

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY



BOARD MEMBERS

DAVID ALVAREZ
LAURIE BERMAN*
BRUCE R. BOLAND
GREG COX
JIM DESMOND
COL. JOHN FARNHAM*
ROBERT H. GLEASON
LLOYD B. HUBBS
ERAINA ORTEGA*
PAUL ROBINSON
MARY SESSOM
TOM SHISEK

* EX OFFICIO BOARD MEMBERS

PRESIDENT/CEO
THELLA F. BOWENS

SPECIAL BOARD MEETING and SPECIAL EXECUTIVE/FINANCE COMMITTEE

AGENDA

Thursday, November 21, 2013
9:00 A.M.

San Diego International Airport
Commuter Terminal -- Third Floor
Board Room
3225 N. Harbor Drive
San Diego, CA 92101

This Agenda contains a brief general description of each item to be considered. The indication of a recommended action does not indicate what action (if any) may be taken. **Please note that agenda items may be taken out of order.** If comments are made to the Board without prior notice or are not listed on the Agenda, no specific answers or responses should be expected at this meeting pursuant to State law.

Staff Reports and documentation relating to each item of business on the Agenda are on file in Corporate Services and are available for public inspection.

NOTE: Pursuant to Authority Code Section 2.15, all Lobbyists shall register as an Authority Lobbyist with the Authority Clerk within ten (10) days of qualifying as a lobbyist. A qualifying lobbyist is any individual who receives \$100 or more in any calendar month to lobby any Board Member or employee of the Authority for the purpose of influencing any action of the Authority. To obtain Lobbyist Registration Statement Forms, contact the Corporate Services/Authority Clerk Department.

PLEASE COMPLETE A "REQUEST TO SPEAK" FORM PRIOR TO THE COMMENCEMENT OF THE MEETING AND SUBMIT IT TO THE AUTHORITY CLERK. PLEASE REVIEW THE POLICY FOR PUBLIC PARTICIPATION IN BOARD AND BOARD COMMITTEE MEETINGS (PUBLIC COMMENT) LOCATED AT THE END OF THE AGENDA.

The Authority has identified a local company to provide oral interpreter and translation services for public meetings. If you require oral interpreter or translation services, please telephone the Corporate Services/Authority Clerk Department with your request at (619) 400-2400 at least three (3) working days prior to the meeting.

CALL TO ORDER

PLEDGE OF ALLEGIANCE

ROLL CALL

Board

Board Members: Alvarez, Berman (Ex-Officio), Boland, Cox, Desmond, Farnam (Ex-Officio), Gleason (Chair), Hubbs, Ortega (Ex-Officio), Robinson, Sessom, Smisek

Executive Committee

Committee Members: Gleason (Chair), Robinson, Smisek

Finance Committee

Committee Members: Alvarez, Cox (Chair), Hubbs, Robinson, Sessom

NON-AGENDA PUBLIC COMMENT

Non-Agenda Public Comment is reserved for members of the public wishing to address the Committee on matters for which another opportunity to speak **is not provided on the Agenda**, and which is within the jurisdiction of the Committee. Please submit a completed speaker slip to the Authority Clerk. ***Each individual speaker is limited to three (3) minutes. Applicants, groups and jurisdictions referring items to the Board for action are limited to five (5) minutes.***

Note: Persons wishing to speak on specific items should reserve their comments until the specific item is taken up by the Board.

NEW BUSINESS

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the October 28, 2013, regular meeting.

FINANCE COMMITTEE NEW BUSINESS

2. REVIEW OF THE UNAUDITED FINANCIAL STATEMENTS FOR THE FOUR MONTHS ENDED OCTOBER 31, 2013 AND 2012:

RECOMMENDATION: Receive the report.
Presented by Vernon Evans, Vice President, Finance/Treasurer and Kathy Kiefer, Director, Accounting

3. REVIEW OF THE AUTHORITY'S INVESTMENT REPORT AS OF OCTOBER 31, 2013:

RECOMMENDATION: Receive the report.

Presented by Scott Brickner, Director, Financial Planning and Budget

4. AUTHORIZATION OF BOND DOCUMENTS AND SALE OF SPECIAL FACILITIES REVENUE BONDS, INCLUDING DELEGATION OF PRICING AUTHORITY, FOR FUNDING OF RENTAL CAR CENTER AND RELATED IMPROVEMENTS:

RECOMMENDATION: Forward to the Board for approval.

Presented by Vernon Evans, Vice President, Finance/Treasurer

EXECUTIVE COMMITTEE NEW BUSINESS

5. PRE-APPROVAL OF TRAVEL REQUESTS AND APPROVAL OF BUSINESS AND TRAVEL EXPENSE REIMBURSEMENT REQUESTS FOR BOARD MEMBERS, THE PRESIDENT/CEO, THE CHIEF AUDITOR AND GENERAL COUNSEL:

RECOMMENDATION: Pre-approve travel requests and approve business and travel expense reimbursement requests.

Presented by Tony R. Russell, Director, Corporate Services/Authority Clerk

6. REVIEW OF THE PROPOSED 2014 MASTER CALENDAR OF BOARD AND COMMITTEE MEETINGS:

RECOMMENDATION: Forward to the Board for acceptance.

Presented by Tony R. Russell, Director, Corporate Services/Authority Clerk

REVIEW OF FUTURE AGENDAS

7. REVIEW OF THE DRAFT AGENDA FOR THE DECEMBER 12, 2013, SPECIAL BOARD MEETING:

Presented by: Thella F. Bowens, President/CEO

8. REVIEW OF THE DRAFT AGENDA FOR THE DECEMBER 12, 2013, SPECIAL AIRPORT LAND USE COMMISSION MEETING:

Presented by: Thella F. Bowens, President/CEO

BOARD BUSINESS

- 9. AUTHORIZE THE PRESIDENT/CEO TO EXECUTE A NOTICE OF GEOLOGIC AND GEOTECHNICAL CONDITIONS, INCLUDING AN INDEMNITY AGREEMENT IN FAVOR OF THE CITY OF SAN DIEGO, IN ORDER TO OBTAIN A BUILDING PERMIT FOR THE PROPOSED RENTAL CAR CENTER (PROJECT NO. 104151) LOCATED ON A PORTION OF THE TIDELANDS OF SAN DIEGO BAY:**

The Board is requested to execute a notice.

RECOMMENDATION: Adopt Resolution No. 2013-0131, approving and authorizing the President/CEO to execute a Notice of Geologic and Geotechnical Conditions, including an indemnity agreement, with the City of San Diego, to be recorded with the County Recorder acknowledging the existence of geotechnical conditions assumed to be present on the proposed rental car center located on a portion of the Tidelands of San Diego Bay, Assessor's Parcel Number: 760-005-33-00.

(Airport Design & Construction: Bob Bolton, Director)

COMMITTEE MEMBER COMMENTS

ADJOURNMENT

Policy for Public Participation in Board, Airport Land Use Commission (ALUC), and Committee Meetings (Public Comment)

- 1) Persons wishing to address the Board, ALUC, and Committees shall complete a "Request to Speak" form prior to the initiation of the portion of the agenda containing the item to be addressed (e.g., Public Comment and General Items). Failure to complete a form shall not preclude testimony, if permission to address the Board is granted by the Chair.
- 2) The Public Comment Section at the beginning of the agenda is limited to eighteen (18) minutes and is reserved for persons wishing to address the Board, ALUC, and Committees on any matter for which another opportunity to speak is not provided on the Agenda, and on matters that are within the jurisdiction of the Board. A second Public Comment period is reserved for general public comment later in the meeting for those who could not be heard during the first Public Comment period.
- 3) Persons wishing to speak on specific items listed on the agenda will be afforded an opportunity to speak during the presentation of individual items. Persons wishing to speak on specific items should reserve their comments until the specific item is taken up by the Board, ALUC and Committees. Public comment on specific items is limited to twenty (20) minutes – ten (10) minutes for those in favor and ten (10) minutes for those in opposition of an item. Each individual speaker will be allowed three (3) minutes, and applicants and groups will be allowed five (5) minutes.
- 4) If many persons have indicated a desire to address the Board, ALUC and Committees on the same issue, then the Chair may suggest that these persons consolidate their respective testimonies. Testimony by members of the public on any item shall be limited to **three (3) minutes per individual speaker and five (5) minutes for applicants, groups and referring jurisdictions.**
- 5) Pursuant to Authority Policy 1.33 (8), recognized groups must register with the Authority Clerk prior to the meeting.
- 6) After a public hearing or the public comment portion of the meeting has been closed, no person shall address the Board, ALUC, and Committees without first obtaining permission to do so.

Additional Meeting Information

NOTE: This information is available in alternative formats upon request. To request an Agenda in an alternative format, or to request a sign language or oral interpreter, or an Assistive Listening Device (ALD) for the meeting, please telephone the Authority Clerk's Office at

(619) 400-2400 at least three (3) working days prior to the meeting to ensure availability.

For your convenience, the agenda is also available to you on our website at www.san.org.

For those planning to attend the Board meeting, parking is available in the public parking lot located directly in front of the Commuter Terminal. Bring your ticket to the third floor receptionist for validation.

You may also reach the Commuter Terminal by using public transit via the San Diego MTS system, Route 992. For route and fare information, please call the San Diego MTS at (619) 233-3004 or 511.

**DRAFT
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
SPECIAL BOARD AND EXECUTIVE AND FINANCE COMMITTEE MEETING
MINUTES
MONDAY, OCTOBER 28, 2013
SAN DIEGO INTERNATIONAL AIRPORT
BOARD ROOM**

CALL TO ORDER:

Chair Gleason called the Special Board and Executive and Finance Committee meeting to order at 9:05 a.m., Monday, October 28, 2013, in the Board Room of the San Diego International Airport, Commuter Terminal, 3225 N. Harbor Drive, San Diego, CA 92101.

PLEDGE OF ALLEGIANCE: Board Member Cox led the Pledge of Allegiance.

ROLL CALL:

Board

Present: Board Members: Alvarez, Cox, Gleason, Hubbs,
Robinson, Smisek

Absent: Board Members: Berman (Ex-Officio), Boland, Desmond,
Farnam (Ex-Officio), Ortega (Ex-Officio),
Sessom

Executive Committee

Present: Committee Members: Gleason, Robinson, Smisek

Absent: Committee Members: None

Finance Committee

Present: Committee Members: Alvarez, Cox, Hubbs, Robinson

Absent: Committee Members: Sessom

Also Present: Thella F. Bowens, President/CEO; Breton Lobner, General
Counsel; Lorraine Bennett, Assistant Authority Clerk II; Sara Real,
Assistant Authority Clerk I

Board Member Alvarez arrived at 9:10 a.m.

FINANCE COMMITTEE NEW BUSINESS

1. REVIEW OF THE UNAUDITED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012:

Vernon Evans, Vice President, Finance/Treasurer, and Kathy Kiefer, Director, Accounting, provided a presentation on the Unaudited Financial Statements for the Three Months Ended September 30, 2013 and 2012, which included Enplanements, Gross Landing Weight Units, Car Rental License Fees, Parking Revenue, Operating Revenues for the Month Ended September 30, 2013 (Unaudited), Operating Expenses for the Month Ended September 30, 2013 (Unaudited), Financial Summary for the Month Ended September 30, 2013 (Unaudited), Nonoperating Revenues and Expenses for the Month Ended September 30, 2013 (Unaudited), Monthly Operating Revenue FY 2014, Total Year to Date (YTD) Parking Revenue, Short Term YTD Parking Revenue, Long Term YTD Parking Revenue, Monthly Operating Expenses FY 2014, and Statements of Net Position (Unaudited).

RECOMMENDATION: Forward to the Board for acceptance.

2. REVIEW OF THE AUTHORITY'S INVESTMENT REPORT AS OF SEPTEMBER 30, 2013:

Scott Brickner, Director, Financial Planning and Budget, provided a presentation on the Authority's Investment Report, which included the Total Portfolio Summary, Portfolio Composition by Security Type, Portfolio Composition by Credit Rating, Portfolio Composition by Maturity Distribution, Benchmark Comparison, Detail of Security Holdings, Portfolio Investment Transactions, Bond Proceeds Summary, and Bond Proceeds Investment Transactions.

RECOMMENDATION: Forward to the Board for acceptance.

ACTION: Moved by Board Member Robinson and seconded by Board Member Hubbs to accept the staff's recommendation for Items 1 and 2. Motion carried unanimously, noting Board Member Sessom as ABSENT.

3. RENTAL CAR CENTER BOND ISSUANCE UPDATE:

Vernon Evans, Vice President, Finance/Treasurer, provided a presentation on the Rental Car Center Bond Issuance Update, which included the Rental Car Center (RCC) Project Costs and Funding Overview, Customer Facility Charge (CFC) Financing Overview, Characteristics of the Proposed CFC Financing, Market Conditions, CFC Bond Credit Issues, and CFC Bond Calendar.

RECOMMENDATION: Receive the report.

ACTION: Moved by Board Member Hubbs and seconded by Board Member Robinson to accept staff's recommendation. Motion carried unanimously, noting Board Member Sessom as ABSENT.

4. CONCESSION DEVELOPMENT PROGRAM UPDATE:

Nyle Marmion, Manager, Concession Development, provided a presentation on the Concession Development Program Update, which included Construction Statistics, First Quarter Fiscal Year 2014 Actual vs Budget Food & Beverage/Retail Revenues, Concession Development Program Marketing Action Plan, and Worker Retention Update.

In response to Board Member Cox regarding the 296 eligible employees on the worker retention list, Thella F. Bowens, President/CEO, stated that staff will continue to monitor the worker retention list and be as proactive as possible with the holiday season approaching.

In response to Board Member Alvarez regarding the number of new positions as a result of the new concessions, Mr. Marmion stated that there are approximately 1200 positions projected at full program build out by March 2014.

In response to Chair Gleason regarding the revenue numbers and feedback he has received from concessionaires about the performance of their store, Ms. Bowens stated that the performance of each vendor varies by location, but noted that the Authority's budget numbers reflect the proforma established in the Requests for Proposals. She further stated that staff is working with the concessionaires to ensure that everyone is successful.

RECOMMENDATION: Receive the report.

ACTION: Moved by Board Member Robinson and seconded by Board Member Hubbs to accept staff's recommendation. Motion carried unanimously, noting Board Member Sessom as ABSENT.

EXECUTIVE COMMITTEE NEW BUSINESS

5. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the September 23, 2013, regular meeting.

ACTION: Moved by Board Member Robinson and seconded by Board Member Smisek to accept staff's recommendation. Motion carried unanimously.

6. PRE-APPROVAL OF TRAVEL REQUESTS AND APPROVAL OF BUSINESS AND TRAVEL EXPENSE REIMBURSEMENT REQUESTS FOR BOARD MEMBERS, THE PRESIDENT/CEO, THE CHIEF AUDITOR AND GENERAL COUNSEL:

RECOMMENDATION: Pre-approve travel requests and approve business and travel expense reimbursement requests.

ACTION: Moved by Board Member Smisek and seconded by Board Member Robinson to accept staff's recommendation. Motion carried unanimously.

REVIEW OF FUTURE AGENDAS

7. REVIEW OF THE DRAFT AGENDA FOR THE NOVEMBER 7, 2013, BOARD MEETING:

Thella F. Bowens, President/CEO, provided an overview of the draft agenda for the November 7, 2013 Board Meeting.

In response to Chair Gleason regarding receiving a full update, discussion and presentation on the Disadvantaged Business Enterprise Program Plan, Ms. Bowens noted that the discussion would take place at a future Board meeting.

Chair Gleason requested a written update from the General Counsel's office regarding the status of Closed Session items.

8. REVIEW OF THE DRAFT AGENDA FOR THE NOVEMBER 7, 2013, AIRPORT LAND USE COMMISSION MEETING:

Thella F. Bowens, President/CEO, provided an overview of the draft agenda for the November 7, 2013 Airport Land Use Commission meeting.

In response to Board Member Robinson regarding clarification as to when the San Diego International Airport Airport Land Use Compatibility Plan would be presented to the Board, Ms. Bowens stated that staff would review the calendar and provide an update to the Board. Board Member Robinson requested that staff notify Civic San Diego.

ACTION: Moved by Board Member Smisek and seconded by Board Member Robinson to accept Items 7 and 8. Motion carried unanimously.

COMMITTEE MEMBER COMMENTS

Board Member Cox noted that the December 20, 2013 Executive Committee meeting is scheduled on the same day as the SANDAG Board Meeting. Chair Gleason stated that staff would poll the Board for an alternate date.

Chair Gleason requested that the Clerk's office circulate the proposed 2014 Board and Committee meeting calendar to the Board for review prior to the next Executive/Finance Committee meeting.

Diana Lucero, Director, Public, Customer & Community Relations, noted that the Rental Car Center groundbreaking ceremony will be on October 29, 2013 at 10:00 a.m.

BOARD BUSINESS

CLOSED SESSION: The Board recessed into Closed Session at 10:04 a.m. to discuss Item 9.

- 9. CONFERENCE WITH LEGAL COUNSEL-ANTICIPATED LITIGATION:**
Significant exposure to litigation (Cal.Gov.Code §54956.9(d))
Number of Cases: 1
Individual Members Adan Topete, Derrick Phillips, Manuel Aguilar, Jose Topete, Alexander Weir, Candido Bautista, Francisco Arrendondo, Juan Murillo and Laborers' International Union of North America Local Union No. 89, Applicants – Application to Stay Implementation of the September 5, 2013 FONSI/ROD for San Diego International Airport Master Plan Northside Improvements Project- Application to the United States Department of Transportation, Federal Aviation Administration

REPORT ON CLOSED SESSION: The Board reconvened into open session at 10:24 a.m. There was no reportable action.

ADJOURNMENT

The meeting was adjourned at 10:25 a.m. The next meeting of the Executive and Finance Committee will be held on Wednesday, December 19, 2013, at 9:00 a.m. in the Board Room at the San Diego International Airport, Commuter Terminal, 3225 N. Harbor Drive, San Diego, CA 92101.

APPROVED BY A MOTION OF THE EXECUTIVE COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY THIS 19th DAY OF DECEMBER, 2013.

LORRAINE BENNETT
ASSISTANT AUTHORITY CLERK II

APPROVED AS TO FORM:

BRETON K. LOBNER
GENERAL COUNSEL

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
Statements of Net Position
as of October 31, 2013
(Unaudited)
ASSETS

	October	
	2013	2012
Current assets:		
Cash and investments ⁽¹⁾	\$ 98,524,852	\$ 104,198,585
Tenant lease receivable, net of allowance of 2013: (\$52,704) and 2012: (\$52,329)	9,226,301	6,903,957
Grants receivable	2,723,340	5,710,738
Notes receivable-current portion	1,446,896	1,440,606
Prepaid expenses and other current assets	7,913,356	7,433,448
Total current assets	119,834,745	125,687,332
Cash designated for capital projects and other ⁽¹⁾	10,890,168	9,104,666
Restricted assets:		
Cash and investments:		
Bonds reserve ⁽¹⁾	71,215,925	47,829,175
Passenger facility charges and interest unapplied ⁽¹⁾	44,923,848	61,161,354
Customer facility charges and interest unapplied ^{(1)*}	41,319,929	33,836,705
Commercial paper reserve ⁽¹⁾	27,933	3,444
SBD Bond Guarantee ⁽¹⁾	4,000,000	4,000,000
Bond proceeds held by trustee ⁽¹⁾	291,233,232	100,215,710
Commercial paper interest held by trustee ⁽¹⁾	12,906	12,906
Passenger facility charges receivable	4,140,809	4,749,891
Customer facility charges receivable*	2,948,967	1,243,982
OCIP insurance reserve	5,308,028	6,002,863
Total restricted assets	465,131,577	259,056,025
Noncurrent assets:		
Capital assets:		
Land and land improvements	71,293,761	24,487,047
Runways, roads and parking lots	534,771,876	269,781,498
Buildings and structures	714,711,540	461,504,339
Machinery and equipment	13,620,976	12,941,928
Vehicles	5,568,766	5,389,417
Office furniture and equipment	31,638,969	31,227,168
Works of art	2,283,876	2,349,793
Construction-in-progress	444,818,254	727,599,013
Total capital assets	1,818,708,018	1,535,280,203
Less accumulated depreciation	(601,295,095)	(554,412,719)
Total capital assets, net	1,217,412,923	980,867,483
Other assets:		
Notes receivable - long-term portion	39,421,483	40,893,940
Investments-long-term portion ⁽¹⁾	58,492,934	10,393,535
Deferred costs - bonds (net)	-	4,625,672
Net pension asset	6,462,705	7,019,017
Security deposit	500,367	614,645
Total other assets	104,877,489	63,546,809
Total noncurrent assets	1,322,290,412	1,044,414,292
Total assets	\$ 1,918,146,902	\$ 1,438,262,315

⁽¹⁾ Total cash and investments, \$624,140,763 for 2013 and \$387,950,982 for 2012

* Rental Car Center

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
Statements of Net Position
as of October 31, 2013
(Unaudited)

LIABILITIES AND NET POSITION

	October	
	2013	2012
Current liabilities:		
Accounts payable and accrued liabilities	\$ 75,111,261	\$ 74,609,174
Deposits and other current liabilities	3,492,183	2,848,568
Total current liabilities	78,603,444	77,457,743
Current liabilities - payable from restricted assets:		
Current portion of long-term debt	1,030,000	5,415,000
Accrued interest on bonds and commercial paper	16,754,932	10,938,570
Total liabilities payable from restricted assets	17,784,932	16,353,570
Long-term liabilities:		
Commercial paper notes payable	50,969,000	19,924,000
Deferred rent liability	-	21,391
Other long-term liabilities	9,834,662	1,477,907
Long term debt - bonds net of amortized premium	1,020,805,588	623,971,620
Total long-term liabilities	1,081,609,250	645,394,918
Total liabilities	1,177,997,626	739,206,231
Net Position:		
Invested in capital assets, net of related debt	427,752,233	430,699,467
Other restricted	173,928,345	169,571,904
Unrestricted:		
Designated	17,352,872	16,123,683
Undesignated	121,115,824	82,661,032
Net position	740,149,276	699,056,084
Total liabilities and net position	\$ 1,918,146,902	\$ 1,438,262,315

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
Statements of Revenues, Expenses, and Changes in Net Position
For the Four Months Ended October 31, 2013 and 2012
(Unaudited)

	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Operating revenues:					
Aviation revenue:					
Landing fees	\$ 7,496,732	\$ 7,498,048	\$ 1,316	0%	\$ 7,268,462
Aircraft parking fees	853,165	829,028	(24,137)	(3)%	1,105,151
Building rentals	15,140,332	15,187,802	47,470	0%	14,482,938
Security surcharge	8,323,167	8,323,144	(23)	(0)%	6,876,368
CUPPS Support Charges	372,300	372,292	(8)	(0)%	-
Other aviation revenue	534,524	531,613	(2,911)	(1)%	532,235
Terminal rent non-airline	336,650	360,846	24,196	7%	310,197
Terminal concessions	5,603,038	6,003,003	399,965	7%	4,776,448
Rental car license fees	9,431,036	9,228,725	(202,311)	(2)%	9,133,833
License fees other	1,167,156	1,309,629	142,473	12%	1,097,107
Parking revenue	11,931,120	12,657,887	726,767	6%	11,529,607
Ground transportation permits and citations	1,009,426	1,072,590	63,164	6%	447,480
Ground rentals	2,745,013	2,820,731	75,718	3%	2,778,130
Grant reimbursements	75,220	63,985	(11,235)	(15)%	63,985
Other operating revenue	147,300	233,960	86,660	59%	252,360
Total operating revenues	65,166,179	66,493,283	1,327,104	2%	60,654,301
Operating expenses:					
Salaries and benefits	13,941,870	13,618,787	323,083	2%	11,378,491
Contractual services	11,669,723	10,628,409	1,041,314	9%	8,802,302
Safety and security	8,432,714	8,254,863	177,851	2%	7,118,055
Space rental	3,460,691	3,459,272	1,419	0%	3,803,886
Utilities	2,954,309	2,855,257	99,052	3%	2,436,857
Maintenance	3,879,288	4,590,629	(711,341)	(18)%	2,578,573
Equipment and systems	154,316	94,166	60,150	39%	57,400
Materials and supplies	124,000	116,023	7,977	6%	104,395
Insurance	417,860	329,697	88,163	21%	273,564
Employee development and support	394,319	294,631	99,688	25%	258,010
Business development	1,103,486	536,198	567,288	51%	783,822
Equipment rentals and repairs	945,564	905,636	39,928	4%	467,154
Total operating expenses	47,478,140	45,683,568	1,794,572	4%	38,062,509
Depreciation	19,599,930	19,599,936	(6)	(0)%	13,864,673
Operating income (loss)	(1,911,891)	1,209,779	3,121,670	163%	8,727,119
Nonoperating revenue (expenses):					
Passenger facility charges	12,073,703	11,815,095	(258,608)	(2)%	11,953,404
Customer facility charges (Rental Car Center)	8,294,572	8,763,360	468,788	6%	4,094,656
Quieter Home Program	(738,901)	(657,874)	81,027	11%	308,556
Interest income	1,763,407	1,594,078	(169,329)	(10)%	1,523,353
BAB interest rebate	1,580,376	1,580,376	-	0%	1,665,307
Interest expense	(16,676,591)	(15,388,702)	1,287,889	8%	133,396
Bond amortization	1,342,780	1,470,511	127,731	10%	360,040
Other nonoperating income (expenses)	(6,666)	1,817,955	1,824,621	-	(732,087)
Nonoperating revenue, net	7,632,680	10,994,799	3,362,119	44%	19,306,625
Change in net position before capital grant contributions	5,720,789	12,204,578	6,483,789	113%	28,033,744
Capital grant contributions	2,516,899	881,331	(1,635,568)	(65)%	5,477,912
Change in net position	\$ 8,237,688	\$ 13,085,909	\$ 4,848,221	59%	\$ 33,511,656



San Diego County Regional Airport Authority
Authority Detail Income Statement - Supplemental Schedule
 For the four months ended October 31, 2013
 (Unaudited)

Print Date: 11/8/2013
 Print Time: 10:24:18AM
 Report ID: GL0012

	Month to Date				Year to Date					
	Budget	Actual	Variance		Budget	Actual	Variance			
			Favorable (Unfavorable)	Percent			Favorable (Unfavorable)	Percent		
Landing Fees										
41112 - Landing Fees - Signatory	\$1,820,860	\$1,870,897	\$50,037	3	\$1,756,998	\$7,692,380	\$60,142	1	\$7,405,396	
41113 - Landing Fee Rebate	(25,377)	(37,940)	(12,563)	(50)	(21,729)	(194,332)	(58,826)	(43)	(136,934)	
Total Landing Fees	1,795,484	1,832,957	37,473	2	1,735,268	7,498,048	1,316	0	7,268,462	
Aircraft Parking Fees										
41150 - Terminal Aircraft Parking	173,049	156,952	(16,097)	(9)	212,729	623,784	(68,414)	(10)	835,349	
41155 - Remote Aircraft Parking	40,242	52,317	12,075	30	62,262	205,244	44,277	28	269,802	
Total Aircraft Parking Fees	213,291	209,269	(4,022)	(2)	274,991	829,028	(24,137)	(3)	1,105,151	
Building and Other Rents										
41210 - Terminal Rent	3,732,786	3,693,319	(39,466)	(1)	3,600,066	14,929,409	8,130	0	14,363,363	
41215 - Federal Inspection Services	52,086	62,510	10,425	20	25,780	258,393	39,339	18	119,575	
Total Building and Other Rents	3,784,871	3,755,830	(29,042)	(1)	3,625,836	15,187,802	47,470	0	14,482,938	
Security Surcharge										
41310 - Airside Security Charges	512,275	512,274	(1)	0	416,668	2,049,096	(4)	0	1,666,672	
41320 - Terminal Security Charge	1,568,517	1,568,512	(5)	0	1,302,424	6,274,067	(19)	0	5,209,696	
Total Security Surcharge	2,080,792	2,080,786	(6)	0	1,719,092	8,323,164	(23)	0	6,876,368	
CUPPS Support Charges										
41400 - CUPPS Support Charges	93,075	93,073	(2)	0	0	372,292	(8)	0	0	
Total CUPPS Support Charges	93,075	93,073	(2)	0	0	372,292	(8)	0	0	
Other Aviation Revenue										
43100 - Fuel Franchise Fees	13,822	12,128	(1,694)	(12)	14,737	55,809	(2,915)	(5)	56,431	
43105 - New Capital Recovery	118,950	118,951	1	0	118,951	475,804	4	0	475,804	
Total Other Aviation Revenue	132,772	131,079	(1,693)	(1)	133,688	531,613	(2,911)	(1)	532,235	
Non-Airline Terminal Rents										
45010 - Terminal Rent - Non-Airline	85,948	88,788	2,840	3	79,387	360,846	24,197	7	310,197	
Total Non-Airline Terminal Rents	85,948	88,788	2,840	3	79,387	360,846	24,197	7	310,197	

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	Month to Date				Year to Date				
	Budget	Actual	Variance		Budget	Actual	Variance		
			(Unfavorable)	(Favorable)			(Unfavorable)	(Favorable)	
			Percent	Percent			Percent	Percent	
Concession Revenue									
45110 - Terminal Concessions	\$0	\$0	0	\$1,131,647	\$0	\$0	0	\$4,776,448	0
45111 - Term Concessions-Food & Bev	528,616	614,338	16	0	2,134,557	2,462,716	15	328,158	15
45112 - Terminal Concessions - Retail	352,377	401,505	14	0	1,492,195	1,622,835	9	130,640	9
45113 - Term Concessions - Other	228,245	231,727	2	0	915,544	923,677	1	8,133	1
45114 - Term Concessions Space Rents	62,500	81,039	30	0	250,000	294,611	18	44,611	18
45115 - Term Concessions Cost Recovery	125,382	71,995	(43)	0	303,982	181,881	(40)	(122,101)	(40)
45116 - Rec Distr Center Cost Recovery	124,980	120,527	(4)	0	485,860	481,347	(1)	(4,513)	(1)
45117 - Concessions Marketing Program	20,900	35,936	72	0	20,900	35,936	72	15,036	72
45120 - Rental car license fees	2,083,618	1,958,789	(6)	1,784,183	9,431,036	9,228,725	(2)	(202,311)	(2)
45130 - License Fees - Other	274,718	347,543	27	283,489	1,167,156	1,309,629	12	142,473	12
Total Concession Revenue	3,801,336	3,863,399	2	3,199,319	16,201,230	16,541,355	2	340,126	2
Parking and Ground Transportat									
45210 - Parking	3,174,011	3,276,395	3	3,027,002	11,931,120	12,657,887	6	726,767	6
45220 - AVI fees	156,671	151,903	(3)	129,982	507,179	563,056	11	55,876	11
45240 - Ground Transportation Pe	98,824	122,160	24	1,550	496,801	483,737	(3)	(13,064)	(3)
45250 - Citations	367	8,952	2,336	512	5,446	25,797	374	20,351	374
Total Parking and Ground Transportat	3,429,873	3,559,410	4	3,159,046	12,940,546	13,730,477	6	789,931	6
Ground Rentals									
45310 - Ground Rental - Fixed	620,743	628,224	1	624,178	2,482,974	2,507,743	1	24,769	1
45320 - Ground Rental - Percenta	62,315	183,877	195	74,389	262,039	312,988	19	50,949	19
Total Ground Rentals	683,059	812,101	19	698,567	2,745,013	2,820,731	3	75,718	3
Grant Reimbursements									
45410 - TSA Reimbursements	18,958	16,126	(15)	16,126	75,220	63,985	(15)	(11,236)	(15)
Total Grant Reimbursements	18,958	16,126	(15)	16,126	75,220	63,985	(15)	(11,236)	(15)

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	Budget	Actual	Variance		Budget	Actual	Variance		
			Favorable (Unfavorable)	Percent			Favorable (Unfavorable)	Percent	
Other Operating Revenue									
45510 - Finger Printing Fee	\$4,600	\$6,712	\$2,112	46	\$18,400	\$47,880	\$29,480	160	\$26,943
45520 - Utilities Reimbursements	17,900	14,686	(3,214)	(18)	71,600	58,745	(12,855)	(18)	173,276
45530 - Miscellaneous Other Reve	5,467	35,227	29,761	544	21,867	80,116	58,249	266	6,381
45540 - Service Charges	3,525	4,183	658	19	14,100	29,959	15,859	112	26,231
45570 - FBO Landing Fees	3,333	816	(2,517)	(76)	13,333	9,260	(4,073)	(31)	11,529
45580 - Equipment Rental	2,000	2,000	0	0	8,000	8,000	0	0	8,000
Total Other Operating Revenue	36,825	63,625	26,800	73	147,300	233,961	86,661	59	252,361
Total Operating Revenue	16,156,284	16,506,444	350,160	2	65,166,178	66,493,282	1,327,104	2	60,654,301
Personnel Expenses									
Salaries									
51110 - Salaries & Wages	3,435,314	2,903,974	531,340	15	10,406,503	8,506,620	1,899,883	18	7,313,001
51210 - Paid Time Off	0	283,180	(283,180)	0	0	913,654	(913,654)	0	722,557
51220 - Holiday Pay	0	0	0	0	0	100,898	(100,898)	0	111,975
51240 - Other Leave With Pay	0	5,631	(5,631)	0	0	25,151	(25,151)	0	40,209
51250 - Special Pay	0	60,830	(60,830)	0	0	458,648	(458,648)	0	366,038
Total Salaries	3,435,314	3,253,616	181,699	5	10,406,503	10,004,971	401,533	4	8,553,781
52110 - Overtime	72,249	143,276	(71,027)	(98)	288,996	404,136	(115,140)	(40)	314,237

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	Budget	Actual	Variance (Unfavorable)	Percent	Prior Year Actual	Budget	Actual	Variance (Unfavorable)	Percent
Benefits									
54110 - FICA Tax	\$243,010	\$225,361	\$17,649	7	\$145,705	\$714,420	\$41,613	6	\$607,292
54120 - Unemployment Insurance-S	0	0	0	0	6,300	10,140	(10,140)	0	6,300
54130 - Workers Compensation Ins	66,179	28,059	38,120	58	59,685	81,078	125,553	61	115,758
54135 - Workers Comp Incident Expense	0	6,965	(6,965)	0	4,497	6,965	(6,965)	0	4,497
54210 - Medical Insurance	328,924	451,522	(122,598)	(37)	293,097	1,367,262	(51,534)	(4)	1,148,814
54220 - Dental Insurance	25,526	36,306	(10,780)	(42)	24,737	109,483	(7,372)	(7)	96,697
54230 - Vision Insurance	3,151	4,348	(1,197)	(38)	2,896	13,140	(534)	(4)	11,420
54240 - Life Insurance	8,135	11,366	(3,231)	(40)	4,108	34,123	(1,575)	(5)	16,219
54250 - Short Term Disability	8,350	12,979	(4,629)	(55)	9,295	38,949	(5,629)	(17)	36,719
54310 - Retirement	677,384	585,426	91,959	14	365,217	1,759,651	340,864	16	1,464,333
54315 - Retiree	195,997	208,171	(12,174)	(6)	169,484	786,952	(2,965)	0	676,887
54320 - Amortization of Retiree	0	46,359	(46,359)	0	46,359	185,438	(185,438)	0	185,438
54410 - Taxable Benefits	0	2,945	(2,945)	0	0	2,957	(2,957)	0	0
54430 - Accrued Vacation	0	(27,050)	27,050	0	3,280	(18,985)	118,985	0	(91,156)
Total Benefits	1,556,657	1,592,758	(36,101)	(2)	1,134,659	4,991,571	381,906	7	4,279,219
Cap Labor/Burden/OH Recharge									
54510 - Capitalized Labor Recha	(598,706)	(150,332)	(448,374)	(75)	(125,658)	(484,819)	(1,374,673)	(74)	(494,825)
54515 - Capitalized Burden Rech	0	(59,700)	59,700	0	(47,523)	(197,307)	197,307	0	(189,888)
Total Cap Labor/Burden/OH Recharge	(598,706)	(210,032)	(388,674)	(65)	(173,182)	(682,125)	(1,177,367)	(63)	(684,713)
QHP Labor/Burden/OH Recharge									
54520 - QHP Labor Recharge	(76,152)	(43,366)	(32,787)	(43)	(36,353)	(127,686)	(109,929)	(46)	(139,429)
54525 - QHP Burden Recharge	0	(18,038)	18,038	0	(15,286)	(54,405)	54,405	0	(59,007)
54526 - QHP OH Contra Acct	0	(12,444)	12,444	0	(6,239)	(57,163)	57,163	0	(33,443)
Total QHP Labor/Burden/OH Recharge	(76,152)	(73,848)	(2,305)	(3)	(57,878)	(239,254)	1,639	1	(231,878)
MM&JS Labor/Burden/OH Recharge									
54530 - MM & JS Labor Recharge	0	(81)	81	0	0	(332)	332	0	(303)
54531 - Joint Studies - Labor	0	81	(81)	0	0	341	(341)	0	303
54535 - MM & JS Burden Recharge	0	(44)	44	0	0	(163)	163	0	(117)
54536 - Maintenance-Burden	0	44	(44)	0	0	163	(163)	0	117
54599 - OH Contra	0	(234,892)	234,892	0	(208,701)	(860,522)	860,522	0	(852,152)
Total MM&JS Labor/Burden/OH Recharge	0	(234,892)	234,892	0	(208,701)	(860,514)	860,514	0	(852,152)
total Personnel Expenses	4,389,362	4,470,877	(81,516)	(2)	2,896,616	13,618,785	323,085	2	11,378,494

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	Budget	Actual	Variance		Budget	Actual	Variance						
			Favorable (Unfavorable)	Percent			Favorable (Unfavorable)	Percent					
Non-Personnel Expenses													
Contract Services													
61100 - Temporary Staffing	\$1,616	\$26,622	\$(25,006)	(1,547)	\$39,264	\$175,025	\$(135,761)	(346)	\$109,417				
61110 - Auditing Services	10,000	23,150	(13,150)	(132)	160,000	123,150	36,850	23	177,612				
61120 - Legal Services	101,667	11,274	90,393	89	406,667	115,638	291,028	72	556,493				
61130 - Services - Professional	948,999	912,097	36,902	4	3,626,522	3,089,398	537,124	15	2,818,895				
61150 - Outside Svs - Other	260,988	234,054	26,934	10	1,054,852	889,021	165,831	16	567,966				
61160 - Services - Custodial	1,512,693	1,583,250	(70,557)	(5)	6,543,111	6,229,951	313,160	5	5,172,610				
61190 - Receiving & Dist Cntr Services	130,325	126,757	3,568	3	521,299	506,633	14,665	3	0				
61990 - OH Contra	0	(91,752)	91,752	0	0	(500,407)	500,407	0	(600,691)				
61998 - Capital Proj OH Alloc Co	(172,122)	0	(172,122)	(100)	(681,992)	0	(681,992)	(100)	0				
Total Contract Services	2,794,165	2,825,451	(31,286)	(1)	11,969,722	10,628,409	1,041,313	9	8,802,303				
Safety and Security													
61170 - Services - Fire, Police,	512,543	431,080	81,463	16	2,035,575	1,964,420	71,155	3	1,970,412				
61180 - Services - SDUPD-Harbor	1,925,973	1,801,614	124,359	6	5,603,540	5,529,352	74,188	1	4,588,547				
61185 - Guard Services	200,013	206,588	(6,575)	(3)	793,599	761,091	32,508	4	559,096				
Total Safety and Security	2,638,529	2,439,282	199,247	8	8,432,714	8,254,863	177,852	2	7,118,054				
Space Rental													
62100 - Rent	865,173	864,041	1,132	0	3,460,691	3,459,272	1,419	0	3,803,886				
Total Space Rental	865,173	864,041	1,132	0	3,460,691	3,459,272	1,419	0	3,803,886				
Utilities													
63100 - Telephone & Other Commun	40,874	34,117	6,758	17	163,528	114,113	49,415	30	112,786				
63110 - Utilities - Gas & Electr	595,896	557,604	38,291	6	2,271,781	2,501,258	(229,478)	(10)	2,052,551				
63120 - Utilities - Water	60,000	74,191	(14,191)	(24)	519,000	239,886	279,114	54	271,520				
Total Utilities	696,770	665,912	30,857	4	2,954,309	2,855,257	99,051	3	2,436,857				

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	Budget	Actual	Variance Favorable (Unfavorable) Percent	Prior Year Actual	Budget	Actual	Variance Favorable (Unfavorable) Percent	Prior Year Actual
Maintenance								
64100 - Facilities Supplies	\$76,579	\$49,836	\$26,743 35	\$115,630	\$311,165	\$180,070	\$131,095 42	\$250,720
64110 - Maintenance - Annual R	839,949	1,545,085	(705,136) (84)	695,126	3,040,623	3,968,879	(928,256) (31)	2,064,814
64122 - Contractor Labor	0	0	0 0	0	0	0	0 0	110
64123 - Contractor Burden	0	0	0 0	0	0	0	0 0	140
64124 - Maintenance-Overhead	0	205	(205) 0	90	0	840	(840) 0	585
64125 - Major Maintenance - Mat	9,000	33,712	(24,712) (275)	36,855	357,500	335,680	21,820 6	145,999
64127 - Contract Overhead (co	0	0	0 0	0	0	0	0 0	121
64140 - Refuse & Hazardous Waste	50,000	3,076	46,924 94	55,601	170,000	105,160	64,840 38	116,084
Total Maintenance	975,528	1,631,913	(656,385) (67)	903,301	3,879,288	4,590,629	(711,341) (18)	2,578,574
Equipment and Systems								
65100 - Equipment & Systems	47,157	42,822	4,335 9	11,348	166,451	95,350	71,101 43	61,143
65101 - OH Contra	(6,934)	115	(7,049) (102)	182	(12,135)	(1,184)	(10,951) (90)	(3,743)
Total Equipment and Systems	40,223	42,937	(2,714) (7)	11,530	154,316	94,166	60,150 39	57,400
Materials and Supplies								
65110 - Office & Operating Suppl	26,964	11,236	15,728 58	31,208	111,767	106,852	4,915 4	80,926
65120 - Safety Equipment & Suppl	5,065	1,919	3,145 62	2,598	22,083	10,656	11,427 52	25,264
65130 - Tools - Small	1,375	2,798	(1,423) (104)	2,777	5,500	4,751	749 14	4,001
65199 - OH Contra	(4,063)	(1,121)	(2,942) (72)	(2,901)	(15,350)	(6,236)	(9,114) (59)	(5,796)
Total Materials and Supplies	29,341	14,832	14,508 49	33,683	124,000	116,023	7,977 6	104,395
Insurance								
67170 - Insurance - Property	60,076	44,917	15,159 25	28,498	240,304	179,667	60,637 25	113,990
67171 - Insurance - Liability	20,746	17,254	3,492 17	17,254	82,984	69,015	13,969 17	69,015
67172 - Insurance - Public Offic	12,856	10,766	2,090 16	10,530	51,424	44,013	7,411 14	43,070
67173 - Insurance Miscellaneous	9,837	9,319	518 5	8,767	39,348	36,637	2,711 7	35,068
67199 - Insurance - Claims	950	0	950 100	0	3,800	365	3,435 90	12,421
Total Insurance	104,465	82,255	22,210 21	65,048	417,860	329,696	88,164 21	273,564

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	Budget	Actual	Variance		Budget	Actual	Variance		
			Favorable (Unfavorable)	Percent			Favorable (Unfavorable)	Percent	
								Prior Year Actual	
Employee Development and Suppo									
66120 - Awards - Service	\$3,892	\$3,206	\$686	18	\$23,306	\$8,826	\$14,480	62	\$5,146
66130 - Book & Periodicals	6,138	3,623	2,515	41	25,686	19,575	6,111	24	24,046
66210 - Finger Printing Expenses	0	0	0	0	0	128	(128)	0	497
66220 - Permits/Certificates/Lic	33,072	0	33,072	100	41,216	14,385	26,831	65	40,933
66260 - Recruiting	83	583	(500)	(600)	2,333	2,639	(305)	(13)	1,799
66280 - Seminars & Training	43,366	18,813	24,554	57	141,164	115,659	25,505	18	53,300
66290 - Transportation	16,615	24,364	(7,749)	(47)	60,815	62,598	(1,783)	(3)	51,842
66299 - OH Contra	(4,182)	(666)	(3,516)	(84)	(15,683)	(5,791)	(9,892)	(63)	(2,367)
66305 - Travel-Employee Developm	23,124	23,144	(19)	0	77,718	40,790	36,928	48	57,359
66310 - Tuition	3,500	0	3,500	100	12,500	11,968	532	4	15,039
66320 - Uniforms	6,616	5,143	1,473	22	25,264	23,854	1,410	6	10,416
Total Employee Development and Suppo	132,225	78,211	54,015	41	394,319	294,632	99,687	25	258,009
Business Development									
66100 - Advertising	78,026	88,576	(10,550)	(14)	504,056	195,814	308,241	61	236,321
66110 - Allowance for Bad Debts	0	(1,015)	1,015	0	5,000	(1,015)	6,015	120	3,175
66200 - Memberships & Dues	9,318	43,643	(34,325)	(368)	78,338	99,831	(21,492)	(27)	108,776
66230 - Postage & Shipping	12,317	967	11,350	92	24,759	10,572	14,187	57	23,241
66240 - Promotional Activities	123,585	34,221	89,365	72	281,033	134,937	146,096	52	282,954
66250 - Promotional Materials	85,650	2,430	83,220	97	156,850	48,757	108,093	69	62,071
66300 - Travel-Business Developm	19,800	32,128	(12,328)	(62)	53,450	47,302	6,148	12	57,284
Total Business Development	328,697	200,949	127,747	39	1,103,486	536,197	567,288	51	783,824
Equipment Rentals and Repairs									
66140 - Computer Licenses & Agre	34,791	49,096	(14,305)	(41)	140,666	143,431	(2,765)	(2)	128,223
66150 - Equipment Rental/Leasing	29,515	34,366	(4,851)	(16)	116,214	109,240	6,974	6	97,270
66160 - Tenant Improvements	103,300	0	103,300	100	103,300	0	103,300	100	0
66270 - Repairs - Office Equipme	181,653	206,774	(25,120)	(14)	689,727	754,987	(65,261)	(9)	347,178
66279 - OH Contra	(32,937)	(54,997)	22,060	67	(104,343)	(102,022)	(2,321)	(2)	(105,517)
Total Equipment Rentals and Repairs	316,322	235,238	81,084	26	945,564	905,637	39,927	4	487,154
Total Non-Personnel Expenses	8,921,438	9,081,021	(159,583)	(2)	33,536,268	32,064,782	1,471,486	4	26,684,020
Total Departmental Expenses before Depreciation	13,310,800	13,551,899	(241,099)	(2)	47,478,138	45,683,567	1,794,571	4	38,082,514

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Depreciation and Amortization								
69110 - Depreciation Expense	\$4,855,000	\$4,855,006	\$(6) 0	\$3,380,013	\$19,599,930	\$19,599,936	\$(6) 0	\$13,864,673
Total Depreciation and Amortization	4,855,000	4,855,006	(6) 0	3,380,013	19,599,930	19,599,936	(6) 0	13,864,673
on-Operating Revenue/(Expense)								
Passenger Facility Charges								
71110 - Passenger Facility Charge	3,032,590	3,023,646	(8,945) 0	3,053,602	12,073,703	11,815,095	(258,608) (2)	11,953,404
Total Passenger Facility Charges	3,032,590	3,023,646	(8,945) 0	3,053,602	12,073,703	11,815,095	(258,608) (2)	11,953,404
Customer Facility Charges								
71120 - Customer facility charges (Con	2,091,525	2,159,905	68,380 3	1,007,395	8,294,572	8,763,360	468,787 6	4,094,656
Total Customer Facility Charges	2,091,525	2,159,905	68,380 3	1,007,395	8,294,572	8,763,360	468,787 6	4,094,656
Quieter Home Program								
71212 - Quieter Home - Labor	0	(43,366)	(43,366) 0	(36,353)	0	(127,686)	(127,686) 0	(139,429)
71213 - Quieter Home - Burden	0	(18,038)	(18,038) 0	(15,286)	0	(54,405)	(54,405) 0	(59,007)
71214 - Quieter Home - Overhead	0	(12,444)	(12,444) 0	(6,239)	0	(57,163)	(57,163) 0	(33,443)
71215 - Quieter Home - Material	(1,200,000)	(958,678)	241,322 20	(1,233,896)	(3,482,000)	(3,721,213)	(239,213) (7)	(4,649,743)
71216 - Quieter Home Program	968,911	840,379	(128,532) (13)	1,097,714	2,809,739	3,541,011	731,272 26	5,372,451
71217 - Contract Labor	0	(21,618)	(21,618) 0	(23,987)	0	(80,135)	(80,135) 0	(80,200)
71218 - Contractor Burden	0	(27,513)	(27,513) 0	(30,529)	0	(101,990)	(101,990) 0	(102,073)
71222 - Contractor Labor	0	0	0 0	0	0	(105)	(105) 0	0
71223 - Contractor Burden	0	0	0 0	0	0	(134)	(134) 0	0
71225 - Joint Studies - Material	(16,670)	(9,548)	7,122 43	0	(66,640)	(55,818)	10,822 16	0
71226 - Contractor Overhead	0	(118)	(118) 0	0	0	(236)	(236) 0	0
Total Quieter Home Program	(247,759)	(250,945)	(3,186) (1)	(248,576)	(738,901)	(657,876)	81,025 11	308,557
Interest Income								
71310 - Interest - Investments	254,385	155,621	(98,764) (39)	142,740	1,017,540	506,006	(511,534) (50)	446,527
71340 - Interest - Note Receivab	186,467	191,446	4,979 3	198,397	745,867	762,890	17,023 2	791,229
71350 - Interest - Other	0	0	0 0	0	0	(259)	(259) 0	(366)
71360 - Interest - Bonds	0	0	0 0	23,203	0	0	0 0	92,814
71361 - Interest Income - 2010 Bonds	0	24,739	24,739 0	56,854	0	85,884	85,884 0	193,149
71363 - Interest Income - 2013 Bonds	0	52,956	52,956 0	0	0	239,557	239,557 0	0
Total Interest Income	440,852	424,762	(16,090) (4)	421,194	1,763,407	1,594,078	(169,329) (10)	1,523,353

San Diego County Regional Airport Authority
Authority Detail Income Statement - Supplemental Schedule
For the four months ended October 31, 2013
(Unaudited)

Print Date: 11/8/2013
Print Time: 10:24:18AM
Report ID: GL0012

	Month to Date				Year to Date				
	Budget	Actual	Variance		Budget	Actual	Variance		
			Favorable (Unfavorable)	Percent			Favorable (Unfavorable)	Percent	
Interest Income BAB's rebate									
71362 - BAB interest rebate	\$395,094	\$395,094	\$0	0	\$1,580,376	\$1,580,376	\$0	0	\$1,665,307
Total Interest Income BAB's rebate	395,094	395,094	0	0	1,580,376	1,580,376	0	0	1,665,307
Interest Expense									
71410 - Interest Expense 2005 Bo	0	0	0	0	0	0	0	0	(584,825)
71411 - Interest Expense- 2010 Bonds	(2,642,125)	(2,642,125)	0	0	(10,568,499)	(10,568,499)	0	0	(10,578,499)
71412 - Interest Expense 2013 Bonds	(1,539,625)	(1,539,625)	0	0	(6,158,500)	(6,158,500)	0	0	0
71420 - Interest Expense - Commie	(53,092)	(7,912)	45,180	85	(212,369)	(31,554)	180,815	85	(17,710)
71430 - LOC Fees - C/P	(22,426)	(23,043)	(618)	(3)	(89,703)	(92,596)	(2,892)	(3)	(81,105)
71440 - Dealer Fees - C/P	(1,682)	(5,139)	(3,457)	(206)	(6,728)	(10,692)	(3,964)	(59)	(2,084)
71450 - Trustee Fee Bonds	(1,365)	0	1,365	100	(5,460)	0	5,460	100	0
71451 - Program Fees - Comm. Pap	(833)	0	833	100	(3,333)	0	3,333	100	0
71460 - Interest Expense - Other	152,505	379,570	227,064	149	610,022	1,775,424	1,165,402	191	11,387,619
71461 - Interest Expense - Cap Leases	(60,361)	(60,264)	97	0	(242,021)	(302,285)	(60,264)	(25)	0
Total Interest Expense	(4,169,004)	(3,898,538)	270,466	6	(16,676,592)	(15,388,702)	1,287,890	8	133,395
Amortization									
69210 - Amortization - Premium	366,515	367,262	747	0	1,469,391	1,470,511	1,121	0	538,650
69220 - Amortization - Cost of I	(31,579)	0	31,579	100	(126,611)	0	126,611	100	(174,054)
69230 - Amort-Commercial Paper	0	0	0	0	0	0	0	0	(4,556)
Total Amortization	334,936	367,262	32,327	10	1,342,780	1,470,511	127,732	10	360,040
Other Non-Operating Income (Expense)									
71510 - Legal Settlement Income	0	0	0	0	0	976	976	0	139
71520 - Fixed Asset Disposal-Pro	0	0	0	0	0	11,273	11,273	0	0
71521 - Fixed Asset Disposal - L	0	0	0	0	0	0	0	0	(804,599)
71530 - Gain/Loss On Investments	0	929,790	929,790	0	(111,837)	0	1,662,443	0	40,500
71540 - Discounts Earned	0	0	0	0	0	3,461	3,461	0	2,384
71610 - Legal Settlement Expense	(1,667)	0	1,667	100	(6,667)	0	6,667	100	(215)
71620 - Other non-operating revenue (e	0	(15,701)	(15,701)	0	0	139,804	139,804	0	29,706
Total Other Non-Operating Income (Expense)	(1,667)	914,089	915,756	54,945	(6,667)	1,817,957	1,824,623	27,369	(732,086)
Total Non-Operating Revenue/(Expense)	1,876,567	3,135,275	1,268,708	67	7,632,678	10,994,799	3,362,121	44	(19,306,626)

San Diego County Regional Airport Authority
Authority Detail Income Statement - Supplemental Schedule
 For the four months ended October 31, 2013
 (Unaudited)

Print Date: 11/8/2013
 Print Time: 10:24:18AM
 Report ID: GL0012

	Month to Date			Year to Date				
	Budget	Actual	Variance Favorable (Unfavorable) Percent	Prior Year Actual	Budget	Actual	Variance Favorable (Unfavorable) Percent	Prior Year Actual
Capital Grant Contribution								
72100 - AIP Grants	\$323,850	\$183,102	\$(140,748) (43)	\$1,475,062	\$2,516,899	\$881,331	\$(1,635,569) (65)	\$5,477,912
Total Capital Grant Contribution	323,850	183,102	(140,748) (43)	1,475,062	2,516,899	881,331	(1,635,569) (65)	5,477,912
Total Expenses Net of Non-Operating Revenue/Expense)	15,965,382	15,088,528	876,855 5	7,152,801	56,928,491	53,407,373	3,521,118 6	27,142,649
Net Income/(Loss)	190,901	1,417,916	1,227,015 643	7,562,631	8,237,688	13,086,909	4,848,221 59	33,511,653
Equipment Outlay								
73200 - Equipment Outlay Expendi	(5,000)	0	5,000 100	(9,188)	(5,000)	0	5,000 100	(72,210)
73299 - Capitalized Equipment Co	0	0	0 0	9,188	0	0	0 0	72,210
Total Equipment Outlay	(5,000)	0	5,000 100	0	(5,000)	0	5,000 100	0

San Diego County Regional Airport Authority



Review of the Unaudited Financial Statements for the Four Months Ended October 31, 2013 and 2012

Presented by:

Vernon D. Evans, CPA

Vice President, Finance / Treasurer & CFO

Kathy Kiefer

Director, Accounting

November 21, 2013

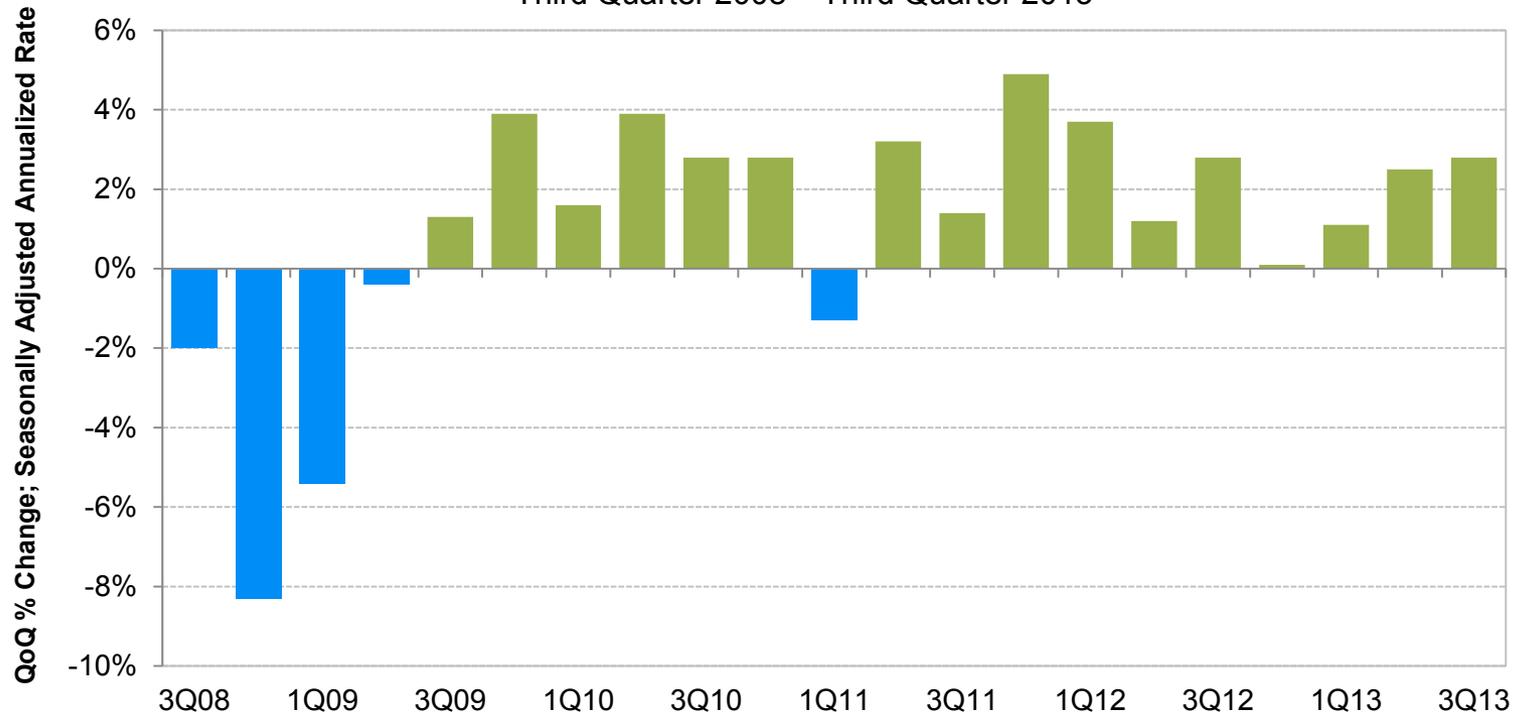


Third Quarter GDP Better Than Expected



- The advance estimate of third quarter GDP came in at a much better than expected 2.8%. The Bloomberg consensus estimate was for a 2.0% increase. However, the headline number hid the underlying weakness, as the increase in GDP was driven by a buildup in business inventories amid slack sales. Third quarter GDP did not include the direct effects of the federal government shutdown last month. The effects of the shutdown will show up in the fourth quarter.

U.S. Gross Domestic Product
Third Quarter 2008 – Third Quarter 2013





Initial Claims For Unemployment Down

- For the week ending November 2nd, seasonally adjusted initial claims for unemployment were down by 9,000 to 336,000. Although down from the shutdown peak, the weekly average is still above pre-shutdown levels. The 4-week moving average, which helps smooth out some of the weekly volatility, was down by 9,250 to 348,250.



Initial Jobless Claims and 4-Week Moving Average
November 2008 – November 2013





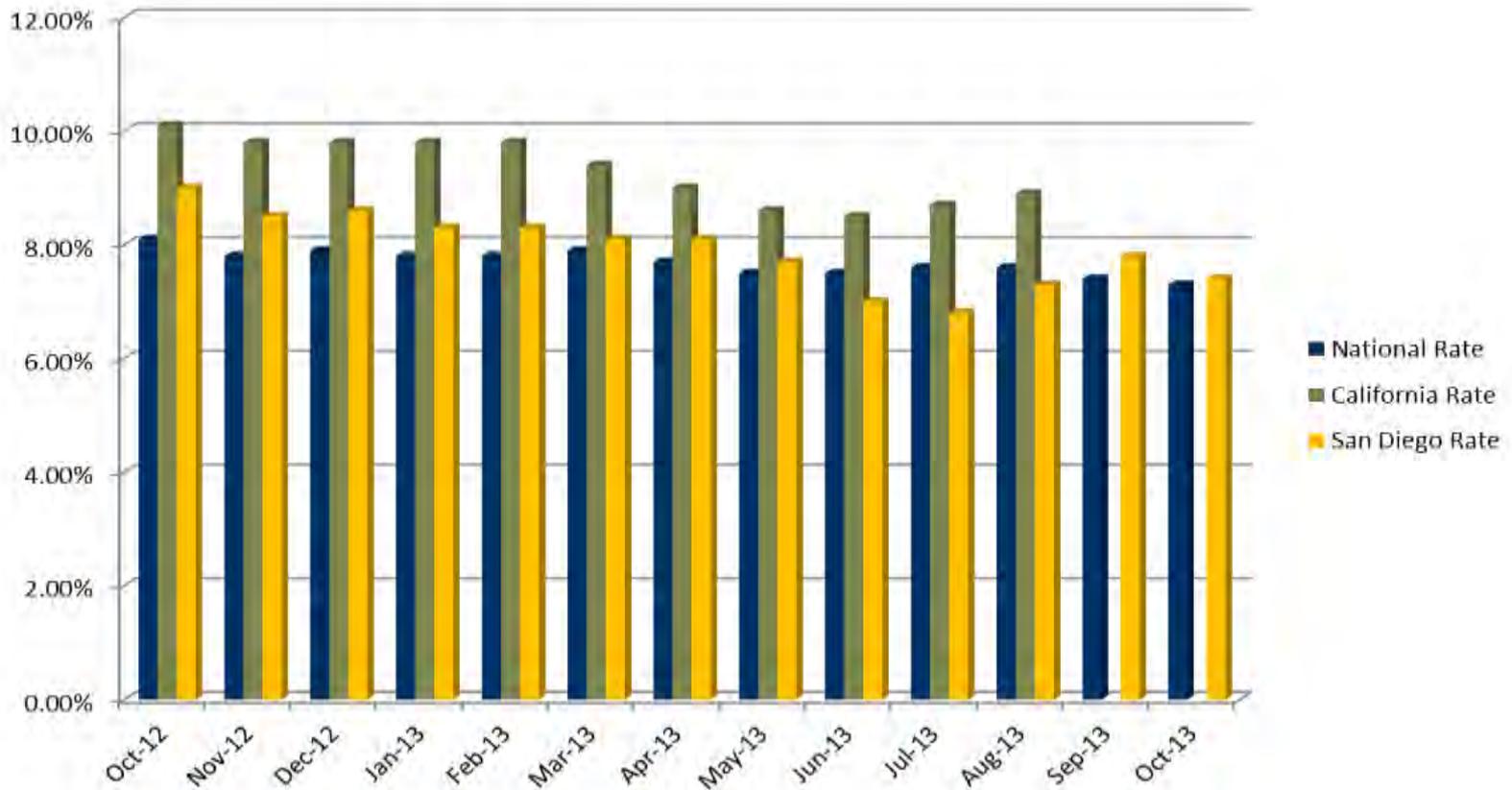
Federal Government Shutdown Will Delay California Report on September Employment Data



State of California rates for September will be released 11/22/13.

The Federal unemployment changed little at 7.3% for the month of October 2013. The National U-6 rate increased slightly to 13.8%. In California, the State unemployment rate was 8.9% in August, up 0.2 percentage point from July. Locally, San Diego's unemployment was 7.4% in August 2013, down from 7.8% in July 2013.

Unemployment Rates





Consumer Confidence Off Sharply



- The Consumer Confidence Index, which fell slightly in September, dropped sharply in October. As it had in previous government budget/debt battles, the federal government shutdown and debt-ceiling battle took a large toll on consumers' expectations. Given the short-term nature of the spending and debt ceiling resolution, consumer confidence is likely to remain volatile into the new year.

Consumer Confidence Index
October 2008 – October 2013



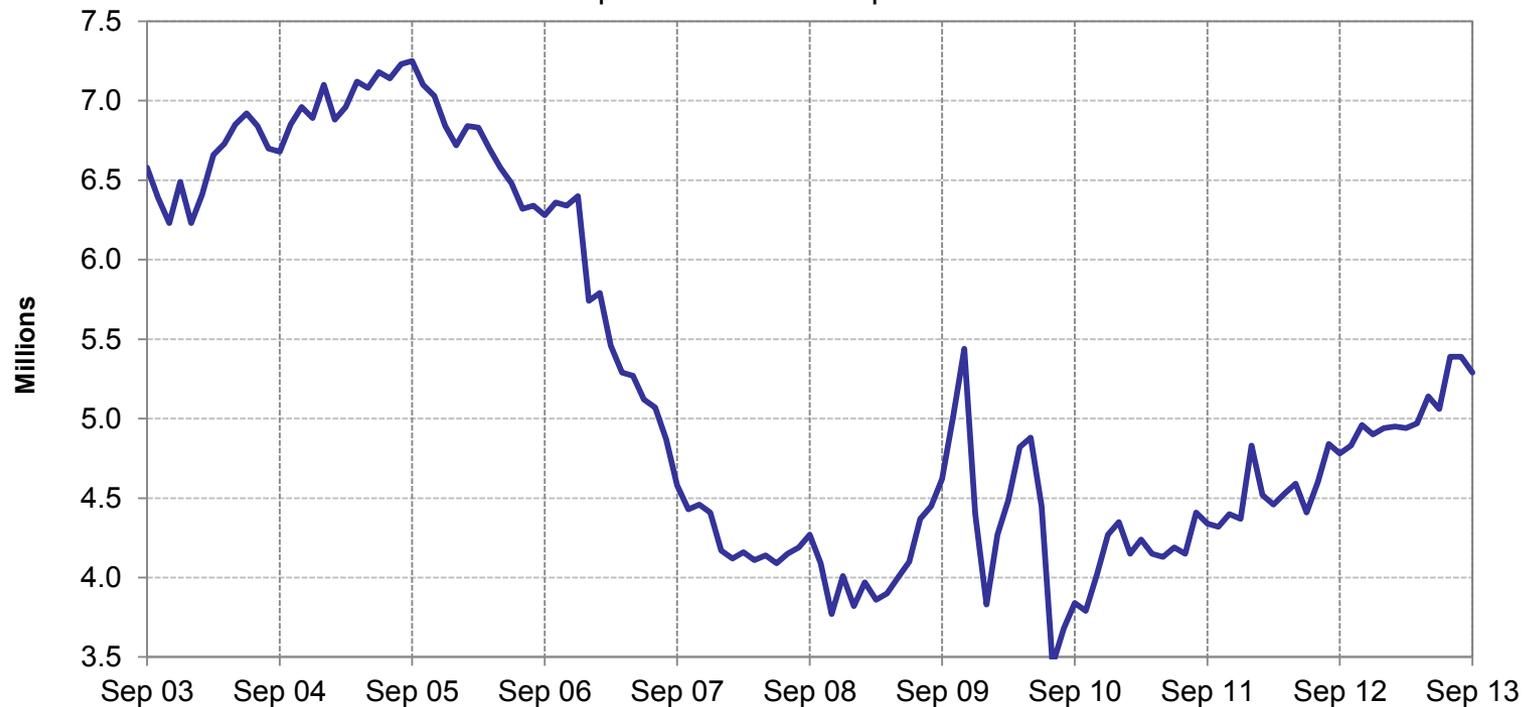


Existing Home Sales Drop in September



- The housing recovery took a step back in September. September existing home sales declined by 1.9% from August on rising interest rates and declining affordability. Housing affordability declined to a five-year low as home price increases easily outpaced income growth. There are concerns that the government shutdown along with higher mortgage rates could impact sales in coming months.

U.S. Existing Home Sales (MoM)
September 2003 – September 2013





Oil Prices Trending Downward



- Oil (WTI spot) closed at \$94.58 on November 4th. Oil, which had traded as high as \$110.62 (the high for the year) on September 6th, has been trading lower in recent weeks. Oil prices have declined on improved supplies and as Mid-East worries have declined (Syrian war worries have subsided along with the potential for negotiated settlement on Iran's nuclear program has improved).

West Texas Intermediate Oil Price Per Barrel (WTI Spot)

November 1, 2008 – November 4, 2013





Jet Fuel Prices Trending Down



- Jet fuel (U.S. Gulf Coast Spot Price) closed at \$2.90 on October 7th, which is down \$0.23 from its most recent high on August 28th, when the market's were reacting to a potential military strike in Syria. Over the past month, jet fuel prices have averaged \$2.90, which is down \$0.12 compared to the prior month's average.

U.S. Gulf Coast Kerosene-Type Jet Fuel Spot Price FOB
August 1, 2008 – August 30, 2013





Equity Markets Hit New All-Time Highs



- The equity markets have reached new all-time highs during the past couple weeks on favorable economic news and expectations that the Federal Reserve will not begin to taper its asset purchases any time soon. Year-to-date, the DJIA is up 20.4% and the S&P 500 is up 24.2%.



Dow Jones Industrial Average and S&P 500 Indices
November 1, 2008 – November 11, 2013



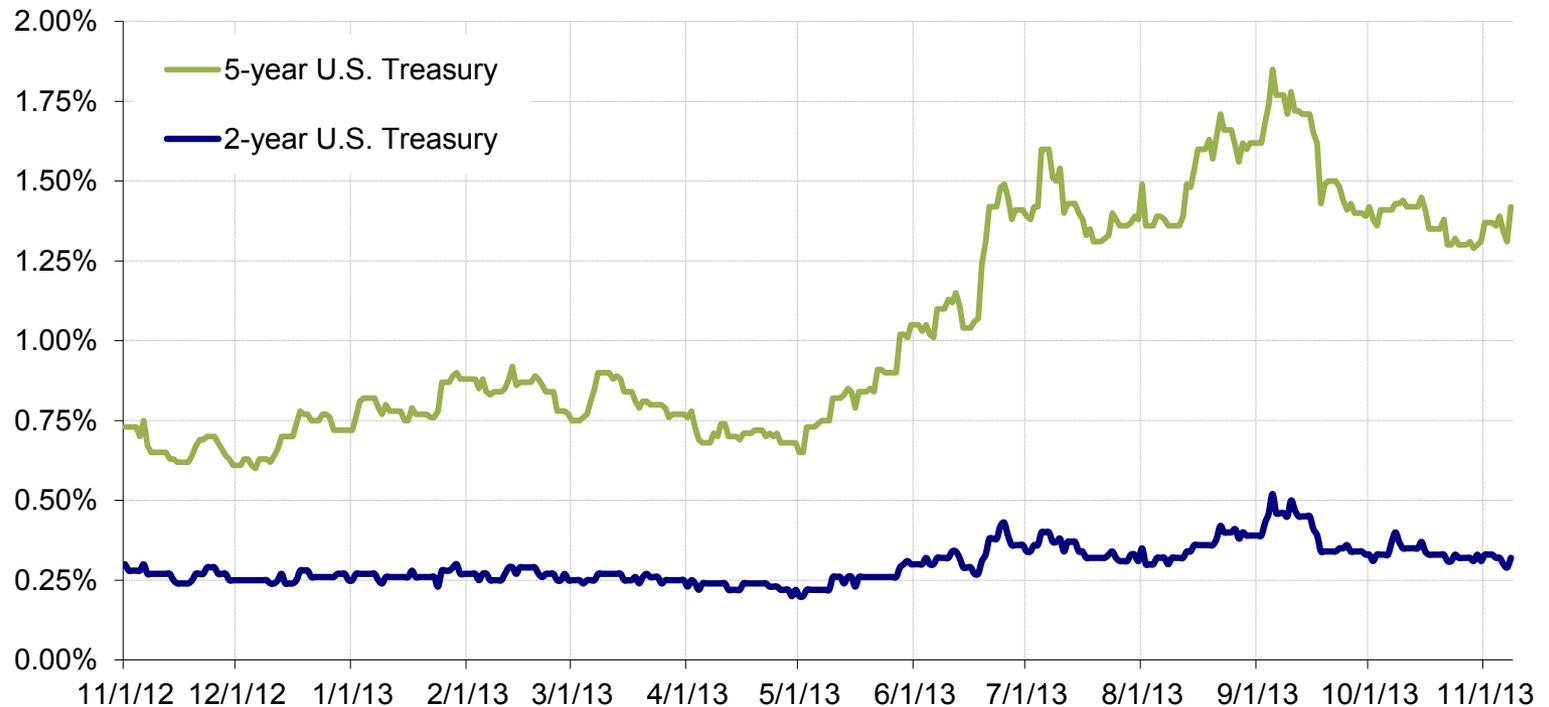


Treasury Yields Remain Range Bound

- Treasury yields have remained relatively range bound since falling in late September after the FOMC did not announce a tapering of its asset purchases. Longer-term yields rose slightly following the better than expected October jobs report.



