of the ancillary projects that are not directly related to the development of the RCC) are being funded with proceeds of General Airport Revenue Bonds issued in 2013, Federal grants, and Authority cash. The plan of finance is presented in **Section VI** of this Report.

**TABLE I-1
RCC AND ANCILLARY PROJECTS
ESTIMATED CFC-ELIGIBLE CAPITAL COSTS**

**TABLE II-1
ESTIMATED CFC-ELIGIBLE CAPITAL COSTS**

Project Component	CFC-Eligible Capital Costs ¹
Design	22,000,000
Construction	
Customer Service Building	34,762,000
QTA	57,214,000
Ready/Return Area	79,113,000
Rental Car Storage Area	36,752,000
Site Work	17,742,000
Total Construction	225,583,000
Program and Construction Management	37,008,000
Insurance, Remediation, Permits, Art	16,173,000
Program Reserves and Contingencies	15,360,000
Total RCC	316,124,000
Other Projects	
Shuttle Bus Costs ²	13,800,000
Northside Utility Infrastructure	8,000,000
Storm Drain Trunk	2,700,000
Terminal Link Road	9,300,000
Airport Electrical Distribution System	3,600,000
Northside Landscaping	1,300,000
Total Ancillary Projects	38,700,000
Total	354,824,000

¹ Estimated CFC-eligible costs are being funded with proceeds of the Series 2014 Bonds and CFCs collected prior to Opening Date of the RCC.

² Represents the cost of the shuttle bus staging/storage facility and the acquisition of the shuttle buses.

**FIGURE I-1
LOCATION OF RENTAL CAR CENTER**



Northside Development Site

**FIGURE I-2
ARCHITECTURAL RENDERING OF RENTAL CAR CENTER**



Architectural Concept

**FIGURE I-3
ARCHITECTURAL PERSPECTIVES OF RENTAL CAR CENTER**



RCC Perspectives

SECTION II ECONOMIC BASE

The RCC will serve primarily Airport rental car customers who are airline passengers at SAN. Airport passengers consist of local residents and visitors. Both residents and visitors use rental cars, but visitors are far more likely to use rental cars for local ground transportation. According to the San Diego International Airport Development Plan 2012 Passenger Survey, 34 percent of passengers who are visitors use rental cars, compared to less than 1 percent of passengers who are residents. Visitors using SAN consist mostly of U.S. residents. Among visitors, 57 percent come to San Diego for leisure, 37 percent come for business, and the remaining 6 percent come for other purposes (including 1 percent who are on active military duty).¹ Of visitors who come to San Diego for leisure, 34 percent rent a car. Of visitors who come for business, 36 percent rent a car. These statistics are depicted in graph form in the rental car demand section (Section V), in Figures V-1 and V-2.

Demographic and economic trends in the San Diego area and in the entire nation influence the demand for air travel to San Diego (for both leisure and business), and the derived demand for rental cars at the Airport. Local area attributes are just as important a factor in determining the volume of visitors flying to San Diego, as they are in determining residents' demand for air travel. The attractiveness of San Diego as a business and leisure destination is a function of the local area's demographic attributes, economic trends, and tourist attractions. National trends influence overall air travel demand from residents and visitors alike, and they influence local economic trends in San Diego.

This section describes relevant demographic and economic trends in San Diego and the nation. Some tables and figures also present data for California and other metropolitan areas for comparison.

A. AIR SERVICE AREA

The Airport, which is classified as a large-hub airport by the FAA,² primarily serves San Diego County, California (the County). The County borders Orange County and Riverside County on the North, Imperial County on the East, the Pacific Ocean on the West, and Mexico on the South (**Figure II-1**). The location of SAN is depicted on **Figure II-2**.

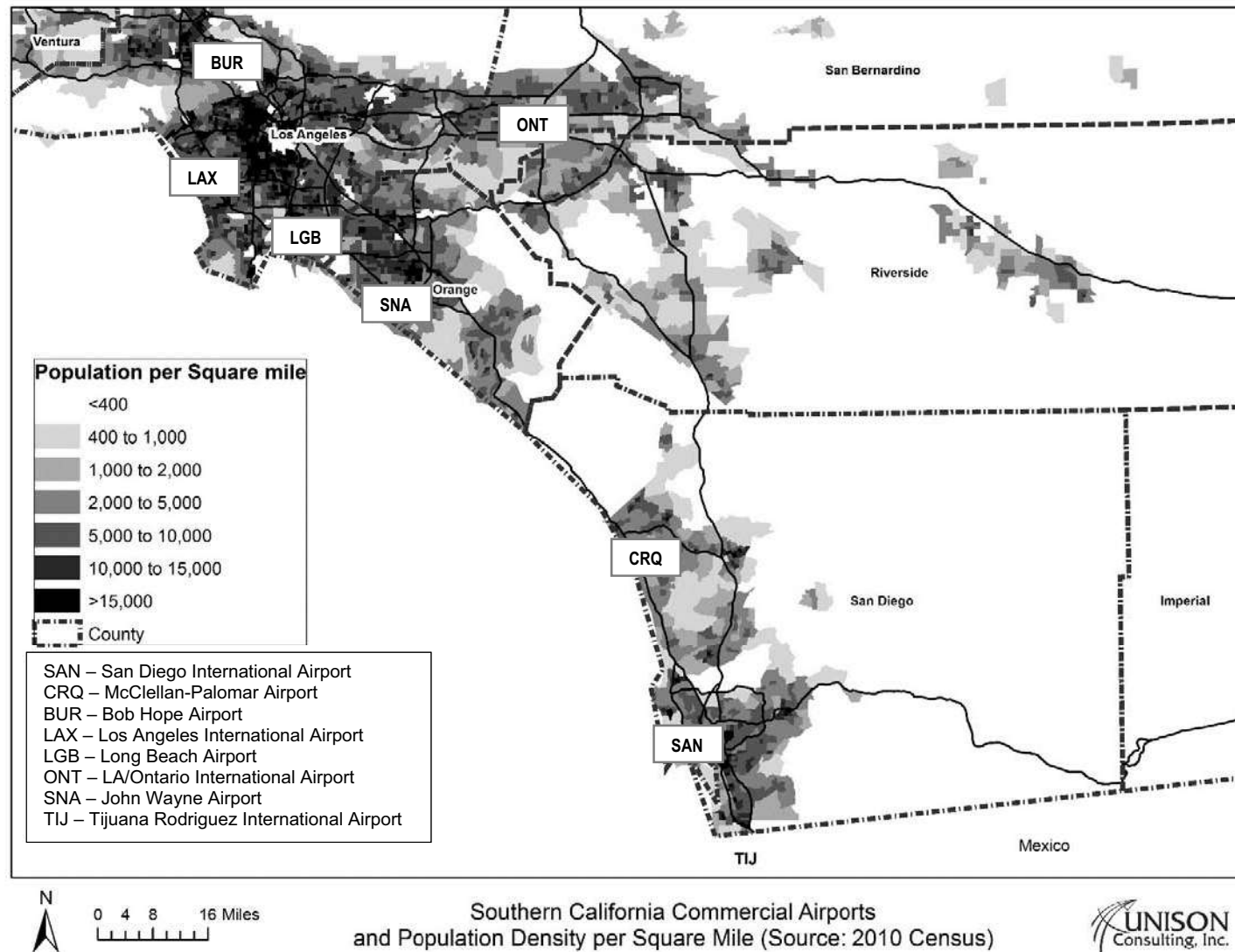
¹ The 2012 survey findings regarding the percentage split of Airport passengers between residents and visitors, and the percentage distribution of visitors by trip purpose are similar to the findings of a previous survey conducted in 2009, when San Diego and the entire country were still experiencing the effects of the 2008-2009 economic recession. Therefore, the composition of Airport passengers between residents and visitors and between business and leisure travelers has remained the same.

² By FAA classification, a large hub airport handles 1 percent or more of annual U.S. enplanements.

**FIGURE II-1
SAN DIEGO INTERNATIONAL AIRPORT
PRIMARY AIR SERVICE AREA**



FIGURE II-2
SAN DIEGO INTERNATIONAL AIRPORT AND NEARBY SOUTHERN CALIFORNIA COMMERCIAL SERVICE AIRPORTS



There are six other commercial service airports in Southern California:

- John Wayne Airport (SNA), a medium hub³ with 4.4 million enplanements in 2012, is located 89 miles to the North of SAN, in Orange County.
- Long Beach Airport (LGB), a small hub⁴ with 1.6 million enplanements in 2012, is located 107 miles to the North of SAN, in Los Angeles County.
- LA/Ontario International Airport (ONT), a medium hub with 2.1 million enplanements in 2012, is located 115 miles Northeast of SAN, in western San Bernardino County.
- Los Angeles International Airport (LAX), a large hub with 31.3 million enplanements in 2012, is located 125 miles North of SAN, in Los Angeles County.
- Bob Hope Airport (BUR) in Burbank, a medium hub with 2.0 million enplanements in 2012, is located 134 miles North of SAN, in Los Angeles County.
- McClellan-Palomar Airport (CRQ), a nonhub airport with 48,000 enplanements in 2012, is located in Carlsbad, San Diego County, 34 miles North of SAN.

By comparison, SAN is a large hub airport with 8.7 million enplanements in 2012.⁵ Five of the six airports listed above are located outside San Diego County and are less accessible to San Diego residents, when compared to SAN.

John Wayne Airport, Long Beach Airport, LA/Ontario International Airport, Los Angeles International Airport, and Bob Hope Airport are located within 60 miles of each other, sharing the Los Angeles-Long Beach-Riverside Combined Statistical Area population base. In contrast, SAN is the primary airport serving the San Diego-Carlsbad-San Marcos Metropolitan Statistical Area (MSA),⁶ which consists of San Diego County. McClellan-Palomar Airport, the only other commercial service airport in the County, has limited service consisting of a few United Express flights to Los Angeles.⁷

John Wayne Airport, the second closest Southern California commercial service airport to SAN, does not pose significant competition. John Wayne Airport is subject to the terms of a settlement agreement with the City of Newport Beach and two community

³ A medium hub airport handles at least 0.25 but less than one percent of annual U.S. enplanements.

⁴ A small hub airport handles from 0.05 up to 0.25 percent of annual U.S. enplanements.

⁵ The enplanement figures cited on this page are from the FAA preliminary passenger boarding data for calendar year 2012.

⁶ MSAs are county-based geographical divisions developed by the U.S. Office of Management and Budget (OMB) for federal data collection and analysis purposes.

⁷ Source: County of San Diego website. As of November 2013, United Express offered four daily flights, six weekly flights, and one flight four times a week to Los Angeles.

groups, which limit the number of average daily departures and the number of annual airport passengers.

Located 24 miles South of SAN, in Tijuana, Mexico, is Tijuana Rodriguez International Airport (TIJ). TIJ primarily serves the Mexican domestic market.⁸ TIJ does not pose competition to SAN due to inconvenient border crossings and service that is limited to primarily Mexican destinations.

Table II-1 shows the driving distances and times between SAN and the six other Southern California commercial service airports.

**TABLE II-1
DRIVING DISTANCE AND TIMES BETWEEN SAN AND
THE SIX OTHER SOUTHERN CALIFORNIA COMMERCIAL SERVICE AIRPORTS**

Airport	Distance (Miles)	Average Drive Time *
Bob Hope Airport	134	2 hours, 28 minutes
Los Angeles International Airport	125	2 hours, 20 minutes
LA/Ontario International Airport	115	2 hours, 1 minute
Long Beach Airport	106	1 hour, 57 minutes
John Wayne Airport	89	1 hour, 37 minutes
McClellan-Palomar Airport	34	41 minutes

*Actual times maybe significantly longer during peak traffic.

Source: Mapquest.com.

B. POPULATION

San Diego's large local population is an important factor in drawing visitors into the area. With 3.18 million residents in 2012⁹, San Diego is the fifth-largest county in the United States and second-largest in California by population size (**Table II-2**). As shown in **Figure II-3**, the County's population increased, on average, 0.9 percent each year in the past 10 years, keeping pace with U.S. and California population growth. The County's population is forecast to reach between 3.89 million¹⁰ and 4.16 million¹¹ by 2040, representing an average annual growth rate of 0.7 to 1 percent.

⁸ According to statistics published by TIJ, more than 99 percent of its 2011 passenger traffic was domestic Mexican traffic. Limited international flights include two Aeromexico flights per week to China. The airport also serves as a refueling stop for flights from Mexico City to Japan.

⁹ All references to years in this section, including in the tables and figures, are for calendar years, unless otherwise noted.

¹⁰ California Department of Finance, *Interim Projections of Population for California: State and Counties*, May 7, 2012.

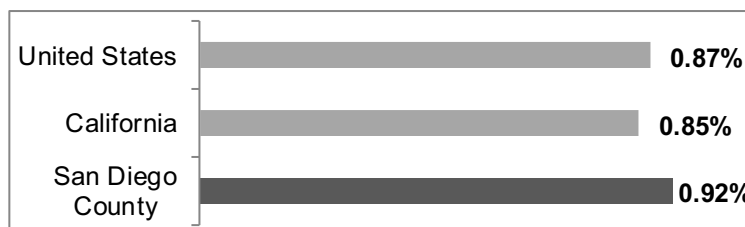
¹¹ San Diego Association of Governments, *2050 Regional Growth Forecast*, February 2010.

TABLE II-2
TOP 10 CALIFORNIA COUNTIES BY POPULATION
July 1, 2012

County	Population	Rank
California State Total	38,041,430	-
Los Angeles	9,962,789	1
San Diego	3,177,063	2
Orange	3,090,132	3
Riverside	2,268,783	4
San Bernardino	2,081,313	5
Santa Clara	1,837,504	6
Alameda	1,554,720	7
Sacramento	1,450,121	8
Contra Costa	1,079,597	9
Fresno, CA	947,895	10

Source: U.S. Census Bureau.

FIGURE II-3
SAN DIEGO COUNTY, CALIFORNIA AND THE UNITED STATES
AVERAGE ANNUAL POPULATION GROWTH RATE COMPARISON
2003-2012



Source: U.S. Census Bureau.

The County's population is younger and better educated than national and state averages. In 2010, the County population median age was 34.6 years, compared to 37.2 years in the U.S. and 35.2 years in California.¹² In 2011, more than 34 percent of County residents, 25 years or older, held a bachelor's or higher degree compared to 30 percent in California and 30 percent nationwide.¹³

¹² Age data are from the 2010 U.S. Census Bureau's American Community Survey.

¹³ Educational attainment data for San Diego County and California are from the U.S. Census Bureau 2007-2011 American Community Survey. Educational attainment data for the United States are from the U.S. Census Bureau 2011 Current Population Survey.

C. LABOR MARKET

Trends in the labor market reflect business conditions and overall economic well-being, which, in turn, influence the demand for air travel. **Table II-3** shows the labor market trends in San Diego County and the United States in the past 10 years.

In both San Diego County and the United States, the growth of the civilian labor force outpaced the rate of job creation, resulting in an increase in unemployment. In San Diego County, the number of unemployed residents increased 8.5 percent per year, on average—compared to an average increase of 5.7 percent per year nationwide.

Unemployment rose during the 2008-2009 recession (the Great Recession) and continued rising through 2010. Job market conditions have since improved in San Diego County and nationwide. After reaching a peak of 10.5 percent in 2010, the unemployment rate in San Diego County has fallen to an average 7.6 percent during the first seven months of 2013. The local unemployment rate, however, remains at nearly twice the period's lowest level of 4 percent in 2006. Nationwide, the unemployment rate has fallen from a peak of 9.6 percent in 2010 to 7.7 percent during the first seven months of 2013.

TABLE II-3
SAN DIEGO COUNTY AND THE UNITED STATES
CIVILIAN LABOR MARKET TRENDS
2003-2012 and Year-to-Date 2013

Year	San Diego County				Unites States			
	Civilian Labor Force ¹ (1,000)			Unemploy- ment Rate	Civilian Labor Force ¹ (1,000)			Unemploy- ment Rate
	Total	Employed	Unemployed		Total	Employed	Unemployed	
2003	1,468	1,392	76	5.2%	146,510	137,736	8,774	6.0%
2004	1,484	1,414	70	4.7%	147,401	139,252	8,149	5.5%
2005	1,493	1,428	65	4.3%	149,320	141,729	7,591	5.1%
2006	1,500	1,440	59	4.0%	151,428	144,427	7,001	4.6%
2007	1,518	1,448	69	4.6%	153,124	146,046	7,078	4.6%
2008	1,549	1,456	93	6.0%	154,287	145,363	8,924	5.8%
2009	1,555	1,406	149	9.6%	154,142	139,877	14,265	9.3%
2010	1,574	1,408	166	10.5%	153,889	139,064	14,825	9.6%
2011	1,582	1,423	159	10.0%	153,617	139,870	13,747	8.9%
2012	1,599	1,440	159	9.9%	154,975	142,469	12,506	8.1%
YTD 2013 ²	1,610	1,488	123	7.6%	155,542	143,521	12,020	7.7%
2003-2012	Average Annual Growth Rate				Average Annual Growth Rate			
	1.0%	0.4%	8.5%		0.6%	0.4%	4.0%	

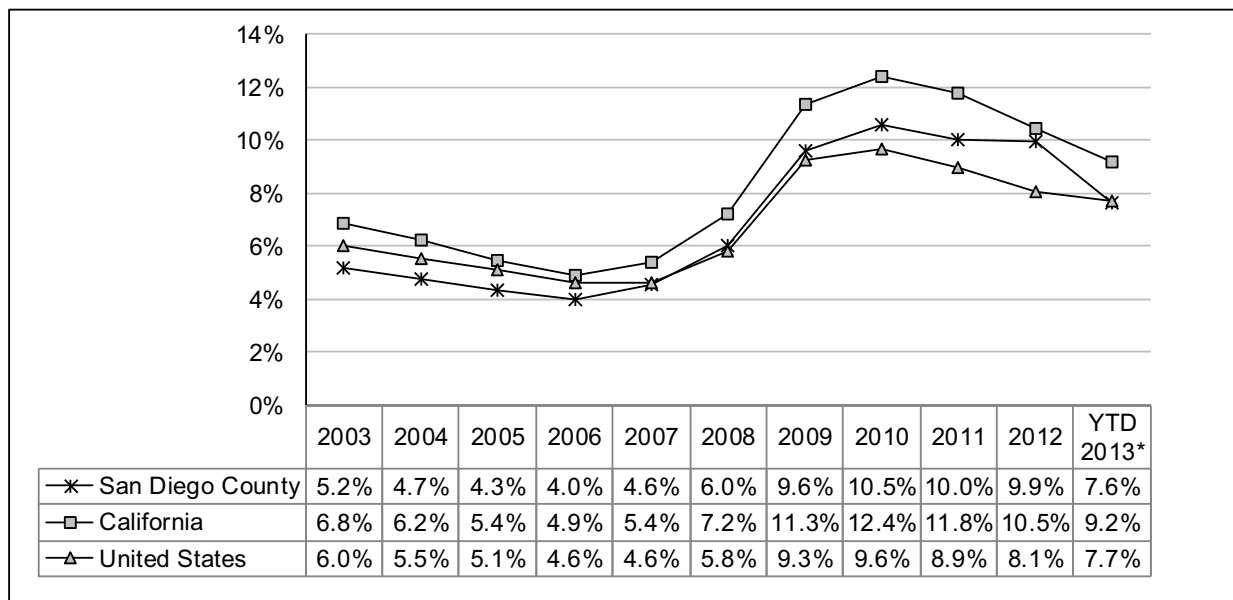
¹ The civilian labor force consists of members of the population who are at least 16 years old and are either employed or actively seeking employment.

² Average through July.

Source: U.S. Bureau of Labor Statistics.

Unemployment trends in the County have closely followed national unemployment trends—rising during the recession and falling during the recovery (**Figure II-4**). The County's unemployment rate has been consistently lower than that of California since 2002; it has also been lower than the national unemployment rate except during the years 2008-2012.

FIGURE II-4
SAN DIEGO COUNTY, CALIFORNIA AND THE UNITED STATES
UNEMPLOYMENT RATE
2003-2012 and Year-to-Date 2013

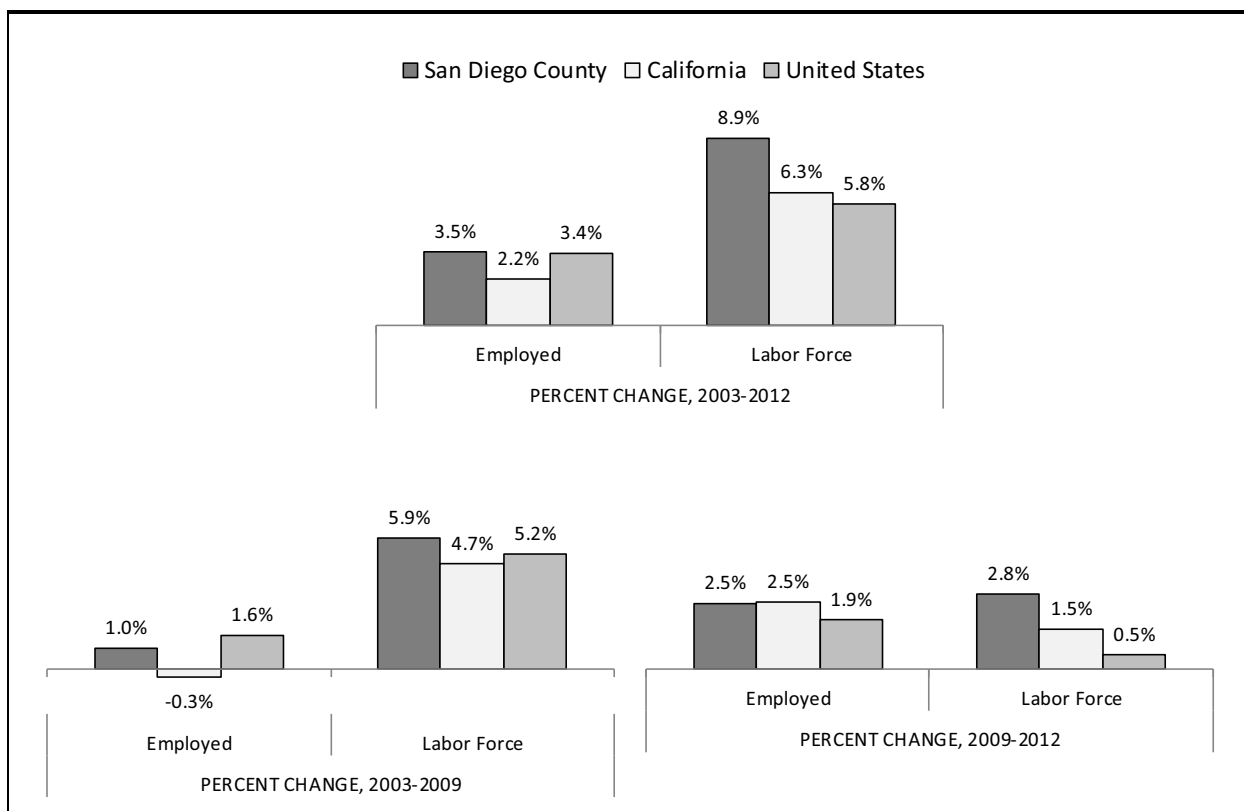


*Average through July.

Source: U.S. Bureau of Labor Statistics.

The County's relatively high unemployment rates in recent years do not necessarily reflect a less favorable local job market. As shown in **Figure II-5**, the County had more job growth (3.5 percent) than the state (2.2 percent) and the nation (3.4 percent) between 2003 and 2012. Additionally, the labor force grew faster in the County (8.9 percent) than in the state (6.3 percent) and the nation (5.8 percent) over the same period. From the end of the recession in 2009 to 2012, the number of persons employed increased 2.5 percent in the County, at the same rate as in California (2.5 percent) and at a higher rate than in the United States (1.9 percent). The labor force expanded 2.8 percent in the County, compared to 1.5 percent in California and 0.5 percent in the United States. The expansion of the County's labor force—at a faster rate than California's or the nation's—indicates that people are relatively more optimistic about the employment prospects in San Diego. In many parts of the country, many people who lost their jobs during the Great Recession left the workforce because they were unable to find new jobs for a long period. Many of these discouraged workers have yet to return to the workforce.

FIGURE II-5
SAN DIEGO COUNTY, CALIFORNIA AND THE UNITED STATES
PERCENT CHANGE IN NUMBER OF PERSONS EMPLOYED AND LABOR FORCE
2003-2012



Source: U.S. Bureau of Labor Statistics.

D. LOCAL ECONOMIC BASE

The County has a diversified economic base, which moderates the impact of any industry-specific downturn. As shown in **Table II-4**, no single industry supersector¹⁴ accounted for more than 20 percent of the County's 1.26 million non-farm jobs in 2012. The *Government* supersector, which includes the *U.S. Department of Defense*, is the County's largest employer, with an 18.1 percent share—slightly larger than its 16.4 percent share nationwide. The County has a larger proportion of *U.S. Department of Defense* civilian jobs (1 percent), compared to the state (0.4 percent) and the nation (0.4 percent). Private industry supersectors each accounting for more than 10 percent of the County's non-farm jobs include *Professional and Business Services* (17.1 percent); *Trade, Transportation, and Utilities* (16.4 percent); *Leisure and Hospitality* (12.8 percent); and *Education and Health Services* (12.3 percent).

Among the County's largest private industry supersectors (each accounting for more than 10 percent of nonfarm employment), *Education and Health Services* posted the largest percentage increase in employment between 2003 and 2012 (**Table II-5**). With the exception of *Trade, Transportation and Utilities*, the County's largest private industry supersectors each posted employment gains between 2003 and 2012. Within the *Government* supersector, *Federal* and *State Government* posted employment gains in employment between 2003 and 2012, while *Local Government* employment decreased slightly.

¹⁴ The U.S. Bureau of Labor Statistics use the term "supersector" to refer to major industry groupings.

TABLE II-4
SAN DIEGO COUNTY, CALIFORNIA AND THE UNITED STATES
NON-FARM EMPLOYMENT SHARE BY INDUSTRY SUPERSECTOR
2012

Industry Supersector	San Diego County	California	United States
Government*			
Federal	3.7%	1.7%	2.1%
Department of Defense	1.8%	0.4%	0.4%
State	3.4%	3.3%	3.8%
Local	11.0%	11.4%	10.5%
Subtotal	18.1%	16.5%	16.4%
Private sector: goods-producing			
Natural resources and mining	0.03%	0.2%	0.6%
Construction	4.5%	4.1%	4.2%
Manufacturing	7.4%	8.7%	8.9%
Subtotal	11.9%	13.0%	13.8%
Private sector: service-providing			
Trade, transportation and utilities*	16.4%	18.9%	19.1%
Information	2.0%	3.0%	2.0%
Financial activities	5.5%	5.4%	5.8%
Professional and business services*	17.1%	15.5%	13.4%
Education and health services*	12.3%	13.1%	15.2%
Leisure and hospitality*	12.8%	11.1%	10.3%
Other services	3.9%	3.5%	4.1%
Subtotal	70.0%	70.5%	69.8%
Total percent	100.0%	100.0%	100.0%
Total non-farm employment (1,000)	1,259	14,395	133,740

* San Diego County's five largest industry supersectors, each accounting for more than 10 percent of non-farm employment.

Source: U.S. Bureau of Labor Statistics.

**TABLE II-5
SAN DIEGO COUNTY
PERCENT CHANGE IN NON-FARM EMPLOYMENT BY INDUSTRY SUPERSECTOR
2003-2012**

Industry Supersector	Percent Change		
	2003-2009	2009-2012	2003-2012
Government*			
Federal	9.0%	6.9%	16.5%
Department of Defense	1.0%	9.4%	10.5%
State	10.2%	1.2%	11.5%
Local	-0.1%	-0.3%	-0.4%
Private sector: goods-producing			
Natural resources and mining	33.3%	0.0%	33.3%
Construction	-23.8%	-7.9%	-29.8%
Manufacturing	-9.5%	-2.0%	-11.3%
Private sector: service-providing			
Trade, transportation and utilities*	-4.9%	3.7%	-1.4%
Information	-15.6%	-12.8%	-26.3%
Financial activities	-12.6%	-0.4%	-13.0%
Professional and business services*	1.0%	4.2%	5.3%
Education and health services*	18.5%	7.1%	26.8%
Leisure and hospitality*	10.0%	4.0%	14.4%
Other services	0.0%	5.3%	5.3%

* San Diego County's five largest industry supersectors, each accounting for more than 10 percent of non-farm employment.

Source: U.S. Bureau of Labor Statistics.

The trends in the County's five largest non-farm industry supersectors are described below. They are based on non-farm employment data from the U.S. Bureau of Labor Statistics, unless indicated otherwise.

1. Government

Government, the largest supersector, is responsible for 228,000 jobs, which make up 18.1 percent of the County's total non-farm employment in 2012. These *Government* jobs are distributed as follows: *Local Government* (60.8 percent), *Federal Government* (20.5 percent), and *State Government* (18.7 percent). *Educational Services*, both at the state and local levels, accounts for 45.5 percent of the County's *Government* jobs. Between 2003 and 2012, total *Government* jobs in the County increased 6.5 percent. *Federal Government* jobs increased 16.5 percent, and *State Government* jobs increased 11.5 percent. *Local Government* jobs decreased 0.4 percent, because of a decrease in non-*Educational Services* jobs.

The *Department of Defense* civilian jobs, based on data from the U.S. Bureau of Labor Statistics, totaled 22,100 in 2012 and accounted for 9.7 percent of the County's

Government jobs. These do not include 100,000 active duty military personnel.¹⁵ San Diego has the largest military concentration in the world. It is homeport to more than 60 percent of the ships in the U.S. Navy Pacific Fleet and more than one-third of the combat troops of the U.S. Marine Corps.

There are seven military bases in San Diego County¹⁶:

- Marine Corps Air Station Miramar – Home base for the 3rd Marine Aircraft Wing, the aviation element of the 1st Marine Expeditionary Force. Houses approximately 12,200 Marines, Sailors and civilians.
- Marine Corps Base Camp Pendleton – Home base of the Marine Expeditionary Force and the U.S. Marine Corps' prime amphibious training base on the west coast.
- Marine Corps Recruit Depot San Diego – Training center for U.S. Marine Corps' enlisted male recruits coming from west of Mississippi River. Trains over 21,000 recruits each year.
- Naval Base Coronado – A consortium of eight installations employing more than 27,000 military and civilian personnel to arm, repair, provision, service and support the U.S. Pacific Fleet and other operating forces. Naval Base Coronado consists of the following stations:
 - Naval Air Station North Island – Homeport of two aircraft carriers along with 23 fixed- and rotary-wing squadrons. Hosts 80 tenant commands including the U.S. Naval Air Forces and the Naval Aviation Depot.
 - Naval Amphibious Base Coronado – Home of the U.S. Navy's special and expeditionary warfare training and the West Coast base of operations for SEAL teams and Special Boat Units. Supports over 30 tenant commands, including Amphibious Construction Battalion One, Naval Special Warfare Group One, and Tactical Air Control Group One. Houses 5,000 military personnel and 7,000 students and reservists.
- Naval Base Point Loma – Home of the Commander Third Fleet, Naval Mine and Anti-Submarine Warfare Command, Space and Naval Warfare Systems Command, and Submarine Squadron Eleven.
- Naval Base San Diego – The U.S. Navy's largest base on the west coast and the principal homeport of the Pacific Fleet. Homeport to 54 ships, hosts 120 tenant commands, and houses 20,000 military personnel and civilians.
- U.S. Coast Guard Station San Diego – Conducts Maritime Law Enforcement.

¹⁵ Source: San Diego Regional Economic Development Corporation.

¹⁶ Sources: San Diego Tourism Authority and Military.com.

San Diego County is also home to the Space and Naval Warfare Systems Center Pacific (SSC Pacific), the U.S. Navy's premier research, development, test, and evaluation (RDT&E) laboratory for command, control, communications, computers, intelligence, surveillance, and reconnaissance (C4ISR).¹⁷

The large military presence in San Diego County has drawn a number of private defense contractors to the area. Major defense contractors include BAE Systems, General Atomics, UTC Aerospace Systems, Lockheed Martin, Raytheon, ViaSat, Cubic Corporation, General Dynamics NASSCO, L-3 Communications, and SAIC.¹⁸

2. Professional and Business Services

Accounting for 17.1 percent of 2012 County non-farm employment, *Professional and Business Services* employs 216,000. The following industries make up the *Professional and Business Services* supersector: *Professional, Scientific and Technical Services* (56.1 percent), *Administrative and Support and Waste Management and Removal* (35.5 percent), and *Management Services* (8.4 percent).

Between 2003 and 2012, employment in the *Professional and Business Services* sector increased 5.3 percent. Within the sector, employment in the *Professional, Scientific and Technical Services* increased 15 percent, offsetting job losses of 5.8 percent in *Management Services* and 4.8 percent in *Administrative and Support and Waste Management and Removal*.

Over the past decade, San Diego County has become one of the leading high-tech hubs in the nation. San Diego's high-tech industries include: (1) numerous communications, computers and electronics, and software companies; (2) 600 life science companies and more than 80 research institutes; and (3) more than 850 clean tech companies in algae biofuels; clean transportation and clean energy storage; energy efficiency, smart grid; and solar energy generation. The County's life science industry has earned San Diego the title of human genome research capital of America.¹⁹

3. Trade, Transportation and Utilities

Accounting for 16.4 percent of 2012 County nonfarm employment, *Trade, Transportation and Utilities* employs 207,000. The supersector consists of *Retail Trade* (65.6 percent), *Wholesale Trade* (21 percent), and *Transportation and Utilities* (13.4 percent). Between 2003 and 2012, employment decreased 1.4 percent in the entire supersector, due to job losses in *Retail Trade*. Employment decreased 3.7 percent in *Retail Trade*, partly offset by a 4.6 percent increase in *Wholesale Trade* and a 1.1 percent increase in *Transportation and Utilities*.

¹⁷ Source: San Diego Regional Economic and Development Corporation.

¹⁸ *Ibid.*

¹⁹ *Ibid.*

4. Education and Health Services

Private Education and Health Services accounts for 12.3 percent of 2012 County non-farm employment. The supersector consists of *Health Care and Social Assistance* (81.6 percent) and *Educational Services* (18.4 percent). Between 2003 and 2012, employment increased 22.4 percent in *Health Care and Social Assistance* and 51.1 percent in *Educational Services*, resulting in a 26.8 percent increase in employment in the entire sector.

San Diego County has state-of-the art healthcare in 24 hospitals, and is considered a leader in technology-driven health innovation. The County also has excellent educational services, with six universities and more than 80 research institutes conducting groundbreaking research, training the region's workforce, and providing human capital and technology.²⁰

5. Leisure and Hospitality

Leisure and Hospitality is the fourth largest supersector. It employs 161,000 or 12.8 percent of 2012 County nonfarm employment. *Leisure and Hospitality* consists of the following industries: *Arts, Entertainment and Recreation* (15.3 percent); and *Accommodation and Food Services* (84.7 percent). Employment in the entire supersector increased 14.4 percent between 2002 and 2011, with double-digit percentage gains in all industries.

The *Leisure and Hospitality* supersector thrives on San Diego's popularity as a tourist destination. More detail is provided below about San Diego's tourism industry because of its important role in drawing visitors to San Diego County.

San Diego ranks 4th among U.S. News' 21 best U.S. vacation destinations (**Table II-6**). San Diego's beaches, parks, good climate, and numerous attractions draw tourists from all over the United States and the world. In its 2013 ParkScore ranking, The Trust for Public Land ranked San Diego's park system as the ninth best among park systems in the 50 most populous U.S. cities.²¹ San Diego has one of the top 10 best climates in the *Farmer's Almanac*²² and one of the two best summer climates in America as scored by The Weather Channel.²³ **Table II-7** lists some of San Diego's numerous tourist attractions.

²⁰ Source: San Diego County Economic Development Corporation.

²¹ "Report: San Diego has 9th best parks among survey of 50 U.S. cities," *ABC 10 News*, June 6, 2013.

²² Peter Geiger, "The 10 Best Weather Cities," *Farmer's Almanac*, October 5, 2006.

²³ Becky Kellog and Jonathan Erdman, "America's Best Climates," *The Weather Channel News*, September 2010.

**TABLE II-6
U.S. NEWS “BEST U.S. VACATIONS”**

Rank	Destination	Rank	Destination
1	Yellowstone	12	Las Vegas
2	New York City	13	New Orleans
3	Washington, D.C.	14	Seattle
4	San Diego	15	Anchorage
5	San Francisco	16	Napa Valley
6	Yosemite	17	Sedona
7	Maui	18	Miami Beach
8	Honolulu-Oahu	19	Charleston
9	U.S. Virgin Islands	20	Savannah
10	Chicago	21	Puerto Rico
11	Orlando		

Source: U.S. News website, October 2012.

**TABLE II-7
TOURIST ATTRACTIONS IN SAN DIEGO COUNTY**

Sea World San Diego Zoo La Jolla (La Jolla Cove and Mount Soledad) San Diego Beaches (Windansea, Leucadia, Cardiff, Solana, Pacific, Oceanside, Ocean, Mission, Imperial, Encinitas, Del Mar, Coronado, and Calsbad) Balboa Park Old Town Safari Park Gaslamp Quarter LegoLand California Mission Bay Fort Rosecrans Cemetery Torrey Pines State Reserve Old Globe Theatre Sunset Cliffs Natural Park Cabrillo National Monument PETCO Park SEA LIFE Aquarium San Diego Automotive Museum San Diego Air and Space Museum San Diego Museum of Art Museum of Photographic Arts San Diego Museum of Man	San Diego Railroad Museum San Diego Hall of Champions Museum San Diego History Center San Diego Natural History Museum Mingei International Museum Reuben H Fleet Science Center USS Midway Museum Museum of Making Music Maritime Museum Birch Aquarium Qualcomm Stadium WorldBeat Center Veterans Museum & Memorial Center Timken Museum of Art Marston House Museum Centro Cultural de la Raza San Diego Art Institute Seaport Village New Children's Museum Museum of Contemporary Art La Jolla Museum of Contemporary Art Downtown History of Dr. Seuss in San Diego Reuben H. Fleet Starts Daily Planetarium Sunshine Mountain Vineyard

Sources: San Diego Tourism Authority and TripAdvisor.com.

San Diego also has numerous events that draw visitors throughout the year (**Table II-8**).

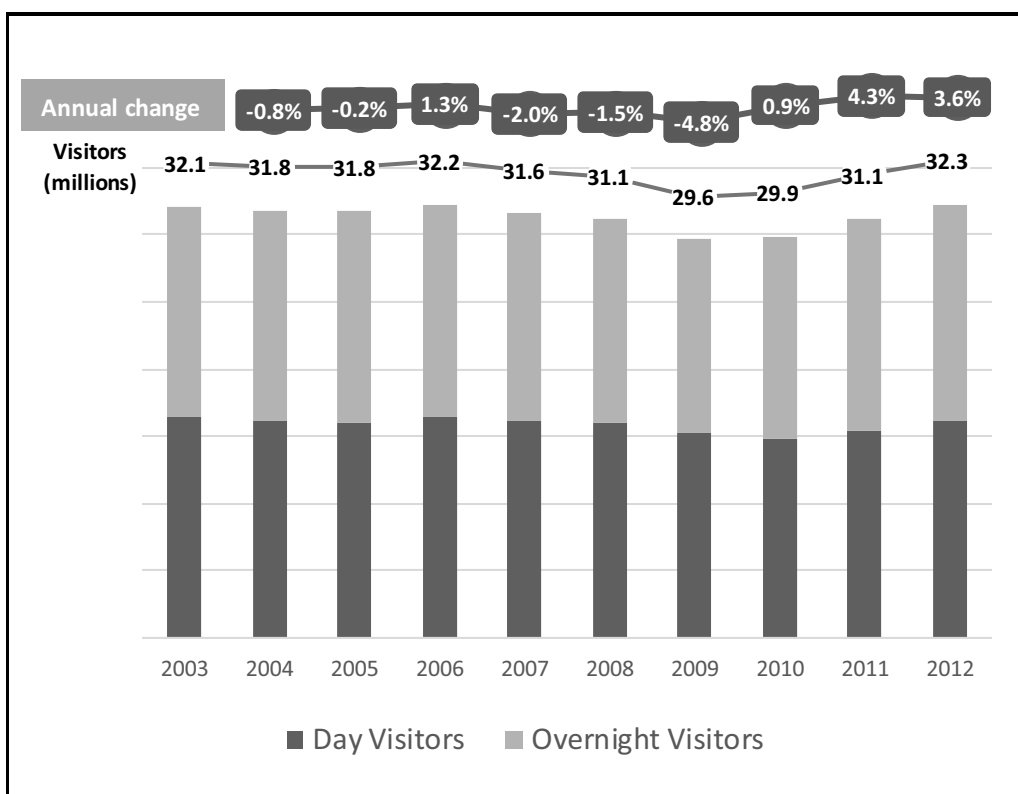
TABLE II-8
MAJOR EVENTS IN SAN DIEGO COUNTY

Restaurant Week – January and September
Farmers Insurance Open Golf Tournament – January/February
San Diego Museum Month – February
Flower Fields Ranunculus Season – March and April
San Diego Crew Classic – April
Rock and Roll Marathon & Half Marathon – June
San Diego County Fair – June
Big Bay Boom – July
LGBT Pride Parade and Festival – July
San Diego Comic Con – July
Del Mar Racing Season – July through September
Julian Apple Harvest – September through November
Dixieland Jazz Festival – November
Beer Week – November
San Diego Bay Wine & Food Festival – November
December Nights – December
Bridgepoint Education Holiday Bowl Football Game – December
Whale Watching Season – December through March

Source: San Diego Tourism Authority.

San Diego County received more than 32 million visitors in 2012. The volume of visitors coming to San Diego changed little from year to year during the past 10 years, although it dipped noticeably during the Great Recession (**Figure II-6**). In the past three years, the volume of visitors increased steadily with the nation's economic recovery. Tourism Economics expects visitor growth to continue at 1 percent in 2013 and accelerate in 2014-2017, reaching a peak growth rate of 2.9 percent in 2017.²⁴

FIGURE II-6
SAN DIEGO COUNTY
VISITOR VOLUME AND PERCENT CHANGE
2003-2012

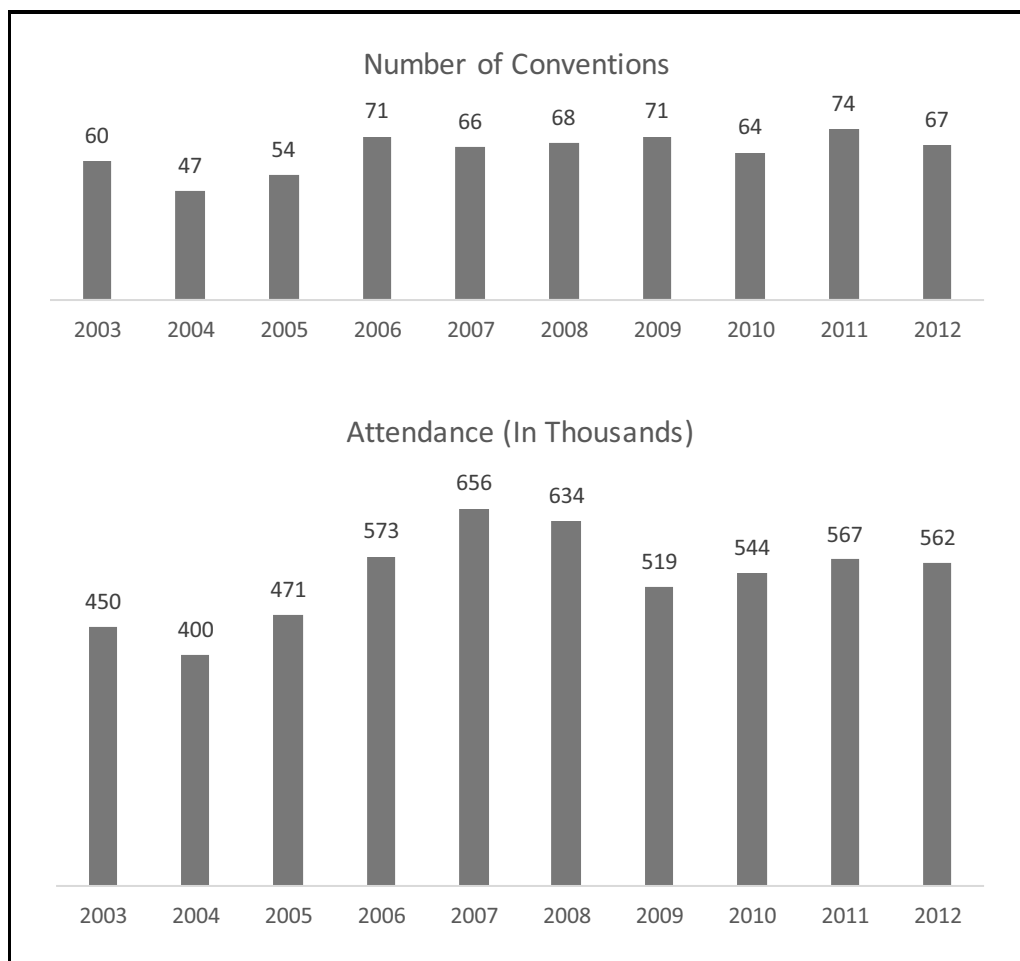


Source: San Diego Tourism Authority.

²⁴ Tourism Economics, *Quarterly Travel Forecast*, Prepared for the San Diego Tourism Authority, July 2013.

San Diego is a popular venue for meetings and conventions. According to data from San Diego Convention Center Corporation, San Diego hosted between 47 and 74 conventions each year during the past 10 years (**Figure II-7**). Annual convention attendance ranged from 400,000 to 656,000, and it also dipped during the recession. According to the San Diego International Airport Development Plan 2012 Passenger Survey, 9 percent of Airport passengers visiting San Diego attend conventions.

FIGURE II-7
SAN DIEGO COUNTY
NUMBER OF CONVENTIONS AND ATTENDANCE
2003-2012



Source: San Diego Tourism Authority.

Table II-9 lists conventions and trade shows booked at the San Diego County Convention Center over the period from October 2013 to April 2015. As of October 2013, there are 132 booked events, with projected attendance of more than 380,000.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
Financial Feasibility Report for the RCC

**TABLE II-9
SAN DIEGO COUNTY CONVENTION CENTER CONFIRMED BOOKINGS AS OF OCTOBER 2013**

Event Name	Date	Type	Attendance	Event Name	Date	Type	Attendance
American Society of Plastic Surgeons	10/11/13 - 10/15/13	Convention with Trade Show	6,872	San Diego National College Fair 2014	4/23/14 - 4/23/14	Local Trade Show	6,000
American College of Gastroenterology 2013	10/11/13 - 10/16/13	Convention with Trade Show	4,000	Private Event	4/23/14 - 4/24/14	Local Trade Show	1,300
Private Event	10/16/13 - 10/21/13	Convention with Trade Show	1,200	Experimental Biology	4/27/14 - 4/30/14	Convention with Trade Show	15,000
Private Event	10/19/13 - 10/19/13	Meeting/Seminar	200	Cal Western Sch. of Law Spring'14 Commencement	5/2/14 - 5/2/14	Community Event	2,000
Society of Actuaries 2013 Annual Meeting	10/20/13 - 10/23/13	Convention with Trade Show	2,000	ACCE Conference & Expo 2014 / UBM, LLC	5/5/14 - 5/8/14	Convention with Trade Show	2,500
American College of Rheumatology	10/25/13 - 10/30/13	Convention with Trade Show	15,500	USGSA Product & Services Expo	5/7/14 - 5/8/14	Convention with Trade Show	9,000
CVC San Diego	10/31/13 - 11/3/13	Convention with Trade Show	5,000	Starpower Talent Competition 2014	5/10/14 - 5/11/14	Community Event	1,000
Pride Martial Arts Class A Tournament	11/2/13 - 11/2/13	Community Event	3,000	National Indian Gaming Association Annual	5/13/14 - 5/14/14	Convention with Trade Show	4,000
Private Event	11/5/13 - 11/5/13	Food & Beverage Event	600	American Thoracic Society	5/18/14 - 5/21/14	Convention with Trade Show	16,000
Neuroscience 2013	11/9/13 - 11/13/13	Convention with Trade Show	32,000	NAFSA 2014 Annual Conference & Internat'l Expo	5/25/14 - 5/30/14	Convention with Trade Show	10,000
University of Phoenix Fall Graduation	11/16/13 - 11/16/13	Community Event	10,000	Rock N Roll Marathon Health & Fitness Expo	5/30/14 - 5/31/14	Convention with Trade Show	60,000
Sports for Exceptional Athletes - Floor Hockey	11/17/13 - 11/17/13	Meeting/Seminar	1,500	Society for Information Display 2014	6/1/14 - 6/6/14	Convention with Trade Show	3,000
Fall Varnex Conference	11/18/13 - 11/19/13	Convention Only	500	AFLINK Summit 2014	6/2/14 - 6/4/14	Corporate & Incentive	800
MILCOM 2013	11/18/13 - 11/20/13	Convention with Trade Show	7,000	Government Fleet Expo & Conference 2014	6/3/14 - 6/4/14	Convention with Trade Show	800
The Athletic Business Conference & Expo	11/21/13 - 11/23/13	Convention with Trade Show	3,900	Academy Health Annual Meeting	6/8/14 - 6/10/14	Convention with Trade Show	2,200
Taking Control of your Diabetes 2013 Tradeshow	11/23/13 - 11/23/13	Local Trade Show	2,000	GS1 Connect Conference	6/9/14 - 6/12/14	Convention with Trade Show	1,400
Adobe Photoshop - Shoot Like a Pro Seminar	12/3/13 - 12/3/13	Meeting/Seminar	400	National University Commencement 2014	6/11/14 - 6/11/14	Community Event	15,000
The IT Summit 2013	12/5/13 - 12/5/13	Local Trade Show	400	Drug Information Association	6/15/14 - 6/18/14	Convention with Trade Show	7,500
California School Boards Association 2013	12/5/13 - 12/7/13	Convention with Trade Show	2,500	Private Event	6/23/14 - 6/26/14	Convention with Trade Show	16,500
Flood Church Christmas Concert and Shoppe	12/8/13 - 12/8/13	Community Event	4,000	Show Biz Talent	6/30/14 - 7/4/14	Community Event	900
Private Event	12/10/13 - 12/15/13	Convention with Trade Show	5,000	Environmental Systems Research Institute	7/15/14 - 7/17/14	Convention with Trade Show	14,500
San Diego International Auto Show	1/1/14 - 1/5/14	Consumer Show	n.a.	The Subway Annual Convention	8/1/14 - 8/3/14	Convention with Trade Show	4,750
San Diego Home Show	1/10/14 - 1/12/14	Consumer Show	n.a.	Private Event	8/3/14 - 8/6/14	Convention with Trade Show	2,000
National Needle Arts Association 2014 Winter Show	1/11/14 - 1/13/14	Convention with Trade Show	3,000	Private Event	8/11/14 - 8/13/14	Convention with Trade Show	4,500
2014 National Collegiate Athletic Association	1/16/14 - 1/17/14	Convention with Trade Show	2,500	Private Event	8/18/14 - 8/20/14	Convention Only	1,300
SOC for Laboratory Automation & Screening 2014	1/18/14 - 1/22/14	Convention with Trade Show	5,000	SPE	8/18/14 - 8/21/14	Convention with Trade Show	5,500
National Biodiesel 2014	1/21/14 - 1/23/14	Convention with Trade Show	1,500	ISAGENIX / International Celebration	8/24/14 - 8/26/14	Convention with Trade Show	4,000
Private Event	1/23/14 - 1/24/14	Corporate & Incentive	2,600	San Diego Quilt Show	9/4/14 - 9/6/14	Consumer Show	4,000
Artists Simply Human - The Workshop Experience	1/25/14 - 1/26/14	Meeting/Seminar	400	AARP Regional Meeting	9/5/14 - 9/6/14	Convention with Trade Show	15,000
Bridal Bazaar	1/26/14 - 1/26/14	Consumer Show	6,000	National Safety Council Annual Congress & Expo	9/15/14 - 9/17/14	Convention with Trade Show	14,000
Private Event	1/27/14 - 1/29/14	Corporate & Incentive	4,500	Dam Safety 2014 National Safety Conference	9/21/14 - 9/23/14	Convention with Trade Show	1,000
Savers 2014 Retail Conference Leadership	1/28/14 - 1/31/14	Corporate & Incentive	500	Gases & Welding Distributors Association	9/22/14 - 9/22/14	Convention with Trade Show	900
The App Show	1/30/14 - 2/1/14	Local Trade Show	2,000	Bridal Bazaar	9/28/14 - 9/28/14	Consumer Show	3,500
Training Magazine's 2014 Conference & Expo	1/31/14 - 2/5/14	Convention with Trade Show	2,000	American Health Information Management Assoc.	9/29/14 - 10/1/14	Convention with Trade Show	4,000
A+ Events / National Title I Conference 2014	2/2/14 - 2/4/14	Convention with Trade Show	4,000	ICSC Western Division Conference & Deal Making	9/29/14 - 10/3/14	Convention with Trade Show	5,000
Lead Summit	2/3/14 - 2/5/14	Meeting/Seminar	545	Private Event	10/5/14 - 10/7/14	Convention with Trade Show	3,000
2014 Illuminate Education User Conference	2/6/14 - 2/7/14	Meeting/Seminar	950	Private Event	10/11/14 - 10/14/14	Convention with Trade Show	12,000
American Case Management Association	2/6/14 - 2/6/14	Local Trade Show	300	Private Event	10/16/14 - 10/18/14	Convention with Trade Show	1,200
West 2014 - AFCEA & USNI	2/11/14 - 2/13/14	Convention with Trade Show	12,000	Private Event	10/19/14 - 10/21/14	Convention with Trade Show	12,000
National Association Bilingual Education Annual	2/13/14 - 2/15/14	Convention with Trade Show	1,600	Association of Records Managers & Administrators	10/26/14 - 10/27/14	Convention with Trade Show	2,750
The Minerals, Metals & Materials Society Annual	2/16/14 - 2/20/14	Convention with Trade Show	4,000	Direct Marketing Association 2014	10/26/14 - 10/28/14	Convention with Trade Show	9,000
Cygnus Expositions / Firehouse World Expo	2/16/14 - 2/20/14	National Trade Show	4,000	American Association of Pharmaceutical Scientists	11/3/14 - 11/5/14	Convention with Trade Show	8,200
Ultrasound Society Winter Conference 2014	2/21/14 - 2/22/14	Meeting/Seminar	120	Taking Control Of Your Diabetes 2014 Tradeshow	11/8/14 - 11/8/14	Local Trade Show	2,000
Grupo Flexon Productions / Expo 15 & Sweet 16	2/22/14 - 2/23/14	Community Event	2,000	Private Event	11/14/14 - 11/15/14	Convention with Trade Show	2,200
Private Event	2/23/14 - 2/26/14	Convention with Trade Show	1,000	Vendome Group / Healthcare Design 2014	11/16/14 - 11/18/14	Convention with Trade Show	3,200
Private Event	2/24/14 - 2/24/14	Food & Beverage Event	600	Amer. Academy of Religion & Society of Biblical Lit.	11/22/14 - 11/25/14	Convention with Trade Show	11,000
Starwood Hotels & Resorts Sales & Ops Kick-Off	2/24/14 - 2/26/14	Convention Only	2,300	Advanstar Communications / CVC West 2014	12/5/14 - 12/7/14	Convention with Trade Show	3,500
Private Event	3/1/14 - 3/4/14	Convention with Trade Show	7,850	Private Event	12/9/14 - 12/10/14	Convention with Trade Show	4,000
US & Canadian Academy of Pathology	3/3/14 - 3/5/14	Convention with Trade Show	4,500	Private Event	1/11/15 - 1/12/15	Convention with Trade Show	5,000
American Academy of Hospice & Palliative Medicine	3/12/14 - 3/15/14	Convention with Trade Show	2,500	CABI Spring 2015 Scoop	1/15/15 - 1/17/15	Corporate & Incentive	3,175
International Health, Racquet & Sportsclub Assoc.	3/13/14 - 3/15/14	Convention with Trade Show	15,000	Private Event	1/20/15 - 1/22/15	Corporate & Incentive	4,000
ASME Energy Conference 2014	3/17/14 - 3/20/14	Convention with Trade Show	300	Private Event	1/25/15 - 1/27/15	Convention with Trade Show	5,000
BD West	3/19/14 - 3/20/14	Convention with Trade Show	1,500	Firehouse World Expo / Cygnus Expositions	1/28/15 - 1/29/15	National Trade Show	4,000
SD County Treasurer Tax Collector Land Auction	3/19/14 - 3/19/14	Meeting/Seminar	600	Restaurant Facility Management Association	2/2/15 - 2/3/15	Convention with Trade Show	1,000
Society of Interventional Radiology Annual	3/22/14 - 3/27/14	Convention with Trade Show	6,000	Pennwell / Distributech 2015	2/3/15 - 2/5/15	Convention with Trade Show	4,500
Miller Coors Distributor Convention	3/25/14 - 3/26/14	Convention with Trade Show	3,750	West 2015 AFCEA & USNI	2/10/15 - 2/12/15	Convention with Trade Show	3,000
National Art Education Association Annual	3/29/14 - 3/31/14	Convention with Trade Show	5,500	Energy Utility & Environment Conference 2015	2/16/15 - 2/18/15	Convention with Trade Show	1,500
Encore San Diego	3/29/14 - 3/30/14	Community Event	1,000	Private Event	2/25/15 - 2/27/15	Convention with Trade Show	6,500
San Diego Travel & Adventure Show	3/29/14 - 3/30/14	Consumer Show	5,000	American Association of School Administrators	2/26/15 - 2/28/15	Convention with Trade Show	2,700
American Association for Cancer Research	4/6/14 - 4/8/14	Convention with Trade Show	17,000	Endocrine Society Annual	3/5/15 - 3/7/15	Convention with Trade Show	8,000
17th Annual Ca Health Care Leadership Academy	4/10/14 - 4/13/14	Convention with Trade Show	500	Private Event	3/15/15 - 3/17/15	Convention with Trade Show	30,000
San Diego County 2014 Realtors Expo & Conference	4/11/14 - 4/11/14	Local Trade Show	1,900	Society of Toxicology Annual	3/23/15 - 3/25/15	Convention with Trade Show	6,500
Private Event	4/15/14 - 4/15/14	Convention with Trade Show	500	American Pharmacists Association	3/28/15 - 3/30/15	Convention with Trade Show	7,500
California Technology Summit	4/16/14 - 4/16/14	Local Trade Show	600	California Association of School Business Officials	3/31/15 - 4/1/15	Convention with Trade Show	2,000
San Diego County Apartment Association 40th	4/22/14 - 4/22/14	Local Trade Show	3,500	National Indian Gaming Association Annual	4/2/15 - 4/3/15	Convention with Trade Show	3,000
ERE Expo Spring 2014	4/22/14 - 4/24/14	Convention with Trade Show	700	Council For Exceptional Children Annual	4/9/15 - 4/11/15	Convention with Trade Show	6,500

Source: San Diego Convention Center Corporation, Calendar of Events, as of October, 15, 2013 - includes contracted and definite bookings only and subject to change.

The San Diego Convention Center is located downtown, within 1.5 miles of more than 11,000 first-class hotel rooms and a 10-minute drive from the Airport. The facility has 616,000 square feet of exhibit space and 72 meeting rooms. Phase 3 expansion is underway and scheduled for 2018 completion. The expansion will add 225,000 square feet of exhibit space, an 80,000 square feet ballroom, and a 5-acre waterfront park.²⁵ In addition to the conventions held at the Convention Center, many of the downtown hotels contain facilities that accommodate conventions and other group meetings.

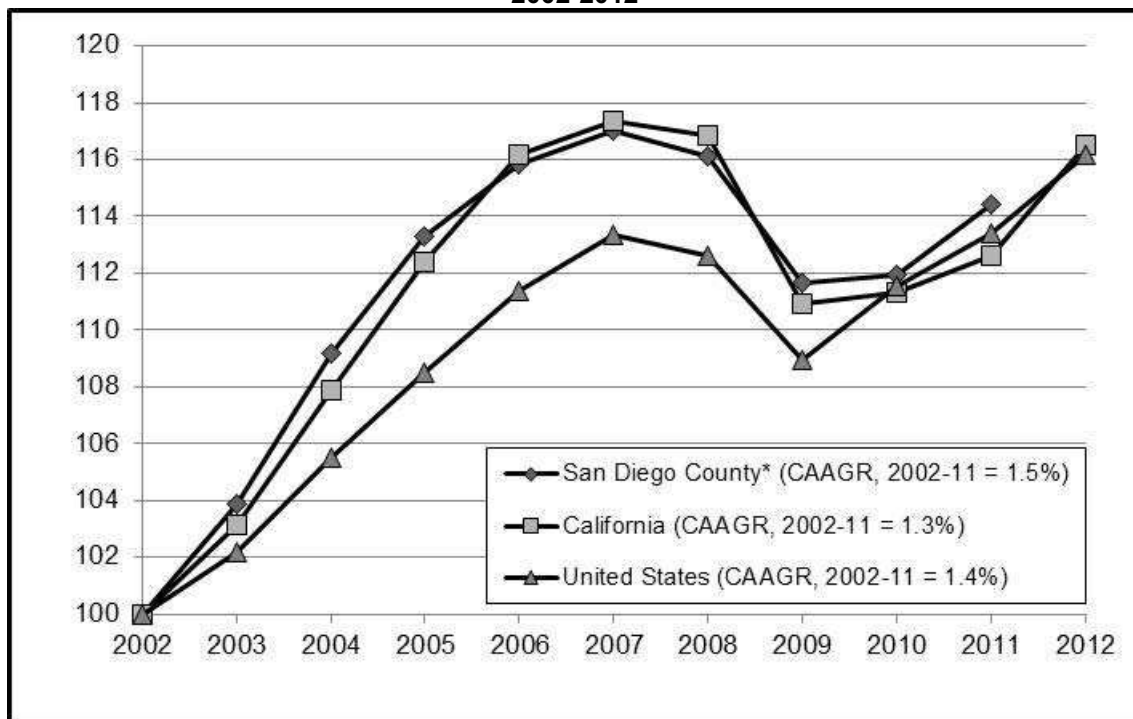
E. ECONOMIC OUTPUT

Gross domestic product (GDP) measures the value of all goods and services produced in an area. It is the most popular indicator of overall economic trends. In **Figure II-8**, real GDP (adjusted for inflation) for San Diego County, California and the United States are indexed to a 2002 base year. Real GDP growth trends at the county, state and national levels reflect the business cycle—rising during the economic expansion from 2002 to 2007, falling during the 2008-2009 Great Recession, and rising again beginning in 2010. Growth trends in Airport passenger traffic, and in the demand for rental cars at the Airport, generally follow the business cycle.

San Diego County outperformed the state and the nation in real GDP growth from 2002 through 2011. On average, San Diego County real GDP grew at 1.5 percent per year; California real GDP grew at 1.3 percent per year; and U.S. real GDP grew at 1.4 percent per year. The diverse makeup of the San Diego economy contributed to its above-average performance. In 2011, *Financial Activities* made the largest contribution (22 percent) to the San Diego County GDP, *Government* made the second largest contribution (17.3 percent), and *Professional and Business Services* made the third largest contribution (15.9 percent), according to regional data from the U.S. Bureau of Economic Analysis.

²⁵ Source: San Diego Tourism Authority.

FIGURE II-8
SAN DIEGO COUNTY, CALIFORNIA AND THE UNITED STATES
REAL GROSS DOMESTIC PRODUCT
Indexed to a 2002 Base Year (2002=100)
2002-2012



*Available data through 2011.

CAAGR = compound average annual growth rate. Comparable CAAGR shows only through 2011 because the San Diego County data is available only through that year.

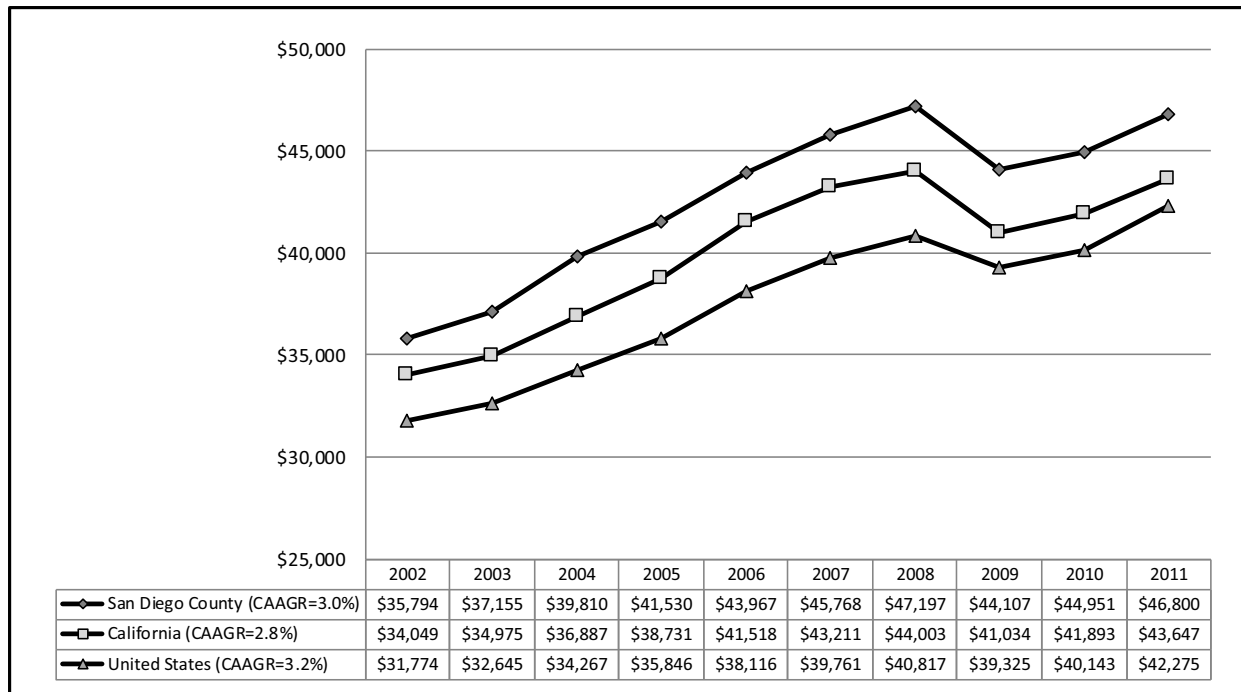
Source: U.S. Bureau of Economic Analysis.

F. PERSONAL INCOME

Personal income is another key indicator of economic growth. It is a direct measure of consumers' ability to spend. Consumer demand increases with income.

Personal income is a component of GDP; it therefore follows the same cyclical pattern as GDP. **Figure II-9** shows the trends in per capita personal income (in current dollars)—total personal income divided by population—in San Diego County, California and the United States. After declining during the Great Recession, per capita personal income in San Diego County, California and the United States has been increasing with the economic recovery. Per capital personal income in the County is higher than in the entire state and the nation. This indicates that San Diego County has a greater proportion of high-income residents than California and the United States as a whole.

FIGURE II-9
SAN DIEGO COUNTY, CALIFORNIA AND THE UNITED STATES
PER CAPITA PERSONAL INCOME (IN CURRENT DOLLARS)
2002-2011

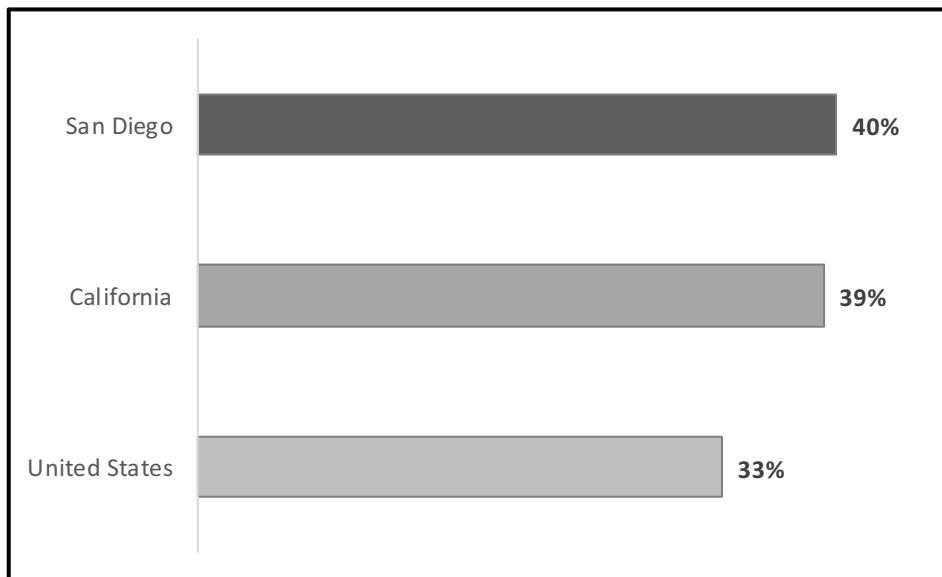


CAAGR - compound average annual growth rate.

Source: U.S. Bureau of Economic Analysis.

The relative affluence of San Diego County residents also shows in a greater proportion of high-income households (**Figure II-10**). Forty percent of households in the County earn \$75,000 or more annually, compared to 39 percent in the entire state and 33 percent in the nation.

FIGURE II-10
SAN DIEGO COUNTY, CALIFORNIA AND THE UNITED STATES
PERCENTAGE OF HOUSEHOLDS EARNING \$75,000 OR MORE ANNUALLY
2011

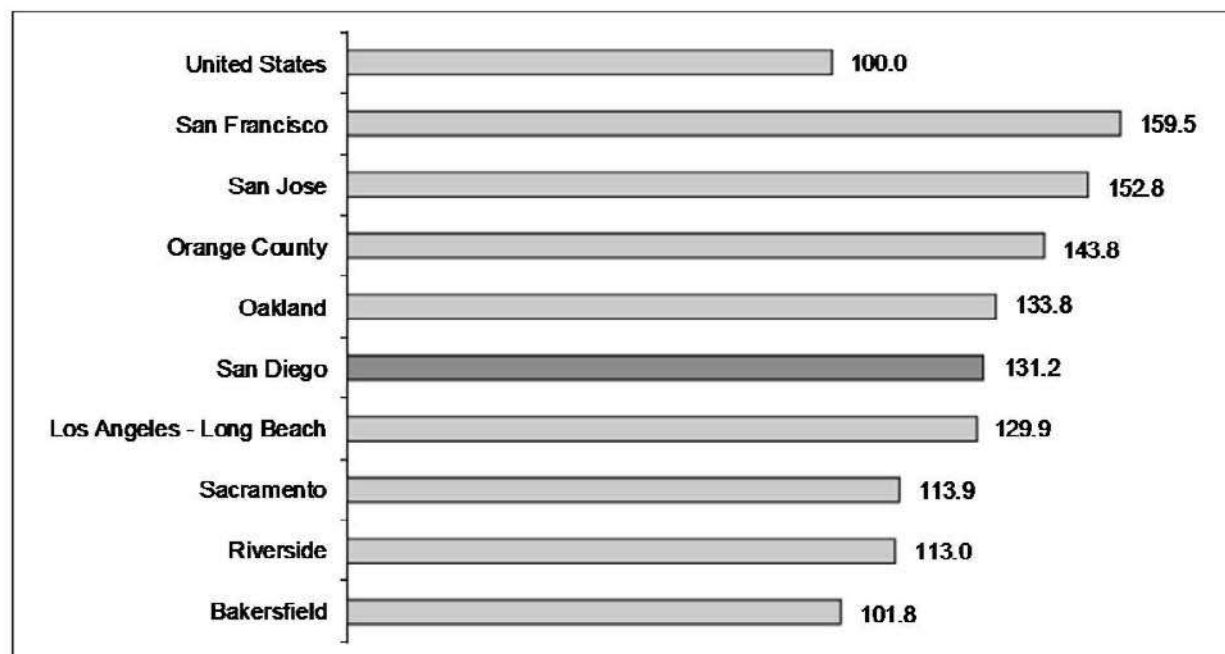


Source: U.S. Bureau of Census 2011 American Community Survey.

G. COST OF LIVING

Higher incomes often come with a higher cost of living. This is true in an attractive residential and business location like San Diego. According to the Council for Community and Economic Research (C2ER) *Cost of Living Index* for the second quarter of 2012, all participating metropolitan areas in California have higher costs of living than the U.S. average (**Figure II-11**). The cost of living in San Diego is 31 percent higher than the national average, but is lower than the cost of living in several other metropolitan areas in California, namely, Oakland, Orange County, San Jose, and San Francisco. The *Cost of Living Index* measures regional differences in the cost of consumer goods and services, excluding taxes and non-consumer expenditures, for professional and managerial households in the top income quintile.

FIGURE II-11
COST OF LIVING INDEX IN CALIFORNIA METROPOLITAN AREAS
Second Quarter 2013



Source: The Council for Community and Economic Research.

*The Cost of Living Index measures regional differences in the cost of consumer goods and services, excluding taxes and non-consumer expenditures, for professional and managerial households in the top income quintile. It is based on more than 90,000 prices for 60 different items, collected in each participating urban area. The composite index is based on six component categories: housing, utilities, grocery items, transportation, health care, and miscellaneous goods and services.

H. OUTLOOK

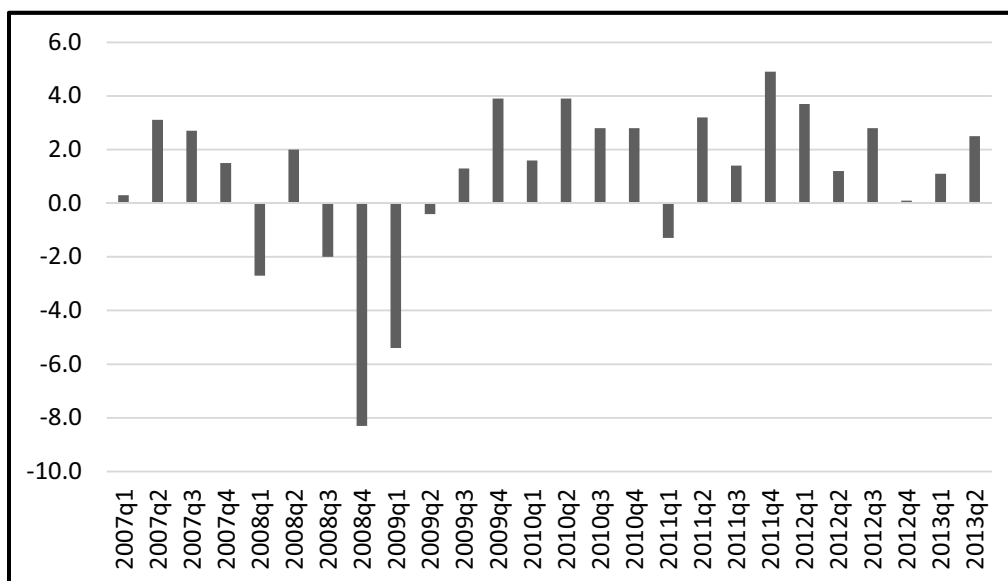
The 2008-2009 Great Recession exceeded previous economic declines after the Great Depression and resulted in a severe downturn in the California economy. Following the official end of the recession in June 2009,²⁶ economic growth resumed but has progressed much slower than expected based on experience from previous recoveries. According to the University of California, Los Angeles Anderson Forecast, in each of the previous 10 recessions, real GDP returned to its previous peak within two years and employment returned to its previous peak within two and a half years. GDP recovery from the recent recession has taken almost four years—real GDP regained the pre-recession peak in the third quarter of 2011, and employment recovery could take seven to eight years.²⁷ As of August 2013, U.S. nonfarm employment is still short more than 2 million jobs from the previous peak employment level achieved in January 2008.

²⁶ National Bureau of Economic Research, *Business Cycle Dating Committee Report*, September 20, 2010.

²⁷ University of California, Los Angeles (UCLA) Anderson Forecast, "Sluggish Economy Continues Despite Improvements in the Housing Market," *Press Release*, Los Angeles, June 20, 2012.

Figure II-12 shows the actual percent changes in U.S. real GDP, a broad measure of economic activity, from the first quarter of 2007 through the second quarter of 2013, as reported by the U.S. Bureau of Economic Analysis. With the exception of the second quarter of 2008, the U.S. economy posted negative growth every quarter from the first quarter of 2008 through the second quarter of 2009. The deepest declines in real GDP occurred during the fourth quarter of 2008 through the first quarter of 2009. The trend began to improve in the second quarter of CY 2009 when real GDP posted a very mild decline. With the exception of a slight decline in the first quarter of CY 2011, growth from the third quarter of CY 2009 through the second quarter of 2013 progressed at positive rates. The pace of growth, however, had been slow compared to historical norms.

FIGURE II-12
U.S. REAL GROSS DOMESTIC PRODUCT
SEASONALLY ADJUSTED ANNUAL PERCENT CHANGE
First Quarter 2007-Second Quarter 2013



Source: U.S. Bureau of Economic Analysis.

More than four years after reaching a trough in June 2009, the U.S. economic outlook has improved. Growth is expected to continue at a slow pace through the end of 2013, tempered by the tax increases and federal spending cuts that took effect early this year. The consensus economic forecast is for growth to pick up in 2014, provided that the federal budget and debt ceiling issues are resolved in a timely manner. **Table II-10** compiles the U.S. economic forecasts from various sources. Forecast real GDP growth for the entire year in 2013 ranges from 1.4 to 2.5 percent, with an average of 1.8 percent. The U.S. economy is expected to pick up the pace in the following years, with forecast annual growth rates in real GDP significantly above 2 percent over the next four years.

TABLE II-10
FORECAST PERCENT CHANGE IN REAL U.S. GROSS DOMESTIC PRODUCT
2013-2020

Source	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F
Moody's Analytics, August 2013	1.7	3.3	4.1	3.2	2.6	2.1	2.0	2.1
Congressional Budget Office, February 2013	1.4	2.6	4.1	4.4	3.8	2.6	2.4	2.3
Office of Management and Budget, July 2013	2.0	3.1	3.5	3.5	3.5	2.9	2.5	2.4
Economist Intelligence Unit, August 2013	1.6	2.6	2.4	2.5	2.4			
International Monetary Fund, July 2013	1.7	2.7						
World Bank, June 2013	2.0	2.8	3.0					
Global Insight, in FAA Aerospace Forecast, November 2012 (FFY basis)	1.7	2.6	3.4	3.0	2.7	2.5	2.4	2.5
Philadelphia Fed - 41 Economist Survey, August 2013	1.5	2.6	2.9	2.5				
Federal Reserve Board, June 2013	2.5	3.3	3.3	2.4				
Bank of Canada July 2013	1.7	3.1	3.2					
Conference Board May 15, 2013	1.6	2.3	2.3	2.3	2.3	2.3	2.0	2.0
Wall Street Journal Survey of 47 Economists, August 2013	2.0	2.8	3.0					
Blue Chip Survey, March/June 2013	1.9	2.6	3.1	2.9	2.8	2.7	2.6	2.5
OECD, May, 2013	1.9	2.8						
Wells Fargo, October 2013	1.6	2.4	2.7					
Average	1.8	2.8	3.2	3.0	2.9	2.5	2.3	2.3

The U.S. private sector is now in a position to support growth. Consumer confidence is recovering, reflecting steady employment growth, increases in stock prices, and recovery in the housing market. Private sector employment increased in each of the past 40 months through July 2013—a trend that is expected to continue. A recent study by the Federal Reserve Bank of San Francisco shows evidence that the labor market is improving and could accelerate in the coming months. The outlook for business investment is improving as concerns diminish about extreme risks from the Eurozone crisis. Rising manufacturing activity and capacity utilization is also expected to spur business investment. The housing market has begun to contribute to the recovery, as housing starts and home prices have rebounded over the past two years. Unresolved issues regarding the U.S. federal budget and debt ceiling continue to present uncertainty to the economic outlook. There are also risks coming from abroad—the

Eurozone remains weak, China's economy is slowing, emerging markets face uncertain prospects, and political unrest continues in the Middle East.²⁸

The San Diego economy is improving with the national economy. The local employment level is on track to exceed the pre-recession peak this year, based on employment data through July 2013. According to the Manpower Employment Outlook survey of 120 San Diego companies, more companies will hire and fewer will lay off workers in the fourth quarter of 2013.²⁹ Businesses have a positive outlook about the near-term, according to a study by the San Diego Regional Chamber of Commerce.³⁰ While the County's gross area product has not reached the pre-recession peak as of 2011, the San Diego economy shows no sign of downturn ahead, according to the University of San Diego Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators.³¹

The national economy is a major driver to the San Diego economy. Continued growth in the U.S. economy would bring continued growth in the San Diego economy. In the same way, risks facing the national economy would also hamper growth in the San Diego economy. As recent history has shown, however, the local economy is resilient, owing to the diversity and stability of its employment base.

²⁸ Sources:

- Wall Street Journal economic forecasting survey, August 2013.
- Federal Reserve Bank of Philadelphia economic forecast survey, Third Quarter, 2013.
- Mary Daly, Bart Hoblin and Benjamin Bradshaw, "Gauging the Momentum of the Labor Recovery," *FRSBSF Economic Letter*, Federal Reserve Bank of San Francisco, October 15, 2013.
- Wells Fargo Securities Economics Group, *Monthly Economic Outlook*, August 7, 2013.
- Wells Fargo Securities Economics Group, *Monthly Economic Outlook*, October 9, 2013.
- Ian Talley, "IMF Cuts Global Growth Outlook," *The Wall Street Journal*, October 8, 2013.
- Oxford Economics U.S. economic outlook in Oxford Economics Tourism Economics, *Quarterly Travel Forecast*, Prepared for the San Diego Tourism Authority, July 2013.
- Office of Management and Budget, "Economic Assumptions," *FY 2014 U.S. Budget Mid-Session Review*, July 2013.

²⁹ Jonathan Horn, "Study: Hiring in San Diego on the rise," *The San Diego Union-Tribune*, September 10, 2013.

³⁰ Jonathan Horn, "Study gives glimpse of SD biz climate," *The San Diego Union-Tribune*, August 13, 2013.

³¹ Jonathan Horn, "Survey: San Diego's economy solid in July," *The San Diego Union-Tribune*, August 30, 2013.

I. SUMMARY

Demographic and economic trends in San Diego County and the entire nation influence demand for air travel to San Diego for both leisure and business, passenger traffic at the Airport, and the derived demand for rental cars at the Airport. Local area attributes are important factors to San Diego's attractiveness as a business and leisure destination. National economic trends influence overall air travel demand and local economic conditions in San Diego County.

The key demographic and economic trends discussed in this section are as follows:

- San Diego County's large population is an important factor in drawing visitors into the area. The County's population is the fifth largest in the United States and second largest in California. Population growth in San Diego County has kept pace with U.S. population growth.
- Trends in the labor market reflect business conditions and overall economic well-being—factors that influence demand for air travel and the derived demand for airport rental cars. Labor market conditions in San Diego County and nationwide have followed the business cycle. Unemployment increased during the Great Recession and continued increasing through the first year of economic recovery. Recent evidence suggests that the labor market is improving and could accelerate in the coming months.
- While the County's unemployment trends have followed those of the most recent economic cycle, San Diego has created jobs and attracted workers faster than the entire state and the nation. The local employment level is on track to exceed the pre-recession peak in 2013.
- San Diego County has a diversified employment base, which moderates the impact of economic downturns. No single major industry accounted for more than 18 percent of non-farm jobs in the County in 2012.
- San Diego County is a popular tourist destination and a popular convention venue. The County has more than 30 million visitors in a typical year.
- San Diego County and the entire country are now on the fifth year of economic recovery from the 2008-2009 Great Recession. This recovery has so far progressed at a slow pace compared to recoveries from previous recessions after the Great Depression. The outlook for both the County and the nation is improving. Economic growth is expected to pick up the pace in 2014, with forecast annual growth rates in U.S. real GDP significantly above 2 percent over the next four years.
- San Diego County outperformed both California and the United States in economic growth.

- Personal incomes increase when the economy is growing, stimulating demand for air travel and the derived demand for rental cars at the Airport. Per capita personal income in San Diego County is higher than in the entire state of California and the nation. Consequently, the cost of living in San Diego is higher than the U.S. average, but it is lower than the cost of living in several other major metropolitan areas in California.

The current outlook for the San Diego economy mirrors the positive outlook for the U.S. economy. With the national economy being a major driver to the San Diego economy, however, risks facing the U.S. economy could also hamper local economic growth. The diverse makeup of San Diego County's employment base would help cushion the local economy from the impact of any industry-specific downturn and help the local economy recover quickly from downturns in the business cycle.

SECTION III

AVIATION ACTIVITY ANALYSIS AND FORECASTS

Part A of this section reviews the historical trends in commercial passenger traffic at SAN and discusses factors that have affected those trends. Part B presents forecasts of passenger activity (enplanements and deplanements)¹. Part C discusses broad factors affecting the airline industry, recent performance of the top three airlines serving SAN, and certain considerations specific to the Airport.

A. HISTORICAL PASSENGER TRAFFIC TRENDS

The FAA classifies SAN as a large hub commercial airport. Airports in this class each account for 1 percent or more of annual total U.S. enplanements.² In 2012, SAN ranked 28th in total passenger volume and 42nd in total aircraft movements among U.S. commercial service airports, according to the Airports Council International-North America traffic data. **Table III-1** shows that as of January 1, 2014, 18 scheduled U.S. passenger carriers, five foreign flag passenger carriers, and five all-cargo carriers provided scheduled air service at SAN. Collectively, the passenger airlines serve over 100 destinations across the United States and international destinations such as Canada, Mexico, Japan and United Kingdom.

1. Long-Term Enplanement Trends

During the past 10 years, U.S. airports and airlines have faced major challenges:

- Lasting structural changes in the air travel market and the airline industry following the 2001 terrorist attacks;
- The 2008-2009 U.S. economic recession (the Great Recession), the longest and deepest recession since the Great Depression, and the slow recovery that followed;
- The global economic recession;
- Airline financial difficulties that led to industry exits, airline mergers, route transfers between mainline and regional service, significant capacity cuts, and other cost-cutting measures—all with adverse short-term effects on airports;
- Fuel price volatility, with prices reaching a record peak in 2008; and

¹ Total passengers consist of enplanements and deplanements. Passenger activity at most airports, including SAN, is generally forecast in terms of enplanements. At the end of this section, the forecast is converted into a deplanement forecast, for use in the rental car demand analysis and forecast section (Section V).

² U.S. Bureau of Transportation Statistics, *Air Traffic Hubs*, 2011.

- Adverse weather and natural disasters, disease outbreaks, wars and civil unrest in different parts of the world, and other events that set back global economic recovery, disrupted air service, and caused short-term traffic declines.

TABLE III-1
SAN DIEGO INTERNATIONAL AIRPORT
SCHEDULED COMMERCIAL AIR SERVICE PROVIDERS
As of January 1, 2014

Passenger Carriers			All-Cargo Carriers
U.S.		Foreign Flag	
Alaska Airlines	Republic Airlines ⁴	Air Canada	ABX Air
Allegiant	Seaport Airlines	British Airways	Ameriflight
American Airlines ¹	SkyWest Airlines ⁵	Japan Airlines	FedEx
American Eagle ^{1,2}	Southwest Airlines	Volaris	United Parcel Service
Delta Air Lines	Spirit Airlines	WestJet	West Air
Frontier Airlines	Sun Country Airlines		
Hawaiian Airlines	United Airlines		
Horizon Air ³	US Airways		
JetBlue Airways	Virgin America		

¹ AMR Corporation, along with its subsidiaries American Airlines and American Eagle, filed for bankruptcy protection on November 29, 2011. American Airlines and American Eagle continue to operate at SAN while they reorganize under bankruptcy protection.

² An affiliate of and doing business as American Airlines.

³ An affiliate of and doing business as Alaska Airlines.

⁴ An affiliate of and doing business as Frontier Airlines.

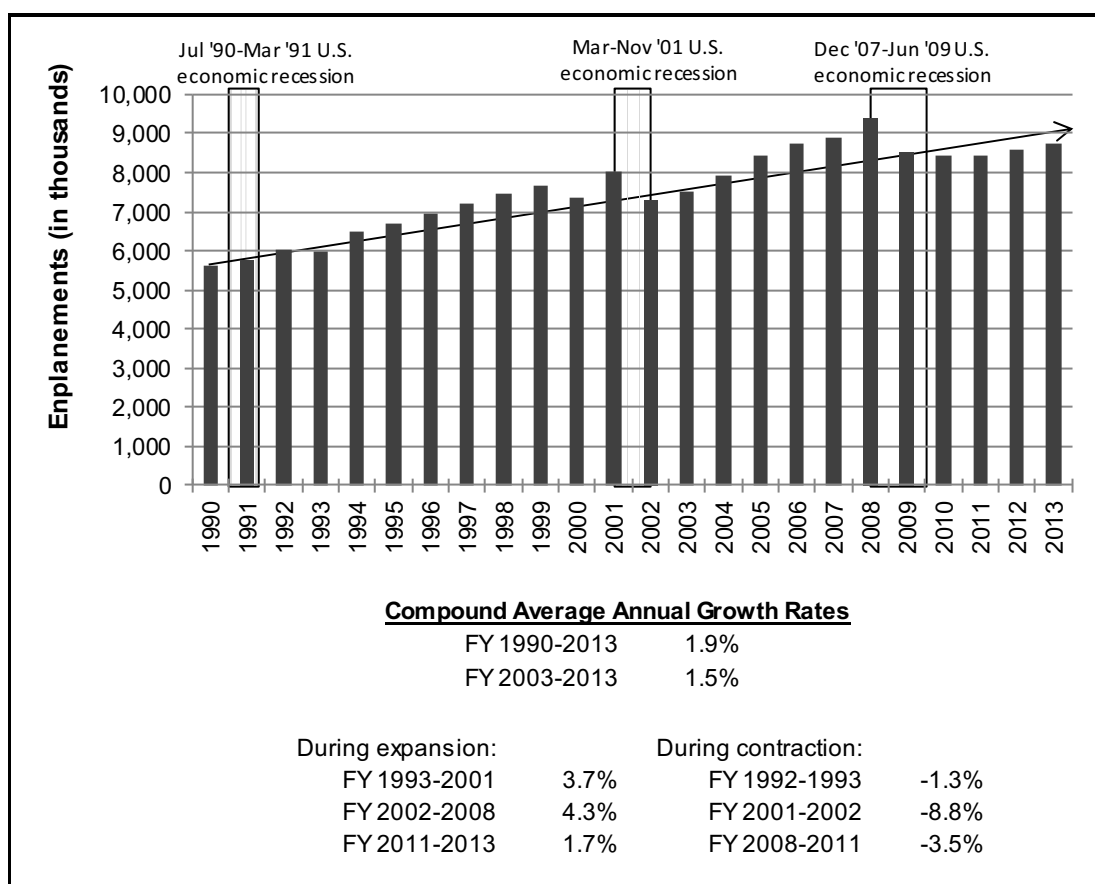
⁵ An affiliate of and doing business as United Express, Delta Connection, US Airways Express, Alaska Airlines and American Eagle.

Source: Airline published schedules on OAG database.

As **Figure III-1** shows, these developments have affected SAN. Enplanement levels recovered from a steep decline in FY 2002 and increased to new record high levels through FY 2008. The Great Recession, however, eliminated some of the traffic gains and caused FY 2009-2011 enplanement levels to drop close to the FY 2005 level. The pace of traffic recovery has so far mirrored the slow economic recovery. SAN experienced traffic gains in FY 2012 and 2013, but FY 2013 enplanements were still 652,000 or about 7 percent below the FY 2008 peak number.

While SAN experiences short-term fluctuations in passenger traffic coinciding with business cycles and adverse events affecting the aviation industry, the long-term trend shows growing traffic. Enplanements at SAN grew at an average annual rate of 1.9 percent between FY 1990 and 2013. The last 10 years show a lower average annual growth rate of 1.5 percent.

FIGURE III-1
SAN DIEGO INTERNATIONAL AIRPORT
ANNUAL ENPLANEMENT TRENDS
FY 1990 – FY 2013



Source: Airport Authority records.

2. Airport and U.S. System Enplanements

Table III-2 and **Figure III-2** present annual enplanement data for SAN and the entire U.S. system for FY 2003-2013. The data demonstrate the following:

- Total enplanements at the Airport increased from approximately 7.51 million in FY 2003 to 8.74 million in FY 2013, at a compound annual growth rate of 1.5 percent, similar to the national trend.
- SAN enplanements grew faster than U.S. system enplanements in the past two years: 1.6 percent in FY 2012 and 1.9 percent in FY 2013 at SAN, compared to 1.1 percent in FY 2012 and 0.3 percent in FY 2013 for the entire U.S. system.
- The Airport's annual share of U.S. total system revenue enplanements remained close to 1.2 percent. In FY 2013 the Airport's share of U.S. total system revenue enplanements was 1.18 percent.

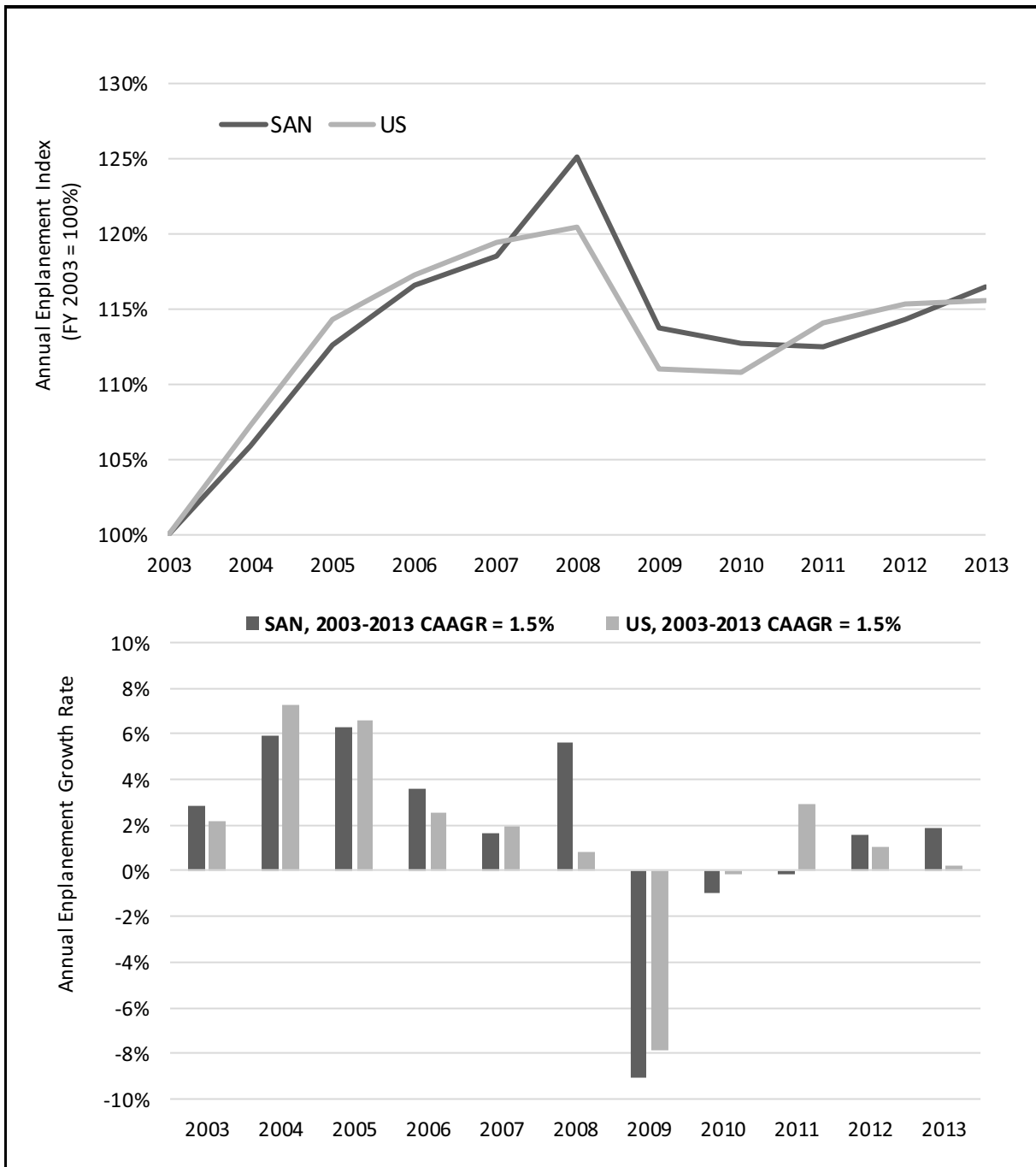
TABLE III-2
SAN AND U.S. SYSTEM ENPLANEMENTS (IN THOUSANDS)
FY 2003 – FY 2013

Fiscal Year	SAN Enplanements	Total U.S. Enplanements¹	SAN Share of Total U.S.
2003	7,506	639,116	1.17%
2004	7,947	685,370	1.16%
2005	8,449	730,593	1.16%
2006	8,750	748,981	1.17%
2007	8,892	763,389	1.16%
2008	9,389	769,543	1.22%
2009	8,536	709,137	1.20%
2010	8,454	708,000	1.19%
2011	8,441	728,880	1.16%
2012	8,576	736,643	1.16%
2013	8,738	738,512	1.18%
	Compound Avg. Annual Growth Rate	Avg. Share	
2003-2013	1.5%	1.5%	1.18%

¹ U.S. system revenue passenger enplanements.

Sources: Airport Authority records and U.S. Bureau of Transportation Statistics.

**FIGURE III-2
SAN AND U.S. SYSTEM ANNUAL ENPLANEMENT GROWTH RATES
FY 2003 – FY 2013**



See source data in **Table III-2**. CAAGR = compound average annual growth rate.

3. Domestic and International Traffic

SAN serves predominantly domestic traffic. As shown in **Table III-3**, domestic passengers accounted for an average share of 98 percent of SAN total enplanements during the past 11 years. Between FY 2003 and 2013, domestic enplanements grew at an average annual rate of 1.4 percent.

International traffic represented less than 2 percent of annual enplanements, on average. The number more than doubled from 128,000 in FY 2003 to 277,000 in FY 2013, growing at an average annual rate of 8 percent. International service expanded since 2009. Air Canada and WestJet scheduled nonstop flights to Canada increased from 9 to 14 per week. Flights to Mexico increased from 14 to 18 per week. In June 2011, British Airways began daily nonstop service to Heathrow Airport in London, England. Japan Airlines began nonstop service daily between SAN and Tokyo on December 2, 2012. Japan Airlines launched its new Boeing 787 Dreamliner service on this flight between SAN and Tokyo.

TABLE III-3
SAN DIEGO INTERNATIONAL AIRPORT
DOMESTIC AND INTERNATIONAL ENPLANEMENTS (IN THOUSANDS)
FY 2003 – FY 2013

Fiscal Year	Domestic		International		Total Enplanements
	Number	% of Total	Number	% of Total	
2003	7,378	98.3%	128	1.7%	7,506
2004	7,732	97.3%	215	2.7%	7,947
2005	8,322	98.5%	127	1.5%	8,449
2006	8,691	99.3%	59	0.7%	8,750
2007	8,797	98.9%	95	1.1%	8,892
2008	9,302	99.1%	87	0.9%	9,389
2009	8,451	99.0%	85	1.0%	8,536
2010	8,339	98.6%	115	1.4%	8,454
2011	8,316	98.5%	125	1.5%	8,441
2012	8,324	97.1%	252	2.9%	8,576
2013	8,461	96.8%	277	3.2%	8,738
Compound Annual Growth Rate					
2003-2013	1.4%		8.0%		1.5%

Source: Airport Authority records.

¹ International enplanements include enplanements by foreign flag carriers, as well as periodic international enplanements reported by U.S. air carriers.

4. O&D and Connecting Traffic

SAN passenger traffic consists largely of O&D passengers, 94 percent on average (**Table III-4**). The O&D share changed little from year to year. O&D traffic constitutes a reliable market for air service that is less sensitive to changes in any particular airline's service, relative to connecting traffic.

TABLE III-4
SAN DIEGO INTERNATIONAL AIRPORT
O&D AND CONNECTING PASSENGERS (IN THOUSANDS)
CY 2003 – CY 2012

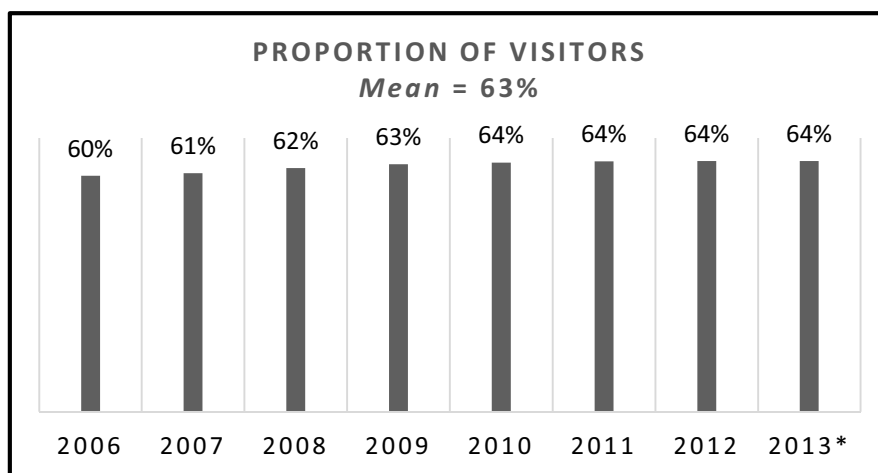
Calendar Year	O&D		Connecting		Total Passengers
	Number	Share	Number	Share	
2003	14,405	94.4%	856	5.6%	15,261
2004	15,447	94.3%	930	5.7%	16,377
2005	16,366	94.2%	1,006	5.8%	17,373
2006	16,430	94.0%	1,052	6.0%	17,482
2007	17,225	94.0%	1,101	6.0%	18,327
2008	17,071	94.2%	1,054	5.8%	18,126
2009	15,875	93.5%	1,099	6.5%	16,974
2010	15,746	93.2%	1,144	6.8%	16,890
2011	15,735	93.2%	1,157	6.8%	16,892
2012	16,214	94.0%	1,037	6.0%	17,250
Compound Average Annual Growth Rate					
2003-2012	1.3%	-	2.2%	-	1.4%

Source: Airport Authority records.

