SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

STAFF REPORT

Item No.
16

Meeting Date: **DECEMBER 13, 2012**

Subject:

Authorization of (1) Bond Documents and Sale of General Airport Revenue Bonds, Including Delegation of Pricing Authority, for Green Build and Capital Improvement Program Funding; and (2) Defeasance of 2005 General Airport Revenue Bonds

Recommendation:

Adopt Resolution No. 2012-0127, (1) authorizing the issuance and sale of not-to-exceed $500 million in aggregate principal amount of one or more series of San Diego County Regional Airport Authority Senior Airport Revenue Bonds; and (2) approving the forms of a Third Supplemental Trust Indenture, Preliminary and Final Official Statements, a Purchase Contract and a Continuing Disclosure Certificate, and certain related matters.

Adopt Resolution No. 2012-0128, (1) authorizing the refunding and defeasance of its San Diego County Regional Airport Authority Airport Revenue Refunding Bonds Series 2005; (2) approving a form of escrow agreement; and (3) authorizing and directing certain action with respect thereto.

Background/Justification:

A. Adoption of Resolution No. 2012-0127.

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

Master Trust Indenture. As of November 1, 2005, the Authority approved and entered into a senior Master Trust Indenture (the "**Master Senior Indenture**") by and between the Authority and The Bank of New York Mellon Trust Company, N.A., formerly known as The Bank of New York Trust Company, N.A. (the "Senior Trustee"). This Master Senior Indenture is the financing document that sets forth the general terms of the Authority's pledge of Net Revenues to secure senior lien airport revenue bonds and provides for the terms and conditions upon which senior lien airport revenue bonds may be issued by the Authority.

Senior Series 2005 Bonds. Pursuant to the Master Senior Indenture and a First Supplemental Trust Indenture ("**First Supplemental Senior Indenture**"), also dated as of November 1, 2005, by and between the Authority and the Senior Trustee, the Authority issued its San Diego County Regional Airport Authority Airport Revenue Refunding Bonds, Series 2005 (the "Senior Series 2005 Bonds"), which are currently outstanding in the aggregate principal amount of $34,530,000. These Senior Series 2005 Bonds are the only Authority senior lien airport revenue bonds currently outstanding.

2007 Commercial Paper. As of September 1, 2007, the Authority entered into a Master Subordinate Trust Indenture ("**Master Subordinate Indenture**") by and between the Authority and Deutsche Bank National Trust Company, as trustee ("Subordinate Trustee") pursuant to which the Authority was authorized to issue subordinate obligations from time to time payable and secured by subordinate net revenues as defined in the Master Subordinate Indenture. Pursuant to the Master Subordinate Indenture and a First Supplemental Subordinate Trust Indenture, the Authority implemented a commercial paper program which permits the Authority to issue commercial paper notes from time to time up to an aggregate principal amount not exceeding $250,000,000 at any one time as either Series A (non-AMT), Series B (AMT) and Series C (taxable).

Subordinate 2010 Bonds. As of October 1, 2010, the Authority entered into a **Second Supplemental Subordinate Trust Indenture** with the Subordinate Trustee and thereafter issued Subordinate Airport Revenue Bonds, Series 2010A (non-AMT), Series 2010B (non-AMT) and Series 2010C (federally taxable-Build America Bonds) in the total amount of $572,565,000 to finance part of its capital program, to refund certain commercial paper notes, and for certain other costs. There are currently $570,870,000 of the Subordinate 2010 Bonds outstanding.

Pledges of Revenues. The pledge of Net Revenues under the Master Senior Indenture is senior to the pledge of revenues under the Master Subordinate Indenture. The Authority's Subordinate Commercial Paper Notes and Subordinate 2010 General Airport Revenue Bonds are and have been issued as subordinate debt.

The Master Senior Indenture sets forth all of the terms, conditions, covenants and obligations that must be met by the Authority in order to issue additional senior lien airport revenue bonds, including, among other things the conditions which must be met in order for the Authority to issue additional bonds payable from Net Revenues.

Authority staff has determined that it is necessary and advisable to issue additional Senior General Airport Revenue Bonds ("2013 Senior GARBs") in an aggregate principal amount not to exceed $500 million in order to refund a portion of the Authority's outstanding Subordinate Commercial Paper Notes, to fund certain capital projects in the Green Build and FY 2013 – FY 2017 Capital Improvement Program ("CIP"), to fund a portion of the interest accruing on the Senior GARBs, to fund a reserve fund for the new 2013 Senior GARBs, and to pay the costs of issuance of the new 2013 Senior GARBs. This will require entering into a **Third Supplemental Trust Indenture.**

Upon adoption of the attached Resolution No. 2012-0127, the Board will be approving the following:

1) The issuance of the new 2013 Senior GARBs of the Authority in an aggregate principal amount not-to-exceed $500 million in order to refund a portion of the Authority's outstanding Subordinate Commercial Paper Notes, to fund certain capital projects in the Green Build and FY 2013 – FY 2017 Capital Improvement Program ("CIP"), to fund a portion of the interest accruing on the new 2013 Senior GARBs, to fund a reserve fund for the new 2013 Senior GARBs, and to pay the costs of issuance of the new 2013 Senior GARBs.

2) Third Supplemental Trust Indenture

The Third Supplemental Trust Indenture sets forth the general terms of the additional Senior GARBs, including, among other things, the pledge of Net Revenues to repay the Senior GARBs, the form of the Senior GARBs, and the establishment of certain funds and accounts to be created in connection with the issuance of the Senior GARBs. The pledge of Net Revenues under the Third Supplemental Trust Indenture is the same as the pledge under the Master Senior Indenture. The new 2013 Senior GARBs will bear interest at fixed rates of interest that will be determined by the underwriters in accordance with the Purchase Contract.

3) Preliminary Official Statement (POS)

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

4) Purchase Contract

This financing document will be entered into with each of the underwriters of the Senior GARBs, which includes, Jefferies & Company, Inc., Citigroup Global Markets Inc., Siebert Brandford Shank & Co. LLC, J.P. Morgan Securities LLC, Loop Capital Markets, LLC and Cabrera Capital Markets, LLC. The Purchase Contract requires the underwriters to purchase the Senior GARBs, provided certain terms and conditions set forth in the Purchase Contract are met by the Authority and other parties. Pursuant to the terms of the Purchase Contract, the underwriters will collect an underwriting discount not exceeding 0.5% of the final par amount of tax exempt Senior GARBs purchased by them.

5) Continuing Disclosure Certificate

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

B. Adoption of Resolution No. 2012-0128.

In connection with the Authority's issuance of its San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series A, Series B and Series C in October 2010, the Authority proposed certain amendments to be made to the Master Senior Indenture, which included, but are not limited to, the exclusion of customer facility charges ("CFCs") and the federal direct payments payable by the federal government to the Authority pursuant to Sections 54AA and 6431 of the Internal Revenue Code, otherwise referred to as the "Build America Bond Subsidy", from the definition of "Revenues" under the Master Senior Indenture (the "**Master Senior Indenture Amendments**"). The Master Senior Indenture Amendments will become effective either upon obtaining the consent of a majority of the outstanding senior lien bondholders or upon the payment or defeasance of all the currently outstanding Senior Series 2005 Bonds.

To facilitate the timely amendment of the Master Senior Indenture in order to provide for the timely implementation of the Master Senior Indenture Amendments, it is necessary to provide for the refunding and defeasance of the Senior Series 2005 Bonds by providing for the issuance of Series C Commercial Paper Notes, the proceeds of which, along with certain other available moneys, will be used to refund and defease all of the outstanding Senior Series 2005 Bonds. The refunding and defeasance of the Senior Series 2005 Bonds will permit the Authority to put in place immediately the Master Senior Indenture Amendments to the Master Senior Indenture that will (i) facilitate the Authority's future financing of the rental car center by enabling the Authority to issue special facility bonds secured solely from customer facility charges, and (ii) enable the Authority to exclude from Revenues pledged to its outstanding indebtedness the Build America Bond Subsidy and thereby permit the Authority to use such moneys as an offset to debt service payments when calculating its compliance with the Authority's bond indenture rate covenant.

The Board has previously adopted a Debt Issuance and Management Policy ("Policy") which governs the debt issuance and management practices of the Authority. Pursuant to the Policy, a refunding of outstanding obligations may be permitted if certain targeted savings amounts can be achieved, or alternatively, a refunding may be permitted for other than economic purposes, such as to retire a particular bond issue in order to eliminate restrictive indenture provisions or covenants.

The refunding and defeasance of the Senior Series 2005 Bonds will not be done for economic savings purposes, but will be done in order to enable the Authority to put in place immediately the Master Trust Indenture Amendments which will thereafter provide the Authority with broader and more flexible financing options and the ability to meet its bond indenture rate covenant.

Upon adoption of Resolution No. 2012-0128, the Board will be approving the following:

1) The refunding and defeasance of the Senior Series 2005 Bonds from proceeds to be received from the issuance of Series C Commercial Paper Notes and other available moneys of the Authority.

2) The execution of the Escrow Agreement which sets forth the terms and provisions of funding an escrow to provide for the payment of principal and interest on the Senior Series 2005 Bonds up to the first available call date.

Fiscal Impact:

The issuance of the 2013 Senior GARBs will provide funding necessary to complete the Green Build and certain other CIP projects, consistent with the Authority's plan of finance. Defeasance of the Authority's Senior Series 2005 Bonds is estimated to cost between $0.5 million - $1.5 million, depending on future interest rates for the associated commercial paper borrowing.

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, as an administrative 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.

Equal Opportunity Program:

Not Applicable

Prepared by:

VERNON D. EVANS
VICE PRESIDENT, FINANCE/TREASURER

RESOLUTION NO. 2012-0127

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY (1) AUTHORIZING THE ISSUANCE AND SALE OF NOT-TO-EXCEED $500 MILLION IN AGGREGATE PRINCIPAL AMOUNT OF ONE OR MORE SERIES OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY SENIOR AIRPORT REVENUE BONDS; AND (2) APPROVING THE FORMS OF A THIRD SUPPLEMENTAL TRUST INDENTURE, PRELIMINARY AND FINAL OFFICIAL STATEMENTS, A PURCHASE CONTRACT AND A CONTINUING DISCLOSURE CERTIFICATE, AND CERTAIN RELATED MATTERS.

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

WHEREAS, the Authority has been formed for the purposes of: (a) operating the Airport System (as defined in the hereinafter defined Master Senior Indenture), (b) planning and operating any future airport that could be developed as a supplement or replacement to San Diego International Airport (Lindbergh Field) ("Airport"), (c) developing a comprehensive land use plan, as it may relate to the Airport System, for the entire County, and (d) serving as the region's airport land use commission; and

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

WHEREAS, the Act provides that the Authority shall have the power to issue bonds, from time to time, payable from revenue of any facility or enterprise operated, acquired, or constructed by the Authority, for any of the purposes authorized under the Act in accordance with the Revenue Bond Law of 1941 Chapter 6 (commencing with §54300) of Part 1 of Division 2 of Title 5 of the California Government Code, excluding Article 3 (commencing with §54380) of Chapter 6 of Part 1 of Division 2 of Title 5 of the California Government Code and the limitations set forth in California Government Code §54402(b), which shall not apply to the issuance and sale of bonds pursuant to the Act; and

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

WHEREAS, the Authority has determined that it is necessary and advisable to issue, from time to time, Bonds (as defined in the Master Senior Indenture) for the purposes set forth in the Act and the Master Trust Indenture, dated as of November 1, 2005 ("Master Senior Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as trustee ("Senior Trustee"), and that such Bonds be payable from and secured by Net Revenues (as defined in the Master Senior Indenture); and

WHEREAS, the Authority has determined that it is in its best interests to issue Bonds in an aggregate principal amount not to exceed $500 million in one or more separate series in accordance with the Master Senior Indenture; and

WHEREAS, the Authority has determined that each series of such Bonds shall be designated as "San Diego County Regional Airport Authority Senior Airport Revenue Bonds Series 2013 ("Senior Series 2013 Bonds"), with each series of Senior Series 2013 Bonds being given a separate letter designation as shall be set forth in the hereinafter defined Third Supplemental Senior Indenture; and

WHEREAS, the proceeds from the sale of the Senior Series 2013 Bonds shall be used to provide funds to (a) finance and refinance certain capital improvements at the Airport, (b) refund all or a portion of the outstanding San Diego County Regional Airport Authority Subordinate Airport Revenue Commercial Paper Notes ("Subordinate Commercial Paper Notes"), (c) fund one or more reserve funds for the Senior Series 2013 Bonds, (d) pay a portion of the interest accruing on a portion of the Senior Series 2013 Bonds, and (e) pay the costs of issuance of the Senior Series 2013 Bonds; and

WHEREAS, the Senior Series 2013 Bonds will be issued pursuant to the Act, certain other provisions of the laws of the State (including California Government Code §53580 *et seq.*), the Master Senior Indenture and the Third Supplemental Senior Indenture; and

WHEREAS, the Senior Series 2013 Bonds will be issued so that the interest paid on the Senior Series 2013 Bonds will be excluded from the gross income of the recipients thereof under the varying provisions of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder or related thereto (collectively, the "Code"); and

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

(a) a form of the Third Supplemental Trust Indenture ("Third Supplemental Senior Indenture") by and between the Authority and the Senior Trustee;

(b) a form of the Purchase Contract ("Purchase Contract") by and between Jefferies & Company, Inc., on its own behalf and on behalf of Citigroup Global Markets Inc., Cabrera Capital Markets, LLC, J.P. Morgan Securities LLC, Loop Capital Markets, LLC, and Siebert Brandford Shank & Co., L.L.C. (collectively, the "Underwriters") and the Authority with respect to the purchase and sale of the Senior Series 2013 Bonds;

(c) a form of the Preliminary Official Statement (including the Financial Feasibility Report, prepared by Unison Consulting, Inc., to be contained therein as Appendix A) ("Preliminary Official Statement") relating to the Senior Series 2013 Bonds; and

(d) a form of the Continuing Disclosure Certificate ("Continuing Disclosure Certificate") by the Authority; and

WHEREAS, said documents will be modified and amended to reflect the various details applicable to the Senior Series 2013 Bonds and said documents are subject to completion to reflect the results of the sale of the Senior Series 2013 Bonds.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby authorizes:

Section 1. Issuance of Senior Series 2013 Bonds; Terms of Senior Series 2013 Bonds. For the purposes set forth in the foregoing recitals, including, among other things, the financing and refinancing of certain capital improvements at the Airport and the refunding of all or a portion of the outstanding Subordinate Commercial Paper Notes, the Board hereby authorizes the issuance of the Senior Series 2013 Bonds, in one or more series, in a total aggregate principal amount not to exceed $500 million, plus the amount of any original issue premium at which the Senior Series 2013 Bonds may be sold. In addition to the above uses of the proceeds of the Senior Series 2013 Bonds, the proceeds from the Senior Series 2013 Bonds, and any other moneys made available in connection with the issuance of the Senior Series 2013 Bonds, may be used to pay a portion of the interest accruing on the Senior Series 2013 Bonds, pay the costs of issuance of the Senior Series 2013 Bonds, fund one or more reserve funds for the Senior Series 2013 Bonds and/or purchase a reserve fund surety policy or policies, and pay for a municipal bond insurance policy or policies, if it is determined by the Vice President, Finance/CFO and Treasurer, that bond insurance results in savings to the Authority.

No Senior Series 2013 Bond shall bear interest at a rate in excess of 6.00% *per annum*. The Senior Series 2013 Bonds shall bear interest at such rates with respect to the various maturities such that the all-in true interest cost for the Senior Series 2013 Bonds does not exceed 6.00% *per annum*. The all-in true interest cost for the Senior Series 2013 Bonds shall be that rate which, when used in computing the present worth of all payments of principal and interest to be paid on the Senior Series 2013 Bonds (compounded on the first interest payment date, and semiannually thereafter), produces an amount equal to the purchase price of the Senior Series 2013 Bonds taking into account any original issue premium/discount, accrued interest, underwriters' fees, municipal bond insurance premium, if any, and any and all costs of issuance of the Senior Series 2013 Bonds.

The Senior Series 2013 Bonds shall be issued in fully registered form and may be issued as Book-Entry Bonds as provided for in the Master Senior Indenture and the Third Supplemental Senior Indenture. Payment of principal and premium, if any, of, and interest on the Senior Series 2013 Bonds shall be made at the place or places and in the manner provided in the Master Senior Indenture and the Third Supplemental Senior Indenture. The Senior Series 2013 Bonds shall be issued as current interest bonds and shall be available in denominations of $5,000 and integral multiples thereof. The Senior Series 2013 Bonds shall, when issued, be in the aggregate principal amounts and shall be dated as shall be provided in the Master Senior Indenture and the final form of the Third Supplemental Senior Indenture. The Senior Series 2013 Bonds may be issued as serial bonds or as term bonds or as both serial bonds and term bonds, all as set forth in the Master Senior Indenture and the Third Supplemental Senior Indenture. Interest on the Senior Series 2013 Bonds shall be paid on the dates set forth in the Third Supplemental Senior Indenture. No Senior Series 2013 Bond shall have a term greater than 35 years from its date of issuance. The Senior Series 2013 Bonds shall be subject to redemption at the option of the Authority on such terms and conditions as shall be set forth in the Master Senior Indenture, the Third Supplemental Senior Indenture and the Purchase Contract. The Senior Series 2013 Bonds which are term bonds shall also be subject to mandatory sinking fund redemption as shall be set forth in the Master Senior Indenture, the Third Supplemental Senior Indenture and the Purchase Contract.

Section 2. Pledge to Secure the Senior Series 2013 Bonds. The pledge to secure the Senior Series 2013 Bonds as set forth in the Master Senior Indenture and the Third Supplemental Senior Indenture is hereby approved.

Section 3. Special Obligations. The Senior Series 2013 Bonds shall be special obligations of the Authority, secured by, and payable from, Net Revenues and from the funds and accounts held by the Senior Trustee and the Authority under the Master Senior Indenture and the Third Supplemental Senior Indenture, as and to the extent therein described. The Senior Series 2013 Bonds shall also be secured by and be paid from such other sources as the Authority may hereafter provide.

Section 4. Form of Senior Series 2013 Bonds. The Senior Series 2013 Bonds and the Trustee's Certificate of Authentication to appear thereon shall be in substantially the form set forth in Exhibit A to the Third Supplemental Senior Indenture with necessary or appropriate variations, omissions and insertions as permitted or required by the Master Senior Indenture or the Third Supplemental Senior Indenture or as appropriate to adequately reflect the terms of the Senior Series 2013 Bonds and the obligation represented thereby.

Section 5. Execution of the Senior Series 2013 Bonds. Each of the Senior Series 2013 Bonds shall be executed by the President/CEO (Executive Director) of the Authority or any other representative of the Authority designated by the President/CEO (Executive Director) of the Authority and attested by the Clerk of the Authority. Any such signatures may be by manual or facsimile signature and the seal of the Authority may be impressed or printed on the Senior Series 2013 Bonds. Additionally, each of the Senior Series 2013 Bonds shall be authenticated by the signature of the Senior Trustee or an agent of the Senior Trustee as required and permitted by the Master Senior Indenture. Any facsimile signature of the President/CEO (Executive Director) of the Authority, any other representative of the Authority designated by the President/CEO (Executive Director) of the Authority or the Clerk of the Authority shall be of the same force and effect as if such signature were manually placed on such Senior Series 2013 Bonds.

Section 6. Approval of Documents; Authorization for Execution. The form, terms and provisions of the Third Supplemental Senior Indenture and the Continuing Disclosure Certificate (collectively, the "Documents") are in all respects approved and the President/CEO (Executive Director) of the Authority and the Vice President, Finance/CFO and Treasurer of the Authority, any one or more thereof (each a "Designated Officer"), are hereby authorized, empowered and directed to execute, acknowledge and deliver each of the Documents including counterparts thereof, in the name and on behalf of the Authority. The Documents, as executed and delivered, shall be in substantially the forms now before this meeting and hereby approved, or with such changes therein (including any changes required by a municipal bond insurer or insurers in order to obtain a municipal bond insurance policy or policies with respect to the Senior Series 2013 Bonds or a reserve fund surety policy or policies) as shall be approved by the officer or officers of the Authority executing the same; the execution thereof shall constitute conclusive evidence of the Board's approval of any and all changes or revisions therein from the forms of the Documents now before this meeting; and from and after the execution and delivery of the Documents, the officers, agents and employees of the Authority are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Documents.

Section 7. Sale of the Senior Series 2013 Bonds. The sale of the Senior Series 2013 Bonds is hereby approved through a private, negotiated sale to the Underwriters. Each Designated Officer, any one of them, is hereby authorized to approve the final terms of the sale of the Senior Series 2013 Bonds subject to the terms, conditions and restrictions set forth in this Resolution. The Senior Series 2013 Bonds shall be sold with an underwriters' discount as set forth in the Purchase Contract, not to exceed 0.500% of the aggregate principal amount of the Senior Series 2013 Bonds, and subject to the terms and conditions set forth in the Purchase Contract. The form, terms and provisions of the Purchase Contract now before this meeting are in all respects hereby approved and each Designated Officer, or any one of them, is hereby authorized and empowered, either alone or in combination, to execute and deliver the Purchase Contract, including counterparts thereof, in the name and on behalf of the Authority. The Purchase Contract, as executed and delivered, shall be in substantially the form now before this meeting and hereby approved, or with such changes therein as shall be approved by the officer(s) executing the same; the execution thereof shall constitute conclusive evidence of the Board's approval of any and all changes or revisions therein from the form of the Purchase Contract now before this meeting; and from and after the execution and delivery of the Purchase Contract, the officers, agents and employees of the Authority are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Purchase Contract.

Section 8. Preliminary Official Statement. The form of the Preliminary Official Statement (including the Financial Feasibility Report, prepared by Unison Consulting, Inc., to be contained therein as Appendix A) now before this meeting is in all respects hereby approved to be used in connection with the sale of the Senior Series 2013 Bonds to the public. The Preliminary Official Statement shall be in substantially the form now before this meeting and hereby approved, or with such changes therein as shall be approved by a Designated Officer. The Preliminary Official Statement shall be circulated (via printed format and/or electronic means) for use in selling the Senior Series 2013 Bonds at such time or times as a Designated Officer (after consultation with the Authority's financial advisor, bond counsel and disclosure counsel and such other advisors the Authority believes to be useful) shall determine that the Preliminary Official Statement is final within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for the omission of certain information described in (b)(1) of Rule 15c2-12, and any such action previously taken is hereby confirmed, ratified and approved. The Underwriters are hereby authorized to distribute (via printed format and/or electronic means) the Preliminary Official Statement, in connection with the sale of the Senior Series 2013 Bonds to the public. In connection with the distribution of the Preliminary Official Statement, the Underwriters are hereby further authorized to distribute (via printed format and/or through electronic means) copies of the Authority's most recent annual audited financial statements and such other financial statements of the Authority as a Designated Officer, any one or more thereof, shall approve.

Section 9. Official Statement. Prior to the final delivery of the Senior Series 2013 Bonds, the Authority shall provide for the preparation, publication, execution and delivery of a final Official Statement (including the Financial Feasibility Report, prepared by Unison Consulting, Inc., to be contained therein as Appendix A) relating to the Senior Series 2013 Bonds in substantially the form of the draft Preliminary Official Statement presented to this meeting. Each Designated Officer, or any one of them, are hereby authorized and directed to execute and deliver the final Official Statement in the name of and on behalf of the Authority, and to make any changes or revisions necessary to the Preliminary Official Statement in order for the final Official Statement to meet the requirements of the Authority under the Purchase Contract. The execution thereof shall constitute conclusive evidence of the Board's approval of any and all changes or revisions therein from the form of the Preliminary Official Statement now before this meeting. The final Official Statement shall be circulated (via printed format and/or electronic means) for use in selling the Senior Series 2013 Bonds at such time or times as a Designated Officer, or any one or more thereof (after consultation with the Authority's financial advisor, bond counsel and disclosure counsel and such other advisors the Authority believes to be useful) shall determine that the final Official Statement is a "final official statement" within the meaning of Rule 15c2-12. The Underwriters are hereby authorized to distribute (via printed format and/or electronic means) the final Official Statement, in connection with the sale of the Senior Series 2013 Bonds to the public. In connection with the distribution of the final Official Statement, the Underwriters are hereby further authorized to distribute (via printed format and/or through electronic means) copies of the Authority's most recent annual audited financial statements and such other financial statements of the Authority as a Designated Officer, any one or more thereof, shall approve.

Section 10. Selection of Underwriters. The Board hereby SELECTS Jefferies & Company, Inc., Citigroup Global Markets Inc., Cabrera Capital Markets, LLC, J.P. Morgan Securities LLC, Loop Capital Markets, LLC, and Siebert Brandford Shank & Co., L.L.C., as the underwriters for the private, negotiated sale of the Senior Series 2013 Bonds.

The Authority has been informed that Citigroup Global Markets Inc. and its parent company, Citigroup, Inc., have entered into a distribution agreement dated May 31, 2009, as amended, with Morgan Stanley Smith Barney LLC ("MSSB") and its parent company, Morgan Stanley Smith Barney Holdings LLC, whereby Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of MSSB. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate MSSB for its selling efforts with respect to the Senior Series 2013 Bonds. The Board hereby AUTHORIZES Citigroup Global Markets Inc. to distribute Senior Series 2013 Bonds to retail investors through MSSB.

The Authority has been informed that J.P. Morgan Securities LLC has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Senior Series 2013 Bonds, at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS&Co. will purchase Senior Series 2013 Bonds from J.P. Morgan Securities LLC at the original issue prices less a negotiated portion of the selling concession applicable to any Senior Series 2013 Bonds that such firm sells. The Board hereby AUTHORIZES J.P. Morgan Securities LLC to invite UBSFS and CS&Co. to participate as retail distributors of the Senior Series 2013 Bonds allocated to J.P. Morgan Securities LLC.

Section 11. Trustee, Paying Agent and Registrar. The Board hereby appoints The Bank of New York Mellon Trust Company, N.A., as trustee, paying agent and registrar for the Senior Series 2013 Bonds. Such appointments shall be effective upon the issuance of the Senior Series 2013 Bonds and shall remain in effect until the Authority shall, by supplemental indenture or by resolution, name a substitute or successor thereto.

Section 12. California Debt and Investment Advisory Commission and Notices. Each Designated Officer, or any one of them, on behalf of the Authority, is further authorized and directed to (a) cause written notice to be provided to the California Debt and Investment Advisory Commission ("Commission") of the proposed sale of the Senior Series 2013 Bonds, said notice to be provided in accordance with California Government Code §8855, *et seq.*, (b) file or cause to be filed the notice of final sale with the Commission, (c) file or cause to be filed the rebates and notices required under §§54AA, 148(f), 149(e) and 6431 of the

Code (and any guidance published thereunder), and (d) file or cause to be filed such additional notices and reports as are deemed necessary or desirable by such Designated Officer in connection with the Senior Series 2013 Bonds, and any prior notices are hereby ratified, confirmed and approved.

Section 13. Authorization for Provision for Reserve Funds. A portion of the proceeds of the Senior Series 2013 Bonds and such other available moneys of the Authority, may be used to fund one or more reserve funds for the Senior Series 2013 Bonds, and/or to pay the costs of a reserve fund surety policy or policies as set forth in the Third Supplemental Senior Indenture.

Section 14. Additional Authorization. Each Designated Officer and all officers, agents and employees of the Authority, for and on behalf of the Authority, be and they hereby are authorized and directed to do any and all things necessary to effect the execution and delivery of the Senior Series 2013 Bonds, the Documents, the Preliminary and final Official Statements, the Purchase Contract and to carry out the terms thereof. All such actions taken by such Designated Officers and such other officers, agents and employees of the Authority, for and on behalf of the Authority, pursuant to the authority of this Resolution, are hereby approved. Each Designated Officer and all other officers, agents and other employees of the Authority are further authorized and directed, for and on behalf of the Authority, to execute all papers, documents, certificates and other instruments that may be required in order to carry out the authority conferred by this Resolution, the Master Senior Indenture, the Third Supplemental Senior Indenture, the Continuing Disclosure Certificate and the Purchase Contract or to evidence the same authority and its exercise. The foregoing authorization includes, but is in no way limited to, authorizing Authority staff to pay costs of issuance of the Senior Series 2013 Bonds and the underwriting discount/fee; authorizing the Vice President, Finance/CFO and Treasurer of the Authority to direct the investment of the proceeds of the Senior Series 2013 Bonds in one or more of the permitted investments provided for under the Master Senior Indenture and the Third Supplemental Senior Indenture (including, but not limited to, the execution and delivery of one or more investment agreements related thereto); and authorizing the execution by a Designated Officer, any one of them, of one or more tax compliance certificates as required by the Master Senior Indenture and the Third Supplemental Senior Indenture for the purpose of complying with the rebate requirements of the Code, any documents required by The Depository Trust Company in connection with the Book-Entry Bonds (as defined in the Third Supplemental Senior Indenture), any documents required by the provider of a Reserve Fund Insurance Policy (as defined in the Third Supplemental Senior Indenture), if any, required to fund one or more reserve funds for the Senior Series 2013 Bonds and any documents required to obtain bond insurance for all or a portion of the Senior Series 2013 Bonds to the extent such bond insurance shall result in cost savings to the Authority.

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

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

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

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

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

PASSED, ADOPTED AND APPROVED by the Board of the San Diego County Regional Airport Authority at a special meeting this 13TH day of December, 2012 by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

TONY R. RUSSELL
DIRECTOR, CORPORATE SERVICES/
AUTHORITY CLERK

APPROVED AS TO FORM:

BRETON K. LOBNER
GENERAL COUNSEL

KUTAK ROCK LLP
DRAFT #3 (11/17/12)

THIRD SUPPLEMENTAL TRUST INDENTURE

by and between

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

Relating to

$[__________]	$[__________]
San Diego County Regional Airport Authority	San Diego County Regional Airport Authority
Senior Airport Revenue Bonds	Senior Airport Revenue Bonds
Series 2013A	Series 2013B
(Non-AMT)	(AMT)

Dated as of [____________] 1, 2013

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THIRD SUPPLEMENTAL TRUST INDENTURE

THIS THIRD SUPPLEMENTAL TRUST INDENTURE (this "***Third Supplemental Indenture***"), dated as of [____________] 1, 2013, is made by and between the **SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY,** a local government entity of regional government created pursuant to laws of the State of California (the "***Authority***"), and **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.** (formerly known as The Bank of New York Trust Company, N.A.), a national banking association organized and existing under the laws of the United States of America, as trustee (the "***Trustee***"), and supplements the Master Trust Indenture, dated as of November 1, 2005, as amended (the "***Master Indenture***"), by and between the Authority and the Trustee.

WHEREAS, the Master Indenture provides, in Section 2.09 thereof, for the issuance of Bonds and, in Section 10.02 thereof, for the execution and delivery of Supplemental Indentures setting forth the terms of such Bonds; and

WHEREAS, the Authority now, for the purpose of providing money to finance and refinance certain capital improvements to the Airport System, by execution and delivery of this Third Supplemental Indenture and in compliance with the provisions of the Master Indenture, sets forth the terms of its $[__________] San Diego County Regional Airport Authority Senior Airport Revenue Bonds Series 2013A (the "***Series 2013A Bonds***"), and its $[_________] San Diego County Regional Airport Authority Senior Airport Revenue Bonds Series 2013B (the "***Series 2013B Bonds***," and together with the Series 2013A Bonds, the "***Series 2013 Bonds***"), provides for the deposit and use of the proceeds of the Series 2013 Bonds, and makes other provisions relating to the Series 2013 Bonds.

GRANTING CLAUSE

In order to secure the payment of the Series 2013 Bonds, the Authority hereby pledges, assigns and grants to the Trustee with respect to the Series 2013 Bonds all of the liens, rights, interests and privileges set forth in the Granting Clause of, and elsewhere in, the Master Indenture. To secure further the payment of the Series 2013 Bonds, the Authority in furtherance of the Master Indenture hereby pledges and grants to the Trustee a lien on and security interest in and assigns to the Trustee all right, title and interest of the Authority, except as otherwise provided herein, in and to the Reserve Fund (as hereinafter defined) and all moneys and securities held from time to time therein and, with respect to any Reserve Fund Insurance Policy (as hereinafter defined) provided at any time in satisfaction of all or a portion of the Reserve Fund Requirement (as hereinafter defined), all rights, title and interest in such instruments and the proceeds thereof.

ARTICLE I

DEFINITIONS; INTERPRETATIONS

Section 1.01. Definitions. The following definitions shall apply to terms used in this Third Supplemental Indenture unless the context clearly requires otherwise. Capitalized terms not otherwise defined in this Section 1.01 or elsewhere in this Third Supplemental Indenture shall have the same meanings as set forth in the Master Indenture.

"*Authorized Denominations*" means $5,000 principal amount and integral multiples thereof.

"*Beneficial Owner*" means, whenever used with respect to a Series 2013 Bond, the person in whose name such Series 2013 Bond is recorded as the beneficial owner of such Series 2013 Bond by a Participant on the records of such Participant or such person's subrogee.

"*Bondholder*" shall mean the person in whose name any Series 2013 Bond or Series 2013 Bonds are registered on the books maintained by the Registrar, including DTC or its nominees, as the sole registered owner of Book-Entry Bonds.

"*Book-Entry Bonds*" means the Series 2013 Bonds held by DTC (or its nominee) as the Bondholder thereof pursuant to the terms and provisions of Section 2.05 hereof.

"*Cede & Co.*" means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series 2013 Bonds.

"*Continuing Disclosure Certificate*" means the certificate of the Authority, dated the date of issuance of the Series 2013 Bonds, pursuant to which the Authority shall agree to undertake for the benefit of the Bondholders and the Beneficial Owners of the Series 2013 Bonds certain ongoing disclosure requirements.

"*Costs of Issuance*" means all costs and expenses incurred by the Authority in connection with the issuance of the Series 2013 Bonds, including, but not limited to, costs and expenses of printing and copying documents, the preliminary and final official statements and the Series 2013 Bonds, underwriters' compensation, and the fees, costs and expenses of rating agencies, the Trustee, counsel, accountants, financial advisors, feasibility consultants and other consultants.

"*DTC*" means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns.

"*Interest Payment Date*" means each January 1 and July 1, commencing [July 1, 2013], the dates upon which interest on the Series 2013 Bonds becomes due and payable.

"*Master Indenture*" means the Master Trust Indenture, dated as of November 1, 2005, as amended from time to time, between the Authority and the Trustee under which the Series 2013 Bonds are authorized and secured.

"*Participants*" means the participants of DTC which include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations.

"*Paying Agent*," for purposes of this Third Supplemental Indenture, means the Trustee, or any other institution appointed by the Authority.

"*PFC Resolution*" means, Resolution No. 2010-0088 adopted by the Board on August 23, 2010, as it may be further amended or supplemented from time to time.

"*Record Date*" means for a January 1 Interest Payment Date the preceding December 15 and for a July 1 Interest Payment Date the preceding June 15.

"*Refunded Series [__] Subordinate Commercial Paper Notes*" means $[________] aggregate principal amount of the Authority's Subordinate Airport Revenue Commercial Paper Notes Series [__] ([__________]), to be refunded with a portion of the proceeds of the Series 2013[__] Bonds.

"*Registrar*" for purposes of this Third Supplemental Indenture, means the Trustee.

"*Representation Letter*" means the Blanket Issuer Letter of Representations dated October 20, 2005 from the Authority to DTC.

"*Reserve Fund*" means the Debt Service Reserve Fund of such designation established pursuant to the Master Indenture and Section 4.01 hereof.

"*Reserve Fund Insurance Policy*" means an insurance policy, a letter of credit, surety bond or other financial instrument deposited in the Reserve Fund in lieu of or in partial substitution for cash or securities which is provided by an institution rated, at the time of issuance of such policy, letter of credit, surety bond or other financial instrument, in one of the two highest long term Rating Categories by one or more of the Rating Agencies.

"*Reserve Requirement*" means an amount equal to the lesser of (a) Maximum Aggregate Annual Debt Service for all Series of Bonds participating in the Reserve Fund, (b) 10% of the principal amount of all Series of Bonds participating in the Reserve Fund, less for any Series of Bonds the amount of original issue discount with respect to such Series of Bonds if such original issue discount exceeded 2% on such Series of Bonds at the time of their original sale, and (c) 125% of the average Aggregate Annual Debt Service for all Series of Bonds participating in the Reserve Fund. When calculating the Reserve Requirement, all references to Fiscal Year shall mean a 12-month period beginning on July 2 of each given year and ending on July 1 of the immediate subsequent year.

"*Series 2013 Bonds*" means, collectively, the Series 2013A Bonds and the Series 2013B Bonds.

"*Series 2013 Costs of Issuance Fund*" means the Fund of such designation established pursuant to Section 4.01 hereof and into which money is to be deposited to pay Costs of Issuance of the Series 2013 Bonds.

"*Series 2013 Rebate Fund*" means the Fund of such designation established pursuant to Section 4.01 hereof.

"*Series 2013 Reserve Account*" means the Account of such designation established in the Reserve Fund pursuant to Section 4.01 hereof.

["*Series 2013 Term Bonds*" means, collectively, the Series 2013A Term Bonds and the Series 2013B Term Bonds.]

"*Series 2013A Bonds*" means $[__________] aggregate principal amount of Bonds issued under the Master Indenture and this Third Supplemental Indenture and designated as "San Diego County Regional Airport Authority Senior Airport Revenue Bonds Series 2013A."

"*Series 2013A Construction Fund*" means the Construction Fund of such designation established pursuant to <u>Section 4.01</u> hereof and into which money is to be deposited to pay Costs of the Series 2013A Project.

"*Series 2013A Costs of Issuance Account*" means the Account of such designation established in the Series 2013 Costs of Issuance Fund pursuant to <u>Section 4.01</u> hereof and into which money is to be deposited to pay Costs of Issuance of the Series 2013A Bonds.

"*Series 2013A Debt Service Fund*" means the Debt Service Fund of such designation established pursuant to <u>Section 4.01</u> hereof and into which money is to be deposited to pay debt service on the Series 2013A Bonds.

"*Series 2013A Project*" means, collectively, any or all of those capital expenditures listed in <u>Exhibit C-1</u> attached hereto which are to be financed and refinanced from amounts deposited into the Series 2013A Construction Fund.

["*Series 2013A Term Bonds*" means the Series 2013A Bonds maturing on July 1, 20[__].]

"*Series 2013B Bonds*" means $[__________] aggregate principal amount of Bonds issued under the Master Indenture and this Third Supplemental Indenture and designated as "San Diego County Regional Airport Authority Senior Airport Revenue Bonds Series 2013B."

"*Series 2013B Construction Fund*" means the Construction Fund of such designation established pursuant to <u>Section 4.01</u> hereof and into which money is to be deposited to pay Costs of the Series 2013B Project.

"*Series 2013B Costs of Issuance Account*" means the Account of such designation established in the Series 2013 Costs of Issuance Fund pursuant to <u>Section 4.01</u> hereof and into which money is to be deposited to pay Costs of Issuance of the Series 2013B Bonds.

"*Series 2013B Debt Service Fund*" means the Debt Service Fund of such designation established pursuant to <u>Section 4.01</u> hereof and into which money is to be deposited to pay debt service on the Series 2013B Bonds.

"*Series 2013B Project*" means, collectively, any or all of those capital expenditures listed in <u>Exhibit C-2</u> attached hereto which are to be financed and refinanced from amounts deposited into the Series 2013B Construction Fund.

["*Series 2013B Term Bonds*" means the Series 2013B Bonds maturing on July 1, 20[__].]

"*Series [__] Subordinate Commercial Paper Repayment Fund*" means the Fund of such designation established pursuant to Section 4.01 hereof.

"*Tax Certificate*" means the Tax Compliance Certificate, dated the date of issuance of the Series 2013 Bonds, as amended from time to time, entered into by the Authority and executed with respect to the Series 2013 Bonds.

"*Third Supplemental Indenture*" means this Third Supplemental Trust Indenture, dated as of [___________] 1, 2013, by and between the Authority and the Trustee and which, among other things, sets forth the terms of the Series 2013 Bonds.

Section 1.02. Article and Section References. Except as otherwise indicated, references to Articles and Sections are to Articles and Sections of this Third Supplemental Indenture.

ARTICLE II

THE SERIES 2013 BONDS

Section 2.01. Designation of the Series 2013 Bonds; Principal Amount. The Bonds authorized to be issued under the Master Indenture and this Third Supplemental Indenture shall be designated as "San Diego County Regional Airport Authority Senior Airport Revenue Bonds Series 2013A", which shall be issued in the original principal amount of $[__________]; and "San Diego County Regional Airport Authority Senior Airport Revenue Bonds Series 2013B", which shall be issued in the original principal amount of $[__________].

Section 2.02. Series 2013 Bonds Issued Under the Master Indenture; Security; Parity. The Series 2013 Bonds are issued as Bonds under and subject to the terms of the Master Indenture and are secured by and payable from the Net Revenues and other security provided in the Granting Clauses of the Master Indenture and this Third Supplemental Indenture and in accordance with the terms of the Master Indenture and this Third Supplemental Indenture.

To further secure the payment of the Series 2013 Bonds, the Authority in furtherance of the Master Indenture hereby pledges and grants to the Trustee a lien on and security interest in and assigns to the Trustee all right, title and interest of the Authority, except as otherwise provided herein, in and to the Reserve Fund and all moneys and securities held from time to time therein and, with respect to any Reserve Fund Insurance Policy provided at any time in satisfaction of all or a portion of the Reserve Fund Requirement, all rights, title and interest in such instruments and the proceeds thereof.

Section 2.03. General Terms of the Series 2013 Bonds. The Series 2013 Bonds shall, upon initial issuance, be dated January [__], 2013. Each Series 2013 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless such date of authentication is an Interest Payment Date, in which event such Series 2013 Bond shall bear interest from such date of authentication, or unless such date of authentication is after a Record Date and before the next succeeding Interest Payment Date, in which event such Series 2013 Bond shall bear interest from such succeeding Interest Payment Date, or unless such date of authentication is on or before June 15, 2013, in which, event such Series 2013 Bond shall bear interest from January [__], 2013. If interest on the Series 2013 Bonds shall be in default, Series

2013 Bonds issued in exchange for Series 2013 Bonds surrendered for transfer or exchange shall bear interest from the Interest Payment Date to which interest has been paid in full on the Series 2013 Bonds surrendered. The Series 2013 Bonds shall be issued in denominations of $5,000 original principal amount or integral multiples thereof.

Interest on the Series 2013 Bonds shall be paid on July 1, 2013 and semiannually thereafter on January 1 and July 1.

Interest on the Series 2013 Bonds shall be calculated on the basis of a year of 360 days and twelve 30-day months.

The Series 2013A Bonds shall be issued in the original principal amount of $[________] and shall mature on the dates and in the principal amounts and bear interest at the interest rates as set forth in the following schedule:

Maturity Date (July 1)	Principal Amount	Interest Rate

The Series 2013B Bonds shall be issued in the original principal amount of $[________] and shall mature on the dates and in the principal amounts and bear interest at the interest rates as set forth in the following schedule:

Maturity Date (July 1)	Principal Amount	Interest Rate

Payment of the principal of the Series 2013 Bonds shall be made upon surrender of the Series 2013 Bonds to the Trustee or its agent; provided that with respect to the Series 2013 Bonds which are Book-Entry Bonds, the payment of the principal shall be made as provided in Section 2.05 hereof and the Representation Letter. Payment of interest on Series 2013 Bonds which are not Book-Entry Bonds shall be paid by check or draft of the Trustee mailed on the applicable Interest Payment Date by first-class mail to the person who is the Bondholder thereof on the Record Date, and such payment shall be mailed to such Bondholder at his address as it appears on the registration books of the Registrar. The payment of interest on Book-Entry Bonds shall be made as provided in Section 2.05 hereof and the Representation Letter. With respect to all Series 2013 Bonds, interest due and payable on any Interest Payment Date shall be paid to the person who is the Bondholder as of the Record Date. The Series 2013 Bonds shall be substantially in the form of Exhibit A attached hereto.

If the principal of a Series 2013 Bond becomes due and payable, but shall not have been paid as a result of a default hereunder, and no provision is made for its payment, then such Series 2013 Bond shall bear interest at the same rate after such default as on the day before the default occurred.

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

Section 2.04. Exchange of Series 2013 Bonds. Series 2013 Bonds which are delivered to the Registrar for exchange may be exchanged for an equal total principal amount of Series 2013 Bonds of the same Series, maturity date and interest rate. The cost of printing Series 2013 Bonds and any services rendered or expenses incurred by the Trustee or the Registrar in connection with any transfer or exchange shall be paid by the Authority. The Trustee or the Registrar may require the payment by the Bondholders requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer.

The Registrar will not, however, be required to transfer or exchange any such Series 2013 Bond during the period established by the Registrar for selection of Series 2013 Bonds for redemption or any Series 2013 Bond which has been selected for redemption.

Section 2.05. Book-Entry Bonds.

(a) Except as provided in subparagraph (c) of this Section, the Bondholder of all of the Series 2013 Bonds shall be DTC and the Series 2013 Bonds shall be registered in the name of Cede & Co., as nominee for DTC. Payment of principal and redemption price of and interest on any Series 2013 Bond registered in the name of Cede & Co. shall be made by wire transfer of New York clearing house or equivalent next day funds or by wire transfer of same day funds to the account of Cede & Co. at the address indicated on the Record Date or special record date for Cede & Co. in the registration books of the Registrar.

(b) The Series 2013 Bonds shall be initially issued in the form of separate single authenticated fully registered bonds for each separate stated maturity and interest rate for each Series of the Series 2013 Bonds. Upon initial issuance, the ownership of such Series 2013 Bonds shall be registered in the registration books of the Registrar in the name of Cede & Co., as nominee of DTC. The Trustee, the Registrar and the Authority may treat DTC (or its nominee) as the sole and exclusive owner of the Series 2013 Bonds registered in its name for the purposes of paying the principal and redemption price of and interest on the Series 2013 Bonds, selecting the Series 2013 Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under the Master Indenture or this Third Supplemental Indenture, registering the transfer of Series 2013 Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and neither the Trustee, the Registrar nor the Authority shall be affected by any notice to the contrary. Neither the Trustee, the Registrar nor the Authority shall have any responsibility or obligation to any Participant, any person claiming a Beneficial Ownership interest in the Series 2013 Bonds under or through DTC or any Participant, or any other person which is not shown on the registration books as being a Bondholder, with respect to the accuracy of any records maintained by DTC or any Participant; the payment by DTC or any Participant of any amount in respect of the principal and redemption price of or interest on the Series 2013 Bonds; any notice which is permitted or required to be given to Bondholders under the Master Indenture and this Third Supplemental Indenture; the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Series 2013 Bonds; any consent given or other action taken by DTC as Bondholder; or any other purpose. The Trustee shall pay all principal and redemption price of and interest on the Series 2013 Bonds only to or "upon the order of" DTC (as that term is used in the Uniform Commercial Code as adopted in the State of California), and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to the principal and redemption price of and interest on the Series 2013 Bonds to the extent of the sum or sums so paid. No person other than DTC shall receive an authenticated Series 2013 Bond evidencing the obligation of the Authority to make payments of principal, redemption price and interest pursuant to the Master Indenture and this Third Supplemental Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to Record Dates, the word "Cede & Co." in this Third Supplemental Indenture shall refer to such new nominee of DTC.

(c) In the event the Authority determines that it is in the best interest of the Beneficial Owners that they be able to obtain Series 2013 Bond certificates, and notifies DTC, the Trustee and the Registrar of such determination, then DTC will notify the Participants of the availability through DTC of Series 2013 Bond certificates. In such event, the Trustee shall authenticate and the Registrar shall transfer and exchange Series 2013 Bond certificates as requested by DTC and any other Bondholders in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Series 2013 Bonds at any time by giving notice to the Authority and the Trustee and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the Authority and the Trustee shall be obligated to deliver Series 2013 Bond certificates as described in this Third Supplemental Indenture. In the event Series 2013 Bond certificates are issued, the provisions of the Master Indenture and this Third Supplemental Indenture shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal and redemption price of and interest on such certificates. Whenever DTC requests the Authority and the Trustee to do so, the Trustee and the Authority will cooperate with DTC in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Series 2013 Bonds to any Participant having Series 2013 Bonds credited to its DTC account or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Series 2013 Bonds.

(d) Notwithstanding any other provision of the Master Indenture and this Third Supplemental Indenture to the contrary, so long as any Series 2013 Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal and redemption price of and interest on such Series 2013 Bond and all notices with respect to such Series 2013 Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.

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

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO: THE PAYMENT BY DTC TO ANY PARTICIPANT OF THE PRINCIPAL AND REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2013 BONDS; THE PROVIDING OF NOTICE TO PARTICIPANTS OR BENEFICIAL OWNERS; THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, OR ANY PARTICIPANT; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER OF THE SERIES 2013 BONDS.

ARTICLE III

REDEMPTION OF SERIES 2013 BONDS

Section 3.01. Notices to Bondholders. If the Authority wishes that any Series 2013 Bonds be redeemed pursuant to Section 3.03 hereof, the Authority will notify the Trustee of the redemption date, the applicable Series, the maturity date, the interest rate, the CUSIP number and the principal amount of the Series 2013 Bonds to be redeemed and other necessary particulars. The Authority will give notice to the Trustee at least thirty-five (35) days before the redemption date, provided that the Trustee may, at its option, waive such notice or accept notice at a later date. The Trustee shall give notice of redemption, in the name of the Authority, to Bondholders affected by redemption at least thirty (30) days but not more than sixty (60) days before each redemption date, send such notice of redemption by first class mail (or with respect to Series 2013

Bonds held by DTC by an express delivery service for delivery on the next following Business Day or otherwise as provided or required by DTC's procedures) to each Bondholder of a Series 2013 Bond to be redeemed. Each such notice shall be sent to the Bondholder's registered address.

Each notice of redemption shall specify the Series, the issue date, the maturity date, the interest rate and the CUSIP number of each Series 2013 Bond to be redeemed, if less than all Series 2013 Bonds of a Series, maturity date and interest rate are called for redemption the numbers assigned to the Series 2013 Bonds to be redeemed, the principal amount to be redeemed, the date fixed for redemption, the redemption price, the place or places of payment, the Trustee's name, that payment will be made upon presentation and surrender of the Series 2013 Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption and not paid will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue.

The Authority may provide that, if at the time of mailing of notice of an optional redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the Series 2013 Bonds called for redemption, such notice may state that it is conditional, that is, subject to the deposit of the redemption moneys with the Trustee not later than the opening of business one (1) Business Day prior to the scheduled redemption date, and such notice shall be of no effect unless such moneys are so deposited. In the event sufficient moneys are not on deposit on the required date, then the redemption shall be canceled and on such cancellation date notice shall be mailed to the Bondholders of such Series 2013 Bonds to be redeemed in the manner provided in this Section.

Failure to give any required notice of redemption as to any particular Series 2013 Bond will not affect the validity of the call for redemption of any Series 2013 Bonds in respect of which no failure occurs. Any notice sent as provided herein will be conclusively presumed to have been given whether or not actually received by the addressee. When notice of redemption is given, Series 2013 Bonds called for redemption become due and payable on the date fixed for redemption at the applicable redemption price. Provided funds are deposited with the Trustee sufficient for redemption, interest on the Series 2013 Bonds to be redeemed will cease to accrue on and after the date fixed for redemption.

If any Series 2013 Bonds, at the time of redemption, are not Book-Entry Bonds, then, at the time of the mailing required by the first paragraph of this Section, such redemption notice shall be given by (i) registered or certified mail, postage prepaid; (ii) telephonically confirmed facsimile transmission; or (iii) overnight delivery service, to:

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

Failure to give the notice described in the immediately preceding paragraph or any defect therein shall not in any manner affect the redemption of any Series 2013 Bond.

Section 3.02. Redemption Dates. The date fixed for redemption of Series 2013 Bonds to be redeemed pursuant to any optional redemption provision as set forth in Sections 3.03 hereof shall be a date permitted by the Authority in the notice delivered pursuant to Section 3.01 hereof. [The dates fixed for mandatory sinking fund redemption of the Series 2013 Term Bonds will be as set forth in Sections 3.04 hereof.]

Section 3.03. Optional Redemption of the Series 2013 Bonds.

(a) The Series 2013A Bonds maturing on or before July 1, 20[__] are not subject to optional redemption prior to maturity. The Series 2013A Bonds maturing on or after July 1, 20[__] are subject to redemption prior to maturity, at the option of the Authority, from any moneys that may be provided for such purpose, in whole or in part, on any date on or after July 1, 20[__] at a redemption price equal to 100% of the principal amount of the Series 2013A Bonds to be redeemed plus accrued interest to the date fixed for redemption, without premium.

(b) The Series 2013B Bonds maturing on or before July 1, 20[__] are not subject to optional redemption prior to maturity. The Series 2013B Bonds maturing on or after July 1, 20[__] are subject to redemption prior to maturity, at the option of the Authority, from any moneys that may be provided for such purpose, in whole or in part, on any date on or after July 1, 20[__] at a redemption price equal to 100% of the principal amount of the Series 2013B Bonds to be redeemed plus accrued interest to the date fixed for redemption, without premium.

Section 3.04. [Mandatory Sinking Fund Redemption of the Series 2013 Term Bonds.]

(a) The Series 2013A Term Bonds are subject to mandatory sinking fund redemption prior to maturity in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 of the following years and in the following principal amounts:

July 1 of the Year	Principal Amount
*	

*Final Maturity Date

(b) The Series 2013B Term Bonds are subject to mandatory sinking fund redemption prior to maturity in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 of the following years and in the following principal amounts:

July 1 of the Year	Principal Amount
*	

*Final Maturity Date

(c) Except as otherwise provided in Section 2.05 hereof, on or before the forty-fifth (45th) day prior to any mandatory sinking fund redemption date, the Trustee shall proceed to select for redemption (by lot in such manner as the Trustee may determine), from the applicable Series 2013 Term Bonds an aggregate principal amount of the applicable Series 2013 Term Bonds equal to the amount for such year as set forth in the applicable table above and shall call the applicable Series 2013 Term Bonds or portions thereof (in Authorized Denominations) for redemption and give notice of such call.

(d) At the option of the Authority, to be exercised by delivery of a written certificate to the Trustee on or before the sixtieth (60th) day next preceding any mandatory sinking fund redemption date for the Series 2013 Term Bonds, as applicable, it may (i) deliver to the Trustee for cancellation Series 2013 Term Bonds, as applicable, or portions thereof (in Authorized Denominations) purchased in the open market or otherwise acquired by the Authority or (ii) specify a principal amount of such Series 2013 Term Bonds, as applicable, or portions thereof (in Authorized Denominations) which prior to said date have been optionally redeemed and previously cancelled by the Trustee at the request of the Authority and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. Each such Series 2013 Term Bonds, as applicable, or portion thereof so purchased, acquired or optionally redeemed and delivered to the Trustee for cancellation shall be credited by the Trustee at 100% of the principal amount thereof against the obligation of the Authority to pay the principal of such applicable Series 2013 Term Bond on such mandatory sinking fund redemption date. In the event the Authority redeems any of the Series 2013 Term Bonds, as applicable, pursuant to Section 3.03 hereof, the Authority will provide the Trustee revised mandatory sinking fund schedules, if applicable.

Section 3.05. Selection of Series 2013 Bonds for Redemption; Series 2013 Bonds Redeemed in Part. The Series 2013 Bonds are subject to redemption in such order of maturity date and interest rate within each applicable Series [(except mandatory sinking fund payments on the Series 2013 Term Bonds)] as the Authority may direct and by lot, selected in such manner as the Trustee (or DTC, as long as DTC is the securities depository for the Series 2013 Bonds, as applicable) shall deem appropriate, within a Series, maturity date and interest rate.

Upon surrender of a Series 2013 Bond, as applicable, to be redeemed, in part only, the Trustee will authenticate for the holder a new Series 2013 Bond, as applicable, of the same Series, maturity date and interest rate equal in principal amount to the unredeemed portion of the Series 2013 Bonds surrendered, as applicable.

Section 3.06. Payment of Series 2013 Bonds Called for Redemption. Upon surrender to the Trustee or the Trustee's agent, Series 2013 Bonds called for redemption shall be paid at the redemption price stated in the notice, plus, when applicable, interest accrued to the date fixed for redemption.

Section 3.07. Effect of Redemption Call. On the date so designated for redemption, notice having been given in the manner and under the conditions provided herein and sufficient moneys for payment of the redemption price being held in trust to pay the redemption price, the Series 2013 Bonds so called for redemption shall become and be due and payable on the redemption date, interest on such Series 2013 Bonds shall cease to accrue from and after such redemption date, such Series 2013 Bonds shall cease to be entitled to any lien, benefit or security under the Master Trust Indenture and this Third Supplemental Indenture and the Bondholders of such Series 2013 Bonds shall have no rights in respect thereof except to receive payment of the redemption price.

Series 2013 Bonds which have been duly called for redemption under the provisions of this Article III and for the payment of the redemption price of which moneys shall be held in trust for the Bondholders of the Series 2013 Bonds to be redeemed, all as provided in this Third Supplemental Indenture, shall not be deemed to be Outstanding under the provisions of the Master Trust Indenture and this Third Supplemental Indenture.

ARTICLE IV

ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF

Section 4.01. Establishment of Funds and Accounts. The following funds and accounts are hereby established:

(a) San Diego County Regional Airport Authority Senior Airport Revenue Bonds Series 2013A Debt Service Fund (the "***Series 2013A Debt Service Fund***") and therein an Interest Account, a Capitalized Interest Account, a Principal Account and a Redemption Account, to be held by the Trustee;

(b) San Diego County Regional Airport Authority Senior Airport Revenue Bonds Series 2013A Construction Fund (the "***Series 2013A Construction Fund***"), to be held by the Trustee;

(c) San Diego County Regional Airport Authority Senior Airport Revenue Bonds Series 2013B Debt Service Fund (the "***Series 2013B Debt Service Fund***") and therein an Interest Account, a Capitalized Interest Account, a Principal Account and a Redemption Account, to be held by the Trustee;

(d) San Diego County Regional Airport Authority Senior Airport Revenue Bonds Series 2013B Construction Fund (the "***Series 2013B Construction Fund***"), to be held by the Trustee;

(e) San Diego County Regional Airport Authority Senior Airport Revenue Bonds Series 2013 Costs of Issuance Fund (the "***Series 2013 Costs of Issuance Fund***") and therein (i) the San Diego County Regional Airport Authority Senior Airport Revenue Bonds Series 2013A Costs of Issuance Account (the "***Series 2013A Costs of Issuance Account***"), and (ii) the San Diego County Regional Airport Authority Senior Airport Revenue Bonds Series 2013B Costs of Issuance Account (the "***Series 2013B Costs of Issuance Account***"), to be held by the Trustee;

(f) San Diego County Regional Airport Authority Senior Airport Revenue Bonds Reserve Fund (the "***Reserve Fund***"), and therein, the San Diego County Regional Airport Authority Senior Airport Revenue Bonds Series 2013 Reserve Account (the "***Series 2013 Reserve Account***") to be held by the Trustee;

(g) San Diego County Regional Airport Authority Series [__] Subordinate Commercial Paper Repayment Fund (the "***Series [__] Subordinate Commercial Paper Repayment Fund***"), to be held by the Trustee; and

(h) San Diego County Regional Airport Authority Senior Airport Revenue Bonds Series 2013 Rebate Fund (the "***Series 2013 Rebate Fund***"), to be held by the Trustee.

Section 4.02. Application of Series 2013A Bond Proceeds. The proceeds of the sale of the Series 2013A Bonds, being the amount of $[_________] (which sum represents the par amount of the Series 2013A Bonds of $[_________].00, [plus/less] a net original issue [premium/discount] in the amount of $[_________], and less an underwriters' discount in the amount of $[_________]) received by the Trustee shall be deposited or paid by the Trustee as follows:

(a) $[_________], representing Capitalized Interest, shall be deposited in the Capitalized Interest Account of the Series 2013A Debt Service Fund to be used to pay interest due and payable on the Series 2013A Bonds through, and including, [January/July] 1, 20[__];

(b) $[_________] shall be deposited into the Series 2013 Reserve Account of the Reserve Fund;

(c) $[_________] shall be deposited into the Series [__] Subordinate Commercial Paper Repayment Fund;

(d) $[_________] shall be deposited into the Series 2013A Costs of Issuance Account of the Series 2013 Costs of Issuance Fund; and

(e) $[_________] shall be deposited into the Series 2013A Construction Fund to be used to pay the Costs of the Series 2013A Project.

Section 4.03. Application of Series 2013B Bond Proceeds. The proceeds of the sale of the Series 2013B Bonds, being the amount of $[_________] (which sum represents the par amount of the Series 2013B Bonds of $[_________].00, [plus/less] a net original issue [premium/discount] in the amount of $[_________], and less an underwriters' discount in the amount of $[__________]) received by the Trustee shall be deposited or paid by the Trustee as follows:

(a) $[__________], representing Capitalized Interest, shall be deposited in the Capitalized Interest Account of the Series 2013B Debt Service Fund to be used to pay interest due and payable on the Series 2013B Bonds through, and including, [January/July] 1, 20[__];

(b) $[__________] shall be deposited into the Series 2013 Reserve Account of the Reserve Fund;

(c) $[__________] shall be deposited into the Series [__] Subordinate Commercial Paper Repayment Fund;

(d) $[__________] shall be deposited into the Series 2013B Costs of Issuance Account of the Series 2013 Costs of Issuance Fund; and

(e) $[__________] shall be deposited into the Series 2013B Construction Fund to be used to pay the Costs of the Series 2013B Project.

Section 4.04. Series 2013A Construction Fund.

(a) There shall be deposited into the Series 2013A Construction Fund the amounts as provided in Section 4.02(e) hereof and any amounts transferred from the Capitalized Interest Account of the Series 2013A Debt Service Fund representing Capitalized Interest and earnings thereon as described in Section 4.05(b) hereof.

(b) The Trustee shall make payments or disbursements from the Series 2013A Construction Fund upon receipt from the Authority of a written requisition, in substantially the form attached as Exhibit D-1 hereto, executed by an Authorized Authority Representative, which requisition shall state, with respect to each amount requested thereby, (i) that such amount is to be paid from the Series 2013A Construction Fund and is not to be used to pay Costs of Issuance, (ii) the number of the requisition, (iii) the amount to be paid, the name of the entity to which the payment is to be made and the manner in which the payment is to be made, (iv) that the amount to be paid represents a Cost of the Series 2013A Project as described in Exhibit C-1 hereto, and (v) that the amounts requisitioned will be expended only in accordance with and subject to the limitations set forth in the Tax Certificate. Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of the facts stated therein.

(c) Moneys held in the Series 2013A Construction Fund shall be invested and reinvested as directed by an Authorized Authority Representative in Permitted Investments. Earnings on the Series 2013A Construction Fund shall be retained in the Series 2013A Construction Fund.

(d) The completion of the Series 2013A Project shall be evidenced by the filing with the Trustee of a certificate of an Authorized Authority Representative stating either (i) the date of completion of the Series 2013A Project and the amount, if any, required in the opinion of such Authorized Authority Representative for the payment of any remaining part of the Costs of the Series 2013A Project or (ii) that all amounts in the Series 2013A Construction Fund have been disbursed or expenses in respect thereof have been incurred. Any amount remaining in the Series 2013A Construction Fund following the delivery of such certificate, or upon the determination of the Authority not to proceed with the Series 2013A Project, may, at the determination of the Authority, be applied upon written requisition of an Authorized Authority Representative to any other lawful purpose designated in such requisition. As a condition to the disbursement of funds for a purpose other than the financing of the Series 2013A Project, there shall be delivered to the Trustee with the requisition an opinion of Bond Counsel that the purpose for which such funds are to be used is a lawful purpose for which such proceeds may be used and that such use shall not result in the inclusion of interest on any Series 2013A Bonds in gross income of the recipient thereof for federal income tax purposes.

Section 4.05. Series 2013A Debt Service Fund. The Trustee shall make deposits into the Series 2013A Debt Service Fund and use such deposits as follows:

(a) ***Interest Account***. The Trustee shall deposit into the Interest Account (i) the amounts as provided in Section 4.05(b) hereof, (ii) the amounts received from the Authority, as provided in the Master Indenture, to be used to pay interest on the Series 2013A Bonds and, if the Authority enters into an interest rate swap agreement with respect to all or a portion of the Series 2013A Bonds, to pay amounts due and payable to the provider of such agreement at such times as are provided in such interest rate swap agreement, and (iii) if the Authority enters into an interest rate swap agreement with respect to all or a portion of the Series 2013A Bonds, any amounts received by the Authority from the provider of such agreement. The Trustee also shall deposit into the Interest Account any other amounts (including, but not limited to, amounts derived from Passenger Facility Charges, if any) deposited with the Trustee for deposit in the Interest Account or transferred from other funds and accounts for deposit therein. All amounts held at any time in the Interest Account shall be held on a priority basis for the ratable security and payment of interest due on the Series 2013A Bonds in accordance with their terms and amounts due and payable by the Authority under any interest rate swap agreement entered into by the Authority with respect to all or a portion of the Series 2013A Bonds (other than any swap termination payments and any other amounts payable thereunder which are payable and secured by a lien on Net Revenues ranking junior and subordinate to the lien of the Bonds) at any time in proportion to the amounts due or accrued with respect to each of them.

Earnings on any Passenger Facility Charges deposited in the Interest Account or amounts transferred from the Capitalized Interest Account to the Interest Account shall be retained in the Interest Account. Earnings on all other amounts (except earnings on Passenger Facility Charges and amounts transferred from the Capitalized Interest Account to the Interest Account) in the Interest Account shall be withdrawn by the Trustee and paid to the Authority on the Business Day following an Interest Payment Date for deposit into the Revenue Account unless an Event of Default exists under the Master Indenture, in which event the earnings shall be retained in such account.

(b) ***Capitalized Interest Account.*** The Trustee shall deposit into the Capitalized Interest Account the amounts as provided in Section 4.02(a) hereof. Amounts deposited to the Capitalized Interest Account shall be transferred to the Interest Account for the payment of interest on the Series 2013A Bonds. The Trustee shall transfer the following amounts from the Capitalized Interest Account to the Interest Account for payment of interest on the Series 2013A Bonds on the following applicable Interest Payment Dates:

Interest Payment Date	Amount to be Transferred to Interest Account

Until the Series 2013A Project is completed, earnings on amounts on deposit in the Capitalized Interest Account shall be retained in the Capitalized Interest Account and transferred to the Interest Account to pay interest on the Series 2013A Bonds as provided in the table above. On the completion date of the Series 2013A Project, any amounts remaining on deposit in the Capitalized Interest Account shall be transferred to the Series 2013A Construction Fund.

All amounts held at any time in the Capitalized Interest Account shall be held on a priority basis for the ratable security and payment of interest due on the Series 2013A Bonds in accordance with their terms.

(c) ***Principal Account***. The Trustee shall deposit into the Principal Account amounts received from the Authority as provided in the Master Indenture. The Trustee shall also deposit into the Principal Account any other amounts (including, but not limited to, amounts derived from Passenger Facility Charges) deposited with the Trustee for deposit into the Principal Account or transferred from other funds and accounts for deposit therein. All amounts deposited to the Principal Account shall be used by the Trustee to pay the principal of the Series 2013A Bonds whether at maturity [or by mandatory sinking fund redemption as provided in Section 3.04 hereof] on the applicable Payment Dates. Earnings on Passenger Facility Charges deposited in the Principal Account shall be retained in the Principal Account. On or about July 15 of each Fiscal Year, earnings on the Principal Account (except earnings on Passenger Facility Charges) shall be withdrawn by the Trustee and paid to the Authority for deposit into the Revenue Account unless an Event of Default exists under the Master Indenture, in which event the earnings shall be retained in such account.

(d) ***Redemption Account***. The Trustee shall deposit into the Redemption Account amounts received from the Authority as provided in the Master Indenture to be used to pay the redemption price of Series 2013A Bonds being redeemed as provided in

Section 3.03(a) hereof. The Trustee shall also deposit into the Redemption Account any other amounts deposited with the Trustee for deposit into the Redemption Account or transferred from other funds and accounts for deposit therein. All amounts deposited to the Redemption Account shall be used by the Trustee to pay the redemption price of the Series 2013A Bonds being redeemed as provided in Section 3.03(a) hereof. Earnings on amounts in the Redemption Account shall be retained in such account or paid to the Authority for deposit into the Revenue Account in accordance with instructions given to the Trustee by an Authorized Authority Representative at the time of such deposit.

The Series 2013A Debt Service Fund shall be invested and reinvested as directed by an Authorized Authority Representative in Permitted Investments.

Section 4.06. Series 2013B Construction Fund.

(a) There shall be deposited into the Series 2013B Construction Fund the amounts as provided in Section 4.03(e) hereof and any amounts transferred from the Capitalized Interest Account of the Series 2013B Debt Service Fund representing Capitalized Interest and earnings thereon as described in Section 4.07(b) hereof.

(b) The Trustee shall make payments or disbursements from the Series 2013B Construction Fund upon receipt from the Authority of a written requisition, in substantially the form attached as Exhibit D-1 hereto, executed by an Authorized Authority Representative, which requisition shall state, with respect to each amount requested thereby, (i) that such amount is to be paid from the Series 2013B Construction Fund and is not to be used to pay Costs of Issuance, (ii) the number of the requisition, (iii) the amount to be paid, the name of the entity to which the payment is to be made and the manner in which the payment is to be made, (iv) that the amount to be paid represents a Cost of the Series 2013B Project as described in Exhibit C-2 hereto, and (v) that the amounts requisitioned will be expended only in accordance with and subject to the limitations set forth in the Tax Certificate. Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of the facts stated therein.

(c) Moneys held in the Series 2013B Construction Fund shall be invested and reinvested as directed by an Authorized Authority Representative in Permitted Investments. Earnings on the Series 2013B Construction Fund shall be retained in the Series 2013B Construction Fund.

(d) The completion of the Series 2013B Project shall be evidenced by the filing with the Trustee of a certificate of an Authorized Authority Representative stating either (i) the date of completion of the Series 2013B Project and the amount, if any, required in the opinion of such Authorized Authority Representative for the payment of any remaining part of the Costs of the Series 2013B Project or (ii) that all amounts in the Series 2013B Construction Fund have been disbursed or expenses in respect thereof have been incurred. Any amount remaining in the Series 2013B Construction Fund following the delivery of such certificate, or upon the determination of the Authority not to proceed with the Series 2013B Project, may, at the determination of the Authority, be applied upon written requisition of an Authorized Authority Representative to any other lawful purpose designated in such requisition. As a condition to the disbursement of funds for a purpose other than the financing of the Series 2013B Project, there shall be delivered to the Trustee with the requisition an opinion of Bond Counsel that the purpose for which such funds are to be used is a lawful purpose for which such proceeds may be used and that such use shall not result in the inclusion of interest on any Series 2013B Bonds in gross income of the recipient thereof for federal income tax purposes.

Section 4.07. Series 2013B Debt Service Fund. The Trustee shall make deposits into the Series 2013B Debt Service Fund and use such deposits as follows:

(a) ***Interest Account***. The Trustee shall deposit into the Interest Account (i) the amounts as provided by Section 4.07(b) hereof, (ii) the amounts received from the Authority, as provided in the Master Indenture, to be used to pay interest on the Series 2013B Bonds and, if the Authority enters into an interest rate swap agreement with respect to all or a portion of the Series 2013B Bonds, to pay amounts due and payable to the provider of such agreement at such times as are provided in such interest rate swap agreement and (ii) if the Authority enters into an interest rate swap agreement with respect to all or a portion of the Series 2013B Bonds, any amounts received by the Authority from the provider of such agreement. The Trustee also shall deposit into the Interest Account any other amounts (including, but not limited to, amounts derived from Passenger Facility Charges, if any) deposited with the Trustee for deposit in the Interest Account or transferred from other funds and accounts for deposit therein. All amounts held at any time in the Interest Account shall be held on a priority basis for the ratable security and payment of interest due on the Series 2013B Bonds in accordance with their terms and amounts due and payable by the Authority under any interest rate swap agreement entered into by the Authority with respect to all or a portion of the Series 2013B Bonds (other than any swap termination payments and any other amounts payable thereunder which are payable and secured by a lien on Net Revenues ranking junior and subordinate to the lien of the Bonds) at any time in proportion to the amounts due or accrued with respect to each of them.

Earnings on any Passenger Facility Charges deposited in the Interest Account or amounts transferred from the Capitalized Interest Account to the Interest Account shall be retained in the Interest Account. Earnings on all other amounts (except earnings on Passenger Facility Charges and amounts transferred from the Capitalized Interest Account to the Interest Account) in the Interest Account shall be withdrawn by the Trustee and paid to the Authority on the Business Day following an Interest Payment Date for deposit into the Revenue Account unless an Event of Default exists under the Master Indenture, in which event the earnings shall be retained in such account.

(b) ***Capitalized Interest Account***. The Trustee shall deposit into the Capitalized Interest Account the amounts as provided in Section 4.03(a) hereof. Amounts deposited to the Capitalized Interest Account shall be transferred to the Interest Account for the payment of interest on the Series 2013B Bonds. The Trustee shall transfer the following amounts from the Capitalized Interest Account to the Interest

Account for payment of interest on the Series 2013B Bonds on the following applicable Interest Payment Dates:

Interest Payment Date	Amount to be Transferred to Interest Account

Until the Series 2013B Project is completed, earnings on amounts on deposit in the Capitalized Interest Account shall be retained in the Capitalized Interest Account and transferred to the Interest Account to pay interest on the Series 2013B Bonds as provided in the table above. On the completion date of the Series 2013B Project, any amounts remaining on deposit in the Capitalized Interest Account shall be transferred to the Series 2013B Construction Fund.

All amounts held at any time in the Capitalized Interest Account shall be held on a priority basis for the ratable security and payment of interest due on the Series 2013B Bonds in accordance with their terms.

(c) ***Principal Account***. The Trustee shall deposit into the Principal Account amounts received from the Authority as provided in the Master Indenture. The Trustee shall also deposit into the Principal Account any other amounts (including, but not limited to, amounts derived from Passenger Facility Charges) deposited with the Trustee for deposit into the Principal Account or transferred from other funds and accounts for deposit therein. All amounts deposited to the Principal Account shall be used by the Trustee to pay the principal of the Series 2013B Bonds whether at maturity [or by mandatory sinking fund redemption as provided in Section 3.04 hereof] on the applicable Payment Dates. Earnings on Passenger Facility Charges deposited in the Principal Account shall be retained in the Principal Account. On or about July 15 of each Fiscal Year, earnings on the Principal Account (except earnings on Passenger Facility Charges) shall be withdrawn by the Trustee and paid to the Authority for deposit into the Revenue Account unless an Event of Default exists under the Master Indenture, in which event the earnings shall be retained in such account.

(d) ***Redemption Account***. The Trustee shall deposit into the Redemption Account amounts received from the Authority as provided in the Master Indenture to be used to pay the redemption price of Series 2013B Bonds being redeemed as provided in Section 3.03(b) hereof. The Trustee shall also deposit into the Redemption Account any other amounts deposited with the Trustee for deposit into the Redemption Account or transferred from other funds and accounts for deposit therein. All amounts deposited to the Redemption Account shall be used by the Trustee to pay the redemption price of the Series 2013B Bonds being redeemed as provided in Section 3.03(b) hereof. Earnings on amounts in the Redemption Account shall be retained in such account or paid to the Authority for deposit into the Revenue Account in accordance with instructions given to the Trustee by an Authorized Authority Representative at the time of such deposit.

The Series 2013B Debt Service Fund shall be invested and reinvested as directed by an Authorized Authority Representative in Permitted Investments.

Section 4.08. Series 2013 Costs of Issuance Fund.

(a) There shall, be deposited into the Series 2013 Costs of Issuance Fund the amounts as provided in Sections 4.02(d) and 4.03(d) hereof.

(b) The Trustee shall make payments or disbursements from the Series 2013 Costs of Issuance Fund upon receipt from the Authority of a written requisition in substantially the form attached hereto as Exhibit D-2, executed by an Authorized Authority Representative, which requisition shall state, with respect to each amount requested thereby, (i) the Account within the Series 2013 Costs of Issuance Fund from which such amount is to be paid, (ii) that such amount is to be paid from such Account of the Series 2013 Costs of Issuance Fund, (iii) the number of the requisition, (iv) the amount to be paid, the name of the entity to which the payment is to be made and the manner in which the payment is to be made and (v) describe the Costs of Issuance represented by such payment. Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of the facts stated therein.

(c) Moneys held in the Series 2013 Costs of Issuance Fund shall be invested and reinvested as directed by an Authorized Authority Representative in Permitted Investments.

(d) Earnings on the Series 2013A Costs of Issuance Account of the Series 2013 Costs of Issuance Fund shall be deposited into the Series 2013A Construction Fund. Any amounts remaining in the Series 2013A Costs of Issuance Account of the Series 2013 Costs of Issuance Fund on [________], 2013 shall be transferred to the Series 2013A Construction Fund and the Series 2013A Costs of Issuance Account of the Series 2013 Costs of Issuance Fund shall be closed.

(e) Earnings on the Series 2013B Costs of Issuance Account of the Series 2013 Costs of Issuance Fund shall be deposited into the Series 2013B Construction Fund. Any amounts remaining in the Series 2013B Costs of Issuance Account of the Series 2013 Costs of Issuance Fund on [________], 2013 shall be transferred to the Series 2013B Construction Fund and the Series 2013B Costs of Issuance Account of the Series 2013 Costs of Issuance Fund shall be closed.

Section 4.09. Reserve Fund and Series 2013 Reserve Account.

(a) ***Reserve Fund***. Amounts on deposit in the Reserve Fund shall be used by the Trustee to pay the principal of and interest on each Series of Bonds participating in the Reserve Fund if, on any principal or interest payment date for any Series of Bonds participating in the Reserve Fund, the amounts in the respective Debt Service Fund for such Series of Bonds participating in the Reserve Fund, and available therefor, are insufficient to pay in full the principal of and/or interest due on such Series of Bonds on such principal and/or interest payment date.

The Authority reserves the right to elect to have any Series of Bonds participate in the Reserve Fund on a parity basis with all other Series of Bonds participating in the Reserve Fund; provided that at the time of issuance of such Bonds elected to participate in the Reserve Fund the Authority deposits or causes to be deposits to the Reserve Fund additional moneys or a Reserve Fund Insurance Policy so that the amounts (including any Reserve Fund Insurance Policies) on deposit in the Reserve Fund after the issuance of the Bonds elected to participate in the Reserve Fund shall equal the Reserve Requirement. Notwithstanding the previous sentence, such required deposit of moneys or Reserve Fund Insurance Policy into the Reserve Fund can be made at the time of issuance of the Bonds elected to participate in the Reserve Fund or within 12 months of the date of issuance of such Bonds elected to participate in the Reserve Fund. In the event the required deposit of moneys or Reserve Fund Insurance Policy into the Reserve Fund is not made at the time of issuance of the Bonds elected to participate in the Reserve Fund, the Authority shall make deposits to the Reserve Fund in twelve (12) substantially equal monthly installments (each installment equal to 1/12 of the required deposit to the Reserve Fund) each due on the first Business Day of the month commencing with the first month after the issuance of such Bonds participating in the Reserve Fund.

The Trustee shall annually, on or about July 2 of each year, commencing on July 2, 2013, and at such other times as the Authority shall deem appropriate, value the Reserve Fund on the basis of the lower of amortized cost or market value thereof, including accrued interest thereon and the basis of the cost thereof, adjusted for amortization of premium or discount on the investment thereof. For purposes of determining the amount on deposit in the Reserve Fund, any Reserve Fund Insurance Policy held by, or the benefit of which is available to, the Trustee as security for the Bonds participating in the Reserve Fund shall be deemed to be a deposit in the face amount or stated amount of the Reserve Fund Insurance Policy, except that if the amount available under a Reserve Fund Insurance Policy has been reduced as a result of a payment having been made thereunder or as a result of the termination, cancellation or failure of such Reserve Fund Insurance Policy and has not been reinstated or another Reserve Fund Insurance Policy provided, then, in valuing the Reserve Fund, the value of such Reserve Fund Insurance Policy shall be reduced accordingly. Upon each such valuation, the Trustee shall prepare a written certificate setting forth the Reserve Requirement as of such valuation date and the value of the Reserve Fund and deliver a copy thereof to the Vice President of Finance. If, upon any valuation, the value of the Reserve Fund exceeds the Reserve Requirement, the excess amount, including investment earnings, shall be withdrawn and deposited by the Trustee into the respective Debt Service Funds for each Series of Bonds participating in the Reserve Fund, pro rata based on outstanding par amounts for each Series of Bonds participating in the Reserve Fund, unless otherwise directed by the Authority. If, upon any valuation, the value of the Reserve Fund is less than the Reserve Requirement, the Authority shall replenish such amounts within twelve (12) months of the date of valuation.

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

At such time as amounts in the respective Debt Service Funds for each Series of Bonds participating in the Reserve Fund are equal to all debt service payments remaining due on the Series of Bonds participating in the Reserve Fund, the amount in the Reserve Fund may be used to pay the final installments of principal and interest on the Series of Bonds participating in the Reserve Fund and otherwise may be withdrawn and transferred to the Authority to be deposited in the Revenue Account to be used for any lawful purpose, provided that, if such amounts are used for a purpose other than payment of the Series of Bonds participating in the Reserve Fund, there shall be delivered to the Trustee with the request for such funds an opinion of Bond Counsel that the purpose for which such funds are to be used is a lawful purpose for which such proceeds may be used and that such use shall not result in the inclusion of interest on any Series of Bonds participating in the Reserve Fund in gross income of the recipient thereof for federal income tax purposes, if applicable.

A Reserve Fund Insurance Policy shall be acceptable in lieu of an initial deposit of cash or securities or in substitution of cash or securities on deposit in the Reserve Fund only if at the time of such deposit (a) such Reserve Fund Insurance Policy extends to the final maturity of the Series of Bonds for which such Reserve Fund Insurance Policy was issued or (b) the Authority has agreed, by Supplemental Indenture, that the Authority will replace such Reserve Fund Insurance Policy prior to its expiration with another Reserve Fund Insurance Policy or with cash.

If moneys have been withdrawn from the Reserve Fund or a payment has been made under a Reserve Fund Insurance Policy, and deposited into the respective Debt Service Funds for the Series of Bonds participating in the Reserve Fund to prevent a default on the Series of Bonds participating in the Reserve Fund, then the Authority will pay or cause to be paid to the Trustee, from Net Revenues, but only as provided in the Master Indenture, the full amount so withdrawn, together with interest, if any, required under the terms of the Reserve Fund Insurance Policy, or so much as shall be required to restore the Reserve Fund to the Reserve Requirement and to pay such interest, if any. Such repayment shall be made in twelve (12) substantially equal monthly installments each due on the first Business Day of the month commencing with the first month after such withdrawal occurs. If such repayment is with respect to a draw under a Reserve Fund Insurance Policy, the Trustee shall pay to the provider of such Reserve Fund Insurance Policy the amount received by the Trustee from the Authority which is designated to be used to reimburse the provider of such Reserve Fund Insurance Policy. The Trustee shall immediately notify the Trustee of such reimbursement, and the amount available to be drawn under the Reserve Fund Insurance Policy shall increase by the amount of such reimbursement. Repayments owed to the provider of a Reserve Fund Insurance Policy shall be paid prior to funding the unfunded cash portion of the Reserve Requirement; provided, however, that the Authority's obligation to fund the Reserve Fund shall be on the same priority as the Authority's obligation to fund Debt Service Reserve Funds for its other Bonds. Amounts provided by the Authority to the Trustee to fund the Authority's reserve fund obligations for its Bonds must be distributed between all of the Bonds on a pro rata basis without regard to the existence of a cash funded Debt Service Reserve Fund or a reserve fund insurance policy.

Moneys in the Reserve Fund shall be invested and reinvested by the Trustee at the direction of an Authorized Authority Representative in Permitted Investments.

(b) ***Series 2013 Reserve Account***. In accordance with Section 4.09(a) hereof, the Authority hereby elects to have the Series 2013A Bonds and the Series 2013B Bonds participate in the Reserve Fund. As provided in Sections 4.02(b) and 4.03(b) hereof, at the time of the issuance of the Series 2013 Bonds, a portion of the proceeds of the Series 2013A Bonds and a portion of the proceeds of the Series 2013B Bonds shall be deposited into the Series 2013 Reserve Account. The Series 2013 Reserve Account shall be established for purposes of calculating and accounting for the amount of earnings upon the portion of the Reserve Fund allocable to the Series 2013A Bonds and the Series 2013B Bonds for rebate purposes as set forth in the Tax Certificate, but for all other purposes shall be held, invested and used as an integral part of the Reserve Fund as provided in Section 4.09(a) hereof and shall be available to make payments on all of the Series of Bonds participating in the Reserve Fund as if no separate account had been created. In the event a Reserve Fund Insurance Policy is ever issued with respect to the Reserve Fund, the Trustee is hereby directed to credit the Series 2013 Reserve Account with the portion of any Reserve Fund Insurance Policy allocable thereto. In the event amounts in the Reserve Fund exceed the Reserve Requirement, such excess allocable to the Series 2013A Bonds shall be transferred to the Interest Account in the Series 2013A Debt Service Fund and such excess allocable to the Series 2013B Bonds shall be transferred to the Interest Account in the Series 2013B Debt Service Fund.

Section 4.10. Series [__] Subordinate Commercial Paper Repayment Fund.

(a) There shall, be deposited into the Series [__] Subordinate Commercial Paper Repayment Fund the amounts as provided in Section 4.0[ ]([ ]) hereof. Amounts on deposit in the Series [__] Subordinate Commercial Paper Repayment Fund shall be used to pay the principal of [and interest on] the Refunded Series [__] Subordinate Commercial Paper Notes.

(b) The Trustee shall make payments or disbursements from the Series [__] Subordinate Commercial Paper Repayment Fund upon receipt from the Authority of a written requisition in substantially the form attached as Exhibit D-3 hereto, executed by an Authorized Authority Representative. Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of the facts stated therein.

(c) Moneys held in the Series [__] Subordinate Commercial Paper Repayment Fund shall be invested and reinvested as directed by an Authorized Authority Representative in Permitted Investments.

(d) Earnings on the Series [__] Subordinate Commercial Paper Repayment Fund shall be deposited into the Series 2013[__] Construction Fund. Any amounts remaining in the Series [__] Subordinate Commercial Paper Repayment Fund on [__________], 2013 shall be transferred to the Series 2013[__] Construction Fund and the Series [__] Subordinate Commercial Paper Repayment Fund shall be closed.

Section 4.11. Sources of Payment of the Series 2013 Bonds. The Series 2013 Bonds shall be secured by and payable from the Net Revenues as provided in the Master Indenture and moneys and other investments held by the Trustee in the Reserve Fund. The Authority may, but is not obligated to, provide for the payment of the principal of and interest on the Series 2013 Bonds from any other source or from any other funds of the Authority, including, but not limited to, amounts derived from Passenger Facility Charges, except as otherwise provided in the PFC Resolution.

Section 4.12. PFC Resolution. The Authority hereby covenants to comply with all of the terms, conditions, obligations and covenants set forth in the PFC Resolution.

ARTICLE V

TAX COVENANTS

Section 5.01. Series 2013 Rebate Fund. The Authority hereby agrees that it will execute the Tax Certificate and will, pursuant to this Third Supplemental Indenture, cause the Series 2013 Rebate Fund to be established, which fund will be funded if so required pursuant to the provisions of the Tax Certificate and amounts in such Series 2013 Rebate Fund shall be held and disbursed in accordance with the Tax Certificate.

Section 5.02. Preservation of Tax Exemption on Series 2013 Bonds.

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

(b) The Authority shall not use or permit the use of any proceeds of the Series 2013 Bonds or any other funds of the Authority held by the Trustee under the Master Indenture and this Third Supplemental Indenture allocable to the Series 2013 Bonds, directly or indirectly, to acquire any securities or obligations, and shall not use or permit the use of any amounts received by the Authority or the Trustee with respect to the Series 2013 Bonds in any manner, and shall not take or permit to be taken any other action or actions, which would cause any Series 2013 Bond to be "federally guaranteed" within the meaning of Section 149(b) of the Code or an "arbitrage bond" within the meaning of Section 148 of the Code and applicable regulations promulgated from time to time thereunder and under Section 103(c) of the Code. The Authority shall observe and not violate the requirements of Section 148 of the Code and any such applicable regulations. In the event the Authority is of the opinion that it is necessary to restrict or limit the yield on the investment of money held by the Trustee or to use such money in certain manners, in order to avoid the Series 2013 Bonds being considered "arbitrage bonds" within the meaning of Section 148 of the Code and the regulations thereunder as such may be applicable to the Series 2013 Bonds at such time, the Authority shall issue to the Trustee a certificate to such effect together with appropriate instructions, in which event the Trustee shall take such action as it is directed to take to use such money in accordance with such certificate and instructions, irrespective of whether the Trustee shares such opinion.

(c) The Authority shall at all times do and perform all acts and things permitted by law and this Third Supplemental Indenture which are necessary or desirable in order to assure that interest paid on the Series 2013 Bonds will not be included in gross income for federal income tax purposes and shall take no action that would result in such interest being included in gross income for federal income tax purposes.

ARTICLE VI

MISCELLANEOUS

Section 6.01. Notices.

(a) Any notice, request, direction, designation, consent, acknowledgment, certification, appointment, waiver or other communication required or permitted by this Third Supplemental Indenture or the Series 2013 Bonds must be in writing except as expressly provided otherwise in this Third Supplemental Indenture or the Series 2013 Bonds.

