

# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

## Board Members

C. April Boling  
Chairman

Greg Cox  
Jim Desmond  
Mark Kersey  
Paul Robinson  
Michael Schumacher  
Mary Sessom  
Mark B. West

## SPECIAL BOARD MEETING and EXECUTIVE/FINANCE COMMITTEE

### AGENDA

Thursday, February 15, 2018  
9:00 A.M.

San Diego International Airport  
SDCRAA Administration Building -- Third Floor  
Board Room  
3225 N. Harbor Drive  
San Diego, CA 92101

## Ex-Officio Board Members

Cory Binns  
Col. Jason Woodworth

## President / CEO

Kimberly J. Becker

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. If comments are made to the Board or Committee 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. ***Please note that agenda items may be taken out of order.***

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

Board members who are not members of the Committee may attend and participate in Committee discussions. To preserve the proper function of the Committee, only members officially assigned to the Committee are entitled to vote on any item before the Committee. The Committee only has the power to review items and make recommendations to the Board. Accordingly, the Committee cannot, and will not, take any final action that is binding on the Board or the Authority, even if a quorum of the Board is present.

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.***

**CALL TO ORDER:**

**PLEDGE OF ALLEGIANCE:**

**ROLL CALL:**

***Board***

Board Members: Boling (Chair), Binns (Ex-Officio) Cox, Desmond, Kersey, Robinson, Schumacher, Sessom, West, Woodworth (Ex-Officio)

***Executive Committee***

Committee Members: Boling (Chair), Robinson, Schumacher

***Finance Committee***

Committee Members: Boling (Chair), Cox, Sessom, West

**NON-AGENDA PUBLIC COMMENT**

Non-Agenda Public Comment is reserved for members of the public wishing to address the Board or Committee on matters for which another opportunity to speak **is not provided on the Agenda**, and which is within the jurisdiction of the Board or 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 or Committee.

**NEW BUSINESS:**

**1. APPROVAL OF MINUTES:**

RECOMMENDATION: Approve the minutes of the January 22, 2018 regular meeting.

***FINANCE COMMITTEE***

**NEW BUSINESS:**

**2. REVIEW OF THE UNAUDITED FINANCIAL STATEMENTS FOR THE SEVEN MONTHS ENDED JANUARY 31, 2018:**

Presented by: Kathy Kiefer, Senior Director, Finance and Asset Management

**3. REVIEW OF THE AUTHORITY'S INVESTMENT REPORT AS OF  
JANUARY 31, 2018:**

Presented by: Geoff Bryant, Manager, Airport Finance

***EXECUTIVE COMMITTEE***

**NEW BUSINESS:**

**4. 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 & Information  
Governance/Authority Clerk

**REVIEW OF FUTURE AGENDAS:**

**5. REVIEW OF THE DRAFT AGENDA FOR THE MARCH 1, 2018 BOARD  
MEETING:**

Presented by: Kimberly J. Becker, President/CEO

**6. REVIEW OF THE DRAFT AGENDA FOR THE MARCH 1, 2018 AIRPORT LAND  
USE COMMISSION MEETING:**

Presented by: Kimberly J. Becker, President/CEO

***BOARD***

**NEW BUSINESS:**

**7. AUTHORIZATION OF AN AMENDMENT TO THE EXISTING US BANK  
\$125,000,000 REVOLVING CREDIT AGREEMENT:**

The Board is requested to approve the amendment.

RECOMMENDATION: Adopt Resolution No. 2018-0015, approving a second  
amendment to an existing revolving line of credit and certain other documents and  
matters related to the revolving line of credit.

**CLOSED SESSION:**

**REPORT ON CLOSED SESSION:**

**BOARD AND 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 announcement of that 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 period at the beginning of the agenda is limited to eighteen (18) minutes and is reserved for persons wishing to address the Board, ALUC, or Committee 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 were not heard during the first Public Comment period.
- 3) Persons wishing to speak on a specific item listed on the agenda will be afforded an opportunity to speak during the presentation of that individual item. Persons wishing to speak on a specific item should reserve their comments until the item is taken up by the Board, ALUC or Committee. Public comment on a specific item 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 or 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](http://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 SDCRAA Administration Building. Bring your ticket to the third floor receptionist for validation.**

**You may also reach the SDCRAA Administration Building 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.**

**UPCOMING MEETING SCHEDULE**

<i>Date</i>	<i>Day</i>	<i>Time</i>	<i>Meeting Type</i>	<i>Location</i>
March 26	Monday	9:00 A.M.	Regular	Board Room
April 23	Monday	9:00 A.M.	Regular	Board Room
May 24	Thursday	9:00 A.M.	Regular	Board Room

**DRAFT**  
**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**  
**EXECUTIVE AND FINANCE COMMITTEE MEETING MINUTES**  
**MONDAY, JANUARY 22, 2018**  
**BOARD ROOM**

**CALL TO ORDER:** Chairman Boling called the Executive and Finance Committee Meeting to order at 9:03 a.m., on Monday, January 22, 2018, in the Board Room of the San Diego International Airport, Administration Building, 3225 N Harbor Drive, San Diego, CA 92101.

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

**ROLL CALL:**

***Executive Committee***

Present:                      Committee Members:              Boling (Chairman), Janney, Robinson

Board Members:              Kersey

Absent:                      Committee Members:              None

***Finance Committee***

Present:                      Committee Members:              Boling (Chairman), Cox, Janney,  
Sessom

Absent:                      Committee Members:              None

Also Present:              Kimberly J. Becker, President/CEO; Amy Gonzalez, General Counsel; Tony Russell, Director, Corporate & Information Governance/Authority Clerk; Martha Morales, Assistant Authority Clerk I

**NON-AGENDA PUBLIC COMMENT:** None

**NEW BUSINESS:**

**1.      APPROVAL OF MINUTES:**

RECOMMENDATION: Approve the minutes of the December 21, 2017, regular meeting.

**ACTION: Moved by Board Member Janney and seconded by Chairman Boling to approve staff's recommendation. Motion carried unanimously noting Board Member Robinson's ABSTENTION.**

**FINANCE COMMITTEE NEW BUSINESS:**

**2. REVIEW OF THE UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2017:**

Kathy Kiefer, Senior Director, Finance and Asset Management, provided a presentation on the Review of the Unaudited Financial Statements for the Six Months Ended December 31, 2017, which included Enplanements, Gross Landing Weight Units, Car Rental License Fees, Food and Beverage Concessions Revenue, Retail Concessions Revenue, Total Terminal Concessions, Parking Revenue, Operating Revenues for the Month Ended December 31, 2017, Operating Expenses for the Month Ended December 31, 2017, Net Operating Income Summary for the Month Ended December 31, 2017, Nonoperating Revenues & Expenses for the Month Ended December 31, 2017, Operating Revenues for the Six Months Ended December 31, 2017, Operating Expenses for the Six Months Ended December 31, 2017, Net Operating Income Summary for the Six Months Ended December 31, 2017, Nonoperating Revenues and Expenses for the Six Months Ended December 31, 2017, Statements of Net Positions December 31, 2017, Statements of Net Positions as of December 31, 2017.

**ACTION: Moved by Board Member Janney and seconded by Board Member Cox to approve staff's recommendation. Motion carried unanimously.**

*Board Member Kersey arrived to the meeting at 9:10 a.m.*

**3. REVIEW OF THE AUTHORITY'S INVESTMENT REPORT AS OF DECEMBER 31, 2017:**

Geoff Bryant, Manager, Airport Finance, provided a presentation on the Authority's Investment Report as of December 31, 2017 which included Total Portfolio Summary, Portfolio Composition by Security Type, Portfolio Composition by Credit Rating, Portfolio Composition by Maturity, Benchmark Comparison, Detail of Security Holdings as of December 31, 2017, Portfolio Investment Transactions from October 1, 2017 – December 31, 2017, Bond Proceeds Summary, Bond Proceeds Investment Transactions.

**ACTION: Moved by Board Member Cox and seconded by Board Member Janney to approve staff's recommendation. Motion carried unanimously.**

**EXECUTIVE COMMITTEE NEW BUSINESS:**

**4. 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 Robinson and seconded by Janney to approve staff's recommendation. Motion carried unanimously.**

**REVIEW OF FUTURE AGENDAS:**

**5. REVIEW OF THE DRAFT AGENDA FOR THE FEBRUARY 1, 2018 BOARD MEETING:**

Kimberly J. Becker, President/CEO, provided an overview of the draft agenda for the February 1, 2018, Board meeting.

**6. REVIEW OF THE DRAFT AGENDA FOR THE FEBRUARY 1, 2018 AIRPORT LAND USE COMMISSION MEETING:**

Kimberly J. Becker, President/CEO, provided an overview of the draft agenda for the February 1, 2018, ALUC meeting.

**COMMITTEE MEMBER COMMENTS:** None

**ADJOURNMENT:** The meeting adjourned at 9:31 a.m.

APPROVED BY A MOTION OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY EXECUTIVE COMMITTEE THIS 15<sup>th</sup> DAY OF FEBRUARY, 2018.

ATTEST:

\_\_\_\_\_  
TONY R. RUSSELL  
DIRECTOR, CORPORATE & INFORMATION  
GOVERNANCE/AUTHORITY CLERK

APPROVED AS TO FORM:

\_\_\_\_\_  
AMY GONZALEZ  
GENERAL COUNSEL

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**  
**Statements of Net Position**  
**as of January 31, 2018**  
**(Unaudited)**

**ASSETS**

	January	
	2018	2017
<b>Current assets:</b>		
Cash and investments <sup>(1)</sup>	\$ 74,780,543	\$ 82,736,516
Tenant lease receivable, net of allowance of 2017: (\$211,125) and 2016: (\$213,232)	8,069,779	7,887,848
Grants receivable	11,303,076	3,952,883
Notes receivable-current portion	1,801,694	1,705,491
Prepaid expenses and other current assets	10,074,893	7,131,106
<b>Total current assets</b>	<b>106,029,985</b>	<b>103,413,844</b>
<b>Cash designated for capital projects and other <sup>(1)</sup></b>	<b>27,194,620</b>	<b>22,205,496</b>
<b>Restricted assets:</b>		
Cash and investments:		
Bonds reserve <sup>(1)</sup>	60,779,648	57,872,255
Passenger facility charges and interest unapplied <sup>(1)</sup>	75,028,942	68,552,848
Customer facility charges and interest unapplied <sup>(1)</sup>	42,741,813	33,773,544
SBD Bond Guarantee <sup>(1)</sup>	4,000,000	4,000,000
Bond proceeds held by trustee <sup>(1)</sup>	359,592,975	144,327,879
Passenger facility charges receivable	3,787,508	2,249,384
Customer facility charges receivable	3,202,491	3,434,810
OCIP insurance reserve	5,246,385	2,697,635
<b>Total restricted assets</b>	<b>554,379,762</b>	<b>316,908,355</b>
<b>Noncurrent assets:</b>		
<b>Capital assets:</b>		
Land and land improvements	115,970,892	109,974,224
Runways, roads and parking lots	638,214,763	590,788,831
Buildings and structures	1,426,198,170	1,409,497,276
Machinery and equipment	54,268,006	48,890,762
Vehicles	18,628,131	15,032,750
Office furniture and equipment	33,983,366	32,356,892
Works of art	10,065,769	9,579,436
Construction-in-progress	295,499,451	187,561,001
	<b>2,592,828,548</b>	<b>2,403,681,172</b>
Less accumulated depreciation	(951,579,481)	(866,003,924)
<b>Total capital assets, net</b>	<b>1,641,249,067</b>	<b>1,537,677,248</b>
<b>Other assets:</b>		
Notes receivable - long-term portion	32,213,914	34,071,634
Investments-long-term portion <sup>(1)</sup>	171,663,185	177,532,994
Security deposit	349,943	349,943
<b>Total other assets</b>	<b>204,227,042</b>	<b>211,954,571</b>
<b>Deferred outflows of resources:</b>		
Deferred pension contributions	6,191,382	5,668,195
Other deferred pension outflows	15,047,685	288,051
<b>Total assets and deferred outflows of resources</b>	<b>\$ 2,554,319,543</b>	<b>\$ 2,198,115,760</b>

<sup>(1)</sup> Total cash and investments, \$828,018,110 for 2018 and \$591,001,532 for 2017

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**  
**Statements of Net Position**  
**as of January 31, 2018**  
**(Unaudited)**

**LIABILITIES AND NET POSITION**

	January	
	2018	2017
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 62,801,225	\$ 29,271,715
Deposits and other current liabilities	10,386,982	8,251,333
<b>Total current liabilities</b>	<b>73,188,207</b>	<b>37,523,048</b>
<b>Current liabilities - payable from restricted assets:</b>		
Current portion of long-term debt	17,070,000	11,585,000
Accrued interest on bonds and variable debt	6,616,836	13,621,224
<b>Total liabilities payable from restricted assets</b>	<b>23,686,836</b>	<b>25,206,224</b>
<b>Long-term liabilities:</b>		
Variable debt	26,448,000	52,331,000
Other long-term liabilities	7,876,217	8,669,608
Long term debt - bonds net of amortized premium	1,595,295,821	1,277,737,202
Net pension liability	18,743,453	1,680,759
<b>Total long-term liabilities</b>	<b>1,648,363,491</b>	<b>1,340,418,569</b>
<b>Total liabilities</b>	<b>1,745,238,534</b>	<b>1,403,147,841</b>
<b>Deferred inflows of resources:</b>		
Deferred pension inflows	3,506,867	1,807,420
<b>Total liabilities and deferred inflows of resources</b>	<b>\$ 1,748,745,401</b>	<b>\$ 1,404,955,261</b>
<b>Net Position:</b>		
Invested in capital assets, net of related debt	354,714,395	332,662,042
Other restricted	192,140,702	172,388,172
Unrestricted:		
Designated	27,194,620	22,205,496
Undesignated	231,524,425	265,904,789
<b>Total Net Position</b>	<b>\$ 805,574,142</b>	<b>\$ 793,160,499</b>

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY  
 Statements of Revenues, Expenses, and Changes in Net Position  
 For the Month Ended January 31, 2018  
 (Unaudited)

	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
<b>Operating revenues:</b>					
Aviation revenue:					
Landing fees	\$ 2,153,721	\$ 2,230,477	\$ 76,756	4%	\$ 2,199,937
Aircraft parking Fees	251,617	266,714	15,097	6%	242,298
Building rentals	4,888,586	4,863,382	(25,204)	(1)%	4,597,413
Security surcharge	2,737,068	2,736,414	(654)	-	2,486,660
CUPPS Support Charges	116,784	116,304	(480)	-	103,646
Other aviation revenue	14,811	12,668	(2,143)	(14)%	135,012
Terminal rent non-airline	131,793	184,276	52,483	40%	129,949
Terminal concessions	1,917,746	2,288,361	370,615	19%	2,023,010
Rental car license fees	2,005,398	2,070,054	64,656	3%	2,110,067
Rental car center cost recovery	144,308	139,453	(4,855)	(3)%	187,377
License fees other	382,642	439,493	56,851	15%	428,713
Parking revenue	3,185,656	3,252,472	66,816	2%	3,149,354
Ground transportation permits and citations	619,152	654,055	34,903	6%	669,506
Ground rentals	1,622,697	1,642,400	19,703	1%	1,548,312
Grant reimbursements	-	24,800	24,800	-	24,800
Other operating revenue	64,455	110,644	46,189	72%	75,305
<b>Total operating revenues</b>	<b>20,236,434</b>	<b>21,031,967</b>	<b>795,533</b>	<b>4%</b>	<b>20,111,359</b>
<b>Operating expenses:</b>					
Salaries and benefits	4,097,787	5,821,743	(1,723,956)	(42)%	3,625,900
Contractual services	3,780,245	3,455,157	325,088	9%	3,554,493
Safety and security	2,429,876	2,441,228	(11,352)	-	2,221,766
Space rental	850,014	850,005	9	-	849,963
Utilities	930,510	933,194	(2,684)	-	991,039
Maintenance	1,157,983	782,417	375,566	32%	1,294,833
Equipment and systems	34,529	38,691	(4,162)	(12)%	77,167
Materials and supplies	45,803	71,281	(25,478)	(56)%	63,196
Insurance	90,375	87,156	3,219	4%	83,599
Employee development and support	100,764	53,424	47,340	47%	93,563
Business development	199,843	200,204	(361)	-	117,637
Equipment rentals and repairs	305,376	233,591	71,785	24%	207,567
<b>Total operating expenses</b>	<b>14,023,105</b>	<b>14,968,091</b>	<b>(944,986)</b>	<b>(7)%</b>	<b>13,180,723</b>
Depreciation	8,543,782	8,543,782	-	-	7,898,484
<b>Operating income (loss)</b>	<b>(2,330,453)</b>	<b>(2,479,906)</b>	<b>(149,453)</b>	<b>(6)%</b>	<b>(967,848)</b>
<b>Nonoperating revenue (expenses):</b>					
Passenger facility charges	2,198,418	2,285,201	86,783	4%	2,110,335
Customer facility charges (Rental Car Center)	2,934,612	2,969,447	34,835	1%	3,057,751
Quieter Home Program	(481,342)	531,567	1,012,909	210%	(103,200)
Interest income	774,398	900,196	125,798	16%	704,642
BAB interest rebate	388,017	388,849	832	-	385,851
Interest expense	(6,791,563)	(6,195,937)	595,626	9%	(5,141,880)
Bond amortization costs	337,950	489,368	151,418	45%	345,786
Other nonoperating income (expenses)	(1,000)	(1,368,377)	(1,367,377)	136738%	75,415
<b>Nonoperating revenue, net</b>	<b>(640,510)</b>	<b>314</b>	<b>640,824</b>	<b>100%</b>	<b>1,434,700</b>
<b>Change in net position before capital grant contributions</b>	<b>(2,970,963)</b>	<b>(2,479,592)</b>	<b>491,371</b>	<b>17%</b>	<b>466,852</b>
Capital grant contributions	821,250	2,630,962	1,809,712	220%	1,028,681
<b>Change in net position</b>	<b>\$ (2,149,713)</b>	<b>\$ 151,370</b>	<b>\$ 2,301,083</b>	<b>107%</b>	<b>\$ 1,495,533</b>

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Seven Months Ended January 31, 2018 and 2017**  
**(Unaudited)**

	Budget	Actual	Variance Favorable (Unfavorable)	%	Prior Year
<b>Operating revenues:</b>					
Aviation revenue:					
Landing fees	\$ 16,070,711	\$ 16,382,847	\$ 312,136	2%	\$ 15,946,266
Aircraft parking fees	1,761,323	1,866,994	105,671	6%	1,696,093
Building rentals	34,350,538	34,645,720	295,182	1%	32,038,395
Security surcharge	19,202,164	19,203,845	1,681	-	17,392,630
CUPPS Support Charges	817,488	818,364	876	-	724,502
Other aviation revenue	115,515	109,036	(6,479)	(6)%	946,572
Terminal rent non-airline	925,964	1,141,961	215,997	23%	894,680
Terminal concessions	14,888,834	16,181,049	1,292,215	9%	14,781,695
Rental car license fees	16,716,393	17,076,160	359,767	2%	16,803,552
Rental car center cost recovery	1,010,158	761,933	(248,225)	(25)%	1,277,702
License fees other	2,833,275	3,271,703	438,428	15%	2,800,590
Parking revenue	24,567,238	24,627,155	59,917	-	24,507,350
Ground transportation permits and citations	4,331,885	5,359,616	1,027,731	24%	4,658,746
Ground rentals	11,676,045	11,807,780	131,735	1%	10,794,367
Grant reimbursements	-	328,943	328,943	-	172,000
Other operating revenue	451,191	792,302	341,111	76%	839,551
<b>Total operating revenues</b>	<b>149,718,722</b>	<b>154,375,408</b>	<b>4,656,686</b>	<b>3%</b>	<b>146,274,691</b>
<b>Operating expenses:</b>					
Salaries and benefits	26,347,304	26,155,172	192,132	1%	24,544,446
Contractual services	26,672,918	25,552,634	1,120,284	4%	25,379,651
Safety and security	17,425,164	17,065,423	359,741	2%	15,570,217
Space rental	5,945,252	5,945,427	(175)	-	5,944,893
Utilities	7,350,502	7,229,028	121,474	2%	6,590,808
Maintenance	8,608,530	6,583,747	2,024,783	24%	8,133,759
Equipment and systems	195,946	202,715	(6,769)	(3)%	188,702
Materials and supplies	272,222	344,999	(72,777)	(27)%	315,326
Insurance	673,855	662,085	11,770	2%	563,051
Employee development and support	772,254	671,215	101,039	13%	630,492
Business development	1,482,142	1,608,975	(126,833)	(9)%	1,169,218
Equipment rentals and repairs	1,949,527	1,669,854	279,673	14%	1,816,389
<b>Total operating expenses</b>	<b>97,695,616</b>	<b>93,691,274</b>	<b>4,004,342</b>	<b>4%</b>	<b>90,846,952</b>
Depreciation	57,370,236	57,370,236	-	-	53,544,280
<b>Operating income (loss)</b>	<b>(5,347,130)</b>	<b>3,313,898</b>	<b>8,661,028</b>	<b>-</b>	<b>1,883,459</b>
<b>Nonoperating revenue (expenses):</b>					
Passenger facility charges	22,241,110	23,619,913	1,378,803	6%	21,349,987
Customer facility charges (Rental Car Center)	23,309,754	23,228,753	(81,001)	-	19,816,297
Quieter Home Program	(1,630,861)	(126,320)	1,504,541	92%	(462,620)
Interest income	5,368,621	6,205,057	836,436	16%	4,442,609
BAB interest rebate	2,716,116	2,721,944	5,828	-	2,711,453
Interest expense	(48,357,411)	(43,719,215)	4,638,196	10%	(35,804,348)
Bond amortization costs	2,379,540	3,285,364	905,824	38%	2,433,840
Other nonoperating income (expenses)	(5,000)	(3,140,659)	(3,135,659)	-	(2,129,214)
<b>Nonoperating revenue, net</b>	<b>6,021,869</b>	<b>12,074,837</b>	<b>6,052,968</b>	<b>101%</b>	<b>12,358,004</b>
<b>Change in net position before capital grant contributions</b>	<b>674,739</b>	<b>15,388,735</b>	<b>14,713,996</b>	<b>2181%</b>	<b>14,241,463</b>
Capital grant contributions	3,500,000	7,012,376	3,512,376	100%	1,245,980
<b>Change in net position</b>	<b>\$ 4,174,739</b>	<b>\$ 22,401,111</b>	<b>\$ 18,226,372</b>	<b>437%</b>	<b>\$ 15,487,443</b>



**San Diego County Regional Airport Authority**  
**Authority Detail Income Statement - Supplemental Schedule**  
 For the seven months ended January 31, 2018  
 (Unaudited)

Print Date: 2/7/2018  
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 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
<b>Landing Fees</b>										
41112 - Landing Fees - Signatory	\$2,153,721	\$2,230,477	\$76,757	4	\$2,219,300	\$16,123,994	\$16,429,067	\$305,073	2	\$16,143,376
41113 - Landing Fee Rebate	0	0	0	0	(19,363)	(53,283)	(46,220)	7,063	13	(197,110)
<b>Total Landing Fees</b>	<b>2,153,721</b>	<b>2,230,477</b>	<b>76,757</b>	<b>4</b>	<b>2,199,937</b>	<b>16,070,711</b>	<b>16,382,847</b>	<b>312,136</b>	<b>2</b>	<b>15,946,266</b>
<b>Aircraft Parking Fees</b>										
41150 - Terminal Aircraft Parking	216,391	226,455	10,064	5	208,376	1,514,738	1,575,119	60,381	4	1,458,635
41155 - Remote Aircraft Parking	35,226	40,259	5,032	14	33,923	246,585	291,875	45,290	18	237,458
<b>Total Aircraft Parking Fees</b>	<b>251,618</b>	<b>266,713</b>	<b>15,096</b>	<b>6</b>	<b>242,299</b>	<b>1,761,324</b>	<b>1,866,994</b>	<b>105,671</b>	<b>6</b>	<b>1,696,093</b>
<b>Building and Other Rents</b>										
41210 - Terminal Rent	4,826,451	4,788,809	(37,642)	(1)	4,536,794	33,808,046	34,084,779	276,733	1	31,548,308
41215 - Federal Inspection Services	62,134	74,573	12,439	20	60,617	542,492	560,941	18,449	3	490,087
<b>Total Building and Other Rents</b>	<b>4,888,585</b>	<b>4,863,382</b>	<b>(25,202)</b>	<b>(1)</b>	<b>4,597,411</b>	<b>34,350,537</b>	<b>34,645,720</b>	<b>295,182</b>	<b>1</b>	<b>32,038,395</b>
<b>Security Surcharge</b>										
41310 - Airside Security Charges	660,928	660,149	(779)	0	612,707	4,638,234	4,638,787	552	0	4,286,071
41320 - Terminal Security Charge	2,076,140	2,076,265	125	0	1,873,953	14,563,930	14,565,058	1,128	0	13,106,559
<b>Total Security Surcharge</b>	<b>2,737,068</b>	<b>2,736,414</b>	<b>(654)</b>	<b>0</b>	<b>2,486,660</b>	<b>19,202,164</b>	<b>19,203,845</b>	<b>1,680</b>	<b>0</b>	<b>17,392,630</b>
<b>CUPPS Support Charges</b>										
41400 - CUPPS Support Charges	116,784	116,304	(480)	0	103,646	817,488	818,364	876	0	724,502
<b>Total CUPPS Support Charges</b>	<b>116,784</b>	<b>116,304</b>	<b>(480)</b>	<b>0</b>	<b>103,646</b>	<b>817,488</b>	<b>818,364</b>	<b>876</b>	<b>0</b>	<b>724,502</b>
<b>Other Aviation Revenue</b>										
43100 - Fuel Franchise Fees	14,811	12,668	(2,143)	(14)	16,061	115,515	109,036	(6,479)	(6)	113,915
43105 - New Capital Recovery	0	0	0	0	118,951	0	0	0	0	832,657
<b>Total Other Aviation Revenue</b>	<b>14,811</b>	<b>12,668</b>	<b>(2,143)</b>	<b>(14)</b>	<b>135,012</b>	<b>115,515</b>	<b>109,036</b>	<b>(6,479)</b>	<b>(6)</b>	<b>946,572</b>
<b>Non-Airline Terminal Rents</b>										
45010 - Terminal Rent - Non-Airline	131,793	184,276	52,483	40	129,949	925,964	1,141,961	215,997	23	894,680
<b>Total Non-Airline Terminal Rents</b>	<b>131,793</b>	<b>184,276</b>	<b>52,483</b>	<b>40</b>	<b>129,949</b>	<b>925,964</b>	<b>1,141,961</b>	<b>215,997</b>	<b>23</b>	<b>894,680</b>

**San Diego County Regional Airport Authority**  
**Authority Detail Income Statement - Supplemental Schedule**  
 For the seven months ended January 31, 2018  
 (Unaudited)

	Month to Date				Year to Date							
	Budget	Actual	Variance		Budget	Actual	Variance					
			Favorable (Unfavorable)	Percent			Favorable (Unfavorable)	Percent				
<b>Concession Revenue</b>												
45111 - Term Concessions-Food & Bev	\$794,770	\$999,546	\$204,776	26	\$6,330,308	\$6,946,515	\$616,207	10	\$6,279,119	\$6,279,119	\$0	0
45112 - Terminal Concessions - Retail	473,666	560,250	86,583	18	4,027,363	4,417,826	390,464	10	4,127,372	4,127,372	\$0	0
45113 - Term Concessions - Other	262,045	344,270	82,225	31	1,789,781	2,131,372	341,591	19	2,040,227	2,040,227	\$0	0
45114 - Term Concessions Space Rents	72,689	77,915	5,227	7	508,823	523,198	14,376	3	508,134	508,134	\$0	0
45115 - Term Concessions Cost Recovery	126,328	123,752	(2,576)	(2)	887,958	866,463	(21,495)	(2)	595,878	595,878	\$0	0
45116 - Rec Distr Center Cost Recovery	135,036	134,044	(993)	(1)	911,259	907,406	(3,853)	0	875,964	875,964	\$0	0
45117 - Concessions Marketing Program	53,212	48,584	(4,628)	(9)	433,342	388,269	(45,074)	(10)	355,001	355,001	\$0	0
45120 - Rental car license fees	2,005,398	2,070,054	64,656	3	16,716,393	17,076,160	359,768	2	16,803,552	16,803,552	\$0	0
45121 - Rental Car Center Cost Recover	144,308	139,453	(4,855)	(3)	1,010,158	761,933	(248,225)	(25)	1,277,702	1,277,702	\$0	0
45130 - License Fees - Other	382,642	439,493	56,851	15	2,833,275	3,271,703	438,428	15	2,800,590	2,800,590	\$0	0
<b>Total Concession Revenue</b>	<b>4,450,095</b>	<b>4,937,361</b>	<b>487,265</b>	<b>11</b>	<b>35,448,659</b>	<b>37,290,845</b>	<b>1,842,186</b>	<b>5</b>	<b>35,663,538</b>	<b>35,663,538</b>	<b>\$0</b>	<b>0</b>
<b>Parking and Ground Transportat</b>												
45210 - Parking	3,185,656	3,252,472	66,816	2	24,567,238	24,627,155	59,918	0	24,507,350	24,507,350	\$0	0
45220 - AVI fees	524,959	614,181	89,223	17	4,078,078	5,109,333	1,031,255	25	3,957,461	3,957,461	\$0	0
45240 - Ground Transportation Pe	78,781	20,273	(58,508)	(74)	145,923	109,303	(36,620)	(25)	582,332	582,332	\$0	0
45250 - Citations	15,412	19,601	4,189	27	107,884	140,980	33,096	31	118,953	118,953	\$0	0
<b>Total Parking and Ground Transportat</b>	<b>3,804,808</b>	<b>3,906,528</b>	<b>101,720</b>	<b>3</b>	<b>28,899,123</b>	<b>29,986,771</b>	<b>1,087,649</b>	<b>4</b>	<b>29,166,096</b>	<b>29,166,096</b>	<b>\$0</b>	<b>0</b>
<b>Ground Rentals</b>												
45310 - Ground Rental Fixed - N	1,622,697	1,642,401	19,704	1	11,676,045	11,807,780	131,735	1	10,794,367	10,794,367	\$0	0
<b>Total Ground Rentals</b>	<b>1,622,697</b>	<b>1,642,401</b>	<b>19,704</b>	<b>1</b>	<b>11,676,045</b>	<b>11,807,780</b>	<b>131,735</b>	<b>1</b>	<b>10,794,367</b>	<b>10,794,367</b>	<b>\$0</b>	<b>0</b>
<b>Grant Reimbursements</b>												
45410 - TSA Reimbursements	0	24,800	24,800	0	0	172,000	172,000	0	172,000	172,000	\$0	0
45420 - Planning Grants	0	0	0	0	0	156,943	156,943	0	0	0	\$0	0
<b>Total Grant Reimbursements</b>	<b>0</b>	<b>24,800</b>	<b>24,800</b>	<b>0</b>	<b>0</b>	<b>328,943</b>	<b>328,943</b>	<b>0</b>	<b>172,000</b>	<b>172,000</b>	<b>\$0</b>	<b>0</b>

**San Diego County Regional Airport Authority**  
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 (Unaudited)

	Month to Date				Year to Date				
	Budget	Actual	Variance		Budget	Actual	Variance		
			Favorable (Unfavorable)	Percent			Favorable (Unfavorable)	Percent	
			Prior Year Actual			Prior Year Actual			
<b>Other Operating Revenue</b>									
45510 - Finger Printing Fee	\$17,605	\$20,737	\$3,132	18	\$123,238	\$154,353	\$31,115	25	\$114,539
45520 - Utilities Reimbursements	19,427	16,613	(2,814)	(14)	135,987	116,291	(19,696)	(14)	135,987
45530 - Miscellaneous Other Reve	4,274	3,797	(477)	(11)	29,916	266,177	236,262	790	381,346
45540 - Service Charges	7,314	52,374	45,060	616	51,197	116,723	65,525	128	83,714
45570 - FBO Landing Fees	15,836	15,962	126	1	110,853	135,278	24,425	22	120,485
45580 - Equipment Rental	0	1,160	1,160	0	0	3,480	3,480	0	3,480
<b>Total Other Operating Revenue</b>	<b>64,456</b>	<b>110,642</b>	<b>46,187</b>	<b>72</b>	<b>451,190</b>	<b>792,302</b>	<b>341,111</b>	<b>76</b>	<b>839,551</b>
<b>Total Operating Revenue</b>	<b>20,236,435</b>	<b>21,031,967</b>	<b>795,532</b>	<b>4</b>	<b>149,718,720</b>	<b>154,375,407</b>	<b>4,656,687</b>	<b>3</b>	<b>146,274,690</b>
<b>Personnel Expenses</b>									
<b>Salaries</b>									
51110 - Salaries & Wages	2,952,568	2,034,533	918,035	31	20,178,915	15,802,543	4,376,371	22	15,825,291
51210 - Paid Time Off	0	369,031	(369,031)	0	0	2,062,281	(2,062,281)	0	1,635,443
51220 - Holiday Pay	0	277,631	(277,631)	0	0	555,802	(555,802)	0	551,227
51240 - Other Leave With Pay	0	3,330	(3,330)	0	0	73,353	(73,353)	0	55,948
51250 - Special Pay	0	3,458	(3,458)	0	0	121,103	(121,103)	0	428,731
<b>Total Salaries</b>	<b>2,952,568</b>	<b>2,687,983</b>	<b>264,585</b>	<b>9</b>	<b>20,178,915</b>	<b>18,615,082</b>	<b>1,563,833</b>	<b>8</b>	<b>18,496,641</b>
52110 - Overtime	55,100	55,801	(700)	(1)	411,847	355,951	55,896	14	403,921

**San Diego County Regional Airport Authority**  
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 (Unaudited)

	Month to Date				Year to Date				
	Budget	Actual	Variance		Budget	Actual	Variance		
			Favorable (Unfavorable)	Percent			Favorable (Unfavorable)	Percent	
<b>Benefits</b>									
54110 - FICA Tax	\$217,434	\$201,102	\$16,332	8	\$1,465,465	\$1,326,558	\$138,907	9	\$1,300,251
54120 - Unemployment Insurance-S	0	18,487	(18,487)	0	0	33,636	(33,636)	0	41,520
54130 - Workers Compensation Ins	23,478	14,659	8,819	38	169,045	103,176	65,869	39	111,940
54135 - Workers Comp Incident Expense	0	2,258	(2,258)	0	0	50,724	(50,724)	0	42,685
54210 - Medical Insurance	346,605	315,264	31,341	9	2,375,445	2,212,026	163,419	7	2,395,328
54220 - Dental Insurance	28,264	25,419	2,845	10	189,123	177,662	11,461	6	181,884
54230 - Vision Insurance	3,360	3,208	152	5	23,518	22,304	1,214	5	22,324
54240 - Life Insurance	8,838	8,885	(46)	(1)	61,867	59,721	2,147	3	57,739
54250 - Short Term Disability	8,710	10,183	(1,473)	(17)	62,709	70,742	(8,033)	(13)	69,714
54310 - Retirement	814,259	760,983	53,276	7	4,043,143	3,439,353	603,790	15	3,273,890
54312 - GABS 68 - Non-funded Retirement	0	2,010,451	(2,010,451)	0	0	2,010,451	(2,010,451)	0	0
54315 - Retiree	179,078	178,217	861	0	1,253,546	1,246,317	7,229	1	1,218,600
54410 - Taxable Benefits	0	0	0	0	0	(4,233)	4,233	0	20,630
54430 - Accrued Vacation	0	17,755	(17,755)	0	0	(145,798)	145,798	0	(207,155)
54440 - Relocation	0	0	0	0	0	52,807	(52,807)	0	0
<b>Total Benefits</b>	<b>1,630,027</b>	<b>3,566,871</b>	<b>(1,936,844)</b>	<b>(119)</b>	<b>9,643,862</b>	<b>10,655,447</b>	<b>(1,011,585)</b>	<b>(10)</b>	<b>8,529,351</b>
<b>Cap Labor/Burden/OH Recharge</b>									
54510 - Capitalized Labor Recha	(484,744)	(80,097)	(404,647)	(83)	(3,490,158)	(782,936)	(2,707,222)	(78)	(529,009)
54515 - Capitalized Burden Rech	0	(34,423)	34,423	0	0	(325,897)	325,897	0	(198,840)
54599 - OH Contra	0	(302,433)	302,433	0	0	(2,052,387)	2,052,387	0	(1,993,364)
<b>Total Cap Labor/Burden/OH Recharge</b>	<b>(484,744)</b>	<b>(416,952)</b>	<b>(67,792)</b>	<b>(14)</b>	<b>(3,490,158)</b>	<b>(3,161,220)</b>	<b>(328,938)</b>	<b>(9)</b>	<b>(2,721,213)</b>
<b>QHP Labor/Burden/OH Recharge</b>									
54520 - QHP Labor Recharge	(55,161)	(15,283)	(39,878)	(72)	(397,161)	(140,050)	(257,111)	(65)	(47,595)
54525 - QHP Burden Recharge	0	(6,883)	6,883	0	0	(62,754)	62,754	0	(20,048)
54526 - QHP OH Contra Acct	0	(28,934)	28,934	0	0	(100,807)	100,807	0	(99,109)
<b>Total QHP Labor/Burden/OH Recharge</b>	<b>(55,161)</b>	<b>(51,101)</b>	<b>(4,060)</b>	<b>(7)</b>	<b>(397,161)</b>	<b>(303,611)</b>	<b>(93,550)</b>	<b>(24)</b>	<b>(166,752)</b>
<b>MM&amp;JS Labor/Burden/OH Recharge</b>									
54530 - MM & JS Labor Recharge	0	(138)	138	0	0	(12,899)	12,899	0	2,500
54531 - Joint Studies - Labor	0	(20,722)	20,722	0	0	6,423	(6,423)	0	0
54535 - MM & JS Burden Recharge	0	(64)	64	0	0	(2,572)	2,572	0	0
54536 - Maintenance-Burden	0	64	(64)	0	0	2,572	(2,572)	0	0
<b>Total MM&amp;JS Labor/Burden/OH Recharge</b>	<b>0</b>	<b>(20,860)</b>	<b>20,860</b>	<b>0</b>	<b>0</b>	<b>(6,476)</b>	<b>6,476</b>	<b>0</b>	<b>2,500</b>

**San Diego County Regional Airport Authority**  
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 (Unaudited)

	Month to Date				Year to Date					
	Variance		Variance		Variance		Variance			
	Budget	Actual	Favorable (Unfavorable)	Percent	Prior Year Actual	Budget	Actual	Favorable (Unfavorable)	Percent	
<b>Total Personnel Expenses</b>	<b>4,097,789</b>	<b>5,821,741</b>	<b>(1,723,952)</b>	<b>(42)</b>	<b>3,625,895</b>	<b>26,347,304</b>	<b>26,155,172</b>	<b>192,132</b>	<b>1</b>	<b>24,544,448</b>
<b>Non-Personnel Expenses</b>										
<b>Contract Services</b>										
61100 - Temporary Staffing	\$24,113	\$31,388	\$(7,274)	(30)	\$24,426	\$171,472	\$242,785	\$(71,313)	(42)	\$249,669
61110 - Auditing Services	0	0	0	0	0	108,900	107,900	1,000	1	154,800
61120 - Legal Services	30,000	52,642	(22,642)	(75)	50,250	310,000	279,152	30,848	10	288,574
61130 - Services - Professional	888,794	617,380	271,414	31	1,023,057	6,998,474	5,965,906	1,032,567	15	7,332,919
61150 - Outside Svs - Other	414,823	295,012	119,812	29	348,168	2,400,464	2,209,011	191,453	8	1,982,999
61160 - Services - Custodial	2,460,073	2,405,470	54,603	2	2,196,433	16,990,911	16,929,090	61,822	0	15,880,201
61190 - Receiving & Dist Cntr Services	141,551	139,766	1,785	1	133,885	955,221	955,135	86	0	922,263
61990 - OH Contra	(179,109)	(86,500)	(92,610)	(52)	(221,725)	(1,262,524)	(1,136,345)	(126,179)	(10)	(1,431,774)
<b>Total Contract Services</b>	<b>3,780,245</b>	<b>3,455,157</b>	<b>325,088</b>	<b>9</b>	<b>3,554,493</b>	<b>26,672,918</b>	<b>25,552,634</b>	<b>1,120,284</b>	<b>4</b>	<b>25,379,651</b>
<b>Safety and Security</b>										
61170 - Services - Fire, Police,	512,166	512,421	(255)	0	462,237	3,585,162	3,528,103	57,059	2	3,299,788
61180 - Services - SDUPD-Harbor	1,547,338	1,524,605	22,732	1	1,349,632	10,955,830	10,348,474	607,356	6	9,551,390
61185 - Guard Services	253,704	317,126	(63,422)	(25)	297,775	2,067,505	2,248,732	(181,227)	(9)	1,895,622
61188 - Other Safety & Security Serv	116,667	87,075	29,592	25	112,121	816,667	940,114	(123,447)	(15)	823,417
<b>Total Safety and Security</b>	<b>2,429,874</b>	<b>2,441,227</b>	<b>(11,353)</b>	<b>0</b>	<b>2,221,765</b>	<b>17,425,164</b>	<b>17,065,423</b>	<b>359,741</b>	<b>2</b>	<b>15,570,216</b>
<b>Space Rental</b>										
62100 - Rent	850,014	850,005	9	0	849,963	5,945,252	5,945,427	(175)	0	5,944,893
<b>Total Space Rental</b>	<b>850,014</b>	<b>850,005</b>	<b>9</b>	<b>0</b>	<b>849,963</b>	<b>5,945,252</b>	<b>5,945,427</b>	<b>(175)</b>	<b>0</b>	<b>5,944,893</b>
<b>Utilities</b>										
63100 - Telephone & Other Commun	40,075	41,617	(1,541)	(4)	32,916	276,814	285,103	(8,290)	(3)	284,647
63110 - Utilities - Gas & Electr	805,446	796,018	9,428	1	882,858	6,420,666	6,264,504	156,162	2	5,677,169
63120 - Utilities - Water	84,989	95,647	(10,658)	(13)	76,026	653,022	680,069	(27,046)	(4)	631,071
63190 - OH Contra	0	(87)	87	0	(761)	0	(648)	648	0	(2,079)
<b>Total Utilities</b>	<b>930,510</b>	<b>933,194</b>	<b>(2,683)</b>	<b>0</b>	<b>991,039</b>	<b>7,350,502</b>	<b>7,229,028</b>	<b>121,475</b>	<b>2</b>	<b>6,590,909</b>

**San Diego County Regional Airport Authority**  
**Authority Detail Income Statement - Supplemental Schedule**  
 For the seven months ended January 31, 2018  
 (Unaudited)

	Month to Date				Year to Date				
	Budget	Actual	Variance		Budget	Actual	Variance		
			Favorable (Unfavorable)	Percent			Favorable (Unfavorable)	Percent	
			Prior Year Actual				Prior Year Actual		
<b>Maintenance</b>									
64100 - Facilities Supplies	\$60,267	\$44,791	\$15,476	26	\$441,167	\$370,337	\$70,830	16	\$482,556
64110 - Maintenance - Annual R	837,411	462,513	374,899	45	6,544,908	4,905,163	1,639,745	25	6,088,549
64122 - Contractor Labor	0	0	0	0	0	164	(164)	0	3,560
64123 - Contractor Burden	0	0	0	0	0	209	(209)	0	877
64124 - Maintenance-Overhead	0	70	(70)	0	0	1,411	(1,411)	0	323
64125 - Major Maintenance - Mat	210,000	167,676	42,324	20	1,311,812	969,187	342,625	26	1,268,627
64127 - Contract Overhead (co	0	0	0	0	0	461	(461)	0	7,298
64130 - Remediation	0	0	0	0	0	(19)	19	0	0
64140 - Refuse & Hazardous Waste	50,305	107,368	(57,063)	(113)	310,643	336,834	(26,191)	(8)	281,969
<b>Total Maintenance</b>	<b>1,157,983</b>	<b>782,417</b>	<b>375,566</b>	<b>32</b>	<b>8,608,530</b>	<b>6,583,747</b>	<b>2,024,782</b>	<b>24</b>	<b>8,133,758</b>
<b>Equipment and Systems</b>									
65100 - Equipment & Systems	35,123	38,693	(3,571)	(10)	202,142	202,837	(694)	0	190,862
65101 - OH Contra	(594)	(2)	(592)	(100)	(6,196)	(122)	(6,073)	(98)	(2,160)
<b>Total Equipment and Systems</b>	<b>34,529</b>	<b>38,692</b>	<b>(4,163)</b>	<b>(12)</b>	<b>195,947</b>	<b>202,715</b>	<b>(6,768)</b>	<b>(3)</b>	<b>188,703</b>
<b>Materials and Supplies</b>									
65110 - Office & Operating Suppl	39,328	48,695	(9,367)	(24)	260,955	271,704	(10,749)	(4)	252,831
65120 - Safety Equipment & Suppl	11,690	10,465	1,225	10	49,023	48,957	65	0	55,376
65130 - Tools - Small	2,277	14,528	(12,252)	(538)	11,813	41,973	(30,160)	(255)	32,725
65199 - OH Contra	(7,493)	(2,407)	(5,086)	(68)	(49,569)	(17,635)	(31,934)	(64)	(25,606)
<b>Total Materials and Supplies</b>	<b>45,802</b>	<b>71,281</b>	<b>(25,480)</b>	<b>(56)</b>	<b>272,222</b>	<b>345,000</b>	<b>(72,778)</b>	<b>(27)</b>	<b>315,325</b>
<b>Insurance</b>									
67170 - Insurance - Property	44,725	43,466	1,259	3	313,075	301,444	11,631	4	286,436
67171 - Insurance - Liability	12,533	11,825	709	6	87,733	82,774	4,960	6	82,775
67172 - Insurance - Public Office	17,842	15,034	2,808	16	125,842	106,188	19,654	16	79,736
67173 - Insurance Miscellaneous	15,275	16,832	(1,557)	(10)	147,205	171,679	(24,474)	(17)	114,104
<b>Total Insurance</b>	<b>90,375</b>	<b>87,156</b>	<b>3,219</b>	<b>4</b>	<b>673,855</b>	<b>662,085</b>	<b>11,770</b>	<b>2</b>	<b>563,052</b>

**San Diego County Regional Airport Authority**  
**Authority Detail Income Statement - Supplemental Schedule**  
 For the seven months ended January 31, 2018  
 (Unaudited)

	Month to Date				Year to Date				
	Variance		Variance		Variance		Variance		
	Budget	Actual	Favorable (Unfavorable)	Percent	Prior Year Actual	Budget	Actual	Favorable (Unfavorable)	Percent
<b>Employee Development and Suppo</b>									
66120 - Awards - Service	\$5,091	\$4,811	\$280	6	\$7,946	\$35,962	\$21,676	\$14,286	40
66130 - Book & Periodicals	2,562	3,401	(839)	(33)	3,079	22,601	27,046	(4,446)	(20)
66220 - Permits/Certificates/Lic	17,412	2,685	14,727	85	8,253	136,387	113,124	23,263	17
66260 - Recruiting	2,181	1,498	683	31	3,588	83,086	107,908	(24,822)	(30)
66280 - Seminars & Training	42,015	10,911	31,104	74	41,470	228,370	124,927	103,443	45
66290 - Transportation	12,468	11,685	783	6	12,045	89,544	76,602	12,942	14
66299 - OH Contra	(4,927)	(1,139)	(3,787)	(77)	(1,337)	(34,857)	(21,270)	(13,587)	(39)
66305 - Travel-Employee Developm	18,533	10,222	8,311	45	9,994	141,340	142,057	(717)	(1)
66310 - Tuition	3,333	1,922	1,411	42	7,721	28,333	29,007	(673)	(2)
66320 - Uniforms	2,095	7,427	(5,332)	(254)	804	41,488	50,138	(8,651)	(21)
<b>Total Employee Development and Suppo</b>	<b>100,764</b>	<b>53,421</b>	<b>47,343</b>	<b>47</b>	<b>93,562</b>	<b>772,253</b>	<b>671,214</b>	<b>101,039</b>	<b>13</b>
<b>Business Development</b>									
66100 - Advertising	41,329	37,866	3,463	8	55,526	285,329	420,749	(135,420)	(47)
66110 - Allowance for Bad Debts	0	0	0	0	0	5,000	(5,734)	10,734	215
66200 - Memberships & Dues	26,064	95,321	(69,257)	(266)	28,911	247,428	266,727	(19,300)	(8)
66230 - Postage & Shipping	1,725	973	752	44	579	12,635	10,030	2,605	21
66240 - Promotional Activities	115,183	51,460	63,722	55	18,597	802,522	799,516	3,006	0
66250 - Promotional Materials	1,303	1,323	(19)	(1)	1,417	15,728	23,107	(7,378)	(47)
66300 - Travel-Business Developm	14,239	13,260	979	7	12,607	113,500	94,580	18,920	17
<b>Total Business Development</b>	<b>199,843</b>	<b>200,203</b>	<b>(360)</b>	<b>0</b>	<b>117,638</b>	<b>1,482,143</b>	<b>1,608,975</b>	<b>(126,833)</b>	<b>(9)</b>
<b>Equipment Rentals and Repairs</b>									
66140 - Computer Licenses & Agre	56,575	27,841	28,734	51	(32,305)	189,125	100,763	88,362	47
66150 - Equipment Rental/Leasing	31,913	31,454	459	1	32,209	142,099	153,132	(11,033)	(8)
66160 - Tenant Improvements	60,000	36,191	23,809	40	26,403	475,000	313,853	161,147	34
66270 - Repairs - Office Equipme	163,225	139,471	23,754	15	182,710	1,272,099	1,193,305	78,794	6
66279 - OH Contra	(6,337)	(1,366)	(4,972)	(78)	(1,450)	(128,796)	(91,199)	(37,597)	(29)
<b>Total Equipment Rentals and Repairs</b>	<b>305,375</b>	<b>233,591</b>	<b>71,784</b>	<b>24</b>	<b>207,567</b>	<b>1,949,527</b>	<b>1,669,853</b>	<b>279,673</b>	<b>14</b>
<b>Total Non-Personnel Expenses</b>	<b>9,925,314</b>	<b>9,146,344</b>	<b>778,970</b>	<b>8</b>	<b>9,554,825</b>	<b>71,348,311</b>	<b>67,536,101</b>	<b>3,812,210</b>	<b>5</b>
<b>Total Departmental Expenses before</b>	<b>14,023,103</b>	<b>14,968,085</b>	<b>(944,982)</b>	<b>(7)</b>	<b>13,180,720</b>	<b>97,695,616</b>	<b>93,691,274</b>	<b>4,004,342</b>	<b>4</b>



**San Diego County Regional Airport Authority**  
**Authority Detail Income Statement - Supplemental Schedule**  
 For the seven months ended January 31, 2018  
 (Unaudited)

	Month to Date				Year to Date				
	Budget	Actual	Variance		Budget	Actual	Variance		
			Favorable (Unfavorable)	Percent			Favorable (Unfavorable)	Percent	
<b>Interest Income</b>									
71310 - Interest - Investments	\$614,814	\$392,457	\$(222,357)	(36)	\$4,247,486	\$3,408,430	\$(839,056)	(20)	\$2,539,226
71340 - Interest - Note Receivab	159,584	159,584	0	0	1,121,135	1,121,135	0	0	1,177,161
71350 - Interest - Other	0	0	0	0	0	(1,695)	(1,695)	0	4,105
71361 - Interest Income - 2010 Bonds	0	104,103	104,103	0	0	424,083	424,083	0	306,785
71363 - Interest Income - 2013 Bonds	0	51,528	51,528	0	0	288,079	288,079	0	216,788
71364 - Interest Income - 2017 Bond A	0	120,000	120,000	0	0	681,440	681,440	0	0
71365 - Interest Income - 2014 Bond A	0	72,524	72,524	0	0	283,585	283,585	0	198,544
<b>Total Interest Income</b>	<b>774,397</b>	<b>900,196</b>	<b>125,799</b>	<b>16</b>	<b>5,368,621</b>	<b>6,205,055</b>	<b>836,435</b>	<b>16</b>	<b>4,442,610</b>
<b>Interest income BAB's rebate</b>									
71362 - BAB interest rebate	388,017	388,849	833	0	2,716,116	2,721,944	5,829	0	2,711,453
<b>Total Interest income BAB's rebate</b>	<b>388,017</b>	<b>388,849</b>	<b>833</b>	<b>0</b>	<b>2,716,116</b>	<b>2,721,944</b>	<b>5,829</b>	<b>0</b>	<b>2,711,453</b>
<b>Interest Expense</b>									
71411 - Interest Expense- 2010 Bonds	(2,521,646)	(2,521,646)	0	0	(17,651,520)	(17,651,520)	0	0	(17,917,812)
71412 - Interest Expense 2013 Bonds	(1,521,979)	(1,521,979)	0	0	(10,653,854)	(10,653,854)	0	0	(10,704,138)
71413 - Interest Expense 2014 Bond A	(1,361,768)	(1,361,768)	0	0	(9,532,373)	(9,532,373)	0	0	(9,532,373)
71414 - Interest Expense 2017 Bond A	(1,250,229)	(1,211,442)	38,788	3	(7,501,375)	(7,187,887)	313,488	4	0
71420 - Interest Expense-Variable Debt	(38,953)	(45,044)	(6,090)	(16)	(272,673)	(328,114)	(55,441)	(20)	(235,297)
71430 - LOC Fees - C/P	(34,724)	(24,638)	10,086	29	(352,044)	(257,704)	94,340	27	(187,223)
71450 - Trustee Fee Bonds	(7,933)	0	7,933	100	(15,867)	(1,050)	14,817	93	(10,350)
71451 - Program Fees - Variable Debt	0	0	0	0	(5,000)	(3,300)	1,700	34	0
71458 - Capitalized Interest	0	544,911	544,911	0	0	3,757,580	3,757,580	0	3,192,306
71460 - Interest Expense - Other	0	0	0	0	(1,989,435)	(1,477,723)	511,712	26	(15,000)
71461 - Interest Expense - Cap Leases	(54,332)	(54,332)	0	0	(383,270)	(383,270)	0	0	(394,461)
<b>Total Interest Expense</b>	<b>(6,791,564)</b>	<b>(6,195,937)</b>	<b>595,627</b>	<b>9</b>	<b>(48,357,411)</b>	<b>(43,719,214)</b>	<b>4,638,196</b>	<b>10</b>	<b>(35,804,347)</b>
<b>Amortization</b>									
69210 - Amortization - Premium	337,950	489,368	151,419	45	2,379,540	3,285,364	905,824	38	2,433,840
<b>Total Amortization</b>	<b>337,950</b>	<b>489,368</b>	<b>151,419</b>	<b>45</b>	<b>2,379,540</b>	<b>3,285,364</b>	<b>905,824</b>	<b>38</b>	<b>2,433,840</b>

**San Diego County Regional Airport Authority**  
**Authority Detail Income Statement - Supplemental Schedule**  
 For the seven months ended January 31, 2018  
 (Unaudited)

	Month to Date				Year to Date				
	Budget	Actual	Variance		Budget	Actual	Variance		
			Favorable (Unfavorable)	Percent			Favorable (Unfavorable)	Percent	
			Prior Year Actual	Prior Year Actual			Prior Year Actual	Prior Year Actual	
<b>Other Non-Operating Income (Expense)</b>									
71510 - Legal Settlement Income	\$0	\$0	\$0	\$0	\$0	\$27,316	\$0	\$0	\$0
71530 - Gain/Loss On Investments	0	(1,372,387)	(1,372,387)	34,053	0	(3,194,600)	(3,194,600)	(2,222,485)	(2,222,485)
71540 - Discounts Earned	0	0	0	0	0	5,560	5,560	10,994	10,994
71610 - Legal Settlement Expense	(1,000)	0	1,000	0	(5,000)	0	5,000	100	0
71620 - Other non-operating revenue (e	0	4,010	4,010	39,362	0	33,784	33,784	0	80,277
71630 - Other Non-Operating Expe	0	0	0	2,000	0	(12,719)	(12,719)	0	2,000
73300 - DMJM and Auth OH Clearin	0	0	0	0	0	0	0	0	0
<b>Total Other Non-Operating Income (Expense)</b>	<b>(1,000)</b>	<b>(1,368,377)</b>	<b>(1,367,377)</b>	<b>75,415</b>	<b>(5,000)</b>	<b>(3,140,660)</b>	<b>(3,135,660)</b>	<b>(62,713)</b>	<b>(2,129,214)</b>
<b>Total Non-Operating Revenue/(Expense)</b>	<b>(640,513)</b>	<b>314</b>	<b>640,827</b>	<b>(1,434,700)</b>	<b>6,021,868</b>	<b>12,074,835</b>	<b>6,052,967</b>	<b>(101)</b>	<b>(12,358,004)</b>
<b>Capital Grant Contribution</b>									
72100 - AIP Grants	821,250	2,630,962	1,809,712	1,028,681	3,500,000	7,012,376	3,512,376	100	1,245,980
<b>Total Capital Grant Contribution</b>	<b>821,250</b>	<b>2,630,962</b>	<b>1,809,712</b>	<b>1,028,681</b>	<b>3,500,000</b>	<b>7,012,376</b>	<b>3,512,376</b>	<b>100</b>	<b>1,245,980</b>
<b>Total Expenses Net of Non-Operating Revenue/ (Expense)</b>	<b>22,386,148</b>	<b>20,880,591</b>	<b>1,505,557</b>	<b>18,615,823</b>	<b>145,543,983</b>	<b>131,974,298</b>	<b>13,569,685</b>	<b>9</b>	<b>130,787,251</b>
<b>Net Income/(Loss)</b>	<b>(2,149,713)</b>	<b>151,376</b>	<b>2,301,089</b>	<b>1,495,535</b>	<b>4,174,737</b>	<b>22,401,109</b>	<b>18,226,372</b>	<b>437</b>	<b>15,487,438</b>
<b>Equipment Outlay</b>									
73200 - Equipment Outlay Expendi	(155,000)	(49,050)	105,950	(113,713)	(586,000)	(191,842)	394,158	67	(1,593,024)
73299 - Capitalized Equipment Co	0	49,050	49,050	113,713	0	191,842	191,842	0	1,593,024
<b>Total Equipment Outlay</b>	<b>(155,000)</b>	<b>0</b>	<b>155,000</b>	<b>0</b>	<b>(586,000)</b>	<b>0</b>	<b>586,000</b>	<b>100</b>	<b>0</b>



**SAN DIEGO**  
INTERNATIONAL AIRPORT

LET'S **GO.**

## Review of the Unaudited Financial Statements for the Seven Months Ended January 31, 2018 and 2017

Presented by:

Scott Brickner, CPA

Vice President, Finance and Asset Management/Treasurer

Kathy Kiefer

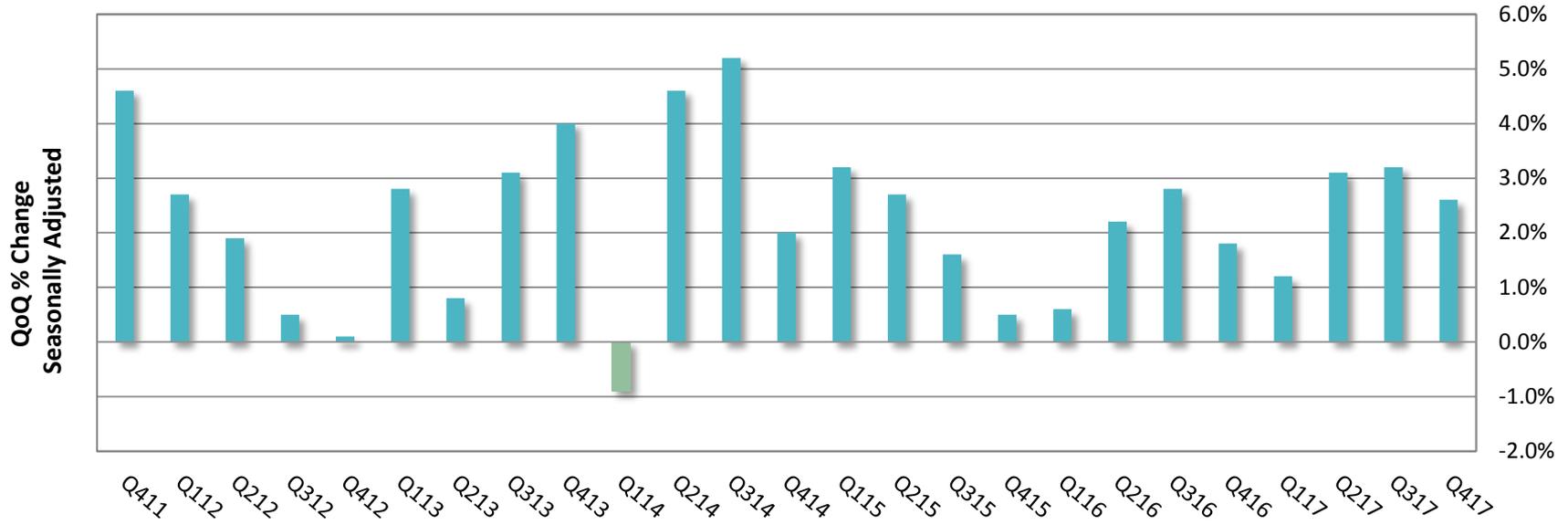
Senior Director, Finance & Asset Management

February 15, 2018

# Third Quarter GDP

GDP growth was slightly weaker than expected in the fourth quarter, up 2.6% (versus the consensus estimate of 2.9%), down from 3.2% in the third quarter and 3.1% in the second quarter. Net exports and inventories were both a large drag on growth during the fourth quarter, however many of the other components of GDP growth were quite strong. Personal consumption expenditures as a contribution to GDP were 2.6% in the fourth quarter, up from 1.5% third quarter.