5. O&D Passengers Visiting San Diego

San Diego is a popular destination for business and leisure. **Figure III-3** shows the proportion of SAN O&D passengers who are visiting San Diego. This proportion increased from 60 percent in FY 2006 to 64 percent in FY 2010 and has remained at 64 percent through the present.

FIGURE III-3
SAN DIEGO INTERNATIONAL AIRPORT
PROPORTION OF SAN O&D PASSENGERS WHO ARE VISITING SAN DIEGO
FY 2006 – FY 2013



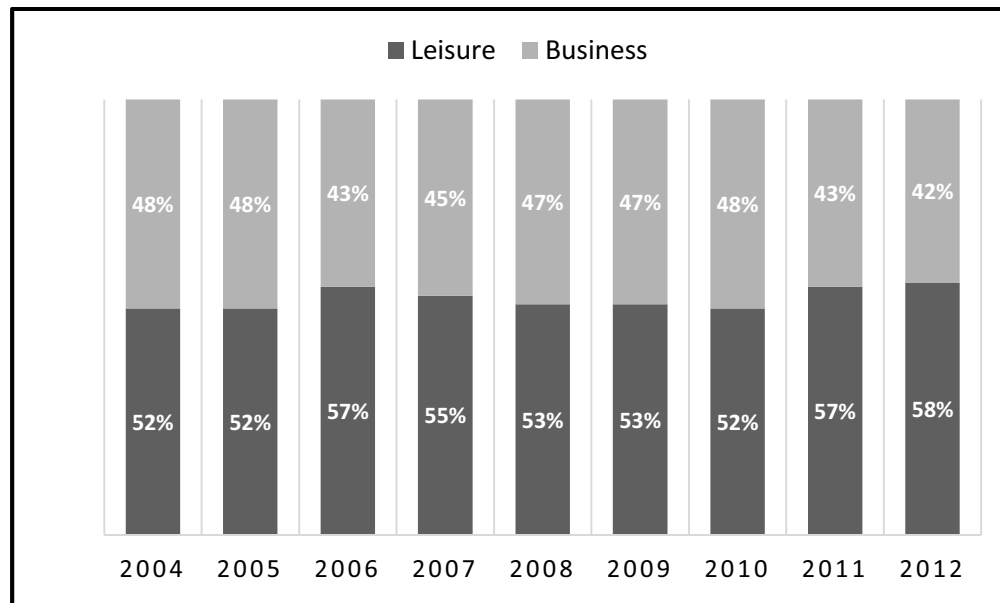
* First three quarters of FY 2013.

Sources: Airport Authority and U.S. Department of Transportation 10-Percent Airline Ticket Survey OD1A Database.

6. Business and Leisure Travel

According to surveys conducted for the Airport Authority by Phoenix Marketing International, passengers traveling for leisure account for a greater share of Airport traffic, 54 percent on average during CY 2004-2012 (**Figure III-4**). Business travelers account for the remaining average share of 46 percent. Recent years show an increase in the share of leisure travelers (58 percent in CY 2012), coinciding with the economic recovery.

**FIGURE III-4
SAN DIEGO INTERNATIONAL AIRPORT
BUSINESS AND LEISURE PASSENGER SHARES
CY 2004 – CY 2012**

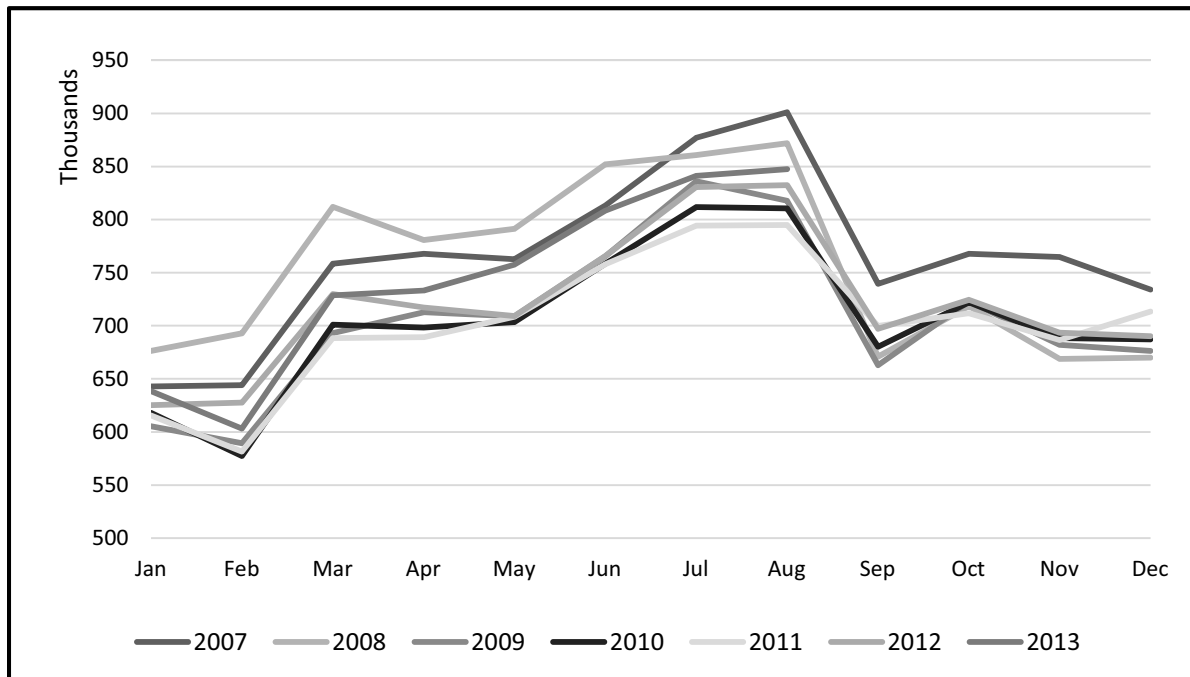


Source: Airport Authority records, based on the airport passenger surveys conducted by Phoenix Marketing International.

7. Seasonality in SAN Enplanements

SAN monthly enplanement levels tend to peak in the summer (July-August), and drop to their lowest level typically in January and February before an increase in March (**Figure III-5**). This follows the same seasonal pattern observed nationwide.

FIGURE III-5
SAN DIEGO INTERNATIONAL AIRPORT
MONTHLY ENPLANEMENTS
January 2007 - August 2013



Source: Airport Authority records.

8. Airline Market Shares

SAN has a broad base of air service providers; no single airline has a monopoly on traffic. **Table III-5** shows Airport enplanements and airline market shares from FY 2008 to FY 2013. **Figure III-6** presents the FY 2013 market shares by airline. Note the following trends:

- Mainline service accounts for the large majority of enplanements at SAN; its share increased from 93 percent in FY 2008 to 94 percent in FY 2013. Regional service accounts for the remaining share, which decreased from 7 percent in 2008 to 6 percent in 2013.
- A number of factors contribute to the larger share of mainline service at SAN (94 percent in FY 2013), relative to the national share (78 percent). Compared to other U.S. large hub airports, SAN has limited runway capacity that is more efficiently utilized with larger aircraft. SAN airlines serve predominantly O&D traffic on relatively dense and/or longer-haul routes that are better served with larger aircraft. Limited connections at SAN also limit the usefulness of regional service. Southwest, the largest passenger carrier at SAN, operates only mainline service.

TABLE III-5
SAN DIEGO INTERNATIONAL AIRPORT
AIRLINE ENPLANEMENTS AND SHARES
FY 2008 – FY 2013
Listed in Order of FY 2013 Market Share

Airline	Enplanements (In Thousands)						Share					
	2008	2009	2010	2011	2012	2013	2008	2009	2010	2011	2012	2013
Mainline												
Southwest	3,306	3,122	3,183	3,278	3,252	3,253	35.2%	36.6%	37.7%	38.8%	37.9%	37.2%
United ¹	1,500	1,430	1,428	1,374	1,266	1,176	16.0%	16.8%	16.9%	16.3%	14.8%	13.5%
Delta ²	983	891	901	919	936	905	10.5%	10.4%	10.7%	10.9%	10.9%	10.4%
Alaska	498	429	436	514	579	674	5.3%	5.0%	5.2%	6.1%	6.8%	7.7%
American ³	809	735	705	659	664	651	8.6%	8.6%	8.3%	7.8%	7.7%	7.4%
US Airways ⁴	631	563	513	523	536	561	6.7%	6.6%	6.1%	6.2%	6.2%	6.4%
Frontier ⁵	275	212	197	219	199	184	2.9%	2.5%	2.3%	2.6%	2.3%	2.1%
Virgin America	57	156	151	133	166	168	0.6%	1.8%	1.8%	1.6%	1.9%	1.9%
Spirit	0	0	0	0	78	164	0.0%	0.0%	0.0%	0.0%	0.9%	1.9%
JetBlue	224	235	167	142	147	153	2.4%	2.8%	2.0%	1.7%	1.7%	1.7%
Hawaiian	161	101	91	99	86	94	1.7%	1.2%	1.1%	1.2%	1.0%	1.1%
British Airways	0	0	0	7	81	82	0.0%	0.0%	0.0%	0.1%	0.9%	0.9%
Air Canada	55	27	47	59	56	45	0.6%	0.3%	0.6%	0.7%	0.7%	0.5%
Others ⁶	255	192	138	80	105	116	2.7%	2.2%	1.6%	0.9%	1.2%	1.3%
Subtotal-Mainline	8,755	8,093	7,956	8,007	8,153	8,225	93.2%	94.8%	94.1%	94.9%	95.1%	94.1%
Regional												
SkyWest ⁷	177	204	272	272	263	352	1.9%	2.4%	3.2%	3.2%	3.1%	4.0%
American Eagle ⁸	238	232	207	155	141	82	2.5%	2.7%	2.5%	1.8%	1.6%	0.9%
Horizon ⁹	0	0	0	0	6	77	0.0%	0.0%	0.0%	0.0%	0.1%	0.9%
Mesa ¹⁰	17	7	19	7	13	0	0.2%	0.1%	0.2%	0.1%	0.1%	0.0%
ExpressJet ¹¹	202	0	0	0	0	0	2.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Subtotal-Regional	635	443	498	434	422	512	6.8%	5.2%	5.9%	5.1%	4.9%	5.9%
Total	9,389	8,536	8,454	8,441	8,575	8,738	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

¹ United and Continental completed their merger on Oct. 1, 2010 and began operating as United on Nov. 30, 2011. Enplanements for United and Continental have been combined in this table.

² In 2008, Delta acquired Northwest and its affiliated air carriers. The operations of Delta and Northwest have been merged into a single entity that now operates under the Delta name. Enplanements for Delta and Northwest have been combined in this table.

³ The parent company of American Airlines filed for Chapter 11 reorganization on November 29, 2011, but American Airlines and American Eagle continue to operate at SAN.

⁴ America West Airlines Inc. merged with US Airways Inc. on September 25, 2005 and began operating as US Airways in September 2007. Enplanements for US Airways and America West have been combined in this table.

⁵ On April 13, 2010, Republic Airways Holdings Inc. announced that its two branded carriers, Frontier and Midwest, would combine under the Frontier brand. Enplanements for Frontier and Midwest have been combined in this table.

⁶ The "Others" category includes airlines that ceased operating at SAN during the historical period shown on the table, and airlines with a FY 2013 market share of less than 0.5%.

⁷ Delta Connection, United Express, US Airways Express (starting in FY 2012), American Airlines (starting 2013).

⁸ American Airlines.

⁹ Alaska Airlines.

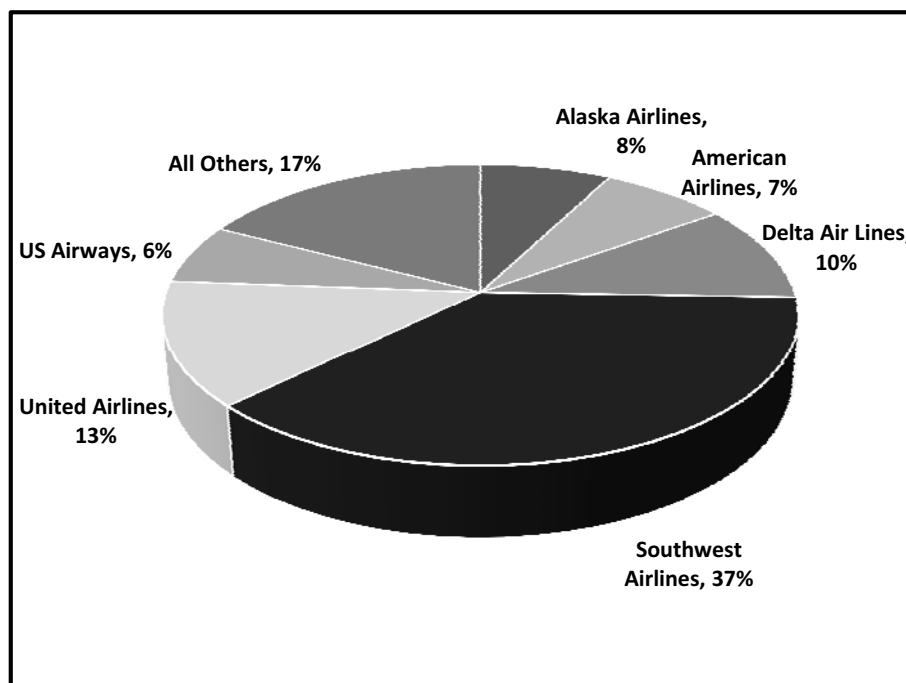
¹⁰ US Airways.

¹¹ ExpressJet operated scheduled service at SAN from May 2007 to September 2008.

Source: Airport Authority records.

- The airlines with the three largest shares of SAN enplanements in FY 2013 are as follows: Southwest, 37 percent; United, 13 percent; and Delta, 10 percent (**Figure III-6**). Counting their regional affiliates, United and Delta have slightly larger shares than the figure shows.

FIGURE III-6
SAN DIEGO INTERNATIONAL AIRPORT
AIRLINE ENPLANEMENT MARKET SHARE
FY 2013



Source: Authority records. Mainline market shares do not include regional carriers. Regional carriers are listed included with All Others.

9. Top O&D Markets

Table III-6 lists the Airport's top 25 O&D markets in CY 2012. The top 25 market destinations, consisting of large metropolitan areas across the United States, were served by 177 of the 224 daily nonstop departures from SAN in CY 2012. Collectively, service to these markets accounted for 73 percent of O&D enplanements at SAN in CY 2012. In terms of market share, the top five market destinations were: San Francisco, Las Vegas, New York, Phoenix, and Washington, DC.

OAG airline flight schedules for this winter (January 2014-February 2014) show nonstop service to 54 markets (**Figure III-7**).

**TABLE III-6
SAN DIEGO INTERNATIONAL AIRPORT
TOP O&D MARKET DESTINATIONS
CY 2012**

Rank ¹	Destination	Airports	O&D Market Share ²	Daily Nonstop Departures ³	Airlines Serving Market from SAN ⁴
1	San Francisco, CA	SFO, OAK, SJC	16.0%	41	UA, VX, WN
2	Las Vegas, NV	LAS	4.8%	13	NK, WN
3	New York, NY	JFK, EWR	4.2%	8	AA, B6, DL, UA
4	Phoenix, AZ	PHX	4.0%	18	US, WN
5	Washington, DC	IAD, BWI, DCA	4.0%	6	WN, UA, US
6	Sacramento, CA	SMF	4.0%	9	WN
7	Seattle, WA	SEA	4.0%	7	AS
8	Denver, CO	DEN	4.0%	13	F9, UA, WN
9	Chicago, IL	ORD, MDW	3.8%	11	AA, UA, WN
10	Dallas, TX	DFW, DAL	2.7%	9	AA, NK
11	Boston, MA	BOS	2.2%	1	AS, B6
12	Portland, OR	PDX	2.1%	3	AS, NK
13	Minneapolis, MN	MSP	1.8%	4	DL, SY
14	Honolulu, HI	HNL	1.8%	2	AS, HA
15	Houston, TX	IAH, HOU	1.8%	8	UA, WN
16	Philadelphia, PA	PHL	1.6%	2	US
17	Salt Lake City, UT	SLC	1.5%	5	DL
18	Atlanta, GA	ATL	1.4%	5	DL, WN
19	Detroit, MI	DTW	1.2%	2	DL
20	St. Louis, MI	STL	1.1%	1	WN
21	Austin, TX	AUS	1.1%	2	WN
22	Kansas City, MI	MCI	1.1%	2	WN
23	Orlando, FL	MCO	1.1%	-	AS
24	San Antonio, TX	SAT	1.0%	2	WN
25	Tucson, AZ	TUS	0.9%	3	WN
	DESTINATIONS LISTED	-	73.2%	177	
	OTHER DESTINATIONS	-	26.8%	47	
	TOTAL	-	100.0%	224	

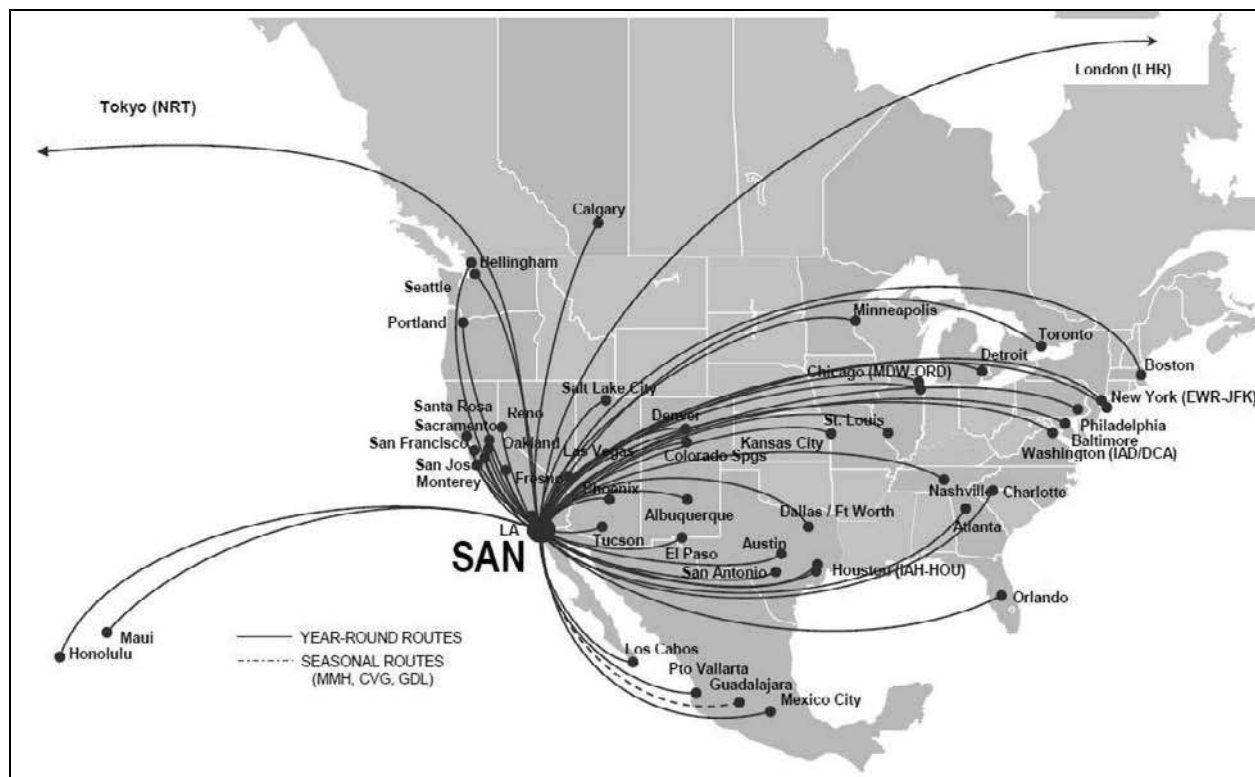
¹ Ranking is based on share of SAN O&D Passengers.

² OAG Aviation Solutions OD1A Database/US DOT 10% Ticket Survey. Data obtained on October 22, 2013.

³ OAG Aviation Solutions Schedules Database. SAN data obtained on October 21, 2013. The number of daily nonstop departures for CY 2012 equals annual nonstop departures divided by 366.

⁴ Airline codes: AA=American; AS=Alaska; B6=Jet Blue; CO=Continental; DL=Delta; F9=Frontier; HA=Hawaiian; NK=Spirit; SY=Sun Country; US=US Airways; VX=Virgin America; WN=Southwest.

FIGURE III-7
MARKETS WITH NONSTOP SERVICE FROM SAN DIEGO INTERNATIONAL AIRPORT
January-February 2014

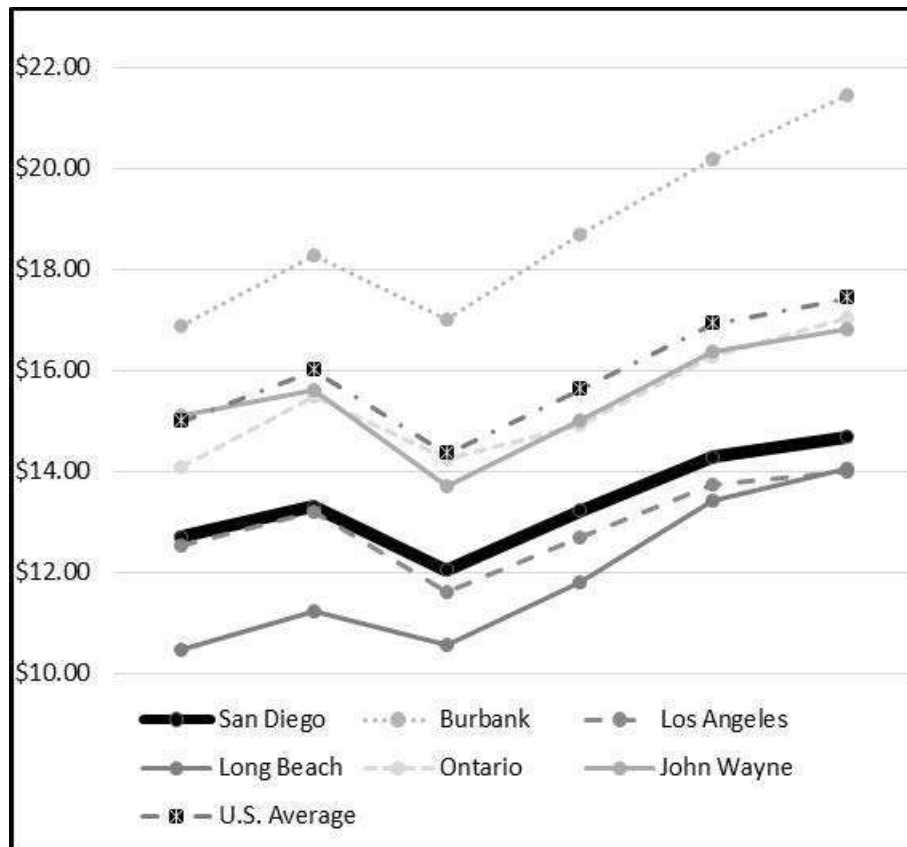


Source: Airport Authority.

10. Passenger Yield

Lower airfares attract passengers. A common measure of airfares that controls for trip length is passenger yield—the average airline revenue per revenue passenger mile. The domestic passenger yield at SAN is lower than U.S. average (**Figure III-8**). It is also lower than the domestic passenger yields at Bob Hope Airport, Ontario International Airport, and John Wayne Airport in 2012. This makes SAN more price-competitive in attracting San Diego passengers relative to these other Southern California commercial airports. The pattern of annual yield changes at SAN has been consistent with the pattern observed for the U.S. as a whole and the five other hub airports in Southern California.

FIGURE III-8
SOUTHERN CALIFORNIA AIRPORTS
DOMESTIC PASSENGER YIELD (CENTS PER PASSENGER MILE)
CY 2007 – CY 2012



Source: U.S. Department of Transportation 10-Percent Airline Ticket Survey.

B. FORECAST AIRPORT PASSENGER TRAFFIC

Following industry convention, this section presents forecasts of Airport passenger traffic in terms of enplanements. Forecast trends also apply to deplanements and to total passengers.³

To develop forecasts of enplanements, a hybrid modeling approach was used, which provides a systematic framework for incorporating changes in both supply and demand. The main characteristics of this approach are summarized below:

- *Capacity-driven, near-term forecast.* Near-term forecast (FY 2014) are based on the published airline schedules that indicate trends in scheduled departures, seats, and fleet mix. Although airline schedules are subject to periodic

³ For forecasting purposes, deplanements are assumed to approximately equal enplanements. Total passengers equal enplanements plus deplanements, or approximately two times enplanements.

adjustments, they serve as the best indicator of how airlines assess and plan to respond to market demand with available aircraft and crew. While the published airline schedules provide a starting point, we also consider current economic and industry outlook in the process.

- *Demand-driven, long-term forecasts.* Multivariate regression analysis links forecast traffic growth through FY 2023 to trends in key demand drivers. We develop a multivariate regression model that quantifies the relationship between enplanement trends and explanatory variables such as: (1) income growth trends and (2) changes in the price of air travel. The regression model also takes account of structural changes in the industry following September 11, 2001.

The hybrid forecasting approach incorporates both air service supply and demand considerations. Multivariate time series regression links forecasts to key measurable factors—income and price—that drive demand in a quantitative model. However, economic shocks, as discussed in Section II, and other changes in the industry—including fuel price changes, airline alliances, and further consolidation, as discussed in Part C, could affect future passenger traffic trends at the Airport and cause actual results to differ from the forecast.

Recognizing uncertainty in the key demand drivers of the enplanement regression model, we perform risk analysis using a sampling method known as Monte Carlo simulation. Supplementing multivariate regression analysis with Monte Carlo simulation permits a more comprehensive quantitative assessment of forecast risks. We are able to consider a wider range of future values for the key demand drivers and produce a broad range of alternative forecast scenarios with corresponding probability estimates.

This section presents base and low forecast enplanement growth scenarios to be used in developing the corresponding base and low rental car demand forecast scenarios in Section V. The base forecast enplanements result from the regression model specification and assumptions described below and on the next two pages. The base regression forecast is slightly below the median (50-percentile) forecast from the Monte Carlo simulation. The low forecast is based on the 25-percentile result.

1. Multivariate Regression Analysis

As a forecasting technique, multivariate regression analysis has the following advantages: (1) the ability to incorporate many explanatory variables, and (2) the ability to isolate and quantify the contribution of each explanatory variable to passenger traffic trends. By design, regression analysis reduces subjective inputs and minimizes forecast errors.

The regression model of enplanements includes the explanatory variables described below:

Price of air travel

According to consumer demand theory, demand is inversely related to price, and this is true for the demand for air travel. Holding all other factors constant, more people travel more frequently when air fares go down. The converse is also true. Airfares, in real terms, have steadily declined since deregulation in 1978, stimulating growth in air travel. A variety of factors have combined to reduce airfares: productivity growth, stringent competition among both “legacy”⁴ and low-cost carriers, price transparency on the Internet, and growing price consciousness among both leisure and business travelers.

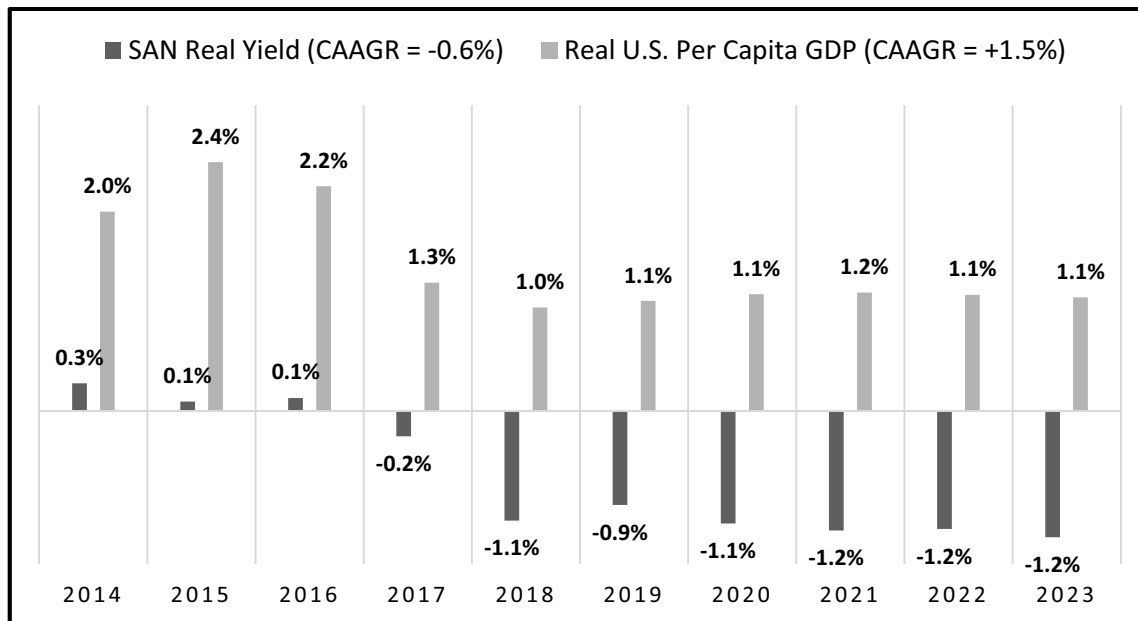
The regression model uses the average real domestic passenger yield⁵ at SAN to measure the price of air travel. According to data from the U.S. Department of Transportation 10-percent airline ticket survey, the average real domestic passenger yield at SAN declined at an average annual rate of -1.6 percent between FY 1990 and 2013. Although jet fuel prices increased significantly during 2007-2009, the airlines were unable to raise air fares due to weak demand during the Great Recession. In recent years, however, air fares increased, and the average real domestic passenger yield increased. Consistent with the latest FAA industry forecast,⁶ the base regression forecast assumes continuing increases through FY 2016, after which the average real domestic yield will return to its long-term trend of decline. **Figure III-9** shows the base forecast assumptions regarding the annual percentage change in the Airport’s real domestic passenger yield. The projected average annual growth rate is -0.6 percent through FY 2023, the end of the forecast period.

⁴ The term “legacy” carrier refers to a U.S. airline that existed at the time of the Airline Deregulation Act of 1978.

⁵ Real yield is derived by dividing total airline passenger revenues by total revenue passenger miles, and then adjusted for inflation.

⁶ *FAA Aerospace Forecasts, FY 2013-2033*, March 2013.

FIGURE III-9
KEY DEMAND DRIVERS: ANNUAL GROWTH RATE ASSUMPTIONS
FOR THE BASE FORECAST SCENARIO
FY 2014 – FY 2023



CAAGR = Compound average annual growth rate.

Sources: Unison Consulting, Inc., based on FAA industry forecast on yield trends and economic forecasts from various sources listed in **Table II-10**, Section II.

Income

The demand for air travel increases with income, because income growth boosts consumer spending and stimulates business activity. Income trends are directly related to the business cycles. **Figure III-1** demonstrates that Airport passenger traffic trends have generally followed the business cycles. The regression model uses real U.S. per capita GDP⁷ as a comprehensive indicator of income trends in the entire nation and the San Diego economy. The trends in the San Diego economy mirror those in the entire nation, as demonstrated in Section II.

We obtained historical data and forecast data from Moody's Analytics, an independent economic forecasting firm. We also researched economic forecasts from a variety of sources (**Table II-10** in Section II). The base regression forecast assumption for annual income growth is based on whichever is lower between the Moody's Analytics forecast real GDP growth and a consensus forecast—the average of the latest published GDP

⁷ GDP is the market value of all goods and services produced within a country. It is a measure of both economic output and income. GDP can be calculated in three ways, all of which yield the same result: the product approach, the income approach, and the expenditure approach. The fact that GDP is a measure of income is evident from the income approach to calculating GDP, which postulates that all incomes of the producers are equal to the value of the producers' product – the sum of all the producers' incomes. Per capita GDP—GDP divided by the population—equals per capita gross domestic income.

growth forecasts from a number of reputable sources (**Table II-10**).⁸ The real U.S. per capita GDP increased 1.3 percent on average annually between FY 1990 and 2013. During the recent recession, the real U.S. per capita GDP decreased 1.3 percent in 2008 and decreased 3.9 percent in 2009. It has since increased at annual rates around 1 percent. The base forecast assumes the growth rate in real U.S. per capita GDP will accelerate to the 2 percent range in 2014 to 2016, and return to the 1 percent range thereafter (**Figure III-9**). The projected average annual growth rate is 1.5 percent through FY 2023.

Post-September 11, 2001 structural changes

The regression model includes a variable to indicate the structural changes in the industry following September 11, 2001 terrorist attacks. These involve changes in consumer behavior resulting from more stringent airport security screening after the September 11 terrorist attacks; and changes in the U.S. airline industry including capacity rationalization, airline pricing system changes, cost-cutting measures, and airline mergers and network consolidation.

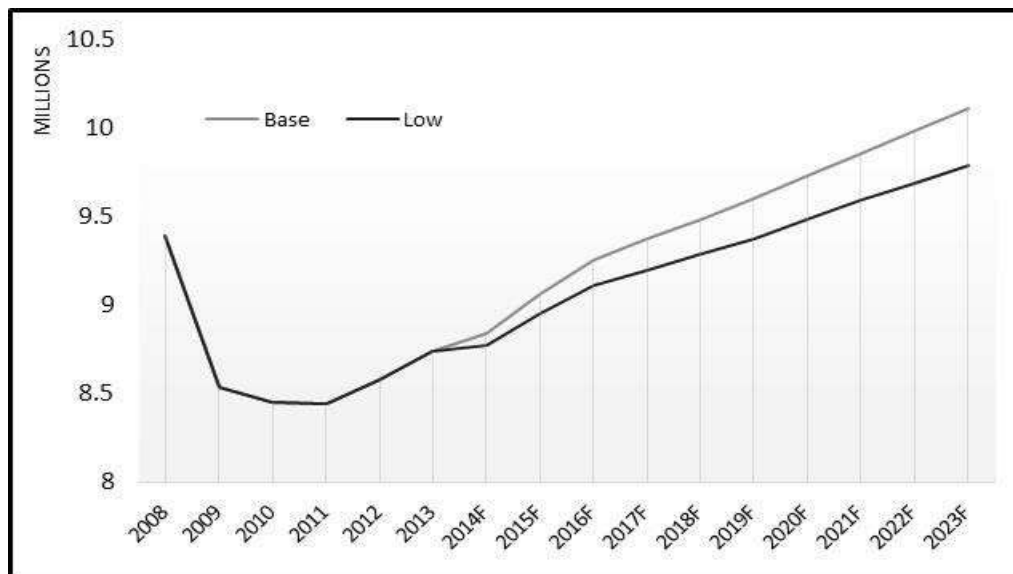
The above model is consistent with sound economic theory, is well-supported by empirical trends, and passes statistical evaluation. The regression equation that relates annual Airport enplanements to the above explanatory variables explains 95 percent of the historical variation in annual enplanements, as indicated by an *adjusted R-squared* of 0.95. The results confirm the positive relationship between demand and income, and the negative relationship between demand and price.

2. Forecast Results

The above regression model specification and assumptions produce the base enplanement forecast, which are slightly lower than the median result. The low enplanement forecast is based on the 25-percentile Monte Carlo simulation result, which corresponds with an 75-percent probability estimate that actual enplanements will be equal to or greater than the 25-percentile level. **Figure III-10** presents the base and low enplanement forecasts. **Table III-7** shows the base forecasts of the visitor segment (64 percent) of O&D enplaned and deplaned passenger traffic (94 percent).

⁸ GDP forecast sources include Moody's Analytics, Congressional Budget Office, Office of Budget and Management, Economist Intelligence Unit, International Monetary Fund, The World Bank, Philadelphia Federal Reserve Bank Survey of 45 Economists, Federal Reserve Board, Bank of Canada, Conference Board, Wall Street Journal Survey of 50 Economists, Blue Chip Survey, and Wells Fargo Bank.

FIGURE III-10
FORECAST ANNUAL ENPLANEMENTS
Historical, FY 2008-2013, and Forecast, FY 2014-2023



Fiscal Year	Enplanements (In Thousands)	
	Base	Low
2013A	8,738	8,738
2014F	8,843	8,775
2015F	9,056	8,950
2016F	9,253	9,106
2017F	9,372	9,197
2018F	9,483	9,287
2019F	9,598	9,375
2020F	9,723	9,485
2021F	9,853	9,589
2022F	9,980	9,685
2023F	10,107	9,785
Compound Average Annual Growth Rate		
2013-2023	1.5%	1.1%

Sources: Authority records for historical data and Unison Consulting, Inc. forecasts.

TABLE III-7
BASE FORECAST OF ANNUAL ENPLANED AND DEPLANED
O&D PASSENGERS – VISITOR SEGMENT (In Thousands)
FY 2013 – FY 2023

Fiscal Year	Enplaned O&D Passengers (Visitor Segment)	Deplaned O&D Passengers (Visitor Segment)
2013A	5,257	5,217
2014F	5,320	5,313
2015F	5,448	5,441
2016F	5,567	5,559
2017F	5,638	5,631
2018F	5,705	5,697
2019F	5,774	5,767
2020F	5,850	5,842
2021F	5,927	5,920
2022F	6,004	5,996
2023F	6,080	6,072
Compound Average Annual Growth Rate		
2013-2023	1.5%	1.5%

Sources: Authority records for historical data and Unison Consulting, Inc. forecasts.

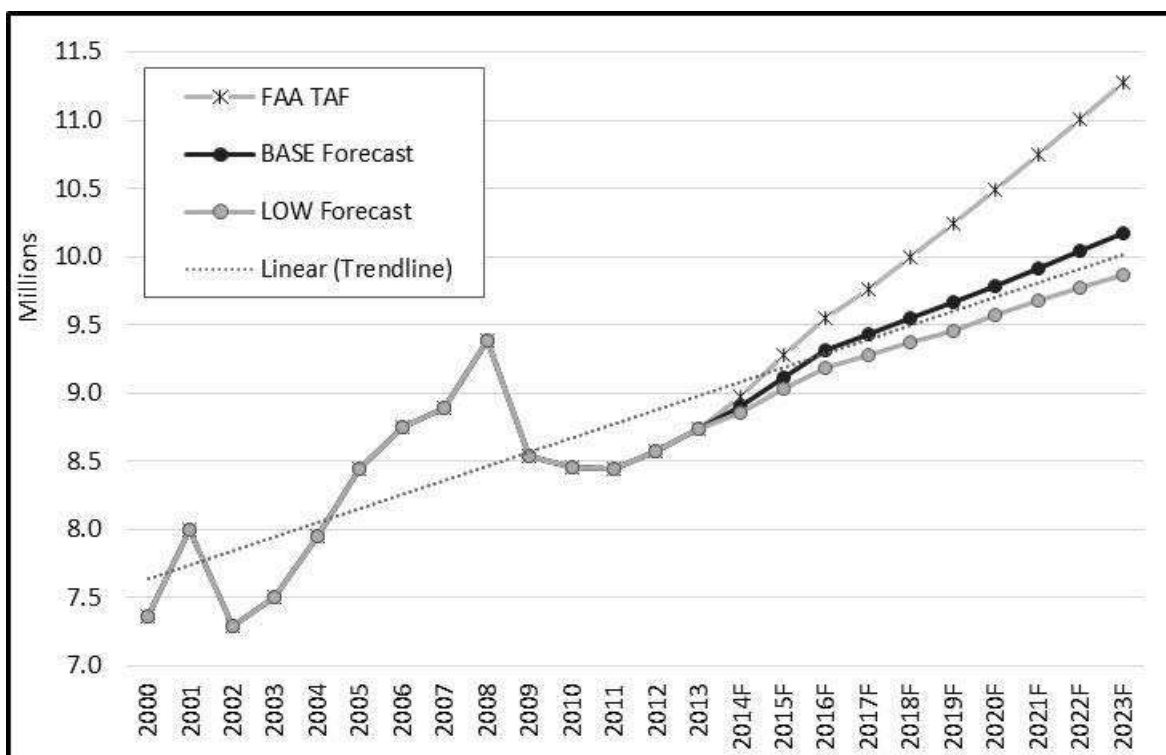
3. Comparison of Enplanement Forecasts with FAA Terminal Area Forecast (TAF) and Linear Trendline Forecast

Figure III-11 compares the base regression forecast enplanements to the latest FAA forecast for SAN, and the linear trendline:

- *FAA Terminal Area Forecasts (TAF).* The FAA develops annual airport forecasts for planning, budgeting, and staffing purposes. The most recent TAF was published in March 2013. Forecast publications lag more than a year behind forecast development, and so the latest TAF considers actual performance only through federal fiscal year 2011 (which ended on September 30, 2011). The FAA forecast annual enplanements for SAN are slightly higher than the base forecast during the first three years of the forecast period, but higher growth rates quickly move forecast annual enplanements above the base forecast. According to the TAF, annual enplanements increase to 11.3 million in FY 2023—10.8 percent higher than the base forecast for that year.
- *Linear trend extrapolation (trendline).* The linear trendline represents the straight line that best fits the historical data, and the forecast results from an extrapolation of this straight line into the future. It is easy to implement, but its simplicity is also its major shortcoming. It does not consider any explanatory variables and relies

on the historical growth pattern replicating itself in the future. Results will be wrong if short-term fluctuations occur due to unexpected events, or market conditions change significantly. The linear trendline forecast enplanements are higher than the base forecast before 2016 and lower thereafter. The linear trendline forecast enplanements for FY 2023 total close to 10 million, just 1.9 percent below the base forecast.

FIGURE III-11
COMPARISON OF THE BASE AND LOW FORECAST ENPLANEMENTS WITH
THE FAA TERMINAL AREA FORECASTS AND THE LINEAR TRENDLINE
FY 2000 – FY 2023



Sources: Federal Aviation Administration for the TAF and Unison Consulting, Inc., for all other forecasts.

C. FACTORS INTRODUCING FORECAST UNCERTAINTY

The forecasts of Airport passenger traffic presented above are based on specific assumptions about the availability and characteristics of airline service at SAN, projected trends in measurable factors that drive air travel demand, and other information made available at the time of analysis. Forecasts, however, are inherently uncertain. Reality could deviate from those assumptions; and other broader factors in the economy and the aviation industry could affect future passenger traffic at SAN. Several of these factors are discussed below.

1. Risks to the National Economy

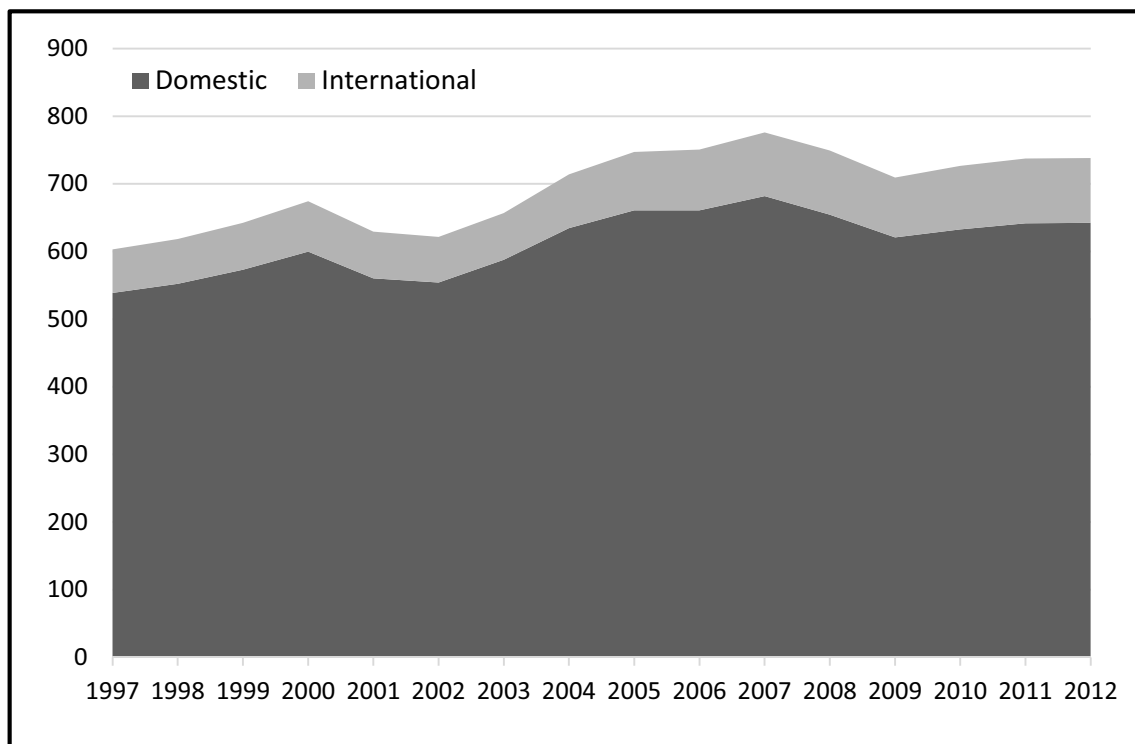
As shown in part A of this section, Airport passenger traffic trends are strongly affected by business cycles. In particular, traffic declines during economic recessions. Although the economic outlook has improved since the Great Recession, risks remain. Of greatest concern today are the consequences of political indecision on U.S. federal budget and debt issues. See Section II for a more detailed discussion of the economic outlook and risks.

The effect of economic trends on Airport enplanement trends have been modeled explicitly in the regression analysis in part B. To some extent, Monte Carlo simulation quantified forecast risks, including risks pertaining to economic conditions by producing a wider range of forecasts and estimating forecast probabilities.

2. Financial Health of the U.S. Airline Industry

The traffic declines following the 2001 recession and terrorist events and the 2008-2009 Great Recession, combined with unprecedented increases in fuel prices, greatly weakened historically fragile airline financial results. **Figure III-12** shows the trends in U.S. carriers' passenger traffic volume from CY 1997-2012.

FIGURE III-12
U.S. CARRIERS SCHEDULED SYSTEM REVENUE PASSENGER ENPLANEMENTS (IN MILLIONS)
CY 1997 – CY 2012



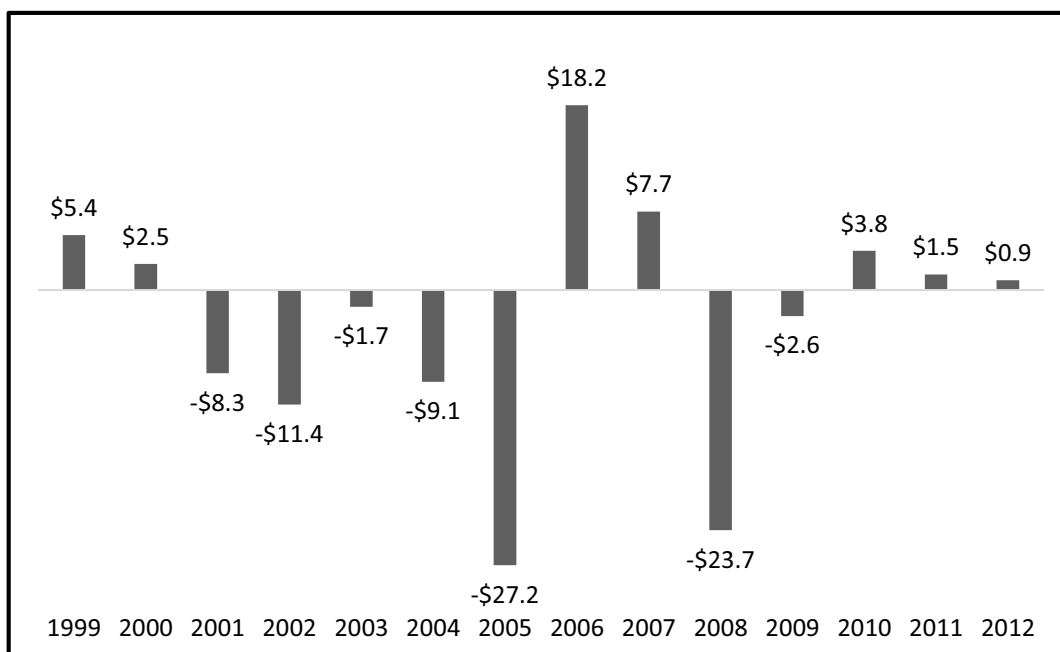
Source: U.S. Bureau of Transportation Statistics, T-100 Market and Segment.

Figure III-13 shows the trends in U.S. carriers' annual net profit from CY 1999 to 2012. U.S. airlines reported net losses, totaling \$84 billion, during seven of the 14 years. The industry made profits during the other seven years, but those profits totaled only \$40 billion.

Financial difficulties pushed many airlines into bankruptcy—American Airlines, the fourth largest airline serving the Airport has yet to emerge from bankruptcy. All airlines reacted by reducing staff and seat capacity, retiring old aircraft, increasing aircraft utilization, optimizing route networks, and changing pricing. These efforts, along with an improving economy, have begun to show positive net results since CY 2010.

The largest carrier at SAN, Southwest, is one of the few airlines that have continued to earn profits during the economic recession of 2008-2009, reporting net income of \$178 million in CY 2008, \$99 million in CY 2009, \$459 million in CY 2010, \$201 million in CY 2011 and combined with AirTran, \$431 million in CY 2012. The airline has enjoyed 40 consecutive years of profitability.

FIGURE III-13
U.S. PASSENGER AND CARGO AIRLINES' ANNUAL NET PROFIT (BILLION \$)
CY 1999 – CY 2012



Source: U.S. Bureau of Transportation Statistics.

3. Performance of the Three Largest Airlines at SAN⁹

The three largest airlines serving the Airport are Southwest, which carried 37 percent of SAN FY 2013 enplanements; United, which carried 13 percent; and Delta, which carried 10 percent.¹⁰

Southwest Airlines

Southwest Airlines is the largest scheduled domestic market U.S. carrier based on its share of system revenue passenger miles (17.8 percent in CY 2012). Southwest acquired AirTran Airways, Inc., in May 2011. The FAA approved a Single Operating Certificate for Southwest in March 2012. Since that time, Southwest has been working to integrate AirTran operations, a process that is expected to take three to five years. The integration process is not expected to affect forecast Airport enplanements.

In CY 2012, Southwest reported a net income of \$431 million, higher than the combined 2011 net income of \$184 million. Efficiency improvements, revenue management, route network optimization, and new products such as Business Select and Early Bird Check-In contributed to the improved results.

Through the first three quarters of CY 2013, Southwest has continued to remain profitable and produced a combined first quarter net income of \$59 million, a second quarter net income of \$224 million and a third quarter record net income of \$259 million up over 50 percent from 2012 for the period. Going forward, Southwest's strategic initiatives include the integration of AirTran, the addition of Boeing 737-800 aircraft, fleet modernization, and a new reservations system.

Southwest has reduced flight frequencies and increased load factors at SAN, reflecting the airline's fleet and route optimization changes. Southwest has decreased aircraft departures at SAN by over 7 percent from 2009 to 2012, and is scheduled to show another 1.5 percent reduction in CY 2013. **Table III-5**, however, show that Southwest's enplanements at SAN increased during this period.

United Airlines

United Airlines is the largest airline in the world, and the third largest scheduled domestic market U.S. carrier as measured by its share of revenue passenger miles (16.1 percent in CY 2012). United Continental Holdings, Inc. (UAL) is the holding company for both United Airlines and Continental Airlines. Together with United Express, Continental Express and Continental Connection, these airlines operate an average of 5,300 daily flights to 360 airports. United and Continental completed their merger on October 1, 2010, and began operating as a single brand United on November 30, 2011.

⁹ Sources include information and reports contained in the airlines' websites, NASDAQ website, and the U.S. Bureau of Transportation Statistics.

¹⁰ Counting enplanements by their regional affiliates, United and Delta had slightly larger shares than reported above.

UAL reported a net loss of \$661 million in CY 2012. Through the third quarter of CY 2013, the company reported a gain of \$501 million from “significantly improved operations, customer service and product,” according to the UAL chief executive officer.

Over the past few years United has aggressively cut capacity to improve financial results. Since 2009, United and Continental flights from SAN have decreased 9 percent, resulting in a proportionately smaller decline of 4.1 percent in the airlines’ enplanements at the Airport.

Delta Air Lines

Delta Air Lines¹¹ is the second largest scheduled domestic market U.S. carrier based on its share of revenue passenger miles (16.3 percent in 2012). Delta completed its merger with Northwest Airlines¹² on October 29, 2008 and received a single operating certificate on December 31, 2009. Delta is now the largest commercial air carrier in the world. In January 2010, Delta and Northwest finished consolidating gates and ticket counters at airports where both airlines operate.

In CY 2012, Delta recorded a consolidated net income of \$1.1 billion. For the first three quarters of CY 2013, the airline reported a net income of \$2.2 billion, an 80 percent improvement compared to the same period in 2012. Delta is leasing from Southwest Airlines and Boeing the 88 Boeing 717s currently in service at AirTran Airways. The Boeing 717s will replace some of Delta’s 50-seat regional jets, improve cost efficiency, and improve passenger comfort.

Delta’s share of SAN enplanements—approximately 10 percent—changed very little during the past few years.

4. Airline Mergers

To respond to competitive, cost and regulatory pressures, the airline industry has been consolidating. The most recent examples of large mergers include Delta and Northwest in 2009, United and Continental in 2010, and Southwest and AirTran in 2011. On December 9, 2013, American and US Airways completed a merger, becoming the world’s largest airline. Airline mergers affect service and traffic at airports, when they consolidate facilities, optimize route networks, and route connecting traffic through other hubs. The impact on affected airports is often immediate. The impact can be significant or trivial, depending upon whether the merging airlines have a large market share at the airport and whether they carry significant connecting traffic through the airport.

The Airport has not experienced any significant effect from the Southwest and AirTran merger, other than effects from industry-wide capacity rationalization following the Great Recession. The effects of the proposed merger of American Airlines and US Airways are still uncertain. Both airlines each account for less than 10 percent of SAN enplanements; combined they accounted for approximately 15 percent of FY 2013

¹¹ Delta Air Lines emerged from Chapter 11 bankruptcy protection in April 2007.

¹² Northwest Airlines emerged from Chapter 11 bankruptcy protection in May 2007.

enplanements. Published airline schedules in CY 2012 show that American and US Airways serve different nonstop markets from SAN. American has nonstop flights to Dallas-Fort Worth, John F. Kennedy, Los Angeles, and Chicago O'Hare International Airports. US Airways has nonstop flights to Charlotte, Washington Reagan, Philadelphia, and Phoenix Sky Harbor International Airports. The US Department of Justice has recently filed an objection to the merger.

5. Price of Jet Fuel

The price of jet fuel affects the financial health of the airline industry. Rising fuel prices increased airline costs dramatically during the first seven months of 2008, and contributed to airline industry losses. The price of fuel dropped in the second half of 2008 and continued to decrease in 2009, providing substantial relief.

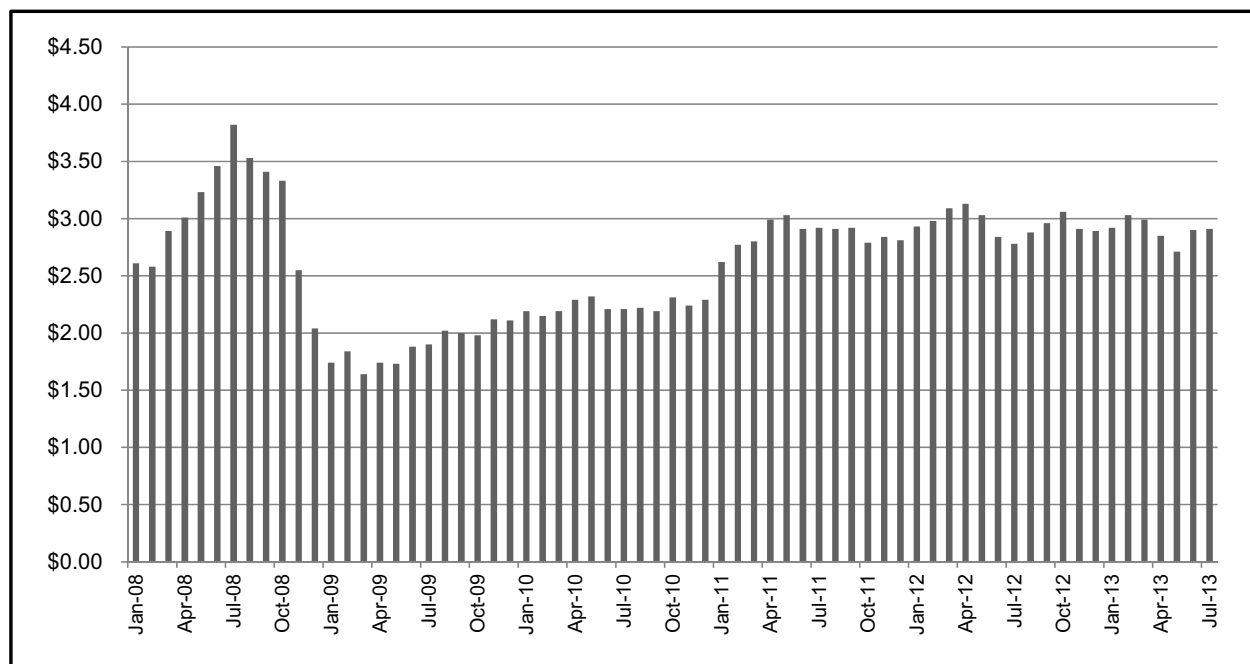
From CY 2000 to CY 2012, the price of jet fuel price increased 258 percent, while the U.S. Consumer Price Index (CPI)—the price of a representative basket of U.S. goods and services—increased only 33 percent (**Table III-8**). As a result, fuel expenses, which historically ranged from 10 to 15 percent of U.S. passenger airline operating costs, rose to over 35 percent, according to Airlines For America. Fuel prices have decreased dramatically since the average price per gallon reached almost \$4.00 in July 2008 (**Figure III-14**). The average per-gallon price of jet fuel dropped to a \$1.64 low in March 2009. It has since risen but has not returned to the July 2008 peak. Jet fuel cost \$2.91 per gallon in July 2013. The SAN passenger traffic forecasts assume no sharp increases in jet fuel prices that would cause system-wide operational disruptions.

TABLE III-8
U.S. AVERAGE JET FUEL PRICE AND CONSUMER PRICE INDEX
CY 2000 – CY 2012

Year	U.S. Jet Fuel Price (Dollars per gallon)	U.S. CPI (1982-84=100)
2000	\$0.80	172.2
2001	\$0.78	177.0
2002	\$0.71	179.9
2003	\$0.84	184.0
2004	\$1.15	188.9
2005	\$1.65	195.3
2006	\$1.95	201.6
2007	\$2.09	207.3
2008	\$3.06	215.3
2009	\$1.89	214.6
2010	\$2.23	218.1
2011	\$2.86	224.9
2012	\$2.95	229.6
Percent Change		
2000-2012	269.3%	33.3%
2011-2012	3.1%	2.1%

Sources: U.S. Bureau of Transportation Statistics and U.S. Bureau of Labor Statistics.

FIGURE III-14
AVERAGE JET FUEL MARKET PRICE PER GALLON
January 2008-July 2013



Source: U.S. Bureau of Transportation Statistics.

6. National Security and Threat of Terrorism

The government has tightened security by creating the Department of Homeland Security, but terrorism remains one of the greatest threats to the aviation industry. The U.S. Department of Homeland Security periodically issues updates its assessment of potential threats against the United States, including threats that may target the aviation system. The U.S. government's involvement in Iraq and Afghanistan, and in international efforts to dismantle terrorist networks will continue to breed threats to domestic security. Terrorists attacks disrupt airport and airline operations, and travel restrictions imposed to increase airport security dampen travel demand.

7. Other Airports in the Southern California Region

Section II identified six other commercial service airports in Southern California and one commercial service airport in Tijuana, Baja California, Mexico:

- McClellan-Palomar Airport (CRQ), 34 miles to the North in Carlsbad, San Diego County
- John Wayne Airport (SNA), located 87 miles to the North in Orange County
- Long Beach Airport (LGB), 107 miles to the North in Los Angeles County

- LA/Ontario International Airport (ONT), 115 miles to the Northeast in western San Bernardino County
- Los Angeles International Airport (LAX), 126 miles to the North in Los Angeles County
- Bob Hope Airport in Burbank (BUR), 134 miles to the North in Los Angeles County
- Tijuana Rodriguez International Airport (TIJ), 24 miles south of SAN in Tijuana, Baja California, Mexico

See Section II for a discussion of the other commercial service airports in Southern California and Tijuana and the relationship of those airports to SAN. **Table III-9** presents key measures of activity at the other commercial service airports in Southern California and Tijuana.

**TABLE III-9
COMMERCIAL SERVICE AIRPORTS IN SOUTHERN CALIFORNIA AND TIJUANA
ANNUAL ENPLANEMENTS (IN THOUSANDS)
CY 2008 – CY 2012**

Airport	Miles from SAN	2008	2009	2010	2011	2012
San Diego International Airport	N/A	9,008	8,454	8,431	8,466	8,687
Tijuana Rodriguez International Airport (TIJ)	24	1,984	1,704	1,825	1,750	1,880
McClellan-Palomar Airport (CRQ)	34	39	26	24	46	48
John Wayne Airport (SNA)	87	4,464	4,311	4,279	4,248	4,381
Long Beach Airport (LGB)	107	1,413	1,402	1,451	1,512	1,555
Ontario International Airport (ONT)	115	2,998	2,417	2,381	2,271	2,142
Los Angeles International Airport (LAX)	126	28,861	27,440	28,858	30,529	31,326
Bob Hope Airport (BUR)	134	2,647	2,295	2,240	2,145	2,027

Sources: Federal Aviation Administration for the U.S. airports and Grupo Aeroportuario del Pacifico for TIJ.

8. Airfield and Curfew Constraints

The Airport is limited in its potential to physically expand. This limitation will eventually cause congestion and limit traffic growth. SAN's current conditions make runway additions difficult. Obstacles to runway expansion include: 1) significant geographic obstructions (including high terrain to the northeast and southwest of the Airport); 2) manmade obstructions, such as office buildings, to the northeast, east, and southeast of the Airport; 3) major land acquisition requirements; 4) extensive infrastructure impacts; 5) local resident opposition; and 6) increased noise impacts. However, runway capacity will not affect the current study forecast period. According to the SAN Master Plan, runway congestion is anticipated to occur when annual aircraft operations reach

between 260,000 and 300,000. Annual aircraft operations are not projected to reach 200,000 during the forecast period.

Beyond the forecast period, significant improvements to the air traffic control system as promised by the Next Generation Air Transportation System (NextGen) could increase SAN air traffic capacity, regardless of physical constraints. NextGen is an umbrella term for the ongoing, wide-ranging transformation of the National Airspace System (NAS). At its most basic level, NextGen will evolve the ground-based air traffic control system to a satellite-based management system.¹³

In addition to airfield capacity restrictions, there are direct restrictions on operations relating to noise abatement. Section 9.40 of the San Diego County Regional Airport Authority Codes, which sets forth the regulations of the Authority that restrict and regulate certain operations at the Airport, prohibits aircraft departures between 11:30 p.m. and 6:30 a.m. No commercial passenger aircraft departures at SAN are scheduled outside of the restricted hours.

¹³ FAA website.

SECTION IV THE RENTAL CAR INDUSTRY

This section describes the U.S. rental car industry, recent market and industry developments, and the rental car companies that serve the Airport's market. It sets the context for the detailed examination of the rental car market at the Airport in **Section V**.

A. BACKGROUND

The U.S. rental car industry has two distinct market segments: (1) the airport market and (2) the local retail and insurance replacement market ("local market"). The airport market, which is the focus of this Report, consists of business and leisure air travelers who rent cars at airports for ground transportation at their destinations.

The early rental car companies in the United States operated in downtown areas, usually at hotels and train stations. The Hertz Corporation, the oldest rental car company, traces its history to 1918 with the opening of the first rental car operation, in Chicago. In 1932, Hertz expanded into the airport market when it opened a location at Chicago Midway Airport. The post-World War II economic prosperity led to enormous growth in consumer demand for a variety of goods and services, including air travel. Warren Avis opened rental car locations at Detroit's Willow Run Airport and Miami International Airport in 1947 and at airports in Chicago, Dallas, Houston, Los Angeles, New York, and Washington, D.C. in 1948. Recognizing air travelers' need for a convenient mode of ground transportation at their destinations, the rental car industry subsequently expanded to provide rental car service at most commercial service airports in the United States.

B. OWNERSHIP OF RENTAL CAR BRANDS¹

In recent years, the U.S. rental car industry has experienced significant changes in ownership. Ownership of the major rental car brands² is now concentrated in the following three parent companies:

- Enterprise Holdings, Inc. owns the Enterprise, National, and Alamo brands
- Hertz Global Holdings, Inc. owns the Hertz, Dollar, and Thrifty brands²
- Avis Budget Group, Inc. owns the Avis and Budget brands²

Table IV-1 shows the current ownership structure of the major rental car brands.

¹ The discussion in this subsection is based on information published on the individual company Internet sites, public documents, industry research, and Auto Rental News.

² The parent companies have also acquired other smaller brands discussed later in this section.

TABLE IV-1
RENTAL CAR MAJOR BRAND OWNERSHIP
2013

Company	Brands Owned
Enterprise Holdings, Inc.	Enterprise National Alamo
Hertz Global Holdings, Inc.	Hertz Dollar Thrifty
Avis Budget Group, Inc.	Avis Budget Payless Zipcar

The brands owned by the three parent companies listed above accounted for approximately 94.1 percent of the industry's revenue in 2012, as shown on **Table IV-2**³. The company revenues for 2003 – 2012 are presented on **Figure IV-1**.

³ The revenue and market share statistics for Dollar Thrifty Automotive Group (DTAG) are shown separately on Table III-1 because the acquisition of the DTAG was not owned by Hertz Global Holdings, Inc. prior to 2012.

TABLE IV-2
U.S. RENTAL CAR COMPANY REVENUE (in millions) AND MARKET SHARE
CY 2003 – CY 2012

		Enterprise Holdings¹	Hertz Global Holdings^{2,3}	Avis Budget Group	Dollar Thrifty Automotive Group⁴	Subtotal -- Enterprise, Hertz, Avis Budget, & Dollar Thrifty	Others⁵	Total
2003	Revenue	\$7,290	\$3,249	\$3,076	\$1,561	\$15,176	\$1,274	\$16,450
	Market Share	44.3%	19.8%	18.7%	9.5%	92.3%	7.7%	100.0%
2005	Revenue	\$8,330	\$4,020	\$3,670	\$1,673	\$17,693	\$1,217	\$18,910
	Market Share	44.1%	21.3%	19.4%	8.8%	93.6%	6.4%	100.0%
2007	Revenue	\$10,000	\$4,120	\$4,600	\$1,680	\$20,400	\$1,089	\$21,489
	Market Share	46.5%	19.2%	21.4%	7.8%	94.9%	5.1%	100.0%
2010	Revenue	\$9,800	\$4,081	\$3,900	\$1,628	\$19,409	\$1,182	\$20,591
	Market Share	47.6%	19.8%	18.9%	7.9%	94.3%	5.7%	100.0%
2011	Revenue	\$11,100	\$4,241	\$4,500	\$1,597	\$21,438	\$962	\$22,400
	Market Share	49.6%	18.9%	20.1%	7.1%	95.7%	4.3%	100.0%
2012	Revenue	\$11,500	\$4,660	\$4,510	\$1,563	\$22,233	\$1,395	\$23,628
	Market Share	48.7%	19.7%	19.1%	6.6%	94.1%	5.9%	100.0%

Source: Auto Rental News (ARN). Data for 2012 represent estimates by ARN.

¹ Includes Enterprise, Alamo and National brands.

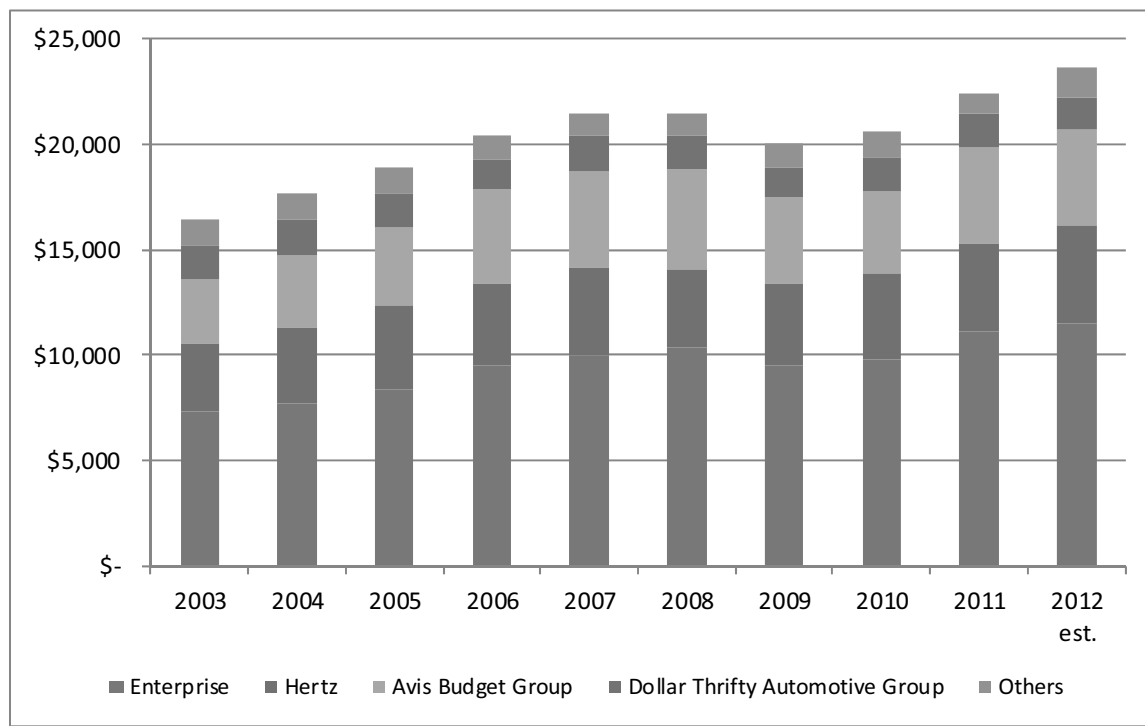
² Includes Advantage, which was sold in 2012.

³ Estimated by ARN.

⁴ Acquired by Hertz in 2012.

⁵ Includes Zipcar and Payless which were acquired by Avis Budget in 2013.

FIGURE IV-1
U.S. RENTAL CAR COMPANY REVENUE (in millions)
CY 2003 – CY 2012



Source: Auto Rental News (ARN). Data for 2012 represent estimates by ARN.

Enterprise includes the Enterprise, Alamo and National brands.

Hertz revenue was estimated by ARN and includes Advantage, which was sold in 2012.

Dollar Thrifty Automotive Group was acquired by Hertz in 2012.

Others includes Zipcar and Payless, which were acquired by Avis Budget in 2013.

1. Enterprise Holdings (Enterprise/Alamo/National)

The Enterprise, Alamo and National rental car brands are owned and operated by St. Louis-based Enterprise Holdings, Inc. The privately held company's 1.3 million vehicle rental car fleet is the largest in the world. The company has 74,000 employees and approximately 8,200 neighborhood and airport locations.

Jack Taylor founded Executive Leasing, a vehicle leasing company, in St. Louis in 1957. The rent-a-car operation was launched in 1962, and in 1969, Executive Leasing changed its name to Enterprise Leasing Company and began expanding its operations outside St. Louis. Enterprise and its subsidiaries historically focused on providing vehicles to customers who needed a car because of an accident, mechanical repair or theft but began expanding into the airport market several years ago.

Alamo provides rental cars primarily to family and leisure travelers. The company began operations in 1974 at four Florida locations (Miami, Fort Lauderdale, Tampa and Orlando) servicing the local replacement market. It has since expanded its operations nationwide, serving airport and local markets. In December 1996, Alamo merged with Republic Industries, Inc, which later became known as AutoNation, Inc. In January 2000, AutoNation, Inc. spun off its rental car unit into a separate, publically traded company, ANC Rental Corporation (“ANC”).

National Car Rental Systems, Inc. was incorporated in 1959, but the company was established by 24 independent rental car operators in 1947. National was based in St. Louis until 1961 when an investment group relocated the corporate headquarters to Minneapolis. The car rental company was acquired by General Motors in 1992, and became a subsidiary of ANC in January 2000.

ANC implemented dual branding of Alamo and National at many airports – renting both brands from the same counter space under a single concession agreement. In 2003, ANC filed for bankruptcy, was acquired by Cerberus Capital Management and became Vanguard Car Rental USA Inc. In August 2007, Enterprise acquired Vanguard Car Rental USA Inc. (and the Alamo and National brands) from Cerberus and operates it as a separate subsidiary.

2. Avis Budget Group, Inc. (Avis, Budget, Payless)⁴

Avis began operations in 1946 at Detroit’s Willow Run Airport and Miami Airport. By 1946, Avis had expanded to locations in Chicago, Dallas, Houston, New York, Los Angeles and Washington D.C. Today the company operates 1,650 domestic locations. The corporate ownership of Avis changed over the years, and in 1987, the company was purchased by its Employee Stock Ownership Plan, becoming one of the largest employee-owned companies in the United States. In 1989, General Motors Corporation acquired a 27% (later increased to 29%) ownership interest in the company. In October 1996, Avis was purchased by Hospitality Franchise Systems (HFS), and then became a publicly traded company in 1997. In March 2001, Cendant Corporation, a successor in interest in HFS, acquired Avis Group Holdings, Inc., making Avis a wholly owned subsidiary of Cendant Corporation.

Budget Rent a Car System, Inc. was founded in Los Angeles in 1958 as a rental car company for the value conscious renter. It expanded its leisure traveler segment of the airport market during the 1960s and 1970s, and as of 2012, operated across the United States at 1,400 locations. Budget was a subsidiary of Ford Motor Company until April 1997 when it was acquired by Team Rental Group, later renamed Budget Group, Inc. In November 2002, Cendant Corporation acquired Budget and merged its administrative functions with those of Avis.

⁴ Budget and Payless are grouped in this section under the Avis Budget Group, Inc. to reflect the ownership of the Budget and Payless brands. However, the Budget and Payless concessions at SAN are operated by independent licensees.

In 2006, Cendant Corporation separated into four, publicly-traded companies. Avis and Budget became Avis Budget Group, Inc. Avis Budget Group, Inc. derives 71% of its revenue from airport locations. In 2012 Avis Budget Group, Inc. operated a fleet of more than 329,000 vehicles from 3,050 domestic locations. In 2013 Avis Budget Group acquired Zipcar, Inc. (Zipcar), the world's leading car sharing network with more than 810,000 members and operations in nearly 25 metropolitan areas and at more than 300 college campuses in the United States, Canada and Europe. Zipcar offers its members self-service vehicles available by the hour, day, or week.

In July 2013, Avis Budget Group acquired Payless Car Rental (Payless) for \$50 million in cash. Payless, founded in 1971 in Spokane Washington, operates approximately 120 rental locations in the United States, Canada, Europe and South America, including many in major airports. Payless focuses on serving price-conscious leisure and business travelers and generates approximately \$80 million in annual revenue. Avis Budget Group, Inc. operates Payless as a separate brand. At SAN, Payless is operated by a franchisee.

3. Hertz Global Holdings, Inc. (Hertz, Dollar, Thrifty)

Hertz Global Holdings, Inc. is the oldest rental car company in the industry, tracing its beginnings to 1918, when Walter L. Jacobs opened his first car rental operation in Chicago. The company took the name of Hertz in 1923 when Jacobs sold it to John Hertz. Hertz became a subsidiary of the Ford Motor Company (Ford) in 1994 and a publicly traded company in 1997. The company became a wholly owned subsidiary of Ford again when Ford reacquired the outstanding shares in 2001. On December 21, 2005, Ford completed the sale of all of its shares of Hertz common stock to an investor group of private equity firms (the Sponsors) for approximately \$4.4 billion in cash, debt refinanced or assumed of \$10.1 billion and transaction fees of \$447 million.

Hertz completed an initial public offering in 2006 and a secondary public offering in 2007 which decreased the Sponsors' ownership percentage to approximately 55%. In April 2009, the company acquired Advantage Rent A Car out of bankruptcy for \$33 million. Hertz Global Holdings, Inc. purchased Dollar Thrifty Automotive Group in November 2012 and divested itself of Advantage as required by the Federal Trade Commission.

Domestically, in 2012, Hertz Global Holdings, Inc. had an average of 366,000 cars in service and operated 2,700 locations. Hertz generates 70% of its U.S. car rental revenues from airport locations.

The Dollar and Thrifty brands represent a value-priced rental vehicle that generally appeals to leisure customers, small businesses and independent business travelers. Dollar Rent A Car Systems, Inc. began operating in Los Angeles in 1965 where it executive offices remained until relocating to Tulsa, Oklahoma in 1994. In 1990 the company was acquired by Chrysler Corporation, along with Thrifty Rent-A-Car System, Inc. and Snappy Car Rental. Chrysler created Pentastar Transportation Group, Inc.

(PTG) to operate the rental car subsidiaries. In 1997, PTG merged into the Dollar Thrifty Automotive Group, Inc. (DTG) and completed an initial public offering of its common stock.

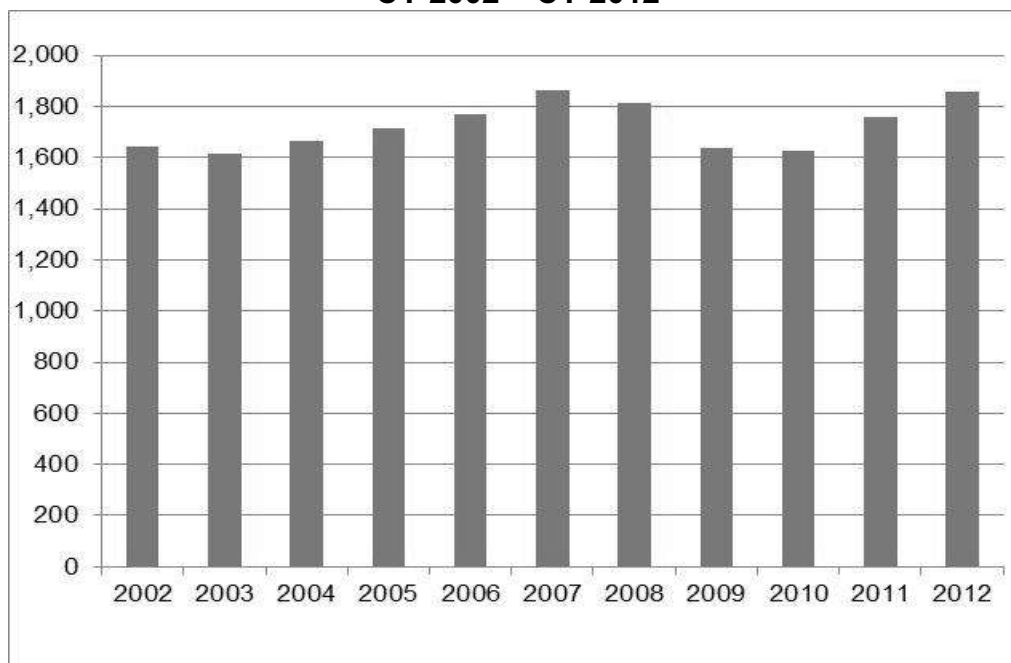
Thrifty Rent-A-Car System, Inc. was incorporated in 1950 and began car rental operations in Tulsa, Oklahoma, with a focus on off-airport locations. As mentioned above, the Chrysler Corporation acquired Thrifty in 1989, and became part of DTG. DTG operated the Dollar and Thrifty brands under a brand-based corporate structure until January 1, 2003 when it adopted a functional corporate structure, combining the management of operations and administrative functions for both the Dollar and Thrifty brands.

In November 2012, Hertz Global Holdings, Inc. acquired DTG, which became a wholly-owned subsidiary of Hertz. DTG had a fleet of approximately 122,000 cars operated from about 470 domestic locations in 2012.

C. U.S. RENTAL CAR MARKET TRENDS

As of 2012, the U.S. rental car industry operated a fleet of 1.86 million cars (**Figure IV-2**). The fleet grew by 13.0 percent from 2002, or 1.2 percent per year on average, over the 10-year period through 2012. However, within that 10-year time period, the industry fleet size fluctuated. In 2003, the rental car companies reduced their fleet to better match supply with reduced demand following the 2001 economic recession and the events of September 11, 2001. In 2004, 2005, and 2006 the fleet grew by 3.0 percent, 2.9 percent 3.2 percent respectively. In 2007, the industry fleet grew 5.3 percent before declining by 2.6 percent in 2008, to 1.81 million vehicles. In 2009, the industry fleet experienced another sharp decline of 9.7 percent to 1.63 million vehicles as a result of the US economic recession (discussed below). There was a small decline of 0.5 percent in 2010 followed by an increase of 8.1 percent in 2011 as the economy began to recover. The growth continued in 2012, the most recent time period for which data are available, as the industry fleet increased by 5.5 percent. The increases in fleet size in 2011 and 2012 reflected the economic recovery.

FIGURE IV-2
U.S. RENTAL CAR FLEET (in thousands)
CY 2002 – CY 2012



Source: *Auto Rental News*.

The recession that began in December 2007 officially ended in June 2009,⁵ although GDP for 2009 was -3.5 percent lower than in 2008⁶. The U.S. airline industry, which often mirrors the general economy, experienced a -5.3 percent decrease in system revenue passenger enplanements in 2009.⁷ Like the airline industry, the rental car industry mirrors the general economy, possibly more so since travelers have alternative options for ground transportation once arriving at their final destination. The downturn in the economy, the banking crisis and the resulting tightening of the credit markets made it very difficult for the rental car companies to obtain the funding needed to restock their fleets. Adding to the difficulties faced by the rental car industry were the bankruptcies of General Motors Company and Chrysler Group LLC. The financial strength of the vehicle manufacturers determines their ability to be able to offer vehicles with low residual rates and affects their capabilities to honor contracts to buyback cars from the rental companies at the pre-determined rate. These conditions all contributed to the higher operating costs and slim margins experienced by the rental car industry, as reported by the rental car companies in their published financial statements and reported in industry publications.

The rental car companies reacted to the economic downturn by cutting costs and reducing capacity in the industry. Thousands of rental car employees were laid off to

⁵ National Bureau of Economic Research Business Cycle Dating Committee, *NBER Business Cycle Dating Committee Announces Trough Date*, September 20, 2010.

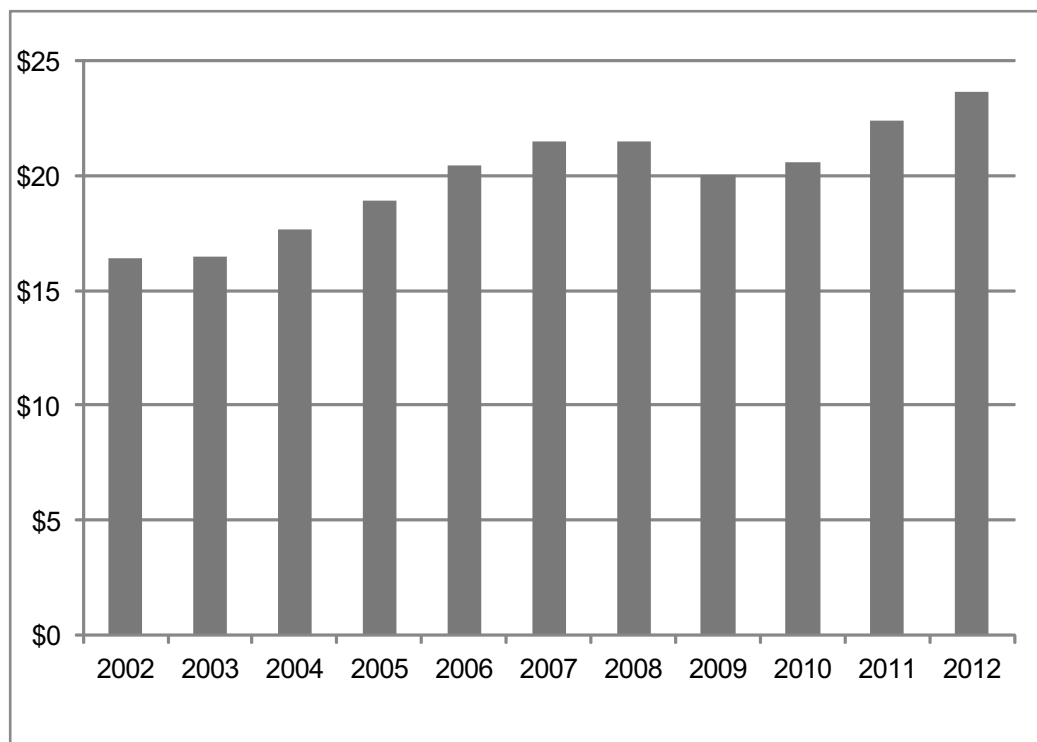
⁶ Source: Bureau of Economic Analysis. Based on chained 2005 dollars.

⁷ Bureau of Transportation Statistics.

reduce costs and improve efficiency in 2008 and 2009. As noted above, in 2009, the size of the fleet was reduced by 9.7 percent, from 1.8 million to 1.6 million. The vehicles that remained in the fleet were typically driven for longer periods of time resulting in higher mileage cars. During the recession the average mileage of all rental car company vehicles increased to around 25,000 miles, up from about 16,000 miles before the recession.⁸

A trend similar to that observed in the industry fleet size, although not as pronounced, is seen in the U.S. rental car market revenue (**Figure IV-3**) – a marginal increase from \$16.4 billion in 2002 to \$16.5 billion in 2003, followed by a 7.2 percent increase in 2004 to \$17.6 billion. Revenue continued to grow in 2005, 2006 and 2007 by 7.2 percent, 7.9 percent and 5.3 percent respectively. Industry revenue remained constant in 2008. In 2009 revenue declined by 6.7 percent before a modest increase of 2.7 percent in 2010. As the economic recovery began, revenues increased 8.8 percent and 5.5 percent in 2011 and 2012, respectively. U.S. rental car revenue grew from \$16.4 billion in 2002 to \$23.6 billion in 2012, an average increase of 3.7 percent per year.

FIGURE IV-3
U.S. RENTAL CAR REVENUE (in billions)
CY 2002 – CY 2012

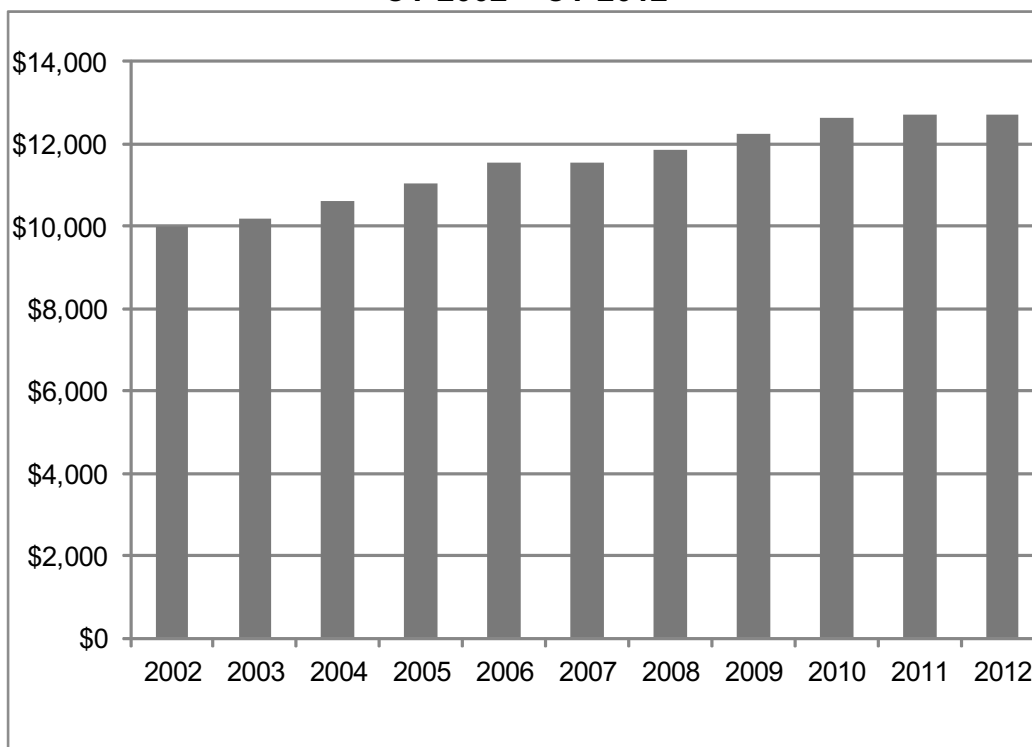


Source: Auto Rental News

⁸ USA Today, *Rental car industry starts to emerge from the 'perfect storm'*, Gary Stoller. 4/6/2010

Figure IV-4 presents the average revenue per rental car. The average revenue increased by approximately 2.0 percent in 2003 before growing from 4.0 percent to 5.0 percent between 2004 and 2006. There was no growth in 2007 and modest increases of approximately 3.0 percent between 2008 and 2010. The average rate remained essentially flat in 2011 and 2012. Between 2002 and 2012, the average revenue per rental car increased from approximately \$10,000 to \$12,725, its peak, at an average rate of 2.5 percent per year. The smaller fleet size cited above allowed the industry to implement price increases across certain vehicle classes and overall prices went up by less than 2.0 percent. As a result of the price increases, revenue declined by less than 6.7 percent in 2009, as shown in **Figure IV-3**. Since 2008, the average revenue per vehicle has increased from \$11,853 to \$12,725 in 2012, representing an average annual increase of nearly 2.0%.

**FIGURE IV-4
U.S. AVERAGE REVENUE PER RENTAL CAR
CY 2002 – CY 2012**



Source: *Auto Rental News*

Industry trends that have been observed in recent years are described in the following paragraphs.

- *Increased focus on cost control and ancillary revenue products.* The uncertainties in the rental car industry in recent years, including the fluctuations in demand and rental revenues, have prompted the rental car companies to

focus on cutting costs and growing ancillary revenue. The rental car companies have been implementing various strategies to reduce costs in key areas of their selling, general and administrative expenses. Cost containment has been achieved through staff reductions, productivity improvements, elimination of redundant systems, consolidating purchasing arrangements, and lowering fleet acquisition and depreciation costs. For some time now, the rental car companies have offered several conveniences for an additional fee, such as insurance coverage, pre-paid gasoline, car seats, and global positioning system devices. They have expanded their product line to include satellite radio, toll devices for electronic toll payments, and roadside emergency programs. Increasingly, consumers are requesting the ability to rent more environmentally friendly vehicles. Rental car companies are steadily adding more hybrid and electric vehicles to their fleets and are able to charge a premium for these vehicles.

- *Increased role of the Internet and technology.* The Internet has become a very important tool and is increasingly becoming the most popular method by which customers make car reservations. Customers can also utilize devices such as smart phones and iPads to access mobile websites to view, modify or cancel reservations. The Internet and technology are being used by the rental car companies to reduce operating costs and increase efficiencies. Companies rely on information systems to automate counter functions and operate reservation, fleet management and, sales and marketing systems. Sophisticated yield management systems allow companies to estimate rental demand based on current and historical trends and adjust the number of rental vehicles and rates, by location, accordingly. Technology is also being used to promote their brands and capitalize on the strategic partnerships the rental car companies have with travel agents, airlines, hotels, credit cards and travel websites such as Expedia, Travelocity and Orbitz.
- *Fleet Acquisition.* Traditionally, rental car companies obtained their vehicles from the automobile manufacturers through residual value programs. These vehicles are known as program cars. Under these programs the manufacturer guarantees to repurchase the vehicle for a specified price in the future. This gives the rental car companies the ability to more accurately forecast a vehicle's profitability since they know the disposition value and are not subject to the fluctuations in the used car market. However, the manufacturer guarantee adds to the cost of these vehicles. In recent years, several companies in the industry have increased their reliance on non-program cars to lower fleet costs, allowing them to reduce their credit exposure to the manufacturers, lower funding requirements, and vehicle depreciation costs.

With non-program cars, the rental car companies are subject to market prices when disposing of vehicles. However, in recent years the inventory of used cars has declined, causing prices to rise. This has largely occurred because the weak economy has caused consumers to postpone new car purchases and to keep their current vehicles longer. The rental car companies dispose of their non-

program cars largely through auctions but they are increasingly using the Internet and other alternative ways of selling in order to maximize proceeds.

- *Market expansion.* In recent years, the rental car companies have been expanding beyond their traditional markets. For example, Hertz and Avis are expanding in the retail and insurance replacement business, which is not dependent on fluctuations in air travel activity. Enterprise, which has traditionally focused on the retail and insurance replacement business, has significantly increased its presence in the airport rental car market. A few companies have recently entered the car sharing market. Car sharing allows customers to have access to vehicular transportation without ownership costs and is becoming more popular in urban environments and on college campuses. Car sharing customers pay a monthly or annual fee and book vehicles online or via phone for an hour, a day or up to a week, with 24-hour access to vehicles. Ride-matching is a related market that has been infiltrated by the rental car industry with the recent purchase of Zimride by Enterprise Holdings. Zimride is an online service that uses social media to connect drivers and passengers that wish to carpool.

D. U.S. Rental Car Industry and the Current Economic Environment

Prevailing economic conditions affect the demand for air travel and related services such as rental car activity. Economic expansion increases income, boosts consumer confidence, stimulates business activity, and increases demand for products and services, including rental car demand. In contrast, an economic recession reduces income, diminishes consumer confidence, dampens business activity, and weakens demand for products and services, including rental car demand. The U.S. economy peaked in December 2007 before entering a recession period.⁹ Compared to the mild and brief 2001 recession, the 2008-2009 recession had a strong and long-lasting effect on the economy.

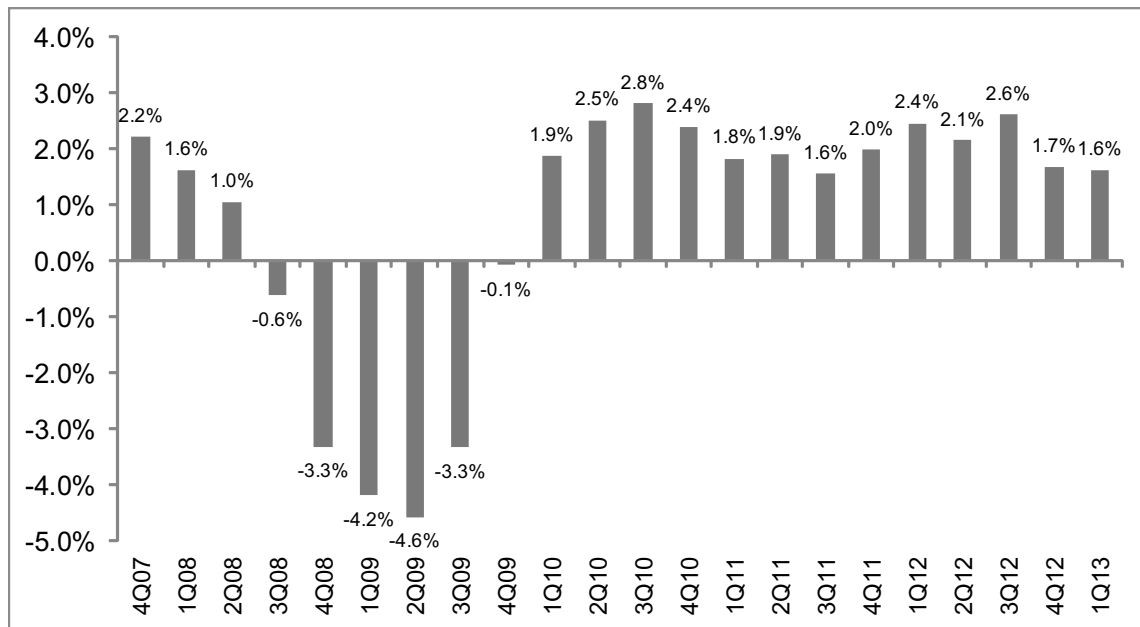
Figure IV-5 shows changes in U.S. real Gross Domestic Product (GDP)—a broad measure of economic activity—from the fourth quarter of CY 2007 through the end of the first quarter of CY 2013. U.S. real GDP declined from the third quarter of CY 2008 through the fourth quarter of CY 2009. The deepest declines occurred during the fourth quarter of CY 2008 until the third quarter of CY 2009. In the fourth quarter of CY 2009, the trend began to improve, and declines in real GDP flattened out. Growth from the first quarter of CY 2010 through the first quarter of CY 2013 reflects an abnormally weak recovery.

As was discussed earlier in this section, the measures of rental car industry activity and performance – fleet size, industry revenue, and average revenue per vehicle – have reflected the fluctuations in the general economy. The effects of the 2008-2009 recession can be seen in the industry measures discussed above. Despite these economic challenges, the rental car industry has performed well in recent years,

⁹ National Bureau of Economic Research Business Cycle Dating Committee, *Determination of the December 2007 Peak in Economic Activity*, December 11, 2008.

reflecting the industry's responses to the recession and the subsequent economic recovery. The following financial information, taken from company press releases, demonstrates the positive results of the strategies implemented by the industry in response to the reduced demand in 2009:

FIGURE IV-5
U.S. REAL GDP YEAR-OVER-YEAR PERCENTAGE CHANGE
4th Qtr. 2007 – 1st Qtr. 2013



Source: U.S. Bureau of Economic Analysis.

- Annual revenue at Enterprise increased from \$12.1 billion in FY 2009, to \$12.6 billion in FY 2010, to \$14.1 billion in FY 2011, and to \$15.4 billion in FY 2012. Enterprise Holdings is a privately held corporation and does not release financial information other than revenues.
- Hertz Global Holdings, Inc. reported a profit of \$243.1 million in FY 2012, up from \$176.2 million for FY 2011. Hertz incurred a loss of -\$48.7 million and -\$129.5 million in FY 2010 and FY 2009, respectively. Car rental revenue in FY 2012 was \$7.5 billion, up 7.6 percent from \$6.9 billion in FY 2011. Since FY 2009, car rental revenue has exhibited strong growth, increasing at an average rate of 8.3 percent per year. Transaction days increased from 118.5 million in 2009 to 148.8 million in FY 2012, an average annual increase of 7.9 percent. Hertz purchased Dollar Thrifty in the last month of FY 2012 so the financial results do not reflect the recent acquisition.

- Avis Budget Group, Inc. reported revenue of \$5.9 billion in 2011, an increase of 14 percent compared with 2010. Excluding certain items, adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) increased 49 percent to \$610 million and pretax income increased to \$324 million. Reported pretax income of \$36 million was impacted by acquisition-related charges.

In 2012, Avis Budget Group, Inc. generated \$7.4 billion in revenue, an increase of 25 percent compared with 2011. Excluding certain items, adjusted EBITDA increased 38 percent to \$840 million, the highest in the company's history. Pretax income increased to \$463 million from \$324 million in 2012.

E. RENTAL CAR COMPANIES SERVING THE AIRPORT

The following 20 rental car brands operate at the Airport: A1 Rent A Car, Ace Rent A Car, Advantage Rent A Car, Alamo Rent a Car, Avis Rent A Car, Budget Rent A Car, Dollar Rent a Car, Enterprise Rent-A-Car, E-Z Rent-A-Car, Firefly, Fox Rent-A-Car, Go Rentals, Hertz, Midway Rent-A-Car, National Car Rental, Pacific Rent-A-Car, Payless Car Rental, Thrifty Car Rental, Travcar Car Rental, and Zipcar.¹⁰

TABLE IV-3 presents the gross revenue and market share of the rental car brands that operated at the Airport between FY 2008 and FY 2013. While ownership has changed over time, the information is organized according to current brand ownership. Rental car revenue at the Airport declined by nearly 10.0 percent in FY 2009 and by 2.2 percent in FY 2010, reflecting general trends observed in the U.S. economy and the rental car industry, as discussed above. Revenues reported by the rental car companies for their operations at the Airport recovered strongly in FY 2011 and FY 2012, growing by 4.1 percent and 9.3 percent, respectively. The growth trend continued into FY 2013 as revenues improved by approximately 3.0 percent. Rental car revenue at the Airport increased from \$234.8 million in FY 2008 to \$241.8 million in FY 2013, an average increase of less than 1.0 percent per year.

More detailed information regarding the rental car activity at the Airport is presented in **Section V**.

¹⁰ The rental car brands listed in this section are the brands that currently operate at SAN, whereas the brands listed in Section VI are the brands that have executed RCC Lease Agreements. Four brands that currently operate at SAN, which together accounted for an estimated 0.47% market share based on Gross Revenues, declined to participate in the RCC (A1 Rent A Car, Go Rentals, Pacific Rent-A-Car, and Pneuma Enterprises, which operates the Ace and Travcar brands). One brand that does not currently operate at SAN has executed an RCC Lease Agreement (Sixt Rent A Car).