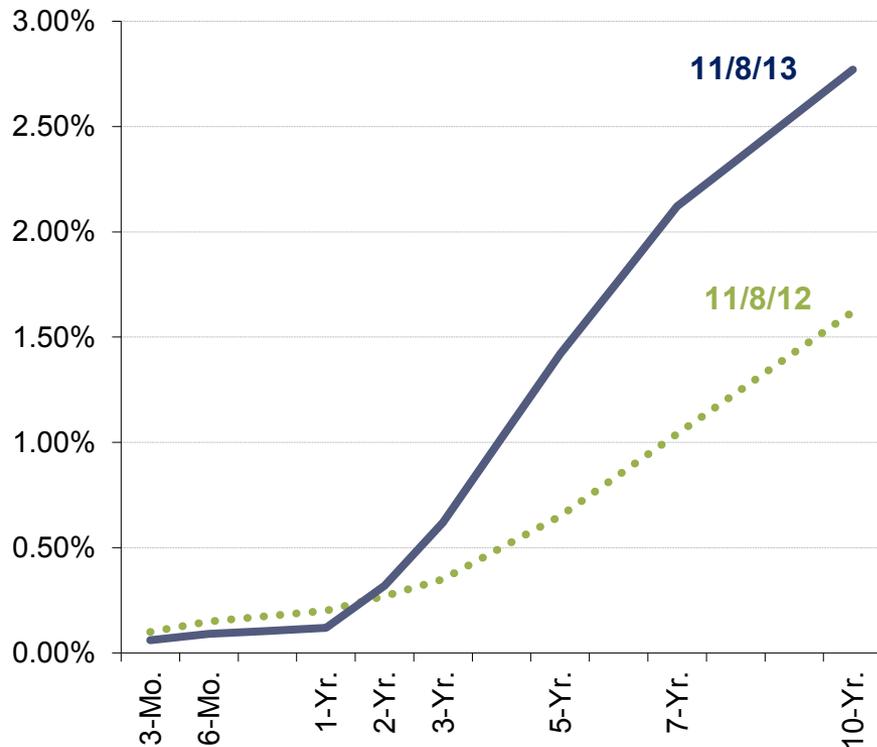
2- and 5-year U.S. Treasury Yields
November 1, 2012 – November 8, 2013



U.S. Treasury Yield Curve Remains Steep

- The yield curve remains steep. Although long-term yields are off their highs, they remain well above short-term rates, which remain tied to the Federal Reserve's fed funds target rate policy.

U.S. Treasury Yield Curve
November 8, 2012 versus November 8, 2013



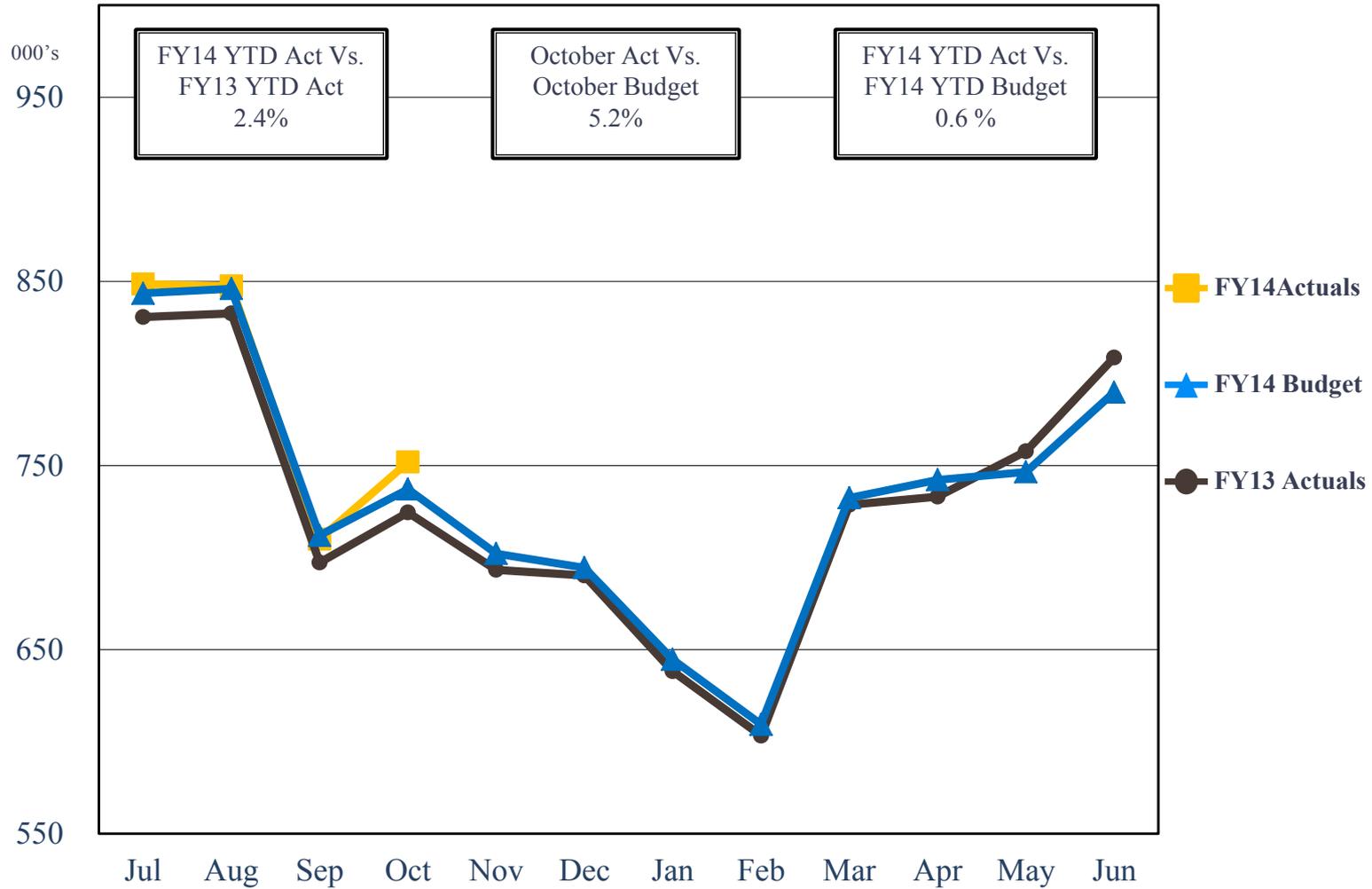
	11/8/12	11/8/13	Change
3-Mo.	0.10%	0.06%	(0.04%)
6-Mo.	0.15%	0.09%	(0.06%)
1-Yr.	0.20%	0.12%	(0.08%)
2-Yr.	0.27%	0.32%	0.05%
3-Yr.	0.35%	0.62%	0.27%
5-Yr.	0.65%	1.42%	0.77%
10-Yr.	1.62%	2.77%	1.15%
20-Yr.	2.35%	3.55%	1.20%
30-Yr.	2.77%	3.84%	1.07%

Unaudited Financial Statements
For the Month Ended
October 31, 2013



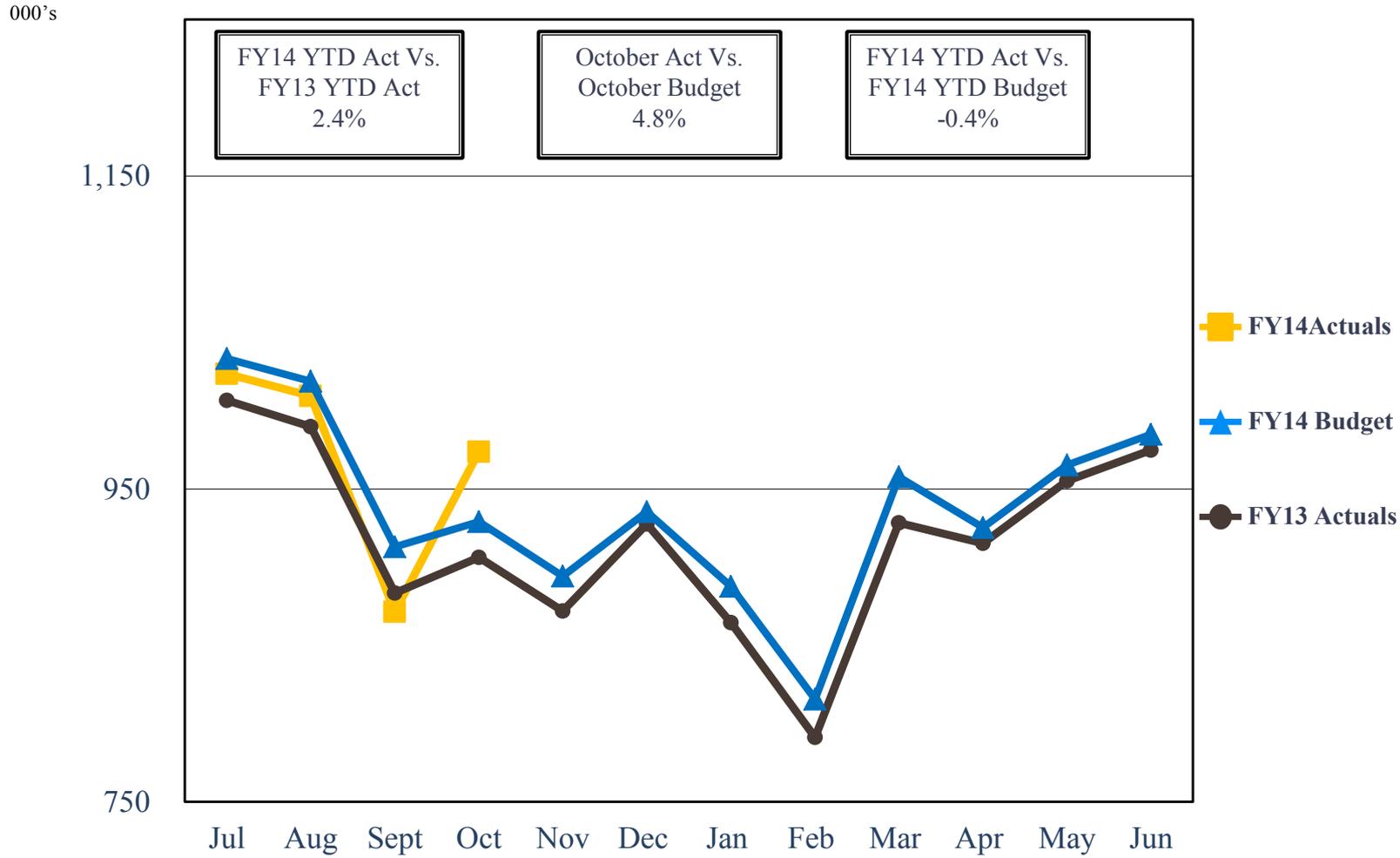


Enplanements





Gross Landing Weight Units (000 lbs)

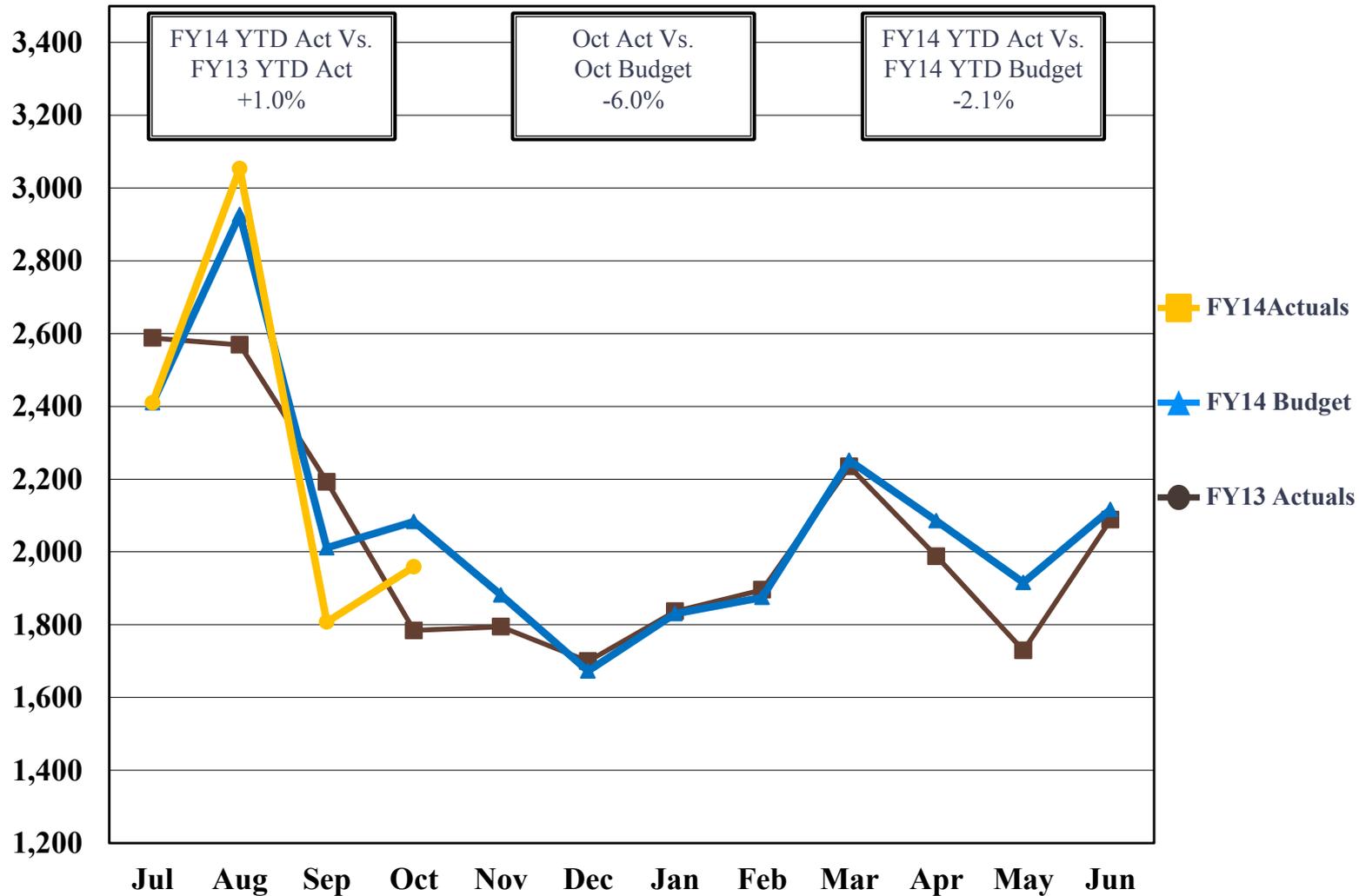




Car Rental License Fees

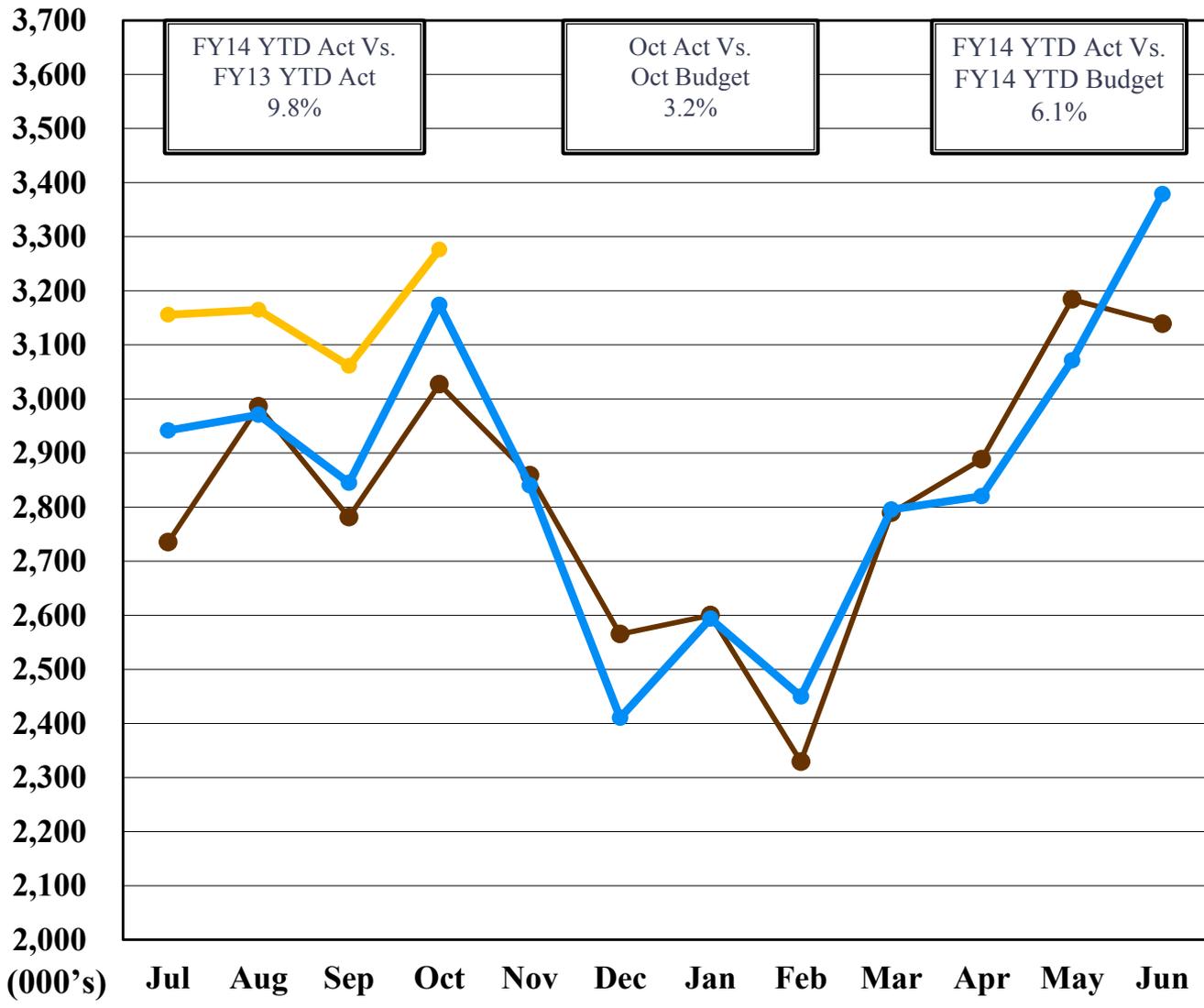


(000's)





Parking Revenue





Operating Revenues

for the Month Ended October 31, 2013 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Aviation revenue:					
Landing fees	\$ 1,795	\$ 1,833	\$ 38	2%	\$ 1,735
Aircraft parking fees	213	209	(4)	(2)%	275
Building rentals	3,785	3,756	(29)	(1)%	3,626
Security surcharge	2,081	2,081	(0)	-	1,719
CUPPS Support Charges	93	93	(0)	-	-
Other aviation revenue	133	131	(2)	(2)%	134
Total aviation revenue	\$ 8,100	\$ 8,103	\$ 3	-	\$ 7,489



Operating Revenues

for the Month Ended October 31, 2013 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Terminal rent non-airline	\$ 86	\$ 89	\$ 3	3%	\$ 79
Concession revenue:					
Terminal concession revenue:					
Food and beverage	529	614	85	16%	555
Gifts and news	352	402	50	14%	320
Space storage	63	81	18	29%	-
Cost recovery	250	193	(57)	(23)%	-
Other (Primarily advertising)	249	268	19	8%	257
Total terminal concession revenue	1,443	1,558	115	8%	1,132
Car rental and license fee revenue:					
Rental car and license fees	2,084	1,959	(125)	(6)%	1,784
License fees-other	275	348	73	27%	283
Total rental car and license fees	2,359	2,307	(52)	(2)%	2,067
Total concession revenue	\$ 3,802	\$ 3,865	\$ 63	2%	\$ 3,199

Operating Revenues

for the Month Ended October 31, 2013 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Parking revenue:					
Short-term parking revenue	\$ 2,018	\$ 1,968	\$ (50)	(2)%	\$ 1,612
Long-term parking revenue	1,156	1,308	152	13%	1,415
Total parking revenue	3,174	3,276	102	3%	3,027
Ground transportation permits and citations	256	283	27	11%	132
Ground rentals	683	812	129	19%	699
Grant reimbursements	19	16	(3)	(16)%	16
Other operating revenue	37	64	27	73%	74
Subtotal	4,169	4,451	282	7%	3,948
Total operating revenues	\$ 16,157	\$ 16,508	\$ 351	2%	\$ 14,715

Operating Expenses

for the Month Ended October 31, 2013 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Operating expenses:					
Salaries and benefits	\$ 4,389	\$ 4,471	\$ (82)	(2)%	\$ 2,897
Contractual services	2,794	2,825	(31)	(1)%	2,121
Safety and security	2,639	2,439	200	8%	1,869
Space rental	865	864	1	-	950
Utilities	697	666	31	4%	619
Maintenance	976	1,632	(656)	(67)%	903
Equipment and systems	40	43	(3)	(8)%	12
Materials and supplies	29	15	14	48%	34
Insurance	104	82	22	21%	65
Employee development and support	132	78	54	41%	98
Business development	329	201	128	39%	197
Equipment rental and repairs	316	235	81	26%	166
Total operating expenses	\$ 13,310	\$ 13,551	\$ (241)	(2)%	\$ 9,931

Financial Summary

for the Month Ended October 31, 2013 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Total operating revenues	16,157	16,508	\$ 351	2%	\$ 14,715
Total operating expenses	13,310	13,551	\$ (241)	(2)%	9,931
Income from operations	2,847	2,957	110	4%	4,784
Depreciation	4,855	4,855	(0)	-	3,380
Operating income (loss)	\$ (2,008)	\$ (1,898)	\$ 110	(5)%	\$ 1,404

Nonoperating Revenues & Expenses for the Month Ended October 31, 2013 (Unaudited)

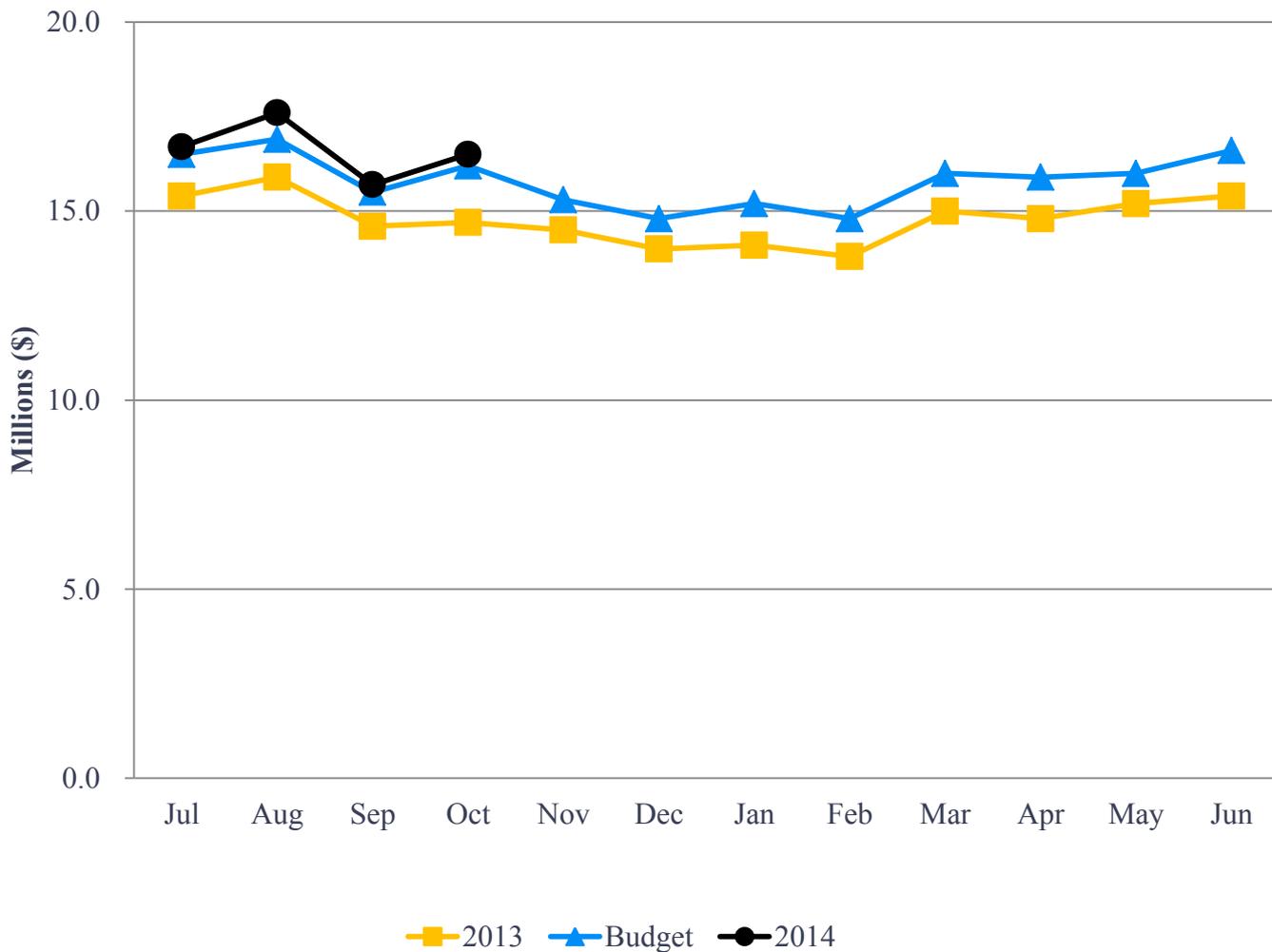
(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Nonoperating revenues (expenses):					
Passenger facility charges	\$ 3,033	\$ 3,024	\$ (9)	-	\$ 3,054
Customer facility charges (Rental Car Center)	2,092	2,160	68	3%	1,007
Quieter Home Program, net	(251)	(251)	(0)	-	(249)
Interest income	441	425	(16)	(4)%	421
BAB interest rebate	395	395	0	-	416
Interest expense bonds and commercial paper	(4,235)	(4,190)	45	1%	(2,795)
Interest expense centralized receiving building purchase agreement	(60)	(60)	0	-	-
Amortization of bond and commercial paper fees	(26)	(28)	(2)	(8)%	(23)
2005 Bond defeasance	-	(323)	(323)	-	-
Capitalized interest expense from bonds and commercial paper	153	702	549	359%	2,870
Bond amortization	335	367	32	10%	90
Other nonoperating revenue (expenses)	(2)	912	914	-	(107)
Nonoperating revenue, net	1,875	3,133	1,258	67%	4,684
Change in net position before grant contributions	(133)	1,235	1,368	(1029)%	6,088
Capital grant contributions	324	183	(141)	(44)%	1,475
Change in net position	\$ 191	\$ 1,418	\$ 1,227	642%	\$ 7,563

Revenues & Expenses (Unaudited)
For the Four Months Ended
October 31, 2013 and 2012





Monthly Operating Revenue, FY 2014 (Unaudited)





Operating Revenues

for the Four Months Ended October 31, 2013 and 2012 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Aviation revenue:					
Landing fees	\$ 7,497	\$ 7,498	\$ 1	-	\$ 7,268
Aircraft parking fees	853	829	(24)	(3)%	1,105
Building rentals	15,140	15,188	48	-	14,483
Security surcharge	8,323	8,323	(0)	-	6,876
CUPPS Support Charges	372	372	(0)	-	-
Other aviation revenue	535	532	(3)	(1)%	532
Total aviation revenue	\$ 32,720	\$ 32,742	\$ 22	-	\$ 30,264

Operating Revenues

for the Four Months Ended October 31, 2013 and 2012 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Terminal rent non-airline	\$ 337	\$ 361	\$ 24	7%	\$ 310
Concession revenue:					
Terminal concession revenue:					
Food and beverage	2,135	2,463	328	15%	2,373
Retail	1,492	1,623	131	9%	1,417
Space storage	250	295	45	18%	-
Cost recovery	790	663	(127)	(16)%	-
Other (Primarily advertising)	936	960	24	3%	987
Total terminal concession revenue	5,603	6,004	401	7%	4,777
Car rental and license fee revenue:					
Rental car license fees	9,431	9,229	(202)	(2)%	9,134
License fees-other	1,167	1,310	143	12%	1,097
Total rental car and license fees	10,598	10,539	(59)	(1)%	10,231
Total concession revenue	\$ 16,201	\$ 16,543	\$ 342	2%	\$ 15,008



Operating Revenues

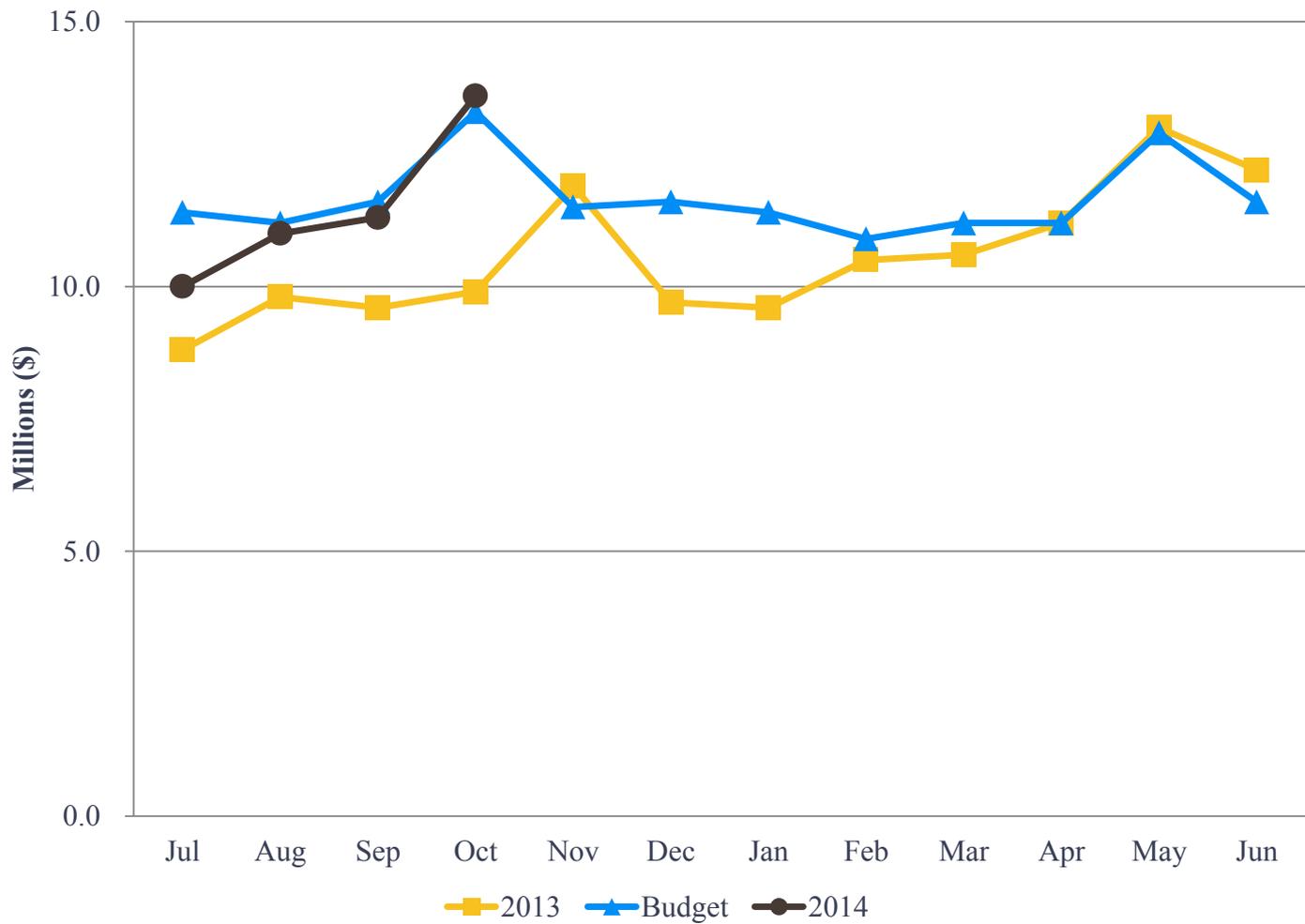
for the Four Months Ended October 31, 2013 and 2012 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Parking revenue:					
Short-term parking revenue	\$ 7,687	\$ 7,890	\$ 203	3%	\$ 5,787
Long-term parking revenue	4,244	4,768	524	12%	5,743
Total parking revenue	11,931	12,658	727	6%	11,530
Ground transportation permits and citations	1,009	1,073	64	6%	447
Ground rentals	2,745	2,821	76	3%	2,778
Grant reimbursements	75	64	(11)	(15)%	64
Other operating revenue	147	234	87	59%	252
Subtotal	15,907	16,850	943	6%	15,071
Total operating revenues	\$ 65,165	\$ 66,496	\$ 1,331	2%	\$ 60,653



Monthly Operating Expenses, FY 2014 (Unaudited)



Operating Expenses

for the Four Months Ended October 31, 2013 and 2012 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Operating expenses:					
Salaries and benefits	\$ 13,942	\$ 13,619	\$ 323	2%	\$ 11,378
Contractual services	11,670	10,628	1,042	9%	8,802
Safety and security	8,433	8,255	178	2%	7,118
Space rental	3,461	3,459	2	-	3,804
Utilities	2,954	2,855	99	3%	2,437
Maintenance	3,879	4,591	(712)	(18)%	2,579
Equipment and systems	154	94	60	39%	57
Materials and supplies	124	116	8	6%	104
Insurance	418	330	88	21%	274
Employee development and support	394	295	99	25%	258
Business development	1,103	536	567	51%	784
Equipment rental and repairs	946	906	40	4%	467
Total operating expenses	\$ 47,478	\$ 45,684	\$ 1,794	4%	\$ 38,062

Financial Summary

for the Four Months Ended October 31, 2013 and 2012 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Total operating revenues	\$ 65,165	\$ 66,496	\$ 1,331	2%	\$ 60,653
Total operating expenses	47,478	45,684	1,794	4%	38,062
Income from operations	17,687	20,812	3,125	18%	22,591
Depreciation	19,600	19,600	0	-	13,865
Operating income (loss)	\$ (1,913)	\$ 1,212	\$ 3,125	(163)%	\$ 8,726

Nonoperating Revenues & Expenses for the Four Months Ended October 31, 2013 and 2012 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Nonoperating revenues (expenses):					
Passenger facility charges	\$ 12,074	\$ 11,815	\$ (259)	(2)%	\$ 11,953
Customer facility charges (Rental Car Center)	8,295	8,763	468	6%	4,095
Quieter Home Program, net	(739)	(658)	81	11%	309
Interest income	1,763	1,594	(169)	(10)%	1,523
BAB interest rebate	1,580	1,580	-	-	1,665
Interest expense bonds and commercial paper	(16,939)	(16,759)	180	1%	(11,181)
Interest expense centralized receiving building purchase agreement	(242)	(302)	(60)	(25)%	-
Amortization of bond and commercial paper fees	(105)	(103)	2	2%	(83)
2005 Bond defeasance	-	(646)	(646)	-	-
Capitalized interest expense from bonds and commercial paper	610	2,421	1,811	297%	11,398
Bond amortization	1,343	1,471	128	10%	360
Other nonoperating revenue (expenses)	(6)	1,817	1,823	-	(731)
Nonoperating revenue, net	7,634	10,993	3,359	44%	19,308
Change in Net Position before grant contributions	5,721	12,205	6,484	113%	28,034
Capital grant contributions	2,517	881	(1,636)	(65)%	5,478
Change in Net Position	\$ 8,238	\$ 13,086	\$ 4,848	59%	\$ 33,512



Statements of Net Position (Unaudited)



	(In thousands)	
	October	
	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and investments	\$ 98,525	\$ 104,199
Tenant lease receivable, net of allowance of 2013: (\$52,704) and 2012: (\$52,329)	9,226	6,904
Grants receivable	2,723	5,711
Notes receivable-current portion	1,447	1,441
Prepaid expenses and other current assets	7,913	7,433
Total current assets	119,834	125,688
 Cash designated for capital projects and other	 \$ 10,890	 \$ 9,105



Statements of Net Position (Unaudited)



(In thousands)

October

2013

2012

Restricted assets:

Cash and investments:

Bonds reserve	\$ 71,216	\$ 47,829
Passenger facility charges and interest unapplied	44,924	61,161
Customer facility charges and interest applied*	41,320	33,837
Commercial paper reserve	28	3
SBD bond guarantee	4,000	4,000
Bond proceeds held by trustee	291,233	100,216
Commercial paper interest held by trustee	13	13
Passenger facility charges receivable	4,141	4,750
Customer facility charges receivable*	2,949	1,244
OCIP insurance reserve	5,308	6,003
Total restricted assets	\$ 465,132	\$ 259,056

*Rental Car Center



Statements of Net Position (Unaudited)



(In thousands)

October

2013

2012

Noncurrent assets:

Capital assets:

Land and land improvements	\$ 71,294	\$ 24,487
Runways, roads and parking lots	534,772	269,781
Buildings and structures	714,712	461,504
Machinery and equipment	13,621	12,942
Vehicles	5,569	5,389
Office furniture and equipment	31,639	31,227
Works of art	2,284	2,350
Construction-in-progress	444,818	727,599
Total capital assets	1,818,709	1,535,279
Less: accumulated depreciation	(601,295)	(554,413)
Total capital assets, net	\$ 1,217,414	\$ 980,866



Statements of Net Position (Unaudited)



(In thousands)

October

Other assets:

Notes receivable - long-term portion

Investments - long-term portion

Deferred costs - bonds (net)

Net pension asset

Security deposit

Total other assets

Total noncurrent assets

TOTAL ASSETS

	2013	2012
	\$ 39,421	\$ 40,894
	58,493	10,394
	0	4,626
	6,463	7,019
	500	615
	104,877	63,548
	1,322,291	1,044,414
	\$ 1,918,147	\$ 1,438,263



Statements of Net Position (Unaudited)



(In thousands)

October

2013

2012

Current liabilities:

Accounts payable and accrued liabilities

\$ 75,111 \$ 74,609

Deposits and other current liabilities

3,492 2,849

Total current liabilities

78,603 77,458

Current liabilities - payable from restricted assets:

Current portion of long-term debt

1,030 5,415

Accrued interest on bonds
and commercial paper

16,755 10,939

Total liabilities payable from restricted assets

\$ 17,785 \$ 16,354



Statements of Net Position (Unaudited)



(In thousands)
October

Long-term liabilities - other:

Commercial paper notes payable

Other long-term liabilities

Long-term debt - bonds net of amortized premium

Total long-term liabilities

Total liabilities

	2013	2012
Commercial paper notes payable	\$ 50,969	\$ 19,924
Other long-term liabilities	9,835	1,499
Long-term debt - bonds net of amortized premium	1,020,806	623,972
Total long-term liabilities	1,081,610	645,395
Total liabilities	\$ 1,177,998	\$ 739,207



Statements of Net Position (Unaudited)



(In thousands)

October

Net Position:

	<u>2013</u>	<u>2012</u>
Invested in capital assets, net of related debt	\$ 427,752	\$ 430,699
Other restricted	173,928	169,572
Unrestricted:		
Designated	17,353	16,124
Undesignated	121,116	82,661
Total net position	<u>740,149</u>	<u>699,056</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,918,147</u>	<u>\$ 1,438,263</u>



Questions



San Diego County Regional Airport Authority

Investment Report
As of October 31, 2013



Presented by:
Vernon D. Evans, CPA
Vice President, Finance / Treasurer & CFO
Scott Brickner, CPA
Director, Financial Planning and Budget
November 21, 2013



This report is prepared for the San Diego County Regional Airport Authority (the "Authority") in accordance with California Government Code Section 53646, which states that "the treasurer or chief fiscal officer may render a quarterly report to the chief executive officer, the internal auditor, and the legislative body of the local agency within 30 days following the end of the quarter covered by the report."

The investment report and investment portfolio are in compliance with California Government Code Section 53646 and the Authority's approved Investment Policy. All investment transactions made in the Authority's portfolio during this period were made on behalf of the Authority. Sufficient liquidity and anticipated revenue are available to meet expenditure requirements for the next six months.

A handwritten signature in black ink that reads "Vernon D. Evans". The signature is written in a cursive style and is positioned above a horizontal line.

Vernon D. Evans
Chief Financial Officer/Treasurer
San Diego County Regional Airport Authority



Total Portfolio Summary



Total Portfolio Summary

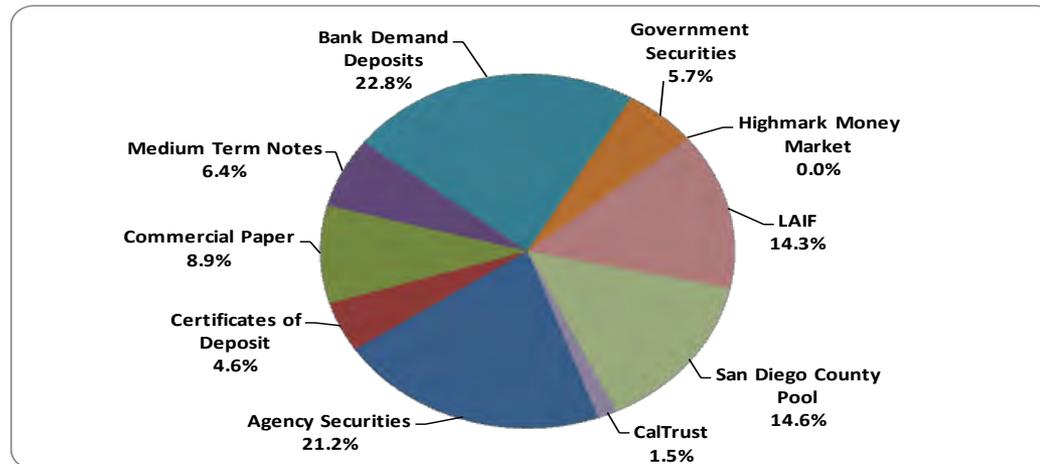
	Current Period	Prior Period	Change From Prior
	October 31, 2013	September 30, 2013	
Book Value	\$331,789,000	\$334,264,000	(\$2,475,000)
Market Value	\$331,571,000	\$333,758,000	(\$2,187,000)
Market Value%	100.00%	99.90%	0.10%
Unrealized Gain / (Loss)	(\$218,000)	(\$506,000)	\$288,000
Weighted Average Maturity (Days)	306 days	299 days	7
Weighted Average Yield as of Period End	0.44%	0.43%	0.01%
Cash Interest Received- Current Month	\$187,000	\$48,000	\$139,000
Cash Interest Received- Year-to-Date	\$543,000	\$356,000	\$187,000
Accrued Interest	\$232,000	\$265,000	(\$33,000)



Portfolio Composition by Security Type



	October 31, 2013		September 30, 2013		Permitted by Policy
	Market Value	Percent of Portfolio	Market Value	Percent of Portfolio	
Agency Securities	\$ 70,432,000	21.2%	\$ 70,231,000	21.0%	100%
Certificates of Deposit	15,153,000	4.6%	15,149,000	4.5%	30%
Commercial Paper	29,471,000	8.9%	34,472,000	10.3%	25%
Medium Term Notes	21,244,000	6.4%	16,205,000	4.9%	15%
Bank Demand Deposits	75,394,000	22.8%	78,086,000	23.6%	100%
Government Securities	18,824,000	5.7%	18,795,000	5.6%	100%
Highmark Money Market	163,000	0.0%	138,000	0.0%	20%
LAIF	47,490,000	14.3%	47,454,000	14.2%	\$50 million ⁽¹⁾
San Diego County Pool	48,390,000	14.6%	48,220,000	14.4%	\$50 million ⁽²⁾
CalTrust	5,010,000	1.5%	5,008,000	1.5%	\$50 million ⁽³⁾
Total:	\$ 331,571,000	100.0%	\$ 333,758,000	100.0%	



Notes:

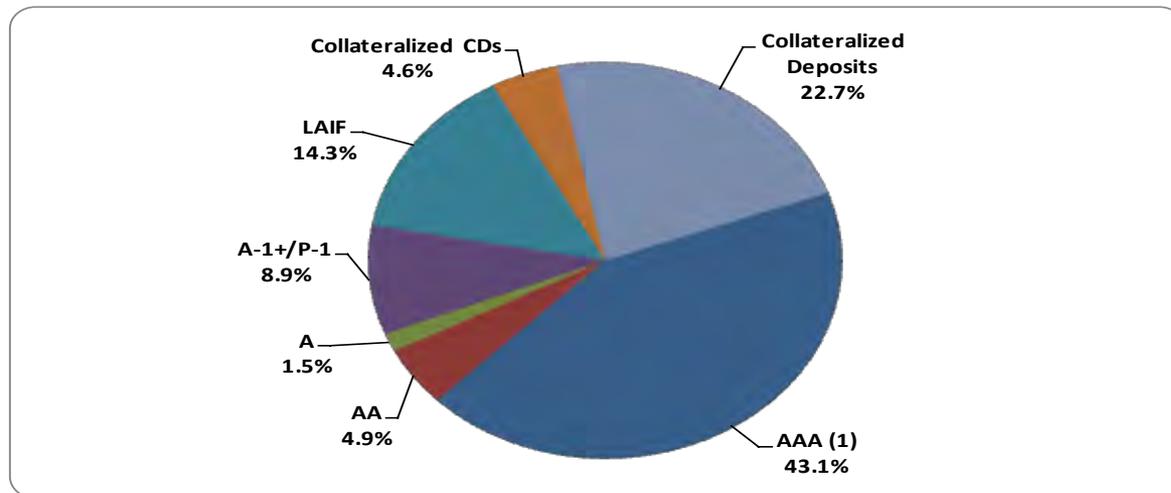
- 1.) The \$50 million limit on LAIF is a non-statutory LAIF internal limit. It does not apply to bond proceeds.
- 2.) The San Diego County Investment Pool mirrors the LAIF internal limit and does not apply to bond proceeds.
- 3.) The CalTrust mirrors the LAIF internal limit and does not apply to bond proceeds.



Portfolio Composition by Credit Rating



	October 31, 2013		September 30, 2013	
	Market Value	Percent of Portfolio	Market Value	Percent of Portfolio
AAA ⁽¹⁾	\$ 142,819,000	43.1%	\$ 142,392,000	42.7%
AA	16,246,000	4.9%	\$ 11,207,000	3.4%
A	4,998,000	1.5%	\$ 4,998,000	1.5%
A-1+/P-1	29,471,000	8.9%	34,472,000	10.3%
LAIF	47,490,000	14.3%	47,454,000	14.2%
Collateralized CDs	15,153,000	4.6%	15,149,000	4.5%
Collateralized Deposits	75,394,000	22.7%	78,086,000	23.4%
Total:	\$ 331,571,000	100.0%	\$ 333,758,000	100.0%



Notes:

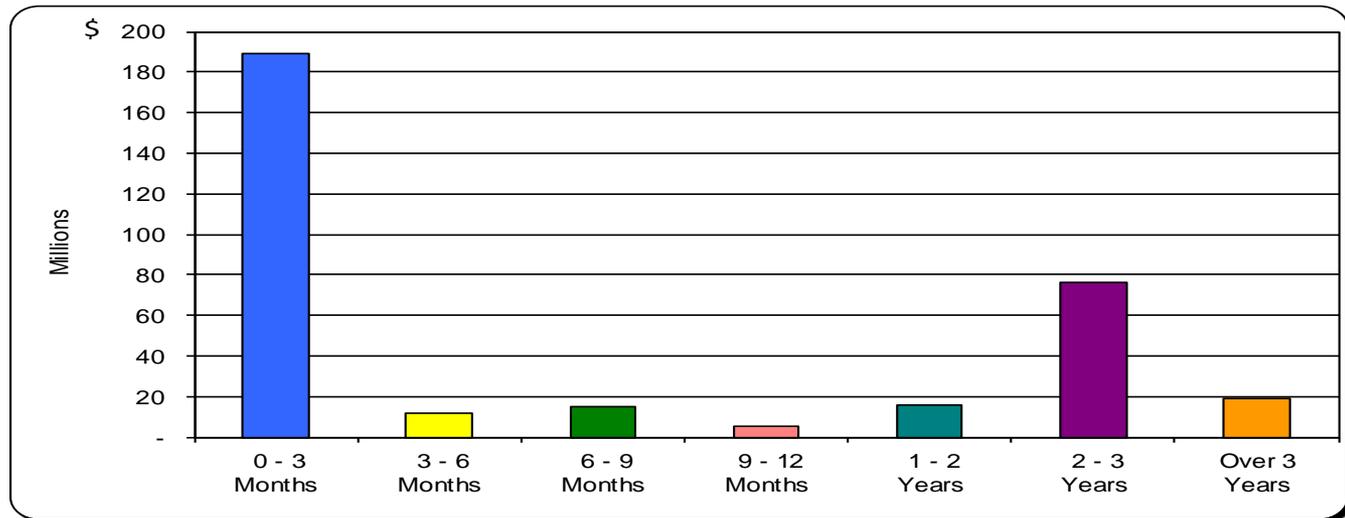
1.) Includes investments that have split ratings between S&P (AA+), Moodys (AAA) and Fitch (AAA)



Portfolio Composition by Maturity Distribution⁽¹⁾



	October 31, 2013		September 30, 2013	
	Market Value	Percent of Portfolio	Market Value	Percent of Portfolio
0 - 3 Months	\$ 188,943,000	57.0%	\$ 193,901,000	58.3%
3 - 6 Month	11,986,000	3.6%	14,487,000	4.3%
6 - 9 Months	15,138,000	4.6%	4,989,000	1.5%
9 - 12 Months	5,004,000	1.5%	15,149,000	4.5%
1 - 2 Years	15,567,000	4.7%	12,504,000	3.7%
2 - 3 Years	76,042,000	22.9%	73,916,000	22.1%
Over 3 Years	18,891,000	5.7%	18,812,000	5.6%
Total:	\$ 331,571,000	100.0%	\$ 333,758,000	100.0%

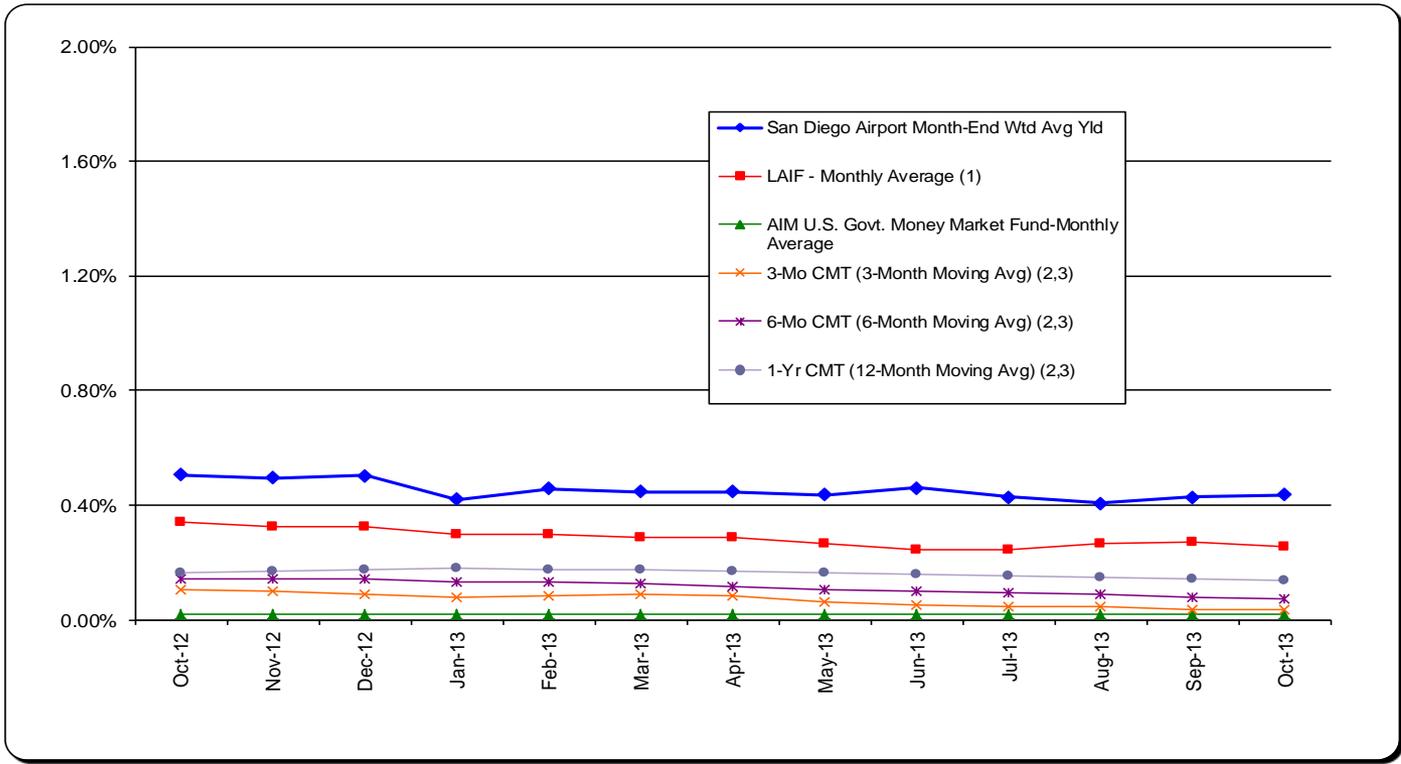


Notes:

1.) The 0-3 Month category includes investments held in the LAIF and the San Diego County Investment Pool.



Benchmark Comparison



Notes:

- 1.) Benchmark data for LAIF is the average monthly effective yield.
- 2.) CMT stands for Constant Maturity Treasury. This data is published in Federal Reserve Statistical Release H.15 and represents an average of all actively traded Treasury securities having that time remaining until maturity. This is a standard industry benchmark for Treasury securities.
- 3.) The CMT benchmarks are moving averages. The 3-month CMT is the daily average for the previous 3 months, the 6-month CMT is the daily average for the previous 6 months, and the 1-year CMT is the daily average for the previous 12-months.

Detail of Security Holdings

As of October 31, 2013



Settlement Date	Security Description	Coupon	Maturity Date	Next Call Date	Par Value	Purchase Price	Book Value	Market Price	Market Value	Days to Maturity	Yield to Maturity
02/10/12	FHLMC	1.000	02/10/16	02/10/14	3,000,000	100.475	3,014,250	100.210	3,006,300	832	0.879
02/24/12	FNMA	0.800	02/24/16	02/24/14	3,000,000	99.785	2,993,550	100.190	3,005,700	846	0.855
10/29/12	FNMA	0.550	04/29/16	01/29/14	6,000,000	99.863	5,991,750	99.988	5,999,280	911	0.592
01/27/12	FHLMC	2.250	01/23/17	01/23/14	2,500,000	102.885	2,572,125	100.480	2,512,000	180	1.645
12/28/12	FNMA	0.006	06/27/16	12/27/13	5,000,000	99.875	4,993,750	99.807	4,990,350	970	0.596
09/21/12	FNMA	1.125	06/28/17	12/28/13	3,000,000	100.368	3,011,040	99.554	2,986,620	1336	1.050
07/26/12	FNMA	0.750	07/26/17	01/26/14	2,000,000	99.875	1,997,500	99.343	1,986,860	1364	1.220
09/21/12	FHLMC	1.000	09/12/17	12/12/13	3,000,000	99.975	2,999,250	99.298	2,978,940	1412	1.000
01/16/13	FHLMC	1.050	01/16/18	01/16/14	3,000,000	99.970	2,999,100	98.897	2,966,910	1538	1.056
01/09/13	FHLMC	1.375	01/09/18	01/09/15	2,000,000	101.440	2,028,800	100.271	2,005,420	1531	1.080
01/30/13	FNMA	1.030	01/30/18	01/30/14	3,500,000	99.990	3,499,650	98.704	3,454,640	1552	1.032
06/13/13	FHLB	0.375	06/24/16	06/24/16	5,000,000	99.023	4,951,150	99.852	4,992,600	967	0.701
02/13/13	FHLB	0.250	02/20/15	02/20/15	5,000,000	99.870	4,993,500	100.024	5,001,200	477	0.315
02/14/13	FNMA	0.500	05/27/15	05/27/15	2,500,000	100.349	2,508,725	100.339	2,508,475	573	0.347
02/13/13	FHLB	0.500	11/20/15	11/20/15	5,000,000	100.172	5,008,600	100.235	5,011,750	750	0.437
02/13/13	FNMA	0.375	12/21/15	12/21/15	5,000,000	99.772	4,988,600	99.922	4,996,100	781	0.455
10/10/13	FHLMC	0.875	10/14/16	10/14/16	4,000,000	100.180	4,007,200	100.804	4,032,160	1079	0.814
06/12/13	FHLMC	0.500	05/13/16	05/13/16	8,000,000	99.707	7,976,568	99.957	7,996,560	925	0.601
Agency Total					70,500,000		70,535,108		70,431,865	999	0.737
07/02/13	East West Bk CD	0.500	07/02/14		1,148,897	100.000	1,148,897	100.000	1,148,897	244	0.500
09/05/13	Torrey Pines Bank CD	0.500	09/04/14		5,000,000	100.000	5,004,180	100.084	5,004,180	308	0.500
CD's Total					15,148,897		15,153,077		15,153,077	265	0.500

Detail of Security Holdings

As of October 31, 2013



Settlement Date	Security Description	Coupon	Maturity Date	Next Call Date	Par Value	Purchase Price	Book Value	Market Price	Market Value	Days to Maturity	Yield to Maturity
09/04/13	BNP PARIBAS CP	0.340	03/03/14		4,000,000	99.830	3,993,200	99.898	3,995,920	123	0.341
07/12/13	BANK OF TOKYO-MITSUBISHI CP	0.250	01/15/14		3,500,000	99.870	3,495,455	99.956	3,498,460	76	0.250
08/06/13	BANK OF TOKYO-MITSUBISHI CP	0.250	02/06/14		3,000,000	99.872	2,996,167	99.933	2,997,990	98	0.250
08/12/13	BNP PARIBAS CP	0.250	12/10/13		5,000,000	99.917	4,995,833	99.982	4,999,100	40	0.250
08/12/13	RABUSA CP	0.260	05/09/14		5,000,000	99.805	4,990,250	99.785	4,989,250	190	0.260
10/07/13	J.P. MORGAN SEC CP	0.250	04/07/14		5,000,000	99.874	4,993,681	99.847	4,992,350	158	0.250
07/18/13	UBS FINANCE	0.220	01/17/14		4,000,000	99.888	3,995,527	99.955	3,998,200	78	0.220
Commercial Paper Total					29,500,000		29,460,112		29,471,270	112	0.260
05/09/13	Apple Inc Notes	0.450	05/03/16		4,000,000	99.944	3,997,760	99.564	3,982,560	915	0.469
06/03/13	Toyota Motor Corp Notes	2.800	01/11/16		4,000,000	105.114	4,204,560	104.506	4,180,240	802	0.812
08/30/13	Caterpillar Financial	0.409	08/28/15		5,000,000	100.000	5,000,000	99.965	4,998,250	666	0.409
10/10/13	GE CAP CORP	0.896	01/08/16		5,000,000	100.452	5,022,600	100.487	5,024,350	799	0.695
07/08/13	WAL M ART STORES INC	1.500	10/25/15		3,000,000	102.028	3,060,836	101.966	3,058,980	724	0.617
Medium Term Notes					21,000,000		21,285,756		21,244,380	779	0.597
02/13/13	U.S. Treasury	0.375	01/15/16		5,000,000	99.926	4,996,289	100.031	5,001,550	806	0.401
06/03/13	U.S. Treasury	0.250	05/15/16		6,850,000	99.234	6,797,555	99.523	6,817,326	927	0.512
07/08/13	U.S. Treasury	0.500	06/15/16		7,000,000	99.602	6,972,109	100.070	7,004,900	958	0.637
Government Total					18,850,000		18,765,953		18,823,776	906	0.529
	US Bank General Acct				16,135,315	100.000	16,135,315	100.000	16,135,315	1	0.035
US Bank Accounts Total					16,135,315		16,135,315		16,135,315	1	0.035
	Highmark US Govt MMF				163,144	100.000	163,144	100.000	163,144	1	0.000
Highmark Money Market Total					163,144		163,144		163,144	1	0.000
	Torrey Pines Bank MM				5,003,495	100.000	5,003,495	100.000	5,003,495	1	0.500
	Local Agency Invstmnt Fd				47,463,342	100.000	47,463,342	100.057	47,490,251	1	0.257
	San Diego County Inv Pool				48,559,302	100.000	48,559,302	99.651	48,389,797	1	0.420
	CalTrust				5,000,000	100.000	5,009,566	100.191	5,009,566	1	0.340
	Bank of the West				18,724,368	100.000	18,724,368	100.000	18,724,368	1	0.290
	Wells Fargo Bank				4,047,720	100.000	4,047,720	100.000	4,047,720	1	0.250
	East West Bank				103,095	100.000	103,095	100.000	103,095	1	0.350
	East West Bank				31,379,717	100.000	31,379,717	100.000	31,379,717	1	0.350
East West Bank Total					31,482,812		31,482,812	100.000	31,482,812	1	0.350
Grand Total					\$ 331,578,395	89.13	\$ 331,789,069	100.00	\$ 331,570,835	306	0.436

Portfolio Investment Transactions

From October 1st, 2013 – October 31st, 2013



Settle Date	Security Description	Security Type	CUSIP	Coupon	Mature Date	Call Date	Unit Price	Amount
PURCHASES								
10/07/13	J.P. MORGAN SEC CP	CP - DISC	46640QD73	0.250	04/07/14	--	99.874	\$ 4,993,681
10/10/13	FHLMC	AGCY	3137EADS5	0.875	10/14/16	--	100.180	4,007,200
10/10/13	GE CAPITAL CORP	MTN	36962G6Q2	0.896	01/08/16	--	100.452	5,022,600
								\$ 14,023,481
CALLS								
10/19/12	FHLMC	AGCY CALL	3134G3P20	0.500	10/09/15	10/09/13		\$ 4,000,000
								\$ 4,000,000
MATURITIES								
01/08/13	FCAR Owner Trust CP	CP - DISC	3024A0X42	0.480	10/04/13	--	100.015	\$ 4,982,067
								\$ 4,982,067
DEPOSITS								
								\$ -
WITHDRAWALS/SALES								
02/13/13	GE CAPITAL CORP CP	CP - DISC	36959HY84	0.240	11/08/13	--	99.993	\$ 4,991,067
								\$ 4,991,067



Bond Proceeds Summary



As of: **October 31, 2013**
(in thousands)

	Bonds 2010	Bonds 2013	Total	Yield	Rating
<u>Project Fund</u>					
LAIF ⁽¹⁾	\$ -	\$ 28,454	\$ 28,454	0.26%	N/R
SDCIP ⁽²⁾	2,747	155,800	158,547	0.42%	AAAf
	<u>\$ 2,747</u>	<u>\$ 184,254</u>	<u>\$ 187,001</u>		
<u>Capitalized Interest</u>					
SDCIP ⁽²⁾	\$ -	\$ 2,274	\$ 2,274	0.42%	AAAf
	<u>\$ -</u>	<u>\$ 2,274</u>	<u>\$ 2,274</u>		
<u>Debt Service Reserve Fund</u>					
East West Bank CD	\$ 20,500	\$ -	\$ 20,500	0.75%	
Bank of the West DDA	16,127	-	16,127	0.29%	
SDCIP ⁽²⁾	14,626	32,909	47,535	0.42%	AAAf
	<u>\$ 51,253</u>	<u>\$ 32,909</u>	<u>\$ 84,162</u>		
	<u><u>\$ 54,000</u></u>	<u><u>\$ 219,437</u></u>	<u><u>\$ 273,437</u></u>	0.42%	

*Bond proceeds are not included in deposit limits as applied to operating funds

(1) LAIF Yield as of 9/30/2013

(2) SDCIP Yield as of 09/30/2013



Bond Proceeds Investment Transactions

From October 1st, 2013 – October 31st, 2013



Settle Date	Security Description	Security Type	CUSIP	Coupon	Mature Date	Call Date	Unit Price	Amount
PURCHASES								
							\$	-
CALLS								
							\$	-
MATURITIES								
							\$	-
DEPOSITS								
							\$	-
WITHDRAWALS / SALES								
10/30/2013	LAIF (2013 Bonds)	LAIF		0.26			1.000	\$ 5,873,948
							\$	5,873,948



Questions





SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
FINANCE COMMITTEE

Item No.
4

Meeting Date: **NOVEMBER 21, 2013**

Subject:

Authorization of Bond Documents and Sale of Special Facilities Revenue Bonds, Including Delegation of Pricing Authority, for Funding of Rental Car Center and Related Improvements

Recommendation:

Staff recommends that the Committee forward the following recommendations to the Board for approval.

Adopt Resolution No. 2013-XXXX, (1) authorizing the issuance and sale of not to exceed \$350 million in aggregate principal amount of one or more series of San Diego County Regional Airport Authority Senior Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project; (2) approving the forms of a Trust Indenture, Preliminary and Final Official Statements, a Purchase Contract and a Continuing Disclosure Certificate, and certain related matters.

Background/Justification:

A. Adoption of Resolution No. 2013-XXXX.

Pursuant to the Section 170070 of the California Public Utilities Code (the "Act"), the Authority shall have the power to issue bonds, from time to time, payable from revenue of any facility or enterprise operated, acquired, or constructed by the Authority, for any of the purposes authorized under the Act.

Master Trust Indenture. The Authority previously approved and entered into a senior **Master Trust Indenture (the "Master Senior 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., formerly known as The Bank of New York Trust Company, N.A. (the "Senior Trustee"). This Master Senior Indenture is the financing document that sets forth the **general terms of the Authority's pledge of Net Revenues ("Net Revenues")** to secure senior lien airport revenue bonds and provides for the terms and conditions upon which senior lien airport revenue bonds may be issued by the Authority. However, Section 5.07 of the Master Senior Indenture provides that (a) the Authority may designate a separately identifiable existing facility or planned facility as a **"Special Facility" (as defined in the Master Senior Indenture)**, (b) pursuant to an indenture other than the Master Senior Indenture, incur debt primarily for the purpose

of constructing and financing for the benefit of a third party such facility, (c) provide that certain of the contractual payments derived from or related to the Special Facility and available to the Authority related to the **Special Facility be "Special Facilities Revenue" (as defined in the Master Senior Indenture)** and **not** included as Revenues (as defined in the Master Senior Indenture) or Net Revenues and (d) provide that the debt **so incurred shall be a "Special Facility Obligation" (as defined in the Master Senior Indenture)** and the principal of and interest thereon shall be payable solely from the Special Facilities Revenue.

The Authority staff has determined that it is necessary and advisable to issue one or more series of Special Facilities **Revenue Bonds ("Bonds") of the Authority in an** aggregate principal amount not to exceed \$350 million in order to fund a portion of the costs of the development and construction of a consolidated rental car facility, to fund a portion of the interest accruing on the Bonds, to fund a reserve fund for the Bonds, to fund a rolling coverage fund for the Bonds and to pay the costs of issuance of the Bonds. This will require the Authority to enter into a **Trust Indenture**, dated as of January 1, 2014 by and between the Authority and U.S. Bank National Association (**the "Trustee"**).

The Trust Indenture is the financing document that sets forth all of the terms, conditions, covenants and obligations that must be met by the Authority to issue the Bonds, including, among other things:

- a) A pledge of the trust estate, which includes, among other things, Customer Facility Charges (**CFC's**) and bond funding supplemental consideration, payable **by the rental car companies in the advent that CFC's are insufficient** to meet the Bond funding obligations. The Bonds are special limited obligations of the Authority, payable solely from and secured by a pledge of the trust estate and are not secured by any pledge, lien or charge on, and shall not be payable from Authority Revenues, Net Revenues or Subordinate Net Revenues.
- b) The establishment of certain funds and accounts to be created in connection with the issuance of the Bonds
- c) The form of the Bonds

Upon adoption of the attached Resolution No. 2013-XXXX, the Authority will be approving the following:

- 1) The issuance of the Bonds of the Authority in an aggregate principal amount not to exceed \$350 million in order to, to fund the construction of the RCC and related improvements, to fund a portion of the interest accruing on the Bonds, to fund a reserve fund for the Bonds, to fund a coverage fund for the Bonds and to pay the costs of issuance of the Bonds.
- 2) Trust Indenture – **Exhibit A**

The Trust Indenture sets forth the general terms of the Bonds as described above, including redemption provisions. The Bonds will bear interest at fixed rates of interest that will be determined by the underwriters in accordance with the Purchase Contract and the limitations set forth in Resolution No. 2013-XXXX.

- 3) Preliminary Official Statement (and Final Official Statement) – **Exhibit B**
(Includes Financial Feasibility Report – **Exhibit C**)

The Preliminary Official Statement is the disclosure document provided by the Authority to prospective purchasers of the Bonds. The Preliminary Official Statement describes, among other things, the security for the Bonds, how the proceeds of the Bonds will be used, financial and operating information of the Authority, certain information regarding the rental car industry, risk factors and pending litigation against the Authority. The Authority is required to provide full and complete disclosure of all material information to the prospective purchasers of the Bonds and must certify that the Preliminary Official Statement contains the same. Upon pricing of the Bonds, the Authority will be required to complete a Final Official Statement, which will be an updated version of the Preliminary Official Statement containing the results of the pricing of the Bonds. The Authority is required to provide full and complete disclosure of all material information to the prospective purchasers of the Bonds and must certify that the Final Official Statement contains the same.

- 4) Purchase Contract – **Exhibit D**

This financing document will be entered into with each of the underwriters of the Bonds, which includes, Siebert Brandford Shank & Co. L.L.C., J.P. Morgan Securities LLC, Jefferies & Company, Inc., Citigroup Global Markets Inc. , Loop Capital Markets, LLC and Cabrera Capital Markets, LLC. The Purchase Contract requires the underwriters to purchase the Bonds, provided certain terms and conditions set forth in the Purchase Contract are met by the Authority and other parties. Pursuant to the terms of the Purchase Contract, the underwriters will collect an underwriting discount not exceeding 0.632% of the final par amount of the Bonds purchased by them.