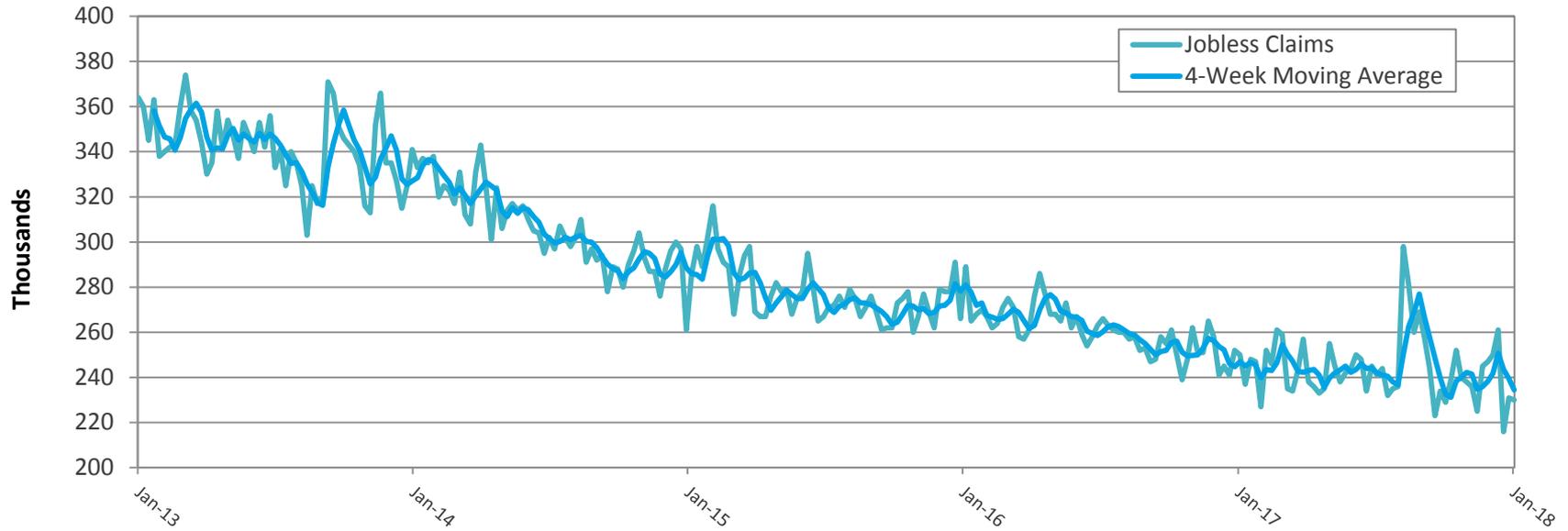
**U.S. Gross Domestic Product (QoQ)**  
*Fourth Quarter 2011 – Fourth Quarter 2017*



# Initial Claims for Unemployment

For the week ending January 27th, initial jobless claims decreased by 1,000 to 230,000. The 4-week moving average decreased by 5,000 to 234,500. Jobless claims reflect strong demand for labor and are consistent with a healthy labor market.

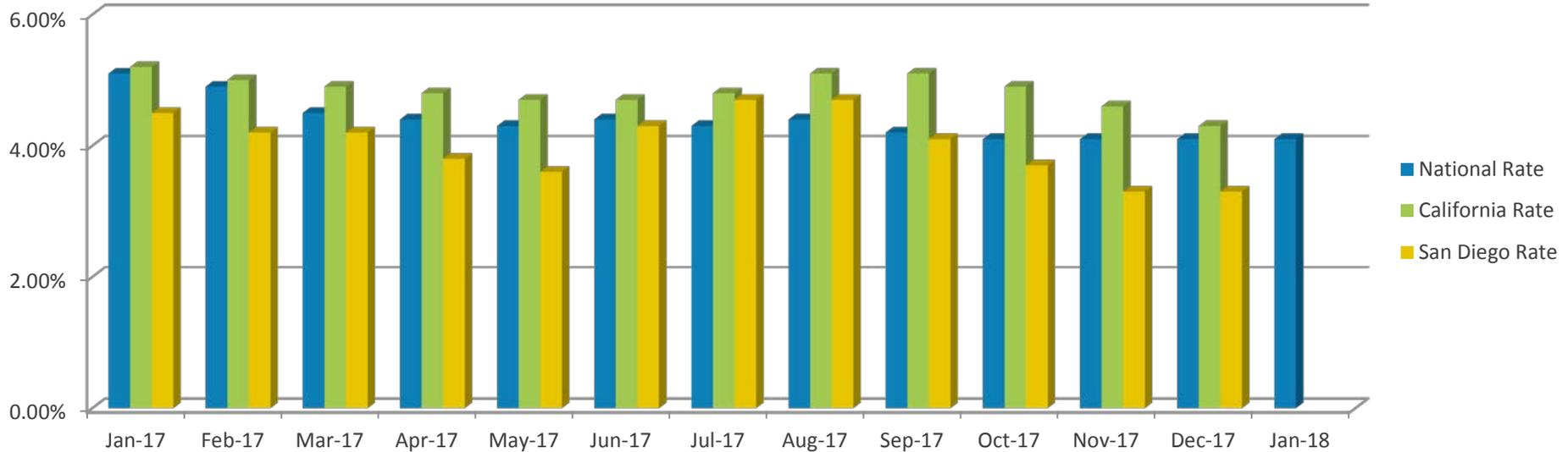
**Initial Jobless Claims and 4-Week Moving Average**  
*January 25, 2013 – January 26, 2018*



# Unemployment Rates

The National unemployment rate remained steady at 4.10 percent from December to January. The National U-6 rate rose from 8.1 percent in November to 8.2 percent in January. The California and San Diego unemployment rates for January have not yet been released.

## Unemployment Rates



# Consumer Price Index

The Consumer Price Index (CPI) was up 2.1% year-over-year in December, versus up 2.2% year-over-year in November. Core CPI (CPI less food and energy) was up 1.8% year-over-year in December, versus up 1.7% year-over-year in November. Core CPI remains softer than the target level of inflation, but did edge higher in December.

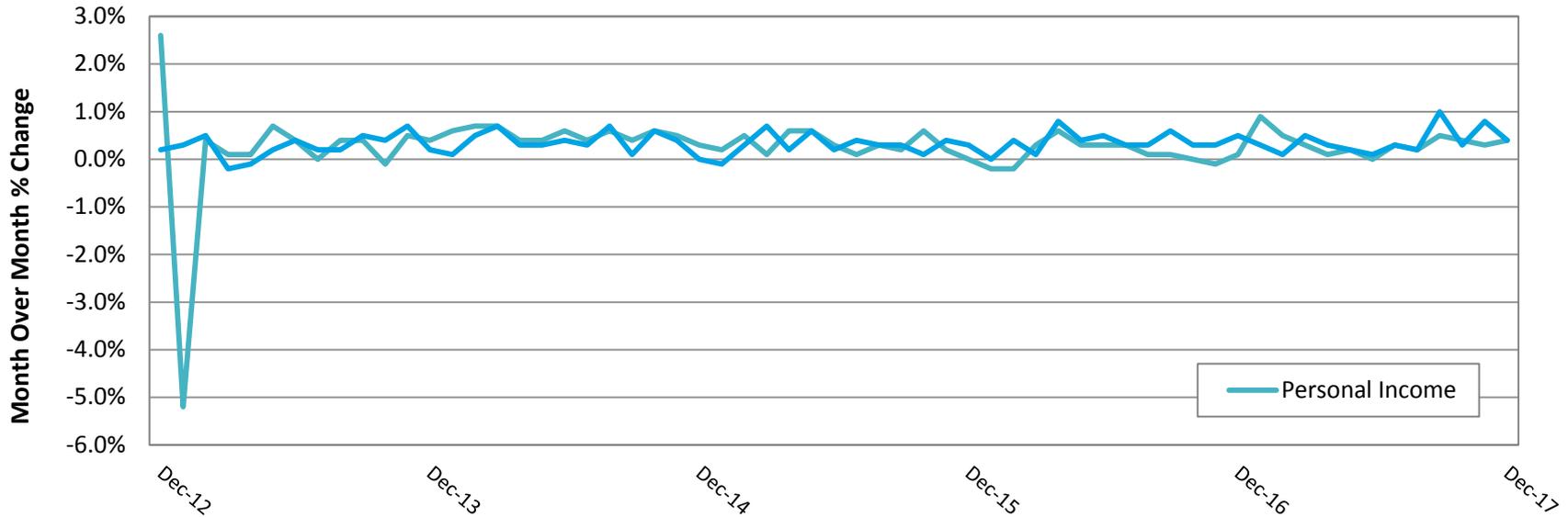
**Consumer Price Index (YoY%)**  
**December 2012 – December 2017**



# Personal Income and Spending

Personal income rose by 0.4% in December, reflecting solid wage and salary growth. Consumer spending also rose by 0.4% in December, following very strong growth of 0.8% in November.

**Personal Income and Spending (MoM%)**  
*December 2012 – December 2017*



# Consumer Confidence Index

The Consumer Confidence Index remained very strong in January at 125.4 up from 123.1 in December. A strong labor market continues to have a positive impact on consumers' attitudes on the economy.

**Consumer Confidence Index**  
*January 2013 – January 2018*



# Existing Home Sales

Existing home sales declined 3.6% in December to a seasonally adjusted rate of 5.570 million units. Supply constraints continue to pressure the market, but resales remain solid.

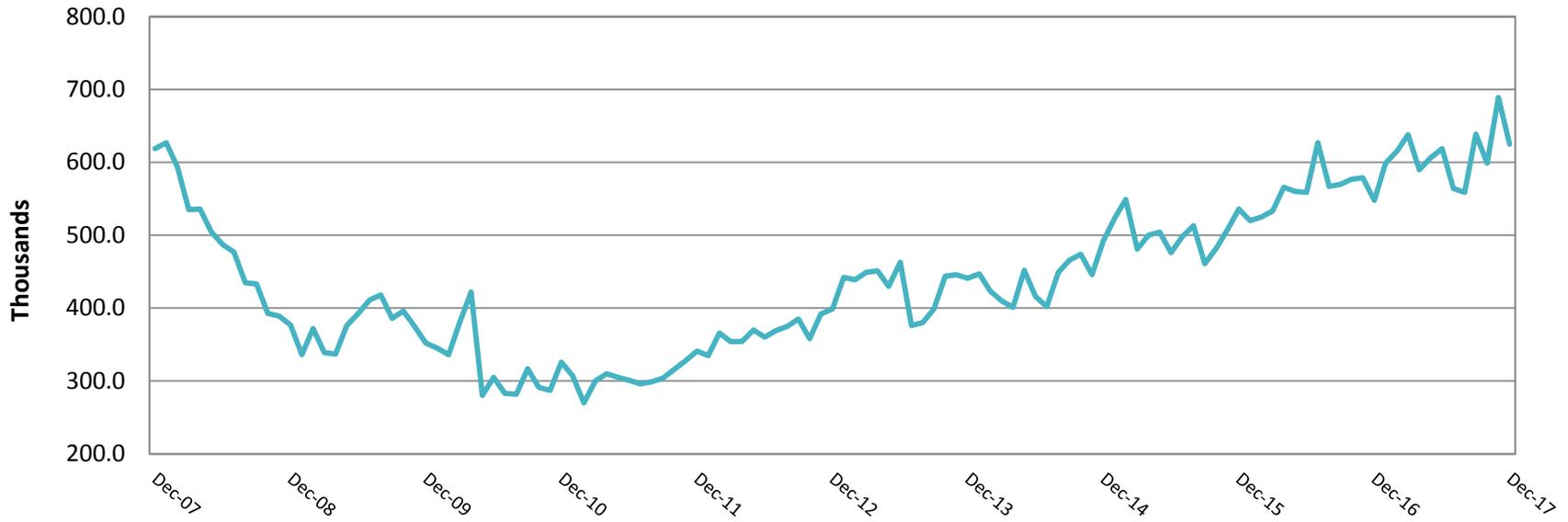
**U.S. Existing Home Sales (MoM)**  
*December 2007 – December 2017*



# New Home Sales

New home sales fell 9.3% in December to an annualized rate of 625,000 units, following a big jump in sales in November. Housing data tends to be volatile on a monthly basis, but the pace of new home sales over the past few months suggests there is ongoing upward momentum in the housing market.

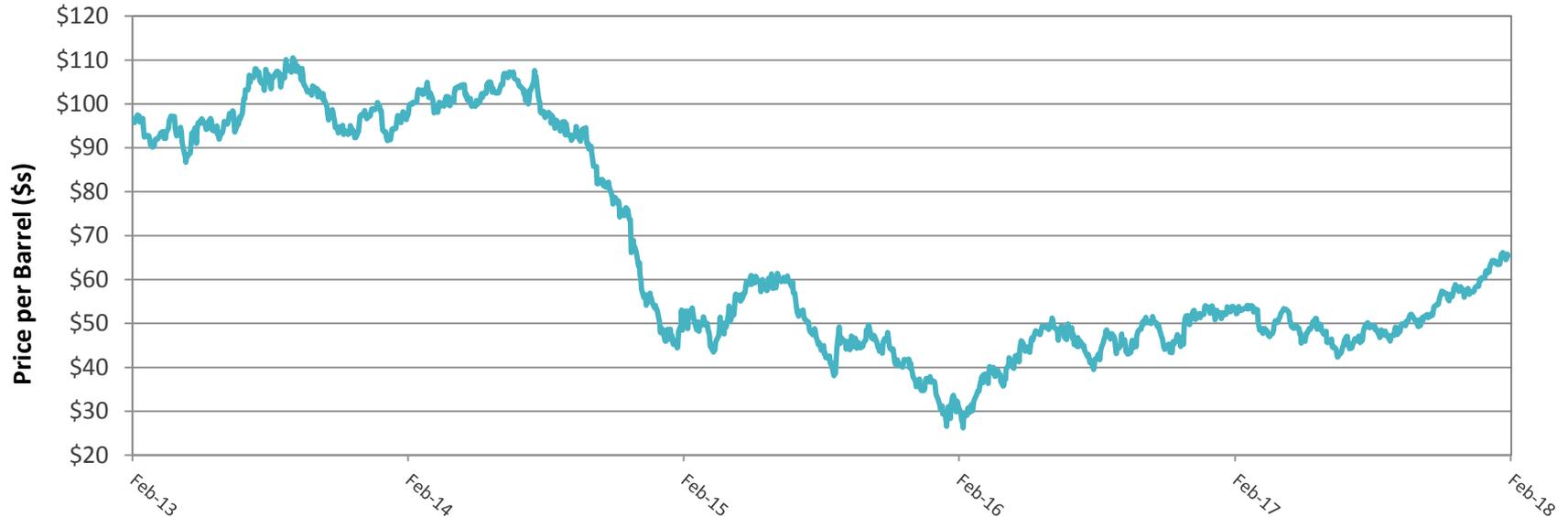
**U.S. New Home Sales**  
*December 2007 – December 2017*



# Crude Oil Prices

U.S. West Texas Intermediate (WTI) crude closed at \$64.15 per barrel on February 5th, slightly below its 30-day average of \$64.38 but above its 12-month average of \$51.88. The Energy Information Administration is forecasting an average WTI crude oil spot price of \$55/b in 2018 and \$57/b in 2019.

**West Texas Intermediate Oil Price Per Barrel (WTI Spot)**  
*February 6, 2013 – February 6, 2018*



# Jet Fuel Prices

Jet fuel (U.S. Gulf Coast Spot) closed at \$1.925 per gallon on February 5th, which was above its 30-day average of \$1.960 and well above its 12-month average of \$1.600.

**U.S. Gulf Coast Kerosene-Type Jet Fuel Spot Price FOB**  
*February 6, 2013 – February 6, 2018*



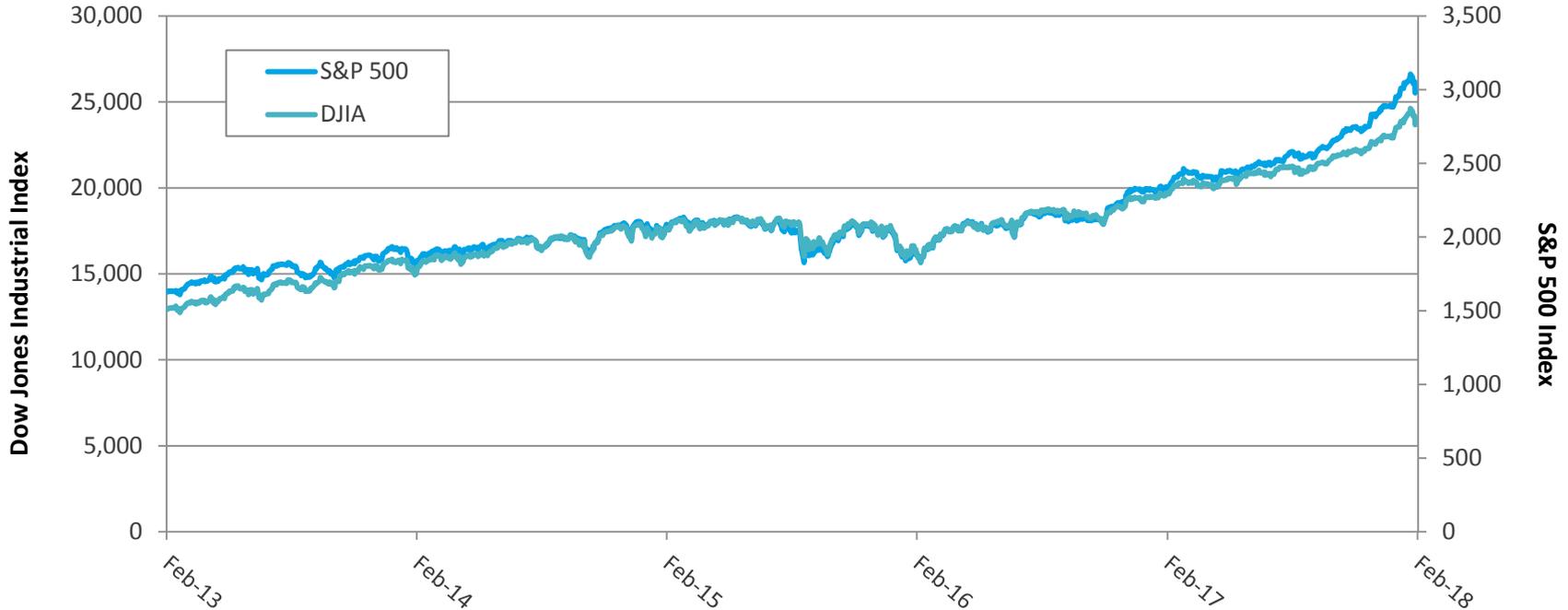
Source: Bloomberg



# U.S. Equity Markets

U.S. equity markets have declined sharply in recent days, giving up January gains. The DJIA and S&P 500 are both down slightly year-to-date. We believe the recent rise in longer-term Treasury yields has fueled a reset of equity P/E (price-earnings) multiples and been a catalyst for the sell-off. Market participants may also be reacting to new leadership at the Federal Reserve, concerns about inflation, and/or political risk.

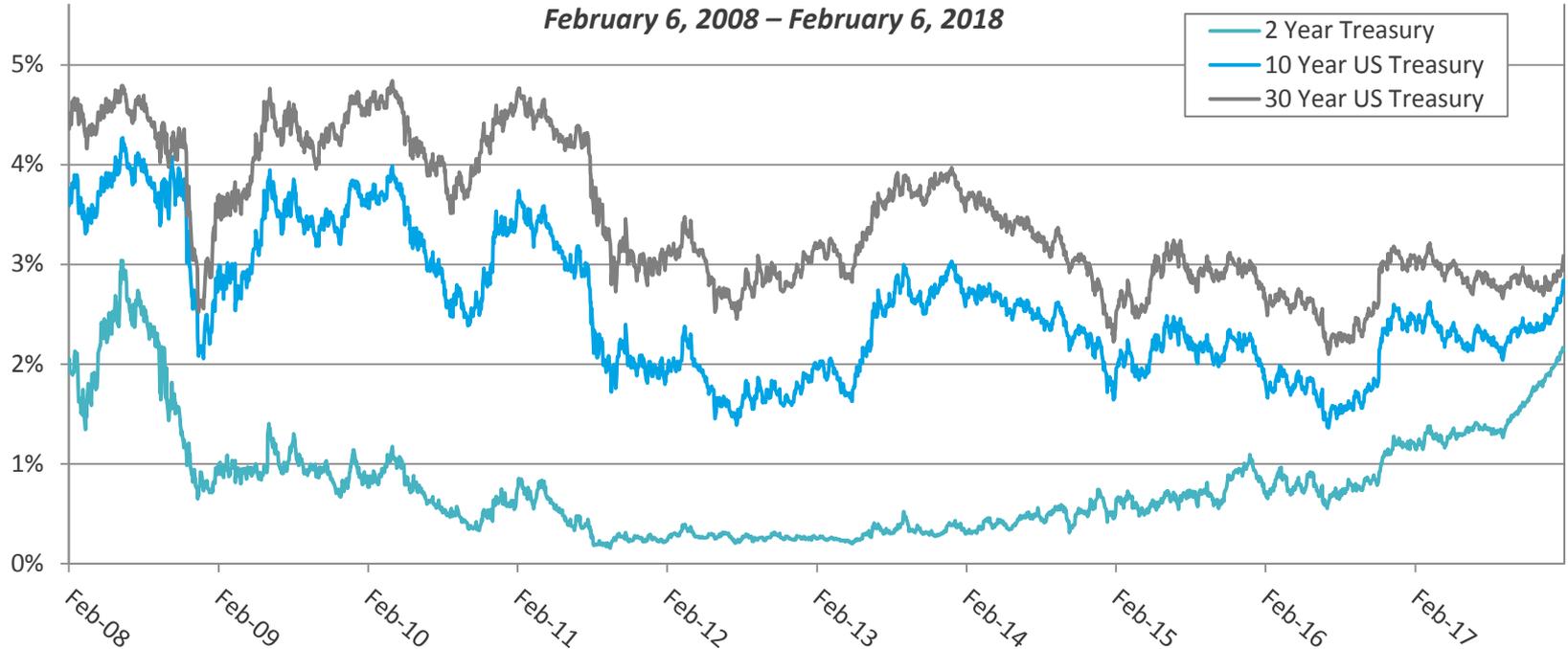
**Dow Jones Industrial Average (DJIA) and S&P 500 Indices**  
*February 6, 2013 – February 6, 2018*



# Treasury Yield History

Treasury yields increased meaningfully in January. The 2-year Treasury yield increased about 26 basis points in January to 2.14% and the 10-year Treasury yield increased 30 basis points to 2.71%. All else being equal, we believe the Fed's plan to normalize the balance sheet could help promote a steeper yield curve over an intermediate time horizon. Tax reform may also be stimulative to the economy and drive yields at the long end of the curve higher.

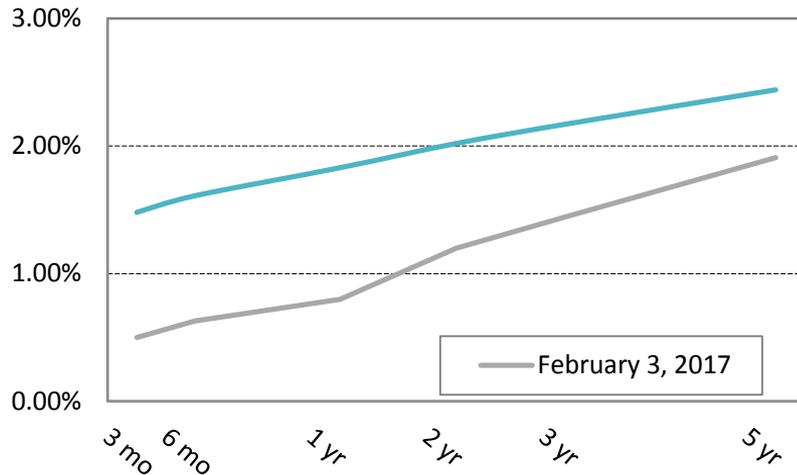
**2-year, 10-year and 30-year U.S. Treasury Yields**  
*February 6, 2008 – February 6, 2018*



# U.S. Treasury Yield Curve

We believe the recent move up in rates has been fueled by increased optimism about economic growth as a result of tax reform, relatively strong fourth quarter corporate earnings, and signs of increasing wage pressure (which is viewed as a precursor to overall inflation). Still, the yield curve remains quite flat by historical standards with the spread between 2-year and 10-year Treasuries just 56 basis points at the end of January. All else being equal, we believe the Fed's efforts to normalize the balance sheet will likely promote a steeper yield curve later this year. Tax reform may also be stimulative to the economy and drive yields at the long end of the curve higher.

**U.S. Treasury Yield Curve**  
February 3, 2017 and February 5, 2018

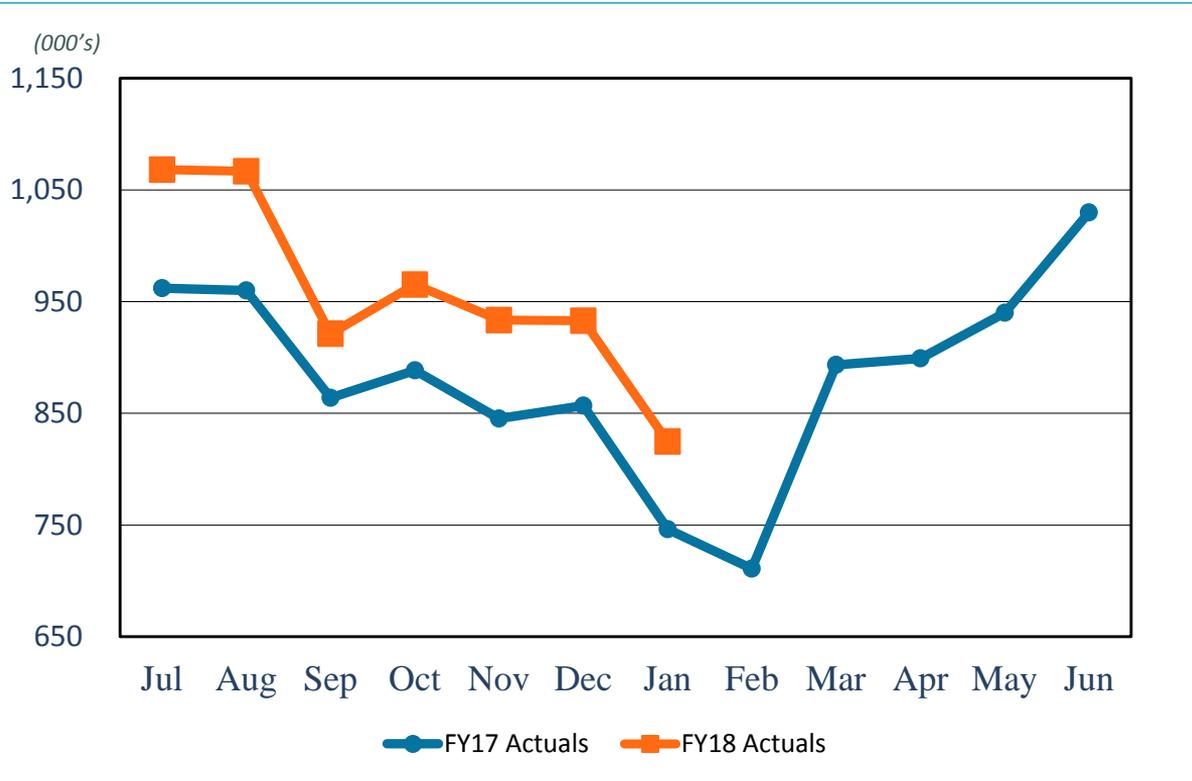


	2/3/17	2/5/18	Change
3-Mo.	0.50%	1.48%	0.98%
6-Mo.	0.63%	1.61%	0.99%
1-Yr.	0.80%	1.83%	1.03%
2-Yr.	1.20%	2.02%	0.83%
3-Yr.	1.46%	2.18%	0.72%
5-Yr.	1.91%	2.44%	0.53%
10-Yr.	2.47%	2.71%	0.24%
30-Yr.	3.09%	3.01%	(0.08%)



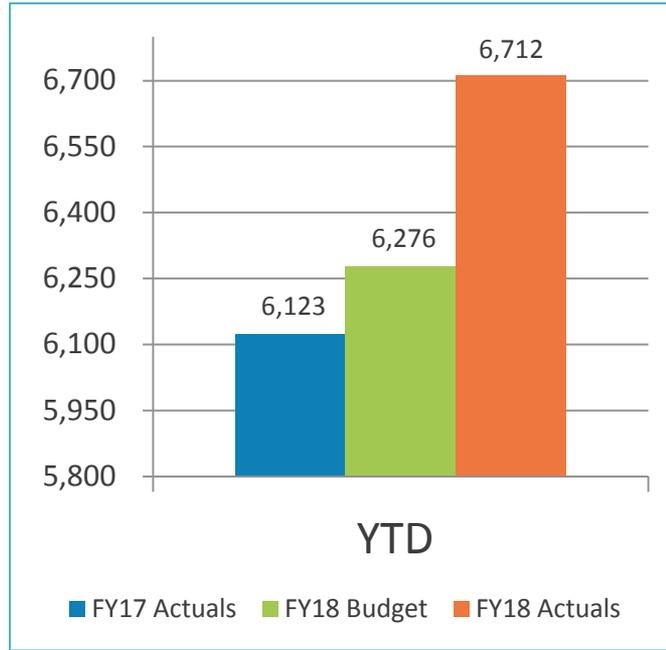
# Revenue & Expenses (Unaudited) For the Month Ended January 31, 2018 and 2017