**TABLE IV-3
SAN DIEGO INTERNATIONAL AIRPORT
GROSS RENTAL CAR REVENUE (in thousands) AND MARKET SHARE
FY 2008 – FY 2013**

Rental Car Brand	FY 2008	Market Share	FY 2009	Market Share	FY 2010	Market Share	FY 2011	Market Share	FY 2012	Market Share	FY 2013	Market Share
Enterprise	24,799	10.6%	24,749	11.7%	25,000	12.1%	26,187	12.1%	28,789	12.2%	26,421	10.9%
Alamo	23,701	10.1%	20,457	9.7%	19,709	9.5%	18,760	8.7%	19,821	8.4%	18,539	7.7%
National	20,121	8.6%	18,288	8.6%	18,810	9.1%	20,646	9.6%	22,773	9.7%	24,189	10.0%
Subtotal	\$68,621	29.2%	\$63,494	30.0%	\$63,518	30.6%	\$65,593	30.4%	\$71,383	30.3%	\$69,150	28.6%
Hertz	68,184	29.0%	57,921	27.3%	57,220	27.6%	55,103	25.5%	57,948	24.6%	58,980	24.4%
Dollar	14,595	6.2%	14,711	6.9%	14,117	6.8%	14,881	6.9%	17,734	7.5%	17,594	7.3%
Thrifty	10,418	4.4%	9,722	4.6%	9,143	4.4%	8,850	4.1%	8,846	3.8%	9,642	4.0%
Subtotal	\$93,197	39.7%	\$82,354	38.9%	\$80,479	38.8%	\$78,834	36.5%	\$84,528	35.8%	\$86,216	35.7%
Avis	43,369	18.5%	36,631	17.3%	32,350	15.6%	36,466	16.9%	42,706	18.1%	44,426	18.4%
Budget	16,235	6.9%	17,787	8.4%	18,088	8.7%	18,052	8.4%	17,391	7.4%	18,794	7.8%
Payless	1,468	0.6%	2,389	1.1%	2,459	1.2%	2,796	1.3%	2,453	1.0%	3,081	1.3%
Subtotal	\$61,072	26.0%	\$56,806	26.8%	\$52,897	25.5%	\$57,314	26.6%	\$62,550	26.5%	\$66,301	27.5%
Others	\$11,903	5.1%	\$9,305	4.4%	\$10,369	5.0%	\$14,031	6.5%	\$17,321	7.3%	\$20,129	8.2%
Total	\$234,793	100.0%	\$211,960	100.0%	\$207,264	100.0%	\$215,771	100.0%	\$235,782	100.0%	\$241,795	100.0%

Source: Authority records.

SECTION V ANALYSIS AND FORECAST OF RENTAL CAR DEMAND

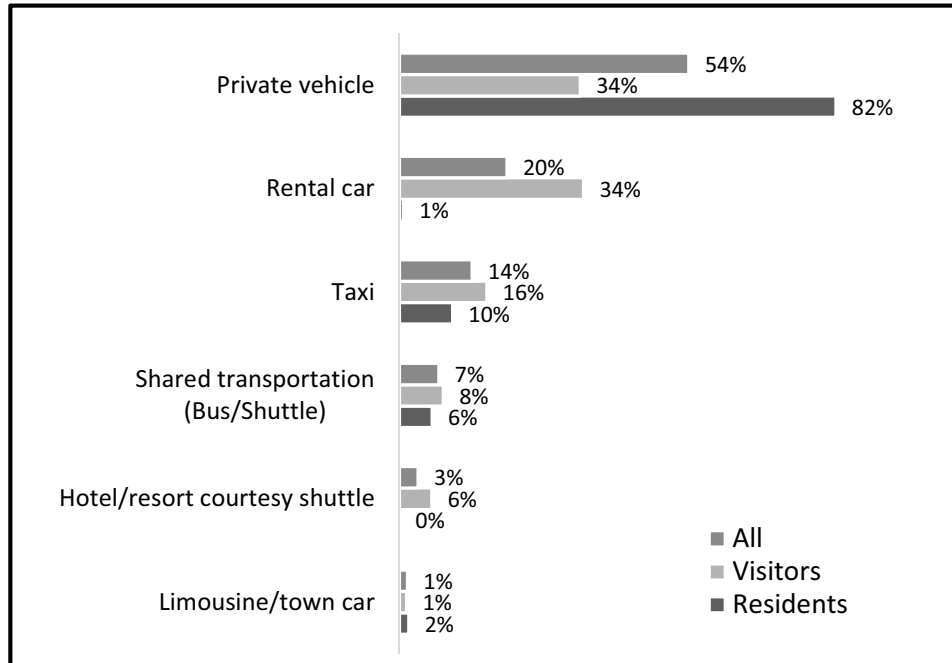
The first two parts of this section examine current rental car use among Airport passengers and reviews the historical trends in rental car demand from fiscal year (FY) 2009 through 2013. The third part presents forecasts of transaction days for FY 2014 through 2023. The last part discusses the other ground transportation options available to Airport passengers.

A. AIRPORT PASSENGERS' GROUND ACCESS MODE CHOICES

Airport passengers can choose from several ground transportation options, including private vehicle, rental car, taxi, shared transportation such as public bus and shuttle, hotel courtesy shuttle, and limousine service. Counting all passengers, private vehicle is the most popular option, used by 54 percent of all surveyed passengers, according to the San Diego International Airport Development Plan 2012 Passenger Survey (**Figure V-1**). Rental car is the second most popular option, used by 20 percent of all surveyed passengers. The survey, conducted on site from May 15 through June 24, 2012, obtained responses from 7,929 passengers, consisting of 3,369 residents (42 percent) and 4,560 visitors (58 percent). The Airport conducted a similar survey in 2009 and found the same proportion (20 percent) of passengers using rental cars. This suggests a stable market segment for rental cars.

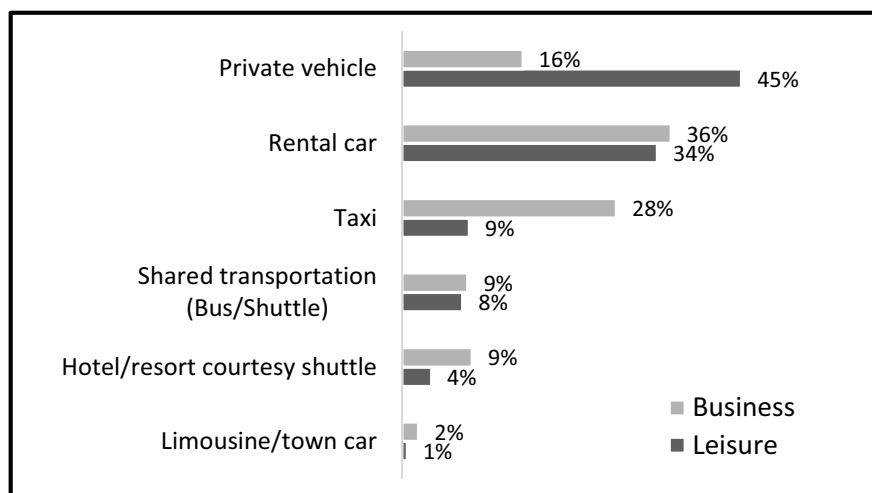
According to the survey, rental car use is as popular as private vehicle use among visitors. Thirty-four percent of surveyed passengers who are visitors used rental cars, about the same proportion who reported using private vehicles (**Figure V-1**). Among visitors, there is no material difference in rental car use between those traveling for business and those traveling for leisure. Thirty-six percent of those traveling for business reported renting a car, and 34 percent of those traveling for leisure reported renting a car (**Figure V-2**).

FIGURE V-1
SAN DIEGO INTERNATIONAL AIRPORT
PASSENGERS' GROUND ACCESS MODE CHOICES
2012



Source: *San Diego International Airport Development Plan 2012 Passenger Survey Results*, October 2012. The survey was conducted on site from May 15 to June 24, 2012. The total sample is 7,929, of which 3,369 are residents and 4,560 are visitors.

FIGURE V-2
SAN DIEGO INTERNATIONAL AIRPORT
PASSENGERS' GROUND ACCESS MODE CHOICES – BUSINESS AND LEISURE VISITORS ONLY
2012



Source: *San Diego International Airport Development Plan 2012 Passenger Survey Results*, October 2012. The survey was conducted on site from May 15 to June 24, 2012. The figure is based on responses from 4,560 visitors.

B. RECENT TRENDS IN THE RENTAL CAR MARKET AT SAN

Rental car demand is measured in terms of the number of transaction days, transactions (or rental contracts), and average days per contract (duration). A transaction day is defined as the 24-hour period, or fraction thereof, during which a car is rented. A transaction occurs each time a rental contract is signed and a car is rented. Average contract duration in a rental car market is calculated by dividing the number of transaction days by the number of transactions. Other measures, such as gross rental car revenue and the average daily rental rate also characterize the rental car market. Following is a review of recent trends in these rental car market indicators.

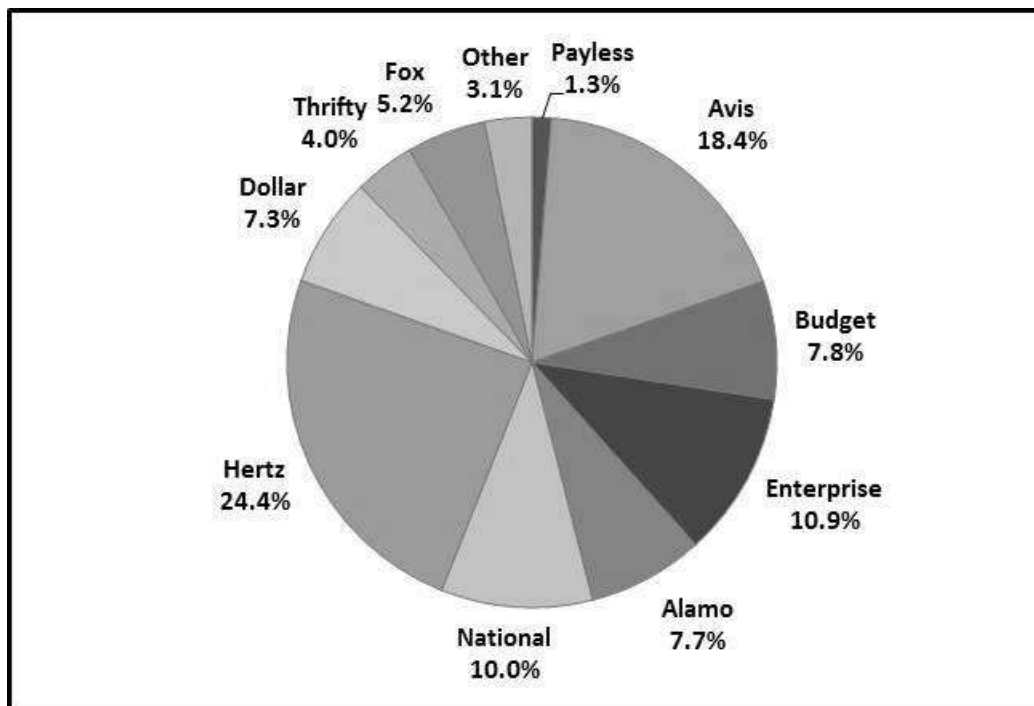
1. Rental Car Brands Serving the Airport by Gross Revenue Share

Figure V-3 shows the rental car brands serving the Airport by share of Airport rental car market revenue in FY 2013. Nine brands represent 96 percent of the market, led by Hertz and Avis, followed by Enterprise, National, Alamo, Budget, Dollar, Fox, and Thrifty.

Figure V-4 shows the rental car market revenue shares by major brand groups from FY 2007 to FY 2013. The relative position of each major brand group in terms of revenue share has not changed over the past seven fiscal years. The Hertz, Dollar, and Thrifty brands (owned by Hertz Global Holdings Inc.) continue to lead the market, although their combined market revenue share decreased from 40.9 percent in FY 2007 to 35.7 percent in FY 2013. The combined share of the Enterprise, Alamo, and National brands

(owned by Enterprise Holdings Inc.) decreased from 27.5 percent in FY 2007 to 28.6 percent in FY 2013, the second largest share by major brand group. The combined market shares of the Avis, Budget, and Payless brands¹ (owned by Avis Budget Group, Inc.) remained fairly stable, representing 27.5 percent in FY 2013, the third largest share by major brand group. The brands included in the “Other” category gained market share, increasing from 3.9 percent in FY 2007 to 8.2 percent in FY 2013. This increase in market share was driven mainly by Fox Rent-A-Car, which increased its market share from 1.2 percent to 5.2 percent.

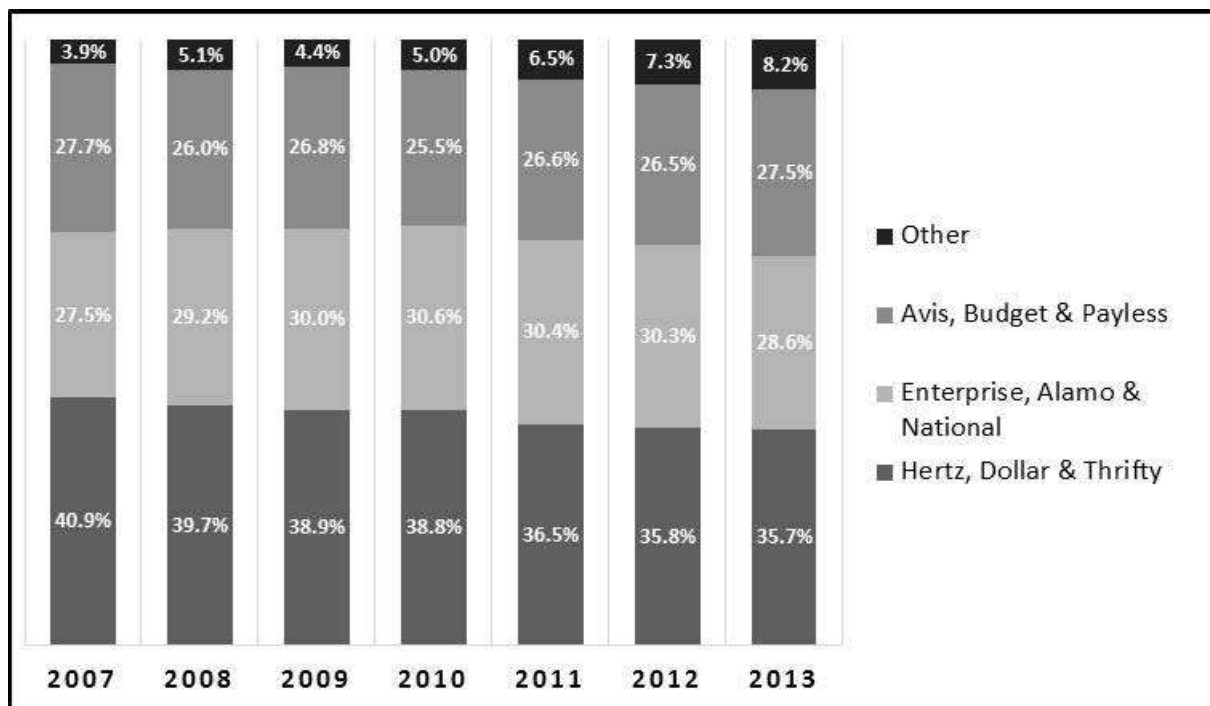
FIGURE V-3
SAN DIEGO INTERNATIONAL AIRPORT
MONTHLY GROSS RENTAL CAR MARKET REVENUE SHARE BY BRAND
FY 2013



Source: Rental car companies and Authority records.

¹ Although the Budget brand is owned by the Avis Budget Group, Inc., Budget is operated by an independent licensee at SAN.

FIGURE V-4
SAN DIEGO INTERNATIONAL AIRPORT
MONTHLY GROSS RENTAL CAR MARKET REVENUE SHARE BY MAJOR BRAND GROUP
FY 2007 – FY 2013



Source: Rental car companies and Authority records.

2. Historical Trends in Rental Car Market Activity

Table V-1 presents selected rental car demand and revenue indicators at the Airport for FY 2009 through 2013. The trends in each indicator are discussed below.

Transaction days

Total transaction days, which represent the total number of days vehicles are rented at SAN, increased 8.2 percent from FY 2007 to FY 2008, and then declined 6.9 percent in FY 2009 and 2.1 percent in FY 2010. Transaction days changed little in FY 2011. These trends mirrored fluctuations in Airport passenger traffic during the FY 2007-2011 period and increases in rental rates during FY 2011. Broad economic conditions and Airport passenger traffic volumes have since improved, and the positive trends in Airport passenger traffic have also resulted in positive trends in the Airport rental car market. Transaction days increased 8.0 percent in FY 2012 and another 0.6 percent in FY 2013. A 1.6 percent decline in the average real rental rate in FY 2012 helped boost rental car demand. For the entire FY 2007-2013 period, growth in transaction days averaged 1.2 percent annually.

**TABLE V-1
SAN DIEGO INTERNATIONAL AIRPORT
HISTORICAL RENTAL CAR ACTIVITY
FY 2007 – FY 2013**

Fiscal Year	Demand Indicators			Revenue Indicators		
	Transaction Days	Transactions	Avg. Contract Duration (Days) ¹	Gross Revenue ²	Avg. Nominal Rental Rate ³	Avg. Real Rental Rate ⁴
2007	5,069,624	1,136,567	4.46	\$222,551,674	\$43.90	\$46.14
2008	5,485,219	1,237,485	4.43	\$234,793,351	\$42.70	\$43.28
2009	5,107,975	1,119,606	4.56	\$211,959,500	\$41.04	\$41.02
2010	4,999,867	1,105,705	4.52	\$207,263,796	\$41.35	\$40.93
2011	5,007,790	1,126,029	4.45	\$215,771,259	\$43.05	\$41.78
2012	5,407,664	1,182,575	4.57	\$235,781,515	\$43.61	\$41.12
2013	5,441,010	1,191,549	4.57	\$241,794,916	\$44.32	\$41.10
Average Annual Growth Rate						
2007-2013	1.2%	0.8%	0.4%	1.4%	0.2%	-1.9%

¹ The average contract duration is calculated by dividing transaction days by transactions.

² Data provided by the Authority.

³ The average nominal rental rate is calculated by dividing gross rental revenues by transaction days. The nominal rate is expressed in current dollars.

⁴ The average real rental rate is expressed in constant 2009 dollars. It represents the price of renting a car per day, adjusted for inflation.

Sources: Rental car companies and Authority records.

Transactions

A transaction or rental contract represents one rental transaction or one customer. The fluctuations in transactions during the FY 2007 – FY 2013 period followed a pattern similar to transaction days, although transactions grew at a lower average annual rate than did transaction days. Following an 8.9 percent increase in FY 2008, transactions decreased 9.5 percent in FY 2009 and 1.2 percent in FY 2010. Transactions then increased in FY 2011, FY 2012, and FY 2013: 1.8 percent in FY 2011, 5.0 percent in FY 2012, and 0.8 percent in FY 2013. Over the FY 2007-2013 period, the growth in transactions averaged 0.8 percent annually.

Average contract duration

Table V-1 shows the average contract days per transaction (average contract duration) calculated for each fiscal year. For the FY 2007-2013 period, the annual average contract duration has been fairly stable, with slightl fluctuations between 4.43 days and 4.57 days.

Gross rental revenue

The trends in gross rental revenue generally followed the trends in transactions and transaction days. Gross rental revenue increased at an average annual rate of 1.4 percent, slightly higher than the average annual rate of growth in transaction days, due to increases in *nominal* rental rates, as described below.

Average daily rental rate

Movements in the price of renting a car contribute to changes in rental car demand. An increase in price dampens demand, while a decrease in price stimulates demand. Calculated by dividing annual gross revenues by annual transaction days, the average daily rental rate can be measured in two ways: (1) in *nominal* terms, expressed in current dollars, and (2) in *real* terms, expressed in this Report in constant 2009 dollars. Expressing rental rates in real terms controls for the effects of inflation. The average daily rental rate increased 0.2 percent annually in nominal terms, on average. It declined 1.9 percent annually in real terms.

3. Monthly Trends in Rental Car Market Activity

Air travel demand is subject to seasonal variation that can also be observed in the monthly trends in the rental car market activity at the Airport. Rental car market activity is relatively high during the summer months and low during the winter months—a reflection of the seasonal patterns in tourism in San Diego County and passenger traffic at the Airport. This seasonal pattern can be observed in each of the four measures of rental car demand: monthly transaction days (**Figure V-5**), monthly transactions (**Figure V-6**), monthly average contract days (**Figure V-7**), and monthly gross rental revenue (**Figure V-8**).

Within each year, transaction days, transactions and rental revenue peak in August. In calendar year 2008, however, peak transactions occurred in March, instead of August, due to unusual circumstances in that year. The U.S. economy entered a period of decline, which accelerated during the second half of the year. Within each year, the monthly average number of contract days per transaction is higher in July and August than in other months, likely reflecting a higher proportion of customers traveling for leisure in the summer.

**FIGURE V-5
SAN DIEGO INTERNATIONAL AIRPORT
MONTHLY TRANSACTION DAYS
CY 2008 – CY 2013 (through June)**

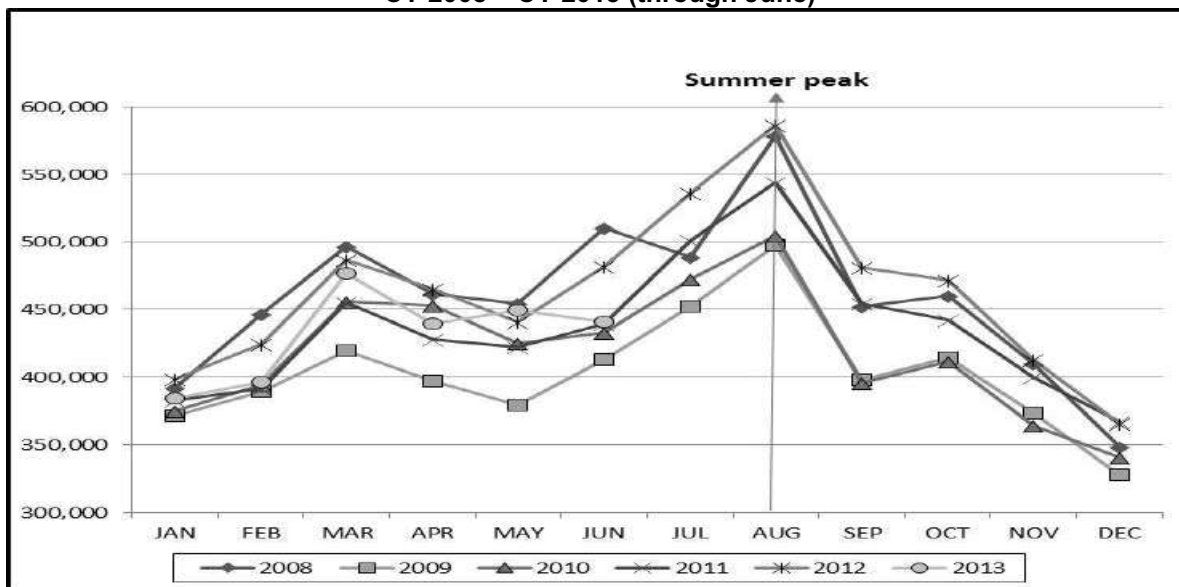


**FIGURE V-6
SAN DIEGO INTERNATIONAL AIRPORT
MONTHLY TRANSACTIONS
CY 2008 – CY 2013 (through June)**

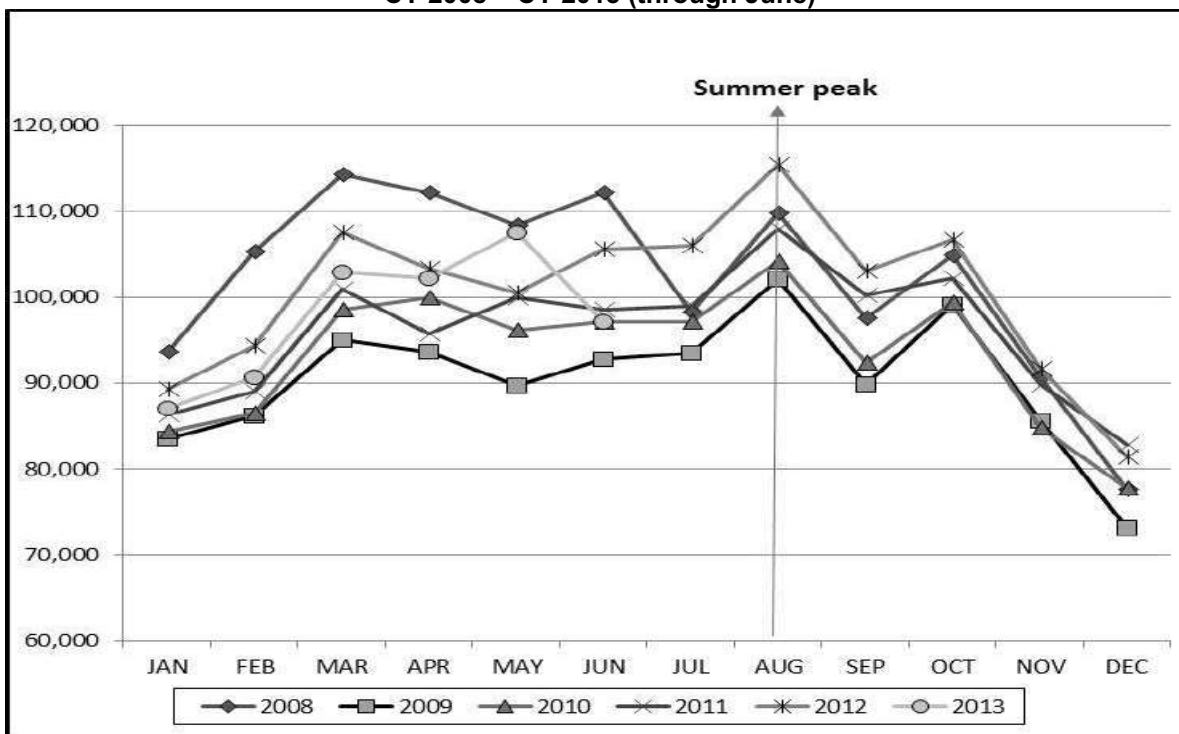


FIGURE V-7
SAN DIEGO INTERNATIONAL AIRPORT
MONTHLY AVERAGE CONTRACT DAYS
CY 2008 – CY 2013 (through June)

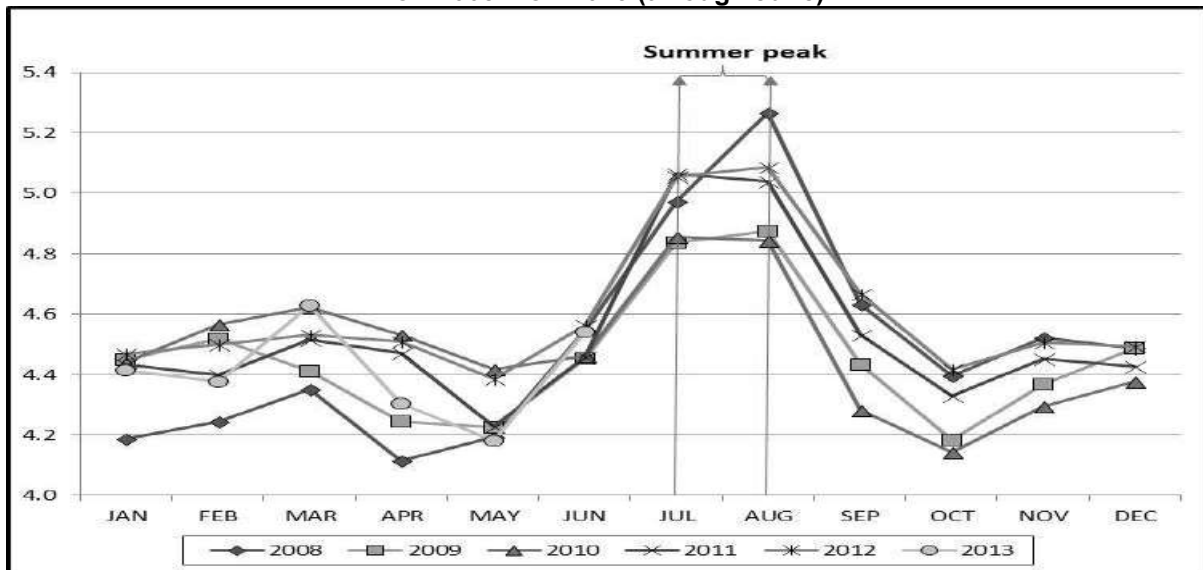
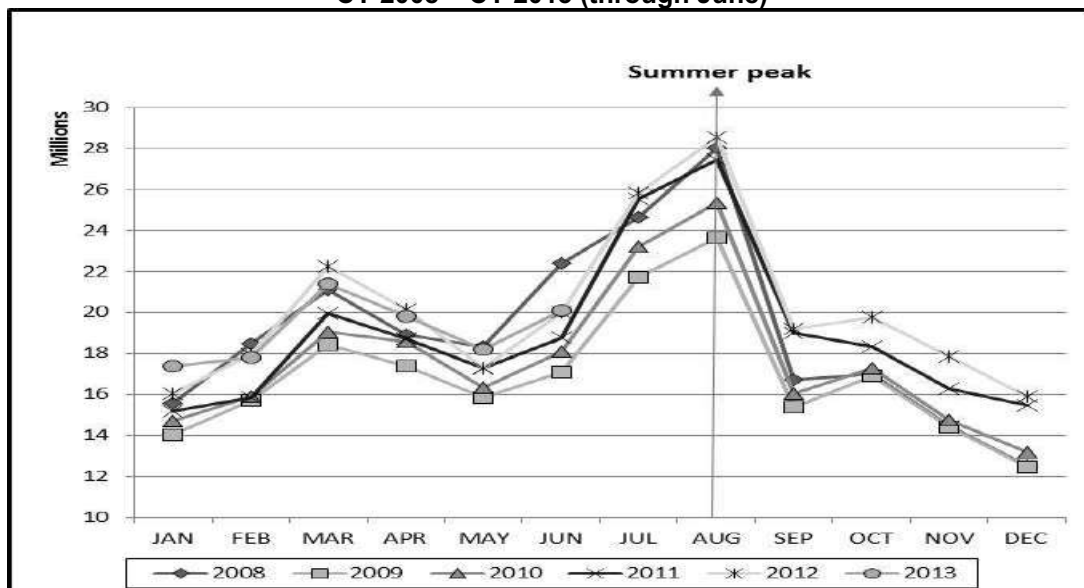


FIGURE V-8
SAN DIEGO INTERNATIONAL AIRPORT
MONTHLY GROSS RENTAL REVENUE (IN DOLLARS)
CY 2008 – CY 2013 (through June)



4. Effect of the CFC on Rental Car Demand

Tables V-2 and V-3 show the monthly transaction day and transactions and the year-over-year percentage changes. The cells are shaded differently to indicate when the CFC was first imposed at \$10 per transaction effective May 1, 2009, and when it was changed to \$6 per transaction day effective November 1, 2012. The effect of the CFC, however, cannot be inferred simply by observing trends in the monthly data and the year-over-year percentage changes because the rental car market trends reflect the combined effects of several factors. The CFC, which increased the price paid by the rental car customer, is only one of the factors affecting rental car demand, as shown in the *correlation analysis* below and discussed in more detail in Section C.

Multivariate regression analysis, the methodology used in generating rental car demand forecasts in Section C, provides the appropriate framework for measuring the effect of individual factors, while controlling for the effects of all other factors that influence rental car demand.

Multivariate regression analysis suggests that the CFC has had a small negative impact on rental car demand at the Airport. Controlling for the effects of all other factors, the imposition of a CFC of \$10 per transaction effective May 1, 2009, which increased the price paid by customers by an average of 5.2 percent, reduced monthly transactions and monthly transaction days by an average of 2.1 percent. Controlling for the effects of all other factors, the imposition of a CFC of \$6 per transaction day effective November 1, 2012, which represented an average price increase of 10.1 percent, reduced monthly transactions and monthly transaction days by 4.2 percent. These results provide a measure of the *price elasticity* of rental car demand at the Airport. According to the theory of *price elasticity* of demand, the demand for rental cars at the Airport is relatively inelastic, because the percentage change in quantity demanded is smaller than the percentage change in price.

TABLE V-2
SAN DIEGO INTERNATIONAL AIRPORT
MONTHLY TRANSACTION DAYS
FY 2007 – FY 2013

Fiscal Year	July	August	September	October	November	December	January	February	March	April	May	June	Fiscal Year Totals
Transaction Days													
2007	482,702	522,912	413,874	408,490	362,073	312,790	354,572	395,984	444,223	452,739	423,298	495,967	5,069,624
2008	515,349	558,315	446,188	434,207	421,015	348,702	391,872	446,776	497,094	461,333	454,292	510,075	5,485,219
2009	488,843	578,075	452,151	460,548	410,029	348,328	371,655	389,634	419,226	397,478	379,026	412,983	5,107,975
2010	452,295	497,409	398,160	414,623	373,825	327,894	374,645	394,590	455,586	452,856	424,855	433,130	4,999,867
2011	472,102	504,550	395,609	411,660	364,078	340,347	382,740	391,322	455,400	428,355	422,443	439,185	5,007,790
2012	501,334	544,286	454,235	442,181	400,286	366,843	398,924	424,326	486,768	465,579	441,246	481,656	5,407,664
2013	535,956	586,516	481,133	471,478	413,074	365,921	383,977	396,663	476,409	439,574	449,270	441,037	5,441,010
Year-over-Year Change													
2008	6.8%	6.8%	7.8%	6.3%	16.3%	11.5%	10.5%	12.8%	11.9%	1.9%	7.3%	2.8%	8.2%
2009	-5.1%	3.5%	1.3%	6.1%	-2.6%	-0.1%	-5.2%	-12.8%	-15.7%	-13.8%	-16.6%	-19.0%	-6.9%
2010	-7.5%	-14.0%	-11.9%	-10.0%	-8.8%	-5.9%	0.8%	1.3%	8.7%	13.9%	12.1%	4.9%	-2.1%
2011	4.4%	1.4%	-0.6%	-0.7%	-2.6%	3.8%	2.2%	-0.8%	0.0%	-5.4%	-0.6%	1.4%	0.2%
2012	6.2%	7.9%	14.8%	7.4%	9.9%	7.8%	4.2%	8.4%	6.9%	8.7%	4.5%	9.7%	8.0%
2013	6.9%	7.8%	5.9%	6.6%	3.2%	-0.3%	-3.7%	-6.5%	-2.1%	-5.6%	1.8%	-8.4%	0.6%

The shaded cells correspond to the months following CFC implementation. The CFC was first imposed at \$10.00 per transaction effective May 1, 2009 and was changed to \$6.00 per transaction day effective November 1, 2012. The darker shading marks the change in CFC effective November 1, 2012.

TABLE V-3
SAN DIEGO INTERNATIONAL AIRPORT
MONTHLY TRANSACTIONS (RENTAL CONTRACTS)
FY 2007 – FY 2013

Fiscal Year	July	August	September	October	November	December	January	February	March	April	May	June	Fiscal Year Totals
Transactions													
2007	95,420	103,087	90,678	100,336	85,616	73,708	82,600	92,793	101,470	101,427	101,381	108,051	1,136,567
2008	102,603	110,695	101,840	102,852	94,537	79,138	93,594	105,278	114,275	112,151	108,336	112,186	1,237,485
2009	98,284	109,760	97,583	104,802	90,660	77,648	83,520	86,224	95,010	93,655	89,726	92,734	1,119,606
2010	93,483	102,026	89,831	99,122	85,623	73,075	84,358	86,445	98,578	99,933	96,154	97,078	1,105,705
2011	97,190	104,204	92,395	99,325	84,778	77,766	86,349	88,972	100,872	95,790	99,896	98,492	1,126,029
2012	99,016	108,003	100,237	102,159	89,876	82,882	89,267	94,300	107,456	103,241	100,565	105,573	1,182,575
2013	106,037	115,322	103,069	106,733	91,648	81,436	87,010	90,629	102,928	102,137	107,477	97,124	1,191,549
Year-over-Year Change													
2008	7.5%	7.4%	12.3%	2.5%	10.4%	7.4%	13.3%	13.5%	12.6%	10.6%	6.9%	3.8%	8.9%
2009	-4.2%	-0.8%	-4.2%	1.9%	-4.1%	-1.9%	-10.8%	-18.1%	-16.9%	-16.5%	-17.2%	-17.3%	-9.5%
2010	-4.9%	-7.0%	-7.9%	-5.4%	-5.6%	-5.9%	1.0%	0.3%	3.8%	6.7%	7.2%	4.7%	-1.2%
2011	4.0%	2.1%	2.9%	0.2%	-1.0%	6.4%	2.4%	2.9%	2.3%	-4.1%	3.9%	1.5%	1.8%
2012	1.9%	3.6%	8.5%	2.9%	6.0%	6.6%	3.4%	6.0%	6.5%	7.8%	0.7%	7.2%	5.0%
2013	7.1%	6.8%	2.8%	4.5%	2.0%	-1.7%	-2.5%	-3.9%	-4.2%	-1.1%	6.9%	-8.0%	0.8%

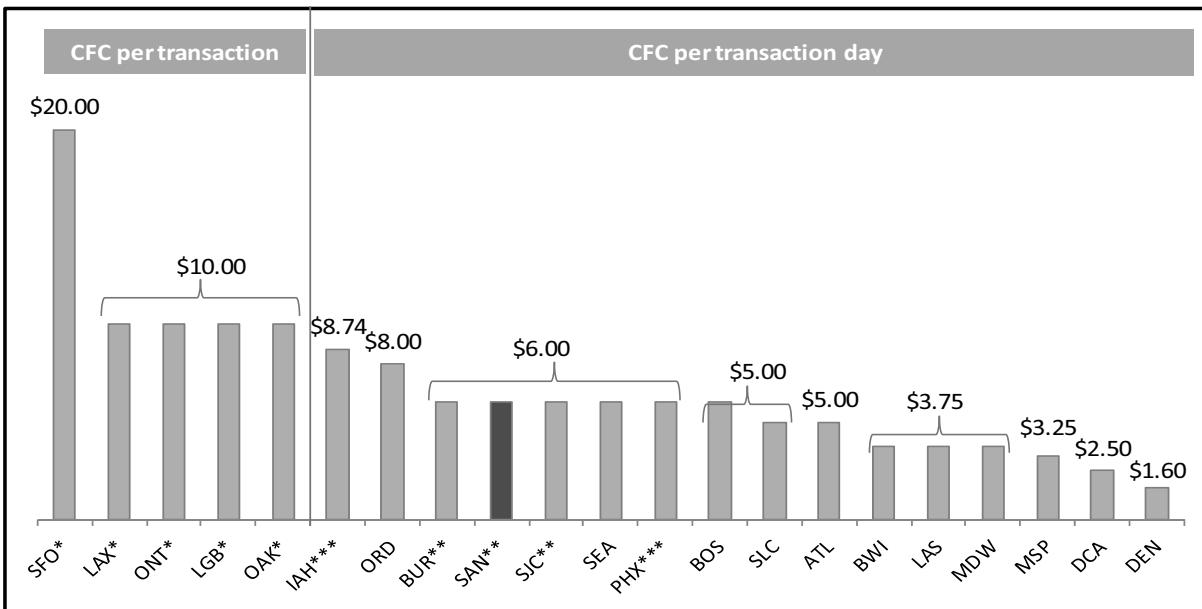
The shaded cells correspond to the months following CFC implementation. The CFC was first imposed at \$10.00 per transaction effective May 1, 2009 and was changed to \$6.00 per transaction day effective November 1, 2012. The darker shading marks the change in CFC effective November 1, 2012. The annual peak figures are distinguished in bold font.

Figure V-9 compares the CFC level currently in effect at SAN with the CFC levels currently in effect at other airports in California and SAN's top O&D markets. In a sample of 21 airports, 16 airports, including SAN, assess a CFC per transaction day, and five airports, all in California, assess a CFC per transaction. Of the 16 airports that assess a CFC per transaction day, three California airports, including SAN, have CFCs that are currently limited to total CFC collections of \$30 for five transaction days². The total CFC collections per transaction can be higher at airports that have a per-

² Pursuant to California state law, as explained in Section VI, the Authority Board authorized a per-transaction day CFC at SAN that is limited to a maximum of five days per transaction, in the amount of \$6.00 per transaction day, effective November 1, 2012, to increase to \$7.50 per transaction day effective January 1, 2014, and to increase to \$9.00 per transaction day effective January 1, 2017.

transaction day CFC than at airports that have a per-transaction CFC. For example, total CFC collections for a five-day rental at SFO would total \$20, whereas total CFC collections for a five-day rental at SAN, under the current per-transaction day CFC level, would total \$30.

FIGURE V-9
SURVEY OF CUSTOMER FACILITY CHARGES AT U.S. AIRPORTS
November 2013



* Charge per rental contract. Others based on daily rate.

** Maximum \$30.00 for rental period

*** In addition to the CFC, PHX also has a maintenance fee and an energy recovery fee. The amounts charged by the rental car companies for these fees range from \$1.28 to \$1.51 per day.

**** The \$8.74 shown for IAH represents a \$4.25 CFC plus a \$4.49 transportation fee.

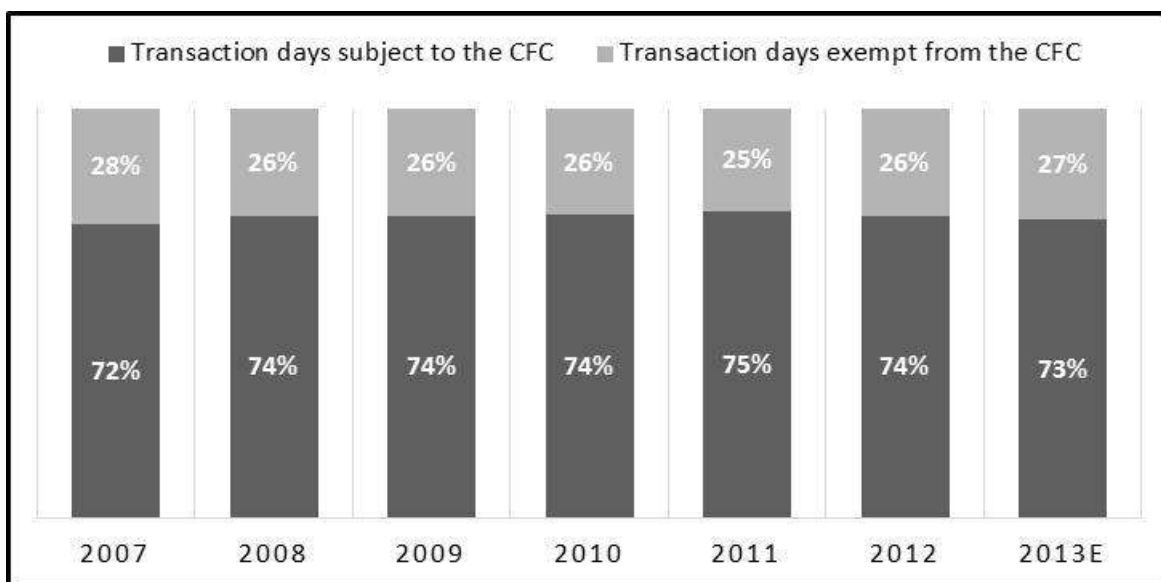
Source: Rental car reservation websites, November 2013.

5. Transaction Days Subject to the CFC

Effective November 1, 2012, the CFC is assessed per transaction day, instead of per transaction. In a single transaction, a customer pays a CFC for no more than five transaction days. Transaction days in excess of five days per transaction are exempt from the CFC.

Figure V-10 shows the percentage distribution between transaction days that are subject to the CFC and those that are not subject to the CFC. The distribution has also been stable. In FY 2013, transaction days that are subject to the CFC are estimated to account for 73 percent of total transaction days.

FIGURE V-10
SAN DIEGO INTERNATIONAL AIRPORT
PERCENTAGE DISTRIBUTION BETWEEN TRANSACTION DAYS THAT ARE SUBJECT TO THE CFC
AND TRANSACTION DAYS THAT ARE EXEMPT FROM THE CFC
FY 2007 – FY 2013



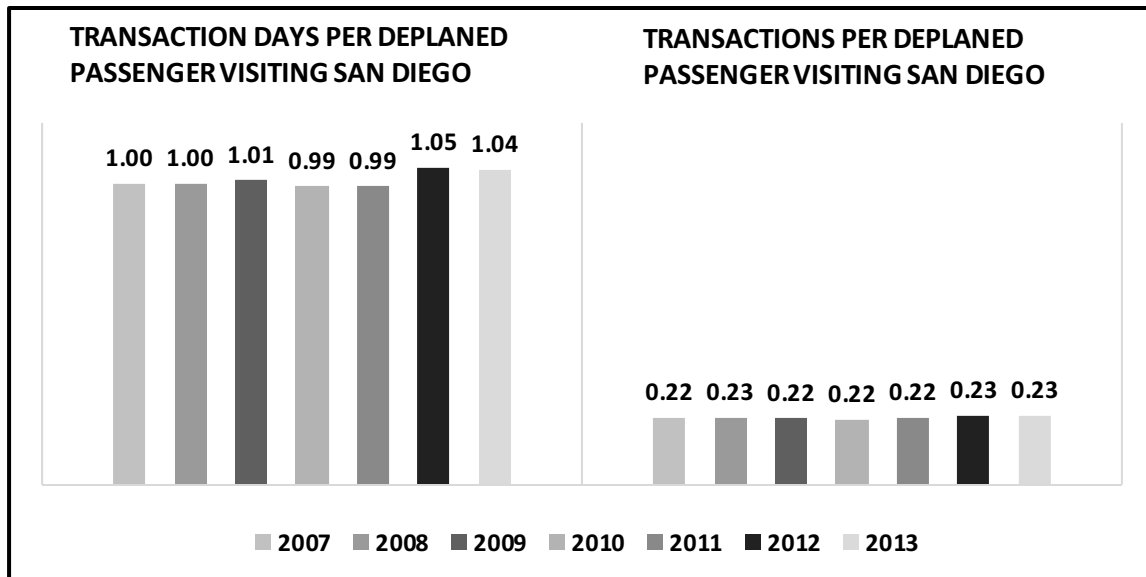
Sources: Estimates by Unison Consulting, Inc., based on sample data provided by rental car companies for four brands that accounted for 37 percent of gross rental revenues at the Airport in FY 2013.

6. Ratio Analysis

Ratio analysis is one method that is commonly used in the industry in analyzing and forecasting rental car demand. This method takes an average ratio of the number of transactions or transaction days typically to the number of airport passengers or enplanements (total or a segment including only visitors to an area). This method is easy to implement and requires little data, but it has a major shortcoming in that it relates rental car demand to only one explanatory variable, airport passenger traffic. As the correlation analysis shows, rental car demand at the Airport is also correlated with economic trends. In addition, rental car demand is affected by changes in the price paid by rental car customers, whether the changes are due to rental rate increases, the imposition of user charges such as the CFC, or changes in the CFC level. In ratio analysis, often the calculated average ratio of rental car demand to passenger traffic is assumed to remain constant. This may not be the case when there are other variables that can affect rental car demand. Holding the ratio constant also fails to capture seasonality.

Figure V-11 shows the average ratios by fiscal year. The average ratios are not only different from month to month, but they are also slightly different from year to year.

**FIGURE V-11
SAN DIEGO INTERNATIONAL AIRPORT
ANNUAL AVERAGE TRANSACTION DAYS AND TRANSACTIONS
PER O&D DEPLANED PASSENGER VISITING SAN DIEGO
FY 2007 – FY 2013**



	2007	2008	2009	2010	2011	2012	2013
Deplaned Passengers (Visitor O&D) (000)	5,080	5,495	5,075	5,064	5,066	5,156	5,217
Transaction Days (000)	5,070	5,485	5,108	5,000	5,008	5,408	5,441
Transaction Days per Deplaned Passenger (Visitor O&D)	1.00	1.00	1.01	0.99	0.99	1.05	1.04
Transactions (000)	1,137	1,237	1,120	1,106	1,126	1,183	1,192
Transactions per Deplaned Passenger (Visitor O&D)	0.22	0.23	0.22	0.22	0.22	0.23	0.23
Transaction Days per Transaction	4.46	4.43	4.56	4.52	4.45	4.57	4.57

Sources: Unison Consulting, Inc., using data from rental car companies and Authority records.

C. FORECAST OF TRANSACTION DAYS

To generate the forecast of transaction days, we quantified the relationship of monthly transaction day levels to relevant explanatory variables using *multivariate regression analysis*. We identified explanatory variables based on the underlying economic theory of demand and an analysis of the historical Airport rental car market trends and factors that have affected those trends. Consumer demand is a function of price and income. At airports, the demand for rental cars is a derived demand—derived from the demand for air travel to a particular destination. Visitors who fly to the San Diego area, whether for business or leisure, require ground transportation from the Airport to their destinations. While residents also use rental cars to go to the Airport, visitors flying to SAN constitute the market for rental cars at the Airport. Because multiple factors can influence future Airport rental car market trends, *multivariate regression analysis* is more appropriate than *ratio analysis* for developing forecasts of transaction days to be sure that the effects of all key factors are considered.

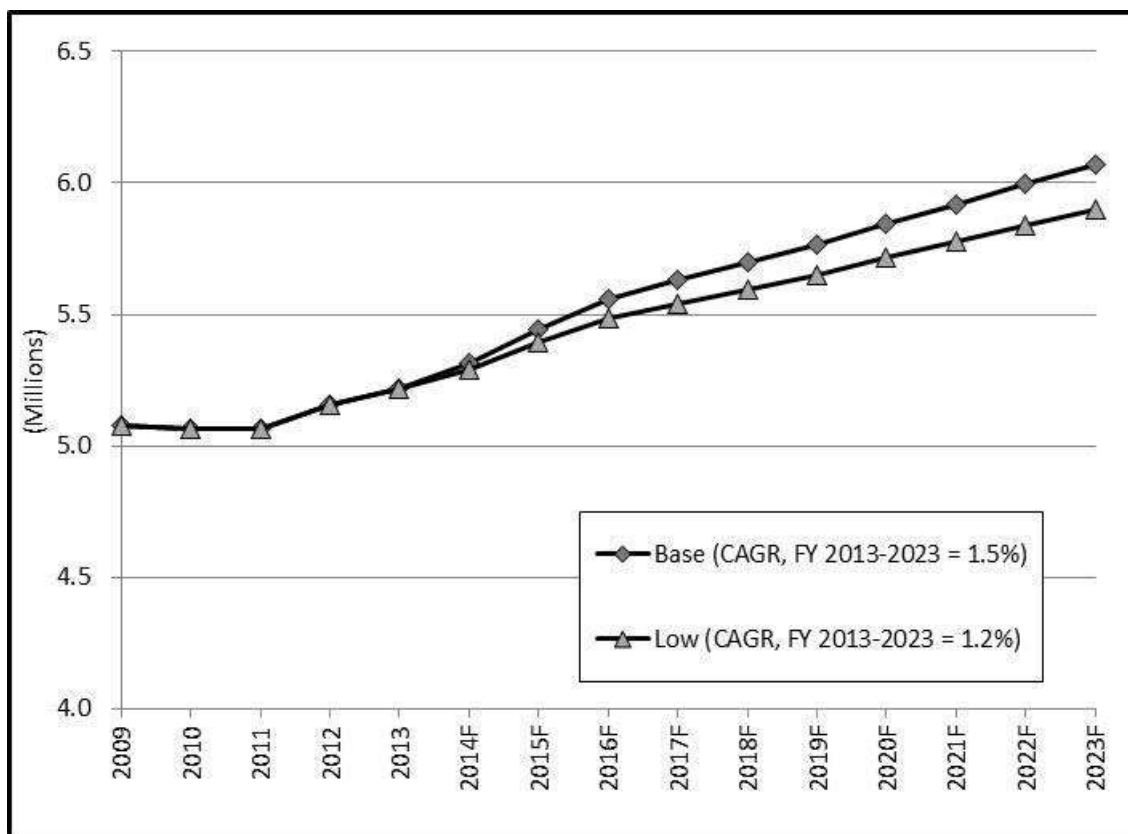
For this study, the regression models of Airport rental car demand include the following explanatory variables: Airport passenger traffic, U.S. unemployment rate and price.

1. Airport Passenger Traffic

As discussed previously, there is a strong positive correlation between rental car demand and passenger traffic trends at the Airport. Rental car demand increases when Airport passenger traffic grows and decreases when traffic declines, holding other factors constant.

Arriving passengers from other cities (visitors) constitute the market for airport rental cars. The regression analysis uses the visitor portion of deplaned passengers as the relevant measure of Airport passenger traffic. Visitors account for approximately 63 percent of the Airport's O&D passenger traffic, according to an Airport Authority estimate based on sample data from the U.S. Department of Transportation 10-percent airline ticket survey. **Figure V-12** shows the historical and projected trends in the visitor portion of O&D deplaned passengers.

FIGURE V-12
SAN DIEGO INTERNATIONAL AIRPORT
VISITOR PORTION OF O&D DEPLANED PASSENGERS (MILLIONS)
FY 2007 – FY 2023



Sources: Authority historical data and Unison Consulting, Inc. forecasts.

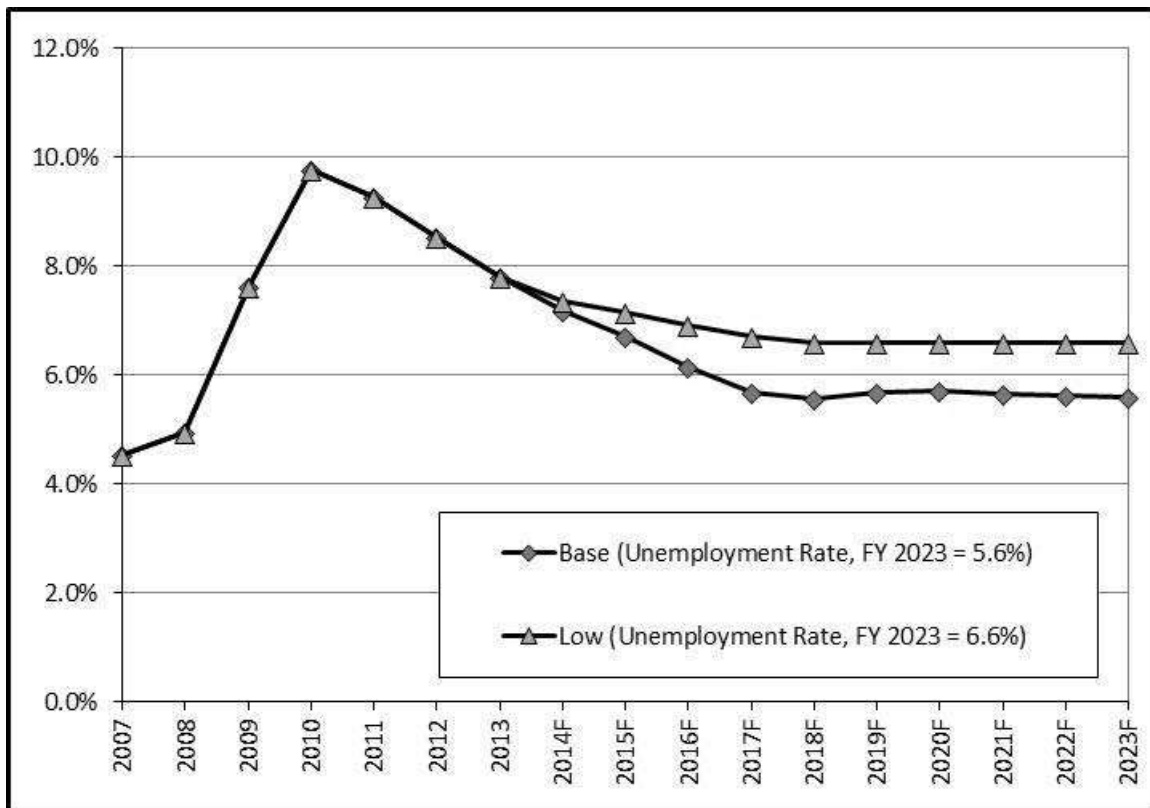
2. Unemployment Rate

Rental car demand at the Airport is correlated with economic conditions. Employment and income growth boosts consumer and business spending, and increases demand for air travel and airport rental cars. There are several economic indicators to choose from, but, the U.S. unemployment rate proved to be the best indicator to use for this study based on statistical tests.³ We found a near-perfect correlation between U.S. unemployment rate and San Diego County unemployment rate, which means that trends in the U.S. unemployment rate also reflect trends in the San Diego County unemployment rate and overall local economic conditions. It suffices that the regression models include only the U.S. unemployment rate to represent both national and local economic conditions.

Figure V-13 shows the historical and projected trends in the U.S. unemployment rate. The *Base* forecast scenario is based on data from Moody's Analytics, Inc. Under the *Low* forecast scenario, the unemployment rate declines more gradually (a higher unemployment rate is associated with the *Low* forecast scenario) so that it falls to a level that is 1 percentage point higher than the level assumed under the *Base* forecast scenario in June 2017 and it remains at that higher level through FY 2023.

³ We tested other economic indicators such as real U.S. GDP, real per capita GDP, and nonfarm employment levels. Unemployment rate proved to be the best economic indicator to use based on statistical significance and goodness-of-fit.

FIGURE V-13
U.S. UNEMPLOYMENT RATE
FY 2009-2023



Sources: Historical data from the U.S. Bureau of Labor Statistics and projections by Moody's Analytics and Unison Consulting, Inc.

3. Price of Renting a Car

Consumer demand theory posits that demand is inversely related to price. Holding all other factors constant, an increase in price tends to reduce demand, and a decrease in price tends to increase demand. This inverse relationship between demand and price holds true in the Airport rental car market, as discussed previously. Empirical evidence suggests that the relationship is less than one to one. The demand for rental cars at the Airport is relatively price inelastic—a 1 percent increase in price results in less than a 1 percent decrease in demand, holding all other factors constant. An increase in price can reduce transaction days by reducing the number of rental contracts and/or the average contract days.

The price variable used in the regression analysis includes the average daily rental rate and the CFC. These two price components are expected to change in the future. SAN rental car customers also pay concession recovery and other fees as a percentage of the daily rental rate, and these percentage fees are assumed to remain the same over the forecast period.

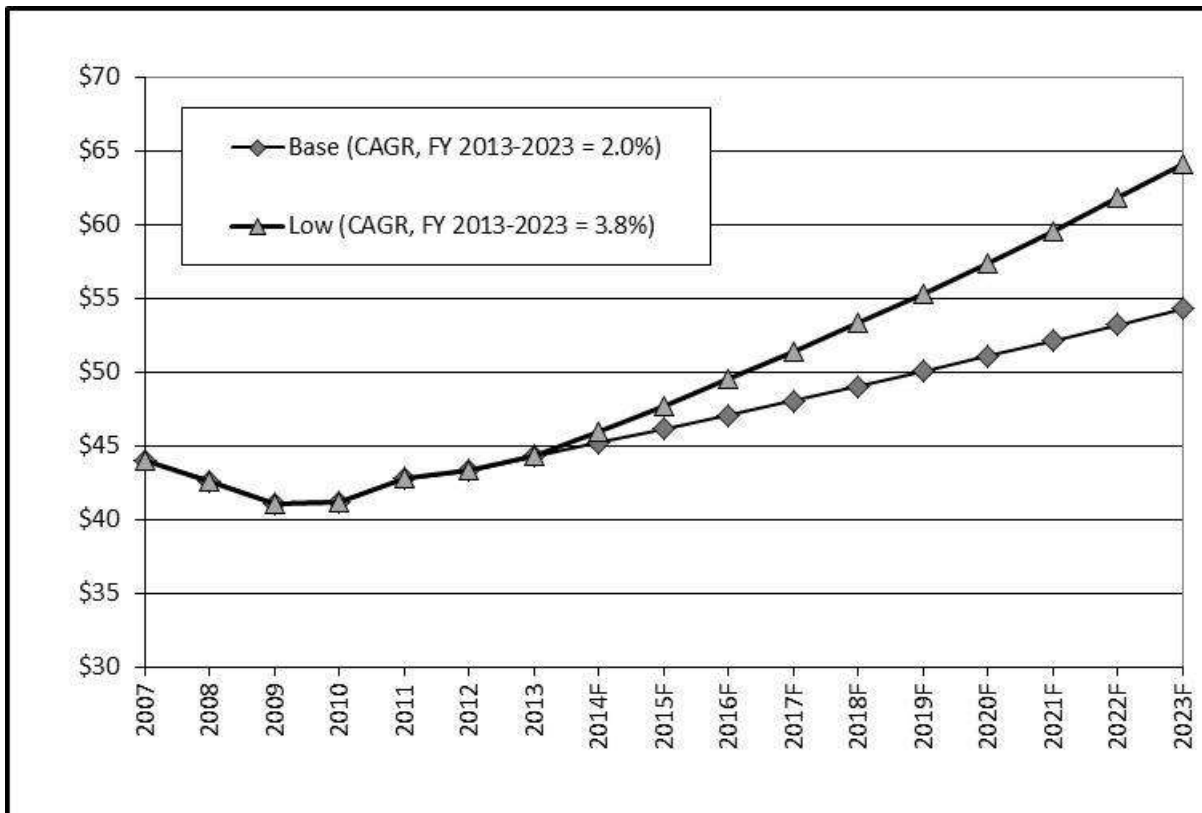
Figure V-14 shows the historical and projected trends in the average nominal daily rental rate (excluding the CFC and other fees). The average daily rental rate increased at an average annual rate of 0.1 percent, in nominal terms, over the FY 2007-2013 period. The *Base* forecast assumes that the average daily nominal rental rate would increase with annual inflation, which means no change in real terms. Annual inflation is projected at 2.1 percent based on U.S. government forecast.⁴ For the *Low* forecast, we assumed that the nominal daily rental rate would increase 3.8 percent annually, resulting in a 1.9 percent annual increase in real rental rates that would dampen growth in rental car demand.

The CFC adds to the price paid by Airport rental car customers. The current CFC rate of \$6.00 per day (for a maximum of five days per transaction), which became effective on November 1, 2012, is scheduled to increase to \$7.50 per day on January 1, 2014 and to \$9.00 on January 1, 2017.⁵

⁴ Office of Management and Budget, *FY 2014 Budget of the U.S. Government*, July 8, 2013.

⁵ San Diego County Regional Airport Authority, *Resolution Number 2012-0111*, October 4, 2012.

FIGURE V-14
SAN DIEGO INTERNATIONAL AIRPORT
NOMINAL DAILY RENTAL RATE
FY 2007-2023



Sources: Historical data based data from rental car companies and Airport Authority records, and projections by Unison Consulting, Inc.

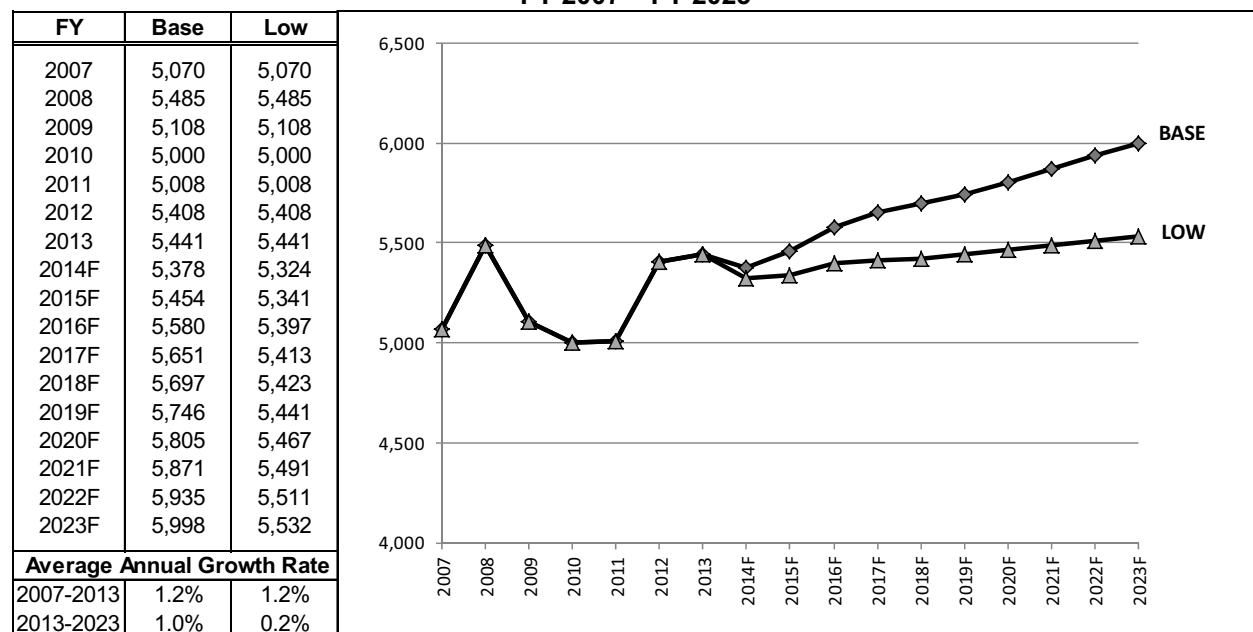
4. Forecast Results

Results are presented for three scenarios: *Base*, *High* and *Low*. The *Base* forecast scenario assumes that the economy would continue growing slowly through the end of 2013 and at an increased pace beginning in 2014. Employment conditions would continue to improve, resulting in a gradual decline in the unemployment rate. This economic outlook reflects the consensus forecast among various entities that track U.S. economic trends (see **Table II-10** in Section II). Airport passenger traffic would resume growth at modest rates, according to the forecast presented in Section III. Finally, rental car rates would increase with inflation. The *High* forecast scenario is based on more favorable assumptions. The economy would grow faster, the unemployment rate would decline faster, Airport passenger traffic would grow at a higher rate, and rental car rates would increase at a rate lower than inflation. The *Low* forecast scenario is based on less favorable assumptions. All scenarios assume that the CFC increases will be implemented as scheduled.

Figure V-15 presents the resulting *Base*, *High* and *Low* forecasts of transaction days:

- Under the *Base* forecast scenario, transaction days would increase from 5.5 million in FY 2013 to 6.0 million in FY 2023 at an average annual rate of 1.0 percent.
- Under the *Low* forecast scenario, transaction days would increase slightly to 5.5 million at an average annual rate of 0.1 percent.

FIGURE V-15
SAN DIEGO INTERNATIONAL AIRPORT
ANNUAL TRANSACTION DAYS (IN THOUSANDS)
FY 2007 – FY 2023



Sources: Historical data, 2009-2012, from rental car companies and Airport Authority records, and forecasts, 2014-2023, from Unison Consulting, Inc.

Forecast Transaction Days Subject to the CFC

For each rental car transaction, the CFC is collected for up to a maximum of five transaction days. On longer rentals, transaction days in excess of five days are not subject to the CFC. The analysis of historical data in **Figure V-10** shows that the proportion of transaction days that are subject to the CFC has changed little in recent years. This proportion is estimated at 74 percent in FY 2012 and 73 percent in FY 2013, based on sample data from four rental car brands that accounted for 37 percent of gross rental revenues at the Airport in FY 2013. **Table V-4** shows a break out of historical and forecast transaction days between those that are subject to the CFC and those that are exempt from the CFC.

**TABLE V-4
SAN DIEGO INTERNATIONAL AIRPORT
ANNUAL TRANSACTION DAYS (IN THOUSANDS)
BASE FORECAST SCENARIO**

Fiscal Year	Subject to CFC	Exempt from CFC	Total
Historical			
2007	3,650	1,419	5,070
2008	4,059	1,426	5,485
2009	3,780	1,328	5,108
2010	3,700	1,300	5,000
2011	3,756	1,252	5,008
2012	4,002	1,406	5,408
2013	3,964	1,477	5,441
Forecast			
2014	3,919	1,460	5,378
2015	3,974	1,480	5,454
2016	4,065	1,514	5,580
2017	4,118	1,534	5,651
2018	4,151	1,546	5,697
2019	4,186	1,559	5,746
2020	4,230	1,576	5,805
2021	4,277	1,593	5,871
2022	4,324	1,611	5,935
2023	4,370	1,628	5,998

Sources: Historical estimates by Unison Consulting, Inc. based on sample data provided by the rental car companies for four brands that accounted for 37 percent of gross rental revenues at the Airport in FY 2013. Forecast transaction days prepared by Unison Consulting, Inc.

D. OTHER GROUND TRANSPORTATION OPTIONS FOR AIRPORT PASSENGERS

There are other ground transportation options available to Airport passengers. Passengers have the option to rent cars off-Airport, or take other modes of ground transportation. These options, however, are not likely to pose significant competition to on-Airport rental car companies for a variety of reasons as discussed below.

1. Off-Airport Rental Car Companies

All the major rental car companies are Airport concessionaires and will be operating at the proposed RCC (see **Figures V-3** and **V-4** in Section B). There will be a few companies remaining at off-Airport sites. An internet search of rental car companies with operations in downtown San Diego identified the following companies: Bargain Auto Rental on Rosecrans Street, San Diego Car Rentals on Balboa Avenue, and Sprinter Rentals on Market Street. These companies have very small operations relative

to the Airport concessionaires, and are not likely to present significant competition. In addition, their off-site location is a disadvantage in serving Airport passengers.

2. Alternative Modes of Ground Transportation

Apart from renting a car or using private automobiles, Airport passengers have the option to take taxicabs, shuttles, limousines, public bus or the trolley⁶. These modes differ in terms of the convenience, service, price, and travel time they offer that appeal to different customer segments. The San Diego International Airport Development Passenger Surveys found that the proportion of Airport passengers renting cars (20 percent) has remained stable over time. This suggests that the Airport rental car market serves a distinct customer segment from those served by other ground transportation modes. For customers intending to go to multiple destinations, renting a car is still the most convenient among all ground transportation options other than a private vehicle. It is also more economical compared to non-shared modes such as a taxicab or a limousine. Nevertheless, this study recognizes that the competitive advantage of rental cars could change if there are significant changes in the relative price, convenience, accessibility, and service frequency of the other modes.

The following modes of ground transportation are available at the Airport:⁷

- *Taxicabs.* A number of companies provide taxicab service at SAN. At the Airport, taxicabs are good substitutes for rental cars because they are available on demand. For travelers that are new to area, a cab ride eliminates the difficulties of driving in an unfamiliar environment. For a single trip, taxicabs may offer a more economical option, but for multiple trips, the total cost of taking taxicabs can be greater than the cost of renting a car. Outside the Airport, taxicabs are not conveniently available in Southern California. Taxicabs are not typically found plying the streets as they do in cities like New York and Chicago.
- *Airport Shuttles.* Airport shuttle vans and buses provide on-demand, shared ride services that offer transportation to and from the Airport. Service is available at the transportation plazas across from Terminals 1 and 2, and curbside at the commuter terminal. While the monetary cost of using the Airport Shuttle is lower than that of renting a car, shared rides have much longer wait and travel times.
- *Metro bus.* Available from the Airport to the downtown San Diego area, public transit provides service from 5:00 a.m. to 11:30 p.m. daily. Although the cost is low, the bus may not be a viable option for most air travelers, particularly those traveling with multiple pieces of luggage whose destination is not on the route.

⁶ Any rental car companies serving the SAN market that operate off-Airport will be required to pick up and drop off their customers at the RCC and pay a Transportation and Facility Charge. It is anticipated that any off-Airport rental car service will be insignificant, in part due to the inconvenience to customers of the requirement that such customers be picked up and dropped off at the RCC.

⁷ Source: Authority website.

- *Limousine Transportation.* A number of limousine/luxury sedan companies provide service to the Airport. This service is more costly than renting a car.
- *Amtrak and Coaster.* There is no direct access to rail transit from the Airport. Public bus service from the airport provides a link to this transit mode. In Southern California, commuter trains serve limited routes and operate limited frequencies.
- *Trolley Service.* The San Diego Trolley is a light rail network serving a number of areas throughout San Diego. Access to the service from the Airport is also by bus.

SECTION VI FINANCIAL ANALYSIS

This section discusses the financial aspects of the RCC, including the legal framework for the financing and operation of the RCC; the plan of finance; and projections of CFC collections and certain financial requirements pursuant to the CFC Indenture.

A. LEGAL FRAMEWORK FOR THE FINANCING AND OPERATION OF THE RCC

The financing and operation of the RCC are governed by the following documents, which are described below: (1) The Authority resolutions authorizing the imposition of the CFC and subsequent increases in the CFC; (2) the Authority resolution authorizing the issuance of the Series 2014 Bonds; (3) the CFC Trust Indenture; and (4) the RCC Lease Agreement.

1. CFC Resolution

California Civil Code § 1936 allows a CFC to be imposed by an airport and collected by rental car companies from their customers, at a rate of \$10 per rental car transaction (rental contract). The CFC may be used for any of the following purposes: (1) to finance, design, and construct consolidated airport rental car facilities; (2) to finance, design, construct, and operate a common-use transportation system that moves passengers between airport terminals and the consolidated rental car facilities, and acquire vehicles for use in that system; and (3) to finance, design, and construct terminal modifications solely to accommodate and provide customer access to common-use transportation systems. The aggregate amounts to be collected cannot exceed the reasonable costs to finance, design, and construct those facilities.

On March 5, 2009, the Board approved Resolution Number 2009-0025R, which authorized a \$10 per-transaction CFC, effective May 1, 2009, for the purpose of designing, financing, and constructing a potential consolidated rental car facility and associated common use transportation system.

California Civil Code § 1936 was amended in 2010 to allow airports to implement an “Alternative CFC” on a per-transaction day basis, limited to a maximum of five days per transaction, beginning at \$6.00 per day and increasing to \$9.00 per day, if the airport conducts a publicly noticed hearing to review the costs of financing the design and construction of a consolidated rental car facility (CONRAC) and the design, construction, and operation of any common-use transportation system in which all of the following occur:

- The airport establishes the amount of revenue necessary to finance the reasonable cost to design and construct a CONRAC and a common-use transportation system;

- The airport finds that the \$10 per transaction CFC will not generate sufficient revenue to finance the reasonable costs to design and construct a CONRAC and a common-use transportation system;
- The airport finds that the reasonable cost of the CONRAC and common-use transportation system requires the additional revenue that would be generated by the proposed daily CFC rate as permitted under the Alternative CFC; and
- The airport outlines each of the following:
 - Steps the airport has taken to limit costs
 - Other potential alternatives, other than the collection of an Alternative CFC, for meeting the revenue needs
 - The extent to which rental car companies or other businesses or individuals using the CONRAC or the common-use transportation system will pay for the costs associated with these facilities and systems other than the fee from rental car customers.

The Authority commissioned a financial feasibility report and an independent review of projected CFCs and related costs to ensure they are reasonable, to satisfy the statutory requirements to collect an Alternative CFC.¹ On October 4, 2012, the Board approved Resolution Number 2012-0111 (the CFC Resolution), which authorized the implementation of a per-transaction day CFC, limited to a maximum of five days per transaction, in the amount of \$6.00 per transaction day, effective November 1, 2012, to increase to \$7.50 per transaction day effective January 1, 2014, and to increase to \$9.00 per transaction day effective January 1, 2017².

2. Bond Resolution

On December 12, 2013, the Board approved a resolution (the Bond Resolution), which authorized the issuance of the Series 2014 Bonds, to provide funding to (i) finance the payment, or the reimbursement of the payment, of the costs of the RCC, a related common transportation system, and certain off-site roadway and utility improvements; (ii) pay the costs of issuance of the Series 2014 Bonds; (iii) provide capitalized interest for the Series 2014 Bonds; (iv) provide a Rolling Coverage Fund for the Series 2014 Bonds; and (v) provide a Debt Service Reserve Fund for the Series 2014 Bonds.

¹ Ricondo & Associates, Inc., *Consolidated Rental Car Center Development Financial Feasibility Report*, August 2012; McGladrey LLP, *Independent Auditor's Report on the Supplementary Schedule of Customer Facility Charge Collections and Expenditures*, September 2012.

² Prior to implementing increases in the CFC level, the Authority is required to provide an attestation report of an independent auditor to the State Controller. The Authority provided the attestation report for the increase to \$7.50 (effective January 1, 2014) in December 2013.

3. CFC Trust Indenture

The Trust Indenture by and between the San Diego County Regional Airport Authority and U.S. Bank National Association as Trustee, dated as of February 1, 2014 (the CFC Indenture) defines the obligations of the Authority to the Trustee and the bondholders related to the Series 2014 Bonds and any subsequent bonds issued pursuant to the CFC Indenture.

The Series 2014 Bonds and any such subsequent bonds are payable from and secured solely by the “Trust Estate,” defined in the CFC Indenture to include the following:

- (a) All CFCs received or receivable by the Authority or the Trustee;
- (b) All Bond Funding Supplemental Consideration (as defined in the CFC Indenture and described later in this section) payable by the rental car companies pursuant to the RCC Lease Agreements;
- (c) All casualty insurance proceeds and condemnation awards;
- (d) All moneys, investments and proceeds of Senior Bonds and Subordinate Bonds on deposit in the Construction Fund (subject to certain restrictions), the CFC Revenue Fund, the Senior Debt Service Fund, the Senior Reserve Fund, the Rolling Coverage Fund, the Subordinate Debt Service Fund (subject to certain restrictions), any Subordinate Reserve Fund (subject to certain restrictions), the Renewal and Replacement Reserve Fund, and the CFC Surplus Fund and interest and investment earnings thereon;
- (e) With respect to any Subordinate Bonds, subject to the prior lien granted to the owners of the Senior Bonds, all sums from the Subordinate Bonds on deposit in the various funds and accounts (subject to certain restrictions) held under the CFC Indenture; and
- (f) “All other rights granted, pledged or assigned by the Authority to the Trustee” under the CFC Indenture and the RCC Lease Agreements.

The Series 2014 Bonds are not secured by or payable from the general airport revenues of the Authority.

The CFC Indenture establishes the various funds and accounts related to the Series 2014 Bonds, and the order in which Project Revenues under the CFC Indenture are to be deposited into those funds and accounts (the “Flow of Funds”). The CFC Indenture requires that all Project Revenues (defined in the CFC Indenture to include CFCs and Bond Funding Supplemental Consideration) must be deposited upon receipt into the CFC Revenue Fund. Each month, all amounts deposited into the CFC Revenue Fund

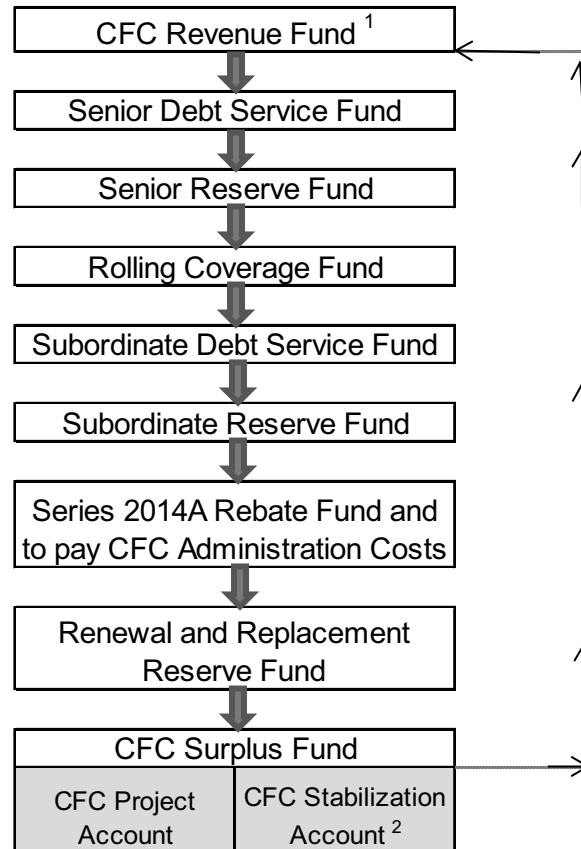
are to be applied by the Trustee to the following funds and accounts, and other payments, in the following order (see **Figure VI-1**):

- (a) To the Series 2014A Account and the Series 2014B Account (on a pro-rata basis) within the Senior Debt Service Fund, amounts sufficient to pay one-sixth of the interest due on each series of bonds on the next succeeding Interest Payment Date and one-twelfth of the principal amount due on each series of bonds on the next succeeding Principal Payment Date;
- (b) To the Senior Reserve Fund to increase the amount on deposit to equal the Senior Reserve Fund Requirement;
- (c) To the Rolling Coverage Fund, an amount necessary (if any) to increase the amount on deposit to equal the Rolling Coverage Fund Requirement;
- (d) To the Subordinate Debt Service Fund for the payment of any subordinate debt service;
- (e) To the Subordinate Reserve Fund to increase the amount on deposit to equal the Subordinate Bonds debt service reserve requirement;
- (f) To the Series 2014A Rebate Fund to cover any amounts due to the U.S. government for arbitrage rebate, if any such payments are required; and any amounts necessary to reimburse the Authority for the Costs of CFC Administration;
- (g) To the Renewal and Replacement Reserve Fund an amount equal to the Renewal and Replacement Reserve Fund Requirement for the then current Fiscal Year;
- (h) To the CFC Surplus Fund all amounts remaining in the Revenue Fund after the above transfers.

The Authority shall deposit any Project Revenues received from the Trustee as described in clause (h) above to the Surplus Fund and shall apply such Project Revenues in the order indicated below:

- (1) To the CFC Project Account during construction; and
- (2) To the CFC Stabilization Account after completion of the Project. As of the completion of the Project, the balance in the CFC Project Account will be transferred into the CFC Stabilization Fund.

**FIGURE VI-1
SERIES 2014 BONDS
FLOW OF FUNDS**



¹ Amounts deposited into the CFC Revenue Fund are: (a) Project Revenues, which primarily consist of CFC collections and Bond Funding Supplemental Consideration; and (b) any amounts transferred from the CFC Stabilization Account necessary to meet the funding requirements in the flow of funds.

² Amounts may be transferred from the CFC Stabilization Account to the CFC Revenue Fund in order to meet the funding requirements.

A \$25 million minimum targeted balance has been set for the CFC Stabilization Account (the “Minimum Targeted CFC Stabilization Account Balance”). Amounts on deposit in the CFC Stabilization Account in excess of the Minimum Targeted Stabilization Account Balance may be used by the Authority to pay certain costs associated with the common-use transportation system, as detailed in the RCC Lease Agreements.

The rental car companies will be required to pay additional payments known as “Bond Funding Supplemental Consideration” if CFCs are insufficient in any Fiscal Year to make the required payments for items listed as clauses (a) through (h) above in the description of the CFC Indenture Flow of Funds, and the balance in the CFC Stabilization Account is insufficient to cover the amount of the shortfall. The balance in the CFC Stabilization Account (if any) would first be applied to cover the amount of the shortfall in CFCs, to the extent possible. After the balance in the CFC Stabilization Account is exhausted, Bond Funding Supplemental Consideration would then be charged to the rental car companies in an amount equal to the resulting shortfall.

The CFC Indenture includes a “Minimum Annual Requirement” for the collection of CFCs. As long as any of the Bonds remain Outstanding, each Fiscal Year the aggregate amount of CFCs, Bond Funding Supplemental Consideration, if any, required to be remitted by the Rental Car Companies, certain investment earnings, and amounts transferred from the CFC Stabilization Fund (“CFC Stabilization Fund Transfers”) must be no less than the sum of the amounts required to be deposited into the funds and accounts described in clauses (a) through (h) above in the description of the CFC Indenture, and any other required payments, in the order listed in the Flow of Funds.

The CFC Indenture also contains a provision known as the “Senior Bonds Coverage Requirement.” As long as any of the Senior Bonds remain Outstanding, the aggregate amount of CFCs, certain investment earnings, amounts transferred from the CFC Surplus Fund, and Bond Funding Supplemental Consideration, if any, paid by the rental car companies in each Fiscal Year plus the amount on deposit in the Rolling Coverage Fund at the beginning of such Fiscal Year (up to an amount not to exceed 30% of the Aggregate Annual Debt Service on the Senior Bonds in such Fiscal Year) shall be no less than 1.30 times the Aggregate Annual Debt Service on the Senior Bonds coming due in such Fiscal Year.

4. RCC Lease Agreements

Ten rental car companies (the RCC Lessees) have executed RCC Lease Agreements, representing 16 rental car brands, as follows³:

³ The rental car brands listed in this section are the brands that have executed RCC Lease Agreements. The brands listed in Section IV are the brands that currently operate at SAN. One brand that does not currently operate at SAN has executed an RCC Lease Agreement (Sixt Rent A Car). Four brands that currently operate at SAN, which together accounted for an estimated 0.47% market share based on Gross Revenues, declined to participate in the RCC (A1 Rent A Car, Go Rentals, Pacific Rent-A-Car, and Pneuma Enterprises, which operates Ace and Travcar).

- Hertz (Hertz/Dollar/Thrifty/Firefly)
- Enterprise Holdings (Enterprise/Alamo/National)
- Avis Rent A Car (Avis/Zipcar)
- Budget Rent A Car
- Advantage Rent A Car
- Ez Rent A Car
- Fox Rent A Car
- Midway Rent A Car
- Payless Car Rental
- Sixt Rent A Car

The RCC Lessees have executed the Rental Car Concession Agreements (the Concession Agreements), through which the Authority grants to the RCC Lessees the right to operate a rental car concession at the Airport on a nonexclusive basis. Under the provisions of the Concession Agreements, the RCC Lessees agree to operate their rental car concessions in the premises granted to them under the provisions of the RCC Lease Agreements. All of the rental car companies that have executed Concession Agreements have also executed RCC Lease Agreements⁴.

The RCC Lease Agreements grant the RCC Lessees the right to operate their rental car concessions in the RCC. The term of each RCC Lease Agreement began when it was signed by both parties, and will extend until June 30, 2046.⁵

Under the provisions of the RCC Lease Agreements, the Authority has committed to the following:

- Construct the RCC and ancillary projects substantially in accordance with the construction documents/description identified in an exhibit to the RCC Lease Agreements.
- Endeavor to complete the RCC and ancillary projects within a cost structure that is supported by CFC collections as projected within the financial plan included as an exhibit to the RCC Lease Agreements.
- Exercise good faith efforts to ensure that CFC collections would be generated in such amounts, as allowed by California statute, and managed through funding reserves to ensure, to the extent possible, that CFC-eligible expenses would be paid entirely through CFC collections. However, by executing the RCC Lease Agreements, the RCC Lessees have acknowledged that in addition to paying all

⁴ The Authority will also enter into off-Airport concession agreements with rental car companies that will not be operating in the RCC.

⁵ However, the term may be extended under certain circumstances if there are any Bonds outstanding as of June 30, 2046.

non-eligible CFC expense items, each RCC Lessee will be responsible for its *pro rata* share of any CFC shortfall.

- Apply CFCs, to the extent available, to CFC-eligible costs in accordance with the general priorities listed in the RCC Lease Agreements, subject to the specific provisions and requirements of the CFC Indenture.
- To the extent authorized by California Government Code Section 1936, amend and adjust CFC collection rates utilizing good faith efforts to reach and maintain a goal of having CFC collections fund CFC eligible expenses, including the costs of the Project, related eligible improvements, and the Common-Use Transportation System.

By executing the RCC Lease Agreements, the RCC Lessees have agreed to the following:

- The Authority will have the right in its sole discretion to determine the financing structure for the Project using the CFCs.
- The RCC Lessees will cooperate with Authority initiatives throughout the term of the RCC Lease Agreements to secure funding for the Project or any subsequent financial transactions. Specifically, the RCC Lessee will provide to the Authority all requested data related to rental car transactions and transaction days including but not limited to monthly rental car transactions, monthly rental car transaction days, monthly rental car transaction days excluding transaction days exceeding any statutory limit for which a CFC can apply, and all other reasonable information requested from time to time by the Authority to support the Authority's financing efforts as well as to support the Authority's periodic discussions with rating agencies.
- The RCC Lessees will be responsible for funding all of their improvements that are not included in the Project definition.

The RCC Lease Agreements require the RCC Lessees to pay the following financial obligations:

- CFC – the RCC Lessees must collect and remit to the Trustee the CFC as required by the CFC Resolution.
- Supplemental Consideration- -- consisting of “Bond Funding Supplemental Consideration” and “Common-Use Transportation Cost Supplemental Consideration,” each of which will be assessed by the Authority under certain circumstances as described below, under an annual budget process stipulated in the RCC Lease Agreements.

- Land Rent – each RCC Lessee’s prorated share of the land used for the site of the RCC, calculated as the percentage obtained by dividing the square footage of each RAC’s exclusive use premises in the RCC by the total square footage of all premises in the RCC.
- Reimbursable O&M Costs – to reimburse the Authority for RCC O&M Costs incurred by the Authority.

Of the items listed above, only the CFCs and the amounts collected as Bond Funding Supplemental Consideration are pledged to the payment of the Series 2014 Bonds. Land Rent, Common-Use Transportation Cost Supplemental Consideration, and amounts paid as Reimbursable O&M Costs are not pledged to the payment of the Series 2014 Bonds.

Under the terms of the RCC Lease Agreements, the Authority is required to apply CFC collections to the CFC-eligible costs in the order consistent with the CFC Indenture, as described earlier in this section.

If CFC collections are not sufficient to fully fund the items specified in the CFC Indenture (listed as items (a) through (g) on page VI-4), and the amounts available in the CFC Surplus Fund (including the CFC Stabilization Account) are not sufficient to fund the deficiency, the RCC Lessees will be required to pay Bond Funding Supplemental Consideration to cover such deficiency.

If the balance in the CFC Stabilization Account is higher than the Minimum Targeted CFC Stabilization Account Balance, such excess amounts may be made available (“released”) to pay Common-Use Transportation Costs. If the balance in the CFC Stabilization Account is less than the Minimum Targeted CFC Stabilization Account Balance, the Authority may make a loan (the Authority Loan) of up to \$5.0 million to fund the Common-Use Transportation Costs. Interest will accrue (based on the 10-year U.S. Treasury Rate plus 250 basis points) on the outstanding balance of the Authority Loan. After all eligible payments have been made from the CFC Stabilization Account each January 1st and July 1st, the interest accrued will be paid (to the extent possible) from any moneys available in the CFC Stabilization Account in excess the Minimum Targeted CFC Stabilization Account Balance. Unpaid accrued interest will be added to the principal balance of the Authority Loan. Upon the earlier of: (1) full repayment of the Authority Loan or (2) five years after the commencement of the RCC Lease Agreements, the Authority Loan commitment will be fully exhausted and the Authority will not have any further obligation to make any loan.

If amounts released from the CFC Stabilization Account and the available proceeds of the Authority Loan are not sufficient to pay the Common-Use Transportation Costs

during any Agreement Year⁶, the RCC Lessees will be required to pay Common-Use Transportation Cost Supplemental Consideration to cover such deficiency.

At or near the beginning of each Agreement Year, the Authority will provide to the RCC Lessees a statement showing the estimated monthly installments of the following (the Supplemental Consideration Estimates) that will be due and payable by the RCC Lessees by the twentieth (20th) day of each month during such Agreement Year:

- Bond Funding Supplemental Consideration, if any (the Bond Funding Supplemental Consideration Estimate), and/or
- Common-Use Transportation Cost Supplemental Consideration, if any (the Common-Use Transportation Cost Supplemental Consideration Estimate)

The Supplemental Consideration Estimates are to be sufficient, together with the estimated or forecasted CFC collections for such Agreement Year to enable the Authority to:

- Fully fund each of the items specified in the CFC Indenture (listed as items (a) through (g) on page VI-4) for such Agreement Year, after taking into account the amounts projected to be available in the CFC Surplus Fund (including the CFC Stabilization Account) during the Agreement Year to fund any deficiencies described in clauses (a) through (g) listed on page VI-4; and
- Pay all Common-Use Transportation Costs for such Agreement Year, after taking into account any amounts anticipated to be available from the Authority Loan and any amounts projected to be released from the CFC Stabilization Account during the Agreement Year to pay Common-Use Transportation Costs.

Under the terms of the RCC Lease Agreements, an entity will be selected as an agent of the RCC Lessees, which will be responsible for paying the operation and maintenance expenses (O&M Expenses) related to the common areas of the RCC. Each Operator will be responsible for the expenses associated with the operation and maintenance of its exclusive use premises in the RCC.

B. PLAN OF FINANCE

The financial analysis assumes that the capital costs of the RCC and the CFC-eligible costs of the ancillary projects will be funded with CFCs collected prior to the opening of

⁶ An Agreement Year is defined in the Lease Agreements as “each successive year during the term of the Lease Agreements, beginning with the first day of the first full month to begin on or after the Opening Date.” The Opening Date is defined in the Lease Agreement as January 20, 2016. However, the Opening Date may be adjusted at the sole discretion of the President/CEO of the Authority upon reasonable consultation with the RCC Lessees.

the RCC and the proceeds of the Series 2014 Bonds. The estimated sources and uses of Bond proceeds are summarized on **Table VI-1**.

**TABLE VI-1
SOURCES AND USES OF BOND PROCEEDS
SERIES 2014 BONDS**

Sources of Bond Proceeds	
Par Amount of Bonds	\$322,855,000
Original Issue Premium (Discount)	(2,722,621)
Total Sources of Bond Proceeds	\$320,132,379
Uses of Bond Proceeds	
Deposit to Project Fund	\$244,577,757
Deposit to Capitalized Interest Fund	38,966,317
Deposit to Debt Service Reserve Fund	25,654,508
Deposit to Rolling Coverage Fund	7,696,352
Costs of Issuance and Rounding	3,228,550
Rounding	8,895
Total Uses of Bond Proceeds	\$320,132,379

Source: Frasca & Associates, LLC.

In addition to the capital costs funded from the proceeds of the Series 2014 Bonds, a portion of the RCC capital costs and the CFC-eligible costs of the ancillary projects are being funded with CFC collections prior to the Opening Date of the RCC. Following is a summary of the total capital costs being funded from the proceeds of the Series 2014 Bonds and CFC collections prior to the Opening Date of the RCC:

• Bond proceeds (see Table VI-1 above)	\$244,577,757
• CFC collections prior to Opening Date of the RCC	<u>\$110,246,243</u>
• Total CFC-eligible capital costs	<u>\$354,824,000⁷</u>

C. DEBT SERVICE

The debt service schedule summarized on a Fiscal Year basis is presented on **Table VI-2**. It is anticipated that the semi-annual interest payments through the January 1, 2016 interest payment will be paid from Bond proceeds. Annual debt service, net of capitalized interest, is estimated to increase from approximately \$10.1 million in FY 2016 to \$20.3 million in FY 2017 and \$25.7 million in FY 2018 and subsequent years.

⁷ See Table I-1 for a break-out of the capital costs by component.

**TABLE VI-2
ESTIMATED ANNUAL DEBT SERVICE
SERIES 2014 BONDS**

Fiscal Year	Principal	Interest	Capitalized Interest	Net Debt Service
2014	\$0	8,470,939	(\$8,470,939)	\$0
2015	0	20,330,252	(20,330,252)	0
2016	0	20,330,252	(10,165,126)	10,165,126
2017	0	20,330,252	0	20,330,252
2018	5,320,000	20,330,252	0	25,650,252
2019	5,490,000	20,159,480	0	25,649,480
2020	5,690,000	19,964,036	0	25,654,036
2021	5,945,000	19,709,124	0	25,654,124
2022	6,210,000	19,442,788	0	25,652,788
2023	6,535,000	19,114,900	0	25,649,900
2024	6,880,000	18,769,852	0	25,649,852
2025	7,245,000	18,406,588	0	25,651,588
2026	7,655,000	17,998,696	0	25,653,696
2027	8,085,000	17,567,718	0	25,652,718
2028	8,540,000	17,112,534	0	25,652,534
2029	9,110,000	16,539,500	0	25,649,500
2030	9,725,000	15,928,218	0	25,653,218
2031	10,375,000	15,275,670	0	25,650,670
2032	11,075,000	14,579,508	0	25,654,508
2033	11,815,000	13,836,376	0	25,651,376
2034	12,610,000	13,043,590	0	25,653,590
2035	13,455,000	12,197,458	0	25,652,458
2036	14,380,000	11,274,446	0	25,654,446
2037	15,365,000	10,287,978	0	25,652,978
2038	16,420,000	9,233,938	0	25,653,938
2039	17,545,000	8,107,526	0	25,652,526
2040	18,750,000	6,903,940	0	25,653,940
2041	20,035,000	5,617,690	0	25,652,690
2042	21,410,000	4,243,288	0	25,653,288
2043	22,875,000	2,774,562	0	25,649,562
2044	24,315,000	1,337,326	0	25,652,326

Source: Frasca & Associates, LLC. Following are the underlying assumptions:

- 30-year bond amortization period
- Bond issue date of February 1, 2014
- 6.608% average annual interest rate
- Interest payments due January 1 and July 1 of each year, beginning on July 1, 2014
- Principal payments due July 1 of each year, beginning on July 1, 2018
- Senior Reserve Fund and Rolling Coverage Fund to be funded from Bond proceeds

D. PROJECTED CFC COLLECTIONS

Projected CFC collections, shown on **Table VI-3**, are based on the transaction day forecast presented in **Section V**. FY 2013 CFC collections include collections from July through October 2012 when the \$10.00 per-transaction CFC was in effect, and from November 2012 through June 2013, when the \$6.00 per-transaction day CFC, limited to a maximum of five days per transaction, was effective. The CFC is scheduled to increase to \$7.50 per transaction day effective January 1, 2014, and to \$9.00 per transaction day effective January 1, 2017. CFC collections are projected to increase from approximately \$19.1 million in 2013 to \$26.5 million in FY 2014, mainly due to the increase in the per transaction day CFC level scheduled to occur on January 1, 2014. CFCs are projected to increase with the forecast increase in transaction days and the scheduled increases in the CFC rate, to \$39.3 million in FY 2023.

E. MINIMUM ANNUAL REQUIREMENT

The “Minimum Annual Requirement” In the CFC Indenture stipulates that as long as any of the Bonds remain Outstanding, in each Fiscal Year the aggregate amount of (1) CFC collections; (2) CFC Stabilization Fund Transfers (including interest earnings on the balance in the CFC Surplus Fund; (3) earnings on investments held in the Senior Debt Service Fund, the Senior Reserve Fund, the Subordinate Debt Service Fund, the Subordinate Reserve Fund, and the Rolling Coverage Fund; and (4) Bond Funding Supplemental Consideration, if any, required to be remitted by the Rental Car Companies must be no less than the sum of the amounts required to be deposited into the funds and accounts specified in the CFC Indenture (listed as items (a) through (g) on page IV-4), and any other required payments, in the order listed in the Flow of Funds.

CFC collections are projected to be sufficient to cover all required deposits to the Debt Service Fund during the projection period. Further, it is projected that there will not be any deficiencies in the Debt Service Reserve Fund, the Rolling Coverage Fund, the Subordinate Debt Service Fund, the Subordinate Reserve Fund, the Rebate Fund during the projection period – so that no deposits will be required into those funds. Other required payments and deposits were projected as follows:

- CFC Administration Costs incurred by the Authority are estimated at \$50,000 per year
- Deposits to the Renewal Replacement Reserve Fund are projected to fund the Renewal and Replacement Reserve Fund Requirement, which is stipulated in the CFC Indenture. The Renewal and Replacement Reserve Fund Required Deposit (RRRF Required Deposit) is projected to be approximately \$1.896 million per year in FY 2017 through FY 2021, when the balance is projected to equal \$9.48 million. The RRRF Required Deposit is then projected to equal approximately \$249,000 in FY 2022 and FY 2023.

**TABLE VI-3
HISTORICAL AND PROJECTED CFC COLLECTIONS
BASE FORECAST**

Fiscal Year	Transaction Days Subject to CFC ¹	CFC Collections ²
Historical		
2007	3,650,000	N/A
2008	4,059,000	N/A
2009	3,780,000	\$1,695,270
2010	3,700,000	10,782,512
2011	3,756,000	10,986,467
2012	4,002,000	11,486,962
2013	3,964,000	19,117,217
Projected		
2014	3,919,000	26,453,000
2015	3,974,000	29,805,000
2016	4,065,000	30,488,000
2017	4,118,000	33,974,000
2018	4,151,000	37,359,000
2019	4,186,000	37,674,000
2020	4,230,000	38,070,000
2021	4,277,000	38,493,000
2022	4,324,000	38,916,000
2023	4,370,000	39,330,000

¹ Projected transaction days are from the base forecast presented in Section V.

² CFC collections began in May 2009, with a \$10-per transaction CFC. A per-transaction day CFC was implemented effective November 1, 2012 at a rate of \$6.00 per day, for a maximum of five days per transaction. Projected CFC collections reflect the following planned increases in the CFC rate: \$7.50 effective January 1, 2014 and \$9.00 effective January 1, 2017.

The calculations of the projected Minimum Annual Requirement based on the financial projections are shown on **Table VI-4**. During the projection period, CFC collections and interest earnings are projected to be sufficient to cover all the required deposits into the funds and accounts specified in the Flow of Funds, so that there would not be any need for the Rental Car Companies to pay Bond Funding Supplemental Consideration, and there would be no need for any CFC Stabilization Account Transfers.

**TABLE VI-4
PROJECTED MINIMUM ANNUAL REQUIREMENT**

	Fiscal Years Ending June 30									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
CFC Collections ¹	\$26,453,000	\$29,805,000	\$30,488,000	\$33,974,000	\$37,359,000	\$37,674,000	\$38,070,000	\$38,493,000	\$38,916,000	\$39,330,000
Bond Funding Supplemental Consideration ²	0	0	0	0	0	0	0	0	0	0
Transfers from CFC Stabilization Fund ²	0	0	0	0	0	0	0	0	0	0
Interest Earnings ³	310,453	546,936	612,076	566,308	584,977	908,774	963,475	1,019,067	1,456,286	1,580,549
Total Amounts Available	\$26,763,453	\$30,351,936	\$31,100,076	\$34,540,308	\$37,943,977	\$38,582,774	\$39,033,475	\$39,512,067	\$40,372,286	\$40,910,549
Requirements										
Debt Service Fund ⁴	0	0	9,400,622	19,977,783	25,278,823	25,063,897	25,040,013	25,011,661	24,791,188	24,783,317
Senior Reserve Fund	0	0	0	0	0	0	0	0	0	0
Rolling Coverage Fund	0	0	0	0	0	0	0	0	0	0
Subordinate Debt Service	0	0	0	0	0	0	0	0	0	0
Subordinate Reserve	0	0	0	0	0	0	0	0	0	0
Rebate Fund	0	0	0	0	0	0	0	0	0	0
Costs of CFC Administration ⁵	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
R&R Reserve Fund ⁶	0	0	0	1,896,000	1,896,000	1,896,000	1,896,000	1,896,000	249,150	249,150
Total Requirements	\$50,000	\$50,000	\$9,450,622	\$21,923,783	\$27,224,823	\$27,009,897	\$26,986,013	\$26,957,661	\$25,090,338	\$25,082,467
Net-- must be at least zero	\$26,713,453	\$30,301,936	\$21,649,455	\$12,616,525	\$10,719,153	\$11,572,877	\$12,047,462	\$12,554,406	\$15,281,948	\$15,828,082

¹ From Table VI-3

² It is projected that CFC collections and interest earnings will be sufficient to cover all requirements, so that no Bond Funding Supplemental Consideration or transfers from the CFC Stabilization Account will be needed during the projection period.