(b) Any notice or other communication, unless otherwise specified, shall be sufficiently given and deemed given when mailed by first-class mail, postage prepaid, addressed to the Authority or the Trustee at the addresses provided in the Master Indenture or when delivered by hand and received by the Authority or the Trustee at the addresses provided in the Master Indenture. Any addressee may designate additional or different addresses for purposes of this Section. In addition to the address set forth in the Master Indenture, all notices and communications to be sent to the Trustee shall also be sent to The Bank of New York Mellon Trust Company, N.A., 400 South Hope Street, Suite 400, Los Angeles, California 90071, Attention: [__________].

Section 6.02. Modification of Master Indenture and this Third Supplemental Indenture. The Authority may, from time to time and at any time execute and deliver Supplemental Indentures supplementing and/or amending the Master Indenture and this Third Supplemental Indenture in the manner set forth in <u>Article X</u> of the Master Indenture.

Section 6.03. Continuing Disclosure. The Authority hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Master Indenture and this Third Supplemental Indenture, failure of the Authority to comply with its obligations set forth in the Continuing Disclosure Certificate shall not constitute an Event of Default (as specified in <u>Article VIII</u> of the

Master Indenture); provided, however, that any participating underwriter for the Series 2013 Bonds or any Bondholder or Beneficial Owner of the Series 2013 Bonds may take such actions as may be necessary and appropriate to compel performance by the Authority of its obligations under this Section, including seeking mandate or specific performance by court order.

Section 6.04. Parties Interested Herein. Nothing in this Third Supplemental Indenture expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Authority, the Trustee and the Bondholders of the Series 2013 Bonds, any right, remedy or claim under or by reason of this Third Supplemental Indenture or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Third Supplemental Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Trustee and the Bondholders of the Series 2013 Bonds.

Section 6.05. Severability. If any provision of this Third Supplemental Indenture shall be determined to be unenforceable, that shall not affect any other provision of this Third Supplemental Indenture.

Section 6.06. Payments or Actions Occurring on Non-Business Days. If a payment date is not a Business Day at the place of payment or if any action required hereunder is required on a date that is not a Business Day, then payment may be made at that place on the next Business Day or such action may be taken on the next Business Day with the same effect as if payment were made on the action taken on the stated date, and no interest shall accrue for the intervening period.

Section 6.07. Governing Law. This Third Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of California.

Section 6.08. Captions. The captions in this Third Supplemental Indenture are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this Third Supplemental Indenture.

Section 6.09. Counterparts. This Third Supplemental Indenture may be signed in several counterparts. Each will be an original, but all of them together constitute the same instrument.

[End of Third Supplemental Trust Indenture]

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

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

By ______________________________

Thella F. Bowens,
President and CEO

Attest:

By ______________________________

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

Approved as to form:

By ______________________________

Breton K. Lobner
General Counsel

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By ______________________________

Authorized Representative

[Signature page to Third Supplemental Trust Indenture]

EXHIBIT A

FORM OF SERIES 2013 BOND

San Diego County Regional Airport Authority
Senior Airport Revenue Bond
Series 2013[A/B]

No. R-[___] Principal Amount: $______________

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AS DEFINED IN THE HEREINAFTER DEFINED THIRD SUPPLEMENTAL INDENTURE) TO THE TRUSTEE (AS HEREINAFTER DEFINED) FOR REGISTRATION OF, TRANSFER, EXCHANGE, OR PAYMENT, AND ANY SERIES 2013[A/B] BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

Interest Rate	**Maturity Date**	**Original Dated Date**	**CUSIP**
%	July 1, 20[__]	January [__], 2013	79739G[___]

THIS BOND IS A SPECIAL OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF 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 BOND, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER, IF ANY, OF THE AUTHORITY, THE CITY OF SAN DIEGO, THE COUNTY OF SAN DIEGO, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THIS BOND.

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

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

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

Date of Authentication: __________, 20__

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee certifies that this is one of the Bonds referred to in the Master Indenture and Third Supplemental Indenture

By ________________________________
Authorized Signatory

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

By ________________________________
President and CEO

Attest:

By: ________________________________
Director, Corporate Services/
Authority Clerk

1. **Master Indenture; Third Supplemental Indenture**. The Authority has entered into a Master Trust Indenture, dated as of November 1, 2005, as amended (the "Master Indenture"), with The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as trustee (the "Trustee"). Such Master Indenture provides that the Authority may issue bonds and incur other indebtedness under the terms and conditions set forth in the Master Indenture and Supplemental Indentures. All bonds and other indebtedness issued thereunder and secured thereby are collectively referred to herein as "Bonds." All capitalized terms not defined herein shall have the meanings set forth in the Master Indenture and the hereinafter defined Third Supplemental Indenture.

This Bond is part of a series of Bonds of the Authority issued under the Master Indenture and the Third Supplemental Trust Indenture, dated as of [___________] 1, 2013 (the "Third Supplemental Indenture"), by and between the Authority and the Trustee and authorized by Resolution No. 2012-[___] adopted by the board of directors of the Authority on December [__], 2012. The series of Bonds of which this Bond is a part is being issued in the original principal amount of $[___________] and designated as San Diego County Regional Airport Authority Senior Airport Revenue Bonds Series 2013[A/B] (the "Series 2013[A/B] Bonds"). Simultaneously with the issuance of the Series 2013[A/B] Bonds, the Authority is issuing its $[__________] San Diego County Regional Airport Authority Senior Airport Revenue Bonds Series 2013[A/B] (the "Series 2013[A/B] Bonds," and together with the Series 2013[A/B] Bonds, the "Series 2013 Bonds"). The Series 2013 Bonds are being issued primarily to fund the acquisition, construction, and improvements of certain capital projects, as described in the Third Supplemental Indenture.

The Series 2013[A/B] Bonds are being issued with a pledge of and lien on Net Revenues on a parity with the Series 2013[A/B] Bonds, and any additional Bonds issued on a parity with the Series 2013 Bonds under the terms and provisions of the Master Indenture.

The terms of the Series 2013 Bonds include the terms set forth in the Master Indenture and the Third Supplemental Indenture. Bondholders are referred to the Master Indenture, as amended and supplemented from time to time, and the Third Supplemental Indenture, as amended and supplemented from time to time, for a statement of those terms and for the meanings of any defined terms not defined herein.

2. **Source of Payments**. The Series 2013[A/B] Bonds are, as provided in the Master Indenture and the Third Supplemental Indenture, together with all other Bonds, secured by and payable from, the Net Revenues, as described below and as defined in the Master Indenture. The Master Indenture pledges the Net Revenues to secure payment of all Bonds issued under the Master Indenture.

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

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

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

4. **Interest Payment and Record Dates**. Interest hereon will be due and payable on July 1, 2013 and each January 1 and July 1 thereafter and will be paid to the party who is the owner hereof on the Record Date for such payment. The Record Date for a January 1 payment is the preceding December 15, and the Record Date for a July 1 payment is the preceding June 15. If this Bond is not a Book-Entry Bond, as defined in the Third Supplemental Indenture, interest hereon will be paid by check mailed to the Bondholder's registered address, and, if this Bond is a Book-Entry Bond, as defined in the Third Supplemental Indenture, interest will be paid as provided in the Third Supplemental Indenture. Interest will be paid in lawful money of the United States that at the time of payment is legal tender for payment of public and private debts or by checks or wire transfer payable in such money. If any payment of interest on this Bond is due on a non-Business Day, it will be made on the next Business Day, and no interest will accrue as a result.

5. **Payment of Principal**. Payment of principal of this Bond will be paid at maturity upon surrender of this Bond to the Trustee or its agent except that if this Bond is a Book-Entry Bond, the Trustee may make other arrangements for payment of principal. Principal will be paid in lawful money of the United States that at the time of payment is legal tender for payment of public and private debts or by checks or wire transfer payable in such money. If any payment of

principal of this Bond is due on a non-Business Day, it will be made on the next Business Day, and no interest will accrue as a result.

6. **Redemption**. All redemptions will be made at a redemption price of 100% of the principal amount of the Series 2013[A/B] Bonds being redeemed, plus interest accrued since the most recent interest payment date.

(a) ***Optional Redemption***. The Series 2013[A/B] Bonds maturing on or before July 1, 20[__] are not subject to optional redemption prior to maturity. The Series 2013[A/B] Bonds maturing on or after July 1, 20[__] are subject to redemption prior to maturity, at the option of the Authority, from any moneys that may be provided for such purpose, in whole or in part, on any date on or after July 1, 20[__] at a redemption price equal to 100% of the principal amount of the Series 2013[A/B] Bonds to be redeemed plus accrued interest to the date fixed for redemption, without premium.

(b) [***Mandatory Sinking Fund Redemption***. The Series 2013[A/B] Bonds with a stated Maturity Date of July 1, 20[__] will be subject to mandatory sinking fund redemption in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon, on July 1, 20[__] and each July 1 thereafter, to and including July 1, 20[__] in accordance with the terms of a mandatory sinking fund redemption schedule set forth in the Third Supplemental Indenture.]

(c) ***Notice of Redemption***. At least thirty (30) days but not more than sixty (60) days before each redemption, the Trustee will give notice sent as provided in the Third Supplemental Indenture to each owner of a Series 2013[A/B] Bond to be redeemed. Failure to give any required notice of redemption will not affect the validity of the call for redemption of any Series 2013[A/B] Bond in respect of which no failure occurs. Any notice sent as provided in the Third Supplemental Indenture will be conclusively presumed to have been given whether or not actually received by the addressee.

(d) ***Effect of Redemption***. When notice of redemption is given, and funds are deposited with the Trustee or an agent of the Trustee sufficient for redemption, interest on the Series 2013[A/B] Bonds to be redeemed ceases to accrue as of the redemption date.

7. **Denominations; Transfer; Exchange**. The Series 2013[A/B] Bonds are available in denominations of $5,000 and integral multiples thereof. A Bondholder may transfer or exchange Series 2013[A/B] Bonds in accordance with the Master Indenture and the Third Supplemental Indenture. The Trustee may require a Bondholder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Master Indenture. The Trustee need not transfer or exchange any Series 2013[A/B] Bond during the period established by the Registrar for selection of Series 2013[A/B] Bonds for redemption of any Series 2013[A/B] Bond which has been selected for redemption.

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

9. **Unclaimed Money**. If money for the payment of principal or interest remains unclaimed for two years, the Trustee will pay the money to or for the account of the Authority. After that, Bondholders entitled to the money must look only to the Authority and not to the Trustee for payment.

10. **Discharge Before Maturity**. If the Authority at any time deposits with the Trustee money, Government Obligations or obligations described in item (b) of the definition of Permitted Investments as described in the Master Indenture sufficient to pay at maturity principal of and interest on the outstanding Series 2013[A/B] Bonds, and if the Authority also pays all other sums then payable by the Authority under the Master Indenture, the Master Indenture will be discharged. After discharge, Bondholders must look only to the deposited money and securities for payment. If the Authority at any time deposits with the Trustee money, Government Obligations or obligations described in item (b) of the definition of Permitted Investments as described in the Master Indenture sufficient to pay at maturity, principal of and interest on all or any portion of the outstanding Series 2013[A/B] Bonds, such Series 2013[A/B] Bonds, with respect to which the deposit was made, shall no longer be deemed to be outstanding and shall no longer be secured by the Master Indenture except to the extent of the funds set aside therefor.

11. **Amendment, Supplement, Waiver**. The Master Indenture, the Third Supplemental Indenture and the Series 2013[A/B] Bonds may be amended or supplemented, and any past default or compliance with any provision may be waived, as provided in the Master Indenture. Any consent given by the owner of this Bond shall bind any subsequent owner of this Bond or any Bond delivered in substitution for this Bond.

12. **Defaults and Remedies**. The Master Indenture provides that the occurrences of certain events constitute Events of Default. If an Event of Default occurs and is continuing, the Trustee may exercise the remedies set forth in the Master Indenture. Under no circumstances does an Event of Default grant any right to accelerate payment of this Bond. An Event of Default and its consequences may be waived as provided in the Master Indenture and the Third Supplemental Indenture. Bondholders may not enforce the Master Indenture or this Bond except as provided in the Master Indenture and the Third Supplemental Indenture. The Trustee may refuse to enforce the Master Indenture or this Bond unless it receives indemnity satisfactory to it. Subject to certain limitations, Bondholders of a majority of the principal amount of the Series 2013[A/B] Bonds (determined in accordance with the terms of the Master Indenture and the Third Supplemental Indenture) may direct the Trustee in its exercise of any trust or power.

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

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

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

[FORM OF ASSIGNMENT]

I or we assign and transfer to

Insert social security or other
identifying number of assignee

[   ]

[   ]

____

____

____

(Print or type name, address and zip code of assignee) this Bond and irrevocably appoint

____

____________________ agent to transfer this Bond on the books of the Authority. The agent may substitute another to act for him.

Dated: ______________________________

Signed ____
(Sign exactly as name appears on the face of this Bond)

Signature guaranteed:

____
(NOTE: Signature(s) guarantee should be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or such other guarantee program acceptable to the Trustee.)

EXHIBIT B

DEBT SERVICE SCHEDULES

San Diego County Regional Airport Authority
Senior Airport Revenue Bonds
Series 2013A

Date	Principal	Interest	Total

San Diego County Regional Airport Authority
Senior Airport Revenue Bonds
Series 2013B

Date	Principal	Interest	Total

EXHIBIT C-1

SERIES 2013A PROJECT

EXHIBIT C-2

SERIES 2013B PROJECT

EXHIBIT D-1

FORM OF SERIES 2013 CONSTRUCTION FUND REQUISITION

Requisition No. __________

To: The Bank of New York Mellon Trust Company, N.A.
Attention: [___________]
400 South Hope Street, Suite 400
Los Angeles, California 90071

Re: Requisition of Funds from San Diego County Regional Airport Authority Senior Airport Revenue Bonds Series 2013[A/B] Construction Fund

The amount requisitioned: $ ______________________________

Payment to be made to: ___________________________________

Manner in which payment is to be made: ____________________

Description of Costs of Series 2013[A/B] Project: ______________

The undersigned, an Authorized Authority Representative within the meaning of the Master Trust Indenture, dated as of November 1, 2005, as amended (the "Master Indenture"), by and between the San Diego County Regional Airport Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as trustee (the "Trustee"), as supplemented by the Third Supplemental Trust Indenture, dated as of [___________] 1, 2013 (the "Third Supplemental Indenture"), by and between the Authority and the Trustee, hereby requisitions the amount set forth above and directs that such amount be paid to the party set forth above from funds held in the San Diego County Regional Airport Authority Senior Airport Revenue Bonds Series 2013[A/B] Construction Fund held under the Third Supplemental Indenture and directs that payment be made in the manner described above.

The amount to be paid represents Costs of the Series 2013[A/B] Project (as defined in the Master Indenture and the Third Supplemental Indenture) and does not represent Costs of Issuance associated with the issuance of the Series 2013[A/B] Bonds (as defined in the Third Supplemental Indenture) and the amounts requisitioned hereby will be expended only in accordance with and subject to the limitations set forth in the Tax Compliance Certificate, dated January [__], 2013 and relating to the Series 2013[A/B] Bonds (as defined in the Third Supplemental Indenture).

Dated: __________________.

By ___________________________________
Authorized Authority Representative

EXHIBIT D-2

FORM OF SERIES 2013 COSTS OF ISSUANCE FUND REQUISITION

Requisition No. ___

To: The Bank of New York Mellon Trust Company, N.A.
Attention: [__________]
400 South Hope Street, Suite 400
Los Angeles, California 90071

Re: Requisition of Funds from San Diego County Regional Airport Authority Senior Airport Revenue Bonds Series 2013 Costs of Issuance Fund – Series 2013[A/B] Account

The amount requisitioned: $________________

Payment to be made to: ____________________

Manner in which payment is to be made: __________________

The undersigned, an Authorized Authority Representative within the meaning of the Master Trust Indenture, dated as of November 1, 2005, as amended (the "Master Indenture") by and between the San Diego County Regional Airport Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as trustee (the "Trustee"), as supplemented by the Third Supplemental Trust Indenture, dated as of [__________] 1, 2013 (the "Third Supplemental Indenture"), by and between the Authority and the Trustee, hereby requisitions the amount set forth above and directs that such amount be paid to the party set forth above from funds held in the San Diego County Regional Airport Authority Senior Airport Revenue Bonds Series 2013[A/B] Costs of Issuance Account in the San Diego County Regional Airport Authority Senior Airport Revenue Bonds Series 2013 Costs of Issuance Fund held under the Third Supplemental Indenture and directs that payment be made in the manner described above.

The amount to be paid represents a Cost of Issuance of the Series 2013 Bonds and the amounts requisitioned hereby will be expended only in accordance with and subject to the limitations set forth in the Tax Compliance Certificate dated January [__], 2013 and relating to the Series 2013[A/B] Bonds issued under the Third Supplemental Indenture.

Dated: _________________.

By ____________________________________
Authorized Authority Representative

EXHIBIT D-3

FORM OF SERIES [__] SUBORDINATE COMMERCIAL PAPER REPAYMENT FUND REQUISITION

Requisition No. ___

To: The Bank of New York Mellon Trust Company, N.A.
Attention: [__________]
400 South Hope Street, Suite 400
Los Angeles, California 90071

Re: Requisition of Funds from San Diego County Regional Airport Authority Series [__] Subordinate Commercial Paper Repayment Fund

The amount requisitioned: $ ____________________________

Payment to be made to: ________________________________

Manner in which payment is to be made: ____________________

The undersigned, an Authorized Authority Representative within the meaning of the Master Trust Indenture, dated as of November 1, 2005, as amended (the "Master Indenture") by and between the San Diego County Regional Airport Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as trustee (the "Trustee"), as supplemented by the Third Supplemental Trust Indenture, dated as of [__________] 1, 2013 (the "Third Supplemental Indenture"), by and between the Authority and the Trustee, hereby requisitions the amount set forth above and directs that such amount be paid to the party set forth above from funds held in the San Diego County Regional Airport Authority Series [__] Subordinate Commercial Paper Repayment Fund held under the Third Supplemental Indenture and directs that payment be made in the manner described above.

The amount to be paid represents principal of the Refunded Series [__] Subordinate Commercial Paper Notes and the amounts requisitioned hereby will be expended only in accordance with and subject to the limitations set forth in the Tax Compliance Certificate, dated January [__], 2013 and relating to the Series 2013[A/B] Bonds (as defined in the Third Supplemental Indenture).

Dated: __________________.

By ____________________________________
Authorized Authority Representative

Kutak Rock LLP Draft #4 (11/30/12)

PRELIMINARY OFFICIAL STATEMENT DATED [______________], 2013

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

NEW ISSUES
BOOK-ENTRY ONLY

Ratings: See "RATINGS" herein.

In the opinion of Kutak Rock LLP, Bond Counsel to the Authority, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Senior Series 2013 Bonds is excluded from gross income for federal income tax purposes, except for interest on any Senior Series 2013B Bond for any period during which such Senior Series 2013B Bond is held by a "substantial user" of the facilities financed or refinanced by the Senior Series 2013B Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended. Bond Counsel is further of the opinion that (a) interest on the Senior Series 2013A Bonds is not a specific preference item for purposes of the federal alternative minimum tax, and (b) interest on the Senior Series 2013B Bonds is a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is further of the opinion that interest on the Senior Series 2013 Bonds is exempt from State of California personal income taxes. See "TAX MATTERS" herein.

[Insert Authority Logo]

$[_________]*

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
Senior Airport Revenue Bonds

$[_________]*	**$[_________]***
Series 2013A	**Series 2013B**
(Non-AMT)	**(AMT)**

Dated: Date of Delivery **Due: July 1 as shown on the inside cover**

The San Diego County Regional Airport Authority (the "Authority") is issuing its Senior Airport Revenue Bonds, Series 2013A (the "Senior Series 2013A Bonds"), and Senior Airport Revenue Bonds, Series 2013B (the "Senior Series 2013B Bonds," and together with the Senior Series 2013A Bonds, the "Senior Series 2013 Bonds"), to (a) finance certain capital improvements at San Diego International Airport, (b) fund a portion of the interest accruing on the Senior Series 2013 Bonds, (c) refund a portion of the Authority's outstanding Subordinate Commercial Paper Notes, (d) fund a reserve fund for the Senior Series 2013 Bonds, and (e) pay the costs of issuance of the Senior Series 2013 Bonds. See "PLAN OF FINANCE AND APPLICATION OF THE SENIOR SERIES 2013 BOND PROCEEDS" herein.

The Senior Series 2013 Bonds are special obligations of the Authority, payable solely from and secured by (a) a pledge of Net Revenues, which include certain income and revenue received by the Authority from the operation of the Airport System less all amounts that are required to pay the Operation and Maintenance Expenses of the Airport System; and (b) certain funds and accounts held by the Senior Trustee under the Senior Indenture.

NONE OF THE PROPERTIES OF THE AIRPORT SYSTEM ARE SUBJECT TO ANY MORTGAGE OR OTHER LIEN FOR THE BENEFIT OF THE OWNERS OF THE SENIOR SERIES 2013 BONDS, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, THE CITY OF SAN DIEGO, THE COUNTY OF SAN DIEGO, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE OF CALIFORNIA IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SENIOR SERIES 2013 BONDS. SEE "SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR SERIES 2013 BONDS."

The Senior Series 2013 Bonds will be issued as fully registered bonds in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Individual purchases and sales of the Senior Series 2013 Bonds may be made in book-entry form only in denominations of $5,000 and integral multiplies thereof. Interest on the Senior Series 2013 Bonds will be payable on January 1 and July 1, commencing on July 1, 2013. So long as the Senior Series 2013 Bonds are held by DTC, the principal of and interest on the Senior Series 2013 Bonds will be payable by wire transfer to DTC, which in turn will be required to remit such principal and interest to the DTC participants for subsequent disbursement to the beneficial owners of the Senior Series 2013 Bonds, as more fully described herein. See "APPENDIX F—BOOK-ENTRY-ONLY SYSTEM."

Maturity Schedule on Inside Front Cover

The Senior Series 2013 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity, as more fully described herein. See "DESCRIPTION OF THE SENIOR SERIES 2013 BONDS—Redemption Provisions."

The purchase and ownership of Senior Series 2013 Bonds involve investment risk and may not be suitable for all investors. This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of the Senior Series 2013 Bonds. Investors are advised to read the entire Official Statement, including any portion hereof included by reference, to obtain information essential to the making of an informed decision, giving particular attention to the matters discussed under "CERTAIN INVESTMENT CONSIDERATIONS." Capitalized terms used on this cover page and not otherwise defined have the meanings set forth herein.

The Senior Series 2013 Bonds are offered when, as and if issued by the Authority, subject to the approval of validity by Kutak Rock LLP, Bond Counsel to the Authority, and to certain other conditions. Certain matters will be passed upon for the Authority by its General Counsel and by Kutak Rock LLP, Disclosure Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by their counsel, Nixon Peabody LLP. Frasca & Associates, L.L.C. has served as Financial Advisor to the Authority. It is expected that the delivery of the Senior Series 2013 Bonds will be made through the facilities of DTC on or about January [__], 2013.

Jefferies **Citigroup**

Cabrera Capital Markets LLC **J.P. Morgan** **Loop Capital Markets** **Siebert Brandford Shank & Co. L.L.C.**

Date of Official Statement:

* Preliminary; subject to change.

MATURITY SCHEDULE*

$[__________]*
San Diego County Regional Airport Authority
Senior Airport Revenue Bonds
Series 2013A
(Non-AMT)

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

$___________ ___% Term Bonds due July 1, 20__, Yield: _____%; CUSIP No.[1]: _________

$[__________]*
San Diego County Regional Airport Authority
Senior Airport Revenue Bonds
Series 2013B
(AMT)

Maturity Date (July 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP No.[1]	Maturity Date (July 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP No.[1]

$___________ ___% Term Bonds due July 1, 20__, Yield: _____%; CUSIP No.[1]: _________

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* Preliminary; subject to change.

[1] Copyright 2013, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. The CUSIP data herein is provided by the CUSIP Service Bureau, managed on behalf of the American Bankers Association by Standard & Poor's. The CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for CUSIP service. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are provided solely for convenience and reference. The CUSIP numbers for a specific maturity are subject to change after the issuance of the Senior Series 2013 Bonds. Neither the Authority nor the Underwriters take responsibility for the accuracy of the CUSIP numbers.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY BOARD

Robert H. Gleason (Chair)*
Jim Panknin (Vice Chair)*
Greg Cox*
Bruce R. Boland
Jim Desmond
Lloyd B. Hubbs
Paul Robinson
Tom Smisek
Anthony Young
Laurie Berman, *Ex-Officio* Member
Pedro Reyes, *Ex-Officio* Member

*Member of the Executive Committee.

SAN DIEGO INTERNATIONAL AIRPORT MANAGEMENT

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

SENIOR TRUSTEE

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

INDEPENDENT AUDITORS

McGladrey LLP

BOND COUNSEL AND DISCLOSURE COUNSEL

Kutak Rock LLP

FINANCIAL ADVISOR

Frasca & Associates, L.L.C.

FEASIBILITY CONSULTANT

Unison Consulting, Inc.

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

This Official Statement is not to be construed as a contract with the purchasers of the Senior Series 2013 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. See "INTRODUCTION—Forward-Looking Statements" herein.

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

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority since the date hereof. This Official Statement is submitted in connection with the sale of the Senior Series 2013 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THE SENIOR SERIES 2013 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN, AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THE SENIOR INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN. THE SENIOR SERIES 2013 BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY COMMISSION. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SENIOR SERIES 2013 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SENIOR SERIES 2013 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGES OF THIS OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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OFFICIAL STATEMENT

$[__________]*
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
Senior Airport Revenue Bonds

$[__________]*	**$[__________]***
Series 2013A	**Series 2013B**
(Non-AMT)	**(AMT)**

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page, inside cover pages, table of contents and appendices, is to provide certain information concerning the sale and delivery by the San Diego County Regional Airport Authority (the "Authority") of its $[__________]* San Diego County Regional Airport Authority Senior Airport Revenue Bonds, Series 2013A (the "Senior Series 2013A Bonds"), and $[__________]* San Diego County Regional Airport Authority Senior Airport Revenue Bonds, Series 2013B (the "Senior Series 2013B Bonds," and together with the Senior Series 2013A Bonds, the "Senior Series 2013 Bonds"). Capitalized terms used but not defined herein have the meanings ascribed to them in "APPENDIX C—CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER SENIOR INDENTURE AND THE THIRD SUPPLEMENTAL SENIOR INDENTURE—CERTAIN DEFINITIONS."

The Authority

The Authority is a local government entity of regional government, with jurisdiction extending throughout the County of San Diego (the "County"). The Authority was organized and exists pursuant to the provisions of the Constitution of the State of California and Section 170000 et seq. of the California Public Utilities Code (the "Act"). The Authority was formed for the purposes of: (a) operating the Airport System (the main asset of which is San Diego International Airport (Lindbergh Field) ("SDIA," "SAN" or the "Airport"); (b) planning and operating any future airport that could be developed as a supplement or replacement to SDIA; (c) developing a comprehensive land use plan as it may relate to the Airport System for the entire County; and (d) serving as the region's airport land use commission.

San Diego International Airport and Airport System

SDIA was owned and operated by the San Diego Unified Port District (the "Port District") until January 2003 at which time SDIA was transferred by long-term lease to the Authority (the "Transfer"). The Transfer included all obligations associated with SDIA, including bonds and commercial paper notes issued for the improvement of SDIA. SDIA is the busiest single-runway commercial airport in the United States and is classified as a large air traffic hub by the Federal Aviation Administration (the "FAA"). According to Airports Council International ("ACI") statistics, for the year ended December 31, 2011 (the latest available information from ACI), SDIA was ranked as the 28th busiest airport in the country as measured by total number of enplaned and deplaned passengers. For the fiscal year ended June 30, 2012 ("Fiscal Year 2012"), SDIA enplaned approximately 8.58 million passengers, which represented an approximately 1.6% increase in enplaned passengers from the fiscal year ended June 30, 2011. For the year ended December 31,

* Preliminary; subject to change.

2011, approximately 93.2% of the passengers using SDIA represented origination and destination ("O&D") passengers (passengers beginning or ending their trips at SDIA, as opposed to passengers connecting through SDIA to other cities). See "THE AUTHORITY" and "SAN DIEGO INTERNATIONAL AIRPORT" herein.

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

Plan of Finance

The Senior Series 2013 Bonds are being issued to (a) finance certain capital improvements at SDIA, (b) fund a portion of the interest accruing on the Senior Series 2013 Bonds through and including July 1, 2015, (c) refund $[________] aggregate principal amount of the Authority's outstanding Subordinate Commercial Paper Notes (as defined herein), (d) fund the Senior Reserve Fund (as defined herein), and (e) pay the costs of issuance of the Senior Series 2013 Bonds.

See "—Green Build Program and 2013-17 CIP," "PLAN OF FINANCE AND APPLICATION OF SENIOR SERIES 2013 BOND PROCEEDS" and "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT."

Senior Series 2013 Bonds and Pledge of Net Revenues

The Senior Series 2013 Bonds are being issued pursuant to the Master Trust Indenture, dated as of November 1, 2005, as amended (the "Master Senior Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., formerly known as The Bank of New York Trust Company, N.A., as trustee (the "Senior Trustee"), and the Third Supplemental Trust Indenture, to be dated as of January 1, 2013 (the "Third Supplemental Senior Indenture," and collectively with the Master Senior Indenture and all supplements thereto, the "Senior Indenture"), by and between the Authority and the Senior Trustee; the Act; and certain other provisions of California State law (including Section 53580 *et seq*. of the California Government Code). Additionally, the board of directors of the Authority (the "Board") authorized the issuance of the Senior Series 2013 Bonds pursuant to a resolution adopted by the Board on December [13], 2012 (the "Resolution"). See "DESCRIPTION OF THE SENIOR SERIES 2013 BONDS."

The Senior Series 2013 Bonds are secured by a pledge of and first lien on Net Revenues (as defined herein) on a parity with any additional bonds or obligations issued or incurred on a parity with the Senior Series 2013 Bonds under the terms and provisions of the Master Senior Indenture ("Additional Senior Bonds"). For purposes of this Official Statement, "Senior Bonds" means the Senior Series 2013 Bonds and any Additional Senior Bonds. *As of the date of this Official Statement, the Authority has no Senior Bonds Outstanding.*

The Senior Series 2013 Bonds are special obligations of the Authority, payable solely from and secured by a pledge of (a) Net Revenues, which include certain income and revenues received by the Authority from the operation of the Airport System less all amounts which are required to be used to pay the Operation and Maintenance Expenses of the Airport System (as defined herein), and

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(b) certain funds and accounts held by the Senior Trustee under the Senior Indenture. None of the properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Senior Series 2013 Bonds, and neither the full faith and credit nor the taxing power of the Authority, the City of San Diego (the "City"), the County, the State of California (the "State") or any political subdivision or agency of the State is pledged to the payment of the principal of or interest on the Senior Series 2013 Bonds.

See "SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR SERIES 2013 BONDS—Flow of Funds," "—Pledge of Net Revenues," "—Use of PFCs to Pay Debt Service" and "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE."

Subordinate Obligations

In addition to Senior Series 2013 Bonds, the Authority has issued the Subordinate Series 2010 Bonds (as defined below) and may, from time to time, issue Subordinate Commercial Paper Notes (as defined below) which are secured by a pledge of "Subordinate Net Revenues" (which consist of Net Revenues less all amounts necessary to pay debt service on and fund the reserves for the Senior Bonds (including the Senior Series 2013 Bonds).

On October 5, 2010, the Authority issued its San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2010A, Series 2010B and Series 2010C (collectively, the "Subordinate Series 2010 Bonds"), which as of January 1, 2013, were outstanding in the aggregate principal amount of $570,870,000.

Additionally, the Authority is authorized to issue and have outstanding, from time to time, up to $250,000,000 in aggregate principal amount of its San Diego County Regional Airport Authority Subordinate Airport Revenue Commercial Paper Notes (the "Subordinate Commercial Paper Notes"). As of January [1], 2013, there was $[_________] aggregate principal amount of Subordinate Commercial Paper Notes outstanding (including the Subordinate Commercial Paper Notes to be refunded with a portion of the proceeds of the Senior Series 2013 Bonds). See "PLAN OF FINANCE AND APPLICATION OF SENIOR SERIES 2013 BOND PROCEEDS" for a discussion of the Authority's plans to refund $[__________] aggregate principal amount of the outstanding Subordinate Commercial Paper Notes with a portion of the proceeds of the Senior Series 2013 Bonds. In connection with the Subordinate Commercial Paper Notes, the Authority entered into a Reimbursement Agreement, dated as of September 1, 2007 (the "CP Reimbursement Agreement"), with Lloyds TSB Bank plc, acting through its New York Branch (the "CP Bank"), pursuant to which the CP Bank issued an irrevocable transferable direct pay letter of credit (the "CP Letter of Credit") to secure the timely payment of the principal of and interest on the Subordinate Commercial Paper Notes.

The Subordinate Commercial Paper Notes were issued or will be issued, as the case may be, pursuant to the Master Subordinate Trust Indenture, dated as of September 1, 2007, as amended (the "Master Subordinate Indenture"), by and between the Authority and Deutsche Bank National Trust Company, and the (the "Subordinate Trustee"), and the First Supplemental Subordinate Trust Indenture, dated as of September 1, 2007 (the "First Supplemental Subordinate Indenture"), by and between the Authority and the Subordinate Trustee. The Subordinate Series 2010 Bonds were issued pursuant to the Master Subordinate Indenture and the Second Supplemental Subordinate Trust Indenture, dated as of October 1, 2010 (the "Second Supplemental Subordinate Indenture," and collectively with the Master Subordinate Indenture and the First Supplemental Subordinate Indenture, the "Subordinate Indenture"), by and between the Authority and the Subordinate Trustee. The Subordinate Series 2010 Bonds, the Subordinate Commercial Paper Notes, the Authority's payment obligations under the CP Reimbursement Agreement and any additional obligations issued or incurred by the Authority pursuant to the terms of the

Subordinate Indenture ("Additional Subordinate Obligations"), are collectively referred to in this Official Statement as "Subordinate Obligations." The Subordinate Obligations are secured by a pledge of Subordinate Net Revenues and certain funds and accounts held by the Subordinate Trustee under the Subordinate Indenture.

See "SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR SERIES 2013 BONDS—Flow of Funds," and "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—Outstanding Subordinate Obligations."

Green Build Program and 2013-17 CIP

In 2008, the Board approved the Airport Master Plan for SDIA (the "Master Plan") to address requirements for accommodating near term passenger growth at SDIA through 2015 and to consider conceptual improvements through 2030. In 2009, the Board authorized the design, construction and funding of certain of the projects included in the Master Plan (known as the "Green Build Program" or the "Terminal Development Program"). The Green Build Program has an estimated cost of approximately $820.0 million (in actual dollars). In addition to the Green Build Program, the Authority maintains a 5-year capital improvement program that is intended to address critical improvements and asset preservation at SDIA. The Authority's current 5-year capital improvement program (the "2013-17 CIP") includes projects that are to be undertaken in Fiscal Year 2013 through Fiscal Year 2017 at an estimated cost of approximately $596.1 million (in actual dollars). A portion of the proceeds of the Senior Series 2013 Bonds will be used to finance a portion of the construction of the Green Build Program and certain projects included in the 2013-17 CIP. In addition to the proceeds of the Senior Series 2013 Bonds, the Green Build Program and the 2013-17 CIP will be financed with a combination of proceeds of the Subordinate Series 2010 Bonds, federal funds and grants, Passenger Facility Charges, available moneys of the Authority, Customer Facility Charges and proceeds of Special Facility Obligations secured by Customer Facility Charges. See "PLAN OF FINANCE AND APPLICATION OF SENIOR SERIES 2013 BOND PROCEEDS," "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT" and "APPENDIX A—FINANCIAL FEASIBILITY REPORT."

Financial Feasibility Report

Included as Appendix A to this Official Statement is a Financial Feasibility Report dated January [__], 2013 (the "Financial Feasibility Report"), prepared by Unison Consulting, Inc. (the "Feasibility Consultant"), in conjunction with the issuance of the Senior Series 2013 Bonds. The Financial Feasibility Report includes, among other things, a description of the underlying economic base of SDIA's air service area; a description of historical air traffic activity at SDIA; the Feasibility Consultant's projections for air traffic activity at SDIA through Fiscal Year 2018 and a description of the assumptions on which such projections were based; a description of existing and planned facilities at SDIA; and the Feasibility Consultant's projections of debt service, debt service coverage, expenses and revenues through Fiscal Year 2018 and a description of the assumptions upon which such projections were based. Inevitably, some assumptions used to develop the projections in the Financial Feasibility Report will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecast and actual results, and those differences may be material. The projections contained in the Financial Feasibility Report are not necessarily indicative of future performance, and neither the Feasibility Consultant nor the Authority assume any responsibility for the failure to meet such projections. The Financial Feasibility Report is an integral part of this Official Statement and should be read in its entirety. See "—Forward-Looking Statements" and "CERTAIN INVESTMENT CONSIDERATIONS—Financial Feasibility Report" and "APPENDIX A—FINANCIAL FEASIBILITY REPORT."

Continuing Disclosure

The Authority will covenant for the benefit of the owners and beneficial owners of the Senior Series 2013 Bonds to annually provide, or cause to be provided, certain financial information and operating data concerning the Authority and the Airport System, and to provide, or cause to be provided, notices of certain enumerated events to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access System (the "EMMA System") or any successor method designated by the MSRB, pursuant to the requirements of Rule 15c2-12 of the Securities Exchange Commission. See "CONTINUING DISCLOSURE" and "APPENDIX E—FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Recent Events

On December [__], 2012, the Authority defeased all of its outstanding Airport Revenue Refunding Bonds, Series 2005 (the "Senior Series 2005 Bonds"), by deposited proceeds of Subordinate Commercial Paper Notes and certain other available moneys into an irrevocable escrow fund. The amounts on deposit in the escrow fund will be used to pay the principal of and interest on the Senior Series 2005 Bonds until their final maturity date of July 1, 2020. At the time of defeasance of the Senior Series 2005 Bonds, certain amendments to the Master Senior Indenture became effective, including, among others, removing Customer Facility Charges and Federal Direct Payments from the definition of Revenues. Such amendments are incorporated in this Official Statement.

Investment Considerations

The purchase and ownership of the Senior Series 2013 Bonds involve investment risks. Prospective purchasers of the Senior Series 2013 Bonds should read this Official Statement in its entirety. For a discussion of certain risks relating to the Senior Series 2013 Bonds, see "CERTAIN INVESTMENT CONSIDERATIONS."

Forward-Looking Statements

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

The forward-looking statements herein are based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including airlines, customers, suppliers and competitors, among others, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Authority. Any such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Additional Information

Brief descriptions of the Senior Series 2013 Bonds, the Senior Indenture, the Subordinate Indenture, the Airline Lease Agreements (as defined herein) and certain other documents are included in this Official Statement and the appendices hereto. Such descriptions do not purport to be comprehensive or definitive. All references herein to such documents and any other documents, statutes, laws, reports or other instruments described herein are qualified in their entirety by reference to each such document, statute, law, report or other instrument. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority since the date hereof. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the Senior Series 2013 Bonds. The Authority maintains a website, the information on which is not part of this Official Statement, has not and is not incorporated by reference herein, and should not be relied upon in deciding whether to invest in the Senior Series 2013 Bonds.

PLAN OF FINANCE AND APPLICATION OF SENIOR SERIES 2013 BOND PROCEEDS

Plan of Finance

The Senior Series 2013 Bonds are being issued to (a) finance certain capital improvements at SDIA, (b) fund a portion of the interest accruing on the Senior Series 2013 Bonds through and including July 1, 20115, (c) refund $[_______] aggregate principal amount of the outstanding Subordinate Commercial Paper Notes (the "Refunded Subordinate Commercial Paper Notes") (d) fund the Senior Reserve Fund, and (e) pay the costs of issuance of the Senior Series 2013 Bonds.

Senior Series 2013 Projects

The Senior Series 2013 Bonds are being issued to, among other things, finance a portion of the costs of the Green Build Program and certain projects included in the 2013-17 CIP (the "Senior Series 2013 Projects"). The projects in the Green Build Program to be financed with a portion of the proceeds of the Senior Series 2013 Bonds include, among others, construction of 10 new gates on Terminal 2 West and the expansion of vehicle circulation serving Terminal 2 East and West through the construction of a dual-level roadway featuring an arrivals curb on one level and a departures curb on the other level. The projects in the 2013-17 CIP to be financed with a portion of the proceeds of the Senior Series 2013 Bonds include, among others, improvement of the facilities in Terminal 2 East, certain improvements to concession facilities, certain airfield and landside utility projects, and various other maintenance projects. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT" and "APPENDIX A—FINANCIAL FEASIBILITY REPORT."

Estimated Sources and Uses of Funds

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Senior Series 2013 Bonds:

	Senior Series 2013A Bonds	Senior Series 2013B Bonds	Total
Sources			
Principal Amount			
Original Issue Premium/(Discount)			
Total Sources			
Uses			
Deposit to Construction Funds			
Refund Subordinate Commercial Paper Notes			
Deposit to Interest Accounts[1]			
Deposit to Senior Reserve Fund			
Costs of Issuance[2]			
Total Uses			

[1] Represents a portion of the interest accruing on the Senior Series 2013 Bonds.
[2] Includes Underwriters' discount, legal and other costs of issuance.

DESCRIPTION OF THE SENIOR SERIES 2013 BONDS

General

The Senior Series 2013 Bonds will bear interest at the rates and mature on the dates set forth on the inside cover pages of this Official Statement. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Senior Series 2013 Bonds will be dated their date of delivery, and will bear interest from that date, payable semi-annually on January 1 and July 1 of each year (each an "Interest Payment Date"), commencing on July 1, 2013. Interest due and payable on the Senior Series 2013 Bonds on any Interest Payment Date will be paid to the registered owner as of the Record Date (Cede & Co., so long as the book-entry system with The Depository Trust Company ("DTC") is in effect). Each Senior Series 2013 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless such date of authentication is an Interest Payment Date, in which event such Senior Series 2013 Bond will bear interest from such date of authentication, or unless such date of authentication is after a Record Date and before the next succeeding Interest Payment Date, in which event such Senior Series 2013 Bond will bear interest from such succeeding Interest Payment Date, or unless such date of authentication is prior to June 15, 2013, in which event such Senior Series 2013 Bond will bear interest from its date of delivery. If interest on the Senior Series 2013 Bonds is in default, Senior Series 2013 Bonds issued in exchange for Senior Series 2013 Bonds surrendered for transfer or exchange will bear interest from the Interest Payment Date to which interest has been paid in full on the Senior Series 2013 Bonds surrendered.

The Senior Series 2013 Bonds will be issued in denominations of $5,000 or integral multiples thereof. The Senior Series 2013 Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the Senior Series 2013 Bonds. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Senior Series 2013 Bonds purchased. So long as Cede & Co., as a nominee of DTC, is the registered owner of the Senior Series 2013 Bonds, references herein to the Holders or registered owners means Cede & Co., and does not mean the Beneficial Owners of the Senior Series 2013 Bonds.

So long as Cede & Co. is the registered owner of the Senior Series 2013 Bonds, principal of and interest on the Senior Series 2013 Bonds will be payable by wire transfer by the Senior Trustee to Cede & Co., as nominee for DTC, which is required, in turn, to remit such amounts to the DTC Participants, for subsequent disbursement to the Beneficial Owners. See "APPENDIX F—BOOK-ENTRY-ONLY SYSTEM."

Redemption Provisions

Optional Redemption. The Senior Series 2013A Bonds maturing on or before July 1, 20__ are not subject to optional redemption prior to maturity. The Senior Series 2013A Bonds maturing on or after July 1, 20__ are subject to redemption prior to maturity, at the option of the Authority, from any moneys that may be provided for such purpose, in whole or in part, on any date on or after July 1, 20__ at a redemption price equal to 100% of the principal amount of the Senior Series 2013A Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

The Senior Series 2013B Bonds maturing on or before July 1, 20__ are not subject to optional redemption prior to maturity. The Senior Series 2013B Bonds maturing on or after July 1, 20__ are subject to redemption prior to maturity, at the option of the Authority, from any moneys that may be provided for such purpose, in whole or in part, on any date on or after July 1, 20__ at a redemption price equal to 100% of the principal amount of the Senior Series 2013B Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Senior Series 2013A Bonds maturing on July 1, 20__ (the "Senior Series 2013A Term Bonds") are subject to mandatory sinking fund redemption prior to maturity in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 of the following years and in the following principal amounts:

Redemption Date (July 1)	**Principal Amount**

* Final Maturity.

The Senior Series 2013B Bonds maturing on July 1, 20__ (the "Senior Series 2013B Term Bonds") are subject to mandatory sinking fund redemption prior to maturity in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 of the following years and in the following principal amounts:

Redemption Date (July 1)	Principal Amount

* Final Maturity.

At the option of the Authority, to be exercised by delivery of a written certificate to the Senior Trustee on or before the 60th day next preceding any mandatory sinking fund redemption date for the Senior Series 2013A Term Bonds or the Senior Series 2013B Term Bonds (collectively, the "Senior Series 2013 Term Bonds"), it may (a) deliver to the Senior Trustee for cancellation Senior Series 2013 Term Bonds or portions thereof (in Authorized Denominations) purchased in the open market or otherwise acquired by the Authority or (b) specify a principal amount of Senior Series 2013 Term Bonds or portions thereof (in Authorized Denominations) which prior to said date have been optionally redeemed and previously cancelled by the Senior Trustee at the request of the Authority and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. Each such applicable Senior Series 2013 Term Bond or portion thereof so purchased or otherwise acquired or redeemed and delivered to the Senior Trustee for cancellation will be credited by the Senior Trustee at 100% of the principal amount thereof against the obligation of the Authority to pay the principal of such applicable Senior Series 2013 Term Bond on such mandatory sinking fund redemption date.

Notices of Redemption to Holders; Conditional Notice of Optional Redemption. The Senior Trustee will give notice of redemption, in the name of the Authority, to Holders affected by redemption (or DTC, so long as the book-entry system with DTC is in effect) at least 30 days but not more than 60 days before each redemption date and send such notice of redemption by first class mail (or with respect to Senior Series 2013 Bonds held by DTC by an express delivery service for delivery on the next following Business Day or otherwise as permitted or required by DTC's procedures) to each owner of a Senior Series 2013 Bond to be redeemed; each such notice will be sent to the owner's registered address.

Each notice of redemption will specify the Series, issue date, the maturity date, the interest rate and the CUSIP number of each Senior Series 2013 Bond to be redeemed, if less than all Senior Series 2013 Bonds of a Series, maturity date and interest rate are called for redemption the numbers assigned to the Senior Series 2013 Bonds to be redeemed, the principal amount to be redeemed, the date fixed for redemption, the redemption price, the place or places of payment, the Senior Trustee's name, that payment will be made upon presentation and surrender of the Senior Series 2013 Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption and not paid will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue.

Failure to give any required notice of redemption as to any particular Senior Series 2013 Bond will not affect the validity of the call for redemption of any Senior Series 2013 Bonds in respect of which no failure occurs. Any notice sent as provided in the Senior Indenture will be conclusively presumed to have been given whether or not actually received by the addressee. When notice of redemption is given, Senior Series 2013 Bonds called for redemption become due and payable on the date fixed for redemption at the applicable redemption price. Provided funds are deposited with the Senior Trustee sufficient for redemption, interest on the Senior Series 2013 Bonds to be redeemed will cease to accrue on and after the date fixed for redemption.

Upon surrender of a Senior Series 2013 Bond to be redeemed in part only, the Senior Trustee will authenticate for the holder a new Senior Series 2013 Bond or Senior Series 2013 Bonds of the same Series, maturity date and interest rate equal in principal amount to the unredeemed portion of the Senior Series 2013 Bond surrendered.

The Authority may provide that if at the time of mailing of notice of an optional redemption there has not been deposited with the Senior Trustee moneys sufficient to redeem all the Senior Series 2013 Bonds called for redemption, such notice may state that it is conditional, that is, subject to the deposit of the redemption moneys with the Senior Trustee not later than the opening of business one Business Day prior to the scheduled redemption date, and such notice will be of no effect unless such moneys are so deposited. In the event sufficient moneys are not on deposit on the required date, then the redemption will be cancelled and on such cancellation date notice of such cancellation will be mailed to the holders of such Senior Series 2013 Bonds.

Effect of Redemption. On the date so designated for redemption, notice having been given in the manner and under the conditions provided in the Senior Indenture and as described above and sufficient moneys for payment of the redemption price being held in trust to pay the redemption price, the Senior Series 2013 Bonds called for redemption will become and be due and payable on the redemption date, interest on such Senior Series 2013 Bonds will cease to accrue from and after such redemption date, such Senior Series 2013 Bonds will cease to be entitled to any lien, benefit or security under the Senior Indenture and the owners of such Senior Series 2013 Bonds will have no rights in respect thereof except to receive payment of the redemption price. Senior Series 2013 Bonds which have been duly called for redemption and moneys for the payment of the redemption price are held in trust for the holders of the respective Senior Series 2013 Bonds to be redeemed, all as provided in the Third Supplemental Senior Indenture, will not be deemed to be Outstanding under the provisions of the Senior Indenture.

Selection of Senior Series 2013 Bonds for Redemption; Senior Series 2013 Bonds Redeemed in Part. Redemption of the Senior Series 2013 Bonds will only be in Authorized Denominations. The Senior Series 2013 Bonds are subject to redemption in such order of maturity and interest rate within in a Series (except mandatory sinking fund payments on the Senior Series 2013 Term Bonds) as the Authority may direct and by lot within such maturity and interest rate selected in such manner as the Senior Trustee (or DTC, as long as DTC is the securities depository for the Senior Series 2013 Bonds), deems appropriate.

Except as otherwise provided under the procedures of DTC, on or before the 45th day prior to any mandatory sinking fund redemption date, the Senior Trustee will proceed to select for redemption (by lot in such manner as the Senior Trustee may determine), from the applicable Senior Series 2013 Term Bonds subject to such redemption, an aggregate principal amount of such applicable Senior Series 2013 Term Bonds equal to the amount for such year as set forth in the applicable table under "Mandatory Sinking Fund Redemption" above and will call such Senior Series 2013 Term Bonds or portions thereof (in Authorized Denominations) for redemption and give notice of such call.

SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR SERIES 2013 BONDS

Flow of Funds

The application of Revenues of the Authority is governed by the Master Senior Indenture and the Subordinate Indenture. Pursuant to the Master Senior Indenture, the Authority covenanted to establish and maintain an account designated as the "Revenue Account" within the Revenue Fund and to deposit all Revenues, when and as received, in the Revenue Account.

"Revenues" are generally defined in the Master Senior Indenture to mean, except to the extent specifically excluded therefrom, all income, receipts, earnings and revenues received by the Authority from the operation and ownership of the Airport System, as determined in accordance with generally accepted accounting principles, as modified from time to time, including, but not limited to: (a) rates, tolls, fees, rentals, charges and other payments made to or owed to the Authority for the use or availability of the Airport System; and (b) amounts received or owed from the sale or provision of supplies, materials, goods and services provided by or made available by the Authority, including, rental or business interruption insurance proceeds, received by, held by, accrued to or entitled to be received by the Authority or any successor thereto from the possession, management, charge, superintendence and control of the Airport System and its related facilities or activities and undertakings related thereto or from any other facilities wherever located with respect to which the Authority receives payments which are attributable to the Airport System or activities or undertakings related thereto. Revenues also include amounts received from tenants representing the principal portion of payments received pursuant to certain self-liquidating lease agreements, all income, receipts and earnings (except any earnings allowed to be pledged by the terms of a supplemental indenture to fund a construction fund) from the investment of amounts held in the Revenue Account, any construction fund, any debt service fund (except Capitalized Interest on deposit therein), any debt service reserve fund and such additional revenues, if any, as are designated as "Revenues" under the terms of a supplemental indenture. Unless otherwise designated as "Revenues" under the terms of a supplemental indenture or pursuant to a certificate of the Authority, Passenger Facility Charges ("PFCs"), grants and other charges authorized by federal and/or State laws or regulations to be assessed to fund specific programs at the Airport System, Capitalized Interest, Customer Facility Charges, and the cash subsidy payments the Authority receives from the United States Treasury equal to a portion of the interest payable on the Authority's Subordinate Series 2010C Bonds (the "Federal Direct Payments") are specifically excluded from Revenues. The Authority has not designated, pursuant to a certificate or a supplemental indenture, PFCs, Capitalized Interest, Customer Facility Charges, Federal Direct Payments, or grants and other charges authorized by federal and/or State laws or regulations to be assessed to fund specific programs at the Airport System, as Revenues. However, see "—Use of PFCs to Pay Debt Service" below for a discussion regarding the Authority's irrevocable commitment of a portion of the PFCs received by the Authority to pay debt service on PFC Eligible Bonds (as defined herein). Additionally, although not included in Revenues, (1) the Authority expects to apply the Federal Direct Payments to the payment of debt service on the Subordinate Obligations and/or the Senior Bonds, and (2) Capitalized Interest on deposit in a debt service fund is subject to a lien on and security interest in favor of the holders of the bonds for which the debt service fund was established.

Pursuant to the Master Senior Indenture, all Revenues will be deposited in the Revenue Account and will be set aside for the payment of the following amounts or deposited or transferred to the following funds and subaccounts in the order listed:

(1) *Operation and Maintenance Subaccount*. On or prior to the 20th day of each month, the Authority will deposit in the Operation and Maintenance Subaccount an amount equal to one-twelfth of the estimated Operation and Maintenance Expenses of the Airport System for the then current Fiscal Year as set forth in the budget of the Authority for such Fiscal Year as finally approved by the Authority. In the event that the balance in the Operation and Maintenance Subaccount at any time is insufficient to make any required payments therefrom, additional amounts at least sufficient to make such payments will immediately be deposited in the Operation and Maintenance Subaccount from the Revenue Account, and such additional amounts will be credited against the next succeeding monthly deposit from the Revenue Account.

(2) *Senior Debt Service Funds*. A sufficient amount of Revenues will be transferred by the Authority, without priority and on an equal basis, except as to

timing of payment, to the Senior Trustee in the amounts, at the times and in the manner provided for in the Master Senior Indenture, to provide for the payment of principal and interest to become due on the Outstanding Senior Bonds. See "—Senior Debt Service Fund Deposits" below for additional information on when the Authority is required to transfer moneys to the Senior Trustee for deposit to the Senior Debt Service Funds. Additionally, if provided for in a Supplemental Senior Indenture, regularly scheduled swap payments on a qualified swap may be payable from Net Revenues on a parity basis with the Outstanding Senior Bonds.

(3) *Senior Debt Service Reserve Funds.* A sufficient amount of Revenues will be transferred by the Authority, without priority and on an equal basis, except as to timing of payment to the Senior Trustee for deposit into the respective debt service reserve funds established pursuant to the Senior Indenture, if any, at the times and in such amounts as required to be used to pay or replenish such debt service reserve funds or reimburse a credit provider of a debt service reserve fund surety. See "—Senior Reserve Fund" below.

(4) *Subordinate Obligations Debt Service Funds.* On or prior to the 20th day of each month, a sufficient amount of Revenues will be transferred by the Authority, as is necessary to make all payments and deposits required to be made during the following month on all Subordinate Obligations, if any, but only to the extent a specific pledge of Net Revenues has been made in writing to the payment of debt service on such indebtedness.

(5) *Subordinate Obligations Debt Service Reserve Funds.* On or prior to the 20th day of each month, upon any deficiency in any debt service reserve fund established by or for the benefit of the Authority in connection with the Subordinate Obligations, the Authority will deposit in such debt service reserve fund an amount equal to: (a) one-twelfth of the aggregate amount of each unreplenished prior withdrawal from such debt service reserve fund; and (b) the full amount of any deficiency in such debt service reserve fund due to any required valuations of the investments in such debt service reserve fund until the balance in such debt service reserve fund is at least equal to the debt service reserve requirement with respect to such Subordinate Obligations, but only to the extent a specific pledge of Net Revenues has been made in writing to the payment of any such debt service reserve requirement on such indebtedness;

(6) *Operation and Maintenance Reserve Subaccount.* On or prior to the 20th day of each month, to the payment of the amounts required to be deposited in the Operation and Maintenance Reserve Subaccount which are payable from Net Revenues as specified in the Master Senior Indenture; and

(7) *Renewal and Replacement Subaccount.* On or prior to the 20th day of each month, to the payment of the amounts required to be deposited in the Renewal and Replacement Subaccount as specified in the Master Senior Indenture.

All moneys and investments on deposit in the Revenue Account and not on deposit in any of the funds or subaccounts provided for as described in (1) through (7) above, are required under the Master Senior Indenture, on the last Business Day of each Fiscal Year, to be transferred from the Revenue Account to the Revenue Fund, unless and to the extent the Authority directs otherwise.

Following is a graphic description of the flow of funds described above, and the flow of PFC Revenues. See "—Use of PFCs to Pay Debt Service."

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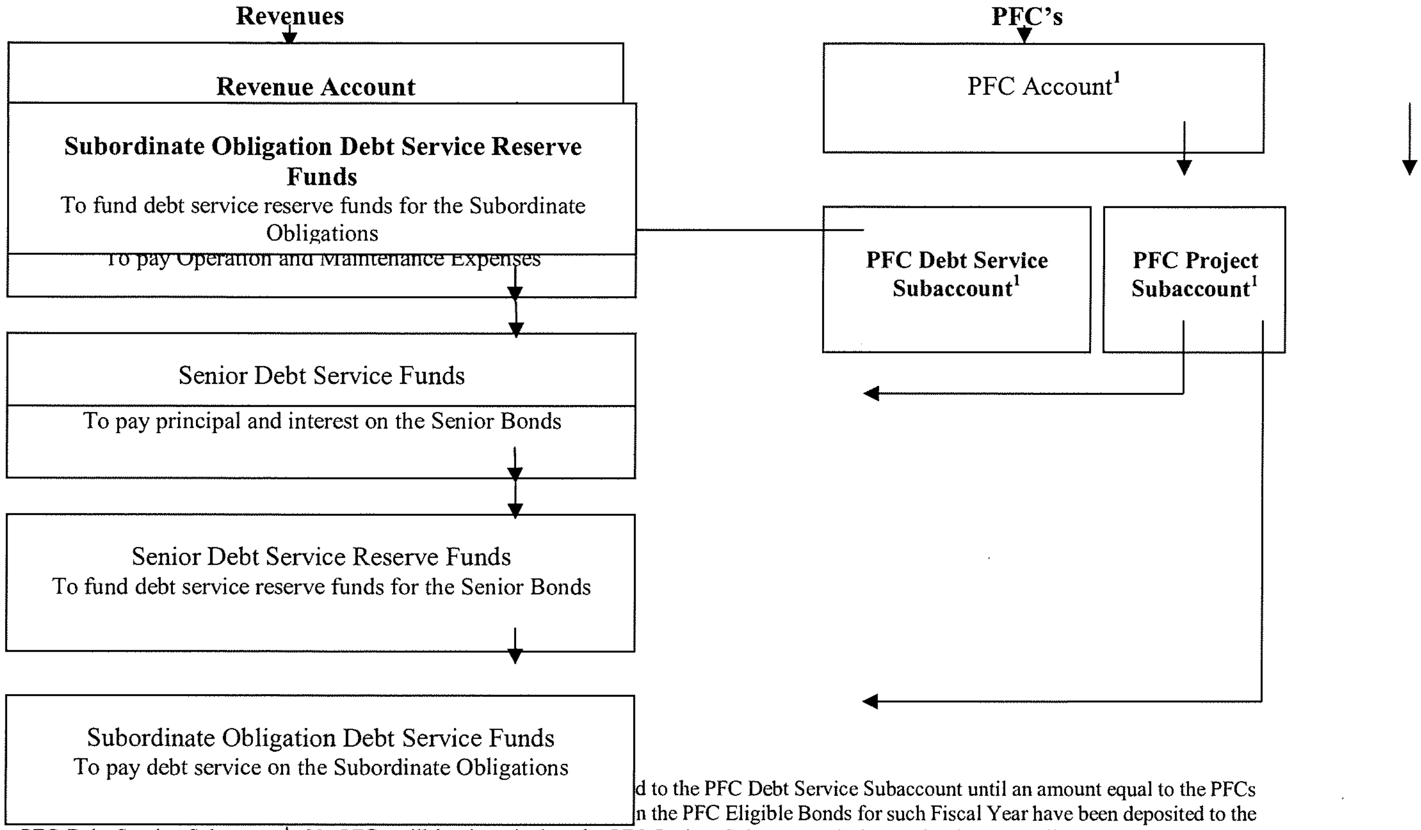
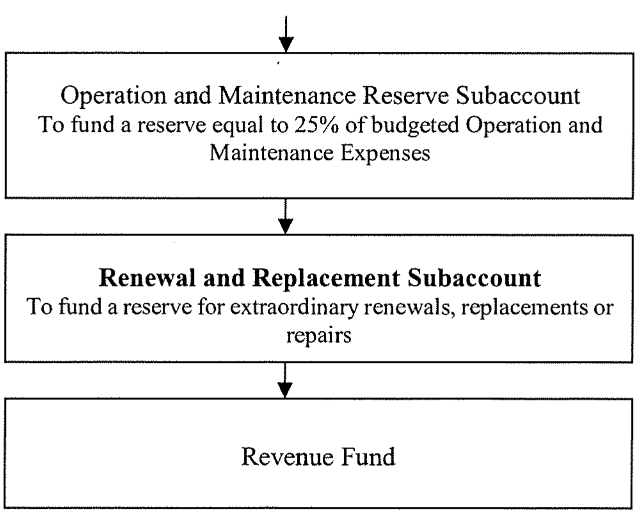
San Diego County Regional Airport Authority
Flow Of Funds



d to the PFC Debt Service Subaccount until an amount equal to the PFCs n the PFC Eligible Bonds for such Fiscal Year have been deposited to the PFC Debt Service Subaccount. No PFCs will be deposited to the PFC Project Subaccount during a Fiscal Year until the PFC Debt Service Subaccount has been fully funded. See "—Use of PFCs to Pay Debt Service" below.



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Pledge of Net Revenues

The Senior Series 2013 Bonds are special obligations of the Authority payable solely from and secured by a pledge of Net Revenues. The Senior Series 2013 Bonds also are secured by a pledge of amounts held by the Senior Trustee in certain funds and accounts pursuant to the Senior Indenture, as further described herein. See "—Use of PFCs to Pay Debt Service" below for a discussion regarding the Authority's irrevocable commitment of a portion of the PFCs received by the Authority to pay debt service on PFC Eligible Bonds.

"Net Revenues" are, for any given period, Revenues for such period, less all amounts which are required to be used to pay the Operation and Maintenance Expenses of the Airport System for such period. See "—Flow of Funds" above.

"Operation and Maintenance Expenses of the Airport System" are, for any given period, the total operation and maintenance expenses of the Airport System as determined in accordance with generally accepted accounting principles as in effect from time to time, excluding depreciation expense and any operation and maintenance expenses of the Airport System payable from moneys other than Revenues.

None of the properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Senior Series 2013 Bonds, and neither the full faith and credit nor the taxing power of the Authority, the City, the County, the State or any political subdivision or agency of the State is pledged to the payment of the principal of or interest on the Senior Series 2013 Bonds.

Net Revenues are available for the equal and proportionate benefit and security of all Senior Bonds. The Senior Series 2013 Bonds are secured by a pledge of and lien on Net Revenues on parity with any Additional Senior Bonds issued in the future. See "—Additional Senior Bonds" below.

Senior Rate Covenant

(a) Under the Master Senior Indenture, the Authority has covenanted that while any Senior Bonds remain Outstanding (but subject to all prior existing contracts and legal obligations of the Authority), it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that Net Revenues in each Fiscal Year will be at least equal to the following amounts:

(i) the interest on and principal of the Outstanding Senior Bonds required to be funded by the Authority in such Fiscal Year as required by the Master Senior Indenture or any Supplemental Senior Indenture with respect to the Outstanding Senior Bonds;

(ii) the required deposits to any Senior Debt Service Reserve Fund which may be established by a Supplemental Senior Indenture;

(iii) the reimbursement owed to any Credit Provider or Liquidity Provider as required by a Supplemental Senior Indenture;

(iv) the interest on and principal of any indebtedness required to be funded during such Fiscal Year other than Senior Bonds, including the Subordinate Obligations; and

(v) payments of any reserve requirement for debt service for any indebtedness other than Senior Bonds, including the Subordinate Obligations.

(b) The Authority has further agreed that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that during each Fiscal Year Net Revenues will be equal to at least 125% of the total Senior Aggregate Annual Debt Service on the Outstanding Senior Bonds.

The Authority has covenanted that if Net Revenues in any Fiscal Year are less than the amounts described in paragraphs (a) and (b) above, the Authority will retain and direct a Consultant to make recommendations as to the revision of the Authority's business operations and its schedule of rentals, rates, fees and charges for the use of the Airport System and for services rendered by the Authority in connection with the Airport System, and after receiving such recommendations or giving reasonable opportunity for such recommendations to be made the Authority will take all lawful measures to revise the schedule of rentals, rates, fees and charges as may be necessary to produce Net Revenues in the next succeeding Fiscal Year sufficient to comply with paragraphs (a) and (b) above.

In the event Net Revenues for any Fiscal Year are less than the amounts described in paragraphs (a) and (b) above, but the Authority has promptly taken prior to or during the next succeeding Fiscal Year all lawful measures to revise the schedule of rentals, rates, fees and charges as described in the preceding paragraph, such deficiency in Net Revenues will not constitute an Event of Default under the Master Senior Indenture. However, if after taking the measures described in the preceding paragraph to revise the schedule of rentals, rates, fees and charges, Net Revenues in the next succeeding Fiscal Year (as evidenced by the audited financial statements of the Authority for such Fiscal Year) are less than the amounts described in paragraphs (a) and (b) above, such deficiency in Net Revenues will constitute an Event of Default under the Master Senior Indenture.

Pursuant to the Master Senior Indenture, the Authority may exclude from its calculation of Senior Aggregate Annual Debt Service with respect to Senior Bonds, for the purpose of determining compliance with the rate covenant described above, the payment of debt service or portions thereof on Senior Bonds whose debt service is payable from amounts not included in Revenues, including, but not limited to PFC revenues and Federal Direct Payments. The exclusion of such debt service from the calculation of Senior Aggregate Annual Debt Service could result in higher debt service coverage ratios. The Authority expects to use PFC revenues and Federal Direct Payments to pay a portion of the debt service on the Senior Series 2013 Bonds and the Subordinate Series 2010 Bonds. See "—Use of PFCs to Pay Debt Service," "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Funding Sources for Green Build Program and Capital Improvement Program—Passenger Facility Charges" and "CERTAIN INVESTMENT CONSIDERATIONS—Availability of PFCs" for additional information about the Authority's expected use of PFC revenues. See also "APPENDIX A—FINANCIAL FEASIBILITY REPORT."

Senior Debt Service Fund Deposits

The Master Senior Indenture provides that no later than the 15th day of each calendar month, the Authority will transfer from the Revenue Account to the Senior Trustee for deposit in the Senior Debt Service Funds established in respect of each series of Outstanding Senior Bonds: (a) sums in equal fractional parts for each one-half year so that at least the full amount required to pay the interest on the Senior Bonds, as it becomes due, will be set aside in the Senior Debt Service Funds by not later than the 15th day of the month prior to the date each installment of interest becomes due, (b) sums in equal fractional parts for each year so that at least the full amount required to pay, as it becomes due at maturity, the principal amount of the Senior Bonds, will be set aside in the Senior Debt Service Funds by not later than the 15th day of the month prior to the date such principal amount becomes due, and (c) sums in equal fractional parts for each year so that at least the full amount required to pay, as it becomes due, the sinking installment payment, if any, due with respect to the Senior Term Bonds will be set aside in the Senior Debt

Service Funds by not later than the 15th day of the month prior to the date such sinking installment payment becomes due.

Senior Reserve Fund

Pursuant to the Master Senior Indenture and the Third Supplemental Senior Indenture, the Authority will establish a Senior Debt Service Reserve Fund (the "Senior Reserve Fund") to secure the Senior Series 2013 Bonds and any Additional Senior Bonds for which the Authority elects to participate in the Senior Reserve Fund. At the time of issuance of the Senior Series 2013 Bonds, no other Senior Bonds will be Outstanding and, therefore, no other Senior Bonds will be secured by the Senior Reserve Fund.

Except as otherwise provided in the Third Supplemental Senior Indenture, the Senior Reserve Fund is required to be funded at all times in an amount equal to the Senior Reserve Requirement. The Senior Reserve Requirement is equal to the lesser of (a) Senior Maximum Aggregate Annual Debt Service for all Series of Senior Bonds participating in the Senior Reserve Fund; (b) 10% of the principal amount of all Senior Bonds participating in the Senior Reserve Fund, less the amount of original issue discount with respect to such Senior Bonds if such original issue discount exceeded 2% on such Senior Bonds at the time of their original sale; and (c) 125% of the average Senior Aggregate Annual Debt Service for all Senior Bonds participating in the Senior Reserve Fund. At the time of issuance of the Senior Series 2013 Bonds, the Senior Reserve Requirement will be met by depositing a portion of the proceeds of the Senior Series 2013 Bonds into the Senior Reserve Fund. At the time of issuance of the Senior Series 2013 Bonds, the Senior Reserve Requirement will be equal to $___________.

The Senior Trustee will annually, on or about July 2 of each year and at such other times as the Authority deems appropriate, value the Senior Reserve Fund. If, upon any valuation, the value of the Senior Reserve Fund exceeds the Senior Reserve Requirement, the excess amount, including investment earnings, will be withdrawn and deposited by the Senior Trustee into the respective Senior Debt Service Funds for each Series of Senior Bonds participating in the Senior Reserve Fund, pro rata based on outstanding par amounts for each Series of Senior Bonds participating in the Senior Reserve Fund, unless otherwise directed by the Authority. If, upon any valuation, the value of the Senior Reserve Fund is less than the Senior Reserve Requirement, the Authority will replenish such amounts within 12 months of the date of valuation.

In the event the Authority elects to have Additional Senior Bonds participate in the Senior Reserve Fund, at the time of issuance of such Additional Senior Bonds or within twelve months of the date of issuance of such Additional Senior Bonds, the Authority will deposit an amount in the Senior Reserve Fund sufficient to cause the amount on deposit in the Senior Reserve Fund to equal the Senior Reserve Requirement.

Moneys or investments held in the Senior Reserve Fund may only be used to pay the principal of and interest on the Senior Series 2013 Bonds and any Additional Senior Bonds the Authority has elected to participate in the Senior Reserve Fund. Moneys and investments held in the Senior Reserve Fund are not available to pay debt service on any Senior Bonds for which the Authority has decided will not participate in the Senior Reserve Fund or on the Subordinate Obligations. The Senior Reserve Fund may be drawn upon if the amounts in the respective Senior Debt Service Funds for the Senior Series 2013 Bonds and any Additional Senior Bonds participating in the Senior Reserve Fund, are insufficient to pay in full any principal or interest then due on the Senior Series 2013 Bonds and any Additional Senior Bonds participating in the Senior Reserve Fund. In the event any amounts are required to be withdrawn from the Senior Reserve Fund, such amounts will be withdrawn and deposited *pro rata* to meet the funding requirements of the Senior Debt Service Funds for the Senior Series 2013 Bonds and any Additional Senior Bonds participating in the Senior Reserve Fund.

The Authority may fund all or a portion of the Senior Reserve Requirement with a Reserve Fund Insurance Policy. A Reserve Fund Insurance Policy may be an insurance policy, letter of credit, surety bond or other financial instrument deposited in the Senior Reserve Fund in lieu of or in partial substitution for cash or securities which is provided by an institution rated, at the time of issuance of such policy, in one of the two highest long term rating categories (without regard to any numerical modifier, plus or minus sign or other modifier). Any such Reserve Fund Insurance Policy must either extend to the final maturity of the Series of Senior Bonds for which the Reserve Fund Insurance Policy was issued, or the Authority must agree, by Supplemental Senior Indenture, that the Authority will replace such Reserve Fund Insurance Policy prior to its expiration with another Reserve Fund Insurance Policy or with cash. Any such Reserve Fund Insurance Policy will be required to secure all of the Senior Bonds participating in the Senior Reserve Fund.

At the time of issuance of the Senior Series 2013 Bonds, the Senior Reserve Fund will be funded with cash and securities in the amount of $__________, and no portion of the Senior Reserve Fund will be funded with a Reserve Fund Insurance Policy.

Additional Senior Bonds

Additional Senior Bonds may be issued under the Master Senior Indenture on a parity with the Senior Series 2013 Bonds, provided, among other things, that there is delivered to the Senior Trustee either:

(a) a certificate, dated as of a date between the date of pricing of the Senior Bonds being issued and the date of delivery of such Senior Bonds (both dates inclusive), prepared by an Authorized Authority Representative showing the Net Revenues for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Senior Bonds or preceding the first issuance of the proposed Senior Program Bonds were at least equal to 125% of Senior Maximum Aggregate Annual Debt Service with respect to all Outstanding Senior Bonds, Unissued Senior Program Bonds and the proposed Series of Senior Bonds, calculated as if the proposed Series of Senior Bonds and the full Authorized Amount of such proposed Senior Program Bonds, as applicable, were then Outstanding; or

(b) a certificate, dated as of a date between the date of pricing of the Senior Bonds being issued and the date of delivery of such Senior Bonds (both dates inclusive), prepared by a Consultant showing that:

(i) the Net Revenues for the last audited Fiscal Year or for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Senior Bonds or the establishment of a Senior Program, were at least equal to 125% of the sum of Senior Aggregate Annual Debt Service due and payable with respect to all Outstanding Senior Bonds for such applicable period;

(ii) for the period, if any, from and including the first full Fiscal Year following the issuance of such proposed Series of Senior Bonds through and including the last Fiscal Year during any part of which the amount of interest on such Series of Senior Bonds to be on deposit in the respective Senior Debt Service Fund or such other fund or account is expected to be funded from the proceeds thereof, the Consultant estimates that the Authority will be in compliance with the rate covenant set forth in the Master Senior Indenture (see "—Senior Rate Covenant" above); and

(iii) for the period from and including the first full Fiscal Year following the issuance of such proposed Series of Senior Bonds during which no interest on such Series of Senior Bonds to be on deposit in the respective Senior Debt Service Fund or such other fund or account is expected to be funded from the proceeds thereof through and including the later of: (A) the fifth full Fiscal Year following the issuance of such Series of Senior Bonds; or (B) the third full Fiscal Year during which no amount of interest on such Series of Senior Bonds to be on deposit in the respective Senior Debt Service Fund or such other fund or account is expected to be funded from the proceeds thereof, the estimated Net Revenues for each such Fiscal Year, will be at least equal to 125% of the Senior Aggregate Annual Debt Service for each such Fiscal Year with respect to all Outstanding Senior Bonds, Unissued Senior Program Bonds and calculated as if the proposed Series of Senior Bonds and the full Authorized Amount of such proposed Senior Program Bonds, as applicable, were then Outstanding.

The certificate described in (b) above is expected to be delivered by the Feasibility Consultant at the time of issuance of the Senior Series 2013 Bonds. As described in "—Use of PFCs to Pay Debt Service" below, the Authority has irrevocably committed a certain amount of PFCs through July 1, 2016 to the payment of debt service on PFC Eligible Bonds. The Authority expects that a portion of the Senior Series 2013 Bonds (approximately 38.6%*) will be PFC Eligible Bonds. When it delivers the certificate described in (b) above, the Feasibility Consultant will exclude debt service on the portion of the Senior Series 2013 Bonds to be paid from the irrevocably committed PFCs, which will result in higher debt service coverage ratios.

For purposes of clauses (b)(ii) and (iii) above, in estimating Net Revenues, the Consultant may take into account (1) Revenues from Projects or Airport Facilities reasonably expected to become available during the period for which the estimates are provided; (2) any increase in fees, rates, charges, rentals or other sources of Revenues which have been approved by the Authority and will be in effect during the period for which the estimates are provided; and (3) any other increases in Revenues which the Consultant believes to be a reasonable assumption for such period. With respect to Operation and Maintenance Expenses of the Airport System, the Consultant may use such assumptions as the Consultant believes to be reasonable, taking into account: (x) historical Operation and Maintenance Expenses of the Airport System; (y) Operation and Maintenance Expenses of the Airport System associated with the Projects and any other new Airport Facilities; and (z) such other factors, including inflation and changing operations or policies of the Authority, as the Consultant believes to be appropriate. The Consultant will include in the certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Revenues, and will also set forth the calculations of Senior Aggregate Annual Debt Service, which calculations may be based upon information provided by another Consultant.

For purposes of preparing the certificate or certificates described above, the Consultant or Consultants or the Authorized Authority Representative may rely upon financial statements prepared by the Authority which have not been subject to audit by an independent certified public accountant if audited financial statements for the Fiscal Year or period are not available; provided, however, that an Authorized Authority Representative will certify as to their accuracy and that such financial statements were prepared substantially in accordance with generally accepted accounting principles, subject to year-end adjustments.

Neither of the certificates described above in (a) or (b) will be required if:

(A) the Senior Bonds being issued are for the purpose of refunding then Outstanding Senior Bonds and there is delivered to the Senior Trustee, instead, a certificate of an Authorized Authority Representative showing that Senior Aggregate Annual Debt Service after

* Preliminary; subject to change.

the issuance of the Refunding Senior Bonds will not exceed the Senior Aggregate Annual Debt Service prior to the issuance of such Refunding Senior Bonds for each Fiscal Year;

(B) the Senior Bonds being issued constitute Senior Notes and there is delivered to the Senior Trustee, instead, a certificate prepared by an Authorized Authority Representative showing that the principal amount of the proposed Senior Notes being issued, together with the principal amount of any Senior Notes then Outstanding, does not exceed 10% of the Net Revenues for any 12 consecutive months out of the most recent 24 months immediately preceding the issuance of the proposed Senior Notes and there is delivered to the Senior Trustee a certificate of an Authorized Authority Representative setting forth calculations showing that for each of the Fiscal Years during which the Senior Notes will be Outstanding, and taking into account the debt service becoming due on such Senior Notes, the Authority will be in compliance with the rate covenant set forth in the Master Senior Indenture (see "—Senior Rate Covenant" above); or

(C) if the Senior Bonds being issued are to pay costs of completing a Project for which Senior Bonds have previously been issued and the principal amount of such Senior Bonds being issued for completion purposes does not exceed an amount equal to 15% of the principal amount of the Senior Bonds originally issued for such Project and reasonably allocable to the Project to be completed as shown in a written certificate of an Authorized Authority Representative and there is delivered to the Senior Trustee (1) a Consultant's certificate stating that the nature and purpose of such Project has not materially changed and (2) a certificate of an Authorized Authority Representative to the effect that (y) all of the proceeds (including investment earnings on amounts in the construction fund allocable to such Project) of the original Senior Bonds issued to finance such Project have been or will be used to pay Costs of the Project and (z) the then estimated Costs of the Project exceed the sum of the Costs of the Project already paid plus moneys available in the construction fund established for the Project (including unspent proceeds of Senior Bonds previously issued for such purpose).

Use of PFCs to Pay Debt Service

The definition of Revenues does not include, among other things, PFCs, except to the extent included in Revenues pursuant to a supplemental indenture or a certificate of any Authorized Authority Representative, which has not occurred to date. However, pursuant to the provisions of the Master Senior Indenture and the Master Subordinate Indenture, if PFCs have been irrevocably committed or are held by the Senior Trustee and/or the Subordinate Trustee, as the case may be, or another fiduciary and are to be set aside exclusively to be used to pay principal of and/or interest on specified Senior Bonds and/or Subordinate Obligations, as applicable, then such principal and/or interest may be excluded from the calculation of aggregate annual debt service on such specified Senior Bonds and/or Subordinate Obligations, as applicable; thus decreasing aggregate annual debt service on the Senior Bonds and/or the Subordinate Obligations, and increasing debt service coverage for purposes of the rate covenants and the additional bonds tests under the Master Senior Indenture and the Master Subordinate Indenture, as applicable.

Pursuant to Resolution No. 2010-0088 adopted by the Board on August 23, 2010, (the "PFC Resolution"), the Authority has irrevocably committed a portion of the PFCs it has received and expects to receive to the payment and funding of debt service on Senior Bonds and/or Subordinate Obligations issued to finance projects authorized by the FAA to be financed with PFCs (collectively, the "PFC Eligible

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Bonds") through July 1, 2016. Approximately 38.6%* of the principal of and interest on the Senior Series 2013 Bonds qualify as PFC Eligible Bonds.

Pursuant to the PFC Resolution, the Authority has irrevocably committed the following amount of PFCs in the following years ended July 1:

TABLE 1
San Diego County Regional Airport Authority
Irrevocably Committed PFCs

Year Ended July 1	Irrevocably Committed PFC
2013	$14,703,838
2014	19,208,838
2015	19,206,113
2016	19,209,388

Source: San Diego County Regional Airport Authority

If the Authority does not use the full amount of the irrevocably committed PFCs to pay debt service on PFC Eligible Bonds in a year (i.e., there is more irrevocably committed PFCs than there is debt service due on PFC Eligible Bonds in such year), any unused portion of the irrevocable commitment for such year is not required to be carried over for use in future years. The Authority currently expects to utilize all of the irrevocably committed PFCs to pay the debt service on the PFC Eligible Bonds (including a portion of the Senior Series 2013 Bonds).

In addition to the PFCs irrevocably committed pursuant to the PFC Resolution as described in Table 1 above, the Authority expects to use additional PFCs to pay additional debt service on the PFC Eligible Bonds (including a portion of the Senior Series 2013 Bonds). During the forecast period set forth in the Financial Feasibility Report (Fiscal Years 2013 through 2018), the Authority expects to use the following amount of PFC revenues, in addition to the irrevocably committed PFCs described in Table 1, approximately $6.1 million in Fiscal Year 2013, approximately $9.1 million in Fiscal Year 2014, approximately $10.8 million in Fiscal Year 2015, approximately $10.8 million in Fiscal Year 2016, approximately $30.1 million in Fiscal Year 2017, and approximately $30.1 million in Fiscal Year 2018. In the Financial Feasibility Report, the Feasibility Consultant has assumed that PFCs will be used to pay a portion of the debt service on the Senior Series 2013 Bonds and a portion of the debt service on the Subordinate Series 2010 Bonds. Consequently, debt service on such obligations is excluded from the calculation of the rate covenant for the Senior Bonds and the rate covenant for the Subordinate Obligations as set forth in the Financial Feasibility Report, which results in higher debt service coverage ratios. See "FINANCIAL FEASIBILITY REPORT" and "APPENDIX A—FINANCIAL FEASIBILITY REPORT." See also "CERTAIN INVESTMENT CONSIDERATIONS—Unavailability of, or Delay in, Anticipated Funding Sources—Availability of PFCs."

Permitted Investments

Moneys and funds held by the Authority will be invested in Permitted Investments, subject to any restrictions set forth in the Senior Indenture and subject to restrictions imposed upon the Authority.

* Preliminary; subject to change.

Moneys and funds held by the Senior Trustee under the Senior Indenture, including moneys in the respective debt service funds (and the accounts therein) and in the Senior Reserve Fund, may be invested as directed by the Authority in Permitted Investments, subject to the restrictions set forth in the Senior Indenture, and subject to restrictions imposed upon the Authority. See "FINANCIAL INFORMATION—Summary of Financial Operations—Investment Practices."

Events of Default and Remedies; No Acceleration

Events of Default under the Senior Indenture and related remedies are described in "APPENDIX C—CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER SENIOR INDENTURE AND THE THIRD SUPPLEMENTAL SENIOR INDENTURE—SUMMARY OF THE MASTER SENIOR INDENTURE—Defaults and Remedies." The occurrence of an Event of Default under the Senior Indenture (or an event of default under the Subordinate Indenture) does not grant any right to accelerate payment of the Senior Bonds (including the Senior Series 2013 Bonds) or the Subordinate Obligations to either the Senior Trustee or the Subordinate Trustee, or the Holders of the Senior Bonds (including the Senior Series 2013 Bonds) or the Subordinate Obligations. However, pursuant to the CP Reimbursement Agreement, the Authority granted to the CP Bank the right to accelerate any payments due the CP Bank upon an event of default under the CP Reimbursement Agreement. See "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—Outstanding Subordinate Obligations." The Senior Trustee is authorized to take certain actions upon the occurrence of an Event of Default under the Senior Indenture, including proceedings to enforce the obligations of the Authority under the Senior Indenture. If there is an Event of Default under the Senior Indenture, payments, if any, on the Senior Bonds will be made after Operation and Maintenance Expenses of the Airport System.

OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE

No Outstanding Senior Bonds

At the time of issuance of the Senior Series 2013 Bonds, no other Senior Bonds will be Outstanding.

Outstanding Subordinate Obligations

Subordinate Series 2010 Bonds. The following table sets forth the Subordinate Series 2010 Bonds that have been issued and were outstanding as of January 1, 2013.

TABLE 2
San Diego County Regional Airport Authority
Subordinate Series 2010 Bonds
(as of January 1, 2013)

Existing Subordinate Bonds	Original Principal Amount	Principal Amount Outstanding	Final Maturity Date
Series 2010A	$313,150,000	$313,150,000	7/1/2040
Series 2010B	44,055,000	42,360,000	7/1/2040
Series 2010C	215,360,000	215,360,000	7/1/2040
Total	$572,565,000	$570,870,000	

Source: San Diego County Regional Airport Authority

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Subordinate Commercial Paper Notes. Pursuant to the Master Subordinate Indenture and the First Supplemental Subordinate Indenture, the Authority is authorized to issue and have outstanding, from time to time, up to $250,000,000 in aggregate principal amount of Subordinate Commercial Paper Notes. As of January [__], 2013, there was $[__________] aggregate principal amount of Subordinate Commercial Paper Notes outstanding (including the Refunded Subordinate Commercial Paper Notes). The Authority plans to refund $[_________] aggregate principal amount of the outstanding Subordinate Commercial Paper Notes with a portion of the proceeds of the Senior Series 2013 Bonds.

The Subordinate Commercial Paper Notes are issuable in maturities of 1 to 270 days. The Authority utilizes the proceeds of Subordinate Commercial Paper Notes to, among other things, finance capital projects at SDIA and to pay maturing Subordinate Commercial Paper Notes. In connection with the issuance of the Subordinate Commercial Paper Notes, the Authority entered into the CP Reimbursement Agreement with the CP Bank, pursuant to which the CP Bank issued the CP Letter of Credit to secure the timely payment of the principal of and interest on the Subordinate Commercial Paper Notes. In accordance with the CP Reimbursement Agreement, the CP Bank issued the CP Letter of Credit in the maximum stated amount of $272,500,000. The CP Letter of Credit expires on September 10, 2014, unless extended or terminated earlier in accordance with its terms. In the event the Authority does not immediately reimburse the CP Bank for any drawings under the CP Letter of Credit, the Authority is required pursuant to the CP Reimbursement Agreement to pay all principal of and interest due to the CP Banks as a result of such drawing within five years of the original date of such drawing. Upon the happening of an event of default under the CP Reimbursement Agreement (which include, among other events, the Authority's failure to pay the CP Bank any amounts due under the CP Reimbursement Agreement, the Authority's failure to pay principal of and interest on the Subordinate Commercial Paper Notes, the Authority's failure to comply with the covenants under the CP Reimbursement Agreement or the downgrading of Senior Bonds below "BBB-," "Baa3" and "BBB-" by Fitch Ratings ("Fitch"), Moody's Investors Service Inc. ("Moody's") and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), respectively), all obligations of the Authority to the CP Bank under the CP Reimbursement Agreement will be immediately due and payable.

Debt Service Requirements

The following table sets forth the debt service requirements on the Senior Series 2013 Bonds and the Subordinate Series 2010 Bonds.

TABLE 3
San Diego County Regional Airport Authority
Debt Service Requirements
Senior Series 2013 Bonds and Subordinate Series 2010 Bonds[1]

	Senior Series 2013A Bonds[2]		Senior Series 2013B Bonds[2]				
Year Ended July 1	Principal Requirements	Interest Requirements[3]	Principal Requirements	Interest Requirements[3]	Total Debt Service on Senior Series 2013 Bonds[2,3]	Total Debt Service on Subordinate Series 2010 Bonds[4,5,6]	Total Debt Service on Senior Series 2013 Bonds and Subordinate Series 2010 Bonds[7]
2013						$ 32,735,498	
2014						37,490,498	
2015						40,149,398	
2016						40,151,798	
2017						40,146,248	
2018						40,149,748	
2019						40,145,848	
2020						40,143,798	
2021						40,150,548	
2022						40,151,423	
2023						40,144,111	
2024						40,148,486	
2025						40,149,486	
2026						40,147,486	
2027						40,143,236	
2028						40,151,736	
2029						40,151,736	
2030						40,145,486	
2031						50,928,986	
2032						50,619,205	
2033						50,356,695	
2034						49,994,740	
2035						49,581,574	
2036						49,045,358	
2037						48,493,038	
2038						47,909,880	
2039						47,306,652	
2040						46,678,384	
2041						–	
2042						–	
Total						$1,203,511,082	

1 Numbers may not total due to rounding to nearest dollar.
2 The Senior Series 2013 Bonds have a lien on Net Revenues. Principal of and interest on the Senior Series 2013 Bonds does not reflect the application of PFCs to the payment of debt service on the Senior Series 2013 Bonds.
3 Includes interest on the Senior Series 2013 Bonds through July 1, 2015, to be paid from a portion of the proceeds of the Senior Series 2013 Bonds.
4 The Subordinate Series 2010 Bonds and the Subordinate Commercial Paper Notes have a parity lien on Subordinate Net Revenues. Principal of and interest on the Subordinate Series 2010 Bonds does not reflect the application of PFCs to the payment of debt service on the Subordinate Series 2010 Bonds. Debt Service on the Subordinate Commercial Paper Notes (which may be outstanding from time to time up to $250 million aggregate principal amount) and the payment obligations under the CP Reimbursement Agreement are not reflected in this table. $[__________] aggregate principal amount of Subordinate Commercial Paper Notes is expected to remain outstanding following the issuance of the Senior Series 2013 Bonds and the payment of the Refunded Subordinate Commercial Paper Notes.
5 Includes interest on the Subordinate Series 2010 Bonds through January 1, 2013, paid from a portion of the proceeds of the Subordinate Series 2010 Bonds.
6 Does not reflect the application of the Federal Direct Payments (the cash subsidy payments the Authority expects to receive from the United States Treasury equal to a portion of the interest payable on the Subordinate Series 2010C Bonds) to the payment of debt service on the Subordinate Series 2010 Bonds.
7 Total debt service on the Senior Series 2013 Bonds and the Subordinate Series 2010 Bonds.
Source: San Diego County Regional Airport Authority [and Jefferies & Company, Inc.]