- 5) Continuing Disclosure Certificate – **Exhibit E**

The Continuing Disclosure Certificate sets out the Authority's obligation under Rule 15c2-12 of the Securities Exchange Act of 1934, as amended, to provide annually updated financial and operating information to the Municipal Securities Rulemaking Board ("MSRB") on an annual basis and to provide notices of certain material events to MSRB upon the occurrence of such material events.

Fiscal Impact:

The issuance of the Bonds will provide funding necessary to complete the RCC and related improvements and is consistent with the **Authority's plan of finance.**

Authority Strategies:

This item supports one or more of the Authority Strategies, as follows:

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Environmental Review:

A. This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Pub. Res. Code §21065.

B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act Pub. Res. Code §30106.

Equal Opportunity Program:

Not Applicable

Prepared by:

VERNON D. EVANS
VICE PRESIDENT, FINANCE/TREASURER

RESOLUTION NO. 2013-_____

RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED \$350 MILLION IN AGGREGATE PRINCIPAL AMOUNT OF ONE OR MORE SERIES OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY SENIOR SPECIAL FACILITIES REVENUE BONDS (CONSOLIDATED RENTAL CAR FACILITY PROJECT); APPROVING THE FORMS OF A TRUST INDENTURE, PRELIMINARY AND FINAL OFFICIAL STATEMENTS, A PURCHASE CONTRACT AND A CONTINUING DISCLOSURE CERTIFICATE, AND CERTAIN RELATED MATTERS.

WHEREAS, the San Diego County Regional Airport Authority (“Authority”) is a local government entity of regional government, with jurisdiction extending throughout the County of San Diego (“County”), organized and existing pursuant to the provisions of the Constitution of the State of California (“State”) and §170000 *et seq.* of the California Public Utilities Code (“Act”); and

WHEREAS, the Authority has been formed for the purposes of: (a) operating the Airport System (as defined in the hereinafter defined Master Senior Indenture), (b) planning and operating any future airport that could be developed as a supplement or replacement to San Diego International Airport (Lindbergh Field) (“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; and

WHEREAS, the Authority assumed exclusive use, management, operation, regulation, policing and control of the Airport System, as set forth in the Act, and other related facilities upon the transfer of such exclusive use, management, operation, regulation, policing and control from the San Diego Unified Port District in January 2003; and

WHEREAS, the Act provides that the Authority shall have the power to issue bonds, from time to time, payable from revenue of any facility or enterprise operated, acquired, or constructed by the Authority, for any of the purposes authorized under the Act in accordance with the 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; and

WHEREAS, the Act provides that the Authority is a local agency within the meaning of § 54307 of the California Government Code; and

WHEREAS, the Act provides that the Airport System or any or all facilities and all additions and improvements that the board of directors of the Authority (“Board”) authorizes to be acquired or constructed and any purpose, operation, facility, system, improvement, or undertaking of the Authority from which revenues are derived or otherwise allocable, which revenues are, or may by resolution or ordinance be, required to be separately accounted for from other revenues of the Authority, shall constitute an enterprise within the meaning of California Government Code §54309; and

WHEREAS, the Authority has previously entered into the Master Trust Indenture, dated as of November 1, 2005, as amended and supplemented (“Senior Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as trustee; and

WHEREAS, Section 5.07 of the Senior Indenture provides that the Authority may (a) designate a separately identifiable existing facility or planned facility as a “Special Facility” (as defined in the Senior Indenture), (b) pursuant to an indenture other than the Senior Indenture and without a pledge of any Net Revenues (as defined in the Senior Indenture), incur debt primarily for the purpose of acquiring, constructing, renovating or improving or providing financing or refinancing to a third party to acquire, construct, renovate or improve, such facility, (c) provide that certain of the contractual payments derived from or related to such Special Facility, together with other income and revenues available to the Authority from such Special Facility to the extent necessary to make the payments on the debt incurred to finance such facility, be “Special Facilities Revenue” (as defined in the Senior Indenture) and not included as Revenues (as defined in the Senior Indenture) or Net Revenues unless on terms provided in any supplemental indenture, and (d) provide that the debt so incurred shall be a “Special Facility Obligation” (as defined in the Senior Indenture) and the principal of and interest thereon shall be payable solely from the Special Facilities Revenue; and

WHEREAS, Section 5.18 of the Senior Indenture provides that the Authority may, from time to time, incur indebtedness payable solely from certain revenues of the Airport System which do not constitute Revenues or Net Revenues; and

WHEREAS, pursuant to the Senior Indenture, Customer Facility Charges (as defined in the Senior Indenture) are excluded from Revenues; and

WHEREAS, the Authority has entered into Rental Car Center Lease Agreements (“Rental Car Lease Agreements”) with certain rental car companies serving Airport customers (“Rental Car Companies”), pursuant to which the

Authority has agreed to design and construct a new consolidated rental car facility at the Airport, and certain other related improvements and the Rental Car Companies have agreed to lease space in the “to be built” consolidated rental car facility; and

WHEREAS, the Authority has determined to designate the new consolidated rental car facility and certain of the related improvements as a Special Facility and to finance a portion of the costs of the design and construction of the new consolidated rental car facility and certain of the related improvements with the proceeds of one or more series of Special Facility Obligations; and

WHEREAS, such Special Facility Obligations will be issued, from time to time, pursuant to the Trust Indenture, dated as of January 1, 2014 (“Trust Indenture”), by and between the Authority and U.S. Bank National Association (“Trustee”) in the form of Senior Series 2014 Bonds (as hereinafter defined) which shall not be secured by any pledge, lien or charge on, and shall not be payable from, Revenues, Net Revenues, Subordinate Net Revenues (as defined in the Master Subordinate Trust Indenture, dated as of September 1, 2007, by and between the Authority and Deutsche National Trust Company (“Subordinate Indenture”)) or any of the funds and accounts created by the Senior Indenture or the Subordinate Indenture, but shall be payable solely from the Trust Estate (as defined in the Trust Indenture), which includes, among other things, Customer Facility Charges to be collected by the Rental Car Companies and remitted to the Trustee, as assignee of the Authority, and Bond Funding Supplemental Consideration (as defined in the Trust Indenture) to be paid by the Rental Car Companies pursuant to the provisions of the Rental Car Lease Agreements to the Trustee, as assignee of the Authority, hereinafter pledged to the payment of the Bonds; and

WHEREAS, the Bond Funding Supplemental Consideration constitutes Special Facilities Revenue, and together with Customer Facility Charges collected by the Rental Car Companies and remitted to the Trustee, are designed to be sufficient to pay principal and interest on the Senior Series 2014 Bonds whether at maturity or upon redemption; and

WHEREAS, the Authority has determined that it is in its best interests to issue Senior Series 2014 Bonds in an aggregate principal amount not to exceed \$350 million in one or more separate series in accordance with the Trust Indenture; and

WHEREAS, the Authority has determined that each series of such Bonds shall be designated as “San Diego County Regional Airport Authority Senior Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project) Series 2014 (“Senior Series 2014 Bonds”), with each series of Senior Series 2014 Bonds being given a separate letter designation as shall be set forth in the Trust Indenture; and

WHEREAS, the proceeds from the sale of the Senior Series 2014 Bonds shall be used to provide funds to (a) finance a portion of the costs of the development and construction of a consolidated rental car facility and related improvements at the Airport, (b) fund deposits to the reserve fund for the Senior Series 2014 Bonds and the Rolling Coverage Fund (as defined in the Trust Indenture), (c) pay a portion of the interest accruing on the Senior Series 2014 Bonds, and (d) pay the costs of issuance of the Senior Series 2014 Bonds; and

WHEREAS, the Senior Series 2014 Bonds will be issued pursuant to the Act, certain other provisions of the laws of the State (including California Government Code §53580 *et seq.*) and the Trust Indenture; and

WHEREAS, a portion of the Senior Series 2014 Bonds will be issued as a separate series so that the interest paid on such Senior Series 2014 Bonds will be excluded from the gross income of the recipients thereof under the varying provisions of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder or related thereto (collectively, the "Code"); and

WHEREAS, there have been presented to the Board the following documents:

- (a) a form of the Trust Indenture;
- (b) a form of the Purchase Contract ("Purchase Contract") by and between Siebert Brandford Shank & Co., L.L.C., on its own behalf and on behalf of Citigroup Global Markets Inc., Cabrera Capital Markets, LLC, J.P. Morgan Securities LLC, Loop Capital Markets, LLC, and Jefferies & Company, Inc. (collectively, the "Underwriters") and the Authority with respect to the purchase and sale of the Senior Series 2014 Bonds;
- (c) a form of the Preliminary Official Statement (including the Financial Feasibility Report, prepared by Unison Consulting, Inc., to be contained therein as Appendix A) ("Preliminary Official Statement") relating to the Senior Series 2014 Bonds; and
- (d) a form of the Continuing Disclosure Certificate ("Continuing Disclosure Certificate") by the Authority; and

WHEREAS, said documents will be modified and amended to reflect the various details applicable to the Senior Series 2014 Bonds and said documents are subject to completion to reflect the results of the sale of the Senior Series 2014 Bonds;

NOW, THEREFORE, BE IT RESOLVED by the Board of the San Diego County Regional Airport Authority that:

Section 1. Issuance of Senior Series 2014 Bonds; Terms of Senior Series 2014 Bonds. For the purposes set forth in the foregoing recitals, including, among other things, financing a portion of the costs of the development and construction of a consolidated rental car facility and related improvements at the Airport, the Board hereby AUTHORIZES the issuance of the Senior Series 2014 Bonds, in one or more series, in a total aggregate principal amount not to exceed \$350 million, plus the amount of any original issue premium at which the Senior Series 2014 Bonds may be sold. In addition to the above uses of the proceeds of the Senior Series 2014 Bonds, the proceeds from the Senior Series 2014 Bonds, and any other moneys made available in connection with the issuance of the Senior Series 2014 Bonds, may be used to pay a portion of the interest accruing on the Senior Series 2014 Bonds, pay the costs of issuance of the Senior Series 2014 Bonds, fund deposits to the reserve fund for the Senior Series 2014 Bonds and the Rolling Coverage Fund, and pay for a municipal bond insurance policy or policies or a reserve fund surety policy or policies, if it is determined by the Vice President, Finance/CFO and Treasurer, that bond insurance results in savings to the Authority.

No Senior Series 2014 Bond shall bear interest at a rate in excess of 7.5% *per annum*. The Senior Series 2014 Bonds shall bear interest at such rates with respect to the various maturities such that the all-in true interest cost for the Senior Series 2014 Bonds does not exceed 7.5% *per annum*. The all-in true interest cost for the Senior Series 2014 Bonds shall be that rate which, when used in computing the present worth of all payments of principal and interest to be paid on the Senior Series 2014 Bonds (compounded on the first interest payment date, and semiannually thereafter), produces an amount equal to the purchase price of the Senior Series 2014 Bonds taking into account any original issue premium/discount, accrued interest, underwriters' fees, municipal bond insurance premium, if any, and any and all costs of issuance of the Senior Series 2014 Bonds.

The Senior Series 2014 Bonds shall be issued in fully registered form and may be issued as Book-Entry Bonds as provided for in the Trust Indenture. Payment of principal and premium, if any, of, and interest on the Senior Series 2014 Bonds shall be made at the place or places and in the manner provided in the Trust Indenture. The Senior Series 2014 Bonds shall be issued as current interest bonds and shall be available in denominations of \$5,000 and integral multiples thereof. The Senior Series 2014 Bonds shall, when issued, be in the aggregate principal amounts and shall be dated as shall be provided in the Trust Indenture. The Senior Series 2014 Bonds may be issued as serial bonds or as term bonds or as both serial bonds and term bonds, all as set forth in the Trust Indenture. Interest on the Senior Series 2014 Bonds shall be paid on the dates set forth in the Trust Indenture. No Senior Series 2014 Bond shall have a term greater than 35 years from its date of issuance. The Senior Series 2014 Bonds shall be subject to extraordinary mandatory redemption and redemption at the option of the Authority on such terms and conditions as shall be set forth in the

Trust Indenture and the Purchase Contract. The Senior Series 2014 Bonds which are term bonds shall also be subject to mandatory sinking fund redemption as shall be set forth in the Trust Indenture and the Purchase Contract.

The Authority hereby designates that the consolidated rental car facility and related improvements to be financed constitute Special Facilities, that the contractual payments to be received by the Authority (other than Land Rent (as defined in the Rental Car Lease Agreements)) under the Rental Car Lease Agreements, including Supplemental Consideration and Reimbursable O&M Costs (both as defined in the Rental Car Lease Agreements), shall constitute Special Facility Revenue and the debt so incurred will constitute Special Facility Obligations of the Authority, all within the meaning of Section 5.07 of the Senior Indenture.

Section 2. Pledge to Secure the Senior Series 2014 Bonds. The pledge to secure the Senior Series 2014 Bonds as set forth in the Trust Indenture is hereby APPROVED.

Section 3. Special Limited Obligations. The Senior Series 2014 Bonds shall be special limited obligations of the Authority, payable solely from and secured by a pledge of the Trust Estate.

Section 4. Form of Senior Series 2014 Bonds. The Senior Series 2014 Bonds and the Trustee's Certificate of Authentication to appear thereon shall be in substantially the form set forth in "Exhibit A" to the Trust Indenture with necessary or appropriate variations, omissions and insertions as permitted or required by the Trust Indenture or as appropriate to adequately reflect the terms of the Senior Series 2014 Bonds and the obligation represented thereby.

Section 5. Execution of the Senior Series 2014 Bonds. Each of the Senior Series 2014 Bonds shall be executed by the President/CEO (Executive Director) of the Authority or any other representative of the Authority designated by the President/CEO (Executive Director) of the Authority and attested by the Clerk of the Authority. Any such signatures may be by manual or facsimile signature and the seal of the Authority may be impressed or printed on the Senior Series 2014 Bonds. Additionally, each of the Senior Series 2014 Bonds shall be authenticated by the signature of the Trustee or an agent of the Trustee as required and permitted by the Trust Indenture. Any facsimile signature of the President/CEO (Executive Director) of the Authority, any other representative of the Authority designated by the President/CEO (Executive Director) of the Authority or the Clerk of the Authority shall be of the same force and effect as if such signature were manually placed on such Senior Series 2014 Bonds.

Section 6. Approval of Documents; Authorization for Execution. The form, terms and provisions of the Trust Indenture and the Continuing Disclosure Certificate (collectively, the "Documents") are in all respects APPROVED and the President/CEO (Executive Director) of the Authority and the Vice President,

Finance/CFO and Treasurer of the Authority, any one or more thereof (each a "Designated Officer"), are hereby authorized, empowered and directed to execute, acknowledge and deliver each of the Documents including counterparts thereof, in the name and on behalf of the Authority. The Documents, as executed and delivered, shall be in substantially the forms now before this meeting and hereby approved, or with such changes therein (including any changes required by a municipal bond insurer or insurers in order to obtain a municipal bond insurance policy or policies with respect to the Senior Series 2014 Bonds or a reserve fund surety policy or policies) as shall be approved by the officer or officers of the Authority executing the same; the execution thereof shall constitute conclusive evidence of the Board's approval of any and all changes or revisions therein from the forms of the Documents now before this meeting; and from and after the execution and delivery of the Documents, the officers, agents and employees of the Authority are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Documents.

Section 7. Sale of the Senior Series 2014 Bonds. The sale of the Senior Series 2014 Bonds is hereby APPROVED through a private, negotiated sale to the Underwriters. Each Designated Officer, any one of them, is hereby authorized to approve the final terms of the sale of the Senior Series 2014 Bonds subject to the terms, conditions and restrictions set forth in this Resolution. The Senior Series 2014 Bonds shall be sold with an underwriters' discount as set forth in the Purchase Contract, not to exceed 0.632% of the aggregate principal amount of the Senior Series 2014 Bonds, and subject to the terms and conditions set forth in the Purchase Contract. The form, terms and provisions of the Purchase Contract now before this meeting are in all respects hereby APPROVED and each Designated Officer, or any one of them, is hereby authorized and empowered, either alone or in combination, to execute and deliver the Purchase Contract, including counterparts thereof, in the name and on behalf of the Authority. The Purchase Contract, as executed and delivered, shall be in substantially the form now before this meeting and hereby approved, or with such changes therein as shall be approved by the officer(s) executing the same; the execution thereof shall constitute conclusive evidence of the Board's approval of any and all changes or revisions therein from the form of the Purchase Contract now before this meeting; and from and after the execution and delivery of the Purchase Contract, the officers, agents and employees of the Authority are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Purchase Contract.

Section 8. Preliminary Official Statement. The form of the Preliminary Official Statement (including the Financial Feasibility Report, prepared by Unison Consulting, Inc., to be contained therein as Appendix A) now before this meeting is in all respects hereby APPROVED to be used in connection with the sale of

the Senior Series 2014 Bonds to the public. The Preliminary Official Statement shall be in substantially the form now before this meeting and hereby approved, or with such changes therein as shall be approved by a Designated Officer. The Preliminary Official Statement shall be circulated (via printed format and/or electronic means) for use in selling the Senior Series 2014 Bonds at such time or times as a Designated Officer (after consultation with the Authority's financial advisor, bond counsel and disclosure counsel and such other advisors the Authority believes to be useful) shall determine that the Preliminary Official Statement is final within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for the omission of certain information described in (b)(1) of Rule 15c2-12, and any such action previously taken is hereby confirmed, ratified and approved. The Underwriters are hereby AUTHORIZED to distribute (via printed format and/or electronic means) the Preliminary Official Statement, in connection with the sale of the Senior Series 2014 Bonds to the public. In connection with the distribution of the Preliminary Official Statement, the Underwriters are hereby further AUTHORIZED to distribute (via printed format and/or through electronic means) copies of the Authority's most recent annual audited financial statements and such other financial statements of the Authority as a Designated Officer, any one or more thereof, shall approve.

Section 9. Official Statement. Prior to the final delivery of the Senior Series 2014 Bonds, the Authority shall provide for the preparation, publication, execution and delivery of a final Official Statement (including the Financial Feasibility Report, prepared by Unison Consulting, Inc., to be contained therein as Appendix A) relating to the Senior Series 2014 Bonds in substantially the form of the draft Preliminary Official Statement presented to this meeting. Each Designated Officer, or any one of them, are hereby authorized and directed to execute and deliver the final Official Statement in the name of and on behalf of the Authority, and to make any changes or revisions necessary to the Preliminary Official Statement in order for the final Official Statement to meet the requirements of the Authority under the Purchase Contract. The execution thereof shall constitute conclusive evidence of the Board's approval of any and all changes or revisions therein from the form of the Preliminary Official Statement now before this meeting. The final Official Statement shall be circulated (via printed format and/or electronic means) for use in selling the Senior Series 2014 Bonds at such time or times as a Designated Officer, or any one or more thereof (after consultation with the Authority's financial advisor, bond counsel and disclosure counsel and such other advisors the Authority believes to be useful) shall determine that the final Official Statement is a "final official statement" within the meaning of Rule 15c2-12. The Underwriters are hereby authorized to distribute (via printed format and/or electronic means) the final Official Statement, in connection with the sale of the Senior Series 2014 Bonds to the public. In connection with the distribution of the final Official Statement, the Underwriters are hereby further authorized to distribute (via printed format and/or through electronic means) copies of the Authority's most recent annual audited

financial statements and such other financial statements of the Authority as a Designated Officer, any one or more thereof, shall approve.

Section 10. Selection of Underwriters. The Board hereby SELECTS Siebert Brandford Shank & Co., L.L.C., Citigroup Global Markets Inc., Cabrera Capital Markets, LLC, J.P. Morgan Securities LLC, Loop Capital Markets, LLC, and Jefferies & Company, Inc., as the underwriters for the private, negotiated sale of the Senior Series 2014 Bonds.

The Authority has been informed that Citigroup Global Markets Inc. and its parent company, Citigroup, Inc., have entered into a distribution agreement dated May 31, 2009, as amended, with Morgan Stanley Smith Barney LLC (“MSSB”) and its parent company, Morgan Stanley Smith Barney Holdings LLC, whereby Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of MSSB. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate MSSB for its selling efforts with respect to the Senior Series 2014 Bonds. The Board hereby AUTHORIZES Citigroup Global Markets Inc. to distribute Senior Series 2014 Bonds to retail investors through MSSB.

The Authority has been informed that J.P. Morgan Securities LLC 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 Senior Series 2014 Bonds, at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS&Co. will purchase Senior Series 2014 Bonds from J.P. Morgan Securities LLC at the original issue prices less a negotiated portion of the selling concession applicable to any Senior Series 2014 Bonds that such firm sells. The Board hereby AUTHORIZES J.P. Morgan Securities LLC to invite UBSFS and CS&Co. to participate as retail distributors of the Senior Series 2014 Bonds allocated to J.P. Morgan Securities LLC.

Section 11. Trustee, Paying Agent and Registrar. The Board hereby APPOINTS U.S. Bank National Association, as trustee, paying agent and registrar for the Senior Series 2014 Bonds. Such appointments shall be effective upon the issuance of the Senior Series 2014 Bonds.

Section 12. California Debt and Investment Advisory Commission and Notices. Each Designated Officer, or any one of them, on behalf of the Authority, is further AUTHORIZED and directed to (a) cause written notice to be provided to the California Debt and Investment Advisory Commission (“Commission”) of the proposed sale of the Senior Series 2014 Bonds, said notice to be provided in accordance with California Government Code §8855, *et seq.*, (b) file or cause to be filed the notice of final sale with the Commission, (c) file or cause to be filed the rebates and notices required under §§54AA, 148(f), 149(e) and 6431 of the Code (and any guidance published thereunder), and (d) file or cause to be filed

such additional notices and reports as are deemed necessary or desirable by such Designated Officer in connection with the Senior Series 2014 Bonds, and any prior notices are hereby ratified, confirmed and approved.

Section 13. Authorization for Provision for Reserve Funds. A portion of the proceeds of the Senior Series 2014 Bonds may be used to fund one or more reserve funds for the Senior Series 2014 Bonds, and/or to pay the costs of a reserve fund surety policy or policies as set forth in the Trust Indenture.

Section 14. Additional Authorization. Each Designated Officer and all officers, agents and employees of the Authority, for and on behalf of the Authority, be and they hereby are AUTHORIZED and directed to do any and all things necessary to effect the execution and delivery of the Senior Series 2014 Bonds, the Documents, the Preliminary and final Official Statements, the Purchase Contract and to carry out the terms thereof. All such actions taken by such Designated Officers and such other officers, agents and employees of the Authority, for and on behalf of the Authority, pursuant to the authority of this Resolution, are hereby approved. Each Designated Officer and all other officers, agents and other employees of the Authority are further authorized and directed, for and on behalf of the Authority, to execute all papers, documents, certificates and other instruments that may be required in order to carry out the authority conferred by this Resolution, the Trust Indenture, the Continuing Disclosure Certificate and the Purchase Contract or to evidence the same authority and its exercise. The foregoing authorization includes, but is in no way limited to, authorizing Authority staff to pay costs of issuance of the Senior Series 2014 Bonds and the underwriting discount/fee; authorizing the Vice President, Finance/CFO and Treasurer of the Authority to direct the investment of the proceeds of the Senior Series 2014 Bonds in one or more of the permitted investments provided for under the Trust Indenture (including, but not limited to, the execution and delivery of one or more investment agreements related thereto); and authorizing the execution by a Designated Officer, any one of them, of one or more tax compliance certificates as required by the Trust Indenture for the purpose of complying with the rebate requirements of the Code, any documents required by The Depository Trust Company in connection with the Book-Entry Bonds (as defined in the Trust Indenture), any documents required by the provider of a Reserve Fund Insurance Policy (as defined in the Trust Indenture), if any, required to fund one or more reserve funds for the Senior Series 2014 Bonds and any documents required to obtain bond insurance for all or a portion of the Senior Series 2014 Bonds to the extent such bond insurance shall result in cost savings to the Authority.

Section 15. Severability. The provisions of this Resolution are hereby declared to be severable and, if any section, phrase or provisions shall for any reason be declared to be invalid, such declaration shall not affect the validity of the remainder of the sections, phrases and provisions hereof.

Section 16. Governing Law. This resolution shall be construed and governed in accordance with the laws of the State of California.

Section 17. Repeal of Inconsistent Resolutions. All other resolutions of the Board, or parts of resolutions, inconsistent with this Resolution, are hereby repealed to the extent of such inconsistency.

Section 18. Effective Date of Resolution. This Resolution shall take effect from and after its passage and approval.

Section 19. BE IT FURTHER RESOLVED by the Board that it FINDS that this action is not a "project" as defined by the California Environmental Quality Act ("CEQA") (California Public Resources Code §21065); and is not a "development" as defined by the California Coastal Act (California Public Resources Code §30106).

PASSED, ADOPTED AND APPROVED by the Board of the San Diego County Regional Airport Authority at a regular meeting this ___ day of December, 2013 by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

TONY R. RUSSELL
DIRECTOR, CORPORATE SERVICES/
AUTHORITY CLERK

APPROVED AS TO FORM:

BRETON K. LOBNER
GENERAL COUNSEL

TRUST INDENTURE

by and between

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Dated as of [_____] 1, 2014

Relating to

 \$[_____]
San Diego County Regional Airport Authority
Senior Special Facilities Revenue Bonds
(Consolidated Rental Car Facility Project)
Series 2014A
(Tax-Exempt – Non-AMT)

 \$[_____]
San Diego County Regional Airport Authority
Senior Special Facilities Revenue Bonds
(Consolidated Rental Car Facility Project)
Series 2014B
(Federally Taxable)

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EXHIBIT D SERIES 2014A PROJECT

TRUST INDENTURE

THIS TRUST INDENTURE (this “Indenture”), dated as of [_____] 1, 2014, is entered into by and between the **SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY** (the “**Authority**”), a local government entity of regional government created pursuant to the laws of the State of California, and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association organized and existing under the laws of the United States of America, as trustee (the “**Trustee**”).

RECITALS

WHEREAS, the Authority is a local government entity of regional government, with jurisdiction extending throughout the County of San Diego (the “**County**”), organized and existing pursuant to the provisions of the Constitution of the State of California (the “**State**”) and Section 170000 *et seq.* of the California Public Utilities Code (the “**Act**”); and

WHEREAS, the Authority has been formed for the purposes of: (a) operating the Airport System (as hereinafter defined), (b) planning and operating any future airport that could be developed as a supplement or replacement to San Diego International Airport (Lindbergh Field), (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; and

WHEREAS, the Authority has exclusive use, management, operation, regulation, policing and control of the Airport System as set forth in the Act and other related facilities; and

WHEREAS, the Act provides that the Authority shall have the power to issue bonds, from time to time, payable from revenue of any facility or enterprise operated, acquired, or constructed by the Authority, for any of the purposes authorized under the Act in accordance with 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; and

WHEREAS, the Act provides that the Authority is a local agency within the meaning of Section 54307 of the California Government Code; and

WHEREAS, the Act provides that the Airport System or any or all facilities and all additions and improvements that the Board (as hereinafter defined) authorizes to be acquired or constructed and any purpose, operation, facility, system, improvement, or undertaking of the Authority from which revenues are derived or otherwise allocable, which revenues are, or may by resolution or ordinance be, required to be separately accounted for from other revenues of the Authority, shall constitute an enterprise within the meaning of Section 54309 of the California Government Code; and

WHEREAS, the Authority has previously entered into the Master Trust Indenture, dated as of November 1, 2005, as amended and supplemented (“**Senior Indenture**”), by and between

the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee thereunder (the “**Senior Indenture Trustee**”); and

WHEREAS, Section 5.07 of the Senior Indenture provides that the Authority may (a) designate a separately identifiable existing facility or planned facility as a “Special Facility” (as defined in the Senior Indenture), (b) pursuant to an indenture other than the Senior Indenture and without a pledge of any Net Revenues (as defined in the Senior Indenture), incur debt primarily for the purpose of acquiring, constructing, renovating or improving or providing financing or refinancing to a third party to acquire, construct, renovate or improve, such facility, (c) provide that certain of the contractual payments derived from or related to such Special Facility, together with other income and revenues available to the Authority from such Special Facility to the extent necessary to make the payments on the debt incurred to finance such facility, be “Special Facilities Revenue” (as defined in the Senior Indenture) and not included as Revenues (as defined in the Senior Indenture) or Net Revenues unless on terms provided in any supplemental indenture, and (d) provide that the debt so incurred shall be a “Special Facility Obligation” (as defined in the Senior Indenture) and the principal of and interest thereon shall be payable solely from the Special Facilities Revenue; and

WHEREAS, Section 5.18 of the Senior Indenture provides that the Authority may, from time to time, incur indebtedness payable solely from certain revenues of the Airport System which do not constitute Revenues or Net Revenues; and

WHEREAS, pursuant to the Senior Indenture, Customer Facility Charges (as hereinafter defined) are excluded from Revenues; and

WHEREAS, the Authority has entered into the Rental Car Lease Agreements (as hereinafter defined) with the Rental Car Companies (as hereinafter defined), pursuant to which the Authority has agreed to design and construct a new consolidated rental car facility at San Diego International Airport (Lindbergh Field), and certain other related improvements; and

WHEREAS, the Authority has determined to designate the new consolidated rental car facility and certain of the related improvements as a Special Facility and to finance a portion of the costs of the design and construction of the new consolidated rental car facility and certain of the related improvements with the proceeds of one or more series of Special Facility Obligations; and

WHEREAS, such Special Facility Obligations will be issued, from time to time, pursuant to this Indenture in the form of Bonds (as hereinafter defined) which shall not be secured by any pledge, lien or charge on, and shall not be payable from, Revenues, Net Revenues, Subordinate Net Revenues (as defined in the Master Subordinate Trust Indenture, dated as of September 1, 2007, as amended and supplemented (the “**Subordinate Indenture**”), by and between the Authority and U.S. Bank National Association, as trustee thereunder) or any of the funds and accounts created by the Senior Indenture or the Subordinate Indenture, but shall be payable solely from the Trust Estate (as hereinafter defined), which includes, among other things, Customer Facility Charges to be collected by the Rental Car Companies and remitted to the Trustee, as assignee of the Authority, and Bond Funding Supplemental Consideration (as hereinafter defined) to be paid by the Rental Car Companies pursuant to the provisions of the

Rental Car Lease Agreements to the Trustee, as assignee of the Authority, hereinafter pledged to the payment of the Bonds; and

NOW, THEREFORE, for and in consideration of these premises and the mutual covenants herein contained, of the acceptance by the Trustee of the trusts hereby created, and of the purchase and acceptance of the Bonds by the Owners thereof from time to time, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, in order to secure the payment of the principal, purchase price and premium, if any, of and interest on the Bonds which are at any time Outstanding (as defined herein) under this Indenture according to their tenor and effect, and the performance and observance by the Authority of all the covenants and conditions expressed or implied herein and contained in the Bonds, the Authority does hereby grant, bargain, sell, convey, assign, transfer and set over to the Trustee, its successors in trust and their assigns forever, without recourse, the Trust Estate; and

TO HAVE AND TO HOLD all of the Trust Estate with all privileges and appurtenances hereby conveyed and assigned, or agreed or intended so to be, to the Trustee, its successors in trust and their assigns forever; nevertheless, to inure to the use and benefit of the Owners of all the Bonds, for the securing of the observance or performance of all the terms, provisions and conditions herein contained and for [(a) the equal and proportionate benefit and security of all and each of the present and future Owners of the Senior Bonds issued and secured hereunder, without preference, priority, prejudice or distinction as to lien or otherwise, of any one Senior Bond over any other to the end that each Owner of a Senior Bond secured by this Indenture shall have the same rights, privileges and lien under and by virtue of this Indenture, and (b) subject to the prior lien granted to the Owners of the Senior Bonds, the equal and proportionate benefit and security of all and each of the present and future Owners of the Subordinate Bonds issued and secured hereunder, without preference, priority, prejudice or distinction as to lien or otherwise, of any one Subordinate Bond over any other to the end that each Owner of a Subordinate Bond secured by this Indenture shall have the same rights, privileges and lien under and by virtue of this Indenture]; and

PROVIDED, HOWEVER, that if, after the right, title and interest of the Trustee in and to the Trust Estate shall have ceased, terminated and become void in accordance with Article VIII hereof, then and in that case these presents and the estate and rights hereby granted shall cease, terminate and be void, and thereupon the Trustee shall cancel and discharge the lien of this Indenture and execute and deliver to the Authority such instruments in writing as shall be requisite to evidence the discharge hereof; otherwise this Indenture shall be and remain in full force and effect.

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered, and the Trust Estate and the other estates and rights hereby granted are to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and the Authority has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective Owners, from time to time, of the Bonds, as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. The following terms as used in this Indenture, the Bonds and any certificate or document executed in connection therewith shall have the following meanings (or are defined elsewhere in this Indenture as indicated below) unless the context otherwise indicates:

“*Account*” shall mean any account established pursuant to this Indenture or any Supplemental Indenture.

“*Accreted Value*” shall mean, 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 shall be determined in accordance with the provisions of the Supplemental Indenture authorizing the issuance of such Capital Appreciation Bond. All references herein to “principal” shall include Accreted Value, as applicable.

“*Act*” shall mean Section 170000 *et seq.* of the California Public Utilities Code, as amended from time to time.

“*Additional Bonds*” shall mean one or more Series of Additional Senior Bonds or Subordinate Bonds.

“*Additional Renewal and Replacement Reserve Fund Required Deposit*” or “*Additional RRRF Required Deposit*” shall mean 20% of any disbursements that have been made from the Renewal and Replacement Reserve Fund pursuant to Section 5.13 hereof. 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).

“*Additional Senior Bonds*” shall mean one or more Series of Bonds issued pursuant to Section 3.11 hereof and a Supplemental Indenture and designated as Senior Bonds.

“*Additional Special Facilities*” shall 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 Article 2.5 of the Rental Car Lease Agreements.

“*Aggregate Annual Debt Service*” shall mean 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 hereunder. For purposes of calculating

Aggregate Annual Debt Service, the following components of debt service shall 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 shall (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 this 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 shall be made at the interest rate(s) and on the Interest Payment Dates set forth in this 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 shall 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 shall, 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 shall 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 this 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 this 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 shall be treated as described in clause (a) above or such other provision of this definition as shall 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 shall be treated as described in clause (a) above or such other provision of this definition as shall 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, shall be assumed to become due and payable on the stated maturity date and clause (b) of this definition shall 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 Section 3.11(a)(xi) or 3.11(b)(ii) hereof with respect to Senior Bonds or Section 3.12(a)(xi) or 3.12(b)(ii) hereof with respect to Subordinate Bonds to successfully complete such refinancing; upon the receipt of such certificate, such Balloon Indebtedness shall be assumed to be refinanced in accordance with the probable terms set out in such certificate and such terms shall be used for purposes of calculating Aggregate Annual Debt Service, provided that such assumption shall not result in an interest rate lower than that which would be assumed under clause (b) of this definition and shall 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 shall 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) shall be applied to determine the principal amortization of such Bonds; (ii) with respect to all interest payments becoming due on such Bonds, such payments shall 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 shall 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 shall 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 shall 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 shall 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 this 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 this 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 Section 3.13 hereof, shall be calculated as provided in Section 3.13 hereof;

(g) (i) for purposes of computing the Aggregate Annual Debt Service of Bonds which constitute Synthetic Fixed Rate Debt, the interest payable thereon shall, 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 shall 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 this 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 this 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 shall be included in the calculation of Aggregate Annual Debt Service, and the interest rate with respect to such Bonds shall 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 shall be disregarded and not included in calculating Aggregate Annual Debt Service.

“*Airport*” shall mean San Diego International Airport (Lindbergh Field).

“*Airport Customer*” shall have the meaning set forth in the Rental Car Lease Agreements.

“*Airport System*” shall mean 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.

“*Annual Debt Service*” shall mean, with respect to any Bond, the aggregate amount of principal and interest becoming due and payable during the 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*” shall mean 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 this 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 this Indenture shall 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*” shall have the meaning set forth in the Rental Car Lease Agreements.

“*Authority-Made Improvements*” shall have the meaning set forth in the Rental Car Lease Agreements.

“*Authorized Authority Representative*” shall mean 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*” shall mean (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 shall be specified in the Supplemental Indenture relating thereto.

“*Available Amounts*” shall have the meaning set forth in Section 6.12(c) hereof.

“*Balloon Indebtedness*” shall mean, 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 shall be reduced by the amount of such Bonds, scheduled to be amortized by prepayment or redemption prior to their stated maturity date.

“*Beneficial Owner*” shall mean, 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 this Indenture.

“*Bond Counsel*” shall mean 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*” shall mean the board of directors of the Authority established pursuant to the provisions of the Act.

“*Bond Funding Supplemental Consideration*” shall mean 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 of Section 5.04(b) hereof, 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*” shall mean, as of any time, the registered owner of any Bond as shown in the Registration Books kept by the Trustee as Registrar.

“*Bonds*” shall mean 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 Section 3.03 hereof. The Series 2014 Bonds shall be issued as Book-Entry Bonds.

“*Business Day*” shall mean 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*” shall 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 shall be Capital Appreciation Bonds until the conversion date and from and after such conversion date shall no longer be Capital Appreciation Bonds, but shall be treated as having a principal amount equal to their Accreted Value on the conversion date.

“*Capitalized Interest*” shall mean 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 shall be described in this Indenture or a Supplemental Indenture upon issuance of Bonds to be used to pay interest on the Bonds.

“*CFC*” or “*Customer Facility Charge*” shall mean 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*” shall mean 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*” shall mean the Account of such designation established by the Authority in the CFC Surplus Fund pursuant to Section 5.01 hereof and described in Section 5.14(a) hereof.

“*CFC Resolution*” shall mean, 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*” shall mean the Fund of such designation established by the Trustee pursuant to Section 5.01 hereof and described in Section 5.04 hereof.

“*CFC Stabilization Account*” shall mean the Account of such designation established by the Authority in the CFC Surplus Fund pursuant to Section 5.01 hereof and described in Section 5.14(b) hereof. The CFC Stabilization Account is referred to as the Authority CFC Stabilization Account in the Rental Car Lease Agreements.

“*CFC Surplus Fund*” shall mean the Fund of such designation established by the Authority pursuant to Section 5.01 hereof and described in Section 5.14 hereof.

“*Chair of the Board*” shall mean the person at a given time who is the chair of the Board, as provided for in the Act.

“*Closing Date*” shall mean [_____], 2014, the date of issuance and delivery of the Series 2014 Bonds to the initial purchasers thereof against payment therefor.

“*Code*” shall mean the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations applicable with respect thereto.

“*Common-Use Transportation Costs*” shall have the meaning set forth in the Rental Car Lease Agreements.

“*Common-Use Transportation Cost Supplemental Consideration*” shall have the meaning set forth in the Rental Car Lease Agreements.

“*Common-Use Transportation System*” shall mean 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*” shall mean the certificate delivered by the Authority as required pursuant to Section 6.09 hereof.

“*Completion Date*” shall mean the date on which the acquisition, construction, equipping and furnishing of the Project are completed substantially in accordance with the [construction documents/requirements described in Article 2.1.1 of the Rental Car Lease Agreements], as evidenced by the delivery of a Completion Certificate.

“*Completion Senior Bonds*” shall mean 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 Agreement*” shall mean 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.

“*Construction Fund*” shall mean the Fund of such designation established by the Trustee pursuant to Section 5.01 hereof and described in Section 5.03 hereof.

“*Consultant*” shall mean 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, shall not be a member, officer or employee of the Authority.

“*Costs of CFC Administration*” shall mean 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*” shall mean 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 shall only include those costs that are authorized to be paid with CFCs in accordance with the provisions of the CFC Law.

“*Credit Facility*” shall mean 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*” shall mean the party obligated to make payment of principal of and interest on the Bonds under a Credit Facility.

“*Customer Service Building*” shall have the meaning set forth in the Rental Car Lease Agreements.

“*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).

“*Designated Debt*” shall mean 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*” shall mean 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*” shall mean the twenty-fifth (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*” shall have the meaning ascribed to it in Section 9.01 hereof.

“*Executive Director*” shall mean 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*” shall have the meaning set forth in the Rental Car Lease Agreements.

“*Fiscal Year*” shall mean 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*” shall mean 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” shall be deemed to refer to any nationally recognized statistical rating organization designated by the Authority.

“*Fixed Rate*” shall mean one or more nonfloating, nonvariable interest rates which apply to a Series of Bonds.

“*Fund*” shall mean any fund established pursuant to this Indenture or any Supplemental Indenture.

“*Government Obligations*” shall mean (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*” shall mean this Trust Indenture, dated as of [_____] 1, 2014, by and between the Authority and the Trustee, as amended and supplemented from time to time.

“*Insurance and Condemnation Proceeds Account*” shall mean the Account of such designation established by the Trustee in the Construction Fund pursuant to Section 5.03(d) hereof.

“*Interest Payment Date*” shall mean, (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*” shall mean 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 shall 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*” shall have the meaning set forth in the Rental Car Lease Agreements.

“*Laws*” shall mean 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 this 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 shall only be deemed “Laws” if generally applicable at the Airport.

“*Liquidity Facility*” shall mean 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*” shall mean 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*” shall mean 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*” shall mean 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*” shall mean \$25,000,000.

“*Minimum Annual Requirement*” shall have the meaning set forth in Section 6.07(b) hereof.

“*Moody’s*” shall mean 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” shall be deemed to refer to any nationally recognized statistical rating organization designated by the Authority.

“*Net Proceeds*” shall have the meaning set forth in Section 6.12 hereof.

“*Off-Airport Rental Car Company*” shall mean and refer to any Person operating a rental car concession from a location other than the Rental Car Center.

“*Off-Site Roadway Improvements*” shall mean 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*” shall have the meaning set forth in the Rental Car Lease Agreements.

“*Outstanding*” when used with respect to Bonds shall mean all Bonds which have been authenticated and delivered under this 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 Article IX hereof;

(c) Bonds in lieu of which other Bonds have been authenticated under Section 3.06, 3.07 or 3.09 hereof;

(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 this 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 Section 3.13 hereof 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 this 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” shall mean, as of any time, the registered owner of any Bond as shown in the Registration Books kept by the Trustee as Registrar.

“Participant” shall mean, with respect to DTC or another Securities Depository, a member of or participant in DTC or such other Securities Depository, respectively.

“Paying Agent” shall mean the Trustee or any other paying agent appointed in accordance with Section 10.12 hereof.

“Payment Date” shall mean 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 Article IV hereof.

“Permitted Investments” shall mean 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 shall 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 shall 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*” shall mean 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*” shall mean, 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*” shall mean July 1 of each year in which principal of the Bonds of any Series is due and payable.

“*Project*” shall mean 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*” shall mean CFCs, Bond Funding Supplemental Consideration and any other sums paid to the Trustee or the Authority for deposit in the CFC Revenue Fund.

“*Project Schedule*” shall mean [_____]

“*QTA Space*” shall have the meaning set forth in the Rental Car Lease Agreements.

“*Qualified Swap Agreement*” shall mean 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 fifteen (15) days prior to executing and delivering the swap agreement, of its intention to enter into the swap agreement.

“*Rating Agency*” and “*Rating Agencies*” shall mean 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*” shall mean (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*” shall have the meaning set forth in the Rental Car Lease Agreements.

“*Rebate Fund*” shall mean 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.

“*Rebate Payment Date*” shall have the meaning set forth in the Series 2014A Tax Certificate and any other tax compliance certificate entered into by the Authority with respect to a Series of Tax-Exempt Bonds.

“*Record Date*” shall mean (a) with respect to the Series 2014 Bonds, the close of business on the fifteenth (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*” shall mean one or more Series of Senior Bonds issued pursuant to Section 3.11(b) hereof to refund Outstanding Senior Bonds.

“*Refunding Subordinate Bonds*” shall mean one or more Series of Subordinate Bonds issued pursuant to Section 3.12(b) hereof to refund Outstanding Bonds.

“*Registrar*” shall mean the Trustee acting as the Bond registrar hereunder.

“*Registration Books*” shall mean the register of the record owners of the Bonds maintained by the Registrar.

“*Reimbursable O&M Costs*” shall have the meaning set forth in the Rental Car Lease Agreements.

“*Renewal and Replacement Reserve Fund*” shall mean the Fund of such designation established by the Trustee pursuant to Section 5.01 hereof and described in Section 5.13 hereof.

“*Renewal and Replacement Reserve Fund Required Deposit*” or “*RRRF Required Deposit*” shall mean 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 in Exhibit C-2 attached hereto. The Renewal and Replacement Reserve Fund Required Deposit shall be \$0 between the Closing Date and the first July 1 to occur following the Opening Date.

“*Renewal and Replacement Reserve Fund Requirement*” or “*RRRF Requirement*” shall mean, for each Fiscal Year, the amount calculated pursuant to the instructions set forth in Exhibit C-1 attached hereto. The Renewal and Replacement Reserve Fund Requirement shall be \$0 between the Closing Date and the first July 1 to occur following the Opening Date.

“*Rental Car Center*” shall mean 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*” shall mean 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*” shall mean a Person or Persons that operates a rent-a-car business serving Airport Customers under the terms of a Concession Agreement and who leases space within the Rental Car Center.

“*Rental Car Lease Agreement*” shall mean 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.

“*Representation Letter*” shall mean the Blanket Issuer Letter of Representations dated October 20, 2005 from the Authority to DTC.

“*Reserve Fund Surety Policy*” shall mean 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 shall 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*” shall mean the Fund of such designation established by the Trustee pursuant to Section 5.01 hereof and described in Section 5.09 hereof.

“*Rolling Coverage Fund Requirement*” shall mean 30% of Maximum Aggregate Annual Debt Service on the Senior Bonds then Outstanding.

“*Securities Depository*” or “*DTC*” shall mean 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*” shall mean any debt obligation of the Authority issued under and in accordance with the provisions of Section 3.10 or 3.11 hereof 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 Section 3.13 hereof. The term “Senior Bond” or “Senior Bonds” herein does not include any Subordinate Bonds. The Series 2014 Bonds shall be Senior Bonds.

“*Senior Debt Service Fund*” shall mean the Fund of such designation established by the Trustee pursuant to Section 5.01 hereof and described in Section 5.07 hereof.

“*Senior Indenture*” shall have the meaning set forth in the Recitals hereto.

“*Senior Reserve Fund*” shall mean the Fund of such designation established by the Trustee pursuant to Section 5.01 hereof and described in Section 5.08 hereof.

“*Senior Reserve Fund Requirement*” shall mean Maximum Aggregate Annual Debt Service on the Senior Bonds then Outstanding.

“*Series*” shall mean each of the Series 2014A Bonds and the Series 2014B Bonds issued pursuant to this Indenture and each series of Additional Bonds issued pursuant to this Indenture and a Supplemental Indenture.

“*Series 2014 Bonds*” shall mean, collectively, the Series 2014A Bonds and the Series 2014B Bonds.

“*Series 2014 Continuing Disclosure Certificate*” shall mean the Continuing Disclosure Certificate, dated the Closing Date, and executed by the Authority pursuant to which the Authority shall 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*” shall mean the “San Diego County Regional Airport Authority Senior Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project) Series 2014A (Tax-Exempt – Non-AMT)” issued hereunder in the original aggregate principal amount of \$[_____].

“*Series 2014A Construction Account*” shall mean the Account of such designation established by the Trustee in the Construction Fund pursuant to Section 5.01 hereof and described in Section 5.03(a) hereof.

“*Series 2014A Costs of Issuance Account*” shall mean the Account of such designation established by the Trustee in the Construction Fund pursuant to Section 5.01 hereof and described in Section 5.03(b) hereof.

“*Series 2014A Debt Service Account*” shall mean the Account of such designation established by the Trustee in the Senior Debt Service Fund pursuant to Section 5.01 hereof and described in Section 5.07 hereof.

“*Series 2014A Project*” shall mean that portion of the Project that will be funded with a portion of the proceeds of the Series 2014A Bonds, as described in Exhibit D hereto.

“*Series 2014A Rebate Fund*” shall mean the Series 2014A Rebate Fund of such designation established by the Trustee pursuant to Section 5.01 hereof and described in Section 5.12 hereof and in the Series 2014 Tax Certificate.

“*Series 2014A Reserve Account*” shall mean the Account of such designation established by the Trustee in the Senior Reserve Fund pursuant to Section 5.01 hereof and described in Section 5.08 hereof.

“*Series 2014A Tax Certificate*” shall mean the Tax Compliance Certificate, dated the Closing Date, executed and delivered by the Authority with respect to the Series 2014A Bonds.

“*Series 2014A Term Bonds*” shall mean, collectively, the Series 2014A Bonds maturing on July 1, 20[] and July 1, 20[].

“*Series 2014B Bonds*” shall mean the “San Diego County Regional Airport Authority Senior Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project) Series 2014B (Federally Taxable)” issued hereunder in the original aggregate principal amount of \$[].

“*Series 2014B Construction Account*” shall mean the Account of such designation established by the Trustee in the Construction Fund pursuant to Section 5.01 hereof and described in Section 5.03(a) hereof.

“*Series 2014B Costs of Issuance Account*” shall mean the Account of such designation established by the Trustee in the Construction Fund pursuant to Section 5.01 hereof and described in Section 5.03(b) hereof.

“*Series 2014B Debt Service Account*” shall mean the Account of such designation established by the Trustee in the Senior Debt Service Fund pursuant to Section 5.01 hereof and described in Section 5.07 hereof.

“*Series 2014B Reserve Account*” shall mean the Account of such designation established by the Trustee in the Senior Reserve Fund pursuant to Section 5.01 hereof and described in Section 5.08 hereof.

“*Series 2014B Term Bonds*” shall mean, collectively, the Series 2014B Bonds maturing on July 1, 20[] and July 1, 20[].

“*Small Operator Improvement Rent*” shall have the meaning set forth in the Rental Car Lease Agreements.

“*Special Facilities Revenue*” shall have the meaning set forth in the Senior Indenture.

“*Special Facility*” shall have the meaning set forth in the Senior Indenture.

“*Special Facility Obligations*” shall have the meaning set forth in the Senior Indenture.

“S&P” shall mean 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” shall be deemed to refer to any nationally recognized statistical rating organization designated by the Authority.

“State” shall mean the State of California.

“Subordinate Bonds” shall mean any debt obligation of the Authority issued under and in accordance with the provisions of Section 3.12 hereof 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 Section 3.13 hereof. The term “Subordinate Bond” or “Subordinate Bonds” herein does not include any Senior Bonds.

“Subordinate Debt Service Fund” shall mean 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 Section 5.10 hereof.

“Subordinate Reserve Fund” shall mean 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 Section 5.11 hereof.

“Supplemental Consideration” shall mean collectively, Bond Funding Supplemental Consideration and Common-Use Transportation Cost Supplemental Consideration.

“Supplemental Indenture” shall mean any document supplementing or amending this Indenture or providing for the issuance of Bonds and entered into as provided in Article XI hereof.

“Swap Provider” shall mean any Person with which the Authority enters into a Qualified Swap Agreement.

“Synthetic Fixed Rate Debt” means Bonds issued by the Authority pursuant to this 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*” shall mean 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*” shall mean 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*” shall have the meaning set forth in the Rental Car Lease Agreements.

[“*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 (7) 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.]

“*Trustee*” shall mean U.S. Bank National Association, and any successors thereto.

“*Trust Estate*” shall mean (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 Section 6.12 hereof, (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 Section 5.16 hereof 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 Section 5.16 hereof 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 hereunder 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 shall not include moneys, investments and proceeds in a Rebate Fund and shall not include the Unassigned Rights.

“*Trust Indenture Act*” shall mean the federal Trust Indenture Act of 1939, as amended, and any successor thereto.

“*Unassigned Rights*” shall mean 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*” shall mean 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*” shall mean 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” shall 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*” shall mean any Bond or Bonds the interest rate on which is not, at the time in question, fixed to maturity.

Section 1.02. Interpretation and Construction. For purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Indenture to designated “Articles,” “Sections,” “subsection,” “paragraphs,” “clauses” and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of this Indenture. The words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Articles, Section or other subdivision.

(b) The singular form of any word, including the terms defined in Section 1.01 hereof, includes the plural, and vice versa, and a word of any gender includes all genders.

(c) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect from time to time.

(d) The term “money” includes any cash, check, deposit, investment security or other form in which any of the foregoing are held hereunder.

(e) Every “request,” “order,” “demand,” “application,” “appointment,” “notice,” “statement,” “certificate,” “consent” or similar action hereunder by the Authority, the Trustee, or any other fiduciary shall, unless otherwise specifically provided, be in writing signed by an officer or other agent of such party authorized to sign the same.

(f) In the computation of a period of time from a specified date to a later specified date, the word “from” means “from and including” and each of the words “to” and “until” means “to but excluding.”

(g) This Indenture and all terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Indenture.

(h) To the extent any inconsistencies exist between any of the provisions contained in this Indenture, the more specific provisions shall control over the more general provisions.

(i) Whenever in this Indenture the Authority or the Trustee is named or referred to, it shall include, and shall be deemed to include, its respective successors and assigns whether so expressed or not. All of the covenants, stipulations, obligations and agreements by or on behalf of, and other provisions for the benefit of, the Authority or the Trustee contained in this Indenture shall bind and inure to the benefit of such respective successors and assigns and shall bind and inure to the benefit of any officer, board, commission, authority, agency or instrumentality to whom or to which there shall be transferred by or in accordance with law any right, power or duty of the Authority, the Trustee or of their successors or assigns, the possession of which is necessary or appropriate in order to comply with any such covenants, stipulations, obligations, agreements or other provisions of this Indenture.

Section 1.03. Content of Certificates and Opinions. Every certificate or opinion provided for in this Indenture with respect to compliance with any provision hereof shall include (a) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (c) a statement that, in the opinion of such person, he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; and (d) a statement as to whether, in the opinion of such person, such provision has been complied with.

Any such certificate or opinion made or given by an officer of the Authority may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel or an accountant, unless such officer knows or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel or an accountant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Authority) upon a certificate or opinion of or representation by an officer of the Authority, unless such counsel or accountant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the Authority, or the same counsel or accountant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Indenture, but different officers, counsel or accountants may certify to different matters, respectively.

ARTICLE II

SECURITY FOR BONDS

Section 2.01. Grant, Pledge and Assignment of Trust Estate.

(a) **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 hereby 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 this Indenture, the Authority hereby 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 hereof and the provisions, covenants and agreements herein set forth to be performed by or on behalf of the Authority with respect to the Senior Bonds shall 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, shall 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 this Indenture.

(b) **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 hereby 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 this Indenture, the Authority hereby 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 hereof and the provisions, covenants and agreements herein set forth to be performed by or on behalf of the Authority with respect to the Subordinate Bonds shall 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, shall 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 this Indenture.

Section 2.02. Bonds are Special Limited Obligations. The Bonds are special limited obligations of the Authority, payable solely from and secured by a pledge of the Trust Estate. 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 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 is pledged to the payment of the principal of, premium, if any, or interest on the Bonds. Nothing herein shall be construed as requiring the Authority to use any funds or revenues from any source other than as described herein.

Section 2.03. CFCs Collected by the Rental Car Companies. In each of the Rental Car Lease Agreements, the Rental Car Companies have agreed that the CFCs are not income, revenue or any other asset of the Rental Car Companies; that the Rental Car Companies have no ownership or property interest in the CFCs; and that the Rental Car Companies have waived any claim to an equitable or ownership interest in the CFCs. In each of the Rental Car Lease Agreements, 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 on its behalf or as assignee of the Authority) has complete possessory and ownership rights to the CFCs. In each of the Rental Car Lease Agreements, the Rental Car Companies have acknowledged that the CFCs collected and held by the Rental Car Companies are property in which the Rental Car Companies only hold a possessory interest and not an equitable interest, and the Rental Car Companies have acknowledged that the CFCs collected by the Rental Car Companies are pledged as security for the Bonds. Additionally, in order to secure payment of debt service on the Bonds, in each of the Rental Car Lease Agreements, the Rental Car Companies have consented to the assignment by the Authority of the CFCs collected by the Rental Car Companies to the Trustee.

Section 2.04. Further Assurance. The Authority, at the written request of the Trustee, will from time to time execute, deliver and record and file such instruments as may be reasonably required to confirm, perfect or maintain the security interests created hereby and the

transfer, assignment and grant of rights hereunder; provided, however, that the Trustee shall have no obligation to make any such request unless directed in writing by the holders of at least 51% of the Principal Amount of the Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding) then Outstanding.

ARTICLE III

ISSUANCE OF BONDS; TERMS OF BONDS

Section 3.01. Authorization, Issuance and Purpose of Bonds. Either taxable or Tax-Exempt Bonds may be issued by the Authority under the terms of this Indenture for the purposes of financing and refinancing the Costs of the Project or any costs of Additional Special Facilities eligible to be paid with CFCs in accordance with the provisions of the CFC Law. Bonds may be issued under this Indenture only if the provisions of Section 3.10, 3.11 or 3.12 hereof, as applicable, are satisfied. The Bonds may be in certificated or uncertificated form, and Bonds which are issued in certificated form may be freely transferable or may be immobilized and held by a custodian for the Beneficial Owners, all as shall be set forth or permitted herein and in an Supplemental Indenture providing for the issuance of such Bonds. The Bonds may have notations, legends or endorsements required by law or usage.

Bonds will be numbered and dated as provided in this Indenture and the applicable Supplemental Indenture.

All Bonds shall contain a statement to the following effect:

The Bonds are special limited obligations of the Authority, payable solely from and secured by a pledge of the Trust Estate. 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 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 is pledged to the payment of the principal of, premium, if any, or interest on the Bonds.

In addition, each Subordinate Bond shall contain an express statement that such obligation and the interest thereon are junior and subordinate in all respects to the Senior Bonds as to lien on and source and security for payment from the Trust Estate.

Section 3.02. Authorization, Issuance and Terms of Series 2014 Bonds.

(a) ***Authorization and Designation of the Series 2014 Bonds; Principal Amount.*** Pursuant to the authority contained in the Act, the Senior Indenture and this Indenture, there is hereby established and created under this Indenture (i) an issue of Special Facility Obligations of the Authority, to be known and designated as the “San Diego County Regional Airport Authority Senior Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project) Series 2014A (Tax-Exempt – Non-AMT)”, which shall be issued in the original principal amount of \$[_____]; and (ii) an issue of Special Facility Obligations of the Authority, to be known and designated as the “San Diego County Regional Airport Authority Senior Special Facilities Revenue Bonds

(Consolidated Rental Car Facility Project) Series 2014B (Federally Taxable)”, which shall be issued in the original principal amount of \$[_____].

(b) **General Terms of the Series 2014 Bonds.** The Series 2014 Bonds shall, upon initial issuance, be dated [_____], 2014. Each Series 2014 Bond shall 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 shall 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 shall 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 shall bear interest from [_____], 2014. If interest on the Series 2014 Bonds shall be in default, Series 2014 Bonds issued in exchange for Series 2014 Bonds surrendered for transfer or exchange shall 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 shall be issued in Authorized Denominations.

Interest on the Series 2014 Bonds shall be paid on [July 1, 2014] and semiannually thereafter on January 1 and July 1. Interest on the Series 2014 Bonds shall be calculated on the basis of a year of 360 days and twelve 30-day months. The Series 2014 Bonds shall be issued as Book-Entry Bonds.

The Series 2014A Bonds shall be issued in the original principal amount of \$[_____] and shall mature on the dates and in the principal amounts and bear interest at the interest rates as set forth in the following schedule:

<u>Maturity Date (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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The Series 2014B Bonds shall be issued in the original principal amount of \$[] and shall mature on the dates and in the principal amounts and bear interest at the interest rates as set forth in the following schedule:

Maturity Date (July 1)	Principal Amount	Interest Rate
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Payment of the principal of the Series 2014 Bonds shall be made upon surrender of the Series 2014 Bonds to the Trustee or its agent; provided that with respect to the Series 2014 Bonds which are Book-Entry Bonds, the payment of the principal shall be made as provided in Section 3.03 hereof and the Representation Letter. Payment of interest on Series 2014 Bonds which are not Book-Entry Bonds shall be paid by check or draft of the Trustee mailed on the applicable Interest Payment Date by first-class mail to the person who is the Bondholder thereof on the Record Date, and such payment shall be mailed to such Bondholder at his address as it appears on the registration books of the Registrar. The payment of interest on the Series 2014 Bonds that are Book-Entry Bonds shall be made as provided in Section 3.03 hereof and the Representation Letter. With respect to all Series 2014 Bonds, interest due and payable on any Interest Payment Date shall be paid to the person who is the Bondholder as of the Record Date. The Series 2014 Bonds shall be substantially in the form of Exhibit A attached hereto with such appropriate variations, omissions, substitutions and insertions as are permitted or required by this Indenture. The Series 2014A Bonds shall be numbered consecutively from R-A-1 upwards in order of issuance according to the records of the Registrar. The Series 2014B Bonds shall be numbered consecutively from R-B-1 upwards in order of issuance according to the records of the Registrar.

If the principal of a Series 2014 Bond becomes due and payable, but shall not have been paid as a result of a default hereunder, and no provision is made for its payment, then such Series 2014 Bond shall bear interest at the same rate after such default as on the day before the default occurred.

Principal and interest will be paid in lawful money of the United States that at the time of payment is legal tender for payment of public and private debts or by checks or wire transfer payable in such money.

Section 3.03. Book-Entry Bonds.

(a) Except as provided in subparagraph (c) of this Section or a Supplemental Indenture, the Bondholder of all of the Bonds (including the Series 2014 Bonds) shall be DTC and the Bonds (including the Series 2014 Bonds) shall be registered in the name of Cede & Co., as nominee for DTC. Payment of principal and redemption price of and interest on any Bond registered in the name of Cede & Co. shall be made by wire transfer of New York clearing house or equivalent next day funds or by wire transfer of same day funds to the account of Cede & Co. at the address indicated on the Record Date or special record date for Cede & Co. in the registration books of the Registrar.

(b) The Bonds shall be initially issued in the form of separate single authenticated fully registered bonds for each separate stated maturity and interest rate for each Series of Bonds. Upon initial issuance, the ownership of the Bonds shall be registered in the registration books of the Registrar in the name of Cede & Co., as nominee of DTC. The Trustee, the Registrar and the Authority may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of paying the principal and redemption price of and interest on the Bonds, selecting the Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Indenture or any Supplemental Indenture, registering the transfer of Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and neither the Trustee, the Registrar nor the Authority shall be affected by any notice to the contrary. Neither the Trustee, the Registrar nor the Authority shall have any responsibility or obligation to any Participant, any person claiming a Beneficial Ownership interest in the Bonds under or through DTC or any Participant, or any other person which is not shown on the registration books as being a Bondholder, with respect to the accuracy of any records maintained by DTC or any Participant; the payment by DTC or any Participant of any amount in respect of the principal and redemption price of or interest on the Bonds; any notice which is permitted or required to be given to Bondholders under this Indenture or any Supplemental Indenture; the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of a Bond; any consent given or other action taken by DTC as Bondholder; or any other purpose. The Trustee shall pay all principal and redemption price of and interest on the Bonds only to or “upon the order of” DTC (as that term is used in the Uniform Commercial Code as adopted in the State of California), and all such payments shall be valid and effective to fully satisfy and discharge the Authority’s obligations with respect to the principal and redemption price of and interest on the Bonds to the extent of the sum or sums so paid. No person other than DTC shall receive an authenticated Bond evidencing the obligation of the Authority to make payments of principal, redemption price and interest pursuant to this Indenture or any Supplemental Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and

subject to the provisions herein with respect to Record Dates, the word “Cede & Co.” in this Indenture or any Supplemental Indenture shall refer to such new nominee of DTC.

(c) In the event the Authority determines that it is in the best interest of the Beneficial Owners that they be able to obtain Bond certificates, and notifies DTC, the Trustee and the Registrar of such determination, then DTC will notify the Participants of the availability through DTC of Bond certificates. In such event, the Trustee shall authenticate and the Registrar shall transfer and exchange Bond certificates as requested by DTC and any other Bondholders in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the Authority and the Trustee and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor Securities Depository), the Authority and the Trustee shall be obligated to deliver Bond certificates as described in this Indenture and any Supplemental Indenture. In the event Bond certificates are issued, the provisions of this Indenture and any Supplemental Indenture shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal and redemption price of and interest on such certificates. Whenever DTC requests the Authority and the Trustee to do so, the Trustee and the Authority will cooperate with DTC in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Bonds to any Participant having Bonds credited to its DTC account or (ii) to arrange for another Securities Depository to maintain custody of certificates evidencing the Bonds.

(d) Notwithstanding any other provision of this Indenture or any Supplemental Indenture to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal and redemption price of and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.

(e) In connection with any notice or other communication to be provided to Bondholders pursuant to this Indenture and any Supplemental Indenture by the Authority or the Trustee with respect to any consent or other action to be taken by Bondholders, the Authority or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible. Notice to DTC shall be given only when DTC is the sole Bondholder.

(f) NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO: THE PAYMENT BY DTC TO ANY PARTICIPANT OF THE PRINCIPAL AND REDEMPTION PRICE OF OR INTEREST ON THE BONDS; THE PROVIDING OF NOTICE TO PARTICIPANTS OR BENEFICIAL OWNERS; THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, OR ANY PARTICIPANT; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER OF THE BONDS.

Section 3.04. Execution and Authentication. Each of the Bonds shall be executed on behalf of the Authority by the manual or facsimile official signature of the Chair of the Board or the Executive Director or such other officer of the Authority as designated in a resolution adopted by the Board, and attested by the manual or facsimile official signature of the Director, Corporate Services/Authority Clerk. The official seal (which may be a facsimile) of the Authority may be impressed or imprinted on the Bonds. In case any officer whose signature or whose facsimile signature shall appear on any Bonds shall cease to be such officer before the authentication of such Bonds, such signature or the facsimile signature thereof shall nevertheless be valid and sufficient for all purposes the same as if he had remained in office until authentication. Also, if a person signing a Bond is the proper officer on the actual date of execution, the Bond will be valid even if that person is not the proper officer on the nominal date of action and even though, at the date of this Indenture, such person was not such officer.

A Bond shall not be valid until the Trustee or its agent or an authenticating agent designated by the Authority manually signs the certificate of authentication on the Bond. Such signature will be conclusive evidence that the Bond has been authenticated under this Indenture.

The Authority may appoint an authenticating agent or the Trustee may appoint an authenticating agent acceptable to the Authority to authenticate Bonds or different authenticating agents may be appointed for different Series of Bonds. An authenticating agent may authenticate Bonds whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent.

Section 3.05. Bond Register. Bonds of each Series may be presented at the principal corporate trust office of the Trustee or such other Registrar, unless a different office has been designated for such purpose, for registration, transfer and exchange. The Trustee or a Registrar will keep a register of each Series of Bonds and of their transfer and exchange.

Section 3.06. Mutilated, Lost, Stolen or Destroyed Bonds.

(a) In the event any Bond is mutilated or defaced but identifiable by number and description, the Authority shall execute and the Trustee shall authenticate and deliver a new Bond of like Series, date, maturity, rate and denomination as such Bond, upon surrender thereof to the Trustee; provided that there shall first be furnished to the Trustee clear and unequivocal proof satisfactory to the Trustee that the Bond is mutilated or defaced. The Bondholder shall accompany the above with a deposit of money required by the Trustee for the cost of preparing the substitute Bond and all other expenses connected with the issuance of such substitute. The Trustee shall then cause proper record to be made of the cancellation of the original, and thereafter the substitute shall have the validity of the original.

(b) In the event any Bond is lost, stolen or destroyed, the Authority may execute and the Trustee may authenticate and deliver a new Bond of like Series, date, maturity, rate and denomination as that Bond lost, stolen or destroyed, provided that there shall first be furnished to the Trustee evidence of such loss, theft or destruction satisfactory to the Trustee, together with indemnity satisfactory to it.

(c) Except as limited by this Indenture or any Supplemental Indenture, the Trustee may charge the holder of any such Bond all governmental charges and transfer taxes, if any, and its reasonable fees and expenses in connection therewith. All substitute Bonds issued and authenticated pursuant to this Section shall be issued as a substitute and numbered as determined by the Trustee. In the event any such Bond has matured or been called for redemption, instead of issuing a substitute Bond, the Trustee may pay the same at its maturity or redemption without surrender thereof upon receipt of indemnity satisfactory to the Trustee.

Section 3.07. Exchangeability and Transfer of Bonds; Persons Treated as Owners.

The Authority shall cause books for the registration and for the transfer of the Bonds as provided herein to be kept by the Registrar.

Subject to the provisions of Section 3.03 hereof relating to the registration of transfer of ownership of Book-Entry Bonds, Bonds may be registered as transferred on the books of registration kept by the Registrar by the holder in person or by his duly authorized attorney or legal representative, upon surrender thereof, together with a written instrument of transfer executed by the holder or his duly authorized attorney or legal representative. Upon surrender for registration of transfer of any Bond with all partial redemptions endorsed thereon at the principal office of the Registrar, the Authority shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds of the same Series, maturity, interest rate, aggregate principal amount and tenor and of any Authorized Denomination and numbered consecutively in order of issuance according to the records of the Registrar.

In the event that any Bond with respect to which a notice of redemption has been given by the Trustee or a notice of mandatory tender for purchase has been given by the Trustee or such tender agent, if applicable to a Series of Bonds, is submitted to the Trustee for registration of transfer, then in addition to registering the transfer of such Bond, the Trustee shall deliver to the new registered owner of such Bond a copy of such notice of redemption or mandatory tender, as the case may be.

Bonds may be exchanged at the principal office of the Registrar for an equal aggregate principal amount of Bonds of the same Series, maturity, interest rate, aggregate principal amount and tenor and of any Authorized Denomination. The Authority shall execute and the Trustee shall authenticate and deliver Bonds which the Bondholder making the exchange is entitled to receive, bearing numbers not contemporaneously then outstanding.

Such registrations of transfer or exchanges of Bonds shall be without charge to the holders of such Bonds, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the holder of the Bond requesting such registration of transfer or exchange as a condition precedent to the exercise of such privilege.

The Person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of either principal, redemption price or interest shall be made only to or upon the order of the registered owner thereof or his duly authorized attorney, but such registration may be changed as hereinabove

provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

The inclusion of the foregoing provisions shall constitute the appointment of the Registrar as agent for the Authority to do any and all things necessary to effect any exchange or registration of transfer.

All Bonds issued upon any registration of transfer or exchange of Bonds shall be legal, valid and binding special limited obligations of the Authority, evidencing the same debt, and entitled to the same security and benefits under this Indenture as the Bonds surrendered upon such registration of transfer or exchange.

In executing any Bond upon exchange or registration of transfer provided for in this Section, the Authority may rely conclusively on a representation of the Registrar or the Trustee that such execution is required.

Section 3.08. Destruction of Bonds. Whenever any Bonds shall be delivered to the Trustee for cancellation pursuant to this Indenture or any Supplemental Indenture, upon payment of the principal amount and interest represented thereby or for replacement pursuant to Section 3.06 hereof or exchange or transfer pursuant to Section 3.07 hereof, such Bond shall be cancelled and destroyed by the Trustee or the Registrar and counterparts of a certificate of destruction evidencing such destruction shall be furnished by the Trustee to the Authority.

Section 3.09. Temporary Bonds. Pending the preparation of definitive Bonds of any Series, the Authority may execute, and upon its request in writing, the Trustee shall authenticate and deliver one or more printed, lithographed or typewritten temporary Bonds (including temporary Bonds printed by offset or photocopying). Temporary Bonds shall be issuable as registered Bonds without coupons, of any Authorized Denomination, and substantially in the form of definitive Bonds but with such omissions, insertions and variations as may be appropriate for temporary Bonds, all as may be determined by the Authority. Temporary Bonds may contain such reference to any provisions of this Indenture or any Supplemental Indenture as may be appropriate. Every temporary Bond shall be executed by the Authority and be authorized by the Trustee upon the same conditions and in substantially the same manner, and with like effect, as the definitive Bonds. As promptly as practicable the Authority shall execute and shall furnish definitive registered Bonds without coupons and thereupon temporary Bonds may be surrendered in exchange therefor without charge at the principal corporate trust office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds a like aggregate principal amount of definitive Bonds of Authorized Denominations. Until so exchanged the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds.