# Enplanements

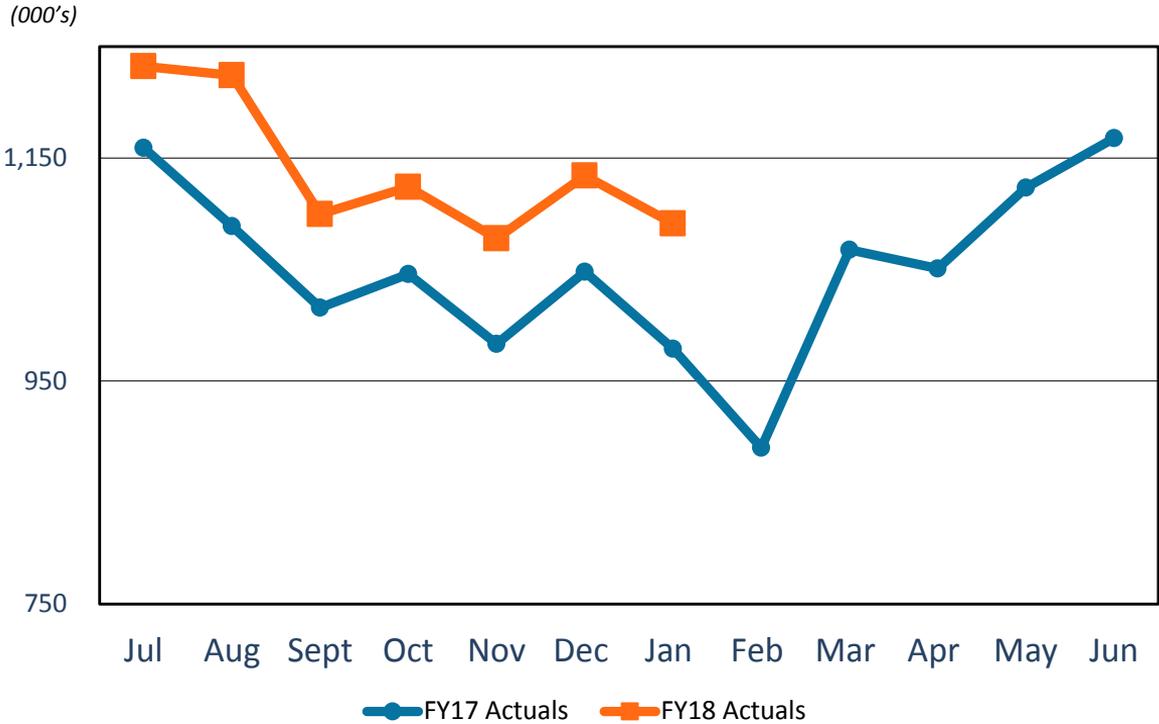


FY18 YTD Act Vs.  
FY17 YTD Act  
9.6%

FY18 YTD Act Vs.  
FY18 YTD Budget  
6.9%

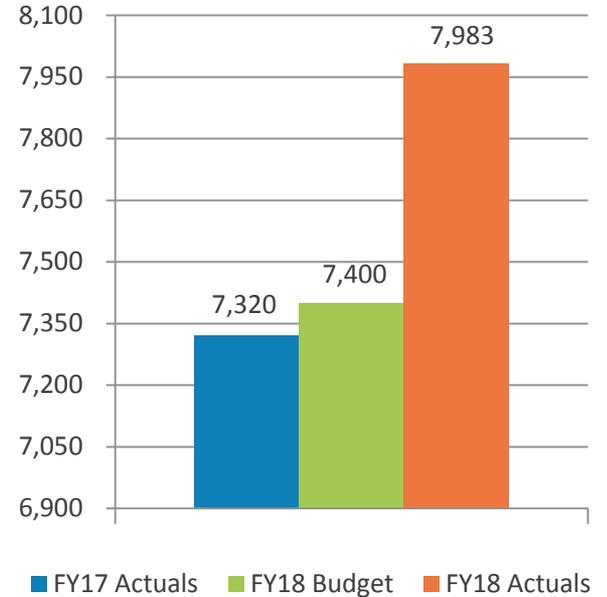


# Gross Landing Weight Units (000 lbs)

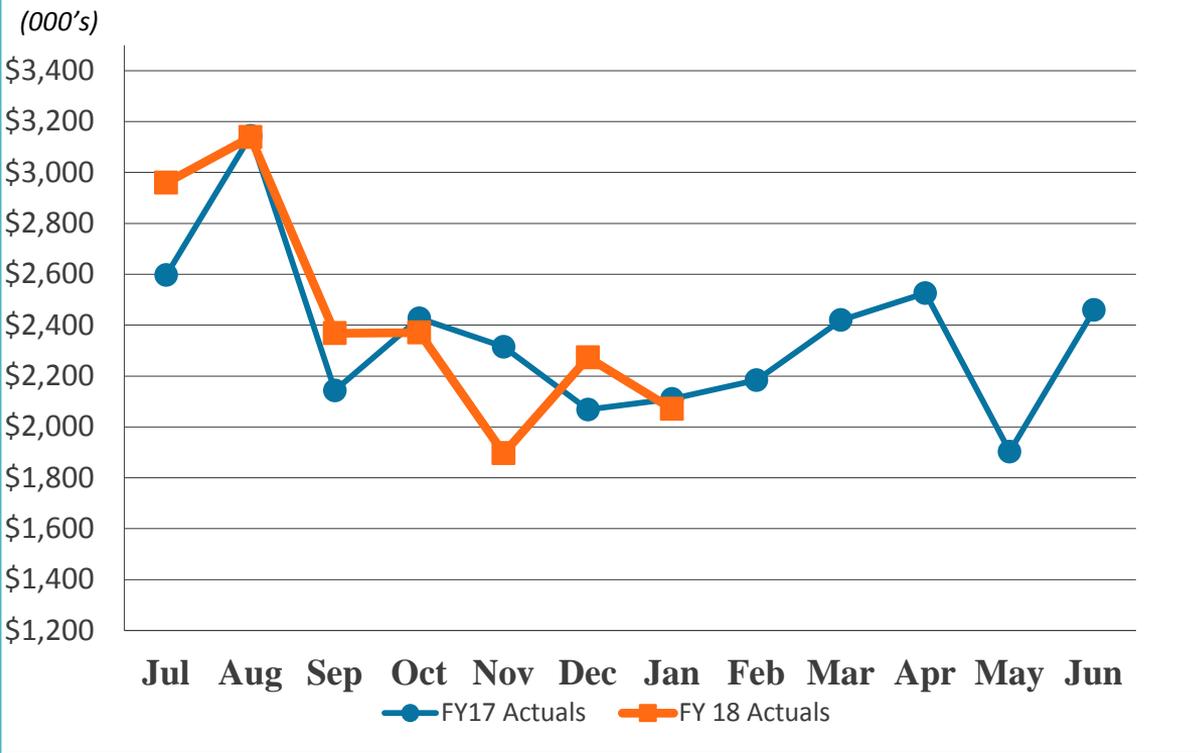


FY18 YTD Act Vs.  
FY17 YTD Act  
9.1%

FY18 YTD Act Vs.  
FY18 YTD Budget  
7.9%

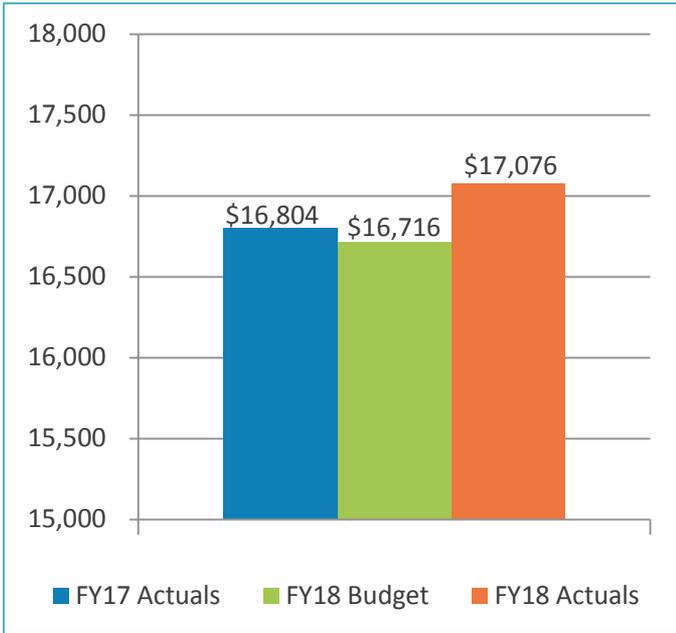


# Car Rental License Fees

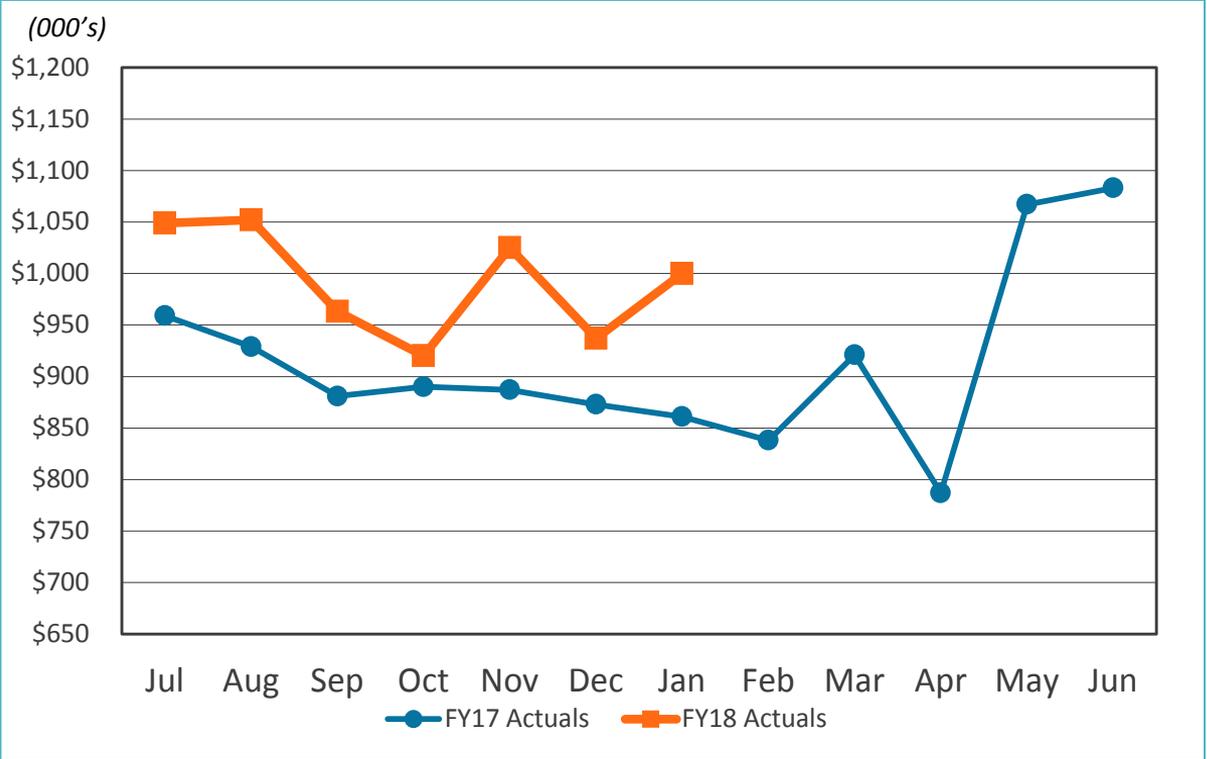


FY18 YTD Act Vs.  
FY17 YTD Act  
1.6%

FY18 YTD Act Vs.  
FY18 YTD Budget  
2.1%

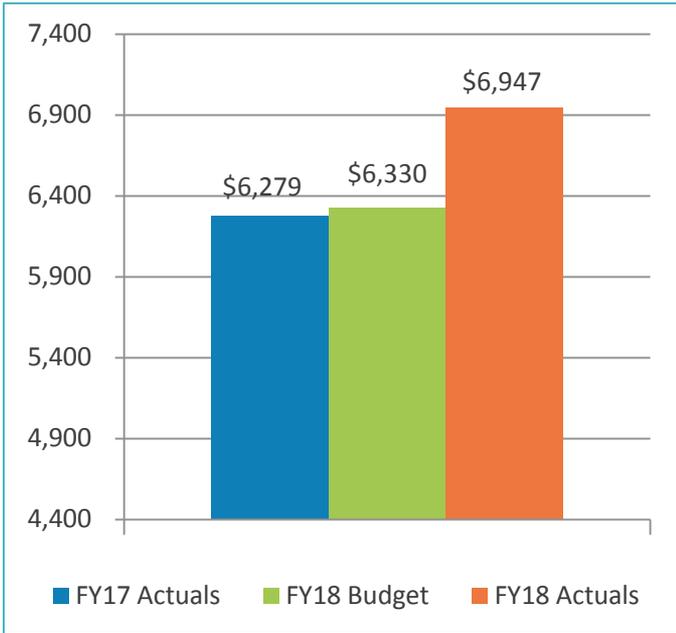


# Food and Beverage Concessions Revenue

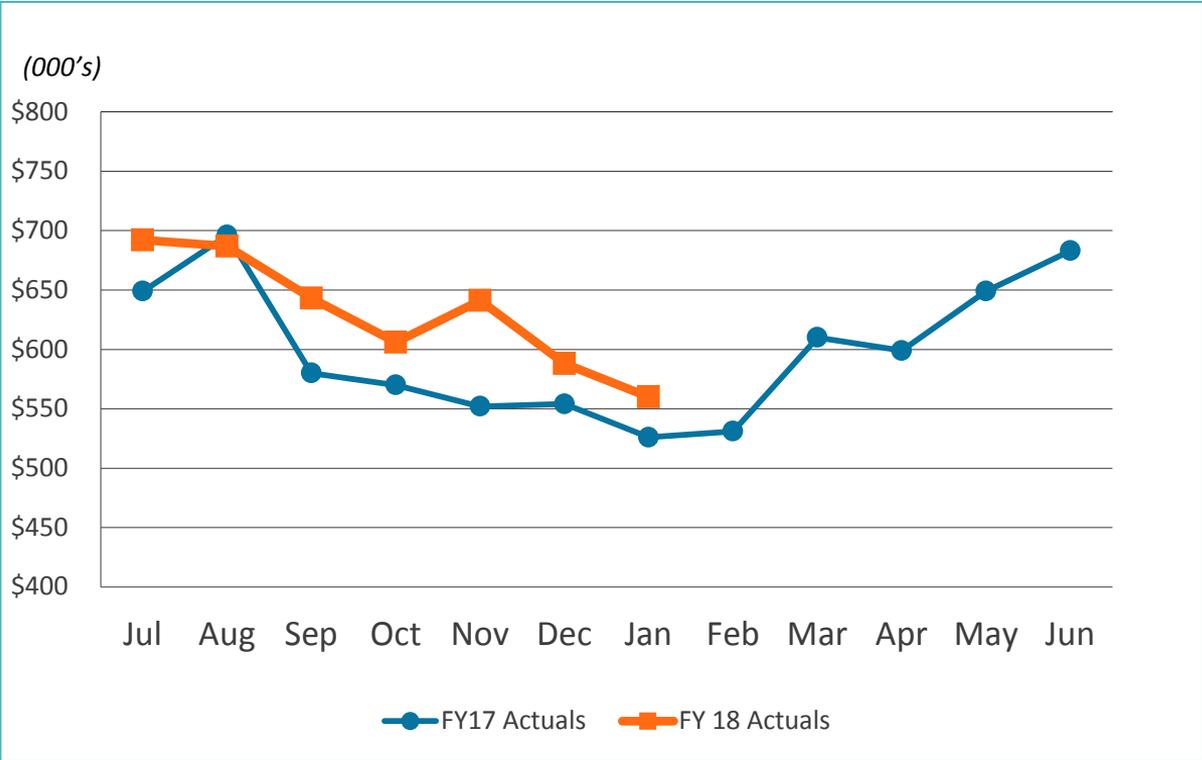


FY18 YTD Act Vs.  
FY17 YTD Act  
10.6%

FY18 YTD Act Vs.  
FY18 YTD Budget  
9.7%

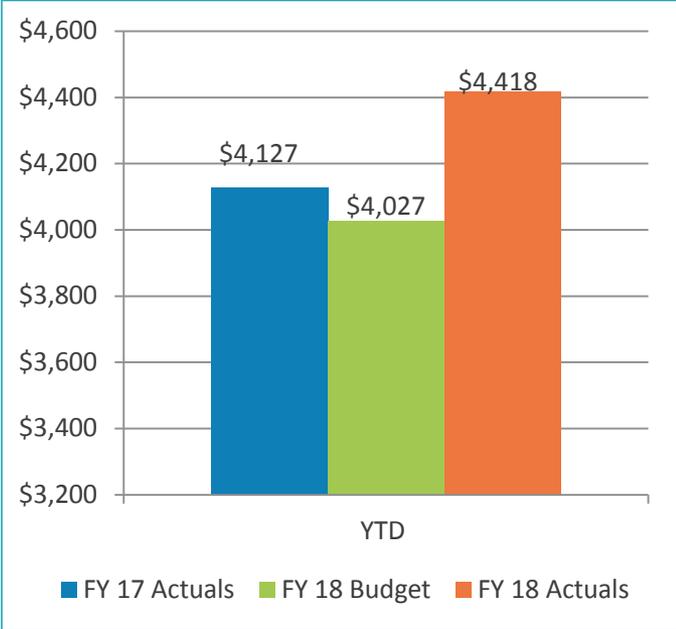


# Retail Concessions Revenue

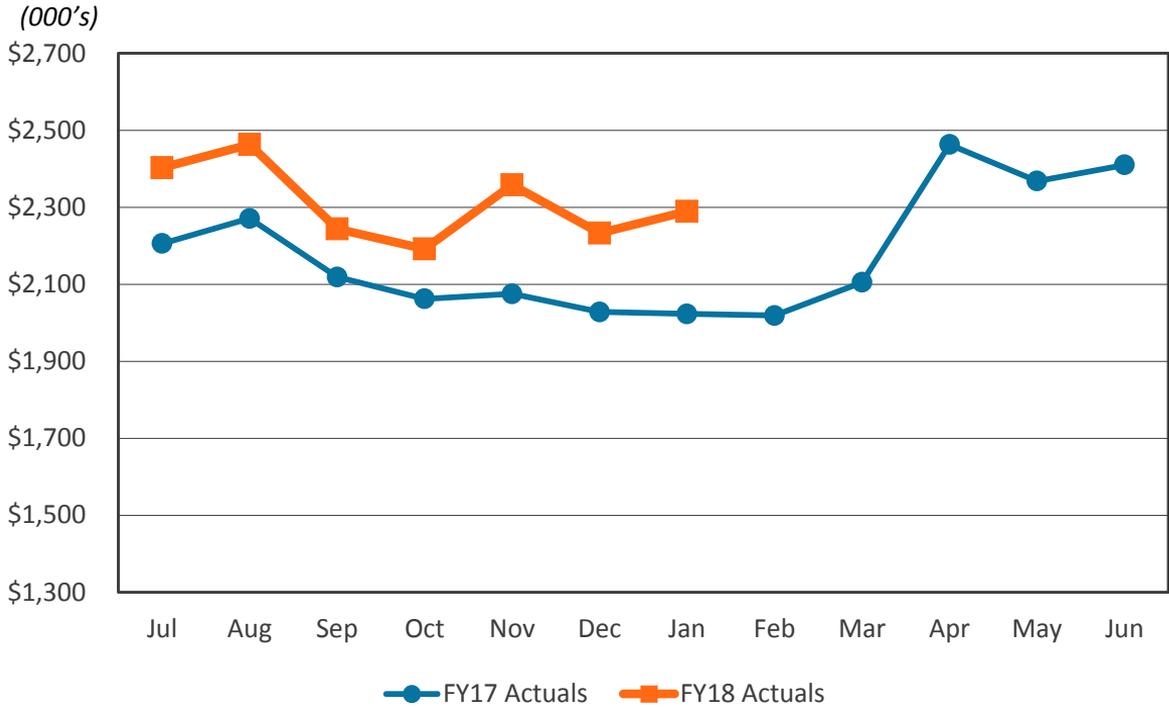


FY18 YTD Act Vs.  
FY17 YTD Act  
7.0%

FY18 YTD Act Vs.  
FY18 YTD Budget  
9.7%

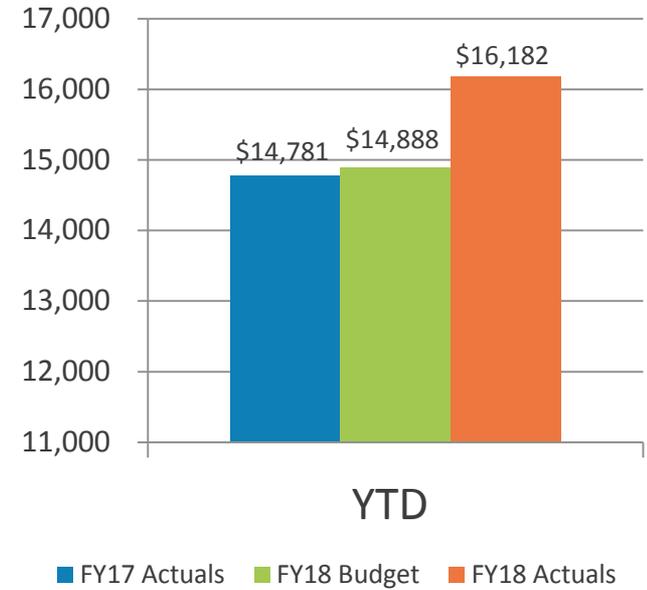


# Total Terminal Concessions (Includes Cost Recovery)



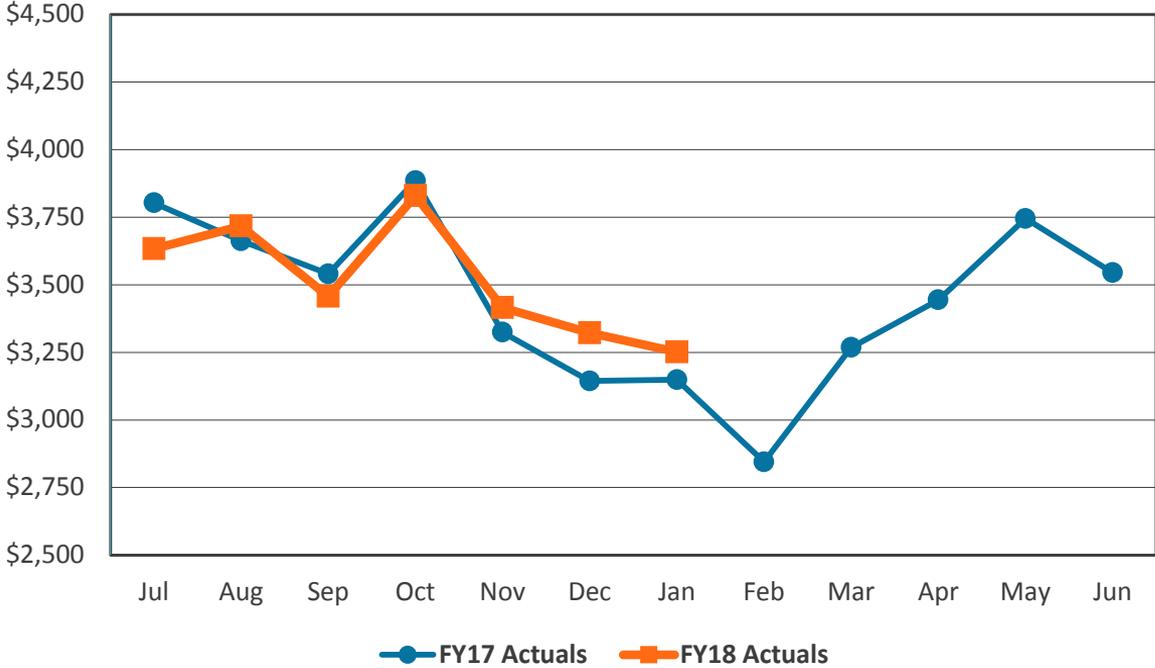
FY18 YTD Act Vs.  
FY17 YTD Act  
9.4%

FY18 YTD Act Vs.  
FY18 YTD Budget  
8.7%



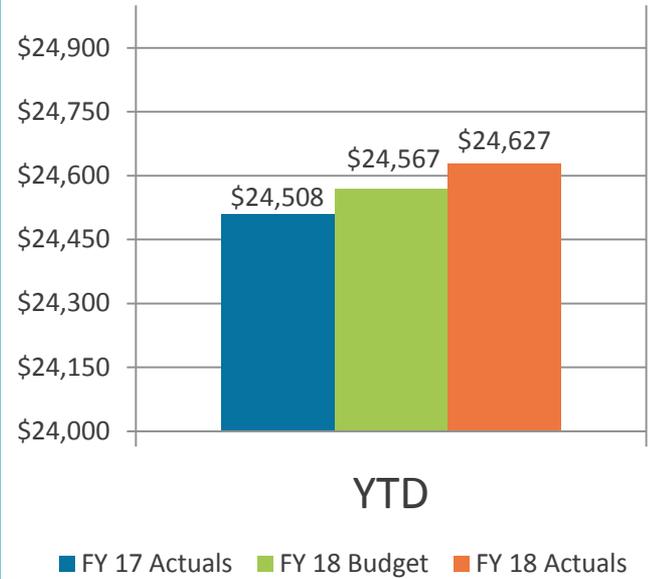
# Parking Revenue

(000's)



FY18 YTD Act Vs.  
FY17 YTD Act  
0.4%

FY18 YTD Act Vs.  
FY18 YTD Budget  
0.2%



# Operating Revenues

## for the Month Ended January 31, 2018 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	%	Prior Year
<b>Aviation revenue:</b>					
Landing fees	\$ 2,154	\$ 2,230	\$ 76	4%	\$ 2,200
Aircraft parking fees	252	267	15	6%	242
Building rentals	4,889	4,863	(26)	(1)%	4,597
Security surcharge	2,737	2,736	(1)	-	2,487
CUPPS Support Charges	117	116	(1)	-	104
Other aviation revenue	15	13	(2)	(14)%	135
<b>Total aviation revenue</b>	<b>\$ 10,164</b>	<b>\$ 10,225</b>	<b>\$ 61</b>	<b>1%</b>	<b>\$ 9,765</b>

# Operating Revenues

## for the Month Ended January 31, 2018 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Terminal rent non-airline	\$ 132	\$ 184	\$ 52	40%	\$ 130
Concession revenue:					
Terminal concession revenue:					
Food and beverage	795	1,000	205	26%	861
Retail	474	560	86	18%	526
Space storage	73	78	5	7%	73
Cost recovery	261	258	(3)	(1)%	207
Other (Primarily advertising)	315	393	78	25%	356
<b>Total terminal concession revenue</b>	<b>1,918</b>	<b>2,289</b>	<b>371</b>	<b>19%</b>	<b>2,023</b>
Car rental and license fee revenue:					
Rental car and license fees	2,005	2,070	65	3%	2,110
Rental car center cost recovery	144	139	(5)	(3)%	187
License fees-other	383	439	56	15%	429
<b>Total rental car and license fees</b>	<b>2,532</b>	<b>2,648</b>	<b>116</b>	<b>5%</b>	<b>2,726</b>
<b>Total concession revenue</b>	<b>\$ 4,450</b>	<b>\$ 4,937</b>	<b>\$ 487</b>	<b>11%</b>	<b>\$ 4,749</b>

# Operating Revenues

## for the Month Ended January 31, 2018 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
<b>Parking revenue:</b>					
Short-term parking revenue	\$ 1,789	\$ 1,831	\$ 42	2%	\$ 1,769
Long-term parking revenue	1,397	1,421	24	2%	1,380
<b>Total parking revenue</b>	<b>3,186</b>	<b>3,252</b>	<b>66</b>	<b>2%</b>	<b>3,149</b>
Ground transportation permits and citations	619	654	35	6%	670
Ground rentals	1,623	1,642	19	1%	1,548
Grant reimbursements	-	25	25	-	25
Other operating revenue	64	111	47	72%	75
<b>Subtotal</b>	<b>5,492</b>	<b>5,684</b>	<b>192</b>	<b>3%</b>	<b>5,467</b>
<b>Total operating revenues</b>	<b>\$ 20,238</b>	<b>\$ 21,030</b>	<b>\$ 792</b>	<b>4%</b>	<b>\$20,111</b>

# Operating Expenses

## for the Month Ended January 31, 2018 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
<b>Operating expenses:</b>					
Salaries and benefits	\$ 4,098	\$ 5,822	\$ (1,724)	(42)%	\$ 3,626
Contractual services	3,780	3,455	325	9%	3,554
Safety and security	2,430	2,441	(11)	-	2,222
Space rental	850	850	-	-	850
Utilities	931	933	(2)	-	991
Maintenance	1,158	782	376	32%	1,295
Equipment and systems	35	39	(4)	(12)%	77
Materials and supplies	46	71	(25)	(56)%	63
Insurance	90	87	3	4%	84
Employee development and support	101	53	48	47%	94
Business development	200	200	-	-	118
Equipment rental and repairs	305	234	71	23%	208
<b>Total operating expenses</b>	<b>\$ 14,024</b>	<b>\$ 14,967</b>	<b>\$ (943)</b>	<b>(7)%</b>	<b>\$13,182</b>

# Net Operating Income (Loss) Summary

## for the Month Ended January 31, 2018 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	%	Prior Year
Total operating revenues	\$ 20,238	\$ 21,030	\$ 792	4%	\$20,111
Total operating expenses	14,024	14,967	\$ (943)	(7)%	13,182
<b>Income from operations</b>	<b>6,214</b>	<b>6,063</b>	<b>(151)</b>	<b>(2)%</b>	<b>6,929</b>
Depreciation	8,544	8,544	-	-	7,898
<b>Operating income (loss)</b>	<b>\$ (2,330)</b>	<b>\$ (2,481)</b>	<b>\$ (151)</b>	<b>(6)%</b>	<b>\$ (969)</b>

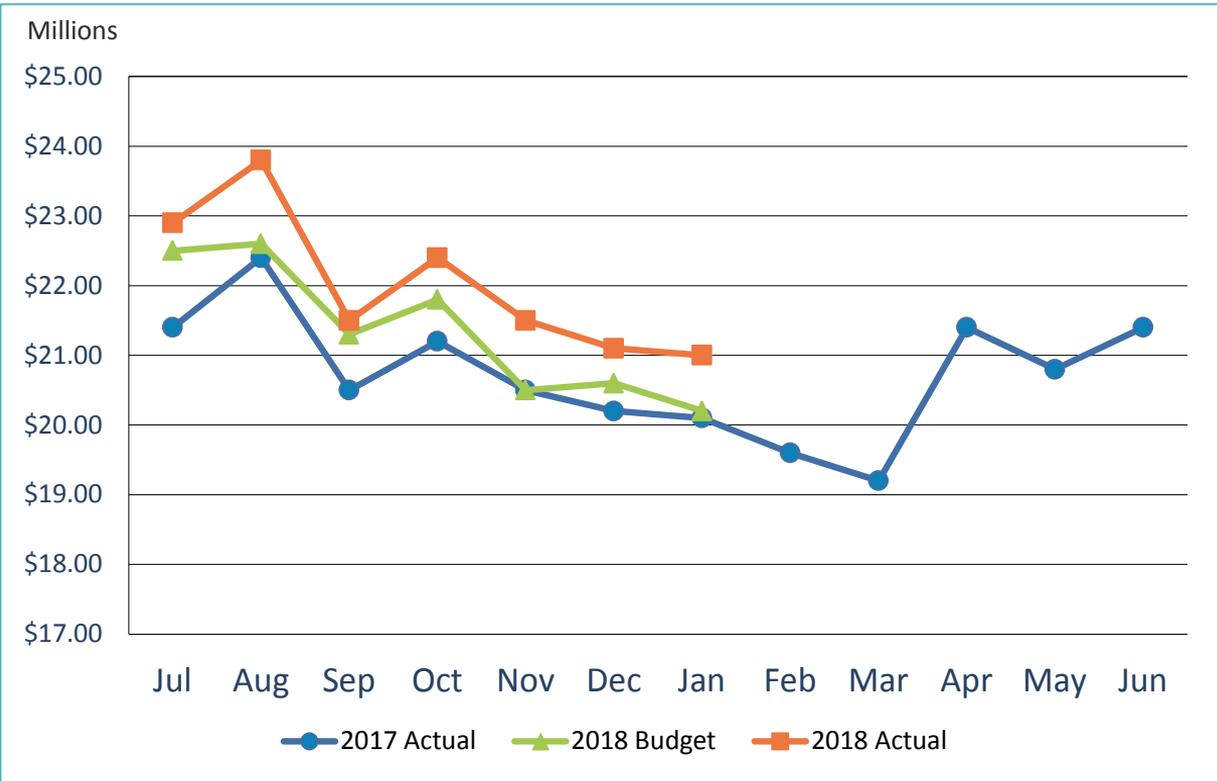
# Nonoperating Revenues & Expenses for the Month Ended January 31, 2018 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
<b>Nonoperating revenues (expenses):</b>					
Passenger facility charges	\$ 2,198	\$ 2,285	\$ 87	4%	\$ 2,110
Customer facility charges (Rental Car Center)	2,935	2,969	34	1%	3,058
Quieter Home Program, net	(481)	532	1,013	210%	(103)
Interest income	774	900	126	16%	705
BAB interest rebate	388	389	1	-	386
Interest expense & debt issuance costs	(6,792)	(6,196)	596	9%	(5,142)
Bond amortization	338	489	151	45%	346
Other nonoperating revenue (expenses)	(1)	(1,368)	(1,367)	-	75
<b>Nonoperating revenue, net</b>	<b>(641)</b>	<b>-</b>	<b>641</b>	<b>100%</b>	<b>1,435</b>
<b>Change in net position before grant contributions</b>	<b>(2,971)</b>	<b>(2,481)</b>	<b>490</b>	<b>16%</b>	<b>466</b>
Capital grant contributions	821	2,631	1,810	220%	1,029
<b>Change in net position</b>	<b>\$ (2,150)</b>	<b>\$ 150</b>	<b>\$ 2,300</b>	<b>107%</b>	<b>\$ 1,495</b>



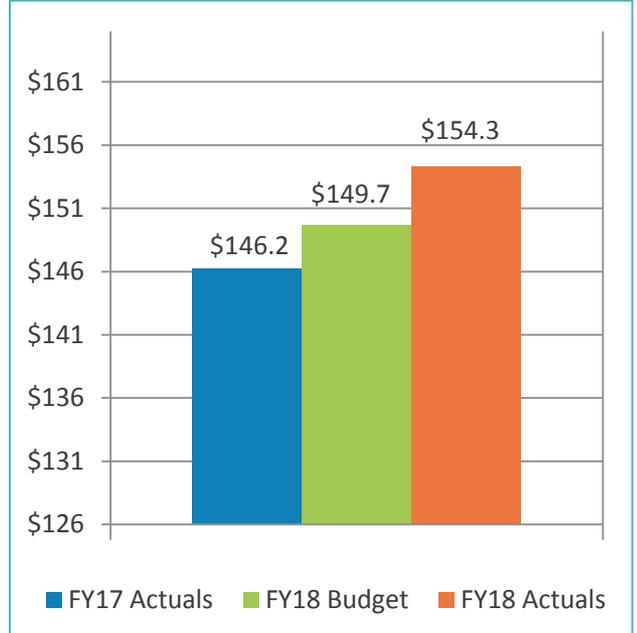
**Revenue & Expense  
(Unaudited)  
For the Seven Months Ended  
January 31, 2018 and 2017**

# Operating Revenue (Unaudited)



FY18 YTD Act Vs.  
FY17 YTD Act  
5.5%

FY18 YTD Act Vs.  
FY18 YTD Budget  
3.0%



# Operating Revenues

## for the Seven Months Ended January 31, 2018 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	%	Prior Year
<b>Aviation revenue:</b>					
Landing fees	\$ 16,071	\$ 16,383	\$ 312	2%	\$ 15,946
Aircraft parking fees	1,761	1,867	\$ 106	6%	1,696
Building rentals	34,351	34,646	295	1%	32,038
Security surcharge	19,202	19,204	2	-	17,393
CUPPS Support Charges	817	818	1	-	725
Other aviation revenue	116	109	(7)	(6)%	947
<b>Total aviation revenue</b>	<b>\$ 72,318</b>	<b>\$ 73,027</b>	<b>\$ 709</b>	<b>1%</b>	<b>\$ 68,745</b>

# Operating Revenues

## for the Seven Months Ended January 31, 2018 (Unaudited)

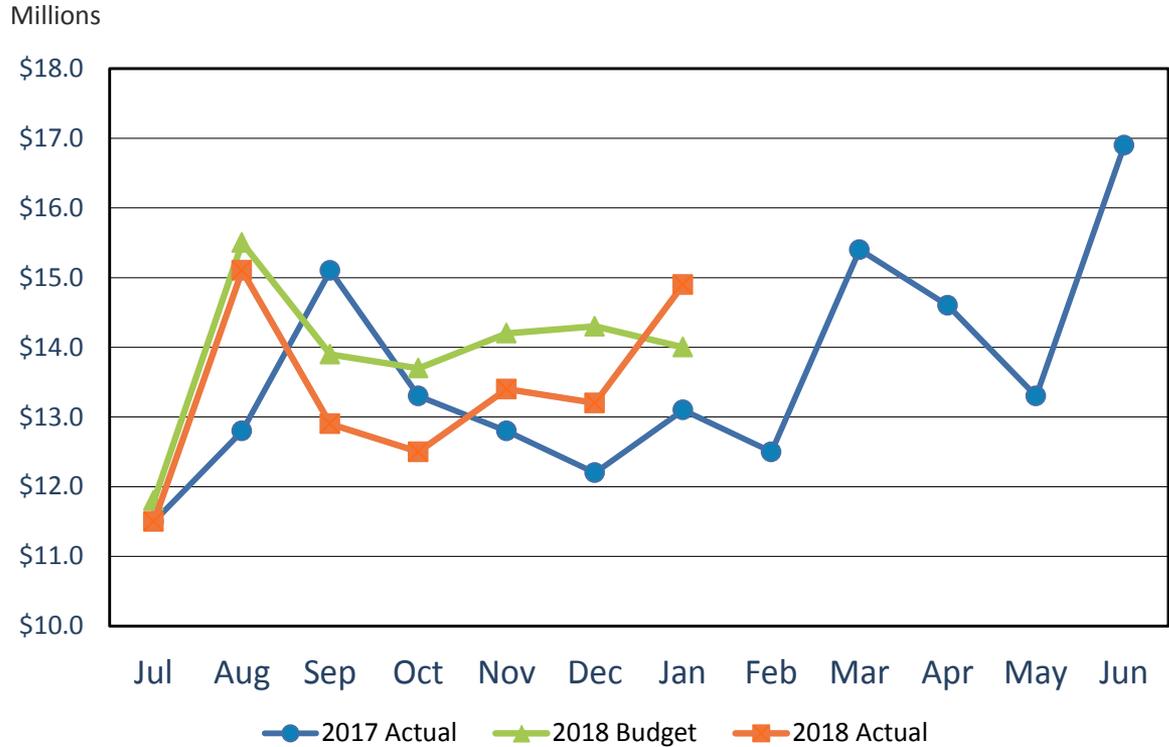
(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Terminal rent non-airline	\$ 926	\$ 1,142	\$ 216	23%	\$ 895
Concession revenue:					
Terminal concession revenue:					
Food and beverage	6,330	6,947	617	10%	6,279
Retail	4,027	4,418	391	10%	4,127
Space storage	509	523	14	3%	508
Cost recovery	1,799	1,774	(25)	(1)%	1,472
Other (Primarily advertising)	2,223	2,520	297	13%	2,395
<b>Total terminal concession revenue</b>	<b>14,888</b>	<b>16,182</b>	<b>1,294</b>	<b>9%</b>	<b>14,781</b>
Car rental and license fee revenue:					
Rental car license fees	16,716	17,076	360	2%	16,804
Rental car center cost recovery	1,010	762	(248)	(25)%	1,278
License fees-other	2,833	3,272	439	15%	2,801
<b>Total rental car and license fees</b>	<b>20,559</b>	<b>21,110</b>	<b>551</b>	<b>3%</b>	<b>20,883</b>
<b>Total concession revenue</b>	<b>\$ 35,447</b>	<b>\$ 37,292</b>	<b>\$ 1,845</b>	<b>5%</b>	<b>\$ 35,664</b>

# Operating Revenues

## for the Seven Months Ended January 31, 2018 (Unaudited)

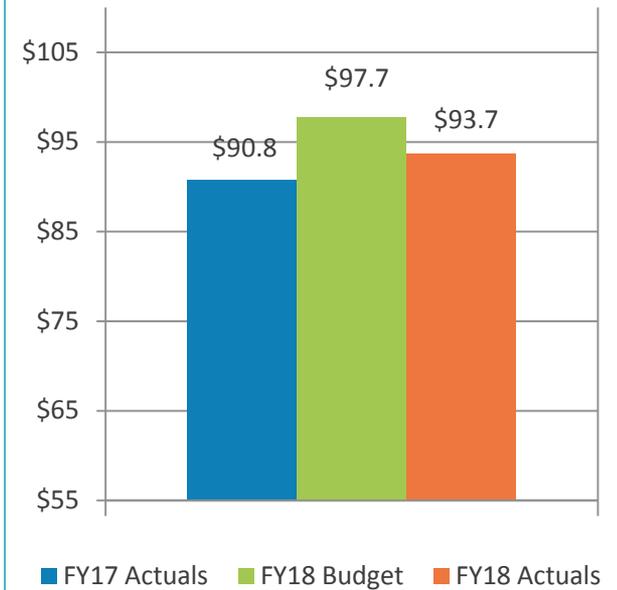
(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
<b>Parking revenue:</b>					
Short-term parking revenue	\$ 13,706	\$ 13,659	\$ (47)	-	\$ 13,848
Long-term parking revenue	10,861	10,968	107	1%	10,660
<b>Total parking revenue</b>	<b>24,567</b>	<b>24,627</b>	<b>60</b>	<b>-</b>	<b>24,508</b>
Ground transportation permits and citations	4,332	5,360	1,028	24%	4,659
Ground rentals	11,676	11,808	132	1%	10,794
Grant reimbursements	-	329	329	-	172
Other operating revenue	451	792	341	76%	840
<b>Subtotal</b>	<b>41,026</b>	<b>42,916</b>	<b>1,890</b>	<b>5%</b>	<b>40,973</b>
<b>Total operating revenues</b>	<b>\$ 149,717</b>	<b>\$ 154,377</b>	<b>\$ 4,660</b>	<b>3%</b>	<b>\$146,277</b>

# Operating Expenses (Unaudited)



FY18 YTD Act Vs.  
FY17 YTD Act  
-3.2%

FY18 YTD Act Vs.  
FY18 YTD Budget  
4.2%



# Operating Expenses

## for the Seven Months Ended January 31, 2018 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
<b>Operating expenses:</b>					
Salaries and benefits	\$ 26,347	\$ 26,155	\$ 192	1%	\$ 24,544
Contractual services	26,673	25,553	1,120	4%	25,380
Safety and security	17,425	17,065	360	2%	15,570
Space rental	5,945	5,945	-	-	5,945
Utilities	7,351	7,229	122	2%	6,591
Maintenance	8,609	6,584	2,025	24%	8,134
Equipment and systems	196	203	(7)	(3)%	189
Materials and supplies	272	345	(73)	(27)%	315
Insurance	674	662	12	2%	563
Employee development and support	772	671	101	13%	630
Business development	1,482	1,609	(127)	(9)%	1,169
Equipment rental and repairs	1,950	1,670	280	14%	1,816
<b>Total operating expenses</b>	<b>\$ 97,696</b>	<b>\$ 93,691</b>	<b>\$ 4,005</b>	<b>4%</b>	<b>\$ 90,846</b>

# Net Operating Income (Loss) Summary

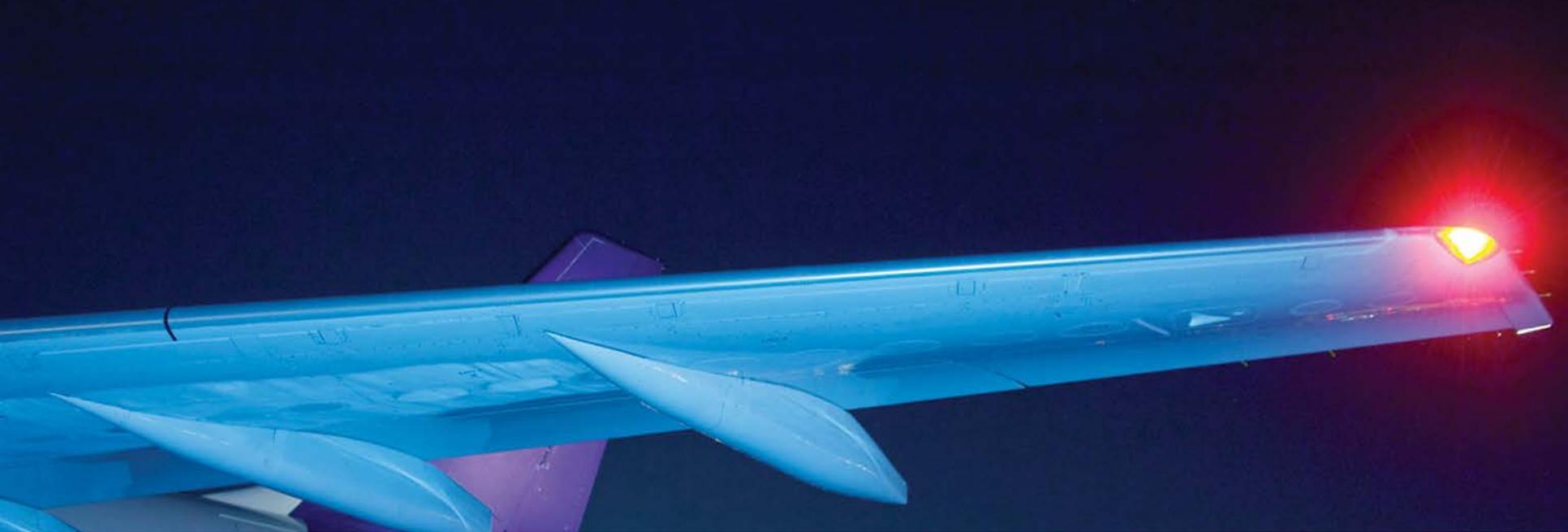
## for the Seven Months Ended January 31, 2018 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	%	Prior Year
Total operating revenues	\$ 149,717	\$ 154,377	\$ 4,660	3%	\$146,277
Total operating expenses	97,696	93,691	4,005	4%	90,846
<b>Income from operations</b>	<b>52,021</b>	<b>60,686</b>	<b>8,665</b>	<b>17%</b>	<b>55,431</b>
Depreciation	57,370	57,370	-	-	53,544
<b>Operating income (loss)</b>	<b>\$ (5,349)</b>	<b>\$ 3,316</b>	<b>\$ 8,665</b>	<b>-</b>	<b>\$ 1,887</b>

# Nonoperating Revenues & Expenses

## for the Seven Months Ended January 31, 2018 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	%	Prior Year
				Change	
<b>Nonoperating revenues (expenses):</b>					
Passenger facility charges	\$ 22,241	\$ 23,620	\$ 1,379	6%	\$ 21,350
Customer facility charges (Rental Car Center)	23,310	23,229	(81)	-	19,816
Quieter Home Program, net	(1,631)	(126)	1,505	92%	(463)
Interest income	5,369	6,205	836	16%	4,443
BAB interest rebate	2,716	2,722	6	-	2,711
Interest expense & debt issuance costs	(48,357)	(43,719)	4,638	10%	(35,804)
Bond amortization	2,380	3,285	905	38%	2,434
Other nonoperating revenue (expenses)	(5)	(3,141)	(3,136)	-	(2,129)
<b>Nonoperating revenue, net</b>	<b>6,023</b>	<b>12,075</b>	<b>6,052</b>	<b>100%</b>	<b>12,358</b>
<b>Change in net position before grant contributions</b>	<b>674</b>	<b>15,391</b>	<b>14,717</b>	<b>2184%</b>	<b>14,245</b>
Capital grant contributions	3,500	7,012	3,512	100%	1,246
<b>Change in net position</b>	<b>\$ 4,174</b>	<b>\$ 22,403</b>	<b>\$ 18,229</b>	<b>437%</b>	<b>\$ 15,491</b>



# Statements of Net Position (Unaudited) January 31, 2018 and 2017

# Statements of Net Position (Unaudited)

## As of January 31, 2018 and 2017

(In Thousands)

	<u>2018</u>	<u>2017</u>
<b>Current assets:</b>		
Cash and investments	\$ 74,780	\$ 82,736
Tenant lease receivable, net of allowance of 2017: (\$211,125) and 2016: (\$213,232)	8,070	7,888
Grants receivable	11,303	3,953
Notes receivable-current portion	1,802	1,705
Prepaid expenses and other current assets	10,075	7,131
<b>Total current assets</b>	<u>106,030</u>	<u>103,413</u>
 <b>Cash designated for capital projects and other</b>	 <u>\$ 27,195</u>	 <u>\$ 22,205</u>

# Statements of Net Position (Unaudited)

## As of January 31, 2018 and 2017

(In Thousands)

	<u>2018</u>	<u>2017</u>
<b>Restricted assets:</b>		
Cash and investments:		
Bonds reserve	\$ 60,780	\$ 57,872
Passenger facility charges and interest unapplied	75,029	68,553
Customer facility charges and interest applied	42,742	33,773
SBD bond guarantee	4,000	4,000
Bond proceeds held by trustee	359,593	144,329
Passenger facility charges receivable	3,787	2,249
Customer facility charges receivable	3,202	3,435
OCIP insurance reserve	5,246	2,698
<b>Total restricted assets</b>	<b><u>\$ 554,379</u></b>	<b><u>\$ 316,909</u></b>

# Statements of Net Position (Unaudited)

## As of January 31, 2018 and 2017

(In Thousands)

### Noncurrent assets:

#### Capital assets:

Land and land improvements

Runways, roads and parking lots

Buildings and structures

Machinery and equipment

Vehicles

Office furniture and equipment

Works of art

Construction-in-progress

Less: accumulated depreciation

#### Total capital assets, net

	<u>2018</u>	<u>2017</u>
	\$ 115,971	\$ 109,974
	638,215	590,789
	1,426,198	1,409,497
	54,268	48,891
	18,628	15,033
	33,983	32,357
	10,066	9,579
	295,499	187,561
	<b>2,592,828</b>	<b>2,403,681</b>
	(951,579)	(866,004)
	<b>\$ 1,641,249</b>	<b>\$ 1,537,677</b>

# Statements of Net Position (Unaudited)

## As of January 31, 2018 and 2017

(In Thousands)

	<u>2018</u>	<u>2017</u>
<b>Other assets:</b>		
Notes receivable - long-term portion	\$ 32,214	\$ 34,072
Investments - long-term portion	171,663	177,533
Security deposit	350	350
<b>Total other assets</b>	<u><b>204,227</b></u>	<u><b>211,955</b></u>
<b>Deferred outflows of resources:</b>		
Deferred pension contributions	6,191	5,668
Other deferred pension outflows	15,048	288
<b>Total assets and deferred outflows of resources</b>	<u><u><b>\$ 2,554,319</b></u></u>	<u><u><b>\$ 2,198,115</b></u></u>

# Statements of Net Position (Unaudited)

## As of January 31, 2018 and 2017

(In Thousands)

### Current liabilities:

Accounts payable and accrued liabilities

Deposits and other current liabilities

### Total current liabilities

	<u>2018</u>	<u>2017</u>
\$	62,801	\$ 29,272
	10,387	8,251
	<u>73,188</u>	<u>37,523</u>

### Current liabilities payable from restricted assets:

Current portion of long-term debt

Accrued interest on bonds and variable debt

### Total liabilities payable from restricted assets

	17,070	11,585
	6,617	13,621
\$	<u>23,687</u>	<u>\$ 25,206</u>

# Statements of Net Position (Unaudited)

## As of January 31, 2018 and 2017

(In Thousands)

	<u>2018</u>	<u>2017</u>
<b>Long-term liabilities:</b>		
Variable debt	\$ 26,448	\$ 52,331
Other long-term liabilities	7,876	8,670
Long-term debt - bonds net of amortized premium	1,595,296	1,277,737
Net pension liability	18,743	1,681
<b>Total long-term liabilities</b>	<u><b>1,648,363</b></u>	<u><b>1,340,419</b></u>
<b>Total liabilities</b>	<u>1,745,238</u>	<u>1,403,148</u>
<b>Deferred inflows of resources</b>		
Deferred pension inflows	3,507	1,807
<b>Total liabilities and deferred inflows of resources</b>	<u><b>\$ 1,748,745</b></u>	<u><b>\$ 1,404,955</b></u>

# Statements of Net Position (Unaudited)

## As of January 31, 2018 and 2017

(In Thousands)

### Net Position:

Invested in capital assets, net of related debt

Other restricted

Unrestricted:

Designated

Undesignated

**Total net position**

	<u>2018</u>	<u>2017</u>
	\$ 354,714	\$ 332,662
	192,141	172,388
	27,195	22,205
	<u>231,524</u>	<u>265,905</u>
	<u><b>\$ 805,574</b></u>	<u><b>\$ 793,160</b></u>



Questions?

Item 3



**SAN DIEGO**  
INTERNATIONAL AIRPORT

LET'S **GO.**

## San Diego County Regional Airport Authority

### Investment Report As of January 31, 2018

Presented by: Geoff Bryant  
Manager, Airport Finance

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 was compiled 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.



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Scott Brickner, C.P.A.  
V.P. Finance & Asset Management / Treasurer  
San Diego County Regional Airport Authority

# Total Portfolio Summary

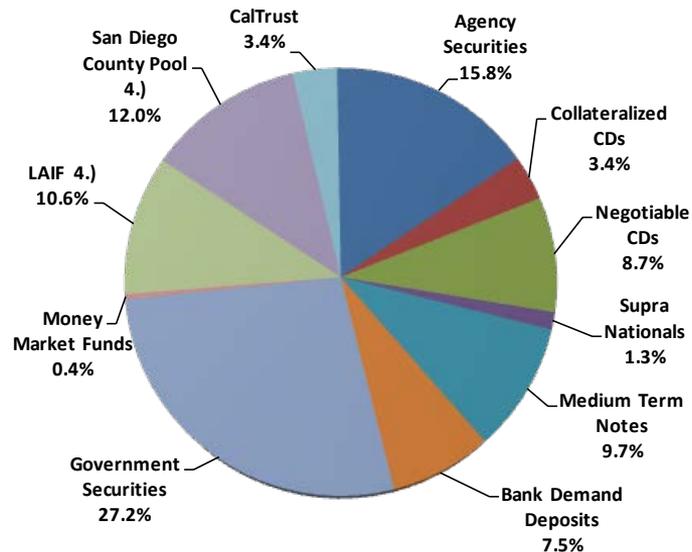
	Current Period	Prior Period	Change From
	January 31, 2018	December 31, 2017	Prior
Book Value	\$460,622,000	\$464,988,000	(\$4,366,000)
Market Value	\$457,307,000	\$462,792,000	(\$5,485,000)
Market Value%	99.28%	99.53%	(0.25%)
Unrealized Gain / (Loss)	(\$3,315,000)	(\$2,196,000)	(\$1,119,000)
Weighted Average Maturity (Days)	512 days	502 days	10
Weighted Average Yield as of Period End	1.47%	1.41%	0.06%
Cash Interest Received- Current Month	\$504,000	\$340,000	\$164,000
Cash Interest Received- Year-to-Date	\$3,398,000	\$2,894,000	\$504,000
Accrued Interest	\$967,000	\$988,000	(\$21,000)

## Notes:

(1) Decrease in portfolio value is primarily due to capital expenditures exceeding capital receipts.

# Portfolio Composition by Security Type

	January 31, 2018		December 31, 2017		Permitted by Policy
	Market Value	Percent of Portfolio	Market Value	Percent of Portfolio	
Agency Securities	\$ 72,250,000	15.8%	\$ 82,704,000	17.9%	100%
Collateralized CDs	15,544,000	3.4%	15,524,000	3.4%	30%
Negotiable CDs	39,649,000	8.7%	39,685,000	8.6%	30%
Supra Nationals	5,927,000	1.3%	5,949,000	1.3%	30%
Medium Term Notes	44,399,000	9.7%	44,554,000	9.6%	15%
Bank Demand Deposits	34,563,000	7.5%	38,986,000	8.3%	100%
Government Securities	124,472,000	27.2%	115,231,000	24.9%	100%
Money Market Funds	1,840,000	0.4%	1,516,000	0.3%	20%
LAIF <sup>4.)</sup>	48,363,000	10.6%	48,363,000	10.5%	\$65 million <sup>(1)</sup>
San Diego County Pool <sup>4.)</sup>	54,889,000	12.0%	54,889,000	11.9%	\$65 million <sup>(2)</sup>
CalTrust	15,411,000	3.4%	15,391,000	3.3%	\$65 million <sup>(3)</sup>
<b>Total:</b>	<b>\$ 457,307,000</b>	<b>100.0%</b>	<b>\$ 462,792,000</b>	<b>100.0%</b>	

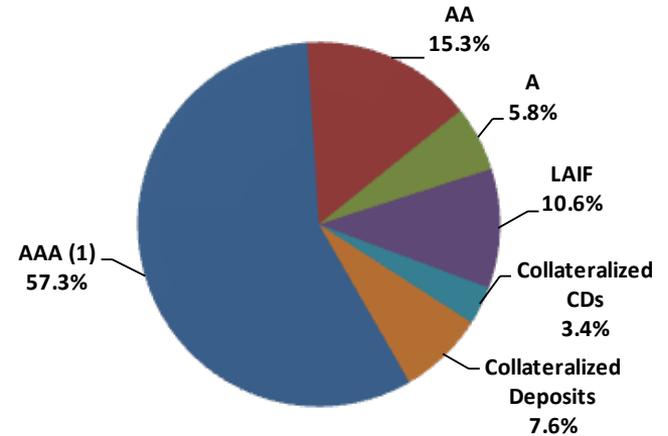


## Notes:

- 1.) The \$65 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.
- 4.) January 2018 data not available at publishing.

# Portfolio Composition by Credit Rating

	January 31, 2018		December 31, 2017	
	Market Value	Percent of Portfolio	Market Value	Percent of Portfolio
AAA <sup>(1)</sup>	\$ 262,275,000	57.3%	\$ 263,212,000	56.8%
AA	70,094,000	15.3%	70,169,000	15.2%
A	26,467,000	5.8%	26,539,000	5.7%
LAIF	48,363,000	10.6%	48,363,000	10.5%
Collateralized CDs	15,544,000	3.4%	15,524,000	3.4%
Collateralized Deposits	34,564,000	7.6%	38,985,000	8.4%
<b>Total:</b>	<b>\$ 457,307,000</b>	<b>100.0%</b>	<b>\$ 462,792,000</b>	<b>100.0%</b>

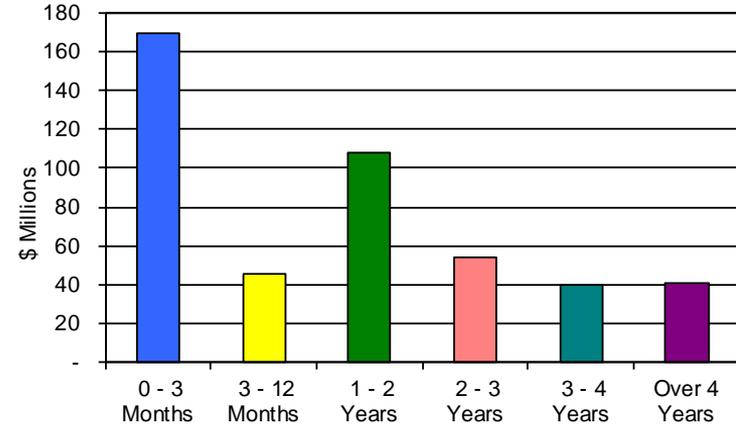


**Notes:**

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

# Portfolio Composition by Maturity <sup>(1)</sup>

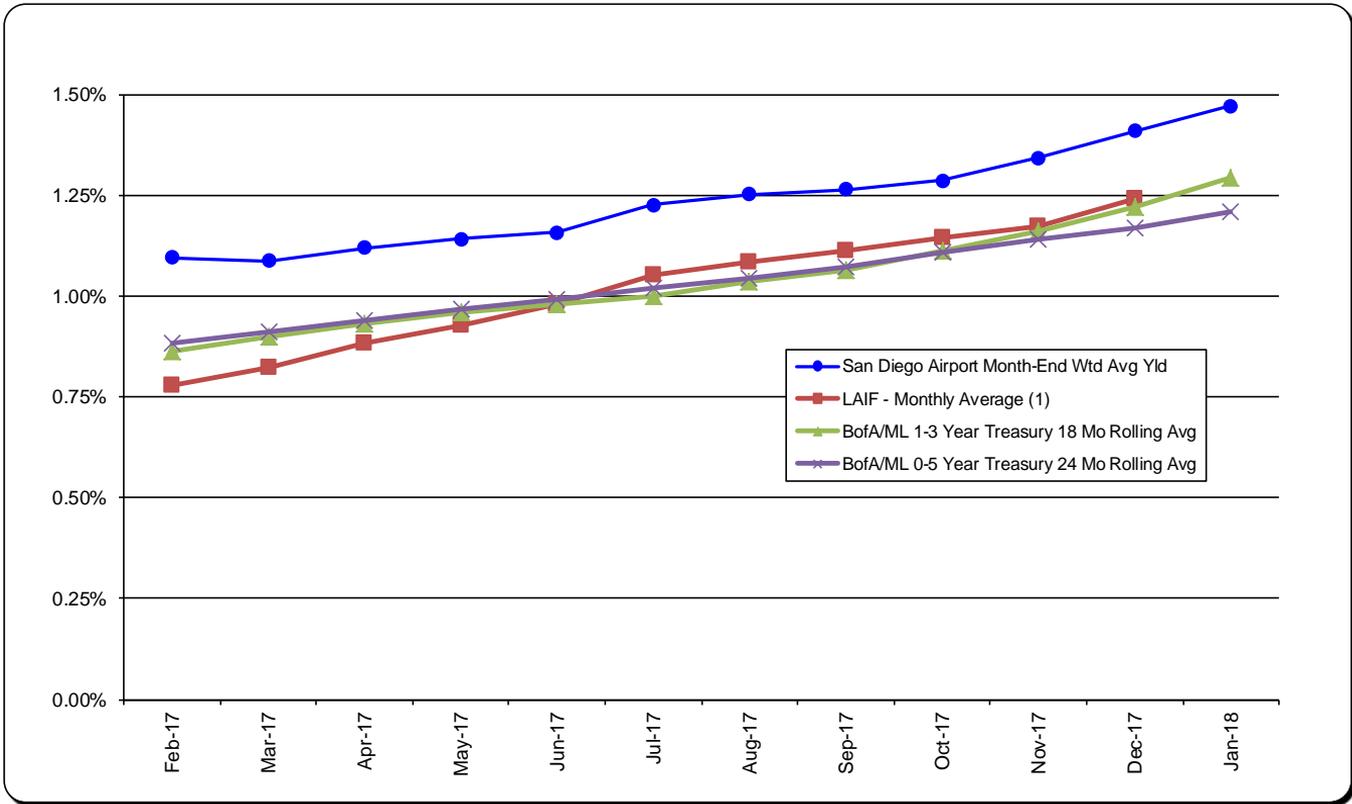
	January 31, 2018		December 31, 2017	
	Market Value	Percent of Portfolio	Market Value	Percent of Portfolio
0 - 3 Months	\$ 169,016,000	36.9%	\$ 168,145,000	36.2%
9 - 12 Months	45,382,000	9.9%	45,726,000	9.9%
1 - 2 Years	108,210,000	23.7%	119,838,000	25.9%
2 - 3 Years	53,918,000	11.8%	57,677,000	12.5%
3 - 4 Years	40,165,000	8.8%	40,551,000	8.8%
Over 4 Years	40,616,000	8.9%	30,855,000	6.7%
<b>Total:</b>	<b>\$ 457,307,000</b>	<b>100.0%</b>	<b>\$ 462,792,000</b>	<b>100.0%</b>



**Notes:**

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

# Benchmark Comparison



**Notes:**

(1) Benchmark data for LAIF is the average monthly effective yield. January 2018 yield not available at publishing.