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Future Financings

After the issuance of the Senior Series 2013 Bonds, the Authority currently has no plans to issue Additional Senior Bonds and/or Additional Subordinate Obligations to pay for the costs of the Green Build Program or the 2013-17 CIP. However, during the Feasibility Consultant's projection period (through Fiscal Year 2018), the Authority may pursue additional capital projects beyond those in the Green Build Program and the 2013-17 CIP and Additional Senior Bonds and/or Additional Subordinate Obligations could be issued to fund such additional projects.

Additionally, the Authority expects to issue Special Facility Obligations that will be secured by Customer Facility Charges in the fourth quarter of 2013 to finance the construction of a consolidated rental car center at SDIA. See "—Other Obligations—Special Facility Obligations" and "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT" for a description of the Authority's plans for the construction of the consolidated rental car center at SDIA.

Other Obligations

Lease Commitments.

Operating Leases. In connection with the Transfer, the Authority entered into several leases with the Port District. The Authority is leasing from the Port District the land used for SDIA for $1 per year, for 66 years, through December 31, 2068. In addition, the Authority leases from the Port District 90.58 acres of the former General Dynamics property on Pacific Highway adjacent to SDIA for 66 years commencing January 1, 2003 (the "General Dynamics Lease"). The General Dynamics Lease calls for rent payments of $6,750,000 annually through December 31, 2068. A portion of the land is leased back to the Port District for employee parking for Port District administration building employees and is leased back by the Port District at the same fair market unit value per square-foot as paid by the Authority. The Authority and the Port District also have entered into a lease for 47.54 acres on North Harbor Drive (the "TDY Property"), commencing January 1, 2005 and expiring December 31, 2068 (the "TDY Lease"). The Authority pays the Port District $3 million annually to lease the TDY Property. See "AIRPORT ENVIRONMENTAL MATTERS—TDY Property."

The Authority leases two additional properties from the Port District that are adjacent to SDIA. As of June 30, 2012, these properties require monthly rentals of $12,521 and $4,860, respectively, and expire in December 2013 and April 2012 (the Authority continues to lease on a month-to-month basis), respectively.

The Authority also entered into a lease with the Port District, commencing September 1, 2006, for a property located at 2415 Winship Lane, known as the "Sky Chef" property. The term of the lease is 60 years with $350,000 in annual rental.

Under current law, in the event SDIA is relocated and the current location is no longer used by SDIA for airport purposes, all of the Authority's leases with the Port District would terminate and the right to use the property subject to those leases would revert to the Port District. See "CERTAIN INVESTMENT CONSIDERATIONS—State Tidelands Trusts."

Lease payments pursuant to the above-described operating lease agreements constitute Operation and Maintenance Expenses of the Airport System, and thus payment thereof is senior in priority to payment of the Senior Bonds (including the Senior Series 2013 Bonds) and the Subordinate Obligations. All such leases are treated as operating leases by the Authority.

As of January 1, 2013, the Authority estimated that its future rental commitments under the above described operating lease agreements were as described in the following table.

TABLE 4
San Diego County Regional Airport Authority
Future Rental Commitments

Fiscal Year	Rental Payments
2013	$11,382,353
2014	10,741,176
2015	10,100,000
2016	10,100,000
2017	10,100,000
2018-2022	50,500,000
2023-2027	50,500,000
2028-2032	50,500,000
2033-2037	50,500,000
2038-2042	50,500,000
2043-2047	50,500,000
2048-2052	50,500,000
2053-2057	50,500,000
2058-2062	50,500,000
2063-2067	50,500,000
2068-2069	15,150,002
Total	$572,573,531

Source: San Diego County Regional Airport Authority

Capital Leases. The Authority also has entered into several equipment leases due to expire in August 2014. These equipment leases require monthly payments of $14,806 and are treated as capital leases by the Authority.

RDC Installment Purchase Agreement. The Authority and AFCO CRDC SAN LLC ("AFCO") entered into an Installment Purchase Agreement, dated March 15, 2011 (the "RDC Installment Purchase Agreement"), pursuant to which AFCO agreed to design, build and finance a receiving and distribution center ("RDC") at SDIA, and the Authority agreed to lease the RDC from AFCO for a term of 20 years commencing in November 2012 (the date of completion of the RDC). The RDC is a 21,000 square-foot building that provides a single receiving point for most goods delivered to SDIA. Distribution of these goods to various locations at SDIA is conducted by a single delivery service provided by Bradford Logistics. Pursuant to the RDC Installment Purchase Agreement, the Authority pays AFCO a monthly installment payment equal to approximately $73,000. The installment payments are payable from any legally available moneys of the Authority after the payment of the Operation and Maintenance Expenses of the Airport System, the debt service and reserve fund requirements on the Senior Bonds (including the Senior Series 2013 Bonds) and the Subordinate Obligations, and the required deposits to the Operation and Maintenance Reserve Subaccount and the Renewal and Replacement Subaccount.

Special Facility Obligations. The Authority may designate an existing facility or a planned facility as a "Special Facility" and may incur indebtedness in order to acquire, construct, renovate or improve such facility or to finance the acquisition, construction, renovation or improvement thereof by a third party. Additionally, the Authority may provide that all contractual payments derived by the Authority from such Special Facility, together with other income and revenues available therefrom (but only to the extent such payments, income and revenue are necessary to make the payments of principal of and interest on such Special Facility Obligations as and when the same become due and payable, all costs of operating and maintaining such Special Facility not paid for by the operator thereof or by a party other than the Authority and all sinking fund, reserve or other payments required by the resolution authorizing the Special Facility Obligations as the same become due), will constitute "Special Facilities Revenue" and will not be included in Revenues, Net Revenues or Subordinate Net Revenues. Such indebtedness will constitute a "Special Facility Obligation" and will be payable solely from the Special Facilities Revenue. When Special Facility Obligations issued for a Special Facility are fully paid or otherwise discharged, all revenues received by the Authority from such facility will be included as Revenues. To the extent Special Facility Revenues exceed the amounts required to pay the principal of and interest on Special Facility Obligations when due, to the extent not otherwise encumbered, the excess may constitute Revenues as determined by the Authority.

The Authority currently does not have any Special Facility Obligations outstanding, however, it currently plans to issue Special Facility Obligations in the fourth quarter of 2013 to finance the construction of a consolidated rental car center at SDIA. The Authority currently expects that such Special Facility Obligations will be secured solely by Customer Facility Charges. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT" for a description of the Authority's plans for the construction of the consolidated rental car center at SDIA.

Senior Repayment Obligations. Under certain circumstances, the obligation of the Authority, pursuant to a written agreement, to reimburse the provider of a Credit Facility or a Liquidity Facility (a "Senior Repayment Obligation") may be secured by a pledge of and lien on Net Revenues on a parity with the Senior Bonds (including the Senior Series 2013 Bonds). If a Credit Provider or Liquidity Provider advances funds to pay the principal or purchase price of or interest on Senior Bonds, all or a portion of the Authority's Senior Repayment Obligation may be afforded the status of a Senior Bond under the Senior Indenture. The Authority currently does not have any Senior Repayment Obligations outstanding. See "APPENDIX C—CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER SENIOR INDENTURE AND THE THIRD SUPPLEMENTAL SENIOR INDENTURE—SUMMARY OF THE MASTER SENIOR INDENTURE—Senior Repayment Obligations Afforded the Status of Senior Bonds."

THE AUTHORITY

General

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

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

Board of Directors

The Authority is governed by a nine-member board of directors (the "Board"), with three additional members serving as non-voting, *ex-officio* board members. Board members serve three year terms. Three members of the Board serve as the Executive Committee. Pursuant to the Act, the members of the Board are appointed as follows: the Mayor of the City appoints three members (two of which are subject to confirmation by the City Council); the Chair of the Board of Supervisors of the County appoints two members (subject to confirmation by the Board of Supervisors of the County); the mayors of the east county cities (El Cajon, La Mesa, Lemon Grove and Santee) appoint one member; the mayors of the north county coastal cities (Carlsbad, Del Mar, Encinitas, Oceanside and Solana Beach) appoint one member; the mayors of the north county inland cities (Escondido, Poway, San Marcos and Vista) appoint one member; and the mayors of the south county cities (Chula Vista, Coronado, Imperial Beach and National City) appoint one member. Two ex-officio members serving as the District Director of the State Department of Transportation for the San Diego region and the Department of Finance representative for the State Lands Commission, are subject to appointment by the Governor. The Board also may provide for an additional *ex-officio* member, such member being a representative of the United States Navy or the United States Marine Corps. Currently, no representative of the United States Navy or the United States Marine Corps. serves as an *ex-officio* member on the Board.

The current members of the Board are set forth below:

	Occupation	Appointing Authority	Current Term Expires
Executive Committee			
Robert H. Gleason (Chair)	Chief Financial Officer and General Counsel, Evans Hotels	Mayor, City of San Diego	January 31, 2014
Jim Panknin (Vice Chair)	President, San Diego Executive Flight	Mayors, East County Cities	January 31, 2013
Greg Cox	San Diego County Supervisor	Chair San Diego County Board of Supervisors	January 31, 2013
General Members			
Bruce R. Boland	Retired Rear Admiral, U.S. Navy	Mayor, City of San Diego	January 31, 2015
Jim Desmond	Mayor, City of San Marcos; ~~Professional Pilot~~Captain, Delta Air Lines	Mayors, North County Inland Cities	January 31, 2015
Lloyd B Hubbs	Retired Public Works Director for the City of Carlsbad	Mayors, North County Coastal Cities	January 31, 2014
Paul Robinson	Partner, Hecht~~,~~ Solberg~~,~~ Robinson~~,~~ Goldberg ~~&~~and Bagley LLP	Governor, State of California	January 31, 2014
Tom Smisek	Retired; Captain, Delta Air Lines	Mayors, South County Cities	January 31, 2015
Anthony Young	Council President~~ Pro Tem~~, San Diego City Council	Mayor, City of San Diego	January 31, 2013
Ex-Officio Members			
Laurie Berman	District Director for the California Department of Transportation, San Diego Region	District Director for the California Department of Transportation	N/A
Pedro Reyes	Chief Deputy Director, Department of Finance~~ representative on the~~, State ~~Lands~~of ~~Commission~~California	Governor, State of California	N/A

The fundamental powers and functions of the Authority are established by the Act. The Act empowers the Board to adopt more specific rules to guide the conduct of the Board, officers and employees of the Authority, and those persons and entities that interact with the Authority or utilize the premises and property of the Authority. The Board has exercised that power by adopting codes that govern and regulate the conduct of persons, organizations and other third parties that use the facilities under the Authority's jurisdiction; and policies that address the Authority's internal operations and governance.

Pursuant to its policies, the Board has established the following standing committees with the following functions:

Audit Committee. The Audit Committee serves as a guardian of the public trust, acting independently and charged with oversight responsibilities for reviewing the Authority's internal controls, financial reporting obligations, operating efficiencies, ethical behavior and regular attention to cash flows, capital expenditures, regulatory compliance and operations. The Audit Committee's responsibilities are as follows: (a) review regularly the Authority's accounting, audit and performance monitoring processes; (b) at the time of renewal, recommend to the Executive Committee and the full Board its nomination for an external auditor and the compensation of the auditor, and consider at least every three years, whether there should be a rotation of the audit firm or the lead audit partner to ensure continuing auditor independence; (c) advise the Executive Committee and the Board regarding the selection of the auditor; (d) be responsible for oversight and monitoring of internal and external audit functions, and monitoring performance of, and internal compliance with, Authority policies and procedures; (e) be responsible for overseeing the annual audit by the external auditors and internal audits; and (f) make recommendations to the full Board with regard to all of the foregoing.

Executive Committee. The Executive Committee is responsible for overseeing the implementation of the administrative policy of the Authority. The Executive Committee members may not be included in the direct operation of the facilities and the airports under the jurisdiction of the Authority, nor may they be included in the chain of command for purposes of emergency procedures. The Executive Committee is required to conduct monthly meetings with the Executive Director and his or her staff to review the operations of the Authority. Any policy recommendation from the Executive Committee must be forwarded to the Board for consideration at a public meeting of the Board.

Executive Personnel and Compensation Committee. The Executive Personnel and Compensation Committee evaluates the President/CEO, Auditor and General Counsel and makes recommendations to the Board concerning their compensation. The Executive Personnel and Compensation Committee also reviews and makes recommendations regarding Board Member compensation.

Finance Committee. The Finance Committee is established to oversee the financial performance and condition of the Authority and review the operating and capital budget and financial plan, and major financial policies or actions of the Authority. The Finance Committee is required to meet at least quarterly each year.

Terminal Development Program Committee. The Terminal Development Program Committee oversees the implementation of the Terminal Development Program (also known as the Green Build Program) to include the investigation and evaluation of the physical/functional, financial, environmental, community aspects, intergovernmental coordination, and public communication/outreach related to all activities.

Each committee is required to include one Executive Committee member. All committee appointments are for a one-year term. The Board may establish or maintain additional Board committees from time to time as necessary or appropriate in accordance with the Authority's policies.

Executive Management

Thella F. Bowens, President and CEO/Executive Director. In March 2003, Thella F. Bowens was appointed President/CEO of the Authority. As President/CEO, Ms. Bowens is responsible for management oversight of the Authority, the Authority's $192 million annual operating budget, the Authority's approximately $1.4 billion five-year capital program, and 362 employees. Prior to 2003, when the Port District operated SDIA, she was the Port District's Senior Director of Aviation for seven years. From September 2001 through December 2002, Ms. Bowens served simultaneously as Interim Executive Director/President of the Authority as required by the enabling legislation. In her role as Interim Executive

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Director, she led the planning and implementation of the transfer of SDIA from the Port District. Prior to coming to San Diego, she served as the Deputy Executive Director of Kansas City's Aviation Department, which included Kansas City International Airport and the city's two general aviation airports. Ms. Bowens previously served as Budget Administrator of the Dallas/Fort Worth International Airport ("DFW") in Texas. She has more than 30 years of experience in public administration, with the last 23 years in the aviation industry. Ms. Bowens holds a Bachelor of Arts from Barnard College of Columbia University and has done graduate work at the University of North Texas and University of Missouri-Kansas City. She is also a graduate of the Executive Leadership Institute sponsored by the National Forum for Black Public Administrators. In addition to her professional associations, Ms. Bowens is the immediate past chair of the Board of Airports Council International – North America and a member of the World Governing Board of ACI. She also is a member of the American Association of Airport Executives Policy Review Committee, the San Diego World Trade Center, the San Diego Regional Economic Development Corporation, and the San Diego Regional Chamber of Commerce. In June 2010, Ms. Bowens was appointed by the Secretary of the Department of Transportation, Ray LaHood, as one of three airport representatives to the Future of Aviation Advisory Committee. Previously, she was a member of the board of the San Diego United Way, the San Diego Symphony, and the National Conflict Resolution Center.

Bryan Enarson, Vice President, Development. Bryan Enarson is the Vice President, Development at the Authority. Mr. Enarson is responsible for facility planning and construction, facility maintenance and implementation of SDIA's master plan. He has worked at SDIA since February 1997. Mr. Enarson has served as Director of Operations, Director of Real Estate Management, Director of Marketing and Public Relations and most recently as Vice President of Development for the Authority. His 40 years of experience in the aviation industry includes work in government affairs, commercial development, airline and airport lease negotiations, facilities planning and construction, marketing, public relations, airport and airline operations, and airline fuel management. Mr. Enarson has 26 years of airline experience, which includes functioning as Director of Properties and Facilities for both Pacific Southwest Airlines and US Airways, Director of Public and Governmental Affairs with both Pacific Southwest Airlines and US Airways, and Station Manager for Pacific Southwest Airlines. Mr. Enarson is a member of numerous professional and community organizations. He is a member of the American Association of Airport Executives ("AAAE") and an executive member of the Southwest chapter of the AAAE. He also has received the United Way Chad Award and an appreciation award from the Los Angeles Airlines Airport Affairs Committee, which he chaired from 1992 to 1996. Mr. Enarson has served as President and Vice President/Treasurer of the Terminal 1 Fuel Corporation at Los Angeles International Airport. Mr. Enarson holds an associate's degree from Solano College in Vallejo, California.

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

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

Angela Shafer-Payne, Vice President, Planning and Operations. Angela Shafer-Payne is the Vice President, Planning and Operations for the Authority. Ms. Shafer-Payne is responsible for short- and long-term planning, land use planning, environmental affairs, airside and landside operations, and public safety and security. She has been with SDIA since 1995. In various capacities Ms. Shafer-Payne has been responsible for airport contracts, marketing, finance, operations and business planning for SDIA. She was the staff lead for the creation of an independent airport authority in 2002 until her appointment to Vice President in December 2002. Ms. Shafer-Payne led the legislatively-mandated ballot initiative that sought a replacement airport for SDIA. She received a Bachelor of Business Administration with a major in Airport Administration from the University of North Dakota and she holds an Instrument Rated Pilot's License.

Jeffrey Woodson, Vice President, Administration. Jeffrey A. Woodson is the Vice President, Administration for the Authority. Mr. Woodson joined SDIA in 2002. He oversees the following departments of the Administration Division of the Authority: Human Resources, Information Technology, Procurement, Risk Management, Strategic Business Planning, Corporate Services, Marketing and Public Relations, and Training and Organization Development. Mr. Woodson also has managed other programs for the Authority, including, among others, the establishment of initial financial and administrative polices for the Authority, and the successful negotiations between both the California Teamsters Union, Local 911 and the San Diego City Employees' Retirement System. He also participated on the Authority's negotiation team that successfully negotiated a $125 million separation agreement with the Port District. Prior to joining SDIA, Mr. Woodson served as the Director of Management & Budget for the City of Dayton, Ohio and the City of Richmond, Virginia. He also served as Assistant City Manager in Portsmouth, Virginia. Mr. Woodson has over 30 years of experience working for government entities, including the Commonwealth of Virginia. In Richmond, he was responsible for operating appropriations totaling $750 million and in Dayton, he was responsible for operating appropriations totaling $600 million. As the Director of Management & Budget in both Dayton and Richmond, Mr. Woodson achieved the Distinguished Budget Presentation Award from the Government Finance Officers Association nine times. During his service for the City of Richmond, he received two Virginia Municipal League Awards, one for Effective Government in 1997 and the other for Excellence in Government in 1984. Mr. Woodson holds a Master of Public Administration degree from Virginia Commonwealth University and a Bachelor of Arts degree from Virginia State University. He also is a graduate of the Management Excellence Program sponsored by the Cooper Center for Public Service at the University of Virginia and the Executive Leadership Institute program sponsored by the National Forum for Black Public Administrators. Mr. Woodson is a member of the Government Finance Officers Association, the National Forum for Black

Public Administrators and the American Association of Airport Executives. He also serves on the Board of Directors for the San Diego Workforce Partnership and previously served on the Board of Directors for the San Diego Council on Literacy.

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

Breton K. Lobner, General Counsel. Breton K. Lobner serves as General Counsel for the Authority. Prior to his current position, Mr. Lobner served as Sr. Assistant City Attorney and General Counsel for Los Angeles World Airports, operator of Los Angeles International, LA/Ontario International, Van Nuys and Palmdale Regional Airports. For the past 36 years, his practice has specialized in airport matters dealing with aircraft noise, rates and charges, transportation, the environment, eminent domain, contracts and concessions, revenue diversion and real property. He drafted and successfully defended in federal court one of only two new airport noise laws in the U.S. adopted following passage of the Airport Noise and Capacity Act of 1990. He graduated from the University of California (Davis) and received his Juris Doctor from the University of Pacific, McGeorge School of Law, where he was a member of Law Review and the Honor Society. He is admitted to practice law in the State of California and before the United States Supreme Court.

Employees and Labor Relations

The Authority employs approximately 362 full-time employees. Approximately 102 of these employees (primarily maintenance workers, airport traffic officers and certain supervisors) are members of the Teamsters Local 911 labor union. Labor relations with respect to those 102 employees are governed by a labor agreement between the Authority and Teamsters Local 911, which will expire on September 30, 2013.

Approximately 44 of the Authority's employees are members of a classified service group. Labor relations with respect to these employees is governed by state law applicable to classified service employees. The remaining employees of the Authority are not subject to any collective bargaining agreement.

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

SAN DIEGO INTERNATIONAL AIRPORT

Introduction

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

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

According to ACI statistics, SDIA is the busiest single-runway commercial airport in the United States. SDIA is classified by the FAA as a "large air traffic hub" (an airport that enplanes over 1.0% of the total domestic passengers in the United States). As of July 1, 2012, SDIA handled air transportation for more than 22 major and commuter passenger airlines. In Fiscal Year 2012, SDIA enplaned approximately 8.58 million passengers (which represented an approximately 1.6% increase in enplaned passengers from the fiscal year ended June 30, 2011). For the year ended December 31, 2011, approximately 93.2% of the passengers using SDIA represented O&D passengers. According to ACI statistics, for the year ended December 31, 2011 (the latest available information from ACI), SDIA was ranked as the 28th busiest airport in the country as measured by total number of enplaned and deplaned passengers.

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

Existing Facilities

The existing airfield consists of one east-west runway (Runway 9/27), which is 9,401 feet long and 200 feet wide. Most arrivals are from the east and most departures are to the west. Runway 9/27 has sufficient capacity and is of sufficient strength to permit the operation of most existing commercial aircraft, including most large widebody aircraft. However, natural and man-made obstructions, including rising terrain, trees and buildings to the west and east of SDIA limit the effective length of the runway for certain aircraft. This limitation reduces range and/or payload capability depending on the aircraft type and the operating rules of a given carrier. Each aircraft is different with respect to, among other things, its empty weight, engine type, thrust variant, desired payload capability, and desired range. The Authority expects future generations of aircraft, such as the 787, to be less affected by these runway limitations due to improved airfield performance capabilities. Runway 9/27 is equipped with high-intensity runway lighting and supports both precision and non-precision approaches. SDIA has a system of taxiways leading to and from the terminal area on the south side of SDIA, and to and from the north side of SDIA which is used by cargo and general aviation aircraft. See "CERTAIN INVESTMENT CONSIDERATIONS—Restrictions on Airport Facilities and Operations."

Passenger services at SDIA are located in three terminals, Terminal 1, Terminal 2 (consisting of Terminal 2 East and Terminal 2 West) and the Commuter Terminal. The primary terminals are Terminals 1 and 2, providing a total of 41 aircraft gates. Terminal 1, the oldest terminal at SDIA, was opened in 1967 and renovated in 1994 and 1997. Terminal 1 is approximately 257,500 square-feet, with 19 aircraft gates. Terminal 2 East was opened in 1979 and is a two-story, approximately 225,700 square-foot facility with 13 aircraft gates. Terminal 2 West was opened in 1997 and is a two-story, approximately 326,600 square-foot facility with 9 aircraft gates. The Commuter Terminal was opened in 1996. The Commuter Terminal is a three-story, approximately 133,000 square-foot facility, including 40,850 square-feet of terminal space, that contains the offices of the Authority and serves smaller aircraft with ten regional aircraft parking positions. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—The Green Build Program" for a discussion of the expansion of Terminal 2 West.

Approximately 7,000 public parking spaces, operated by the Authority, are available at SDIA, including approximately 2,700 short-term parking spaces located directly in front of Terminal 1, Terminal 2 and the Commuter Terminal and approximately 4,300 long-term parking spaces located in three remote lots. Off-airport private parking facilities provide an additional approximately 6,500 parking spaces for SDIA passengers.

Cargo facilities at SDIA provide approximately 69,000 square feet of building space in three buildings on approximately 235,782 square-feet of land. Rental car company facilities, a control tower, central utilities plant and fuel facilities are located at SDIA or on land located near SDIA.

Air Carriers Serving SDIA

As of July 1, 2012, 22 passenger airlines provided daily service from SDIA to a total of 46 U.S. cities and 5 foreign cities, and 5 air carriers provided scheduled all-cargo service at SDIA. The following table sets forth the air carriers serving SDIA as of July 1, 2012. See "AIRLINE INDUSTRY INFORMATION."

TABLE 5
San Diego International Airport
Air Carriers Serving San Diego International Airport
(As of July 1, 2012)

Scheduled U.S. Carriers	Foreign Flag Carriers	All-Cargo Carriers
Alaska Airlines	Air Canada	Atlas Air, Inc.
Allegiant	British Airways	Ameriflight
American Airlines[1]	Volaris	Federal Express
American Eagle Airlines[1,2]	Westjet	United Parcel Service
Delta Air Lines		West Air, Inc.
Frontier Airlines		
Hawaiian Airlines		
Horizon Air[3]		
JetBlue Airways		
Mesa Airlines[4]		
Republic Airlines[5]		
SkyWest Airlines[6]		
Southwest Airlines		
Spirit		
Sun Country Airlines		
United Airlines		
US Airways		
Virgin America		

[1] AMR Corporation, along with its subsidiaries American Airlines and American Eagle, filed for bankruptcy protection on November 29, 2011. American Airlines and American Eagle continue to operate at SDIA while they reorganize under bankruptcy protection.
[2] An affiliate of and doing business as American Airlines.
[3] An affiliate of and doing business as Alaska Airlines.
[4] An affiliate of and doing business as US Airways.
[5] An affiliate of and doing business as Frontier Airlines.
[6] An affiliate of and doing business as United Express, Delta Connection and US Airways Express.
Source: San Diego County Regional Airport Authority

Aviation Activity

In Fiscal Year 2012, SDIA enplaned approximately 8.58 million passengers (which represented an approximately 1.6% increase in enplaned passengers from the fiscal year ended June 30, 2011). For the year ended December 31, 2011, approximately 93.2% of the passengers using SDIA represented O&D passengers. According to ACI statistics, for the year ended December 31, 2011, SDIA was ranked as the 28th busiest airport in the country as measured by total number of enplaned and deplaned passengers. As of July 1, 2012, passenger airlines and cargo carriers were operating approximately 243 departures daily at SDIA.

The following table sets forth the total domestic and international enplanements at SDIA for the last five Fiscal Years.

TABLE 6
San Diego International Airport
Total Enplanements

	Domestic		International		Total Enplanements	
Fiscal Year	**Enplanements**	**Percent of Total**	**Enplanements**	**Percent of Total**	**Enplanements**	**Percent Change**
2008	9,302,073	99.1%	87,254	0.9%	9,389,327	5.6%
2009	8,450,723	99.0	85,051	1.0	8,535,774	(9.1)
2010	8,339,147	98.6	114,739	1.4	8,453,886	(1.0)
2011	8,316,322	98.5	124,798	1.5	8,441,120	(0.2)
2012	8,323,734	97.1	251,741	2.9	8,575,475	1.6

Sources: San Diego County Regional Airport Authority

As set forth in Table 7 which follows, from Fiscal Year 2008 through Fiscal Year 2012, total passenger enplanements and deplanements at SDIA decreased at a compounded annual rate of 2.2%. Due to the global economic environment and capacity reductions by U.S. carriers, total enplanements and deplanements decreased 0.4% in Fiscal Year 2011 but increased 1.6% in Fiscal Year 2012 as the United States economy continued to slowly recover. Total operations (landings and take-offs) decreased 4.3% in Fiscal Year 2011 but increased 0.1% in Fiscal Year 2012. For further discussion of historical passenger activity and operating activity at SDIA and factors affecting aviation demand and the airline industry, see "APPENDIX A—FINANCIAL FEASIBILITY REPORT." The following table sets forth total revenue operations (landings and takeoffs) and total enplaned and deplaned passengers at SDIA for Fiscal Years 2008 through 2012.

TABLE 7
San Diego International Airport
Air Traffic Data

Fiscal Year	Total Operations[1]	Operations Growth	Total Passengers[2]	Passenger Growth
2008	240,289	6.6%	18,771,550	5.7%
2009	208,783	(13.1)	17,073,818	(9.0)
2010	194,509	(6.8)	16,929,295	(0.9)
2011	186,181	(4.3)	16,868,732	(0.4)
2012	186,280	0.1	17,138,413	1.6

[1] For revenue-related departures and arrivals.
[2] Enplaned and deplaned passengers.
Sources: San Diego County Regional Airport Authority

Air Cargo

The following table sets forth information concerning cargo traffic (enplaned and deplaned cargo) over the last five Fiscal Years.

TABLE 8
San Diego International Airport
Historical Enplaned and Deplaned Freight and U.S. Mail Cargo
(in tons)

Fiscal Year	Freight	Annual Percentage Change	U.S. Mail	Annual Percentage Change	Total	Annual Percentage Change
2008	128,456	(18.4)%	16,067	(52.1)%	144,523	(24.4)%
2009	104,750	(18.5)	16,032	(0.2)	120,782	(16.5)
2010	108,823	3.9	16,690	4.1	125,513	3.9
2011	113,160	4.0	16,801	0.7	129,961	3.5
2012	115,148	1.8	17,345	3.2	132,493	1.9

Source: San Diego County Regional Airport Authority.

Enplanements by Air Carriers

The following table presents total enplanements for each air carrier serving SDIA for the last five Fiscal Years. For Fiscal Year 2012, Southwest accounted for approximately 37.9% of the enplanements at SDIA, 36.5% of the landed weight at SDIA and 15.2% of the revenues of the Authority. Over the past five Fiscal Years, Southwest has enplaned about one-third of the passengers at SDIA. Since approximately 93.2% of the passengers using SDIA are O&D and the Authority relies very little on connecting enplanements, the Authority believes that any reduction in service by Southwest would probably be absorbed by one or more other airlines operating at SDIA.

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TABLE 9
San Diego International Airport
Enplanements By Air Carriers
(Ranked on 2012 Results)

Air Carrier	Fiscal Year 2008	2008 Percent Share	Fiscal Year 2009	2009 Percent Share	Fiscal Year 2010	2010 Percent Share	Fiscal Year 2011	2011 Percent Share	Fiscal Year 2012	2012 Percent Share
Southwest	3,306,386	35.2%	3,122,090	36.6%	3,183,084	37.7%	3,277,931	38.8%	3,252,290	37.9%
United[1]	1,499,672	16.0	1,430,265	16.8	1,428,403	16.9	1,374,407	16.3	1,266,007	14.8
Delta[2]	982,828	10.5	890,811	10.4	900,510	10.7	919,323	10.9	935,777	10.9
American[3]	808,790	8.6	735,067	8.6	704,909	8.3	658,752	7.8	664,466	7.7
Alaska	498,169	5.3	428,515	5.0	435,722	5.2	514,498	6.1	579,457	6.8
US Airways	631,049	6.7	563,392	6.6	512,558	6.1	523,378	6.2	535,906	6.2
Frontier	274,689	2.9	212,069	2.5	196,628	2.3	219,008	2.6	198,708	2.3
Virgin America	57,292	0.6	155,649	1.8	151,110	1.8	133,377	1.6	166,326	1.9
Jet Blue	224,205	2.4	235,199	2.8	167,031	2.0	141,684	1.7	147,051	1.7
Hawaiian	160,939	1.7	100,626	1.2	90,874	1.1	98,887	1.2	86,211	1.0
British Airways	0	0.0	0	0.0	0	0.0	6,912	0.1	81,437	0.9
Spirit	0	0.0	0	0.0	0	0.0	0	0.0	77,873	0.9
Air Canada	55,031	0.6	27,255	0.3	46,959	0.6	58,539	0.7	56,470	0.7
Volaris	0	0.0	0	0.0	0	0.0	0	0.0	45,589	0.5
Sun Country Airlines	44,454	0.5	35,885	0.4	24,984	0.3	24,175	0.3	15,889	0.2
Others[8]	211,037	2.2	155,738	1.8	113,406	1.3	55,754	0.6	43,634	0.5
Total Air Carrier	8,754,541	93.2	8,092,561	94.8	7,956,178	94.1	8,006,625	94.9	8,153,091	95.1
Regional										
SkyWest[4]	177,112	1.9	203,543	2.4	271,766	3.2	272,365	3.2	263,144	3.1
American Eagle[3]	238,147	2.5	232,289	2.7	207,272	2.5	155,421	1.8	140,574	1.6
Mesa[5]	17,098	0.2	7,381	0.1	18,670	0.2	6,709	0.1	12,766	0.1
Horizon[6]	0	0.0	0	0.0	0	0.0	0	0.0	5,900	0.1
Express Jet[7]	202,429	2.2	0	0.0	0	0.0	0	0.0	0	0.0
Total Commuter	634,786	6.8	443,213	5.2	497,708	5.9	434,495	5.1	422,384	4.9
Total Enplanements	9,389,327	100.0%	8,535,774	100.0%	8,453,886	100.0%	8,441,120	100.0%	8,575,475	100.0%

1 On October 1, 2010, United Airlines and Continental Airlines merged. United Airlines and Continental Airlines began operating as a single airline (under the United brand) in March 2012. Enplanements are for both United Airlines and Continental Airlines.
2 In 2008, Delta acquired Northwest. As of January 31, 2010, the operations of Delta and Northwest were merged into a single entity that now operates under the Delta brand. Enplanements are for Delta and Northwest.
3 AMR Corporation, along with its subsidiaries American Airlines and American Eagle, filed for bankruptcy protection on November 29, 2011. American Airlines and American Eagle continue to operate at SDIA while they reorganize under bankruptcy protection.
4 Delta Connection, United Express and US Airways Express.
5 US Airways.
6 Alaska.
7 Express Jet initiated scheduled service from SDIA in May 2007 and ceased scheduled service from SDIA in September 2008.
8 "Others" includes airlines that ceased operating at SDIA during the period shown in the table, and airlines with a Fiscal Year 2012 market share of less than 0.5%.
Source: San Diego County Regional Airport Authority

Landed Weight

The following table sets forth the total revenue landed weight for the largest passenger airlines and cargo carriers serving SDIA for the last five Fiscal Years, ranked on Fiscal Year 2012 results.

TABLE 10
San Diego International Airport
Total Revenue Landed Weight
(Ranked on Fiscal Year 2012 Results)
(in thousands of lbs.)

Airline	2008	2009	2010	2011	2012	2012% of Total
Southwest	4,416,996	4,415,780	4,068,974	4,001,530	3,953,536	36.5%
United[1]	1,761,692	1,670,479	1,662,541	1,583,371	1,502,203	13.9
Delta[2]	1,173,864	1,007,769	1,047,295	1,062,254	1,047,068	9.7
American[3]	890,796	848,513	766,151	672,059	701,126	6.5
Alaska	612,282	536,281	511,813	595,238	648,359	6.0
US Airways	713,030	684,354	626,510	603,439	643,014	5.9
Federal Express	447,636	402,665	400,303	421,239	452,453	4.2
SkyWest[4]	195,777	219,416	332,408	338,813	306,789	2.8
Frontier	287,387	237,274	227,848	249,492	208,936	1.9
Virgin America	3,122	221,333	205,348	173,686	208,253	1.9
British Airways	0	0	0	13,800	167,440	1.5
JetBlue	288,239	297,340	201,071	167,369	166,232	1.5
American Eagle[3]	280,234	280,413	254,122	174,888	159,379	1.5
United Parcel Service	0	127,900	118,874	120,158	120,454	1.1
Others[5]	1,430,436	547,247	469,610	428,824	534,661	4.9
Total	12,501,491	11,496,758	10,892,867	10,606,160	10,819,902	100.0%
Annual % Change	6.2%	(8.0%)	(5.3%)	(2.6%)	2.0%	

[1] On October 1, 2010, United Airlines and Continental Airlines merged. United Airlines and Continental Airlines began operating as a single airline (under the United brand) in March 2012. Revenue Landed Weight is for both United Airlines and Continental Airlines.
[2] In 2008, Delta acquired Northwest. As of January 31, 2010, the operations of Delta and Northwest were merged into a single entity that now operates under the Delta brand. Revenue Landed Weight is for both Delta and Northwest.
[3] AMR Corporation, along with its subsidiaries American Airlines and American Eagle, filed for bankruptcy protection on November 29, 2011. American Airlines and American Eagle continue to operate at SDIA while they reorganize under bankruptcy protection.
[4] Delta Connection, United Express and US Airways Express.
[5] "Others" includes passenger airlines and/or cargo carriers that ceased operating at SDIA during the period shown in the table, and passenger airlines and/or cargo carriers with a Fiscal Year 2012 market share of less than 0.5%.
Source: San Diego County Regional Airport Authority

Emergency Preparedness

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

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

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

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

The Authority has developed, tested and evaluated a comprehensive set of emergency procedures for a probable disruptive event. These procedures and precautions seek to minimize the operational and financial impact on SDIA and the Authority. However, the Authority cannot predict whether SDIA would need to cease operations in the event of an emergency or what types of emergencies would cause SDIA to cease operating. The Authority is not able to predict for how long SDIA would be closed and whether the Authority's reserves would be adequate to return SDIA to full operation in the event of a cessation of operations due to an emergency.

AGREEMENTS FOR THE USE OF AIRPORT FACILITIES

The Authority has entered into, and receives payments under, different agreements with various airlines and other parties, including operating and lease agreements relating to landing fees and the leasing of space in terminal buildings, other building and miscellaneous leases regarding the leasing of cargo and hangar facilities, and concession agreements relating to the sale of goods and services at SDIA.

Airline Lease Agreements

The Authority has entered into separate, but substantially similar, Airline Operating and Lease Agreements (the "Airline Lease Agreements") with 17 passenger airlines operating at SDIA (the "Signatory Passenger Airlines") and 5 all-cargo carriers (the "Signatory Cargo Carriers," and together with the Signatory Passenger Airlines, the "Signatory Airlines"). The Airline Lease Agreements cover the use of and rate-setting mechanisms for the airfield and terminal facilities at SDIA. The Airline Lease Agreements have a term commencing on July 1, 2008 and terminating on June 30, 2013, unless terminated earlier pursuant to their terms. The Airline Lease Agreements may be terminated by the Authority or by the Signatory Airlines with or without cause or default upon the giving of no less than ninety days' notice in writing to the other party of the intention to so terminate. The Authority and the Signatory Airlines are currently negotiating a new airline operating and lease agreement, which the Authority expects to be effective by July 1, 2013. The Authority expects the terms of the new airline operating and lease agreements to be substantially similar to the existing Airlines Lease Agreements; however, since the negotiations with the Signatory Airlines are in their preliminary stages, the Authority cannot predict if certain terms of the new airline operating and lease agreements will not be materially different from the existing Airline Lease Agreements.

Under the Airline Lease Agreements, each Signatory Passenger Airline receives the exclusive right to use "Exclusive Use Premises" which consist of ticket counters, associated passenger queuing areas, ticket and baggage service offices, operational support areas and club rooms. The Signatory Passenger

Airlines also receive the nonexclusive right to use "Joint-Use Premises," which include baggage claim areas and passenger holdrooms; and "Landing Areas," which include runways, taxiways, apron areas, roadways and other areas provided for landing, takeoff, handling, servicing, loading and unloading, and other operations of aircraft. The Airline Lease Agreements provide for common-use gates and preferential-use gates (provided the Signatory Passenger Airline satisfies certain operating thresholds) and do not permit gates to be assigned on an exclusive-use basis.

Pursuant to the Airline Lease Agreements, the landing fees at SDIA are calculated based on a residual rate-setting methodology and the terminal rental rates at SDIA are calculated based on a compensatory rate-setting methodology. Each Signatory Airline is required to pay landing fees on a monthly basis equal to the landed weight of each such Signatory Airline's planes which landed at SDIA for such month multiplied by the landing fee rate. The landing fee rate is equal to the airfield area net requirement divided by the total landed weight for all planes landing at SDIA. The airfield area net requirement is calculated as: (a) the sum of Operation and Maintenance Expenses of the Airport System attributable or allocable to the airfield, bond and other debt service attributable or allocable to the airfield, amortization charges attributable or allocable to the airfield, other debt service attributable or allocable to the airfield, and reserve requirements attributable or allocable to the airfield; minus (b) the sum of certain airfield area adjustments, including, among others, terminal apron parking charges, overnight parking charges, fuel flowage fees, non-signatory landing fees, and federal, state and local grants and PFCs used to offset bond and other debt service attributable or allocable to the airfield.

Each Signatory Passenger Airline is required to pay terminal rentals on a monthly basis equal to the total area of the terminals allocable to each such Signatory Passenger Airline multiplied by the terminal rental rate. The terminal rental rate is equal to the terminal area net requirement divided by the total area of rentable premises in the terminal. The terminal area net requirement is calculated as: (a) the sum of Operation and Maintenance Expenses of the Airport System attributable or allocable to the terminal, bond and other debt service attributable or allocable to the terminal, amortization charges attributable or allocable to the terminal, other debt service attributable or allocable to the terminal, and reserve requirements attributable or allocable to the terminal; minus (b) the sum of certain terminal area adjustments, including among others, non-signatory airline terminal rentals, Federal Inspection Services ("FIS") charges, and federal, state and local grants and PFCs used to offset bond and other debt service attributable or allocable to the terminal.

Pursuant to the Airline Lease Agreements, in addition to landing fees and terminal rentals, the Signatory Passenger Airlines are required to pay other fees and charges, including among others, security charges, terminal apron parking charges and remain overnight parking charges. Pursuant to the Airline Lease Agreements, in addition to landing fees, the Signatory Cargo Carriers are required to pay other fees and charges, including among others, security charges.

Pursuant to the Airline Lease Agreements, for each Fiscal Year, the Authority is required to develop estimated landing fee rates, terminal rental rates, security surcharge, terminal apron parking charges and overnight parking charges based on the Authority budget for such Fiscal Year. Before formally adopting the budget, and any resulting rental, fees, or charges, the Authority must consult with the Signatory Airlines and consider their comments regarding the budget and the calculation of the estimated rentals, fees, and changes. Pursuant to the Airline Lease Agreements, the Authority will review the rentals, fees, and charges throughout the Fiscal Year ("interim review") and at a minimum for January 1 of each Fiscal Year ("mid-year review"). If during any interim or mid-year review the Authority finds that the actual expenses and/or activity levels vary by more than 10% from those originally estimated by the Authority, whether more or less, Authority may, after consultation with the Signatory Airlines, adjust the rentals, fees, and charges.

Within seven months after the close of each Fiscal Year, the Authority will calculate the final rentals, fees and charges based on actual expenses and activities for the Fiscal Year. Any difference between the rentals, fees, and charges for these charges paid by the Signatory Airlines versus the rentals, fees, and charges to be paid based on actual expenses and activity for the Fiscal Year either will be refunded by the Authority to the Signatory Airlines or the Signatory Airlines will pay the Authority. Any amount due the Signatory Airlines as a result of such final accounting will be paid in the form of a cash payment to the Signatory Airlines in the next ensuing month. Any amount due the Authority as a result of such final accounting will be invoiced to the Signatory Airlines and due and payable on or before the tenth day of the next ensuing month.

The Airline Lease Agreements do not require the Authority to receive the approval of the Signatory Airlines for the construction of the Master Plan (including the Green Build Program), the 2013-17 CIP or any other capital improvements at SDIA.

In an effort to better match capacity with demand in some markets, certain Signatory Passenger Airlines have entered into agreements with affiliated airlines to operate smaller aircraft on behalf of those Signatory Passenger Airlines. "Affiliate Airlines" are airlines that (a) have been designated by a Signatory Passenger Airline to operate at SDIA as its Affiliate, (b) have executed an Affiliate Airline Operating Agreement with the Authority and the Signatory Passenger Airline, (c) operate their air service at SDIA as the Signatory Passenger Airline under a shared International Air Transportation Association flight designator code, (d) are either wholly-owned by the Signatory Passenger Airline, a subsidiary of the same corporate parent as the Signatory Passenger Airline, or under contract to the Signatory Passenger Airline with respect to its operations as an Affiliate at SDIA, (e) do not sell seats in its own name on any aircraft operated at SDIA, and (f) sell all seats on any aircraft operated at SDIA in the name of the Signatory Passenger Airline. The Affiliate Airline Operating Agreements with the Affiliate Airlines allow the Affiliate Airlines to operate at SDIA on behalf of the applicable Signatory Passenger Airlines without the Affiliate Airline having to enter into an Airline Lease Agreement. Generally, the same rates, fees and charges applicable to the Signatory Passenger Airline's operations at SDIA also apply to the Affiliate Airline's operations at SDIA. In the event an Affiliate Airline fails to pay fees and charges to the Authority, the applicable Signatory Passenger Airline is responsible for the fees and charges billed to its Affiliate Airline. The following table sets forth the Signatory Passenger Airlines and their current Affiliate Airline relationships at SDIA.

TABLE 11
San Diego International Airport
Signatory Passenger Airlines and Their Affiliated Airlines

Signatory Passenger Airline	Affiliated Airline
Alaska Airlines	Horizon Air
American Airlines	American Eagle Airlines
Delta Air Lines	SkyWest Airlines
Frontier Airlines	Republic Airlines
United Airlines	SkyWest Airlines
US Airways	Mesa Airlines
US Airways	SkyWest Airlines

Source: San Diego County Regional Airport Authority

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See "FINANCIAL INFORMATION—Summary of Financial Results" for information with respect to aviation revenues collected by the Authority in Fiscal Year 2012.

Parking Agreement

The Authority has entered into an agreement with Ace Parking Management Inc. ("Ace Management") for the management of the parking facilities at SDIA. The agreement with Ace Management expires on March 15, 2017. The agreement requires Ace Management to remit the gross revenues from the parking facilities it operates, on a daily basis, to the Authority. As compensation for Ace Management's performance under the agreement, the Authority pays Ace Management a fixed annual management fee and reimburses Ace Management for certain expenses incurred in the management and operation of the parking facilities.

The Authority set rates for parking in the Authority's public parking lots. As of December 1, 2012, long-term parking rates were $11 to $28 per day, depending on location, and short-term parking rates were $4 for the first hour and a maximum of $28 for the first day, with every additional day being $28 per day.

As of December 1, 2012, valet parking rates were $36 per day. Public parking accounted for approximately $30.1 million of operating revenues in Fiscal Year 2012, equal to approximately 19.6% of operating revenues or approximately 37.2% of nonairline revenues.

Rental Car License Agreements

As of December 1, 2012, there were 13 rental car companies (operating a total of 17 brands) authorized by the Authority to provide rental car services at SDIA. All of the major national brands are represented at SDIA (Alamo, Avis, Dollar, Enterprise, Hertz, National and Thrifty) as well as regional brands (Advantage, Fox, Budget, Go Rentals and Midway) and local brands (A1, Ace, Pacific, Payless, and TravCar). Each of the rental car companies has entered into a Nonexclusive Airport Car Rental License Agreement (the "Rental Car License Agreements") with the Authority that expires on December 31, 2015. Pursuant to the Rental Car License Agreements, the rental car companies pay the Authority 10% of their gross revenues. The Authority received approximately $23.9 million in payments from the rental car companies in Fiscal Year 2012.

None of the rental car companies operating at SDIA have customer or operating facilities on Authority property. While some of the rental car companies lease a small area of on-Airport property from the Authority for overflow vehicle storage, the rental car companies operating at SDIA maintain their customer service facilities, operating and maintenance facilities and other overflow vehicle storage areas at locations off of SDIA, which they either own or lease from third parties. Rental car customers are required to be transported by individual rental car company courtesy shuttle buses to each of their respective facilities located outside of SDIA. All rental car courtesy shuttle vehicles are required by the Authority to pick up and drop off their customers at designated areas on the commercial curb at each of the terminals at SDIA. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT" for a description of the Authority's plans for the construction of a consolidated rental car center at SDIA.

In March 2009 and May 2010, pursuant to Section 1936 of the California Civil Code, the Board authorized the collection of a $10.00 per transaction Customer Facility Charge (also referred to herein as "CFC") on rental cars rented from rental car companies operating at SDIA. On October 4, 2012, the Board adopted an alternative CFC collection rate, pursuant to Section 1936 of the California Civil Code, equal to $6.00 per transaction day, effective November 1, 2012; $7.50 per transaction day, effective January 1, 2014; and $9.00 per transaction day, effective January 1, 2017 (each such rate limited to 5 transaction days per transaction). The CFC is collected by the rental car companies from their customers and subsequently transferred to the Authority. The CFC revenues will be used for the purposes of designing, financing and constructing a consolidated rental car center at SDIA and providing for a common use transportation system at SDIA. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Capital Improvement Program" for a description of the Authority's plans for the construction of the consolidated rental car center at SDIA and the issuance by the Authority of Special Facility Obligations secured by CFC revenues. The Authority recorded the receipt of approximately $11.5 million of CFC revenues in Fiscal Year 2012. As of June 30, 2012, the Authority had collected a total of $33.8 million of CFC revenues. After applying CFC revenues to certain approved capital projects, as of June 30, 2012, the Authority had a balance of $30.8 million of unspent CFC revenues. CFC revenues are not included in Revenues.

Terminal Concessions, Advertising and Other Agreements

As part of its Concessions Development Program, the Authority entered into 17 leases with a variety of vendors for 87 food, beverage and retail units at SDIA. The leases with respect to the food and beverage units commenced or commence on the date the applicable concession space is available for beneficial use by the vendor and expires on a date 10 years after such date of available use. The leases with respect to the retail units commenced or commence on the date the applicable concession space is available for beneficial use by the vendor and expires on a date 7 years after such date of available use. The leases provide for rental payments equal to the greater of a minimum annual guarantee ("MAG") or a percentage of gross income. For Fiscal Year 2012, gross sales for food and beverage outlets were $47,270,248, providing approximately $6.4 million in operating revenues to the Authority (which equaled a percentage of the gross sales for food and beverage outlets). For Fiscal Year 2012, gross sales for gift and news outlets were $24,695,898, providing approximately $4.0 million in operating revenues to the Authority (which equaled a percentage of the gross sales for gift and news outlets).

The Authority has entered into an advertising concession agreement with Joint Venture for the Operation of the Advertising Concession ("Joint Venture"). The advertising concession agreement expires on June 30, 2018 and provides for payments from Joint Venture equal to the greater of a MAG or a percentage of gross income received by Joint Venture from advertisements at SDIA. For Fiscal Year 2012, gross advertising income was $2,531,323, providing approximately $1.7 million in operating revenues to the Authority (which equaled the MAG).

The Authority also has entered into agreements with operators of vending machines, pay phones, shoeshine stands, ATMs and certain other concessionaires. Most of these operators pay the Authority the greater of a MAG or a percentage of gross income.

FINANCIAL INFORMATION

Summary of Financial Operations

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

The budget process begins in January, with staff reviewing the first six months of the then-current Fiscal Year. Each division—Executive, Planning and Operations, Finance, Development, Administration, and Marketing and Communications—then develops its own operating budget for the upcoming Fiscal Year, including its needs for additional personnel, fixed assets and capital. Staff from the Financial Planning and Budget, Human Resources, Purchasing, and Engineering departments analyze these proposed budget requests and determine cost impacts, where appropriate. Meetings are held with each division to review its operating budget and requests for personnel, fixed assets and capital projects. The Financial Planning and Budget Department then incorporates the budget requests into the rate setting formula to determine projected rates, fees and charges. A revenue budget also is prepared after consultation with the ~~Real Estate Management~~Aviation and Commercial Business, Ground Transportation and Route Service Development departments. Budget workshops are held with the Board to review the budget and receive further input and direction.

In 2012, the Board adopted its biennial budget which covers Fiscal Year 2013 and Fiscal Year 2014. The Board approved the budget for Fiscal Year 2013 and approved, in concept, the budget for Fiscal Year 2014. The conceptual budget for Fiscal Year 2014 approved by the Board will be brought back to the Board in 2013 for review, any needed revisions and final adoption.

In ~~2011,~~2012, the Authority received its seventh consecutive Distinguished Budget Presentation Award from the Government Finance Officers Association of the United States and Canada ("GFOA") for its annual budget for Fiscal Year ~~2011.~~2012. The Authority also has submitted its ~~Fiscal Year 2012 Budget and~~ Fiscal Year 2013 Budget to GFOA for consideration of this award.

Fiscal Year 2013 Budget. Budgeted revenues for Fiscal Year 2013 are expected to increase $21.5 million over Fiscal Year 2012 budgeted revenues. This increase can be attributed to an increase in building rentals, collection of security costs, certain concession revenues, ground transportation revenues and certain facility charges, partially offset by an anticipated decrease in federal grant moneys. Budgeted expenses for Fiscal Year 2013 are projected to increase $40.2 million over Fiscal Year 2012 budgeted expenses. This increase can be attributed to increases in debt service and non-personnel expenses. The Fiscal Year 2013 budget assumes 8.61 million enplaned passengers, versus 8.58 million enplaned passengers in the Fiscal Year 2012 (actual).

Conceptual Fiscal Year 2014 Budget. Budgeted revenues for Fiscal Year 2014 are expected to increase $18.9 million over Fiscal Year 2013 budgeted revenues. This increase is attributable to building rentals, collection of security costs, certain concession revenues, parking and ground transportation revenues and certain facility charges, partially offset by an anticipated decrease in federal grant moneys. Budgeted expenses for Fiscal Year 2014 are projected to increase $31.1 million over Fiscal Year 2013 budgeted expenses. This increase is attributable to increases in debt service and personnel expenses. The Fiscal Year 2014 budget assumes 8.70 million enplaned passengers, versus 8.61 million enplaned passengers in the Fiscal Year 2013 budget.

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

Investment Practices. It is the policy of the Authority to invest public funds in a manner that will provide the highest security of the funds under management while meeting the daily cash flow demands of the Authority. The investment policies and practices of the Authority are based upon prudent money management and conform to all state and local statutes governing the investment of public funds. The Authority is authorized by California Government Code Section 53600 *et seq*. and Section 53630 *et seq*. to invest in investments listed therein. Prohibited investments include but are not limited to, inverse floating rate notes, range notes, interest-only strips that are derived from a pool of mortgages and common stock.

The Authority may not invest any funds in any security that could result in zero interest accrual and zero discount accretion if held to maturity. Investments that exceed five years to maturity require authorization by the Board at least 30 days prior to purchase.

The following table sets forth a summary of the Authority's investments as of June 30, 2012:

TABLE 12
San Diego County Regional Airport Authority
Investments
(As of June 30, 2012)

Security Type	Market Value as of June 30, 2012	Percentage of Portfolio
Collateralized Bank Demand Deposits	$ 78,963,000	28.3%
U.S. Agency Securities	58,241,000	20.7
San Diego County Investment Pool	48,315,000	17.3
Local Area Investment Fund (LAIF)	47,248,000	16.9
Commercial Paper	25,899,000	9.3
Certificates of Deposit	16,999,000	6.1
U.S. Treasuries	3,002,000	1.1
Money Market Fund	810,000	0.3
Total	$279,477,000	100.0%

Source: San Diego County Regional Airport Authority June 30, 2012 Investment Report.

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

Summary of Financial Results

The following table summarizes the financial results from operations for the Authority for Fiscal Years 2008 through 2012. See "APPENDIX B—AUDITED FINANCIAL STATEMENTS OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2012." McGladrey LLP, the Authority's independent auditor, has not been engaged to perform, and has not performed, since the date of its report included in Appendix B attached hereto, any procedures on the financial statements addressed in that report. McGladrey LLP also has not performed any procedures relating to this Official Statement.

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TABLE 13
San Diego County Regional Airport Authority
Statements of Revenues, Expenses and Change in Net Assets
(Dollars in Thousands)[1]

	2008	2009	2010	2011	2012
Operating revenue:					
Aviation revenue					
Landing fees	$ 24,763	$ 18,689	$ 18,672	$ 18,579	$ 18,419
Aircraft parking fees	–	3,221	3,406	2,921	3,135
Building rentals	24,265	23,057	23,835	26,980	30,633
Security surcharge	8,618	10,204	11,900	14,887	18,649
Other aviation revenue	1,808	1,565	1,584	1,597	1,595
Concession revenue	38,785	36,280	36,249	37,103	40,427
Parking and ground transportation revenue	31,038	31,492	30,296	31,645	31,470
Ground rentals	5,207	5,776	5,923	8,656	8,044
Other operating revenue	1,197	693	1,829	1,640	1,179
Total operating revenue	135,682	130,977	133,695	144,007	153,550
Operating expenses:					
Salaries and benefits	32,912	34,741	35,386	38,266	37,237
Contractual services	27,378	27,464	27,999	26,113	26,906
Safety & security	19,110	19,930	20,131	21,344	22,625
Space rental	10,901	10,888	10,906	10,906	11,415
Utilities	6,429	6,912	6,871	6,413	6,674
Maintenance	8,735	8,002	9,231	8,174	8,497
Equipment and systems	1,333	678	891	570	403
Material and supplies	795	641	413	344	304
Insurance	1,227	1,096	1,166	1,066	764
Employee development & support	1,035	1,030	990	1,041	916
Business development	2,733	2,509	2,033	2,275	2,093
Equipment rental and repair	1,396	1,387	1,271	1,327	1,335
Total operating expenses before depreciation and amortization	113,985	115,278	117,288	117,841	119,169
Income from operations before depreciation and amortization	21,697	15,699	16,407	26,165	34,381
Depreciation and amortization	36,765	38,196	42,424	49,138	44,532
Operating (loss)	(15,067)	(22,497)	(26,018)	(22,973)	(10,151)
Non-operating revenues (expenses):					
Passenger facility charges	37,401	33,219	34,049	33,998	34,639
Customer facility charges	–	1,695	10,783	10,986	11,487
Quieter Home Program, net	(4,954)	(5,754)	(1,874)	(3,488)	(3,605)
Interest income	13,432	9,434	6,667	6,408	5,492
Interest expense	(4,086)	(2,998)	(2,684)	(8,084)	(2,370)
"Build America Bond" rebate	–	–	–	3,691	4,996
Other non-operating revenue, net	12	316	(1,004)	(92)	(3,031)
Net non-operating revenue	41,806	35,913	45,937	43,419	47,608
Income before capital grant contributions	26,738	13,416	19,919	20,446	37,457
Capital grant contributions	2,850	4,646	27,350	26,355	20,834
Change in net assets	29,588	18,062	47,270	46,802	58,290
Net assets, beginning of year	465,533	495,121	513,183	560,452	607,254
Net assets, end of year	$495,121	$513,183	$560,452	$607,254	$665,544

[1] Totals may not add due to rounding.
Source: Derived from the audited financial statements of the Authority.

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Management's Discussion of Fiscal Year 2012 Financial Results. Total operating revenue for Fiscal Year 2012 increased $9.5 million over Fiscal Year 2011 primarily due to increased aviation revenue. Aviation revenue for Fiscal Year 2012 increased $7.5 million over Fiscal Year 2011. The increase in total airline revenue was primarily due to the revenue billed to the airlines on a progressive cost recovery system, which was slightly higher in Fiscal Year 2012, in comparison to Fiscal Year 2011, due to the graduated rate increase from 55% to 60% for building rentals and 70% to 85% for the security surcharge. Landing fees decreased slightly in Fiscal Year 2012 due to rebates given to airlines for new routes, primarily Volaris. Aircraft parking fees were slightly higher primarily due to the increased costs associated with the airfield. Concession revenue increased by $3.3 million due to slightly higher enplanements and higher per-enplanement sales. Parking revenues decreased slightly by $175,000 in Fiscal Year 2012 due to the temporary closing of Terminal 2 parking to facilitate the construction of the Green Build Program. Ground rentals decreased in Fiscal Year 2012 by $651,000 due to the finalization of new lease agreements with FedEx, Southwest and UPS, which provided over one year of retroactive billing in Fiscal Year 2011. Other operating revenue decreased by $461,000 due to the completion of the planning grant revenue for the Regional Aviation Strategic Plan in 2011.

Operating expenses, before depreciation and amortization expense, for Fiscal Year 2012 increased by $1.3 million, or 1.1%, from $117.8 million to $119.2 million when compared to Fiscal Year 2011. Contributing to this increase were the following: increased contractual services, $793,000, primarily due to higher parking management expenses; safety and security, $1.3 million, due to increased Harbor Police salaries and benefits expense and a proposed overhead allocation plan; space rental, $509,000, due to the 2011 completed amortized deferred rent benefit; utilities, $261,000, higher usage due to expansion and rate increases; and maintenance, $323,000, due to increasing support of aging systems and equipment such as elevators, HVAC and escalators. Offsetting these increases were the following decreases: salaries and benefits, $1 million, primarily due to the pension plan rate reduction from 16.6% in Fiscal Year 2011 to 14.54% in Fiscal Year 2012; equipment and systems, $167,000, due to five-year replacement schedule; insurance, $302,000, due to lower liability policy; employee development and support, $125,000, due to reduced travel and seminars; and business development, $182,000, due to lower advertising and marketing expenses compared to Fiscal Year 2011, which included expenses associated with British Airways' new service from SDIA.

Total operating expenses (including depreciation and amortization) decreased $3.3 million from $167.0 million in Fiscal Year 2011 to $163.7 million in Fiscal Year 2012, or 2.0%, primarily due to a reduction in depreciation and amortization expenses of $4.6 million. In Fiscal Year 2012, the reduced depreciation expense was primarily due to fully depreciated assets of approximately $54 million, which included aircraft fuel storage, fire life safety system and runway joint sealants.

Non-operating revenue (net) increased by $4.2 million or 9.6% in Fiscal Year 2012. This was primarily due to the net effect of debt interest expense and capitalization of interest expense, $5.7 million. Additionally, PFC revenues increased $641,000 and CFC revenues increased $501,000 due to increased enplanements. The Build America Bond interest subsidy increased $1.3 million due to the Authority receiving a full year of the subsidy in Fiscal Year 2012. Offsetting these increases was other non-operating income (expenses) net by $2.9 million. In Fiscal Year 2012, $3.6 million in net book value of assets was written off due to the construction of the Green Build Program. These assets were parking lots, sidewalks and partial roadways that will be replaced in Fiscal Year 2013. The Quieter Home Program net expenses increased by $117,000 due to the timing of when invoices were paid to become eligible for FAA grant reimbursement.

Revenue Diversity

The following table sets forth the top ten operating revenue providers at SDIA for Fiscal Year 2012.

TABLE 14
San Diego County Regional Airport Authority
Top Ten Operating Revenue Providers
(Fiscal Year 2012)

	Revenue Provider	Revenues	Percent of Total Operating Revenue
1.	Southwest Airlines	$23,357,007	15.2%
2.	United Airlines	10,931,601	7.1
3.	Host International	10,793,503	7.0
4.	Delta Air Lines	8,911,886	5.8
5.	American Airlines	8,197,015	5.3
6.	Enterprise Rent-A-Car	7,290,392	4.7
7.	Hertz Rent-A-Car	5,795,690	3.8
8.	Avis Budget Rent-A-Car Group	4,507,266	2.9
9.	US Airways	4,388,522	2.9
10.	Alaska Airlines	4,265,739	2.3

Source: San Diego County Regional Airport Authority

The following table sets forth the top ten revenue sources at SDIA for Fiscal Year 2012.

TABLE 15
San Diego County Regional Airport Authority
Top Ten Operating Revenue Sources
(Fiscal Year 2012)

	Source	Revenue	Percent of Total Operating Revenue
1.	Terminal Rent-Airlines	$30,632,762	19.9%
2.	Parking	30,141,508	19.6
3.	Car Rental License Fees[1]	23,943,041	15.6
4.	Security Surcharge	18,649,147	12.1
5.	Landing Fees	18,419,244	12.0
6.	Ground Rent	7,136,299	4.6
7.	Food and Beverages	6,403,844	4.2
8.	News/Retail	4,041,936	2.6
9.	Aircraft Parking Fees	3,134,539	2.0
10.	Advertising, ATM Smarte Carte	2,859,943	1.9

[1] Excludes CFC revenues, of which the Authority recorded the receipt of $11,486,962 in Fiscal Year 2012.

Source: San Diego County Regional Airport Authority

Historical Debt Service Coverage

The following table shows historical senior and subordinate debt service coverage for Fiscal Years 2008 through 2012.

TABLE 16
San Diego County Regional Airport Authority
Historical Senior and Subordinate Debt Service Coverage

	2008	2009	2010	2011	2012
Net Revenues					
Revenues[1]	$144,379,133	$138,334,601	$138,113,792	$148,963,671	$158,311,779
Operating and Maintenance Expenses	114,375,096	115,221,068	116,275,132	117,100,946	118,941,148
Net Revenues Available for Debt Service	$ 30,004,037	$ 23,113,533	$ 21,838,660	$31,862,725	$39,370,631
Senior Debt Service[2 3]					
Principal	$2,805,000	$2,950,000	$3,105,000	$3,265,000	$3,430,000
Interest	2,532,225	2,391,975	2,244,475	2,089,225	1,925,975
Total Senior Debt Service	$5,337,225	$5,341,975	$5,349,475	$5,354,225	$5,355,975
Senior Debt Service Coverage	5.62x	4.33x	4.08x	5.95x	7.35x
Subordinate Debt Service[4]					
Subordinate Net Revenues Available for Debt Service	$24,666,812	$17,771,558	$16,489,185	$26,508,500	$34,014,656
Subordinate Series 2010 Bonds					
Principal	–	–	–	$ 715,000	$ 980,000
Interest[5]	–	–	–	2,971,984	6,599,760
Subordinate Commercial Paper Notes[6]	4,025,191	1,128,080	723,857	1,220,226	1,077,867
Total Subordinate Debt Service	$4,025,191	$1,128,080	$723,857	$4,907,210	$8,657,627
Subordinate Debt Service Coverage	6.13x	15.75x	22.78x	5.40x	3.93x
Aggregate Senior and Subordinate Debt Service					
Net Revenues Available for Debt Service	$30,004,037	$23,113,533	$21,838,660	$31,862,725	$39,370,631
Aggregate Debt Service					
Principal[7]	$2,805,000	$2,950,000	$3,105,000	$3,980,000	$4,410,000
Interest[5,7]	2,532,225	2,391,975	2,244,475	5,061,209	8,525,735
Subordinate Commercial Paper Notes[6]	4,025,191	1,128,080	723,857	1,220,226	1,077,867
Total Aggregate Debt Service	$9,362,416	$6,470,055	$5,840,953	$10,261,435	$14,013,602
Aggregate Debt Service Coverage	3.20x	3.58x	3.60x	3.11x	2.81x

[1] Does not include grants which are otherwise included in the definition of Revenues. Grants which are not otherwise restricted by their terms to the payment of debt service on Senior Bonds and/or Subordinate Obligations are included in the definition of Revenues.
[2] Senior Debt Service is calculated pursuant to the provisions of the Master Senior Indenture.
[3] Includes principal of and interest paid on the Senior Series 2005 Bonds, which were fully defeased on December [__], 2012.
[4] Subordinate Debt Service is calculated pursuant to the provisions of the Master Subordinate Indenture.
[5] Net of interest paid with proceeds of the Subordinate Series 2010 Bonds and Federal Direct Payments received by the Authority with respect to the Subordinate Series 2010C Bonds.
[6] Includes principal of and interest on the Subordinate Commercial Paper Notes and the fees paid to the CP Bank.
[7] Includes principal of and interest on the Senior Series 2005 Bonds (which were fully defeased on December [__], 2012) and the Subordinate Series 2010 Bonds.
Source: San Diego County Regional Airport Authority

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Historical Airline Cost Per Enplaned Passenger

The following table sets forth historical airline costs (landing fees, terminal building rentals, airport police/security reimbursement fees and fuel and other franchise fees) of operating at SDIA for the past five Fiscal Years.

TABLE 17
San Diego International Airport
Airline Derived Revenue Per Passenger

Airline Revenues	2008	2009	2010	2011	2012
Landing Fees	$ 24,763,236	$ 18,677,650	$18,656,620	$18,840,062	$18,947,013
Aircraft Parking Fees[1]	0	3,189,492	3,382,020	2,920,891	3,314,539
Terminal Rentals	23,569,899	22,046,636	23,868,259	26,849,412	30,346,360
FIS Use Charges	0	148,035	102,843	136,087	354,601
Security Surcharge	8,618,400	10,203,808	11,900,070	14,886,586	18,649,147
Other Aviation Revenue[2]	1,807,979	0	0	0	0
Total Airline Revenue	$58,759,514	$54,265,621	$57,909,812	$63,633,038	$71,611,660
Enplaned Passengers	9,389,327	8,535,774	8,453,886	8,441,120	8,575,475
Airline Derived Revenue Per Passenger	$6.26	$6.36	$6.85	$7.54	$8.35

[1] Amount excludes general aviation remote overnight parking.
[2] Includes revenue received for fuel franchise fees/capital recovery, tunnel fees, and loading bridges. Beginning in Fiscal Year 2009, other aviation revenue are excluded in accordance with the terms of the Airline Lease Agreements.
Source: San Diego County Regional Airport Authority

Pension and Retirement Plans

Authority Pension Plan. All full-time employees of the Authority are eligible to participate in the Authority's defined-benefit pension plan (the "Authority Pension Plan"), which provides retirement and disability benefits, annual cost-of-living adjustments (for employees hired before October 2006), and death benefits to plan members and beneficiaries. The Authority Pension Plan is administered by the San Diego City Employees' Retirement System ("SDCERS"), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the City, the Port District and the Authority, and is administered by the Retirement Board of Administration (the "Retirement Board"). Each of the Authority, the City and the Port District has a separate plan and each employer's contributions are held in trust although all contributions to SDCERS are pooled for investment purposes, managed and invested by the Retirement Board. See "APPENDIX B—AUDITED FINANCIAL STATEMENTS OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2012—Note 6. Defined-Benefit Plan" for more information on the Authority's Pension Plan.

The City Municipal Code requires member contributions to be actuarially determined to provide a specific level of benefit. Member contribution rates, as a percentage of salary, vary according to age at entry, benefit tier level, and certain negotiated contracts which provide for the Authority to pay a portion of the employees' contributions. The Authority's contribution rate as determined through actuarial valuation was 14.54% for Fiscal Year 2012 and was 16.60% for Fiscal Year 2011 and is expressed as a percentage of covered payroll. For Fiscal Year 2012, the Authority contributed approximately $4.4 million to the Authority Pension Fund, and for Fiscal Year 2011, the Authority contributed approximately $5.0 million to the Authority Pension Fund. For Fiscal Year 2013, the Authority has budgeted a contribution of approximately $5.9 million to the Authority Pension Fund. The Authority has always made its full required contributions to the Authority Pension Plan. The Authority cannot predict the levels of funding that will be required in the future.

The following table sets forth certain information about the funding status of the Authority Pension Plan that has been extracted from the comprehensive annual financial reports of SDCERS for the fiscal years ended June 30, 2007 through, and including, 2011 (collectively, the "SDCERS CAFRs (2007-2011)"), and the actuarial valuation reports provided to SDCERS by Cherion, Inc. for the fiscal years ended June 30, 2007 through, and including, 2011 (collectively, the "Actuarial Reports (2007-2011)"). Complete copies of the SDCERS CAFRs (2007-2011) and the Actuarial Reports (2007-2011) can be obtained from SDCERS by writing to the San Diego City Employees' Retirement System, Suite 400, 401 West A Street, San Diego, California 92101 and from the SDCERS website at www.sdcers.org. No information contained on such website is incorporated into this Official Statement.

TABLE 18
Funding Status of Authority Pension Plan
(Dollars in thousands)

Fiscal Year Ended June 30	Actuarial Value of Assets [a]	Market Value of Assets [b]	Actuarial Accrued Liability [c]	Unfunded Actuarial Accrued Liability (Actuarial Value) [c]-[a]	Funded Ratio (Actuarial Value) [a]/[c]	Unfunded Actuarial Accrued Liability (Market Value) [c]-[b]	Funded Ratio (Market Value) [b]/[c]	Covered Payroll [d]	UAAL as a Percentage of Covered Payroll (Actuarial Value) [[c-a]/[d]]
2007 [1]	$50,812,142	$53,305,476	$46,636,555	$(4,175,587)	109.0%	$(6,668,921)	114.3%	$21,956,656	(19.0)%
2008	58,095,599	54,856,234	56,807,663	(1,287,936)	102.3	1,951,429	96.6	23,488,283	(5.5)
2009 [2,3]	58,981,105	49,150,920	67,870,945	8,889,841	86.9	18,720,024	72.4	24,693,427	36.0
2010	73,400,892	64,795,807	76,447,473	3,046,581	96.0	11,651,666	84.8	25,595,623	11.9
2011 [4]	86,309,270	86,911,148	84,042,425	(2,266,845)	102.7	(2,868,723)	103.4	25,148,489	(9.0)

[1] In Fiscal Year 2007, SDCERS changed the calculation methodology for the Actuarial Accrued Liability, from a Projected Unit Credit ("PUC") methodology to an Entry Age Normal ("EAN") methodology. The PUC methodology calculates the Actuarial Accrued Liability by computing the present value of the amount of benefits allocated to the participants during the year divided by the total payroll and subtracting the expected member contributions. The EAN methodology calculates the Actuarial Accrued Liability by computing the level annual percentage of pay required to fund the retirement benefits between each member's date of hire and their assumed retirement date.

[2] For the June 30, 2009 valuation, an actuarial smoothing method on the market value that dampens volatility was employed to determine the actuarial valuation of the Authority Pension Plan's assets, and the Authority Pension Plan's assets were assumed to earn 7.75% (net of expenses) per annum. Prior to Fiscal Year 2009, SDCERS assumed an 8% (net of expenses) rate of return per annum on its assets. The June 30, 2009 valuation also assumed that salaries will increase 4% per annum and the and the costs of living benefits will increase 2% per annum.

[3] In December 2006, the Board approved a resolution directing the Authority to maintain the Authority Pension Plan funding level at a minimum of 95%. For Fiscal Year 2009, the funding level of the Authority Pension Plan was 86.9%. In June 2010, the Board amended its direction to the Authority by providing that the Authority Pension Plan funding level should be instead maintained at a minimum of 90%, with a corresponding strategy to incrementally improve the funding level to a 95% target/goal. In order to meet the 90% minimum funding level, in June 2010, the Authority made an additional $4.6 million contribution to the Authority Pension Plan.

[4] For the June 30, 2011 valuation, the Authority Pension Plan's assets were assumed to earn 7.50% (net of expenses) per annum. Prior to Fiscal Year 2011, SDCERS assumed a 7.75% (net of expenses) rate of return per annum on its assets. The June 30, 2011 valuation also assumed that salaries will increase 3.75% per annum (lowered from 4.00%) and the costs of living benefits will increase 2% per annum.

Source: SDCERS CAFRs (2007-2011) and Actuarial Reports (2007-2011); and San Diego County Regional Airport Authority.

Postemployment Health Benefits. In addition to the pension benefits provided under the Authority Pension Plan, the Authority provides medical, dental and $10,000 life insurance postretirement benefits ("Postemployment Health Benefits") for nonunion employees hired prior to May 1, 2006, and union employees hired prior to October 1, 2008. The employees are eligible for these benefits if they retire from active employment after age 55 with 20 years of service or age 62 with five years of service. In May 2009, the Board approved an agreement with the California Employers' Retiree Benefit Trust ("CERBT") fund,

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which is managed by the California Public Employees Retirement System ("CalPERS"), to administer the Authority's Postemployment Health Benefits. See "Note 8. Other Postemployment Benefits" in the Authority's financial statements for the year ended June 30, 2012 attached hereto as "APPENDIX B—AUDITED FINANCIAL STATEMENTS OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2012" for more information on the Authority's Postemployment Health Benefits.

For Fiscal Year 2012, the Authority paid approximately $2.2 million for Postemployment Health Benefits. For Fiscal Year 2013, the Authority as budgeted approximately $2.2 million to be paid for Postemployment Health Benefits.

The following table sets forth certain information about the funding status of the Authority's Postemployment Health Benefits derived from the Authority's financial statements for the years ended June 30, 2010, 2011 and 2012, and from the Actuarial Valuation Study dated January 17, 2012 prepared by Aon Hewitt. See also "APPENDIX B—AUDITED FINANCIAL STATEMENTS OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2012—Note 8. Other Postemployment Benefits."

TABLE 19
Funding Status of Authority's Postemployment Health Benefits
(Dollars in thousands)

Type of Valuation	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll	Interest Rate	Salary Scale
Actual	7/1/2007	$ 0	$ 8,924	$ 8,924	0.0%	$18,806	47.5%	7.75%	3.25%
Actuarial	7/2/2008	0	10,327	10,327	0.0	19,417	53.2	7.75	3.25
Actual	7/1/2009	2,674	12,206	9,532	21.9	19,514	48.8	7.75	3.25
Actuarial	7/1/2010	4,474	14,149	9,675	31.6	20,148	48.0	7.75	3.25
Actual	7/1/2011	7,604	22,197	14,593	34.3	18,728	77.9	7.61	3.25

Source: Financial Statements of the Authority for the Fiscal ~~years~~Years ended June 30, 2010, 2011 and 2012, and the Actuarial Valuation Study, dated January 17, 2012, by Aon Hewitt.

The plan costs are derived by making certain specific assumptions as to the rates of interest, mortality, turnover and the like, which are assumed to hold for many years into the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true plan costs.

Risk Management and Insurance

Pursuant to the Senior Indenture and the Subordinate Indenture the Authority is required to procure and maintain commercial insurance with respect to the facilities constituting the Airport System and public liability insurance in the form of commercial insurance if such insurance is obtainable at reasonable rates and upon reasonable terms and conditions. The amounts and risks required to be insured under the Senior Indenture and the Subordinate Indenture are subject to the Authority's prudent judgment taking into account, but not being controlled by, the amounts and types of insurance or self-insured programs provided by similar airports. The Authority may satisfy some of these insurance requirements through qualified self-insurance or self-insured retentions.

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

The cost of earthquake coverage remains cost prohibitive and is not available in significant amounts. The Federal Emergency Management Agency ("FEMA") and the California Disaster Assistance Act ("CDDA") are designed to assist public entities such as the Authority in the event of a catastrophe. FEMA will pay up to 75% of a loss and CDDA will pay at a minimum 25% of the balance for nationally declared disasters. In addition, the State legislature has paid any remaining loss costs for all declared disasters since 1989. In the past the Authority relied on these laws to pay loss costs beneath the attachment point for insurance coverage and above the coverage limit purchased. Effective July 1, 2007, based on the status of these laws and the condition of the insurance marketplace, the Authority removed the purchase of commercial earthquake insurance from the Risk Management program and increased reliance on the laws designed to assist public entities. As of June 30, 2012, the Authority had $5,942,000 for earthquake contingency reserve. This reserve is intended to increase as deemed by management.

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

The Authority maintains a property insurance policy with limits of $500 million providing all risk and flood coverage on physical assets. During Fiscal Year 2012, there were no significant reductions in insurance coverage from the prior year. For each of the past three Fiscal Years, settlements have not exceeded insurance coverage.

The Authority has an active loss prevention program, staffed by a full-time risk manager, two risk analysts, a safety manager and a safety analyst. In addition, insurer property and casualty loss control engineers conduct safety surveys on a periodic basis. Employees receive regular safety training and claims are monitored using a web-based claims information system.

DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT

General

The Airport Master Plan for SDIA approved by the Board in May 2008 (the "Master Plan") was developed to address requirements for accommodating near term passenger growth at SDIA through 2015 and to consider conceptual improvements through 2030. The Master Plan identified several near-term improvement needs for SDIA, including, among others, additional terminal space, south-side aircraft remain-over-night parking positions, roadway access improvements and ground transportation facilities improvements to meet the forecasted demand of increased passenger traffic at SDIA. The Authority has developed its Green Build Program (as described below) to implement these near-term improvements at SDIA. A portion of the Green Build Program is included in the Senior Series 2013 Projects. The Green Build Program has an estimated cost of approximately $820.0 million (in actual dollars). In addition to the Green Build Program, the Authority maintains a 5-year capital improvement program that is intended to address critical improvements and asset preservation at SDIA. The Authority's current 5-year CIP, the

2013-17 CIP, includes projects that are to be undertaken at SDIA between Fiscal Year 2013 and Fiscal Year 2017 at an estimated cost of approximately $596.1 million (in actual dollars).

The Green Build Program and the 2013-17 CIP are expected to be financed with a combination of proceeds of Senior Bonds (including the Senior Series 2013 Bonds), proceeds of Subordinate Obligations, federal funds and grants, PFCs, internally generated cash of the Authority, CFCs, proceeds of Special Facility Obligations secured by CFCs, and other sources.

The Master Plan

In 2001, the Port District prepared SDIA's first comprehensive master plan, however, the plan was never adopted by the Port District. The Master Plan is an update of the 2001 master plan prepared by the Port District. The Authority determined that the 2001 master plan needed to be updated as a result of the events of September 11, 2001, the transfer of SDIA to the Authority in 2003, a new aviation activity forecast of future aviation demand at SDIA completed in May 2004, and the outcome of the Airport Site Selection Program which culminated in a County-wide ballot measure in November 2006. The Master Plan's primary goals include, among others, the improvement of air service and customer service, the improvement of safety and security at SDIA, the efficient utilization of property and facilities, and the enhancement of SDIA access as part of the region's transportation system.

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

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

Based on the aviation forecast prepared in May 2004 (which forecasted aviation activity at SDIA through 2030), the Authority developed facility requirements for SDIA to accommodate forecasted growth in passenger traffic and aircraft operations. The Master Plan presented two alternatives (Alternative A-Terminal 2 West Build Out and Alternative B-New Unit Terminal East of Terminal 1) for facilities development at SDIA through 2015. The facility requirements identified in both alternatives were generally the same; expand terminal areas by adding 10 gates to the existing 41 gates in order to accommodate passenger traffic growth through 2015, construct additional remain-overnight facilities, construct a new parking facility, and construct new general aviation facilities. The main difference between Alternative A and Alternative B was the location of the ten new gates. Alternative A would add the ten new gates to Terminal 2 and Alternative B would require the construction of a new 7 gate terminal east of Terminal 1 and add the other 3 gates to Terminal 2. Alternative A had an estimated cost of $536 million (in 2005 dollars) and Alternative B had an estimated cost of $576 million (in 2005 dollars). According to the Master Plan, Alternative A was the preferred plan for expanding SDIA. Portions of Alternative A of the Master Plan are being carried out by the Authority pursuant to the Green Build Program discussed below.

See "AIRPORT ENVIRONMENTAL MATTERS—Master Plan Environmental Impact Report and Environmental Assessment" for a discussion of the environmental impact report certified by the Board with respect to the Master Plan.

The Airport Development Plan

In early 2012, the Authority embarked on a four-year planning effort to prepare the plan for the next major construction program at SDIA, after the Green Build Program. The Airport Development Plan (the "ADP") will focus on replacement of Terminal 1, which is 45 years old. It also will determine the highest and best uses for the remaining open parcels of property on the north side of SDIA and the TDY Property. The ADP will include a new forecast of aviation activity and all required environmental analyses necessary to permit the resulting projects. The Authority anticipates that the preferred concept for the ADP will be completed in spring 2014 and the final plan, including all environmental analyses, will be complete in spring 2016. At this time, the Authority is unable to predict when construction will begin on the projects included in the ADP, the cost of such projects or how such projects will be financed. However, such construction projects could be financed with Additional Senior Bonds and/or Additional Subordinate Obligations.

The Green Build Program

In 2009, the Board authorized the design, construction and funding of certain of the projects identified in Alternative A to the Master Plan (the "Green Build Program," formerly known as the "Terminal Development Program"). Proposed facility improvements under the Green Build Program include, among other improvements: (i) constructing 10 new gates on Terminal 2 West, (ii) constructing a new aircraft parking apron and aircraft taxi lane, (iii) expanding vehicle circulation serving Terminal 2 East and West by constructing a dual-level roadway featuring an arrivals curb on level one and a departures curb on level two, (iv) expanding concession areas in Terminal 2 West by providing more dining and shopping options, (v) constructing an improved/expanded security checkpoint in Terminal 2 West, and (vi) constructing new holding areas at the gates in Terminal 2 West. A portion of the Green Build Program is included in the Senior Series 2013 Projects. The Green Build Program is expected to be completed in August 2013. The Authority currently estimates that the cost of the Green Build Program, including design, engineering, construction, cost escalation, insurance, Authority staff costs, program management, enabling projects and contingency of approximately 5.5%, will total approximately $820.0 million (in actual dollars). The Green Build Program has an authorized budget of $865 million.

Construction of the Green Build Program. The Green Build Program consists of two components: (1) Terminal 2 West Building, Baggage Handling System and Airside Expansion (the "Terminal Component"), and (2) Terminal 2 Elevated Departure Curb/Transit Plaza and Landside (the "Landside Component"). The Green Build Program is being procured utilizing a "design-build" delivery method. The Terminal Component of the Green Build Program is being undertaken pursuant to a Design-Build Guaranteed Maximum Price Agreement (the "Terminal Component Design-Build Agreement") between the Authority and Turner/PCL/Flatiron, a California joint venture (the "Terminal Contractor"). The Landside Component of the Green Build Program is being undertaken pursuant to a Design-Build Guaranteed Maximum Price Agreement (the "Landside Component Design-Build Agreement") between the Authority and Kiewit/Sundt, a joint venture (the "Landside Contractor").

<u>Terminal Component Design-Build Agreement</u>. Pursuant to the Terminal Component Design-Build Agreement the Terminal Component will be constructed by the Terminal Contractor for a guaranteed maximum price of approximately $465 million and includes the following program elements:

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- Expand Terminal 2 West by approximately 460,000 square feet, including 10 new aircraft gates

- Expand Baggage Handling System

- Expand the Central Utility Plant

- Construct Terminal 2 West Enabling Projects

- Construct new Remain-Over-Night (RON) aircraft parking apron

- Construct new apron and aircraft taxi-lane

- Construct ancillary apron support facilities

The design-build procurement method utilizes tasks and work authorizations to authorize the Terminal Contractor to design and construct the program elements set forth in the Terminal Component Design-Build Agreement. As of December 2012, the Terminal Contractor was authorized to complete work under the Terminal Component of the Green Build Program valued at approximately $465 million (the guaranteed maximum price agreed to under the Terminal Component Design-Build Agreement).

As of [September 30, 2012], construction of the Terminal Component was approximately [66]% complete.

Landside Component Design Build Agreement. Pursuant to the Landside Component Design Build Agreement the Landside Component will be constructed by the Landside Contractor for a guaranteed maximum price of approximately $228 million and includes the following program elements

- Construct Terminal 2 roadway improvements, including elevated departure roadway with passenger processing facilities

- Construct new USO and parking management facilities

- Construct expanded Transit Center

- Reconfigure surface parking lot

- Construct ancillary facilities to support landside improvements

The design-build procurement method utilizes tasks and work authorizations to authorize the Landside Contractor to design and construct the program elements set forth in the Landside Component Design-Build Agreement. As of December 2012, the Landside Contractor was authorized to complete work under the Landside Component of the Green Build Program valued at approximately $220 million.

As of [September 30, 2012], construction of the Landside Component was approximately [73]% complete.

Authority General and Administrative Costs, Program Escalation and Risk Allowance. In addition to the Terminal Component Design-Build Agreement and the Landside Component Design-Build Agreement, the Green Build Program includes approximately $128 million of Authority staff costs, program management and enabling projects for the Green Build Program. Additionally, the estimated costs of the Green Build Program includes approximately $7 million of program contingency costs.

See "APPENDIX A—FINANCIAL FEASIBILITY REPORT" for additional information on the Green Build Program.

Capital Improvement Program

The Board has adopted a capital improvements program policy (the "CIP Policy"), which requires the Authority to establish a capital improvement program for the orderly maintenance and development of SDIA. Pursuant to the CIP Policy, each year the Authority's Executive Director is required to submit to the Board a development program of desirable capital improvements that are within the Authority's financial funding capability. The Authority's current 5-year capital improvement program, the 2013-17 CIP, sets forth projects that are to be undertaken at SDIA between Fiscal Year 2013 and Fiscal Year 2017. The 2013-17 CIP projects are in addition to the projects included in the Green Build Program. The projects in the 2013-17 CIP include, among others, expansion of Terminal 2 East, construction of a consolidated rental car center (the "RCC"), construction of the North Side Utility Infrastructure and interior road, construction of a dedicated access road from the new north side facilities to the south side terminals, relocation of Taxiway B, and construction of an electrical distribution system. The 2013-17 CIP has an estimated cost of approximately $596.1 million (in actual dollars) (approximately $47.8 million of such costs have already been incurred by the Authority as of September 30, 2012).

In addition to the projects in the 2013-17 CIP, the Authority's current capital improvement program includes certain other capital projects that are not included in the 2013-17 CIP, but are associated with the projects in the 2013-17 CIP (collectively, with the projects in the 2013-17 CIP, the "Capital Improvement Program"). These other projects had cost of approximately $161.4 million and have been completed. See "APPENDIX A—FINANCIAL FEASIBILITY REPORT" for additional information on the 2013-17 CIP and the other projects included in the Capital Improvement Program.

Certain of the major projects included in the 2013-17 CIP are described in more detail below.

Expansion of Terminal 2 East. This project will expand Terminal 2 East between gates 22 and 28 to increase hold room capacity, create new post security concession space, expand the ticket lobby and provide for a common use clubroom. The Authority estimates that this project will be cost approximately $52.2 million.