Section 3.10. Issuance and Delivery of the Series 2014 Bonds. The Authority shall execute and deliver the Series 2014 Bonds to the Trustee, and the Trustee shall authenticate the Series 2014 Bonds and deliver them to the initial purchasers thereof as shall be directed by the Authority.

Prior to or simultaneously with the original delivery of the Series 2014 Bonds to the Trustee, there shall be filed with the Trustee:

- (a) a copy, duly certified by the Director, Corporate Services/Authority Clerk, of the resolution of the Board authorizing the issuance of the Series 2014 Bonds;
- (b) a copy, duly certified by the Director, Corporate Services/Authority Clerk, of the resolution of the Board authorizing the execution, delivery and performance of the Rental Car Lease Agreements;
- (c) a copy, duly certified by the Director, Corporate Services/Authority Clerk, of the CFC Resolution;
- (d) an original executed counterpart of this Indenture;
- (e) 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;
- (f) a certificate of the Authorized Authority Representative stating that no Event of Default has occurred and remains uncured;
- (g) a duly executed certificate of the Authority as to its reasonable expectations with respect to the use of the proceeds of the Series 2014 Bonds;
- (h) written instructions from the Authority to authenticate the Series 2014 Bonds and, upon receipt of the purchase price, to deliver the Series 2014 Bonds to or upon the order of the purchasers named in such instructions;
- (i) an opinion of Kutak Rock LLP, Bond Counsel, dated the date of issuance of the Series 2014 Bonds, to the effect that (i) the issuance of the Series 2014 Bonds has been duly authorized, (ii) all legal conditions precedent to the delivery of the Series 2014 Bonds have been fulfilled, (iii) the Series 2014 Bonds are valid and binding special limited obligations of the Authority in accordance with their terms, and (iv) the interest on the Series 2014A Bonds is excludable from gross income of the recipient thereof for federal income tax purposes; and
- (j) the Certificate of an Authorized Authority Representative required by Section 5.07 of the Senior Indenture.

When the documents mentioned in clauses (a) through (j) above, shall have been filed with the Trustee and when such Series 2014 Bonds shall have been executed and authenticated, the Trustee shall deliver the Series 2014 Bonds to or upon the order of the purchasers thereof, but only upon payment by the purchasers of the purchase price of the Series 2014 Bonds.

Section 3.11. Authorization and Issuance of Additional Senior Bonds.

- (a) ***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 3.11, 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 shall be conditioned upon the Trustee's receipt of the following:

(i) 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 this 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 this 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 shall be one or more of the purposes set forth in clause (c) of this Section 3.11;

(ix) the Certificate of an Authorized Authority Representative required by Section 5.07 of 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 Section 3.11(b)(ii) hereof, 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 interest on such Series of Additional Senior Bonds is expected to be paid 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 interest on such Series of Additional Senior Bonds is expected to be paid 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 payment 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 Section 5.04(b) hereof; 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 payment 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 Section 5.04(b) hereof.

(b) ***Refunding Senior Bonds.*** All Refunding Senior Bonds of any Series shall be executed by the Authority and delivered to the Trustee and thereupon shall 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 Section 3.11(a)(i) through (x) hereof;

(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 Section 3.11(a)(xi) hereof;

(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 this 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 Article VIII hereof or any Supplemental Indenture.

(c) ***Purposes for Additional Senior Bonds.*** The purposes for which Additional Senior Bonds may be issued under this Section 3.11 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.

(d) ***Terms of Additional Senior Bonds.*** Each Series of Additional Senior Bonds shall be dated, shall bear interest until their maturity at such rate or rates, determined in such manner and payable on such date or dates, shall be in such form and shall have such other terms and conditions not inconsistent with the terms of this Indenture as shall be provided for in the Supplemental Indenture authorizing the issuance of such Series of Additional Senior Bonds. All Additional Senior Bonds shall 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 shall be entitled to the same benefits and security of this Indenture.

Each Series of Additional Senior Bonds shall be issued pursuant to this Indenture and a Supplemental Indenture, which shall 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 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 shall not conflict with the provisions hereof.

Section 3.12. Authorization and Issuance of Subordinate Bonds.

(a) ***Requirements for Issuance of Subordinate Bonds.*** Subject to the provisions of this Section 3.12, 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 shall be conditioned upon the Trustee's receipt of the following:

(i) 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 this 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 this 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 shall be one or more of the purposes set forth in clause (c) of this Section 3.12;

(ix) the Certificate of an Authorized Authority Representative required by Section 5.07 of 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 Section 3.12(b)(ii) hereof, 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 interest on such Series of Subordinate Bonds is expected to be paid 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 interest on such Series of Subordinate Bonds is expected to be paid 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 payment 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 Section 5.04(b) hereof; 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 payment 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 Section 5.04(b) hereof.

(b) ***Refunding Subordinate Bonds.*** All Refunding Subordinate Bonds of any Series shall be executed by the Authority and delivered to the Trustee and thereupon shall 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 Section 3.12(a)(i) through (x) hereof;

(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 Section 3.12(a)(xi) hereof;

(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 this 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 Article VIII hereof or any Supplemental Indenture.

(c) **Purposes for Subordinate Bonds.** The purposes for which Subordinate Bonds may be issued under this Section 3.12 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.

(d) **Terms of Subordinate Bonds.** Each Series of Subordinate Bonds shall be dated, shall bear interest until their maturity at such rate or rates, determined in such manner and payable on such date or dates, shall be in such form and shall have such other terms and conditions not inconsistent with the terms of this Indenture as shall be provided for in the Supplemental Indenture authorizing the issuance of such Series of Subordinate Bonds. All Subordinate Bonds shall 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 shall be entitled to the same benefits and security of this Indenture. Except as may be otherwise provided in the Supplemental Indenture providing for the issuance of a Series of Subordinate Bonds, Subordinate Bonds also shall 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 shall be issued pursuant to this Indenture and a Supplemental Indenture, which shall 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 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 shall not conflict with the provisions hereof.

(e) 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 shall include provisions concerning the amount and means of funding such Funds and Accounts, all at the discretion of the Authority.

Section 3.13. 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 Section 3.11 hereof or a Subordinate Bond issued under Section 3.12 hereof, and, if afforded such status, the Credit Provider or Liquidity Provider shall be the Bondholder and such Senior Bond or Subordinate Bonds, as the case may be, shall 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 Sections 3.11 or 3.12 hereof; provided, however, notwithstanding the stated terms of the Repayment Obligation, the payment terms of the Bond held by the Credit Provider or Liquidity Provider hereunder shall 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 shall be due and payable semiannually and (b) principal shall 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 shall bear interest in accordance with the terms of the Repayment Obligation. This provision shall not defeat or alter the rights of subrogation which any Credit Provider or Liquidity Provider may have under law or under the terms of this 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 this Indenture.

Section 3.14. 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 shall 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 Section 5.04(b) hereof;

(ii) any net payments received by the Authority from the Swap Provider pursuant to such Qualified Swap Agreement shall 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 shall be paid from amounts on deposit in the CFC Stabilization Account or from proceeds of Subordinate Bonds, and shall not be on a parity with the Senior Bonds or the Subordinate Bonds with respect to Project Revenues.

(b) If the Authority shall enter into a swap agreement of the type generally described in Section 3.14(a) hereof 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 shall 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.

(c) The Trustee shall have no responsibility for the Authority's obligations under this Section 3.14 or with respect to any Qualified Swap Agreement entered into by the Authority pursuant to paragraphs (a) or (b) above, other than to receive payments from and make payments to a Swap Provider in accordance with the written instructions of the Authority. The Authority will notify the Trustee upon entering into any swap agreement, and shall provide written instructions to the Trustee with respect to its administration.

ARTICLE IV

REDEMPTION OF SERIES 2014 BONDS

Section 4.01. Notices to Holders. If the Authority wishes that any Series 2014 Bonds be redeemed pursuant to the provision of this Indenture, the Authority will notify the Trustee of the applicable provision, the Series of Series 2014 Bonds being redeemed, the redemption date, the maturity date, the interest rate, the CUSIP number and the principal amount of the Series 2014 Bonds to be redeemed and other necessary particulars. The Authority will give notice to the Trustee at least thirty-five (35) days before the redemption date, provided that the Trustee may, at its option, waive such notice or accept notice at a later date. The Trustee shall give notice of redemption, in the name of the Authority, to Holders affected by redemption at least thirty (30) days but not more than sixty (60) days before each redemption date, send such notice of redemption by first class mail (or with respect to Series 2014 Bonds held by DTC by such means as required by DTC) to each Holder of a Series 2014 Bond to be redeemed. Each such notice shall be sent to the Holder's registered address.

Each notice of redemption shall specify the Series, the issue date, the maturity date, the interest rate and the 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.

The Authority may provide that, if at the time of mailing of notice of an optional redemption there shall not have 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, that is, subject to the deposit of the redemption moneys with the Trustee not later than the opening of business one (1) Business Day prior to the scheduled redemption date, and such notice shall 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 shall be canceled and on such cancellation date notice shall be mailed to the Holders of such Series 2014 Bonds to be redeemed in the manner provided in this Section.

Failure to give any required notice of redemption as to any particular Series 2014 Bonds will not affect the validity of the call for redemption of any Series 2014 Bonds in respect of which no failure occurs. Any notice sent as provided herein 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.

If any Series 2014 Bonds, at the time of redemption, are not Book-Entry Bonds, then, at the time of the mailing required by the first paragraph of this Section, such redemption notice shall be given by (i) registered or certified mail, postage prepaid; (ii) telephonically confirmed facsimile transmission; or (iii) overnight delivery service, to:

The Depository Trust Company
55 Water Street, 50th Floor
New York, NY 10041-0099
Attention: Call Notification
Facsimile: (212) 855-7232

Failure to give the notice described in the immediately preceding paragraph or any defect therein shall not in any manner affect the redemption of any Series 2014 Bond.

Section 4.02. Redemption Dates. The date fixed for redemption of Series 2014 Bonds to be redeemed pursuant to any optional redemption provision as set forth in Sections 4.04 and 4.07 hereof or any extraordinary mandatory redemption provision as set forth in Section 4.03 hereof shall be a date permitted by the Authority in the notice delivered pursuant to Section 4.01 hereof. The date fixed for mandatory sinking fund redemptions of the Series 2014 Bonds will be as set forth in Sections 4.05 and 4.08 hereof.

Section 4.03. Extraordinary Mandatory Redemption of the Series 2014 Bonds. The Series 2014 Bonds shall be subject to extraordinary mandatory redemption at the direction of the Authority pursuant to Section 6.12(c) hereof, in whole or in part on the earliest date following the date for which notice of redemption can be given as provided in this 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 Section 6.12(c) hereof.

Section 4.04. Optional Redemption of the Series 2014A Bonds. The Series 2014A Bonds maturing on or before July 1, 20[] are not subject to optional redemption prior to maturity. The Series 2014A Bonds maturing on or after July 1, 20[] 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, 20[] at a redemption price equal to [100%] of the principal amount of the Series 2014A Bonds to be redeemed plus accrued interest to the date fixed for redemption, without premium.

Section 4.05. Mandatory Sinking Fund Redemption of the Series 2014A Bonds.

(a) The Series 2014A Bonds maturing on July 1, 20[] 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	Principal Amount
(July 1)	
<hr/>	<hr/>

*Final Maturity Date

(b) The Series 2014A Bonds maturing on July 1, 20[] 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	Principal Amount
(July 1)	
<hr/>	<hr/>

*Final Maturity Date

(c) Except as otherwise provided in Section 3.03 hereof, on or before the forty fifth (45th) day prior to any mandatory sinking fund redemption date, the Trustee shall proceed to select for redemption (by lot in such manner as the Trustee may determine), from the applicable Series 2014A Term Bonds an aggregate principal amount of the applicable Series 2014A Term Bonds equal to the amount for such year as set forth in the applicable table above and shall call the applicable Series 2014A Term Bonds or portions thereof (in Authorized Denominations) for redemption and give notice of such call.

(d) At the option of the Authority, to be exercised by delivery of a written certificate to the Trustee on or before the sixtieth (60th) day next preceding any mandatory sinking fund redemption date for the Series 2014A Term Bonds, as applicable, it may (i) deliver to the Trustee for cancellation Series 2014A Term Bonds, as applicable, or portions thereof (in Authorized Denominations) purchased in the open market or otherwise acquired by the Authority or (ii) specify a principal amount of such Series 2014A Term Bonds, as applicable, 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 2014A Term Bonds, as applicable, or portion thereof so purchased, acquired or optionally redeemed and delivered to the Trustee for cancellation shall be credited by the Trustee at 100% of the principal amount thereof against the obligation of the Authority to pay the principal of such applicable Series 2014A Term Bond on such mandatory sinking fund redemption

date. In the event the Authority redeems any of the Series 2014A Term Bonds, as applicable, pursuant to Section 4.03 hereof, the Authority will provide the Trustee revised mandatory sinking fund schedules, if applicable.

Section 4.06. Selection of Series 2014A Bonds for Redemption; Series 2014A Bonds Redeemed in Part. The Series 2014A Bonds are subject to redemption in such order of maturity and interest rate (except mandatory sinking fund payments on the Series 2014A Term Bonds) as the Authority may direct and by lot, selected in such manner as the Trustee (or DTC, as long as DTC is the Securities Depository for the Series 2014A Bonds) shall deem appropriate, within a maturity and interest rate.

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

Section 4.07. Optional Redemption of the Series 2014B Bonds.

(a) [Prior to July 1, 20[___], 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 [___] basis points; plus, in each case, accrued and unpaid interest on the Series 2014B Bonds to be redeemed to the date fixed for redemption.]

(b) On or after July 1, 20[___], the Series 2014B Bonds maturing on and after July 1, 20[___] 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, 20[___] at a redemption price equal to 100% of the principal amount of the Series 2014B Bonds to be redeemed plus accrued interest to the date fixed for redemption, without premium.

Section 4.08. Mandatory Sinking Fund Redemption of the Series 2014B Bonds.

(a) The Series 2014B Bonds maturing on July 1, 20[___] are subject to mandatory sinking fund redemption in part (in accordance with the procedures set forth in Section 4.08 hereof), 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**

*Final Maturity Date

(b) The Series 2014B Bonds maturing on July 1, 20[] are subject to mandatory sinking fund redemption in part (in accordance with the procedures set forth in Section 4.08 hereof), 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**

*Final Maturity Date

(c) In the event that a portion, but not all of the Series 2014B Bonds are redeemed pursuant to optional redemption (as provided in Section 4.06 hereof), then the principal amount of any remaining mandatory sinking fund redemptions applicable to the Series 2014B Term Bonds, as applicable, shall 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 Bonds in Authorized Denominations).

(d) At the option of the Authority, to be exercised by delivery of a written certificate to the Trustee on or before the sixtieth (60th) day next preceding any mandatory sinking fund redemption date for the Series 2014B Term Bonds, as applicable, it may (i) deliver to the Trustee for cancellation Series 2014B Term Bonds, as applicable, or portions thereof (in Authorized Denominations) purchased in the open market or otherwise acquired by the Authority or (ii) specify a principal amount of such Series 2014B Term Bonds, as applicable, or portions thereof (in Authorized Denominations) which prior to said date have been redeemed pursuant to Section 4.06 hereof 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, as applicable, or portion thereof so purchased, acquired or redeemed and delivered to the Trustee for cancellation shall 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. In the event the Authority redeems any of the Series 2014B Term Bonds pursuant to Section 4.06 hereof, the Authority will provide the Trustee a revised mandatory sinking fund schedule, if applicable.

Section 4.09. Selection of Series 2014B Bonds for Redemption; Series 2014B Bonds Redeemed in Part.

(a) 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 shall 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 Book-Entry Bonds, the selection for redemption of such Series 2014B Bonds will be made in accordance with the operational arrangements of DTC then in effect. The Authority shall not provide any assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of the 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 Series 2014B Bonds are not Book-Entry Bonds and less than all of the Series 2014B Bonds are to be redeemed, the Series 2014B Bonds to be redeemed shall 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.

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

Section 4.10. Payment of Series 2014 Bonds Called for Redemption. Upon surrender to the Trustee or the Trustee's agent, Series 2014 Bonds called for redemption shall be paid at the redemption price stated in the notice, plus, when applicable, interest accrued to the date fixed for redemption.

Section 4.11. Effect of Redemption Call. On the date so designated for redemption, notice having been given in the manner and under the conditions provided herein and sufficient moneys for payment of the redemption price being held in trust to pay the redemption price, the Series 2014 Bonds so called for redemption shall become and be due and payable on the redemption date, interest on such Series 2014 Bonds shall cease to accrue from and after such redemption date, such Series 2014 Bonds shall cease to be entitled to any lien, benefit or security under this Indenture and the Holders of such Series 2014 Bonds shall have no rights in respect thereof except to receive payment of the redemption price.

Series 2014 Bonds which have been duly called for redemption under the provisions of this Article IV and for the payment of the redemption price of which moneys shall be held in

trust for the Holders of the Series 2014 Bonds to be redeemed, all as provided in this Indenture, shall not be deemed to be Outstanding under the provisions of this Indenture.

Section 4.12. Redemption of Additional Bonds. Additional Bonds shall be subject to redemption as provided in the Supplemental Indenture providing for the issuance of such Additional Bonds.

ARTICLE V

ESTABLISHMENT AND APPLICATION OF FUNDS AND ACCOUNTS; USE OF PROCEEDS OF SERIES 2014 BONDS AND OTHER AMOUNTS

Section 5.01. Establishment of Funds and Accounts.

(a) The Authority hereby instructs the Trustee and the Trustee shall hereby establish and hold the following Funds and Accounts:

(i) San Diego County Regional Airport Authority Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project) CFC Revenue Fund (herein referred to as the “**CFC Revenue Fund**”);

(ii) San Diego County Regional Airport Authority Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project) Construction Fund (herein referred to as the “**Construction Fund**”), and therein (A) a “**Series 2014A Construction Account**”, (B) a “**Series 2014B Construction Account**”, (C) a “**Series 2014A Costs of Issuance Account**” and (D) a “**Series 2014B Costs of Issuance Account**”;

(iii) San Diego County Regional Airport Authority Senior Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project) Senior Debt Service Fund (herein referred to as the “**Senior Debt Service Fund**”) and therein (A) a “**Series 2014A Debt Service Account**” and (B) a “**Series 2014B Debt Service Account**”;

(iv) San Diego County Regional Airport Authority Senior Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project) Senior Reserve Fund (herein referred to as the “**Senior Reserve Fund**”) and therein (A) a “**Series 2014A Reserve Account**” and (B) a “**Series 2014B Reserve Account**”;

(v) San Diego County Regional Airport Authority Senior Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project) Rolling Coverage Fund (herein referred to as the “**Rolling Coverage Fund**”);

(vi) San Diego County Regional Airport Authority Senior Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project) Series 2014A Rebate Fund (herein referred to as the “**Series 2014A Rebate Fund**”); and

(vii) San Diego County Regional Airport Authority Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project) Renewal and Replacement Reserve Fund (herein referred to as the “**Renewal and Replacement Reserve Fund**”).

(b) The Authority shall establish and hold the San Diego County Regional Airport Authority Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project) CFC Surplus Fund (herein referred to as the “**CFC Surplus Fund**”), and therein (A) a “**CFC Project Account**” and (B) a “**CFC Stabilization Account**”.

(c) All such Funds and Accounts shall be established, maintained and accounted for as hereinafter provided so long as any Bonds remain Outstanding. The CFC Revenue Fund, proceeds of Senior Bonds on deposit in the Construction Fund (subject to any limitations set forth in the Series 2014A Tax Certificate and any other tax compliance certificate entered into by the Authority with respect to the issuance of Additional Senior Bonds that are Tax-Exempt Bonds), the Senior Debt Service Fund, the Senior Reserve Fund, the Rolling Coverage Fund, any Subordinate Debt Service Fund (other than proceeds of Subordinate Bonds on deposit therein), any Subordinate Reserve Fund (other than proceeds of Subordinate Bonds on deposit therein), the Renewal and Replacement Reserve Fund and the CFC Surplus Fund shall constitute trust funds which shall be held by the Trustee and the Authority, as the case may be, for the benefit of the Owners of the Senior Bonds and are part of the Trust Estate for the Senior Bonds. Subject to the prior lien and pledge granted to the Senior Bonds, the CFC Revenue Fund, proceeds of Subordinate Bonds on deposit in the Construction Fund (subject to any limitations set forth in any tax compliance certificate entered into by the Authority with respect to the issuance of Subordinate Bonds that are Tax-Exempt Bonds), any Subordinate Debt Service Fund, any Subordinate Reserve Fund, the Renewal and Replacement Reserve Fund and the CFC Surplus Fund shall constitute trust funds which shall be held by the Trustee and the Authority, as the case may be, for the benefit of the Owners of the Subordinate Bonds and are part of the Trust Estate for the Subordinate Bonds. The Series 2014A Rebate Fund and any other Rebate Fund established pursuant to a Supplemental Indenture do not constitute trust funds held for the benefit of the Owners of the Senior Bonds or the Subordinate Bonds and are not part of the Trust Estate for the Senior Bonds or the Subordinate Bonds. To the extent that the Series 2014A Rebate Fund or any other Rebate Fund shall be held by the institution serving as the Trustee, each such Fund shall be held by it as a depository for the Authority and not as Trustee for the benefit of the Bondholders hereunder.

(d) The Authority and the Trustee reserve the right to establish additional Funds, sub-funds, Accounts and subaccounts, from time to time, under Supplemental Indentures, including, but not limited to, the Subordinate Debt Service Fund and one or more Subordinate Reserve Fund; and any such Supplemental Indenture may provide that amounts on deposit in such Funds, sub-funds, Accounts and subaccounts shall be held by the Trustee for the sole and exclusive benefit of a particular Series of Bonds as may be specifically designated in such Supplemental Indenture.

Section 5.02. Application of Series 2014 Bonds Proceeds and Other Amounts.

(a) **Application of Series 2014A Bond Proceeds.** The proceeds of the sale of the Series 2014A Bonds, being the amount of \$[_____] (which sum represents the par amount of the Series 2014A Bonds of \$[_____] , [plus/less] a [net] original issue [premium/discount] in the amount of \$[_____] , and less an underwriters' discount in the amount of \$[_____]) received by the Trustee shall be deposited by the Trustee on the Closing Date as follows:

(i) \$[_____] , representing Capitalized Interest, shall be deposited in the Series 2014A Debt Service Account and shall be used to pay interest due and payable on the Series 2014A Bonds on the following dates and in the following amounts:

<u>Interest Payment Date</u>	<u>Amount to be Used to Pay Interest</u>
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(ii) \$[_____] shall be deposited into the Series 2014A Reserve Account of the Senior Reserve Fund;

(iii) \$[_____] shall be deposited into the Rolling Coverage Fund;

(iv) \$[_____] shall be deposited into the Series 2014A Costs of Issuance Account of the Construction Fund; and

(v) \$[_____] shall be deposited into the Series 2014A Construction Account of the Construction Fund to pay a portion of the Costs of the Project.

(b) **Application of Series 2014B Bond Proceeds.** The proceeds of the sale of the Series 2014B Bonds, being the amount of \$[_____] (which sum represents the par amount of the Series 2014B Bonds of \$[_____] , less an underwriters' discount in the amount of \$[_____]) received by the Trustee shall be deposited by the Trustee on the Closing Date as follows:

(i) \$[_____] , representing Capitalized Interest, shall be deposited in the Series 2014B Debt Service Account and shall be used to pay interest due and payable on the Series 2014B Bonds on the following dates and in the following amounts:

Interest Payment Date	Amount to be Used to Pay Interest
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(ii) \$[] shall be deposited into the Series 2014B Reserve Account of the Senior Reserve Fund;

(iii) \$[] shall be deposited into the Rolling Coverage Fund;

(iv) \$[] shall be deposited into the Series 2014B Costs of Issuance Account of the Construction Fund; and

(v) \$[] shall be deposited into the Series 2014B Construction Account of the Construction Fund, to pay a portion of the Costs of the Project.

(c) ***Application of CFCs Previously Collected.*** On the Closing Date, the Authority shall deposit or cause to be deposited to the CFC Project Account \$[] of CFCs (and earnings thereon) collected prior to the Closing Date, to, among other things described herein, pay a portion of the Costs of the Project.

Section 5.03. Construction Fund.

(a) ***Series 2014A Construction Account and Series 2014B Construction Account.***

(i) The Trustee shall make payments or disbursements from the Series 2014A Construction Account and the Series 2014B Construction Account upon receipt from the Authority of a written requisition, in substantially the form attached as Exhibit B-1 hereto, executed by an Authorized Authority Representative, which requisition shall state, with respect to each amount requested thereby, (i) that such amount is to be paid from the Series 2014A Construction Account or the Series 2014B Construction Account, (ii) the number of the requisition, (iii) the amount to be paid, the name of the entity to which the payment is to be made and the manner in which the payment is to be made, (iv) that the amount to be paid represents Costs of the Project, and (v) with respect to the Series 2014A Construction Account, that the amounts requisitioned will be expended only in accordance with and subject to the limitations set forth in the Series 2014A Tax Certificate. Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of the facts stated therein.

(ii) Moneys held in the Series 2014A Construction Account and the Series 2014B Construction Account shall be invested and reinvested as directed by an Authorized Authority Representative in Permitted Investments. Earnings on the Series 2014A Construction Account shall be retained in the Series 2014A Construction Account and earnings on the Series 2014B Construction Account shall be retained in the Series 2014B Construction Account.

(iii) Following the delivery of the Completion Certificate by the Authority in accordance with Section 6.09 hereof, any amounts remaining in the Series 2014A Construction Account shall be transferred to the Series 2014A Debt Service Account and applied to pay principal of or interest on the Series 2014A Bonds as the same next come due; provided, however, that any amounts certified to the Trustee by the Authority shall be retained within the Series 2014A Construction Account for payment of Costs of the Project not yet due and payable. As a condition to the retention of amounts in the Series 2014A Construction Account, there shall be delivered to the Trustee with the certificate of the Authority an opinion of Bond Counsel that the purpose for which such funds are to be used is a lawful purpose for which such proceeds may be used and that such use shall not result in the inclusion of interest on any Series 2014A Bonds in gross income of the recipient thereof for federal income tax purposes. Any such retained funds remaining after full payment of all such costs shall likewise be transferred to the Series 2014A Debt Service Account and applied to pay principal of or interest on the Series 2014A Bonds.

(iv) Following the delivery of the Completion Certificate by the Authority in accordance with Section 6.09 hereof, any amounts remaining in the Series 2014B Construction Account shall be transferred to the Series 2014B Debt Service Account and applied to pay principal of or interest on the Series 2014B Bonds as the same next come due; provided, however, that any amounts certified to the Trustee by the Authority shall be retained within the Series 2014B Construction Account for payment of Costs of the Project not yet due and payable. Any such retained funds remaining after full payment of all such costs shall likewise be transferred to the Series 2014B Debt Service Account and applied to pay principal of or interest on the Series 2014B Bonds.

(b) *Series 2014A Costs of Issuance Account and Series 2014B Costs of Issuance Account.*

(i) The Trustee shall make payments or disbursements from the Series 2014A Costs of Issuance Account and the Series 2014B Costs of Issuance Account upon receipt from the Authority of a written requisition in substantially the form attached hereto as Exhibit B-2, executed by an Authorized Authority Representative, which requisition shall state, with respect to each amount requested thereby, (i) that such amount is to be paid from the Series 2014A Costs of Issuance Account or the Series 2014B Costs of Issuance Account, (ii) the number of the requisition, (iii) the amount to be paid, the name of the entity to which the payment is to be made and the manner in which the payment is to be

made and (iv) describe the costs of issuance represented by such payment. Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of the facts stated therein.

(ii) Moneys held in the Series 2014A Costs of Issuance Account and the Series 2014B Costs of Issuance Account shall be invested and reinvested as directed by an Authorized Authority Representative in Permitted Investments.

(iii) Earnings on the Series 2014A Costs of Issuance Account shall be deposited into the Series 2014A Construction Account. Any amounts remaining in the Series 2014A Costs of Issuance Account on [_____] 1, 2014 shall be transferred to the Series 2014A Construction Account and the Series 2014A Costs of Issuance Account shall be closed.

(iv) Earnings on the Series 2014B Costs of Issuance Account shall be deposited into the Series 2014B Construction Account. Any amounts remaining in the Series 2014B Costs of Issuance Account on [_____] 1, 2014 shall be transferred to the Series 2014B Construction Account and the Series 2014B Costs of Issuance Account shall be closed.

(c) **Additional Bonds.** Upon issuance of any Series of Additional Bonds, additional Accounts within the Construction Fund may be created, and the funds within such Accounts applied, as may be provided in the Supplemental Indenture entered into in connection with the issuance of such Bonds.

(d) **Insurance Proceeds and Condemnation Awards.** In the event that any proceeds of casualty insurance policies or condemnation awards are delivered to the Trustee pursuant to Section 6.12(c) hereof for the purpose of financing the repair, reconstruction, restoration or replacement of the Project, any Additional Special Facilities or any portion thereof, the Trustee shall establish the Insurance and Condemnation Proceeds Account in the Construction Fund and deposit such funds into the Insurance and Condemnation Proceeds Account and shall disburse such funds as provided in Sections 5.03(a)(i) and 6.12(c) hereof. Any amounts remaining after the completion of any such restoration and provision for all costs thereof (as the same are certified by the Authority to the Trustee) shall be deposited *first*, in 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*, in 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.

Section 5.04. CFC Revenue Fund; Flow of Funds.

(a) Unless specifically directed otherwise in this Indenture, all Project Revenues received by the Trustee shall be deposited upon receipt to the CFC Revenue Fund.

(b) On or before the Draw Down Date each month, the Trustee shall 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 shall 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) the applicable portion (as described in Sections 5.02(a)(i) and 5.02(b)(i) hereof and in any Supplemental Indenture) of 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 shall 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 shall 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 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 shall 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 shall transfer in substantially equal monthly installments over a period of up to twelve (12) 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 shall be paid prior to funding the unfunded cash portion of the Senior Reserve Fund Requirement);

THIRD, the Trustee shall transfer in substantially equal monthly installments over a period of up to twelve (12) 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 shall 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 shall 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 shall 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 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 shall 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 shall transfer in substantially equal monthly installments over a period of up to twelve (12) 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 shall transfer 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 shall 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 shall transfer in substantially equal monthly installments over a period of up to twelve (12) 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

EIGHTH, the Trustee shall transfer all remaining CFCs to the Authority for deposit to the CFC Surplus Fund.

(c) The Authority shall deposit any CFCs received from the Trustee as described in the EIGHTH clause of Section 5.04(b) hereof to the CFC Surplus Fund and shall apply such CFCs in the CFC Surplus Fund as follows:

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

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

Section 5.05. Funding of Deficiencies in Senior Debt Service Fund.

(a) 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 pursuant to the FIRST clause of Section 5.04(b) hereof, the Trustee shall provide notice to the Authority of such shortfall and the Authority shall 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.

(b) If, two (2) 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 shall become due, moneys held in the following Funds and Accounts shall 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 shall provide notice to the Authority of such shortfall and the Authority shall 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 shall 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 shall 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 shall 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 shall 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 shall 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 provided in this Section 5.05, the Trustee shall promptly notify the Authority in writing of the amount of such withdrawals and transfers.

Section 5.06. Funding of Deficiencies in Subordinate Debt Service Fund.

(a) 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 Subordinate Debt Service Fund pursuant to the FOURTH clause of Section 5.04(b) hereof, the Trustee shall provide notice to the Authority of such shortfall and the Authority shall transfer to the Trustee, for deposit in the applicable Account or Accounts within the Subordinate 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. Notwithstanding anything to the contrary in the prior provisions of this paragraph, the Authority shall not transfer any moneys from the CFC Surplus Fund (including the CFC Stabilization Account and the CFC Project Account) to the Trustee for deposit in the applicable Account or Accounts of the Subordinate Debt Service Fund, 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.

(b) If, two (2) Business Days before any Payment Date, 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 shall become due, moneys held in the following Funds and Accounts shall be transferred to or by the Trustee from said Funds or Accounts in the following order to each such Account in the Subordinate Debt Service Fund in order to satisfy said deficiency therein:

FIRST, the Trustee shall provide notice to the Authority of such shortfall and the Authority shall transfer to the Trustee for deposit in the applicable Accounts within the Subordinate 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 shall transfer to the applicable Accounts within the Subordinate Debt Service Fund any and all moneys in the Renewal and Replacement Reserve Fund, up to the amount of such shortfall; and

THIRD, if moneys in the CFC Surplus Fund and the Renewal and Replacement Reserve Fund are insufficient to satisfy the deficiency, the Trustee shall transfer to the applicable Accounts within the Subordinate Debt Service Fund any and all moneys in any Subordinate Reserve Fund (including any moneys received from the provider of any Reserve Fund Surety Policy on deposit in the Subordinate 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 and/or any Subordinate Reserve Fund, to pay principal or redemption price of or interest on the Subordinate Bonds as provided in this Section 5.06, the Trustee shall promptly notify the Authority in writing of the amount of such withdrawals and transfers.

Notwithstanding anything to the contrary in this Section 5.06, the Authority shall not transfer any moneys from the CFC Surplus Fund (including the CFC Stabilization Account and the CFC Project Account) to the Trustee for deposit in the applicable Account or Accounts of the Subordinate Debt Service Fund, and the Trustee shall not transfer any moneys from the Renewal and Replacement Reserve Fund or the Subordinate Reserve Fund (except proceeds of Subordinate Bonds and the earnings thereon) to the applicable Account or Accounts of the Subordinate Debt Service Fund, 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.

Section 5.07. Senior Debt Service Fund.

(a) On each Payment Date, funds on deposit in the Series 2014A Debt Service Account shall be applied by the Trustee to pay *first*, the interest on the Series 2014A Bonds then due, and *second*, the principal of the Series 2014A Bonds then due, if any. On each Payment Date, funds on deposit in the Series 2014B Debt Service Account shall be applied by the Trustee to pay *first*, the interest on the Series 2014B Bonds then due, and *second*, the principal of the Series 2014B Bonds then due, if any.

(b) Upon the issuance of any Series of Additional Senior Bonds, additional Accounts within the Senior Debt Service Fund may be established, and the funds within such Accounts applied, as may be provided in the Supplemental Indenture entered into in connection with the issuance of such Senior Bonds.

(c) Notwithstanding any provision of this 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 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.

(d) Moneys held in the Senior Debt Service Fund shall be invested and reinvested as directed by an Authorized Authority Representative in Permitted Investments. Earnings on the Senior Debt Service Fund shall be retained in the Senior Debt Service Fund.

Section 5.08. Senior Reserve Fund.

(a) 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 shall be applied by the Trustee as provided in the SIXTH clause of Section 5.05(b) hereof to pay the principal of and interest on the Senior 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, the 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 any Series of Senior Bonds.

(b) Upon the issuance of any Series of Additional Senior Bonds, additional amounts shall 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.

(c) A Reserve Fund Surety Policy shall 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.

(d) 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 shall 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 shall 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 shall be made on a pro rata basis.

(e) The Series 2014A Reserve Account and the Series 2014B Reserve Account shall be established pursuant to Section 5.01(a) hereof for purposes of calculating and accounting for the amount of earnings upon the portion of the Senior Reserve Fund related to the Series 2014A Bonds and the Series 2014B Bonds,

respectively, for rebate purposes as set forth in the Series 2014A Tax Certificate, but for all other purposes shall be held, invested and used as an integral part of the Senior Reserve Fund as provided in this Section 5.08 and shall be available to make payments on all of the Series of Senior Bonds as if no separate Accounts had been created.

(f) 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 shall 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 shall 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 shall be reduced accordingly.

Section 5.09. Rolling Coverage Fund.

(a) Funds on deposit in the Rolling Coverage Fund shall be applied by the Trustee as provided in the FIFTH clause of Section 5.05(b) hereof to pay the principal of and interest on the Senior 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 the Subordinate Debt Service Fund on any Payment Date are insufficient to pay the principal of or interest then due on any Series of Senior Bonds.

(b) Upon the issuance of any Series of Additional Senior Bonds, additional amounts shall 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.

(c) 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 shall be withdrawn from the Rolling Coverage Fund and deposited, on a pro-rata basis, to the Accounts in the Senior Debt Service Fund.

Section 5.10. Subordinate Debt Service Fund.

(a) Upon the initial issuance of Subordinate Bonds, pursuant to a Supplemental Indenture, the Authority will cause the Trustee to establish and maintain the Subordinate Debt Service Fund. Additionally, upon the issuance of any Series of Subordinate Bonds, one or more Accounts shall be established within the Subordinate Debt Service Fund as provided for in the Supplemental Indenture entered into in connection with the issuance of such Subordinate Bonds, and amounts within such Accounts shall be applied as provided for in the Supplemental Indenture entered into in connection with the issuance of such Subordinate Bonds.

(b) On each Principal Payment Date, funds on deposit in each Account within the Subordinate Debt Service Fund Account shall be applied to pay principal of the applicable Series of Subordinate Bonds then due, and on each Interest Payment Date, funds on deposit in each Account within the Subordinate Debt Service Fund shall be applied to pay interest on the applicable Series of Subordinate Bonds then due.

(c) In addition to paying the principal of and interest on the Subordinate Bonds, funds (except any funds representing proceeds of Subordinate Bonds) on deposit in the Subordinate Debt Service Fund shall be applied by the Trustee as provided in the FOURTH clause of Section 5.05(b) hereof to pay the principal of and interest on the Senior 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 and any Subordinate Reserve Fund on any Payment Date are insufficient to pay the principal of or interest then due on any Series of Senior Bonds.

Section 5.11. Subordinate Reserve Fund.

(a) Upon the issuance of Subordinate Bonds, one or more Subordinate Reserve Funds may be established as provided for in the Supplemental Indenture entered into in connection with the issuance of such Subordinate Bonds, and amounts within such Subordinate Reserve Fund shall be applied as provided for in the Supplemental Indenture entered into in connection with the issuance of such Subordinate Bonds, including, but not limited to, the funding of deficiencies in the Subordinate Debt Service Fund and, as described in the THIRD clause of Section 5.05(b) hereof, the funding of deficiencies in the Senior Debt Service Fund. Each Subordinate Reserve Fund established shall be funded at a level as provided for in the Supplemental Indenture pursuant to which such Subordinate Reserve Fund is established.

(b) In addition to funding any deficiencies in the Subordinate Debt Service Fund, funds (except any funds representing proceeds of Subordinate Bonds or the earnings thereon) on deposit in the Subordinate Reserve Fund shall be applied by the Trustee as provided in the THIRD clause of Section 5.05(b) hereof to pay the principal of and interest on the Senior Bonds in the event that the amount on deposit in the Senior Debt Service Fund and available amounts from the CFC Surplus Fund and the Renewal and Replacement Reserve Fund on any Payment Date are insufficient to pay the principal of or interest then due on any Series of Senior Bonds.

(c) As described in Section 5.06 hereof, the Trustee shall not transfer any moneys from the Subordinate Reserve Fund (except proceeds of Subordinate Bonds and the earnings thereon) to the applicable Account or Accounts of the Subordinate Debt Service Fund, 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.

Section 5.12. Rebate Funds. 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 shall 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 shall require the establishment, maintenance and funding of additional Rebate Funds.

Section 5.13. Renewal and Replacement Reserve Fund.

(a) Funds on deposit in the Renewal and Replacement Reserve Fund shall 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.

(b) The Trustee shall make payments or disbursements from the Renewal and Replacement Reserve Fund upon receipt from the Authority of a written requisition, in substantially the form attached as Exhibit B-3 hereto, executed by an Authorized Authority Representative, which requisition shall state, with respect to each amount requested thereby, (i) that such amount is to be paid from the Renewal and Replacement Reserve Fund, (ii) the number of the requisition, (iii) the amount to be paid, the name of the entity to which the payment is to be made and the manner in which the payment is to be made, and (iv) that the amount to be paid represents costs of the maintenance, repair, expansion or replacement of, as the case may be, the Project or Additional Special Facilities. Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of the facts stated therein.

(c) Additionally, funds on deposit in the Renewal and Replacement Reserve Fund shall be applied by the Trustee as provided in the SECOND clause of Section 5.05(b) hereof to pay the principal of and interest on the Senior 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.

(d) Funds on deposit in the Renewal and Replacement Reserve Fund also shall be applied by the Trustee as provided in the SECOND clause of Section 5.06(b)

hereof to pay the principal of and interest on the Subordinate Bonds 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, as described in Section 5.06 hereof, the Trustee shall 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.

(e) 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 shall 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.

Section 5.14. CFC Surplus Fund.

(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 shall 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 shall 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 set forth in the FIRST clause of Section 5.04(b) hereof;

SECOND, to the Senior Reserve Fund, any amounts necessary to comply with the funding requirements set forth in the SECOND clause of Section 5.04(b) hereof;

THIRD, to the Rolling Coverage Fund, any amounts necessary to comply with the funding requirements set forth in the THIRD clause of Section 5.04(b) hereof;

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 set forth in the FOURTH clause of Section 5.04(b) hereof;

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 set forth in the FIFTH clause of Section 5.04(b) hereof;

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 set forth in the SIXTH clause of Section 5.04(b) hereof; and

SEVENTH, to the Renewal and Replacement Reserve Fund, any amounts necessary to comply with the funding requirements set forth in the SEVENTH clause of Section 5.04(b) hereof.

(b) On or before each Draw Down Date, the Trustee shall provide notice to the Authority if any amounts from the CFC Surplus Fund will be required to be transferred to the Trustee in order to meet the funding requirements set forth in the FIRST through SEVENTH clauses of Section 5.04(b) hereof. Such notice from the Trustee shall set forth the amounts required to be transferred to the Trustee and the Funds and Accounts into which the Trustee will deposit such amounts. If no amounts are required to be transferred to the Trustee from the CFC Surplus Fund, the Trustee shall not be required to send any notice to the Authority.

(c) If, two (2) 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 shall 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 shall become due, the Trustee shall 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 shall 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 shall 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 set forth in the FIRST clause of Section 5.04(b) hereof; 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 set forth in the FOURTH clause of Section 5.04(b) hereof.

(d) Two (2) Business Days before any Payment Date, the Trustee shall provide notice to the Authority if any amounts from the CFC Surplus Fund will be required to be transferred to the Trustee in order to meet the funding requirements set forth in the FIRST and/or FOURTH clauses of Section 5.04(b) hereof. Such notice from the Trustee shall set forth the amounts required to be transferred to the Trustee and the Funds and Accounts into which the Trustee will deposit such amounts. If no amounts are required to be transferred to the Trustee from the CFC Surplus Fund, the Trustee shall not be required to send any notice to the Authority.

(e) In addition to (but subject to) the purposes set forth in subsections (a) and (c) of this Section 5.14, amounts on deposit in the CFC Surplus Fund (including the CFC Project Account and the CFC Stabilization Account) shall be applied at the discretion of the Authority for any CFC-eligible purposes, including, but not limited to, (i) paying the Costs of the Project not otherwise paid from the Series 2014A Construction Account or the Series 2014B Construction Account, (ii) financing eligible Rental Car Center, Rental Car Center Site improvements and Off-Roadway Improvements projects, and (iii) the purposes set forth in subsections (f) and (g) of this Section 5.14.

(f) 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 subsection (g) of this Section 5.14, reimburse the Rental Car Companies for Supplemental Consideration.

(g) 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: (i) such reimbursement is allowed by the then current CFC Law; (ii) 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 Concession Agreement; (iii) all funding requirements set forth in the FIRST through SEVENTH clauses of Section 5.04(b) hereof have been met; (iv) 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; (v) all Common-Use Transportation Costs are

funded; and (vi) 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.

(h) Prior to the Opening Date, amounts on deposit in the CFC Project Account shall be applied by the Authority to pay any Costs of the Project not otherwise paid from the Series 2014A Construction Account or the Series 2014B Construction Account. On the Opening Date, all amounts on deposit in the CFC Project Account shall be transferred to the CFC Stabilization Account and the CFC Project Account shall be closed. On the Opening Date, the Authority shall deliver written notice to the Trustee that the Opening Date has occurred.

(i) Earnings on the CFC Surplus Fund (including the CFC Project Account and the CFC Stabilization Account) shall be retained in the CFC Surplus Fund.

Section 5.15. Authorized Application of Funds; Moneys To Be Held in Trust.

(a) The Trustee is authorized to apply each Fund as provided in this Indenture. All moneys deposited with the Trustee hereunder shall be held by the Trustee in trust but need not be segregated from other funds except as required by Law or by this Indenture.

(b) The Authority is authorized to apply the CFC Surplus Fund (including the CFC Project Account and the CFC Stabilization Account) as provided in this Indenture. All moneys deposited to the CFC Surplus Fund (including the CFC Project Account and the CFC Stabilization Account) hereunder shall be held by the Authority in trust but need not be segregated from other funds except as required by Law or by this Indenture.

Section 5.16. Moneys Held in Trust for Matured Bonds; Unclaimed Moneys. All moneys which shall 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 shall have occurred, shall be held in trust for the respective holders of such Bonds. But any moneys which shall be so set aside or deposited and which shall remain unclaimed by the holders of such Bonds for a period of one year after the date on which such Bonds shall have become due and payable (or such longer period as shall be required by state law) shall be paid to the Authority, and thereafter the holders of such Bonds shall look only to the Authority for payment and the Authority shall 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 shall have

any responsibility with respect to any of such moneys. The Authority hereby recognizes that while any Bonds are Outstanding in book-entry only form there should be no unclaimed moneys.

ARTICLE VI

REPRESENTATIONS AND AGREEMENTS OF THE AUTHORITY

Section 6.01. Due Organization and Authorization of Bonds. The Authority represents and warrants 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 this 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 this Indenture the valid and binding obligation of the Authority, and, when executed, this 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.

Section 6.02. Special Facilities and Special Facility Obligations. In accordance with Section 5.07 of the Senior Indenture, the Authority hereby (a) designates the Project as a Special Facility, and (b) declares that the Project Revenues shall constitute Special Facility Revenue and the Bonds will constitute a Special Facility Obligations, all within the meaning of Section 5.07 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 hereby 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 this Indenture, to issue the Series 2014 Bonds in the form and

manner provided herein for the purpose of providing funds to finance or pay for and construct the Project, and that the Series 2014 Bonds shall be entitled to the benefit, protection and security of the provisions hereof.

Section 6.03. 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 herein 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 shall be limited to payment from the Trust Estate and no Bondholder shall have any right to enforce payment from any other funds of the Authority.

Section 6.04. Performance of Covenants by Authority. The Authority covenants that it will faithfully perform at all times any and all covenants and agreements contained in this Indenture, in any and every Bond executed, authenticated and delivered hereunder and in all of its proceedings pertaining hereto.

Section 6.05. 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 contained.

Section 6.06. 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 this Indenture, the Authority's issuance of the Bonds and the terms and provisions of this Indenture, the Bonds and any other agreement or instrument are without prejudice to and shall 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 this Indenture, the Bonds or any other such agreement or instrument to which the Authority may be or hereafter become a party in connection with this 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 this Indenture, the Bonds or any other such agreement or instrument.

(b) Notwithstanding the provisions of Section 6.06(a) hereof, 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 Article 23.2 of 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 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 hereby 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 shall 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 shall 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.

Section 6.07. Collection of Customer Facility Charges; Rate Covenant (Minimum Annual Requirement; Senior Bonds Coverage Requirement).

(a) In accordance with the CFC Resolution and the Rental Car Lease Agreements, as long as any Bond remains Outstanding, the Authority shall 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 shall 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 shall 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.

(b) As long as any of the Bonds remain Outstanding, each Fiscal Year the sum of (1) CFCs remitted by the Rental Car Companies to the Trustee, as assignee of the Authority, during such Fiscal Year, (2) amounts transferred from the CFC Surplus Fund (including the CFC Project Account and the CFC Stabilization Account) to meet the funding requirements set forth in the FIRST through SEVENTH clauses of Section 5.04(b) hereof during such Fiscal Year, (3) 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 (4) 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, shall be no less than: (i) the principal and interest due and payable on the Senior Bonds during such Fiscal Year; (ii) the deposits, if any, required to be made to the Senior Reserve Fund pursuant to the SECOND clause of Section 5.04(b) hereof, (iii) the deposits, if any, required to be made to the Rolling Coverage Fund pursuant to the THIRD clause of Section 5.04(b) hereof, (iv) the principal and interest due and payable on the Subordinate Bonds during such Fiscal Year, if any; (v) the deposits, if any, required to be made to the Subordinate Reserve Fund pursuant to the FIFTH clause of Section 5.04(b) hereof, (vi) the deposits, if any, required to be made to the Rebate Funds pursuant to the SIXTH clause of Section 5.04(b) hereof, (vii) the Costs of CFC Administration to be incurred during such Fiscal Year as described in the SIXTH clause of Section 5.04(b) hereof; and (viii) the deposits, if any, required to be made to the Renewal and Replacement Reserve Fund pursuant to the SEVENTH clause of Section 5.04(b) hereof (collectively, the sum of the amounts required by clauses (i) through (viii) above, are defined herein as the “**Minimum Annual Requirement**”).

(c) Additionally, as long as any of the Senior Bonds remain Outstanding, each Fiscal Year the sum of (1) CFCs remitted by the Rental Car Companies to the Trustee, as assignee of the Authority, during such Fiscal Year, (2) amounts transferred from the CFC Surplus Fund (including the CFC Project Account and the CFC Stabilization Account) to meet the funding requirements set forth in the FIRST clause of Section 5.04(b) hereof during such Fiscal Year, (3) 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, (4) 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 (2) above) during such Fiscal Year, (5) 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 (6) 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) shall be no less than 1.30 times the Aggregate Annual Debt Service on the Senior Bonds due in such Fiscal Year (the “**Senior Bonds Coverage Requirement**”).

(d) In the event that either the Minimum Annual Requirement or the Senior Bonds Coverage Requirement is not met in a Fiscal Year, such violation shall not be a default under this Indenture and shall 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 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 shall 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 pursuant to Section 9.01(d) hereof.

(e) The Authority shall comply in all respects with all of the provisions of Article 3.3 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.

(f) The Authority shall 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.

Section 6.08. Preservation of Tax Exemption on Series 2014A Bonds.

(a) The Authority shall comply with the covenants and agreements set forth in the Series 2014A Tax Certificate.

(b) The Authority shall 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 this Indenture allocable to the Series 2014A Bonds, directly or indirectly, to acquire any securities or obligations, and shall 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 shall 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 shall 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 shall issue to the Trustee a certificate to such effect together with appropriate instructions, in which event the Trustee shall 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 shall at all times do and perform all acts and things permitted by law and this 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 shall take no action that would result in such interest being included in gross income for federal income tax purposes.

Section 6.09. Construction of the Project. Subject to the availability of proceeds of Senior Bonds and Subordinate Bonds, CFCs and Net Proceeds, the Authority shall use diligent efforts to cause the Project to be constructed and completed in accordance with the [Project Schedule], as set forth in the Rental Car Lease Agreements, and shall 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 shall deliver a Completion Certificate to the Trustee which shall include the Completion Date.

Section 6.10. Operation and Maintenance of the Project. Subject to Section 6.12 hereof, as long as any Bond remains Outstanding, the Authority shall 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.

Section 6.11. Insurance.

(a) Subject, in each case, to the condition that insurance is obtainable at commercially reasonable rates and upon reasonable terms and conditions:

(i) the Authority shall 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 shall name the Authority and the Trustee as additional insureds as their interests may appear. Any premiums for such policies of insurance shall 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 shall 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 shall not be responsible for the sufficiency or adequacy of any insurance required herein or obtained by the Authority.

(b) “*Qualified Self Insurance*” shall mean 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 shall be established in accordance with law, shall 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 shall be reviewed at least once every twelve (12) months by a Consultant who shall deliver to the Authority a report on the adequacy of the reserves established thereunder. If the Consultant determines that such reserves are inadequate, they shall make a recommendation as to the amount of reserves that should be established and maintained, and the Authority shall 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.

Section 6.12. Casualty and Condemnation.

(a) 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 shall be applied as set forth in this Section 6.12.

(b) 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 Article 15.1.4 of the Rental Car Lease Agreements (the “**Net Proceeds**”) are less than \$250,000, the Net Proceeds shall be paid directly to the Authority and shall 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 shall 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.

(c) If the Net Proceeds are greater than or equal to \$250,000, the Net Proceeds shall be paid to the Trustee and deposited to the Insurance and Condemnation Proceeds Account in the Construction Fund, as set forth in Section 5.03(d) hereof 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 Section 5.03(a)(i) hereof. 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 this 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 shall 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 Sections 3.11 and 3.12 hereof, 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 this 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 shall cause the repair and restoration of the Project and/or the Additional Special Facilities to substantially their Pre-Existing Condition, and the Authority shall 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 shall 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 shall only be used to redeem Subordinate Bonds) and any Subordinate Reserve Fund (proceeds of Subordinate Bonds on deposit in the Subordinate Reserve Fund shall only be used to redeem Subordinate Bonds) shall be used *first*, to redeem the Series 2014 Bonds pursuant to Section 4.03 hereof 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.

Section 6.13. Authority Shall Not Terminate Rental Car Lease Agreements Pursuant to Article 20.2 of Rental Car Lease Agreements. Notwithstanding anything to the contrary in the Rental Car Lease Agreements or this Indenture, while the Bonds are Outstanding, the Authority shall not terminate the Rental Car Lease Agreements pursuant to the provisions of Article 20.2 of the Rental Car Lease Agreements.

Section 6.14. Continuing Disclosure. The Authority hereby covenants and agrees that it will comply with and carry out all of the provisions of the Series 2014 Continuing Disclosure Certificate. Notwithstanding any other provision of this Indenture, failure of the Authority to comply with its obligations set forth in the Series 2014 Continuing Disclosure Certificate shall not constitute an Event of Default (as specified in Article IX hereof); provided, however, that any participating underwriter for the Series 2014 Bonds or any Bondholder or Beneficial Owner of the Series 2014 Bonds may take such actions as may be necessary and appropriate to compel performance by the Authority of its obligations under this Section, including seeking mandate or specific performance by court order.

Section 6.15. No Disposition of Trust Estate. Except as permitted by this Indenture, the Authority shall 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 hereby.

Section 6.16. Pledge and Assignment of CFCs, Bond Funding Supplemental Consideration and CFC Surplus Fund. The Authority hereby 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) shall 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 this Indenture permitting the application of the Trust Estate for the purposes and on the terms and

conditions hereof, 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 shall be valid and binding from the time of the delivery of and payment for the Bonds issued hereunder, and the moneys representing the Trust Estate shall thereupon be immediately subject to the pledge, lien and charge hereof upon receipt thereof by the Authority or the Trustee without any physical delivery or further act.

Section 6.17. Covenants of Authority Binding on Authority and Successors. All covenants, stipulations, obligations and agreements of the Authority contained in this Indenture shall be deemed to be covenants, stipulations, obligations and agreements of the Authority to the full extent authorized or permitted by law. If the powers or duties of the Authority shall hereafter be transferred by amendment of the Act or a new Act or any provision of the Constitution or any other law of the State or in any other manner there shall be a successor to the Authority, and if such transfer shall relate to any matter or thing permitted or required to be done under this Indenture by the Authority, then the entity that shall succeed to such powers or duties of the Authority shall act and be obligated in the place and stead of the Authority as in this Indenture provided, and all such covenants, stipulations, obligations and agreements shall be binding upon the successor or successors thereof from time to time and upon any officer, board, body or Authority to whom or to which any power or duty affecting such covenants, stipulations, obligations and agreement shall be transferred by or in accordance with law.

Except as otherwise provided in this Indenture, all rights, powers and privileges conferred and duties and liabilities imposed upon the Authority by the provision of this Indenture shall be exercised or performed by the Authority or by such officers, board, body or Authority as may be permitted by law to exercise such powers or to perform such duties.

Section 6.18. Instruments of Further Assurance. The Authority covenants that it shall do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such Supplemental Indentures, and such further acts, instruments and transfers as the Trustee may reasonably request for the better assuring and confirming to the Trustee all and each of the rights and obligations of the Authority under and pursuant to this Indenture and the security intended to be conferred hereby to secure the Bonds.

Section 6.19. Indenture To Constitute a Contract. This Indenture, including all Supplemental Indentures, is executed by the Authority for the benefit of the Bondholders and constitutes a contract with the Trustee for the benefit of the Bondholders.

ARTICLE VII

INVESTMENTS

Moneys held by the Authority and/or the Trustee in the Funds and Accounts created herein and under any Supplemental Indenture shall be invested and reinvested as directed by the Authority, in Permitted Investments subject to the restrictions set forth in this 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 shall direct such investments by written certificate (which certificate shall 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 shall, 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.

The Trustee shall not be liable for any loss resulting from following the written directions of the Authority or as a result of liquidating investments to provide funds for any required payment, transfer, withdrawal or disbursement from any fund or account in which such Permitted Investment is held.

The Trustee may buy or sell any Permitted Investment through its own (or any of its affiliates) investment department.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or such other applicable regulatory entity grants the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

[For purposes of this Indenture, investments in the Senior Reserve Fund, the Rolling Coverage Fund and the Renewal and Replacement Reserve Fund shall be valued at the lower of amortized cost or market, and investments in any other Fund or Account shall be valued at market value.]

ARTICLE VIII

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 shall no longer be secured by or entitled to the benefits of this 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 this Indenture have been paid in full or are deemed to have been paid in full, and all other sums payable hereunder 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 hereunder shall thereupon cease, terminate and become void, and thereupon the Trustee

shall cancel, discharge and release this Indenture, shall execute, acknowledge and deliver to the Authority such instruments as shall be requisite to evidence such cancellation, discharge and release and shall assign and deliver to the Authority any property and revenues at the time subject to this 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 shall be deemed to be paid within the meaning of this Article VIII and for all purposes of this Indenture when payment of the principal, interest and premium, if any, either (a) shall have been made or caused to be made in accordance with the terms of the Bonds and this Indenture or (b) shall 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 shall be deemed to be paid hereunder, such Bonds shall no longer be secured by or entitled to the benefits of this 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 shall be deemed a payment of such Bonds. Once such deposit shall have been made, the Trustee shall 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 this Article VIII. Notice of redemption shall be required at the time of such defeasance or prior to such date as may be required by this 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 this 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 this 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 this Article VIII 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.

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. The occurrence of any of the following events shall constitute an “Event of Default” hereunder:

(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 shall 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 shall 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 shall 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 9.01) that are to be observed or performed by the Authority and which are contained in this Indenture or a Supplemental Indenture, which failure, except for a violation under Section 6.07(b) or 6.07(c) hereof which shall be controlled by the provisions set forth in Section 6.07(d) hereof, shall continue for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Authority by the Trustee, which notice may be given at the discretion of the Trustee and shall 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, shall 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) shall 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 shall give written notice, by registered or certified mail, to the Authority, all of the Bondholders, and upon notice as provided in Section 10.07 hereof shall give similar notice of any other Event of Default.

AS LONG AS ANY SENIOR BONDS REMAIN OUTSTANDING, NO EVENT OF DEFAULT SHALL EXIST OR MAY BE DECLARED WITH RESPECT TO ANY SUBORDINATE BONDS.

Section 9.02. 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, shall, 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 this 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 shall 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 shall 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.

Section 9.03. Restoration to Former Position. In the event that any proceeding taken by the Trustee to enforce any right under this Indenture shall have been discontinued or abandoned for any reason, or shall 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) shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Section 9.04. Bondholders' Right To Direct Proceedings. Anything in this 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 shall 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 this Indenture to be taken in connection with the enforcement of the terms of this Indenture or exercising any trust or power conferred on the Trustee by this Indenture; provided that such direction shall not be otherwise than in accordance with the provisions of the law and this Indenture and that there shall 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.

Section 9.05. Limitation on Right To Institute Proceedings. No Bondholder of Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding) shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power hereunder, or any other remedy hereunder 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 shall 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 shall have made written request of the Trustee to do so, after the right to institute such suit, action or proceeding under Section 9.02 hereof shall have accrued, and shall have afforded the Trustee a reasonable opportunity to proceed to institute the same in either its or their name, and unless there also shall 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 shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are hereby 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) shall have any right in any manner whatever by their action to affect, disturb or prejudice the security of this Indenture, or to enforce any right hereunder or under the Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding), except in the manner herein provided, and that all suits, actions and proceedings at law or in equity shall be instituted, had and maintained in the manner herein

provided and for the equal benefit of all Bondholders of the Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding).

Section 9.06. No Impairment of Right To Enforce Payment. Notwithstanding any other provision in this 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, shall not be impaired or affected without the consent of such Bondholder.

Section 9.07. Proceedings by Trustee Without Possession of Bonds. All rights of action under this Indenture or under any of the Bonds secured hereby 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 shall be brought in its name for the equal and ratable benefit of the Bondholders, subject to the provisions of this Indenture.

Section 9.08. No Remedy Exclusive. No remedy herein 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 shall be cumulative, and shall be in addition to every other remedy given hereunder, or now or hereafter existing at law or in equity or by statute; provided, however, that any conditions set forth herein to the taking of any remedy to enforce the provisions of this Indenture or the Bonds shall also be conditions to seeking any remedies under any of the foregoing pursuant to this Section 9.08.

Section 9.09. 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 shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by this Article IX to the Trustee and to the Bondholders, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 9.10. Application of Moneys. If an Event of Default shall 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 this Article IX (which shall not include (1) moneys in the Rebate Funds, which shall be held and applied in accordance with Section 5.12 hereof and (2) all moneys provided through a Credit Facility, which moneys shall 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 this Indenture and any Supplemental Indenture (including attorneys' fees and disbursements), shall 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 this 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 shall 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 shall have become due with interest on such Senior Bonds at such rate as provided in this Indenture or any Supplemental Indenture from the respective dates upon which they became due and, if the amount available shall 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 shall 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 shall 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 shall 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 9.10, such moneys shall be applied at such times, and from time to time, as the Trustee shall 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 shall apply such funds, it shall fix the date (which shall be an interest Payment Date unless it shall 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 shall cease to accrue. The Trustee shall 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 shall not be required to make payment to any Bondholder until such Bonds shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Section 9.11. Severability of Remedies. It is the purpose and intention of this Article IX 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 herein granted be held to be unlawful, the Trustee and the Bondholders shall be entitled, as above set forth, to every other right and remedy provided in this Indenture or by applicable law.

Section 9.12. 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 this Article IX 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.

Section 9.13. Authority Right to Enforce Unassigned Rights. Notwithstanding any contrary provision in this Indenture, the Authority may enforce the Unassigned Rights by any lawful available remedy; and nothing in this Indenture shall 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.

ARTICLE X

THE TRUSTEE

Section 10.01. The Trustee; Corporate Organization, Authorization and Capacity.

The Trustee represents and warrants that it is a national banking association duly organized and validly existing under the laws of the United States of America and duly licensed or qualified to do business in the State, with the capacity to exercise the powers and duties of the Trustee hereunder and that by proper corporate action it has duly authorized the execution and delivery of this Indenture.

Section 10.02. Acceptance of Trusts. The Trustee hereby accepts and agrees to execute the trusts specifically imposed upon it by this Indenture, but only upon the additional terms set forth in this Article X, to all of which the Authority agrees and the respective Bondholders agree by their acceptance of delivery of any of the Bonds.

Section 10.03. Duties of Trustee.

(a) If an Event of Default has occurred and is continuing, the Trustee shall 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 shall perform the duties set forth in this Indenture and no implied duties or obligations shall be read into this 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 this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether they conform to the requirements of this 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 shall 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 this Indenture.

(e) The Trustee shall not, by any provision of this Indenture, be required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, 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 shall be under no obligation to exercise any of the rights or powers vested in it by this 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, shall 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 this Indenture that in any way relates to the Trustee is subject to all the paragraphs of this Section 10.03.

Section 10.04. Rights of Trustee.

(a) Subject to Section 10.03 hereof, the Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, facsimile, request, consent, waiver, certificate, direction, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper Authority or person or to have been prepared and furnished pursuant to any of the provisions of this Indenture, and the Trustee shall be under no duty to make investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee may rely upon the calculations provided by the entity preparing such calculations in connection with its responsibility to ensure there exists in the Senior Reserve Fund, the Rolling Coverage Fund, Subordinate Reserve Fund and the Renewal and Replacement Reserve Fund the required amounts.

(b) The Trustee may consult with counsel with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee hereunder in good faith in accordance therewith.

(c) Whenever in the administration of the trusts or duties imposed upon it by this Indenture the Trustee shall deem it necessary that a matter be proved or established prior to taking or not taking any action hereunder, such matter may be deemed to be conclusively proved and established by a certificate of the Authority, and such certificate shall be full warrant to the Trustee for any action taken or not taken by it in good faith under the provisions of this Indenture in reliance on such certificate.

(d) The Trustee makes no representation as to the sufficiency or validity of this Indenture or of any Bonds, or in respect of the security afforded by this Indenture.

(e) The Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it under this Indenture, except for its own negligence or willful misconduct.

(f) In the performance of its duties hereunder, the Trustee may employ attorneys, agents and receivers and shall not be liable for any actions of such attorneys, agents and receivers to the extent selected by it with reasonable care.

(g) The Trustee shall have no responsibility with respect to any information, statement or recital whatsoever in any official statement, offering memorandum or other disclosure material prepared or distributed with respect to the Bonds.

(h) The Trustee shall not be considered in breach of or in default in its obligations hereunder in the event of enforced delay or unavoidable delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of God or of a public enemy or terrorists, acts of a government, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(i) The Trustee agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to this Indenture provided, however, that: (a) subsequent to such facsimile transmission of written instructions and/or directions the Trustee shall forthwith receive the originally executed instructions and/or directions, (b) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions, and (c) the Trustee shall have received a current incumbency certificate containing the specimen signature of such designated person.

Section 10.05. Individual Rights of Trustee. The Trustee in its individual or any other capacity may become the owner or pledgee of Bonds and may otherwise deal with the Authority with the same rights it would have if it were not Trustee. Any Paying Agent or other agent may do the same with like rights.

Section 10.06. Trustee's Disclaimer. The Trustee shall not be accountable for the Authority's use of the proceeds from the Bonds paid to the Authority and it shall not be responsible for any statement in the Bonds other than its certificate of authentication.

Section 10.07. 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 shall promptly, after obtaining actual notice of such Event of Default or event described in (b) of the first sentence of this Section 10.07, 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.

Section 10.08. Compensation of Trustee. For acting under this Indenture, the Trustee shall be entitled to payment of fees for its services and reimbursement of advances, counsel fees and other expenses reasonably and necessarily made or incurred by the Trustee in connection with its services under this Indenture, in accordance with a separate fee schedule setting forth

such terms and conditions [which has been approved by the Authority.] The Authority agrees to indemnify and hold the Trustee and its officers, agents and directors harmless against any liabilities, costs, claims or expenses not arising from the Trustee's own negligence, misconduct or breach of duty, which the Trustee may incur in the exercise and performance of its rights and obligations hereunder including the enforcement of any remedies and the defense of any suit. Such obligation shall survive the discharge of this Indenture or the resignation or removal of the Trustee.

Section 10.09. Eligibility of Trustee. This Indenture shall 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.

Section 10.10. 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 shall 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 10.10 shall 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 this Indenture to the retiring Trustee and to the Authority. Immediately thereafter, the retiring Trustee shall transfer all property held by it as Trustee to the successor Trustee, the resignation or removal of the retiring Trustee shall then (but only then) become effective and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture.

If the Trustee resigns or is removed or for any reason is unable or unwilling to perform its duties under this Indenture, the Authority shall promptly appoint a successor Trustee.

If a Trustee is not performing its duties hereunder 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.

Section 10.11. 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 this 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 this Indenture to the Authority) shall be the successor Trustee, Paying Agent or Registrar.

Section 10.12. 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, shall designate to the Authority and the Trustee its principal office and signify its acceptance of the duties and obligations imposed upon it hereunder 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 shall be paid to such Bondholders or otherwise disposed of as herein provided;

(b) to keep such books and records as shall 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 shall be the Paying Agent with respect to the Series 2014 Bonds.

Section 10.13. Registrar. The Authority shall 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, shall designate to the Trustee, the Paying Agent, and the Authority its principal office and signify its acceptance of the duties imposed upon it hereunder 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 shall 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 shall be the Registrar with respect to the Series 2014 Bonds.

Section 10.14. Other Agents. The Authority, or the Trustee with the consent of the Authority, may from time to time appoint other agents as may be appropriate at the time to perform duties and obligations under this Indenture or under a Supplemental Indenture all as provided by a Supplemental Indenture or resolution of the Authority.

Section 10.15. Several Capacities. Anything in this Indenture to the contrary notwithstanding, with the consent of the Authority, the same entity may serve hereunder as the Trustee, Paying Agent, Registrar and any other agent as appointed to perform duties or obligations under this Indenture, under a Supplemental Indenture or an escrow agreement, or in any combination of such capacities, to the extent permitted by law. The Paying Agent and the

Registrar shall be entitled to the same protections, limitations from liability and indemnities afforded to the Trustee under this Indenture.

Section 10.16. Accounting Records and Reports of the Trustee.

(a) The Trustee shall at all times keep, or cause to be kept, proper records in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of the Bonds and all funds and accounts established by it pursuant to this Indenture. Such records shall be available for inspection with reasonable prior notice by the Authority on each Business Day during reasonable business hours and by any Bondholder, or his agent or representative duly authorized in writing, at reasonable hours, with reasonable notice and under reasonable circumstances.

(b) The Trustee shall provide to the Authority each month a report of any Bond proceeds received during that month, if any, and the amounts deposited into each fund and account held by it under this Indenture and the amount disbursed from such funds and accounts, the earnings thereon, the ending balance in each of such funds and accounts and the investments of each such fund and account.

(c) The Trustee shall prepare monthly reports by the sixth (6th) day of each month (or as soon thereafter as practicable) showing the CFCs and Bond Funding Supplemental Consideration, if any, received from each of the Rental Car Companies for deposit into the CFC Revenue Fund during the prior calendar month, together with the total of such amounts. Such report shall be sent to the Authority and made available to each Rental Car Company upon their request.

ARTICLE XI

SUPPLEMENTAL INDENTURES AND WAIVERS

Section 11.01. Limitations. This Indenture shall not be modified or amended in any respect subsequent to the first delivery of fully executed and authenticated Bonds except as provided in and in accordance with and subject to the provisions of this Article XI.

Section 11.02. 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 this 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 Section 3.11 or 3.12 hereof and to set forth the terms of such Bonds and the special provisions which shall apply to such Bonds;

(b) to cure any formal defect, omission, inconsistency or ambiguity in, or answer any questions arising under, this 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 this 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 shall 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 this 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 this 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.

(m) Before the Authority shall, pursuant to this Section 11.02, execute any Supplemental Indenture, there shall 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 this 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 shall not be required for a Supplemental Indenture executed and delivered in accordance with Section 11.02(a).

Section 11.03. Supplemental Indenture Requiring Consent of Bondholders.

(a) Except for any Supplemental Indenture entered into pursuant to Section 11.02 hereof and any Supplemental Indenture entered into pursuant to Section 11.03(b) hereof, subject to the terms and provisions contained in this Section 11.03 and this Article XI 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 shall 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 this 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 Section 11.03(b) hereof is applicable, nothing herein contained shall 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 herein contained, including the provisions of Section 11.03(b) hereof, shall, 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 this Indenture) upon or pledge of the Trust Estate created by this Indenture, ranking prior to or on a parity with the claim created by this 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 this 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 herein contained, however, shall be construed as making necessary the approval by Bondholders of the execution of any Supplemental Indenture as authorized in Section 11.02 hereof, 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 Section 11.02 hereof, no consent of the Bondholders shall be required. If such Supplemental Indenture contains provisions which affect the rights and interests of less than all Series of Bonds Outstanding and Section 11.02 hereof is not applicable, then this subsection (b) rather than subsection (a) above shall 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 shall 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 herein contained shall 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 herein contained, however, shall be construed as making necessary the approval by Bondholders of the adoption of any Supplemental Indenture as authorized in Section 11.02 hereof, 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 shall desire to enter into any Supplemental Indenture for any of the purposes of this Section 11.03, the Authority shall 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 shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the office of the Authority for inspection by all Bondholders and it shall not be required that the Bondholders approve the final form of such Supplemental Indenture but it shall 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 shall 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 Section 11.02 hereof.