# Detail of Security Holdings As of January 31, 2018

Settlement Date	Security Description	Coupon	Maturity Date	Par Value	Purchase Price	Book Value	Market Price	Market Value	Days to Maturity	Yield to Maturity
10/16/15	FNMA	1.125	10/19/18	5,000,000	100.550	5,027,500	99.51	4,975,400	261	0.939
08/15/16	FHLB	0.625	08/07/18	4,000,000	99.624	3,985,680	99.43	3,977,000	188	0.808
10/21/16	FHLB	0.875	08/05/19	12,000,000	99.568	11,948,160	98.16	11,779,320	551	1.032
10/07/16	FHLB	1.000	09/26/19	10,000,000	99.727	9,972,700	98.19	9,818,900	603	1.094
05/16/17	FHLB	1.875	03/13/20	3,000,000	100.836	3,025,080	99.30	2,978,910	772	1.571
07/08/16	FHLMC	1.250	08/01/19	5,000,000	101.285	5,064,250	98.75	4,937,500	547	0.824
09/06/16	FNMA	1.000	08/28/19	13,500,000	99.836	13,477,860	98.31	13,272,120	574	1.056
02/28/17	FNMA	1.500	02/28/20	13,035,000	99.936	13,003,050	98.60	12,851,858	758	1.529
08/02/16	FNMA	0.875	08/02/19	7,800,000	99.832	7,786,896	98.19	7,658,976	548	0.932
Agency Total				73,335,000		73,291,176		72,249,984	568	1.112
07/02/16	East West Bk CD	1.550	07/07/19	10,466,946	100.000	10,360,123	100.00	10,466,946	522	1.550
10/24/17	East West Bk CD	1.300	10/24/18	5,077,134	100.000	5,077,134	100.00	5,077,134	266	1.300
Collateralized CDs Total				15,544,081		15,437,257		15,544,081	438	1.468

# Detail of Security Holdings As of January 31, 2018

Settlement Date	Security Description	Coupon	Maturity Date	Par Value	Purchase Price	Book Value	Market Price	Market Value	Days to Maturity	Yield to Maturity
03/09/16	US Bank CD	1.060	03/09/18	4,000,000	100.000	4,000,000	100.00	4,000,000	37	1.060
08/04/17	SKANDINAV ENSKD CD	1.840	08/02/19	5,750,000	100.000	5,747,758	99.42	5,716,535	548	1.860
02/09/17	BK OF MONTREAL YC/D	1.880	02/07/19	5,000,000	100.000	5,000,000	100.02	5,001,100	372	1.880
12/05/16	NORDEA BK FINL YC/D	1.760	11/30/18	4,000,000	100.000	4,000,000	100.03	4,001,200	303	1.760
12/05/16	CANADIAN IMP BK YC/D	1.760	11/30/18	5,000,000	99.922	4,996,100	99.78	4,989,200	303	1.800
11/17/17	SWEDBANK NEW YORK YCI	2.270	11/16/20	4,000,000	100.000	4,000,000	99.09	3,963,480	1020	2.270
05/04/17	SUMITOMO MITSUI YC/D	2.050	05/03/19	3,000,000	100.080	3,000,000	99.81	2,994,270	457	2.050
03/16/16	Toronto Dominion CD	1.720	03/14/18	5,000,000	100.000	5,000,000	100.02	5,000,750	42	1.720
04/06/17	BK NOVA SCOTIA YC/D	1.910	04/05/19	4,000,000	100.000	4,000,000	99.55	3,982,000	429	1.910
<b>Negotiable CDs Total</b>				<b>39,750,000</b>		<b>39,743,858</b>		<b>39,648,535</b>	<b>384</b>	<b>1.807</b>
04/28/17	INTL BK RECON & DEV	1.875	04/21/20	3,000,000	100.685	3,020,550	99.07	2,972,040	811	1.638
04/21/16	INTER-AMER DEV BANK	1.000	05/13/19	3,000,000	99.714	2,991,420	98.51	2,955,210	467	1.095
<b>Supranationals</b>				<b>6,000,000</b>		<b>6,011,970</b>		<b>5,927,250</b>	<b>640</b>	<b>1.368</b>
12/12/16	BK NEW YORK NTS	2.300	09/11/19	2,000,000	101.107	2,022,140	99.84	1,996,780	588	1.884
10/14/16	TOYOTA MOTOR CR CORP	2.125	07/18/19	1,000,000	101.670	1,016,700	99.74	997,400	533	1.505
10/14/16	TOYOTA MTR CR CORP	1.400	05/20/19	1,500,000	99.906	1,498,590	98.92	1,483,740	474	1.437
10/14/16	AMERICAN HONDA BDS	1.200	07/12/19	2,495,000	99.241	2,476,063	98.40	2,455,030	527	1.483
11/14/17	UNITED PARCEL BDS	2.050	04/01/21	2,280,000	99.842	2,276,398	98.50	2,245,709	1156	2.099
07/17/15	GECC MTN	1.625	04/02/18	4,950,000	105.364	4,968,018	99.97	4,948,416	61	1.487
05/15/17	CHEVRON CORP	1.991	03/03/20	3,500,000	100.275	3,509,660	99.24	3,473,365	762	1.889
02/29/16	CISCO SYSTEMS	1.600	02/28/19	3,000,000	100.330	3,009,900	99.39	2,981,640	393	1.487
02/24/16	IBM CORP NOTES	1.800	05/17/19	3,000,000	100.119	3,003,570	99.41	2,982,240	471	1.761
05/15/17	JPM CHASE & CO MTN	2.250	01/23/20	3,500,000	100.267	3,509,345	99.45	3,480,750	722	2.144
07/28/17	EXXON MOBIL CORP	1.912	03/06/20	3,000,000	100.381	3,011,430	99.03	2,970,930	765	1.757
09/15/17	MICROSOFT CORP NT	1.550	08/08/21	3,000,000	98.478	2,954,280	96.59	2,897,700	1285	1.958
09/15/17	APPLE INC BDS	2.150	02/09/22	4,000,000	100.217	4,008,680	97.68	3,907,160	1470	2.098
06/06/16	WELLS FARGO CO MTN	2.150	01/15/19	4,600,000	101.427	4,665,642	100.02	4,601,058	349	1.589
09/14/15	AMERICAN EXPRESS MTN	1.800	07/31/18	2,980,000	99.759	2,972,818	99.90	2,976,871	181	1.886
<b>Medium Term Notes</b>				<b>44,805,000</b>		<b>44,903,234</b>		<b>44,398,789</b>	<b>638</b>	<b>1.776</b>

# Detail of Security Holdings As of January 31, 2018

Settlement Date	Security Description	Coupon	Maturity Date	Par Value	Purchase Price	Book Value	Market Price	Market Value	Days to Maturity	Yield to Maturity
05/11/17	U.S. Treasury	1.500	05/31/20	5,000,000	99.754	4,987,695	98.38	4,919,150	851	1.583
01/19/18	U.S. Treasury	1.750	09/30/22	10,500,000	97.184	10,204,277	96.66	10,149,300	1703	2.387
01/09/17	U.S. Treasury	1.250	01/31/20	7,000,000	99.170	6,940,820	98.24	6,876,940	730	1.530
10/25/17	U.S. Treasury	1.250	03/31/21	3,500,000	98.035	3,431,230	96.68	3,383,800	1155	1.843
10/13/17	U.S. Treasury	2.000	08/31/21	8,500,000	100.715	8,560,762	98.65	8,384,825	1308	1.808
10/13/17	U.S. Treasury	1.125	02/28/21	8,500,000	98.023	8,331,992	96.43	8,196,890	1124	1.729
04/20/16	U.S. Treasury	1.000	09/15/18	4,900,000	100.367	4,917,992	99.53	4,876,823	227	0.845
12/05/16	U.S. Treasury	1.500	11/30/19	13,400,000	100.125	13,416,750	98.88	13,249,786	668	1.457
07/28/17	U.S. Treasury	1.625	07/31/20	5,400,000	100.203	5,410,969	98.51	5,319,648	912	1.556
11/20/17	U.S. Treasury	1.250	10/31/21	7,700,000	97.309	7,492,762	95.84	7,379,988	1369	1.962
11/17/17	U.S. Treasury	1.750	04/30/22	2,750,000	98.938	2,720,781	97.14	2,671,268	1550	2.000
11/20/17	U.S. Treasury	1.750	11/15/20	7,700,000	99.781	7,683,156	98.59	7,591,738	1019	1.826
11/20/17	U.S. Treasury	2.250	04/30/21	7,700,000	101.164	7,789,633	99.70	7,676,515	1185	1.899
12/05/17	U.S. Treasury	1.750	06/30/22	8,200,000	98.359	8,063,547	96.93	7,947,932	1611	2.134
12/05/17	U.S. Treasury	1.750	05/15/22	8,200,000	98.547	8,080,844	97.10	7,962,036	1565	2.094
12/05/17	U.S. Treasury	1.875	08/31/22	8,200,000	98.805	8,101,984	97.30	7,978,354	1673	2.142
05/06/16	U.S. Treasury	1.250	10/31/18	9,950,000	101.066	10,034,779	99.57	9,906,817	273	0.816
<b>Government Total</b>				<b>127,100,000</b>		<b>126,169,975</b>		<b>124,471,810</b>	<b>1107</b>	<b>1.742</b>
	East West Bank			105,004	100.000	105,004	100.00	105,004	1	0.950
	East West Bank			27,269,326	100.000	27,269,326	100.00	27,269,326	1	0.950
	US Bank General Acct			7,189,378	100.000	7,189,378	100.00	7,189,378	1	0.000
<b>Bank Demand Deposits</b>				<b>34,563,707</b>		<b>34,563,707</b>		<b>34,563,707</b>	<b>1</b>	<b>0.752</b>
	DREYFUS GOVT INVEST			1,840,073	100.000	1,840,073	100.00	1,840,073	1	0.940
<b>Money Market Fund</b>				<b>1,840,073</b>		<b>1,840,073</b>		<b>1,840,073</b>	<b>1</b>	<b>0.940</b>
	Local Agency Invstmnt Fd			48,361,140	100.000	48,361,140	100.00	48,362,882	1	1.239
	San Diego County Inv Pool			54,888,710	100.000	54,888,710	100.00	54,889,156	1	1.528
	CalTrust			15,411,018	100.000	15,411,018	100.00	15,411,018	1	1.420
<b>Grand Total</b>				<b>\$ 461,598,729</b>	<b>99.88</b>	<b>\$ 460,622,118</b>	<b>99.28</b>	<b>\$ 457,307,285</b>	<b>512</b>	<b>1.470</b>

# Portfolio Investment Transactions

## From January 1<sup>st</sup>, 2018 - January 31<sup>st</sup>, 2018

Settle Date	Security Description	Security Type	CUSIP	Coupon	Mature Date	Call Date	Unit Price	Amount
<b>PURCHASES</b>								
01/19/18	US TREAS NTS	US TREAS NTS	912828I57	1.750	09/30/22	--	97.184	\$ 10,260,311
								\$ 10,260,311
<b>CALLS</b>								
								\$ -
<b>MATURITIES</b>								
								\$ -
<b>DEPOSITS</b>								
								\$ -
<b>WITHDRAWALS / SALES / TRANSFERS</b>								
01/19/18	FHLB	AGCY	3130A8DB6	1.125	06/21/19	--	98.784	\$ 10,282,636
								\$ 10,282,636

# Bond Proceeds Summary

## SUMMARY OF 2010, 2013, 2014 & 2017 BOND PROCEEDS\*

As of: January 31, 2018

(in thousands)

	Series 2010	Series 2013	Series 2014	Series 2017	Total	Yield	Rating
<b><u>Project Fund</u></b>							
LAIF	\$ -	\$ -	\$ -	\$ 107,625	\$ 107,625	1.24% <sup>1)</sup>	N/R
SDCIP	-	2	-	89,967	89,969	1.53% <sup>1)</sup>	AAAf
First Amer Govt Oblig Fd MM	-	-	-	8,681	8,681	1.24%	AAAm
	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 206,273</u>	<u>\$ 206,275</u>		
<b><u>Capitalized Interest</u></b>							
SDCIP	\$ -	\$ -	\$ -	1,286	\$ 1,286	1.53% <sup>1)</sup>	AAAm
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,286</u>	<u>\$ 1,286</u>		
<b><u>Debt Service Reserve &amp; Coverage Funds</u></b>							
SDCIP	\$ 30,484	\$ 33,426	\$ 28,989	15,103	\$ 108,002	1.53% <sup>1)</sup>	AAAf
Goldman Sachs Fin Sq Treas	21,202	-	-	-	21,202	0.94%	AA+/AAA
	<u>\$ 51,686</u>	<u>\$ 33,426</u>	<u>\$ 28,989</u>	<u>\$ 15,103</u>	<u>\$ 129,204</u>		
	<u>\$ 51,686</u>	<u>\$ 33,428</u>	<u>\$ 28,989</u>	<u>\$ 222,662</u>	<u>\$ 336,765</u>	1.39%	
*Bond proceeds are not included in deposit limits as applied to operating funds							

1) SDCIP & LAIF Yield as of 12/31/17

# Bond Proceeds Investment Transactions

## January 1<sup>st</sup>, 2018 - January 31<sup>st</sup>, 2018

Settle Date	Description	Security Type	CUSIP	Coupon	Mature Date	Call Date	Unit Price	Amount
<b>PURCHASES</b>								
1/8/2018	Goldman Sachs Fin Sq Treas (2010 Bonds)	MM	--	0.94	--	--	1.000	\$ 21,202,158
1/12/2018	First Amer Govt Oblig Fd MM (2017 Bonds)	MM	--	1.24	--	--	1.000	7,000,000
								\$ 28,202,158
<b>CALLS</b>								
								\$ -
<b>MATURITIES</b>								
								\$ -
<b>DEPOSITS</b>								
								\$ -
<b>WITHDRAWALS / SALES</b>								
1/8/2018	First American Govt Oblig Fund (COI 2017 Bonds)	MM	--	1.24	--	--	1.000	\$ 119,953
1/10/2018	East West (2010 Bonds)	DDA	--	1.30	--	--	1.000	21,202,158
1/12/2018	LAIF (2017 Bonds)	LAIF	--	1.24	--	--	1.000	7,000,000
1/17/2018	SDCIP (2013 Bonds)	SDCIP	--	1.53	--	--	1.000	3,658
1/24/2018	First Amer Govt Oblig Fd MM (2017 Bonds)	MM	--	1.24	--	--	1.000	8,645,564
1/24/2018	SDCIP (2017 Bonds)	SDCIP	--	1.53	--	--	1.000	6,505,816
								\$ 43,477,148



**Introducing**

Chandler Asset Management



# San Diego County Regional Airport Authority

## *Firm Overview & Approach*

February 15, 2018

**Jayson Schmitt, CFA**  
*Executive Vice President*  
*Portfolio Manager*

**Mia Corral Brown**  
*Senior Vice President*  
*Relationship Manager*



# Experienced Engagement Team



**SDCRAA Treasurer and Finance Committee**

**SDCRAA Board of Directors**

**SDCRAA Staff**

*Your Assigned Team*



**Jayson Schmitt, CFA**  
EVP, Portfolio Manager  
*23 Years Industry Experience*

Portfolio Management,  
Research, Credit Analysis



**William Dennehy, II**  
EVP, Portfolio Manager  
*25 Years Industry Experience*

Portfolio Management,  
Research, Credit Analysis



**Mia Corral Brown**  
SVP, Relationship Mgr.  
*20 Years Industry Experience*

Client Service &  
Relationship Management



**Nicole Drago, JD, IACCP**  
COO, CCO  
*17 Years Industry Experience*

Compliance & Investment  
Operations

**Supported by 26 Additional Professionals:**

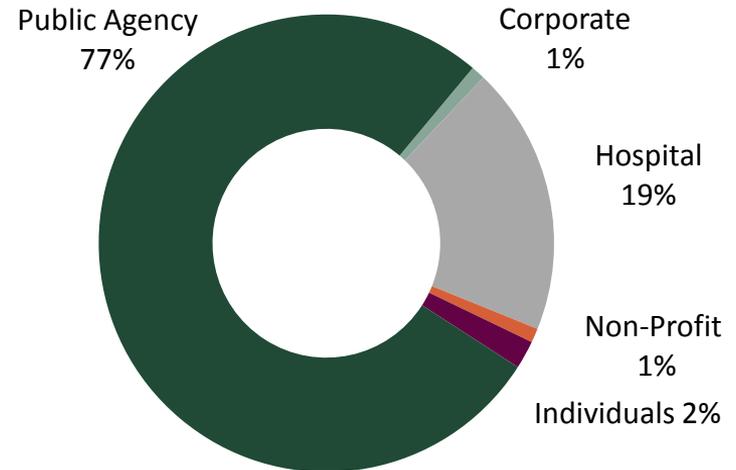
*Investment Management, Compliance, Operations, Client Service and Administration*

*“We believe if we do what is right for our clients, our own success will follow.”*

- **California Based, Independent, & Employee-Owned**
  - Headquartered in San Diego since 1988
  - Certified Small Business through Cal eProcure (*Certification ID 1747894*)
  - Personalized, local perspective leveraging firm-wide resources
  - Founded by public investment professionals
  - Experts on California Government Code
- **Custom Investment Programs**
  - Solutions for SDCRAA’s operating funds, bond proceeds, capital reserves and return goals
  - Direct access to investment management team
- **Investment Expertise**
  - Team averaging over 21 years portfolio management experience
  - Disciplined, repeatable investment philosophy and process

## Assets Under Management

\$13.9 Billion



# Understanding Our Clients Needs



## Ten Largest Public Agency Clients

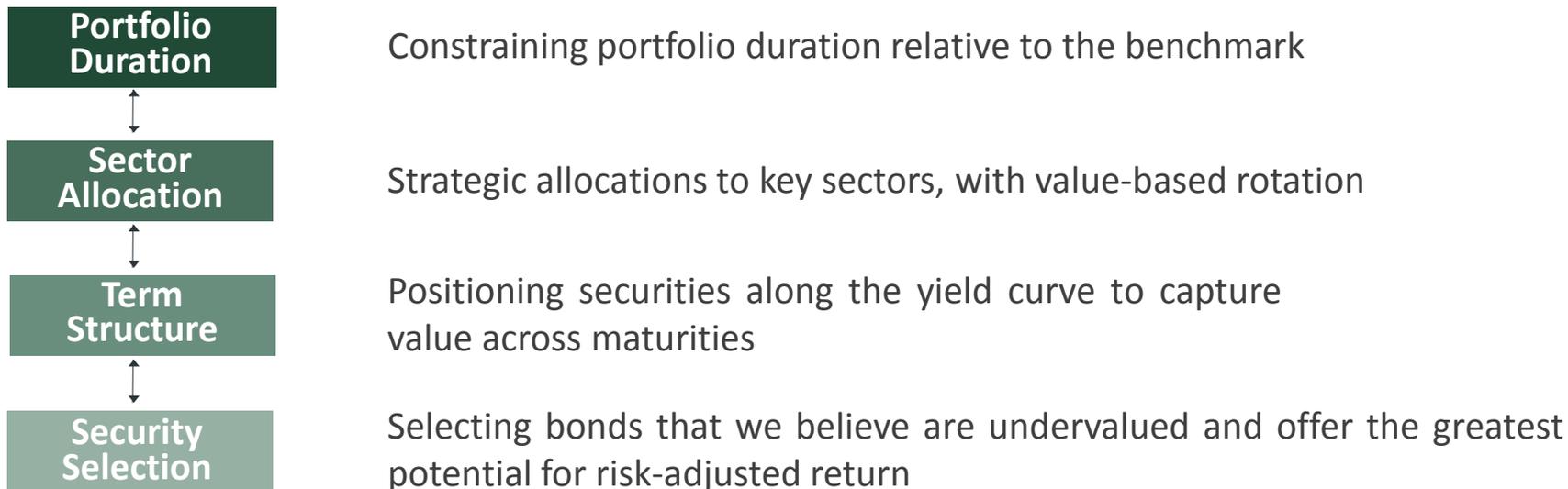
Client	AUM	Managed Since
Transportation Corridor Agencies, CA	\$888 M	2015
CSAC Excess Insurance Authority, CA	\$748M	2015
Tulare County, CA	\$542 M	2002
City of Tacoma, WA	\$480 M	2015
City of Long Beach, CA	\$436 M	2009
City and County of Denver, CO	\$396 M	2009
Orange County Sanitation District, CA	\$383 M	2014
City of Boulder, CO	\$342 M	2013
Rancho California Water District, CA	\$294 M	1994
City of Westminster, CO	\$234 M	2015

## Local and Transportation Clients

ACTA Corridor, CA
City and County of Denver, CO (Airport Funds)
E-470 Highway Authority, CO
City of Imperial Beach, CA
Los Angeles County Metropolitan Transportation Authority, CA
Meals on Wheels, CA
City of National City, CA
Sacramento Regional Transit District, CA
City of San Clemente, CA
City of San Marcos, CA
City of Solana Beach, CA
San Diego County Water Authority, CA
Sharp Healthcare, CA
Transportation Corridor Agencies , CA

*The list on the left includes Chandler's top ten public agency assets under management as of September 30, 2017. The list on the right includes sample San Diego County, California area clients and Transportation clients from California and Colorado as of September 30, 2017. Both lists only includes clients that have given permission to be listed. It is not known whether the clients listed approve or disapprove of Chandler Asset Management and the advisory services provided. Includes discretionary and non-discretionary relationships.*

## *Four Key Elements of Our Approach*



# We work with You on All Aspects of Your Program



*SDCRAA's Mission is to Plan for and provide air transportation services to the region with safe, effective facilities that exceed our customer expectations.*





A low-angle photograph of a modern building with a teal overlay. The building features a prominent overhanging section and large glass windows. The teal overlay is semi-transparent and contains the text "Questions?".

Questions?

● Ticketing  
U.S. Airways

## EXECUTIVE COMMITTEE

Meeting Date: FEBRUARY 15, 2018

### 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 2017-2018 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.

**Application of Inclusionary Policies:**

Not applicable

**Prepared by:**

TONY R. RUSSELL  
DIRECTOR, CORPORATE & INFORMATION GOVERNANCE/AUTHORITY CLERK

# **TRAVEL REQUEST**

**KIM BECKER**

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY  
OUT-OF-TOWN TRAVEL REQUEST**

**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: Kimberly J. Becker Dept: BU 6  
 Position:  Board Member  President/CEO  Gen. Counsel  Chief Auditor  
 All other Authority employees (does not require executive committee administrator approval)

2. DATE OF REQUEST: 2/6/2018 PLANNED DATE OF DEPARTURE/RETURN: 4/25/2018 / 4/27/2018

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: Attend U.S. Travel Assn Gateway Airports Council (GAC) CEO Roundtable & GAC Directors Meeting

Explanation:

**4. PROJECTED OUT-OF-TOWN TRAVEL EXPENSES**

**A. TRANSPORTATION COSTS:**

- AIRFARE \$ 600.00
- \*RENTAL CAR (Must complete page 2) \$ \_\_\_\_\_
- OTHER TRANSPORTATION (Taxi, Train) \$ 100.00

B. LODGING \$ 800.00

C. MEALS \$ 200.00

D. SEMINAR AND CONFERENCE FEES \$ \_\_\_\_\_

E. ENTERTAINMENT (If applicable) \$ \_\_\_\_\_

F. OTHER INCIDENTAL EXPENSES \$ 50.00

**TOTAL PROJECTED TRAVEL EXPENSE** \$ 1750.00

\*Permitted in limited circumstances; must be pre-approved. Provide a copy of Out-of-Town Travel Request form to Risk Management prior to travel in order to obtain insurance identification card covering rental period.

**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: Kimberly J. Becker Date: 2/6/18

**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**

# **BUSINESS EXPENSE**

**KIM BECKER**

# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

## BUSINESS EXPENSE REIMBURSEMENT REPORT

NOV 2017-JAN 2018

Period Covered

DATE	G/L Account	Description	AMOUNT
11/2/2017	66240.100	Dinner with Kevin Burke (President of ACI-NA)	\$ 135.58
12/5/2017	66290.000	Parking for SD Chamber of Commerce Event	\$ 30.00
1/11/2018	66290.000	Parking for State of the City Address	\$ 12.00
<b>TOTAL</b>			<b>\$177.58</b>

I acknowledge that I have read, understand and agree to Authority \*Policy 3.30 - Business Expense Reimbursement Policy and that any purchases that are not allowed will be my responsibility. I further certify that this report of business expenses were incurred in connection with official Authority business and is true and correct.

\* Policy 3.30



NAME Kimberly Becker

DATE 1/24/2018

APPROVED:

NAME

DATE

**RECEIPTS FOR BUSINESS EXPENSE REIMBURSEMENT**

**NOV 2017 - JAN 2018**

**KIMBERLY J. BECKER**

*Kevin Burke - PRESIDENT  
OF ACI*

Island Prime & C Level  
GM: Jon Boyle  
880 Harbor Island Drive  
San Diego, CA 92101  
619-298-6802

Island Prime & C Level  
GM: Jon Boyle  
880 Harbor Island Drive  
San Diego, CA 92101  
619-298-6802

Server: Seth  
07:35 PM  
Table 27/1  
DOB: 11/02/2017  
11/02/2017  
2/20008

Server: Seth  
Table 27/1  
Guests: 2  
11/02/2017  
7:29 PM  
20008

CAESAR SALAD ✓ 11.00  
SCALLOPS IP ✓ 40.00  
PLANK SALMON ✓ 36.00  
BRULEE TRIO IP ✓ 12.00

Complete Subtotal 99.00 202.00

Subtotal 99.00 202.00  
Tax 7.92 16.12

3% Surcharge\* 6.06  
Total \$ 112.98 224.18

Balance Due 224.18

\*To support increasing costs  
Book Your Special Event  
with us. Please contact  
Samantha Minnema at 619-398-2947  
or go online to  
www.islandprime.com.  
Thanks for dining with us!

SALE

M/C 2097162  
Card #XXXXXXXXXXXX  
Magnetic card present: BECKER KIMBERLY  
Card Entry Method: S

Approval: 05973Z

Amount: 112.98  
\$224.18  
+ Tip: \$ 22.60 45-  
\$135.58 = Total: 269.18

I agree to pay the above  
total amount according to the  
card issuer agreement.

X *[Signature]*

Customer Copy

DINNER \$99.00  
TAX \$ 7.92  
SURCHARGE \$ 6.06  
\$112.98  
TIP 22.60  
TOTAL \$ 135.58

**RECEIPTS FOR BUSINESS EXPENSE REIMBURSEMENT**

**NOV 2017 - JAN 2018**

**KIMBERLY J. BECKER**

Hotel Del Coronado  
1500 Orange Av.  
Coronado, 92118

Main Lot E 12/05/17 18:24  
Receipt 096606

Short-term parking tkt  
MAIN - No. 092996  
12/05/17 17:15  
12/05/17 18:24  
Period 0d1h10'  
(Ust.) \$30.00

Total \$30.00

Payment Received  
MC \$30.00  
Merch:008031560942  
Auth:657576  
Type: Swiped

Sub Total \$30.00

61A23101 - 1/1

All Amounts in USD.  
Deliv. Date=Receipt Date

SD CHAMBER OF  
COMMERCE EVENT

SAN DIEGO STATE OF  
THE CITY ADDRESS

Pay Station Number: 6  
Entered: 01/11/2018 17:42  
Exited: 01/11/2018 19:00  
Ticket Number: 7568  
Transaction Number: 8696  
Rate: A  
Parking Fee: \$12.00  
Total Tax: \$0.00

-----  
Total Fee: \$12.00  
Fee Paid: \$12.00  
Master  
XXXXXXXXXXXX  
Approval Number: 626441

Thank you for your visit  
Please come again!

**APRIL BOLING**



# **TRAVEL EXPENSE**

**KIM BECKER**

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY  
TRAVEL EXPENSE REPORT**

*(To be completed within 30 days from travel return date)*

TRAVELER: Kimberly J. Becker DEPT. NAME & NO. Executive Office/BU 6  
 DEPARTURE DATE: 1/22/2018 RETURN DATE: 1/23/2018 REPORT DUE: 2/22/18  
 DESTINATION: San Francisco, CA - ACI-NA Aviation Biometrics Roundtable

*Please refer to the Authority Travel and Lodging Expense Reimbursement Policy, Article 3, Part 3.4, Section 3.40, outlining appropriate reimbursable expenses and approvals. Please attach all required supporting documentation. All receipts must be detailed, (credit card receipts do not provide sufficient detail). Any special items should be explained in the space provided below.*

	Authority Expenses (Prepaid by Authority)	Employee Expenses							TOTALS
		SATURDAY	SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	
Air Fare, Railroad, Bus (attach copy of itinerary w/charges)	\$177.96			1/22/18	1/23/18				0.00
Conference Fees (provide copy of flyer/registration expenses)									0.00
Rental Car*									0.00
Gas and Oil*									0.00
Garage/Parking*									0.00
Mileage - attach mileage form*									0.00
Taxi and/or Shuttle Fare (include tips pd.)*									0.00
Hotel*				240.74					240.74
Telephone, Internet and Fax*									0.00
Laundry*									0.00
Tips - separately paid (maids, bellhop, other hotel svcs.)									0.00
Meals (include tips pd.)	Breakfast*								0.00
	Lunch*								0.00
	Dinner*			28.38					28.38
	Other Meals*								0.00
<i>Alcohol is a non-reimbursable expense</i>									
Hospitality <sup>1*</sup>									0.00
Miscellaneous: Baggage Fee									0.00
									0.00
									0.00
*Provide detailed receipts									0.00
<b>Total Expenses prepaid by Authority</b>	<b>177.96</b>	<b>0.00</b>	<b>0.00</b>	<b>269.12</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>269.12</b>

Explanation:	Total Expenses Prepaid by Authority	177.96
	Total Expenses Incurred by Employee (including cash advances)	269.12
	<b>Grand Trip Total</b>	<b>447.08</b>
	Less Cash Advance (attach copy of Authority ck)	
	Less Expenses Prepaid by Authority	177.96
	<b>Due Traveler (positive amount)<sup>2</sup></b>	<b>269.12</b>
	<b>Due Authority (negative amount)<sup>3</sup></b>	<b>269.12</b>
<i>Note: Send this report to Accounting even if the amount is \$0.</i>		

I as traveler or administrator acknowledge that I have read, understand and agree to Authority policies 3.40 - Travel and Lodging Expense Reimbursement Policy<sup>4</sup> and 3.30 - Business Expense Reimbursement Policy<sup>5</sup> and that any purchases/claims that are not allowed will be my responsibility. I further certify that this report of travel expenses were incurred in connection with official Authority business and is true and correct.

Prepared By: Kim Ayers Ext.: 2447  
 Traveler Signature: Kimberly J. Becker Date: 1/22/18  
 Approved By: \_\_\_\_\_ Date: \_\_\_\_\_

**AUTHORITY CLERK CERTIFICATION ON BEHALF OF EXECUTIVE COMMITTEE** (To be certified if used by President/CEO, Gen. Counsel, or Chief Auditor)  
 I, \_\_\_\_\_ hereby certify that this document was approved by the Executive Committee at its \_\_\_\_\_ meeting.  
 (Please leave blank. Whoever clerk's the meeting will insert their name and title.)  
 (Leave blank and we will insert the meeting date.)

*Failure to attach required documentation will result in the delay of processing reimbursement. If you have any questions, please see your department Administrative Assistant or call Accounting at ext. 2806.*

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY  
OUT-OF-TOWN TRAVEL REQUEST**

**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: Kimberly J. Becker Dept: 6

Position:  Board Member  President/CEO  Gen. Counsel  Chief Auditor

All other Authority employees (does not require executive committee administrator approval)

2. DATE OF REQUEST: 11/9/17 PLANNED DATE OF DEPARTURE/RETURN: 1/22/18 / 1/23/18

**3. DESTINATIONS/PURPOSE (Provide detailed explanation as to the purpose of the trip-- continue on extra sheets of paper as necessary):**

Destination: San Francisco, CA Purpose: Attend ACI-NA Aviation Biometrics Roundtable

Explanation: \_\_\_\_\_

**4. PROJECTED OUT-OF-TOWN TRAVEL EXPENSES**

**A. TRANSPORTATION COSTS:**

- AIRFARE \$ 150.00
- OTHER TRANSPORTATION (Taxi, Train, Car Rental) \$ 50.00

B. LODGING \$ 300.00

C. MEALS \$ 100.00

D. SEMINAR AND CONFERENCE FEES \$

E. ENTERTAINMENT (If applicable) \$

F. OTHER INCIDENTAL EXPENSES \$

**TOTAL PROJECTED TRAVEL EXPENSE \$ 600.00**

**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: Kimberly J Becker Date: 11/9/17

**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**

Steph H... Assistant Authority Clerk hereby certify that this document was approved  
(Please leave blank whoever clerk's the meeting will insert their name and title.)  
by the Executive Committee at its 11/27/17 meeting.  
(Leave blank and we will insert the meeting date.)



Traveltrust Corporation  
 374 North Coast Hwy 101, Suite F  
 Encinitas, CA 92024  
 Phone: (760) 635-1700



Friday, 10NOV 2017 12:50 PM EST

**Passengers: KIMBERLY JANE BECKER (06)**

Agency Reference Number: AJCXUU

Click here to view your current itinerary or ETicket receipt on-line: [tripcase.com](http://tripcase.com)

Southwest Airlines Confirmation UWLRE7

Please review your itinerary and report any discrepancies to Traveltrust within 24hrs of receipt  
 Be sure to visit [www.traveltrust.com](http://www.traveltrust.com) for additional travel information

TRAVELTRUST STRONGLY RECOMMENDS CHECKING IN  
 ONLINE WITH YOUR AIRLINE AT LEAST 24 HOURS PRIOR TO  
 EACH FLIGHT FOR THE MOST CURRENT TIMES AND ALERTS

<b>AIR</b>	<b>Monday, 22JAN 2018</b>	
------------	---------------------------	--

<b>Southwest Airlines</b>	<b>Flight Number:</b> 1614	<b>Class:</b> L-Coach/Economy
<b>From:</b> San Diego CA, USA	<b>Depart:</b> 04:00 PM	
<b>To:</b> San Francisco CA, USA	<b>Arrive:</b> 05:35 PM	
<b>Stops:</b> Nonstop	<b>Duration:</b> 1 hour(s) 35 minute(s)	
	<b>Status:</b> CONFIRMED	<b>Miles:</b> 436 / 698 KM

Equipment: Boeing 737-700 Jet  
 DEPARTS SAN TERMINAL 1 - ARRIVES SFO TERMINAL 1  
 FREQUENT FLYER NUMBER [REDACTED]  
**Southwest Airlines Confirmation number is UWLRE7**

<b>AIR</b>	<b>Tuesday, 23JAN 2018</b>	
------------	----------------------------	--

<b>Southwest Airlines</b>	<b>Flight Number:</b> 1131	<b>Class:</b> L-Coach/Economy
<b>From:</b> San Francisco CA, USA	<b>Depart:</b> 06:20 PM	
<b>To:</b> San Diego CA, USA	<b>Arrive:</b> 07:50 PM	
<b>Stops:</b> Nonstop	<b>Duration:</b> 1 hour(s) 30 minute(s)	
	<b>Status:</b> CONFIRMED	<b>Miles:</b> 436 / 698 KM

Equipment: Boeing 737-700 Jet  
 DEPARTS SFO TERMINAL 1 - ARRIVES SAN TERMINAL 1  
 FREQUENT FLYER NUMBER [REDACTED]  
**Southwest Airlines Confirmation number is UWLRE7**

A PORTION OF THIS TRIP MAY BE REFUNDABLE. PLEASE RETURN  
 UNUSED PORTIONS TO TRAVELTRUST FOR POSSIBLE REFUND.  
 SOUTHWEST AIRLINES CONFIRMATION NUMBER - UWLRE7  
 FOR EMERGENCY SERVICE FROM UNITED STATES - 888-221-6043

**Ticket/Invoice Information**

Ticket for: KIMBERLY JANE BECKER  
 Ticket Nbr: WN8783422870 Electronic Tkt: No Amount: 117.96

Base: 83.32 Tax: 34.64

Charged to: AX\*\*\*\*\*[REDACTED]

Ticket for: KIMBERLY JANE BECKER  
Ticket Nbr: WN5566005641 Electronic Tkt: No Amount: 15.00  
Base: 15.00 Tax: 0.00

Charged to: AX\*\*\*\*\*[REDACTED]

Ticket for: KIMBERLY JANE BECKER  
Ticket Nbr: WN5566005642 Electronic Tkt: No Amount: 15.00  
Base: 15.00 Tax: 0.00

Charged to: AX\*\*\*\*\*[REDACTED]

Service fee: KIMBERLY JANE BECKER  
Date issued: 11/10/2017  
Document Nbr: XD0726743483 Amount: 30.00  
Charged to: AX\*\*\*\*\*[REDACTED]

Total Tickets: 147.96  
Total Fees: 30.00  
Total Amount: 177.96

**Click here 24 hours in advance to obtain boarding passes:**

[SOUTHWEST](#)

**Click here to review Baggage policies and guidelines:**

[SOUTHWEST](#)

TSA Guidance- a government issued photo id is needed for checkin.  
Please allow minimum 3 hour check-in for International flights and 2 hours for Domestic.  
For Additional security information visit [www.tsa.gov](http://www.tsa.gov).

Thank you for choosing Traveltrust!  
Our Business Hours are Sunday - Friday 10pm - 5:30pm Pacific  
Saturday from 9am-1pm Pacific.  
For EMERGENCY AFTERHOURS assistance in the US, please call 888-221-6043 and use VIP Code SJE72.  
You can also use the Direct Dial Number 682-233-1914 or the collect number 682-647-0061.  
Each call is billable at a minimum \$25.00 per call/reservation



## **Airport Biometrics Roundtable**

### ***Biometrics: A New Vision for the International Airport Process "Building the Foundation for Success"***

**Date:** Tuesday, January 23, 2018  
**Time:** 8:00am – 4:30pm  
**Location:** San Francisco International Airport (SFO)

#### **Background**

The direction of U.S. border security policy is clearly moving toward establishing a process based on biometric technology. Abroad, the use of biometric technology in airport security is catalyzing its wider use in ticketing, screening and even retail. In the U.S., airport directors want to develop a clear strategy on how biometrics may be applied in their airport and across the aviation industry. In order to ensure any biometric strategy can be executed in an orderly, effective and efficient manner for airport operations and the traveling public, airport leaders will want to consider the following:

- Precedents for the use of biometrics.
- Strategic implications of becoming a 'biometric airport'.
- Ethical, regulatory and legal challenges.
- Practical implementation approaches.
- Industry-wide biometrics policy needs.

#### **Forum's Purpose**

Convene airport directors, appropriate senior airport staff, aviation regulatory agencies and representatives of aviation trade organizations to learn about and develop alignment around approaches to using biometric technology in U.S. airports. Topics may include the following:

1. Establishment of guiding concepts and parameters
2. Review of aviation industry biometrics initiatives
3. Development of a process for standards creation
4. Formation of procedures to ensure implementation alignment
5. Understanding of role of airports
6. Creation of a stakeholder outreach/education program

#### **Invited Participants:**

- Airport directors of U.S. Airports receiving international flights
- One staff member designated by each airport director
- Appropriate representatives of ACI-NA and AAAE

**AGENDA**

**Morning Session: Setting a Knowledge Baseline**

**8:00am        Networking Breakfast**

**8:30am        Welcome and Introduction**

Speakers: Ivar Satero, Airport Director, San Francisco International Airport  
Kevin Burke, President and CEO, Airports Council International - North America  
Todd Hauptli, President and CEO, American Association of Airport Executives

**8:40am        Setting the Stage**

Speaker: Matt Cornelius, Vice President, Air Policy, ACI-NA

- Review of background material
  - Latest research
  - Recent advancements
  - Application of technology
- Outline anticipated goals of meeting

**9:00am        Examples of Existing Implementation Strategies**

Introduction: Ivar Satero, Airport Director, San Francisco International Airport

Speakers: John Wagner, Acting Assistant Commissioner, U.S Customs and Border Protection  
Steve Karoly, Acting Assistant Administrator, Transportation Security Administration  
Simon Wilcox, Programme Manager - Automation of the Passenger Journey, Heathrow Airport

**10:30am       Break**

**11:00am       CBP's Direction of Travel**

Introduction: Todd Hauptli, President and CEO, American Association of Airport Executives

Speaker: Ari Schuler, Advisor, Office of the Commissioner, U.S. Customs and Border Protection

**11:30am       Biometrics Legal Framework**

Introduction: Kevin Burke, President and CEO, Airports Council International - North America

Speaker: Michael Stephens, Executive Vice President of IT and General Counsel, Tampa International Airport

**12:00pm       Networking Lunch**

Welcome by Ivar Satero

**Afternoon Session - Policy Development**

**1:00pm Development of Guiding Concepts and Parameters**

U.S. airports will benefit from speaking with one, united voice in the development of policies, parameters and standards related to the execution of biometrics within the airport environment.

Facilitator: Peter Gaarn, Senior Consultant, The Piras Group, LLC

**3:00pm Break**

**3:15pm A Vision for Airport Biometrics**  
*What leadership role should airports play?*

Facilitator: Peter Gaarn, Senior Consultant, The Piras Group, LLC

**4:15pm Conclusion**

ACI-NA/AAAE engagement  
Wrap-up  
Next Steps

Facilitator: Peter Gaarn, Senior Consultant, The Piras Group, LLC

**4:30pm Adjourn**

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**Hotel Information**

Attendees can select from a wide range of hotels that are located close to San Francisco International Airport. There is no designated hotel or special room rate available for this meeting.

For convenience, please ensure that the hotel offers a complimentary airport shuttle service.

**Meeting Location**

The meeting will take place at San Francisco International Airport in Terminal 2, Partnering Room Departure Level, Pre-Security.

Westin San Francisco Airport  
 One Old Bayshore Highway  
 Millbrae, CA 94030  
 United States  
 Tel: 6506923500 Fax: 6508728111



Mrs. Kimberly Becker

Page Number : 1  
 Guest Number : 1865790  
 Folio ID : A  
 22-JAN-18 18:09  
 23-JAN-18 07:24  
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 305  
 SPG - [REDACTED]

Tax Invoice

Westin SFO JAN-23-2018 07:30 MARICHI

Date	Reference	Description	Charges/Credits (USD)
22-JAN-18	921	Grill & Vine	28.38 - RECEIPT ATT.
22-JAN-18	RT305	Room Charge	213.00
22-JAN-18	RT305	CA Tourism Fee	0.43
22-JAN-18	RT305	San Mateo Tour Fee	1.75
22-JAN-18	RT305	City Occupancy Tax	25.56
23-JAN-18	VI	Visa - [REDACTED]	-269.12

} \$260.74

Approve EMV Receipt for VI [REDACTED]: Signature Captured  
 TC:90811F13790E263B TVR:8080008000 AID:A0000000031010  
 Application Label: Visa Credit

\*\* Total Charges 269.12  
 \*\* Total Credits -269.12  
 \*\*\* Balance 0.00

I agreed to pay all room & incidental charges.

PACK LIGHT, STAY FIT - With the Westin Gear Lending program, New Balance(TM) workout gear is conveniently delivered to your room so you can keep moving. Experience it during your next stay. Learn more at westin.com/newbalance

Continued on the next page

Westin San Francisco Airport  
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As a Starwood Preferred Guest you have earned at least 483 Starpoints for this visit. [REDACTED]

Tell us about your stay. [www.westin.com/reviews](http://www.westin.com/reviews). For billing questions or requests, please visit us at [www.westinsfobilling.com](http://www.westinsfobilling.com)

EXPENSE SUMMARY REPORT

Currency: USD

Date	ROOM/TAX	TELECOM	FOOD/BEV	Other	Total	Payment
01-22-2018	240.74	0.00	28.38	0.00	269.12	0.00
01-23-2018	0.00	0.00	0.00	0.00	0.00	-269.12
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Total	240.74	0.00	28.38	0.00	269.12	-269.12

**TRAVEL EXPENSE RECEIPTS FOR KIMBERLY J. BECKER**  
**ACI-NA AVIATION BIOMETRICS ROUNDTABLE**  
**San Francisco, CA**  
**January 23, 2018**

DINNER 1/22/18

The Westin San Francisco Airport  
Grill & Vine  
65 Francis 1  
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31/1 921 GST 2  
JAN22'18 6:26PM  
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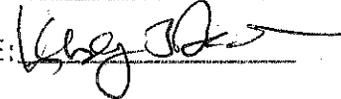
1 Diet Coke 3.50  
1 CHICKEN PESTO 18.00  
SUBTOTAL 21.50  
TAX 1.88  
PAYMENT DUE 23.38

GRATUITY: 5 -

TOTAL: 28.38

ROOM NUMBER: \_\_\_\_\_

PRINT NAME: \_\_\_\_\_

SIGNATURE: 

Thank You

SAN DIEGO COUNTY  
REGIONAL AIRPORT AUTHORITY

**Revised 02/13/2018**

**DRAFT**  
**BOARD**  
**AGENDA**

Thursday, March 1, 2018  
9:00 A.M.

San Diego International Airport  
SDCRAA Administration Building – Third Floor  
Board Room  
3225 N. Harbor Drive  
San Diego, California 92101

Item 5

**Board Members**

C. April Boling  
Chairman

Greg Cox  
Jim Desmond  
Mark Kersey  
Paul Robinson  
Michael Schumacher  
Mary Sessom  
Mark B. West

**Ex-Officio Board Members**

Cory Binns  
Col. Jason Woodworth

**President / CEO**

Kimberly J. Becker

***Live webcasts of Authority Board meetings can be accessed at***  
**<http://www.san.org/Airport-Authority/Meetings-Agendas/Authority-Board>**

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 & Information Governance 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 & Information Governance/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 & Information Governance /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. FISCAL YEAR 2019 AND FISCAL YEAR 2020 OPERATING BUDGET PARAMETERS:**

Presented by John Dillon, Director, Business and Financial Management

**B. CUSTOMS AND BORDER PROTECTION'S (CBP) REIMBURSABLE SERVICES PROGRAM:**

Presented by Hampton Brown, Senior Director, Air Service Development

**REPORTS FROM BOARD COMMITTEES, AD HOC COMMITTEES, AND CITIZEN COMMITTEES AND LIAISONS:**

***STANDING BOARD COMMITTEES***

- **AUDIT COMMITTEE:**  
Committee Members: Hollingworth, Robinson (Chair), Sessom, Tartre, Van Sambeek, West
- **CAPITAL IMPROVEMENT PROGRAM OVERSIGHT COMMITTEE:**  
Committee Members: Boling, Kersey (Chair), Schumacher, Robinson
- **EXECUTIVE PERSONNEL AND COMPENSATION COMMITTEE:**  
Committee Members: Boling, Cox, Desmond (Chair), Kersey
- **FINANCE COMMITTEE:**  
Committee Members: Boling (Chair), Cox, Sessom, West

***ADVISORY COMMITTEES***

- **AUTHORITY ADVISORY COMMITTEE:**  
Liaison: Robinson (Primary), Boling
- **ART ADVISORY COMMITTEE:**  
Committee Member: Gleason

***LIAISONS***

- **CALTRANS:**  
Liaison: Binns
- **INTER-GOVERNMENTAL AFFAIRS:**  
Liaison: Cox

- **MILITARY AFFAIRS:**  
Liaison: Woodworth
- **PORT:**  
Liaisons: Boling, Cox, Robinson
- **WORLD TRADE CENTER:**  
Representatives: Gleason

***BOARD REPRESENTATIVES (EXTERNAL)***

- **SANDAG TRANSPORTATION COMMITTEE:**  
Representatives: Boling (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 1-14):**

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 meetings.

**RECOMMENDATION:** Approve the minutes of the February 1, 2018, 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 & Information Governance: Tony R. Russell, Director/Authority Clerk)**

**3. AWARDED CONTRACTS, APPROVED CHANGE ORDERS FROM \_\_\_\_\_ THROUGH \_\_\_\_\_ AND REAL PROPERTY AGREEMENTS GRANTED AND ACCEPTED FROM \_\_\_\_\_ THROUGH \_\_\_\_\_:**

The Board is requested to receive the report.

RECOMMENDATION: Receive the report.

**(Procurement: Jana Vargas, Director)**

**4. MARCH 2018 LEGISLATIVE REPORT:**

The Board is requested to approve the report.

RECOMMENDATION: Adopt Resolution No. 2018-\_\_\_\_\_, approving the March 2018 Legislative Report.

**(Inter-Governmental Relations: Michael Kulis, Director)**

**CLAIMS**

**5. REJECT THE CLAIM OF SENAIT DESTA:**

The Board is requested to reject the claim.

RECOMMENDATION: Adopt Resolution No. 2018-\_\_\_\_\_, rejecting the claim of Senait Desta.

**(Legal: Amy Gonzalez, General Counsel)**

**6. REJECT THE CLAIM OF ROBERT BOBBETT:**

The Board is requested to reject the claim.

RECOMMENDATION: Adopt Resolution No. 2018-\_\_\_\_\_, rejecting the claim of Robert Bobbett.

**(Legal: Amy Gonzalez, General Counsel)**

**7. REJECT THE CLAIM OF DONNA KASHANI:**

The Board is requested to reject the claim.

RECOMMENDATION: Adopt Resolution No. 2018-\_\_\_\_\_, rejecting the claim of Donna Kashani.

**(Legal: Amy Gonzalez, General Counsel)**

### **COMMITTEE RECOMMENDATIONS**

**8. FISCAL YEAR 2018 SECOND QUARTER ACTIVITIES REPORT AND AUDIT RECOMMENDATIONS ISSUED BY 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.

**(Chief Auditor: Mark A. Burchyett, Chief Auditor)**

### **CONTRACTS AND AGREEMENTS**

**9. APPROVE AND AUTHORIZE THE PRESIDENT/CEO TO EXECUTE A SECOND AMENDMENT TO THE AGREEMENT WITH MEYERS NAVE:**

The Board is requested to approve the amendment.

RECOMMENDATION: Adopt Resolution No. 2018-\_\_\_\_, authorizing the President/CEO to execute a second amendment to the agreement for professional legal services with Meyers Nave extending the term for one year.

**(Legal: Amy Gonzalez, General Counsel)**

### **CONTRACTS AND AGREEMENTS AND/OR AMENDMENTS TO CONTRACTS AND AGREEMENTS EXCEEDING \$1 MILLION**

**10. APPROVE THE FIRST AMENDMENT TO THE AGREEMENT WITH AECOM TECHNICAL SERVICES, INC., AND AUTHORIZE THE PRESIDENT/CEO TO EXECUTE THE AMENDMENT:**

The Board is requested to approve an amendment.

RECOMMENDATION: Adopt Resolution No. 2018-\_\_\_\_, approving the first amendment to the agreement with AECOM Technical Services, Inc., and authorizing the President/CEO to execute the amendment to provide Program Management/Construction Management services in support of the San Diego County Regional Airport Authority's Capital Improvement and Major Maintenance Programs, exercising the first option to extend the term of the agreement from April 23, 2018 to April 22, 2019, and increasing the current agreement amount of \$60,000,000 by \$8,000,000 for a new total agreement amount not-to-exceed \$68,000,000.

**(Facilities Development: Iraj Ghaemi, Director)**

**11. AWARD A CONTRACT TO \_\_\_\_\_ FOR QUIETER HOME PROGRAM PHASE 9, GROUP 4, PROJECT NO. 380904 THIRTY-FOUR (34) NON-HISTORIC MULTI-FAMILY AND SINGLE UNITS ON NINETEEN (19) RESIDENTIAL PROPERTIES LOCATED EAST AND WEST OF THE AIRPORT:**

The Board is requested to award a contract.

RECOMMENDATION: Adopt Resolution No. 2018-\_\_\_\_, awarding a contract to \_\_\_\_\_ in the amount of \$ \_\_\_\_\_ for Phase 9, Group 4, Project No. 380904, of the San Diego County Regional Airport Authority's ("Authority's") Quieter Home Program.

**(Planning & Environmental Affairs: Brendan Reed, Director)**

**12. APPROVE AND AUTHORIZE THE PRESIDENT/CEO TO EXECUTE AN AGREEMENT WITH SERCO INC. TO PROVIDE RAMP CONTROL FACILITY SERVICES AT SAN DIEGO INTERNATIONAL AIRPORT:**

The Board is requested to approve an agreement.

RECOMMENDATION: Adopt Resolution No. 2018-\_\_\_\_, approving and authorizing the President/CEO to execute an agreement with Serco, Inc. to provide Ramp Control Facility Services for three (3) years with two (2) one-year options exercisable at the sole discretion of the President/CEO, in an amount not to exceed \$3,845,000.00.

**(Airside Operations: Dean Robbins, Manager)**

**13. APPROVE AND AUTHORIZE THE PRESIDENT/CEO TO EXECUTE TWO ON-CALL AIRSIDE/LANDSIDE ENGINEERING CONSULTANT SERVICES AGREEMENTS AT SAN DIEGO INTERNATIONAL AIRPORT:**

The Board is requested to approve agreements.

RECOMMENDATION: Adopt Resolution No. 2018-\_\_\_\_, approving and authorizing the President/CEO to execute an On-Call Airside/Landside Engineering Consultant Services Agreement with \_\_\_\_\_, and \_\_\_\_\_ for a term of three years, with the option for two one-year extensions, in an amount not-to-exceed \$10,000,000 each, and a maximum total aggregate amount not-to-exceed \$10,000,000, in support of the Capital Improvement and Major Maintenance Programs at San Diego International Airport.

**(Facilities Development: Iraj Ghaemi, Director)**

**14. APPROVE AND AUTHORIZE THE PRESIDENT/CEO TO EXECUTE A 12KV DISTRIBUTION SYSTEM OPERATIONS, MAINTENANCE AND REPAIRS SERVICES AGREEMENT:**

The Board is requested to approve an agreement.

RECOMMENDATION: Adopt Resolution No. 2018-\_\_\_\_, approving and authorizing the President/CEO to execute a 12kV Distribution System Operations, Maintenance and Repairs Services Agreement with Chula Vista Electric Company, for a term of three years, with the option for two one-year extensions exercisable at the discretion of the President/CEO, for a total not-to-exceed amount of \$4,060,000, to provide 12kV distribution system operations, maintenance, and repair services at San Diego International Airport ("SDIA").

**(Facilities Management: David LaGuardia, Director)**

**PUBLIC HEARINGS:**

**OLD BUSINESS:**

**NEW BUSINESS:**

**15. ADOPTION OF REVISED BOARD POLICY 9.20 – AIRPORT NOISE ADVISORY COMMITTEE:**

The Board is requested to amend Board Policy 9.20.

RECOMMENDATION: Adopt Resolution No. 2018-\_\_\_\_, adopting the amendments of Authority Policy 9.20 – San Diego International Airport Noise Advisory Committee.

**(Planning & Environmental Affairs: Brendan Reed, Director)**

**CLOSED SESSION:**

- 16. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION:**  
(Paragraph (1) of subdivision (d) of Cal. Gov. Code §54956.9)  
Name of Case: GGTW LLC v San Diego County Regional Airport Authority, et al.,  
San Diego Superior Court Case No. 37-2016-00032646-CU-BC-CTL
- 17. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION:**  
(Paragraph (1) of subdivision (d) of Cal. Gov. Code §54956.9)  
Name of Case: San Diego County Regional Airport Authority v. American Car  
Rental, Inc., San Diego Superior Court Case No. 37-2016-00024056-CL-BC-CTL
- 18. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION:**  
(Paragraph (1) of subdivision (d) of Cal. Gov. Code §54956.9)  
Dryden Oaks, LLC v. San Diego County Regional Airport Authority, et al., San Diego  
Superior Court, North County, Case No. 37-2014-00004077-CU-EI-NC
- 19. CONFERENCE WITH LEGAL COUNSEL-EXISTING LITIGATION:**  
(Paragraph (1) of subdivision (d) of Cal. Gov. Code §54956.9)  
Name of Case: K.S.A.N. L.L.C v. San Diego County Regional Airport Authority, et al.  
San Diego Superior Court Case No. 37-2017-00024982-CU-NP-CTL
- 20. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION:**  
(Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Cal.  
Gov. Code §54956.9)  
Investigative Order No. R9-2012-0009 by the California Regional Water Quality  
Control Board pertaining to an investigation of bay sediments at the Downtown  
Anchorage Area in San Diego.  
Number of potential cases: 1
- 21. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION:**  
(Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Cal.  
Gov. Code §54956.9)  
Navy Boat Channel Environmental Remediation  
Number of potential cases: 1
- 22. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION:**  
(Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Cal.  
Gov. Code §54956.9)  
Number of potential cases: 2
- 23. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION:**  
(Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Cal. Gov. Code  
§54956.9)  
Number of cases: 1

**24. CONFERENCE WITH LEGAL COUNSEL-EXISTING LITIGATION:**

(Paragraph (1) of subdivision (d) of Cal. Gov. Code §54956.9)

Name of Case: Future DB International, Inc. v. San Diego County Regional Airport Authority, et al.

San Diego Superior Court Case No. 37-2018-00001531-CU-CR-CTL

**25. PUBLIC EMPLOYEE APPOINTMENT:**

Cal. Gov. Code §54957

Title: Chief Auditor

**REPORT ON CLOSED SESSION:**

**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.
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**Additional Meeting Information**

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**UPCOMING MEETING SCHEDULE**

<i>Date</i>	<i>Day</i>	<i>Time</i>	<i>Meeting Type</i>	<i>Location</i>
April	5	9:00 AM	Regular	Board Room

SAN DIEGO COUNTY  
REGIONAL AIRPORT AUTHORITY

Item 6

**DRAFT**  
**AIRPORT LAND USE COMMISSION**  
**AGENDA**

Thursday, March 1, 2018  
9:00 A.M. or immediately following the Board Meeting

San Diego International Airport  
SDCRAA Administration Building – Third Floor  
Board Room  
3225 N. Harbor Drive  
San Diego, California 92101

**Board Members**

C. April Boling  
Chairman

Greg Cox  
Jim Desmond  
Mark Kersey  
Paul Robinson  
Michael Schumacher  
Mary Sessom  
Mark B. West

**Ex-Officio Board Members**

Cory Binns  
Col. Jason Woodworth

**President / CEO**

Kimberly J. Becker

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***<http://www.san.org/Airport-Authority/Meetings-Agendas/ALUC>***

*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.

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**CALL TO ORDER:**

**PLEDGE OF ALLEGIANCE:**

**ROLL CALL:**

**NON-AGENDA PUBLIC COMMENT:**

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

**CONSENT AGENDA (Items 1-2):**

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 meetings.

RECOMMENDATION: Approve the minutes of the February 1, 2018 regular meeting.

***CONSISTENCY DETERMINATIONS***

**2. REPORT OF DETERMINATIONS OF CONSISTENCY WITH AIRPORT LAND USE COMPATIBILITY PLANS:**

The Airport Land Use Commission is requested to receive a report of determinations of consistency with Airport Land Use Compatibility Plans issued by staff.

RECOMMENDATION: Receive the report.