³ Earnings on investments in the Senior Reserve Fund, the Rolling Coverage Fund, and the CFC Surplus Fund. Any available balance in the CFC Surplus Fund will also be available to meet the Minimum Annual Requirement, if necessary.

⁴ Principal and interest payments, net of capitalized interest (which will be funded from Bond proceeds), and net of interest earnings transferred from other funds.

⁵ Costs of CFC Administration estimated to include Authority staff time to monitor CFC collections and administration of CFC debt.

⁶ Renewal and Replacement Reserve Fund to be funded up to the required balance, over 60 months, in equal installments, beginning as of FY 2017, and adjusted for inflation.

F. RATE COVENANT AND SENIOR BONDS COVERAGE REQUIREMENT

The “Senior Bonds Coverage Requirement” In the CFC Indenture stipulates that as long as any of the Senior Bonds remain Outstanding, the aggregate amount of CFCs, certain investment earnings, and Bond Funding Supplemental Consideration, if any, paid by the rental car companies in each Fiscal Year plus the amount on deposit in the Rolling Coverage Fund at the beginning of such Fiscal Year (up to an amount not to exceed 30% of the Aggregate Annual Debt Service on the Senior Bonds in such Fiscal Year) shall be no less than 1.30 times the Aggregate Annual Debt Service on the Senior Bonds coming due in such Fiscal Year.

The calculations of the Senior Bonds Coverage Requirement based on the financial projections are shown on **Table VI-5**. Annual CFC collections, plus the balance in the Rolling Coverage Fund, are projected to result in a coverage ratio above the Senior Bonds Coverage Requirement. Therefore, it is projected that no Bond Funding Supplemental Consideration will need to be collected from the rental car companies during the projection period.

F. PROJECTED FLOW OF FUNDS

The projected Flow of Funds, pursuant to the requirements specified in the CFC Indenture and the RCC Lease Agreements, is summarized on **Table VI-6**. The projected Flow of Funds reflects the following, pursuant to the requirements of the CFC Indenture and the RCC Lease Agreements:

- The projected transfers from the CFC Revenue Fund to the Debt Service Fund reflect the amounts anticipated to be necessary to fund the monthly deposits required by the CFC Indenture for the payment of principal and interest on the Series 2014 Bonds, net of capitalized interest (which will be funded from Bond proceeds) and net of interest earnings transferred from other funds.
- The CFC Administration Costs, deposits to the Renewal and Replacement Reserve Fund, and the Common-Use Transportation Costs reflect the projected amounts described above for the coverage calculations.
- All amounts remaining in the CFC Revenue Fund after all other payments and transfers during each Fiscal Year are to be transferred to the CFC Project Account within the CFC Surplus Fund prior to the Completion Date, and to the CFC Stabilization Account on or after the Completion Date.
- As of the Completion Date, all amounts remaining in the CFC Project Account will be transferred to the CFC Stabilization Account, and the CFC Project Account will be closed.

- Common-Use Transportation Costs were estimated by the Authority based on information developed by a transportation engineering firm. Annual costs are estimated to increase from approximately \$4.8 million in FY 2016 (for one-half year of operation) to \$6.8 million in FY 2017. Annual costs are projected by the Authority to increase each year thereafter, to \$8.7 million in FY 2023.
- The balance in the CFC Stabilization Account is projected to be less than the \$25.0 million Minimum Targeted CFC Stabilization Account Balance in FY 2016. Therefore, additional moneys would be required from Common-Use Transportation Cost Supplemental Consideration or from an Authority Loan. The analysis assumes that an Authority Loan of approximately \$4.8 million will be made to cover the FY 2016 Common-Use Transportation Costs. It is projected that the balance in the CFC Stabilization Account will exceed \$25.0 million in FY 2017, and that such excess moneys will be sufficient to pay the estimated Common-Use Transportation Costs in that year. Further, it is projected that excess moneys will be available in FY 2017 (above the \$25.0 million minimum balance) after the payment of Common-Use Transportation Costs to pay interest then due and the outstanding principal balance of the Authority Loan. In FY 2018 and subsequent years, it is projected that sufficient moneys will accumulate in the CFC Stabilization Account to pay the estimated Common-Use Transportation Costs.

H. SENSITIVITY ANALYSIS

A sensitivity analysis was conducted to reflect the Low forecast scenario presented in Section V. In addition, a Stress Test was conducted, to test the potential effect of a one-time drop in rental car demand at the Airport, similar in magnitude as the decrease experienced in FY 2008 and FY 2009. During those years, rental car transaction days decreased almost 9.0 percent before recovering in FY 2010 and subsequent years. For the purpose of the Stress Test, we assumed that transaction days would decrease 10 percent in FY 2017 (the first full fiscal year of operations in the RCC). It was further assumed that transaction days would gradually recover beginning in FY 2018, at the annual growth rates assumed for the Base forecast in FY 2018 and subsequent years. The sensitivity analysis resulted in the following projections:

- Low forecast scenario
 - No Bond Funding Supplemental Consideration would be required.
 - An Authority Loan of approximately \$5.0 million would be necessary to cover the Common-Use Transportation costs in FY 2016 and a portion of those costs in FY 2017.
 - The Authority Loan would be completely repaid by the end of FY 2021.
 - The balance in the CFC Stabilization Account would remain at the Minimum Targeted CFC Stabilization Account Balance of \$25.0 million

from FY 2017 through FY 2021 and then increase above that level in FY 2022 and FY 2023.

- Approximately \$800,000 in Common-Use Transportation Supplemental Consideration would be required in FY 2017, which would be repaid from CFCs in FY 2022.
- Stress test
 - No Bond Funding Supplemental Consideration would be required.
 - An Authority Loan of \$5.0 million would be necessary to cover the Common-Use Transportation costs in FY 2016, and a portion of those costs in FY 2017 and FY 2018.
 - The Authority Loan would be partially repaid by the end of the forecast period, with a projected principal balance of approximately \$2.4 million at the end of FY 2023.
 - The balance in the CFC Stabilization Account would remain at the Minimum Targeted CFC Stabilization Account Balance of \$25.0 million from FY 2017 through the remainder of the forecast period (through FY 2023).
 - Approximately \$3.7 million in Common-Use Transportation Supplemental Consideration would be required in FY 2017 through FY 2021, which would not be repaid with CFCs during the forecast period.

Table VI-7 summarizes the key results of the Base forecast scenario, the Low forecast scenario, and the Stress Test.

**TABLE VI-5
PROJECTED DEBT SERVICE COVERAGE CALCULATIONS**

	Fiscal Years Ending June 30									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
CFC Collections ¹	\$26,453,000	\$29,805,000	\$30,488,000	\$33,974,000	\$37,359,000	\$37,674,000	\$38,070,000	\$38,493,000	\$38,916,000	\$39,330,000
Bond Funding Supplemental Consideration ²	0	0	0	0	0	0	0	0	0	0
Transfers from CFC Stabilization Fund ²	0	0	0	0	0	0	0	0	0	0
Interest Earnings ³	310,453	546,936	612,076	566,308	584,977	908,774	963,475	1,019,067	1,456,286	1,580,549
Total Amounts Available	\$26,763,453	\$30,351,936	\$31,100,076	\$34,540,308	\$37,943,977	\$38,582,774	\$39,033,475	\$39,512,067	\$40,372,286	\$40,910,549
Rolling Coverage Fund Balance ⁴	N/A	N/A	3,049,538	6,099,076	7,695,076	7,694,844	7,696,211	7,696,237	7,695,836	7,694,970
Total Amounts Available, plus Rolling Coverage Fund Balance	N/A	N/A	\$34,149,614	\$40,639,384	\$45,639,052	\$46,277,618	\$46,729,686	\$47,208,304	\$48,068,122	\$48,605,519
Aggregate Annual Debt Service	N/A	N/A	10,165,126	20,330,252	25,650,252	25,649,480	25,654,036	25,654,124	25,652,788	25,649,900
Coverage excluding Rolling Coverage Fund	N/A	N/A	3.06	1.70	1.48	1.50	1.52	1.54	1.57	1.59
Coverage including Rolling Coverage Fund	N/A	N/A	3.36	2.00	1.78	1.80	1.82	1.84	1.87	1.89

¹ From Table VI-3

² It is projected that CFC collections and interest earnings will be sufficient to cover all debt service requirements, so that no Bond Funding Supplemental Consideration or transfers from the CFC Stabilization Account (other than interest earnings) will be needed during the projection period.

³ Earnings on investments in the Senior Reserve Fund, the Rolling Coverage Fund, and the CFC Surplus Fund (including the CFC Stabilization Account).

⁴ Included in the coverage calculation is the amount on deposit in the Rolling Coverage Fund at the beginning of each Fiscal Year, up to an amount not to exceed 30% of the debt service for that Fiscal Year.

TABLE VI-6
PROJECTED FLOW OF FUNDS
Page 1 of 3

Fund/Account	Fiscal Years Ending June 30									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
CFC Revenue Fund										
Beginning Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CFC Revenues ¹	26,453,000	29,805,000	30,488,000	33,974,000	37,359,000	37,674,000	38,070,000	38,493,000	38,916,000	39,330,000
Bond Funding Supplemental Consideration ²	0	0	0	0	0	0	0	0	0	0
Costs of CFC Administration ³	(\$50,000)	(\$50,000)	(\$50,000)	(\$50,000)	(\$50,000)	(\$50,000)	(\$50,000)	(\$50,000)	(\$50,000)	(\$50,000)
Transfers to:										
Debt Service Fund ⁴	0	0	(9,400,622)	(19,977,783)	(25,278,823)	(25,063,897)	(25,040,013)	(25,011,661)	(24,791,188)	(24,783,317)
R&R Reserve Fund ⁵	0	0	0	(1,896,000)	(1,896,000)	(1,896,000)	(1,896,000)	(1,896,000)	(249,150)	(249,150)
CFC Surplus Fund ⁶										
CFC Project Account	(26,403,000)	(29,755,000)								
CFC Stabilization Account	0	0	(21,037,378)	(12,050,217)	(10,134,177)	(10,664,103)	(11,083,987)	(11,535,339)	(13,825,662)	(14,247,533)
Ending Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Debt Service Fund										
Beginning Balance	\$0	\$164,189	\$430,996	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Transfers from CFC Revenue Fund ⁴	0	0	9,400,622	19,977,783	25,278,823	25,063,897	25,040,013	25,011,661	24,791,188	24,783,317
Interest earnings ⁷	164,189	266,807	333,509	352,469	371,429	585,583	614,023	642,463	861,600	866,583
Principal and Interest Payments to Bondholders	0	0	(10,165,126)	(20,330,252)	(25,650,252)	(25,649,480)	(25,654,036)	(25,654,124)	(25,652,788)	(25,649,900)
Ending Balance	\$164,189	\$430,996	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Senior Reserve Fund										
Beginning Balance	\$0	\$25,654,508	\$25,654,508	\$25,654,508	\$25,654,508	\$25,654,508	\$25,654,508	\$25,654,508	\$25,654,508	\$25,654,508
Deposit From Bond Proceeds	25,654,508	0	0	0	0	0	0	0	0	0
Interest Income	102,618	205,236	256,545	256,545	256,545	384,818	384,818	384,818	513,090	513,090
Transfer of Interest to Debt Service Fund ⁷	(102,618)	(205,236)	(256,545)	(256,545)	(256,545)	(384,818)	(384,818)	(384,818)	(513,090)	(513,090)
Ending Balance	\$25,654,508	\$25,654,508	\$25,654,508	\$25,654,508	\$25,654,508	\$25,654,508	\$25,654,508	\$25,654,508	\$25,654,508	\$25,654,508

¹ From Table VI-3

² It is projected that CFC collections will be sufficient to cover all requirements, so that Bond Funding Supplemental Consideration will not be needed during the projection period.

³ Costs of CFC Administration estimated to include Authority staff time to monitor CFC collections and administration of CFC debt.

⁴ Amounts necessary to fund the monthly deposits required by the CFC Indenture for the payment of principal and interest, net of capitalized interest (which will be funded from Bond proceeds), and net of interest earnings transferred from other funds. It is anticipated that the first interest payment after the capitalized interest period will be due on July 1, 2016. Therefore, the monthly transfers will begin on January 1, 2016.

⁵ Renewal and Replacement Reserve Fund to be funded up to the required balance, over 60 months, in equal installments, beginning as of FY 2017, and adjusted for inflation.

⁶ At the end of each Fiscal Year, all amounts remaining in the CFC Revenue Fund after all other payments and transfers will be transferred to the CFC Project Account prior to the Completion Date, and to the CFC Stabilization Account on and after the Completion Date. As of the Completion Date, all amounts remaining in the CFC Project Account will be transferred to the CFC Stabilization Account, and the CFC Project Account will be closed.

⁷ Interest earned on amounts held in the Senior Reserve Fund, Rolling Coverage Fund, and the Renewal and Replacement Reserve Fund, and other amounts that would cause the balances in those funds to exceed the minimum required balances, are to be transferred to the Debt Service Fund.

TABLE IV-6
PROJECTED FLOW OF FUNDS
Page 2 of 3

Fund/Account	Fiscal Years Ending June 30									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Rolling Coverage Fund										
Beginning Balance	\$0	\$7,696,352	\$7,696,352	\$7,696,352	\$7,696,352	\$7,696,352	\$7,696,352	\$7,696,352	\$7,696,352	\$7,696,352
Deposit From Bond Proceeds	7,696,352	0	0	0	0	0	0	0	0	0
Interest Income	61,571	61,571	76,964	76,964	76,964	115,445	115,445	115,445	153,927	153,927
Transfer of Interest to Debt Service Fund ¹	(61,571)	(61,571)	(76,964)	(76,964)	(76,964)	(115,445)	(115,445)	(115,445)	(153,927)	(153,927)
Ending Balance	\$7,696,352	\$7,696,352	\$7,696,352	\$7,696,352	\$7,696,352	\$7,696,352	\$7,696,352	\$7,696,352	\$7,696,352	\$7,696,352
Renewal and Replacement Reserve Fund										
Beginning Balance	\$0	\$0	\$0	\$0	\$1,896,000	\$3,792,000	\$5,688,000	\$7,584,000	\$9,480,000	\$9,729,150
Transfer from CFC Revenue Fund ²	0	0	0	1,896,000	1,896,000	1,896,000	1,896,000	1,896,000	249,150	249,150
Withdrawals/Expenditures	0	0	0	0	0	0	0	0	0	0
Interest Income	0	0	0	18,960	37,920	85,320	113,760	142,200	194,583	199,566
Transfer of Interest to Debt Service Fund ¹	0	0	0	(18,960)	(37,920)	(85,320)	(113,760)	(142,200)	(194,583)	(199,566)
Ending Balance	\$0	\$0	\$0	\$1,896,000	\$3,792,000	\$5,688,000	\$7,584,000	\$9,480,000	\$9,729,150	\$9,978,300

¹ Interest earned on amounts held in the Debt Service Reserve Fund, Rolling Coverage Fund, and the Renewal and Replacement Reserve Fund, and other amounts that would cause the balances in those funds to exceed the minimum required balances, are to be transferred to the Debt Service Fund.

² Renewal and Replacement Reserve Fund to be funded up to the required balance.

TABLE VI-6
PROJECTED FLOW OF FUNDS
Page 3 of 3

Fund/Account	Fiscal Years Ending June 30									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
CFC Surplus Fund ¹										
CFC Project Account										
Beginning Balance	\$0	\$36,712,332	\$33,600,169							
Transfer from CFC Fund ²	43,310,360	0	0							
Transfer from CFC Revenue Fund	26,403,000	29,755,000	0							
To pay construction costs ³	(33,147,292)	(33,147,292)	(33,147,292)							
Interest earnings	146,264	280,129	170,265							
Transfer to CFC Stabilization Account ¹			(623,142)							
Ending Balance	\$36,712,332	\$33,600,169	\$0							
CFC Stabilization Account										
Beginning Balance			\$0	\$21,768,823	\$25,000,000	\$25,520,015	\$29,305,818	\$32,867,518	\$36,773,591	\$42,890,976
Transfer from CFC Project Account ¹			623,142	0	0	0	0	0	0	0
Transfers from CFC Revenue Fund ¹			21,037,378	12,050,217	10,134,177	10,664,103	11,083,987	11,535,339	13,825,662	14,247,533
Interest earnings			108,303	232,800	251,468	408,511	463,212	518,804	789,268	913,532
Transfers/Withdrawals			0	0	0	0	0	0	0	0
Available Balance			\$21,768,823	\$34,051,839	\$35,385,645	\$36,592,630	\$40,853,018	\$44,921,660	\$51,388,522	\$58,052,041
Target Balance ⁴			\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000
Balance Available for Common-Use Transportation Costs ⁵			\$0	\$9,051,839	\$10,385,645	\$11,592,630	\$15,853,018	\$19,921,660	\$26,388,522	\$33,052,041
Common-Use Transportation Costs			0	(6,813,634)	(7,012,295)	(7,216,916)	(7,985,500)	(8,148,069)	(8,497,546)	(8,727,848)
Available Balance (Deficit) after Common-Use Transportation Costs			\$0	\$2,238,205	\$3,373,350	\$4,375,714	\$7,867,518	\$11,773,591	\$17,890,976	\$24,324,193
Repayment of Authority Loan (including interest) ⁵			0	(2,238,205)	(2,853,334)	(69,895)	0	0	0	0
Balance in Excess of Available/Target Balance			\$0	\$0	\$520,015	\$4,305,818	\$7,867,518	\$11,773,591	\$17,890,976	\$24,324,193
Add back: Available/Targeted Balance			21,768,823	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000
Ending Balance			\$21,768,823	\$25,000,000	\$25,520,015	\$29,305,818	\$32,867,518	\$36,773,591	\$42,890,976	\$49,324,193

¹ All amounts remaining in the CFC Revenue Fund after all other payments and transfers during the Fiscal Year are to be transferred to the CFC Project Account prior to the Completion Date, and to the CFC Stabilization Account on and after the Completion Date. As of the Completion Date, all amounts remaining in the CFC Project Account will be transferred to the CFC Stabilization Account, and the CFC Project Account will be closed.

² Balance in existing CFC Fund, which will be transferred into the CFC Project Account upon the closing date.

³ Payment of CFC-eligible Project costs anticipated to be incurred after June 30, 2013 that will not be funded from the proceeds of the Series 2014 Bonds.

⁴ A minimum target balance of \$25.0 million has been set for the CFC Stabilization Account. Any amounts on deposit in excess of \$25 million will be available for the payment of Common-Use Transportation Costs.

⁵ If the balance of the CFC Stabilization Account falls below \$25.0 million, the Authority may make a loan ("Authority Loan") up to \$5.0 million to increase the pay the Common-Use Transportation Costs. Because the balance is projected to be less than \$25.0 million in FY 2016, it is assumed that the FY 2016 Common-Use Transportation Costs of \$4,779,854 will be funded from the proceeds of an Authority Loan. As the balance in the CFC Stabilization Account accumulates in excess of \$25 million, such excess balance is to be used first to pay Common-Use Transportation Costs, and then to pay interest and principal on the Authority Loan.

**TABLE VI-7
SENSITIVITY ANALYSIS**

Scenario	Fiscal Years Ending June 30									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Base Scenario										
CFC Transaction Days	3,919,000	3,974,000	4,065,000	4,118,000	4,151,000	4,186,000	4,230,000	4,277,000	4,324,000	4,370,000
CFC Collections	\$26,453,000	\$29,805,000	\$30,488,000	\$33,974,000	\$37,359,000	\$37,674,000	\$38,070,000	\$38,493,000	\$38,916,000	\$39,330,000
Debt Service Coverage	N/A	N/A	3.36	2.00	1.78	1.80	1.82	1.84	1.87	1.89
CFC Stabilization Account Balance	N/A	N/A	\$21,768,823	\$25,000,000	\$25,520,015	\$29,305,818	\$32,867,518	\$36,773,591	\$42,890,976	\$49,324,193
Authority Loan Balance	N/A	N/A	\$4,779,854	\$2,541,649	\$0	\$0	\$0	\$0	\$0	\$0
Low Scenario										
CFC Transaction Days	3,879,000	3,892,000	3,932,000	3,944,000	3,951,000	3,964,000	3,984,000	4,001,000	4,016,000	4,030,000
CFC Collections	\$26,183,000	\$29,190,000	\$29,490,000	\$32,538,000	\$35,559,000	\$35,676,000	\$35,856,000	\$36,009,000	\$36,144,000	\$36,270,000
Debt Service Coverage	N/A	N/A	3.26	1.93	1.71	1.72	1.73	1.74	1.76	1.76
CFC Stabilization Account Balance	N/A	N/A	\$19,862,364	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	\$27,290,280	\$30,320,368
Authority Loan Balance	N/A	N/A	\$4,779,854	\$5,000,000	\$3,805,580	\$2,404,889	\$1,258,083	\$0	\$0	\$0
Stress Test										
CFC Transaction Days	3,919,000	3,974,000	4,065,000	3,658,500	3,687,818	3,718,912	3,758,003	3,799,758	3,841,514	3,882,381
CFC Collections	\$26,453,000	\$29,805,000	\$30,488,000	\$30,183,000	\$33,190,000	\$33,470,000	\$33,822,000	\$34,198,000	\$34,574,000	\$34,941,000
Debt Service Coverage	N/A	N/A	3.36	1.81	1.62	1.64	1.65	1.67	1.69	1.71
CFC Stabilization Account Balance	N/A	N/A	\$21,768,823	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000
Authority Loan Balance	N/A	N/A	\$4,779,854	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$3,804,997	\$2,388,285

APPENDIX B

CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE

CERTAIN DEFINITIONS

The following are definition of certain terms used in this Official Statement, including the summary of the Indenture.

“*Account*” means any account established pursuant to the Indenture or any Supplemental Indenture.

“*Accreted Value*” means, with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the amount set forth in a Supplemental Indenture as the amount representing the initial principal amount of such Capital Appreciation Bond plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date. The Accreted Value will be determined in accordance with the provisions of the Supplemental Indenture authorizing the issuance of such Capital Appreciation Bond. All references in the Indenture to “principal” will include Accreted Value, as applicable.

“*Act*” means Section 170000 *et seq.* of the California Public Utilities Code, as amended from time to time.

“*Additional Bonds*” means one or more Series of Additional Senior Bonds or Subordinate Bonds.

“*Additional Renewal and Replacement Reserve Fund Required Deposit*” or “*Additional RRRF Required Deposit*” means 20% of any disbursements that have been made from the Renewal and Replacement Reserve Fund pursuant to the Indenture. All disbursements from the Renewal and Replacement Reserve Fund shall be repaid to such Fund as Additional Renewal and Replacement Reserve Fund Required Deposits within a period of time no greater than five (5) Fiscal Years (the first Fiscal Year for repayment being the first full Fiscal Year occurring after the date of disbursement). For example purposes only, if \$1,000,000 is disbursed from the Renewal and Replacement Reserve Fund during Fiscal Year 1, the Additional Renewal and Replacement Reserve Fund Required Deposit will be \$200,000 each Fiscal Year between Fiscal Year 2 and Fiscal Year 6 (both dates inclusive). The Additional RRRF Required Deposit will be calculated by the Authority prior to the start of each Fiscal Year and an Authorized Authority Representative will provide a written certificate to the Trustee on or before the first day of each Fiscal Year that will set forth the Additional RRRF Required Deposit for such Fiscal Year.

“*Additional Senior Bonds*” means one or more Series of Bonds issued pursuant to the Indenture and a Supplemental Indenture and designated as Senior Bonds.

“*Additional Special Facilities*” mean any improvements after construction of the Project made to the Rental Car Center, the Rental Car Center Site, the Off-Site Roadway Improvements, the Common-Use Transportation System or, if and when made, any Additional Special Facilities by the Authority pursuant to the Rental Car Lease Agreements.

“*Agreement Year*” has the meaning set forth in the Rental Car Lease Agreements. See “APPENDIX C—SUMMARY OF THE RENTAL CAR LEASE AGREEMENTS.”

“Aggregate Annual Debt Service” means for any Fiscal Year the aggregate amount of Annual Debt Service with respect to one or more designated Series of Outstanding Bonds, or if no Bonds are designated, all Bonds Outstanding under the Indenture. For purposes of calculating Aggregate Annual Debt Service, the following components of debt service will be computed as follows:

(a) in determining the amount of principal of the applicable Series of Bonds becoming due and payable in a Fiscal Year, principal payments will (unless a different clause of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule set forth in the Indenture, a Supplemental Indenture or such other governing documents setting forth the terms of such Bonds, including, as a principal payment, the Accreted Value of any Capital Appreciation Bonds maturing or scheduled for redemption in such year; and in determining the amount of interest on the applicable Series of Bonds becoming due and payable in a Fiscal Year, except to the extent clauses (b), (c), (d), (e) or (g) of this definition applies, interest payable will be made at the interest rate(s) and on the Interest Payment Dates set forth in the Indenture, a Supplemental Indenture or such other governing documents setting forth the terms of such Bonds; provided, however, that interest payable on the applicable Bonds will be excluded to the extent such payments are to be paid from Capitalized Interest for such Fiscal Year;

(b) if all or any portion or portions of an Series of Bonds constitute Balloon Indebtedness, then, for purposes of determining Aggregate Annual Debt Service, each maturity which constitutes Balloon Indebtedness will, unless otherwise provided in the Supplemental Indenture pursuant to which such Balloon Indebtedness is issued or unless clause (c) of this definition then applies to such maturity, be treated as if it were to be amortized over a term of not more than thirty (30) years and with substantially level annual debt service funding payments commencing not later than the year following the year in which such Balloon Indebtedness was issued, and extending not later than thirty (30) years from the date such Balloon Indebtedness was originally issued; the interest rate used for such computation will be (1) with respect to Tax-Exempt Bonds, that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Authority, or if the Authority fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for Fixed Rate Bonds of a corresponding term issued under the Indenture on the date of such calculation, with no credit enhancement and assuming that such Bonds would be issued as Tax-Exempt Bonds, and (2) with respect to Bonds the interest on which is not excluded from gross income for federal income tax purposes, that rate determined by a Consultant to be a reasonable market rate for taxable Fixed Rate Bonds (i.e. an index rate based on yields of United States Treasury securities) of a corresponding term issued under the Indenture on the date of such calculation, with no credit enhancement and assuming that the interest on such Bonds would be includable in gross income for federal income tax purposes; with respect to any Series of Bonds only a portion of which constitutes Balloon Indebtedness, the remaining portion will be treated as described in clause (a) above or such other provision of this definition as will be applicable and, with respect to any Series of Bonds, or that portion of a Series thereof which constitutes Balloon Indebtedness, all funding requirements of principal and interest becoming due prior to the year of the stated maturity of the Balloon Indebtedness will be treated as described in clause (a) above or such other provision of this definition as will be applicable;

(c) any maturity of Bonds which constitutes Balloon Indebtedness as described in clause (b) of this definition and for which the stated maturity date occurs within twelve (12) months from the date such calculation of Aggregate Annual Debt Service is made, will be

assumed to become due and payable on the stated maturity date and clause (b) of this definition will not apply thereto unless there is delivered to the entity making the calculation of Aggregate Annual Debt Service a certificate of an Authorized Authority Representative stating that the Authority intends to refinance such maturity and stating the probable terms of such refinancing and that the Authority will be able to deliver the certificate described in the Indenture with respect to Senior Bonds or Subordinate Bonds to successfully complete such refinancing; upon the receipt of such certificate, such Balloon Indebtedness will be assumed to be refinanced in accordance with the probable terms set out in such certificate and such terms will be used for purposes of calculating Aggregate Annual Debt Service, provided that such assumption will not result in an interest rate lower than that which would be assumed under clause (b) of this definition and will be amortized over a term of not more than thirty (30) years from the date of refinancing;

(d) if any Bonds constitute Tender Indebtedness, then, for purposes of determining Aggregate Annual Debt Service, such Bonds will be treated as if (i) the principal amount of such Bonds were to be amortized over a term of not more than thirty (30) years commencing in the year in which such Series is first subject to tender and with substantially level Annual Debt Service payments and extending not later than thirty (30) years from the date such Tender Indebtedness was originally issued, provided, however, notwithstanding the previous provisions of this subclause (i), any principal amortization schedule set forth in a Supplemental Indenture (including, but not limited to, any mandatory sinking fund redemption schedule) will be applied to determine the principal amortization of such Bonds; (ii) with respect to all interest payments becoming due on such Bonds, such payments will be treated as described in clause (a) of this definition unless the interest on such Bonds is subject to fluctuation, in which case the interest becoming due on such Bonds will be determined as provided in clause (e) of this definition; and (iii) with respect to all principal and interest payments becoming due prior to the year in which such Bonds first become subject to tender, such payments will be treated as described in clause (a) of this definition unless the interest during that period is subject to fluctuation, in which case the interest becoming due prior to such first tender date will be determined as provided in clause (e) of this definition;

(e) if any Bonds constitute Variable Rate Indebtedness, including obligations described in clause (d) or (g)(ii) of this definition to the extent it applies (except to the extent clause (b) or (c) of this definition relating to Balloon Indebtedness or clause (d) of this definition relating to Tender Indebtedness or clause (g)(i) of this definition relating to Synthetic Fixed Rate Debt applies), the interest rate used for such computation will be (1) with respect to Tax-Exempt Bonds, that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Authority, or if the Authority fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for Fixed Rate Bonds of a corresponding term issued under the Indenture on the date of such calculation, with no credit enhancement and assuming that such Bonds would be issued as Tax-Exempt Bonds, and (2) with respect to Bonds the interest on which is not excluded from gross income for federal income tax purposes, that rate determined by a Consultant to be a reasonable market rate for taxable Fixed Rate Bonds (i.e. an index rate based on yields of United States Treasury securities) of a corresponding term issued under the Indenture on the date of such calculation, with no credit enhancement and assuming that the interest on such Bonds would be includable in gross income for federal income tax purposes;

(f) debt service on Repayment Obligations, to the extent such obligations constitute Bonds under the Indenture, will be calculated as provided in the Indenture;

(g) (i) for purposes of computing the Aggregate Annual Debt Service of Bonds which constitute Synthetic Fixed Rate Debt, the interest payable thereon will, if the Authority elects, be that rate as provided for by the terms of the Qualified Swap Agreement or the net interest rate payable pursuant to offsetting indices, as applicable, or if the Authority does not elect such rate, then it will be deemed to be (1) with respect to Tax-Exempt Bonds, that fixed interest rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Authority, or if the Authority fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for Fixed Rate Bonds of a corresponding term issued under the Indenture on the date of such calculation, with no credit enhancement and assuming that such Bonds would be issued as Tax-Exempt Bonds, and (2) with respect to Bonds the interest on which is not excluded from gross income for federal income tax purposes, that fixed interest rate determined by a Consultant to be a reasonable market rate for taxable Fixed Rate Bonds (i.e. an index rate based on yields of United States Treasury securities) of a corresponding term issued under the Indenture on the date of such calculation, with no credit enhancement and assuming that the interest on such Bonds would be includable in gross income for federal income tax purposes;

(ii) for purposes of computing the Aggregate Annual Debt Service of Bonds with respect to which a Qualified Swap Agreement has been entered into whereby the Authority has agreed to pay the floating variable rate thereunder, no fixed interest rate amounts payable on the Bonds to which such Qualified Swap Agreement pertains will be included in the calculation of Aggregate Annual Debt Service, and the interest rate with respect to such Bonds will be the sum of that rate as determined in accordance with clause (e) of this definition relating to Variable Rate Indebtedness plus the difference between the interest rate on the Designated Debt and the rate received from the Swap Provider; and

(h) if moneys, Permitted Investments or any other amounts not included in the Trust Estate have been used to pay or have been irrevocably committed or irrevocably deposited with and are held by the Trustee or another fiduciary to pay principal and/or interest (including Capitalized Interest) on specified Bonds, then the principal and/or interest (including Capitalized Interest) to be paid from such moneys, Permitted Investments, other amounts not included in the Trust Estate or from the earnings thereon will be disregarded and not included in calculating Aggregate Annual Debt Service.

“*Airport*” means San Diego International Airport (Lindbergh Field).

“*Airport Customer*” has the meaning set forth in the Rental Car Lease Agreements. See “APPENDIX C—SUMMARY OF THE RENTAL CAR LEASE AGREEMENTS.”

“*Airport System*” means all airports, airport sites, and all equipment, accommodations and facilities for aerial navigation, flight, instruction and commerce under the jurisdiction and control of the Authority, including the Airport, and any successor entities thereto, including all facilities and property related thereto, real or personal, under the jurisdiction or control of the Authority or in which the Authority has other rights or from which the Authority derives revenues at such location, and including or excluding, as the case may be, such property as the Authority may either acquire or which will be placed under its control, or divest or have removed from its control.

“Annual Debt Service” means, with respect to any Bond, the aggregate amount required to be on deposit in the Senior Debt Service Fund, the Subordinate Debt Service Fund or such other Fund or Account during the current Fiscal Year to satisfy the funding requirements for the payment of principal and interest becoming due and payable during such Fiscal Year or in a future Fiscal Year, and if a Qualified Swap Agreement is in effect for any Bond, plus the amount payable by the Authority (or the Trustee) under the Qualified Swap Agreement in accordance with the terms thereof, less any amount to be received by the Authority from the Swap Provider pursuant to the Qualified Swap Agreement, calculated using the principles and assumptions set forth in the definition of Aggregate Annual Debt Service.

“Authority” means the San Diego County Regional Airport Authority, created under the provisions of the Act, and any successor to its function. Any action required or authorized to be taken by the Authority in the Indenture may be taken by the Authorized Authority Representative with such formal approvals by the Authority as are required by the policies and practices of the Authority and applicable laws; provided, however, that any action taken by the Authorized Authority Representative in accordance with the provisions of the Indenture will conclusively be deemed by the Trustee and the Owners to be the act of the Authority without further evidence of the authorization thereof by the Authority.

“Authority Loan” or *“Authority Loans”* has the meaning set forth in the Rental Car Lease Agreements. See “APPENDIX C—SUMMARY OF THE RENTAL CAR LEASE AGREEMENTS.”

“Authorized Authority Representative” means the Executive Director of the Authority, or such other officer or employee of the Authority or other person designated by the Executive Director as an Authorized Authority Representative by written notice delivered by the Executive Director to the Trustee.

“Authorized Denomination” means (a) with respect to the Series 2014 Bonds, \$5,000 or any integral multiple thereof; and (b) with respect to any Series of Additional Bonds, such amounts as will be specified in the Supplemental Indenture relating thereto.

“Available Amounts” has the meaning set forth under the heading “THE INDENTURE—Casualty and Condemnation” set forth below.

“Balloon Indebtedness” means, with respect to any Series of Bonds 50% or more of the principal of which matures on the same date or within a Fiscal Year, that portion of such Series which matures on such date or within such Fiscal Year; provided, however, that to constitute Balloon Indebtedness the amount of Bonds of a Series maturing on a single date or within a Fiscal Year must equal or exceed 150% of the amount of such Series which matures during any Fiscal Year. For purposes of this definition, the principal amount maturing on any date will be reduced by the amount of such Bonds, scheduled to be amortized by prepayment or redemption prior to their stated maturity date.

“Beneficial Owner” means, so long as the Bonds are Book-Entry Bonds, any Person who acquires a beneficial ownership interest in a Bond held by the Securities Depository. If at any time the Bonds are not Book-Entry Bonds, Beneficial Owner means the Owner for purposes of the Indenture.

“Bond Counsel” means Kutak Rock LLP or any other attorney at law or firm of attorneys, selected by the Authority, of nationally recognized standing in matters pertaining to the issuance of municipal securities and the tax-exempt nature of interest on municipal securities issued by states and their political subdivisions.

“Board” means the board of directors of the Authority established pursuant to the provisions of the Act.

“*Bond Funding Supplemental Consideration*” means the additional payment obligations required to be made by the Rental Car Companies pursuant to the Rental Car Lease Agreements to fund the required deposits as described in the FIRST through SEVENTH clauses under the subheading “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS—Flow of Funds,” set forth in the forepart of this Official Statement, in the event CFCs and amounts available in the CFC Surplus Fund (including the CFC Stabilization Account) are not sufficient to make such deposits in full.

“*Bondholder*,” “*holder*,” “*Owner*” or “*owner*” means, as of any time, the registered owner of any Bond as shown in the Registration Books kept by the Trustee as Registrar.

“*Bonds*” means the Series 2014 Bonds and any Additional Bonds issued and Outstanding from time to time.

“*Book-Entry Bonds*” means the Bonds held by DTC (or its nominee) as the Bondholder thereof pursuant to the terms and provisions of the Indenture. The Series 2014 Bonds will be issued as Book-Entry Bonds.

“*Business Day*” means a day on which banks located in New York, New York, in San Diego, California, and in the city in which the principal corporate trust office of the Trustee is located are open, provided that such term may have a different meaning for any specified Series of Bonds if so provided by Supplemental Indenture.

“*Capital Appreciation Bonds*” mean Bonds all or a portion of the interest on which is compounded and accumulated at the rates and on the dates set forth in a Supplemental Indenture and is payable only upon redemption or on the maturity date of such Bonds. Bonds which are issued as Capital Appreciation Bonds, but later convert to Bonds on which interest is paid periodically will be Capital Appreciation Bonds until the conversion date and from and after such conversion date will no longer be Capital Appreciation Bonds, but will be treated as having a principal amount equal to their Accreted Value on the conversion date.

“*Capitalized Interest*” means the amount of interest on Bonds, if any, funded from the proceeds of the Bonds or other monies that are deposited with the Trustee in the Senior Debt Service Fund or the Subordinate Debt Service Fund, as applicable, as will be described in the Indenture or a Supplemental Indenture upon issuance of Bonds to be used to pay interest on the Bonds.

“*CFC*” or “*Customer Facility Charge*” means the customer facility charge or charges authorized by the CFC Law, imposed by the Authority pursuant to the CFC Resolution on rental car transactions occurring on or about the Airport and required to be collected by the Rental Car Companies and remitted to the Trustee, as assignee of the Authority, as further described and provided in the Rental Car Lease Agreements.

“*CFC Law*” means Section 1936 *et seq.* of the California Civil Code, as amended from time to time, or any other applicable State law the provisions of which address the imposition of CFCs.

“*CFC Project Account*” means the Account of such designation established by the Authority in the CFC Surplus Fund pursuant to the Indenture and as further described in the Indenture.

“*CFC Resolution*” means, collectively, Resolution No. 2012-0111 adopted by the Board on October 4, 2012, as such resolution may be amended and supplemented from time to time, and any other resolution that may be adopted by the Board in the future with respect to the imposition of CFCs by the Authority on rental car transactions occurring on or about the Airport.

“*CFC Revenue Fund*” means the Fund of such designation established by the Trustee pursuant to the Indenture and as further described in the Indenture.

“*CFC Stabilization Account*” means the Account of such designation established by the Authority in the CFC Surplus Fund pursuant to the Indenture and as further described in the Indenture. The CFC Stabilization Account is referred to as the Authority CFC Stabilization Account in the Rental Car Lease Agreements.

“*CFC Surplus Fund*” means the Fund of such designation established by the Authority pursuant to the Indenture and as further described in the Indenture.

“*Chair of the Board*” means the person at a given time who is the chair of the Board, as provided for in the Act.

“*Closing Date*” means February 19, 2014, the date of issuance and delivery of the Series 2014 Bonds to the initial purchasers thereof against payment therefor.

“*Code*” means the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations applicable with respect thereto.

“*Common-Use Transportation Costs*” has the meaning set forth in the Rental Car Lease Agreements. See “APPENDIX C—SUMMARY OF THE RENTAL CAR LEASE AGREEMENTS.”

“*Common-Use Transportation Cost Supplemental Consideration*” has the meaning set forth in the Rental Car Lease Agreements. See “APPENDIX C—SUMMARY OF THE RENTAL CAR LEASE AGREEMENTS.”

“*Common-Use Transportation System*” means the system of equipment and associated improvements by which rental car customers are transported between the Airport terminal(s) and the Rental Car Center, as more specifically described in the Rental Car Lease Agreements.

“*Completion Certificate*” means the certificate delivered by the Authority as required pursuant to the Indenture.

“*Completion Date*” means the date on which the acquisition, construction, equipping and furnishing of the Project are completed substantially in accordance with the requirements described in the Rental Car Lease Agreements, as evidenced by the delivery of a Completion Certificate.

“*Completion Senior Bonds*” means Additional Senior Bonds issued by the Authority in an aggregate principal amount not to exceed 10% of the original principal amount of the Series 2014 Bonds or Additional Senior Bonds for the purposes of completing the acquisition, construction, equipping and furnishing of the Project or an Additional Special Facility, as applicable.

“*Concession Fees*” has the meaning set forth in the Rental Car Lease Agreements. See “APPENDIX C—SUMMARY OF THE RENTAL CAR LEASE AGREEMENTS.”

“*Construction Fund*” means the Fund of such designation established by the Trustee pursuant to the Indenture and as further described in the Indenture.

“*Consultant*” means any one or more consultants selected by the Authority with expertise in the administration, financing, planning, maintenance and operations of airports and facilities thereof

(including, rental car facilities) and qualified to review and assess the anticipated CFCs and recommend to the Authority the amount of the CFC, and Bond Funding Supplemental Consideration, if required, and who, in the case of an individual, will not be a member, officer or employee of the Authority.

“Costs of CFC Administration” means any and all costs incurred or paid by Authority in connection with the administration of the Customer Facility Charge or the Transportation and Facility Charge, the payment of the Bond obligations or the satisfaction of any and all non-financial obligations under the Bonds (or any of them). Without limiting the generality of the foregoing, Costs of CFC Administration include (but are not limited to) bank charges, the cost of an independent trustee responsible for the collection, handling and disbursement of the Customer Facility Charge or Transportation and Facility Charge, the cost of Customer Facility Charge or Transportation and Facility Charge audits, and the cost of any insurance policies required by the Bonds.

“Costs of the Project” means any and all costs (eligible to be paid with CFCs in accordance with the CFC Law) that are incurred or paid by Authority specifically arising from and in connection with the design, planning, development, financing, permitting, construction, installation, equipping, furnishing, improving and/or acquiring of the Project. Without limiting the generality of the foregoing, Costs of the Project include (but are not limited to): (a) the costs of real or personal property, rights, franchises, easements and other interests in property, real or personal, and the cost of demolishing or removing structures and site preparation, infrastructure development, and landscaping and acquisition of land to which structures may be removed; (b) the costs of materials and supplies, machinery, equipment, vehicles, rolling stock, furnishings, improvements and enhancements; (c) labor and related costs and the costs of services provided, including costs of consultants, advisors, architects, engineers, construction managers, accountants, planners, attorneys, financial and feasibility consultants, in each case, whether an employee of the Authority or a Consultant; (d) costs of the Authority properly allocated to the Project and with respect to costs of its employees or other labor costs, including the cost of medical, pension, retirement and other benefits as well as salary and wages and the allocable costs of administrative, supervisory and managerial personnel and the properly allocable cost of benefits provided for such personnel; (e) the financing expenses, including costs related to issuance of and securing of the Bonds, costs of Credit Facilities, Liquidity Facilities, Capitalized Interest, deposits to the Senior Revenue Fund, deposits to the Subordinate Reserve Fund, if any, deposits to the Rolling Coverage Fund, if any, and Trustee’s fees and expenses; (f) any swap termination payments due in connection with a Series of Bonds or the failure to issue such Series of Bonds, and (g) such other costs and expenses that can be capitalized under generally accepted accounting principles in effect at the time the cost is incurred by the Authority. Notwithstanding anything to the contrary in the foregoing, Costs of the Project will only include those costs that are authorized to be paid with CFCs in accordance with the provisions of the CFC Law.

“Credit Facility” means a policy of municipal bond insurance, a letter of credit, surety bond, line of credit, guarantee, standby purchase agreement, Reserve Fund Surety Policy or other financial instrument which obligates a third party to make payment of or provide funds to the Trustee for the payment of the principal of and/or interest on Bonds whether such obligation is to pay in the first instance and seek reimbursement or to pay only if the Authority fails to do so.

“Credit Provider” means the party obligated to make payment of principal of and interest on the Bonds under a Credit Facility.

“Customer Service Building” has the meaning set forth in the Rental Car Lease Agreements. See “APPENDIX C—SUMMARY OF THE RENTAL CAR LEASE AGREEMENTS.”

“Designated Debt” means a specific indebtedness designated by the Authority with the intent that the risks associated with such debt be offset with a Qualified Swap Agreement, such specific indebtedness to include all or any part of a Series of Bonds.

“Director, Corporate Services/Authority Clerk” means the person at a given time who is the director, corporate services of the Authority/Authority Clerk, as provided for in the Act, or such other title as the Authority may from time to time assign for such position, and the officer or officers succeeding to such position as certified to the Trustee by the Authority.

“Draw Down Date” means the 25th day of each month or, if such day is not a Business Day, the next succeeding Business Day of each month that any Bonds remain Outstanding.

“Event of Default” has the meaning ascribed to it under the subheading “THE INDENTURE—Events of Default and Remedies—Events of Default.”

“Executive Director” means the person at a given time who is the executive director of the Authority, as provided for in the Act, or such other title as the Authority may from time to time assign for such position, including, but not limited to President/CEO, and the officer or officers succeeding to such position as certified to the Trustee by the Authority.

“Facility Rent” has the meaning set forth in the Rental Car Lease Agreements. See “APPENDIX C—SUMMARY OF THE RENTAL CAR LEASE AGREEMENTS.”

“Fiscal Year” means the period of time beginning on July 1 of each given year and ending on June 30 of the immediately subsequent year, or such other similar period as the Authority designates as its fiscal year.

“Fitch” means Fitch Ratings, Inc., its successors and its assigns, and, if for any reason it no longer performs the functions of a nationally recognized statistical rating organization, “Fitch” will be deemed to refer to any nationally recognized statistical rating organization designated by the Authority.

“Fixed Rate” means one or more nonfloating, nonvariable interest rates which apply to a Series of Bonds.

“Fund” means any fund established pursuant to the Indenture or any Supplemental Indenture.

“Government Obligations” means (a) United States Obligations (including obligations issued or held in book-entry form), (b) prerefunded municipal obligations meeting the following conditions: (i) the municipal obligations are not subject to redemption prior to maturity, or the trustee for such obligations has been given irrevocable instructions concerning their calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions; (ii) the municipal obligations are secured by cash and/or United States Obligations, which United States Obligations may be applied only to interest, principal and premium payments of such municipal obligations; (iii) the principal of and interest on the United States Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the municipal obligations; (iv) the United States Obligations serving as security for the municipal obligations are held by an escrow agent or trustee; (v) the United States Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and (vi) the municipal obligations are rated in the highest rating category by one or more of the Rating Agencies; and (c) any other type of security or obligation which the Rating Agencies then maintaining ratings on the Bonds to be defeased have determined to be permitted defeasance securities.

“*Indenture*” means the Trust Indenture, dated as of February 1, 2014, by and between the Authority and the Trustee, as amended and supplemented from time to time.

“*Insurance and Condemnation Proceeds Account*” means the Account of such designation established by the Trustee in the Construction Fund pursuant to the Indenture.

“*Interest Payment Date*” means, (a) for the Series 2014 Bonds, January 1 and July 1 of each year that the Series 2014 Bonds remain Outstanding, commencing July 1, 2014, and (b) for any Additional Bonds, the dates set forth in the Supplemental Indenture entered into in connection with the issuance of such Additional Bonds.

“*Investment Agreement*” means an investment agreement or guaranteed investment contract (a) with or guaranteed by a national or state chartered bank or savings and loan, an insurance company or other financial institution whose unsecured debt is rated in the highest short-term rating category (if the term of the Investment Agreement is less than three years) or in either of the two highest long-term Rating Categories (if the term of the Investment Agreement is three years or longer) by one or more of the Rating Agencies, or (b) which investment agreement or guaranteed investment contract is fully secured by obligations described in clauses (a) or (b) of the definition of Permitted Investments which are (i) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 103% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (ii) held by the Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee or the Authority, as applicable, (iii) subject to a perfected first lien on behalf of the Trustee or the Authority, as applicable, and (iv) free and clear from all third-party liens.

“*Land Rent*” has the meaning set forth in the Rental Car Lease Agreements. See “APPENDIX C—SUMMARY OF THE RENTAL CAR LEASE AGREEMENTS.”

“*Laws*” means all present and future laws, rules, regulations, directives, permits, executive orders, other governmental orders and conditions of any permits or other governmental approvals applicable to the Indenture, the Bonds, the Rental Car Companies, the Rental Car Center, the Rental Car Center Site, the Common-Use Transportation System, the Project or the use thereof, or any of them from time to time, foreseen, unforeseen; provided, however, that rules, directives and regulations of the Authority will only be deemed “*Laws*” if generally applicable at the Airport.

“*Liquidity Facility*” means a letter of credit, line of credit, standby purchase agreement or other financial instrument, including a Credit Facility, which is available to provide funds with which to purchase Bonds.

“*Liquidity Provider*” means the entity, including a Credit Provider, which is obligated to provide funds to purchase Bonds under the terms of a Liquidity Facility.

“*Maximum Aggregate Annual Debt Service*” means the maximum amount of Aggregate Annual Debt Service with respect to all Bonds, Senior Bonds or Subordinate Bonds, as applicable, in the then current or any future Fiscal Year.

“*Maximum Rate*” means the maximum rate of interest on the relevant obligation as may be established by a Supplemental Indenture entered into in connection with the issuance of any Additional Bonds, and in all events, a rate not exceeding that permitted by applicable Law.

“*Minimum Targeted CFC Stabilization Account Balance*” means \$25,000,000.

“*Minimum Annual Requirement*” has the meaning set forth under the subheading “INDENTURE—Collection of Customer Facility Charges; Rate Covenant (Minimum Annual Requirement; Senior Bonds Coverage Requirement).”

“*Moody’s*” means Moody’s Investors Service, Inc., its successors and its assigns, and, if for any reason it no longer performs the functions of a nationally recognized statistical rating organization, “*Moody’s*” will be deemed to refer to any nationally recognized statistical rating organization designated by the Authority.

“*Net Proceeds*” has the meaning set forth under the heading “THE INDENTURE—Casualty and Condemnation” below.

“*Off-Airport Rental Car Company*” means and refers to any Person operating a rental car concession from a location other than the Rental Car Center.

“*Off-Site Roadway Improvements*” means those improvements to the roadways, sidewalks and other transportation infrastructure identified in the plans and specifications set forth in the Rental Car Lease Agreements and to be made by the Authority in connection with the development of the Rental Car Center or any Additional Special Facilities to be made off the Rental Car Center Site.

“*Opening Date*” has the meaning set forth in the Rental Car Lease Agreements. See “APPENDIX C—SUMMARY OF THE RENTAL CAR LEASE AGREEMENTS.”

“*Outstanding*” when used with respect to Bonds means all Bonds which have been authenticated and delivered under the Indenture and any Supplemental Indenture, except:

- (a) Bonds cancelled or purchased by the Trustee for cancellation or delivered to or acquired by the Trustee for cancellation and, in all cases, with the intent to extinguish the debt represented thereby;
- (b) Bonds deemed to be paid in accordance with the Indenture;
- (c) Bonds in lieu of which other Bonds have been authenticated under the provisions of the Indenture;
- (d) Bonds that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment of which sufficient moneys, including interest accrued to the due date, are held by the Trustee or a Paying Agent;
- (e) Bonds which, under the terms of the Indenture or a Supplemental Indenture pursuant to which they were issued, are deemed to be no longer Outstanding;
- (f) Repayment Obligations deemed to be Bonds under the Indenture to the extent such Repayment Obligation arose under the terms of a Liquidity Facility and are secured by a pledge of Outstanding Bonds acquired by the Liquidity Provider; and
- (g) for purposes of any consent or other action to be taken by the holders of a specified percentage of Bonds under the Indenture, Bonds held by or for the account of the Authority or by any Person controlling, controlled by or under common control with the Authority, unless such Bonds are pledged to secure a debt to an unrelated party.

“*Owner*,” “*owner*,” “*Bondholder*” or “*holder*” means, as of any time, the registered owner of any Bond as shown in the Registration Books kept by the Trustee as Registrar.

“*Participant*” means, with respect to DTC or another Securities Depository, a member of or participant in DTC or such other Securities Depository, respectively.

“*Paying Agent*” means the Trustee or any other paying agent appointed in accordance with the Indenture.

“*Payment Date*” means each Interest Payment Date, Principal Payment Date or any other date on which any principal of, premium, if any, or interest on any Bond is due and payable for any reason, including without limitation upon any redemption of the Series 2014 Bonds pursuant to the Indenture.

“*Permitted Investments*” means any of the following, but only to the extent permitted by the laws of the State and the Authority’s investment policy:

- (a) United States Obligations;
- (b) Obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following instrumentalities or agencies of the United States of America: Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Financing Bank; Government National Mortgage Association; Federal National Mortgage Association; Student Loan Marketing Association; Federal Farm Credit Bureau; Farmers Home Administration; Federal Home Loan Mortgage Corporation; and Federal Housing Administration;
- (c) Direct and general long-term obligations of any state, which obligations are rated in one of the two highest Rating Categories by one or more of the Rating Agencies;
- (d) Direct and general short-term obligations of any state which obligations are rated in the highest Rating Category by one or more of the Rating Agencies;
- (e) Interest-bearing demand or time deposits (including certificates of deposit) or interests in money market portfolios issued by state banks or trust companies or national banking associations that are members of the Federal Deposit Insurance Corporation (“**FDIC**”) or by savings and loan associations that are members of the FDIC, which deposits or interests must either be (i) continuously and fully insured by FDIC and with banks that are rated at least in the highest short-term Rating Category by one or more of the Rating Agencies or is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies; or (ii) fully secured by obligations described in clause (a) or (b) of this definition of Permitted Investments (A) which are valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to the principal amount of the investment, (B) held by the Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee or the Authority, as applicable, (C) subject to a perfected first lien in favor of the Trustee or the Authority, as applicable, and (D) free and clear from all third-party liens;
- (f) Long-term or medium-term corporate debt guaranteed by any corporation that is rated in one of the two highest Rating Categories by one or more of the Rating Agencies;
- (g) Repurchase agreements which are (A) entered into with banks or trust companies organized under state law, national banking associations, insurance companies or government

bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and which either are members of the Security Investors Protection Corporation or with a dealer or parent holding company that has an investment grade rating from one or more of the Rating Agencies and (B) fully secured by obligations specified in clause (a) or (b) of this definition of Permitted Investments (1) which are valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at least equal to the amount invested in the repurchase agreements, (2) held by the Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee or the Authority, as applicable, (3) subject to a perfected first lien in favor of the Trustee or the Authority, as applicable, and (4) free and clear from all third-party liens;

(h) Prime commercial paper of a United States corporation, finance company or banking institution rated in the highest short-term Rating Category of one or more of the Rating Agencies;

(i) Shares of a diversified open-end management investment company (as defined in the Investment Company Act of 1940, as amended) or shares in a regulated investment company (as defined in Section 851(a) of the Code) that is (A) a money market fund that has been rated in one of the two highest Rating Categories by one or more of the Rating Agencies or (B) a money market fund or account of the Trustee or its affiliates or any state or federal bank that is rated at least in the highest short-term Rating Category by one or more of the Rating Agencies or is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies, or whose own bank holding company parent is rated at least in the highest short-term Rating Category by one or more of the Rating Agencies or is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies, or that has a combined capital and surplus of not less than \$50,000,000 (all investments included in this clause (i) may include funds which the Trustee or its affiliates provide investment advisory or other management services);

(j) Interest bearing notes issued by a banking institution having a combined capital and surplus of at least \$500,000,000 and whose senior debt is in the highest Rating Category by one or more of the Rating Agencies;

(k) Public housing bonds issued by public agencies which are either unconditionally guaranteed as to principal and interest by the United States of America, or rated in the highest Rating Category by one or more of the Rating Agencies;

(l) Obligations issued or guaranteed by Private Export Funding Corporation, Resolution Funding Corporation and any other instrumentality or agency of the United States of America;

(m) Investment Agreements;

(n) Any other type of investment consistent with Authority policy in which the Authority directs the Trustee to invest provided that there is delivered to the Trustee a certificate of an Authorized Authority Representative stating that each of the Rating Agencies then maintaining a rating on the Bonds has been informed of the proposal to invest in such investment and each of such Rating Agencies has confirmed that such investment will not adversely affect the rating then assigned by such rating agency to any of the Bonds;

(o) Any state administered pool investment fund in which the Authority is statutorily permitted or required to invest (including but not limited to the State of California Local Agency

Fund (“LAIF”) established pursuant to Section 16429.1 et seq. of the Government Code of the State);

(p) The San Diego County Investment Pool (“SDCIP”). The Authority may invest in SDCIP up to the LAIF statutory limit; and

(q) any other investment which is a permitted investment of the Authority in accordance with the laws of the State.

“*Person*” means a corporation, association, partnership, limited liability company, joint venture, trust, organization, business, individual or government or any governmental agency or political subdivision thereof.

“*Principal Amount*” or “*principal amount*” means, as of any date of calculation, (a) with respect to any Capital Appreciation Bond, the Accreted Value thereof (the difference between the stated amount to be paid at maturity and the Accreted Value being deemed unearned interest), and (b) with respect to any other Bonds, the principal amount of such Bond payable at maturity.

“*Principal Payment Date*” means July 1 of each year in which principal of the Bonds of any Series is due and payable.

“*Project*” means the Rental Car Center, the Off-Site Roadway Improvements, the Common-Use Transportation System (including shuttle buses or such other modes of transportation used as part of the Common-Use Transportation System), the associated enabling projects, structures, roadways, facilities, infrastructure improvements to utilities and other infrastructure to support the Rental Car Center, the Off-Site Roadway Improvements and the Common-Use Transportation System, and all other improvements, fixtures, equipment and facilities incorporated in the Rental Car Center, the Rental Car Center Site, the Off-Site Roadway Improvements and the Common-Use Transportation System.

“*Project Revenues*” means CFCs, Bond Funding Supplemental Consideration and any other sums paid to the Trustee or the Authority for deposit in the CFC Revenue Fund.

“*QTA Space*” has the meaning set forth in the Rental Car Lease Agreements. See “APPENDIX C—SUMMARY OF THE RENTAL CAR LEASE AGREEMENTS.”

“*Qualified Swap Agreement*” means an agreement between the Authority and a Swap Provider under which the Authority agrees to pay the Swap Provider an amount calculated at an agreed-upon rate or index based upon a notional amount and the Swap Provider agrees to pay the Authority for a specified period of time an amount calculated at an agreed-upon rate or index based upon such notional amount, where (a) each Rating Agency (if such Rating Agency also rates the unsecured obligations of the Swap Provider or its guarantor) has assigned to the unsecured obligations of the Swap Provider or of the Person who guarantees the obligation of the Swap Provider to make its payments to the Authority, as of the date the swap agreement is entered into, a rating that is equal to or higher than the rating then assigned to the Senior Bonds by such Rating Agency (without regard to any Credit Facility); and (b) the Authority has notified each Rating Agency (whether or not such Rating Agency also rates the unsecured obligations of the Swap Provider or its guarantor) in writing, at least 15 days prior to executing and delivering the swap agreement, of its intention to enter into the swap agreement.

“*Rating Agency*” and “*Rating Agencies*” means Fitch, Moody’s or S&P, or any other nationally recognized rating agency of municipal obligations, but only if such Rating Agency or Rating Agencies

have been requested by the Authority to maintain a rating on the Bonds and such Rating Agency or Rating Agencies are then maintaining a rating on any of the Bonds.

“*Rating Category*” and “*Rating Categories*” means (a) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier, and (b) with respect to any short-term rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

“*Ready/Return Area*” has the meaning set forth in the Rental Car Lease Agreements. See “APPENDIX C—SUMMARY OF THE RENTAL CAR LEASE AGREEMENTS.”

“*Rebate Fund*” means each of the Series 2014A Rebate Fund or any other rebate fund established pursuant to a Supplemental Indenture or a tax compliance certificate with respect to a Series of Tax-Exempt Bonds.

“*Record Date*” means (a) with respect to the Series 2014 Bonds, the close of business on the 15th day of the month immediately preceding the month in which a Payment Date occurs; and (b) with respect to any other Series of Bonds, the date specified in the Supplemental Indenture providing for the issuance of such Series of Bonds.

“*Refunding Senior Bonds*” means one or more Series of Senior Bonds issued pursuant to the Indenture to refund Outstanding Senior Bonds.

“*Refunding Subordinate Bonds*” means one or more Series of Subordinate Bonds issued pursuant to the Indenture to refund Outstanding Bonds.

“*Registrar*” means the Trustee acting as the Bond registrar under the Indenture.

“*Registration Books*” means the register of the record owners of the Bonds maintained by the Registrar.

“*Reimbursable O&M Costs*” has the meaning set forth in the Rental Car Lease Agreements. See “APPENDIX C—SUMMARY OF THE RENTAL CAR LEASE AGREEMENTS.”

“*Renewal and Replacement Reserve Fund*” means the Fund of such designation established by the Trustee pursuant to the Indenture and as further described in the Indenture.

“*Renewal and Replacement Reserve Fund Required Deposit*” or “*RRRF Required Deposit*” means the amount that is required to be deposited to the Renewal and Replacement Reserve Fund each Fiscal Year as calculated pursuant to the instructions set forth under the heading “EXHIBIT 2 TO APPENDIX B—FORMULA FOR CALCULATING RENEWAL AND REPLACEMENT RESERVE FUND REQUIRED DEPOSIT.” The Renewal and Replacement Reserve Fund Required Deposit will be \$0 between the Closing Date and the first July 1 to occur following the Opening Date. The RRRF Required Deposit will be calculated by the Authority prior to the start of each Fiscal Year and an Authorized Authority Representative will provide a written certificate to the Trustee on or before the first day of each Fiscal Year that will set forth the RRRF Required Deposit for such Fiscal Year.

“*Renewal and Replacement Reserve Fund Requirement*” or “*RRRF Requirement*” means, for each Fiscal Year, the amount calculated pursuant to the instructions set forth under the heading “EXHIBIT 1 TO APPENDIX B—FORMULA FOR CALCULATING RENEWAL AND REPLACEMENT

RESERVE FUND REQUIREMENT.” The Renewal and Replacement Reserve Fund Requirement will be \$0 between the Closing Date and the first July 1 to occur following the Opening Date. The RRRF Requirement will be calculated by the Authority prior to the start of each Fiscal Year and an Authorized Authority Representative will provide a written certificate to the Trustee on or before the first day of each Fiscal Year that will set forth the RRRF Requirement for such Fiscal Year.

“*Rental Car Center*” means the consolidated rental car facility to be constructed by the Authority on the Rental Car Center Site. The Rental Car Center includes (but is not limited to) the Customer Service Building, the Ready/Return Area, the QTA Space and all other improvements (including any Additional Special Facilities, if any) on the Rental Car Center Site.

“*Rental Car Center Site*” means that parcel of land located at the Airport upon which the Rental Car Center is constructed. Rental Car Center Site is further defined and described in the Rental Car Lease Agreements.

“*Rental Car Company*” or “*Rental Car Companies*” means a Person or Persons that operates a rent-a-car business serving Airport Customers under the terms of a Rental Car Concession Agreement and who leases space within the Rental Car Center.

“*Rental Car Concession Agreement*” means each Non-Exclusive On-Airport Rental Car Concession Agreement entered into, from time to time, by and between the Authority and each Rental Car Company that authorizes such Rental Car Company to carry out its rental car activities at the Airport, as the same may be duly supplemented, modified or amended from time to time in accordance with its terms.

“*Rental Car Lease Agreement*” means each Rental Car Center Lease Agreement entered into, from time to time, by and between the Authority and each Rental Car Company for the lease of premises within the Rental Car Center, as the same may be duly supplemented, modified or amended from time to time in accordance with its terms.

“*Reserve Fund Surety Policy*” means an insurance policy or surety bond, or a letter of credit, deposited with the Trustee for the credit of the Senior Reserve Fund or a Subordinate Reserve Fund in lieu of or partial substitution for cash or securities on deposit therein. The entity providing such Reserve Fund Surety Policy will be rated, at the time of original delivery of such Reserve Fund Surety Policy, in one of the two highest long-term Rating Categories by one or more of the Rating Agencies.

“*Rolling Coverage Fund*” means the Fund of such designation established by the Trustee pursuant to the Indenture and as further described in the Indenture.

“*Rolling Coverage Fund Requirement*” means 30% of Maximum Aggregate Annual Debt Service on the Senior Bonds then Outstanding. On the Closing Date, the Rolling Coverage Fund Requirement will be \$6,576,570.51.

“*Securities Depository*” or “*DTC*” means The Depository Trust Company and its successors and assigns or any other securities depository selected by the Authority which agrees to follow the procedures required to be followed by such securities depository in connection with the Bonds.

“*Senior Bonds*” means any debt obligation of the Authority issued under and in accordance with the provisions of the Indenture and designated as Senior Bonds, including, but not limited to, bonds, notes, bond anticipation notes, commercial paper and other instruments creating an indebtedness of the Authority, and obligations incurred through lease or installment purchase agreements or other agreements

or certificates of participation therein and Repayment Obligations to the extent provided in the Indenture. The term “Senior Bond” or “Senior Bonds” in the Indenture does not include any Subordinate Bonds. The Series 2014 Bonds will be Senior Bonds.

“*Senior Debt Service Fund*” means the Fund of such designation established by the Trustee pursuant to the Indenture and as further described in the Indenture.

“*Senior Indenture*” means the Master Trust Indenture, dated as of November 1, 2005, as amended and supplemented, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee thereunder.

“*Senior Reserve Fund*” means the Fund of such designation established by the Trustee pursuant to the Indenture and as further described in the Indenture.

“*Senior Reserve Fund Requirement*” means Maximum Aggregate Annual Debt Service on the Senior Bonds then Outstanding. On the Closing Date, the Senior Reserve Fund Requirement will be \$21,921,901.70.

“*Series*” means each of the Series 2014A Bonds and the Series 2014B Bonds issued pursuant to the Indenture and each series of Additional Bonds issued pursuant to the Indenture and a Supplemental Indenture.

“*Series 2014 Bonds*” means, collectively, the Series 2014A Bonds and the Series 2014B Bonds.

“*Series 2014 Continuing Disclosure Certificate*” means the Continuing Disclosure Certificate, dated the Closing Date, and executed by the Authority pursuant to which the Authority will agree to undertake for the benefit of the Bondholders and the Beneficial Owners of the Series 2014 Bonds, certain ongoing disclosure requirements.

“*Series 2014A Bonds*” means the “San Diego County Regional Airport Authority Senior Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project) Series 2014A (Tax-Exempt – Non-AMT)” issued under the Indenture in the original aggregate principal amount of \$29,390,000.

“*Series 2014A Construction Account*” means the Account of such designation established by the Trustee in the Construction Fund pursuant to the Indenture and as further described in the Indenture.

“*Series 2014A Costs of Issuance Account*” means the Account of such designation established by the Trustee in the Construction Fund pursuant to the Indenture and as further described in the Indenture.

“*Series 2014A Debt Service Account*” means the Account of such designation established by the Trustee in the Senior Debt Service Fund pursuant to the Indenture and as further described in the Indenture.

“*Series 2014A Rebate Fund*” means the Series 2014A Rebate Fund of such designation established by the Trustee pursuant to the Indenture and as further described in the Indenture and in the Series 2014 Tax Certificate.

“*Series 2014A Reserve Account*” means the Account of such designation established by the Trustee in the Senior Reserve Fund pursuant to the Indenture and as further described in the Indenture.

“*Series 2014A Tax Certificate*” means the Tax Compliance Certificate, dated the Closing Date, executed and delivered by the Authority with respect to the Series 2014A Bonds.

“*Series 2014B Bonds*” means the “San Diego County Regional Airport Authority Senior Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project) Series 2014B (Federally Taxable)” issued under the Indenture in the original aggregate principal amount of \$275,895,000.

“*Series 2014B Construction Account*” means the Account of such designation established by the Trustee in the Construction Fund pursuant to the Indenture and as further described in the Indenture.

“*Series 2014B Costs of Issuance Account*” means the Account of such designation established by the Trustee in the Construction Fund pursuant to the Indenture and as further described in the Indenture.

“*Series 2014B Debt Service Account*” means the Account of such designation established by the Trustee in the Senior Debt Service Fund pursuant to the Indenture and as further described in the Indenture.

“*Series 2014B Reserve Account*” means the Account of such designation established by the Trustee in the Senior Reserve Fund pursuant to the Indenture and as further described in the Indenture.

“*Small Operator Improvement Rent*” has the meaning set forth in the Rental Car Lease Agreements. See “APPENDIX C—SUMMARY OF THE RENTAL CAR LEASE AGREEMENTS.”

“*Space Rent*” has the meaning set forth in the Rental Car Lease Agreements. See “APPENDIX C—SUMMARY OF THE RENTAL CAR LEASE AGREEMENTS.”

“*Special Facility*” has the meaning set forth in the Senior Indenture.

“*Special Facility Obligations*” has the meaning set forth in the Senior Indenture.

“*S&P*” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, its successors and its assigns, and, if for any reason it no longer performs the functions of a nationally recognized statistical rating organization, “S&P” will be deemed to refer to any nationally recognized statistical rating organization designated by the Authority.

“*State*” means the State of California.

“*Subordinate Bonds*” means any debt obligation of the Authority issued under and in accordance with the provisions of the Indenture and designated as Subordinate Bonds, including, but not limited to, bonds, notes, bond anticipation notes, commercial paper and other instruments creating an indebtedness of the Authority, and obligations incurred through lease or installment purchase agreements or other agreements or certificates of participation therein and Repayment Obligations to the extent provided in the Indenture. The term “Subordinate Bond” or “Subordinate Bonds” in the Indenture does not include any Senior Bonds.

“*Subordinate Debt Service Fund*” means the Fund of such designation established by the Trustee pursuant to a Supplemental Indenture in connection with the issuance of one or more Series of Subordinate Bonds, as described in the Indenture.

“*Subordinate Indenture*” means the Master Subordinate Trust Indenture, dated as of September 1, 2007, as amended and supplemented, by and between the Authority and U.S. Bank National Association, as trustee thereunder.

“*Subordinate Reserve Fund*” means one or more debt service reserve funds established pursuant to a Supplemental Indenture in connection with the issuance of one or more Series of Subordinate Bonds, as described in the Indenture.

“*Supplemental Consideration*” means collectively, Bond Funding Supplemental Consideration and Common-Use Transportation Cost Supplemental Consideration.

“*Supplemental Indenture*” means any document supplementing or amending the Indenture or providing for the issuance of Bonds and entered into as provided in the Indenture.

“*Swap Provider*” means any Person with which the Authority enters into a Qualified Swap Agreement.

“*Synthetic Fixed Rate Debt*” means Bonds issued by the Authority pursuant to the Indenture or a Supplemental Indenture which: (a) is combined, as Designated Debt, with a Qualified Swap Agreement and creates, in the opinion of a Consultant, a substantially fixed-rate maturity or maturities for a term not exceeding such maturity or maturities, or (b) consisting of an arrangement in which two inversely related variable-rate securities are issued in equal principal amounts with interest based on off-setting indices resulting in a combined payment which is economically equivalent to a fixed rate.

“*Taking*” means the acquisition by condemnation or the exercise of the power of eminent domain under any federal or state statute by the United States, the State, or any federal or state agency or any other person vested with such power, of a temporary or permanent interest in all or any part of the Project.

“*Tax-Exempt Bonds*” means the Series 2014A Bonds and any other Series of Additional Bonds the interest on which is excludable from the gross income of the recipient thereof for federal income tax purposes.

“*Tender Indebtedness*” means any Bonds or portions of Bonds a feature of which is an option and/or an obligation on the part of the Bondholders, under the terms of such Bonds, to tender all or a portion of such Bonds to the Authority, the Trustee, the Paying Agent or other fiduciary or agent or Credit Provider or Liquidity Provider for payment or purchase and requiring that such Bonds or portions of Bonds be purchased if properly presented.

“*Transportation and Facility Charge*” has the meaning set forth in the Rental Car Lease Agreements. See “APPENDIX C—SUMMARY OF THE RENTAL CAR LEASE AGREEMENTS.”

“*Trustee*” means U.S. Bank National Association, and any successors thereto.

“*Trust Estate*” means (a) all CFCs received or receivable by the Authority or the Trustee, as assignee of the Authority, (b) all Bond Funding Supplemental Consideration payable by the Rental Car Companies to the Trustee, as assignee of the Authority, (c) all casualty insurance proceeds and condemnation awards required to be applied pursuant to the Indenture, (d) with respect to the Senior Bonds, all moneys, investments and proceeds of Senior Bonds on deposit in the Construction Fund (subject to any restrictions set forth in the Series 2014 Tax Certificate or any other tax compliance certificate entered into by the Authority in connection with the issuance of Senior Bonds as Tax-Exempt Bonds), the CFC Revenue Fund, the Senior Debt Service Fund, the Senior Reserve Fund, the Rolling

Coverage Fund, the Subordinate Debt Service Fund (except for any proceeds of Subordinate Bonds or earnings on such proceeds that are on deposit in the Subordinate Debt Service Fund and subject to any restrictions set forth in a tax compliance certificate entered into by the Authority in connection with the issuance of Subordinate Bonds as Tax-Exempt Bonds), any Subordinate Reserve Fund (except for any proceeds of Subordinate Bonds or earnings on such proceeds that are on deposit in any Subordinate Reserve Fund and subject to any restrictions set forth in a tax compliance certificate entered into by the Authority in connection with the issuance of Subordinate Bonds as Tax-Exempt Bonds), the Renewal and Replacement Reserve Fund, and the CFC Surplus Fund and interest and investment earnings thereon, subject to the provisions of the Indenture regarding moneys for the benefit of the holders of a particular Series of Senior Bonds, (e) with respect to the Subordinate Bonds, subject to the prior lien granted to the Owners of the Senior Bonds, all moneys, investments and proceeds of Subordinate Bonds on deposit in the Construction Fund (subject to any restrictions set forth in a tax compliance certificate entered into by the Authority in connection with the issuance of Subordinate Bonds as Tax-Exempt Bonds), the CFC Revenue Fund, the Subordinate Debt Service Fund, any Subordinate Reserve Fund, the Renewal and Replacement Reserve Fund and the CFC Surplus Fund and interest and investment earnings thereon, subject to the provisions of the Indenture regarding moneys for the benefit of the holders of a particular Series of Subordinate Bonds, and (f) all other rights granted, pledged or assigned by the Authority to the Trustee under the Indenture and under the Rental Car Lease Agreements, including, but not limited to, the collection and remittance of the CFCs and Bond Funding Supplemental Consideration to the Trustee, as assignee of the Authority. The Trust Estate will not include moneys, investments and proceeds in a Rebate Fund and will not include the Unassigned Rights.

“*Trust Indenture Act*” means the federal Trust Indenture Act of 1939, as amended, and any successor thereto.

“*Unassigned Rights*” means the rights of the Authority under each Rental Car Lease Agreement to receive Common-Use Transportation Cost Supplemental Consideration, Facility Rent, Land Rent, Reimbursable O&M Costs, Small Operator Improvement Rent, the Transportation and Facility Charge, and all other rights of the Authority under each Rental Car Lease Agreement, except, as long as any Bonds remain Outstanding, the right to receive and collect CFCs and Bond Funding Supplemental Consideration.

“*United States Bankruptcy Code*” means Title 11 U.S.C., Section 101 et seq., as amended or supplemented from time to time, or any successor federal act.

“*United States Obligations*” means direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including, with respect only to direct and general obligations and not to guaranteed obligations, evidences of ownership of proportionate interests in future interest and/or principal payments of such obligations, provided that investments in such proportionate interests must be limited to circumstances wherein: (a) a bank or trust company acts as custodian and holds the underlying United States Obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States Obligations; and (c) the underlying United States Obligations are held in a special account separate from the custodian’s general assets and are not available to satisfy any claim of the custodian, any person claiming through the custodian or any person to whom the custodian may be obligated. “United States Obligations” will include any stripped interest or principal portion of United States Treasury securities and any stripped interest portion of Resolution Funding Corporation securities.

“*Variable Rate Indebtedness*” means any Bond or Bonds the interest rate on which is not, at the time in question, fixed to maturity.

THE INDENTURE

In addition to certain information contained under the captions “DESCRIPTION OF THE SERIES 2014 BONDS” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS” in the forepart of this Official Statement, the following includes a summary of certain provisions of the Indenture. Such summary is only a brief description of limited provisions of such document and is qualified in its entirety by reference to the full text of the Indenture.

Grant, Pledge and Assignment of Trust Estate.

Senior Bonds. The Authority, in consideration for the purchase of the Senior Bonds by the Owners of the Senior Bonds and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, in order to secure the due payment of principal and premium, if any, of and interest on the Senior Bonds and compliance by the Authority with its agreements contained in the Indenture, the Authority grants, pledges and assigns to the Trustee for the benefit of the Owners of the Senior Bonds all of its right, title and interest in and to the Trust Estate. The pledge and the provisions, covenants and agreements in the Indenture set forth to be performed by or on behalf of the Authority with respect to the Senior Bonds will be for the equal benefit, protection and security of the Owners of any and all Senior Bonds, each of which, regardless of the time or times of its issue or maturity, will be of equal rank with the other Owners of the Senior Bonds, without preference, priority or distinction over any other thereof except as to the timing of payment of the principal and premium, if any, of and interest on the Senior Bonds or as otherwise expressly provided in the Indenture.

Subordinate Bonds. Subject to the prior lien granted to the Owners of the Senior Bonds, the Authority, in consideration for the purchase of the Subordinate Bonds by the Owners of the Subordinate Bonds and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, in order to secure the due payment of principal and premium, if any, of and interest on the Subordinate Bonds and compliance by the Authority with its agreements contained in the Indenture, the Authority grants, pledges and assigns, subject to the prior pledge granted to the Owners of the Senior Bonds and on a subordinate basis to the Senior Bonds, to the Trustee for the benefit of the Owners of the Subordinate Bonds all of its right, title and interest in and to the Trust Estate. The pledge and the provisions, covenants and agreements in the Indenture set forth to be performed by or on behalf of the Authority with respect to the Subordinate Bonds will be for the equal benefit, protection and security of the Owners of any and all Subordinate Bonds, each of which, regardless of the time or times of its issue or maturity, will be of equal rank with the other Owners of the Subordinate Bonds, without preference, priority or distinction over any other thereof except as to the timing of payment of the principal and premium, if any, of and interest on the Subordinate Bonds or as otherwise expressly provided in the Indenture.

Terms of the Series 2014 Bonds

The Indenture sets forth the terms of the Series 2014 Bonds, most of which terms are described in the forepart of this Official Statement.

Authorization and Issuance of Additional Senior Bonds

Requirements for Issuance of Additional Senior Bonds. Subsequent to the issuance of the Series 2014 Bonds, the Authority, subject to the provisions of this section, may at any time and from time to time issue and deliver one or more Series of Additional Senior Bonds on a parity with all Outstanding Senior Bonds (including the Series 2014 Bonds) for such purposes hereinafter set forth as may be requested by the Authority; provided, that the issuance of any Series of Additional Senior Bonds will be conditioned upon the Trustee’s receipt of the following:

- (i) a copy, duly certified by the Director, Corporate Services/Authority Clerk, of the resolution of the Board authorizing the issuance of such Series of Additional Senior Bonds;
- (ii) an original executed counterpart or a copy, certified by the Director, Corporate Services/Authority Clerk, of the Indenture, together with all Supplemental Indentures (other than the Supplemental Indentures described in clause (iii) below);
- (iii) an original executed counterpart of the Supplemental Indenture or Supplemental Indentures providing for the issuance of such Series of Additional Senior Bonds;
- (iv) a copy, duly certified by the Director, Corporate Services/Authority Clerk, of the CFC Resolution;
- (v) a copy, duly certified by the Director, Corporate Services/Authority Clerk, of the form of Rental Car Lease Agreement entered into by the Rental Car Companies;
- (vi) written instructions from the Authority to authenticate the Series of Additional Senior Bonds and, upon receipt of the purchase price, to deliver the Series of Additional Senior Bonds to or upon the order of the purchasers named in such instructions;
- (vii) a certificate of the Authority stating that no Event of Default has occurred and is continuing and that all conditions precedent provided for in the Indenture relating to the authentication and delivery of such Additional Senior Bonds have been complied with;
- (viii) a duly executed certificate of the Authority as to its reasonable expectations with respect to the use of the proceeds of such Additional Senior Bonds, which expectations will be one or more of the purposes set forth in clause (c) of this section;
- (ix) the Certificate of an Authorized Authority Representative required by the Senior Indenture;
- (x) an opinion of Bond Counsel, dated the date of issuance of such Additional Senior Bonds, to the effect that (i) the issuance of such Additional Senior Bonds has been duly authorized, (ii) all legal conditions precedent to the delivery of such Additional Senior Bonds have been fulfilled, (iii) such Additional Senior Bonds are valid and binding special limited obligations of the Authority in accordance with their terms, and (iv) if the interest on such Additional Senior Bonds then proposed to be issued is intended to be exempt from federal income taxation, stating that the interest on such Additional Senior Bonds is excludable from gross income of the recipient thereof for federal income tax purposes; and
- (xi) unless such Additional Senior Bonds are Completion Senior Bonds or Refunding Senior Bonds that comply with the Indenture, either (A) a report of a Consultant to the effect that for the period from and including the first full Fiscal Year following the issuance of such proposed Series of Additional Senior Bonds during which no amount of interest on such Series of Additional Senior Bonds required to be on deposit in the Senior Debt Service Fund is expected to be funded from the proceeds thereof through and including the later of: (1) the fifth full Fiscal Year following the issuance of such Series of Additional Senior Bonds, or (2) the third full Fiscal Year during which no amount of interest on such Series of Additional Senior Bonds required to be on deposit in the Senior Debt Service Fund is expected to be funded from the proceeds thereof, the projected CFCs to be remitted to the Trustee (together with amounts projected to be on deposit in the Rolling Coverage Fund, if any, at the beginning of each applicable Fiscal Year up

to an amount not to exceed 30% of the Maximum Aggregate Annual Debt Service on the Senior Bonds in each applicable Fiscal Year) for each such Fiscal Year, will be, as of the end of each such Fiscal Year, at least equal to 1.55 times the Maximum Aggregate Annual Debt Service on all Senior Bonds Outstanding (including such Additional Senior Bonds) during such Fiscal Year, and also will be sufficient, in each such Fiscal Year, after the funding of Aggregate Annual Debt Service on all Senior Bonds Outstanding, to fund Aggregate Annual Debt Service on any Subordinate Bonds Outstanding and any other amounts required to be deposited from CFCs to the Senior Reserve Fund, the Rolling Coverage Fund, any Subordinate Reserve Fund and the Renewal and Replacement Reserve Fund as described in the Indenture; or (B) a certificate of the Authority to the effect that the CFCs remitted to the Trustee for any consecutive twelve (12) months out of the immediately preceding eighteen (18) months prior to the date of issuance of such Additional Senior Bonds (together with amounts on deposit in the Rolling Coverage Fund, if any, at the beginning of the last full Fiscal Year occurring during such 12-month period up to an amount not to exceed 30% of the Aggregate Annual Debt Service on the Senior Bonds in such 12-month period) were at least equal to 1.55 times the Maximum Aggregate Annual Debt Service due on all Senior Bonds Outstanding (including such Additional Senior Bonds), and were also sufficient, after the funding of such Aggregate Annual Debt Service on all Senior Bonds Outstanding, to fund Aggregate Annual Debt Service on any Subordinate Bonds Outstanding for such 12-month period and any other amounts required to be deposited from CFCs during such 12-month period to the Senior Reserve Fund, the Rolling Coverage Fund, any Subordinate Reserve Fund and the Renewal and Replacement Reserve Fund as described in the Indenture.

Refunding Senior Bonds. All Refunding Senior Bonds of any Series will be executed by the Authority and delivered to the Trustee and thereupon will be authenticated by the Trustee and delivered to the Authority or upon its order, but only following the Trustee's receipt of the following:

- (i) the documents referred to in clauses (i) through (x) under the caption "Requirements for Issuance of Additional Senior Bonds" above;
- (ii) (A) a certificate of the Authority substantially to the effect that either (1) after the issuance of the proposed Refunding Senior Bonds, the Aggregate Annual Debt Service on all Outstanding Senior Bonds (including the proposed Refunding Senior Bonds) will be less than or equal to that for each Fiscal Year within which any of the refunded Senior Bonds would have been Outstanding but for their having been refunded; or (2) that the refunding will reduce or not increase the total debt service payments on the refunded Senior Bonds on a net present value basis; or (B) the report or the certificate described in the Indenture;
- (iii) if a redemption of Senior Bonds is to be effected, irrevocable instructions to the Trustee to give due notice of redemption of all of the Senior Bonds to be refunded and the redemption date or dates, if any, upon which such Senior Bonds are to be redeemed;
- (iv) if a redemption of Senior Bonds is to be effected and the redemption is scheduled to occur subsequent to the next succeeding thirty-five (35) days, irrevocable instructions to the Trustee to give notice of redemption of such Senior Bonds as provided in the Indenture or the applicable Supplemental Indenture on a specified date prior to their redemption date, which notice may include language giving notice that such redemption is conditioned upon the receipt of sufficient amounts to effect such noticed redemption; and
- (v) such further documents and moneys as are required by the provisions of the Indenture or any Supplemental Indenture.

Purposes for Additional Senior Bonds. The purposes for which Additional Senior Bonds may be issued under this section are as follows:

(i) to finance the permitting, financing, design, development, construction, equipping, furnishing and acquisition of any improvement or expansion of the Project (or any other facility related to the Project approved by the Authority, including any Additional Special Facilities), provided that the costs of such purposes are eligible to be paid with CFCs in accordance with the provisions of the CFC Law;

(ii) to finance repairs, including without limitation repairs due to casualty or condemnation to the extent insurance proceeds or condemnation awards are insufficient to effect such repairs, or extraordinary maintenance with respect to the Project or any Additional Special Facilities, provided that the costs of such purposes are eligible to be paid with CFCs in accordance with the provisions of the CFC Law;

(iii) such Additional Senior Bonds are being issued as Refunding Senior Bonds;

(iv) such Additional Senior Bonds are being issued as Completion Senior Bonds;

(v) to refund Subordinate Bonds; and

(vi) in each case, to pay Capitalized Interest and costs of issuance of such Additional Senior Bonds and to provide for any contribution to the Senior Reserve Fund, the Rolling Coverage Fund or the Renewal and Replacement Reserve Fund, required with respect thereto.

Terms of Additional Senior Bonds. Each Series of Additional Senior Bonds will be dated, will bear interest until their maturity at such rate or rates, determined in such manner and payable on such date or dates, will be in such form and will have such other terms and conditions not inconsistent with the terms of the Indenture as will be provided for in the Supplemental Indenture authorizing the issuance of such Series of Additional Senior Bonds. All Additional Senior Bonds will be payable and secured equally and ratably and on a parity (except as to timing of payment) with the Series 2014 Bonds and any Additional Senior Bonds theretofore or thereafter issued and will be entitled to the same benefits and security of the Indenture.

Each Series of Additional Senior Bonds will be issued pursuant to the Indenture and a Supplemental Indenture, which will prescribe expressly or by reference with respect to such Series of Additional Senior Bonds:

(i) the authorized principal amount and Series designation of such Series of Additional Senior Bonds;

(ii) the purpose or purposes for which such Series is being issued;

(iii) the manner in which the proceeds of the Additional Senior Bonds of such Series are to be applied;

(iv) the date or dates of the Additional Senior Bonds of such Series, and the maturity date or dates and Interest Payment Dates of the Additional Senior Bonds of such Series, or the manner of determining such dates;

- (v) the interest rate or rates to be borne by the Additional Senior Bonds of such Series or the manner of determining such rate or rates, the Maximum Rate for any Series of Senior Bonds the interest rate on which is a Variable Rate and the Interest Payment Dates of such Series;
- (vi) the manner of dating, numbering and lettering the Additional Senior Bonds of such Series;
- (vii) the place or places of payment of the principal and premium, if any, of, and interest on, the Additional Senior Bonds of such Series or the manner of designating the same;
- (viii) the redemption premium, if any, of, and the redemption terms for the Additional Senior Bonds of such Series, or the manner of determining such premium and terms;
- (ix) the amount and due date of each mandatory sinking fund payment, if any, for Additional Senior Bonds of any maturity of such Series, or the manner of determining such amounts and dates;
- (x) provisions as to registration of the Additional Senior Bonds of such Series;
- (xi) the form and text of the Additional Senior Bonds of such Series and provision for the Trustee's authentication thereof by certificate or otherwise;
- (xii) whether such Series of Additional Senior Bonds are intended to be Tax-Exempt Bonds;
- (xiii) the Credit Facilities and Liquidity Facilities applicable to such Series of Additional Senior Bonds, if any; and
- (xiv) any other provisions deemed advisable by the Authority as will not conflict with the provisions of the Indenture.

Authorization and Issuance of Subordinate Bonds

Requirements for Issuance of Subordinate Bonds. Subject to the provisions of this section, the Authority may at any time and from time to time issue and deliver one or more Series of Subordinate Bonds for such purposes hereinafter set forth as may be requested by the Authority; provided, that the issuance of any Series of Subordinate Bonds will be conditioned upon the Trustee's receipt of the following:

- (i) a copy, duly certified by the Director, Corporate Services/Authority Clerk, of the resolution of the Board authorizing the issuance of such Series of Subordinate Bonds;
- (ii) an original executed counterpart or a copy, certified by the Director, Corporate Services/Authority Clerk, of the Indenture, together with all Supplemental Indentures (other than the Supplemental Indentures described in clause (iii) below);
- (iii) an original executed counterpart of the Supplemental Indenture or Supplemental Indentures providing for the issuance of such Series of Subordinate Bonds;

(iv) a copy, duly certified by the Director, Corporate Services/Authority Clerk, of the CFC Resolution;

(v) a copy, duly certified by the Director, Corporate Services/Authority Clerk, of the form of Rental Car Lease Agreement entered into by the Rental Car Companies;

(vi) written instructions from the Authority to authenticate the Series of Subordinate Bonds and, upon receipt of the purchase price, to deliver the Series of Subordinate Bonds to or upon the order of the purchasers named in such instructions;

(vii) a certificate of the Authority stating that no Event of Default has occurred and is continuing and that all conditions precedent provided for in the Indenture relating to the authentication and delivery of such Subordinate Bonds have been complied with;

(viii) a duly executed certificate of the Authority as to its reasonable expectations with respect to the use of the proceeds of such Subordinate Bonds, which expectations will be one or more of the purposes set forth in clause (c) of this section;

(ix) the Certificate of an Authorized Authority Representative required by the Senior Indenture;

(x) an opinion of Bond Counsel, dated the date of issuance of such Subordinate Bonds, to the effect that (i) the issuance of such Subordinate Bonds has been duly authorized, (ii) all legal conditions precedent to the delivery of such Subordinate Bonds have been fulfilled, (iii) such Subordinate Bonds are valid and binding special limited obligations of the Authority in accordance with their terms, and (iv) if the interest on such Subordinate Bonds then proposed to be issued is intended to be exempt from federal income taxation, stating that the interest on such Subordinate Bonds is excludable from gross income of the recipient thereof for federal income tax purposes; and

(xi) unless such Subordinate Bonds are Refunding Subordinate Bonds that comply with the Indenture, either (A) a report of a Consultant to the effect that for the period from and including the first full Fiscal Year following the issuance of such proposed Series of Subordinate Bonds during which no amount of interest on such Series of Subordinate Bonds required to be on deposit in the Subordinate Debt Service Fund is expected to be funded from the proceeds thereof through and including the later of: (1) the fifth full Fiscal Year following the issuance of such Series of Subordinate Bonds, or (2) the third full Fiscal Year during which no amount of interest on such Series of Subordinate Bonds required to be on deposit in the Subordinate Debt Service Fund is expected to be funded from the proceeds thereof, the projected CFCs to be remitted to the Trustee for each such Fiscal Year, will be, as of the end of each such Fiscal Year, at least equal to 1.10 times the Maximum Aggregate Annual Debt Service on all Bonds Outstanding (including such Subordinate Bonds) during such Fiscal Year, and also will be sufficient, in each such Fiscal Year, after the funding of Aggregate Annual Debt Service on all Senior Bonds and Subordinate Bonds Outstanding, to fund any other amounts required to be deposited from CFCs to the Senior Reserve Fund, the Rolling Coverage Fund, any Subordinate Reserve Fund and the Renewal and Replacement Reserve Fund as described in the Indenture; or (B) a certificate of the Authority to the effect that the CFCs remitted to the Trustee for any consecutive twelve (12) months out of the immediately preceding eighteen (18) months prior to the date of issuance of the Subordinate Bonds were at least equal to 1.10 times the Maximum Aggregate Annual Debt Service due on all Bonds Outstanding (including such Subordinate Bonds), and were also sufficient, after the funding of such Aggregate Annual Debt Service on all Senior Bonds and Subordinate Bonds

Outstanding, to fund any other amounts required to be deposited from CFCs during such 12-month period to the Senior Reserve Fund, the Rolling Coverage Fund, any Subordinate Reserve Fund and the Renewal and Replacement Reserve Fund as described in the Indenture.

Refunding Subordinate Bonds. All Refunding Subordinate Bonds of any Series will be executed by the Authority and delivered to the Trustee and thereupon will be authenticated by the Trustee and delivered to the Authority or upon its order, but only following the Trustee's receipt of the following:

(i) the documents referred to in clauses (i) through (x) under the caption "Requirements for Issuance of Subordinate Bonds" above;

(ii) (A) a certificate of the Authority substantially to the effect that either (1) after the issuance of the proposed Refunding Subordinate Bonds, the Aggregate Annual Debt Service on all Outstanding Bonds (including the proposed Refunding Subordinate Bonds) will be less than or equal to that for each Fiscal Year within which any of the refunded Bonds would have been Outstanding but for their having been refunded; or (2) that the refunding will reduce or not increase the total debt service payments on the Bonds on a net present value basis; or (B) the report or the certificate described in the Indenture;

(iii) if a redemption of Bonds is to be effected, irrevocable instructions to the Trustee to give due notice of redemption of all the Bonds to be refunded and the redemption date or dates, if any, upon which such Bonds are to be redeemed;

(iv) if a redemption of Bonds is to be effected and the redemption is scheduled to occur subsequent to the next succeeding thirty-five (35) days, irrevocable instructions to the Trustee to give notice of redemption of such Bonds as provided in the Indenture or the applicable Supplemental Indenture on a specified date prior to their redemption date, which notice may include language giving notice that such redemption is conditioned upon the receipt of sufficient amounts to effect such noticed redemption; and

(v) such further documents and moneys as are required by the provisions of the Indenture or any Supplemental Indenture.

Purposes for Subordinate Bonds. The purposes for which Subordinate Bonds may be issued under this section are as follows:

(i) to finance the permitting, financing, design, development, construction, equipping, furnishing and acquisition of any improvement or expansion of the Project (or any other facility related to the Project approved by the Authority, including Additional Special Facilities), provided that the costs of such purposes are eligible to be paid with CFCs in accordance with the provisions of the CFC Law;

(ii) to finance repairs, including without limitation repairs due to casualty or condemnation to the extent insurance proceeds or condemnation awards are insufficient to effect such repairs, or extraordinary maintenance with respect to the Project or any Additional Special Facilities, provided that the costs of such purposes are eligible to be paid with CFCs in accordance with the provisions of the CFC Law;

(iii) to finance termination fees, expenses and other amounts payable pursuant to a Qualified Swap Agreement not specifically made on the basis of interest rates;

(iv) such Subordinate Bonds are being issued as Refunding Subordinate Bonds; and

(v) in each case, to pay Capitalized Interest and costs of issuance of such Subordinate Bonds and to provide for any contribution to any Subordinate Reserve Fund or to the Repair and Replacement Reserve Fund required with respect thereto.

Terms of Subordinate Bonds. Each Series of Subordinate Bonds will be dated, will bear interest until their maturity at such rate or rates, determined in such manner and payable on such date or dates, will be in such form and will have such other terms and conditions not inconsistent with the terms of the Indenture as will be provided for in the Supplemental Indenture authorizing the issuance of such Series of Subordinate Bonds. All Subordinate Bonds will be payable and secured equally and ratably and on a parity, except as to timing of payment, with any Subordinate Bonds theretofore or thereafter issued and will be entitled to the same benefits and security of the Indenture. Except as may be otherwise provided in the Supplemental Indenture providing for the issuance of a Series of Subordinate Bonds, Subordinate Bonds also will be payable from funds deposited to one or more Accounts within a Subordinate Reserve Fund established for the benefit of such Subordinate Bonds by the Supplemental Indenture entered into in connection with the issuance of such Subordinate Bonds.

Each Series of Subordinate Bonds will be issued pursuant to the Indenture and a Supplemental Indenture, which will prescribe expressly or by reference with respect to such Series of Subordinate Bonds:

(i) the authorized principal amount and Series designation of such Series of Subordinate Bonds;

(ii) the purpose or purposes for which such Series is being issued;

(iii) the manner in which the proceeds of the Subordinate Bonds of such Series are to be applied;

(iv) the date or dates of the Subordinate Bonds of such Series, and the maturity date or dates and Interest Payment Dates of the Subordinate Bonds of such Series, or the manner of determining such dates;

(v) the interest rate or rates to be borne by the Subordinate Bonds of such Series or the manner of determining such rate or rates, the Maximum Rate for any Series of Subordinate Bonds the interest rate on which is a Variable Rate and the Interest Payment Dates of such Series;

(vi) the manner of dating, numbering and lettering the Subordinate Bonds of such Series;

(vii) the place or places of payment of the principal and premium, if any, of, and interest on, the Subordinate Bonds of such Series or the manner of designating the same;

(viii) the redemption premium, if any, of, and the redemption terms for the Subordinate Bonds of such Series, or the manner of determining such premium and terms;

(ix) the amount and due date of each mandatory sinking fund payment, if any, for Subordinate Bonds of any maturity of such Series, or the manner of determining such amounts and dates;

- (x) provisions as to registration of the Subordinate Bonds of such Series;
- (xi) the form and text of the Subordinate Bonds of such Series and provision for the Trustee's authentication thereof by certificate or otherwise;
- (xii) whether such Series of Subordinate Bonds are intended to be Tax-Exempt Bonds;
- (xiii) the Credit Facilities and Liquidity Facilities applicable to such Series of Subordinate Bonds, if any; and
- (xiv) any other provisions deemed advisable by the Authority as will not conflict with the provisions of the Indenture.

The Supplemental Indenture providing for the issuance of any Series of Subordinate Bonds may provide for establishing one or more Subordinate Reserve Funds and, within any such Fund, separate Accounts, for the benefit of such Subordinate Bonds, and if any such Fund or Account is created, such Supplemental Indenture will include provisions concerning the amount and means of funding such Funds and Accounts, all at the discretion of the Authority.

Repayment Obligations Afforded Status of Bonds

If a Credit Provider or Liquidity Provider makes payment of principal of and interest on a Bond or advances funds to purchase or provide for the purchase of Bonds and is entitled to reimbursement thereof, pursuant to a separate written agreement with the Authority, but is not reimbursed, the Authority's Repayment Obligation under such written agreement may, if so provided in the written agreement, be afforded the status of a Senior Bonds issued under the Indenture or a Subordinate Bond issued under the Indenture, and, if afforded such status, the Credit Provider or Liquidity Provider will be the Bondholder and such Senior Bond or Subordinate Bonds, as the case may be, will be deemed to have been issued at the time of the original Bond for which the Credit Facility or Liquidity Facility was provided and will not be subject to the provisions of the Indenture; provided, however, notwithstanding the stated terms of the Repayment Obligation, the payment terms of the Bond held by the Credit Provider or Liquidity Provider under the Indenture will be as follows (unless otherwise provided in the written agreement with the Authority or a Supplemental Indenture pursuant to which the Bonds are issued): (a) interest will be due and payable semiannually and (b) principal will be due and payable not less frequently than annually and in such annual amounts as to amortize the principal amount thereof in (i) 30 years or, if shorter, (ii)(A) a term extending to the maturity date of the enhanced Bonds or (B) if longer, the final maturity of the Repayment Obligation under the written agreement, and providing substantially level debt service payments, using the rate of interest set forth in the written repayment agreement which would apply to the Repayment Obligation as of the date such amortization schedule is fixed. The principal amortized as described in the prior sentence will bear interest in accordance with the terms of the Repayment Obligation. This provision will not defeat or alter the rights of subrogation which any Credit Provider or Liquidity Provider may have under law or under the terms of the Indenture or any Supplemental Indenture. The Trustee may conclusively rely on a written certification by the Credit Provider or Liquidity Provider of the amount of such non-reimbursement and that such Repayment Obligation is to be afforded the status of a Senior Bond or Subordinate Bond, as the case may be, under the Indenture.