(e) If Bondholders of not less than the percentage of Bonds required by this Section 11.03 shall have consented to and approved the execution and delivery thereof as herein provided, no Bondholders shall 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 shall 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 Section 11.02 hereof. 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) shall make reference to a final and executed Supplemental Indenture as opposed to a proposed Supplemental Indenture.

(g) [For the purposes of this Section 11.03, 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 11.03 in the manner provided herein and with the same effect as a consent given by the holders of such Bonds, except that no proof of ownership shall be required; provided, that this provision shall be disclosed prominently in the offering document, if any, for each Series of Bonds issued pursuant to this 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 shall be described in the offering document prepared in connection with the primary offering of the Bonds of such Series by the Authority.]

Section 11.04. Effect of Supplemental Indenture. Upon execution and delivery of any Supplemental Indenture pursuant to the provisions of this Article XI, this Indenture or the Supplemental Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture and the Supplemental Indenture of the Authority, the Trustee, the Paying Agent, the Registrar and all Bondholders shall thereafter be determined, exercised and enforced under this Indenture and the Supplemental Indenture, if applicable, subject in all respects to such modifications and amendments.

No Supplemental Indenture shall modify the duties, rights or obligations of the Trustee, Paying Agent or Registrar without the consent of such party thereto.

Section 11.05. Supplemental Indentures To Be Part of This Indenture. Any Supplemental Indenture entered into accordance with the provisions of this Article XI shall thereafter form a part of this 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 shall be and shall be deemed to be part of the terms and conditions of this Indenture or the Supplemental Indenture which they supplement or amend for any and all purposes.

Section 11.06. Amendments to Rental Car Lease Agreements and Concession Agreements. The provisions of Section 11.03 hereof providing for Bondholder consent to certain Supplemental Indentures shall 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 shall not apply to any 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 shall not be required.

ARTICLE XII

MISCELLANEOUS

Section 12.01. Parties in Interest. Except as herein otherwise specifically provided, nothing in this Indenture expressed or implied is intended or shall be construed to confer upon any person, firm or corporation other than the Authority, the Trustee, the Paying Agent, other agents from time to time hereunder, the Bondholders and, to the limited extent provided by Supplemental Indenture, the Credit Providers any right, remedy or claim under or by reason of this Indenture, this Indenture being intended to be for the sole and exclusive benefit of the Authority, the Trustee, the Paying Agent, such other agents, the Bondholders and, to the limited extent provided in the applicable Supplemental Indenture, the Credit Providers.

Section 12.02. Severability. In case any one or more of the provisions of this Indenture, or of any Bonds issued hereunder shall, for any reason, be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of this Indenture or of Bonds, and this Indenture and any Bonds issued hereunder shall be construed and enforced as if such illegal or invalid provisions had not been contained herein or therein.

Section 12.03. No Personal Liability of Authority Members and Officials; Limited Liability of Authority to Bondholders. No covenant or agreement contained in the Bonds or in this Indenture shall be deemed to be the covenant or agreement of any present or future Authority member, official, officer, agent or employee of the Authority or the Airport System, in their individual capacity, and neither the members of the Authority, the officers and employees of the Authority, nor any person executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 12.04. Execution of Instruments; Proof of Ownership. Any request, direction, consent or other instrument in writing required or permitted by this Indenture to be signed or executed by Bondholders or on their behalf by an attorney in fact may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Bondholders in person or by an agent or attorney in fact appointed by an instrument in writing or as provided in the Bonds. Proof of the execution of any such instrument and of the ownership of Bonds shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee with regard to any action taken by it under such instrument if made in the following manner:

(a) The fact and date of the execution by any person of any such instrument may be proved by the certificate of any officer in any jurisdiction who, by the laws thereof, has power to take acknowledgments within such jurisdiction, to the effect that the person signing such instrument acknowledged before him the execution thereof, or by an affidavit of a witness to such execution.

(b) The ownership of Bonds shall be proved by the registration books kept under the provisions of Section 3.05 hereof.

Nothing contained in this Section 12.04 shall be construed as limiting the Trustee to such proof. The Trustee may accept any other evidence of matters herein stated which it may deem sufficient. Any request, consent of, or assignment by any Bondholder shall bind every future Bondholder of the same Bonds or any Bonds issued in lieu thereof in respect of anything done by the Trustee or the Authority in pursuance of such request or consent.

Section 12.05. Governing Law. The laws of the State shall govern the construction and enforcement of this Indenture and of all Bonds issued hereunder; provided, however, that the administration of the trusts imposed upon the Trustee by this Indenture and the rights and duties of the Trustee hereunder shall be governed by, and construed in accordance with, the laws of the jurisdiction in which the Trustee has its principal corporate trust office.

Section 12.06. Notices. Except as otherwise provided in this Indenture, all notices, certificates, requests, requisitions or other communications by the Authority, the Trustee, the Paying Agent, the Registrar, other agents or a Credit Provider, pursuant to this Indenture shall be in writing and shall be sufficiently given and shall be deemed given when mailed by registered mail, postage prepaid, addressed as follows: if to the Authority, to the San Diego County Regional Airport Authority, Attention: Vice President Finance/Treasurer, by delivery or by mail, Commuter Terminal, 3rd Floor, 3225 North Harbor Drive, San Diego, California 92101, with a copy to the General Counsel at the same address; if to the Trustee, to U.S. Bank National Association [_____], if to a Paying Agent, or another agent, to such address as is designated in writing by it to the Trustee and the Authority. Any of the foregoing may, by notice given hereunder to each of the others, designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent hereunder.

Section 12.07. Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture, shall not be a Business Day, such payment may, unless otherwise provided in this Indenture or, with respect to any Series of Bonds or portion of Series of Bonds, provided in the Supplemental Indenture under which such Bonds are issued, be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Indenture.

Section 12.08. Counterparts. This Indenture may be signed in several counterparts. Each will be an original, but all of them together constitute the same instrument.

[Remainder of this page intentionally left blank; signature page to follow]

IN WITNESS WHEREOF, the parties hereto have caused this Trust Indenture to be duly executed, all as of the date first above written.

SAN DIEGO COUNTY REGIONAL AIRPORT
AUTHORITY

By _____
Thella F. Bowens,
President/CEO

Attest:

By _____
Tony R. Russell,
Director, Corporate Services/
Authority Clerk

Approved as to form:

By _____
Breton K. Lobner
General Counsel

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By _____
Authorized Representative

[Signature page to Trust Indenture]

EXHIBIT A

FORM OF SERIES 2014 BOND

San Diego County Regional Airport Authority
Senior Special Facilities Revenue Bonds
(Consolidated Rental Car Facility Project)
Series 2014[A/B]

No. R- _____

Principal Amount: \$ _____

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AS DEFINED IN THE HEREINAFTER DEFINED INDENTURE) TO THE TRUSTEE (AS HEREINAFTER DEFINED) FOR REGISTRATION OF, TRANSFER, EXCHANGE, OR PAYMENT, AND ANY SERIES 2014[A/B] BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Dated Date</u>	<u>CUSIP</u>
	July 1, _____		

THIS BOND IS A SPECIAL LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF THE TRUST ESTATE. 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 THIS BOND, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER, IF ANY, 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 IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS BOND.

The San Diego County Regional Airport Authority (the "Authority"), acting pursuant to Section 170000 *et seq.* of the California Public Utilities Code (the "Act") and with exclusive management and control of the Airport System, promises to pay, from the Trust Estate, to Cede & Co., or registered assigns, the principal sum of _____ Dollars on the Maturity Date set forth above and to pay interest as provided in this Bond.

Additional provisions of this Bond are set forth on the following pages of this Bond.

All acts, conditions and other matters required to exist, to happen and to be performed, precedent to and in the issuance of this Bond, do exist, have happened and have been performed in due time, form and manner as required by law and the Act.

Date of Authentication: _____

U.S. BANK NATIONAL ASSOCIATION, SAN DIEGO COUNTY REGIONAL AIRPORT
as Trustee certifies that this is one of the AUTHORITY
Bonds referred to in the Indenture

By _____
Authorized Signatory

By _____
President/CEO

Attest:

By: _____
Director, Corporate Services/
Authority Clerk

1. **Trust Indenture.** The Authority has entered into a Indenture, dated as of [_____] 1, 2014 (the “Indenture”), with U.S. Bank National Association, as trustee (the “Trustee”). Such Indenture provides that the Authority may issue bonds and incur other indebtedness under the terms and conditions set forth in the Indenture and any Supplemental Indentures. All bonds and other indebtedness issued thereunder and secured thereby are collectively referred to herein as “Bonds.” All capitalized terms not defined herein shall have the meanings set forth in the Indenture.

This Bond is part of a series of Bonds of the Authority issued under the Indenture and authorized by Resolution No. [_____] adopted by the board of directors of the Authority on [_____]. The series of Bonds of which this Bond is a part is being issued in the original principal amount of \$[_____] and designated as San Diego County Regional Airport Authority Senior Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project) Series 2014[A/B] (the “Series 2014[A/B] Bonds”). Simultaneously with the issuance of the Series 2014[A/B] Bonds, the Authority is issuing its \$[_____] San Diego County Regional Airport Authority Senior Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project) Series 2014[A/B] (the “Series 2014[A/B] Bonds,” and together with the Series 2014[A/B] Bonds, the “Series 2014 Bonds”). The Series 2014 Bonds are being issued primarily to fund the acquisition, construction, and improvements of certain capital projects as described in the Indenture.

The Series 2014[A/B] Bonds are being issued with a pledge of and lien on the Trust Estate on a parity with the Series 2014[A/B] Bonds, and any additional Bonds issued on a parity with the Series 2014 Bonds under the terms and provisions of the Indenture.

The terms of the Series 2014 Bonds include the terms set forth in the Indenture. Bondholders are referred to the Indenture, as amended and supplemented from time to time, for a statement of those terms and for the meanings of any defined terms not defined herein.

2. **Source of Payments.** The Series 2014[A/B] Bonds are, as provided in the Indenture, together with all other Bonds, secured by and payable from, the Trust Estate, as described below and as defined in the Indenture. The Indenture pledges the Trust Estate to secure payment of all Bonds issued under the Indenture.

All defined terms used in such description shall have the meaning assigned to them in the Indenture. The Authority is not required to provide for the payment of the Bonds from any other source other than from certain funds and accounts under the Indenture and the Supplemental Indentures in accordance with their terms.

3. **Interest Rate.** This Bond shall bear interest until the Maturity Date at the rate shown on the first page of this Bond. Interest on overdue principal and, to the extent lawful, on overdue interest will be payable at the rate on this Bond on the day before the default occurred.

Interest on this Bond shall be calculated on the basis of a year of 360 days and twelve 30-day months.

4. **Interest Payment and Record Dates.** Interest hereon will be due and payable on [July 1, 2014] and each January 1 and July 1 thereafter and will be paid to the party who is the owner hereof on the Record Date for such payment. The Record Date for a January 1 payment is the preceding December 15, and the Record Date for a July 1 payment is the preceding June 15. If this Bond is not a Book-Entry Bond, as defined in the Indenture, interest hereon will be paid by check mailed to the Bondholder's registered address, and, if this Bond is a Book-Entry Bond, as defined in the Indenture, interest will be paid as provided in the Indenture. Interest will be paid in lawful money of the United States that at the time of payment is legal tender for payment of public and private debts or by checks or wire transfer payable in such money. If any payment of interest on this Bond is due on a non-Business Day, it will be made on the next Business Day, and no interest will accrue as a result.

5. **Payment of Principal.** Payment of principal of this Bond will be paid at maturity upon surrender of this Bond to the Trustee or its agent except that if this Bond is a Book-Entry Bond, the Trustee may make other arrangements for payment of principal. Principal will be paid in lawful money of the United States that at the time of payment is legal tender for payment of public and private debts or by checks or wire transfer payable in such money. If any payment of principal of this Bond is due on a non-Business Day, it will be made on the next Business Day, and no interest will accrue as a result.

6. **[Redemption.]** All redemptions will be made at a redemption price of 100% of the principal amount of the Series 2014[A/B] Bonds being redeemed, plus interest accrued since the most recent interest payment date.

(a) ***Extraordinary Mandatory Redemption of the Series 2014 Bonds.*** The Series 2014 Bonds shall be subject to extraordinary mandatory redemption at the direction of the Authority pursuant to [Section 6.12(c) hereof], in whole or in part on the

earliest date following the date for which notice of redemption can be given as provided in this 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 Section 6.12(c) hereof.

(b) **Optional Redemption of the Series 2014A Bonds.** The Series 2014A Bonds maturing on or before July 1, 20[] are not subject to optional redemption prior to maturity. The Series 2014A Bonds maturing on or after July 1, 20[] 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, 20[] at a redemption price equal to [100%] of the principal amount of the Series 2014A Bonds to be redeemed plus accrued interest to the date fixed for redemption, without premium.

(c) **Optional Redemption of the Series 2014B Bonds** [Prior to July 1, 20[], 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 [] basis points; plus, in each case, accrued and unpaid interest on the Series 2014B Bonds to be redeemed to the date fixed for redemption.]

On or after July 1, 20[], the Series 2014B Bonds maturing on and after July 1, 20[] 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, 20[] at a redemption price equal to 100% of the principal amount of the Series 2014B Bonds to be redeemed plus accrued interest to the date fixed for redemption, without premium.

(d) **Mandatory Sinking Fund Redemption.** The Series 2014[A/B] Bonds with a stated Maturity Date of July 1, 20[] will be subject to mandatory sinking fund redemption in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon, on July 1, 20[] and each July 1 thereafter, to and including July 1, 20[] in accordance with the terms of a mandatory sinking fund redemption schedule set forth in the Indenture.

(e) **Notice of Redemption.** At least thirty (30) days but not more than sixty (60) days before each redemption, the Trustee will give notice sent as provided in the Indenture to each owner of a Series 2014[A/B] Bond to be redeemed. Failure to give any required notice of redemption will not affect the validity of the call for redemption of any Series 2014[A/B] 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.

(f) ***Effect of Redemption.*** When notice of redemption is given, and funds are deposited with the Trustee or an agent of the Trustee sufficient for redemption, interest on the Series 2014[A/B] Bonds to be redeemed ceases to accrue as of the redemption date.]

7. **Denominations; Transfer; Exchange.** The Series 2014[A/B] Bonds are available in denominations of \$5,000 and integral multiples thereof. A Bondholder may transfer or exchange Series 2014[A/B] Bonds in accordance with the Indenture. The Trustee may require a Bondholder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Trustee need not transfer or exchange any Series 2014[A/B] Bond during the period established by the Registrar for selection of Series 2014[A/B] Bonds for redemption of any Series 2014[A/B] Bond which has been selected for redemption.

8. **Persons Deemed Owners.** The registered owner of this Bond shall be treated as the owner of it for all purposes.

9. **Unclaimed Money.** If money for the payment of principal or interest remains unclaimed for one year (or such longer period as shall be required by state law), the Trustee will pay the money to or for the account of the Authority. After that, Bondholders entitled to the money must look only to the Authority and not to the Trustee for payment.

10. **Discharge Before Maturity.** If the Authority at any time deposits with the Trustee money, Government Obligations or obligations described in item (b) of the definition of Permitted Investments as described in the Indenture sufficient to pay at maturity principal of and interest on the outstanding Series 2014[A/B] Bonds, and if the Authority also pays all other sums then payable by the Authority under the Indenture, the Indenture will be discharged. After discharge, Bondholders must look only to the deposited money and securities for payment. If the Authority at any time deposits with the Trustee money, Government Obligations or obligations described in item (b) of the definition of Permitted Investments as described in the Indenture sufficient to pay at maturity, principal of and interest on all or any portion of the outstanding Series 2014[A/B] Bonds, such Series 2014[A/B] Bonds, with respect to which the deposit was made, shall no longer be deemed to be outstanding and shall no longer be secured by the Indenture except to the extent of the funds set aside therefor.

11. **Amendment, Supplement, Waiver.** The Indenture and the Series 2014[A/B] Bonds may be amended or supplemented, and any past default or compliance with any provision may be waived, as provided in the Indenture. Any consent given by the owner of this Bond shall bind any subsequent owner of this Bond or any Bond delivered in substitution for this Bond.

12. **Defaults and Remedies.** The Indenture provides that the occurrences of certain events constitute Events of Default. If an Event of Default occurs and is continuing, the Trustee may exercise the remedies set forth in the Indenture. Under no circumstances does an Event of Default grant any right to accelerate payment of this Bond. An Event of Default and its

consequences may be waived as provided in the Indenture. Bondholders may not enforce the Indenture or this Bond except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or this Bond unless it receives indemnity satisfactory to it. Subject to certain limitations, Bondholders of a majority of the principal amount of the Series 2014[A/B] Bonds (determined in accordance with the terms of the Indenture) may direct the Trustee in its exercise of any trust or power.

13. **No Recourse Against Others.** No member, director, officer or employee of the Authority shall have any personal liability for any obligations of the Authority under this Bond, the Indenture or for any claim based on such obligations or their creation or be subject to any personal liability or accountability by reason of the issuance thereof. Each Bondholder, by accepting this Bond, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of this Bond.

14. **Authentication.** This Bond shall not be valid until the Trustee or an authenticating agent signs the certificate of authentication on the signature page of this Bond.

15. **Abbreviations.** Customary abbreviations may be used in the name of a Bondholder or an assignee, such as TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), U/G/M/A (= Uniform Gifts to Minors Act) and U/T/M/A (= Uniform Transfers to Minors Act).

EXHIBIT B-1

FORM OF SERIES 2014 CONSTRUCTION ACCOUNT REQUISITION

EXHIBIT B-2

FORM OF SERIES 2014 COSTS OF ISSUANCE ACCOUNT REQUISITION

EXHIBIT B-3

FORM OF RENEWAL AND REPLACEMENT RESERVE FUND REQUISITION

EXHIBIT C-1

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] = $1 + \left[\frac{[A]-[B]}{[B]} \right]$

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 + [[(A)-[B]] ÷ [B]]

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 + [[(A)-[B]] ÷ [B]]

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 C-2

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

RRRF Required Deposit = [RRRF Requirement]¹ x [0.20]

¹ See Exhibit C-1 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 C-1 for the formula to calculate the RRRF Requirement for each Fiscal Year.

EXHIBIT D
SERIES 2014A PROJECT

PRELIMINARY OFFICIAL STATEMENT DATED [_____] , 2014**NEW ISSUES
BOOK-ENTRY ONLY**

Ratings: See "RATINGS" herein.

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.

[Insert Authority
Logo]

\$[_____]*

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

\$[_____]*

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

\$[_____]*

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 & Meyers LLP and Curis 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 [_____] , 2014.

Siebert Brandford Shank & Co., L.L.C.**J.P. Morgan**

Cabrera Capital Markets, LLC

Citigroup

Jefferies

Loop Capital Markets

* Preliminary; subject to change.
4817-9663-2342.3

Date of Official Statement:

MATURITY SCHEDULE*

\$[_____]*

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

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	CUSIP No.¹
---------------------------------------	-----------------------------	--------------------------	--------------	------------------------------

\$ _____ % Term Bonds due July 1, 20 __, Yield: _____ %; CUSIP No.¹: _____

\$[_____]*

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
---------------------------------------	-----------------------------	--------------------------	--------------	------------------------------

\$ _____ % Term Bonds due July 1, 20 __, Yield: _____ %; CUSIP No.¹: _____

* Preliminary, subject to change.

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SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY BOARD

Robert H. Gleason (Chair)*
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.

SAN DIEGO INTERNATIONAL AIRPORT MANAGEMENT

Thella F. Bowens, President and CEO/Executive Director
Bryan Enarson, Vice President, Development
Vernon D. Evans, Vice President, Finance/CFO and Treasurer
Angela Shafer-Payne, Vice President, Planning and Operations
Jeffrey Woodson, Vice President, Administration
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

\$[_____]*
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
Senior Special Facilities Revenue Bonds
(Consolidated Rental Car Facility Project)

\$[_____]*
Series 2014A
(Tax-Exempt - Non-AMT)

\$[_____]*
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 \$[_____]* 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”). 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 between the passenger terminals at the Airport and the Rental Car Center, (iii) utility infrastructure improvements that will serve the Rental Car Center, [(iv) the purchase of 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

* Preliminary; subject to change

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, 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 [_____] 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). Additionally, 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 __, 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 (a) the Trust Estate (as defined herein), which includes, among other things, Customer Facility Charges (as defined herein) 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 [14] 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 (as 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—SUMMARIES OF THE RENTAL CAR LEASE AGREEMENTS AND THE RENTAL CAR CONCESSION AGREEMENTS—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 [____], 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 20[23] 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 20[23] 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 20[23] 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. See "—Forward-Looking Statements" and "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 (as defined herein) 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 the construction of roadway improvements between the passenger terminals at the Airport and the Rental Car Center, the construction of utility infrastructure improvements that will serve the Rental Car Center, [the purchase of buses to be used to transport rental car customers between the passenger terminals at the Airport and the Rental Car Center,] and the construction of bus staging/storage facilities (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*

	<u>Rental Car Center</u>	<u>Other Projects</u>	<u>Total</u>
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	-	7,000,000	7,000,000
Proceeds of Previously Issued Bonds ³	-	34,290,000	34,290,000
Authority Funds	-	<u>11,160,000</u>	<u>11,160,000</u>
Total	<u>\$316,124,000</u>	<u>\$91,109,000</u>	<u>\$407,233,000</u>

* Estimated.

¹ At the time of issuance of the Series 2014 Bonds, the Authority will deposit \$[] million of previously collected CFCs with the Trustee.

² The Authority expects to use approximately \$7,000,000 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 \$34,290,000 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:

	<u>Series 2014A Bonds</u>	<u>Series 2014B Bonds</u>	<u>Total</u>
Sources			
Principal Amount	\$	\$	\$
Original Issue Premium/(Discount)	_____	_____	_____
<i>Total Sources</i>	<u>\$_____</u>	<u>\$_____</u>	<u>\$_____</u>
Uses			
Deposit to Series 2014 Construction Accounts	\$	\$	\$
Deposit to Series 2014 Debt Service Accounts ¹			
Deposit to Senior Reserve Fund			
Deposit to Rolling Coverage Fund			
Costs of Issuance ²	_____	_____	_____
<i>Total Uses</i>	<u>\$_____</u>	<u>\$_____</u>	<u>\$_____</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 maturing on or after July 1, 20__ 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, 202__ at a redemption price equal to ___% 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, 20__. Prior to July 1, 20__, 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 ____ 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, 20__. The Series 2014B Bonds maturing on or after July 1, 20__ 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, 20__ at a redemption price equal to ____% 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 Term Bonds. The Series 2014A Bonds maturing on July 1, 20__ (the “Series 2014A Term 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
<hr/>	<hr/>

* Final Maturity.

At the option of the Authority, 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 Term Bonds, it may (a) deliver to the Trustee for cancellation Series 2014A 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 Series 2014A 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 2014A 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 2014A Term Bond on such mandatory sinking fund redemption date.

Series 2014B Term Bonds. The Series 2014B Bonds maturing on July 1, 20__ (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
_____	_____

* 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).

At the option of the Authority, 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, it may (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.

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 (as defined herein) 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, the maturity date, the interest rate and the 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 mandatory sinking fund payments on the Series 2014A Term 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, the Trustee will proceed to select for redemption (by lot in such manner as the Trustee may determine), from the applicable Series 2014A Term Bonds subject to such redemption, an aggregate principal amount of such applicable Series 2014A Term Bonds equal to the amount for such year as set forth in the table under “Mandatory Sinking Fund Redemption—Series 2014A Term Bonds” above and will call such Series 2014A Term Bonds or portions thereof (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 requirements for the Series 2014A Bonds and the Series 2014B Bonds.

TABLE 1
San Diego County Regional Airport Authority
Debt Service Requirements
Series 2014A Bonds and Series 2014B Bonds¹

Year Ended June 30	Series 2014A Bonds ²			Series 2014B Bonds ²			Total Debt Service on Series 2014 Bonds
	Principal Requirements	Interest Requirements ²	Total	Principal Requirements	Interest Requirements ²	Total	
2014							
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
2029							
2030							
2031							
2032							
2033							
2034							
2035							
2036							
2037							
2038							
2039							
2040							
2041							
2042							
2043							
2044							
Total							

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

² 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 (a) the Trust Estate, which includes, among other things, 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 Senior 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 Trust Estate will not include moneys, investments and proceeds in the Rebate Fund and will not include the Unassigned Rights (as defined herein).

“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—SUMMARIES OF THE RENTAL CAR LEASE AGREEMENTS AND THE RENTAL CAR CONCESSION AGREEMENTS—SUMMARY OF THE RENTAL CAR LEASE AGREEMENTS— [_____].”]

Customer Facility Charges

California Statutory Authority. Section 1936 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). The alternate CFC collection rates were audited and substantiated by the State Controller. 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 [____], 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 Hertz Global Holdings (who operates the brands Hertz, Dollar and Thrifty), Enterprise Rent-A-Car (who operates the brands Enterprise, National and Alamo), Avis Budget Group (who operates the Avis brand), Fox Rent A Car, Budget, Advantage, Payless, EZ Rent A Car, Midway Rent A Car and Sixt and, 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—SUMMARIES OF THE RENTAL CAR LEASE AGREEMENTS AND THE RENTAL CAR CONCESSION AGREEMENTS—SUMMARY OF THE RENTAL CAR LEASE AGREEMENTS—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 the irrevocable Rental Car License Agreement. As of January 1, 2014, 17 rental car companies 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 CDCs 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, 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 (as described below).

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 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 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 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 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

[chart to come]

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 \$ _____.

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 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 \$_____.

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—THE INDENTURE—[]” for a description as to how the Renewal and Replacement Reserve Fund Requirement, the Renewal and Replacement Reserve Fund Required Deposit and the Additional 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 \$[] 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 will 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 will 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, Rental Car Center Site improvements and Off-Roadway Improvements projects.

(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 principal and interest due and payable on the Senior Bonds (including the Series 2014 Bonds) during such 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 principal and interest due and payable on the Subordinate Bonds during such Fiscal Year, if any; (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) due in 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 interest on such Series of Additional Senior Bonds is expected to be paid 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 interest on such Series of Additional Senior Bonds is expected to be paid 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 payment 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 payment 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.

The certificate described in the previous paragraph will not 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 Information—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; Limitation on Remedies .”

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 [14] brands) will operate from the Rental Car Center and that []% 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) 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) buses to be used to transport rental car customers between the passenger terminals at the Airport and the Rental Car Center,] (iii) a staging/storage facility for the common-use rental car customer shuttle buses, (iv) 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) electrical distribution systems to provide power to the Rental Car Center and other improvements on the north side of the Airport, and (vi) landscaping, sidewalk, and other improvements along Pacific Coast Highway. See “APPENDIX A—FINANCIAL FEASIBILITY REPORT” for additional information on the Project.

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—SUMMARIES OF THE RENTAL CAR LEASE AGREEMENTS AND THE RENTAL CAR CONCESSION AGREEMENTS—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 [underground and aboveground] 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—SUMMARIES OF THE RENTAL CAR LEASE AGREEMENTS AND THE RENTAL CAR CONCESSION AGREEMENTS—SUMMARY OF THE RENTAL CAR LEASE AGREEMENTS.”

As part of the Rental Car Center, [the Authority/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 90% 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.]

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 procuring the building permit for the Rental Car Center, the City required the Authority to execute a “Notice of Geologic and Geotechnical Conditions” (the “Geologic Notice”). The Geologic Notice states that experts have identified “potentially active faults crossing beneath the footprint of the proposed rental car center.” [The City required the Authority to indemnify the City for all damages and liability resulting from injury or damage sustained as a result of the failure of the Rental Car Center due to the presence of the fault on the site.] [As of the date of this Official Statement, the Authority has received [all/most] of the building permits required for the construction of the Rental Car Center. 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.”

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 contract (the “Rental Car Center Construction Contract”) with [Astin-Sundt Joint Venture] (the “Construction Contractor”) for the construction of the [Rental Car Center/Project], 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 \$[] million. In addition to the Rental Car Center, the Authority has entered into contracts with West Coast General Corporation/PK Mechanical Systems, Inc., a joint venture for construction of the two-way perimeter road that will connect the Rental Car Center with the passenger terminals at the Airport certain utility infrastructure improvements necessary for the construction and operation of the Rental Car Center. See “PLAN OF FINANCE AND APPLICATION OF SERIES 2014 BONDS—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

<i>Rental Car Center</i>	
Design	\$ 22,000,000
Construction	
Customer Service Building	38,400,000
Quick Turn Around Area	54,200,000
Ready/Return Area	79,300,000
Rental Car Storage Area	37,700,000
Site Work	<u>13,400,000</u>
Total Construction	\$223,000,000
Program and Construction Management	37,000,000
Insurance, Remediation, Permits & Art	17,000,000
Program Reserves and Contingencies	<u>17,000,000</u>
<i>Total Rental Car Center</i>	\$316,000,000
<i>Other Projects</i>	
Shuttle Bus Acquisition and Bus Storage and Staging Area	\$13,800,000
Northside Utility Infrastructure	17,800,000
Storm Drain Trunk Line	15,000,000
Terminal Link Road	16,300,000
Airport Electrical Distribution System	25,700,000
Northside Landscaping	<u>2,500,000</u>
Total Other Projects	\$ 91,100,000
Total Project	<u>\$407,100,000</u>

¹ Rounded to the nearest \$1,000
Source: San Diego County Regional Airport Authority

Project Manager and Construction Contractor

[To come once contract is final] [Astin-Sundt Joint Venture]

Construction Contract

[To come once contract is final]

Rental Car Lease Agreements

General. As of January 1, 2014, the Authority and [10] rental car companies (representing [14] brands, including, Hertz, Thrifty, Dollar, National, Alamo, Enterprise, Avis, Budget, Fox, Advantage, Payless, EZ, Ace, Midway and Sixt) have entered into Rental Car Center Lease Agreements. The Rental Car Lease Agreements set forth provision 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 refer 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—SUMMARIES OF THE RENTAL CAR LEASE AGREEMENTS AND THE RENTAL CAR CONCESSION AGREEMENTS—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 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) shall, by condemnation or otherwise, take 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 a 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 a 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, 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 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

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. 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.

See "APPENDIX C—SUMMARIES OF THE RENTAL CAR LEASE AGREEMENTS AND THE RENTAL CAR CONCESSION AGREEMENTS—SUMMARY OF THE RENTAL CAR CONCESSION AGREEMENTS."

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. In the event of the Rental Car Company's default under the Rental Car Concession Agreement. See "APPENDIX C—SUMMARIES OF THE RENTAL CAR LEASE AGREEMENTS AND THE RENTAL CAR CONCESSION AGREEMENTS—SUMMARY OF THE RENTAL CAR CONCESSION AGREEMENTS—Default and Remedies."

Termination of Rental Car Lease Agreement. In the event that the Rental Car Lease Agreement is terminated for any of the reasons described above under "—Rental Car Lease Agreement—Termination of Rental Car Lease Agreements."

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 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 17 rental car companies provided rental car services 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, Fox Rent-A-Car, [Go-Rentals,] Hertz, Midway Car Rental, National Car Rental, Pacific Rent-A-Car, Payless Car Rental and Thrifty Car Rental. In Fiscal Year 2013, approximately 91.7% of the rental car market at the Airport was controlled by three rental car companies and their nine brands: Hertz (which includes the Hertz, Dollar and Thrifty brands), Enterprise (which includes the Enterprise, National and Alamo brands) and Avis Budget (which includes the Avis, Budget and Payless 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 the irrevocable 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 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 [Go-Rentals], Pacific Rent-A-Car and A1 Rent A Car.

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

Corporate Entity	Rental Car Company	Fiscal Year 2013 Share by Gross Revenues
Hertz Global Holdings, Inc.	Hertz, Dollar and Thrifty	35.7%
Enterprise Holdings, Inc.	Enterprise, Alamo and National	28.6
Avis Budget Group, Inc.	Avis, Budget ¹ and Payless ¹	27.4
Others	A1, Ace, Advantage, E-Z, Fox, Midway, Pacific and Travcar [Go-Rentals]	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 []
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	5,108,000	1,119,606	5,107,975	74%	\$ 1,695,270
2010	5,063,000	1,105,705	4,999,867	74	10,782,512
2011	5,042,000	1,126,029	5,007,790	75	10,986,467
2012	5,124,000	1,182,575	5,407,664	74	11,486,962
2013	5,207,000	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 [], 2009. From [], 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 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.

	Occupation	Appointing Authority	Current Term Expires
<u>Executive Committee</u>			
Robert H. Gleason (Chair)	Chief Financial Officer and General Counsel, Evans Hotels	Mayor, City of San Diego	January 31, 2014
Paul Robinson (Vice Chair)	Partner, Hecht Solberg Robinson Goldberg and Bagley LLP	Chair, San Diego County Board of Supervisors	January 31, 2014
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, 2014
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

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.

Bryan Enarson, Vice President, Development. Bryan Enarson is the Vice President, Development at the Authority. Mr. Enarson is responsible for facility planning and construction, facility maintenance and implementation of the Airport's master plan. He has worked at the Airport since February 1997. Mr. Enarson has served as Director of Operations, Director of Real Estate Management, Director of Marketing and Public Relations and most recently as Vice President of Development for the Authority. His 43 years of experience in the aviation industry includes work in government affairs, commercial development, airline and airport lease negotiations, facilities planning and construction, marketing, public relations, airport and airline operations, and airline fuel management. Mr. Enarson has 26 years of airline experience, which includes functioning as Director of Properties and Facilities for both Pacific Southwest Airlines and US Airways, Director of Public and Governmental Affairs with both Pacific Southwest Airlines and US Airways, and Station Manager for Pacific Southwest Airlines. Mr. Enarson is a member of numerous professional and community organizations. He is a member of the American Association of Airport Executives ("AAAE") and an executive member of the Southwest chapter of the AA AE. He also has received the United Way Chad Award and an appreciation award from the Los Angeles Airlines Airport Affairs Committee, which he chaired from 1992 to 1996. Mr. Enarson has served as President and Vice President/Treasurer of the Terminal 1 Fuel Corporation at Los Angeles International Airport. Mr. Enarson holds an associate's degree from Solano College in Vallejo, California.

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, Administration. Jeffrey A. Woodson is the Vice President, Administration for the Authority. Mr. Woodson joined the Airport in 2002. He oversees the following departments of the Administration Division of the Authority: Information Technology, Procurement, Corporate Services, and the Concession Development Program. Mr. Woodson has previously managed other Authority departments, including: Human Resources, Risk Management, Strategic Business Planning, Small Business Development and Marketing and Public Relations. He also has managed other programs for the Authority, including, among others, the establishment of initial financial and

administrative polices 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 as its Vice Chair and 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. Rental car company facilities, a control tower, central utilities plant and fuel facilities are located at the Airport or on land located near the Airport.

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. See “AIRLINE INDUSTRY INFORMATION.”

TABLE []
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		
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 the Airport 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 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 []
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 – 5,108,000; Fiscal Year 2010 – 5,063,000; Fiscal Year 2011 – 5,042,000; Fiscal Year 2012 – 5,124,000; and Fiscal Year 2013 – 5,207,000. 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 [(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.”

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. [NEPA challenge?]

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 aviation 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 not include any 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—SUMMARIES OF THE RENTAL CAR LEASE AGREEMENTS AND THE RENTAL CAR CONCESSION AGREEMENTS—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 SDRWQCB 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. However, such construction projects could be financed with Additional Senior Bonds and/or Additional Subordinate Obligations.

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 \$[175] million of such costs have already been incurred by the Authority as of [September 30, 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 GARB Indenture and the Subordinate GARB Indenture], passenger facility charges collected from passengers flying to and from the Airport, internally generated cash of the Authority. See “CERTAIN GENERAL 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 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 Transaction Days, CFC collections, 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 Authority. 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 Authority or 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 to come]

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 (a) the Trust Estate, which includes, among other things, 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 CFCs and Bond Funding Supplemental Consideration in any Fiscal Year to fund deposits to the Senior Debt Service Fund sufficient to make scheduled debt service payments on the Series 2014 Bonds together with any Additional Senior Bonds. 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 and will enter into construction contracts for the construction of the Project. See “THE PROJECT—Project Manager and Construction Contractor,” and “—Construction Contract.” The Authority anticipates that such contracts will be 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. The Authority shall 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 does 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” and “DESCRIPTION OF THE SERIES 2014 BONDS—Redemption Provisions—Extraordinary Mandatory Redemption of the Series 2014 Bonds,” 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 the 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 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."

Additionally, in connection with procuring the building permit for the Rental Car Center, the City required the Authority to execute the Geologic Notice, which states that experts have identified "potentially active faults crossing beneath the footprint of the proposed rental car center." The City required the Authority to indemnify the City for all damages and liability resulting from injury or damage sustained as a result of the failure of the Rental Car Center due to the presence of the fault on the site.

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 through 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.

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 “—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 (i) at all times, to use its best efforts to grant sufficient rental car concessions to rental car companies and 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.

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 Agreement—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 Companies’ 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, will extend for a period expiring 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 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—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 “—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 [nine] brands that generated approximately 91.3% 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 from 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 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 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.”

Further, as described in the 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 fares 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 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 \$[] per gallon for the first ten 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. Most major domestic airlines have suffered recent financial losses. 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, US Airways, United Airlines, Delta Air Lines and Frontier Airlines, have filed for and reorganized under bankruptcy protection. Additionally, 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 the Airport while they reorganize 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. That same year, Republic Airways Holdings, a regional airline, bought Frontier Airlines and Midwest Airlines. In October 2010, United Airlines and Continental Airlines merged, creating the world’s largest airline in terms of operating revenue and revenue passenger miles. On February 14, 2013, AMR announced that it and US Airways Group, Inc. had approved a merger agreement to combine American and US Airways. On July 12, 2013, US Airways shareholders approved the merger with AMR. [The merger now awaits antitrust clearance from the U.S. Department of Justice and approval by AMR’s creditors and the U.S. Bankruptcy Court.]

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.

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 MtCO_{2e} 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.” Also see “—Future Federal Budget Cuts” above.

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 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 the Revenues or financial condition of the Airport. 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.

[Update to come]

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 Discount. The Series 2014A Bonds maturing on July 1, 20__ and 20__ (collectively, the "Discount Series 2014A Bonds") are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Series 2014A Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount which is treated as having accrued with respect to a Discount Series 2014A Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Series 2014A Bond (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Discount Series 2014A Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Series 2014A Bond, on days which are determined by reference to the maturity date of such Discount Series 2014A Bond. The amount treated as original issue

discount on such Discount Series 2014A Bond for a particular semiannual accrual period is equal to the product of (i) the yield to maturity for such Discount Series 2014A Bond (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discount Series 2014A Bond at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Discount Series 2014A Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Series 2014A Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If such Discount Series 2014A Bond is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Series 2014A Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Series 2014A Bond.

Tax Treatment of Original Issue Premium. The Series 2014A Bonds maturing on July 1, 20__ and 20__ (collectively, the “Premium Series 2014A Bonds”) are being sold at a premium. An amount equal to the excess of the issue price of a Premium Series 2014A Bond over its stated redemption price at maturity constitutes premium on such Premium Series 2014A Bond. An initial purchaser of a Premium Series 2014A Bond must amortize any premium over such Premium Series 2014A Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium 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 Premium 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 Premium 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 Premium 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 Premium 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, S&P and Fitch have assigned ratings of “[]” ([] outlook), “[]” ([] outlook), and “[]” ([] 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 Investor Services, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; Standard & Poor’s Ratings Services, 55 Water Street, New York, New York 10041; and Fitch Ratings, One State Street Plaza, New York, NY 10004. 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 co-counsel, O'Melveny & Meyers LLP and Curls Bartling P.C. 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 & Company, Inc., and Loop Capital Markets, LLC, and (collectively, the "Underwriters"), from the Authority at a price of \$_____ (which is the par amount of the Series 2014A Bonds, plus an original issue premium of \$_____, less an original issue discount of \$_____, less an underwriters' discount of \$_____), 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 \$_____ (which is the par amount of the Series 2014B Bonds less an underwriters' discount of \$_____), 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, and its parent company, Citigroup, Inc., have entered into a distribution agreement dated May 31, 2009, as amended, with Morgan Stanley Smith Barney LLC (“MSSB”) and its parent company, Morgan Stanley Smith Barney Holdings LLC, whereby Citigroup will distribute municipal securities to retail investors through the financial advisor network of MSSB. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup will compensate MSSB for its selling efforts with respect to the Series 2014 Bonds.

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 Airport System and, 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 B 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 B. 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 B. 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 _____
President/CEO

APPENDIX A

FINANCIAL FEASIBILITY REPORT

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APPENDIX B

CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE

APPENDIX C

**SUMMARIES OF THE RENTAL CAR LEASE AGREEMENTS
AND THE RENTAL CAR CONCESSION AGREEMENTS**

APPENDIX D

PROPOSED FORM OF BOND COUNSEL'S OPINION

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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APPENDIX F

**AUDITED FINANCIAL STATEMENTS OF
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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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 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 F 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.



Solution-Based Airport Consulting

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Chicago, Illinois
St. Louis, Missouri

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Draft – November 13, 2013

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 \$_____ 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 \$354.9 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 \$_____ 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 14 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	4.13	3,932,000	29,490,000	4.02	4,065,000	30,488,000	4.13
2017	4,118,000	33,974,000	2.08	3,944,000	32,538,000	2.01	3,658,500	30,183,000	1.89
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	1.73	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	1.90	4,030,000	36,270,000	1.76	3,882,381	34,941,000	1.71



Ms. Thella Bowens
President and CEO
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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.



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 \$_____ 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

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

each Board meeting. Thella F. Bowens, Authority President and CEO/Executive 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

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.

just east of the Commuter Terminal, and offers valet parking at the curb of Terminals 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.

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. Initial construction work on the RCC began in September 2013, and the Guaranteed Maximum Price (GMP) contract for the RCC was approved by the Board in *[December 2013 in the amount of \$_____]*. 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.

The single, common busing operation will transport rental car customers between the Airport passenger terminals and the RCC. A shuttle bus staging/storage facility will also be developed. It is anticipated that the RCC will result in reduced vehicle traffic, improved air quality, enhanced customer service, and more efficient rental car operations.

E. ANCILLARY PROJECTS

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

- 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**

Project Component	CFC-Eligible Capital Costs (in millions) ¹
Design	\$22.0
Construction	
Customer Service Building	38.4
QTA	54.2
Ready/Return Area	79.3
Rental Car Storage Area	37.7
Site Work	13.4
Total Construction	\$223.0
Program and Construction Management	\$37.0
Insurance, Remediation, Permits, Art	17.0
Program Reserves and Contingencies	17.0
Total RCC	316.0
Shuttle Bus Costs ²	13.8
Ancillary Projects	
Northside Utility Infrastructure	\$8.0
Storm Drain Trunk	2.7
Terminal Link Road	9.3
Airport Electrical Distribution System	3.6
Northside Landscaping	1.3
Total Ancillary Projects	24.9
Total	\$354.7

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**.

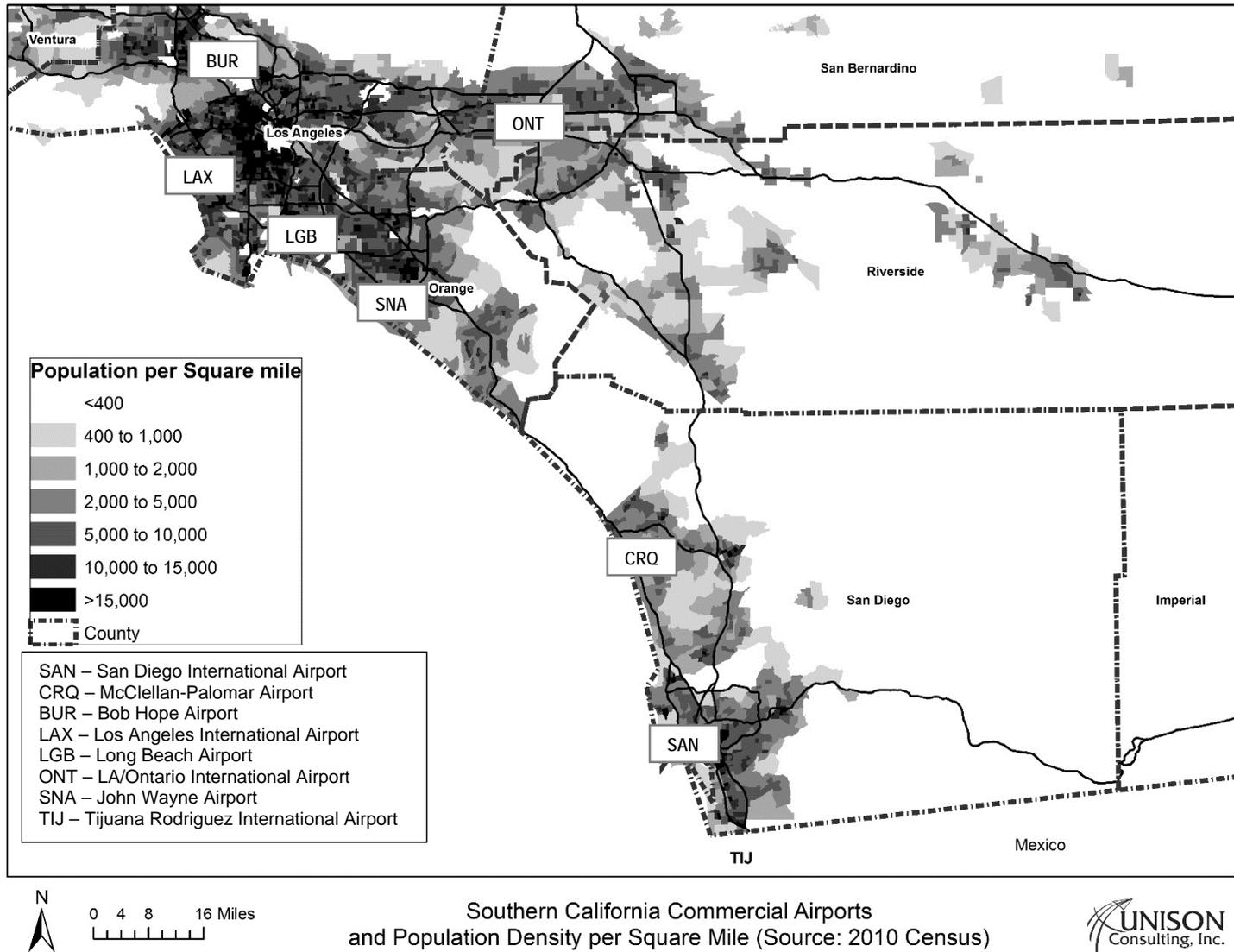
¹ The 2012 survey findings regarding the percentage split of Airport passengers between residents and visitors, and the percentage distribution of visitors by trip purpose are similar to the findings of a previous survey conducted in 2009, when San Diego and the entire country were still experiencing 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.

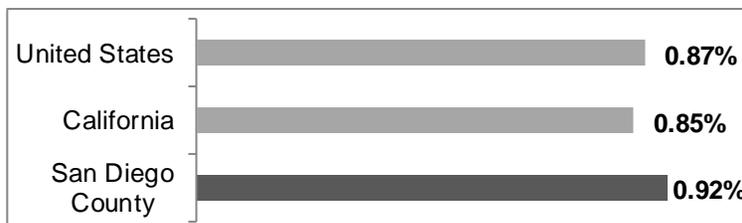
¹¹ San Diego Association of Governments, *2050 Regional Growth Forecast*, February 2010.

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%	

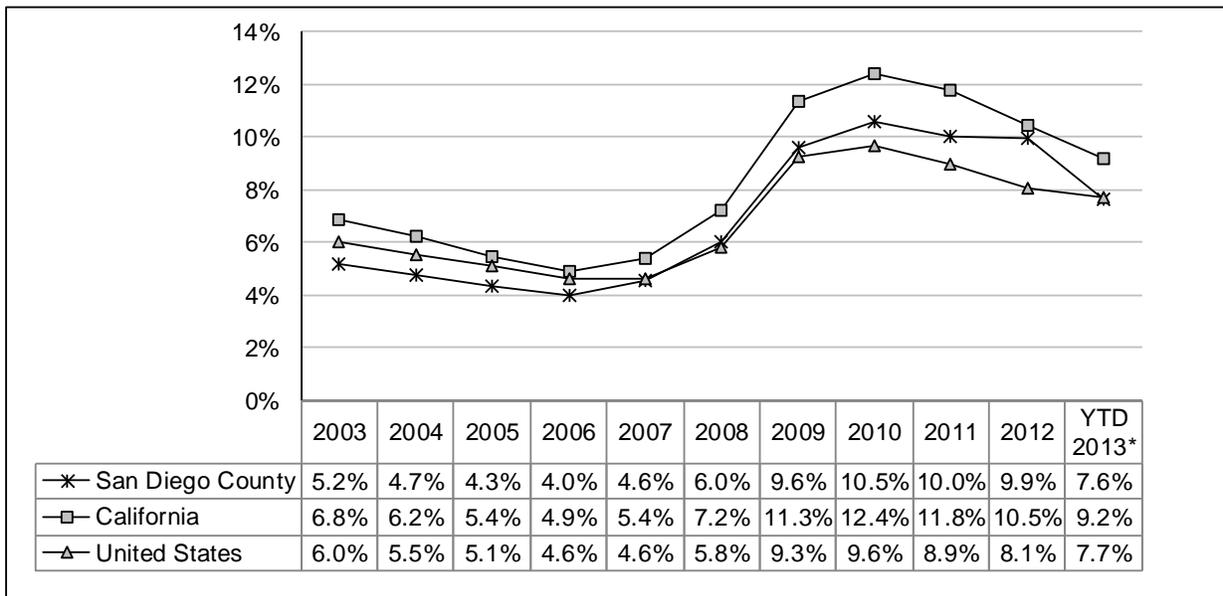
¹ The civilian labor force consists of members of the population who are at least 16 years old and are either employed or actively seeking employment.

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

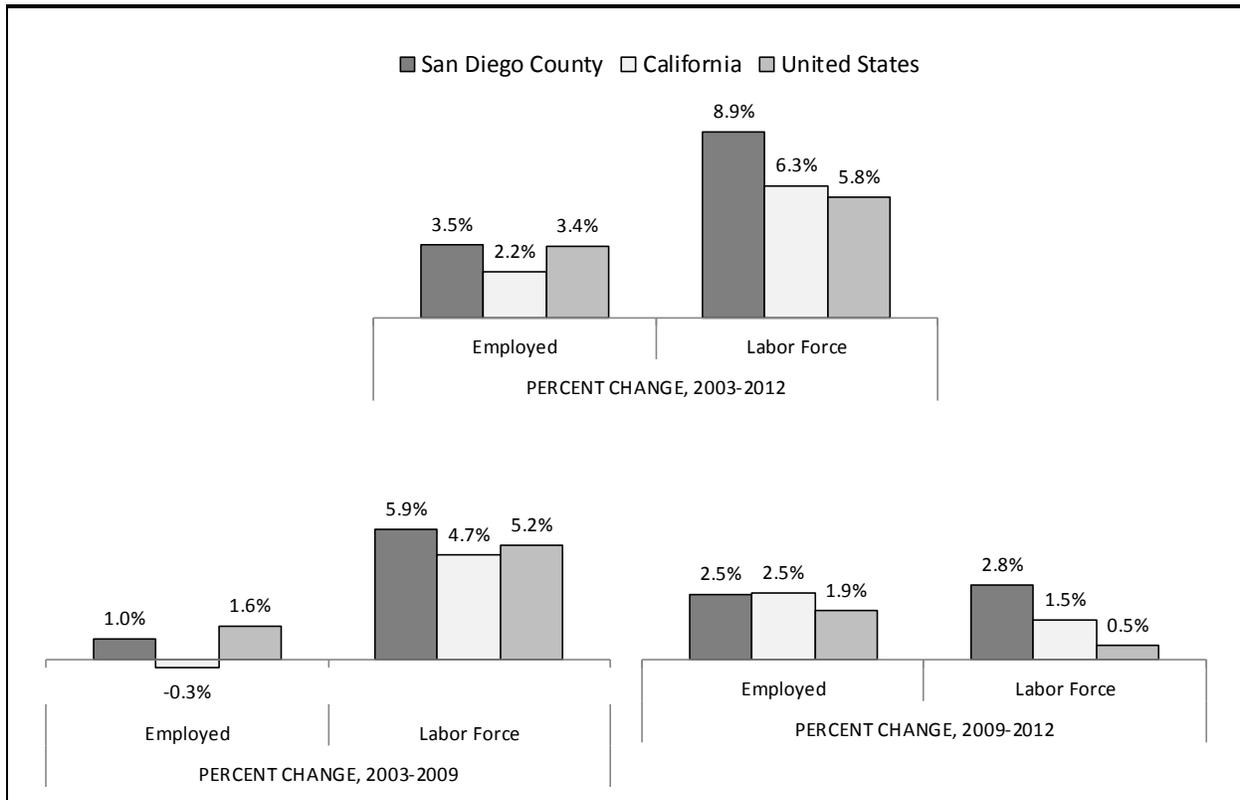


*Average through July.

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.

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

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

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*.

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

¹⁷ Source: San Diego Regional Economic and Development Corporation.

¹⁸ *Ibid.*

¹⁹ *Ibid.*

percent) and *Educational Services* (18.4 percent). Between 2003 and 2012, employment increased 22.4 percent increase in *Health Care and Social Assistance* and 51.1 percent increase 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

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 Almanac²² 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 Railroad Museum
San Diego Zoo	San Diego Hall of Champions Museum
La Jolla (La Jolla Cove and Mount Soledad)	San Diego History Center
San Diego Beaches (Windansea, Leucadia, Cardiff, Solana, Pacific, Oceanside, Ocean, Mission, Imperial, Encinitas, Del Mar, Coronado, and Calsbad)	San Diego Natural History Museum
Balboa Park	Mingei International Museum
Old Town	Reuben H Fleet Science Center
Safari Park	USS Midway Museum
Gaslamp Quarter	Museum of Making Music
LegoLand California	Maritime Museum
Mission Bay	Birch Aquarium
Fort Rosecrans Cemetery	Qualcomm Stadium
Torrey Pines State Reserve	WorldBeat Center
Old Globe Theatre	Veterans Museum & Memorial Center
Sunset Cliffs Natural Park	Timken Museum of Art
Cabrillo National Monument	Marston House Museum
PETCO Park	Centro Cultural de la Raza
SEA LIFE Aquarium	San Diego Art Institute
San Diego Automotive Museum	Seaport Village
San Diego Air and Space Museum	New Children’s Museum
San Diego Museum of Art	Museum of Contemporary Art La Jolla
Museum of Photographic Arts	Museum of Contemporary Art Downtown
San Diego Museum of Man	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**).

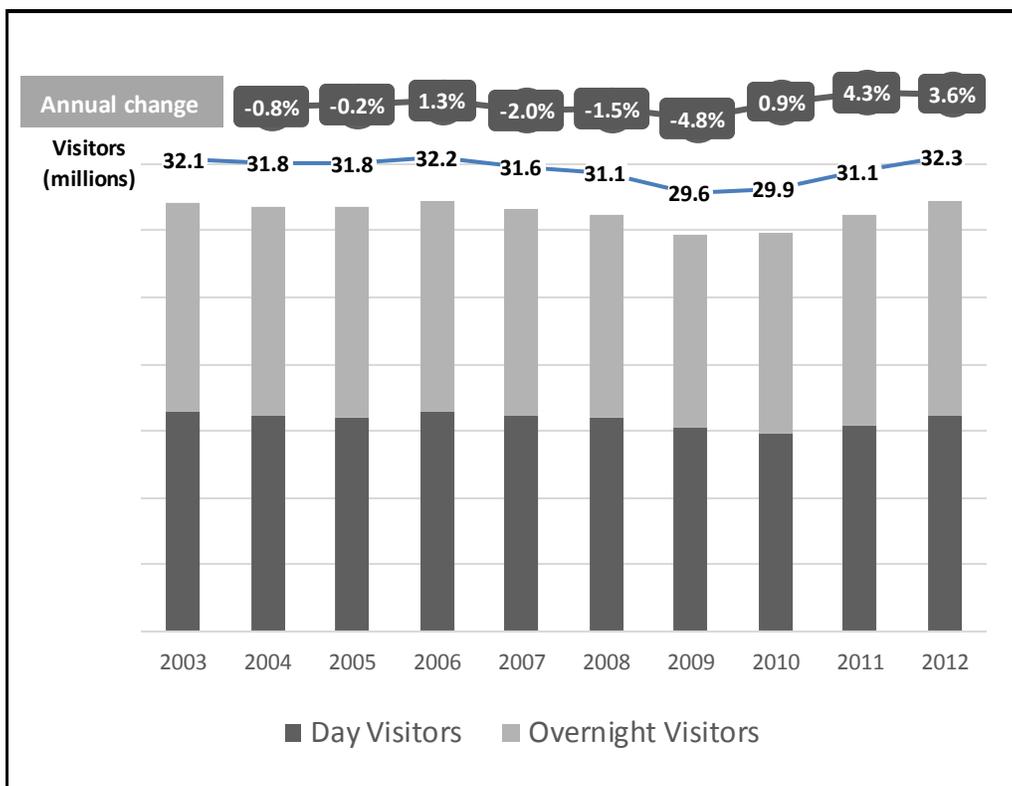
**TABLE II-8
MAJOR EVENTS IN SAN DIEGO COUNTY**

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

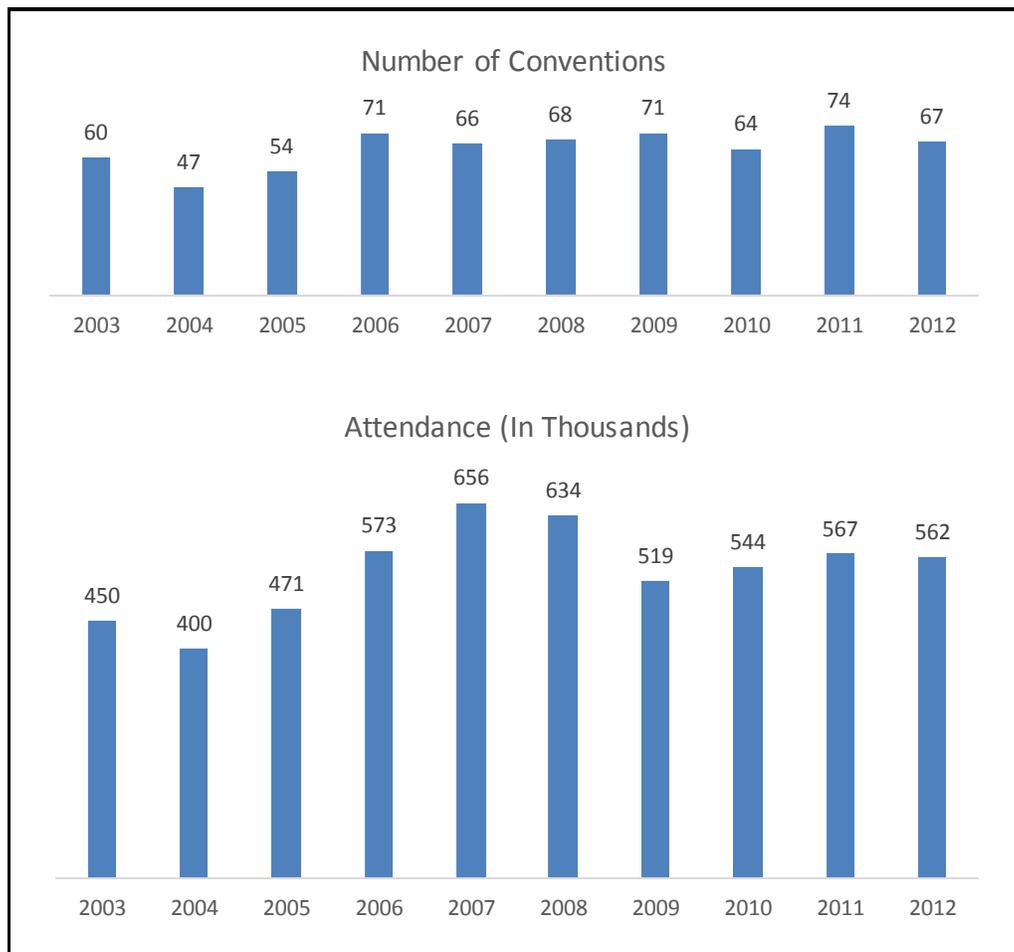


Source: San Diego Tourism Authority.

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.

**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	6,672	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	AACE 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	AFFLINK 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	SPIE	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
Ipad 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	Penwell / 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.

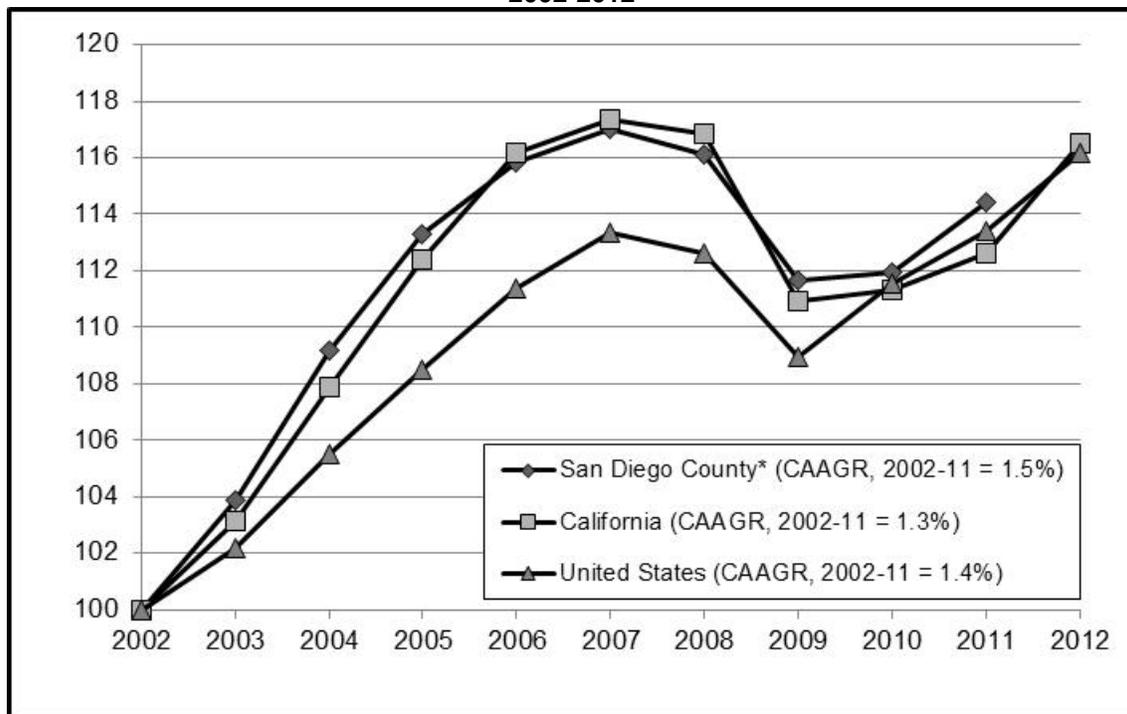
E. ECONOMIC OUTPUT

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.

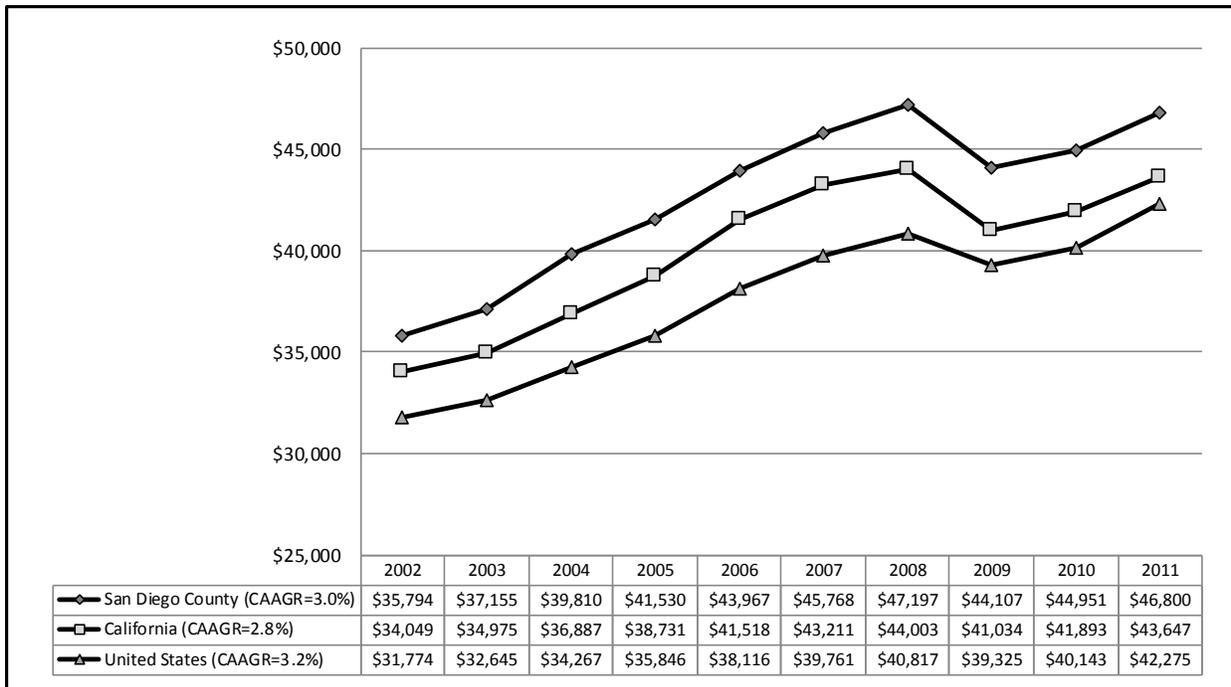
Source: U.S. Bureau of Economic Analysis.

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

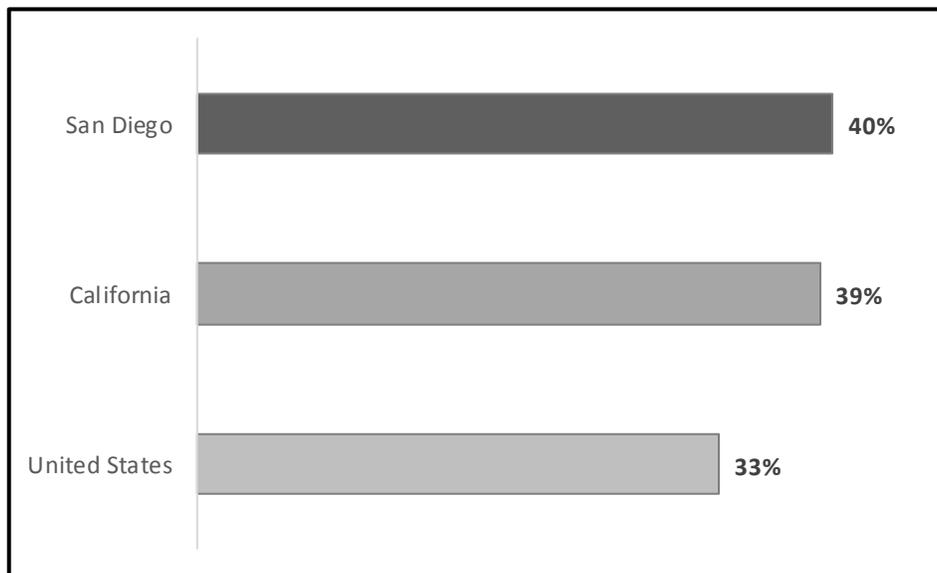


CAAGR - compound average annual growth rate.

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

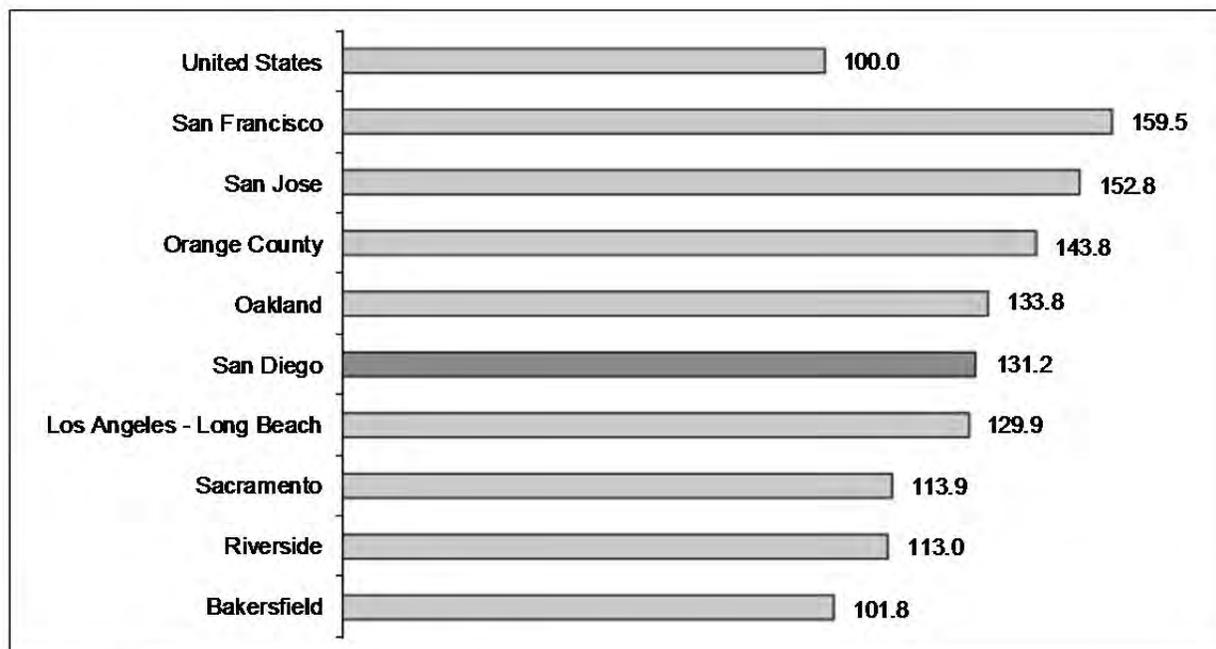


Source: U.S. Bureau of Census 2011 American Community Survey.

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

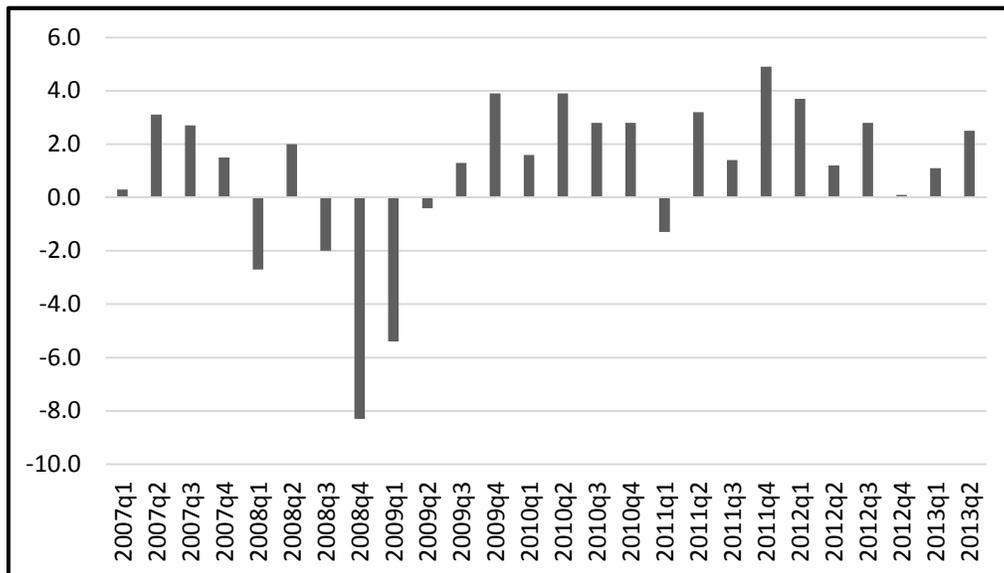
The 2008-2009 Great Recession exceeded previous economic declines after the Great Depression and resulted in a severe downturn in the California economy. Following the official end of the recession in June 2009,²⁶ economic growth resumed but has progressed much slower than expected based on experience 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.