**(Planning & Environmental Affairs: Brendan Reed)**

**PUBLIC HEARINGS:**

**OLD BUSINESS:**

**NEW BUSINESS:**

**COMMISSION COMMENT:**

**ADJOURNMENT:**

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

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- 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.
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- 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](http://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 Administration Building. Bring your ticket to the third floor receptionist for validation.**

**You may also reach the Administration Building by using public transit via the San Diego Metropolitan Transit System, Route 992. The MTS bus stop at Terminal 1 is a very short walking distance from the Administration Building. ADA paratransit operations will continue to serve the Administration Building as required by Federal regulation. For MTS route, fare and paratransit information, please call the San Diego MTS at (619) 233-3004 or 511. For other Airport related ground transportation questions, please call (619) 400- 2685.**

**UPCOMING MEETING SCHEDULE**

<i>Date</i>	<i>Day</i>	<i>Time</i>	<i>Meeting Type</i>	<i>Location</i>
April	5	9:00 AM	Regular	Board Room

## STAFF REPORT

Meeting Date: FEBRUARY 15, 2018

### Subject:

**Authorization of an Amendment to the Existing US Bank \$125,000,000 Revolving Credit Agreement.**

### Recommendation:

Adopt Resolution No. 2018-0015, approving a second amendment to an existing revolving line of credit and certain other documents and matters related to the revolving line of credit.

### Background/Justification:

The Authority currently utilizes a U.S. Bank National Association (“US Bank”) Revolving Line of Credit (“Revolver”) to provide a variable rate component in its debt portfolio and, when required, to provide an interim capital funding source. The Revolving Credit Agreement has capacity of \$125 million and will expire on June 29, 2020.

Currently, the Authority has \$26.4 million of outstanding revolving obligations

- \$15.8 million (AMT) of revolving obligations that funded various capital projects and which are currently being amortized through 2030
- \$10.6 million (Taxable) of revolving obligations that defeased the Series 2005 Bonds and which are being amortized through 2019

#### Principal Terms:

- Capacity: \$125,000,000
- Tax Exempt pricing: 75% of 1 month Libor + 42 basis points spread
- Taxable pricing: 1 month Libor + 60 basis points spread
- Unutilized Pricing : 30 basis points
- Three year term

The agreement, similar to most recent variable rate direct bank facilities, contained a Margin Rate Factor which provides for an automatic increase in the facility cost if the maximum federal corporate tax rate was reduced below 35%. Banks required this protection since they priced the facilities factoring in the benefits of the tax-exemption of the interest income on municipal facilities such as SAN's. For example, a bank that earns 1.95% interest on a tax exempt viewed this as the equivalent of 3.00% on a taxable basis when the maximum federal tax rate was 35% (and ignoring state and local taxes for this example). With a new maximum corporate federal tax rate of 21%, the 3.00% taxable rate is now equivalent to 2.37% for the tax-exempt facility  $((1 - 0.21) \times 3.00)$ .

The maximum federal tax rate reduced under the recently adopted Tax Cuts and Jobs Act from 35% to 21% effective January 1 2018. As a result of the tax cut, tax exempt pricing terms adjusted to: 91% of 1 month Libor + 51.5 basis points spread

The Authority negotiated an adjusted Margin Rate Factor. The updated Tax Exempt pricing agreed between US Bank and the Authority is: 83 % of 1 month Libor + 50 basis points spread. Currently, the Libor rate is at approximately 1.57%, therefore the effective tax exempt rate will now be 1.80% vs. 1.94% before the re-negotiation. This rate will fluctuate with changes in the Libor rate, but the overall effect on outstanding obligations was approximately a 50% reduction in the increased interest cost vs the contracted rate adjustment

The Second Amendment to the Revolving Credit Agreement (Attachment A) is attached along with the original Revolving Credit Agreement (Attachment B) dated September 1, 2014.

#### RBC Capital Markets Drawdown Bond Program

The Authority has an available \$100,000,000 debt as part of its drawdown bond program with RBC. The program currently has no debt outstanding.

##### Principal Terms:

- Capacity: \$100,000,000
- Non-AMT Pricing: SIFMA (a 7-day high-grade market index comprised of tax-exempt Variable Rate Demand Obligations)+ 57 basis point spread
- AMT Pricing: SIFMA + 64 basis point spread
- Unutilized Pricing: 22.5 basis points
- Three year term

The RBC agreement also includes a Margin Rate Factor that would increase pricing of outstanding balances to 69 basis points and 78 basis points for Non-AMT and AMT respectively. Staff is now negotiating the Margin Rate Factor with RBC.

Upon adoption of the attached Resolution No. 2018-0015, the Board will be approving the following:

1. Amendment to the US Bank Revolving Line of Credit Authorization for the President/CEO to execute an Amendment to the existing Revolving Credit Agreement with US Bank to reflect the agreed terms. Re-authorization is granted for the President/CEO to negotiate and execute an extension to the US Bank Revolver for up to three years with the same or more advantageous financial terms and provisions

#### **Fiscal Impact:**

Based on the outstanding tax exempt balances on the Revolving Credit line and at the current Libor rate, the reduction in the federal tax rates is estimated to increase annual interest expense by approximately \$30,000.. Future interest costs and the other fees payable by the Authority under the Revolver will be included in the upcoming FY 2019 and FY 2020 conceptual budget and plan of finance within the Interest Expense Line item.

**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. CEQA: 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.

**Application of Inclusionary Policies:**

The Authority has the following inclusionary programs/policies: a Disadvantaged Business Enterprise (DBE) Program, an Airport Concession Disadvantaged Business Enterprise (ACDBE) Program, Policy 5.12 and Policy 5.14. These programs/policies are intended to promote the inclusion of small, local, service disabled veteran owned, historically underrepresented businesses and other business enterprises, on all contracts. Only one of the programs/policies named above can be used in any single contracting opportunity.

This contract does not utilize federal funds and provides limited opportunities for sub-contractor participation; therefore; at the option of the Authority, Policy 5.12 was applied to promote the participation of qualified small businesses. Policy 5.12 provides a preference of up to five percent (5%) to small businesses in the award of selected Authority contracts. When bid price is the primary selection criteria, the maximum amount of the preference cannot exceed \$100,000. The preference is only applied in measuring the bid. The final contract award is based on the amount of the original bid.

In accordance with Policy 5.12, the recommended firms, US Bank and RBC Capital Markets, received 0% small business preference.

**Prepared by:**

SCOTT BRICKNER  
VICE PRESIDENT FINANCE & ASSET MANAGEMENT/TREASURER

**SECOND AMENDMENT TO REVOLVING CREDIT AGREEMENT**

This SECOND AMENDMENT TO REVOLVING CREDIT AGREEMENT (this “*Amendment*”) is dated [February 1, 2018] (the “*Amendment Date*”), by and between the SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY, a local government entity of regional government with jurisdiction extending throughout the County of San Diego, organized and existing under the laws of the State of California (the “*Authority*”), and U.S. BANK NATIONAL ASSOCIATION (the “*Lender*”). All capitalized terms herein and not defined herein shall have the meanings set forth in the hereinafter defined Agreement.

**WITNESSETH**

WHEREAS, the Authority and the Lender have previously entered into that certain Revolving Credit Agreement dated as of September 1, 2014 (as amended, supplemented or otherwise modified to the date hereof, the “*Agreement*”);

WHEREAS, pursuant to Section 11.2 of the Agreement, the Agreement may be amended by a written amendment thereto executed by the Authority and the Lender; and

WHEREAS, the Authority has requested that certain amendments be made to the Agreement, and the Lender has agreed to make such amendments to the Agreement subject to the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the premises, the parties hereto hereby agree as follows:

**SECTION 1. AMENDMENTS.**

Upon the satisfaction of the conditions precedent set forth in Section 2 hereof, the Agreement is hereby amended as follows:

1.01. The following definitions contained in Section 1.1 of the Agreement are hereby amended and restated in their entireties to read as follows:

“*Applicable Factor*” means (i) for the period beginning on and including the Effective Date, to but not including [February 1, 2018], 75%, and (ii) for the period from and including [February 1, 2018], and at all times thereafter, 83%.

“*Margin Rate Factor*” means the greater of (i) 1.0, and (ii) the product of (a) one minus the Maximum Federal Corporate Tax Rate multiplied by (b) 1.26583, rounded upward to the second decimal place. The effective date of any change in the Margin Rate Factor shall be the effective date of the decrease or increase (as applicable) in the Maximum Federal Corporate Tax Rate resulting in such change. As of the Second Amendment Date, the Margin Rate Factor is 1.0.

“*Maximum Federal Corporate Tax Rate*” means the maximum rate of income taxation imposed on corporations pursuant to Section 11(b) of the Code, as in effect from time to time (or, if as a result of a change in the Code, the rate of income taxation imposed on corporations generally shall not be applicable to the Lender, the maximum statutory rate of federal income taxation which could apply to the Lender). As of the Second Amendment Date, the Maximum Federal Corporate Tax Rate is 21%.

“*Tax-Exempt Applicable Spread*” means the rate set forth in paragraphs (i) and (ii) below. In the event of a change in the Authority Rating, the Tax-Exempt Applicable Spread shall equal the number of basis points set forth in the Level associated with the lowest Authority Rating as set forth in the matrices set forth below.

(i) For the period commencing on the Effective Date, to but not including **[February 1, 2018]**, the Tax-Exempt Applicable Spread for such period shall be determined in accordance with the pricing matrix set forth below:

	<b>Authority Rating</b>			<b>Applicable Spread</b>
	<b>Moody’s</b>	<b>S&amp;P</b>	<b>Fitch</b>	<b>basis points (%)</b>
Level I	A2 or above	A or above	A or above	42 bps (0.42%)
Level II	A3	A-	A-	57 bps (0.57%)
Level III	Baa1	BBB+	BBB+	82 bps (0.82%)
Level IV	Baa2	BBB	BBB	132 bps (1.32%)

(ii) For the period commencing on **[February 1, 2018]**, and at all times thereafter, the Tax-Exempt Applicable Spread shall be determined in accordance with the pricing matrix set forth below:

	<b>Authority Rating</b>			<b>Applicable Spread</b>
	<b>Moody’s</b>	<b>S&amp;P</b>	<b>Fitch</b>	<b>basis points (%)</b>
Level I	A2 or above	A or above	A or above	50 bps (0.50%)
Level II	A3	A-	A-	65 bps (0.65%)
Level III	Baa1	BBB+	BBB+	90 bps (0.90%)
Level IV	Baa2	BBB	BBB	140 bps (1.40%)

Any change in the Tax-Exempt Applicable Spread resulting from a change in the Authority Rating shall be and become effective as of and on the date of the

announcement of the change in the Authority Rating. References to the Authority Rating above are references to rating categories as presently determined by the Rating Agencies and in the event of adoption of any new or changed rating system by any such Rating Agency, including, without limitation, any recalibration of the Authority Rating in connection with the adoption of a “*global*” rating scale, each Authority Rating from the Rating Agency in question referred to above shall be deemed to refer to the rating category under the new rating system which most closely approximates the applicable rating category as currently in effect.

“*Taxable Rate*” means, with respect to a Taxable Period, the product of (i) the average interest rate on the Non-AMT Loan during such period and (ii) the Taxable Rate Factor.

1.02. Section 1.1 of the Agreement is hereby amended to include the following additional defined terms in the appropriate alphabetical order therein:

“*Second Amendment Date*” means **[February 1, 2018]**.

“*Taxable Rate Factor*” means, for each day that the Taxable Rate is determined, the quotient of (i) one *divided by* (ii) one minus the Maximum Federal Corporate Tax Rate in effect as of such day, rounded upward to the second decimal place.

## SECTION 2. CONDITIONS PRECEDENT.

This Amendment shall be effective as of the Amendment Date subject to the satisfaction of or waiver by the Lender of all of the following conditions precedent:

2.01. Delivery by the Authority to the Lender of an executed counterpart of this Amendment.

2.02. Receipt by the Lender of the authorizing resolution or resolutions of the Board of the Authority approving this Amendment and the other matters contemplated hereby and thereby.

2.03. Receipt by the Lender of a closing certificate executed by the Authorized Authority Representatives and the Designated Representatives certifying the names and signatures of the persons authorized to execute and deliver, on behalf of the Authority, this Amendment and the other matters contemplated hereby, in form and substance satisfactory to the Lender.

2.04. Receipt by the Lender of a no adverse effect opinion of bond counsel, in form and substance satisfactory to the Lender.

2.05. Payment to the Lender on or before the Amendment Date of an amendment fee in the amount of \$2,500, and the reasonable legal fees and expenses of counsel to the Bank.

2.06. All other legal matters pertaining to the execution and delivery of this Amendment shall be reasonably satisfactory to the Lender and its counsel.

SECTION 3. REPRESENTATIONS AND WARRANTIES OF THE AUTHORITY.

3.01. The Authority hereby represents and warrants that the following statements are true and correct as of the Amendment Date:

(a) the representations and warranties of the Authority contained in Article VII of the Agreement and in each of the other Related Documents are true and correct on and as of the Amendment Date as though made on and as of such date (except to the extent that any such representations and warranties expressly relate to an earlier date);

(b) no Default or Event of Default has occurred and is continuing or would result from the execution of this Amendment; and

(c) no petition by or against the Authority has at any time been filed under the United States Bankruptcy Code or under any similar law.

3.02. In addition to the representations given in Article VII of the Agreement, the Authority hereby represents and warrants as follows:

(a) The execution, delivery and performance by the Authority of this Amendment and the Agreement, as amended hereby, are within its powers, have been duly authorized by all necessary action and do not contravene any law, rule or regulation, any judgment, order or decree or any contractual restriction binding on or affecting the Authority;

(b) no authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Authority of this Amendment or the Agreement, as amended hereby; and

(c) this Amendment and the Agreement, as amended hereby, constitute legal, valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms, except that (i) the enforcement thereof may be limited by bankruptcy, reorganization, insolvency, liquidation, moratorium and other laws relating to or affecting the enforcement of creditors' rights and remedies generally, as the same may be applied in the event of the bankruptcy, reorganization, insolvency, liquidation or similar situation of the Authority, and (ii) no representation or warranty is expressed as to the availability of equitable remedies.

SECTION 4. MISCELLANEOUS.

4.01. Except as specifically amended herein, the Agreement shall continue in full force and effect in accordance with its terms. Reference to this Amendment need not be made in any

note, document, agreement, letter, certificate, the Agreement or any communication issued or made subsequent to or with respect to the Agreement, it being hereby agreed that any reference to the Agreement shall be sufficient to refer to, and shall mean and be a reference to, the Agreement, as hereby amended. In case any one or more of the provisions contained herein should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired hereby. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CALIFORNIA WITHOUT GIVING EFFECT TO CONFLICTS OF LAWS PROVISIONS.

4.02. This Amendment may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the Amendment Date.

SAN DIEGO COUNTY REGIONAL AIRPORT  
AUTHORITY

By: \_\_\_\_\_

Name: Scott Brickner

Title: Vice President Finance and Asset  
Management and Treasurer

Attest:

By: \_\_\_\_\_

Name: Tony R. Russell

Title: Director, Corporate and Information  
Governance/Authority Clerk

Approved as to form:

By: \_\_\_\_\_

Name: Amy Gonzalez

Title: General Counsel

U.S. BANK NATIONAL ASSOCIATION

By: \_\_\_\_\_

Name: Ashley L. Martin

Title: Vice President

REVOLVING CREDIT AGREEMENT

dated as of September 1, 2014

by and between

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

and

U.S. BANK NATIONAL ASSOCIATION

Relating to  
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY  
SUBORDINATE AIRPORT REVENUE REVOLVING OBLIGATIONS  
SERIES A (NON-AMT)  
SERIES B (AMT)  
AND  
SERIES C (TAXABLE)

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## REVOLVING CREDIT AGREEMENT

THIS REVOLVING CREDIT AGREEMENT, dated as of September 1, 2014 (this “*Agreement*”), is entered into by and between the SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY, a local government entity of regional government with jurisdiction extending throughout the County of San Diego, organized and existing under the laws of the State of California (the “*Authority*”) and U.S. BANK NATIONAL ASSOCIATION and its successors and permitted assigns (the “*Lender*”).

### RECITALS

WHEREAS, the Authority wishes to obtain revolving lines of credit (the “*Lines of Credit*”) from the Lender hereunder and the Lender is willing, upon the terms and subject to the conditions set forth below, to provide the Lines of Credit to the Authority to pay Costs of a Project (as defined herein), costs of issuance in connection with this Agreement or for any other purpose permitted under the Act (as defined herein) and/or the Subordinate Trust Indenture (as defined herein); and

WHEREAS, all obligations of the Authority to repay the Lender for extensions of credit made by the Lender under the Lines of Credit and to pay all other amounts payable to the Lender arising under or pursuant to this Agreement or the promissory notes to be issued to the Lender hereunder are created under and will be evidenced by this Agreement and such promissory notes and will be secured by a pledge of and lien on Subordinate Net Revenues (as defined herein), all in accordance with the terms and conditions hereof;

NOW, THEREFORE, in consideration of the foregoing Recitals and other consideration, the receipt and sufficiency of which is hereby acknowledged, and to induce the Lender to extend to the Authority the Lines of Credit, the Authority and the Lender hereby agree as follows:

### ARTICLE I

#### DEFINITIONS

*Section 1.1. Definitions.* In addition to the terms defined in the recitals and elsewhere in this Agreement and the Subordinate Trust Indenture, the following terms shall have the following meanings:

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

“*Advance*” means a Revolving Loan requested by the Authority under the AMT Loan Commitment, the Non-AMT Loan Commitment or the Taxable Loan Commitment, as applicable, and the terms hereof for the payment of Costs of a Project, costs of issuance in connection with this Agreement or for any other purpose permitted under the Act and/or the Subordinate Trust Indenture.

“*Advance Date*” means the date on which the Lender honors a Request for Advance and makes the funds requested available to the Authority.

“*Affiliate*” means, as to any Person, a corporation, partnership, association, agency, authority, instrumentality, joint venture, business trust or similar entity organized under the laws of any state that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person.

“*Agreement*” means this Revolving Credit Agreement, as the same may be amended from time to time.

“*Airport System*” has the meaning set forth in the Master Subordinate Trust Indenture.

“*Amortization End Date*” means the earliest to occur of (A) the third (3rd) anniversary of the Conversion Date; (B) the seventh (7th) day immediately succeeding an Event of Default specified in Section 10.1(a)(i), 10.1(a)(ii), 10.1(d)(i), 10.1(d)(ii), 10.1(e)(i), 10.1(e)(ii), 10.1(g) or 10.1(j) hereof; (C) the one hundred eightieth (180th) day immediately succeeding the date on which the Lender has notified the Authority of an acceleration of the Obligations following any Event of Default specified in Section 10.1(a)(iii), 10.1(b), 10.1(c), 10.1(d)(iii), 10.1(e)(iii), 10.1(f), 10.1(h), 10.1(i), 10.1(k) and 10.1(l) hereof; and (D) the day any other holder or credit enhancer of Debt secured by a lien or charge on Subordinate Net Revenues or any counterparty under any Swap Contract related thereto causes any such Debt or obligations under such Swap Contract or any other obligations of the Authority to become immediately due and payable.

“*Amortization Payment*” has the meaning set forth in Section 4.5 hereof.

“*Amortization Payment Date*” means (a) the Initial Amortization Payment Date and each three-month anniversary of the Initial Amortization Payment Date occurring thereafter which occurs prior to the Amortization End Date and (b) the Amortization End Date.

“*Amortization Period*” has the meaning set forth in Section 4.5 hereof.

“*AMT Loan*” and “*AMT Loans*” means individually and collectively, AMT Revolving Loans and AMT Term Loans.

“*AMT Loan Commitment*” means, on any date, an initial amount equal to \$125,000,000 and thereafter such initial amount adjusted from time to time as follows: (a) downward in an amount equal to any Advance or any Revolving Loan in respect of such Advance made to the Authority under the AMT Loan Commitment and/or the Non-AMT Loan Commitment and/or the Taxable Loan Commitment, as applicable; (b) upward in an amount equal to the principal amount of any Revolving Loan under the AMT Loan Commitment and/or the Non-AMT Loan Commitment and/or the Taxable Loan Commitment, as applicable, that is repaid or prepaid in the manner provided herein; (c) downward in an amount equal to any reduction thereof effected pursuant to Section 2.7 or 10.2(a)(iii) hereof; and (d) downward to zero upon the expiration or termination of the Available Commitment in accordance with the terms hereof; *provided*, that,

after giving effect to any of the foregoing adjustments the AMT Loan Commitment shall never exceed \$125,000,000 at any one time.

“*AMT Note*” has the meaning set forth in Section 3.2(a) hereof.

“*AMT Revolving Loan*” means any Revolving Loan identified by the Authority in a Request for Advance as an “AMT Revolving Loan.”

“*AMT Term Loan*” means an AMT Revolving Loan that is converted to a Term Loan pursuant to the terms of Section 4.1 hereof.

“*Anti-Terrorism Laws*” has the meaning set forth in Section 7.25 hereof.

“*Applicable Factor*” means 75%.

“*Applicable Law*” means (i) all applicable common law and principles of equity and (ii) all applicable provisions of all (A) constitutions, statutes, rules, regulations and orders of all governmental and non-governmental bodies, (B) Governmental Approvals and (C) orders, decisions, judgments and decrees of all courts (whether at law or in equity) and arbitrators.

“*Approving Opinion*” means, with respect to any action or matter that may affect a Tax-Exempt Loan, an opinion delivered by Bond Counsel to the effect that such action (i) is permitted by this Agreement and the other Related Documents and (ii) will not adversely affect the exclusion of interest on any Tax-Exempt Loan from gross income of the Lender or any Participant for purposes of federal income taxation.

“*Authority*” means San Diego County Regional Airport Authority, a local government entity of regional government, created pursuant to and existing under the laws of the State.

“*Authority Rating*” means the long-term unenhanced rating (without regard to any bond insurance policy or credit enhancement) assigned by Moody’s, Fitch or S&P to the Subordinate Obligations.

“*Authorized Authority Representative*” has the meaning set forth in the Master Subordinate Trust Indenture.

“*Available Commitment*” means, on any date, an initial amount equal to \$125,000,000 and thereafter such initial amount adjusted from time to time as follows: (a) downward in an amount equal to any Advance or any Revolving Loan in respect of such Advance made to the Authority under the AMT Loan Commitment and/or the Non-AMT Loan Commitment and/or the Taxable Loan Commitment, as applicable; (b) upward in an amount equal to the principal amount of any Revolving Loan under the AMT Loan Commitment and/or the Non-AMT Loan Commitment and/or the Taxable Loan Commitment, as applicable, that is repaid or prepaid in the manner provided herein; (c) downward in an amount equal to any reduction thereof effected pursuant to Section 2.7 or Section 10.2(a)(iii) hereof; and (d) downward to zero upon the expiration or termination of the Available Commitment in accordance with the terms hereof;

*provided, that*, after giving effect to any of the foregoing adjustments the Available Commitment shall never exceed \$125,000,000 at any one time.

“*Bank Agreement*” means any credit agreement, bond purchase agreement, liquidity agreement or other agreement or instrument (or any amendment, supplemental or modification thereto) entered into by the Authority with any Person, directly or indirectly, or otherwise consented to by the Authority, under which any Person or Persons undertakes to make loans, extend credit or liquidity to the Authority in connection with, or purchase on a private placement basis, any Debt secured by or payable from Net Revenues or Subordinate Net Revenues.

“*Bankruptcy Code*” means the federal Bankruptcy Code of 1978, as it may be amended from time to time (Title 11 of the United States Code), and any successor statute thereto.

“*Base Rate*” means, for any day, a fluctuating rate of interest per annum equal to the greatest of (i) the Prime Rate in effect at such time *plus* one percent (1.0%), (ii) the Federal Funds Rate in effect at such time *plus* two percent (2.0%), and (iii) seven and one half percent (7.5%).

“*Board*” has the meaning set forth in the Master Subordinate Trust Indenture.

“*Bond Counsel*” means Kutak Rock LLP or such other counsel of recognized national standing in the field of law relating to municipal bonds and the exemption from federal income taxation of interest thereon, appointed and paid by the Authority.

“*Business Day*” means any day other than (a) a Saturday, Sunday, or other day on which commercial banks located in the States of New York or California are authorized or required by law or executive order to close; or (b) a day on which the New York Stock Exchange is closed.

“*Change in Law*” means the occurrence, after the Effective Date, of any of the following: (a) the adoption or taking effect of any Law, including, without limitation, any Risk-Based Capital Guidelines, (b) any change in any Law or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, ruling, guideline, regulation or directive (whether or not having the force of law) by any Governmental Authority; *provided* that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, ruling, guidelines, regulations or directives thereunder or issued in connection therewith and (ii) all requests, rules, rulings, guidelines, regulations or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, shall in each case be deemed to be a “Change in Law,” regardless of the date enacted, adopted or issued.

“*Code*” means the Internal Revenue Code of 1986, as amended, and, where appropriate any statutory predecessor or any successor thereto.

“*Commitment*” means the agreement of the Lender pursuant to Section 2.1 hereof to make Advances under the terms hereof for the account of the Authority for the purpose of

providing funds to pay Costs of a Project, costs of issuance in connection with this Agreement or for any other purpose permitted under the Act and/or the Subordinate Trust Indenture.

“*Commitment Expiration Date*” means September 4, 2017, unless extended as provided herein.

“*Commitment Fee*” has the meaning set forth in Section 2.6(a) hereof.

“*Commitment Fee Rate*” has the meaning set forth in Section 2.6(a) hereof.

“*Computation Date*” means the second New York Banking Day preceding each applicable Rate Reset Date.

“*Conversion Date*” means the date on which a Revolving Loan is converted to a Term Loan pursuant to Article IV hereof.

“*Costs of a Project*” has the meaning set forth in the Master Subordinate Trust Indenture.

“*Debt*” means, with respect to any Person, without duplication: (a) all indebtedness of such Person for borrowed money (including, but not limited to, amounts drawn under a letter of credit, line of credit or other credit or liquidity facilities or amounts loaned pursuant to a Bank Agreement); (b) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable in the ordinary course of business; (c) all obligations of such Person evidenced by notes, certificates, debentures or similar instruments; (d) all Guarantees by such Person of Debt of other Persons (each such Guarantee to constitute Debt in an amount equal to the amount of such other Person’s Debt guaranteed thereby); (e) all obligations of other Persons secured by a lien on, or security interest in, any asset of such Person whether or not such obligation is assumed by such Person; (f) all obligations under leases that constitute capital leases for which such Person is liable; and (g) all obligations of such Person under any Swap Contract, in each case, whether such Person is liable contingently or otherwise, as obligor, guarantor or otherwise, or in respect of which obligations such Person otherwise assures a creditor against loss.

“*Default*” means any condition or event which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

“*Default Rate*” means, for any day, a fluctuating rate per annum equal to the sum of the Base Rate in effect on such day *plus* three percent (3.00%).

“*Designated Representative*” has the meaning set forth in the Third Supplemental Subordinate Trust Indenture.

“*Determination of Taxability*” means and shall be deemed to have occurred on the first to occur of the following:

(i) on the date when the Authority files any statement, supplemental statement or other tax schedule, return or document which discloses that an Event of Taxability shall have in fact occurred;

(ii) on the date when the Lender has received written notification from the Authority, supported by a written opinion by an attorney or firm of attorneys of recognized standing on the subject of tax-exempt municipal finance, to the effect that an Event of Taxability has occurred;

(iii) on the date when the Authority shall be advised in writing by the Commissioner or any District Director of the Internal Revenue Service (or any other government official or agent exercising the same or a substantially similar function from time to time) that based upon filings of the Authority (or a statutory notice of deficiency, or a document of substantially similar import), or upon any review or audit of the Authority, or upon any other ground whatsoever, an Event of Taxability shall have occurred; or

(iv) on the date when the Authority shall receive notice from the Lender that the Internal Revenue Service (or any other government official or agency exercising the same or a substantially similar function from time to time) has assessed as includable in the gross income of the Lender or any Participant the interest on any Tax-Exempt Loan due to the occurrence of an Event of Taxability;

*provided, however*, no Determination of Taxability shall occur under subparagraph (iii) or (iv) above unless the Authority has been afforded the opportunity, at its expense, to contest any such assessment, and, further, no Determination of Taxability shall occur until such contest, if made, has been finally determined after taking into account any permitted appeals; *provided further, however*, that upon demand from the Lender, the Authority shall promptly reimburse the Lender for any payments, including any taxes, interest, penalties or other charges, the Lender shall be obligated to make as a result of the Determination of Taxability.

“Dollar” and “\$” mean lawful money of the United States.

“Effective Date” means September 5, 2014, subject to the satisfaction or waiver by the Lender of the conditions precedent set forth in Section 2.4(a) hereof.

“EMMA” means the Electronic Municipal Market Access system and any successor thereto.

“Environmental Laws” means any and all federal, state, local, and foreign statutes, laws, regulations, ordinances, or rules, and all judgments, orders, decrees, permits, concessions, grants, franchises, licenses, permits, agreements or governmental restrictions relating to air, water or land pollution, wetlands, or the protection of the environment or the release of any materials into the environment, including air, water or land and those related to Hazardous Materials, air emissions and discharges to waste or public systems.

*“Environmental Liability”* means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Authority directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

*“ERISA”* means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute of similar import, and regulations thereunder, in each case as in effect from time to time. References to Sections of ERISA shall be construed also to refer to any successor Sections.

*“Event of Default”* with respect to this Agreement has the meaning set forth in Section 10.1 of this Agreement and, with respect to any other Related Document, has the meaning assigned therein.

*“Event of Taxability”* means (i) a change in Law or fact or the interpretation thereof, or the occurrence or existence of any fact, event or circumstance (including, without limitation, the taking of any action by the Authority, or the failure to take any action by the Authority, or the making by the Authority of any misrepresentation herein or in any certificate required to be given in connection with this Agreement) which has the effect of causing interest paid or payable on any Tax-Exempt Loan to become includable, in whole or in part, in the gross income of a Holder for federal income tax purposes or (ii) the entry of any decree or judgment by a court of competent jurisdiction, or the taking of any official action by the Internal Revenue Service or the Department of the Treasury, which decree, judgment or action shall be final under applicable procedural law, in either case, which has the effect of causing interest paid or payable on any Tax-Exempt Loan to become includable, in whole or in part, in the gross income of a Holder for federal income tax purposes, other than for a period during which the Holder is or was a “substantial user” of the projects financed or refinanced from proceeds of an AMT Loan or a “related person” for purposes of Section 147(a) of the Code. An Event of Taxability does not include any event, condition or circumstance which results in interest on any AMT Loan being an item of tax preference subject to the federal alternative minimum tax, or any other tax consequences which depend upon a Holder’s particular tax status.

*“Excess Interest Amount”* has the meaning set forth in Section 6.5(c) hereof.

*“Excluded Tax”* means, with respect to the Lender or any other recipient of any payment to be made by or on account of any obligation of the Authority hereunder, (a) taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the Laws of which the Lender or such other recipient is organized or in which its principal office is located, and (b) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which the Authority is located.

“*Executive Director*” has the meaning set forth in the Master Subordinate Trust Indenture.

“*Executive Order*” has the meaning set forth in Section 7.25 hereof.

“*Federal Funds Rate*” means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; *provided* that: (a) if such day is not a Business Day, then the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day; and (b) if no such rate is so published on such next succeeding Business Day, then the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of one-hundredth of one percent) (1/100 of 1%) charged to the Lender on such day on such transactions as determined by the Lender.

“*Fiscal Year*” means the period of time beginning on July 1 of each given year and ending on June 30 of the immediately subsequent year, or such other period designated by the Board as the Authority’s fiscal year.

“*Fitch*” means Fitch Ratings, Inc., and any successor rating agency.

“*FRB*” means the Board of Governors of the Federal Reserve System of the United States, together with any successors thereof.

“*Generally Accepted Accounting Principles*” or “*GAAP*” means generally accepted accounting principles in effect from time to time in the United States and applicable to entities such as the Authority.

“*Governmental Approval*” means an authorization, consent, approval, license, or exemption of, registration or filing with, or report to any Governmental Authority.

“*Governmental Authority*” means the government of the United States or any state or political subdivision thereof or any other nation or political subdivision thereof or any governmental or quasi-governmental entity, including any court, department, commission, board, bureau, agency, administration, central bank, service, district or other instrumentality of any governmental entity or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or functions of or pertaining to government, or any arbitrator, mediator or other Person with authority to bind a party at law.

“*Guarantee*” by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep well, to purchase assets, goods, securities or services, to

take or pay, or to maintain financial statement conditions or otherwise) or (b) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part).

*“Hazardous Materials”* means (a) any petroleum or petroleum products, flammable substance, explosives, radioactive materials, hazardous waste or contaminants, toxic wastes, substances or contaminants, or any other wastes, contaminants, or pollutants; (b) asbestos in any form that is or could become friable, urea formaldehyde foam insulation, transformers, or other equipment that contains dielectric fluid containing levels of polychlorinated biphenyls or radon gas; (c) any chemicals, materials or substances defined as or included in the definition of “hazardous substances,” “hazardous materials,” “extremely hazardous wastes,” “restricted hazardous wastes,” “toxic substances,” “toxic pollutants,” “contaminants” or “pollutants,” or words of similar import, under any applicable Environmental Law; (d) any other chemical, material or substance, exposure to which is prohibited, limited, or regulated by any governmental authority; and (e) any other chemical, material or substance which may or could pose a hazard to the environment.

*“Indemnitee”* has the meaning set forth in Section 6.2 hereof.

*“Indemnified Taxes”* means Taxes other than Excluded Taxes.

*“Initial Amortization Payment Date”* means the ninetieth (90th) calendar day following the Conversion Date.

*“Initial Commitment Amount”* means \$125,000,000.

*“Interest Payment Date”* means (a) with respect to any AMT Revolving Loan, Non-AMT Revolving Loan or Taxable Revolving Loan, the first Business Day of every calendar month and on the Revolving Loan Maturity Date, (b) as to any Term Loan, the first Business Day of every calendar month and on the Amortization End Date and (c) as to any Loan, the date such Loan is paid or prepaid.

*“Interest Period”* means, with respect to any Loan, the period from (and including) the date such Loan is made to (but excluding ) the next succeeding Rate Reset Date, and thereafter shall mean the period from (and including) such Rate Reset Date to (but excluding) the next succeeding Rate Reset Date (or, if sooner, to but excluding the Revolving Loan Maturity Date).

*“Law”* means, collectively, all international, foreign, Federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

*“Lender”* means U.S. Bank National Association and its successors and assigns.

“*Lender Affiliate*” means the Lender and any Affiliate of the Lender.

“*Lender Rate*” means, for each day of determination on and after the Conversion Date, a fluctuating rate per annum, with respect to any Term Loan, equal to the Base Rate from time to time in effect plus one and one-half percent (1.50%); *provided* that from and after the occurrence of an Event of Default, “*Lender Rate*” shall mean the Default Rate.

“*Lender’s Office*” means the Lender’s address and, as appropriate, the account as set forth in Section 11.3 hereof, or such other address or account of which the Lender may from time to time notify the Authority.

“*LIBOR*” means, as of any Computation Date, the rate of interest per annum for United States Dollar deposits in the London Interbank Market, as quoted by the Lender from Reuters Screen LIBOR01 Page or any successor thereto, which shall be that one-month LIBOR rate in effect two New York Banking Days prior to the related Advance Date or the Rate Reset Date, as the case may be, such rate to be reset monthly on each Rate Reset Date. If for any reason such LIBOR is illegal, unavailable and/or the Lender is unable to determine the Taxable LIBOR Rate or the Tax-Exempt LIBOR Rate, as applicable, for any Interest Period, then the Lender and the Authority shall reach agreement to: (a) select a replacement index based on the arithmetic mean of the quotations, if any, of the interbank offered rate by first class banks in London or New York for deposits with comparable maturities or (b) deem the LIBOR to be a rate per annum equal to the Lender’s Federal Funds Rate plus an agreed upon margin as of the first day of any Interest Period for which such LIBOR is unavailable or cannot be determined; *provided that*, if for any reason the Lender and the Authority fail to reach agreement as to the selection of (a) or (b), the LIBOR shall be deemed to be a rate per annum equal to the Lender’s Federal Funds Rate as of the first day of any Interest Period for which such LIBOR is unavailable or cannot be determined plus the Tax-Exempt Applicable Spread or Taxable Applicable Spread, as applicable. The Lender’s internal records of applicable interest rates shall be determinative in the absence of manifest error.

“*Lien*” means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing).

“*Loan*” and “*Loans*” means individually, each Revolving Loan and each Term Loan under this Agreement, and collectively the Revolving Loans and the Term Loans under this Agreement.

“*Margin Rate Factor*” means the greater of (i) 1.0, and (ii) the product of (a) one minus the Maximum Federal Corporate Tax Rate multiplied by (b) 1.53846. The effective date of any change in the Margin Rate Factor shall be the effective date of the decrease or increase (as applicable) in the Maximum Federal Corporate Tax Rate resulting in such change. As of the Effective Date, the Margin Rate Factor is 1.0.

*“Margin Stock”* has the meaning ascribed to such term in Regulation U and/or Regulation X promulgated by the FRB, as now and hereafter from time to time in effect.

*“Master Senior Trust Indenture”* means that certain Master Trust Indenture dated as of November 1, 2005, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee, as the same may be amended or otherwise modified in accordance with the terms thereof and hereof.

*“Master Subordinate Trust Indenture”* means that certain Master Subordinate Trust Indenture, dated as of September 1, 2007, by and between the Authority and the Trustee, as amended by the Second Supplemental Subordinate Trust Indenture, and as the same may be further amended or otherwise modified in accordance with the terms thereof and hereof.

*“Material Adverse Change”* means the occurrence of any event or change, including but not limited to a change revealed by a comparison of any financial statements delivered pursuant to Section 8.2 hereof to the financial statements for the most recent prior Fiscal Year, which separately or in the aggregate with the occurrence of other events, results or could reasonably be expected to result in a Material Adverse Effect.

*“Material Adverse Effect”* means any event or occurrence (including, without limitation, a change in Applicable Law) that causes a material adverse change in or a material adverse effect on (A) the validity or enforceability of this Agreement, the Notes or any of the other the Related Documents, (B) the validity, enforceability or perfection of the pledge of and lien on the Subordinate Net Revenues under the Subordinate Trust Indenture or hereunder, (C) the status of the Authority as a public entity created and validly existing under the laws of the State, (D) the exemption of interest on any Tax-Exempt Loan from federal income tax, other than for a period during which a Holder is or was a “substantial user” of the projects financed or refinanced from proceeds of an AMT Loan or a “related person” for purposes of Section 147(a) of the Code, or (E) the collection of the Revenues that could reasonably be expected to have a material adverse effect on the ability of the Authority to pay debt service on the Loans, the Senior Lien Revenue Bonds or the Subordinate Obligations or amounts due on any other Obligations hereunder or (F) the rights, remedies, security or interests of the Lender under the Related Documents.

*“Maximum Federal Corporate Tax Rate”* means the maximum rate of income taxation imposed on corporations pursuant to Section 11(b) of the Code, as in effect from time to time (or, if as a result of a change in the Code, the rate of income taxation imposed on corporations generally shall not be applicable to the Lender, the maximum statutory rate of federal income taxation which could apply to the Lender). As of the Effective Date, the Maximum Federal Corporate Tax Rate is 35%.

*“Maximum Rate”* means the lesser of (a) the maximum non-usurious interest rate payable by the Authority under applicable law, and (b) 15% per annum.

*“Miscellaneous Taxes”* means all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made

hereunder or under any other Related Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Related Document.

“*Moody’s*” means Moody’s Investors Service, Inc. and any successor rating agency.

“*1933 Act*” means the Securities Act of 1933, as amended.

“*Net Revenues*” has the meaning set forth in the Master Subordinate Trust Indenture.

“*New York Banking Day*” shall mean any date (other than a Saturday or Sunday) on which commercial banks are open for business in New York, New York.

“*Non-AMT Loan*” and “*Non-AMT Loans*” means individually and collectively, Non-AMT Revolving Loans and Non-AMT Term Loans.

“*Non-AMT Loan Commitment*” means, on any date, an initial amount equal to \$125,000,000 and thereafter such initial amount adjusted from time to time as follows: (a) downward in an amount equal to any Advance or any Revolving Loan in respect of such Advance made to the Authority under the AMT Loan Commitment and/or the Non-AMT Loan Commitment and/or the Taxable Loan Commitment, as applicable; (b) upward in an amount equal to the principal amount of any Revolving Loan under the AMT Loan Commitment and/or the Non-AMT Loan Commitment and/or the Taxable Loan Commitment, as applicable, that is repaid or prepaid in the manner provided herein; (c) downward in an amount equal to any reduction thereof effected pursuant to Section 2.7 or 10.2(a)(iii) hereof; and (d) downward to zero upon the expiration or termination of the Available Commitment in accordance with the terms hereof; *provided*, that, after giving effect to any of the foregoing adjustments the Non-AMT Loan Commitment shall never exceed \$125,000,000 at any one time.

“*Non-AMT Note*” has the meaning set forth in Section 3.2(a) hereof.

“*Non-AMT Revolving Loan*” means any Revolving Loan identified by the Authority in a Request for Advance as a “Non-AMT Revolving Loan.”

“*Non-AMT Term Loan*” means a Non-AMT Revolving Loan that is converted to a Term Loan pursuant to the terms of Section 4.1 hereof.

“*Noteholder*” or “*Holder*” means the holder or owner of a Note.

“*Notes*” means the AMT Note, the Non-AMT Note and the Taxable Note, each evidencing the Revolving Obligations.

“*OFAC*” has the meaning set forth in Section 7.25 hereof.

“*Obligations*” means all Repayment Obligations, all fees, expenses and charges payable or reimbursable hereunder to the Lender (including, without limitation, any amounts to reimburse the Lender for any advances or expenditures by it under any of such documents) and

all other payment obligations of the Authority to the Lender arising under or in relation to this Agreement or the other Related Documents, in each, case whether now existing or hereafter arising, due or to become due, direct or indirect, absolute or contingent, and howsoever evidenced, held or acquired.

“*Outstanding*” has the meaning set forth in the Master Subordinate Trust Indenture.

“*Participant*” means any entity to which the Lender has granted a participation in the obligations of the Lender hereunder and of the Authority hereunder and under the Notes.

“*Patriot Act*” means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Title III of Pub. L. 107-56 (signed into law October 26, 2001), as amended.

“*Person*” means any individual, corporation, not for profit corporation, partnership, limited liability company, joint venture, association, professional association, joint stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other form of entity.

“*Plan*” means an employee benefit plan maintained for employees of the Authority that is covered by ERISA.

“*Prime Rate*” means on any day, the rate of interest per annum then most recently established by the Lender as its “prime rate.” Any such rate is a general reference rate of interest, may not be related to any other rate, and may not be the lowest or best rate actually charged by the Lender to any customer or a favored rate and may not correspond with future increases or decreases in interest rates charged by other lenders or market rates in general, and that the Lender may make various business or other loans at rates of interest having no relationship to such rate. If the Lender ceases to establish or publish a prime rate from which the Prime Rate is then determined, the applicable variable rate from which the Prime Rate is determined thereafter shall be instead the prime rate reported in The Wall Street Journal (or the average prime rate if a high and a low prime rate are therein reported), and the Prime Rate shall change without notice with each change in such prime rate as of the date such change is reported.

“*Property*” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, whether now owned or hereafter acquired.

“*Qualified Transferee*” means any of the following entities, acting for its own account or the accounts of other Qualified Transferees:

- (i) Any bank as defined in section 3(a)(2) of the 1933 Act, or any savings and loan association or other institution as defined in section 3(a)(5)(A) of the 1933 Act whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended; any insurance company as defined in Section 2(a)(13) of the 1933 Act; any investment company registered under the Investment Company Act of 1940 or a business

development company as defined in Section 2(a)(48) of that 1933 Act; any Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000; any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;

(ii) Any private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940; or

(iii) Any organization described in section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000.

“*Rate Reset Date*” means each date on which the interest rate borne by any Loan shall be reset hereunder, and with respect to any Loan, shall mean the first calendar day of each calendar month.

“*Rating Agency*” means any of S&P, Moody’s and/or Fitch, as context may require.

“*Rating Documentation*” has the meaning set forth in Section 2.4(a)(viii) hereof.

“*Reduction Fee*” means an amount equal to the product of (A) the Commitment Fee Rate in effect on the date of the permanent reduction of the Commitment pursuant to Section 2.7(a) hereof, (B) the difference between (x) the Initial Commitment Amount and (y) the sum of the Available Commitment after the reduction and the aggregate principal amount of the Loans outstanding after the reduction and (C) a fraction, the numerator of which is equal to the number of days from and including the date of such reduction to and including the second anniversary of the Effective Date, and the denominator of which is 360.

“*Related Documents*” means this Agreement, the Notes, the Tax Certificate, the Master Senior Trust Indenture, the Master Subordinate Trust Indenture, the Third Supplemental Subordinate Trust Indenture, and any and all future renewals and extensions or restatements of, or amendments or supplements to, any of the foregoing.

“*Repayment Obligations*” means any and all obligations of the Authority under this Agreement to repay the principal of and interest on the Loans, the Advances and the Notes, pursuant to and in accordance with this Agreement.

“*Request for Advance*” means any request for an Advance made by the Authority to the Lender, in the form of Exhibit B hereto, executed and delivered on behalf of the Authority by the manual or facsimile signatures of any Designated Representative.

“*Revenues*” has the meaning set forth in the Master Subordinate Trust Indenture.

“*Revolving Loan*” has the meaning set forth in Section 3.1 hereof.

“*Revolving Loan Maturity Date*” means, with respect to any Revolving Loan, the Commitment Expiration Date or any earlier Termination Date.

“*Revolving Obligations*” has the meaning set forth in the Third Supplemental Subordinate Trust Indenture and includes all Loans, Advances and Notes.

“*Risk-Based Capital Guidelines*” means (i) the risk-based capital guidelines in effect in the United States, including transition rules, and (ii) the corresponding capital regulations promulgated by regulatory authorities outside the United States including transition rules, and any amendments to such regulations.

“*S&P*” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, and any successor rating agency.

“*Second Supplemental Subordinate Trust Indenture*” means that certain Second Supplemental Subordinate Trust Indenture, dated as of October 1, 2010, between the Authority and the Trustee, as the same may be amended or otherwise modified in accordance with the terms thereof and hereof.

“*Senior Lien Revenue Bonds*” has the meaning set forth in the Master Subordinate Trust Indenture.

“*Senior Lien Trustee*” means The Bank of New York Mellon Trust Company, N.A. as trustee, or its permitted successor as trustee under the Master Senior Trust Indenture from time to time.

“*State*” means the State of California.

“*Subordinate Net Revenues*” has the meaning set forth in the Master Subordinate Trust Indenture.

“*Subordinate Obligations*” has the meaning set forth in the Master Subordinate Trust Indenture.

“*Subordinate Trust Indenture*” means, the Master Subordinate Trust Indenture as supplemented by the Third Supplemental Subordinate Trust Indenture.

“*Supplemental Subordinate Indenture*” has the meaning set forth in the Master Subordinate Indenture.

“*Swap Contract*” means (a) any and all rate swap transactions, total return swaps, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “*Master Agreement*”), including any such obligations or liabilities under any Master Agreement.

“*Tax Certificate*” means that certain Tax Compliance Certificate dated September 5, 2014, by the Authority, relating to the Tax-Exempt Loans, as the same may be amended or supplemented from time to time.

“*Tax-Exempt Applicable Spread*” means, initially 42 basis points (0.42%), which is subject to maintenance of the current Authority Rating. In the event of a change in the Authority Rating, the Tax-Exempt Applicable Spread shall equal the number of basis points set forth in the Level associated with the lowest Authority Rating as set forth in the schedule below:

	<b>Authority Rating</b>			<b>Applicable Spread</b>
	<b>Moody’s</b>	<b>S&amp;P</b>	<b>Fitch</b>	<b>basis points (%)</b>
Level I	A2 or above	A or above	A or above	42 bps (0.42%)
Level II	A3	A-	A-	57 bps (0.57%)
Level III	Baa1	BBB+	BBB+	82 bps (0.82%)
Level IV	Baa2	BBB	BBB	132 bps (1.32%)

Any change in the Tax-Exempt Applicable Spread resulting from a change in the Authority Rating shall be and become effective as of and on the date of the announcement of the change in the Authority Rating. References to the Authority Rating above are references to rating categories as presently determined by the Rating Agencies and in the event of adoption of any new or changed rating system by any such Rating Agency, including, without limitation, any recalibration of the Authority Rating in connection with the adoption of a “*global*” rating scale, each Authority Rating from the Rating Agency in question referred to above shall be deemed to

refer to the rating category under the new rating system which most closely approximates the applicable rating category as currently in effect. The Authority acknowledges that as of the Effective Date the Tax-Exempt Applicable Spread is that specified above for Level I.

“*Tax-Exempt LIBOR Rate*” means a fluctuating rate per annum, determined as of each applicable Rate Reset Date, equal to the product of (x) the sum of (a) the Tax-Exempt Applicable Spread plus (b) the product of (i) LIBOR, as in effect on such Rate Reset Date, multiplied by (ii) the Applicable Factor, as in effect on such Rate Reset Date, multiplied by (y) the Margin Rate Factor, rounded upward to the fifth decimal place.

“*Tax-Exempt Loan*” and “*Tax-Exempt Loans*” means individually and collectively, AMT Loans and Non-AMT Loans.

“*Tax-Exempt Term Loan*” means an AMT Revolving Loan or a Non-AMT Revolving Loan that is converted to a Term Loan pursuant to the terms of Section 4.1 hereof.

“*Taxable Date*” means the date on which interest on any Tax-Exempt Loan is first includable in gross income of any holder thereof (including the Lender) as a result of an Event of Taxability as such a date is established pursuant to a Determination of Taxability.

“*Taxable Applicable Spread*” means, initially 60 basis points (0.60%), which is subject to maintenance of the current Authority Rating. In the event of a change in the Authority Rating, the Taxable Applicable Spread shall equal the number of basis points set forth in the Level associated with the lowest Authority Rating as set forth in the schedule below:

	<b>Authority Rating</b>			<b>Applicable Spread</b>
	<b>Moody's</b>	<b>S&amp;P</b>	<b>Fitch</b>	<b>basis points (%)</b>
Level I	A2 or above	A or above	A or above	60 bps (0.60%)
Level II	A3	A-	A-	75 bps (0.75%)
Level III	Baa1	BBB+	BBB+	100 bps (1.00%)
Level IV	Baa2	BBB	BBB	150 bps (1.50%)

Any change in the Taxable Applicable Spread resulting from a change in the Authority Rating shall be and become effective as of and on the date of the announcement of the change in the Authority Rating. References to the Authority Rating above are references to rating categories as presently determined by the Rating Agencies and in the event of adoption of any new or changed rating system by any such Rating Agency, including, without limitation, any recalibration of the Authority Rating in connection with the adoption of a “*global*” rating scale, each Authority Rating from the Rating Agency in question referred to above shall be deemed to refer to the rating category under the new rating system which most closely approximates the applicable rating category as currently in effect. The Authority acknowledges that as of the Effective Date the Taxable Applicable Spread is that specified above for Level I.

“*Taxable LIBOR Rate*” means a fluctuating rate per annum, determined as of each applicable Rate Reset Date, equal to the sum of (i) the Taxable Applicable Spread *plus* (ii) LIBOR, as in effect on such Rate Reset Date, rounded upward to the fifth decimal place.

“*Taxable Loan*” and “*Taxable Loans*” means individually and collectively, Taxable Revolving Loans and Taxable Term Loans.

“*Taxable Loan Commitment*” means, on any date, an initial amount equal to \$125,000,000 and thereafter such initial amount adjusted from time to time as follows: (a) downward in an amount equal to any Advance or any Revolving Loan in respect of such Advance made to the Authority under the AMT Loan Commitment and/or the Non-AMT Loan Commitment and/or the Taxable Loan Commitment, as applicable; (b) upward in an amount equal to the principal amount of any Revolving Loan under the AMT Loan Commitment and/or the Non-AMT Loan Commitment and/or the Taxable Loan Commitment, as applicable, that is repaid or prepaid in the manner provided herein; (c) downward in an amount equal to any reduction thereof effected pursuant to Section 2.7 or 10.2(a)(iii) hereof; and (d) downward to zero upon the expiration or termination of the Available Commitment in accordance with the terms hereof; *provided*, that, after giving effect to any of the foregoing adjustments the Taxable Loan Commitment shall never exceed \$125,000,000 at any one time.

“*Taxable Note*” has the meaning set forth in Section 3.2(b) hereof.

“*Taxable Period*” has the meaning set forth in Section 6.3(e) hereof.

“*Taxable Rate*” means, with respect to a Taxable Period, the product of (i) the average interest rate on the Non-AMT Loan during such period and (ii) 1.54.

“*Taxable Revolving Loan*” means any Revolving Loan identified by the Authority in a Request for Advance as a “Taxable Revolving Loan.”

“*Taxable Term Loan*” means a Taxable Revolving Loan that is converted to a Term Loan pursuant to the terms of Section 4.1 hereof.

“*Taxes*” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, fines, additions to tax or penalties applicable thereto.

“*Termination Date*” means the earliest of (i) the Commitment Expiration Date, as such date may be extended pursuant to Section 2.7 hereof, (ii) the date on which the Commitment and Available Commitment are otherwise terminated or reduced to zero in accordance with Section 2.7 hereof and (iii) the date the Commitment terminates by its terms in accordance with Section 10.2 hereof.

“*Termination Fee*” means an amount equal to the product of (A) the Commitment Fee Rate in effect on the date of termination of the Commitment pursuant to Section 2.7(b) hereof,

(B) the difference between (x) the Initial Commitment Amount and (y) the principal amount of any permanent reduction to the Commitment pursuant to Section 2.7(a) hereof for which a Reduction Fee has been paid to the Lender and (C) a fraction, the numerator of which is equal to the number of days from and including the date of termination to and including the second anniversary of the Effective Date, and the denominator of which is 360.

“*Term Loan*” means an AMT Term Loan, a Non-AMT Term Loan and a Taxable Term Loan.

“*Third Supplemental Subordinate Trust Indenture*” means that certain Third Supplemental Subordinate Trust Indenture, dated as of September 1, 2014, by and between the Authority and the Trustee, as the same may be amended or otherwise modified in accordance with the terms thereof and hereof.