Hedging Transactions

- (a) If the Authority enters into a Qualified Swap Agreement with a Swap Provider requiring the Authority to pay a fixed interest rate on a notional amount, or requiring the

Authority to pay a variable interest rate on a notional amount, and the Authority has made a determination that such Qualified Swap Agreement was entered into for the purpose of providing substitute interest payments for Bonds of a particular maturity or maturities in a principal amount equal to the notional amount of the Qualified Swap Agreement and so long as the Swap Provider under such Qualified Swap Agreement is not in default under such Qualified Swap Agreement:

(i) any net payments (excluding, however, termination fees, expenses and other amounts payable pursuant to a Qualified Swap Agreement not specifically made on the basis of interest rates) required to be made by the Authority to the Swap Provider pursuant to such Qualified Swap Agreement from Project Revenues will be made on a parity with payments due on other Senior Bonds or Subordinate Bonds, as applicable, solely from amounts on deposit to the credit of the Senior Debt Service Fund, the Rolling Coverage Fund, the Subordinate Debt Service Fund, the Renewal and Replacement Reserve Fund or the CFC Surplus Fund, as applicable, in the order described in the Indenture;

(ii) any net payments received by the Authority from the Swap Provider pursuant to such Qualified Swap Agreement will be applied and may or may not be treated as Project Revenues as directed by the Authority; and

(iii) termination fees, expenses and other amounts payable pursuant to a Qualified Swap Agreement not specifically made on the basis of interest rates will be paid from amounts on deposit in the CFC Stabilization Account or from proceeds of Subordinate Bonds, and will not be on a parity with the Senior Bonds or the Subordinate Bonds with respect to Project Revenues.

(b) If the Authority will enter into a swap agreement of the type generally described in the Indenture that does not satisfy the requirements for qualification as a Qualified Swap Agreement as a result of its failure to make the determination described therein or otherwise, then:

(i) any net payments required to be made by the Authority to the Swap Provider pursuant to such Qualified Swap Agreement from Project Revenues will be made only from amounts available within the CFC Stabilization Account after the payment of all other Senior Bonds and Subordinate Bonds; and

(ii) any net payments received by the Authority from the Swap Provider pursuant to such Qualified Swap Agreement may be treated as Project Revenues at the option of the Authority and applied as directed by the Authority.

Establishment of Funds and Accounts.

Pursuant to the Indenture, the Trustee will establish and hold the following funds and accounts: the CFC Revenue Fund, the Construction Fund (and within the Construction Fund, the Series 2014A Construction Account, the Series 2014B Construction Account, the Series 2014A Costs of Issuance Account and the Series 2014B Costs of Issuance Account), the Senior Debt Service Fund (and within the Senior Debt Service Fund, the Series 2014A Debt Service Account and the Series 2014B Debt Service Account), the Senior Reserve Fund (and within the Senior Reserve Fund, the Series 2014A Reserve Account and the Series 2014B Reserve Account), the Rolling Coverage Fund, the Series 2014A Rebate Fund and the Renewal and Replacement Reserve Fund.

Pursuant to the Indenture, the Authority will establish and hold the CFC Surplus Fund (and within the CFC Surplus Fund, the CFC Project Account and CFC Stabilization Account).

Certain of the funds and accounts will be initially funded with the proceeds of the Series 2014 Bonds as described in the forepart of this Official Statement under “PLAN OF FINANCE AND APPLICATION OF SERIES 2014 BOND PROCEEDS—Application of Series 2014 Bond Proceeds.”

Pursuant to the Indenture, the Series 2014A Rebate Fund will be funded if so required pursuant to the Series 2014A Tax Certificate and amounts in the Series 2014A Rebate Fund will be held and disbursed in accordance with the Series 2014A Tax Certificate. At the time of issuance of additional Tax-Exempt Bonds, the Supplemental Indenture(s) entered into in connection with the issuance of such Tax-Exempt Bonds and the tax compliance certificate(s) entered into with respect to such Tax-Exempt Bonds will require the establishment, maintenance and funding of additional Rebate Funds.

Moneys Held in Trust for Matured Bonds; Unclaimed Moneys

All moneys which will have been withdrawn from the Senior Debt Service Fund or the Subordinate Debt Service Fund and set aside or deposited with a Paying Agent for the purpose of paying any of the Bonds, either at the maturity thereof or upon call for redemption, or which are set aside by the Trustee for such purposes and for which Bonds the maturity date or redemption date will have occurred, will be held in trust for the respective holders of such Bonds. But any moneys which will be so set aside or deposited and which will remain unclaimed by the holders of such Bonds for a period of one year after the date on which such Bonds will have become due and payable (or such longer period as will be required by state law) will be paid to the Authority, and thereafter the holders of such Bonds will look only to the Authority for payment and the Authority will be obligated to make such payment, but only to the extent of the amounts so received without any interest thereon, and neither the Trustee nor any Paying Agent will have any responsibility with respect to any of such moneys. The Authority recognizes that while any Bonds are Outstanding in book-entry only form there should be no unclaimed moneys.

Representations and Agreements of the Authority

Due Organization and Authorization of Bonds. The Authority will represent and warrant as follows:

(a) The Authority is a local government entity of regional government, with jurisdiction extending throughout the County, organized and existing pursuant to the provisions of the Constitution of the State and the Act, with the power under and pursuant to the Act, to execute and deliver the Indenture and the Bonds, to perform its obligations under each thereof and to issue the Series 2014 Bonds pursuant thereto.

(b) The Authority has taken all necessary action, and has complied with all provisions of the Act, required to make the Indenture the valid and binding obligation of the Authority, and, when executed, the Indenture (assuming the due authorization, execution and delivery by the Trustee) will constitute the valid and legally binding obligations of the Authority, enforceable in accordance with its terms, except as such enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles whether or not sought, and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against local government entities in the State.

(c) When executed and delivered by the Authority, authenticated by the Trustee and paid for by the purchasers thereof, the Series 2014 Bonds will constitute valid and binding special limited obligations of the Authority, enforceable in accordance with their terms, except as such enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles whether or not sought, and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against local government entities in the State.

Special Facilities and Special Facility Obligations. In accordance with the Senior Indenture, the Authority (a) designates the Project as a Special Facility, and (b) declares that the Project Revenues will constitute Special Facility Revenue and the Bonds will constitute a Special Facility Obligations, all within the meaning of the Senior Indenture. The Authority has reviewed all proceedings heretofore taken relative to the authorization of the Series 2014 Bonds and has found, as a result of such review, and finds and determines that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of the Series 2014 Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and that the Authority is now duly authorized, pursuant to each and every requirement of the Act, the Senior Indenture and the Indenture, to issue the Series 2014 Bonds in the form and manner provided in the Indenture for the purpose of providing funds to finance or pay for and construct the Project, and that the Series 2014 Bonds will be entitled to the benefit, protection and security of the provisions of the Indenture.

Payment of Bonds. The Authority covenants and agrees that it will duly and punctually pay or cause to be paid from the Trust Estate and to the extent thereof the principal of, premium, if any, and interest on every Bond at the place and on the dates and in the manner herein, in the Supplemental Indentures and in the Bonds specified, according to the true intent and meaning thereof, and that it will faithfully do and perform all covenants and agreements in the Indenture and in the Bonds contained, provided that the Authority's obligation to make payment of the principal of, premium, if any, and interest on the Bonds will be limited to payment from the Trust Estate and no Bondholder will have any right to enforce payment from any other funds of the Authority.

Performance of Covenants by Authority. The Authority covenants that it will faithfully perform at all times any and all covenants and agreements contained in the Indenture, in any and every Bond executed, authenticated and delivered under the Indenture and in all of its proceedings pertaining hereto.

Maintenance of Powers. The Authority covenants that it will at all times use its best efforts to maintain the powers, functions, duties and obligations now reposed in it pursuant to the Act and all other laws and that it will not at any time voluntarily do, suffer or permit any act or thing the effect of which would be to delay either the payment of the indebtedness evidenced by any of the Bonds or the performance or observance of any of the covenants herein.

Rights of Authority as Lessor; Enforcement of Rental Car Lease Agreements.

(a) It is understood and agreed that the Authority's execution and delivery of the Indenture, the Authority's issuance of the Bonds and the terms and provisions of the Indenture, the Bonds and any other agreement or instrument are without prejudice to and will not prohibit, restrict or derogate in any way from the Authority's exercise of any of the Unassigned Rights of the Authority as lessor under the Rental Car Lease Agreements or from any other rights of the Authority as operator of the Airport System. Notwithstanding any provision thereof to the contrary, the Authority, by executing the Indenture, the Bonds or any other such agreement or instrument to which the Authority may be or hereafter become a party in connection with the

Indenture or the Bonds, is under no obligation, express or implied, to the Trustee, the Bondholders or any other Person to exercise or to refrain from exercising any Unassigned Right which the Authority may have now or hereafter under any Rental Car Lease Agreement or from exercising any right, remedy or responsibility which the Authority may have now or hereafter as operator of the Airport System, regardless of the effect of such exercise or non-exercise upon the rights and interests of the Trustee, the Bondholders or any other Person under the Indenture, the Bonds or any other such agreement or instrument.

(b) Notwithstanding the provisions of paragraph (a) above, the Authority covenants that so long as any of the Bonds remain Outstanding, it will (i) require all Rental Car Companies to collect and remit CFCs and Bond Funding Supplemental Consideration to the Trustee, as assignee of the Authority, (ii) take all actions legally permitted to enforce compliance by the Rental Car Companies with the Rental Car Lease Agreements and of their obligations thereunder, including specifically seeking specific performance by each of the Rental Car Companies, to charge, collect and remit CFCs and Bond Funding Supplemental Consideration (as applicable) to the Trustee, as assignee of the Authority, and (iii) enforce all remedies set forth in the Rental Car Lease Agreements upon the occurrence and continuation of an event of default under a Rental Car Lease Agreement. The Authority covenants that so long as any of the Bonds remain Outstanding it will not consent to an amendment to the Rental Car Lease Agreements or the Rental Car Concession Agreements which permits direct access to the terminals at the Airport by any courtesy vehicle of a Rental Car Company or Off-Airport Rental Car Company or which otherwise materially adversely affects the rights of Owners without the consent of at least 51% in Principal Amount of the Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding) then Outstanding.

(c) The Authority covenants (i) at all times to use its best efforts to grant sufficient rental car concessions to rental car companies and to lease a sufficient amount of space in the Rental Car Center so that CFCs and Bond Funding Supplemental Consideration will be sufficient to meet the Minimum Annual Requirement and the Senior Bonds Coverage Requirement, (ii) to not grant an off-Airport rental car concession to any Rental Car Company operating from the Rental Car Center with a 5% or greater share of the rental car market at the Airport that wishes to cease operating from the Rental Car Center and operate as an off-Airport rental car company, (iii) to not grant an off-Airport rental car concession to any new-entry rental car company that wishes to begin providing rental car service from the Airport if there is sufficient space in the Rental Car Center for such rental car company to operate therefrom, unless such rental car company's share of the rental car market at the Airport will be less than 5%, (iv) that any off-Airport rental car concession agreement will be terminable by the Authority upon twelve (12) months or less notice, and (v) that as of the Opening Date, it will require any off-Airport rental car company with a 5% or greater share of the rental car market at the Airport to enter into a Rental Car Lease Agreement to operate from the Rental Car Center, provided there is sufficient space in the Rental Car Center.

Collection of Customer Facility Charges. In accordance with the CFC Resolution and the Rental Car Lease Agreements, as long as any Bond remains Outstanding, the Authority will require each Rental Car Company to charge, collect and remit to the Trustee, as assignee of the Authority, a CFC in accordance with the CFC Resolution and the Rental Car Lease Agreements, and the Authority will enforce the duty of the Rental Car Companies to segregate such CFCs as trust funds for the benefit of the Authority, and not as revenues of the Rental Car Companies, as provided in the Rental Car Lease Agreements.

The Authority will require each Rental Car Company to pay Bond Funding Supplemental Consideration to the Trustee, as assignee of the Authority, as provided in each Rental Car Lease

Agreement in an amount, in the aggregate, that the Authority projects to be sufficient, together with CFCs projected to be collected in such Fiscal Year or portion thereof and all amounts projected to be available in the CFC Surplus Fund (including the CFC Project Account and the CFC Stabilization Account) during such Fiscal Year or portion thereof, to provide sufficient funds to meet the Minimum Annual Requirement for such Fiscal Year.

The Authority will comply in all respects with all of the provisions of the Rental Car Lease Agreements with respect to the collection, providing estimates and reporting of Bond Funding Supplemental Consideration and Common-Use Transportation Cost Supplemental Consideration.

The Authority will use its best efforts, to the extent authorized by the CFC Law, to amend and adjust CFC collection rates to reach and maintain a goal of having CFC collections fund CFC eligible expenses, including Costs of the Project, related eligible improvements, and the Common-Use Transportation System, the Minimum Annual Requirement, the Senior Bonds Coverage Requirement and the Common-Use Transportation System Costs.

Preservation of Tax Exemption on Series 2014A Bonds.

(a) The Authority will comply with the covenants and agreements set forth in the Series 2014A Tax Certificate.

(b) The Authority will not use or permit the use of any proceeds of the Series 2014A Bonds or any other funds of the Authority held by the Trustee under the Indenture allocable to the Series 2014A Bonds, directly or indirectly, to acquire any securities or obligations, and will not use or permit the use of any amounts received by the Authority or the Trustee with respect to the Series 2014A Bonds in any manner, and will not take or permit to be taken any other action or actions, which would cause any Series 2014A Bond to be “federally guaranteed” within the meaning of Section 149(b) of the Code or an “arbitrage bond” within the meaning of Section 148 of the Code and applicable regulations promulgated from time to time thereunder and under Section 103(c) of the Code. The Authority will observe and not violate the requirements of Section 148 of the Code and any such applicable regulations. In the event the Authority is of the opinion that it is necessary to restrict or limit the yield on the investment of money held by the Trustee or to use such money in certain manners, in order to avoid the Series 2014A Bonds being considered “arbitrage bonds” within the meaning of Section 148 of the Code and the regulations thereunder as such may be applicable to the Series 2014A Bonds at such time, the Authority will issue to the Trustee a certificate to such effect together with appropriate instructions, in which event the Trustee will take such action as it is directed to take to use such money in accordance with such certificate and instructions, irrespective of whether the Trustee shares such opinion.

(c) The Authority will at all times do and perform all acts and things permitted by law and the Indenture which are necessary or desirable in order to assure that interest paid on the Series 2014A Bonds will not be included in gross income for federal income tax purposes and will take no action that would result in such interest being included in gross income for federal income tax purposes.

Construction of the Project. Subject to the availability of proceeds of Senior Bonds and Subordinate Bonds, CFCs and Net Proceeds, the Authority will use diligent efforts to cause the Project to be constructed and completed in accordance with the schedule, as set forth in the Rental Car Lease Agreements, and will cause to be done all things necessary or proper for completion of the Project in a timely manner in material compliance with all Laws. Upon completion of the Project, the Authority will deliver a Completion Certificate to the Trustee which will include the Completion Date.

Operation and Maintenance of the Project. Subject to the Indenture, as long as any Bond remains Outstanding, the Authority will operate and maintain the Project, or cause the Project to be operated and maintained, in good condition for the purposes for which it was constructed, reasonable wear and tear excepted.

Insurance. Subject, in each case, to the condition that insurance is obtainable at commercially reasonable rates and upon reasonable terms and conditions:

(i) the Authority will procure and maintain or cause to be procured and maintained commercial insurance on a replacement cost basis (without deduction for depreciation) (including Qualified Self Insurance, if applicable) with respect to the facilities constituting the Project and any Additional Special Facilities and public liability insurance in the form of commercial insurance or Qualified Self Insurance and, in each case, in such amounts and against such risks as are, in the judgment of the Authority, prudent and reasonable taking into account, but not being controlled by, the amounts and types of insurance or self-insured programs provided with respect to similar consolidated rental car facilities;

(ii) such policies of insurance will name the Authority and the Trustee as additional insureds as their interests may appear. Any premiums for such policies of insurance will be paid by the Rental Car Companies as Reimbursable O&M Costs as provided in the Rental Car Lease Agreements or by the Authority; and

(iii) the Authority will place on file with the Trustee, annually within 120 days after the close of each Fiscal Year a certificate of an Authorized Authority Representative containing a summary of all insurance policies and self-insured programs then in effect with respect to the Project and any Additional Special Facilities. The Trustee may conclusively rely upon such certificate and will not be responsible for the sufficiency or adequacy of any insurance required in the Indenture or obtained by the Authority.

“Qualified Self Insurance” means insurance maintained through a program of self-insurance or insurance maintained with a fund, company or association in which the Authority may have a material interest and of which the Authority may have control, either singly or with others. Each plan of Qualified Self Insurance will be established in accordance with law, will provide that reserves be established or insurance acquired in amounts adequate to provide coverage which the Authority determines to be reasonable to protect against risks assumed under the Qualified Self Insurance plan, including any potential retained liability in the event of the termination of such plan of Qualified Self Insurance, and such self-insurance program will be reviewed at least once every twelve (12) months by a Consultant who will deliver to the Authority a report on the adequacy of the reserves established thereunder. If the Consultant determines that such reserves are inadequate, they will make a recommendation as to the amount of reserves that should be established and maintained, and the Authority will comply with such recommendation unless it can establish to the satisfaction of and receive a certification from a Consultant that a lower amount is reasonable to provide adequate protection to the Authority.

Casualty and Condemnation. In the event that the Project, any Additional Special Facilities or any portion thereof is damaged, taken or condemned, the net proceeds of insurance (including without limitation self-insurance) or condemnation award will be applied as set forth in this section.

If the proceeds of an insurance or condemnation award with respect to the Project and/or any Additional Special Facilities, net of the reasonable costs, fees and expenses incurred by the Authority in the collection of such proceeds or award and any proceeds paid to a Rental Car Company pursuant to the

Rental Car Lease Agreements (the “Net Proceeds”) are less than \$250,000, the Net Proceeds will be paid directly to the Authority and will be applied by the Authority promptly to the costs of restoring the Project and/or any Additional Special Facilities. Any Net Proceeds remaining after the restoration of the Project and/or any Additional Special Facilities will be deposited *first*, to the applicable Account or Accounts within the Senior Debt Service Fund and applied to the payment of principal of or interest on the Senior Bonds next coming due, and *second*, to the applicable Account or Accounts within the Subordinate Debt Service Fund and applied to the payment of principal of or interest on the Subordinate Bonds next coming due.

If the Net Proceeds are greater than or equal to \$250,000, the Net Proceeds will be paid to the Trustee and deposited to the Insurance and Condemnation Proceeds Account in the Construction Fund, as set forth in the Indenture and disbursed in the same manner and subject to the same conditions and limitations relating to the disbursement of funds from the Construction Fund, as set forth in the Indenture. In the event that the Net Proceeds are insufficient to restore and repair the Project and/or any Additional Special Facilities as nearly as is reasonably possible to the condition it was in immediately prior to a casualty in the case of any casualty or to a condition, in the case of any Taking, which permits the Project’s and/or the Additional Special Facilities’ use in the manner contemplated by the Indenture and the Rental Car Lease Agreements and for which the Project and/or the Additional Special Facilities was originally constructed (the “Pre-Existing Condition”), the Authority will take one or more of the following actions and use a combination of any of the following sources (including the Net Proceeds) to restore and repair the Project and/or the Additional Special Facilities to their Pre-Existing Condition (i) subject to the provisions of the Indenture, issue Additional Bonds the proceeds of which will be used restore and repair the Project and/or the Additional Special Facilities to their Pre-Existing Condition, (ii) use any amounts on deposit in the Renewal and Replacement Reserve Fund and the CFC Surplus Fund to restore and repair the Project and/or the Additional Special Facilities to their Pre-Existing Condition, and/or (iii) to the extent permitted by the CFC Law, continue to require the Rental Car Companies to collect CFCs and remit such CFCs to the Trustee, as assignee of the Authority, and use such CFCs to restore and repair the Project and/or the Additional Special Facilities to their Pre-Existing Condition. The Net Proceeds, along with the amounts described in clauses (i) through (iii) in the previous sentence are collectively referred to in the Indenture as “Available Amounts.”

Following a casualty loss or Taking at or affecting the Project and/or any Additional Special Facilities and if the Available Amounts made available for repair or restoration are sufficient for such purpose, the Authority will cause the repair and restoration of the Project and/or the Additional Special Facilities to substantially their Pre-Existing Condition, and the Authority will cause the commencement of such restoration or repair as soon as is reasonably possible after the casualty loss or Taking and at all times thereafter the diligent prosecution thereof to completion. In the event any Net Proceeds remain after the repair and restoration of the Project and/or the Additional Special Facilities to their Pre-Existing Condition, the Trustee will deposit such Net Proceeds *first*, to the applicable Account or Accounts within the Senior Debt Service Fund and apply to the payment of principal of or interest on the Senior Bonds next coming due, and *second*, to the applicable Account or Accounts within the Subordinate Debt Service Fund and apply to the payment of principal of or interest on the Subordinate Bonds next coming due.

In the event the Available Amounts are insufficient to restore and repair the Project and/or the Additional Special Facilities to their Pre-Existing Condition, all Available Amounts and such other amounts on deposit in the Senior Debt Service Fund, the Senior Reserve Fund, the Rolling Coverage Fund, the Subordinate Debt Service Fund (proceeds of Subordinate Bonds on deposit in the Subordinate Debt Service Fund will only be used to redeem Subordinate Bonds) and any Subordinate Reserve Fund (proceeds of Subordinate Bonds on deposit in the Subordinate Reserve Fund will only be used to redeem Subordinate Bonds) will be used *first*, to redeem the Series 2014 Bonds pursuant to the Indenture and any

Additional Senior Bonds pursuant to the terms of the applicable Supplemental Indenture, and *second*, to redeem Subordinate Bonds pursuant to the terms of the applicable Supplemental Indenture.

Authority Will Not Terminate Rental Car Lease Agreements Pursuant to the Provisions of the Rental Car Lease Agreements. Notwithstanding anything to the contrary in the Rental Car Lease Agreements or the Indenture, while the Bonds are Outstanding, the Authority will not terminate the Rental Car Lease Agreements pursuant to the provisions of the Rental Car Lease Agreements.

No Disposition of Trust Estate. Except as permitted by the Indenture, the Authority will not sell, lease, pledge, assign or otherwise dispose of or encumber its interest in the Trust Estate and will promptly pay or cause to be discharged or make adequate provision to discharge any lien or charge on any part thereof not permitted.

Pledge and Assignment of CFCs, Bond Funding Supplemental Consideration and CFC Surplus Fund. The Authority grants, pledges and assigns unto the Trustee, and to its successors, and grants a continuing lien on and a security interest as security for the Bonds (a) all rights under Articles 3.3 and 6.2 of each of the Rental Car Lease Agreements to receive payment of, title and interest of the Authority in and to the CFCs and the Bond Funding Supplemental Consideration and other amounts payable under such Articles, and (b) all rights to the CFC Surplus Fund (including the CFC Project Account and the CFC Stabilization Account) and all amounts deposited therein from time to time, to the Trustee, including without limitation, all rights and remedies to enforce its rights to collect and receive the CFCs and the Bond Funding Supplemental Consideration.

The aforesaid pledge, lien and assignment of the CFCs, the Bond Funding Supplemental Consideration and the CFC Surplus Fund (including the CFC Project Account and the CFC Stabilization Account) will constitute a prior and superior lien and charge on the CFCs, the Bond Funding Supplemental Consideration and the CFC Surplus Fund (including the CFC Project Account and the CFC Stabilization Account), subject only to the provisions of the Indenture permitting the application of the Trust Estate for the purposes and on the terms and conditions of the Indenture, over and ahead of any claims (whether in tort, contract or otherwise and irrespective of whether the parties possessing such claims have notice of the foregoing pledges, liens or charges), encumbrances or obligations of any nature hereafter arising or incurred, and over and ahead of all other indebtedness payable from or secured by the Trust Estate. The foregoing pledges, liens, charges, and assignments to the Trustee will be valid and binding from the time of the delivery of and payment for the Bonds issued under the Indenture, and the moneys representing the Trust Estate will thereupon be immediately subject to the pledge, lien and charge of the Indenture upon receipt thereof by the Authority or the Trustee without any physical delivery or further act.

Investments

Moneys held by the Authority and/or the Trustee in the Funds and Accounts created in the Indenture and under any Supplemental Indenture will be invested and reinvested as directed by the Authority, in Permitted Investments subject to the restrictions set forth in the Indenture and such Supplemental Indenture and subject to the investment restrictions imposed upon the Authority by the laws of the State and the Authority's investment policy. The Authority will direct such investments by written certificate (which certificate will include a certification that such directions comply with the Authority's investment policy and upon which the Trustee may conclusively rely) of an Authorized Authority Representative or by telephone instruction followed by prompt written confirmation by an Authorized Authority Representative; in the absence of any such instructions, the Trustee will, to the extent practicable, invest in Permitted Investments specified in item (a) of the definition thereof, which includes a money market fund comprised of United States Obligations, or in a money market fund or account of

the Trustee, provided that it meets the requirements specified in (a) of the definition of Permitted Investments, which are Permitted Investments under State law.

Defeasance

Bonds or portions thereof (such portions to be in integral multiples of the Authorized Denomination) which have been paid in full or which are deemed to have been paid in full will no longer be secured by or entitled to the benefits of the Indenture except for the purposes of payment from moneys, Government Obligations or obligations described in clause (b) of the definition of Permitted Investments held by the Trustee or a Paying Agent for such purpose. When all Bonds which have been issued under the Indenture have been paid in full or are deemed to have been paid in full, and all other sums payable under the Indenture by the Authority, including all necessary and proper fees, compensation and expenses of the Trustee, the Registrar and the Paying Agent, have been paid or are duly provided for, then the right, title and interest of the Trustee in and to the pledge of the Trust Estate and any other assets pledged to secure the Bonds under the Indenture will thereupon cease, terminate and become void, and thereupon the Trustee will cancel, discharge and release the Indenture, will execute, acknowledge and deliver to the Authority such instruments as will be requisite to evidence such cancellation, discharge and release and will assign and deliver to the Authority any property and revenues at the time subject to the Indenture which may then be in the Trustee's possession, except funds or securities in which such funds are invested and are held by the Trustee or the Paying Agent for the payment of the principal of, premium, if any, and interest on the Bonds.

A Bond will be deemed to be paid within the meaning of the Indenture and for all purposes of the Indenture when payment of the principal, interest and premium, if any, either (a) will have been made or caused to be made in accordance with the terms of the Bonds and the Indenture or (b) will have been provided for, as certified to the Trustee by a nationally recognized accounting firm, by irrevocably depositing with the Trustee in trust and setting aside exclusively for such payment, (i) moneys sufficient to make such payment and/or (ii) noncallable Government Obligations or obligations described in clause (b) of the definition of Permitted Investments, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment. At such times as Bonds will be deemed to be paid under the Indenture, such Bonds will no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of payment from such moneys, Government Obligations or obligations described in clause (b) of the definition of Permitted Investments.

Any deposit under clause (b) of the foregoing paragraph will be deemed a payment of such Bonds. Once such deposit will have been made, the Trustee will notify all holders of the affected Bonds that the deposit required by (b) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Indenture. Notice of redemption will be required at the time of such defeasance or prior to such date as may be required by the Indenture or by the Supplemental Indenture under which such Bonds were issued. The Authority may at any time, prior to issuing such notice of redemption as may be required by the Indenture or by the Supplemental Indenture under which such Bonds were issued, modify or otherwise change the scheduled date for the redemption or payment of any Bond deemed to be paid under the terms of the foregoing paragraph in accordance with the terms of the Bonds or the Indenture subject to (A) receipt of an approving opinion of nationally recognized Bond Counsel that such action will not adversely affect the tax-exemption of any Tax-Exempt Bonds then Outstanding and (B) receipt of an approving opinion of a nationally recognized accounting firm that there are sufficient moneys and/or Government Obligations and/or obligations described in clause (b) of the definition of Permitted Investments to provide for the payment of such Bonds. Notwithstanding anything in the Indenture to the contrary, monies from the trust or escrow established for the defeasance of Bonds may be withdrawn and delivered to the Authority so long as the requirements of subparagraphs (A) and (B) above are met prior to or concurrently with any such withdrawal.

In connection with the redemption or defeasance, or partial redemption or defeasance of Bonds, the Authority may permit, or cause to be assigned to Bonds of a single maturity, multiple CUSIP numbers.

Events of Default and Remedies

Events of Default. The occurrence of any of the following events will constitute an “**Event of Default**” under the Indenture:

(a) a failure to pay the principal of or premium, if any, on any of the Senior Bonds (or any of the Subordinate Bonds provided that no Senior Bonds are Outstanding) when the same will become due and payable at maturity or upon redemption;

(b) a failure to pay any installment of interest on any of the Senior Bonds (or any of the Subordinate Bonds provided that no Senior Bonds are Outstanding) when such interest will become due and payable;

(c) a failure to pay the purchase price of any Senior Bond (or any of Subordinate Bond provided that no Senior Bonds are Outstanding) when such purchase price will be due and payable upon an optional or mandatory tender date as provided in a Supplemental Indenture;

(d) a failure by the Authority to observe and perform any covenant, condition, agreement or provision (other than as specified in clauses (a), (b) and (c) of this section) that are to be observed or performed by the Authority and which are contained in the Indenture or a Supplemental Indenture, which failure, except for a failure to meet the Minimum Annual Requirement or the Senior Bonds Coverage Requirement which will be controlled by the applicable provisions with respect to the Minimum Annual Requirement or the Senior Bonds Coverage Requirement set forth in the Indenture, will continue for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, will have been given to the Authority by the Trustee, which notice may be given at the discretion of the Trustee and will be given at the written request of holders of 25% or more of the Principal Amount of the Senior Bonds then Outstanding (or holders of 25% or more of the Principal Amount of the Subordinate Bonds then Outstanding if no Senior Bonds are then Outstanding), unless the Trustee, or the Trustee and the holders of Senior Bonds (or the holders of Subordinate Bonds if no Senior Bonds are Outstanding) in a Principal Amount not less than the Principal Amount of Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding) the holders of which requested such notice, will agree in writing to an extension of such period prior to its expiration; provided, however, that the Trustee or the Trustee and the holders of such principal amount of Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding) will be deemed to have agreed to an extension of such period if corrective action is initiated by the Authority within such period and is being diligently pursued until such failure is corrected;

(e) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, including without limitation proceedings under Chapter 9 of the United States Bankruptcy Code, or other proceedings for relief under any federal or state bankruptcy law or similar law for the relief of debtors are instituted by or against the Authority and, if instituted against the Authority, said proceedings are consented to or are not dismissed within sixty (60) days after such institution; or

(f) the occurrence of any other Event of Default as is provided in a Supplemental Indenture.

Within five (5) days after actual knowledge by an authorized officer of the Trustee of an Event of Default under clause (a), (b) or (c) above, the Trustee will give written notice, by registered or certified mail, to the Authority, all of the Bondholders, and upon notice as provided in the Indenture will give similar notice of any other Event of Default.

AS LONG AS ANY SENIOR BONDS REMAIN OUTSTANDING, NO EVENT OF DEFAULT WILL EXIST OR MAY BE DECLARED WITH RESPECT TO ANY SUBORDINATE BONDS.

Remedies.

(a) Upon the occurrence and continuance of any Event of Default, the Trustee in its discretion may, and upon the written direction of the holders of 51% or more of the Principal Amount of the Senior Bonds then Outstanding (or 51% or more of the Principal Amount of the Subordinate Bonds then Outstanding if no Senior Bonds are then Outstanding) and receipt of indemnity to its satisfaction, will, in its own name and as the Trustee of an express trust:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders of the Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding), and require the Authority to carry out any agreements with or for the benefit of the Bondholders of the Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding) and to perform its or their duties under the Act or any other law to which it is subject and the Indenture; or

(ii) bring suit upon the Senior Bonds (or the Subordinate Bonds if no Senior Bonds are Outstanding); or

(iii) commence an action or suit in equity to require the Authority to account as if it were the trustee of an express trust for the Bondholders of the Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding); or

(iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders of the Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding); or

(v) declare all Outstanding Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding), all interest accrued and unpaid thereon, and all other amounts payable in respect of the Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding) to be due and payable, whereupon the same will become immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are waived by the Authority.

(b) The Trustee will be under no obligation to take any action with respect to any Event of Default unless the Trustee has actual knowledge of the occurrence of such Event of Default.

Restoration to Former Position. In the event that any proceeding taken by the Trustee to enforce any right under the Indenture will have been discontinued or abandoned for any reason, or will have been determined adversely to the Trustee, then the Authority, the Trustee, and the Bondholders of the Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding) will be restored to their

former positions and rights under the Indenture, respectively, and all rights, remedies and powers of the Trustee will continue as though no such proceeding had been taken.

Bondholders' Right To Direct Proceedings. Anything in the Indenture to the contrary notwithstanding, holders of 51% in Principal Amount of the Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding) then Outstanding will have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Trustee under the Indenture to be taken in connection with the enforcement of the terms of the Indenture or exercising any trust or power conferred on the Trustee by the Indenture; provided that such direction will not be otherwise than in accordance with the provisions of the law and the Indenture and that there will have been provided to the Trustee security and indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred as a result thereof by the Trustee.

Limitation on Right To Institute Proceedings. No Bondholder of Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding) will have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power under the Indenture, or any other remedy under the Indenture or on such Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding), unless such Bondholder or Bondholders of Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding) previously will have given to the Trustee written notice of an Event of Default as hereinabove provided and unless also holders of 51% or more of the Principal Amount of the Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding) then Outstanding will have made written request of the Trustee to do so, after the right to institute such suit, action or proceeding under the Indenture will have accrued, and will have afforded the Trustee a reasonable opportunity to proceed to institute the same in either its or their name, and unless there also will have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee will not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the institution of such suit, action or proceeding; it being understood and intended that no one or more of the Bondholders of the Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding) will have any right in any manner whatever by their action to affect, disturb or prejudice the security of the Indenture, or to enforce any right under the Indenture or under the Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding), except in the manner provided in the Indenture, and that all suits, actions and proceedings at law or in equity will be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Bondholders of the Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding).

No Impairment of Right To Enforce Payment. Notwithstanding any other provision in the Indenture, the right of any Bondholder to receive payment of the principal of and interest on such Bond or the purchase price thereof, on or after the respective due dates expressed therein and to the extent of the pledge of the Trust Estate and other security provided for the Bonds, or to institute suit for the enforcement of any such payment on or after such respective date, will not be impaired or affected without the consent of such Bondholder.

Proceedings by Trustee Without Possession of Bonds. All rights of action under the Indenture or under any of the Bonds secured which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee will be brought in its name for the equal and ratable benefit of the Bondholders, subject to the provisions of the Indenture.

No Remedy Exclusive. No remedy conferred upon or reserved to the Trustee or to Bondholders is intended to be exclusive of any other remedy or remedies, and each and every such remedy will be cumulative, and will be in addition to every other remedy given under the Indenture, or now or hereafter existing at law or in equity or by statute; provided, however, that any conditions set forth in the Indenture to the taking of any remedy to enforce the provisions of the Indenture or the Bonds will also be conditions to seeking any remedies under any of the foregoing pursuant to this section.

No Waiver of Remedies. No delay or omission of the Trustee or of any Bondholder to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee and to the Bondholders, respectively, may be exercised from time to time and as often as may be deemed expedient.

Application of Moneys. If an Event of Default will occur and be continuing, all amounts then held or any moneys received by the Trustee, by any receiver or by any Bondholder pursuant to any right given or action taken under the provisions of the Indenture (which will not include (1) moneys in the Rebate Funds, which will be held and applied in accordance with the Indenture and (2) all moneys provided through a Credit Facility, which moneys will be restricted to the specific use for which such moneys were provided), after payment of the costs and expenses of the proceedings resulting in the collection of such moneys by the Trustee or by any receiver and of the expenses, liabilities and advances incurred or made by the Trustee in connection with its performance of its powers and duties under the Indenture and any Supplemental Indenture (including attorneys' fees and disbursements), will be applied as follows: (a) first, to the payment to the persons entitled thereto of all installments of interest then due on the Senior Bonds, with interest on overdue installments, if lawful, at the rate per annum as provided in the Indenture and any Supplemental Indenture, as the case may be, in the order of maturity of the installments of such interest and, if the amount available will not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment, (b) second, to the payment to the persons entitled thereto of the unpaid principal amount of any of the Senior Bonds which will have become due with interest on such Senior Bonds at such rate as provided in the Indenture or any Supplemental Indenture from the respective dates upon which they became due and, if the amount available will not be sufficient to pay in full Senior Bonds on any particular date determined to be the payment date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege, (c) third, to the payment to the persons entitled thereto of all installments of interest then due on the Subordinate Bonds, with interest on overdue installments, if lawful, at the rate per annum as provided in a Supplemental Indenture, as the case may be, in the order of maturity of the installments of such interest and, if the amount available will not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment, and (d) fourth, to the payment to the persons entitled thereto of the unpaid principal amount of any of the Subordinate Bonds which will have become due with interest on such Subordinate Bonds at such rate as provided in a Supplemental Indenture from the respective dates upon which they became due and, if the amount available will not be sufficient to pay in full Subordinate Bonds on any particular date determined to be the payment date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of this section, such moneys will be applied at such times, and from time to time, as the Trustee will determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys

becoming available for such application in the future. Whenever the Trustee will apply such funds, it will fix the date (which will be an interest Payment Date unless it will deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal and interest to be paid on such date will cease to accrue. The Trustee will give notice of the deposit with it of any such moneys and of the fixing of any such date by Mail to all Bondholders and will not be required to make payment to any Bondholder until such Bonds will be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Severability of Remedies. It is the purpose and intention of the Indenture to provide rights and remedies to the Trustee and the Bondholders, which may be lawfully granted under the provisions of the Act and other applicable law, but should any right or remedy granted be held to be unlawful, the Trustee and the Bondholders will be entitled, as above set forth, to every other right and remedy provided in the Indenture or by applicable law.

Additional Events of Default and Remedies. So long as any particular Series of Bonds is Outstanding, the Events of Default and remedies as set forth in the Indenture may be supplemented with additional events of default and remedies as set forth in a Supplemental Indenture under which such Series of Bonds is issued.

Authority Right to Enforce Unassigned Rights. Notwithstanding any contrary provision in the Indenture, the Authority may enforce the Unassigned Rights by any lawful available remedy; and nothing in the Indenture will restrict the exercise of Unassigned Rights by the Authority as lessor under the Rental Car Lease Agreements or the exercise of rights by the Authority as operator of the Airport System.

Trustee

Duties of Trustee.

(a) If an Event of Default has occurred and is continuing, the Trustee will exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) The Trustee will perform the duties set forth in the Indenture and no implied duties or obligations will be read into the Indenture against the Trustee.

(c) Except during the continuance of an Event of Default, in the absence of any negligence on its part or any knowledge to the contrary, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Indenture. However, the Trustee will examine the certificates and opinions to determine whether they conform to the requirements of the Indenture.

(d) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that the Trustee will not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it from Bondholders or the Authority in the manner provided in the Indenture.

(e) The Trustee will not, by any provision of the Indenture, be required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties

under the Indenture, or in the exercise of any of its rights or powers, if repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. The Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the holders of the Bonds or any Credit Provider or Liquidity Provider, unless such holders, Credit Providers and Liquidity Providers, as applicable, will have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(f) Every provision of the Indenture that in any way relates to the Trustee is subject to all the paragraphs of this section.

Notice of Events of Defaults. If (a) an Event of Default has occurred or (b) an event has occurred which with the giving of notice and/or the lapse of time would be an Event of Default and, with respect to such events for which notice to the Authority is required before such events will become Events of Default, such notice has been given, then the Trustee will promptly, after obtaining actual notice of such Event of Default or event described in (b) of the first sentence of this section, give notice thereof to each Bondholder. Except in the case of a default in payment or purchase on any Bonds, the Trustee may withhold the notice if and so long as the Trustee in good faith determines that withholding the notice is in the best interests of the Bondholders.

Eligibility of Trustee. The Indenture will always have a Trustee that is a trust company, banking association or a bank having the powers of a trust company and is organized and doing business under the laws of the United States or any state or the District of Columbia, is authorized to conduct trust business under the laws of the State, is subject to supervision or examination by United States, state or District of Columbia authority and has (together with its corporate parent) a combined capital and surplus of at least \$100,000,000 as set forth in its most recent published annual report of condition.

Replacement of Trustee. The Trustee may resign by notifying the Authority in writing prior to the proposed effective date of the resignation. The holders of at least 51% in Principal Amount of the Senior Bonds (or the Subordinate Bonds if no Senior Bonds are Outstanding) may remove the Trustee by notifying the removed Trustee and may appoint a successor Trustee with the Authority's consent. The Authority may remove the Trustee, by notice in writing delivered to the Trustee at least sixty (60) days prior to the proposed removal date; provided, however, that the Authority will have no right to remove the Trustee during any time when an Event of Default has occurred and is continuing or when an event has occurred and is continuing or condition exists which with the giving of notice or the passage of time or both would be an Event of Default.

No resignation or removal of the Trustee under this section will be effective until a new Trustee has taken office and delivered a written acceptance of its appointment and a written acceptance and agreement to execute the trusts imposed upon it by the Indenture to the retiring Trustee and to the Authority. Immediately thereafter, the retiring Trustee will transfer all property held by it as Trustee to the successor Trustee, the resignation or removal of the retiring Trustee will then (but only then) become effective and the successor Trustee will have all the rights, powers and duties of the Trustee under the Indenture.

If the Trustee resigns or is removed or for any reason is unable or unwilling to perform its duties under the Indenture, the Authority will promptly appoint a successor Trustee.

If a Trustee is not performing its duties under the Indenture and a successor Trustee does not take office within sixty (60) days after the retiring Trustee delivers notice of resignation or the Authority delivers notice of removal, the retiring Trustee, the Authority or the holders of a majority in Principal

Amount of the Senior Bonds (or the Subordinate Bonds if no Senior Bonds are Outstanding) may petition any court of competent jurisdiction for the appointment of a successor Trustee.

Successor Trustee or Agent by Merger. If the Trustee, any Paying Agent or Registrar consolidates with, merges or converts into, or sells to or transfers all or substantially all its assets (or, in the case of a bank, national banking association or trust company, its corporate trust assets) to, another corporation and meets the qualifications set forth in the Indenture, the resulting, surviving or transferee corporation without any further act (other than delivering a written acceptance of its appointment and a written acceptance and agreement to execute the trusts imposed upon it by the Indenture to the Authority) will be the successor Trustee, Paying Agent or Registrar.

Paying Agent. The Authority may upon notice to the Trustee at any time or from time to time appoint a Paying Agent or Paying Agents for the Bonds or for any Series of Bonds, and each Paying Agent, if other than the Trustee, will designate to the Authority and the Trustee its principal office and signify its acceptance of the duties and obligations imposed upon it under the Indenture or under a Supplemental Indenture by a written instrument of acceptance delivered to the Authority and the Trustee under which each such Paying Agent will agree, particularly:

- (a) to hold all sums held by it for the payment of the principal of, premium or interest on Bonds in trust for the benefit of the Bondholders until such sums will be paid to such Bondholders or otherwise disposed of as provided in the Indenture;
- (b) to keep such books and records as will be consistent with prudent industry practice, to make such books and records available for inspection by the Authority and the Trustee on each Business Day during reasonable business hours; and
- (c) upon the request of the Trustee, to forthwith deliver to the Trustee all sums so held in trust by such Paying Agent.

The Trustee will be the Paying Agent with respect to the Series 2014 Bonds.

Registrar. The Authority will appoint the Registrar for the Bonds or a Registrar or Registrars for any Series of Bonds and may from time to time remove a Registrar and name a replacement. Each Registrar, if other than the Trustee, will designate to the Trustee, the Paying Agent, and the Authority its principal office and signify its acceptance of the duties imposed upon it under the Indenture or under a Supplemental Indenture by a written instrument of acceptance delivered to the Authority and the Trustee under which such Registrar will agree, particularly, to keep such books and records as will be consistent with prudent corporate trust industry practice and to make such books and records available for inspection by the Authority, the Trustee, and the Paying Agent on each Business Day during reasonable business hours. The Trustee will be the Registrar with respect to the Series 2014 Bonds.

Supplemental Indentures and Waivers

Supplemental Indentures Not Requiring Consent of Bondholders. The Authority may, from time to time and at any time, without the consent of or notice to the Bondholders, execute and deliver Supplemental Indentures supplementing and/or amending the Indenture or any Supplemental Indenture as follows:

- (a) to provide for the issuance of a Series or multiple Series of Bonds under the provisions of the Indenture and to set forth the terms of such Bonds and the special provisions which will apply to such Bonds;

(b) to cure any formal defect, omission, inconsistency or ambiguity in, or answer any questions arising under, the Indenture or any Supplemental Indenture, provided such supplement or amendment is not materially adverse to the Bondholders;

(c) to add to the covenants and agreements of the Authority in the Indenture or any Supplemental Indenture other covenants and agreements, or to surrender any right or power reserved or conferred upon the Authority, provided such supplement or amendment will not adversely affect the interests of the Bondholders;

(d) to confirm, as further assurance, any interest of the Trustee in and to the pledge of the Trust Estate or in and to the Funds and Accounts held by the Trustee or in and to any other moneys, securities or funds of the Authority provided pursuant to the Indenture or to otherwise add additional security for the Bondholders;

(e) to evidence any change made in the terms of any Series of Bonds if such changes are authorized by the Supplemental Indenture at the time the Series of Bonds is issued and such change is made in accordance with the terms of such Supplemental Indenture;

(f) to comply with the requirements of the Trust Indenture Act of 1939, as amended from time to time;

(g) to modify, alter, amend or supplement the Indenture or any Supplemental Indenture in any other respect which is not materially adverse to the Bondholders;

(h) to provide for uncertificated Bonds or for the issuance of coupons and bearer Bonds or Bonds registered only as to principal;

(i) to qualify the Bonds or a Series of Bonds for a rating or ratings from a Rating Agency;

(j) to accommodate the technical, operational and structural features of Bonds which are issued or are proposed to be issued which has been authorized or is proposed to be authorized, including, but not limited to, changes needed to accommodate commercial paper, auction bonds, swaps, variable rate or adjustable rate bonds, discounted or compound interest bonds or other forms of indebtedness which the Authority from time to time deems appropriate to incur;

(k) to accommodate the use of a Credit Facility or Liquidity Facility for specific Bonds or a specific Series of Bonds; and

(l) to comply with the requirements of the Code as are necessary, in the opinion of Bond Counsel, to prevent the federal income taxation of the interest on the Tax-Exempt Bonds.

Before the Authority will, pursuant to this section, execute any Supplemental Indenture, there will have been delivered to the Authority and Trustee an opinion of Bond Counsel to the effect that such Supplemental Indenture: (y) is authorized or permitted by the Indenture, the Act and other applicable law, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Authority in accordance with its terms and (z) will not cause interest on any of the Tax-Exempt Bonds which is then excluded from gross income of the recipient thereof for federal income tax purposes to be included in gross income for federal income tax purposes. The opinion of Bond Counsel required pursuant to clause (z) in the preceding sentence will not be required for a Supplemental Indenture executed and delivered in accordance with the Indenture.

Supplemental Indenture Requiring Consent of Bondholders.

(a) Except for any Supplemental Indenture entered into pursuant to the provisions described in “Supplemental Indentures Not Requiring Consent of Bondholders” above or pursuant to paragraph (b) below, subject to the terms and provisions contained in this section and under the heading “—Supplemental Indentures and Waivers” herein, and not otherwise, the holders of not less than 51% in aggregate Principal Amount of the Senior Bonds (or the Subordinate Bonds, if no Senior Bonds are Outstanding) then Outstanding will have the right from time to time to consent to and approve the execution by the Authority of any Supplemental Indenture deemed necessary or desirable by the Authority for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in a Supplemental Indenture; provided, however, that, unless approved by the holders of all of the Bonds then Outstanding or unless such change affects less than all Series of Bonds and the provisions of paragraph (b) below are applicable, nothing contained in the Indenture will permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on or Accreted Value of any Outstanding Bonds or (ii) a reduction in the principal amount or redemption price of any Outstanding Bonds or the rate of interest thereon; and provided that nothing contained in the Indenture, including the provisions of paragraph (b) below, will, unless approved by the holders of all of the Bonds then Outstanding, permit or be construed as permitting (A) the creation of a lien (except as expressly permitted by the Indenture) upon or pledge of the Trust Estate created by the Indenture, ranking prior to or on a parity with the claim created by the Indenture, (B) except with respect to additional security which may be provided for a particular Series of Bonds, a preference or priority of any (1) Senior Bond or Senior Bonds over any other Senior Bond or Senior Bonds or (2) Subordinate Bond or Subordinate Bonds over any other Subordinate Bond or Subordinate Bonds, as the case may be, with respect to the security granted therefor under the Indenture, or (C) a reduction in the aggregate Principal Amount of Bonds the consent of the Bondholders of which is required for any such Supplemental Indenture. Nothing contained in the Indenture, however, will be construed as making necessary the approval by Bondholders of the execution of any Supplemental Indenture as authorized pursuant to the provisions described in “Supplemental Indentures Not Requiring Consent of Bondholders” above, including the granting, for the benefit of particular Series of Bonds, security in addition to the pledge of the Trust Estate.

(b) The Authority may, from time to time and at any time, execute a Supplemental Indenture which amends the provisions of an earlier Supplemental Indenture under which a Series or multiple Series of Bonds were issued. If such Supplemental Indenture is executed for one of the purposes set forth in “Supplemental Indentures Not Requiring Consent of Bondholders” above, no consent of the Bondholders will be required. If such Supplemental Indenture contains provisions which affect the rights and interests of less than all Series of Bonds Outstanding and the provisions set forth under “Supplemental Indentures Not Requiring Consent of Bondholders” above are not applicable, then this subsection (b) rather than subsection (a) above will control and, subject to the terms and provisions contained in this subsection (b) and not otherwise, the holders of not less than 51% in aggregate Principal Amount of the Bonds of all Series which are affected by such changes will have the right from time to time to consent to any Supplemental Indenture deemed necessary or desirable by the Authority for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in such Supplemental Indenture and affecting only the Bonds of such Series; provided, however, that, unless approved by the holders of all of the Bonds of all the affected Series then Outstanding, nothing contained in the Indenture will permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on or Accreted Value of any Outstanding Bonds of such Series or (ii) a reduction in the principal

amount or redemption price of any Outstanding Bonds of such Series or the rate of interest thereon. Nothing contained in the Indenture, however, will be construed as making necessary the approval by Bondholders of the adoption of any Supplemental Indenture as authorized pursuant to the provisions described in “Supplemental Indentures Not Requiring Consent of Bondholders” above, including the granting, for the benefit of particular Series of Bonds, security in addition to the pledge of the Trust Estate.

(c) If at any time the Authority will desire to enter into any Supplemental Indenture for any of the purposes of this section, the Authority will cause notice of the proposed execution of the Supplemental Indenture to be given by Mail to all Bondholders or, under subsection (b), all Bondholders of the affected Series. Such notice will briefly set forth the nature of the proposed Supplemental Indenture and will state that a copy thereof is on file at the office of the Authority for inspection by all Bondholders and it will not be required that the Bondholders approve the final form of such Supplemental Indenture but it will be sufficient if such Bondholders approve the substance thereof.

(d) The Authority may execute and deliver such Supplemental Indenture in substantially the form described in such notice, but only if there will have first been delivered to the Authority (i) the required consents of Bondholders and (ii) the opinion of Bond Counsel required by the last paragraph of the section entitled “Supplemental Indentures Not Requiring Consent of Bondholders” above.

(e) If Bondholders of not less than the percentage of Bonds required by this section will have consented to and approved the execution and delivery thereof as provided in the Indenture, no Bondholders will have any right to object to the adoption of such Supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution and delivery thereof, or to enjoin or restrain the Authority from executing the same or from taking any action pursuant to the provisions thereof.

(f) Notwithstanding subsections (c) through (e) above, the Authority may, at its discretion, execute and deliver such Supplemental Indenture which contains such modifications, alterations, amendments or supplements prior to receipt of the required consents of the holders; provided, that such Supplemental Indenture or the applicable provisions of such Supplemental Indenture subject to the consents of the holders will not become effective until such time as there has been delivered to the Authority (i) the required consents of holders and (ii) the opinion of Bond Counsel required by the last paragraph of the section entitled “Supplemental Indentures Not Requiring Consent of Bondholders” above. In the event the Authority decides to execute and deliver a Supplemental Indenture in accordance with this subsection (f), the notice required in subsection (c) will make reference to a final and executed Supplemental Indenture as opposed to a proposed Supplemental Indenture.

(g) For the purposes of this section, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase from the Authority, may consent to a modification or amendment permitted by this section in the manner provided in the Indenture and with the same effect as a consent given by the holders of such Bonds, except that no proof of ownership will be required; provided, that this provision will be disclosed prominently in the offering document, if any, for each Series of Bonds issued pursuant to the Indenture, provided that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the

purchaser consenting thereto will be described in the offering document prepared in connection with the primary offering of the Bonds of such Series by the Authority.

Effect of Supplemental Indenture. Upon execution and delivery of any Supplemental Indenture pursuant to the provisions of the Indenture or the Supplemental Indenture will be, and will be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture and the Supplemental Indenture of the Authority, the Trustee, the Paying Agent, the Registrar and all Bondholders will thereafter be determined, exercised and enforced under the Indenture and the Supplemental Indenture, if applicable, subject in all respects to such modifications and amendments.

No Supplemental Indenture will modify the duties, rights or obligations of the Trustee, Paying Agent or Registrar without the consent of such party thereto.

Supplemental Indentures To Be Part of The Indenture. Any Supplemental Indenture entered into accordance with the provisions of the Indenture will thereafter form a part of the Indenture or the Supplemental Indenture which they supplement or amend, and all of the terms and conditions contained in any such Supplemental Indenture as to any provision authorized to be contained therein will be and will be deemed to be part of the terms and conditions of the Indenture or the Supplemental Indenture which they supplement or amend for any and all purposes.

Amendments to Rental Car Lease Agreements and Rental Car Concession Agreements. The provisions of the Indenture providing for Bondholder consent to certain Supplemental Indentures will also apply to the modification of Articles 3.3, 6.2, 20, 23 and 24 of the Rental Car Lease Agreements and to the definitions of terms used therein as so used in a manner that could materially, adversely affect the Bondholders, but will not apply to certain other provisions of the Rental Car Lease Agreements, including without limitation the Unassigned Rights; and with respect to the modification or waiver of such other provisions of the Rental Car Lease Agreements, the consent of the Bondholders will not be required.

EXHIBIT 1 TO APPENDIX B

FORMULA FOR CALCULATING RENEWAL AND REPLACEMENT RESERVE FUND REQUIREMENT

The Renewal and Replacement Reserve Fund Requirement (or the “**RRRF Requirement**”) for each Fiscal Year shall be calculated in accordance with the following formula

$$\text{RRRF Requirement} = [\text{Project Cost}] \times [\text{Applicable Factor}]$$

Where:

Project Cost for Fiscal Years 1-5

- [Project Cost] for Fiscal Years 1-5 = \$316,000,000

Fiscal Year 1 shall be the first full Fiscal Year following the Opening Date

Project Cost for Fiscal Years 6-15

- Project Cost for Fiscal Years 6-15 = [FY6-15 Project Cost]
 - o [FY 6-15 Project Cost] = \$316,000,000 x [FY6-15 CPI Factor]
 - o [FY6-15 CPI Factor] = $1 + \frac{[A] - [B]}{[B]}$

Where:

[A] = [Index] for Fiscal Year 5

[B] = [Index] for Fiscal Year 1

[Index] = the Consumer Price Index for All Urban Consumers, All Items, for the market area that includes the Project, as published by the Bureau of Labor Statistics of the United States Department of Labor, using the years 1982-84 as a base of 100, or if such index is discontinued, the most comparable index published by any federal governmental agency.

Project Cost for Fiscal Years 16-25

- Project Cost for Fiscal Years 16-25 = [FY16-25 Project Cost]
 - o [FY 16-25 Project Cost] = [FY 6-15 Project Cost] x [FY16-25 CPI Factor]
 - o [FY16-25 CPI Factor] = $1 + \left[\frac{[A]-[B]}{[B]} \right]$

Where:

[A] = [Index] for Fiscal Year 15

[B] = [Index] for Fiscal Year 5

[Index] = the Consumer Price Index for All Urban Consumers, All Items, for the market area that includes the Project, as published by the Bureau of Labor Statistics of the United States Department of Labor, using the years 1982-84 as a base of 100, or if such index is discontinued, the most comparable index published by any federal governmental agency.

Project Cost for Fiscal Years 26-30

- Project Cost for Fiscal Years 26-30 = [FY26-30 Project Cost]
 - o [FY 26-30 Project Cost] = [FY 16-25 Project Cost] x [FY26-30 CPI Factor]
 - o [FY26-30 CPI Factor] = $1 + \left[\frac{[A]-[B]}{[B]} \right]$

Where:

[A] = [Index] for Fiscal Year 25

[B] = [Index] for Fiscal Year 15

[Index] = the Consumer Price Index for All Urban Consumers, All Items, for the market area that includes the Project, as published by the Bureau of Labor Statistics of the United States Department of Labor, using the years 1982-84 as a base of 100, or if such index is discontinued, the most comparable index published by any federal governmental agency.

Applicable Factor

- Fiscal Years 1-10 = 0.03
- Fiscal Years 11-20 = 0.04
- Fiscal Years 21-30 = 0.05

The following schedule provides a template for calculating the Renewal and Replacement Reserve Fund Requirement (or RRRF Requirement) for each Fiscal Year.

Fiscal Year	Project Cost [a]	Applicable Factor [b]	Renewal and Replacement Reserve Fund Requirement [a] x [b]
1 ¹	\$316,000,000	0.03	\$9,480,000
2	316,000,000	0.03	9,480,000
3	316,000,000	0.03	9,480,000
4	316,000,000	0.03	9,480,000
5	316,000,000	0.03	9,480,000
6	FY6-15 Project Cost	0.03	FY6 RRRF Requirement
7	FY6-15 Project Cost	0.03	FY7 RRRF Requirement
8	FY6-15 Project Cost	0.03	FY8 RRRF Requirement
9	FY6-15 Project Cost	0.03	FY9 RRRF Requirement
10	FY6-15 Project Cost	0.03	FY10 RRRF Requirement
11	FY6-15 Project Cost	0.04	FY11 RRRF Requirement
12	FY6-15 Project Cost	0.04	FY12 RRRF Requirement
13	FY6-15 Project Cost	0.04	FY13 RRRF Requirement
14	FY6-15 Project Cost	0.04	FY14 RRRF Requirement
15	FY6-15 Project Cost	0.04	FY15 RRRF Requirement
16	FY16-25 Project Cost	0.04	FY16 RRRF Requirement
17	FY16-25 Project Cost	0.04	FY17 RRRF Requirement
18	FY16-25 Project Cost	0.04	FY18 RRRF Requirement
19	FY16-25 Project Cost	0.04	FY19 RRRF Requirement
20	FY16-25 Project Cost	0.04	FY20 RRRF Requirement
21	FY16-25 Project Cost	0.05	FY21 RRRF Requirement
22	FY16-25 Project Cost	0.05	FY22 RRRF Requirement
23	FY16-25 Project Cost	0.05	FY23 RRRF Requirement
24	FY16-25 Project Cost	0.05	FY24 RRRF Requirement
25	FY16-25 Project Cost	0.05	FY25 RRRF Requirement
26	FY26-30 Project Cost	0.05	FY26 RRRF Requirement
27	FY26-30 Project Cost	0.05	FY27 RRRF Requirement
28	FY26-30 Project Cost	0.05	FY28 RRRF Requirement
29	FY26-30 Project Cost	0.05	FY29 RRRF Requirement
30	FY26-30 Project Cost	0.05	FY30 RRRF Requirement
¹ Fiscal Year 1 shall be the first full Fiscal Year following the Opening Date.			

EXHIBIT 2 TO APPENDIX B

FORMULA FOR CALCULATING RENEWAL AND REPLACEMENT RESERVE FUND REQUIRED DEPOSIT

The Renewal and Replacement Reserve Fund Requirement Deposit (or the “RRRF Required Deposit”) for each Fiscal Year shall be calculated in accordance with the following formula

$$\text{RRRF Required Deposit} = [\text{RRRF Requirement}]^1 \times [0.20]$$

¹ See Exhibit 2 to Appendix B for formula to calculate RRRF Requirement

The following schedule provides a template for calculating the Renewal and Replacement Reserve Fund Required Deposit (or RRRF Required Deposit) for each Fiscal Year.

Fiscal Year	RRRF Requirement [a] ²	[b]	Renewal and Replacement Reserve Fund Required Deposit [a] x [b]
1 ¹	\$316,000,000	0.20	\$1,896,000
2	316,000,000	0.20	1,896,000
3	316,000,000	0.20	1,896,000
4	316,000,000	0.20	1,896,000
5	316,000,000	0.20	1,896,000
6	FY6 RRRF Requirement	0.20	FY6 RRRF Required Deposit
7	FY7 RRRF Requirement	0.20	FY7 RRRF Required Deposit
8	FY8 RRRF Requirement	0.20	FY8 RRRF Required Deposit
9	FY9 RRRF Requirement	0.20	FY9 RRRF Required Deposit
10	FY10 RRRF Requirement	0.20	FY10 RRRF Required Deposit
11	FY11 RRRF Requirement	0.20	FY11 RRRF Required Deposit
12	FY12 RRRF Requirement	0.20	FY12 RRRF Required Deposit
13	FY13 RRRF Requirement	0.20	FY13 RRRF Required Deposit
14	FY14 RRRF Requirement	0.20	FY14 RRRF Required Deposit
15	FY15 RRRF Requirement	0.20	FY15 RRRF Required Deposit
16	FY16 RRRF Requirement	0.20	FY16 RRRF Required Deposit
17	FY17 RRRF Requirement	0.20	FY17 RRRF Required Deposit
18	FY18 RRRF Requirement	0.20	FY18 RRRF Required Deposit
19	FY19 RRRF Requirement	0.20	FY19 RRRF Required Deposit
20	FY20 RRRF Requirement	0.20	FY20 RRRF Required Deposit
21	FY21 RRRF Requirement	0.20	FY21 RRRF Required Deposit
22	FY22 RRRF Requirement	0.20	FY22 RRRF Required Deposit
23	FY23 RRRF Requirement	0.20	FY23 RRRF Required Deposit
24	FY24 RRRF Requirement	0.20	FY24 RRRF Required Deposit
25	FY25 RRRF Requirement	0.20	FY25 RRRF Required Deposit
26	FY26 RRRF Requirement	0.20	FY26 RRRF Required Deposit
27	FY27 RRRF Requirement	0.20	FY27 RRRF Required Deposit
28	FY28 RRRF Requirement	0.20	FY28 RRRF Required Deposit
29	FY29 RRRF Requirement	0.20	FY29 RRRF Required Deposit
30	FY30 RRRF Requirement	0.20	FY30 RRRF Required Deposit

¹ Fiscal Year 1 shall be the first full Fiscal Year following the Opening Date.

² See Exhibit 1 to Appendix B for the formula to calculate the RRRF Requirement for each Fiscal Year.

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APPENDIX C

SUMMARY OF THE RENTAL CAR LEASE AGREEMENTS

The following is a summary of certain provisions of the Rental Car Lease Agreements and is qualified in its entirety by reference to the Rental Car Lease Agreements, copies of which are available from the Authority.

ARTICLE 1: DEFINITIONS

1.1 Definitions. The capitalized terms used in this Summary of the Rental Car Lease Agreements shall for all purposes have the meanings specified in this Article 1, unless a different definition is given such term in the Indenture or the context clearly requires otherwise. Other terms may be defined elsewhere in this Summary of the Rental Car Lease Agreements.

“Additional Small Operator Improvements” shall mean and refer to those additional or subsequent tenant improvements constructed by the Authority during the Lease Term within the Small Operator Area as more specifically described in Article 2.2.1.3 of the Rental Car Lease Agreement.

“Additional Special Facilities” shall mean and refer to any improvements after construction of the Project made to the Rental Car Center, the Rental Car Center Site, the Off-Site Roadway Improvements, the Common-Use Transportation System or, if and when made, any Additional Special Facilities by the Authority pursuant to Article 2.5 of the Rental Car Lease Agreement.

“Adjustment Date” shall mean July 1st of each year through the termination of the Rental Car Lease Agreement.

“Affiliate” shall mean and refer to any Person, directly or indirectly controlling or controlled by, or under direct or indirect common control with, another Person. A Person shall be deemed to control another Person for the purposes of this definition if such first Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of the second Person, whether through the ownership of voting securities, common directors, trustees or officers, by contract or otherwise.

“Agreement Year” shall mean and refer to each successive year during the Lease Term, beginning with the first day of the first full month to begin on or after the Opening Date.

“Airport” shall mean the San Diego International Airport. Airport specifically includes the Rental Car Center Site.

“Airport Concession Disadvantaged Business Enterprise” (“ACDBE”) shall mean, a business, whether it is a corporation, sole proprietorship, partnership or joint venture certified as an ACDBE by the State of California, of which at least fifty-one percent (51%) of the interest is owned and controlled by one or more socially and economically disadvantaged individuals as defined in the Airport and Airways Safety and Capacity Expansion Act of 1987 and the regulations promulgated pursuant hereto at 49 CFR Part 23.

“Airport Customer” shall mean:

- (i) any person who enters into a motor vehicle rental agreement with Operator or takes delivery of a rental car from Operator at Operator’s Rental Car Concession at the RCC; or
- (ii) any person who enters into a motor vehicle rental agreement or takes delivery of a rental car at another Operator location (other than the RCC), that is located within a zip code within a three (3) mile distance from the Airport boundary line as depicted in the Rental Car Lease Agreement, but excluding any Persons that meet either of the following criteria:
 - 1. Any Persons who have a valid California Driver’s License with an address indicating a zip code within a ten (10) mile distance from the Airport boundary line as depicted in the Rental Car Lease Agreement; or
 - 2. Any Person who initials immediately adjacent to the following statement which shall be prominently shown in the contract: “I certify under penalty of perjury that I did not utilize in anyway the San Diego International Airport within the past 12 hours.” Operator understands and agrees all contracts shall be deemed an Airport Customer car rental transaction and subject to the Percentage Fee, unless containing the initialed statement described within this subparagraph 2 that does not qualify for the exclusion in subparagraph 1 above.

“Alteration” shall have the meaning set forth in Article 13.1 of the Rental Car Lease Agreement.

“Appraisal Adjustment Date” shall mean July 1, 2020 and July 1 of calendar years 2025, 2030, 2035, 2040, and 2046 during the Term of the Rental Car Lease Agreement.

“Authority” shall mean and refer to San Diego County Regional Airport Authority or any successor agency.

“Authority Board Resolution” shall mean and refer to Resolution No. 2012-0111 adopted by the Board on October 4, 2012, as such resolution may be amended and supplemented from time to time, and such other resolutions adopted by the Board from time to time with respect to the imposition of the CFC.

“Authority CFC Stabilization Account” shall mean the account established within the CFC Surplus Fund pursuant to the Bond Documents and funded in accordance with Article 3.3 (h) and from which the Authority may fund CFC eligible expenditures, including debt service on the Bonds, and, under certain circumstances, Common-Use Transportation Costs.

“Authority Environmental Permit” shall mean and refer to any environmental permit to which the Authority is, whether now or in the future, subject and which covers or otherwise affects operations on or about the Rental Car Center Site.

“Authority Loan(s)” shall have the meaning set forth in Article 3.7 of the Rental Car Lease Agreement.

“Authority-Made Improvements” shall have the meaning set forth in Article 2.2.1.1 of the Rental Car Lease Agreement.

“Authority’s Standards” shall mean the Airport Rules and Regulations, the Regulations for Airport Construction, the Rental Car Center Tenant Design Criteria Manual (also known as, and referred to herein, as the “Tenant Design Manual”), the CAD Standards Manual, the Concession Design Standards, the Rental Car Center Tenant Design and Construction Standards, the Authority’s mechanical, electrical, water and waste, and industrial waste and storm drainage standards and any other, similar document establishing requirements and/or standards for design and construction at the Airport, as they now exist or may be amended from time to time.

“Authorities” shall mean and refer to the United States, state, county, city or other local governmental or quasi-governmental authorities, or any department, office, or agency of the foregoing now existing or hereafter created.

“Best Management Practices” shall include those environmental or operational standards or guidelines specifying common and accepted practices appropriate for the types of businesses Operator, its contractors, agents or vendors engage in on the Premises or such standards or guidelines as have been articulated by pertinent trade associations, professional associations or regulatory agencies, including (but not limited to) Best Management Practices developed by the Authority in cooperation with its tenants, including Operator. Best Management Practices shall be subject to approval by the Authority.

“Board” shall mean the Board of Directors of the San Diego County Regional Airport Authority as defined in Cal. Pub. Util. Code § 170,000 *et seq.*

“Bond Documents” shall mean one or more trust indentures entered into between the Authority and the trustee, for the benefit of the owners of the Bonds, and the resolution of the Authority authorizing the issuance of the Bonds. Bond Documents shall include the Indenture.

“Bond Funding Supplemental Consideration” shall mean and refer to the additional payment obligations of Operator required to fund any deposits to the first seven (7) segments identified in clauses (a) through (g) of Article 3.3. in the event CFC revenues and amounts available in the CFC Surplus Fund (including the Authority CFC Stabilization Account) are not sufficient to make such required deposits in full.

“Bonds” shall mean and refer to the bonds to be issued by the Authority (whether in one or more series) from time to time pursuant to the terms of the Bond Documents for purposes of financing the design and construction of the Project as well as any bonds issued to refund such bonds. It is anticipated that the Bonds shall be special facilities bonds primarily secured by a pledge of CFCs. Bonds shall include the Series 2014 Bonds.

“Certificate of Occupancy” shall mean the document issued by the City of San Diego certifying the Rental Car Center, or applicable portion thereof, is in compliance with applicable building codes and other laws, and has been determined to be in a condition suitable for occupancy.

“Customer Facility Charge” or *“CFC”* shall mean and refer to the customer facility charge or charges authorized by California statute, imposed by the Authority pursuant to the Authority Board Resolution on rental car transactions occurring on or about the Airport, and required to be collected by the Operator pursuant to Article 6.2 of the Rental Car Lease Agreement.

“*CFC Surplus Fund*” shall mean the fund held by the Authority as more fully described in Article 3.3 (h) of the Rental Car Lease Agreement.

“*Commencement Date*” shall mean June 1, 2015, and refer to the date on which the Authority turns over to Operator the Exclusive Use Premises (except for Small Operators, and Vehicle Storage Area) for commencement of Operator Tenant Improvements. For Small Operators, the Exclusive Use Premises will be turned over December 1, 2015. For the Vehicle Storage Area (whether or not Operator is a Small Operator), will be turned over by the January 20, 2016. Upon such turnover of space, Operator recognizes and authorizes the Authority’s base-building contractor reasonable access to the Exclusive Use Premises to complete construction punch-list items within the Exclusive Use Premises. Such dates may be adjusted at the sole discretion of the President/CEO of the Authority upon reasonable consultation with Operator.

“*Common-Use Transportation Costs*” shall mean and refer to any and all costs incurred or paid at any time in connection with the operation of the Common-Use Transportation System other than those costs (e.g., initial bus acquisition, etc.) that are financed from the proceeds of any Bonds and paid as part of the Bond obligations. Without limiting the generality of the foregoing, Common-Use Transportation Costs include (but are not limited to) the following costs for busing: the cost of bus acquisition, the cost of repairing and maintaining the buses used in the Common-Use Transportation System, all costs associated with the operation of the Common-Use Transportation System (e.g., labor, fuel, etc.), improvements to the Airport terminals and terminal curbsides made exclusively for the benefit of the Common-Use Transportation System, the costs of insurance (including deductibles and retentions) associated with the Common-Use Transportation System, the costs of claims associated with the operation of the Common-Use Transportation System, the costs of the Authority (and/or its third party designee) supervision and management of the Common-Use Transportation System, a reasonable allocation of the Authority (and/or its third party designee) overhead associated with the operation of the Common-Use Transportation System, and amortization of capital expenses and/or lease payments associated with CUTS staging, storage, and maintenance facilities and/or areas assigned to the CUTS.

“*Common-Use Transportation Cost Supplemental Consideration*” shall mean and refer to the additional payments obligations of Operator to pay Common-Use Transportation Costs as described in Articles 3.3 and 3.7 of the Rental Car Lease Agreement.

“*Common-Use Transportation System*” or “*CUTS*” shall mean and refer to the system of equipment and associated improvements by which rental car customers are transported between the Airport terminal(s) and the Rental Car Center, as more specifically set forth in Article 12 of the Rental Car Lease Agreement. Initially, the Common-Use Transportation System will be conducted using buses.

“*Common Use Area*” shall mean and refer to those portions of the Rental Car Center and/or Rental Car Center Site not falling within either: (i) the Exclusive Use Premises for any of the Operators granted rights to operate a Rental Car Concession in the Rental Car Center, (ii) the Small Operator Shared Area, or (iii) the Reserved Area. For purposes of those obligations relating to the repair and maintenance of the Rental Car Center and/or Rental Car Center Site and the Operating and Utilities Expenses, the Common Use Area shall also be understood to include: (i) the roof (both structure and covering/membrane), exterior walls, foundation and building structure of those portions of the Rental Car Center otherwise falling within the Exclusive Use Premises of the Operators, (ii) the pavements, canopies and other physical structures otherwise falling with the QTA Space portion of the Exclusive Use Premises of the Operators, (iii) the utilities systems (specifically including, but not limited to, the storm drains and detention vaults) serving the Rental Car Center or Rental Car Center Site up to the point of connection by any particular Operator, (iv) any portion of the Fuel Facilities and QTA Equipment otherwise located

within any particular Operator's Exclusive Use Premises, and (v) those portions of the Reserved Area utilized in the management and operation of the Rental Car Center.

"Concession Fees" shall mean and refer collectively to sums designated as Minimum Monthly Guarantee and Percentage Fees under the Rental Car Concession Agreement.

"Concession Term" shall mean and refer to the term of the Rental Car Concession Agreement as set forth in the Rental Car Concession Agreement.

"Concessionaire," when used in the singular, shall mean and refer to the particular Concessionaire executing a particular Rental Car Concession Agreement related to the operation of a Rental Car Concession in the Rental Car Center. *"Concessionaires,"* when used in the plural, shall mean and refer to all Concessionaires having executed a Rental Car Concession Agreement related to the operation of a Rental Car Concession in the Rental Car Center.

"Costs of CFC Administration" shall mean and refer to any and all costs incurred or paid by the Authority in connection with the administration of the CFC or the Transportation and Facility Charge, the payment of the Bond obligations or the satisfaction of any and all non-financial obligations under the Bonds (or any of them). Without limiting the generality of the foregoing, Costs of CFC Administration include (but are not limited to) bank charges, the cost of an independent trustee responsible for the collection, handling and disbursement of the CFC or Transportation and Facility Charge, the cost of CFC or Transportation and Facility Charge audits, and the cost of any insurance policies required by the Bonds.

"Costs of the Additional Special Facilities" shall mean and refer to any and all costs incurred or paid by the Authority specifically arising from and in connection with the design, permitting and construction of any Additional Special Facilities. Without limiting the generality of the foregoing, Costs of the Additional Special Facilities include (but are not limited to) design costs, permitting costs, construction costs, costs associated with project management, contract administration or construction management, and a reasonable allocation of the Authority overhead associated with the design and construction of the Additional Special Facilities.

"Costs of the Project" shall mean and refer to any and all costs incurred or paid by the Authority specifically arising from and in connection with the design, permitting and construction of the Project (specifically including Authority-Made Improvements). Without limiting the generality of the foregoing, Cost of the Project include (but are not limited to) design costs, permitting costs, construction costs, costs associated with project management, contract administration or construction management, and a reasonable allocation of the Authority overhead associated with the design and construction of the Project. The Costs of the Project shall not, however, include any costs associated with the Authority's construction of the Small Operator Improvements (i.e., Costs of the Small Operator Improvements.)

"Costs of the Small Operator Improvements" shall mean and refer to any and all costs incurred or paid by the Authority in connection with the design, permitting and construction of the Small Operator Improvements. Without limiting the generality of the foregoing, Cost of the Small Operator Improvements include (but are not limited to) design costs, permitting costs, construction costs, costs associated with project management, contract administration or construction management, and a reasonable allocation of the Authority overhead associated with the construction of the Small Operator Improvements.

"Consumer Price Index" (*"CPI"*) shall mean and refer to Consumer Price Index for All Urban Consumers published for the Los Angeles-Riverside-Orange County metropolitan area by the United

States Department of Labor's Bureau of Labor Statistics. In the event the CPI is no longer published, the index shall be the one reported in the U. S. Department of Labor's comprehensive official index most nearly corresponding to the foregoing description of the CPI. If the herein-described Department of Labor indices are no longer published, another index generally recognized as authoritative shall be substituted by agreement of the Parties. If they are unable to agree within sixty (60) days after demand by either party, a substitute index will be selected by the Chief Officer of the San Francisco Regional Office of the Bureau of Labor Statistics or its successor.

"Customer Service Building" shall mean and refer to the customer service building of the Rental Car Center and providing areas for customer service counters and back-office support areas for the operation of a Rental Car Concession.

"Days" (whether capitalized or not) shall, unless otherwise specified, mean and refer to calendar days, not business days.

"Deadline for Substantial Completion" shall be December 1, 2015, and refer to the date identified by the Authority for the Operators' substantial completion of their Initial Tenant Improvements. Such date may be adjusted at the sole discretion of the President/CEO of the Authority upon reasonable consultation with Operator.

"Default Rate" shall mean and be (a) 10% *per annum*, (b) that percent *per annum* equal to the prevailing rate on the 25th day of the month preceding the execution of the Rental Car Lease Agreement as established by the Federal Reserve Bank of San Francisco on advances to member banks under §13 and §13A of the Federal Reserve Act, plus 4 ½% *per annum*, or (c) the maximum interest rate permitted by law in the State of California for the particular transaction, whichever is greater, on the balance of the unpaid monthly amount calculated from the date of the delinquency until the close of the business day upon which the delinquent payment is received by the Authority.

"Deplaned Passenger" shall mean all those passengers arriving on flights at the Airport from scheduled or chartered flights, whether domestic or international, including non-revenue passengers (but excluding airline crew for the flight), whose destination is San Diego (thus not including those passengers connecting to other flights of same or another airline).

"Environmental Assessment" means an investigation of site environmental conditions: (a) sufficient to characterize environmental conditions at the site and/or associated with facility operations, and (b) sufficient to identify changes in environmental conditions at the site and/or associated with facility operations since the establishment of the Pre-Lease Environmental Condition (or completion of any subsequent Environmental Assessment), by comparison of the Environmental Assessment results with the Pre-Lease Environmental Condition (or results of any subsequent Environmental Assessment). The Environmental Assessment scope of work shall be sufficient to meet both purposes, but shall in every case meet at least the minimum standards of American Society for Testing and Materials Standard *E1903 - Standard Guide for Environmental Site Assessments: Phase II Environmental Site Assessment Process*.

"Environmental Audit" means an environmental compliance audit consistent with any applicable or relevant and appropriate assessment or auditing standards, including, but not limited to, CERCLA § 101(35)(B) (42 U.S.C. § 9601(35)(B)), 40 CFR Part 312, and American Society for Testing and Materials Standard *E2107-00 Standard Practice for Environmental Regulatory Compliance Audits*.

"Environmental Laws" shall mean and refer to any and all Legal Requirements relating to the protection of human health and the environment.

“Event of Default” shall have the meaning set forth in Article 23.1 of the Rental Car Lease Agreement or any event of default stated in the Rental Car Concession Agreement.

“Exclusive Use Premises” shall mean and refer to those portions of the Customer Service Building, the Ready/Return Area, the QTA Space and Vehicle Storage Area (if any) as determined in accordance with Article 11 of the Rental Car Lease Agreement and as thereafter indicated in the Rental Car Lease Agreement.

“Facility Rent” shall have the meaning set forth in Article 6.1 of the Rental Car Lease Agreement.

“Facility Manager” shall mean and refer to the party chosen by the Operators to operate and maintain the Common Use Area pursuant to Article 15.1.3.2.1 of the Rental Car Lease Agreement.

“Fuel Facilities” shall mean and refer to the specific improvements installed on or about the Rental Car Center Site for purposes of fueling rental car vehicles by the Operators. The Fuel Facilities specifically include all underground storage tanks, underground and above ground piping, related underground and above ground structures and equipment, including without limitation tank fill ports, fuel dispensers, spill containment structures, oil-water separators, storm water management systems, required network of monitoring wells, leak prevention and detection systems, and the surrounding areas used in connection with the operation, including without limitation areas of Hazardous Substance transfer, dispensing, and containment systems.

“Fuel Facility Manager” shall mean and refer to the party chosen by the Operators to operate, and be financially responsible for, the Fueling Facilities pursuant to Article 19.1.1 of the Rental Car Lease Agreement.

“Gross Revenues” shall mean and refer to all consideration of any kind – whether cash, credit or in kind – received, derived and/or billed by the Operator for: (a) all charges, including, but not limited to, time and mileage charges, separately stated fees for rental of vehicles and other related or incidental services or merchandise, and any other items or services, made at or from Operator’s Rental Car Concession, regardless of where the vehicles or services are delivered to or returned; (b) all amounts charged to the customer for insurance offered by Operator incidental to the rental of such vehicles, including but not limited to personal accident insurance; (c) all charges attributable to any vehicle originally rented at Operator’s Rental Car Concession which is exchanged at any other location; (d) all proceeds from the long-term lease of vehicles from Operator’s Rental Car Concession; (e) all amounts charged to Operator’s customers and which are separately stated on the rental agreement as an optional charge for waiver by Operator of its right to recover from customer for damage to or loss of the vehicle rented; (f) all amounts charged by Operator for items of personal property (including, but not limited to, mobile phones, child seats, GPS rentals, etc.), (g) all amounts charged to Operator’s customers at the commencement or the conclusion of the rental transaction for the cost of furnishing and/or replacing fuel provided by Operator; (h) all monies, fees, or other consideration received from airlines, travel agents or other consolidators/organizers as part of any package and/or promotion that features Operator’s services, fees or rates as part of a package, (i) intercity or drop charges, (j) all amounts charged by Operator for the Recovery Fee, (k) any other amounts, whether “above the line” or “below the line” associated with any rental transaction, and (l) all amounts charged by Operator, or anyone licensed on Operator’s behalf, to provide ancillary business services as provided in Article 10.1.1 of the Rental Car Lease Agreement. “Gross Revenues” shall generally be determined by the total charges on the face of an Airport Customer’s receipt, less any charges specifically excluded in the definition of Gross Revenues. Anything not explicitly excluded from the definition of Gross Revenues shall be included within the Gross Revenues.

Gross Revenues shall, however, exclude: (a) any federal, state, county or city sales or other similar taxes, fines or surcharges that is levied on rental car or other ancillary business transactions, separately stated to and collected from customer of Operator and paid in full by Operator to the taxing authority; (b) any amounts received as insurance proceeds or otherwise for damage to vehicles or other property of Operator, or for loss, conversion or abandonment of such vehicles; (c) revenue from the wholesale transfer of salvage vehicles; (d) all non-revenue rentals to employees of Operator; and (e) the CFC.

“Hazardous Substance” shall mean and refer to any hazardous or toxic substance, material or waste, including, but not limited to: (i) those substances, materials, and wastes listed in the United States Department of Transportation Hazardous Materials Table (49 C.F.R. 172.101), (ii) those substances, materials, and wastes listed by the United States Environmental Agency as hazardous substances (40 C.F.R. Part 302 and amendments thereto), (iii) those substances, materials, and wastes listed by the State of California as hazardous substances, (iv) petroleum products and their derivatives, and (v) such other substances, materials and wastes as are or become regulated or subject to cleanup authority by any jurisdiction under any Environmental Laws.

“Initial Tenant Improvements” shall have the meaning set forth in Article 2.2.2.1 of the Rental Car Lease Agreement.

“Land Rent” shall have the meaning set forth in Article 6.1 of the Rental Car Lease Agreement.

“Lease Term” shall mean and refer to the term of the Rental Car Lease Agreement as set forth in Article 5.1 of the Rental Car Lease Agreement.

“Legal Requirements” shall mean and refer to all laws, statutes and ordinances including building codes and zoning regulations and ordinances and the orders, rules, regulations and requirements (whether now or hereafter in effect) of all federal, state, county, city or other local jurisdiction departments, agencies, bureaus, offices and other subdivisions thereof, or any official thereof, or of any other governmental, public or quasi-public authority, which may be applicable to or have jurisdiction over the Premises, the sidewalks or streets adjacent thereto, the operation of the Ground Transportation System, and all requirements, obligations and conditions of all instruments of record on the date of the Rental Car Lease Agreement.

“Lien” shall mean and refer to any mortgage, lien, security interest, encumbrance, charge on, pledge of, conditional sale or other encumbrance on the Premises or any Alteration, the ownership of which is retained by the Authority.

“Light Vehicle Maintenance” shall mean and refer to the changing and rotation of tires, changing of belts, wiper blades, hoses and lamps, the changing of motor oil, oil filters and air filters, the flushing/changing of antifreeze/coolant or transmission fluid, changing/replacing windshields, replacing vehicle batteries, brake repair and maintenance (pads/rotors), and other minor repairs or replacements similar in nature and as approved by the Authority.

“Major Maintenance” shall mean and refer to any repair or replacement in, of or to the Rental Car Center, Rental Car Center Site, or any portion of either that is eligible for funding through the then current CFC regulations; and: (i) extends the useful life of a particular capital asset in or part of the Rental Car Center or Rental Car Center Site by more than three (3) years with a total value in excess of the Authority’s then-current capitalization policy (currently \$5,000), (ii) replaces a particular capital asset in or part of the Rental Car Center or Rental Car Center Site that is otherwise at the end of its useful life with a total value in excess of the Authority’s then-current capitalization policy, or (iii) is expected to cost,

under *bona fide* estimates of the repair costs prepared by the Operators or their Facility Manager, more than two hundred fifty thousand dollars (\$250,000), which amount shall be adjusted each Agreement Year by any change in the Consumer Price Index. Currently anticipated Major Maintenance associated with the Rental Car Center and Rental Car Center Site within the first and second categories are listed in the Rental Car Lease Agreement.

“*Market Share*” shall mean and refer to a particular Operator’s (or Small Operator’s) share of the total rental car market expected to be accommodated within the Rental Car Center, where that share is calculated as the percentage of reported transactions as a percentage of all Airport reported rental car transactions over the most recent twelve (12) month period available to the Authority.

“*Minimum Monthly Guarantee*” shall have the meaning set forth in the Rental Car Concession Agreement.

“*Minimum Targeted Stabilization Account Balance*” shall have the meaning set forth in Article 3.7 of the Rental Car Lease Agreement.

“*New Entrant*” shall mean and refer to: (i) for any Operator not having participated in the negotiation of the Rental Car Lease Agreement and Rental Car Concession Agreement, an Operator (including a Small Operator) that has not executed a Rental Car Lease Agreement and Rental Car Concession Agreement, or (ii) for any Operator having participated in the negotiation of the Rental Car Lease Agreement and Rental Car Concession Agreement, an Operator (including a Small Operator) that did not execute a Rental Car Lease Agreement prior to November 22, 2013. The definition of New Entrant, shall not include a new brand introduced by an existing Operator which is a wholly owned subsidiary of Operator and is accommodated within Operator’s existing Exclusive Use Premises as may be consented to by the Authority.

“*Non-RAC Concessionaire*” shall mean and refer to any concessionaire granted rights to operate a concession other than a Rental Car Concession in the Rental Car Center. Non-RAC Concessionaire shall not, however, include any bag service provider, wheel chair service provider, or the like.

“*Notice of Default*” shall mean and refer to written notice of any Event of Default to Operator. Such notice, for all purposes, shall be in lieu of, and not in addition to, any notice required as a prerequisite to an unlawful detainer or similar action for possession of the Premises.

“*Off-Airport Rental Car Concessionaire*” shall mean and refer to any entity operating a Rental Car Concession from a location other than the Rental Car Center.

“*Off-Site Roadway Improvements*” shall mean and refer to those improvements to the roadways, sidewalks and other transportation infrastructure identified in the plans and specifications set forth in the Rental Car Lease Agreement and to be made by the Authority in connection with the development of the Rental Car Center or any Additional Special Facilities to be made off the Rental Car Center Site.

“*Opening Date*” shall be January 20, 2016 and is the date identified by the Authority for the public opening of, and commencement of all rental car operations from, the Rental Car Center; provided, however, the Opening Date may be adjusted at the sole discretion of the President/CEO of the Authority upon reasonable consultation with Operator.

“*Operations Manual*” shall mean and refer to the operations and maintenance manual prepared by the Facility Manager related to the Rental Car Center as more particularly described in Article 15.1.3.3 of the Rental Car Lease Agreement.

“*Operator*” or “*Rental Car Company*” when used in the singular, shall mean and refer to the particular Operator executing a Rental Car Lease Agreement or Rental Car Concession Agreement related to the operation of a Rental Car Concession in the Rental Car Center. “Operators” or “Rental Car Companies,” when used in the plural, shall mean and refer to all Operators, including Operator, having executed a Rental Car Lease Agreement and Rental Car Concession Agreement related to the operation of a Rental Car Concession in the Rental Car Center.

“*Operators’ Technical Representative*” shall mean the third party firm and/or individual(s), initially the firm of Jacobsen Daniels, whose responsibility it is to coordinate among Operators to ensure Operators stay informed about the project and Operators interests are presented to the Authority during the design phase of the Project.

“*Operator Vehicle Maintenance Equipment*” shall mean and refer to any equipment, facilities and fixtures other than the Fuel Facilities and QTA Equipment that may (subject to the Authority’s consent as provided in the Rental Car Lease Agreement) be installed by any Operator, the Facility Manager or the Fuel Facility Manager for purposes of car washing, cleaning, fueling or Light Vehicle Maintenance activities. By way of example, and not limitation, any equipment installed by any Operator in the course of converting a car wash bay for purposes of performing Light Vehicle Maintenance would constitute Operator Vehicle Maintenance Equipment.

“*Operators’ Construction Manager*” shall mean and refer to such construction management firm as the Operators’ may elect to utilize for purposes of monitoring the construction of the Project.

“*Parties*” means the Authority and Operator, collectively.

“*Percentage Fee*” shall have the meaning set forth in the Rental Car Concession Agreement.

“*Person*” shall mean and refer to an individual, partnership, corporation, company, limited liability company, association, trust, unincorporated organization or any other entity or organization, including a government or agency or political subdivision thereof.

“*Pollution Prevention Plan*” shall mean and refer to a written plan required by Environmental Law, or if not required by Environmental Law, an equivalent plan required by the Authority for the Rental Car Center Site, prepared by the Fuel Facility Manager and adopted by each of the Operators for the Rental Car Center Site, that describes the Rental Car Center Site (including, but not limited to, the Fueling Facilities) and the management, training, operational, and monitoring activities and requirements in place to prevent releases of Hazardous Substances or other deleterious materials (e.g., total suspended solids) from, or in connection with, the Rental Car Center Site; control and remediate spills or releases; and meet other environmental permit requirements related to releases from, or in connection with, the Rental Car Center Site.

“*Pre-Lease Environmental Condition*” shall mean the environmental condition of the Rental Car Center Site existing prior to commencement of the Project as detailed in the Kleinfelder West, Inc. prepared documents entitled: 1) Phase II Environmental Site Assessment Report former General Dynamics Lindbergh Field Plant Facility San Diego, California dated December 11, 2009; and 2) Supplemental Phase II Environmental Site Assessment Report North Side Lindbergh Air Field San Diego, California dated February 17, 2011.

“*Preliminary Financial Plan*” shall mean the financial plan as depicted in the Rental Car Lease Agreement which represents the good faith effort to estimate revenues, expenses and financial structure with information known prior to execution of the Rental Car Lease Agreement.

“*Premises*” shall mean and refer to the Exclusive Use Premises together with the Fuel Facilities and QTA Equipment, Common Use Area, and, for any Operator that is a Small Operator, the Small Operator Shared Area.

“*Project*” shall mean and refer to the initial construction of the Rental Car Center on the Rental Car Center Site together with the construction of the Off-Site Roadway Improvements. “Project” shall also include certain improvements to the Airport terminals and terminal curbsides made exclusively for the benefit of the Common-Use Transportation System and other allocated enabling project. “Project” will also include the acquisition of the initial buses for the Common-Use Transportation System, if purchased.

“*Pro rata Share*,” except as specifically defined within and for the purposes of Article 3.3 of the Rental Car Lease Agreement, for any particular Operator, shall mean and refer to the percentage determined by dividing (i) the total amount of Exclusive Use Premises leased by the particular Operator in the Rental Car Center plus, for any Operator that is a Small Operator, the Operator’s proportionate share of the Small Operator Shared Area, by (ii) the total amount of Exclusive Use Premises leased to all Operators in the Rental Car Center plus the total area of Small Operator Shared Area allocated to and occupied by Small Operators, all of which space may be measured by the Authority in any reasonable and uniform manner. The *Pro rata Share* may vary from time to time, but will not be readjusted by the Authority more frequently than on a monthly basis. For purposes of determining the total amount of Exclusive Use Premises leased (but without in any manner releasing, waiving or otherwise absolving any potential claims for damages against any Operator in the Event of a Default), (i) space for which a lease expires or earlier terminates shall be treated as leased until the first full month following the date on which the lease expires or is earlier terminated, and (ii) a lease rejected in bankruptcy shall be treated as terminating on the date the bankruptcy petition was filed.

“*QTA*” shall mean quick turnaround.

“*QTA Space*” shall mean and refer to the quick turnaround utilized by Operators for purposes of car washing, cleaning, fueling or Light Vehicle Maintenance activities.

“*QTA Equipment*” shall mean and refer to all equipment supplied by the Authority, located in the QTA Space and used in connection with car washing, cleaning and fueling activities other than the Fuel Facilities. The QTA Equipment includes, without limitation, the car washes and all associated equipment, the vacuums, and all fluid and/or compressed air dispensing systems.

“*Ready/Return Area*” shall mean and refer to those portions of the Rental Car Center utilized by the Operators for purposes of stacking, staging, returning and delivering rental cars.

“*Recovery Fee*” shall have the meaning set forth in the Rental Car Concession Agreement.

“*Reimbursable O&M Costs*” shall have the meaning set forth in Article 6.3 of the Rental Car Lease Agreement.

“*Rental Car Center*” or “*RCC*” shall mean and refer to the Rental Car Center to be constructed by the Authority. The Rental Car Center includes (but is not limited to) the Customer Service Building, the Ready/Return Area, the QTA Areas and all other improvements (including any Additional Special Facilities, if any) on the Rental Car Center Site.

“*Rental Car Center Site*” shall mean and refer to that parcel of land consisting of approximately 24.85 acres (1,082,339 square feet) and described in the Rental Car Lease Agreement, on which land the

Rental Car Center is to be constructed. The description and area set forth in this definition shall, however, be subject to adjustment following completion of the Project to account for dedications and other adjustments to the Rental Car Center Site made as part of construction of the Project. The Authority will provide, by notice to the Operators, a revised description and final areas within ninety (90) days following completion of the Project.

“Rental Car Center Tenant Design and Construction Standards” shall mean and refer to those standards as contained in the Rental Car Lease Agreement.

“Rental Car Concession” shall mean and refer to the right to operate a rental car concession at the Airport from the Rental Car Center on a non-exclusive basis for the purpose of arranging rental car services for the benefit of Airport Customers where such rental car service is furnished by or on behalf of Operator.

“Rental Car Concession Agreement” shall mean and refer to that certain concession agreement between the Authority and a particular Operator, together with the exhibits to the concession agreement and all agreements supplemental to or modifying the concession agreement, whether made contemporaneously therewith or subsequent thereto. Since it is expected that the Concession Term for the initial Rental Car Concession Agreement will be less than the Lease Term, the term Rental Car Concession Agreement specifically includes each successor Rental Car Concession Agreement to which the Authority and an Operator may be a party.

“Rental Car Lease Agreement” shall mean and refer to that certain Rental Car Lease Agreement between the Authority and a particular Operator, together with the exhibits to the Rental Car Lease Agreement and all agreements supplemental to or modifying the Rental Car Lease Agreement, whether made contemporaneously therewith or subsequent thereto.

“Reserved Area” shall mean and refer to those Portions of the Rental Car Center reserved to (i) the Authority for its use, and (ii) Non-RAC Concessionaires for their use, pursuant to Article 4.2 of the Rental Car Lease Agreement. The Reserved Areas are more specifically reflected in the Rental Car Lease Agreement.

“Security Deposit” shall have the meaning set forth in Article 9 of the Rental Car Lease Agreement.

“Small Operator” shall generally mean and refer to an Operator whose market share constitutes less than two and a half percent (2.5%) of the overall Market Share for rental cars at the Airport and who operates from the Small Operator Area; provided, however, the Authority shall have the right to treat an Operator that otherwise falls under this Market Share standard but which is showing significant growth and approaching the Market Share standard as other than a Small Operator.

“Small Operator Area” shall mean and refer to those portions of the Customer Service Building, Ready/Return Areas and QTA Space that are set aside by the Authority for the use of the Small Operators and as reflected more specifically in the Rental Car Lease Agreement. The Small Operator Areas consist of both Exclusive Use Premises assigned to individual Small Operators and the Small Operator Shared Area for use, in common, by all of the small Operators.

“Small Operator Improvement Rent” shall have the meaning set forth in Article 6.4.1 of the Rental Car Lease Agreement.

“Small Operator Improvements” shall be those identified in the Rental Car Lease Agreement.

“Small Operator Shared Area” shall mean and refer to those portions of the Small Operator Area that are identified for use, in common, by those Operators that are Small Operators and operating from the Small Operator Area. The Small Operator Shared Area will be reflected in the Rental Car Lease Agreement.

“Special Airport Systems” shall mean and refer to those systems identified in the Rental Car Lease Agreement.

“Special Building Systems” shall mean and refer to those systems identified in the Rental Car Lease Agreement.

“Spill Prevention Control and Countermeasures Plan” or *“SPCC Plan”* shall mean and refer to a written plan required by Environmental Law, prepared by Fuel Facility Manager and adopted by each of the Operators for the Rental Car Center and Site, that includes a risk evaluation performed by Professional Engineer and that describes the storage of oil (as defined in 40 CFR 112.7) and spill response procedures as they relate to the storage and use of oil.

“Supplemental Consideration” shall mean and refer to Bond Funding Supplemental Consideration and Common-Use Transportation Cost Supplemental Consideration.

“Transaction Day” shall mean and refer, with respect to any vehicle available for rent by any Operator, up to a twenty five (25) hour period (or fraction thereof) for the first Transaction Day and successive twenty four (24) hour periods (or fractions thereof) for each successive Transaction Day; provided, however, in the event of any inconsistency between this definition and the terms of the Authority Board Resolution imposing the CFC, the terms of the Authority Board Resolution shall control.

“Transportation and Facility Charge” shall mean and refer to the charge assessed to Off-Airport Rental Car Concessionaire(s). The Transportation and Facility Charge shall be a charge designated by the Authority to compensate the Authority for the use of the Common-Use Transportation System and those portions of the Rental Car Center utilized by such Off-Airport Rental Car Concessionaire(s). The Transportation and Facility Charge established by the Authority may be revised from time-to-time.

“Utilities Costs” shall mean and refer to all the costs and expenses associated with the operation of the Rental Car Center or Rental Car Center Site, specifically including any costs associated with utilities provided to the Rental Car Center and Rental Car Center Site, and any services provided for the benefit of the Operators. Without limiting the generality of the foregoing, Utilities Costs specifically include electricity, communications, gas, water, sewer, garbage, recycling, and costs of connection.

“Value of the Facility” shall mean and refer to the value of the Rental Car Center and Rental Car Center Site improvements. Subject to adjustment as necessary to account for changes in the Rental Car Center and Rental Car Center Site improvements, the initial Value of the Facility and corresponding Facility Rent shall be based on the value and rate of return as determined by an appraisal, per the provision of subsection (b) below, of the Rental Car Center and Rental Car Center Site improvements as of the date the Bonds are repaid in the event the Bonds are repaid prior to June 30, 2046.

The Facility Rent shall be subject to adjustment as follows:

(a) CPI Adjustment. The Facility Rent shall adjusted annually on the Adjustment Date by an amount equal to the Facility Rent payable for the immediately prior year (July 1st through June 30th) adjusted by the increase, if any, in the CPI.

The Facility Rent payable for the immediately prior year (July 1st through June 30th – except whereby the period prior to the first Adjustment Date is not a full calendar year, the applicable Facility Rent during this first period will be converted to a twelve month equivalency) shall be multiplied by a fraction, the numerator of which shall be the CPI for the month of April, three (3) months prior to the Adjustment Date under consideration, and the denominator of which shall be the CPI for the month of April, fifteen (15) months prior to the Adjustment Date under consideration. The sum so calculated shall constitute the new Facility Rent herein. In no event shall such the new Facility Rent be less than the Facility Rent payable for the 12 month period immediately preceding said Adjustment Date.

Notwithstanding the publication dates of the CPI, the Facility Rent shall be adjusted to be effective on the Adjustment Dates. Until said adjustment can be reasonably determined by CPI publication, Operator shall continue to make payments pursuant to the Rental Car Lease Agreement at the same amount in effect for the period immediately preceding the Adjustment Date under consideration. Because of this provision, underpayments of Facility Rent amounts shall be immediately paid to the Authority.