Rental Car Center. Currently, none of the rental car companies operating at SDIA have customer or operating facilities on Authority property. While some of the rental car companies lease a small area of on-Airport property from the Authority for overflow vehicle storage, the rental car companies operating at SDIA maintain their customer service facilities, operating and maintenance facilities and other overflow vehicle storage areas at locations off-airport, which they either own or lease from third parties. In order to consolidate the operations of the rental car companies into one location and to alleviate traffic congestion on the streets surrounding SDIA, among other reasons, the Authority's current plans include the construction of a four level, 1.9 million square-foot facility for rental car ready/return and storage operations with up to 2,830 ready-return stalls located on approximately 24.7 acres of the former General Dynamics property located on the north-side of SDIA. The RCC also will include an approximately 29,600 square-foot customer service building. Shuttle service to and from the passenger terminals will be provided by common use RCC buses. Currently, the Authority estimates that construction of the RCC would cost approximately $264 million (plus an additional $30 million for enabling projects), and that such costs would be financed with CFC revenues and the proceeds of Special Facility Obligations issued by the Authority and secured solely with CFC revenues. At this time, the Authority has no plans to issue

Additional Senior Bonds and/or Additional Subordinate Obligations to finance the construction of the RCC. See also "AGREEMENTS FOR THE USE OF THE AIRPORT FACILITIES—Rental Car License Agreements."

North Side Utility Infrastructure and Interior Road. This project includes the installation of utility infrastructure necessary to support the implementation of the North Side development plan, and modifications to the existing Washington Street/Pacific Coast Highway off-ramp intersection and reconstruction of the Washington Street access roadway which will serve the RDC, as well as new cargo facilities, a new fixed-base operator facility and the RCC. The Authority estimates that this project will cost approximately $37.8 million.

Relocation of Taxiway B. This project includes relocation of the existing parallel Taxiway B further south of the runway centerline in order to meet the minimum FAA safety requirements for runway/taxiway separation and to improve the circulation of larger aircraft. The Authority estimates that this project will be cost approximately $39.2 million.

Future Projects

In addition to the Green Build Program and the 2013-17 CIP, the Authority is currently in the early planning stages of certain additional projects that are part of the Master Plan and that may be constructed at SDIA, including, among others, air cargo warehouse facilities and associated improvements. The new air cargo facilities would include approximately 225,000 square-feet of warehouse space and a new aircraft parking apron with up to nine parking positions for cargo aircraft. The new air cargo facilities would be located parallel to and on the northside of Taxiway C. At this time, the Authority cannot estimate the cost or predict what the source of funding would be for the new air cargo facilities. At this time, the Authority cannot predict whether it will move forward with the final design and construction of these projects.

Third-Party Financed Projects

In addition to projects financed by the Authority, certain projects at SDIA have been or will be financed and constructed by outside third-parties, including the RDC and a fixed base operation facility ("FBO Facility") to serve corporate and general aviation at SDIA.

As described under "OUTSTANDING OBLIGATIONS AND DEBT SERVICE—Other Obligations—RDC Installment Purchase Agreement," the Authority entered into the RDC Installment Purchase Agreement, pursuant to which AFCO agreed to design, build and finance the RDC and lease it back to the Authority for 20 years. The RDC is a 21,000 square-foot building that provides a single receiving point for most goods delivered to SDIA. Distribution of these goods to various locations at SDIA is conducted by a single delivery service provided by Bradford Logistics. The RDC was completed in November 2012. Construction of the RDC was financed with third-party funds and no funds of the Authority were used.

The Authority entered into a 37-year lease with Landmark Aviation San Diego, Inc. ("Landmark") effective May 1, 2012, for the development and operation of a new full-service FBO Facility to serve corporate and general aviation at SDIA. The FBO Facility will be constructed on a 12.4 acre parcel of property located on the northeast portion of SDIA. The facility will include approximately 31,000 square feet of terminal and office space, 5 hangars totaling 100,000 square feet, and 250,000 square feet of concrete aircraft apron. The $39 million development cost will be funded entirely by Landmark. The facility is scheduled to break ground in May 2013 and is anticipated to be completed in May 2014. Upon beneficial occupancy of the new FBO Facility, Landmark will pay the Authority rent of $5.25 million per year, with annual escalations beginning on May 1, 2015.

Funding Sources for Green Build Program and Capital Improvement Program

General. The Authority anticipates financing the Green Build Program and the Capital Improvement Program (including the 2013-17 CIP) with a combination of proceeds of the Senior Series 2013 Bonds (approximately \$391.4 million); proceeds of the Subordinate Series 2010 Bonds (approximately \$477.9 million); PFC revenues on a pay-as-you-go basis (approximately \$198.2 million) (the Authority also expects to use approximately \$921.4 million of PFCs revenues to pay the debt service on PFC Eligible Bonds (which include a portion of the Senior Series 2013 Bonds and a portion of the Subordinate Series 2010 Bonds)); federal funds and grants (approximately \$185.0 million); internally generated cash of the Authority (approximately \$30.9 million); CFC revenues on a pay-as-you go basis, proceeds of Special Facility Obligations (secured by CFCs revenues) and other sources (approximately \$294.1 million).

TABLE 20
San Diego Internal Airport
Funding Sources for Green Build Program and Capital Improvement Program

	Estimated Project Costs[1]	Senior Series 2013 Bonds[2]	Subordinate Series 2010 Bonds[2]	Federal Funding[3]	Pay-As-You-Go PFCs	Authority Funds	Pay-As-You-Go CFCs, Special Facility Obligations (secured by CFCs) and Other Sources[4]
Green Build Program							
Airside	\$ 72,022,042	\$ 9,408,982	\$ 11,492,828	\$41,640,470	\$ 9,451,610	\$ 28,152	\$ 0
Terminal	468,417,427	174,057,107	191,594,929	21,274,254	80,610,492	880,644	0
Roads	215,360,278	30,091,253	168,909,823	0	16,278,475	80,727	0
Parking	24,725,643	20,924,742	3,419,680	0	371,952	9,269	0
Security	39,474,610	25,457,608	1,929,279	0	12,072,925	14,797	0
Total	\$820,000,000	\$259,939,693	\$377,346,540	\$62,914,724	\$118,785,453	\$1,013,589	\$ 0
Capital Improvement Program[5]							
Airside	\$162,894,398	\$ 500,000	\$ 5,050,507	\$114,638,834	\$39,170,676	\$ 3,534,381	\$ 0
Terminal	176,136,423	47,932,477	70,952,863	450,000	38,007,148	17,755,271	1,038,664
Landside	398,980,094	83,055,084	10,159,902	6,977,512	0	5,737,596	293,500,000
Administrative	19,448,245	0	14,367,686	0	2,200,077	2,880,482	0
Total	\$757,459,160	\$131,487,561	\$100,530,959	\$122,066,346	\$79,377,901	\$29,907,730	\$294,088,664
Total All Projects	\$1,577,459,160	\$391,427,254	\$477,877,498	\$184,981,070	\$198,163,354	\$30,921,319	\$294,088,664

1 Estimated costs include design, engineering, construction, escalation and contingency amounts.
2 The Authority expects to use approximately \$921.4 million of PFC revenues to pay the debt service on PFC Eligible Bonds (including a portion of the Senior Series 2013 Bonds and a portion of the Subordinate Series 2010 Bonds).
3 Includes AIP grants and Transportation Security Administration funds.
4 The Authority expects to issue its Special Facility Obligations in the fourth quarter of 2013, the proceeds of which will be used to construct the RCC. The Special Facility Obligations will be secured solely by a pledged of CFC revenues.
5 Includes \$596.1 million of costs for projects in the 2013-17 CIP and \$161.4 million of costs for projects that have been completed and are not included in the 2013-2017 CIP.
Source: San Diego County Regional Airport Authority

Senior Series 2013 Bonds and Subordinate Series 2010 Bonds. The Authority will use \$391.4 million of the proceeds of the Senior Series 2013 Bonds and \$477.9 million of the proceeds of the Subordinate Series 2010 Bonds to finance the Green Build Program and the Capital Improvement Program (including the 2013-17 CIP). Based on the various current estimates and assumptions related to the Green Build Program and the 2013-17 CIP and the Authority's operations, the Authority currently anticipates that, after the issuance of the Senior Series 2013 Bonds, it will not be necessary to issue any Additional Senior Bonds and/or Additional Subordinate Obligations to finance the Green Build Program or the 2013-17 CIP.

Passenger Facility Charges. The Aviation Safety and Capacity Expansion Act of 1990, as amended (the "PFC Act"), as implemented by the FAA pursuant to published regulations (the "PFC Regulations"), permits public agencies controlling certain commercial service airports (those with regularly scheduled service and enplaning 2,500 or more passengers annually) to charge enplaning passengers using the airport a $1.00, $2.00 or $3.00 PFC with certain qualifying airports permitted to charge a maximum PFC of $4.50. Regardless of the number of PFC applications which have been approved by the FAA, an airport can only collect a maximum of $4.50 on each enplaning passenger. Public agencies wishing to impose and use these PFCs must apply to the FAA for such authority and satisfy the requirements of the PFC Act.

The purpose of the PFC is to develop an additional capital funding source to provide for the expansion of the national airport system. Under the PFC Act, the proceeds from PFCs are required to be used to finance eligible airport-related projects that serve or enhance safety, capacity or security of the national air transportation system, reduce noise from an airport that is part of such system or furnish opportunities for enhanced competition between or among air carriers.

The Port District initially received approval from the FAA to impose a $3.00 PFC at SDIA. The approval for the PFC was transferred by the FAA to the Authority, effective January 1, 2003. On May 20, 2003, the FAA approved the Authority's PFC application to increase the charge per enplaned passenger from $3.00 to $4.50 beginning August 1, 2003. The Authority has received approval from the FAA, pursuant to eight separate applications (five of which were later amended by the Authority, with the approval of the FAA), to collect a PFC on each enplaning passenger at SDIA totaling approximately $1.513 billion and to use approximately $1.510 billion of PFCs. The Authority has closed PFC Applications 1, 2, 3, 4 and 5. These applications have been fully funded and the projects they financed have been completed. As of September 30, 2012, there were three active PFC Applications. As of June 30, 2012, the Authority had recorded the receipt of approximately $471.3 million of PFCs (consisting of $460.2 million of PFCs collections and $11.1 million of interest). As of June 30, 2012, the Authority had disbursed a total of $396.9 million of PFCs on eligible capital projects expenditures.

The following table sets forth a summary of the Authority's approved PFC applications through June 30, 2012.

TABLE 21
San Diego County Regional Airport Authority
Approved PFC Applications

PFC Application	Approval Date	Amended Approval Amount[1,2]
1	1995	$ 104,716,731
2	1998	51,152,839
3	2003	65,058,035
4	2005	44,822,518
5	2008	19,031,690
7 [3]	2009	85,181,950
8	2010	1,118,567,229
10 [4]	2012	31,299,883
Total		$1,513,262,834

[1] Includes the amount of PFCs the FAA has authorized the Authority to collect at SDIA. The Authority is authorized to use approximately $1.510 billion of PFCs at SDIA.
[2] Authorization to collect PFCs under all of the applications and amendments expires on November 1, 2037, however, such authorization to collect PFCs could expire earlier if the total authorized amount is collected prior to November 1, 2037.
[3] The Authority withdrew PFC Application #6.
[4] PFC Application #9 was skipped due to internal FAA system processing.
Source: San Diego County Regional Airport Authority

The PFCs collected pursuant to the PFC Applications have been and will be used to finance all or a portion of certain capital improvements at SDIA including, among other things, the Authority's noise mitigation program, and projects associated with the Green Build Program and the Capital Improvement Program (including the 2013-17 CIP). In addition to using the PFCs on a pay-as-you-go basis to fund projects associated with the Green Build Program and the Capital Improvement Program (including the 2013-17 CIP), the Authority plans to use a portion of the PFCs to pay a portion of the debt service on the PFC Eligible Bonds (which includes a portion of the Senior Series 2013 Bonds and a portion of the Subordinate Series 2010 Bonds).

The following table sets forth the amount of PFCs received by the Authority in Fiscal Years 2008 through 2012.

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TABLE 22
San Diego County Regional Airport Authority
Annual Receipt of PFCs[1]

Fiscal Year	PFCs Collected
2008	$37,401,373
2009	33,219,261
2010	33,666,726
2011	33,997,963
2012	34,639,244

[1] The information in this table is presented on an accrual basis.
Source: San Diego County Regional Airport Authority

PFC revenues are not included in the definition of Revenues and therefore are not pledged to the payment of the Senior Bonds (including the Senior Series 2013 Bonds) or the Subordinate Obligations. However, pursuant to the PFC Resolution, the Authority has irrevocably committed a certain amount of PFCs to the payment of debt service on PFC Eligible Bonds through July 1, 2016. See "SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR SERIES 2013 BONDS—Use of PFCs to Pay Debt Service."

Federal Funding.

Airport Improvement Program Grants. The Authority receives federal grants from the FAA each year. The Airport and Airway Improvement Act of 1982, as amended, created the Airport Improvement Program ("AIP"), which is administered by the FAA and funded by the Airport and Airway Trust Fund. Under the AIP, the FAA awards grant moneys to airports around the country for capital improvement projects. The Airport and Airway Trust Fund is financed by federal aviation user taxes. Grants are available to airport operators in the form of "entitlement" funds and "discretionary" funds. Entitlement funds are apportioned annually based upon the number of enplaned passengers and the aggregate landed weight of all-cargo aircraft; and discretionary funds are available at the discretion of the FAA based upon a national priority system. Before federal approval of any AIP grants can be given, eligible airports must provide written assurances that they will comply with a variety of statutorily specified conditions. See "CERTAIN INVESTMENT CONSIDERATIONS—Unavailability of, or Delay in, Anticipated Funding Sources—Availability of Federal Grants."

The Authority anticipates receiving both FAA entitlement and discretionary grants to fund a portion of the costs of certain capital projects in the Green Build Program and the Capital Improvement Program (including the 2013-17 CIP). In Fiscal Year 2012, the Authority received approximately $3.5 million in entitlement grants and approximately $16.0 million in discretionary grants.

As described above, the FAA has granted the Authority approval to collect PFCs at SDIA. In accordance with the PFC Act and the PFC Regulations, since the Authority imposes a $4.50 PFC, the amount of AIP entitlement grants which the Authority is permitted to receive annually may be reduced up to 75%.

Transportation Security Administration Funds. The Authority entered into an Other Transaction Agreement with the Transportation Security Administration (the "TSA") pursuant to which the TSA agreed to provide approximately $28.3 million to the Authority to fund a portion of the costs associated with the baggage handling system included in the Green Build Program.

The Authority's financial plan for funding the Green Build Program and the Capital Improvement Program (including the 2013-17 CIP) assumes that AIP entitlement and discretionary grant funds and TSA funds will be available to fund the grant eligible portion of certain projects. In the event the Authority does not receive AIP grants or TSA funds in the amounts expected, it would need to use alternative sources of funding for such projects, including the issuance of Additional Senior Bonds and/or Additional Subordinate Obligations. See "CERTAIN INVESTMENT CONSIDERATIONS—Unavailability of, or Delay in, Anticipated Funding Sources."

Special Facility Obligations/CFCs and Other Sources. The capital program funding plan includes approximately $291.3 million in assumed funding from CFC revenues and proceeds of Special Facility Obligations secured solely by CFC revenues and $2.8 million from other sources. The rental car companies that operate at SDIA currently collect and remit to the Authority a $6.00 per transaction day CFC (limited to 5 transaction days per transaction). The CFC will increase to $7.50 per transaction day, effective January 1, 2014 (limited to 5 transaction days per transaction), and will increase to $9.00 per transaction day, effective January 1, 2017 (limited to 5 transaction days per transaction). The Authority plans to use most of the projected CFC collections to pay the debt service on Special Facility Obligations to be issued by the Authority, the proceeds of which will be used to pay the costs of constructing the RCC and certain enabling projects associated with the RCC, including the Northside Utilities project and related roadway improvements.

Future Use of TDY Property

The Authority designated the TDY Property as a future planning area within the Master Plan for airfield, ground transportation and airport support uses. When the Master Plan was completed in 2008, this site included approximately 55 vacant buildings and other facilities. Since 2008, the Port District demolished the buildings and performed interim surface drainage improvements on the TDY Property. The Port District's demolition activities were conducted in two phases, commencing with removal of all on-site surface structures down to the slabs, followed by removal of all surface pavements and subsurface infrastructure. The above-ground demolition phase was completed from 2010 to 2011, and the surface and subsurface demolition commenced after the buildings were removed, with final completion of all demolition activities occurring in 2012. The costs of the demolition was a joint financial responsibility of the Authority and the Port District. The Authority's share of the cost was approximately $9 million. In addition to the demolition of the buildings and the other improvements, certain hazardous substances located on and adjacent to the TDY Property are currently being remediated. Allegheny Technologies Inc. and affiliated entities have agreed to remediate the TDY Property to the cleanup standards set by the San Diego Regional Water Quality Control Board ("SDRWQCB") under a Cleanup and Abatement Order (the "CAO"). The Authority has been released from liability by Teledyne Ryan Industries, Inc. ("TDY") for any and all existing contamination.

The remediation project has been proceeding over the last few years with relative success in the form of in-situ bioremediation of contaminated groundwater plumes. Once the buildings were removed as part of the demolition project, further remediation actions were conducted by excavating and removing of contaminated soils. It is anticipated that the remediation project should be completed by mid-2013; although, groundwater monitoring may be required of Allegheny Technologies Inc. by the SDRWQCB for several subsequent years as a condition of the CAO. None of these remediation activities are anticipated to hinder the Authority's ability to develop the TDY Property for future aviation related activities. The Authority plans to use the TDY Property for interim ground transportation purposes including SDIA roads, employee parking, public parking and cell phone-lot parking.

Airport Land Use Commission

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

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

In recent years the Authority has adopted ALUCPs for two Marine Corps airports (Camp Pendleton and Miramar) and five urban general aviation airports (Brown Field, Gillespie Field, McClellan-Palomar Airport, Montgomery Field and Oceanside Municipal Airport). The ALUCP for Camp Pendleton was adopted in June 2008, the ALUCP for Miramar was adopted in October 2008, and the ALUCP for Brown Field, Gillespie Field, McClellan-Palomar Airport, Montgomery Field and Oceanside Municipal Airport were all adopted in early 2010. The ALUCP for SDIA is currently being developed and the Authority anticipates it will be adopted by the Board in 2013.

FINANCIAL FEASIBILITY REPORT

General

The Authority has retained Unison Consulting, Inc., which is recognized as an expert in its field, to prepare a report in connection with the Senior Series 2013 Bonds. The Financial Feasibility Report is included as Appendix A hereto, with the Feasibility Consultant's consent. The information regarding the analyses and conclusions contained in the Financial Feasibility Report is included in the Official Statement in reliance upon the expertise of the Feasibility Consultant.

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

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

differences may be material. See also "INTRODUCTION—Forward-Looking Statements," and "CERTAIN INVESTMENT CONSIDERATIONS—Financial Feasibility Report."

Projected Net Revenues and Debt Service Coverage

The following table sets forth the projected Net Revenues, debt service requirements for the Senior Bonds and the Subordinate Obligations and the coverage of such debt service requirements based upon the Net Revenues, as forecast by the Feasibility Consultant, for the Fiscal Years 2013 through 2018.

The debt service numbers in the following table exclude the debt service on the Senior Bonds and the Subordinate Obligations to be paid with PFCs and Federal Direct Payments (i.e. the BAB subsidy). For a discussion of the calculation of debt service on the Senior Bonds and the Subordinate Obligations paid with PFCs, see "SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR SERIES 2013 BONDS—Use of PFCs to Pay Debt Service."

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

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

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

TABLE 23
San Diego County Regional Airport Authority
Projected Debt Service Coverage

Fiscal Year	Net Revenues	Senior Debt Service Requirements[1]	Senior Debt Service Coverage	Subordinate Debt Service Requirements[2]	Total Debt Service Coverage[3]
2013					
2014					
2015					
2016					
2017					
2018					

[1] Includes debt service on the Senior Series 2013 Bonds. For purposes of the table only, all of the Senior Series 2013 Bonds are assumed to bear interest at a rate of [4.53]% per annum. The Senior Debt Service Requirement numbers exclude the debt service on the Senior Series 2013 Bonds which the Authority expects to pay with capitalized interest and PFCs.
[2] Includes debt service on the Subordinate Series 2010 Bonds. [Also includes interest payable on the Subordinate Commercial Paper Notes that will remain outstanding after the issuance of the Senior Series 2013 Bonds.] [For purposes of the table only, the Subordinate Commercial Paper Notes that will remain outstanding after the issuance of the Senior Series 2013 Bonds are assumed to bear interest at a rate of 1.25% per annum through Fiscal Year 2015 and at a rate of 2.58% per annum between Fiscal Years 2016 and 2018. The Subordinate Debt Service Requirement numbers exclude the debt service on Subordinate Obligations which the Authority expects to pay with capitalized interest, PFCs and Federal Direct Payments (i.e. BAB subsidy).
[3] Calculated by dividing Net Revenues by the sum of Senior Debt Service Requirements and Subordinate Debt Service Requirements.
Source: Unison Consulting, Inc.

AIRPORT ENVIRONMENTAL MATTERS

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

Master Plan Environmental Impact Report and Environmental Assessment

All development at SDIA is subject to the requirements for environmental studies and appropriate clearances under the California Environmental Quality Act ("CEQA") and, where federal funding or other federal actions are involved, to the requirements of the National Environmental Protection Act ("NEPA").

An Environmental Impact Report under CEQA was prepared for the Master Plan (the "Master Plan EIR"). The Master Plan EIR was certified as complete by the Authority in May 2008. As required by statute, the Master Plan EIR was made available for public review prior to the adoption of the Master Plan. No legal challenge to the Master Plan EIR was filed, and the statutory time for making such a challenge has elapsed.

An Environmental Assessment for the Master Plan Near Term Improvements (the "Master Plan EA") under NEPA was prepared by the Authority in April 2009. The Master Plan EA was submitted to the FAA in connection with certain projects set forth in the Master Plan, including, among others, the projects in the Green Build Program. The FAA issued a Finding of No Significant Impact on April 20, 2009. The Master Plan EA examined numerous environmental impact categories, including, among others, noise, air quality, water quality, historic, architectural and cultural resources, fish, wildlife and plants, and construction impacts and cumulative impacts. In the Master Plan EA, the Authority set forth its plans for mitigating any impacts on the environment that may arise in connection with the construction of the Green Build Program and other projects identified in the Master Plan EA. No legal challenge to the Master Plan EA was filed, and the statutory time for making such a challenge has elapsed.

See "—TDY Property" below for a discussion of the environmental impact report completed with respect to the TDY Property.

Northside Improvements - Supplemental Environmental Impact Report

In 2010, the Authority prepared a Supplemental Environmental Impact Report under CEQA for the Master Plan with respect to the improvements to be made to the northside of SDIA (the "Northside SEIR"). The improvements to the northside of SDIA include the RCC, the FBO Facility and the new air cargo facilities and the utilities infrastructure to support these projects and certain other projects. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT" for additional information on the northside improvements. The Northside SEIR was certified by the Board on September 1, 2011. No legal challenge to the Northside SEIR was filed, and the statutory time for making such a challenge has elapsed.

Airport Noise

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

California Noise Standards. SDIA operates under a variance pursuant to the California Noise Standards (CCR Title 21, Division 2.5, Subchapter 6). The California Noise Standards identify an exterior 65 decibel ("dB") Community Noise Equivalent Level ("CNEL") contour at an airport as the "Noise Impact Area." Within the Noise Impact Area, the airport proprietor is required to ensure that all land uses are compatible with the California Noise Standards, or the airport proprietor must secure variances from the California Department of Transportation, Division of Aeronautics, under the California Noise Standards until full compatibility is accomplished. Under California Noise Standards, residential land uses may be deemed compatible through land acquisition, sound insulation sufficient to achieve an interior noise level of 45 dB CNEL, or by obtaining an avigation easement for the incompatible land use. To obtain a variance, an airport must demonstrate to the State of California that it is making good faith efforts to achieve compliance with the state noise standards.

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

Residential Sound Attenuation Program. In 1997, the Port District initiated a residential sound attenuation program (the "RSAP") with respect to eligible residences surrounding SDIA that are located within the approved 65 CNEL contour. In connection with the renewal of its noise variance in 2001, the Port District agreed to enhance its then current RSAP. The Authority's current residential sound insulation (the "RSIP" or the "Quieter Home Program") is an ongoing program that provides acoustical insulation to all eligible single- and multi-family dwellings located in SDIA's noise impact area. The Authority mainly uses AIP grant revenues to pay for the RSIP. To date, the RSIP has sound-attenuated over 2,500 residences. From its inception to June 30, 2012, the Authority has spent approximately $133 million ($107 million of which has been paid with AIP grant revenues) on RSIP. In 2012, the Authority was awarded an additional $14 million AIP grant to continue funding the program.

Fuel Storage Tanks

The Authority leases certain property to Landmark for the purpose of providing general aviation facilities, including refueling facilities. Underground fuel storage tanks are present on the property occupied by Landmark and Landmark has agreed in its lease with the Authority to pay for remediation costs associated with any environmental pollution, including possible leakage of underground fuel storage tanks.

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

TDY Property

The Authority has designated the TDY Property as a future planning area within the Master Plan for airfield, ground transportation and airport support uses. As described in more detail under "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Future Use of TDY Property" above, certain demolition and remediation projects on the TDY Property have been or are being undertaken by the Port District and Allegheny Technologies Inc. and affiliated entities. [All demolition and remediation projects were completed as of December 2012; although, groundwater monitoring may be required of Allegheny Technologies Inc. by the SDRWQCB for several subsequent years as a condition of the CAO.] The Authority has been released from liability by TDY with respect to any and all existing contamination on the TDY Property. None of these remediation activities are anticipated to hinder the Authority's ability to develop the TDY Property for future aviation related activities. The Authority plans to use the TDY Property for interim ground transportation purposes including SDIA roads, employee parking, public parking and cell phone-lot parking.

Air Quality Management Plan

In May 2008, the Authority entered into a Memorandum of Understanding (the "MOU") with the Attorney General of the State regarding the Master Plan. Pursuant to the MOU, the Authority agreed to certain specific measures to reduce the amount of greenhouse gas emissions from aviation and other operations conducted at SDIA. Some of the specific measures the Authority agreed to take in the MOU include, among others, providing landside power and preconditioned air to the gates at the terminals and in the cargo facilities, replacing vehicles operating at SDIA with electric or alternative fuel vehicles, and using "green" materials for the construction of the projects including in the Master Plan. In December 2009, the Board approved the San Diego County Regional Airport Authority Air Quality Management Plan (the "Air Quality Management Plan"), which sets forth the Authority's specific plan for implementing the provisions of the MOU. Many of the elements of the Air Quality Management Plan have been incorporated into the Green Build Program and the 2013-17 CIP. Future improvements at SDIA also will need to incorporate the provisions of the Air Quality Management Plan.

The Board adopted a Ground Transportation Vehicle Conversion Incentive-Based Program (the "Incentive Program") in accordance with the terms and conditions of the MOU. For various eligible ground transportation providers at SDIA, the Incentive Program provides incentive payments, reduced permit fees, and/or reduced trip fees for Alternative Fuel Vehicles ("AFVs") and Clean Air Vehicles ("CAVs") through Fiscal Year 2016, but increased user fees for non-AFVs and non-CAVs beginning in Fiscal Year 2015. The Authority estimates that the Incentive Program will cost approximately $1.5 million through Fiscal Year 2016.

See "CERTAIN INVESTMENT CONSIDERATIONS—Climate Change Issues."

Clean Water Act

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

CERTAIN INVESTMENT CONSIDERATIONS

Prospective purchasers of the Senior Series 2013 Bonds are urged to read this Official Statement, including all Appendices, in its entirety. The following information should be considered by prospective investors, in addition to the other matters set forth in this Official Statement in evaluating the Senior Series 2013 Bonds. However, it does not purport to be a comprehensive or exhaustive discussion of risks or other considerations which may be relevant to an investment in the Senior Series 2013 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such considerations. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Senior Series 2013 Bonds Are Special Obligations

The Senior Series 2013 Bonds are special obligations of the Authority, payable solely from and secured by a pledge of Net Revenues derived by the Authority from the operations of the Airport System and certain funds and accounts held by the Senior Trustee under the Senior Indenture. None of the properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Senior Series 2013 Bonds, and neither the full faith and credit nor the taxing power of the Authority, the City, the County, the State or any political subdivision or agency of the State is pledged to the payment of the principal of or interest on the Senior Series 2013 Bonds.

Factors Affecting the Airline Industry

General. Key factors that affect airline traffic at SDIA and the financial condition of the airlines, and, therefore, the amount of Net Revenues available for payment of the Senior Series 2013 Bonds, include: local, regional, national and international economic and political conditions; international hostilities; world health concerns; natural disasters; aviation security concerns; airline service and routes; airline airfares and competition; airline industry economics, including labor relations and costs; airline bankruptcies; availability and price of aviation fuel (including the ability of airlines to hedge fuel costs); regional, national and international environmental regulations; airline consolidation and mergers; capacity of the national air traffic control and airport systems; capacity of SDIA; and business travel substitutes, including teleconferencing, videoconferencing and web-casting. If aviation and enplaned passenger traffic at SDIA do not meet forecast levels, a corresponding reduction could occur in forecasted Revenues and expenses.

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

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

Economic Conditions. Historically, the financial performance of the air transportation industry has correlated with the state of the national and global economies. During September 2008, significant and dramatic changes occurred in the U.S. and global financial markets. Between 2008 and 2009, the U.S. economy experienced a recession, which has been followed by weak economic growth. It is not known at this time whether the high national unemployment rate, or the slow rate of national and global economic growth will persist in 2013. As a result of concerns about the U.S. government's ability to resolve long-term deficits, in August 2011, Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, downgraded the credit rating of the U.S. sovereign debt from "AAA" to "AA+". There can be no assurances that the prolonged weak economic conditions, the downgrade of the credit rating of the U.S. sovereign debt or other national and global fiscal concerns will not have an adverse effect on the air transportation industry.

Cost of Aviation Fuel. Airline earnings are significantly affected by changes in the price of aviation fuel. According to Airlines for America (formerly known as the Air Transport Association of America), fuel, along with labor costs, is one of the largest cost components of airline operations, and continues to be an important and uncertain determinate of an air carrier's operating economics. There has been no shortage of aviation fuel since the "fuel crisis" of 1974, but any increase in fuel prices causes an increase in airline operating costs. Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world (particularly in the oil-producing nations in the Middle East and North Africa), Organization of Petroleum Exporting Countries policy, the rapid growth of economies such as China and India, the levels of inventory carried by industries, the amounts of reserves maintained by governments, disruptions to production and refining facilities and weather. According to Airlines for America, every one-cent increase in the price per gallon of jet fuel increases annual operating expenses by approximately $190 million to $200 million. The price of aviation fuel rose to an all-time high of almost $4.00 per gallon in July 2008. According to Airlines for America, the price of aviation fuel averaged approximately [$2.95 per gallon for the first eight months of 2012]. Significant and prolonged increases in the cost of aviation fuel are likely to have an adverse impact on air transportation industry profitability and hamper the recovery plans and cost-cutting efforts of certain airlines.

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

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

Bankruptcy by Airlines and Concessionaires

A bankruptcy of an airline or of another tenant or tenants operating from SDIA could result in delays or reductions in payments on the Senior Series 2013 Bonds.

Over the last several years, several airlines that currently operate at SDIA, including, among others, US Airways, United Airlines, Delta Air Lines, Northwest Airlines and Frontier Airlines, have filed for and reorganized under bankruptcy protection. Additionally, AMR Corporation, along with its subsidiaries American Airlines and American Eagle, filed for bankruptcy protection on November 29, 2011. American Airlines and American Eagle continue to operate at SDIA while they reorganize under bankruptcy protection. Additional bankruptcy filings may occur in the future. The bankruptcy of an airline with significant operations at SDIA could have a material adverse effect on operations of SDIA, Revenues, and the cost to the other airlines operating at SDIA.

In the event of a bankruptcy by an airline or other tenant operating from SDIA, the automatic stay provisions of the United States Bankruptcy Code (the "Bankruptcy Code") could prevent (unless approval of the bankruptcy court was obtained) any action to collect any amount owing by an airline or other tenant to the Authority or any action to enforce any obligation of an airline or other tenant to the Authority. With the authorization of the bankruptcy court, an airline or other tenant may be able to repudiate some or all of its agreements with the Authority and stop performing its obligations (including payment obligations) under such agreements. Such a repudiation also could excuse the other parties to such agreements from performing any of their obligations. An airline or other tenant may be able, without the consent and over the objection of the Authority to alter the terms, including the payment terms, of its agreements with the Authority, as long as the bankruptcy court determines that the alterations are fair and equitable. In addition, with the authorization of the bankruptcy court, an airline or other tenant may be able to assign its rights and obligations under any of its agreements with the Authority to another entity, despite any contractual provisions prohibiting such an assignment. The Senior Trustee and the holders of the Senior Series 2013 Bonds may be required to return to an airline or other tenant as preferential transfers any money that was used to make payments on the Senior Series 2013 Bonds and that was received by the Authority or the Senior Trustee from such airline or other tenant during the 90 days immediately preceding the filing of the bankruptcy petition. Claims by the Authority under any lease with an airline or agreement with another tenant may be subject to limitations.

As described under "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Funding Sources for Green Build Program and Capital Improvement Program—Passenger Facility Charges," the airlines serving SDIA also are required to pay to the Authority PFCs collected from enplaned passengers at SDIA. The PFC Act provides that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (i.e., the Authority) imposing the PFCs, except for any handling or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds in their respective financial statements. However, the airlines, provided they are not under bankruptcy protection, are permitted to commingle PFC collections with other revenues. The bankruptcy courts have not fully addressed such trust arrangements. Therefore, the Authority cannot predict how a bankruptcy court might rule on this matter in the event of a bankruptcy filing by one of the airlines operating at SDIA. The PFC Act requires an airline in bankruptcy protection to segregate PFC collections from all of its other revenues. It is possible that the Authority could be held to be an unsecured creditor with respect to unremitted PFCs held by an airline that has filed for bankruptcy protection. Additionally, the Authority cannot predict whether an airline operating at SDIA that files for bankruptcy protection would have properly accounted for the PFCs owed to the Authority or whether the bankruptcy estate would have sufficient moneys to pay the Authority in full for the PFCs owed by such airline. PFCs are not pledged to the repayment of the Senior Series 2013 Bonds, however, the Authority has irrevocably committed a certain amount of PFCs to the payment of PFC Eligible Bonds through July 1, 2016. See "SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR SERIES 2013 BONDS—Use of PFCs to Pay Debt Service."

Each airline operating at SDIA is required to provide the Authority with a letter of credit equal to approximately three months of estimated obligations payable by the airline to the Authority. In the event of bankruptcy of an airline, the Authority would be able to draw on any such letter of credit to pay obligations owed by the bankrupt airline. Payments under any letter of credit may not be sufficient to pay the Authority all amounts owned by the bankrupt airline.

There may be delays in payments of principal of and interest on the Senior Series 2013 Bonds while the court considers any of the issues described above. There may be other possible effects of a bankruptcy of an airline or other tenant that could result in delays or reductions in payments on the Senior Series 2013 Bonds. Regardless of any specific adverse determinations in an airline or other tenant bankruptcy proceeding, the fact of an airline or other tenant bankruptcy proceeding could have an adverse effect on the liquidity and value of the Senior Series 2013 Bonds.

Southwest Airlines – SDIA's Largest Carrier

In Fiscal Year 2012, Southwest Airlines accounted for approximately 37.9% of the total enplaned passengers at SDIA. Where an airport has a sizable market share accounted for by a single airline, there is risk associated with the potential for that airline to reduce or discontinue service. However, in the case of Southwest Airlines at SDIA, this risk is mitigated by the following factors: (a) Southwest Airlines is a consistently profitable airline; and (b) the development of service by Southwest Airlines at SDIA has demonstrated a large O&D passenger demand that could be served by other airlines at SDIA in the unlikely event Southwest Airlines were to reduce service at SDIA. Nevertheless, the Authority cannot predict what effect a reduction or discontinuation of service by Southwest would have on the Authority or Revenues, or whether another airline would absorb the service provided by Southwest.

Aviation Security Concerns

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

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

Worldwide Health Concerns

In the fall of 2009, the World Health Organization and the U.S. Department of Health and Human Services (through the Secretary of the Department of Homeland Security), declared public health emergencies as the result of outbreaks of a serious strain of H1N1 influenza or flu. This strain was apparently the first to be communicable from human-to-human, and thus posed a potential risk of an international influenza pandemic. This flu strain caused deaths to many whom were healthy young adults. Travel restrictions, as well as other public health measures, were imposed to limit the spread of this flu. In spring 2003, there was a similar outbreak of a serious strain of bird flu in Asia and Canada called "Severe Acute Respiratory Syndrome" or "SARS". The outbreaks of H1N1 and SARS did not result in any direct reduction in enplanements at SDIA. However, future pandemics may lead to a decrease in air traffic, at least for a temporary period, which in turn could cause a decrease in passenger activity at SDIA and a corresponding decline in Revenues. The Authority is unable to predict how serious this situation may become, what effect it may have on air travel to and from SDIA, and whether any such effects will be material.

Regulations and Restrictions Affecting SDIA

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

It is not possible to predict whether future restrictions or limitations on operations at SDIA will be imposed, whether future legislation or regulations will affect anticipated federal funding or PFC collections for capital projects for SDIA, whether additional requirements will be funded by the federal government or require funding by the Authority, or whether such restrictions or legislation or regulations would adversely affect Revenues.

State Tidelands Trusts

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

Federal Law Affecting Airport Rates and Charges

In general, federal aviation law requires that airport fees charged to airlines and other aeronautical users be reasonable and that in order to receive federal grant funding, all airport generated revenues must be expended for the capital or operating costs of the airport, the local airport system, or other local facilities owned or operated by the airport owner that are directly and substantially related to air transportation of passengers or property. The Authority is not aware of any formal dispute involving SDIA over any existing rates and charges. The Authority believes that the rates and charges methodology it utilizes and the rates and charges it imposes upon air carriers, foreign air carriers and other aeronautical users are reasonable and consistent with applicable law. However, there can be no assurance that a complaint will not be brought against the Authority in the near-term or in the future, challenging such methodology and the rates and charges established by the Authority, and if a judgment is rendered against the Authority, there can be no assurance that rates and charges paid by aeronautical users of SDIA will not be reduced. An adverse determination in a future challenge could limit the ability of the Authority to charge airlines rates sufficient to meet the rate covenants in the Master Senior Indenture and the Master Subordinate Indenture and could have a material adverse impact on the receipt of Revenues.

Additionally, the policies of the FAA prohibit an airport from making direct or indirect payments that exceed the fair and reasonable value of the respective services and facilities provided to the airport. The Port District provides certain services to the Authority and leases several parcels of land to the Authority. If the FAA were to rule that the Authority's payments to the Port District for the services provided by the Port District and/or for the lease of the several parcels of land to the Authority violate the policies of the FAA, the Authority would be solely responsible for correcting any such violations. If the Authority violates the policies of the FAA, the FAA may withhold payment of AIP grants or rescind the Authority's ability to collect PFCs until the Authority corrects such violation. The Authority is not aware of any challenges by the FAA to the payments being made by the Authority to the Port District.

Restrictions on Airport Facilities and Operations

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

Additionally there are direct restrictions on operations at SDIA, primarily relating to noise abatement. The Code of the Authority prohibits departures from SDIA between 11:30 p.m. and 6:30 a.m. (the "Curfew"). No airline may schedule or advertise for a departure between 11:15 p.m. and 6:15 a.m. These restrictions are subject only to limited exceptions including emergency and mercy flights. Landings at SDIA are not prohibited during the Curfew. See "AIRPORT ENVIRONMENTAL MATTERS—Airport Noise."

These restrictions on facilities and operations may limit the number of passengers and flights which SDIA can accommodate in the future which, in turn, may limit the amount of Revenues the Authority can generate.

Factors Affecting Green Build Program and Capital Development Program

As described herein, the Authority is undertaking a significant capital development program at SDIA. The Authority has entered into and will enter into agreements for the construction of such capital improvements. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT." The Authority anticipates that such contracts will be subject to adjustment for a variety of circumstances, including higher than anticipated costs of labor and materials or subcontractor bids, changes in scope, unforeseen site conditions and force majeure events. The estimated costs of, and the projected schedule for, the capital development program are subject to a number of uncertainties. The ability of the Authority to complete the Green Build Program and the 2013-17 CIP may be adversely affected by various factors including: (a) estimating errors; (b) design and engineering errors; (c) changes to the scope of the projects, including changes to federal security regulations; (d) delays in contract awards; (e) material and/or labor shortages; (f) unforeseen site conditions; (g) adverse weather conditions and other force majeure events; (h) contractor defaults; (i) labor disputes; (j) unanticipated levels of inflation; and (k) environmental issues. No assurance can be made that the existing projects in the Green Build Program and the 2013-17 CIP will not cost more than the current budget for these projects. Any schedule delays or cost increases could result in the need to issue additional indebtedness and may result in increased costs per enplaned passenger to the airlines, thereby making SDIA less economically competitive. There can be no assurances that significant increases in costs over the amounts projected by the Authority will not materially adversely affect the financial condition or operations of SDIA.

Unavailability of, or Delay in, Anticipated Funding Sources

As described herein, the Authority anticipates that funding for the Green Build Program and the Capital Improvements Program (including the 2013-17 CIP) will be provided through a portion of the proceeds of the Senior Series 2013 Bonds and the Subordinate Series 2010 Bond, internally generated cash of the Authority, PFCs, federal funds and grants, CFCs, proceeds of Special Facility Obligations secured by CFCs and other sources. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Funding Sources for Green Build Program and Capital Improvement Program" and "APPENDIX A—FINANCIAL FEASIBILITY REPORT" for a description of the financing plan for the Green Build Program and the Capital Improvement Program. In the event that any of such sources are unavailable for any reason, including unavailability of internally generated cash flow; reduction in the amount of PFCs, CFCs or federal funds and grants available to the Authority; non-appropriation of, or delay in payment of, federal fund or grants; the inability of the Authority to issue or sell Special Facility Obligations; or any other reason, the completion of the Green Build Program and the Capital Improvements Program (including the 2013-17 CIP) could be substantially delayed and financing costs could be higher than projected. There can be no assurances that such circumstances will not materially adversely affect the financial condition or operations of SDIA and the Authority.

Availability of PFCs. The Authority expects to use approximately $198.2 million of PFCs on a pay-as-you-go basis to finance a portion of the costs of the Green Build Program and the Capital Improvements Program (including the 2013-17 CIP) and $921.4 million of PFCs to pay debt service on PFC Eligible Bonds (including a portion of the Senior Series 2013 Bonds and a portion of the Subordinate Series 2010 Bonds) issued to finance a portion of the costs of the Green Build Program and the Capital Improvements Program (including the 2013-17 CIP). See "SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR SERIES 2013 BONDS—Use of PFCs to Pay Debt Service."

The amount of PFCs received by the Authority in future years will vary based upon the actual number of PFC-eligible passenger enplanements at SDIA. No assurance can be given that any level of enplanements will be realized. See "—Factors Affecting the Airline Industry" above. Additionally, the FAA may terminate the Authority's ability to impose the PFC, subject to informal and formal procedural safeguards, if (a) PFC revenues are not being used for approved projects in accordance with the FAA's approval, the PFC Act or the PFC Regulations; or (b) the Authority otherwise violates the PFC Act or the PFC Regulations. Its authority to impose the PFC may also be terminated if the Authority violates certain provisions of ANCA and its implementing regulations. The regulations under ANCA also contain procedural safeguards to ensure that the Authority's ability to impose a PFC would not be summarily terminated. No assurance can be given that the Authority's ability to impose the PFC will not be terminated by Congress or the FAA, that the PFC program will not be modified or restricted by Congress or the FAA so as to reduce PFC revenues available to the Authority or that the Authority will not seek to decrease the amount of the PFC to be collected, provided such decrease does not violate the Authority's covenant in the PFC Resolution.

A shortfall in PFC revenues, as a result of the FAA or Congress reducing or terminating the Authority's ability to collect PFCs or as a result of any other actions, may cause the Authority to increase rates and charges at SDIA to meet the debt service requirements on the Senior Series 2013 Bonds and the Subordinate Series 2010 Bonds that the Authority plans to pay with PFCs, and/or require the Authority to identify other sources of funding to pay for the costs of the Green Build Program and the 2013-17 CIP projects currently expected to be paid with PFC revenues, including issuing Additional Senior Bonds and/or Additional Subordinate Obligations.

Availability of Federal Funds. See also "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Funding Sources for Green Build Program and Capital Improvement Program—Federal Funding," for a discussion of the assumptions with respect to AIP entitlement and discretionary grant funding and funds to be paid to the Authority by TSA. Although the Authority considers these assumptions to be reasonable, assumptions are inherently subject to certain uncertainties and contingencies. Actual AIP entitlement and/or discretionary funding levels and amounts received from the TSA and the timing of the receipt of such funds vary and such differences may be material. Funds obligated for the AIP are drawn from the Airport and Airway Trust Fund that is supported by user fees, fuel taxes, and other similar revenue sources that must be authorized and approved by Congress.

If there is a reduction in the amount of AIP grants awarded to the Authority or funds received from TSA for use at SDIA, such reduction could (i) increase by a corresponding amount the capital expenditures that the Authority would need to fund from other sources (including operating revenues, Additional Senior Bonds or Additional Subordinate Obligations), (ii) result in decreases to the 2013-17 CIP projects or (iii) extend the timing for completion of certain projects.

Future Federal Budget Cuts

The Budget Control Act of 2011 (the "2011 Budget Act") required the Joint Select Committee on Deficit Reduction and Congress to propose and enact legislation before January 2, 2013 that reduced the federal deficit by $1.2 trillion. [Actual actions taken by Congress and President to come]. [If legislators would have failed to enact specific deficit reduction measures by January 2, 2013, automatic comprehensive budget sequestration and cuts to defense and nondefense spending would have occurred. Such reductions would have including, among other things, a reduction of the Federal Direct Payments received by the Authority (the automatic reduction would have resulted in an estimated reduction of 7.6% or approximately $190,000 of the Federal Direct Payments receivable by the Authority), and a reduction of the FAA's and the TSA's operating budgets. As described in this Official Statement (including in Appendix A), the Authority expects to use the Federal Direct Payments to pay a portion of the debt service on the Subordinate Series 2010 Bonds. Any future budget reducing legislation enacted by Congress or any automatic sequestration and cuts that may occur could have an adverse effect on the Authority and SDIA, including, among other things, a reduction of the receipt of the Federal Direct Payments and the operations of the FAA and the TSA at SDIA. The Authority cannot predict what actions Congress and the President may take in the future to reduce the federal budgets or what effect those actions may have on the Authority and SDIA.]

Financial Feasibility Report

The Financial Feasibility Report included as Appendix A to this Official Statement contains certain assumptions and forecasts. The Financial Feasibility Report should be read in its entirety for a discussion of historical and forecasted results of enplanements, operations and debt service coverage and the assumptions and rationale underlying the forecasts. As noted in the Financial Feasibility Report, any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecast and actual results, and those differences may be material.

Accordingly, the projections contained in the Financial Feasibility Report or that may be contained in any future certificate of the Authority or a consultant are not necessarily indicative of future performance, and neither the Feasibility Consultant nor the Authority assumes any responsibility for the failure to meet such projections. In addition, certain assumptions with respect to future business and financing decisions of the Authority are subject to change. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the Senior Series 2013 Bonds are cautioned not to place undue reliance upon the Financial Feasibility Report or upon any projections or requirements for projections. If actual results are less favorable than the results projected or if the assumptions used in preparing such projections prove to be incorrect, the amount of Net Revenues, PFCs and federal funds and grants may be materially less than expected and consequently, the ability of the Authority to make timely payment of the principal of and interest on the Senior Series 2013 Bonds may be materially adversely affected.

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

Impact of Potential Earthquakes

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

The main terminal buildings of SDIA were seismically upgraded in the mid-1990s and comply with applicable building codes. However, SDIA's facilities could sustain extensive damage in a major seismic event, ranging from total destruction of SDIA, to destabilization or liquefaction of the soils, to little or no damage at all. There can be no assurances that damage resulting from an earthquake will not materially adversely affect the financial condition or operations of SDIA or the ability of the Authority to generate Net Revenues and Subordinate Net Revenues in the amounts required by the Senior Indenture and the Subordinate Indenture, as applicable. The Authority does not currently maintain earthquake insurance, but as of June 20, 2012, the Authority had $5,942,000 for an earthquake contingency reserve. See "FINANCIAL INFORMATION—Risk Management and Insurance."

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

Climate Change Issues

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

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

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

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

Possible Sea-Level Rise. SDIA is located approximately one-half mile from San Diego Bay, which is located approximately two miles from the Pacific Ocean. The San Diego area, including SDIA, may be exposed to rising sea levels as a result of global warming. In May 2009, the California Climate Change Center released a final paper entitled "The Impacts of Sea-Level Rise on the California Coast" that was funded by the California Energy Commission, the California Environmental Protection Agency, the Metropolitan Transportation Commission, the California Department of Transportation, and the California Ocean Protection Council. The paper posits that increases in sea level will be a significant impact of climate change over the next century. While noting that impacts are highly site-specific and somewhat speculative, the paper indicated that the San Diego area, including SDIA, were not vulnerable to flooding with a 1.4-meter sea level rise. However, the Authority is unable to predict whether sea-level rise or other impacts of climate change will occur while the Senior Series 2013 Bonds are outstanding, and if any such events occur, whether there will be an adverse impact, material or otherwise, on Revenues.

Ability To Meet Rate Covenant

As discussed in "SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR SERIES 2013 BONDS—Senior Rate Covenant," the Authority has covenanted in the Master Senior Indenture to establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that during each Fiscal Year the rate covenant set forth in the Master Senior Indenture is met. In addition to Net Revenues, the Authority expects to use approximately $542,000 of PFCs in Fiscal Year 2013, approximately $6.9 million of PFCs in Fiscal Year 2014, approximately $8.3 million of PFCs each Fiscal Year 2015, and approximately $8.4 million of PFCs in Fiscal Years 2016 through 2018, to pay a portion (between approximately 29.6%* in Fiscal Year 2013, approximately 37.7%* in Fiscal Year 2014, approximately 36.9%* in Fiscal Year 2015 and approximately 36.6%* in Fiscal Years 2016 through 2018) of the debt service on the Senior Series 2013 Bonds. If PFCs are used to pay principal of and/or interest on the Senior Series 2013 Bonds, the principal and/or interest on such Senior Series 2013 Bonds is excluded from the calculation of debt service on the Senior Series 2013 Bonds; thus decreasing debt service and increasing debt service coverage for purposes of the rate covenant under the Master Senior Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR SERIES 2013 BONDS—Use of PFCs to Pay Debt Service." Also see "—Availability of PFCs" above.

If Net Revenues (and PFCs expected to be used to pay debt service) were to fall below the levels necessary to meet the rate covenant set forth in the Master Senior Indenture, the Master Senior Indenture provides for procedures under which the Authority would retain and direct a Consultant to make recommendations as to the revision of the Authority's business operations and its schedule of rentals, rates, fees and charges for the use of the Airport System and for services rendered by the Authority in connection with the Airport System, and after receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the Authority is required to take all lawful measures to revise the schedule of rentals, rates, fees and charges as may be necessary to meet the rate covenant. Increasing the schedule of rentals, rates, fees and charges for the use of the Airport System and for services rendered by the Authority in connection with the Airport System is subject to contractual, statutory and regulatory

* Preliminary; subject to change.

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restrictions (see "—Regulations and Restrictions Affecting SDIA" above). Implementation of an increase in the schedule of rentals, rates, fees and charges for the use of SDIA could have a detrimental impact on the operation of SDIA by making the cost of operating at SDIA unattractive to airlines, concessionaires and others in comparison to other airports, or by reducing the operating efficiency of SDIA.

Enforceability of Remedies; Limitation on Remedies

As discussed above under "SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR SERIES 2013 BONDS—Events of Default and Remedies; No Acceleration," there is no right to acceleration of payments to bondholders under the Senior Indenture, and bondholders may be required to make a separate claim for each semiannual payment not paid. Further, the remedies available to the owners of the Senior Series 2013 Bonds upon an Event of Default under the Senior Indenture are in many respects dependent upon regulatory and judicial actions that are in many instances subject to discretion and delay. Under existing laws and judicial decisions, the remedies provided for in the Senior Indenture may not be readily available or may be limited. Legal opinions to be delivered concurrently with the delivery of the Senior Series 2013 Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Senior Series 2013 Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the enforcement of creditors' rights generally and by equitable remedies and proceedings generally.

Potential Limitation of Tax Exemption of Interest on Senior Series 2013 Bonds

On September 12, 2011, President Obama announced a legislative proposal entitled the American Jobs Act of 2011 (the "American Jobs Act of 2011"). The American Jobs Act of 2011 was introduced in the United States Senate on September 13, 2011, as Senate Bill 1549. The American Jobs Act of 2011, if enacted, would, among other things, subject interest on tax-exempt bonds (including the Senior Series 2013 Bonds) to federal income taxation for taxpayers with incomes above certain thresholds for tax years beginning after 2012. The American Jobs Act of 2011 or other legislative proposals, if enacted into law, clarification of the Internal Revenue Code of 1986, as amended, or court decisions may cause interest on the Senior Series 2013 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Internal Revenue Code of 1986, as amended, or court decisions may also affect the market price for, or marketability of, the Senior Series 2013 Bonds. Prospective purchasers of the Senior Series 2013 Bonds should consult their own tax advisors regarding any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion. See "TAX MATTERS—Changes in Federal and State Tax Law."

Forward-Looking Statements

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

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

AIRLINE INDUSTRY INFORMATION

Certain of the airlines or their parent corporations operating at SDIA are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, as such are required to file periodic reports, including financial and operational data, with the SEC. All such reports and statements can be inspected and copies obtained at prescribed rates in the Public Reference Room of the SEC at 100 F Street, NE, Room 1580, Washington, DC 20549. The SEC maintains a website at http://www.sec.gov containing reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. In addition, each domestic airline is required to file periodic reports of financial and operating statistics with the DOT. Such reports can be inspected at the following location: Bureau of Transportation Statistics, Research and Innovation Technology Administration, Department of Transportation, 1200 New Jersey Avenue, SE, Washington, DC 20590, and copies of such reports can be obtained from the DOT at prescribed rates.

Airlines owned by foreign governments or foreign corporations operating airlines (unless such foreign airlines have American Depository Receipts registered on a national exchange) are not required to file information with the SEC. Airlines owned by foreign governments, or foreign corporations operating airlines, file limited information only with the DOT.

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

See also "CERTAIN INVESTMENT CONSIDERATIONS" for discussions regarding the financial condition of the airlines and the effects of airline bankruptcies on the Authority.

LITIGATION

No Litigation Relating to Senior Series 2013 Bonds

There is no litigation now pending or, to the best of the Authority's knowledge, threatened which seeks to restrain or enjoin the sale, issuance or delivery of the Senior Series 2013 Bonds or in any way contests the validity of the Senior Series 2013 Bonds or any proceedings of the Board taken with respect to the authorization, sale or issuance of the Senior Series 2013 Bonds, the pledge or application of any moneys provided for the payment of or security for the Senior Series 2013 Bonds, or the use of the proceeds of the Senior Series 2013 Bonds.

Litigation Relating to the Authority and SDIA

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

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

Jacob Mojadem v. San Diego County Regional Airport Authority. The Authority is defendant in a class action lawsuit filed in 2012 on behalf of plaintiff Jacob Mojadem and other similarly situated plaintiffs. Mojadem is a taxicab driver who leases a taxicab and transports passengers from SDIA. Mojadem is required to pay a taxicab trip fee when operating on SDIA property. The lawsuit seeks declaratory and injunctive relief and monetary damages premised on legal theories of money had and received and unjust enrichment. Mojadem's complaint alleges the Authority's collection of taxicab trip fees from taxicab drivers since 2010 is unconstitutional, unlawful, discriminatory, unfair, an illegal tax, a burden on income, and an illegal privilege fee. On August 31, 2012, the San Diego Superior Court sustained the Authority's demurrer to the complaint ruling it failed to state a valid cause of action because it did not identify a violation of any specific regulation, statute or constitutional provision. Mojadem was granted leave to file an second amended complaint. Hearing on the demurrer is scheduled for February 1, 2013. The Authority cannot predict the ultimate outcome of this case.

TAX MATTERS

General

In the opinion of Kutak Rock LLP, Bond Counsel to the Authority, under existing laws, regulations, rulings and judicial decisions, interest on the Senior Series 2013 Bonds is excluded from gross income for federal income tax purposes, except for interest on any Senior Series 2013B Senior Bond for any period during which such Senior Series 2013B Bond is held by a "substantial user" of the facilities financed or refinanced by the Senior Series 2013B Bonds or by a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is further of the opinion that (a) interest on the Senior Series 2013A Bonds is not a specific preference item for purposes of the federal alternative minimum tax, and (b) interest on the Senior Series 2013B Bonds is a specific preference item for purposes of the federal alternative minimum tax. The opinions described in the preceding sentences assume the accuracy of certain representations and compliance by the Authority with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Senior Series 2013 Bonds. Failure to comply with such requirements could cause interest on the Senior Series 2013 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Senior Series 2013 Bonds. The Authority will covenant to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Senior Series 2013 Bonds.

Notwithstanding Bond Counsel's opinion that interest on the Senior Series ~~2012~~2013A Bonds is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of federal alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings over their federal alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

Bond Counsel is further of the opinion that under existing laws, regulations, rulings and judicial decisions, interest on the Senior Series 2013 Bonds is exempt from State of California personal income taxes.

The accrual or receipt of interest on the Senior Series 2013 Bonds may otherwise affect the federal income tax liability of the owners of the Senior Series 2013 Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction.

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Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Senior Series 2013 Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Senior Series 2013 Bonds.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Senior Series 2013 Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Senior Series 2013 Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the various state legislatures that, if enacted, could alter or amend federal and state tax matters referred to above or adversely affect the market value of the Senior Series 2013 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment.

In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Senior Series 2013 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Senior Series 2013 Bonds or the market value thereof would be impacted thereby. Purchasers of the Senior Series 2013 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Senior Series 2013 Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Tax Treatment of Original Issue Discount

The Senior Series 2013A Bonds maturing on July 1, 20__ through, and including, July 1, 20__, and the Senior Series ~~2012~~2013B Bonds maturing on July 1, 20__ through, and including, July 1, 20__ (collectively, the "Discount Bonds") are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described under "—General" above.

The amount of original issue discount which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Discount Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

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Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days which are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

Tax Treatment of Original Issue Premium

The Senior Series 2013A Bonds maturing on July 1, 20__ through, and including, July 1, 20__, and the Senior Series ~~2012~~2013B Bonds maturing on July 1, 20__ through, and including, July 1, 20__ (collectively, the "Premium Bonds") are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

RATINGS

Moody's, S&P and Fitch have assigned ratings of "[__]" ([_____] outlook), "[__]" ([_____] outlook), and "[__]" ([______] outlook), respectively, to the Senior Series 2013 Bonds. Such ratings reflect only the views of such organizations and any explanation of the meaning and significance of such ratings, including the methodology used and any outlook thereon, should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investor Services, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041; and Fitch Ratings, One State Street Plaza, New York, NY 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The respective ratings are not a recommendation to buy, sell or hold the Senior Series 2013 Bonds. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Senior Series 2013 Bonds.

LEGAL MATTERS

The validity of the Senior Series 2013 Bonds and certain other legal matters are subject to the approving opinion of Kutak Rock LLP, Bond Counsel to the Authority. A complete copy of the proposed form of Bond Counsel's opinion is contained in Appendix D hereto. As Bond Counsel, Kutak Rock LLP undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain matters will be passed upon for the Authority by the General Counsel to the Authority. Certain legal matters with respect to this Official Statement will be passed upon for the Authority by Kutak Rock LLP, Disclosure Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by their counsel, Nixon Peabody LLP. All of the fees of Bond Counsel, Disclosure Counsel and Underwriters' Counsel with respect to the issuance of the Senior Series 2013 Bonds are contingent upon the issuance and delivery of the Senior Series 2013 Bonds.

UNDERWRITING

The Senior Series 2013A Bonds will be purchased by Jefferies & Company, Inc., Citigroup Global Markets Inc., Cabrera Capital Markets, LLC, J.P. Morgan Securities LLC, Loop Capital Markets, LLC, and Siebert Brandford Shank & Co., L.L.C. (collectively, the "Underwriters"), from the Authority at a price of $____________ (which is the par amount of the Senior Series 2013A Bonds, plus an original issue premium of $___________, less an original issue discount of $___________, less an underwriters' discount of $____________), subject to the terms of a purchase contract (the "Purchase Contract"), between Jefferies & Company, Inc., as representative of the Underwriters, and the Authority.

The Senior Series 2013B Bonds will be purchased by the Underwriters from the Authority at a price of $____________ (which is the par amount of the Senior Series 2013B Bonds, plus an original issue premium of $___________, less an original issue discount of $___________, less an underwriters' discount of $____________), subject to the terms of the Purchase Contract.

The Purchase Contract provides that the Underwriters will purchase all of the Senior Series 2013 Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel, and certain other conditions. The initial public offering prices of the Senior Series 2013 Bonds set forth on the inside of the front cover hereof may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Senior Series 2013 Bonds into unit investment trusts or money market funds at prices lower than the public offering prices stated on the cover hereof.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Authority, for which they received or will receive customary fees and expenses.

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

Citigroup Global Markets Inc. ("Citigroup") provided the information contained in this paragraph for inclusion in this Official Statement and the Authority does not take any responsibility for or make any representation as to its accuracy or completeness. Citigroup, one of the underwriters of the Senior Series 2013 Bonds, and its parent company, Citigroup, Inc., have entered into a distribution agreement dated May 31, 2009, as amended, with Morgan Stanley Smith Barney LLC ("MSSB") and its parent company, Morgan Stanley Smith Barney Holdings LLC, whereby Citigroup will distribute municipal securities to retail investors through the financial advisor network of MSSB. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup will compensate MSSB for its selling efforts with respect to the Senior Series 2013 Bonds.

J.P. Morgan Securities LLC ("JPMS") provided the information contained in this paragraph for inclusion in this Official Statement and the Authority does not take any responsibility for or make any representation as to its accuracy or completeness. JPMS, one of the underwriters of the Senior Series 2013 Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Senior Series 2013 Bonds, at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS&Co. will purchase Senior Series 2013 Bonds from JPMS at the original issue prices less a negotiated portion of the selling concession applicable to any Senior Series 2013 Bonds that such firm sells.

FINANCIAL ADVISOR

The Authority has retained the services of Frasca & Associates, L.L.C., New York, New York, as Financial Advisor in connection with the issuance of the Senior Series 2013 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

CONTINUING DISCLOSURE

At the time of issuance of the Senior Series 2013 Bonds, the Authority will execute and deliver a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") substantially in the form set forth in Appendix E of this Official Statement. Pursuant to the Continuing Disclosure Certificate, the Authority will covenant to provide, or cause to be provided, to the MSRB, through the EMMA System, in an electronic format as prescribed by the MSRB, for purposes of Rule 15c2-12 adopted by the SEC ("Rule 15c2-12"), certain annual financial information and operating data relating to the Authority and the Airport System and, in a timely manner, notice of certain enumerated events. During the last five years, the Authority has never failed to comply in all material respects with any continuing disclosure undertakings with regard to Rule 15c2-12 to provide annual financial information and operating data relating to the Authority and the Airport System and, in a timely manner, notice of certain enumerated events. See "APPENDIX E—FORM OF CONTINUING DISCLOSURE CERTIFICATE."

FINANCIAL STATEMENTS

The audited financial statements of the Authority for Fiscal Year 2012 are included as Appendix B attached hereto. The financial statements referred to in the preceding sentence have been audited by McGladrey LLP, the Authority's independent auditor, as stated in its Independent Auditor's Report, dated October 16, 2012, included in Appendix B. The Authority has not requested the consent of McGladrey LLP, nor has McGladrey LLP consented, to the inclusion of the financial statements of the Authority or the Independent Auditor's Report in Appendix B. McGladrey LLP has not been engaged to perform, and has not performed, since the date of its Independent Auditor's Report, any procedures on the financial statements addressed in that report. McGladrey LLP also has not performed any procedures relating to this Official Statement.

MISCELLANEOUS

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

All references to the Act, the Senior Indenture, the Subordinate Indenture, the Airline Lease Agreements and agreements with any other parties herein and in the Appendices hereto are made subject to the detailed provisions of such documents, and reference is made to such documents and agreements for full and complete statements of the contents thereof. Copies of such documents are available for review at the offices of the Authority which are located at Commuter Terminal, 3rd Floor, 3225 North Harbor Drive, San Diego, California 92101. This Official Statement is not to be construed as a contract or agreement between the Authority and the owners of any of the Senior Series 2013 Bonds.

AUTHORIZATION

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

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

By ______________________________
President and CEO

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APPENDIX A

FINANCIAL FEASIBILITY REPORT

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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APPENDIX C

CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER SENIOR INDENTURE AND THE THIRD SUPPLEMENTAL SENIOR INDENTURE

APPENDIX D

PROPOSED FORM OF BOND COUNSEL'S OPINION

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX F

BOOK-ENTRY-ONLY SYSTEM

Introduction

Unless otherwise noted, the information contained under the caption "—General" below has been provided by DTC. The Authority makes no representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Senior Series 2013 Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER THE AUTHORITY NOR THE SENIOR TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SENIOR SERIES 2013 BONDS UNDER THE SENIOR INDENTURE, (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SENIOR SERIES 2013 BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE TO THE OWNERS OF THE SENIOR SERIES 2013 BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SENIOR SERIES 2013 BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

DTC will act as securities depository for the Senior Series 2013 Bonds. The Senior Series 2013 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Senior Series 2013 Bond certificate will be issued for each maturity of the Senior Series 2013 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct

Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Senior Series 2013 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Senior Series 2013 Bonds on DTC's records. The ownership interest of each actual purchaser of each Senior Series 2013 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Senior Series 2013 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Senior Series 2013 Bonds, except in the event that use of the book-entry system for the Senior Series 2013 Bonds is discontinued.

To facilitate subsequent transfers, all Senior Series 2013 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Senior Series 2013 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Senior Series 2013 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Senior Series 2013 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Senior Series 2013 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Senior Series 2013 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Senior Series 2013 Bond documents. For example, Beneficial Owners of Senior Series 2013 Bonds may wish to ascertain that the nominee holding the Senior Series 2013 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

While the Senior Series 2013 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Senior Series 2013 Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Senior Series 2013 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Senior Series 2013 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Senior Series 2013 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority, the Senior Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Senior Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Senior Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Senior Series 2013 Bonds at any time by giving reasonable notice to the Authority or the Senior Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Senior Series 2013 Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates representing the Senior Series 2013 Bonds will be printed and delivered to DTC.

The information in this Appendix F concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but neither the Authority nor the Underwriters take any responsibility for the accuracy thereof.

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF SENIOR SERIES 2013 BONDS AND WILL NOT BE RECOGNIZED BY THE TRUSTEE AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE DTC PARTICIPANTS.

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Padding cell	

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Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	143

UNISON
Consulting, Inc.

Draft – November 30, 2012

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

Subject: ***Financial Feasibility Report - San Diego County Regional Airport Authority Senior Airport Revenue Bonds, Series 2013A and Series 2013B***

Dear Ms. Bowens:

Unison Consulting, Inc. ("Unison") is pleased to submit the attached Financial Feasibility Report regarding the proposed issuance by the San Diego County Regional Airport Authority (the "Authority") of its Senior Airport Revenue Bonds, Series 2013A and Series 2013B (collectively, the "Series 2013 Bonds") in the approximate aggregate principal amount of $____ million. The Series 2013 Bonds are being issued as senior lien bonds. The proceeds of the Series 2013 Bonds will be used to fund a portion of the costs of certain capital projects included in the Authority's capital program; to fund a reserve fund; to pay capitalized interest; to refund certain outstanding commercial paper notes; and to pay costs of issuance of the Series 2013 Bonds.

The Series 2013 Bonds are being issued pursuant to a Master Trust Indenture as amended (the "Master Senior Indenture") dated as of November 1, 2005, by and between the Authority and The Bank of New York Mellon Trust Company, N.A. (the "Senior Trustee"), and a Third Supplemental Trust Indenture dated as of January 1, 2013 (the "Third Supplemental Indenture"), by and between the Authority and the Senior Trustee. The Series 2013 Bonds are special obligations of the Authority, secured by a pledge of and first lien on the Net Revenues (as defined in the Master Senior Indenture) and certain funds and accounts held by the Senior Trustee. Except as noted otherwise, all capitalized terms in this letter and the attached Report shall have the meanings set forth in the Master Senior Indenture.

Until January 2003, San Diego International Airport ("SAN", or the "Airport") was owned and operated by the San Diego Unified Port District. In January 2003, the Airport was transferred by long-term lease to the Authority, which now operates the Airport. SAN is the main commercial service airport serving the City of San Diego and the San Diego metropolitan area.

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Chicago, Illinois / Orange County, California / San Antonio, Texas / St. Louis, Missouri

The Airport, which enplaned approximately 8.575 million passengers in fiscal year ("FY")[1] 2012, is classified by the Federal Aviation Administration ("FAA") as a large-hub airport.[2] Based on 2011 data, the Airports Council International – North America (the "ACI-NA") ranked the Airport as 28th in the nation in terms of total passengers served. The Airport is located approximately three miles northwest of downtown San Diego.

Purpose of the Bond Financing

On May 1, 2008, the Authority's board of directors adopted the San Diego International Airport Master Plan (the "Master Plan"), which documents the Authority's planning process for the Airport. The Master Plan provides guidance for the development of the Airport to meet continued growth at the Airport. In April 2009 the Authority completed the Environmental Impact Report ("EIR") on a group of planned capital improvement projects known as "The Green Build," which incorporates certain elements of the Master Plan, including the expansion of the Airport's terminal facilities, the expansion of the terminal roadway system, and the construction of new aircraft apron improvements and an aircraft taxi lane. The Green Build includes a number of capital improvement projects expected to be completed by August 2013, which are estimated to cost approximately $820.0 million. The balance of the Authority's capital program (the "Capital Program") is composed of its Capital Improvement Program ("CIP"), which is designed to improve facilities and preserve existing assets at the Airport. The CIP, with a total cost of approximately $757.5 million, includes certain capital projects started in FY 2005 and completed prior to FY 2013, in addition to the projects anticipated to be completed in FY 2013 through FY 2017 (the "FY 2013–FY 2017 CIP").

The Series 2013 Bonds are being issued to finance approximately $391.4 million in capital program costs ($259.9 million in costs for The Green Build and $131.5 million in CIP costs). It is anticipated that the largest portion of the proceeds of the Series 2013 Bonds applied to The Green Build costs will fund terminal project costs ($174.1 million). The funding plan assumes that the majority of the proceeds of the Series 2013 Bonds applied to CIP project costs will fund $83.1 million of landside project costs.

The costs of the Authority's CIP and The Green Build are expected to be funded from the following sources in addition to the Series 2013 Bonds. These sources are described in the attached report: (i) proceeds of the Subordinate Airport Revenue Bonds, Series 2010A, Series 2010B, and Series 2010C (the "Subordinate Series 2010 Bonds"); (ii) FAA Airport Improvement Program ("AIP") grants and Transportation Security Administration ("TSA") funding; (iii) Passenger Facility Charges ("PFCs"); (iv) Authority funds; (v) Customer Facility Charges ("CFCs") and special facility bonds secured solely by CFCs; and (vi) other sources.

[1] The Authority's fiscal year begins on July 1st and ends on June 30th.
[2] Any airport that enplanes over 1.0 percent of total domestic U.S. enplanements is classified by the FAA as a large hub airport

Rate Covenants

Under the Master Senior Indenture, the Authority has covenanted to establish and collect fees and charges in each Fiscal Year which will generate Net Revenues at least equal to the following amounts: (a) the aggregate annual debt service on any outstanding Senior Bonds; (b) the required deposits to any senior debt service reserve fund; (c) the reimbursement owed to any credit provider or liquidity provider as required by a Supplemental Senior Indenture; (d) the interest on and principal of any indebtedness other than Outstanding Senior Bonds, but including Subordinate Obligations; and (e) payments of any reserve requirement for debt service for any indebtedness other than Outstanding Senior Bonds, including Subordinate Obligations. The Authority has also covenanted to establish and collect fees and charges in each Fiscal Year which will generate Net Revenues at least equal to 125 percent of aggregate annual debt service on the Outstanding Senior Bonds. This provision is known as the "Senior Rate Covenant."

Under the Master Subordinate Indenture, the Authority has covenanted to establish and collect fees and charges in each Fiscal Year which will generate Subordinate Net Revenues at least equal to the Aggregate Annual Debt Service on any Outstanding Subordinate Obligations and deposits to reserves and other payments required by the Master Subordinate Indenture. The Authority has also covenanted to establish and collect fees and charges in each Fiscal Year which will generate Subordinate Net Revenues at least equal to 110 percent of Aggregate Annual Debt Service on the Outstanding Subordinate Obligations. This provision is known as the "Subordinate Rate Covenant."

The attached report includes calculations of historical and projected Net Revenues and Subordinate Net Revenues to evaluate the ability of the Authority to meet the requirements of the Senior Rate Covenant and the Subordinate Rate Covenant. The calculations reflect the projected effects of the Series 2013 Bonds.

On August 23, 2010 the Board adopted a resolution (the "PFC Resolution") pursuant to which the Board irrevocably committed a certain amount of PFCs each fiscal year, between FY 2013 and FY 2016, to the payment of debt service on PFC eligible bonds. The Authority intends to apply PFCs each fiscal year to debt service on the Subordinate Series 2010 Bonds and the Series 2013 Bonds (a portion of which are PFC eligible bonds) in excess of the annual irrevocable commitment.

In FY 2011 the Authority began receiving cash subsidy payments from the United States Treasury in an amount equal to 35 percent of the interest payable on the Series 2010C Bonds issued as Build America Bonds (the "BAB subsidy"). The Authority applies the BAB subsidy to the payment of debt service on the Subordinate Series 2010 Bonds. The financial projections assume that the annual BAB subsidy payments will continue to be received in full throughout the forecast period. *[The Budget Control Act of 2011 contains sequestration provisions that would result in the reduction in payments by the federal government, including reductions in BAB subsidy payments. If the U.S. Congress does not take certain action to reduce the federal deficit by January 2, 2013, BAB subsidy payments could be reduced by 7.6 percent in federal fiscal year 2013, and additional cuts could also occur in subsequent years.]*

Airline Operating and Lease Agreement

The Authority has entered into separate, but substantially similar, Airline Operating and Lease Agreements (the "Airline Agreements") with 17 passenger airlines and five all-cargo carriers operating at the Airport (the "Signatory Airlines"). The Airline Agreement specifies the terms and conditions of the Signatory Airlines' use of Airport facilities and their operations at the Airport. The Airline Agreement will expire on June 30, 2013. However, either party may terminate the agreement with 90 days' written notice. The Authority and the airlines are in the preliminary stages of negotiating a new airline operating and lease agreement. The financial analysis in the attached report assumes that the airline rates and charges methodology currently in effect will continue after the expiration of the Airline Agreement, under a new agreement with substantially similar terms and conditions.

The principal types of rates and charges paid by the airlines are terminal rentals, landing fees, aircraft parking fees, security surcharges, and Federal Inspection Service ("FIS") use charges. The airline rates and charges are calculated by the Authority to recover the airlines' share of annual terminal and airfield expenses.

Six of the Signatory Airlines have entered into agreements with affiliated passenger airlines (the "Affiliate Airlines") to operate smaller aircraft on behalf of those Signatory Airlines. The Affiliate Airlines have each executed an agreement with the Authority and the applicable Signatory Airline (the "Affiliate Airline Operating Agreement"). The Affiliate Airline Operating Agreements allow the Affiliate Airlines to operate at SAN on behalf of the applicable Signatory Airlines without the Affiliate Airline having to enter into an Airline Agreement. The same rates, fees, and charges applicable to the Signatory Airlines' operations at SAN generally apply to the Affiliate Airlines' operations at SAN. In the event an Affiliate Airline fails to pay fees and charges to the Authority, the applicable Signatory Airline is responsible for the fees and charges billed to its Affiliate Airline.

Report Organization

Unison has prepared the attached Report to evaluate the ability of the Authority to meet the financial requirements established by the Master Senior Indenture and Master Subordinate Indenture. The following summary of the components of the attached Report provides an overview of the comprehensive analysis performed:

- **Section I** describes the Authority and the Airport.

- **Section II** describes the Authority's capital program, including The Green Build and the CIP, and the associated funding plan.

- **Section III** defines the Airport's air service area and discusses the local economic base.

- **Section IV** analyzes the historical aviation activity at the Airport and presents forecasts of future aviation activity.

- **Section V** reviews the Airline Agreement including the airline rates and charges methodology.

- **Section VI** reviews the framework for the financial operation of the Authority, including key provisions of the Master Senior Indenture and the Master Subordinate Indenture. This section also reviews the recent historical financial performance of the Authority, and examines the ability of the Authority to generate sufficient Net Revenues in each year of the forecast period to meet the obligations of the Master Senior Indenture and the Master Subordinate Indenture.

Assumptions

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

The major assumptions utilized in the attached Report are listed below:

1. The Authority will complete the projects listed in the The Green Build and the CIP, including the projects to be funded with the proceeds of the Series 2013 Bonds, within the budgeted costs and according to the estimated schedule.
2. The current airline rates and charges methodology will continue in effect after the expiration of the existing Airline Agreement, through the extension of the existing Airline Agreement, or through a new agreement with substantially similar terms.
3. The forecasts of aviation activity presented in the Report were developed using a modeling approach that links long-term air traffic activity to projected trends in key demand drivers. A multivariate regression model was developed that relates enplanements to (a) long-term demand drivers such as trends in the price of air travel and U.S. economic activity and (b) structural changes that have been taking place in the industry since September 11, 2001. The model is consistent with sound economic theory, is well-supported by empirical trends, and passes statistical evaluation.
4. The Authority will apply PFCs each fiscal year to debt service in excess of the annual irrevocable commitment.

5. The annual BAB subsidy payments will be received by the Authority in full (an amount equal to 35 percent of the annual interest payable on the portion of the Subordinate Series 2010 Bonds issued as Build America Bonds) throughout the forecast period.

Findings and Conclusions

Based upon the assumptions and analysis presented in the attached Report, we forecast that the Authority will be able to comply with the rate covenant provisions of the Master Senior Indenture and other governing legal documents, while maintaining a reasonable airline cost per enplaned passenger. Specifically, we conclude the following:

- Senior debt service coverage is projected to remain above the 1.25 minimum requirement, with a projected minimum of 4.84 during the period FY 2013 through FY 2018.

- Subordinate debt service coverage is projected to remain above the 1.10 minimum requirement, with a projected minimum of 2.44 during the period FY 2013 through FY 2018.

- Senior debt service coverage was 5.95 in FY 2011 and 7.35 in FY 2012, respectively – well above the 1.25 minimum requirement.

- The Authority's PFC Fund balance, after accounting for PFCs projected to be applied toward debt service on the Series 2013 Bonds, and PFCs projected to be applied on a Pay-As-You-Go basis toward PFC eligible capital costs, is projected to decrease from \$74.9 million at the beginning of FY 2013 to a low of \$43.8 million in FY 2017 before increasing to \$49.2 million at the end of FY 2018.

- SAN's airline cost per enplanement is projected to increase from \$8.33 in FY 2012 to \$11.15 in FY 2018. This level of airline cost per enplanement appears reasonable, considering it represents airline costs six years in the future, and it reflects the anticipated effects of the Authority's capital program, including The Green Build and the CIP.

- A low forecast scenario was developed using a Monte Carlo simulation based on the 15th percentile of likely outcomes. Under the low forecast scenario, the senior debt service coverage and the subordinate debt service coverage are projected to remain well above the minimum requirements throughout the forecast period, and the airline cost per enplanement is projected to increase to \$11.60. The PFC fund balance is still projected to decrease to a low of \$39.6 million in FY 2017 before increasing to \$43.5 million at the end of FY 2018.

Based on the above, we conclude that it is financially feasible for the Authority to proceed with the issuance of the Series 2013 Bonds. We also conclude that the Authority's financial plan for The Green Build and the current CIP is financially feasible.

Sincerely,

UNISON CONSULTING, INC.

FINANCIAL FEASIBILITY REPORT

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Senior Airport Revenue Bonds, Series 2013A and Series 2013B

Prepared by:

UNISON Consulting, Inc.

Draft – November 30, 2012

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SECTION I
INTRODUCTION

This Report considers the financial feasibility of the issuance of the San Diego County Regional Airport Authority Senior Airport Revenue Bonds, Series 2013A and Series 2013B (collectively, "the Series 2013 Bonds"). The Series 2013 Bonds are being issued as senior lien bonds to fund a portion of the cost of certain capital projects included in the Capital Improvement Program ("CIP") and The Green Build (defined in Section II) of the San Diego County Regional Airport Authority (the "Authority"); to fund a reserve fund; to pay capitalized interest; to refund certain outstanding commercial paper notes; and to pay certain costs of issuance of the Series 2013 Bonds.

This Report is organized into the following sections:

- **Section I** describes the Airport and the Authority.
- **Section II** describes the Authority's CIP and The Green Build, including the plan of finance.
- **Section III** defines the Airport's air service area and discusses the local economic base.
- **Section IV** analyzes the historical aviation activity at the Airport and presents forecasts of future aviation activity.
- **Section V** reviews the Airline Agreement including the airline rates and charges methodology.
- **Section VI** reviews the framework for the financial operation of the Authority, including key provisions of the bond indentures. This section also reviews the recent historical financial performance of the Authority, and examines the ability of the Authority to generate sufficient Net Revenues in each year of the forecast period to meet the obligations of the Master Senior Indenture.

A. THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

The Authority is a local governmental entity of regional government, with jurisdiction extending throughout the County of San Diego (the "County") and is responsible for the operation of San Diego International Airport ("SAN" or the "Airport"). SAN operates as a commercial service airport and served approximately 17.14 million total passengers during the Authority's Fiscal Year ("FY") ended June 30, 2012 ("FY 2012").[3]

The San Diego County Regional Airport Authority Act, codified in California Public Utilities Code Section 170000 *et seq.* (the "Act"), established the Authority. The Authority was created as an independent agency to manage the day-to-day operations

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

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of the Airport and to address the region's long-term air transportation needs. Effective January 1, 2003, the operations and assets of the Airport were transferred from the San Diego Unified Port District (the "Port District") to the Authority. The Authority is a public entity created to: (1) operate the Airport; (2) plan and operate any future airport that could be developed as a supplement or replacement to the Airport; (3) develop a comprehensive land use plan related to the development of airports for the County; and (4) serve as the region's airport land use commission by promoting the orderly development of airports and the adoption of land use plans that minimize the public's exposure to excessive noise and safety hazards around airports.

The Authority is governed by a nine-member board of directors (the "Board") representing all areas of the County, and at least two additional members serving as non-voting, ex-officio board members. Board members serve three year terms and may be reappointed. The Act specifies the appointment of the members of the Board as follows: the Mayor of the City of San Diego appoints three members (two of which are subject to confirmation by the City Council); the Chair of the County of San Diego Board of Supervisors appoints two members (subject to confirmation by the Board of Supervisors); the mayors of the east county cities (El Cajon, Lemon Grove, La Mesa and Santee) appoint one member; the mayors of the north county coastal cities (Carlsbad, Del Mar, Encinitas, Oceanside, and Solana Beach) appoint one member; the mayors of the north county inland cities (Poway, Escondido, Vista and San Marcos) appoint one member; and the mayors of the south county cities (Coronado, Imperial Beach, Chula Vista and National City) appoint one member. Two ex-officio members serving as the District Director of the State Department of Transportation for the San Diego region and the Department of Finance representative for the State Lands Commission, are appointed by the Governor of the state of California. The Board may provide for additional ex-officio members, including, but not limited to, representatives of the United States Navy and the United States Marine Corps.

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

The operations and improvements at SAN are funded by airport user charges, rents, Passenger Facility Charges ("PFCs"), bond funds, rental car Customer Facility Charges ("CFCs"), and funds received from the Federal Aviation Administration ("FAA") and the Transportation Security Administration ("TSA"). No general tax fund revenues are used to operate or maintain the Airport. Thella F. Bowens, Authority President and CEO/Executive Director, has overall responsibility for the management, administration, and planning of the Authority, its annual budget and over 350 employees. Ms. Bowens has an experienced staff to aid her in carrying out the responsibilities of the position, including the vice presidents who head the various Authority divisions. The President/CEO, Chief Auditor, and General Counsel are appointed by the Board.

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B. SAN DIEGO INTERNATIONAL AIRPORT

The Airport serves a region that includes San Diego County, portions of Orange, Riverside and San Bernardino Counties and the northern portion of Baja California, Mexico. The Airport is the main commercial service airport in the County and the San Diego metropolitan area[4]. During the Authority's FY 2012, the Airport enplaned approximately 8.575 million passengers. The FAA classifies SAN as a large-hub airport, a category that includes airports enplaning 1.0 percent or more of annual domestic enplanements. Based on calendar year 2011 data, the Airports Council International – North America ("ACI-NA") ranked SAN 28th in the nation in terms of total passengers served, 44th in the nation in terms of total aircraft movements, and 33rd in terms of total cargo processed. Covering 661 acres, the Airport is located three miles northwest of downtown San Diego, adjacent to U.S. Interstate 5 and the San Diego Bay.

1. Airfield

SAN is the busiest single-runway commercial airport in the nation, based on passenger levels. The Airport was originally dedicated as the "San Diego Municipal Airport – Lindbergh Field" on August 16, 1928. It became the first federally certified airfield to serve all aircraft types, including seaplanes, in 1934. The Airport's infrastructure was improved after the U.S. Army Air Corps took over the Airport in 1942 to support the military's war efforts during World War II. Improvements included the construction of an 8,750-foot runway, which has since been expanded to 9,401 feet. In addition to the runway, the airfield includes one taxiway on the south side of the runway (Taxiway B) and one taxiway on the north side of the runway (Taxiway C). The airfield also includes ancillary taxiways that provide runway and terminal access, and aprons that provide aircraft parking.

Conditions at SAN make the addition of a runway difficult. Obstacles to runway expansion include significant geographic obstructions, including high terrain to the northeast and southwest of the Airport, as well as manmade obstructions, such as office buildings, to the northeast, east, and southeast of the Airport. Other obstacles to runway expansion include major land acquisition requirements, extensive infrastructure impacts, local resident opposition, and increased noise impacts. However, airfield capacity is not expected to be a limiting factor within the forecast period of this Report, as discussed in **Section IV**. In addition to the restrictions to the physical capacity of the Airport's airfield, there are direct restrictions on operations relating to noise abatement. See **Section IV.D.7** for a further discussion of these constraints.

[4] McClellan-Palomar Airport (CLD) in Palomar is a small commuter service airport located 34 miles north of SAN in San Diego County. Currently, United Express, the only scheduled air carrier that operates at CLD, operates flights to and from LAX. CLD enplaned approximately 42,000 passengers in 2011.

2. Passenger Terminals

The Airport has three passenger terminals (Terminal 1, Terminal 2[5] and the Commuter Terminal), which collectively encompass approximately 850,650 square feet. Terminal 1, which contains 19 narrow body jet gates, opened on March 5, 1967. Terminal 2 opened on July 11, 1979, and was expanded in 1998 to contain 22 gates. Terminal 2 East, the original portion of Terminal 2, contains 13 jet gates, including two international gates. All international flights operate at Terminal 2 East. Terminal 2 West, the expansion of Terminal 2 that opened in 1998, contains nine jet gates. The baggage claim for all of Terminal 2 (East and West) is located in Terminal 2 West. The Commuter Terminal, which accommodates most of the turbo-prop and regional jet flights at the Airport, has ten aircraft parking positions. As described in Section II, The Green Build, which is past the half-way point in construction, includes the expansion of Terminal 2 West, which will add 10 new jet gates.

3. Landside Facilities

The Airport's public parking capacity includes approximately 2,700 short term parking spaces in lots adjacent to each of the three terminal buildings. However, some of the parking spaces in front of Terminal 2 are currently blocked off to accommodate construction work included in The Green Build, as described in Section II. A temporary lot is available to supplement the Terminal 2 lot during construction of The Green Build. Approximately 4,300 long term parking spaces are located in three remote lots that provide free shuttle service to the terminals. Additionally, SAN has a free cell phone lot just east of the Commuter Terminal, and offers valet parking at the curb of Terminals 1 and 2.

Roadway access to the Airport is via three independent entrance roadways for Terminal 1, Terminal 2, and the Commuter Terminal, all from North Harbor Drive. The Airport terminal roadway is one level, with a total of approximately 6,800 linear feet of curb for all three terminals. As described in Section II, The Green Build includes the construction of a two-level roadway in front of Terminal 2.

The Authority releases periodic Construction Advisories, which are posted on the Authority's website, where, additionally, passengers can sign up to receive information via email ("e-alerts"). The Construction Advisories and e-alerts inform passengers of the status of the construction projects included in The Green Build and major projects in the CIP, providing information regarding construction activities that affect the terminal roadways, parking lots, ground transportation operations, and the Terminal 2 West expansion.