“*Trustee*” means U.S. Bank National Association as trustee or its permitted successor as trustee under the Trust Indenture.

“*United States*” means the United States of America.

“*Vice President, Finance and Asset Management/Treasurer*” means the person at a given time who is the Vice President, Finance and Asset Management/Treasurer of the Authority (including any person serving in an acting or interim capacity) or such other title as the Board may from time to time assign for such position and the officer or officers succeeding to such position as certified by the Board.

*Section 1.2. Accounting Terms and Determinations.* Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared, in accordance with GAAP. If, after the Effective Date, there shall occur any change in GAAP from those used in the preparation of the financial statements referred to in Sections 8.2 hereof and such change shall result in a change in the method of calculation of any financial covenant, standard or term found in this Agreement including, without limitation, a recharacterization of operating leases to the effect that certain operating leases are to be treated as capital leases, either the Authority or the Lender may by notice to the other party hereto, require that the Lender and the Authority negotiate in good faith to amend such covenants, standards, and terms so as equitably to reflect such change in accounting principles, with the desired result being that the criteria for evaluating the financial condition of the Authority shall be the same as if such change had not been made. No delay by the Authority or the Lender in requiring such negotiation shall limit their right to so require such a negotiation at any time after such a change in accounting principles. Until any such covenant, standard, or term is amended in accordance with this Section 1.2, financial covenants shall be computed and determined in accordance with GAAP in effect prior to such change in accounting principles.

*Section 1.3. Interpretation.* The following rules shall apply to the construction of this Agreement unless the context requires otherwise: (i) the singular includes the plural, and the plural the singular; (ii) words importing any gender include the other gender; (iii) references to

statutes are to be construed as including all statutory provisions consolidating and amending, and all regulations promulgated pursuant to, such statutes; (iv) references to “writing” include printing, photocopy, typing, lithography and other means of reproducing words in a tangible visible font; (v) the words “including,” “includes” and “include” shall be deemed to be followed by the words “without limitation”; (vi) references to the introductory paragraph, recitals, articles, sections (or clauses or subdivisions of sections), exhibits, appendices, annexes or schedules are to those of this Agreement unless otherwise indicated; (vii) references to agreements and other contractual instruments shall be deemed to include all subsequent amendments and other modifications to such instruments, but only to the extent that such amendments and other modifications are permitted or not prohibited by the terms of this Agreement; (viii) section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose; (ix) references to Persons include their respective permitted successors and assigns; and (x) 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 the words “to” and “until” each means “to but excluding.” All references to “funds” herein shall include all accounts and subaccounts therein unless the context clearly requires otherwise.

*Section 1.4. Times of Day.* Unless otherwise specified, all references herein to times of day shall be references to California time (daylight or standard, as applicable).

*Section 1.5. Relation to Other Documents; Acknowledgment of Different Provisions of Related Documents; Incorporation by Reference.* (a) Nothing in this Agreement shall be deemed to amend, or relieve the Authority of its obligations under, any Related Document to which it is a party. Conversely, to the extent that the provisions of any Related Document allow the Authority to take certain actions, or not to take certain actions, with regard for example to permitted liens, transfers of assets, maintenance of financial ratios and similar matters, the Authority nevertheless shall be fully bound by the provisions of this Agreement.

(b) Except as provided in subsection (c) of this Section 1.5, all references to other documents shall be deemed to include all amendments, modifications and supplements thereto to the extent such amendment, modification or supplement is made in accordance with the provisions of such document and this Agreement.

(c) All provisions of this Agreement making reference to specific Sections of any Related Document shall be deemed to incorporate such Sections into this Agreement by reference as though specifically set forth herein (with such changes and modifications as may be herein provided) and shall continue in full force and effect with respect to this Agreement notwithstanding payment of all amounts due under or secured by the Related Documents, the termination or defeasance thereof or any amendment thereto or any waiver given in connection therewith, so long as this Agreement is in effect and until all Obligations are paid in full. No amendment, modification, consent, waiver or termination with respect to any of such Sections shall be effective as to this Agreement until specifically agreed to in writing by the parties hereto with specific reference to this Agreement.

## ARTICLE II

### FACILITIES; APPLICATION AND ISSUANCE OF THE LOANS; PAYMENTS

*Section 2.1. Revolving Credit Commitments.* Subject to the terms and conditions hereof, the Lender, by its acceptance hereof, agrees to make a loan or loans in U.S. Dollars to the Authority from time to time on a revolving basis up to the amount of the Available Commitment, subject to any reductions thereof pursuant to the terms hereof, before the Termination Date. The sum of the aggregate principal amount of AMT Loans, Non-AMT Loans and Taxable Loans at any time outstanding shall not exceed the Available Commitment in effect at such time. As provided in Section 2.3(c) hereof, the Authority may elect that any such Revolving Loan be an AMT Loan pursuant to the AMT Loan Commitment, a Non-AMT Loan pursuant to the Non-AMT Loan Commitment or a Taxable Loan pursuant to the Taxable Loan Commitment. Revolving Loans may be repaid and the principal amount thereof reborrowed before the Termination Date, subject to the terms and conditions hereof.

*Section 2.2. Application.* The Authority hereby applies to the Lender for, and authorizes and instructs the Lender to issue for its account, the Commitment in an initial amount equal to the Initial Commitment Amount.

*Section 2.3. Making of Advances; Use of Proceeds.* (a) Subject to the terms and conditions of this Agreement, the Lender agrees to make Advances from time to time on any Business Day, commencing on the Effective Date and ending on the Termination Date, in amounts not to exceed at any time outstanding the Available Commitment; *provided*, that the Lender shall not be required to make more than three Advances during any calendar month. Each Advance requested shall be in a minimum principal amount of \$1,000,000 or any integral multiples of \$250,000 in excess thereof. Each Advance shall be made solely for the purpose of providing funds to pay Costs of a Project, costs of issuance in connection with this Agreement or any other purpose permitted under the Act and/or the Subordinate Trust Indenture; *provided* that in no event shall any of the proceeds of a Non-AMT Loan be used to pay or prepay an AMT Loan or a Taxable Loan nor shall the proceeds of an AMT Loan be used to pay or prepay a Taxable Loan, unless the Authority receives an Approving Opinion of Bond Counsel, which shall also be addressed to the Lender or upon which the Lender is entitled to rely. The aggregate amount of all Advances made on any Advance Date shall not exceed the applicable Available Commitment (calculated without giving effect to any Advances made on such date) at 9:00 am (California time) on such date. The aggregate amount of all Advances bearing interest at an Tax-Exempt LIBOR Rate made on any Advance Date shall not exceed the applicable AMT Loan Commitment or the Non-AMT Loan Commitment (calculated without giving effect to any Advances made on such date) at 9:00 am (California time) on such date. The aggregate amount of all Advances bearing interest at a Taxable LIBOR Rate made on any Advance Date shall not exceed the applicable Taxable Loan Commitment (calculated without giving effect to any Advances made on such date) at 9:00 am (California time) on such date.

(b) *Reborrowing.* Within the limits of this Section 2.3, the Authority may borrow, repay pursuant to Section 3.4 hereof and reborrow under this Section 2.3. Upon any prepayment

of the related Revolving Loan, the related Available Commitment shall be reinstated as set forth in the definition thereof.

(c) *Method of Borrowing.* Upon receipt of a Request for Advance by the Lender not later than 9:00 a.m. California time on the Business Day which is three New York Banking Days' immediately prior to the day of the proposed borrowing, the Lender, subject to the terms and conditions of this Agreement, shall be required to make an Advance by 12:30 p.m. California time on such day of the proposed borrowing for the account of the Authority in an amount equal to the amount of the requested borrowing. Notwithstanding the foregoing, in the event such Request for Advance is received by the Lender after 9:00 a.m. California time on the Business Day which is three New York Banking Days immediately prior to the day of the proposed borrowing, the Lender shall be required to make the related Advance by 12:30 p.m. California time on the fourth New York Banking Day after receipt of the related Request for Advance. Any Request for Advance shall be signed by a Designated Representative and shall specify whether the requested Advance shall be an AMT Loan, a Non-AMT Loan or a Taxable Loan. Pursuant to Section 3.3 hereof, the Lender shall determine the initial Tax-Exempt LIBOR Rate or Taxable LIBOR Rate, as applicable, for the Advance two New York Banking Days prior to the related Advance Date. Each Advance shall be made by the Lender by wire transfer of immediately available funds to the Trustee (on behalf of the Authority) in accordance with written instructions provided by the Authority. If, after examination, the Lender shall have determined that a Request for Advance does not conform to the terms and conditions hereof, then the Lender shall use its best efforts to give notice to the Authority to the effect that documentation was not in accordance with the terms and conditions hereof and stating the reasons therefor. The Authority may attempt to correct any such nonconforming Request for Advance, if, and to the extent that, the Authority is entitled (without regard to the provisions of this sentence) and able to do so.

#### *Section 2.4. Conditions Precedent.*

(a) *Conditions Precedent to Effective Date.* The obligations of the Lender to make the Commitment available hereunder shall be subject to the fulfillment of each of the following conditions precedent on or before the Effective Date in a manner satisfactory to the Lender:

(i) The Lender shall have received the following documents, each dated and in form and substance as is satisfactory to the Lender:

(1) copies of the resolution(s) of the Board approving the execution and delivery of this Agreement, the Notes and the Third Supplemental Subordinate Trust Indenture, certified by the Director, Corporate & Information Governance/Authority Clerk as being true and complete and in full force and effect on the Effective Date;

(2) certified copies of all approvals, authorizations and consents of any trustee, or holder of any indebtedness or obligation of the Authority or any Governmental Authority necessary for the Authority to enter into each of the Related Documents and the transactions contemplated herein and therein;

(3) the audited annual financial statements of the Authority for the Fiscal Year ended June 30, 2013 and a copy of the most recent budget of the Authority (such requirement to be satisfied if such information is available on the Authority's website); and

(4) a certificate of the Authority dated the Effective Date certifying as to the authority, incumbency and specimen signatures of the Authorized Authority Representatives and the Designated Representatives authorized to sign this Agreement, the Third Supplemental Subordinate Trust Indenture and the Notes and any other documents to be delivered by it hereunder and who will be authorized to represent the Authority in connection with this Agreement, upon which the Lender may rely until it receives a new such certificate;

(5) an executed original or certified copy, as applicable, of each of the Related Documents;

(6) the original executed Notes; and

(7) an IRS Form W-9 duly completed by the Authority.

(ii) The Lender shall have received a written description of all actions, suits or proceedings pending or threatened against the Authority in any court or before any arbitrator of any kind or before or by any governmental or non-governmental body which could reasonably be expected to result in a material adverse effect on the Authority's ability to perform its obligation under this Agreement and the other Related Documents, if any, and such other statements, certificates, agreements, documents and information with respect thereto as the Lender may reasonably request. There shall not have occurred any change or any development involving a prospective change in the financial or operating condition of the Authority or its ability to pay the Obligations from that set forth in the audited annual financial statements of the Authority for the Fiscal Year ended June 30, 2013 provided to the Lender, that in the judgment of the Lender is material or adverse to the Lender. No law, regulation, ruling or other action of the United States, the State of California or the State of New York or any political subdivision or authority therein or thereof shall be in effect or shall have occurred, the effect of which would be to prevent the Authority or the Lender from fulfilling its respective obligations under this Agreement and the other Related Documents.

(iii) The Lender shall have received an opinion addressed to the Lender and dated the Effective Date from the General Counsel of the Authority, in form and substance reasonably satisfactory to the Lender and its counsel, which provides for, among other opinions, the following: (1) the Authority is a local government entity of regional government, duly organized and validly existing under the laws of the State, (2) the execution, delivery and performance by the Authority of this Agreement, the Notes and the other Related Documents are within the Authority's powers, have been duly authorized by all necessary action, and require no action by or in respect of, or filing with, any governmental body, agency or official that has not been accomplished, (3) this

Agreement, the Notes and the other Related Documents have been duly authorized, executed and delivered and are valid, binding and enforceable against the Authority, and (4) such other matters as the Lender may reasonably request, in form and substance satisfactory to the Lender and its counsel.

(iv) The following statements shall be true and correct on the Effective Date, and the Lender shall have received a certificate signed by a Designated Representative, dated the Effective Date, certifying that: (A) the representations and warranties of the Authority contained in each of the Related Documents and each certificate, letter, other writing or instrument delivered by the Authority to the Lender pursuant hereto or thereto are true and correct on and as of the Effective Date as though made on and as of such date; (B) no Default or Event of Default has occurred and is continuing or would result from the Authority's execution and delivery of this Agreement, the Notes or the Third Supplemental Subordinate Trust Indenture or the acceptance of the Commitment by the Authority; (C) the audited annual financial statements of the Authority for the Fiscal Year ended June 30, 2013, including the balance sheet as of such date of said period, all examined and reported on by McGladery LLP, as heretofore delivered to the Lender correctly and fairly present the financial condition of the Authority as of said date and the results of the operations of the Authority for such period, have been prepared in accordance with GAAP consistently applied except as stated in the notes thereto; (D) since the release of the audited annual financial statements of the Authority for the Fiscal Year ended June 30, 2013, no material adverse change has occurred in the financial condition of the Authority prior to the Effective Date, and on and prior to the Effective Date no material transactions or obligations (not in the ordinary course of business) shall have been entered into by the Authority, other than as previously advised in writing to the Lender; (E) the acceptance of the Commitment by the Authority pursuant to this Agreement is an arm's length commercial transaction between the Authority and the Lender; (F) the Authority has consulted with its own respective legal and financial advisors in connection with the acceptance of the Commitment by the Authority pursuant to this Agreement; (G) the Lender has not acted as a municipal advisor or fiduciary in favor of the Authority with respect to this Agreement, the Related Documents, the Notes or the acceptance of the Commitment by the Authority; and (H) to the best knowledge of the Authority, the underlying unenhanced long-term ratings assigned to the Subordinate Obligations by Moody's, S&P and Fitch have not been reduced, withdrawn or suspended since the dated date of the Rating Documentation.

(v) The Lender shall have received an opinion addressed to the Lender and dated the Effective Date of Bond Counsel as to the due authorization, execution and delivery of this Agreement, the Notes, and the Third Supplemental Subordinate Trust Indenture, and as to the validity and enforceability with respect to the Authority of this Agreement, the Notes, the Master Subordinate Trust Indenture and the Third Supplemental Subordinate Trust Indenture, the exclusion of interest on the Tax-Exempt Loans from gross income for federal income tax purposes of the Lender (subject to the inclusion of any exceptions with respect to interest payable to a Holder on an AMT Loan in the event a Holder is a "substantial user" or "related party" within the meaning of Section 147(a) of the Code), the pledge of Subordinate Net Revenues securing the Notes

and the Obligations constituting a valid pledge, and such other matters as the Lender may reasonably request, in form and substance satisfactory to the Lender and its counsel.

(vi) All necessary action on the part of the Authority shall have been taken as required for the assignment and pledge of a lien on the Subordinate Net Revenues for the benefit of the Lender as described in Section 5.1 hereof.

(vii) All other legal matters pertaining to the execution and delivery of this Agreement, the Notes and the Third Supplemental Subordinate Trust Indenture shall be satisfactory to the Lender and its counsel. The Lender shall have received evidence satisfactory to the Lender that all conditions precedent to the issuance of the Notes as Subordinate Obligations pursuant to Section 2.09 of the Master Subordinate Trust Indenture have been satisfied.

(viii) The Lender shall have received evidence from Moody's, S&P and Fitch confirming that the underlying unenhanced long-term ratings assigned to the Subordinate Obligations by Moody's is "A2" (or its equivalent), "A" (or its equivalent) by S&P and "A" (or its equivalent) by Fitch (referred to herein as the "*Rating Documentation*").

(ix) On or prior to the Effective Date, (1) the Lender shall have received reimbursement of the Lender's fees and expenses and any other fees incurred in connection with the transaction contemplated by this Agreement due on the Effective Date and (2) Chapman and Cutler LLP, as counsel to the Lender, shall have received payment of its legal fees and expenses and disbursements incurred in connection with the preparation, review, negotiation, execution and delivery of the Related Documents.

(x) None of the AMT Note, the Non-AMT Note or the Taxable Note shall be (1) assigned a separate rating by any Rating Agency, (2) registered with The Depository Trust Company or any other securities depository or (3) assigned a CUSIP number by Standard & Poor's CUSIP Service. No offering document or official statement shall be prepared with respect to the AMT Note, the Non-AMT Note or the Taxable Note.

(xiii) The Lender shall have received such other documents, certificates, opinions, approvals and filings with respect to this Agreement, the Notes and the other Related Documents as the Lender may reasonably request.

(b) *Conditions Precedent to Each Advance.* The obligation of the Lender to make an Advance on any date is subject to the conditions precedent that on the date of such Advance:

(i) The Lender shall have received a Request for Advance as provided in Section 2.3(c) hereof specifying whether such Advance will be an AMT Loan, a Non-AMT Loan or a Taxable Loan;

(ii) All representations and warranties of the Authority as set forth in Article VII hereof shall be true and correct as though made on the date of such Request for

Advance and on the date of the proposed Advance and no Default or Event of Default shall have occurred and be continuing;

(iii) After giving effect to any Revolving Loan, the aggregate principal amount of all Loans outstanding hereunder shall not exceed the Initial Commitment Amount (or, following a reduction of the Available Commitment pursuant to Section 2.7 hereof, the Available Commitment as so reduced). The proposed amount of the Revolving Loan does not exceed the Available Commitment;

(iv) The Lender shall have received satisfactory evidence that all representations and certifications of the Authority that the Lender deems necessary to maintain the tax-exempt status of the interest on any Tax-Exempt Loan have been delivered and are true and correct;

(v) No Material Adverse Change shall have occurred;

(vi) The Lender shall be satisfied that the opinion of Bond Counsel delivered pursuant to Section 2.4(a)(v) hereof remains in full force and effect or the Lender shall have received an opinion from Bond Counsel dated the date of such Advance as to the exclusion of interest on the Tax-Exempt Loans from gross income for federal income tax purposes, in form and substance satisfactory to the Lender;

(vii) Neither the Authority or the Lender shall have received actual notice (either verbal or written) from Bond Counsel that the opinion delivered pursuant to Section 2.4(a)(v) hereof may no longer be relied upon.

(viii) With respect to an Advance for an AMT Revolving Loan, the Lender shall have received evidence that an IRS Form 8038 has been duly completed by the Authority and signed by the Authority; and with respect to an Advance for Non-AMT Revolving Loan, the Lender shall have received evidence that an IRS Form 8038-G has been duly completed by the Authority and signed by the Authority; and

(ix) The Commitment and the obligation of the Lender to make an Advance hereunder shall not have terminated pursuant to Section 10.2 hereof or pursuant to Section 2.7 hereof. Unless the Authority shall have otherwise previously advised the Lender in writing, delivery to the Lender of a Request for Advance shall be deemed to constitute a representation and warranty by the Authority that on the date of such Request for Advance and on the date of the proposed Advance each of the foregoing conditions has been satisfied and that all representations and warranties of the Authority as set forth in Article VII hereof is true and correct as though made on the date of such Request for Advance and on the date of the proposed Advance and no Default or Event of Default shall have occurred and be continuing on the date of such Request for Advance or on the date of the proposed Advance and the Authority has not received actual notice (either verbal or written) from Bond Counsel that the opinion delivered pursuant to Section 2.4(a)(v) hereof may no longer be relied upon.

*Section 2.5. Interest Rate Determinations.* The Lender shall promptly notify the Authority and the Trustee of the interest rate applicable to any Loan upon determination of such interest rate; *provided, however*, that the failure by the Lender to provide notice of the applicable interest rate shall not relieve the Authority of its obligation to make payment of amounts as and when due hereunder. At any time that a Term Loan is outstanding, the Lender shall notify the Authority and the Trustee of any change in Lender’s Prime Rate used in determining the Base Rate promptly following the establishment of such change; *provided, however*, that the failure by the Lender to provide notice of such change shall not relieve the Authority of its obligation to make payment of amounts as and when due hereunder. Each determination by the Lender of an interest rate shall be conclusive and binding for all purposes, absent manifest error.

*Section 2.6. Fees.* (a) *Commitment Fees.* The Authority agrees to pay to the Lender a nonrefundable annual fee (the “*Commitment Fee*”) initially accruing at a rate of 37 basis points (0.37%) per annum multiplied by the daily Available Commitment, which is subject to maintenance of the current Authority Rating. In the event of a change in the Authority Rating, the Commitment Fee shall be calculated based on the number of basis points set forth in the Level associated with the lowest Authority Rating as set forth in the schedule (the “*Commitment Fee Rate*”) below multiplied by the daily Available Commitment:

	<u>Authority Rating</u>			<u>Commitment Fee Rate</u>
	<u>Moody’s</u>	<u>S&amp;P</u>	<u>Fitch</u>	<u>basis points (%)</u>
Level I	A2 or above	A or above	A or above	37 bps (0.37%)
Level II	A3	A-	A-	52 bps (0.52%)
Level III	Baa1	BBB+	BBB+	77 bps (0.77%)
Level IV	Baa2	BBB	BBB	127 bps (1.27%)

Any change in the Commitment Fee resulting from a change in the Authority Rating shall be and become effective as of and on the date of the announcement of the change in the Authority Rating. The Commitment Fee shall be payable monthly in arrears on the first Business Day of each calendar month (beginning on the first such date to occur after the Effective Date) and on the Commitment Expiration Date, or such earlier date on which the Commitment may be terminated in accordance with the terms of this Agreement. The Commitment Fee shall be calculated on the basis of 360-day year and actual days elapsed. References to the Authority Rating above are references to rating categories as presently determined by the Rating Agencies and in the event of adoption of any new or changed rating system by any such Rating Agency, including, without limitation, any recalibration of the Authority Rating in connection with the adoption of a “*global*” rating scale, each Authority Rating from the Rating Agency in question referred to above shall be deemed to refer to the rating category under the new rating system which most closely approximates the applicable rating category as currently in effect. In the event that any Authority Rating is suspended, withdrawn, or otherwise unavailable from any Rating Agency, or if any Authority Rating is reduced below “Baa2,” “BBB” or “BBB” by any

of Moody's, S&P or Fitch, respectively, or upon the occurrence of and during the continuance of an Event of Default, in each such case the Commitment Fee Rate shall increase automatically by an additional 100 bps (1.00%) per annum above the Commitment Fee Rate otherwise in effect, without notice to the Authority. The Authority acknowledges that as of the Effective Date the Commitment Fee Rate is that specified above for Level 1.

(b) *Termination or Reduction Fee.* The Authority shall pay to the Lender a Reduction Fee or Termination Fee, as applicable, in connection with each permanent reduction or termination of the Available Commitment or Commitment pursuant to Section 2.7 hereof prior to the second anniversary of the Effective Date, in an amount equal to the Reduction Fee or Termination Fee, as applicable, payable on the date of such termination or each such reduction.

(c) *Amendment, Consent or Waiver Fee.* Upon each amendment hereof, consent or waiver hereunder or under any Related Document, the Authority shall pay or cause to be paid attorneys' fees and expenses, if any, incurred by the Lender in processing such amendment, consent or waiver and a fee in a minimum amount of \$2,500.

(d) *Draw Fee.* The Authority will pay to the Lender a non-refundable draw fee of \$250 for each Advance under this Agreement. The draw fee shall be payable on the date on which such Advance is made by the Lender.

(e) *Costs, Expenses and Taxes.* The Authority will promptly pay on demand (i) the reasonable fees, costs and expenses of the Lender incurred in connection with the preparation, negotiation, execution and delivery of this Agreement, the Notes and the other Related Documents, (ii) the fees and disbursements of Chapman and Cutler LLP, special U.S. counsel to the Lender, incurred in connection with the preparation, execution, filing and administration and delivery of this Agreement and the other Related Documents, (iii) the fees and disbursements of counsel or other reasonably required consultants to the Lender with respect to advising the Lender as to the rights and responsibilities under this Agreement and the other Related Documents after the occurrence of any Default or alleged Default hereunder, or an Event of Default, (iv) all costs and expenses, if any, in connection with any waiver or amendment of, or the giving of any approval or consent under, or any response thereto or the enforcement of this Agreement, the Related Documents and any other documents which may be delivered in connection herewith or therewith, including in each case the reasonable fees and disbursements of counsel to the Lender or other reasonably required consultants and (v) any amounts advanced by or on behalf of the Lender to the extent required to cure any Default, Event of Default or event of nonperformance hereunder or any Related Document, together with interest at the Default Rate. In addition, the Authority shall pay any and all stamp taxes, transfer taxes, documentary taxes, and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing, and recording of this Agreement and the security contemplated by the Related Documents (other than taxes based on the net income or share capital of the Lender) and agrees to indemnify and hold the Lender harmless from and against any and all liabilities with respect to or resulting from any delay in paying, or omission to pay, such taxes and fees, including interest and penalties thereon; *provided, however,* that the Authority may reasonably contest any such taxes or fees with the prior written consent of the Lender, which consent, if an Event of Default does not then exist, shall not be unreasonably

withheld. In addition, the Authority agrees to pay, after the occurrence of a Default, alleged Default or an Event of Default, all costs and expenses (including attorneys' fees and costs of settlement) incurred by the Lender in enforcing any obligations or in collecting any payments due from the Authority hereunder by reason of such Default, alleged Default or Event of Default or in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement in the nature of a "workout" or of any collection, insolvency, bankruptcy proceedings or other enforcement proceedings resulting therefrom.

(f) If the Authority shall fail to pay any amount payable under this Section 2.6 as and when due, each such unpaid amount shall bear interest for each day from and including the date it was due until paid in full at the applicable Default Rate. The obligations of the Authority under this Section 2.6 shall survive the termination of this Agreement.

*Section 2.7. Reduction and Termination.* (a) Subject to the provisions of Section 2.6(b) hereof, the Available Commitment shall be reduced from time to time as requested by the Authority within three (3) days of the Authority's written notice to the Lender requesting such reduction in the form of Exhibit E hereto; *provided*, that (i) each such reduction amount shall be in an amount equal to \$1,000,000 or an integral multiple thereof, and (ii) any reduction in the Available Commitment shall not be effective until the Lender delivers to the Authority a notice in the form attached hereto as Exhibit F reflecting such reduction.

(b) Subject to the provisions of Section 2.6(b) hereof, the Authority may at any time and at its sole option terminate the Commitment upon three (3) Business Days' prior written notice to the Lender. As a condition to any such termination, the Authority shall pay or cause to be paid all Obligations owed to the Lender (other than Term Loans which shall be payable pursuant to the terms of Section 4.5 hereof).

*Section 2.8. Extension of Commitment Expiration Date.* The Authority may request an extension of the Commitment Expiration Date in writing in the form of Exhibit C hereto not more than one (1) year prior to the then current Commitment Expiration Date and not less than 150 days prior to the then current Commitment Expiration Date. The Lender will make reasonable efforts to respond to such request within sixty (60) days after receipt of all information necessary, in the Lender's judgment, to permit the Lender to make an informed credit decision. If the Lender fails to definitively respond to such request within such 60-day period, the Lender shall be deemed to have refused to grant the extension requested. The Lender may, in its sole and absolute discretion, decide to accept or reject any such proposed extension and no extension shall become effective unless the Lender shall have consented thereto in writing in the form of Exhibit G hereto or otherwise. The Lender's consent, if granted, shall be conditioned upon the preparation, execution and delivery of documentation in form and substance satisfactory to the Lender (which may include, but shall not be limited to the delivery of a "no adverse effect opinion" of Bond Counsel to the Lender with respect to the tax-exempt status of the Tax-Exempt Loans).

*Section 2.9. Funding Indemnity.* In the event the Lender shall incur any loss, cost, or expense (including, without limitation, any loss, cost, or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired or contracted to be acquired by

the Lender to make any Advance, Revolving Loan or Term Loan or the relending or reinvesting of such deposits or other funds or amounts paid or prepaid to the Lender) as a result of any optional payment or prepayment of any Advance, Revolving Loan or Term Loan on a date other than a Rate Reset Date for any reason, whether before or after default, then upon the demand of the Lender, the Authority shall pay to the Lender a payment or prepayment premium, as applicable in such amount as will reimburse the Lender for such loss, cost, or expense. If the Lender requests such payment or prepayment premium, as applicable, it shall provide to the Authority a certificate setting forth the computation of the loss, cost, or expense giving rise to the request for such payment or prepayment premium, as applicable in reasonable detail and such certificate shall be conclusive if reasonably determined.

*Section 2.10. Payments.* All payments to be made by the Authority shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Authority hereunder shall be made to the Lender at the Lender's Office in Dollars and in immediately available funds not later than 12:00 noon, California time, on the date specified herein. All payments received by the Lender after 12:00 noon, California time, shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. If any payment to be made by the Authority shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be. Notwithstanding anything herein to the contrary, where this Agreement provides for payment by the Authority to the Lender for any amount, the Authority may satisfy such obligation by causing the Trustee to pay such amount directly to the Lender from Subordinate Net Revenues under the Subordinate Trust Indenture.

### ARTICLE III

#### REVOLVING LOANS

*Section 3.1. Making of Revolving Loans.* Each Advance shall constitute a loan made by the Lender to the Authority on the date of such Advance (individually, a "*Revolving Loan*" and collectively, the "*Revolving Loans*"). Each Revolving Loan shall constitute a Subordinate Obligation under the Master Subordinate Trust Indenture.

*Section 3.2. Revolving Loans Evidenced by Notes.* (a) The Non-AMT Revolving Loans shall be evidenced by a promissory note of the Authority to the Lender in substantially the form set forth in Exhibit A-1 hereto (as amended or supplemented from time to time, the "*Non-AMT Note*") to be issued on the Effective Date, payable to the Lender in a principal amount up to the Available Commitment on the Effective Date and otherwise duly completed. All Non-AMT Revolving Loans made by the Lender and all payments and prepayments made on account of principal thereof shall be recorded by the Lender on the schedule (or a continuation thereof) attached to the Non-AMT Note, it being understood, however, that failure by the Lender to make any such endorsement shall not affect the obligations of the Authority hereunder or under the Non-AMT Note in respect of unpaid principal and interest on any Non-AMT Revolving Loan. Each entry on the Non-AMT Note with respect to a Non-AMT Revolving Loan schedule shall reflect the applicable principal amount and the applicable interest rate.

(b) The AMT Revolving Loans shall be evidenced by a promissory note of the Authority to the Lender in substantially the form set forth in Exhibit A-2 hereto (as amended or supplemented from time to time, the “*AMT Note*”) to be issued on the Effective Date, payable to the Lender in a principal amount up to the Available Commitment on the Effective Date and otherwise duly completed. All AMT Revolving Loans made by the Lender and all payments and prepayments made on account of principal thereof shall be recorded by the Lender on the schedule (or a continuation thereof) attached to the AMT Note, it being understood, however, that failure by the Lender to make any such endorsement shall not affect the obligations of the Authority hereunder or under the AMT Note in respect of unpaid principal and interest on any AMT Revolving Loan. Each entry on the AMT Note with respect to a AMT Revolving Loan schedule shall reflect the applicable principal amount and the applicable interest rate.

(c) The Taxable Revolving Loans shall be evidenced by a promissory note of the Authority to the Lender in substantially the form set forth in Exhibit A-3 hereto (as amended or supplemented from time to time, the “*Taxable Note*”) to be issued on the Effective Date, payable to the Lender in a principal amount up to the Available Commitment on the Effective Date and otherwise duly completed. All Taxable Revolving Loans made by the Lender and all payments and prepayments made on account of principal thereof shall be recorded by the Lender on the schedule (or a continuation thereof) attached to the Taxable Note, it being understood, however, that failure by the Lender to make any such endorsement shall not affect the obligations of the Authority hereunder or under the Taxable Note in respect of unpaid principal and interest on any Taxable Revolving Loan. Each entry on the Taxable Note with respect to a Taxable Revolving Loan schedule shall reflect the applicable principal amount and the applicable interest rate.

*Section 3.3. Interest on Revolving Loans.* Each Loan made or maintained by the Lender shall bear interest during each Interest Period it is outstanding (computed on the basis of a year of 360 days and actual days elapsed) on the unpaid principal amount thereof. Each AMT Loan and each Non-AMT Loan shall bear interest at a rate per annum equal to the applicable Tax-Exempt LIBOR Rate for such Interest Period. Each Taxable Loan shall bear interest at a rate per annum equal to the applicable Taxable LIBOR Rate for such Interest Period. The initial Tax-Exempt LIBOR Rate or Taxable LIBOR Rate, as applicable, for a particular Advance relating to a Loan shall be determined by the Lender two New York Banking Days prior to the related Advance Date. Following the determination of the initial rate, the applicable Tax-Exempt LIBOR Rate or Taxable LIBOR Rate for the next succeeding Interest Period shall be determined by the Lender on the Computation Date immediately succeeding the Advance Date, and such rate shall be effective on the immediately succeeding Rate Reset Date. Thereafter the applicable Tax-Exempt LIBOR Rate or Taxable LIBOR Rate for the next succeeding Interest Period shall be determined by the Lender on the applicable Computation Date, and such rate shall be effective on the immediately succeeding Rate Reset Date. Interest on each Loan shall be payable by the Authority on each Interest Payment Date and on the Revolving Loan Maturity Date.

*Section 3.4. Repayment of Revolving Loans.* The principal of each Revolving Loan shall be repaid in full on the Revolving Loan Maturity Date; *provided*, that if the conditions to the making of the Term Loan set forth in Section 4.2 hereof are satisfied on the Revolving Loan Maturity Date, the principal of all Revolving Loans shall be paid from the proceeds of the applicable Term Loan.

*Section 3.5. Prepayment of Revolving Loans.* The Authority may prepay any Loan, in whole or in part, on a Rate Reset Date, without cost, penalty or premium, provided at least three (3) days' written notice is provided by the Authority to the Lender. Each such notice of optional prepayment shall be irrevocable and shall bind the Authority to make such prepayment in accordance with such notice. All prepayments of principal shall include accrued interest to the date of prepayment and all other amounts due pursuant to this Agreement.

## ARTICLE IV

### THE TERM LOAN

*Section 4.1. Term Loan.* The Authority shall have the option to convert (a) the unpaid principal amount of any Taxable Revolving Loan to a Taxable Term Loan, (b) the unpaid principal amount of any Non-AMT Revolving Loan to a Non-AMT Term Loan and (c) the unpaid principal amount of any AMT Revolving Loan to an AMT Term Loan, in each case on the Revolving Loan Maturity Date, if the conditions set forth in Section 4.2 hereof are satisfied on the Revolving Loan Maturity Date. Each Term Loan shall constitute a Subordinate Obligation under the Master Subordinate Trust Indenture.

*Section 4.2. Conditions Precedent to Term Loan.* The obligation of the Lender to convert the principal amount owed on a Revolving Loan to a Taxable Term Loan, a Non-AMT Term Loan or an AMT Term Loan, as applicable, shall be subject to the fulfillment of each of the following conditions precedent on or before the Revolving Loan Maturity Date in a manner satisfactory to the Lender:

(a) The following statements shall be true and correct on the Conversion Date, and the Lender shall have received a certificate incorporating by reference the definitions of the capitalized terms defined in this Agreement, signed by a Designated Representative and dated the Conversion Date, stating that:

(i) the representations and warranties of the Authority contained herein and in each of the other Related Documents and each certificate, letter, other writing or instrument delivered by the Authority to the Lender pursuant hereto or thereto are true and correct on and as of the Conversion Date as though made on and as of such date; and

(ii) no Default or Event of Default has occurred and is continuing as of such Conversion Date or would result from converting the Revolving Loans to a Term Loan as requested; and

(b) In the case of the conversion to a Tax-Exempt Term Loan, (A)(i) the Lender shall be satisfied that the opinion of Bond Counsel delivered pursuant to Section 2.4(a)(v) hereof remains in full force and effect with respect to such Tax-Exempt Term Loan or (ii) the Lender shall have received an opinion from Bond Counsel dated the date of such Term Loan as to the exclusion of interest on the Tax-Exempt Term

Loans from gross income for federal income tax purposes, in form and substance satisfactory to the Lender and (B) the Lender shall have received an opinion of Bond Counsel in form and substance satisfactory to the Lender that such conversion will not adversely affect the tax exempt status of the interest on any Tax-Exempt Loans.

*Section 4.3. Term Loans Evidenced by Notes.* (a) The principal amount of each Non-AMT Term Loan shall also be evidenced by the Non-AMT Note. Each Non-AMT Term Loan made by the Lender and all payments and prepayments on the account of the principal and interest of each Non-AMT Term Loan shall be recorded by the Lender on the schedule attached to the Non-AMT Note; *provided, however*, that the failure of the Lender to make any such endorsement or any error therein shall not affect the obligations of the Authority hereunder or under the Non-AMT Note in respect of unpaid principal and interest on each Non-AMT Term Loan.

(b) The principal amount of each AMT Term Loan shall also be evidenced by the AMT Note. Each AMT Term Loan made by the Lender and all payments and prepayments on the account of the principal and interest of each AMT Term Loan shall be recorded by the Lender on the schedule attached to the AMT Note; *provided, however*, that the failure of the Lender to make any such endorsement or any error therein shall not affect the obligations of the Authority hereunder or under the AMT Note in respect of unpaid principal and interest on each AMT Term Loan.

(c) The principal amount of each Taxable Term Loan shall also be evidenced by the Taxable Note. Each Taxable Term Loan made by the Lender and all payments and prepayments on the account of the principal and interest of each Taxable Term Loan shall be recorded by the Lender on the schedule attached to the Taxable Note; *provided, however*, that the failure of the Lender to make any such endorsement or any error therein shall not affect the obligations of the Authority hereunder or under the Taxable Note in respect of unpaid principal and interest on each Taxable Term Loan.

*Section 4.4. Interest on Term Loan.* Each Term Loan shall bear interest from the Conversion Date to the date such Term Loan is paid in full at a rate per annum equal to the Lender Rate as determined by the Lender pursuant to Section 2.5 hereof. Interest on each Term Loan shall be paid to the Lender monthly in arrears on each Interest Payment Date. Interest on each Term Loan shall be calculated on the basis of a year of 360 days based on the actual number of days elapsed.

*Section 4.5. Repayment of Term Loan.* The principal of each Term Loan shall be paid in installments payable on each Amortization Payment Date (each such payment, an "*Amortization Payment*"), with the final installment in an amount equal to the entire then-outstanding principal amount of such Term Loan to be paid in full on the Amortization End Date (the period commencing on the Conversion Date and ending on the Amortization End Date is herein referred to as the "*Amortization Period*"). Each Amortization Payment shall be that amount of principal which will result in equal (as nearly as possible) aggregate Amortization Payments over the Amortization Period. The Authority acknowledges that the foregoing payment schedule may result in a final payment substantially higher than the preceding payments. Subject to Section

10.2(a)(ii) hereof, upon an Event of Default, the Lender may cause a mandatory redemption of the Notes hereunder and a corresponding mandatory prepayment of the Term Loans by delivering a written notice to the Trustee and the Authority that an Event of Default has occurred and is continuing and instructing the Trustee and the Authority that the Notes are subject to mandatory redemption under this Agreement and the Term Loans are subject to corresponding mandatory prepayment.

*Section 4.6. Prepayment of Term Loan.* The Authority may prepay each Term Loan, in whole or in part, on any Business Day, without cost, penalty or premium, provided at least three (3) days' written notice is provided by the Authority to the Lender. Each such notice of optional prepayment shall be irrevocable and shall bind the Authority to make such prepayment in accordance with such notice. All prepayments of principal shall include accrued interest to the date of prepayment and all other amounts due pursuant to this Agreement.

## ARTICLE V

### SECURITY AND PLEDGE

*Section 5.1. Security and Pledge.* (a) The Authority hereby grants to the Lender a Lien on and pledge of Subordinate Net Revenues to secure the payment of all Repayment Obligations and the Notes. The pledge of the Subordinate Net Revenues for Repayment Obligations and the Notes pursuant to this Section 5.1(a) is a valid and binding obligation of the Authority, on a *pari passu* basis with the holders of all other Subordinate Obligations. No filing, registration, recording or publication of this Agreement or the Subordinate Trust Indenture or any other instrument nor any prior separation or physical delivery of the Subordinate Net Revenues is required to establish the pledge provided for hereunder or under the Subordinate Trust Indenture or to perfect, protect or maintain the Lien created thereby on the Subordinate Net Revenues to secure the payment of Repayment Obligations and the payment of principal of and interest on the Notes.

(b) The Authority hereby grants to the Lender a Lien on and pledge of the Subordinate Net Revenues to secure all Obligations of the Authority under this Agreement on a *pari passu* basis with the holders of all other Subordinate Obligations. No filing, registration, recording or publication of this Agreement or the Subordinate Trust Indenture or any other instrument nor any prior separation or physical delivery of the Subordinate Net Revenues is required to establish the pledge provided for under this Agreement or the Subordinate Trust Indenture or to perfect, protect or maintain the Lien created thereby on the Subordinate Net Revenues to secure the Obligations hereunder.

## ARTICLE VI

### LIABILITY, INDEMNITY AND PAYMENT

*Section 6.1. Liability of the Authority.* The Authority and the Lender agree that the obligation of the Authority to pay the Obligations are contractual obligations of the Authority

payable solely from the Subordinate Net Revenues and shall not be affected by, and the Lender shall not be responsible for, among other things, (i) the validity, genuineness or enforceability of this Agreement, the Notes or documents, notices or endorsements relating thereto (even if this Agreement or any documents, notices endorsements relating thereto should in fact prove to be in any and all respects invalid, fraudulent or forged), (ii) the use to which the amounts disbursed by the Lender may be put, or (iii) any other circumstances or happenings whatsoever, whether or not similar to any of the foregoing.

*Section 6.2. Indemnification by the Authority.* (a) In addition to any and all rights of reimbursement, indemnification, subrogation or any other rights pursuant hereto or under law or equity, the Authority hereby agrees (to the extent permitted by law) to indemnify and hold harmless the Lender and each Participant and their respective officers, directors and agents (each, an “*Indemnatee*”) from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever (including reasonable attorneys’ fees) which may incur or which may be claimed against an Indemnatee by any Person or entity whatsoever (collectively, the “*Liabilities*”) by reason of or in connection with (i) the execution and delivery or transfer of, or payment or failure to pay under, any Related Document; (ii) the making of any Advances or any Loans; (iii) the use of the proceeds of the Notes, Advances or Loans; (iv) any breach by the Authority of any warranty, covenant, term or condition in, or the occurrence of any default under any of the Related Documents, together with all reasonable expenses resulting from the compromise or defense of any claims or liabilities arising as a result of any such breach or default; (v) any action or proceeding relating to a court order, injunction or other process or decree restraining or seeking to restrain the Lender from paying any amount under this Agreement (other than actions or proceedings instituted by or on behalf of the Lender); or (vi) any investigation, litigation or other proceeding (whether or not the Lender or any Participant is a party thereto) related to the entering into and/or each performance of any of the Related Document or the use of the proceeds of any Advance or any Loan under this Agreement; *provided* that the Authority shall not be required to indemnify an Indemnatee for any (i) claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of such Indemnatee, or (ii) with respect to disputes solely between the Authority and the Lender; *provided* that the Authority shall only be liable to the Indemnatee to the extent, and only to the extent of any direct, as opposed to special, indirect consequential or punitive damages (the right to receive special, indirect, consequential or punitive damages being hereby waived). Nothing under this Section 6.2 is intended to limit the Authority’s payment of the Obligations.

(b) Notwithstanding anything to the contrary contained in this Section 6.2, (i) the Authority shall have no obligation to indemnify an Indemnatee for damages that the Authority proves were caused solely out of the gross negligence or willful misconduct of such Indemnatee, as determined by a court of competent jurisdiction, and (ii) the Authority shall have a claim against the Lender, and the Lender shall be liable to the Authority, to the extent of any direct, as opposed to special, indirect, consequential, damages suffered by the Authority which the Authority proves were caused solely by such Indemnatee’s gross negligence or willful misconduct, as determined by a court of competent jurisdiction.

(c) The obligations of the Authority under this Section 6.2 shall survive the payment of the Notes, the Loans and all other Obligations and the termination of this Agreement.

*Section 6.3. Increased Costs.* (a) If the Lender shall determine that any Change in Law now existing or hereafter adopted shall:

(i) impose, modify or deem applicable any reserve, liquidity ratio, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or advances, loans or other credit extended or participated in by, or other acquisitions of funds by, the Lender, any Participant or any Noteholder;

(ii) subject the Lender, any Participant or any Noteholder to any Tax (except for Taxes on the overall net income or share capital of the Lender, such Participant or such Noteholder) of any kind whatsoever with respect to this Agreement, the Notes, the Advances, the Revolving Loans or the Term Loans or change the basis of taxation of payments to the Lender, such Participant or such Noteholder in respect thereof (except for Indemnified Taxes or Miscellaneous Taxes covered by Section 6.4 hereof and the imposition of, or any change in the rate of any Excluded Tax payable by the Lender, such Participant or such Noteholder);

(iii) impose upon the Lender, any Participant or any Noteholder any other condition or expense with respect to this Agreement, the Notes, the Advances, the Revolving Loans, or the Term Loans; and the result of any of the foregoing is to increase the cost to, reduce the income receivable by, or impose any expense (including loss of margin) upon the Lender, such Participant or such Noteholder with respect to this Agreement, the Notes, the Advances, the Revolving Loans or the Term Loans (or in the case of any capital adequacy or similar requirement, to have the effect of reducing the rate of return on the Lender's, any Participant's or any Noteholder's capital),

then the Lender shall from time to time notify, or cause to be notified, the Authority of the amount determined in good faith by the Lender, such Participant or such Noteholder, as applicable (which determination shall be conclusive absent manifest error) to be necessary to compensate the Lender, such Participant or such Noteholder, as applicable, for such increase, reduction or imposition. All references to a Lender, Participant or Noteholder in Sections 6.3(a), (b), (c) and (d) shall also be deemed to refer to the holding company or parent of the Lender, such Participant and such Noteholder.

(b) *Capital Requirements.* If the Lender, any Participant or any Noteholder determines that any Change in Law affecting the Lender, such Participant or such Noteholder, as applicable, or any of their parent or holding companies, if any, regarding capital requirements, has or would have the effect of reducing the rate of return on the Lender, such Participant or such Noteholder, or any of their parent or holding companies, holding, if any, as a consequence of this Agreement, or making, maintenance or funding of, any Loan hereunder, to a level below that which the Lender, such Participant or such Noteholder, or their respective parent or holding companies could have achieved but for such Change in Law (taking into consideration the Lender's, such

Participant's or such Noteholder's policies and the policies of their parent or holding companies with respect to capital adequacy, as applicable), then from time to time upon written request of the Lender as set forth in clause (c) of this Section, the Authority shall promptly pay to the Lender, such Participant or such Noteholder, as the case may be, such additional amount or amounts as will compensate the Lender, such Participant or such Noteholder, or their parent or holding companies, as applicable, for any such reduction suffered.

(c) *Certificates for Reimbursement.* A certificate of the Lender, any Participant or any Noteholder setting forth the amount or amounts necessary to compensate the Lender, such Participant or such Noteholder, or their parent or holding companies, as the case may be, as specified in paragraph (a) or (b) of this Section and delivered to the Authority, shall be conclusive absent manifest error. The Authority shall pay the Lender, such Participant or such Noteholder, as the case may be, the amount shown as due on any such certificate within sixty (60) days after receipt thereof.

(d) *Delay in Requests.* Failure or delay on the part of the Lender, such Participant or such Noteholder to demand compensation pursuant to this Section shall not constitute a waiver of the Lender's, such Participant's or such Noteholder's right to demand such compensation.

(e) (i) In the event a Taxable Date occurs, the Authority hereby agrees to pay to the Lender, any Participant or the Noteholder on demand therefor (1) an amount equal to the difference between (A) the amount of interest that would have been paid to the Lender, such Participant or the Noteholder, as applicable, on any Tax-Exempt Loans during the period for which interest on such Tax-Exempt Loans, as applicable, is includable in the gross income of the Lender, such Participant or the Noteholder, as applicable, if such Tax-Exempt Loans had borne interest at the Taxable Rate, beginning on the Taxable Date (the "*Taxable Period*"), and (B) the amount of interest actually paid to the Lender, such Participant or the Noteholder, as applicable, during the Taxable Period, and (2) an amount equal to any interest, penalties or charges owed by the Lender, any Participant or a Noteholder, as applicable, as a result of interest on the Tax-Exempt Loans becoming includable in the gross income of the Lender, such Participant or such Noteholder, as applicable, together with any and all reasonable attorneys' fees, court costs, or other out-of-pocket costs incurred by the Lender, such Participant or such Noteholder, as applicable, in connection therewith.

(ii) Subject to the provisions of clauses (iii) and (iv) below, the Lender shall afford the Authority the opportunity, at the Authority's sole cost and expense, to contest (1) the validity of any amendment to the Code which causes the interest on any Tax-Exempt Loan to be includable in the gross income of the Lender, any Participant or the Noteholder or (2) any challenge to the validity of the tax exemption with respect to the interest on any Tax-Exempt Loan, including the right to direct the necessary litigation contesting such challenge (including administrative audit appeals).

(iii) As a condition precedent to the exercise by the Authority of its right to contest set forth in clause (ii) above, the Authority shall, on demand, immediately reimburse the Lender, such Participant or the Noteholder, as applicable, for any and all expenses (including reasonable attorneys' fees for services that may be required or

desirable) that may be incurred by the Lender, such Participant or the Noteholder, as applicable, in connection with any such contest, and shall, on demand, immediately reimburse the Lender, such Participant or the Noteholder, as applicable, for any and all penalties or other charges payable by the Lender, such Participant or the Noteholder, as applicable, for failure to include such interest in its gross income; and

(iv) The obligations of the Authority under this Section 6.3 shall survive the termination of the Commitment and this Agreement.

*Section 6.4. Taxes.*

(a) *Payments Free of Taxes; Obligation to Withhold; Payments on Account of Taxes.* Any and all payments by or on account of any obligation of the Authority hereunder or under the Notes shall be made free and clear of and without reduction or withholding for any Indemnified Taxes or Miscellaneous Taxes; provided that if the Authority shall be required by Applicable Law to deduct any Indemnified Taxes (including any Miscellaneous Taxes) from such payments, then (i) to the fullest extent permitted by Applicable Law, the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Lender, such Participant or such Noteholder receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Authority shall make such deductions and (iii) the Authority shall timely pay the full amount deducted to the relevant Governmental Authority in accordance with Applicable Law.

(b) *Payment of Miscellaneous Taxes by the Authority.* Without limiting the provisions of paragraph (a) above, the Authority shall timely pay any Miscellaneous Taxes to the relevant Governmental Authority in accordance with Applicable Law.

(c) *Indemnification by the Authority.* The Authority, to the fullest extent permitted by law, shall indemnify the Lender, each Participant and each Noteholder, within sixty (60) days after demand therefor, for the full amount of any Indemnified Taxes or Miscellaneous Taxes (including Indemnified Taxes or Miscellaneous Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Lender, such Participant or such Noteholder and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Miscellaneous Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate stating the amount of such payment or liability delivered to the Authority by the Lender shall be conclusive absent manifest error. In addition, the Authority shall indemnify the Lender, any Participant and the other Noteholder, within ten (10) days after demand therefor, for any additional amounts that the Lender, any Participant or any Noteholder is required to pay as a result of any failure of the Authority to pay any Taxes when due to the appropriate Governmental Authority or to deliver to the Lender, any Participant and the other holders of a Note, as applicable, pursuant to clause (d), documentation evidencing the payment of Taxes.

Prior to claiming compensation pursuant to this subsection (c), the Lender, the Participant or the holder of the Note, as applicable, will use reasonable efforts to investigate the alternatives (if any) for avoiding the need for, or the reduction of the amount of, such compensation, and the

Lender, the Participant or the holder of the Note, as applicable, shall take all reasonable steps to so avoid the need for, or reduce the amount of such compensation, *provided that*, none of the Lender, the Participant or the holder of the Note shall be obligated to take any steps that are adverse to its business or operations or inconsistent with its policies. The Lender, the Participant and the holder of the Note, as applicable, agrees to repay the Authority any refund (including that portion of any interest that was included as part of such refund) with respect to Taxes or Other Taxes paid by the Authority pursuant to this subsection (c) received by the Lender, the Participant or the holder of the Note, as applicable, for Taxes or Other Taxes that were paid by the Authority pursuant to this subsection (c).

(d) *Evidence of Payments.* As soon as practicable after any payment of Indemnified Taxes or Miscellaneous Taxes by the Authority to a Governmental Authority, the Authority shall deliver to the Lender, such Participant or such holder of the Note, as applicable, the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Lender, such Participant or such holder of the Note, as applicable.

(e) *Treatment of Certain Refunds.* If the Lender, any Participant or any Noteholder determines, in its sole discretion, that it has received a refund of any Taxes or Miscellaneous Taxes as to which it has been indemnified pursuant to this Section (including additional amounts paid by the Authority pursuant to this Section), it shall pay to the Authority an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, under this Section with respect to the Taxes or Miscellaneous Taxes giving rise to such refund), net of all out-of-pocket expenses of the Lender, such Participant or such Noteholder, as applicable, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); *provided that* the Authority, upon the request of the Lender, such Participant or such holder of the Note, as applicable, agrees to repay the amount paid over pursuant to this Section (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Lender, such Participant or such holder of the Note, as applicable, in the event the Lender, such Participant or such holder of the Note, as applicable, is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (e), in no event will the Lender, such Participant or such holder of the Note, as applicable, be required to pay any amount to the Authority pursuant to this paragraph (e) the payment of which would place the Lender, such Participant or such holder of the Note, as applicable, in a less favorable net after-Tax position than the Lender, such Participant or such holder of the Note, as applicable, would have been in if the indemnification payments or additional amounts giving rise to such refund had never been paid. This paragraph shall not be construed to require the Lender, such Participant or such Noteholder, as applicable, to make available its tax returns (or any other information relating to its taxes which it deems confidential) to the Authority or any other Person.