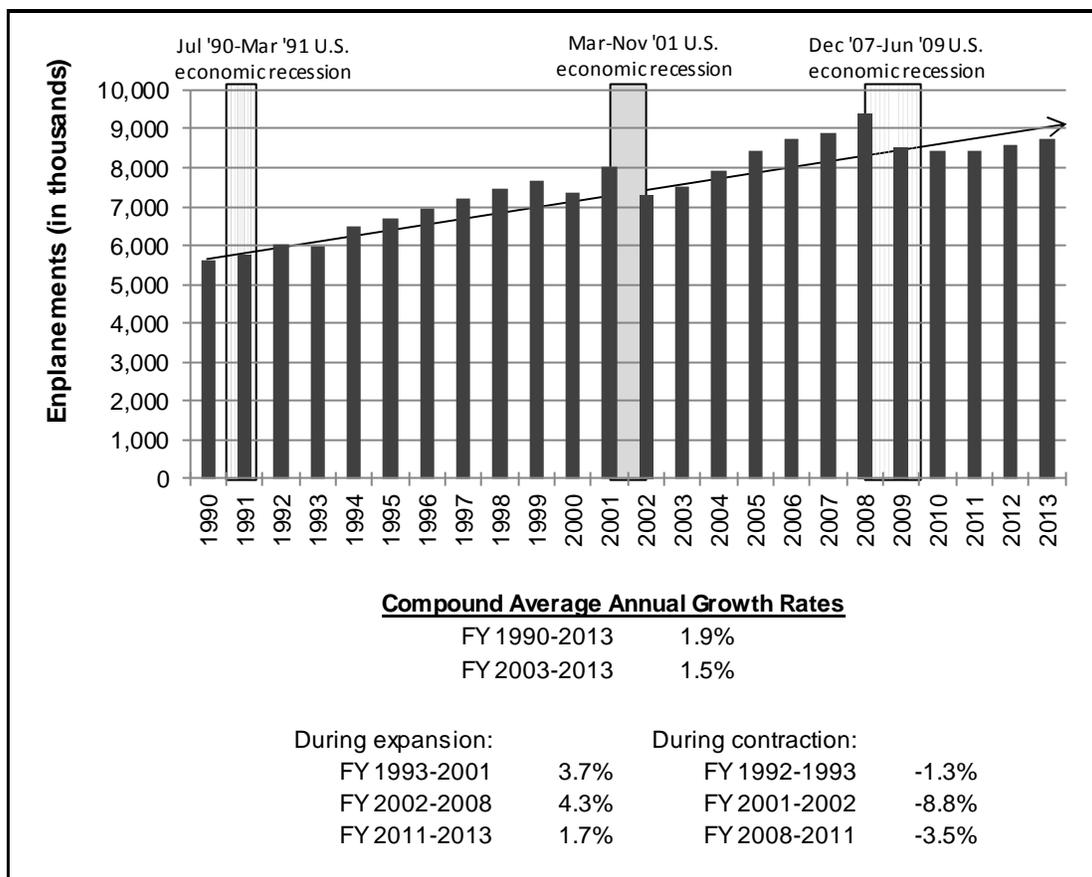
⁵ An affiliate of and doing business as United Express, Delta Connection, US Airways Express, Alaska Airlines and American Eagle.

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:

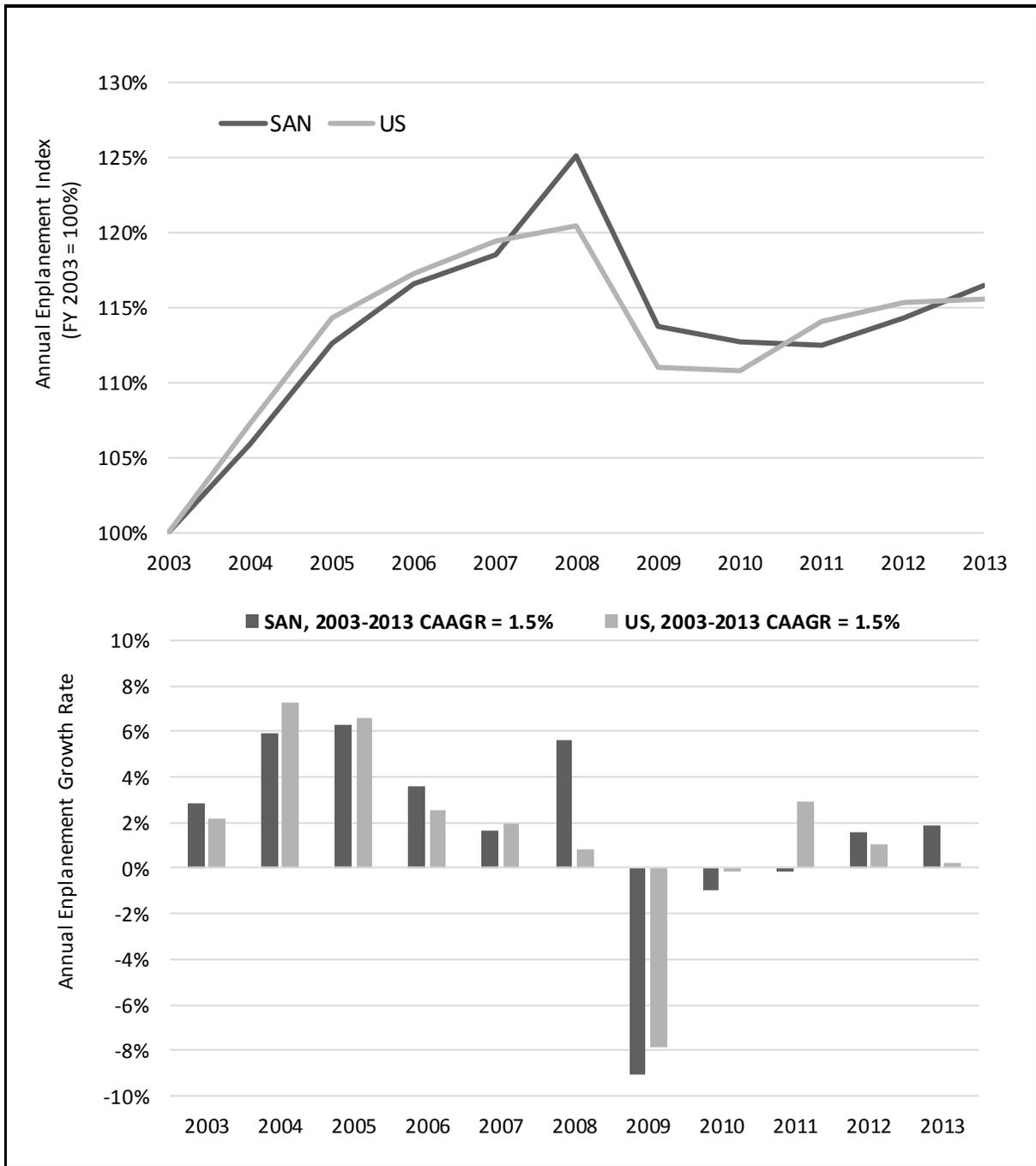
- Total enplanements at the Airport increased from approximately 7.51 million in FY 2003 to 8.74 million in FY 2013, at a compound annual growth rate of 1.5 percent, similar to the national trend.
- SAN enplanements grew faster than U.S. system enplanements in the past two years: 1.6 percent in FY 2012 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	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**

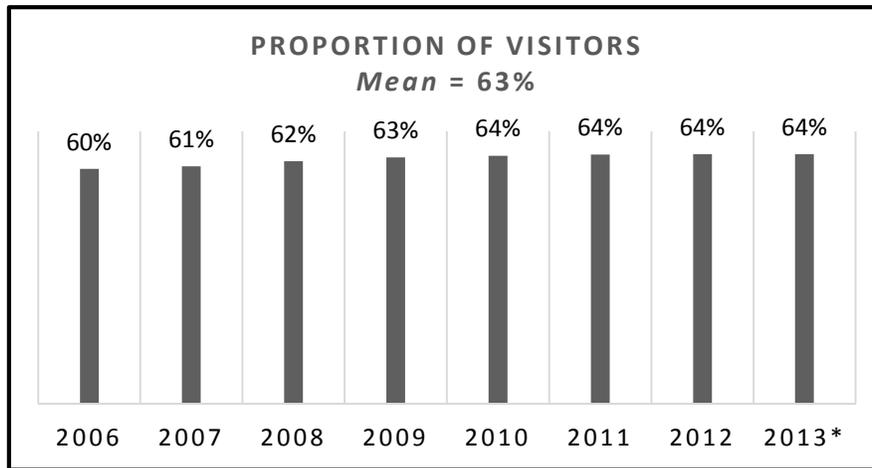
Calendar Year	O&D		Connecting		Total Passengers
	Number	Share	Number	Share	
2003	14,405	94.4%	856	5.6%	15,261
2004	15,447	94.3%	930	5.7%	16,377
2005	16,366	94.2%	1,006	5.8%	17,373
2006	16,430	94.0%	1,052	6.0%	17,482
2007	17,225	94.0%	1,101	6.0%	18,327
2008	17,071	94.2%	1,054	5.8%	18,126
2009	15,875	93.5%	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



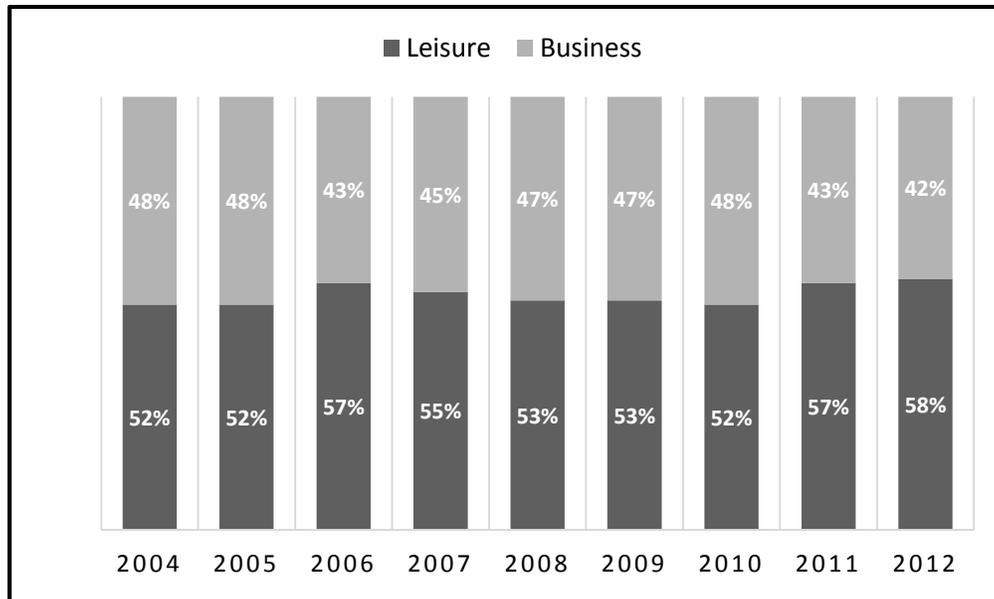
* First three quarters of FY 2013.

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

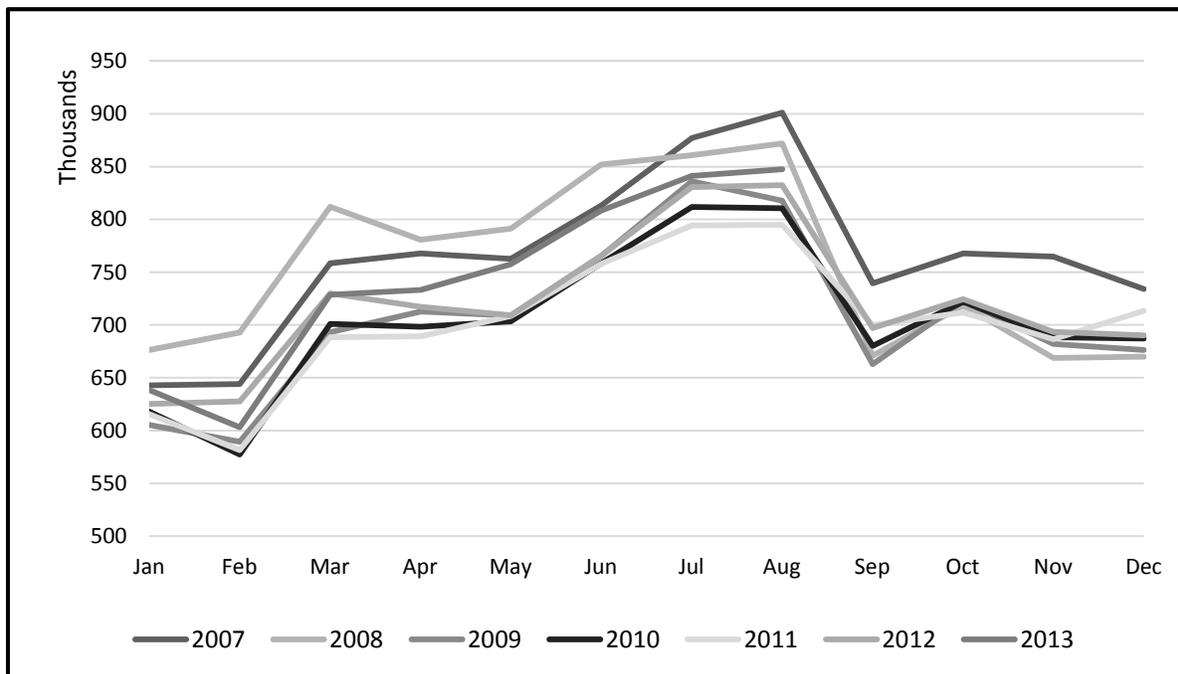


Source: Airport Authority records, based on the airport passenger surveys conducted by Phoenix Marketing International.

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.

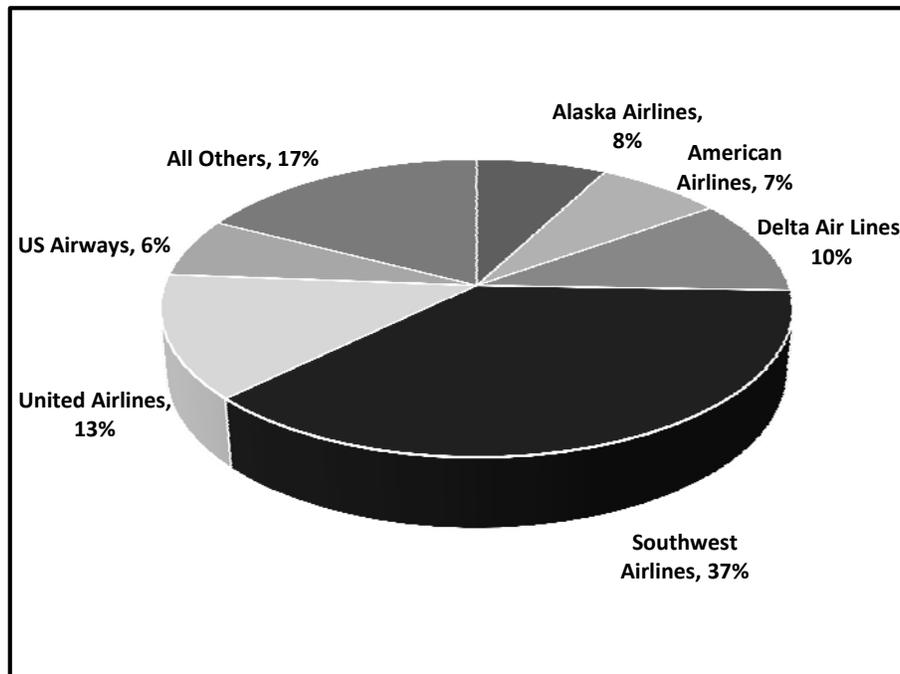
¹⁰ US Airways.

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	

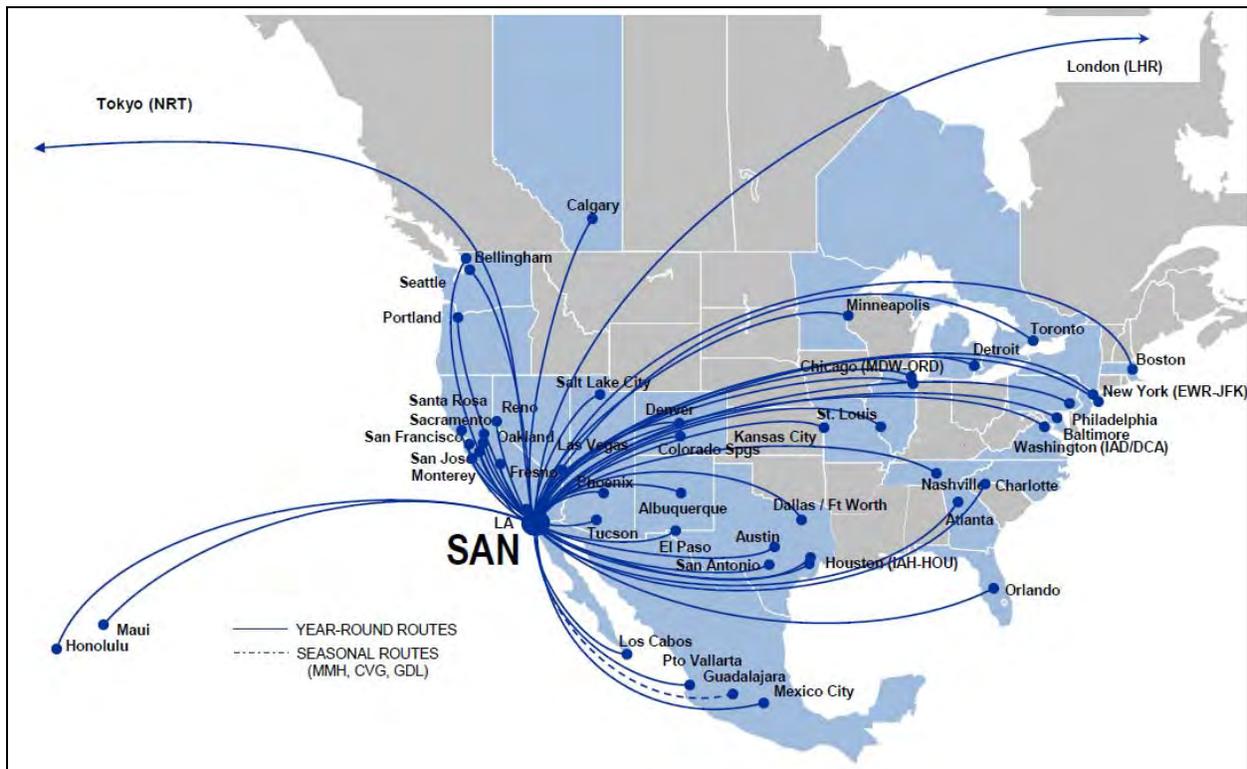
¹ Ranking is based on share of SAN O&D Passengers.

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

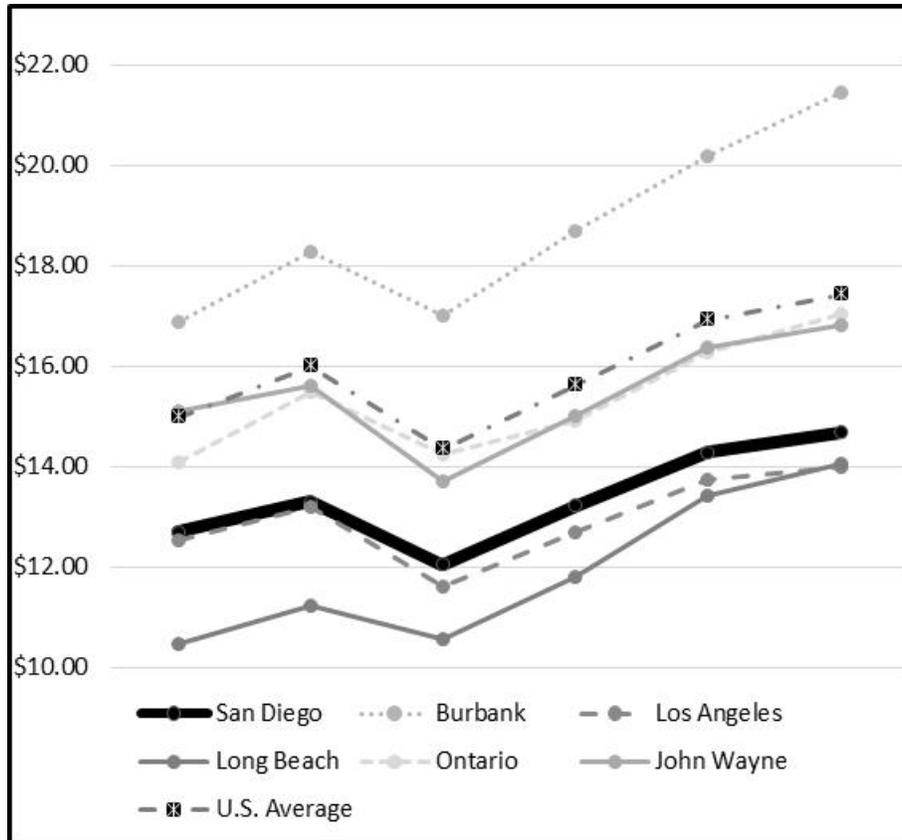


Source: Airport Authority.

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. This method is described in more detail in Section V and Appendix A, in presenting forecasts of Airport rental car demand. 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, high and low forecast enplanement growth scenarios to be used in developing the corresponding base, high 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 are slightly below the median (50-percentile) forecast from the Monte Carlo simulation. The high forecast is based on 75-percentile result, and the low forecast is based on the 25-percentile result.

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.

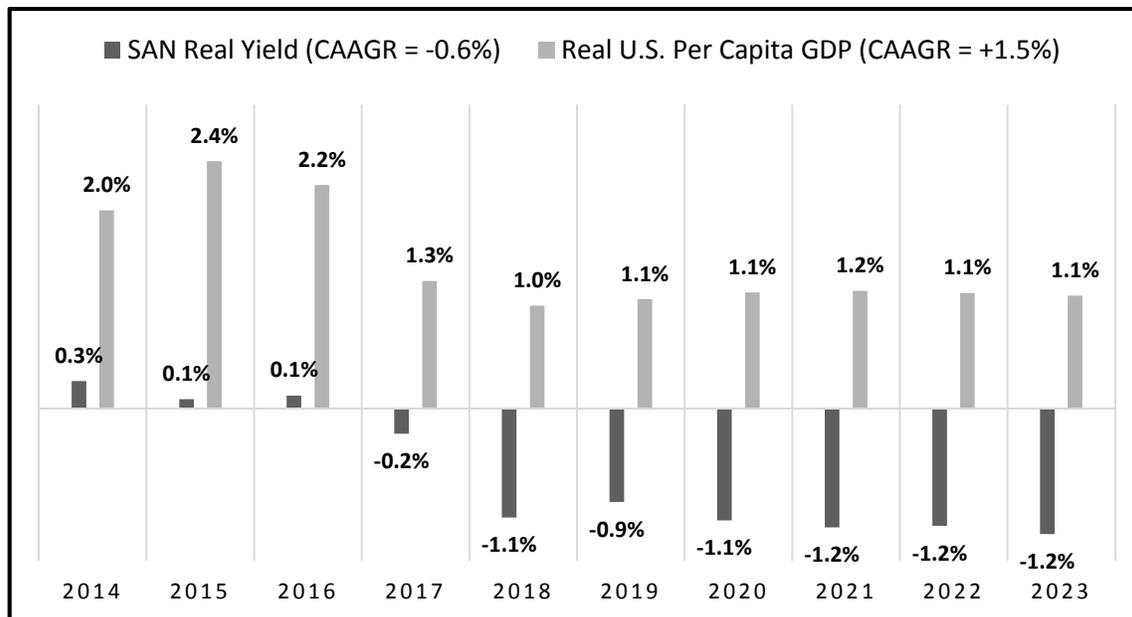
The regression model uses the average real domestic passenger yield⁵ at SAN to measure the price of air travel. According to data from the U.S. Department of Transportation 10-percent airline ticket survey, the average real domestic passenger yield at SAN declined at an average annual rate of -1.6 percent 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.

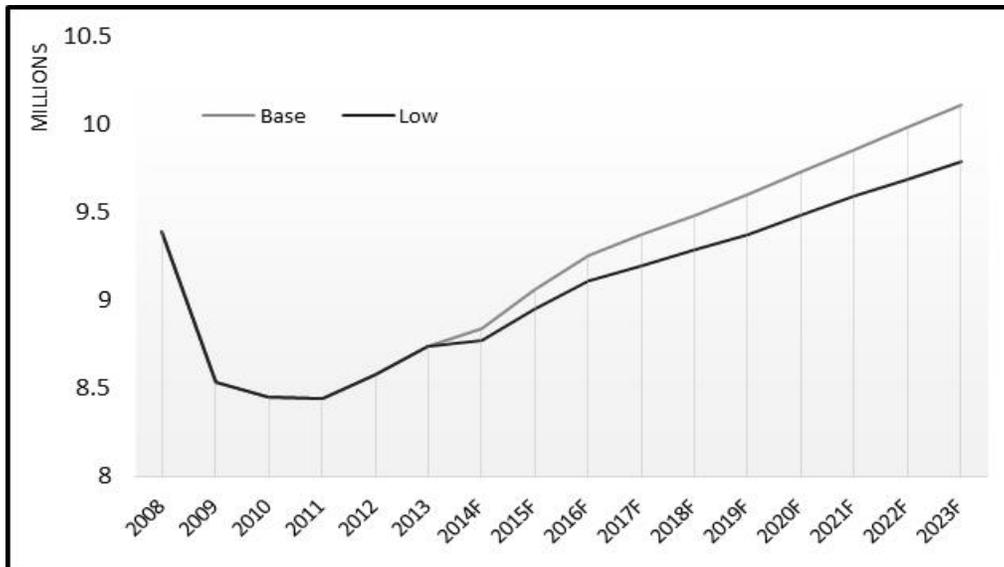
The above model is consistent with sound economic theory, is well-supported by empirical trends, and passes statistical evaluation. The regression equation that relates annual Airport enplanements to the above explanatory variables explains 95 percent of the historical variation in annual enplanements, 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.

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.

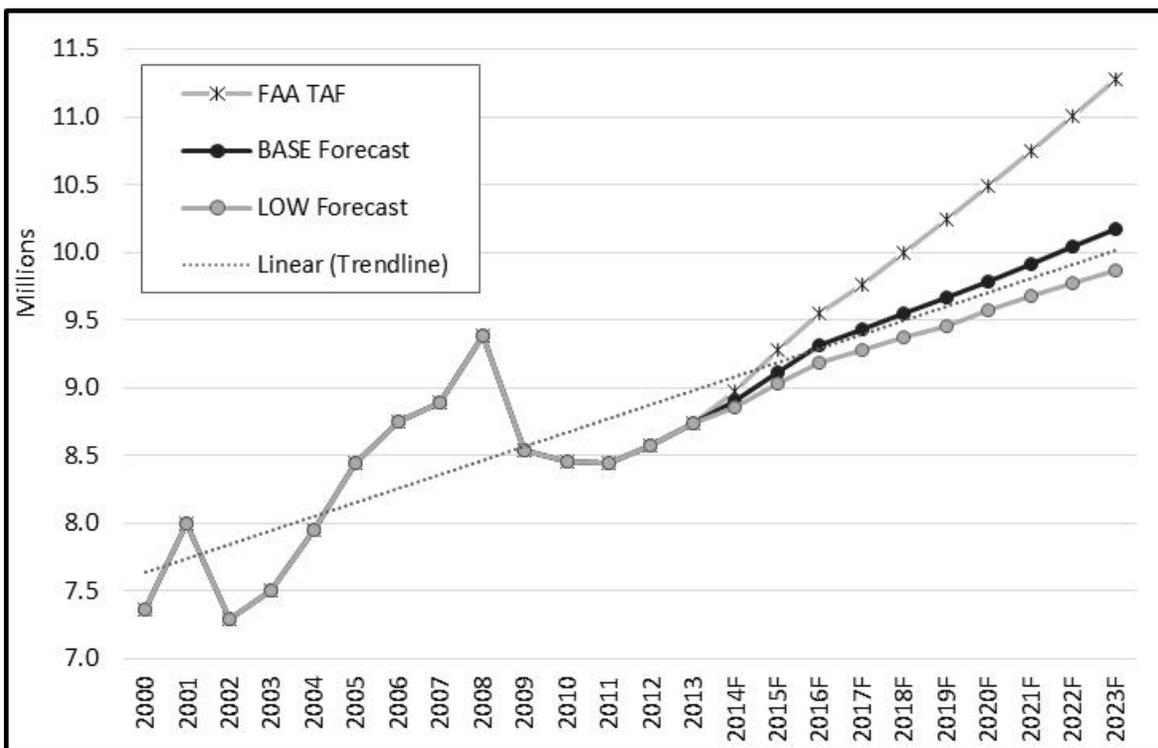
Comparison of the Feasibility Study Enplanement Forecasts with the FAA Terminal Area Forecast (TAF) and the Linear Trendline Forecast

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 high scenario. 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.

Risks to the National Economy

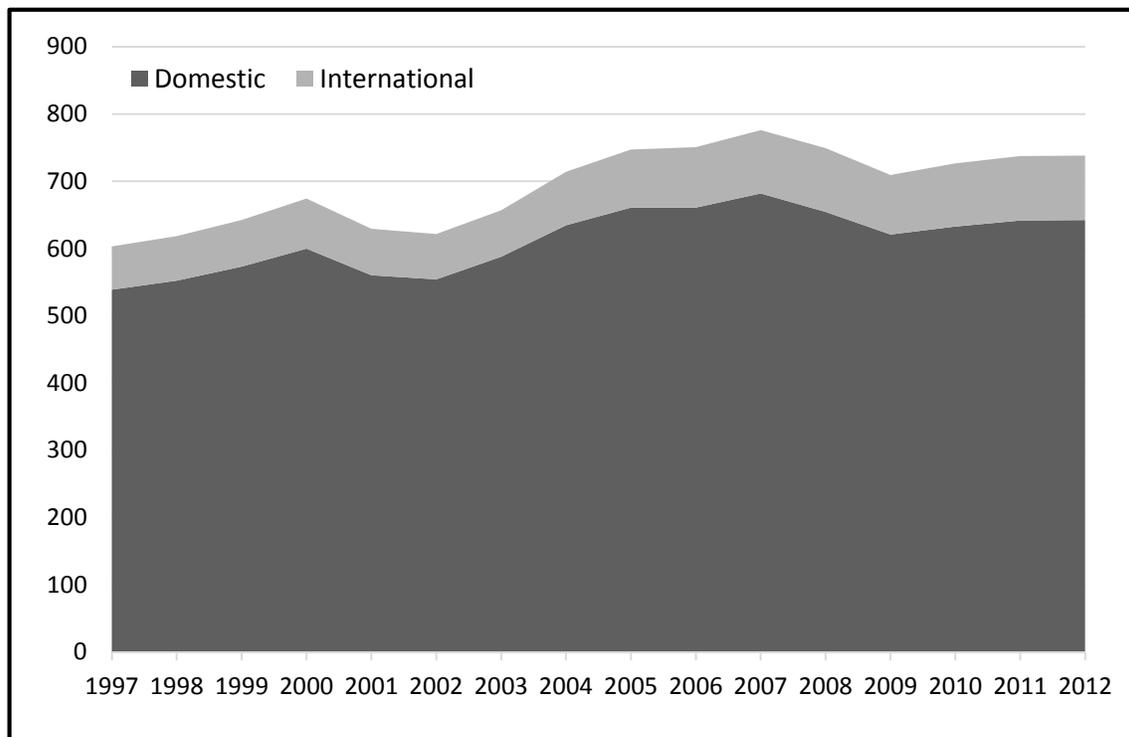
As shown in part A of this section, Airport passenger traffic trends are strongly affected by business cycles. In particular, traffic declines during economic recessions. Although the economic outlook has improved since the Great Recession, risks remain. Of greatest concern today are the consequences 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.

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-12
U.S. PASSENGER AND CARGO AIRLINES' ANNUAL NET PROFIT (BILLION \$)
CY 1999 – CY 2012



Source: U.S. Bureau of Transportation Statistics.

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.

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. In February 2013, American and US Airways announced a merger that is currently being negotiated and reviewed. 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 enplanements. Published airline schedules in CY 2012 show that American and US

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.

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.

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.

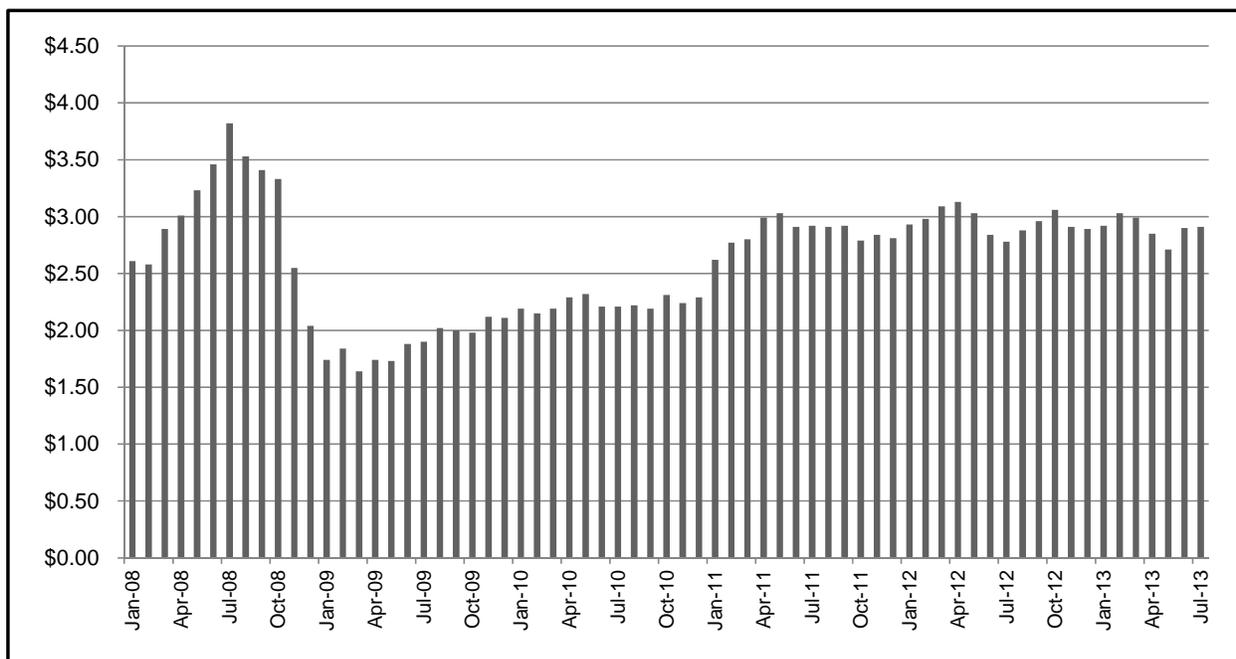
From CY 2000 to CY 2012, the price of jet fuel price increased 258 percent, while the U.S. Consumer Price Index (CPI)—the price of a representative basket of U.S. goods and services—increased only 33 percent (**Table III-8**). As a result, fuel expenses, which historically ranged from 10 to 15 percent 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 IV-13
AVERAGE JET FUEL MARKET PRICE PER GALLON
January 2008-July 2013



Source: U.S. Bureau of Transportation Statistics.

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.

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.

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.

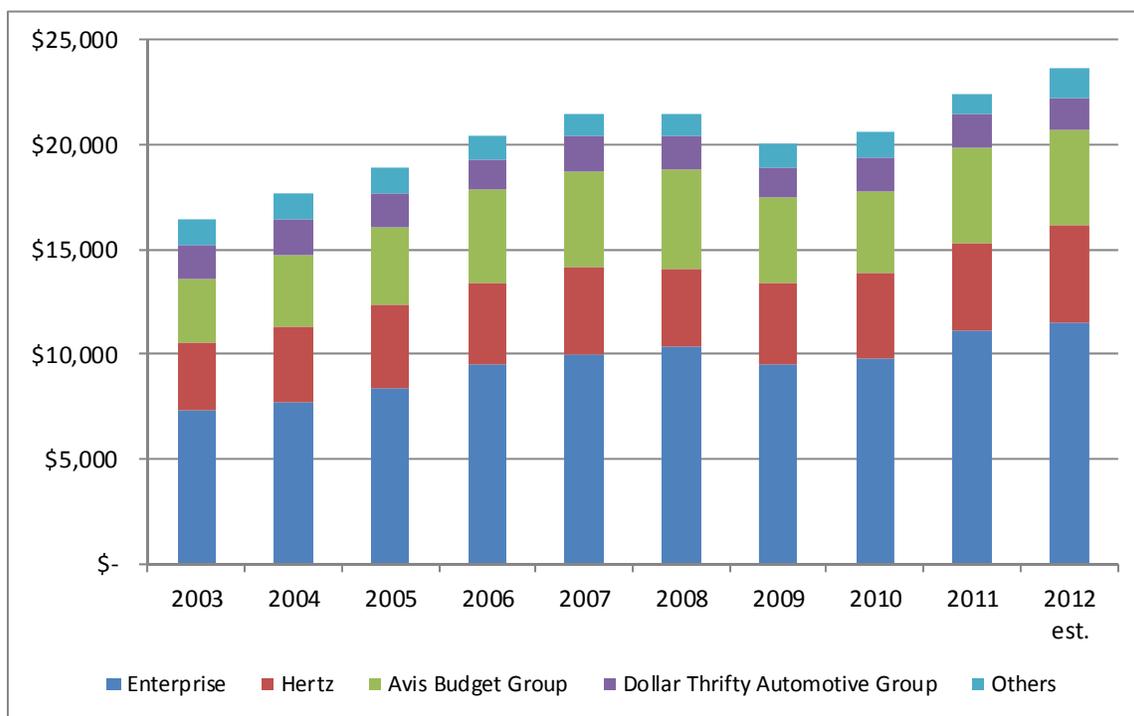
² Includes Advantage, which was sold in 2012.

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 Avis⁵.

⁴ Budget is grouped in this section under the Avis Budget Group, Inc. to reflect the ownership of the Budget brand. However, the Budget concession at SAN is operated by an independent licensee.

⁵ At SAN, the Budget brand is operated by an independent licensee.

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 its 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.

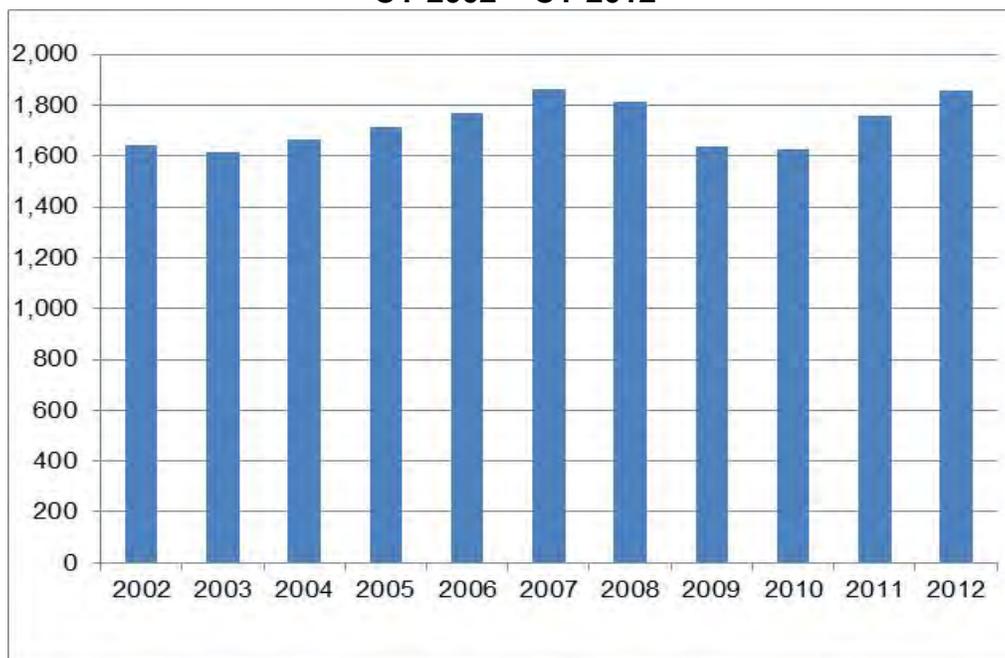
Thrifty Rent-A-Car System, Inc. was incorporated in 1950 and began car rental operations in Tulsa, Oklahoma, with a focus on off-airport locations. As mentioned above, the Chrysler Corporation acquired Thrifty in 1989, and became part of DTG. DTG operated the Dollar and Thrifty brands under a brand-based 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 2009,⁶ although GDP for 2009 was -3.5 percent lower than in 2008⁷. The U.S. airline industry, which often mirrors the general economy, experienced a -5.3 percent decrease in system revenue passenger enplanements in 2009.⁸ 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

⁶ National Bureau of Economic Research Business Cycle Dating Committee, *NBER Business Cycle Dating Committee Announces Trough Date*, September 20, 2010.

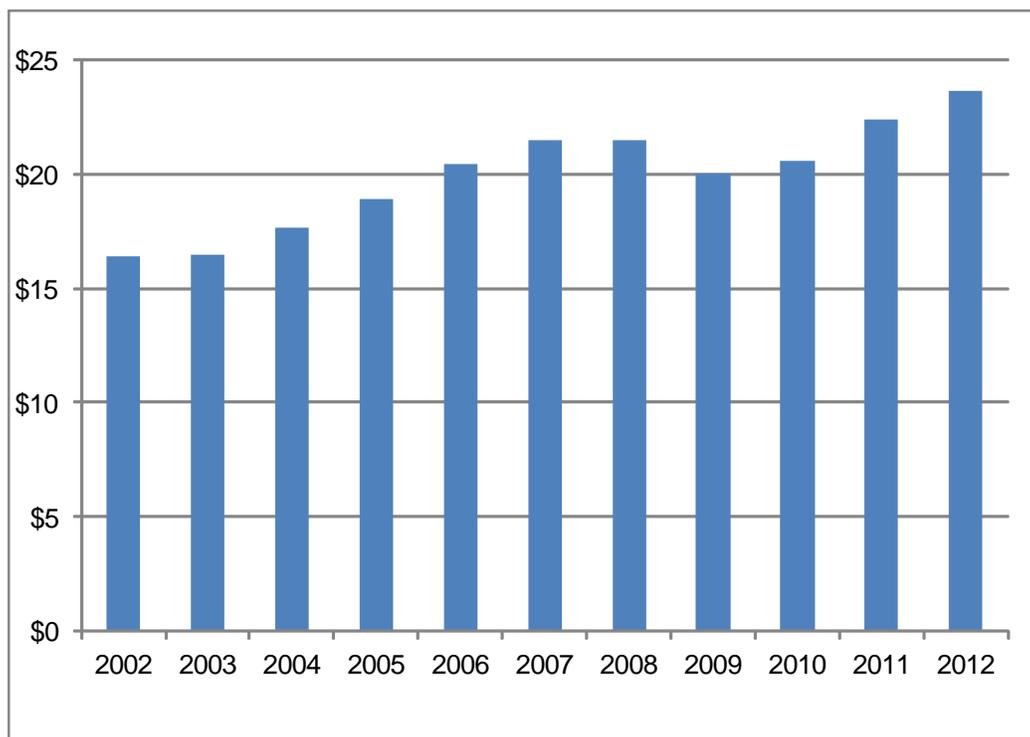
⁷ Source: Bureau of Economic Analysis. Based on chained 2005 dollars.

⁸ 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.⁹

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

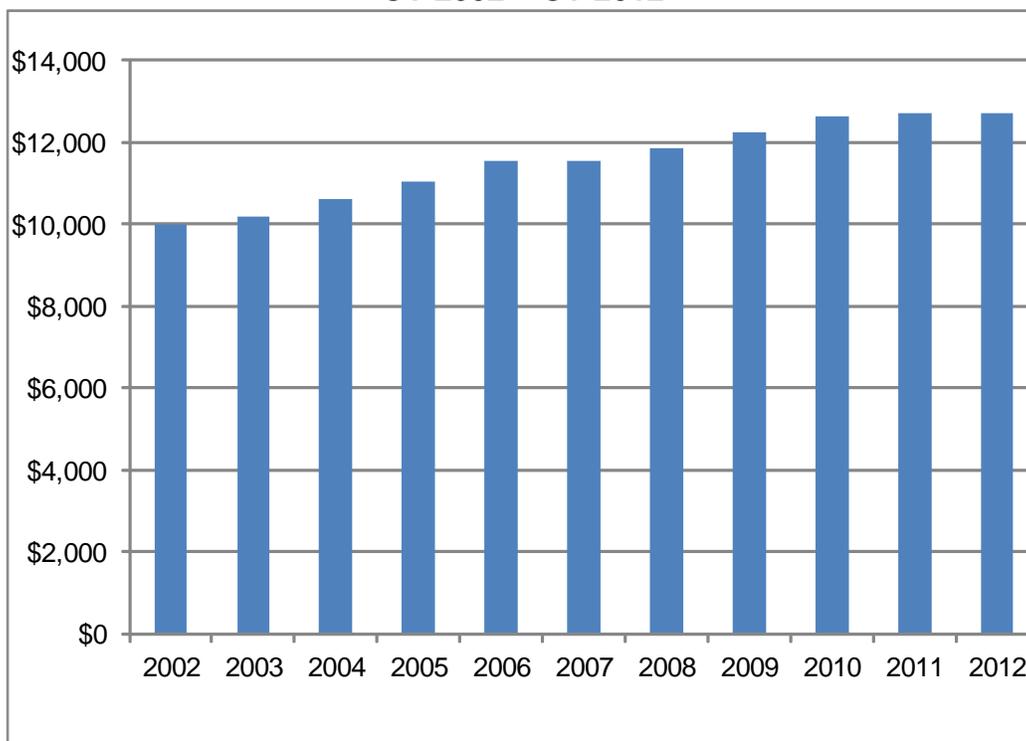


Source: Auto Rental News

⁹ 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.¹⁰ Compared to the mild and brief 2001 recession, the 2008-2009 recession had a strong and long-lasting effect on the economy.

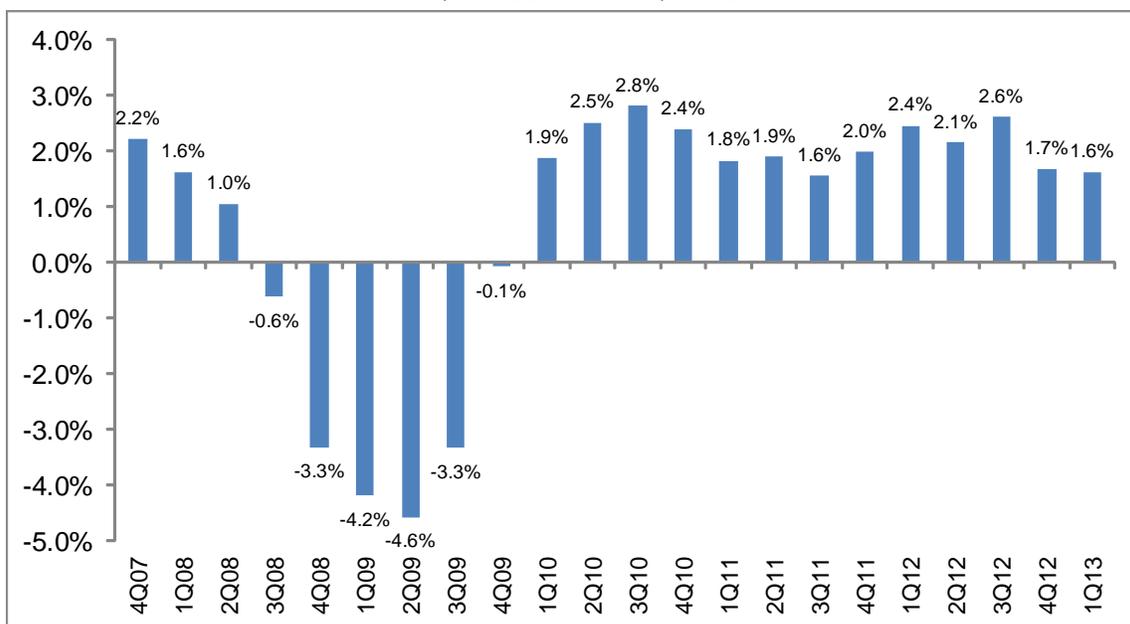
Figure IV-5 shows changes in U.S. real Gross Domestic Product (GDP)—a broad measure of economic activity—from the fourth quarter of CY 2007 through the end of the first quarter of CY 2013. U.S. real GDP declined from the third quarter of CY 2008 through the fourth quarter of CY 2009. The deepest declines 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,

¹⁰ 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 17 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, Fox Rent-A-Car, Go Rentals, Hertz, Midway Rent-A-Car, National Car Rental, Pacific Rent-A-Car, Payless Car Rental, and Thrifty Car Rental.¹¹

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**.

¹¹ 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. Three brands that currently operate at SAN, which together accounted for 0.2% of FY 2013 Gross Revenues, declined to participate in the RCC (A1 Rent A Car, Go Rentals, and Pacific Rent-A-Car). 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

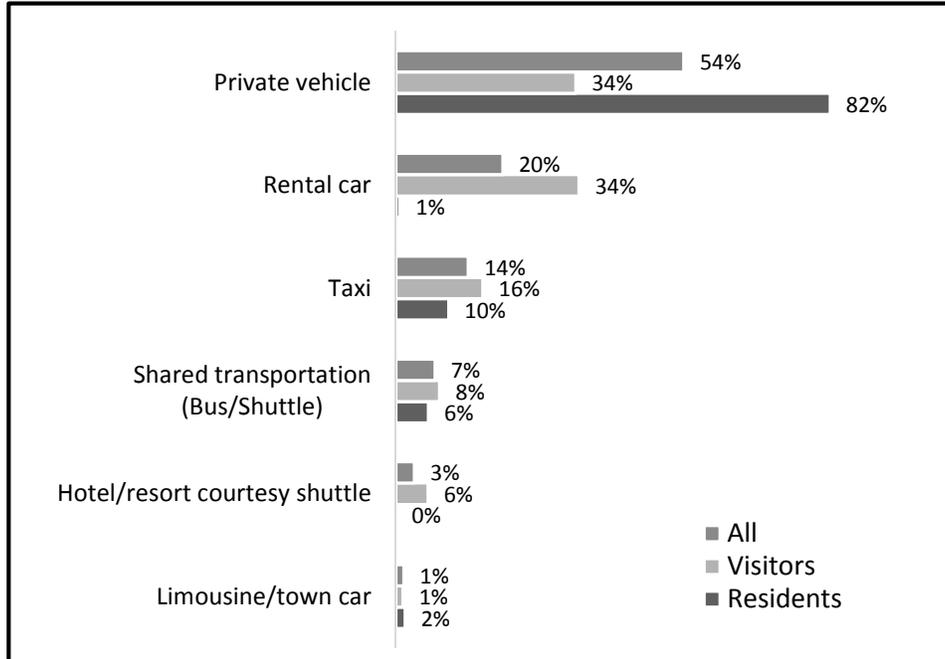
The first two parts of this section examine current rental car use among Airport passengers and reviews the historical trends in rental car demand from fiscal year (FY) 2009 through 2013. The third part presents forecasts of transaction days for FY 2014 through 2023. The last part discusses the other 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.

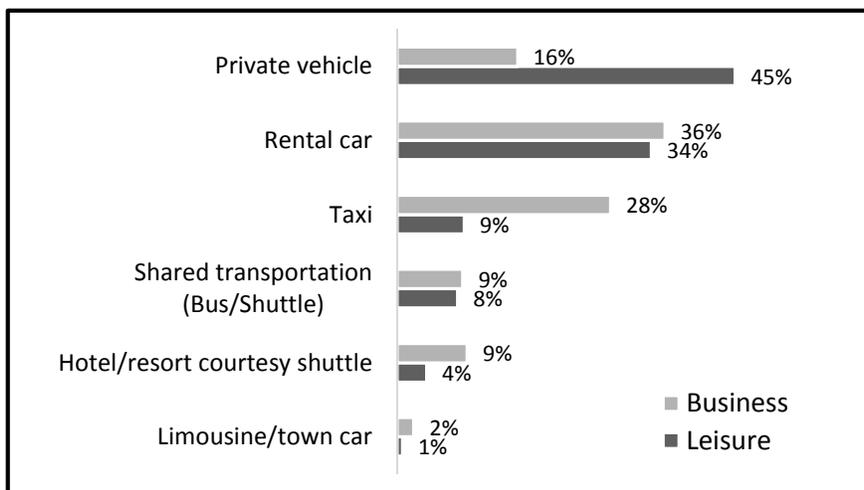
According to the survey, rental car use is as popular as private vehicle use among visitors. Thirty-four percent of surveyed passengers who are visitors used rental cars, about the same proportion who reported using private vehicles (**Figure V-1**). Among visitors, there is no material difference in 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.

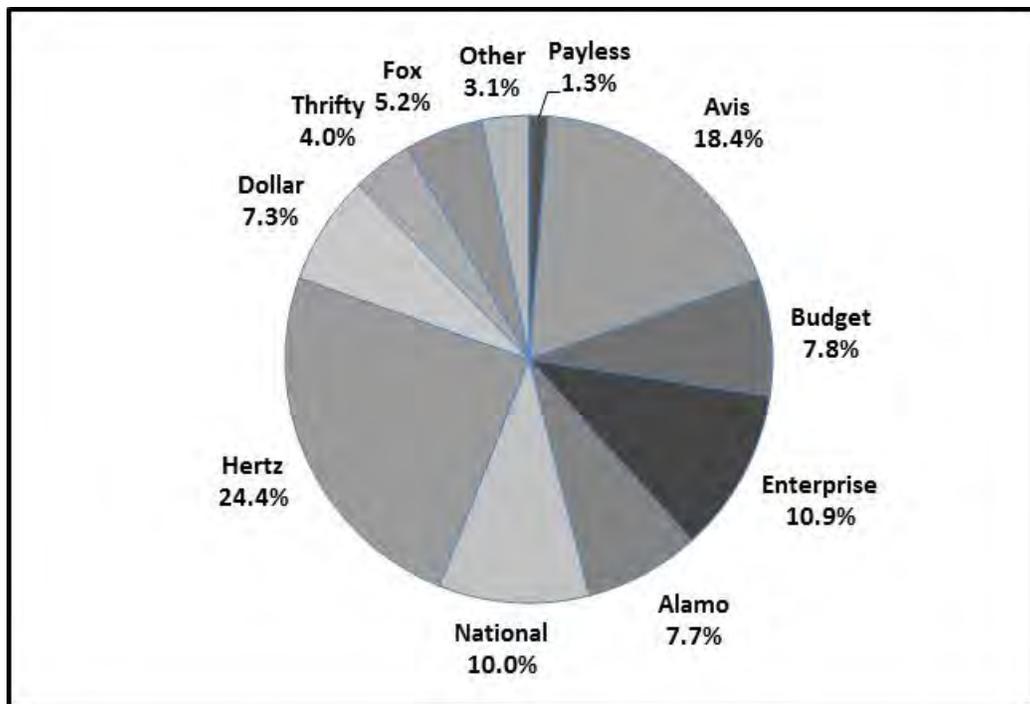
Rental Car Brands Serving the Airport by Gross Revenue Share

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.

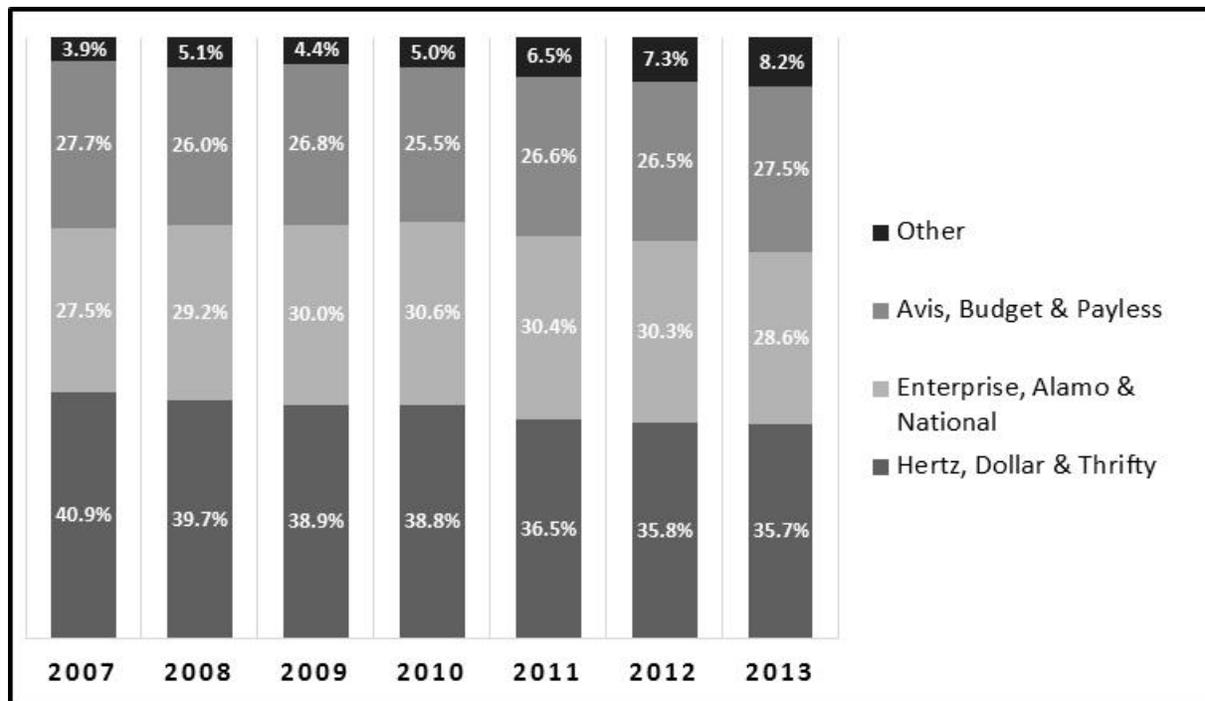
**FIGURE V-3
SAN DIEGO INTERNATIONAL AIRPORT
MONTHLY GROSS RENTAL CAR MARKET REVENUE SHARE BY BRAND
FY 2013**



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.

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 including CFC 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

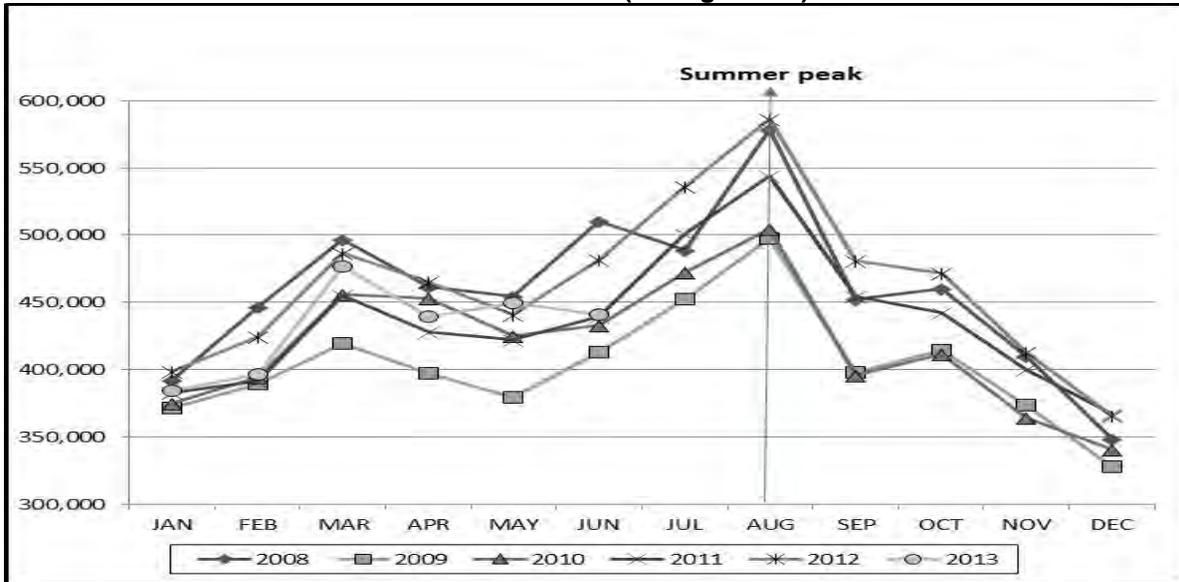
Movements in the price of renting a car contribute to changes in rental car demand. An increase in price dampens demand, while a decrease in price stimulates demand. Calculated by dividing annual gross revenues by annual transaction days, the average daily rental rate can be measured in two ways: (1) 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.

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)**

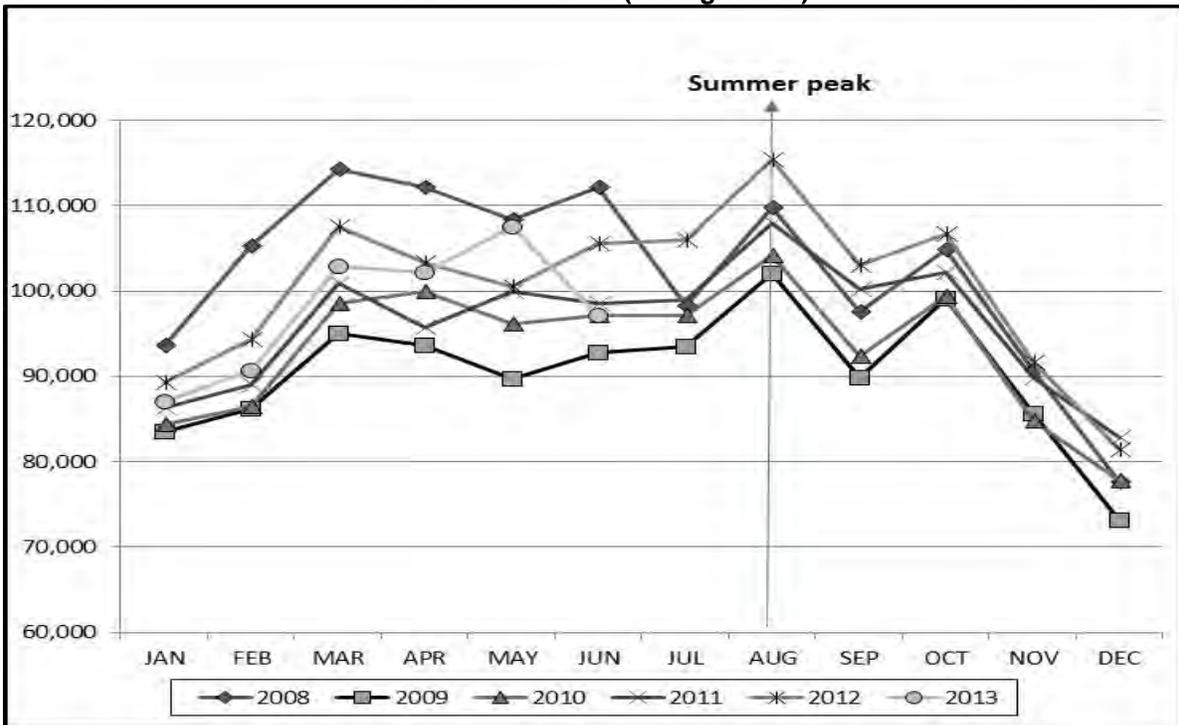


FIGURE V-7
SAN DIEGO INTERNATIONAL AIRPORT
MONTHLY AVERAGE CONTRACT DAYS
CY 2008 – CY 2013 (through June)

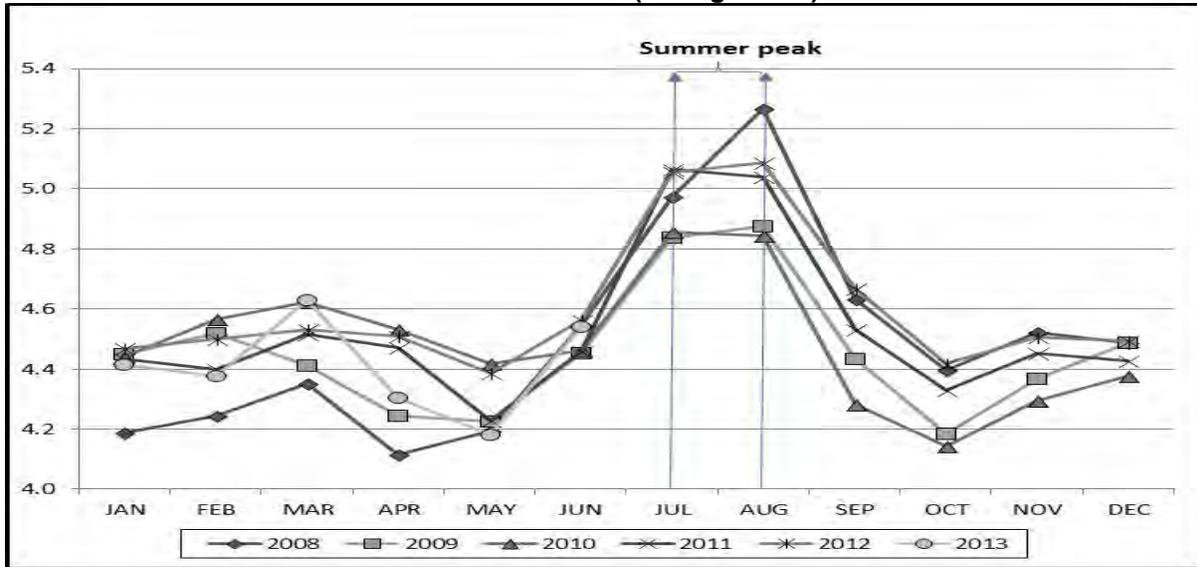
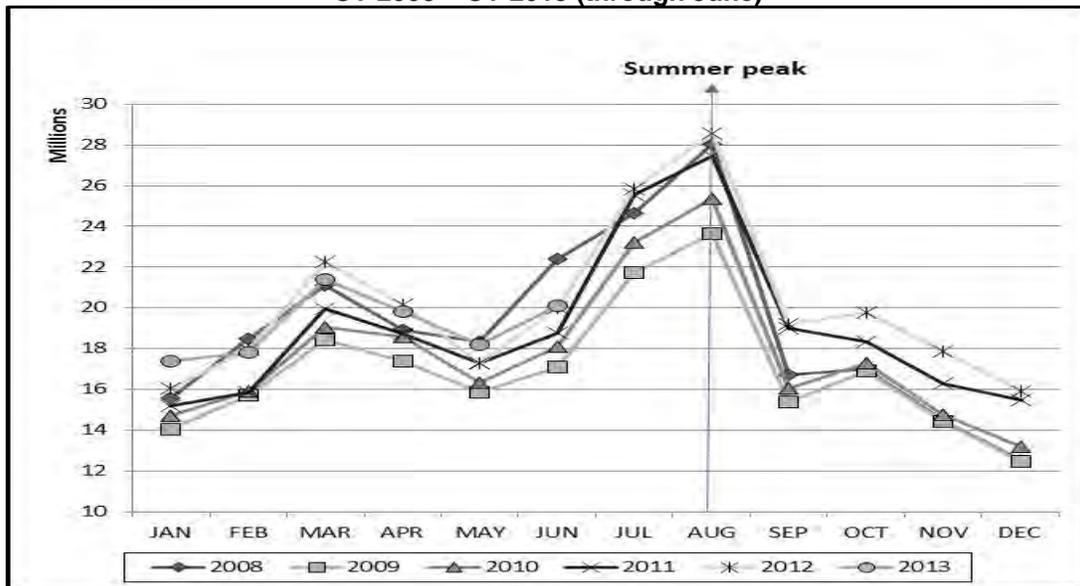


FIGURE V-8
SAN DIEGO INTERNATIONAL AIRPORT
MONTHLY GROSS RENTAL REVENUE (IN DOLLARS)
CY 2008 – CY 2013 (through June)



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 2008 – 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 2008 – 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%

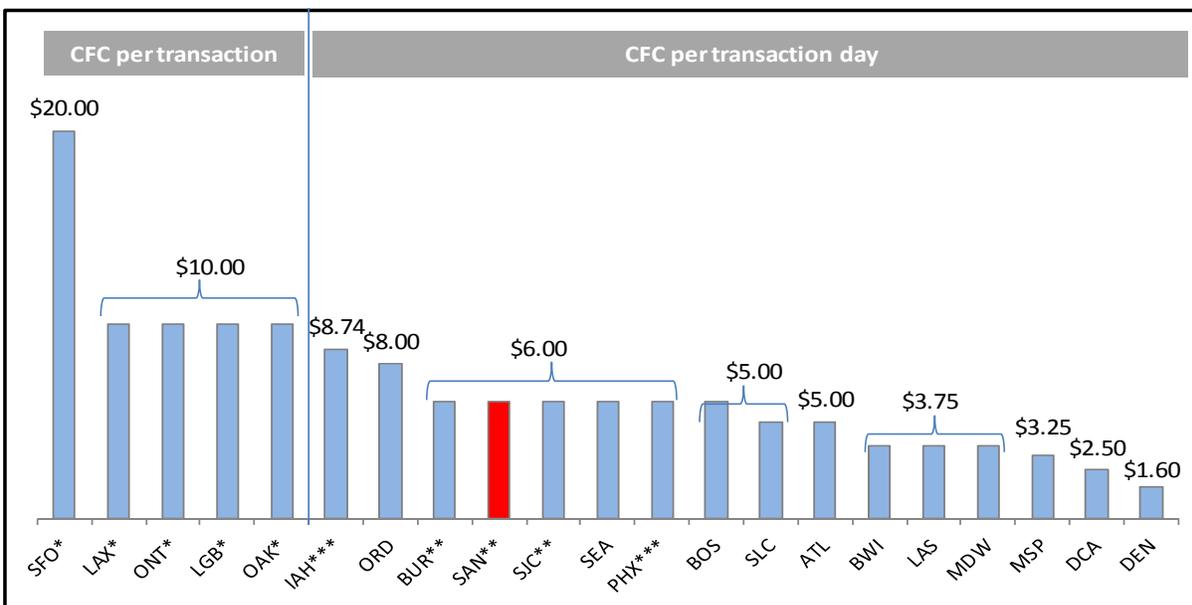
The shaded cells correspond to the months following CFC implementation. The CFC was first imposed at \$10.00 per transaction effective May 1, 2009 and was changed to \$6.00 per transaction day effective November 1, 2012. The darker shading marks the change in CFC effective November 1, 2012. The annual 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**



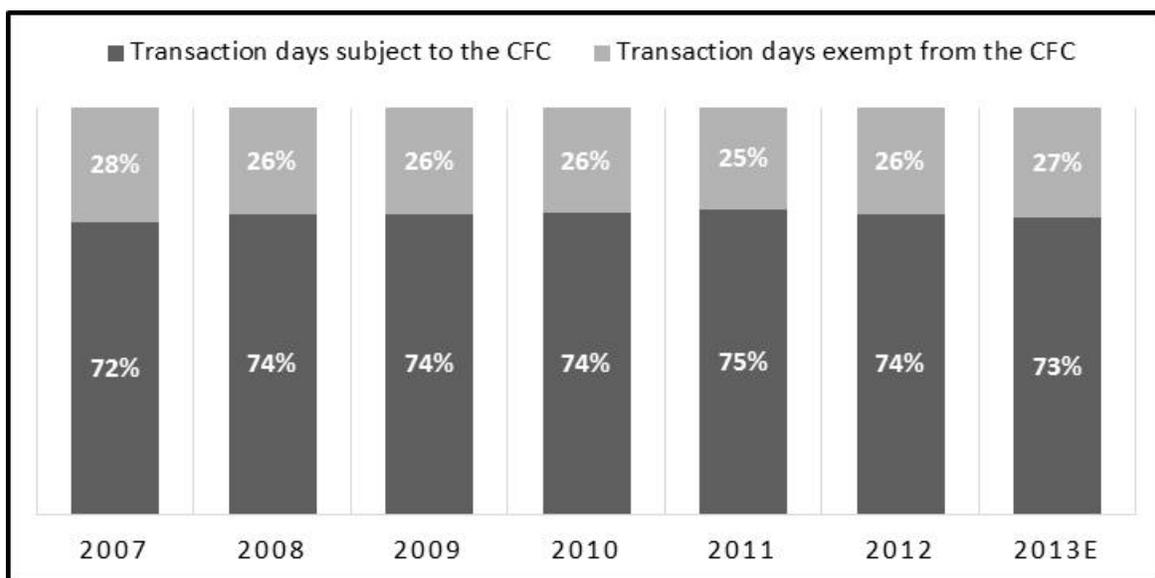
* Charge per rental contract. Others based on daily rate. ** Maximum \$30.00 for rental period
 *** In addition to the CFC, PHX also has a maintenance fee and an energy recovery fee. The amounts charged by the rental car companies for these fees range from \$1.28 to \$1.51 per day.
 **** The \$8.74 shown for IAH represents a \$4.25 CFC plus a \$4.49 transportation fee.
 Source: Rental car reservation websites, November 2013.