4. Support Facilities

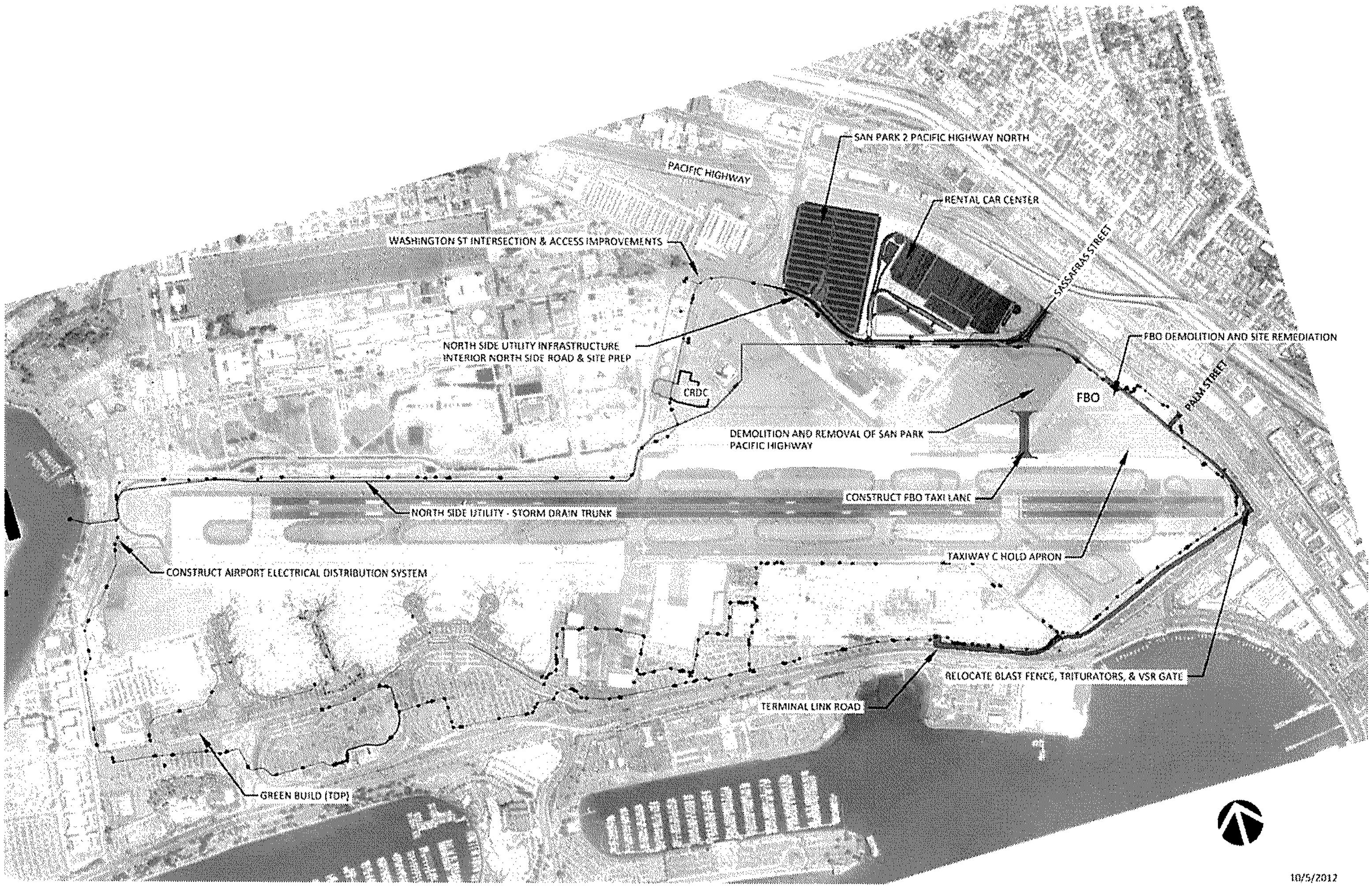
The north airfield area contains an air traffic control tower, an Airport Rescue and Fire Fighting ("ARFF") facility, and a fuel farm. An apron area for air cargo loading, a central

[5] Terminal 2 consists of Terminal 2 East and Terminal 2 West.

receiving and distribution center, and one general aviation Fixed Base Operator ("FBO") are also located north of the runway. As described in Section II, the Authority plans to develop new facilities on the north airfield, including a new general aviation facility to replace the existing facility, a new cargo facility, and a Rental Car Center ("RCC"). Currently, enclosed cargo facilities are located on the south side of the Airport between Terminal 1 and the Commuter Terminal, and some of the all-cargo carriers maintain their own sorting facilities off-Airport.

Figure I-1 presents an aerial view of the Airport, and indicates the major planned capital projects.

FIGURE I-1
SAN DIEGO INTERNATIONAL AIPORT



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SECTION II
The Authority's CAPITAL PROGRAM

On May 1, 2008, the Board adopted the San Diego International Airport Master Plan, (the "Master Plan") which documents the Authority's planning process for the Airport. The Master Plan provides guidance for the development of the Airport to meet continued growth at the Airport. In April 2009 the Authority completed an Environmental Impact Report ("EIR") on a group of planned capital projects known as "The Green Build," which includes certain elements of the Master Plan. The Green Build includes the expansion of the Airport's terminal facilities, the expansion of the terminal roadway system, and the construction of new aircraft apron improvements and an aircraft taxi lane. The terminal improvements are intended to enhance passengers' experience at the Airport by providing new, expanded dining and shopping options; new holding areas at the gates; expanded and improved security checkpoints; and public art integrated throughout the terminal expansion and outside areas. The roadway improvements are intended to involve the construction of a two-level roadway system that will improve vehicular circulation in front of Terminal 2, and provide "smart curb" technology to enable passenger curbside check-in.

The Authority broke ground on The Green Build projects in July 2009, with the construction of apron improvements, additional aircraft parking and new USO facilities. In September 2012, the Authority announced that construction of The Green Build was over 66% percent complete. The Authority anticipates that the new facilities will open by~~in~~ August 2013. As of the date of this Report, the Authority reports that The Green Build is on schedule and under budget.

The balance of the Authority's capital program (the "Capital Program") is composed of its Capital Improvement Program ("CIP"), which is designed to improve facilities and preserve existing assets at the Airport. The CIP includes certain capital projects started in FY 2005 or later and completed prior to FY 2013, in addition to the projects anticipated to be completed in FY 2013 through FY 2017 (the "FY 2013–FY 2017 CIP"). The CIP includes the relocation of Taxiway B, the rehabilitation of Taxiway C and Runway 9/27, and other airfield projects; landfill remediation of the Naval Training Center site; the expansion of Terminal 2 East; terminal concession projects and various other terminal improvement projects; the construction of the RCC and infrastructure improvements on the north side of the Airport; and various landside improvements.
Although airline approval is not needed for the Capital Program, the airlines operating at the Airport have expressed support for The Green Build and the CIP.

000458

A. ESTIMATED CAPITAL PROJECT COSTS

1. The Green Build

The Green Build includes a number of capital projects expected to be completed by~~in~~ August 2013. The projects included in The Green Build are estimated to cost approximately $820.0 million, and are summarized by category on **Table II-1**.

TABLE II-1
THE GREEN BUILD
ESTIMATED CAPITAL COSTS
Fiscal Years ending June 30

Cost Centers	Prior to 2013 [1]	2013	2014	Total
Airside	$55,705,960	$10,299,166	$2,363,551	$68,368,678
Terminal	263,009,969	154,537,575	50,869,884	468,417,427
Roads	132,995,733	70,771,204	11,593,342	215,360,278
Parking	2,522,697	21,652,692	4,203,619	28,379,007
Security	17,103,353	19,454,261	2,916,997	39,474,610
Total	**$471,337,711**	**$276,714,897**	**$71,947,392**	**$820,000,000**

Source: Authority records.

[1] Includes capital costs for projects that began during the period FY 2006 - FY 2012.

Following are the main components of The Green Build:

- Airside – Construction of a new aircraft parking apron and aircraft taxi lane, to reduce congestion and improve circulation on the airfield. These airfield improvements are estimated to cost approximately $72.0 million.
- Terminal – Expansion of Terminal 2 West, including the addition of ten gates to the existing 41 gates at the Airport, the addition of six security checkpoint lanes (to increase the total to 12 at Terminal 2 West) and expanded concessions areas. These and other terminal improvements are estimated to cost approximately $468.4 million.
- Roads – Expansion of vehicle circulation serving Terminal 2 via the construction of a two level roadway that will include an arrivals curb, with "smart curb" technology to enable curbside check-in, on the lower level and a departures curb on the upper level. These and other roadway improvements are estimated to cost approximately $215.4 million.
- Parking – Surface parking improvements totaling approximately $24.7 million.
- Security – Various security system improvements totaling $39.5 million.

2. The CIP

The CIP includes a number of capital projects for the Airport through FY 2017, totaling approximately $757.5 million. The CIP includes capital projects started in FY 2005 and completed prior to FY 2013, in addition to the FY 2013–FY 2017 CIP, in order to present a comprehensive view of the Authority's capital program and related funding plan. Authority management has determined that the projects are necessary to accommodate the expected continued growth in aircraft and passenger activity at the Airport, as discussed in **Section IV**, and to replace or rehabilitate certain facilities and equipment. The estimated costs of the CIP, summarized by cost center, are presented on **Table II-2**.

TABLE II-2
CAPITAL IMPROVEMENT PROGRAM (CIP)
ESTIMATED COSTS BY COST CENTER
Fiscal Years ending June 30

Cost Centers	Closed Projects [1]	FY 2013 - FY 2017 CIP: Prior to 2013 [2]	2013	2014	2015	2016	2017	Total	Total All CIP Projects
Airside	$54,337,083	$2,635,356	$9,044,573	$8,110,287	$7,902,783	$10,208,692	$70,655,622	$108,557,313	$162,894,396
Terminal	82,287,351	21,896,628	42,157,372	21,165,058	5,070,673	3,272,212	287,129	93,849,072	176,136,423
Landside	12,325,736	18,474,489	81,788,509	110,341,166	127,013,978	49,036,218	-	386,654,360	398,980,096
Administrative [3]	12,426,990	4,761,364	573,530	562,120	562,120	562,121	-	7,021,255	19,448,245
Total	**$161,377,160**	**$47,767,837**	**$133,563,984**	**$140,178,631**	**$140,549,554**	**$63,079,243**	**$70,942,751**	**$596,082,000**	**$757,459,160**

Source: Authority records.
[1] Certain projects started in FY 2005 or later, and completed prior to FY 2013.
[2] Expenditures prior to FY 2013 for projects in the FY 2013-FY 2017 CIP.
[3] Commuter terminal buildout; program management system implementation; costs associated with the program management office; and various major maintenance projects.

Following are the major components of the CIP:

Airside Improvements

- Relocate Taxiway B – Relocation of the existing parallel Taxiway B further south of the runway centerline in order to meet the minimum FAA safety requirements for runway/taxiway separation and to improve the circulation of larger aircraft.
- Rehabilitate Taxiway C – Reconstruction and relocation of Taxiway C to meet the minimum standards for taxiway to runway separation distance. This project was completed during FY 2011.
- Rehabilitate Runway 9/27 – Rehabilitation of the asphalt pavement, including milling and replacing the top three inches of the pavement surface, replacement

of the subgrade; adjustment of electrical runway lights and appurtenances, and striping, marking, and related work.

- Rehabilitate Cross Taxiways and Commuter Terminal Apron – Replacement of the existing pavement on Cross Taxiways B4-B7, Cross Taxiways C3-C6, and the Commuter Terminal apron.

- Taxiway C Hold Apron – Replacement of the existing pavement on the northeastern end of Runway 9-27 to support aircraft loading and to relieve aircraft traffic on Taxiway C.

- Rehabilitation of Cross Taxiway B8 and Terminal Aprons – Reconstruction of portions of Taxiway B8, Taxi Lane W, Terminal 1 apron, Terminal 2 apron, and the cargo apron.

- Rehabilitate Stormwater/Airfield Drainage – Improve and strengthen the drainage pipes located on the Airfield underneath the runway and the taxiways. This project was completed in October 2012.

- Airfield Information Signs and Runway Guard Lights – Replacement of all of the Airport's airfield signs, installation of a new elevated and in-pavement runway guard light system at all taxiway hold position locations. The project was completed in FY 2011.

Terminal Improvements

- Expand Terminal 2 East Facilities – Expansion of Terminal 2 East to increase holdroom seating capacity, increase post-security concessions space, expand the ticket lobby, and relieve passenger congestion. The project is expected to be completed in November 2013.

- Naval Training Center ("NTC") Landfill Remediation – Environmental remediation of the contaminated areas on the NTC, a 51-acre site transferred from the Navy, which is being used for the expansion of Terminal 2 West (a component of The Green Build). The project was completed in FY 2011

- Capital Maintenance Expenditures – Various capital maintenance projects throughout the forecast period to maintain the terminal facilities.

- Concessions Support Infrastructure and Other Concessions Work – Various concessions area work in all terminals, including the demolition and rebuilding of concession shells, utility upgrades, tenant improvement design review and construction inspections, and the rearrangement of Terminal 1 Food Court concession spaces and common seating area layout. This project also includes third party program management, architectural review, and construction inspection support for the Concession Development Program. This project is expected to be completed in August 2013

- Terminal 1 Electrical Upgrades – Upgrade of Terminal 1 electrical system and installation of new equipment where necessary. This project, which also connected Terminal 1 to the Airport's 12kv power system, was completed in FY2011.

Landside Improvements

- RCC – Construction of a car rental facility on the North Side of the Airport. Currently, none of the rental car companies operating at SAN have customer or operating facilities on Authority property. The rental car companies operating at SAN maintain their customer service facilities, operating and maintenance facilities and most of their overflow vehicle storage areas at locations off-airport, which they either own or lease from third parties. It is anticipated that development of the RCC will result in additional ground rent revenue for the Authority, and improved customer service for rental car customers. This project is expected to be funded by rental car CFCs and special facility bonds secured solely by CFC revenues. This project is in the schematic design phase and is expected to be completed during FY 2016.

- Northside Utility Infrastructure – Installation of utility infrastructure necessary to support the implementation of the North Side development plan, which will serve the completed Receiving and Distribution Center ("RDC"), as well as new cargo and general aviation facilities, and the RCC.

- Airport Electrical Distribution System – Construction of a new electrical distribution system to provide power to the new facilities at the Teledyne-Ryan ("TDY") site and the north side of the Airport

- Washington Street Parking and Revenue Control – Development of over 2,000 new long-term public parking spaces at the south easterly corner of the intersection of Washington Street and Pacific Highway. This parking facility will replace the public parking spaces anticipated to be removed for the development of the RCC and FBO facilities on the north side of the Airport.

- Terminal Link Road – Construction of a dedicated perimeter road that connects the passenger terminals to the planned RCC and Washington street parking lot.

- Relocate Lot 6 Employee Parking – Relocation of Lot 6 Employee Parking currently located on Harbor Island, to SAN Park Harbor Drive location after all demolition and remediation activities are completed on the TDY site.

- Southside Interim Site Project Plan and Use – Grading, compaction, and paving of approximately 40 acres after demolition of buildings and foundations on the south side of the Airport. The planned interim use for this site is employee parking, public parking, a cell phone lot, and a roadway. Long-term plans for this site have not yet been determined.

- Washington Street Intersection and Access Improvements – Modifications to the existing Washington Street/Pacific Coast Highway off-ramp intersection and reconstruction of the Washington Street access roadway, including access to the RDC.

The estimated capital costs of the CIP, detailed by major project, are presented on **Table II-3**.

TABLE II-3
CAPITAL IMPROVEMENT PROGRAM (CIP)
ESTIMATED COSTS DETAILED BY MAJOR PROJECTS
Fiscal Years Ending June 30

	Closed Projects [1]	FY 2013 - FY 2017 CIP							Total All CIP Projects
		Prior to 2013 [2]	2013	2014	2015	2016	2017	Total	
Airside									
Relocate Taxiway B		-	-	-	-	-	39,224,070	39,224,070	39,224,070
Rehabilitate Taxiway C	31,563,223	-	-	-	-	-	-	-	31,563,223
Rehabilitate Runway 9/27		-	-	-	-	-	19,600,000	19,600,000	19,600,000
Rehab Cross Taxiway & Terminal Aprons		-	-	-	-	2,457,888	9,831,552	12,289,440	12,289,440
Construct Taxiway C Hold Apron		-	-	-	2,000,000	6,000,000	2,000,000	10,000,000	10,000,000
Rehab Cross Taxiway B8 & Terminal Aprons		-	-	1,703,910	5,111,730	1,703,910	-	8,519,550	8,519,550
Rehab Stormwater/Airfield Drainage		1,634,358	5,865,642	-	-	-	-	7,500,000	7,500,000
Airfield Info Signs & Runway Guard Lights	5,308,436	-	-	-	-	-	-	-	5,308,436
Other Airside Projects	17,465,424	1,000,998	3,178,931	6,406,377	791,053	46,894	-	11,424,253	28,889,677
Total Airside	$54,337,083	$2,635,356	$9,044,573	$8,110,287	$7,902,783	$10,208,692	$70,655,622	$108,557,313	$162,894,396
Terminal									
Expand T2E Facilities		13,755,164	25,510,468	12,982,470	-	-	-	52,248,102	52,248,102
NTC Landfill Remediation	42,838,135	-	-	-	-	-	-	-	42,838,135
FMD Capital Expenditures		1,774,951	2,969,804	2,985,082	2,985,082	2,985,081	-	13,700,000	13,700,000
Concessions Support Infrastructure		4,202,858	10,468,612	2,169,563	-	-	-	16,841,033	16,841,033
Terminal 1 Electrical Upgrades	6,967,213	-	-	-	-	-	-	-	6,967,213
Other Terminal Projects	32,482,003	2,163,655	3,208,488	3,027,943	2,085,591	287,131	287,129	11,059,937	43,541,940
Total Terminal	$82,287,351	$21,896,628	$42,157,372	$21,165,058	$5,070,673	$3,272,212	$287,129	$93,849,072	$176,136,423
Landside									
Rental Car Center (RCC)		3,297,795	20,466,627	74,631,319	116,817,195	48,787,064	-	264,000,000	264,000,000
Northside Utility Infrastructure		2,447,743	13,356,410	18,150,408	-	-	-	33,954,561	33,954,561
Airport Electrical Distribution System		2,104,301	11,363,268	6,042,217	-	-	-	19,509,786	19,509,786
Washington Street Parking & Revenue Control		205,944	9,095,583	3,448,474	-	-	-	12,750,001	12,750,001
Terminal Link Road		132,103	611,786	3,224,584	6,551,783	249,154	-	10,769,410	10,769,410
Relocate Lot 6 Employee Parking (So. Side)		417,498	7,132,502	-	-	-	-	7,550,000	7,550,000
So. Side Interim Site Project Plan & Use (TDY)		383,119	5,745,151	-	-	-	-	6,128,270	6,128,270
South Side Interim Parking	5,716,060	-	-	-	-	-	-	-	5,716,060
Washington Street Intersection/Improvement		2,041,352	3,535,448	-	-	-	-	5,576,800	5,576,800
Other Landside Projects	$6,609,676	7,444,634	10,481,734	4,844,164	3,645,000	-	-	26,415,532	33,025,208
Total Landside	$12,325,736	$18,474,489	$81,788,509	$110,341,166	$127,013,978	$49,036,218	$0	$386,654,360	$398,980,096
Administrative [3]	12,426,990	4,761,364	573,530	562,120	562,120	562,121	-	7,021,255	19,448,245
Total Costs	$161,377,160	$47,767,837	$133,563,984	$140,178,631	$140,549,554	$63,079,243	$70,942,751	$596,082,000	$757,459,160

Source: Authority records.
[1] Certain projects started in FY 2005 or later, and completed prior to FY 2013.
[2] Expenditures prior to FY 2013 for projects in the FY 2013-FY 2017 CIP.
[3] Commuter terminal buildout; program management system implementation; costs associated with the program management office; and various major maintenance projects.

The estimated capital costs for The Green Build and the CIP total approximately $1.58 billion, as summarized on **Table II-4**.

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TABLE II-4
TOTAL CAPITAL PROGRAM COST SUMMARY
PROJECTS BY COST CENTER
Fiscal Years Ending June 30

	Prior to 2013 [1]	2013	2014	2015	2016	2017	Total Capital Program
The Green Build							
Airside	$55,705,960	$10,299,166	$2,363,551	$0	$0	$0	$68,368,678
Terminal	263,009,969	154,537,575	50,869,884	-	-	-	468,417,427
Roads	132,995,733	70,771,204	11,593,342	-	-	-	215,360,278
Parking	2,522,697	21,652,692	4,203,619	-	-	-	28,379,007
Security	17,103,353	19,454,261	2,916,997	-	-	-	39,474,610
Total Green Build	$471,337,711	$276,714,897	$71,947,392	$0	$0	$0	$820,000,000
CIP							
Airside	$56,972,439	$9,044,573	$8,110,287	$7,902,783	$10,208,692	$70,655,622	$162,894,396
Terminal	104,183,979	42,157,372	21,165,058	5,070,673	3,272,212	287,129	176,136,423
Landside	30,800,225	81,788,509	110,341,166	127,013,978	49,036,218	0	398,980,096
Administrative	17,188,354	573,530	562,120	562,120	562,121	-	19,448,245
Total CIP	$209,144,997	$133,563,984	$140,178,631	$140,549,554	$63,079,243	$70,942,751	$757,459,160
Total Capital Program	**$680,482,708**	**$410,278,881**	**$212,126,023**	**$140,549,554**	**$63,079,243**	**$70,942,751**	**$1,577,459,160**

Source: Authority records.
[1] Includes certain projects started in FY 2005 or later and completed prior to FY 2013, and expenditures prior to FY 2013 for The Green Build and projects in the FY 2013-FY 2017 CIP.

B. CAPITAL PROGRAM FUNDING PLAN

The costs of the Capital Program, which includes The Green Build and the CIP, are expected to be funded from the following sources: (i) the Subordinate Airport Revenue Bonds Series 2010A, Series 2010B, and Series 2010C (collectively, the "Subordinate Series 2010 Bonds"); (ii) the Series 2013 Bonds; (iii) FAA Airport Improvement Program ("AIP") grants and TSA funding; (iv) PFCs; (v) Authority funds; (vi) CFCs and special facility bonds secured solely by CFCs; and (vii) other sources. **Table II-5** sets forth the estimated funding plan for the Authority's capital program, which is reflected in the financial plan presented in **Section VI**. The estimated sources and uses of funds, and projected debt service, for the Series 2013, are presented in **Section VI**.

1. Subordinate Series 2010 Bonds

On October 5, 2010, the Authority issued $572.565 million of ~~its~~the Subordinate Series 2010 Bonds. The Subordinate Series 2010 Bonds were issued to finance approximately $477.9 million in capital program costs, refund commercial paper notes that had been issued to finance previous projects not included in the CIP or The Green Build, fund capitalized interest on the Subordinate Series 2010 Bonds, fund a reserve fund for the Series 2010 Bonds, and pay costs of issuance of the Subordinate Series 2010 Bonds. Of the proceeds of the Subordinate Series 2010 Bonds applied to The Green Build capital costs, the largest portion ($191.6 million) is funding terminal project costs, followed by $168.9 million to fund roadway project costs. Of the CIP project costs being funded with the proceeds of the Subordinate Series 2010 Bonds, the largest component is $71.0 million for terminal project costs.

TABLE II-5
CAPITAL PROGRAM
ESTIMATED FUNDING PLAN FOR CAPIAL COSTS [1]

	Series 2010 Bonds [2]	Series 2013 Bonds [2]	AIP Grants and TSA Funding [3]	PFCs	Authority Funds	CFCs and Other [4]	Total
The Green Build							
Airside	$11,492,828	$9,408,982	$41,640,470	$9,451,610	$28,152	$0	$72,022,042
Terminal	191,594,929	174,057,107	21,274,254	80,610,492	880,644	-	468,417,427
Roads	168,909,823	30,091,253	-	16,278,475	80,727	-	215,360,278
Parking	3,419,680	20,924,742	-	371,952	9,269	-	24,725,643
Security	1,929,279	25,457,609	-	12,072,925	14,797	-	39,474,610
Total The Green Build	$377,346,540	$259,939,693	$62,914,724	$118,785,453	$1,013,589	$0	$820,000,000
CIP							
Airside	5,050,507	500,000	114,638,834	39,170,676	3,534,381	-	$162,894,398
Terminal	70,952,863	47,932,477	450,000	38,007,148	17,755,271	1,038,664	176,136,423
Landside	10,159,902	83,055,084	6,977,512	-	5,737,596	293,050,000	398,980,094
Administrative	14,367,686	-	-	2,200,077	2,880,482	-	19,448,245
Total CIP	$100,530,959	$131,487,561	$122,066,346	$79,377,901	$29,907,730	$294,088,664	$757,459,160
Total Capital Program	$477,877,498	$391,427,254	$184,981,070	$198,163,354	$30,921,319	$294,088,664	$1,577,459,160

Source: Authority records.

[1] The numbers shown on this table represent capital costs only, excluding financing and interest costs.

[2] The Authority plans to apply PFCs to pay a portion of the annual debt service on the Series 2010 Bonds and the Series 2013 Bonds.

[3] Includes $39.0 million in AIP entitlement funding, $128.0 million in AIP discretionary funding, and $18.0 million in TSA funding.

[4] CFC funding includes special facility bonds planned to be secured by CFCs.

2. Series 2013 Bonds

The Series 2013 Bonds are being issued to finance approximately $391.4 million in capital program costs ($259.9 million in costs for The Green Build and $131.5 million in CIP costs). It is anticipated that the largest portion of the proceeds of the Series 2013 Bonds applied to The Green Build costs will fund terminal project costs ($174.1). The funding plan assumes that the majority of the proceeds of the Series 2013 Bonds applied to CIP project costs will fund $83.1 million of landside project costs. The Series 2013 Bonds will be issued as senior lien bonds. The projected debt service costs associated with the Series 2013 Bonds are included in the financial analysis presented in **Section VI**.

3. AIP Grants and TSA Funding

AIP entitlement funds are apportioned by formula each year to individual airports or types of airports. AIP discretionary funds are awarded by the FAA based on eligible projects' priority as determined by the FAA through the application of its National Priority System ("NPS"). The NPS uses a combination of quantitative and qualitative factors to evaluate projects with highest priority given to projects to enhance airport safety and security. The funding plan for the Authority's capital program incorporates approximately $185.0 million in AIP entitlement and discretionary funds and TSA funding, including $62.9 million for The Green Build costs and $122.1 million for CIP costs. This funding assumes $39.0 million in AIP entitlement funds, $128.0 million in AIP discretionary funding, and $18.0 million in TSA funding.

4. Passenger Facility Charges

The Port District initially received approval from the FAA to impose a $3.00 PFC at SAN. The approval for the PFC was transferred by the FAA to the Authority, effective January 1, 2003. On May 20, 2003, the FAA approved the Authority's PFC application to increase the charge per enplaned passenger from $3.00 to $4.50 beginning August 1, 2003. On September 30, 2009, the FAA issued a Final Agency Decision for PFC Application #7 submitted by the Authority in June 2009, which approved an additional $85.2 million in PFCs to be collected by the Authority. The Authority submitted PFC Application #8 on July 27, 2010, to request authority to impose and use an additional $1.1 billion in PFCs to fund eligible Green Build projects and debt service, with an estimated collection end date of October 1, 2036. In total, the Authority has received approval from the FAA to collect and use approximately $1.5 billion in PFCs in PFCs, including the latest Application #10, which was approved in July 2012.

Through June 30, 2012, the Authority had recorded total PFC revenue of $471.3 million, consisting of $460.2 million in PFC collections and $11.1 million in interest. As of June 30, 2012, the Authority had disbursed a total of $396.9 million in PFCs on eligible capital project expenditures, resulting in a balance of $74.4 million in unspent PFC collections and interest earnings.

The funding plan for the Authority's capital program includes approximately $198.2 million in Pay-As-You-Go PFC funding for eligible capital program costs through FY 2017, including $118.8 million for The Green Build costs and $79.4 million for CIP costs. The funding plan also includes approximately $491.3 million in PFCs applied to principal payments for the Subordinate Series 2010 Bonds and the Series 2013 Bonds.[6] Pursuant to Resolution No. 2010-0088 adopted by the Board on August 23, 2010 (the "PFC Resolution"), the Authority has irrevocably committed approximately $14.7 million

[6] The funding plan assumes an additional $472.7 million in PFCs will be applied to interest, for a total of $964.0 million in PFCs applied to debt service on the Series 2010 Bonds and the Series 2013 Bonds.

of PFCs in FY 2013 and $19.2 million of PFCs in each of Fiscal Years 2014, 2015, and 2016 to the payment of debt service on PFC eligible bonds incurred during those years.

5. Authority Funds

The Authority plans to apply approximately $30.9 million in Authority funds to the capital program, including $1.0 million for The Green Build and $29.9 million for the CIP. Authority funds are those moneys generated from Airport operations and available after all of the Authority's financial obligations pursuant to the flow of funds specified in the Master Senior Indenture and the Master Subordinate Indenture are satisfied. The Airline Agreement allows the Authority to include amortization charges in the airline rates and charges to reimburse the Authority for capital project costs paid from Authority funds. The financial analysis in **Section VI** incorporates the amortization charges projected to be incorporated into the airline rate base, as projects funded with Authority funds are completed.

6. Customer Facility Charges

The funding plan includes approximately $291.3 million in funding from rental car CFCs, including the planned issuance of special facility bonds secured solely by CFCs. The rental car companies that operate at SAN collect and remit to the Authority a CFC equal to $6 per rental day for up to 5 days. The CFC ~~Authority plans to implement~~ rate will increase~~s~~ to $7.50 per day beginning January 1, 2014 and $9.00 per day beginning January 1, 2017. The CFC collections are being used to finance the cost of the RCC and a portion of the costs of related enabling projects, including the Northside Utilities Infrastructure project, the Electrical Distribution project, and related roadway improvements.

7. Other Sources

The funding plan includes approximately $2.8 million in funding from other sources, the majority of which represent reimbursement by the current FBO tenant of a portion of demolition costs related to FBO facilities. New FBO facilities will be constructed on the north side of the airfield, such construction being funded with third party moneys.

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SECTION III
LOCAL ECONOMIC BASE

Local demographic and economic trends influence air travel demand, particularly the origination and destination (O&D) segment. This section identifies the Airport's primary air service area and presents demographic and economic data demonstrating the capability of the air service area to support traffic growth.

A. AIR SERVICE AREA

The Airport, which is classified as a large-hub airport by the FAA[7], primarily serves San Diego County, California (the "County"). The County borders Orange County and Riverside County on the North, Imperial County on the East, the Pacific Ocean on the West, and Mexico on the South (**Figure III-1**). SAN is located near the population center in the City of San Diego (the "City") (**Figure III-2**).

FIGURE III-1
SAN DIEGO INTERNATIONAL AIRPORT
PRIMARY AIR SERVICE AREA

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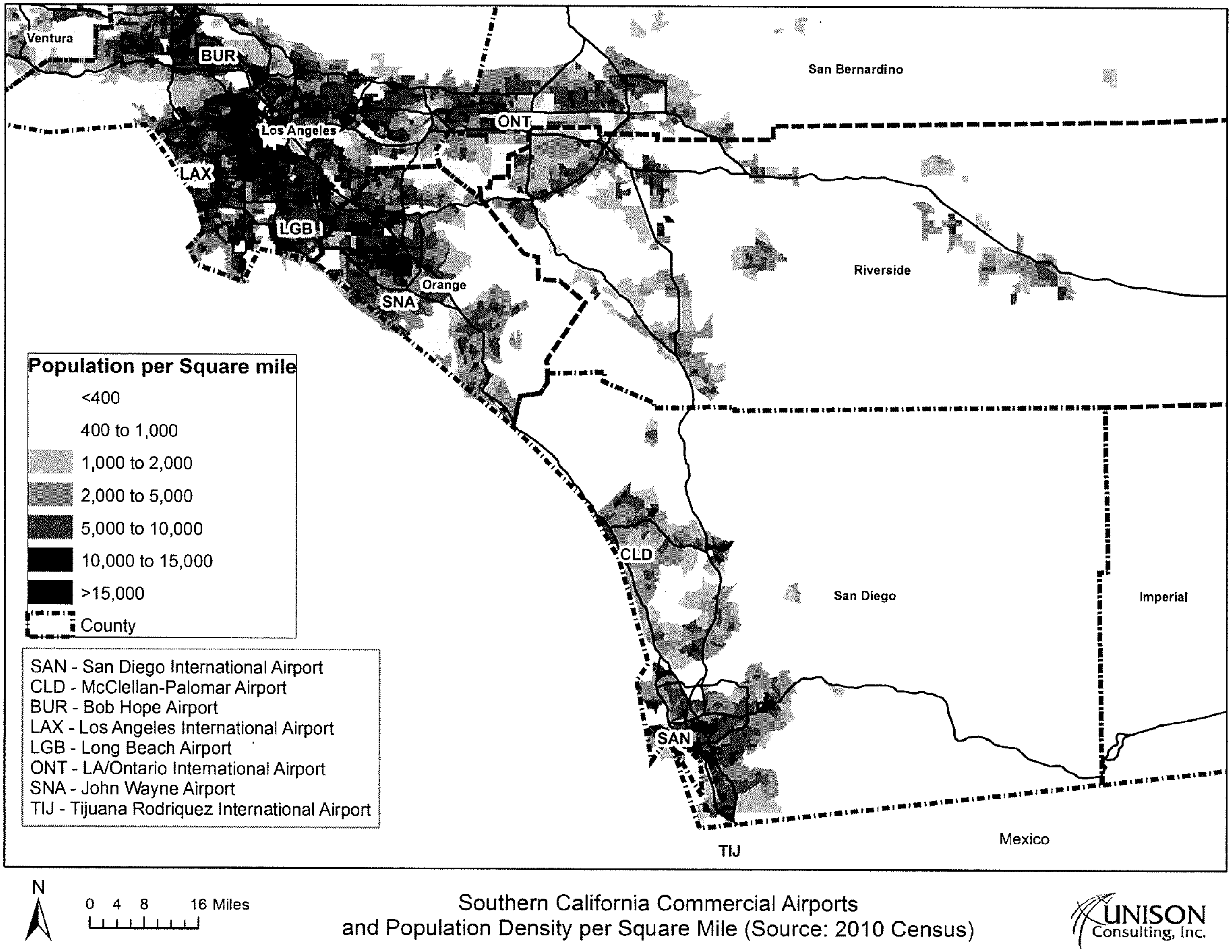
[7] By FAA classification, a large hub airport handles one percent or more of annual U.S. enplanements.

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



Southern California Commercial Airports
and Population Density per Square Mile (Source: 2010 Census)

UNISON Consulting, Inc.

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There are six other commercial service airports in Southern California:

- John Wayne Airport (SNA), a medium hub[8] with 4.3 million enplanements in 2011, is located 89 miles to the North of SAN, in Orange County.
- Long Beach Airport (LGB), a small hub[9] with 1.5 million enplanements in 2011, is located 107 miles to the North of SAN, in Los Angeles County.
- LA/Ontario International Airport (ONT), a medium hub with 2.3 million enplanements in 2011, is located 115 miles Northeast of SAN, in western San Bernardino County.
- Los Angeles International Airport (LAX), a large hub with 30.5 million enplanements in 2011, is located 125 miles north of SAN, in Los Angeles County.
- Bob Hope Airport in Burbank (BUR), a medium hub with 2.1 million enplanements in 2011, is located 134 miles North of SAN, in Los Angeles County.
- McClellan-Palomar Airport (CLD) is a nonhub with 42,000 enplanements in 2011 is located in Carlsbad, San Diego County, 34 miles North of SAN.

Five of the six airports are located outside San Diego County and are less accessible to San Diego residents, compared to SAN.

John Wayne Airport, Long Beach Airport, LA/Ontario International Airport, Los Angeles International Airport, and Bob Hope Airport are located within 60 miles of each other, sharing the Los Angeles-Long Beach-Riverside Combined Statistical Area population base. In contrast, SAN is the primary airport serving the San Diego-Carlsbad-San Marcos Metropolitan Statistical Area (MSA),[10] which consists of San Diego County. McClellan-Palomar Airport, the other commercial service airport in San Diego County, operates a few United Express flights to Los Angeles.[11]

John Wayne Airport, the second closest Southern California commercial service airport to SAN, does not pose significant competition. John Wayne Airport is subject to the terms of a settlement agreement with the City of Newport Beach and two community groups, which limit the number of average daily departures and the number of annual airport passengers.

[8] A medium hub airport handles at least 0.25 but less than one percent of annual U.S. enplanements.
[9] A small hub airport handles from 0.05 up to 0.25 percent of annual U.S. enplanements.
[10] MSAs are county-based geographical divisions developed by the U.S. Office of Management and Budget (OMB) for federal data collection and analysis purposes.
[11] County of San Diego website.

Located 24 miles South of SAN, in Tijuana, Mexico, is Tijuana Rodriguez International Airport (TIJ). TIJ primarily serves the Mexican domestic market.[12] TIJ does not pose competition to SAN due to inconvenient border crossings and service to primarily Mexican destinations.

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

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

Airport	Distance (Miles)	Drive Time [1]
Bob Hope Airport	134	2 hours, 28 minutes
Los Angeles International Airport	127	2 hours, 20 minutes
Ontario International Airport	118	2 hours, 1 minute
Long Beach Airport	107	1 hour, 57 minutes
John Wayne Airport	87	1 hour, 37 minutes
McClellan-Palomar Airport	34	41 minutes

Source: Mapquest.com

[1] Drive times reflect average times. Actual times may be significantly higher during peak driving periods.

B. POPULATION

With 3.14 million residents in 2011, the County's population offers a large and growing demand for air travel. By population size, San Diego is the fifth-largest county in the United States and second-largest in California (**Table III-2**). As shown in **Figure III-3**, the County's population has increased 0.9 percent each year in the past 10 years, keeping pace with U.S. and California population growth. The County's population is forecast to reach between 3.89 million[13] and 4.16 million[14] by 2040, representing an average annual growth rate of 0.7 to 1.0 percent.

[12] According to statistics published by TIJ, more than 99 percent of its 2011 passenger traffic was domestic Mexican traffic. Limited international flights include two Aeromexico flights per week to China. The airport also serves as a refueling stop for flights from Mexico City to Japan.
[13] California Department of Finance, *Interim Projections of Population for California: State and Counties*, May 7, 2012.
[14] San Diego Association of Governments, *2050 Regional Growth Forecast*, February 2010.

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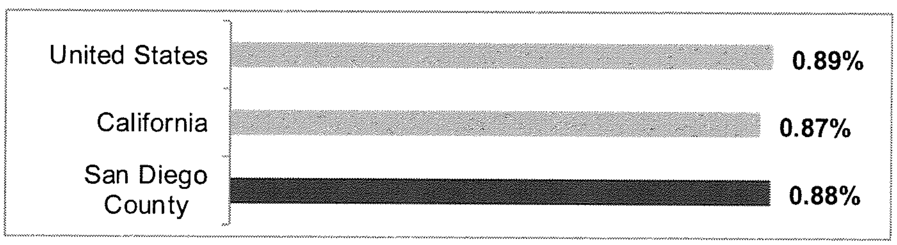
TABLE III-2
CALIFORNIA COUNTY RANK BY POPULATION
July 1, 2011

County	Population	Rank
California State Total	37,691,912	-
Los Angeles	9,889,056	1
San Diego	**3,140,069**	**2**
Orange	3,055,745	3
Riverside	2,239,620	4
San Bernardino	2,065,377	5
Santa Clara	1,809,378	6
Alameda	1,529,875	7
Sacramento	1,436,105	8
Contra Costa	1,066,096	9
Fresno, CA	942,904	10

Source: U.S. Census Bureau

FIGURE III-3
SAN DIEGO COUNTY, CALIFORNIA AND THE UNITED STATES
AVERAGE ANNUAL POPULATION GROWTH RATE COMPARISON
2002 - 2011



Source: U.S. Census Bureau

The County's population is younger and better educated than national and state averages. Based on the 2010 U.S. Census Bureau's American Community Survey estimates, the County population median age is 34.6 years. The median age is 37.2 years in the U.S. and 35.2 years in California. Nearly 34 percent of County residents hold a bachelor's or higher degree compared to 30.1 percent in California and 28.1 percent nationwide.

C. LABOR MARKET

Trends in the labor market generally reflect local business conditions and residents' economic well-being. In the past 10 years, the growth of the County's civilian labor force has outpaced the rate of job creation. As shown in **Table III-3**, the labor force, which consists of residents 16 years and older, who are either working or actively seeking work, increased one percent per year. Employment grew at a slower rate (0.4 percent per year), causing the number of unemployed residents to increase by 8.7 percent per year. The unemployment rate shows a slight improvement in the past year—down to 10.0 percent in 2011 from a 10-year peak of 10.5 percent in 2010. The County's labor market continues to improve, [*with the unemployment rate down to 9.2 percent as of June 2012]*. The unemployment rate, however, remains at more than twice the period's lowest level of 4.0 percent in 2006.

TABLE III-3
SAN DIEGO COUNTY CIVILIAN LABOR MARKET TRENDS
2002 - 2011 and Year-to-Date 2012

Year	Civilian Labor Force[1]			Unemployment Rate
	Total	Employed	Unemployed	
2002	1,450,497	1,375,787	74,710	5.2%
2003	1,468,198	1,391,739	76,459	5.2%
2004	1,484,244	1,413,918	70,326	4.7%
2005	1,492,594	1,427,925	64,669	4.3%
2006	1,499,852	1,440,431	59,421	4.0%
2007	1,517,631	1,448,498	69,133	4.6%
2008	1,548,233	1,455,578	92,655	6.0%
2009	1,554,190	1,405,005	149,185	9.6%
2010	1,572,611	1,407,061	165,550	10.5%
2011	1,583,807	1,426,103	157,704	10.0%
YTD 2012[2]	1,589,600	1,443,625	145,976	9.2%
	Compound Average Annual Growth Rate			
2002-2011	1.0%	0.4%	8.7%	

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

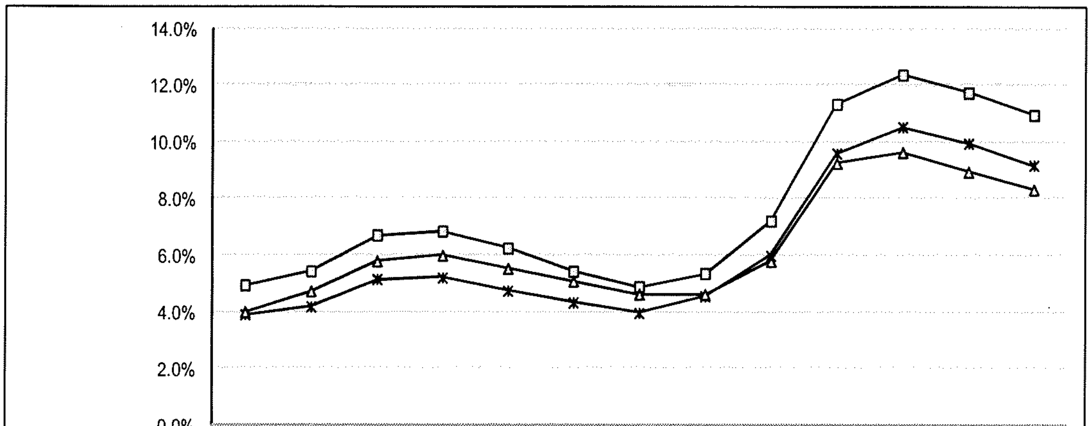
[2] Through June.

Source: U.S. Bureau of Labor Statistics

Unemployment trends in the County have closely followed national business cycles (**Figure III-4**). The County's unemployment rate has been consistently lower than that of California since 2002, but it has exceeded the national unemployment rate since 2008.

The County's high unemployment rates within recent years do not necessarily reflect a less favorable local job market, as shown in employment and labor force growth trends (**Figure III-5**). The County had more job growth (3.7 percent) than the state (0.3 percent) and the nation (2.5 percent) between 2002 and 2011. The labor force, however, grew faster in the County (9.2 percent) than in the state (6.0 percent) and the nation (6.0 percent) over the same period. From the end of the recession in 2009 to 2011, employment increased 1.5 percent in the County, compared to 0.5 percent in California and zero percent in the United States. The labor force expanded 1.9 percent in the County and 1.0 percent in California, and dropped 0.3 percent in the United States. The expansion of the County's labor force—amid a nationwide contraction—indicates relative optimism.

FIGURE III-4
SAN DIEGO COUNTY, CALIFORNIA, AND THE UNITED STATES
UNEMPLOYMENT RATES
2002 - 2011 and Year-to-Date 2012

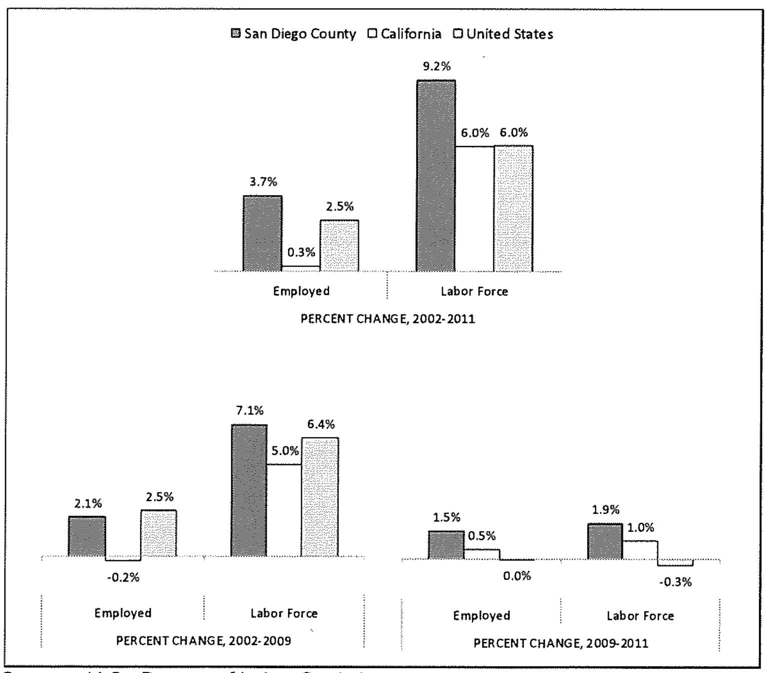


	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012*
San Diego County	3.9%	4.2%	5.2%	5.2%	4.7%	4.3%	4.0%	4.6%	6.0%	9.6%	10.5%	10.0%	9.2%
California	4.9%	5.4%	6.7%	6.8%	6.2%	5.4%	4.9%	5.4%	7.2%	11.3%	12.4%	11.7%	11.0%
United States	4.0%	4.7%	5.8%	6.0%	5.5%	5.1%	4.6%	4.6%	5.8%	9.3%	9.6%	8.9%	8.3%

*Through June.

Source: U.S. Bureau of Labor Statistics at www.bls.gov

FIGURE III-5
SAN DIEGO COUNTY, CALIFORNIA AND THE UNITED STATES
PERCENT CHANGE IN EMPLOYMENT AND LABOR FORCE
2002 – 2011



Source: U.S. Bureau of Labor Statistics

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D. EMPLOYMENT BASE

The County has a diversified economic base, reducing the impact of any industry-specific downturn. As shown in **Table III-4**, no single major industry accounted for more than 18.6 percent of the County's non-farm jobs in 2011. The government sector, which includes the U.S. Department of Defense, is the County's largest employer, with an 18.6 percent share—slightly larger than its 16.8 percent share nationwide. Private industries accounting for at least 12 percent of non-farm jobs include professional and business services (17.2 percent); trade, transportation, and utilities (16.2 percent); leisure and hospitality (12.7 percent); and education and health services (12.1 percent).

TABLE III-4
SAN DIEGO COUNTY, CALIFORNIA, AND THE UNITED STATES
NON-FARM EMPLOYMENT SHARE BY MAJOR INDUSTRY CLASSIFICATION
2011

Major Industry Classification	San Diego County	California	United States
Private sector: goods-producing			
Natural resources and mining	0.0%	0.2%	0.6%
Construction	4.5%	3.9%	4.2%
Manufacturing	7.5%	8.9%	8.9%
Subtotal	**12.1%**	**13.0%**	**13.7%**
Private sector: service-providing			
Trade, transportation and utilities	16.2%	18.9%	19.0%
Information	1.9%	3.1%	2.0%
Financial activities	5.4%	5.4%	5.8%
Professional and business services	17.2%	15.1%	13.2%
Education and health services	12.1%	13.0%	15.1%
Leisure and hospitality	12.7%	10.9%	10.1%
Other services	3.8%	3.5%	4.1%
Subtotal	**69.4%**	**69.9%**	**69.5%**
Government			
Federal	3.8%	1.8%	2.2%
Department of Defense	1.8%	0.4%	0.4%
State	3.5%	3.4%	3.9%
Local	11.3%	11.8%	10.8%
Subtotal	**18.6%**	**17.1%**	**16.8%**
Total	**100.0%**	**100.0%**	**100.0%**

Source: U.S. Bureau of Labor Statistics, Current Employment Survey

Between 2002 and 2011, within the government sector—the County's largest employment sector, federal and state employment increased by more than 14 percent, while local government employment decreased 2.2 percent (**Table III-5**). Employment in three of the four largest private industry sectors—professional and business services, leisure and hospitality, and education and health services—also increased despite the

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deep recession. Construction, manufacturing, information, and financial activities suffered double-digit percentage losses in employment, but these sectors account for relatively smaller shares of the County's total nonfarm employment as shown in **Table III-4**.

TABLE III-5
SAN DIEGO COUNTY
PERCENT CHANGE IN NON-FARM EMPLOYMENT
2002 – 2011

	Percent Change		
Major Industry Classification	**2002-2009**	**2009-2011**	**2002-2011**
Private sector: goods-producing			
Natural resources and mining	33.3%	0.0%	33.3%
Construction	-20.0%	-9.7%	-27.7%
Manufacturing	-15.2%	-2.6%	-17.4%
Private sector: service-providing			
Trade, transportation and utilities	-4.2%	-0.3%	-4.5%
Information	-18.0%	-14.9%	-30.2%
Financial activities	-6.9%	-4.3%	-10.9%
Professional and business services	0.8%	2.3%	3.1%
Education and health services	20.6%	3.3%	24.6%
Leisure and hospitality	15.7%	1.4%	17.3%
Other services	2.6%	0.6%	3.3%
Government			
Federal	9.0%	6.9%	16.5%
Department of Defense	0.0%	9.9%	9.9%
State	11.4%	2.6%	14.3%
Local	-2.1%	-0.1%	-2.2%

Source: US Bureau of Labor Statistics, Current Employment Survey

Table III-6 lists the County's 17 largest employers. The list reflects the diversity of the employment base and the strong presence of the government sector – confirming the data in **Table III-4**. At the top of the list is the U.S. Department of Defense (136,664 local employees), followed by other Federal Government offices (46,300 employees), the State of California (45,500 employees), and the University of California (27,393 employees). A number of military installations provide employment in the area as well, including the North Island Naval Air Station/Naval Base Coronado and the Naval Warfare Systems Center Pacific (SSC Pacific), and others. More than one-half of the active U.S. Navy Pacific Fleet is based in San Diego, with detachments in Hawaii, Guam and Japan. The Space and Naval Warfare Systems Center Pacific (SSC Pacific), located in San Diego, is the Navy's premier research, development, test, and evaluation (RDT&E) laboratory for command, control, communications, computers,

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intelligence, surveillance, and reconnaissance (C4ISR). A number of private defense contractors to the U.S. military also provide employment in the area.

TABLE III-6
SAN DIEGO COUNTY LARGEST EMPLOYERS
2011

Employer	Local Employees	Sector
U.S. Department of Defense	136,664	Government
Federal Government excluding Department of Defense	46,300	Government
State of California	45,500	Government
University of California, San Diego	27,393	Education
North Island Naval Air Station/Naval Base Coronado	27,000	Government
County of San Diego	15,109	Government
Sharp Healthcare	14,969	Health Care
Scripps Health	13,830	Health Care
San Diego Unified School District	13,730	Education
San Diego State University	11,000	Education
Qualcomm Inc.*	10,509	Technology
City of San Diego	10,211	Government
Kaiser Foundation Hospital	7,608	Health Care
General Atomics	6,751	Technology
UCSD Medical Center, Hillcrest	5,860	Health Care
U.S. Postal Service, San Diego District	5,795	Government
Sempra Energy*	5,299	Energy

* 2012 Fortune 500 Headquarters

Source: San Diego Daily Transcript Source Book

The trends in the County's five largest non-farm industry sectors are described below.

Government

Government, the largest employment sector making up 18.6 percent of the County's total non-farm employment in 2011, consists of the Local Government (61 percent), the Federal Government (20 percent), and the State Government (19 percent). Educational Services accounts for two-thirds of the State Government jobs and more than one-half of Local Government jobs. The Department of Defense accounts for nearly one-half of the Federal Government jobs. Between 2002 and 2011, Federal Government jobs increased 16.5 percent and State Government jobs increased 14.3 percent. Local Government jobs, however, decreased 2.2 percent. The Government sector as a whole posted a 4 percent increase in jobs.

Professional and Business Services

Accounting for 17.2 percent of 2011 County non-farm employment, the Professional and Business Services sector grew 3.1 percent between 2002 and 2011. The sector is

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made up of Professional, Scientific and Technical Services (57 percent), Administrative and Support and Waste Management and Removal (35 percent), and Management and Business Services (8 percent). Between 2002 and 2011, employment in the Professional, Scientific and Technical Services increased by 15 percent, offsetting job losses in the other two subsectors.

Trade, Transportation and Utilities

Accounting for 16.2 percent of 2011 County nonfarm employment, Trade, Transportation and Utilities consists of Retail Trade (66 percent), Wholesale Trade (21 percent), and Transportation and Utilities (13 percent). Between 2002 and 2011, employment decreased in all three subsectors, with Transportation and Utilities posting the largest percentage decrease. Employment in the Trade, Transportation and Utilities sector as whole decreased 4.5 percent.

Leisure and Hospitality

Leisure and Hospitality is the fourth largest sector, with 12.7 percent of 2011 County nonfarm employment. Employment in the entire sector increased 17.3 percent between 2002 and 2011, with increases in all subsectors. Accommodation and Food Services accounts for 85 percent of Leisure and Hospitality jobs in 2011, and Arts, Entertainment and Recreation accounts for the remaining 15 percent.

The sector's significant economic contribution is due to San Diego's popularity as a tourist destination. Beaches, the San Diego Zoo and Safari, Balboa Park, Sea World, Hotel Del Coronado, historical and cultural attractions, and climate draw tourists from all over the United States and the world. San Diego ranks 4th among U.S. News' 21 best U.S. vacation destinations **(Table III-7)**.

TABLE III-7
U.S. NEWS "BEST U.S. VACATIONS"

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

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

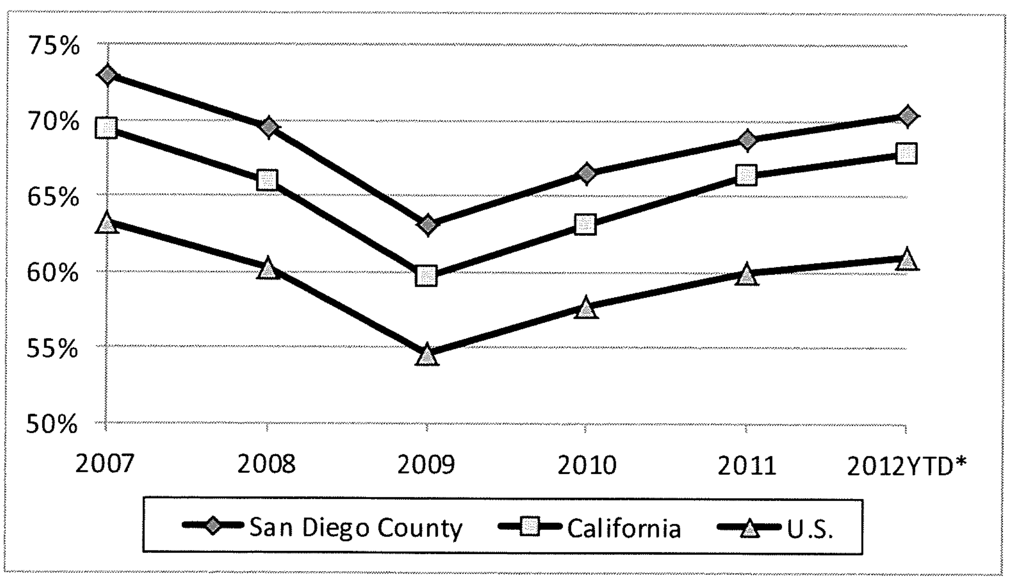
In 2011, San Diego welcomed nearly 31.1 million visitors, about half of whom stayed overnight. The number of visitors has increased 4.3 percent since 2010. The San Diego Convention and Visitors Bureau (the Bureau) expects this number to increase 1.8

percent in 2012 and two percent per year from 2013 to 2016. If the Bureau is correct, 35.1 million people will visit San Diego annually by 2016.

San Diego is a popular venue for meetings and conventions. According to a recent survey, between 20 and 26 percent of Airport passengers are convention attendees.[15] In Fiscal Year 2012 (ending on June 30, 2012), the Convention Center hosted 180 events, including 69 conventions and tradeshows. These events drew nearly 600,000 visitors. The San Diego Convention Center contains 615,701 square feet of exhibit space and 204,114 square feet of meeting space. Expansion plans would add 220,150 square feet of exhibit hall space, 101,500 square feet of meeting rooms, 78,470 square feet of ballroom space, 45,000 square feet of retail space, a five-acre rooftop park/plaza, and more than 500 hotel rooms. According to the Mayor's Citizens Task Force on the Convention Center Expansion, the expansion would provide more than $13 million in new tax revenue, nearly 4,000 construction jobs, an additional 6,885 permanent jobs, and millions of business revenue. Construction could begin in 2013, with expected completion in early 2016.[16]

Hotel occupancies decreased during the recent recession, following national and state trends **(Figure III-6)**. They have increased since 2009 and have remained at rates above the state and national average.

FIGURE III-6
SAN DIEGO COUNTY, CALIFORNIA, AND UNITED STATES
HOTEL AND MOTEL AVERAGE OCCUPANCY RATE
2007 - 2011 and Year-to-Date 2012



*Through June.

Source: County of San Diego and San Diego Chamber of Commerce

[15] Phoenix Marketing International, *Annual SAN Passenger Satisfaction Survey Results*, 2011.
[16] Port of San Diego website dated September 21, 2012.

Education and Health Services

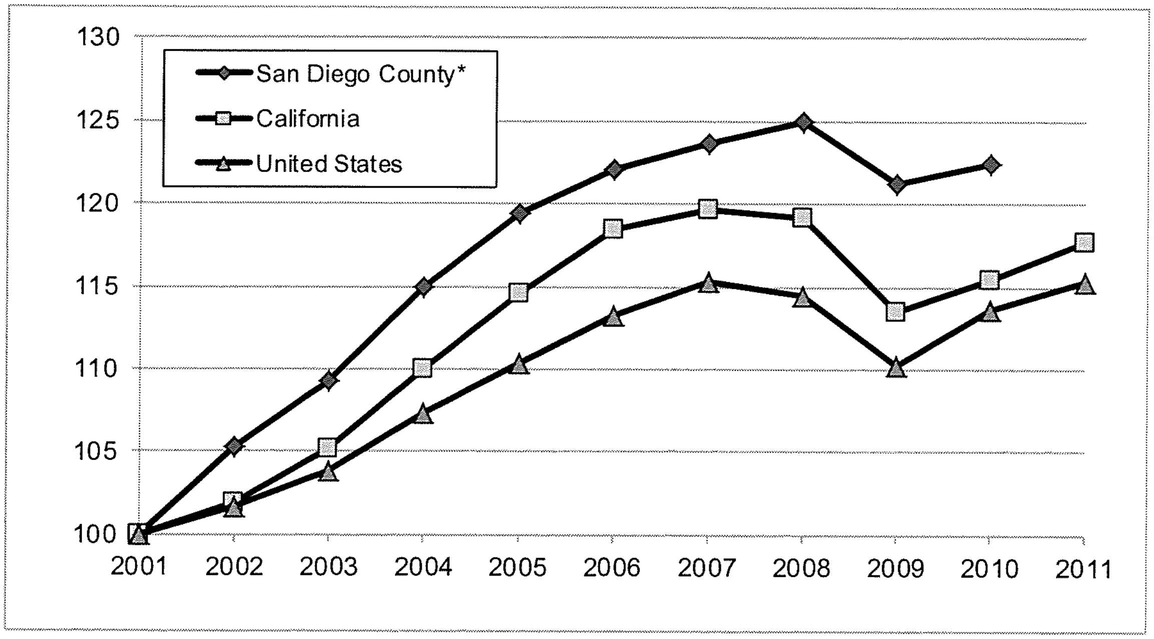
Private Education and Health Services accounts for 12.1 percent of 2011 County non-farm employment. The sector is made up of Health Care and Social Assistance (82 percent) and Educational Services (18 percent). Between 2002 and 2011, employment increased 20 percent in Health Care and Social Assistance and 55 percent in Educational Services, resulting in a 25 percent increase in employment in the sector as a whole.

E. ECONOMIC OUTPUT

Gross area product, gross state product (GSP), and gross domestic product (GDP) measure the value of all goods and services produced in the County, California, and the United States, respectively. In **Figure III-7**, these measures (adjusted for inflation) are indexed to a 2001 base year to compare growth trends. **Figure III-7** shows that the San Diego County economy outperformed both the state and the nation in output production through 2010. While 2011 County data is not yet available, the continuing growth in California GSP and the U.S. GDP points to a similar uptrend in the County's gross area product.

The diverse makeup of the San Diego economy has contributed to its strength, and the large local presence of the Government sector, including the military, has also provided a stable employment base. Financial Activities makes up the largest portion (25 percent) of the County's gross area product, Government accounts for the second largest share (20 percent), and Professional and Business Services accounts for the third largest share (13.5 percent).

FIGURE III-7
SAN DIEGO COUNTY GROSS AREA PRODUCT, CALIFORNIA GROSS STATE PRODUCT AND U.S. GROSS DOMESTIC PRODUCT (IN REAL TERMS)
Indexed to a 2001 Base Year (2001=100)
2001 - 2011

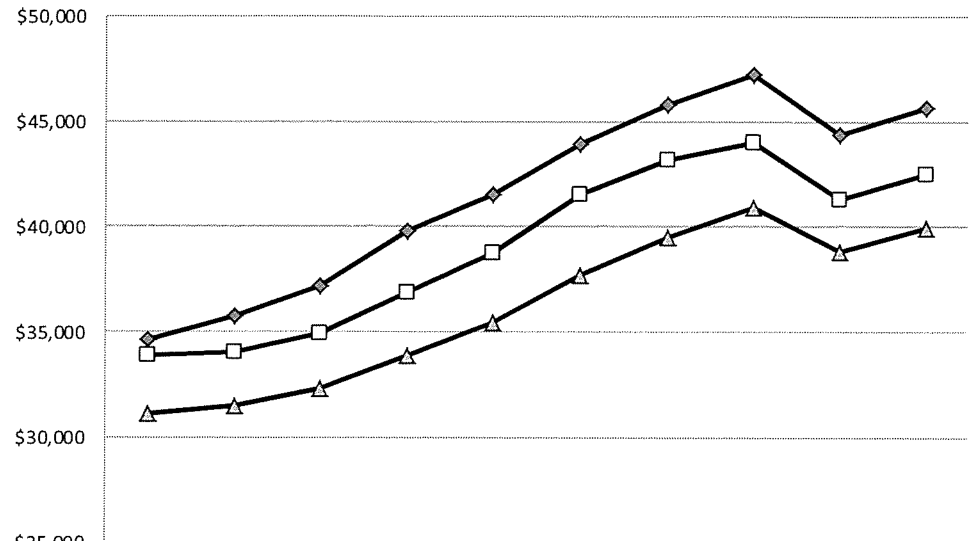


*Available data through 2010
Source: U.S. Bureau of Economic Analysis

F. INCOME

County residents have above-average incomes. **Figure III-8** shows that per capita, personal income in the County has been above the California and U.S. average since 2001. While incomes in the County followed the same state and national trends, they increased faster between 2001 and 2010.

FIGURE III-8
SAN DIEGO COUNTY, CALIFORNIA, AND THE UNITED STATES
PER CAPITA PERSONAL INCOME (IN CURRENT DOLLARS)
2001 - 2010



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
San Diego County (CAAGR=3.1%)	$34,653	$35,794	$37,155	$39,810	$41,530	$43,967	$45,768	$47,197	$44,412	$45,627
California (CAAGR=2.5%)	$33,896	$34,049	$34,975	$36,887	$38,731	$41,518	$43,211	$44,003	$41,301	$42,514
United States (CAAGR=2.8%)	$31,157	$31,481	$32,295	$33,909	$35,452	$37,725	$39,506	$40,947	$38,846	$39,937

CAAGR=Compound Average Annual Growth Rate
Source: U.S. Bureau of Economic Analysis

Compared to the state (39 percent) and the nation (32 percent), the County has a greater proportion (40 percent) of households with incomes of $75,000 or more (**Figure III-9**).

The following sub-section addresses a related topic, the cost of living in the San Diego area.

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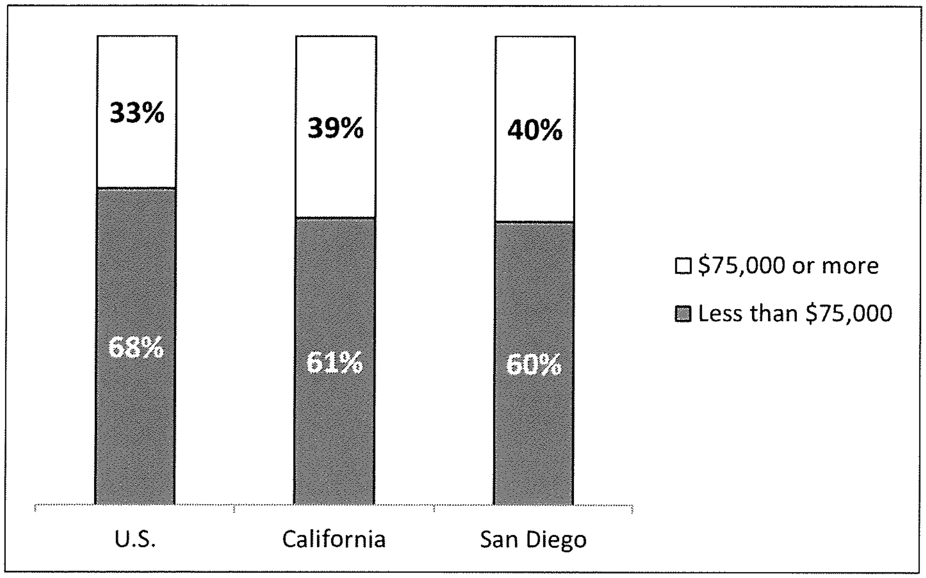
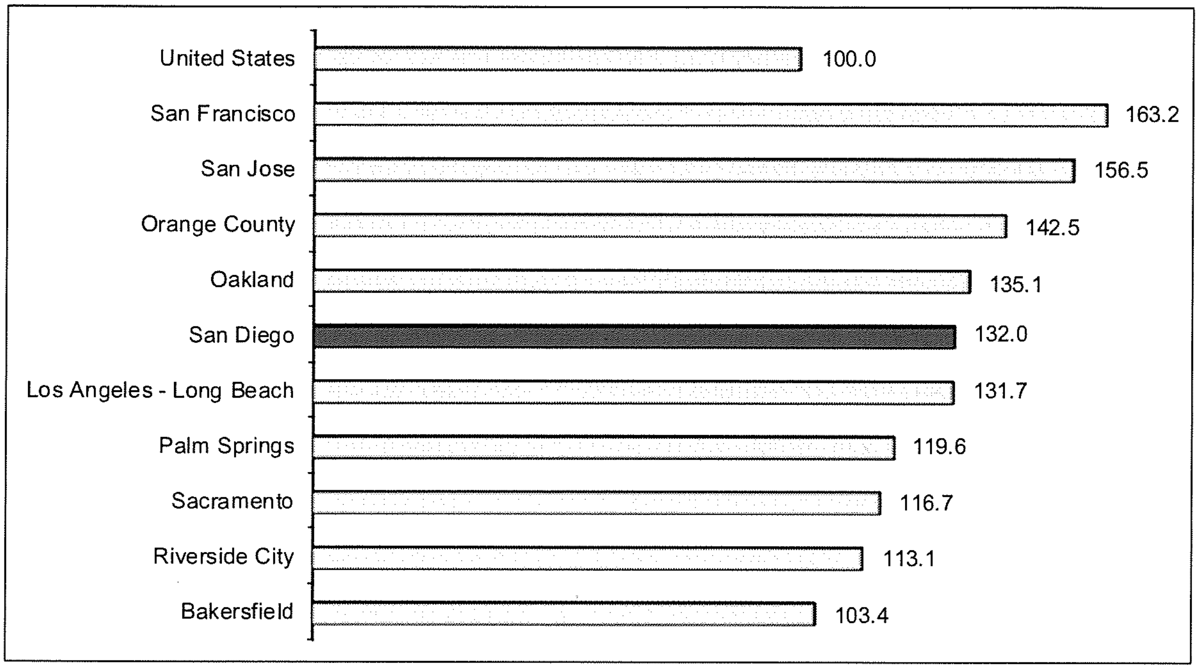
FIGURE III-9
SAN DIEGO COUNTY, CALIFORNIA, AND THE UNITED STATES
DISTRIBUTION OF PER CAPITA PERSONAL INCOME (IN CURRENT DOLLARS)



G. COST OF LIVING

Because San Diego is an attractive place to live and work, the County's cost of living is above average. According to the Council for Community and Economic Research (C2ER) Cost of Living Index for the second quarter of 2012, all participating metropolitan areas in California have higher costs of living than the U.S. average (**Figure III-10**). The cost of living in San Diego is 32 percent higher than the national average, but is lower than the cost of living in several other metropolitan areas in California.

FIGURE III-10
COST OF LIVING INDEX IN CALIFORNIA METROPOLITAN AREAS
Second Quarter 2012



The Cost of Living Index measures relative price levels for consumer goods and services in 300 participating urban areas.
Source: The Council for Community and Economic Research (C2ER)

H. OUTLOOK

The 2008-2009 U.S. economic recession exceeded previous economic declines (1940s and onward) and resulted in a severe downturn in the California economy. With the official end of the recession in June 2009,[17] economic growth resumed but has progressed much slower than expected based on experience from previous recoveries. According to the University of California, Los Angeles Anderson Forecast, in each of the previous 10 recessions, real GDP returned to its previous peak within two years and employment returned to its previous peak within two and a half years. GDP recovery from the recent recession has taken almost four years—real GDP regained the pre-recession peak in the third quarter of 2011, and employment recovery could take seven to eight years.[18]

As the U.S. economy has pulled out of the recession, sovereign debt issues in Europe and political unrest in the Middle East have clouded global outlook. Recent data show that much of Europe is in, or heading for, economic recession. China, India, Japan,

[17] National Bureau of Economic Research, *Business Cycle Dating Committee Report*, September 20, 2010.
[18] University of California, Los Angeles (UCLA) Anderson Forecast, "Sluggish Economy Continues Despite Improvements in the Housing Market," *Press Release*, Los Angeles, June 20, 2012.

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Brazil, Mexico, and other countries in Asia and South America are showing weakness as well.

In the United States, global weakness is hampering growth in exports, business investment and consumer spending. Current debate on federal fiscal tax and spending policies adds to the uncertainties of the economic outlook. Recent U.S. economic forecasts have been revised downward, with some predicting a mild short-term recession if tax cuts expire at the end of this year and mandatory federal spending cuts take effect beginning in January 2013. **Section IV** presents more details about the economic forecast scenarios.

The San Diego economy has grown along with the national and state economies, but the County's gross area product has not reached the pre-recession peak as of 2011. The UCLA Anderson Forecast and the University of San Diego Burnham-Moores Center for Real Estate forecast continued economic growth in San Diego in 2013 and thereafter. As recent history has shown, however, the national economy is a major driver to the San Diego economy. Risks facing the national economy could also hamper growth in the San Diego economy. Likewise, recent history has shown that the local economy—owing to the diversity and stability of its employment base—is more capable of riding out economic downturns than most other U.S. counties.

I. SUMMARY

The following demographic and economic attributes suggest a strong, large and growing demand base for air travel in the County:

- **Large and growing population** – The County's population is the fifth largest in the United States and second largest in California. Local population growth is projected to grow from 3.14 million in 2011 to 4.16 million by 2040-- a 32.5 percent increase.

- **Better employment conditions** - While the County's unemployment trends have followed those of the economic cycle, San Diego has created jobs and attracted workers faster than the state and the nation.

- **Diversified employment base** - No single major industry accounted for more than 18.6 percent of non-farm jobs in the County in 2011. The local economy relies on diverse service industries including the government, professional and business services, education and health services, and leisure and hospitality services, which have all increased employment throughout the recent economic downturn. Job-market diversity cushions the local economy from any industry-specific downturn.

- **Above-average growth in economic output** - The County outperformed both the state and the nation in economic growth between 2001 and 2010.

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- **Strong tourism** - The County is a popular tourist and conference destination. Its beaches, the San Diego Zoo and Safari Park, Sea World, historical and cultural attractions, and its climate draw U.S. and international tourists year-round.

- **Above-average incomes** - The County's per capita personal income has been consistently higher than per capita personal income in California and the United States. The County's per capita personal income growth also outpaced growth nationwide and statewide.

Because San Diego is an attractive place to live and work, and has a higher-income residential base, the County also has a higher cost of living. The cost of living in San Diego is higher than the U.S. average, but lower than in several other major metropolitan areas in California.

The current outlook for the San Diego economy mirrors the outlook for continued slow growth in the U.S. economy. With the national economy being a major driver to the San Diego economy, risks facing the U.S. economy could hamper local economic growth. The diverse makeup of San Diego County's employment base would help cushion the local economy from the impact of any industry-specific downturn or another national economic recession.

SECTION IV
AVIATION ACTIVITY ANALYSIS AND FORECASTS

This section reviews the historical trends in passenger traffic and aircraft operations at SAN and presents forecasts through FY 2018. It also discusses factors underlying historical trends and forecast trends, as well as recent developments in the industry. For use in this section, the term 'annual' corresponds with 'Fiscal Year' (FY), unless stated otherwise.

A. HISTORICAL AVIATION ACTIVITY AT THE AIRPORT

The FAA classifies SAN as a large hub commercial airport. Airports in this class each account for one percent or more of annual total U.S. enplanements.[19] In 2011, SAN ranked 28th in total passenger volume and 44th in total aircraft movements among U.S. commercial service airports, according to the Airports Council International-North America traffic data. **Table IV-1** shows that as of July 1, 2012, eighteen scheduled U.S. passenger carriers, four foreign flag passenger carriers, and five all-cargo carriers provided scheduled air service at SAN. Collectively, the passenger airlines serve over 100 destinations across the United States and international destinations such as Canada, Mexico and United Kingdom.

1. Overall Enplanement Trends

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

- The 2008-2009 U.S. economic recession, the longest and deepest recession since the Great Depression;
- The significant decline in air travel that followed the 2001 terrorist attacks, and more lasting structural changes in the market and the airline industry;
- Financial difficulties in the airline industry leading to dramatic structural changes including industry exits, airline mergers, mainline-to-regional route transfers, significant capacity cuts, and other extreme cost-cutting measures, all with adverse short-term effects on airports;
- Fuel price volatility, with prices reaching a record peak in 2008; and
- Adverse weather and natural disasters, disease outbreaks, and wars and civil unrest in different parts of the world.

Although the recession ended more than three years ago, economic recovery has progressed very slowly. Real U.S. GDP, a comprehensive measure of the total output

[19] U.S. Bureau of Transportation Statistics, *Air Traffic Hubs*, 2011.

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and income produced in the U.S. economy, grew only an average of 2.3 percent each year in 2010 and 2011.[20]

As **Figure IV-1** shows, the above-mentioned shocks have affected SAN. Annual enplanement levels dropped in 2002, and although a recovery period followed, the 2008-2009 recession caused levels to drop again. While SAN experiences short-term fluctuations in passenger traffic coinciding with business cycles and adverse events affecting the aviation industry, the long-term trend shows growing traffic. Enplanements at SAN grew at an average annual rate of 1.9 percent between 1990 and 2011.

TABLE IV-1
SAN DIEGO INTERNATIONAL AIRPORT
SCHEDULED PASSENGER AND CARGO AIRLINE SERVICE PROVIDERS
As of July 1, 2012

Passenger Carriers		All-Cargo Carriers
Scheduled U.S.	Foreign Flag	
Alaska Airlines	Air Canada	Atlas Air, Inc.
Allegiant	British Airways	Ameriflight
American Airlines	Volaris	Federal Express
American Eagle Airlines [1]	WestJet	United Parcel Service
Delta Air Lines		West Air, Inc.
Frontier Airlines		
Hawaiian Airlines		
Horizon Air [2]		
JetBlue Airways		
Mesa [3]		
Republic Airlines [4]		
SkyWest Airlines [5]		
Southwest Airlines		
Spirit		
Sun Country Airlines		
United Airlines [6]		
US Airways		
Virgin America		

Source: Authority records.
[1] Affiliate of and doing business as American Airlines.
[2] Affiliate of and doing business as Alaska Airlines.
[3] Affiliate of and doing business as US Airways.
[4] Affiliate of and doing business as Frontier Airlines.
[5] Affiliate of and doing business as United Express, Delta Connection, and US Airways Express.
[6] United and Continental completed their merger on Oct.1, 2010 and began operating as United on Nov. 30, 2011.

[20] U.S. Bureau of Economic Analysis.

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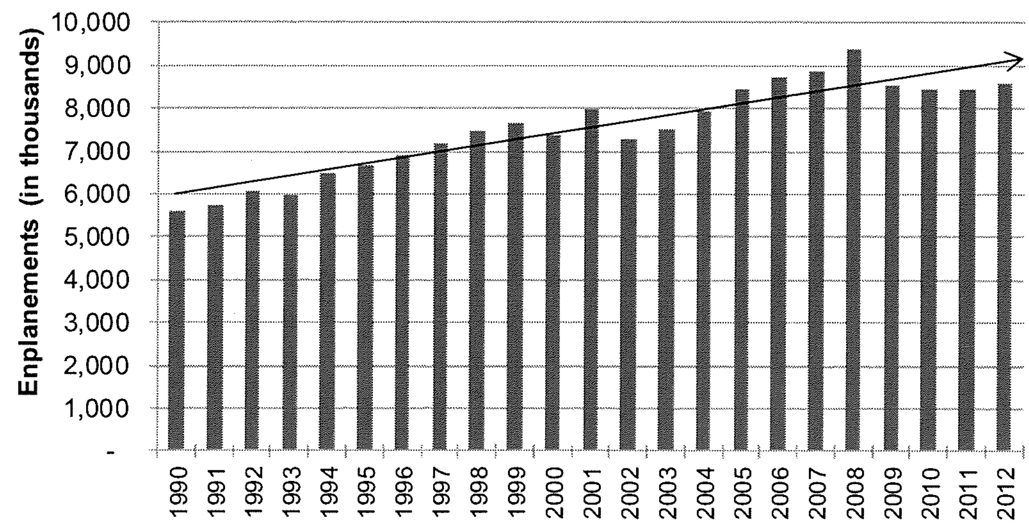
FIGURE IV-1
SAN DIEGO INTERNATIONAL AIRPORT
ANNUAL ENPLANEMENT TRENDS
Fiscal Years ended June 30



Compound Average Annual Growth Rates	
FY 1990-2012	1.9%
FY 2003-2012	1.5%
During expansion:	
FY 1993-2001	3.7%
FY 2002-2008	4.3%
During contraction:	
FY 1992-1993	-1.3%
FY 2001-2002	-8.8%
FY 2008-2011	-3.5%

Source: Authority records.

Table IV-2 and **Figure IV-2** present annual enplanement data for SAN and the entire U.S. system for FY 2003-FY 2012. The data demonstrate the following:

- Total enplanements at the Airport increased from approximately 7.51 million in FY 2003 to 8.58 million in FY 2012, at an average annual growth rate of 1.5 percent, similar to the national trend.

- The Airport's share of U.S. total system revenue enplanements ranged between 1.16 and 1.17 percent, except during FY 2008-2010 when it increased slightly. In FY 2012 the Airport's share of U.S. total system revenue enplanements was 1.16 percent.

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- During FY 2012, SAN's enplanements grew faster (1.6 percent) than the U.S. system as a whole (1.0 percent), as reflected in the increase in SAN's share of total U.S. enplanements in FY 2012, largely because the local economy performed better than the nation as a whole.

- In calendar year ("CY") 2011, SAN was one of 22 large hub airports with enplanement increases, according to FAA preliminary traffic data.

TABLE IV-2
SAN DIEGO INTERNATIONAL AIRPORT AND TOTAL U.S. ENPLANEMENTS
Fiscal Years ended June 30

Fiscal Year	SAN Enplanements	Total U.S. Enplanements[1]	SAN's Share of Total U.S. EPs
2003	7,505,705	639,115,500	1.174%
2004	7,947,440	685,370,000	1.160%
2005	8,449,107	730,592,500	1.156%
2006	8,749,734	748,981,000	1.168%
2007	8,892,069	763,388,500	1.165%
2008	9,389,327	769,543,000	1.220%
2009	8,535,774	709,137,000	1.204%
2010	8,453,886	708,001,000	1.194%
2011	8,441,120	728,878,000	1.158%
2012	8,575,475	736,625,000	1.164%
	Average Annual Growth Rate		
2003-2012	1.5%	1.6%	

[1] U.S. system revenue passenger enplanements.
Sources: Authority records and Bureau of Transportation Statistics

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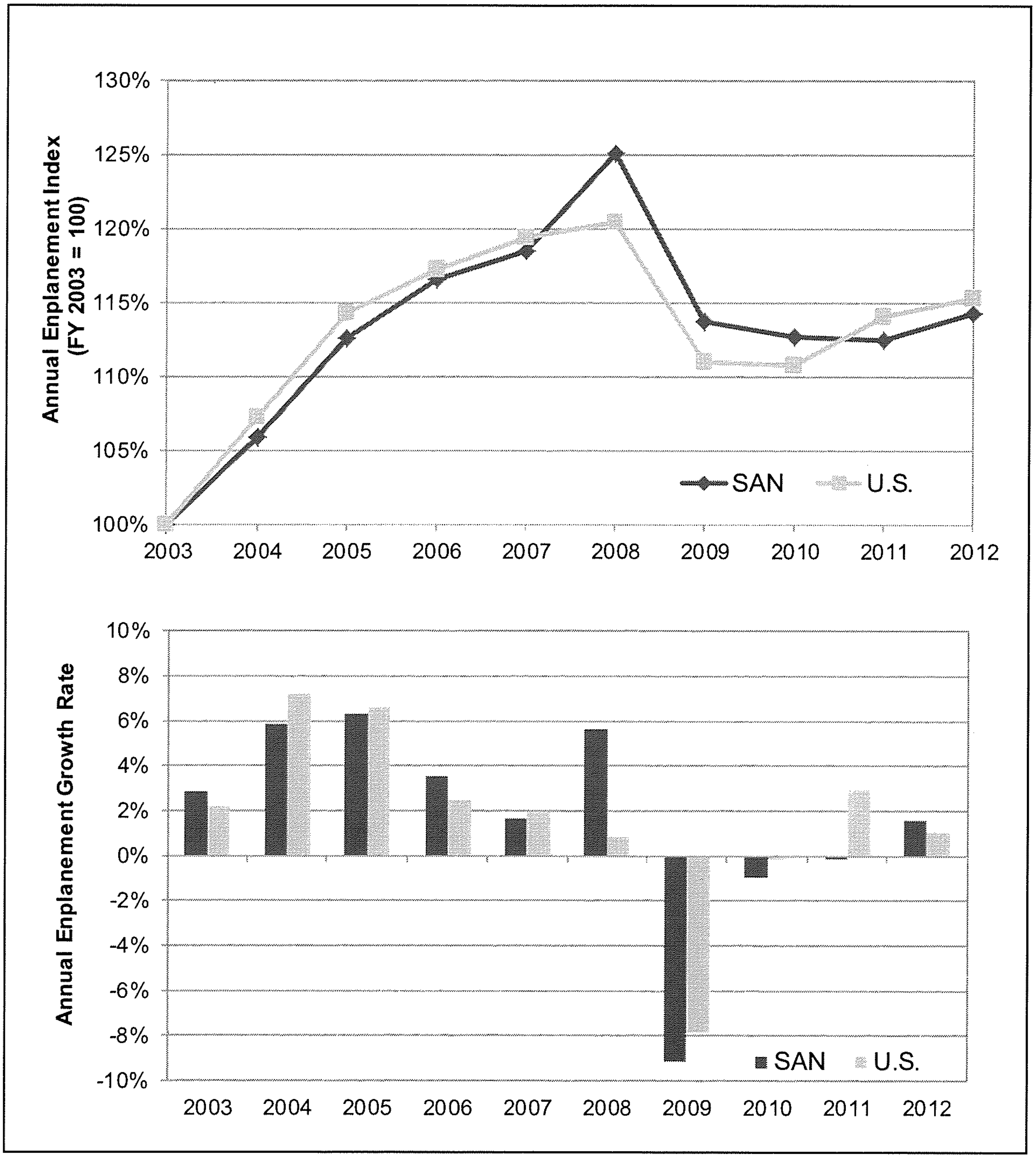
FIGURE IV-2
COMPARISON OF ANNUAL ENPLANEMENT GROWTH RATES AT SAN AND THE U.S. SYSTEM
Fiscal Years Ended June 30



See source data in **Table IV-2.**

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2. Domestic and International Enplanements

As shown in **Table IV-3,** domestic passengers have accounted for between 97.1 percent and 99.3 percent of total enplanements at SAN during the past 10 years and are responsible for SAN's overall enplanement growth. Between FY 2003 and FY 2012, domestic enplanements grew at an average annual rate of 1.3 percent.

International traffic represented between 0.7 percent and 2.9 percent of total annual enplanements between FY 2003 and FY 2012. The number doubled from 128,000 in FY 2003 to 252,000 in FY 2012, growing at an average annual rate of 7.8 percent. Throughout the past three years, international enplanements increased greatly because service expanded. From FY 2009 to FY 2012, Air Canada and WestJet doubled scheduled nonstop flights to Canada (Calgary, Toronto and Vancouver), from nine to 18 per week. Flights to Mexico increased from 14 to 19 per week. In FY 2009, nonstop service to Mexico was limited to two cities (Los Cabos and Puerto Vallarta), provided by Aeromexico, Alaska Airlines and US Airways. Volaris has since replaced Aeromexico nonstop service to Los Cabos and added nonstop service to Guadalajara and Mexico City. In June 2011, British Airways began one daily nonstop service to Heathrow Airport in London, England. [*Japan Airlines plans to begin nonstop service between SAN and Tokyo in December 2012.]*

TABLE IV-3
SAN DIEGO INTERNATIONAL AIRPORT
ANNUAL ENPLANEMENTS
Fiscal Years Ended June 30

Fiscal Year	Domestic		International		Total
	Number	% of Total	Number	% of Total	Enplanements
2003	7,377,614	98.3%	128,091	1.7%	7,505,705
2004	7,732,072	97.3%	215,368	2.7%	7,947,440
2005	8,321,797	98.5%	127,310	1.5%	8,449,107
2006	8,690,765	99.3%	58,969	0.7%	8,749,734
2007	8,797,153	98.9%	94,916	1.1%	8,892,069
2008	9,302,073	99.1%	87,254	0.9%	9,389,327
2009	8,450,723	99.0%	85,051	1.0%	8,535,774
2010	8,339,147	98.6%	114,739	1.4%	8,453,886
2011	8,316,322	98.5%	124,798	1.5%	8,441,120
2012	8,323,734	97.1%	251,741	2.9%	8,575,475
	Average Annual Growth Rate				
2003-2012	1.3%		7.8%		1.5%

Source: Authority records.

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3. O&D and Connecting Passengers

Table IV-4 divides annual passengers into O&D and connecting segments. The high proportion of O&D traffic (more than 93 percent) indicates a solid market for air service. The percentage of O&D passengers has remained relatively stable during the past ten years, having decreased slightly from 95 percent in CY 2002 to 93.2 percent in CY 2011

TABLE IV-4
SAN DIEGO INTERNATIONAL AIRPORT
O&D AND CONNECTING PASSENGERS
CY 2002 - 2011

Calendar Year	O&D		Connecting		Total Passengers
	Number	Share	Number	Share	
2002	14,178,129	95.0%	753,725	5.0%	14,931,854
2003	14,404,939	94.4%	855,852	5.6%	15,260,791
2004	15,446,992	94.3%	930,312	5.7%	16,377,304
2005	16,366,362	94.2%	1,006,159	5.8%	17,372,521
2006	16,430,231	94.0%	1,051,711	6.0%	17,481,942
2007	17,225,237	94.0%	1,101,497	6.0%	18,326,734
2008	17,071,333	94.2%	1,054,300	5.8%	18,125,633
2009	15,874,902	93.5%	1,099,275	6.5%	16,974,177
2010	15,746,049	93.2%	1,143,573	6.8%	16,889,622
2011	15,735,182	93.2%	1,156,508	6.8%	16,891,690
	Average Annual Growth Rate				
2002-2011	1.2%	-	4.9%	-	1.4%

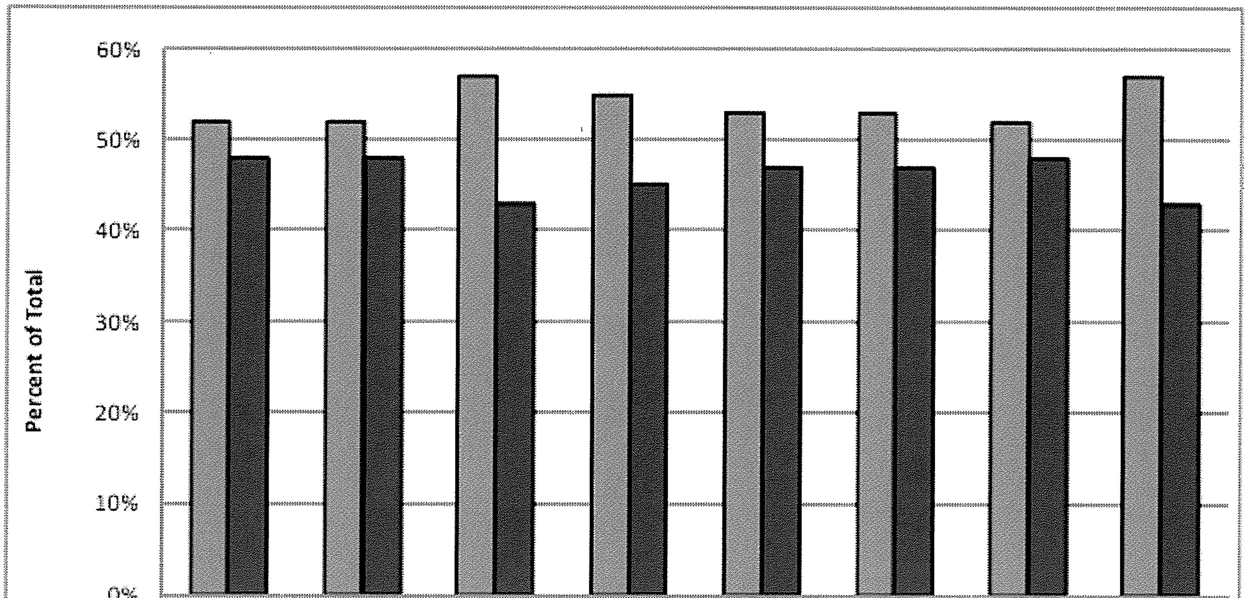
Source: Authority records.