(f) *Survival.* Without prejudice to the survival of any other agreement of the Authority hereunder, the agreements and obligations of the Authority contained in this Section shall survive the termination of this Agreement and the payment in full of the Notes and the Obligations of the Authority thereunder and hereunder.

(g) *Status of Lenders; Tax Documentation.* (i) If the Lender, a Participant or a holder of the Note is entitled to an exemption from or reduction of withholding Taxes with respect to payments made hereunder or under any Related Document, the Lender, such Participant or such holder of the Note, as applicable, shall deliver to the Authority at the time or times reasonably requested by the Authority, such properly completed and executed documentation reasonably requested by the Authority or as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, the Lender, such Participant or such holder of the Note if reasonably requested by the Authority, shall deliver such other documentation prescribed by applicable Law or reasonably requested by the Authority as will enable the Authority to determine whether or not the Lender, such Participant or such holder of the Note is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 6.4(g)(ii) below) shall not be required if, in the Lender's, such Participant's or such Noteholder's reasonable judgment, such completion, execution or submission would subject the Lender, such Participant or such holder of the Note to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of the Lender, such Participant or such holder of the Note.

(ii) Without limiting the generality of the foregoing, if the Authority is resident for tax purposes in the United States, the Lender, such Participant or such holder of the Note shall deliver to the Authority (and from time to time thereafter upon the reasonable request of the Authority), executed originals of IRS Form W-9 certifying that the Lender, such Participant or such holder of the Note, as applicable, is exempt from U.S. federal backup withholding tax.

*Section 6.5. Calculation of Interest and Fees; Maximum Interest Rate; Default Rate.*

(a) Interest on Loans and fees payable hereunder shall be calculated on the basis of a year of 360 days based on the actual number of days elapsed.

(b) Any and all amounts remaining unpaid when due under this Agreement shall bear interest at the Default Rate until repaid and shall be payable upon demand. Any such amounts which constitute interest remaining unpaid when due shall be added to principal, and such interest shall, in turn, bear interest at the Default Rate until repaid and shall be payable upon demand. Upon the occurrence and during the continuance of an Event of Default, the Loans and all other Obligations shall bear interest at the Default Rate, which shall be payable by the Authority to the Lender upon demand therefor and be calculated on the basis of a 360-day year and actual days elapsed.

(c) In the event that the rate of interest payable hereunder shall exceed the Maximum Rate for any period for which interest is payable, then (i) interest at the Maximum Rate shall be due and payable with respect to such interest period and (ii) interest at the rate equal to the difference between (A) the rate of interest calculated in accordance with the terms hereof and (B) the Maximum Rate (the "*Excess Interest Amount*"), shall be deferred until such date as the rate of interest calculated in accordance with the terms hereof ceases to exceed the Maximum Rate, at which time the Authority shall pay to the Lender, with respect to amounts then payable to the Lender that are required to accrue interest hereunder, such portion of the deferred Excess Interest Amount as will cause the rate of interest then paid to the Lender, to equal the Maximum Rate,

which payments of deferred Excess Interest Amount shall continue to apply to such unpaid amounts hereunder until all deferred Excess Interest Amount is fully paid to the Lender. Notwithstanding the foregoing, on the date on which no principal amount with respect to the Loans remains unpaid, the Authority shall pay to the Lender a fee equal to any accrued and unpaid Excess Interest Amount.

(d) All amounts paid pursuant to this Agreement shall be non-refundable and shall be paid in immediately available funds.

*Section 6.6. Liability of the Lender.* Neither the Lender nor any of its officers, directors, employees, representatives or agents shall be liable or responsible for (i) the use which may be made of any Advances, any Loans or this Agreement or for any acts, omissions, errors, interruptions, delays in transmission, dispatch or delivery of any message or advice, however transmitted, of the Lender in connection with this Agreement, any Advances, any Loans or the Notes, (ii) any action, inaction or omission which may be taken by the Lender in connection with this Agreement, any Advances, any Loans or the Notes, (iii) the validity, sufficiency or genuineness of documents, or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged, (iv) payment by the Lender against presentation of documents which do not comply with the terms of this Agreement or a Request for Advance, including failure of any documents to bear any reference or adequate reference to this Agreement, or (v) any other circumstances whatsoever in making or failing to make payment under this Agreement or pursuant to a Request for Advance, except for acts or events described in the immediately preceding clauses (i) through (v), to the extent, but only to the extent, of any direct, as opposed to special, indirect, consequential or punitive, damages (the right to receive special, indirect, consequential or punitive damages being hereby waived) suffered by it which the Authority proves were caused by (y) the Lender's willful misconduct or gross negligence in determining whether documents presented under this Agreement comply with the terms of this Agreement or (z) the Lender's failure to pay hereunder after the presentation to it of a Request for Advance strictly complying with the terms and conditions of this Agreement. The Authority further agrees that any action taken or omitted by the Lender under or in connection with this Agreement or the related draft or documents, if done without willful misconduct or gross negligence, shall be effective against the Authority as to the rights, duties and obligations of the Lender and shall not place the Lender under any liability to the Authority. In furtherance and not in limitation of the foregoing, the Lender may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

*Section 6.7. Obligations Unconditional.* The Authority's obligation to repay the Revolving Loans and the Term Loans and all of its other Obligations under this Agreement shall be absolute and unconditional under any and all circumstances, including without limitation: (a) any lack of validity or enforceability of this Agreement, the Notes or any of the other Related Documents; (b) any amendment or waiver of or any consent to departure from all or any of the Related Documents; (c) the existence of any claim, set-off, defense or other right which the Authority may have at any time against the Lender or any other person or entity, whether in connection with this Agreement, the other Related Documents, the transactions contemplated herein or therein or any unrelated transaction; or (d) any other circumstance or happening

whatsoever, whether or not similar to any of the foregoing; and irrespective of any setoff, counterclaim or defense to payment which the Authority may have against the Lender, any Participant, or any other Person, including, without limitation, any defense based on the failure of any nonapplication or misapplication of the proceeds of Advances hereunder, and irrespective of the legality, validity, regularity or enforceability of this Agreement, the Notes or any or all other Related Documents, and notwithstanding any amendment or waiver of (other than an amendment or waiver signed by the Lender explicitly reciting the release or discharge of any such obligation), or any consent to, or departure from, this Agreement, the Notes or any or all other Related Documents or any exchange, release, or nonperfection of any collateral securing the obligations of the Authority hereunder; *provided, however*, that nothing contained in this Section 6.7 shall abrogate or otherwise affect the rights of the Authority pursuant to Section 6.6 hereof.

## ARTICLE VII

### REPRESENTATIONS AND WARRANTIES

In order to induce the Lender to enter into this Agreement, the Authority makes the following representations and warranties to the Lender:

*Section 7.1. Organization; Existence.* The Authority is duly organized and validly existing as a local government entity of regional government organized and existing pursuant to the Act.

*Section 7.2. Power and Authority.* The Authority has (and had at the time of adoption, execution, delivery, issuance, sale or performance) full power, right and authority to (a) execute, deliver and perform its obligations under this Agreement and each of the Related Documents to which it is a party, and any and all instruments and documents required to be executed, adopted or delivered pursuant to or in connection herewith or therewith; (b) borrow amounts hereunder and to execute, deliver and perform its obligations under the Notes and to repay the Obligations at the times and in the manner set forth herein; (c) possess, manage and operate the Airport System and carry on its business as now conducted; and (d) perform each and all of the matters and things herein and therein provided for and the Authority has complied in all material respects with the laws of the State in all matters relating to such execution, delivery and performance.

*Section 7.3. Due Authorization.* This Agreement, the Subordinate Trust Indenture and each of the Related Documents to which the Authority is a party have been duly authorized, executed, issued and delivered. This Agreement, the Subordinate Trust Indenture, the Notes and each of the Related Documents to which the Authority is a party constitute legal, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their respective terms, except as such enforceability may be limited by the valid exercise of judicial discretion and the constitutional powers of the United States of America and to valid bankruptcy, insolvency, reorganization, moratorium, or other similar laws and equitable principles relating to or affecting creditors' rights generally from time to time in effect. The Obligations are payable from and secured by Subordinate Net Revenues as set forth herein and in the Subordinate Trust Indenture. The Notes will be duly issued, executed and delivered in conformity with the Act and

the Subordinate Trust Indenture, and constitute legal, valid and binding special obligations of the Authority, enforceable in accordance with their respective terms, except as such enforceability may be limited by applicable reorganization, insolvency, liquidation, readjustment of debt, moratorium or other similar laws affecting the enforcement of the rights of creditors generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), and entitled to the benefit and security of the Subordinate Trust Indenture.

*Section 7.4. Necessary Actions Taken.* The Authority has taken all actions necessary to be taken by it (a) for the execution and delivery of the Notes as Subordinate Obligations; (b) for the execution, adoption and delivery by the Authority of any and all instruments and the taking of all such other actions on the part of the Authority as may be necessary or appropriate for the effectuation and consummation of the transactions on the part of the Authority contemplated by this Agreement and the Related Documents or in connection herewith or therewith; and (c) to authorize or approve, as appropriate, the execution or adoption, issuance and delivery of, and the performance of its obligations under and the transactions contemplated by this Agreement and each of the Related Documents to which it is a party and the payment of the Obligations and the Notes at the times and in the manner set forth.

*Section 7.5. No Contravention.* The execution and delivery of this Agreement and each of the Related Documents to which the Authority is a party and compliance with the provisions hereof and thereof, will not conflict with or result in a violation of the Constitution or the laws of the State, including any debt limitations or other restrictions or conditions on the debt issuing power of the Authority, and will not conflict with or result in a violation of, or breach of, or constitute a default under, any law, judgment, order, decree or administrative regulation or any of the terms, conditions or provisions of the Act, the Master Senior Trust Indenture or the Subordinate Trust Indenture or any ordinance, judgment, decree, contract, loan agreement, note, bond, resolution, indenture, mortgage, deed of trust or other agreement or instrument to which the Authority is a party or by which it or any property of the Authority is bound and will not, except as expressly provided herein, result in the imposition or creation of any lien, charge, or encumbrance upon or invalidate or adversely affect in any way the Subordinate Net Revenues. The Authority has not received any notice, not subsequently withdrawn, given in accordance with the remedy provisions of any bond resolution or ordinance, trust indenture, guarantee or agreement or State law pertaining to bonds or notes secured by the Subordinate Net Revenues, of any default or event of default of the Authority which has not been cured, remedied or waived.

*Section 7.6. Compliance.* The current collection of Subordinate Net Revenues and the management of the Airport System and the accounting and recordkeeping therefor are in material compliance with all applicable state and federal laws and all applicable resolutions, ordinances and rules of the Authority. The Authority is in compliance with the terms and conditions of the Subordinate Trust Indenture and each of the Related Documents to which it is a party, and no breach of the terms hereof or thereof has occurred and is continuing, and no Default or Event of Default has occurred and is continuing.

*Section 7.7. No Default.* No default by the Authority has occurred and is continuing in the payment of the principal of or premium, if any, or interest on any bond, note or other

evidence of indebtedness issued by the Authority and secured by the Subordinate Net Revenues. No bankruptcy, insolvency or other similar proceedings pertaining to the Authority or any agency or instrumentality of the Authority are pending or presently contemplated.

*Section 7.8. No Public Vote, Referendum or Legal Change.* (a) To the best knowledge of the Authority, there is no proposed amendment to the Constitution of the State or any proposed public vote, referendum or other ballot initiative, the effect of which could reasonably be expected to have a Material Adverse Effect.

(b) There is no amendment to the Constitution of the State or any published administrative interpretation of the Constitution of the State or any State law, or any public vote or referendum or other ballot initiative or any legislation that has passed either house of the State legislature, or any published judicial decision interpreting any of the foregoing, the effect of which could reasonably be expected to have a Material Adverse Effect.

*Section 7.9. No Immunity.* Under existing law, the Authority is not entitled to raise the defense of sovereign or governmental immunity in connection with any legal proceedings to enforce or collect upon this Agreement, the Related Documents or the transactions contemplated hereby or thereby, including the payment of the Obligations; *provided, however*, that a claimant shall be required to comply with the provisions of the Tort Claims Act set forth in California Government Code Section 810 *et seq.* in tort or contract suits, actions or proceedings brought against the Authority.

*Section 7.10. Litigation.* There is no action, investigation, suit or proceeding pending in any court, any other governmental authority with jurisdiction over the Authority or the Airport System or any arbitration in which service of process has been completed against the Authority or the Airport System or, to the knowledge of the Authority, any other action, investigation, suit or proceeding pending or threatened in any court, any other governmental authority with jurisdiction over the Authority or the Airport System or any arbitration, in either case against the Authority or the Airport System or any of their respective properties or revenues, or any of the Related Documents to which it is a party, which if determined adversely to the Authority would adversely affect (A) the legality, validity or enforceability of this Agreement, the Notes or the Related Documents to which it is a party, (B) the validity, enforceability or perfection of the pledge of and lien on the Subordinate Net Revenues or on the amounts held in funds, accounts and subaccounts under the Subordinate Trust Indenture, (C) the status of the Authority as a local government entity of regional government, organized and validly existing under the laws of the State, (D) the exemption of interest on the Tax-Exempt Loans from the gross income of the recipients thereof for Federal income tax purposes, or (E) the rights and remedies of the Lender under any of the Related Documents or which is reasonably likely to have a Material Adverse Effect, except any action, suit or proceeding which has been brought prior to the Effective Date as to which the Lender has received an opinion of counsel satisfactory to the Lender, in form and substance satisfactory to the Lender and its counsel, to the effect that such action, suit or proceeding is without substantial merit.

*Section 7.11. Disclosure.* All information, reports and other papers and data with respect to the Authority furnished to the Lender, at the time the same were so furnished, were accurate in

all material respects. Any financial, budget and other projections furnished to the Lender were prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair and reasonable in light of conditions existing at the time of delivery of such financial, budget or other projections.

*Section 7.12. Financial Information.* The Authority has delivered to the Lender a copy of the audited financial statements for the Authority and the Airport System for the fiscal year ended June 30, 2013. These together with related notes, fairly present the financial position and results of operation of the Authority and the Airport System as of the date and for the periods therein set forth. All such financial statements have been prepared in accordance with GAAP. There has been no material adverse change in the financial position, including the Net Revenues and Subordinate Net Revenues, results of operations or projections of revenues of the Airport System since June 30, 2013, except as disclosed in writing to the Lender prior to the Effective Date, which would be reasonably likely to result in a Material Adverse Effect. The Authority has no material contingent liabilities or other material contracts or commitments payable from Subordinate Net Revenues which are not reflected in such financial statements previously delivered to the Lender or in the notes thereto or otherwise as disclosed to the Lender.

*Section 7.13. Official Signatures.* The Authorized Authority Representative has and had full power and authority to execute, deliver and perform under this Agreement and each of the Related Documents to which the Authority is a party. Any agreement, certificate or request signed by or on behalf of any Authorized Authority Representative or Designated Representative and delivered to the Lender shall be deemed a representation and warranty by the Authority to the Lender as to the truth, accuracy and completeness of the statements made by the Authority therein.

*Section 7.14. Incorporation of Representations and Warranties by Reference.* The Authority hereby makes to the Lender the same representations and warranties made by the Authority in each Related Document to which the Authority is a party, which representations and warranties, as well as the related defined terms contained therein, are hereby incorporated by reference for the benefit of the Lender with the same effect as if each and every such representation and warranty and defined term were set forth herein in its entirety. Except as permitted by Section 8.15 hereof, no amendment to such representations and warranties or defined terms made pursuant to any Related Document shall be effective to amend such representations and warranties and defined terms as incorporated by reference herein without the prior written consent of the Lender.

*Section 7.15. Environmental Matters.* To the best knowledge of the Authority, the operations of the Airport System (i) have not become subject to any Environmental Liability nor does the Authority know of any basis for any Environmental Liability and (ii) are in material compliance with all of the requirements of applicable federal, state and local environmental, health and safety statutes and regulations (including all Environmental Laws) and are not the subject of any governmental investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, where a failure to comply with any such requirement or the need for any such remedial action would have

a Material Adverse Effect. The Authority has obtained and maintains or complies with any permit, license or other approval required under any Environmental Law.

*Section 7.16. Security; Pledge of Subordinate Net Revenues Securing Obligations.* The Master Subordinate Trust Indenture creates, for the benefit of the Lenders and the Noteholders, with respect to the payment of the principal of and interest on the Loans, the Notes and the Obligations, the legally valid, binding and irrevocable lien on and pledge of the Subordinate Net Revenues. There is no lien on the Subordinate Net Revenues other than the liens created by the Subordinate Trust Indenture. None of the Master Senior Trust Indenture, the Master Subordinate Trust Indenture or the Third Supplemental Subordinate Trust Indenture permit the issuance of any Debt secured by the Subordinate Net Revenues to rank senior to the payment of the principal of and interest on the Subordinate Obligations, the Notes, the Loans, Advances or the Obligations, other than the Senior Lien Revenue Bonds and reserves established with respect to the Senior Lien Revenue Bonds. The payment of the Obligations ranks on a parity with the payment of the principal of and interest on the Subordinate Obligations and is not subordinate to any payment secured by a lien on the Subordinate Net Revenues or any other claim other than payments with respect to the principal of, purchase price, premium, if any, and interest on the Senior Lien Revenue Bonds and the funding of reserves therefor as set forth in the Master Senior Trust Indenture and is prior as against all other Persons having claims of any kind in tort, contract or otherwise, whether or not such Persons have notice of such lien. No filing, registration, recording or publication of the Master Senior Trust Indenture, the Subordinate Trust Indenture or any other instrument is required to establish the pledge provided for thereunder or to perfect, protect or maintain the lien created thereby on the Subordinate Net Revenues to secure the Notes, the Loans, Advances and the Obligations. As of the Effective Date, there is no indebtedness of the Authority payable from or secured by the Subordinate Net Revenues or amounts held in funds, accounts or subaccounts under the Subordinate Trust Indenture or any portion thereof on a basis that is on a parity with the Obligations (including the Repayment Obligations and the Notes) other than the Subordinate Obligations existing as of the Effective Date. The Obligations and the Notes constitute "Subordinate Obligations" for purposes of the Subordinate Trust Indenture.

*Section 7.17. Tax Exempt Status of Tax-Exempt Loans.* The Authority has not taken any action and knows of no action that any other Person has taken which would cause interest on any Tax-Exempt Loan to be included in the gross income of the recipients thereof for Federal income tax purposes.

*Section 7.18. Margin Regulations.* The Authority is not engaged in the business of extending credit for the purpose of purchasing or carrying Margin Stock, and no part of the proceeds of the Advances, the Loans or the Notes or any amounts furnished by the Lender pursuant to a Request for Advance will be used to purchase or carry any Margin Stock or to extend credit to others for the purpose of purchasing or carrying any Margin Stock.

*Section 7.19. The Notes.* The Notes will be duly issued and the Notes and the Repayment Obligations shall constitute Subordinate Obligations under the Subordinate Trust Indenture and will be entitled to the benefits thereof.

*Section 7.20. Pari Passu.* Under the laws of the State, the obligation of the Authority under this Agreement to pay interest at the Taxable LIBOR Rate, the Tax-Exempt LIBOR Rate, the Lender Rate, the Default Rate or the Taxable Rate as set forth herein constitutes a charge and lien on the Subordinate Net Revenues equal to and on a parity with the charge and lien upon the Subordinate Net Revenues for the payment of the Repayment Obligations and the principal of and interest on the Notes and all other Subordinate Obligations under the Subordinate Trust Indenture, and, with respect to Net Revenues, subordinate only to the Senior Lien Revenue Bonds and reserves relating thereto.

*Section 7.21. Maximum Rate.* The terms of the Related Documents (including the Notes) regarding the calculation of interest and fees do not violate any applicable usury laws.

*Section 7.22. Valid Lien.* The Authority's irrevocable pledge of the Subordinate Net Revenues and amounts hereunder and under the Subordinate Trust Indenture and in the funds, accounts and subaccounts established and maintained under the Subordinate Trust Indenture to and for the payment of the Obligations of the Authority under this Agreement and for the payment of the Repayment Obligations and the Notes is valid and binding and no further acts, instruments, approvals or consents are necessary for the creation, validity or perfection thereof. The provisions of the Subordinate Trust Indenture constitute a contract between the Authority and the Lender subject to the provisions of the Subordinate Trust Indenture, and the Lender, may at law or in equity, by suit, action, mandamus or other proceedings, enforce and compel the performance of all duties required to be performed by the Authority as a result of issuing the Notes.

*Section 7.23. ERISA; Plans; Employee Benefit Plans.* The Authority is not subject to ERISA and maintains no Plans.

*Section 7.24. Solvency.* After giving effect to the issuance of the Notes and the other obligations contemplated by this Agreement, the Authority is solvent, having assets of a fair value which exceeds the amount required to pay its debts (including contingent, subordinated, unmatured and unliquidated liabilities) as they become absolute and matured, and the Authority is able to and anticipates that it will be able to meet its debts as they mature and has adequate capital to conduct its business in which it is engaged.

*Section 7.25. Anti-Terrorism Laws.* Neither the Authority nor any of Affiliates thereof is in violation of any Laws relating to terrorism or money laundering ("*Anti-Terrorism Laws*"), including Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the "*Executive Order*"), and the Patriot Act;

(i) neither the Authority nor any Affiliate thereof is any of the following:

(A) a Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(B) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(C) a Person with which the Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law;

(D) a Person that commits, threatens or conspires to commit or supports “terrorism” as defined in the Executive Order; or

(E) a Person that is named as a “specially designated national and blocked person” on the most current list published by the Office of Foreign Asset Control (“OFAC”) or any list of Persons issued by OFAC pursuant to the Executive Order at its official website or any replacement website or other replacement official publication of such list; and

(ii) to the best of the Authority’s knowledge neither the Authority nor any Affiliate thereof (A) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Person described in subsection (i) above, (B) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order or (C) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

## ARTICLE VIII

### COVENANTS OF THE AUTHORITY

The Authority will do the following so long as the Commitment is outstanding or any Obligations remain outstanding under this Agreement, unless the Lender shall otherwise consent in writing:

*Section 8.1. Maintenance of Existence.* To the extent permitted by law, the Authority shall maintain its existence pursuant to the Act and the laws of the State and at all times maintain its ownership of the Airport System.

*Section 8.2. Reports, Certificates and Other Information.* The Authority shall furnish or cause to be furnished to the Lender copies of:

(a) as soon as available, but in any event within one hundred eighty-one (181) days after the end of each Fiscal Year, the annual audited financial statements for the Authority together with the opinion of the Authority’s independent accountants and a certificate from the Executive Director or the Vice President, Finance and Asset Management/Treasurer addressed to the Lender demonstrating compliance with Section 8.7 hereof and stating that neither a Default nor an Event of Default has occurred

which was continuing at the end of such Fiscal Year or on the date of his certification, or, if such an event has occurred and was continuing at the end of such Fiscal Year or on the date of his certification, indicating the nature of such event and the action which the Authority proposes to take with respect thereto;

(b) as soon as available, but in any event within sixty (60) days after December 31 of each year, a copy of the unaudited financial statements of the Authority for the six months ended on such December 31, accompanied by a certification from the Executive Director or the Vice President, Finance and Asset Management/Treasurer addressed to the Lender stating that neither a Default nor an Event of Default has occurred which was continuing at the end of such six month period or on the date of the certification, or, if such an event has occurred and was continuing at the end of such six month period or on the date of the certification, indicating the nature of such event and the action which the Authority proposes to take with respect thereto;

(c) as soon as available, but in any event within thirty (30) days following the approval thereof, the Authority Budget and annual appropriation resolution for the Authority;

(d) as soon as available, all notices, certificates, instruments, letters and written commitments in connection with the Revolving Obligations provided to the Trustee other than those notices, certificates, instruments, letters and written commitments that relate solely to the routine issuance and payment of the Revolving Obligations;

(e) within ten (10) days after the issuance by the Authority of any Senior Lien Revenue Bonds secured by Net Revenues or any Subordinate Obligations secured by Subordinate Net Revenues, with respect to which a final official statement or other offering circular has been prepared by the Authority, the Authority will provide to the Lender notice of such issuance and a copy of such official statement or offering circular (or a link to EMMA with respect to such official statement or offering circular);

(f) (i) promptly upon obtaining knowledge of any Default or Event of Default, or notice thereof, and within five (5) days thereafter, a certificate signed by a Designated Representative specifying in reasonable detail the nature and period of existence thereof and what action the Authority has taken or proposes to take with respect thereto; and (ii) promptly following a written request of the Lender, a certificate of a Designated Representative as to the existence or absence, as the case may be, of a Default or an Event of Default under this Agreement;

(g) as promptly as practicable, written notice to the Lender of all litigation served against the Authority and all proceedings before any court or governmental authority which could reasonably be expected to have a Material Adverse Effect or of any other event which is likely to have a Material Adverse Effect; and

(h) such other information regarding the affairs and condition of the Authority and the Airport System as the Lender may from time to time reasonably request; *provided* that the Authority shall not be required to furnish such information if doing so violates applicable law as reasonably construed.

*Section 8.3. Maintenance of Books and Records.* The Authority will keep, and cause to be kept, proper books of record and account in which full, true and correct entries in accordance with the Authority's budget basis accounting principles and reporting practices will be made of all dealings or transactions in relation to its activities.

*Section 8.4. Access to Books and Records.* To the extent permitted by law, the Authority will permit any Person designated by the Lender (at the expense of the Lender) to visit any of the offices of the Authority to examine the books and financial records (except books and financial records the examination of which by the Lender is prohibited by law or subject to some privilege), including minutes of meetings of any relevant governmental committees or agencies, and make copies thereof or extracts therefrom, and to discuss the affairs, finances and accounts of the Authority with their principal officials, all at such reasonable times and as often as the Lender may reasonably request.

*Section 8.5. Compliance with Documents.* The Authority agrees that it will perform and comply with each and every covenant and agreement required to be performed or observed by it in each of the Related Documents to which it is a party, which provisions, as well as related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety all of which shall be deemed to be made for the benefit of the Lender and shall be enforceable against the Authority. To the extent that any such incorporated provision permits the Authority or any other Person to waive compliance with such provision or requires that a document, opinion or other instrument or any event or condition be acceptable or satisfactory to the Authority or any Person, for purposes of this Agreement, such provision shall be complied with unless it is specifically waived by the Lender in writing and such document, opinion or other instrument and such event or condition shall be acceptable or satisfactory only if it is acceptable or satisfactory to the Lender which shall only be evidenced by the written approval by the Lender of the same. Except as permitted by Section 8.15 hereof, no termination or amendment to such covenants and agreements or defined terms or release of the Authority with respect thereto made pursuant to any of the Related Documents to which the Authority is a party, shall be effective to terminate or amend such covenants and agreements and defined terms or release the Authority with respect thereto in each case as incorporated by reference herein without the prior written consent of the Lender. Notwithstanding any termination or expiration of any such Related Document to which the Authority is a party, the Authority shall, unless such Related Document has terminated in accordance with its terms and has been replaced by a new Related Document, continue to observe the covenants therein contained for the benefit of the Lender until the termination of this Agreement. All such incorporated covenants shall be in addition to the express covenants contained herein and shall not be limited by the express covenants contained herein nor shall such incorporated covenants be a limitation on the express covenants contained herein.

*Section 8.6. Compliance with Law.* The Authority shall comply with and observe the obligations and requirements set forth in the Constitution of the State of California and in all statutes and regulations binding upon it relating to the Airport System and the Related Documents to which the Authority is a party.

*Section 8.7. Rate Covenant.* The Authority covenants and agrees that it shall take any and all action necessary such that Revenues and Subordinate Net Revenues in each Fiscal Year shall equal an amount at least sufficient to satisfy the provisions of Section 5.04 of the Master Subordinate Trust Indenture.

*Section 8.8. Further Assurances.* From time to time hereafter, the Authority will execute and deliver such additional instruments, certificates or documents, and will take all such actions as the Lender may reasonably request for the purposes of implementing or effectuating the provisions of the Related Documents to which the Authority is a party or for the purpose of more fully perfecting or renewing the rights of the Lender with respect to the rights, properties or assets subject to such documents (or with respect to any additions thereto or replacements or proceeds thereof or with respect to any other property or assets hereafter acquired by the Authority which may be deemed to be a part thereof). Upon the exercise by the Lender of any power, right, privilege or remedy pursuant to the Related Documents to which the Authority is a party which requires any consent, approval, registration, qualification or authorization of any governmental authority or instrumentality, the Authority will, to the extent permitted by law, execute and deliver all necessary applications, certifications, instruments and other documents and papers that the Lender may be required to obtain for such governmental consent, approval, registration, qualification or authorization.

*Section 8.9. No Impairment.* The Authority will neither take any action, nor cause any Person to take any action, under any Related Document which would materially adversely affect the rights, remedies or security of the Lender under this Agreement or any other Related Document or which could result in a Material Adverse Effect.

*Section 8.10. Application of Proceeds.* The Authority will not take or omit to take any action, which action or omission will in any way result in the proceeds from any Loan being applied in a manner other than as provided in the Subordinate Trust Indenture, the Tax Certificate and this Agreement.

*Section 8.11. Reserved.*

*Section 8.12. Reserved.*

*Section 8.13. Limitation on Additional Debt.* The Authority will not issue any additional Subordinate Obligations payable from or secured by Subordinate Net Revenues (other than the Revolving Obligations issued in accordance with the provisions of the Third Supplemental Subordinate Trust Indenture and this Agreement) unless the Authority complies with the provisions of Section 2.11 of the Master Subordinate Trust Indenture. Within ten (10) days after the issuance by the Authority of any Subordinate Obligations secured by Subordinate Net Revenues, the Authority will provide the Lender copies of the certificates required to be

delivered by the Authority pursuant to Section 2.09(d) and (e) of the Master Subordinate Trust Indenture.

*Section 8.14. Maintenance of Tax Exempt Status.* The Authority will not take any action or omit to take any action that, if taken or omitted, would adversely affect the exclusion of interest on any Tax-Exempt Loan from the gross income of any Holder for Federal income tax purposes; *provided, however*, that the Authority shall not be in violation of the provisions of this Section 8.14 as a result of a Holder being a “substantial user” of the projects financed or refinanced with proceeds of an AMT Loan or a “related person” for purposes of Section 147(a) of the Code.

*Section 8.15. Amendments to Master Senior Trust Indenture, Master Subordinate Trust Indenture and Other Related Documents.* The Authority will not amend or modify, or permit to be amended or modified in any manner whatsoever (i) Sections 2.11, 4.01, 4.02 (excluding clauses (vi) and (vii) of subparagraph (b) thereof), 5.03, 5.04, 5.06, 5.08, 5.09 or 5.12 of the Master Senior Trust Indenture and Sections 2.11, 4.01, 5.05, 5.07 and 5.08 of the Master Subordinate Trust Indenture, in each case without the prior written consent of the Lender nor shall it amend, modify or supplement any other provision of the Master Senior Trust Indenture or the Master Subordinate Trust Indenture (other than those set forth above) in a manner which would have a material adverse effect upon the Authority’s ability to perform its obligations under this Agreement or to repay indebtedness that is secured by the Subordinate Net Revenues or which adversely affects the security for the Notes or the Authority’s ability to repay when due the Obligations or the rights or remedies of the Lender under the Related Documents or hereunder; or (ii) any other Related Document without the prior written consent of the Lender.

*Section 8.16. Maintenance of Insurance.* The Authority covenants and agrees that it shall comply with Section 5.10 of the Master Senior Trust Indenture.

*Section 8.17. [Reserved].*

*Section 8.18. Taxes and Liabilities.* The Authority shall pay all its indebtedness and obligations promptly and in accordance with their terms and pay and discharge or cause to be paid and discharged promptly all taxes, assessments and governmental charges or levies imposed upon it or upon its income and profits, or upon any of its property, real, personal or mixed, or upon any part thereof, before the same shall become in default, which default could have a Material Adverse Effect; *provided* that the Authority shall have the right to defer payment or performance of obligations to Persons other than the Lender so long as it is contesting in good faith the validity of such obligations by appropriate legal action and no final order or judgment has been entered with respect to such obligations.

*Section 8.19. Trustee.* Unless otherwise consented to in writing by the Lender, the Authority shall ensure that any replacement Trustee shall have capital of not less than \$500,000,000, and such Trustee or its respective parent organization shall have an underlying rating from Moody’s and S&P of at least “A2” (or its equivalent) and “A” (or its equivalent), respectively.

*Section 8.20. Waiver of Sovereign Immunity.* The Authority hereby agrees not to assert the defense of any future right of sovereign or governmental immunity in any legal proceeding to enforce or collect upon the obligations of the Authority under this Agreement or any other Related Document or the transactions contemplated hereby or thereby.

*Section 8.22. Credit Facilities.* (i) In the event that the Authority shall, directly or indirectly, enter into or otherwise consent to any Bank Agreement, which such Bank Agreement provides such Person with additional or more restrictive covenants (including without limitation financial covenants) and/or additional or more restrictive events of default (collectively, the “*Additional Rights*”) than are provided to the Lender in this Agreement, then, upon the occurrence of an event of default (without regard to a waiver of such event of default) under such agreement (or amendment thereto) caused by such Additional Rights, such Additional Rights shall automatically be deemed to be incorporated into this Agreement and the Lender shall have the benefits of such Additional Rights; *provided, however*, that such Additional Rights shall automatically be deemed to be incorporated into this Agreement and the Lender shall have the benefits of such Additional Rights only from and after the occurrence of an event of default under the related Bank Agreement caused by the Additional Rights or a failure by the Authority to comply with such Additional Rights. The Authority shall promptly, upon the occurrence of an event of default (without regard to a waiver of such event of default) under the related Bank Agreement caused by such Additional Rights or a failure by the Authority to comply with such Additional Rights, enter into an amendment to this Agreement to include such Additional Rights, *provided* that the Lender shall maintain the benefit of such Additional Rights even if the Authority fails to provide such amendment. If the Authority shall amend the related Bank Agreement such that it no longer provides for such Additional Rights, then, without the consent of the Lender, this Agreement shall automatically no longer contain the related Additional Rights and the Lender shall no longer have the benefits of any of the related Additional Rights.

(ii) In the event that the Authority shall enter into or otherwise consent to any Bank Agreement, which such Bank Agreement provides for any term or provision which permits any outstanding advance, loan or drawing to be amortized over a period shorter than the Amortization Period set forth in Section 4.5 hereof (such shorter amortization period, the “*Shorter Amortization Period*”), this Agreement shall automatically be deemed to be amended such that the Amortization Period set forth in Section 4.5 hereof shall be such Shorter Amortization Period. Upon the occurrence of the conditions set forth in the immediately preceding sentence, the Authority shall promptly enter into an amendment to this Agreement such that the Amortization Period equals such Shorter Amortization Period, *provided* that the Amortization Period shall equal the Shorter Amortization Period regardless of whether this Agreement is amended. If the Authority shall amend the Bank Agreement such that it no longer provides for an amortization of the related advance, loan, drawing or other obligation for a period less than the Amortization Period as of the Effective Date, then, the Authority shall promptly enter into an amendment to this Agreement such that the Amortization Period equals the Amortization Period set forth in Section 4.5 hereof as of the Effective Date, *provided* that the Amortization Period

shall equal the Amortization Period set forth in Section 4.5 hereof as of the Effective Date regardless of whether this Agreement is amended.

*Section 8.23. Right to Accelerate.* In the event the Authority shall, directly or indirectly, enter into or otherwise consent to any Bank Agreement, which Bank Agreement includes the right to accelerate the payment of the principal of or interest on any series of Senior Lien Revenue Bonds or Subordinate Obligations upon the occurrence and continuation of an event of default or event of termination under such Bank Agreement, or such Bank Agreement includes the right to accelerate the payment of the principal of or interest on any series of Senior Lien Revenue Bonds or Subordinate Obligations upon the occurrence and continuation of an event of default or event of termination under such Bank Agreement within a shorter period than is available to the Lender under this Agreement (herein referred to as “*New Acceleration Provisions*”), then such New Acceleration Provisions shall automatically be deemed incorporated herein and the Lender shall automatically have the benefit of such New Acceleration Provisions. The Authority shall promptly, upon the occurrence of the Authority entering into any Bank Agreement (or amendment thereto) which provides for New Acceleration Provisions, enter into an amendment to this Agreement to include such New Acceleration Provisions; *provided* that the Lender shall maintain the benefit of such New Acceleration Provisions even if the Authority fails to provide such amendment. The release, termination or other discharge of such Bank Agreement that provides for such New Acceleration Provisions shall be effective to amend, release, terminate or discharge (as applicable) such provisions as incorporated by reference herein without the consent of the Lender.

*Section 8.24. Maintenance of Ratings.* The Authority shall at all times maintain long-term unenhanced ratings on Subordinate Obligations (other than this Agreement, the Note and the Repayment Obligations hereunder) by any two Nationally Recognized Statistical Rating Organizations (as defined under the Securities Exchange Act of 1934, as amended) approved by the Lender. As of the Effective Date, the Authority maintains long-term unenhanced ratings on the Subordinate Obligations from Fitch, Moody’s and S&P. Such Rating Agencies are approved by the Lender (unless and until the Lender notifies the Authority in writing that it no longer approves of Fitch, Moody’s or S&P).

*Section 8.25. Liens, Etc.* The Authority shall not create or suffer to exist any Lien upon or with respect to any of the funds or accounts created under the Subordinate Trust Indenture except those Liens specifically permitted under the Subordinate Trust Indenture; *provided, however,* that, unless otherwise consented to in advance in writing by the Lender, in no event will the Authority permit any Lien upon the Net Revenues or the Subordinate Net Revenues securing any termination payment pursuant to any Swap Contract to be on parity with or senior to the Lien on Subordinate Net Revenues securing the Repayment Obligations and the Notes.

*Section 8.26. Federal Reserve Board Regulations.* The Authority shall not use any portion of the proceeds of any Advances, any Loans or the Notes for the purpose of carrying or purchasing any Margin Stock.

*Section 8.27. Use of Lender’s Name.* Except as may be required by law (including, but not limited to, federal and state securities laws), the Authority shall not use the Lender’s name in

any published materials (other than the Authority's staff reports, annual statements, audited financial statements, and rating agency presentations) without the prior written consent of the Lender (which consent shall not be unreasonably withheld); *provided* that, without the prior written consent of the Lender, the Authority may identify the Lender as a party to this Agreement, the stated amount of the Commitment, the expiration date of the Commitment, that the interest rate on the Loans is based on the one-month LIBOR plus a spread (such spread shall not be identified) and that the Authority's obligations under this Agreement are secured by Subordinate Net Revenues, in offering documents with respect to the Senior Lien Revenue Bonds and the Subordinate Obligations, so long as no other information relating to this Agreement or the Lender is disclosed in such offering documents without the prior written consent of the Lender.

*Section 8.28. Consolidation, Merger, Etc.* The Authority shall not dissolve or otherwise dispose of all or substantially all of the assets of the Authority or consolidate with or merge into another Person or permit one or more other Persons to consolidate with or merge into the Authority; *provided, however*, that the Authority may consolidate with or merge into another Person or permit one or more other Persons to consolidate with or merge into the Authority if each of the following conditions shall have been fulfilled:

(i) such merger or consolidation shall be with or into another governmental entity which shall assume in writing, reasonably satisfactory in form and substance to the Lender, or by operation of law the due and punctual performance and observance of all of the covenants, agreements and conditions of this Agreement and the other Related Documents;

(ii) such merger or consolidation shall not adversely affect or impair to any extent or in any manner (1) the Subordinate Net Revenues, (2) the availability of the Subordinate Net Revenues for the payment and security of the obligations of the Authority under this Agreement, or (3) the pledge or security afforded by the Master Senior Trust Indenture and the Master Subordinate Trust Indenture to the Senior Lien Revenue Bonds and the Subordinate Obligations, and the Authority shall have furnished to the Lender, for the benefit of the Lender, an opinion of its Bond Counsel, satisfactory in form and substance to the Lender, to such effect; and

(iii) the Authority shall have given the Lender not less than 60 days' prior written notice of such merger or consolidation and furnished to the Lender all such information concerning such merger or consolidation as shall have been reasonably requested by the Lender.

*Section 8.29. Incorporation of Waiver of Jury Trial and Judicial Reference from Bank Agreements.* In the event that the Department has or shall enter into, or otherwise consent to any Bank Agreement which (i) provides that the Authority waives any right to a trial by jury in any action, suit or proceeding arising under or relating to such Bank Agreement, or (ii) provides that the Authority consents to the adjudication of any action, suit or proceeding arising under or relating to such Bank Agreement pursuant to judicial reference as provided in California Code of Civil Procedure Section 638, this Agreement shall be deemed to be amended to include a

substantially similar provision for the benefit of the Lender (any such provision described in (i) or (ii) referred to herein as a “*Section 8.29 Bank Agreement Provision*”). The Authority shall promptly notify the Lender of any Bank Agreement which it enters into with any other Person which contains a Section 8.29 Bank Agreement Provision, and the Authority shall promptly, and in any event within thirty (30) Business Days after the effective date of such Bank Agreement provide the Lender with a copy of such Bank Agreement. To evidence the foregoing, upon the reasonable request of the Lender, the Authority shall enter into an amendment to this Agreement within sixty (60) days after a request by the Lender to document any Section 8.29 Bank Agreement Provision deemed to be added to this Agreement pursuant to this Section. Notwithstanding the foregoing, the Lender shall automatically maintain the benefit of any Section 8.29 Bank Agreement Provision, even if the Authority fails to provide the Lender with a copy of such Bank Agreement containing the Section 8.29 Bank Agreement Provision or fails to enter into any such amendment to this Agreement with the Lender.

## **ARTICLE IX**

### **RESERVED**

## **ARTICLE X**

### **DEFAULTS AND REMEDIES**

*Section 10.1. Events of Default and Remedies.* If any of the following events shall occur, each such event shall be an “Event of Default”:

(a) the Authority fails to pay, or cause to be paid, when due (i) any principal of or interest on any Note, (ii) any Repayment Obligation or (iii) any other Obligation;

(b) any representation, warranty or statement made by or on behalf of the Authority herein or in any Related Document to which the Authority is a party or in any certificate delivered pursuant hereto or thereto shall prove to be untrue in any material respect on the date as of which made or deemed made; or the documents, certificates or statements of the Authority (including unaudited financial reports, budgets, projections and cash flows of the Authority and the Airport System) furnished to the Lender by or on behalf of the Authority in connection with the transactions contemplated hereby, when taken as a whole, are materially inaccurate in light of the circumstances under which they were made and as of the date on which they were made;

(c) (i) the Authority fails to perform or observe any term, covenant or agreement contained in Sections 8.1, 8.9, 8.13, 8.14, 8.15, 8.18, 8.24, and 8.25 inclusive; or (ii) the Authority fails to perform or observe any other term, covenant or agreement contained in this Agreement (other than those referred to in Sections 10.1(a) and 10.1(c)(i)) and any such failure cannot be cured or, if curable, remains uncured for thirty (30) days after written notice thereof to the Authority;

(d) the Authority shall (i) default in the payment of the principal of or interest on the Senior Lien Revenue Bonds or the Subordinate Obligations (other than the Revolving Obligations, the Notes or the Loans), beyond the period of grace, if any, provided in the instrument or agreement under which such Senior Lien Revenue Bonds or the Subordinate Obligations was issued or incurred; (ii) default in the observance or performance of any agreement or condition relating to any Senior Lien Revenue Bonds or the Subordinate Obligations or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause the holder or holders of such Senior Lien Revenue Bonds or the Subordinate Obligations (or a trustee or agent on behalf of such holder or holders) to cause (determined without regard to whether any notice is required), any such Senior Lien Revenue Bonds or the Subordinate Obligations to become due prior to its stated maturity; or (iii) default in the observance or performance of any agreement or condition relating to any Senior Lien Revenue Bonds or the Subordinate Obligations or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to permit the holder or holders of such Senior Lien Revenue Bonds or the Subordinate Obligations (or a trustee or agent on behalf of such holder or holders) to cause (determined without regard to whether any notice is required), any such Senior Lien Revenue Bonds or the Subordinate Obligations to become due prior to its stated maturity;

(e) (i) any provision of this Agreement or any Related Document related to (A) payment of principal of or interest on the Notes, the Loans, the Advances or any other Subordinate Obligations or (B) the validity or enforceability of the pledge of the Subordinate Net Revenues or any other pledge or security interest created by the Subordinate Trust Indenture shall at any time for any reason cease to be valid and binding on the Authority as a result of any legislative or administrative action by a Governmental Authority with competent jurisdiction, or shall be declared, in a final nonappealable judgment by any court of competent jurisdiction, to be null and void, invalid or unenforceable;

(ii) the validity or enforceability of any material provision of this Agreement or any Related Document related to (A) the payment of the principal of or interest on the Notes, the Loans, the Advances or any other Subordinate Obligations, or (B) the validity or enforceability of the pledge of the Subordinate Net Revenues or any other pledge or security interest created by the Subordinate Trust Indenture shall be publicly contested by the Authority; or

(iii) any other material provision of this Agreement or any other Related Document, other than a provision described in clause (i) above, shall at any time for any reason cease to be valid and binding on the Authority as a result of any legislative or administrative action by a Governmental Authority with competent jurisdiction or shall be declared in a final non-appealable judgment by any court with competent jurisdiction to be null and void, invalid, or unenforceable, or the validity or enforceability thereof shall be publicly contested by the Authority;

(f) a final judgment or order for the payment of money in excess of \$10,000,000 (in excess of the coverage limits of any applicable insurance therefor) shall have been rendered against the Authority and such judgment or order shall not have been satisfied, stayed, vacated, discharged or bonded pending appeal within a period of sixty (60) days from the date on which it was first so rendered;

(g) (i) a debt moratorium, debt restructuring, debt adjustment or comparable restriction is imposed on the repayment when due and payable of any obligation secured by a lien, charge or encumbrance upon the Net Revenues or Subordinate Net Revenues; (ii) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization or relief of debtors, the Authority seeks to have an order for relief entered with respect to it or seeking to adjudicate it insolvent or bankrupt or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition or other relief with respect to it or its debts; (iii) the Authority seeks appointment of a receiver, trustee, custodian or other similar official for itself or for any substantial part of the Authority's property or a receiver, trustee, custodian or other similar official shall be appointed for the Authority or for any substantial part of the Authority's property, or the Authority shall make a general assignment for the benefit of its creditors; (iv) there shall be commenced against the Authority any case, proceeding or other action of a nature referred to in clause (ii) above and the same shall remain undismissed; (v) there shall be commenced against the Authority any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal, within sixty (60) days from the entry thereof; (vi) the Authority takes action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), (iii), (iv) or (v) above; or (vii) the Authority shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(h) in the event that any Authority Rating is suspended, withdrawn, or otherwise unavailable from any Rating Agency, or if any Authority Rating is reduced below "Baa2" (or its equivalent), "BBB" (or its equivalent) or "BBB" (or its equivalent) by any of Moody's, S&P or Fitch, respectively (but excluding any suspension or withdrawal of any such Authority Rating if the applicable Rating Agency has stipulated in writing that the rating action is being taken for non-credit related reasons); or

(i) any event of default under the Master Senior Trust Indenture or the Subordinate Trust Indenture shall occur; or

(j) except as otherwise permitted under Section 8.28 hereof, the dissolution or termination of the existence of the Authority shall occur; or

(k) any Governmental Authority of competent jurisdiction shall declare a financial emergency or similar declaration with respect to the Authority and shall appoint or designate, with respect to the Authority, an entity such as an organization, a board, a

commission, an authority, an agency or any other similar body to manage the affairs and operations of the Authority; or

(l) any Lien created by this Agreement or the Subordinate Trust Indenture or any other Related Document in favor of, or for the benefit of, the Lender or any Noteholder shall at any time or for any reason (except as expressly permitted to be released by the terms of such governing document) not constitute a valid Lien.]

*Section 10.2. Remedies.* (a) Upon the occurrence and continuation of any Event of Default the Lender may exercise any one or more of the following rights and remedies in addition to any other remedies herein or by law *provided*:

(i) by notice to the Authority, declare all Obligations to be, and such amounts shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Authority; *provided* that upon the occurrence of an Event of Default under Section 10.1(h) hereof such acceleration shall automatically occur (unless such automatic acceleration is waived by the Lender in writing);

(ii) deliver a written notice to the Trustee and the Authority that an Event of Default has occurred and is continuing and direct the Trustee and the Authority, as applicable, to accelerate repayment of the Loans and cause a mandatory redemption of the Notes or take such other remedial action as is provided for in the Trust Indenture;

(iii) by written notice to the Authority, reduce the Available Commitment to zero and thereafter the Lender will have no further obligation to make Advances hereunder and/or terminate the Commitment;

(iv) either personally or by attorney or agent without bringing any action or proceeding, or by a receiver to be appointed by a court in any appropriate action or proceeding, take whatever action at law or in equity may appear necessary or desirable to collect the amounts due and payable under the Related Documents or to enforce performance or observance of any obligation, agreement or covenant of the Authority under the Related Documents, whether for specific performance of any agreement or covenant of the Authority or in aid of the execution of any power granted to the Lender in the Related Documents;

(v) cure any Default, Event of Default or event of nonperformance hereunder or under any Related Document; *provided, however*, that the Lender shall have no obligation to effect such a cure; and

(vi) exercise, or cause to be exercised, any and all remedies as it may have under the Related Documents and as otherwise available at law and at equity.

(b) Notwithstanding the provisions of Section 10.2(a)(i) or 10.2(a)(ii) hereof, (x) the Lender shall not declare the outstanding amount of the Obligations under this Agreement to be

immediately due and payable or cause a mandatory redemption of the Notes as described in Section 10.2(a)(i) or 10.2(a)(ii) until seven (7) days after the occurrence of an Event of Default specified in Section 10.1(a)(i), 10.1(a)(ii), 10.1(d)(i), 10.1(d)(ii), 10.1(e)(i), 10.1(e)(ii), 10.1(g) or 10.1(j) hereof and (y) the Lender shall notify the Authority of mandatory redemption of the Notes at least one hundred eighty (180) days prior thereto in the case of any Event of Default not specified in the immediately preceding clause (x). Notwithstanding the foregoing sentence of this Section 10.2(b), if any other holder or credit enhancer of Debt secured by a lien or charge on Net Revenues or Subordinate Net Revenues or any counterparty under any Swap Contract related thereto causes any such Debt or other obligations of the Authority to become immediately due and payable, the Lender may immediately, without notice, avail itself of the remedies set forth in Section 10.2(a) hereof and/or declare or cause to be declared the unpaid principal amount of all outstanding Notes, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder to be immediately due and payable.

*Section 10.3. No Waiver.* No failure on the part of Lender to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude any further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law. No delay or omission by the Lender in the exercise of any right, remedy or power or in the pursuit of any remedy shall impair any such right remedy or power or be construed to be a waiver of any default on the part of the Lender or to be acquiescence therein. No express or implied waiver by the Lender of any Event of Default shall in any way be a waiver of any future or subsequent Event of Default.

*Section 10.4. Discontinuance of Proceedings.* In case the Lender shall proceed to invoke any right, remedy or recourse permitted hereunder or under the Related Documents and shall thereafter elect to discontinue or abandon the same for any reason, the Lender shall have the unqualified right so to do and, in such event, the Authority and the Lender shall be restored to their former positions with respect to the Obligations, the Related Documents and otherwise, and the rights, remedies, recourse and powers of the Lender hereunder shall continue as if the same had never been invoked.

## ARTICLE XI

### MISCELLANEOUS

*Section 11.1. Evidence of Debt.* The Lender shall maintain in accordance with its usual practices an account or accounts evidencing the indebtedness resulting from each Advance, each Revolving Loan and each Term Loan made from time to time hereunder and the amounts of principal and interest payable and paid from time to time hereunder. In any legal action or proceeding in respect of this Agreement, the entries made in such account or accounts shall be conclusive evidence (absent manifest error) of the existence and amounts of the obligations therein recorded.

*Section 11.2. Amendments and Waivers.* No amendment or waiver of any provision of this Agreement nor consent to any departure by the parties hereto shall in any event be effective unless the same shall be in writing and signed by such parties, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

*Section 11.3. Addresses for Notices.* Any notice required or permitted to be given under or in connection with this Agreement shall be in writing and shall be mailed by first-class mail, registered or certified, return receipt requested, or express mail, postage prepaid, or sent by telex, telegram, telecopy or other similar form of rapid transmission confirmed by mailing (by first-class mail, registered or certified, return receipt requested, or express mail, postage prepaid) written confirmation at substantially the same time as such rapid transmission, or personally delivered to an officer of the receiving party. All such communications shall be mailed, sent or delivered to the address or numbers set forth below, or as to each party at such other address or numbers as shall be designated by such party in a written notice to the other parties.