(b) Appraisal. Effective one hundred eighty (180) prior to any potential repayment of the Bonds (if repaid prior to June 30, 2046), the Facility Rent will be determined by written appraisal, subject to the reconciliation process described below. Further, the Facility Rent may, at Authority's sole discretion, be adjusted to a fair market based value pursuant to the following procedures on each Appraisal Adjustment Date: (a) no later than January 1 immediately prior to the Appraisal Adjustment Date under consideration, the Authority and Operators shall attempt by mutual agreement to adjust the Facility Rent for the immediately following Agreement Year commencing the next successive five (5) year period; (b) If the Authority and a majority of Operators both in number and Market Share as determined by number of rental car transactions for the 12 month period (November 1st through October 31st) immediately preceding the Appraisal Adjustment Date under consideration ("Majority in Interest") are unable to mutually agree upon such adjusted Facility Rent prior to March 1st immediately preceding the Appraisal Adjustment Date under consideration, then the following appraisal process to effectuate the adjustment of Facility Rent shall commence. (i) Authority and Operators each immediately shall select a current member of the Appraisal Institute who holds a current "MAI" appraiser designation. (ii) upon the earlier of fifteen (15) days of initiating the appraisal process or March 15th immediately preceding the Appraisal Adjustment Date under consideration, Authority and Operators shall notify the other party of the name and address of their selected appraiser and shall agree upon a time and place for a conference between the Authority, Operators and the appraisers where they shall agree upon the general instruction to be given the appraisers. The general instructions shall not place any limitations upon the appraisal techniques to be employed by the appraisers in evaluating the fair market value for Facility Rent of the Rental Car Center Site, provided however appraisers will consider use restrictions similar in use as the Rental Car Lease Agreement and airports comparable in size and character to San Diego International Airport. (iii) Each of the two appraisers shall submit, not later than May 1st immediately preceding the Appraisal Adjustment Date under consideration, one (1) copy of their appraisal in its entirety to Operators and Authority. (iv) Immediately upon receipt of the appraisals, Authority and Operators by written notice shall fix a time and place for a conference to endeavor to reach agreement on the adjusted Facility Rent. (v) If Operator and Authority are unable to agree upon an adjusted Facility Rent based on the appraisals, they shall direct their appraisers to select a third appraiser, also is a current member of the Appraisal Institute holding a current "MAI" appraiser designation, who shall prepare a report of the facts, evidence and render an opinion of the Value of the Facility and corresponding Facility Rent which shall be submitted to both the Authority and Operators. If the Authority and a Majority in Interest of Operators still cannot reach agreement prior to June 1st immediately prior to the Appraisal Adjustment Date under consideration, the selected third appraiser's report of the facts, evidence and opinion of the Value of the Facility and corresponding Facility Rent will be presented to the Board of the Authority who shall fix the Facility Rent payable for the period involved. (vi) Nothing herein shall prejudice the right of Operator to contest in a

court of competent jurisdiction the adjusted Facility Rent fixed by the Board in the event the Board has acted arbitrarily or unreasonably in fixing such fair market value Facility Rent. (vii) Operator and Authority agree that in no event shall this appraisal process result in a decrease in Facility Rent payable for the immediately prior period during the Term of the Rental Car Lease Agreement. Should an appraisal process show a decrease in Value of the Facility or Facility Rent, the Facility Rent shall nevertheless remain at the prior year's level, subject only to any increases by virtue of the annual CPI adjustment process, above.

"Value of the Site" shall mean and refer to the value of the Rental Car Center Site (as an assemblage) determined on a per square foot or other recognized basis. Subject to adjustment as necessary to account for changes in the area of the Rental Car Center Site and adjustments identified in subparagraph (a) and subparagraph (b) below, the initial Value of the Site and corresponding Land Rent effective on the Opening Date shall be based on a per-square-foot value of \$5.80 per-square foot per year ($\$5.80/\text{sf}/\text{yr} \times 1,082,339 \text{ sf} = \$6,277,566.20$ annual Land Rent converted to monthly Land Rent of \$523,130.52).

The Land Rent shall be subject to adjustment as follows:

(a) CPI Adjustment. The Land Rent shall adjusted annually on the Adjustment Date by an amount equal to the Land Rent payable for the immediately prior year (July 1st through June 30th) adjusted by the increase, if any, in the CPI.

The Land Rent payable for the immediately prior year (July 1st through June 30th – except whereby the period prior to the first Adjustment Date is not a full calendar year, the applicable Land Rent during this first period will be converted to a twelve month equivalency) shall be multiplied by a fraction, the numerator of which shall be the CPI for the month of April, three (3) months prior to the Adjustment Date under consideration, and the denominator of which shall be the CPI for the month of April, fifteen (15) months prior to the Adjustment Date under consideration. The sum so calculated shall constitute the new Land Rent herein. In no event shall such the new Land Rent be less than the Land Rent payable for the 12 month period immediately preceding said Adjustment Date.

Notwithstanding the publication dates of the CPI, the Land Rent shall be adjusted to be effective on the Adjustment Dates. Until said adjustment can be reasonably determined by CPI publication, Operator shall continue to make payments pursuant to the Rental Car Lease Agreement at the same amount in effect for the period immediately preceding the Adjustment Date under consideration. Because of this provision, underpayments of Land Rent amounts shall be immediately paid to the Authority.

(b) Appraisal. Land Rent may, at Authority's sole discretion, be adjusted to a fair market based value pursuant to the following procedures on each Appraisal Adjustment Date: (a) no later than January 1 immediately prior to the Appraisal Adjustment Date under consideration, the Authority and Operators shall attempt by mutual agreement to adjust the Land Rent for the immediately following Agreement Year commencing the next successive five (5) year period; (b) If the Authority and a majority of Operators both in number and Market Share as determined by number of rental car transactions for the 12 month period (November 1st through October 31st) immediately preceding the Appraisal Adjustment Date under consideration ("Majority in Interest") are unable to mutually agree upon such adjusted Land Rent prior to March 1st immediately preceding the Appraisal Adjustment Date under consideration, then the following appraisal process to effectuate the adjustment of Land Rent shall commence. (i) Authority and Operators each immediately shall select a current member of the Appraisal Institute who holds a current "MAI" appraiser designation. (ii) upon the earlier of fifteen (15) days of initiating the appraisal process or March 15th immediately preceding the Appraisal Adjustment Date under consideration, Authority and Operators shall notify the other party of the name and address of their selected appraiser

and shall agree upon a time and place for a conference between the Authority, Operators and the appraisers where they shall agree upon the general instruction to be given the appraisers. The general instructions shall not place any limitations upon the appraisal techniques to be employed by the appraisers in evaluating the fair market value for Land Rent of the Rental Car Center Site, provided however appraisers will consider land use restrictions similar in use as the Rental Car Lease Agreement and airports comparable in size and character to San Diego International Airport. (iii) Each of the two appraisers shall submit, not later than May 1st immediately preceding the Appraisal Adjustment Date under consideration, one (1) copy of their appraisal in its entirety to Operators and Authority. (iv) Immediately upon receipt of the appraisals, Authority and Operators by written notice shall fix a time and place for a conference to endeavor to reach agreement on the adjusted Land Rent. (v) If Operator and Authority are unable to agree upon an adjusted Land Rent based on the appraisals, they shall direct their appraisers to select a third appraiser, also is a current member of the Appraisal Institute holding a current "MAI" appraiser designation, who shall prepare a report of the facts, evidence and render an opinion of the Value of the Site and corresponding Land Rent which shall be submitted to both the Authority and Operators. If the Authority and a Majority in Interest of Operators still cannot reach agreement prior to June 1st immediately prior to the Appraisal Adjustment Date under consideration, the selected third appraiser's report of the facts, evidence and opinion of the Value of the Site and corresponding Land Rent will be presented to the Board of the Authority who shall fix the Land Rent payable for the period involved. (vi) Nothing herein shall prejudice the right of Operator to contest in a court of competent jurisdiction the adjusted Land Rent fixed by the Board in the event the Board has acted arbitrarily or unreasonably in fixing such fair market value Land Rent. (vii) Operator and Authority agree that in no event shall this appraisal process result in a decrease in Land Rent payable for the immediately prior period during the Term of the Rental Car Lease Agreement. Should an appraisal process show a decrease in Value of the Site or Land Rent, the Land Rent shall nevertheless remain at the prior year's level, subject only to any increases by virtue of the annual CPI adjustment process, above.

"*Vehicle Storage Area*" shall mean and refer to that portion of the Rental Car Center Site reflected in more detail in the Rental Car Lease Agreement. For any period of time that the Vehicle Storage Area (or any portion thereof) is not included within a particular Operator's or Operators' Exclusive Use Area, the Vehicle Storage Area (or the relevant portion thereof) shall be treated as Common Use Area.

ARTICLE 2: CONSTRUCTION OF PROJECT

2.1 The Project.

2.1.1 Construction. The Authority shall construct the Project substantially in accordance with the construction documents/description identified in the Rental Car Lease Agreement, attached hereto and incorporated by this reference; provided, however, the Authority shall have the right to make reasonable changes to the design of the Project as more specifically set forth in Article 2.3 of the Rental Car Lease Agreement. The Project will specifically include those Special Building Systems identified in the Rental Car Lease Agreement. The Authority shall have the right to install, either as part of the initial construction of the Project or later, the Special Airport Systems identified in the Rental Car Lease Agreement.

2.1.2 Costs. Except as specifically set forth in Article 2.3.2 of the Rental Car Lease Agreement for Operator Initiated Changes, the Authority will endeavor to complete the Project within a cost structure that is supported by CFC revenues as projected within the Preliminary Financial Plan as depicted in the Rental Car Lease Agreement. The Authority will exercise good faith efforts to ensure CFC revenues are implemented in such amounts, as allowed by California statute, and managed through funding reserves consistent with the Preliminary Financial Plan to ensure to the extent possible, CFC

eligible expenses are paid entirely through CFC proceeds. Operator and Operators acknowledge, in addition to paying all non-eligible CFC expense items, Operator and Operators will be responsible for its *pro rata* share of any CFC revenue shortfall as further described in Article 3 of the Rental Car Lease Agreement.

2.2 Project Build-out Improvements.

2.2.1 Made by Authority.

2.2.1.1 Authority-Made Improvements. The Authority shall, in addition to the construction of the Project, shall construct and install the Authority-Made Improvements (which are more specifically described in the Rental Car Lease Agreement).

2.2.1.2 Small Operator Improvements. The Authority shall, as part of the construction of the Project, construct and install the specific Small Operator Improvements in the Small Operator Area (including the Small Operator Shared Area). The Costs of the Small Operator Improvements shall not be included within the Costs of the Project, but shall instead be recovered by the Authority pursuant to the Small Operator Improvement Rent.

2.2.1.3 Subsequent Small Operator Improvements. After the initial construction of the Project, including the Small Operator Improvements, the Authority may make additional improvements in and to the Small Operator Area as, in the Authority's sole discretion, may be necessary or desirable for the continued efficient operation of the Small Operator Area (collectively the "Additional Small Operator Improvements"). To the extent such Additional Small Operator Improvements are of similar nature to Tenant Improvements [See Article 2.2.2.1 of the Rental Car Lease Agreement] required to be funded through Operator's sole cost and expense, the Costs of the Additional Small Operator Improvements shall not be included within the Cost of the Project and shall not be funded by CFC revenue. The funding cost for such Additional Small Operator Improvements shall be recovered by the Authority pursuant to the Small Operator Improvement Rent.

2.2.2 By Operator.

2.2.2.1 Design and Construction. Operator shall be responsible for designing and constructing all improvements to Operator's Exclusive Use Premises that Operator deems necessary or desirable in connection with Operator's operation of a Rental Car Concession from the Rental Car Center ("the Initial Tenant Improvements"). Operator shall comply with the design, construction and opening procedures described in the Rental Car Lease Agreement in connection with Operator's design and construction of Operator's tenant improvements. The Initial Tenant Improvements shall also be performed (i) in a good and workmanlike manner, (ii) in compliance with all Legal Requirements and the Authority Standards, and (iii) in a manner that will not unreasonably interfere with or disturb the Authority or its tenants.

2.2.2.2 Authority Review Does Not Relieve Operator. Operator agrees that nothing in the Authority's review or approval of Operator's plans shall create responsibility or liability on the part of the Authority for their completeness, design sufficiency, or compliance with all Legal Requirements or the Authority's Standards, all of which shall be Operator's sole responsibility. Nor shall such review or approval constitute a waiver by the Authority of the right thereafter to require Operator to correct any failure by Operator to comply with any Legal Requirements (but not the Authority's Standards) later discovered by the Authority.

2.2.2.3 As-Built Documents. Operator shall deliver to the Authority not later than ninety (90) days after the Opening Date full and complete “as built” drawings of the Initial Tenant Improvements in electronic format and three (3) half-size hard copies, in commercially reasonable formats as determined by the Authority. For any equipment installed, Operator shall deliver to the Authority, two (2) copies of the complete operations and maintenance manuals.

2.2.2.4 Deadline.

2.2.2.4.1 Substantial Completion. Operator (other than a Small Operator) agrees that its Initial Tenant Improvements shall be substantially complete not later than the Deadline for Substantial Completion; provided, however, said time period may be extended to the extent of delays directly caused by the Authority, the Authority’s contractor and/or events beyond the reasonable control of Operator.

2.2.2.4.2 Final Completion. Notwithstanding that Operator has substantially completed the Initial Tenant Improvements, Operator (other than a Small Operator) shall diligently pursue the Initial Tenant Improvements to final completion, and shall completely finish the Initial Tenant Improvements no later than fourteen (14) days after the Deadline for Substantial Completion. The final completion of the Initial Tenant Improvements includes, but is not limited to, the completion of construction of Operator’s Initial Tenant Improvements as defined in the construction drawings and resolution of all items on the Deficiency List, prepared by the Authority under and as defined in the Rental Car Lease Agreement.

2.2.2.4.3 Opening Date. Operator specifically understands that the Authority intends to commence rental car operations from the Rental Car Center on the Opening Date whether (or not) Operator or any particular Operator has completed its Initial Tenant Improvements and/or is ready to commence operations. Therefore, Operator shall have completed its Initial Tenant Improvements, installed all furniture, trade fixtures and office equipment, completed all systems/process testing, and otherwise be fully and completely ready to commence operations no later than the Opening Date. In addition, no Operator shall be permitted to operate buses or other commercial vehicles to and from the Airport terminals on or after the Opening Date. Operator specifically acknowledges and agrees that the Opening Date established by the Authority includes adequate time for construction of Operator’s (and each Operator’s) Initial Tenant Improvements as well as not less than forty-five (45) days for commissioning, during which Operators (and each Operator) are expected to complete the installation of any furniture, trade fixtures and office equipment not completed as part of the Initial Tenant Improvements, complete all systems/process testing, and otherwise do anything and everything else necessary to be fully operational on the Opening Date.

2.3 Changes. The Parties shall have the right to make reasonable changes to the construction of the Project or Authority-Made Improvements as more specifically set forth in this Article 2.3.

2.3.1 Authority Initiated Changes. The Authority may make any changes to the Project that will not materially affect the nature or operation of the Rental Car Center, Rental Car Center Site, Common-Use Transportation System, or any particular Operator’s operations within the Rental Car Center and that the Authority considers necessary or advisable; provided however, the Authority will generally keep the Operators’ Technical Representative reasonably apprised about any changes made to the Project. The Authority may not, however, make any change to the Project that will materially affect the nature or operation of the Rental Car Center, Rental Car Center Site, or Common-Use Transportation System without consulting Operators. Furthermore, the Authority may not make any change to the Project that will materially affect the nature or operation of any particular Operator’s operations within the Rental Car Center without consulting the particular Operator. The Authority shall also have the right

to make reasonable changes to Authority-Made Improvements or Small Operator Improvements for purposes of facilitating the construction of or otherwise increasing the efficiency of the Authority-Made Improvements or Small Operator Improvements; provided any such change does not materially and adversely affect any Operator's intended operation and use of those portions of the Rental Car Center or Rental Car Center Site in which the Authority-Made Improvements or Small Operator Improvements are located.

2.3.2 Operator Initiated Changes.

2.3.2.1 The Project. Operator shall not, other than with the written consent of the Authority, have any right to make any changes to the Project.

2.3.2.2 Authority-Made Improvements. If Operator requests any change to Authority-Made Improvements, Operator shall submit a request to the Authority for the change together with sufficient detail for the Authority, its architect and/or contractor to prepare revised plans and specifications for such change. The Authority will, within a reasonable period of time (considering the nature of the requested change) following the receipt of such request, notify Operator of the estimated cost (specifically including costs arising from impacts to other work) that will be chargeable to, and payable by, Operator (not through use of CFCs) by reason of such change and any estimated delay in completion of Authority-Made Improvements caused by such change. That estimate will include the Authority's cost of any delay in completion of the Authority-Made Improvements resulting from such change. Any change to the Authority-Made Improvements that would result in a delay to the Commencement Date will not be allowed. Within five (5) business days after receiving the Authority's estimated cost, Operator shall notify the Authority whether Operator desires to proceed with such change. In the absence of any notification, Operator shall be deemed to have elected not to proceed with such change. If Operator elects to proceed with such change, Operator shall, unless otherwise agreed, immediately deposit with the Authority the amount of the Authority's estimated cost of such change, and the Authority may disburse such amounts as costs associated with the change are incurred. In the event that the deposit is inadequate to cover the actual costs associated with the change, Operator shall immediately pay to the Authority the amount of such excess costs. In the event the excess costs are less than the amount of the deposit, the Authority shall refund the excess promptly following the completion of construction of Authority-Made Improvements.

2.4 Permits. The Authority shall obtain all necessary permits associated with the Project, Authority-Made Improvements, and Small Operator Improvements including a Certificate of Occupancy prior to the Opening Date; provided that the Authority shall not be responsible for permits associated with the Tenant Improvements other than Authority-Made Improvements and Small Operator Improvements (specifically including any Certificate of Occupancy associated with such Tenant Improvements), unless otherwise agreed between the Authority and Operator.

2.5 Additional Special Facilities. The Authority may elect to undertake Additional Special Facilities as follows:

2.5.1 Improvements as of Right. The Authority may make improvements to the Rental Car Center, the Rental Car Center Site, Off-Site Roadway Improvements and/or the Common-Use Transportation System for any of the following reasons:

2.5.1.1 The improvement is required by a federal or state agency (other than the Authority) with jurisdiction over the Airport;

2.5.1.2 The improvement is of an emergency nature, which, if not made, would substantially impair the current operation of the Rental Car Center, Rental Car Center Site, Off-Site Roadway Improvements, or Common-Use Transportation System;

2.5.1.3 The improvement is to repair or replace the Rental Car Center, Rental Car Center Site, Off-Site Roadway Improvements, or Common-Use Transportation System property damaged or destroyed by fire or other casualty;

2.5.1.4 The improvement is made to settle claims or lawsuits, satisfy judgments or comply with judicial or administrative orders against the Authority arising from or relating to its design, construction, ownership, maintenance or use of the Rental Car Center, Off-Site Roadway Improvements, Rental Car Center Site or the Common-Use Transportation System; or

2.5.1.5 The improvement is made, at no cost to the Operators and without use of CFC proceeds, to any portion of the Reserved Area or to any Special Airport System.

In the event any such improvement becomes necessary, the Authority shall provide the Operators notice of such improvement.

2.5.2 Improvements Subject to Operator Notice. The Authority may undertake any other improvement that is, in good faith, intended to increase the capacity and/or efficiency of the Rental Car Center, the Rental Car Center Site or the Common-Use Transportation System as follows:

The Authority shall notify Operator in writing of any proposed improvement that would be funded by the CFC subject to this Article 2.5.2. The Authority's notice shall include (i) a description of the proposed improvement; (ii) drawings showing its location, to the extent available; (iii) estimates of its total capital cost; (iv) estimates of its operations and maintenance costs; (v) an explanation of the benefits it will provide; (vi) a schedule for its implementation; (vii) a summary of how the improvement will be funded; and (viii) an estimate of the impact the improvement will have on the CFC.

2.5.3 Costs of Additional Special Facilities. All Costs of the Additional Special Facilities will be paid by a portion of the CFC or Bonds proceeds or, as needed, Supplemental Consideration as described in Article 3.3 of the Rental Car Lease Agreement.

2.5.4 Special Building Systems and Special Airport Systems. The Authority may, as part of adding any Additional Special Facilities, make changes (whether by addition, subtraction or modification) to the Special Building Systems and Special Airport Systems.

2.6 Performance Bonds and Labor and Material Bonds.

2.6.1 Prior to the initiation by Operator of construction work on the Premises, Operator shall furnish the following bonds to cover the construction contract work:

- a. A labor and material bond in an amount not less than one hundred percent (100%) of the estimated contract price, to be paid to the Authority, conditioned upon the payment by Operator for all materials, services, supplies and transportation furnished in the performance of the work contracted to be done by the terms of said Contract, and for any work or labor of any kind done thereon by an admitted surety, as defined in Code of Civ. Proc. § 995.120, authorized to do business as such in the State of California. Bonds shall cover Operator's obligations during the guarantee and/or warranty periods as well as the construction period. Bonds shall comply with Cal. Civ. Code § 3248 and shall be enforceable pursuant to Cal. Civ. Code §§ 3249, 3250, 3251

and 3252. The labor and material bonds shall be returned to Operator upon completion of construction, at such time construction is deemed complete and accepted by the Authority.

- b. A faithful performance bond in an amount not less than one hundred percent (100%) of the estimated contract price, to be paid to the Authority, conditioned upon the faithful performance by Operator of all covenants and stipulations in the contract by a surety acceptable to the Authority which is an admitted surety, as defined in Code of Civ. Proc. § 995.120, authorized to do business as such in the State of California. Bonds shall cover Operator's obligations during the guarantee and/or warranty periods as well as the construction period. The performance bond shall be returned to Operator upon completion of construction, at such time construction is deemed complete and accepted by the Authority.

2.6.2 Each bond shall be accompanied by all of the documents described in Cal. Code of Civ. Proc. § 995.660(a), including, without limitation:

- a. The original, or a certified copy, of the unrevoked appointment, power of attorney, bylaws, or other instrument entitling or authorizing the person who executed the bond to do so;
- b. A certified copy of the certificate of authority of the surety issued by the California Insurance Commissioner;
- c. A certificate from the clerk of the county in which the court or officer is located that the certificate of authority of the surety has not been surrendered, revoked, canceled, annulled, or suspended or, in the event that it has, that renewed authority has been granted; and
- d. Copies of the surety's most recent annual statement and quarterly statement filed with the California Department of Insurance pursuant to Article 10 (commencing with § 900) of Chapter 1 of Part 2 of Division 1 of the Cal. Ins. Code.

2.6.3 Operator shall (and shall cause its surety to) provide any additional certifications or information requested at any time by the Authority, in its sole discretion, in order to enable the Authority to evaluate the surety's ability to perform its obligations under any bond. To the extent permitted by law, the Authority, in its sole discretion, at any time may reject any bond or require the Operator to replace any bond or surety at Operator's own cost.

2.6.4 If, during the term of the Rental Car Lease Agreement, the Authority in its sole discretion deems any of the sureties to be unacceptable, then, to the extent permitted by law, the Authority may require additional or replacement bonds, which Operator shall furnish at Operator's own cost within twenty (20) days after receiving notice from the Authority. If Operator does not deliver such bonds within such twenty (20) day period, then the Authority may terminate or suspend the Rental Car Lease Agreement for cause in accordance with the default terms herein.

2.6.5 If the construction contract sum is increased, Operator shall advise the surety of the increased amount and the performance bond and labor and materialmen's bond shall be increased accordingly, at Operator's own cost.

ARTICLE 3: PAYMENT FOR COST OF FACILITY

3.1 Financing. The Authority will have the right in its sole discretion to determine the financing structure for the Project using the CFC proceeds.

3.2 Operator Cooperation. Operator will cooperate with the Authority initiatives throughout the Lease Term to secure funding for the initial project or any subsequent financial transactions. Specifically, Operator will provide the Authority with all requested data related to rental car transactions and transaction days including but not limited to monthly rental car transactions, monthly rental car transaction days, monthly rental car transaction days excluding transaction days exceeding any statutory limit for which a CFC can apply, and all other reasonable information requested from time to time by the Authority to support the Authority's financing efforts as well as to support the Authority's periodic discussions with rating agencies.

3.3 Application of CFC Revenues and Supplemental Consideration. The Authority will apply CFC revenue, to the extent available, to CFC-eligible costs in accordance with the following general priorities, such priorities subject to the specific provisions and requirements of the Bond Documents:

(a) First. To payment of senior lien debt service as required by the Bond Documents related to the Authority's actual costs of design, construction and financing of the Project, including but not limited to off-site roadway improvements and allocated enabling projects;

(b) Second. To fund all senior Bond debt service reserve funds as required by the Bond Documents;

(c) Third. To fund the rolling coverage fund as required by the Bond Documents;

(d) Fourth. To payment of subordinate lien debt service, if any, as required by the Bond Documents related to the Authority's actual costs of design, construction and financing of the Project, including but not limited to off-site roadway improvements and allocated enabling projects;

(e) Fifth. To fund all subordinate lien reserve funds, if any, as required by the Bond Documents;

(f) Sixth. To pay the Authority Costs of CFC Administration and any rebate requirements related to the Bonds;

(g) Seventh. To fund a renewal and replacement reserve fund; and

(h) Eighth. To fund the CFC Surplus Fund to be available to (i) finance eligible Rental Car Center, Rental Car Center Site improvements, Off-Site Roadway Improvements projects, and (ii) fund an Authority CFC Stabilization Account to be held and maintained by the Authority for CFC-eligible purposes, which shall include, among other purposes, funding any required deposits to the first seven (7) segments identified above in (a) through (g) in the event CFC revenues are not sufficient to make such required deposits in full, and, under certain circumstances, paying Common-Use Transportation Costs, including the acquisition of shuttle buses, pursuant to Article 3.7 of the Rental Car Lease Agreement.

In the event CFC revenues are insufficient to fully fund each of the first seven (7) segments identified above in (a) through (g) and there are not sufficient amounts available in the CFC Surplus Fund

(including the Authority CFC Stabilization Account) to fund such deficiency, Operator shall pay to the Bond trustee, as assignee of the Authority, as Bond Funding Supplemental Consideration its prorated share of such deficiency. In the event amounts released from the Authority CFC Stabilization Account, as described in Article 3.7 of the Rental Car Lease Agreement, if any, and available proceeds of the Authority Loan are insufficient to pay the Common-Use Transportation Costs during an Agreement Year, Operator shall pay to the Authority as Common-Use Transportation Cost Supplemental Consideration its prorated share of such Common-Use Transportation Costs. To the extent Common-Use Transportation Cost Supplemental Consideration is required to fund Common-Use Transportation Costs during an Agreement Year, Operator's prorated share of Common-Use Transportation Costs shall be based on its proportionate share of rental car transactions computed over the prior twelve (12) month period. To the extent Bond Funding Supplemental Consideration is required to fund one or more of the first seven (7) segments identified above in (a) through (g), Operator's prorated share of Bond Funding Supplemental Consideration shall be based on its proportionate share of Exclusive –Use space occupied within the Rental Car Center. Such proportionate share not related to the Common-Use Transportation System shall be calculated by dividing Operator's total square footage of Exclusive-Use Premises (including Ready Return, Customer Service Building, QTA and Vehicle Storage) by the total amount of Exclusive-Use Premises assigned and occupied by other rental car Operators (including Ready Return, Customer Service Building, QTA and Vehicle Storage) within the Rental Car Center. Common-Use Area, Reserved Area, and vacant areas shall not be included when computing proportionate share. Any and all Supplemental Consideration shall be paid by Operator as and when provided hereunder, and in all events without set-off, deduction, credit, or discount.

The Authority shall, as soon as reasonably possible after the commencement of each Agreement Year (the initial Agreement Year beginning on the Opening Date), provide Operator with a statement of the estimated monthly installments of Bond Funding Supplemental Consideration, if any (the "Bond Funding Supplemental Consideration Estimate"), and/or the estimated monthly installments of Common-Use Transportation Cost Supplemental Consideration, if any (the "Common-Use Transportation Cost Supplemental Consideration Estimate," and together with the Bond Funding Supplemental Consideration Estimate, the "Supplemental Consideration Estimates"), that will be due and payable by Operator by the twentieth (20th) day of each month during such Agreement Year. The Supplemental Consideration Estimates, shall be sufficient, together with the estimated or forecasted CFC collections for such Agreement Year under the Rental Car Lease Agreement and the other Rental Car Lease Agreements entered into by other Operators, to enable the Authority to (i) fully fund each of the first seven (7) segments identified above in (a) through (g) for such Agreement Year, after taking into account the amounts projected to be available in the CFC Surplus Fund (including the Authority CFC Stabilization Account) during the Agreement Year to fund any deficiencies in the first seven (7) segments identified above in (a) through (g), and (ii) pay all Common-Use Transportation Costs for such Agreement Year, after taking into account any amounts expected to be made available pursuant to the Authority Loan as described in Article 3.7 of the Rental Car Lease Agreement to pay Common-Use Transportation Costs during such Agreement Year, and any amounts projected to be available in the CFC Surplus Fund (including the Authority CFC Stabilization Account) during the Agreement Year to pay Common-Use Transportation Costs. The Authority shall base such Supplemental Consideration Estimates on, among other things, (1) the estimated or forecasted number of Transaction Days for such Agreement Year under the Rental Car Lease Agreement and the Transaction Days for such Agreement Year under the other Rental Car Lease Agreements entered into by other Operators, (2) the estimated or forecasted CFC collections for such Agreement Year under the Rental Car Lease Agreement and the other Rental Car Lease Agreements entered into by other Operators, (3) the amounts projected to be on deposit and available in the CFC Surplus Fund (including the Authority CFC Stabilization Account) during such Agreement Year, (4) the estimated or forecasted amounts necessary to fully fund each of the first seven (7) segments identified above in (a) through (g) for such Agreement Year, and (5) the estimated or forecasted Common-Use Transportation Costs for such Agreement Year. Operator shall pay to the Bond

trustee, as assignee of the Authority, the estimated monthly installment of Bond Funding Supplemental Consideration as set forth in the Bond Funding Supplemental Consideration Estimate. Operator shall pay to the Authority the estimated monthly installment of Common-Use Transportation Cost Supplemental Consideration as set forth in such Common-Use Transportation Cost Supplemental Consideration Estimate. The Authority shall not be required to deliver a statement to Operator with respect to the Supplemental Consideration Estimates if the Authority determines that the Bond Funding Supplemental Consideration Estimate is zero and the Common-Use Transportation Cost Supplemental Consideration Estimate is zero for such Agreement Year. If no statement with respect to the Supplemental Consideration Estimates is required to be delivered to Operator as provided in the previous sentence, the Authority shall instead deliver a notice to Operator that no Bond Funding Supplemental Consideration and no Common-Use Transportation Supplemental Consideration will be due and payable by Operator during such Agreement Year, subject to any revised estimates during the Agreement Year as described in the following paragraph.

During an Agreement Year, if the Authority determines that the Bond Funding Supplemental Consideration Estimate and/or the Common-Use Transportation Cost Supplemental Consideration Estimate is insufficient, or greater than the amount, to (i) fully fund each of the first seven (7) segments identified above in (a) through (g) for such Agreement Year, after taking into account the amounts projected to be available in the CFC Surplus Fund (including the Authority CFC Stabilization Account) during the Agreement Year to fund any deficiencies in the first seven (7) segments identified above in (a) through (g), or (ii) pay all Common-Use Transportation Costs for such Agreement Year, after taking into account any amounts expected to be made available pursuant to the Authority Loan as described in Article 3.7 of the Rental Car Lease Agreement to pay Common-Use Transportation Costs during such Agreement Year, as applicable, the Authority may provide Operator a revised Bond Funding Supplemental Consideration Estimate and/or a revised Common-Use Transportation Cost Supplemental Consideration Estimate. On and after the date of receipt of the revised Bond Funding Supplemental Consideration Estimate and/or revised Common-Use Transportation Cost Supplemental Consideration Estimate, Operator shall pay the revised amounts of Bond Funding Supplemental Consideration and/or Common-Use Transportation Cost Supplemental Consideration, as applicable, as set forth in the revised Bond Funding Supplemental Consideration Estimate and/or revised Common-Use Transportation Cost Supplemental Consideration Estimate.

As soon as reasonably practicable following the end of each Agreement Year, the Authority shall provide Operator with a statement (the "Supplemental Consideration Statement") setting forth (i) the amount that was necessary to fully fund each of the first seven (7) segments identified above in (a) through (g) during such Agreement Year, (ii) the total Common-Use Transportation Costs attributable to such Agreement Year, (iii) the total CFC collections received by the Bond trustee, as assignee of the Authority, during such Agreement Year, (iv) the total amount of Bond Funding Supplemental Consideration and/or Common-Use Transportation Cost Supplemental Consideration paid by the Operator and all other Operators during such Agreement Year, (v) the amount of proceeds made available to the Operators pursuant to the Authority Loan during such Agreement Year and (vi) the available balance, as of the last day of the just ended Agreement Year, of the CFC Revenue Fund and the CFC Surplus Fund (including the Authority CFC Stabilization Account). If such Supplemental Consideration Statement indicates that the sum of (1) total CFC collections received by the Authority during such Agreement Year, (2) the total amount of Bond Funding Supplemental Consideration paid by the Operator and all other Operators during such Agreement Year, and (3) the amounts available in the CFC Surplus Fund (including the Authority CFC Stabilization Account) during such Agreement Year was less than the amount necessary to fully fund each of the first seven (7) segments identified above in (a) through (g) during such Agreement Year, Operator shall pay to the Bond trustee, as assignee of the Authority, its pro-rated share of any such deficiency (herein, a "Bond Funding Supplemental Consideration Deficiency") within thirty (30) days after Operator receives the Supplemental Consideration Statement for such Agreement Year, and such

sums shall be deemed additional Bond Funding Supplemental Consideration under the Rental Car Lease Agreement. If such Supplemental Consideration Statement indicates that the sum of (A) the total amount of Common-Use Transportation Cost Supplemental Consideration paid by the Operator and all other Operators during such Agreement Year, (B) the total amount of proceeds made available to the Operators pursuant to the Authority Loan during such Agreement Year, and (C) the amounts available in the CFC Surplus Fund (including the Authority CFC Stabilization Account) during such Agreement Year to pay Common-Use Transportation Costs was less than the amount necessary to fully fund Common-Use Transportation Costs during such Agreement Year, Operator shall pay to the Authority its pro-rated share of any such deficiency (herein, a “Common-Use Transportation Cost Supplemental Consideration Deficiency”) within thirty (30) days after Operator receives the Supplemental Consideration Statement for such Agreement Year, and such sums shall be deemed additional Common-Use Transportation Cost Supplemental Consideration under the Rental Car Lease Agreement. Any Bond Funding Supplemental Consideration Deficiency and/or Common-Use Transportation Cost Supplemental Consideration Deficiency which remains unpaid from and after such 30-day period shall bear interest at the Default Rate from the date due until paid.

If such Supplemental Consideration Statement indicates that the sum of (1) total CFC collections received by the Authority during such Agreement Year, (2) the total amount of Bond Funding Supplemental Consideration paid by the Operator and all other Operators during such Agreement Year, and (3) the amounts available in the CFC Surplus Fund (including the Authority CFC Stabilization Account) during such Agreement Year was greater than the amount necessary to fully fund each of the first seven (7) segments identified above in (a) through (g) during such Agreement Year, the Authority shall apply such excess to reimburse such Operator subject to the provisions of Article 3.8 of the Rental Car Lease Agreement. If such Supplemental Consideration Statement indicates that sum of (A) the total amount of Common-Use Transportation Cost Supplemental Consideration paid by the Operator and all other Operators during such Agreement Year, (B) the total amount of proceeds made available to the Operators pursuant to the Authority Loan during such Agreement Year, and (C) the amounts available in the CFC Surplus Fund (including the Authority CFC Stabilization Account) during such Agreement Year to pay Common-Use Transportation Costs was greater than the amount necessary to fully fund Common-Use Transportation Costs during such Agreement Year, the Authority shall apply such excess to reimburse such Operator subject to the provisions of Article 3.8 of the Rental Car Lease Agreement.

The Authority shall not be required to deliver a Supplemental Consideration Statement to Operator following the end of an Agreement Year if (a) no Bond Funding Supplemental Consideration and no Common-Use Transportation Cost Supplemental Consideration was paid by Operator during such just-ended Agreement Year, and (b) no Bond Funding Supplemental Consideration Deficiency and no Common-Use Transportation Cost Supplemental Consideration Deficiency is due and payable by Operator for such just-ended Agreement Year. If no Supplemental Consideration Statement is required to be delivered to Operator as provided in the previous sentence, the Authority shall instead deliver a notice to Operator that no Bond Funding Supplemental Consideration Deficiency and no Common-Use Transportation Cost Supplemental Consideration Deficiency shall be due and payable by Operator.

3.4 CFC Rates. The Authority will initially and, to the extent authorized by Cal. Gov. Code § 1936, in the future amend and adjust CFC collection rates utilizing good faith efforts to reach and maintain a goal of having CFC collections fund CFC eligible expenses, including costs of the Project, related eligible improvements, and the Common-Use Transportation System.

3.5 Funding of Tenant Improvements. Operator, except as otherwise specifically noted within the Rental Car Lease Agreement, will be responsible for funding all its improvements that are not included in the Project definition.

3.6 No Limitation on Authority. Nothing in this Article 3 shall be construed as a limitation of the ability of the Authority to issue bonds for any legal purpose that it elects.

3.7 Funding of Common-Use Transportation Costs from Supplemental Consideration; Amounts Released from the Authority CFC Stabilization Account, and Authority Loan. Common-Use Transportation Costs will be paid from Common-Use Transportation Supplemental Consideration except to the extent that

(i) funds are available in excess of the Minimum Targeted Stabilization Account Balance, which shall be established by the Authority at the lesser of \$25,000,000 or a lesser amount as the Authority may reasonably determine from time to time, for the Authority CFC Stabilization Account, or

(ii.) in the event that the Authority CFC Stabilization Account has a balance less than the Minimum Targeted Stabilization Account Balance, the Authority will provide funds, from time to time, in the form of an Authority Loan. The maximum cumulative amount provided as an Authority Loan shall not exceed \$5,000,000.

In the event that an Authority Loan is made and is outstanding, interest on the Authority Loan shall be due semi-annually on each January 1 and July 1. Interest shall be calculated at a rate equal to the 10-year U.S. Treasury Rate (as of January 1 or July 1, as applicable, prior to the interest payment date) plus 250 basis points. To the extent that the balance in the Authority CFC Stabilization Account exceeds the Minimum Targeted Stabilization Account Balance after all eligible payments from such fund on any January 1 or July 1, all accrued unpaid interest on the Authority Loan shall be paid in an amount equal to the lesser of the outstanding balance of accrued unpaid interest and the amount in the Authority CFC Stabilization Account in excess of the Minimum Targeted Stabilization Account Balance. In the event funds are not sufficient to pay all accrued interest due, the remaining balance shall be added to the principal amount of the outstanding Authority Loans. To the extent all accrued interest on the Authority Loans have been paid and the amount remaining in the Authority CFC Stabilization Account still exceeds the Minimum Targeted Stabilization Account Balance, principal on the Authority Loan shall be paid in an amount equal to the lesser of the outstanding balance of the Authority Loan and the amount in the Authority CFC Stabilization Account in excess of the Minimum Targeted Stabilization Account Balance.

Upon the earlier of either: 1) Full repayment of the Authority Loan; or 2) Five years after commencement of the Lease Term, the Authority Loan commitment will be fully exhausted and the Authority will have no further obligation to make any loan whatsoever. In the event an Authority Loan balance is still outstanding five years after the date of the Rental Car Lease Agreement, it will continue to earn interest and require repayment as described in the immediately preceding paragraph and the Authority will have no further obligation to make additional loans whatsoever.

Repayment of such Authority Loan will be exclusively through CFC collections and not utilize or have recourse through Supplemental Consideration paid by Operators.

3.8 Reimbursement of Supplemental Consideration.

In the event Operator contributes Supplemental Consideration during the Term of the Rental Car Lease Agreement, such amount is eligible for reimbursement through CFC collections provided all the following conditions are met: (i) such reimbursement is allowed by the then current California CFC Statute; (ii) Operator is currently operating at the Rental Car Center and is not in default under the Rental Car Lease Agreement or Rental Car Concession Agreement; (iii) all financing requirements of the Bond Documents are met; (iv) all reserve funds required by the Bond Documents as listed in Article 3.3 of the Rental Car Lease Agreement are fully funded and there remain funds available in the Authority CFC

Stabilization Account in excess of the Minimum Targeted Stabilization Account Balance; (v) all Common-Use Transportation Costs are funded; and (vi) no Authority Loan balance exists. In the event all the aforementioned conditions are met, and excess CFC collections exist, Operator will be reimbursed, to the extent CFCs are available, the amount of Operator's prior contributed Supplemental Consideration. Such reimbursement will be proportionally given to all Operators within the Rental Car Center who contributed Supplemental Consideration based on each individual Operator's proportion of the total Supplemental Consideration contributed by all Operators. Such reimbursement will occur until Operator is reimbursed the amount of its entire Supplemental Consideration contributed with no interest. If the Rental Car Lease Agreement expires or otherwise terminates whereby Operator no longer conducts business within the Rental Car Center, Operator forfeits its eligibility for reimbursement of its Supplemental Consideration contributed.

Operator is advised and understands that reimbursement of Supplemental Consideration is not guaranteed; reimbursement will only occur through excess CFC collections which may or may not occur during the Term of the Rental Car Lease Agreement.

ARTICLE 4: LEASE OF PREMISES

4.1 Lease of Premises. Subject to all of the terms, covenants and conditions contained in the Rental Car Lease Agreement, the Authority hereby grants to Operator, and Operator hereby accepts from the Authority, the following rights with respect to the Rental Car Center and Rental Car Center Site:

4.1.1 Exclusive Use Premises. The Authority hereby leases to Operator the Exclusive Use Premises identified, for operators who are not Small Operators, in the Rental Car Lease Agreement, for the Term of the Rental Car Lease Agreement and, for Small Operators in the Rental Car Lease Agreement. The Exclusive Use Premises shall initially be allocated, and are subject to reallocation, as set forth in Article 11 of the Rental Car Lease Agreement. The lease set forth in this Article 4.1.1 shall be effective on the respective Commencement Date for each portion of the Exclusive Use Premises.

4.1.2 Fuel Facilities and QTA Equipment. The Authority hereby grants to Operator the exclusive right to utilize (subject to management in common as more particularly set forth in Article 19.1.1 of the Rental Car Lease Agreement) the Fuel Facilities and QTA Equipment located in Operator's Exclusive Use Premises. The Fuel Facilities and QTA Equipment shall initially be allocated, and are subject to reallocation, in conjunction with the Exclusive Use Premises in which they are located as set forth in Article 11 of the Rental Car Lease Agreement. The grant set forth in this Article 4.1.2 shall be effective on the Commencement Date for the QTA Space.

4.1.3 Common Use Area. The Authority also hereby grants to Operator a non-exclusive right to use the Common Use Area (other than the Small Operator Shared Area) for the Term of the Rental Car Lease Agreement. Unless the Authority provides written notice of an earlier date, the grant set forth in this Article 4.1.3 shall be effective as follows: (i) for the Common Use Area within the Ready Return Area and QTA Space (other than the Rental Car Center building core), on the respective Commencement Date for the associated Ready Return Area and QTA Space, and (ii) for the remainder (including the Rental Car Center building core), on the day following the Deadline for Substantial Completion.

4.1.4 Small Operator Shared Area. The Authority also hereby leases to Operator, if Operator is a Small Operator, in common with all of the other operators who are Small Operators, an undivided interest in the Small Operator Shared Area identified in the Rental Car Lease Agreement, for the Term of the Rental Car Lease Agreement; provided, however, the Small Operator Shared Area is subject to adjustment by the Authority from time to time with the allocation and reallocation of the Small

Operator Areas as set forth in Article 11 of the Rental Car Lease Agreement. The lease set forth in this Article 4.1.4 shall be effective on the Commencement Date for the adjoining Customer Service Building, Ready Return Area and/or QTA Space, as appropriate.

4.2 Areas Reserved to Authority. The Authority reserves to itself those portions of the Rental Car Center and Rental Car Center Site identified in the Rental Car Lease Agreement (the “Reserved Area”). The Authority may utilize the Reserved Area exclusively for: (i) its own personal use, or that of any Authority employee, agent or contractor, engaged in the management and operation of the Rental Car Center or Common-Use Transportation System, (ii) the installation and maintenance of any Special Airport Systems or other systems designed to facilitate the movement and check-in of airline passengers or otherwise to promote smooth Airport operations, (iii) the operation of any concessions (specifically including but not limited to advertising, food, and retail operations, and other Airport Customer services) operated by Non-RAC Concessionaires or (iv) the provision of any goods or services (e.g., pay phones, Internet kiosks, ATMs, etc.) for the benefit of Airport Customers that is not within the scope of an Airport Rental Car Concession Agreement and which the Authority, in its sole discretion, does not permit the Facility Manager to provide. Provided it does not negatively affect Operator’s operation of its Rental Car Concessions, the Authority further reserves to itself the right to increase or decrease the Reserved Areas (and correspondingly, the Common Use Area) on thirty (30) days written notice to Operator. To the extent a Reserved Area is used for a commercial enterprise, such commercial enterprise will be required to participate in its prorated share of facility operating and maintenance expenses to the extent separate meters for utilities and like cannot be installed.

4.2.1 Notwithstanding anything to the contrary in Article 4.2, the Authority agrees that it will not grant to a Non-RAC Concessionaire the right to engage in any concession within the Rental Car Center that will compete directly with the Rental Car Concession or the Rental Car Lease Agreement and/or sale of goods and/or services reasonably incidental thereto. By way of example, and not limitation, the lease of global positioning devices, ski racks, and car seats shall be considered services reasonably incidental to the renting of vehicles. However, the sale of phone cards, data services, movie rentals, timeshare sales and the like, shall not. Furthermore, the Authority will make good faith efforts to ensure such Non-RAC Concessionaire signage and operation does not unreasonably obstruct the line of site to Operator’s counters.

4.3 Acceptance of the Premises.

4.3.1 Operator, through the Facility Manager and Fuel Facility Manager, shall participate with the Authority in the pre-final and final inspections associated with the construction of the Rental Car Center and Rental Car Center Site.

4.3.2 As possession of the Premises is delivered to Operator as evidenced by written notice to Operator which notice shall indicate the date upon which the Premises or portions thereof are delivered to Operator, Operator shall promptly examine the Premises following the date upon which each portion is turned over. Likewise, Operator shall promptly examine the Common Use Area after possession of the Common Use Area is delivered to Operator, delivery of which is expected to occur on or about the Deadline for Substantial Completion. Unless Operator provides the Authority with written notice of: (i) any patent defect or problem in Operator’s Exclusive Use Premises within ten (10) days of the date upon which possession of the particular portion of the Exclusive Use Premises in which the patent defect or problem exists is delivered to Operator, and (ii) any latent defect or problem in any portion of the Exclusive Use Premises or any defect or problem within the Common Use Area within one hundred eighty (180) days of the date upon which possession of the particular portion of the Exclusive Use Premises or Common Use Area is delivered to Operator, Operator shall have accepted the Premises in their then-present condition subject only to the applicable warranties provided by the Authority’s

contractor(s) and materials supplier(s). In the event that Operator provides the Authority with written notice of any defect as set forth above, the Authority shall promptly remedy any defect at its expense; provided, however, such expense shall be considered a Cost of the Project.

ARTICLE 5: TERM

5.1 Term. The Rental Car Lease Agreement shall be effective, and binding between the Parties, as of the date first signed by both of the Parties. The Lease Term of the Rental Car Lease Agreement, however, shall commence on the earliest Commencement Date and shall extend until June 30, 2046; provided, however, in the event any Bonds have a maturity date in excess of the Lease Term and one or more provisions of the Bonds documents require a longer term, the Lease Term shall extend until the earlier of: (i) the date such Bonds are repaid, or (ii) the date any provision in such Bonds documents that requires a longer term is either satisfied or waived.

ARTICLE 6: RENT AND OTHER FINANCIAL OBLIGATIONS

6.1 Rent. For and in consideration of the rights granted by the Rental Car Lease Agreement, Operator shall – commencing on the Opening Date and thereafter for the Lease Term – pay to the Authority its *Pro Rata* Share of the Land Rent as determined through the Value of the Site (“Land Rent”). Additionally, in the event the Bonds are repaid and/or defeased prior to June 30, 2046, Operator shall pay to Authority its *Pro Rata* Share of Facility Rent commencing on the date the Bonds are repaid and/or defeased in an amount as determined through the Value of Facility (“Facility Rent”). The Land Rent and any Facility Rent shall be divided into equal monthly amounts and paid to the Authority in advance on the first day of each and every month during the Lease Term, at such place as the Authority may designate, without any prior demand, and without any abatement, deduction or setoff whatsoever. If the Opening Date falls on any day other than the first day of a calendar month, Land Rent for the first fractional month prior to the commencement of the first Agreement Year shall be equivalent to the monthly amount to be paid for the first Agreement Year prorated based upon the actual number of days in such fractional month.

6.2 Customer Facility Charges.

6.2.1 Collection Required. Operator shall collect a daily CFC on all vehicle rental transactions with Airport Customers within the Rental Car Center Site as specifically set forth in Authority Board Resolution, which may be adjusted periodically by the Authority. The CFC shall be identified on a separate line below the sales tax line on the customer’s rental contract, in the amount established from time to time by Authority, and shall be described as the “Customer Facility Charge” or “CFC.” Each Operator must collect the CFC at the time the first payment is made for a qualifying vehicle rental transaction, and must remit the full amount of the CFC to the Authority regardless of whether or not the full amount of such CFC is actually collected by the Operator from the person who rented the automobile.

6.2.2 Proceeds Held in Trust. Operator agrees that the CFC is not income, revenue or any other asset of Operator; that Operator has no ownership or property interest in such CFCs; and that Operator hereby waives any claim to an equitable or ownership interest in the CFCs. Operator agrees that it holds such CFCs in trust for the benefit of the Authority, and that the Authority (or a trustee on its behalf or as assignee of the Authority) has complete possessory and ownership rights to such CFCs. Consistent with the nature of the CFC, as funds held in trust for the Authority, Operator shall separately account on its books and records for the CFC proceeds collected by it. Notwithstanding the foregoing, in the event that either: (i) it is determined that the Operator must, as a matter of law, establish a separate account into which all CFC proceeds must be deposited, or (ii) it is determined, by a court of competent jurisdiction, that the failure to maintain the CFC in a separate account imperils the trust nature of the

relationship created by this Article 6.2.2 and potentially subjects any CFC amounts held by Operator to the claim (or potential claim) by Operator's creditors, whether in bankruptcy or otherwise, then in that event the Authority shall have the right to require Operator to establish a separate account into which all CFC proceeds collected shall be deposited and all interest (if any) on the CFC proceeds held by Operator shall inure to the benefit of, and be payable to, the Authority. Operator acknowledges the CFCs collected and held by an Operator are property in which the Operator only holds a possessory interest and not an equitable interest, and the Operator acknowledges that the CFCs collected by Operator are pledged as security for the Bonds. In order to secure payment of debt service on the Bonds, the Operator hereby consents to assignment by the Authority of the CFCs collected by the Operator to the Bond trustee.

6.2.3 Operator to Promptly Remit. Operator shall remit the CFC proceeds held by the Operator to the Bond trustee, as assignee of the Authority, on a monthly basis on or before the twentieth (20th) day of each month following the month in which the CFCs were earned; provided, however, in the event that it is determined that the Operator must, as a matter of law, remit the CFC more frequently, Operator shall remit such funds with such frequency as required by law, but Operator shall not otherwise be required to report or reconcile the amounts remitted other than on a monthly basis on or before the twentieth (20th) day of each month. The Operator shall remit the CFCs by electronic funds transfer or other means specifically approved by the Authority in writing. When remitting such CFC proceeds, the Operator shall report and reconcile the CFC proceeds remitted by it on a form required by the Authority and shall submit such other and further information as may reasonably be necessary for the Authority to determine any matter related to the CFC. Operator agrees that the Authority may revise the report form from time to time and that such revised form will be used once finalized. Further, the Authority reserves the right to change the reporting procedure to require use of an on-line electronic reporting system. The Authority agrees to consult with the Operators and Non-RAC Concessionaires serving the Airport before implementing the use of any revised form or implementation of an on-line electronic reporting system.

In order to secure payment of the Bonds and fund each of the first seven (7) segments described in subparagraphs (a) through (g) of Article 3.3, Operator hereby consents to the assignment and pledge by the Authority to the Bond trustee of the CFCs and the Bond Funding Supplemental Consideration identified in Article 3.3.

6.2.4 Records; Audits. Operator shall maintain records and controls which are sufficient to demonstrate the correctness of the CFC proceeds collected by the Operator and the amount of CFC proceeds paid to the Bond trustee, as assignee of the Authority. Such records shall be maintained in accordance with, and subject to inspection and audit as set forth in, Article 8 of the Rental Car Lease Agreement.

6.2.5 Amount and Determination of the Customer Facility Charge.

6.2.5.1 Subject to covenants made in connection with the issuance of any Bonds and Common-Use Transportation Costs and any limitations in Cal. Civ. Code § 1936, the Authority shall have the sole authority to determine the amount of the CFC. The CFC may specifically be established and set at a level sufficient to cover any costs authorized by California law; provided, however, the Authority agrees that it shall not use the CFC to pay: (i) any Costs of the Small Operator Improvements or Additional Small Operator Improvements that other Operators are required to fund through their tenant improvements, (ii) costs associated with the Authority's maintenance of the Reserved Areas under Article 15.2.2.2 of the Rental Car Lease Agreement, (iii) any costs associated with the Authority's maintenance of the Special Airport Systems under Article 15.2.2.3 of the Rental Car Lease Agreement, or (iv) any costs for restoration of the Rental Car Center under Article 20 where, and to the extent, property insurance proceeds are available and paid to the Authority. Without limiting the foregoing authority, the Parties acknowledge and agree that the Authority expects to set the amount of the

CFC (when multiplied by the total annual number of Transaction Days) at an annual level sufficient to cover the payment obligations on the Bonds; the funding of reserve funds and accounts for the Bonds; the Costs of the CFC Administration; the Cost of the Additional Special Facilities (if any); the Common-Use Transportation Costs; plus an amount, as reasonably determined by the Authority, sufficient to fund the future projected costs associated with Major Maintenance. In setting the level of the CFC, the Authority specifically has the right to establish one or more reserve funds that it reasonably believes to be prudent to either minimize significant year-over-year increases or decreases in the level of the CFC (e.g., the Authority CFC Stabilization Account) or meet future needs associated with the Rental Car Center, Rental Car Center Site or Common-Use Transportation System that are not best funded on a current basis (e.g., a renewal and replacement fund to address Major Maintenance).

6.2.5.2 The Authority shall regularly, and not less than annually, establish the level of the CFC and provide Operators not less than thirty (30) days advance written notice of any change in the anticipated level of the CFC. Notwithstanding the foregoing, the Authority shall have the right to make an unscheduled adjustment to the level of the CFC in the event that the Authority believes there has been a material change in any of the assumptions utilized in the Authority's calculation of the CFC, which change is best not addressed through deposits into or withdrawals from any reserve funds established by the Authority.

6.2.6 Reviews of Customer Facility Charge.

6.2.6.1 Annual Review. On or before March 1st of each year, Operators will provide the Authority with a forecast of the CFC revenues and the method of its calculation, including but not limited to the projected number of transactions and transaction days for the upcoming Fiscal Year ending June 30th. The Authority will review this data and develop a budget for forecasted CFC collections for purposes of paying the payment obligations on the Bonds and the other funding obligations required under the Bond Documents, the Costs of CFC Administration, the Costs of the Additional Special Facilities (if any), and the Common-Use Transportation Costs. In addition, the Authority will provide an accounting of the Transportation and Facility Charge collected and credited against amounts otherwise payable by the CFC as well as the amounts paid into and out of any reserve funds established by the Authority, either as required by the Bond Documents or for payment of such items as Major Maintenance.

6.2.7 Authority Board Resolution Controls. In the event of any dispute between this Article 6.2 and the Authority Board Resolution, the terms of the Authority Board Resolution shall control, unless the Authority Board Resolution attempts to unilaterally amend or modify any provision of this Article 6.2 in which event the terms and provisions of the Rental Car Lease Agreement shall control.

6.2.8 No Abatement or Offset. Under no circumstances – and notwithstanding any contrary language in the Rental Car Lease Agreement, the Rental Car Concession Agreement or otherwise – will Operator's obligation to collect and remit the CFC to the Bond trustee, as assignee of the Authority, be subject to abatement, offset, or deduction whatsoever. The Operator's obligation to collect and remit the CFCs to the Bond trustee, as assignee of the Authority, shall be absolute and unconditional and shall continue in any event, including without limitation, any event of any damage or destruction subject to Article 20 of the Rental Car Lease Agreement or any termination of the Rental Car Lease Agreement pursuant to Article 24.1 of the Rental Car Lease Agreement and in the event of such termination, the Operator continues to occupy, possess and use any portion of the Rental Car Center.

6.2.9 No Diversion. Operator shall not, directly or indirectly, divert Airport Customers away from the Rental Car Center or assist any Airport Customer in avoiding payment of the CFC.

6.3 Reimbursable O&M Costs.

6.3.1 Definition.

6.3.1.1 It is the intention of the Parties to transfer day-to-day responsibility associated with the operations and maintenance of the Rental Car Center and Rental Car Center Site to the Operators. Nonetheless, there are certain costs and obligations associated with operation and maintenance of the Rental Car Center and Rental Car Center Site that will, subject to a right of reimbursement from the Operators, be undertaken by the Authority. Excepting only the costs associated with: (i) Major Maintenance of the Rental Car Center or Rental Car Center Site funded through CFC proceeds, (ii) the cost of operations, maintenance or repair of the Special Airport Systems, or (iii) the cost of operations, maintenance or repair of the Reserved Areas not utilized in the management and operation of the Rental Car Center, Rental Car Center Site or Common-Use Transportation System, the Operators shall reimburse the Authority those costs incurred by the Authority in connection with the operation, maintenance and repair of the Rental Car Center and Rental Car Center Site (the “Reimbursable O&M Costs”), all as more specifically described in this Article 6.3.

6.3.1.2 The Reimbursable O&M Costs specifically include the following: (a) property (including boiler and machinery, if purchased) insurance costs incurred by the Authority with respect to the Rental Car Center and Rental Car Center Site (including Additional Special Facilities, if any), where such costs shall be determined based on the schedule of values and insurance rate; (b) except to the extent attributable to any individual Operator, any taxes paid by the Authority but payable by the Operators under Article 14.1; (c) the costs of maintaining and repairing the Special Building Systems under Article 15.2.2.4 of the Rental Car Lease Agreement; (d) except to the extent attributable to less than all of the Operators or areas that are the responsibility of less than all of the Operators, the costs of maintaining and repairing the Rental Car Center and Rental Car Center Site under Article 15.2.2.6 of the Rental Car Lease Agreement; (e) except to the extent billed to and collected from the Facility Manager, the Utilities Costs for the Common Use Area under Article 16.2.2 of the Rental Car Lease Agreement; (f) in the event that the Authority has assumed responsibility for the operation, maintenance and repair of the Rental Car Center, Rental Car Center Site and Additional Special Facilities (if any) as provided in Article 15.2.2.6.3 of the Rental Car Lease Agreement, the actual cost of such operation, maintenance and repair (including a reasonable allocation of the Authority overhead), specifically including, but not limited to, the cost of a facility manager or managers and associated support staff that are responsible for supervising the operation and management of the Rental Car Center and Rental Car Center Site (specifically including the Operators compliance with the obligations imposed by the Rental Car Lease Agreement); and (g) any other cost or expense incurred by the Authority in connection with the Operators’ operations on or occupation of the Rental Car Center and Rental Car Center Site, together with Additional Special Facilities.

6.3.2 Payment. Beginning on the commencement of commissioning on the day following the Deadline for Substantial Completion and continuing thereafter during the Lease Term, each Operator shall be responsible for its *Pro Rata* Share of the Reimbursable O&M Cost, but the Reimbursable O&M Costs shall be paid by the Operators through the Facility Manager. The Reimbursable O&M Cost shall be paid to the Authority in advance on the first (1st) day of each and every month during the Lease Term, at such place as the Authority may designate, without any prior demand, and without any abatement, deduction or setoff whatsoever.

6.3.3 Calculation. Prior to the Deadline for Substantial Completion and prior to the commencement of each Agreement Year thereafter, and at any other time the Authority deems adjustment necessary, the Authority shall submit to Operator a statement of the Operator’s anticipated *Pro Rata* Share of the Reimbursable O&M Costs for the following Agreement Year (or for the first Agreement

Year, at any point from the Deadline for Substantial Completion to the end of the first Agreement Year), and Operator shall pay one-twelfth (1/12) thereof (or for the first Agreement Year, an equal monthly amount) monthly, concurrent with the payment of Land Rent and any Facility Rent. The Authority shall reasonably endeavor to provide this statement not less than forty five (45) days prior to the commencement of each Agreement Year. Within one hundred twenty (120) days after the end of each Agreement Year, the Authority shall give the Operators a statement showing the total actual Reimbursable O&M Costs for the prior Agreement Year (or for the first Agreement Year, from the Deadline for Substantial Completion to the end of the first Agreement Year) and each Operator's *Pro Rata* Share thereof. In the event that the total of the monthly payments which Operator has made for such Agreement Year is less than Operator's actual *Pro Rata* Share, Operator shall pay the difference within thirty (30) days after receipt of such statement from the Authority. Any overpayment by Operator shall be credited toward the Operator's *Pro Rata* Share of the Reimbursable O&M Costs next becoming due or, in the event that the Rental Car Lease Agreement has expired (and there is no outstanding default), refunded to Operator. Notwithstanding the above, any delay or failure of the Authority in computing or billing Reimbursable O&M Costs shall not constitute a waiver of or in any way impair Operator's obligation to pay the Reimbursable O&M Costs or any other sum hereunder; provided, however, in the event the Authority determines that it has materially under billed Operator for any Reimbursable O&M Costs as a result of any error, neglect or unreasonable delay on part of the Authority, the Authority agrees to work with Operator to establish a mutually acceptable schedule for repayment of any unbilled amounts (which schedule shall, in no event, extend beyond the next Agreement Year). In the event of any such delay or failure, Operator shall continue paying the Reimbursable O&M Costs currently being paid until notified by the Authority of the adjustment. Operator, at its cost, shall have the right to inspect, in the Authority's offices during usual business hours, the Authority's records regarding the Reimbursable O&M Costs referred to in the annual statement for a period of ninety (90) days following delivery of the statement. If within such ninety (90) day period neither party delivers notice to the other a notice referring in reasonable detail to one or more errors in such statement or calculation, the information and calculation in such statement shall conclusively be deemed correct.

6.4 Additional Small Operator Responsibilities. In addition to, and not in lieu of, any other amount payable under this Article 6, any Operator who is a Small Operator shall also pay the following amounts:

6.4.1 Small Operator Improvement Rent. Each Operator who is a Small Operator shall pay to the Authority a rental amount associated with the Small Operator Improvements ("Small Operator Improvement Rent") calculated as set forth in the Rental Car Lease Agreement. The Small Operator Improvement Rent shall be divided into equal monthly amounts and paid to the Authority in advance on the first (1st) day of each and every month during the Lease Term, at such place as the Authority may designate, without any prior demand, and without any abatement, deduction or setoff whatsoever. If the Lease Term commences on any day other than the first (1st) day of a calendar month, the Small Operator Improvement Rent for any fractional month shall be prorated based upon the actual number of days in such fractional month.

ARTICLE 7: REMITTANCE; LATE PAYMENT AND LATE REPORTING

* * * * *

7.2 Liquidated Damages for Late Payment and/or Late Reporting. Operator hereby acknowledges that late payment or late report submittal by Operator to the Authority of sums due or reports due hereunder will cause the Authority to incur costs not contemplated by the Rental Car Lease Agreement. Accordingly, in the event Operator is delinquent in remitting amounts and/or reports due in accordance with the provisions of the Rental Car Lease Agreement, Operator shall pay, in addition to the

unpaid amounts liquidated damages as set forth below to compensate the Authority for all expenses and/or damages and loss resulting from late or delinquent payments and/or late reports by Operator. The liquidated damages for late or delinquent payments of the fees and charges herein shall be the Default Rate applied on the balance of the unpaid amounts due calculated from the date of the delinquency until the close of the business day upon which the delinquency payment is received by the Authority; provided, however, any single late charge shall not be less than twenty-five dollars (\$25). The liquidated damages for late reports herein shall be five-hundred dollars (\$500) per instance. The Authority and Operator hereby agree that said late charges are appropriate to compensate the Authority for loss resulting from amounts delinquent including, without limitation, lost interest, opportunities, legal costs, and the cost of servicing the delinquent account. The Authority's acceptance of such late charges and any portion of the late payment by the Authority shall in no event constitute a waiver of Operator's default with respect to such overdue amount, nor prevent the Authority from exercising any of its other rights and remedies.

The President/CEO of the Authority shall have the right to waive for good cause any late charges upon written application of Operator for any such delinquency period, but shall have no duty to do so.

ARTICLE 8: ACCOUNTING PROCEDURES; AUDIT

8.1 Accounting Procedures. Operator covenants and agrees that it will establish and maintain an accounting system (specifically including all books of account and records customarily used in the type of operation permitted by the Rental Car Lease Agreement) in full and complete accordance with generally accepted accounting principles and otherwise reasonably satisfactory to the Authority for the determination of any CFCs or other computations, or both, which may be necessary or essential in carrying out the terms of the Rental Car Lease Agreement. Operator shall maintain its records relating to the operation permitted by the Rental Car Lease Agreement for a period of at least three (3) years after the end of each Agreement Year (or until the close of any ongoing audit thereof being conducted by, or on behalf of, the Authority); provided, however, that the Authority may (prior to the expiration of the relevant retention period) require that any such records be retained for a longer period of time, in which case Operator, at its option, may deliver such records into the custody of the Authority.

8.2 Audit.

8.2.1 Representative(s) designated by the Authority shall be allowed to inspect and audit Operator's books of accounts and records with reference to the determination of any matters relevant to the Rental Car Lease Agreement at all reasonable times. The Authority representative shall specifically be entitled to inspect and audit any records necessary, in the auditor's professional discretion, to complete the audit consistent in a manner consistent with generally accepted auditing standards; provided, however, nothing herein shall authorize the Authority to make any investigation into the expenses or expense structure of Operator except to the extent specifically necessary for the verification of any exclusion from Gross Revenues. The cost of such audit shall be borne by the Authority unless the results of such audit reveal a discrepancy of more than one percent (1%) for the CFC or three percent (3%) for any other amount for any twelve (12) month audit period. In the event of such discrepancy, the full cost of the audit shall be borne by the Operator, and Operator shall promptly pay all additional fees owing to the Authority together with interest on such sums from the date originally due until the date paid at the Default Rate.

8.2.2 In the event that Operator's books of accounts are not maintained in the San Diego region, they shall be made available for audit locally within twenty (20) business days of a request by the Authority, or Operator shall pay in full any travel and related expenses of the Authority representative(s) to travel to the location outside the San Diego region.

8.2.3 In those situations where Operator's records have been generated from computerized data (whether mainframe, minicomputer, or PC-based computer systems), Operator agrees to provide the Authority's representative with extracts of data files in a computer readable format on data disks, e-mail with attached files or suitable alternative computer data exchange formats. Operator agrees to provide appropriate work space to conduct the audit and free access to copiers; fax machines and other needed office equipment. Operator shall provide the name and telephone number of Operator's accounting manager or the like who has a thorough knowledge of the accounting system as it pertains to the Rental Car Lease Agreement and who will assist the Authority with its audit.

ARTICLE 9: SECURITY DEPOSIT

9.1 Security Deposit. Operator shall provide the Authority a Security Deposit in the sum of _____ Dollars (\$ _____) on or before the execution of the Rental Car Lease Agreement. The Security Deposit shall be held by the Authority and used for the purpose of remedying any defaults by Operator under the Rental Car Lease Agreement, including, but not limited to; the payment of rent, fees and other charges; repair of damages to the Premises; cleaning the Premises upon termination of the Rental Car Lease Agreement; reimbursing the Authority for costs incurred as a result of Operator's failure to perform any of its obligations under the Rental Car Lease Agreement; and inability to renew any Letters of Credit required under the Rental Car Lease Agreement, whether or not prior notice is given.

9.1.1 Irrevocable Standby Letter of Credit. Except as provided below, the Security Deposit shall be in the form of an Irrevocable Standby Letter of Credit drawn on a bank having a branch in San Diego County, having a Moody's Investor's Service Inc. Long Term Letter of Credit rating of single A or higher and a Moody's Investor's Service Inc. Long Term Deposit rating of single A or higher. The principal sum shall be made payable to the Authority. The Letter of Credit shall be valid for the period commencing on the Commencement Date of the Rental Car Lease Agreement and ending on the date which is three (3) months after the expiration of the Lease Term as provided in Article 5 of the Rental Car Lease Agreement (the "Letter of Credit Period"). Operator shall maintain the required Security Deposit continuously throughout the Lease Term. Failure to do so shall be deemed a default and shall be grounds for immediate termination of the Rental Car Lease Agreement in accordance with Article 23 of the Rental Car Lease Agreement.

9.1.2 Term. If the stated term of a Letter of Credit is not valid for the entire Letter of Credit Period, then such Letter of Credit shall be extended or renewed at least ninety (90) days prior to its expiration. If Operator fails to replace a Letter of Credit in a timely manner as required by this Article, the Authority shall be entitled thereupon without further notice to Operator to draw upon the full amount of the expiring Letter of Credit, and the cash proceeds therefrom shall be treated for all purposes of the Rental Car Lease Agreement as the Security Deposit.

9.1.3 Conditions. All or any portion of the principal sum of the Letter of Credit shall be available unconditionally to the Authority for the purposes and uses hereinabove provided. The Authority shall have the right, and Operator shall take all actions necessary to enable the Authority, to draw upon the full amount of any and all outstanding Letter(s) of Credit. The bank, and the form and provisions of the Letter of Credit shall be acceptable to the President/CEO of the Authority, and if not so acceptable, may be rejected. The Letter of Credit and Drawing Certificate shall not be acceptable if it requires the Authority to send written notice of default or request or demand payment from Operator after default, prior to the Authority drawing on any funds under the Letter of Credit.

9.1.4 Alternative. Notwithstanding the above, if said Security Deposit or the cumulative total amount of Security Deposits required by the Authority under the Rental Car Lease Agreement and other leases, permits and agreements between the Authority and Operator does not exceed

Twenty-Five Thousand Dollars (\$25,000), Operator may elect to provide said Security Deposit in the form of cash.

9.1.5 Adjustments in Amount. The amount of the Security Deposit may be adjusted from time to time at the discretion of the President/CEO of the Authority. Following any such adjustment, the amount of the Security Deposit may not exceed a reasonable estimation of four (4) months' rent and fees under the then current rent and fee requirements of the Rental Car Lease Agreement. In the event the amount of the Security Deposit is increased, Operator shall submit the additional Security Deposit within thirty (30) days of being notified in writing of the increase.

9.1.6 Upon Termination. The Security Deposit or the remaining portion thereof, shall be rebated, released, assigned, surrendered, or endorsed to Operator, as applicable, within ninety (90) days after the termination of the Rental Car Lease Agreement.

9.1.7 Use of Deposit. The Authority may apply all or part of the Security Deposit to unpaid rent or any other unpaid sum due under the Rental Car Lease Agreement or the Rental Car Concession Agreement to cure other defaults of Operator. If the Authority uses any part of the Security Deposit, Operator shall restore the Security Deposit to its then-currently required amount within thirty (30) days after the receipt of the Authority's written request to do so. The retention or application of such Security Deposit by the Authority pursuant to this Article does not constitute a limitation on or waiver of the Authority's right to seek further or alternative remedies under law or equity.

ARTICLE 10: USE

10.1 Use of Premises.

10.1.1 Generally. Subject to Operator being awarded a Rental Car Concession Agreement and otherwise subject to and in accordance with all present and future Legal Requirements and the Authority Standards, Operator covenants and agrees that it shall use the Premises solely for the purpose of operating a Rental Car Concession and for no other purpose or use. Operator shall not, under any circumstances, use the Premises for performing vehicle maintenance or repair, excepting only car washing, cleaning, refueling and, with the Authority's prior written consent (which will not be unreasonably conditioned or withheld) Light Vehicle Maintenance. Any such activities must be conducted within QTA Space (or such specific portion thereof as authorized in any consent related to Light Vehicle Maintenance) leased to Operator or such other area approved in writing by the Authority and as to all such locations in strict conformance with all of the requirements of the Rental Car Lease Agreement and any consent as to such activities. Operator also shall not, under any circumstance, use the Premises for the retail sale of any vehicles, the storage of damaged vehicles or any heavy vehicle maintenance. In addition, Operator may, subject to the Authority's reasonable consent, provide (whether or not for additional charge) ancillary business services that are not in direct competition with any concession operated by a Non-RAC Concessionaire in the Rental Car Center as a convenience to the customers of Operator's Rental Car Concession. Any revenue from such ancillary business services shall, however, be considered Gross Revenues.

10.1.2 Specific Areas. Notwithstanding anything to the contrary in Article 10.1.1 of the Rental Car Lease Agreement, Operator shall, unless otherwise agreed by the Authority in writing, use the following portions, as further shown in the Rental Car Lease Agreement, of the Rental Car Center and Rental Car Center Site for only the following purposes:

10.1.2.1 Public Parking. Operator shall use those portions of the Rental Car Center (within the Common Use Area) identified for public parking solely for public parking in

connection with the completion of rental car transactions by rental car customers not arriving at the Rental Car Center by the Common-Use Transportation System (e.g., local renters). The Operators, through the Facility Manager, shall specifically police the public parking areas to ensure that the area is used solely for such purposes. There shall be no charge for public parking unless approved by the Authority.

10.1.2.2 Employee and Vendor Parking. Operator shall use those portions of the Rental Car Center (within the Common Use Area) identified for employee and vendor parking solely for employee and vendor parking in connection with the operation of a Rental Car Concession at the Airport. The Operators, through the Facility Manager, shall specifically police the employee and vendor parking areas to ensure that the area is used solely for such purposes. The Facility Manager shall determine the method and manner by which access to the employee and vendor parking area is granted and by which the employee and vendor parking area is apportioned between the operators. In the event a charge is implemented at the sole discretion of the Authority for parking in the employee and vendor parking area, the Authority shall be provided a reasonable number of free parking passes to permit the Authority to exercise its rights and perform its obligations under the Rental Car Lease Agreement.

10.1.2.3 Vehicle Storage Parking. If Operator is granted authorization to use the Vehicle Storage Parking, Operator shall use the Vehicle Storage Parking area (as identified in the Rental Car Lease Agreement) exclusively for the storage of rental vehicles for use in connection with a Rental Car Concession at the Airport or for such other use as may specifically be authorized or directed by the Authority in writing.

10.2 General Standards Governing Use.

10.2.1 Operator shall not use or occupy or permit the Premises or any part thereof to be used or occupied, nor do or permit anything to be done in or on the Premises, in whole or in part, in a manner which would in any way (i) violate any then applicable Legal Requirements, or (ii) violate any of the covenants, agreements, provisions and conditions of the Rental Car Lease Agreement, or (iii) violate the City of San Diego building Certificate of Occupancy then in force with respect thereto, or (iv) may make it difficult for either the Authority or Operator to obtain fire or other insurance required hereunder, or (v) as will constitute a public or private nuisance. Operator specifically agrees to comply with all present or future rules and regulations of the Authority.

10.2.2 Operator shall not use or occupy or permit the Premises to be used or occupied, in whole or in part, in a manner which, in the Authority's reasonable judgment, may or tends to, impair or interfere with (i) the character, reputation or appearance of the Premises or the Authority; or (ii) the use of any other Authority property.

10.2.3 Operator shall not do or permit or suffer any waste, damages, disfigurement or injury to or upon the Premises or any part thereof.

10.3 Signs. Operator's Rental Car Concession shall be clearly signed and designated at all times during the Term of the Rental Car Lease Agreement with the Operator's identification and sufficient operational signage to ensure the safe and efficient operation of the Rental Car Concession. Such signage shall be the sole cost of Operator. Except as specifically permitted by the Rental Car Center Tenant Design and Construction Standards, as contained in the Rental Car Lease Agreement, Operator shall not attach to or paint on or within the Premises (including the walls, windows and doors thereof) any signs, banners, or other advertising matter, symbols, canopies or awnings. At the expiration or sooner termination of the Rental Car Lease Agreement, all signs, banners, advertising matter, symbols, canopies or awnings attached to or painted by Operator shall be removed by Operator at its expense, and Operator shall repair any damage or injury to the Premises and correct any unsightly condition caused by the

maintenance and removal of said signs. Operator shall not be permitted to advertise any products and/or services other than those of Operator connected to the operation of the Rental Car Concession provided however, with the prior written consent of the Authority, Operator may display logos and features from third party product providers that Operator offers as part of its Rental Car Concession (e.g., Sirius Radio, etc.), subject to the prior approval of the Authority.

10.4 Rental Car Concession Agreement. Notwithstanding anything to the contrary in the Rental Car Lease Agreement, Operator acknowledges it shall retain the right to occupy the Premises for the Term of the Rental Car Lease Agreement only if Operator is awarded and maintains a valid Rental Car Concession Agreement for the operation of a Rental Car Concession for each Concession Term during the Term of the Rental Car Lease Agreement.

ARTICLE 11: INITIAL ALLOCATION AND REALLOCATION

11.1 Initial Allocation. An exhibit to the Rental Car Lease Agreement contains the space to be allocated to Operator on the Commencement Date (“Initial Allocation”) among Operators within the Rental Car Center.

11.2 Subsequent Reallocation. The Authority shall reallocate those portions of the Rental Car Center and Rental Car Center Site designated as Exclusive Use Premises on the time intervals, and in the manner, more specifically set forth in the Rental Car Lease Agreement.

11.3 New Entrants. The Authority will not reallocate an Operator’s exclusive use space to New Entrants other than (i) in the Small Operator Area or other unassigned space, or (ii) upon the termination, whether by default, bankruptcy or otherwise, of a particular operator’s Rental Car Lease Agreement and Rental Car Concession Agreement, or (iii) at the reallocation dates of February 1, 2026 and February 1, 2036. New Entrants in the Small Operator Area shall, subject to reallocation as provided in Article 11.2 of the Rental Car Lease Agreement, initially be accommodated in those portions of the Small Operator Area not assigned in the initial allocation (or latest reallocation) of the Small Operator Area. New Entrants in any space vacated upon expiration or sooner termination of a particular operator’s Rental Car Lease Agreement and Rental Car Concession Agreement will, subject to reallocation as provided in Article 11.4, initially be accommodated in the space vacated. New Entrants interested in operating within the Rental Car Center effective on the reallocation dates identified in (iii) above will be allocated space as provided in Article 11.2 of the Rental Car Lease Agreement.

11.4 Early Termination of Rental Car Concession. In the event that the Rental Car Lease Agreement and Rental Car Concession Agreement for a particular operator are terminated (whether by default, in bankruptcy or otherwise), the Authority shall reallocate the vacated Exclusive Use Premises as follows:

11.4.1 The Authority generally shall determine whether there are any New Entrants potentially interested in the vacated space or any smaller space within the Rental Car Center. The Authority shall then determine which Operators would be interested in some or all of the vacated space. Depending on the degree of interest by potential New Entrants and current Operators, the Authority will determine how best to reallocate the vacated space considering the current Operators, their locations and market shares, any potential New Entrants and their likely market shares, and the efficiency and effective operation of the Rental Car Center. The Authority specifically reserves the right to completely relocate one or more Operators that may be interested in the vacated space to the vacated space and, in turn, reallocate their vacated space(s). For example, if a smaller Operator had grown its market share and was interested in space vacated by a relatively larger Operator, the Authority might completely relocate the smaller Operator to the vacated space and, in turn, reallocate the space vacated by the smaller Operator.

In the event a New Entrant desires to lease space in the Rental Car Center, the Authority shall establish a Minimum Monthly Guarantee for such New Entrant in a manner that considers current market shares and current market size/value, and is consistent with the methodology for determining the Minimum Monthly Guarantee for the size of the particular vacated space.

11.4.2 The costs associated with reallocation following termination of a particular Operator's Rental Car Lease Agreement and Rental Car Concession Agreement shall be borne as provided in the Rental Car Lease Agreement.

ARTICLE 12: COMMON-USE TRANSPORTATION SYSTEM

12.1 Common-Use Transportation System. Rental car customers will be transported between the Airport terminals and the Rental Car Center exclusively on a Common-Use Transportation System operated by the Authority, or its designee. Excepting only those customers who walk, drive, or take other forms of transportation to the Rental Car Center, all customers of all Operators operating at the Airport will be required to use the Common-Use Transportation System. Operator shall not use and the Authority shall not permit any other Operator to use its own transportation system or a third party transportation system, use vouchers, or use its rental vehicles to pick up or drop off customers at the Airport terminals.

12.2 Double-Busing; Transportation and Facility Charge.

12.2.1 The Authority will require that customers of rental car companies that are not tenants in the Rental Car Center will be "double-bused," meaning that those customers will be transported between the Airport terminal and the Rental Car Center via the Common-Use Transportation System and may only be picked up at a curb position at the Rental Car Center designated for non-tenant off-airport rental car companies. The customers will then be transported to the non-tenant off-airport rental car companies' off-site location by the non-tenant off-airport rental car company. Drop off of customers of non-tenant off-airport rental car companies will occur in the same manner at the same Rental Car Center curb.

12.2.2 The Authority will also collect a Transportation and Facility Charge from each rental car company that is not a tenant in the Rental Car Center to compensate the Authority for the use of the Common-Use Transportation System and those portions of the Rental Car Center identified for access to the Rental Car Center and the transfer of customers for such rental car companies. All such amounts shall be applied against the payment obligations on the Bonds, Common-Use Transportation Costs and/or Costs of CFC Administration.

12.3 Operating Plan.

12.3.1 Initial Common-Use Transportation System. The initial Common-Use Transportation System shall be provided by means of buses to and from the Airport terminal to the Rental Car Center.

12.3.2 Authority Developed Initial Plan. The Authority shall develop a preliminary plan for Common-Use Transportation System operations related to the transportation of customers between the Airport terminal and the Rental Car Center. The Common-Use Transportation System plan shall include, but not be limited to, specifications for the type, size and number of buses, including but not limited to service levels, and loading/unloading locations in the Airport terminal area, and shall address any other issues regarding movement of rental car customers between the Rental Car Center and the Airport terminal.

12.3.3 Operator Comments. The Operators will be provided sixty (60) calendar days to review the preliminary Common-Use Transportation System plan and to submit written comments regarding any proposed adjustments to the plan. The Authority will review all comments that are received within that period of time and will make a final determination on the Common-Use Transportation System plan, the results of which shall be distributed to the Operators. The final plan shall be determined in the sole discretion of the Authority.

12.3.4 Subsequent Revisions. Thereafter, the Authority will meet periodically with the Operators to review the performance of the Common-Use Transportation System, and the Authority may make modifications to the Common-Use Transportation System plan in its sole discretion.

12.3.5 Change from Busing. Notwithstanding anything to the contrary in the Rental Car Lease Agreement, in the future the Authority may at its sole discretion, after consultation with Operators, elect to change the Common-Use Transportation System from buses to some other mode of transportation; including, but not limited to, an automated people mover. The Authority will endeavor to ensure: 1) costs are reasonably comparable to the then existing busing costs; or 2) the new Common-Use Transportation System are projected to be funded through CFC proceeds and are not anticipated to increase costs to the Operator.

12.4 Common-Use Transportation Costs. Except as otherwise agreed between the Parties, the Operators and each of them individually shall have a proportionate obligation, based on the number of rental car transactions, to pay for all Common-Use Transportation Costs that are not otherwise offset and funded through the CFC proceeds. In the event (i) CFC proceeds are not sufficient to cover all or a portion of Common-Use Transportation Costs, (ii) there are not excess amounts on deposit in the Authority CFC Stabilization Account above the Minimum Targeted Stabilization Account Balance available for payment of Common-Use Transportation Costs, and (iii) there are no remaining funds available under the Authority Loan for payment of Common-Use Transportation Costs, Operator shall pay its proportionate share of such unfunded Common-Use Transportation Costs computed based on the percentage of rental car transactions for the prior Agreement Year. All such Common-Use Transportation Costs not funded through amounts identified in the preceding sentence will be paid to the Authority by Operator by the 20th day of each month until such time CFC proceeds are sufficient to cover all Common-Use Transportation Costs.

ARTICLE 13: ALTERATIONS; OWNERSHIP OF CERTAIN INSTALLATIONS

13.1 Alterations. After completion of the Initial Tenant Improvements pursuant to Article 2.2.2, Operator shall not make any changes, alterations, additions, substitutions or improvements (collectively referred to as “Alterations”) to or upon the Premises without first obtaining the Authority’s prior written approval of such Alteration and subject to any and all conditions in such approval. Operator shall otherwise comply with the design, construction and opening processes set forth in the Rental Car Lease Agreement, in connection with Operator’s design and construction of any such Alteration. Any Alteration shall be performed (i) in a good and workmanlike manner, (ii) in compliance with all Legal Requirements and the Authority’s Standards, and (iii) in a manner that will not unreasonably interfere with or disturb Authority, its tenants, or other users of the Rental Car Center and Airport.

13.2 Authority Review Does Not Relieve Operator. Operator agrees that nothing in the Authority’s review or approval of Operator’s plans shall create responsibility or liability on the part of the Authority for their completeness, design sufficiency, or compliance with all Legal Requirements or the Authority’s Standards, all of which shall be Operator’s sole responsibility. Nor shall such review or approval constitute a waiver by the Authority of the right to thereafter require Operator to correct any

failure by Operator to comply with any Legal Requirements or the Authority's Standards later discovered by the Authority.

13.3 "As-Built" Documents. Operator shall deliver to the Authority, ninety (90) days after project completion, complete "as built" drawings of any Alterations in electronic format and three (3) half-size hard copies, in a commercially reasonable format as determined by and acceptable to the Authority. For any equipment installed, Operator shall deliver to the Authority, two (2) copies of the complete operations and maintenance manuals.

13.4 Trade Fixtures. Except to the extent repairs or substitution have been made or provided by the Authority, Operator shall retain ownership of: (i) all trade fixtures and business equipment and furnishings from time to time installed by Operator at its expense (including Operator's rental booths), and (ii) all Alterations and/or improvements that Operator is required to remove at the end of the Rental Car Lease Agreement pursuant to Article 21.1 of the Rental Car Lease Agreement. Operator may remove any of such fixtures; equipment or furnishings at any time during the Lease Term and shall remove all thereof prior to the expiration of the Lease Term, provided incoming operator does not want to purchase the improvements from existing Operator. Any such property not removed at the expiration of the Lease Term shall, at the election of the Authority, become the property of the Authority without payment to Operator, or be deemed abandoned and removed by the Authority at Operator's expense. Upon any removal of such property, Operator shall promptly repair any and all damage to the Premises caused thereby and reimburse the Authority for its costs and expenses in removing any such property not removed by Operator and repairing any such damage not repaired by Operator; this covenant shall survive the termination of the Rental Car Lease Agreement.

ARTICLE 14: REAL AND PERSONAL PROPERTY TAXES

14.1 Taxes. Subject to Operator's right to protest to the taxing authority or the amount, the Rental Car Lease Agreement may result in a taxable possessory interest and be subject to the payment of property taxes. Operator agrees to and shall pay before delinquency all taxes and assessments of any kind, including any possessory interest taxes, assessed or levied upon Operator or the Premises by reason of the Rental Car Lease Agreement or of any buildings, machines, or other improvements of any nature whatsoever erected, installed, or maintained by Operator or the Authority by reason of the business or other activities of Operator upon or in connection with the Premises.

14.2 Licenses and Permits. Operator shall also pay any fees imposed by law for licenses or permits for any business or activities of Operator upon the Premises or under the Rental Car Lease Agreement.

ARTICLE 15: REPAIR AND MAINTENANCE

15.1 By Operator.

15.1.1 Generally. Beginning on the commencement of activation and commissioning on the day following the Deadline for Substantial Completion and continuing thereafter during the Lease Term, the Operators shall – at the Operators' sole cost and expense and subject only to the specific obligations of the Authority set forth in Article 15.2 of the Rental Car Lease Agreement – put and keep the Rental Car Center (other than those portions of the Reserved Area not utilized in the management and operation of the Rental Car Center or Common-Use Transportation System) and Rental Car Center Site, both outside and inside, together with all Alterations, equipment and installations therein and the appurtenances thereto, in good order, maintenance and repair. Operators shall undertake all maintenance and make all repairs and replacements – ordinary as well as extraordinary, foreseen and unforeseen,

structural or otherwise (but specifically excluding Major Maintenance, which is the Authority's responsibility under Article 15.2.2.5 of the Rental Car Lease Agreement) – which may be necessary or required so that at all times the Rental Car Center, the Rental Car Center Site (other than those portions of Reserved Area not utilized in the management and operation of the Rental Car Center or Common-Use Transportation System) and all Alterations, equipment, installations and appurtenances shall be in thorough good order, condition and repair. Without limiting the generality of the foregoing, Operator shall also: (i) keep the Premises at all times in a neat, clean, safe and sanitary condition, (ii) keep the Premises free from infestation of pests and conditions which might result in harborage for, or infestation of pests, and (iii) provide complete and adequate arrangements for the sanitary handling of all trash, garbage, and other refuse generated in connection with the use of the Premises. As used in this Article, the word “pests” shall include, without limitation, rodents, insects, and birds in numbers to the extent that a nuisance is created, as determined by the Authority.

15.1.2 Standards. The Operators and each Operator shall perform all maintenance, repairs, or replacements: (i) in conformance with all Legal Requirements, the Authority's Standards and the Operations Manual, (ii) using quality materials at least equal to the original, and, if materially changed from the original, shall be subject to the prior written approval of the Authority, (iii) using only qualified personnel, (iv) in a good and workmanlike manner, adhering to the highest standards of quality, and (v) otherwise in conformance with the standards and operating requirements set forth in the Rental Car Lease Agreement.

15.1.3 Operators' Specific Obligations.

15.1.3.1 Exclusive Use Premises. Unless otherwise specifically agreed between the Operators, each Operator shall, at its sole cost and expense, have the obligations set forth in this Article 15.1 with respect to such Operator's Exclusive Use Premises; provided, however, the Authority shall (in addition to any rights granted under Article 15.2 of the Rental Car Lease Agreement) have the right to require an Operator that is a Small Operator to contract with the Facility Manager to perform the obligations set forth in this Article 15.1 with respect to some or all of the Exclusive Use Premises falling within the Small Operator Area.

15.1.3.2 Common Use Area.

15.1.3.2.1 The Operators and each Operator shall – whether through a joint venture agreement, participation agreement, limited liability company agreement or any combination thereof through which all Operators are a party – contract with a financially responsible, experienced manager (“Facility Manager”) for the operation, maintenance and repair of the Common Use Area (but specifically excluding the Fuel Facilities, the responsibility for which shall fall to the Fuel Facility Manager), the Small Operator Shared Area and those portions of the Reserved Area utilized in the management and operation of the Rental Car Center or Common-Use Transportation System. In addition, the Operator(s) may elect to utilize the Facility Manager to satisfy any of Operator(s) obligations under Article 15.1.3.1. The identity of the Facility Manager and the terms of the contract between the Operators and the Facility Manager shall specifically be subject to the Authority's approval, such approval not to be unreasonably withheld. In order to involve the Facility Manager in the commissioning of the Rental Car Center and pre-final and final inspections, the Operators shall retain and have available the Facility Manager no later than ninety (90) days before the earliest Commencement Date. The Operators and each Operator shall, not less than one hundred twenty (120) days before the earliest Commencement Date and ninety (90) days before any date on which Operators would intend to change the identity of, or terms of any contract with, the Facility Manager, submit to the Authority for its review and approval (not to be unreasonably withheld) any such information as the Authority may reasonably request regarding the experience, financial strength and/or operational plan associated with any such

Facility Manager and a complete copy (including all exhibits) of any proposed contract(s) between the Operators and the Facility Manager. The Authority's consent to the terms of any such contract shall not be withheld or delayed provided such agreement: (i) is consistent with the provisions of the Rental Car Lease Agreement and does not exceed the Lease Term; (ii) is otherwise consistent with operating agreements customary in the facilities management industry; (iii) provides that the Common Use Area be managed subject to and in accordance with the terms of the Rental Car Lease Agreement; (iv) requires the Facility Manager to defend and indemnify the Authority from any damages, claims or the like resulting from the Facility Manager's acts or omissions; (v) requires the Facility Manager to procure insurance of like kind and amount required of the Operator as set forth in the Rental Car Lease Agreement and to cause the Authority to be an additional insured under such policies; (vi) may not be cancelled or terminated without prior written notice to the Authority; and (vii) may be assumed by the Authority at its option in the event of a default by the Operators there under. The Authority agrees to not withhold or delay its consent to any proposed Facility Manager, provided such entity has: significant experience in the management and operation of commercial facilities similar to the Rental Car Center, in a competent and professional manner in accordance with operating standards and policies standard in the industry; and financial strength and management competency, with personnel having appropriate experience to operate, maintain and manage the Common Use Area (and, if relevant, the QTA Equipment and any Operator Vehicle Maintenance Equipment). The contract between the Operators and the Facility Manager shall specifically bind the Facility Manager to those obligations to be performed by the Facility Manager or the Operator or Operators through the Facility Manager under the Rental Car Lease Agreement, and the Authority shall specifically be a third-party beneficiary of any such terms. The Operators and each Operator shall likewise submit to the Authority a copy of any joint venture agreement, participation agreement, or limited liability company agreement by which they have joined together to contract with such Facility Manager.

15.1.3.2.2 The Operators shall, through the Facility Manager, have the obligations set forth in this Article 15.1 with respect to the Common Use Areas and those portions of the Reserved Area utilized in the management and operation of the Rental Car Center or Common-Use Transportation System. Each Operator shall pay to the Facility Manager an amount, as determined by the Facility Manager according to the agreement between the Operators and the Facility Manager, associated with the Facility Manager's maintenance and repair of the Common Use Area.

15.1.3.2.3 Those Operators that are Small Operators shall, through the Facility Manager, have the obligations set forth in Article 15.1 with respect to the Small Operator Shared Area and, if elected by the Authority pursuant to Article 15.1.3.1, those portions of the Exclusive Use Area within the Small Operator Area. Each Operator that is a Small Operator shall also pay to the Facility Manager an amount, as determined by the Facility Manager according to the agreement between the Operators and the Facility Manager, associated with the Facility Manager's maintenance and repair of the Small Operator Shared Area and, if required by the Authority pursuant to Article 15.1.3.1, the particular Operator's Exclusive Use Premises within the Small Operator Area.

15.1.3.2.4 In the event that the Authority incurs or otherwise pays any costs otherwise required to be performed by the Operators through the Facility Manager, the Authority shall have the right to bill the Facility Manager (rather than each Operator) for such costs, and the Facility Manager shall (without regard to whether it has collected from the Operators or any of them) pay the Authority for any such costs directly on such payment terms as the Authority otherwise generally extends to the Operators or other tenants on or about the Airport.

15.1.3.2.5 Operator shall, in a timely fashion, pay all amounts due by Operator under, and otherwise adhere to all covenants, conditions, or agreements to be observed or performed by Operator in, the agreement between Operator and the Facility Manager. Operator

specifically agrees that any failure to pay such amounts or observe such covenants, conditions or agreements – whether or not a default has been declared by the Facility Manager – shall be a default under the Rental Car Lease Agreement.

15.1.3.3 Operations and Maintenance Manual. The Operators and each Operator shall, through the Facility Manager, prepare or have prepared an operations and maintenance manual (“Operations Manual”) that addresses the operation, maintenance and repair of the Rental Car Center and Rental Car Center Site other than the Fuel Facilities (which shall be the responsibility of the Fuel Facility Manager). Subject to the Authority’s reasonable concurrence, either the Facility Manager or the Fuel Facility Manager shall be responsible for the QTA Equipment and the Operator Vehicle Maintenance Equipment. The Operations Manual shall: (i) be consistent with the standards and operating requirements set forth in the Rental Car Lease Agreement, (ii) be provided to the Authority at least thirty (30) days before the Deadline for Substantial Completion or not more than thirty (30) days after any update, (iii) be prepared in coordination with the Authority staff, (iv) with respect to any equipment located in, on or about the Rental Car Center or Rental Car Center Site, be consistent with warranty requirements, manufacturer’s recommendations and Best Management Practices approved by the Authority, (v) be consistent with all Legal Requirements, (vi) be consistent with the Pollution Prevention Plan and Spill Pollution Control and Countermeasure Plan, (vii) be updated to address future changes in Rental Car Center and/or Rental Car Center Site activities or facilities, and (viii) in the event of any apparent overlap between the requirements of the Facility Manager and Fuel Facility Manager under the Rental Car Lease Agreement, identify (subject to the requirements of Article 19.1.2.2 of the Rental Car Lease Agreement) the party primarily responsible for satisfying any such requirement and shall (again, subject to the requirements of Article 19.1.2.2 of the Rental Car Lease Agreement) specifically provide the party primarily responsible for each element of the Pollution Prevention Plan and the Spill Pollution Control and Countermeasure Plan. If the Facility Manager is responsible for the QTA Equipment and Operator Vehicle Maintenance Equipment, the Operations Manual shall further be consistent with Environmental Law, and without limiting the generality of the foregoing, the County of San Diego Department of Environmental Health Hazardous Materials Division (“HMD”) or any other duly authorized responsible agency. The Operations Manual shall be subject to the Authority’s prior approval, not to be unreasonably withheld, and shall be updated as needed, not less often than annually, to address the Facility Managers’, the Operators’ and each Operator’s operations and practices.

15.1.4 Insurance Proceeds. To the extent that the Authority receives, or is eligible to receive, any insurance proceeds under the policy of property insurance paid for as part of the Reimbursable O&M Costs, for damage to any element(s) on or about the Rental Car Center or Rental Car Center Site for which the obligation for the repair belongs to Operator or the Operators under this Article 15.1, the Authority agrees to make such insurance proceeds available to Operator or Operators as the case may be. Provided, however, in the event that Operator or Operators accept such funds, Operator or Operators shall then be required to adhere to any legal requirements by which the Authority otherwise would have been bound if it had undertaken the repairs.

15.2 Maintenance and Repair by Authority.

15.2.1 Obligation of Authority. The Authority shall have the obligation to repair and maintain the Rental Car Center or the Rental Car Center Site, only as described in this Article 15.2.

15.2.2 Specific Authority Obligations.

15.2.2.1 Work Request by Operator. The Authority may perform, but shall not be obligated to perform, any maintenance, repairs or restoration work that is the Operators’ or any particular Operator’s, responsibility under Article 15.1 of the Rental Car Lease Agreement if requested to

do so in writing by the Operators or any specific Operator. In the event the Authority performs such work, the Operator(s) requesting the work shall pay for such work (specifically including a reasonable allocation for the Authority overhead) within thirty (30) days of invoice by the Authority. Interest shall accrue on all unpaid sums at the Default Rate.

15.2.2.2 Reserved Area. The Authority, or any Non-RAC Concessionaire granted the right to use and occupy a particular Reserved Area, shall keep those portions of the Reserved Area not utilized in the management and operation of the Rental Car Center, Rental Car Center Site or Common-Use Transportation System in good order, condition and repair at all times and shall undertake all maintenance and make all repairs and replacements, ordinary as well as extraordinary, foreseen and unforeseen; provided however, the Authority shall have no obligation to repair and maintain the roof (both structure and covering/membrane), exterior walls, foundation and building structure associated with any portion of the Reserved Area, such responsibility (unless specifically within the scope of this Article 15.2) shall fall within the Operators' responsibility under Article 15.1 of the Rental Car Lease Agreement.

15.2.2.3 Special Airport Systems. Throughout the Lease Term, the Authority shall put and keep the Special Airport Systems in good order, maintenance and repair, and shall undertake all maintenance and make all repairs and replacements, ordinary as well as extraordinary, foreseen and unforeseen, which may be necessary or required so that at all times the Special Airport Systems shall be in thorough good order, condition and repair.

15.2.2.4 Special Building Systems. Throughout the Lease Term, the Authority shall put and keep the Special Building Systems in good order, maintenance and repair, and shall undertake all maintenance and make all repairs and replacements, ordinary as well as extraordinary, foreseen and unforeseen, which may be necessary or required so that at all times the Special Building Systems shall be in thorough good order, condition and repair. As provided in Article 6.4 of the Rental Car Lease Agreement, the costs associated with the repair and maintenance of the Special Building Systems shall be a Reimbursable O&M Cost.

15.2.2.5 Major Maintenance. The Authority shall have the obligation to undertake all Major Maintenance that the Rental Car Center or Rental Car Center Site may require. When the Authority undertakes such work, it shall specifically notify the Operators and Facility Manager of that fact, will proceed diligently to complete such work, and will otherwise comply with the standards imposed upon the Operators set forth in Article 15.1.2 of the Rental Car Lease Agreement. The Authority will endeavor and make reasonable efforts to provide 30 days advance notice to Operator of Major Maintenance activity.