4. Business and Leisure Travel

Airport passenger surveys conducted during 2004-2010 show an average of 53 percent of SAN passengers traveling for leisure and other personal reasons, and 47 percent traveling for business. The 2011 survey shows an increase in leisure passengers to 57 percent (**Figure IV-3**).[21]

[21] Phoenix Marketing International, *San Diego International Airport Passenger Satisfaction Survey Results*, 2011. Phoenix Marketing International is a market research consultant to the Authority.

FIGURE IV-3
SAN DIEGO INTERNATIONAL AIRPORT
BUSINESS AND LEISURE PASSENGER SHARES
CY 2004 – 2011



	2004	2005	2006	2007	2008	2009	2010	2011
Leisure	52%	52%	57%	55%	53%	53%	52%	57%
Business	48%	48%	43%	45%	47%	47%	48%	43%

Source: 2011 Annual SAN Passenger Satisfaction Survey Results

5. Seasonality in SAN Enplanements

SAN monthly enplanement levels tend to peak in the summer (July-August), and drop to their lowest typically in January and February (**Figure IV-4**). This follows the same seasonal pattern observed nationwide.

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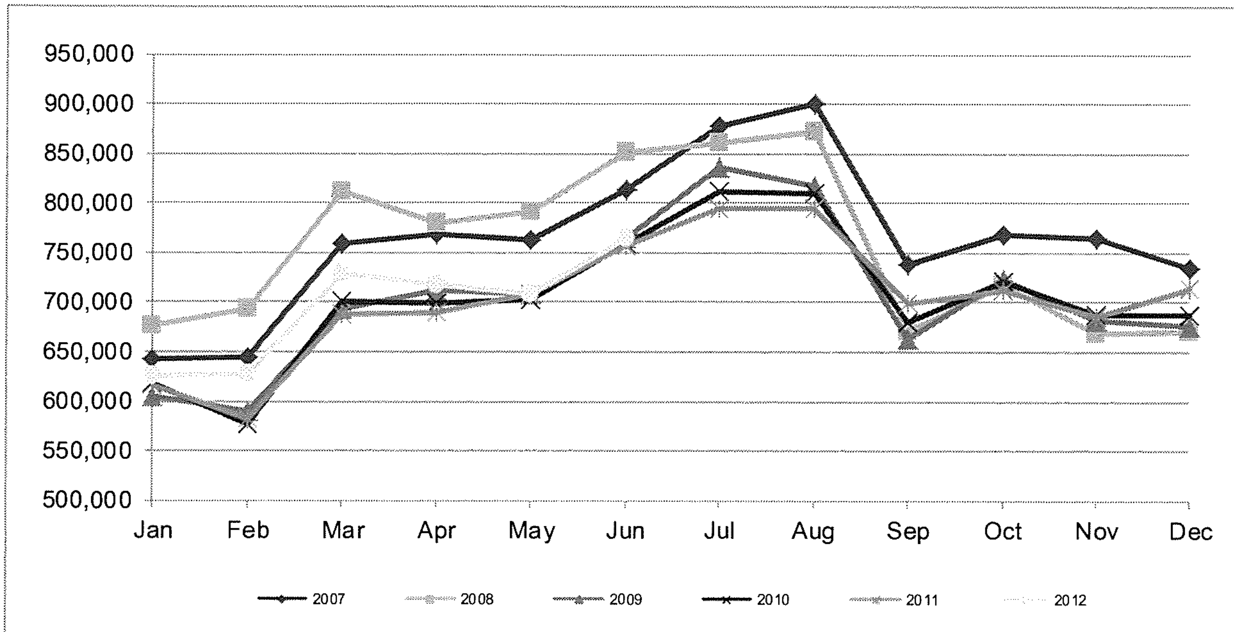
FIGURE IV-4
SAN DIEGO INTERNATIONAL AIRPORT
MONTHLY ENPLANEMENT TREND
January 2007 - June 2012



Source: Authority records.

6. Airline Market Shares

SAN has a broad base of air service providers; no single airline has a monopoly on traffic. **Table IV-5** shows Airport enplanements and airline market shares from FY 2008 to FY 2012. The FY 2012 airline market shares are presented on **Figure IV-5**. Note the following trends:

- Enplanement levels decreased 9.1 percent in FY 2009, followed by very small decreases in FY 2010 and FY 2011. The trend reversed in FY 2012, with enplanements increasing by 1.6 percent.

- Mainline service accounts for the large majority of enplanements at SAN (having increased from 93.2 percent in 2008 to 95.1 percent in 2012). Regional service accounts for the minority share, which shrank from 6.8 percent to 4.9 percent. A number of factors contribute to the larger mainline presence at SAN, relative to the national share. Southwest, the largest passenger carrier at SAN, operates only mainline service. SAN airlines serve a predominantly O&D traffic on relatively dense and/or longer-haul routes that are better served with larger aircraft. Compared to other U.S. large hub airports, SAN has limited runway capacity that is more efficiently utilized with larger aircraft.

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TABLE IV-5
SAN DIEGO INTERNATIONAL AIRPORT
AIRLINE ENPLANEMENTS AND SHARES
Fiscal Years Ended June 30
Ranked in Order of FY 2012 Market Share

Airline	Enplanements					Share	
	2008	2009	2010	2011	2012	2008	2012
Mainline							
Southwest	3,306,386	3,122,090	3,183,084	3,277,931	3,252,290	35.2%	37.9%
United [1]	1,499,672	1,430,265	1,428,403	1,374,407	1,266,007	16.0%	14.8%
Delta [2]	982,828	890,811	900,510	919,323	935,777	10.5%	10.9%
American [3]	808,790	735,067	704,909	658,752	664,466	8.6%	7.7%
Alaska	498,169	428,515	435,722	514,498	579,457	5.3%	6.8%
US Airways [4]	631,049	563,392	512,558	523,378	535,906	6.7%	6.2%
Frontier [5]	274,689	212,069	196,628	219,008	198,708	2.9%	2.3%
Virgin America	57,292	155,649	151,110	133,377	166,326	0.6%	1.9%
JetBlue	224,205	235,199	167,031	141,684	147,051	2.4%	1.7%
Hawaiian	160,939	100,626	90,874	98,887	86,211	1.7%	1.0%
British Airways	-	-	-	6,912	81,437	0.0%	0.9%
Spirit	-	-	-	-	77,873	0.0%	0.9%
Air Canada	55,031	27,255	46,959	58,539	56,470	0.6%	0.7%
Volaris	-	-	-	-	45,589	0.0%	0.5%
Others [6]	255,491	191,623	138,390	79,929	59,523	2.7%	0.7%
Subtotal-Mainline	**8,754,541**	**8,092,561**	**7,956,178**	**8,006,625**	**8,153,091**	**93.2%**	**95.1%**
Regional							
SkyWest [7]	177,112	203,543	271,766	272,365	263,144	1.9%	3.1%
American Eagle [8]	238,147	232,289	207,272	155,421	140,574	2.5%	1.6%
Mesa [9]	17,098	7,381	18,670	6,709	12,766	0.2%	0.1%
Horizon [10]	-	-	-	-	5,900	-	0.1%
ExpressJet [11]	202,429	-	-	-	-	2.2%	-
Subtotal-Regional	**634,786**	**443,213**	**497,708**	**434,495**	**422,384**	**6.8%**	**4.9%**
Total	**9,389,327**	**8,535,774**	**8,453,886**	**8,441,120**	**8,575,475**	**100.0%**	**100.0%**

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

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

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

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

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

[6] The "Others" category includes airlines that ceased operating at SAN during the historical period shown on the table, and airlines with a FY 2012 market share of less than 0.5%.

[7] Delta Connection, United Express and US Airways Express (starting in FY 2012).

[8] American Airlines.

[9] US Airways.

[10] Alaska Airlines.

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

Source: Authority records.

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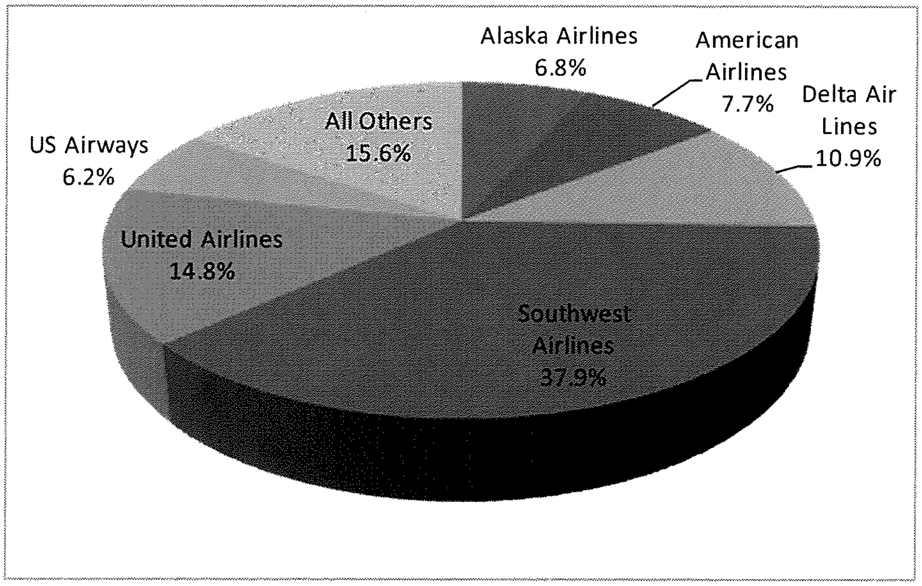
FIGURE IV-5
SAN DIEGO INTERNATIONAL AIRPORT
AIRLINE ENPLANEMENT MARKET SHARE
Fiscal Year 2012



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

- Southwest holds the largest share of SAN enplanements, which increased from 35.2 percent in FY 2008 to 37.9 percent in FY 2012.
- United has the second largest share of enplanements.[22] United's share, which increased from 16.0 percent in 2008 to 16.9 percent in 2010, has since declined to 14.8 percent in 2012. This share reflects only mainline enplanements. United's total share, including United Express' share of SkyWest's enplanements,[23] is slightly higher.
- Delta is the third largest carrier at SAN (having increased from 10.5 percent to FY 2008 to 10.9 percent in FY 2012). Delta's market share is slightly higher with Delta Connection's share of SkyWest's enplanements.
- American has the fourth largest market share at SAN, which decreased from 8.6 percent in FY 2008 to 7.7 percent in FY 2012. American Eagle operates American Connection, with a FY 2012 market share of 1.6 percent.

[22] United and Continental completed their merger on October 1, 2010 and began operating as United on November 30, 2011.
[23] Skywest serves both United and Delta.

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- SkyWest, serving United Express Delta Connection, and US Airways Express, is the largest regional carrier. Its total enplanement share increased from 1.9 percent in FY 2008 to 3.1 percent in FY 2012.

7. Top O&D Markets

Table IV-6 lists the top 25 O&D market destinations from the Airport in CY 2011. The top 25 market destinations, consisting of large metropolitan areas across the United States, were served by 176 of the 221 daily nonstop departures from SAN in CY 2011. Collectively, service to these markets accounted for 73 percent of O&D enplanements at SAN in CY 2011. In terms of market share, the top five market destinations were: San Francisco, Denver, New York, Washington, D.C., and Seattle.

SAN has scheduled service to 52 nonstop markets this winter (December 2012-February 2013) (**Figure IV-6**).

8. Passenger Yields

Lower airfares attract passengers. A common measure of airfares that controls for trip length is passenger yield—the average airline revenue per revenue passenger mile. The domestic passenger yield at SAN is lower than U.S. average (**Table IV-7**). It is also lower than the domestic passenger yields at Bob Hope Airport, Ontario International Airport, and John Wayne Airport in 2011. This makes SAN more price-competitive in attracting San Diego passengers relative to these other Southern California commercial airports. The annual yield changes at SAN are consistent with the changes observed for the U.S. as a whole and the five other hub airports in Southern California.

TABLE IV-6
SAN DIEGO INTERNATIONAL AIRPORT
TOP O&D MARKET DESTINATIONS
12 Months Ended December 31, 2011

Rank [1]	Destination	Airports	O&D Market Share [2]	Daily Nonstop Departures [3]	Airlines Serving Market from SAN [4]
1	San Francisco, CA	SFO, OAK, SJC	16.0%	40	UA, VX, WN
2	Denver, CO	DEN	4.3%	14	F9, UA, WN
3	New York, NY	JFK, EWR	4.3%	8	CO, AA, B6, DL
4	Washington, DC	IAD, BWI, DCA	4.2%	5	WN, UA
5	Seattle, WA	SEA	4.2%	7	AS
6	Phoenix, AZ	PHX	4.1%	18	US, WN
7	Las Vegas, NV	LAS	4.1%	12	WN
8	Sacramento, CA	SMF	4.0%	10	WN
9	Chicago, IL	ORD, MDW	3.8%	11	AA, UA, WN
10	Dallas, TX	DFW, DAL	2.5%	9	AA
11	Boston, MA	BOS	2.1%	1	B6
12	Portland, OR	PDX	2.1%	3	AS
13	Minneapolis, MN	MSP	1.8%	4	DL, SY
14	Houston, TX	IAH, HOU	1.8%	8	CO, WN
15	Philadelphia, PA	PHL	1.6%	2	US
16	Salt Lake City, UT	SLC	1.6%	5	DL
17	Atlanta, GA	ATL	1.3%	5	DL
18	Detroit, MI	DTW	1.2%	2	DL
19	Honolulu, HI	HNL	1.2%	1	AS, HA
20	Orlando, FL	MCO	1.1%	-	-
21	Austin, TX	AUS	1.1%	2	WN
22	St. Louis, MI	STL	1.1%	1	WN
23	Kansas City, MI	MCI	1.1%	2	WN
24	Tuscon, AZ	TUS	1.0%	3	WN
25	San Antonio, TX	SAT	0.9%	2	WN
	DESTINATIONS LISTED	-	**72.6%**	**176**	
	OTHER DESTINATIONS	-	**27.4%**	**44**	
	TOTAL	-	**100.0%**	**221**	

[1] Ranking is based on share of SAN O&D Passengers.
[2] OAG Aviation Solutions OD1A Database/US DOT 10% Ticket Survey. Data obtained on August 23, 2012.
[3] OAG Aviation Solutions Schedules Database. SAN data obtained on August 23, 2012. The number of daily nonstop departures equals annual nonstop departures divided by 365.
[4] Airline codes: AA=American; AS=Alaska; B6=Jet Blue; CO=Continental; SL=Delta; F9=Frontier; HA=Hawaiian; SY=Sun Country; US=US Airways; VX=Virgin America; WN=Southwest.

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FIGURE IV-6
SAN DIEGO INTERNATIONAL AIRPORT NONSTOP MARKETS
WINTER 2012

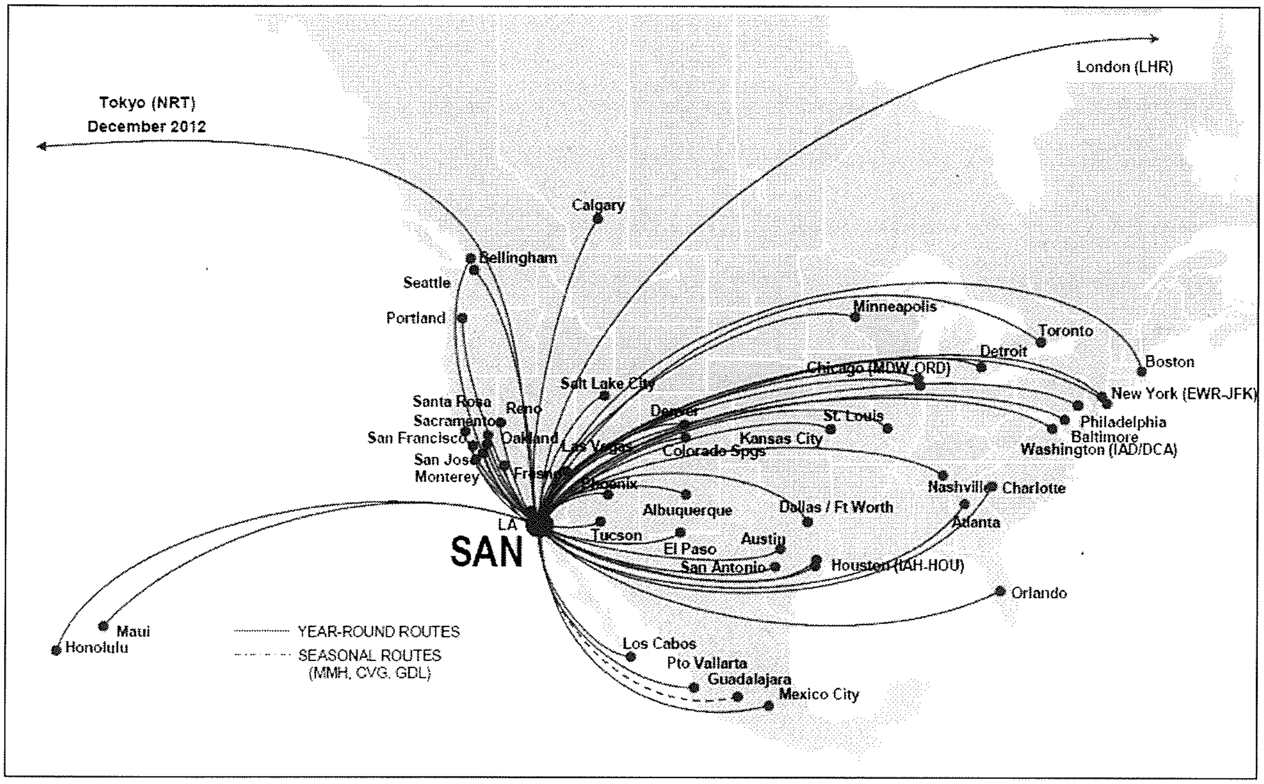

TABLE IV-7
DOMESTIC PASSENGER YIELDS (IN CENTS PER REVENUE PASSENGER MILE) AT SAN AND THE OTHER SOUTHERN CALIFORNIA HUB AIRPORTS
CY 2007 - 2011

	2007	2008	2009	2010	2011
San Diego	12.71	13.32	12.06	13.24	14.29
Bob Hope	16.90	18.28	17.01	18.70	20.17
Los Angeles	12.54	13.20	11.64	12.70	13.75
Long Beach	10.49	11.25	10.57	11.83	13.43
Ontario	14.11	15.48	14.26	14.93	16.27
John Wayne	15.11	15.63	13.73	15.02	16.38
U.S. Average	14.99	16.01	14.34	15.63	16.91

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

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9. Air Cargo

Air cargo, consisting of freight and mail, is handled at the Airport (**Table IV-8**). Consistent with the nationwide trend, air cargo at SAN decreased during the 2008-2009 recession and has not yet recovered to its pre-recession peak despite increases during the past three years. Approximately 72.7 million tons of air cargo was shipped from SAN in FY 2012, still 16 percent lower than the 2005 peak of 86.4 million tons. Freight accounts for the bulk of air cargo, with an annual share ranging from 80 to 85 percent.

TABLE IV-8
SAN DIEGO INTERNATIONAL AIRPORT
ENPLANED CARGO
Fiscal Years Ended June 30

Fiscal Year	Mail (tons)		Air Freight (tons)		Total (tons)
	Weight	% of Total	Weight	% of Total	
2003	14,449	18.7%	62,919	81.3%	77,368
2004	14,831	20.5%	57,439	79.5%	72,270
2005	13,681	15.8%	72,689	84.2%	86,370
2006	12,924	15.3%	71,719	84.7%	84,644
2007	13,369	15.6%	72,092	84.4%	85,460
2008	12,950	17.4%	61,643	82.6%	74,593
2009	13,338	19.6%	54,813	80.4%	68,150
2010	13,088	18.9%	56,338	81.1%	69,427
2011	13,250	19.0%	56,445	81.0%	69,694
2012	13,574	18.7%	59,151	81.3%	72,725
	Average Annual Growth Rate				
2003-2012	-0.7%	-	-0.7%	-	-0.7%

Source: Authority records.

Table IV-9 presents data on annual air cargo by carrier during FY 2010-2012. FedEx accounted for 78.9 percent in FY 2012.

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TABLE IV-9
SAN DIEGO INTERNATIONAL AIRPORT
ENPLANED CARGO BY AIRLINE
Fiscal Years Ended June 30
Ranked in Order of FY 2012 Market Share

Airline	Total Cargo (tons)			2012 Total
	2010	2011	2012	Cargo Share
Passenger				
British Airways	-	386	3,813	5.2%
Southwest	1,916	1,818	1,944	2.7%
United [2]	1,539	1,574	1,470	2.0%
Delta [1]	671	1,020	1,144	1.6%
US Airways [3]	518	617	632	0.9%
Hawaiian	154	202	563	0.8%
Alaska	314	310	341	0.5%
Frontier [4]	146	136	152	0.2%
JetBlue	150	190	107	0.1%
American [5]	322	249	51	0.1%
Sun Country [6]	39	13	2	0.0%
Mesa Airlines [7]	10	0	-	0.0%
Subtotal	**5,778**	**6,516**	**10,219**	**14.1%**
Cargo				
Federal Express [8]	58,064	56,740	57,368	78.9%
ABX Air Inc./Atlas Air Inc.	2,587	3,465	3,493	4.8%
United Parcel Service [9]	1,425	1,522	1,457	2.0%
Air Transport International, LLC	1,574	1,452	189	0.3%
Subtotal	**63,649**	**63,179**	**62,506**	**85.9%**
Total	**69,427**	**69,694**	**72,725**	**100.0%**

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

[2] United and Continental completed their merger on Oct.1, 2010 and began operating as United on Nov. 30, 2011. Cargo activity for United and Continental has been combined in this table.

[3] America West Airlines Inc. merged with US Airways Inc. on September 25, 2005 and began operating as US Airways in September 2007. Cargo activity for US Airways and America West has been combined in this table.

[4] On April 13, 2010, Republic Airways Holdings Inc. announced that its two branded carriers, Frontier and Midwest, would combine under the Frontier brand. Cargo activity for Frontier and Midwest has been combined in this table.

[5] The parent company of American Airlines filed for Chapter 11 reorganization on November 29, 2011.

[6] Sun Country Airlines filed for bankruptcy protection on October 6, 2008 but continues to operate at SAN while it reorganizes under bankruptcy protection.

[7] US Airways.

[8] West Air, Inc. is a feeder operator for Federal Express. Cargo activity for West Air and Federal Express has been combined in this table.

[9] Ameriflight is a feeder operator for United Parcel Service. Cargo activity for Ameriflight and United Parcel Service has been combined in this table.

Source: Authority records.

10. Commercial Aircraft Departures

Table IV-10 shows the past five years of annual commercial aircraft departures at SAN. Departures ranged from a high of 99,719 in 2008 to a low of 82,917 in 2012, representing a decrease of 4.5 percent per year, on average. The declining trend reflects airlines' schedule cuts during the 2008-2009 recession, continuing efforts to increase load factors, and increased use of larger aircraft (mainline service).

TABLE IV-10
SAN DIEGO INTERNATIONAL AIRPORT
COMMERCIAL AIRCRAFT DEPARTURES
Fiscal Years Ended June 30
Listed in Order of FY 2012 Market Share

Airline	Aircraft Departures					Share
	2008	2009	2010	2011	2012	2012
Southwest	37,074	35,767	33,078	32,592	32,095	38.7%
United[1]	18,359	10,976	10,557	9,995	9,437	11.4%
SkyWest [2]	912	6,618	7,386	7,428	7,369	8.9%
Delta[3]	6,568	5,863	6,136	6,414	6,271	7.6%
American	6,378	5,775	5,343	5,011	4,966	6.0%
Alaska	5,235	4,199	3,844	4,435	4,766	5.7%
US Airways	4,921	4,595	3,893	3,709	3,820	4.6%
American Eagle [4]	8,405	7,175	6,159	4,194	3,286	4.0%
Federal Express	1,487	2,169	2,079	2,118	2,170	2.6%
Frontier	1,136	1,777	1,441	1,822	1,583	1.9%
Virgin America	626	1,576	1,474	1,224	1,464	1.8%
JetBlue	2,027	2,089	1,398	1,171	1,167	1.4%
Subtotal	**93,128**	**88,579**	**82,788**	**80,113**	**78,394**	**95.0%**
Others [5]	6,591	4,755	4,350	3,357	4,523	5.5%
Total	**99,719**	**93,334**	**87,138**	**83,470**	**82,917**	**100.0%**
Annual Change	20.0%	-6.4%	-6.6%	-4.2%	-0.7%	

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

[2] Delta Connection, United Express and US Airways Express (starting in FY2012).

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

[4] American Airlines.

[5] The "Others" category includes airlines that ceased operating at SAN during the period shown on the table, and airlines with a FY2012 market share of less than 1.0%.

Source: Authority records

11. Commercial Aircraft Landed Weight

Table IV-11 shows annual landed weight from commercial aircraft that landed at SAN between FY 2008 and FY 2012. Landed weight decreased from 12.5 billion in FY 2008 to 10.6 billion pounds in FY 2011, and then increased slightly to 10.8 billion pounds in 2012. The decreases during FYs 2009-2011 were due largely to decreases in flights, which in FY 2011 were cushioned by the shift to the use of larger mainline aircraft. This shift caused landed weight to increase in FY 2012, despite a slight decrease in total flights.

TABLE IV-11
SAN DIEGO INTERNATIONAL AIRPORT
COMMERCIAL AIRCRAFT LANDED WEIGHT
Fiscal Years Ended June 30
Listed in Order of FY 2012 Market Share

Airline	Landed Weight (thousand pounds)					Share
	2008	2009	2010	2011	2012	2012
Southwest	4,416,996	4,415,780	4,068,974	4,001,530	3,953,536	36.5%
United[1]	1,761,692	1,670,479	1,662,540	1,583,371	1,502,202	13.9%
Delta[2]	1,173,864	1,007,769	1,047,295	1,062,254	1,047,068	9.7%
American	890,796	848,513	766,151	672,059	701,126	6.5%
Alaska	612,282	536,281	511,813	595,238	648,359	6.0%
US Airways[3]	713,030	684,354	626,510	603,439	643,014	5.9%
Federal Express	447,636	402,665	400,303	421,239	452,453	4.2%
SkyWest [4]	195,777	219,416	332,408	338,813	306,789	2.8%
Frontier	287,387	237,274	227,848	249,492	208,936	1.9%
Virgin America	3,122	221,333	205,348	173,686	208,253	1.9%
British Airways	-	-	-	13,800	167,440	1.5%
JetBlue	288,239	297,340	201,071	167,369	166,232	1.5%
American Eagle [5]	280,234	280,413	254,122	174,888	159,379	1.5%
Subtotal	**11,071,055**	**10,821,617**	**10,304,383**	**10,057,178**	**10,164,787**	**93.9%**
Others [6]	1,430,436	675,141	588,484	548,982	655,115	6.1%
Total	**12,501,491**	**11,496,758**	**10,892,867**	**10,606,160**	**10,819,902**	**100.0%**
Annual Change	6.2%	-8.0%	-5.3%	-2.6%	2.0%	

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

[2] In 2008 Delta acquired Northwest and its affiliated air carriers. The operations of Delta and Northwest have been merged into a single entity that now operates under the Delta name.

[3] America West Airlines Inc. merged with US Airways Inc. on September 25, 2005 and began operating as US Airways in September 2007.

[4] Delta Connection, United Express, and U.S. Airways Express (starting FY2012).

[5] American Airlines.

[5] The "Others" category includes airlines that ceased operating at SAN during the period shown on the table, and airlines with a FY2012 market share of less than 1.5%.

Source: Authority records.

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B. FORECAST COMMERCIAL AVIATION ACTIVITY

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

- **Capacity-driven, near-term forecast.** Our forecast for FY 2013 uses the published airline schedules to begin projecting aircraft departures (or landings), fleet mix and seat capacity. We then project individual airline boarding load factors based on recent actual data and forecast industry trends, and apply these factors to projected available seats. This process allows us to calculate total enplanements for the year. We also calculate total landed weight from projected aircraft landings, given each airline's scheduled fleet mix and maximum gross landed weight per aircraft. While the published airline schedules provide a starting point, we also consider current economic and industry outlook in the process.

- **Demand-driven, long-term forecasts.** Forecast traffic growth for FY 2014 through FY 2018 links to trends in key demand drivers through regression analysis. We develop a multivariate regression model that quantifies the relationship between enplanement trends and explanatory variables such as: (1) income growth trends, (2) changes in the price of air travel, and (3) structural changes in the industry following September 11, 2001. The resulting forecast annual enplanement levels allow us to project annual aircraft departures (or landings) and landed weight, given projected industry trends regarding changes in fleet mix, seats per aircraft, and boarding load factors. The projected industry trends assume the airlines will continue efforts to streamline network capacity, improve load factors, and improve fuel efficiency by using larger aircraft in high density markets and airports with limited airfield capacity such as SAN.

The hybrid forecasting approach incorporates both air service supply and demand considerations. Multivariate time series regression links forecasts to key measurable factors—income and price—that drive demand in a quantitative model. Other changes in the industry—including fuel price changes, airline alliances, and further consolidation, as discussed at the end of this section—will affect future traffic and cause actual results to differ from the forecast.

Recognizing uncertainty in the key drivers of the enplanement regression model, we perform risk analysis using a sampling method known as Monte Carlo simulation. Supplementing regression techniques with Monte Carlo simulation permits a more comprehensive quantitative assessment of forecast risks and provides additional information for establishing alternative forecast scenarios.

In Monte Carlo simulation, for selected uncertain model inputs, we consider a range of possible values using probability distributions. In the enplanement forecast regression model, the uncertain inputs are income growth trends and changes in the price of air travel.

For this study, we present a base forecast scenario and a low forecast scenario. The base forecast enplanements result from the regression model specification and assumptions described below and on the next two pages. We then performed a Monte Carlo simulation of the regression model and selected the 15-percentile result as the basis for the "low" forecast scenario. The 15-percentile Monte Carlo simulation result corresponds with an 85-percent probability estimate that actual enplanements will be equal to or greater than the 15-percentile level.

1. Multivariate Regression Model

Multivariate regression analysis is an integral part of our forecasting approach. Multivariate regression analysis provides a systematic quantitative framework for linking forecast activity with key explanatory variables that drive demand for air travel. By design, regression analysis reduces subjective inputs and minimizes forecast errors.

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

- ***Price of air travel.*** The demand for air travel is inversely related to its price. Holding all other factors constant, more people travel more frequently when air fares go down. The converse is also true. Airfares, in real terms, have steadily declined since deregulation in 1978, stimulating growth in air travel. A variety of factors have combined to reduce airfares: productivity growth, stringent competition among both "legacy"[24] and low-cost carriers, price transparency on the Internet, and growing price consciousness among both leisure and business travelers. The regression model uses the average real domestic passenger yield[25] at SAN to measure the price of air travel. According to data from the U.S. Department of Transportation 10-percent ticket survey, the average real domestic passenger yield at SAN declined at an average annual rate of 1.7 percent between 1990 and 2012.[26] The average real domestic passenger yield increased in the past two years. Consistent with the latest FAA industry forecast,[27] the base regression forecast assumes continuing increases through FY 2016, after which the average real domestic yield will return to its long-term trend of decline. The average annual growth rate is -0.1 percent per year between FY 2012 and 2018, the end of the forecast period.

[24] The term "legacy" carrier refers to a U.S. airline that existed at the time of the Airline Deregulation Act of 1978.
[25] Real yield is derived by dividing total airline passenger revenues by total revenue passenger miles, and then adjusted for inflation.
[26] Although jet fuel prices increased significantly during 2007-2009, (see page IV-25), the airlines could not increase air fares due to weak demand.
[27] *FAA Aerospace Forecasts, FY 2012-2032*, March 2012.

- ***Income.*** The demand for air travel increases with income because income growth boosts consumer spending and stimulates business activity. We used real U.S. per capita GDP as a measure of income[28]. We use U.S. per capita GDP, rather than the San Diego County per capita GDP because air travelers that use SAN include passengers from across the nation, not only San Diego residents. To calculate real U.S. per capita GDP, we obtained historical data and forecast data on real U.S. GDP and population from Moody's Analytics, an independent economic forecasting firm. The base regression forecast assumption for annual income growth is based on whichever is lower between the Moody's Analytics forecast real GDP growth and a consensus forecast—the average of the latest published GDP growth forecasts from a number of reputable sources.[29] The real U.S. per capita GDP increased 1.4 percent on average annually between 1990 and 2012. During the recent recession, the real U.S. per capita GDP decreased 1.3 percent in 2008 and decreased 3.9 percent in 2009. It has since increased at annual rates within one percent. The base forecast assumes the growth rate in real U.S. per capita GDP will be one percent in 2013, increase slightly at 2.0 to 2.4 percent annual rates in 2014 to 2016, and return to the one percent range in 2017 to 2018. These assumptions result in an average annual growth rate of 1.7 percent in real U.S. per capita GDP between 2012 and 2018.

- ***Post-September 11, 2001 structural changes.*** The regression model includes an indicator variable that accounts for the post-September 11, 2001 market and industry structural changes because our regression modeling estimation period extends to years prior to the terrorist attacks. These structural changes include changes in consumer behavior resulting from more stringent airport security screening after the September 11 terrorist attacks; and changes in the U.S. airline industry including capacity rationalization, airline pricing system changes, cost-cutting measures, and airline mergers and network consolidation.

Table IV-12 shows the projected annual growth rates for the key demand drivers underlying the base forecast scenario.

[28] GDP is the market value of all goods and services produced within a country. It is a measure of both economic output and income. GDP can be calculated in three ways, all of which yield the same result: the product approach, the income approach, and the expenditure approach. The fact that GDP is a measure of income is evident from the income approach to calculating GDP, which postulates that all incomes of the producers are equal to the value of the producers' product – the sum of all the producers' incomes. Per capita GDP—GDP divided by the population—equals per capita gross domestic income.
[29] GDP forecast sources include Moody's Analytics, Congressional Budget Office, Office of Budget and Management, Economist Intelligence Unit, International Monetary Fund, The World Bank, Philadelphia Federal Reserve Bank Survey of 45 Economists, Federal Reserve Board, Bank of Canada, Conference Board, Wall Street Journal Survey of 50 Economists, Blue Chip Survey, and Wells Fargo Bank.

TABLE IV-12
KEY DEMAND DRIVERS: ANNUAL GROWTH RATE ASSUMPTIONS FOR THE BASE FORECAST SCENARIO

Year[1]	SAN Real Yield[2]	Real U.S. GDP[3]	U.S. Population[4]	Real U.S. per Capita GDP[5]
2013	0.1%	2.0%	1.0%	1.0%
2014	0.3%	2.9%	1.0%	2.0%
2015	0.1%	3.4%	1.0%	2.4%
2016	0.1%	3.2%	1.0%	2.2%
2017	-0.2%	2.2%	1.0%	1.3%
2018	-1.1%	2.0%	1.0%	1.0%
	Compound Average Annual Growth Rate			
2012-18	-0.1%	2.6%	1.0%	1.7%

[1] Fiscal year ended June 30 for SAN real yield, and calendar year for the other variables.

[2] Based on FAA industry forecasts published on March 2012.

[3] Based on the lower of Moody's Analytics September 2012 forecast and a consensus forecast calculated as the average of the latest published forecasts of a number of industry sources.

[4] Based on Moody's Analytics September 2012 forecast.

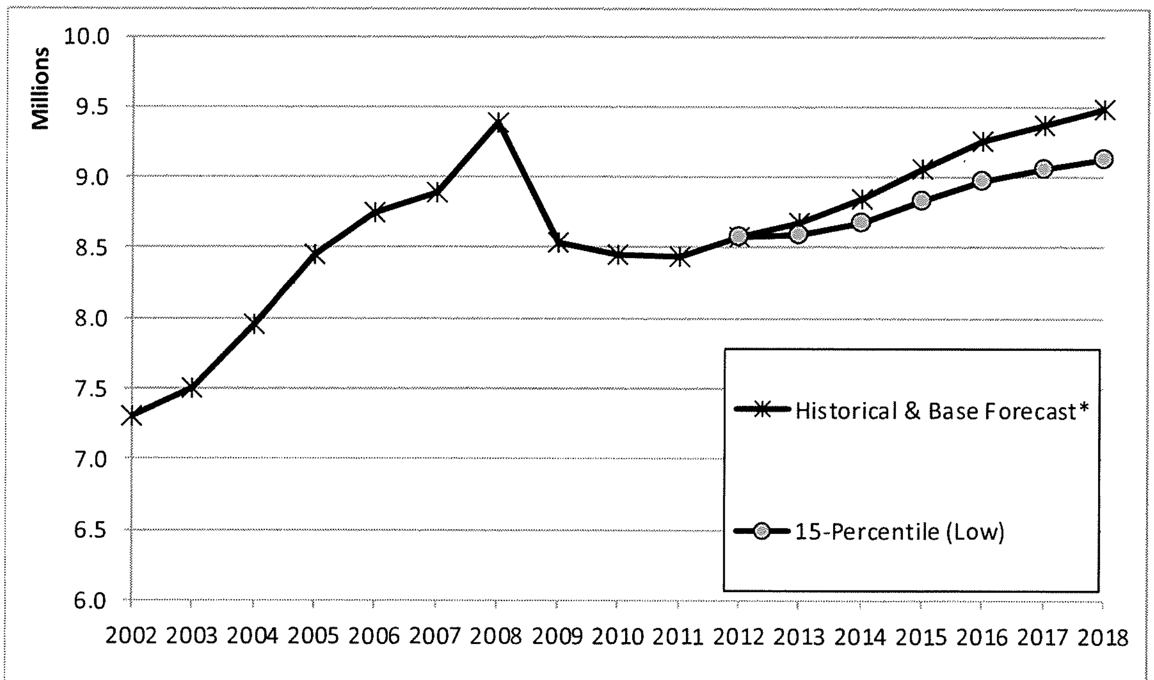
[5] Resulting from forecast growth rates in Real U.S. GDP and the U.S. population.

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

2. Base and Low Forecast Scenarios

The above regression model specification and assumptions—with adjustments to account for published airline schedules in FY 2013—produce the base enplanement forecast. The low enplanement forecast is based on the 15-percentile Monte Carlo simulation result, which corresponds with an 85-percent probability estimate that actual enplanements will be equal to or greater than the 15-percentile level. **Figure IV-7** presents the base and 15-percentile (low) enplanement forecasts.

FIGURE IV-7
BASE AND LOW FORECAST ANNUAL ENPLANEMENTS (IN MILLIONS)
Historical, FY 2002-2012, and Forecast, FY 2013-2018



*Adjusted to consider published airline schedules in FY 2013.

Table IV-13 presents forecast commercial aviation activity at SAN under the base scenario:

- Annual enplanements increase from 8.6 million in 2012 to 9.5 million in 2018 at an average rate of 1.7 percent.
- Annual aircraft departures increase from nearly 83,000 in 2012 to more than 92,000 in 2018 at an average rate of 1.8 percent.
- Annual landed weight increases from 10.8 billion pounds in 2012 to nearly 12 billion pounds in 2018 at an average rate of 1.7 percent.

Table IV-13 also shows the underlying projected trends in relevant metrics such as the following:

- The average number of enplanements per passenger aircraft departure decreases slightly from 108 in 2012 to 106 in 2013, and then increases very gradually to 107 in 2018.
- The average number of seats per passenger aircraft departure decreases slightly from 137 in 2012 to 134 in 2013 to 2018.
- The average boarding load factor continues to improve gradually from 78.8 percent in 2012 to 79.5 percent in 2018.
- The average landed weight per aircraft decreases slightly from 131 thousand pounds in 2012 to 129 thousand pounds in 2018.

TABLE IV-13
BASE FORECAST COMMERCIAL AVIATION ACTIVITY AT SAN
Fiscal Years Ended June 30

	Actual			Forecast*						CAAGR
Air Traffic Measure	**2010**	**2011**	**2012**	**2013****	**2014**	**2015**	**2016**	**2017**	**2018**	**2012-18**
Total enplanements (millions)	8.45	8.44	8.58	8.68	8.84	9.06	9.25	9.37	9.48	1.7%
Annual growth rate		-0.2%	1.6%	1.2%	1.9%	2.4%	2.2%	1.3%	1.2%	
Total aircraft departures (thousands)	87.2	83.4	82.8	85.1	86.7	88.6	90.4	91.4	92.4	1.8%
Annual growth rate		-4.3%	-0.8%	2.9%	1.8%	2.2%	2.0%	1.1%	1.1%	
Total landed weight (billion pounds)	10.76	10.61	10.82	11.03	11.23	11.48	11.70	11.83	11.96	1.7%
Annual growth rate		-1.4%	2.0%	1.9%	1.8%	2.2%	1.9%	1.1%	1.1%	
Avg. enplanements per passenger aircraft departure	101.0	105.4	107.8	106.0	106.0	106.2	106.4	106.6	106.7	
Avg. seats per passenger aircraft departure	131.4	134.0	136.7	134.3	134.3	134.3	134.3	134.2	134.2	
Avg. boarding load factor	76.8%	78.6%	78.8%	78.9%	78.9%	79.1%	79.2%	79.4%	79.5%	
Avg. aircraft landed weight (thousand pounds)	123.4	127.2	130.7	129.6	129.5	129.5	129.5	129.5	129.5	

*Except for 2013, forecasts are based on the annual enplanement growth rates predicted from the regression model of enplanements under base assumptions for the trends in key demand drivers (income and price of air travel). These base enplanement growth rates coincide with the mean and median (50-percentile) results from the Monte Carlo simulation of the enplanement regression model.
**The 2013 base forecast is based on available airline schedules for the year. It is lower than the mean and median (50-percentile) result from the Monte Carlo simulation.
CAAGR - Compound average annual growth rate

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Table IV-14 presents the low forecast commercial aviation activity corresponding to the 15-percentile Monte Carlo simulation result.

TABLE IV-14
LOW FORECAST COMMERCIAL AVIATION ACTIVITY AT SAN*
FY 2012-2018

Air Traffic Measure	Actual 2012	Forecast* 2013	2014	2015	2016	2017	2018	CAAGR 2012-18
Total enplanements (millions)	8.58	8.60	8.68	8.84	8.97	9.05	9.12	1.0%
Annual growth rate	1.6%	0.3%	1.0%	1.8%	1.5%	0.9%	0.8%	
Total departures (thousands)	82.8	84.5	85.4	86.7	87.9	88.5	89.2	1.2%
Annual growth rate	-0.8%	2.1%	1.0%	1.6%	1.4%	0.7%	0.7%	
Total landed weight (billion pounds)	10.82	10.95	11.06	11.24	11.39	11.47	11.55	1.1%
Annual growth rate	2.0%	1.2%	1.0%	1.6%	1.3%	0.7%	0.7%	

*Forecasts are based on the 15-percentile results for annual enplanement growth rates from the Monte Carlo simulation of the enplanement regression model. The enplanement regression model includes income and price of air travel as key demand drivers.
CAAGR - Compound average annual growth rate

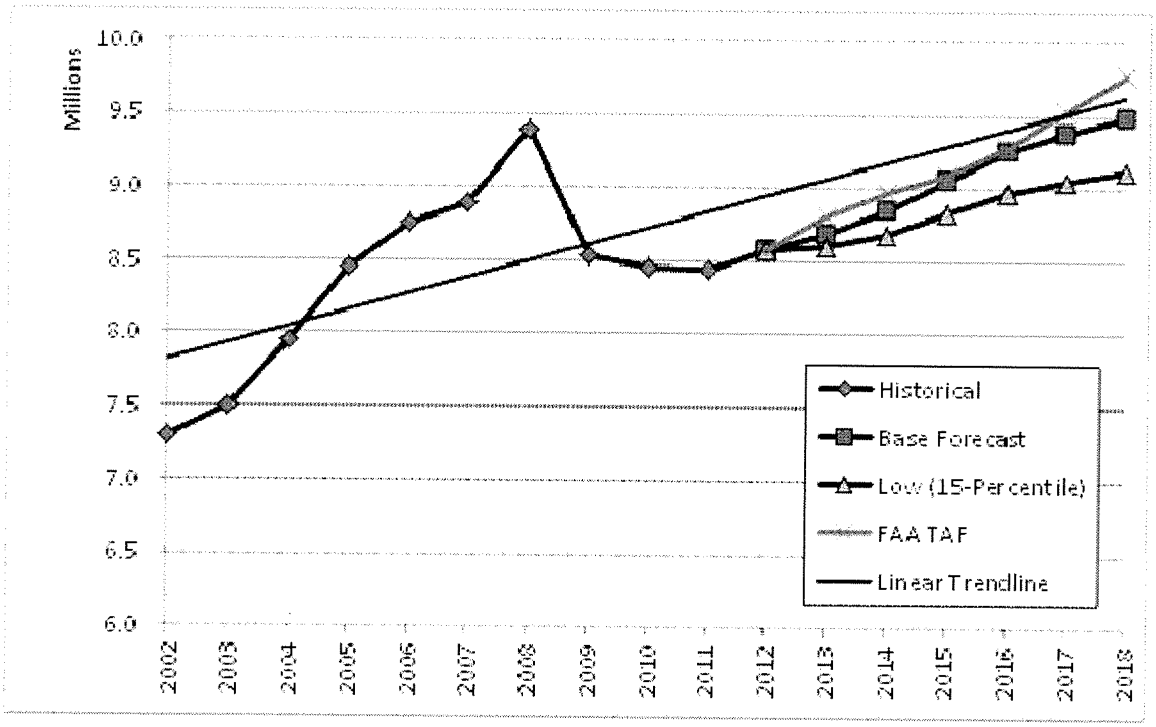
3. The FAA Terminal Area Forecasts (TAF) and the Linear Trendline

Figure IV-8 compares the base regression forecast enplanements to the latest FAA Terminal Area Forecasts (TAF) for SAN, and the linear trendline:

- *FAA Terminal Area Forecasts (TAF).* The FAA develops annual airport forecasts for planning, budgeting, and staffing purposes. The most recent TAF was published in January 2012. Forecast publications lag more than a year behind forecast development, and so the latest TAF consider actual performance only through federal fiscal year 2010 (which ended on Sept. 30, 2010). The FAA TAF forecast enplanements for SAN are slightly higher than the base forecast during FY 2013, 2014, 2017 and 2018. They are about the same as the base forecast during FY 2015 and 2016. According to the TAF, annual enplanements increase to 9.8 million in FY 2018—3.1 percent higher than the base forecast.

- *Linear trend extrapolation (Trendline).* The linear trendline represents the straight line that best fits the historical data, and the forecast results from an extrapolation of this straight line into the future. It is easy to implement, but its simplicity is also its major shortcoming. It relies on average historical trends and does not consider any explanatory variables. Trend fluctuations and unique future market conditions produce flawed results. The linear trendline forecast enplanements are consistently higher than the base forecast through FY 2018. The gap is wider during the earlier years of the forecast period when the enplanement level begins recovering from the recent downturn and closes over time. The linear trendline forecast enplanements for FY 2018 total 9.6 million, just 1.6 percent higher than the base forecast.

FIGURE IV-8
COMPARISON OF THE BASE AND LOW FORECAST ENPLANEMENTS WITH THE FAA TERMINAL AREA FORECASTS AND THE LINEAR TRENDLINE
Fiscal Years Ended June 30



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C. FORECAST UNCERTAINTY AND RISK FACTORS

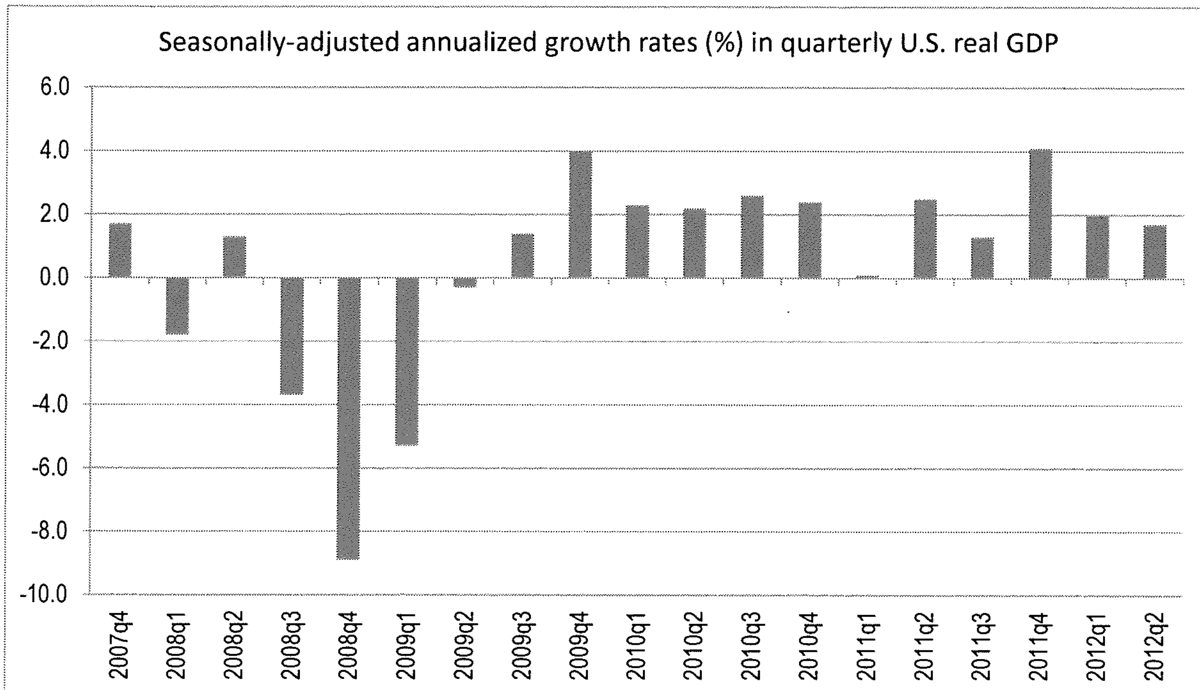
The commercial aviation activity forecasts presented above are based on specific assumptions about the availability and characteristics of airline service at SAN, projected trends in measurable factors that drive air travel demand, and other information made available at the time of analysis. Broader factors that affect the aviation industry as a whole and the Airport in particular bring risk and uncertainty into the forecasts. Several of these factors are discussed below.

1. National Economic Conditions

Prevailing economic conditions affect the demand for air travel and related services. Economic expansion increases income, boosts consumer confidence, stimulates business activity, and increases demand. In contrast, an economic recession reduces income, diminishes consumer confidence, dampens business activity, and weakens demand. The U.S. economy peaked in December 2007 and then entered a recession period.[30] Compared to the mild and brief 2001 recession, the 2008-2009 recession had a strong and long-lasting effect on the economy. **Figure IV-9** shows percent changes in U.S. real GDP—a broad measure of economic activity—from the fourth quarter of CY 2007 through the second quarter of CY 2012. U.S. real GDP declined from the third quarter of CY 2008 through the fourth quarter of CY 2009. The deepest declines occurred during the fourth quarter of CY 2008 until the third quarter of CY 2009. The trend began to improve in the fourth quarter of CY 2009, when real GDP declines flattened out. Growth from the first quarter of CY 2010 through the second quarter of CY 2012 reflects an abnormally weak recovery. As shown in **Table IV-15,** various sources expect this recovery to continue below recent historical patterns.

[30] National Bureau of Economic Research Business Cycle Dating Committee, *Determination of the December 2007 Peak in Economic Activity*, December 11, 2008.

FIGURE IV-9
PERCENTAGE CHANGE IN REAL U.S. GROSS DOMESTIC PRODUCT
First Quarter CY 200-Second Quarter CY 2012



Source: U.S. Bureau of Economic Analysis.

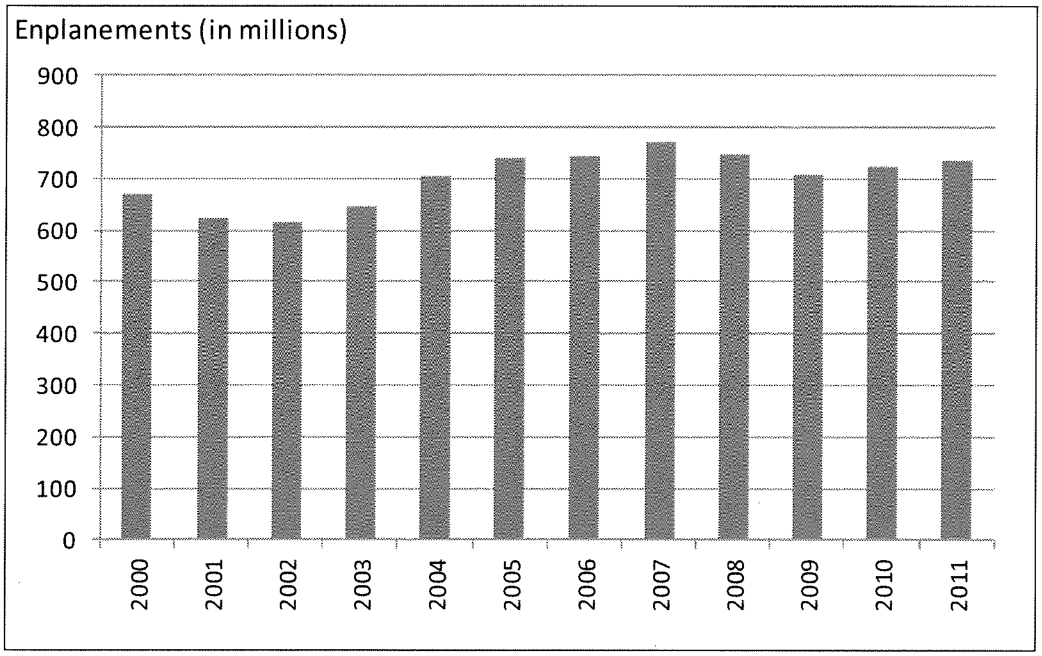
TABLE IV-15
FORECAST PERCENT CHANGE IN REAL U.S. GROSS DOMESTIC PRODUCT
CY 2012-2018

Source	2012	2013	2014	2015	2016	2017	2018
Congressional Budget Office-Base (August 2012)	2.1	-0.5	3.1	4.8	4.5	3.8	3.1
Office of Management & Budget (July 2012)	2.3	2.7	3.5	4.1	4.0	3.8	3.2
Economist Intelligence Unit (August 2012)	2.1	1.9	2.2	2.3	2.3		
Federal Reserve Board (September 2012)	1.9	2.8	3.4	3.4			
Walls Street Journal Survey (August 2012)	1.9	2.4	3.0				
Blue Chip Survey (July 2012)	2.1	2.3	3.0	3.0	2.9	2.8	2.7
Consensus - Average of 14 Sources	2.1	2.0	3.0	3.4	3.4	3.2	2.8

2. Overall Financial Health of the U.S. Airline Industry

Within the past decade, financial weakness and volatility have characterized the U.S. airline industry. Passenger traffic declined following each recession in CY 2001 and CY 2008-2009 (**Figure IV-10).** After the 2009 economic trough, passenger traffic resumed small increases.

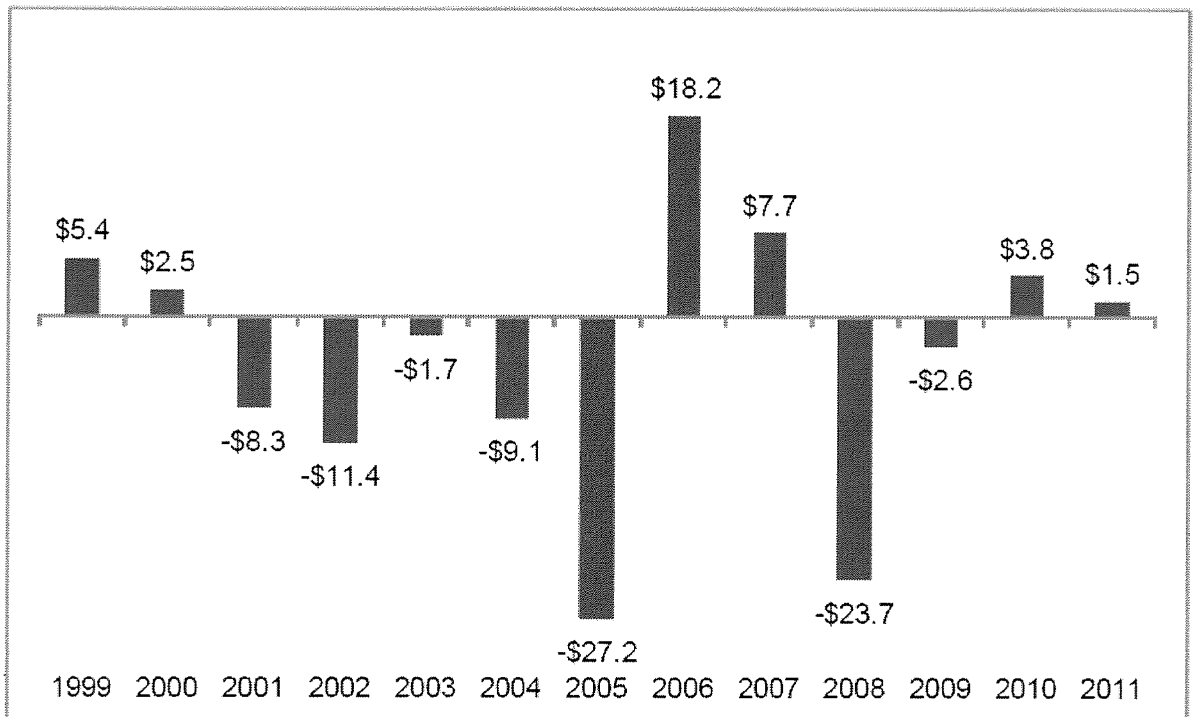
FIGURE IV-10
U.S. CARRIER SCHEDULED SYSTEM REVENUE PASSENGER ENPLANEMENTS
CY 2000-2011



As shown in **Figure IV-11**, U.S. airlines reported net losses during five consecutive years (from CY 2001 through CY 2005), with cumulative losses totaling $57.7 billion. In CY 2006 the industry began to see positive results, and in CY 2007 it continued to improve despite record high oil prices. U.S. airlines had a net profit of $18.2 billion in CY 2006 and $7.7 billion in CY 2007. Jet fuel prices, however, continued to rise through July 2008, pushing some airlines into and bankruptcy and liquidation. Airlines reacted by reducing staff and seat capacity. The industry also offered multiple fare sales, which depressed revenues. As a result, U.S. airlines incurred net losses totaling $23.7 billion in CY 2008. As jet fuel prices decreased in 2009, net losses reported by the U.S. airlines decreased to $2.6 billion. With demand rebounding in 2010, oil and fuel prices began to increase until early 2012. Airlines responded to this increase in fuel price with significant capacity cuts and fleet adjustments, retiring small regional aircraft and older mainline aircraft. Adjustments such as these have been supplemented with service charges for check-in baggage, priority seating, and on-board food. The industry began to see net profits in 2010 and 2011.

The largest carrier at SAN, Southwest, is one of the few airlines that have continued to earn profits during this period, reporting net income of $178 million in CY 2008, $99 million in CY 2009, $459 million in CY 2010, and $178 million in CY 2011. The airline has enjoyed 39 consecutive years of profitability.

FIGURE IV-11
U.S. PASSENGER AND CARGO AIRLINES' ANNUAL NET PROFIT (BILLION $)
CY 1999-2011



Source: U.S. Bureau of Transportation Statistics.

3. Performance of Major Airlines at SAN[31]

The performance of major airlines operating at SAN can affect future Airport traffic. Four airlines with the largest enplanement shares at SAN in FY 2012 together accounted for approximately 71.3 percent of total FY 2012 enplanements. Performance highlights for these four airlines are presented below.

Southwest Airlines

Southwest Airlines is the largest scheduled domestic market U.S. carrier based on its share of system revenue passenger miles (18.2 percent in 2011). AirTran Airways, Inc.

[31] The discussion in this subsection is based on information and reports contained in the airlines' websites (www.iflyswa.com, www.united.com, www.delta.com, www.aa.com, www.usairways.com). Financial data was from www.nasdaq.com and operating data from the Bureau of Transportation Statistics (BTS).

became a wholly-owned subsidiary of Southwest Airlines on May 2, 2011. The FAA approved a Single Operating Certificate for Southwest in March 2012. Since that time, Southwest has been working to integrate AirTran aircraft fleet and airport facilities. Over the next few years, Southwest will also integrate AirTran employees.

In CY 2011, Southwest reported its 39th consecutive annual profit, with a net income of $178 million. This 2011 net income, however, was lower than the 2010 net income of $459 million due to an increase in fuel costs. Including AirTran revenue (beginning on May 2, 2011), Southwest's 2011 revenue increased 29 percent over 2010. Revenue management, route network optimization, and new products such as Business Select and Early Bird Check-In contributed to the revenue increase.

In CY 2012, Southwest earned revenues sufficient to overcome high jet fuel prices and produce first quarter net income of $98 million and second net income of $228 million. Going forward, Southwest's strategic initiatives include the integration of AirTran, a new frequent flyer program, the addition of Boeing 737-800 aircraft, fleet modernization, and a new reservations system.

Southwest has reduced flight frequencies and increased load factors at SAN, reflecting the airline's fleet and route optimization changes. Southwest has decreased aircraft departures at SAN by over 11 percent from 2009 to 2012, and increased its load factor from approximately 64 percent in 2009 to approximately 71 percent in 2012.

United Airlines

United Airlines is the second largest scheduled domestic market U.S. carrier, as measured by its share of revenue passenger miles (16.7 percent in 2011). United Continental Holdings, Inc. (UAL) is the holding company for both United Airlines and Continental Airlines. Together with United Express, Continental Express and Continental Connection, these airlines operate an average of 5,656 daily flights to 376 airports. In 2011, United and Continental obtained a single operating certificate from the FAA.

UAL reported 2011 full-year net income of $840 million. In CY 2012, the company reported a first quarter net loss of -$448 million and a second quarter net income of $339 million.

Over the past few years United has aggressively cut capacity to combat rising fuel prices. Since 2010, United and Continental flights from SAN have dropped 10.6 percent and enplanements have declined 11.4 percent.

Delta Air Lines

Delta Air Lines[32] is the third largest scheduled domestic market U.S. carrier based on its share of revenue passenger miles (16.3 percent in 2011). Delta completed its merger

[32] Delta Air Lines emerged from Chapter 11 bankruptcy protection in April 2007.

with Northwest Airlines[33] on October 29, 2008 and received a single operating certificate on December 31, 2009. Delta is now the largest commercial air carrier in the world. In January 2010, Delta and Northwest finished consolidating gates and ticket counters at airports where both airlines operate. Headquartered in Atlanta, Delta employs 80,000 employees worldwide and operates a mainline fleet of more than 700 aircraft. Delta participates in a trans-Atlantic joint venture with Air France, KLM and Alitalia. Delta also has a domestic marketing alliance with Alaska Airlines.

In CY 2011, Delta recorded a consolidated net income of $854 million. In CY 2012, the airline reported a first quarter net income of $124 million and a second quarter net loss of $168 million. Southwest Airlines and Boeing will lease 88 Boeing 717s, currently in service at AirTran Airways, to Delta beginning in mid-2013, allowing Delta to reduce its use of fifty-seat regional jets. This reduction will improve Delta's cost efficiency and improve customer experience.

The combined SAN market share of Delta and Northwest has changed very little during the past few years, having increased only slightly from 10.5 percent of total SAN enplanements in 2008 to 10.9 percent in 2012.

American Airlines

American Airlines is the fourth largest scheduled domestic market U.S. carrier based on its share of revenue passenger miles in 2011 (13.2 percent). The top domestic market for American is its Dallas / Fort Worth hub where the airline controls 72 percent of the market representing just over 27 percent of its domestic enplaned passengers.

The parent company of American Airlines, AMR Corporation, filed for Chapter 11 reorganization on November 29, 2011. According to American Airlines, the purpose of the Chapter 11 filing is "...to achieve a cost and debt structure that is industry competitive, and thereby assure [the airlines'] long-term viability." Recent news concerning a potential merger of American and US Airways adds uncertainty to the outlook. The air traffic forecasts for SAN do not reflect any drastic changes in American's service at the Airport. Published airline schedules for CY 2012 show that American and US Airways serve different nonstop markets from SAN. American has nonstop flights to Dallas-Fort Worth, John F. Kennedy, Los Angeles, and Chicago O'Hare International Airports. US Airways has nonstop flights to Charlotte, Washington Reagan, Philadelphia, and Phoenix Sky Harbor International Airports.

In 2011, AMR reported a consolidated net loss of approximately $2.0 billion. In 2012, AMR incurred a first quarter net loss of $1.7 billion and a second quarter net loss of $240 million.

[33] Northwest Airlines emerged from Chapter 11 bankruptcy protection in May 2007.

4. Price of Jet Fuel

The price of jet fuel affects the financial health of the airline industry. Rising fuel prices increased airline costs dramatically during the first seven months of 2008, and contributed to airline industry losses. The price of fuel dropped in the second half of 2008 and continued to decrease in 2009, providing substantial relief.

From CY 2000 to CY 2008, jet fuel's price increased more than 300 percent, while the U.S. Consumer Price Index (CPI)—the price of a representative basket of U.S. goods and services—only increased 25 percent (**Table IV-16**). As a result, fuel expenses, which historically ranged from 10 to 15 percent of U.S. passenger airline operating costs, rose to over 35 percent, according to Airlines For America. Fuel prices have decreased dramatically since the average price per gallon reached almost $4.00 in July 2008 (**Figure IV-12**). The average per-gallon price of jet fuel dropped to a $1.64 low in March 2009. It has since risen, but it has not returned to the July 2008 peak. By April 2012, jet fuel prices increased to $3.13 per gallon, and by [*June they dropped back to $2.84 per gallon*]. The SAN air traffic forecasts presented above assume no sharp increases in jet fuel prices that would cause system-wide operational disruptions.

TABLE IV-16
U.S. AVERAGE JET FUEL PRICE AND CONSUMER PRICE INDEX
CY 2000 - 2011

Year	U.S. Jet Fuel Price (Dollars per gallon)	U.S. CPI (1982-84=100)
2000	$0.80	172.2
2001	$0.78	177.1
2002	$0.71	179.9
2003	$0.84	184.0
2004	$1.15	188.9
2005	$1.65	195.3
2006	$1.95	201.6
2007	$2.09	207.3
2008	$3.06	215.3
2009	$1.89	214.5
2010	$2.23	218.1
2011	$2.86	224.9
	Percent Change	
2000-2012	258.0%	30.6%
2010-2012	28.3%	3.2%

Sources: U.S. Bureau of Transportation Statistics and U.S. Bureau of Labor Statistics.

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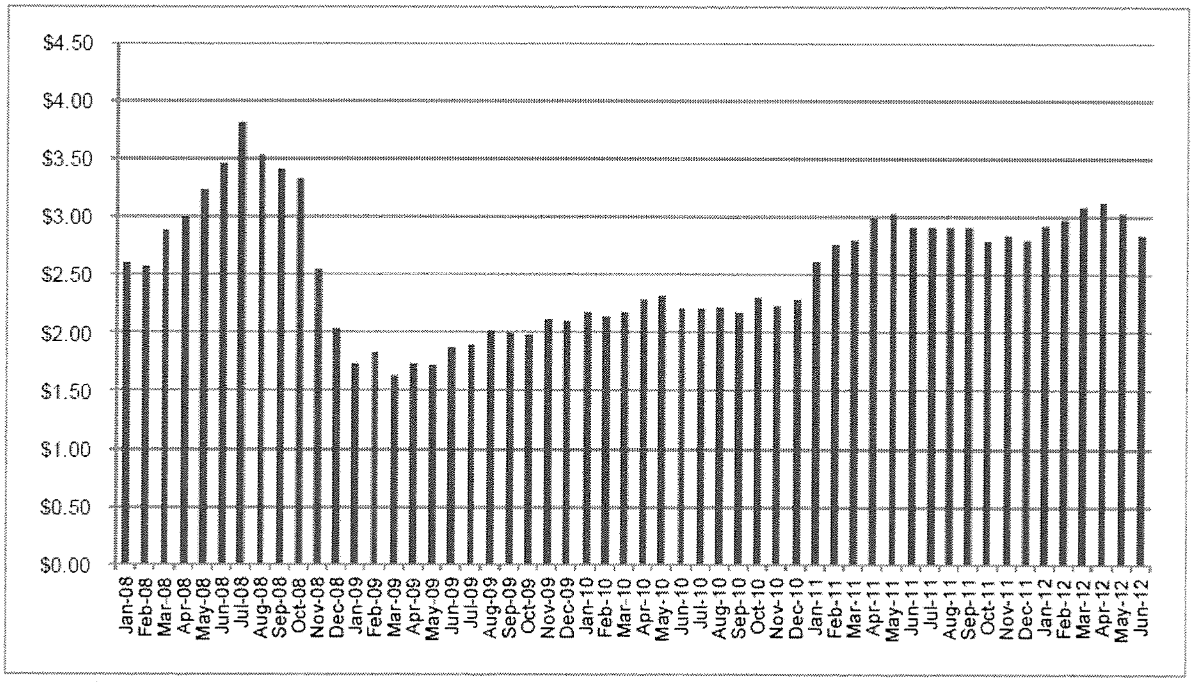
FIGURE IV-12
AVERAGE JET FUEL MARKET PRICE PER GALLON
January 2008 – June 2012



Source: U.S. Bureau of Transportation Statistics.

5. National Security and Threat of Terrorism

Terrorism remains one of the greatest risks to forecasting aviation demand, according to the FAA. The government has tightened security by creating the Department of Homeland Security. The potential for terrorists to disrupt economic and social activities, however, still exists. The U.S. Department of Homeland Security periodically issues updates about potential threats against the United States, including aviation system threats. The government's involvement in Iraq and Afghanistan and in international efforts to dismantle terrorist networks will continue to effect domestic security. Travel restrictions imposed to increase airport security may reduce travel demand.

6. Other Airports in the Southern California Region

As discussed in **Section III**, there are six other commercial service airports in Southern California and one commercial service airport in Tijuana, Baja California, Mexico:

- McClellan-Palomar Airport (CLD), 34 miles to the North in Carlsbad, San Diego County
- John Wayne Airport (SNA), located 87 miles to the North in Orange County
- Long Beach Airport (LGB), 107 miles to the North in Los Angeles County

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- LA/Ontario International Airport (ONT), 115 miles to the Northeast in western San Bernardino County
- Los Angeles International Airport (LAX), 126 miles to the North in Los Angeles County
- Bob Hope Airport in Burbank (BUR), 134 miles to the North in Los Angeles County
- Tijuana Rodriguez International Airport (TIJ), 24 miles south of SAN in Tijuana, Baja California, Mexico

See pages III-1 and III-2 for a discussion of the other commercial service airports in Southern California and Tijuana and the relationship of those airports to SAN. **Table IV-17** presents key measures of activity at the other commercial service airports in Southern California and Tijuana.

TABLE IV-17
COMMERCIAL SERVICE AIRPORTS IN SOUTHERN CALIFORNIA AND TIJUANA
ANNUAL ENPLANEMENTS (IN THOUSANDS)
CY 2008 - 2011

Airport	Miles from SAN	2008	2009	2010	2011
San Diego International Airport (SAN)	N/A	9,008	8,454	8,431	8,466
McClellan-Palomar Airport (CLD)	34	39	26	24	42
John Wayne Airport (SNA)	87	4,464	4,311	4,279	4,248
Long Beach Airport (LGB)	107	1,413	1,402	1,451	1,512
Ontario International Airport (ONT)	115	2,998	2,417	2,381	2,271
Los Angeles International Airport (LAX)	126	28,861	27,440	28,858	30,529
Bob Hope Airport (BUR)	134	2,647	2,295	2,240	2,145
Tijuana Rodriguez International Airport (TIJ)	24	1,984	1,704	1,825	1,750

Sources:FAA for the U.S. airports and Grupo Aeroportuario del Pacifico for TIJ.
Sources: FAA for Southern California airports and Grupo Aeroportuario del Pacifico for TIJ.

7. Airfield and Curfew Constraints

The Airport is limited in its potential to physically expand. This limitation will eventually cause congestion and limit traffic growth. SAN's current conditions make runway additions difficult. Obstacles to runway expansion include: 1) significant geographic obstructions (including high terrain to the Northeast and Southwest of the Airport) and; 2) manmade obstructions, such as office buildings, to the Northeast, East, and Southeast of the Airport; 3) major land acquisition requirements; 4) extensive infrastructure impacts; 5) local resident opposition; and 6) increased noise impacts. However, runway capacity will not affect the current study forecast period. According to the SAN Master Plan, runway congestion is anticipated to occur when annual aircraft operations reach between 260,000 and 300,000. Annual aircraft operations are not projected to reach 200,000 during the forecast period.

Beyond the forecast period, significant improvements to the air traffic control system as promised by the Next Generation Air Transportation System (NextGen) could increase SAN air traffic capacity, regardless of physical constraints. NextGen is an umbrella term for the ongoing, wide-ranging transformation of the National Airspace System (NAS). At its most basic level, NextGen will evolve the ground-based air traffic control system to a satellite-based management system.[34]

In addition to airfield capacity restrictions, there are direct restrictions on operations relating to noise abatement. Section 9.40 of the San Diego County Regional Airport Authority Codes, which sets forth the regulations of the Authority that restrict and regulate certain operations at the Airport, prohibits aircraft departures between 11:30 p.m. and 6:30 a.m. No commercial passenger aircraft departures at SAN are scheduled outside of the restricted hours.

[34] FAA website.

SECTION V
SUMMARY OF THE AIRLINE OPERTING AND LEASE AGREEMENT

The Authority has entered into separate, but substantially similar, Airline Operating and Lease Agreements (the "Airline Agreements") with 17 passenger airlines and five all-cargo carriers operating at the Airport (the "Signatory Airlines"). The passenger air carriers that are currently Signatory Airlines are the following: Air Canada, Alaska, Allegiant, American, British Airways, Delta, Frontier, Hawaiian, JetBlue, Southwest, Spirit, Sun Country, United, US Airways, Virgin America, WestJet, and Volaris. The all-cargo air carriers that are currently Signatory Airlines are: Atlas, Ameriflight, Federal Express, UPS, and West Air.

Six of the Signatory Airlines have entered into agreements with affiliated passenger airlines (the "Affiliate Airlines") to operate smaller aircraft on behalf of those Signatory Airlines. The Affiliate Airlines have each executed an agreement with the Authority and the applicable Signatory Airline (the "Affiliate Airline Operating Agreement"). The Affiliate Airline Operating Agreements allow the Affiliate Airlines to operate at SAN on behalf of the applicable Signatory Airlines without the Affiliate Airlines having to enter into an Airline Agreement. The same rates, fees, and charges applicable to the Signatory Airlines' operations at SAN generally apply to the Affiliate Airlines' operations at SAN. In the event an Affiliate Airline fails to pay fees and charges to the Authority, the applicable Signatory Airline is responsible for the fees and charges billed to its Affiliate Airline. The Affiliate Airlines currently operating at SAN are American Eagle (affiliated with American), Horizon (affiliated with Alaska), Mesa (affiliated with US Airways), Republic (affiliated with Frontier), and SkyWest (affiliated with Delta, United, and US Airways).

A. TERM

The term of the Airline Agreement began on July 1, 2008 and will terminate at the close of business on June 30, 2013. However, either party may terminate the agreement with 90 days' written notice. The Authority and the airlines are in the preliminary stages of negotiating a newairline operating and lease agreement. The financial analysis in **Section VI** assumes that the airline rates and charges methodology currently in effect will continue after the expiration of the current Airline Agreement, undera new agreement with substantially similar terms and conditions.

B. USE OF PREMISES

The Airline Agreement grants to the Signatory Airlines the right to use the Airport, in common with others so authorized, for the purpose of conducting their Air Transportation Business, as defined in the Federal Aviation Act of 1958, as amended. The Authority leases to the Signatory Airlines certain premises of the Airport, defined in the Airline Agreement as the Airline Leased Premises. The Signatory Airlines agree that the Master Plan may require the demolition or

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reconstruction of certain Airline Leased Premises in the future. If such occurs, the Signatory Airlines agree to surrender all or portions of their Airline Leased Premises within 90 days of notice, subject to the relocation provisions contained in the Airline Agreement.

The gates in the passenger terminal ("Gates") and the aircraft parking positions adjacent to the terminal ("Terminal Adjacent Aircraft Parking Positions") are leased to the Signatory Airlines on a non-exclusive common use basis ("Common Use Premises"). However, a Signatory Airline may be assigned one to six Gates for its preferential use ("Preferential Use Gates"), based on the gate utilization standards outlined in the Airline Agreement. The Authority has the right to retain a minimum of two Gates in Terminal 1 and two Gates in Terminal 2 under its exclusive control ("Authority-Controlled Facilities"). The Authority intends to use the Authority-Controlled Facilities at its sole discretion to accommodate various circumstances, including: Signatory Airlines in need of space during construction, renovation or maintenance by the Authority; airlines not requiring permanent facilities; airlines requiring temporary accommodations pending allocation of permanent facilities; and other space requirements.

The Authority designates the number of remain overnight ("RON") parking positions assigned to each Signatory Airline. Specific RON positions assigned to each Signatory Airline are determined by the RON Committee, which is comprised of airline representatives. However, the Authority has the final decision to approve or reject the determination of the RON Committee.

C. RENTALS, FEES, AND CHARGES

The Signatory Airlines pay to the Authority certain rentals, fees, and charges in consideration for their use of Airport facilities. In order to allocate the costs of operating, maintaining, and developing the Airport for the purposes of setting airline rates and charges, the Authority has established the following cost centers:

- Airfield Area
- Terminal Area
- Other Airline Support
- Landside Commercial
- Ancillary
- Indirect Cost Centers
    - Access Roads
    - Operating Support – Pool Allocations
    - General and Administrative

Based on the budget for each Fiscal Year, the Authority establishes the following types of airline fees and charges: Landing Fees, Terminal Rentals, Security Surcharges, and Aircraft Parking Fees, as described below. Throughout each Fiscal

Year the Authority reviews the rentals, fees and charges ("Interim Review"), and at a minimum for January 1 ("Mid-year Review"). If an Interim Review or a Mid-year Review reveals a variation of more than 10 percent between actual expenses and/or activity levels and those originally estimated by the Authority, the Authority may, after consulting with the Signatory Airlines, adjust the rentals, fees, and charges. A year-end reconciliation is also required by the Airline Agreement. Within seven months after the end of each Fiscal Year, the Authority is required to calculate the final rentals, fees, and charges based on the actual expenses and activity for the Fiscal Year. Any variations between the amounts paid by the Signatory Airlines and the amounts calculated based on actual expenses and activity are to be either refunded by the Authority to the Signatory Airlines or paid to the Authority by the Signatory Airlines.

The landing fee is calculated according to a cost center residual methodology, and the terminal rental rate is calculated according to a cost center compensatory methodology The methodologies for calculating the airline rates and charges, as specified in the Airline Agreement, are described in the following paragraphs.

1. Landing Fees

The Airfield Area Total Requirement is calculated as the sum of the following costs attributable to the airfield for the fiscal year:

- Direct and indirect O&M Expenses
- Debt service requirements
- Amortization charges
- Any amounts necessary to replenish the balances required to be maintained in the various funds and accounts established pursuant to the bond indentures.

The following amounts are deducted from the Airfield Area Total Requirement to arrive at the Airfield Area Net Requirement:

- Terminal Adjacent Aircraft Parking Position Charge revenue
- Remain Overnight Parking Position Charge revenue
- Fuel Flowage Fees
- Non-Signatory Landing Fee Revenue
- Ground handling concession revenue
- Federal, State, or local grants received to offset O&M Expenses, debt service requirements, or other bond indenture requirements
- PFCs received and used to offset debt service requirements or bond reserve requirements

The landing fee rate is calculated as the Airfield Area Net Requirement divided by total landed weight (in thousand-pound units).

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2. Terminal Rentals

The Terminal Area Total Requirement is calculated as the sum of the following costs attributable to the terminal cost center each fiscal year:

- Direct and indirect O&M expenses
- Debt service requirements
- Amortization charges
- Any amounts necessary to replenish the balances required to be maintained in the various funds and accounts established pursuant to the bond indentures

The following amounts (the Terminal Area Adjustments) are deducted from the Terminal Area Total Requirement to arrive at the Terminal Area Net Requirement:

- Non-Signatory Airline Terminal Rentals and Joint Use Charges
- FIS Use Charges revenue
- Custodial contract credit
- Federal, State, or local grants received to offset O&M Expenses, debt service requirements or reserve requirements
- PFCs received and used to offset debt service requirements or bond reserve requirements

After a phase-in period from FY 2009 through FY 2012, the Rental Rate for FY 2013 and subsequent years is calculated by diving the Terminal Area Net Requirement divided by the Rentable Premises[35] in the Terminal.

3. Security Surcharges

The Signatory Airlines pay Security Surcharges to reimburse the Authority for the cost of providing security in the airfield and terminal areas. The costs of providing security in the Airfield and Terminal areas are allocated to the Other Airline Support cost center. The following security costs are included in the calculation of the Total Requirement for Security Surcharges:

- Direct and indirect O&M Expenses
- Debt service requirements
- Amortization charges

[35] The term "Rentable Premises" is defined in the Airline Agreement as the areas in the Terminals that are available for lease to the airlines or other tenants, areas used for passenger screening, and areas used by the Authority (excluding the 2nd and 3rd floors of the Commuter Terminal). 000528

- Any amounts necessary to replenish the balances required to be maintained in the various funds and accounts established pursuant to the bond indentures
- Terminal rent for the security checkpoint areas used by the TSA for passenger security screening

The following amounts are deducted from the Total Requirement to arrive at the Net Requirement:

- Federal, State, or local grants received to offset O&M Expenses, debt service requirements, or other bond indenture requirements
- PFCs received and used to offset debt service requirements or bond reserve requirements

The portion of the Security Surcharge related to the Terminal was phased in from FY 2009 through FY 2012, and is now 95 percent of total security costs for FY 2013 and subsequent years.

4. Aircraft Parking Fees

The aircraft parking fees are assessed based on the number of aircraft parking positions assigned to each airline at the terminal gates and in remote parking positions. The aircraft parking fee charged for aircraft parking at the terminal gates is called the Terminal Adjacent Aircraft Parking Position Charge. It is calculated as ten percent of the Airfield Area Net Requirement, divided by the number of Terminal Adjacent Aircraft Parking Positions. The aircraft parking fee for remote parking positions, called the RON charge, is set equal to the Terminal Adjacent Aircraft Parking Position Charge. The Authority's intent in implementing the aircraft parking fee is to reward airlines that are efficient in their use of their terminal gates, and to encourage airlines to schedule flights with departures outside the morning peak period.

5. FIS Use Charges

The FIS Use Charge is set in the Airline Agreement as $1.50 per arriving international seat.

SECTION VI
FINANCIAL ANALYSIS

This section reviews the framework for the financial operation of the Authority, including key provisions of bond indentures that govern the Authority's senior revenue bonds ("Senior Bonds") and subordinate revenue obligations ("Subordinate Obligations"). This section also (i) reviews the recent historical financial performance of the Authority, and examines the ability of the Authority to generate sufficient Net Revenues and Subordinate Net Revenues (as defined in the bond indentures and explained later in this Section) in each Fiscal Year of the forecast period to meet the obligations of the bond indentures, and (ii) discusses the information and assumptions underlying the financial forecasts, which include Revenues, O&M Expenses, debt service requirements, and debt service coverage. The financial analysis presented in this section reflects the base case air traffic forecast scenario presented in **Section IV**.

A. FINANCIAL FRAMEWORK

The Series 2013 Bonds are being issued as Senior Bonds pursuant to the Master Trust Indenture as amended (the "Master Senior Indenture") dated as of November 1, 2005, by and between the Authority and The Bank of New York Mellon Trust Company, N.A. (the "Senior Trustee") and a third supplemental indenture dated as of January 1, 2013 (the "Third Supplemental Senior Indenture") by and between the Authority and the Senior Trustee. The Series 2013 Bonds will be special obligations of the Authority, secured by a pledge of and first lien on Net Revenues and certain funds and accounts held by the Senior Trustee. Except as noted otherwise, all capitalized terms in this section have the meanings set forth in the Master Senior Indenture.

Under the Master Senior Indenture, the Authority has covenanted to establish and collect fees and charges in each Fiscal Year which will generate Net Revenues at least equal to the following amounts: (a) the aggregate annual debt service on any outstanding Senior Bonds; (b) the required deposits to any Senior Debt Service Reserve Fund; (c) the reimbursement owed to any credit provider or liquidity provider as required by a Supplemental Senior Indenture; (d) the interest on and principal of any indebtedness other than Outstanding Senior Bonds, including Subordinate Obligations; and (e) payments of any reserve requirement for debt service for any indebtedness other than Outstanding Senior Bonds, including Subordinate Obligations. The Authority has also covenanted to establish and collect fees and charges in each Fiscal Year which will generate Net Revenues at least equal to 125 percent of aggregate annual debt service on the Outstanding Senior Bonds. This provision is known as the "Senior Rate Covenant."

On December ____, 2012, the Authority defeased all of its outstanding Senior Airport Revenue Refunding Bonds, Series 2005 (the "Series 2005 Bonds") with proceeds from commercial paper notes and other sources. No other Senior Bonds are outstanding except for the Series 2013 Bonds.

On September 6, 2007, the Board authorized the issuance of subordinate commercial paper notes, from time to time, that may be outstanding in the aggregate principal amount of $250 million at any one time. The Authority uses commercial paper borrowings to fund capital project expenditures. The commercial paper notes are issued pursuant to a Master Subordinate Trust Indenture, dated as of September 1, 2007 (the "Master Subordinate Indenture"), by and between the Authority and Deutsche Bank National Trust Company (the "Subordinate Trustee"), and a First Supplemental Subordinate Trust Indenture, dated as of September 1, 2007 (the "First Supplemental Subordinate Indenture"), by and between the Authority and the Subordinate Trustee.