The Authority: San Diego County Regional Airport Authority  
Commuter Terminal, 3rd Floor  
3225 North Harbor Drive  
San Diego, California 92101  
Attention: Vice President Finance & Asset  
Management/Treasurer  
Telephone: (619) 400-2802  
Facsimile: (619) 400-2801

with a copy to: San Diego County Regional Airport Authority  
Commuter Terminal, 3rd Floor  
3225 North Harbor Drive  
San Diego, California 92101  
Attention: General Counsel  
Telephone: (619) 400-2802  
Facsimile: (619) 400-2801

The Lender: U.S. Bank National Association  
633 W. 5th Street, 25th Floor  
Los Angeles, California 90071  
Attention: Ashley Martin, Vice President  
Facsimile: (213) 615-6248  
Telephone: (310) 717-5900  
E-mail: ashley.martin1@usbank.com

With a copy to:

U.S. Bank National Association  
633 W. 5th Street, 25th Floor  
Los Angeles, California 90071  
Attention: Kenneth Haber, Senior Vice President  
Telephone: (818) 817-7235  
E-mail: Kenneth.Haber@usbank.com

The Trustee: U.S. Bank National Association  
633 West Fifth Street, 24th Floor  
Los Angeles, CA 90071  
Attention: Corporate Trust Services  
Telephone: 213.615.6023  
Facsimile: 213.615.6197

*Section 11.4. Survival of This Agreement.* All covenants, agreements, representations and warranties made in this Agreement shall survive the extension by the Lender of the Commitment and shall continue in full force and effect so long as the Commitment shall be unexpired or any sums drawn or due thereunder or any other obligations shall be outstanding and unpaid, regardless of any investigation made by any Person and so long as any amount payable hereunder remains unpaid. The agreement of the Authority to indemnify the Lender and each Indemnatee under Section 6.2 hereof shall continue in full force and effect notwithstanding a termination of the Commitment or the fulfillment of all Obligations. The obligations of the Authority under Sections 6.3 and 2.6(e) hereof shall also continue in full force and effect notwithstanding a termination of the Commitment or the fulfillment of all Obligations. Whenever in this Agreement the Lender is referred to, such reference shall be deemed to include the successors and assigns of the Lender and all covenants, promises and agreements by or on behalf of the Authority which are contained in this Agreement shall inure to the benefit of the successors and assigns of the Lender. The rights and duties of the Authority may not be assigned or transferred without the prior written consent of the Lender, and all obligations of the Authority hereunder shall continue in full force and effect notwithstanding any assignment by the Authority of any of its rights or obligations under any of the Related Documents or any entering into, or consent by the Authority to, any supplement or amendment to, or termination of, any of the Related Documents.

*Section 11.5. Severability.* Any provision of this Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or nonauthorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

*Section 11.6. Governing Law; Jurisdiction and Venue.* (a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE WITHOUT GIVING EFFECT TO CONFLICTS OF LAWS PROVISIONS.

(b) EACH OF PARTIES HERETO HEREBY IRREVOCABLY SUBMIT TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF CALIFORNIA AND ANY COURT IN THE STATE OF CALIFORNIA, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION, SUIT OR PROCEEDING BROUGHT AGAINST OR BY IT IN CONNECTION WITH THIS AGREEMENT OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT RELATED THERETO, AND THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREE THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD OR DETERMINED IN SUCH CALIFORNIA STATE COURT OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. THE PARTIES AGREE THAT A FINAL NONAPPEALABLE JUDGMENT IN ANY SUCH ACTION, SUIT OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE PARTIES HEREBY WAIVE AND AGREE NOT TO ASSERT BY WAY OF MOTION, AS A DEFENSE OR OTHERWISE IN ANY SUCH SUIT, ACTION OR PROCEEDING, ANY CLAIM THAT IT IS NOT PERSONALLY SUBJECT TO THE JURISDICTION OF SUCH COURTS, THAT THE SUIT, ACTION OR PROCEEDING IS BROUGHT IN AN INCONVENIENT FORUM, THAT THE VENUE OF THE SUIT, ACTION OR PROCEEDING IS IMPROPER OR THAT THE RELATED DOCUMENTS OR THE SUBJECT MATTER THEREOF MAY NOT BE LITIGATED IN OR BY SUCH COURTS.

*Section 11.7. Successors and Assigns.*

(a) *Successors and Assigns Generally.* This Agreement is a continuing obligation and shall be binding upon the Authority, its successors, transferees and assigns and shall inure to the benefit of the Noteholders and their respective permitted successors, transferees and assigns. The Authority may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Lender. Notwithstanding anything to the contrary set forth herein, so long as no Event of Default shall have occurred and be continuing hereunder, U.S. Bank National Association may not assign its obligations to fund Advances and Loans pursuant to the terms of this Agreement without the prior written consent of the Authority (such consent not to be unreasonably withheld). Each Noteholder may, in its sole discretion and in accordance with applicable Law, from time to time assign, sell or transfer in whole or in part, this Agreement, its interest in the Note(s) and the other Related Documents in accordance with the provisions of paragraph (b) or (c) of this Section. Each Noteholder may at any time and from time to time enter into participation agreements in accordance with the provisions of paragraph (d) of this Section. Each Noteholder may at any time pledge or assign a security interest subject to the restrictions of paragraph (e) of this Section.

(b) *Sales and Transfers by Noteholder to a Lender Transferee.* Without limitation of the foregoing generality, a Noteholder may at any time sell or otherwise transfer to one or more transferees all or a portion of the Bonds to a Person that is (i) an Affiliate of the Lender or (ii) a trust or other custodial arrangement established by the Lender or an Affiliate of the Lender, the owners of any beneficial interest in which are limited to Qualified Transferees (each, a “*Lender Transferee*”). From and after the date of such sale or transfer, U.S. Bank National Association (and its successors) shall continue to have all of the rights of the Lender hereunder and under the other Related Documents as if no such transfer or sale had occurred; *provided, however*, that (A) no such sale or transfer referred to in clause (b)(i) or (b)(ii) hereof shall in any way affect the obligations of the Lender hereunder, (B) any such sale or transfer referred to in clause (b)(i) or (b)(ii) hereof shall be in a minimum amount of \$250,000, (C) the Authority and the Trustee shall be required to deal only with the Lender with respect to any matters under this Agreement and (D) in the case of a sale or transfer referred to in clause (b)(i) or (b)(ii) hereof, only the Lender shall be entitled to enforce the provisions of this Agreement against the Authority. Additionally, each Lender Transferee of all or a portion of the Note(s) shall be deemed to have acknowledged, represented, warranted and agreed with the Authority to all of the provisions set forth in the “*Noteholder Representations*” attached to the applicable Note. The Lender shall endeavor to provide written notice of such sale or transfer to the Authority and the Trustee for purposes of Section 2.04 of the Master Subordinate Trust Indenture. Upon the request of the Authority, the Lender shall provide the addresses and related information with respect to the Lender Transferee to the Authority.

Anything herein to the contrary notwithstanding, including without limitation Section 6.3 hereof, if any Lender Transferee shall incur increased costs or capital adequacy requirements as contemplated by Section 6.3 hereof, and such increased costs or capital adequacy requirements are greater than those that the Lender would have incurred had it not sold or otherwise transferred all or a portion of the Note(s) to such Lender Transferee provided for in this Section 11.7(b), then the Authority shall not be obligated to pay to such Lender Transferee any portion of the cost greater than that which the Authority would have paid under the provisions of Section 6.3 hereof had the Lender not sold or otherwise transferred all or a portion of the Note(s) to a Lender Transferee.

(c) *Sales and Transfers by Noteholder to a Non-Lender Transferee.* Without limitation of the foregoing generality, a Noteholder may at any time sell or otherwise transfer all or any portion of the Note(s) to one or more transferees that the Lender reasonably believes is qualified to purchase or hold the Bonds which are not Lender Transferees but each of which constitutes a Qualified Transferee (each, a “*Non-Lender Transferee*”) if written notice of such sale or transfer, including that such sale or transfer is to a Non-Lender Transferee, together with addresses and related information with respect to the Non-Lender Transferee, shall have been given to the Authority, the Trustee and the Lender (if different than the Noteholder) by such selling Noteholder and Non-Lender Transferee; *provided, however*, that (x) in any such case the Authority and the Trustee shall be required to deal only with the Lender with respect to any matters under this Agreement and (y) any such sale or transfer shall be in a minimum amount of \$250,000. Additionally, each Non-Lender Transferee of all or a portion of the Note(s) shall be deemed to have acknowledged, represented, warranted and agreed with the Authority to all of the provisions set forth in the “*Noteholder Representations*” attached to the Notes. The Lender shall

endeavor to provide written notice of such sale or transfer to the Authority and the Trustee for purposes of Section 2.04 of the Master Subordinate Trust Indenture.

From and after the date the Authority, the Trustee and the selling Noteholder have received written notice, (A) the Non-Lender Transferee thereunder shall be a party hereto and shall have the rights and obligations of a Noteholder (other than its obligation to fund Advances and Loans, as more fully set forth in paragraph (a) of this Section 11.7) hereunder and under the other Related Documents, and this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to effect the addition of the Non-Lender Transferee, and any reference to the assigning Noteholder hereunder and under the other Related Documents shall thereafter refer to such transferring Noteholder and to the Non-Lender Transferee to the extent of their respective interests, and (B) if the transferring Noteholder no longer owns any Notes, then it shall relinquish its rights and be released from its obligations hereunder and under the Related Documents (other than its obligation to fund Advances and Loans, as more fully set forth in paragraph (a) of this Section 11.7); *provided, however*, that in any such case the Authority and the Trustee shall be required to deal only with the Lender with respect to any matters under this Agreement.

Anything herein to the contrary notwithstanding, including without limitation Section 6.3 hereof, if any Non-Lender Transferee shall incur increased costs or capital adequacy requirements as contemplated by Section 6.3 hereof, and such increased costs or capital adequacy requirements are greater than those that the Lender would have incurred had all or a portion of the Note(s) not been sold or otherwise transferred to such Non-Lender Transferee provided for in this Section 11.7(c), then the Authority shall not be obligated to pay to such Non-Lender Transferee any portion of the cost greater than that which the Authority would have paid under the provisions of Section 6.3 hereof had all or a portion of the Note(s) not been sold or otherwise transferred to such Lender Transferee.

(d) *Participations.* The Lender shall have the right to grant participations in all or a portion of the Lender's interest in the Notes, this Agreement and the other Related Documents to one or more other banking institutions; *provided, however*, that (i) no such participation by any such participant shall in any way affect the obligations of the Lender hereunder and (ii) the Authority and the Trustee shall be required to deal only with the Lender, with respect to any matters under this Agreement, the Bonds and the other Related Documents and no such participant shall be entitled to enforce any provision hereunder against the Authority.

Anything herein to the contrary notwithstanding, including without limitation Section 6.3 hereof, if any Participant shall incur increased costs or capital adequacy requirements as contemplated by Section 6.3 hereof, and such increased costs or capital adequacy requirements are greater than those that the Lender would have incurred had it not granted a participation interest as provided for in this Section 11.7(d), then the Authority shall not be obligated to pay to such Participant any portion of the cost greater than that which the Authority would have paid under the provisions of Section 6.3 hereof had the Lender not granted such participation interest.

(e) *Certain Pledges.* The Lender may at any time pledge or grant a security interest in all or any portion of its rights under the Notes, this Agreement and the Related Documents to

secure obligations of the Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; *provided* that no such pledge or assignment shall release the Lender from any of its obligations hereunder or substitute any such pledgee or assignee for the Lender as a party hereto.

*Section 11.8. No Setoff.* Notwithstanding anything to the contrary contained herein, the Lender, any Participant and any Noteholder hereby agrees that it will not assert any of its statutory or common law rights of setoff as the depository bank of the Authority in connection with the collection or repayment of any of the Obligations or any other obligation of the Authority owing to the Lender, any Participant or any Noteholder under this Agreement or the other Related Documents.

*Section 11.9. Headings.* Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

*Section 11.10. Counterparts.* This Agreement may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which counterparts, taken together, shall constitute but one and the same Agreement. The parties agree that the electronic signature of a party to this Agreement shall be as valid as an original signature of such party and shall be effective to bind such party to this Agreement. The parties agree that any electronically signed document (including this Agreement) shall be deemed (i) to be “written” or “in writing,” (ii) to have been signed and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Such paper copies or “printouts,” if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule. For purposes hereof, “electronic signature” means a manually-signed original signature that is then transmitted by electronic means; “transmitted by electronic means” means sent in the form of a facsimile or sent via the internet as a “pdf” (portable document format) or other replicating image attached to an e-mail message; and, “electronically signed document” means a document transmitted by electronic means and containing, or to which there is affixed, an electronic signature.

*Section 11.11. Patriot Act.* The Lender hereby notifies the Authority that pursuant to the requirements of the Patriot Act it is required to obtain, verify and record information that identifies the Authority, which information includes the name and address of the Authority and other information that will allow the Lender to identify the Authority in accordance with the Patriot Act. The Authority hereby agrees that it shall promptly provide such information upon request by the Lender.

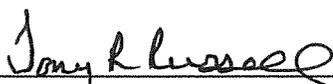
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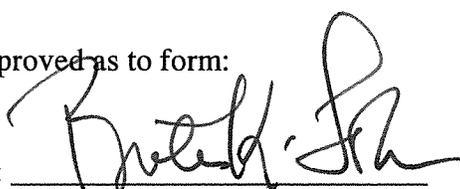
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

SAN DIEGO COUNTY REGIONAL AIRPORT  
AUTHORITY

By:   
Thella F. Bowens,  
President and CEO

Attest:

By:   
Tony R. Russell  
Director, Corporate &  
Information Governance/  
Authority Clerk

Approved as to form:  
By:   
Breton K. Lobner  
General Counsel

U.S. BANK NATIONAL ASSOCIATION

By: \_\_\_\_\_  
Name: Kenneth Harber  
Title: SVP and Managing Director

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

SAN DIEGO COUNTY REGIONAL AIRPORT  
AUTHORITY

By: \_\_\_\_\_  
Thella F. Bowens,  
President and CEO

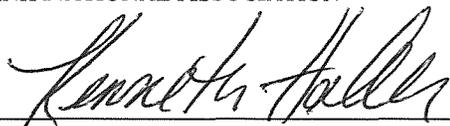
Attest:

By: \_\_\_\_\_  
Tony R. Russell  
Director, Corporate &  
Information Governance/  
Authority Clerk

Approved as to form:

By: \_\_\_\_\_  
Breton K. Lobner  
General Counsel

U.S. BANK NATIONAL ASSOCIATION

By:  \_\_\_\_\_  
Name: Kenneth Haber  
Title: Senior Vice President

**EXHIBIT A-1**

**[FORM OF NON-AMT NOTE]**

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), OR UNDER THE SECURITIES LAWS OF ANY STATE OR JURISDICTION. THIS NOTE IS SUBJECT TO CERTAIN TRANSFER RESTRICTIONS AS PROVIDED IN SECTION 11.7 OF THE HEREIN DEFINED AGREEMENT AND IN THE "NOTEHOLDER REPRESENTATIONS" ATTACHED HERETO.

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY  
SUBORDINATE AIRPORT REVENUE REVOLVING OBLIGATIONS SERIES A  
NON-AMT NOTE**

Dated: September 5, 2014

\$125,000,000

For value received, the San Diego County Regional Airport Authority (the "*Authority*") promises to pay to the order of U.S. Bank National Association, and its successors and assigns (the "*Lender*"), located at 633 W. 5th Street, 25th Floor, Los Angeles, California 90071, the aggregate unpaid principal amount of all Non-AMT Revolving Loans and Non-AMT Term Loans made by the Lender from time to time pursuant to the Revolving Credit Agreement, dated as of September 1, 2014 (together with any amendments or supplements thereto, the "*Agreement*"), by and between the Authority and the Lender, on the dates and in the amounts provided for in the Agreement.

The Authority promises to pay interest on the unpaid principal amount of all Non-AMT Revolving Loans and Non-AMT Term Loans on the dates and at the rates provided for in the Agreement. All payments of principal and interest shall be made to the Lender in lawful money of the United States of America in immediately available funds. All capitalized terms used herein and not otherwise defined herein shall have the meanings specified in the Agreement.

This Note is the Non-AMT Note referred to in the Agreement and is entitled to the benefits thereof and of the Related Documents referred to therein. This Note is subject to prepayment, in whole or in part in accordance with the terms of the Agreement.

The Lender agrees, by acceptance of this Note, that before disposing of this Note it will make a notation on the schedule attached hereto of all Non-AMT Revolving Loans and Non-AMT Term Loans evidenced hereby and all principal payments and prepayments made hereunder and of the date to which interest hereon has been paid; *provided, however*, that the failure to make any such notation shall not limit or otherwise affect the obligation of the Authority hereunder with respect to payments of principal of and interest on this Note.

This Note is issued pursuant to, in entitled to the benefits of, and is subject to, the provisions of the Agreement, that certain Master Subordinate Trust Indenture, dated as of September 1, 2007, (the “*Master Subordinate Trust Indenture*”), by and between the Authority and U.S. Bank National Association, as successor trustee (the “*Trustee*”), as heretofore amended, and as amended from time to time in accordance with the terms thereof, and that certain Third Supplemental Subordinate Trust Indenture dated as of September 1, 2014 (the “*Third Supplemental Subordinate Trust Indenture*,” and together with the Master Subordinate Trust Indenture, the “*Subordinate Trust Indenture*”), by and between the Authority and the Trustee. This Note constitutes a Subordinate Obligation within the meaning of the Subordinate Trust Indenture.

This Note is payable solely from the Subordinate Net Revenues in accordance with the Agreement, and this Note does not constitute a legal or equitable pledge, charge, lien or encumbrance upon any other property of the Authority. The holder hereof shall not have the right to demand payment of this obligation from any sources or properties of the Authority except the Subordinate Net Revenues.

THIS NOTE IS A SPECIAL, LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF SUBORDINATE NET REVENUES DERIVED BY THE AUTHORITY FROM THE OPERATIONS OF THE AIRPORT SYSTEM AND CERTAIN FUNDS AND ACCOUNTS. NONE OF THE PROPERTIES OF THE AIRPORT SYSTEM ARE SUBJECT TO ANY MORTGAGE OR OTHER LIEN FOR THE BENEFIT OF THE OWNERS OF THIS NOTE, 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 NOTE.

THIS NOTE AND THE INTEREST THEREON IS JUNIOR AND SUBORDINATE IN ALL RESPECTS TO THE SENIOR LIEN REVENUE BONDS AS TO LIEN ON AND SOURCE AND SECURITY FOR PAYMENT FROM THE NET REVENUES.

THIS NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

SAN DIEGO COUNTY REGIONAL AIRPORT  
AUTHORITY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Attest:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**CERTIFICATE OF AUTHENTICATION**

This Note is a Subordinate Obligation, as defined in the Subordinate Trust Indenture, and a Revolving Obligation, as defined in the Third Supplemental Subordinate Trust Indenture.

Date of Authentication: September 5, 2014

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: \_\_\_\_\_  
Authorized Signatory

## NOTEHOLDER REPRESENTATIONS

Each Noteholder by its acceptance of or interest in this Note, hereby acknowledges, represents, warrants and agrees with the Authority as follows:

1. If Noteholder is:
  - (a) a Lender Transferee, such Noteholder is either (i) an Affiliate of the Lender or (ii) a trust or other custodial arrangement established by the Lender or an Affiliate of the Lender, the owners of any beneficial interest in which are limited to Qualified Transferees; or
  - (b) a Non-Lender Transferee, such Noteholder is a transferee that the Lender reasonably believes is qualified to purchase or hold this Note which is not a Lender Transferee but which constitutes a Qualified Transferee.
2. The Noteholder has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax exempt obligations, to be able to evaluate the risks and merits of the investment represented by the purchase and/or acceptance of this Note.
3. The Noteholder is able to bear the economic risks of an investment in this Note.
4. The Noteholder understands that no official statement, prospectus, offering circular, or other comprehensive offering statement is being provided with respect to this Note. The Noteholder has made its own inquiry and analysis with respect to the Authority, this Note and the security therefor, and other material factors affecting the security for and payment of this Note.
5. The Noteholder has either been supplied with or been given access to information, including financial statements and other financial information, regarding the Authority, to which a reasonable investor would attach significance in making investment decisions, and has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Authority, this Note and the security therefor, so that as a reasonable investor, it has been able to make its decision to purchase and/or accept this Note.
6. The Noteholder understands that this Note (a) is not registered under the 1933 Act and is not registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, (b) is not listed on any stock or other securities exchange, and (c) carries no rating from any credit rating agency.
7. This Note is being acquired by the Noteholder for investment for its own account and not with a present view toward resale or distribution; provided, however, that the Noteholder reserves the right to sell, transfer or redistribute this Note, but agrees that any such sale, transfer or distribution by the Noteholder shall be to a Person that is either a Lender Transferee or a Non-Lender Transferee.

**TRANSACTIONS**  
**ON**  
**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**  
**SUBORDINATE AIRPORT REVENUE REVOLVING OBLIGATIONS SERIES A**  
**NON-AMT NOTE**

DATE	NON-AMT LOAN COMMITMENT	INTEREST RATE	AMOUNT OF PRINCIPAL PAID	DATE TO WHICH INTEREST PAID	NOTATION MADE BY
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ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

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Please insert Social Security or  
Taxpayer Identification Number of Transferee

/ \_\_\_\_\_ /

---

(Please print or typewrite name and address, including zip code, of Transferee)

---

the within Note and all rights thereunder, and hereby irrevocably constitutes and appoints

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attorney to register the transfer of the within Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

---

NOTICE: Signature(s) must be guaranteed by a member or participant of a signature guarantee program

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NOTICE: The signature above must correspond with the name of the Owner as it appears upon the front of this Note in every particular, without alteration or enlargement or change whatsoever.

EXHIBIT A-2

[FORM OF AMT NOTE]

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), OR UNDER THE SECURITIES LAWS OF ANY STATE OR JURISDICTION. THIS NOTE IS SUBJECT TO CERTAIN TRANSFER RESTRICTIONS AS PROVIDED IN SECTION 11.7 OF THE HEREIN DEFINED AGREEMENT AND IN THE "NOTEHOLDER REPRESENTATIONS" ATTACHED HERETO.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY  
SUBORDINATE AIRPORT REVENUE REVOLVING OBLIGATIONS SERIES B  
AMT NOTE

Dated: September 5, 2014

\$125,000,000

For value received, the San Diego County Regional Airport Authority (the "Authority") promises to pay to the order of U.S. Bank National Association, and its successors and assigns (the "Lender"), located at 633 W. 5th Street, 25th Floor, Los Angeles, California 90071, the aggregate unpaid principal amount of all AMT Revolving Loans and AMT Term Loans made by the Lender from time to time pursuant to the Revolving Credit Agreement, dated as of September 1, 2014 (together with any amendments or supplements thereto, the "Agreement"), by and between the Authority and the Lender, on the dates and in the amounts provided for in the Agreement.

The Authority promises to pay interest on the unpaid principal amount of all AMT Revolving Loans and AMT Term Loans on the dates and at the rates provided for in the Agreement. All payments of principal and interest shall be made to the Lender in lawful money of the United States of America in immediately available funds. All capitalized terms used herein and not otherwise defined herein shall have the meanings specified in the Agreement.

This Note is the AMT Note referred to in the Agreement and is entitled to the benefits thereof and of the Related Documents referred to therein. This Note is subject to prepayment, in whole or in part in accordance with the terms of the Agreement.

The Lender agrees, by acceptance of this Note, that before disposing of this Note it will make a notation on the schedule attached hereto of all AMT Revolving Loans and AMT Term Loans evidenced hereby and all principal payments and prepayments made hereunder and of the date to which interest hereon has been paid; *provided, however*, that the failure to make any such notation shall not limit or otherwise affect the obligation of the Authority hereunder with respect to payments of principal of and interest on this Note.

This Note is issued pursuant to, in entitled to the benefits of, and is subject to, the provisions of the Agreement, that certain Master Subordinate Trust Indenture, dated as of September 1, 2007, (the “*Master Subordinate Trust Indenture*”), by and between the Authority and U.S. Bank National Association, as successor trustee (the “*Trustee*”), as heretofore amended, and as amended from time to time in accordance with the terms thereof, and that certain Third Supplemental Subordinate Trust Indenture dated as of September 1, 2014 (the “*Third Supplemental Subordinate Trust Indenture*,” and together with the Master Subordinate Trust Indenture, the “*Subordinate Trust Indenture*”), by and between the Authority and the Trustee. This Note constitutes a Subordinate Obligation within the meaning of the Subordinate Trust Indenture.

This Note is payable solely from the Subordinate Net Revenues in accordance with the Agreement, and this Note does not constitute a legal or equitable pledge, charge, lien or encumbrance upon any other property of the Authority. The holder hereof shall not have the right to demand payment of this obligation from any sources or properties of the Authority except the Subordinate Net Revenues.

THIS NOTE IS A SPECIAL, LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF SUBORDINATE NET REVENUES DERIVED BY THE AUTHORITY FROM THE OPERATIONS OF THE AIRPORT SYSTEM AND CERTAIN FUNDS AND ACCOUNTS. NONE OF THE PROPERTIES OF THE AIRPORT SYSTEM ARE SUBJECT TO ANY MORTGAGE OR OTHER LIEN FOR THE BENEFIT OF THE OWNERS OF THIS NOTE, 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 NOTE.

THIS NOTE AND THE INTEREST THEREON IS JUNIOR AND SUBORDINATE IN ALL RESPECTS TO THE SENIOR LIEN REVENUE BONDS AS TO LIEN ON AND SOURCE AND SECURITY FOR PAYMENT FROM THE NET REVENUES.

THIS NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

SAN DIEGO COUNTY REGIONAL AIRPORT  
AUTHORITY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Attest:

By: \_\_\_\_\_  
Name: \_\_\_\_\_

Title: \_\_\_\_\_

**CERTIFICATE OF AUTHENTICATION**

This Note is a Subordinate Obligation, as defined in the Subordinate Trust Indenture, and a Revolving Obligation, as defined in the Third Supplemental Subordinate Trust Indenture.

Date of Authentication: September 5, 2014

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: \_\_\_\_\_  
Authorized Signatory

## NOTEHOLDER REPRESENTATIONS

Each Noteholder by its acceptance of or interest in this Note, hereby acknowledges, represents, warrants and agrees with the Authority as follows:

1. If Noteholder is:

(a) a Lender Transferee, such Noteholder is either (i) an Affiliate of the Lender or (ii) a trust or other custodial arrangement established by the Lender or an Affiliate of the Lender, the owners of any beneficial interest in which are limited to Qualified Transferees; or

(b) a Non-Lender Transferee, such Noteholder is a transferee that the Lender reasonably believes is qualified to purchase or hold this Note which is not a Lender Transferee but which constitutes a Qualified Transferee.

2. The Noteholder has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax exempt obligations, to be able to evaluate the risks and merits of the investment represented by the purchase and/or acceptance of this Note.

3. The Noteholder is able to bear the economic risks of an investment in this Note.

4. The Noteholder understands that no official statement, prospectus, offering circular, or other comprehensive offering statement is being provided with respect to this Note. The Noteholder has made its own inquiry and analysis with respect to the Authority, this Note and the security therefor, and other material factors affecting the security for and payment of this Note.

5. The Noteholder has either been supplied with or been given access to information, including financial statements and other financial information, regarding the Authority, to which a reasonable investor would attach significance in making investment decisions, and has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Authority, this Note and the security therefor, so that as a reasonable investor, it has been able to make its decision to purchase and/or accept this Note.

6. The Noteholder understands that this Note (a) is not registered under the 1933 Act and is not registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, (b) is not listed on any stock or other securities exchange, and (c) carries no rating from any credit rating agency.

7. This Note is being acquired by the Noteholder for investment for its own account and not with a present view toward resale or distribution; provided, however, that the Noteholder reserves the right to sell, transfer or redistribute this Note, but agrees that any such sale, transfer or distribution by the Noteholder shall be to a Person that is either a Lender Transferee or a Non-Lender Transferee.

**TRANSACTIONS**  
**ON**  
**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**  
**SUBORDINATE AIRPORT REVENUE REVOLVING OBLIGATIONS SERIES B**  
**AMT NOTE**

DATE	TAXABLE LOAN COMMITMENT	INTEREST RATE	AMOUNT OF PRINCIPAL PAID	DATE TO WHICH INTEREST PAID	NOTATION MADE BY
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ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

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Please insert Social Security or  
Taxpayer Identification Number of Transferee

/ \_\_\_\_\_ /

---

(Please print or typewrite name and address, including zip code, of Transferee)

---

the within Note and all rights thereunder, and hereby irrevocably constitutes and appoints

---

attorney to register the transfer of the within Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

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NOTICE: Signature(s) must be guaranteed by a member or participant of a signature guarantee program

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NOTICE: The signature above must correspond with the name of the Owner as it appears upon the front of this Note in every particular, without alteration or enlargement or change whatsoever.

**EXHIBIT A-3**

**[FORM OF TAXABLE NOTE]**

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), OR UNDER THE SECURITIES LAWS OF ANY STATE OR JURISDICTION. THIS NOTE IS SUBJECT TO CERTAIN TRANSFER RESTRICTIONS AS PROVIDED IN SECTION 11.7 OF THE HEREIN DEFINED AGREEMENT AND IN THE "NOTEHOLDER REPRESENTATIONS" ATTACHED HERETO.

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY  
SUBORDINATE AIRPORT REVENUE REVOLVING OBLIGATIONS SERIES C  
TAXABLE NOTE**

Dated: September 5, 2014

\$125,000,000

For value received, the San Diego County Regional Airport Authority (the "*Authority*") promises to pay to the order of U.S. Bank National Association, and its successors and assigns (the "*Lender*"), located at 633 W. 5th Street, 25th Floor, Los Angeles, California 90071, the aggregate unpaid principal amount of all Taxable Revolving Loans and Taxable Term Loans made by the Lender from time to time pursuant to the Revolving Credit Agreement, dated as of September 1, 2014 (together with any amendments or supplements thereto, the "*Agreement*"), by and between the Authority and the Lender, on the dates and in the amounts provided for in the Agreement.

The Authority promises to pay interest on the unpaid principal amount of all Taxable Revolving Loans and Taxable Term Loans on the dates and at the rates provided for in the Agreement. All payments of principal and interest shall be made to the Lender in lawful money of the United States of America in immediately available funds. All capitalized terms used herein and not otherwise defined herein shall have the meanings specified in the Agreement.

This Note is the Taxable Note referred to in the Agreement and is entitled to the benefits thereof and of the Related Documents referred to therein. This Note is subject to prepayment, in whole or in part in accordance with the terms of the Agreement.

The Lender agrees, by acceptance of this Note, that before disposing of this Note it will make a notation on the schedule attached hereto of all Taxable Revolving Loans and Taxable Term Loans evidenced hereby and all principal payments and prepayments made hereunder and of the date to which interest hereon has been paid; *provided, however*, that the failure to make any such notation shall not limit or otherwise affect the obligation of the Authority hereunder with respect to payments of principal of and interest on this Note.

This Note is issued pursuant to, in entitled to the benefits of, and is subject to, the provisions of the Agreement, that certain Master Subordinate Trust Indenture, dated as of September 1, 2007, (the “*Master Subordinate Trust Indenture*”), by and between the Authority and U.S. Bank National Association, as successor trustee (the “*Trustee*”), as heretofore amended, and as amended from time to time in accordance with the terms thereof, and that certain Third Supplemental Subordinate Trust Indenture dated as of September 1, 2014 (the “*Third Supplemental Subordinate Trust Indenture,*” and together with the Master Subordinate Trust Indenture, the “*Subordinate Trust Indenture*”), by and between the Authority and the Trustee. This Note constitutes a Subordinate Obligation within the meaning of the Subordinate Trust Indenture.

This Note is payable solely from the Subordinate Net Revenues in accordance with the Agreement, and this Note does not constitute a legal or equitable pledge, charge, lien or encumbrance upon any other property of the Authority. The holder hereof shall not have the right to demand payment of this obligation from any sources or properties of the Authority except the Subordinate Net Revenues.

THIS NOTE IS A SPECIAL, LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF SUBORDINATE NET REVENUES DERIVED BY THE AUTHORITY FROM THE OPERATIONS OF THE AIRPORT SYSTEM AND CERTAIN FUNDS AND ACCOUNTS. NONE OF THE PROPERTIES OF THE AIRPORT SYSTEM ARE SUBJECT TO ANY MORTGAGE OR OTHER LIEN FOR THE BENEFIT OF THE OWNERS OF THIS NOTE, 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 NOTE.

THIS NOTE AND THE INTEREST THEREON IS JUNIOR AND SUBORDINATE IN ALL RESPECTS TO THE SENIOR LIEN REVENUE BONDS AS TO LIEN ON AND SOURCE AND SECURITY FOR PAYMENT FROM THE NET REVENUES.

THIS NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

SAN DIEGO COUNTY REGIONAL AIRPORT  
AUTHORITY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Attest:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**CERTIFICATE OF AUTHENTICATION**

This Note is a Subordinate Obligation, as defined in the Subordinate Trust Indenture, and a Revolving Obligation, as defined in the Third Supplemental Subordinate Trust Indenture.

Date of Authentication: September 5, 2014

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: \_\_\_\_\_  
Authorized Signatory

## NOTEHOLDER REPRESENTATIONS

Each Noteholder by its acceptance of or interest in this Note, hereby acknowledges, represents, warrants and agrees with the Authority as follows:

1. If Noteholder is:
  - (a) a Lender Transferee, such Noteholder is either (i) an Affiliate of the Lender or (ii) a trust or other custodial arrangement established by the Lender or an Affiliate of the Lender, the owners of any beneficial interest in which are limited to Qualified Transferees; or
  - (b) a Non-Lender Transferee, such Noteholder is a transferee that the Lender reasonably believes is qualified to purchase or hold this Note which is not a Lender Transferee but which constitutes a Qualified Transferee.
2. The Noteholder has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax exempt obligations, to be able to evaluate the risks and merits of the investment represented by the purchase and/or acceptance of this Note.
3. The Noteholder is able to bear the economic risks of an investment in this Note.
4. The Noteholder understands that no official statement, prospectus, offering circular, or other comprehensive offering statement is being provided with respect to this Note. The Noteholder has made its own inquiry and analysis with respect to the Authority, this Note and the security therefor, and other material factors affecting the security for and payment of this Note.
5. The Noteholder has either been supplied with or been given access to information, including financial statements and other financial information, regarding the Authority, to which a reasonable investor would attach significance in making investment decisions, and has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Authority, this Note and the security therefor, so that as a reasonable investor, it has been able to make its decision to purchase and/or accept this Note.
6. The Noteholder understands that this Note (a) is not registered under the 1933 Act and is not registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, (b) is not listed on any stock or other securities exchange, and (c) carries no rating from any credit rating agency.
7. This Note is being acquired by the Noteholder for investment for its own account and not with a present view toward resale or distribution; provided, however, that the Noteholder reserves the right to sell, transfer or redistribute this Note, but agrees that any such sale, transfer or distribution by the Noteholder shall be to a Person that is either a Lender Transferee or a Non-Lender Transferee.

**TRANSACTIONS  
ON  
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY  
SUBORDINATE AIRPORT REVENUE REVOLVING OBLIGATIONS SERIES C  
TAXABLE NOTE**

DATE	TAXABLE LOAN COMMITMENT	INTEREST RATE	AMOUNT OF PRINCIPAL PAID	DATE TO WHICH INTEREST PAID	NOTATION MADE BY
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ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

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Please insert Social Security or  
Taxpayer Identification Number of Transferee

/ \_\_\_\_\_ /

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(Please print or typewrite name and address, including zip code, of Transferee)

---

the within Note and all rights thereunder, and hereby irrevocably constitutes and appoints

---

attorney to register the transfer of the within Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

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NOTICE: Signature(s) must be guaranteed by a member or participant of a signature guarantee program

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NOTICE: The signature above must correspond with the name of the Owner as it appears upon the front of this Note in every particular, without alteration or enlargement or change whatsoever.

**EXHIBIT B**

**[FORM OF REQUEST FOR ADVANCE]**

**REQUEST FOR ADVANCE AND REVOLVING LOAN**

U.S. Bank National Association  
633 W. 5th Street, 25th Floor  
Los Angeles, California 90071  
Attention: Ashley Martin, Vice President  
Facsimile: (213) 615-6248  
Telephone: (310) 717-5900  
E-mail: ashley.martin1@usbank.com

With a copy to:

U.S. Bank National Association  
633 W. 5th Street, 25th Floor  
Los Angeles, California 90071  
Attention: Kenneth Haber, Senior Vice President  
Telephone: (818) 817-7235  
E-mail: Kenneth.Haber@usbank.com

Ladies and Gentlemen:

The undersigned, a Designated Representative, refers to the Revolving Credit Agreement, dated as of September 1, 2014 (together with any amendments or supplements thereto, the “*Agreement*”), by and between the San Diego County Regional Airport Authority (the “*Authority*”) and U.S. Bank National Association (the “*Lender*”) (the terms defined therein being used herein as therein defined) and hereby requests, pursuant to Section 2.3 of the Agreement, that the Lender make an Advance under the Agreement, and in that connection sets forth below the following information relating to such Advance (the “*Proposed Advance*”):

1. The Business Day of the Proposed Advance is \_\_\_\_\_, 20\_\_ (the “*Advance Date*”), which is at least three New York Banking Days after the date hereof.
2. The principal amount of the Proposed Advance is \$\_\_\_\_\_, which is not greater than the Available Commitment as of the Advance Date set forth in 1 above.
3. The aggregate amount of the Proposed Advance shall be used solely for the payment of [**Cost of a Project**] or [**costs of issuance in connection with this Agreement**] or [**any other purpose permitted under the Act**].

4. The Proposed Advance is hereby identified as **[an AMT Revolving Loan] [a Non-AMT Revolving Loan] [a Taxable Revolving Loan]**<sup>1</sup>. The Proposed Advance shall constitute **[an AMT Loan bearing interest at the Tax-Exempt LIBOR Rate] [a Non-AMT Loan bearing interest at the Tax-Exempt LIBOR Rate] [a Taxable Loan bearing interest at the Taxable LIBOR Rate]**.

5. **[For a Proposed Advance that will be a Non-AMT Loan bearing interest at the Tax-Exempt LIBOR Rate:]** The principal amount of the Proposed Advance set forth in 2 above does not exceed the Non-AMT Loan Commitment as of the Advance Date set forth in 1 above.

**[For a Proposed Advance that will be an AMT Loan bearing interest at the Tax-Exempt LIBOR Rate:]** The principal amount of the Proposed Advance set forth in 2 above does not exceed the AMT Loan Commitment as of the Advance Date set forth in 1 above.

**[For a Proposed Advance that will be a Taxable Loan bearing interest at the Taxable LIBOR Rate:]** The principal amount of the Proposed Advance set forth in 2 above does not exceed the Taxable Loan Commitment as of the Advance Date set forth in 1 above.

6. After giving effect to the Proposed Advance, the aggregate principal amount of all Loans outstanding under the Agreement will not exceed the Available Commitment.

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the Advance Date, before and after giving effect thereto:

- (a) the undersigned is a Designated Representative;
- (b) the representations and warranties of the Authority set forth in Article VII of the Agreement and in each other Related Document are true and correct in all material respects as though made on the date hereof and on the date of Advance Date;
- (c) no Default or Event of Default has occurred and is continuing;
- (d) no Material Adverse Change has occurred;
- (e) after giving effect to the Proposed Advance, the aggregate principal amount of all Loans outstanding under the Agreement will not exceed [the Initial Commitment Amount][or, following a reduction of the Available Commitment pursuant

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<sup>1</sup> With respect to an Advance for an AMT Revolving Loan, U.S. Bank, as Lender, should confirm that it has received evidence that an IRS Form 8038 has been duly completed by the Authority and signed by the Authority; and with respect to an Advance for Non-AMT Revolving Loan, U.S. Bank, as Lender, should confirm that it has received evidence that an IRS Form 8038-G has been duly completed by the Authority and signed by the Authority.

to Section 2.7 of the Agreement) the Available Commitment]. The proposed amount of the Proposed Advance does not exceed the Available Commitment; and

(f) the Authority has not received actual notice (either verbal or written) from Bond Counsel that the opinion delivered pursuant to Section 2.4(a)(v) of the Agreement may no longer be relied upon. The Lender shall have received satisfactory evidence that all representations and certifications of the Authority that the Lender deems necessary to maintain the tax-exempt status of the interest on any Tax-Exempt Loan have been delivered and are true and correct.

The Proposed Advance shall be made by the Lender by wire transfer of immediately available funds to the undersigned in accordance with the instructions set forth below:

**[Insert wire instructions]**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Very truly yours,

SAN DIEGO COUNTY REGIONAL AIRPORT  
AUTHORITY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT C

[FORM OF REQUEST FOR EXTENSION]

REQUEST FOR EXTENSION

[Date]

U.S. Bank National Association  
633 W. 5th Street, 25th Floor  
Los Angeles, California 90071  
Attention: Ashley Martin, Vice President  
Facsimile: (213) 615-6248  
Telephone: (310) 717-5900  
E-mail: ashley.martin1@usbank.com

With a copy to:

U.S. Bank National Association  
633 W. 5th Street, 25th Floor  
Los Angeles, California 90071  
Attention: Kenneth Haber, Senior Vice President  
Telephone: (818) 817-7235  
E-mail: Kenneth.Haber@usbank.com

Ladies and Gentlemen:

Reference is made to the Revolving Credit Agreement dated as of September 1, 2014 (together with any amendments or supplements thereto, the "*Agreement*") by and between the undersigned, the San Diego County Regional Airport Authority (the "*Authority*") and U.S. Bank National Association (the "*Lender*"). All terms defined in the Agreement are used herein as defined therein.

The Authority hereby requests, pursuant to Section 2.8 of the Agreement, that the Commitment Expiration Date with respect to the Available Commitment as of the date hereof be extended by one year to \_\_\_\_\_, \_\_\_\_\_. Pursuant to such Section 2.8, we have enclosed with this request the following information:

1. A reasonably detailed description of any and all Defaults that have occurred and are continuing;
2. Confirmation that all representations and warranties of the Authority as set forth in Article VII of the Agreement and each Related Document are true and correct as though made on the date hereof and that no Default or Event of Default has occurred and is continuing on the date hereof; and

3. Any other pertinent information previously requested by the Lender.

The Lender is asked to notify the Authority of its decision with respect to this request within 60 days of the date of receipt hereof. If the Lender fails to notify the Authority of the Lender's decision within such 60-day period, the Lender shall be deemed to have rejected such request.

Very truly yours,

SAN DIEGO COUNTY REGIONAL AIRPORT  
AUTHORITY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT D**

**[FORM OF NOTICE OF TERMINATION]**

**NOTICE OF TERMINATION**

San Diego County Regional Airport Authority  
Commuter Terminal, 3rd Floor  
3225 North Harbor Drive  
San Diego, California 92101  
Attention: Vice President Finance/Treasurer

Ladies and Gentlemen:

We refer to the Revolving Credit Agreement dated as of September 1, 2014 (together with any amendments or supplements thereto, the “*Agreement*”) by and between the San Diego County Regional Airport Authority (the “*Authority*”) and the undersigned, U.S. Bank National Association. Any term below which is defined in the Agreement shall have the same meaning when used herein.

We hereby notify you that an Event of Default has occurred under Section 10.1\_\_ of the Agreement. As a result, unless and until you have been advised otherwise by us:

1. The Available Commitment **[has been automatically]/[is hereby]** reduced to \$0.00 and the Lender has no further obligation to make Advances under the Agreement; and
2. The Commitment **[has been automatically]/[is]** terminated and will no longer be reinstated.

IN WITNESS WHEREOF, we have executed and delivered this Notice as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

Very truly yours,

U.S. BANK NATIONAL ASSOCIATION

By \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

EXHIBIT E

[FORM OF NOTICE OF TERMINATION OR REDUCTION]

NOTICE OF TERMINATION OR REDUCTION

[Date]

U.S. Bank National Association

633 W. 5th Street, 25th Floor  
Los Angeles, California 90071  
Attention: Ashley Martin, Vice President  
Facsimile: (213) 615-6248  
Telephone: (310) 717-5900  
E-mail: ashley.martin1@usbank.com

With a copy to:

U.S. Bank National Association  
633 W. 5th Street, 25th Floor  
Los Angeles, California 90071  
Attention: Kenneth Haber, Senior Vice President  
Telephone: (818) 817-7235  
E-mail: Kenneth.Haber@usbank.com

Ladies and Gentlemen:

Re: Revolving Credit Agreement dated as of September 1, 2013

The San Diego County Regional Airport Authority (the "*Authority*"), through its undersigned, an Authorized Authority Representative, hereby certifies to U.S. Bank National Association (the "*Lender*"), with reference to the Revolving Credit Agreement dated as of September 1, 2014 (together with any amendments or supplements thereto, the "*Agreement*") by and between the Authority and the Lender (the terms defined therein and not otherwise defined herein being used herein as therein defined):

**[(1) The Authority hereby informs you that the Commitment is terminated in accordance with the Agreement.]**

OR

**[(1) The Authority hereby informs you that the Available Commitment is reduced from [insert amount as of the date of Certificate] to [insert new amount], such reduction to be effective on \_\_\_\_\_.]**

IN WITNESS WHEREOF, the Authority has executed and delivered this Notice this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

SAN DIEGO COUNTY REGIONAL AIRPORT  
AUTHORITY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT F

[FORM OF NOTICE OF REDUCTION]

NOTICE OF REDUCTION

[Date]

San Diego County Regional Airport Authority  
Commuter Terminal, 3rd Floor  
3225 North Harbor Drive  
San Diego, California 92101  
Attention: Vice President Finance/Treasurer

Ladies and Gentlemen:

We hereby notify you that pursuant to Section 2.7(a) of the Revolving Credit Agreement, dated as of September 1, 2014, by and between the undersigned, the San Diego County Regional Airport Authority (the “*Authority*”) and U.S. Bank National Association (the “*Lender*”), the Available Commitment is reduced from [insert amount as of the date of Certificate] to [insert new amount], such reduction to be effective on \_\_\_\_\_.

Very truly yours,

U.S. BANK NATIONAL ASSOCIATION

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT G**

**[FORM OF NOTICE OF EXTENSION]**

**NOTICE OF EXTENSION**

**[Date]**

San Diego County Regional Airport Authority  
Commuter Terminal, 3rd Floor  
3225 North Harbor Drive  
San Diego, California 92101  
Attention: Vice President Finance/Treasurer

Ladies and Gentlemen:

We hereby notify you that pursuant to Section 2.8 of the Revolving Credit Agreement, dated as of September 1, 2014, by and between the San Diego County Regional Airport Authority (the "*Authority*") and the undersigned, U.S. Bank National Association (the "*Lender*"), the Commitment Expiration Date with respect to the Commitment as of the date hereof shall be extended \_\_\_\_\_ to \_\_\_\_\_, \_\_\_\_\_. Your acknowledgment hereof shall be deemed to be your representation and warranty that all your representations and warranties contained in Article VII of the Agreement and each other Related Document are true and correct and will be true and correct as of the date hereof and that no Default or Event of Default has occurred and is continuing.

Very truly yours,

U.S. BANK NATIONAL ASSOCIATION

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Acknowledged as of \_\_\_\_\_, \_\_\_\_\_ by

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

By \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

RESOLUTION NO. 2018-0015

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY, APPROVING A SECOND AMENDMENT TO AN EXISTING REVOLVING LINE OF CREDIT AND CERTAIN OTHER DOCUMENTS AND MATTERS RELATED TO THE REVOLVING LINE OF CREDIT.

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 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 Authority, pursuant to Resolution No. 2014-0076 adopted by the board of directors of the Authority (the “Board”) on July 7, 2014 and Resolution No. 2017-0029 adopted by the Board on April 6, 2017, has previously determined that it is appropriate and beneficial for the purposes of the Authority to issue and/or incur short-term revenue obligations, from time to time, in the form of “San Diego County Regional Airport Authority Subordinate Airport Revenue Revolving Obligations” (“Subordinate Revolving Obligations”) which shall be issued and/or incurred in the form of a revolving line of credit (“Revolving Line of Credit”) as a means of providing funds to finance and refinance the acquisition, construction, rehabilitation and equipping of certain capital improvements to the San Diego International Airport system, to finance certain costs of issuance and for any other financing needs of the Authority (including, but not limited to, the refunding and restructuring of existing indebtedness of the Authority); and

WHEREAS, a Revolving Line of Credit is currently being provided to the Authority by U.S. Bank National Association (“U.S. Bank”), pursuant to a Revolving Credit Agreement, dated as of September 1, 2014, as amended by a First Amendment to Revolving Credit Agreement, dated as of June 29, 2017 (together, the “Credit Agreement”), entered into by and between the Authority and U.S. Bank, whereby the Authority is allowed to request Advances (as defined

in the Credit Agreement), from time to time, in an aggregate principal amount not to exceed \$125,000,000 at any one time outstanding to finance or refinance on either a reimbursement or forward funding basis the acquisition, construction, rehabilitation or equipping of certain capital improvements to the airport system, to finance certain costs of issuance and for any other financing needs of the Authority (including, but not limited to, the refunding and restructuring of existing indebtedness of the Authority); and

WHEREAS, in connection with recent changes to the rate of income taxation imposed on corporations pursuant to Section 11(b) of the Internal Revenue Code of 1986, as amended (the "Code"), U.S. Bank has requested certain amendments and modifications to the Credit Agreement by entering into a Second Amendment to Revolving Credit Agreement ("Second Amendment to Revolving Credit Agreement"), by and between the Authority and U.S. Bank; and

WHEREAS, the Authority has determined that it is in the best interests of the Authority to make such amendments and modifications to the Credit Agreement by entering into the Second Amendment to Revolving Credit Agreement and Authority staff has negotiated and agreed to such amendments and modifications to the Credit Agreement with U.S. Bank; and

WHEREAS, there has been presented to the Board a form of a Second Amendment to Revolving Credit Agreement; and

WHEREAS, said document may be modified and amended to reflect the various details applicable to the changes to be made to the Credit Agreement.

NOW, THEREFORE, BE IT RESOLVED that:

Section 1. Approval of Second Amendment to Revolving Credit Agreement; Authorization for Execution. The form, terms and provisions of the Second Amendment to Revolving Credit Agreement are in all respects APPROVED and the President/CEO of the Authority and the Vice President, Finance & Asset Management 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 the Second Amendment to Revolving Credit Agreement including counterparts thereof, in the name and on behalf of the Authority. The Second Amendment to Revolving Credit Agreement, as executed and delivered, shall be in substantially the form now before this meeting and hereby approved, with such changes therein approved by the Designated Officer 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 document now before this meeting; and from and after the execution and delivery of the Second Amendment to Revolving Credit Agreement, 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 Second Amendment to Revolving Credit Agreement.

Section 2. 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 Second Amendment to Revolving Credit Agreement and to carry out the terms thereof. Each Designated Officer and all officers, agents and 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 and the Second Amendment to Revolving Credit Agreement. The foregoing authorization includes, but is in no way limited to, authorizing Authority staff to pay costs of implementing and obtaining the Second Amendment to Revolving Credit Agreement and any fees and costs of U.S. Bank and any outside consultant and attorney costs and authorizing the execution by a Designated Officer, or any one of them, of one or more tax compliance certificates for the purpose of complying with the rebate requirements of the Code. Additionally, (i) on or before the stated expiration date of the Credit Agreement, as amended by the Second Amendment to Revolving Credit Agreement, the President/CEO is hereby AUTHORIZED to negotiate and execute an extension to the stated expiration date of the Credit Agreement (provided such extension shall not exceed three (3) years) with U.S. Bank, if the President/CEO determines that such extension is pursuant to the same or more advantageous financial terms as those set forth in the Credit Agreement, as amended by the Second Amendment to Revolving Credit Agreement, and, provided, further, that the terms and provisions of the Credit Agreement are the same, or more advantageous to the Authority, as the terms and provisions of the Credit Agreement, as amended by the Second Amendment to Revolving Credit Agreement; and (ii) the President/CEO is hereby AUTHORIZED to negotiate and execute any amendment(s) to the Credit Agreement, as amended by the Second Amendment to Revolving Credit Agreement, in order to update or modify provisions therein in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements or change in law (including rules or regulations) or in interpretations thereof that the President/CEO (Executive Director) deems to be in the best interest of the Authority by providing more advantageous terms and or provisions.

Section 3. 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 4. Governing Law. This resolution shall be construed and governed in accordance with the laws of the State of California.

Section 5. 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 6. Effective Date of Resolution. This Resolution shall take effect from and after its passage and approval; and

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 special meeting this 15<sup>th</sup> day of February, 2018 by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

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TONY R. RUSSELL  
DIRECTOR, CORPORATE &  
INFORMATION GOVERNANCE /  
AUTHORITY CLERK

APPROVED AS TO FORM:

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AMY GONZALEZ  
GENERAL COUNSEL

# San Diego County Regional Airport Authority



**SAN DIEGO**  
INTERNATIONAL AIRPORT

LET'S **GO.**

## **Authorization of an Amendment: Revolving Credit Variable Rate Program – Margin Rate Factor**

Presented by:

John Dillon

*Director Financial Management*

*February 15, 2018*

# Background

- The Board approved variable debt agreements with RBC Bank and US Bank in March 2017
- A "Margin Rate Factor" was included in the variable rate debt agreements that increases the tax exempt pricing in the event of a reduction in Federal Corporate tax rates to accommodate the banks reduced tax benefit.
- The maximum federal tax rate reduced from 35% to 21% in the recently adopted Tax Cuts and Jobs Act

# US Bank Facility

- Tax Exempt pricing changed from 75% of 1-Month Libor + 42 BPS to 91% of Libor + 51.5 BPS
- The Authority has negotiated with US Bank and agreed to an adjusted tax exempt pricing of 83% of 1-Month Libor + 50 BPS
- Currently Libor rate is at 1.57% therefore effective tax exempt rate will now be 1.80% vs. 1.94% before the re-negotiation
- The re-negotiation reduces the impact on interest cost by 50% at current Libor rates

# Fiscal Impact

The Authority currently has \$15.8M outstanding AMT Series B variable rate debt.

- The reduction in the federal tax rates increases annual interest expense on the Authority outstanding tax exempt variable debt by approximately \$30,000.

As interest rates increase and balances outstanding in the revolver increase the Authority will recognize significant savings with the re-negotiated margin rate factor.

# RBC Bank

- Currently the RBC Draw Down Bond is unutilized therefore there is no current impact relating the margin Rate Factor
- Staff is negotiating changes with RBC

# Recommendation and Requested Actions

Staff recommends the Board approve the second amendment to the revolving credit agreement to reflect the change in the pricing:

- Adopt Resolution No. 2018-0015:

## Amendment to the US Bank Revolving Line of Credit

Authorization for the President/CEO to execute a Second Amendment to the existing Revolving Credit Agreement with US Bank to reflect the agreed terms. Re-authorization is granted for the President/CEO to negotiate and execute an extension to the US Bank Revolver for up to three years with the same or advantageous financial terms and provisions

# Questions