15.2.2.6 Failure of the Operators to Comply.

15.2.2.6.1 Right to Repair. Notwithstanding Article 15.1 of the Rental Car Lease Agreement, in the event the Operators, through the Facility Manager, or any individual Operator fail: (i) to commence within thirty (30) days after written notice from the Authority to do any maintenance or repair work to the Rental Car Center or Rental Car Center Site required to be done under the provisions of the Rental Car Lease Agreement, other than preventive maintenance; (ii) to commence such work within a period of ninety (90) days if such notice specifies that the work to be accomplished involves preventive maintenance only; or (iii) to diligently continue to completion any such work as required under the Rental Car Lease Agreement; then the Authority may, at its option, and in addition to any other remedies which may be available to it, enter the Rental Car Center and/or Rental Car Center Site (without such entering causing or constituting a cancellation of the Rental Car Lease Agreement or an interference with the possession of the Premises), and repair, maintain, replace, or rebuild all or any part of the Rental Car Center and/or Rental Car Center Site and do all things reasonably necessary to

accomplish the work required, and the cost and expense (specifically including an allocation of the Authority overhead in a reasonable amount) shall be payable to the Authority by the Operators, each in accordance with its respective *Pro Rata* Share, or the respective Operator, if the responsibility of only one Operator, on written demand; provided, however, if in the reasonable opinion of the Authority, the failure to perform any such repair or maintenance endangers the safety of the public, the employees or other tenants at the Airport, and the Authority so states same in its notice to the Operator(s), the Authority may perform such maintenance at any time after the giving of such notice.

15.2.2.6.2 No Obligation; No Responsibility. Furthermore, should the Authority, its officers, employees, agents, or contractors undertake any work hereunder, the Operators hereby waive any claim for damages, consequential or otherwise, as a result there from, except for such damages resulting from the gross negligence of the Authority or any of its agents, employees or contractors. The foregoing shall in no way affect or alter the primary obligations of Operators as set forth in the Rental Car Lease Agreement, and shall not impose or be construed to impose upon the Authority any obligation to maintain the Rental Car Center or Rental Car Center Site, unless otherwise specifically provided in the Rental Car Lease Agreement.

15.2.2.6.3 Right to Assume Maintenance. Notwithstanding Article 15.1 of the Rental Car Lease Agreement, in the event that the Authority issues three (3) or more notices under Article 15.2.2.6.1 of the Rental Car Lease Agreement within an eighteen (18) month period, the Authority shall have the right (but not the obligation) to assume responsibility for the repair and maintenance of the Rental Car Center and Rental Car Center Site or so much of it, whether Common Area, Exclusive Use or otherwise, by issuing notice to the affected Operator or Operators indicating its intent to, until further notice, assume responsibility for such repair and maintenance. Such notice must be issued within one hundred twenty (120) days of the issuance of the third (or any subsequent) notice under Article 15.2.2.6.1 of the Rental Car Lease Agreement. In such event, all costs associated with the repair and maintenance shall be the responsibility of the affected Operator(s) as more particularly set forth in Article 15.2.2.6.1 of the Rental Car Lease Agreement. The Authority may also elect to address such costs, to the extent they pertain to the Common Use Area, as Reimbursable O&M Costs under Article 6.3 of the Rental Car Lease Agreement. The Authority shall have the right, on sixty (60) days' notice to the affected Operator or Operators, to require the Operator(s) to resume responsibility for repair and maintenance as set forth in Article 15.1 of the Rental Car Lease Agreement.

15.2.2.7 Repair Required as Result of Neglect. To the extent that repairs made by the Authority pursuant to Articles 15.2.2.2, 15.2.2.4, or 15.2.2.5 of the Rental Car Lease Agreement are required by reason of the neglect, carelessness or misuse of any particular Operator, its employees, agents, invitees, licensees, or contractors, the Authority shall perform such repairs at Operator's cost and expense. Operator shall pay for such work (specifically including a reasonable allocation for the Authority overhead) within thirty (30) days of invoice by the Authority. Interest shall accrue on all unpaid sums at the Default Rate.

15.2.2.8 No Responsibility to Facility Manager. In the event that the Authority exercises any right or performs an obligation under this Article 15.2.2, the Authority shall have absolutely no responsibility or liability to the Facility Manager. In the event that the Authority elects to assume responsibility for maintenance as allowed by Article 15.2.2.6.3 of the Rental Car Lease Agreement, the Authority shall, notwithstanding any contrary term of the agreement between the Operators and the Facility Manager, specifically have the right to direct the Facility Manager to vacate the Rental Car Center.

15.2.2.9 Damage and Destruction. In addition to, and not in lieu of, any requirement set forth in this Article 15.2, the Authority shall also have the obligation of restoration and repair as set forth more specifically in Article 20 of the Rental Car Lease Agreement.

15.2.3 Notice; Not Responsible. If this Article 15.2 imposes upon the Authority an obligation, or otherwise provides to the Authority a right, of repair and maintenance, the Authority will perform any such repair or maintenance work called to its attention by Operator(s) within a reasonable period of time after receipt of such notice by the Authority. There shall be no abatement or reduction of any financial or other obligation of Operator under the Rental Car Lease Agreement or the Rental Car Concession Agreement by reason of the Authority's making repairs, alterations and/or improvements to the Rental Car Center, Rental Car Center Site or otherwise.

15.3 Quarterly Condition Surveys. The Authority and Operators together with the Facility Manager shall conduct an inspection of the Rental Car Center and Rental Car Center Site quarterly to observe and note the condition of, cleanliness of and existing damage to the Rental Car Center and Rental Car Center Site and to determine repairs and maintenance required to be performed. Not less than fourteen (14) days before a scheduled inspection, the Operators and each of them – through the Facility Manager – prepare a report documenting the preventative and corrective maintenance actions planned and performed during the prior quarter. Notwithstanding the foregoing, the Operators shall not be required to participate in the quarterly inspections so long as each Operator who elects not to participate vests the Facility Manager with authority to address the matters to be reviewed during the scheduled inspection. The report shall be provided in both hardcopy and electronic forms, with the electronic forms in Microsoft Excel or other format reasonably specified or approved by the Authority for import into the Authority's maintenance management software. In the event of any dispute regarding those repairs and maintenance required to be performed, the Authority's decision shall be final. Responsibility for repairing any problems or defects noted shall be as provided in Articles 15.1 and 15.2.

ARTICLE 16: UTILITIES AND OTHER OPERATING COSTS

16.1 Generally. Beginning on the Opening Date and continuing thereafter during the Lease Term, the Operators shall pay the Utilities Costs, whether billed to the Authority, the Facility Manager or the Operators (or any of them) in the first instance.

16.2 Operators' Specific Obligations.

16.2.1 Exclusive Use Premises. Unless otherwise specifically agreed between the Operators, each Operator shall, at its sole cost and expense, have the obligation to pay any Utilities Costs with respect to such Operator's Exclusive Use Premises. With respect to any such Utilities Costs incurred, billed to or paid by the Authority in the first instance, each Operator shall be responsible to the Authority for such costs; provided, however, the Authority shall have no obligation to separately bill each Operator for such Utilities Costs, instead reserving the right to bill the Facility Manager for all Utilities Costs associated with the Rental Car Center and Rental Car Center Site and requiring the Facility Manager to bill the Operator for those portions related to the Operator's Exclusive Use Premises. The Facility Manager shall pay such amounts collected from Operators upon such payment terms as the Authority otherwise generally extends to the Operators or other tenants on or about the Airport. Operator agrees that in the event that any utilities or other services are furnished to the Exclusive Use Premises on a consolidated or joint basis, Operator will pay a proportionate share of such utilities where, to the extent not separately metered, Operator's *Pro Rata* Share will be computed as defined herein, and separate metering or exact segregation of cost shall not be required.

16.2.2 Common Use Area. The Operators shall, through the Facility Manager, pay any Utilities Costs with respect to the Common Use Areas and those portions of the Reserved Area utilized in connection with the management and operation of the Rental Car Center, Rental Car Center Site or Common-Use Transportation System. This obligation specifically includes the Special Building Systems but excludes the Special Airport Systems. With respect to any amounts incurred, billed to or paid by the Authority in the first instance, the Operators shall, through the Facility Manager, be responsible to the Authority for such costs. Operator shall pay a proportionate share of such Utilities Costs where Operator's proportionate share of any such services may be computed by the Facility Operator on any reasonable basis (specifically including by use of *Pro Rata* Shares as defined herein), and separate metering or other exact segregation of cost shall not be required.

16.2.3 Reserved Area. To the extent consistent with the nondiscriminatory terms of any Rental Car Concession Agreement the Authority may enter into with any Non-RAC Concessionaire for the operation of a concession in the Rental Car Center, the Facility Manager may bill the Non-RAC Concessionaire for any Utilities Costs associated with the operations of such Non-RAC Concessionaire. Any such billing shall be done in a manner consistent with the method utilized by the Facility Operator for billing the Operators; provided, however, in no event shall the manner be inconsistent with the nondiscriminatory terms of the Rental Car Concession Agreement between the Authority and the Non-RAC Concessionaire.

16.2.4 Facility Manager. Although the Authority may bill Facility Manager charges pursuant to this Article 16.2, Operator is solely responsible for such charges. Facility Manager will exercise commercially reasonable best efforts to secure payment from Operator on behalf of the Authority, however, Facility Manager will not be financially responsible for such charges.

16.3 Energy Conservation; Recycling. The Authority shall have the right to institute such reasonable policies, programs and measures as may be necessary or desirable, in the Authority's discretion, for the conservation and/or preservation of energy, energy related services or other resources, to promote considerations of sustainability, or as may be required to comply with any applicable codes, rules and regulations, whether mandatory or voluntary.

16.4 Authority Not Responsible. The Authority shall not be liable in any way to Operator for any failure or defect in the supply or character of electrical energy, water, sewer or other utility service furnished to the Premises by reason of any requirement, act or omission of the public utility providing such service or for any other reason. The Authority shall have the right to shut down electrical or other utility services to the Premises when necessitated by safety, repairs, alterations, connections, upgrades, relocations, reconnections, or for any other reason, with respect to any such utility system (singularly or collectively, "Utility Work"), regardless of whether the need for such Utility Work arises in respect of the Premises, any other part of the building or larger premises. Whenever possible, the Authority shall give Operator no less than two (2) days prior notice for such utility shutdown. The Authority shall not be liable to Operator for any losses, including loss of income or business interruption, resulting from any interruptions or failure in the supply of any utility to the Premises, except when such losses result from the Authority's gross negligence.

ARTICLE 17: INDEMNITY AND INSURANCE

17.1 Indemnity.

Operator shall, to the fullest extent permitted by law, defend, indemnify and hold harmless the Authority and its officers, officials, Board members, employees, agents, representatives and volunteers (collectively "Authority-Related Parties"), from and against any and all liabilities, liens, claims,

judgments, demands, causes of action, losses, damages, costs and expenses (including reasonable attorneys' fees and costs) (hereinafter collectively "Liabilities"), arising out of, related to, or in any way connected with, directly or indirectly: (i) the Premises; (ii) any actions or omissions of Operator or the Authority; (iii) any obligations or activities undertaken in connection with the Rental Car Lease Agreement; (iv) any damage to any person or property, or injury to or death to any person, including without limitation any claim or action alleging latent and other defects, whether or not discoverable by Operator or the Authority; (v) alleged or actual breach of any federal, state or local laws or regulations; and (vi) the Authority's duties under easements or contracts with third Parties; except that this Article 17.1 shall not apply to any Liabilities arising through the sole active negligence or willful misconduct of the Authority. These indemnity obligations shall apply for the entire time that any third party can make a claim against or sue the Authority-Related Parties and shall survive the termination of the Rental Car Lease Agreement. Operator and the Authority agree to promptly provide notice to each other of any Liabilities following the learning thereof by such party. Operator shall not settle or compromise any claim or matter pursuant to this Article 17.1 without first obtaining the Authority's written consent.

17.2 Insurance. Operator shall obtain and keep in force, at its sole cost and expense, during the Lease Term the types and minimum levels of insurance specified and in the form hereinafter provided for:

17.2.1 Commercial General Liability Insurance. Operator shall obtain and keep in force during the Lease Term a commercial general liability policy of insurance, protecting Operator and the Authority, as an additional insured against claims for bodily injury, personal injury and property damage based upon, involving or arising out of the tenancy, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. The policy shall provide coverage without limitation for Premises Liability, Contractual Liability, Personal and Advertising Injury, Products/Completed Operations and Independent Contractors Liability coverages written on an occurrence basis in the amount of two million dollars (\$2,000,000) each occurrence and in the aggregate. The policy general aggregate limit shall apply separately to this location. The policy shall contain a minimum three hundred thousand dollars (\$300,000) sub-limit that covers damage to premises rented or leased to Operator, including fire damage. Any deductibles or self-insured retentions for this coverage that exceed \$25,000 must be disclosed and approved by the Authority in writing. Insurance shall be primary and non-contributory and shall contain a provision for separation of insureds.

17.2.2 Automobile Liability Insurance. Operator shall obtain and keep in force during the Lease Term an automobile liability policy protecting against claims for bodily injury and property damage based upon, involving or arising out of the use of "Any Auto," including non-owned, rented, hired, leased, or borrowed autos. Such insurance shall be on occurrence basis providing combined single limit coverage in an amount not less than two million dollars (\$2,000,000) per occurrence.

17.2.3 Property and Business Income Insurance. Operator shall obtain and keep in force during the Lease Term property insurance covering all risks of direct physical loss or damage to Operator's property (including "betterments and improvements", trade fixtures, business equipment, furnishings, and other personal property) on or about the Premises. The amount of such insurance shall be equal to one hundred percent (100%) of the full replacement value of the property and not subject to any provisions for coinsurance. The policy shall also provide coverage for Business Income including Extra Expenses resulting from direct physical loss or damage to property. The Authority shall be included as an Additional Insured and Loss Payee on Operator's property insurance policy with respect to the Authority's interest in Alterations. The policy shall contain a waiver of subrogation endorsement in favor of the Authority.

17.2.4 Course of Construction Insurance. During the course of construction of the Initial Tenant Improvements and any subsequent Alterations, Operator and Operator's Contractor shall be required to provide property insurance on the improvements as they are being constructed. Coverage may be on a property insurance policy or a separate builders risk policy that covers the interests of the Contractor and the Operator. Coverage shall be "all risk" property insurance in an amount equal to the value of the improvements under construction. The policy shall include delay of opening coverage in the event a covered loss results in loss of rent and/or revenues to the Authority due to a delay in completion of the improvements. The Authority shall be named as an insured on the policy to the extent of the Authority's insurable interest in the improvements. Coverage shall be kept in force until the improvements are completed. Once the Project is completed, the Operator shall provide property insurance coverage on the improvements as outlined in Article 17.2.3 of the Rental Car Lease Agreement. Prior to commencement of work on the improvements, evidence of property insurance shall be submitted to the Authority.

17.2.5 Workers Compensation and Employers Liability. Operator shall obtain and keep in force during the Lease Term Workers Compensation coverage in the amount required by California state law and Employer's Liability coverage in an amount not less than one million dollars (\$1,000,000) per occurrence. Coverage shall include a Waiver of Subrogation Endorsement in favor of the Authority.

17.2.6 Fuel Facility Manager Insurance. Operator shall obtain or cause its Fuel Facility Manager to obtain and keep in force during the Lease Term the following:

17.2.6.1 Pollution Legal Liability (Applicable to Fuel Operations). Pollution Legal Liability insurance including coverage for Operators fueling operations and covering gradual, sudden and accidental pollution including first and third party clean-up in an amount not less than \$10,000,000 each occurrence and \$10,000,000 annual aggregate.

17.2.6.2 Underground Storage Tank Pollution Liability (Applicable to Fuel Operations). Operator is required to comply with Subpart H of 40 Code of Federal Regulations or Title 23, Division 3, Chapter 18 of California Code of Regulations (collectively, "applicable UST law"). At the time Operator is required to comply with any provisions of applicable UST law requiring financial assurance mechanisms, Operator shall provide the Authority with a certified copy of its Certification of Financial Responsibility. If Operators' program for financial responsibility includes insurance, then the minimum limit of liability shall be \$1,000,000 and the policy(ies) shall name the Authority, its officers, officials and employees as an additional insured, and, all other terms of Article 17.3 below; shall apply. Any time Operator changes its financial assurance mechanisms, Operator shall provide the Authority with a certified copy of its revised Certification of Financial Responsibility.

17.3 General Requirements.

17.3.1 All Liability policies shall be endorsed to include the Authority, its Board and all its officers, employees, and agents, their successors and assigns, as an additional insured with respect to Operator's acts or omissions, its operations, use, and occupancy of the Premises, or other related functions performed by or on behalf of the Operator in, on or about the Premises.

17.3.2 All such insurance shall be primary and noncontributing with any other insurance held by the Authority where liability arises out of or results from the acts or omissions of Operator, its agents, employees, officers, assigns, or any person or entity acting for or on behalf of Operator

17.3.3 The Authority shall have no liability for any deductibles, self-insured retentions or premiums charged for such coverage(s). The inclusion of the Authority, Board and all its officers,

employees, and agents, their successors and assigns, as an Additional Insured is not intended to, and shall not, make them, or any of them, a partner or joint venturer with Operator in its operations at the Airport or connected with the Rental Car Lease Agreement.

17.3.4 Such policies may provide for reasonable deductibles and/or self-insured retentions. All deductibles and self-insured retentions must be declared and acceptable to the President/CEO based upon the nature of Operator's operations and the type of insurance involved. The Authority agrees that it will consider any request by Operator to self-insure and/or maintain deductibles or retentions which are in excess of insurance required by Article 17.2 of the Rental Car Lease Agreement. In the event that the Authority approves Operator's deductible or self-insurance and an event or claim occurs for which a defense and/or coverage would have been available from the insurance company, Operator shall specifically: (i) undertake the defense of any such claim, including a defense of the Authority, at Operator's sole cost and expense; and (ii) use its own funds to pay any claim or replace property or otherwise provide the funding which would have been available from insurance proceeds but for such election by Operator to self-insure.

17.3.5 At least ten (10) days prior to the expiration date of the all policies, documentation showing that the insurance coverage has been renewed or extended shall be filed with the Authority. If such coverage is canceled, Operator shall, within fifteen (15) days of such cancellation, file with the Authority evidence that the required insurance coverage has been reinstated without lapse, or provided through another insurance company or companies.

17.3.6 Operator shall provide proof of the requested insurance to the Authority in the following manner:

- i. Certificate(s) of Insurance evidencing all specified coverage shall be filed with the Authority prior to Operator performing under the Rental Car Lease Agreement or occupying the Premises. The Certificate(s) shall contain the applicable policy numbers, the inclusive dates of policy coverage, the insurance carrier's name, the insurance broker's name, address and telephone number, shall bear an original signature of an authorized representative of said carrier, and shall provide that such insurance shall not be subject to cancellation, or non-renewal except after written notice by certified mail, return receipt requested, to the Authority at least thirty (30) days prior to the effective date thereof. The Authority reserves the right to have submitted to it, upon request, all pertinent information about the broker and carrier providing such insurance.
- ii. Additional Insured Endorsement(s) shall be filed with the Authority prior to Operator performing under the Rental Car Lease Agreement or occupying the Premises.
- iii. Waiver of Subrogation Endorsement(s) shall be filed with the Authority prior to Operator performing under the Rental Car Lease Agreement or occupying the Premises.
- iv. If requested, copies of original insurance policies.
- v. If requested, when coverage is provided by foreign insurance syndicates, a broker's letter acceptable to the Authority in form and content.
- vi. If requested, other written evidence of coverage acceptable to the Authority.

17.3.7 The Authority and Operator agree that the insurance policy limits specified herein shall be reviewed for adequacy annually throughout the term of the Rental Car Lease Agreement

by the Authority who may, thereafter, require Operator, on thirty (30) days prior written notice, to adjust the insurance coverage to whatever reasonable requirement said Authority deems to be adequate.

17.3.8 All insurance policies required herein shall have a minimum A.M. Best Company financial rating of A-minus 7.

17.3.9 Submission of insurance from a non-California admitted carrier is subject to the provisions of Cal. Ins. Code § 1760 through § 1780, and any other regulations and/or directives from the State Department of Insurance or other regulatory board or agency. Operator agrees, except where exempted, to provide all insurance pursuant to this Article 17, including insurance by and through a surplus line broker licensed by the State of California to: certificates@san.org.

17.3.10 The procuring of such required policies of insurance shall not be construed to limit Operator's liability hereunder, nor to fulfill the indemnification provisions and requirements of the Rental Car Lease Agreement. Notwithstanding said policies of insurance, Operator shall be obligated for the full and total amount of any damage, injury, or loss caused by negligence or neglect connected with the Rental Car Lease Agreement or with the use or occupancy of the Premises.

17.4 Increase in Cost of Authority's Insurance. Operator shall not use the Premises in such a manner as to increase the existing rates of insurance applicable to the buildings or structures of which the Premises are a part. If it nevertheless does so, then, at the option of the Authority, the full amount of any resulting increase in premiums paid by the Authority with respect to the buildings or structures of which the Premises are a part, and to the extent allocable to the Lease Term, shall be paid by Operator to the Authority with the next rental installment due thereafter.

17.5 Abatement of Fire and Other Hazards. Operator agrees that it will cooperate in the abatement of fire and other hazards in the Premises by observing the following requirements, or such modified requirements as the Authority may institute from time to time.

17.5.1 Operators shall cooperate and allow the Authority's property insurance carriers to access all areas of the Premises upon request for the purposes of doing inspections for property loss control and prevention.

17.5.2 Operators shall comply with all insurance company loss prevention recommendations and policy loss control requirements for the protection of property on the Premises.

ARTICLE 18: ENVIRONMENTAL COMPLIANCES

18.1 Definitions.

"Environmental Laws" shall mean all applicable present and future federal, state, and local statutes, regulations, ordinances, permits, codes, orders, limitations, restrictions, or prohibitions of any governmental authority, including the Authority codes and orders, relative to the occupancy and use of the Premises, the Airport and Airfield Area regarding the environment, including, without limitation, wetlands, waters of the United States, areas inhabited by Endangered, Threatened, or Sensitive Species, historic sites, the protection of the environment, public health, welfare or safety, including, without limitation, those related to Pollutants (as such term is defined herein).

"Endangered, Threatened and Sensitive Species" shall mean any flora or fauna identified by the provisions of the California Endangered Species Act (Cal. Fish and Game Code § 2050, et seq.), the Federal Endangered Species Act (16 U.S.C. §§ 1531-1543), and the Federal Migratory Bird Treaty Act

(16 U.S.C. §§ 703-712), including the California least tern (*Sterna antillarum browni*), a seabird known to nest on the Airport.

“Hazardous Material” includes Solid Wastes/Process Waters and shall mean any substance whether solid, liquid, or gaseous in nature: (i) the presence of which requires investigation or remediation under any applicable federal, state or local statute, regulation, ordinance, order or common law; or (ii) which is or becomes defined as a hazardous waste, hazardous substance, pollutant or contaminant under any applicable federal, state, or local statute, regulation, rule or ordinance or amendments thereto including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act, the Resource Conservation and Recovery Act, the Clean Air Act, and the Clean Water Act, and state and federal regulations relating to stormwater discharges, including without limitation, 40 CFR Part 122; or (iii) the presence of which on the Airport causes or threatens to cause a nuisance upon the Airport or to adjacent properties or poses or threatens to pose a hazard to the health or safety of persons on or about the Airport; or (iv) without limitation, which contains gasoline, diesel fuel, other petroleum hydrocarbons, natural gas liquids, polychlorinated biphenyls (PCBs), asbestos, or lead-based paint.

“Process Water” shall mean water which contains Hazardous Material or Solid Waste from any point or non-point source subject to the Clean Water Act, amendments thereto, and regulations promulgated pursuant thereto, including without limitation, requirements of the National Pollution Discharge Elimination System Program (“NPDES”), and the State of California Porter-Cologne Water Quality Control Act.

“Pollutants” shall mean Hazardous Materials, Solid Wastes, and Process Waters (as such terms are defined herein).

“Release” shall mean any depositing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into the environment.

“Solid Waste” shall have the same meaning as in the Resource Conservation and Recovery Act and shall include sewage.

18.2 Duty to Comply with Environmental Laws. Operators and each Operator shall, relative to its occupancy and use of the Premises and the Airport, comply with all Environmental Laws.

18.3 Liability and Responsibility for Corrective Action. Operators and each Operator shall be liable and responsible for any Release of Pollutants arising out of the occupancy or use of the Premises and/or Airport, which is caused by the Operators and/or each Operator, employees, agents, representatives, or affiliates (hereinafter “Operator Release”). Liability and responsibility for such Operator Releases shall include, but not be limited to:

- i. all immediate actions reasonably necessary under applicable Environment Laws to promptly control any such Operator Release and to mitigate any immediate threat to public health, safety, and the environment resulting from such Operator Release;
- ii. any further repairs or corrective actions, conducted in a timely manner, reasonably necessary under applicable Environmental Laws to remediate the Operator Release and to protect public health, safety, and the environment, and to bring the affected areas on and/or outside the Premises, and/or Airport, into compliance with applicable Environmental Laws and other applicable regulatory requirements;
- iii. damages to persons, property and the Premises and/or Airport;
- iv. all claims resulting from those damages;
- v. fines imposed by any governmental agency, and

- vi. any other liability as provided by law.

Operators and each Operator shall defend, indemnify and hold harmless the Authority, its Board, officials, officers, agents, and employees from any and all such responsibilities, damages, claims, fines, liabilities, including without limitation any costs, expenses and attorneys' fees, resulting from an Operator Release except to the extent caused by the sole active negligence or willful misconduct of the Authority or by a third party with no relationship to the Operators and/or each Operator. The Authority shall have a direct right of action against the Operators and each Operator even if no third party has asserted a claim. Furthermore, the Authority shall have the right to assign said indemnity.

Operators and each Operator shall not be liable for existing contamination levels onsite, as identified in preconstruction baseline studies as performed by the Authority. Operators and each Operator shall be liable for any contribution of contaminants, regardless of the level, released on the Premises as a result of its operation.

18.4 Right to Inspect and Test. The Authority, or its designated representatives, may at any time during the term of the Rental Car Lease Agreement enter upon the Premises and make any inspections, assessments, investigations, audits, tests or measurements the Authority deems reasonably necessary, including boring into surfaces and/or the ground, in order to determine if a Release of Pollutants has occurred. The Authority shall give Operators and/or each Operator a minimum of seventy-two (72) hours' notice in writing prior to conducting any inspections or tests, unless, in the Authority's reasonable sole judgment, circumstances require otherwise, and such tests shall be conducted in a manner so as to minimize any inconvenience and disruption to Operators' and/or each Operator's operations. If such tests indicate an Operator Release has occurred, then the Authority, at the Authority's reasonable but sole discretion, may require the Operators and/or each Operator, at the Operators' and/or each Operator's sole expense, to have tests for such Pollutants conducted by a qualified party or parties on the Premises and/or Airport. If Pollutants that originated from an Operator Release have contaminated any area outside the Premises, including but not limited to surface, subsurface, surface water, and groundwater, then the Authority, at the Authority's reasonable but sole discretion, may require the Operators and/or each Operator, at the Operators and/or each Operator's sole expense, to have tests for such Pollutants conducted by a qualified party or parties on said area outside the Premises and/or Airport.

18.5 Duty to Furnish Information and Act. At the reasonable request of the Authority, the Operators and each Operator shall make available for inspection and copying any or all substantive documents and materials that the Operators and/or each Operator possesses associated with Operators' and/or each Operator's operations at or occupancy or use of the Premises and/or Airport by the Operators and/or each Operator, including without limitation any and all associated records, test results, studies and/or other documentation regarding environmental conditions relating to the use, storage, or treatment of any Hazardous Materials and/or Solid Wastes and/or Process Waters.

Immediately upon receipt by the Operators and/or each Operator (and in no event later than five (5) business days after receipt), the Operators and/or each Operator shall provide the Authority with copies of any notice or other document issued to the Operators and/or each Operator (or any employee, agent, contractor, sub-lessee, or any other third party under Operators' and/or each Operator's direction and/or control) by any governmental agency alleging non-compliance or investigating potential non-compliance with any Environmental Laws (i) arising out of the occupancy or use of the Premises and/or Airport, or (ii) at the Airport and alleged to have arisen in whole or in part from the Operators and/or each Operator operations, activities, actions or omissions of the Operators and/or each Operator or third parties under the Operators' and/or each Operator's direction and/or control.

At the request of the Authority (but in no event more than thirty (30) business days after such request), the Operators and each Operator shall provide the results of any tests conducted by the Operators and/or each Operator or Operators' and/or each Operator's qualified party at the Premises or the Airport, including but not be limited to, comprehensive soil, emission, material, Process Water, surface water or groundwater sampling and testing or other procedures to determine any actual or possible Release of Pollutants.

Operators and each Operator shall report such known or identified Releases to the Authority within seventy-two (72) hours and shall (i) if such Releases are determined to be an Operators Release, and (ii) if necessary to determine compliance with Environmental Laws, diligently proceed to identify the horizontal and vertical extent of the Release, how it will be controlled and/or mitigated and/or remediated as required by applicable Environmental Law(s), when and by whom it will be controlled and/or mitigated and/or remediated, and the cost of such corrective actions. By way of clarification, the above requirements shall not apply to the extent that a Release of Pollutants was caused by the sole negligence or willful misconduct of the Authority or by a third party with no relationship to Operators and/or each Operator.

If the Operators and/or each Operator provides privileged or confidential materials to the Authority, the Authority agrees to not disclose such materials unless required by law.

ARTICLE 19: ADDITIONAL ENVIRONMENTAL OBLIGATIONS

19.1 Fuel System and Underground Storage Tanks. Operators and each Operator agrees to enter into a maintenance, operating and management agreement with an operator (the "Fuel Facility Manager") for underground or aboveground storage tanks and appurtenant portions of the vehicle fuel system (the "Fuel System"), subject to the prior express written consent of the Authority. Operators and each Operator agree to assume full responsibility for the Fuel Facility Manager. The Fuel Facility Manager shall operate the Fuel System for the Operators and each Operator pursuant to said agreement. Operators and each Operator shall require The Fuel Facility Manager to operate and maintain Fuel System in a good, safe and sanitary operating condition and repair. Operators and each Operator shall require the Fuel Facility Manager to comply with all existing or established anytime during the Term of the Rental Car Lease Agreement, federal, state, and local statutes, regulations, ordinances, codes, orders, limitations, restrictions, or prohibitions of any governmental authority, relative to the presence or use of any underground or aboveground storage tanks on the Premises. Permits to operate underground and/or aboveground storage tanks shall be obtained by and in the name of the Fuel Facility Manager as allowed by law. The Fuel Facility Manager shall be in control of and have responsibility for the daily operation of the Fuel System. The Fuel Facility Manager shall be responsible for any tank monitoring or reporting of all storage tanks as required by the County of San Diego Department of Environmental Health ("County DEH") or any other duly authorized responsible agency. Operators and each Operator shall require the Fuel Facility Manager to maintain immediate 24-hour access to adequate spill prevention and response equipment and resources to control a worst-case type of spill from the facility. The Fuel Facility Manager shall further agree to take responsibility for reporting unauthorized Releases to County DEH and other government agencies, as required, and to the Authority within twenty-four (24) hours of unauthorized Release. Operators and each Operator shall require the Fuel Facility Manager to be responsible for filing with County DEH and/or other responsible agency and/or maintaining and/or updating a Hazardous Materials Business Plan and/or Facility Response Plan and/or Spill Prevention Control & Countermeasures Plan and/or Storm Water Pollution Prevention Plan and/or any other plan related to the presence and/or use of the Fuel System required by law or regulation. Operators and each Operator shall require the Fuel Facility Manager to be responsible for training facility employees and conducting monthly visual inspections of the Fuel System. Operators and each Operator may require the Fuel

Facility Manager to be responsible for paying underground and/or aboveground storage tank fees, permit fees, and other regulatory agency fees relating to underground and/or aboveground storage tanks.

The Fuel Facility Manager shall possess and maintain current certificates, permits, and/or licenses of any type required by law relative to the operation of the Fuel System, including but not limited to the certificate issued by the International Code Council (ICC) indicating he or she has passed the California Underground Storage Tank System Operator exam.

The Fuel Facility Manager shall agree to keep complete and accurate records on the premises for the period required by any law or regulation, but not less than thirty-six (36) months from the applicable events, including, but not limited to permit applications, monitoring, testing, training of underground and/or aboveground storage tank facility employees, equipment installation, repairing and closure of the storage tanks, and any unauthorized releases of hazardous materials and make such records available for the Authority or responsible agency inspection.

The Fuel Facility Manager will provide the Authority and Operators and each Operator with a copy of any permits required by law or regulation to operate underground and/or aboveground storage tanks on the Premises.

Operators and each Operator further agrees to include a copy of Cal. Health and Safety Code, Chapter 6.67 and Chapter 6.7, including § 25299, as part of agreement between Operators and/or each Operator and the Fuel Facility Manager.

In the event there is any conflict between the terms, covenants and conditions of said agreement with the Fuel Facility Manager and with those of the Rental Car Lease Agreement, the terms, covenants, and conditions of the Rental Car Lease Agreement shall prevail irrespective of the fact that the Authority may have consented to said agreement.

The Authority shall retain the right at any time to enter and review the operation of the Fuel System, including records. If in the sole opinion of the Authority, the Fuel System is not operated in a prudent manner and kept in good condition and repair in accordance with applicable laws and regulations or is operated in a manner which is deemed to be hazardous or harmful to Airport personnel, public or the premises, the Authority may require Operators and/or each Operator to correct operations including but not limited to replacement of the Fuel Facility Manager within thirty (30) days of written notice.

19.2 Sustainability. Operators and each Operator and the Authority jointly agree that that protection of the environment is an important mutual goal and objective. The Parties agree that the Rental Car Lease Agreement should address the issues of global warming, greenhouse gas (“GHG”) emissions, pollution, traffic congestion, recycling.

Attached to the Rental Car Lease Agreement is a copy of the “Memorandum of Understanding Between the Attorney General of the State of California and the San Diego County Regional Airport Authority Regarding the San Diego International Airport Master Plan” of 2008 (hereinafter “MOU”) which contains provisions for operating the Airport in a manner which reduces GHG emissions. To the extent the Authority plans to implement programs pursuant to the MOU, the Authority agrees it will work closely with the Operators and each Operator in the development of any such programs, including taking into account technical, operational, and financial factors. Operators and each Operator agrees to cooperate to the extent reasonably possible with the Authority in the development of such programs applicable to Operators’ and/or each Operator’s operations. Both Parties will seek out available federal and state funding to defray costs of such programs. Nothing in the Rental Car Lease Agreement shall

prevent Operators and/or each Operator from contesting the validity or legality of any rule, regulation, or law implementing any subject matter covered by the MOU.

19.3 Term of Environmental Provisions. The provisions of this Article, including the representations, warranties, covenants and indemnities of Operators and/or each Operator, shall expressly survive termination of the Rental Car Lease Agreement and Operators' and/or each Operator's obligations and liabilities under this Article shall continue so long as the Authority bears any liability or responsibility under the Environmental Laws arising from Operators' and/or each Operator's occupancy or use of the Premises and/or Airport during the term of the Rental Car Lease Agreement.

ARTICLE 20: DAMAGE OR DESTRUCTION

20.1 Minor Damage. Should the Premises or the larger Rental Car Center of which the Premises are a part be damaged by fire or other casualty, and if the damage is repairable within four (4) weeks from the date of the occurrence (with repair work and the preparations therefore to be done during regular working hours on regular work days), the Premises (other than furniture, fixtures and equipment owned by Operator pursuant to Article 13.4 of the Rental Car Lease Agreement) shall be repaired with due diligence by the Authority, and in the meantime, the Land Rent, Facility Rent and Minimum Monthly Guarantee shall be abated in the same proportion that the untenable portion of the Premise bears to the whole thereof, for the period from the occurrence of the damage to the completion of the repairs. In addition, the Authority shall be responsible for a reasonable share of the Utilities Costs otherwise payable for the Common Use Area to account for the amounts consumed in the completion of the repairs.

20.2 Major Damage or Destruction. Should the Premises or the larger Rental Car Center of which said Premises are a part be completely destroyed by fire or other casualty, or should they be damaged to such an extent that the damage cannot be repaired within four (4) weeks of the occurrence, the Authority shall have the option to terminate the Rental Car Lease Agreement on thirty (30) days' notice, effective as of any date not more than sixty (60) days after the occurrence. In the event that this Article 20.2 shall become applicable, the Authority shall advise Operator within thirty (30) days after the occurrence of any such damage whether the Authority has elected to continue the Rental Car Lease Agreement in effect or to terminate it. If the Authority shall elect to continue the Rental Car Lease Agreement in effect, it shall commence and prosecute with due diligence any work necessary to restore or repair the Premises (other than furniture, fixtures and equipment owned by Operator pursuant to Article 13.4 of the Rental Car Lease Agreement). If the Authority fails to notify Operator of its election within said thirty (30) day period, the Authority shall be deemed to have elected to continue the Rental Car Lease Agreement. For the period from the occurrence of any damage to the Premises to the date of completion of the repairs to the Premises (or to the date of termination of the Rental Car Lease Agreement if the Authority elects not to restore the Premises), the Land Rent, Facility Rent, and Minimum Monthly Guarantee shall be abated in the same proportion that the untenable portion of the Premise bears to the whole thereof. In addition, the Authority shall be responsible for a reasonable share of the Utilities Costs otherwise payable for the Common Use Area to account for the amounts consumed in the completion of the repairs.

20.3 Operator's Improvements. Operator shall, at its sole cost and expense, be responsible, without regard to the cause of loss, for any and all repair or restoration of any Initial Tenant Improvements, subsequent Alterations, or furniture, fixtures and equipment owned by Operator, which repair or restoration may be necessary as a result of any casualty. If any casualty event causes damage or loss to Operator's Improvements, but has not otherwise affected the Premises or triggered Article 20.1 or 20.2 of the Rental Car Lease Agreement; and such damage or loss cannot be repaired within (4) weeks, and the loss results in a stoppage or shutdown of fifty percent (50%) or more of the Operator's use of the Premises, the Operator shall give written notice to the Authority within four (4) weeks of the day of the

casualty of its plan to remove debris and begin restoration and repairs to the Operator's Improvements on the Premises. If after three (3) months from the day of the casualty the Operator has not begun repair or restoration efforts, or removed debris, the Authority has the option to terminate the Rental Car Lease Agreement with thirty (30) days' notice given to Operator. If after six (6) months, Operator's repairs or restoration efforts have not restored at least fifty percent (50%) of the damage to Operator's Improvements to their original condition, the Authority has the option to terminate the Rental Car Lease Agreement with thirty (30) days' notice to the Operator. In the event a casualty event causes loss or damage to Operator's Initial Tenant Improvements or subsequent Alterations that forces Operator's operations to be shut down and this same event does not impact the Premises, the Common Use Area, the Rental Car Center, or the Rental Car Center Site, the Operator shall continue to be responsible for Land Rent, Facility Rent, and the Minimum Monthly Guarantee that is owed to the Authority.

20.4 Contingent Business Interruption. Should Operator's access to or use of the Premises or the larger Rental Car Center of which the Premises are a part be materially impaired for a period exceeding seven (7) days under circumstances not otherwise triggering Article 20.1 nor 20.2 of the Rental Car Lease Agreement, the Authority agrees that in that event the Land Rent, Facility Rent and Minimum Monthly Guarantee shall be abated in the same proportion that Operator's access to or use of the Premises is impaired, for the period from the occurrence of the damage to the substantial restoration of access and use.

ARTICLE 21: SURRENDER AND HOLDING OVER

21.1 Surrender. Upon expiration or earlier termination of the Rental Car Lease Agreement, Operator shall promptly quit and surrender the Premises in good condition and repair, normal wear and tear excepted, and deliver to the Authority all keys that it may have to any part of the Premises or Airport. Operator shall, at its sole cost and expense, further remove the following from the Premises:

21.1.1 All of Operator's equipment and trade fixtures;

21.1.2 All of Operator's signs, including but not limited to company identifiers, operational signs, illuminated directional signs, rental/return signs and stall numbers, and backwall displays;

21.1.3 All control booths, kiosks and security devices for the benefit of Operator, whether installed by Operator, other Operators or the predecessor-in-interest of either;

21.1.4 Operator's computer and other electrical equipment;

21.1.5 Operator's telephone/data communication lines and associated equipment;

21.1.6 Any Operator Vehicle Maintenance Equipment; together with all structure, enclosure and piping associated with such systems;

21.1.7 All utilities (including, but not limited to, HVAC, electricity, water sewer, conduit and lines) installed by Operator or Operator's predecessors in interest, back to point of connection to the Authority's utility systems; and

21.1.8 Any improvements, whether installed at the commencement of the Lease Term or subsequently for which the Authority's consent was conditioned on Operator's removal of such improvements at the expiration or earlier termination of the Rental Car Lease Agreement.

Unless otherwise specifically agreed by the Authority in writing, Operator shall diligently complete such removal at or before the termination (including by expiration) of the Rental Car Lease Agreement.

21.2 Holding Over. If the Premises are not surrendered as provided in this Article, Operator shall indemnify and hold the Authority harmless against loss or liability resulting from the delay by Operator in so surrendering the Premises, including, without limitation, any claims made by any succeeding occupant founded on such delay. Any holding over with the consent of the Authority after expiration or earlier termination of the Rental Car Lease Agreement shall be construed to be a tenancy from month-to-month upon the same terms and conditions provided in the Rental Car Lease Agreement. Any holding over without the consent of the Authority after expiration or earlier termination of the Rental Car Lease Agreement shall be construed to be tenancy at sufferance upon the same terms and conditions provided in the Rental Car Lease Agreement, except that Minimum Monthly Guarantee and Percentage Fees shall each be one hundred twenty five percent (125%) of that which they were immediately prior to expiration or earlier termination of the Rental Car Lease Agreement.

21.3 Survival. Operator's obligations under this Article shall survive the expiration or earlier termination of the Rental Car Lease Agreement. No modification, termination or surrender to the Authority of the Rental Car Lease Agreement or surrender of the Premises or any part thereof, or of any interest therein by Operator, shall be valid or effective unless agreed to and accepted in writing by the Authority, and no act by any representative or agent of the Authority, other than such written agreement and acceptance, shall constitute an acceptance thereof.

ARTICLE 22: IMPAIRMENT OF TITLE

22.1 Liens. Operator will not directly or indirectly create or permit to be created and/or to remain a Lien upon the Premises or any Alteration, the ownership of which is retained by the Authority. In the event any such Lien(s) have been created by or permitted by Operator in violation of this provision, Operator shall immediately discharge as of record, by bond or as otherwise allowed by law, any such Lien(s). Operator shall also defend (with counsel approved by the Authority), fully indemnify, and hold entirely free and harmless the Authority from any action, suit or proceeding, which may be brought on or for the enforcement of such lien(s). Nothing in this Article 22.1 shall, however, be interpreted as a limitation on Operator's ability to lease and/or finance its vehicle fleet and pledge, encumber or otherwise hypothecate title to its vehicles for such purpose; and the Authority expressly hereby subordinates, in a favor of any such vehicle lessor or lender, any interest it may have in such vehicles, whether arising under the Rental Car Lease Agreement or as a matter of law.

ARTICLE 23: DEFAULT

23.1 Events of Default. The occurrence of any of the following events shall constitute an "Event of Default" on the part of the Operator with or without notice from the Authority:

23.1.1 The vacating or abandonment of the Premises by Operator.

23.1.2 The failure by Operator to collect and remit the CFC as required by the Rental Car Lease Agreement when due.

23.1.3 The failure by Operator to make any payment of rent, fees or any other payment required by the Rental Car Lease Agreement or the Rental Car Concession Agreement, when due.

23.1.4 The failure by Operator to make any payment to the Facility Manager or Fuel Facility Manager required by the Rental Car Lease Agreement or the agreement between the Operators and the Facility Manager or Fuel Facility Manager (as the case may be) when due.

23.1.5 The failure by Operator to observe or perform any covenant, condition, or agreement to be observed or performed by Operator in the Rental Car Lease Agreement or the Rental Car Concession Agreement.

23.1.6 The failure by Operator to observe or perform any covenant, condition, or agreement to be observed or performed by Operator in the agreement between the Operators and the Facility Manager or Fuel Facility Manager (as the case may be).

23.1.7 The discovery by the Authority that any financial or background statement provided to the Authority by Operator, any successor, grantee, or assignee was materially false.

23.1.8 The filing by Operator of a petition in bankruptcy, Operator being adjudged bankrupt or insolvent by any court, a receiver of the property of Operator being appointed in any proceeding brought by or against Operator, Operator making an assignment for the benefit of creditors, or any proceeding being commenced to foreclose any mortgage or other lien on Operator's interest in the Premises or on any personal property kept or maintained on the Premises by Operator.

23.2 Remedies. In addition to, and not in lieu or to the exclusion of, any other remedies provided in the Rental Car Lease Agreement or to any other remedies available to the Authority at law or in equity, and subject to the Authority's obligation to mitigate as set forth in Article 23.2.3:

23.2.1 Whenever any default (other than a default under Article 23.1.8 above, upon which termination of the Rental Car Lease Agreement shall, at the Authority's option, be effective immediately without further notice) continues unremedied in whole or in part for 30 days after Notice of Default is provided by the Authority to Operator (or for 15 days after Notice of Default in the case of default for failure to pay any rent, fees or other required payment under Articles 23.1.3 or 23.1.4 when due), the Rental Car Lease Agreement and all of Operator's rights under it will automatically terminate if the Notice of Default so provides. Upon termination, the Authority may reenter the Premises using such force as may be necessary and remove all persons and property from the Premises. The Authority will be entitled to recover from Operator all unpaid Land Rent and any Facility Rent, unremitted CFCs, unpaid Reimbursable O&M Costs and other sum or charge otherwise payable by Operator, or any other payments and damages incurred because of Operator's default including, but not limited to, the reasonable and necessary costs of re-letting, including any tenant improvements reasonably required, renovations or repairs reasonably required, any advertising reasonably required, any leasing commissions reasonably required, and attorney's fees and costs reasonably required ("Termination Damages"), together with interest on all Termination Damages at the Default Rate, from the date such Termination Damages are incurred by the Authority until paid.

23.2.2 In addition to Termination Damages, and notwithstanding termination and reentry, Operator's liability for all Space Rent, Concession Fees, other sum or charge otherwise payable by Operator, or other charges which, but for termination of the Rental Car Lease Agreement, would have become due over the remainder of the Lease Term ("Future Charges") will not be extinguished and Operator agrees that the Authority will be entitled, upon termination for default, to collect as additional damages, a Rental Deficiency. "Rental Deficiency" means, at the Authority's election, either:

(a) An amount equal to Future Charges, less the amount of actual rent and fees, if any, which the Authority receives during the remainder of the Lease Term from others to whom the

Premises may be rented, in which case such Rental Deficiency will be computed and payable at the Authority's option either:

- (i) In an accelerated lump-sum payment discounted to present worth, or
- (ii) In monthly installments, in advance, on the first day of each calendar month following termination of the Rental Car Lease Agreement and continuing until the date on which the Lease Term would have expired but for such termination, and any suit or action brought to collect any portion of Rental Deficiency attributable to any particular month or months, shall not in any manner prejudice the Authority's right to collect any Portion of Rental Deficiency by a similar proceeding; or

(b) An amount equal to Future Charges less the aggregate fair rental value of the Premises over the remaining Lease Term, reduced to present worth. In this case, the Rental Deficiency must be paid to the Authority in one lump sum, on demand, and will bear interest at the Default Rate until paid. For purposes of this subsection, "present worth" is computed by applying a discount rate equal to one percentage point above the discount rate then in effect at the Federal Reserve Bank in, or closest to, San Diego, California.

23.2.3 If the Rental Car Lease Agreement is terminated for default as provided in the Rental Car Lease Agreement, the Authority shall use reasonable efforts to re-let the Premises in whole or in part, alone or together with other premises, for such term or terms (which may be greater or less than the period which otherwise would have constituted the balance of the Lease Term), for such use or uses and, otherwise on such terms and conditions as the Authority, subject to the terms of the Rental Car Lease Agreement but otherwise in its sole discretion, may determine, but the Authority will not be liable for, nor will Operator's obligations under the Rental Car Lease Agreement be diminished by reason for any failure by the Authority to re-let the Premises or any failures by the Authority to collect any rent due upon such re-letting. Notwithstanding the foregoing, The Authority and each of the Operators (including Operator) agree that in the event that the Rental Car Lease Agreement is terminated for default, the Authority must – prior to leasing the Premises subject to the Rental Car Lease Agreement to anyone other than a rental car company – first make reasonable efforts to relet the premises to one or more rental car companies. Allocation of the Premises shall generally comply with Article 11.4 of the Rental Car Lease Agreement. In the event that the Authority is unable to relet the Premise to one or more rental car companies, the Authority may then lease the Premises to any other person or entity; provided, however, the Premises may not be used for purposes of providing shuttle, limousine or other ground Transportation service in competition with the rental car industry.

23.2.4 If upon any reentry permitted under the Rental Car Lease Agreement, there remains any personal property upon the Premises, the Authority, in its sole discretion, may remove and store the personal property for the account and at the expense of Operator. In the event the Authority chooses to remove and store such property, it shall take reasonable steps to notify Operator of the Authority's action. All risks associated with removal and storage shall be on Operator. Operator shall reimburse the Authority for all expenses incurred in connection with removal and storage as a condition to regaining possession of the personal property. The Authority has the right to sell any property, which has been stored for a period of 30 days or more, unless Operator has tendered reimbursement to the Authority for all expenses incurred in removal and storage. The proceeds of sale will be applied first to the costs of sale (including reasonable attorneys' fees), second to the payment of storage charges, and third to the payment of any other amounts which may then be due and owing from Operator to the Authority. The balance of sale proceeds, if any, will then be paid to Operator.

23.3 Remedies Cumulative. All rights, options and remedies of the Authority contained in the Rental Car Lease Agreement shall be construed and held to be distinct, separate and cumulative, and no one of them shall be exclusive of the other, and the Authority shall have the right to pursue any one or all of such remedies or any other remedy or relief which may be provided by law or in equity, whether or not stated in the Rental Car Lease Agreement.

ARTICLE 24: TERMINATION; EASEMENTS

24.1 Termination. The Rental Car Lease Agreement may be terminated by the Authority or Operator in advance of its scheduled expiration date on any of the following events:

24.1.1 By Authority.

24.1.1.1 Default. Subject to any right to cure set forth in the Rental Car Lease Agreement, in the event of Operator's default under the Rental Car Lease Agreement pursuant to Article 23.1 of the Rental Car Lease Agreement.

24.1.1.2 Major Capital Improvement. In the event the Authority, in its sole discretion, requires the Premises for a major capital improvement of the Airport, or for safety and security reasons, the Authority may terminate the Rental Car Lease Agreement by delivering to Operator notice of termination not less than one (1) year before the termination date specified in the termination notice.

24.1.1.3 Taking. In the event that any federal, state or local government or agency or instrumentality thereof (including the Authority) shall, by condemnation or otherwise, take title, possession or the right to possession of the Premises or any part thereof, the Authority may, at its option, terminate the Rental Car Lease Agreement as of the date of such taking, and if Operator is not in default under any of the provisions of the Rental Car Lease Agreement on said date, any rent or concession fees prepaid by Operator shall, to the extent allocable to any period subsequent to the effective date of the termination, be promptly refunded to Operator.

24.1.1.4 Court Decree. In the event that any court having jurisdiction in the matter shall render a decision which has become final and which will prevent the performance by the Authority of any of its material obligations under the Rental Car Lease Agreement, then either party hereto may terminate the Rental Car Lease Agreement by written notice, and all rights and obligations hereunder (with the exception of any undischarged rights and obligations that accrued prior to the effective date of termination) shall thereupon terminate. If Operator is not in default under any of the provisions of the Rental Car Lease Agreement on the effective date of such termination, any rent or concession fees prepaid by Operator shall, to the extent allocable to any period subsequent to the effective date of the termination, be promptly refunded to Operator.

24.1.2 By Operator. The Operator, at its option, may declare the Rental Car Lease Agreement terminated in its entirety, with no penalty to or further liability of Operator, upon the happening of any one or more of the following events:

24.1.2.1 A court of competent jurisdiction issues an injunction or restraining order against the Authority preventing or restraining, in its entirety or substantial entirety, the use of the Airport for Airport purposes.

24.1.2.2 The Authority abandons the Airport for a period of at least thirty (30) consecutive days and fails to operate and maintain the Airport in such manner as to permit landings and takeoffs of airplanes by scheduled air carriers.

24.1.2.3 The Airport or a material portion of the Airport or Airport facilities is destroyed, resulting in material interference with Operator's normal business operations or substantial diminution of Operator's Gross Revenues at the Airport for a period in excess of sixty (60) consecutive days.

24.1.2.4 An agency or instrumentality of the United States government or any state or local government occupies the Airport or a substantial part thereof for any reason, resulting in material interference with Operator's normal business operations or substantial diminution of Operator's Gross Revenues at the Airport for a period in excess of sixty (60) consecutive days.

24.1.2.5 The Operator submits, in consideration of Operator's then- existing financial circumstances, a good faith bid for a Rental Car Concession Agreement to operate a Rental Car Concession at the Airport for the initial and each subsequent Concession Term but any such bid is not accepted by the Authority and the Operator is not granted or loses its right to operate a Rental Car Concession at the Airport.

24.2 Easements.

24.2.1 The Parties recognize that the Authority facilities are continuously being modified to improve the utilities, services and premises used and provided by the Authority. The Authority, or its agents, shall have the right to enter the Premises of Operator, and to cross over, construct, move, reconstruct, rearrange, alter, maintain, repair and operate the sewer, water, and drainage lines, and the electrical service, fiber and communication service and all other services and facilities, all as required by the Authority for its own use or benefit. The Authority and its authorized utility service provider are hereby granted a continuous easement or easements that the Authority believes is necessary within the Premises, without any additional cost to the Authority for the purposes expressed hereinabove. *Provided, however,* that the Authority by virtue of such use, does not substantially deprive Operator from its beneficial use or occupancy of the Premises for an unreasonable period of time, not to exceed ten (10) working days, without consent of Operator.

24.2.2 In the event that the Authority permanently deprives Operator from such beneficial use or occupancy, then an equitable reimbursement of pre-paid rent or an adjustment in rent for any extension, or in the cost required to modify its Premises to allow the Operator to operate its business, will be negotiated and paid by the Authority to Operator. In the event that such entry by the Authority is temporary in nature, then the Authority shall reimburse Operator for the cost required to modify its Premises for the temporary period that Operator is inconvenienced by such entry. The Authority will not be responsible to Operator for any reduced efficiency or loss of business occasioned by such entry.

ARTICLE 25: NO WAIVER; LANDLORD'S RIGHT TO PERFORM

25.1 Receipt of Monies Following Termination. No receipt of monies by the Authority from Operator after the termination or cancellation of the Rental Car Lease Agreement in any lawful manner shall (a) reinstate, continue or extend the Lease Term; (b) affect any notice theretofore given to Operator; (c) operate as a waiver of the rights of the Authority to enforce the payment of any Space Rent, Concession Fees or other sum or charge otherwise payable by Operator then due or thereafter falling due; or (d) operate as a waiver of the right of the Authority to recover possession of the Premises by proper suit, action, proceeding or remedy; it being agreed that after the service of notice to terminate or cancel the Rental Car Lease Agreement, or after the commencement of suit, action or summary proceedings, or any other remedy, or after a final order or judgment for the possession of the Premises, the Authority may demand, receive and collect any monies due, or thereafter falling due, without in any manner affecting

such notice, proceeding, suit, action, order or judgment; and any and all such monies collected shall be deemed to be payments on account of the use and occupation and/or Operator's liability hereunder.

25.2 No Waiver of Breach. The failure of the Authority to insist in any one or more instances, upon a strict performance of any of the covenants of the Rental Car Lease Agreement, or to exercise any option herein contained, shall not be construed as a waiver of or relinquishment for the future of the performance of such covenant, or the right to exercise such option, but the same shall continue and remain in full force and effect. The receipt by the Authority of any sum (including Land Rent and any Facility Rent, CFCs, Supplemental Consideration and Reimbursable M&O Costs) or charge otherwise payable by Operator, with knowledge of the breach of any covenant hereof, shall not be deemed a waiver of such breach, and no waiver by the Authority of any provision hereof shall be deemed to have been made unless expressed in writing and signed by the Authority. The consent or approval of the Authority to or of any act by Operator requiring the Authority's consent or approval shall not be deemed to waive or render unnecessary the Authority's consent or approval to or of any subsequent similar acts by Operator.

25.3 No Waiver of Rent. The receipt by the Authority of any installment of the Land Rent and any Facility Rent, Reimbursable O&M Costs, Concession Fees or other sum or charge otherwise payable by Operator shall not be a waiver of any Land Rent and any Facility Rent, Reimbursable O&M Costs, Concession Fees or other sum or charge otherwise payable by Operator then due.

25.4 Application of Payments. The Authority shall have the right to apply any payments made by Operator to the satisfaction of any debt or obligation of Operator to the Authority, in the Authority's sole discretion and regardless of the instructions of Operator as to application of any such sum, whether such instructions be endorsed upon Operator's check or otherwise, unless otherwise agreed upon by both Parties in writing. The acceptance by the Authority of a check or checks drawn by others than Operator shall in no way affect Operator's liability hereunder nor shall it be deemed an approval of any assignment of the Rental Car Lease Agreement or subletting by Operator.

25.5 Authority's Right to Perform. Upon Operator's failure to perform any obligation or make any payment required of Operator hereunder, the Authority shall have the right (but not the obligation) to perform such obligation of Operator on behalf of Operator and/or to make payment on behalf of Operator to such parties. Operator shall reimburse the Authority the reasonable cost of the Authority's performing such obligation on Operator's behalf, including reimbursement of any amounts that may be expended by the Authority, plus interest at the Default Rate.

ARTICLE 26: ASSIGNMENT OR SUBLEASE

26.1 Prohibition. Subject to Article 26.2 of the Rental Car Lease Agreement, Operator shall not assign or transfer the Rental Car Lease Agreement or any interest therein nor sublet the whole or any portion of the Premises, nor shall the Rental Car Lease Agreement or any interest there under be assignable or transferable by operation of law or by any process or proceeding of any court, or otherwise without the advance written consent of the Authority. If Operator is anything other than an individual, Operator further agrees that if at any time during the Lease Term more than one-half (1/2) of the outstanding voting equity interests shall belong to any persons other than those who own more than one-half (1/2) of those outstanding voting equity interests at the time of the execution of the Rental Car Lease Agreement or to members of their immediate families, such change in the ownership of Operator shall be deemed an assignment of the Rental Car Lease Agreement within the meaning of this Article 26.1; provided, however, that this sentence shall not apply if, and to the extent that Operator is a corporation, the outstanding voting stock of which is listed on a recognized security exchange. Operator's entering into any operating agreement, license or other agreement where under a third party is given rights or

privileges to utilize a portion of the Premises shall be an attempted assignment or subletting within the meaning of this Article.

26.1.1 If Operator shall, at any time during the Lease Term, desire to sell, assign or otherwise permanently transfer the Rental Car Lease Agreement in whole or in part, or any right or leasehold interest granted to it by the Rental Car Lease Agreement, Operator shall, at the time the Operator requests the consent of the Authority, deliver to the Authority such information in writing as the Authority may reasonably require respecting the proposed assignee or subtenant including, without limitation, the name, address, nature of business, ownership, financial responsibility and standing of such proposed assignee or subtenant together with the proposed form of assignment or sublease. Within ninety (90) days from receipt of the information specified above, the Authority shall notify Operator of its election to: (a) consent to the assignment or (b) disapprove the assignment, setting forth the grounds for doing so.

26.1.2 As a condition for the Authority's consent to any transfer, the Authority may require that the assignee or subtenant remit directly to the Authority on a monthly basis, all monies due to Operator by said assignee or subtenant. In addition, a condition to the Authority's consent to any assignment or sublease of the Rental Car Lease Agreement or the Premises shall be the delivery to the Authority of a true copy of the fully executed instrument of assignment or sublease and an agreement executed by the assignee or subtenant in form and substance satisfactory to the Authority and expressly enforceable by the Authority, whereby the assignee or subtenant assumes and agrees to be bound by the terms and provisions of the Rental Car Lease Agreement and perform all the obligations of Operator hereunder.

26.1.3 In the event of any assignment, Operator and each respective assignor, waive notice of default by the Operator in possession in the payment of rent or fees and in the performance of the covenants and conditions of the Rental Car Lease Agreement and consents that the Authority may in each and every instance deal with the Operator in possession, grant extensions of time, waive performance of any of the terms, covenants and conditions of the Rental Car Lease Agreement and modify the same, and in general deal with the Operator then in possession without notice to or consent of any assignor, including Operator; and any and all extensions of time, indulgences, dealings, modifications or waivers shall be deemed to be made with the consent of Operator and of each respective assignor.

26.1.4 Operator agrees that any sublease will contain a provision in substance that if there be any termination whatsoever of the Rental Car Lease Agreement, then the subtenant, at the request of the Authority, will attorn to the Authority and the subtenancy, if the Authority so requests, shall continue in effect with the Authority, but the Authority shall be bound to the subtenant in such circumstances only by privity of estate. Nothing herein shall be deemed to require the Authority to accept such attornment.

26.1.5 No assignment, subletting or license by Operator shall relieve Operator of any obligation under the Rental Car Lease Agreement, including Operator's obligation to pay any sums due hereunder. Any purported assignment or subletting contrary to the provisions hereof without consent shall be void. The consent by the Authority to any assignment or subletting shall not constitute a waiver of the necessity for such consent to any subsequent assignment or subletting.

26.1.6 Operator shall reimburse the Authority any reasonable professionals' fees and expenses incurred by the Authority in connection with any request by Operator for consent to an assignment or sublease.

26.2 Assignment to Successor or Affiliate. Notwithstanding anything to the contrary in Article 26.1, the Authority agrees that it will not unreasonably condition or withhold its consent to an assignment and transfer of the Rental Car Lease Agreement and all rights, title, and interest hereunder by Operator to: (i) any corporation or other legal entity which at the time of such assignment is a parent of, subsidiary of or under common ownership and control with the Operator, (ii) to any corporation or other legal entity with which the Operator may merge or into which it may consolidate, or (iii) to any person, firm or corporation which may acquire all or substantially all of Operator's rental car business or assets; provided in each instance the surviving, resulting or transferee corporation expressly assumes in writing all the obligations of Operator contained in the Rental Car Lease Agreement and the surviving, resulting or transferee corporation or other legal entity, as the case may be, has a consolidated net worth (after giving effect to such consolidation, merger or transfer) at least equal to that of the Operator on: (x) the date on which Operator last submitted a bid for a Rental Car Concession Agreement, or (y) immediately prior to such consolidation, merger or transfer, whichever is greater. The term "Net Worth" as used in this Article means the difference obtained by subtracting total liabilities from total assets of the Operator and all of its subsidiaries in accordance with generally accepted accounting principles.

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APPENDIX D

PROPOSED FORM OF BOND COUNSEL'S OPINION

[Closing Date]

San Diego County Regional Airport Authority
San Diego, California

\$29,390,000
San Diego County Regional Airport Authority
Senior Special Facilities Revenue Bonds
(Consolidated Rental Car Facility Project)
Series 2014A
(Tax-Exempt - Non-AMT)

\$275,895,000
San Diego County Regional Airport Authority
Senior Special Facilities Revenue Bonds
(Consolidated Rental Car Facility Project)
Series 2014B
(Federally Taxable)

Ladies and Gentlemen:

We have acted as Bond Counsel to the San Diego County Regional Airport Authority (the "Authority") in connection with the issuance and sale by the Authority of (i) \$29,390,000 aggregate principal amount of its San Diego County Regional Airport Authority Senior Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project) Series 2014A (the "Series 2014A Bonds"), and (ii) \$275,895,000 aggregate principal amount of its San Diego County Regional Airport Authority Senior Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project) Series 2014B (the "Series 2014B Bonds," and together with the Series 2014 Bonds, the "Series 2014 Bonds"). The Series 2014 Bonds are being issued to (a) finance the costs of the development and construction of a consolidated rental car facility to be located at San Diego International Airport and certain related improvements and equipment, (b) fund a portion of the interest accruing on the Series 2014 Bonds through January 1, 2016, (c) fund deposits to the Senior Reserve Fund (as defined in the hereinafter defined Indenture) and the Rolling Coverage Fund (as defined in the hereinafter defined Indenture), and (d) pay the costs of issuance of the Series 2014 Bonds.

The Series 2014 Bonds are being issued pursuant to Section 170000 et seq. of the California Public Utilities Code (the "Act"); the Revenue Bond Law of 1941 (Chapter 6 (commencing with Section 54300) of Part 1 of Division 2 of Title 5 of the California Government Code), excluding Article 3 (commencing with Section 54380) of Chapter 6 of Part 1 of Division 2 of Title 5 of the California Government Code and the limitations set forth in subdivision (b) of Section 54402 of the California Government Code, which shall not apply to the issuance and sale of bonds pursuant to the Act (collectively, the "Revenue Bond Law"); and the Trust Indenture, dated as of February 1, 2014 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). Issuance of the Series 2014 Bonds has been authorized by Resolution No. 2013-0140 adopted by the board of directors of the Authority on December 12, 2013 (the "Resolution"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

In connection with the issuance of the Series 2014 Bonds and the opinions set forth below, we have examined the following:

- (a) a copy of the Act and the Revenue Bond Law;
- (b) a certified copy of the Resolution;
- (c) an executed counterpart of the Indenture;
- (d) an executed counterpart of the Master Trust Indenture, dated as of November 1, 2005, as amended and supplemented, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee;
- (e) certifications of the Authority and others;
- (f) an executed copy of a Tax Compliance Certificate dated this date relating to the Series 2014A Bonds (the "Tax Certificate");
- (g) an opinion of the Authority's General Counsel; and
- (h) such other documents, opinions and matters as we deemed relevant and necessary in rendering the opinions set forth below.

From such examination, we are of the opinion that:

1. The Authority validly exists as a local government entity of regional government pursuant to the laws of the State of California, with the power to issue the Series 2014 Bonds.
2. The Series 2014 Bonds have been validly authorized and issued in accordance with the Act, the Revenue Bond Law, the Resolution and the Indenture and constitute valid and binding special limited obligations of the Authority.
3. The Indenture has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the Trustee, represents a valid and binding agreement of the Authority enforceable in accordance with their terms. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Series 2014 Bonds, on the Trust Estate, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.
4. The Series 2014 Bonds are special limited obligations of the Authority, payable solely from and secured by a pledge of the Trust Estate. No revenues of the Authority, other than the Customer Facility Charges and the Bond Funding Supplemental Consideration, are pledged to the payment of the Series 2014 Bonds. Neither the Project nor any other properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Series 2014 Bonds, and neither the full faith and credit nor the taxing power of the Authority, the City of San Diego, the County of San Diego, the State of California (the "State") or any political subdivision or agency of the State is pledged to the payment of the principal of or interest on the Series 2014 Bonds.
5. Under existing laws, regulations, rulings and judicial decisions, interest on the Series 2014A Bonds is excluded from gross income for federal income tax purposes. Interest on the Series 2014A Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, such interest is included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of federal alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings

over their federal alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

6. Under existing laws, regulations, rulings and judicial decisions, interest on the Series 2014 Bonds is exempt from present State of California personal income tax.

The opinions set forth in the first sentence of paragraph 5 regarding the exclusion of interest on the Series 2014A Bonds from gross income of the recipient is subject to continuing compliance by the Authority with covenants regarding federal tax law contained in the Indenture and the Tax Certificate. Failure to comply with such covenants could cause interest on the Series 2014A Bonds to be included in gross income retroactive to the date of issuance of the Series 2014A Bonds. Although we are of the opinion that interest on the Series 2014A Bonds is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Series 2014A Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

Interest on the Series 2014B Bonds is not excludable from gross income for federal income tax purposes. Other than as expressly described in paragraph 6 above, we express no opinion regarding the tax consequences relating to the ownership of, receipt of interest on or disposition of the Series 2014B Bonds.

The obligations of the Authority and the security provided therefor, as contained in the Series 2014 Bonds and the Indenture, may be subject to general principles of equity which permit the exercise of judicial discretion, and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, arrangement, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the limitations on legal remedies against entities such as the Authority in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the Series 2014 Bonds or the Indenture. We have not undertaken any responsibility for the accuracy, completeness or fairness of the Official Statement dated February 5, 2014, or any other offering material relating to the Series 2014 Bonds and express no opinion relating thereto. Our engagement with respect to the Series 2014 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter.

Very truly yours,

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Certificate”) is executed and delivered by the San Diego County Regional Airport Authority (the “Authority”) in connection with the issuance of its San Diego County Regional Airport Authority Senior Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project), Series 2014A (Tax-Exempt – Non-AMT) (the “Series 2014A Bonds”), and San Diego County Regional Airport Authority Senior Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project), Series 2014B (Federally Taxable) (the “Series 2014B Bonds,” and together with the Series 2014A Bonds, the “Series 2014 Bonds”). The Series 2014 Bonds are being issued pursuant to (a) the Trust Indenture, dated as of February 1, 2014 (the “Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”), and (b) Section 170000 et seq. of the California Public Utilities Code (the “Act”), and in accordance with Revenue Bond Law of 1941 Chapter 6 (commencing with §54300) of Part 1 of Division 2 of Title 5 of the California Government Code, excluding Article 3 (commencing with §54380) of Chapter 6 of Part 1 of Division 2 of Title 5 of the California Government Code and the limitations set forth in California Government Code §54402(b), which shall not apply to the issuance and sale of bonds pursuant to the Act. The Series 2014 Bonds have been authorized by Resolution No. 2013-0140 adopted by the board of directors of the Authority on December 12, 2013 (the “Resolution”).

In consideration of the purchase of the Series 2014 Bonds by the Participating Underwriter (as defined below), the Authority covenants and agrees as follows:

Section 1. Purpose of the Certificate. This Certificate is being executed and delivered by the Authority for the benefit of the Holders and Beneficial Owners of the Series 2014 Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Certificate unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 hereof.

“*Beneficial Owner*” means any person which (a) has or shares the power, directly or indirectly, to vote or consent with respect to, to make investment decisions concerning the ownership of, or to dispose of ownership of, any Series 2014 Bonds (including persons holding Series 2014 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2014 Bonds for federal income tax purposes.

“*Dissemination Agent*” means the Authority, or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Authority a written acceptance of such designation.

“*EMMA System*” means the MSRB’s Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

“*Holders*” means either the registered owners of the Series 2014 Bonds, or if the Series 2014 Bonds are registered in the name of The Depository Trust Company or other recognized securities depository, any applicable participant in its depository system.

“*Listed Events*” means any of the events listed in Sections 5(a) and 5(b) hereof.

“*MSRB*” means the Municipal Securities Rulemaking Board, or any successor thereto.

“*Obligated Person*” means the Authority and each Rental Car Company or other entity using the Rental Car Center under a Rental Car Lease Agreement or other agreement extending for more than one year from the date in question and including bond debt service as part of the calculation of rental payments, under which Rental Car Lease Agreement or other agreement such Rental Car Company or other entity has paid amounts in the form of Bond Funding Supplemental Consideration equal to at least 20% of the debt service on the Series 2014 Bonds for the prior two Fiscal Years of the Authority. At the time of issuance of the Series 2014 Bonds, the Authority is the only Obligated Person.

“*Official Statement*” means the Official Statement, dated February 5, 2014, prepared and distributed in connection with the initial sale of the Series 2014 Bonds.

“*Participating Underwriter*” means any of the original underwriters of the Series 2014 Bonds required to comply with the Rule in connection with the offering of the Series 2014 Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“*State*” means the State of California.

Section 3. Provision of Annual Reports.

(a) The Authority shall provide, or shall cause the Dissemination Agent to provide, to the MSRB through the EMMA System (in an electronic format and accompanied by identifying information all as prescribed by the MSRB) an Annual Report which is consistent with the requirements of Section 4 hereof by not later than 181 days after the end of the Authority’s fiscal year in each fiscal year. The Authority’s first Annual Report shall be due December 28, 2014. Not later than 15 Business Days prior to said date, the Authority shall provide the Annual Report to the Dissemination Agent (if other than the Authority). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 hereof. The audited financial statements of the Authority may be submitted separately from the balance of the Annual Report if they are not available by the date of submission, provided such financial statements are submitted within 210 days after the end of the Authority’s fiscal year. If the Authority’s fiscal year changes, the Authority, upon becoming aware of such change, shall give notice of such change in the same manner as for a Listed Event under Section 5(e) hereof.

(b) If by 15 Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Dissemination Agent (if other than the Authority) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Authority to determine if the Authority is in compliance with subsection (a).

(c) If the Authority is unable to provide to the MSRB or the Dissemination Agent (if other than the Authority), an Annual Report by the date required in subsection (a), the Authority

shall send a notice to the MSRB through the EMMA System in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent (if other than the Authority) shall confirm in writing to the Authority that the Annual Report has been filed as required hereunder, stating the date filed.

Section 4. Content of Annual Reports.

(a) The Authority's Annual Report shall contain or incorporate by reference the following, updated to incorporate information for the most recent fiscal or calendar year, as applicable (the tables referred to below are those appearing in the Official Statement relating to the Series 2014 Bonds, unless otherwise noted):

(i) Audited financial statements of the Authority, updated to incorporate information for the most recent fiscal year, 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 as further modified according to applicable State law. If the Authority's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to the usual format utilized by the Authority, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available;

(ii) Table 2 — San Diego International Airport, Market Share of Rental Car Brands;

(iii) Table 5 — San Diego International Airport, Total Enplanements and Deplanements; and

(iv) Table 6 — San Diego County Regional Airport Authority, Projected Debt Service Coverage on the Series 2014 Bonds (only historical information with respect to the most recently completed fiscal year will be reported; no projected information will be reported).

(b) All or any portion of the information of the Annual Report may be incorporated in the Annual Report by cross reference to any other documents which have been filed with the MSRB.

(c) Information contained in an Annual Report for any fiscal year containing any modified operating data or financial information (as contemplated by Section 8 hereof) for such fiscal year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Report being provided for such fiscal year. If a change in accounting principles is included in any such modification, such Annual Report shall present a comparison between the financial statements or information prepared on the basis of modified accounting principles and those prepared on the basis of former accounting principles.

Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues of the Authority or related public entities, which have been submitted to the MSRB. If the document included by reference is a final official statement, it must be available from the MSRB. The Authority shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2014 Bonds not later than ten business days after the occurrence of 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 with respect to the tax status of the Series 2014A Bonds or the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) with respect to the Series 2014A Bonds;
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

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) The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2014 Bonds, if material, not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Series 2014A Bonds or other material events affecting the tax status of the Series 2014A Bonds;

2. Modifications to rights of the Beneficial Owners or Holders of the Series 2014 Bonds;
3. Optional, unscheduled or contingent bond calls;
4. Release, substitution or sale of property securing repayment of the Series 2014 Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, 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; or
7. Appointment of a successor or additional trustee or the change of name of a trustee;

(c) The Authority shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3(a) hereof, as provided in Section 3 hereof.

(d) Whenever the Authority obtains knowledge of the occurrence of a Listed Event described in Section 5(b) hereof, the Authority shall determine if such event would be material under applicable federal securities laws.

(e) If the Authority learns of an occurrence of a Listed Event described in Section 5(a) hereof, or determines that knowledge of a Listed Event described in Section 5(b) hereof would be material under applicable federal securities laws, the Authority shall within ten business days of occurrence file a notice of such occurrence with the MSRB through the EMMA System in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Beneficial Owners and Holders of the affected Series 2014 Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The Authority's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment of amounts fully sufficient to pay and discharge the Series 2014 Bonds, or upon delivery to the Dissemination Agent (if other than the Authority) of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. If such termination occurs prior to the final maturity of the Series 2014 Bonds, the Authority shall give notice of such termination in the same manner as for a Listed Event under Section 5(e) hereof.

Section 7. Dissemination Agent. From time to time, the Authority may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than the Authority) shall be entitled to reasonable compensation for its services hereunder and reimbursement of its out of pocket expenses (including, but not limited to,

attorneys' fees). The Dissemination Agent (if other than the Authority) shall not be responsible in any manner for the content of any notice or report prepared by the Authority pursuant to this Certificate.

Section 8. Amendment Waiver. Notwithstanding any other provision of this Certificate, the Authority may amend this Certificate, and any provision of this Certificate may be waived, provided that all of the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, change in law (including rules or regulations) or in interpretations thereof, or change in the identity, nature or status of an Obligated Person with respect to the Series 2014 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2014 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the Series 2014 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Beneficial Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Beneficial Owners of the Series 2014 Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the Authority shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(e) hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this 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 Certificate. If the Authority 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 Certificate, the Authority shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Authority to comply with any provision of this Certificate, any Holder or Beneficial Owner of the Series 2014 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority or the Dissemination Agent (if other than the Authority), as the case may be, to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Indenture and the sole remedy under this Certificate in the event of any failure of the

Authority or the Dissemination Agent (if other than the Authority) to comply with this Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are expressly and specifically set forth in this Certificate, and the Authority agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any claims, losses, expenses and liabilities which such Dissemination Agent may incur arising out of or in the exercise or performance of the powers and duties given to the Dissemination Agent hereunder, including the costs and expenses (including attorneys' fees) of defending, in any manner or forum, against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct, subject to the Indenture. The obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2014 Bonds.

Section 12. Beneficiaries. This Certificate shall inure solely to the benefit of the Authority, the Dissemination Agent, the Participating Underwriter and the Holders and Beneficial Owners from time to time of the Series 2014 Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, the undersigned has hereunto signed and executed this Certificate this 19th day of February, 2014.

SAN DIEGO COUNTY REGIONAL AIRPORT
AUTHORITY

By _____
Name: _____
Title: _____

Approved as to form:

By _____
Breton K. Lobner
General Counsel

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: San Diego County Regional Airport Authority

Name of Bond Issue: Senior Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project), Series 2014A (Tax-Exempt – Non-AMT)

Senior Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project), Series 2014B (Federally Taxable)

Date of Issuance: February 19, 2014

CUSIP: 79742G____

NOTICE IS HEREBY GIVEN that the San Diego County Regional Airport Authority (the “Authority”) has not provided an Annual Report with respect to the above named Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated February 19, 2014, executed by the Authority for the benefit of the holders and beneficial owners of the above referenced bonds. The Authority anticipates that the Annual Report will be filed by _____, 20__.

Dated:_____

SAN DIEGO COUNTY REGIONAL AIRPORT
AUTHORITY

By: _____
Authorized Representative

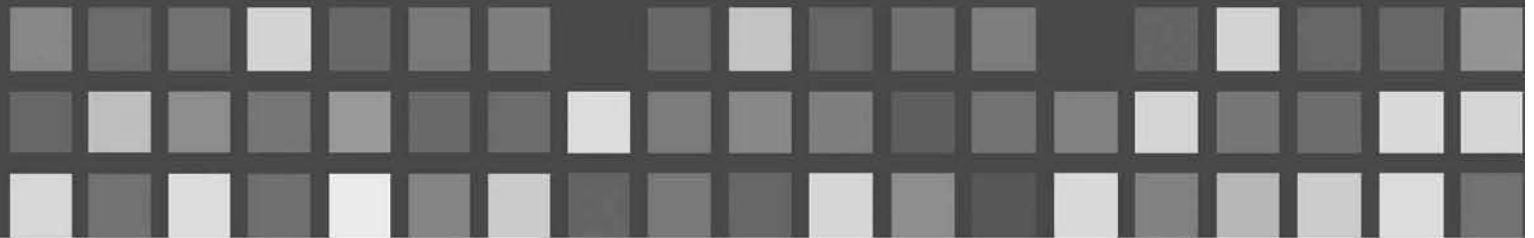
APPENDIX F

**AUDITED FINANCIAL STATEMENTS OF
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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San Diego County Regional Airport Authority

Financial Report
June 30, 2013 and 2012



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Independent Auditor's Report

To the Members of the Board
San Diego County Regional Airport Authority
San Diego, CA

Report on the Financial Statements

We have audited the accompanying basic financial statements of the San Diego County Regional Airport Authority (the Airport Authority), which comprise the statements of net position as of June 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport Authority as of June 30, 2013 and 2012, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, listed in the table of contents, 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, which 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 in accordance with auditing standards generally accepted in the United States of America, 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2013 on our consideration of the Airport Authority'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 of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport Authority's internal control over financial reporting and compliance.



San Diego, CA
October 18, 2013

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD JULY 1, 2012 TO JUNE 30, 2013

INTRODUCTION

The San Diego County Regional Airport Authority (the Airport Authority) was established on January 1, 2002 as an independent agency. On January 1, 2003, the operations and assets of the San Diego International Airport (SDIA) transferred from the San Diego Unified Port District (the District) to the Airport Authority.

The Airport Authority is a self-sustaining entity receiving most of its revenues through airline user charges and rents from the concessionaires operating at SDIA. Since the Airport Authority is not funded by tax revenues, accounts are maintained in an enterprise fund on the accrual basis of accounting. Under accrual accounting, revenues are recognized as soon as they are earned, and expenses are recognized as soon as a liability is incurred, regardless of the timing of related cash inflows and outflows. Users of SDIA's facilities provide most of the revenues to operate, maintain and acquire necessary services and facilities.

SAN DIEGO INTERNATIONAL AIRPORT

History of Ownership

The public policy decision to transfer responsibility for SDIA from the District to the newly created Airport Authority emanated from recommendations made by the San Diego Regional Efficiency Commission (the Commission). The Commission was established to evaluate regional governance in San Diego County and report on measures to improve it to the California State Legislature.

Because of the significant regional consequences of airport development and operations, the Commission concluded that a regional decision-making process should address the future development of airport facilities in San Diego County. In October 2001, the enabling legislation, Assembly Bill 93 (AB 93 or the Act), established the composition and jurisdiction of the Airport Authority's governing body in a manner that is designed to reflect the collective interests of the entire San Diego region.

Legislative Background

AB 93 was signed into California State law in October 2001. The Act established the Airport Authority on January 1, 2002 as a local agency of regional government with jurisdiction throughout San Diego County. Subsequent legislative changes to AB 93 were introduced and passed in California Senate Bill 1896. The amendment addresses several points pertaining to the transfer of aviation employees, date of transfer, property leases, property acquisition and purchase of services from the District.

On January 1, 2008, Senate Bill 10 (SB 10), the San Diego County Regional Airport Authority Reform Act, was enacted into law, expanding the responsibilities of the Airport Authority. The Airport Authority is vested with five principal responsibilities:

- (1) Operation of SDIA
- (2) Planning and operation of any future airport that could be developed as a supplement or replacement to SDIA
- (3) Development of comprehensive airport land use plans for the airports in the county
- (4) Serving as the region's Airport Land Use Commission
- (5) Additionally, with SB 10, a Regional Aviation Strategic Plan that was completed in fiscal year 2011

Airport Activities Highlights

The Airport Authority experienced continued growth in all areas during fiscal years 2013 and 2012 compared to the fiscal year 2011 declines. This followed the trend seen at many commercial airports, reflecting the gradual improvements in the economy.

The changes in SDIA's major activities for the current and prior two fiscal years are as follows:

	FY 2011	FY 2012	FY 2013
Enplaned Passengers	8,441,120	8,576,100	8,737,617
% increase (decrease)	(0.2)%	1.6 %	1.9 %
Total Passengers	16,868,732	17,138,911	17,440,968
% increase (decrease)	(0.3)%	1.6 %	1.8 %
Aircraft Operations	186,181	186,196	187,322
% increase (decrease)	(4.3)%	0.0 %	0.6 %
Freight and Mail (in tons)	129,961	132,493	157,025
% increase (decrease)	3.5 %	1.9 %	18.5 %
Landed Weight (in thousands)	10,606	10,820	11,014
% increase (decrease)	(2.6)%	2.0 %	1.8 %

SDIA is a destination airport and is not a hub for any airline. Further, there is a balanced mixture of SDIA travelers comprising approximately 50 percent leisure and 50 percent business. These factors generally add to the stability of SDIA enplanements. Enplanements declined slightly by 0.2 percent in fiscal year 2011 and grew by 1.6 percent and 1.9 percent in fiscal years 2012 and 2013, respectively.

Overall, it appears the improving economy is having a positive effect on aircraft operations at SDIA, which increased by 0.6 percent, and landed weight, which increased by 1.8 percent, in fiscal year 2013. Freight and mail dramatically increased by 18.5 percent, due to fleet size increases by FedEx, DHL and UPS.

Statements of Revenues, Expenses and Changes in Net Position (in thousands)

The metric "Change in Net Position" is an indicator of whether the Airport Authority's overall financial condition has improved or deteriorated during the fiscal year. Net position has increased consistently over the past three fiscal years by 7.5 percent in 2011, 10.0 percent in 2012 and 8.8 percent in 2013. Following is a summary of the statements of revenues, expenses and changes in net position (in thousands):

	FY 2011 (As restated)	FY 2012 (As restated)	FY 2013
Operating revenues	\$ 144,007	\$ 153,550	\$ 177,498
Operating expenses	(166,979)	(163,701)	(168,420)
Nonoperating revenues, net	39,208	47,951	41,020
Capital grant contributions	26,355	20,834	16,077
Increase in net position	42,591	58,633	66,175
Net position, beginning of year	559,664	602,255	660,889
Net position, end of year	\$ 602,255	\$ 660,889	\$ 727,064

Detailed descriptions of the components of operating revenues and expenses, and nonoperating revenues and expenses are described in the sections that follow.

FINANCIAL HIGHLIGHTS

Operating Revenues (in thousands)

	FY 2012	FY 2013	From 2012 to 2013	
			Increase (Decrease)	% Change
Airline revenue:				
Landing fees	\$ 18,419	\$ 19,658	\$ 1,239	6.7 %
Aircraft parking fees	3,135	3,191	56	1.7 %
Building rentals	30,633	41,840	11,207	36.6 %
Security surcharge	18,649	23,360	4,711	25.3 %
Other aviation revenue	1,595	1,591	(4)	(0.2)%
Total airline revenue	72,430	89,640	17,210	23.8 %
Non-airline terminal rent	907	972	65	7.1 %
Concession revenue	40,427	42,041	1,613	4.0 %
Parking and ground transportation revenue	31,470	35,750	4,281	13.6 %
Ground rentals	7,136	8,190	1,054	14.7 %
Other operating revenue	1,179	905	(274)	(23.2)%
Total operating revenue	\$ 153,550	\$ 177,498	\$ 23,948	15.6 %

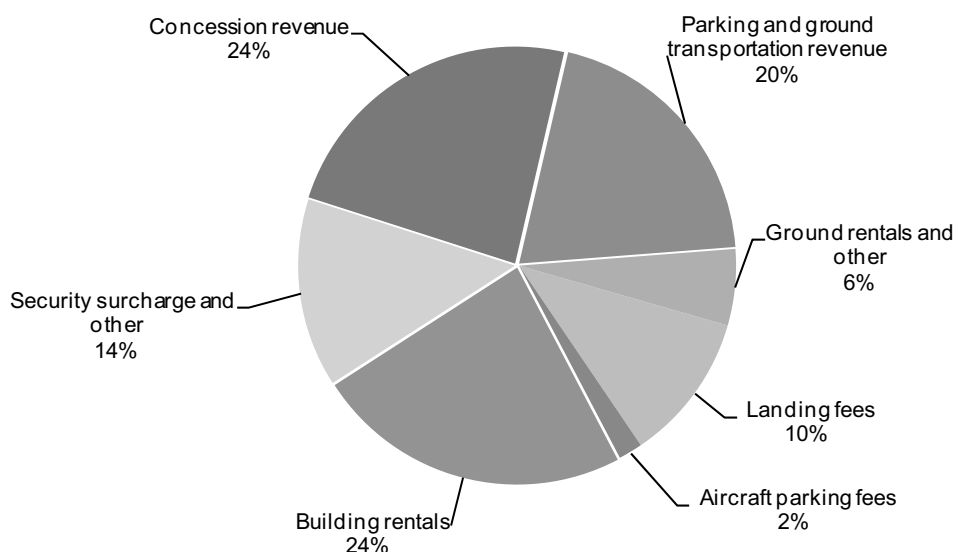
	FY 2011	FY 2012	From 2011 to 2012	
			Increase (Decrease)	% Change
Airline revenue:				
Landing fees	\$ 18,578	\$ 18,419	\$ (159)	(0.9)%
Aircraft parking fees	2,921	3,135	214	7.3 %
Building rentals	26,980	30,633	3,653	13.5 %
Security surcharge	14,887	18,649	3,762	25.3 %
Other aviation revenue	1,597	1,595	(2)	(0.2)%
Total airline revenue	64,963	72,430	7,467	11.5 %
Non-airline terminal rent	869	907	38	4.4 %
Concession revenue	37,103	40,427	3,324	9.0 %
Parking and ground transportation revenue	31,645	31,470	(175)	(0.6)%
Ground rentals	7,787	7,136	(651)	(8.4)%
Other operating revenue	1,640	1,179	(461)	(28.1)%
Total operating revenue	\$ 144,007	\$ 153,550	\$ 9,543	6.6 %

Operating Revenues (Continued)

Fiscal year 2013 compared to 2012: Total airline revenues increased by \$17.2 million or 23.8 percent, primarily reflecting continued implementation of a progressive cost recovery system for the airlines which was higher in fiscal year 2013 compared to 2012. Building rentals saw a graduated rate increase from 60 percent to 100 percent and the security surcharge increased from 85 percent to 100 percent, reflecting the cost recovery formula. Landing fees increased by \$1.2 million or 6.7 percent, due to increased airfield maintenance expenses and increased landed weight. Concession revenue increased by \$1.6 million or 4.0 percent, reflecting slightly higher enplanements and higher per-enplanement sales. Parking revenues increased by \$4.3 million or 13.6 percent, due in part to the reopening of Terminal 2 parking that was temporarily closed in fiscal year 2012 to facilitate the construction of the Green Build. Ground rentals revenue increased in 2013 by \$1.1 million or 14.7 percent, due to increased rental space by FedEx and a consumer price index rent increase to FedEx, Southwest and UPS. The \$274 thousand or 23.2 percent decrease in other operating revenue reflects a change in utility billing practices of the new concession program beginning in January 2013, which are now included as part of the base rent.

Fiscal year 2012 compared to 2011: Total airline revenues increased by \$7.5 million or 11.5 percent, primarily reflecting continued implementation of a progressive cost recovery system for the airlines which was slightly higher in fiscal year 2012 compared to 2011. Building rentals saw a graduated rate increase from 55 percent to 60 percent and the security surcharge increased from 70 percent to 85 percent. The decrease in landing fees of \$159 thousand or 0.9 percent was due to rebates given to airlines for new routes, primarily Volaris. Aircraft parking fees increased by \$124 thousand or 7.3 percent, primarily due to the increased airfield costs. Concession revenue increased by \$3.3 million or 9.0 percent, reflecting slightly higher enplanements and higher per-enplanement sales. Parking revenues decreased slightly by \$175 thousand or 0.6 percent, due to the temporary closing of Terminal 2 parking to facilitate the construction of the Green Build. Ground rentals revenue declined in 2012 by \$651 thousand or 8.4 percent, due to the finalization of new lease agreements with FedEx, Southwest and UPS, which provided for over one year of retroactive billing in fiscal year 2011. Other operating revenue also declined by \$461 thousand due to the completion of the planning grant revenue for the Regional Aviation Strategic Plan in 2011.

San Diego County Regional Airport Authority Fiscal Year Ended June 30, 2013 Operating Revenues



Operating Expenses (in thousands) (Continued)

	FY 2012	FY 2013	From 2012 to 2013	
			Increase (Decrease)	% Change
Salaries and benefits	\$ 37,237	\$ 38,092	\$ 856	2.3 %
Contractual services	26,906	29,284	2,378	8.8 %
Safety and security	22,625	23,994	1,369	6.1 %
Space rental	11,415	10,897	(518)	-
Utilities	6,674	6,659	(15)	(0.2)%
Maintenance	8,497	11,204	2,708	31.9 %
Equipment and systems	403	469	65	16.2 %
Materials and supplies	304	406	101	33.3 %
Insurance	764	795	31	4.0 %
Employee development and support	916	1,235	319	34.8 %
Business development	2,093	2,444	351	16.8 %
Equipment rentals and repairs before depreciation and amortization	1,335	1,317	(18)	(1.4)%
	119,169	126,796	7,627	6.4 %
Depreciation and amortization	44,532	41,624	(2,908)	(6.5)%
Total operating expenses	\$ 163,701	\$ 168,420	\$ 4,719	2.9 %

	FY 2011	FY 2012	From 2011 to 2012	
			Increase (Decrease)	% Change
Salaries and benefits	\$ 38,267	\$ 37,237	\$ (1,030)	(2.7)%
Contractual services	26,113	26,906	793	3.0 %
Safety and security	21,344	22,625	1,281	6.0 %
Space rental	10,907	11,415	508	4.7 %
Utilities	6,413	6,674	261	4.1 %
Maintenance	8,174	8,497	323	3.9 %
Equipment and systems	570	403	(167)	(29.3)%
Materials and supplies	344	304	(40)	(11.5)%
Insurance	1,066	764	(302)	(28.3)%
Employee development and support	1,041	916	(125)	(12.0)%
Business development	2,275	2,093	(182)	(8.0)%
Equipment rentals and repairs before depreciation and amortization	1,327	1,335	8	0.6 %
	117,841	119,169	1,328	1.1 %
Depreciation and amortization	49,138	44,532	(4,606)	(9.4)%
Total operating expenses	\$ 166,979	\$ 163,701	\$ (3,278)	(2.0)%

Operating Expenses (Continued)

Fiscal year 2013 compared to 2012: Total fiscal year 2013 operating expenses increased by \$4.7 million or 2.9 percent. Contributing to this increase included: increased salaries and benefits of \$856 thousand, primarily due to salary increases and higher costs for medical benefits; and increased contractual services of \$2.4 million, primarily due to Green Build associated consulting services such as ramp control professional services and selecting software to manage the new systems and building. Additionally, safety and security increased by \$1.4 million, due to increased Harbor Police salaries and benefits expense under a new proposed agreement; maintenance increased by \$2.7 million, reflecting costs of sink hole repair, elevator and escalator repairs and runway restriping; employee development and support increased by \$319 thousand, due to new Green Build systems training; and business development increased by \$351 thousand, reflecting advertising and marketing for Japan Airlines and Green Build related promotions.

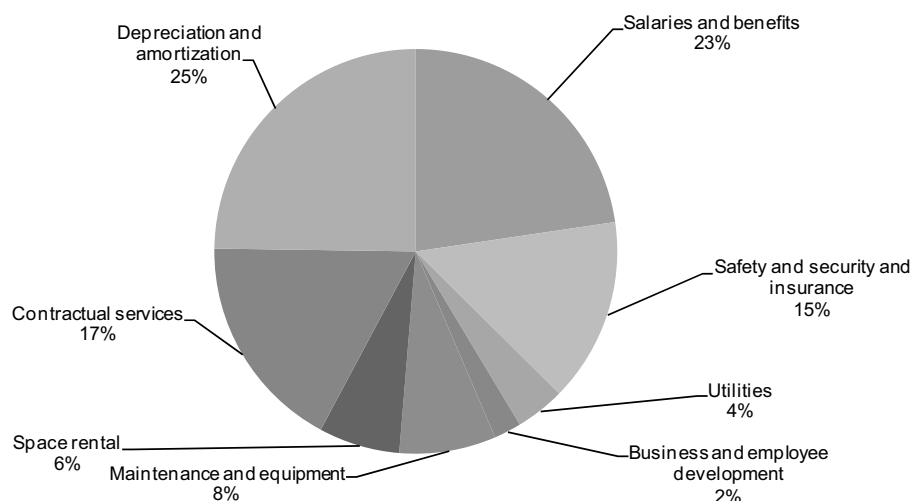
Offsetting this increase were the following decreases: space rental of \$518 thousand, reflecting the cancellation of an employee parking lease; and other minor reductions in utilities and equipment rentals and repairs. Depreciation expense decreased by \$2.9 million, due to fully depreciated assets of approximately \$113 million, which included HVAC systems, parking lots, airfield rehabilitations and aircraft fuel storage.

Fiscal year 2012 compared to 2011: Fiscal year 2012 total operating expenses decreased by \$3.3 million, or 2.0 percent, compared to 2011. Contributing to this decrease were the following: salaries and benefits decreased by \$1 million primarily due to the pension plan rate reduction from 16.6 percent in fiscal year 2011 to 14.54 percent in 2012; equipment and systems decreased by \$167 thousand, reflecting the five-year replacement schedule; insurance declined by \$302 thousand due primarily to lower liability policy premiums; employee development and support decreased by \$125 thousand due to reduced travel and seminars; and business development declined by \$182 thousand due to lower advertising and marketing expenses compared to 2011, which included expenses associated with the British Airways London flight. In fiscal year 2012, depreciation was a major contributor to the decreased total operating expenses. The reduced depreciation expense was primarily due to fully depreciated assets of approximately \$54 million, which included aircraft fuel storage, fire life safety system and runway joint sealants.

Offsetting this decrease included the following increases: contractual services increased by \$793 thousand primarily due to higher parking management expenses; safety and security increased by \$1.3 million, reflecting higher Harbor Police salaries and benefits expenses and a proposed overhead allocation plan; space rental costs increased by \$508 thousand due to the 2011 completed amortized deferred rent benefit; utilities increased by \$261 thousand, reflecting higher usage due to facility expansion and rate increases; and maintenance costs increased by \$323 thousand due to increased support of aging systems and equipment such as elevators, HVAC and escalators.

Operating Expenses (Continued)

San Diego County Regional Airport Authority Fiscal Year Ended June 30, 2013 Operating Expenses



Nonoperating Revenues and Expenses (in thousands)

	FY 2012 (As restated)	From 2012 to 2013		
		FY 2013	Change	% Change
Passenger Facility Charges	\$ 34,639	\$ 35,437	\$ 798	2.3 %
Customer Facility Charges	11,487	19,117	7,630	66.5 %
Quieter Home Program, net	(3,531)	(1,589)	1,942	55.0 %
Joint Studies Program	(73)	(55)	18	25.2 %
Interest income	10,487	8,919	(1,569)	(15.1)%
Interest expense	(2,027)	(16,530)	(14,503)	(715.7)%
Other nonoperating income (expenses)	(3,032)	(4,279)	(1,247)	(41.1)%
Nonoperating revenues, net	\$ 47,951	\$ 41,020	\$ (6,932)	(14.5)%

	FY 2011 (As restated)	FY 2012 (As restated)	From 2011 to 2012	
			Change	% Change
Passenger Facility Charges	\$ 33,998	\$ 34,639	\$ 641	1.9 %
Customer Facility Charges	10,986	11,487	501	4.6 %
Quieter Home Program, net	(3,359)	(3,531)	(172)	(5.1)%
Joint Studies Program	(129)	(73)	57	44.1 %
Interest income	10,100	10,487	388	3.8 %
Interest expense	(12,295)	(2,027)	10,268	83.5 %
Other nonoperating income (expenses)	(93)	(3,032)	(2,942)	(3,157.0)%
Nonoperating revenues, net	\$ 39,208	\$ 47,951	\$ 8,742	22.3 %

Nonoperating Revenues and Expenses (Continued)

Passenger Facility Charges (PFC) were established by Congress in 1990 as part of the Aviation Safety and Capacity Expansion Act of 1990. The Airport Authority collects a \$4.50 PFC from revenue enplaned passengers to pay for the cost to design and construct eligible SDIA capital projects or to repay debt service issued to build such projects. PFCs are collected by the air carriers when passengers purchase their tickets and are remitted to the Airport Authority the month following collection less a \$0.11 administration fee.

Customer Facility Charges (CFC) are authorized under Section 1936 of the California Civil Code and approved by legislation under Senate Bill 1510. The Airport Authority began collecting a \$10 per contract CFC on rental cars in May 2009. The revenues collected will be used to plan and construct a consolidated rental car facility and improved ground transportation system. The rental car agencies remit to the Airport Authority collection of the fee monthly. In November 2012, the rate of \$10 per contract was changed to \$6 per day up to five days.

Quieter Home Program includes sound attenuation construction improvements at all eligible single-family and multifamily dwellings with six or fewer units located in the Year 2000 65 dB Community Noise Equivalent Level contour. The project is eligible for the Airport Improvement Program (AIP). From inception to June 30, 2013, the Airport Authority has spent \$147.8 million and received reimbursement for \$120.3 million.

Interest income is derived from interest earned by the Airport Authority on investments, commercial paper reserves, bond reserves and notes receivable from the District. Also included in interest income are the Series C Bonds that were issued as Build America Bonds and a cash subsidy from the U.S. Treasury equal to 35 percent of the interest payable. During the middle of fiscal year 2013, the 35 percent subsidy ended due to the federal government's sequestration measures and was replaced with a reduced rate of 31.96 percent. The interest subsidy for the fiscal years ended June 30, 2013 and 2012 was \$4.8 million and \$4.9 million, respectively.

Interest expense includes interest paid and accrued on the 2005, 2010 and 2013 Series Bonds and Commercial Paper Series A, B and C. This is netted with the capitalization of bond interest to the construction in progress assets that the debt finances. The capitalized interest in the fiscal years ended June 30, 2013 and 2012 was \$29.4 million and \$31.6 million, respectively.

Other nonoperating income (expense) includes proceeds and expenses for legal settlements, gain (loss) on the sale of assets, unrealized gain (loss) on investments, and other miscellaneous revenue and expenses.

Capital Grant Contributions

The Airport Authority receives AIP entitlement and discretionary grants through the Federal Aviation Administration (FAA) and other federal and state organizations. These funds are recognized as revenue as the work is completed on the eligible projects. Variances relate to the amount of work completed on eligible projects during the fiscal year.

Fiscal year 2013 compared to 2012: Nonoperating revenues (net) decreased by \$6.9 million or 14.5 percent. This is primarily due to the decreased net effect of debt interest expense and capitalization of interest expense, \$14.5 million. Additionally, decreased interest income of \$1.6 million and other nonoperating income (expense), net of \$1.2 million, was primarily due to unrealized loss on investments.

Offsetting the decrease is the \$798 thousand increased PFCs collections, reflecting increased enplanements, and \$7.6 million increased CFCs due, in part, to a rate increase effective November 1, 2012 from \$10 per contract to \$6 per day up to five days. Additionally, the Quieter Home Program also contributed to the decrease by \$1.9 million, due to the timing of when invoices were paid to become eligible for FAA grant reimbursement.