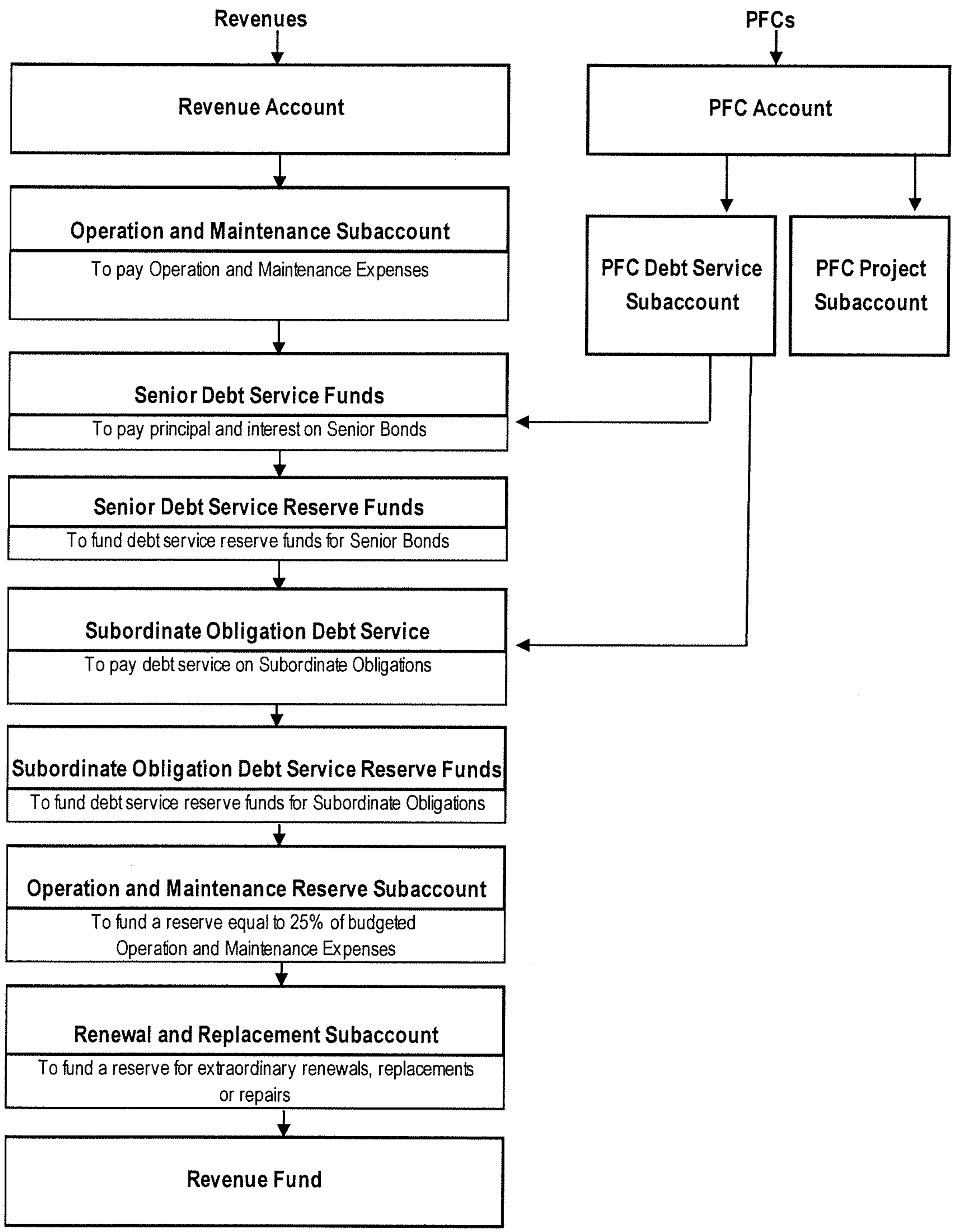
In October 2010 the Authority issued $572.565 million of the Subordinate Series 2010 Bonds. The Subordinate Series 2010 Bonds were issued pursuant to the Master Subordinate Indenture and a Second Supplemental Subordinate Trust Indenture, dated as of October 1, 2010 (the "Second Supplemental Subordinate Indenture"), by and between the Authority and the Subordinate Trustee. The Series 2010 Bonds are special obligations of the Authority, secured by a pledge of Subordinate Net Revenues (as defined in the Master Subordinate Indenture), and certain funds and accounts held by the Subordinate Trustee. As of June 30, 2012, there were $571.850 million of Series 2010 Bonds outstanding.

Under the Master Subordinate Indenture, the Authority has covenanted to establish and collect fees and charges in each Fiscal Year which will generate Subordinate Net Revenues at least equal to 110 percent of aggregate annual debt Service on the Outstanding Subordinate Obligations. This provision is known as the "Subordinate Rate Covenant."

Pursuant to the PFC Resolution the Board irrevocably committed a certain amount of PFCs each fiscal year, between FY 2013 and FY 2016~~8~~, to the payment of debt service on PFC eligible bonds. The Authority intends to apply PFCs each fiscal year to debt service on the Series 2010 Bonds and the Series 2013 Bonds in excess of the annual irrevocable commitment.

Figure VI-1 illustrates the application and priority in the uses of Revenues and PFCs, as specified in the Master Senior Indenture, the Master Subordinate Indenture, and the PFC Resolution.

FIGURE VI-1
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
FLOW OF FUNDS



Note: During a Fiscal Year, all PFCs in the PFC Account will be first deposited into the PFC Debt Service Subaccount until an amount equal to the PFCs irrevocably committed by the Authority to the payment of debt service on the Senior Bonds and/or the Subordinate Obligations for such Fiscal Year has been deposited to the PFC Debt Service Subaccount. No PFCs will be deposited to the PFC Project Subaccount during a Fiscal Year until the PFC Debt Service Subaccount has been fully funded.

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1. The Airport System Accounting and Financial Reporting

The basic financial statements of the Authority are reported using the economic resources measurement focus and the accrual basis of accounting, which means that revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Independent Auditor's Report for the years ended June 30, 2012 and 2011 states that, in the opinion of the independent auditors, the Authority's financial statements for those years were presented in conformity with accounting principles generally accepted in the United States of America. The notes to the Authority's audited financial statements state that the financial statements were presented in accordance with standards promulgated by the Governmental Accounting Standards Board ("GASB"). Financial information is presented based on the Authority's fiscal year beginning July 1 of each calendar year and ending on June 30 of the succeeding calendar year.

The Authority's FY 2012 financial statements show that as of June 30, 2012, the Authority had total assets of approximately $1,432.1 million, total liabilities of $766.5 million, and total net assets of $665.5 million. To our knowledge, the Authority's independent auditor has not been engaged to perform, and has not performed, since the date of its report included as Appendix B to the Official Statement, any procedures on the financial statements addressed in that report. Also, to our knowledge, the Authority's independent auditor has not performed any procedures relating to the Official Statement.

Table VI-1 summarizes the Authority's operating results for FY 2008 through FY 2012 presented in the financial statements, the Net Revenues presented in this Report, and a reconciliation between the two presentations. The Net Revenues presented in this Report are calculated pursuant to the definitions of Revenues, Operation and Maintenance Expenses ("O&M Expenses"), and Net Revenues included in the Master Senior Indenture – with the exception of grant reimbursements. Grant reimbursements are included in the definition of Revenues in the Master Senior Indenture, but are excluded from the projections of Revenues in this Report, in order to reflect only the ongoing operations of the Authority. The reconciling items between the annual Operating Loss reported in the financial statements and the Net Revenues presented in this Report consist of depreciation and amortization expense[36], interest income (excluding interest earned on unspent PFCs and CFCs)[37], and the Joint Studies Program expenses[38].

[36] Depreciation and amortization expense is included in Operating Expenses in the audited financial statements, but is excluded from the definition of O&M Expenses in the Master Senior Indenture.
[37] Interest Income, excluding interest earned on unspent PFCs and CFCs, is included in the definition of Revenues in the Master Senior Indenture, but is not included in the calculation of Operating Loss on the audited financial statements because it is classified as Nonoperating Revenue.
[38] Joint Studies Program expenses are included in the definition of Revenues in the Indenture, but are not part of the calculation of Operating Loss on the financial statements because they are included in Nonoperating Expenses.

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TABLE VI-1
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
HISTORICAL FINANCIAL RESULTS PER FINANCIAL STATEMENTS
RECONCILED TO NET REVENUES
Fiscal Years Ended June 30

Category	2008	2009	2010	2011	2012
Audited Statement of Revenues and Expenses					
Operating Revenues	$135,682,380	$130,977,207	$133,694,683	$144,006,851	153,549,960
Less: Operating Expenses	(150,749,797)	(153,474,928)	(159,712,487)	(166,979,353)	(163,701,280)
Operating Loss	**($15,067,417)**	**($22,497,721)**	**($26,017,804)**	**($22,972,502)**	**($10,151,320)**
Net Revenues per Master Senior Indenture					
Revenues	$144,379,188	$138,334,597	$138,113,792	$148,963,671	$158,311,779
Less: O&M Expenses	(114,375,096)	(115,221,068)	(116,275,132)	(117,100,946)	(118,941,148)
Net Revenue per Master Senior Indenture	**$30,004,092**	**$23,113,529**	**$21,838,660**	**$31,862,725**	**$39,370,631**
Reconciliation					
Operating Gain (Loss) per Financial Statements	($15,067,417)	($22,497,721)	($26,017,804)	($22,972,502)	($10,151,320)
Add: Depreciation and Amortization Expense [1]	36,764,738	38,196,448	42,424,317	49,137,888	44,532,069
Add: Interest Income excluding interest on PFCs [2]	9,270,648	7,594,371	5,676,395	5,826,534	5,062,682
Deduct: Joint Studies Program [3]	(963,877)	(179,569)	(244,248)	(129,195)	(72,800)
Net Revenue per Master Senior Indenture	**$30,004,092**	**$23,113,529**	**$21,838,660**	**$31,862,725**	**$39,370,631**
Series 2005 Bonds Debt Service [4]	5,337,225	5,341,975	5,349,475	5,354,225	5,355,975
Senior Debt Service Coverage	**5.62**	**4.33**	**4.08**	**5.95**	**7.35**

[1] Depreciation and Amortization Expense is included in Operating Expenses in the financial statements, but is excluded from the definition of O&M Expenses in the Indenture.
[2] Interest income, excluding interest earned on unspent PFCs and CFCs, is included in the definition of Revenues in the Indenture, but is not part of the calculation of Operating Loss on the financial statements because it is presented as Nonoperating Revenue.
[3] Joint Studies Program expenses are included in the definition of Revenues in the Indenture, but are not part of the calculation of Operating Loss on the financial statements because they are included in Nonoperating Expenses.
[4] The Series 2005 Bonds were defeased in December 2012.

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2. Airline Rates and Charges Methodology

The Authority collects landing fees, terminal rentals, aircraft parking fees, security surcharges, FIS facilities charges, and other fees from the airlines operating at the Airport to support the operation and maintenance of the facilities used by the airlines. The calculation methodologies for the airline rates and charges, which include a cost center residual methodology for the landing fee and a cost center compensatory methodology for the terminal rental rate, were described in Section V. Airline revenues accounted for approximately 45.8 percent of total Revenues in FY 2012. As explained in Section V, the current Airline Agreement will terminate on June 30, 2013. The financial analysis in this section assumes that the airline rates and charges methodology currently in effect will continue after the expiration of the current Airline Agreement, under a new agreement with substantially similar terms and conditions.

B. OPERATION AND MAINTENANCE EXPENSES

The Master Senior Indenture defines "Operation and Maintenance Expenses," or "O&M Expenses," as the total operation and maintenance expenses of the Airport as determined in accordance with generally accepted accounting principles, excluding depreciation expense and any operation and maintenance expenses payable from moneys other than Revenues, such as PFCs, and CFCs. **Table VI-2** presents historical O&M Expenses for the period FY 2008 through FY 2012. Total O&M expenses increased from approximately $114.4 million in FY 2008 to approximately $118.9 million in FY 2012, representing an average annual increase of 1.0 percent during the historical period. The changes in the various categories of O&M Expenses are discussed in the subsections below.

During the forecast period, total O&M Expenses are projected to increase to approximately $150.9 million in FY 2018, as shown on **Table VI-3**. The projections of O&M Expenses reflect the Authority's FY 2013 and FY 2014 budgets, adjusted for potential additional security and major maintenance costs; anticipated future expense trends, including an inflation factor; and the projected operating expense impacts of the capital projects, including projects in the CIP and The Green Build, scheduled to be completed during the forecast period. Total O&M Expenses are budgeted to increase 8.3 percent in FY 2013 and 6.3 percent in FY 2014, reflecting increases anticipated to result from the expanded facilities included in The Green Build. These anticipated increases related to the expanded facilities are described in the sub-sections below and include increases in facility services costs, gas and electricity costs, maintenance costs, and promotional activities and materials costs. The Authority anticipates that the annual growth in total O&M

TABLE VI-2
SAN DIEGO INTERNATIONALAIRPORT
HISTORICAL O&M EXPENSES [1]
Fiscal Years Ended June 30

O&M Expense Categories	2008	2009	2010	2011	2012	Avg. Annual Growth
Personnel	$32,912,328	$34,741,348	$35,386,261	$38,266,479	$37,236,512	3.1%
Contractual Services	27,378,415	27,464,553	27,994,446	26,111,994	26,905,517	-0.4%
Safety and Security	19,109,994	19,929,678	20,135,469	21,343,967	22,625,169	4.3%
Utilities	6,429,313	6,911,602	6,871,135	6,413,205	6,674,423	0.9%
Maintenance	8,734,269	8,002,177	9,230,944	8,174,021	8,458,959	-0.8%
Space Rent	10,900,869	10,887,937	10,905,899	10,906,405	11,414,838	1.2%
Business Development	2,733,233	2,509,313	2,032,862	2,275,312	2,093,166	-6.5%
Other Expenses	6,176,676	4,774,461	3,718,115	3,609,563	3,532,563	-13.0%
Total O&M Expenses	**$114,375,096**	**$115,221,068**	**$116,275,132**	**$117,100,946**	**$118,941,148**	**1.0%**

Source: Authority records. See Table VI-1 for a reconciliation to the Authority's audited financial statements.

[1] This table excludes expenses not included in the definition of O&M Expenses contained in the Master Senior Indenture.

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TABLE VI-3
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
PROJECTED O&M EXPENSES [1]
Fiscal Years Ending June 30

O&M Expense Category	2013 Amount	2013 % Change from Prior Year	2014 Amount	2014 % Change from Prior Year	2015 Amount	2015 % Change from Prior Year	2016 Amount	2016 % Change from Prior Year	2017 Amount	2017 % Change from Prior Year	2018 Amount	2018 % Change from Prior Year	Avg. Annual Growth 2013-2018
Personnel	$39,414,626	5.8%	$42,353,662	7.5%	$44,361,887	4.7%	$45,692,744	3.0%	$47,063,526	3.0%	$48,475,432	3.0%	4.2%
Contractual Services	29,365,241	9.1%	31,090,921	5.9%	31,865,821	2.5%	32,701,260	2.6%	33,658,754	2.9%	33,724,834	0.2%	2.8%
Safety and Security	23,908,160	5.7%	24,945,356	4.3%	25,693,717	3.0%	26,464,528	3.0%	27,258,464	3.0%	28,076,218	3.0%	3.3%
Utilities	7,753,075	16.2%	8,643,075	11.5%	8,927,367	3.3%	9,195,188	3.0%	9,471,044	3.0%	9,755,175	3.0%	4.7%
Maintenance	8,234,743	-2.7%	12,002,220	45.8%	11,193,354	-6.7%	11,529,154	3.0%	11,875,029	3.0%	12,231,280	3.0%	8.2%
Space Rent	11,416,343	0.0%	10,381,960	-9.1%	10,381,960	0.0%	10,381,960	0.0%	10,381,960	0.0%	10,381,960	0.0%	-1.9%
Business Development	3,584,933	71.3%	2,148,533	-40.1%	2,212,989	3.0%	2,279,379	3.0%	2,347,760	3.0%	2,418,193	3.0%	-7.6%
Other Expenses	5,110,401	44.7%	5,302,246	3.8%	5,318,467	0.3%	5,457,737	2.6%	5,623,669	3.0%	5,794,831	3.0%	2.5%
Total O&M Expenses	**$128,787,522**	8.3%	**$136,867,973**	6.3%	**$139,955,562**	2.3%	**$143,701,950**	2.7%	**$147,680,206**	2.8%	**$150,857,923**	2.2%	**3.2%**

[1] This table excludes expenses not included in the definition of O&M Expenses contained in the Master Senior Indenture. Projected O&M Expenses reflect anticipated future expense trends, including an inflation factor; and the projected operating expense impacts of the capital projects, including projects in the CIP and The Green Build. The Authority anticipates that the annual growth in total O&M Expenses will slow during the forecast period, due to management's ongoing commitment to limit increases in expenses. Authority management has outlined a number of cost saving initiatives that could be implemented if needed to meet that commitment. Therefore, the projections of O&M Expenses in this table are based on management's commitment and plan.

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Expenses will slow during the remainder of the forecast period, due to the Authority's ongoing commitment to limit increases in expenses. Authority management has outlined a number of cost saving initiatives that could be implemented if needed to meet that commitment. Therefore, the projections of O&M Expenses in this Section are based on management's commitment and plan. Projected changes in the various categories of O&M Expenses are discussed in the following subsections.

1. Personnel

Personnel expense is the largest category of O&M Expenses, representing approximately 31.3 percent of total O&M Expenses in FY 2012. This category increased 5.6 percent in FY 2009 and 1.9 percent in FY 2010. In October 2008 (during the second quarter of FY 2009), the Authority implemented a hiring freeze in response to the economic downturn and the resulting decrease in revenues, which helped slow the pace of increase in Personnel expense in FY 2010. Personnel expense increased 8.1 percent in FY 2011, mainly due to the increased costs of medical and retirement benefits, before decreasing 2.7 percent in FY 2012 due to a decrease in the cost of retirement benefits.

Personnel expense is budgeted to increase 5.8 percent, to $39.4 million, in FY 2013 due to increased staffing in the Development and Planning & Operations divisions, wage and salary increases required by union contract agreements, an anticipated increase in overtime, and anticipated increases in employee health care and retirement costs. Further increases in this expense category are projected in the FY 2014 budget and in the projections for subsequent years due to continued anticipated cost increases in employee health care and other benefits. Personnel expense is projected to increase to approximately $48.5 million in FY 2018.

2. Contractual Services

The Contractual Services category represented approximately 22.6 percent of total O&M Expenses in FY 2012. It consists primarily of fees incurred for contracts for services supplied by vendors, such as janitorial services for the terminals, parking management costs, contracts with facility development consultants, legal consultants, and other consultants. From FY 2008 to FY 2012, Contractual Services costs decreased from $27.4 million to $26.9 million, mainly due to cost cutting measures implemented by the Authority.

For FY 2013, Contractual Services expenses are budgeted to increase 9.1 percent, to $29.4 million, due to anticipated increases in terminal cleaning costs and the costs of operating the RDC. During the forecast period, this category is projected to increase at an average annual rate of 2.8 percent. However, Facilities Services, which accounted for 58.2 percent of this category in FY 2012, is projected to increase at an average annual rate of 4.2 percent, to reflect a one-time increase in FY 2014 to account for anticipated increased costs associated with the opening of

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the expanded facilities included in The Green Build. This projected increase is the main driver of the budgeted 5.9 percent increase in Contractual Services in FY 2014. Contractual Services are projected to increase to approximately $33.7 million in FY 2018.

3. Safety and Security

Safety and Security expenses totaled $22.6 million in FY 2012, or 19.0 percent of total O&M Expenses. The largest component of the Safety and Security is the cost of Harbor Police services ($15.4 million, or 67.9 percent of Safety and Security expenses in FY 2012). The Act that created the Authority mandates that the Authority use the services of the Harbor Police for Airport security. Approximately $5.6 million, or 24.9 percent of Safety and Security expenses, represented the costs of the Airfield Rescue and Fire Fighting ("ARFF") services provided by the City of San Diego in FY 2012. Total Safety and Security expenses increased from $19.1 million in FY 2008 to $22.6 million in FY 2012, representing an average annual increase of 4.3 percent. The increase reflected salary and benefit increases associated with the mandated utilization of Harbor Police in FY 2009, and through FY 2011.

Safety and Security expenses are projected to increase to $23.9 million in FY 2013, mainly due to anticipated increases in Harbor Police general and administrative costs allocated by the Port District to the Authority. Total Safety and Security expenses are projected to increase 4.3 percent in FY 2014 (to almost $25.0 million), to reflect increased costs associated with the opening of the expanded facilities included in The Green Build. This expense category is projected to increase 3.0 percent a year in FY 2015 and subsequent years, to $28.1 million in FY 2018. The assumed annual growth rate in FY 2015 through FY 2018 reflects the Authority's continued negotiations with the Port District and the City to limit future increases in the cost of services.

4. Utilities

Utilities expenses increased from $6.4 million in FY 2008 to $6.9 million in FY 2009 and FY 2010, mainly due to gas and electricity rate increases, and increased gas and electricity usage resulting from increased office space to support the planning efforts for The Green Build program, and increased electricity usage associated with the security baggage screening systems. Utilities expenses decreased to $6.4 million in FY 2011 before increasing to $6.7 million in FY 2012, mainly due to rate fluctuations.

Utilities expenses are budgeted to increase 16.2 percent in FY 2013 to approximately $7.8 million, due to the completing of new facilities in the capital program and anticipated rate increases. The projected increases in utilities expenses in subsequent years reflect anticipated rate increases and increased usage associated with the planned completion of The Green Build terminal improvements. Utilities expenses are projected to increase to $9.8 million in FY 2018.

5. Maintenance

Maintenance expenses decreased from approximately $8.7 million in FY 2008 to $8.0 million in FY 2009 before increasing to $9.2 million in FY 2010. The largest component of this category (75.9 percent in FY 2010) consists of annual repair and service contracts. The large increase in FY 2010 was due to multiple repairs on escalators, elevators, and the heating and air conditioning systems, plus extensive landscaping projects. Maintenance expenses decreased to $8.2 million in FY 2011, mainly because certain major maintenance projects were capitalized instead of being expensed as part of O&M Expenses. Maintenance expenses then increased to $8.5 million in FY 2012.

Maintenance expenses are budgeted to decrease to $8.2 million in FY 2013 because certain major maintenance projects were capitalized instead of expensed. This category is projected to increase significantly in FY 2014, to $12.0 million, due to anticipated major maintenance projects and the estimated effects of the expanded facilities included in The Green Build. Maintenance expenses are projected to decrease in FY 2015. Maintenance expenses are projected to increase 3.0 percent per year in FY 2016 through FY 2018, in line with Authority management's commitment to limit expense increases to 3.0 percent per year, as explained above, to $12.2 million in FY 2018.

6. Space Rental

Space rental expense consists of lease payments to the Port District for properties adjacent to the Airport, including the former General Dynamics, Teledyne Ryan, and Harbor Island parcels. Space rental payments remained constant at approximately $10.9 million from FY 2008 through FY 2011 before increasing to $11.4 million in FY 2012 due to the expiration of a rent credit amortization. After remaining constant at $11.4 million in FY 2013, space rentals are projected to decrease to $10.4 million per year in FY 2014 for the remainder of the forecast period due to savings associated with the termination of a lease with the Port District for an employee parking lot.

7. Business Development

The business development expense category includes costs for advertising, membership and dues, postage and shipping, promotional activities and materials, and travel. Business development expenses decreased from $2.7 million in FY 2008 to $2.1 million in FY 2012, mainly due to the Authority's cost-cutting efforts.

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Business development expenses are budgeted to increase to $3.6 million in FY 2013, mainly due to anticipated increases in promotional activities and materials costs related to The Green Build. This expense category is projected to decrease to $2.1 million in FY 2014, and then increase modestly during the remainder of the forecast period, based on anticipated advertising and promotional activities, to $2.4 million in FY 2018.

8. Other Expense Categories

Other categories of expenses include employee development and support; equipment rentals and repairs; insurance; operating equipment and systems; operating supplies; and other expenses. The total amount of these expense categories decreased from $6.2 million in FY 2008 to $3.7 million in FY 2010 and FY 2011, and $3.5 million in FY 2012. The Authority reduced spending in most expense categories in response to the economic recession and the corresponding decreases in air traffic activity and revenues. The total for these expense items is budgeted to increase to $5.1 million in FY 2013, and increases are projected for subsequent years, in line with the anticipated economic recovery. Expenditures for these categories are projected to increase to $5.8 million in FY 2018.

C. DEBT SERVICE AND AMORTIZATION CHARGES

As discussed in Section II, the Authority's capital program includes The Green Build and the CIP. The capital projects are expected to be funded with the proceeds of the Subordinate Series 2010 Bonds, the Series 2013 Bonds, AIP and TSA funding~~grants~~, PFCs, Authority funds, CFCs, special facility bonds secured solely by CFCs, and other sources. The financial analysis presented in this section reflects the capital program funding plan presented in **Section II**.

The sources and uses of bond funds, and the debt service requirements during the forecast period, including the Series 2013 Bonds, are summarized on **Tables VI-4** and **VI-5**. It is currently anticipated that the Series 2013 Bonds will be issued as senior lien bonds.

Annual debt service is projected to increase with the issuance of the Series 2013 Bonds. The annual debt service requirements, as estimated by Frasca & Associates, are based on assumed annual interest rates of 4.29 percent for the Series 2013A Bonds and 4.62 percent for the Series 2013B Bonds. Annual debt service for outstanding commercial paper notes is estimated based on an assumed 20-year amortization period (through July 1, 2030) at a 1.25 percent interest rate in FY 2013 and a 2.5 percent annual interest rate for FY 2014 and subsequent years.

TABLE VI-4
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
SOURCES AND USES OF Series 2013 BOND FUNDS

	Series 2013A	Series 2013B	Total Series 2013
Sources			
Par Amount	$ 112,680,000	$ 298,495,000	$ 411,175,000
Premium	11,334,328	18,224,004	29,558,332
Total Sources	**$124,014,328**	**$316,719,004**	**$440,733,332**
Uses			
Project Fund	$110,152,971	$281,274,284	$391,427,255
Debt Service Reserve Fund	10,113,623	25,829,084	35,942,707
Capitalized Interest	2,618,219	6,629,305	9,247,524
Underwriters Discount	676,080	1,790,970	2,467,050
Costs of Issuance and Rounding	453,435	1,195,361	1,648,796
Total Uses	**$124,014,328**	**$316,719,004**	**$440,733,332**

Source: Frasca & Associates.

The largest increase in annual debt service are projected to occur in FY 2014, when debt service is projected to increase to $62.8 million (from $40.6 million in FY 2013), mainly due to the reduction in capitalized interest being applied to the Series 2013 Bonds in FY 2014. Annual debt service is projected to increase to $70.3 million in FY 2015 and $70.8 million in FY 2016 through the remainder of the forecast period.

In the current fiscal year (FY 2013), the Authority has begun applying a portion of annual PFC revenues toward a portion of debt service on the Subordinate Series 2010 Bonds, and it also intends to apply a portion of PFC revenues to a portion of the debt service on the Series 2013 Bonds. Pursuant to the PFC Resolution, the Authority has irrevocably committed approximately $14.7- million of PFCs in FY 2013 and $19.2 million in each of Fiscal Years 2014, 2015, and 2016 to the payment of debt service on PFC eligible bonds (which includes a portion of the Series 2013 Bonds and the Subordinate Series 2010 Bonds) during those years. The Authority plans to apply PFCs each year in excess of the irrevocable commitment toward debt service on the Subordinate Series 2010 Bonds and the Series 2013 Bonds. The annual PFCs to be applied toward debt service on the Subordinate Series 2010 Bonds and the Series 2013 Bonds is projected to increase from $20.9 million in FY 2013 to $28.3 million in FY 2014, and $30.0 million in FY 2015 and the remainder of the forecast period.

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TABLE VI-5
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
PROJECTED GARB DEBT SERVICE
Fiscal Years Ending June 30

Debt Service	2013	2014	2015	2016	2017	2018
Senior Lien Bonds:						
Series 2005	$877,238	$0	$0	$0	$0	$0
Series 2013 A	772,009	4,841,181	7,086,061	7,491,000	7,494,800	7,495,600
Series 2013 B	1,057,060	13,533,195	15,537,097	15,396,350	15,395,450	15,388,650
Total Senior Lien Obligations	$2,706,307	$18,374,376	$22,623,158	$22,887,350	$22,890,250	$22,884,250
Subordinate Obligations:						
Series 2010 A	15,103,501	20,292,300	22,612,100	22,611,500	22,608,750	22,612,250
Series 2010 B	2,924,138	2,924,138	3,263,238	3,266,238	3,263,438	3,263,438
Series 2010 C	13,945,576	14,274,061	14,274,061	14,274,061	14,274,061	14,274,061
Commercial Paper	5,746,620	6,705,358	6,713,507	6,941,152	6,947,664	6,947,389
Letter of Credit fees	213,081	235,951	784,016	817,507	817,482	817,482
Total Subordinate Obligations	37,932,916	44,431,807	47,646,922	47,910,457	47,911,394	47,914,619
Total Debt Service	**$40,639,223**	**$62,806,183**	**$70,270,080**	**$70,797,807**	**$70,801,644**	**$70,798,869**
PFCs Applied to Senior Lien Debt [1]	(541,914)	(6,932,937)	(8,336,850)	(8,376,620)	(8,379,370)	(8,375,870)
PFCs to be Applied to Subordinate Debt [1]	(20,323,938)	(21,357,487)	(21,684,010)	(21,683,410)	(21,680,660)	(21,684,160)
BAB Subsidy [2]	(4,995,921)	(4,995,921)	(4,995,921)	(4,995,921)	(4,995,921)	(4,995,921)
Debt Service net of PFCs and BAB Subsidy	**$14,777,450**	**$29,519,838**	**$35,253,298**	**$35,741,856**	**$35,745,693**	**$35,742,918**

Source: Frasca & Associates. Debt service requirements shown net of capitalized interest. Assumed annual interest rate of 4.29% for the Series 2013A Bonds and 4.62% for the Series 2013B Bonds. Commercial paper debt service assumes a 1.25% interest rate through FY 2015 and a 2.5% annual interest rate in FY 2016 and subsequent years.

[1] The Authority has irrevocably commited certain PFCs to the payment of a portion of debt service for the Subordinate Series 2010 Bonds and the Series 2013 Bonds. The projected amounts shown on this table include the irrevocably committed PFCs and other PFCs anticipated to be applied to debt service in excess of the irrevocable commitment.

[2] In FY 2011 the Authority began receiving cash subsidy payments from the U.S. Treasury for the portion of the Series 2010 Bonds that were issued as Build America Bonds (BAB subsidy). The projections assume that the annual BAB subsidy payments will continue to be received by the Authority throughout the forecast period.

In FY 2011 the Authority began receiving cash subsidy payments from the United States Treasury in an amount equal to 35 percent of the interest payable on the Subordinate Series 2010C Bonds issued as Build America Bonds (the "BAB subsidy"). The Authority applies the BAB subsidy to the payment of debt service on the Subordinate Series 2010C Bonds. The financial projections assume that the annual BAB subsidy payments will continue to be received in full throughout the forecast period. [*The Budget Control Act of 2011 contains sequestration provisions that would result in the reduction in payments by the federal government, including reductions in BAB subsidy payments. If the U.S. Congress does not take certain action to reduce the federal deficit by January 2, 2013, BAB subsidy payments could be reduced by 7.6 percent in federal fiscal year 2013, and additional cuts could also occur in subsequent years.*]

Annual debt service net of: (1) PFCs anticipated to be applied to debt service and (2) the BAB subsidy payments; is projected to increase from $14.8 million in FY 2013 to $29.5 million in FY 2014, $35.3 million in FY 2015, and $35.8 million in FY 2016 through FY 2018.

The Airline Agreement allows the Authority to include amortization charges in the airline rates and charges to reimburse the Authority for capital project costs paid from Authority funds. The Authority may include in airline rates and charges the amount of principal and interest in equal annual amounts for the term of the asset's useful life, with the interest calculated at a rate equal to the Authority's weighted average cost of outstanding fixed rate debt at the time the asset is placed in service. The financial analysis assumes that such amortization charges will be included in the calculation of airline rates and charges during the forecast period. Amortization charges for the Airfield and Terminal cost centers are shown on the tables that present the landing fee and terminal rental calculations later in this section.

D. REVENUES

The Master Senior Indenture defines "Revenues" as all income, receipts, earnings and revenues received by the Authority from the operation and ownership of the Airport. Excluded from the definition of Revenues are PFCs, CFCs, interest income on unspent PFCs and CFCs, and certain other items.[39] The Authority has covenanted that all Revenues will be deposited into the Revenue Account within the Revenue Fund to be pledged as security for the Series 2013 Bonds, the Subordinate Series 2010 Bonds, and any additional bonds issued pursuant to the Master Senior Indenture and the Master Subordinate Indenture.

[39] Although FAA grant receipts, which are reimbursements of capital expenditures, are included in the definition of Revenues contained in the Master Senior Indenture, they are excluded from the projections of Revenues in this section, in order to reflect only the ongoing operations of the Authority.

Table VI-6 presents the historical Revenues for the period FY 2008 through FY 2012, and **Table VI-7** presents projected Revenues through FY 2018. Revenues increased from $144.4 million in FY 2008 to $158.3 million in FY 2012, due to the factors described below. Revenues are projected to increase from approximately $180.7 million in FY 2013 to approximately $231.3 million in FY 2018, based on the projections of the various Revenue categories, as described below. The projections reflect the Authority's FY 2013 and FY 2014 budgets, adjusted to incorporate certain updated information, and Unison's projections for the remainder of the forecast period. The projected Revenues reflect the base case air traffic forecast presented in **Section IV**. A sensitivity analysis reflecting the low air traffic forecast scenario is presented at the end of this section

TABLE VI-6
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
HISTORICAL AIRPORT REVENUES [1]
Fiscal Years Ended June 30

Airport Revenues	2008	2009	2010	2011	2012	Avg. Annual Growth
Airline Revenue						
Landing Fees	$24,763,236	$18,689,465	$18,672,255	$18,578,573	$18,419,244	-7.1%
Aircraft Parking Fees	-	3,221,515	3,406,011	2,920,891	3,134,539	N/A
Terminal Rentals and FIS Use Charge	23,569,899	22,194,666	22,971,092	26,980,351	30,632,762	6.8%
Security Surcharge	8,618,411	10,203,808	11,900,070	14,886,586	18,649,147	21.3%
Other Aviation Revenue	1,807,979	1,564,840	1,584,408	1,596,665	1,594,529	-3.1%
Total Airline Revenue	$58,759,525	$55,874,294	$58,533,837	$64,963,066	$72,430,221	5.4%
Non-Airline Revenue						
Building and Other Rents	695,378	862,123	863,946	869,212	907,264	6.9%
Terminal Concessions						
Rental Cars	23,392,359	21,417,695	20,968,694	21,686,823	23,943,041	0.6%
Food and Beverage	4,182,490	3,756,137	3,614,299	3,857,205	4,041,936	-0.9%
Gifts and News	6,583,453	6,052,981	6,081,961	6,181,761	6,403,843	-0.7%
License Fees	3,097,324	2,986,749	2,825,869	2,604,193	3,178,544	0.6%
Other Terminal Concessions	1,529,354	2,066,442	2,758,175	2,773,504	2,859,939	16.9%
Total Terminal Concessions	$38,784,979	$36,280,004	$36,248,999	$37,103,485	$40,427,303	1.0%
Parking and Ground Transportation	31,037,940	31,492,190	30,295,842	31,644,674	31,469,960	0.3%
Ground rentals	5,207,354	5,775,627	5,923,301	7,786,792	7,136,299	8.2%
Other Operating Revenue	623,367	455,989	571,474	769,910	878,051	8.9%
Interest Income	9,270,644	7,594,369	5,676,393	5,826,532	5,062,681	-14.0%
Total Non-Airline Revenue	$85,619,663	$82,460,302	$79,579,955	$84,000,605	$85,881,558	0.1%
Total Revenues	$144,379,188	$138,334,597	$138,113,792	$148,963,671	$158,311,779	2.3%

Source: Authority records. See Table VI-1 for a reconciliation to the Authority's audited financial statements.

[1] This table reflects Revenues per the definition in the Master Senior Inenture, with the exception of grant reimbursements, which are included in the defition of Revenues but are excluded from this table in order to reflect only the ongoing operations of the Authority.

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TABLE VI-7
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
PROJECTED AIRPORT REVENUE [1]
Fiscal Years Ending June 30

Airport Revenues	2013	2014	2015	2016	2017	2018	Avg. Annual Growth
Airline Revenue							
Landing Fees [2]	$21,200,000	$21,437,400	$22,583,100	$22,979,100	$23,461,700	$24,039,449	2.5%
Aircraft Parking Fees	3,328,100	3,287,300	3,445,395	3,507,712	3,580,247	3,670,153	2.0%
Terminal Rentals and FIS Use Charge [3]	42,215,800	44,947,100	46,810,300	47,991,200	48,716,100	49,633,500	3.3%
Security Surcharge	22,044,200	25,118,200	25,875,828	26,666,994	27,460,113	28,359,757	5.2%
Other Aviation Revenue	1,584,300	1,587,500	1,590,700	1,594,000	1,597,300	1,600,700	0.2%
Total Airline Revenue	$90,372,400	$96,377,500	$100,305,323	$102,739,006	$104,815,460	$107,303,559	3.5%
Non-Airline Revenues							
Building and Other Rents	959,811	1,000,463	1,043,148	1,087,968	1,135,028	1,184,441	4.3%
Terminal Concessions:							
Rental Cars	24,028,200	24,753,800	26,303,000	27,415,000	28,324,000	29,229,000	4.0%
Food and Beverage	6,365,600	6,485,600	7,028,000	7,181,000	7,274,000	7,360,000	2.9%
Gifts and News	3,053,800	4,510,900	5,283,000	5,398,000	5,467,000	5,532,000	12.6%
License Fees	2,860,000	2,860,000	3,180,800	3,250,100	3,292,200	3,331,000	3.1%
Other Terminal Concessions	4,608,025	6,419,870	6,424,615	6,467,420	6,629,625	6,792,821	8.1%
Total Terminal Concessions	$40,915,625	$45,030,170	$48,219,415	$49,711,520	$50,986,825	$52,244,821	5.0%
Parking & Ground Transportation	33,501,292	37,012,093	41,331,000	43,261,000	47,250,000	48,416,000	7.6%
Ground rentals	7,974,793	7,554,175	10,772,424	12,190,323	13,604,576	13,713,573	11.5%
Other Operating Revenue	552,540	422,900	427,600	437,600	447,900	458,500	-3.7%
Interest Income	4,802,200	5,018,600	6,977,600	5,613,500	7,787,300	8,009,109	10.8%
Total Non-Airline Revenues	$88,706,261	$96,038,401	$108,771,187	$112,301,911	$121,211,629	$124,026,444	6.9%
Total Revenues	$179,078,661	$192,415,901	$209,076,510	$215,040,917	$226,027,088	$231,330,003	5.3%

[1] This table reflects Revenues per the definition in the Master Senior Inenture, with the exception of grant reimbursements, which are included in the definition of Revenues but are excluded from this table in order to reflect only the ongoing operations of the Authority.

[2] FY 2013 through FY 2015 Landing Fee revenues reflect credit for new service incentive program. FY 2016 - FY 2018 Landing Fee revenues differ slightly from Airfield Net Requirement shown on Table VI-8 due to rounding of the landing fee rate to the nearest $0.01.

[3] FY 2013 through FY 2015 Terminal Rentals reflect the credit for new service incentive program.

1. Airline Revenues

Airline revenues consist of landing fees, aircraft parking fees, terminal rentals, security surcharges, and other revenue, in accordance with the provisions of the Airline Agreement, as described in **Section V**. Airline revenues decreased from $58.8 million in FY 2008 to $55.9 million in FY 2009, mainly due to lower Airfield net recoverable costs. Airline revenues increased to $58.5 million in FY 2010, $65.0 million in FY 2011, and $72.4 million in FY 2012 as a result of the provisions of the new Airline Agreement that provide for the increased allocation to the airlines of terminal building costs and security costs. Significant increases in airline revenues are projected in FY 2013 and FY 2014 due to additional increases in the allocation to the airlines of terminal building costs, under the terms of the Airline Agreement, and increased debt service costs charged to the airlines associated with the Series 2013 Bonds. Total airline revenues are projected to increase to approximately $107.3 million in FY 2018. The components of airline revenue are discussed in the paragraphs below.

a. *Landing Fees.* Landing fee revenue decreased from $24.8 million in FY 2008 to $18.7 million in FY 2009 and FY 2010, $18.6 million in FY 2011, and $18.4 million in FY 2012. The decreases were mainly due to the implementation of the new aircraft parking fees, through which the Authority recovers a portion of the Airfield costs, as well as a decrease in the Airfield net recoverable costs. Also, in FY 2012, rebates were given to Volaris and other airlines for new routes. **Table VI-8** shows the calculation of the projected landing fee rate for each year during the forecast period. The largest annual credit to the Airfield Requirement represents the federal grant funding received for the Quieter Home Program, which offsets O&M Expenses incurred by the Authority for that program. Grant funding is projected to total approximately $15.0 million per year. Based on the estimated costs and credits included in the calculation, and the landed weight forecast presented in **Section IV**, the landing fee rate per thousand pound unit of landed weight is projected to decrease from $1.98 in FY 2013 to $1.93 in FY 2014, increase to $1.96 in FY 2015 and FY 2016, $1.98 in FY 2017, and $2.01 in FY 2018. The projected increases in the rate are mainly due to the projected increases in the O&M Expenses and debt service costs, offset by the forecast increases in landed weight. Total airline landing fee revenue (shown on **Table VI-7**) is projected to increase from approximately $21.2 million in FY 2013 to $24.0 million in FY 2018.

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TABLE VI-8
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
CALCULATION OF PROJECTED LANDING FEE RATE
Fiscal Years Ending June 30

	2013	2014	2015	2016	2017	2018
Airfield Costs						
Operating Expenses	$40,205,486	$40,126,156	$40,804,379	$41,566,596	$42,361,129	$43,179,498
Debt Service	218,032	538,919	1,083,300	1,083,900	1,083,600	1,083,500
Amortization Charges	886,900	907,100	763,600	505,300	369,800	327,000
Other Requirements	882,100	464,700	514,100	527,100	445,700	376,871
Total Airfield Requirement	$42,192,518	$42,036,875	$43,165,379	$43,682,896	$44,260,229	$44,966,869
Credits:						
Fuel Flowage	(156,900)	(160,100)	(163,300)	(166,600)	(169,900)	(173,300)
Quieter Home Grant Receipts	(14,981,596)	(14,982,100)	(14,982,100)	(14,982,100)	(14,982,100)	(14,982,100)
Operating Grant Revenue	-	-	-	-	-	-
Ground Handling Concession Revenue	($1,936,000)	($1,936,000)	($2,017,000)	($2,060,900)	($2,087,500)	($2,112,200)
Other Credits	-	-	-	-	-	-
Total Credits	($17,074,496)	($17,078,200)	($17,162,400)	($17,209,600)	($17,239,500)	($17,267,600)
Airfield Net Requirement	**$25,118,022**	**$24,958,675**	**$26,002,979**	**$26,473,296**	**$27,020,729**	**$27,699,269**
Airline Adjacent Parking Position Fee	(2,511,800)	(2,495,900)	(2,600,300)	(2,647,300)	(2,702,100)	(2,769,900)
Remote Overnight Parking Position Fee	(816,300)	(791,400)	(845,100)	(860,400)	(878,200)	(900,200)
Aircraft Parking Position Credit	($3,328,100)	($3,287,300)	($3,445,400)	($3,507,700)	($3,580,300)	($3,670,100)
Adjusted Net Requirement	**$21,789,922**	**$21,671,375**	**$22,557,579**	**$22,965,596**	**$23,440,429**	**$24,029,169**
Total Landed Weight (1,000 pound units) [1]	11,030,694	11,231,399	11,479,969	11,703,543	11,829,211	11,959,925
Landing Fee Rate	$1.98	$1.93	$1.96	$1.96	$1.98	$2.01

[1] Base case landed weight forecast presented in Section IV.

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b. *Aircraft Parking Fees.* In FY 2009, with the implementation of the new Airline Agreement, the Authority began charging aircraft parking fees to the airlines. The aircraft parking fee is assessed based on the number of aircraft parking positions assigned to each airline at the terminal gates and in remote parking positions. From FY 2009 through FY 2012, aircraft parking fees ranged between $2.9 million and $3.4 million. Aircraft parking fees are budgeted to total approximately $3.3 million in FY 2013 and FY 2014 because Airfield costs are anticipated to remain relatively flat. Beginning in FY 2015, aircraft parking fees are projected to increase with anticipated increases in Airfield costs, to $3.7 million by FY 2018.

c. *Terminal Rentals and FIS Use Charges.* The calculation of the projected airline terminal rental rate for each year in the forecast period is presented on **Table VI-9**. Based on the projections of the costs and credits allocated to the terminal, the Terminal Net Requirement is projected to increase from $59.5 million in FY 2013 to $81.9 million in FY 2018. The largest increase is projected to occur in FY 2014, with the projected increase in O&M Expenses associated with the terminal expansion, the anticipated expiration of the capitalized interest periods on the Subordinate Series 2010 Bonds, and a full year of debt service on the Series 2013 Bonds. The largest annual credit is the custodial contract credit. The airlines pay all janitorial costs for the terminals, and the Authority provides a credit equal to the portion of the cost associated with non-airline areas in the terminal. The terminal rental rate per square foot is projected to decrease from $131.11 in FY 2013 to $117.31 in FY 2014, due to the increased total square footage when The Green Build is completed. The terminal rental rate is projected to increase to $130.21 in FY 2018. FIS use charges, assessed at $1.50 per arriving international seat, are projected to total approximately $473,000 per year during FY 2014 throughout the remainder of the forecast period. Total terminal rental revenues and FIS use charges are projected to increase from $42.2 million in FY 2013 to $49.6 million in FY 2018.

d. *Security Surcharges.* This revenue category increased from $8.6 million in FY 2008 to $18.6 million in FY 2012, mainly because of increased security personnel salaries and benefits requirements, as described above under the discussion of Safety and Security expenses, and the provisions of the Airline Agreement that provide for an increased allocation to the airlines of the security costs. Security surcharges are projected to total approximately $22.0 million in FY 2013 due to anticipated increases in security costs, including an estimated increase in general and administrative expenses charged to the Authority by the Port District. Security Surcharges are projected to increase to $28.4 million by FY 2018.

TABLE VI-9
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
PROJECTED AIRLINE TERMINAL RENTAL RATE
Fiscal Years Ending June 30

	2013	2014	2015	2016	2017	2018
Terminal Costs						
O&M Expenses	$50,410,431	$55,897,335	$56,680,742	$58,362,711	$60,108,324	$61,906,305
Revenue Bond Debt Service	9,969,242	19,765,976	22,136,643	22,120,819	22,119,261	22,120,996
Other Debt Service	1,073,752	1,184,622	1,625,557	1,830,144	1,834,126	1,829,523
Amortization Charges	1,325,900	1,673,500	1,835,300	2,043,800	1,837,200	1,778,800
Other Requirements	1,764,100	929,300	1,028,200	1,054,200	891,400	864,300
Total Terminal Requirement	**$64,543,425**	**$79,450,733**	**$83,306,443**	**$85,411,673**	**$86,790,310**	**$88,499,925**
Credits:						
Citation Revenue Credit	(23,900)	(24,600)	($25,500)	($26,500)	($27,600)	($28,800)
Custodial Contract Credit	(4,564,298)	(5,440,668)	(5,603,888)	(5,772,005)	(5,945,165)	(6,123,520)
FIS Use Charge	(426,600)	(473,200)	(473,200)	(473,200)	(473,200)	(473,200)
Other Adjustments	-	-	-	-	-	-
Total Credits	($5,014,798)	($5,938,468)	($6,102,588)	($6,271,705)	($6,445,965)	($6,625,520)
Terminal Net Requirement	**$59,528,627**	**$73,512,265**	**$77,203,855**	**$79,139,969**	**$80,344,346**	**$81,874,405**
Terminal Square Footage	454,021	626,627	628,779	628,779	628,779	628,779
Rental Rate Per Square Foot	**$131.11**	**$117.31**	**$122.78**	**$125.86**	**$127.78**	**$130.21**

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e. *Other Aviation Revenue.* Other revenue received by the Authority consists primarily of the capital cost recovery of the fuel farm and fuel farm franchise fees. Other aviation revenue decreased from approximately $1.8 million in FY 2008 to $1.6 million in FY 2009 through FY 2012, because the Authority ceased charging the airlines loading bridge and tunnel fees because the related capital expenditures had been fully recovered. During the forecast period, other aviation revenue is projected to remain constant at approximately $1.6 million.

2. Non-Airline Revenues

Non-airline revenues consist of building rents, terminal concession revenues, parking and ground transportation revenues, ground rentals, other operating revenue, and interest income. Non-airline revenues decreased from $85.6 million in FY 2008 to $82.5 million in FY 2009 and $79.6 million in FY 2010, mainly due to decreases in passenger activity in those years. Non-airline revenues increased to $84.0 million in FY 2011 and $85.9 million in FY 2012, primarily due to increased Ground Rental revenue resulting from new ground lease agreements, and parking rate increases implemented in FY 2011. Non-airline revenues are projected to increase to $124.0 million in FY 2018. The components of non-airline revenues are discussed in the following paragraphs.

a. *Building and Other Rents.* The Authority receives rent from non-airline tenants for space rented in the terminal buildings and other areas. In FY 2012, building and other rents totaled approximately $907,000, of which approximately 85 percent represented rent received from the U.S. General Services Agency for space used by the TSA and the Drug Enforcement Administration ("DEA"). Building and other rents revenue is projected to increase in accordance with increases in the terminal rental rate calculated pursuant to the Airline Agreement. Building and other rents revenue is projected to increase to $1.2 million in FY 2018.

b. *Terminal Concession Revenues.* The Authority receives percentage concession fees, subject to a minimum annual guarantee, from rental car, food and beverage, news and gift, and other concessionaires. The concession revenue is calculated as a percentage of each concessionaire's sales, subject to minimum annual guarantee amounts. Terminal concession revenue decreased from $38.8 million in FY 2008 to $36.3 million in FY 2009 and $36.2 million in FY 2010, due to reductions in air traffic activity. Terminal concession revenues increased to $37.1 million in FY 2011 and $40.4 million in FY 2012, mainly due to increases in rental car concession revenue, as discussed below. Terminal concession revenues are projected to increase to $52.2 million in FY 2018, due to forecast increases in enplanements and anticipated improvements in the food/beverage and news/gifts concessions program. Effective November 30, 2012, the

Authority's master concession agreement with Host International for food/beverage and news/gifts concessions at SAN expired. The Authority is implementing a Concessions Development Program ("CDP"), which is a change from the Authority's long-time master concessionaire model to a hybrid model involving the direct leasing and multiple prime concessionaire approaches. Authority management anticipates that the CDP will benefit the passengers and the Authority by increasing competition among concessionaires, promoting a variety of brands and concepts, maximizing concession sales and the resulting revenue to the Authority, and increasing the Authority's control over the concession program.

(i) Rental car concession revenue. The largest component of the terminal concession revenue category is rental car concession revenue, which represented almost 60 percent of total terminal concession revenue in FY 2012. The rental car companies that operate at the Airport pay a concession fee of 10 percent of their gross revenues. Rental car concession revenue decreased from approximately $23.5 million in FY 2008 to slightly less than $21.0 million in FY 2010, mainly due to decreases in air traffic activity at SAN during those years. Rental car concession revenue subsequently recovered, having increased to $21.6 million in FY 2011 and $23.9 million in FY 2012, due to increases in the gross revenues per originating enplanement, indicating that the rental car companies have been successful in increasing rental rates at SAN. Future rental car concession revenue was projected based on the rental car companies' reported FY 2012 gross revenues per originating enplanement, increased by 2.0 percent per year to account for rental rate increases, applied to forecast originating enplanements, and multiplied by the 10 percent concession fee. Rental car concession revenue is projected to increase to approximately $29.2 million in FY 2018.

(ii) Food and beverage concession revenues. The Authority receives concession revenues for food and beverage items in an amount equal to the greater of an annual minimum guarantee or concession fees of 13.0 percent of food and non-alcoholic beverage sales and 16.0 percent of alcoholic beverage sales. Food and beverage concession revenues totaled $6.4 million in FY 2012. Food and beverage concession revenues are projected to increase significantly in FY 2014, with the implementation of the CDP and related tenant improvements, due to anticipated increases in sales per enplanement. By the time the CDP is complete there are expected to be 87 operating concessionaire untis compared to the existing 55 units. During the forecast period, food and beverage concession revenues are projected to increase to $7.4 million in FY 2018.

(iii) News and gifts concession revenues. The Authority receives concession revenues for news and gifts items in an amount equal to the greater of an annual minimum guarantee or percentage concession fees of 10.0 percent to 17.0 percent of news and gifts gross sales, depending on the type of merchandise. News and gifts concession revenues totaled $4.0 million in FY 2012. News and gifts concession revenues are projected to increase significantly in FY 2014, with the implementation of the CDP and related tenant improvements, due to anticipated increases in sales per enplanement. During the forecast period, news and gifts concession revenues are projected to increase to $5.5 million in FY 2018.

(iv) License fees. The Authority receives license fees from companies that provide ground handling and in-flight food services. These license fees, which are based on a percentage of the providers' gross revenues, decreased from $3.1 million in FY 2008 to $2.6 million in FY 2011, due to the decrease in air traffic activity at the Airport and a decrease in the revenue per enplanement received by the concessionaires. License fees recovered to $3.2 million in FY 2012, and are projected to increase to $3.3 million in FY 2018, based on the ground handling and in-flight food service providers' historical gross revenues per enplanement, applied to forecast enplanements.

(v) Other terminal concession revenues. This category includes rents and fees received for advertising displays, luggage carts, ATMs, a shoe shine concession, security bin advertisements, and other miscellaneous sources. This revenue category increased from $1.5 million in FY 2008 to $2.1 million in FY 2009 and $2.8 million in FY 2010 through FY 2012, due to the implementation of a new advertising display lease effective in late FY 2008, with a new Minimum Annual Guarantee effective at the beginning of FY 2009. The projections of this revenue category reflect anticipated reimbursements from concessionaires for certain costs incurred by the Authority related to the CDP and the RDC. Revenues from advertising displays and luggage cart rentals are projected based on projected growth in enplanements. Total revenues for this category are projected to increase to approximately $4.6 million in FY 2013, and increase further in subsequent years to approximately $6.8 million in FY 2018.

c. *Parking and Ground Transportation Revenues.* The Authority receives revenues from the public parking lots at the Airport, ground transportation permit fees, and parking citation revenues. Parking and ground transportation revenues increased from approximately $31.0 million in FY 2008 to $31.5 million in FY 2009, and then decreased to $30.3 million in FY 2010 due to reduced enplanements. Parking and Ground Transportation revenues increased to $31.6 million in FY 2011 due to parking rate increases and the implementation of new ground transportation fees. In FY 2011, the

Authority began a four-year phase-in of new ground transportation fees, including new trip and permit fees for taxicabs, and permit fees for limousines, other vehicles for hire, hotel shuttles, and off-airport parking shuttles. The fees are based on a cost recovery methodology, whereby commercial vehicle operators pay for their proportionate share of ground transportation costs, based on their estimated usage of the terminal roadway system. Parking and Ground Transportation revenues declined slightly, to $31.5 million in FY 2012, due to continued disruptions to the parking operations caused by the construction activity for The Green Build, offset by the increase in ground transportation fees during the second year of the phase-in period. Parking revenue projections for the forecast period reflect the anticipated effects of increased passenger activity and modest rate increases, and ground transportation revenue reflects the continued phase-in of the new fees in FY 2013 and FY 2014. Parking and ground transportation revenues are projected to increase to approximately $48.4 million in FY 2018.

d. *Ground Rentals.* The Authority receives rentals from airline and non-airline tenants for various land parcels at the Airport, including parcels leased by the rental car companies, the FBO, and the passenger and all-cargo airlines. Ground rental revenues increased from $5.2 million in FY 2008 to $7.1 million in FY 2012, mainly due to new leases with FedEx, Southwest, and UPS. Ground rental revenues are estimated to total almost $8.0 million in FY 2013, and then decrease to $7.6 million in FY 2014, due to the elimination of rental car vehicle storage areas during the construction of the RCC. Ground Rental revenues are projected to increase to $10.8 million in FY 2015, and incrementally thereafter, to $13.7 million in FY 2018, due to the new ground rent anticipated from leases of the land parcels on the North side of the Airfield, for the planned new FBO facility and RCC.

e. *Other Operating Revenue.* The largest component of this category consists of reimbursements of utility expenses, received primarily from the TSA, Host International, and the FAA. This category also includes noise violation revenue, finger printing fees, service charges, and equipment rentals. In total, this revenue category decreased from approximately $0.6 million in FY 2008 to $0.5 million in FY 2009 before increasing to almost $0.9 million in FY 2012. The fluctuations were mainly due to variations in utility reimbursements. Other Operating Revenue is projected to decrease to approximately $0.6 million in FY 2013 and $0.4 million in FY 2014 and subsequent years, due to the reduction in utility reimbursements anticipated to result from the termination of the master concession agreement with Host International.

f. *Interest Income.* The Authority receives interest income on (i) Authority discretionary cash, (ii) promissory notes from the Port District, and (iii) the various bond funds and accounts established pursuant to the Master Senior Indenture. Interest income decreased from approximately $9.3 million in FY 2008 to $7.6 million in FY 2009, $5.7 million in FY 2010 and $5.8 million in FY 2011, and further declined to $5.1 million in FY 2012. The decreases were primarily due to decreases in the interest rates earned on those funds. Interest income is projected to increase during the forecast period, due to anticipated increases in the interest rates and the balances in the various bond funds other than the Construction Fund after the issuance of the Series 2013 Bonds. Projected interest income does not include interest anticipated to be earned on the Construction Fund because the interest earned will be used for project costs. Interest income is projected to increase to $8.0 million in FY 2018.

F. KEY FINANCIAL INDICATORS

This sub-section discusses the projections of the following key financial indicators: (1) the application of Revenues pursuant to the provisions of the Master Senior Indenture and the Master Subordinate Indenture, (2) the Authority's ability to satisfy the Senior Rate Covenant, the Subordinate Rate Covenant, and the additional bonds tests contained in the Master Senior Indenture and the Master Subordinate Indenture; and (3) the airline cost per enplaned passenger.

1. Application of Revenues

Table VI-10 shows the forecast application of Revenues pursuant to the provisions of the Master Senior Indenture, during the forecast period. Revenues are applied in the order shown on **Figure VI-1**.

2. Rate Covenants and Additional Bonds Test

The calculations of the Senior Rate Covenant contained in the Master Senior Indenture and the Subordinate Rate Covenant contained in the Master Subordinate Indenture are projected on **Table VI-11**. The calculations reflect the projected debt service of the Series 2013 Bonds and the debt service on the Subordinate Obligations. As mentioned earlier, under the Master Senior Indenture, the Authority has covenanted to establish and collect fees and charges in each Fiscal Year which will generate Net Revenues that will satisfy all the Authority's obligations under the Master Senior Indenture, and that will at least equal 125 percent of aggregate annual debt service on the outstanding Senior Bonds. Under the Master Subordinate Indenture, the Authority has covenanted to establish and collect fees and charges in each Fiscal Year which will generate Subordinate Net Revenues that will satisfy all the Authority's obligations under the Master Subordinate Indenture, and that will least equal 110 percent of aggregate annual debt service on the outstanding Subordinate Obligations.

TABLE VI-10
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
PROJECTED APPLICATION OF AIRPORT REVENUES
Fiscal Years Ending June 30

	2013	2014	2015	2016	2017	2018
Airport Revenues	**$179,078,661**	**$192,415,901**	**$209,076,510**	**$215,040,917**	**$226,027,088**	**$231,330,003**
Application of Airport Revenues						
Operation & Maintenance Subccount	$128,787,522	$136,867,973	$139,955,562	$143,701,950	$147,680,206	$150,857,923
Senior Obligation Debt Service net of PFCs applied [1]	2,164,393	11,441,439	14,286,308	14,510,730	14,510,880	14,508,380
Debt Service Reserve Funds	-	-	-	-	-	-
Subordinate Obligation Debt Service, net of PFCs applied [1]	17,608,978	23,074,321	25,962,911	26,227,047	26,230,734	26,230,459
Subordinate Obligations Debt Service Reserve Funds	-	-	-	-	-	-
Operation & Maintenance Reserve Subaccount	2,461,594	2,020,113	771,897	936,597	994,564	794,429
Renewal and Replacement Subaccount	-	-	-	-	-	-
Airport Revenue Fund	28,056,173	19,012,057	28,099,831	29,664,593	36,610,704	38,938,812
Total Airport Revenues Applied	**$179,078,661**	**$192,415,901**	**$209,076,510**	**$215,040,917**	**$226,027,088**	**$231,330,003**

[1] PFCs are excluded from the definition of Revenues in the indentures.

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TABLE VI-11
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
HISTORICAL AND PROJECTED DEBT SERVICE COVERAGE
Fiscal Years Ending June 30

	Historical		Projected					
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Revenues	$148,963,671	$158,311,779	$179,078,661	$192,415,901	$209,076,510	$215,040,917	$226,027,088	$231,330,003
Less: O&M Expenses	(117,100,946)	(118,941,148)	(128,787,522)	(136,867,973)	(139,955,562)	(143,701,950)	(147,680,206)	(150,857,923)
Net Revenues	$31,862,725	$39,370,631	$50,291,139	$55,547,929	$69,120,948	$71,338,967	$78,346,883	$80,472,081
Senior Bonds Debt Service	$5,354,225	$5,355,975	$2,706,307	$18,374,376	$22,623,158	$22,887,350	$22,890,250	$22,884,250
PFCs Used to Pay Debt Service [1]	-	-	(541,914)	(6,932,937)	(8,336,850)	(8,376,620)	(8,379,370)	(8,375,870)
Senior Bonds Debt Service, Net of PFCs [1]	$5,354,225	$5,355,975	$2,164,393	$11,441,439	$14,286,308	$14,510,730	$14,510,880	$14,508,380
Senior Bonds Debt Service Coverage	**5.95**	**7.35**	**23.24**	**4.85**	**4.84**	**4.92**	**5.40**	**5.55**
Subordinate Net Revenues	$26,508,500	$34,014,656	$48,126,746	$44,106,490	$54,834,640	$56,828,237	$63,836,002	$65,963,701
Subordinate Debt Service [2]	$8,598,641	$13,653,548	$37,932,916	44,431,807	$47,646,922	$47,910,457	$47,911,394	$47,914,619
PFCs Used to Pay Debt Service [1]	-	-	(20,323,938)	(21,357,487)	(21,684,010)	(21,683,410)	(21,680,660)	(21,684,160)
BAB Subsidy [3]	(3,691,431)	(4,995,921)	(4,995,921)	(4,995,921)	(4,995,921)	(4,995,921)	(4,995,921)	(4,995,921)
Subordinate Debt Svc, Net of PFCs and BAB Subsidy	$4,907,210	$8,657,627	$12,613,057	$18,078,399	$20,966,990	$21,231,126	$21,234,813	$21,234,538
Subordinate Debt Service Coverage	**5.40**	**3.93**	**3.82**	**2.44**	**2.62**	**2.68**	**3.01**	**3.11**
Total Debt Service	$10,261,435	$14,013,602	$14,777,450	$29,519,838	$35,253,298	$35,741,856	$35,745,693	$35,742,918
Total Debt Service Coverage	**3.11**	**2.81**	**3.40**	**1.88**	**1.96**	**2.00**	**2.19**	**2.25**

[1] The Authority has irrevocably commited certain PFCs to the payment of a portion of debt service for the Subordinate Series 2010 Bonds and the Series 2013 Bonds. The projected amounts shown on this table include the irrevocably committed PFCs and other PFCs anticipated to be applied to debt service in excess of the irrevocable commitment. When PFCs are used to pay debt service, such debt service may be excluded from the calculation of debt service for purposes of the debt service coverage calculations.

[2] Includes the Subordinate Series 2010 Bonds, commercial paper, and Letter of Credit fees.

[3] In FY 2011 the Authority began receiving cash subsidy payments from the U.S. Treasury for the portion of the Series 2010 Bonds that were issued as Build America Bonds (BAB subsidy). The projections assume that the annual BAB subsidy payments will continue to be received by the Authority throughout the forecast period.

Net Revenues are defined in the Master Senior Indenture as Revenues minus O&M Expenses. Subordinate Net Revenues are defined in the Master Subordinate Indenture as Net Revenues minus deposits to the Debt Service Funds for the payment of debt service on the Senior Bonds and any reserve fund deposits required pursuant to the Master Senior Indenture.

While the Authority has irrevocably committed to use approximately $14.7 million in PFCs in FY 2013, and $19.2 million in each of Fiscal Years 2014, 2015, and 2016 to pay a portion of the debt service on PFC eligible bonds, the Authority expects to use PFCs in excess of the irrevocable commitment to pay a portion of the debt service on the Series 2013 Bonds and the Subordinate Series 2010 Bonds. The Authority expects to use $0.5 million of PFCs in FY 2013, $6.9 million of PFCs in FY 2014, and $8.3 to $8.4 million of PFCs in each of FY 2015 through FY 2018 to pay a portion of the debt service on the Series 2013 Bonds. The Authority expects to use $20.3 million of PFCs in FY 2013, $21.4 million of PFCs in FY 2014, and $21.7 million in each of FY 2015 through FY 2018 to pay a portion of the debt service on the Subordinate Series 2010 Bonds. When PFCs are used to pay debt service on the Senior Bonds or the Subordinate Obligations, such debt service may be excluded from the calculation of debt service on the Senior Bonds and the Subordinate Obligations for purposes of the debt service coverage calculations. Therefore, the debt service coverage calculations shown on **Table VI-11** exclude the portion of debt service anticipated to be paid with PFCs.

Debt service coverage calculated according to the Senior Rate Covenant is projected to increase from 7.35 in FY 2012 to 23.14 in FY 2013 before decreasing to 4.84 in FY 2014 with the reduction in capitalized interest on the Series 2013 Bonds. Senior debt service coverage is then projected to increase to 5.53 in FY 2018. Debt service coverage calculated according to the Subordinate Rate Covenant is projected to decrease from 3.93 in FY 2012 to 3.79 in FY 2013 before decreasing to 2.43 in FY 2014, with the reduction in capitalized interest. Subordinate debt service coverage is projected to increase to 2.60 in FY 2015 and increase each year thereafter, to 3.09 in FY 2018 as Subordinate Net Revenues are projected to increase in those years. Therefore, the Authority is projected to satisfy the coverage requirements for both the Master Senior Indenture and the Master Subordinate Indenture.

Total debt service coverage (reflecting Senior Bonds and Subordinate Obligations) is projected to decrease from 3.38 in FY 2013 to 1.87 in FY 2014 with the reduction in capitalized interest. Total debt service coverage is projected to increase to 2.24 in FY 2018.

3. PFC Cash Flow

The projected PFC cash flow is presented on **Table VI-12**. The projections assume the PFC collection level will remain at the current rate of $4.50. PFC collections, net

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of the airline collection fee, are projected to increase from $35.1 million in FY 2013 to $38.3 million in FY 2018. As mentioned earlier in this section, beginning in FY 2013, the Authority began to apply a portion of annual PFC revenues toward a portion of debt service on the Subordinate Series 2010 Bonds, and it intends to apply a portion of PFC revenues toward a portion of debt service on the Series 2013 Bonds. Pursuant to the PFC Resolution, the Authority has irrevocably committed approximately $____ million per fiscal year to the payment of debt service on the Subordinate Series 2010 Bonds, the Series 2013 Bonds, and any other PFC eligible bonds. In addition, the Authority is applying PFCs on a Pay-As-You-Go basis toward PFC eligible costs of The Green Build and the CIP, and the Quieter Home Program.[40] The balance in the PFC Fund is projected to decrease from $74.9 million at the beginning of FY 2013 to a low of $43.8 million in FY 2017, the year in which the Airport is projected to apply $17.6 million in PFCs to Pay-As-You-Go PFC projects. The PFC Fund balance is then projected to increase to $49.2 million at the end of FY 2018.

4. Airline Cost per Enplaned Passenger

An important component of the financial feasibility report is an assessment of how the planned capital improvements and the related financings will affect airline rates and charges. Based on the financial projections discussed above, the airline cost per enplaned passenger, presented on **Table VI-13,** is projected to increase from $8.33 in FY 2012 to $11.15 in FY 2018. The projected FY 2018 airline cost per enplanement appears reasonable, considering it represents airline costs six years in the future, and it reflects the anticipated effects of the Authority's capital program, including The Green Build and the CIP.

[40] See Table II-4 for a summary of PFCs planned to be applied on a Pay-As-You-Go basis toward PFC eligible costs of The Green Build and the CIP.

TABLE VI-12
PROJECTED PFC CASH FLOW
Fiscal Years Ending June 30

	2013	2014	2015	2016	2017	2018
PFC Collections						
Projected Enplanements	8,678,961	8,842,544	9,055,614	9,252,898	9,372,439	9,483,020
% of Enplaned Passengers	92.0%	92.0%	92.0%	92.0%	92.0%	92.0%
PFC Eligible Enplaned Passengers	7,984,600	8,135,100	8,331,200	8,512,700	8,622,600	8,724,400
Gross PFC Collections						
$4.50 Per Eligible Enplanement	$35,930,700	$36,608,000	$37,490,400	$38,307,200	$38,801,700	$39,259,800
Less: Airline Collection Fee						
$0.11 Per Eligible Enplanement	(878,300)	(894,900)	(916,400)	(936,400)	(948,500)	(959,700)
Net PFC Collections	$35,052,400	$35,713,100	$36,574,000	$37,370,800	$37,853,200	$38,300,100
PFC Fund						
Beginning Balance	$74,862,624	$54,049,754	$49,714,968	$50,327,807	$52,592,077	$43,842,591
Net PFC Collections	35,052,400	35,713,100	36,574,000	37,370,800	37,853,200	38,300,100
Applied to Debt Service [1]	(20,865,851)	(28,290,424)	(30,020,860)	(30,060,030)	(30,060,030)	(30,060,030)
Applied on a Pay-As-You-Go basis [2]	(35,419,718)	(12,243,462)	(6,656,902)	(5,901,300)	(17,596,256)	(3,882,000)
Interest Income	420,300	486,000	716,600	854,800	1,053,600	1,004,100
Ending Balance	$54,049,754	$49,714,968	$50,327,807	$52,592,077	$43,842,591	$49,204,761

[1] The Authority has irrevocably commited certain PFCs to the payment of debt service for the Series 2010 and Series 2013 Bonds. The projected amounts shown on this table include PFCs anticipated to be applied to debt service in excess of the irrevocable commitment.

[2] PFCs projected to be applied on a Pay-As-You-Go basis to capital costs of The Green Build and the CIP, and the Quieter Home Program.

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TABLE VI-13
SAN DIEGO INTERNATIONAL AIRPORT
AIRLINE COST PER ENPLANED PASSENGER
Fiscal Years Ending June 30

	Actual	Projected					
	2012	2013	2014	2015	2016	2017	2018
Landing Fees	$18,947,013	$21,200,000	$21,437,400	$22,583,100	$22,979,100	$23,461,700	$24,039,449
Aircraft Parking Fees	3,134,539	3,328,100	3,287,300	3,445,395	3,507,712	3,580,247	3,670,153
Terminal Rental Revenue	30,700,961	42,215,800	44,947,100	46,810,300	47,991,200	48,716,100	49,633,500
Security Surcharges	18,649,147	22,044,200	25,118,200	25,875,828	26,666,994	27,460,113	28,359,757
Total Airline Revenue	**$71,431,660**	**$88,788,100**	**$94,790,000**	**$98,714,623**	**$101,145,006**	**$103,218,160**	**$105,702,859**
Enplanements	8,575,475	8,679,000	8,842,500	9,055,600	9,252,900	9,372,400	9,483,000
Cost Per Enplanement	**$8.33**	**$10.23**	**$10.72**	**$10.90**	**$10.93**	**$11.01**	**$11.15**

5. Sensitivity Analysis

A sensitivity analysis was prepared using the low forecast scenario (15-percentile) presented in Section IV. The projections of the key financial variables under the sensitivity analysis, and for comparative purposes, the base forecast scenario, are summarized on **Table VI-14**. Under the low forecast scenario, the senior debt service coverage and the subordinate debt service coverage are projected to remain well above the minimum requirements throughout the forecast period. The landing fee rate is projected to rise to $2.10 in FY 2018, and the airline cost per enplanement is projected to increase to $11.60, which would still be reasonable considering that the projection represents airline costs six years in the future, and it reflects the costs of the capital program, including The Green Build and the CIP. The PFC fund balance is still projected to remain above $42.9 million throughout the forecast period.

H. SUMMARY

The following points highlight the significant findings of the financial analysis contained in this section:

- Senior debt service coverage is projected to remain above the 1.25 minimum requirement, with a projected minimum of 4.84 during the period FY 2013 through FY 2018.

- Subordinate debt service coverage is projected to remain above the 1.10 minimum requirement, with a projected minimum of 2.44 during the period FY 2013 through FY 2018.

- Senior debt service coverage was 5.95 in FY 2011 and 7.35 in FY 2012, respectively – well above the 1.25 minimum requirement.

- The Authority's PFC Fund balance, after accounting for PFCs projected to be applied toward debt service on the Series 2013 Bonds, and PFCs projected to be applied on a Pay-As-You-Go basis toward PFC eligible capital costs, is projected to decrease from $74.9 million at the beginning of FY 2013 to $43.8 million in FY 2017, and then increase to $49.2 million at the end of FY 2018.

- The airline cost per enplaned passenger is projected to remain reasonable during the forecast period. SAN's airline cost per enplanement is projected to increase from $8.33 in FY 2012 to $11.15 in FY 2018.

- Under the low forecast scenario, the senior debt service coverage and the subordinate debt service coverage are projected to remain well above the minimum requirements throughout the forecast period. The landing fee rate is projected to rise to $2.09 in FY 2018, and the airline cost per enplanement is projected to increase to $11.60. The PFC fund balance is projected to decrease to $39.6 million in FY 2017 before increasing to $43.5 million at the end of FY 2018.

TABLE VI-14
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
KEY FINANCIAL PROJECTIONS
BASE AND LOW FORECAST SCENARIOS
Fiscal Years Ending June 30

	2013	2014	2015	2016	2017	2018
Base Forecast						
Net Revenues	$50,291,139	$55,547,929	$69,120,948	$71,338,967	$78,346,883	$80,472,081
Debt Service Coverage:						
Senior	23.24	4.85	4.84	4.92	5.40	5.55
Subordinate	3.81	2.44	2.61	2.67	3.00	3.10
Total	3.40	1.88	1.96	1.99	2.19	2.25
Landing Fee Rate	$1.98	$1.93	$1.96	$1.96	$1.98	$2.01
Airline Cost per EP	$10.23	$10.72	$10.90	$10.93	$11.01	$11.15
PFC Fund Balance	$54,049,754	$49,714,968	$50,327,807	$52,592,077	$43,842,591	$49,204,761
Low Forecast [1]						
Net Revenues	$50,231,739	$55,430,829	$67,355,988	$69,004,324	$75,561,463	$77,310,004
Debt Service Coverage:						
Senior	23.21	4.84	4.71	4.76	5.21	5.33
Subordinate	3.80	2.43	2.53	2.56	2.87	2.95
Total	3.39	1.88	1.91	1.93	2.11	2.16
Landing Fee Rate	$1.99	$1.96	$2.01	$2.02	$2.05	$2.09
Airline Cost per EP	$10.33	$10.92	$11.17	$11.27	$11.40	$11.60
PFC Fund Balance	$53,723,154	$48,743,968	$48,474,907	$49,611,377	$39,575,591	$43,489,561

[1] Projections based on the low air traffic forecast scenario (15 percentile) presented in Section IV.

PURCHASE CONTRACT

[$____________]
San Diego County
Regional Airport Authority
Senior Airport Revenue Bonds
Series 2013A
(AMT)

[$___________]
San Diego County
Regional Airport Authority
Senior Airport Revenue Bonds
Series 2013B
(Non-AMT)

[January __, 2013]

San Diego County Regional Airport Authority
3225 North Harbor Drive, 3rd Floor
San Diego, California 92101

Ladies and Gentlemen:

The undersigned, Jefferies & Company, Inc. (the "**Representative**"), as representative of the underwriters listed on the signature page hereof (the "**Underwriters**") hereby offers to enter into this Purchase Contract (this "**Purchase Contract**") with the San Diego County Regional Airport Authority (the "**Authority**"). The offer made hereby is subject to acceptance by the Authority by execution and delivery of this Purchase Contract to the Underwriters at or prior to 11:59 p.m., California time, on the date first above written, and if not so accepted will be subject to withdrawal by the Underwriters upon notice delivered to the Authority at any time prior to the acceptance hereof by the Authority. Upon acceptance of this offer by the Authority in accordance with the terms hereof, this Purchase Contract will be binding upon the Authority and upon the Underwriters. Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Official Statement or the Indenture, each as hereinafter defined.

1. **Purchase and Sale**. Upon the terms and conditions and upon the basis of the representations, warranties, covenants and agreements hereinafter set forth, the Underwriters, acting as principals and independent contractors and not as agents or fiduciaries, hereby, jointly and severally, agree to purchase from the Authority, and the Authority hereby agrees to sell to the Underwriters, all (but not less than all) of the [$____________] aggregate principal amount of the Authority's Senior Airport Revenue Bonds, Series 2013A (the "**Series 2013A Bonds**") and the [$___________] aggregate principal amount of the Authority's Senior Airport Revenue Bonds, Series 2013B (the "**Series 2013B Bonds**," and together with the Series 2013A Bonds, the "**Series 2013 Bonds**"). The Series 2013 Bonds shall be dated the date of issuance, shall bear interest payable [July 1, 2013] and thereafter semiannually each January 1 and July 1 at the rates, shall mature on July 1 in each year in the amounts, and shall be subject to redemption, all as set forth in the attached Schedule I. The purchase price for the Series 2013A Bonds shall be [$___________] (consisting of the aggregate principal amount of the Series 2013A Bonds, [plus an original issue premium of $___________], less an underwriters' discount of

[$__________]) (the "**Series 2013A Purchase Price**"). The purchase price for the Series 2013B Bonds shall be [$__________] (consisting of the aggregate principal amount of the Series 2013B Bonds, [plus an original issue premium of $__________], less an underwriters' discount of [$__________]) (the "**Series 2013B Purchase Price**," and collectively with the Series 2013A Purchase Price, the "**Purchase Price**").

The Authority will undertake, pursuant to a Continuing Disclosure Certificate (the "**Continuing Disclosure Certificate**"), to provide certain annual financial information and notices of the occurrence of certain events. A description of this undertaking is set forth in the Official Statement.

The Authority acknowledges and agrees that (i) the purchase and sale of the Series 2013 Bonds pursuant to this Purchase Contract is an arm's-length commercial transaction between the Authority and the Underwriters, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriters are and have been acting solely as principals and are not acting as municipal advisors (as defined in Section 15B(e)(4) of the Securities Exchange Act of 1934, as amended), or agents, advisors or fiduciaries of the Authority, (iii) the Underwriters have not assumed an advisory or fiduciary responsibility in favor of the Authority with respect to the offering of the Series 2013 Bonds contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriters, or any affiliates of the Underwriters, have provided other services or are currently providing other services to the Authority on other matters) and the Underwriters have no obligation to the Authority with respect to the offering of the Series 2013 Bonds contemplated hereby except the obligations expressly set forth in this Purchase Contract and except as otherwise provided by law, (iv) the Authority has consulted with its own legal, financial and other advisors to the extent it deemed appropriate in connection with the offering of the Series 2013 Bonds, and (v) the Underwriters have financial and other interests that differ from those of the Authority. Nothing in the foregoing paragraph is intended to limit the Underwriters' obligations of fair dealing under MSRB Rule G-17.

2. **The Series 2013 Bonds**. The Series 2013 Bonds will be issued pursuant to Section 170000 et seq. of the California Public Utilities Code (the "**Act**"); the Revenue Bond Law of 1941 Chapter 6 (commencing with Section 54300) of Part 1 of Division 2 of Title 5 of the California Government Code, excluding Article 3 (commencing with Section 54380) of Chapter 6 of Part 1 of Division 2 of Title 5 of the California Government Code and the limitations set forth in California Government Code Section 54402(b), which do not apply to the issuance and sale of bonds pursuant to the Act; the Master Trust Indenture, dated as of November 1, 2005 (the "**Master Indenture**"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "**Trustee**"); and the Third Supplemental Trust Indenture to be dated as of [January 1, 2013] (the "**Third Supplemental Indenture**," and together with the Master Indenture, the "**Indenture**"), by and between the Authority and the Trustee. The issuance of the Series 2013 Bonds has been authorized by the board of directors of the Authority (the "**Board**") pursuant to a resolution adopted by the Board on [December ___, 2012] (the "**Bond Resolution**"). The Series 2013 Bonds shall be payable from Net Revenues, and from certain additional limited funds held by the Trustee under the Indenture.

Additionally, on August 23, 2010, the board adopted a resolution (the "**August 2010 PFC Resolution**") authorizing the irrevocable commitment of a portion of the PFCs received by the Authority to the payment of a portion of the debt service on the Bonds and Subordinate Obligations, and on [December ___, 2012], the Board adopted a resolution (the "**December 2012 PFC Resolution**," and, together with the August 2010 PFC Resolution, the "**PFC Resolution**") increasing the amount and duration of such commitment.

The proceeds of the Series 2013 Bonds will be used to (a) finance certain capital improvements at San Diego International Airport (Lindbergh Field) (the "**Airport**"), (b) fund a portion of the interest accruing on the Series 2013 Bonds, (c) refund [a portion of] the Authority's outstanding Subordinate Commercial Paper Notes, (d) fund [a reserve fund] for the Series 2013 Bonds, and (e) pay certain expenses in connection with the issuance of the Series 2013 Bonds. The Series 2013 Bonds are being issued for such purposes and shall otherwise be as described in the Indenture and the Official Statement.

3. **Use and Preparation of Official Statement**. The Authority hereby ratifies, approves and confirms the use and distribution by the Underwriters prior to the date hereof of the Preliminary Official Statement of the Authority with respect to the Series 2013 Bonds, dated [January ___, 2013] (together with the Appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto, the "**Preliminary Official Statement**"), in connection with the offering and sale of the Series 2013 Bonds. The Authority represents and warrants that the Preliminary Official Statement was deemed final by the Authority as of its date for purposes of Rule 15c2-12 of the Securities and Exchange Commission ("**Rule 15c2-12**"), except for those matters permitted by Rule 15c2-12 to be omitted, including maturity amounts, interest rates, offering prices, redemption dates and prices, ratings, underwriters' discount, delivery dates and related terms. The Authority hereby agrees to deliver or cause to be delivered to the Underwriters, in sufficient time to accompany any confirmation that requests payment from any customer (but in no event later than the earlier of seven business days after the date hereof or the business day prior to the Closing Date), copies of the final Official Statement, dated the date hereof (including all information previously permitted to have been omitted by Rule 15c2-12 and any amendments or supplements to such Official Statement as have been approved by the Authority (after consultation with the Representative)) (the "**Official Statement**") in sufficient quantity to enable the Underwriters to comply with the rules of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Authority hereby approves of the use and distribution by the Underwriters of the Official Statement in connection with the offer and sale of the Series 2013 Bonds. At the time of or prior to the date of Closing, the Underwriters shall file a copy of the Official Statement with the Municipal Securities Rulemaking Board.

4. **Representations, Warranties, Covenants and Agreements of the Authority**. The Authority represents and warrants to and covenants and agrees with the Underwriters that as of the date hereof:

(a) The Authority is a local governmental entity of regional government with jurisdiction extending throughout the County of San Diego (the "County"), organized and existing pursuant to the provisions of the Act and the Constitution of the State of California.

(b) The Authority has full legal right, power and authority to enter into this Purchase Contract and the Indenture, to execute the Continuing Disclosure Certificate, to adopt the Bond Resolution and the PFC Resolution and to observe, perform and consummate the covenants, agreements and transactions contemplated by this Purchase Contract, the Indenture, the Continuing Disclosure Certificate and the Official Statement and to issue, sell and deliver the Series 2013 Bonds to the Underwriters as provided herein; and by all necessary official action of the Authority prior to or concurrently with the acceptance hereof, the Board has duly adopted the Bond Resolution and the PFC Resolution and approved the Preliminary Official Statement and the Official Statement; the Bond Resolution and the PFC Resolution are in full force and effect and have not been amended, modified or rescinded; the Authority has duly authorized and approved the execution and delivery of, and the performance by the Authority of its obligations contained in, the Series 2013 Bonds, the Indenture, the Official Statement, the Continuing Disclosure Certificate and this Purchase Contract; the Authority has duly authorized and approved the performance of its obligations contained in the Indenture, the Continuing Disclosure Certificate, the Bond Resolution and the PFC Resolution and the consummation by it of all other transactions contemplated by this Purchase Contract to have been performed or consummated at or prior to the Closing Date (as hereinafter defined); and the Authority is in compliance in all respects with the terms of the Act and with the obligations in connection with the issuance of the Series 2013 Bonds on its part contained in the Bond Resolution, the PFC Resolution, the Indenture, the Series 2013 Bonds and this Purchase Contract.

(c) As of the date thereof and the date hereof, the Preliminary Official Statement (except for the information relating to DTC, the forecasts included in [the Financial Feasibility Report set forth in Appendix A of the Preliminary Official Statement and in Table 21 in the forepart of the Preliminary Official Statement,] the information under the caption "UNDERWRITING" and information permitted to be excluded pursuant to Rule 15c2-12 as to which no representation is made (except as provided in paragraph (o) below)) did not and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, except as otherwise provided in this Purchase Contract, the Authority makes no representations as to employment and economic data (including projections) obtained from third parties contained in the Financial Feasibility Report and the Preliminary Official Statement [sections to be specified].

As of the date hereof and the Closing Date, the Official Statement (except for the information relating to DTC, the forecasts included in [the Financial Feasibility Report set forth in Appendix A of the Official Statement and in Table 21 in the forepart of the Official Statement], and the information under the caption "UNDERWRITING" as to which no representation is made (except as provided in paragraph (o) below)) does not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, except as otherwise provided in this Purchase Contract, the Authority makes no representations as to employment and economic data (including projections) obtained from third parties contained in the Financial Feasibility Report and the Official Statement [sections to be specified].

(d) If between the date hereof and 25 days after the End of the Underwriting Period for the Series 2013 Bonds (as hereinafter defined) (i) any event shall occur or any fact or condition shall become known to the Authority which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority shall notify the Underwriters thereof, and (ii) in the reasonable opinion of the Authority, following consultation with the Underwriters, such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will at its expense supplement or amend the Official Statement.

As used herein, and for the purposes of the foregoing, the term "**End of the Underwriting Period**" for the Series 2013 Bonds shall mean the later of (i) the Closing Date or (ii) the date on which the End of the Underwriting Period for the Series 2013 Bonds has occurred under Rule 15c2-12; provided, however, that the Authority may assume that, unless notified otherwise in writing by the Representative on or before the Closing Date, the End of the Underwriting Period for the Series 2013 Bonds will occur on the Closing Date.

For the purposes of this Paragraph (d), between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Series 2013 Bonds, the Authority will furnish such information with respect to itself and the Airport as the Underwriters may from time to time reasonably request.

(e) If the Official Statement is supplemented or amended pursuant to Paragraph 4(d) hereof, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the date which is 25 days after the End of the Underwriting Period for the Series 2013 Bonds, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) Between the date hereof and the Closing Date, except as contemplated by the Official Statement, the Authority will not without the prior written consent of the Underwriters offer or issue any bonds, notes or other obligations for borrowed money, or incur any other material liabilities, direct or contingent, in each case payable from Net Revenues (including PFCs).

(g) The Authority is not in violation of, or in material breach of or in material default under, any applicable constitutional provision, law or administrative regulation or order of the State of California or the United States of America or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, or other agreement or instrument to which the Authority is a party or to which the Authority or any of its properties is otherwise bound, and no event has occurred to the knowledge of the Authority and is continuing which, with the passage of time or the giving of notice, or both, would constitute a material default or event of default under any such instrument, in any such event which violation or breach would have a material adverse effect on the ability of the Authority to repay the Series 2013 Bonds or on the security therefor; and the execution and delivery of this Purchase Contract, the Indenture, the Continuing Disclosure Certificate and the Series 2013 Bonds, the adoption of the Bond Resolution or the PFC Resolution, and compliance with the provisions of this Purchase Contract, the Indenture, the Continuing Disclosure Certificate, the Bond Resolution, the PFC Resolution and the Series 2013 Bonds do not conflict with or constitute a material breach of or material default under any California constitutional provision, law, administrative regulation, order, judgment, court decree, loan agreement, indenture, bond, note, resolution, agreement, or other instrument to which the Authority is a party, or by which it or any of its properties are bound, nor does any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its properties or under the terms of any such law, regulation or instrument, except as provided by the Series 2013 Bonds or except to the extent that such breach, or the creation or imposition of such lien or charge, would not have a material adverse effect on the security for the Series 2013 Bonds.

(h) [Except as expressly set forth in the Official Statement,] there is no action, suit, proceeding, hearing, inquiry or investigation, at law or in equity, before or by any California or Federal court, government agency, public board or body, pending or, to the best of the Authority's knowledge, threatened against the Authority (i) in any way questioning the existence of the Authority or the titles of the officers of the Authority to their respective offices in which an adverse decision would affect the Board's adoption of the Bond Resolution or the PFC Resolution or its approval of this Purchase Contract, the Indenture, the Continuing Disclosure Certificate, the Preliminary Official Statement, the Official Statement or the Series 2013 Bonds; (ii) in any way contesting, affecting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Series 2013 Bonds, or the collection of revenues pledged to pay the principal of and interest on the Series 2013 Bonds, or the pledge of such revenues, or the application of the proceeds of the Series 2013 Bonds; (iii) affecting or seeking to prohibit, restrain or enjoin the imposition, collection or use of the PFCs for the payment of debt service as described in the Preliminary Official Statement and in the Official Statement; (iv) in any way contesting or affecting the validity or enforceability of the Series 2013 Bonds, the Indenture, the Continuing Disclosure Certificate or this Purchase Contract, or contesting the powers of the Authority or any authority for the issuance of the Series 2013 Bonds, the adoption of the Bond Resolution or the PFC Resolution, or the execution and delivery by the Authority of, the Indenture, this Purchase Contract or the Continuing Disclosure Certificate; (v) which may result in any material adverse change relating to the business, operations or financial condition of the Authority or the ability of the Authority to pay the Series 2013 Bonds; or (vi) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) The Authority will furnish such information, execute such instruments and take such other action not inconsistent with law or established policy of the Authority in cooperation with the Underwriters as may be reasonably requested (i) to qualify the Series 2013 Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Underwriters; and (ii) to determine the eligibility of the Series 2013 Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Series 2013 Bonds; provided, however, that the Authority shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(j) The Series 2013 Bonds, when issued and delivered in accordance with the Bond Resolution and the Indenture and sold to the Underwriters as provided herein, will be the legal, valid and binding limited obligations of the Authority, enforceable in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles whether or not sought, and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against counties in the State of California, and (subject to the immediately preceding limitations) the owners of the Series 2013 Bonds will be entitled to the benefits of the Indenture; upon such issuance and delivery the Indenture will provide, for the benefit of the owners from time-to-time of the Series 2013 Bonds, a legally valid and binding pledge of and lien on the Net Revenues and the funds and accounts pledged to such Series 2013 Bonds under the Indenture.