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



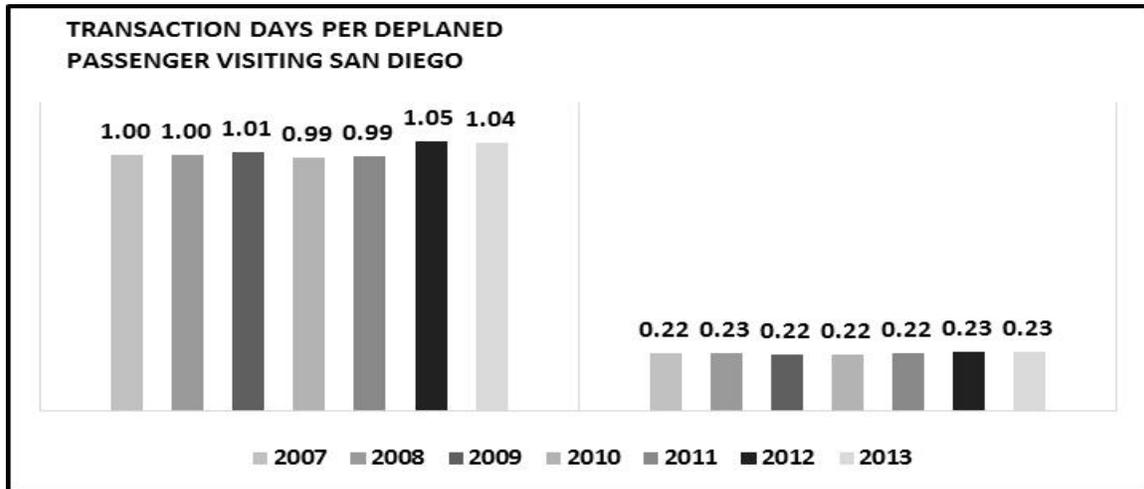
Sources: Estimates by Unison Consulting, Inc., based on sample data provided by rental car companies for four brands that accounted for 37 percent of gross rental revenues at the Airport in FY 2013.

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 2009 – 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.

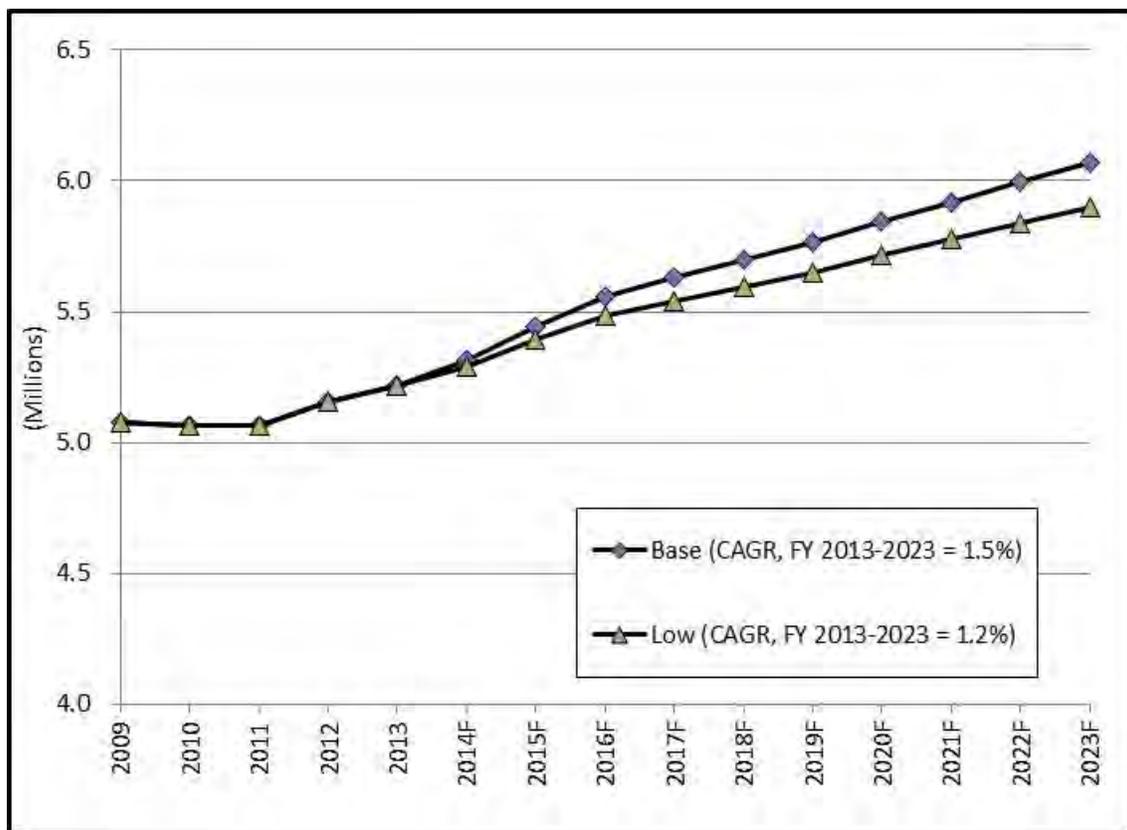
For this study, the regression models of Airport rental car demand include the following explanatory variables: Airport passenger traffic, U.S. unemployment rate and price.

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.

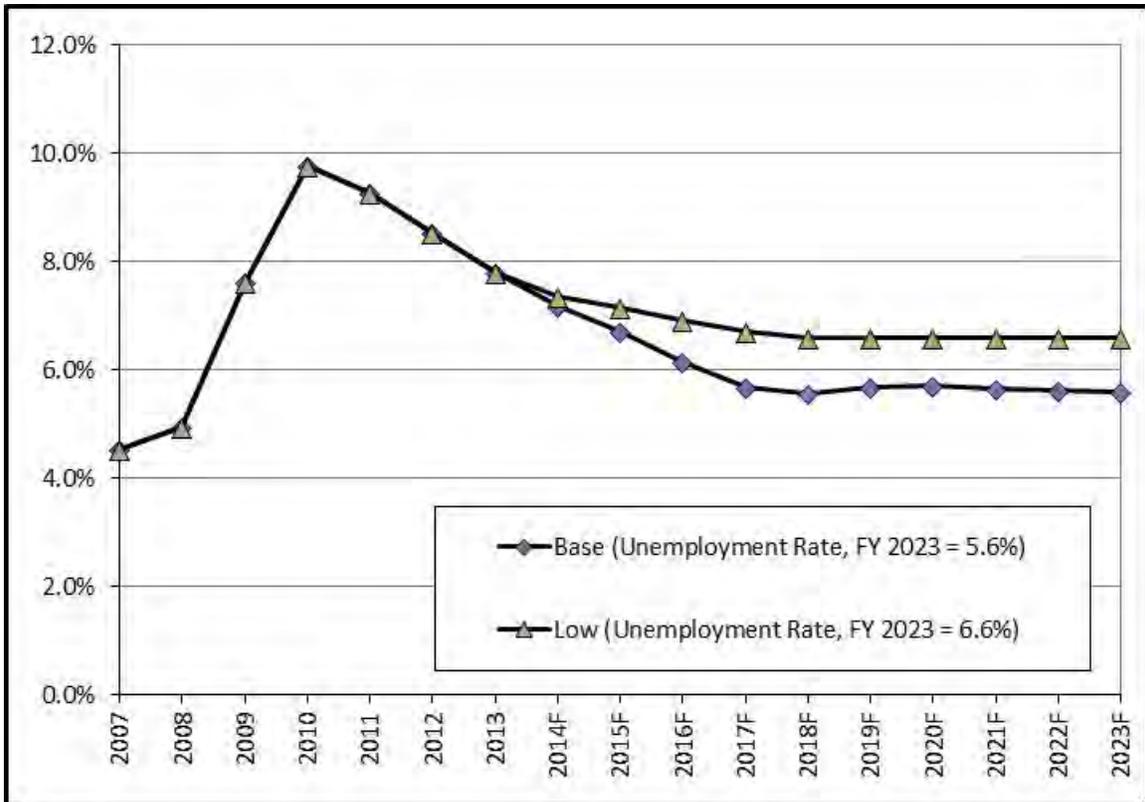
Unemployment Rate

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.

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 (see **Table V-3**); these percentage fees are assumed to remain the same over the forecast period.

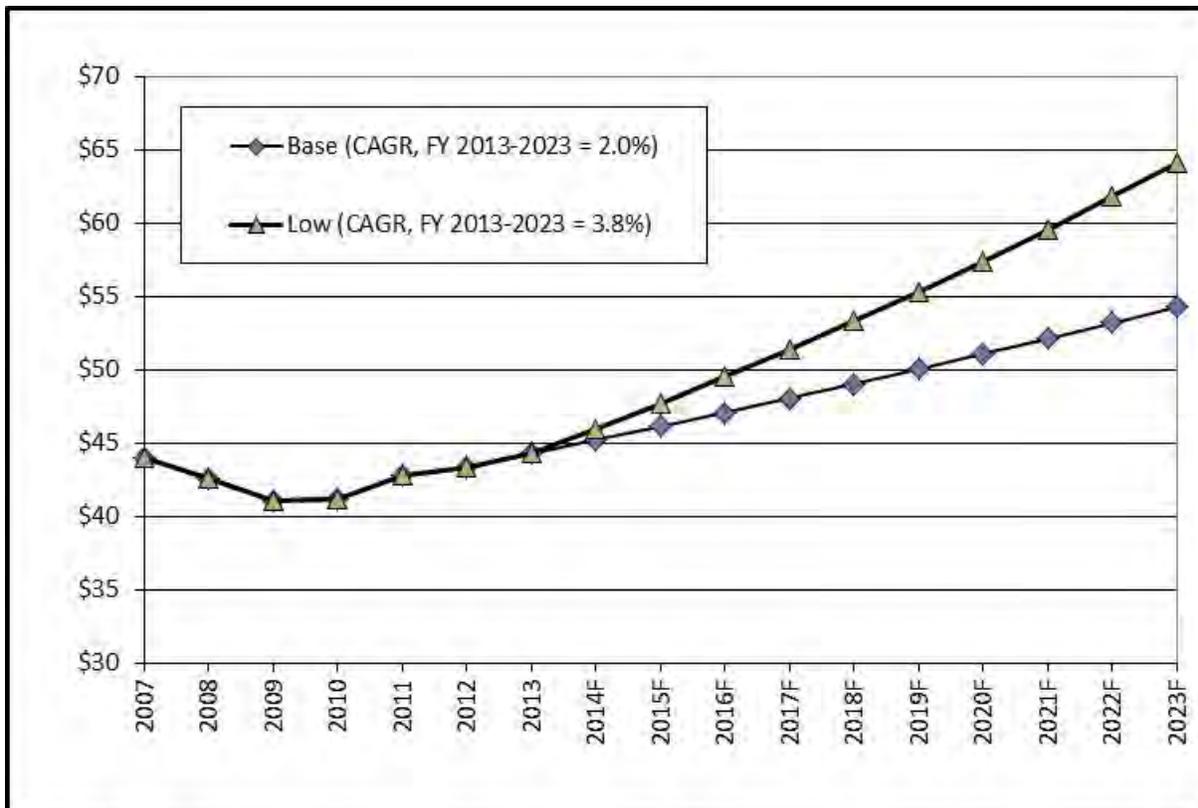
Figure V-14 shows the historical and projected trends in the average nominal daily rental rate (excluding the CFC and other fees). The average daily rental rate increased at an average annual rate of 0.1 percent, in nominal terms, over the FY 2007-2013 period. The *Base* forecast assumes that the average 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.

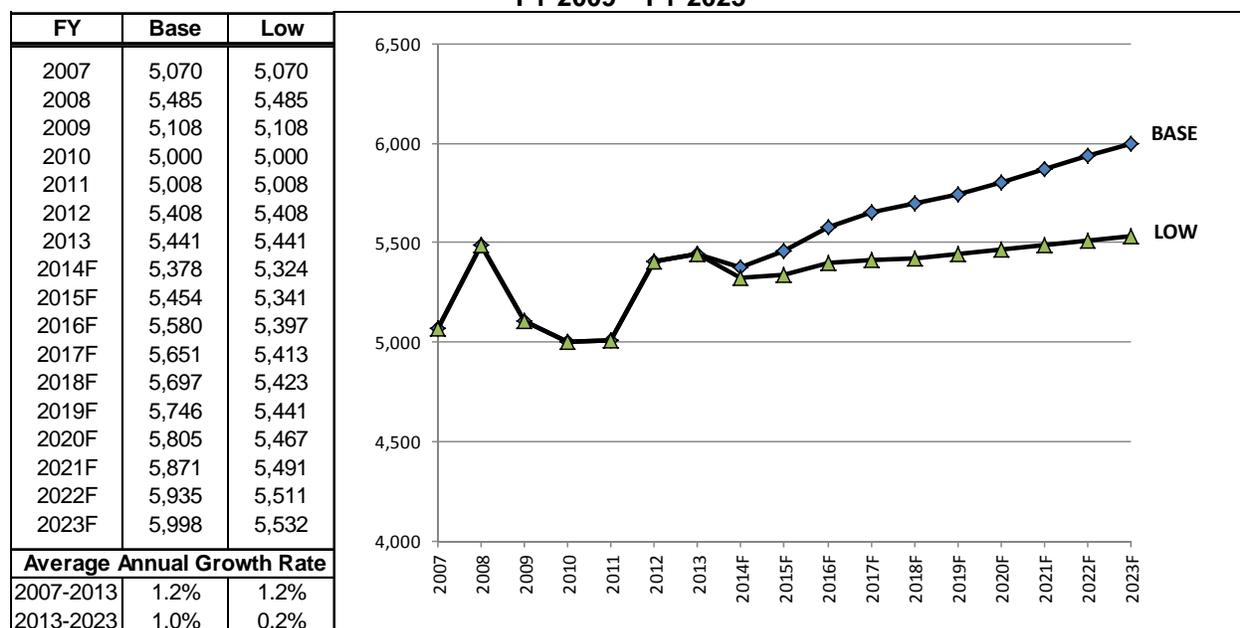
Forecast Results

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 2009 – 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-5** 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-5
 SAN DIEGO INTERNATIONAL AIRPORT
 ANNUAL TRANSACTION DAYS (IN THOUSANDS)
 BASE FORECAST SCENARIO
 FY 2013 – FY 2023**

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.

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.

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 __, 2013, the Board approved Resolution Number _____ (the Bond Resolution), which authorized the issuance of the Series 2014 Bonds in an amount not to exceed \$_____ million, 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 [_____ 2013].

3. CFC Trust Indenture

The Trust Indenture by and between the San Diego County Regional Airport Authority and _____ as Trustee, dated as of _____ 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.

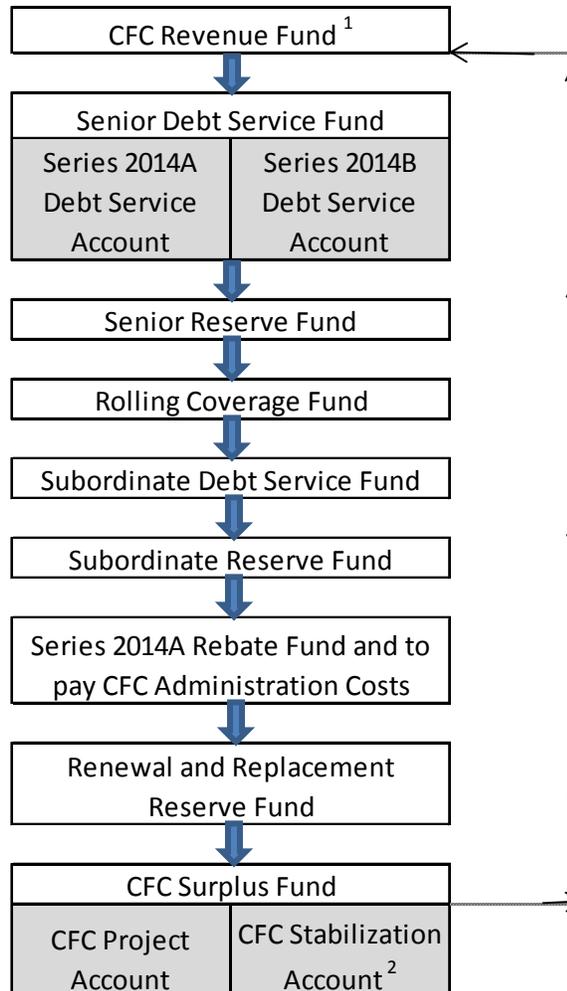
The CFC Indenture establishes the various funds and accounts related to the Series 2014 Bonds, and the order in which Project Revenues under the CFC Indenture are to be deposited into those funds and accounts (the “Flow of Funds”). The CFC Indenture requires that all Project Revenues (defined in the 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 minimum targeted balance of \$25.0 million 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.

5. RCC Lease Agreements

Ten rental car companies (the RCC Lessees) have executed RCC Lease Agreements, representing 14 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). Three brands that currently operate at SAN, which together accounted for 0.2% of FY 2013 Gross Revenues, declined to participate in the RCC (A1 Rent A Car, Go Rentals, and Pacific Rent-A-Car).

- Hertz (Hertz/Dollar/Thrifty)
- Enterprise Holdings (Enterprise/Alamo/National)
- Avis Rent A Car
- 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.

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.

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 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>\$110,122,243</u> |
| • Total CFC-eligible capital costs | <u>\$354,700,000⁷</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; (3) earnings on investments held in the Senior Debt Service Fund, the Senior Reserve Fund, the Subordinate Debt Service Fund, the Subordinate Reserve Fund, the Rolling Coverage Fund, and the CFC Surplus 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	310,618	547,434	613,745	566,818	585,502	910,379	965,126	1,020,742	1,458,552	1,582,861
Total Amounts Available	\$26,763,618	\$30,352,434	\$31,101,745	\$34,540,818	\$37,944,502	\$38,584,379	\$39,035,126	\$39,513,742	\$40,374,552	\$40,912,861
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	\$26,713,618	\$30,302,434	\$21,651,123	\$12,617,034	\$10,719,679	\$11,574,482	\$12,049,113	\$12,556,081	\$15,284,215	\$15,830,394

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 and the Rolling Coverage Fund, and CFC Surplus Fund.

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.

G. 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	310,618	547,434	613,745	566,818	585,502	910,379	965,126	1,020,742	1,458,552	1,582,861
Total Amounts Available	\$26,763,618	\$30,352,434	\$31,101,745	\$34,540,818	\$37,944,502	\$38,584,379	\$39,035,126	\$39,513,742	\$40,374,552	\$40,912,861
Rolling Coverage Fund 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
Total Amounts Available, plus Rolling Coverage Fund Balance	\$34,459,970	\$38,048,786	\$38,798,097	\$42,237,170	\$45,640,854	\$46,280,731	\$46,731,478	\$47,210,094	\$48,070,904	\$48,609,213
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	1.60
Coverage including Rolling Coverage Fund	N/A	N/A	4.13	2.08	1.78	1.80	1.82	1.84	1.87	1.90

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.

**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 Fund¹										
CFC Project Account										
Beginning Balance	\$0	\$36,753,831	\$33,683,498							
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	(33,105,959)	(33,105,959)	(33,105,959)							
Interest earnings	146,430	280,627	171,305							
Transfer to CFC Stabilization Account ¹			(748,845)							
Ending Balance	\$36,753,831	\$33,683,498	\$0							
CFC Stabilization Account										
Beginning Balance			\$0	\$21,895,154	\$25,000,000	\$25,650,711	\$29,441,607	\$33,004,957	\$36,912,706	\$43,032,357
Transfer from CFC Project Account ¹			748,845	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			108,931	233,309	251,994	410,117	464,863	520,479	791,535	915,844
Transfers/Withdrawals			0	0	0	0	0	0	0	0
Available Balance			\$21,895,154	\$34,178,680	\$35,386,170	\$36,724,931	\$40,990,457	\$45,060,775	\$51,529,903	\$58,195,735
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	\$9,178,680	\$10,386,170	\$11,724,931	\$15,990,457	\$20,060,775	\$26,529,903	\$33,195,735
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	\$2,365,046	\$3,373,875	\$4,508,015	\$8,004,957	\$11,912,706	\$18,032,357	\$24,467,887
Repayment of Authority Loan (including interest) ⁵			0	(2,365,046)	(2,723,164)	(66,407)	0	0	0	0
Balance in Excess of Available/Target Balance			\$0	\$0	\$650,711	\$4,441,607	\$8,004,957	\$11,912,706	\$18,032,357	\$24,467,887
Add back: Available/Targeted Balance			21,895,154	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000
Ending Balance			\$21,895,154	\$25,000,000	\$25,650,711	\$29,441,607	\$33,004,957	\$36,912,706	\$43,032,357	\$49,467,887

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	4.13	2.08	1.78	1.80	1.82	1.84	1.87	1.90
CFC Stabilization Account Balance	N/A	N/A	\$21,895,154	\$25,000,000	\$25,650,711	\$29,441,607	\$33,004,957	\$36,912,706	\$43,032,357	\$49,467,887
Authority Loan Balance	N/A	N/A	\$4,779,854	\$2,414,808	\$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	4.02	2.01	1.71	1.72	1.73	1.74	1.76	1.76
CFC Stabilization Account Balance	N/A	N/A	\$19,987,650	\$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	4.13	1.89	1.62	1.64	1.65	1.67	1.69	1.71
CFC Stabilization Account Balance	N/A	N/A	\$21,895,154	\$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

PURCHASE CONTRACT

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

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

_____, 2014

San Diego County Regional Airport Authority
3225 North Harbor Drive, 3rd Floor
San Diego, California 92101

Ladies and Gentlemen:

The undersigned, Siebert Brandford Shank & Co., L.L.C. (the “**Representative**”), as representative of the underwriters listed on the signature page hereof (the “**Underwriters**”) hereby offers to enter into this Purchase Contract (this “**Purchase Contract**”) with the San Diego County Regional Airport Authority (the “**Authority**”). The offer made hereby is subject to acceptance by the Authority by execution and delivery of this Purchase Contract to the Underwriters at or prior to 11:59 p.m., California time, on the date first above written, and if not so accepted will be subject to withdrawal by the Underwriters upon notice delivered to the Authority at any time prior to the acceptance hereof by the Authority. Upon acceptance of this offer by the Authority in accordance with the terms hereof, this Purchase Contract will be binding upon the Authority and upon the Underwriters. Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Official Statement or the Indenture, each as hereinafter defined.

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties, covenants and agreements hereinafter set forth, the Underwriters, acting as principals and independent contractors and not as agents or fiduciaries, hereby, jointly and severally, agree to purchase from the Authority, and the Authority hereby agrees to sell to the Underwriters, all (but not less than all) of the \$ _____ aggregate principal amount of the Authority’s Senior Special Facilities Revenue Bonds, (Consolidated Rental Car Facility Project) Series 2014A (the “**Series 2014A Bonds**”) and the \$ _____ aggregate principal amount of the Authority’s 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**”). The Series 2014 Bonds shall be dated the date of issuance, shall bear interest payable [July 1], 2014 and thereafter semiannually each January 1 and July 1 at the rates, shall mature on July 1 in each year in the amounts, and shall be subject to redemption, all as set forth in the attached Schedule I. The purchase price for the Series 2014A Bonds shall be \$_____ (consisting of the aggregate principal amount of the Series 2014A Bonds, less an underwriters’ discount of \$_____) (the “**Series 2014A Purchase Price**”). The purchase price for the Series 2014B Bonds shall be \$_____ (consisting of the aggregate principal amount of the Series 2014B Bonds, [plus/less] an original issue [premium/discount] of \$_____, less an underwriters’ discount of \$_____) (the “**Series 2014B Purchase Price**,” and collectively with the Series 2014A Purchase Price, the “**Purchase Price**”).

The Authority will undertake, pursuant to a Continuing Disclosure Certificate (the “**Continuing Disclosure Certificate**”), to provide certain annual financial information and notices of the occurrence of certain enumerated events. A description of this undertaking is set forth in the Official Statement.

The Authority acknowledges and agrees that (i) the purchase and sale of the Series 2014 Bonds pursuant to this Purchase Contract is an arm’s-length commercial transaction between the Authority and the Underwriters, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriters are and have been acting solely as principals and are not acting as municipal advisors (as defined in Section 15B(e)(4) of the Securities Exchange Act of 1934, as amended), or agents, advisors or fiduciaries of the Authority, (iii) the Underwriters have not assumed an advisory or fiduciary responsibility in favor of the Authority with respect to the offering of the Series 2014 Bonds contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriters, or any affiliates of the Underwriters, have provided other services or are currently providing other services to the Authority on other matters) and the Underwriters have no obligation to the Authority with respect to the offering of the Series 2014 Bonds contemplated hereby except the obligations expressly set forth in this Purchase Contract and except as otherwise provided by law, (iv) the Authority has consulted with its own legal, financial and other advisors to the extent it deemed appropriate in connection with the offering of the Series 2014 Bonds, and (v) the Underwriters have financial and other interests that differ from those of the Authority. Nothing in the foregoing paragraph is intended to limit the Underwriters’ obligations of fair dealing under the Municipal Securities Rulemaking Board’s Rule G-17.

2. The Series 2014 Bonds. The Series 2014 Bonds will be 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 California Government Code Section 54402(b), which do not apply to the issuance and sale of bonds pursuant to the Act; and the Trust Indenture, dated as of _____ 1, 2014 (the “**Indenture**”), by and between the Authority and U.S. Bank National Association, as trustee (the “**Trustee**”). The issuance of the Series 2014 Bonds has been authorized by the board

of directors of the Authority (the “**Board**”) pursuant to a resolution adopted by the Board on [December 12, 2013] (the “**Bond Resolution**”). 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 Project Revenues, and from certain additional funds and accounts held by the Trustee under the Indenture and certain additional funds and accounts held by the Authority.

Additionally, on October 4, 2012, the Board adopted Resolution No. 2012-0111 (the “**CFC Resolution**”) authorizing the implementation of Alternative CFC Rates (as defined therein) and the use of such rates to pay the reasonable cost of design and construction of the Project and the operation of a common use transportation system.

The proceeds of the Series 2014 Bonds will be used to (a) finance a portion of the costs of the development and construction of a new consolidated rental car facility and certain related improvements at San Diego International Airport (Lindbergh Field) (the “**Airport**”), (b) fund a portion of the interest accruing on the Series 2014 Bonds through January 1, 2016, (c) fund deposits to a reserve fund for the Series 2014 Bonds and the Rolling Coverage Fund, and (d) pay certain expenses in connection with the issuance of the Series 2014 Bonds. The Series 2014 Bonds are being issued for such purposes and shall otherwise be as described in the Indenture and the Official Statement.

3. Use and Preparation of Official Statement. The Authority hereby ratifies, approves and confirms the use and distribution by the Underwriters prior to the date hereof of the Preliminary Official Statement of the Authority with respect to the Series 2014 Bonds, dated _____, 2014 (together with the Appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto, the “**Preliminary Official Statement**”), in connection with the offering and sale of the Series 2014 Bonds. The Authority represents and warrants that the Preliminary Official Statement was deemed final by the Authority as of its date for purposes of Rule 15c2-12 of the Securities and Exchange Commission (“**Rule 15c2-12**”), except for those matters permitted by Rule 15c2-12 to be omitted, including maturity amounts, interest rates, offering prices, redemption dates and prices, ratings, underwriters’ discount, delivery dates and related terms. The Authority hereby agrees to deliver or cause to be delivered to the Underwriters, in sufficient time to accompany any confirmation that requests payment from any purchaser (but in no event later than the earlier of seven business days after the date hereof or the business day prior to the Closing Date), copies of the final Official Statement, dated the date hereof (including all information previously permitted to have been omitted by Rule 15c2-12 and any amendments or supplements to such Official Statement as have been approved by the Authority (after consultation with the Representative)) (the “**Official Statement**”) in sufficient quantity (which may be in electronic form to the extent requested or agreed by the Representative) to enable the Underwriters to comply with the rules of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Authority hereby approves of the use and distribution by the Underwriters of the Official Statement in connection with the offer and sale of the Series 2014 Bonds. At the time of or prior to the date of Closing, the Underwriters shall file a copy of the Official Statement with the Municipal Securities Rulemaking Board.

4. Representations, Warranties, Covenants and Agreements of the Authority.

The Authority represents and warrants to and covenants and agrees with the Underwriters that as of the date hereof:

(a) The Authority is a local governmental entity of regional government with jurisdiction extending throughout the County of San Diego (the “**County**”), organized and existing pursuant to the provisions of the Act and the Constitution of the State of California.

(b) The Authority has full legal right, power and authority to enter into this Purchase Contract and the Indenture, to execute the Continuing Disclosure Certificate, to adopt the Bond Resolution and the CFC Resolution and to observe, perform and consummate the covenants, agreements and transactions contemplated by this Purchase Contract, the Indenture, the Continuing Disclosure Certificate, the Rental Car Lease Agreements, the Rental Car Concession Agreements and the Official Statement and to issue, sell and deliver the Series 2014 Bonds to the Underwriters as provided herein; and by all necessary official action of the Authority prior to or concurrently with the acceptance hereof, the Board has duly adopted the Bond Resolution and the CFC Resolution and approved the Preliminary Official Statement and the Official Statement; the Bond Resolution and the CFC Resolution are in full force and effect and have not been amended, modified or rescinded; the Authority has duly authorized and approved the execution and delivery of, and the performance by the Authority of its obligations contained in, the Series 2014 Bonds, the Indenture, the Official Statement, the Continuing Disclosure Certificate, the Rental Car Lease Agreements, the Rental Car Concession Agreements and this Purchase Contract; the Authority has duly authorized and approved the performance of its obligations contained in the Indenture, the Continuing Disclosure Certificate, the Rental Car Lease Agreements, the Rental Car Concession Agreements, the Bond Resolution and the CFC Resolution and the consummation by it of all other transactions contemplated by this Purchase Contract to have been performed or consummated at or prior to the Closing Date (as hereinafter defined); and the Authority is in compliance in all respects with the terms of the Act and with the obligations in connection with the issuance of the Series 2014 Bonds on its part contained in the Bond Resolution, the CFC Resolution, the Rental Car Lease Agreements, the Rental Car Concession Agreements, the Indenture, the Series 2014 Bonds and this Purchase Contract. As used herein and for purposes of this Agreement, the terms “Rental Car Lease Agreements” and “Rental Car Concession Agreements” shall only refer to those agreements that have been executed by the Authority and the applicable Rental Car Company as of the date hereof and the date of the Preliminary Official Statement.

(c) As of the date thereof and the date hereof, the Preliminary Official Statement (except for the information relating to DTC, the forecasts included in the Financial Feasibility Report set forth in Appendix A of the Preliminary Official Statement and in [Table ___] in the forepart of the Preliminary Official Statement, the information under the caption “UNDERWRITING” and information permitted to be excluded pursuant to Rule 15c2-12 as to which no representation is made (except as provided in paragraph (o) below)) did not and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, except as otherwise provided in this Purchase Contract, the Authority makes no representations as to any employment and economic

data (including projections) obtained from third parties contained in the Financial Feasibility Report and the Preliminary Official Statement.

As of the date hereof and the Closing Date, the Official Statement (except for the information relating to DTC, the forecasts included in the Financial Feasibility Report set forth in Appendix A of the Official Statement and in Table [] in the forepart of the Official Statement, and the information under the caption “UNDERWRITING” as to which no representation is made (except as provided in paragraph (o) below)) does not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, except as otherwise provided in this Purchase Contract, the Authority makes no representations as to any employment and economic data (including projections) obtained from third parties contained in the Financial Feasibility Report and the Official Statement.

(d) If between the date hereof and 25 days after the End of the Underwriting Period for the Series 2014 Bonds (as hereinafter defined) (i) any event shall occur or any fact or condition shall become known to the Authority which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority shall notify the Underwriters thereof, and (ii) in the reasonable opinion of the Authority, following consultation with the Underwriters, such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will at its expense supplement or amend the Official Statement.

As used herein, and for the purposes of the foregoing, the term “**End of the Underwriting Period**” for the Series 2014 Bonds shall mean the later of (i) the Closing Date or (ii) the date on which the End of the Underwriting Period for the Series 2014 Bonds has occurred under Rule 15c2-12; provided, however, that the Authority may assume that, unless notified otherwise in writing by the Representative on or before the Closing Date, the End of the Underwriting Period for the Series 2014 Bonds will occur on the Closing Date.

For the purposes of this Paragraph (d), between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Series 2014 Bonds, the Authority will furnish such information with respect to itself and the Airport as the Underwriters may from time to time reasonably request.

(e) If the Official Statement is supplemented or amended pursuant to Paragraph 4(d) hereof, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the date which is 25 days after the End of the Underwriting Period for the Series 2014 Bonds, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) Between the date hereof and the Closing Date, except as contemplated by the Official Statement, the Authority will not without the prior written consent of the Underwriters offer or issue any bonds, notes or other obligations for borrowed money, or incur any other material liabilities, direct or contingent, in each case payable from the Trust Estate (including Project Revenues).

(g) The Authority is not in violation of, or in material breach of or in material default under, any applicable constitutional provision, law or administrative regulation or order of the State of California or the United States of America or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, or other agreement or instrument to which the Authority is a party or to which the Authority or any of its properties is otherwise bound, and no event has occurred to the knowledge of the Authority and is continuing which, with the passage of time or the giving of notice, or both, would constitute a material default or event of default under any such instrument, in any such event which violation or breach would have a material adverse effect on the ability of the Authority to repay the Series 2014 Bonds or on the security therefor; and the execution and delivery of this Purchase Contract, the Indenture, the Continuing Disclosure Certificate, the Rental Car Lease Agreements, the Rental Car Concession Agreements and the Series 2014 Bonds, the adoption of the Bond Resolution or the CFC Resolution, and compliance with the provisions of this Purchase Contract, the Indenture, the Continuing Disclosure Certificate, the Rental Car Lease Agreements, the Rental Car Concession Agreements, the Bond Resolution, the CFC Resolution and the Series 2014 Bonds do not conflict with or constitute a material breach of or material default under any California constitutional provision, law, administrative regulation, order, judgment, court decree, loan agreement, indenture, bond, note, resolution, agreement, or other instrument to which the Authority is a party, or by which it or any of its properties are bound, nor does any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its properties or under the terms of any such law, regulation or instrument, except as provided by the Series 2014 Bonds or except to the extent that such breach, or the creation or imposition of such lien or charge, would not have a material adverse effect on the security for the Series 2014 Bonds.

(h) Except as expressly set forth in the Official Statement, there is no action, suit, proceeding, hearing, inquiry or investigation, at law or in equity, before or by any California or Federal court, governmental agency, public board or body, pending or, to the best of the Authority's knowledge, threatened against the Authority: (i) in any way questioning the existence of the Authority or the titles of the officers of the Authority to their respective offices in which an adverse decision would affect the Board's adoption of the Bond Resolution or the CFC Resolution or its approval of this Purchase Contract, the Indenture, the Continuing Disclosure Certificate, the Preliminary Official Statement, the Official Statement or the Series 2014 Bonds; (ii) in any way contesting, affecting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Series 2014 Bonds, or the collection of revenues pledged to pay the principal of and interest on the Series 2014 Bonds, or the pledge of such revenues, or the application of the proceeds of the Series 2014 Bonds; (iii) affecting or seeking to prohibit, restrain or enjoin the imposition or collection of the CFCs or the rent payments charged under

the Rental Car Lease Agreements and the Rental Car Concession Agreements or the use of the CFCs for the payment of debt service as described in the Preliminary Official Statement and in the Official Statement; (iv) in any way contesting or affecting the validity or enforceability of any provision of the Series 2014 Bonds, the Indenture, the Continuing Disclosure Certificate, the Rental Car Lease Agreements, the Rental Car Concession Agreements or this Purchase Contract, or contesting the powers of the Authority or any authority for the issuance of the Series 2014 Bonds, or the adoption of the Bond Resolution or the CFC Resolution, or the execution and delivery by the Authority of, the Indenture, this Purchase Contract or the Continuing Disclosure Certificate; (v) which may result in any material adverse change relating to the ability of the Authority to pay the Series 2014 Bonds from the Trust Estate; or (vi) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) The Authority will furnish such information, execute such instruments and take such other action not inconsistent with law or established policy of the Authority in cooperation with the Underwriters as may be reasonably requested (i) to qualify the Series 2014 Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Underwriters; and (ii) to determine the eligibility of the Series 2014 Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Series 2014 Bonds; provided, however, that the Authority shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(j) The Series 2014 Bonds, when issued and delivered in accordance with the Bond Resolution and the Indenture and sold to the Underwriters as provided herein, will be the legal, valid and binding special limited obligations of the Authority, enforceable in accordance with their terms, except as such enforceability may be limited by 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 of California, and (subject to the immediately preceding limitations) the owners of the Series 2014 Bonds will be entitled to the benefits of the Indenture; and upon such issuance and delivery the Indenture will provide, for the benefit of the owners from time-to-time of the Series 2014 Bonds, a legally valid and binding pledge of and lien on the Trust Estate and the funds and accounts pledged to such Series 2014 Bonds under the Indenture.

(k) When executed, this Purchase Contract, the Indenture and the Continuing Disclosure Certificate (assuming due authorization, execution and delivery by the other parties thereto, if applicable) will constitute the valid and legally binding 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 of California.

(1) All authorizations, approvals, licenses, permits, consents and orders of any federal or California governmental authority, legislative body, board, court, agency or commission having jurisdiction of the matter, or of any Rental Car Company, which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the Authority of, its respective obligations under this Purchase Contract, the Indenture and the Series 2014 Bonds, have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Series 2014 Bonds.

(m) The Authority's Financial Statements set forth as Appendix F to the Preliminary Official Statement and the Official Statement fairly present the financial position of the Authority as of the dates indicated and the results of its operations, the sources and uses of its cash and the changes in its fund balances for the periods therein specified to the extent included therein, and are in conformity with generally accepted accounting principles applied on a consistent basis, and there has been no material adverse change in the financial condition or results of operations of the Authority since the date thereof.

(n) The Authority has the right, power and authority to conduct its business and operations with respect to the Airport as described in the Preliminary Official Statement and the Official Statement.

(o) The forecasts included in the Financial Feasibility Report set forth in Appendix A of the Preliminary Official Statement and the Official Statement and in Table [] in the forepart of the Preliminary Official Statement and the Official Statement are based on information and assumptions that were provided by and/or reviewed with and agreed to by Authority management. The Authority has no knowledge, after due inquiry, of any fact or circumstances that would have a material adverse effect on the assumptions or forecasts in the Financial Feasibility Report that the Authority has not disclosed to Unison Consulting, Inc. (the "**Feasibility Consultant**"), Kutak Rock LLP, Disclosure Counsel to the Authority ("Disclosure Counsel") and the Underwriters.

(p) Except as disclosed in the Preliminary Official Statement and Official Statement, the Authority is in compliance with all conditions, and has obtained all approvals and consents, necessary for the imposition and use of CFCs, as set forth in the Preliminary Official Statement and the Official Statement, including paying the debt service on the Series 2014 Bonds.

(q) Any certificate signed by any authorized official of the Authority and delivered to the Underwriters shall be deemed to be a representation and warranty by the Authority to the Underwriters as to the statements made therein.

(r) The Authority will undertake, pursuant to the Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain enumerated events pursuant to Section (b)(5) of Rule 15c2-12. For the last five years, the Authority has been, and is now, in compliance with all of its continuing disclosure obligations under Rule 15c2-12.

(s) Between the date hereof and the Closing Date, the Authority will not supplement or amend the Bond Resolution, the CFC Resolution or the Indenture, without the prior written consent of the Underwriters.

5. Offering; Representation of the Underwriters.

(a) It shall be a condition to the Authority's obligations to sell and to deliver the Series 2014 Bonds to the Underwriters and to the Underwriters' obligations to purchase and to accept delivery of the Series 2014 Bonds that the entire \$_____ principal amount of the Series 2014A Bonds and the entire \$_____ principal amount of the Series 2014B Bonds shall be issued, sold and delivered by the Authority and purchased, accepted and paid for by the Underwriters on the Closing Date.

The Underwriters agree to make a bona fide public offering of all the Series 2014 Bonds, at prices not in excess of the initial public offering prices or at yields not lower than the yields set forth on the inside cover page of the Official Statement; provided that the Underwriters reserve the right from time to time as the Underwriters, in their sole discretion, deem necessary or desirable, to offer and sell the Series 2014 Bonds to certain dealers (including dealers depositing the Series 2014 Bonds into investment trusts) and others at prices lower than the initial offering prices or at yields higher than the initial yields set forth on the inside cover page of the Official Statement. The Underwriters also reserve the right to (1) over-allot or to effect transactions that stabilize or maintain the market price of the Series 2014 Bonds at a level above that which might otherwise prevail in the open market and (ii) discontinue such stabilizing, if commenced, at any time.

On or prior to the Closing Date, the Underwriters will provide the Authority with information regarding the offering prices and yields on the Series 2014A Bonds, in such form as the Authority may reasonably request, for purposes of determining the yield on the Series 2014A Bonds under Section 148 of the Internal Revenue Code of 1986, as amended.

(b) The Representative is authorized to enter into this Purchase Contract on behalf of the Underwriters and this Purchase Contract is enforceable against the Underwriters in accordance with its terms. The Representative is authorized to take any action under this Purchase Contract required to be taken by the Underwriters. The signatory of this Purchase Contract on behalf of the Representative has been duly authorized to execute this Purchase Contract.

6. Closing. At 8:00a.m., California time, on _____, 2014 or at such other time as shall have been mutually agreed upon by the Authority and the Representative (the "**Closing**")

Date”), the Authority will deliver or cause to be delivered to the Representative, under the Fast Automated Securities Transfer System of The Depository Trust Company (“**DTC**”), the Series 2014 Bonds, in the form of a separate single fully registered Bond for each series, maturity date and interest rate of the Series 2014 Bonds duly executed by the Authority and authenticated by the Trustee, together with the other documents hereinafter mentioned. The Representative will accept such delivery and pay the Purchase Price of the Series 2014 Bonds as set forth in Paragraph 1 hereof by wire transfer in immediately available funds on the Closing Date. The Series 2014 Bonds shall be made available to the Trustee not later than one business day before the Closing Date. Upon initial issuance, the ownership of such Series 2014 Bonds shall be registered in the registration books kept by the Trustee in the name of Cede & Co., as the nominee of DTC.

Payment for the Series 2014 Bonds, together with delivery of the documents hereinafter mentioned shall be coordinated at the offices of the Authority in San Diego, California, or at such other place as shall have been mutually agreed upon by the Authority and the Representative. Such payment and delivery is herein called the Closing. The Representative shall order CUSIP identification numbers and the Authority shall cause such CUSIP identification numbers to be printed on the Series 2014 Bonds, but neither the failure to print such number on any bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Representative to accept delivery of and pay for the Series 2014 Bonds on the Closing Date in accordance with the terms of this Purchase Contract.

7. Closing Conditions. The obligations of the Underwriters hereunder shall be subject to the performance by the Authority of its obligations hereunder at or prior to the Closing and are also subject to the following conditions:

(a) The representations and warranties of the Authority contained herein shall be true, complete and correct in all material respects on the date hereof and on the Closing Date as if made on the Closing Date.

(b) At the time of the Closing (i) the Bond Resolution, the CFC Resolution, the Indenture, the Rental Car Lease Agreement, the Rental Car Concession Agreement, and the Continuing Disclosure Certificate shall be in full force and effect as valid and binding agreements, as applicable, between the parties thereto and the Official Statement shall have been duly authorized, executed and delivered, in substantially the form heretofore submitted to the Underwriters, and the Indenture, the Continuing Disclosure Certificate, the Bond Resolution, the CFC Resolution and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Representative (subject to the provisions of this Purchase Contract), and there shall be in full force and effect such resolutions as, in the opinion of Bond Counsel shall be necessary in connection with the transactions contemplated hereby; (ii) the Authority shall perform or have performed its obligations required under or specified in this Purchase Contract, the Bond Resolution, the CFC Resolution, the Continuing Disclosure Certificate, the Rental Car Lease Agreement, the Rental Car Concession Agreement and the Indenture to be performed at or prior to the Closing; and (iii) there shall have been no material adverse change in the financial ability of the Authority to pay the Series 2014 Bonds from the Trust Estate.

(c) At or prior to the Closing, the Underwriters shall receive the following documents, in each case reasonably satisfactory in form and substance to the Representative and to their counsel, O'Melveny & Myers LLP ("**Underwriters' Counsel**") and Curls Bartling P.C. ("**Co-Underwriters' Counsel**"):

(i) the unqualified approving opinion of Bond Counsel, dated the Closing Date, addressed to the Authority, substantially in the form set forth as Appendix D to the Official Statement, together with a letter to the Underwriters stating that the Underwriters may rely on the same;

(ii) a supplemental opinion of Bond Counsel, dated the Closing Date and addressed to the Underwriters, to the effect that: (A) the Series 2014 Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended (the "**Securities Act**"), and the Indenture is exempt from qualification under to the Trust Indenture Act of 1939, as amended (the "**Trust Indenture Act**"); and (B) the statements contained in the Official Statement under the captions "DESCRIPTION OF THE SERIES 2014 BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS," "TAX MATTERS," "APPENDIX B – CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE," and "APPENDIX C – SUMMARIES OF THE RENTAL CAR LEASE AGREEMENTS AND THE RENTAL CAR CONCESSION AGREEMENTS," excluding any materials that may be treated as included under such captions by cross reference, insofar as such statements expressly summarize certain provisions of the Indenture, the Rental Car Lease Agreements, the Rental Car Concession Agreements, the Series 2014 Bonds and Bond Counsel's opinion concerning federal tax matters relating to the Series 2014 Bonds, are accurate in all material respects;

(iii) an opinion of Disclosure Counsel, as disclosure counsel, dated the Closing Date and addressed to the Authority and the Underwriters, substantially in the form attached as Exhibit A to this Purchase Contract;

(iv) an opinion, dated the Closing Date and addressed to the Underwriters, of counsel to the Authority, substantially in the form attached as Exhibit B to this Purchase Contract;

(v) an opinion of Underwriters' Counsel, dated the Closing Date and addressed to the Underwriters, acceptable in form to the Representative;

(vi) an opinion of counsel to the Trustee, dated the Closing Date, addressed to the Authority and the Underwriters, to the effect that:

(A) the Trustee is a national banking association organized and existing under the laws of the United States of America, having full power and being qualified to enter, accept and administer the trust created under the Indenture and to authenticate and deliver the Series 2014 Bonds;

(B) the Series 2014 Bonds have been duly authenticated by the Trustee in accordance with the Indenture, and the Indenture has been duly authorized, executed and delivered by the Trustee and, assuming due authorization, execution and delivery thereof by the Authority, the Indenture constitutes the legal, valid and binding obligation of the Trustee enforceable in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought; and

(C) no authorization, approval, consent or order of any governmental agency or any other person is required for the valid authorization, execution and delivery of the Indenture or the authentication of the Series 2014 Bonds by the Trustee;

(vii) opinions, dated the Closing Date and addressed to the Authority and the Representative, of counsel to each of the Rental Car Companies in substantially the form attached hereto as Exhibit C, provided however, that this provision shall be deemed satisfied so long as opinions of counsel to at least 90% of the Rental Car Companies are obtained so long as they include opinions from Avis Budget, Enterprise & Hertz.

(viii) a certificate, dated the Closing Date, of the Authority executed by the President and CEO/Executive Director and one other Designated Officer (as defined in the Bond Resolution), to the effect that (A) the representations and warranties of the Authority in this Purchase Contract are true and correct as of the Closing Date, as if made on the Closing Date; (B) the representations and warranties of the Authority contained in the Indenture are true and correct as of the Closing Date, as if made on the Closing Date; (C) the Authority has complied with all agreements and covenants and satisfied all conditions contemplated by this Purchase Contract, the Bond Resolution, the CFC Resolution, the Rental Car Lease Agreements, the Rental Car Concession Agreements and the Indenture on its part to be performed or satisfied at or prior to the Closing Date; (D) the Official Statement (except for the information relating to DTC, the forecasts included in the Financial Feasibility Report set forth in Appendix A of the Official Statement and in Table [] in the forepart of the Official Statement and under the caption "UNDERWRITING," as to which no view need be expressed (except as provided in (E) and (F) below)) as of its date and as of the Closing Date did not and does not contain any untrue statement of a material fact or omit any statement or information which is required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, provided that, except as otherwise provided in this Purchase Contract, the Authority makes no representations as to any employment and economic data (including projections) obtained from third parties contained in the Financial Feasibility Report and the Official Statement; (E) the forecasts included in the Financial Feasibility Report set forth in Appendix A of the Official Statement and in Table [] in the forepart of the Official Statement (1) are based on information and assumptions that were provided by and/or reviewed with and agreed to by Authority management, and (2) reflect Authority management's expected course of action during the forecast period, and in Authority management's judgment, present fairly the expected financial results of the Authority; and (F) the Authority has no knowledge, after due inquiry, of any fact or circumstances that would have a material adverse effect on the

assumptions or forecasts in the Financial Feasibility Report that the Authority has not disclosed to the Feasibility Consultant, Disclosure Counsel and the Underwriters;

(ix) a certificate of the Trustee, dated the Closing Date, to the effect that:

(A) the Trustee is duly organized and existing as a national banking association organized and existing under the laws of the United States of America, having the full power and authority to enter into, accept the trusts created under and perform its duties under the Indenture and to authenticate the Series 2014 Bonds;

(B) the Trustee is duly authorized to enter into the Indenture and to authenticate and deliver the Series 2014 Bonds to the Underwriters pursuant to the terms of the Indenture;

(C) the execution and delivery by the Trustee of the Indenture, and compliance with the terms thereof, will not conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instrument to which the Trustee is a party or by which it is bound, or, to its best knowledge, any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties (except that no representation, warranty or agreement is made by the Trustee with respect to any federal or state securities or blue sky laws or regulations);

(D) there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or, to the best of the knowledge of the Trustee, threatened against or affecting the existence of the Trustee or in any way contesting or affecting the validity or enforceability of the Series 2014 Bonds or the Indenture or contesting the powers of the Trustee or its authority to enter into and perform its obligations under any of the foregoing, or wherein an unfavorable decision, ruling or finding would adversely affect the Trustee or the transactions contemplated in connection with the issuance and sale of the Series 2014 Bonds, or which, in any way, would adversely affect the validity of the Series 2014 Bonds, the Indenture or any agreement or instrument to which the Trustee is a party and which is used or contemplated for use in the Indenture, or the consummation of the transactions contemplated in connection with the issuance and sale of the Series 2014 Bonds; and

(E) subject to the provisions of the Indenture, the Trustee will apply the proceeds from the Series 2014 Bonds to the purposes specified in the Indenture;

(x) certified copies of the Bond Resolution and the CFC Resolution;

- (xi) an executed copy of the Indenture;
- (xii) an executed copy of the Continuing Disclosure Certificate;
- (xiii) a duly executed tax certificate of the Authority, dated the Closing Date, with respect to the Series 2014A Bonds in form satisfactory to Bond Counsel;
- (xiv) executed copies of the Rental Car Lease Agreements and the Rental Car Concession Agreements;
- (xv) two copies of the Official Statement, signed by the President and CEO/Executive Director of the Authority;
- (xvi) an executed copy of the Financial Feasibility Report, together with the consent and certificate of the Feasibility Consultant substantially in the form of Exhibit D attached hereto;
- (xvii) a DTC Letter of Representation, executed by the Authority and accepted by DTC;
- (xviii) evidence satisfactory to the Representative that Moody's Investors Service ("Moody's") and Standard & Poor's Rating Services ("S&P") have assigned ratings of "___" and "___," respectively, to the Series 2014 Bonds;
- (xix) a copy of the Report of Proposed Debt Issuance and the Report of Final Sale required to be delivered to the California Debt and Investment Advisory Commission; and
- (xx) such additional legal opinions, certificates, instruments and other documents as the Representative may reasonably deem necessary to evidence the truth and accuracy as of the time of the Closing of the representations and warranties of the Authority contained in this Purchase Contract and the due performance or satisfaction by the Authority at or prior to such time of all covenants and agreements then to be performed and all conditions then to be satisfied by the Authority pursuant to this Purchase Contract.

(d) If on the Closing Date the Authority fails to deliver any of the certificates, documents or opinions listed in Paragraph 7(c) of this Purchase Contract or is otherwise unable to satisfy the conditions to the obligations of the Underwriters hereunder, this Purchase Contract shall terminate at the option of the Representative and neither party shall have any further obligations hereunder.

8. Termination. The Representative, on behalf of the Underwriters, may terminate this Purchase Contract, without liability therefor (evidenced by a written notice to the Authority terminating the obligation of the Underwriters to accept delivery of and make any payment for the Series 2014 Bonds and stating the reasons therefor), if at any time subsequent to the date of this Purchase Contract and prior to the Closing:

(a) There shall occur any of the following which in such case, in the reasonable opinion of the Representative will materially adversely affect (1) the marketability or the market price of the Series 2014 Bonds at the initial offering prices set forth in the Official Statement or (2) the ability of the Underwriters to enforce contracts for the sale of the Series 2014 Bonds:

(i) there shall occur any change, or any development involving a prospective change, in or affecting the business, properties or financial condition of the Authority or the validity or enforceability of the CFCs or the Rental Car Lease Agreements;

(ii) legislation shall have been enacted by the Congress of the United States, or introduced by amendment or otherwise in or passed by either House of the Congress, or recommended or endorsed to the Congress for passage by the President of the United States, or favorably reported for passage to either House of the Congress of the United States by any committee of such House to which such legislation has been referred for consideration, or recommended or endorsed for passage or presented for consideration by any member of any such committee or by the Treasury Department of the United States, the Internal Revenue Service, or the staff of the Joint Committee on Taxation of the Congress, or a decision shall have been rendered by a court of the United States, or the United States Tax Court, or an order, ruling, regulation (final, temporary or proposed) or official statement shall have been made by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency of appropriate jurisdiction, with respect to federal taxation of interest received on the Series 2014 Bonds or securities of the general character of the Series 2014 Bonds or which would have the effect of changing, directly or indirectly, the federal tax consequences of receipt of interest on the Series 2014 Bonds or securities of the general character of the Series 2014 Bonds in the hands of the owners thereof;

(iii) there shall have occurred a declaration of war by the United States, any new outbreak of hostilities, or any escalation of existing hostilities, or any other national or international calamity, crisis or event;

(iv) any underlying rating (without taking into account any credit support provided by a third party) of Series 2014 Bonds have been downgraded, suspended or withdrawn, or the possibility of such a downgrading, suspension or withdrawal shall have been publicly announced, by Moody's, S&P or Fitch; or

(v) any legislation, ordinance, rule or regulation shall be introduced in or enacted by any governmental body, board, department or agency of the State of California or the United States, or a decision by any court of competent jurisdiction within the State of California or any court of the United States shall be rendered, affecting the Authority.

(b) There shall have occurred the declaration of a general banking moratorium by any authority of the United States or the State of New York or the State of California or a major financial crisis or a material disruption in commercial banking or securities settlement, payment or clearance services materially affecting the Series 2014 Bonds.

(c) There shall be in force a general suspension of trading on the New York Stock Exchange or other national securities exchange, or the New York Stock Exchange, other national securities exchange or any governmental authority shall impose, as to the Series 2014 Bonds or obligations of the general character of the Series 2014 Bonds, any material restrictions not in force or not being enforced, or a material increase of those now in force, with respect to the extension of credit by, or the charges to the net capital requirements of, the Underwriters as of the date hereof, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on any such exchange, whether by virtue of determination by that exchange or by order of any governmental authority having jurisdiction;

(d) There shall exist an event, fact or condition which, in the Underwriters' reasonable opinion, causes the Official Statement to contain an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, which event, fact or condition has not been reflected to the satisfaction of the Representative or the Authority in an amendment or supplement to the Official Statement pursuant to Paragraph 4(d) hereof.

(e) Legislation shall be enacted, or a decision of a court of the United States shall be rendered or any action, including a stop-order, shall be taken by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction in the subject matter which, in the opinion of counsel to the Underwriters and Bond Counsel, has the effect of requiring the contemplated distribution of the Series 2014 Bonds to be registered under the Securities Act or the Securities Exchange Act of 1934, as amended, or the Indenture to be qualified under the Trust Indenture Act, or that would make illegal the reoffering, issuance or sale of the Series 2014 Bonds or beneficial interests therein.

(f) The purchase of and payment for the Series 2014 Bonds by the Underwriters, or the resale of the Series 2014 Bonds by the Underwriters, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission.

9. Expenses.

(a) The Underwriters shall be under no obligation to pay and the Authority shall pay or cause to be paid the expenses incident to the performance of its obligations hereunder including but not limited to (i) the cost of the preparation, printing, or other reproduction (for distribution on or prior to the date hereof), and delivery of the Indenture; (ii) the fees and disbursements of Bond Counsel, Disclosure Counsel, Frasca & Associates, L.L.C., Financial Advisor to the Authority, the Feasibility Consultant, the Independent Auditors and the Trustee, and any other experts or consultants retained by the Authority; (iii) the cost of preparation and printing and signing of the Series 2014 Bonds and the registration of the Series 2014 Bonds; (iv) the cost of preparation, printing and delivery of the Preliminary Official Statement and the Official Statement and any supplements or amendments thereto; (v) charges of rating agencies for the ratings of the Series 2014 Bonds; and (vi) all other costs connected to issuance of the Series 2014 Bonds except costs specifically described in Paragraph 9(b) below.

(b) The Underwriters shall pay (i) the cost of preparation and printing of the Blue Sky memorandum to be used by them and the cost, if any, of printing this Purchase Contract; (ii) all advertising expenses incurred by them in connection with the public offering of the Series 2014 Bonds; (iii) the fees and disbursements of Underwriters Counsel; and (iv) all other expenses incurred by them in connection with their public offering and distribution of the Series 2014 Bonds.

10. Notices. Any notice or other communication to be given to the Authority under this Purchase Contract (other than the acceptance hereof as specified in Paragraph 1 hereof) may be given by delivering the same in writing to the San Diego County Regional Airport Authority, 3225 North Harbor Drive, 3rd Floor, San Diego, California 92101, Attention: Executive Director; any notice or other communication to be given to the Underwriters under this Purchase Contract may be given by delivering the same in writing to Seibert Brandford Shank & Co., L.L.C, 1999 Harrison Street, Suite 2720, Oakland, California 94612, Attn: Gary Hall.

11. Governing Law. The validity, interpretation and performance of this Purchase Contract shall be governed by the laws of the State of California.

12. Parties in Interest. This Purchase Contract when accepted by the Authority in writing as heretofore specified shall constitute the entire agreement between the Authority and the Underwriters and is made solely for the benefit of the Authority and the Underwriters. No other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties and agreements of the Authority in this Purchase Contract shall remain operative and in full force and effect, regardless of (a) any investigation made by or on behalf of the Underwriters, (b) delivery of and payment for the Series 2014 Bonds hereunder, and (c) any termination of this Purchase Contract.

13. Headings. The headings of the Paragraphs of this Purchase Contract are inserted for convenience only and shall not be deemed to be a part hereof.

14. Effectiveness. This Purchase Contract shall become effective upon the execution of the acceptance hereof by the Authority and shall be valid and enforceable at the time of such acceptance.

15. Counterparts. This Purchase Contract may be executed in several counterparts, which together shall constitute one and the same instrument.

THE UNDERWRITERS:

CITIGROUP GLOBAL MARKETS INC.
CABRERA CAPITAL MARKETS, LLC
J.P. MORGAN SECURITIES LLC
JEFFERIES & COMPANY, INC.
LOOP CAPITAL MARKETS LLC

SIEBERT BRANDFORD SHANK & CO., L.L.C.

By: SIEBERT BRANDFORD SHANK & CO., L.L.C.
as Representative of the Underwriters

By _____
Authorized Representative

The foregoing is hereby agreed to and accepted as of the date first above written.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

By _____
Vice President, Finance/CFO and Treasurer

APPROVED AS TO FORM:

By: _____
General Counsel
San Diego County Regional Airport Authority

[Signature Page to Purchase Contract.]

Redemption Provisions

Optional Redemption.

Series 2014A Bonds. The Series 2014A Bonds maturing on or after July 1, 20__ 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, 202__ at a redemption price equal to ____% 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, 20__. Prior to July 1, 20__, 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 ____ 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, 20__. The Series 2014B Bonds maturing on or after July 1, 20__ 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, 20__ at a redemption price equal to ____% 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 Term Bonds. The Series 2014A Bonds maturing on July 1, 20__ (the “Series 2014A Term 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
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* Final Maturity.

At the option of the Authority, 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 Term Bonds, it may (a) deliver to the Trustee for cancellation Series 2014A 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 Series 2014A 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 2014A 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 2014A Term Bond on such mandatory sinking fund redemption date.

Series 2014B Term Bonds. The Series 2014B Bonds maturing on July 1, 20__ (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
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* 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).

At the option of the Authority, 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, it may (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.

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, Available Amounts (as defined herein) and such other amounts permitted or required to be applied to such redemption under the Indenture.

EXHIBIT A
FORM OF DISCLOSURE COUNSEL'S OPINION

{To Come}

EXHIBIT B
FORM OF AUTHORITY COUNSEL'S OPINION

{To Come}

EXHIBIT C

FORM OF OPINION FOR COUNSEL TO THE RENTAL CAR COMPANIES

[Closing Date]

San Diego County Regional Airport Authority
3225 North Harbor Drive, 3rd Floor
San Diego, California 92101

Seibert Brandford Shank & Co., L.L.C.,
1999 Harrison Street, Suite 2720
Oakland, California 94612
as representative of the underwriters of the Series 2014 Bonds

Re: Rental Car Center Lease Agreement, dated as of _____, 2013 (the “*Rental Car Lease Agreement*”), by and between San Diego County Regional Airport Authority (the “*Authority*”) and _____ (the “*Operator*”) and Non-Exclusive On-Airport Rental Car Concession Agreement, dated as of _____, 2013 (the “*Rental Car Concession Agreement*”), and together with the Rental Car Lease Agreement, the “*Operator Agreements*”), by and between the Authority and the Operator.

Ladies and Gentlemen:

We have acted as counsel to the Operator in connection with the negotiation and execution of the above-referenced Operator Agreements in connection with the proposed construction and operation of a consolidated rental car center and common-use transportation system (collectively, the “*Rental Car Center*”) to be located at San Diego International Airport (the “*Airport*”) and Operator’s lease of space in the Rental Car Center and its concession privilege related thereto. In such capacity, we have reviewed the Operator Agreements.

The Authority has asked us to provide this opinion to and for the benefit of, and which opinion may be relied upon by, the addressees hereof in connection with the issuance by the Authority of its Senior Special Facilities Revenue Bonds, (Consolidated Rental Car Facility Project) Series 2014A and its Senior Special Facilities Revenue Bonds, (Consolidated Rental Car Facility Project) Series 2014B (together, the “*Series 2014 Bonds*”).

We express no opinion with respect to the effect of any law other than the law of the State of California and the federal law of the United States.

Based on the foregoing and upon such investigation as we have deemed necessary, and subject to the qualifications and exceptions herein contained, we are of the opinion that, as of the date hereof:

1. Operator is a [limited partnership][corporation][limited liability company] duly organized, validly existing, and in good standing under the laws of the State of [INSERT STATE OF FORMATION] [if a foreign limited partnership or foreign corporation or foreign limited liability company, add: “and is duly qualified to do business in State of California as a [foreign limited partnership][foreign corporation][limited liability company] under the law of the State of California.”].

2. Operator has the power and authority to execute, deliver, and perform the Operator’s obligations under the Operator Agreements.

3. The execution and delivery of the Operator Agreements by Operator and the performance of the Operator’s obligations under the Operator Agreements have been duly authorized by all requisite organizational or other action on the part of Operator [and any relevant constituent entity] and the Operator Agreements have been duly executed and delivered by the Operator [and any relevant constituent entity].

INCORPORATE EACH OF THE FOLLOWING, IF APPLICABLE.

___ The [sole general partner(s)] [managing member] of Operator is (are) [ALL OF WHICH ACTING TOGETHER HAVE] [EACH OF WHICH ACTING INDIVIDUALLY HAS] the full power and authority to bind Operator in any or all matters relating to its business activities, including, without limitation, the power to enter into the Operator Agreements on behalf of Operator and to execute and deliver all documents and instruments required in connection therewith.

___ The consent or approval of [the limited partners] [the members] of Operator is not required for the execution or delivery by the Operator of the Operator Agreements.

4. The Operator Agreements are validly binding and enforceable against the Operator in accordance with their terms, except as such enforceability may be limited by applicable laws relating to bankruptcy and creditors’ rights generally and generally applicable equitable principles if equitable remedies are sought.

5. The execution and delivery by Operator of the Operator Agreements does not (a) conflict with or violate any provision of the [Certificate of Limited Partnership or Agreement of Limited Partnership][Certificate of Incorporation or By-Laws] [Operating Agreement] of the Operator, or (b) conflict in any material manner with, or constitute a material breach of or material default under, any applicable law, administrative regulation, court order or consent decree of the State of California or the United States, or any department, division, agency or instrumentality of either, or any loan agreement, note, resolution, ordinance, indenture, mortgage, deed of trust, agreement, or other instrument to which the Operator is a party or may otherwise be subject.

The foregoing opinions shall not be relied upon by any party other than the addressees listed above, their respective successors and/or assigns, any rating agency, and the respective

counsels of each of the foregoing.

Very truly yours,

EXHIBIT D

FORM OF CERTIFICATE OF THE FEASIBILITY CONSULTANT

The undersigned authorized representative of Unison Consulting, Inc. (the “Feasibility Consultant”) hereby certifies that:

1. This Certificate is furnished pursuant to Paragraph 7(c)(xvi) of the Purchase Contract, dated _____, 2014, by and between Siebert Branford Shank & Co., LLC, as representative of the underwriters named therein (the “Underwriters”), and the San Diego County Regional Airport Authority (the “Authority”), relating to the sale by the Authority of \$_____ aggregate principal amount of its San Diego County Regional Airport Authority Senior Special Facilities Bonds (Consolidated Rental Car Facility Project), Series 2014A (the “Series 2014A Bonds”) and \$_____ aggregate principal amount of its San Diego County Regional Airport Authority Senior Special Facilities Bonds (Consolidated Rental Car Facility Project), Series 2014B (the “Series 2014B Bonds,” and together with the Series 2014A Bonds, the “Series 2014 Bonds”), as more fully described in the Preliminary Official Statement of the Authority, dated _____, 2014 (the “Preliminary Official Statement”) and the Official Statement of the Authority, dated _____, 2014 (the “Official Statement”), prepared in connection with the sale of said Series 2014 Bonds.

2. The Feasibility Consultant has been retained by the Authority as its independent consultant to prepare the Financial Feasibility Report (the “Report”), included as Appendix A to the Preliminary Official Statement and the Official Statement, and consent is hereby given to the references to the Feasibility Consultant and the Report on the masthead page and under the captions “INTRODUCTION – Financial Feasibility Report,” “THE PROJECT – The Project” and “– Project Budget,” “CUSTOMER FACILITY CHARGES AND RENTAL CAR OPERATIONS – Rental Car Operations at the Airport,” “SAN DIEGO INTERNATIONAL AIRPORT – Aviation Activity,” and “– Development of the Airport,” “FINANCIAL FEASIBILITY REPORT” and “CERTAIN INVESTMENT CONSIDERATIONS – Construction and Operation of Project,” “– Financial Feasibility Report,” and “– Certain Rental Car Industry Investment Considerations” in the Preliminary Official Statement and the Official Statement and to the inclusion of the Report in Appendix A to the Preliminary Official Statement and the Official Statement.

3. In connection with the preparation of the Report, personnel for the Feasibility Consultant have participated in certain meetings and conference calls with representatives of the Authority, the Authority's Bond Counsel and Disclosure Counsel, the Authority's Financial Advisor, the Underwriters for the Series 2014 Bonds and their counsel with respect to the issuance of the Series 2014 Bonds. Nothing has come to the attention of the Feasibility Consultant in relation to the preparation of the Report that would cause them to believe the Report was, as of its date or as of the date hereof, or any of the statements in the Preliminary Official Statement and the Official Statement specifically attributed to the Feasibility Consultant were, as of the date of the Preliminary Official Statement or as of the date of the Official Statement, or as of the date hereof, inaccurate in any material respect.

4. This Certificate is solely for the information of, and assistance to, the Authority, its Disclosure Counsel and the Underwriters in conducting and documenting their investigation of the matters covered by the Report in connection with the offering pursuant to the Preliminary Official Statement and the Official Statement of the Series 2014 Bonds, and is not to be used, circulated, quoted or otherwise referred to within or without the underwriting group for any other purpose, including but not limited to the purchase or sale of securities (other than the Series 2014 Bonds), nor is it to be referred to in whole or in part in any other document (other than the Preliminary Official Statement of the Official Statement), except that reference may be made to it in the documents related to the Series 2014 Bonds. The Feasibility Consultant acknowledges and agrees that this Certificate will become part of the transcript related to the Series 2014 Bonds and will be publicly available.

IN WITNESS WHEREOF, the undersigned has executed this certificate this __ day of _____, 2014.

UNISON CONSULTING, INC.

By: _____
Authorized Signatory

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 the Trust Indenture, dated as of [_____] 1, 2014, as amended (the “Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). Additionally, the Series 2014 Bonds have been authorized by Resolution No. [_____] adopted by the board of directors of the Authority on [December [____], 2013] (the “Resolution”). The Series 2014 Bonds are being issued pursuant to 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.

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.