Nonoperating Revenues and Expenses (Continued)

Fiscal year 2012 compared to 2011: Nonoperating revenues (net) increased by \$8.7 million or 22.3 percent, primarily due to the net effect of reduced debt interest expense and capitalization of interest expense totaling \$10.3 million. Additionally, PFCs increased by \$641 thousand and CFCs increased by \$501 thousand, both reflecting increased enplanements. Interest income also has contributed to the increase by \$388 thousand due to a full year of Build America Bond interest subsidy in fiscal year 2012.

Offsetting the increase is approximately \$3.6 million in net book value of assets, which were written off due to the construction of the Green Build. These assets were parking lots, sidewalks and partial roadways that will be replaced upon completion in fiscal year 2013. The Quieter Home Program also contributed to the decrease by \$205 thousand, due to the timing of when invoices were paid to become eligible for FAA grant reimbursement.

Assets, Liabilities and Net Position (in thousands)

The statements of net position present the financial position of the Airport Authority at June 30, 2011, 2012 and 2013. The statements include all assets, liabilities and net position of the Airport Authority. A summary comparison of the Airport Authority's assets, liabilities and net position at June 30, 2011, 2012 and 2013 is as follows:

	FY 2011 (As restated)	FY 2012 (As restated)	FY 2013
Assets			
Current assets	\$ 110,397	\$ 197,586	\$ 205,262
Capital assets, net	625,421	896,477	1,178,144
Noncurrent assets	605,824	333,352	547,376
Total assets	1,341,642	1,427,415	1,930,782
Deferred outflows of resources	2,087	1,855	4,397
Total assets and deferred outflows of resources	\$ 1,343,729	\$ 1,429,270	\$ 1,935,179
Liabilities			
Current liabilities	\$ 121,384	\$ 115,071	\$ 121,384
Long-term liabilities	620,090	653,310	1,086,732
Total liabilities	741,474	768,381	1,208,116
Net Position			
Net investment in capital assets	352,276	408,123	460,424
Bond reserves, unapplied PFCs and other restricted	147,513	172,174	164,131
Unrestricted	102,466	80,592	102,508
Total net position	602,255	660,889	727,063
Total liabilities and net position	\$ 1,343,729	\$ 1,429,270	\$ 1,935,179

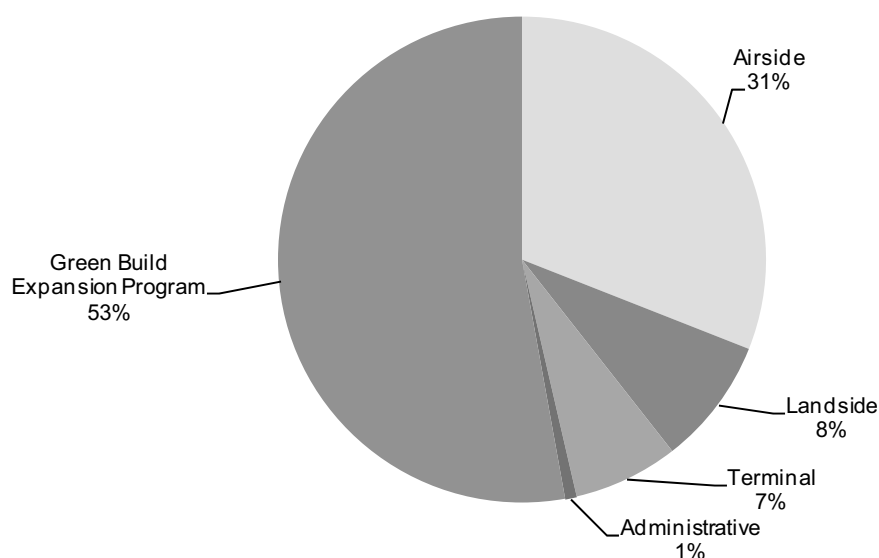
Assets, Liabilities and Net Position (Continued)

As of June 30, 2013, the Airport Authority's assets exceeded liabilities by \$727.1 million, a \$66.2 million increase over June 30, 2012. The June 30, 2012 total net position was \$58.6 million greater than June 30, 2011. The largest portion of the Airport Authority's net position represents its investment in capital assets, less the amount of associated debt outstanding. The Airport Authority uses these capital assets to provide services to its passengers and other users of SDIA; consequently, these assets cannot be sold or otherwise liquidated. Although the Airport Authority's investment in its capital assets is reported net of related debt, it is noted that the funds required to repay this debt must be provided annually from operations. The remaining unrestricted net position of \$102.5 million as of June 30, 2013, \$80.6 million as of 2012 and \$102.4 million as of 2011 may be used to meet any of the Airport Authority's ongoing obligations. As of June 30, 2013, 2012 and 2011, management has designated unrestricted funds in the amount of approximately \$9.6 million for each year, for capital contract commitments funded by Airport Authority cash, earthquake insurance and operating contingency.

Capital Asset and Capital Improvement Program

The funds used for capital improvements or to expand SDIA's facilities are derived from several sources, including debt, PFC, CFC, and grants received from AIP, FAA and Transportation Security Administration and SDIA funds. In fiscal year 2013, SDIA's \$1.6 billion capital improvement program (CIP) was funded under three debt options. A pay-as-you-go approach utilizing commercial paper for short-term funding needs and long-term funding needs included 2010 Airport Revenue Bonds to be used for the \$820 million Terminal Development Program/"The Green Build." An additional airport revenue bond issuance completed in fiscal year 2013 finalized the funding of The Green Build project. The Green Build is projected to be complete by early fiscal year 2014. The current CIP, which includes projects through 2018, consists of \$480.5 million for airside projects, \$131 million for landside projects, \$108.3 million for terminal projects and \$12 million for administrative projects. The current SDIA CIP does not include noise reduction and related projects.

Capital Improvement Program (CIP) Projects by Type



Additional information of the Airport Authority's capital assets can be found in Note 4 to the financial statements of this report.

Capital Financing and Debt Management

The California Maritime Infrastructure Authority issued \$76.7 million of Airport Revenue Bonds (Series 1995 Bonds) for the District, pursuant to a trust agreement dated December 1, 1995. The proceeds of the Series 1995 Bonds, together with investment income thereon, were used solely to pay a portion of the construction and installation of the West Terminal Expansion at SDIA, fund a Reserve Account and pay certain expenses in connection with the issuance of the Series 1995 Bonds. In conjunction with the transfer of airport operations to the Airport Authority on January 1, 2003, these bond obligations were assumed by the Airport Authority.

On November 9, 2005, the Airport Authority issued \$56.3 million of senior lien Series 2005 Bonds to refund all of the then-outstanding Series 1995 Bonds, fund a debt service reserve account and pay cost of issuance. The Series 2005 Bonds were structured as serial bonds that bear interest at rates ranging from 4.5 percent to 5.25 percent and mature in fiscal years 2007 to 2021.

On December 21, 2012, the Authority defeased all of its outstanding Series 2005 Bonds by depositing proceeds of Subordinate Commercial Paper Notes (CP Notes) and certain other available monies into an irrevocable escrow fund. The amounts on deposit in the escrow fund will be used to pay the principal of and interest on the Senior Series 2005 Bonds until their final maturity date of July 1, 2020.

On October 5, 2010, the Airport Authority issued \$572.6 million of Subordinate Airport Revenue Bonds Series 2010 A, B and C. The bonds are rated A/A2/A by Standard & Poor's, Moody's Investors Service and Fitch Ratings, respectively. The subordinate Series 2010 Bonds were issued to finance certain capital improvements at SDIA, fund a portion of the interest accruing on the subordinate Series 2010 Bonds through and including January 1, 2013, refund \$142.2 million of the Airport Authority's outstanding CP Notes, fund the subordinate bond reserve fund and pay the costs of issuance of the subordinate Series 2010 Bonds.

The Series A and Series B bonds were structured as serial and term bonds that bear interest at rates ranging from 2.00 percent to 5.00 percent and mature in fiscal years 2012 to 2041. The Series C bonds were issued as Build America Bonds and include a cash subsidy payment from the U.S. Treasury equal to 35 percent of interest payable. The interest rate on the Series C bonds, net of subsidy, is 4.31 percent and the bonds mature in fiscal year 2041.

The subordinate Series 2010 Bonds are special obligations of the Airport Authority, payable from and secured by (a) a pledge of subordinate net revenues, which include certain income and revenue received by the Airport Authority from the operation of the airport system, less all amounts that are required to pay the operation and maintenance expenses of the airport system and all amounts necessary to pay debt service on and fund the reserves for the senior bonds; and (b) certain funds and accounts held by the subordinate Trustee under the subordinate indenture. The subordinate Series 2010 Bonds were issued with a pledge of and lien on subordinate net revenues on parity with the Airport Authority's subordinate CP Notes. In addition, the Airport Authority has irrevocably committed a portion of the PFCs it has received and expects to receive through 2016. The amounts of irrevocably committed PFCs are \$14.7 million for fiscal year 2013 and \$19 million annually for fiscal years 2014 through 2016. As of June 30, 2013, the principal balance on the subordinate Series 2010 Bonds was \$570.9 million.

On January 30, 2013, the Airport Authority issued \$379.6 million of 2013 Series A and Series B Senior Airport Revenue Bonds. The Series 2013 Bonds are rated A+/A1/A+ by Standard & Poor's, Moody's Investors Service and Fitch Ratings, respectively. The senior Series 2013 Bonds were issued to finance certain capital improvements at SDIA, fund a portion of the interest accruing on the senior Series 2013 Bonds through and including July 1, 2015, fund the senior reserve fund and pay the costs of issuance of the senior Series 2013 Bonds.

Capital Financing and Debt Management (Continued)

The Series 2013 bonds were structured as serial and term bonds that bear interest at rates ranging from 3.00 percent to 5.00 percent and mature in fiscal years 2016 to 2044. The bonds were issued at a premium of \$55.9 million, which is being amortized over the life of the bonds. Interest on the senior Series 2013 Bonds is payable semiannually on January 1 and July 1 of each year. Interest expense for the fiscal years ended June 30, 2013 amounted to \$7.7 million, including accrued interest of \$7.7 million. The principal balance on the Series 2013 Bonds as of June 30, 2013 was \$379.6 million.

The senior Series 2013 Bonds are special obligations of the Airport Authority, payable solely from and secured by (a) a pledge of net revenues, which include certain income and revenue received by the Airport Authority from the operation of the airport system, less all amounts that are required to pay the operation and maintenance expenses of the airport system, and (b) certain funds and accounts held by the senior Trustee under the senior indenture.

As senior lien bonds, the Series 2013 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 125 percent times the senior debt service for that year. In addition, the Series 2013 Bonds require the Airport Authority to maintain a reserve account with the bond Trustee and to reserve certain amounts in the Airport Authority's books, as shown in Note 2 to the financial statements. For the fiscal year ended June 30, 2013, the amount held by the Trustee was \$293.7 million, which included the July 1 payment, unspent project fund proceeds, the debt service reserve fund and capitalized interest funds.

As of June 30, 2013, \$51 million in commercial paper was outstanding. The commercial paper program was established in 1997 to fund the then-approved CIP and related Terminal 2 expansion projects. The Airport Authority's outstanding commercial paper, Series A (non AMT), Series B (AMT) and Series C (taxable), is secured by a pledge of airport revenues, subordinated to the pledge of net airport revenues securing the payment of the Series 2005 Bonds. The authorized program provides for borrowings up to \$250 million through September 1, 2027. Each commercial paper note matures at the end of a period not to exceed 270 days and can be continually rolled into another issuance until the earlier of September 10, 2014, or five days prior to the letter of credit expiration date. The letter of credit is currently securing the CP Notes. At the expiration date, the total outstanding principal becomes due. The CP Notes require that the charges for services be set each year at rates sufficient to produce Pledged Revenues of at least 1.10 times the debt service on subordinate obligations, including the CP Notes, for that year.

Each series of notes is additionally secured by an irrevocable letter of credit issued by Lloyds TSB Bank plc and is rated A-1 by Standard & Poor's and P-1 by Moody's Investors Service. The letter of credit expires on September 10, 2014. Interest on the notes is paid at a rate based on the market for similar CP Notes.

Additional information of the Airport Authority's long-term debt can be found in Note 5 to the financial statements of this report.

SDIA's PFC program was established in 1994 and currently authorizes the imposition of a \$4.50 fee on enplaning passengers. There are currently three active applications that provide collection authority through November 1, 2037.

FAA entitlement and discretionary grants are awarded on a federal fiscal year running October 1 through September 30. The Airport Authority has received approximately \$22.3 million in grant awards for the federal fiscal year ended September 30, 2013 and \$14.0 million in 2012. Grant awards are recognized as income/contributions as eligible expenses are incurred.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Airport Authority's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the Accounting Department, P.O. Box 82776, San Diego, CA 92138. The Accounting Department can also be reached at (619) 400-2807. A copy of the financial report is available at www.san.org.



Thella F. Bowens
Chief Executive Officer/President



Vernon D. Evans
Chief Financial Officer/Vice President of
Finance/Treasurer

San Diego County Regional Airport Authority

Statements of Net Position June 30, 2013 and 2012

Assets	2013	2012 (As restated)
Current Assets		
Unrestricted:		
Cash and cash equivalents (Note 2)	\$ 63,626,765	\$ 68,823,530
Investments (Note 2)	42,223,353	34,284,994
Tenant lease receivables, net	8,037,665	6,550,948
Grants receivable	3,828,572	3,867,809
Notes receivable, current portion (Note 3)	1,446,896	1,580,698
Other current assets	6,279,146	4,559,934
Total unrestricted current assets	125,442,397	119,667,913
Restricted cash and cash equivalents with Trustee (Notes 2 and 5)	79,819,607	77,918,561
Total current assets	205,262,004	197,586,474
Noncurrent Assets		
Restricted assets:		
Restricted cash, cash equivalents and investments, not with Trustee (Note 2)	150,891,087	155,065,655
Restricted investments with Trustee (Note 2)	284,609,727	98,211,895
Passenger facility charges receivable (Note 1)	5,545,716	4,412,287
Customer facility charges receivable (Note 1)	2,301,027	1,089,227
Other restricted assets	5,380,813	6,058,740
Total restricted assets	448,728,370	264,837,804
Other noncurrent assets:		
Investments, noncurrent (Note 2)	41,931,321	10,410,555
Notes receivable, long-term portion (Note 3)	39,886,768	41,333,664
Cash and investments designated for specific capital projects and other commitments (Notes 2 and 12)	9,565,751	9,062,504
Net pension asset and net OPEB asset (Notes 6 and 8)	6,648,142	7,204,455
Workers' compensation security deposits	616,495	503,145
Total other noncurrent assets	98,648,477	68,514,323
Capital assets (Note 4):		
Land, land improvements and nondepreciable assets	65,865,787	24,927,049
Buildings and structures	715,421,387	463,735,113
Machinery and equipment	50,717,389	47,676,803
Runways, roads and parking lots	526,061,707	269,535,431
Construction in progress	401,825,140	632,390,868
	1,759,891,410	1,438,265,264
Less accumulated depreciation	(581,747,601)	(541,788,396)
Capital assets, net	1,178,143,809	896,476,868
Total noncurrent assets	1,725,520,656	1,229,828,995
Total assets	1,930,782,660	1,427,415,469
Deferred Outflows of Resources		
Deferred loss on debt refunding	4,396,671	1,854,985
Total assets and deferred inflows of resources	\$ 1,935,179,331	\$ 1,429,270,454

See Notes to Financial Statements.

Liabilities and Net Position	2013	2012 (As restated)
Current Liabilities		
Payable from unrestricted assets:		
Accounts payable	\$ 9,830,408	\$ 9,822,085
Accrued liabilities (Note 8)	27,589,095	24,264,702
Compensated absences, current portion (Note 5)	2,357,925	2,197,705
Deposits and other current liabilities	1,458,891	703,064
Leases payable, current portion (Note 5)	328,012	164,966
Total payable from unrestricted assets	41,564,331	37,152,522
Payable from restricted assets:		
Accounts payable	22,491,968	21,648,897
Accrued liabilities	32,703,578	35,015,681
Current portion of Bonds payable (Note 5)	1,000,000	4,410,000
Accrued interest on bonds and commercial paper (Note 5)	23,624,061	16,843,983
Total payable from restricted assets	79,819,607	77,918,561
Total current liabilities	121,383,938	115,071,083
Noncurrent Liabilities		
Compensated absences, net of current portion (Note 5)	731,831	735,281
Tenant security deposits and other noncurrent liabilities	795,430	948,556
Commercial paper notes payable (Note 5)	50,969,000	20,729,000
Bonds payable and bond premium, less current portion, net of deferred refunding costs, and capital leases (Note 5)	1,034,235,764	630,897,968
Total noncurrent liabilities	1,086,732,025	653,310,805
Total liabilities	1,208,115,963	768,381,888
Commitments and Contingencies (Notes 6, 7, 8, 9, 10, 11 and 12)		
Net Position		
Net investment in capital assets (Note 1)	460,424,133	408,122,977
Restricted net position (Note 1):		
Bond reserves	52,007,087	53,364,006
Commercial paper reserves	31,314	16,350
Small business bond guarantee	4,000,000	2,000,000
Passenger facility charges	59,401,975	78,782,164
Customer facility charges	43,310,360	31,952,386
OCIP loss reserve	5,380,814	6,058,740
Total restricted net position	164,131,550	172,173,646
Unrestricted net position (Note 1)	102,507,685	80,591,943
Total net position	\$ 727,063,368	\$ 660,888,566

San Diego County Regional Airport Authority

**Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2013 and 2012**

	2013	2012 (As restated)
Operating revenues:		
Airline revenue:		
Landing fees	\$ 19,658,173	\$ 18,419,244
Aircraft parking fees	3,190,928	3,134,539
Building rentals (Note 10)	41,839,619	30,632,762
Security surcharge	23,359,938	18,649,147
Other aviation revenue	1,591,266	1,594,529
Concession revenue	42,040,742	40,427,308
Parking and ground transportation revenue	35,750,484	31,469,960
Ground rentals (Note 10)	9,161,514	8,043,563
Other operating revenue	905,150	1,178,908
Total operating revenues	177,497,814	153,549,960
Operating expenses:		
Salaries and benefits (Notes 6, 7 and 8)	38,092,464	37,236,513
Contractual services (Note 12)	29,283,526	26,905,524
Safety and security	23,994,020	22,625,169
Space rental (Note 11)	10,897,338	11,414,838
Utilities	6,659,333	6,674,424
Maintenance	11,204,465	8,496,587
Equipment and systems	468,699	403,268
Materials and supplies	405,863	304,433
Insurance	794,984	764,239
Employee development and support	1,234,757	916,194
Business development	2,444,407	2,093,164
Equipment rentals and repairs	1,316,543	1,334,858
Total operating expenses before depreciation and amortization	126,796,399	119,169,211
Income from operations before depreciation and amortization	50,701,415	34,380,749
Depreciation and amortization	41,623,629	44,532,069
Operating income (loss)	9,077,786	(10,151,320)

(Continued)

San Diego County Regional Airport Authority

Statements of Revenues, Expenses and Changes in Net Position (Continued)
Years Ended June 30, 2013 and 2012

	2013	2012 (As restated)
Nonoperating revenues (expenses):		
Passenger facility charges	\$ 35,437,453	\$ 34,639,244
Customer facility charges	19,117,217	11,486,962
Quieter Home Program grant revenue	13,241,658	11,013,260
Quieter Home Program expenses	(14,830,457)	(14,544,629)
Joint Studies Program	(55,254)	(72,835)
Interest income	4,140,068	5,491,516
Interest expense (Note 5)	(16,530,425)	(2,026,692)
Build America Bonds Rebate	4,778,599	4,995,921
Other revenues (expenses), net	(4,279,123)	(3,031,807)
Nonoperating revenues, net	41,019,736	47,950,940
Income before capital grant contributions	50,097,522	37,799,620
Capital grant contributions	16,077,280	20,833,591
Change in net position	66,174,802	58,633,211
Net position, beginning of year, as restated	660,888,566	602,255,355
Net position, end of year	\$ 727,063,368	\$ 660,888,566

See Notes to Financial Statements.

San Diego County Regional Airport Authority

Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012 (As restated)
Cash Flows From Operating Activities		
Receipts from customers	\$ 174,459,266	\$ 151,351,150
Payments to suppliers	(81,174,308)	(65,771,340)
Payments to employees	(37,008,283)	(36,498,212)
Other receipts (payments)	(149,956)	(448,668)
Net cash provided by operating activities	56,126,719	48,632,930
Cash Flows From Noncapital Financing Activities		
Settlement receipts (payments)	4,756	(158,546)
Quieter Home Program grant receipts	13,264,899	11,303,456
Quieter Home Program payments	(14,832,460)	(14,577,575)
Joint Studies Program payments	(53,251)	(39,889)
Net cash (used in) noncapital financing activities	(1,616,056)	(3,472,554)
Cash Flows From Capital and Related Financing Activities		
Capital outlay	(333,940,143)	(301,336,594)
Intergovernmental revenue	4,778,599	4,995,921
Proceeds on sale of capital assets	694,150	444,764
Federal grants received (excluding Quieter Home Program)	16,093,276	20,660,153
Proceeds from passenger facility charges	34,304,024	35,348,167
Proceeds from customer facility charges	17,905,417	11,426,775
Proceeds from issuance of commercial paper	31,045,000	-
Payment of principal on bonds and commercial paper	(39,745,000)	(4,760,000)
Proceeds from issuance of Series 2013 Bond	435,519,101	-
Proceeds from capital lease	7,955,912	-
Payment to Trustee for 2005 debt service	-	(83,375)
Interest and debt fees paid, net of capitalized interest	(4,215,620)	(2,518,161)
Net cash provided by (used in) capital and related financing activities	170,394,716	(235,822,350)
Cash Flows From Investing Activities		
Sales of investments	(363,755,197)	243,050,295
Purchases of investments	127,453,246	(36,127,941)
Interest received on investments	1,810,503	1,228,179
Principal payments received on notes receivable	1,580,698	1,696,112
Interest received from notes receivable, commercial paper and bonds	3,311,853	4,694,187
Net cash provided by (used in) investing activities	(229,598,897)	214,540,832
Net increase (decrease) in cash and cash equivalents	(4,693,518)	23,878,858
Cash and Cash Equivalents, beginning of year	77,886,034	54,007,176
Cash and Cash Equivalents, end of year	\$ 73,192,516	\$ 77,886,034

(Continued)

San Diego County Regional Airport Authority

Statements of Cash Flows (Continued)
Years Ended June 30, 2013 and 2012

	2013	2012 (As restated)
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	\$ 63,626,765	\$ 68,823,530
Cash and investments designated for specific capital projects and other commitments	9,565,751	9,062,504
	<u>\$ 73,192,516</u>	<u>\$ 77,886,034</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ 9,077,786	\$ (10,151,320)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	41,623,629	44,532,069
Bad debt expense (recapture)	4,565	34,236
Changes in assets and liabilities:		
Tenant lease receivables	(1,386,723)	(991,645)
Net pension asset	556,313	556,313
Other current assets	(892,748)	567,080
Accounts payable (on noncapital items)	(1,440,698)	4,053,484
Accrued liabilities (on noncapital items)	8,437,880	9,959,129
Postretirement benefits obligation	22,351	29,867
Deposits	(184,639)	224,138
Deferred rent liability and other	(200,346)	(530,107)
Tenant deposits	352,578	90,139
Compensated absences	156,771	259,547
Capital lease payable	-	-
Net cash provided by operating activities	<u>\$ 56,126,719</u>	<u>\$ 48,632,930</u>
Supplemental Disclosure of Noncash Investing, Capital and Financing Activities:		
Additions to capital assets included in current payables	\$ 55,195,546	\$ 56,664,578
Receivables, grants	\$ 3,828,572	\$ 3,867,809
Receivables, PFCs	\$ 5,545,716	\$ 4,412,287
Receivables, CFCs	\$ 2,153,662	\$ 1,079,837

See Notes to Financial Statements

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Reporting entity: The San Diego County Regional Airport Authority (the Airport Authority), an autonomous public agency, was established as a result of legislation, Assembly Bill 93 (2001), as modified by Senate Bill 1896 (2002), which together comprise the San Diego County Regional Airport Authority Act (the Act). The Act required, among other things, the transfer of the assets and operations of the San Diego International Airport (SDIA) from the San Diego Unified Port District (the District) to the Airport Authority. Effective January 1, 2003 (inception), the District transferred all airport operations and certain related assets and liabilities to the Airport Authority, pursuant to the Act and the Memorandum of Understanding (MOU) dated as of December 31, 2002, between the Airport Authority and the District, which implemented the Act.

Senate Bill 10, the San Diego County Regional Airport Authority Reform Act, was effective January 1, 2008. Responsibilities of the Airport Authority include, among other things, the operation, maintenance, development, management and regulation of SDIA and its facilities. In addition, the Airport Authority has the responsibility to plan or to expand the existing SDIA. Under one of the requirements of Senate Bill 10, the Airport Authority completed a Regional Aviation Strategic Plan, and by December 31, 2013, the Airport Authority will prepare and adopt an Airport Multimodal Accessibility Plan. In addition, the Airport Authority acts as the Airport Land Use Commission within San Diego County.

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the basic financial statements include all organizations, agencies, boards, commissions and authorities for which the Airport Authority is financially accountable. The Airport Authority has also considered all other potential organizations for which the nature and significance of their relationships with the Airport Authority are such that exclusion would cause the Airport Authority's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing the majority of an organization's governing body and (1) the ability of the Airport Authority to impose its will on that organization or (2) the potential for that organization to provide specific benefits to, or impose specific financial burdens on, the Airport Authority. Based on these criteria, there are no other organizations or agencies that should be included in these basic financial statements.

The Airport Authority is governed by an appointed Board of Directors of nine members representing all areas of San Diego County and three additional members serving as non-voting, ex-officio Board members. Three Board members are appointed by the Mayor of the City of San Diego. Two Board members are appointed by the San Diego County Board of Supervisors. The remaining four Board members are each appointed by the mayors of the following defined jurisdictions: the east county cities, south county cities, north coastal area cities and north county inland cities. The Board members serve three-year terms in accordance with California Senate Bill 10.

Measurement focus and basis of accounting: The accounting policies of the Airport Authority conform to accounting principles generally accepted in the United States of America applicable to state and local government agencies, and as such, the Airport Authority is accounted for as a proprietary fund. The basic financial statements presented are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This measurement focus emphasizes the determination of the change in the Airport Authority's net position.

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Evaluation of long-lived assets: The Airport Authority accounts for impairment of long-lived assets under GASB No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. The Airport Authority's capital assets include property, equipment and infrastructure assets. A capital asset is considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstances is outside the normal life cycle of the capital asset. The Airport Authority is required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Common indicators of impairment include evidence of physical damage where restoration efforts are needed to restore service utility, enactment or approval of laws or regulations setting standards that the capital asset would not be able to meet, technological development or evidence of obsolescence, a change in the manner or expected duration of use of a capital asset, or construction stoppage. This Statement requires the Airport Authority to report the effects of capital asset impairments in its financial statements when they occur and to account for insurance recoveries in the same manner. The Airport Authority's management has determined that no impairment of capital assets currently exists.

Use of estimates: The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments: Investments in the state and county investment pools are recorded at fair value based upon the Airport Authority's pro rata share of the fair value provided by the state and county investment pools for the entire respective pool. Guaranteed investment contracts are recorded at contract value. All other investments are stated at fair market value based on quoted market prices.

Tenant lease receivables: Tenant lease receivables are carried at the original invoice amount for fixed-rent tenants and at estimated invoice amount for concession (variable) tenants, less an estimate made for doubtful receivables for both fixed-rent and concession tenants, based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by evaluating individual tenant receivables and considering a tenant's financial condition and credit history and current economic conditions. Tenant lease receivables are written off when deemed uncollectible. Recoveries of tenant lease receivables previously written off are recorded when received.

Restricted assets: Funds are set aside as restricted when constraints placed on their use are legally enforceable due to either:

- Externally imposed requirements by creditors (such as through debt covenants), grantors or contributors
- Laws or regulations of other governments
- Constitutional provisions or enabling legislation

The Airport Authority's policy is to use restricted resources before unrestricted resources for expenses incurred for which both restricted and unrestricted net position are available.

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Capital assets: Capital assets are recorded at cost, except for property contributed by third parties, which is recorded at fair market value at the date of contribution, less an allowance for accumulated depreciation. The Airport Authority capitalizes incremental ancillary costs and interest cost that are directly associated with the construction of capital assets.

Capital assets are defined by the Airport Authority as assets with an initial, individual cost of more than \$5,000 and an initial useful life of one year or greater. Depreciation is computed by use of the straight-line method over the following estimated useful lives:

Asset Category	Useful Life (years)
Land improvements	30-40
Runways, roadways and parking lots	
Lighting, security and minor improvements	3-10
Airfield and parking lots and improvements	12-25
Drainage systems, gas lines, pedestrian bridges	30
Roadways, bridges and infrastructure	40-50
Buildings and structures	
Passenger loading bridges, security systems, general upgrades and remodels	3-10
Baggage handling systems, HVAC, structural improvements, fuel and storage facility	12-20
Building expansions and smart curb improvements	25-50
Machinery and equipment	
Vehicles and emergency vehicles	3-15
Office furniture and equipment	3-10
Communication and electronic systems	3-20
Works of art	15-30

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as construction in process as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized cost of the assets constructed. For the fiscal years ended June 30, 2013 and 2012, the Airport Authority capitalized interest of \$29,438,080 and \$31,663,105, respectively.

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Net pension asset: The Airport Authority budgets for a 90 percent funding ratio with respect to its defined pension plan, which results in additional contributions to the plan over its annual required contribution (ARC). The difference between the Airport Authority's actual contributions and ARCs results in a net pension asset.

Airport Improvement Program: AIP grants are authorized and disbursed by the FAA under the Airway Improvement Act of 1982, as amended, which provides funding for airport planning and development projects at airports included in the National Plan of Integrated Airport Systems. As such, the AIP grants must be used to pay for the allowable costs of approved projects. As of June 30, 2013 and 2012, the Airport Authority recovered \$16,077,280 and \$20,833,591, respectively, for approved capital projects, and \$13,241,658 and \$11,013,260, respectively, for the Quieter Home Program. Related recoverable costs as of June 30, 2013 and 2012 were \$20,096,600 and \$26,041,989, respectively, for the capital projects and \$14,830,457 and \$14,544,629, respectively, for the Quieter Home Program. Receipts from federal programs are subject to audit to determine if the funds were used in accordance with the applicable regulations. The Airport Authority believes that no significant liabilities to the Airport Authority would result from such an audit.

Passenger facility charges: The PFC program is authorized by the Aviation Safety and Capacity Expansion Act of 1990 (the Expansion Act). In accordance with the Expansion Act, the Airport Authority's AIP Passenger Entitlement Apportionment is reduced by certain percentages, dependent upon the level of PFC received by the Airport Authority.

In accordance with the program, the PFC revenue must be used to pay allowable costs for approved capital projects. As of June 30, 2013 and 2012, accrued PFC receivables totaled \$5,545,716 and \$4,412,287, respectively, and there were \$53,856,259 and \$74,369,877 PFC amounts collected but not yet applied for approved capital projects as of June 30, 2013 and 2012, respectively.

On May 20, 2003, the FAA approved the Airport Authority's PFC charge per enplaned passenger from \$3.00 to \$4.50, beginning August 1, 2003. Currently, impose and use authority of \$1.2 billion from three active applications allows collection through November 1, 2037. The Authority has formally closed five previously approved applications and withdrawn one pending application, which has been integrated into a ninth application to impose and use of approximately \$32 million in PFC revenue. The latest application was approved by the FAA in July 2012. In accordance with the Aviation Investment Reform Act (AIR-21), airports imposing a \$4.50 collection level are required to reduce AIP Passenger Entitlement Apportionment to 75 percent.

Customer facility charges: The Airport Authority received approval in May 2009 from the State of California under Section 1936 of the California Civil Code to impose a \$10 customer facility charge (CFC) per contract on rental cars at SDIA.

In accordance with the program, the CFC revenue must be used to pay allowable costs for approved capital projects. In November 2012, the rate of \$10 per contract was changed to \$6 per day up to five days. As of June 30, 2013 and 2012, accrued CFC receivables totaled \$2,301,027 and \$1,089,227, respectively. CFC amounts collected, including interest, but not yet applied for approved capital projects as of June 30, 2013 and 2012 were \$41,660,993 and \$30,863,159, respectively.

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Retentions payable: The Airport Authority enters into construction contracts that may include retention provisions such that a certain percentage of the contract amount is held for payment until completion of the contract and acceptance by the Airport Authority. The Airport Authority's policy is to record the retention payable only after completion of the work and acceptance of the contractor invoices have occurred. Retentions payable on completed contracts are included with accounts payable on the accompanying statements of net position. Amounts related to unpaid retentions on uncompleted contracts are included in accrued liabilities.

Compensated absences: All employees of the Airport Authority earn annual leave that is paid upon termination or retirement. Annual leave is accrued at current rates of compensation.

Airport Authority net position: Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds.

Airport Authority net position is reported as restricted when there are limitations imposed on its use, either through the enabling legislation adopted by the Airport Authority or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Net investment in capital assets as of June 30 is as follows:

	2013	2012
Capital assets	\$ 1,759,891,408	\$ 1,438,265,264
Less accumulated depreciation	(581,747,600)	(541,788,395)
Less outstanding debt	(717,719,675)	(488,353,892)
Net investment in capital assets	\$ 460,424,133	\$ 408,122,977

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Other restricted net assets as of June 30 are as follows:

	2013	2012
Bond reserves:		
Operations and maintenance reserve	\$ 34,955,315	\$ 31,821,881
Operations and maintenance subaccount reserve	11,651,772	10,607,294
Revenue and replacement reserve	5,400,000	5,400,000
Bond reserve with Trustee	-	5,534,831
Commercial paper reserve	31,314	16,350
Small Business Development Bond Guarantee	4,000,000	2,000,000
Passenger facility charges unapplied	53,856,259	74,369,877
Passenger facility charges receivable	5,545,716	4,412,287
Customer facility charges unapplied	41,009,333	30,863,159
Customer facility charges receivable	2,301,027	1,089,227
Owner Controlled Insurance Program (OCIP) loss reserve	5,380,814	6,058,740
Total restricted net position	\$ 164,131,550	\$ 172,173,646

Unrestricted net position as of June 30 includes designations of net position that represent tentative management plans that are subject to change, consisting of:

	2013	2012
Operating contingency	\$ 2,000,000	\$ 2,000,000
Insurance contingency (Note 9)	6,659,982	5,941,986
Capital projects and other commitments (Note 12)	905,769	1,120,518
Total designated net position	\$ 9,565,751	\$ 9,062,504

Unrestricted designated net position: The Airport Authority's management designates funds for capital projects and other specific commitments; these funds would otherwise be available for operations. At June 30, 2013 and 2012, management had designated funds for specific approved capital projects, unspent commercial paper draws and other commitments totaling \$9,565,751 and \$9,062,504, respectively.

Revenue classifications: Revenue is recognized when earned. The Airport Authority will classify revenues as operating or nonoperating based on the following criteria:

Operating revenues are from the revenue sources that constitute the principal ongoing activities of the Airport Authority's operations. The major components of the Airport Authority's operating revenue sources consist of landing fees and terminal building and ground rentals, concession and parking fees, and other miscellaneous fees and charges. Landing fees and terminal building rates are charged on the basis of recovery of actual costs for operating and maintaining the SDIA airfield and terminal areas. Ground rentals consist mainly of rent received for leased cargo facilities. Concession fees are determined as a percentage of gross monthly revenues generated by each concession lessee's monthly operations. Parking fees are generated from the airport parking lots.

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Nonoperating revenues are from revenue sources related to financing activities and other activities, which do not constitute the principal ongoing activities of the Airport Authority's operations. The major components of the nonoperating revenue sources are interest income from cash and investments, PFCs, CFCs and grant revenue related to the Quieter Home Program.

Concentrations: A significant portion of the Airport Authority's earnings and revenues are directly or indirectly attributed to the activity of a number of major airlines. The Airport Authority's earnings and revenues could be materially and adversely affected should any of these major airlines discontinue operations and should the Airport Authority be unable to replace those airlines with similar activity. The level of operations is determined based upon the relative share of enplaned passengers. The three largest airlines in terms of enplaned passengers are as follows:

	FY 2013	FY 2012
Southwest Airlines	37.2%	37.9%
United Airlines	13.5%	14.8%
Delta Airlines	10.4%	10.9%

Expense classifications: The Airport Authority will classify expenses as operating or nonoperating based on the following criteria:

Operating expenses relate to the principal ongoing activities of the Airport Authority's operations. The major components of the Airport Authority's operating expense sources consist of salaries and benefits, contractual services, space rental, utilities, maintenance, equipment and systems, materials and supplies, insurance, employee development and support, business development, and equipment rentals and repairs.

Nonoperating expenses relate to financing, investing and other activities that do not constitute the principal ongoing activities of the Airport Authority's operations. The major components of nonoperating expenses sources are expenditures for the Quieter Home Program, interest expense and other nonoperating expenses such as unrealized loss on investments.

Federal grants: The Airport Authority receives federal grants from several federal departments. The Airport Authority records grants receivable and grant revenue or capital grant contributions for eligible reimbursable expenditures incurred.

Cash and cash equivalents: For purposes of the statements of cash flows, cash and cash equivalents include unrestricted and designated cash on hand, demand deposits, commercial paper and repurchase agreements collateralized by the U.S. government or agency obligations with original maturities of three months or less from the date of acquisition.

Long-term debt: Long-term debt and other obligations are reported as liabilities on the statements of net position. The revenue bond original discount and the revenue bond original issue premium are deferred and amortized over the term of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period the debt is issued.

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Pronouncements issued but not yet adopted: The GASB has issued several pronouncements that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following Statements may have on the financial statements of the Airport Authority:

- GASB Statement No. 66, *Technical Corrections—2012*, effective for the Airport Authority's year ending June 30, 2014
- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for the Airport Authority's year ending June 30, 2015
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for the Airport Authority's year ending June 30, 2015
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the Airport Authority's year ending June 30, 2014

The Airport Authority has adopted and implemented the following GASB Statements during the year ended June 30, 2013:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, effective for the Airport Authority's fiscal year 2013
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an Amendment of GASB Statements No. 14 and No. 34*
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and AICPA Pronouncements*
- GASB Statement No. 63, *The Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*

The implementation of GASB Statement Nos. 60, 61 and 62 did not impact net position or the change in net position of the Airport Authority as of or for the years ended June 30, 2013 and 2012. The implementation of GASB Statement No. 63 impacted certain terminology used but did not have an impact on the net position at June 30, 2013 or 2012, or the change in net position during the years then ended.

The implementation of GASB Statement No. 65 impacted the Airport Authority's net position as of June 30, 2011 and 2012 and the change in net position during the fiscal year ended June 30, 2012. Refer to Note 13 for further disclosures on the financial statement impact of the implementation of GASB Statement No. 65.

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Deferred outflows of resources: In fiscal year 2013, the Airport Authority implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and their effects on the Airport Authority's net position. In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources, or expenses, until then. The Airport Authority only has one item, deferred loss on debt refunding, which qualifies for reporting in this category in the statement of net position.

Reclassifications: Certain reclassifications have been made to the 2012 financial information in order to conform to the 2013 presentation. These reclassifications had no impact on the Airport Authority's net position or change in net position.

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 2. Cash and Investments

Summary of cash and investments: Cash and investments are reported in the accompanying statements of net position as follows at June 30:

	2013	2012
Unrestricted and undesignated:		
Cash and cash equivalents	\$ 63,626,765	\$ 68,823,530
Current investments	42,223,353	34,284,994
Noncurrent investments	41,931,321	10,410,555
Total unrestricted and undesignated	147,781,439	113,519,079
Designated for specific capital projects and other commitments, cash and investments	9,565,751	9,062,504
Restricted cash and investments:		
Bond reserves		
Operation and maintenance reserve subaccount	34,955,315	31,821,881
Operation and maintenance subaccount	11,651,772	10,607,294
Renewal and replacement reserve	5,400,000	5,400,000
	52,007,087	47,829,175
Passenger facility charges unapplied	53,856,259	74,369,877
Customer facility charges unapplied	41,009,333	30,863,159
Small Business Development bond guarantee	4,000,000	2,000,000
Commercial paper reserve	18,408	3,444
Total restricted	150,891,087	155,065,655
Total cash and investments, not with Trustee	308,238,277	277,647,238
Investments held by Trustees:		
Commercial paper interest	12,906	12,906
2005 Series debt service account	-	4,533,755
2005 Series Debt Service Reserve Fund	-	5,394,063
2010 Series debt service account	16,869,731	6,847,385
2010 Series capitalized interest account	-	10,899,880
2010 Series construction fund	2,728,626	96,929,284
2010 Series Debt Service Reserve Fund	51,108,152	51,513,183
2013 Series debt service account	1,648,415	-
2013 Series capitalized interest account	8,357,832	-
2013 Series construction fund	250,974,607	-
2013 Series Debt Service Reserve Fund	32,729,065	-
Total held by Trustee	364,429,334	176,130,456
Total cash and investments	\$ 672,667,611	\$ 453,777,694

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 2. Cash and Investments (Continued)

Components of cash and investments at June 30 are summarized below:

	2013	2012
Unrestricted cash on deposit:		
Cash on hand	\$ 51,976	\$ 51,976
Cash in banks	5,043,576	26,107,812
Total unrestricted cash on deposit	5,095,552	26,159,788
Unrestricted cash equivalents:		
Money market accounts	62,559,806	50,916,044
Money market funds	5,537,158	810,202
Total unrestricted cash equivalents	68,096,964	51,726,246
Unrestricted and restricted investments:		
Certificates of deposit	10,117,110	16,999,083
Local Agency Investment Fund	47,416,828	47,305,946
San Diego County Investment Pool	48,088,210	48,315,026
Commercial paper	35,485,205	25,899,199
Medium-term notes	8,126,320	-
U.S. Treasury notes	11,759,303	3,002,220
U.S. agency securities	74,052,785	58,239,730
Total unrestricted and restricted investments	235,045,761	199,761,204
Total cash and investments, not with Trustee	308,238,277	277,647,238
Investments held by Trustees:		
Money market accounts	16,124,492	20,590,022
Money market funds	24,620,178	22,008,575
Certificate of deposit	20,461,517	20,308,632
San Diego County Investment Pool	207,199,007	107,829,164
Local Agency Investment Fund	96,024,140	-
Guaranteed investment contract	-	5,394,063
Total investments held by Trustee	364,429,334	176,130,456
Total investments	599,475,095	375,891,660
Total cash, cash equivalents and investments	\$ 672,667,611	\$ 453,777,694

Investments authorized in accordance with California Government Code Section 53601 and under the provisions of the Airport Authority's investment policy: The table on the following page identifies the investment types that are authorized by the Airport Authority's investment policy and State Government Code. The table also identifies certain provisions of the Airport Authority's investment policy that address interest rate risk, credit risk and concentration of credit risk.

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 2. Cash and Investments (Continued)

This table does not address investments of bond proceeds held by the bond Trustee that are governed by provisions of debt agreements of the Airport Authority, in addition to the general provisions of the Airport Authority's investment policy and State Government Code.

Authorized Investment Type	Maximum Maturity	Minimum Quality Requirements	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury obligations	5 years	N/A	None	None
U.S. agency securities	5 years	N/A	None	None
Bankers' acceptances	180 days	AAA/Aaa	40 percent	10 percent
Commercial paper	270 days	A-1; P-1; F-1	25 percent	10 percent
Negotiable certificates of deposit	< 25 months	A	30 percent	10 percent
	25-36 months	AA	30 percent	10 percent
Medium-term notes	< 25 months	A	15 percent	10 percent
	25-36 months	AA	15 percent	10 percent
Repurchase agreements	1 year	A	None	None
Local Agency Investment Fund	N/A	N/A	None	No limit
San Diego County Investment Pool	N/A	N/A	None	No limit
Local Government Investment Pool	N/A	N/A	None	No limit
Money market mutual funds	N/A	AAA/Aaa	20 percent	10 percent
U.S. State and California agency indebtedness	5 years	A	20 percent	5 percent
Placement service certificates of deposits	3 years	N/A	30 percent	10 percent
Bank deposits (DOA/CDs)	N/A	*	20 percent	10 percent

* Financial institution must have at least an overall satisfactory rating under the Community Reinvestment Act for meeting the credit needs of California communities in its most recent evaluation. Collateralization required per Cal. Gov. Code Section 53630 et seq.

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 2. Cash and Investments (Continued)

Investments authorized by debt agreements: Investments held by the bond Trustee are governed by the provisions of the debt agreement, in addition to the general provisions of the California Government Code and the Airport Authority's investment policy. The table below identifies the investment types that are authorized for investments held by the bond Trustee, according to the Master Trust Indenture. In the event of a conflict between the Airport Authority's investment policy and permitted investments associated with any Airport Authority debt issuance, the debt agreement shall control. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Minimum Quality Requirements	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury obligations	None	N/A	None	None
U.S. agency securities	None	N/A	None	None
Bankers' acceptances	360 days	AAA/Aaa	None	None
Commercial paper	270 days	A-1; P-1; F-1	None	None
Repurchase agreements	None	N/A	None	None
Money market portfolio	None	Two highest ratings	None	None
Cash	None	N/A	None	None
Deposit accounts	None	N/A	None	None
Municipal bonds	None	Two highest ratings	None	None
Local Agency Investment Fund	None	N/A	None	None
San Diego County Investment Pool	None	N/A	None	None
Certificates of deposit	None	Two highest ratings	None	None
Investment agreements	None	N/A	None	None

The primary objective of the Airport Authority's investment policy is to invest public funds in a manner that will provide the highest security of the funds under management while meeting the daily cash flow demands of the Airport Authority. Assets of the Airport Authority that are not bond proceeds, which are invested in securities as permitted in the bond indenture, are described in the preceding table. In addition, there are various credit criteria as defined in the Airport Authority's investment policy as depicted in the previous section entitled "Investments authorized in accordance with California Government Code Section 53601 and under the provisions of the Airport Authority's investment policy."

Investments held by Trustee: The Airport Authority has monies held by a Trustee pledged for the security and payment of certain debt instruments as required by the debt agreements. The Series 2005 Bonds were defeased on January 21, 2013, by depositing proceeds of subordinate commercial paper notes (CP Notes) and certain available monies in an irrevocable escrow fund. Before the defeasance, the June 30, 2012 investments held by the Trustee for security and the payment of the 2005 bonds was \$9,927,818, which included the July 1, 2013 payment. The Series 2010 Bonds require the Airport Authority to maintain a reserve account and deposit all unused bond proceeds with the bond Trustee. At June 30, 2013 and 2012, the amount held by the Trustee was \$70,706,508 and \$166,189,732, respectively, which included the July 1 payment. The Series 2013 Bonds, issued on January 30, 2013, require the Airport Authority to maintain a reserve account and deposit all unused bond proceeds with the bond Trustee. At June 30, 2013, the amount held by the Trustee was \$293,709,919, which included the July 1 payment.

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 2. Cash and Investments (Continued)

The CP Notes require the Airport Authority to maintain an interest reserve account with the note Trustee. The commercial paper interest held by the Trustee at June 30, 2013 and 2012 was \$12,906.

Disclosures related to interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, investments with longer maturities have greater fair value sensitivity to changes in market interest rates. One of the ways the Airport Authority manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities. These staggered maturities also provide consistent cash flow and fulfill liquidity needs for operations. The Airport Authority monitors interest rate risk inherent in its portfolio by measuring the segmented time distribution of its portfolio. The Airport Authority has no specific limitations with respect to this metric.

Information about the sensitivity of the fair values of the Airport Authority's investments (including investments held by bond Trustee) to market rate fluctuations is provided by the following tables, which show the distribution of the entity's investments by maturity as of June 30:

Investment Type	2013				
	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Investments subject to interest rate risk:					
LAIF	\$ 143,440,971	\$ 143,440,971	\$ -	\$ -	\$ -
SDCIP	255,287,214	255,287,214	-	-	-
Commercial paper	35,485,205	35,485,205	-	-	-
Medium-term notes	8,126,320	-	-	8,126,320	-
Money market funds	24,620,178	24,620,178	-	-	-
U.S. Treasury notes	11,759,303	-	-	11,759,303	-
U.S. agency securities	74,052,785	-	4,992,950	69,059,835	-
Total investments subject to interest rate risk	552,771,976	\$ 458,833,568	\$ 4,992,950	\$ 88,945,458	\$ -
Investments not subject to interest rate risk:					
Money market accounts	16,124,492				
Certificates of deposit	30,578,627				
Total investments not subject to interest rate risk	46,703,119				
	\$ 599,475,095				

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 2. Cash and Investments (Continued)

Investment Type	2012				
	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Investments subject to interest					
rate risk:					
LAIF	\$ 47,305,946	\$ 47,305,946	\$ -	\$ -	\$ -
SDCIP	156,144,190	156,144,190	-	-	-
Money market funds	22,008,575	22,008,575	-	-	-
Commercial paper	25,899,199	25,899,199	-	-	-
U.S. Treasury notes	3,002,220	3,002,220	-	-	-
U.S. agency securities	58,239,730	-	6,010,920	52,228,810	-
Guaranteed investment contract	5,394,063	-	-	-	5,394,063
Total investments subject to interest rate risk	317,993,923	\$ 254,360,130	\$ 6,010,920	\$ 52,228,810	\$ 5,394,063
Investments not subject to interest					
rate risk:					
Money market accounts	20,590,022				
Certificates of deposit	37,307,715				
Total investments not subject to interest rate risk	57,897,737				
	<u>\$ 375,891,660</u>				

Custodial credit risk (deposits): Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Airport Authority maintains deposits at several institutions in order to minimize custodial credit risk. These deposits are collateralized by various instruments such as U.S. government securities (guaranteed) or U.S. agency securities (government sponsored). California Government Code requires that a financial institution secure deposits made by a state or local government by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure Airport Authority deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. Insurance through the Federal Deposit Insurance Corporation (FDIC) may be applicable to the first \$250,000 of institutional deposit accounts, with any balance above this amount covered by the collateralization requirement.

Custodial credit risk (investments): Custodial credit risk for investments is the risk that the Airport Authority will not be able to recover the value of its investments in the event of a counterparty failure. The Airport Authority uses third-party banks' custody and safekeeping services for its registered investment securities. Securities are held in custody at third-party banks registered in the name of the Airport Authority and are segregated from securities owned by those institutions or held in custody by those institutions. Certificates of deposit held by the Airport Authority's third-party custodians are fully insured by the FDIC, as the individual amounts do not exceed the FDIC-insured limits, or collateralized in accordance with the California Government Code.

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 2. Cash and Investments (Continued)

Disclosures related to credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30 for each investment type:

Investment Type	2013				
	Total	Unrated ⁽¹⁾	AAA/Aaa ⁽¹⁾	AA/Aa ⁽¹⁾	A-1+/P-1 ⁽¹⁾
Investments subject to credit risk:					
LAIF	\$ 143,440,971	\$ 143,440,971	\$ -	\$ -	\$ -
SDCIP	255,287,214	-	255,287,214	-	-
Commercial paper	35,485,205	-	-	-	35,485,205
Medium-term notes	8,126,320	-	-	8,126,320	-
Money market funds	24,620,178	-	24,620,178	-	-
U.S. Treasury notes	11,759,303	-	11,759,303	-	-
U.S. agency securities	74,052,785	-	74,052,785	-	-
Total investments subject to credit risk	552,771,976	\$ 143,440,971	\$ 365,719,480	\$ 8,126,320	\$ 35,485,205
Investments not subject to credit risk:					
Money market accounts	16,124,492				
Certificates of deposit	30,578,627				
Total investments not subject to credit risk	46,703,119				
	<u>\$ 599,475,095</u>				

⁽¹⁾ Source: Standard and Poor's, Moody's and Fitch

Investment Type	2012			
	Total	Unrated ⁽¹⁾	AAA ⁽¹⁾	A-1+/P-1 ⁽¹⁾
Investments subject to credit risk:				
LAIF	\$ 47,305,946	\$ 47,305,946	\$ -	\$ -
SDCIP	156,144,190	-	156,144,190	-
Money market funds	22,008,575	-	22,008,575	-
Commercial paper	25,899,199	-	-	25,899,199
U.S. Treasury notes	3,002,220	-	3,002,220	-
U.S. agency securities	58,239,730	-	58,239,730	-
Guaranteed investment contract	5,394,063	-	5,394,063	-
Total investments subject to credit risk	317,993,923	\$ 47,305,946	\$ 244,788,778	\$ 25,899,199
Investments not subject to credit risk:				
Money market account	20,590,022			
Certificates of deposit	37,307,715			
Total investments not subject to credit risk	57,897,737			
	<u>\$ 375,891,660</u>			

⁽¹⁾ Source: Standard and Poor's, Moody's and Fitch

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 2. Cash and Investments (Continued)

Concentration of credit risk: The investment policy of the Airport Authority contains no limitations on the amount that can be invested by any one issuer beyond that stated above. Investments that represent 5 percent or more of the Airport Authority's investments as of June 30, 2013 are as follows:

Issuer	Type	Fair Value	Percentage of Portfolio
Federal National Mortgage Assoc.	U.S. agency securities	<u>\$ 33,763,865</u>	5.02%

Investment in state investment pools: The Airport Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Airport Authority's investments in this pool are reported in the accompanying financial statements at fair value based upon the Airport Authority's pro rata share of the amortized cost basis provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of each portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF.

Investment in county investment pool: The Airport Authority is a voluntary participant in the San Diego County Investment Pool (SDCIP), which is regulated by California Government Code Section 16429 under the oversight of the County Treasurer of San Diego. The Airport Authority's investments in this pool are reported in the accompanying financial statements at fair value based upon the Airport Authority's pro rata share of the amortized cost basis provided by SDCIP for the entire SDCIP portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by SDCIP.

Note 3. Notes Receivable

As part of the transfer of airport operations, pursuant to the MOU, the District issued a \$50,000,000 unsecured promissory note to the Airport Authority. Pursuant to an agreement with the District that commenced on January 1, 2006, the note will be amortized over 25 years and will mature on December 31, 2030, subordinate to all bond indebtedness of the District, at a fixed interest rate of 5.5 percent per annum. At June 30, 2013 and 2012, the balance of the note receivable was \$41,333,664 and \$42,703,301, respectively. The current portion recorded on the note for the years ended June 30, 2013 and 2012 was \$1,446,896 and \$1,369,638, respectively.

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 3. Notes Receivable (Continued)

As part of the transfer of airport operations, pursuant to the Act, the District reimbursed the Airport Authority for the fair market value of the Pond 20 property. The District is required to pay the Airport Authority monthly principal and interest payments over a 10-year period at a 5.25 percent interest rate. A receivable for the Pond 20 property was recorded by the Airport Authority at January 1, 2003 at the District's preliminary appraised value of \$2,378,000. Pursuant to the settlement agreement with the District, the negotiated appraised value was \$3,329,000. Repayment terms remain unchanged. At June 30, 2013 and 2012, the note receivable was recorded at a value of \$0 and \$211,060, respectively. The current portion for the years ended June 30, 2013 and 2012 was \$0 and \$211,060, respectively.

The required principal payments owed from the District for notes receivable for the fiscal years ending June 30 are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2014	\$ 1,447,000
2015	1,529,000
2016	1,609,000
2017	1,705,000
2018	1,802,000
2019-2023	10,647,000
2024-2028	14,009,000
2029-2031	8,586,000
	<u>\$ 41,334,000</u>

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 4. Capital Assets

Capital asset activity was as follows:

	Balance at June 30, 2012	Increases	Decreases	Balance at June 30, 2013
Nondepreciable assets:				
Land	\$ 22,415,851	\$ -	\$ -	\$ 22,415,851
Construction in progress	632,390,868	320,205,929	(550,771,657)	401,825,140
Intangible asset	440,000	-	-	440,000
Total nondepreciable assets	655,246,719	320,205,929	(550,771,657)	424,680,991
Depreciable assets:				
Land improvements	2,071,198	40,938,738	-	43,009,936
Buildings and structures ⁽¹⁾	463,735,113	252,587,679	(901,405)	715,421,387
Machinery and equipment ⁽²⁾	47,676,803	3,336,199	(295,613)	50,717,389
Runways, roads and parking lots	269,535,431	262,222,156	(5,695,880)	526,061,707
Total capital assets being depreciated	783,018,545	559,084,772	(6,892,898)	1,335,210,419
Less accumulated depreciation for:				
Land improvements	(1,190,389)	(1,108,151)		(2,298,540)
Building and structures	(320,299,753)	(26,459,140)	605,053	(346,153,840)
Machinery and equipment	(35,344,261)	(3,870,881)	294,446	(38,920,696)
Runways, roads and parking lots	(184,953,993)	(12,950,700)	3,530,168	(194,374,525)
Total accumulated depreciation	(541,788,396)	(44,388,872)	4,429,667	(581,747,601)
Total capital assets being depreciated, net	241,230,149	514,695,900	(2,463,231)	753,462,818
Capital assets, net	\$ 896,476,868	\$ 834,901,829	\$ (553,234,888)	\$ 1,178,143,809

(1) Includes capitalized lease of building with initial net present value of future lease payments of \$8,040,531

(2) Includes capitalized leases of office equipment with initial net present value of future lease payments of \$760,332

Construction in progress contains projects such as The Green Build, upgrading certain major equipment, and improvements to the runway, parking lots and terminals. Current contracts of the Airport Authority related to these projects are discussed in Note 12.

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 4. Capital Assets (Continued)

	Balance at June 30, 2011	Increases	Decreases	Balance at June 30, 2012
Nondepreciable assets:				
Land	\$ 22,432,655	\$ -	\$ (16,804)	\$ 22,415,851
Construction in progress	322,289,133	319,839,003	(9,737,268)	632,390,868
Intangible asset	440,000	-	-	440,000
Total nondepreciable assets	345,161,788	319,839,003	(9,754,072)	655,246,719
Depreciable assets:				
Land improvements	2,028,465	42,733	-	2,071,198
Buildings and structures	466,463,764	1,623,967	(4,352,618)	463,735,113
Machinery and equipment ⁽¹⁾	46,246,697	1,846,081	(415,975)	47,676,803
Runways, roads and parking lots	273,449,104	6,757,894	(10,671,567)	269,535,431
Total capital assets being depreciated	788,188,030	10,270,675	(15,440,160)	783,018,545
Less accumulated depreciation for:				
Land improvements	(1,048,848)	(141,541)	-	(1,190,389)
Building and structures	(298,025,116)	(26,627,255)	4,352,618	(320,299,753)
Machinery and equipment	(31,187,302)	(4,564,238)	407,279	(35,344,261)
Runways, roads and parking lots	(177,667,532)	(14,256,482)	6,970,021	(184,953,993)
Total accumulated depreciation	(507,928,798)	(45,589,516)	11,729,918	(541,788,396)
Total capital assets being depreciated, net	280,259,232	(35,318,841)	(3,710,242)	241,230,149
Capital assets, net	\$ 625,421,020	\$ 284,520,162	\$ (13,464,314)	\$ 896,476,868

(1) Includes capitalized leases of office equipment with initial net present value of future lease payments of \$760,332

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 5. Debt

The following is a summary of changes in the long-term liability activity:

	Principal Balance at June 30, 2012 (as restated)	Additions/ New Issuances	Reductions/ Repayments	Principal Balance at June 30, 2013	Due Within One Year
Debt obligations:					
Commercial paper	\$ 20,729,000	\$ 31,045,000	\$ (805,000)	\$ 50,969,000	\$ -
Bonds payable:					
Senior Series 2005 Bonds	37,960,000	-	(37,960,000)	-	-
Subordinate Series 2010 Bonds	571,850,000	-	(980,000)	570,870,000	1,000,000
Senior Series 2013 Bonds	-	379,585,000	-	379,585,000	-
Bond premiums	25,497,968	55,934,101	(4,475,881)	76,956,188	-
Total bonds payable	635,307,968	435,519,101	(43,415,881)	1,027,411,188	1,000,000
Total debt obligations	656,036,968	466,564,101	(44,220,881)	1,078,380,188	1,000,000
Capital leases	361,641	8,040,531	(249,584)	8,152,588	328,012
Compensated absences	2,932,985	2,514,696	(2,357,925)	3,089,756	2,357,925
Total long-term liabilities	\$ 659,331,594	\$ 477,119,328	\$ (46,828,390)	\$ 1,089,622,532	\$ 3,685,937

	Principal Balance at June 30, 2011 (as restated)	Additions/ New Issuances	Reductions/ Repayments	Principal Balance at June 30, 2012 (as restated)	Due Within One Year
Debt obligations:					
Commercial paper	\$ 21,509,000	\$ -	\$ (780,000)	\$ 20,729,000	\$ -
Bonds payable:					
Senior Series 2005 Bonds	41,225,000	-	(3,265,000)	37,960,000	3,430,000
Subordinate Series 2010 Bonds	572,565,000	-	(715,000)	571,850,000	980,000
Bond premiums	27,130,314	-	(1,632,346)	25,497,968	-
Total bonds payable	640,920,314	-	(5,612,346)	635,307,968	4,410,000
Total debt obligations	662,429,314	-	(6,392,346)	656,036,968	4,410,000
Capital leases	519,866	-	158,225	361,641	164,966
Compensated absences	2,673,438	2,457,252	(2,197,705)	2,932,985	2,197,705
Total long-term liabilities	\$ 665,622,618	\$ 2,457,252	\$ (8,431,826)	\$ 659,331,594	\$ 6,772,671

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 5. Debt (Continued)

Commercial Paper Series A, B and C (CP Notes): On September 6, 2007, the Board authorized issuance of subordinate CP Notes with up to \$250,000,000 of principal outstanding at any time. The CP Notes may be issued from time to time and proceeds from the issuance of the CP Notes are to be used, among other things, to finance improvements to SDIA. The CP Notes are subordinate obligations secured by a pledge of airport revenues subordinated to the pledge of net airport revenues securing payment of the senior lien Series 2013 Bonds and on parity to the subordinate Series 2010 Bonds. Each CP Note matures at the end of a period not to exceed 270 days. The matured commercial paper can be continually rolled into another issuance until the earlier of September 10, 2014, or five days prior to the irrevocable letter of credit expiration date.

The CP Notes are secured by an irrevocable letter of credit provided by Lloyds TSB Bank, which expires no later than September 10, 2014. Accordingly, the CP Notes are classified as long-term in the Airport Authority's financial statements. There were no unreimbursed draws by the Airport Authority on this letter of credit during the year ended June 30, 2013, nor were there any amounts outstanding under this letter-of-credit agreement at June 30, 2013.

On December 18, 2012, the Airport Authority issued \$35,412,000 of Series C CP Notes to provide for the defeasance of Series 2005 Bonds.

At June 30, 2013, the aggregate principal amount outstanding of the CP Notes was \$50,969,000, carrying a weighted-average interest rate of 0.19 percent. At June 30, 2012, the principal amount of CP Notes outstanding was \$20,729,000, carrying an interest rate of 0.26 percent.

Commercial paper interest expense for the years ended June 30, 2013 and 2012 amounted to \$87,682 and \$56,199, respectively, including accrued interest of \$6,866 and \$3,447, respectively.

As subordinate obligations, the CP Notes require that the charges for services be set each year at rates sufficient to produce pledged revenues at least 110 percent times the subordinate debt service for that year. In addition, the CP Notes require the Airport Authority to maintain an interest reserve account with the note Trustee and to reserve a certain amount in the Airport Authority's books. At June 30, 2013 and 2012, the amount held by the Trustee was \$12,906 and \$12,906, respectively, and the amount reserved by the Airport Authority was \$18,408 and \$3,444, respectively.

The required debt service payments for the CP Notes for the fiscal years ending June 30 are as follows, assuming an interest rate of 0.19 percent:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ 96,841	\$ 96,841
2015	50,969,000	96,841	51,065,841
	<u>\$ 50,969,000</u>	<u>\$ 193,682</u>	<u>\$ 51,162,682</u>

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 5. Debt (Continued)

Senior Lien Airport Revenue Bonds, Series 2005 and Refunded Series 1995: The California Maritime Infrastructure Authority issued \$76,690,000 of Airport Revenue Bonds (Series 1995 Bonds) for the District, pursuant to a trust agreement dated December 1, 1995. The proceeds of the Series 1995 Bonds, together with investment income thereon, were used solely to pay a portion of the construction and installation of the West Terminal Expansion at SDIA, fund a Reserve Account and pay certain expenses in connection with the issuance of the Series 1995 Bonds. In conjunction with the transfer of airport operations to the Airport Authority on January 1, 2003, these bond obligations were assumed by the Airport Authority.

On November 9, 2005, the Airport Authority issued \$56,270,000 of senior lien Series 2005 Bonds to refund all of the then-outstanding Series 1995 Bonds, fund a debt service reserve account and pay cost of issuance. The Series 2005 Bonds were structured as serial bonds that bear interest at rates ranging from 4.5 percent to 5.25 percent and mature in fiscal years 2007 to 2021.

On December 21, 2012, the Authority defeased all of its outstanding Series 2005 Bonds, by depositing proceeds of Subordinate CP Notes and certain other available monies into an irrevocable escrow fund. The amounts on deposit in the escrow fund will be used to pay the principal of and interest on the Senior Series 2005 Bonds until their final maturity date of July 1, 2020. As of June 30, 2013, the amount held in escrow by the Trustee was \$36,489,675 and the amount of the defeased Series 2005 Bonds still outstanding was \$34,530,000.

Although the advance refunding resulted in the recognition of a deferred outflow of resources of \$6,367,592 for the year ended June 30, 2013, the Airport Authority in effect reduced its aggregate debt service payments by \$1,214,000 over the next seven years and obtained an economic gain (difference between the present value of the old and new debt service payments) of \$1,003,000. As the CP Notes (refunding debt) are variable rate debt, they are subject to interest fluctuation risks. Interest rates on the CP Notes are based on U.S. Treasury yields. If the two-year U.S. Treasury yield increases by 0.40 percent (40 basis points), it would result in an economic gain of approximately \$780,000.

Senior Lien Airport Revenue Bonds, Series 2013: On January 30, 2013, the Airport Authority issued \$379,585,000 of Series A and Series B senior airport revenue bonds. The senior Series 2013 Bonds were issued to finance certain capital improvements at SDIA, fund a portion of the interest accruing on the senior Series 2013 Bonds through and including July 1, 2015, fund the senior reserve fund and pay the costs of issuance of the senior Series 2013 Bonds.

The Series 2013 bonds were structured as serial and term bonds that bear interest at rates ranging from 3.00 percent to 5.00 percent and mature in fiscal years 2016 to 2044. The bonds were issued at a premium of \$55,934,101, which is being amortized over the life of the bonds. Interest on the senior Series 2013 Bonds is payable semiannually on January 1 and July 1 of each year. Interest expense for the fiscal year ended June 30, 2013 amounted to \$7,749,446, including accrued interest of \$7,749,446. The principal balance on the Series 2013 Bonds as of June 30, 2013 was \$379,585,000.

The senior Series 2013 Bonds are special obligations of the Airport Authority, payable solely from and secured by (a) a pledge of net revenues, which include certain income and revenue received by the Airport Authority from the operation of the airport system, less all amounts that are required to pay the operation and maintenance expenses of the airport system, and (b) certain funds and accounts held by the senior Trustee under the senior indenture.

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 5. Debt (Continued)

The Airport Authority's Master Senior Indenture and the Third Supplemental Senior Indenture (the Indenture) govern the Airport Authority's debt program. Per the Indenture, as senior lien bonds, the Series 2013 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 125 percent times the senior debt service for that year. In addition, the Indenture requires the Airport Authority to maintain a reserve account with the bond Trustee and to reserve certain amounts in the Airport Authority's books, as shown in Note 2. For the fiscal year ended June 30, 2013, the amount held by the Trustee was \$293,709,919, which included the July 1 payment, unspent project fund proceeds, the debt service reserve fund and capitalized interest funds. As required by the Indenture, the total amount reserved by the Airport Authority for fiscal years 2013 and 2012 was \$52,007,087 and \$53,364,006, respectively. The public ratings of the Series 2013 Bonds as of June 30, 2013 are A+/A1/A+ by Standard & Poor's, Moody's Investors Service and Fitch Ratings, respectively.

The required debt service payments for the Series 2013 Bonds for the fiscal years ending June 30 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ 16,987,196	\$ 16,987,196
2015	-	18,475,500	18,475,500
2016	2,030,000	18,445,050	20,475,050
2017	2,090,000	18,382,275	20,472,275
2018	2,155,000	18,306,850	20,461,850
2019-2023	29,525,000	88,758,375	118,283,375
2024-2028	50,660,000	78,095,450	128,755,450
2029-2033	45,330,000	65,221,975	110,551,975
2034-2038	32,565,000	57,139,125	89,704,125
2039-2043	150,780,000	41,634,250	192,414,250
2044	64,450,000	1,573,750	66,023,750
	<u>\$ 379,585,000</u>	<u>\$ 423,019,796</u>	<u>\$ 802,604,796</u>

A cumulative rebate liability relating to arbitrage of the defeased Series 2005 Bonds was recorded for \$522,343 and \$94,796 as of the fiscal years ended June 30, 2013 and 2012, respectively. Ninety percent of the cumulative rebate liability is due to the United States no later than 60 days after July 1, 2015. Additionally, should the bonds be retired prior to July 1, 2015, 100 percent of the accumulated rebate liability will be due and payable within 60 days of the retirement date.

Subordinate Lien Series 2010 Bonds: On October 5, 2010, the Airport Authority issued \$572,565,000 of Series A, B and C subordinate airport revenue bonds. The subordinate Series 2010 Bonds were issued to finance certain capital improvements at SDIA, fund a portion of the interest accruing on the subordinate Series 2010 Bonds through and including January 1, 2013, refund \$142,176,000 of the Airport Authority's outstanding CP Notes, fund the subordinate reserve fund and pay the costs of issuance of the subordinate Series 2010 Bonds.

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 5. Debt (Continued)

The Series A and Series B bonds were structured as serial and term bonds that bear interest at rates ranging from 2.00 percent to 5.00 percent and mature in fiscal years 2012 to 2041. The Series C bonds were issued as taxable Build America Bonds, which benefit from periodic cash subsidy payments from the U.S. Treasury equal to 35 percent of interest payable. However, in the fiscal year ended June 30, 2013, due to the impact of the federal government's sequestration measures, subsidy payments were reduced by 4.3 percent. The Build America Bonds interest subsidy for the fiscal years ended June 30, 2012 and 2011 was \$4,778,599 and \$4,995,921, respectively. The interest rate on the Series C bonds, net of the subsidy, is 4.31 percent and the bonds mature in fiscal year 2041. The bonds were issued at a premium of \$26,154,344, which is being amortized over the life of the bonds. Interest on the subordinate Series 2010 Bonds is payable semiannually on January 1 and July 1 of each year. Interest expense for the fiscal years ended June 30, 2013 and 2012 amounted to \$31,735,498 and \$31,755,098, respectively, including accrued interest of \$15,867,749 and \$15,877,549, respectively. The principal balance on the subordinate Series 2010 Bonds as of June 30, 2013 and 2012 was \$570,870,000 and \$571,850,000, respectively.

The subordinate Series 2010 Bonds are special obligations of the Airport Authority, payable solely from and secured by (a) a pledge of subordinate net revenues, which include all income and revenue received by the Airport Authority from the operation of the airport system, less all amounts that are required to pay the operation and maintenance expenses of the airport system and all amounts necessary to pay debt service on and fund the reserves for the senior bonds; and (b) certain funds and accounts held by the subordinate Trustee under the subordinate indenture. The subordinate Series 2010 Bonds were issued with a pledge of and lien on subordinate net revenues on parity with the Airport Authority's subordinate CP Notes. In addition, the Airport Authority has irrevocably committed a portion of the PFCs it has received and expects to receive through 2016. The irrevocably committed PFC amount of \$14,703,838 was fully utilized in fiscal year 2013. The irrevocably committed PFC amounts for the fiscal years ended June 30, 2014, 2015 and 2016 are \$19,208,838, \$19,206,113 and \$19,209,388, respectively.

As subordinate lien bonds, the Series 2010 bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 110 percent times the subordinate debt service for that year. In addition, the subordinate Series 2010 Bonds require the Airport Authority to maintain a reserve account with the bond Trustee. At June 30, 2013 and 2012, the amount held by the Trustee was \$70,706,508 and \$166,189,732, respectively, which included the July 1 payment, unspent project fund proceeds, the debt service reserve fund and a capitalized interest fund.

The public ratings of the Series 2010 Bonds as of June 30, 2013 are A/A2/A by Standard & Poor's, Moody's Investors Service and Fitch Ratings, respectively.

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 5. Debt (Continued)

The required debt service payments for the subordinate Series 2010 Bonds for the fiscal years ending June 30 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,000,000	\$ 31,720,498	\$ 32,720,498
2015	5,785,000	31,594,948	37,379,948
2016	8,665,000	31,318,098	39,983,098
2017	9,000,000	30,934,023	39,934,023
2018	9,430,000	30,487,998	39,917,998
2019-2023	54,495,000	144,913,548	199,408,548
2024-2028	69,330,000	129,681,617	199,011,617
2029-2033	110,385,000	108,629,628	219,014,628
2034-2038	176,410,000	65,792,997	242,202,997
2039-2041	126,370,000	11,699,976	138,069,976
	<u>\$ 570,870,000</u>	<u>\$ 616,773,332</u>	<u>\$ 1,187,643,332</u>

Compensated absences: Employee vacation that vests is recorded when earned. Accumulated sick leave is not accrued because employee rights to receive compensation for the unused portion terminate upon severance of employment.

Line of credit: In fiscal year 2013, the Airport Authority established a \$4,000,000 line of credit with Wells Fargo, which is collateralized with a certificate of deposit. This line of credit replaced a line maintained with Union Bank. This line is utilized to issue letters of credit to surety companies who are partnering with the Airport Authority to provide bonding assistance to contractors accepted into the bonding assistance program at the Airport Authority. As of June 30, 2013, nothing had been drawn on the line of credit and four issued letters of credit were outstanding, totaling \$858,006 for projects in progress. One of the letters of credit is due to expire on January 17, 2014, and the remaining three will expire on February 27, 2014.

Capital Leases:

Office equipment leases: The Airport Authority entered into capital lease agreements for office equipment that require monthly lease payments of \$14,806.

Receiving distribution center lease: The Airport Authority entered into an installment purchase agreement for a receiving and distribution center (RDC) in fiscal year 2013. This agreement has been determined to be a capital lease with an interest rate of 9.15 percent and requires monthly lease payments of \$73,108 for 240 months. The Airport Authority will become the owner of the RDC at the conclusion of the 20-year installment purchase agreement.

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 5. Debt (Continued)

The following is a schedule of future lease payments applicable to the RDC installment purchase agreement, the office equipment capital leases, and the net present value of the future lease payments at June 30, 2013:

<u>Years Ending June 30,</u>	<u>Amount</u>
2014	\$ 1,054,969
2015	902,429
2016	877,298
2017	877,298
2018	877,298
2019-2023	4,386,489
2024-2028	4,386,489
2029-2031	3,874,732
Total lease payments	17,237,002
Less amount representing interest	(9,084,414)
Present value of future lease payments	<u>\$ 8,152,588</u>

Note 6. Defined-Benefit Plan

Plan description: The Airport Authority's defined-benefit pension plan is separately administered by the City of San Diego's City Employees' Retirement System (CERS). The San Diego County Regional Airport Authority Retirement Plan and Trust provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. CERS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the City of San Diego, the District and the Airport Authority, administered by the Retirement Board of Administration (the CERS Board). San Diego City Charter Section 144 and San Diego Municipal Code Sections 24.0100 et seq. assign the authority to establish and amend the benefit provisions of the plans that participate in CERS to the CERS Board. The Airport Authority contributes to the Federal Social Security Program. The CERS Board issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The financial report may be obtained by writing to the San Diego City Employees' Retirement System, 401 B Street, Suite 400, San Diego, California 92101.

Funding policy: The City of San Diego municipal code requires member contributions to be actuarially determined to provide a specific level of benefit. Member contribution rates, as a percentage of salary, vary according to age at entry, benefit tier level and certain negotiated contracts, which provide for the Airport Authority to pay a portion of the employees' contributions. The Airport Authority's contribution rate, as determined through actuarial valuation, was 10.9 percent for 2013, 14.5 percent for 2012 and 16.6 percent for 2011, and is expressed as a percentage of covered payroll.

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 6. Defined-Benefit Plan (Continued)

Annual pension cost: For the years ended June 30, 2013, 2012 and 2011, the annual pension cost included in salaries and benefits was \$4,582,000, \$4,356,000 and \$5,036,000, respectively, for the CERS pension. Comparing the June 30, 2012 actuarial valuation to the June 30, 2011 actuarial valuation, total membership increased by 1.3 percent. The increase was attributable to both the growth in inactive membership, terminated vested, disabled, retirees and beneficiaries. The active membership declined by 0.9 percent. Active member payroll decreased by 1.7 percent, for an average decrease of 0.8 percent. The actuarial liability increased by 15.7 percent, but the actuarial value of assets increased by 11 percent. The funding ratio decreased from 102.7 percent as of June 30, 2011 to 98.5 percent as of June 30, 2012. CERS employs a commonly used actuarial smoothing method on the market value that dampens market volatility, so the actuarial value of assets did not decrease as much as the market value (94.6 percent).

New valuation requirements: Effective January 1, 2013, new Airport Authority employees who are deemed to be "New Members" under the California Public Employees' Pension Reform Act (PEPRA) will be subject to a number of plan provisions, including reduced benefit accrual factors, a cap on pensionable salary, three-year averaging for final salary, and mandatory exclusion of certain items from pensionable salary. There are less significant changes for current employees and retirees.

There are no New Members in the current valuation. However, in calculating the fiscal year 2014 ARC, the valuation reflects an estimate of PEPRA's impact on the normal cost. There is no impact on the unfunded actuarial liability. As experience for New Members emerges in the June 30, 2013 and subsequent valuations, the actual cost implications will vary and further study may be required.

As of the latest actuarial valuation dated June 30, 2012, significant actuarial assumptions are as follows:

- The rates of retirement were decreased and changed to be based on age and service as opposed to just the service of a member.
- The percent married assumption was increased to 55 percent for females, and the assumed age difference between husbands and wives was reduced to three years.
- The reciprocity assumption was reduced from 20 percent to 10 percent.
- Rates of termination were increased and changed to be based on service as opposed to the age of a member.
- Disability rates were decreased.
- Mortality rates for active Airport Authority members were decreased.
- Mortality rates for retired Airport Authority members were increased.
- The investment return assumption was 7.5 percent.
- The inflation assumption was 0 percent for the next year and 3.75 percent thereafter.
- Cost of living adjustment is assumed to be 2 percent.
- Actuarial funding method is entry age normal.

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 6. Defined-Benefit Plan (Continued)

- Amortization method is level percent closed.
- Asset valuation method is expected value method.
- Equivalent single amortization period is 13.539 years. This consists of nine years for the outstanding balance of the 2007 UAL, 15 years for experience gains and losses, 30 years for changes in methods and assumptions, and 20 years for benefit changes.
- The rate of employer contributions to CERS is composed of the normal cost and an amortization of the unfunded actuarial liability. The normal cost is a level percent of payroll cost that, along with the member contributions, will pay for projected benefits at retirement for the average plan participant. The actuarial liability is that portion of the present value of projected benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and the funds accumulated as of the same date is the unfunded actuarial liability.

On September 16, 2004, the Airport Authority made a contribution payment in the amount of \$3,900,000, in addition to the ARC, to reflect a desired funded ratio of 90 percent. On June 21, 2005, the Airport Authority made an additional contribution of \$1,000,000. During the year ended June 30, 2006, the Airport Authority made an additional contribution of \$513,627. On June 30, 2010, the Airport Authority made a contribution of \$4,600,000 to increase the funded rate reported in the January 2010 CERS 2009 actuarial calculation from 86.9 percent to the desired funded ratio of 90 percent. At June 30, 2013, 2012 and 2011, the total contribution of \$10,013,627 less amortization of \$3,365,485, \$2,809,172 and \$2,252,860, respectively, is recorded as a net pension asset of \$6,648,142, \$7,204,455 and \$7,760,767, respectively. The contributions are being amortized over an 18-year period.

The Airport Authority's contribution for fiscal year 2014 measured as a percentage of membership payroll increased from 10.9 percent to 11.9 percent. The required beginning-of-year contribution paid on July 1, 2013 increased by \$300,000.

Fiscal Year Ended	Annual Pension Cost (APC)	Airport Cost Funded	% of APC Contributed	ARC	Net Pension Asset (NPA) Balance	Increase (Decrease) NPA	Amortization of NPA	Interest on the NPA at 7.50%
6/30/11	\$ 5,036	\$ 4,300	85%	\$ 4,300	\$ 7,761	\$ (556)	\$ 556	\$ 751
6/30/12	4,356	3,800	87%	3,800	7,204	(556)	556	751
6/30/13	4,582	2,600	57%	2,600	6,648	(556)	556	751

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 6. Defined-Benefit Plan (Continued)

Schedule of pension funding progress for CERS based on most recent actuarial valuation is as follows (dollars in thousands):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)/ (Asset)	Funded Ratio	Annual Covered Payroll	UAAL/(Asset) as a Percentage of Covered Payroll
6/30/12	\$ 95,793	\$ 97,225	\$ 1,432	98.5%	\$ 24,726	5.8%

Note 7. Employees' Deferred Compensation Plan

The Airport Authority offers its employees a deferred compensation plan, which was created in accordance with Internal Revenue Code (IRC) Section 457. The plan, which is available to all full-time Airport Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, total disability, death or unforeseeable emergency.

The plan is administered by the Airport Authority and contracted to an unrelated financial institution. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are held in trust for employees.

As such, employee assets to be held in the IRC Section 457 plans are not the property of the Airport Authority and are not subject to the claims of the Airport Authority's general creditors. In accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—a rescission of GASB Statement No. 2 and an amendment of GASB Statement No. 31*, employee assets are not reflected in the Airport Authority's financial statements.

Note 8. Other Postemployment Benefits

In addition to pension benefits as described in Notes 6 and 7, the Airport Authority provides other postemployment benefits (OPEB). The Airport Authority's OPEB benefits are administered as a single-employer plan.

The Airport Authority provides medical, dental and \$10,000 life insurance postretirement benefits for nonunion employees hired prior to May 1, 2006 and union employees hired prior to October 1, 2008. The employees are eligible for these benefits if they retire from active employment after age 55 with 20 years of service or age 62 with five years of service.

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 8. Other Postemployment Benefits (Continued)

Plan description: As of May 8, 2009, the Board approved entering into an agreement with the California Employer's Retiree Benefit Trust (CERBT) fund. The CERBT fund is an irrevocable Section 115 trust. This is managed by California Public Employees Retirement System (CalPERS). CalPERS administers pension and health benefits for approximately 1.5 million California public employees, retirees and their families. CalPERS was founded in 1932 and is the largest public pension fund in the United States, managing more than \$250 billion in assets for more than 2,500 California employers. In 1988 and 2007, enabling statutes and regulations were enacted that permitted CalPERS to form the CERBT fund, a Section 115 Trust, for the purpose of receiving employer contributions that will prefund health and other postemployment benefit costs for retirees and their beneficiaries. Financial statements for CERBT may be obtained from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

Funding policy: CERBT requires a valuation of the liabilities and annual costs for benefits by an approved actuarial consulting firm. It is the Airport Authority's intent to budget and prefund the ARCs. As of May 9, 2009, the agreement with CERBT was approved.

Annual OPEB cost and actuarial methods and assumptions: The July 1, 2011 actuarial valuation for the ARC, net of the employer contribution, was \$2,238,000 for fiscal year 2013 and \$2,165,000 for 2012. The ARC was determined as part of an actuarial evaluation using the entry-age-actuarial-cost method, with unfunded liabilities amortized over 30 years, which is the method utilized by CERBT. The actuarial assumptions used by CERBT include (a) a 7.61 percent investment rate of return, (7.75 percent was used in the prior valuations), net of administrative expenses, and (b) projected salary increases of 3.25 percent. The annual healthcare cost trend rate ranged from 8.0 percent to 9.5 percent for medical, with a 5 percent rate for dental and 3.0 percent rate for vision.

The entry-age-normal method spreads plan costs for each participant from entry date to the expected retirement date. Under the entry-age-normal cost method, the plan's normal cost is developed as a level percentage of payroll spread over the participants' working lifetime. The actuarial accrued liability is the cumulative value, on the valuation date, of prior service costs. For retirees, the actuarial accrued liability is the present value of all projected benefits.

The plan costs are derived by making certain specific assumptions as to the rates of interest, mortality, turnover and the like, which are assumed to hold for many years into the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true plan costs.

Development of net OPEB obligation (NOO)/Asset and annual OPEB cost is as follows (dollars in thousands):

Actuarial Valuation Date	Fiscal Year	ARCs	Employer Contribution	NOO (Asset) End of Year	Interest on NOO (Asset)	Adjustment to the ARC	Annual OPEB Cost	Interest Rate	Salary Scale	Amortization Factor
7/1/2010	10/11	\$ 1,791	\$ 1,699	\$ (60)	\$ (12)	\$ (10)	\$ 1,789	7.61%	3.25%	15.7
7/1/2011	11/12	2,165	2,165	(61)	(5)	-	2,164	7.61%	3.25%	15.7
7/1/2012	12/13	2,238	2,236	(62)	(5)	-	2,237	7.61%	3.25%	15.7

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 8. Other Postemployment Benefits (Continued)

Schedule of employer contributions is as follows (dollars in thousands):

Fiscal Year Ended	Annual OPEB Costs	Employer Contribution	Percentage Contribution	Net OPEB (Asset) Obligation
6/30/11	\$ 1,789	\$ 1,699	95.0%	\$ (60)
6/30/12	2,164	1,964	90.8%	(61)
6/30/13	2,237	2,236	100.0%	(62)

Schedule of OPEB funding progress based on most recent actuarial valuation is as follows (dollars in thousands):

Type of Valuation	Actuarial Valuation Date	Actuarial Value of Assets	AAL	UAAL	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll	Interest Rate	Salary Scale
Actual	\$ 40,725	\$ 7,604	\$ 22,197	\$ 14,593	34.3%	\$ 18,728	77.9%	7.61%	3.25%

Note 9. Risk Management

The Airport Authority has a comprehensive Risk Management Program comprising commercial insurance, self-insurance, loss prevention, loss control and claims administration. The Airport Authority's coverage includes a variety of retentions or deductibles.

Commercially issued insurance:

- The Airport Authority maintains \$500 million in limits for owners' and operators' general liability insurance with a War, Hijacking and Other Perils endorsement in the amount of \$150 million.
- The Airport Authority maintains a property insurance policy with limits of \$500 million providing all risk and flood coverage on physical assets.
- The Airport Authority also maintains policies for Workers' Compensation, Commercial Auto, Fiduciary Liability and Public Official Liability.

Self-insurance: Due to the exorbitant cost of earthquake insurance, the Airport Authority self-insures for losses due to earthquake damage. Effective July 1, 2007, the Airport Authority removed the purchase of commercial earthquake insurance from the Risk Management Program and increased reliance on the laws designed to assist public entities through the Federal Emergency Management Agency and the California Disaster Assistance Act. As of June 30, 2013 and 2012, the Airport Authority has designated \$6,659,982 and \$5,941,986, respectively, from its net position, which is included in designated unrestricted net position.

A \$2,000,000 reserve has been established within unrestricted net position by the Airport Authority's management to respond to uninsured and underinsured catastrophic losses. This fund is maintained pursuant to Board action only; there is no requirement that it be maintained.

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 9. Risk Management (Continued)

Loss prevention: The Airport Authority has an active loss prevention program, staffed by a full-time risk manager, two risk analysts, a safety manager and a safety analyst. In addition, insurer property and casualty loss control engineers conduct safety surveys on a periodic basis. Employees receive regular safety training and claims are monitored using a Web-based claims information system.

During fiscal year 2013, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, settlements have not exceeded insurance coverage.

Note 10. Lease Revenues

The Airport Authority leases certain of its capital assets, such as loading bridges and building space, to signatory airlines and other tenants under operating leases. These assets are included in the buildings and structures capital asset category and have a cost of approximately \$253.1 million and accumulated depreciation of approximately \$128.3 million, for a net carrying amount of \$124.8 million as of June 30, 2013. A majority of the lease payments are determined each year based upon actual costs of the airport. Such costs are allocated pro rata to each tenant based upon factors such as landed weights, enplanements, square footage, acres, etc. A majority of the Airport Authority's signatory airlines lease commitments are on a month-to-month basis and accordingly are not reflected in the schedule below.

The Airport Authority's expansion of approximately 25,000 additional square feet results in the increase of the number of food service and retail concession locations from 55 to 87. The Airport Authority is implementing a comprehensive Concessions Development Program (CDP) to provide a world-class shopping and dining experience for the millions of passengers who use SDIA each year. The full program build-out is scheduled for March 2014. The CDP replaces the Airport Authority's one master concessionaire, giving way for additional 11 new tenants to conduct business with the Airport Authority. With the new program, 17 new concessions lease commitments were signed and 87 new stores will open within the Airport Authority's terminals. These new lease commitments are cancelable leases and are not reflected in the schedule below.

The minimum future lease payments to be received under the above operating lease agreements as of June 30 are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2014	\$ 4,826,179
2015	7,547,637
2016	6,532,126
2017	5,422,203
2018	5,503,536
2019-2020	11,330,637
	<u>\$ 41,162,317</u>

The Airport Authority entered into a five-year lease agreement on January 9, 2009 with the San Diego World Trade Center (World Trade Center) for office space, with a fair market value of \$440,000. In lieu of rental payments, the Airport Authority received a 40 percent ownership of the World Trade Center license, which has a fair market value of \$440,000. The license, an intangible asset with no expiration date, is included in nondepreciable assets in Note 4. As of June 30, 2013 and 2012, the Airport Authority recognized lease revenue of \$86,996 for each year under the World Trade Center lease.

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 11. Lease Commitments

Operating Leases:

General Dynamics lease: The Airport Authority is required, by legislation mandating the transfer of airport operations from the District, to lease from the District 89.75 acres of the former General Dynamics property on Pacific Highway adjacent to SDIA for 66 years commencing January 1, 2003. The lease agreement calls for predetermined rents through December 31, 2005, with future rents based upon a market rate established in late 2005 by an appraisal (or arbitration). The amended lease agreement calls for rent payments of \$6,750,000 annually through December 31, 2068. The Airport Authority received a credit for \$375,000 in reduced rent based on a previous lease agreement for the property in September 2006. The changes in terms for this lease were approved by the Airport Authority's Board on July 25, 2006. A portion of the land is leased to the District for employee parking for District administration building employees and is leased back by the District at the same fair market value rent paid by the Airport Authority.

SDIA lease: The Airport Authority is leasing from the District 480 acres of land on North Harbor Drive for \$1 per year, for 66 years, through December 31, 2068.

Teledyne Ryan lease: The Airport Authority is leasing from the District 46.88 acres on North Harbor Drive referred to as the Teledyne Ryan lease that commenced on January 1, 2005 and expires on December 31, 2068, with \$3 million in annual rent.

Other District leases: The Airport Authority leases from the District two additional properties adjacent to SDIA. These properties require monthly rentals of \$86,083 and \$12,521 and both expire in December 2013. As of January 1, 2013, the lease for \$86,083 was terminated with the District.

On July 24, 2006, the Airport Authority's Board approved a lease with the District for the property located at 2415 Winship Lane, known as the Sky Chef property. The term of the lease is 60 years with \$350,000 in annual rent and commenced on September 1, 2006.

Under current law, in the event SDIA is relocated and the District leases are no longer used by the Airport Authority for airport purposes, all District leases will terminate and use of the property will revert to the District.

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 11. Lease Commitments (Continued)

Building lease: The Airport Authority leased modular buildings from an unrelated third party that required monthly rental of \$1,366 through the expiration date of August 2013. This lease was not renewed. The future rental commitment under the above operating lease agreements as of June 30 are due as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2014	\$ 10,290,846
2015	10,167,120
2016	10,167,120
2017	10,167,120
2018	10,159,920
2019-2023	50,799,600
2024-2028	50,799,600
2029-2033	50,799,600
2034-2038	50,799,600
2039-2043	50,799,600
2044-2048	50,799,600
2049-2053	50,799,600
2054-2058	50,799,600
2059-2063	50,799,600
2064-2068	50,799,600
2069	5,079,960
	<u>\$ 564,028,086</u>

The total rental expense charged to operations for the years ended June 30 consists of the following:

	<u>2013</u>	<u>2012</u>
Rental payments made	<u>\$ 10,897,338</u>	<u>\$ 11,414,838</u>

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 12. Commitments, Contingencies and Subsequent Event

Commitments: As of June 30, 2013, the Airport Authority had significant commitments for capital expenditures and other matters as described below:

- i. The Airport Authority has funds that have been classified as current assets, primarily for the unpaid contractual portion of capital projects that are currently in progress, and will not be funded by grants or additional debt, but will be funded through Airport Authority cash. These amounts are for the estimated cost of capital projects that have been authorized by the Board for construction planning to proceed and for the contractual costs of upgrading certain major equipment. At June 30, 2013, these funds totaled \$905,769 and are classified on the accompanying statement of net position as cash and investments designated for specific capital projects and other commitments.
- ii. Support services—As part of the MOU, services provided by the District Harbor Police are required to be purchased by the Airport Authority as long as SDIA continues to operate at Lindbergh Field. At the time of the transfer, the Airport Authority entered into a Master Services Agreement, a Police Services Agreement and a Communications Services Agreement with the District, which described the services that the Airport Authority could purchase and the manner of calculating the payments for such services. The largest amount that became payable under any of these agreements is under the Police Services Agreement, which is for Harbor Police services. The District provides monthly billings to the Airport Authority, with payment generally due 30 days after the date of the invoice, and provision of appropriate supporting documentation. During the year ended June 30, 2013, the Airport Authority expensed \$17,289,681 for these services.
- iii. Major contracts—During 2006 the Airport Authority Board approved a contract with AECOM Aviation for \$37.8 million for program management and support services associated with the capital improvement program, major maintenance program and airport master plan program. The Board approved additional increases totaling \$43.9 million in fiscal years 2009 and 2010. In 2011 the Board approved \$45 million additional funds and approximately \$112 million has been spent to date. The remaining contract is expected to be completed during fiscal year 2014.
- iv. In 2009 the Board approved two design-build contracts for the Terminal Expansion Program, or “The Green Build.” The program is estimated to cost \$864 million. The Green Build began in fiscal year 2010 and the projected completion date is early fiscal year 2014. The Green Build provides for 10 additional passenger gates, a new dual-level roadway at Terminal 2 and additional aircraft remain-overnight parking areas. The first Green Build contract was approved for the Terminal 2 West Building and Airside Expansion to Turner/PCL/FCI Joint Venture for \$14 million. Additional amounts were approved in fiscal years 2009, 2010 and 2011 for \$110.4 million, \$228 million and \$79 million, respectively. As of June 30, 2013, \$404.41 million had been spent and the contract is expected to be completed during fiscal year 2014.

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 12. Commitments, Contingencies and Subsequent Event (Continued)

- v. The second contract awarded was for the Terminal 2 Landside Improvements with the Kiewit/Sundt Joint Venture for \$43.8 million approved in 2009 and additional approvals in 2010 and 2011 for \$76.2 million and \$135 million, respectively. As of June 30, 2013, \$206.23 million had been spent for the Kiewit/Sundt Joint Venture contract. This contract is expected to be completed in fiscal year 2014.
- vi. In fiscal year 2012, the Board approved two contracts with Ace Parking Management Inc., one for the parking management services in the amount of \$29.7 million and the second for the airport shuttle services in the amount of \$28.8 million. The total amounts spent as of June 30, 2013 were \$6.9 million for parking management services and \$9.1 million for airport shuttle services. These contracts are scheduled for completion in 2017. As of June 30, 2013, the Airport Authority's remaining commitment is approximately \$22.8 million for the parking management contract and \$19.7 million for the shuttle service contract.
- vii. In fiscal year 2013, the Board approved a contract with Austin-Sundt JV for the design and construction of the proposed Rental Car Center in the amount of \$14 million and additional approval of \$10 million. As of June 30, 2013, \$1.9 million had been spent and the contract is due to be completed in fiscal year 2016.
- viii. In fiscal year 2013, the Board approved a contract with Demattei Wong Architecture in support of the Rental Car Center project in the amount of \$10 million and an additional approval of \$12 million. As of June 30, 2013, \$6.7 million had been spent and the contract is due to be completed in fiscal year 2016.

Contingencies: As of June 30, 2013, the Airport Authority is subject to contingencies arising from legal matters as described below:

The Airport Authority has leases and operating agreements with various tenants. These agreements typically include provisions requiring the tenant/operators to indemnify the Airport Authority for any damage to property or losses to the Airport Authority as a result of the tenant's operations. Also, the leases and operating agreements typically require the Airport Authority to be named as an additional insured under certain insurance policies of the tenants/operators. The Airport Authority also tenders these claims to its own insurers once they become asserted claims. Thus, according to the Airport Authority's legal counsel, when these types of claims are asserted against the Airport Authority, the Airport Authority not only vigorously opposes them but also vigorously seeks contribution and/or indemnity from all tenants/operators involved, from the tenants'/operators' insurers and from its own insurers. The Airport Authority's legal counsel cannot predict the net exposure to the Airport Authority with respect to these matters, or the probability or remoteness of any outcome.

San Diego County Regional Airport Authority

Notes to Financial Statements

Note 13. Implementation of New GASB and Effect on Net Position

During the year ended June 30, 2013, the Airport Authority early implemented GASB Statement No. 65. As a result, the cumulative effect on beginning net position and the change in net position, as well as certain asset accounts and operating accounts, have been restated from previously issued financial statements to reflect the Airport Authority's write-off of unamortized debt issuance costs. Statement No. 65 clarifies the appropriate reporting of deferred outflows of resources to ensure consistency in financial reporting.

The effect on the Airport Authority's previously issued June 30, 2012 financial statements is summarized as follows:

Statement of Net Position	Previously Reported Balance as of June 30, 2012	(Decrease)	Balance as Restated as of June 30, 2012
Deferred charges	\$ 4,655,862	\$ (4,655,862)	\$ -
Total assets	1,432,071,331	(4,655,862)	1,427,415,469
Net position, end of year	665,544,428	(4,655,862)	660,888,566

Statement of Revenues, Expenses and Changes in Net Position	Previously Reported Balance for the Year Ended June 30, 2012	Increase (Decrease)	Balance as Restated for the Year Ended June 30, 2012
Interest expense	\$ 2,369,718	\$ (343,026)	\$ 2,026,692
Change in net position	58,290,185	343,026	58,633,211
Beginning net position as of June 30, 2011	607,254,243	(4,998,888)	602,255,355
Net position, end of year	665,544,428	(4,655,862)	660,888,566

Implementation of new accounting standards also resulted in \$1,854,985 being restated from a reduction of debt to being recorded as a deferred outflow of resources as of June 30, 2012.

San Diego County Regional Airport Authority

Required Supplementary Information Fiscal Year Ended June 30, 2013

Schedule of pension funding progress for CERS is as follows (dollars in thousands):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)/ (Asset)	Funded Ratio	Annual Covered Payroll	UAAL/(Asset) as a Percentage of Covered Payroll
6/30/10	\$ 73,401	\$ 76,447	\$ 3,047	96.0%	\$ 25,596	11.9%
6/30/11	86,309	84,042	(2,267)	102.7%	25,148	(11.1%)
6/30/12	95,793	97,225	1,432	98.5%	24,726	5.8%

Schedule of OPEB funding progress is as follows (dollars in thousands):

Type of Valuation	Actuarial Valuation Date	Actuarial Value of Assets	AAL	UAAL	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll	Interest Rate	Salary Scale
Actual	7/1/09	\$ 2,674	\$ 12,206	\$ 9,532	21.9%	\$ 19,514	48.8%	7.75%	3.25%
Actual	7/1/10	4,474	14,149	9,675	31.6%	20,148	48.0%	7.75%	3.25%
Actual	7/1/11	7,604	22,197	14,593	34.3%	18,728	77.9%	7.61%	3.25%

APPENDIX G

BOOK-ENTRY-ONLY SYSTEM

Introduction

Unless otherwise noted, the information contained under the caption “—General” below has been provided by DTC. The Authority makes no representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Series 2014 Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2014 BONDS UNDER THE INDENTURE, (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2014 BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE TO THE OWNERS OF THE SERIES 2014 BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2014 BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

DTC will act as securities depository for the Series 2014 Bonds. The Series 2014 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 Series 2014 Bond certificate will be issued for each maturity of each Series of the Series 2014 Bonds, each in the aggregate principal amount of such 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, as amended. 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 Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2014 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 2014 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 the Series 2014 Bonds, except in the event that use of the book-entry system for the Series 2014 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2014 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 2014 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2014 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2014 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 2014 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2014 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series 2014 Bond documents. For example, Beneficial Owners of Series 2014 Bonds may wish to ascertain that the nominee holding the Series 2014 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 the notices be provided directly to them.

While the Series 2014 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2014 Bonds of a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2014 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 Authority 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 the Series 2014 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2014 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 Authority, the Trustee on the 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 Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, 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.

DTC may discontinue providing its services as depository with respect to the Series 2014 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Series 2014 Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates representing the Series 2014 Bonds will be printed and delivered to DTC.

The information in this Appendix G concerning DTC and DTC’s book-entry system has been obtained from sources that the Authority believes to be reliable, but neither the Authority nor the Underwriters take any responsibility for the accuracy thereof.

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF SERIES 2014 BONDS AND WILL NOT BE RECOGNIZED BY THE TRUSTEE AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE DTC PARTICIPANTS.

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