(k) When executed, this Purchase Contract, the Indenture and the Continuing Disclosure Certificate (assuming due authorization, execution and delivery by the other parties thereto, if applicable) will constitute the valid and legally binding obligations of the Authority, enforceable in accordance with their terms, except as such enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles whether or not sought, and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against local government entities in the State of California.

(l) All authorizations, approvals, licenses, permits, consents and orders of any federal or California governmental authority, legislative body, board, court, agency or commission having jurisdiction of the matter, or of any airline or tenant of the Authority, which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the Authority of, its respective obligations under this Purchase Contract, the Indenture and the Series 2013 Bonds, have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Series 2013 Bonds.

(m) The Authority's Financial Statements set forth as [Appendix B] to the Preliminary Official Statement and the Official Statement and the financial information regarding the Airport included in [Table 12] of the Preliminary Official Statement and the Official Statement fairly present the financial position of the Airport as of the dates indicated and the results of its operations, the sources and uses of its cash and the changes in its fund balances for the periods therein specified to the extent included therein, and are in conformity with generally accepted accounting principles applied on a consistent basis, and there has been no material adverse change in the financial condition or results of operations of the Airport since the date thereof.

(n) The Authority has the right, power and authority to conduct its business and operations with respect to the Airport as described in the Preliminary Official Statement and the Official Statement.

(o) The forecasts included in the Financial Feasibility Report set forth in [Appendix A of the Preliminary Official Statement and the Official Statement and in Table 21 in the forepart of the Preliminary Official Statement and the Official Statement] are based on information and assumptions that were provided by and/or reviewed with and agreed to by Authority management. The forecasts reflect Authority management's expected course of action during the forecast period, and in Authority management's judgment, present fairly the expected financial results of the Authority. The Authority has no knowledge, after due inquiry, of any fact or circumstances that would have a material adverse effect on the assumptions or forecasts in the Financial Feasibility Report that the Authority has not disclosed to Unison Consulting, Inc. (the "**Feasibility Consultant**"), Disclosure Counsel and the Underwriters.

(p) The Authority is in compliance with all conditions, and has obtained all approvals and consents, necessary for the imposition and use of PFCs, as set forth in the Preliminary Official Statement and the Official Statement, including paying a portion of the debt service on the Series 2013 Bonds.

(q) Any certificate signed by any authorized official of the Authority and delivered to the Underwriters shall be deemed to be a representation and warranty by the Authority to the Underwriters as to the statements made therein.

(r) The Authority will undertake, pursuant to the Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain events pursuant to Section (b)(5) of Rule 15c2-12. For at least the last five years, the Authority has been, and is now, in compliance with all of its continuing disclosure obligations under Rule 15c2-12.

(s) Between the date hereof and the Closing Date, the Authority will not supplement or amend the Bond Resolution, the PFC Resolution or the Indenture (except as provided in the Third Supplemental Indenture), without the prior written consent of the Underwriters.

5. **Offering; Representation of the Underwriters.**

(a) It shall be a condition to the Authority's obligations to sell and to deliver the Series 2013 Bonds to the Underwriters and to the Underwriters' obligations to purchase and to accept delivery of the Series 2013 Bonds that the entire [$__________] principal amount of the Series 2013A Bonds and the entire [$__________] principal amount of the Series 2013B Bonds shall be issued, sold and delivered by the Authority and purchased, accepted and paid for by the Underwriters on the Closing Date.

The Underwriters agree to make a bona fide public offering of all the Series 2013 Bonds, at prices not in excess of the initial public offering prices or at yields not lower than the yields set forth on the inside cover page of the Official Statement; provided that the Underwriters reserve the right from time to time as the Underwriters, in their sole discretion, deem necessary or desirable, to offer and sell the Series 2013 Bonds to certain dealers (including dealers depositing the Series 2013 Bonds into investment trusts) and others at prices lower than the initial offering prices or at yields higher than the initial yields set forth on the inside cover page of the Official Statement. The Underwriters also reserve the right to (1) over-allot or to effect transactions that stabilize or maintain the market price of the Series 2013 Bonds at a level above that which might otherwise prevail in the open market and (ii) discontinue such stabilizing, if commenced, at any time.

On or prior to the Closing Date, the Underwriters will provide the Authority with information regarding the re-offering prices and yields on the Series 2013 Bonds, in such form as the Authority may reasonably request, for purposes of determining the yield on the Series 2013 Bonds under Section 148 of the Internal Revenue Code of 1986, as amended.

(b) The Representative is authorized to enter into this Purchase Contract on behalf of the Underwriters and this Purchase Contract is enforceable against the Underwriters in accordance with its terms. The Representative is authorized to take any action under this Purchase Contract required to be taken by the Underwriters. The signatory of this Purchase Contract on behalf of the Representative has been duly authorized to execute this Purchase Contract;

6. **Closing**. At 8:00 a.m., California time, on [January __, 2013] or at such other time as shall have been mutually agreed upon by the Authority and the Underwriters (the "**Closing Date**"), the Authority will deliver or cause to be delivered to the Representative, under the Fast Automated Securities Transfer System of The Depository Trust Company ("**DTC**"), the Series 2013 Bonds, in the form of a separate single fully registered Bond for each series, maturity date and interest rate of the Series 2013 Bonds duly executed by the Authority and authenticated by the Trustee, together with the other documents hereinafter mentioned. The Representative will accept such delivery and pay the Purchase Price of the Series 2013 Bonds as set forth in Paragraph 1 by wire transfer in immediately available funds on the Closing Date. The Series 2013 Bonds shall be made available to the Trustee not later than one business day before the Closing Date. Upon initial issuance, the ownership of such Series 2013 Bonds shall be registered in the registration books kept by the Trustee in the name of Cede & Co., as the nominee of DTC.

Payment for the Series 2013 Bonds, together with delivery of the documents hereinafter mentioned shall be coordinated at the offices of the Authority in San Diego, California, or at such other place as shall have been mutually agreed upon by the Authority and the Representative. Such payment and delivery is herein called the "**Closing**." The Representative shall order CUSIP identification numbers and the Authority shall cause such CUSIP identification numbers to be printed on the Series 2013 Bonds, but neither the failure to print such number on any bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Representative to accept delivery of and pay for the Series 2013 Bonds on the Closing Date in accordance with the terms of this Purchase Contract.

7. **Closing Conditions**. The obligations of the Underwriters hereunder shall be subject to the performance by the Authority of its obligations hereunder at or prior to the Closing and are also subject to the following conditions:

(a) The representations and warranties of the Authority contained herein shall be true, complete and correct in all material respects on the date hereof and on the Closing Date as if made on the Closing Date.

(b) At the time of the Closing (i) the Bond Resolution, the PFC Resolution, the Indenture and the Continuing Disclosure Certificate shall be in full force and effect as valid and binding agreements, as applicable, between the parties thereto and the Official Statement shall have been duly authorized, executed and delivered, in substantially the form heretofore submitted to the Underwriters, and the Indenture, the Continuing Disclosure Certificate, the Bond Resolution, the PFC Resolution and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Representative (subject to the provisions of this Purchase Contract), and there shall be in full force and effect such resolutions as, in the opinion of Bond Counsel shall be necessary in connection with the transactions contemplated hereby; (ii) the Authority shall perform or have performed its obligations required under or specified in this Purchase Contract, the Bond Resolution, the PFC Resolution, the Continuing Disclosure Certificate and the Indenture to be performed at or prior to the Closing; and (iii) there shall have been no material adverse change in the financial or physical condition of the Airport or its properties.

(c) At or prior to the Closing, the Underwriters shall receive the following documents, in each case reasonably satisfactory in form and substance to the Representative and to their counsel, Nixon Peabody LLP ("**Underwriters' Counsel**"):

(i) the unqualified approving opinion of Kutak Rock LLP ("**Bond Counsel**"), dated the Closing Date, addressed to the Authority, substantially in the form set forth as [Appendix E] to the Official Statement, together with a letter to the Underwriters stating that the Underwriters may rely on the same;

(ii) a supplemental opinion of Bond Counsel, dated the Closing Date and addressed to the Underwriters, to the effect that: (A) the Series 2013 Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended (the "**Securities Act**"), and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended (the "**Trust Indenture Act**"); and (B) the statements contained in the Official Statement under the captions ["DESCRIPTION OF THE SERIES 2013 BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS," "TAX MATTERS," "APPENDIX C—CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER INDENTURE AND THE THIRD SUPPLEMENTAL INDENTURE,"] excluding any materials that may be treated as included under such captions by cross-reference, insofar as such statements expressly summarize certain provisions of the Indenture, the Series 2013 Bonds and Bond Counsel's opinion concerning federal tax matters relating to the Series 2013 Bonds, are accurate in all material respects;

(iii) an opinion of Kutak Rock LLP, Disclosure Counsel, dated the Closing Date and addressed to the Authority and the Underwriters, substantially in the form attached as Exhibit A to this Purchase Contract;

(iv) an opinion, dated the Closing Date and addressed to the Underwriters, of counsel to the Authority, substantially in the form attached as Exhibit B to this Purchase Contract;

(v) an opinion of Underwriters' Counsel, dated the Closing Date and addressed to the Underwriters, acceptable in form to the Representative;

(vi) an opinion of counsel to the Trustee, dated the date of Closing, addressed to the Authority and the Underwriters, to the effect that:

(A) the Trustee is a national banking association organized and existing under the laws of the United States of America, having full power and being qualified to enter, accept and administer the trust created under the Indenture and to authenticate and deliver the Series 2013 Bonds;

(B) the Series 2013 Bonds have been duly authenticated by the Trustee in accordance with the Indenture, and the Indenture has been duly authorized, executed and delivered by the Trustee and, assuming due authorization, execution and delivery thereof by the Authority, constitutes the legal, valid and binding obligation of the Trustee enforceable in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought; and

(C) no authorization, approval, consent or order of any governmental agency or any other person is required for the valid authorization, execution and delivery of the Indenture or the authentication of the Series 2013 Bonds by the Trustee;

(vii) a certificate, dated the Closing Date, of the Authority executed by the President and CEO/Executive Director and one other Designated Officer (as defined in the Bond Resolution), to the effect that (A) the representations and warranties of the Authority in this Purchase Contract are true and correct as of the Closing Date, as if made on the Closing Date; (B) the representations and warranties of the Authority contained in the Indenture were true as of the date originally made and are true and correct as of the Closing Date, as if made on the Closing Date; (C) the Authority has complied with all agreements and covenants and satisfied all conditions contemplated by this Purchase Contract, the Bond Resolution, the PFC Resolution and the Indenture on its part to be performed or satisfied at or prior to the Closing Date; (D) the Official Statement (except for the information relating to DTC, the forecasts included in [the Financial Feasibility Report set forth in Appendix A of the Official Statement and in Table 21] in the forepart of the Official Statement and under the caption "UNDERWRITING", as to which no view need be expressed (except as provided in (E) and (F) below)) as of its date and as of the Closing Date did not and does not contain any untrue statement of a material fact or omit any statement or information which is required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, provided that, except as otherwise provided in this Purchase Contract, the Authority makes no representations as to employment and economic data (including projections) obtained from third parties contained in the Financial Feasibility Report and the Official Statement [sections to be specified]; (E) the forecasts included in [the Financial Feasibility Report set forth in Appendix A of the Official Statement and in Table 21] in the forepart of the Official Statement (1) are based on information and assumptions that were provided by and/or reviewed with and agreed to by Authority management, and (2) reflect Authority management's expected course of action during the forecast period, and in Authority management's judgment, present fairly the expected financial results of the Authority; and (F) the Authority has no knowledge, after due inquiry, of any fact or circumstances that would have a material adverse effect on the assumptions or forecasts in the Financial Feasibility Report that the Authority has not disclosed to the Feasibility Consultant, Disclosure Counsel and the Underwriters;

(viii) a certificate of the Trustee, dated the Closing Date, to the effect that:

(A) the Trustee is duly organized and existing as a national banking association organized and existing under the laws of the United States of America, having the full power and authority to enter into, accept the trusts created under and perform its duties under the Indenture and to authenticate the Series 2013 Bonds;

(B) the Trustee was and is duly authorized to enter into the Indenture and to authenticate and deliver the Series 2013 Bonds to the Underwriters pursuant to the terms of the Indenture;

(C) the execution and delivery by the Trustee of the Indenture, and compliance with the terms thereof, will not conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instrument to which the Trustee is a party or by which it is bound, or, to its best knowledge, any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties (except that no representation, warranty or agreement is made by the Trustee with respect to any federal or state securities or blue sky laws or regulations);

(D) there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or, to the best of the knowledge of the Trustee, threatened against or affecting the existence of the Trustee or in any way contesting or affecting the validity or enforceability of the Series 2013 Bonds or the Indenture or contesting the powers of the Trustee or its authority to enter into and perform its obligations under any of the foregoing, or wherein an unfavorable decision, ruling or finding would adversely affect the Trustee or the transactions contemplated in connection with the issuance and sale of the Series 2013 Bonds, or which, in any way, would adversely affect the validity of the Series 2013 Bonds, the Indenture or any agreement or instrument to which the Trustee is a party and which is used or contemplated for use in the Indenture, or the consummation of the transactions contemplated in connection with the issuance and sale of the Series 2013 Bonds; and

(E) subject to the provisions of the Indenture, the Trustee will apply the proceeds from the Series 2013 Bonds to the purposes specified in the Indenture;

(ix) certified copies of the Bond Resolution and the PFC Resolution;

(x) executed copy of the Third Supplemental Indenture;

(xi) an executed copy of the Continuing Disclosure Certificate;

(xii) a duly executed tax certificate of the Authority with respect to the Series 2013 Bonds in form satisfactory to Bond Counsel;

(xiii) two copies of the Official Statement, signed by the President and CEO/Executive Director of the Authority;

(xiv) an executed copy of the Financial Feasibility Report, together with the consent and certificate of the Feasibility Consultant substantially in the form of Exhibit C attached hereto;

(xv) a DTC Letter of Representation, executed by the Authority and accepted by DTC;

(xvi) evidence satisfactory to the Representative that Moody's Investors Service ("**Moody's**"), Standard & Poor's Rating Services ("**S&P**") and Fitch Ratings ("**Fitch**") have assigned ratings of "___," "___" and "___," respectively, to the Series 2013 Bonds;

(xvii) a copy of the Report of Proposed Debt Issuance and the Report of Final Sale required to be delivered to the California Debt and Investment Advisory Commission;

(xviii) [auditor's consent letter]

(xix) such additional legal opinions, certificates, instruments and other documents as the Representative may reasonably deem necessary to evidence the truth and accuracy as of the time of the Closing of the representations and warranties of the Authority contained in this Purchase Contract and the due performance or satisfaction by the Authority at or prior to such time of all covenants and agreements then to be performed and all conditions then to be satisfied by the Authority pursuant to this Purchase Contract.

(d) If on the Closing Date the Authority fails to deliver any of the certificates, documents or opinions listed in Paragraph 7(c) of this Purchase Contract or is otherwise unable to satisfy the conditions to the obligations of the Underwriters hereunder, this Purchase Contract shall terminate at the option of the Representative and neither party shall have any further obligations hereunder.

8. **Termination**. The Representative, on behalf of the Underwriters, may terminate this Purchase Contract, without liability therefor (evidenced by a written notice to the Authority terminating the obligation of the Underwriters to accept delivery of and make any payment for the Series 2013 Bonds and stating the reasons thereof), if at any time subsequent to the date of this Purchase Contract and prior to the Closing:

(a) There shall occur any of the following which in such case, in the reasonable opinion of the Representative will materially adversely affect (1) the marketability or the market price of the Series 2013 Bonds at the initial offering prices set forth in the Official Statement or (2) the ability of the Underwriters to enforce contracts for the sale of the Series 2013 Bonds:

(i) there shall occur any change, or any development involving a prospective change, in or affecting the business, properties or financial condition of the Authority;

(ii) legislation shall have been enacted by the Congress of the United States, or introduced by amendment or otherwise in or passed by either House of the Congress, or recommended or endorsed to the Congress for passage by the President of the United States, or favorably reported for passage to either House of the Congress of the United States by any committee of such House to which such legislation has been referred for consideration, or recommended or endorsed for passage or presented for consideration by any member of any such committee or by the Treasury Department of the United States, the Internal Revenue Service, or the staff of the Joint Committee on Taxation of the Congress, or a decision shall have been rendered by a court of the United States, or the United States Tax Court, or an order, ruling, regulation (final, temporary or proposed) or official statement shall have been made by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency of appropriate jurisdiction, with respect to federal taxation of interest received on the Series 2013 Bonds or securities of the general character of the Series 2013 Bonds or which would have the effect of changing, directly or indirectly, the federal tax consequences of receipt of interest on the Series 2013 Bonds or securities of the general character of the Series 2013 Bonds in the hands of the owners thereof;

(iii) there shall have occurred a declaration of war by the United States, any new outbreak of hostilities, or any escalation of existing hostilities, or any other national or international calamity, crisis or event;

(iv) any underlying rating (without taking into account any credit support provided by a third party) of Series 2013 Bonds, notes or other obligations of the Airport (including the Series 2013 Bonds) shall have been downgraded, suspended or withdrawn, or the possibility of such a downgrading, suspension or withdrawal shall have been publicly announced, by Moody's, S&P or Fitch; or

(v) any legislation, ordinance, rule or regulation shall be introduced in or enacted by any governmental body, board, department or agency of the State of California or the United States, or a decision by any court of competent jurisdiction within the State of California or any court of the United States shall be rendered, affecting the Authority.

(b) There shall have occurred the declaration of a general banking moratorium by any authority of the United States or the State of New York or the State of California or a major financial crisis or a material disruption in commercial banking or securities settlement, payment or clearance services materially affecting the Series 2013 Bonds.

(c) There shall be in force a general suspension of trading on the New York Stock Exchange or other national securities exchange, or the New York Stock Exchange, other national securities exchange or any governmental authority shall impose, as to the Series 2013 Bonds or obligations of the general character of the Series 2013 Bonds, any material restrictions not in force or not being enforced, or a material increase of those now in force, with respect to the extension of credit by, or the charges to the net capital requirements of, the Underwriters as of the date hereof, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on any such exchange, whether by virtue of determination by that exchange or by order of any governmental authority having jurisdiction;

(d) There shall exist an event, fact or condition which, in the Underwriters' reasonable opinion, causes the Official Statement to contain an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, which event, fact or condition has not been reflected to the satisfaction of the Representative and the Authority in an amendment or supplement to the Official Statement pursuant to Paragraph 4(d) hereof.

(e) Legislation shall be enacted, or a decision of a court of the United States shall be rendered or any action, including a stop-order, shall be taken by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction in the subject matter which, in the opinion of counsel to the Underwriters and Bond Counsel, has the effect of requiring the contemplated distribution of the Series 2013 Bonds to be registered under the Securities Act or the Securities Exchange Act of 1934, as amended, or the Indenture to be qualified under the Trust Indenture Act, or that would make illegal the reoffering, issuance or sale of the Series 2013 Bonds or beneficial interests therein.

9. **Expenses**.

(a) The Underwriters shall be under no obligation to pay and the Authority shall pay or cause to be paid the expenses incident to the performance of its obligations hereunder including but not limited to (i) the cost of the preparation, printing, or other reproduction (for distribution on or prior to the date hereof), and delivery of the Indenture; (ii) the fees and disbursements of Bond Counsel, Disclosure Counsel, Frasca & Associates, L.L.C., the Feasibility Consultant, the Independent Auditors and the Trustee, and any other experts or consultants retained by the Authority; (iii) the cost of preparation and printing and signing of the Series 2013 Bonds and the registration of the Series 2013 Bonds; (iv) the cost of preparation, printing and delivery of the Preliminary Official Statement and the Official Statement and any supplements or amendments thereto; (v) charges of rating agencies for the ratings of the Series 2013 Bonds; and (vi) all other costs connected to issuance of the Series 2013 Bonds except costs specifically described in Paragraph 9(b) below.

(b) The Underwriters shall pay (i) the cost of preparation and printing of the Blue Sky memorandum to be used by them and the cost, if any, of printing of this Purchase Contract; (ii) all advertising expenses incurred by them in connection with the public offering of the Series 2013 Bonds; (iii) the fees and disbursements of Underwriters' Counsel; and (iv) all other expenses incurred by them in connection with their public offering and distribution of the Series 2013 Bonds.

10. **Notices**. Any notice or other communication to be given to the Authority under this Purchase Contract (other than the acceptance hereof as specified in Paragraph 1 hereof) may be given by delivering the same in writing to the San Diego County Regional Airport Authority, 3225 North Harbor Drive, 3rd Floor, San Diego, California 92101, Attention: Executive Director; any notice or other communication to be given to the Underwriters under this Purchase Contract may be given by delivering the same in writing to Jefferies & Company, Inc., 1213 K Street, Suite 1728, Sacramento, California 95814, Attention: Sam Smalls.

11. **Governing Law**. The validity, interpretation and performance of this Purchase Contract shall be governed by the laws of the State of California.

12. **Parties in Interest**. This Purchase Contract when accepted by the Authority in writing as heretofore specified shall constitute the entire agreement between the Authority and the Underwriters and is made solely for the benefit of the Authority and the Underwriters. No other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties and agreements of the Authority in this Purchase Contract shall remain operative and in full force and effect, regardless of (a) any investigation made by or on behalf of the Underwriters, (b) delivery of and payment for the Series 2013 Bonds hereunder, and (c) any termination of this Purchase Contract.

13. **Headings**. The headings of the Paragraphs of this Purchase Contract are inserted for convenience only and shall not be deemed to be a part hereof.

14. **Effectiveness**. This Purchase Contract shall become effective upon the execution of the acceptance hereof by the Authority and shall be valid and enforceable at the time of such acceptance.

[End of Purchase Contract]

15. **Counterparts**. This Purchase Contract may be executed in several counterparts, which together shall constitute one and the same instrument.

THE UNDERWRITERS:

JEFFERIES & COMPANY, INC.
CITIGROUP GLOBAL MARKETS INC.
J.P. MORGAN SECURITIES LLC
SIEBERT BRANDFORD SHANK & CO. LLC
CABRERA CAPITAL MARKETS, LLC
LOOP CAPITAL MARKETS, LLC

By: JEFFERIES & COMPANY, INC., as Representative of the Underwriters

By________________________________
Authorized Representative

The foregoing is hereby agreed to and accepted as of the date first above written.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

By:________________________________
Vice President, Finance/CFO and Treasurer

APPROVED AS TO FORM:

By:________________________________
General Counsel
San Diego County Regional Airport Authority

[Signature page to Purchase Contract]

SCHEDULE I

[$____________]
San Diego County Regional Airport Authority
Senior Airport Revenue Bonds
Series 2013A

<u>Maturity Schedule</u>

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	Price

* Term Bonds, subject to mandatory sinking fund redemption
[C] Priced to the par call date of [July 1, 20__].

[$_____________]
San Diego County Regional Airport Authority
Senior Airport Revenue Bonds
Series 2013B

Maturity Schedule

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	Price

* Term Bonds, subject to mandatory sinking fund redemption
C Priced to the par call date of July 1, 2020.

REDEMPTION PROVISIONS

[to come]

EXHIBIT A

FORM OF DISCLOSURE COUNSEL'S OPINION

[Closing Date]

San Diego County Regional Airport Authority
San Diego, California

Jefferies & Company, Inc.
Citigroup Global Markets, Inc.
J.P. Morgan Securities LLC
Siebert Brandford Shank & Co. LLC
Cabrera Capital Markets, LLC
Loop Capital Markets, LLC

[$__________]
San Diego County
Regional Airport Authority
Senior Airport Revenue Bonds
Series 2013A

[$__________]
San Diego County
Regional Airport Authority
Senior Airport Revenue Bonds
Series 2013B

Ladies and Gentlemen:

We have acted as Disclosure Counsel to the San Diego County Regional Airport Authority (the "Authority") in connection with the issuance and sale by the Authority of [$_________] aggregate principal amount of its San Diego County Regional Airport Authority Senior Airport Revenue Bonds, Series 2013A (the "Series 2013A Bonds") and [$___________] aggregate principal amount of its San Diego County Regional Airport Authority Senior Airport Revenue Bonds, Series 2013B (the "Series 2013B Bonds," and collectively with the Series 2013A Bonds, the "Series 2013 Bonds"). In that connection, we have reviewed a printed copy of the Official Statement of the Authority, dated [January __, 2013], with respect to the Series 2013 Bonds (the "Official Statement"). We do not assume any responsibility for any electronic version of the Official Statement, and assume that any such version is identical in all respects to the printed version. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Official Statement.

In our capacity as Disclosure Counsel, we have participated with you and other parties in the preparation of the Official Statement. In the course of such participation, we have generally reviewed information furnished to us by, and have participated in conferences with, representatives of the Authority; the General Counsel of the Authority; Frasca & Associates, L.L.C., the Authority's financial advisor; Unison Consulting, Inc., the Feasibility Consultant; Jefferies & Company, Inc., Citigroup Global Markets, Inc., J.P. Morgan Securities LLC, Siebert Brandford Shank & Co. LLC, Cabrera Capital Markets, LLC and Loop Capital Markets, LLC, the underwriters of the Series 2013 Bonds (the "Underwriters"); Nixon Peabody LLP, counsel to the Underwriters; and [McGladrey & Pullen, LLP], the Authority's independent auditor. We have also reviewed the documents, certificates and opinions delivered this date related to the issuance of the Series 2013 Bonds, other documents and records relating to the authorization, issuance, delivery and sale of the Series 2013 Bonds and certain other files, records and documents of the Authority. In addition, we have relied upon, and assumed the correctness of, the certificates of the officials of the Authority and upon certain documents, opinions and letters.

Based solely on the foregoing, we advise you that although we have made no independent investigation or verification of the accuracy, correctness, fairness or completeness of, and do not pass upon or assume any responsibility for the accuracy, correctness, fairness or completeness of, the statements included in the Official Statement, during the course of the activities described in the preceding paragraph no information came to the attention of the attorneys in our firm rendering legal services in connection with the issuance and delivery of the Series 2013 Bonds which causes us to believe that the Official Statement, as of its date and as of the date hereof (except for any information under the captions ["UNDERWRITING," "APPENDIX A—FINANCIAL FEASIBILITY REPORT," "APPENDIX B—AUDITED FINANCIAL STATEMENTS OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2009" and "APPENDIX F—BOOK-ENTRY-ONLY SYSTEM,"] any CUSIP numbers, financial statements, financial, accounting, statistical, economic, engineering, demographic or tabular data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion included in the Official Statement, or any information about DTC and its book-entry system included or referred to therein, which we expressly exclude from the scope of this letter and as to which we express no opinion or view), contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The scope of our engagement has not and does not extend beyond the examinations and the rendering of the opinions expressed herein. Our engagement with respect to the transaction referred to herein terminates upon the date of this letter. No attorney-client relationship has existed or exists between our film and any of the Underwriters in connection with the Series 2013 Bonds or by virtue of this letter. We assume no obligation to review or supplement this letter subsequent to its date, whether by reason of a change in current laws, by legislative or regulatory action, by judicial decision or for any other reason. This letter is based solely upon existing laws, regulations, rulings and judicial decisions. We express no opinion as of any subsequent date or with respect to any pending legislation. No person (including, but in no way by limitation, the registered and beneficial owners of the Series 2013 Bonds), other than the addressees of this letter, may rely upon this letter without our express prior written consent. This letter may not be utilized by the addressees for any other purpose whatsoever and may not be quoted by such addressees without our express prior written consent.

Very truly yours,

EXHIBIT B

FORM OF AUTHORITY COUNSEL'S OPINION

[Closing Date]

San Diego County Regional Airport Authority
San Diego, California

Jefferies & Company, Inc.
Citigroup Global Markets, Inc.
J.P. Morgan Securities LLC
Siebert Brandford Shank & Co. LLC
Cabrera Capital Markets, LLC
Loop Capital Markets, LLC

Re: San Diego County Regional Airport Authority
Senior Airport Revenue Bonds, Series 2013A
<u>Senior Airport Revenue Bonds, Series 2013B</u>

Ladies and Gentlemen:

I am General Counsel to the San Diego County Regional Airport Authority (the "Authority") and have served as such in connection with the issuance, sale and delivery of its San Diego County Regional Airport Authority Senior Airport Revenue Bonds, Series 2013A (the "Series 2013A Bonds") and San Diego County Regional Airport Authority Senior Airport Revenue Bonds, Series 2013B (the Series 2013B Bonds," and collectively with the Series 2013A Bonds, the "Series 2013 Bonds"). The Series 2013 Bonds are being issued pursuant to the San Diego County Regional Airport Authority Act (Section 170000 et seq. of the California Public Utilities Code) (the "Act"); the Revenue Bond Law of 1941 Chapter 6 (commencing with Section 54300) of Part 1 of Division 2 of Title 5 of the California Government Code, excluding Article 3 (commencing with Section 54380) of Chapter 6 of Part 1 of Division 2 of Title 5 of the California Government Code and the limitations set forth in California Government Code Section 54402(b), which do not apply to the issuance and sale of bonds pursuant to the Act; the Master Trust Indenture, dated as of November 1, 2005 (the "Master Indenture"), by and between the Authority and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"); and the Third Supplemental Trust Indenture, dated as of [January 1, 2013] (the "Third Supplemental Indenture," and together with the Master Indenture, the "Indenture"), by and between the Authority and the Trustee.

In connection with such advice, I have examined copies of the Indenture; the Purchase Contract, dated [January __, 2013] (the "Purchase Contract"), between Jefferies & Company, Inc., as Representative of the Underwriters, and the Authority; the Continuing Disclosure Certificate, dated [January __, 2013] (the "Disclosure Certificate"), executed by the Authority; and the Tax Compliance Certificate, dated [January __, 2013], with respect to the Series 2013 Bonds (the "Series 2013 Tax Certificate") executed by the Authority. The Indenture, the Purchase Contract, the Disclosure Certificate and the Series 2013 Tax Certificate are collectively referred to herein as the "Legal Documents." Additionally, I have reviewed a certified copy of Resolution No. [2012-______], adopted by the board of directors of the Authority (the "Board") on [December __, 2012] (the "Bond Resolution"), a certified copy of Resolution No. 2010-0088, adopted by the Board on August 23, 2010 and a certified copy of Resolution No. [2012-____], adopted by the Board on [December __, 2012] (collectively, the "PFC Resolution").

All capitalized terms not defined herein shall have the respective meanings ascribed thereto in the Purchase Contract.

Based upon such examination and considerations of law and fact as I have deemed necessary for the purpose of the opinions expressed herein, I am of the opinion that:

1. The Authority is a local governmental entity of regional government duly organized, validly existing and in good standing under the Act and the laws of the State of California.

2. The Bond Resolution and the PFC Resolution were duly adopted at meetings of the Board which were called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout.

3. Except as disclosed in the Official Statement, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or, to the best of my knowledge, threatened against or affecting the Authority, which would materially and adversely impact the Authority's ability to complete the transactions described in and contemplated by the Preliminary Official Statement and the Official Statement, to restrain or enjoin the payments of debt service on the Series 2013 Bonds from Net Revenues (as defined in the Indenture) or in any way contesting or affecting the validity of the Legal Documents, the Bond Resolution, the PFC Resolution or the Series 2013 Bonds.

4. The execution and delivery of the Legal Documents, the adoption of the Bond Resolution and the PFC Resolution and the approval of the Preliminary Official Statement and the Official Statement, and compliance with the provisions thereof and hereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the Authority a breach of or default under any agreement or other instrument to which the Authority is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Authority is subject.

5. The Legal Documents, have been duly authorized, executed and delivered by the Authority, and, assuming due authorization, execution and delivery by the other parties thereto constitute legal, valid and binding agreements of the Authority enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally and by the application of equitable principles if equitable remedies are sought and by the limitations on legal remedies imposed on actions against local government entities in the State of California.

6. No authorization, approval, consent, or other order of the State of California or any other governmental authority or agency within the State of California, other than the Board, is required for the valid authorization, execution and delivery of the Legal Documents, and the approval of the Preliminary Official Statement and the Official Statement.

7. Based upon examinations which I have made and my discussions in conferences with certain officials of the Authority and others with respect to the Official Statement and without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement (including the Appendices attached thereto), nothing has come to my attention which would lead me to believe that the Official Statement (other than financial and statistical data therein and incorporated therein by reference, and other than information relating to DTC, the Book-Entry System or information provided by the Underwriters or the Feasibility Consultant for inclusion in the Official Statement, as to which no opinion is expressed) contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

This opinion is given in an official capacity and not personally and no personal liability shall derive therefrom.

The use of the term "to the best of my knowledge" or similar phrases to qualify a statement in this Opinion means I do not have current actual knowledge that the statement is inaccurate.

This letter is for the sole benefit of the addressees in connection with the sale of the Series 2013 Bonds and is not to be used, circulated, quoted or otherwise referred to for any purpose. No other person may rely on this letter without my prior written consent. I do not undertake, and expressly disclaim, any obligation to amend or supplement this opinion as facts and circumstances come to my attention, or changes in law occur, after the date hereof which could affect such opinion.

Very truly yours,

EXHIBIT C

FORM OF CERTIFICATE OF THE FEASIBILITY CONSULTANT

The undersigned authorized representative of Unison Consulting, Inc. (the "Feasibility Consultant") hereby certifies that:

1. This Certificate is furnished pursuant to Paragraph 7(c)(xv) of the Purchase Contract, dated [January ___, 2013], by and between Jefferies & Company, Inc., as representative of the underwriters named therein (the "Underwriters"), and the San Diego County Regional Airport Authority (the "Authority"), relating to the sale by the Authority of [$________] aggregate principal amount of its San Diego County Regional Airport Authority Senior Airport Revenue Bonds, Series 2013A (the "Series 2013A Bonds") and [$_________] aggregate principal amount of its San Diego County Regional Airport Authority Senior Airport Revenue Bonds, Series 2013B (the "Series 2013B Bonds," and collectively with the Series 2013A Bonds, the "Series 2013 Bonds"), as more fully described in the Preliminary Official Statement of the Authority, dated [January __, 2013] (the "Preliminary Official Statement") and the Official Statement of the Authority, dated [January __, 2013] (the "Official Statement"), prepared in connection with the sale of said Series 2013 Bonds.

2. The Feasibility Consultant has been retained by the Authority as its independent consultant to prepare the Financial Feasibility Report (the "Report"), included as [Appendix A] to the Preliminary Official Statement and the Official Statement, and consent is hereby given to the references to the Feasibility Consultant under the captions ["INTRODUCTION—Financial Feasibility Report," "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS—Additional Obligations," "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS—Use of PFCs to Pay Debt Service," "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—Future Financings," "FINANCIAL FEASIBILITY REPORT," "CERTAIN INVESTMENT CONSIDERATIONS—Financial Feasibility Report," and "CERTAIN INVESTMENT CONSIDERATIONS—Ability To Meet Rate Covenant,"] in the Preliminary Official Statement and the Official Statement and to the inclusion of the Report in [Appendix A] to the Preliminary Official Statement and the Official Statement.

3. In connection with the preparation of the Report, personnel for the Feasibility Consultant have participated in certain meetings and conference calls with representatives of the Authority, the Authority's Bond Counsel and Disclosure Counsel, the Authority's Financial Advisor, the Underwriters for the Series 2013 Bonds and their counsel with respect to the issuance of the Series 2013 Bonds. Nothing has come to the attention of the Feasibility Consultant in relation to the preparation of the Report that would cause them to believe the Report was, as of its date, or any of the statements in the Preliminary Official Statement and the Official Statement specifically attributed to the Feasibility Consultant were, as of the date of the Preliminary Official Statement or as of the date of the Official Statement, inaccurate in any material respect.

4. This Certificate is solely for the information of, and assistance to, the Authority, its Disclosure Counsel and the Underwriters in conducting and documenting their investigation

of the matters covered by the Report in connection with the offering pursuant to the Preliminary Official Statement and the Official Statement of the Series 2013 Bonds, and is not to be used, circulated, quoted or otherwise referred to within or without the underwriting group for any other purpose, including but not limited to the purchase or sale of securities (other than the Series 2013 Bonds), nor is it to be referred to in whole or in part in any other document (other than the Preliminary Official Statement of the Official Statement), except that reference may be made to it in the documents related to the Series 2013 Bonds. The Feasibility Consultant acknowledges and agrees that this Certificate will become part of the transcript related to the Series 2013 Bonds and will be publicly available.

IN WITNESS WHEREOF, the undersigned has executed this certificate this _____ day of [January], 2013.

UNISON CONSULTING, INC.

By:____

Title:______________________________________

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "**Certificate**") is executed and delivered by the San Diego County Regional Airport Authority (the "**Authority**") in connection with the issuance of its San Diego County Regional Airport Authority Senior Airport Revenue Bonds, Series 2013A (the "**Senior Series 2013A Bonds**"), and San Diego County Regional Airport Authority Senior Airport Revenue Bonds, Series 2013B (the "**Senior Series 2013 Bonds**," and together with the Senior Series 2013A Bonds, the "**Senior Series 2013 Bonds**"). The Senior Series 2013 Bonds are being issued pursuant to the Master Trust Indenture, dated as of November 1, 2005, as amended (the "**Master Senior Indenture**"), by and between the Authority and The Bank of New York Trust Company, N.A., as trustee (the "**Senior Trustee**"), and the Third Supplemental Trust Indenture, dated as of January 1, 2013 (the "**Third Supplemental Senior Indenture**," and collectively with the Master Senior Indenture and all supplements thereto, the "**Senior Indenture**"), by and between the Authority and the Senior Trustee. Additionally, the Senior Series 2013 Bonds have been authorized by Resolution No. 2013-[____] adopted by the board of directors of the Authority on December [__], 2012 (the "**Resolution**"). The Senior Series 2013 Bonds are being issued pursuant to Section 170000 et seq. of the California Public Utilities Code (the "**Act**"), and in accordance with Revenue Bond Law of 1941 Chapter 6 (commencing with §54300) of Part 1 of Division 2 of Title 5 of the California Government Code, excluding Article 3 (commencing with §54380) of Chapter 6 of Part 1 of Division 2 of Title 5 of the California Government Code and the limitations set forth in California Government Code §54402(b), which shall not apply to the issuance and sale of bonds pursuant to the Act.

In consideration of the purchase of the Senior Series 2013 Bonds by the Participating Underwriter (as defined below), the Authority covenants and agrees as follows:

Section 1. Purpose of the Certificate. This Certificate is being executed and delivered by the Authority for the benefit of the Holders and Beneficial Owners of the Senior Series 2013 Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**").

Section 2. Definitions. In addition to the definitions set forth in the Senior Indenture, which apply to any capitalized term used in this Certificate unless otherwise defined herein, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Certificate.

"*Beneficial Owner*" means any person which (a) has or shares the power, directly or indirectly, to vote or consent with respect to, to make investment decisions concerning the ownership of, or to dispose of ownership of, any Senior Series 2013 Bonds (including persons holding Senior Series 2013 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Senior Series 2013 Bonds for federal income tax purposes.

"*Dissemination Agent*" means the Authority, or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Authority a written acceptance of such designation.

"*EMMA System*" means the MSRB's Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

"*Holders*" means either the registered owners of the Senior Series 2013 Bonds, or if the Senior Series 2013 Bonds are registered in the name of The Depository Trust Company or other recognized securities depository, any applicable participant in its depository system.

"*Listed Events*" means any of the events listed in Section 5(a) of this Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, or any successor thereto.

"*Obligated Person*" means the Authority and each airline or other entity using the Airport System under a lease or use agreement extending for more than one year from the date in question and including bond debt service as part of the calculation of rates and charges, under which lease or use agreement such airline or other entity has paid amounts equal to at least 20% of the Revenues of the Airport System for the prior two Fiscal Years of the Authority.

"*Official Statement*" means the Official Statement, dated [__________], 2013, prepared and distributed in connection with the initial sale of the Senior Series 2013 Bonds.

"*Participating Underwriter*" means any of the original underwriters of the Senior Series 2013 Bonds required to comply with the Rule in connection with the offering of the Senior Series 2013 Bonds.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"*State*" means the State of California.

Section 3. Provision of Annual Reports.

(a) The Authority shall provide, or shall cause the Dissemination Agent to provide, to the MSRB through the EMMA System (in an electronic format and accompanied by identifying information all as prescribed by the MSRB) an Annual Report which is consistent with the requirements of Section 4 of this Certificate by not later than 181 days after the end of the Authority's fiscal year in each fiscal year. The Authority's first Annual Report shall be due December [__], 2013. Not later than 15 Business Days prior to said date, the Authority shall provide the Annual Report to the Dissemination Agent (if other than the Authority). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Certificate. The audited financial statements of the Authority may be submitted separately from the balance of the Annual Report if they are not available by the date of submission, provided such financial statements are submitted within 210 days after the end of the Authority's fiscal year. If the Authority's fiscal year changes, the Authority, upon becoming aware of such change, shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

(b) If by 15 Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Dissemination Agent (if other than the Authority) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Authority to determine if the Authority is in compliance with subsection (a).

(c) If the Authority is unable to provide to the MSRB or the Dissemination Agent (if other than the Authority), an Annual Report by the date required in subsection (a), the Authority shall send a notice to the MSRB through the EMMA System in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent (or the Authority, as applicable) shall confirm in writing to the Authority that the Annual Report has been filed as required hereunder, stating the date filed.

Section 4. Content of Annual Reports.

(a) The Authority's Annual Report shall contain or incorporate by reference the following, updated to incorporate information for the most recent fiscal or calendar year, as applicable (the tables referred to below are those appearing in the Official Statement relating to the Senior Series 2013 Bonds, unless otherwise noted):

(i) Audited financial statements of the Authority, updated to incorporate information for the most recent fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, and as further modified according to applicable State law. If the Authority's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the usual format utilized by the Authority, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available;

(ii) Table 4 — San Diego County Regional Airport Authority, Future Rental Commitments;

(iii) Table 5 — San Diego International Airport, Air Carriers Serving San Diego International Airport;

(iv) Table 6 — San Diego International Airport, Total Enplanements;

(v) Table 7 — San Diego International Airport, Air Traffic Data;

(vi) Table 8 — San Diego International Airport, Historical Enplaned and Deplaned Freight and U.S. Mail Cargo;

(vii) Table 9 — San Diego International Airport, Enplanements by Air Carriers;

(viii) Table 10 — San Diego International Airport, Total Revenue Landed Weight;

(ix) Table 12 — San Diego County Regional Airport Authority, Investments;

(x) Table 13 — San Diego County Regional Airport Authority, Statements of Revenues, Expenses and Change in Net Assets;

(xi) Table 14 — San Diego County Regional Airport Authority, Top Ten Operating Revenue Providers;

(xii) Table 15 — San Diego County Regional Airport Authority, Top Ten Operating Revenue Sources;

(xiii) Table 16 — San Diego County Regional Airport Authority, Historical Senior and Subordinate Debt Service Coverage;

(xiv) Table 17 — San Diego International Airport, Airline Derived Revenue Per Passenger;

(xv) Table 21 — San Diego County Regional Airport Authority, Approved PFC Applications; and

(xvi) Table 22 — San Diego County Regional Airport Authority, Annual Receipt of PFCs;

(b) All or any portion of the information of the Annual Report may be incorporated in the Annual Report by cross reference to any other documents which have been filed with the MSRB.

(c) Information contained in an Annual Report for any fiscal year containing any modified operating data or financial information (as contemplated by Section 8 hereof) for such fiscal year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Report being provided for such fiscal year. If a change in accounting principles is included in any such modification, such Annual Report shall present a comparison between the financial statements or information prepared on the basis of modified accounting principles and those prepared on the basis of former accounting principles.

Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues of the Authority or related public entities, which have been submitted to the MSRB. If the document included by reference is a final official statement, it must be available from the MSRB. The Authority shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Senior Series 2013 Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties;

3. Unscheduled draws on credit enhancements reflecting financial difficulties;

4. Substitution of credit or liquidity providers, or their failure to perform;

5. Adverse tax opinions with respect to the tax status of the Senior Series 2013 Bonds or, with respect to the Senior Series 2013 Bonds, the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

6. Tender offers;

7. Defeasances;

8. Rating changes; or

9. Bankruptcy, insolvency, receivership or similar event of the obligated person;

> Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Senior Series 2013 Bonds, if material, not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Senior Series 2013 Bonds or other material events affecting the tax status of the Senior Series 2013 Bonds;

2. Modifications to rights of the Owners of the Senior Series 2013 Bonds;

3. Optional, unscheduled or contingent bond calls;

4. Release, substitution or sale of property securing repayment of the Senior Series 2013 Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional trustee or the change of name of a trustee;

(c) The Authority shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3(a), as provided in Section 3.

(d) Whenever the Authority obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the Authority shall determine if such event would be material under applicable federal securities laws.

(e) If the Authority learns of an occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the Authority shall within ten business days of occurrence file a notice of such occurrence with the MSRB through the EMMA System in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Senior Series 2013 Bonds pursuant to the Subordinate Indenture.

Section 6. Termination of Reporting Obligation. The Authority's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment of amounts fully sufficient to pay and discharge the Senior Series 2013 Bonds, or upon delivery to the Dissemination Agent (if other than the Authority) of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. If such termination occurs prior to the final maturity of the Senior Series 2013 Bonds, the Authority shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

Section 7. Dissemination Agent. From time to time, the Authority may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than the Authority) shall be entitled to reasonable compensation for its services hereunder and reimbursement of its out of pocket expenses (including, but not limited to, attorneys' fees). The Dissemination Agent (if other than the Authority) shall not be responsible in any manner for the content of any notice or report prepared by the Authority pursuant to this Certificate.

Section 8. Amendment Waiver. Notwithstanding any other provision of this Certificate, the Authority may amend this Certificate, and any provision of this Certificate may be waived, provided that all of the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5, it may only be made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, change in law (including rules or regulations) or in interpretations thereof, or change in the identity, nature or status of an obligated person with respect to the Senior Series 2013 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Senior Series 2013 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Senior Series 2013 Bonds in the same manner as provided in the Subordinate Indenture for amendments to the Subordinate Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Senior Series 2013 Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the Authority shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(e), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Certificate. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Certificate, the Authority shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Authority to comply with any provision of this Certificate, any Holder or Beneficial Owner of the Senior Series 2013 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority or the Dissemination Agent (if other than the Authority), as the case may be, to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Subordinate Indenture and the sole remedy under this Certificate in the event of any failure of the Authority or the Dissemination Agent (if other than the Authority) to comply with this Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are expressly and specifically set forth in this Certificate, and the Authority agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any claims, losses, expenses and liabilities which such Dissemination Agent may incur arising out of or in the exercise or performance of the powers and duties given to the Dissemination Agent hereunder, including the costs and expenses (including attorneys' fees) of defending, in any manner or forum, against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct, subject to the Subordinate Indenture. The obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Senior Series 2013 Bonds.

Section 12. Beneficiaries. This Certificate shall inure solely to the benefit of the Authority, the Dissemination Agent, the Participating Underwriter and the Holders and beneficial Owners from time to time of the Senior Series 2013 Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, the undersigned has hereunto signed and executed this Certificate this [__]th day of January, 2013.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

By ______________________________
Thella F. Bowens
President and CEO

Approved as to form:

By ______________________________
Breton K. Lobner
General Counsel

[Signature page to Continuing Disclosure Certificate]

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	San Diego County Regional Airport Authority
Name of Bond Issue:	Senior Airport Revenue Bonds, Series 2013A
	Senior Airport Revenue Bonds, Series 2013B
Date of Issuance:	January [__], 2013
CUSIP:	79739G____

NOTICE IS HEREBY GIVEN that the San Diego County Regional Airport Authority (the "Authority") has not provided an Annual Report with respect to the above named Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated January [__], 2013, executed by the Authority for the benefit of the holders and beneficial owners of the above referenced bonds. The Authority anticipates that the Annual Report will be filed by _________, 20__.

Dated:___________________________

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

By: ____
Authorized Representative

RESOLUTION NO. 2012-0128

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY (1) AUTHORIZING THE REFUNDING AND DEFEASANCE OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY AIRPORT REVENUE REFUNDING BONDS, SERIES 2005, (2) APPROVING A FORM OF ESCROW AGREEMENT, AND (3) AUTHORIZING AND DIRECTING CERTAIN ACTIONS WITH RESPECT THERETO

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

WHEREAS, the Authority has been formed for the purposes of: (a) operating the Airport System (as defined in the hereinafter defined Master Senior Indenture), (b) planning and operating any future airport that could be developed as a supplement or replacement to San Diego International Airport (Lindbergh Field) ("Airport"), (c) developing a comprehensive land use plan, as it may relate to the Airport System, for the entire County, and (d) serving as the region's airport land use commission; and

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

WHEREAS, the Act provides that the Authority shall have the power to issue bonds, from time to time, payable from revenue of any facility or enterprise operated, acquired, or constructed by the Authority, for any of the purposes authorized under the Act in accordance with the Revenue Bond Law of 1941 Chapter 6 (commencing with §54300) of Part 1 of Division 2 of Title 5 of the California Government Code, excluding Article 3 (commencing with §54380) of Chapter 6 of Part 1 of Division 2 of Title 5 of the California Government Code and the limitations set forth in California Government Code §54402(b), which shall not apply to the issuance and sale of bonds pursuant to the Act; and

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

WHEREAS, the Authority previously entered into that certain Master Trust Indenture, dated as of November 1, 2005 ("Master Senior Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as trustee ("Senior Trustee"); and

WHEREAS, pursuant to the Master Senior Indenture and the First Supplemental Trust Indenture, dated as of November 1, 2005 ("First Supplemental Senior Indenture"), by and between the Authority and the Senior Trustee, the Authority issued its San Diego County Regional Airport Authority Airport Revenue Refunding Bonds, Series 2005 (the "Senior Series 2005 Bonds"), which are currently outstanding in the aggregate principal amount of $34,530,000; and

WHEREAS, the Authority previously entered into that certain Master Subordinate Trust Indenture, dated as of September 1, 2007, as amended ("Master Subordinate Indenture"), by and between the Authority and Deutsche Bank National Trust Company, as trustee ("Subordinate Trustee"), pursuant to which the Authority may issue, from time to time, Subordinate Obligations (as defined in the Master Subordinate Indenture) that are payable from and secured by Subordinate Net Revenues (as defined in the Master Subordinate Indenture); and

WHEREAS, pursuant to the Master Subordinate Indenture and the First Supplemental Subordinate Trust Indenture, dated as of September 1, 2007, by and between the Authority and the Subordinate Trustee, the Authority implemented a commercial paper program pursuant to which it may issue, from time to time, its Subordinate Airport Revenue Commercial Paper Notes, Series A (Non-AMT), Series B (AMT), and Series C (Taxable) ("Series C Commercial Paper Notes") in an aggregate principal amount not to exceed $250,000,000 outstanding at any one time; and

WHEREAS, in order for certain amendments to the Master Senior Indenture to become effective in a timely manner, it is necessary to refund and defease the Senior Series 2005 Bonds by providing for the issuance of Series C Commercial Paper Notes, the proceeds of which, along with certain other available moneys, will be used to refund and defease all of the outstanding Senior Series 2005 Bonds; and

WHEREAS, the Board has previously adopted a Debt Issuance and Management Policy ("Policy") which establishes a policy governing the debt issuance and management policies of the Authority; and

WHEREAS, pursuant to the Policy, a refunding of outstanding obligations (such as the Senior Series 2005 Bonds) may be permitted if certain targeted savings amounts can be achieved, or alternatively, a refunding may be permitted for other than economic purposes, such as to retire a particular bond issue in order to eliminate restrictive indenture provisions or covenants; and

WHEREAS, the refunding and defeasance of the Senior Series 2005 Bonds will not result in economic savings to the Authority, but will enable the Authority to amend the Master Senior Indenture to restructure certain restrictive provisions which will thereafter provide the Authority with broader and more flexible financing options; and

WHEREAS, there has been presented to the Board a form of an Escrow Agreement ("Escrow Agreement"), to be entered into by and between the Authority and the Senior Trustee, as trustee and escrow agent, with respect to the refunding and defeasance of all of the outstanding Senior Series 2005 Bonds; and

WHEREAS, the Escrow Agreement will be modified and amended to reflect the various details applicable to the refunding and defeasance of the Senior Series 2005 Bonds; and

WHEREAS, the Authority has recommended the selection of The Bank of New York Mellon Trust Company, N.A. to act as escrow agent under the Escrow Agreement; and

NOW, THEREFORE, BE IT RESOLVED that the Board hereby authorizes:

Section 1. Refunding and Defeasance of the Senior Series 2005 Bonds. The Board hereby authorizes the refunding and defeasance of all of the outstanding Senior Series 2005 Bonds. Such refunding and defeasance shall be accomplished with (a) proceeds to be received from the issuance, from time to time, of Series C Commercial Paper Notes, in aggregate principal amounts sufficient to refund and defease all of the outstanding Senior Series 2005 Bonds, and/or (b) any other available moneys of the Authority.

Section 2. Approval of Escrow Agreement; Authorization for Execution. The form, terms and provisions of the Escrow Agreement are in all respects approved and the President/CEO (Executive Director) of the Authority and the Vice President, Finance/CFO and Treasurer of the Authority, any one or more thereof (each a "Designated Officer"), are hereby authorized, empowered and directed to execute and deliver the Escrow Agreement, including counterparts thereof, in the name and on behalf of the Authority. The Escrow Agreement, as executed and delivered, shall be in substantially the form now before this meeting and hereby approved, or with such changes therein as shall be approved by the officer or officers of the Authority executing the same; the execution thereof shall constitute conclusive evidence of the Board's approval of any and all changes or revisions therein from the form of the Escrow Agreement now before this meeting; and from and after the execution and delivery of the Escrow 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 Escrow Agreement.

Section 3. Escrow Agent. The Board hereby appoints The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent") with respect to the refunding and defeasance of the Senior Series 2005 Bonds. Such appointment shall be effective upon the execution and delivery of the Escrow Agreement and shall remain in effect until the Authority shall, pursuant to the terms of the Escrow Agreement, name a substitute or successor thereto.

Section 4. Defeasance Notices. Each Designated Officer, or any one of them, on behalf of the Authority, is further authorized and directed to give or cause to be given any notices of defeasance as may be required pursuant to the Master Senior Indenture or the First Supplemental Senior Indenture, in connection with the defeasance of the Senior Series 2005 Bonds, and any prior notices given by the Authority are hereby ratified, confirmed and approved.

Section 5. Additional Authorization. The Designated Officers and all officers, agents and employees of the Authority, for and on behalf of the Authority, are hereby authorized and directed to do any and all things necessary to effect the refunding and defeasance of the Senior Series 2005 Bonds (including, but not limited to, engaging one or more verification agents), and the execution and delivery of the Escrow Agreement, and to carry out the terms thereof. All such actions taken by such Designated Officers and such other persons, for and on behalf of the Authority, pursuant to the authority of this Resolution, are hereby approved. The Designated Officers and all other 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 Escrow Agreement, or to evidence said authority and its exercise.

Section 6. 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 7. Governing Law. This resolution shall be construed and governed in accordance with the laws of the State of California.

Section 8. 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 9. Effective Date of Resolution. This Resolution shall take effect from and after its passage and approval.

BE IT FURTHER RESOLVED by the Board that it finds that this Board 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 13TH day of December, 2012 by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

TONY R. RUSSELL
DIRECTOR, CORPORATE SERVICES/
AUTHORITY CLERK

APPROVED AS TO FORM:

BRETON K. LOBNER
GENERAL COUNSEL

KUTAK ROCK LLP
DRAFT #2 (11/12/12)

ESCROW AGREEMENT

by and between

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee and Escrow Agent

Dated [__________], 201[__]

Relating to Defeasance of:

San Diego County Regional Airport Authority
Airport Revenue Refunding Bonds
Series 2005

ESCROW AGREEMENT

THIS ESCROW AGREEMENT, dated [________], 201[__] (this "***Escrow Agreement***"), is made by and between the **SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**, a local government entity of the regional government created pursuant to the laws of the State of California (the "***Authority***"), and **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**, a national banking association organized and existing under the laws of the United States of America (formerly known as The Bank of New York Trust Company, N.A.), as trustee under the hereinafter defined Master Indenture and First Supplemental Indenture, and as escrow agent (the "***Trustee/Escrow Agent***").

WITNESSETH:

WHEREAS, the Authority has previously issued its San Diego County Regional Airport Authority Airport Revenue Refunding Bonds, Series 2005 (the "***Series 2005 Bonds***"), pursuant to the Master Trust Indenture, dated as of November 1, 2005 (the "***Master Indenture***") and the First Supplemental Trust Indenture, dated as of November 1, 2005 (the "***First Supplemental Indenture***"), both by and between the Authority and the Trustee/Escrow Agent, as trustee; and

WHEREAS, on [__________], 20[__], the Authority issued its San Diego County Regional Airport Authority Subordinate Airport Revenue Commercial Paper Notes, Series C (Taxable) (the "***Subordinate CP Notes***"), under the terms of the Master Subordinate Trust Indenture, dated as of September 1, 2007, as amended (the "***Master Subordinate Indenture***"), by and between the Authority and Deutsche Bank National Trust Company, as trustee (the "***Subordinate Trustee***"), and the First Supplemental Subordinate Trust Indenture, dated as of September 1, 2007 (the "***First Supplemental Subordinate Indenture***") by and between the Authority and the Subordinate Trustee; and

WHEREAS, the Subordinate CP Notes were issued, among other things, to advance refund and defease the Series 2005 Bonds set forth in Exhibit A attached hereto (the "***Refunded Bonds***"); and

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

Section 1. Creation of Escrow Fund. There is hereby created and established with the Trustee/Escrow Agent a special and irrevocable escrow fund designated "San Diego County Regional Airport Authority Airport Revenue Refunding Bonds, Series 2005 Escrow Fund" (herein referred to as the "***Escrow Fund***") to be held in the custody of the Trustee/Escrow Agent in trust under this Escrow Agreement for the benefit of the owners of the Refunded Bonds. Except as otherwise provided in Section 5 hereof, the Authority shall have no interest in the funds or investments held in the Escrow Fund.

Section 2. Deposit to the Escrow Fund.

(a) Concurrently with the execution and delivery of this Escrow Agreement, the Authority hereby directs the Trustee/Escrow Agent to, and the Trustee/Escrow Agent shall, deposit to the Escrow Fund $[__________], received by the Trustee/Escrow Agent from the Subordinate Trustee which was derived from the proceeds of the sale of the Subordinate CP Notes.

(b) The Authority hereby directs the Trustee/Escrow Agent to, and the Trustee/Escrow Agent shall, on [__________], 201[__], transfer or cause to be transferred (i) $[__________] from the Series 2005 Debt Service Fund (as established and maintained by the Trustee/Escrow Agent pursuant to the Master Indenture and the First Supplemental Indenture), and (ii) $[_________] from the Series 2005 Reserve Account (as established and maintained by the Trustee/Escrow Agent pursuant to the Master Indenture and the First Supplemental Indenture), to the Escrow Fund.

(c) The Trustee/Escrow Agent hereby acknowledges receipt of $[_____________], as described in paragraphs (a) and (b) above, and that such amounts were deposited in the Escrow Fund.

(d) The Authority hereby directs the Trustee/Escrow Agent to, and the Trustee/Escrow Agent shall, on [___________], 201[__], use $[_________] on deposit in the Escrow Fund to purchase the securities described in Schedule I attached hereto (the "***Initial Government Securities***"), and shall retain $[___] in the Escrow Fund as a beginning cash balance.

Section 3. Investment of the Escrow Fund. The Trustee/Escrow Agent shall purchase the Initial Government Securities as provided in Section 2 hereof and shall hold such Initial Government Securities, the beginning cash balances and any earnings received thereon and any reinvestment thereof created by this Escrow Agreement and disburse such amounts as provided herein. The Trustee/Escrow Agent shall collect amounts due and shall sell or otherwise liquidate investments in the Escrow Fund as needed to make the payments and transfers required by this Escrow Agreement and may substitute Government Securities, as defined and subject to the terms and limitations of Section 7 hereof, but otherwise shall have no power or duty to sell, transfer, request the redemption of or otherwise dispose of the Initial Government Securities.

Section 4. Creation of Lien on the Escrow Fund. The deposit of the moneys, the Initial Government Securities and any other Government Securities in the Escrow Fund shall constitute an irrevocable deposit in trust for the benefit of the holders of the Refunded Bonds. The holders of the Refunded Bonds are hereby granted an express lien on the Escrow Fund and all moneys and investments from time to time held therein for the payment of amounts described in Section 5 hereof.

Section 5. Use of Escrow Fund. The Trustee/Escrow Agent shall withdraw the amounts described in Schedule II attached hereto on the dates set forth in Schedule II from the Escrow Fund and use such amounts in its capacity as trustee for the Refunded Bonds to pay the principal of and interest on the Refunded Bonds as directed pursuant to the First Supplemental Indenture.

The Trustee/Escrow Agent shall retain all unclaimed moneys, together with interest thereon, in the Escrow Fund and shall invest such unclaimed moneys as directed in writing by an Authorized Authority Representative (as defined in the Master Indenture). At such time as the Authority delivers to the Trustee/Escrow Agent written notice that no additional amounts from the Escrow Fund will be needed to pay the principal of and interest on the Refunded Bonds, or on July [__], 2020, whichever occurs first, the Trustee/Escrow Agent shall transfer all amounts then remaining in the Escrow Fund as directed in writing by an Authorized Authority Representative, and thereafter the holders of the Refunded Bonds shall look only to the Authority for payment and the Trustee/Escrow Agent shall have no responsibility or liability whatsoever with respect to any of such moneys. At such time as no amounts remain in the Escrow Fund, such fund shall be closed.

Section 6. Notice of Defeasance of Refunded Bonds. The Trustee/Escrow Agent is hereby irrevocably instructed and the Trustee/Escrow Agent hereby agrees to, as soon as possible, give or cause to be given notice of defeasance of the Refunded Bonds (a form of such notice of defeasance being included in Exhibit B attached hereto). Such notice of defeasance shall be mailed to The Depository Trust Company.

Section 7. Reinvestment; Substitution of Government Securities. EXCEPT AS SPECIFICALLY PROVIDED BELOW, THE TRUSTEE/ESCROW AGENT MAY NOT SELL, TRANSFER, REQUEST THE REDEMPTION OF OR OTHERWISE DISPOSE OF THE INITIAL GOVERNMENT SECURITIES.

Interest income and other amounts received by the Trustee/Escrow Agent as payments on the Initial Government Securities held in the Escrow Fund shall be held as part of the Escrow Fund to be used for the purposes set forth in Section 5 hereof and may be invested by the Trustee/Escrow Agent at the written direction of the Authority; provided that (a) such amounts may only be invested in Government Securities as defined in this Section 7; and (b) such investments shall have maturities which do not extend beyond the date on which the moneys so invested will be needed to make payments required by Section 5 hereof.

Upon the fulfillment of the conditions set forth in this Section 7, the Trustee/Escrow Agent at the written direction of the Authority may sell, liquidate or otherwise dispose of some or all of the Initial Government Securities then held as an investment of the Escrow Fund and reinvest the proceeds thereof, together with other moneys held in the Escrow Fund in different Government Securities; provided that no such substitution shall occur unless the Authority shall first deliver to the Trustee/Escrow Agent (a) an opinion by an independent certified public accountant that, after such reinvestment or substitution, the principal amount of the Government Securities then held in such Escrow Fund, together with the interest thereon and other available moneys therein, will be sufficient to pay the principal of and interest on the Refunded Bonds secured by the Escrow Fund on the dates and in the amounts as required pursuant to the First Supplemental Indenture; and (b) an opinion of nationally recognized bond counsel to the effect that such sale, liquidation or other disposition and substitution of different Government Securities is permitted under this Escrow Agreement, the First Supplemental Indenture and the Master Indenture, and will not have any adverse effect with respect to the exemption of the interest on the Refunded Bonds from income taxation under the Internal Revenue Code of 1986, as amended; provided further that no opinions shall be required pursuant to this Section 7 with respect to the reinvestment of any moneys derived from Government Securities held in the Escrow Fund hereunder which have matured so long as such moneys are reinvested in Government Securities maturing not later than the date such funds are required to pay the principal of and interest on the Refunded Bonds.

"***Government Securities***," as used in this Escrow Agreement, means only

(a) noncallable direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by the full faith and credit of, the United States of America, and which are limited to:

(i) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series—"SLGS" and any stripped interest on the principal portion of such U.S. Treasury Certificates, Notes and Bonds); or

(ii) Resolution Funding Corp. (REFCORP), only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book-entry form are acceptable; and

(b) Obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by the Government National Mortgage Association or the Farmers Home Administration.

Section 8. Liability of Trustee/Escrow Agent.

(a) The Trustee/Escrow Agent shall not under any circumstance be liable for any loss resulting from any investment made pursuant to this Escrow Agreement in compliance with the provisions hereof. The Trustee/Escrow Agent shall have no lien whatsoever on the Escrow Fund or moneys on deposit in the Escrow Fund for the payment of fees and expenses for services rendered by the Trustee/Escrow Agent under this Escrow Agreement or otherwise.

(b) The Trustee/Escrow Agent shall not be liable for the accuracy of the calculations as to the sufficiency of any moneys deposited into the Escrow Fund or the Initial Government Securities or any Government Securities purchased at the direction of the Authority to pay the principal of and interest on the Refunded Bonds.

(c) The Authority agrees that if for any reason the investments and moneys and other funds available to pay principal of and interest on the Refunded Bonds are insufficient therefor, the Authority shall continue to be liable for payment therefor in accordance with the terms of the First Supplemental Indenture.

(d) No provision of this Escrow Agreement shall require the Trustee/Escrow Agent to expend or risk its own funds.

(e) The Trustee/Escrow Agent may consult with bond counsel to the Authority or with such other counsel of its own choice subject to reasonable approval by the Authority (which may but need not be counsel to the Authority) and the opinion of such counsel shall be full and complete authorization to take or suffer in good faith any action in accordance with such opinion of counsel.

(f) Whenever in the administration of this Escrow Agreement the Trustee/Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or not taking any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of gross negligence or willful misconduct on the part of the Trustee/Escrow Agent, be deemed to be conclusively proved and established by a certificate of an Authorized Authority Representative, and such certificate shall, in the absence of gross negligence or willful misconduct on the part of the Trustee/Escrow Agent, be full warrant to the Trustee/Escrow Agent for any action taken or not taken by it under the provisions of this Escrow Agreement in reliance thereon. Except with respect to any future reinvestment or substitution of Government Securities as may be directed by the Authority as set forth in Section 7 hereof, the Trustee/Escrow Agent hereby represents that, as of the date hereof, it does not need any further certificate or direction from any other party in order to carry out the terms of this Escrow Agreement.

(g) The Trustee/Escrow Agent may conclusively rely, as to the truth and accuracy of the statements and correctness of the opinions and the calculations provided, and shall be protected and indemnified as set forth in Section 12 hereof, in acting, or refraining from acting, upon any written notice, instruction, request, certificate, document or opinion furnished to the Trustee/Escrow Agent signed or presented by the proper party, and it need not investigate any fact or matter stated in such notice, instruction, request, certificate or opinion.

(h) The Trustee/Escrow Agent undertakes to perform only such duties as are expressly and specifically set forth in this Escrow Agreement and no implied duties or obligations shall be read into this Escrow Agreement against the Trustee/Escrow Agent.

(i) The Trustee/Escrow Agent shall not have any liability hereunder except to the extent of its own gross negligence or willful misconduct. In no event shall the Trustee/Escrow Agent be liable for any special indirect or consequential damages.

(j) The Trustee/Escrow Agent shall not be responsible for any of the recitals or representations contained herein.

(k) The liability of the Trustee/Escrow Agent to make the payments required pursuant to Section 5 hereof shall be limited to the moneys, the Initial Government Securities and the Government Securities on deposit in the Escrow Fund.

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

(m) The Trustee/Escrow Agent may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed.

(n) The Trustee/Escrow Agent agrees to accept and act upon instructions or directions pursuant to this Escrow Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that the Trustee/Escrow Agent shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Authority elects to give the Trustee/Escrow Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee/Escrow Agent in its discretion elects to act upon such instructions, the Trustee/Escrow Agent's understanding of such instructions shall be deemed controlling. The Trustee/Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Authority agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee/Escrow Agent, including without limitation the risk of the Trustee/Escrow Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

Section 9. Successor Trustee/Escrow Agent. Any corporation into which the Trustee/Escrow Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion, consolidation or tax-free reorganization to which the Trustee/Escrow Agent shall be a party or any corporation succeeding to the corporate trust business of the Trustee/Escrow Agent, shall be the successor Trustee/Escrow Agent under this Escrow Agreement without the execution or filing of any paper or any other act on the part of the parties hereto, anything herein to the contrary notwithstanding.

Section 10. Termination. This Escrow Agreement shall terminate when all transfers and payments required to be made by the Trustee/Escrow Agent under the provisions hereof shall have been made. Any deficiency in the amounts required to be paid hereunder shall be paid by the Authority. The Authority hereby directs the Trustee/Escrow Agent to, and the Trustee/Escrow Agent shall, distribute any moneys remaining in the Escrow Fund at the time of such termination as directed in writing by an Authorized Authority Representative, as required pursuant to <u>Section 5</u> hereof.

Section 11. Tax-Exempt Nature of Interest on the Refunded Bonds. The Authority covenants and agrees for the benefit of the holders of the Refunded Bonds that it shall at all times do and perform all acts and things permitted by law which are necessary or desirable in order to assure that interest paid on the Refunded Bonds will not be included in gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended, and shall take no action that would result in such interest being included in gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended.

Section 12. Compensation and Indemnity of Trustee/Escrow Agent. For acting under this Escrow Agreement, the Trustee/Escrow Agent shall be entitled to payment of fees of $[______] annually for its services, including, without limitation, reasonable compensation for all services rendered in the execution, exercise and performance of any of the duties of the Trustee/Escrow Agent to be exercised or performed pursuant to the provisions of this Escrow Agreement, and all reasonable expenses, disbursements and advances incurred in accordance with any provisions of this Escrow Agreement (including the reasonable compensation and expenses and disbursements of independent counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties hereunder and out-of-pocket expenses including, but not limited to, postage, insurance, wires, stationery, costs of printing forms and letters and publication of notices of defesance); however, such amount shall never be payable from or become a lien upon the Escrow Fund, which fund shall be held solely for the purposes and subject to the liens set forth in Sections 4 and 5, respectively, hereof. To the extent permitted by law, the Authority agrees to indemnify and hold the Trustee/Escrow Agent harmless from and against all claims, suits and actions brought against it, or to which it is made a party, and from all costs, expenses (including reasonable attorneys' fees of counsel reasonably acceptable to the Authority), losses and damages suffered by it as a result thereof, including the costs and expenses of defending against any such claims, suits or actions, where and to the extent such claim, suit or action arises out of the performance by the Trustee/Escrow Agent of its duties under this Escrow Agreement; provided, however, that such indemnification shall not extend to claims, suits and actions brought against the Trustee/Escrow Agent which result in a judgment being entered, settlement being reached or other disposition made based upon the Trustee/Escrow Agent's gross negligence or willful misconduct. The indemnification provided for in this Escrow Agreement shall never be payable from or become a lien upon the Escrow Fund, which fund shall be held solely for the purpose and subject to the liens set forth in Sections 4 and 5, respectively, hereof. The obligations of the Authority under this Section shall remain in effect and continue notwithstanding the termination of this Escrow Agreement or the resignation or removal of the Trustee/Escrow Agent.

Section 13. Third-Party Beneficiaries and Amendments. The owners of the Refunded Bonds are hereby recognized as third-party beneficiaries of this Escrow Agreement to the extent of their interests in the Escrow Fund, as set forth in Sections 4 and 5 hereof.

Section 14. Replacement and Resignation of Trustee/Escrow Agent. The Authority may remove the Trustee/Escrow Agent and/or the Trustee/Escrow Agent may resign pursuant to the provisions of Section 9.09 of the Master Indenture and the applicable provisions of the First Supplemental Indenture.

Section 15. Severability. If any one or more of the provisions of this Escrow Agreement should be determined by a court of competent jurisdiction to be contrary to law, such provision shall be deemed and construed to be severable from the remaining provisions herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

Section 16. Successors and Assigns. All of the covenants and agreements in this Escrow Agreement contained by or on behalf of the Authority or the Trustee/Escrow Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

Section 17. Governing Law. This Escrow Agreement shall be governed by the applicable laws of the State of California.

Section 18. Headings. Any headings preceding the text of the several Sections hereof, and any table of content appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Escrow Agreement, nor shall they affect its meaning, construction or effect.

Section 19. Amendments. The Authority and the Trustee/Escrow Agent shall not modify this Escrow Agreement without the consent of all of the owners of the Refunded Bonds affected by such modification which have not been paid in full.

Section 20. Counterparts. This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

[End of Escrow Agreement]

IN WITNESS WHEREOF, the parties hereto have each caused this Escrow Agreement to be executed by their duly authorized officers 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 Services/
Authority Clerk

Approved as to form:

By ____________________________
Breton K. Lobner
General Counsel

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee and Escrow Agent

By ____________________________________
Authorized Representative

[Signature page to Escrow Agreement]

EXHIBIT A

REFUNDED BONDS

San Diego County Regional Airport Authority
Airport Revenue Refunding Bonds
Series 2005

Maturity Date (July 1)	Principal Amount	CUSIP Number
2013	$3,610,000	79739GAH9
2014	3,790,000	79739GAJ5
2015	3,985,000	79739GAK2
2016	4,160,000	79739GAL0
2017	4,380,000	79739GAM8
2018	4,615,000	79739GAN6
2019	4,865,000	79739GAP1
2020	5,125,000	79739GAQ9

EXHIBIT B

FORM OF NOTICE OF DEFEASANCE

NOTICE OF DEFEASANCE

RELATING TO:

San Diego County Regional Airport Authority
Airport Revenue Refunding Bonds
Series 2005

Notice is hereby given to the holders of the below listed San Diego County Regional Airport Authority Airport Revenue Refunding Bonds, Series 2005 (the "Series 2005 Bonds") that: (i) such Series 2005 Bonds have been defeased; (ii) there has been deposited with The Bank of New York Mellon Trust Company, N.A., as Trustee/Escrow Agent, moneys and investment securities as permitted by the Master Trust Indenture, dated as of November 1, 2005, as amended (the "Master Indenture"), and the First Supplemental Trust Indenture, dated as of November 1, 2005 (the "First Supplemental Indenture"), both by and between the San Diego County Regional Airport Authority (the "Authority"), and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as trustee, the principal of and the interest on which when paid will provide moneys which will be sufficient and available to pay the principal of and interest on the Series 2005 Bonds when due, and (iii) the Series 2005 Bonds are deemed paid for purposes of the Master Indenture and the First Supplemental Indenture.

Maturity Date July 1	Principal Amount	CUSIP Number*
2013	$3,610,000	79739GAH9
2014	3,790,000	79739GAJ5
2015	3,985,000	79739GAK2
2016	4,160,000	79739GAL0
2017	4,380,000	79739GAM8
2018	4,615,000	79739GAN6
2019	4,865,000	79739GAP1
2020	5,125,000	79739GAQ9

* Neither the Authority nor the Trustee/Escrow Agent will be held responsible for the selection or use of the CUSIP numbers, nor is any representation made as to their correctness indicated in this Notice of Defeasance. They are included solely for the convenience of the Bondholders.

Dated this ____ day of [__________], 201[__].

The Bank of New York Mellon Trust Company, N.A., as Trustee

SCHEDULE I

INITIAL GOVERNMENT SECURITIES

Maturity Date	Type	Yield	Price	Par Amount	Total Cost	CUSIP No.

Uninvested cash: $[_________]

SCHEDULE II

PAYMENT REQUIREMENTS FOR REFUNDED BONDS

Payment Date	Principal	Interest	Total
January 1, 2013	$ 0.00	$877,237.50	$ 877,237.50
July 1, 2013	3,610,000.00	877,237.50	4,487,237.50
January 1, 2014	0.00	786,987.50	786,987.50
July 1, 2014	3,790,000.00	786,987.50	4,576,987.50
January 1, 2015	0.00	692,237.50	692,237.50
July 1, 2015	3,985,000.00	692,237.50	4,677,237.50
January 1, 2016	0.00	607,556.25	607,556.25
July 1, 2016	4,160,000.00	607,556.25	4,767,556.25
January 1, 2017	0.00	498,356.25	498,356.25
July 1, 2017	4,380,000.00	498,356.25	4,878,356.25
January 1, 2018	0.00	383,381.25	383,381.25
July 1, 2018	4,615,000.00	383,381.25	4,998,381.25
January 1, 2019	0.00	262,237.50	262,237.50
July 1, 2019	4,865,000.00	262,237.50	5,127,237.50
January 1, 2020	0.00	134,531.25	134,531.25
July 1, 2020	5,125,000.00	134,531.25	5,259,531.25

Item 16

San Diego County Regional Airport Authority

AUTHORIZATION OF 1) BOND DOCUMENTS AND SALE OF GENERAL AIRPORT REVENUE BONDS, INCLUDING DELEGATION OF PRICING AUTHORITY, FOR GREEN BUILD AND CAPITAL IMPROVEMENT PROGRAM FUNDING; AND 2) DEFEASANCE OF 2005 GENERAL AIRPORT REVENUE BONDS

Vernon Evans, CPA

Vice President, Finance/Treasurer

&

Scott Brickner, CPA

Director, Financial Planning & Budget

December 13, 2012

Introduction

On October 2010 the Authority sold approximately $600 million of subordinate lien debt to provide the initial funding of the Green Build and to provide funding for portions of the Authority CIP.

Introduction (continued)

Current Debt Profile

Series	Lien	Par ($M)		Coupons	Tax Status
Outstanding Debt					
2005	Senior	$34.530	2013-2020	4.25-5.25%	AMT
2010A	Subordinate	313.150	2014-2040	4.00-5.00%	Non-AMT
2010B	Subordinate	42.360	2013-2040	3.00-5.00%	Non-AMT
2010C	Subordinate	215.360	2031-2040	6.628%**	TX BABs
CP	Subordinate	20.729	2013-2030	Variable***	AMT
Total		**$626.129**			

** 4.308% net of the federal BABs subsidy
*** Currently 0.25% for a 90 day term

Introduction (continued)

- In January 2013, the Authority will sell approximately $411.175* million of senior lien General Airport Revenue Bonds (GARBs) to complete the funding of the Green Build and to fund portions of the CIP

- Further, the Authority will refund and defease the outstanding Series 2005 senior lien GARBs with commercial paper proceeds

* Excludes Original Issue Premium of $29.6 million

Plan of Finance

- The 2013 Bonds will fund the following projects:

	Terminal	Airside	Landside	Total
Green Build	$194.5	$7.7	$57.7	**$259.9**
CIP	47.9	0.5	83.1	**131.5**
Total	**$242.5**	**$8.2**	**$140.7**	**$391.4**

$’s in millions

Plan of Finance (continued)

Sources of Funds*:	
Series 2013 Bonds	$411.2
Premium	29.5
	$440.7
Uses of Funds*:	
Project Costs	$391.4
Debt Service Reserve Fund	35.9
Capitalized Interest	9.3
Underwriters Discount & Costs of Issuance	4.1
	$440.7

* Preliminary; $'s in millions

Defeasance of the Series 2005 GARBs

- Series 2005 General Airport Revenue Bonds
  - $34.53 million currently outstanding
  - Senior lien
  - Final maturity of 7/1/2020 (non-callable)
- Resolution 2012-0129 provides for the defeasance and refunding of the 2005 GARBs with taxable Commercial Paper proceeds and the 2005 Debt Service Reserve Fund
- Commercial Paper will be repaid consistent with the Series 2005 amortization schedule
- This defeasance will allow the following amendments to the Master Senior Indenture to become effective:
  - Allows CFCs to be excluded from Revenues and to be used to support Special Facility Obligations
  - Allows BAB credit to be used as an offset to the 2010C debt service

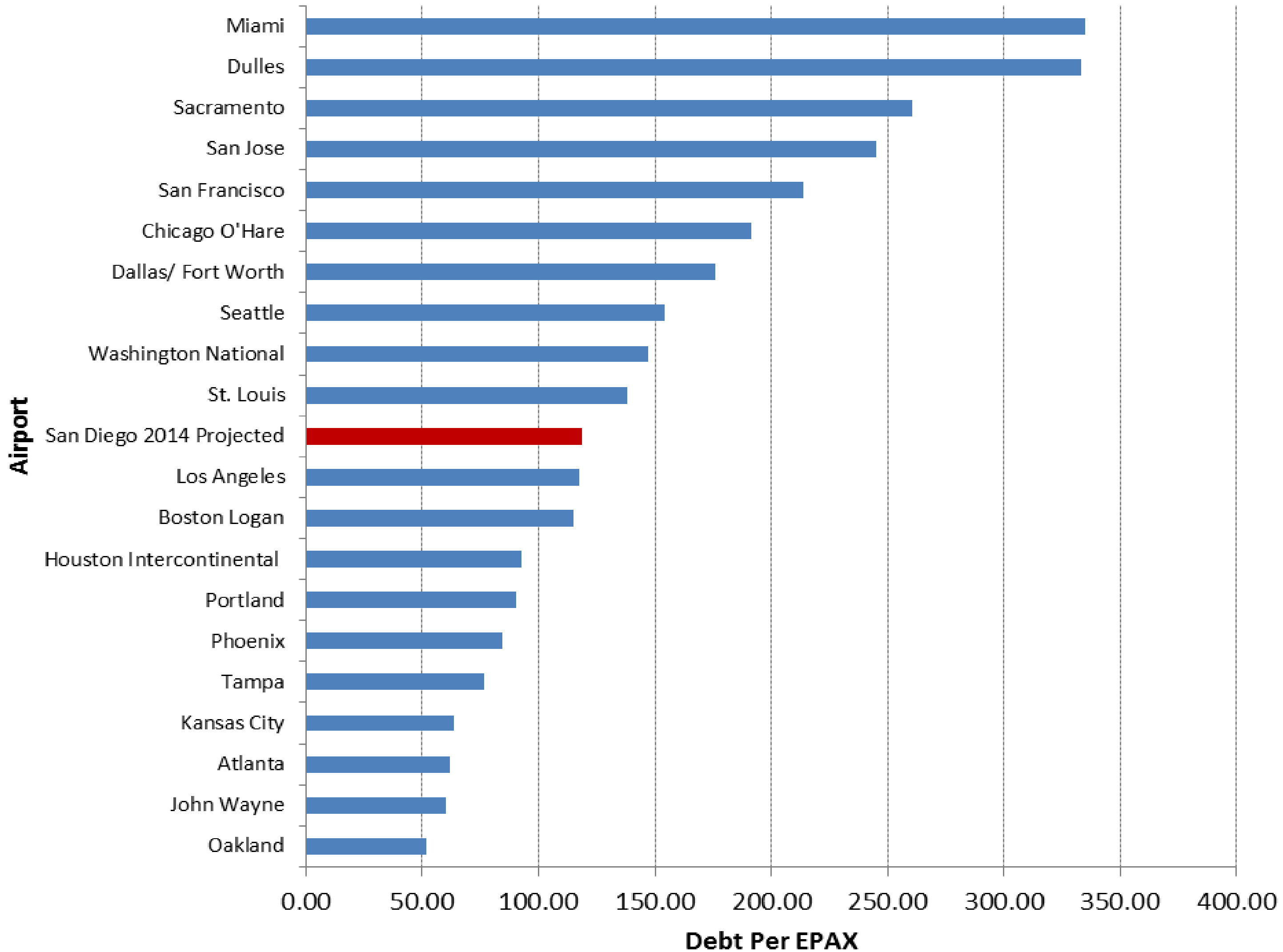
Projected Debt Profile

Series	Lien	Par ($M)		Coupons	Tax Status
Outstanding Debt					
2005	Senior	$--	2013-2020	4.25-5.25%	AMT
2010A	Subordinate	313.150	2014-2040	4.00-5.00%	Non-AMT
2010B	Subordinate	42.360	2013-2040	3.00-5.00%	Non-AMT
2010C	Subordinate	215.360	2031-2040	6.628%**	TX BABs
CP	Subordinate	20.729	2013-2030	Variable***	AMT
Estimated Future Issuance					
CP*	Subordinate	35.474	2013-2019	Variable	Taxable
2013A	Senior	112.680	2015-2043	Fixed	Non-AMT
2013B	Senior	298.495	2015-2043	Fixed	AMT
Total after Issuance		**$1,038.248**			

After the 2013 GARB issue, SAN will have $120 of debt/EPAX

* Commercial Paper will defease the $34.530M of outstanding Series 2005 bonds
** 4.308% net of the federal BABs subsidy
*** Currently 0.25% for a 90 day term

Debt Per Enplaned Passenger



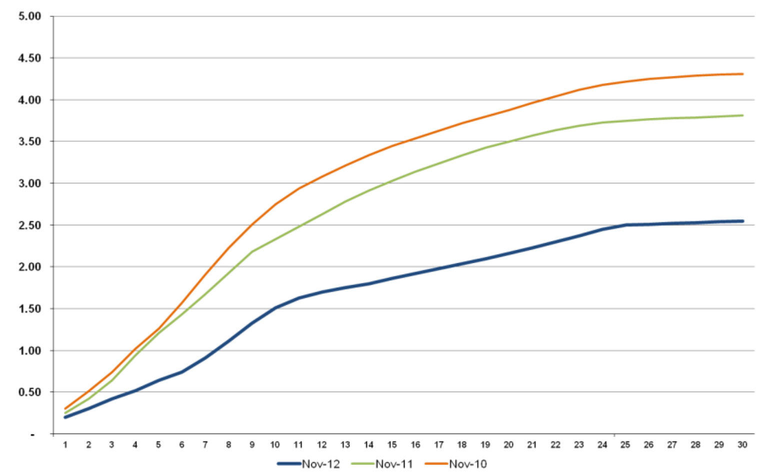
As of August 2012

Favorable Current Market Conditions

- Long term interest rates are close to historic lows
- Interest rates along the yield curve have also decreased
- The yield curve remains steep

Bond Buyer – Revenue Bond Index

MMD Yield Curve



Principal Documents of the GARB Sale

DOCUMENT	PURPOSE OF DOCUMENT
Resolution	Authorizes the issuance of the Series 2013 GARBs and approves the bond financing documents
Supplemental Indenture	Supplements the Master Senior Indenture by presenting the specific terms and features of the Series 2013 GARBs
Feasibility Report	Provides an independent forecast of traffic, revenues and expenses, and determines the sufficiency of net revenues to repay the GARBs

Principal Documents (continued)

DOCUMENT	PURPOSE OF DOCUMENT
Official Statement (Preliminary & Final)	**Discloses to investors information about the GARBs, the projects being financed with GARB proceeds and the Authority's activities and financial condition**
Bond Purchase Contract	**Commits the Underwriters to purchase the bonds from the Authority, and the Authority to sell the bonds to the Underwriters at the publicly offered prices.**
Continuing Disclosure Certificate	**Sets forth the Authority's obligation to provide to securities information repositories updated financial and operational information and notices of certain material events (as and if they occur) annually**

The Authority's Team

ROLE	FIRM	PRINCIPAL TASKS
Bond/ Disclosure Counsel	***Kutak Rock***	• **Prepares Indentures and Resolutions, and provides Validity and Tax Opinions** • **Prepares Official Statement and provides 10(b)5 ("no material omission") opinion**
Financial Advisor	***Frasca & Associates***	• **Provides financial analysis, prepares Rating Agency materials, negotiates with Underwriters and Insurer**
Feasibility Consultant	***Unison Consulting***	• **Prepares Report appended to the Official Statement that forecasts traffic and projects net revenues over the next six years in order to satisfy the "Additional Bonds Test" and the "Rate Covenant"**

The Authority's Team (continued)

ROLE	FIRM	PRINCIPAL TASKS
Underwriters	*Jefferies & Company (Senior Manager)* *Citigroup (Co-Senior)* *Cabrera Capital Markets* *J.P. Morgan* *Loop Capital Markets* *Siebert Brandford Shank & Co, LLC*	• Price and distribute Bonds to investors
Underwriters' Counsel	*Nixon Peabody*	• Prepares Bond Purchase Contract and documents related to the underwriters
Trustee Bank	*The Bank of New York Mellon Trust Company*	• Holds funds that are pledged to Senior Bondholders and takes action on their behalf

Preliminary Timetable

DATE	EVENT	RESPONSIBLE PARTY
11/26/12	Finance Committee Meeting to Forward Item to Board	Finance Committee
12/13/12	Board Meeting to Approve Transaction	Authority Board
w/o 12/10/12	Rating Agency Meetings	Authority Staff, Financial Advisor, Bond Counsel, Feasibility Consultant
1/4/13	Due Diligence Meeting/Call	Authority Staff, Underwriters' Counsel, Underwriters, Bond Counsel
1/7/13	Receive Ratings & Post POS	Authority, Financial Advisor
1/7-Pricing	Marketing Period	Underwriters
w/o 1/14/13	Price Bonds	Underwriters
w/o 1/28/13	Closing & Delivery	Entire Team

Requested Action

The Finance Committee recommends that the Board: Adopt Resolution No. 2012-0127, authorizing the issuance and sale of not to exceed $500 million in aggregate principal amount of one or more series of San Diego County Regional Airport Authority Senior Airport Revenue Bonds; Approving the forms of a Third Supplemental Trust Indenture, Preliminary and Final Official Statements, a Purchase Contract and a Continuing Disclosure Certificate, and certain related matters.

Adopt Resolution No. 2012-0129, authorizing the refunding and defeasance of its San Diego County Regional Airport Authority Airport Revenue Refunding Bonds Series 2005, approving a form of escrow agreement, and authorizing and directing certain action with respect thereto.

Questions & Answers