“*Holder*” 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 airline or other entity using the Airport System under a lease or use agreement extending for more than one year from the date in question and including bond debt service as part of the calculation of rates and charges, under which lease or use agreement such airline or other entity has paid amounts equal to at least 20% of the Revenues of the Airport System 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 [____], 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 [___], 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 [] — San Diego County Regional Airport Authority, Historical Rental Car Demand and CFC Collections;

(iii) Table [] — San Diego International Airport, Market Share of Rental Car Brands;

(iv) [other tables to come];

(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 [] day of [], 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: [____], 2014

CUSIP: 79739G____

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 [____], 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

San Diego County Regional Airport Authority

AUTHORIZATION OF BOND DOCUMENTS AND SALE OF
SPECIAL FACILITIES REVENUE BONDS, INCLUDING
DELEGATION OF PRICING AUTHORITY, FOR FUNDING OF
RENTAL CAR CENTER AND RELATED IMPROVEMENTS

Presented by:

Vernon D Evans, CPA

Vice President, Finance/Treasurer

November 21, 2013



Introduction



In February 2014, the Authority will sell approximately \$320 million of senior Special Facility Series 2014 Bonds (“Bonds”) to fund the Rental Car Center (RCC) and related improvements





RCC Project Costs and Funding Overview



- ▶ Total RCC Project Budget, including shuttle bus projects: \$354.8M

(Amounts in thousands)

	Total Project Cost	Funding	
		CFC Bonds	CFC PayGo
RCC	\$316,124	\$219,719	\$96,405
Shuttle bus staging/storage facility & bus acquisition	13,800	-	13,800
Enabling Projects (CFC Eligible Portion)	24,858	24,858	-
Total Cost	\$354,782	\$244,577	\$110,205

- ▶ Bonds issued for the RCC are taxable
- ▶ Bonds for the enabling projects will be issued on a tax exempt basis



CFC Financing Overview



(Amounts in millions)

Sources of Funds	Total
Par	\$322.8
Original Issue Discount	(2.7)
Total Sources	\$320.1
Uses of Funds	
Deposit to Project Fund	\$244.6
Deposit to Debt Service Reserve Fund	25.6
Deposit to Capitalized Interest Fund	39.0
Deposit to Coverage Fund	7.7
Costs of Issuance	3.2
	\$320.1



CFC Financing Overview



- ▶ CFC Bonds will be secured solely by CFC revenue and “supplemental consideration” payments, if needed, made by the rental car companies
 - ▶ The Airport will not be required to pay debt service on the Bonds from any of its other revenue sources

- ▶ The CFC financing will have no impact upon:
 - ▶ Rates and charges passed along to the airlines
 - ▶ Other revenue sources such as annual concession fees the rental car companies pay the Authority
 - ▶ The Authority’s General Airport Revenue Bond (GARB) debt service and coverage



CFC Financing Overview

Reserve Funds (Pledged to CFC Bondholders)

- 
- 
- CFC Bond Reserves:
 - Debt Service Reserve Fund
 - Requirement equal to Maximum Annual Debt Service (MADS)
 - Funded with Bond proceeds
 - Rolling Coverage Fund:
 - Requirement equal to 30% of MADS
 - Funded with Bond proceeds
 - Renewal & Replacement Reserve:
 - Funded annually over a five-year period with CFC revenues
 - Requirement equal to:
 - 3% of project costs (inflation adjusted) for years 1-10
 - 4% of project costs (inflation adjusted) for years 11-20
 - 5% of project costs (inflation adjusted) for years 21-30



CFC Financing Overview

CFC Surplus Fund (Pledged to CFC Bondholders)

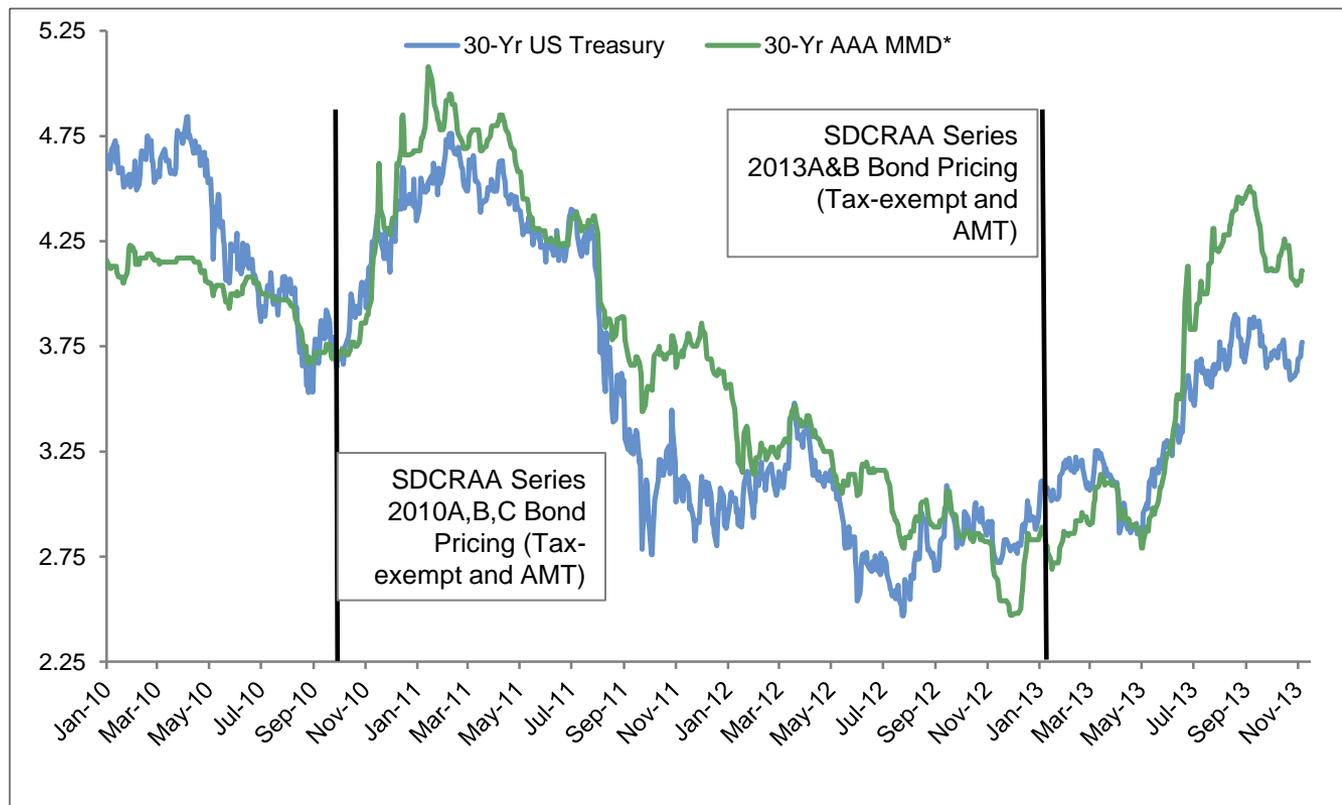
- 
- 
- CFC Stabilization Account:
 - Funded with CFC revenues
 - Minimum targeted balance of \$25M
 - Busing cost paid from the Stabilization Account to the extent the account balance exceeds \$25M



Market Conditions



- ▶ Interest rates have moved higher since early May 2013, in response to economic news and the expectation that the Federal Reserve might begin to taper its asset purchase program



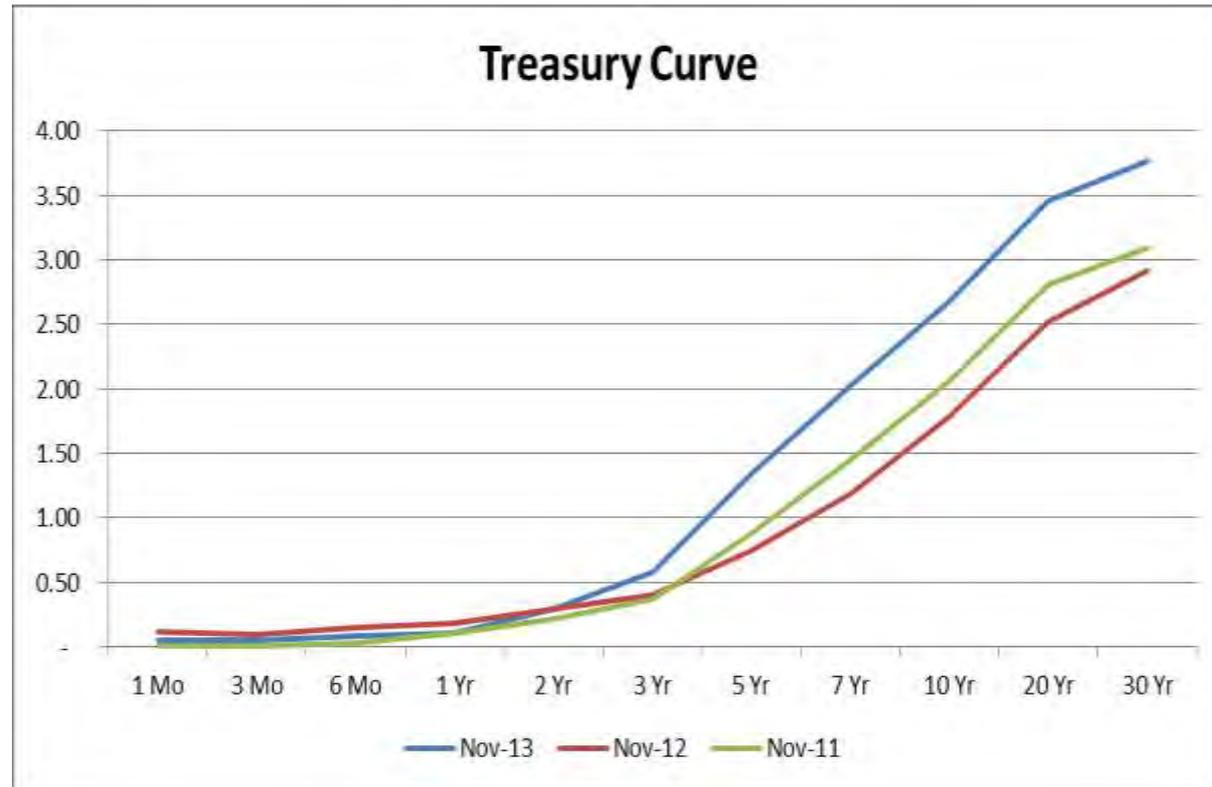
*Municipal Bond Index



Market Conditions



- ▶ Interest rates along the yield curve have also increased
- ▶ The yield curve remains steep





Principal Documents of the Bond Sale



DOCUMENT	PURPOSE OF DOCUMENT
Resolution	Authorizes the issuance of the Bonds and approves the bond financing documents
Trust Indenture	Presents the specific terms and features of the Bonds
Feasibility Report	Provides an independent analysis and forecast of rental car demand at SDIA and determines the sufficiency of CFC Revenues to repay the Bonds



Principal Documents (continued)



DOCUMENT	PURPOSE OF DOCUMENT
Official Statement (Preliminary & Final)	Discloses to investors information about the Bonds, the RCC Project and the Authority
Bond Purchase Contract	Commits the Underwriters to purchase the Bonds from the Authority, and the Authority to sell the Bonds to the Underwriters at the publicly offered prices
Continuing Disclosure Certificate	Sets forth the Authority's obligation to provide to securities information repositories updated financial and operational information and notices of certain material events (as and if they occur) annually



The Authority's Team



ROLE	FIRM	PRINCIPAL TASKS
Bond/ Disclosure Counsel	<i>Kutak Rock L.L.P.</i>	<ul style="list-style-type: none">• Prepares Indentures and Resolutions, and provides Validity and Tax Opinions• Prepares Official Statement and provides 10(b)5 (“no material omission”) opinion
Financial Advisor	<i>Frasca & Associates, L.L.C.</i>	<ul style="list-style-type: none">• Provides financial analysis, assists with developing the plan of finance, prepares Rating Agency materials, monitors pricing of the Bonds
Feasibility Consultant	<i>Unison Consulting, Inc.</i>	<ul style="list-style-type: none">• Prepares report appended to the Official Statement that analyzes and forecasts rental car demand and projects CFC revenues over the next ten years in order to satisfy the “Rate Covenant



The Authority's Team (continued)



ROLE	FIRM	PRINCIPAL TASKS
Underwriters	<p><i>Siebert Brandford Shank & Co, L.L.C.</i> <i>(Senior Manager)</i></p> <p><i>J.P. Morgan (Co-Senior)</i></p> <p><i>Cabrera Capital Markets, L.L.C.</i></p> <p><i>Citigroup</i></p> <p><i>Jefferies & Company</i></p> <p><i>Loop Capital Markets</i></p>	<ul style="list-style-type: none"> • Price and distribute Bonds to investors
Co-Underwriters' Counsel	<p><i>Curls Bartling P.C.</i></p> <p><i>O'Melveny & Myers L.L.P.</i></p>	<ul style="list-style-type: none"> • Prepares Bond Purchase Contract and documents related to the underwriters
Trustee Bank	<p><i>U.S. Bank National Association</i></p>	<ul style="list-style-type: none"> • Holds funds that are pledged to Bondholders and takes action on their behalf



Preliminary Timetable



Date	Event
November 21	Bond Documents Presented to Finance Committee
December 12	Request Board Authorization of Bond Documents and Sale of Bonds.
December 12	Request Board Authorization to Execute Guaranteed Maximum Price (GMP) Contracts
January 6 - January 20	Rating Agency Meetings and Follow Up
January 20	Receive Ratings; Post Preliminary Official Statement (POS)
January 20 - February 3	Investor Outreach and Marketing
Week of February 3	Price Bonds
February 19	Close



Requested Action



Forward Item to Board for approval at the December 12, 2013 Board meeting. The following actions are being requested of the Board:

Adopt Resolution No. 2013-XXXX, (1) authorizing the issuance and sale of not to exceed \$350 million in aggregate principal amount of one or more series of San Diego County Regional Airport Authority Senior Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project); (2) approving the forms of a Trust Indenture, Preliminary and Final Official Statements, a Purchase Contract and a Continuing Disclosure Certificate, and certain related matters.



Questions



Revised 11/19/13



**SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
EXECUTIVE COMMITTEE**

Item No.
5

Meeting Date: **NOVEMBER 21, 2013**

Subject:

Pre-Approval of Travel Requests and Approval of Business and Travel Expense Reimbursement Requests for Board Members, the President/CEO, the Chief Auditor and General Counsel

Recommendation:

Pre-approve Travel Requests and Approve Business and Travel Expense Reimbursement Requests.

Background/Justification:

Authority Policies 3.30 (2)(b) and (4)(b) require that business expenses reimbursements of Board Members, the President/CEO, the Chief Auditor and the General Counsel be approved by the Executive Committee and presented to the Board for its information at its next regularly scheduled meeting.

Authority Policy 3.40 (2)(b) and (3)(b) require that travel expense reimbursements of Board Members, the President/CEO, the Chief Auditor and the General Counsel be approved by the Executive Committee and presented to the Board for its information at its next regularly scheduled meeting.

The attached reports are being presented to comply with the requirements of Policies 3.30 and 3.40.

Fiscal Impact:

Funds for Business and Travel expenses are included in the FY 2013 Budget.

Environmental Review:

- A. This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act (CEQA), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.

Page 2 of 2

Equal Opportunity Program:

Not applicable

Prepared by:

TONY RUSSELL
DIRECTOR, CORPORATE SERVICES/AUTHORITY CLERK

EXPENSE REPORT

THELLA F. BOWENS

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
OUT-OF-TOWN TRAVEL REQUEST**

COPY

GENERAL INSTRUCTIONS:

- A. All travel requests must conform to applicable provisions of Policies 3.30 and 3.40.
- B. Personnel traveling at Authority expense shall, consistent with the provisions of Policies 3.30 and 3.40, use the most economical means available to affect the travel.

1. TRAVELER:

Travelers Name: Thella F. Bowers Dept: Exec Office BU6
 Position: Board Member President/CEO Gen. Counsel Chief Auditor
 All other Authority employees (does not require executive committee administrator approval)

2. DATE OF REQUEST: 08/14/13 **PLANNED DATE OF DEPARTURE/RETURN:** 10/20/13 / 10/21/13

3. DESTINATIONS/PURPOSE (Provide detailed explanation as to the purpose of the trip— continue on extra sheets of paper as necessary):

Destination: Washington, DC Purpose: Selection Committee for ACI-NA CEO
 Explanation: _____

4. PROJECTED OUT-OF-TOWN TRAVEL EXPENSES

A. TRANSPORTATION COSTS:

- AIRFARE \$ 850.00
- OTHER TRANSPORTATION (Taxi, Train, Car Rental) \$ 150.00

B. LODGING

\$ 700.00

C. MEALS

\$ 200.00

D. SEMINAR AND CONFERENCE FEES

\$ _____

E. ENTERTAINMENT (If applicable)

\$ _____

F. OTHER INCIDENTAL EXPENSES

\$ 100.00

TOTAL PROJECTED TRAVEL EXPENSE

\$ 2000.00

CERTIFICATION BY TRAVELER By my signature below, I certify that the above listed out-of-town travel and associated expenses conform to the Authority's Policies 3.30 and 3.40 and are reasonable and directly related to the Authority's business.

Travelers Signature: *Thella F. Bowers* Date: 15 Aug 13

CERTIFICATION BY ADMINISTRATOR (Where Administrator is the Executive Committee, the Authority Clerk's signature is required).

- By my signature below, I certify the following:
1. I have conscientiously reviewed the above out-of-town travel request and the details provided on the reverse.
 2. The concerned out-of-town travel and all identified expenses are necessary for the advancement of the Authority's business and reasonable in comparison to the anticipated benefit to the Authority.
 3. The concerned out-of-town travel and all identified expenses conform to the requirements and intent of Authority's Policies 3.30 and 3.40.

Administrator's Signature: _____ Date: _____

AUTHORITY CLERK CERTIFICATION ON BEHALF OF EXECUTIVE COMMITTEE

I, Tony R. Russell, Authority Clerk, hereby certify that this document was approved by the Executive Committee at its 8/26/13 meeting.
(Please leave blank. Whoever clerk's the meeting will insert their name and title.)
(Leave blank and we will insert the meeting date.)

NAME AND ADDRESS:
 BOWENS, THELLA
 GET
 WASHINGTON, DC 20036
 US

Room: 972/K1D
 Arrival Date: 10/20/2013 5:40:00PM
 Departure Date: 10/22/2013
 Adult/Child: 1/0
 Room Rate: 399.00

RATE PLAN LV3
 [REDACTED]
 AL
 BONUS AL CAR

Confirmation Number : 3538825581

10/22/2013 PAGE 1

DATE	DESCRIPTION	ID	REF. NO	CHARGES	CREDITS	BALANCE
10/20/2013	GUEST ROOM	LQUEEN	6302202	\$399.00		
10/20/2013	ROOM TAX	LQUEEN	6302202	\$57.86		
10/21/2013	GUEST ROOM	VEY	6303554	\$399.00		
10/21/2013	ROOM TAX	VEY	6303554	\$57.86		
					456.86	
					456.86	

WILL BE SETTLED TO [REDACTED]

\$913.72

EFFECTIVE BALANCE OF

\$0.00

You have earned approximately 4588 Hilton HHonors points and approximately 399 Miles with American Airlines for this stay. Hilton HHonors(R) stays are posted within 72 hours of checkout. To check your

Thank you for choosing Hilton. You'll get more when you book directly with us - more destinations, more points, and more value. Book your next stay at hilton.com.



Zip-Out Check-Out®

Good Morning ! We hope you enjoyed your stay. With Zip-Out Check-Out® there is no need to stop at the Front Desk to check out.

- Please review this statement. It is a record of your charges as of late last evening.
- For any charges after your account was prepared, you may:
 - + pay at the time of purchase.
 - + charge purchases to your account, then stop by the Front Desk for an updated statement.
 - + or request an updated statement be mailed to you within two business days.

If the statement meets with your approval, simply press the Zip-Out Check-Out button on your guest room telephone. Your account will be automatically checked out and you may use this statement as your receipt. Feel free to leave your key(s) in the room. Please call the Front Desk if you wish to extend your stay or if you have any questions about your account.

DATE OF CHARGE _____ FOLIO NO./CHECK NO. 1083863 A

AUTHORIZATION _____ INITIAL _____

PURCHASES & SERVICES _____

TAXES _____

TIPS & MISC. _____

TOTAL AMOUNT _____

PAYMENT DUE UPON RECEIPT _____



TRAVELTRUST SCRIPPS RANCH
 Phone: 1-800-792-4662

Electronic Invoice

Prepared For:
BOWENS/THELLA

SALES PERSON	E4
INVOICE NUMBER	1206347
INVOICE ISSUE DATE	16 Aug 2013
RECORD LOCATOR	GKFXPU
CUSTOMER NUMBER	0000SDCRAA

Client Address

SAN DIEGO COUNTY REG AIRPORT AUTHORITY
 PO BOX 82776
 SAN DIEGO CA 92138-2776

Notes

YOUR UNITED ETICKET CONFIRMATION IS ** D7TMCZ **
 -----INVOICE/ITINERARY ACCOUNTING DOCUMENT-----
 *****TICKETLESS TRAVEL INSTRUCTIONS*****
 THIS IS AN E-TICKET RESERVATION.
 A GOVERNMENT ISSUED PHOTO ID IS NEEDED AT CHECK IN
 A PORTION OF THIS TRIP MAY BE REFUNDABLE. PLEASE RETURN
 UNUSED PORTIONS TO TRAVELTRUST FOR POSSIBLE REFUND.

 *****TSA GUIDANCE FOR PASSENGERS*****
 PLEASE ALLOW EXTRA TIME FOR SCREENING AND BOARDING
 INTERNATIONAL-MINIMUM 3 HOUR CHECK-IN PRIOR TO DEPARTURE
 DOMESTIC-MINIMUM 2 HOUR CHECK-IN PRIOR TO DEPARTURE
 FOR ADDITIONAL SECURITY INFORMATION VISIT WWW.TSA.GOV

DATE: Sun, Oct 20

Flight: UNITED AIRLINES 1174

From	SAN DIEGO, CA	Departs	6:18am
To	CHICAGO OHARE, IL	Arrives	12:23pm
Departure Terminal	1	Arrival Terminal	1
Duration	04hr(s) :05min(s)	Class	United Economy
Type	BOEING 737-700 JET	Meal	Food for Purchase
Stop(s)	Non Stop		
Seat(s) Details	BOWENS/THELLA	Seat(s) - 11C	UA - XXXXXX 58

DATE: Sun, Oct 20

Flight: UNITED AIRLINES 616

From	CHICAGO OHARE, IL	Departs	2:05pm
To	WASHINGTON REAGAN, DC	Arrives	4:59pm
Departure Terminal	1	Arrival Terminal	B
Duration	01hr(s) :54min(s)	Class	United Economy
Type	AIRBUS INDUSTRIE A320 JET	Meal	
Stop(s)	Non Stop		
Seat(s) Details	BOWENS/THELLA	Seat(s) - 08C	UA - XXXXXX 58

DATE: Mon, Oct 21

Flight: UNITED AIRLINES 1179

From	WASHINGTON REAGAN, DC	Departs	6:22pm
To	CHICAGO OHARE, IL	Arrives	7:30pm
Departure Terminal	B	Arrival Terminal	1
Duration	02hr(s) :08min(s)	Class	United Economy
Type	BOEING 737-800 JET	Meal	Food and Beverage for Purchase
Stop(s)	Non Stop		
Seat(s) Details	BOWENS/THELLA	Seat(s) - 08C	UA - XXXXXX 58

DATE: Mon, Oct 21

Flight: UNITED AIRLINES 651

From	CHICAGO OHARE, IL	Departs	8:25pm
To	SAN DIEGO, CA	Arrives	10:26pm
Departure Terminal	1	Arrival Terminal	1
Duration	04hr(s) :01min(s)	Class	United Economy
Type	BOEING 757 200 SERIES JET	Meal	Food and Beverage for Purchase
Stop(s)	Non Stop		
Seat(s) Details	BOWENS/THELLA	Seat(s) - 09C	UA - XXXXXX 58

DATE: Sat, Apr 19

Others

RESERVATION
RETAINED FOR
180 DAYS

Ticket Information

Ticket Number	UA 7298884835	Passenger	BOWENS THELLA		
Service Fee	XD 0593185661	Billed to:	[REDACTED]	USD	* 849.60
		Passenger	BOWENS THELLA		
		Billed to:	[REDACTED]	USD	* 30.00
				SubTotal	USD 879.60
				Net Credit Card Billing	* USD 879.60
				Total Amount Due	USD 0.00

TRAVELTRUST IS OPEN MONDAY - FRIDAY FROM 5AM-530PM PST
AND SATURDAY FROM 9AM-1PM PST - 760-635-1700.
FOR EMERGENCY AFTERHOURS SERVICE IN THE US
PLEASE CALL 888-221-6062 AND USE YOUR VIT CODE - S7NS0
PLEASE NOTE THIS IS OUR NEW EMERGENCY NUMBER
EACH EMERGENCY CALL IS BILLABLE AT A MINIMUM 25.00
THANK YOU FOR CHOOSING TRAVELTRUST...SCOTT MACKERLEY

+ \$200 change fee

\$1079.60

Your travel arranger provides the information contained in this document. If you have any questions about the content, please contact your travel arranger. For Credit Card Service fees, please see eTicket receipt for total charges.

Caldera G. Amy

From: United Airlines, Inc. <unitedairlines@united.com>
Sent: Monday, October 21, 2013 12:54 PM
To: Bowens Thella
Subject: eTicket Itinerary and Receipt for Confirmation D7TMCZ



Confirmation:
D7TMCZ
Check-In >

Issue Date: October 20, 2013

Traveler	eTicket Number	Frequent Flyer	Seats
BOWENS/THELLA	0162384065413	[REDACTED]	[REDACTED]

FLIGHT INFORMATION

Day, Date	Flight	Class	Departure City and Time	Arrival City and Time	Aircraft	Meal
Sun, 20OCT13	UA1174 R		SAN DIEGO, CA (SAN) 6:15 AM	CHICAGO, IL (ORD - O'HARE) 12:20 PM		
Sun, 20OCT13	UA616 U		CHICAGO, IL (ORD - O'HARE) 2:05 PM	WASHINGTON, DC (DCA - NATIONAL) 4:59 PM		
Tue, 22OCT13	UA229 R		WASHINGTON, DC (IAD - DULLES) 8:18 AM	SAN DIEGO, CA (SAN) 10:42 AM	A-320	Breakfast

FARE INFORMATION

Fare Breakdown		Form of Payment:
Airfare:	749.76USD	AMERICAN EXPRESS
Per Person Total:	849.60USD	Last Four Digits 1012

eTicket Total: 849.60USD + \$30 Travel Trust fee = 876.60

The airfare you paid on this itinerary totals: 749.76 USD * change in return flight to next day 200.00 **\$1079.60**

Fare Rules: Additional charges may apply for changes in addition to any fare rules listed.

Additional Charges: Sun., Oct. 20, 2013/American Express 1003 was charged 200.00 USD for the following:
Change Penalty Fee / EDD 01629279472796

Baggage allowance and charges for this itinerary.

Baggage fees are per traveler

Origin and destination for checked baggage	1 st bag	2 nd bag	Max wt / dim per piece
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**RECEIPTS FROM TRAVEL TO WASHINGTON, D.C.
October 20 - 22, 2013—THELLA F. BOWENS**

Vidalia
1990 M Street, NW
Washington, DC 20036
202.659.1990

Server: Alfred 10/21/2013
46/1 8:06 PM
Guests: 1 20019

Bread	0.00
Beet Salad	14.00
App as Entree	18.00
Crab Cake APP	
Country Greens	8.50
	0.00

Subtotal	40.50	58.50
Tax	4.05	5.55
Total	44.55	61.05

Balance Due ~~61.05~~
52.55

www.vidaliadc.com
www.twitter.com/vidaliadc
www.facebook.com/vidaliarestaurant

Vidalia
1990 M Street, NW
Washington, DC 20036
202.659.1990

Server: Alfred DOB: 10/21/2013
08:08 PM 10/21/2013
46/1 2/20019
3145738



Major: [Redacted] Sent: BOWENS THELLA F
Approval: 00/36

Amount: 44.55
+ Tip: 8.00
= Total: 52.55

www.vidaliadc.com
www.twitter.com/vidaliadc
www.facebook.com/vidaliarestaurant

GUEST COPY

10/21 dinner



TAXICAB RECEIPT

Time: _____

Date: 10/20/13

Origin of trip: DCA AIRPORT

Destination: CAPITAL HILTON HOTEL

Fare: \$30.00 Sign: _____

20f3

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

MISSING RECEIPT FORM

Employee/Department Head must complete form below.

Date of Purchase/Event: 10/22/2013

Description of Item/Event: Taxi

Vendor/Event Name: Taxi from Capital Hilton Hotel to Dulles Airport

Dollar Amount: \$65.00

Reason for Missing Receipt: Receipt misplaced

I hereby certify that the original receipt in question was lost or none was issued to me.


Employee Signature

14 Nov 2013
Date

Department Head Signature

Date



SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
EXECUTIVE COMMITTEE

Item No.
6

Meeting Date: **NOVEMBER 21, 2013**

Subject:

Review of the Proposed 2014 Master Calendar of Board and Committee Meetings

Recommendation:

Staff recommends that the Committee forward the 2014 Master Calendar to the Board for acceptance.

Background/Justification:

Pursuant to the Ralph M. Brown Act (§54954(a)), a legislative body shall provide for the time and place for regular meetings by ordinance, resolution, or by-laws. The Board adopted Resolution No. 03-074R and Resolution No. 2007-0053, setting the date and time of Board and Committee meetings. The Board also adopted Resolution No. 03-058R, 2004-0028 and 2007-0089, setting the frequency of Committee meetings.

The proposed calendar was developed in accordance with the Ralph M. Brown Act and the criteria adopted by the Board. The objective is to provide consistency for public participation and the dissemination of information.

Meetings for the Audit and Executive Personnel and Compensation Committee are scheduled to accommodate review of external audits and the performance evaluations for the President/CEO, Chief Auditor and General Counsel, respectively.

Special Board Meetings have been scheduled in the months of January and July due to holidays; and in the months of February, March and September to accommodate anticipated Board Retreats. Additionally, a Special Board meeting is scheduled in May to hold a budget workshop.

The proposed 2014 Master Calendar of Board and Committee meetings is attached as Exhibit A.

Fiscal Impact:

Not applicable.

Authority Strategies:

This item supports one or more of the Authority Strategies, as follows:

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Environmental Review:

- A. This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act (CEQA), as amended. 14 Cal. Code Regs. Section 15378. This Board action is not a "project" subject to CEQA. Pub. Res. Code Section 21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Pub. Res. Code Section 30106.

Application of Inclusionary Policies:

Not applicable.

Prepared by:

TONY R. RUSSELL
DIRECTOR, CORPORATE SERVICES/AUTHORITY CLERK

DRAFT 2014 MASTER CALENDAR OF BOARD AND COMMITTEE MEETINGS

MONTH	ALUC/BOARD	EXECUTIVE COMMITTEE (Two (2) Mondays Preceding the Board meeting)	AUDIT COMMITTEE Monday (Quarterly)	EXECUTIVE PERSONNEL AND COMPENSATION COMMITTEE 3 rd Wednesdays	FINANCE COMMITTEE Meets with the Executive Committee	CAPITAL IMPROVEMENT PROGRAM OVERSIGHT COMMITTEE Quarterly
January	* 6 9:00 AM	** 24 9:00 AM	10:00 AM	10:00 AM	9:00 AM	9:00 AM
February	6	24	10		24	21
February	28 Board Retreat					
March	1 Board Retreat					
March	6	24		19	24	
April	3	21			21	15
May	1 & 22 Budget Workshop	27	12	21	27	
June	5	23		25	23	
July	* 7	28			28	15
August	7 (If necessary)	25	18		25	
September	4	22		17	22	
September	19 Board Retreat					
October	2	27			27	21
November	6	** 21	17		21	
December	4	* 18			* 18	

*Denotes a change in the regular schedule due to holidays

**Denotes a change in the regular schedule due to scheduling conflicts

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY



DRAFT – REVISED 11/19/13

SPECIAL BOARD

AGENDA

Thursday, December 12, 2013
9:00 A.M.

San Diego International Airport
Commuter Terminal – Third Floor
Board Room
3225 N. Harbor Drive
San Diego, California 92101

BOARD MEMBERS

DAVID ALVAREZ
LAURIE BERMAN*
BRUCE R. BOLAND
GREG COX
JIM DESMOND
COL. JOHN FARNAM*
ROBERT H. GLEASON
LLOYD B. HUBBS
ERAINA ORTEGA*
PAUL ROBINSON
MARY SESSOM
TOM SMISEK

* EX OFFICIO BOARD MEMBERS

PRESIDENT/CEO
THELLA F. BOWENS

***Live webcasts of Authority Board meetings can be accessed at
http://www.san.org/airport_authority/boardmeetings.asp.***

This Agenda contains a brief general description of each item to be considered. The indication of a recommended action does not indicate what action (if any) may be taken. ***Please note that agenda items may be taken out of order.*** If comments are made to the Board without prior notice or are not listed on the Agenda, no specific answers or responses should be expected at this meeting pursuant to State law.

Staff Reports and documentation relating to each item of business on the Agenda are on file in Corporate Services and are available for public inspection.

NOTE: Pursuant to Authority Code Section 2.15, all Lobbyists shall register as an Authority Lobbyist with the Authority Clerk within ten (10) days of qualifying as a lobbyist. A qualifying lobbyist is any individual who receives \$100 or more in any calendar month to lobby any Board Member or employee of the Authority for the purpose of influencing any action of the Authority. To obtain Lobbyist Registration Statement Forms, contact the Corporate Services/Authority Clerk Department.

PLEASE COMPLETE A "REQUEST TO SPEAK" FORM PRIOR TO THE COMMENCEMENT OF THE MEETING AND SUBMIT IT TO THE AUTHORITY CLERK. ***PLEASE REVIEW THE POLICY FOR PUBLIC PARTICIPATION IN BOARD AND BOARD COMMITTEE MEETINGS (PUBLIC COMMENT) LOCATED AT THE END OF THE AGENDA.***

The Authority has identified a local company to provide oral interpreter and translation services for public meetings. If you require oral interpreter or translation services, please telephone the Corporate Services/Authority Clerk Department with your request at (619) 400-2400 at least three (3) working days prior to the meeting.

CALL TO ORDER:

PLEDGE OF ALLEGIANCE:

ROLL CALL:

PRESENTATIONS:

A. UPDATE ON THE IMPACTS OF THE SMALL BUSINESS PREFERENCE PROGRAMS:

Presented by Bob Silvas, Director, Small Business Development

B. SAN RAMP CONTROL FACILITY UPDATE:

Presented by George Condon, Director, Aviation Operations & Public Safety

REPORTS FROM BOARD COMMITTEES, AD HOC COMMITTEES, AND CITIZEN COMMITTEES AND LIAISONS:

STANDING BOARD COMMITTEES

• **AUDIT COMMITTEE:**

Committee Members: Gleason, Hollingworth, Hubbs, Sessom, Smisek (Chair), Tartre, Van Sambeek

• **CAPITAL IMPROVEMENT PROGRAM OVERSIGHT COMMITTEE:**

Committee Members: Alvarez, Boland (Chair), Gleason, Hubbs, Robinson

• **EXECUTIVE PERSONNEL AND COMPENSATION COMMITTEE:**

Committee Members: Boland, Cox, Desmond (Chair), Hubbs, Smisek

• **FINANCE COMMITTEE:**

Committee Members: Alvarez, Cox (Chair), Hubbs, Robinson, Sessom

ADVISORY COMMITTEES

• **AUTHORITY ADVISORY COMMITTEE:**

Liaison: Smisek

• **ART ADVISORY COMMITTEE:**

Committee Member: Gleason

LIAISONS

• **AIRPORT LAND USE COMPATIBILITY PLAN FOR SAN DIEGO INTERNATIONAL AIRPORT:**

Liaison: Robinson

- **CALTRANS:**
Liaison: Berman
- **INTER-GOVERNMENTAL AFFAIRS:**
Liaison: Cox
- **MILITARY AFFAIRS:**
Liaisons: Boland
- **PORT:**
Liaisons: Boland, Cox, Gleason (Primary), Smisek

BOARD REPRESENTATIVES (EXTERNAL)

- **SANDAG TRANSPORTATION COMMITTEE:**
Representatives: Hubbs, Smisek (Primary)
- **WORLD TRADE CENTER:**
Representatives: Alvarez, Gleason (Primary)

CHAIR'S REPORT:

PRESIDENT/CEO'S REPORT:

NON-AGENDA PUBLIC COMMENT:

Non-Agenda Public Comment is reserved for members of the public wishing to address the Board on matters for which another opportunity to speak **is not provided on the Agenda**, and which is within the jurisdiction of the Board. Please submit a completed speaker slip to the Authority Clerk. ***Each individual speaker is limited to three (3) minutes. Applicants, groups and jurisdictions referring items to the Board for action are limited to five (5) minutes.***

Note: Persons wishing to speak on specific items should reserve their comments until the specific item is taken up by the Board.

CONSENT AGENDA (Items 1-17):

The consent agenda contains items that are routine in nature and non-controversial. Some items may be referred by a standing Board Committee or approved as part of the budget process. The matters listed under 'Consent Agenda' may be approved by one motion. Any Board Member may remove an item for separate consideration. Items so removed will be heard before the scheduled New Business Items, unless otherwise directed by the Chair.

1. APPROVAL OF MINUTES:

The Board is requested to approve minutes of prior Board meetings.

RECOMMENDATION: Approve the minutes of the October 28, 2013 Special meeting, and the November 7, 2013 regular meeting.

2. ACCEPTANCE OF BOARD AND COMMITTEE MEMBERS WRITTEN REPORTS ON THEIR ATTENDANCE AT APPROVED MEETINGS AND PRE-APPROVAL OF ATTENDANCE AT OTHER MEETINGS NOT COVERED BY THE CURRENT RESOLUTION:

The Board is requested to accept the reports.

RECOMMENDATION: Accept the reports and pre-approve Board member attendance at other meetings, trainings and events not covered by the current resolution.

(Corporate Services: Tony Russell, Director/Authority Clerk)

3. AWARDED CONTRACTS, APPROVED CHANGE ORDERS FROM OCTOBER 14, 2013, THROUGH NOVEMBER 7, 2013, AND REAL PROPERTY AGREEMENTS GRANTED AND ACCEPTED FROM OCTOBER 14, 2013 THROUGH NOVEMBER 7, 2013:

The Board is requested to receive the report.

RECOMMENDATION: Receive the report.

(Procurement: Jana Vargas, Director)

4. AMEND AUTHORITY POLICIES 1.10, 1.30, AND 1.50 TO COMPLY WITH ASSEMBLY BILL 1058:

The Board is requested to approve the updates.

RECOMMENDATION: Adopt Resolution No. 2013-____, amending Authority Policies 1.10, 1.30, and 1.50 to comply with Assembly Bill 1058.

(Inter-Governmental and Community Relations: Michael Kulis, Director)

CLAIMS

5. REJECT THE CLAIM OF MARTIN TABACHNICK:

The Board is requested to reject the claim.

RECOMMENDATION: Adopt Resolution No. 2013-____, rejecting the claim of Martin Tabachnick.

(Legal: Breton Lobner, General Counsel)

COMMITTEE RECOMMENDATIONS

6. ACCEPT THE PROPOSED 2014 MASTER CALENDAR OF BOARD AND COMMITTEE MEETINGS:

The Board is requested to accept the calendar.

RECOMMENDATION: The Executive Committee recommends that the Board accept the calendar.

(Corporate Services: Tony R. Russell, Director/Authority Clerk)

7. AUTHORIZATION OF BOND DOCUMENTS AND SALE OF SPECIAL FACILITIES REVENUE BONDS, INCLUDING DELEGATION OF PRICING AUTHORITY, FOR FUNDING OF RENTAL CAR CENTER AND RELATED IMPROVEMENTS:

The Board is requested to authorize the bond documents.

RECOMMENDATION: The Finance Committee recommends that the Board adopt Resolution No. 2013-____, (1) authorizing the issuance and sale of not to exceed \$350 million in aggregate principal amount of one or more series of San Diego County Regional Airport Authority Senior Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project; (2) approving the forms of a Trust Indenture, Preliminary and Final Official Statements, a Purchase Contract and a Continuing Disclosure Certificate, and certain related matters.

(Finance: Vernon Evans, Vice President/Treasurer)

8. EXTERNAL AUDITOR'S FISCAL YEAR ENDED JUNE 30, 2013, REPORTS: A) AUDITED FINANCIAL STATEMENTS, B) COMPLIANCE (SINGLE AUDIT) REPORT, C) PASSENGER FACILITY CHARGE COMPLIANCE REPORT, D) CUSTOMER FACILITY CHARGE COMPLIANCE REPORT, AND E) REPORT TO THE AUDIT COMMITTEE:

The Board is requested to accept the reports.

RECOMMENDATION: The Audit Committee recommends that the Board accept the reports.

(Audit: Mark A. Burchyett, Chief Auditor)

9. REVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2013:

The Board is requested to accept the information.

RECOMMENDATION: The Audit Committee recommends that the Board accept the information.

(Audit: Mark A. Burchyett, Chief Auditor)

10. QUARTERLY AUDIT ACTIVITIES REPORT – FISCAL YEAR 2014 FIRST QUARTER FROM THE OFFICE OF THE CHIEF AUDITOR:

The Board is requested to accept the report.

RECOMMENDATION: The Audit Committee recommends that the Board accept the report.

(Audit: Mark A. Burchyett, Chief Auditor)

CONTRACTS AND AGREEMENTS

11. AUTHORIZE AN INCREASE IN THE PRESIDENT/ CEO'S CHANGE ORDER AUTHORITY FROM \$317,032.76 TO \$792,581.90 FOR REFURBISH CONCESSIONS SUPPORT INFRASTRUCTURE, PHASE B, COMMUTER TERMINAL, TERMINAL 1, AND TERMINAL 2 WEST AT SAN DIEGO INTERNATIONAL AIRPORT:

The Board is requested to authorize the increase.

RECOMMENDATION: Adopt Resolution No. 2013-____, authorizing an increase in the President/CEO's Change Order Authority from \$317,032.76 (4%) to \$792,581.90 (10%) for Refurbish Concession Support Infrastructure, Phase B, Commuter Terminal, Terminal 1 and Terminal 2 West at San Diego International Airport.

(Facilities Development: Iraj Ghaemi, Director)

12. AWARD A CONSTRUCTION CONTRACT TO (TO BE DETERMINED) FOR THE CONSTRUCT FBO TAXIWAY PROJECT AT SAN DIEGO INTERNATIONAL AIRPORT:

The Board is requested to award a contract.

RECOMMENDATION: Adopt Resolution No. 2013-____, awarding a Construction Contract to (TO BE DETERMINED) for the Construct FBO Taxiway Project at San Diego International Airport.

(Facilities Development: Iraj Ghaemi, Director)

13. AWARD A CONTRACT TO S&L SPECIALTY CONTRACTING, INC. FOR QUIETER HOME PROGRAM PHASE 7, GROUP 7 (48 WEST SIDE, NON-HISTORIC, CONDOMINIUM UNITS):

The Board is requested to award a contract.

RECOMMENDATION: Adopt Resolution No. 2013-____, awarding a contract to S&L Specialty Contracting in the amount of \$1,586,550 for Phase 7, Group 7, Project No. 380707, of the San Diego County Regional Airport Authority's Quieter Home Program.

(Airport Planning: Keith Wilschetz, Director)

14. APPROVE AND AUTHORIZE THE PRESIDENT/CEO TO EXECUTE A FIRST AMENDMENT TO THE SUBLEASE WITH THE SAN DIEGO UNIFIED PORT DISTRICT COVERING THE PORT'S EMPLOYEE PARKING LOT LOCATED ON PACIFIC HIGHWAY:

The Board is requested to extend the contract.

RECOMMENDATION: Adopt Resolution No. 2013-____ approving and authorizing the President/CEO to take appropriate action to execute Amendment No. 1 to the Sublease with the Port to Reconfigure the Port's Pacific Highway Employee Parking Lot to support Northside Development.

(Finance: Vernon Evans, Vice President/Treasurer)

15. APPROVE AND AUTHORIZE THE PRESIDENT/CEO TO EXECUTE A SECOND AMENDMENT TO THE LEASE WITH THE SAN DIEGO UNIFIED PORT DISTRICT FOR THE PROPERTY LOCATED ON PACIFIC HIGHWAY AND FORMERLY KNOWN AS THE "GENERAL DYNAMICS SITE":

The Board is requested to extend the contract.

RECOMMENDATION: Adopt Resolution No. 2013-____, approving and authorizing the President/CEO to take appropriate action to execute Amendment No. 2 to the Lease with the San Diego Unified Port District to Increase the Leased Premises by 3,988 Square Feet located at the Southwest Corner of Palm Street and Pacific Highway in order to support Northside Development.

(Finance: Vernon Evans, Vice President/Treasurer)

CONTRACTS AND AGREEMENTS AND/OR AMENDMENTS TO CONTRACTS AND AGREEMENTS EXCEEDING \$1 MILLION

16. APPROVE AND AUTHORIZE THE PRESIDENT/CEO TO EXECUTE ELEVATOR AND ESCALATOR MAINTENANCE AND REPAIR SERVICE AGREEMENT WITH KONE, INC.:

The Board is requested to approve and authorize the agreement.

RECOMMENDATION: Adopt Resolution No. 2013-____, approving and authorizing the President/CEO to execute an elevator and escalator maintenance and repair service agreement with KONE, Inc., for a term of three years, with the option for two one-year extensions to be exercised at the discretion of the President/CEO, for a total not-to-exceed amount of \$8,710,331.00, to provide elevator and escalator maintenance and repair services at San Diego International Airport.

(Facilities Management & Terminal Operations: Murray Bauer, Director)

PUBLIC HEARINGS:

OLD BUSINESS:

NEW BUSINESS:

17. DECEMBER 2013 LEGISLATIVE REPORT AND 2014 LEGISLATIVE AGENDA:

The Board is requested to approve the report and legislative agenda.

RECOMMENDATION: Adopt Resolution No. 2013-____, approving the December 2013 Legislative Report and the 2014 Legislative Agenda.

(Inter-Governmental and Community Relations: Michael Kulis, Director)

18. AUTHORIZE THE PRESIDENT/CEO TO NEGOTIATE AND EXECUTE GUARANTEED MAXIMUM PRICE AMENDMENT (FOURTH AMENDMENT) TO THE EXISTING CONSTRUCTION MANAGER-AT-RISK, AUSTIN-SUNDT JOINT VENTURE AGREEMENT FOR THE RENTAL CAR CENTER:

The Board is requested to authorize the amendment.

RECOMMENDATION: Adopt Resolution No. 2013-____, approving the President/CEO to negotiate and execute a Guaranteed Price Amendment (fourth amendment), to the Construction Manager-At-Risk, Austin-Sundt Joint Venture agreement establishing a Guaranteed Maximum Price allowing work to proceed on a Guaranteed Maximum Price (GMP) basis rather than a progressive Task and Work Authorization basis for the Rental Car Center; and

Adopt Resolution No. 2013-____, releasing funds in an amount not to exceed \$155 million for a Board authorized total of \$223 million for Construction Manager-At-Risk, Austin-Sundt Joint Venture agreement; and

Adopt Resolution No. 2013-____, releasing funds and authorizing the President/CEO to execute additional Task Authorizations in an amount not to exceed \$65.1 million for a Board authorized total of \$71.1 million for Program Management and Related Services and Program Reserve/Contingencies associated with the execution of work related to the Rental Car Center project.

(Development: Bryan Enarson, Vice President)

CLOSED SESSION:

19. CONFERENCE WITH REAL PROPERTY NEGOTIATORS:

Real property negotiations pursuant to Cal. Gov. Code §54954.5(b) and §54956.8:

Property: Salt Plant – 17 acre parcel located at 1470 Bay Boulevard, San Diego

Agency Negotiators: Vernon D. Evans, Vice President, Finance/Treasurer

Negotiating Parties: San Diego Gas & Electric, United States Fish and Wildlife Service, GGTW, LLC (current tenant) and/or other interested parties

Under Negotiation: Sale – terms and conditions

- 20. CONFERENCE WITH REAL PROPERTY NEGOTIATORS:**
Real Property negotiations pursuant to Cal. Gov. Code §54954.5(b) and §54956.8:
Property: 2980 Pacific Highway, San Diego, California
Agency Negotiators: Vernon D. Evans, Vice President, Finance/Treasurer and Troy Ann Leech, Director, Aviation & Commercial Business
Negotiating Party: Steve Weathers, President/CEO, San Diego World Trade Center
Under Negotiation: New or amended lease.
- 21. CONFERENCE WITH LEGAL COUNSEL-EXISTING LITIGATION:**
(Cal. Gov. Code Section 54956.9(A))
Diego Concession Group, Inc. v. San Diego County Regional Airport Authority
S.D.S.C Case No. 37-2012-00088083-CU-BT-CTL
- 22. CONFERENCE WITH LEGAL COUNSEL-EXISTING LITIGATION:**
(Cal. Gov. Code §54956.9(A))
Melvin R. McFarlin v. San Diego County Regional Airport Authority, et al.,
San Diego Superior Court Case No. 37-2013-00066152-CU-OE-CTL
- 23. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION:**
Initiation of litigation pursuant to subdivision (c) of §54956.9: (2 cases)
- 24. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION:**
Significant exposure to litigation pursuant to Cal. Gov. Code §54956.9(b):
Kelly Lancaster, David Boenitz, Mary Erickson and Richard Gilb, et al v. SDCERS,
San Diego Sup. Court Case No. 37-2011-G0096238-CU-PO-CT
Number of cases: 1
- 25. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION:**
Significant exposure to litigation (Cal. Gov. Code §§ 54956.9 (b) and 54954.5)
Number of potential cases: 1
Re: Investigative Order No. R9-2012-0009 by the California Regional Water Quality Control Board regarding submission of technical reports pertaining to an investigation of bay sediments at the Downtown Anchorage Area in San Diego
- 26. CONFERENCE WITH LEGAL COUNSEL-ANTICIPATED LITIGATION:**
Significant exposure to litigation (Cal.Gov.Code §54956.9(d))
Number of Cases: 1
Individual Members Adan Topete, Derrick Phillips, Manuel Aguilar, Jose Topete, Alexander Weir, Candido Bautista, Francisco Arrendondo, Juan Murillo and Laborers' International Union of North America Local Union No. 89, Applicants – Application to Stay Implementation of the September 5, 2013 FONSI/ROD for San Diego International Airport Master Plan Northside Improvements Project- Application to the United States Department of Transportation, Federal Aviation Administration

REPORT ON CLOSED SESSION:

NON-AGENDA PUBLIC COMMENT:

Non-Agenda Public Comment is reserved for members of the public wishing to address the Board on matters for which another opportunity to speak **is not provided on the Agenda**, and which is within the jurisdiction of the Board. Please submit a completed speaker slip to the Authority Clerk. ***Each individual speaker is limited to three (3) minutes. Applicants, groups and jurisdictions referring items to the Board for action are limited to five (5) minutes.***

Note: Persons wishing to speak on specific items should reserve their comments until the specific item is taken up by the Board.

GENERAL COUNSEL REPORT:

BUSINESS AND TRAVEL EXPENSE REIMBURSEMENT REPORTS FOR BOARD MEMBERS, PRESIDENT/CEO, CHIEF AUDITOR AND GENERAL COUNSEL WHEN ATTENDING CONFERENCES, MEETINGS, AND TRAINING AT THE EXPENSE OF THE AUTHORITY:

BOARD COMMENT:

ADJOURNMENT:

Policy for Public Participation in Board, Airport Land Use Commission (ALUC), and Committee Meetings (Public Comment)

- 1) Persons wishing to address the Board, ALUC, and Committees shall complete a "Request to Speak" form prior to the initiation of the portion of the agenda containing the item to be addressed (e.g., Public Comment and General Items). Failure to complete a form shall not preclude testimony, if permission to address the Board is granted by the Chair.
- 2) The Public Comment Section at the beginning of the agenda is limited to eighteen (18) minutes and is reserved for persons wishing to address the Board, ALUC, and Committees on any matter for which another opportunity to speak is not provided on the Agenda, and on matters that are within the jurisdiction of the Board. A second Public Comment period is reserved for general public comment later in the meeting for those who could not be heard during the first Public Comment period.
- 3) Persons wishing to speak on specific items listed on the agenda will be afforded an opportunity to speak during the presentation of individual items. Persons wishing to speak on specific items should reserve their comments until the specific item is taken up by the Board, ALUC and Committees. Public comment on specific items is limited to twenty (20) minutes – ten (10) minutes for those in favor and ten (10) minutes for those in opposition of an item. Each individual speaker will be allowed three (3) minutes, and applicants and groups will be allowed five (5) minutes.
- 4) If many persons have indicated a desire to address the Board, ALUC and Committees on the same issue, then the Chair may suggest that these persons consolidate their respective testimonies. Testimony by members of the public on any item shall be limited to **three (3) minutes per individual speaker and five (5) minutes for applicants, groups and referring jurisdictions.**
- 5) Pursuant to Authority Policy 1.33 (8), recognized groups must register with the Authority Clerk prior to the meeting.
- 6) After a public hearing or the public comment portion of the meeting has been closed, no person shall address the Board, ALUC, and Committees without first obtaining permission to do so.

Additional Meeting Information

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SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY



DRAFT SPECIAL AIRPORT LAND USE COMMISSION AGENDA

Thursday, December 12, 2013
9:00 A.M. or immediately following the
Board Meeting

San Diego International Airport
Commuter Terminal – Third Floor
Board Room
3225 N. Harbor Drive
San Diego, California 92101

BOARD MEMBERS

DAVID ALVAREZ
LAURIE BERMAN*
BRUCE R. BOLAND
GREG COX
JIM DESMOND
COL. JOHN FARNAM*
ROBERT H. GLEASON
LLOYD B. HUBBS
ERAINA ORTEGA*
PAUL ROBINSON
MARY SESSOM
TOM SMISEK

* EX OFFICIO BOARD MEMBERS

PRESIDENT/CEO
THELLA F. BOWENS

***Live webcasts of Authority Board meetings can be accessed at
http://www.san.org/airport_authority/boardmeetings.asp.***

Pursuant to California Public Utilities Code §§ 21670-21679.5, the Airport Land Use Commission ("Commission") is responsible for coordinating the airport planning of public agencies within San Diego County. The Commission has the legal responsibility to formulate airport land use compatibility plans ("ALUCPs") that will (a) provide for the orderly growth of each public airport and the areas surrounding the airport within the County and (b) safeguard the general welfare of the inhabitants within the vicinity of each airport and the public in general. Pursuant to §21670.3, the San Diego County Regional Airport Authority serves as the Commission.

This Agenda contains a brief general description of each item to be considered. The indication of a recommended action does not indicate what action (if any) may be taken. ***Please note that agenda items may be taken out of order.*** If comments are made to the Commission without prior notice or are not listed on the Agenda, no specific answers or responses should be expected at this meeting pursuant to State law.

Staff Reports and documentation relating to each item of business on the Agenda are on file in Corporate Services and are available for public inspection.

NOTE: Pursuant to Authority Code Section 2.15, all Lobbyists shall register as an Authority Lobbyist with the Authority Clerk within ten (10) days of qualifying as a lobbyist. A qualifying lobbyist is any individual who receives \$100 or more in any calendar month to lobby any Commission Member or employee of the Authority for the purpose of influencing any action of the Authority. To obtain Lobbyist Registration Statement Forms, contact the Corporate Services/Authority Clerk Department.

PLEASE COMPLETE A "REQUEST TO SPEAK" FORM PRIOR TO THE COMMENCEMENT OF THE MEETING AND SUBMIT IT TO THE AUTHORITY CLERK. *PLEASE REVIEW THE POLICY FOR PUBLIC PARTICIPATION IN BOARD AND BOARD COMMISSION MEETINGS (PUBLIC COMMENT) LOCATED AT THE END OF THE AGENDA.*

CALL TO ORDER:

PLEDGE OF ALLEGIANCE:

ROLL CALL:

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CONSENT AGENDA (Items 1-3):

The Consent Agenda contains items that are routine in nature and non-controversial. It also contains consistency determinations that have been deemed consistent or **conditionally consistent**. The matters listed under 'Consent Agenda' may be approved by one motion. Any Commission Member may remove an item for separate consideration. Items so removed will be heard before the scheduled New Business items, unless otherwise directed by the Chair.

1. APPROVAL OF MINUTES:

The Airport Land Use Commission is requested to approve minutes of prior Commission meetings.

RECOMMENDATION: Approve the minutes of the November 7, 2013 regular meeting.

CONSISTENCY DETERMINATIONS

2. CONSISTENCY DETERMINATION – REPORT OF LAND USE ACTIONS DETERMINED TO BE CONSISTENT WITH AIRPORT LAND USE COMPATIBILITY PLANS:

The Commission is requested to receive a report of land use actions determined by staff to be consistent with their respective Airport Land Use Compatibility Plans.

RECOMMENDATION: Receive the report.

(Airport Planning: Angela Jamison, Manager)

3. CONSISTENCY DETERMINATION – SAN DIEGO INTERNATIONAL AIRPORT - AIRPORT LAND USE COMPATIBILITY PLAN – CONSTRUCTION OF 4 MULTI-FAMILY RESIDENTIAL UNITS AT 2900 BARNARD STREET, CITY OF SAN DIEGO:

The Commission is requested to make a consistency determination on a proposed project in the City of San Diego.

RECOMMENDATION: Adopt Resolution No. 2013-____ ALUC, making the determination that the project is conditionally consistent with the San Diego International Airport - Airport Land Use Compatibility Plan.

(Airport Planning: Angela Jamison, Manager)

PUBLIC HEARINGS: None

OLD BUSINESS:

NEW BUSINESS:

COMMISSION COMMENT:

ADJOURNMENT:

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Revised 11/19/13



SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
STAFF REPORT

Item No.
9

Meeting Date: **NOVEMBER 21, 2013**

Subject:

Authorize the President/CEO to Execute a Notice of Geologic and Geotechnical Conditions, including an Indemnity Agreement in favor of the City of San Diego, in Order to Obtain a Building Permit for the Proposed Rental Car Center

Recommendation:

Adopt Resolution No. 2013-0131, approving and authorizing the President/CEO to execute a Notice of Geologic and Geotechnical Conditions, including an indemnity agreement in favor of the City of San Diego, in order to obtain a building permit for the proposed Rental Car Center to be recorded with the County Recorder acknowledging the existence of geotechnical conditions assumed to be present on the proposed rental car center located on a portion of the Tidelands of San Diego Bay, Assessor's Parcel Number: 760-005-33-00.

Background/Justification:

The rental car industry plays an important role in the success of San Diego International Airport ("SDIA") by providing customer service and non-airline revenue to the San Diego County Regional Airport Authority ("Authority"). The Authority's Rental Car Center ("RCC") program, including a new consolidated rental car center and supporting improvements and facilities, will provide a long-term facility for rental car operations at SDIA. The RCC will support the Authority's goals for operational efficiency, commitment to environmental stewardship, regulatory compliance, and financial performance, by providing a single consolidated facility located on the northerly portion of SDIA from which all rental car companies serving SDIA will operate.

The Authority engaged professional geotechnical consultants who researched the site conditions at the proposed location for the RCC building. All the pertinent documents associated with the geotechnical research, subsequent findings, and recommendations were provided to the RCC design team and City of San Diego Development Services Department ("City"). The geotechnical consultants, Kleinfelder West, Inc. ("KWI") and Clevenger Geoconsulting, Inc. ("CGI") reviewed the geologic and geotechnical conditions associated with the RCC site and identified active and potentially active fault zones on the property. KWI and CGI recommended a structural setback from the mapped location of the active fault. The RCC building location was selected to ensure that the building is outside of the setback limit for the active fault. The building location does fall

Page 2 of 3

within the limits of two potentially active fault zones. KWI and CGI concluded that movement of these potentially active faults terminated more than 120,000 years ago. Based on the results of their analyses, the Authority's design team and geotechnical experts believe that there is sufficient available information to allow a reliable assessment of the level of risk and extent of hazard to which this property and the improvement constructed thereon may be subject because of geologic hazards and other conditions. KWI and CGI believe that active faulting and fault rupture will not affect the proposed RCC structure and that the facility can be constructed over the potentially active faults with negligible risk of movement and impact to the structure due to fault rupture.

As a condition to issuing a building permit for the RCC, the City requests that the Authority acknowledge the existence of geotechnical conditions assumed to be present on the RCC property and agree to stipulated conditions, including that the Authority indemnify and hold harmless the City for the risks related to construction of the RCC as authorized by the building permit. Attached as "Exhibit A" is a draft copy of the proposed Notice of Geologic and Geotechnical Conditions ("Notice") which, upon approval and execution, will be recorded with the County Recorder. The Notice provides that the City may agree to remove the conditions in the Notice if it deems doing so is reasonable and appropriate based on geologic, geotechnical and other appropriate conditions.

Staff requests that the Board grant the President/CEO authority to execute the Notice, subject to minor edits and modifications as necessary, upon approval as to form by General Counsel.

Fiscal Impact:

Adequate funds for the Proposed Rental Car Center are included within the Board approved FY2014-FY2018 Capital Program Budget in Project No. 104151 Rental Car Center (formerly ConRAC Development) SDIA (approved budget authorized June 2013: \$316,124,104). Sources of funding for this project include Customer Facility Charges, Airport Cash and Special Facility Revenue Bonds.

Authority Strategies:

This item supports one or more of the Authority Strategies, as follows:

- Community Strategy
 Customer Strategy
 Employee Strategy
 Financial Strategy
 Operations Strategy

Environmental Review:

- A. The proposed Rental Car Center facility project was evaluated subject to the California Environmental Quality Act ("CEQA"), Pub. Res. Code Section 21065, as a project component of the San Diego International Airport Master Plan Final Environmental Impact Report (SCH #2005091105; SDCRAA #EIR-06-01) certified May 1, 2008 and the North Side Improvements Final Supplemental Environmental Impact Report (also SCH #2005091105; SDCRAA #EIR-10-01) certified by the San Diego County Regional Airport Authority on September 1, 2011.
- B. The proposed Rental Car Center facility project requires review by the California Coastal Commission in accordance with the California Coastal Act. An application for a coastal development permit was submitted to the California Coastal Commission and CDP#6-13-011 was approved on August 14, 2013.

Application of Inclusionary Policies:

Not applicable.

Prepared by:

ROBERT BOLTON
DIRECTOR, AIRPORT DESIGN & CONSTRUCTION

RESOLUTION NO. 2013-0131

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY APPROVING AND AUTHORIZING THE PRESIDENT/CEO TO EXECUTE A NOTICE OF GEOLOGIC AND GEOTECHNICAL CONDITIONS, INCLUDING AN INDEMNITY AGREEMENT IN FAVOR OF THE CITY OF SAN DIEGO, IN ORDER TO OBTAIN A BUILDING PERMIT FOR THE PROPOSED RENTAL CAR CENTER TO BE RECORDED WITH THE COUNTY RECORDER ACKNOWLEDGING THE EXISTENCE OF GEOTECHNICAL CONDITIONS ASSUMED TO BE PRESENT ON THE PROPOSED RENTAL CAR CENTER LOCATED ON A PORTION OF THE TIDELANDS OF SAN DIEGO BAY, ASSESSOR'S PARCEL NUMBER 760-005-33-00

WHEREAS, the new Rental Car Center ("RCC") to be constructed on the north side of San Diego International Airport, on the site of the former General Dynamics facility, will consolidate current rental car operations into one location; and

WHEREAS, the Authority has engaged professional geotechnical consultants who have researched the site conditions at the proposed location for the RCC building; and

WHEREAS, all the pertinent documents associated with the geotechnical research, subsequent findings, and recommendations have been provided to the RCC design team and City of San Diego Development Services Department ("City"); and

WHEREAS, the geotechnical consultants, Kleinfelder West, Inc. ("KWI") and Clevenger Geoconsulting, Inc. ("CGI"), have reviewed the geologic and geotechnical conditions associated with the RCC site and have identified active and potentially active faults on the property; and

WHEREAS, KWI and CGI have recommended a structural setback from the mapped location of the active fault. The RCC building location was selected to stay outside of the setback limit for the active fault; and

WHEREAS, CGI opines that active faulting and fault rupture will not affect the proposed RCC structure and the risk of surface fault rupture on the potentially active faults within the building footprint is not deemed high enough to present a risk to the structure; and

WHEREAS, at the present time, the Authority's design team and geotechnical expert believe that the available information is sufficient to allow a reliable assessment of the level of risk and extent of hazard to which this property and the improvement constructed thereon may be subject because of geologic hazards and other conditions; and

WHEREAS, as a condition of issuing a building permit for the RCC, the City requests that the Authority acknowledge the existence of geotechnical conditions assumed to be present on the RCC property and agree to stipulated conditions, including that the Authority indemnify the City and hold the City harmless for risks related to construction of the RCC as authorized by the building permit; and

WHEREAS, attached as "Exhibit A" is a draft copy of the proposed Notice of Geologic and Geotechnical Conditions ("Notice") which, upon approval and execution, will be recorded with the County Recorder; and

WHEREAS, the Notice provides that the City may agree to remove the conditions in the Notice if it deems doing so is reasonable and appropriate based on geologic, geotechnical and other appropriate conditions; and

WHEREAS, Staff requests that the Board grant the President/CEO authority to execute the Notice, subject to minor edits and modifications as necessary, upon approval as to form by General Counsel.

NOW THEREFORE, the Board hereby approves and authorizes the President/CEO to execute the Notice subject to minor edits and modifications as necessary, upon approval as to form by the General Counsel; and

BE IT FURTHER RESOLVED that the Board finds that the Rental Car Center facility was evaluated subject to the California Environmental Quality Act ("CEQA"), Pub. Res. Code Section 21065, as a project component of the San Diego International Airport Master Plan Final Environmental Impact Report (SCH #2005091105; SDCRAA #EIR-06-01) certified May 1, 2008 and the North Side Improvements Final Supplemental Environmental Impact Report (also SCH #2005091105; SDCRAA #EIR-10-01) certified by the San Diego County Regional Airport Authority on September 1, 2011; and the California Coastal Commission approved CDP#6-13-011 on August 14, 2013.

PASSED, ADOPTED, AND APPROVED by the Board of the San Diego County Regional Airport Authority at a special meeting this 21st day of November, 2013, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

TONY R. RUSSELL
DIRECTOR, CORPORATE SERVICES/
AUTHORITY CLERK

APPROVED AS TO FORM:

BRETON K. LOBNER
GENERAL COUNSEL

EXHIBIT A

INDEXING INSTRUCTION:
Index as Agreement Affecting Real Property

RECORDING REQUESTED BY
and when recorded mail to:

San Diego Regional Airport Authority
3225 N. Harbor Dr, San Diego, CA
San Diego, CA 92101

Space above this line for Recorder's use

CITY OF SAN DIEGO
NOTICE OF GEOLOGIC AND GEOTECHNICAL CONDITIONS
PTS PROJECT NUMBERS 337754 and 339426

ASSESSORS PARCEL NUMBER
760-005-33-00

PROPERTY ADDRESS
3355 Terminal Link Road
San Diego, CA 92101

The subject property is more specifically described as:

A portion of the Tidelands of San Diego Bay as shown on Miscellaneous Map No. 564, filed in the Office of the County Recorder of San Diego County, in the City of San Diego, County of San Diego, State of California.

GENERAL

To: San Diego Regional Airport Authority, referred to as Owner(s): You and your geotechnical consultants, Kleinfelder West, Inc. (KWI) and Clevenger Geoconsulting, Inc. (CGI), have reviewed the geologic and geotechnical reports referenced on page 4 regarding the subject property. As indicated in the referenced documents, KWI and CGI have identified potentially active faults crossing beneath the footprint of the proposed rental car center. KWI and CGI have not recommended a structural setback from the mapped location of the potentially active faults. CGI opines that active faulting and fault rupture will not affect the proposed [rental car center] structure and the risk of surface fault rupture on the potentially active faults within the building footprint is not deemed high enough to present a risk to the structure.

At the present time, the Authority's design team and geotechnical expert believe that the available information is ~~not~~ sufficient to allow a reliable assessment of the level of risk and extent of hazard to which this property and the improvement constructed thereon may be subject because of geologic hazards and other conditions. The presently known facts suggest that these conditions may present a hazard, therefore, the City has the following conditions and requirements.

CONDITIONS, HOLD HARMLESS AND ASSUMPTION OF RISK AND COSTS

Building Permit Applications for construction on this property have been filed with the City of San Diego Development Services Department for the Rental Car Center Project (PTS project no. : 337754 and 339426). Pursuant to San Diego Municipal Code § 145.1803a(3), the City of San Diego requires the following conditions: (1) The Owner(s) acknowledges by their signature(s) hereon that they have been informed by their consultants of geological conditions, which may constitute a defect or hazard, and they accept the risk and sole responsibility due to these conditions in connection with the construction on their property; (2) the Owner(s) certify by its (their) signature(s) hereon that they are fully aware of the information set forth in the documents referenced on page 4 of this Notice; (3) the Owner(s), during the term of its (their) ownership, and its (their) successors, heirs, assignees, transferees and grantees, during their respective terms of ownership, hereby agree to indemnify, defend and hold harmless the City of San Diego, its employees and agents from any and all costs, losses, liabilities or damages resulting from bodily injury, property damage or death to the Owner(s), its (their) family, guests, invitees, visitors, employees, agents or contractors, which occur on the subject property, which are sustained, caused or result from failure of the permitted structure(s), underlying soils, slopes, or utilities which are beneath or adjacent to the referenced property due to the presence of faulting on the property. The Owner(s), its (their) successors, heirs, assignees, transferees, and grantees, during their respective terms of ownership, also agree to voluntarily assume all risks and costs, known or unknown, associated with ownership, use, development, occupancy, or maintenance of the subject property,

The Owner(s) hereby declare(s) that all property described above is held and shall be held, conveyed, hypothecated or encumbered, leased, rented, used, occupied and improved or maintained subject to the covenants contained herein, which shall run with the land and shall be binding on all parties having or acquiring a right, title or interest in the described lands or any part thereof.

The Owner(s) agree and acknowledge that the City of San Diego may agree to remove this covenant from the subject properties and release the owner and subsequent owners of the property from the hold harmless portion of this agreement by a writing setting forth the release and removal signed by the Chief Executive Officer or designee and thereafter recorded with the County Recorder's Office in the County of San Diego, California. The City of San Diego shall possess the sole authority for determining when and if such removal and release of that portion of the agreement is reasonable and appropriate based on geologic, geotechnical, and other appropriate conditions.

ACKNOWLEDGMENT

I (We), the recorded owner of this property, have read and understand this NOTICE, have received a copy, and agree to the above conditions on behalf of all of our heirs, successors in interest, assignees, transferees, and grantees. I (We) accept the indemnity, hold harmless, assumption of the risk and related responsibilities in connection with the construction authorized. I am (We are) aware that this document will be recorded with the County Recorder, and that these obligations shall run with the land.

For the City of San Diego:

Jeffrey D. Strohminger, PE
Program Manager
Development Services

Dated: _____

For the Owner(s): San Diego Regional Airport Authority

By: _____
Notarized Signature

Name: _____

Title: _____

Date: _____

REFERENCES

1. Fault Hazard Study, Proposed CONRAC Site, San Diego International Airport, San Diego, California, prepared by Kleinfelder West, Inc., dated October 14, 2011 (their project no. 119682)
2. Fault Hazard Study, Proposed CONRAC Site, San Diego International Airport, San Diego, California, prepared by Kleinfelder West, Inc., dated June 12, 2012 (their project no. 126619)
3. Geotechnical Investigation, San Diego RCC Facility, San Diego International Airport, San Diego, California, prepared by Clevenger Geoconsulting, Inc., dated August 21, 2013 (their project no. 0028.0017.0013.01)